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**International Business: Environments and Operations, 15e, Global Edition (Daniels et al.)**

**Chapter 15: Forms and Ownership of Foreign Production**

**Multiple Choice: Select one best answer according to the Textbook:**

- 1) Coca-Cola collaborates extensively abroad, but it refuses collaboration that might imperil control of its core competency. As a result, which of the following is NOT one of its international collaborative forms?
- A) sharing ownership in the production of its secret formula concentrate
  - B) using franchisers to bottle, sell, and deliver Coke beverages
  - C) licensing Coke's trademark for use on products in which it lacks skills
  - D) forming joint ventures with companies that provide supplies for Coke products
- 5) Small economies are sometimes less successful than large countries in attracting FDI by raising import restrictions. What is the most likely reason for this?
- A) Large economies impose higher trade restrictions.
  - B) Transportation costs are generally higher in small economies.
  - C) People in small economies are more nationalistic in their purchases.
  - D) Small economies frequently lack sufficient markets for large-scale production.
- 9) Why can a company more easily pursue a global strategy when it owns 100 percent of foreign operations?
- A) The company is not likely to face overcapacity issues.
  - B) The company limits foreign-exchange rate fluctuations.
  - C) The company avoids communication misunderstandings.
  - D) The company can sub-optimize results in one country in order to optimize results globally.
- 11) A company that makes a foreign investment largely to acquire knowledge is most likely to use \_\_\_\_\_ as a means of expansion.
- A) a greenfield investment
  - B) internalization
  - C) an acquisition
  - D) a licensing agreement
- 12) Executives at a U.S. firm are debating whether to start a new operation in Russia or acquire an existing one. Which of the following factors best supports a decision to start up a new operation in Russia?
- A) The Russian government places restrictions on the outward transfer of foreign capital.
  - B) Labor relations at existing Russian firms are poor and difficult to change.
  - C) Russia's currency is weak and stock market prices are significantly depressed.
  - D) Existing companies have goodwill and positive brand recognition in Russia.
- 13) A greenfield investment is another name for a company's decision to \_\_\_\_\_.
- A) acquire an interest in an existing foreign operation
  - B) implement sustainable marketing practices
  - C) construct a new facility in a foreign market
  - D) build a facility for a local company
- 19) The more a company engages in international collaborative arrangements as opposed to wholly owned foreign operations, the more it is likely to \_\_\_\_\_.
- A) decrease its exposure to political risk
  - B) increase its control over foreign operations
  - C) learn rapidly about foreign environments
  - D) protect its core assets

20) What is a key industry?

- A) an industry that is locked up competitively by domestic producers
- B) a turnkey operator specializing in the construction of infrastructure components
- C) an industry that receives government subsidies
- D) an industry that significantly affects the economy by virtue of its size or influence on other sectors

23) *Dependencia* theory holds that \_\_\_\_\_.

- A) countries should seek to diversify their economies
- B) low-income countries have practically no power in dealings with MNEs
- C) in a globalized world, no nation can be independent economically or politically
- D) there is a natural division of labor whereby developing countries depend on production using fairly unskilled labor and developed countries depend on highly educated workers

Answer: B

24) Chrysler granted South East Motor (a company in China) rights to produce its Grand Voyager minivan for sale in China in exchange for a fee. This is an example of a(n) \_\_\_\_\_.

- A) licensing agreement
- B) bargaining school arrangement
- C) technology appropriation
- D) turnkey operation

27) What is the primary reason for technology licensing to take place while a product is still in the developmental stage?

- A) to enable the licensor to receive some earnings in case the technology never becomes operative
- B) to ensure that a product launches in various countries at about the same time
- C) to gain funds to complete the development
- D) to reduce transaction costs

31) Judson Baked Goods, a U.S. firm, grants the use of its trademark to a company in Sweden and provides the Swedish company with operational assistance on a continuing basis. Judson is most likely involved in \_\_\_\_\_.

- A) a management contract
- B) franchising
- C) offshoring
- D) appropriability

32) What is a master franchise?

- A) the original agreement between the franchisor and franchisee
- B) the franchisee with the highest revenue in a region
- C) a franchisee with rights to open outlets on its own or develop subfranchises
- D) the set of standard terms regulating the relationship between franchisor and franchisee

33) Lesser-known franchisors sometimes enter foreign countries with company-owned outlets. A reason for doing this is to \_\_\_\_\_.

- A) guarantee profits
- B) avoid competition
- C) compete with local stores
- D) attract potential franchisees

34) Franchisees sometimes wish to change the product or service offered by the franchisor to better fit local market needs abroad. Why are these changes a problem for franchisors?

- A) Too many changes eliminate the need for the franchisors.
- B) The royalties as a percentage of sales decrease.
- C) Governments impose more stringent operating restrictions.
- D) Sales decrease because consumers want to get the "real thing."

35) Metro Hotels, a U.S. hotel chain, has transferred several of its employees to Myanmar where they will work for three or four years before returning to the U.S. The employees will be working with a Myanmar hotel to provide it with their extensive knowledge regarding how to run a hotel. Metro is most likely involved in a \_\_\_\_\_.

- A) franchise
- B) turnkey operation
- C) joint venture
- D) management contract

36) For the provider, management contracts offer the advantage of \_\_\_\_\_.

- A) receiving income without making a capital outlay
- B) increasing their merchandise exports
- C) reducing their global taxes
- D) better access to raw materials

37) The advantage to host countries of international management contracts is that they \_\_\_\_\_.

- A) receive state-of-the-art facilities
- B) get assistance without foreign control
- C) can pay in local currency
- D) save on making capital investments

39) What is a turnkey operation?

- A) a contract for the complete construction of an operating facility for a fee
- B) a contract with a government to service one of its key industries
- C) the buying of another company
- D) the repatriation of equity

42) Why do turnkey operators often require a feasibility study as part of the contract?

- A) By adding to the cost, they earn more money.
- B) This lessens the risk of contract cancellation when political leadership changes.
- C) This lowers their risk of foreign-exchange losses.
- D) This helps to define what constitutes "satisfactory completion" of the project.

43) What is an international joint venture?

- A) an international agreement between two or more companies to have access to each other's patents
- B) the ownership of a company by two or more companies, of which at least one is a foreign company where the venture is located
- C) an international agreement between two or more firms for the use of a trademark
- D) an agreement between two or more organizations to share management expertise

44) What is an international consortium?

- A) the ownership of a company by a government and a foreign company
- B) an agreement signed by most governments to protect intellectual property rights
- C) an international joint venture owned by at least three organizations
- D) an agreement between two or more governments to provide for reciprocal foreign investment protection

46) What is an equity alliance?

- A) a collaborative arrangement in which at least one collaborating company takes an ownership position in the other
- B) a collaboration in which each contributor receives an equitable return based on relative contribution
- C) a collaboration in which partners agree to share technology with each other
- D) a wholly owned acquisition to prevent appropriation of intellectual property

48) When a large company and a small company enter a collaborative arrangement, \_\_\_\_\_.

- A) the large company is expected to contribute more to the arrangement
- B) the large company is likely to be more active in the venture
- C) the small company is more likely to view the collaboration's expansion as competition to itself
- D) the small company is likely to be disadvantaged if legal action is necessary to solve a dispute

50) When a company's primary motive for entering a collaborative arrangement is to learn from its partner, it is likely to \_\_\_\_\_.

- A) leave control to its partner
- B) "go it alone" after it has learned what it needs to know
- C) have disagreements with the partner over quality issues
- D) prefer the arrangement to be a licensing agreement

**SHORT ANSWER:**

90) In a short essay, discuss how transportation, trade restrictions, domestic capacity, and country-of-origin affect companies' decisions about modes of operating internationally.

97) What is a turnkey operation? What features generally make turnkey operations different from other collaborative arrangements?