Chapter 9: Answers to Questions for Review and Discussion

3. Why is controlled risk taking more competitively attractive than strictly risk-averse behavior?

   Controlled risk taking is more competitively attractive than strictly risk-averse behavior because some of the risky alternatives sought will pay off. As long as the assets or resources at risk can be lost affordably, then the company will be able to weather losses that occasionally occur and still perform well. Risk-averse behavior is often risky in and of itself. By not taking risks, the company runs the risk of having competitors make moves that provide superior value and win important customers.

4. What is the difference between radical innovation and disruptive innovation?

   Radical innovation is innovation that makes a discontinuous leap in the capabilities of a technology. Disruptive innovation, on the other hand, need not be discontinuous in its advances. Rather it alters the capability of a technology in such a way that new customers can use and afford the technology. These new customers are numerous enough that they overwhelm the existing customer base. The innovation is disruptive because it supplants the old product line or way of doing business.

5. Why is an autonomous organizational unit the appropriate way to pursue disruptive innovation?

   Without an autonomous organizational unit the innovating company will tend to kill the new technology because it does not fit with the current customer base. Evolution and support of existing technologies is often approached with a more risk-adverse attitude – "don't change the rules – we're doing fine." The policies and procedures in place can stifle new ideas and proactive approaches. Management must support a culture that rewards and encouragers change without the distractions of day-to-day business involvement.

7. Why should a business-to-business marketer care about building a strong brand?
   A business-to-business marketer must care about building a strong brand essentially to add significantly to buyer-perceived differentiation; a "brand" can be identified more readily with appropriate attributes buyers may seek. Recognized brands are given small advantages in the buying decision process by members of the buying center. These small advantages can add up to a big advantage in the decision process. A big advantage is achieved when the customer specifies the purchase as "brand XX" or "equivalent" – the unbranded generic version.