

CHAPTER 2—INTERNATIONAL MANAGEMENT AND CULTURAL DIVERSITY

MULTIPLE CHOICE

1. A distinguishing feature of a multinational corporation is that it
 - a. exports some of its products and services.
 - b. pays comparable wages wherever it conducts business.
 - c. has a culturally diverse group of executives.
 - d. has units in two or more countries in addition to its own.

ANS: D PTS: 1 DIF: E REF: p. 36
NAT: AACSB: Analytic, Strategy

2. The North American Free Trade Agreement (NAFTA) creates liberal trading relationships among
 - a. North American and Pacific Rim countries.
 - b. North American and European countries.
 - c. the United States and Canada.
 - d. the United States, Canada, and Mexico.

ANS: D PTS: 1 DIF: E REF: p. 37
NAT: AACSB: Analytic, Legal Responsibilities

3. A concern many labor union officials have about NAFTA is that it has created
 - a. wealthy Canadian and Mexican workers at the expense of U.S. workers.
 - b. a job loss for American workers.
 - c. widespread violations of child labor laws.
 - d. limited trade between Mexico and the United States.

ANS: B PTS: 1 DIF: D REF: p. 38
NAT: AACSB: Diversity, Legal Responsibilities

4. The major purpose of the European Union (EU) is to turn member countries into
 - a. countries with the identical currency.
 - b. a single marketplace for ideas, goods, and services.
 - c. free trade agreements with the United States.
 - d. fierce competitors.

ANS: B PTS: 1 DIF: E REF: p. 39
NAT: AACSB: Analytic, Environmental Influence

5. The World Trade Organization
 - a. imposes tariffs on countries with a history of human rights violations.
 - b. liberalizes trade among many nations throughout the world.
 - c. lowers trade barriers and tariffs for developing countries.
 - d. increases trade barriers and tariffs for industrialized countries.

ANS: B PTS: 1 DIF: E REF: p. 39
NAT: AACSB: Analytic, Legal Responsibilities

6. An advantage of free-trade agreements for a company like Big Moe, the paper recycler in New Jersey, is that the company can
 - a. avoid paying United States income tax.
 - b. avoid paying New Jersey income tax.
 - c. import trees from China and India more readily.

d. export more easily.

ANS: D PTS: 1 DIF: D REF: p. 39
NAT: AACSB: Reflective Thinking, Strategy

7. A major advantage of offshoring for some American companies is that they
- lower costs and therefore become more competitive.
 - raise prices to cover the costs of offshoring.
 - develop closer alliances with American labor unions.
 - can avoid participation in international business.

ANS: A PTS: 1 DIF: M REF: pp. 40-41
NAT: AACSB: Reflective Thinking, Operations Management

8. A key characteristic of multicultural workers is that they
- have worked for one or more multicultural organizations.
 - believe in the importance of a favorable balance of trade.
 - are convinced that all cultures are equally good.
 - can speak at least two languages fluently.

ANS: C PTS: 1 DIF: D REF: p. 43
NAT: AACSB: Diversity, HRM

9. You are attempting to sell a British customer a corporate jet. He tells you that your proposal "holds of bit of promise." At this point you probably
- will sign a contract within the hour.
 - are being scrutinized for ethical violations.
 - stand a good chance of making the sale.
 - have no chance of making the sale.

ANS: C PTS: 1 DIF: D REF: p. 44
NAT: AACSB: Communication, Individual Dynamics

10. Cultural sensitivity is
- awareness of local and national customs
 - being extra-respectful of rank.
 - realizing the importance of local customs in effective interpersonal relationships.
 - both a & c

ANS: D PTS: 1 DIF: E REF: p. 42
NAT: AACSB: Diversity, Individual Dynamics

11. Billy is a supervisor from Billings, Montana (United States). You can tell that Billy is *ethnocentric* when he
- worries about the U. S. trade deficit.
 - decorates his cubicle with photos of cowboys, cowgirls, and their horses.
 - claims that the "real good people are only from Montana."
 - deliberately hires people who will make his group more diverse.

ANS: C PTS: 1 DIF: D REF: p. 43
NAT: AACSB: Diversity, Individual Dynamics

12. You have good *global leadership skills* when you can
- go on an overseas business trip without developing culture shock.
 - effectively lead people from other cultures.
 - get diverse members of your group to work well together.

d. speak two or more languages fluently.

ANS: B PTS: 1 DIF: E REF: p. 45
NAT: AACSB: Communication, Leadership Principles

13. A major effect of a weak currency is that companies based in the country with the weak currency
- can export more readily.
 - find it more difficult to export.
 - are forced to increase their wages.
 - are forced to decrease their wages.

ANS: A PTS: 1 DIF: M REF: p. 46
NAT: AACSB: Analytic, Operations Management

14. A country's balance of trade is
- the trade deficit..
 - a trade surplus.
 - the difference between exports and imports in both goods and services.
 - the lowering of the value of currency

ANS: C PTS: 1 DIF: D REF: p. 47
NAT: AACSB: Analytic, Creation of Value

15. The trade deficit can be attributed to
- the preference for Americans to purchase lower-priced goods
 - increase in the price of imported petroleum products..
 - the preference to take vacations in foreign countries.
 - d.** all of the choices

ANS: D PTS: 1 DIF: D REF: p. 47
NAT: AACSB: Analytic, Creation of Value

16. The symptoms of culture shock usually stem from
- an intense dislike for foreign cultures.
 - an electrifying experience in another country.
 - being abruptly placed in a foreign culture.
 - being forced to learn a foreign language quickly.

ANS: C PTS: 1 DIF: E REF: p. 50
NAT: AACSB: Diversity, Individual Dynamics

17. A major problem for the international business manager is
- converting currency from one country to another.
 - revenue lost due to pirating in other countries.
 - finding countries with a large enough consumer base.
 - finding Spanish-speaking workers in the United States.

ANS: B PTS: 1 DIF: M REF: p. 51
NAT: AACSB: Ethics, Legal Responsibilities

18. A key feature of the global startup is that it
- deposits its receipts in a Swiss bank.
 - begins business as an international company.
 - begins operations as an import-export company.
 - avoids many taxes by beginning offshore.

ANS: B PTS: 1 DIF: E REF: p. 54
NAT: AACSB: Analytic, Strategy

19. A success factor for businesses in the global marketplace is to
- think globally, act locally.
 - diversify into quite different product markets.
 - staff most key positions with people from your own country.
 - conduct almost all business in English.

ANS: A PTS: 1 DIF: E REF: p. 54
NAT: AACSB: Diversity, Creation of Value

20. A major success factor in building a business in another country is
- to hire citizens from the United States.
 - to judge candidates based on U.S. perceptions and criteria.
 - to sell American products.
 - to hire talented citizens of that country to fill important positions.

ANS: D PTS: 1 DIF: D REF: p. 55
NAT: AACSB: Diversity, HRM

21. Diversity refers to
- people with different group identities within the same work environment
 - developing the right foreign language skill.
 - acquiring valid information about the firm's target market.
 - reducing the trade deficit.

ANS: A PTS: 1 DIF: E REF: p. 59
NAT: AACSB: Diversity, Group Dynamics

22. English is the official language of business because
- diversity training has not been implemented in many companies.
 - the Internet and information technology place a heavy emphasis on English.
 - American companies have an ethnocentric point of view.
 - everyone in the world speaks English.

ANS: B PTS: 1 DIF: M REF: p. 67
NAT: AACSB: Communication, Information Technologies

23. Diversity training sessions
- focus on the ways that men and women reflect different values and attitudes.
 - focus on the ways that people of different races reflect different cultural backgrounds.
 - focus on entering international markets.
 - both a & b

ANS: D PTS: 1 DIF: D REF: p. 66
NAT: AACSB: Diversity, HRM

24. Which one of the following is the *least* likely to be an advantage of cultural diversity to the organization?
- The company gains a marketing advantage, including increased sales and profits.
 - The company is able to recruit a wider range of talented people.
 - The company does not have to deal with different perspectives, thereby slowing down problem solving.
 - The company advertising reduces the number of cultural bloopers and hidden biases.

ANS: C PTS: 1 DIF: M REF: pp. 62-63
NAT: AACSB: Diversity, Strategy

25. With respect to diversity, an *employee network group* consists of
- members of the same buddy group for instant messaging.
 - company employees who band together to bring complaints to management.
 - members of the same diversity training group.
 - company employees who affiliate on the basis of a demographic or cultural identity.

ANS: D PTS: 1 DIF: E REF: p. 65
NAT: AACSB: Diversity, Group Dynamics

TRUE/FALSE

1. A multinational corporation (MNC) is basically a collection of subsidiaries that carry out decisions made at headquarters.

ANS: F PTS: 1 DIF: M REF: p. 36
NAT: AACSB: Analytic, Strategy

2. A key feature of a *transnational corporation* is that it operates worldwide with one national headquarters.

ANS: F PTS: 1 DIF: E REF: p. 37
NAT: AACSB: Analytic, Strategy

3. Critics of NAFTA point out that the agreement does not maintain labor or environmental standards

ANS: T PTS: 1 DIF: D REF: p. 38
NAT: AACSB: Diversity, Legal Responsibilities

4. The United States–Dominican Republic–Central American Free Trade Agreement (CAFTA) is a free-trade agreement between the United States and other countries in the Western Hemisphere.

ANS: T PTS: 1 DIF: M REF: p. 38
NAT: AACSB: Analytic, Legal Responsibilities

5. The European Union is an alliance of Great Britain, France, and Italy to help penetrate new markets in North America and the Pacific Rim.

ANS: F PTS: 1 DIF: M REF: p. 39
NAT: AACSB: Analytic, Legal Responsibilities

6. An important function of the World Trade Organization is to settle trade disputes between two countries.

ANS: T PTS: 1 DIF: M REF: p. 39
NAT: AACSB: Ethics, Legal Responsibilities

7. A major force behind global outsourcing is the pressure discount retailers such as Wal-Mart exert on manufacturers to keep their prices low.

ANS: T PTS: 1 DIF: M REF: p. 40

NAT: AACSB: Diversity, Operations Management

8. An advantage noted about globalization is that with research and development being done overseas products can be developed 24 hours per day, with workers from different time zones passing off work to each other.

ANS: T PTS: 1 DIF: D REF: p. 41
NAT: AACSB: Technology, Operations Management

9. A problem tied to global outsourcing is that American employers can offer low wages to domestic employees backed by the threat that their work could be sent offshore.

ANS: T PTS: 1 DIF: M REF: p. 41
NAT: AACSB: Ethics, HRM

10. A welcoming attitude toward other cultures is perhaps more important than overseas experience itself in becoming an effective global leader.

ANS: T PTS: 1 DIF: E REF: p. 46
NAT: AACSB: Diversity, Leadership Principles

11. Expatriates who function better than others are emotionally stable, extraverted (outgoing), and open to new experiences.

ANS: T PTS: 1 DIF: M REF: p. 43
NAT: AACSB: Diversity, HRM

12. In recent years, the United States has exported many more goods than it has imported.

ANS: F PTS: 1 DIF: M REF: p. 47
NAT: AACSB: Analytic, Creation of Value

13. The trade deficit leads to job losses for many American workers and also result in many low-wage service jobs.

ANS: T PTS: 1 DIF: M REF: p. 49
NAT: AACSB: Analytic, HRM

14. As the U. S. dollar strengthens in comparison to other currencies, it becomes more expensive for other countries to purchase American goods and services.

ANS: T PTS: 1 DIF: D REF: p. 47
NAT: AACSB: Analytic, Creation of Value

15. Multinational corporations based in the United States are often accused of profiting from the labor of employees exploited in less-developed countries.

ANS: T PTS: 1 DIF: M REF: p. 49
NAT: AACSB: Ethics, HRM

16. A big boost to international trade in recent years is that international laws have been quite successful in stopping unauthorized copies of products.

ANS: F PTS: 1 DIF: M REF: p. 51

NAT: AACSB: Diversity, Legal Responsibilities

17. Direct foreign investment is the most advanced form of multinational business activity.

ANS: T PTS: 1 DIF: E REF: p. 53
NAT: AACSB: Analytic, Strategy

18. A good way to launch an global start-up is through importing goods from another country, and then selling them in your own country in physical stores as well as online.

ANS: F PTS: 1 DIF: M REF: p. 54
NAT: AACSB: Analytic, Strategy

19. A successful player in the global marketplace has deep roots in local markets.

ANS: T PTS: 1 DIF: E REF: p. 54
NAT: AACSB: Diversity, Operations Management

20. A major success factor in the global marketplace is for an American company to judge foreign job candidates based on U. S. perceptions and criteria.

ANS: F PTS: 1 DIF: M REF: p. 55
NAT: AACSB: Diversity, HRM

21. A network group is composed of employees throughout the company who affiliate on the basis of group characteristics such as race, ethnicity, gender, sexual orientation, or physical ability status.

ANS: T PTS: 1 DIF: E REF: p. 65
NAT: AACSB: Diversity, Group Dynamics

22. Today, most European businesses make French their official language so they can communicate easily with other Europeans.

ANS: F PTS: 1 DIF: E REF: p. 66
NAT: AACSB: Communication, Environmental Influence

23. A major justification for managing workplace diversity is that various groups must work together to accomplish company goals.

ANS: T PTS: 1 DIF: M REF: p. 61
NAT: AACSB: Diversity, HRM

24. Before diversity can offer that competitive advantage it must be woven into the fabric of the organization.

ANS: T PTS: 1 DIF: M REF: p. 61
NAT: AACSB: Diversity, HRM

25. A major goal of diversity training is to bring about workplace harmony.

ANS: T PTS: 1 DIF: E REF: p. 65
NAT: AACSB: Diversity, Group Dynamics

ESSAY

1. David Smith was sent Moscow to develop a working relationship with a large Russian firm. When he met the company's Russian branch director, he gave his best smile, handshake and friendly joke...only to be met with a dreary and unhappy look." Later, Smith learned that Russian culture fosters smiling in private settings and seriousness in business settings.

1. What does this example show about doing business in a different culture?

2. What do you advise Mr. Smith to do?

ANS:

To be successful in global business it is necessary to understand key cultural differences. Mr. Smith should develop cultural sensitivity, awareness of local and national customs and their importance in effective interpersonal relationships. Ignoring the customs of other people creates a communications block that can impede business and create ill will.

PTS: 1 DIF: D REF: pp. 42-43

NAT: AACSB: Diversity, Individual Dynamics

2. What is the case against global outsourcing?

ANS:

Many Americans believe that offshoring is responsible for the permanent loss of jobs in the United States and for slow job creation. Another problem is that American employers can offer low wages to domestic employees backed by the threat that their work could be sent offshore. Some American companies have outsourcing call centers in foreign countries, but language barriers make it difficult to resolve customer problems.

PTS: 1 DIF: M REF: pp. 41-42 NAT: AACSB: Diversity, HRM

3. Describe how cultural diversity can give a firm a competitive advantage (or help the firm be more profitable.)

ANS:

Cultural diversity refers to the mix of cultures and subcultures to which the organization's workforce belongs. Benefits include: a marketing advantage resulting in increased sales and profits, cost reduction, better recruitment of talented people, useful ideas for favorable publicity and advertising, reduction of cultural bloopers and cultural biases, and a creativity advantage.

PTS: 1 DIF: M REF: pp. 62-64 NAT: AACSB: Diversity, HRM