INDIAN INSTITUTE OF MANAGEMENT CALCUTTA

GLOBAL POLITICAL ECONOMY

MASTER EXAM PREP — COMPLETE EDITION

96 MCQs · Concept Notes (Sessions 1-3) · Quick Reference · Exam Traps

Master Prep Concept Notes merged with Final Exam MCQ Bank - all deduplicated

EPBM-32 · IIM Calcutta via TimesPro
Prof. Biju Paul Abraham
30 MCQs · 1 Hour · PPT + All 3 Readings
Sessions 1, 2 & 3 · Stakeholders | PEST & FDI | Geopolitics

Prepared by Abhinav Roy
linkedin.com/in/abhinavroy07

HOW TO USE THIS DOCUMENT

This document has everything you need to prepare for the GPE exam in one place. Here is the best way to use it:

Read the concept notes first, session by session.	Sessions 1, 2, and 3 are written in plain English. Each idea is explained simply — no jargon, no assumptions. Read them even if you attended every class.
Then try the MCQs for that session.	Do not rush to the MCQs without reading the notes first. The notes give you the 'why' behind the answers.
Never skip the green explanation box under each answer.	It tells you exactly why the correct option is right — and, just as importantly, why the wrong options are wrong. This is where the real learning happens.
Pay close attention to the red Exam Trap boxes.	These highlight the specific mistakes that MCQs are designed to catch. If you read nothing else, read these.
The Quick Reference page is at the end of the notes (before MCQs).	Use it as a last-minute cheat sheet on the day before the exam. All key numbers, frameworks, and lists in one place.
Questions marked NEW are extra questions not in the original prep.	Treat them as equally important — they fill gaps that could appear in the actual exam.
No case study questions will appear in the exam.	The Dengue, MTN, and Velong cases are for class discussion only. Every question in this bank is based on the PPT slides and the three readings.

SESSION 1 Stakeholders & Trust

PPT by Prof. Biju Paul Abraham + Crane (2020) — Revisiting Who, When, and Why Stakeholders Matter

01 Why Stakeholder Identification Matters

Every business has an obvious first job: deliver returns to shareholders. But a firm does not operate in a bubble — it sits inside a web of relationships. Each person or organisation in that web can either help the firm succeed or quietly undermine it. The real question is not *whether* to engage stakeholders, but whether you do it on purpose or get blindsided when you don't.

> **Definition of a Stakeholder**
> Any person or institution who is (a) AFFECTED by what a firm does, OR (b) whose APPROVAL the firm may need to act. There is often NO legal requirement to engage them — but ignoring them can prove very costly.

Why it matters more than ever — the ESG era: ESG (Environmental, Social, and Governance) has moved stakeholder management from a box-ticking exercise to a boardroom priority. Investors now screen firms on how they treat employees, communities, and the environment. Getting stakeholders right = long-term success.

02 The Eight Stakeholder Groups

Prof. Abraham's PPT identifies exactly eight categories. The two students miss most: Regulatory Agencies (separate from Government) and the 'Others' bucket which includes Competitors.

Stakeholder	What They Care About
① **Customers**	Revenue, loyalty, product quality, brand trust
② **Investors / Partners**	Returns, risk, governance quality
③ **Employees & Families**	Jobs, pay, culture, safety, career growth
④ **Suppliers & Distributors**	Contracts, payment terms, supply chain stability
⑤ **Government**	Tax revenue, policy compliance, national interest
⑥ **Regulatory Agencies**	Compliance, licences, safety standards, permits
⑦ **Community**	Social licence, environmental impact, local employment
⑧ **Others (NGOs, Media, Env. Groups, Competitors)**	Advocacy, public opinion, watchdog, competitive pressure

■ EXAM TRAP

Regulatory Agencies is a SEPARATE group from Government. And 'Others' includes Competitors — both are frequent MCQ surprises.

03 What Do You Want from Stakeholders?

Identifying stakeholders is only step one. The harder question is: what is this relationship actually FOR? Four questions every manager must answer:

- **Why is this stakeholder important?** — Force yourself to name the specific value they enable.
- **What role do they play in the firm's success?** — Customers = revenue. Employees = execution. Government = licence to operate.
- **How does our relationship with one affect others?** — The interdependency insight. Connects directly to Crane's connectedness theory.
- **Can we address all stakeholder needs at once?** — Often no. But knowing the trade-offs is different from ignoring them.

Watch Out

Addressing one stakeholder's needs can influence how ALL other stakeholders view you — positively or negatively. You are always sending signals, whether you intend to or not.

04 Stakeholder Relationships Are Dynamic

Stakeholder management is not a one-time document — it is a living discipline. Four reasons the map constantly shifts:

- **Needs change over time** — A regulator's priorities in 2019 are not those of 2025.
- **Some become irrelevant; new ones emerge** — Covid-19 example: vacuum cleaner firms made ventilators; alcohol distilleries made hand-sanitisers. The entire stakeholder universe transformed in weeks.
- **Stakeholders can be replaced or substituted** — An NGO partnership can be swapped for a government one.
- **Mapping must be continuous** — The PPT is explicit: 'Stakeholder identification and mapping needs to be a continuous process for the firm.'

05 Five Pillars of Good Stakeholder Relationships

MCQs often present a list and ask which one is NOT on the list. Know all five:

Pillar	What It Means	What It Is NOT
① **Act in their best interests**	Genuine good intent — not just performative	Acting only when legally required
② **Visibility of action**	Stakeholders must SEE what you are doing	Doing good things in private

Pillar	What It Means	What It Is NOT
③ **Explain your motives**	Communicate WHY you are acting	Silent action with no explanation
④ **Respond proactively**	Act BEFORE regulators or courts force you to	Reactive compliance = managerial failure (Freeman)
⑤ **Transparency & integrity**	Consistent, honest, and open in all dealings	Selective transparency; hiding problems

■ Most Tested Pillar

Pillar ④ — Proactive response. If a question mentions 'waiting for regulatory or judicial intervention' — that is the WRONG approach per the PPT.

06 Crane (2020) — Core Argument & Trust Framework

Crane's central argument: managers have long tried to prioritise stakeholders because resources are limited. But in the information age, this is increasingly dangerous — because stakeholders are INTERCONNECTED. What you do to one group is now VISIBLE to all the others, and sends signals about your trustworthiness across the whole ecosystem.

Trust Defined

From Pirson & Malhotra (2011): Trust = a stakeholder's WILLINGNESS TO BE VULNERABLE to a business. When you buy from a firm, work for it, or invest in it, you are taking a risk. Trust is what makes that risk feel acceptable.

The Three Core Trust Dimensions (Mayer et al., 1995):

Dimension	Meaning	✔ Good Example	✘ Bad Example
ABILITY	Operational competence to deliver on promises	Mattel — swift global recall of faulty toys	Toyota — slow corrective action despite quick statement
BENEVOLENCE	Genuine care and good intent toward stakeholders	Siemens — voluntary USD 100M anti-corruption programme	Kia/Hyundai — refused voluntary recall despite faulty parts
INTEGRITY	Fairness, consistency; keeping promises; acting on stated values	McDonald's — transparency videos on food appearance	Toyota — NHTSA called their statement 'inaccurate and misleading'

07 Three Supplementary Trust Signals

These three signals are how firms DEMONSTRATE the three core trust dimensions in practice:

① Voluntary Action → signals BENEVOLENCE

Acting without being forced by courts, regulation, or public pressure. Freeman (1984): 'A solution imposed by a government agency or courts must be seen as a MANAGERIAL FAILURE.' Good: Siemens voluntarily set up a 15-year USD 100M anti-corruption programme. Bad: Kia/Hyundai waited for a forced recall — trust destroyed.

② Transparency → signals INTEGRITY

Sharing clear, accurate information proactively. If you have nothing to hide, you share openly — and stakeholders notice. Good: McDonald's Canada ran videos showing why ads look different from real food. Bad: Toyota told dealers to inspect floor mats instead of warning customers directly.

③ Responsiveness → signals ABILITY + BENEVOLENCE

Quickly detecting AND acting on stakeholder needs. Two components: TIMING (act fast — in the absence of information, stakeholders assume the worst) and ABILITY (you can actually fix the problem). Good: Mattel recalled 2/3 of affected toys globally and ran a full marketing campaign. Bad: Toyota made a fast statement but was slow to act — blamed on hierarchical structure.

08 The Six Propositions (Crane 2020)

These six propositions are high-value for MCQs. The most counter-intuitive is P6.

Prop.	What It Says	Why It Matters
P1	Actions toward ONE stakeholder provide trust cues to ALL others.	Foundation of the whole argument. Nothing happens in isolation.
P2	VOLUNTARY actions increase trust of observing stakeholders.	Benevolence inferred from voluntary action transfers to the whole audience.
P3	TRANSPARENT actions increase trust of observing stakeholders.	Integrity signals generalise — open with one = seen as open with all.
P4	RESPONSIVE actions increase trust of observing stakeholders.	Ability & benevolence demonstrated in one relationship reassures all others.
P5	PROXIMITY amplifies trust effects — closer stakeholders feel it most.	Flint water crisis → all Americans who drink tap water felt the distrust.
P6 ★	PRIORITISATION of stakeholders DECREASES trust in the firm.	Counter-intuitive! Undermines ABILITY, BENEVOLENCE, and INTEGRITY simultaneously.

■ Why Prioritisation Destroys Trust (P6 Deep Dive)

ABILITY: Secondary stakeholders wonder 'will the firm's resources ever reach me?' → reduces willingness to be vulnerable. BENEVOLENCE: Creates a zero-sum mentality — helping SOME at the EXPENSE of OTHERS (e.g. Boeing's USD 9B tax break demand destroyed perceived benevolence). INTEGRITY: Any unprioritised stakeholder can call it FAVOURITISM (e.g. Wells Fargo shareholder-first culture → 1.5M fake accounts → trust collapse).

09 Case Study Reference Map

All company examples from the Crane reading — know the lesson for each:

Company	Situation	Key Lesson
Mattel ✔	Lead-based paint in toys	All 3 dimensions at once: Ability (global recall) + Benevolence (CEO on child safety) + Integrity (consistent campaign). 75% American approval.
Toyota ✘	Acceleration / floor mat crisis	Failed Transparency (misleading statement) and Responsiveness (slow action despite fast words).
Volkswagen ✘	Emissions scandal	Textbook connectedness: ONE failure cascaded to customers, employees, suppliers, investors, and govt simultaneously.
Nike ✘	Asian factory conditions	Workers were suppliers' employees — yet customers, activists and regulators held NIKE responsible. Supply chain is not a shield.
Siemens ✔	Bribery scandal	Voluntary action restored partial trust: chairman resigned, voluntary 15-year USD 100M programme.
Wells Fargo ✘	1.5M fake accounts	Shareholder-first targets → employees created fake accounts → integrity destroyed → 5,300 fired.
Boeing ✘	Leaving Washington threat	USD 9B tax break + pension concessions = zero-sum hardball → benevolence destroyed across all groups.
McDonald's ✔	Food appearance campaign	Voluntary transparency (videos on why ad food ≠ real food) → improved reputation and trust.
Flint, Michigan EPA ✘	Lead in water supply	Proximity (P5) example: local EPA failure → national distrust. Only 47% of Americans believed tap water was safe.

SESSION 2 Regulatory Risk & Cross-Border Investments

PPT by Prof. Biju Paul Abraham + Sammut-Bonnici & Galea (2014) — PEST Analysis

01 Why Do Firms Invest Abroad? Four Motivations

Every cross-border investment maps onto one or more of these four categories. MCQs often present a fifth fake option like 'tax avoidance' or 'competitive retaliation' — neither is on Prof. Abraham's list.

Motivation	What the Firm Seeks	Indian Example
① **RESOURCES**	Energy, commodities, human resources not available or cheaper domestically	ONGC Videsh investing in Russian and Sudanese oil fields
② **MARKETS**	New markets to sell into; diversification across existing markets	Tata Motors buying JLR to access premium European & US car markets
③ **EFFICIENCY**	Lower costs, better quality, closeness to the market being served	Apple manufacturing in India — cost + market proximity + govt incentives
④ **STRATEGIC ASSETS**	Acquire R&D;, capabilities, brands; bypass institutional constraints; gain trading-bloc foothold	Wipro, HCL buying European IT firms to acquire talent and client relationships

02 Horizontal vs. Vertical FDI

Horizontal FDI: A firm replicates its ENTIRE value chain in a host country. It operates in one product category but does so in multiple countries. Think McDonald's opening restaurants in India — same product, different country.

Vertical FDI: Different STAGES of production are placed in different countries to exploit each country's specific advantages. Think Boeing 787 — wings from Japan, fuselage from Italy, tail from South Korea, trailing edges from Australia, final assembly in Everett, Washington.

Type	Scope of Risk When Disrupted	Why?
Horizontal FDI	Affects that host-country market only	Each country's operation is self-contained. Problem in India does not stop Germany.
Vertical FDI	Can affect third-country and sometimes GLOBAL markets	Each stage feeds the next. Disrupt one node and you break the entire global chain.

Three reasons vertical FDI grew substantially: (1) Dramatic decline in transport and communication costs (sea freight fell to ~20% of 1930 cost by 2005). (2) Substantial reduction in trade barriers through GATT/WTO rounds and regional blocs. (3) Competitive pressure — once one rival cut costs by going abroad, others had to follow.

03 Six Country Risk Categories

Before any cross-border investment, firms must assess country-level risk systematically. Know all six — MCQs often give five correct ones and one impostor.

Risk Type	What It Covers	Real-World Example
① **POLITICAL**	Government instability, expropriation, policy reversals, sanctions	Venezuela nationalising oil; Russia sanctions post-2022
② **ECONOMIC**	GDP contraction, high inflation, recession — market attractiveness declining	Eurozone sovereign debt crisis spreading from Greece to Spain, Portugal, Cyprus
③ **TRANSFER**	Restrictions on repatriating profits, dividends, royalties, or capital	China capital controls limiting profit repatriation by foreign multinationals
④ **EXCHANGE RATE**	Currency fluctuation making revenues worth less in home-country terms	Tata subsidiary earning GBP — INR value swings with GBP/INR rate
⑤ **LOCATION / NEIGHBOURHOOD**	Risk from geographic proximity to unstable neighbours, even if host country is stable	Investing in Jordan — affected by instability in Syria and Iraq next door
⑥ **SOVEREIGN**	Risk that government defaults on debt or repudiates its obligations	Argentina's repeated sovereign defaults — every business in-country affected

■ EXAM TRAP

Cultural Risk or Regulatory Risk offered as a seventh standalone category — NEITHER is on Prof. Abraham's list. The six above are the complete set.

04 PEST Analysis — The Core Framework

PEST is a framework for identifying four categories of external macro-environmental factors that affect a firm's competitive position. It feeds directly into the Opportunities and Threats part of a SWOT analysis.

Golden Rule of PEST

Only include factors that (a) have a DIRECT bearing on industry attractiveness AND (b) are LIKELY TO CHANGE in the foreseeable future. Everything else is noise. Without this discipline, PEST becomes an 'endless evaluation' with inconclusive results.

① **POLITICAL FACTORS** — operate at three levels: Supranational (WTO, EU), National (govt policy), Subnational (state/municipal).

- Trade policies, tariffs, taxation, fiscal policy
- Labour and environmental legislation
- Licensing, approval procedures, lobbying
- Corruption levels, national incentives for enterprise
- **Examples:** EU tobacco ad ban → Formula One moved to Dubai. Google left China due to censorship. Arab Spring → firms rethought MENA strategy.

② **ECONOMIC FACTORS** — have the most obvious impact on profitability.

- GDP per capita (at PPP) — primary demand indicator for income-elastic industries
- Inflation erodes purchasing power AND raises input costs
- Exchange rates directly hit margins for international firms
- Unemployment erodes disposable income BUT provides cheaper labour
- **Income-ELASTIC industries:** jewellery, construction, entertainment, tourism, luxury — demand swings with GDP
- **Income-INELASTIC industries:** staple foods, healthcare, basic commodities — demand stays stable in recession

③ **SOCIAL FACTORS**

- Demographics (age, population growth, ageing populations)
- Psychographics, lifestyle, consumer perception
- Effect of advertising, influencers, racial/ethnic/religious influences
- **Examples:** Ryanair repositioned air travel as a no-frills commodity. Ageing populations → rising demand for medicines.

④ **TECHNOLOGICAL FACTORS**

- New materials, machinery, software; innovations in processes and product design
- New distribution channels (e-commerce) and pricing innovations (dynamic pricing, auctions)
- **Disintermediation:** technology REMOVES old middlemen (travel agents replaced by online booking)
- **Re-intermediation:** technology CREATES new middlemen — Amazon, eBay, Expedia are NOT disintermediation; they are RE-intermediation
- Standard wars: two formats fighting to become the industry standard (e.g. VHS vs Betamax)

05 PEST Variations & 5-Step Process

Know all five variations and their distinguishing features — MCQs test the differences precisely:

Framework	Adds to PEST	Key Distinguisher
PEST	—	Baseline. Political, Economic, Social, Technological.
PESTEL / PESTLE	+ Environmental + Legal	Adds ecology and legal compliance. Same framework, different letter order.
STEEPLE	+ Environmental + Legal + Ethics	Takes a CSR perspective — the ethics addition is deliberate.
STEEPLED	+ Env + Legal + Ethics + Demographics	Most comprehensive version. Adds demographic analysis.
STEER	+ Regulatory factors	Created because of increased environmental awareness.

The 5-Step PEST Process:

- **Step 1 — IDENTIFY:** Current AND future factors in all four environments.
- **Step 2 — ANALYSE:** The possible effect of each factor on competitive position.
- **Step 3 — CATEGORISE:** Each factor as an OPPORTUNITY or THREAT (feeds the OT of SWOT).
- **Step 4 — PRIORITISE:** By extent of impact and how long it will last.
- **Step 5 — ACT:** Develop strategy — correct threats, build on opportunities.

■ Quick Exam Checks

Which takes a CSR perspective? → STEEPLE. Which adds Demographics? → STEEPLED. Which adds Regulatory? → STEER. PEST E = ECONOMIC (not Environmental — Environmental only in PESTEL/PESTLE). In SWOT: PEST gives O and T. Strengths & Weaknesses are internal.

SESSION 3 International Geopolitical Challenges

PPT by Prof. Biju Paul Abraham + Bozonelos & Tsagdis (2023) — Geopolitical Resilience in IB

01 Three Geopolitical Events Increasing Business Risk

Prof. Abraham's PPT identifies exactly three triggers. MCQs will test whether you know the precise three — not GFC, not Brexit, not climate change alone.

Event	What It Is	Business Impact
① **New Nationalism & Trade Wars**	Governments prioritising domestic industry, imposing barriers, screening FDI	Higher tariffs, tighter Rules of Origin, investment restrictions, regulatory hurdles for M&A; and R&D;
② **Covid-19 Pandemic**	Lockdowns, factory closures, worker movement restrictions	Exposed fragility of lean Just-in-Time supply chains; demand volatility; accelerated digital shift
③ **Regional Conflicts**	Armed conflicts — Ukraine, Gaza, and future flashpoints — disrupting commodity markets and supply routes	Price volatility in critical inputs, investment uncertainty, rising capital costs

02 New Nationalism & Trade Wars — Seven Sub-Themes

This is the most content-dense area of the PPT. Each sub-theme is a separate MCQ candidate.

- **Growing Nationalist Sentiment:** Investment screening by govts, domestic investment promotion, emphasis on national resilience, regulatory hurdles for M&A;, FDI, and R&D.;
- **Increase in Trade Restrictions:** Higher tariffs (US tariffs on Chinese goods), withdrawal of trade concessions (US GSP withdrawal for India in 2019), tighter Rules of Origin.
- **Uncertainties of Trade with China:** Growth declining from ~10% to ~5%; India-China trade deficit at USD 112.60 billion in 2025-26 (despite tensions); chip wars (US restricting semiconductors to China, Taiwan/TSMC at the centre); technology decoupling; 5G (Huawei exclusion pressure).
- **Weakening of the WTO:** US blocking Appellate Body appointments → the dispute settlement 'court' is non-functional → bilateral/unilateral measures fill the vacuum.

> **Two Numbers to Memorise**
> India-China trade deficit = USD 112.60 billion in 2025-26. GSP withdrawal for India = 2019. The exam may offer USD 80B, USD 90B, or USD 145B as distractors. Know it cold.

03 How Have Firms Coped? Strategic Responses

Four company examples are the most tested — match each strategy to the right company:

Strategy	What It Means	Company Example
Reshoring	Moving production out of high-risk geographies to home countries or trusted partners	KOMATSU — diversified production OUT of China
Just-in-Case (JIC)	Replacing lean JIT inventory with safety stock buffers	APPLE in India — building redundant manufacturing capacity outside China
Supplier Digitisation	Building redundancy AND using digital tools to improve supplier visibility	ABB — collaborated with AND digitised supplier operations
Near-shoring	Moving production closer to home, but not fully back (to nearby trusted countries)	MURATA — moved production from China to Thailand (ASEAN)
R&D; / Automation	Using technology to reduce dependence on specific geographies	AI/ML for predictive supply chain capabilities
Technology Substitution	Replacing hardware-dependent solutions with software alternatives	AI-powered analytics replacing physical inventory buffers

04 Ten Key Value Drivers (McKinsey Framework)

Split into two dimensions — Trade & Economics (5 drivers) and Security (5 drivers). Know which belongs to which.

Dimension	Value Driver	Example
TRADE & ECONOMICS	① Trade agreements	USMCA product content requirements
TRADE & ECONOMICS	② Import/export controls	EU regulation on dual-use technologies
TRADE & ECONOMICS	③ Domestic policies (env, labour, immigration)	Emissions regulations; USMCA wage requirements
TRADE & ECONOMICS	④ Tariffs & trade barriers	US tariffs on steel, aluminium, EVs from China
TRADE & ECONOMICS	⑤ Domestic industrial policies	India's Make in India initiative — subsidies

Dimension	Value Driver	Example
SECURITY	⑥ Foreign investment restrictions	EU screening for FDI in sensitive technologies
SECURITY	⑦ Sanctions, embargoes, restricted lists	China's Anti-Foreign Sanctions Law
SECURITY	⑧ Multilateral cooperation & alliances	NATO; AUKUS (Australia–UK–US)
SECURITY	⑨ Conflict	Russia's invasion of Ukraine; conflict in Ecuador
SECURITY	⑩ Technology, IP & cybersecurity controls	China's Data Security Law; Europe's GDPR

■ AUKUS
Australia, United Kingdom, United States — NOT Japan, Canada, or Singapore. It is a trilateral security and technology partnership (nuclear-powered submarines). Sits under 'Multilateral cooperation and alliances' in the Security dimension.

05 Bozonelos & Tsagdis (2023) — Geopolitical Resilience in IB

The Core Problem: Even after the GFC, Covid, and Russia-Ukraine, the treatment of geopolitics in international business has been 'fragmented' — the term appears mostly as an adjective with very limited actionable guidance.

Key Definition
Geopolitics (Caldara & Iacoviello, 2022): How geography affects politics and the relations among states. Shaped by geography, resources (natural and man-made), demographics, and international relations.

Three Historical Phases of Geopolitics in IB:

Phase	Period	What Happened
EMERGING	Pre-2008	Geopolitics barely discussed — world was congruent with US hegemony and liberal values.
APPROVAL	2008–2019	Geopolitics in IB publications DOUBLED. Driven by the GFC which shattered financial capitalism's dominance.
EXPANSION	2019–present	Geopolitics becomes 'part and parcel' of all IB — trade, supply chains, strategy, FDI.

Six Levels of Analysis (Figure 2):

Level	Examples
Individual	'Strong men' autocratic leaders whose personal decisions shape geopolitics (Putin, Xi)
Firm	MNEs, international joint ventures, strategic alliances
Sub-national	Clusters, entrepreneurial ecosystems (Silicon Valley, Bangalore tech cluster)
National	Varieties of capitalism, institutional configurations
Supra-national	Geo-regions, trading blocs (EU, ASEAN, RCEP), identity politics
Global	Spheres of influence — US sphere vs China sphere vs Russia sphere

■ Common Trap

MCQs often present four of the six levels and ask which is missing. The order is: Individual → Firm → Sub-national → National → Supra-national → Global. 'Spheres of influence' = Global level (not National or Supra-national).

06 The Four-View Framework for Geopolitical Resilience

This is the framework's most practically powerful tool — it shows four different ways a firm can position itself relative to geopolitical forces.

View	Position	What It Means	Limitation
INSIDE-IN	Inside the org, looking IN	Improve internal structures — optimise production lines, reduce bottlenecks.	Completely misses the geopolitical iceberg. Titanic deckchairs.
INSIDE-OUT	Inside the org, looking OUT	Improve connection to external environment — supply chain, volatile nodes.	Better but still insufficient for large geopolitical hazards.
OUTSIDE-IN	Outside the org, looking IN	Make visible what is BEYOND the firm's control; build locational portfolio resilience.	Still reactive to country-level forces.
OUTSIDE-OUT ★	Outside the org, looking OUT	Resilience built BEYOND any country's political economy. Addresses existential geopolitical threats.	Under-practised in IB — but the gold standard.

07 Four Actionable Insights & 'Bouncing-With'

The Four Actionable Insights from Bozonelos & Tsagdis:

• **Insight 1 — Treat geopolitics as continuous, not periodic:** Stop treating it as a shock that interrupts normal business. Treat it like global warming — always running in the background.

• **Insight 2 — Anticipate fat tail events:** These are events that appear unexpected but are NOT actually infrequent — just underweighted. The Russia-Ukraine invasion had ample prior evidence. Western MNEs in Russia ignored it.

• **Insight 3 — Transition from Risk to Resilience:** Risk analysis alone is not enough. Build genuine resilience using: scenario planning, contrarian thinking, risk insurance. Six McKinsey resilience dimensions: Reputational, Organisational, Financial, Technological, Operational, Business Model.

• **Insight 4 — Pursue Multilevel Analysis:** Consider all six levels simultaneously. Each dimension of resilience is multi-scalar.

'Bouncing-With' — The Novel Resilience Concept:

Type	Meaning	Adequacy
Bouncing BACK	Returning to the pre-setback position	Limited — just recovering the old position is not enough
Bouncing ABOVE	Emerging stronger than before from the setback	Better but still reactive — assumes a setback has occurred
Bouncing BEYOND	Going further forward after the setback; transforming	Better still but still assumes you suffered the setback first
Bouncing WITH ★	PRE-EMPTIVE viability — anticipate and manage so you NEVER suffer the big setback	The gold standard. Continuous, proactive, endogenous. The paper's recommendation.

The Turkey Analogy (Taleb, 2010)

A turkey is fed every day for 1,000 days and concludes it is safe and loved — until Thanksgiving arrives. Most Western MNEs in Russia were the turkey: 1,000 days of normal business, months of accumulating warning signals ignored, then completely blindsided when the invasion happened.

■ QUICK REFERENCE — Key Numbers & Frameworks — All in One Place

This is your last-minute revision page. All the precise numbers, framework summaries, and lists that are most likely to appear in MCQs are collected here. Use this the evening before the exam.

UNCTAD 2024 FDI DATA

Region	FDI Value 2024	Growth / Note
Developed Economies	USD 867 BN	0% — Largest absolute value
Africa	USD 97 BN	+75% — HIGHEST growth RATE ✔
Europe	USD 182 BN	–58% — STEEPEST decline ✘
Developing Asia	USD 605 BN	–3% — Largest developing-region FDI
North America	USD 343 BN	+23% — Strongest absolute growth
Latin America & Caribbean	USD 164 BN	–12%
LDCs (Least Developed)	USD 37 BN	+9%

Developing economies earn ~8–11% returns p.a. (2010–2018) vs ~6% for developed — higher risk, higher reward.

CRANE (2020) — STAKEHOLDER TRUST AT A GLANCE

Concept	Detail
Trust definition	A stakeholder's willingness to be VULNERABLE to a business (Pirson & Malhotra, 2011)
3 Core trust dimensions	ABILITY (can deliver) · BENEVOLENCE (genuinely cares) · INTEGRITY (fair & honest)
3 Supplementary signals	VOLUNTARY ACTION · TRANSPARENCY · RESPONSIVENESS
Voluntary action → signals	BENEVOLENCE — acting without being forced shows genuine care
Transparency → signals	INTEGRITY — nothing to hide = trustworthy
Proposition 1	Your action toward ONE stakeholder sends trust cues to ALL others
Proposition 6 (KEY)	PRIORITISING stakeholders DECREASES trust — signals favouritism & zero-sum

Concept	Detail
Freeman (1984)	If a court or govt forces you to fix a problem = managerial failure
Proximity (P5)	Closer a stakeholder feels (social/cultural/physical), stronger the trust/distrust effect

PEST VARIATIONS — KNOW ALL FIVE

Framework	Adds to PEST	Key point
PEST	—	Political · Economic · Social · Technological (baseline)
PESTEL/PESTLE	+ Environmental + Legal	Adds ecology and legal compliance
STEEPLE	+ Environmental + Legal + Ethics	Takes a CSR perspective ← remember this
STEEPLED	+ Env + Legal + Ethics + Demo	Most comprehensive — adds Demographics
STEER	+ Regulatory factors	Driven by environmental awareness

PEST in SWOT: PEST gives you the O and T (Opportunities & Threats). Strengths & Weaknesses come from internal analysis.

SESSION 3 — GEOPOLITICAL KEY FACTS

Topic	Detail
3 geopolitical events	1. New nationalism & trade wars 2. Covid-19 pandemic 3. Regional conflicts
India-China trade deficit	USD 112.60 billion in 2025–26 (despite political tensions)
GSP withdrawal for India	2019 — US removed Generalised System of Preferences for India
WTO DSM problem	US blocking Appellate Body appointments — the court is non-functional
JIT → JIC shift	Just-in-Time (lean, zero buffer) → Just-in-Case (safety stock buffers)
Komatsu	Diversified production OUT of China — reshoring strategy
ABB	Collaborated with suppliers AND digitised their operations for resilience
Murata	Moved production from China to Thailand — near-shoring to ASEAN

Topic	Detail
AUKUS	Australia · United Kingdom · United States — trilateral security partnership
McKinsey 5 Trade drivers	Trade agreements · Import/export controls · Domestic policies · Tariffs · Industrial policies
McKinsey 5 Security drivers	FDI restrictions · Sanctions · Multilateral alliances · Conflict · Tech/IP controls

BOZONELOS & TSAGDIS (2023) — GEOPOLITICAL RESILIENCE AT A GLANCE

Concept	Detail
Geopolitics definition	How geography affects politics and the relations among states (Caldara & Iacoviello, 2022)
LIO	Liberal International Order — built by US & allies after WWII on free trade & multilateral institutions
3 phases in IB	Emerging (pre-2008) → Approval (2008–2019, doubled) → Expansion (2019–present)
6 levels of analysis	Individual → Firm → Sub-national → National → Supra-national → Global
Inside-In view	Fix internal processes only. Ignores the geopolitical iceberg. Titanic deckchairs.
Inside-Out view	Improve firm's connection to external environment (supply chain, volatile nodes)
Outside-In view	Make visible what is BEYOND the firm's control; build locational portfolio resilience
Outside-Out view	ULTIMATE geopolitics view. Resilience beyond any country's political economy. Under-practised.
Bouncing-with (KEY)	PRE-EMPTIVE viability — anticipate and manage so you never suffer the big setback
Fat tail events	Unexpected but NOT rare — just underweighted by conventional risk models (e.g. Russia invasion)
Turkey analogy	Turkey fed for 1,000 days feels safe — then Thanksgiving. Western MNEs in Russia = the turkey.
6 resilience dimensions	Reputational · Organisational · Financial · Technological · Operational · Business Model

■ EXAM TRAPS — Don't Fall for These in the Exam

Prof. Abraham's MCQs are specifically designed to test whether you know the difference between very similar-sounding concepts. These are the most common mistakes students make. Read every single one of these before the exam.

■ Regulatory Agencies ≠ Government

They are TWO SEPARATE stakeholder groups in the PPT. If an option says they are the same group — it is wrong.

■ ESG: E = Environmental, NOT Economic

In PEST, E = Economic. In ESG, E = Environmental. Do not mix these up. A very common trap in multiple forms.

■ PEST E = Economic, NOT Environmental

Environmental is only added in PESTEL/PESTLE. The base PEST has Political, ECONOMIC, Social, Technological.

■ Crane's P6: Prioritisation DESTROYS trust

Seems counter-intuitive — surely focusing on important stakeholders is good? No. By picking winners, you signal to everyone else that they might not get what they need. Damages ABILITY, BENEVOLENCE, and INTEGRITY simultaneously.

■ Voluntary action → Benevolence (not Integrity)

Transparency → INTEGRITY. Voluntary action → BENEVOLENCE. Do not swap these. MCQ options are specifically designed to exploit this confusion.

■ Africa = highest RATE, not highest VALUE

Africa had the highest GROWTH RATE (+75%). Developed economies had the highest ABSOLUTE VALUE (USD 867 BN). The exam tests this distinction explicitly.

■ Cultural Risk is NOT one of the six country risks

The six are: Political, Economic, Transfer, Exchange Rate, Location/Neighbourhood, Sovereign. Cultural Risk will appear as a trap option.

■ Bouncing-with is PRE-EMPTIVE, not reactive

All other types (back, above, beyond) assume you already suffered a setback. Bouncing-WITH means you anticipated and managed so you never suffered the big hit in the first place.

■ Inside-In = Titanic deckchairs

Fixing internal processes while ignoring massive external geopolitical forces. Perfect internal optimisation + geopolitical blindness = rearranging deckchairs on the Titanic.

■ AUKUS = Australia, UK, United States

Not Japan, not Canada, not Singapore. Australia, United Kingdom, United States. Trilateral security partnership. A precision fact the exam loves.

■ Disintermediation vs Re-intermediation

Disintermediation: technology REMOVES old middlemen (travel agents gone). Re-intermediation: technology CREATES new middlemen (Amazon, eBay, Expedia). Amazon is NOT disintermediation — it is re-intermediation.

■ Six levels of analysis ≠ Six resilience dimensions

Levels of analysis (Figure 2): Individual, Firm, Sub-national, National, Supra-national, Global. McKinsey resilience dimensions: Reputational, Organisational, Financial, Technological, Operational, Business Model. Do not confuse these two completely different lists.

■ India-China trade deficit = USD 112.60 billion in 2025-26

The exam may offer USD 80B, USD 90B, or USD 145B as distractors. Know the precise number cold.

■ Tax avoidance is NOT a motivation for FDI

The four PPT motivations are: Resources, Markets, Efficiency, and Strategic Assets. Tax avoidance and competitive retaliation are common fake fifth options.

■ 'Born Global' firms go international from near the very beginning

They do NOT spend their first decade building domestic strength. They internationalise at a much faster rate than traditional multinationals.

SESSION 1 MCQs Stakeholders & Trust

PPT + Crane (2020) · 33 Questions · Tags: PPT = slide-based | READING = from the Crane article

PPT **Q1**

When Apple buys screens from Samsung — a company that also competes with Apple in phones — what kind of stakeholder is Samsung in this specific relationship?

A. A competitor stakeholder
B. An investor stakeholder
✔ **C. A partner stakeholder**
D. A foreign firm stakeholder

> **Why?** In this transaction Samsung is acting as a SUPPLIER — which makes it a partner stakeholder, regardless of the competition in other product lines. Prof. Abraham used this as his own sample question.

PPT **Q2**

Why does a firm need to identify its stakeholders?

A. It is legally required by regulators
✔ **B. Stakeholders can affect firm success or may need to approve its actions**
C. To ensure shareholders get dividends on time
D. To meet ESG reporting requirements

> **Why?** The PPT definition: stakeholders are those who are AFFECTED by what the firm does OR whose APPROVAL it may need. There is often NO legal requirement to engage them — but ignoring them can be costly.

PPT **Q3**

ESG — a key reason stakeholder management now matters at board level — stands for:

A. Economic, Social, and Governance
B. Environmental, Strategic, and Growth
✔ **C. Environmental, Social, and Governance**
D. Equity, Stakeholder, and Governance

> **Why?** ESG = Environmental, Social, and Governance. Investors use ESG scores to decide whether to invest in a firm, making stakeholder management a boardroom priority.

PPT **Q4**

How many primary stakeholder groups does Prof. Abraham's PPT identify?

A. Four
B. Six
✔ **C. Eight**
D. Ten

> **Why?** Exactly 8: Customers, Investors/Partners, Employees & Families, Suppliers & Distributors, Government, Regulatory Agencies, Community, and Others (NGOs, media, environmental groups, competitors).

PPT **Q5**

In Prof. Abraham's PPT, Regulatory Agencies are listed as:

A. Part of the Government stakeholder group
B. A sub-category of the Community group
✔ **C. A SEPARATE stakeholder group from Government**
D. Part of the Others group

> **Why?** This is one of the most common exam traps. Regulatory Agencies — both national and international — are their OWN separate group, distinct from Government.

PPT **Q6**

Which group appears in the 'Others' stakeholder category in the PPT?

A. Pension funds and sovereign wealth funds
B. Local municipal corporations
✔ **C. NGOs, media, environmental groups, and competitors**
D. Trade unions and workers federations

> **Why?** The 'Others' bucket includes NGOs, media, environmental groups, AND competitors. Competitors are stakeholders — they observe your actions and react.

PPT **Q7**

Which of the following is NOT one of the five principles of good stakeholder relationships from the PPT?

A. Visibility of action to stakeholders
B. Willingness to respond proactively
✔ **C. Maximising financial returns so you can serve stakeholders better**
D. Transparency and integrity in everything you do

> **Why?** The five PPT principles are: (1) Act in stakeholders' best interests, (2) Make actions visible, (3) Explain WHY you are acting, (4) Respond proactively, (5) Transparency and integrity. Maximising financial returns is NOT one of them.

PPT **Q8**

Being 'proactive' in stakeholder management means:

A. Responding faster than your competitors
✔ **B. Acting before regulators or courts force you to act**
C. Hiring a dedicated stakeholder management team
D. Filing regulatory reports before deadlines

> **Why?** The PPT says proactive = acting WITHOUT waiting for regulatory or judicial intervention. Waiting until a court forces your hand is reactive — and Freeman (1984) calls that a managerial failure.

PPT **Q9**

Stakeholder identification and mapping should be:

A. Done once during the business planning phase
B. Reviewed every five years
✔ **C. A continuous and ongoing process**
D. Delegated to the CSR department

> **Why?** Direct from the PPT: stakeholder mapping must be CONTINUOUS because stakeholder needs change over time, some become irrelevant, and new ones emerge.

PPT **Q10**

The Covid-19 example of alcohol distilleries making hand-sanitisers and vacuum firms making ventilators illustrates:

A. Vertical integration of supply chains
✔ **B. The dynamic and changing nature of stakeholder relationships**
C. Corporate social responsibility in times of crisis
D. Government-mandated business diversification

> **Why?** Prof. Abraham uses this example to show how stakeholder needs can transform dramatically and quickly — a firm's entire stakeholder map can change in weeks.

PPT **Q11**

If a firm addresses the needs of one stakeholder group, what does the PPT say happens?

A. Nothing — each stakeholder relationship is independent
✔ **B. It can influence how all other stakeholders view the firm**
C. It only matters in regulated industries
D. It only affects stakeholders in the same industry

> **Why?** The PPT explicitly warns: addressing one stakeholder's needs can influence how ALL other stakeholders see you — positively or negatively. This connects directly to Crane's connectedness theory.

PPT **Q12**

Proper stakeholder identification is described in the PPT as being key to:

A. Meeting SEBI compliance requirements for listed companies
✔ **B. Building a firm that is both successful and sustainable**
C. Replacing the need for a formal CSR policy
D. Managing crises more effectively

> **Why?** The PPT states: proper stakeholder identification is key to building a business that is both SUCCESSFUL and SUSTAINABLE — not just a crisis management tool.

READING **Q13**

In the information age, Crane (2020) argues that stakeholders are:

A. Becoming less relevant as AI handles relationships
✔ **B. Increasingly connected — what you do to one stakeholder is visible to all others**
C. More focused on financial returns than social impact
D. Best managed by prioritising the most important ones

> **Why?** This is Crane's central argument: in the information age, stakeholder actions are VISIBLE. What you do to one group sends signals to everyone else. You can no longer treat each relationship in isolation.

READING **Q14**

Stakeholder trust, according to Pirson & Malhotra (2011) as cited in Crane, means:

A. A firm's credit rating from an independent agency
B. The formal contract between a firm and its partners
✔ **C. A stakeholder's willingness to be vulnerable to a business**
D. The degree to which a firm meets its legal obligations

> **Why?** Trust = willingness to be VULNERABLE. When you buy from, work for, or invest in a firm, you are taking a risk. Trust is what makes that risk feel acceptable.

READING **Q15**

The three CORE dimensions of trust in Crane's framework (Mayer et al., 1995) are:

A. Power, Legitimacy, and Urgency

✔ **B. Ability, Benevolence, and Integrity**

C. Voluntary Action, Transparency, and Responsiveness

D. Reliability, Fairness, and Commitment

> **Why?** ABILITY = can deliver. BENEVOLENCE = genuinely cares. INTEGRITY = fair, honest, consistent. The other three (Voluntary Action, Transparency, Responsiveness) are supplementary signals that DEMONSTRATE these core dimensions.

READING **Q16**

When a firm acts voluntarily — without being forced — which trust dimension does this mainly signal?

A. Ability — it shows the firm can act without instruction

B. Integrity — it proves the firm keeps its word

✔ **C. Benevolence — voluntary action suggests genuine care, not self-interest**

D. Responsiveness — voluntary action is always timely

> **Why?** Crane is explicit: voluntary action is mainly attributed to BENEVOLENCE. If a firm acts only when forced, people assume it is protecting itself. If it acts without being pushed, people assume it genuinely cares.

READING **Q17**

Freeman (1984), cited in Crane, said that a stakeholder problem solved by a government agency or court represents:

A. A legitimate enforcement of corporate accountability

B. An acceptable outcome in a democratic system

✔ **C. A managerial failure**

D. A last-resort mechanism firms should plan for

> **Why?** Direct from the reading: if a solution has to be IMPOSED by a government or court, it is a MANAGERIAL FAILURE. Good managers solve stakeholder problems before external intervention is needed.

READING **Q18**

In Crane's framework, transparency is most closely linked to which trust dimension?

A. Ability — sharing information shows operational competence

✔ **B. Integrity — openness and honesty are expressions of integrity**

C. Benevolence — transparency shows care for stakeholders

D. Responsiveness — transparent firms respond faster

> **Why?** Transparency = INTEGRITY. If you openly share information — even uncomfortable truths — people perceive you as someone with nothing to hide. McDonald's Canada's food appearance videos are the classic example.

READING **Q19**

Crane's Proposition 1 states:

A. Stakeholder prioritisation always improves firm performance

B. Only direct interactions affect trust

✔ **C. What you do to one stakeholder sends trust signals to all other stakeholders**

D. Trust can only be built through long-term relationships

Why? P1 is the foundation of Crane's entire argument: ONE action toward ONE stakeholder provides trust cues to EVERY OTHER stakeholder watching. Nothing happens in isolation anymore.

READING **Q20**

Crane's Proposition 6 states that prioritising stakeholders:

A. Is sometimes necessary in resource-constrained environments

✔ **B. Decreases stakeholder trust in the firm**

C. Improves efficiency by focusing management attention

D. Is fine if you communicate transparently about it

Why? P6 is Crane's most counter-intuitive insight. By focusing on some stakeholders, you signal to ALL others that they might not get what they need. This damages ABILITY, BENEVOLENCE, and INTEGRITY simultaneously.

READING **Q21**

When the Volkswagen emissions scandal broke, which stakeholder groups lost trust in VW?

A. Only customers who bought VW vehicles

B. Only environmental groups and government regulators

✔ **C. Customers, employees, suppliers, investors, and government simultaneously**

D. Only investors and shareholders

Why? VW is the textbook stakeholder connectedness example. ONE revealed failure cascaded instantly across the ENTIRE stakeholder ecosystem — every group lost trust at the same time.

READING **Q22**

The Nike supply chain example in Crane shows:

A. Firms can protect themselves from consequences by using subcontractors

B. Supply chain workers are not really stakeholders of the focal firm

✔ **C. How a supplier's treatment of its workers can destroy trust in Nike itself**

D. That activist pressure is a short-term problem firms can outlast

Why? Nike's factory workers were technically employed by Nike's suppliers. But when working conditions became public, customers, activists, and regulators held NIKE responsible. You cannot hide behind your supply chain.

READING **Q23**

Stakeholder proximity (Proposition 5) refers to:

A. The geographic distance between a firm's HQ and its stakeholders

✔ **B. A feeling of social, psychological, cultural, or physical closeness to affected parties**

C. The number of times a firm touches a stakeholder

D. The legal relationship between a stakeholder and the firm

Why? Proximity = feeling of NEARNESS — which can be social, psychological, cultural, or physical. Proximity AMPLIFIES trust effects. Flint, Michigan water crisis: EPA's local failure spread national distrust because all Americans who drink tap water feel proximate.

READING **Q24**

After the Flint, Michigan water crisis, only 47% of Americans believed their tap water was safe. This illustrates:

A. The federal government's poor communication strategy

✔ **B. Stakeholder proximity — all Americans share the vulnerability of public water systems**

C. The limits of crisis management in preventing reputational damage

D. How media amplifies corporate failures

> **Why?** Crane uses Flint as Proposition 5's example. The EPA's failure in one city spread distrust nationwide because all Americans who use public water utilities feel PROXIMATE — they share the same vulnerability.

READING **Q25**

Mattel's handling of the lead-paint toy crisis is cited as a positive example because Mattel demonstrated:

A. Industry lobbying that prevented stricter regulation

B. How to handle a crisis without going public

✔ **C. All three trust dimensions — Ability, Benevolence, and Integrity — at the same time**

D. That financial compensation restores trust most effectively

> **Why?** Mattel: ABILITY (rapidly recalled 2/3 of affected stock globally and installed supplier controls), BENEVOLENCE (CEO stated nothing matters more than children's safety), INTEGRITY (ran consistent marketing campaign). Result: 75% of Americans approved.

READING **Q26**

Wells Fargo's creation of 1.5 million unauthorised accounts is used by Crane to illustrate:

A. Technology fraud that bypassed compliance

✔ **B. A shareholder-first culture that encouraged unethical behaviour and destroyed integrity**

C. Regulatory failure to catch warning signs

D. Employee misconduct unrelated to management

> **Why?** Wells Fargo is Crane's example of PRIORITISATION destroying integrity. Shareholder-first culture → impossible growth targets → employees created fake accounts to meet targets → integrity collapsed → 5,300 fired.

READING **Q27**

How does Boeing's threat to leave Washington State illustrate trust erosion, per Crane?

A. Boeing was exercising a legitimate business continuity strategy

✔ **B. Boeing prioritised shareholders over employees, destroying perceived benevolence and creating a zero-sum mentality**

C. Boeing failed to communicate its financial pressures properly

D. Boeing acted transparently, so trust was maintained

> **Why?** Boeing threatened to relocate unless it got a USD 9 billion tax break AND workers gave up pension rights. Textbook PRIORITISATION destroying BENEVOLENCE. Once stakeholders see zero-sum hardball, trust collapses across all groups.

READING **Q28**

Crane's three SUPPLEMENTARY trust signals are:

A. Ability, Benevolence, and Integrity

B. Power, Legitimacy, and Urgency

✔ **C. Voluntary Action, Transparency, and Responsiveness**

D. CSR, ESG, and Corporate Governance

> **Why?** The three CORE dimensions (Mayer et al.) are Ability, Benevolence, Integrity. Crane adds three SUPPLEMENTARY signals: Voluntary Action (signals Benevolence), Transparency (signals Integrity), Responsiveness (signals Ability and Benevolence).

READING **Q29**

Trust, according to Crane, functions in business relationships like:

A. A legal construct managed through contracts

✔ **B. Oil that keeps relationships running smoothly and reduces friction**

C. A financial metric you can put on a balance sheet

D. Something that only matters in B2C relationships

> **Why?** Crane uses the metaphor of trust as OIL — it reduces friction, lowers transaction costs, enables cooperation. Without trust, every deal requires more verification, more negotiation, more cost.

READING **Q30**

Crane argues that PRIORITISING stakeholders erodes perceived ABILITY because:

A. Prioritised stakeholders get better quality service

✔ **B. Secondary stakeholders become uncertain whether the firm will ever get to them**

C. Prioritisation increases management workload and reduces capacity

D. Financial models that prioritise stakeholders underperform

> **Why?** If a firm visibly prioritises some stakeholders, those NOT prioritised start to wonder: will the firm's resources ever reach ME? That uncertainty directly damages their perception of the firm's ABILITY to deliver.

READING **Q31**

McDonald's Canada's transparency campaign — videos showing why food looks different in ads versus real life — is cited by Crane as:

A. Reactive crisis management after bad reviews

✔ **B. Proactive voluntary transparency that improved trust and reputation**

C. How marketing can substitute for operational improvements

D. A failed attempt at stakeholder engagement

> **Why?** McDonald's VOLUNTARILY created these videos without any external pressure. Crane calls this 'unconventional transparency' that actually IMPROVED reputation. Voluntary + transparent = powerful combined trust signal.

READING **Q32**

Crane argues that a firm trying to customise different trust messages for each stakeholder group is problematic because:

A. Stakeholders do not actually have different needs

B. It requires too much money

✔ **C. It signals inauthenticity, is inconsistent, and is nearly impossible to execute**

D. Academic research unanimously rejects it

> **Why?** In the information age, your actions toward ONE group are VISIBLE to ALL others. If you send different messages to different groups, the inconsistency itself reads as dishonest. And operationally, it is almost impossible to execute perfectly at scale.

READING **Q33**

According to Crane, prioritisation creates which psychological dynamic among stakeholders?

A. Gratitude from those prioritised, which offsets resentment from others

B. A healthy competitive dynamic that improves overall performance

✔ **C. A zero-sum, win-lose mentality that leads to mutual distrust**

D. Long-term loyalty from primary stakeholders that stabilises firm value

Why? Crane cites Blake & Mouton (1961): prioritisation increases an 'industrial ethic of competition' and a 'win-lose orientation' that creates 'common suspicion and mutual distrust.' Picking winners and losers undermines the whole collaborative ecosystem.

SESSION 2 MCQs Regulatory Risk & PEST Analysis

PPT + Sammut-Bonnici & Galea (2014) · 28 Questions

PPT **Q1**

Which of the following is NOT one of the four motivations for firms investing abroad, according to Prof. Abraham's PPT?

A. Seeking resources like energy, commodities, or cheaper labour
B. Seeking new markets and diversification
✔ **C. Avoiding home country taxes through profit shifting**
D. Seeking efficiency through lower costs and closeness to the market

> **Why?** The four PPT motivations are: Resources, Markets, Efficiency, and Strategic Assets. Tax avoidance is NOT on the list. Always check against these exact four categories.

PPT **Q2**

A firm that replicates its entire production process inside a host country is engaged in:

A. Vertical FDI
✔ **B. Horizontal FDI**
C. Portfolio investment
D. Technology licensing

> **Why?** HORIZONTAL FDI = you copy your whole value chain into another country. You still make the same product/service — you just do it locally in the new market. Example: McDonald's opening restaurants in India.

PPT **Q3**

The Boeing 787 supply chain — wings from Japan, fuselage from Italy, tail from South Korea, assembled in the USA — is an example of:

A. Horizontal FDI — Boeing replicates assembly in each country
✔ **B. Vertical FDI — different stages done in different countries for their specific advantages**
C. Portfolio investment in aerospace
D. Domestic manufacturing with international sales

> **Why?** VERTICAL FDI = splitting different STAGES of production across different countries, with each country contributing the stage it does best. The Boeing 787 is the most vivid example in the PPT.

PPT **Q4**

When a regulatory problem disrupts a vertical FDI arrangement, the damage can spread to:

A. Only the host country where the problem occurred
B. Only the home country of the parent firm
✔ **C. Third countries and sometimes global markets — because each stage feeds the next**
D. Only countries in the same regional trade bloc

> **Why?** In horizontal FDI, a problem in one country stops only that country's operation. In vertical FDI, disrupting one stage BREAKS the entire global supply chain — that's why vertical FDI carries much greater regulatory risk.

NEW **Q5**

The Stolichnaya vodka example — raw alcohol from Russia, water from Latvia, bottles from Poland, caps from Italy — illustrates:

A. Horizontal FDI — the same product is made in multiple countries simultaneously

✔ **B. Vertical FDI — different production stages in different countries, all feeding into one final product**

C. Portfolio investment in the drinks industry

D. Domestic manufacturing with international branding

> **Why?** Stolichnaya is a classic vertical FDI example: each component comes from a different country that does that stage best. The labelling change (from 'Russian Vodka' to 'Premium Vodka') shows a real-world downstream consequence.

PPT **Q6**

According to UNCTAD 2024 data in the PPT, which region had the HIGHEST FDI growth RATE?

A. North America at +23%

B. Developing Asia at -3%

✔ **C. Africa at +75%**

D. LDCs at +9%

> **Why?** Africa grew at +75% — the fastest growth RATE of any region in 2024. Key distinction: the HIGHEST ABSOLUTE value went to Developed Economies (USD 867 BN), but Africa's RATE of growth was unmatched.

PPT **Q7**

Which region recorded the STEEPEST FDI DECLINE in 2024 according to UNCTAD data?

A. Latin America & Caribbean at -12%

B. Developing Economies overall at -22%

✔ **C. Europe at -58%**

D. Africa at -15%

> **Why?** Europe saw a -58% decline — the steepest of any region in 2024. Three UNCTAD numbers to lock in: Africa = highest growth rate (+75%), Europe = steepest decline (-58%), Developing Asia = largest developing-region destination (USD 605 BN).

PPT **Q8**

Transfer risk in cross-border investment means:

A. Risk of employees taking knowledge to competitors

B. Risk of the government blocking technology transfer deals

✔ **C. A host government restricting your ability to send profits, dividends, or capital back home**

D. Currency conversion losses on daily transactions

> **Why?** Transfer risk = the host country government RESTRICTS the flow of money OUT of the country. China's capital controls that limit how much profit foreign multinationals can repatriate is the textbook example.

PPT **Q9**

Location or Neighbourhood Risk means:

A. The physical location of the factory within the host country

✔ **B. Risk from being geographically close to unstable or hostile neighbouring countries, even if your host country is fine**

C. Whether to choose an urban or rural location for your investment

D. Distance between headquarters and overseas subsidiary

> **Why?** Your host country may be perfectly stable, but instability in a neighbouring country SPILLS OVER. Example: investing in Jordan is affected by instability in Syria and Iraq next door.

PPT **Q10**

Which of the following is NOT one of the six country risk categories in Prof. Abraham's PPT?

A. Political Risk
B. Sovereign Risk
✔ **C. Cultural Risk**
D. Transfer Risk

> **Why?** The six are: Political, Economic, Transfer, Exchange Rate, Location/Neighbourhood, and Sovereign. 'Cultural Risk' is NOT on Prof. Abraham's list — a very common MCQ trap.

PPT **Q11**

'Born Global' firms are characterised by:

A. Spending their first decade only in the home market
✔ **B. Going international much faster than traditional firms — often from near the very beginning**
C. Focusing exclusively on developed-country markets
D. Achieving lower returns than established multinationals

> **Why?** The PPT says: newer firms are internationalising at a FASTER rate than traditional firms — they are often Born Global. Unlike old-school multinationals that built domestic strength first, Born Global firms enter international markets very early.

PPT **Q12**

Inward FDI returns data (UNCTAD 2010-2018) shows that developing economies earned approximately:

A. 3-5% — lower than developed economies due to higher risk
B. 5-6% — about the same as developed economies
✔ **C. 8-11% — consistently outperforming developed economies at ~6%**
D. 15-20% — far exceeding all other regions

> **Why?** Developing economies earned ~8-11% returns vs ~6% for developed economies. The higher political and economic risk is compensated by significantly higher returns — the primary driver of FDI into emerging markets.

READING **Q13**

PEST stands for:

A. Political, Environmental, Social, Technological
B. Political, Economic, Strategic, Technological
✔ **C. Political, Economic, Social, Technological**
D. Policy, Economic, Stakeholder, Technological

> **Why?** PEST = Political, Economic, Social, Technological. A very common trap: 'Environmental' is NOT the E in PEST — it is Economic. Environmental is only added in PESTLE/PESTEL.

READING **Q14**

In a SWOT analysis, PEST provides which components?

A. Strengths and Weaknesses — the internal half
✔ **B. Opportunities and Threats — the external half**
C. The entire SWOT framework
D. Neither — PEST and SWOT are separate frameworks

Why? PEST gives you the OT (Opportunities and Threats) — the external environment scan. Strengths and Weaknesses come from internal analysis of the firm's own resources and capabilities.

READING Q15

Which PEST variation explicitly takes a Corporate Social Responsibility (CSR) perspective by adding an ethics dimension?

A. PESTEL
B. STEEPLED
✔ **C. STEEPLE**
D. STEER

Why? STEEPLE adds Environmental, Legal, AND Ethics — and the reading specifically says it 'takes on a corporate social responsibility perspective' because of that ethics addition.

READING Q16

Which PEST variation was specifically created because of increased environmental awareness and adds a regulatory dimension?

A. PESTLE
B. STEEPLED
C. STEEPLE
✔ **D. STEER**

Why? The reading is explicit: STEER was created because of increased environmental/ecological awareness and it incorporates regulatory factors. Do not confuse with PESTLE (adds Environmental + Legal) or STEEPLE (adds Ethics).

READING Q17

PESTEL/PESTLE adds which two factors to the base PEST framework?

A. Ethics and Demographics
B. Regulatory and Social
✔ **C. Environmental and Legal**
D. Stakeholder and Ethical

Why? PESTEL/PESTLE = PEST + Environmental + Legal. PESTLE and PESTEL are the SAME framework — just different letter orders. Both add the same two factors.

READING Q18

According to the reading, which PEST factor has 'the most obvious impact on profitability and overall attractiveness' of a market?

A. Political factors
✔ **B. Economic factors**
C. Social factors
D. Technological factors

Why? Direct quote from Sammut-Bonnici: 'Economic factors have the most obvious impact on the profitability and overall attractiveness of a market or industry.'

READING Q19

Industries like jewellery, construction, entertainment, and tourism are described as 'income elastic' because:

A. They are cheap and everyone can afford them regardless of income

B. They are government subsidised, so demand stays stable

✔ **C. Their demand rises and falls strongly with people's income and GDP levels**

D. They are essential, so people always buy them

> **Why?** Income-elastic = demand swings dramatically with income/GDP. When people earn more, they spend more on luxury and discretionary items. When a recession hits, these are the first things cut.

READING **Q20**

'Disintermediation' in the PEST technological section means:

A. Adding new types of digital intermediaries to the supply chain

✔ **B. Technology REMOVING existing traditional middlemen from the supply chain**

C. Government deregulation removing regulatory barriers

D. Entering new markets without local distribution partners

> **Why?** Disintermediation = technology ELIMINATES old middlemen. Classic example: the internet allowed consumers to book their own flights and hotels directly, bypassing traditional travel agents.

READING **Q21**

Amazon, eBay, and Expedia are cited in the reading as examples of:

A. Disintermediation — they eliminated traditional retailers

✔ **B. Re-intermediation — new types of middlemen created by technology**

C. Vertical FDI — splitting operations across countries

D. Horizontal FDI — replicating the same model globally

> **Why?** These are NOT examples of disintermediation — they are NEW middlemen CREATED BY technology. They are embedded in social networks, provide consumer reviews and trust. This is RE-intermediation.

READING **Q22**

Political factors in PEST operate at which three levels?

A. Federal, State, and Local

✔ **B. Supranational, National, and Subnational**

C. International, Regional, and Domestic

D. Government, Regulatory, and Judicial

> **Why?** Political factors exist at three levels: SUPRANATIONAL (WTO, EU, ASEAN), NATIONAL (domestic government policy), and SUBNATIONAL (state governments, municipalities). As globalisation deepens, the supranational level becomes increasingly important.

READING **Q23**

Google pulling out of China illustrates which PEST factor?

A. Economic — loss of potential revenue from a huge market

B. Social — cultural incompatibility with Chinese users

✔ **C. Political — government censorship restrictions forced the exit**

D. Technological — Google could not compete with Chinese domestic rivals

> **Why?** The reading is explicit: 'Google had to pull out of China because of censorship restrictions.' This is a POLITICAL factor — a direct government policy decision that made it impossible for Google to operate according to its own principles.

READING **Q24**

Formula One moving operations from Europe to Dubai and Abu Dhabi illustrates which PEST factor?

A. Economic — higher revenues in Gulf markets

B. Social — F1 fan base shifting to the Gulf

C. Technological — better track infrastructure in the UAE

✔ **D. Political — EU ban on tobacco advertising devastated F1's main sponsor category**

> **Why?** The reading states: 'The banning of tobacco advertising in the EU had spelt disaster for the Formula One Industry.' Tobacco companies were F1's primary sponsors. A POLITICAL decision destroyed a key revenue stream.

READING **Q25**

The correct order of the 5-step PEST process is:

A. Act → Identify → Analyse → Prioritise → Categorise

✔ **B. Identify → Analyse → Categorise → Prioritise → Act**

C. Prioritise → Identify → Categorise → Analyse → Act

D. Analyse → Prioritise → Identify → Categorise → Act

> **Why?** Five steps: (1) IDENTIFY all current and future PEST factors, (2) ANALYSE their effect on the firm, (3) CATEGORISE each as Opportunity or Threat, (4) PRIORITISE by extent and duration, (5) ACT — develop corrective or pre-emptive strategy.

READING **Q26**

The reading warns that PEST can become 'an endless evaluation' unless you follow which principle?

A. Only include factors that currently affect the firm, not future ones

✔ **B. Only include factors with a DIRECT bearing on industry attractiveness AND likely to change in the foreseeable future**

C. Limit yourself to three factors per PEST category

D. Do PEST analysis annually, not continuously

> **Why?** Only include factors that (a) directly affect your industry's attractiveness AND (b) are likely to change soon. Everything else is noise.

READING **Q27**

Two technology formats fighting to become the industry standard for wireless charging is an example of:

A. Disintermediation

✔ **B. A standard war**

C. Re-intermediation

D. Technological lock-in

> **Why?** When competing technologies fight to become THE dominant norm, PEST calls this a 'standard war.' The winner creates lock-in: once consumers and firms invest in compatible products, switching becomes costly. Think VHS vs Betamax.

READING **Q28**

The 2008 global recession, as described in the reading, was primarily caused by:

A. Collapse of European sovereign debt markets

✔ **B. The US housing bubble bursting and damaging financial institutions worldwide**

C. Oil price spikes from Middle Eastern instability

D. The failure of major US technology firms

> **Why?** The reading links the 2008 recession explicitly to the US housing bubble bursting — as housing prices plummeted, it damaged financial institutions around the world. A US domestic asset bubble caused a global economic crisis.

SESSION 3 MCQs International Geopolitical Challenges

PPT + Bozonelos & Tsagdis (2023) · 24 Questions

PPT **Q1**

According to Prof. Abraham's PPT, which THREE geopolitical events have substantially increased business risks?

A. Climate change, digitalisation, and demographic shifts

✔ **B. New nationalism and trade wars, the Covid-19 pandemic, and increasing regional conflicts**

C. Brexit, the US-China trade war, and the Global Financial Crisis

D. Russia-Ukraine war, US-China chip war, and OPEC oil embargo

> **Why?** The PPT lists exactly three: (1) Growth of 'new nationalism' and trade wars, (2) The Covid-19 pandemic and its economic consequences, (3) Increasing regional conflicts disrupting supply chains.

PPT **Q2**

India's trade deficit with China in 2025-26, as cited in the PPT, was approximately:

A. USD 50 billion

B. USD 80 billion

✔ **C. USD 112.60 billion**

D. USD 145 billion

> **Why?** The exact figure from the PPT: USD 112.60 billion in 2025-26. Notable because it shows that economic interdependence persists even when the political relationship between India and China is tense.

PPT **Q3**

The US withdrawal of GSP (Generalised System of Preferences) for India in 2019 is an example of:

A. India's own protectionist industrial policy

✔ **B. Increasing trade restrictions under new nationalism**

C. WTO dispute settlement failure

D. China's anti-dumping duties

> **Why?** GSP was a trade concession that let certain Indian goods enter the US at reduced or zero tariffs. Its withdrawal in 2019 raised costs for Indian exporters and triggered India's own retaliatory tariffs.

PPT **Q4**

The WTO Dispute Settlement Mechanism (DSM) has been severely weakened because:

A. Developing countries withdrew their membership

✔ **B. The US has been blocking appointments to the Appellate Body, making it non-functional**

C. China has vetoed all rulings against it

D. The WTO lacks legal authority to enforce its decisions

> **Why?** The US has blocked appointments to the WTO Appellate Body — effectively its 'Supreme Court' for trade disputes. Without judges, the court cannot function. Countries resort to unilateral measures instead.

PPT **Q5**

The shift from Just-in-Time (JIT) to Just-in-Case (JIC) supply chains means:

A. Moving from annual to quarterly inventory planning

✔ **B. Replacing lean zero-buffer inventory with safety stock to absorb disruptions**

C. Technology platforms replacing manual inventory management

D. Shifting from domestic to international suppliers for cost efficiency

> **Why?** JIT = lean manufacturing — keep almost no buffer stock. Efficient but FRAGILE. JIC = hold safety stock buffers — less efficient but resilient to disruptions. Covid-19 exposed JIT's fragility catastrophically, driving the shift to JIC.

NEW **Q6**

'Tighter Rules of Origin' as a trade measure means:

A. Only countries sharing cultural heritage can trade with each other

✔ **B. Firms must prove WHERE products are genuinely made — closing tariff loopholes**

C. Only domestic firms can supply to government contracts

D. Foreign firms must set up local offices before they can export

> **Why?** Rules of Origin determine which country a product 'comes from' for tariff purposes. Tightening them closes a loophole where firms routed exports through low-tariff third countries. Now, firms must show genuine local manufacturing.

PPT **Q7**

Komatsu's response to geopolitical risk, as cited in the PPT, was:

A. Increasing production in China to reduce costs

✔ **B. Diversifying production OUT of China to reduce geopolitical exposure**

C. Partnering with Chinese firms to share technology

D. Lobbying the WTO to cut US-China tariffs

> **Why?** Komatsu (Japanese heavy equipment maker) diversified production AWAY from China — the classic reshoring/diversification strategy to reduce geopolitical exposure.

PPT **Q8**

Murata's near-shoring strategy means:

A. Moving production from Japan back to Japan

✔ **B. Moving production from China to Thailand (near-shoring within ASEAN)**

C. Acquiring a Thai competitor for market access

D. Using Thai distributors instead of direct sales

> **Why?** Near-shoring = moving production closer to home, but not all the way back. Murata (Japanese electronics) moved production FROM China TO Thailand — staying within Asia but reducing China-specific geopolitical risk.

PPT **Q9**

ABB's response to geopolitical supply chain risk involved:

A. Withdrawing FDI from all high-risk markets

✔ **B. Collaborating with and digitising supplier operations to build resilience**

C. Acquiring competitors to consolidate supply chains

D. Lobbying for WTO reform on industrial policy

Why? ABB (Swiss-Swedish industrial giant) did not withdraw or reshore — it STAYED in the market but worked WITH its suppliers to digitise their operations. Better digital visibility and coordination = resilience without physical withdrawal.

PPT **Q10**

In the McKinsey geopolitical value drivers framework, which of these belongs in the SECURITY dimension?

A. Domestic industrial policies (subsidies, tax breaks)

B. Tariffs and other trade barriers

✔ **C. Multilateral cooperation and alliances like NATO and AUKUS**

D. Import and export controls

Why? The five TRADE & ECONOMICS drivers: trade agreements, import/export controls, domestic policies, tariffs, industrial policies. The five SECURITY drivers: FDI restrictions, sanctions, multilateral alliances, conflict, tech/IP controls. NATO and AUKUS are Security.

PPT **Q11**

AUKUS is a trilateral security partnership between:

A. Australia, United Kingdom, and Singapore

✔ **B. Australia, United Kingdom, and United States**

C. Australia, United States, and Japan

D. United Kingdom, United States, and Canada

Why? AUKUS = Australia, United Kingdom, United States. It is a security and technology partnership — mainly focused on nuclear-powered submarines and advanced defence technology. It sits under 'Multilateral cooperation and alliances' in the McKinsey Security framework.

PPT **Q12**

China's Anti-Foreign Sanctions Law, as cited in the PPT's McKinsey framework, falls under which category?

A. Trade agreements

B. Import and export controls

C. Domestic industrial policies

✔ **D. Sanctions, embargoes, and restricted lists**

Why? China's Anti-Foreign Sanctions Law allows China to sanction foreign individuals and organisations that participate in sanctions against China. This is a RETALIATORY sanctions mechanism — it belongs under 'Sanctions, embargoes, and restricted lists' in the SECURITY dimension.

READING **Q13**

Bozonelos & Tsagdis define geopolitics as:

A. The study of how economic power shapes political decisions

✔ **B. How geography affects politics and the relations among states**

C. The management of political risk by multinational firms

D. The analysis of government policy impact on international trade

Why? The definition comes from Caldara & Iacoviello (2022): geopolitics = 'how geography affects politics and the relations among states.' Shaped by a country's geography, resources, demographics, and international relationships.

READING **Q14**

The Liberal International Order (LIO) was established:

A. By China and Russia after the Soviet Union collapsed
✔ **B. By the US and its allies in the aftermath of World War II**
C. By the WTO, IMF, and World Bank in the 1990s
D. By the G7 in response to the 2008 Global Financial Crisis

> **Why?** The LIO was built by the US and allies after WWII — on free trade, multilateral institutions (WTO, IMF, UN), and liberal democratic values. Both Putin (2022) and Xi (2022) have publicly stated their intent to CHALLENGE this order.

READING **Q15**

The reading says the treatment of geopolitics in International Business, even after 2019, has been:

A. Comprehensive and highly actionable for firms
✔ **B. Fragmented — it appears mostly as an adjective with very limited practical guidance**
C. Dominated by supply chain analysis
D. Mainly focused on country-level political risk assessment

> **Why?** Direct from the reading: 'even post-2019 the treatment of geopolitics in IB has been rather fragmented, the term appears mostly as an adjective, with limited actionable insights.' Firms know geopolitics is important — but the academic field hasn't given them a clear playbook.

READING **Q16**

In which phase did geopolitics in IB publications DOUBLE, according to the reading?

A. Pre-2008 (Emerging phase)
✔ **B. 2008-2019 (Approval phase)**
C. 2019-present (Expansion phase)
D. 1990-2000 (Post-Soviet phase)

> **Why?** In the Approval phase (2008-2019), geopolitics in IB literature doubled. The driver: the 2008 Global Financial Crisis shattered the dominance of financial capitalism, and the world saw the rise of nationalism, populism, and protectionism.

NEW **Q17**

The six levels of analysis for geopolitics in IB (Figure 2 in the reading) are, in order:

A. Political, Economic, Social, Technological, Environmental, Legal
✔ **B. Individual, Firm, Sub-national, National, Supra-national, Global**
C. Inside-in, Inside-out, Outside-in, Outside-out, Supranational, Global
D. Reputational, Organisational, Financial, Technological, Operational, Business Model

> **Why?** The six levels: INDIVIDUAL (strong-man leaders like Putin, Xi), FIRM (MNEs, joint ventures), SUB-NATIONAL (clusters like Silicon Valley), NATIONAL (varieties of capitalism), SUPRA-NATIONAL (trading blocs like EU, ASEAN), GLOBAL (spheres of influence).

NEW **Q18**

Which level of analysis corresponds to 'spheres of influence' — the idea of a US sphere vs a China sphere vs a Russia sphere?

A. National
B. Supra-national
C. Firm
✔ **D. Global**

Why? Spheres of influence operate at the GLOBAL level — the highest of the six. This is where great powers divide the world into their zones of dominance and competition. It sits above even supra-national blocs like the EU or ASEAN.

READING **Q19**

In the four-view geopolitical resilience framework (Figure 3), the 'inside-in' view:

A. Analyses how external geopolitical forces affect internal operations

✔ **B. Focuses on enhancing resilience by fixing internal structures, driven from within**

C. Builds alliances with external stakeholders to buffer geopolitical risk

D. Is the most comprehensive and widely practised approach

Why? Inside-In = you are INSIDE the organisation, looking INWARD. You optimise your own internal processes. It helps with small problems. But it completely misses the big geopolitical iceberg heading your way.

READING **Q20**

The reading criticises the inside-in approach by comparing it to:

A. A frog boiling slowly in water

✔ **B. Rearranging deckchairs on the Titanic**

C. A turkey expecting to never reach Thanksgiving

D. A black swan turning white

Why? 'Being inside and looking-in is as good as rearranging the deckchairs on the Titanic.' Perfect internal optimisation is useless if you are steering toward a massive geopolitical iceberg and cannot see it because you are only looking inward.

READING **Q21**

Bozonelos & Tsagdis' first actionable insight for practitioners is to treat geopolitics:

A. As a one-time risk assessment exercise during market entry

✔ **B. As an endogenous (built-in), continuous process — like global warming, always running in the background**

C. As primarily a supply chain management challenge

D. As something best handled by government relations specialists

Why? Insight 1: STOP treating geopolitics as a periodic shock or external event that interrupts normal business. START treating it like global warming — it is always happening, always affecting you, and requires continuous attention.

READING **Q22**

A 'fat tail' event, as described in the reading, is:

A. An event that is both unexpected AND extremely rare — a true black swan

✔ **B. An event that is unexpected but NOT actually infrequent — just underweighted by conventional risk models**

C. An event that is expected and frequent but still damaging

D. An event in financial markets at the extreme end of a probability curve

Why? Fat tail events are NOT actually rare — they just sit in the tail of probability distributions and get ignored by conventional risk models. The Russia-Ukraine invasion had 'ample evidence accumulating over several months' — not truly unforeseeable, just not registered.

READING **Q23**

The 'turkey before Thanksgiving' analogy from Taleb (2010), as used in the reading, refers to:

A. Firms rushing into new markets without adequate risk assessment

✔ **B. Firms that feel safe after years of stable operations but are caught completely off guard by a catastrophic event**

C. Firms that always overestimate geopolitical risk and under-invest internationally

D. Governments that protect domestic firms from foreign competition

> **Why?** The turkey is fed for 1,000 days and concludes it is safe — then Thanksgiving arrives. Western MNEs in Russia: years of normal business, months of accumulating warning signals ignored, then completely blindsided by the invasion.

READING **Q24**

The most important and novel concept introduced in the reading about resilience is 'bouncing-with,' which means:

A. Recovering quickly from a geopolitical setback to return to where you were before

B. Emerging stronger than before after experiencing a geopolitical disruption

C. Going further forward after a setback by transforming your business model

✔ **D. Proactively anticipating and managing geopolitics continuously so you never suffer the big setback in the first place**

> **Why?** 'Bouncing-with' is the reading's original contribution. All other types (back, above, beyond) assume you ALREADY suffered a setback. Bouncing-with is PRE-EMPTIVE: it is about viability and continuous survival so the catastrophic setback never happens.

SESSION 0 MCQs Cross-Topic Integration

All Three Sessions Combined · 11 Questions — If you can answer these confidently, you are exam-ready.

CROSS **Q1**

A firm proactively publishes a detailed public report on its environmental impact before any law requires it. Using Crane (2020), which trust-building mechanisms are at work?

A. Ability only — it shows the firm can measure its impact

✔ **B. Voluntary Action and Transparency — signalling both Benevolence and Integrity at the same time**

C. Proximity only — it brings the firm closer to environmental stakeholders

D. Responsiveness only — it shows the firm can react to environmental concerns

> **Why?** Publishing BEFORE any regulation requires it = Voluntary Action (signals Benevolence). Publishing the information openly = Transparency (signals Integrity). One action can demonstrate multiple trust dimensions simultaneously. This is Propositions 2 and 3 working together.

CROSS **Q2**

Rising nationalism in a key export market is best analysed using which combination of tools?

A. Economic (PEST) and Inside-In view (Geopolitical Resilience)

✔ **B. Social (PEST) and Outside-Out view (Geopolitical Resilience)**

C. Technological (PEST) and Bouncing-back approach

D. Political (PEST) and Inside-Out view (Geopolitical Resilience)

> **Why?** Rising nationalism reflects both a SOCIAL PEST factor (public attitudes shifting against globalisation) AND an OUTSIDE-OUT geopolitical perspective (a macro-level structural political force reshaping the entire international environment). You need both lenses.

CROSS **Q3**

Which combination of frameworks gives the most COMPLETE picture of a multinational firm's external environment?

A. Stakeholder Connectedness alone

B. PEST analysis alone

✔ **C. PEST (macro-environment) + Stakeholder Connectedness (relational trust) + Geopolitical Resilience (political risk and adaptive capacity)**

D. Geopolitical Resilience alone — it covers everything

> **Why?** Each framework addresses a DIFFERENT layer: PEST maps the broad macro-environment. Stakeholder Connectedness addresses relational trust dynamics. Geopolitical Resilience provides the framework for political risk and adaptive strategy. Used together, they cover everything.

CROSS **Q4**

A new law forces a firm to improve worker safety. The firm reluctantly complies and publicly announces it is ONLY doing so because the law requires it. How would Crane assess this?

A. Highly trustworthy — the firm is meeting its legal obligations

✔ **B. Lacking Voluntary Action — compelled compliance signals self-interest rather than Benevolence, destroying trust**

C. A strong demonstration of Integrity — the firm follows the rules

D. Evidence of high Ability — the firm can implement regulatory changes quickly

Why? Crane's Proposition 2: voluntary action builds trust. Reluctant, forced compliance — especially when you announce that it is forced — signals the OPPOSITE of Benevolence. Per Freeman (1984): being forced by law to fix a stakeholder problem is itself a 'managerial failure.'

CROSS **Q5**

A firm focuses all its geopolitical resilience efforts on improving internal supply chain processes, while completely ignoring global power shifts and great-power competition. This is best described as:

A. Outside-Out view — it ignores internal processes entirely

✔ **B. Inside-In view — it only addresses internally controllable problems and misses existential geopolitical forces**

C. Inside-Out view — it over-focuses on supply chain connections

D. Outside-In view — it relies too heavily on government intelligence

Why? Focusing ONLY on internal operations = Inside-In. No amount of perfect internal process optimisation will save you if massive geopolitical forces — trade wars, sanctions, political instability — are building up outside. The reading calls this 'rearranging deckchairs on the Titanic.'

CROSS **Q6**

What is the common strategic thread that runs through all three readings — Crane, Sammut-Bonnici (PEST), and Bozonelos (Geopolitical Resilience)?

A. Firms should always prioritise financial performance above everything else

✔ **B. Firms must continuously monitor, anticipate, and proactively respond to external forces — reactive strategies are never enough**

C. Reactive strategies are fine as long as you have strong crisis management

D. Internal capabilities are the primary driver of long-term success

Why? All three readings share the same core imperative: be PROACTIVE and CONTINUOUS. Crane: continuously build and signal trust. PEST: ongoing monitoring, not a one-off exercise. Bozonelos: geopolitics must be treated as endogenous and continuous — bouncing-with, not bouncing-back.

NEW **Q7**

'Financial capitalism' — shattered by the 2008 GFC — and 'informational capitalism' — its emerging successor — are discussed by Bozonelos. Which PEST factor does the rise of informational capitalism primarily represent?

A. Political — governments are driving the shift through policy

B. Economic — it is primarily about profit and financial returns

C. Social — it is driven by changing consumer attitudes toward data

✔ **D. Technological — it is centred on data, AI, and digital technologies as the new sources of economic power**

Why? Informational capitalism = the next dominant economic system, where DATA and AI-powered technologies are the primary sources of economic value. This is a TECHNOLOGICAL transformation — and also an Outside-Out geopolitical force that firms must build resilience toward.

NEW **Q8**

The reading notes that collaboration between International Business (IB) and International Relations (IR) has been 'notable by its absence.' Why does this matter for practitioners?

A. It means firms have no academic support for geopolitical risk management

✔ **B. IR theories like realism can help firms better anticipate how states will behave — filling the gap left by purely economic IB frameworks**

C. It proves that geopolitics is too complex to be studied academically

D. It means firms should rely solely on consultants rather than academic research

> **Why?** IR theories — especially realism, which focuses on how states pursue power and security — can give IB practitioners a richer toolkit for predicting state behaviour. The absence of this collaboration means IB has been trying to understand geopolitics with only economic and business lenses.

NEW **Q9**

The four types of resilience in the reading, ranked from least to most advanced, are:

✔ **A. Bouncing-back → Bouncing-above → Bouncing-beyond → Bouncing-with**

B. Bouncing-with → Bouncing-above → Bouncing-back → Bouncing-beyond

C. Bouncing-beyond → Bouncing-with → Bouncing-back → Bouncing-above

D. Bouncing-above → Bouncing-back → Bouncing-beyond → Bouncing-with

> **Why?** Bouncing-BACK = just returning to the pre-setback position (minimal). Bouncing-ABOVE = emerging stronger than before (better). Bouncing-BEYOND = going further forward after the setback (better still). Bouncing-WITH = the gold standard — anticipate and manage proactively so you never NEED to bounce back from anything.

NEW **Q10**

The six dimensions of geopolitical resilience (Grant et al., McKinsey 2022) cited in the reading are:

A. Political, Economic, Social, Technological, Environmental, Legal

✔ **B. Reputational, Organisational, Financial, Technological, Operational, Business Model**

C. Inside-in, Inside-out, Outside-in, Outside-out, Supranational, Global

D. Individual, Firm, Sub-national, National, Supra-national, Global

> **Why?** The six McKinsey resilience dimensions are: REPUTATIONAL, ORGANISATIONAL, FINANCIAL, TECHNOLOGICAL, OPERATIONAL, BUSINESS MODEL. These are different from the six LEVELS OF ANALYSIS framework (Individual through Global).

NEW **Q11**

The Philips Healthcare example in the PPT Session 3 is cited specifically to illustrate:

A. How medical firms benefited from pandemic-driven demand

✔ **B. Supply chain disruption from Covid-19 restrictions on worker movement and transport**

C. Regulatory barriers to FDI in the healthcare sector

D. Technology transfer restrictions affecting medical equipment

> **Why?** The PPT specifically cites Philips Healthcare under Covid-19's 'disruption to supply chains' — restrictions on worker movement and air/sea transport disrupted production of medical equipment at the very moment demand was highest. This is the 'lack of redundancy' problem in lean supply chains.

You have done the work. Trust the preparation.

Good luck, EPBM-32.

Prepared by **Abhinav Roy** · linkedin.com/in/abhinavroy07
EPBM-32 · IIM Calcutta via TimesPro · Prof. Biju Paul Abraham