

1) Primary activities are activities where value is added directly to the product.

- a. True
- b. False

Answer: a

Diff: 1

Type: TF

Page Reference: 64

Topic: Q3

Skill: RECALL

2) The increasing reliance on the web for information has created a digital divide between those who have Internet access and those who do not.

- a. True
- b. False

Answer: a

Diff: 1

Type: TF

Page Reference: 80

Topic: Q6

Skill: RECALL

3) Threat of government regulation is one of the five forces in Porter's model.

- a. True
- b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 67

Topic: Q4

Skill: RECALL

4) Sustaining technologies are changes in technology that maintain the rate of improvement in customer value.

- a. True
- b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 69

Topic: Q5

Skill: RECALL

5) Disruptive technologies introduce a very new package of attributes to the accepted mainstream products.

a. True

b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 69

Topic: Q5

Skill: RECALL

6) An organization responds to the structure of its industry by choosing a competitive strategy.

a. True

b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 68

Topic: Q4

Skill: RECALL

7) The productivity paradox suggests IT investments do not create business value.

a. True

b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 60

Topic: Q1

Skill: RECALL

8) A value chain is a network of activities that improve the effectiveness of a good or service.

- a. True
- b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 63

Topic: Q3

Skill: RECALL

9) Porter's concept of a business chain is crucial for developing a competitive strategy.

- a. True
- b. False

Answer: b

Diff: 3

Type: TF

Page Reference: 65

Topic: Q3

Skill: RECALL

10) As defined by Porter, a value chain is a network of value creating activities.

- a. True
- b. False

Answer: a

Diff: 1

Type: TF

Page Reference: 65

Topic: Q3

Skill: RECALL

11) Sales and service would be examples of supporting activities in Porter's value chain model.

- a. True

b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 65

Topic: Q3

Skill: RECALL

12) Accounting functions like accounts receivables would be an example of a supporting activity in Porter's value chain model.

a. True

b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 65

Topic: Q3

Skill: APPLIED

13) An organization's goals and objectives are determined by the structure of its value chain.

a. True

b. False

Answer: b

Diff: 3

Type: TF

Page Reference: 65

Topic: Q3

Skill: APPLIED

14) One way of assessing the structure of the adventure travel industry is to apply Porter's Five Forces Model.

a. True

b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 69

Topic: Q4

Skill: APPLIED

15) In a large city, the threat of new entrants for the sandwich shop business is probably high.

a. True

b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 68

Topic: Q4

Skill: APPLIED

16) Among its suppliers, Wal-Mart is famous for not having much bargaining power.

a. True

b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 68

Topic: Q4

Skill: APPLIED

17) Porter identified five fundamental competitive strategies.

a. True

b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 68

Topic: Q4

Skill: RECALL

18) According to Porter's model, four competitive forces determine industry profitability.

- a. True
- b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 68

Topic: Q4

Skill: RECALL

19) The bargaining power of customers is one of the competitive forces identified by Porter.

- a. True
- b. False

Answer: a

Diff: 2

Type: TF

Page Reference: 68

Topic: Q4

Skill: RECALL

20) The bargaining power of customers is one of the competitive strategies identified by Porter.

- a. True
- b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 68

Topic: Q4

Skill: RECALL

21) Some competitive advantages are less sustainable than others.

- a. True
- b. False

Answer: a

Diff: 1

Type: TF

Page Reference: 68

Topic: Q4

Skill: RECALL

22) The systems chosen to support a particular competitive strategy may be evaluated according to the support they give that strategy.

a. True

b. False

Answer: a

Diff: 3

Type: TF

Page Reference: VARIOUS

Topic: Q4 Q6

Skill: APPLIED

23) A call centre used for customer service would be an example of a support activity in the value chain.

a. True

b. False

Answer: b

Diff: 3

Type: TF

Page Reference: 65

Topic: Q3

Skill: APPLIED

24) In Porter's Five Forces Model the linkages depict how competitive forces are deployed in an organization.

a. True

b. False

Answer: b

Diff: 3

Type: TF

Page Reference: 67

Topic: Q4

Skill: RECALL

25) Switching costs are those associated with network switches.

- a. True
- b. False

Answer: b

Diff: 2

Type: TF

Page Reference: 71

Topic: Q6

Skill: RECALL

26) An information system that allows suppliers to view a company's inventory in real-time would provide a competitive advantage due to product differentiation.

- a. True
- b. False

Answer: b

Diff: 3

Type: TF

Page Reference: 68

Topic: Q6

Skill: APPLIED

27) General Motors' OnStar system was developed so that car drivers could easily get help in emergency situations. This would be an example of an information system being used to differentiate a product.

- a. True
- b. False

Answer: a

Diff: 3

Type: TF

Page Reference: 69

Topic: Q4

Skill: APPLIED

28) Which of the following is an example of a primary activity in a value chain?

- a. A manager preparing a production schedule
- b. A CFO preparing a budget
- c. An accountant preparing an income statement
- d. A computer technician backing up a file server
- e. A worker spray painting a car

Answer: e

Diff: 3

Type: MC

Page Reference: 65

Topic: Q3

Skill: APPLIED

29) A primary activity in a value chain is best described as

- a. an activity that uses only raw materials.
- b. an activity that involves customer service and sales.
- c. an activity that requires the use of information systems.
- d. an activity which value is directly added to a product.
- e. the first activity in which value is created.

Answer: d

Diff: 2

Type: MC

Page Reference: 64

Topic: Q3

Skill: RECALL

30) The physically assembly of a notebook computer is considered to be

- a. a support activity in a value chain.
- b. a production activity in a value chain.
- c. a primary activity in a value chain.
- d. a secondary activity in a value chain.
- e. a value adding activity in a value chain.

Answer: c

Diff: 2

Type: MC

Page Reference: 64

Topic: Q3

Skill: APPLIED

31) Which of the following is an example of a supporting activity in a value chain?

- a. An accountant filing an income tax statement
- b. Assembling a product
- c. Product package design
- d. A bottle of wine being shipped to a warehouse
- e. Product safety tests

Answer: a

Diff: 2

Type: MC

Page Reference: 65

Topic: Q3

Skill: APPLIED

32) A supporting activity in a value chain is best described as

- a. information technology related activities.
- b. activities that do not require manual labor.
- c. activities that support the primary activities in a value chain.
- d. activities that add no value to a value chain.
- e. maintenance related activities.

Answer: c

Diff: 2

Type: MC

Page Reference: 65

Topic: Q3

Skill: RECALL

33) The observed lack of productivity from IT investments is most likely the result of

- a. measurement errors.
- b. inflation.
- c. declining interest rates.
- d. the introduction of new technologies.
- e. continued drops in hardware prices.

Answer: a

Diff: 3

Type: MC

Page Reference: 61

Topic: Q1

Skill: RECALL

34) The Productivity Paradox refers to

- a. increased spending on IT leading to decreased worker productivity.
- b. the evidence that suggests IT is irrelevant to worker productivity.
- c. increased IT investment leading to more sustainable competitive advantage.
- d. the lack of evidence of an increase in worker productivity associated with the massive increase in IT spending.
- e. falling computer prices due to increased processor speed.

Answer: d

Diff: 2

Type: MC

Page Reference: 60

Topic: Q1

Skill: APPLIED

35) The difficulty in measuring productivity is largely due to

- a. the lack of measuring tools.
- b. the difficulty of measuring intangible benefits.
- c. an increasingly service-based economy.
- d. IT creating intangible benefits.
- e. the intangible benefits of IT in an increasingly service-based economy.

Answer: e

Diff: 3

Type: MC

Page Reference: 61

Topic: Q1

Skill: RECALL

36) IT investments can generate value by

- a. limiting the opportunities for creating competitive advantages.
- b. decreasing productivity.
- c. creating larger and larger service based economies.
- d. limiting the ways corporations can compete.
- e. creating more efficient and effective business processes that lead to lower prices.

Answer: e

Diff: 3

Type: MC

Page Reference: 61

Topic: Q1

Skill: APPLIED

37) Increasing efficiency means

- a. generating better quality products with less resources.
- b. maximizing the cost of production.
- c. shorter production times.
- d. accomplishing business processes with less input and/or higher speeds.
- e. higher speed processes at the cost of more resources and lower quality.

Answer: d

Diff: 2

Type: MC

Page Reference: 63

Topic: Q3

Skill: RECALL

38) "Doing things right" refers to

- a. efficiency.

- b. value creation.
- c. effectiveness.
- d. social responsibility.
- e. sustainability.

Answer: a

Diff: 2

Type: MC

Page Reference: 63

Topic: Q3

Skill: RECALL

39) "Doing the right things" refers to

- a. efficiency.
- b. social responsibility.
- c. improved quality.
- d. effectiveness.
- e. sustainability.

Answer: d

Diff: 2

Type: MC

Page Reference: 63

Topic: Q3

Skill: RECALL

40) A value chain (is)

- a. a group of activities that improve the effectiveness of a good or service.
- b. describes how a product moves through a distribution channel.
- c. a group of activities that improve the efficiency of a good or service.
- d. describes total amount of money spent on making a product.
- e. describes the transactions that occur between the vendor and the consumer.

Answer: a

Diff: 2

Type: MC

Page Reference: 63

Topic: Q3

Skill: RECALL

41) Margin can be defined as

- a. the difference between the total cost of raw materials and the list price of a product.
- b. the difference of the price a customer is willing to pay and how much the company actually collects.
- c. the difference of the price a customer is willing to pay and the price a seller is willing to sell at.
- d. the difference between the selling price and the list price.
- e. the difference of the price a customer is willing to pay and the cost of moving the good or service through its value chain.

Answer: e

Diff: 2

Type: MC

Page Reference: 64

Topic: Q3

Skill: RECALL

42) Which of the following is not a force in the Porter's five forces model?

- a. Threat of substitute products
- b. Bargaining power of suppliers
- c. Bargaining power of customers
- d. Threat of new entries
- e. Threat of government regulations

Answer: e

Diff: 2

Type: MC

Page Reference: 67

Topic: Q4

Skill: RECALL

43) Which of the following is the best example of the bargaining power of suppliers?

- a. The customer's flexibility to switch suppliers at any time.
- b. The ability of a dominant microprocessor manufacturer to set industry standards and charge premium prices.
- c. The ability to negotiate better terms with a commodity producer after a competitive bidding process.
- d. The ability of a customer to shop around for suppliers.
- e. The inability for a customer to terminate a supply contract.

Answer: b

Diff: 3

Type: MC

Page Reference: 68

Topic: Q4

Skill: APPLIED

44) Which of the following is a fundamental competitive strategy suggested by Porter?

- a. Growing the diversity of the products and / or service offered
- b. Providing the best customer service
- c. Creating alliance partners
- d. Developing innovative products
- e. Differentiating its products

Answer: e

Diff: 3

Type: MC

Page Reference: 68

Topic: Q4

Skill: RECALL

45) Which of Porter's five forces best describes the decline of film based photography?

- a. Threat of substitute products
- b. Bargaining power of suppliers
- c. Threat of new entry
- d. Bargaining power of customers
- e. Rivalry among existing firms

Answer: a

Diff: 2

Type: MC

Page Reference: 67

Topic: Q4

Skill: APPLIED

46) High switching cost refers to

- a. a service charge that discourages customers from switching service providers.
- b. a strategy employed by companies to prevent customers from renegotiating service contracts.
- c. an illegal tactic that prevents customers from leaving by charging a prohibitive service termination fee.
- d. a strategy employed by companies to lock in customers by making it difficult or expensive to switch to another product.
- e. a strategy used by telecom providers to retain customers.

Answer: d

Diff: 2

Type: MC

Page Reference: 71

Topic: Q6

Skill: RECALL

47) Which of the following best describes Bower and Christensen's idea of a sustaining technology?

- a. A technology innovation that increases the rate of improvement in customer value.
- b. A technology innovation that provides a very new package of attributes from the accepted mainstream products.
- c. A technology innovation that ensures environmental sustainability.
- d. A technology innovation that decreases the rate of improvement in customer value.
- e. A technology innovation that maintains the rate of improvement in customer value.

Answer: e

Diff: 2

Type: MC

Page Reference: 69

Topic: Q5

Skill: RECALL

48) Which of the following can be considered a sustaining technology?

- a. An internal antenna for cell phones
- b. A BlackBerry device
- c. MP3 file format
- d. A typewriter
- e. A photocopier

Answer: a

Diff: 3

Type: MC

Page Reference: 69

Topic: Q5

Skill: APPLIED

49) Disruptive technologies refer to

- a. technological innovations that increase the value of existing products in an incremental way.
- b. technological innovations that cause major disruptions in IT operations.
- c. technological innovations that decrease the value of existing products.
- d. technological innovations that repackage attributes of existing products in a totally new way.
- e. technological innovations that set a new standard, like High Definition Television.

Answer: d

Diff: 2

Type: MC

Page Reference: 69

Topic: Q5

Skill: RECALL

50) Which of the following can be best described as a disruptive technology?

- a. Vulcanized rubber tires
- b. Compact Discs

- c. Digital music players
- d. Liquid Crystal Displays
- e. Portable computers

Answer: c

Diff: 2

Type: MC

Page Reference: 69

Topic: Q5

Skill: RECALL

51) Which of the following can create a barrier to entry?

- a. Small capital investment required
- b. Patents
- c. Minimal training needed
- d. Can be done from home
- e. Low labour costs

Answer: b

Diff: 2

Type: MC

Page Reference: 71

Topic: Q6

Skill: RECALL

52) In "IT doesn't Matter", Nicholas Carr argues that

- a. disruptive technologies tend to be commoditized over time and hence provides less strategic advantage.
- b. companies are spending too much money on IT.
- c. there are no productivity gains for any amount of IT investments.
- d. the marginal benefits of an IT investment decreases over time.
- e. technology adds no value to companies.

Answer: a

Diff: 3

Type: MC

Page Reference: 72

Topic: Q7

Skill: RECALL

53) Sustained competitive advantage requires

- a. companies to find a distinctive way to compete.
- b. the elimination of the dominant firm.
- c. companies to seek patent protection for their products.
- d. the creation of barriers of entry.
- e. companies to use more than one competitive strategies.

Answer: a

Diff: 2

Type: MC

Page Reference: 73

Topic: Q7

Skill: RECALL

54) Information systems can change industry structure by

- a. using sustaining technologies.
- b. using technologies that have become commodities.
- c. using competitive strategies.
- d. using the Internet.
- e. using disruptive technologies.

Answer: e

Diff: 2

Type: MC

Page Reference: 70

Topic: Q5

Skill: RECALL

55) A company can use products to create competitive advantage by

- a. differentiating its products.
- b. raising prices.

- c. adding products to its product line.
- d. increasing brand awareness.
- e. lowering prices.

Answer: a

Diff: 2

Type: MC

Page Reference: 71

Topic: Q6

Skill: RECALL

56) A company can create competitive advantage by

- a. lowering switching costs.
- b. refusing alliances.
- c. staying with the “tried and true” processes that competitors use.
- d. reducing barriers to entry.
- e. adding technology to its business process.

Answer: e

Diff: 3

Type: MC

Page Reference: 72

Topic: Q7

Skill: APPLIED

57) How can competitive advantage through IT be sustained?

- a. Competitive advantage through IT cannot be sustained.
- b. By using as much proprietary technologies as possible.
- c. By making all employees sign nondisclosure agreements.
- d. By suing any competitor whom your firm suspect is copying its systems.
- e. By integrating all value creation processes into the organization.

Answer: e

Diff: 3

Type: MC

Page Reference: 73

Topic: Q7

Skill: APPLIED

58) Which of the following makes it difficult for a company to copy a rival's information systems?

- a. The data is different in the two organizations.
- b. It is difficult to duplicate business processes.
- c. Technology may not be available for sale.
- d. mastering the art of integrating technology and people.
- e. Talent is hard to recruit.

Answer: d

Diff: 3

Type: MC

Page Reference: 73

Topic: Q7

Skill: APPLIED

59) In the context of Porter's five forces model, customer's bargaining power refers to

- a. a customer's ability to create barriers to entry.
- b. a customer's ability to alter his/her value chain.
- c. a customer's ability to integrate IT.
- d. a customer's ability to negotiate better prices.
- e. a customer's ability to create substitutes.

Answer: d

Diff: 2

Type: MC

Page Reference: 67

Topic: Q4

Skill: APPLIED

60) Which of the following best describes the introduction of a disruptive technology in Canada?

- a. The introduction of high definition TV
- b. The introduction of movies on DVDs

- c. The introduction of satellite radio
- d. The introduction of digital projection in theatres
- e. The introduction of Automatic Teller Machines

Answer: e

Diff: 3

Type: MC

Page Reference: 70

Topic: Q5

Skill: APPLIED

61) The network of activities that improve the effectiveness of a good or service is called

- a. a value chain.
- b. a supplier network.
- c. competitive strategies.
- d. a supply chain.
- e. a value web.

Answer: a

Diff: 2

Type: MC

Page Reference: 63

Topic: Q3

Skill: RECALL

62) What term is given to Robert Solow's quote, "We see computers everywhere except in the productivity statistics"?

- a. The productivity divide
- b. The digital divide
- c. The efficiency paradox
- d. The productivity gap
- e. The productivity paradox

Answer: e

Diff: 2

Type: MC

Page Reference: 60

Topic: Q1

Skill: RECALL

63) A network of value-creating activities is called a

- a. business strategy.
- b. value network.
- c. value chain.
- d. competitive advantage.
- e. primary value activities.

Answer: c

Diff: 2

Type: MC

Page Reference: 63

Topic: Q3

Skill: RECALL

64) _____ is an example of a primary activity in Porter's value chain model.

- a. New IS development
- b. Shipping and receiving
- c. HR planning
- d. Strategic planning
- e. Accounting

Answer: b

Diff: 2

Type: MC

Page Reference: 65

Topic: Q3

Skill: RECALL

65) _____ is an example of a support activity in Porter's value chain model.

- a. HR benefits management
- b. Production

- c. Raw materials acquisition
- d. Customer service
- e. Sales

Answer: a

Diff: 3

Type: MC

Page Reference: 65

Topic: Q3

Skill: RECALL

66) Receiving and storing raw materials for production would be an example of a(n) _____ in Porter's value chain model.

- a. support activity
- b. primary activity
- c. linkage
- d. integrated activity
- e. complex activity

Answer: b

Diff: 2

Type: MC

Page Reference: 65

Topic: Q3

Skill: RECALL

67) Finding a vendor and negotiating a price for raw materials for production would be an example of a(n) _____ in Porter's value chain model.

- a. linkage
- b. integrated activity
- c. complex
- d. support activity
- e. primary activity

Answer: d

Diff: 2

Type: MC

Page Reference: 63

Topic: Q3

Skill: RECALL

68) According to Porter's model of the value chain, the use of IS can make _____ more effective or efficient.

- a. Primary activities
- b. Complex calculations
- c. supporting activities
- d. importing and exporting
- e. Linked departments

Answer: c

Diff: 2

Type: MC

Page Reference: 65

Topic: Q3

Skill: RECALL

69) Ideally, a competitive advantage should be

- a. industry-wide.
- b. short term.
- c. reproducible.
- d. shared with partners.
- e. sustainable.

Answer: e

Diff: 2

Type: MC

Page Reference: 73

Topic: Q7

Skill: RECALL

70) The threat of new entrants in an industry is high when

- a. entry and exit costs are low.

- b. entry costs are high.
- c. distribution channels are few.
- d. entry and exit costs are high.
- e. few suppliers exist.

Answer: a

Diff: 3

Type: MC

Page Reference: 68

Topic: Q4

Skill: APPLIED

71) Porter's five competitive forces include new vendors, suppliers, substitute vendors, customers and

- a. finance.
- b. rivalry of firms.
- c. economic pressures.
- d. efficiency of production.
- e. marketing.

Answer: b

Diff: 2

Type: MC

Page Reference: 67

Topic: Q4

Skill: RECALL

72) _____ would be an example of using an information system to gain competitive advantage.

- a. Automating the general ledger system
- b. Developing a web service to share information with a supply chain partner
- c. Using PowerPoint for company presentations
- d. Using instant messaging while at work
- e. Printing internal reports in color

Answer: b

Diff: 3

Type: MC

Page Reference: 71

Topic: Q6

Skill: APPLIED

73) Competitive _____ refers to a significant and sustainable benefit to a company over its competition.

- a. commerce
- b. strategy
- c. planning
- d. advantage
- e. disintermediation

Answer: d

Diff: 1

Type: MC

Page Reference: 73

Topic: Q7

Skill: RECALL

74) _____ is an example of a support activity in Porter's value chain model.

- a. Goods production
- b. Warranty service
- c. Finished goods inventory management
- d. Payroll management
- e. Raw material acquisition

Answer: d

Diff: 2

Type: MC

Page Reference: 65

Topic: Q3

Skill: RECALL

75) If Goodyear Tires buys a rubber plantation, this is an example of _____.

- a. departmental integration
- b. quality controls
- c. backward integration
- d. value chain management
- e. reducing complexity

Answer: c

Diff: 3

Type: MC

Page Reference: 64

Topic: Q3

Skill: APPLIED

76) If a diamond mine buys a diamond cutting operation this is an example of _____.

- a. departmental integration
- b. backward integration
- c. economy of scale
- d. forward integration
- e. supporting activity

Answer: d

Diff: 3

Type: MC

Page Reference: 64

Topic: Q3

Skill: APPLIED

77) Each value chain consists of one or more business _____.

- a. activities.
- b. linkages
- c. processes.
- d. systems.
- e. partners.

Answer: c

Diff: 2

Type: MC

Page Reference: 63

Topic: Q3

Skill: RECALL

78) An organization responds to the structure of its industry by choosing a (n) competitive strategy.

Diff: 2

Type: FIB

Page Reference: 68

Topic: Q4

Skill: RECALL

79) Primary activities are activities where value is added directly to the product.

Diff: 2

Type: FIB

Page Reference: 64

Topic: Q3

Skill: RECALL

80) A(n) value chain is a network of activities that improve the effectiveness of a good or service.

Diff: 1

Type: FIB

Page Reference: 63

Topic: Q3

Skill: RECALL

81) Disruptive technologies introduce a very new package of attributes to the accepted mainstream products.

Diff: 1

Type: FIB

Page Reference: 69

Topic: Q5

Skill: RECALL

82) Sustaining technologies are changes in technology that maintain the rate of improvement in customer value.

Diff: 1

Type: FIB
Page Reference: 69
Topic: Q5
Skill: RECALL

83) Organizations can lock in customers by making it difficult or expensive for customers to switch to another product. This is called establishing high switching costs.

Diff: 2
Type: FIB
Page Reference: 71
Topic: Q6
Skill: RECALL

84) The difference between the price the customer is willing to pay and the cost the company incurs in moving the goods or services through the value chain is called the margin.

Diff: 2
Type: FIB
Page Reference: 64
Topic: Q3
Skill: RECALL

85) Organizations can gain competitive advantage by reducing costs.

Diff: 1
Type: FIB
Page Reference: 72
Topic: Q6
Skill: RECALL

86) When a firm like Bell offers free anti-spam protection to their customers, they are trying to gain a competitive advantage by locking in their customers.

Diff: 3
Type: FIB
Page Reference: 71
Topic: Q6
Skill: APPLIED

87) When FedEx developed the package tracking application, they were trying to gain competitive advantage through IT innovation.

Diff: 3
Type: FIB

Page Reference: 77
Topic: Q6
Skill: APPLIED

88) A system that reduces costs for a company can result in significant competitive advantage.

Diff: 2
Type: FIB
Page Reference: 68
Topic: Q4
Skill: RECALL

89) The increasing reliance on the web for information has created a (n) digital divide between those who have Internet access and those who do not.

Diff: 2
Type: FIB
Page Reference: 80
Topic: Q1
Skill: RECALL

90) Describe the ways in which companies gain a competitive advantage over other companies seeking the same customers.

Answer:

Companies can gain competitive advantage by following one of Porter's four competitive strategies. For example, a company can focus on being the cost leader (e.g., Walmart), or it can focus on differentiating its products from those of the competition (e.g., Apple). Furthermore, the company can use the cost or differentiation strategy across an industry, or it can focus its strategy on a particular industry segment.

Diff: 2
Type: ES
Page Reference: 68
Topic: Q4
Skill: RECALL

91) Companies want to create switching costs in order to lock in their customers.

Diff: 2
Type: FIB
Page Reference: 71

Topic: Q6
Skill: RECALL

92) Companies that make it difficult or expensive for customers to change to another product are increasing barriers to entry for potential competitors.

Diff: 3
Type: FIB
Page Reference: 71
Topic: Q6
Skill: APPLIED

93) An entry barrier makes it more difficult for new competition to enter the market.

Diff: 1
Type: FIB
Page Reference: 71
Topic: Q6
Skill: RECALL

94) A strategic alliance with other organizations can be used to establish standards, reduce purchasing costs, and jointly promote products.

Diff: 2
Type: FIB
Page Reference: 72
Topic: Q6
Skill: RECALL

95) By providing customers with the addresses and easy e-mail access between senders and receivers, a shipping company can reduce their customers' costs and lock in customers to their services.

Diff: 3
Type: FIB
Page Reference: 71
Topic: Q6
Skill: APPLIED

96) An innovative shipping information system for a small package delivery company helps to differentiate its package delivery service from competitors that do not have a similar system.

Diff: 2
Type: FIB
Page Reference: 77

Topic: Q6
Skill: APPLIED

97) Patents are difficult and expensive to enforce.

Diff: 1
Type: FIB
Page Reference: 72
Topic: Q7
Skill: RECALL

98) According to Nicholas Carr the more ubiquitous a technology the less competitive advantage it offers.

Diff: 2
Type: FIB
Page Reference: 72
Topic: Q7
Skill: RECALL

99) If I use my time wisely in school to create new skills, enhance the ones I have, and differentiate my skills from others, I am developing my competitive advantage.

Diff: 2
Type: FIB
Page Reference: 70
Topic: Q5
Skill: APPLIED

100) If I show a prospective employer that I have a unique set of skills that are especially suited to the job opening that they have, I am demonstrating that I have a(n) competitive advantage over other candidates.

Diff: 2
Type: FIB
Page Reference: 71
Topic: Q6
Skill: RECALL

101) Everett Rogers defined diffusion of innovation as the process by which an innovation gets communicated to members of a social system.

Diff: 2
Type: FIB
Page Reference: 70
Topic: Q5

Skill: RECALL

102) Describe the five stages through which the diffusion of an innovation occurs suggested by Rogers.

Answer:

The stages through which the diffusion of innovation happens are:

- 1) Knowledge: occurs when a person hears of the innovation for first time
- 2) Persuasion: occurs when the person becomes interested in the innovation and wants to learn more about it.
- 3) Decision: Occurs when the person has collected all the information necessary to make the decision of whether or not adopt the innovation.
- 4) Implementation: Occurs when the person has decided to pursue the innovation
- 5) Confirmation: Occurs when the person has used the innovation in its full potential and is happy about it.

Diff: 2

Type: ES

Page Reference: 70

Topic: Q5

Skill: RECALL

103) The decision stage in the diffusion of innovation happens when considering the pros and cons of purchasing an iPhone.

Diff: 2

Type: FIB

Page Reference: 70

Topic: Q5

Skill: RECALL

104) Diffusion of innovation is a way of thinking about the adoption of new technologies.

Diff: 2

Type: FIB

Page Reference: 70

Topic: Q5

Skill: RECALL

105) What is meant by the "value chain"? How does it apply to information systems?

Answer:

The value chain is a series of activities that include inbound logistics, operations, outbound logistics, marketing and sales, and service. It is a tool for modeling how an

organization adds "value" that a customer is willing to pay for. The generic value chain has five primary and four support activities. By modeling the value chain and its linkages, Porter started a movement towards more integrated, cross-departmental business systems. Companies use the value chain to analyze how they add value and compare it to their competition. Combined with Porter's other work on competitive advantage, they can examine how IT can be used on each of the value chain activities to add value.

Diff: 3

Type: ES

Page Reference: 65

Topic: Q3

Skill: APPLIED

106) What are sustaining technologies?

Answer:

Sustaining technologies are changes in technology that maintain the rate of improvement in customer value.

Diff: 2

Type: ES

Page Reference: 69

Topic: Q5

Skill: RECALL

107) What is a value chain?

Answer:

A value chain is a network of activities that improve the effectiveness (or value) of a good or service.

Diff: 1

Type: ES

Page Reference: 63

Topic: Q3

Skill: RECALL

108) What is meant by effectiveness?

Answer:

Increased effectiveness means that the company considers offering either new or improved goods or services that the customer values.

Diff: 2

Type: ES

Page Reference: 63

Topic: Q3

Skill: RECALL

109) What are primary activities?

Answer:

Primary activities are activities where value is added directly to the product.

Diff: 2

Type: ES

Page Reference: 64

Topic: Q3

Skill: RECALL

110) What is meant by increasing efficiency?

Answer:

Increasing efficiency means that business processes can be accomplished either more quickly or with fewer resources and facilities (or both).

Diff: 2

Type: ES

Page Reference: 63

Topic: Q3

Skill: RECALL

111) How can IT increase productivity?

Answer:

Productivity for organizations can be increased either through increased efficiency or effectiveness.

Diff: 3

Type: ES

Page Reference: 63

Topic: Q3

Skill: APPLIED

112) What are three ways that value can be created by Information Technology investments?

Answer:

1) through productivity gains, 2) altering the structure of competition, 3) more efficient operations which reduce cost to final customer.

Diff: 3

Type: ES

Page Reference: 65

Topic: Q3

Skill: APPLIED

113) What are the primary activities in Porter's value chain model? Give an example of an IS application that supports each of these activities.

Answer:

The generic value chain has five primary and four support activities. The primary activities of the value chain include inbound logistics, operations, outbound logistics, marketing and sales, and service. For inbound and outbound logistics one example application might be RFID. For operations, computer-controlled machines would be an example along with MRP. Outbound logistics systems might include shipping and planning. A sales and marketing example could include an order entry system, and for service, there are equipment maintenance systems.

Diff: 3

Type: ES

Page Reference: 64

Topic: Q3

Skill: RECALL

114) Describe Porter's Five Forces Model for Competition. How can IS be used in this model?

Answer:

Porter's model is based on the insight that a corporate strategy should meet the opportunities and threats in the organization's external environment. Competitive strategy should be based on an understanding of industry structures and the way they change. Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porter's model supports analysis of the driving forces in an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry.

The cost and complexity of an ERP or CRM can act as a barrier to new entrants. The disintermediation of Web-based SCM can decrease the bargaining power of suppliers and increase that of customer. Auctions like eBay can also increase the threat of substitute vendors and put pressure on prices.

Diff: 3

Type: ES

Page Reference: 66

Topic: Q4

Skill: APPLIED

115) When ATMs first came out, they provided a significant competitive advantage because they helped banks to differentiate themselves from others. Today, almost all banks provide access to these, so it is considered to be a standard service. How could you re-engineer a bank's ATM system in order to gain competitive advantage today?

Answer:

An ATM is one example of an automated information system. When they were first introduced they were an important innovation, that helped reduce costs of banking transactions and helped differentiate one bank from another. Nowadays, it is not enough for a bank to simply offer ATM service, but that they can be updated so that they provide additional statements for free or little charge such as lists of the 10 prior transactions. One of the biggest issues with ATMs is the fees charged. If you can reduce the cost of the ATM so that it is free to your customers this would certainly give your bank an advantage. If the cost of using a competing system were high, this would also help lock in the customers. Other services that could be offered might be making loan payments, supporting multiple languages, or transfer funds between accounts.

Diff: 3

Type: ES

Page Reference: 69

Topic: Q5

Skill: APPLIED