Introduction to Information Systems 5th edition Wallace Test Bank

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TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

1) According to Porter's model, cost of transportation is one of the five forces that influence industry competition.
Answer: True False

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 False

3) Network effects refer to the ability of a product to fit into a new system.
Answer: True False

4) The presence of loyalty programs reduces the customer's switching costs of a product or service.
Answer: True False

5) The power of suppliers is high when there are many suppliers in a market.
Answer: True False

6) The threat of substitutes is high when alternative products are available.
Answer: True False

7) Rivalry within an industry will be high if firms compete mainly on price.
Answer: True False

8) Sustaining technologies are radical and unexpected breakthroughs that replace lower-end products and rapidly overtake high end products of the market.
Answer: True False

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9) Creative destruction refers to an innovation that fails miserably and leads to huge losses within the industry.
Answer: True False

10) Government action can influence how Porter's five forces operate in industries.
Answer: True False

11) Companies are embedded in a complex ecosystem where events in one arena can affect the whole community.
Answer: True False

12) Procurement and technology support are primary activities of a value chain.
Answer: True False

13) A value chain can be extended by incorporating feedback from customers.
Answer: True False

14) A benchmark is a baseline measurement considered as optimal, though it is sometimes simply an industry average.
Answer: True False

15) A low-cost leadership strategy means offering a highly differentiated product at a price that is lower than the market price.
Answer: True False

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16) Differentiating the product or service for a particular market niche is called a product differentiation strategy.
Answer: True ● False

17) All types of organizational strategies leverage information systems to succeed.
Answer: ● True False

18) Since the operational requirements for nonprofits are completely different from businesses, information systems do not offer any strategic uses to nonprofits.
Answer: True ● False

19) One area of e-government involves efforts to make unclassified information available to citizens via the internet.
Answer: ● True False

20) As the extended value chain lengthens, responsibility for harmful consequences becomes more diffuse.
Answer: ● True False

21) The drive to reduce costs due in Information Systems and Technology, particularly for firms that compete for low-cost leadership, can lead to ethically questionable decisions.
Answer: ● True False

22) Net neutrality is the concept that all internet traffic should be routed equally regardless of service provider.
Answer: ● True False

23) Information system and technology industries like software and semiconductors tend to have higher Net profit margins than traditional industries like transportation, restaurants, and apparel.
Answer: ● True False

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MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

24) Total Government IT spending is highest in what state?
A) Florida
B) California
C) New York
D) None of the above
Answer: B

25) What is the best way to compare government spending by state?
A) compare total dollars spent
B) compare state spending based on individual state's population
C) calculate a return on investment per service used
D) none of the above
Answer: B

26) What states have the highest IT spend per capita?
A) California, New York, North Carolina
B) Pennsylvania, Ohio, Texas
C) Massachusetts, Illinois, Virginia,
D) none of the above
Answer: C

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TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

27) 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 False

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

28) Which of the following is true according to Porter's model?
A) The power of suppliers is high when constant competition forces them to innovate.
B) The threat of substitutes is high when there are very few or no alternative products.
C) When start-up costs are low, the threat of new entrants to existing businesses is high.
D) The power of buyers reduces when deep discounts can be demanded of suppliers.

Answer: C

29) Durall is a leading manufacturer of decorative crafts in Canada. Which of the following, if true, indicates the threat of new entrants is high for Durall?
A) The process of manufacturing the crafts is labor intensive.
B) The crafts that Durall manufactures are low-priced.
C) The decorative crafts industry is capital intensive.
D) Durall has a patent for its manufacturing process.

Answer: B

30) 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 _____.
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A) internal marketing
B) network effects
C) monopolistic competition
D) guerilla marketing

Answer: B

31) Network effects refer to the _____.
A) ability of suppliers to charge more due to a lack of competition
B) increased value of a product or service because there are more people using it
C) leveraging influence of customers over suppliers
D) additional costs incurred by customers when they change suppliers

Answer: B

32) Which of the following best illustrates a network effect?
A) A retailer provides discounts on bulk purchases.
B) A kitchenware manufacturer introduces a differentiated range of products.
C) A telecom service provider introduces a family plan that provides free calls within the family.
D) A fashion apparel outlet introduces a loyalty program for its customers.

Answer: C

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33) _____ are the costs that customers incur when they change suppliers.
A) Overhead costs
B) Opportunity costs
C) Network costs
D) Switching costs

Answer: D

34) Which of the following strategies is devised to raise switching costs?
A) A company offers commission to its employees for pushing the company's products.
B) An automotive company conducts a trade contest.
C) A supermarket chain offers higher discounts to its regular customers.
D) A vendor reduces the range of products that it distributes to retailers.

Answer: C

35) 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 spends considerable money and time implementing a commercial information system to manage its records
C) an organization that plans to implement open-source software
D) an organization that moves its data center to cloud storage

Answer: B

36) Which of the following companies will have the highest buying power?
A) a bank that borrows from the Federal Reserve
B) a company that procures IT services from a large software company
C) a company that sells agricultural products procured from numerous farmers
D) a firm that is an exclusive dealer for an automotive company

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Answer: C

37) 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 has a strong control over the market.
B) Melloc will be able to dictate terms with its customers.
C) Melloc's customers must deal with higher switching costs.
D) Melloc faces powerful buyers in the retail market.

Answer: D

38) If a supplier has a limited number of buyers, then the _____.
A) buyers will have more power
B) buyers must deal with greater switching costs
C) network effects are greater
D) threat of substitutes is low

Answer: A

39) How did online markets affect the dynamics between buyers and suppliers?
A) It increased the costs of switching.
B) It reduced the network effects of many products.
C) It granted more power to the buyers.
D) It decreased the threat of new entrants in many industries.

Answer: C

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40) Which of the following factors increases the power of suppliers?
A) low-scale operations
B) disruptive innovation
C) high switching costs
D) lack of competitive advantage

Answer: C

41) 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) The selling point of many cars is that they contain Carbon engines.
B) Carbon has only four customers and all of them are large companies.
C) Carbon's customers do not expect differentiation in its engines from one vehicle to another.
D) The automobile industry in the United States is characterized by low levels of competition.

Answer: A

42) _____ 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) The switching cost
D) Network effects

Answer: B

43) Videoconferencing has evolved as an alternative for business travel. This best illustrates _____.
A) the absence of network effects
B) the threat of substitutes in a market
C) monopolistic competition in markets TBEXAM.COM
D) increased power of suppliers

Answer: B

44) A substitute poses a greater threat when it _____.
A) has a similar nature to the focal product but operates in a different target market
B) does not directly impact the profitability of another product or service
C) operates in a different market in comparison with the focal product
D) provides the same focal product or service through different means

Answer: D

45) Which of the following results in decreased market profitability?
A) a lack of leveraging power over suppliers
B) the absence of the threat of new entrants
C) lack of competition among suppliers in an industry
D) intense rivalry among competitors, based on price

Answer: D

46) Rivalry in an industry is high when the _____.
A) purchasing power of buyers is low
B) market is in the development stage
C) companies mainly compete on price
D) industry is characterized by differentiation

Answer: C

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47) 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 decreases the price sensitivity of customers.
C) It results in hidden losses for the customers.
D) It leads to quality-based competition and innovation.

Answer: A

48) 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 decision by one of the dominant players to launch its products in Argentina
B) a ban on internet telephony
C) a government regulation hindering the entry of new players
D) a significant slowdown in market growth

Answer: D

49) A disruptive innovation is _____.
A) a new product or service that has the potential to reshape an industry
B) a method used in production that raises environmental concerns
C) a new product or service that is harmful to society
D) a technology that increases switching costs and entry barriers for newcomers

Answer: A

50) Which of the following is an example of a disruptive innovation?
A) Land Rover markets most of its four-wheel drives in high-altitude regions.
B) Apple launched iPhone 4 replacing iPhone 3.
C) Ford introduced small cars for the middle class.
D) Kodak launched a digital camera that did not need film.

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Answer: D

51) Which of the following illustrates a sustaining technology?
A) Car manufacturers streamlined manufacturing processes with more automation.
B) Digital music sold over the internet replaced CDs.
C) Digital cameras replaced cameras that required film.
D) LCD monitors were introduced to replace analog monitors.

Answer: A

52) Which of the following is most closely associated with sustaining technologies?
A) association with a new product or service, led by technology
B) improvements that streamline existing processes
C) radical breakthrough that replaces low-end products
D) potential to reshape and reform an industry

Answer: B

53) 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) Switching costs have increased after the advent of the internet as a medium of trade.
B) The internet reduced entry barriers for newcomers and empowered buyers with more information.
C) Competition became oligopolistic with only a few companies investing in technology.
D) The internet rejigged existing business processes and streamlined them, giving many companies marginal advantages.

Answer: B

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

Answer: B

55) Which of the following is true of creative destruction?
A) It presents newcomers with an opportunity to succeed against incumbents in an industry.
B) It increases the operational costs of the entire industry and reduces profits.
C) It makes use of illegal innovations and techniques to displace established businesses.
D) It happens when technologies that provide process-streamlining advantages come to the fore.

Answer: A

56) In the context of Porter's five forces, what impact will patents have on a business?
A) Patents will reduce the bargaining power of suppliers.
B) Patents will reduce the threat of new entrants in an industry.
C) Patents will increase the number of substitutes for a given product.
D) Patents will increase market competition.

Answer: B

57) Which of the following governmental actions increase the threat of new entrants in a market?
A) The government squeezes money from the market through open-market operations.
B) The Federal Reserve increases the cash reserve ratio to tackle inflation.
C) The Federal Reserve reduces the interest rates on credit for small businesses.
D) The Department of Commerce offers a patent to an existing player.

Answer: C

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

Answer: B

59) Which of the following pairs of products are complementary to each other?
A) gold and silver
B) tea and coffee
C) petroleum and natural gas
D) computer and software

Answer: D

60) Which of the following is true of an ecosystem?
A) The power of suppliers and the threat of new entrants are reduced in an ecosystem.
B) Events in one arena of an ecosystem can affect an entire community.
C) An ecosystem can reduce the complementary effect between products and services.
D) An ecosystem insulates Porter's five forces against disruptive innovations.

Answer: B

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61) The ecosystem in which a company is embedded is a(n) _____.
A) economic community that includes related industries
B) community focused entirely on the immediate competitors of a company
C) community constituted by markets that are not related to the company
D) natural community that is restricted to the members of its value chain

Answer: A

62) In cloud computing, employees use information systems that are _____.
A) designed to perform without an internet connection
B) installed locally within an organization
C) more expensive than locally-hosted versions
D) hosted by a vendor in a data center shared by many other businesses

Answer: D

63) Which of the following is based on the cloud computing concept?
A) an email system hosted locally in an organization's data center
B) a standard operating system that can be installed on many computers
C) an information system shared by two or more businesses and accessed via the internet
D) a mobile connection that supports voice and video calls

Answer: C

64) Which of the following is a fundamental characteristic of an ecosystem?
A) It includes the related industries making complementary products and services, the competitors themselves, the suppliers, and the consumers.
B) It decreases the impact of the five forces on an industry.
C) It opposes any moves to make fundamental changes in an industry.
D) It groups together multiple unrelated industries to reduce a domino effect or ripple effect.

Answer: A

65) 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) primary
B) composite
C) compound
D) supporting

Answer: A

66) 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 activities that comprise multiple tasks and are performed by one person or department.
D) It refers to processes including administration and management, human resources, procurement, and technology assistance.

Answer: D

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67) Which of the following is a primary activity of an automobile manufacturer?
A) inventory tracking
B) human resource management
C) administration and management of infrastructure
D) assembling automobile parts

Answer: D

68) Which of the following is a support activity of a consumer goods manufacturer?
A) customer service
B) outbound logistics
C) marketing
D) procurement

Answer: D

69) 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 does not involve the intermediaries that a company maintains.
D) The value chain's extended activities neither offer strategic opportunities nor risks.

Answer: B

70) Which of the following statements is true of the value chain?
A) The value chain ends at product delivery and any extension to it has no bearing on strategic advantages.
B) Understanding a customer's own value chain does not offer strategic advantages to a company.
C) As the extended value chain lengthens, responsibility for harmful consequences becomes more diffuse.
D) A company's value chain is limited to the internal activities of the company and does not depend on external factors.

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Answer: C

71) 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 makes agreements with a few more distributors to extend the reach of its products.
B) The company intensifies its marketing activities to cater to new customers.
C) The company buys a large sugarcane plantation in another country.
D) The company launches a new promotional campaign to attract more buyers.

Answer: C

72) "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) As the extended value chain lengthens, responsibility for harmful consequences becomes more diffuse.
C) The value chain does not end when the buyer pays for the product or service.
D) Events in the external parts of the chain can also offer strategic opportunities.

Answer: C

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73) 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 production schedule is seasonal.
B) The company's major supplier displays a sloppy attitude while supplying materials.
C) The company's managing director has resigned recently.
D) The company has projected a growth of 8 percent for the current financial year.

Answer: B

74) 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) creation of a value chain
C) performing a promotional activity
D) extension of the value chain

Answer: D

75) 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) niche marketing
B) focused strategy
C) reverse engineering
D) value chain extension

Answer: D

76) Which of the following is a major ethical issue arising out of value chain extension?
A) What should be the marketing strategy?
B) Who is responsible when there is damage?
C) Should the company make revenue by expansion?
D) How many members should there be in the chain?

Answer: B

77) What functional area is where organizations spend the majority of their IT dollars?
A) running essential functions
B) transforming the organization
C) growing revenues
D) none of the above

Answer: A

78) The pandemic drastically long-term impacted businesses in what cost saving way?
A) reducing operations costs through cutting utilities
B) indicating what jobs could be worked remotely
C) leveraging the workforce to be more efficient
D) video conferencing to reduce travel expenses

Answer: D

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79) Carriers selling internet access need incentives to encourage investment in their network infrastructure and keep service at reasonable costs is an example of the _____.
A) case for net neutrality
B) case for subsidized internet
C) case against net neutrality
D) none of the above

Answer: C

80) The case for Net neutrality primarily benefits businesses and consumers in what way?
A) openness of information availability advocated for by non-profits
B) less costs for companies providing services over the internet allowing a level competitive field
C) more competition between internet providers reducing costs for consumers
D) all of the above

Answer: D

81) The Global Value Chain's role in vaccine development included _____.
A) widespread coordination for production in multiple countries and delivery
B) collaboration through 19 countries for components and suppliers
C) online webtools for appointments and monitoring
D) all of the Above

Answer: D

82) What is an example of the extended value chain in information systems?
A) Amazon customers writing reviews of products
B) TurboTax user forum that links to their software for tax questions
C) both A and B
D) neither A nor B

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Answer: C

83) Which of the following is a shortcoming of the extended value chain?
A) It cannot be expanded beyond the support activities of a company.
B) It reduces the strategic advantages offered by a shorter chain.
C) It is difficult to allocate responsibility in the event of a mishap.
D) It alienates customers by not taking their opinions into account.

Answer: C

84) _____ is a reference point used as a baseline measurement.
A) A value chain model
B) A benchmark
C) A strategic enabler
D) A focused niche strategy

Answer: B

85) An IT company uses the industry average as a standard for measuring its financial performance. Here, the industry standard is used as a(n) _____.
A) outline
B) scheme
C) benchmark
D) objective

Answer: C

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86) Which of the following is a useful benchmark for information systems?
A) the number of temporary employees in an organization
B) the number of unused computers in an organization
C) the number of monthly employee promotions in an organization
D) the amount of IT spending per employee in an organization

Answer: D

87) Roland Inc. is a fashion apparel 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 customers on a sales promotion list
B) the total number of brand outlets
C) the average number of sales made per day
D) the number of leaves taken by employees

Answer: C

88) Which of the following is a key attribute of the low-cost leadership strategy?
A) offering products and services with superior qualities
B) focusing on a specific market segment
C) optimizing the value chain by eliminating unwanted expenditures
D) providing unique add-ons to supplement the products or services

Answer: C

89) Which of the following illustrates a low-cost leadership strategy?
A) Clay Mansion imports ceramic vases from Europe and Asia.
B) Felt sells consumer durables through franchise outlets.
C) CGlass sells inexpensive, fashionable eyewear in comparison with its competitors.
D) Brown Valley offers huge discounts on bulk purchases from its retail outlets.

Answer: C

90) 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) low-cost leadership strategy
B) focused strategy
C) focused differentiation
D) product differentiation

Answer: A

91) Which of the following is essential if an organization is to follow a low-cost leadership strategy?
A) focus on a segment or sector of the market
B) product differentiation to distinguish itself from competitors
C) relentless search for ways to reduce operating expenses
D) market leadership on product quality

Answer: C

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

Answer: C

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93) How can a company avoid the trap of competing only on price?
A) by selling at a price much lower than the competition
B) by differentiating the products or services that it offers
C) by following a pricing strategy inconsistent with the market equilibrium
D) by keeping the price at a level higher than the competitors

Answer: B

94) 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) loss leader strategy
B) cost leadership strategy
C) product differentiation
D) focused niche strategy

Answer: C

95) Differentiating the product or service for a particular segment of the market is called a _____.
A) cost leadership strategy
B) focused niche strategy
C) market leadership strategy
D) market penetration strategy

Answer: B

96) 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) price leadership
C) cost leadership
D) focused niche

Answer: D

97) 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) developing innovative products that threaten the survival of competitors' products
D) offering similar products at lower prices than competitors in a market

Answer: B

98) Which of the following companies has a focused niche strategy?
A) Complus, a computer hardware manufacturer, offers discounts on bulk purchases.
B) Playball, a merchandise company, customizes T-shirts based on customer requests.
C) Table Top, a clothing retailer, offers end-of-season sales.
D) Tracer, a fountain pen manufacturer, launches a new brand of pens.

Answer: B

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99) "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) Most businesses are involved in the sale of technical or technological services.
B) Established players in a market favor creative destruction over sustaining technologies.
C) Cost of implementing technology has increased over a period of time.
D) Companies benefit from cost savings made possible through information systems.

Answer: D

100) "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 reach a wider target audience.
B) Automation will help them differentiate their products.
C) Automation will help them eliminate costly human labor in certain activities.
D) Automation will help them improve their brand image.

Answer: C

101) Which of the following is typically the biggest cost component in an organization's IT spending?
A) cost of buying new software
B) cost of keeping the IT services running
C) cost of building IT infrastructure other than computers
D) cost of buying computer hardware

Answer: B

102) Which of the following is a common way to decrease the IT spending of a company?
A) reducing outsourcing operations
B) shifting to proprietary software
C) moving to cloud computing
D) increasing in-house IT personnel

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Answer: C

103) Which of the following best illustrates the strategic use of IT?
A) licensing the software that a company will use
B) establishing a data center to store key information
C) maintaining the IT systems of a company
D) transforming the business model of an organization

Answer: D

104) IT acts as a strategic enabler when _____.
A) employees learn to use IT services
B) a company's average IT spending per employee is very low
C) it is used to create work schedules
D) it focuses on the growth of an organization

Answer: D

105) Which of the following is a tool used to reduce health care costs by digitizing patient history?
A) electronic medical record
B) ultrasonography
C) magnetic resonance imaging
D) CT-scan

Answer: A

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106) Which of the following statements is true of a strategic enabler?
A) It supports the running of the business.
B) It transforms a business or helps build a new business model.
C) It reduces expenses in the day-to-day operations of a business.
D) It differentiates a product or services from a competitor's offerings.
Answer: B

107) Which of the following is a feature of nonprofit organizations that differentiates them from for-profit organizations?
A) lack of products or services
B) lack of shareholders
C) lack of target customers
D) lack of stakeholders
Answer: B

108) Why do nonprofit organizations stand to gain from using information systems, just like a business?
A) Like businesses, nonprofits are answerable to shareholders and stakeholders.
B) Nonprofits, like businesses, spend huge amounts on IT maintenance.
C) The operational requirements to run nonprofits are similar to the operational requirements for businesses.
D) Nonprofits and businesses have the same set of primary activities and secondary activities.
Answer: C

109) Which of the following statements is true about the use of IT in nonprofit organizations?
A) Nonprofit organizations need not invest in IT if their organizational objectives are not directly related to IT.
B) Nonprofit organizations have no shareholders and do not require a dedicated IT strategy.
C) Nonprofit organizations do not require significant IT support unless they are transformational in nature.
D) Nonprofit organizations need IT support and strategy to achieve their objectives.
Answer: D

110) Which of the following is a strong reason to believe that IT is essential to manage nonprofits?
A) Many nonprofit organizations are supported and funded by for-profit businesses.
B) Operational requirements for nonprofits are similar to for-profit businesses.
C) Most nonprofit organizations have a concealed profit motive.
D) Nonprofit organizations are generally bigger than for-profit businesses.
Answer: B

111) Why are the operational requirements to run nonprofits considered similar to businesses?
A) The branding requirements for for-profit organizations and nonprofit organizations are the same.
B) The objectives of for-profit organizations and nonprofit organizations are the same.
C) Operations such as payroll, accounting and finance, and human resources are essential for nonprofits.
D) Most nonprofit organizations generate profit in some way, and operations are essential for tax planning.
Answer: C

112) E-government involves _____.
A) governmental regulations concerning e-commerce
B) efforts to make unclassified information and services available to citizens online
C) a supply chain system specifically designed for foreign governments
D) government activities targeting fraud
Answer: B

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113) Which of the following statements is true of e-government?
A) It is limited to issues such as e-governance and tax collection, whereas nonprofits involve a larger variety of issues.
B) It addresses issues that are strategic in nature, whereas nonprofits use IT to address issues that are operational in nature.
C) It saves people the time spent in commuting to and waiting at government offices.
D) It includes efforts to disclose classified information to the general public.

Answer: C

114) Identify the project for which governmental funding is most critical.
A) a research project on alternative energy sources
B) a project to launch a new, low-cost car
C) an infrastructure project that should be completed in one year
D) a scheme to improve the financial status of a company

Answer: A

115) 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 will allow customers to contribute power from their own sources to the grid.
C) IT has not made any significant contribution to the field of electricity distribution and measurement.
D) IT has been instrumental in reducing the global power consumption.

Answer: B

116) Which of the following is true of IT spending in an organization?
A) The funds used to run a business are mainly for the kinds of IT resources that now fall into the commodity category.
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B) Organizations should spend money on things that create a comparative advantage rather than on IT.
C) Increased IT spending is usually associated with investor dissatisfaction and reduces companies' market value.
D) Since IT is only an operational requirement and not a strategic enabler, companies should seek to reduce IT spending.

Answer: A

117) "IT resources have become a commodity." Which of the following statements best supports this claim?
A) Most IT investments are applied to growing and transforming an organization.
B) Technology helps organizations perform better than their competitors.
C) Implementation of IT resources increases employee productivity.
D) IT resources to support operations are available to all the players in a market.

Answer: D

118) 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) IT investments on new technological advances are not necessary.
B) Although many technologies are commodities, careful application of IT resources for innovation can add to competitive advantage.
C) Large IT investments are essential for the success of a company in today's business environment.
D) Very little of the IT spending in today's business environment is concentrated on running a business.

Answer: B

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ESSAY. Write your answer in the space provided or on a separate sheet of paper.

119) 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.

120) 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.

121) 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.

122) 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.

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123) 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.

124) 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.

125) 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.

126) 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.

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127) 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.

128) 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.

129) 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.

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130) 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.

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131) 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.

132) 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.

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133) 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.

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Answer Key
Testname: UNTITLED2

1) FALSE
ID: iso5w 2-1
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

2) TRUE
ID: iso5w 2-2
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

3) FALSE
ID: iso5w 2-3
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

4) FALSE
ID: iso5w 2-4
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

5) FALSE
ID: iso5w 2-5
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

6) TRUE
ID: iso5w 2-6
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

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7) TRUE
ID: iso5w 2-7
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

8) FALSE
ID: iso5w 2-8
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

9) FALSE
ID: iso5w 2-9
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

10) TRUE
ID: iso5w 2-10
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

11) TRUE
ID: iso5w 2-11
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

12) FALSE
ID: iso5w 2-12
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

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Answer Key
Testname: UNTITLED2

13) TRUE
ID: iso5w 2-13
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

14) TRUE
ID: iso5w 2-14
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

15) FALSE
ID: iso5w 2-15
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

16) FALSE
ID: iso5w 2-16
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

17) TRUE
ID: iso5w 2-17
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

18) FALSE
ID: iso5w 2-18
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

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19) TRUE
ID: iso5w 2-19
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

20) TRUE
ID: iso5w 2-20
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

21) TRUE
ID: iso5w 2-21
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

22) TRUE
ID: iso5w 2-22
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

23) TRUE
ID: iso5w 2-23
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

24) B
ID: iso5w 2-24
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

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Answer Key
Testname: UNTITLED2

25) B
ID: iso5w 2-25
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

26) C
ID: iso5w 2-26
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

27) TRUE
ID: iso5w 2-27
Diff: 0
Chapter LO: 2.6 Explain how information systems are deployed to run, grow, or transform the business.

28) C
ID: iso5w 2-28
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

29) B
ID: iso5w 2-29
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

30) B
ID: iso5w 2-30
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

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31) B
ID: iso5w 2-31
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

32) C
ID: iso5w 2-32
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

33) D
ID: iso5w 2-33
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

34) C
ID: iso5w 2-34
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

35) B
ID: iso5w 2-35
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

36) C
ID: iso5w 2-36
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

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Answer Key
Testname: UNTITLED2

37) D
ID: iso5w 2-37
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

38) A
ID: iso5w 2-38
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

39) C
ID: iso5w 2-39
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

40) C
ID: iso5w 2-40
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

41) A
ID: iso5w 2-41
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

42) B
ID: iso5w 2-42
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

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43) B
ID: iso5w 2-43
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

44) D
ID: iso5w 2-44
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

45) D
ID: iso5w 2-45
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

46) C
ID: iso5w 2-46
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

47) A
ID: iso5w 2-47
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

48) D
ID: iso5w 2-48
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

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49) A
ID: iso5w 2-49
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

50) D
ID: iso5w 2-50
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

51) A
ID: iso5w 2-51
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

52) B
ID: iso5w 2-52
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

53) B
ID: iso5w 2-53
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

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54) B
ID: iso5w 2-54
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

55) A
ID: iso5w 2-55
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

56) B
ID: iso5w 2-56
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

57) C
ID: iso5w 2-57
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

58) B
ID: iso5w 2-58
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

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Answer Key
Testname: UNTITLED2

59) D
ID: iso5w 2-59
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

60) B
ID: iso5w 2-60
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

61) A
ID: iso5w 2-61
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

62) D
ID: iso5w 2-62
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

63) C
ID: iso5w 2-63
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

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64) A
ID: iso5w 2-64
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

65) A
ID: iso5w 2-65
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

66) D
ID: iso5w 2-66
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

67) D
ID: iso5w 2-67
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

68) D
ID: iso5w 2-68
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

69) B
ID: iso5w 2-69
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

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Answer Key
Testname: UNTITLED2

70) C
ID: iso5w 2-70
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

71) C
ID: iso5w 2-71
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

72) C
ID: iso5w 2-72
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

73) B
ID: iso5w 2-73
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

74) D
ID: iso5w 2-74
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

75) D
ID: iso5w 2-75
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

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76) B
ID: iso5w 2-76
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

77) A
ID: iso5w 2-77
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

78) D
ID: iso5w 2-78
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

79) C
ID: iso5w 2-79
Diff: 0
Chapter LO: 2.6 Explain how information systems are deployed to run, grow, or transform the business.

80) D
ID: iso5w 2-80
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

81) D
ID: iso5w 2-81
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

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Answer Key
Testname: UNTITLED2

82) C
ID: iso5w 2-82
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

83) C
ID: iso5w 2-83
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

84) B
ID: iso5w 2-84
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

85) C
ID: iso5w 2-85
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

86) D
ID: iso5w 2-86
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

87) C
ID: iso5w 2-87
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

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88) C
ID: iso5w 2-88
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

89) C
ID: iso5w 2-89
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

90) A
ID: iso5w 2-90
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

91) C
ID: iso5w 2-91
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

92) C
ID: iso5w 2-92
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

93) B
ID: iso5w 2-93
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

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Answer Key
Testname: UNTITLED2

94) C
ID: iso5w 2-94
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

95) B
ID: iso5w 2-95
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

96) D
ID: iso5w 2-96
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

97) B
ID: iso5w 2-97
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

98) B
ID: iso5w 2-98
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

99) D
ID: iso5w 2-99
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

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100) C
ID: iso5w 2-100
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

101) B
ID: iso5w 2-101
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

102) C
ID: iso5w 2-102
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

103) D
ID: iso5w 2-103
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

104) D
ID: iso5w 2-104
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

105) A
ID: iso5w 2-105
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

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Answer Key
Testname: UNTITLED2

106) B
ID: iso5w 2-106
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

107) B
ID: iso5w 2-107
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

108) C
ID: iso5w 2-108
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

109) D
ID: iso5w 2-109
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

110) B
ID: iso5w 2-110
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

111) C
ID: iso5w 2-111
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

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112) B
ID: iso5w 2-112
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

113) C
ID: iso5w 2-113
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

114) A
ID: iso5w 2-114
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

115) B
ID: iso5w 2-115
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

116) A
ID: iso5w 2-116
Diff: 0
Chapter LO: 2.6 Explain how information systems are deployed to run, grow, or transform the business.

117) D
ID: iso5w 2-117
Diff: 0
Chapter LO: 2.6 Explain how information systems are deployed to run, grow, or transform the business.

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Answer Key
Testname: UNTITLED2

118) B
ID: iso5w 2-118
Diff: 0
Chapter LO: 2.6 Explain how information systems are deployed to run, grow, or transform the business.

119) 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.
ID: iso5w 2-119
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

120) 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.
ID: iso5w 2-120
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

121) 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.
ID: iso5w 2-121
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

122) 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.
ID: iso5w 2-122
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

123) 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.
ID: iso5w 2-123
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

124) 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.
ID: iso5w 2-124
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

125) 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.
ID: iso5w 2-125
Diff: 0
Chapter LO: 2.1 Describe Porter's five competitive forces that shape industry competition.

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126) 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.
ID: iso5w 2-126
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

127) 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.
ID: iso5w 2-127
Diff: 0
Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

128) 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.
ID: iso5w 2-128
Diff: 0
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Chapter LO: 2.2 Explain how disruptive innovations, government policies, and other factors affect how the competitive forces operate.

129) 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.
ID: iso5w 2-129
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

130) 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.
ID: iso5w 2-130
Diff: 0
Chapter LO: 2.3 Identify the components of the value chain, and explain its extended version.

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131) 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.
ID: iso5w 2-131
Diff: 0
Chapter LO: 2.4 Describe how information systems apply to competitive strategies for business.

132) 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.
ID: iso5w 2-132
Diff: 0
Chapter LO: 2.5 Explain how information systems apply to strategy for nonprofit organizations and governments.

133) 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.
ID: iso5w 2-133
Diff: 0
Chapter LO: 2.6 Explain how information systems are deployed to run, grow, or transform the business.

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