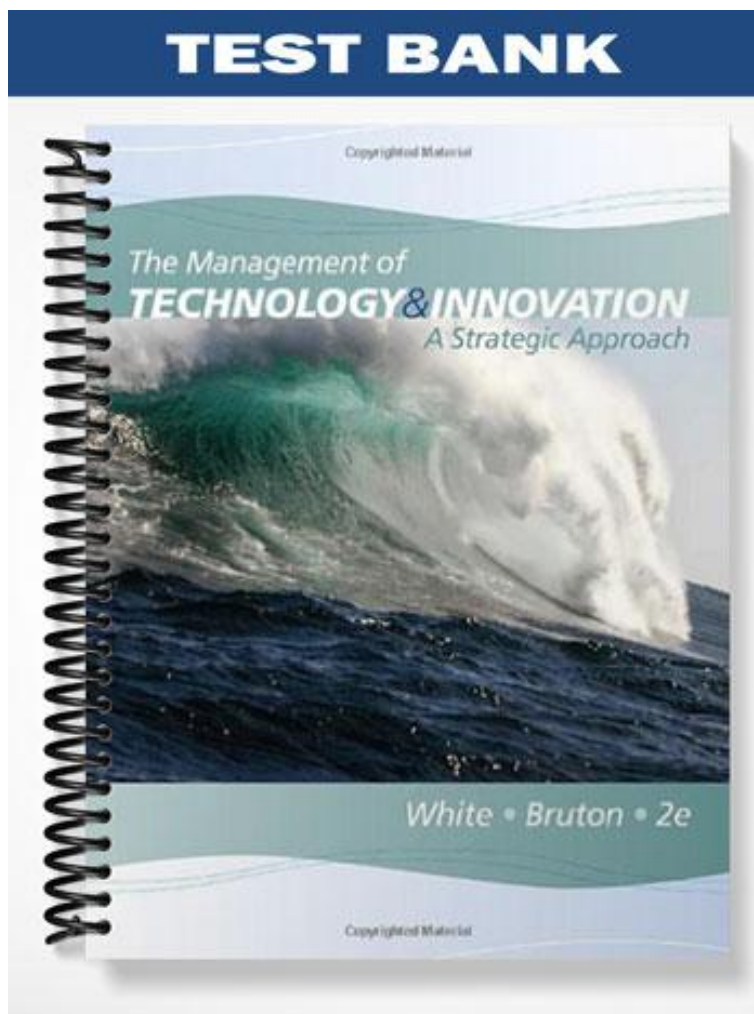


TEST BANK



Part 1, Chapter 2—Strategy Process 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 PTS: 1

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 PTS: 1

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. Loss of government backing
 - d. Intervention of the WTO
 - e. Failing to form international alliances

ANS: B PTS: 1

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 PTS: 1

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 these choices

ANS: E PTS: 1

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 PTS: 1

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 PTS: 1

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 PTS: 1

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 PTS: 1

10. When a firm uses technology in a(n) ____ 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 PTS: 1

11. Firms that use technology in a similar manner as other firms in its industry are using it in a(n) _____ manner.
- Offensive
 - Defensive
 - Substitute
 - Competitive
 - Innovative

ANS: B PTS: 1

12. Sotheby's used technology in a(n) _____ manner by signing an agreement with EBay to gain a competitive advantage over Christie's.
- Offensive
 - Aggressive
 - Defensive
 - Reactionary
 - Competitive

ANS: A PTS: 1

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

ANS: D PTS: 1

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

ANS: A PTS: 1

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

ANS: B PTS: 1

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

ANS: C PTS: 1

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

ANS: C PTS: 1

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

ANS: B PTS: 1

19. Who are the firms or individuals that provide input into the ultimate output of the industry?
- a. Distributors
 - b. Suppliers
 - c. Retailers
 - d. Corporate Headquarters
 - e. Buyers

ANS: B PTS: 1

20. 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 PTS: 1

21. 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 PTS: 1

22. 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 PTS: 1

23. The threat of new entrants is high when all of the following are present *except*:
- There is strong brand loyalty in the industry
 - There are large economies of scale
 - Distribution channels are hard to access
 - Incumbent firms are not aggressive in their response
 - Capital requirements are high

ANS: D PTS: 1

24. Substitutes form:
- Price floor
 - Price ceiling
 - Industry competitors
 - A group of products that do exactly the same function
 - Troubling issues for most industries

ANS: B PTS: 1

25. Rivalry increases when:
- The number of competitors increases
 - Demand for product is slowing
 - Switching costs are high
 - Exit barriers are high
 - Strategic payoff is high

ANS: C PTS: 1

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

ANS: C PTS: 1

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

ANS: A PTS: 1

28. 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 PTS: 1

29. 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 PTS: 1

30. 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 PTS: 1

31. In the value chain the support activities that take place include all of the following *except*:
- Service
 - Human resources management
 - Infrastructure
 - Technology development
 - Procurement

ANS: A PTS: 1

32. Evaluation and control is employed to ____:
- Judge what industries the firm should be in
 - Ensure the firm is reaching the goals and objectives established
 - Evaluate which firms should be in the strategic group
 - Reward the top performers in the firm
 - Determine the CEO's salary for the year

ANS: B PTS: 1

33. The goals and objectives the firm establishes should be:
- Based on balance sheet and income statement
 - Financially sophisticated so that stock analysis can understand them
 - Developed by the CEO and enforced by the senior management of the firm
 - Both quantitative and qualitative
 - One no longer than one year in advance

ANS: D PTS: 1

34. The four key perspectives of the balanced score card as defined by Kaplan and Norton include all of the following *except*:
- financial
 - stakeholder
 - customer
 - internal business process
 - learning

ANS: B PTS: 1

35. 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 PTS: 1

TRUE/FALSE

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

ANS: F PTS: 1

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

ANS: F PTS: 1

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

ANS: F PTS: 1

4. Substitutes form the price floor for a product.

ANS: F PTS: 1

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 PTS: 1

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 PTS: 1

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

ANS: F PTS: 1

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

ANS: F PTS: 1

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 PTS: 1

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

ANS: T PTS: 1

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

ANS: F PTS: 1

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

ANS: T PTS: 1

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 PTS: 1

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

ANS: F PTS: 1

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

ANS: T PTS: 1

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

PTS: 1

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

PTS: 1

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.

PTS: 1

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.

PTS: 1

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

PTS: 1