

Chapter 3—Emphasizing Informal Institutions: Cultures, Ethics, and Norms

TRUE/FALSE

1. According to the institution-based view, informal institutions must be sought when formal institutions fail.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 66 OBJ: LO: 3-1 NAT: BUSPROG: Communication
KEY: Bloom's: Knowledge

2. The cultural norms of a country is an example of an informal institution.

ANS: T PTS: 1 DIF: Difficulty: Moderate
REF: p. 66 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

3. Informal institutions are based on the rules and legal systems of an economy.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 66 OBJ: LO: 3-1 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

4. Informal institutions are closely related to ethnocentrism.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 66 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

5. Informal institutions are constructed on the regulatory pillars of a society.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 67 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

6. English-speaking countries contribute the largest share of global business output.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 67 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

7. Dividing individuals of a society into hierarchical classes is an example of social stratification.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 70 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

8. Social mobility refers to the degree to which people can move from one area to another area in a country.

ANS: F PTS: 1 DIF: Difficulty: Easy

REF: p. 70 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

9. Social structure is the outcome of a society's formal and informal rules of the game.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 71 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

10. In socially mobile societies, education functions as a means to maintain social stratification.

ANS: F PTS: 1 DIF: Difficulty: Moderate
REF: p. 72 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

11. In high-context cultures, communication is usually taken at face value without much reliance on unspoken context.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 72 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

12. The United States has a low-context culture in business.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 73 OBJ: LO: 3-2 NAT: BUSPROG: Communication
KEY: Bloom's: Knowledge

13. The GLOBE project identifies a total of five clusters.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 73 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

14. The Ronen and Shenkar cluster divides the world into eight civilizations.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 73 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

15. Addressing bosses with honorary titles would be an instance of low power distance in a firm.

ANS: F PTS: 1 DIF: Difficulty: Moderate
REF: p. 76 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

16. Power distance is the extent to which less powerful members within a country expect and accept that power is distributed unequally.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 76 OBJ: LO: 3-2 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

17. A boss regularly taking his employees out for casual lunches would indicate a low power distance within the firm.

ANS: T PTS: 1 DIF: Difficulty: Moderate
REF: p. 76 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

18. In individualistic societies, ties between individuals are relatively close.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 76 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

19. The United States is often classified as a collectivist society.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 76 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

20. A country with low masculinity has very subtle differentiation between gender roles in society.

ANS: T PTS: 1 DIF: Difficulty: Moderate
REF: p. 77 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

21. Cultures of low uncertainty avoidance tend to resist change.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 77 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

22. High uncertainty avoidance cultures are characterized by a greater willingness to take risk with change.

ANS: F PTS: 1 DIF: Difficulty: Moderate
REF: p. 77 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

23. Members of short-term orientation societies emphasize perseverance and savings for future betterment.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 78 OBJ: LO: 3-2 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

24. The average length of contracts is longer in low-context countries than in high-context countries.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 79 OBJ: LO: 3-2 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

25. Managers in high power distance countries are more inclined toward centralized authority.

ANS: T PTS: 1 DIF: Difficulty: Moderate
REF: p. 79 OBJ: LO: 3-2 NAT: BUSPROG: Ethics

KEY: Bloom's: Comprehension

26. Managers in low uncertainty avoidance countries tend to rely more on rules than experience.

ANS: F PTS: 1 DIF: Difficulty: Moderate
REF: p. 79 OBJ: LO: 3-2 NAT: BUSPROG: Analytic
KEY: Bloom's: Comprehension

27. Ethical imperialism suggests that all ethical standards are relative.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 80 OBJ: LO: 3-3 NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

28. "Respect for institutional context" is one of the guiding principles proposed by business ethicist Thomas Donaldson.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 81 OBJ: LO: 3-3 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

29. A proactive firm would anticipate responsibility and do more than required when facing ethical challenges.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 83 OBJ: LO: 3-4 NAT: BUSPROG: Ethics
KEY: Bloom's: Knowledge

30. According to Max Weber, Protestant work ethics led to the rise of capitalism in Europe.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 84 OBJ: LO: 3-5 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

31. Confucianism has been a leading philosophy in East Asian business ethics.

ANS: T PTS: 1 DIF: Difficulty: Moderate
REF: p. 84 OBJ: LO: 3-5 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

32. Collectivists are more collaborative when dealing with in-group members.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 86 OBJ: LO: 3-5 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

33. Individualists make more distinction between in-group and out-group members than collectivists.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 86 OBJ: LO: 3-5 NAT: BUSPROG: Communication
KEY: Bloom's: Knowledge

34. Cultural intelligence emphasizes the understanding of informal institutions.

ANS: T PTS: 1 DIF: Difficulty: Moderate
REF: p. 87 OBJ: LO: 3-6 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

35. In acquiring cultural intelligence, awareness refers to the ability to identify the symbols, rituals, and taboos in other cultures.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 87 OBJ: LO: 3-6 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

MULTIPLE CHOICE

1. _____ refers to the quality of a society that perceives its own culture, ethics, and norms as natural, rational, and morally right.
- Polycentrism
 - Ethnocentrism
 - Anthropocentrism
 - Social mobility

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 66 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

2. Which of the following aspects of a culture would be categorized as an informal institution?
- Ethics
 - Politics
 - Economics
 - Laws

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 66 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

3. Which of the following is a factor for English being accepted as the global business language?
- English speakers have traditionally been more mobile than non-English speakers.
 - English is far easier to translate to and from, than any other language.
 - English-speaking countries contribute the largest share of global business output.
 - English is the largest language in terms of the number of native speakers.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 67 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

4. Which of the following languages is considered the *lingua franca* of global business?
- English
 - Chinese
 - Spanish
 - French

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 67 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

5. The hierarchical arrangement of individuals into categories such as classes, castes, or divisions within a society is referred to as _____.
a. social dumping
b. social stratification
c. social facilitation
d. social loafing

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 70 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

6. Social mobility refers to the degree to which _____.
a. members from a collectivist society move to an individualist society
b. members from a lower social category move to a higher social category
c. people from emerging economies move to developed economies
d. people from developed economies move to emerging economies

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 70 OBJ: LO: 3-1 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

7. Which of the following statements is true about low-context cultures?
a. Communication relies a lot on the underlying unspoken context.
b. Communication depends equally between the unspoken and spoken contexts.
c. Communication primarily depends on body language.
d. Communication is usually taken at face value.

ANS: D PTS: 1 DIF: Difficulty: Moderate
REF: p. 72 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

8. In _____ cultures, the unspoken context is as important as the words used during communication.
a. high-context
b. low-context
c. individualistic
d. collectivist

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 72 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

9. A _____ is the highest cultural grouping of people and the broadest level of cultural identity people have.
a. clan
b. chiefdom
c. civilization
d. tribe

ANS: C PTS: 1 DIF: Difficulty: Easy
REF: p. 73 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

10. Which of the following cultural clusters contains the group "Hindu"?
a. The GLOBE clusters
b. The Huntington civilizations

- c. The Ronen and Shenkar clusters
- d. The Kogut-Singh cultural index

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: pp. 73-74 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

11. Which of the following is true of the GLOBE clusters?
- a. It divides all the nations of the world into western and eastern cultures.
 - b. It divides the nations of the world into ten clusters.
 - c. It divides the nations of the world based on civilizations.
 - d. It divides the nations of the world based on their religious affinity.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: pp. 73-74 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

12. In a collectivist society, _____.
- a. family units are highly valued
 - b. individual identity is considered separate from his or her group
 - c. ties between individuals are relatively loose
 - d. individual achievement and freedom are highly valued

ANS: A PTS: 1 DIF: Difficulty: Moderate
REF: p. 76 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

13. In an individualistic society, _____.
- a. an individual's identity is fundamentally tied to the identity of his or her group
 - b. ties between individuals are very strong
 - c. an individual's identity is fundamentally his or her own
 - d. collective accomplishments are more important than individual accomplishments

ANS: C PTS: 1 DIF: Difficulty: Easy
REF: p. 76 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

14. Which of the following methods of understanding cultural differences characterizes sex role differentiation in cultures?
- a. Humanistic Approach
 - b. Cluster Approach
 - c. Context Approach
 - d. Dimensional Approach

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 77 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

15. Which of the following is one of the five dimensions outlined in the Dimensions Approach?
- a. Language
 - b. Work ethics
 - c. Religion
 - d. Uncertainty avoidance

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 77 OBJ: LO: 3-2 NAT: BUSPROG: Diversity

KEY: Bloom's: Knowledge

16. Which of the following is a characteristic of high masculinity societies?
- a. Women are more likely to become politicians and soldiers.
 - b. Men frequently assume the role of nurses, teachers, and househusbands.
 - c. There is a sharp role differentiation along gender lines.
 - d. Managers are less visible, intuitive rather than decisive, and accustomed to seeking consensus.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 77 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

17. _____ refers to the extent to which members in a culture tolerate ambiguous situations.
- a. Uncertainty avoidance
 - b. *Lingua franca*
 - c. Ethnocentrism
 - d. Long-term orientation

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 77 OBJ: LO: 3-2 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

18. Which of the following perspectives describes ethical imperialism?
- a. It is a perspective that each firm should cultivate its own ethics.
 - b. It is a perspective that there is only one set of ethics.
 - c. It is a perspective that ethical standards are relative.
 - d. It is a perspective that ethical standards can never be codified.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 80 OBJ: LO: 3-3 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

19. A(n) _____ is a set of guidelines for helping a firm make ethical decisions.
- a. operating agreement
 - b. certificate of incorporation
 - c. mission statement
 - d. code of conduct

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 80 OBJ: LO: 3-3 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

20. An American firm operating in the Middle East struggles with enforcing rules opposing sexual discrimination against Muslim women working in its management. Which of the following describes the American firm's stand against enforcing local norms?
- a. Ethical relativism
 - b. Cultural relativism
 - c. Ethical imperialism
 - d. Xenocentrism

ANS: C PTS: 1 DIF: Difficulty: Challenging
REF: p. 80 OBJ: LO: 3-3 NAT: BUSPROG: Reflective Thinking
KEY: Bloom's: Application

21. Which of the following is one of the three "middle-of-the-road" guiding principles proposed by business ethicist Thomas Donaldson?
- a. Firms should try to export its home-country ethics to the global market.
 - b. Firms should not base their ethics on local institutions.
 - c. Firms should be culturally sensitive when conducting business abroad.
 - d. Firms should follow a universal ethical business code regardless of geography.

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 81 OBJ: LO: 3-3 NAT: BUSPROG: Ethics
KEY: Bloom's: Comprehension

22. The _____ enacted in 1977 bans U.S. firms from bribing non-U.S. officials.
- a. Trust Against Bribery and Distortion Act
 - b. Foreign Corrupt Practices Act
 - c. Statute of Limitation on Foreign Direct Investment Act
 - d. Bribery of Foreign Public Officials Act

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 81 OBJ: LO: 3-3 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

23. Which of the following is true of the reactive strategy to ethical challenges in business?
- a. It admits responsibility and does less than what is required.
 - b. It accepts responsibility and does more than what is required.
 - c. It anticipates institutional changes and does more than what is required.
 - d. It denies responsibility and takes a passive approach.

ANS: D PTS: 1 DIF: Difficulty: Moderate
REF: p. 82 OBJ: LO: 3-4 NAT: BUSPROG: Analytic
KEY: Bloom's: Comprehension

24. A firm that has adopted an accommodative strategy for ethical challenges in business _____.
- a. accepts responsibility and does all that is required
 - b. denies responsibility and does less than required
 - c. admits responsibility but does the least that is required
 - d. anticipates institutional changes and does more than is required

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 83 OBJ: LO: 3-4 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

25. According to sociologist Max Weber, what is the ideological foundation that led to the rise of Western economic development?
- a. The Industrial Revolution
 - b. Protestant work ethics
 - c. Catholicism
 - d. Colonialism

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 84 OBJ: LO: 3-5 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

26. Sociologist Max Weber criticized _____ as a leading cause of Asian backwardness.
- a. atheism
 - b. Buddhism

- c. Confucianism
- d. Deism

ANS: C PTS: 1 DIF: Difficulty: Easy
REF: p. 84 OBJ: LO: 3-5 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

27. _____ refers to the coexistence of both cultural divergence and cultural convergence.
- a. Cultural concurrence
 - b. Covariance
 - c. Limited divergence
 - d. Crossvergence

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 85 OBJ: LO: 3-5 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

28. Members of a group or collective consider each other as _____.
- a. in-group members
 - b. out-group members
 - c. individualistic members
 - d. cross-cultural members

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 86 OBJ: LO: 3-5 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

29. Individualists differ from collectivists in that individualists are _____.
- a. less collaborative with in-group members
 - b. more collaborative with out-group members
 - c. more opportunistic when dealing with in-group members
 - d. less opportunistic with out-group members

ANS: C PTS: 1 DIF: Difficulty: Moderate
REF: p. 86 OBJ: LO: 3-5 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

30. Which of the following is true of individualists and collectivists?
- a. Individualists are more collaborative when dealing with in-group members.
 - b. Collectivists are more opportunistic when dealing with out-group members.
 - c. Individualists discriminate more harshly against out-group members.
 - d. Collectivists are opportunistic when dealing with in-group members.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 86 OBJ: LO: 3-5 NAT: BUSPROG: Diversity
KEY: Bloom's: Comprehension

31. Which of the following cultural intelligence profiles would match an individual with a collectivist ideology?
- a. The Local
 - b. The Chameleon
 - c. The Mimic
 - d. The Natural

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: pp. 86-87 OBJ: LO: 3-6 NAT: BUSPROG: Analytic

KEY: Bloom's: Knowledge

32. Which of the following profiles characterizes a person who relies on intuition rather than on a systematic learning style when interacting with people from different cultural backgrounds?
- The Mimic
 - The Local
 - The Chameleon
 - The Natural

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 87 OBJ: LO: 3-6 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

33. In profiles of cultural intelligence, a person who creates a comfort zone for people from different cultural backgrounds by adopting their general posture and communication style, without resorting to mockery, is characterized as the ____.
- local
 - natural
 - mimic
 - chameleon

ANS: C PTS: 1 DIF: Difficulty: Easy
REF: p. 87 OBJ: LO: 3-6 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

34. Which of the following profiles characterizes a person who may be mistaken for a native in a foreign country and is able to profitably balance insider skills with an outsider's perspective?
- The Mimic
 - The Chameleon
 - The Analyst
 - The Natural

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 87 OBJ: LO: 3-6 NAT: BUSPROG: Analytic
KEY: Bloom's: Knowledge

35. Which of the following is/are the final phase of acquiring cultural intelligence?
- Skills
 - Awareness
 - Knowledge
 - Divergence

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 87 OBJ: LO: 3-6 NAT: BUSPROG: Diversity
KEY: Bloom's: Knowledge

ESSAY

1. Define culture. Describe the four major components of culture.

ANS:

Culture is the collective programming of the mind that distinguishes the members of one group or category of people from another.

The four major components of culture are: (1) language, (2) religion, (3) social structure, and (4) education.

Language: Chinese is the largest language in terms of the number of native speakers. English is a distant second. Yet, English is the global business language. It is known as the lingua franca of business communication. Countries that do not share a common official language may still benefit with increased trade and investment if they share a common foreign language.

Religion: The four leading religions are (1) Christianity, (2) Islam, (3) Hinduism, and (4) Buddhism. Because religious differences have led to numerous challenges, knowledge about religions is crucial even for non-religious officials.

Social structure: Social structure refers to the way a society broadly organizes its members—with rigidity or flexibility. It is the outcome of a society's formal and informal rules of the game that give birth to its norms and values.

Education: From an early age, schools teach children mainstream values and norms and foster a sense of cultural identity. In socially rigid societies, education, especially access to a small number of elite schools, helps to maintain social stratification. On the other hand, socially mobile societies break down social barriers with education.

PTS: 1

DIF: Difficulty: Moderate

REF: pp. 67-72

OBJ: LO: 3-1

NAT: BUSPROG: Analytic

KEY: Bloom's: Comprehension

2. Describe the context approach to understanding cultural differences.

ANS:

Of the three main approaches probing into cultural differences, the context approach is the most straightforward, because it relies on a single dimension: context. Context is the underlying background upon which social interaction takes place. In low-context cultures (such as North American and Western European countries), communication is usually taken at face value without much reliance on unspoken context. In contrast, in high-context cultures (such as Arab and Asian countries), communication relies a lot on the underlying unspoken context, which is as important as the words used. Context is important because failure to understand the differences in interaction styles may lead to misunderstanding.

PTS: 1

DIF: Difficulty: Moderate

REF: pp. 72-73

OBJ: LO: 3-2

NAT: BUSPROG: Diversity

KEY: Bloom's: Comprehension

3. Explain the dimensional approach of power distance in cultures.

ANS:

Power distance is the extent to which less powerful members within a country expect and accept that power is distributed unequally. For example, in Brazil, the richest 10% receive 50% of the national income, but everyone accepts it as the way it is. Sweden, on the other hand, has a lower power distance where the richest 10% only get 22% of the national income. Managers in high power distance countries have a stronger role with centralized authority. Subordinate feedback and participation are often seen as signs of weakness in leadership. Managers in low power distance countries should take advantage of the greater communication between power levels, gaining insight and perspective from all individuals.

PTS: 1

DIF: Difficulty: Moderate

REF: p. 76| p. 79

OBJ: LO: 3-2

NAT: BUSPROG: Diversity

KEY: Bloom's: Comprehension

4. Explain how the "middle-of-the-road" strategies bridge the disparity between ethical relativism and ethical imperialism.

ANS:

Ethical relativism says that it is better to adapt fully to a culture's ethics when interacting with it.

Ethical imperialism says there is only one set of Ethics, and we have this set.

In order to bridge the gap between these two extremes, three middle-of-the-road strategies have been offered. First, respect for human dignity and basic rights should determine the absolute minimal ethical thresholds for all operations around the world. Even for someone who may tend toward ethical relativism, every human is part of a similar situation and endowed with basic human rights. These rights should be fought for and maintained throughout the world, no matter what the specific local tradition might argue.

Second, respect for local traditions suggests cultural sensitivity. Since no culture is inherently better than any other, simply different, it is important to seek to understand other cultures and not to take things personally when differences arise.

Third, respect for institutional context calls for a careful understanding of local institutions. Cultural differences range from obvious to very subtle, so it is necessary to carefully approach a culture so as not to act foolishly and disrespect the obvious or the subtle.

PTS: 1

DIF: Difficulty: Moderate

REF: pp. 80-81

OBJ: LO: 3-3

NAT: BUSPROG: Diversity

KEY: Bloom's: Comprehension

5. Describe the different strategic responses to ethical challenges.

ANS:

How firms strategically respond to ethical challenges is often driven, at least in part, by norms. Four broad strategic responses are: (1) reactive, (2) defensive, (3) accommodative, and (4) proactive strategies.

A reactive strategy is passive. When problems arise, denial is usually the first line of defense. In the absence of formal regulation, the need to take necessary action is neither internalized through cognitive beliefs nor becoming any norm in practice. A defensive strategy focuses on regulatory compliance. In the absence of regulatory pressures, firms often fight informal pressures coming from the media and activists. An accommodative strategy features emerging organizational norms to accept responsibility and a set of increasingly internalized cognitive beliefs and values toward making certain changes. These normative and cognitive values may be shared by a number of firms, thus leading to new industry norms. Finally, proactive firms anticipate institutional changes and do more than is required.

PTS: 1

DIF: Difficulty: Moderate

REF: pp. 82-83

OBJ: LO: 3-4

NAT: BUSPROG: Ethics

KEY: Bloom's: Comprehension

6. A common stereotype is that players from collectivist societies are more collaborative and trustworthy, and that those from individualist societies are more competitive and opportunistic. What do you think the relation between collectivism/individualism and opportunistic behavior is? How does the understanding of collectivism/individualism help managers?

ANS:

The culture dimension—individualism/collectivism—may hold the key to an improved understanding of opportunism. But this stereotype does not consider other factors in a culture, and thus could be misleading.

An important factor that can impact opportunistic behavior is in-group/out-group relationship.

In-group members are individuals and firms regarded as a part of their own collective. Out-group members are individuals and firms not regarded as a part of "us."

Collectivists are more collaborative when dealing with in-group members. The flip side is that collectivists discriminate more harshly against out-group members. On the other hand, individualists, who believe that every person (firm) is on his or her (its) own, make less distinction between in-group and out-group. Therefore, although individualists may indeed be more opportunistic than collectivists when dealing with in-group members (this fits the stereotype), collectivists may be *more* opportunistic when dealing with out-group members.

This insight can help managers and firms better deal with one another. Only through repeated social interactions can collectivists assess whether to accept newcomers as in-group members. This also explains why it is so important to establish relationship for individuals and firms in countries with high collectivism.

PTS: 1

DIF: Difficulty: Moderate

REF: p. 86

OBJ: LO: 3-5

NAT: BUSPROG: Analytic

KEY: Bloom's: Comprehension

7. Describe the characteristics of the different profiles of cultural intelligence.

ANS:

There are five profiles of cultural intelligence.

1. The Local: A person who works well with people from similar backgrounds but does not work effectively with people from different cultural backgrounds.
2. The Analyst: A person who observes and learns from others and plans a strategy for interacting with people from different cultural backgrounds.
3. The Natural: A person who relies on intuition rather than on a systematic learning style when interacting with people from different cultural backgrounds.
4. The Mimic: A person who creates a comfort zone for people from different cultural backgrounds by adopting their general posture and communication style. This is not pure imitation, which may be regarded as mocking.
5. The Chameleon: A person who may be mistaken for a native of the foreign country. He or she may achieve results that natives cannot, due to his or her insider's skills and outsider's perspective.

PTS: 1

DIF: Difficulty: Moderate

REF: p. 87

OBJ: LO: 3-6

NAT: BUSPROG: Analytic

KEY: Bloom's: Comprehension

8. Define cultural intelligence. Describe the process of acquisition of cultural intelligence.

ANS:

Cultural intelligence is defined as an individual's ability to understand and adjust to new cultures.

Acquisition of cultural intelligence passes through three phases: (1) awareness, (2) knowledge, and (3) skills. Awareness refers to the recognition of both the pros and cons of your "mental software" and the appreciation of people from other cultures. Knowledge refers to the ability to identify the symbols, rituals, and taboos in other cultures—also known as cross-cultural literacy. Understanding these values is important to create a roadmap of the informal institutions governing their behavior. Finally, skills are based on awareness and knowledge, plus good practice.

PTS: 1

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