Test Bank for Introduction to Information Systems 4th Wallace

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***Introduction to Information Systems, 4e* (Wallace)**
Chapter 2 Information Systems and *Strategy*

1) According to Porter's model, cost of transportation is one of the five forces that influence industry competition.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

2) The threat of new entrants in an industry is very high when start-ups can open a business with little capital and few employees.
Answer: TRUE
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

3) Network effects refer to the ability of a product to fit into a new system.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

4) The presence of loyalty programs reduces the customer's switching costs of a product or service.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

5) The power of suppliers is high when there are many suppliers in a market.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

6) The threat of substitutes is high when alternative products are available.
Answer: TRUE
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

7) Rivalry within an industry will be high if firms compete mainly on price.
Answer: TRUE
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

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8) Sustaining technologies are radical and unexpected breakthroughs that replace lower-end products and rapidly overtake high end products of the market.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

9) Creative destruction refers to an innovation that fails miserably and leads to huge losses within the industry.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

10) Government action can influence how Porter's five forces operate in industries.
Answer: TRUE
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

11) Companies are embedded in a complex ecosystem where events in one arena can affect the whole community.
Answer: TRUE
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

12) Procurement and technology support are primary activities of a value chain.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

13) A value chain can be extended by incorporating feedback from customers.
Answer: TRUE
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

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14) A benchmark is a baseline measurement considered as optimal, though it is sometimes simply an industry average.
Answer: TRUE
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

15) A low-cost leadership strategy means offering a highly differentiated product at a price that is lower than the market price.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

16) Differentiating the product or service for a particular market niche is called a product differentiation strategy.
Answer: FALSE
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

17) All types of organizational strategies leverage information systems to succeed.
Answer: TRUE
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

18) Since the operational requirements for nonprofits are completely different from businesses, information systems do not offer any strategic uses to nonprofits.
Answer: FALSE
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Easy

19) One area of e-government involves efforts to make unclassified information available to citizens via the internet.
Answer: TRUE
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Easy

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20) While IT consumes a significant amount of the funds required for running a business, the funds for growing an organization are closely tied to strategy, innovation, and competitive advantage.
Answer: TRUE
AACSB: Information Technology
Chapter LO: 6: Explain why the role of information systems in organizations shifts depending on whether the systems are deployed to run, grow, or transform the business.
Difficulty: Easy

21) Which of the following is true according to Porter's model?
A) When start-up costs are low, the threat of new entrants to existing businesses is high.
B) The power of buyers reduces when deep discounts can be demanded of suppliers.
C) The power of suppliers is high when constant competition forces them to innovate.
D) The threat of substitutes is high when there are very few or no alternative products.
Answer: A
AACSB: Information Technology
Chapter LO: 1: Describe Porter’s five competitive forces that shape industry competition.
Difficulty: Easy

22) Durall is a leading manufacturer of decorative crafts in Canada. Which of the following, if true, indicate the threat of new entrants is high for Durall?
A) Durall has a patent for its manufacturing process.
B) The crafts that Durall manufactures are low-priced.
C) The process of manufacturing the crafts is labor intensive.
D) The decorative crafts industry is capital intensive.
Answer: B
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter’s five competitive forces that shape industry competition.
Difficulty: Moderate

23) Orange, an online-gaming site, has millions of users. The site has many games which pit users against each other. The relative standing of each user is presented in the form of an elaborate ranking system for each game. Users pride themselves on gaining the highest points and the highest rank possible. This rise in user participation has increased the value of Orange significantly. This is an example of _____.
A) monopolistic competition
B) internal marketing
C) network effects
D) guerilla marketing
Answer: C
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter’s five competitive forces that shape industry competition.
Difficulty: Moderate

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24) Network effects refer to the _____.
A) increased value of a product or service because there are more people using it
B) additional costs incurred by customers when they change suppliers
C) leveraging influence of customers over suppliers
D) ability of suppliers to charge more due to a lack of competition
Answer: A
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

25) Which of the following best illustrates a network effect?
A) A fashion apparel outlet introduces a loyalty program for its customers.
B) A retailer provides discounts on bulk purchases.
C) A kitchenware manufacturer introduces a differentiated range of products.
D) A telecom service provider introduces a family plan that provides free calls within the family.
Answer: D
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

26) _____ are the costs that customers incur when they change suppliers.
A) Network costs
B) Switching costs
C) Overhead costs
D) Opportunity costs
Answer: B
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

27) Which of the following strategies is devised to raise switching costs?
A) A supermarket chain offers higher discounts to its regular customers.
B) A vendor reduces the range of products that it distributes to retailers.
C) An automotive company conducts a trade contest.
D) A company offers commission to its employees for pushing the company's products.
Answer: A
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

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28) Which of the following organizations face higher switching costs with respect to its information systems?
A) an organization that wants to automate its processes
B) an organization that moves it data center to cloud storage
C) an organization that spends considerable money and time implementing a commercial information system to manage its records
D) an organization that plans to implement open-source software
Answer: C
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

29) Which of the following companies will have the highest buying power?
A) a company that sells agricultural products procured from numerous farmers
B) a firm that is an exclusive dealer for an automotive company
C) a bank that borrows from the Federal Reserve
D) a company that procures IT services from a large software company
Answer: A
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

30) Melloc is one of many suppliers selling milk to retail customers. Since there are many sellers, price is a major determinant of market success. Which of the following statements about Melloc is true?
A) Melloc's customers must deal with higher switching costs.
B) Melloc will be able to dictate terms with its customers.
C) Melloc faces powerful buyers in the retail market.
D) Melloc has a strong control over the market.
Answer: C
AACSB: Reflective Thinking
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

31) If a supplier has a limited number of buyers, then the _____.
A) threat of substitutes is low
B) network effects are greater
C) buyers must deal with greater switching costs
D) buyers will have more power
Answer: D
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

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32) How did online markets affect the dynamics between buyers and suppliers?
A) It decreased the threat of new entrants in many industries.
B) It reduced the network effects of many products.
C) It increased the costs of switching.
D) It granted more power to the buyers.
Answer: D
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

33) Which of the following factors increases the power of suppliers?
A) disruptive innovation
B) high switching costs
C) low-scale operations
D) lack of competitive advantage
Answer: B
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

34) Carbon Automotive manufactures engines for different cars. The company supplies its products to leading car manufacturers in Europe and America. Which of the following statements indicates that Carbon has high bargaining power?
A) Carbon has only four customers and all of them are large companies.
B) Carbon's customers do not expect differentiation in its engines from one vehicle to another.
C) The selling point of many cars is that they contain Carbon engines.
D) The automobile industry in the United States is characterized by low levels of competition.
Answer: C
AACSB: Reflective Thinking
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Difficult

35) _____ is high in an industry when alternative products that offer attractive savings are available.
A) The power of suppliers
B) The threat of substitutes
C) Network effects
D) The switching cost
Answer: B
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

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36) Videoconferencing has evolved as an alternative for business travel. This best illustrates _____.
A) the threat of substitutes in a market
B) the absence of network effects
C) monopolistic competition in markets
D) increased power of suppliers
Answer: A
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

37) A substitute poses a greater threat when it _____.
A) operates in a different market in comparison with the focal product
B) has a similar nature to the focal product but operates in a different target market
C) provides the same focal product or service through different means
D) does not directly impact the profitability of another product or service
Answer: C
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

38) Which of the following results in decreased market profitability?
A) the absence of the threat of new entrants
B) intense rivalry among competitors, based on price
C) lack of competition among suppliers in an industry
D) a lack of leveraging power over suppliers
Answer: B
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Moderate

39) Rivalry in an industry is high when the _____.
A) industry is characterized by differentiation
B) market is in the development stage
C) purchasing power of buyers is low
D) companies mainly compete on price
Answer: D
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

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40) Which of the following is a valid observation on price-based rivalry among existing competitors?
A) It is damaging for the competitors and the industry in which they operate.
B) It leads to quality-based competition and innovation.
C) It results in hidden losses for the customers.
D) It decreases the price sensitivity of customers.
Answer: A
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

41) Competition is not severe in the telecommunications industry in Brazil. More than ninety percent of the market is dominated by four large players. Which of the following will increase the rivalry among these four players?
A) a government regulation hindering the entry of new players
B) a significant slowdown in market growth
C) a decision by one of the dominant players to launch its products in Argentina
D) a ban on internet telephony
Answer: B
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

42) A disruptive innovation is _____.
A) a new product or service that is harmful to society
B) a method used in production that raises environmental concerns
C) a new product or service that has the potential to reshape an industry
D) a technology that increases switching costs and entry barriers for newcomers
Answer: C
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

43) Which of the following is an example of a disruptive innovation?
A) Kodak launched a digital camera that did not need film.
B) Apple launched iPhone 4 replacing iPhone 3.
C) Ford introduced small cars for the middle class.
D) Land Rover markets most of its four-wheel drives in high-altitude regions.
Answer: A
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

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44) Which of the following illustrates a sustaining technology?
A) Digital cameras replaced cameras that required film.
B) Digital music sold over the internet replaced CDs.
C) LCD monitors were introduced to replace analog monitors.
D) Car manufacturers streamlined manufacturing processes with more automation.
Answer: D
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

45) Which of the following is most closely associated with sustaining technologies?
A) improvements that streamline existing processes
B) radical breakthrough that replaces low-end products
C) potential to reshape and reform an industry
D) association with new product or service, led by technology
Answer: A
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

46) Which of the following is an accurate justification for the view that the internet is the most important disruptive innovation of the twentieth century?
A) The internet rejigged existing business processes and streamlined them, giving many companies marginal advantages.
B) Switching costs have increased after the advent of the internet as a medium of trade.
C) The internet reduced entry barriers for newcomers and empowered buyers with more information.
D) Competition became oligopolistic with only a few companies investing in technology.
Answer: C
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

47) Creative destruction occurs when _____.
A) disruptive innovations threaten established players
B) sustaining technologies replace old procedures and processes
C) bad industrial practices are eradicated through government regulations
D) new products or services are introduced by underperforming players
Answer: A
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Difficulty: Easy

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48) Which of the following is true of creative destruction?
A) It makes use of illegal innovations and techniques to displace established businesses.
B) It presents newcomers with an opportunity to succeed against incumbents in an industry.
C) It happens when technologies that provide process-streamlining advantages come to the fore.
D) It increases the operational costs of the entire industry and reduces profits.
Answer: B
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

49) In the context of Porter's five forces, what impact will patents have on a business?
A) Patents will increase market competition.
B) Patents will increase the number of substitutes for a given product.
C) Patents will reduce the threat of new entrants in an industry.
D) Patents will reduce the bargaining power of suppliers.
Answer: C
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

50) Which of the following governmental actions increase the threat of new entrants in a market?
A) The Federal Reserve reduces the interest rates on credit for small businesses.
B) The Department of Commerce offers a patent to an existing player.
C) The government squeezes money from the market through open-market operations.
D) The Federal Reserve increases the cash reserve ratio to tackle inflation.
Answer: A
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

51) Which of the following is commonly used by organizations to influence the operation of Porter's five forces?
A) evasion of taxes
B) selling at prices below the existing market price
C) lobbying for governmental action
D) selling at prices above the existing market price
Answer: C
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Difficulty: Easy

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52) Which of the following pairs of products are complementary to each other?
A) computer and software
B) tea and coffee
C) petroleum and natural gas
D) gold and silver
Answer: A
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

53) Which of the following is true of an ecosystem?
A) An ecosystem insulates Porter's five forces against disruptive innovations.
B) Events in one arena of an ecosystem can affect an entire community.
C) The power of suppliers and the threat of new entrants are reduced in an ecosystem.
D) An ecosystem can reduce the complementary effect between products and services.
Answer: B
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

54) The ecosystem in which a company is embedded is a(n) _____.
A) natural community that is restricted to the members of its value chain
B) economic community that includes related industries
C) community focused entirely on the immediate competitors of a company
D) community constituted by markets that are not related to the company
Answer: B
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

55) In cloud computing, employees use information systems that are _____.
A) designed to perform without an internet connection
B) installed locally within an organization
C) hosted by a vendor in a data center shared by many other businesses
D) more expensive than locally-hosted versions
Answer: C
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

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56) Which of the following is based on the cloud computing concept?
A) an email system hosted locally in an organization's data center
B) an information system shared by two or more businesses and accessed via the internet
C) a standard operating system that can be installed on many computers
D) a mobile connection that supports voice and video calls
Answer: B
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

57) Which of the following is a fundamental characteristic of an ecosystem?
A) It opposes any moves to make fundamental changes in an industry.
B) It decreases the impact of the five forces on an industry.
C) It includes the related industries making complementary products and services, the competitors themselves, the suppliers, and the consumers.
D) It groups together multiple unrelated industries to reduce a domino effect or ripple effect.
Answer: C
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Moderate

58) The activities in the value chain that are directly related to the process by which products and services are created, marketed, sold, and delivered are called _____ activities.
A) composite
B) supporting
C) compound
D) primary
Answer: D
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

59) Which of the following best describes support activities?
A) It refers to activities directly related to the process by which products and services are created, marketed, sold, and delivered.
B) It refers to activities that help the transformation of raw materials into finished products.
C) It refers to processes including administration and management, human resources, procurement, and technology assistance.
D) It refers to activities that comprise multiple tasks and are performed by one person or department.
Answer: C
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

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60) Which of the following is a primary activity of an automobile manufacturer?
A) assembling automobile parts
B) administration and management of infrastructure
C) human resource management
D) inventory tracking
Answer: A
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Moderate

61) Which of the following is a support activity of a consumer goods manufacturer?
A) outbound logistics
B) marketing
C) customer service
D) procurement
Answer: D
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Moderate

62) Which of the following statements is true of the value chain?
A) The value chain ends when the customer buys a product.
B) The value chain includes primary and support activities used to produce a product.
C) The value chain's extended activities neither offer strategic opportunities nor risks.
D) The value chain does not involve the intermediaries that a company maintains.
Answer: B
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Moderate

63) Which of the following statements is true of the value chain?
A) Understanding a customer's own value chain does not offer strategic advantages to a company.
B) As the extended value chain lengthens, responsibility for harmful consequences becomes more diffuse.
C) The value chain ends at product delivery and any extension to it has no bearing on strategic advantages.
D) A company's value chain is limited to the internal activities of the company and does not depend on external factors.
Answer: B
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

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64) Which of the following actions of a sugar manufacturing company is an extension of its value chain beyond its own primary and support activities?
A) The company intensifies its marketing activities to cater to new customers.
B) The company buys a large sugarcane plantation in another country.
C) The company makes agreements with a few more distributors to extend the reach of its products.
D) The company launches a new promotional campaign to attract more buyers.
Answer: B
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Moderate

65) "Total value transfer of tangible goods happens at the point of sale." Which of the following statements contradicts this judgment?
A) The drive to reduce costs can lead to ethically questionable decisions.
B) Events in the external parts of the chain can also offer strategic opportunities.
C) The value chain does not end when the buyer pays for the product or service.
D) As the extended value chain lengthens, responsibility for harmful consequences becomes more diffuse.
Answer: C
AACSB: Reflective Thinking
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Moderate

66) Alduro Plastics, a utensils manufacturing company, decides to extend its value chain by acquiring a manufacturer of raw materials. Which of the following, if true, would most support Alduro's decision?
A) The company's major supplier displays a sloppy attitude while supplying materials.
B) The company's production schedule is seasonal.
C) The company has projected a growth of 8 percent for the current financial year.
D) The company's managing director has resigned recently.
Answer: A
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Moderate

67) A company incorporates contributions from buyers who help add value to the company's products and services. Which of the following best describes this action?
A) creation of a supply chain
B) performing a promotional activity
C) creation of a value chain
D) extension of the value chain
Answer: D
AACSB: Analytic Skills
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Difficulty: Easy

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68) eBay's customers enrich the website by reviewing products that they purchase. These reviews are used by buyers to evaluate sellers on eBay. eBay also provides special privileges to sellers who have higher ratings. This is an example of _____.
A) reverse engineering
B) value chain extension
C) focused strategy
D) niche marketing
Answer: B
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Moderate

69) Which of the following is a major ethical issue arising out of value chain extension?
A) Who is responsible when there is damage?
B) How many members should there be in the chain?
C) What should be the marketing strategy?
D) Should the company make revenue by expansion?
Answer: A
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

70) Which of the following is a shortcoming of the extended value chain?
A) It is difficult to allocate responsibility in the event of a mishap.
B) It reduces the strategic advantages offered by a shorter chain.
C) It alienates customers by not taking their opinions into account.
D) It cannot be expanded beyond the support activities of a company.
Answer: A
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

71) _____ is a reference point used as a baseline measurement.
A) A focused niche strategy
B) A value chain model
C) A benchmark
D) A strategic enabler
Answer: C
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

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72) An IT company uses industry average as a standard for measuring its financial performance. Here, the industry standard is used as a(n) _____.
A) scheme
B) outline
C) benchmark
D) objective
Answer: C
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Moderate

73) Which of the following is a useful benchmark for information systems?
A) the amount of IT spending per employee in an organization
B) the number of temporary employees in an organization
C) the number of unused computers in an organization
D) the number of monthly employee promotions in an organization
Answer: A
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

74) Roland Inc. is a fashion apparels retailer in the United States. It wants to measure how its investment is helping create value in comparison with its competitors. Which of the following metrics used by Roland can be classified as a benchmark in this scenario?
A) the number of leaves taken by employees
B) the total number of brand outlets
C) the average number of sales made per day
D) the number of customers on a sales promotion list
Answer: C
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

75) Which of the following is a key attribute of the low-cost leadership strategy?
A) providing unique add-ons to supplement the products or services
B) focusing on a specific market segment
C) optimizing the value chain by eliminating unwanted expenditures
D) offering products and services with superior qualities
Answer: C
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

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76) Which of the following illustrates a low-cost leadership strategy?
A) CGlass sells inexpensive, fashionable eyewear in comparison with its competitors.
B) Brown Valley offers huge discounts on bulk purchases from its retail outlets.
C) Clay Mansion imports ceramic vases from Europe and Asia.
D) Felt sells consumer durables through franchise outlets.
Answer: A
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

77) Southwest Airlines offers better fares compared to most of its competitors. This helps the company attract customers. Which of the following strategies is being used by Southwest Airlines?
A) product differentiation
B) focused strategy
C) focused differentiation
D) low-cost leadership strategy
Answer: D
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Moderate

78) Which of the following is essential if an organization is to follow a low-cost leadership strategy?
A) market leadership on product quality
B) relentless search for ways to reduce operating expenses
C) product differentiation to distinguish itself from competitors
D) focus on a segment or sector of the market
Answer: B
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

79) Which of the following statements describes the product differentiation strategy?
A) adding special features to a product for which customers are willing to pay more
B) selling the same product in more than one market at different price levels
C) pricing of product or services at moderate levels
D) selling a range of products across different geographical locations
Answer: A
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Difficulty: Easy

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80) How can a company avoid the trap of competing only on price?
A) by keeping the price at a level higher than the competitors
B) by following a pricing strategy inconsistent with the market equilibrium
C) by differentiating the products or services that it offers
D) by selling at a price much lower than the competition
Answer: C
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

81) Element Inc. manufactures a new range of smartphones to take on incumbent competitors. Element grabs a huge chunk of the market share in its first year because of its feature-rich smartphones. Element's smartphones come with bigger screen sizes, greater memory capacities, and a free online music subscription for two years. The competitors fail to lure customers despite massive price reductions. Which of the following strategies is being used by Element?
A) focused niche strategy
B) loss leader strategy
C) cost leadership strategy
D) product differentiation
Answer: D
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Moderate

82) Differentiating the product or service for a particular segment of the market is called a _____.
A) market leadership strategy
B) focused niche strategy
C) market penetration strategy
D) cost leadership strategy
Answer: B
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

83) Lifetime Television, an American cable television company, specifically targets female viewers. The channel is devoted to movies, sitcoms, and dramas that are either geared toward women or feature women in lead roles. This is an example of a _____ strategy.
A) market leadership
B) cost leadership
C) focused niche
D) price leadership
Answer: C
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Difficulty: Moderate

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84) Which of the following best describes the primary goal of a focused niche strategy?
A) adding special features or unique add-ons to a product for which customers agree to pay more
B) tailoring products and services based on the special preferences of a small group of customers
C) offering similar products at lower prices than competitors in a market
D) developing innovative products that threaten the survival of competitors' products
Answer: B
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Moderate

85) Which of the following companies has a focused niche strategy?
A) Playball, a merchandise company, customizes T-shirts based on customer requests.
B) Complus, a computer hardware manufacturer, offers discounts on bulk purchases.
C) Table Top, a clothing retailer, offers end-of-season sales.
D) Tracer, a fountain pen manufacturer, launches a new brand of pens.
Answer: A
AACSB: Analytic Skills
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Moderate

86) "The information and communications technology (ICT) component is at the very heart of the company's competitive advantage." Which of the following statements is the most accurate justification of this claim?
A) Companies benefit from cost savings made possible through information systems.
B) Cost of implementing technology has increased over a period of time.
C) Most businesses are involved in the sale of technical or technological services.
D) Established players in a market favor creative destruction over sustaining technologies.
Answer: A
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

87) "Low-cost leaders must automate their processes." Which of the following is the most compelling reason to support this argument?
A) Automation will help them differentiate their products.
B) Automation will help them reach a wider target audience.
C) Automation will help them eliminate costly human labor in certain activities.
D) Automation will help them improve their brand image.
Answer: C
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Moderate

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88) Which of the following is typically the biggest cost component in an organization's IT spending?
A) cost of keeping the IT services running
B) cost of buying computer hardware
C) cost of buying new software
D) cost of building IT infrastructure other than computers
Answer: A
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

89) Which of the following is a common way to decrease the IT spending of a company?
A) shifting to proprietary software
B) moving to cloud computing
C) increasing in-house IT personnel
D) reducing outsourcing operations
Answer: B
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

90) Which of the following best illustrates the strategic use of IT?
A) maintaining the IT systems of a company
B) establishing a data center to store key information
C) transforming the business model of an organization
D) licensing the software that a company will use
Answer: C
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

91) IT acts as a strategic enabler when _____.
A) a company's average IT spending per employee is very low
B) it focuses on the growth of an organization
C) it is used to create work schedules
D) employees learn to use IT services
Answer: B
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

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92) Which of the following is a tool used to reduce health care costs by digitizing patient history?
A) magnetic resonance imaging
B) ultrasonography
C) CT-scan
D) electronic medical record
Answer: D
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

93) Which of the following statements is true of a strategic enabler?
A) It supports the running of the business.
B) It reduces expenses in the day-to-day operations of a business.
C) It transforms a business or helps build a new business model.
D) It differentiates a product or services from a competitor's offerings.
Answer: C
AACSB: Information Technology
Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

94) Which of the following is a feature of nonprofit organizations that differentiates them from for-profit organizations?
A) lack of shareholders
B) lack of target customers
C) lack of stakeholders
D) lack of products or services
Answer: A
AACSB: Analytic Skills
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Easy

95) Why do nonprofit organizations stand to gain from using information systems, just like business?
A) Nonprofits, like businesses, spend huge amounts on IT maintenance.
B) Nonprofits and businesses have the same set of primary activities and secondary activities.
C) Like business, nonprofits are answerable to shareholders and stakeholders.
D) The operational requirements to run nonprofits are similar to the operational requirements for businesses.
Answer: D
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Easy

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96) Which of the following statements is true about the use of IT in nonprofit organizations?
A) Nonprofit organizations have no shareholders and do not require a dedicated IT strategy.
B) Nonprofit organizations do not require significant IT support unless they are transformational in nature.
C) Nonprofit organizations need IT support and strategy to achieve their objectives.
D) Nonprofit organizations need not invest in IT if their organizational objectives are not directly related to IT.
Answer: C
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Easy

97) Which of the following is a strong reason to believe that IT is essential to manage nonprofits?
A) Nonprofit organizations are generally bigger than for-profit businesses.
B) Operational requirements for nonprofits are similar to for-profit businesses.
C) Most nonprofit organizations have a concealed profit motive.
D) Many nonprofit organizations are supported and funded by for-profit businesses.
Answer: B
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Moderate

98) Why are the operational requirements to run nonprofits considered similar to businesses?
A) Operations such as payroll, accounting and finance, and human resources are essential for nonprofits.
B) Most nonprofit organizations generate profit in some way, and operations are essential for tax planning.
C) The objectives for for-profit organizations and nonprofit organizations are the same.
D) The branding requirements for for-profit organizations and nonprofit organizations are the same.
Answer: A
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Easy

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99) E-government involves _____.
A) a supply chain system specifically designed for foreign governments
B) governmental regulations concerning e-commerce
C) government activities targeting fraud
D) efforts to make unclassified information and services available to citizens online
Answer: D
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Easy

100) Which of the following statements is true of e-government?
A) It includes efforts to disclose classified information to the general public.
B) It saves people the time spent in commuting to and waiting at government offices.
C) It is limited to issues such as e-governance and tax collection, whereas nonprofits involve a larger variety of issues.
D) It addresses issues that are strategic in nature, whereas nonprofits use IT to address issues that are operational in nature.
Answer: B
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Moderate

101) Identify the project for which governmental funding is most critical.
A) a project to launch a new, low-cost car
B) a scheme to improve the financial status of a company
C) a research project on alternative energy sources
D) an infrastructure project that should be completed in one year
Answer: C
AACSB: Analytic Skills
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Moderate

102) New information systems will enable the creation of electric meters that run "backwards". Which of the following best explains this statement?
A) IT will allow customers to see their electricity bills online.
B) IT has been instrumental in reducing the global power consumption.
C) IT has not made any significant contribution to the field of electricity distribution and measurement.
D) IT will allow customers to contribute power from their own sources to the grid.
Answer: D
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Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Moderate

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103) Which of the following is true of IT spending in an organization?
A) Increased IT spending is usually associated with investor dissatisfaction and reduces companies' market value.
B) The funds used to run a business are mainly for the kinds of IT resources that now fall into the commodity category.
C) Since IT is only an operational requirement and not a strategic enabler, companies should seek to reduce IT spending.
D) Organizations should spend money on things that create a comparative advantage rather than on IT.
Answer: B
AACSB: Information Technology
Chapter LO: 6: Explain why the role of information systems in organizations shifts depending on whether the systems are deployed to run, grow, or transform the business.
Difficulty: Moderate

104) "IT resources have become a commodity." Which of the following statements best supports this claim?
A) IT resources to support operations are available to all the players in a market.
B) Implementation of IT resources increases employee productivity.
C) Technology helps organizations perform better than their competitors.
D) Most IT investments are applied to growing and transforming an organization.
Answer: A
AACSB: Information Technology
Chapter LO: 6: Explain why the role of information systems in organizations shifts depending on whether the systems are deployed to run, grow, or transform the business.
Difficulty: Moderate

105) CopyIT, a copy machine manufacturing company, sustains its investment in technological innovation, particularly in areas such as color science, digital imaging, and nanotechnology. These strategic investments, made only in specific areas, keep the company ahead of the competition. Which of the following messages does this example convey?
A) Large IT investments are essential for the success of a company in today's business environment.
B) Although many technologies are commodities, careful application of IT resources for innovation can add to competitive advantage.
C) Very little of the IT spending in today's business environment is concentrated on running a business.
D) IT investments on new technological advances are not necessary.
Answer: B
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Chapter LO: 6: Explain why the role of information systems in organizations shifts depending on whether the systems are deployed to run, grow, or transform the business.
Difficulty: Moderate

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106) List Porter's five forces.
Answer: Porter's model includes five interrelated forces that influence industry competition. The five forces are threat of new entrants, power of buyers, power of suppliers, threat of substitutes, and rivalry among existing competitors.
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

107) Explain the threat of new entrants to businesses.
Answer: The threat of new entrants in an industry is very high when startups open shop with little capital, few employees, and next to no experience. Incumbents in the industry must keep their prices low to ward off newcomers, so profitability suffers. New entrants might also come from established companies in other industries, whose leaders decide to diversify and encroach on another.
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

108) What are network effects? Provide an example.
Answer: Network effects refer to the increased value of a product or service that results simply because there are more people using it. A large customer base can be significant because of network effects. The value of Facebook, for example, is low if you can only connect a few people. However, the more people who use that social network, the more valuable it becomes to everyone.
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

109) What are switching costs?
Answer: Switching costs are the costs customers incur when they change suppliers. Loyalty programs and initial costs, among other strategies, increase the costs of switching. For example, switching costs are high in the business software industry because it is costly for companies to switch software vendors which would require changing processes, training programs, and new licensing fees.
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

110) Explain the power of buyers.
Answer: The power of buyers increases when they have leverage over suppliers and can demand deep discounts and special services. If a supplier has a small number of buyers, the supplier is at a disadvantage since losing even one buyer could be devastating. Buyer power also rises when many suppliers offer similar, undifferentiated products and the buyer can deal with any of them to get about the same product, with negligible switching costs.
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

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111) Explain the power of suppliers with an example.
Answer: The power of suppliers is the advantage sellers have when there is a lack of competition and they can charge more for their products and services. This is one of Porter's five competitive forces. Microsoft is an example. Given the dominance of its Windows operating system, PC assemblers around the world risk losing customers if they don't install it.
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

112) Explain how rivalry among competitors affects businesses.
Answer: The profitability of an industry and its competitive structure is affected by the intensity of rivalry among existing competitors, particularly with respect to how they are competing, and what they compete on. If firms compete mainly on price, rivalry is high, and the industry as a whole becomes less profitable because price cutting triggers rounds of retaliation and damaging price wars.
AACSB: Analytic Skills
Chapter LO: 1: Describe Porter's five competitive forces that shape industry competition.
Difficulty: Easy

113) What is a disruptive innovation? How is it different from sustaining technologies?
Answer: A disruptive innovation is a new product or service, often springing from technological advances, that has the potential to reshape an industry. For example, Kodak, Casio, Olympus, and other companies began offering digital cameras that needed no film in the 1990s, transforming the industry within a few short years. Sustaining technologies, on the other hand, offer important improvements to streamline existing processes and give companies marginal advantages.
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

114) What impact do government policies have on business? How do businesses try to influence government policies?
Answer: Government policies and funding priorities can have dramatic effects on how industries operate and how they evolve. Patents reduce the threat of new entrants. Organizations lobby heavily for government action to influence how the five forces operate. For instance, the government updates its dietary guidelines every five years, triggering intense lobbying efforts by food industries. Beef producers, for example, lobbied against any recommendation to reduce the amount of red meat. And ranchers are lobbying lawmakers to prevent the "meat" label from being applied to plant-based meat substitutes or lab-grown burgers.
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

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115) What impact does the ecosystem have on businesses?
Answer: Companies are embedded in a complex ecosystem, an economic community that includes the related industries making complementary products and services, the competitors, the suppliers, and the consumers. Events in one arena, particularly a disruptive innovation, ripple through the whole community, affecting all the players and the five forces for the industries involved.
AACSB: Analytic Skills
Chapter LO: 2: Explain how disruptive innovations, government policies, complementary products and services, and other factors affect how the competitive forces operate.
Difficulty: Easy

116) Explain Porter's value chain model and the types of activities involved in it.
Answer: Porter's value chain model describes the activities a company performs to create value as it brings in raw resources from suppliers, transforms them in some way, and then markets the product or service to buyers. In the model, the company performs primary activities directly related to the process by which products and services are created, marketed, sold, and delivered. Support activities encompass all the other processes and offices the company needs, including administration and management, human resources, procurement, and technology support.
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

117) What is a benchmark? Provide an example.
Answer: A benchmark is a reference point used as a baseline measurement. Often it indicates a measurement that would be considered optimal or best practices within the industry, though it is sometimes simply an industry average. For the value chain, one benchmark might be the percent of total budget allocated to each of the primary and support activities.
AACSB: Analytic Skills
Chapter LO: 3: Identify the components of the value chain, and explain its extended version.
Difficulty: Easy

118) Explain various competitive strategies in business, with examples.
Answer: The low-cost leadership strategy means offering a similar product at a lower price compared to competitors. A relentless search for ways to reduce operating expenses and achieve efficiencies pervades this strategy. An example is Walmart.
Another approach is product differentiation, adding special features or unique add-ons for which customers are willing to pay more. The strategy tends to reduce threats from substitute products and also erects barriers to new entrants. An example is Apple.
Differentiating the product or service for a particular market niche is called a focused niche strategy. Toyota, for instance, uses this strategy for some of its products, such as its line of electric vehicles that targets environment-friendly customers.
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Chapter LO: 4: Describe how information systems apply to competitive strategies for business.
Difficulty: Easy

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119) Explain the importance of IT for nonprofit organizations.
Answer: While nonprofit organizations have no shareholders, they do have objectives that need strategic planning and benefit from strategic use of information systems. Running, growing, and transforming the organization are all very relevant to nonprofits, just as they are to the for-profit world, and information systems play a key role.
Nonprofit organizations use IT for various operational requirements; they use information systems for payroll, accounting and finance, human resources, asset management, and related tasks. Many nonprofits also need information systems to track sales and customer transactions, since they may sell products and services, either as part of their mission or as ancillary activities.
AACSB: Information Technology
Chapter LO: 5: Explain how information systems apply to strategy for nonprofit organizations and governments.
Difficulty: Easy

120) Do you think the strategic importance of IT has been reduced? Explain your answer.
Answer: Some think that IT resources have become so commonplace that their strategic importance has diminished, and they have become a commodity-a widely available staple, much like electricity or rail transport. Although many technologies are indeed commodities, this view may not be true as it requires human innovation for sustainable advantage from technology. Innovative information systems in which creative people leverage technology to grow and transform the organization are critical for effective strategy. Student answers will vary.
AACSB: Information Technology
Chapter LO: 6: Explain why the role of information systems in organizations shifts depending on whether the systems are deployed to run, grow, or transform the business.
Difficulty: Moderate

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