Test Bank for International Business 1st Lindner

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Question bank

Answer key:
C = correct
F = false

Chapter 2: Understanding the International Business environment

1. What is International Business?
International business involves:
a. Business activities and transactions across national borders. (C)
b. Only the exchange of goods between countries. (F)
c. Primarily multinational corporations conducting operations in foreign markets. (C)
d. Importing services but not exporting products. (F)
e. The involvement of public bodies like governments and NGOs in cross-border activities. (C)

2. Who are the key actors in International Business?
The main actors in international business are:
a. Individual consumers and tourists. (C)
b. Private firms, especially multinational corporations. (C)
c. Domestic labour unions with no global connections. (F)
d. International governmental organizations such as the UN and IMF. (C)
e. Domestic governmental bodies that never participate internationally. (F)

3. What defines foreign direct investment (FDI)?
Foreign direct investment refers to:

a. Investment that only involves financial returns without ownership. (F)
b. Ownership of assets in another country, alongside managerial control. (C)
c. Solely domestic investments made by multinational firms. (F)
d. A form of investment that includes strategic decision-making control in foreign countries. (C)
e. An investment purely for portfolio diversification. (F)

4. Key historical factors in the rise of multinational corporations (MNCs) include:
a. The Industrial Revolution's technological advancements. (C)
b. The introduction of the gold standard. (C)
c. The dominance of centralized planned economies worldwide. (F)
d. The Stock Corporation Law providing legal frameworks for firms. (C)
e. The development of socialism in Western Europe. (F)

5. Globalization during the Middle Ages was driven by:
a. The decline of cross-border trade after the Roman Empire. (C)
b. Trading cities like Florence and Antwerp flourishing. (C)
c. The rise of global financial systems. (F)
d. The German Hanse, which united trade cities with formal institutions. (F)
e. Increasing barriers to trade with neighbouring regions. (F)

6. Colonialism's impact on globalization includes:
a. The establishment of private international trading companies like the British East India Company. (C)
b. The extensive rights granted to such companies, including military powers. (C)
c. The political control of colonizers over indigenous populations. (C)
d. The complete independence of colonies from European influence. (F)
e. The creation of long-lasting effects on colonized societies that are still evident today. (C)

7. Technological innovations driving globalization include:
a. The internet's ability to facilitate real-time communication worldwide. (C)
b. Improvements in cargo transportation, reducing costs and time. (C)
c. The introduction of medieval shipping vessels. (F)
d. The invention of the telegraph and telephone. (C)
e. The rapid expansion of train travel across the globe in the 14th century. (F)

8. Economic factors that have driven globalization include:
a. The liberalization of world trade through agreements such as GATT. (C)
b. The deregulation of markets that facilitates global capital flow. (C)
c. The rejection of foreign investments in developing countries. (F)
d. Countries' efforts to close their economies to protect domestic industries. (F)
e. Economic opening of previously closed countries creating new business opportunities. (C)

9. Social impacts of globalization include:
a. Income divergence within both industrialized and developing countries. (C)
b. A universally agreed-upon increase in wealth for all participants in the global economy. (F)
c. The rise of a globally competitive workforce in industrialized nations. (C)
d. Economic protectionism as a reaction to globalization. (C)
e. Global convergence of educational systems at all levels. (F)

10. Cultural convergence in the context of globalization refers to:
a. A movement towards a single global culture. (C)
b. The rise of global connections through trade, travel and communication. (C)
c. The complete disappearance of national cultural differences. (F)
d. A shift toward cultural differences between various global regions. (F)
e. Increased cultural exchange among various social groups across borders. (C)

11. Ecological challenges of globalization include:
a. Technological innovations increasing pollution. (C)
b. Global efforts like the Paris Agreement to mitigate climate change. (C)
c. The reduction of ecological issues due to globalization. (F)
d. The offshoring of production contributing to a reduction of emissions globally. (F)
e. Industrialized countries making substantial progress in decarbonization. (F)

12. Emerging operational locations present MNCs with:
a. Lower wages and reduced production costs compared to industrialized nations. (C)
b. Strong commercial infrastructure and low-risk business environments. (F)
c. An evolving legal system that can pose challenges. (C)
d. Government involvement in negotiating terms of entry. (C)
e. Unilateral government control over all foreign investments. (F)

13. Emerging markets as consumer markets are characterized by:
a. A growing middle class with increased purchasing power. (C)
b. Greater demand for high-end technological products. (C)
c. The same product preferences as consumers in industrialized countries. (F)
d. Rapid growth in the IT and construction sectors. (C)
e. An inability to consume imported goods due to protectionist policies. (F)

14. Competitors from emerging economies are competitive due to:
a. Their ability to navigate challenging operating environments. (C)
b. Their technological superiority over MNCs from developed economies. (F)
c. A strategy of ’springboarding’ to acquire resources abroad. (C)
d. Their focus on only local markets without global ambitions. (F)
e. The improved capability to design and produce high-end products. (C)

15. Deglobalization and decoupling trends are driven by:
a. Political rivalries such as the US-China tensions. (C)
b. The COVID-19 pandemic's disruption of global supply chains. (C)
c. Increased economic cooperation between countries. (F)
d. Digitalization and technological advancements in automation. (C)
e. The continuous push toward global integration without setbacks. (F)

Chapter 3: Formal institutions

1. What are the key components of the formal national institutional environment?
a. Political system. (C)
b. Legal system. (C)
c. Cultural system. (F)
d. Economic system. (C)
e. Environmental system. (F)

2. Which of the following are characteristics of a democracy?
a. Regular and fair elections. (C)
b. Centralized authority with no political competition. (F)
c. Active citizen engagement. (C)
d. Uncontested elections. (F)
e. Separation of government powers. (C)

3. In which ways can political systems influence MNCs?
a. Establishing regulations that affect business operations. (C)
b. Dictating supply chain strategies. (F)
c. Imposing tariffs and taxes. (C)
d. Protecting intellectual property rights. (C)

e. Determining stock market prices. (F)

4. Which of the following are characteristics of authoritarianism?
a. Centralized authority. (C)
b. Contested elections with political competition. (F)
c. Suppression of alternative political parties. (C)
d. Unlimited freedom of speech. (F)
e. State-controlled economic activities. (C)

5. Which features are common in proportional representation systems?
a. Distribution of seats based on the proportion of votes. (C)
b. Winner-takes-all principle. (F)
c. Party-list voting system. (C)
d. Indirect elections of representatives. (F)
e. Candidates elected by surpassing a minimum threshold. (C)

6. Which of the following are characteristics of a common law system?
a. Reliance on judicial decisions and precedents. (C)
b. Codified statutes as the primary source of law. (F)
c. Flexibility and adaptability over time. (C)
d. Decisions based solely on statutory laws. (F)
e. Principle of stare decisis. (C)

7. What defines a civil law system?
a. Detailed legal codes established by political authorities. (C)
b. Judicial precedents as the primary source of law. (F)
c. Judges creating law through decisions. (F)
d. Codified statutes governing contracts. (C)

e. Limited judicial discretion. (C)

8. What are characteristics of a pure market economy?
a. Government control over production. (F)
b. Prices determined by supply and demand. (C)
c. Market participants pursuing profit. (C)
d. Centralized economic decision-making. (F)
e. Minimal government intervention. (C)

9. In a planned economy, which of the following are true?
a. The government controls production and distribution. (C)
b. Supply and demand set prices. (F)
c. Private ownership is predominant. (F)
d. Centralized authority creates comprehensive economic plans. (C)
e. State ownership of industries is common. (C)

10. What are some features of state-led economic systems?
a. Private control of all industries. (F)
b. Government intervention in strategic sectors. (C)
c. State-owned enterprises (SOEs) play a significant role. (C)
d. Minimal government influence on business operations. (F)
e. Export-led growth strategies. (C)

11. Which of the following characterize a liberal market economy?
a. Minimal government intervention in markets. (C)
b. High taxes to support social services. (F)
c. Strong labour unions influencing market regulations. (F)
d. Emphasis on competition and private enterprise. (C)

e. Weak state ownership in key industries. (C)

12. What are common features of European mixed economic systems?
a. Strong governmental role in social services. (C)
b. High emphasis on market-driven economics without government intervention. (F)
c. Collective bargaining as a key feature of labour relations. (C)
d. Limited government spending on healthcare and education. (F)
e. Significant state expenditure on social welfare. (C)

13. What is the role of foreign direct investment (FDI) in economic development?
a. FDI contributes to job creation and technological transfer. (C)
b. FDI always leads to equitable wealth distribution. (F)
c. FDI can stimulate economic growth. (C)
d. FDI is the only driver of economic development. (F)
e. FDI can lead to over-reliance on foreign capital. (C)

14. Which of the following factors are assessed in a PESTEL analysis?
a. Political stability. (C)
b. Organizational structure. (F)
c. Technological advancements. (C)
d. Environmental regulations. (C)
e. Employee morale. (F)

15. What risks are multinational companies exposed to in authoritarian regimes?
a. Limited property rights. (C)
b. High political transparency. (F)
c. Risks of expropriation. (C)
d. Free media coverage. (F)

e. Strict state control over economic activities. (C)

16. Which of the following are true about political risk in international business?
a. It can stem from government instability. (C)
b. It only affects multinational corporations. (F)
c. Micropolitical risks impact specific firms or industries. (C)
d. It is limited to developed countries. (F)
e. It includes changes in regulations and taxes. (C)

17. How can foreign direct investment (FDI) negatively affect a host country?
a. It can exacerbate income inequality. (C)
b. It always improves environmental sustainability. (F)
c. It may lead to over-dependence on foreign investors. (C)
d. It guarantees technological advancements. (F)
e. It can strain local resources and infrastructure. (C)

18. What characterizes a coordinated market economy (CME)?
a. Emphasis on non-market forms of interaction. (C)
b. Reliance on purely market-driven mechanisms. (F)
c. Strong role of firms in vocational training. (C)
d. Labour unions have minimal influence. (F)
e. High coordination among firms, employees and other actors. (C)

19. Which of the following are examples of state-led economic policies?
a. China's Belt and Road Initiative. (C)
b. Laissez-faire market strategies. (F)
c. Industrial strategies to promote specific sectors. (C)
d. Minimal government intervention in the market. (F)

e. Government-owned enterprises driving key industries. (C)

Chapter 4: Informal institutions

1. Which of the following are characteristics of informal institutions?
a. They are unwritten rules that influence behaviour. (C)
b. They are strictly enforced through laws. (F)
c. They include norms, traditions and social practices. (C)
d. They are the same in every country. (F)
e. They are non-codified and implicit. (C)

2. What does the Iceberg Model help explain about culture and informal institutions?
a. Visible behaviours are the largest part of culture. (F)
b. Deeper layers of culture include values and assumptions. (C)
c. Only artefacts are important for understanding culture. (F)
d. Basic assumptions are unconscious and ingrained. (C)
e. Values are harder to observe than artefacts. (C)

3. Which of the following would be considered artefacts in the Iceberg Model?
a. Language. (C)
b. Social norms. (F)
c. Religious beliefs. (F)
d. Gestures and greetings. (C)
e. Food and clothing. (C)

4. What are the levels of the Iceberg Model?
a. Artefacts and visible behaviours. (C)
b. Values and social norms. (C)
c. Basic assumptions. (C)

d. Mores and customs. (F)

e. Structural laws. (F)

5. How does language function as an informal institution in multinational companies (MNCs)?

a. Language acts as a barrier to communication in MNCs. (C)

b. It has no effect on company culture. (F)

c. Language diversity can create firm-specific communication styles. (C)

d. It only matters for external communication. (F)

e. Miscommunication can arise due to varying levels of language proficiency. (C)

6. What are the elements of communication?

a. Verbal. (C)

b. Paraverbal. (C)

c. Extraverbal. (C)

d. Non-verbal. (C)

e. Superverbal. (F)

7. Which of the following are potential sources of communication difficulties within MNCs?

a. Language proficiency differences. (C)

b. Differing communication norms across cultures. (C)

c. High levels of linguistic homogeneity. (F)

d. Anxiety about using a foreign language. (C)

e. Perfectly equivalent semantic meanings in all languages. (F)

8. What are common non-verbal communication elements?

a. Facial expressions. (C)

b. Written communication. (F)

c. Body language. (C)
d. Tone of voice. (F)
e. Gestures. (C)

9. Which of the following are true about high-context and low-context cultures?
a. High-context cultures rely heavily on non-verbal and contextual clues. (C)
b. Low-context cultures communicate in a more direct manner. (C)
c. High-context cultures communicate using only verbal methods. (F)
d. Low-context cultures often overemphasize the context in communication. (F)
e. Communication misunderstandings often arise between these cultures. (C)

10. Which of the following describes how language impacts internal MNC communication?
a. Language only affects external communications with stakeholders. (F)
b. Differences in language proficiency can reduce communication within teams. (C)
c. Firms often develop their own ’company speak’ that enhances internal cohesion. (C)
d. All employees must speak the same language to communicate effectively. (F)
e. Foreign language anxiety can prevent employees from participating in discussions. (C)

11. What are potential issues MNCs face when communicating with external stakeholders?
a. Legal communication may be misunderstood due to language barriers. (C)
b. Marketing communication always translates smoothly across languages. (F)
c. Miscommunication can lead to significant business consequences. (C)
d. Communication norms are consistent across all regions. (F)
e. Partner-firm interactions may suffer due to semantic differences. (C)

12. How do cultural models such as Hofstede’s dimensions help in understanding national culture?
a. They provide a framework for comparing different national cultures. (C)