

# IIA-CIA-PART4<sup>Q&As</sup>

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### QUESTION 1

A firm considering entry into an emerging industry must be aware of many strategic factors. Thus, the firm must anticipate that:

- A. Early mobility barriers are likely to persist.
- B. Early commitment to suppliers is a strategic trap.
- C. The high cost of opening the market favor early entry.
- D. The nature of entrants may change.

Correct Answer: D

The nature of entrants may change to include larger firms attracted by the proven and less risky industry. Firms must predict when such entry is likely given existing and probable future barriers and the costs of surmounting them. Firms also need to predict how new entrants will compete, e.g., on the basis of marketing power or economies of scale. Furthermore, new entrants may emerge through vertical integration.

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### QUESTION 2

During which stages do the primary issues among group members involve uncertainty about power and authority relationships?

- A. Yes Yes
- B. Yes No
- C. No Yes
- D. No No

Correct Answer: B

According to Jewell and Reill, the principal issue in the early stages is uncertainty about power and authority relationships. The principal issue in the later stages is uncertainty about interpersonal relationships.

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### QUESTION 3

Globalization assists in achieving economies of scale, which is:

- A. Cost benefit
- B. Timing benefit.
- C. Learning benefit.
- D. Arbitrage benefit.

Correct Answer: A

Cost benefits are obtained from economies of scale as a firm expands its operations. Average costs of output decline because of standardization of products or processes, and increased bargaining power versus suppliers of raw materials, components, and services. Moreover, economies of scale may arise from centralized production or from marketing, logistical, or purchasing factors.

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#### QUESTION 4

Globalization and localization are shaping the competitive structure of industries. The scenario contributing to the most competitive environment is when:

- A. Global forces dominate.
- B. Local forces dominate.
- C. Mix of global and local forces dominate.
- D. Neither global nor local forces dominate.

Correct Answer: C

Competitiveness of firms is greatest, and the competitive environment is most intense, when the benefits of global integration and coordination and the benefits of localization (flexibility, proximity, and quick response time) are achieved.

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#### QUESTION 5

Managerial attitudes toward global operations are viewed by researcher HowardPerl mutteras a key to understanding multinational firms. A geocentric attitude is indicated by

- A. An identification with national perspectives even though the firm is genuinely international.
- B. Control and evaluation methods that are locally determined.
- C. Decision making concentrated in the central administrative authority.
- D. Little communication among subsidiaries.

Correct Answer: A

A geocentric attitude is truly internationally oriented while absorbing the best that various cultures offer. It is a completely balanced approach with full collaboration between central administrators and subsidiaries, control and evaluation methods that harmonize local and overall firm standards, and frequent communication in all directions (i.e., between central administrators and subsidiaries and among subsidiaries). Moreover, talent, not nationality, determines personnel decisions throughout the firm.

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#### QUESTION 6

A manufacturing company produces plastic utensils for a particular segment at the lowest possible cost. The company is pursuing a cost:

- A. Leadership strategy.

- B. Focus strategy.
- C. Differentiation strategy.
- D. Containment strategy.

Correct Answer: B

A cost focus strategy aims at cost leadership in a particular segment, such as a regional market or a specialty product line. The rationale for a focus strategy is that the narrower market can be better served.

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#### QUESTION 7

Which of the following is the most significant reason that domestic governments and international organizations seek to eliminate cartels?

- A. The increased sales price reduces the amount of corporate tax revenues payable to the government.
- B. True competition keeps prices as low as possible, thus increasing efficiency in the marketplace.
- C. Small businesses cannot survive or grow without government protection.
- D. The economic stability of developing countries depends on a global free market.

Correct Answer: B

A cartel is an organization of sellers (e.g., the oil cartel OPEC) who undertake joint action to maximize members' profits by controlling the supply, and therefore the price, of their product. Under the laws of many nations, such collusive conduct is illegal when engaged in by firms subject to those laws. The reason is that, as a result of the monopolistic and anticompetitive practices of cartels, supply is lower, prices are high, competition is restrained, and the relevant industry is less efficient. Accordingly, governmental and international organizations seek to protect consumers and the health of the domestic and global economy through anti-cartel efforts.

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#### QUESTION 8

Which of the following are steps in a customer value analysis (CVA)?

- I. Determining what customers value
- II.

Having customers rank the relative significance of the elements of customer value III. Evaluating how well the firm and its competitors perform relative to the elements of customer value IV. Focusing on performance with respect to each element of customer value

- A.
- I, III, and IV only.
- B.
- I, II, and III only.

- C.  
I, II, and III only.  
D.  
I, II, III, and IV.
- Correct Answer: D
- The steps in a CVA are to:
- Determine what customers value.
  - Assign quantitative amounts to the elements of customer value and have customers rank their relative significance.
  - Evaluate how well the firm and its competitors perform relative to each element.
  - Focus on performance with respect to each element, vis-a-vis an important competitor in a given market segment.
  - Repeat the foregoing steps as circumstances change.
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#### QUESTION 9

A firm may decide to enter a new business by creating a new entity. After undertaking a structural analysis, the internal entrant chooses an appropriate target industry. The most likely target is an industry in which the entrant:

- A. Will have to develop its own distribution network.
- B. Can raise mobility barriers after entry.
- C. Will not have to compete with a dominant firm that seeks to protect the industry.
- D. Calculates that the costs of retaliation to existing firms are less than the benefits.

Correct Answer: B

A distinctive ability to influence industry structure is another basis for earning above-average profits. Thus, an ability to raise mobility barriers after the firm has entered the industry is a reason to target that industry. Moreover, a firm may be able to recognize that entering a fragmented industry will start a process of consolidation and increased entry barriers.

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#### QUESTION 10

Which of the following elements of an organization requires people to be accountable to superiors?

- A. Coordination of effort.
- B. Division of labor.
- C. Common goal or purpose.
- D. Hierarchy of authority.

Correct Answer: D

A hierarchy of authority requires people to be accountable to their superiors in the hierarchy.

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#### QUESTION 11

Leadership situations vary with regard to the degree to which the leader can determine what subordinates will do, how the subordinates will do it, and what the results will be. According to Fiedler's contingency theory, a leader with a relationship-oriented management style will be most effective when exerting:

- A. Great control.
- B. Moderate control.
- C. Little control.
- D. Great or little control.

Correct Answer: B

A relationship-oriented manager is employee centered. His or her self-esteem is strongly affected by personal interactions with subordinates. Fiedler indicated that such a manager is most effective when not faced with the extremes of high or low control situations. High control follows from strong position power, a structured task, and good leader-member relations. A low-control situation has just the opposite characteristics. In a high-control environment, a concern for personal relations may be unimportant. In a low-control situation, the relationship-oriented leader may be unable to provide the needed task structuring. Thus, the moderate control situation is best. An example is an assembly-line situation (a structured task) in which leader-member relations are poor.

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#### QUESTION 12

All of the following are impediments to global competition except:

- A. Economies of scale.
- B. Rapid changes in technology.
- C. Differing marketing tasks.
- D. Sensitivity to lead times.

Correct Answer: A

Economies of scale are sources of global competitive advantage. Economies of scale in centralized production, logistics, purchasing, or marketing facilitate entry into the global market.

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#### QUESTION 13

What is a primary disadvantage of forcing another party to accept terms in a negotiation?

- A. Damage of the relationship between the negotiators.

- B. Lack of achievement of the negotiator's goals.
- C. Increased time involved in reaching an agreement.
- D. Reduction in internal support for the negotiator's tactics.

Correct Answer: A

In future negotiations, the "forced" opponent will be less likely to work with the negotiator to achieve mutual goals. Negotiations in which one or both parties feel they must "win" at the expense of the other party ultimately do not build a relationship of trust and cooperation.

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#### QUESTION 14

With the globalization of economies, many organizations have expanded their operations to international locations. As an advisor to management, an internal auditor will most likely recommend that a geocentric, or worldwide, attitude be adopted. Select the reason the geocentric attitude is preferred.

- A. It promotes a simpler organizational structure.
- B. It provides greater autonomy for host country managers.
- C. It provides the best balance of local and worldwide objectives.
- D. It promotes tighter organizational control.

Correct Answer: C

According to Howard Perlmutter, the geocentric attitude toward international operations is world oriented. The intention is to balance local and worldwide objectives in all aspects of operations, to maintain global standards while permitting local managers to exercise appropriate discretion.

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#### QUESTION 15

The workers in a factory have been told that the current machines are obsolete and will be replaced by new, computer-assisted machines. The workers must be retrained and are eager to learn everything about the new machines. The manager was recently hired from a company where the new machines were extensively used and is very familiar with them. In this case, what is the best leadership style for the manager?

- A. Directive.
- B. Supportive.
- C. Participative.
- D. Achievement-oriented.

Correct Answer: A

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