

TEST BANK



THE MANAGEMENT OF
TECHNOLOGY
and
INNOVATION:

A STRATEGIC APPROACH



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Chapter 2: Strategy and the Management of Technology and Innovation

MULTIPLE CHOICE

1. Strategy can be defined as:
 - a. Process whereby new and improved products, processes, materials, and services are developed and transferred to a new plant or market where they are appropriate.
 - b. The critical tools, methods, and systems employed in the creation of goods or in providing services
 - c. A coordinated set of actions that fulfill the firm's objectives, purposes, and goals.
 - d. The systematic gathering of information that leads to the generation of feasible alternatives for the firm.
 - e. An industrial integration view of the firm based on industrial organization economics.

ANS: C

2. Linux is an example of continuous technology because:
 - a. the changes in the program are dramatic
 - b. the changes in the logic of the system happen over a relatively short period of time
 - c. the changes are implemented by a large number of individuals from all over the world
 - d. the technology changes are so disruptive that change happens continuously
 - e. it is not an example of continuous technology

ANS: B

3. What was the common mistake of Polaroid, Swiss Watch, and the United States steel industry?
 - a. Giving technology away to competitors
 - b. Failing to improve their technology
 - c. Lost of government backing
 - d. Intervention of the WTO
 - e. Failing to form international alliances

ANS: B

4. The domains that firms need to ensure are consistent with their strategy include all of the following except:
 - a. Structure
 - b. Employee hiring and relations
 - c. Decision making
 - d. Incentives
 - e. Industry structure

ANS: E

5. The impact of a strategy comes from the firm setting a clear direction and taking actions that are consistent with that strategy. The common areas that the firm needs to focus on include:
 - a. Incentives
 - b. Structure and decision making
 - c. Communication and employee relations

- d. Culture
- e. All of the above

ANS: E

6. Capabilities are:
- a. Skills the firm develops
 - b. The strategic direction the firm will seek to pursue.
 - c. The building blocks for the value chain analysis.
 - d. The building blocks of the five forces analysis.
 - e. Central to the analysis of complementors.

ANS: A

7. Capabilities are typically classified as either ___ or ____.
- a. technical - implementation
 - b. market – formulation
 - c. implementation – critical
 - d. technical – market
 - e. implementation – formulation

ANS: D

8. Technology's impact on the competitive environment is disruptive if:
- a. The change and impact is dramatic in society from the technology.
 - b. There is a constant flow of small changes in the technology.
 - c. The technology has not substantively been present before.
 - d. The technology places existing industries out of business.
 - e. There is no impact from the technology

ANS: A

9. Each of the following are stages in the technology life cycle according to the S-curve except:
- a. embryonic
 - b. growth
 - c. maturity
 - d. aging
 - e. death

ANS: E

10. When a firm uses technology in a _____ manner it employs a technology in a manner not being used by competitors.
- a. Reactive
 - b. Preemptive
 - c. Offensive
 - d. Protective
 - e. Defensive

ANS: C

11. Firms that use technology in a similar manner as other firms in its industry are using it in a _____ manner.
- a. Offensive
 - b. Defensive
 - c. Substitute
 - d. Competitive
 - e. Innovative

ANS: B

12. Sotheby's used technology in a/an _____ manner by signing an agreement with EBay to gain a competitive advantage over Christie's.
- a. Offensive
 - b. Aggressive
 - c. Defensive
 - d. Reactionary
 - e. Competitive

ANS: A

13. The strategic process DOES NOT include which of the following steps:
- a. Evaluation/Control
 - b. Planning
 - c. Implementation
 - d. Approval
 - e. These are all steps in the strategic process

ANS: D

14. _____ is the gathering of information that leads to the generation of feasible alternatives for the firm.
- a. Planning
 - b. Implementation
 - c. Evaluation
 - d. Control
 - e. Analysis

ANS: A

15. The _____ should identify in relatively few words what is unique about the firm and the scope of activities it wants to pursue.
- a. Goal statement
 - b. Mission
 - c. Prospectus
 - d. Strategic plan
 - e. Industrial analysis

ANS: B

16. Which of the following is not one of the levels of strategy?
- Corporate
 - Functional
 - Industrial
 - Business
 - All of the above are levels of strategy.

ANS: C

17. Corporate strategy establishes:
- How domains such as marketing will operate to achieve strategic goals.
 - How individual businesses will operate.
 - What industries and businesses the firm will compete.
 - How individuals will progress through the corporation.
 - The defensive use of technology in the firm.

ANS: C

18. Business level strategy establishes:
- How domains such as marketing will operate to achieve strategic goals.
 - How individual businesses will operate.
 - What industries and businesses the firm will compete.
 - How individuals will progress through the corporation.
 - The defensive use of technology in the firm.

ANS: B

19. Which of the following is the overall set of direction and set of actions that are to be pursued different disciplines within the firm?
- Business strategy
 - Functional strategy
 - Strategic plan
 - Corporate strategy
 - Defensive strategy

ANS.: B

20. Who are the firms or individuals that provide input into the ultimate output of the industry?
- Distributors
 - Suppliers
 - Retailers
 - Corporate Headquarters
 - Buyers

ANS: B

21. Which is not one of the five forces in Michael Porter's analysis

- a. Buyers
- b. Innovators
- c. Rivalry
- d. Suppliers
- e. Substitutes

ANS: B

22. Buyers are strong if all of the following are present EXCEPT:

- a. Buyers buy a large percentage of the industry's output.
- b. Low switching cost.
- c. Large number of sellers in the industry.
- d. The industry is selling a commodity product to the buyers.
- e. There are high capital requirements.

ANS: E

23. Suppliers are powerful if:

- a. There are low switching costs.
- b. Customers can only vertically integrate forwards.
- c. The product supplied is unique.
- d. There is low demand for the product.
- e. There are high capital costs.

ANS: C

24. The threat of new entrants is high when all of the following are present except:

- a. There is strong brand loyalty in the industry.
- b. There are large economies of scale.
- c. Distribution channels are hard to access.
- d. Incumbent firms are not aggressive in their response.
- e. Capital requirements are high.

ANS: D

25. Substitutes form:

- a. Price floor.
- b. Price ceiling.
- c. Industry competitors.
- d. A group of products that do exactly the same function.
- e. Troubling issues for most industries

ANS: B

26. Rivalry increases when:

- a. The number of competitors increases
- b. Demand for product is slowing
- c. Switching costs are high
- d. Exit barriers are high
- e. Strategic payoff is high.

ANS: C

27. The higher the _____ the more likely firms are to cut prices and in turn their profits.
- New entrants
 - Substitutes
 - Rivalry
 - Suppliers
 - Buyers

ANS: C

28. Organized labor would be considered in Porter's five forces model as a:
- Supplier
 - Substitute
 - Potentially lowering rivalry
 - Reducing profitability
 - Buyer

ANS: A

29. What is a substitute product?
- A product that is exactly the same as another
 - A product that performs a similar function but is not exactly the same as another
 - A completely different product
 - A product that goes well with another product
 - Another product which customers like.

ANS: B

30. Strategic groups are:
- Firms from substitute industries.
 - Firms from the same industry and compete in similar manners.
 - Firms from the same industry and compete in different manners.
 - Firms in the same industry that have the same size.
 - Firms from different industries that are in the same region.

ANS: B

31. In a value chain the primary activities that take place include all except:
- logistics of inputs
 - shipping of the product
 - human resource management
 - marketing the product
 - service

ANS: C

32. In the value chain the support activities that take place include all of the following except:
- Service
 - Human resources management
 - Infrastructure

- d. Technology development
- e. Procurement

ANS: A

33. Evaluation and control is employed to___:
- a. Judge what industries the firm should be in.
 - b. Ensure the firm is reaching the goals and objectives established.
 - c. Evaluating which firms should be in the strategic group.
 - d. Rewarding the top performers in the firm.
 - e. Determining the CEO's salary for the year.

ANS: B

34. The goals and objectives the firm establishes should be:
- a. Based on balance sheet and income statement.
 - b. Be financially sophisticated so that stock analysis can understand them.
 - c. Be developed by the CEO and enforced by the senior management of the firm.
 - d. Both quantitative and qualitative.
 - e. Be one no longer than one year in advance.

ANS: D

35. The four key perspectives of the balanced score card as defined by Kaplan and Norton include all of the following except:
- a. financial
 - b. stakeholder
 - c. customer
 - d. internal business process
 - e. learning

ANS: B

TRUE/FALSE

1. Porters Five Forces Analysis is a firm-level analysis model.

ANS: F

2. The action that eventually led to Polaroid's bankruptcy was their major strategic shift into the digital camera market.

ANS: F

3. The Strategy Process entails: Planning, Forming, Controlling.

ANS: F

4. Substitutes form the price floor for a product?

ANS: F

5. Strategy is not a single act that occurs in a firm. Instead it is a coordinated set of actions that fulfill the firm's objectives, purposes, and goals.

ANS: T

6. A firm uses technology in an offensive manner when it employs a technology in a manner the same as competitors in order to gain a competitive advantage.

ANS: F

7. The planning effort by the firm requires that the firm be clear what the firm's external capabilities are.

ANS: F

8. Economies of scale lowers ability to enter and power of new entrants.

ANS: F

9. In implementation process of the strategy, if the right people or supports are not in place at any one place in the flow, the entire process can be stopped.

ANS: T

10. Firms must constantly seek to actively manage and improve their technological potential.

ANS: T

11. Buyers gain power when the costs of switching to competing brands or substitutes are high.

ANS: F

12. Strategic Planning is a single act that occurs over a given time period which lays out the direction of the firm.

ANS: T

13. Managers must be reactive and make technology a part of the overall strategic efforts of the firm if they want to be successful.

ANS: F

14. Increases in demand for a product increases rivalry in an industry.

ANS: F

15. The root of Porter's Five forces is Industrial Organization economics?

ANS: T

SHORT ANSWER

1. Discuss the two methods in which technology can be employed.

ANS:

Offensive manner

- A firm employs technology in a manner not being used by competitors
- Creates a competitive advantage (lower costs, efficiency and effectiveness)

Defensive manner

- Obtain technology already being used by another firm
- Will not create a competitive advantage
- Goal is to not be at a disadvantage
- Johnson & Johnson example

2. Discuss the characteristics that increase rivalry in an industry.

ANS:

- number of competitors – as they increase, rivalry increases
- demand for product is slowing increases competition
- when competitors need to increase volume produced to obtain economies of scale, competition increases
- when customers cost to switch among producers is low, it increases competition
- increases in payoff from successful strategic move increases competition
- exit barriers raise competition

3. Define strategy and strategic planning and differentiate the two concepts.

ANS:

- Strategy is a coordinated set of actions that fulfill the firm's objectives, purposes, and goals.
- Strategic planning is a single act that lays out the direction of the firm.
- Strategic planning is not the same as strategy.

4. What is a value chain analysis? Why is it important to MTI?

ANS:

- This analysis breaks the firm's activities into primary activities and support activities.
- Primary activities include inbound logistics, operations, outbound activities, marketing and sales, and service.
- Support activities include firm infrastructure, human resource management, technology development, and procurement.

5. Differentiate the different levels of strategy and their importance to MTI.

ANS:

- Corporate – what businesses the firm will compete
- Business – how those individual businesses will compete
 - The simplest form to analyze business strategies are low cost and differentiation
- Functional – how individual functional domains such as marketing, engineering, finance, and accounting help to fulfill the business strategy