

## 9.8: End-of-Chapter Questions and Exercises

These exercises are designed to ensure that the knowledge you gain from this book about international business meets the learning standards set out by the international Association to Advance Collegiate Schools of Business (AACSB International). Association to Advance Collegiate Schools of Business website, accessed January 26, 2010, <http://www.aacsb.edu>. AACSB is the premier accrediting agency of collegiate business schools and accounting programs worldwide. It expects that you will gain knowledge in the areas of communication, ethical reasoning, analytical skills, use of information technology, multiculturalism and diversity, and reflective thinking.

### EXPERIENTIAL EXERCISES

(AACSB: Communication, Use of Information Technology, Analytical Skills)

1. Imagine that you are working for a company that has been exporting to Europe for five years. The company now sees an opportunity to expand into Asia. Which modes of entry would you suggest that your company pursue for Asia? Would you recommend the same strategy for entering Japan as you would for China? Why or why not?
2. Under what conditions would a company engage in countertrade? Would anyone other than a company from a developing country suggest a countertrade deal? Why or why not?
3. Imagine that you work for a custom-bicycle company that has thus far only manufactured in the United States. You're under pressure to reduce costs. What options would you explore? Would you consider sourcing some of the components from countries with lower material costs? Would you consider outsourcing some of the manufacturing? Would you set up a subsidiary in a country with lower labor and material costs to handle the manufacturing? Explain the advantages or disadvantages of these options.
4. Compare and contrast the roles of the SBA, Ex-Im Bank, OPIC, and JETRO. When would a company seek out these organizations? Could a bank or EMC take on the role that these other organizations provide? Are these organizations better for small businesses or larger corporations?
5. Imagine that you are an exporter. You've found a buyer who's interested in importing your goods. However, the buyer doesn't have the cash to buy the products in the 100-lot quantities you require. What would you do? Are there ways to help the buyer get financing? Are there financing mechanisms that you yourself can pursue to ease the burden on the buyer?

### Ethical Dilemmas

(AACSB: Ethical Reasoning, Multiculturalism, Reflective Thinking, Analytical Skills)

1. In some countries, bribes are a common business practice. One country's definition of corrupt or unethical behavior may be another country's definition of polite relationship development. Under US law, it's permissible for a salesperson to take a potential customer to a baseball game or the golf course but not to give them a gift or cash payment. Imagine that you are a rising young executive sent to oversee imports in your company's Russian subsidiary. Your predecessor shows you the ropes and tells you that bribes are needed for routine tasks like getting imported supplies cleared through customs. "We use customs brokers, and they build bribes into the invoice," he casually explains. Refusing to give payoffs slows down the business greatly. You know that offering bribes is illegal under US law. But in this case, the bribe wouldn't be coming from your company; it would come from the customs broker. You also know that US law doesn't address small payoffs and that even though Russia enacted new anticorruption laws in 2008, the law criminalizes only completed acts of bribery, not the act of demanding or offering bribes. The legislation also doesn't address corruption in the judicial system that would prosecute such offenses. So, the chances of getting caught or prosecuted are low. Would you continue the practice of giving bribes? Would you risk a business slowdown under your new management if you don't give bribes? Would you alert your boss at headquarters of this practice?
2. The standards of the legal minimum age for employment vary in different countries due to their different circumstances. Nike got skewered in the US press and public opinion when a photograph showed a twelve-year-old Pakistani boy sewing a Nike soccer ball. But a Massachusetts Institute of Technology (MIT) alumnus from Pakistan who interviewed boys making soccer balls for Nike in Pakistan discovered this: "In Pakistan, the reality is that the 14-year-old's father may be a drug addict or dead, and his mother may have 10 other children to raise. As a 14-year-old, he represents the family's best earning potential." Thomas A. Kochan and Richard Schmalensee, *Management: Inventing and Delivering its Future* (Cambridge, MA: MIT Press, 2003), 72–73. To deny the fourteen-year-old boy the ability to earn wages to provide for the family is age discrimination. Indeed, the company could be sued. The notion that a fourteen-year-old is "too young" to work and that working is "not in the best interests of the child" must be tempered by knowledge of the local conditions and the true alternatives facing fourteen-year-olds in

developing countries. Sewing soccer balls at fourteen may be damaging to the eyes, but what if the alternative is selling one's body?

An MIT alumnus from Brazil expressed similar views: "In Brazil, a 14-year-old is not the same as a 14-year-old in the U.S. In the U.S., 14-year-olds have the alternative of going to school. After school, maybe they play sports or take music lessons. In Brazil, it's better to be working a part-time job at 14 than to be on the streets and be offered drugs. Limiting the worker age to 16 makes sense for the U.S., but not for Brazil." Thomas A. Kochan and Richard Schmalensee, *Management: Inventing and Delivering its Future* (Cambridge, MA: MIT Press, 2003), 72–73.

How would you handle a situation like this? If it were legal for one of your suppliers to hire children as young as twelve years old, would you let them? Would you ask them to adhere to the US minimum-age standard of sixteen? Is it even your business to tell another company what to do? How might your decision impact your reputation in the United States? How might your actions impact the people in the country where your supplier is located? Can you think of ways to make the hiring of younger workers more palatable to US stakeholders?

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