

## Chapter 02: Information Systems in Organizations

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### TRUE/FALSE

1. While information systems were once used primarily to automate manual processes, they have transformed the nature of work and the shape of organizations themselves.

ANS: T                      PTS: 1

REF: Why Learn about Information Systems in Organizations?

2. An organization is a system, which means that it has inputs, processing, outputs, and feedback.

ANS: T                      PTS: 1                      REF: Organizations and Information Systems

3. An organization's structure is independent of its goals and approach to management.

ANS: F                      PTS: 1                      REF: Organizations and Information Systems

4. Organizational culture consists of the major understandings and assumptions for a business or other organization.

ANS: T                      PTS: 1                      REF: Organizations and Information Systems

5. Reengineering and continuous improvement mean the same thing.

ANS: F                      PTS: 1                      REF: Organizations and Information Systems

6. Just-in-time inventory is likely to lead to increased inventory costs and lower customer satisfaction.

ANS: F                      PTS: 1                      REF: Organizations and Information Systems

7. Sustaining change almost always harms an organization while disruptive change almost always help an organization.

ANS: F                      PTS: 1                      REF: Organizations and Information Systems

8. The idea of a value chain is not significant to organizations that do not manufacture products.

ANS: F                      PTS: 1                      REF: Organizations and Information Systems

9. The contemporary view of the role of information systems is that they are so intimately involved that they are part of the process itself.

ANS: T                      PTS: 1                      REF: Organizations and Information Systems

10. Disruptive change often results in new, successful companies and offers consumers the potential of new products and services at reduced costs and superior performance.

ANS: T                      PTS: 1                      REF: Organizations and Information Systems

11. The degree to which an organization supports its use is not an important factor that can lead to better attitudes about an information system.

ANS: F                      PTS: 1                      REF: Organizations and Information Systems

12. Studies have shown that user satisfaction and technology acceptance are not particularly significant in healthcare as professional in this industry are quick to learn and accept new technology.

ANS: F                      PTS: 1                      REF: Organizations and Information Systems

13. An organization can have a high level of infusion in one part of its operations and a low level of diffusion overall.

ANS: T                      PTS: 1                      REF: Organizations and Information Systems

14. If an organization has a high level of both diffusion and infusion, with computers throughout the organization, information systems are being used to their full potential.

ANS: F                      PTS: 1                      REF: Organizations and Information Systems

15. One organization can spend less than another on information systems but still get better value.

ANS: T                      PTS: 1                      REF: Organizations and Information Systems

16. According to Porter's five-forces model, the more these forces combine in any instance, the less likely firms will seek competitive advantage and the less dramatic the results of such an advantage will be.

ANS: F                      PTS: 1                      REF: Competitive Advantage

17. Few organizations believe it necessary to align IS goals and organizational goals to achieve a competitive advantage.

ANS: F                      PTS: 1                      REF: Competitive Advantage

18. When the threat of new market entrants is high, the desire to seek and maintain competitive advantage to dissuade new entrants is also usually high.

ANS: T                      PTS: 1                      REF: Competitive Advantage

19. Today, companies are shifting from strategic management to performance-based management of their information systems and carefully consider both strategic advantage and costs.

ANS: T                      PTS: 1                      REF: Performance-Based Information Systems

20. Improved productivity can result in faster customer response, lower costs, and increased customer satisfaction.

ANS: T                      PTS: 1                      REF: Performance-Based Information Systems

21. A small business that generates an additional profit of \$25,000 for the year as a result of an investment of \$100,000 in information systems would have a return on investment of 4 to 1.

ANS: F                      PTS: 2                      REF: Performance-Based Information Systems

22. ROI calculations can be complex, including investment returns over multiple years and the impact of the time value of money.

ANS: T                      PTS: 1                      REF: Performance-Based Information Systems

23. Information systems can help bring new products and services in less time thus reducing time to market.

ANS: T                      PTS: 1                      REF: Performance-Based Information Systems

24. Because of the difficulty in determining all the costs, total cost of ownership is seldom used to plan for and maximize the value of IS investments.

ANS: F                      PTS: 1                      REF: Performance-Based Information Systems

25. Non-technical skills such as communications skills and knowledge of the organization are not important to IS personnel.

ANS: F                      PTS: 1                      REF: Careers in Information Systems

26. Opportunities in information systems are available to people from foreign countries, including Russia and India.

ANS: T                      PTS: 1                      REF: Careers in Information Systems

27. The role of a systems analyst is narrowly defined and seldom involves communications with others.

ANS: F                      PTS: 1                      REF: Careers in Information Systems

28. The systems development organization focuses solely on the development of new information systems and seldom becomes involved in maintenance and review of information systems.

ANS: F                      PTS: 1                      REF: Careers in Information Systems

29. A specialized support group often sets guidelines and standards for the rest of the organization to follow in making IS purchases.

ANS: T                      PTS: 1                      REF: Careers in Information Systems

30. The IS support organization is a multi-faceted group providing user assistance in hardware and software acquisition and use, data administration, user training and assistance, and software development.

ANS: F                      PTS: 1                      REF: Careers in Information Systems

## **MULTIPLE CHOICE**

1. The ability of an organization to achieve its goals is often a function of the organization's \_\_\_\_\_
- a. overall structure
  - b. culture
  - c. ability to change
  - d. all of the above

ANS: D                      PTS: 1                      REF: Organizations and Information Systems

2. The value chain of an organization does NOT include this activity \_\_\_\_\_
- a. inbound logistics
  - b. production
  - c. marketing and sales
  - d. distribution



11. The \_\_\_\_\_ organizational structure empowers employees at lower levels to make decisions and solve problems without needing permission from midlevel managers.
- a. virtual
  - b. traditional
  - c. flat
  - d. project management team
- ANS: C                      PTS: 1                      REF: Organizations and Information Systems
12. Which one the following was NOT one of five forces identified in Michael Porter's competitive forces model \_\_\_\_\_
- a. the rivalry among existing competitors
  - b. the threat of new entrants
  - c. the threat of substitute products and services
  - d. the threat of new information systems
- ANS: D                      PTS: 1                      REF: Competitive Advantage
13. Which of the following statements is true about the characteristics of a highly competitive industry \_\_\_\_\_
- a. they have low fixed costs for entering or leaving the industry
  - b. there are high degrees of product differentiation
  - c. there are few competitors
  - d. there tend to be more firms seeking competitive advantage
- ANS: D                      PTS: 1                      REF: Competitive Advantage
14. Introducing new products and services frequently is part of a(n) \_\_\_\_\_ competitive advantage strategy
- a. differentiation
  - b. creating new products and services
  - c. altering the industry
  - d. improving existing product lines and services
- ANS: B                      PTS: 1                      REF: Competitive Advantage
15. If an industry has low entry and exit costs and the technology needed to start and maintain a business is commonly available, this creates \_\_\_\_\_.
- a. a threat of new entrants
  - b. a threat of substitute products and services
  - c. increased bargaining power of customers and suppliers
  - d. all of the above
- ANS: A                      PTS: 1                      REF: Competitive Advantage
16. \_\_\_\_\_ is a competitive advantage strategy that Walmart and other retailers have followed for years and focuses on becoming more efficient and reducing costs.
- a. Differentiation
  - b. Niche strategy
  - c. Creating new products and services
  - d. Cost leadership
- ANS: D                      PTS: 1                      REF: Competitive Advantage
17. Porsche is an example of a company with a \_\_\_\_\_ strategy for gaining competitive advantage, producing only high-performance sports cars and SUVs.
- a. differentiation
  - b. niche
  - c. cost leadership
  - d. altering the industry
- ANS: B                      PTS: 1                      REF: Competitive Advantage
18. In the restaurant industry, competition is fierce primarily because \_\_\_\_\_
- a. entry costs are low
  - b. the bargaining power of buyers
  - c. the bargaining power of suppliers
  - d. the rapid deployment of IS solutions

ANS: A                      PTS: 1                      REF: Competitive Advantage

19. In the initial phase in their use of information systems, organizations focused on \_\_\_\_\_
- a. using information systems to reduce costs and improve productivity
  - b. gaining competitive advantage
  - c. both reducing costs and gaining competitive advantage
  - d. using the most current technology available

ANS: A                      PTS: 1                      REF: Performance-Based Information Systems

20. Which of these is NOT a measure of performance used to evaluate the contribution of information systems to the business?
- a. return on investment
  - b. productivity
  - c. net present value
  - d. none of the above

ANS: D                      PTS: 1                      REF: Performance-Based Information Systems

21. \_\_\_\_\_ investigates the additional profits or benefits that are generated as a percentage of the investment in IS technology.
- a. Net present value
  - b. Return on investment
  - c. Earnings growth
  - d. Market share

ANS: B                      PTS: 1                      REF: Performance-Based Information Systems

22. Total cost of ownership includes these costs
- a. cost to acquire an item
  - b. technical support costs
  - c. end-user costs
  - d. all of the above

ANS: D                      PTS: 1                      REF: Performance-Based Information Systems

23. A visa program that enables skilled employees from foreign lands into the United States.
- a. L-1B
  - b. H-1B
  - c. 4F
  - d. all of the above

ANS: B                      PTS: 1                      REF: Careers in Information Systems

24. \_\_\_\_\_ are responsible for scheduling, hardware maintenance, and preparing input and output.
- a. Data-entry operators
  - b. System operators
  - c. Web operators
  - d. Local area network operators

ANS: B                      PTS: 1                      REF: Careers in Information Systems

25. Data entry personnel would be found primarily in the \_\_\_\_\_ organization of the IS group.
- a. systems development
  - b. operations
  - c. support
  - d. information center

ANS: B                      PTS: 1                      REF: Careers in Information Systems

## COMPLETION

1. A(n) \_\_\_\_\_ is a formal collection of people and other resources established to accomplish a set of goals.

ANS: organization

PTS: 1 REF: Organizations and Information Systems

2. Delivering products and services to customers is the end of most organization's \_\_\_\_\_.

ANS: supply chain

PTS: 1 REF: Organizations and Information Systems

3. Combining a value chain with \_\_\_\_\_ inventory means companies can deliver materials or parts when they are needed.

ANS: just in time

PTS: 1 REF: Organizations and Information Systems

4. A strength of the use of \_\_\_\_\_ teams is that it helps ensure the participation of the best available people to solve important organizational problems.

ANS: virtual

PTS: 1 REF: Organizations and Information Systems

5. \_\_\_\_\_ is a set of major understandings and assumptions shared by a group, such as within an ethnic group or country.

ANS: Culture

PTS: 1 REF: Organizations and Information Systems

6. Through adding \_\_\_\_\_ or worth, organizations attempt to increase performance and achieve their goals.

ANS: value

PTS: 1 REF: Organizations and Information Systems

7. Organizational \_\_\_\_\_ deals with how organizations plan for, implement, and handle change.

ANS: change

PTS: 1 REF: Organizations and Information Systems

8. The \_\_\_\_\_ model specifies the factors that can lead to better attitudes about the information system, along with higher acceptance and usage of the system in an organization.

ANS: technology acceptance

PTS: 1 REF: Organizations and Information Systems

9. The design department of an architectural firm that uses computers in all aspects of its design work would be said to have a high level of \_\_\_\_\_.

ANS: infusion

PTS: 1 REF: Organizations and Information Systems

10. \_\_\_\_\_ means the ability of a product or a service to meet or exceed customer expectations.

ANS: quality

PTS: 1 REF: Organizations and Information Systems

11. In the transformation mechanism of organizational system, subsystems contain \_\_\_\_\_ that help turn inputs into goods or services of increased value.

ANS: processed

PTS: 1 REF: Organizations and Information Systems

12. A(n) \_\_\_\_\_ is a significant and (ideally) long-term benefit to a company over its competition.

ANS: competitive advantage

PTS: 1 REF: Competitive Advantage

13. To be competitive, an organization must also \_\_\_\_\_ its IS strategy with general business strategies and objectives.

ANS: align

PTS: 1 REF: Competitive Advantage

14. The \_\_\_\_\_ strategy for competitive advantage involves producing a variety of products, giving customers more choices, or delivering higher quality products and services.

ANS: differentiation

PTS: 1 REF: Competitive Advantage

15. Porter's \_\_\_\_\_ model is a widely accepted model that identifies the key factors that can lead to attainment of competitive advantage.

ANS: five-forces

PTS: 1 REF: Competitive Advantage

16. A(n) \_\_\_\_\_, also called a strategic partnership, is an agreement between two or more companies that involves the joint production and distribution of goods and services.

ANS: strategic alliance

PTS: 1 REF: Competitive Advantage

17. \_\_\_\_\_ = (output / input) x 100%

ANS: Productivity

PTS: 1 REF: Performance-Based Information Systems



18. This balanced approach in the use of information systems that attempts to reduce costs and increase revenues is called \_\_\_\_\_ management of information systems.

ANS: performance-based

PTS: 1 REF: Performance-Based Information Systems

19. \_\_\_\_\_ is the sum of all costs over the life of the information system.

ANS: Total cost of ownership

PTS: 1 REF: Performance-Based Information Systems

20. The \_\_\_\_\_ visa program is often used for intracompany transfers for multinational companies.

ANS: L-1

PTS: 1 REF: Careers in Information Systems

21. The IS organization has three primary responsibilities including operations, systems development, and \_\_\_\_\_

ANS: support

PTS: 1 REF: Careers in Information Systems

22. A(n) \_\_\_\_\_ administrator focuses on the planning, policies, and procedures regarding the use of corporate data and information.

ANS: database

PTS: 1 REF: Careers in Information Systems

23. Because IS hardware and software are costly, a specialized \_\_\_\_\_ group manages computer hardware and software acquisitions.

ANS: support

PTS: 1 REF: Careers in Information Systems

24. The \_\_\_\_\_ component of the IS organization typically operates the information center.

ANS: support

PTS: 1 REF: Careers in Information Systems

25. The \_\_\_\_\_ service unit is basically a miniature IS department attached and directly reporting to a functional area in a large organization.

ANS: information

PTS: 1 REF: Careers in Information Systems

## ESSAY

1. Define the term value chain and briefly discuss the purpose of the supply chain component.

ANS:

The value chain is a series of activities that includes inbound logistics, warehouse and storage, production and manufacturing, finished product storage, outbound logistics, marketing and sales, and customer service. An analysis of each activity of the value chain of an organization reveals how to increase the value perceived by the customer. The supply chain component determines what supplies are required for the value chain, what quantities are needed to meet customer demand, how the supplies should be manufactured into finished goods and services, and how the shipment of supplies and products to customers should be scheduled, maintained, and controlled.

PTS: 1

REF: Organizations and Information Systems

2. Explain the difference between sustaining and disruptive change.

ANS:

Sustaining change can help an organization improve its current operations such as improving the supply of raw materials, the production process, and the products and services it offers. Disruptive change can completely transform an organization or industry or create new ones. Disruptive technologies may not originally have good performance, low cost, or even strong customer demand. Over time, however, they often replace existing technologies.

PTS: 1

REF: Organizations and Information Systems

3. Briefly discuss the technology acceptance model and its importance.

ANS:

The technology acceptance model specifies the factors that can lead to better attitudes about an information system, along with higher acceptance and usage of the system. These factors include the perceived usefulness of the technology, the ease of its use, the quality of the information system, and the degree to which the organization supports its use.

PTS: 1

REF: Organizations and Information Systems

4. What is competitive advantage? Identify five forces that cause firms to seek competitive advantage.

ANS:

Competitive advantage is a significant and long term benefit to a company over its competition and can result in higher-quality products, better customer service, and lower costs. Michael Porter identified five forces that the more these forces combine in any instance, the more likely firms will seek competitive advantage and the more dramatic the results of such an advantage will be. These five forces include 1) rivalry among existing competitors, 2) the threat of new entrants, 3) the threat of substitute products and services, 4) the bargaining power of suppliers, and 5) the bargaining power of suppliers.

PTS: 1

REF: Competitive Advantage

5. What is the current outlook for a career in information systems?

ANS:

IS offers many exciting and rewarding careers. The U.S. Department of Labor's Bureau of Labor Statistics predicts that many technology jobs will increase through 2012 and beyond. Opportunities in information systems are also available to people for foreign countries through the H-1B and L-1 visa programs.

PTS: 1

REF: Careers in Information Systems