

## Chapter 2 The Role of Globalization in HR Policy and Practice

### True/False Questions

[QUESTION]

1. Third parties that specialize in facilitating importing and exporting are called intermediaries.

Answer: True

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Level: Easy

[QUESTION]

2. Licensing is one means of entering a foreign market.

Answer: True

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Level: Medium

[QUESTION]

3. A licensee leases the right to use intellectual property of another firm.

Answer: True

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Level: Medium

[QUESTION]

4. Management contract is a special form of licensing.

Answer: False

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Level: Medium

[QUESTION]

5. Some firms prefer to enter international markets through actual ownership of business.

Answer: True

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Level: Medium

[QUESTION]

6. Technological innovations, lower costs associated with skilled labor, and direct access to growing markets are all putting pressure on companies to decrease global expansion.

Answer: False

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Level: Medium

[QUESTION]

7. A major disadvantage to joint ventures is the potential for conflict between the partners.

Answer: True

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Level: Easy

[QUESTION]

8. While multinational corporations sell their brand of product in multiple global locations, they typically use raw materials sourced from a local source.

Answer: False

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Level: Hard

[QUESTION]

9. Strategic alliances permit organizations to share risk and expenses, and also enable each partner to tap into and benefit from the strengths of the other.

Answer: True

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Level: Medium

[QUESTION]

10. Factors associated with a company's task environment influence a company's decision to invest in the international market.

Answer: True

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Level: Medium

[QUESTION]

11. It is difficult to operate in a decentralized fashion in a multilocal industry because of the high need for coordination.

Answer: False

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Level: Medium

[QUESTION]

12. In global industries, business policies and practices can be as centralized or as decentralized, as management prefers.

Answer: False

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Level: Medium

[QUESTION]

13. The degree of cultural differences is one of the factors that affect the level of difficulty involved in operating HR on an international basis.

Answer: True

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Level: Easy

[QUESTION]

14. People from highly individualistic societies attach more importance to freedom and challenges in jobs.

Answer: True

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Level: Easy

[QUESTION]

15. HR within a global company is complex because of the different cultures, politics and laws that exist between locations.

Answer: True

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Level: Medium

[QUESTION]

16. Individuals from societies with high levels of uncertainty avoidance tend to have a strong task orientation, prefer flexible work hours, and feel a strong loyalty to their employer.

Answer: True

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Level: Easy

[QUESTION]

17. Large corporations such as Walmart, are generally successful when they decide to embark on ventures within foreign markets, and because of their size, do not need to be concerned about the complexities associated with international HR issues within smaller companies.

Answer: False

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Level: Hard

[QUESTION]

18. Individuals from societies with a short-term orientation expect quick results, personal steadiness and stability, and place less emphasis on status.

Answer: True

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Level: Easy

[QUESTION]

19. An organization's degree of foreign investment in relation to its domestic investment does not play a role in increasing the complexity of managing HR internationally.

Answer: False

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Level: Medium

[QUESTION]

20. The UNCTAD index is based on a composite of two ratios: foreign assets to total assets and foreign sales to total sales.

Answer: False

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Level: Medium

### Multiple Choice Questions

[QUESTION]

21. The level of decentralization and empowerment within a culture can be understood by a reference to the \_\_\_\_\_ within that culture.

A) Individualism

B) Power distance

C) Dichotomy

D) Short-term orientation

E) Collectivism

Answer: B

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Level: Hard

[QUESTION]

22. The successful placement of employees within international assignments is important to the success of a transnational organization. Studies have shown that difficulty adjusting to a different \_\_\_\_\_ is the number one reason for the failure of international assignments.

A) level of collectivism

B) level of compensation

C) set of laws

D) currency

E) culture

Answer: E

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Level: Hard

[QUESTION]

23. An agreement that allows an independent organization or individual to run a business using the name of an established business for a fee is known as.

A) franchising

B) exporting

C) licensing

D) contract manufacturing

E) management contract

Answer: A

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Level: Medium

[QUESTION]

24. The organization gives up a major amount of control over processes when using contract manufacturers. A concern with this approach is:

- A) variation in advertising content
- B) lack of ability to relieve excess capacity
- C) irresponsible use of brand names and trademarks
- D) product quality concerns
- E) the difficulty of finding reliable distributors

Answer: D

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Level: Medium

[QUESTION]

25. When an organization directly owns part of or an entire business in a foreign market, it is called \_\_\_\_\_.

- A) franchising
- B) exporting
- C) licensing
- D) contract manufacturing
- E) foreign direct investment

Answer: E

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Level: Medium

[QUESTION]

26. A(n) \_\_\_\_\_ allows an organization to make direct investment very gradually while sharing its risk with a knowledgeable, experienced other party while maintaining independence.

- A) Joint venture
- B) Alliance/partnership
- C) Management contract
- D) Contract manufacturing
- E) Foreign direct investment

Answer: B

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Level: Medium

[QUESTION]

27. A(n) \_\_\_\_\_ involves the purchase of an up-and-running business that has established suppliers and customers.

- A) Start-up operation Acquisition
- B) Alliance
- C) Strategic alliance
- D) Sole ownership
- E) Acquisition

Answer: E

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Level: Medium

[QUESTION]

28. In \_\_\_\_\_ industries, a firm's competitive position in one country is significantly affected by its position in other countries.

- A) Local
- B) Decentralized
- C) Centralized
- D) Global
- E) Multilocal

Answer: D

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Level: Easy

[QUESTION]

29. \_\_\_\_\_ refers to the extent to which members of a society accept delayed gratification of their material, social, or emotional needs.

- A) Individualism
- B) Power distance
- C) Dichotomy
- D) Long-term versus short-term orientation
- E) Uncertainty avoidance

Answer: D

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Level: Easy

[QUESTION]

30. The UNCTAD index is based on a composite of ratios including:

- A) Foreign assets, sales, and debt.
- B) Domestic sales, employment and profit.
- C) Foreign assets, employment, and profit.
- D) Foreign assets, sales, and employment.
- E) Domestic assets, employment and sales.

Answer: D

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Level: Medium

[QUESTION]

31. A(n) \_\_\_\_\_ leases the right to use its intellectual property to another firm.

- A) Licensor
- B) Licensee
- C) Franchisee
- D) Contractor
- E) Expatriate

Answer: A

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Level: Easy

[QUESTION]

32. A company that exports, as a means to sell its products in foreign markets will

- A) Have a direct investment in a foreign market.
- B) Increase sales volume allowing for better management of the costs associated with research and development
- C) Avoid the high cost of transportation fees and tariffs and maintain a competitive advantage.
- D) Enable individuals to take advantage of existing advertising and training to ensure success.
- E) Maintain exclusivity with one other company to distribute product and control their brand in the foreign country.

Answer: B

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Level: Hard

[QUESTION]

33. In the \_\_\_\_\_ approach, foreign subsidiaries have little autonomy, operations are centralized, and major decisions are made at corporate headquarters.

- A) Geocentric
- B) Ethnocentric
- C) Polycentric
- D) Regiocentric
- E) Sociocentric

Answer: B

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Level: Easy

[QUESTION]

34. Hofstede's work on culture and its impact on managing HR within an international environment was conducted in the 1960's and '70's. It is interesting that

- A) the results of his work have been replicated, confirming the validity of his findings, and recent studies have expanded on his original theory.
- B) while his work is often cited, it was impossible to replicate his findings in subsequent studies.
- C) the results of his study can only be applied within the electronics industry and have no relevance outside of that industry.
- D) the definition of culture when used in reference to a society is in many ways very different from the definition when used to describe the environment within a company.
- E) the study found vast differences between the culture of the society and the culture of the local companies that operated in that society.

Answer: A

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Level: Hard

[QUESTION]

35. Pepsi provides Heineken with its formula or agrees to supply the cola syrup and Heineken adds carbonated water, packages it in appropriate containers, and sells it in the Netherlands. Pepsi cannot enter into a similar agreement with another firm to sell Pepsi in the Netherlands, and Heineken cannot alter the product, nor can it begin duplicating other Pepsi products (such as Lays Potato Chips) without a separate agreement. This is an example of:

- A) Franchising.
- B) Exporting.
- C) Licensing.
- D) Contract manufacturing.
- E) Management contracts.

Answer: C

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Level: Medium

[QUESTION]

36. A(n) \_\_\_\_\_ is formed when companies agree to partner with one another, but do not set up a separate entity.

- A) Joint venture
- B) Merger
- C) Strategic alliance
- D) Sole ownership
- E) Task force

Answer: C

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Level: Easy

[QUESTION]

37. UNCTAD is an abbreviation for \_\_\_\_\_.

- A) United Nations Conference on Tariff and Development
- B) United Nations Conference on Trade and Development
- C) United National Conference on Trade and Development
- D) United National Conference on Tariff and Development
- E) Unified Nations Conference on Trade and Development

Answer: B

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Level: Easy

[QUESTION]

38. Individuals who are residents of the organization's home country who are sent offshore on assignment are called \_\_\_\_\_.

- A) third-country nationals
- B) host country nationals
- C) parent country nationals
- D) parent host nationals
- E) third-host nationals

Answer: C

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Level: Easy

[QUESTION]

39. Which of the following statement best describes host-country nationals?

- A) Individuals who have proven themselves in the local marketplace.
- B) Individuals who are residents of the organization's home country who are sent offshore on assignment
- C) Individuals contributing important information, perspective, and decision-making factors.
- D) Individuals attaching more importance to freedom and challenges in job.
- E) Individuals who are residents of countries in which a foreign subsidiary is located.

Answer: E

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Level: Difficult

[QUESTION]

40. When determining how to compensate expatriates, an advantage of the "going-rate approach" is that

- A) the expatriate is kept whole during the assignment because his pay is similar to the pay that would have been received for working the same job in their home county
- B) locals perceive the pay as fair because the expatriate is paid at a rate that is similar to the pay received by local employees of that company who have similar position, performance and experience.
- C) it is an effective means to reduce costs because you are offering the expatriate the ability to choose from a variety of benefit options that are appropriate to the location of the expatriate assignment.
- D) although it is a high cost approach, the ability of the expatriate to save on housing and social expenses while on assignment makes expatriate assignments in countries with low pay levels more attractive.
- E) with the increase in dual income families, this options provides an incentive for both the employee of the company and their spouse to accept an expatriate assignment

Answer: B

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Level: Hard

## Essay Questions

### [QUESTION]

41. Explain the differences between licensing and franchising, licensor and franchiser, and licensee and franchisee. Use examples to illustrate.

Answer: Licensing is when a firm (licensor) leases the right to use its intellectual property (includes patents, formulas, patterns, copyrights, trademarks, brand names, methods, and procedures) or proprietary property to another firm (licensee) for a fee. Pepsi is an example of a licensor. Heineken is a licensee to Pepsi when it buys the right to bottle Pepsi in the Netherlands. Pepsi supplies the syrup, Heineken adds the water. But Heineken cannot alter the Pepsi syrup for the local taste.

In franchising, the franchiser sells the right to another firm, called the franchisee, to operate the business under the name of the franchiser for a fee. The difference between a license and a franchise is the control over the operation. McDonald's is a good example of a franchiser. Examples are fast-food chains such as McDonald's, Dairy Queen, Domino's Pizza, and KFC, which have franchised restaurants worldwide.

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Level: Medium

### [QUESTION]

42. What factors influence the decision to invest in a particular international market?

Answer: First a company should find out about the general environmental trends. These include economic, legal, political, socio-cultural, dialects and accents in the language, and religious beliefs. Second is the company's task environment. These include cost pressures, the intensity of competitive rivalry, the ease with which organizations may enter or leave the industry, and the degree of power over the company maintained by suppliers and customers. And finally, the company should assess its internal strengths or weaknesses which include its culture, management team, customers, and knowledge and use of technology.

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Level: Medium

### [QUESTION]

43. Your company has decided to open a branch in another country. As the human resource manager, it is your job to determine how the foreign subsidiary will interact with the parent corporation. Define the four international human resource management strategies you may choose from. Be sure to describe the role both locals and expatriates would play in the subsidiary's development.

Answer: Ethnocentric - Foreign subsidiaries have little autonomy and operations and decisions are centralized at corporate headquarters. Generally calls for sending personnel from country of origin to fill key positions in management at the subsidiary. These people are known as parent company nationals (PCNs).

Polycentric - Company treats each subsidiary as a distinct entity with some decision-making authority. Usually fills middle-management positions with local talent known as host country nationals (HCNs). These individuals are eventually moved into upper-level management but rarely move beyond managing within their own country.

Geocentric - Management approaches work under the philosophy that relationships between headquarters and foreign subsidiaries should be extremely collaborative. Positions are filled with the most qualified individual, regardless of nationality (Host, Parent, or Third-country nationals).  
Regiocentric - A scaled-down version of the geocentric model, but restricted to appointment of people within specific global regions (Europe, North America, Southeast Asia, etc).

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Level: Hard

[QUESTION]

44. List a few reasons for organizations to expand their business interests beyond their national boundaries?

Answer: Major reasons include access to additional resources (including skilled workers), lower costs, economies of scale, favorable regulations and tax systems, direct access to new and growing markets, and the ability to customize products to local tastes and styles. In addition, the rise of regional trade alliances (such as NAFTA and the European Union) is another important reason organizations have increasingly internationalized.

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Level: Medium

[QUESTION]

45. List the five Asian economies expected to share the world's largest economies with the U.S. by 2020.

Answer: The five Asian economies expected to share the world's largest economies with the U.S. are China, Japan, India, Indonesia and a united Korea.

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Level: Medium

[QUESTION]

46. List few reasons why a company would choose exports as an option for international commerce.

Answer: Most companies export in order to increase sales and revenues. Companies with high research and development costs resort to exporting to spread costs over large sales volume. Companies may also export in order to relieve excess capacity. Some companies export as a form of diversification to sustain their maturing domestic markets. Finally, some companies export as they lack the necessary knowledge to directly do business effectively on foreign shores.

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Level: Medium

[QUESTION]

47. Explain the merits and demerits of licensing and franchising to the licensors, licensees, franchisors, and franchisees.

Answer: The merits include: (a) licensees and franchisees receive access to a business that has an established product and operating system and a good reputation. (b) Licensors and franchisors get the opportunity to expand internationally with very limited knowledge about local markets. (c) Over time, each party to the agreement learns valuable information from the other: franchisees learn how to operate a successful business; franchisors learn quickly about the marketplace.

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Demerits include: (a) Both parties typically share the revenues, while neither party has full decision-making authority. (b) Disputes about the terms and conditions of the agreement can become a problem. (c) Company could find its intellectual property duplicated and sold everywhere if patents and copyrights are not protected. (d) Licensors and franchisors must make certain that the required technical skills are available to support the quality of the product or service.

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Level: Hard

[QUESTION]

48. Which are the common areas of conflict in a joint venture?

Answer: The common areas of conflict in a joint venture include future investments and the sharing of future profits.

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Level: Medium

[QUESTION]

49. What is the objective of businesses creating offshore professional and operations centers.

Answer: Either as a form of sole ownership or as a strategic alliance, these centers involve the exporting of the work itself to places around the globe in order to obtain competitive advantage by leveraging combinations of factors such as workforce skills, cultural similarities, costs, time, and government policies, regardless of where the work product is ultimately marketed.

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Level: Hard

[QUESTION]

50. What differentiates domestic HR from international HR?

Answer: The domestic and international HR differ in the complexity involved in operating in different countries with different cultures, politics, and laws and regulations.

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Level: Medium