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Exam April 12, 2011, asking

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Technische Universiteit Delft | Technology, Strategy and Entrepreneurship



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to those who
challenge the present

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 **Cognizant**

Name student	_____
Student number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Coursecode	<input type="checkbox"/> MOT1431 <input type="checkbox"/> WM0517
Signature	_____

Course:	Technology and Strategy Corporate strategy	Section:	Technology, Strategy and Entrepreneurship
Coursecode:	MOT1431 / WM0517	Type exam:	Closed book
Date:	12 - 04 - 2011	Time:	9:00-12:00
Teacher:	Dr. G. van de Kaa Prof. Dr. C.P. van Beers Dr. E. den Hartigh	Total pages:	15

Instructions
<ul style="list-style-type: none">• Closed book• Write your name on each exam page• Do not take your exam pages with you• Limit your answers to the boxes• Write clearly and readable• No (graphical) calculator

Additional
<ul style="list-style-type: none">• Total number of open questions: nine (each has a, b, c or d-questions)

Advices
<ul style="list-style-type: none">• First read the questions.• Think before you write on the exam sheets. Write your answer on scratch paper.• Arguments are important.• Formulate clearly and careful: it is not about what you meant but what you write on paper.

Question 1 (10 points)

1a Explain the difference between *economies of learning* and *economies of scale* (max: 2.5 points).

In a chemical firm the production technology has the following costs structure, where $C(i,j)$ represents the total costs of producing i units of S and j units of T :

$C(0, 20)$	$= 100;$	$C(2, 0) = 150;$
$C(0, 80)$	$= 240;$	$C(10, 0) = 320$
$C(2, 20)$	$= 260;$	$C(10, 80) = 700$

1b Does the production technology display economies of scale? Of scope (max: 2.5 points)?

A biotech company develops a new product that will be produced, tested and distributed by an established pharmaceutical firm”.

1c Explain why the biotech company and the pharmaceutical firm are likely to benefit from vertical integration (max: 2.5 points)

1d Explain the holdup problem and the Fundamental Transformation Problem? (max: 2.5 points)

Question 2 (10 points)

2a The Smith brothers are trying to come up with a new cough drop but Alvin Smith keeps saying to his brother, Frank, “I really would like to understand more about what makes a person cough in the first place.” Frank keeps saying, “We need to quit worrying about theoretical stuff and just focus on how to stop the coughing.” Which of the brothers is most likely to be a successful inventor and why? (max: 2.5 points)

2b Explain the differences between the so-called linear innovation model and the model of innovation systems (max: 2.5 points).

2c Explain why a mechanistic organizational structure can stifle creativity (max: 2.5 points).

A disputed question in the field of strategic innovation management is whether the size of the firm affects its rate of innovation positively or negatively. The confusion started because of the ideas of the Austrian economist Joseph Schumpeter

2d Explain the idea(s) Schumpeter had on this question and why that led to disputes (max: 2.5 points).

Question 3 (10 points)

3a What is the difference between strategic and tactical decisions (max: 3 points)

In the distinction between tough and soft commitment two important effects are the strategic effect and the direct effect. Consider the following statement:

A tough commitment in a Cournot competition market occurs if the potential direct effect < the positive strategic effect

3b Explain why this statement is right or wrong (max: 3 points).

The Lawsuit of the US Department of Justice (DOJ) against Microsoft on the bundling contracts between Windows operating systems and the Internet Explorer in the second half of the 1990s shows that from the perspective of strategic technology management Microsoft had the right strategy but was blocked by the DOJ anti-trust attitude which was based on standard old technology oriented economic analysis

3c Explain concisely the difference/tension between Microsoft's strategic technology management and the anti-trust attitude of DOJ (max: 4 points).

Question 4 (10 points)

4a Briefly describe “Moore’s Law” (max: 5 points).

4b Consider the following statement: The first phase in the technology cycle is one of incremental improvements until one company finds a major breakthrough.

Indicate whether the statement above is right or wrong and motivate your choice (max: 5 points).

Question 5 (10 points)

5a Explain what is meant by path dependency and explain how it can relate to the phenomenon of technological lock-in (max: 5 points).

5b Mention two reasons why a new technology may initially improve very slowly? (max: 5 points).

Question 6 (10 points)

When Sports Paradise saw yet another sports bar open up across the street it knew that it would have to lower its price again to stay in business. The city already had too many sports bars and Sports Paradise intended on being one of those left after the inevitable shake out.

6a Briefly explain what type of pricing strategy is followed. (max: 5 points).

6b When S.C. Johnson released Agree Shampoo in the late 1970s it was an innovative hair care concept because it repaired split ends. Since it was such an improvement why would S.C. Johnson enter the market with low prices and dealer incentives as it did? (max: 5 points).

Question 7 (10 points)

Assume that you are the new management of SAAB Automobile and you have the responsibility of developing SAAB's business.

7a Describe briefly how you would develop SAAB's business in each of the 4 business development strategies by Ansoff. (3 points)

7b Describe briefly how you would develop SAAB's business in each of the 3 generic competitive strategies by Van Asseldonk. (3 points)

7c Based on what you know about SAAB Automobile, what combination of strategies of questions 1a and 1b would you recommend and why? (NB state your assumptions about the current competitive state of SAAB, your assumptions do not necessarily have to correspond to reality) (4 points)

Question 8 (10 points)

Consider the iPad and iPad2 marketed by Apple, Inc.

8a Make a brief analysis of Apple's iPad business using Porter's 5-forces model. If necessary you can make a sketch. (4 points)

8b In the lectures we discussed the business evolution matrix. Where in the business evolution matrix would you place Apple? Explain your answer. If necessary you can make a sketch. (3 points)

8c Do you consider Apple to be a “living company”? Explain your answer. (3 points)

Question 9 (10 points)

9a Discuss the advantages and disadvantages of innovation protection by using patents. (4 points)

9b Discuss the advantages and disadvantages of judging Apple's innovation performance by i) changes in net profits, ii) changes in market-to-book value (Tobin's q), iii) changes in brand image. (6 points)