

## Chapter 6 Formulating Strategy

1. Restrictive trade barriers most likely influence the globalization of businesses by encouraging firms to \_\_\_\_\_.
  - A) develop joint ventures with local firms
  - B) import supplies from foreign vendors
  - C) expand the exportation of raw materials
  - D) switch from exporting to overseas manufacturing
2. Toyota has manufacturing plants in the United States to circumvent \_\_\_\_\_.
  - A) by local policies
  - B) import quotas
  - C) high import tariffs
  - D) fluctuating exchange rates
3. In 2014, the Cuban government passed a law offering tax breaks for foreign companies planning joint ventures with Cuban companies or the Cuban state. This is most likely an example of a firm expanding overseas due to \_\_\_\_\_.
  - A) globalization of competitors
  - B) restrictive trade barriers
  - C) home country regulations
  - D) provision of incentives
4. Which of the following statements is true of the strategic formulation process?
  - A) The global strategic formulation process is completely independent of the process followed in domestic companies.
  - B) The strategic formulation process is part of the strategic management process in which most firms engage, either formally or informally.
  - C) Strategic formulation consists of four defined stages that occur in a consecutive order.
  - D) Most firms operate on planning cycles of one or two years with periodic strategy reviews.
5. Microtech Corporation has three business divisions. Each one of them customizes its products for each national market. This company uses a(n) \_\_\_\_\_.
  - A) global strategy
  - B) transnational strategy
  - C) international strategy
  - D) multidomestic strategy
6. Goals for market volume and profitability are usually set higher for international than domestic operations due to the \_\_\_\_\_.
  - A) fluctuating exchange rates
  - B) presence of unstable market conditions
  - C) involvement of greater risks
  - D) presence of stable exchange rates

7. According to the CAGE Model, which of the following refers to the physical, communications, and transportation links between countries?
- A) cultural distance
  - B) administrative distance
  - C) geographic distance
  - D) economic distance
8. The first broad scan of all potential world markets should result in the firm being able to \_\_\_\_\_.
- A) identify the strengths and weaknesses of its competitors
  - B) eliminate markets with unreasonable entry conditions
  - C) determine the best sources for raw materials
  - D) eliminate countries with high cultural risk
9. Futura-Core Technologies, an electronics manufacturing firm, has advantages in financial capability and sustainability, but a disadvantage in speed of innovation. It is also at a disadvantage relative to Core-Dynamix Technologies, another electronics manufacturing firm, in important factors such as manufacturing capability and adaptability to market conditions. Which of the following terms best describes Futura-Core's abilities in comparison to Core-Dynamix?
- A) comparative advantage
  - B) collective bargaining
  - C) competitive advantage
  - D) absolute advantage
10. Panera Bread is a chain of cafes serving sandwiches, soups, and freshly baked breads. The company began in 1981 with stores primarily located along the east coast of the U.S. Since then, the firm has expanded to over 1,300 locations throughout the U.S. and Canada. The firm has strong earnings and has been designated by Business Week as a "Significant Growth Company." Panera Bread executives are considering the idea of expanding globally by opening cafes in Asia through a franchising strategy. Which of the following, if true, supports the argument that Panera Bread should expand into Asia through franchising?
- A) Panera Bread executives want to test the Asian market with a short-term commitment that allows them to make quick profits.
  - B) Panera Bread executives want fast access to the Asian market without a significant investment of capital.
  - C) The Panera Bread menu changes rapidly, and each cafe's artisan bread bakers receive regular training on new recipes.
  - D) The Panera Bread mission is to make excellent bread available to customers around the world.
11. Roch, a Swiss chocolate company, recently opened a manufacturing unit in Spain. The purpose of this move was that Roch wanted to avoid Spain's high import tariffs. Which of the following reasons prompted Roch to open the manufacturing unit in Spain?
- A) customer demands
  - B) trade barriers
  - C) globalization of competitors

D) growth opportunities

12. Using Rivoli and Salorio's framework, assume there is high uncertainty in a country and that the company's proposed investment is highly irreversible investment. Identify the conditions in which a firm will "Get toes wet or investigate alternative mode."
  - A) Monopolistic advantages, Low country early mover advantages
  - B) Monopolistic advantages, High country early mover advantages
  - C) Non-monopolistic advantages, Low country early mover advantages
  - D) Non-monopolistic advantages, High country early mover advantages
13. List the reasons a company would have if it wants to operate internationally.
14. List the seven steps in the strategic management process.
15. What is the difference between environmental scanning at the multinational level and the regional level?
16. What are the differences between Porter's generic strategies for gaining competitive advantage and BCG Matrix – Boston Consulting Group Matrix? Please give an example in international automotive
17. What are the two levels of strategic alternatives that a firm must consider when competing internationally?
18. Compare and contrast globalization and regionalization.