

Information Systems Today, 6e (Valacich/Schneider)

Chapter 2: Gaining Competitive Advantage Through Information Systems

1) At the _____ level of a firm, the routine, day-to-day business processes and interactions with customers occur.

- A) strategic
- B) tactical
- C) operational
- D) managerial
- E) executive

Answer: C

Page Ref: 53

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

2) Information systems at the _____ level are designed to automate repetitive activities, such as sales transaction processing, and to improve the efficiency of business processes and the customer interface.

- A) tactical
- B) executive
- C) strategic
- D) managerial
- E) operational

Answer: E

Page Ref: 53

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

3) Which of the following actions can be included as a part of operational planning?

- A) making day-to-day decisions that are highly structured and recurring
- B) effectively utilizing and deploying organizational resources to achieve strategic objectives
- C) focusing on long-term strategic questions facing the organization
- D) dealing with complex problems with broad and long-term ramifications for the organization
- E) focusing on balancing performance across the organization

Answer: A

Page Ref: 53

AACSB: Analytic Skills; Use of IT

Difficulty: Moderate

Objective: LO 2-1

Classification: Conceptual

4) At the _____ level of a firm, information systems are typically used to optimize processes and to better understand the underlying causes of any performance problems.

- A) tactical
- B) executive
- C) managerial
- D) operational
- E) strategic

Answer: D

Page Ref: 53

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

5) With respect to decision making in organizations, _____ decisions are those in which the procedures to follow for a given situation can be specified in advance.

- A) comparative
- B) structured
- C) unscrupulous
- D) asymmetrical
- E) disfigured

Answer: B

Page Ref: 53

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

6) Ben White is the manager of a retail store. His work typically includes the routine, day-to-day interactions with customers and, once in a while, solving a customer's problem or dealing with a dissatisfied customer. Additionally, he has to keep track of inventory and issue an order for additional inventory with levels below a specified level. Ben is a(n) _____ level manager.

- A) operational
- B) tactical
- C) strategic
- D) managerial
- E) executive

Answer: A

Page Ref: 53

AACSB: Analytic Skills; Use of IT

Difficulty: Moderate

Objective: LO 2-1

Classification: Application

Course LO: Discuss the role of information systems in supporting business processes

7) With respect to organizational decision-making levels, _____ decisions can be programmed directly into operational information systems so that they can be made with little or no human intervention.

- A) asymmetrical
- B) semistructured
- C) unstructured
- D) comparative
- E) structured

Answer: E

Page Ref: 53

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

8) Using information systems to optimize processes at the _____ level of an organization can offer quick returns on the IS investment, as activities at this level are clearly delineated and well focused.

- A) executive
- B) strategic
- C) managerial
- D) operational
- E) tactical

Answer: D

Page Ref: 53

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

9) At the _____ level of an organization, functional managers focus on monitoring and controlling operational-level activities and providing information to higher levels of the organization.

- A) tactical
- B) executive
- C) strategic
- D) superficial
- E) illusive

Answer: A

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

10) The executive level of an organization is also known as the _____ level.

- A) managerial
- B) tactical
- C) operational
- D) strategic
- E) illusory

Answer: D

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

11) _____ decision making in an organization is referred to as semistructured decision making because solutions and problems are not clear-cut and often require judgment and expertise.

- A) Illusive-level
- B) Operational-level
- C) Managerial-level
- D) Executive-level
- E) Strategic-level

Answer: C

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

12) The managerial level of an organization is also known as the _____ level.

- A) functional
- B) tactical
- C) executive
- D) operational
- E) strategic

Answer: B

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

- 13) Managers at the tactical level of an organization focus on _____.
- A) deploying organizational resources to achieve the strategic objectives of the organization
 - B) routine, day-to-day business processes, and interactions with customers
 - C) long-term strategic questions facing the organization
 - D) complex problems with broad and long-term ramifications for the organization
 - E) the efficiency of business processes and the customer interface

Answer: A

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-1

Classification: Conceptual

- 14) Jane Estroisch works as a manager in a multidomestic firm. She focuses on the long-term questions facing the organization such as which countries to compete in and what organizational policies to follow. Jane is in the _____ level of the organization.

- A) operational
- B) tactical
- C) executive
- D) functional
- E) managerial

Answer: C

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-1

Classification: Application

- 15) Managers in the _____ level of an organization are referred to as "executives."

- A) operational
- B) tactical
- C) functional
- D) strategic
- E) managerial

Answer: D

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

16) _____ decisions deal with complex problems with broad and long-term ramifications for an organization.

- A) Executive-level
- B) Functional-level
- C) Tactical-level
- D) Operational-level
- E) Managerial-level

Answer: A

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

17) With respect to organizational decision-making levels, for _____ decisions, some procedures to follow for a given situation can be specified in advance, but not to the extent where a specific recommendation can be made.

- A) unstructured
- B) planned
- C) semistructured
- D) asymmetrical
- E) structured

Answer: C

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

18) At the _____ level of an organization, managers focus on long-term strategic questions facing the organization, such as which products to produce, which countries to compete in, and what organizational strategy to follow.

- A) managerial
- B) tactical
- C) operational
- D) executive
- E) illusory

Answer: D

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

19) Managers at the _____ level include the president and chief executive officer, vice presidents, and possibly the board of directors.

- A) functional
- B) executive
- C) tactical
- D) operational
- E) illusive

Answer: B

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

20) _____ decisions are referred to as unstructured decisions because the problems are relatively complex and non-routine.

- A) Managerial-level
- B) Tactical-level
- C) Executive-level
- D) Operational-level
- E) Illusive-level

Answer: C

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

21) To assist _____ decision making, information systems are used to obtain aggregate summaries of trends and projections of the future.

- A) managerial-level
- B) functional-level
- C) tactical-level
- D) operational-level
- E) executive-level

Answer: E

Page Ref: 54-55

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

22) At the _____ level of an organization, information systems provide KPIs that are focused on balancing performance across the organization.

- A) illusive
- B) operational
- C) tactical
- D) managerial
- E) executive

Answer: E

Page Ref: 55

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

23) Information systems at the _____ level of an organization often help in automating repetitive activities.

- A) tactical
- B) strategic
- C) managerial
- D) operational
- E) executive

Answer: D

Page Ref: 56

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

24) Which of the following actions would an organization take if it decides to pursue a best-cost provider strategy?

- A) offering the best prices in its industry on its goods and/or services
- B) attempting to gain monopoly in the market by means of an unhealthy competition
- C) offering products or services of reasonably good quality at competitive prices
- D) providing high quality products at low prices in specific markets
- E) offering low quality products at low prices with high quality after-sales services

Answer: C

Page Ref: 58

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-1

Classification: Conceptual

25) Which of the following is an example of a best-cost provider strategy?

- A) Manufacturers like Ferrari, Aston Martin, and Lamborghini compete in the tiny super car category with prices starting at \$150,000 and running as high as \$600,000.
- B) Toyota's Lexus brand is considered a luxury car. Some of Lexus' models like the ES model, however, are in the midrange of prices for cars.
- C) Global furniture retailer Ikea provides customers with "affordable solutions for better living" by offering home furnishings that combine good design, function, and quality with low prices.
- D) Big Dog builds motorcycles that target only the very high end of the heavyweight market—the high-end premium cruiser market—with names such as Pitbull, Wolf, Mastiff, and Bulldog.
- E) Walmart's every day low prices (EDLP) strategy hinges upon Walmart's ability to obtain consumer goods at the cheapest possible price and pass these savings on to consumers.

Answer: E

Page Ref: 58

AACSB: Analytic Skills

Difficulty: Difficult

Objective: LO 2-1

Classification: Application

26) Walmart pursues a _____ strategy, by which it offers the best prices in its industry on its goods and/or services.

- A) best-cost provider
- B) decreased market share
- C) low-cost leadership
- D) broad differentiation
- E) focused differentiation

Answer: A

Page Ref: 58

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

27) Which of the following is an implication for firms that have a threat of new entrants in their market?

- A) increased cost
- B) reduced quality
- C) increased demand for services
- D) increased price
- E) decreased market share

Answer: E

Page Ref: 62

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-1

Classification: Conceptual

28) Reduced prices, need for increased quality, and demand for more services from a firm would result due to _____.

- A) high threat of substitute products from other industries
- B) high customers' bargaining power
- C) high threat of new entrants into the market
- D) traditional rivals within the industry
- E) increased suppliers' bargaining power

Answer: B

Page Ref: 62

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-1

Classification: Conceptual

29) _____ is the process of analyzing an organization's activities to determine where value is added to products and/or services and what costs are incurred for doing so.

- A) Value networking
- B) Value chain analysis
- C) Value migration
- D) Value shop
- E) Value grid trial

Answer: B

Page Ref: 63

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

30) With reference to assessing value for the IS infrastructure, architectural value is derived from _____.

- A) the infrastructure's ability to enhance the profitability of the business
- B) an investment's ability to extend the infrastructure's capabilities to meet business needs today and in the future
- C) an investment's impact on enabling the infrastructure to better meet business processing requirements
- D) assessing the extent to which an investment helps to meet requirements for control, security, and integrity as required by a governing body or a key customer
- E) the infrastructure's ability to improve product quality and customer satisfaction

Answer: B

Page Ref: 64

AACSB: Use of IT

Difficulty: Moderate

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the key issues involved in managing the components of IT infrastructure

31) While assessing value of the IS infrastructure, "before-and-after" assessments of infrastructure characteristics such as interoperability, portability, scalability, recoverability, and compatibility can be taken to measure _____ value.

- A) economic
- B) operational
- C) regulatory
- D) architectural
- E) compliance

Answer: D

Page Ref: 64

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the key issues involved in managing the components of IT infrastructure

32) While assessing value of the IS infrastructure, _____ value is derived from assessing an investment's impact on enabling the infrastructure to better meet business processing requirements.

- A) architectural
- B) regulatory
- C) operational
- D) economic
- E) compliance

Answer: C

Page Ref: 64

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the key issues involved in managing the components of IT infrastructure

33) While assessing value of the IS infrastructure, if we measure the impact of not investing in a particular project, we are deriving the _____ value.

- A) operational
- B) economic
- C) compliance
- D) regulatory
- E) architectural

Answer: A

Page Ref: 64

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the key issues involved in managing the components of IT infrastructure

34) While assessing value of the IS infrastructure, _____ value is derived from assessing the extent to which an investment helps to meet requirements for control, security, and integrity as required by a governing body or a key customer.

- A) architectural and tactical
- B) tactical
- C) operational
- D) regulatory and compliance
- E) economic

Answer: D

Page Ref: 64

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the key issues involved in managing the components of IT infrastructure

35) With respect to the components of a business model, a _____ is the utility that the product/service has to offer to customers.

- A) cost structure
- B) value grid
- C) value migration
- D) value proposition
- E) revenue stream

Answer: D

Page Ref: 65

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

36) With reference to assessing value for the IS infrastructure, _____ value is the contribution an investment makes toward improving the infrastructure's ability to enhance the profitability of the business.

- A) architectural
- B) operational
- C) regulatory
- D) compliance
- E) economic

Answer: E

Page Ref: 66

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the key issues involved in managing the components of IT infrastructure

37) Within the context of international business strategies, a global strategy is associated with _____.

- A) low degree of global integration and high degree of local responsiveness
- B) low degree of global integration and lack of local responsiveness
- C) high degree of global integration and high degree of local responsiveness
- D) low degree of global integration and low degree of local responsiveness
- E) high degree of global integration and low degree of local responsiveness

Answer: E

Page Ref: 66

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

38) Within the context of international business strategies, a firm that enjoys a high degree of global integration and local responsiveness is pursuing a(n) _____ strategy.

- A) transnational
- B) global
- C) international
- D) multidomestic
- E) home-replication

Answer: A

Page Ref: 66

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

39) With respect to international business strategy, _____ is the corporate culture that has evolved in the environment of the firm's home country.

- A) value grid
- B) transaction exposure
- C) value proposition
- D) free trade
- E) administrative heritage

Answer: E

Page Ref: 66

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

40) Home-replication strategy is also called the _____ strategy.

- A) global
- B) export
- C) multidomestic
- D) transnational
- E) national

Answer: B

Page Ref: 66

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

41) Which of the following international business strategies is the most basic form of going global?

- A) import strategy
- B) global strategy
- C) multidomestic strategy
- D) home-replication strategy
- E) transnational strategy

Answer: D

Page Ref: 66

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

42) Which of the following statements is true about firms pursuing a home-replication strategy?

- A) They attempt to achieve economies of scale by producing identical products in large quantities for a variety of different markets.
- B) They view their home operations as secondary to international operations thus providing a minor role to information systems in facilitating this strategy.
- C) They focus on their domestic customers' needs and wants and merely export their products to generate additional sales.
- D) They have a need to create integrated networks between the home office and the multiple local subsidiaries.
- E) They leverage the flexibility offered by a decentralized organization while at the same time reaping economies of scale enjoyed by centralization.

Answer: C

Page Ref: 68

AACSB: Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-2

Classification: Conceptual

43) Within the context of international business strategies, companies pursuing a(n) _____ strategy attempt to achieve economies of scale by producing identical products in large quantities for a variety of different markets.

- A) global
- B) international
- C) export
- D) multidomestic
- E) home-replication

Answer: A

Page Ref: 68

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

44) Which of the following is a disadvantage of firms that pursue a global strategy?

- A) lack of control over subsidiaries
- B) limited knowledge transfer between individual subsidiaries
- C) lack of interest in obtaining additional knowledge about foreign operations
- D) inability to control decentralization
- E) inability to react quickly to local challenges and opportunities

Answer: E

Page Ref: 68

AACSB: Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-2

Classification: Conceptual

45) Which of the following statements is true about firms pursuing a multidomestic business strategy?

- A) There is a huge amount of data and control information flow between the home and subsidiary locations.
- B) The knowledge transfer between subsidiaries is abundant.
- C) They have standard offerings across markets and give preference to international business.
- D) They are extremely flexible and responsive to the needs and demands of local markets.
- E) They work in a centralized fashion and the home location exerts strong control on the subsidiaries.

Answer: D

Page Ref: 69

AACSB: Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-2

Classification: Conceptual

46) Which of the following is a disadvantage for firms pursuing a multidomestic business strategy?

- A) limited knowledge transfer between individual subsidiaries
- B) exerting unnecessary control over subsidiaries
- C) lack of interest in obtaining additional knowledge about foreign operations
- D) inability to react quickly to local challenges and opportunities
- E) restriction of decision-making ability of subsidiaries

Answer: A

Page Ref: 69

AACSB: Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-2

Classification: Conceptual

47) The _____ business strategy allows companies to leverage the flexibility offered by a decentralized organization while at the same time reaping economies of scale enjoyed by centralization.

- A) international
- B) global
- C) multidomestic
- D) transnational
- E) home-replication

Answer: D

Page Ref: 70

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

48) Which of the following actions distinguishes firms pursuing a transnational business strategy from firms using business strategies?

- A) responding to local challenges and opportunities quickly
- B) exerting strong control over its subsidiaries
- C) striking a balance between centralization and decentralization
- D) responding to global challenges and opportunities quickly
- E) standardizing product offerings to achieve economies of scale

Answer: C

Page Ref: 70

AACSB: Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-2

Classification: Conceptual

49) Unilever, which decides when to centralize and when to decentralize depending on the products and the local markets, is an example of a(n) _____ company.

- A) transnational
- B) home-replication
- C) multidomestic
- D) national
- E) import

Answer: A

Page Ref: 70

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

50) Mystic, a Texas-based fashion apparel company with subsidiaries in more than 25 countries across the world, is one of the most recognized brands in the global and domestic markets. In a recent interview with The New York Times, the CEO and the spearhead of Mystic Co. Burt Swager said, "The secret of the company's success is its ability to strike the right balance between centralization and decentralization." Mystic Co. is a firm that successfully pursues a(n) _____ business strategy.

- A) global
- B) transnational
- C) home-replication
- D) multidomestic
- E) international

Answer: B

Page Ref: 70

AACSB: Analytic Skills; Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Application

51) According to _____, the number of transistors that could be squeezed onto a silicon chip would double every 18 months.

- A) Metcalfe's law
- B) Megan's law
- C) Murphy's law
- D) Moore's law
- E) Ashby's law

Answer: D

Page Ref: 74

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-3

Classification: Conceptual

52) Within the context of organizational requirements for innovation, to deploy innovative information systems well, people in the organization must be willing to do whatever they can to bypass and eliminate internal bureaucracy, set aside political squabbles, and pull together for the common good. These requirements can be categorized as _____ requirements.

- A) process
- B) customer
- C) resource
- D) quality
- E) risk tolerance

Answer: A

Page Ref: 74

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-3

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

53) Organizations deploying innovative information systems must have the human capital necessary to deploy the new systems. These requirements can be categorized as _____ requirements.

- A) resource
- B) process
- C) risk tolerance
- D) customer
- E) quality

Answer: A

Page Ref: 74

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-3

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

54) _____ are new technologies, products, or services that eventually surpass the existing dominant technology or product in a market.

- A) Constructive innovations
- B) Adaptive innovations
- C) Disruptive innovations
- D) Facultative innovations
- E) Extensive innovations

Answer: C

Page Ref: 76

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-3

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

55) According to the disruptive growth engine, executive leadership will allow a firm to _____.

- A) effectively identify and evaluate potential disruptive innovations
- B) gain credibility and to bridge sustaining and disruptive product development
- C) gain the greatest disruptive opportunities
- D) build a disruptive team of expert innovators
- E) educate those closest to customers and competitors in order to identify opportunities

Answer: B

Page Ref: 78

AACSB: Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-3

Classification: Conceptual

56) Which of the following statements is true about the e-business innovation cycle?

- A) The vertical dimension of the cycle shows the life expectancy of a particular information technology, and the horizontal dimension shows time.
- B) The vertical dimension of the cycle shows the extent to which an organization derives value from a particular information technology, and the horizontal dimension shows time.
- C) The vertical dimension of the cycle shows the expected investments required for a particular information technology, and the horizontal dimension shows time.
- D) The vertical dimension of the cycle shows the efficiency of a particular information technology, and the horizontal dimension shows life expectancy of that information technology.
- E) The vertical dimension of the cycle shows the user-friendliness of a particular technology, and the horizontal dimension shows the amount of investment in that technology.

Answer: B

Page Ref: 81

AACSB: Use of IT

Difficulty: Moderate

Objective: LO 2-3

Classification: Conceptual

Course LO: Describe the effects of e-commerce on the modern business world

57) In an e-business innovation cycle, after an organization scans the environment for new emerging and enabling technologies, the next step is to _____.

- A) create jobs, groups, and processes that are all devoted to scanning the environment
- B) select the database and data storage advances
- C) address the current opportunity to grab customers and market share
- D) match the most promising new technologies with current economic opportunities
- E) assess the value of the use of technology for customers and internal clients

Answer: D

Page Ref: 81

AACSB: Use of IT

Difficulty: Moderate

Objective: LO 2-3

Classification: Conceptual

Course LO: Describe the effects of e-commerce on the modern business world

58) Freeconomics is the leveraging of digital technologies to _____.

- A) provide high quality products and services at low prices as a business strategy for gaining a competitive advantage
- B) allow free product information to customers as a business strategy for gaining a competitive advantage
- C) allow dissatisfied customers easy access to business premises and top management of the firm
- D) match customer preferences with product features and increase the customer base
- E) provide free goods and services to customers as a business strategy for gaining a competitive advantage

Answer: E

Page Ref: 82

AACSB: Use of IT

Difficulty: Moderate

Objective: LO 2-4

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

59) According to basic economics within a competitive marketplace, the price of a product is set by its _____.

- A) opportunity cost
- B) sunk cost
- C) marginal cost
- D) transaction cost
- E) fixed cost

Answer: C

Page Ref: 82

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-4

Classification: Conceptual

60) Which of the following defines marginal cost?

- A) It is the cost of an alternative that must be forgone in order to pursue a certain action.
- B) It is the cost of producing an additional unit of output.
- C) It is the cost that is independent on the level of goods or services produced by the business.
- D) It is the cost that has already been incurred and cannot be recovered.
- E) It is the cost incurred in making an economic exchange.

Answer: B

Page Ref: 82

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-4

Classification: Conceptual

61) With respect to general approaches for applying freeconomics to various industries, sale price of one item being reduced in order to sell something else of value is called _____ approach.

- A) labor exchange
- B) gift economy
- C) freemium
- D) zero marginal cost
- E) cross subsidies

Answer: E

Page Ref: 85

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-4

Classification: Conceptual

62) With respect to general approaches for applying freeconomics to various industries, the _____ approach means creating an environment that allows people to participate and collaborate to create something of value for everyone.

- A) gift economy
- B) freemium
- C) cross subsidies
- D) zero marginal cost
- E) labor exchange

Answer: A

Page Ref: 85

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-4

Classification: Conceptual

63) Which of the following actions of a firm suggests that it is using the freemium approach to applying freeconomics?

- A) providing free services to customers and getting paid for it by third parties
- B) reducing the sale price of one item in order to sell something else of value
- C) distributing products to customers without an appreciable cost to anyone
- D) offering basic services for free, but charging a premium for special features
- E) allowing people to participate and collaborate to create something of value

Answer: D

Page Ref: 85

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-4

Classification: Conceptual

64) Musicmatch Jukebox is an all-in-one music management tool that was first marketed in 1999. Most users can use the Basic/Free version, but a \$19.99 upgrade provides extra features such as supertagging and faster ripping and burning. Which of the following explains this approach to applying freeconomics?

- A) labor exchange approach
- B) freemium approach
- C) zero marginal cost approach
- D) cross subsidies approach
- E) gift economy approach

Answer: B

Page Ref: 85

AACSB: Analytic Skills; Use of IT

Difficulty: Moderate

Objective: LO 2-4

Classification: Application

Course LO: Discuss the role of information systems in supporting business processes

65) Wikipedia is a free, Web-based, collaborative, multilingual encyclopedia project supported by the non-profit Wikimedia Foundation. Its 17 million articles have been written collaboratively by volunteers around the world, and almost all of its articles can be edited by anyone with access to the site. This allows people to participate and create something of value for everyone.

Wikipedia is pursuing a(n) _____ approach to applying freeconomics.

- A) gift economy
- B) zero marginal cost
- C) labor exchange
- D) cross subsidies
- E) freemium

Answer: A

Page Ref: 85

AACSB: Analytic Skills; Use of IT

Difficulty: Moderate

Objective: LO 2-4

Classification: Application

Course LO: Discuss the role of information systems in supporting business processes

66) Tele'Wire, a mobile manufacturer, offers free connections to customers who buy its mobile phones. This cost of connection is actually included in the price of the mobile phone. Tele'Wire is pursuing a(n) _____ approach to applying freeconomics.

- A) cross subsidies
- B) gift economy
- C) zero marginal cost
- D) advertising
- E) freemium

Answer: A

Page Ref: 85

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-4

Classification: Application

67) Web sites like ez-tracks and beemp3 pursue a(n) _____ approach to applying freeconomics when they offer free music downloads for users because reproduction and distribution of these products come at no cost.

- A) gift economy
- B) zero marginal cost
- C) advertising
- D) cross subsidies
- E) freemium

Answer: B

Page Ref: 86

AACSB: Analytic Skills; Use of IT

Difficulty: Moderate

Objective: LO 2-4

Classification: Application

Course LO: Discuss the role of information systems in supporting business processes

68) Unstructured decisions can be programmed directly into operational information systems so that they can be made with little or no human intervention.

Answer: FALSE

Page Ref: 53

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

69) At the executive level, information systems are typically used to optimize processes and to better understand the underlying causes of any performance problems.

Answer: FALSE

Page Ref: 53

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

70) Tactical-level decision making is more structured and routine than operational-level decision making.

Answer: FALSE

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

71) Managerial-level decision making is referred to as semistructured decision making.

Answer: TRUE

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

72) Executive-level decisions are referred to as unstructured decisions.

Answer: TRUE

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

73) With respect to the organizational decision making levels, top level managers typically focus on problems

within a specific business function, such as marketing or finance.

Answer: FALSE

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

74) For unstructured organizational decisions, few or no procedures to follow for a given situation can be specified in advance.

Answer: TRUE

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

75) Most organizations have three general decision-making levels: operational, managerial, and executive.

Answer: TRUE

Page Ref: 55

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

76) Operational, managerial, and executive decision-making levels are all supported by a single type of information system.

Answer: FALSE

Page Ref: 55

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

77) In an organizational setup, a functional area represents a discrete area of an organization that focuses on a specific set of activities.

Answer: TRUE

Page Ref: 55

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

78) Organizational learning is the ability of an organization to use past behavior and information to improve its business processes.

Answer: TRUE

Page Ref: 57

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

79) Organizational strategy is a firm's plan to accomplish its mission and goals as well as to gain or sustain competitive advantage over rivals.

Answer: TRUE

Page Ref: 58

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

80) In an organization, managers use value chain analysis to identify opportunities where information systems can be used to develop a competitive advantage.

Answer: TRUE

Page Ref: 61

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

81) Increased costs and reduced quality are implications for firms that face an increasing threat of new entrants in its markets.

Answer: FALSE

Page Ref: 62

AACSB: Analytic Skills

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

82) The use of information systems has become one of the primary ways that organizations improve their value chains.

Answer: TRUE

Page Ref: 63

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

83) Choosing and implementing an emerging information system is not sufficient to gain or sustain competitive advantage.

Answer: TRUE

Page Ref: 66

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

84) A home-replication strategy can be referred to as an international strategy.

Answer: TRUE

Page Ref: 66

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

85) The inability to react to local market conditions is a major disadvantage of firms pursuing a multidomestic business strategy.

Answer: FALSE

Page Ref: 67

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

86) In contrast to global organizations where most of the resources are centralized in different countries, different resources in a transnational company need to be centralized in the company's home country.

Answer: FALSE

Page Ref: 70

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-2

Classification: Conceptual

87) Risk tolerance for people within the organization should be low for the deployment of innovative information systems.

Answer: FALSE

Page Ref: 74-75

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-3

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

88) The e-business innovation cycle puts strategy ahead of technology.

Answer: FALSE

Page Ref: 81

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-3

Classification: Conceptual

Course LO: Describe the effects of e-commerce on the modern business world

89) Any industry that utilizes digital technologies is on a path toward increasingly lower costs, ultimately toward a price of free—or at least "free" for consumers.

Answer: TRUE

Page Ref: 82

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-4

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

90) The concept of freeconomics cannot be applied to industries other than Web e-mail or online searches.

Answer: FALSE

Page Ref: 85

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-4

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

91) Describe the differences between operational-level decision making and tactical-level decision making by managers in organizations.

Answer: At the operational level of a firm, the routine, day-to-day business processes and interactions with customers occur. Operational planning typically has a time frame of a few hours or days, and the managers at the operational level, such as foremen or supervisors, make day-to-day decisions that are highly structured and recurring.

At the managerial level (or tactical level) of the organization, functional managers focus on monitoring and controlling operational-level activities and providing information to higher levels of the organization. Managers at this level, referred to as mid-level managers, focus on effectively utilizing and deploying organizational resources to achieve the strategic objectives of the organization. Managerial-level decision making is not nearly as structured or routine as operational-level decision making. Managerial-level decision making is referred to as semistructured decision making because solutions and problems are not clear-cut and often require judgment and expertise.

Page Ref: 53-54

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-1

Classification: Synthesis

92) Explain the differences between tactical-level decision making and executive-level decision making by managers in organizations.

Answer: At the managerial level (or tactical level) of the organization, functional managers focus on monitoring and controlling operational-level activities and providing information to higher levels of the organization. Managers at this level, referred to as mid-level managers, focus on effectively utilizing and deploying organizational resources to achieve the strategic objectives of the organization. Managerial-level decision making is not nearly as structured or routine as operational-level decision making. Managerial-level decision making is referred to as semistructured decision making because solutions and problems are not clear-cut and often require judgment and expertise.

At the executive level (or strategic level) of the organization, managers focus on long-term strategic questions facing the organization, such as which products to produce, which countries to compete in, and what organizational strategy to follow. Executive-level decisions deal with complex problems with broad and long-term ramifications for the organization.

Page Ref: 54

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-1

Classification: Synthesis

93) Explain how information systems implemented in the operational level are different from those implemented at the strategic level.

Answer: Information systems at the operational level are designed to automate repetitive activities, such as sales transaction processing, and to improve the efficiency of business processes and the customer interface.

Information systems at the strategic level are used to obtain aggregate summaries of trends and projections of the future. At the executive level, information systems provide KPIs that are focused on balancing performance across the organization.

Page Ref: 53-55

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-1

Classification: Synthesis

Course LO: Discuss the role of information systems in supporting business processes

94) List Porter's primary competitive forces that analyze the competition within an industry.

Answer: Porter's primary competitive forces include:

1. rivalry among competing sellers in an industry
2. threat of potential new entrants into an industry
3. bargaining power that customers have within an industry
4. the bargaining power that suppliers have within an industry
5. the potential for substitute products from other industries

Page Ref: 61

AACSB: Dynamics of the Global Economy

Difficulty: Easy

Objective: LO 2-1

Classification: Conceptual

95) How are firms pursuing a global business strategy different from firms pursuing a multidomestic business strategy?

Answer: Firms pursuing a global business strategy work in a centralized fashion. As the decisions are made at the headquarters, the organization can be characterized as a centralized hub. The headquarters gives the overall strategic direction and thus has tight control of the entire company as well as the knowledge that is generated within the company. However, the need to achieve economies of scale prohibits implementation of local strategies, and thus a global company cannot quickly react to local challenges and opportunities. Here, data flows extensively from the subsidiaries to the home location, and the home location exerts strong control on the subsidiaries.

The multidomestic business strategy uses a loose federation of associated business units, each of which is rather independent in their strategic decisions. In other words, the degree of integration is very low, and the individual subunits can respond quickly to their respective market demands. Multidomestic companies can thus be extremely flexible and responsive to the needs and demands of local markets, and any opportunities arising in local markets can be quickly seized. However, working in a decentralized fashion, much of the knowledge generated is retained at the local subsidiaries, and knowledge transfer between the individual subsidiaries is often limited, leading to inefficiencies and mistakes that potentially can be repeated across subsidiaries. In sum, for companies following a multidomestic business strategy, very little data and control information flow between the home and subsidiary locations.

Page Ref: 68-69

AACSB: Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-2

Classification: Synthesis

96) Compare and contrast firms pursuing a global business strategy and a transnational business strategy.

Answer: A global business strategy works much more in a centralized fashion. As the decisions are made at the headquarters, the organization can be characterized as a centralized hub. The headquarters gives the overall strategic direction and thus has tight control of the entire company as well as the knowledge that is generated within the company. However, the need to achieve economies of scale prohibits implementation of local strategies, and thus a global company cannot quickly react to local challenges and opportunities. Here, data flows extensively from the subsidiaries to the home location, and the home location exerts strong control on the subsidiaries.

Companies using a transnational business strategy selectively decide which aspects of the organization should be under central control and which should be decentralized. This business strategy allows companies to leverage the flexibility offered by a decentralized organization (to be more responsive to local conditions) while at the same time reaping economies of scale enjoyed by centralization. However, this business strategy is also the most difficult, as the company has to strike a balance between centralization and decentralization. In contrast to global organizations, where most of the resources are centralized in a company's home country, different resources in a transnational company can be centralized in different countries, depending on where the company can achieve the greatest returns or cost savings.

Page Ref: 68, 70

AACSB: Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-2

Classification: Synthesis

97) Explain the organizational requirements for innovation.

Answer: There are three types of organizational requirements for innovation.

1. Process requirements: To deploy innovative information systems well, people in the organization must be willing to do whatever they can to bypass and eliminate internal bureaucracy, set aside political squabbles, and pull together for the common good.
2. Resource requirements: Organizations deploying innovative information systems must also have the human capital necessary to deploy the new systems. The organization must have enough employees available with the proper systems knowledge, skills, time, and other resources to deploy these systems. Alternatively, the organization must have resources and able systems partners available to outsource the development of such systems if necessary.
3. Risk tolerance requirements: The last characteristic of an organization ready for the deployment of innovative information systems is that its members must have the appropriate tolerance for risk and uncertainty as well as the willingness to deploy and use new systems that may not be as proven and pervasive as more traditional technologies. If people within the organization desire low risk in their use of information systems, then gambling on cutting-edge systems will probably not be desirable or tolerable for them.

Page Ref: 74-75

AACSB: Analytic Skills

Difficulty: Moderate

Objective: LO 2-3

Classification: Conceptual

98) Define disruptive innovation and how it leads to the innovator's dilemma.

Answer: Disruptive innovations are new technologies, products, or services that eventually surpass the existing dominant technology or product in a market. Within every market, there are customers who have relatively high, moderate, or low performance requirements from the existing product offerings. Over time, as disruptive innovations and incremental improvements are introduced into an industry, the capabilities of the products in all segments (i.e., low to high performance) improve; as product capabilities improve at the high-performance end of the market, the number of potential customers for these products gets relatively smaller. At the same time, as the low-end products also improve, they are increasingly able to capture more and more of the mainstream marketplace.

These developments caused by disruptive innovations, typically ignored by established market leaders, lead to decrease in their market dominance, leading to market failure—a term known as innovator's dilemma.

Page Ref: 76-78

AACSB: Use of IT

Difficulty: Difficult

Objective: LO 2-3

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes

99) Distinguish between the terms e-commerce and e-business.

Answer: E-commerce generally means the use of the Internet and related technologies to support commerce. E-business has a broader meaning: the use of nearly any information technologies or systems to support every part of the business.

Page Ref: 81

AACSB: Use of IT

Difficulty: Easy

Objective: LO 2-3

Classification: Conceptual

100) Discuss three new ways to think about investments in disruptive innovations as suggested by the e-business innovation cycle.

Answer: The e-business innovation cycle suggests three new ways to think about investments in disruptive innovations:

1. Put Technology Ahead of Strategy: This approach says that technology is so important to strategy and to success that you have to begin with technology. Given how important technology is today and how fast it changes, if you start with a strategy and then try to retrofit technology into your aging strategy, you are doomed. This approach argues that you begin by understanding technology and develop a strategy from there.

2. Put Technology Ahead of Marketing: The second way that this approach turns conventional wisdom on its head is that, like strategy, marketing also takes a backseat to the technology. A very traditional marketing-oriented approach would be to go first to your customers and find out from them what their needs are and what you ought to be doing with technology. The trouble with this approach is that, given the rapid evolution of technology, your customers are not likely to know about new technologies and their capabilities. They are the last place you ought to be looking for ideas about new technologies and their impact on your business. If they know about the new technology, then chances are your competitors already do too, meaning that this technology is not the one to rest your competitive advantage on.

3. Innovation Is Continuous: The third way that this approach is interesting—and potentially troubling—is that the process has to be ongoing. The Emerging Technologies group is constantly on the lookout for the "next new thing" that will revolutionize the business. The rate of information technology evolution is not likely to slow down, and innovative organizations truly cannot—and do not—ever rest.

Page Ref: 81-82

AACSB: Use of IT; Dynamics of the Global Economy

Difficulty: Moderate

Objective: LO 2-3

Classification: Conceptual

Course LO: Describe the effects of e-commerce on the modern business world

101) Define the term "freeconomics." Briefly explain the different approaches of freeconomics.
Answer: Freeconomics is the leveraging of digital technologies to provide free goods and services to customers as a business strategy for gaining a competitive advantage.

Typically firms can implement the following approaches for applying freeconomics to various industries:

1. Advertising - In this approach, services are provided free of charge to the customers and the firm is paid by a third party.
2. Freemium - In this approach, the firm provides free basic services to the customers, but charges them a premium for special services.
3. Cross subsidies - In this approach, the firm reduces the sale price of one item in order to sell something else of value.
4. Zero marginal cost - In this approach, products are distributed to customers without an appreciable cost to anyone.
5. Labor exchange - In this approach, the firm provides services to the customers; the act of using the services creates value for the company.
6. Gift economy - In this approach, the firm creates an environment that allows people to participate and collaborate to create something of value for everyone.

Page Ref: 83-86

AACSB: Analytic Skills; Use of IT

Difficulty: Moderate

Objective: LO 2-4

Classification: Conceptual

Course LO: Discuss the role of information systems in supporting business processes