File: 6e chapter2TestBank.docx, Chapter 2, Strategic Use of Information Resources

Multiple Choice

1. Two automobile manufacturers are working together to develop hybrid technology. This type of relationship between the two automobile manufacturers is best described as:
    a) Co-opetition
    b) Strategic alliance
    c) Competition
    d) Collaboration
    e) Business strategy

Ans: a (Medium)
Response: See page 48

2. While information systems can be used to gain a strategic advantage, they have inherent risks. Hershey Foods, for example, crippled its Halloween sales when its complex IS system failed to support its supply and inventory needs during peak production season. This is an example of which specific IS risk?
    a) Awaking a sleeping giant
    b) Implementing IS poorly
    c) Demonstrating bad timing
    d) Running afoul of the law
    e) Mobile-based alternative removes advantages

Ans: b (Medium)
Response: See page 49

3. Suppose Zara has a linked supply chain with Silk City, a fabric supplier. Zara and Silk City use IT to seamlessly exchange data, communicating requirements as well as delivery expectations. The relationship between Zara and Silk City is best described as:
    a) Strategic alliance
    b) Co-opetition
    c) Collaboration
    d) Dependence
    e) Competition

Ans: a (Medium)
Response: See page 47

4. The Nike + iPod Sports Kit is a sensor in your shoe that syncs with your iPod and provides details about your workout. This inter-organizational relationship affords both Nike and Apple a business advantage. This relationship between Nike and Apple is best described as:
   a) Strategic alliance
   b) Co-opetition
   c) Collaboration
   d) Dependence
   e) Competition

Ans: a (Medium)
Response: See page 47

5. Kodak was once the largest supplier of photographic film. In 2004 it was dropped from the Dow Jones Industrial Average after having been listed for 74 years. Kodak failed to use IT to fend off which one of the following of Porter's 5 competitive forces?
   a) Bargaining power of suppliers
   b) Threat of substitute products
   c) Potential threat of new entrants
   d) Bargaining power of buyers
   e) Industry collaboration

Ans: b (Medium)
Response: See page 38

6. Zara strategically uses information technologies to do all of the following EXCEPT:
   a) Bring new products quickly to market, meeting customer demands
   b) Support a continuous flow of information from stores to manufacturers to distributors
   c) Maintain a rich, centralized repository of customer data
   d) Build silos of responsibilities with limited interaction between store managers, designers and market specialists
   e) Keep its inventory levels very low (relative to other retailers)

Ans: d (hard)
Response: See pages 33, 34, 40, 42, 43, 46, 47

7. Many companies like Zara use POS to capture information on what has sold, to whom and when. This use of technology to realize efficiencies supports which one of Porter's value chain activities?
   a) Outbound Logistics
   b) Marketing & Sales

c) Operations
d) Service
e) Human resources

Ans: b (Medium)
Response: See page 41

8. Which one of the following risks can threaten the IS of a company in a highly regulated industry such as financial services or health care?
   a) Demonstrating bad timing
   b) Awakening a sleeping giant
   c) Mobile-based alternative removes advantages
   d) Running afoul of the law
   e) Implementing IS poorly

Ans: d (Medium)
Response: See page 49

9. A firm releases a new technology only to have a competitor implement a similar technology with more features and value to the consumer. This would be which type of risk?
   a) Demonstrating bad timing
   b) Awakening a sleeping giant
   c) Mobile-based alternative removes advantages
   d) Running afoul of the law
   e) Implementing IS poorly

Ans: b (Medium)
Response: See page 49

10. Which model is best used to understand the ways in which information technologies allow a firm to both attain and sustain a competitive advantage?
   a) Porter's Competitive Forces
   b) Porter's Value Chain
   c) The Information Systems Strategy Triangle
   d) The Network Effect
   e) The Resource-Based View

Ans: e (Medium)
Response: See page 45

11. Partnering with a competitor is becoming more and more common in today's integrated, technology-based environment. This type of collaboration with a competitor is uniquely described as:
   a) Co-opetition
   b) Integrated supply chain
   c) Business process
   d) Strategic alliance
   e) Value proposition

Ans: a (Medium)
Response: See page 48

12. This risks of using information resources include all of the following except:
   a) Demonstrating bad timing
   b) Awakening a sleeping giant
   c) Implementing IS poorly
   d) Missing cooperative opportunities
   e) Failing to deliver what users want

Ans: d (Easy)
Response: See page 49

13. Facebook has for some years offered services that many individuals have adapted to, making it difficult for them to choose another social networking site. It can be said that Facebook has protected itself well from which competitive force since the beginning?
   a) Bargaining power of suppliers
   b) Threat of substitute products
   c) Potential threat of new entrants
   d) Bargaining power of buyers
   e) Industry collaboration

Ans: c (Medium)
Response: See page 38

14. A company that is in a market with few buying options for the consumer is enjoying a high amount of which one of Porter's Five Competitive Forces?
   a) Bargaining power of suppliers
   b) Threat of substitute products
   c) Potential threat of new entrants
   d) Bargaining power of buyers
   e) Industry competitors

Ans: a (Medium)

15. The _____ view considers activities that create, deliver, and support a company's product or service.
    a) product and service
    b) creation, delivery, and support model
    c) Asset-based
    d) Resource-based
    e) Porter value chain

Ans: e (Easy)
Response: See page 41

16. Which one of the following is not considered to be a primary activity of the value chain of a firm?
    a) Inbound Logistics
    b) Service
    c) Sales & Marketing
    d) Technology
    e) Operations

Ans: d (Medium)
Response: See page 41

17. Which part of the value chain includes the manufacturing of goods?
    a) Inbound Logistics
    b) Outbound Logistics
    c) Operations
    d) Service
    e) Organization

Ans: c (Easy)
Response: See page 41 (Figure 2.5)

18. Which "view," applied in the area of Information Systems, helps identify two subsets of information resources: those that enable a firm to attain competitive advantage and those that enable a firm to sustain the advantage over the long-term?
    a) Resource-Based View
    b) Information-System View
    c) Information-Resource View
    d) System-Based View
    e) Organization View

Ans: a (Medium)
Response: See page 45

19. Porter's value chain framework suggests that a competitive advantage can stem from:
   a) Lowering costs and adding value
   b) Reducing isolated costs
   c) Disregarding customer data
   d) Optimizing internal costs
   e) Improving customer service

Ans: a (Medium)
Response: See pages 41, 42

20. All of the following benefit from the network effect EXCEPT:
   a) Wikis
   b) Twitter
   c) Email
   d) Facebook
   e) Network bandwidth

Ans: e (Medium)
Response: See page 32

21. Porter's five "Forces," used so often in the text for analysis of IT applications, include all of the following except:
   a) Threat of substitute products
   b) Bargaining power of suppliers
   c) Bargaining power of customers
   d) New entrants
   e) Switching costs

Ans: e (Easy)
Response: See page 38

22. The supply chain:
   a) Points out the concept of weak link in an ordering process
   b) Helps us understand how value is built inside a single firm.
   c) Is composed of several value chains linked into a larger chain (a chain within a chain).
   d) All of the above
   e) None of the above

Ans: c (Medium)

Response: See page 41

23. An inter-organizational relationship that affords one or more companies in the relationship a strategic advantage:

   a) Co-opetition
   b) Customer Relationship Management (CRM)
   c) Supply Chain Management (SCM)
   d) Information Resources
   e) Strategic Alliance

Ans: e (Medium)
Response: See pages 47-48

24. Which is not a prescribed area of focus for gaining competitive advantage?
   a) Strongholds
   b) Cost/Quality
   c) Deep Pockets
   d) Timing/Know-how
   e) Insider Information

Ans: e (Easy)
Response: See page 38

25. Which is not a competitive force:
   a) Bargaining power of buyers
   b) Bargaining power of competitors
   c) Threat of substitute products or services
   d) Rivalry among existing firms
   e) Threat of entry of new competition

Ans: b (Medium)
Response: See page 38

26. Which of the following is NOT a primary activity of the Value Chain model?
   a) Inbound Logistics
   b) Operations
   c) Outbound Logistics
   d) Purchasing
   e) Marketing and Sales

Ans: d (Medium)
Response: See page 41

27. Which of the following is a support activity of the Value Chain Model?

a) Operations
b) Facilities
c) Organization
d) Informatics
e) Outbound Logistics

Ans: c (Medium)
Response: See page 41

28. A strategy where companies cooperate and compete at the same time with companies in its value net:
a) Co-opetition
b) Teamwork
c) Classwork
d) Strategic Alliance
e) Risk

Ans: a (Easy)
Response: See page 48

True/False

29. Unlike most assets, information resources do not lose value over time.

Ans: False (Medium)
Response: See page 34

30. Supply Chain Management (SCM) consists of technological components as well as a process that brings together information about customers, sales and marketing.

Ans: False (Medium)
Response: See pages 42, 48

31. A firm that acquires a supplier is looking to reduce the "bargaining power of suppliers" force.

Ans: True (Medium)
Response: See page 38

32. Zara's use of information resourses has given it a substantial advantage over its competitors.

Ans: True (Easy)
Response: See page 40

33. Salesforce.com is an example of SAAS (Software as a service).

Ans: True (Easy)
Response: See page 36

34. The three major categories of IT capabilities are technical skills, management skills, and relationship skills.

Ans: True (Medium)
Response: See page 36

35. A link beween a firm's IS strategy and business strategy focuses more on its external requirements than internal requirements.

Ans: True (Medium)
Response: See page 36

36. A link between a firm's IS strategy and organizational strategy focuses more on its external requirements than internal requirements.

Ans: False (Medium)
Response: See page 36

37. In order to maximize the effectiveness of an organization's business strategy, the manager must be able to identify and use information resources.

Ans: True (Medium)
Response: See page 36

Short Answer

38. SCM stands for _____.

Ans: Supply chain management
Response: See page 42

39. This is a collection of firms that, using technology, extend their business relationships and connect their value chains.

Ans: Value system
Response: See page 42

40. List the three IS tools used to optimize the operations of a firm's value chain.

Answ: ERP, SCM, CRM
Response: See page 42

41. This IT asset is business data that has been captured, organized and made available to an organization.

Ans: Information repository
Response: See page 36

42. List the four support activities of the value chain.

Ans: Organization, Human Resources, Technology, Purchasing
Response: See pages 41, 43

43. Information resources are defined as the available data, technology, people, and _____ available in an organization to be used by managers to complete business tasks.

Ans: Processes
Response: See page 36

44. IT resources consist of IT assets and IT _____.

Ans: Capabilities
Response: See page 36

45. For a company whose main product is information (like a financial services

company), the company must co-create its _____ strategy and _____ strategy.

Ans: Business, IS
Response: See page 50

Essay

46. List one externally managed IT resource a company may use and how it provides a strategic advantage.

47. Explain why relationship skills are becoming more important to IS managers in today's economy.

48. Provide an example of two companies that have built a strategic alliance. Briefly explain the benefits of the relationship.

49. Provide an example of two companies that have built an effective co-opetition. Briefly explain the benefit of the relationship.

50. List a Web 2.0 technology and how it benefits from the network effect.

51. Give an example of a company whose switching costs are too high, effectively keeping its customer captive. How is this company using technology to maintain high switching costs?

52. Explain how Zara has aligned its information systems strategy with its business strategy

43. Why is it that more and more firms need to co-create their business and IS strategy?

Matching

54. Over the different eras, organizations have adapted their information systems strategy as technologies have matured. Place these different needs satisfied by information systems in order of maturity. In other words, which need is most likely the first need to be satisfied by an organization?

First	Need to lower existing transaction costs
Second	Need to innovate and create opportunities
Third	Need to use social IT platforms to collaborate and engage stakeholders

55. Match the technology with the era it dominated.

Era I 1960s	Centralized mainframe
Era II 1970s	Centralized minicomputers
Era III 1980s	Decentralized minicomputers and personal computers
Era IV 1990s	Client server
Era V 2000s	The Internet
Era VI 2010+	Social networks, mobility and cloud computing

56. Starbucks allows customers in the US to use smartphones to pay for their purchases in an effort to drive sales. Starbucks uses a reader in the store to scan a bar code displayed on the customer's smartphone screen. While this use of information resources may be used to gain a strategic advantage, there are possible risks. Match the potentially harmful experience below with the IT risk it represents:

Implementing IS poorly	Someone reported that the use of the mobile payment application was causing longer lines at the cash register.
Demonstrate bad timing	A very small percentage of customers use the service because few have mobile devices and even fewer are able to download and use the application.
Awaking a sleeping giant	A large credit card processing agency deploys a smartphone application for mobile payments that can be used in any retail environment.

57. Identify each resource below as an IT asset or an IT capability.

IT asset	Information repository
IT asset	IT infrastructure
IT asset	Software
IT asset	Network
IT capability	Ability to design, develop and implement IS
IT capability	Project management
IT capability	Relationship skills

58. Match an organization's activity with the competitive force it has successfully influenced.

Threat of new entrants	Walmart's massive, complex inventory control system is hard for others to replicate and gain the same economies of scale.
Bargaining power of the buyer	Amazon's One Click ordering system makes buying online easy, enticing the customer to return for other purchases.
Threat of substitute product	Apple's ability to create new products even at the risk of cannibalizing existing products.
Bargaining power of suppliers	Amazon's purchase of Zappos.

59. Match Zara's use of IT to the competitive force it influences.

Threat of new entrants	Zara has a highly collaborative group of designers, sales people and manufacturing planners who are supported by a unique IT that is hard for any retailer to replicate.
Threat of substitute product	IT enables Zara to turn around new products, reacting within 3 weeks to customer's likes and dislikes.
Bargaining power of suppliers	Zara cuts and dyes much of its fabric, making it less dependent on those that provide fabric.

60. Match Zara's primary activity to the Porter's value chain activity it represents.

Inbound logistics	Zara receives fabric from a supplier.
Outbound logistics	Using automated conveyer belts, finished clothes are sorted and shipped to stores.
Operations	Fabric is cut and sewn and the finished

	clothes are packaged.
Marketing & Sales	POS capture what has been sold.

61. Match Zara's support activity to the Porter's value chain activity it represents.

Human Resources	Store managers are trained to not only service customers but also discover what the customer wants but is unable to find.
Technology	Zara works with hardware and software vendors to develop and design automated systems that support activities like the distribution of goods and the cutting of fabrics.
Purchasing	Fabric suppliers are paid for the fabric Zara has purchased.

62. Social capital is a valuable resource for businesses. Match the category of social capital with the questions is seeks to answer.

Structural	Who is connected to whom?
Relational	How do connected people interact?
Cognitive	How do the connected individuals think?

63. Match the methodology used to align a firm's business strategy with its information strategy.

Porter's 5 Competitive Forces	Information resources should be used to strategically alter the marketplace while benefiting the firm's position in the industry.
Porter's Value Chain Framework	Information can lower cost of business and strategically adds value to the firm's internal operations.
Resource-Based View	Leverage IT resources that are identified to create and sustain a strategic advantage for the firm.