

Test Bank Management Information Systems, 14e (Laudon)
Chapter 3 Information Systems, Organizations, and Strategy

1) The interaction between information systems and organizations is influenced
A) primarily by the decision making of middle and senior managers.
B) by the development of new information technologies.
C) by many factors, including structure, politics, culture, and environment.
D) by two main microeconomic forces: capital and labor.
E) by management decisions.
Answer: B
Page Ref: 82
Difficulty: Moderate
AACSB: Information technology
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

2) An organization is a
A) stable, formal social structure that takes resources from the environment and processes them to produce outputs.
B) formal, legal entity with internal rules and procedures that must abide by laws.
C) a collection of people and other social elements.
D) B and C
E) A, B, and C
Answer: E
Page Ref: 82
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

3) An organization is seen as a means by which primary production factors are transformed into outputs consumed by the environment according to the ________ definition of organizations.
A) microeconomic
B) macroeconomic
C) sociotechnical
D) behavioral
E) psychological
4) How does the technical view of organizations fall short of understanding the full impacts of information systems in a firm?
A) It sees information systems as a way to rearrange the inputs and outputs of the organization.
B) It sees capital and labor as primary production factors.
C) It sees an organization as a collection of rights, privileges, obligations, and responsibilities.
D) It sees the organization as a social structure similar to a machine.
E) It sees the inputs and outputs, labor and capital, as being infinitely malleable.
Answer: E

5) Which of the following is not a major feature of organizations that impacts the use of information systems?
A) business processes
B) environments
C) goals
D) agency costs
E) leadership styles
Answer: D

6) Business processes are collections of
A) informal practices and behaviors.
B) formalized and documented practices.
C) business rules.
D) rights and privileges.
E) routines.
Answer: E
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?
7) All of the following are considered disruptive technologies except
A) instant messaging.
B) e-mail.
C) Internet telephony.
D) PCs.
E) smartphones.
Answer: A
Page Ref: 87
Difficulty: Difficult
AACSB: Analytical thinking
CASE: Analysis
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

8) Under Mintzberg's classification of organizational structure, the knowledge-based organization where goods and services depend on the expertise and knowledge of professionals falls under the category of
A) entrepreneurial structures.
B) divisionalized bureaucracies.
C) professional bureaucracies.
D) adhocracies.
E) machine bureaucracies.
Answer: C
Page Ref: 88
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

9) Mintzberg classifies a large bureaucracy existing in a slowly changing environment that produces standard products and is dominated by centralized management as a ________ bureaucracy.
A) machine
B) professional
C) divisionalized
D) multidivisional
E) ad hoc
Answer: A
Page Ref: 88
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?
10) An example of a divisionalized bureaucracy is a
A) startup firm.
B) university.
C) Fortune 500 firm.
D) midsize manufacturer.
E) consulting firm.
Answer: C
Page Ref: 88
Difficulty: Difficult
AACSB: Reflective thinking
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

11) Along with capital, ________ is the primary production input that the organization uses to create products and services.
A) structure
B) culture
C) politics
D) natural resources
E) labor
Answer: E
Page Ref: 82
Difficulty: Moderate
AACSB: Information technology
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

12) The divergent viewpoints about how resources, rewards, and punishments should be distributed, and the struggles resulting from these differences are known as
A) culture.
B) politics.
C) structure.
D) viewpoints.
E) variance.
Answer: B
Page Ref: 84
Difficulty: Easy
AACSB: Information technology
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?
13) ________ technologies radically change the business landscape and environment.
A) Explosive
B) Inventive
C) Disruptive
D) Subversive
E) Divisive
Answer: C
Page Ref: 87
Difficulty: Easy
AACSB: Information technology
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

14) Some organizations lack bedrock, unassailable assumptions that define their goals and products.
Answer: FALSE
Page Ref: 85
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

15) A professional bureaucracy is a knowledge-based organization where goods and services depend on the expertise and knowledge of professionals.
Answer: TRUE
Page Ref: 88
Difficulty: Difficult
AACSB: Reflective thinking
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

16) Routines are also called standard operating procedures.
Answer: TRUE
Page Ref: 84
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?
17) How are the technical and behavioral definitions of an organization different?
Answer: The behavioral definition of an organization is that it is a collection of rights, privileges, obligations, and responsibilities that is delicately balanced over a period of time through conflict and conflict resolution. The technical definition sees an organization as an entity that takes inputs from the environment and processes these to create products that are then consumed by the environment. The technical view sees capital and labor as interchangeable units, with the ability to rearrange these units at will, whereas the behavioral view sees that rearranging some aspects of the organization, such as an information system, will have important consequences and changes for the organization's other units.
Page Ref: 82-83
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.1: Which features of organizations do managers need to know about to build and use information systems successfully?

18) When a firm buys on the marketplace what it cannot make itself, the costs incurred are referred to as
A) switching costs.
B) network costs.
C) procurement.
D) agency costs.
E) transaction costs.
Answer: E
Page Ref: 89
Difficulty: Moderate
AACSB: Information technology
CASE: Content
LO: 3.2: What is the impact of information systems on organizations?

19) All of the following statements are true about information technology's impact on business firms except
A) it helps firms expand in size.
B) it helps firms lower the cost of market participation.
C) it helps reduce internal management costs.
D) it helps reduce transaction costs.
E) it helps reduce agency costs.
Answer: A
Page Ref: 89-90
Difficulty: Moderate
AACSB: Information technology
CASE: Content
LO: 3.2: What is the impact of information systems on organizations?
20) According to agency theory, the firm is viewed as a(n)
A) unified, profit-maximizing entity.
B) task force organization that must respond to rapidly changing environments.
C) entrepreneurial endeavor.
D) "nexus of contracts" among self-interested individuals.
E) entrepreneurial structure.
Answer: D
Page Ref: 90
Difficulty: Difficult
AACSB: Reflective thinking
CASE: Content
LO: 3.2: What is the impact of information systems on organizations?

21) According to research on organizational resistance, the four components that must be
changed in an organization in order to successfully implement a new information system are
A) environment, organization, structure, and tasks.
B) technology, people, culture, and structure.
C) organization, culture, management, and environment.
D) tasks, technology, people, and structure.
E) costs, tasks, structure, and management.
Answer: D
Page Ref: 93
Difficulty: Difficult
AACSB: Information technology
CASE: Analysis
LO: 3.2: What is the impact of information systems on organizations?

22) Information systems technology can be viewed as a factor of production that can be
substituted for traditional capital and labor from the point of view of economics.
Answer: TRUE
Page Ref: 89
Difficulty: Difficult
AACSB: Information technology
CASE: Content
LO: 3.2: What is the impact of information systems on organizations?
23) List three organizational factors that can prevent a firm in fully realizing the benefits of a new information system, and provide examples for each.
Answer: Features of organizations include the organization's culture, politics, and structure. A new information system might be resisted by end users or by managers for political reasons because they are concerned about the political changes the system implies. For example, a new system might lessen the authority of a manager in overseeing the employees, and he or she may not want to relinquish this power. A new information system might challenge the organization's culture and be resisted for this reason. For example, an information system might allow students at a university to take self-managed courses, while the university's basic cultural assumptions include the concept that professors are the purveyors of knowledge. An information system, by allowing the distribution of knowledge, may be better used in a company with a flatter organization. A company with a highly stratified hierarchy may have difficulty adjusting its business processes and structures to an information system that does not follow the same business hierarchy of information.

Page Ref: 91-93
Difficulty: Difficult
AACSB: Analytical thinking
CASE: Synthesis
LO: 3.2: What is the impact of information systems on organizations?

24) As discussed in the chapter opening case, which of the four generic strategies did T.J. Maxx employ to combat the competition offered by Target, Kohls, Walmart, Macy's and pure online stores like Rue LaLa and Gilt Groupe?
A) market niche focus
B) customer and supplier intimacy
C) network-based strategy
D) product synergies
E) efficient customer response
Answer: A
Page Ref: 79-80
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
25) Which model is used to describe the interaction of external forces that affect an organization's strategy and ability to compete?
A) network economics model
B) competitive forces model
C) competitive advantage model
D) demand control model
E) agency costs model
Answer: B
Page Ref: 94
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

26) Which of the following industries has a low barrier to entry?
A) automotive
B) computer chip
C) national retailer
D) airline
E) restaurant
Answer: E
Page Ref: 94-95
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

27) All of the following are competitive forces except
A) suppliers.
B) new market entrants.
C) external environment.
D) customers.
E) substitute products.
Answer: C
Page Ref: 94-95
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
28) A manufacturer of deep-sea oil rigs may be least concerned about this marketplace force.
A) product differentiation
B) traditional competitors
C) low number of suppliers
D) new market entrants
E) low number of customers
Answer: D
Page Ref: 94-95
Difficulty: Difficult
AACSB: Analytical thinking
CASE: Evaluation
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

29) A substitute product of most concern for a cable TV distributor is
A) satellite TV.
B) broadcast TV.
C) satellite radio.
D) the Internet.
E) terrestrial radio.
Answer: A
Page Ref: 95
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Evaluation
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

30) Walmart's attempts to increase its online presence is an example of a firm using information systems to
A) strengthen ties to its customers.
B) simplify the industry value chain.
C) develop synergies.
D) focus on market niche.
E) achieve low-cost leadership.
Answer: E
Page Ref: 116-118
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
31) A firm can exercise greater control over its suppliers by having
A) more suppliers.
B) fewer suppliers.
C) global suppliers.
D) local suppliers.
E) regional suppliers.
Answer: A
Page Ref: 96
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

32) Amazon's use of the Internet as a platform to sell books more efficiently than traditional bookstores illustrates a use of information services for
A) low-cost leadership.
B) marketing effectiveness.
C) focusing on market niche.
D) strengthening supplier intimacy.
E) developing synergies.
Answer: A
Page Ref: 96
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

33) The four major competitive strategies are
A) low-cost leadership, substitute products and services, customers; and suppliers.
B) low-cost leadership, product differentiation, focus on market niche, and customer and supplier intimacy.
C) new market entrants, substitute products and services, customers, and suppliers.
D) low-cost leadership, new market entrants, product differentiation, and focus on market niche.
E) customers, suppliers, new market entrants, and substitute products.
Answer: B
Page Ref: 96
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

34) Walmart's continuous replenishment system allows it to
A) provide mass customization.
B) differentiate products.
C) strengthen customer intimacy.
D) achieve economy of scale.
E) achieve low-cost leadership.
Answer: E
Page Ref: 96
Difficulty: Easy
AACSB: Information technology
CASE: Content
LO:  3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

35) Firms use a ________ strategy to provide a specialized product or service for a narrow target market better than competitors.
A) product differentiation
B) market niche
C) mass customization
D) process efficiency
E) low-cost leadership
Answer: B
Page Ref: 97
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO:  3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

36) The ability to offer individually tailored products or services using the same production resources as bulk production is known as
A) customized response.
B) size customization.
C) magnitude customization.
D) dimension customization.
E) mass customization.
Answer: E
Page Ref: 97
Difficulty: Easy
AACSB: Information technology
CASE: Content
LO:  3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

37) In environmental scanning, a firm may use information systems to
A) utilize sensors that track products through the value chain.
B) analyze external Internet traffic to its Web sites.
C) identify external events that may affect it.
D) understand its carbon footprint and energy impacts on the environment.
E) develop a unified organizational culture.
Answer: C

38) Nike's forays into information technology represent an effort to
A) maintain low-cost leadership.
B) focus on market niche.
C) strengthen customer and supplier intimacy.
D) perform intensive customer data analysis.
E) achieve product differentiation.
Answer: E

39) Which of the following best illustrates the use of information systems to focus on market niche?
A) A car manufacturer’s Web site that lets you customize the features on the car you are purchasing.
B) A restaurant chain analyzing local sales figures to determine which menu items to serve.
C) A bookseller selling an e-book reader that reads only the bookseller's books.
D) A department store creating specialized products for preferred customers.
E) A clothes manufacturer expanding its offerings to new styles.
Answer: D

40) All of the following are IT-enabled products and services providing competitive advantage except
A) Amazon's one-click shopping.
B) Apple's iPod and iTunes.
C) Ping's golf club customization.
D) PayPal's online person-to-person payment system.
E) Walmart's RetailLink system.
Answer: E
Page Ref: 99
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

41) The Internet raises the bargaining power of customers by
A) creating new opportunities for building loyal customer bases.
B) making more products available.
C) making information available to everyone.
D) lowering transaction costs.
E) enabling the development of new services.
Answer: C
Page Ref: 103
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

42) All of the following industries have been disrupted by the Internet except
A) encyclopedias.
B) newspapers.
C) music.
D) air travel.
E) clothing.
Answer: E
Page Ref: 103
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
43) A competitive force challenging the publishing industry is
A) positioning and rivalry among competitors.
B) low cost of entry.
C) substitute products or services.
D) customers' bargaining power.
E) suppliers' bargaining power.
Answer: C
Page Ref: 103
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

44) The value chain model
A) categorizes five related advantages for adding value to a firm’s products or services.
B) sees the supply chain as the primary activity for adding value.
C) categorizes four basic strategies a firm can use to enhance its value chain.
D) highlights specific activities in the business where competitive strategies can best be applied.
E) enables more effective product differentiation.
Answer: D
Page Ref: 103
Difficulty: Easy
AACSB: Information technology
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

45) Which of the following represent the primary activities of a firm?
A) inbound logistics, operations, outbound logistics, sales and marketing, and service
B) inbound logistics, operations, outbound logistics, technology, and service
C) procurement, inbound logistics, operations, technology, and outbound logistics
D) procurement, operations, technology, sales and marketing, and services
E) organization infrastructure, human resources, technology, and procurement
Answer: A
Page Ref: 104
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
46) Which of the following is one of the support activities in a firm's value chain?  
A) inbound logistics  
B) operations  
C) sales and marketing  
D) service  
E) technology  
Answer: E  
Page Ref: 104  
Difficulty: Moderate  
AACSB: Reflective thinking  
CASE: Content  
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

47) An activity businesses perform to measure and compare business processes to similar processes of other companies within their industry is  
A) benchmarking.  
B) best practices.  
C) value chain analysis.  
D) strategic systems analysis.  
E) secondary activities.  
Answer: A  
Page Ref: 105  
Difficulty: Easy  
AACSB: Reflective thinking  
CASE: Content  
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

48) What are the most successful solutions or methods for achieving a business objective?  
A) value activities  
B) best processes  
C) core competencies  
D) best practices  
E) benchmarks  
Answer: D  
Page Ref: 105  
Difficulty: Easy  
AACSB: Reflective thinking  
CASE: Content  
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
49) How are information systems used at the industry level to achieve strategic advantage?
A) by building industry-wide, IT-supported consortia and symposia
B) by raising the bargaining power of suppliers
C) by encouraging the entry of new competitors
D) by enforcing standards that reduce the differences between competitors
E) by decreasing switching costs
Answer: A
Page Ref: 105
Difficulty: Easy
AACSB: Information technology
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

50) A collection of independent firms that use information technology to coordinate their value chains to produce a product or service for a market collectively is called a(n)
A) industry value chain.
B) business ecosystem.
C) value web.
D) consortia.
E) synergy chain.
Answer: C
Page Ref: 106
Difficulty: Moderate
AACSB: Information technology
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

51) When two organizations pool markets and expertise that result in lower costs and generate profits, it is referred to as creating
A) a value web.
B) a value chain.
C) net marketplaces.
D) core competencies.
E) synergies.
Answer: E
Page Ref: 107
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

52) An example of synergy in business is
A) Amazon's use of the Internet to sell books.
B) Bank of America acquiring Countrywide Financial to reach a large pool of new customers.
C) Blockbuster combining traditional video rental with online video rental.
D) Walmart's order entry and inventory management system to coordinate with suppliers.
E) Nike's use of technology to improve its product offerings.

Answer: B
Page Ref: 107
Difficulty: Easy
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

53) How do information systems enhance core competencies?
   A) by providing better reporting facilities
   B) by creating educational opportunities for management
   C) by allowing operational employees to interact with management
   D) by encouraging the sharing of knowledge across business units
   E) by fostering synergies among departments

Answer: D
Page Ref: 107
Difficulty: Moderate
AACSB: Information technology
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

54) The more any given resource is applied to production, the lower the marginal gain in output, until a point is reached where the additional inputs produce no additional output. This is referred to as
   A) the point of no return.
   B) the law of diminishing returns.
   C) supply and demand.
   D) network inelasticity.
   E) the invisible hand.

Answer: B
Page Ref: 108
Difficulty: Easy
AACSB: Information technology
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

55) Network economics
   A) applies the law of diminishing returns to communities of users.
B) applies traditional economics to networked users.
C) sees the cost of adding new members as inconsequential.
D) balances the high cost of adding new members to a community against the lower cost of using network infrastructure.
E) uses networks to link people, assets, and ideas.

Answer: C

Page Ref: 107-108
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

56) A virtual company
A) uses networks to link people, assets, and ideas.
B) uses Internet technology to maintain a virtual storefront.
C) uses Internet technology to maintain a networked community of users.
D) provides entirely Internet-driven services, or virtual products.
E) is limited by traditional organizational boundaries.

Answer: A

Page Ref: 108
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

57) An example of a keystone firm within a business ecosystem is
A) Apple and software application writers in the mobile platform ecosystem.
B) GUESS and the fashion ecosystem.
C) Citibank and the ATM ecosystem.
D) American Airlines and the computerized reservation ecosystem.
E) Nike and the athletic apparel ecosystem.

Answer: A

Page Ref: 109
Difficulty: Easy
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
58) ________ is a competitive strategy for creating brand loyalty by developing new and unique products and services that are not easily duplicated by competitors.

A) Product differentiation  
B) Low-cost leadership  
C) Customer efficiency  
D) Mass customization  
E) Switching cost

Answer: A
Page Ref: 95-96
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

59) The expenses incurred by a customer or company in lost time and resources when changing from one supplier or system to a competing supplier or system are known as

A) retention costs.  
B) preservation costs.  
C) differentiation costs.  
D) switching costs.  
E) variation costs.

Answer: D
Page Ref: 100
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
60) The ________ model highlights the primary or support activities that add a margin of value to a firm's products or services where information systems can best be applied to achieve a competitive advantage.
A) competitive forces
B) value chain
C) bargaining power
D) new entrant
E) rivalry
Answer: B

Page Ref: 103
Difficulty: Moderate
AACSB: Information technology
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

61) The parts of an organization's infrastructure, human resources, technology, and procurement that make the delivery of the firm's products or services possible are known as ________ activities.
A) primary
B) auxiliary
C) secondary
D) service
E) support
Answer: E

Page Ref: 104
Difficulty: Moderate
AACSB: Information technology
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
62) A(n) ________ is a collection of independent firms that use information technology to coordinate their value chains to collectively produce a product or service for a market.
A) value chain
B) support web
C) value web
D) consortium
E) firm network
Answer: C
Page Ref: 106
Difficulty: Difficult
AACSB: Information technology
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

63) A(n) ________ is an activity at which a firm excels as a world-class leader.
A) expertise area
B) competitive advantage
C) growth driver
D) efficiency
E) core competency
Answer: E
Page Ref: 107
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

64) A company's competitive advantages ultimately translate into higher stock market valuations than its competitors.
Answer: TRUE
Page Ref: 94
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
65) The competitive forces model cannot be used to analyze modern digital firms which face new competitive forces that are not true of traditional firms.
Answer: FALSE
Page Ref: 94
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

66) Customers are one of the competitive forces that affect an organization's ability to compete.
Answer: TRUE
Page Ref: 95
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

67) High product differentiation is a sign of a transparent marketplace.
Answer: FALSE
Page Ref: 95
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

68) The effect of the Internet has been to decrease the bargaining power of customers.
Answer: FALSE
Page Ref: 103
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
69) An efficient customer response system directly links consumer behavior to distribution and production and supply chains.
   Answer: TRUE
   Page Ref: 97
   Difficulty: Moderate
   AACSB: Information technology
   CASE: Content
   LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

70) Information systems are used to enable new products and services via product differentiation.
   Answer: TRUE
   Page Ref: 97
   Difficulty: Moderate
   AACSB: Information technology
   CASE: Content
   LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

71) Mass customization offers individually tailored products or services using the same resources as mass production.
   Answer: TRUE
   Page Ref: 97
   Difficulty: Moderate
   AACSB: Information technology
   CASE: Content
   LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

72) Switching costs increase when customers are strongly linked to products and platforms.
   Answer: TRUE
   Page Ref: 100
   Difficulty: Moderate
   AACSB: Reflective thinking
   CASE: Content
   LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
73) The value chain model classifies all company activities as primary activities.
Answer: FALSE
Page Ref: 103-104
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

74) In the value chain model, support activities are most directly related to the production and distribution of the firm's products and services, which create value for the customer.
Answer: FALSE
Page Ref: 104
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

75) 'Synergies' occur when the output of some units in a firm can be used as inputs to other units, lowering cost and generating profits.
Answer: TRUE
Page Ref: 107
Difficulty: Easy
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

76) In a demonstration of network economics, the more people that use eBay's site, the greater the value of the site.
Answer: TRUE
Page Ref: 108
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
77) The term *business ecosystem* describes the loosely coupled but interdependent networks of suppliers, distributors, outsourcing firms, transportation service firms, and technology manufacturers.
Answer: TRUE
Page Ref: 109
Difficulty: Moderate
AACSB: Reflective thinking
CASE: Content
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

78) You are advising the owner of Smalltown Computer, a new, local computer repair store that also builds custom computers to order. What competitive strategies could Smalltown Computer exert? Which ones will it have difficulty exercising?
Answer: **Low-cost leadership:** Smalltown Computer may have difficulty competing against the warranty services or computer sales of major national computer manufacturers, such as Dell, but may be able to exercise low-cost leadership in comparison to any other local computer repair stores.
**Product differentiation:** Although many national computer manufacturers sell customized computers to the individual, Smalltown computer may be able to differentiate their product by using superior components and adding more services to their product.
**Focus on market niche:** Smalltown computer could determine a market niche geared to their advantage in being a local store with in-store technology support and assistance.
**Customer and supplier intimacy:** Smalltown computer has an advantage in customer intimacy, in that it can develop relationships with local customers on a face-to-face basis. This advantage could be augmented to offset the low-cost leadership of national manufacturers, such as Dell. Because of much smaller production scales, Smalltown will probably not be able to exercise as much control over suppliers as Dell or other manufacturers.
Page Ref: 96-98
Difficulty: Difficult
AACSB: Analytical thinking
CASE: Evaluation
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
79) You are consulting with the owner of Better Bodies, a national chain of gyms. What strategies might Better Bodies use in applying information services to achieve a competitive advantage?
Answer: Better Bodies could use computers to monitor and evaluate health and fitness of members and customize workouts in product differentiation strategy. They could use information systems for sales and marketing data research in order to define a niche market that would bring greater profits. They could allow customers to review their health data and add additional information or view statistics to create customer intimacy. If the individual gyms are franchises, then a network could be used for franchisees to share data and research new sales tactics, etc.

Page Ref: 96-98
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Synthesis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

80) The text describes Michael Porter's view of the Internet as somewhat negative. What negative influences does Porter see? Describe several positive influences the Internet has on business. Do these outweigh the negative influences?
Answer: Answers will vary. An example of a possible answer is:
Porter sees the Internet as creating ever more intense rivalry, through allowing new competitors to enter the market, and forcing competition on price alone, raising the bargaining power of customers, and dampening profits.
Positive influences of the Internet would be lowering telecommunications costs, creating new opportunities for building brands and loyal customer bases, lowering costs of globalization. You could also view Porter's negative take on lowering the barrier to entry as a positive for new companies.
The Internet's influence being negative or positive depends in part on the point of view from which the influence is being seen. For example, a telephone utility is impacted negatively by the emergence of Internet telephony, whereas other industries may be impacted positively either through the use of this technology or through engaging in Internet telephony as a business.

Page Ref: 98-101
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Evaluation
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
81) Value chain analysis is useful at the business level to highlight specific activities in the business where information systems are most likely to have a strategic impact. Discuss this model, identify the activities, and describe how the model can be applied to the concept of information technology.

Answer: The value chain model identifies specific, critical leverage points where a firm can use information technology most effectively to enhance its competitive positions. Exactly where can it obtain the greatest benefit from strategic information systems? What specific activities can be used to create new products and services, enhance market penetration, lock in customers and suppliers, and lower operational costs? This model views the firm as a series or chain of basic activities that add a margin of value to a firm's products or services. These activities can be categorized as either primary activities or support activities.

• **Primary activities** are most directly related to the production and distribution of the firm's products and services that create value for the customer. Primary activities include: inbound logistics, operations, outbound logistics, sales and marketing, and service.

• **Support activities** make the delivery of the primary activities possible and consist of: organization infrastructure (administration and management), human resources (employee recruiting, hiring, and training), technology (improving products and the production process), and procurement (purchasing input).

Page Ref: 103-105
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

82) How is the concept of core competency relevant to Smalltown Computer, a local computer repair store that builds custom computers? Give examples.

Answer: A core competency is an activity for which a company is a world leader, and from this perspective, Smalltown Computer does not have a core competency, as there are thousands of similar firms with longer track records. However, it might be good business practice for Smalltown Computer to define its core competencies in ways that differentiate its products from those of competitors and enable it to provide superior service or products. In defining a core competency, the business management can then determine ways to enable employees to understand and reach higher levels of quality production and service. For example, Smalltown Computer might define a core competency as being able to advise customers as to the types of system they really need, and Smalltown Computer could engage in knowledge gathering activities to help employees assess customer need.

Page Ref: 107
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Evaluation
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
83) How is Internet technology useful from a network economics perspective? Give examples.
Answer: In network economics, the cost of adding a participant in the network is negligible, while the gain in value is relatively much larger. The Internet itself is an example of a successful implementation of network economics—the more people participate, the more valuable and essential a commodity it is. If a company were to provide a service through the Internet such as a project management application, the costs to the company of adding another user are small (as the software infrastructure or application is already built), and the more users are signed up, the more profit is made.
Page Ref: 107
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?

84) Define and describe a business ecosystem. Give an example of a business ecosystem.
Answer: A business ecosystem is a collection of loosely coupled but interdependent industries (suppliers, distributors, technology manufacturers, etc.) that provides related services and products. It is similar to a value web, except that cooperation takes place across many industries rather than many firms. Business ecosystems can be characterized as having one or a few keystone firms that dominate the ecosystem and create the platforms used by other niche firms. Keystone firms in the Microsoft ecosystem include Microsoft and technology producers such as Intel and IBM. Niche firms include thousands of software application firms, software developers, service firms, networking firms, and consulting firms that both support and rely on the Microsoft products. Another example of a business ecosystem is the mobile Internet platform. In this ecosystem there are four industries: device makers (Apple iPhone, RIM BlackBerry, Motorola, LG, and others), wireless telecommunication firms (AT&T, Verizon, T-Mobile, Sprint, and others), independent software applications providers (generally small firms selling games, applications, and ring tones), and Internet service providers (who participate as providers of Internet service to the mobile platform).
Page Ref: 108-109
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Analysis
LO: 3.3: How do Porter's competitive forces model, the value chain model, synergies, core competencies, and network economics help companies develop competitive strategies using information systems?
85) Why does Amazon.com need to worry about competitors in online shopping?
A) E-commerce is affected by the law of diminishing returns.
B) Internet technologies are universal, and therefore usable by all companies.
C) Internet shopping produces cost transparency.
D) The Internet enables the production or sales of substitute products or services.
E) The Internet increases switching costs.
Answer: B
Page Ref: 110
Difficulty: Difficult
AACSB: Analytical thinking
CASE: Evaluation
LO: 3.4: What are the challenges posed by strategic information systems and how should they be addressed?

86) You are consulting for a cosmetics distributor who is interested in determining the benefits it could achieve from implementing new information systems. What will you advise as the first step?
A) Identify the business ecosystem the distributor is in.
B) Implement a strategic transition to the new system.
C) Perform a strategic systems analysis.
D) Benchmark existing systems.
E) Set up a strategic transition.
Answer: C
Page Ref: 111
Difficulty: Moderate
AACSB: Analytical thinking
CASE: Synthesis
LO: 3.4: What are the challenges posed by strategic information systems and how should they be addressed?

87) Sociotechnical changes affecting a firm adopting new information systems requiring organizational change can be considered
A) organizational adjustments.
B) strategic transitions.
C) systems alterations.
D) business goal transitions.
E) sociotechnical transitions.
Answer: B
Page Ref: 112
Difficulty: Difficult
AACSB: Information technology
CASE: Content
LO: 3.4: What are the challenges posed by strategic information systems and how should they be addressed?
88) Research has shown that a majority of firms are able to align their information technology with their business goals.
Answer: FALSE
Page Ref: 111
Difficulty: Difficult
AACSB: Reflective thinking
CASE: Content
LO: 3.4: What are the challenges posed by strategic information systems and how should they be addressed?

89) The use of Internet technologies allows companies to more easily sustain competitive advantage.
Answer: FALSE
Page Ref: 111
Difficulty: Difficult
AACSB: Information technology
CASE: Content
LO: 3.4: What are the challenges posed by strategic information systems and how should they be addressed?

90) What are the major factors to consider when performing a strategic systems analysis?
Answer: One major factor is the structure of the industry the firm is in. For example, what competitive forces are at work in the industry, and what is the basis for competition? What is the nature and direction of change in the industry, and how does the industry use IT?
A second major factor is determining the firm and industry value chains. For example, how is the company creating value for the customer? Are best practices being used and core competencies leveraged? Is the industry supply chain or customer base changing, and what will the effect be?
Can the firm benefit from strategic partnerships or value webs? And where in the value chain will information systems provide the greatest value to the firm?
The third major factor to consider is has the firm aligned IT with its business strategy and goals. Have these goals been correctly stated or defined? Is IT improving the right business processes and activities in accordance with the firm’s goals? Are we using the right metrics to measure progress?
Page Ref: 111
Difficulty: Difficult
AACSB: Analytical thinking
CASE: Analysis
LO: 3.4: What are the challenges posed by strategic information systems and how should they be addressed?

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