

Student: \_\_\_\_\_

1. The decline of the US share of the total stock accounted for by US firms is very evident – from just under 40 per cent in 1980 to just under 20 per cent in 2008.  
True False
2. By the beginning of the 1990s the world pattern of production and trade could be described as tri-polar.  
True False
3. What became known as the global financial crisis began in the second half of 2007 was labelled the worst recession in the developed countries since the 1987 Stock Market crash.  
True False
4. FDI has grown more rapidly than world trade and world output.  
True False
5. Although the UN is perhaps best known for its peace-keeping role, two of this organisation's more recent mandates is the promotion of climate change and whaling in international waters.  
True False
6. Two of the world's largest companies, Unilever and McDonald's, have found a high correlation between their global size and status.  
True False
7. Which of the following is true regarding trends in global business today?
  - A. Barriers to cross-border trade and investment are said to be flat or dormant
  - B. Outsourcing is increasing due to world-wide productivity
  - C. Material culture is becoming more diverse globally
  - D. National economies are becoming increasingly interdependent on each other
8. The General Electric Company has been able to be successful internationally through:
  - A. earning more than 50 per cent of its total revenue internationally
  - B. utilising the main drivers of growth in the rapidly developing economies around the world
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9. The main reason for Rio Tinto to outsource some of its legal functions to a company in India is to:
  - A. provide close-to-the customer legal support and assistance
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10. The Group of Twenty (G20) is an international forum comprising the government representatives of the G8 and other economies, including the emerging economies of Brazil, China and India, as a reflection of their rising global economic and political power to:
  - A. achieve economic dominance over the rest of the world
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11. A Sovereign Wealth Fund is a:
  - A. government-controlled fund that manages and invests government savings
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12. The 2007-9 global financial crisis caused a re-assessment of the extent to which governments should intervene in Western industrialised economies. To this point in time, the dominant ideology is one of:
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13. The globalisation of \_\_\_\_\_ refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labour, energy, land and capital).
  - A. information technology
  - B. process design
  - C. markets
  - D. production
14. The globalisation of \_\_\_\_\_ refers to the shift to a more integrated and interdependent world economy.
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19. IKEA generates only \_\_\_\_\_ per cent of its revenues from its home country, Sweden, and now has stores in 32 other nations.
- A. 4%
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20. An international treaty that committed signatories to lowering barriers to the free flow of goods across national borders is called:
- A. the International Agreement on Trade
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21. The most global of markets is in what area?
- A. Services
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22. Offshoring
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- A. diversification
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24. Manufactured goods which have the least impact in the global market are?
- A. Aluminium
  - B. Oil
  - C. Soft drinks
  - D. Wheat
25. Although outsourcing has been primarily confined to \_\_\_\_\_, increasingly, companies are taking advantage of outsourcing for \_\_\_\_\_
- A. services; manufacturing
  - B. manufacturing; services
  - C. mining; manufacturing
  - D. manufacturing; mining
26. \_\_\_\_\_ is seen as the lender of last resort to nation-states whose economies are in economic turmoil, and currencies are losing value against those of other nations.
- A. The International Monetary Fund
  - B. The International bank
  - C. The United Nations
  - D. The United States
27. With membership of 191 countries, the \_\_\_\_\_ was established to preserve peace through international cooperation and collective security.
- A. World Monetary Fund
  - B. The International Monetary Fund
  - C. International bank
  - D. United Nations

28. As of 2006, 149 nations are members of:
- A. NAFTA
  - B. the World Bank
  - C. the World Trade Organization
  - D. the United Nations
29. The \_\_\_\_\_ was set-up to maintain order in the international monetary system.
- A. World Monetary Fund
  - B. International Monetary Fund
  - C. World Bank
  - D. United Nations
30. Promoting economic development, primarily by offering low-interest loans to governments of poorer nations, is the purpose of:
- A. the UN
  - B. the IMF
  - C. the WTO
  - D. the World Bank
31. \_\_\_\_\_ are the two macro factors that seem to underlie the trend toward greater globalisation.
- A. The increase in global economic stability, and the slowdown in technological change
  - B. The increase in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and global economic stability
  - C. The decline in barriers to the free flow of goods, services, and capital that has occurred in the past 10 years, and the slowdown in technological change
  - D. The decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and increased technological change
32. Which of the following refers to the exporting of goods or services to consumers in another country?
- A. Situational commerce
  - B. World exchange
  - C. International trade
  - D. Cross-national barter
33. Although BHP/Billiton is an Australian company, it has invested substantial business resources in activities outside Australia. This practice is referred to as:
- A. transnational commerce
  - B. foreign direct investment
  - C. international trade
  - D. organisational diversification
34. The investing of resources in business activities outside a firm's home country is referred to as:
- A. international trade
  - B. domestic direct investment
  - C. transnational barter
  - D. foreign direct investment
35. The \_\_\_\_\_ is a treaty designed to remove barriers to the free flow of goods, services, and capital between nations.
- A. Global Agreement on Tariffs and Commerce
  - B. United Nations Treaty on Trade
  - C. General Agreement on Tariffs and Trade
  - D. Multi-National Agreement on Tariffs and Commerce
36. Barriers to international trade are said to have contributed to:
- A. the Cold War
  - B. World War II
  - C. the Great Depression
  - D. the dot.com buzz of the 1990s

37. Evidence suggests that Foreign Direct Investment is playing a(n):
- A. decreasing role in the world economy
  - B. increasing role in the world economy for services but a decreasing role in the world economy for manufactured goods
  - C. increasing role in the world economy for manufactured goods but a decreasing role in the world economy for services
  - D. increasing role in the world economy
38. World merchandise trade includes all of the following EXCEPT:
- A. manufactured goods
  - B. services
  - C. agricultural goods
  - D. mining products
39. Which of the following is a major cause for lowering the trade barriers of markets and production?
- A. Technological change
  - B. Increased labour mobility
  - C. Elastic demand
  - D. Corporate greed
40. When discussing foreign direct investment, it is important to distinguish between the flow of FDI and the \_\_\_\_\_ of FDI.
- A. outflow
  - B. inflow
  - C. stock
  - D. trade
41. The flow of foreign direct investment experienced a slowdown during which years?
- A. 1980-1984
  - B. 1990-1994
  - C. 1996-2000
  - D. 2001-2004
42. According to the textbook, the single most important innovation has been the development of the \_\_\_\_\_.
- A. telegraph
  - B. microprocessor
  - C. airplane
  - D. telephone
43. \_\_\_\_\_ is the theory that predicts that the power of microprocessor technology doubles and the cost of production falls every 18 months.
- A. Brennan's Theorem
  - B. Bailey's Law
  - C. Moore's Law
  - D. Ivan's Law
44. According to the textbook, by September 2010, estimates were that the internet may have more than \_\_\_\_\_ users, or about \_\_\_\_\_ of the world's population.
- A. 1.27; 15%
  - B. 1.37; 20%
  - C. 1.47; 25%
  - D. 1.57; 30%
45. The greatest current potential of the Web appears to be in the \_\_\_\_\_ arena.
- A. business-to-business
  - B. consumer-to-business
  - C. consumer-to-consumer
  - D. business-to-consumer

46. Due to containerisation, the transportation costs associated with the globalisation of production have:
- A. remained the same
  - B. increased dramatically
  - C. declined
  - D. increased slightly
47. Australia and New Zealand aquaculture producers can supply high-margin, live fish and crustacean to Asian markets, because of the advent of jet travel and logistics management technologies known as:
- A. supply chain management
  - B. logistics networks
  - C. physical distribution
  - D. 'cold chain' logistics
48. The lowering of trade barriers has made globalisation of markets and production theoretically possible. However, Australia bans the import of New Zealand apples because of:
- A. outright dissent between the two nations
  - B. logistics networks not in place
  - C. the risk of transmitting the disease 'fire-blight' into Australia
  - D. competitive disadvantage
49. Factors which affect logistics performance are customs transaction requirements. A typical export transaction in Australia requires \_\_\_\_\_ signatures.
- A. 42
  - B. 22
  - C. 12
  - D. 2
50. As a result of a variety of innovations, the real costs of information processing and communication have \_\_\_\_\_ over the past two decades.
- A. fallen slightly
  - B. increased slightly
  - C. remained constant
  - D. fallen dramatically
51. Factors which affect logistics performance are customs clearance times. A typical export clearance time in Hong Kong is \_\_\_\_\_ day(s,) by contrast to the Syrian Arab Republic which is \_\_\_\_\_ day(s).
- A. 1, 21
  - B. 21, 1
  - C. 1, 12
  - D. 1, 25
52. Which of the following had the greatest share of the world's output in 2010, from greatest to least?
- A. United States, China, Japan
  - B. Japan, Germany, United States
  - C. United States, Germany, Japan
  - D. United States, China, France
53. In the 1960s, the two most dominant countries in the world economy were:
- A. United States and Japan
  - B. Britain and the United States
  - C. United States and Germany
  - D. Britain and Japan
54. What is the total cumulative value of foreign investments referred to as?
- A. Accumulation of foreign direct investments
  - B. Portfolio of foreign direct investments
  - C. Stock of foreign direct investments
  - D. Set of foreign direct investments

55. BHP Billiton of Australia has productive activities in a number of countries. As a result, it would be appropriate to refer to BHP Billiton as a \_\_\_\_\_ corporation.
- A. transnational
  - B. diverse-national
  - C. cross-national
  - D. multinational
56. Since the 1960s, there have been two notable trends in the demographics of the multinational enterprise. These two trends have been:
- A. the rise of non-US multinationals and the disappearance of mini-multinationals
  - B. the decline of non-US multinationals and the decline of mini-multinationals
  - C. the decline of non-US multinationals and the growth of mini-multinationals
  - D. the rise of non-US multinationals and the growth of mini-multinationals
57. Comvita, a medium-size manufacturing company based at Paengaroa, New Zealand, who export therapeutic apicultural products to China, and Lochard, a small company that leads the world in noise abatement management technologies at airports around the world, are called:
- A. multinational firms from relatively small countries
  - B. multinational firms that have been involved in international business for less than five years
  - C. multinational firms that operate in three, or fewer, foreign countries
  - D. medium-sized and small multinationals
58. Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in many \_\_\_\_\_ states.
- A. Eastern and Western European
  - B. Eastern European and African
  - C. Northern European and South American
  - D. Eastern European and Central Asian
59. Which of the following statements is not true regarding the majority of Latin American countries?
- A. Governments are selling state-owned enterprises to private investors
  - B. Foreign investment is welcome
  - C. Debt and inflation are down
  - D. Neither democracy nor free market reforms have seemed to take hold
60. \_\_\_\_\_ is not a benefit of globalisation.
- A. Lowering prices for goods
  - B. Raising the incomes of consumers
  - C. Slowing economic growth
  - D. Helping to create jobs in all countries that choose to participate
61. The 1997 and 1998 financial crisis in Thailand demonstrated that:
- A. globalisation is only risky for developing countries.
  - B. globalisation can spread risk.
  - C. globalisation is risk-free.
  - D. the risks involved in globalisation can be avoided if proper measures are established beforehand.
62. New Zealand is the most physically remote developed country in the world. Sea transport which accounts for \_\_\_\_\_ of New Zealand's merchandise trade, takes about \_\_\_\_\_ for its goods to reach Europe by sea.
- A. 64%, 2 weeks
  - B. 74%, 3 weeks
  - C. 84%, 4 weeks
  - D. 94%, 5 weeks

63. Where distance remains a source of competitive disadvantage for New Zealand exporters, this is not the case for New Zealand firms operating in the \_\_\_\_\_ economy.
- A. network
  - B. global
  - C. weightless
  - D. disaggregated
64. The US company EMC is the world's biggest maker of information storage, and management of computers and software. It has Australian and New Zealand clients. It plans to double its investments in India by 2010 to expand sales, research and market share. The key principle behind this strategy is:
- A. focus on quality, not the cost of labour
  - B. continued outsourced operations to ensure efficiency gains continue
  - C. focus on the cost of labour, not quality
  - D. focus on all the factors of production: human, physical and financial
65. Critics of globalisation argue that falling trade barriers and the costs of production allowed iconic Australian work-boot manufacturer Blundstone, to move its manufacturing operations to countries where the wage rates are much lower than in Australia. Supporters of globalisation reply to the criticisms of these trends to make the point that:
- A. the benefits outweigh the costs
  - B. the costs outweigh the benefits
  - C. costs are offset by concentrating on product and market factors
  - D. consumers benefit in the long run
66. In general, as countries get \_\_\_\_\_, they enact tougher environmental and labour regulations.
- A. richer
  - B. poorer
  - C. more populated
  - D. less populated
67. Pollution levels for which of the following rise steadily with higher income levels?
- A. Sulphur dioxide
  - B. Lead
  - C. Carbon dioxide
  - D. Mercury
68. Australian car manufacturers promote different car models depending on a range of factors such as local fuel costs, income levels, traffic congestion, and cultural values. This demonstrates that:
- A. national markets are not giving way to the global market
  - B. the global market is less complex than national markets
  - C. national markets are giving way to the global market
  - D. consumers tastes are the same, regardless of nationality
69. The most global of markets is in what area?
- A. Business to Consumer
  - B. Business to Government
  - C. Business to Business
  - D. Consumer to Consumer
70. Qantas airlines of Australia, which uses Indian engineers to perform maintenance functions on its aircraft in India, is benefiting from:
- A. licensing
  - B. exporting
  - C. outsourcing
  - D. franchising



71. In what way can the World Trade Organization (WTO) penalise member countries that are found to be engaged in unfair trade practices?
- A. The WTO can impose sanctions on the transgressor
  - B. The WTO can bring the employees of offending companies to court
  - C. The WTO can restrict the membership of the offending country in other world organisations such as the United Nations
  - D. The WTO panel can issue a ruling instructing a member state to change trade policies that violate GATT regulations, and if the policies are not changed, allow other states to impose sanctions
72. Which of the following has the greatest share of economic freedom as reported in *freetheworld.com* from highest to lowest?
- A. Switzerland, Australia, Japan
  - B. Hong Kong, Singapore, New Zealand
  - C. France, Germany, Italy
  - D. Brazil, Mexico, Russia
73. Many customer-focused companies now use \_\_\_\_\_ workers to perform call centre functions for companies in Australia.
- A. Chinese
  - B. Indian
  - C. Indonesian
  - D. Japanese
74. One measure of the sustainability, or 'carbon footprint', of food production is 'food miles' – that is, the distance the food travels to reach the supermarket shelves. Food producers who are carbon-efficient in their food production, and are concerted in their efforts on environmental protection are likely to have a(n):
- A. distinct advantage
  - B. absolute advantage
  - C. comparative advantage
  - D. competitive advantage
75. One concern of globalisation critics is that a global economy shifts economic power away from \_\_\_\_\_ and toward \_\_\_\_\_.
- A. supranational organisations; national governments
  - B. national governments; supranational organisations
  - C. the West; the East
  - D. the East; the West
76. Which of the following is NOT a reason why some of the world's poorest countries have suffered from economic stagnation?
- A. Democratic governments
  - B. Economic policies that destroy rather than facilitate the creation of wealth
  - C. Weak protection for property rights
  - D. War
77. To \_\_\_\_\_ is the minimum that a firm has to do to engage in international business.
- A. export or import
  - B. invest directly in operations in another country
  - C. establish joint ventures or strategic alliances with companies in other countries
  - D. license products to companies in other countries
78. Any firm that engages in international trade or investment is referred to as a(n):
- A. multinational
  - B. franchise
  - C. conglomerate
  - D. international business

79. Managing an international business is different from managing a purely domestic business for all of the following reasons, except:
- A. countries are different
  - B. international transactions involve converting money into different currencies
  - C the range of problems confronted by a manager in an international business is narrower than those . confronted by a manager in a domestic business
  - D an international business must find ways to work within the limits imposed by government intervention . in the international trade and investment system
80. "The study of global business is fine and appropriate if you are going to work in a large multinational enterprise, but it has no relevance for individuals who are going to work in smaller firms." Evaluate this statement.
81. Describe the opportunities and threats of globalization, with examples.
82. Since the global economic crisis, are we witnessing a return of economic nationalism (by contrast to economic rationalism)? Discuss.
83. Discuss the concept of globalisation and the "drivers" which underlie the trend towards globalisation. What are the associated benefits and difficulties that globalisation has created for business organisation?
84. Outline the primary advantages and disadvantages of globalisation. Do the advantages outweigh the disadvantages? How can the effects of the disadvantages of globalisation be reduced?

85. Describe the difference between the globalisation of markets and the globalisation of production.
86. Compare and contrast the challenges of managing in an international business, by contrast to managing in a domestic environment.

# 1 Key

1. The decline of the US share of the total stock accounted for by US firms is very evident – from just under 40 per cent in 1980 to just under 20 per cent in 2008.  
**TRUE**  
*Difficulty: Easy  
Hill - Chapter 01 #1*
2. By the beginning of the 1990s the world pattern of production and trade could be described as tri-polar.  
**TRUE**  
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Hill - Chapter 01 #2*
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**FALSE**  
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Hill - Chapter 01 #3*
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Hill - Chapter 01 #4*
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**FALSE**  
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Hill - Chapter 01 #5*
6. Two of the world's largest companies, Unilever and McDonald's, have found a high correlation between their global size and status.  
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Hill - Chapter 01 #7*
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*Difficulty: Hard  
Hill - Chapter 01 #9*

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*Difficulty: Hard*  
*Hill - Chapter 01 #10*

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*Hill - Chapter 01 #11*

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*Difficulty: Medium*  
*Hill - Chapter 01 #12*

13. The globalisation of \_\_\_\_\_ refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labour, energy, land and capital).
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  - B. process design
  - C. markets
  - D. production**

*Difficulty: Medium*  
*Hill - Chapter 01 #13*

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- A. corporations
  - B. production
  - C. markets**
  - D. culture

*Difficulty: Easy*  
*Hill - Chapter 01 #14*

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  - B. 67%; 15
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*Difficulty: Easy*  
*Hill - Chapter 01 #15*

16. Although Boeing is incorporated in the United States, eight Japanese suppliers make parts for the fuselage, doors and wings; a supplier in Singapore makes the doors for the nose landing gear; three suppliers in Italy manufacture wing flaps. Boeing is taking part in:
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  - C. outsourcing**
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Hill - Chapter 01 #16*

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Hill - Chapter 01 #18*

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Hill - Chapter 01 #19*

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  - C. the Warsaw Pact
  - D. the General Agreement on Tariffs and Trade**

*Difficulty: Easy  
Hill - Chapter 01 #20*

21. The most global of markets is in what area?
- A. Services
  - B. Consumer goods
  - C. Industrial goods**
  - D. Intellectual capital

*Difficulty: Hard  
Hill - Chapter 01 #21*

22. Offshoring
- A. is synonymous with outsourcing
  - B. means that the tasks previously performed in one country are now being undertaken abroad**
  - C. means shoring-up intellectual capital
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Hill - Chapter 01 #22*

23. Globalisation results in a greater degree of \_\_\_\_\_ across markets than would be present otherwise.  
A. diversification  
B. diversity  
**C. homogeneity**  
D. heterogeneity

*Difficulty: Easy*  
*Hill - Chapter 01 #23*

24. Manufactured goods which have the least impact in the global market are?  
A. Aluminium  
B. Oil  
**C. Soft drinks**  
D. Wheat

*Difficulty: Medium*  
*Hill - Chapter 01 #24*

25. Although outsourcing has been primarily confined to \_\_\_\_\_, increasingly, companies are taking advantage of outsourcing for \_\_\_\_\_.  
A. services; manufacturing  
**B. manufacturing; services**  
C. mining; manufacturing  
D. manufacturing; mining

*Difficulty: Medium*  
*Hill - Chapter 01 #25*

26. \_\_\_\_\_ is seen as the lender of last resort to nation-states whose economies are in economic turmoil, and currencies are losing value against those of other nations.  
**A. The International Monetary Fund**  
B. The International bank  
C. The United Nations  
D. The United States

*Difficulty: Medium*  
*Hill - Chapter 01 #26*

27. With membership of 191 countries, the \_\_\_\_\_ was established to preserve peace through international cooperation and collective security.  
A. World Monetary Fund  
B. The International Monetary Fund  
C. International bank  
**D. United Nations**

*Difficulty: Medium*  
*Hill - Chapter 01 #27*

28. As of 2006, 149 nations are members of:  
A. NAFTA  
B. the World Bank  
**C. the World Trade Organization**  
D. the United Nations

*Difficulty: Medium*  
*Hill - Chapter 01 #28*

29. The \_\_\_\_\_ was set-up to maintain order in the international monetary system.  
A. World Monetary Fund  
**B. International Monetary Fund**  
C. World Bank  
D. United Nations

*Difficulty: Easy*  
*Hill - Chapter 01 #29*

30. Promoting economic development, primarily by offering low-interest loans to governments of poorer nations, is the purpose of:
- A. the UN
  - B. the IMF
  - C. the WTO
  - D. the World Bank**

*Difficulty: Medium*  
*Hill - Chapter 01 #30*

31. \_\_\_\_\_ are the two macro factors that seem to underlie the trend toward greater globalisation.
- A. The increase in global economic stability, and the slowdown in technological change
  - B. The increase in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and global economic stability
  - C. The decline in barriers to the free flow of goods, services, and capital that has occurred in the past 10 years, and the slowdown in technological change
  - D. The decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and increased technological change**

*Difficulty: Hard*  
*Hill - Chapter 01 #31*

32. Which of the following refers to the exporting of goods or services to consumers in another country?
- A. Situational commerce
  - B. World exchange
  - C. International trade**
  - D. Cross-national barter

*Difficulty: Easy*  
*Hill - Chapter 01 #32*

33. Although BHP/Billiton is an Australian company, it has invested substantial business resources in activities outside Australia. This practice is referred to as:
- A. transnational commerce
  - B. foreign direct investment**
  - C. international trade
  - D. organisational diversification

*Difficulty: Medium*  
*Hill - Chapter 01 #33*

34. The investing of resources in business activities outside a firm's home country is referred to as:
- A. international trade
  - B. domestic direct investment
  - C. transnational barter
  - D. foreign direct investment**

*Difficulty: Easy*  
*Hill - Chapter 01 #34*

35. The \_\_\_\_\_ is a treaty designed to remove barriers to the free flow of goods, services, and capital between nations.
- A. Global Agreement on Tariffs and Commerce
  - B. United Nations Treaty on Trade
  - C. General Agreement on Tariffs and Trade**
  - D. Multi-National Agreement on Tariffs and Commerce

*Difficulty: Medium*  
*Hill - Chapter 01 #35*

36. Barriers to international trade are said to have contributed to:
- A. the Cold War
  - B. World War II
  - C. the Great Depression**
  - D. the dot.com buzz of the 1990s

*Difficulty: Medium*  
*Hill - Chapter 01 #36*



37. Evidence suggests that Foreign Direct Investment is playing a(n):
- A. decreasing role in the world economy
  - B. increasing role in the world economy for services but a decreasing role in the world economy for manufactured goods
  - C. increasing role in the world economy for manufactured goods but a decreasing role in the world economy for services
  - D. increasing role in the world economy**

*Difficulty: Medium  
Hill - Chapter 01 #37*

38. World merchandise trade includes all of the following EXCEPT:
- A. manufactured goods
  - B. services**
  - C. agricultural goods
  - D. mining products

*Difficulty: Medium  
Hill - Chapter 01 #38*

39. Which of the following is a major cause for lowering the trade barriers of markets and production?
- A. Technological change**
  - B. Increased labour mobility
  - C. Elastic demand
  - D. Corporate greed

*Difficulty: Medium  
Hill - Chapter 01 #39*

40. When discussing foreign direct investment, it is important to distinguish between the flow of FDI and the \_\_\_\_\_ of FDI.
- A. outflow
  - B. inflow
  - C. stock**
  - D. trade

*Difficulty: Medium  
Hill - Chapter 01 #40*

41. The flow of foreign direct investment experienced a slowdown during which years?
- A. 1980-1984
  - B. 1990-1994
  - C. 1996-2000
  - D. 2001-2004**

*Difficulty: Medium  
Hill - Chapter 01 #41*

42. According to the textbook, the single most important innovation has been the development of the \_\_\_\_\_.
- A. telegraph
  - B. microprocessor**
  - C. airplane
  - D. telephone

*Difficulty: Easy  
Hill - Chapter 01 #42*

43. \_\_\_\_\_ is the theory that predicts that the power of microprocessor technology doubles and the cost of production falls every 18 months.
- A. Brennan's Theorem
  - B. Bailey's Law
  - C. Moore's Law**
  - D. Ivan's Law

*Difficulty: Medium  
Hill - Chapter 01 #43*

44. According to the textbook, by September 2010, estimates were that the internet may have more than \_\_\_\_\_ users, or about \_\_\_\_\_ of the world's population.
- A. 1.27; 15%
  - B. 1.37; 20%
  - C. 1.47; 25%**
  - D. 1.57; 30%

*Difficulty: Easy*  
*Hill - Chapter 01 #44*

45. The greatest current potential of the Web appears to be in the \_\_\_\_\_ arena.
- A. business-to-business**
  - B. consumer-to-business
  - C. consumer-to-consumer
  - D. business-to-consumer

*Difficulty: Easy*  
*Hill - Chapter 01 #45*

46. Due to containerisation, the transportation costs associated with the globalisation of production have:
- A. remained the same
  - B. increased dramatically
  - C. declined**
  - D. increased slightly

*Difficulty: Easy*  
*Hill - Chapter 01 #46*

47. Australia and New Zealand aquaculture producers can supply high-margin, live fish and crustacean to Asian markets, because of the advent of jet travel and logistics management technologies known as:
- A. supply chain management
  - B. logistics networks
  - C. physical distribution
  - D. 'cold chain' logistics**

*Difficulty: Easy*  
*Hill - Chapter 01 #47*

48. The lowering of trade barriers has made globalisation of markets and production theoretically possible. However, Australia bans the import of New Zealand apples because of:
- A. outright dissent between the two nations
  - B. logistics networks not in place
  - C. the risk of transmitting the disease 'fire-blight' into Australia**
  - D. competitive disadvantage

*Difficulty: Medium*  
*Hill - Chapter 01 #48*

49. Factors which affect logistics performance are customs transaction requirements. A typical export transaction in Australia requires \_\_\_\_\_ signatures.
- A. 42
  - B. 22
  - C. 12
  - D. 2**

*Difficulty: Medium*  
*Hill - Chapter 01 #49*

50. As a result of a variety of innovations, the real costs of information processing and communication have \_\_\_\_\_ over the past two decades.
- A. fallen slightly
  - B. increased slightly
  - C. remained constant
  - D. fallen dramatically**

*Difficulty: Easy*  
*Hill - Chapter 01 #50*

51. Factors which affect logistics performance are customs clearance times. A typical export clearance time in Hong Kong is \_\_\_\_\_ day(s,) by contrast to the Syrian Arab Republic which is \_\_\_\_\_ day(s).  
**A.** 1, 21  
B. 21, 1  
C. 1, 12  
D. 1, 25

*Difficulty: Medium*  
*Hill - Chapter 01 #51*

52. Which of the following had the greatest share of the world's output in 2010, from greatest to least?  
**A.** United States, China, Japan  
B. Japan, Germany, United States  
C. United States, Germany, Japan  
D. United States, China, France

*Difficulty: Hard*  
*Hill - Chapter 01 #52*

53. In the 1960s, the two most dominant countries in the world economy were:  
**B.** Britain and the United States  
A. United States and Japan  
C. United States and Germany  
D. Britain and Japan

*Difficulty: Hard*  
*Hill - Chapter 01 #53*

54. What is the total cumulative value of foreign investments referred to as?  
**C.** Stock of foreign direct investments  
A. Accumulation of foreign direct investments  
B. Portfolio of foreign direct investments  
D. Set of foreign direct investments

*Difficulty: Medium*  
*Hill - Chapter 01 #54*

55. BHP Billiton of Australia has productive activities in a number of countries. As a result, it would be appropriate to refer to BHP Billiton as a \_\_\_\_\_ corporation.  
**D.** multinational  
A. transnational  
B. diverse-national  
C. cross-national

*Difficulty: Easy*  
*Hill - Chapter 01 #55*

56. Since the 1960s, there have been two notable trends in the demographics of the multinational enterprise. These two trends have been:  
**D.** the rise of non-US multinationals and the growth of mini-multinationals  
A. the rise of non-US multinationals and the disappearance of mini-multinationals  
B. the decline of non-US multinationals and the decline of mini-multinationals  
C. the decline of non-US multinationals and the growth of mini-multinationals

*Difficulty: Medium*  
*Hill - Chapter 01 #56*

57. Comvita, a medium-size manufacturing company based at Paengaroa, New Zealand, who export therapeutic apicultural products to China, and Lochard, a small company that leads the world in noise abatement management technologies at airports around the world, are called:  
**D.** medium-sized and small multinationals  
A. multinational firms from relatively small countries  
B. multinational firms that have been involved in international business for less than five years  
C. multinational firms that operate in three, or fewer, foreign countries

*Difficulty: Medium*  
*Hill - Chapter 01 #57*

58. Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in many \_\_\_\_\_ states.
- A. Eastern and Western European
  - B. Eastern European and African
  - C. Northern European and South American
  - D. Eastern European and Central Asian**

*Difficulty: Hard*  
*Hill - Chapter 01 #58*

59. Which of the following statements is not true regarding the majority of Latin American countries?
- A. Governments are selling state-owned enterprises to private investors
  - B. Foreign investment is welcome
  - C. Debt and inflation are down
  - D. Neither democracy nor free market reforms have seemed to take hold**

*Difficulty: Medium*  
*Hill - Chapter 01 #59*

60. \_\_\_\_\_ is not a benefit of globalisation.
- A. Lowering prices for goods
  - B. Raising the incomes of consumers
  - C. Slowing economic growth**
  - D. Helping to create jobs in all countries that choose to participate

*Difficulty: Medium*  
*Hill - Chapter 01 #60*

61. The 1997 and 1998 financial crisis in Thailand demonstrated that:
- A. globalisation is only risky for developing countries.
  - B. globalisation can spread risk.**
  - C. globalisation is risk-free.
  - D. the risks involved in globalisation can be avoided if proper measures are established beforehand.

*Difficulty: Hard*  
*Hill - Chapter 01 #61*

62. New Zealand is the most physically remote developed country in the world. Sea transport which accounts for \_\_\_\_\_ of New Zealand's merchandise trade, takes about \_\_\_\_\_ for its goods to reach Europe by sea.
- A. 64%, 2 weeks
  - B. 74%, 3 weeks
  - C. 84%, 4 weeks**
  - D. 94%, 5 weeks

*Difficulty: Easy*  
*Hill - Chapter 01 #62*

63. Where distance remains a source of competitive disadvantage for New Zealand exporters, this is not the case for New Zealand firms operating in the \_\_\_\_\_ economy.
- A. network
  - B. global
  - C. weightless**
  - D. disaggregated

*Difficulty: Hard*  
*Hill - Chapter 01 #63*

64. The US company EMC is the world's biggest maker of information storage, and management of computers and software. It has Australian and New Zealand clients. It plans to double its investments in India by 2010 to expand sales, research and market share. The key principle behind this strategy is:
- A. focus on quality, not the cost of labour**
  - B. continued outsourced operations to ensure efficiency gains continue
  - C. focus on the cost of labour, not quality
  - D. focus on all the factors of production: human, physical and financial

*Difficulty: Medium*  
*Hill - Chapter 01 #64*

65. Critics of globalisation argue that falling trade barriers and the costs of production allowed iconic Australian work-boot manufacturer Blundstone, to move its manufacturing operations to countries where the wage rates are much lower than in Australia. Supporters of globalisation reply to the criticisms of these trends to make the point that:

A. the benefits outweigh the costs  
B. the costs outweigh the benefits  
C. costs are offset by concentrating on product and market factors  
D. consumers benefit in the long run

*Difficulty: Easy*  
*Hill - Chapter 01 #65*

66. In general, as countries get \_\_\_\_\_, they enact tougher environmental and labour regulations.

A. richer  
B. poorer  
C. more populated  
D. less populated

*Difficulty: Medium*  
*Hill - Chapter 01 #66*

67. Pollution levels for which of the following rise steadily with higher income levels?

A. Sulphur dioxide  
B. Lead  
C. Carbon dioxide  
D. Mercury

*Difficulty: Hard*  
*Hill - Chapter 01 #67*

68. Australian car manufacturers promote different car models depending on a range of factors such as local fuel costs, income levels, traffic congestion, and cultural values. This demonstrates that:

A. national markets are not giving way to the global market  
B. the global market is less complex than national markets  
C. national markets are giving way to the global market  
D. consumers tastes are the same, regardless of nationality

*Difficulty: Hard*  
*Hill - Chapter 01 #68*

69. The most global of markets is in what area?

A. Business to Consumer  
B. Business to Government  
C. Business to Business  
D. Consumer to Consumer

*Difficulty: Medium*  
*Hill - Chapter 01 #69*

70. Qantas airlines of Australia, which uses Indian engineers to perform maintenance functions on its aircraft in India, is benefiting from:

A. licensing  
B. exporting  
C. outsourcing  
D. franchising

*Difficulty: Hard*  
*Hill - Chapter 01 #70*

71. In what way can the World Trade Organization (WTO) penalise member countries that are found to be engaged in unfair trade practices?
- A. The WTO can impose sanctions on the transgressor
  - B. The WTO can bring the employees of offending companies to court
  - C. The WTO can restrict the membership of the offending country in other world organisations such as the United Nations
  - D. The WTO panel can issue a ruling instructing a member state to change trade policies that violate GATT regulations, and if the policies are not changed, allow other states to impose sanctions**

*Difficulty: Medium*  
*Hill - Chapter 01 #71*

72. Which of the following has the greatest share of economic freedom as reported in *freetheworld.com* from highest to lowest?
- A. Switzerland, Australia, Japan
  - B. Hong Kong, Singapore, New Zealand**
  - C. France, Germany, Italy
  - D. Brazil, Mexico, Russia

*Difficulty: Hard*  
*Hill - Chapter 01 #72*

73. Many customer-focused companies now use \_\_\_\_\_ workers to perform call centre functions for companies in Australia.
- A. Chinese
  - B. Indian**
  - C. Indonesian
  - D. Japanese

*Difficulty: Medium*  
*Hill - Chapter 01 #73*

74. One measure of the sustainability, or 'carbon footprint', of food production is 'food miles' – that is, the distance the food travels to reach the supermarket shelves. Food producers who are carbon-efficient in their food production, and are concerted in their efforts on environmental protection are likely to have a(n):
- A. distinct advantage
  - B. absolute advantage
  - C. comparative advantage
  - D. competitive advantage**

*Difficulty: Hard*  
*Hill - Chapter 01 #74*

75. One concern of globalisation critics is that a global economy shifts economic power away from \_\_\_\_\_ and toward \_\_\_\_\_.
- A. supranational organisations; national governments
  - B. national governments; supranational organisations**
  - C. the West; the East
  - D. the East; the West

*Difficulty: Hard*  
*Hill - Chapter 01 #75*

76. Which of the following is NOT a reason why some of the world's poorest countries have suffered from economic stagnation?
- A. Democratic governments**
  - B. Economic policies that destroy rather than facilitate the creation of wealth
  - C. Weak protection for property rights
  - D. War

*Difficulty: Hard*  
*Hill - Chapter 01 #76*

77. To \_\_\_\_\_ is the minimum that a firm has to do to engage in international business.  
A. export or import  
B. invest directly in operations in another country  
C. establish joint ventures or strategic alliances with companies in other countries  
D. license products to companies in other countries

*Difficulty: Easy*  
*Hill - Chapter 01 #77*

78. Any firm that engages in international trade or investment is referred to as a(n):  
A. multinational  
B. franchise  
C. conglomerate  
D. international business

*Difficulty: Medium*  
*Hill - Chapter 01 #78*

79. Managing an international business is different from managing a purely domestic business for all of the following reasons, except:  
A. countries are different  
B. international transactions involve converting money into different currencies  
C the range of problems confronted by a manager in an international business is narrower than those confronted by a manager in a domestic business  
D an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system

*Difficulty: Medium*  
*Hill - Chapter 01 #79*

80. "The study of global business is fine and appropriate if you are going to work in a large multinational enterprise, but it has no relevance for individuals who are going to work in smaller firms." Evaluate this statement.

Persons who believe in this view, and the firms that they work for, may find that they do not achieve their full potential (at best) and may ultimately fail because of their myopia. As barriers to trade decrease and state of the art technological developments take place throughout the world, new opportunities and threats exist on a worldwide basis. The rise of the mini-multinationals suggests there are global opportunities even for small firms. For example, Comvita, with its headquarters and original manufacturing base at Paengaroa, New Zealand, is a natural health and wellness company that manufactures therapeutic apicultural products, including the unique Manuka honey-based products with their exceptional antibacterial qualities. It began as a small local operation 34 years ago but is now the world's largest manufacturer and marketer of Manuka honey.

However, staying attuned to global markets is not only important from the perspective of seeking profitable opportunities for small firms; it can also be critical for long-term competitive survival. Firms from other countries may be developing products that, if sold internationally, may wipe out small domestic competitors. Scanning global markets for the best suppliers is also important for small firms, for if a domestic competitor is able to tap into a superior supplier from a foreign country, it may be able to seriously erode a small firm's competitive position before the small firm understands the source of its competitor's competitive advantage and can take appropriate counter actions.

*Difficulty: Medium*  
*Hill - Chapter 01 #80*

81. Describe the opportunities and threats of globalization, with examples.

For businesses, the globalisation process has produced many opportunities. Firms can expand their revenues by selling around the world and can reduce their costs by producing goods in nations where key inputs such as technology and labour, including skilled labour, are relatively more accessible and/or cost effective. The international expansion of enterprises has been facilitated by favourable political and economic trends. Since the collapse of communism at the end of the 1980s, the pendulum of public policy in nation after nation has swung in the main towards the free market end of the economic spectrum. Regulatory and administrative barriers to doing business in foreign nations have come down, and nations have transformed their economies by privatising state-owned enterprises, deregulating markets, increasing competition and welcoming investment by foreign businesses. This has allowed and motivated businesses both large and small, from both advanced nations and developing nations, to expand internationally.

GE and the Tata Group, which are profiled in the opening case, exemplify this trend. Both businesses have grown their international revenues and earn more than 50 per cent of their total revenue internationally. GE sees its main growth drivers not in its home market, the US, albeit a large market, but in the rapidly developing economies of the world, particularly India and China. Tata, on the other hand, sees growth opportunities in the foreign markets of both developed and developing economies, including its home market, India. It realised that it had to expand internationally via mergers and acquisitions in order to access the resources and know-how to be able to compete successfully in these markets. Like many other companies, large and small, GE and Tata have become more global businesses with significant operations all over the world, an international workforce, and managers sophisticated in their understanding of national cultures and business systems and recruited and promoted based on their ability, irrespective of their national origin.

At the same time, globalisation has created new threats for businesses accustomed to dominating their domestic markets. Foreign companies have entered many formerly protected industries in developed nations, increasing competition and driving down prices. For three decades, the once-dominant US motor vehicle companies have been battling foreign enterprises, as Japanese, European and Korean companies have taken business from them in both domestic and foreign markets. In Australia, as tariffs on motor vehicle imports have declined, local manufacturing has found it difficult to compete. In 1996, 56 per cent of the local vehicle market was supplied from imports; by 2006, this share of the market had increased to 79 per cent. As a consequence of the establishment of an Australian - Thailand free trade agreement, by 2008, Australians were buying more Thai-made cars than Australian-made cars.

In 2008 one of the four local manufacturers, Mitsubishi, closed its manufacturing plant and became instead an import operation. With the government expected to continue to reduce tariff protection from 10 per cent to 5 per cent in the coming years, local manufacturers and trade unions are expressing concern over the threat to the jobs of the 65 000 workers employed indirectly and the 15 000 employed directly in the industry.



82. Since the global economic crisis, are we witnessing a return of economic nationalism (by contrast to economic rationalism)? Discuss.

Managing a crisis as complex as this one has so far called for pragmatism more than principle. Governments have propped up credit markets by offering guarantees and have 'saved' failing financial institutions (ie Freddie Mac). What package of fiscal stimulus has worked? It varies from one country to another. Banks should be nationalised in some circumstances. So what is the argument for economic nationalism? The main argument is the need to keep jobs and capital at home. From whence does an economic argument become a political one? Governments protect goods and capital largely to protect jobs. Around the world, workers are demanding help from the State with increasing panic, (ie Greece).

There are three arguments in defence of economic nationalism:

That it is justified commercially (some banks retreated to home markets where they understand the risk and benefit scale),

That it is justified politically, (politicians want to spend taxpayers' money at home as long as the cost of doing so are not unacceptably high), and

That protectionism is a safe strategy.

By contrast, economic rationalism has been championed by three principles. First is coordination, especially in rescue packages with examples from the recent past with regard to the world's banks. The second principle is forbearance. Each nation's stimulus plan should embrace open markets, even if some foreigners will benefit. Similarly, financial regulators should leave the re-regulation of cross-border banking until later, at an international level, rather than beggaring their neighbours by grabbing scarce capital, setting targets for domestic lending and drawing up rules with long-term consequences now. The third principle is multilateralism. The IMF and development banks should help to meet emerging markets shortfall in capital and need the structure of the resources to do so. The World Trade Organization could help complete the Doha round of talks. It looks like the demise in the world economy 2007-2010 will be left up the United States to remedy. As with Australia, the "Buy American" is not so bad a tag after all.

83. Discuss the concept of globalisation and the "drivers" which underlie the trend towards globalisation. What are the associated benefits and difficulties that globalisation has created for business organisation?

Globalisation refers to a fundamental shift that is occurring in the world economy.

There is a move from 'isolation' and 'independence', to 'integration' and 'interdependence'. This trend is commonly referred to as globalisation.

Drivers (Factors):

Two macro factors appear to underlie the trend towards greater globalisation. The first is the decline in barriers to the free flow of goods, services and capital that has occurred since the end of World War II. Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariff was to protect domestic industries from foreign competition. The second factor is technological change, particularly the dramatic developments in recent years in communication, information processing and transportation technologies. Technological change has therefore made globalisation a tangible reality, through the internet and world wide web, transportation technologies, and other sophisticated communication (EDI, scanners and electronic payments) advances.

Benefits and Difficulties

The benefits for businesses are the opportunity to expand their revenues, drive down their costs, and boost their profits. Previously 'closed' foreign markets are now 'open for business'. By producing more for less, can help achieve further costs savings through the 'economies of scale' principle.

Globalisation has also created difficulties for business organisations. For example, issues related to entry and exit, as well as the motive and means, are first considerations. Secondly, should firms export, build a plant in a foreign country, or modify their products to suit the tastes of each of their foreign customers, and how firms respond to foreign competition?

*Difficulty: Medium  
Hill - Chapter 01 #83*

84. Outline the primary advantages and disadvantages of globalisation. Do the advantages outweigh the disadvantages? How can the effects of the disadvantages of globalisation be reduced?

There are many advantages of globalisation. From a macro-organisational perspective, globalisation creates economic activity, which in turn stimulates economic growth, creates jobs, raises income levels and provides consumers with more choices with regard to the products and services that are on offer to them. From the perspective of the individual firm, globalisation has the potential to increase revenues through expanded market potential, drive down costs through additional economies of scale, and boost profits.

*Difficulty: Medium  
Hill - Chapter 01 #84*

85. Describe the difference between the globalisation of markets and the globalisation of production.

The globalisation of markets refers to the merging of historically distinct and separate markets into one huge global marketplace. Falling barriers to cross-border trade have made it easier to sell internationally. It appears that tastes and preferences of consumers in different nations are beginning to converge in some meaningful global way, helping to create a global market.

The globalisation of production refers to the sourcing of goods and services from locations around the world to take advantage of national differences in the cost and quality of factors of production (labour, energy, land and capital). By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete effectively.

*Difficulty: Medium  
Hill - Chapter 01 #85*

86. Compare and contrast the challenges of managing in an international business, by contrast to managing in a domestic environment.

Managing an international business is very different from managing a domestic business, for at least four reasons. The following is a larger list of potential answers:

1. countries are different in terms of their size, development and growth;
2. the range of problems confronted by a manager in an international business is wider, and the problems themselves more complex, than those confronted by a manager in a domestic business;
3. managers in an international business must find ways to work within limits imposed by governments' intervention in the international trade and investment system, i.e. import/ export restrictions. Local firms, by contrast, do not have these challenges;
4. international transactions involve converting money into different currencies;
5. language and cultural differences may be a barrier that needs to be overcome in an international business environment, by contrast to the home environment.
6. social and industrial unrest may be encountered, as human, financial and physical resources are not uniformly distributed;
7. firms operating in a war-torn country could be immensely challenged, by contrast to the relative stability experienced at home in the domestic market.

*Difficulty: Medium*  
*Hill - Chapter 01 #86*

# 1 Summary

<u>Category</u>	<u># of Questions</u>
Difficulty: Easy	21
Difficulty: Hard	21
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