**QUIZ 2**

**Instructions: Read the following sentences carefully and choose the words indicated in the box that best describe the answer.**

1. The selection of countries that are geographically and/or culturally similar can reduce **uncertainty in decision-taking** and encourage more proactive attitudes on the part of companies towards the development of their international businesses.
2. **International diversification** is defined it as expansion of companies across the borders of global regions and countries into different geographic locations, or markets.
3. CEOs educated to a greater degree are more likely to tolerate ambiguity and take risks. Their advanced knowledge and greater cognitive ability may enhance their **information processing capability**.
4. The literature of international entrepreneurship eschewed the historical international business presumption of risk-averse managers, instead conceptualizing internationalization as entrepreneurial behavior driven by individuals with greater **risk-taking propensity**.
5. **Intangible asset advantages** are a means by which a multinational firm can achieve a strong position in a host country despite its having local knowledge disadvantages compared to local firms.
6. A firm’s **absorptive capacity** is not only taxed by a fast international expansion pace, but also by the diversity of businesses that are entered in the process.
7. Specific management characteristics that influence export activity can be divided into two groups: **subjective characteristics** (aversion to risk, risk tolerance level, personal ambition, etc.) and **demographic characteristics** (age, education, professional experience, language knowledge, number and variety of trips abroad).
8. **CEO duality** may have serious shortcomings, such as a high degree of independence in thought and action, meaning that some CEOs may rule their organization without input from others. This can limit the type and quality of information the CEOs receive about potential opportunities in their industry or their internationalization activities.
9. **Organizing an international operation** requires managers to ensure that formal and informal communication channels are in place to enable effective coordination among personnel responsible for the various complementary activities.
10. The foundation of **upper echelon theory** is the belief that: (1) top executives view their situation through their own highly personalized lenses; (2) that differences among executives will influence company strategy; and (3) that understanding strategy therefore requires understanding strategists.
11. An expansion process that takes a firm into a limited number of countries is much easier to digest. As a result, companies that expand into just a few geographical markets suffer less from **time compression diseconomies** than firms that disperse into many markets.
12. Longer tenures of top managers may produce **social cohesion** and **shared cognitive structures**, and these attributes may enhance socialization and lead to better firm performance.
13. **Exploration** as experimenting with new alternatives is analogous to the experience- based knowledge generation that enables a multi-national firm to overcome **liabilities of foreignness** and be successful in its new markets.

liabilities of foreignness / uncertainty in decision-taking / upper echelon theory / intangible asset advantages / social cohesion / absorptive capacity / exploration / information processing capability / demographic characteristics / CEO duality / organizing an international operation / shared cognitive structures / time compression diseconomies / subjective characteristics / international diversification / risk-taking propensity

**Please do brainstorming along with the following word.**

* Definition: Formal & informal rules of the game
* Degree of formality of institutions (Formal vs informal)
* Examples (Formal institutions: laws, regulations, rules; Informal institutions: norms, culture, ethics)
* Theory (Institution-based view: A leading perspective in international business that suggest that firm performance is determined by the institutional frameworks governing firm.)
* Transaction costs: The costs associated with economic transactions
* Opportunity behavior: Institutions help reduce the potential opportunistic behavior by explicitly establishing the rules of the game so that violations (such as failure to fulfil a contract) can be mitigated with relative ease (such as through formal arbitration and courts).
* Civil laws (Roman Law & French civil code of 1804/codified in books of law) vs common laws (English customary law/statutes/customs/court decisions)
* Intellectual property rights
* Corporate governance: Rules by which shareholders & other interested parties control corporate decision makers
* National institutions affect international trade: tariff barriers & non-tariff barriers (subsidies, import quotas, voluntary export restraints, local content requirements, administrative practices, anti-dumping duties).
* National institutions affect FDI (Outright bans on FDI, case-by-case approvals of FDI, ownership requirements)
* Institutions & Internationalization: cultural distance vs institutional distance
* Institutions affect foreign entry strategies