Testbank questions

Chapter 02 & 03 Innovation Strategy and Identifying Strategic Capabilities

Correct answers are indicated with a *

1. Four factors have a major influence on the ability of a firm to develop and create value through innovation. Which of the following is not one of these factors?
   a) Its ability to identify and exploit external sources of innovation, especially international networks.
   *b) Its ability to invest in basic science and technology.
   c) Its power and market position within the international value chain, which in part defines the innovation-based opportunities and threats that it faces.
   d) The national system of innovation in which the firm is embedded, and which in part defines its range of choices in dealing with opportunities and threats.

2. In his popular book, The World is Flat: The globalized world in the 21st century (Penguin, 2006), Thomas Friedman argues that developments in technology and trade, in particular information and communications technologies (ICTs), are spreading the benefits of globalization to the merging economies, promoting their development and growth. Which of the following is not true?
   *a) Technology and innovation are evenly distributed globally.
   b) Technology and innovation are not easily transferred across regions or firms.
   c) Different national contexts influence the ability of firms to absorb such technology and innovation.
   d) The position of firms in international value chains can constrain their ability to exploit innovation.

3. Deciding where to locate and perform R&D depends on a number of factors. Which of the following is not a significant influence?
   a) R&D supporting overseas production should be located close to that of overseas production.
   b) R&D supporting existing businesses (i.e. products, processes, divisions) should be located in established divisions.
   *c) R&D supporting global products and services should be located overseas.
   d) R&D supporting new businesses should initially be located in central laboratories, then transferred to divisions for exploitation.

4. Which of the following is not one of the main factors influencing the decision where to locate R&D globally?
   a) The importance of external sources of technical and market knowledge, e.g. sources of technology, suppliers, and customers.
   *b) The quality of the science and technology base.
   c) The importance and costs of internal transactions, e.g. between engineering and production.
   d) The cost and disruption of relocating key personnel to the chosen site.

5. Firms have many reasons for monitoring and learning from the development of technological, production and organizational competencies of systems of innovation in other countries, and especially from those that are growing and strong. Which of the following is not a significant reason?
   *a) Understanding and imitating foreign systems of innovation.
   b) Firms can benefit more specifically from the technology generated in foreign systems of innovation.
   c) Potential sources of improvement in the corporate management of innovation.
   d) Identify and plan for firms with a potential capacity to compete through innovation.

6. Which of the following is the least common method used by firms to learn about competitors' innovations?
   a) Licensing.
   b) Reverse engineering.
   *c) Patent analysis.
   d) Publications.

7. The national system of innovation in which a firm is embedded matters greatly, since it strongly influences both the direction and the vigour of its own innovative activities. This includes national market incentives and pressures to which firms have to respond. Which of the following is not a significant incentive?
   a) Local production input prices, where international differences can help generate very different pressures for innovation.
   b) Local (private and public) investment activities, which create innovative opportunities for local suppliers.
   *c) Local skills and knowledge.
   d) Local natural resources, which create opportunities for innovation in both upstream extraction and downstream processing.

8. Firms' innovative behaviours are strongly influenced by the competencies of their managers and the ways in which their performance is judged and rewarded (and punished). Methods of judgement and reward vary considerably amongst countries, according to their national systems of corporate governance: in other words, the systems for exercising and changing corporate ownership and control. Which of the following is not generally true?
   a) In the Anglo-Saxon system corporate ownership (shareholders) is separated from corporate control (managers).
   *b) In the Anglo-Saxon system investors are slow to deal with poor investment choices.
   c)In the Nippon–Rhineland system a higher priority is given to investment than to returns to shareholders.
   d) In the Nippon–Rhineland system banks, suppliers and customers are more heavily locked into the firms in which they invest.

9. Technological leadership in firms does not necessarily translate itself into economic benefits. The capacity of the firm to appropriate the benefits of its investment in technology depends on its position. Which of the following is not relevant?
   *a) Innovation 'leadership'—where firms aim at being first to market, based on technological leadership.
   b) Complementary assets or capabilities in marketing and distribution.
   c) Capacity to defend its advantage against imitators, for example, through standards or intellectual property.
   d) The learning curve in production generates both lower costs, and a particular and powerful form of accumulated and largely tacit knowledge.

10. Firms in emerging economies may pursue different routes to upgrading through innovation. Which of the following is not a common pathway?
    a) Capability upgrading – improving the range of functions undertaken, or changing the mix of functions, for example, production versus development or marketing.
    b) Process upgrading – incremental process improvements to adapt to local inputs, reduce costs or to improve quality.
    *c) Competitiveness upgrading - adopting best-practice methods from developed economies.
    d) Inter-sectoral upgrading - moving to different sectors, for example, to those with higher value-added.

11. Prahalad and Hamel argue that the capacity to open up new product markets requires distinctive core competencies, coupled with methods of corporate organization and evaluation that explicitly recognize the importance of these competencies. Which of the following is not true of core competencies?
    a) Contribute to more than one core product, and to more than one business unit.
    *b) Suggests that large and multidivisional firms should be viewed as a collection of strategic business units.
    c) Require focus: companies are likely to lead in more than five or six core competencies.
    d) Are supported by organizational competencies such communication, involvement, and a commitment to working across organisational boundaries.

12. David Teece and Gary Pisano integrate the various dimensions of innovation strategy into what they call the 'dynamic capabilities' approach. This emphasizes the need to:
    *a) Manage strategically to adapt and re-configure capabilities.
    b) Make significant investments in emerging technological trajectories.
    c) Adopt a strategic position as market leader.
    d) Strategically anticipate future technologies and markets.

13. The notions of core competence and dynamic capabilities are useful as they emphasize the importance of developing firm-level resources. However, there are a number of limitations to these approaches. Which of the following is not a significant limitation of the concepts?
    a) Industries face differing potentials for technology-based diversification.
    b) Recommendations that firms should concentrate resources on a few distinctive world-beating technological competencies are misleading.
    *c) Emphasizes the difficulty of capturing and transferring knowledge due to its tacit nature and context-specificity.
    d) More general enabling competencies for the co-ordination of changes in supply, production and distribution systems are necessary.

14. A strategic goal is to get the right balance between exploitation of existing competencies and the exploitation and development of new competencies. Which of the following is not a critical issue in this respect?
    a) The breadth and limits of management cognition which influence decision-making.
    b) The skills and experience of employees and other human capital.
    c) The internal and external relationships that influence access to information and knowledge.
    *d) The vision, control and power of senior managers.

15. There is no widely accepted definition or method of measurement of competencies. Which of the following statements is not true?
    a) Functional measures might include capabilities in design, development or production.
    b) Need to identify the range of disciplines or fields that contribute to a technology.
    c) Need to be based on specific strategic technological targets.
    d) Need to identify the new competencies that must be developed.