

Student name: _____

Firms across industries depend on products developed within the past five years for more than one-third of their sales and profits.

true

false

Investing in process innovation helps firms lower their costs.

true

false

Flexible manufacturing technologies have made longer production runs economical and have increased the importance of production economies of scale.

true

false

Globalization of markets has reduced the importance of innovation.

true

false

Innovation and new technologies have led to longer product life cycles and slower product obsolescence.

true

false

Technological innovation decreases the amount of output achievable from a given quantity of labor and capital.

true

false

Gross domestic product seldom relates to the amount of goods consumers can purchase.

true

false

Technological innovation results in complete eradication of negative externalities.

true

false

If a pharmaceutical company discharges untreated chemical waste into the local water bodies of a community, it will impose a negative externality on the community members.

true

false

A firm's organizational structure and control systems seldom have an influence on the generation of innovative ideas.

true

false

Most innovative ideas do not become successful new products.

true

false

The majority of effort and money invested in technological innovation comes from nonindustrial firms.

true

false

The innovation process is often conceived of as a funnel because most potential new product ideas make it through the development process.

true

false

According to the concept of innovation funnel, the number of successful products launched will be greater than the number of raw ideas generated.

true

false

Studies have consistently found that successful innovators employ well-defined strategies for innovation and management processes.

true

false

Which of the following is an advantage of flexible manufacturing technologies?

They have made shorter production runs economical.

They have increased the importance of production economies of scale.

They have eliminated the need for differentiation from competitors.

They have reduced the importance of technological innovation in industries.

As a result of the rapid pace of innovation

product life cycles have become shorter.

product development cycles have become significantly longer.

market segmentation has reduced.

product obsolescence has slowed down.

Mark is the CFO of a company that manufactures air conditioners and refrigerators. The management wants to diversify its list of product offerings and therefore has asked the board of members and senior management to suggest a project plan. One of their suggestions was to manufacture smart televisions. Mark believes that if the company invests in this new project plan, it will not be able to make sustainable profits for long. Which of the following statements supports Mark's argument?

Market segmentation is minimal for the consumer electronics market.

The rate of product obsolescence is the lowest for televisions when compared with other consumer electronics and large home appliances.

The time between the television's introduction in the market and its replacement with a next-generation television is 12 to 24 months.

The product life cycle for televisions in the market is extremely long, about 10 to 12 years.

Virtual Incorporated, a manufacturing company, has recently entered the cell phone industry. This industry is characterized by rapid technological innovations. Which of the following is most likely to be true of Virtual Incorporated?

The life cycle of its cell phones will be long.

It will face rapid product obsolescence.

It will face low market segmentation in the cell phone industry.

It will have a lower need for product differentiation.

The _____ of an economy is its total annual output as measured by its final purchase price.

balance of payment

gross domestic product

cash reserve ratio

net national income

Which of the following is true of technological innovations?

Technological innovations help increase a country's gross domestic product.

Technological innovations decrease the amount of output achievable from a given quantity of labor and capital.

Technological innovations slow down product obsolescence and lengthen product development cycles.

Technological innovations increase production costs and reduce product differentiation.

If a country's GDP stands at \$4,867 billion, the country's _____ will be worth \$4,867 billion.

total annual output

investment in technological innovation

savings with the World Bank

negative variance in budget

The Solow Residual refers to the

obsolete products left in a market because of accelerated product life cycles.

less-developed nations of the world being left behind because of their obsolete technology.

increased amount of output achievable from a given quantity of labor and capital because of technological innovation.

process of dumping goods in developing and underdeveloped countries at a price lower than the home-market price.

_____ refer to the costs (or benefits) of technological innovations that are borne by individuals other than those responsible for creating them.

Externalities

Increasing returns

Complementors

Incubators

Alex Richards is the owner of a pesticide manufacturing company. He is aware of the risks that the residents of a nearby community will face because of the liquid pollutants released from the manufacturing unit. In order to counter the risks, he decides to invest in a plan that will create a positive externality. Which of the following plans should Alex invest in to accomplish his mission?

setting up a shopping complex near the community

setting up a water treatment plant in the vicinity

setting up a couple more pesticide manufacturing companies in the vicinity

setting up a basketball court for the children who reside in the community

Kroters Incorporated, a detergent manufacturing company, has built a new manufacturing plant on the outskirts of Woodsville. Since a majority of the population of Woodsville depend on agriculture for their livelihood, the management of Kroters decides to invest in a project that will most likely create a positive externality for the community members. Which of the following project plans is likely to help achieve positive externality?

a plan that increases the detergents' life cycle based on consumer demand

a plan that involves setting up an organic farm near Woodsville

a plan that follows the Solow Residual

a plan that reduces the rate of product obsolescence for Woodsville residents

Silk Work Incorporated, a manufacturer of silk garments, is planning to replace hand weaving with some modern machines that run on fuel. Which of the following consequences of this measure can be categorized as a negative externality?

increased amount of output achievable from the given quantity of labor

increase in the quality of the silk garments

increased pollution as a result of the new technology

increased need for investment to finance the modernization

If a business builds a park in a community, it will create a(n) _____ for the community members.

social cost

positive externality

opportunity cost

negative variance

Which of the following statements is true of externalities?

All externalities are negative in nature and seldom affect the communities surrounding the area where the business is based.

Externalities are solely borne by individuals responsible for creating them.

Negative externalities are completely eradicated by technological innovations.

Externalities can be in the form of benefits reaped by individuals other than those who created them.

Electronic waste results from the disposal of technological goods. This is an example of

the Solow Residual.

a negative externality.

a negative variance.

the innovation funnel.

According to researchers in a large-scale survey administered by the Product Development and Management Association (PDMA), in 2012, which of the following categories of project development took the least amount of time to develop a new product from initial concept to market introduction?

"radical" projects

"more innovative" projects

"disruptive" projects

"incremental" projects

Jordan, the CEO of Early Bird Corporation, believes that it is important to focus on the quantity of new product ideas generated rather than the quality of ideas generated. He encourages everyone in the company to come up with product ideas, and those that seem feasible are further developed. According to him, it takes several raw ideas to develop one successful new product. Jordan's views reflect the concept of

innovation adolescence.

innovation diffusion.

the innovation butterfly.

the innovation funnel.

Which of the following is essential for a firm's new product development process to help maximize the likelihood of projects being both technically and commercially successful?

an in-depth understanding of the dynamics of innovation

a generic innovation strategy that focuses on the generation of ideas rather than implementation

rapid product obsolescence

greater market segmentation

Unicorn Medicines Incorporated, a pharmaceutical company based in the United States, has its research and development units spread across the globe. Lately, these research and development units have not been receiving adequate financial support. Which of the following is most likely to cause such a situation?

Technical innovation leads to lower market segmentation and slower product obsolescence.

Most innovative ideas do not become successful new products.

The product development cycle in the pharmaceutical industry is short.

The cost associated with pharmaceutical research and development is low.

Walter is the new director of R&D at Good Health Incorporated, a pharmaceutical company. Which of the following statements by Walter would indicate that he believes in the concept of the innovation funnel?

"Innovation is a freewheeling process that is unconstrained by rules and plans."

"While there are many potential new product ideas going in the wide end, very few make it through the development process."

"I believe that Good Health should limit new idea generation to save time and other resources."

"I believe that Good Health should allow all new ideas generated in the company to make it to the development process."

Explain the impact of computer-aided design and flexible manufacturing technologies on firms.

Explain how the globalization of markets affects the importance of innovation.

What are some of the negative impacts on society because of technological innovation? How would you respond to critics of technological innovation who cite these negative impacts?

Why is it important for a company to have a well-defined process to strategically manage its new product development process?

Explain how an understanding of the innovation funnel might influence a company's view of research and development. How can a firm's new development process maximize the likelihood of projects being both technically and commercially successful?

Answer Key

Test name: CH1 Strategic Management E7

TRUE

TRUE

FALSE

FALSE

FALSE

FALSE

FALSE

FALSE

TRUE

FALSE

TRUE

FALSE

FALSE

FALSE

TRUE

A

A

C

B

B

A

A

C

A

B

B

C

B

D

B

D

D

A

B

B

Essay

Essay

Essay

Essay

Essay