Place your answers on a Scantron 882.

1. A merger is where:
   a. one firm buys controlling interest in another firm.
   b. two firms agree to integrate their operations on a relatively coequal basis.
   c. two firms combine to create a third separate entity that seeks to conduct one given function.
   d. two firms agree to share certain information, but their operations remain independent.

2. A(n) ________ is when one firm buys a controlling, or 100% interest, in another firm.
   a. merger
   b. acquisition
   c. takeover
   d. restructuring

3. When a firm acquires its supplier, it is engaging in:
   a. a horizontal acquisition.
   b. an unrelated acquisition.
   c. a hostile takeover.
   d. a vertical acquisition.

4. Barriers to entry represent factors associated with:
   a. a market, and/or firms currently operating in the market, that make it more expensive and difficult to enter that market.
   b. a market, and/or firms currently operating in the market, that make it more expensive and difficult to leave that market.
   c. differentiation strategies in which the firm maximizes its returns by emphasizing lower quality products than that of those found in markets without barriers to entry.
   d. the presence of above-average returns for a firm.
5. Compared to internal product development, acquisitions allow quicker routes to:
   a. expanded economies of scope.
   b. new markets and new capabilities.
   c. synergy within a portfolio of businesses.
   d. financial economies of scale.

6. Research has shown that ______________________ the greater is the probability that an acquisition will be successful.
   a. the more related the acquired and acquiring firms are
   b. the more diverse the resulting portfolio of competencies
   c. the more disparate the corporate cultures
   d. the more concentrated management attention is given to making acquisitions

7. Over-diversification is more likely to occur with:
   a. related businesses.
   b. unrelated businesses.
   c. all types of businesses.
   d. single business units.

8. One problem with becoming too large is that firms:
   a. become too easy to manage.
   b. often adopt a decentralized decision-making philosophy.
   c. gain increasing efficiencies.
   d. usually increase bureaucratic controls.

9. Bureaucratic controls refer to:
   a. formalized supervisory and behavioral rules and policies that are designed to ensure consistency across units.
   b. those activities that promote creativity in an organization.
   c. procedures that are not beneficial to an organization.
   d. formalized supervisory and behavior controls that must be sought out in a firm and eliminated.

10. A friendly acquisition:
    a. raises the price that has to be paid for a firm.
    b. ensures that the top management of the acquired firm will be welcome in the newly combined firm.
    c. facilitates the integration of the acquired and acquiring firms.
    d. allows joint ventures to be developed.

11. Which of the following is NOT a goal that a downsizing firm might seek?
    a. Improved manufacturing technologies
    b. Reduced costs
    c. Improved operating efficiency
    d. Increased profitability
12. The trend in Europe, Latin America, and Asia has been ____________.
   a. related diversification.
   b. whole-firm leveraged buyouts.
   c. building conglomerates.
   d. downscoping.

13. Which of the following is NOT a motive for firms to become multinational?
   a. To take advantage of potential opportunities to expand the market for the firm’s products
   b. To secure access to low-cost factors of production
   c. To reduce domestic country political pressures to expand
   d. To secure key input resources

14. Companies need to be sensitive to the need for local country or regional responsiveness due to:
   a. universal product demand.
   b. the increase in differentiation strategies.
   c. customization required by cultural differences.
   d. the increasing loss of economies of scale.

15. The motivations for expanding into international markets include each of the following opportunities EXCEPT:
   a. to increase the size of the firm’s potential markets.
   b. to gain economies of scale.
   c. to gain a competitive advantage through location.
   d. to pressure host governments to provide concessions and/or legal restrictions desired by the firm.

16. Coca-Cola and PepsiCo entered international markets because of:
   a. saturated domestic markets.
   b. lower labor costs.
   c. economies of scale.
   d. increasing competition in the U.S. market.

17. Factors of production in Porter’s model of international competitive advantage include all of the following EXCEPT:
   a. labor.
   b. capital.
   c. infrastructure.
   d. quality of demand.
18. In analyzing factors of production, South Korea:
   a. is deficient in all four factors.
   b. lacks natural resources, but has developed its labor resources.
   c. has an abundance of capital and a well developed infrastructure.
   d. has an abundance of natural resources, but lacks the communication system
      necessary to conduct international business.

19. An international low-cost strategy is likely to develop in a country with __________
    demand.
   a. limited
   b. large scale
   c. rapidly expanding
   d. stable

20. A multidomestic corporate-level strategy is one in which:
   a. a corporation chooses not to compete internationally but where there are a number of
      international competitors in the firm’s local marketplace.
   b. there are a relatively large number of local firms which choose not to compete
      internationally.
   c. strategic and operating decisions are decentralized to the strategic business unit in
      each country.
   d. strategic and operating decisions are centralized across the firm’s international
      strategic business units.

21. A global corporate-level strategy is different from a multidomestic corporate-level strategy
    in that in a global strategy:
   a. competitive strategy is dictated by the home office.
   b. competitive strategy is decentralized and controlled by individual strategic business
      units.
   c. products are customized to meet the individual needs of each country.
   d. the firm sells in only a single country.

22. A global strategy:
   a. is easy to manage because of common operating decisions across borders.
   b. achieves efficient operations without sharing resources across country boundaries.
   c. is difficult to pursue successfully.
   d. lacks responsiveness to local markets.

23. A transnational corporate-level strategy seeks to achieve:
   a. strategic decentralization and tailoring of products in each country.
   b. economies of scale and centralized strategic control.
   c. global efficiency and local responsiveness.
   d. top management team leadership and quality improvement in the firm’s products.
24. As a result of problems that domestic U.S. car manufacturers have had in competing with Asian automakers, GM is moving toward a ____________ strategy that will allow it to have both greater control over what happens in each of its foreign car companies and to be more responsive to regional needs.
   a. transnational
   b. global
   c. multidomestic
   d. megaregional

25. Most firms enter regional markets sequentially, introducing their ________________ first.
   a. most innovative products
   b. largest and strongest lines of business
   c. most generic products, which will be more likely to generate universal product demand,
   d. products customized to the region

26. A firm may narrow its focus to a specific region of the world in order to:
   a. decrease the pressures on managers to coordinate efforts on a worldwide basis.
   b. obtain greater economies of scale.
   c. better understand cultures, legal and social norms, and other factors that are important to effective competition in local markets.
   d. avoid depleting financial resources in markets where the firm may not be successful.

27. The problems associated with exporting include:
   a. merging corporate cultures.
   b. a partner’s incompatibility.
   c. difficulty in negotiating relationships.
   d. high transportation costs.

28. A licensing agreement:
   a. occurs when two firms agree to share the risks and the resources of a new venture.
   b. allows the fastest access to a new market.
   c. allows a foreign firm to purchase the rights to manufacture and sell a firm’s products within a host country.
   d. is often called a greenfield venture.

29. China is an attractive location for cross-border alliances because of ____________.
   a. its large potential demand
   b. its efficient distribution channels
   c. the technological knowledge it can share with its alliance partners
   d. its pro-business regulatory policies
30. In situations where there is high uncertainty, where cooperation is needed and where strategic flexibility is important, __________ are most likely to succeed.
   a. licensing strategies
   b. strategic alliances
   c. acquisitions.
   d. new wholly owned subsidiaries

31. Internationally diversified firms:
   a. gain benefits from learning about new products and processes.
   b. are more likely to produce below-average returns for investors.
   c. may need to decrease international activities when domestic profits are poor.
   d. are generally unable to achieve high levels of synergy.

32. Political risks in international diversification include:
   a. the changes that a domestic government forces on a domestic firm.
   b. changes in exchange rates.
   c. those related to instability in national governments.
   d. the dangers associated with the inflation rate in given countries and how the local national bank responds.

33. Which of the following is an economic risk to international firms?
   a. Currency exchange rate fluctuations
   b. Threat of war
   c. Government regulation
   d. Nationalization of operations

34. The use of alliances:
   a. is unlikely to yield success if partnering firms are headquartered in the same country.
   b. may be too restrictive to facilitate entry into new markets.
   c. usually increases the investment necessary to introduce new products.
   d. is increasing, especially among large global firms.

35. Which type of strategic alliance is best at passing tacit knowledge between firms?
   a. Primary cooperative strategic alliances
   b. Joint ventures
   c. Equity strategic alliances
   d. Nonequity strategic alliances

36. In a(n) __________ the firms involved own equal shares of a newly-created venture.
   a. equality-based strategic alliance
   b. non-equity strategic alliance
   c. joint venture
   d. equity strategic alliance
37. Horizontal partnerships often focus on:
   a. decreasing the purchasing power of consumers.
   b. the development of just-in-time inventory systems.
   c. long-term product development and distribution opportunities.
   d. lobbying congress to deregulate the industry.

38. In general, strategic alliances are primarily formed to respond to _________ rather than _________ actions.
   a. outsourcing, complementary
   b. well-planned, spontaneous
   c. business-level, corporate-level
   d. strategic, tactical

39. As illustrated by GM’s partnership with Toyota, many firms form business-level strategic alliances in order to reduce uncertainty associated with the ____________ function(s).
   a. accounts payable and payroll
   b. marketing
   c. legal
   d. research and development

40. A ________ strategy alliance allows firms to expand into new product or market areas without having to make an acquisition.
   a. synergistic
   b. diversifying
   c. competition reduction
   d. complementary

41. Wal-Mart is entering a cooperative strategy with Sumitomo of Japan in order to ________.
   a. to generate synergies in manufacturing
   b. to respond to competition from other Japanese ventures
   c. to determine if their firms should merge in the future
   d. to provide greater focus on their distribution efforts

42. The Boeing Company formed an alliance with the Insitu Group in order to __________.
   a. compete more effectively within the traditional passenger aircraft market
   b. develop new marketing processes
   c. reduce competition in the marketplace
   d. diversify into governmental and commercial markets
43. In the franchising strategy, the most important competitive advantage for the franchisee is ________________.
   a. the franchisor’s brand name
   b. the franchisor’s capital resources
   c. the franchisor’s access to a consolidated market
   d. the franchisor’s geographic locations

44. According to recent statistics, ________ in annual U.S. retail sales are generated through franchised outlets.
   a. $50 million
   b. $1 billion
   c. $ 50 billion
   d. $1 trillion

45. McDonald’s franchising system is a ________________.
   a. worldwide product divisional structure.
   b. strategic network.
   c. SBU multidivisional structure.
   d. simple structure.

46. A firm may pursue an international strategic alliance for all of the following reasons EXCEPT:
   a. to enhance the compensation packages of top managers.
   b. to leverage core competencies in new markets.
   c. to operate within government restrictions in the local country.
   d. to escape limited domestic growth opportunities.

47. If GM and Toyota were to combine some of their automobile manufacturing operations, this would be characterized as a(n) ________________.
   a. collusive tactic
   b. merger
   c. cross-border strategic alliance
   d. international acquisition

48. In some countries, the only legal way for foreign firms to invest in the country is through ________________.
   a. silent partner agreements
   b. franchising
   c. wholly-owned subsidiaries
   d. partnership with a local firm

49. Some governments, such as those of India and South Korea:
   a. encourage high levels of foreign ownership.
   b. adamantly oppose foreign ownership of a firm.
   c. often put limits on the level of foreign ownership in a local firm.
   d. restrict the entry mode into the domestic market to licensing only.
50. A dynamic strategic alliance is most useful in ________________.
   a. industries characterized by frequent product innovations
   b. standard-cycle industries
   c. cross-border cooperative strategies
   d. the cost-minimization approach of managing a cooperative strategy