# Quiz (ANSWERS)

**Please fill in using the words presented below.**

1. Delegating too much power to foreign subsidiaries is problematic. It is because of (1) **subsidiary isolation**, (2) opportunistic behaviours, (3) increase in transaction cost, & (4) barriers to strengthening global value chain systems in the MNC network.
2. **Trust** implies confidence that a partner will not exploit the vulnerabilities of the other.
3. One of the key agglomeration advantages is **technological spillovers**.
4. Japanese FDI in the United Kingdom has dropped since 2000 because of (1) the emergence of new competitors from Asia, (2) increased FDI destination options; & (3) **non-participation of the UK in the Eurozone**.
5. **JVs** provide a means to access resources held by local firms, including resources, such as networks that may help to counteract idiosyncrasies of a weak institutional context.
6. **Acquisition** may be prohibitively costly because of the inefficiency of financial markets.
7. **Subsidiary knowledge creation** is a core part of the subsidiary-specific advantages which enable the subsidiary to perform effectively in the local market.
8. **The agency problem** arises (1) when the goals of the principals & the agents conflict & (2) when it is difficult or expensive for the principal to verify what the agent is actually doing.
9. **The resource-based view of the firm (RBV)** attaches importance to the logic that a firm’s competitive advantage lies in its internal organization.
10. **Stock options** can be a valuable governance mechanism to align the CEO’s interests with those of the shareholders.
11. The issue of **common method variance (CMV)** is caused by (1) consistency & rationality motive, (2) implicit theories & illusory correlations, (3) social desirability, (4) leniency biases, and (5) mood state.
12. **Subsidiary autonomy** means the degree of strategic & operational decision-making authority delegated to foreign affiliate management.
13. Key context-specific resources include **networks with different actors**.
14. Where **strong institutions** make markets highly efficient, foreign entrants would probably be able to use contracts to arrange most transactions.
15. **CEO duality** may reinforce popular doubts about the legitimacy of the system as a whole & evokes images of bosses writing their own performance reviews & setting their salaries.
16. **Contractual alliances** include licensing, outsourcing, & franchising etc.
17. **Board capital** enables a firm to secure resources which are vital to reduce risks & improve performance & reflects varied & crucial resources (e.g., advice, counsel, & legitimacy) for better decision makings.
18. **Population density** positively influences startups’ performance due to legitimacy & acceptance.