Chapter 1

Student: _____

1. Why do students need to study information technology?

    A. Information technology is everywhere in business

    B. Information technology is rarely discussed in business magazines

    C. Information technology is rarely used in organizations

    D. Information technology is found in only a few businesses

2. What is any computer-based tool that people use to work with information and support the information and information-processing needs of an organization?

    A. Information systems

    B. Management information systems

    C. Technology's role in business

    D. Technology's impact on business

3. What is the function that plans for, develops, implements, and maintains IT hardware, software, and applications that people use to support the goals of an organization?

    A. Information technology

    B. Management information systems

    C. Technology's role in business

    D. Technology's impact on business

4. What can IT enable an organization to accomplish?

   A. Reduce costs

   B. Improve productivity

   C. Generate growth

   D. All of the above

5. Which of the following represents the order of priority for the three primary organizational key resources?

   A. Information systems, People, Processes

   B. People, Processes, Information systems

   C. Information systems, Processes, People

   D. People, processes, profit

6. Which of the following represents the relationship between functional areas in a business?

   A. Independent

   B. Autonomous

   C. Interdependent

   D. Self-sufficient

7. Which of the following statements is true?

   A. IS equals business success

   B. IS equals business innovation

   C. IS represents business success and innovation

   D. IS enables business success and innovation

8. Which of the following is not a department found in most businesses?

   A. Human resources

   B. Accounting

   C. Management information systems (MIS)

   D. Payroll

9. What is the name of a company's internal IT department?

   A. Management information systems (MIS)

   B. Information systems (IS)

   C. Information technology (IT)

   D. All of the above

10. What are raw facts that describe the characteristics of an event?

    A. Information

    B. Knowledge

    C. Data

    D. All of the above

11. What is data that has been converted into meaningful and useful context?

    A. Information

    B. Knowledge

    C. Information systems

    D. All of the above

12. Which of the following is considered information?

    A. Quantity sold

    B. Date sold

    C. Best selling item by month

    D. All of the above

13. Which of the following is considered data?

    A. Quantity sold

    B. Best customer by month

    C. Best selling item by month

    D. Worst selling item by month

14. Which information culture can cause an organization to have a great degree of difficulty operating?

    A. Information-functional culture

    B. Information-sharing culture

    C. Information-inquiring culture

    D. Information-discovery culture

15. Which information culture encourages employees across departments to be open to new insights about crisis and radical changes and seek ways to create competitive advantages?

    A. Information-functional culture

    B. Information-sharing culture

    C. Information-inquiring culture

    D. Information-discovery culture

16. Which information culture allows employees across departments to use information (especially about problems and failures) to improve performance?

   A. Information-functional culture

   B. Information-sharing culture

   C. Information-inquiring culture

   D. Information-discovery culture

17. Which information culture allows employees across departments to search for information to better understand the future and align themselves with current trends and new directions?

   A. Information-functional culture

   B. Information-sharing culture

   C. Information-inquiring culture

   D. Information-discovery culture

18. Which of the following is not one of Thomas Friedman's 10 forces that flattened the world?

   A. Netscape IPO

   B. Fall of the Berlin wall

   C. Microsoft IPO

   D. Wireless

19. What did Thomas Friedman believe happened to the world because of the unplanned cascade of technological and social shifts?

A. The world became bigger

B. The world became flat

C. The world became larger

D. The world became more sophisticated

20. Which of the following information cultures would have the greatest negative impact on Apple's business?

A. Information-functional culture

B. Information-sharing culture

C. Information-inquiring culture

D. Information-discovery culture

21. What is a competitive advantage?

A. A product that an organization's customers place a lesser value on than similar offerings from a competitor

B. A product or service that an organization's customers value more highly than similar offerings from a supplier

C. A service that an organization's customers place a lesser value on than similar offerings from a supplier

D. A product or service that an organization's customers place a greater value on than similar offerings from a competitor

22. What occurs when an organization can significantly impact its market share by being the first to market with a competitive advantage?

    A. Private exchange

    B. First-mover advantage

    C. Environmental scanning

    D. Loyalty program

23. What is the acquisition and analysis of events and trends in the environment external to an organization?

    A. Private exchange

    B. First-mover advantage

    C. Environmental scanning

    D. Loyalty program

24. Which company, in the text, uses environmental scanning to determine everything from how well competing products are selling to the strategic placement of its own products?

    A. Kia

    B. FedEx

    C. Frito Lay

    D. Audi

25. All of the following are common tools used in industry to analyze and develop competitive advantages, except:

    A. Five Forces Model

    B. Three Generic Strategies

    C. Competitive analysis model

    D. Value chain analysis

26. What does the Five Forces Model help determine the relative attractiveness of?

    A. An organization

    B. A company

    C. An industry

    D. An investment

27. Which of the following is not one of Porter's Five Forces?

    A. Buyer power

    B. Supplier power

    C. Threat of substitute buyers

    D. Rivalry among existing competitors

28. Which of the following forces is commonly reduced through the use of a loyalty program?

    A. Buyer power

    B. Supplier power

    C. Threat of new entrants

    D. Rivalry among existing competitors

29. Which of the following represents buyer power in Porter's Five Forces Model?

    A. Low when buyers have many choices of whom to buy from and high when their choices are few

    B. High when buyers have many choices of whom to buy from and low when their choices are few

    C. Low when buyers have many customers of whom to buy from and low when their customers are few

    D. High when buyers have many customers of whom to buy from and low when their customers are few

30. Which of the following represents supplier power in Porter's Five Forces Model?

    A. High when buyers have few choices of whom to buy from and low when their choices are many

    B. Low when buyers have few choices of whom to buy from and high when their choices are many

    C. High when buyers have many choices of whom to buy from and low when their choices are few

    D. None of the above

31. Which of the following is an example of a loyalty program?

    A. Frequent-flier programs for airlines

    B. Frequent-stayer programs for hotels

    C. Frequent-dining programs for restaurants

    D. All of the above

32. What is a business-to-business marketplace?

    A. An Internet-based service that brings together many buyers

    B. A personal business that brings together many sellers

    C. An Internet-based service that brings together many buyers and sellers

    D. A personal business that brings together many buyers and sellers

33. What is a business-to-business (B2B) marketplace in which a single buyer posts its needs and then opens the bidding to any supplier who would care to bid?

    A. Reverse auction

    B. Private exchange

    C. Private auction

    D. Reverse exchange

34. What is an auction format in which increasingly lower bids are solicited from organizations willing to supply the desired product or service at an increasingly lower price?

    A. Reverse auction

    B. Private exchange

    C. Private auction

    D. Reverse exchange

35. Which of the following is an example of the way that information technology can reduce supplier power for an organization?

    A. Switching costs

    B. Reverse auction

    C. Entry barrier

    D. Loyalty program

36. What is an entry barrier?

    A. A product feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive

    B. A service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive

    C. A product or service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive

    D. A product or service feature that customers no longer expect from organizations in a particular industry and do not need to be offered by an entering organization to compete and survive

37. Which of the following forces is commonly reduced through the use of switching costs?

    A. Buyer power

    B. Supplier power

    C. Threat of substitute products or services

    D. Rivalry among existing competitors

38. What is high when competition is fierce in a market and low when competition is more complacent?

    A. Buyer power

    B. Supplier power

    C. Threat of substitute products or services

    D. Rivalry among existing competitors

39. All of the following are part of Porter's Three Generic Strategies, except:

    A. Broad cost leadership

    B. Broad differentiation

    C. Focused strategy

    D. Business process strategy

40. Which of the following is Hyundai using as its generic strategy?

    A. Broad cost leadership

    B. Broad differentiation

    C. Focused cost leadership

    D. Focused differentiation

41. Which of the following is Hummer using as its generic strategy?

    A. Broad cost leadership

    B. Broad differentiation

    C. Focused cost leadership

    D. Focused differentiation

42. Which of the following is considered a business process?

    A. Processing a customer's order

    B. Processing a customer's inquiry

    C. Processing a customer's complaint

    D. All of the above

43. Which of the following can an organization use to evaluate the effectiveness of its business processes?

    A. Porter's Five Forces Model

    B. Three generic strategies

    C. Value chain

    D. First-mover advantage strategy

44. Which approach views an organization as a series of process, each of which adds value to the product or service for each customer?

    A. Low cost strategy

    B. Business process

    C. Value chain

    D. First-mover advantage

45. Which part of the value chain acquires raw materials and manufactures, delivers, markets, sells, and provides after-sales services?

    A. Primary value activities

    B. Secondary value activities

    C. Support value activities

    D. None of the above

46. Which of the following supports the primary value activities in the value chain?

    A. Primary value activities

    B. Secondary value activities

    C. Support value activities

    D. None of the above

47. Which part of the value chain includes firm infrastructure, human resources management, technology development, and procurement?

    A. Primary value activities

    B. Secondary value activities

    C. Support value activities

    D. None of the above

48. Which one of the business functions receives the benefits the most from Information Systems when compared to others?

    A. Security

    B. Human Resources

    C. IT Operations

    D. Customer Service

49. Which one of the following is used for decision making?

    A. Information

    B. Knowledge

    C. Information systems

    D. All of the above

50. Which of the following is considered knowledge?

    A. Quantity sold

    B. Date sold

    C. Best selling item

    D. Historical trend of quantity sold

51. Which of the following companies uses the focused differentiation strategy?

    A. Hyundai

    B. Audi

    C. Kia

    D. Tesla

52. Which of the following companies uses the broad differentiation strategy?

    A. Hyundai

    B. Audi

    C. Kia

    D. Tesla

53. Which of the following companies uses the focused cost leadership strategy?

    A. Hyundai

    B. Audi

    C. Kia

    D. Tesla

54. Information systems are implemented to support a company's competitive business

    _____.

    A. Market share

    B. Technology

    C. Profitability

    D. Strategy

55. Which of the following companies uses the broad cost leadership strategy?

    A. Hyundai

    B. Audi

    C. Kia

    D. Tesla

56. _____ in the Five Forces Model is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to entering a market.

    A. Buyer power

    B. Supplier power

    C. Threat of new entrants

    D. Rivalry among existing competitors

57. The *threat of new entrants* in the Five Forces Model is _____ when it is easy for new competitors to enter a market and low when there are significant entry barriers to entering a market.

    A. low

    B. high

    C. unchanged

    D. unaffected

58. _____ in the Porter's Five Forces Model is high when buyers have many choices of whom to buy from and low when their choices are few.

A. Buyer power

B. Supplier power

C. Threat of new entrants

D. Rivalry among existing competitors

59. Buyer power in the Porter's Five Forces Model is _____ when buyers have many choices of whom to buy from and low when their choices are few.

A. low

B. high

C. unchanged

D. unaffected

60. Who is responsible for ensuring the ethical and legal use of information within an organization?

A. CIO

B. CTO

C. CPO

D. CSO

61. _____ is high when buyers have few choices of whom to buy from and low when their choices are many.

    A. Buyer power

    B. Supplier power

    C. Threat of new entrants

    D. Rivalry among existing competitors

62. Supplier power is _____ when buyers have few choices of whom to buy from and low when their choices are many.

    A. low

    B. high

    C. unchanged

    D. unaffected

63. Supplier power is high when buyers have _____ choices of whom to buy from and low when their choices are many.

    A. more

    B. few

    C. many

    D. too many

64. Which of the following activities does a CIO perform?

    A. Oversees all uses of information technology

    B. Ensures the strategic alignment of IT with business goals

    C. Ensures the strategic alignment of IT with business objectives

    D. All of the above

65. Broad functions of a CIO include all of the following, except:

    A. Ensuring the delivery of all IT projects, on time and within budget

    B. Ensuring that the strategic vision of IT is in line with the strategic vision of the organization

    C. Building and maintaining strong executive relationships

    D. Building and maintaining strong customer processes

66. Which issue concerns CIOs the most?

    A. Security

    B. Budgeting

    C. Enhancing customer satisfaction and retaining customers

    D. Marketing

67. Who is responsible for ensuring the throughput, transaction speed, accuracy, system availability, and reliability of an organization's information technology?

    A. CIO

    B. CPO

    C. CTO

    D. CSO

68. Who is responsible for ensuring the security of IT systems and developing strategies and IT safeguards against attacks from hackers and viruses?

    A. CIO

    B. CPO

    C. CTO

    D. CSO

69. Who is responsible for collecting, maintaining, and distributing an organization's knowledge?

    A. CIO

    B. CSO

    C. CTO

    D. CKO

70. The Five Forces Model, the three generic strategies, and value chain analysis are all methods by which organizations can assess their _____.

    A. Market share

    B. Information systems

    C. Profitability

    D. Competitive advantage

71. It is the responsibility of the CIO to ensure effective communications between business and IT personnel.

    True   False

72. Managers need to understand that IS success is incredibly easy to measure.

    True   False

73. The Five Forces Model, the three generic strategies, and value chain analysis are all methods by which organizations can assess their competitive advantage.

    True   False

74. The three generic strategies are broad competitive approaches that organizations fall under.

    True   False

75. Information systems are implemented to support a company's competitive business strategy.

    True   False

76. Information technology equals business success and innovation.

   True   False

77. Almost all organizations today have an internal IT department, often called Information Technology (IT), Information Systems (IS), or Management Information Systems (MIS).

   True   False

78. The information which is actionable is referred to as knowledge.

   True   False

79. Three key resources-people, processes, and information systems, (in that order of priority)-are inextricably linked. If one fails, they all fail.

   True   False

80. The four common information sharing cultures include information-functional culture, information-sharing culture, information-inquiring culture, and information-discovery culture.

   True   False

81. A competitive advantage is typically temporary, unless it is a first-mover advantage.

   True   False

82. Buyer power, supplier power, threat of new entrants, threat of products or services, and rivalry among existing competitors are all included in Porter's Five Forces Model.

True   False

83. Switching costs are typically used to influence the threat of substitute products or services.

True   False

84. An entry barrier is typically used to influence the rivalry among existing competitors.

True   False

85. Kia is following a broad differentiation strategy.

True   False

86. In telephone industry, the local number portability (LNP) feature decreases the threat of substitute products.

True   False

87. Job titles, roles, and responsibilities do not differ from organization to organization.

True   False

88. _____ is responsible for ensuring the ethical and legal use of information within an organization.

_____

89. The ability to use the same telephone number while switching the carrier company is called

   _____.

   _____

90. _____ is "actionable information" which is used for decision making.

   _____

91. The three generic strategies are broad _____ approaches that organizations fall under.

   _____

92. _____ information systems is the function that plans for, develops implements, and

   maintains IT hardware, software, and applications that people use to support the goals of an

   organization.

   _____

93. Information technology is any computer-based tool that people use to work with _____

   and support the information and information processing needs of an organization.

   _____

94. _____ are raw facts that describe the characteristics of an event.

   _____

95. _____ is data converted into a meaningful and useful context.

_____

96. Information-_____ culture allows employees across departments to search for information to better understand the future and align themselves with current trends and new directions.

_____

97. A(n) _____ advantage is a product or service that an organization's customers place a greater value on than similar offerings from a competitor.

_____

98. A first mover advantage occurs when an organization can significantly impact its market share by being the first to market with a _____ advantage.

_____

99. Environmental scanning is the acquisition and analysis of events and trends in the environment _____ to an organization.

_____

100.The Five Forces Model helps to determine the relative attractiveness of a/an _____.

_____

101. Buyer power, supplier power, threat of substitute products or services, threat of new _____, and rivalry among existing competitors are all included in Porter's Five Forces Model.

_____

102. _____ power in the Porter's Five Forces Model is high when buyers have few choices of whom to buy from and low when their choices are many.

_____

103. _____ power in the Porter's Five Forces Model is high when buyers have many choices of whom to buy from and low when their choices are few.

_____

104. _____ programs reward customers based on the amount of business they do with a particular organization.

_____

105. The travel industry is famous for its _____ programs.

_____

106. A(n) _____ chain consists of all parties involved, directly or indirectly, in the procurement of a product or raw material.

_____

107. A(n) _____ exchange is a business-to-business (B2B) marketplace in which a single buyer posts its needs and then opens the bidding to any supplier who would care to bid.

_____

108. A reverse auction is an auction format in which increasingly lower bids are solicited from organizations willing to supply the desired product or service at an increasingly _____ price.

_____

109. _____ costs are costs that can make customers reluctant to switch to another product or service.

_____

110. An entry _____ is a product or service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive.

_____

111. Rivalry among existing competitors is _____ when competition is fierce in a market.

_____

112. Audi is following a broad _____ strategy with its Quattro model which is available at several price points.

_____

113.A(n) _____ process is a standardized set of activities that accomplish a specific task, such as processing a customer's order.

_____

114.Market and sell the product or service is considered a _____ value activity in the value chain.

_____

115._____ value activities in the value chain acquire raw materials and manufactures, delivers, markets, sells, and provides after-sales services.

_____

116._____ value activities include firm infrastructure, human resource management, technology development, and procurement.

_____

117._____ is an executive-level position that involves high-level strategic planning and management of information systems pertaining to the creation, storage, and use of information by a business.

_____

118._____ is responsible for ensuring the throughput, speed, accuracy, availability, and reliability of an organization's information technology.

_____

119. The _____, the three generic strategies, and value chain analysis are all methods by which organizations can assess their competitive advantage.

   _____

120. The Five Forces Model, the _____, and value chain analysis are all methods by which organizations can assess their competitive advantage.

   _____

121. The Five Forces Model, the three generic strategies, and _____ are all methods by which organizations can assess their competitive advantage.

   _____

122. The Five Forces Model, the three generic strategies, and value chain analysis are all methods by which organizations can assess their _____ advantage.

   _____

123. The Five Forces Model, the three generic strategies, and value chain analysis are all methods by which organizations can assess their competitive _____.

   _____

124. _____ chain analysis is a highly useful tool in that it provides hard and fast numbers for evaluating the activities that add value to products and services.

   _____

125. Value chain analysis is a highly useful tool in that it provides hard and fast numbers for evaluating the activities that add _____ to products and services.

_____

126. The _____ knowledge officer is responsible for collecting, maintaining, and distributing the organization's knowledge.

_____

127. The chief _____ officer is responsible for collecting, maintaining, and distributing the organization's knowledge.

_____

128. IS personnel must understand the _____ if the organization is going to determine which technologies can benefit (or hurt) the business.

_____

129. The Five Forces Model, the three generic strategies, and value chain analysis are all _____ by which organizations can assess their competitive advantage.

_____

130.Discuss what is meant by the term "business-driven information systems".

131.Compare management information systems (MIS) and information technology (IS).

132.Explain the relationship among people, processes, information systems, and information.

133. Identify four different departments in a typical business and explain how technology helps them to work together.

134. Distinguish between Information Systems and Information Technology.

135. Do you agree or disagree with Friedman's assessment that the world is flat? Be sure to justify your answer.

136. Explain why competitive advantages are typically temporary.

137. Explain how Frito Lay uses environmental scanning.

138. Describe and compare buyer power and supplier power in Porter's Five Forces Model. Also, explain how an organization can manipulate buyer power and supplier power.

139. List and describe Porter's three generic strategies and provide an example of a company that is using each strategy.

140. Explain value chains and the differences between primary and support value activities.

141. Distinguish among data, information, and knowledge.

142. What is the competitive advantage? What are the common tools that organizations use for developing the competitive advantage?

143. What is a business process? Describe upon how organizations evaluate the effectiveness of their business processes.

144. Compare and contrast the five forces model, the three generic strategies, and the value chain analysis. And comment upon how information systems drive the business.

145.List and describe the five common IT-related strategic positions.

146.Describe the gap between business personnel and IT personnel and what an organization can do to close this gap.

c1 Key

1. Why do students need to study information technology?
(p. 4)

    A. Information technology is everywhere in business

    B. Information technology is rarely discussed in business magazines

    C. Information technology is rarely used in organizations

    D. Information technology is found in only a few businesses

Information technology is everywhere in business, see the Figure Technology in Business Week and Fortune.

2. What is any computer-based tool that people use to work with information and support the
(p. 6) information and information-processing needs of an organization?

    A. Information systems

    B. Management information systems

    C. Technology's role in business

    D. Technology's impact on business

This is the definition of information systems.

3.   What is the function that plans for, develops, implements, and maintains IT hardware,

(p. 7)   software, and applications that people use to support the goals of an organization?

A. Information technology

B. Management information systems

C. Technology's role in business

D. Technology's impact on business

This is the definition of management information systems.

4.   What can IT enable an organization to accomplish?

(p. 5)

A. Reduce costs

B. Improve productivity

C. Generate growth

D. All of the above

IT can enable an organization to accomplish all of the above as displayed in the figure

Business Benefits and Information Technology Project Goals.

5. Which of the following represents the order of priority for the three primary organizational key
(p. 8) resources?

    A. Information systems, People, Processes

    B. People, Processes, Information systems

    C. Information systems, Processes, People

    D. People, processes, profit

The key resources—people, processes, and information systems (in that order of priority)—
are inextricably linked and are essential for the creation of information.

6. Which of the following represents the relationship between functional areas in a business?
(p. 5)

    A. Independent

    B. Autonomous

    C. Interdependent

    D. Self-sufficient

Functional areas are interdependent.

7.   Which of the following statements is true?

  A. IS equals business success

  B. IS equals business innovation

  C. IS represents business success and innovation

  D. IS enables business success and innovation

  IT is an important enabler of business success and innovation.

8.   Which of the following is not a department found in most businesses?

  A. Human resources

  B. Accounting

  C. Management information systems (MIS)

  D. Payroll

  Payroll is a task performed by the Accounting department.

9. What is the name of a company's internal IT department?

A. Management information systems (MIS)

B. Information systems (IS)

C. Information technology (IT)

D. All of the above

Typical organizations have an internal IS department often called Information Technology (IT), Information Systems (IS), or Management Information Systems (MIS).

10. What are raw facts that describe the characteristics of an event?

A. Information

B. Knowledge

C. Data

D. All of the above

This is the definition of data.

11. What is data that has been converted into meaningful and useful context?

(p. 7)

    A. Information

    B. Knowledge

    C. Information systems

    D. All of the above

This is the definition of information.

12. Which of the following is considered information?

(p. 7)

    A. Quantity sold

    B. Date sold

    C. Best selling item by month

    D. All of the above

Best selling item by month is information.

13. Which of the following is considered data?

    A. Quantity sold

    B. Best customer by month

    C. Best selling item by month

    D. Worst selling item by month

Quantity sold is data.

14. Which information culture can cause an organization to have a great degree of difficulty operating?

    A. Information-functional culture

    B. Information-sharing culture

    C. Information-inquiring culture

    D. Information-discovery culture

If an organization operates with an information-functional culture it will have a great degree of difficulty operating.

15. Which information culture encourages employees across departments to be open to new
(p. 9) insights about crisis and radical changes and seek ways to create competitive advantages?

    A. Information-functional culture

    B. Information-sharing culture

    C. Information-inquiring culture

    D. Information-discovery culture

An information-discovery culture will allow an organization to get products to market quickly
and easily see a 360-degree view of its entire organization?

16. Which information culture allows employees across departments to use information (especially
(p. 9) about problems and failures) to improve performance?

    A. Information-functional culture

    B. Information-sharing culture

    C. Information-inquiring culture

    D. Information-discovery culture

This is the definition of information-sharing culture.

17. Which information culture allows employees across departments to search for information to
better understand the future and align themselves with current trends and new directions?

   A. Information-functional culture

   B. Information-sharing culture

   C. Information-inquiring culture

   D. Information-discovery culture

   This is the definition of information-inquiring culture.

18. Which of the following is not one of Thomas Friedman's 10 forces that flattened the world?

   A. Netscape IPO

   B. Fall of the Berlin wall

   C. Microsoft IPO

   D. Wireless

   Microsoft's IPO is not one of Friedman's flatteners.

19.
(p. 23)
What did Thomas Friedman believe happened to the world because of the unplanned cascade of technological and social shifts?

A. The world became bigger

B. The world became flat

C. The world became larger

D. The world became more sophisticated

Thomas Friedman believes that the world became flat.

20.
(p. 9)
Which of the following information cultures would have the greatest negative impact on Apple's business?

A. Information-functional culture

B. Information-sharing culture

C. Information-inquiring culture

D. Information-discovery culture

In an information-functional culture employees use information as a means of exercising influence or power over others. With this type of culture it would be difficult for Apple to gain visibility into its overall operations.

21. What is a competitive advantage?

      A. A product that an organization's customers place a lesser value on than similar offerings from a competitor

      B. A product or service that an organization's customers value more highly than similar offerings from a supplier

      C. A service that an organization's customers place a lesser value on than similar offerings from a supplier

      D. A product or service that an organization's customers place a greater value on than similar offerings from a competitor

This is the definition of competitive advantage.

22. What occurs when an organization can significantly impact its market share by being the first to market with a competitive advantage?

      A. Private exchange

      B. First-mover advantage

      C. Environmental scanning

      D. Loyalty program

This is the definition of first-mover advantage.

23. What is the acquisition and analysis of events and trends in the environment external to an
(p. 14) organization?

    A. Private exchange

    B. First-mover advantage

    C. Environmental scanning

    D. Loyalty program

This is the definition of environmental scanning.

24. Which company, in the text, uses environmental scanning to determine everything from how
(p. 14) well competing products are selling to the strategic placement of its own products?

    A. Kia

    B. FedEx

    C. Frito Lay

    D. Audi

Frito Lay uses environment scanning extensively.

25.   All of the following are common tools used in industry to analyze and develop competitive

(p. 14)   advantages, except:

A. Five Forces Model

B. Three Generic Strategies

C. Competitive analysis model

D. Value chain analysis

A competitive analysis model is not discussed in this text.

26.   What does the Five Forces Model help determine the relative attractiveness of?

(p. 14)

A. An organization

B. A company

C. An industry

D. An investment

This is the definition of Porter's Five Forces Model.

27. Which of the following is not one of Porter's Five Forces?

(p. 14)

    A. Buyer power

    B. Supplier power

    C. Threat of substitute buyers

    D. Rivalry among existing competitors

The answer should be the threat of substitute products or services, not substitute buyers.

28. Which of the following forces is commonly reduced through the use of a loyalty program?

(p. 15)

    A. Buyer power

    B. Supplier power

    C. Threat of new entrants

    D. Rivalry among existing competitors

To reduce buyer power an organization must make it more attractive for customers to buy from them than from their competition. One of the best IT-based examples is the loyalty programs that many organizations offer.

29. Which of the following represents buyer power in Porter's Five Forces Model?

A. Low when buyers have many choices of whom to buy from and high when their choices are few

B. High when buyers have many choices of whom to buy from and low when their choices are few

C. Low when buyers have many customers of whom to buy from and low when their customers are few

D. High when buyers have many customers of whom to buy from and low when their customers are few

This is the definition of buyer power.

30.   Which of the following represents supplier power in Porter's Five Forces Model?

(p. 15)

    A. High when buyers have few choices of whom to buy from and low when their choices are many

    B. Low when buyers have few choices of whom to buy from and high when their choices are many

    C. High when buyers have many choices of whom to buy from and low when their choices are few

    D. None of the above

This is the definition of supplier power.

31.   Which of the following is an example of a loyalty program?

(p. 14-15)

    A. Frequent-flier programs for airlines

    B. Frequent-stayer programs for hotels

    C. Frequent-dining programs for restaurants

    D. All of the above

All of the above are examples of loyalty programs.

32.   What is a business-to-business marketplace?

(p. 15)

A. An Internet-based service that brings together many buyers

B. A personal business that brings together many sellers

C. An Internet-based service that brings together many buyers and sellers

D. A personal business that brings together many buyers and sellers

This is the definition of B2B marketplace.

33.   What is a business-to-business (B2B) marketplace in which a single buyer posts its needs and

(p. 15)   then opens the bidding to any supplier who would care to bid?

A. Reverse auction

B. Private exchange

C. Private auction

D. Reverse exchange

This is the definition of private exchange.

34. What is an auction format in which increasingly lower bids are solicited from organizations

willing to supply the desired product or service at an increasingly lower price?

A. Reverse auction

B. Private exchange

C. Private auction

D. Reverse exchange

This is the definition of reverse auction.

35. Which of the following is an example of the way that information technology can reduce

supplier power for an organization?

A. Switching costs

B. Reverse auction

C. Entry barrier

D. Loyalty program

A reverse auction reduces supplier power, while switching costs and entry barriers are

typically used to increase supplier power.

36. What is an entry barrier?

    A. A product feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive

    B. A service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive

    C. A product or service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive

    D. A product or service feature that customers no longer expect from organizations in a particular industry and do not need to be offered by an entering organization to compete and survive

This is the definition of entry barrier.

37.   Which of the following forces is commonly reduced through the use of switching costs?

A. Buyer power

B. Supplier power

C. Threat of substitute products or services

D. Rivalry among existing competitors

To reduce buyer power an organization must make it more attractive for customers to buy from them than from their competition. One of the best IT-based examples is the loyalty programs that many organizations offer.

38.   What is high when competition is fierce in a market and low when competition is more complacent?

A. Buyer power

B. Supplier power

C. Threat of substitute products or services

D. Rivalry among existing competitors

This is the definition of rivalry among existing competitors.

39. All of the following are part of Porter's Three Generic Strategies, except:

A. Broad cost leadership

B. Broad differentiation

C. Focused strategy

D. Business process strategy

Business process strategy is not a part of Porter's Three Generic Strategies.

40. Which of the following is Hyundai using as its generic strategy?

A. Broad cost leadership

B. Broad differentiation

C. Focused cost leadership

D. Focused differentiation

Hyundai is following a broad cost leadership strategy.

41.   Which of the following is Hummer using as its generic strategy?

(p. 17)

    A. Broad cost leadership

    B. Broad differentiation

    C. Focused cost leadership

    D. Focused differentiation

    Hummer is following a focused differentiation strategy.

42.   Which of the following is considered a business process?

(p. 18)

    A. Processing a customer's order

    B. Processing a customer's inquiry

    C. Processing a customer's complaint

    D. All of the above

    All of the above are considered business processes.

43.   Which of the following can an organization use to evaluate the effectiveness of its business
processes?

A. Porter's Five Forces Model

B. Three generic strategies

C. Value chain

D. First-mover advantage strategy

Value chains are designed to evaluate business processes.

44.   Which approach views an organization as a series of process, each of which adds value to the
product or service for each customer?

A. Low cost strategy

B. Business process

C. Value chain

D. First-mover advantage

This is the definition of value chain.

45. Which part of the value chain acquires raw materials and manufactures, delivers, markets,

(p. 18-19) sells, and provides after-sales services?

A. Primary value activities

B. Secondary value activities

C. Support value activities

D. None of the above

This is the definition of primary value activities.

46. Which of the following supports the primary value activities in the value chain?

(p. 18-19)

A. Primary value activities

B. Secondary value activities

C. Support value activities

D. None of the above

This is the definition of support value activities.

47. Which part of the value chain includes firm infrastructure, human resources management,
(p. 18)   technology development, and procurement?

   A. Primary value activities

   B. Secondary value activities

   C. Support value activities

   D. None of the above

   These functions are a part of the support value activities.

48. Which one of the business functions receives the benefits the most from Information Systems
(p. 4)   when compared to others?

   A. Security

   B. Human Resources

   C. IT Operations

   D. Customer Service

   Figure 2.4 presents data regarding business units and the greatest benefits received from
   Information Systems.

49. Which one of the following is used for decision making?

(p. 7)

    A. Information

    B. Knowledge

    C. Information systems

    D. All of the above

Knowledge is "actionable information" which is used for decision making.

50. Which of the following is considered knowledge?

(p. 7)

    A. Quantity sold

    B. Date sold

    C. Best selling item

    D. Historical trend of quantity sold

Knowledge is "actionable information".

51. Which of the following companies uses the focused differentiation strategy?

(p. 17)

    A. Hyundai

    B. Audi

    C. Kia

    D. Tesla

Tesla is following a focused differentiation strategy.

52. Which of the following companies uses the broad differentiation strategy?

(p. 17)

    A. Hyundai

    B. Audi

    C. Kia

    D. Tesla

Audi is pursuing the broad differentiation strategy.

53. Which of the following companies uses the focused cost leadership strategy?

(p. 17)

    A. Hyundai

    B. Audi

    C. Kia

    D. Tesla

Kia has a more focused cost leadership strategy.

54. Information systems are implemented to support a company's competitive business

(p. 20) _____.

    A. Market share

    B. Technology

    C. Profitability

    D. Strategy

Information systems are implemented to support a company's competitive business strategy.

55. Which of the following companies uses the broad cost leadership strategy?

A. Hyundai

B. Audi

C. Kia

D. Tesla

Hyundai is following a broad cost leadership strategy.

56. _____ in the Five Forces Model is high when it is easy for new competitors to enter a market

and low when there are significant entry barriers to entering a market.

A. Buyer power

B. Supplier power

C. Threat of new entrants

D. Rivalry among existing competitors

The *threat of new entrants* in the Five Forces Model is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to entering a market.

57.

The *threat of new entrants* in the Five Forces Model is _____ when it is easy for new competitors to enter a market and low when there are significant entry barriers to entering a market.

A. low

B. high

C. unchanged

D. unaffected

The *threat of new entrants* in the Five Forces Model is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to entering a market.

Chapter - Chapter 01 #57
Gradable: automatic
Learning Outcome: 1.4
Level: Medium

58.

_____ in the Porter's Five Forces Model is high when buyers have many choices of whom to buy from and low when their choices are few.

A. Buyer power

B. Supplier power

C. Threat of new entrants

D. Rivalry among existing competitors

Buyer power in the Porter's Five Forces Model is high when buyers have many choices of whom to buy from and low when their choices are few.

Chapter - Chapter 01 #58

59.   Buyer power in the Porter's Five Forces Model is _____ when buyers have many choices of
(p. 15)   whom to buy from and low when their choices are few.

A. low

B. high

C. unchanged

D. unaffected

Buyer power in the Porter's Five Forces Model is high when buyers have many choices of
whom to buy from and low when their choices are few.

60.   Who is responsible for ensuring the ethical and legal use of information within an
(p. 11)   organization?

A. CIO

B. CTO

C. CPO

D. CSO

This is the definition of CPO.

61.   _____ is high when buyers have few choices of whom to buy from and low when their

(p. 15)   choices are many.

   A. Buyer power

   B. Supplier power

   C. Threat of new entrants

   D. Rivalry among existing competitors

   Supplier power is high when buyers have few choices of whom to buy from and low when their

   choices are many.

62.   Supplier power is _____ when buyers have few choices of whom to buy from and low when
(p. 15)   their choices are many.

A. low

B. high

C. unchanged

D. unaffected

Supplier power is high when buyers have few choices of whom to buy from and low when their
choices are many.

63.   Supplier power is high when buyers have _____ choices of whom to buy from and low
(p. 15)   when their choices are many.

A. more

B. few

C. many

D. too many

Supplier power is high when buyers have few choices of whom to buy from and low when their
choices are many.

64. Which of the following activities does a CIO perform?

A. Oversees all uses of information technology

B. Ensures the strategic alignment of IT with business goals

C. Ensures the strategic alignment of IT with business objectives

D. All of the above

The CIO performs all of the above.

65. Broad functions of a CIO include all of the following, except:

A. Ensuring the delivery of all IT projects, on time and within budget

B. Ensuring that the strategic vision of IT is in line with the strategic vision of the organization

C. Building and maintaining strong executive relationships

D. Building and maintaining strong customer processes

The CIO performs the function of manager, leader, and communicator. The CIO typically does not communicate directly with customers.

66. Which issue concerns CIOs the most?

    A. Security

    B. Budgeting

    C. Enhancing customer satisfaction and retaining customers

    D. Marketing

Although the CIO is considered a position within IS, CIOs must be concerned with more than just IS. In annual industry surveys by industry associations and firms such as Gartner, and Forrester, CIOs have consistently ranked attracting and retaining customers and reducing enterprise costs high in their top yearly priorities.

Chapter - Chapter 01 #66
Gradable: automatic
Learning Outcome: 1.2
Level: Medium

67. Who is responsible for ensuring the throughput, transaction speed, accuracy, system availability, and reliability of an organization's information technology?

    A. CIO

    B. CPO

    C. CTO

    D. CSO

This is the definition of Chief Technology Officer (CTO).

Chapter - Chapter 01 #67
Gradable: automatic
Learning Outcome: 1.2
Level: Medium

68.   Who is responsible for ensuring the security of IT systems and developing strategies and IT
(p. 10)   safeguards against attacks from hackers and viruses?

A. CIO

B. CPO

C. CTO

D. CSO

This is the definition of Chief Security Officer.

69.   Who is responsible for collecting, maintaining, and distributing an organization's knowledge?
(p. 11)

A. CIO

B. CSO

C. CTO

D. CKO

The ***chief knowledge officer (CKO)*** is responsible for collecting, maintaining, and distributing
an organization's knowledge.

70. The Five Forces Model, the three generic strategies, and value chain analysis are all methods
(p. 14) by which organizations can assess their _____.

A. Market share

B. Information systems

C. Profitability

D. Competitive advantage

Organizations use three common tools to analyze and develop competitive advantages: (1)
Five Forces Model, (2) three generic strategies, and (3) value chain analysis.

71. It is the responsibility of the CIO to ensure effective communications between business and IT
(p. 9) personnel.

TRUE

Bridging the gap between IT and business personnel is the CIOs responsibility.

72. Managers need to understand that IS success is incredibly easy to measure.

(p. 9)

FALSE

The first thing managers need to understand about IS success is that it is incredibly difficult to measure.

73. The Five Forces Model, the three generic strategies, and value chain analysis are all methods

(p. 14) by which organizations can assess their competitive advantage.

TRUE

Organizations use three common tools to analyze and develop competitive advantages: (1) Five Forces Model, (2) three generic strategies, and (3) value chain analysis.

74. The three generic strategies are broad competitive approaches that organizations fall under.

(p. 20)

TRUE

The purpose of the three generic strategies are broad competitive approaches that organizations fall under.

75. Information systems are implemented to support a company's competitive business strategy.
(p. 20)

TRUE

Information systems are implemented to support a company's competitive business strategy.

76. Information technology equals business success and innovation.
(p. 6)

FALSE

Information technology is an important enabler of business success and innovation; it does not equal business success and innovation.

77.   Almost all organizations today have an internal IT department, often called Information

Technology (IT), Information Systems (IS), or Management Information Systems (MIS).

TRUE

IT Departments can be named IT, IS, or MIS.

78.   The information which is actionable is referred to as knowledge.

TRUE

Knowledge is "actionable information" which is used for decision making.

79.   Three key resources-people, processes, and information systems, (in that order of priority)-are

inextricably linked. If one fails, they all fail.

TRUE

Three key resources-people, processes, and information systems, (in that order of priority)-are
inextricably linked. If one fails, they all fail.

80. The four common information sharing cultures include information-functional culture,
(p. 9) information-sharing culture, information-inquiring culture, and information-discovery culture.

TRUE

These are the four information cultures highlighted in the text.

81. A competitive advantage is typically temporary, unless it is a first-mover advantage.
(p. 13)

FALSE

All competitive advantages are typically temporary, especially first-mover advantages.

82. Buyer power, supplier power, threat of new entrants, threat of products or services, and rivalry
(p. 14) among existing competitors are all included in Porter's Five Forces Model.

FALSE

Threat of products or services should be Threat of "substitute" products or services.

83.   Switching costs are typically used to influence the threat of substitute products or services.
(p. 15)

TRUE

Switching costs are used by organizations to influence the threat of substitute products or services.

84.   An entry barrier is typically used to influence the rivalry among existing competitors.
(p. 16)

FALSE

Entry barriers are used by organizations to influence the threat of new entrants.

85.   Kia is following a broad differentiation strategy.
(p. 17)

FALSE

KIA is following a focused cost leadership strategy.

86.   In telephone industry, the local number portability (LNP) feature decreases the threat of
(p. 15)   substitute products.

FALSE

In telephone industry, the local number portability (LNP) feature increases the threat of substitute products.

87.   Job titles, roles, and responsibilities do not differ from organization to organization.
(p. 9)

FALSE

IT is a relatively new functional area and job titles, roles, and responsibilities often differ dramatically from organization to organization.

88. _____ is responsible for ensuring the ethical and legal use of information within an
(p. 11) organization.

Chief Privacy Officer (CPO)

89. The ability to use the same telephone number while switching the carrier company is called
(p. 15) _____.

Local number portability (LNP).

90. _____ is "actionable information" which is used for decision making.
(p. 7)

Knowledge

91. The three generic strategies are broad _____ approaches that organizations fall
(p. 20) under.

Competitive

92. _____ information systems is the function that plans for, develops implements, and
(p. 6) maintains IT hardware, software, and applications that people use to support the goals of an organization.

Management

93. Information technology is any computer-based tool that people use to work with _____
(p. 6) and support the information and information processing needs of an organization.

Information

94. _____ are raw facts that describe the characteristics of an event.
(p. 7)

Data

95.   _____ is data converted into a meaningful and useful context.

(p. 7)

Information

96.   Information-_____ culture allows employees across departments to search for

(p. 9)   information to better understand the future and align themselves with current trends and new

directions.

Inquiring

97.   A(n) _____ advantage is a product or service that an organization's customers place a

(p. 13)   greater value on than similar offerings from a competitor.

Competitive

98.   A first mover advantage occurs when an organization can significantly impact its market share

(p. 13)   by being the first to market with a _____ advantage.

Competitive

99. Environmental scanning is the acquisition and analysis of events and trends in the
(p. 14) environment _____ to an organization.

External

100. The Five Forces Model helps to determine the relative attractiveness of a/an _____.
(p. 14)

Industry

101. Buyer power, supplier power, threat of substitute products or services, threat of new _____,
(p. 14) and rivalry among existing competitors are all included in Porter's Five Forces Model.

Entrants

102. _____ power in the Porter's Five Forces Model is high when buyers have few
(p. 15) choices of whom to buy from and low when their choices are many.

Supplier

103. _____ power in the Porter's Five Forces Model is high when buyers have many
(p. 14) choices of whom to buy from and low when their choices are few.

Buyer

104. _____ programs reward customers based on the amount of business they do with a
(p. 14) particular organization.

Loyalty

105. The travel industry is famous for its _____ programs.
(p. 15)

Loyalty

106. A(n) _____ chain consists of all parties involved, directly or indirectly, in the procurement
(p. 18) of a product or raw material.

Supply

107. A(n) _____ exchange is a business-to-business (B2B) marketplace in which a single
(p. 15) buyer posts its needs and then opens the bidding to any supplier who would care to bid.

Private

108. A reverse auction is an auction format in which increasingly lower bids are solicited from
(p. 15) organizations willing to supply the desired product or service at an increasingly _____
price.

Lower

109.
(p. 15)
_____ costs are costs that can make customers reluctant to switch to another product or service.

Switching

110.
(p. 16)
An entry _____ is a product or service feature that customers have come to expect from organizations in a particular industry and must be offered by an entering organization to compete and survive.

Barrier

111.
(p. 16)
Rivalry among existing competitors is _____ when competition is fierce in a market.

High

112.
(p. 17)
Audi is following a broad _____ strategy with its Quattro model which is available at several price points.

Differentiation

113. A(n) _____ process is a standardized set of activities that accomplish a specific task,
(p. 18) such as processing a customer's order.

Business

114. Market and sell the product or service is considered a _____ value activity in the value
(p. 18) chain.

Primary

115. _____ value activities in the value chain acquire raw materials and manufactures,
(p. 18) delivers, markets, sells, and provides after-sales services.

Primary

116. _____ value activities include firm infrastructure, human resource management,
(p. 182) technology development, and procurement.

Support

117. _____ is an executive-level position that involves high-level strategic planning and
(p. 11) management of information systems pertaining to the creation, storage, and use of information
by a business.

Chief Information Officer (CIO)

118. _____ is responsible for ensuring the throughput, speed, accuracy, availability, and
(p. 11) reliability of an organization's information technology.

Chief Technology Officer (CTO)

119. The _____, the three generic strategies, and value chain analysis are all methods by
(p. 20) which organizations can assess their competitive advantage.

Five Forces Model

120. The Five Forces Model, the _____, and value chain analysis are all methods by which
(p. 20) organizations can assess their competitive advantage.

Three Generic Strategies

121. The Five Forces Model, the three generic strategies, and _____ are all methods by which
(p. 20) organizations can assess their competitive advantage.

Value Chain Analysis

122. The Five Forces Model, the three generic strategies, and value chain analysis are all methods
(p. 20) by which organizations can assess their _____ advantage.

Competitive

123. The Five Forces Model, the three generic strategies, and value chain analysis are all methods
(p. 20) by which organizations can assess their competitive _____.

Advantage

124. _____ chain analysis is a highly useful tool in that it provides hard and fast numbers for
(p. 19) evaluating the activities that add value to products and services.

Value

125. Value chain analysis is a highly useful tool in that it provides hard and fast numbers for
(p. 19) evaluating the activities that add _____ to products and services.

Value

126. The _____ knowledge officer is responsible for collecting, maintaining, and distributing the
(p. 11) organization's knowledge.

Chief

127. The chief _____ officer is responsible for collecting, maintaining, and distributing the
(p. 11) organization's knowledge.

Knowledge

128. IS personnel must understand the _____ if the organization is going to determine which
(p. 11) technologies can benefit (or hurt) the business.

business

129. The Five Forces Model, the three generic strategies, and value chain analysis are all
(p. 14) _____ by which organizations can assess their competitive advantage.

Methods

130. Discuss what is meant by the term "business-driven information systems".

(p. 20)

Information systems are implemented to support a company's competitive business strategy. Organizations do not utilize information systems for the sake of information systems themselves. Rather, there must be a solid business reason for implementing an information system that improves an organization's competitive position. That is, business strategies concerning a company's competitive advantage should drive information systems choices.

131. Compare management information systems (MIS) and information technology (IS).

(p. 6)

MIS is not IS. MIS is a business function. IS is a computer-based tool. Most organizations have an IT Department that is responsible for performing the MIS function. This is similar to an organization having an Accounting Department that is responsible for performing the accounts payable and accounts receivable functions.

132. Explain the relationship among people, processes, information systems, and information.

IT in and of itself is not useful unless the right people know how to use and manage it efficiently and effectively. *People* use *processes* to work with *information systems* to produce information. Therefore, people, processes, and information systems (in that order of priority) are inextricable linked. If one fails, they all fail.

133. Identify four different departments in a typical business and explain how technology helps
(p. 5-6) them to work together.

Accounting provides quantitative information about the finances of the business including recording, measuring, and describing financial information. Finance deals with the strategic financial issues associated with increasing the value of the business, while observing applicable laws and social responsibilities. Human resources includes the policies, plans, and procedures for the effective management of employees (human resources). Sales is the function of selling a good or service and focuses on increasing customer sales, which increases company revenues. Marketing is the process associated with promoting the sale of goods or services. The marketing department supports the sales department by creating promotions that help sell the company's products. Operations management (also called production management) includes the methods, tasks, and techniques organizations use to produce goods and services. Transportation (also called logistics) is part of operations management. Management information systems (MIS) is the function that plans for, develops, implements, and maintains IT hardware, software, and the portfolio of applications that people use to support the goals of an organization. Functional areas are anything but independent in a business. In fact, functional areas are interdependent. Sales must rely on information from operations to understand inventory, place orders, calculate transportation costs, and gain insight into product availability based on production schedules. For an organization to succeed, every department or functional area must work together sharing common information and not be a "silo." Information technology can enable departments to more efficiently and effectively perform their business operations.

134. Distinguish between Information Systems and Information Technology.

Information systems (IS) are computer-based tools that people use to work with information and that support the information and information-processing needs of an organization. An information system can be an important enabler of business success and innovation.

Information technology (IT), on the other hand, is the acquisition, processing, storage, and dissemination of vocal, pictorial, textual, and numerical information by a microelectronics-based combination of computing and telecommunications.

Chapter - Chapter 01 #134
Gradable: manual
Learning Outcome: 1.5
Level: Medium

135. Do you agree or disagree with Friedman's assessment that the world is flat? Be sure to justify your answer.

There is no correct answer to this question; the important point is that your students can justify their point of view. Some students will agree with Friedman that technology has made the world flat. Others, will disagree with Friedman stating that there are still many people that do not have access to technology and for them the world is still round.

Chapter - Chapter 01 #135
Gradable: manual
Learning Outcome: 1.2
Level: Medium

136.   Explain why competitive advantages are typically temporary.

(p. 13)

Competitive advantages are typically temporary because competitors often seek ways to duplicate the competitive advantage. In turn, organizations must develop a strategy based on a new competitive advantage.

Chapter - Chapter 01 #136
Gradable: manual
Learning Outcome: 1.4
Level: Easy

137.   Explain how Frito Lay uses environmental scanning.

(p. 14)

Frito lay sends its sales representatives into grocery stores to stock shelves with hand-held computers that record the product offerings, inventory, and even product locations of competitors.

Chapter - Chapter 01 #137
Gradable: manual
Learning Outcome: 1.4
Level: Medium

138. Describe and compare buyer power and supplier power in Porter's Five Forces Model. Also,

explain how an organization can manipulate buyer power and supplier power.

Buyer power is high when buyers have many choices of whom to buy from and low when their choices are few. To reduce buyer power (and create a competitive advantage) an organization must make it more attractive for customers to buy from them than from their competition. One of the best IT-based examples is the loyalty programs that many organizations offer. Supplier power is high when buyers have few choices of whom to buy from and low when their choices are many. Supplier power is the converse of buyer (customer) power. A supplier organization in a market will want buyer (customer) power to be low. The supplier wants to be able to set any price it wants for its goods, and if buyers (customers) have low power then they do not have any choice but to pay the high price since there is only one or two suppliers.

139.   List and describe Porter's three generic strategies and provide an example of a company that
(p. 16) is using each strategy.

Organizations typically follow one of Porter's three generic strategies when entering a new

market.

(1) Broad cost leadership,

(2) broad differentiation,

(3) focused strategy. Broad strategies reach a large market segment. Focused strategies

target a niche market. Focused strategies concentrate on either cost leadership or

differentiation. Company examples will vary.

140.   Explain value chains and the differences between primary and support value activities.

Value chain approach views an organization as a chain, or series, or processes, each of which adds value to the product or service for each customer. To create a competitive advantage, the value chain must enable the organization to provide unique value to its customers. Examining the organization as a value chain determines which activities add value for customers. The organization can then focus specifically on those activities. Primary value activities acquire raw materials and manufactures, delivers, markets, sells, and provides after-sales services. Support value activities support the primary value activities. Customers determine the extent to which each activity adds value to the product or service. The competitive advantage is to (1) Target high value-adding activities to enhance their value, (2) Target low value-adding activities to increase their value, (3) Perform some combination of the two.

Chapter - Chapter 01 #140
Gradable: manual
Learning Outcome: 1.4
Level: Hard

141.   Distinguish among data, information, and knowledge.
(p. 7)

Data are raw facts that describe the characteristics of an object or event. For example, the characteristics for a sales event could include the date, item number, item description, quantity ordered, customer name, and shipping details.

Information is data converted into a meaningful and useful context. For example, information from sales events could include best-selling item, worst-selling item, best customer, and worst customer.

Information becomes knowledge when information can be acted upon. In this sense, knowledge is "actionable information".

142.   What is the competitive advantage? What are the common tools that organizations use for
(p. 13-14) developing the competitive advantage?

A competitive advantage is a product or service that an organization's customers place a greater value on than similar offerings from a competitor.

Organizations use three common tools to analyze and develop competitive advantages:

(1) Five Forces Model, (2) three generic strategies, and (3) value chain analysis.

143.   What is a business process? Describe upon how organizations evaluate the effectiveness of
their business processes.

A business process is a standardized set of activities that accomplish a specific task, such as processing a customer's order. To evaluate the effectiveness of its business processes, an organization can use Michael Porter's value chain approach. An organization creates value by performing a series of activities that Porter identified as the value chain. The value chain approach views an organization as a series of processes, each of which adds value to the product or service for each customer. To create a competitive advantage, the value chain must enable the organization to provide unique value to its customers. In addition to the firm's own value-creating activities, the firm operates in a value system of vertical activities, including those of upstream suppliers and downstream channel members. To achieve a competitive advantage, the firm must perform one or more value-creating activities in a way that creates more overall value than its competitors. Added value is created through lower costs or superior benefits to the consumer (differentiation). Organizations can add value by offering lower prices or by competing in a distinctive way. Examining the organization as a value chain (actually numerous distinct but inseparable value chains) leads to identifying the important activities that add value for customers and then finding IS systems that support those activities.

144. Compare and contrast the five forces model, the three generic strategies, and the value chain
analysis. And comment upon how information systems drive the business.

The Five Forces Model, the three generic strategies, and value chain analysis are all methods by which organizations can assess their competitive advantage. The Five Forces Model is a framework that helps companies evaluate the relative attractiveness of entering or operating within an industry. It is a framework that can be used to assess the attractiveness of the industry in which a firm competes. The three generic strategies are broad competitive approaches that organizations fall under. Knowing which broad competitive approach an organization is following can help that organization make informed decisions about how the company should compete with other firms. Value chain analysis is a systematic approach organizations can use to assess and improve the value of their business activities. Knowing the value of each business activity can help an organization decide how to change or improve those activities to help it become more competitive. These three methods, in their own unique ways, give organizations insight into how they can behave more competitively. Armed with this knowledge, organizations can then think about how information systems can be used to facilitate and support this behavior.

An information system can be designed to increase a company's supplier power with its customers, or reduce the threat of substitute products or services, or decrease the threat of new entrants to the market-space. Likewise, an information system can be implemented to help a company function more effectively and efficiently within a certain generic strategy. Similarly, information systems can be developed to enhance the performance of poor-performing value activities or strengthen important value chains. This is what is meant by the term *business-driven information systems*. Information systems are implemented to support a company's competitive business strategy. Organizations do not use information systems for the sake of the systems themselves—they must have a solid business reason for implementing an information system so it improves an organization's competitive position. In other words, it is the business strategies concerning a company's competitive advantage that

should drive information systems choices.

145. List and describe the five common IT-related strategic positions.
(p. 9)

Chief Information Officer (CIO) oversees all uses of IT and ensures the strategic alignment of IT with business goals and objectives. Chief Technology Officer (CTO) is responsible for ensuring the throughput, speed, accuracy, availability, and reliability of IT. Chief Security Officer (CSO) is responsible for ensuring the security of IT system. Chief Privacy Officer (CPO) is responsible for ensuring the ethical and legal use of information. Chief Knowledge Office (CKO) is responsible for collecting, maintaining, and distributing the organization's knowledge.

146.   Describe the gap between business personnel and IT personnel and what an organization can
(p. 12-13) do to close this gap.

Business personnel possess expertise in functional areas such as marketing, accounting, and sales. IT personnel have the technological expertise. This causes a communications gap between the two. IT personnel have their own vocabularies consisting of acronyms and technical terms. Business personnel have their own vocabularies based on their experience and expertise. For both sides to have effective communications, the business personnel must seek to achieve an increased level of understanding of IT, and the IT personnel must seek to achieve an increased level of understanding of the business.

c1 Summary

Category	# of Questions
Chapter - Chapter 01	146
Gradable: automatic	129
Gradable: manual	17
Learning Outcome: 1.1	7
Learning Outcome: 1.2	48
Learning Outcome: 1.3	2
Learning Outcome: 1.4	79
Learning Outcome: 1.5	10
Level: Easy	81
Level: Hard	6
Level: Medium	59