

Ch. 12-the strategy of international business



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The action that managers take to attain the goals of the firm are referred to as a firm's strategy. True For most firms the preeminent goal is to maximize the value of the firm for its customer. False ONCH. 12-THE STRATEGY OF INTERNATIONAL BUSINESS SPECIFICALLY FOR YOU FOR ONLY \$13.

90/PAGE Order Now Strategy is a ratio or rate of return concept. False In general, higher profitability and a high rate of profit growth will increase the value of the enterprise and thus the returns gained by its owner. True The more value customers place on a firm's product, the higher the price that a firm can charge for those products. True The price a firm charges for a good or service is typically more than the value placed on that good or service by the customer. False It is normally impossible to segment the market to such a degree that the firm can charge each customer a price that reflects that individual's assessment of the value of the product. True A company can create more value either by lowering production cost, or making the product more attractive through design, functionality, features, quality, and the like. True There are two basic strategies to improve a firm's profitability-a differentiation strategy and a diversification strategy. False For superior value creation relative to rivals, it is essential for a firm to create the most valuable products in the eyes of the consumer. False Human resources, material management, and manufacturing are included as the secondary activities in the firm's value chain. False Primary activities of a firm have to do with the design, creation, and delivery of the products, its marketing, and its support and after-sales service. True Primary activities of a firm are divided into four functions: R&D, production, marketing and sales, and human resources. False R&D is concerned with the design of products and production process. True For services such as banking a bank healthcare, "

production" is concerned with selecting the merchandise, stocking the store, and ringing up the sale at the cash register. False In the context of the value chain, support activities provide the inputs that allow primary activities of production and marketing to occur. True The combination of R&D and human resources is a particularly potent source of cost savings in many enterprises. False Organizational infrastructure refers to the totality of a firm's organization. False The logistical function controls the transmission of physical materials through the value chain, from procurement through production and into distribution. True Controls are the metrics used to measure the performance of subunits and make judgments about how well those managers are running those subunits. True Market conditions and company's strategy have to fit with each other in order for a company to attain superior performance. True Government action and new technology can shift the market conditions. TRUE Firms that operate internationally are able to reduce the costs of value creation because they realize greater cost economies from experience effects by serving an expanded global market from a central location. TRUE A firm's ability to increase its profitability is increased by the need to customize its product offering, marketing strategy, and business strategy to differing national conditions. FALSE Locating a value creation activity in the optimal location for that activity can lower the costs of value creation and help the firm to achieve a low cost position, and/or enable a firm to differentiate its product offering from the offerings of competitors. TRUE Due to favorable endowments, New Zealand may have a comparative advantage for automobile assembly operations, but high transportation costs would make it an uneconomical location from which to serve global markets. TRUE The system curve refers to systematic reductions

in production costs that have been observed to occur over the life of a product. FALSE For the most complex tasks, learning curves exist indefinitely. FALSE Economies of scale refer to cost savings that come from learning by doing. FALSE The reduction in unit costs achieved by producing a large volume of a product is referred to as diseconomies of scale. FALSE A firm increases its cost of creating value when it moves down the experience curve. FALSE One key to progressing downward on the experience curve as rapidly as possible is to increase the volume produced by a single plant as quickly as possible. TRUE Leveraging the skills created within subsidiaries and applying them to other operations within the firm's global network may create value. TRUE Firms that compete in the global markets typically face two types of competitive pressure: to be globally responsive and pressures for cost reductions. FALSE Because customizing product offerings to different national requirements can involve significant duplication and a lack of product standardization, the result is usually a decrease in costs. FALSE Cost reduction pressures can be particularly intense in industries producing commodity-type products where meaningful differentiation on nonprice factors is difficult and price is the main competitive weapon. TRUE Firms that simultaneously face both strong cost pressures and strong pressures for local responsiveness pursue a localization strategy. FALSE Recent decades have seen a reduction in the number of strategic alliances. FALSE Some commentators have criticized strategic alliances on the grounds that they bring together complementary skills and assets that neither company could easily develop on its own. FALSE The failure rate for international strategic alliances is very low. FALSE A firm's _____ can be defined as the actions that managers take to attain the goals of the firm. strategy A simple example of <https://assignbuster.com/ch-12-the-strategy-of-international-business/>

_____ is rate of return on sales. profitability The price a firm charges for a good or service is typically less than the value placed on that good or service by the customer. This is because the consumer captures some of that value in the form of what economists call: consumer surplus. There are two basic strategies for improving a firm's profitability. These are: a differentiation strategy and a low-cost strategy. The _____ of a firm is measured by the difference between value and cost. value creation A strategy that focuses primarily on increasing the attractiveness of a product is referred to as a(n): differentiation strategy. The _____ shows all of the different positions that a firm can adopt with regard to value creation and low cost assuming that its internal operations are configured efficiently to support a particular position. efficiency frontier Because of diminishing returns, the efficiency frontier has what kind of shape? Convex To maximize its long-run return on invested capital, a firm must do all of the following EXCEPT: establish economies of scale through high-end customization. According to the text, it is useful to think of the firm as a(n) _____ composed of a series of distinct activities, including production, marketing, materials management, R&D, human resources, information systems, and the firm infrastructure. value chain The _____ activities of a firm have to do with creating the product, marketing and delivering the product to buyers, and providing support and after-sales service to the buyers of the product. primary In the context of value chain analysis, which of the following is an example of a "primary" activity? Research and development Which function of a firm is concerned with the design of products and production processes? Research and development Which of the following is NOT a support activity in the value chain?

A. Company infrastructure Production_____ is concerned with the creation of goods or services. Production Which function of a firm can help create value through brand positioning and advertising? The marketing and sales function Which function ensures that the company has the right mix of skilled people to perform its value creation activities effectively? Human resources Which of the following is NOT an example of an information system? An employee-training pamphlet All of the following are included in infrastructure EXCEPT: brand positioning The term _____ can be used to refer to the totality of a firm's organization, including its organizational structure, control systems and incentives, and people. organization architecture Which of the following is NOT a part of organizational structure? The market environment of a firm. Which of the following is NOT part of the organizational architecture? Competitors Devices used to reward appropriate managerial behavior are called: incentives. The manner in which decisions are made and work is performed within the organization refers to: processes The norms and value systems that are shared among the employees of an organization refer to its: organizational culture For a firm to attain superior performance and earn a high return on capital, its strategy must make sense given: market conditions Firms that operate internationally are able to do all of the following EXCEPT: expand their international market by selling those products in the domestic market. Skills within the firm that competitors cannot easily match or imitate are referred to as: core competencies. Toyota is able to produce high-quality, well-designed cars at a lower delivered cost. This is an example of a(n): core competency Implicit in the discussion of leveraging core competencies is the idea that: firms should transfer core competencies to foreign locations. _____ permitting, the firm

will benefit by basing each value creation activity it performs at that location where economic, political, and cultural positions are most conducive to the performance of that activity. Trade barriers and transportation costs Economies that arise from performing a value creation activity in the optimal location for that activity are called: location economies If the most productive labor force for assembly operations is in Mexico, assembly operations should be based in Mexico. This is based on the principle of: location economies. Location economies are important because locating an optimal location can: increase value and support higher pricing. According to the text, a firm creates a(n) _____ by dispersing the stages of its value chain to those locations around the globe where the value added is maximized or where the costs of value creation are minimized. global web Which of the following is NOT an important caveat that is likely to discourage global expansion? Cultural differences The _____ refers to the systematic reduction in production costs that have been observed to occur over the life of a product. experience curve A number of studies have observed that a product's _____ decline by some characteristic each time cumulative output doubles. production costs The two phenomena that help explain the experience curve are: learning effects and economies of scale. _____ refer to cost savings that come from acquiring knowledge of repetition of how to carry out a task. Learning effects Learning effects tend to be more significant when a _____ task is repeated because there is more that can be learned about the task. technologically complex The ability to spread fixed costs over a large volume results in a cost-savings phenomenon is referred to as: economies of scale. Production costs eventually decline due to increasing labor productivity and management efficiency because of: learning effects A

firm would move down the experience curve if it: chooses an optimal location for a particular value creation activity. Firms that compete in the global marketplace typically face two types of competitive pressures. They face pressures for cost reductions and: pressures to be locally responsive. Cost reduction pressures tend to be particularly intense in industries that: create products that serve universal needs. Which of the following is NOT an example of a conventional commodity product? Diamonds Among global firms, which of the following is NOT a factor that is driving pressures for local responsiveness? Similarities in consumer tastes and preferences In North America, consumer electrical systems are based on 110 volts, while in some European countries, 240-volt systems are standard. This is an example of: differences in infrastructure and traditional practices. All of these countries have a similar per capita income on a purchasing power parity basis EXCEPT: Australia A firm's ____ strategies may have to be responsive to differences in distribution channels among countries. marketing Threats of protectionism, economic nationalism, and local content rules: dictate that international businesses manufacture locally. Pressures for ____ imply that it may not be possible for a firm to realize the full benefits from learning effects and location economies. local responsiveness Firms use four basic strategies to compete in the international environment. These are: global standardization strategy, a localization strategy, a transnational strategy, and an international strategy. The appropriateness of the strategy that a firm chooses to use in an international market varies with the extent of pressures for ____ and _____. cost reductions; local responsiveness. Which of the following is NOT one of the four basic strategies used by firms to deal with cost reduction and local responsiveness? Exit strategy Which strategy makes

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the most sense when there are strong pressures for cost reductions and demands for local responsiveness are minimal? Global standardization strategy Which of the following companies DOES NOT pursue a global standardization strategy? McDonald's Which strategy focuses on increasing profitability by customizing the firm's goods or services so that they provide a good match to tastes and preferences in different national markets?

Localization MTV is a company that had to pursue a(n): localization strategy. Which strategy makes the most sense when cost pressures are intense, and demands for local responsiveness are high? Transnational strategy The work of Christopher Bartlett and Sumantra Ghoshal is associated with:

transnational strategy. A(n) _____ strategy makes sense when a firm faces high pressures for cost reductions, high pressures for local responsiveness, and significant opportunities for leveraging valuable skills within a multinational's global network of operations. transnational According to the text, which of the following strategies is difficult to implement due to conflicting demands? Transnational Firms that pursue a(n) _____ strategy try to create value by transferring valuable skills and products to foreign markets where indigenous competitors lack those skills and products.

international A(n) _____ strategy makes sense if a firm has a valuable core competence that indigenous competitors in foreign markets lack.

international Localizing the product offering, yet simultaneously capturing some scale economies are advantages of which strategy? Transnational The term _____ refers to cooperative agreements between potential or actual competitors. strategic alliance _____ run the range from formal joint ventures to short-term contractual agreements. Strategic alliances _____ allow firms to share the fixed costs of developing new products or processes. Strategic

alliances Many firms tie up with Chinese firms to be able to do business successfully in China. On their own, they will not be able to establish business connections essential to succeed in China. This is an example of which advantage of a strategic alliance? Strategic alliances may facilitate entry into a foreign market. Strategic alliances have three major advantages. These are (1) may facilitate trade into a foreign market, (2) allow firms to share the fixed costs and developing new products or processes, and (3): a way to bring together the complementary skills and assets of the participants. One of the principal risks with strategic alliances is: a firm can give away more than it receives. According to the text, the success of a strategic alliance is a function of three factors. These are: partner selection, alliance structure, and: the manner in which the alliance is managed. Which of the following is NOT a required attribute of a good strategic alliance partner? It must have capabilities identical to his/her partner. All of the following are characteristics of good allies or partners EXCEPT: a good partner divulges all secrets of his organization to you. To increase the probability of selecting a good partner, a firm should do all of the following EXCEPT: contact the potential ally's family and friends to find out as much information as possible. The four safeguards against opportunism by alliance partners include: walling off critical technology, establishing contractual safeguards, agreeing to swap valuable skills and technologies, and: extracting significant credible commitments. _____ agreements are one way to achieve the goal of swapping skills and technologies that each company in a strategic alliance covets, and ensuring a chance for equitable gain. Cross-licensing Managing an alliance successfully requires building interpersonal

relationships between the firms' managers, or what is sometimes referred to as: relational capital.