STUDY QUESTIONS

Chapter 1

1. What are international business, globalization, and the relationship between them?
2. Why should you study international business?
3. How has globalization differed over time, among countries, and within countries?
4. Identify and explain the forces that have been causing the growth in globalization.
5. How is technology affecting the growth of international business?
6. Why have most governments been lowering restrictions on international trade and resource movements?
7. Why/how do countries cooperate with each other in ways that affect international business?
8. What are the main criticisms and responses to the criticisms of globalization?
9. What is meant by off-shoring? What are the major arguments for and against it?
10. What advantages do companies gain by engaging in international business?
11. Define and give examples of merchandise and service imports and exports.
12. What are the types of foreign investment?
13. What is a multinational enterprise (MNE)?
14. What do we mean by a company’s physical and social environments? Why should companies understand them when engaging in international business?
15. How do the global and country-by-country competitive environments affect a company’s international operations?
16. What are the three main viewpoints about the future of globalization?
17. What lessons in Chapter 1 are illustrated by the opening and closing case?

Chapter 2

1. Define and explain culture and cultural diversity.
2. How can you build awareness of cultural variables? Why is this important in international business?

3. What are the advantages and shortcomings of using national culture as a basis of understanding cultural impacts on international business?

4. What factors influence cultural stability and change?

5. How does language influence the diffusion of culture internationally? Why are some languages more important globally than others?

6. What are major ways in which societies rank people (social stratification systems)? Why is an understanding important in international business?

7. Describe the major theories that explain why work motivation may differ from one country to another.

8. Describe the values to explain relationship preferences that underlie social stratification systems and work motivation.

9. What cultural factors help to explain risk-taking behavior and their affects on business?

10. Explain the concepts that help explain how/why cultures differ in the way they normally perceive, obtain, and process information.

11. What language problems occur when doing business with another country? What are suggestions for dealing with these problems?

12. What are the influences on how much adjustment companies and managers must make when operating in different cultures?

13. How do company management orientations (i.e. ethnocentrism, polycentrism, and geocentrism) affect international business operations?

14. What strategies might companies consider for minimizing resistance to changes they introduce in foreign societies?

15. What are the major scenarios about the future of national cultures? How does cultural imperialism as discussed in the Point-Counterpoint feature fit into these scenarios?

16. What are the illustrations of chapter concepts that occur in the opening and closing cases of Chapter 2?

**Chapter 3**
1. What is a political system?

2. What is individualism? How does this perspective influence the development and conduct of a political system?

3. What is collectivism? How does this perspective influence the development and conduct of a political system?

4. What is a political ideology?

5. What are the features of a democracy? How are decisions made in a democracy?

6. What are the types of democratic systems? What differentiates each from the others?

7. What are the features of a totalitarian system? How are decisions made in a totalitarian system?

8. What are the types of totalitarian systems? What differentiates each from the others?

9. What are key political trends over the past few decades?

10. What is meant by political risk? What are the causes and costs of political risk?

11. What are the characteristics of an active versus passive approach to managing political risk?

12. What is the role and function of a legal system?

13. What are the principal types of legal systems?

14. What is the rule of man? What is the rule of law?

15. How does a country's legal system affect operational aspects of local business activity?

16. How does a country's legal system affect strategic aspects of local business activity?

17. What is intellectual property? What types are there? What is an intellectual property right?

18. What are the consequences of intellectual property rights violation?

19. How do legal legacies, level of economic development, and cultural attitudes moderate people's interpretation of intellectual property?

20. Why might IPRs' disputes become more prevalent in the future?
21. What are the illustrations of chapter concepts that occur in the opening and closing cases of Chapter 3?

Chapter 4

1. How does international economic analysis help managers better interpret markets and improve their decision-making?

2. What are GNI, GNP, and GDP?

3. What is the implication of the Human Development Index to measuring economic development?

4. What are the merits and limitations of green measures of economic activity?

5. What is meant by inflation? What is meant by deflation? How does each affect the business environment?

6. What is meant by unemployment and debt? How does it affect the business environment?

7. What is meant by income distribution and poverty? How do they affect the business environment?

8. What is the balance of payments? What is the current account component of the balance of payments? What is the capital account component of the balance of payments?

9. What is meant by an economic system?

10. What are the principles of capitalism and communism?

11. Identify the features of a market economy.

12. Identify the features of a command economy.

13. Identify the features of a mixed economy.

14. Describe the idea of economic freedom and what it means to the economic development of a country.

15. Describe the emergence of state intervention? What does it mean? How does it work?

16. What are the strengths of market fundamentalism?
17. Characterize the movement of formerly command of economies toward mixed and market economy.

18. What is privatization? How does it work?

19. What are the illustrations of chapter concepts that occur in the opening and closing cases of Chapter 4?

**Chapter 5**

1. Which stakeholders must companies satisfy? Why is this process more difficult for companies operating internationally?

2. Why is it difficult to make generalizations about the overall effect of FDI?

3. Describe the potential economic effects of MNEs.

4. What are the growth and employment effects of FDI to both the home and host countries? How do these benefits and losses change over time?

5. Why do companies care about ethical behaviors?

6. What are important cultural foundations of ethical behaviors?

7. What are the legal foundations of ethical behavior?

8. Explain and give an example of extraterritoriality.

9. What types of payments are legal and illegal under the Foreign Corrupt Practices Act of the United States? What are the controversies surrounding the FCPA?

10. What other efforts are under way to stop bribery?

11. How do environmental concerns affect the strategies of MNEs?

12. What are some ethical issues that face the pharmaceutical industry worldwide?

13. What are some of the major labor issues facing companies? In which industries and countries are these issues most significant?

14. Why do companies need to act more responsibly?

15. What is a code of conduct? What are four dimensions to an effective code of conduct?
16. What lessons/points in Chapter 5 are illustrated by the opening and closing cases?

Chapter 6

1. Why is the understanding of international trade theories (both laissez-faire and interventionist) useful to managers in international business?

2. What are mercantilism and neomercantilism and the arguments for and against them?

3. Explain absolute advantage and the determinants of it.

4. Explain comparative advantage and how it differs from absolute advantage.

5. What assumptions and limitations underlie the theories of specialization in international trade?

6. How does country size (geographic and economic) affect how much a country trades?

7. Explain the logic of the factor proportions theory and the complexities in applying it.

8. What are the major explanations/determinants of countries’ trading partners?

9. How and why does production of many products shift from one country to another as they go through their life cycles (product life cycle theory of trade)?

10. What are the tests and limitations of the product life cycle (PLC) theory of trade and investment?

11. What are the arguments for and against a country’s use of a strategic trade (industrial) policy?

12. What are the conditions, uses, and limitations of the diamond of national advantage theory?

13. Why do production factors move from one country to another?

14. What are the effects of international factor mobility on origin and destination countries?

15. Explain the relationship between international trade and factor mobility.

16. According to the “Looking to the Future” section, what are the likely factors affecting international trade and factor mobility in the future? What effects will they have?

17. What lessons/points in Chapter 6 are illustrated by the opening and closing cases?
Chapter 7

1. What is trade protectionism, and why is an understanding of it useful for managers?
2. What are the conflicting results of trade policies?
3. What are the pros and cons for using protectionism to reduce unemployment?
4. Explain the rationale for and problems of making the infant industry argument work as intended.
5. Why do developing countries sometimes impose import restrictions to increase their levels of industrialization? What problems might result from these restrictions?
6. Compare import substitution policies with export-led development policies.
7. Explain why and how governments impose trade restrictions to improve their economic relationships with other countries.
8. Why might governments enact export restrictions? What are the possible negative consequences of these restrictions?
9. Explain the price control objectives from import restrictions.
10. What are the pros and cons for a country’s use of trade protectionism to achieve the noneconomic objectives?
11. Define and explain the different types of tariffs (duties).
12. Define and explain the nontariff barriers that directly affect prices to limit trade.
13. List and explain the nontariff barriers that limit the quantity of goods traded.
14. What are the main reasons for and methods of limiting trade in services?
15. When a company faces import competition that threatens its market position, what alternatives (and the pros and cons of each) might it follow?
16. According to the “Looking to the Future” section, what protectionist practices and their effects might we expect?
17. What lessons are illustrated by the opening and closing cases of Chapter 7?

Chapter 8

1. What are three ways to approach economic integration? How do they differ?
2. Why are regional trading groups important for MNEs’ strategies?

3. Compare and contrast the WTO and its predecessor, GATT.

4. Why is geographic proximity an important reason for economic integration?

5. What are the types of economic integration and the differences among these types?

6. Explain the static effects of regional economic integration. Under what conditions may they develop?

7. What is the difference between trade creation and trade diversion resulting from regional economic integration?

8. What are the functions of the European Commission, Council of the European Union, European Parliament, and European Court of Justice?

9. What is the euro and the rationale for it?

10. What are the implications of the European Union on corporate strategy?

11. What was the rationale for NAFTA?

12. What are some of the important trade provisions of NAFTA?

13. What are the major regional trading groups in Latin America, Asia, and Africa?

14. What are NGOs and how do they affect international business?

15. What are commodity agreements and why is OPEC such an important example of these agreements?

16. What lessons/points in Chapter 8 are illustrated by the opening and closing cases?

**Chapter 9**

1. What are foreign exchange and the exchange rate?

2. Who are the major players in the foreign exchange market, and how is foreign exchange traded?

3. Explain the differences among spot transactions, forward transactions, and futures contracts.
4. For what reasons are U.S. dollars so widely traded?

5. What are the four biggest markets (locations) for foreign exchange trades?

6. Define a foreign exchange bid, offer, and spread.

7. What is meant by a discount or premium between the spot and forward exchange rates?

8. What is a foreign exchange option?

9. What institutions do companies use for exchanging currencies?

10. Why do companies use foreign exchange?

11. What are the major financial issues related to exporting and importing?

12. What is arbitrage?

13. What lessons/points in Chapter 9 are illustrated by the opening and closing cases?

**Chapter 10**

1. What is the International Monetary Fund (IMF)? What are its objectives?

2. List and define the categories of exchange rate regimes.

3. What is the euro, and how is it set up and administered?

4. How does a floating exchange rate system work?

5. How does a government maintain a currency value in a fixed rate or managed floating rate world?

6. What is the role of central banks? How do they carry out this role?

7. What is the difference between a convertible and inconvertible currency, and how do countries control foreign exchange convertibility?

8. Explain how inflation affects currency values according to the purchasing power parity (PPP) theory.

9. What is the Big Mac Index and what are its limitations?
10. What is the relationship between the Fisher Effect and the International Fisher Effect in terms of currency values?

11. What is the difference between fundamental forecasting and technical forecasting of exchange rates?

12. What aspects of exchange rate movements does forecasting predict?

13. What are the key factors to monitor when trying to predict exchange rate movements?

14. Why do we need to bother with predicting exchange rate changes?

15. What lessons/points in Chapter 10 are illustrated by the opening and closing cases?

**Chapter 11**

1. What are some of the general features of the challenge and importance of strategy in international business?

2. How does the industry organization perspective interpret the issue of firm performance for the MNE?

3. How does the general management perspective interpret the issue of firm performance for the MNE?

4. What is industry structure? How can managers interpret it?

5. How does a firm create value in terms of low-cost leadership?

6. How does a firm create value in terms of differentiation?

7. What is the value chain?

8. What does a core competency refer to? Why should managers pay attention to it?

9. What conditions influence how MNEs configure and coordinate their value chains?

10. Define global integration. How do international firms respond to pressure for global integration?

11. Define local responsiveness. How do international firms respond to this sort of pressure for local responsiveness?
12. What are the principal types of strategies that the company operating internationally can choose?

13. What is an international strategy? What are its defining characteristics? Why would managers choose this type?

14. What is a multi-domestic strategy? What are its defining characteristics? Why would you managers choose this type?

15. What is a global strategy? What are its defining characteristics? Why would managers choose this type?

16. What is a transnational strategy? What are its defining characteristics? Why would managers choose this type?

17. What are the illustrations of chapter concepts that occur in the opening and closing cases of Chapter 2?

**Chapter 12**

1. Explain the importance of and the major considerations in developing an overall location strategy.

2. What is the importance of and relationship between scanning and detailed examination of countries?

3. What are the major indicators/variables that are important in comparing countries for sales expansion?

4. When using scanning techniques, what factors are important in indicating where to go to secure resources?

5. How may risk, especially political risk, affect companies’ location decisions?

6. What risks other than property damage and expropriation do companies consider when making international location decisions?

7. Why/how are the ease and compatibility of operations important in choosing where (what country) to operate?

8. What are the advantages of locating foreign operations to avoid where competitors have gone versus locating where competitors are?

9. Compare the major types of data/information managers can use to compare countries. What are the problems in relying on these data?

10. How can grids and matrices be used as tools to compare countries?
11. Explain the theories for allocating operational emphasis among countries.

12. How should reinvestment and harvesting be treated in companies' location decisions?

13. Why do companies often examine expansion proposals one at a time rather than comparing them with other expansion possibilities?

14. How might demographic and technological changes influence prime locations for international business?

15. What lessons are illustrated by the opening and closing cases of the chapter?

Chapter 14

1. What factors may limit the feasibility of exporting as the operational form to sell abroad?

2. What are the primary reasons for companies to want a controlling (especially 100 percent) interest in foreign operations?

3. What are the advantages of making a foreign direct investment by buying a facility versus starting up a new facility abroad.

4. What are the particular types of foreign collaborations/alliances and the reasons companies undertake them?

5. What factors are most important in determining the form of operation to use abroad?

6. Define key industries and explain the arguments for and against limiting foreign control of them.

7. What are the different types of licensing arrangements?

8. What factors affect pricing in licensing agreements? Why do companies sometimes license to their controlled entities?

9. How does franchising differ from licensing? What operational modifications do franchisors make abroad?

10. What is a management contract, and what are the possible advantages to both parties in the contracts?

11. What is a turnkey operation? What features generally make turnkey operations different from other collaborative arrangements?

12. What types of ownership sharing can exist in joint ventures and consortia? What are equity alliances, and why would companies form them?

13. What are the major problems that can occur in collaborative arrangements? How might joint ventures dissolve?
14. Explain why/how companies need to manage the dynamics of collaborative arrangements.

15. How should companies effectively deal with partners and manage the ongoing activities of collaborative arrangements?

16. What are key industries? What are the arguments for and against limiting foreign control of them?

17. According to the “Looking to the Future” section of the chapter, what factors are emerging that may affect future modes of international operations?

18. What lessons from the chapter are illustrated by its opening and closing cases?

**Chapter 15**

1. What motivates managers to think about ways to improve how they run their workplaces? What is the challenge of organization in international business? What trends drive current change?

2. What is meant by vertical differentiation?

3. What is meant by horizontal differentiation?

4. What are the features, properties, and practices of the functional structure?

5. What are the features, properties, and practices of the divisional structure?

6. What are the features, properties, and practices of the product and geographic structures?

7. What are the features, properties, and practices of the matrix and mixed structures?

8. What is meant by contemporary structures? What are the primary characteristics?

9. What are the functions and forms of contemporary structures?

10. Identify the types of coordination systems. What purpose does each type aim to accomplish?

11. Identify the types of control systems. What purpose does each type aim to accomplish?

12. What are the primary methods of control?

14. What are the illustrations of chapter concepts that occur in the opening and closing cases of Chapter 15?

Chapter 16

1. How does international marketing fit with a company’s strategy and differ from domestic marketing?

2. What is a production orientation to marketing strategy? Under what situations is that a valid orientation for international operations?

3. Explain what are meant by sales orientations, customer orientations, strategic marketing orientations, and societal marketing orientations for international marketing.

4. What is the relationship between international market segments and target markets? How might companies adjust to tap them successfully?

5. What factors influence companies to alter versus standardize their products internationally?

6. Explain the controversies concerning international companies' marketing in developing countries.

7. What are the advantages for companies to broaden versus narrow their product lines for foreign markets?

8. What issues occur in export pricing that do not occur in domestic pricing?

9. How/why is international business pricing more complex than domestic pricing?

10. What situations influence how much of a promotional budget a company should spend on push versus pull in foreign markets?

11. What is meant by global standardization of advertising? How/why might companies adapt standardization or not?

12. Why is branding important? What are the types of brands and their advantages and disadvantages?

13. How do variances in distribution channels internationally affect companies' international marketing?

14. What factors influence companies to self-handle distribution in foreign markets? What is the effect of the Internet on self-handling versus external handling of distribution internationally?
15. Explain the different gaps in a gap analysis tool and how a company may use this tool to manage its marketing mix internationally.

16. What international marketing lessons are illustrated by the opening and closing chapter cases?

17. What challenges may affect future means of segmenting international markets?

Chapter 17

1. What is a global supply chain?

2. Describe the key factors that determine the success of a global manufacturing strategy.

3. What is meant by compatibility in terms of linking corporate strategy with the foreign investment decision?

4. What is meant by offshore manufacturing, and why would a company pursue that strategy?

5. What are the different ways a company can configure its manufacturing facilities worldwide?

6. How does an effective information system contribute to an effective global supply chain management system?

7. What are some of the key elements of the effective use of e-commerce in linking together the parts of the global supply chain?

8. How does quality affect the global supply chain, and what are some internationally recognized quality standards?

9. Compare and contrast the ideas of acceptable quality level (AQL), total quality management (TQM), and Six Sigma.

10. Define sourcing. Why do companies pursue global sourcing strategies? What are the advantages and disadvantages of domestic and global sourcing?

11. Describe and compare two main configurations of sourcing.

12. What are some elements to consider in the make-or-buy decision?
13. Describe the four phases of globalization in the purchasing function. What are the five major sourcing strategies a company uses as its purchasing function becomes more “global”?

14. What are just-in-time (JIT) inventory systems? How does global sourcing complicate inventory management systems, especially in relation to JIT?

15. What are foreign trade zones (FTZs)? How are they primarily used?

16. Why is the transportation of goods internationally so complicated, and how can companies overcome those challenges?

17. What lessons/points in Chapter 17 are illustrated by the opening and closing cases?

**Chapter 18**

1. What are the major factors influencing the development of accounting standards and practices around the world?

2. How do the cultural values of optimism versus conservatism affect country differences in accounting systems?

3. How do the cultural values of transparency versus secrecy affect country differences in accounting systems?

4. Explain the difference between macro-uniform-based and micro-based accounting systems. What are some examples of countries that fit each system?

5. In what ways do financial statements in one country differ from those in another country?

6. What are the major forces leading to convergence of accounting standards, and what are the key organizations involved?

7. How must companies account for transactions denominated in foreign currencies?

8. What is meant by the translation and consolidation of foreign currency financial statements?

9. How can companies translate their foreign currency financial statements into the parent currency, and how are translation gains and losses recognized?

10. What are some of the important challenges of performance evaluation and control of MNEs?
11. More specifically, how can an MNE take into consideration the foreign exchange in the budgeting process?

12. How do transfer pricing strategies affect performance evaluation?

13. What is the balanced scorecard, and how is it used internationally?

14. What lessons/points in Chapter 18 are illustrated by the opening and closing cases?

Chapter 19

1. What are the major corporate finance and treasury functions?

2. What is the capital structure of a company, and how do companies use offshore financial centers to help generate capital?

3. What is a Eurocurrency, and what are some of its key characteristics and uses?

4. Contrast a foreign bond, Eurobond, and global bond. What should companies consider when deciding which form of bond to use?

5. What are some approaches to using equity financing to raise funds?

6. What are ADRs? How are they used?

7. What are offshore financial centers, and how can they be used by MNEs?

8. What are the international dimensions of capital budgeting?

9. What are the global dimensions of cash management?

10. What is foreign currency translation exposure?

11. What is foreign currency transaction exposure?

12. What is economic exposure from a foreign currency perspective?

13. What are some foreign currency hedging strategies that an MNE can adopt?

14. What are some of the differences between taxing earnings from a foreign branch and a foreign subsidiary?
15. Define transfer pricing and explain what operating concerns companies should consider when determining international transfer prices.

16. What is meant by a tax credit, and how is it used?

17. What lessons/points in Chapter 19 are illustrated by the opening and closing cases?

**Chapter 20**

1. What does HRM mean within the context of an MNE?

2. What are some of the strategic implications of HRM?

3. What are types and characteristics of expatriates?

4. What is the goal of a company's staffing policy?

5. What is the relationship between a company's staffing policy and its interpretative framework?

6. What is the relationship between a company's staffing policy and an ethnocentric framework?

7. What is the relationship between a company's staffing policy and a polycentric framework?

8. What is the relationship between a company's staffing policy and a geocentric framework?

9. What is the relationship between a company's staffing policy and its chosen strategy?

10. What conditions shape how a company selects a potential expatriate?

11. What are the leading reasons for expatriate failure?

12. What are common predeparture methods that companies use to prepare expatriates for international assignment?

13. How might a company compensate an expatriate?

14. What are the logistical, professional, and personal challenges of expatriate repatriation and retention?

15. How do MNEs in general and HRM in specific deal with international labor relations?
16. What are the illustrations of chapter concepts that occur in the opening and closing cases of Chapter 20?