

Chapter 3

Information Systems, Organizations, and Strategy

True-False Questions



1. *Analysis*

One type of competitive advantage Amazon was able to implement was that of being a new market entrant.

Answer: True

Difficulty: Hard

Reference: pp. 97, 107–108

Analysis in terms of categorize

2. *Analysis*

Amazon's success in online bookselling illustrates the use of increasing transaction costs to increase profits.

Answer: False

Difficulty: Hard

Reference: pp. 90, 107–108

Analysis in terms of categorize

3. A firm can be said to have competitive advantage when they have higher stock market valuations than their competitors.

Answer: True

Difficulty: Medium

Reference: p. 96

4. The competitive forces model was created for today's digital firm.

Answer: False

Difficulty: Hard

Reference: pp. 96, 103

5. Customers are one of the competitive forces that affect an organization's ability to compete.

Answer: True

Difficulty: Easy

Reference: p. 97

6. A transparent marketplace means that there is high product differentiation.

Answer: False

Difficulty: Medium

Reference: p. 97

7. In an efficient customer response system, digital answering systems are used to monitor and respond to customer inquiries.

Answer: False

Difficulty: Medium

Reference: p. 98

8. Mass customization is a form of mass production.
Answer: True **Difficulty: Medium** **Reference: p. 99**
9. Strong linkages to customers and suppliers decrease switching costs.
Answer: False **Difficulty: Medium** **Reference: p. 103**
10. In the strategy of product differentiation, information systems are used to enable new products and services.
Answer: True **Difficulty: Medium** **Reference: p. 99**
11. The effect of the Internet has been to raise bargaining power over suppliers.
Answer: True **Difficulty: Medium** **Reference: p. 104**
12. In the age of the Internet, Porter's traditional competitive forces model is still at work, but competitive rivalry has become much more intense.
Answer: True **Difficulty: Easy** **Reference: p. 103**
13. In the value chain model, primary activities are most directly related to the production and distribution of the firm's products and services that create value for the customer.
Answer: True **Difficulty: Medium** **Reference: p. 104**
14. The idea driving synergies is that when the output of some units can be used as inputs to other units, the relationship can lower cost and generate profits.
Answer: True **Difficulty: Easy** **Reference: p. 109**
15. The value chain model classifies all company activities as either primary or support.
Answer: True **Difficulty: Medium** **Reference: p. 104**
16. The law of diminishing returns always applies to digital, as well as traditional companies.
Answer: False **Difficulty: Medium** **Reference: p. 111**
17. In network economics, the more people that use Microsoft Office software and related products, the greater its value.
Answer: True **Difficulty: Medium** **Reference: p. 111**
18. The merger of US Airways and America West, as discussed in the chapter case, illustrates using the power of network economics to reduce operating costs.
Answer: False **Difficulty: Hard** **Reference: pp. 81–82, 109–111**

19. The term business ecosystem describes the interplay between the various organizational forces within a firm.

Answer: False **Difficulty: Medium** **Reference: p. 112**

20. The use of Internet technologies allows companies to more easily sustain competitive advantage.

Answer: False **Difficulty: Hard** **Reference: p. 113**

Multiple-Choice Questions

21. *Analysis*

What competitive force was the most dominant in preventing US Airways from success, as discussed in the chapter case?

- a. Traditional competitors
- b. New market entrants
- c. Substitute products and services
- d. Suppliers

Answer: a **Difficulty: Medium** **Reference: p. 81**

Analysis in terms of categorize

22. *Analysis*

What strategy to counter competitive forces does US Airways emphasize in the case study for this chapter?

- a. Focus on market niche
- b. Customer intimacy
- c. Low-cost leadership
- d. Product differentiation

Answer: c **Difficulty: Easy** **Reference: pp. 81–82**

Analysis in terms of categorize

23. The interaction between information systems and organizations is:
- primarily guided by the decision making of middle- and senior-managers.
 - a complex, two-way relationship mediated by factors such as the environment and organizational structure.
 - is driven by the microeconomic forces of capital and labor.
 - successfully managed when the organization's existing culture and goals are seen as the driving force.

Answer: b

Difficulty: Medium

Reference: p. 84

24. *Analysis*

How does the technical view of organizations fall short of understanding the full impacts of information systems in a firm?

- It sees information systems as a way to rearrange the inputs and outputs of the organization.
- It sees capital and labor as primary production factors.
- It sees the inputs and outputs, labor and capital, as being infinitely malleable.
- It sees the organization as a social structure similar to a machine.

Answer: c

Difficulty: Medium

Reference: pp. 84–86

25. According to the _____ definition of organizations, an organization is seen as a means by which primary production factors are transformed into outputs consumed by the environment.
- microeconomic
 - macroeconomic
 - sociotechnical
 - behavioral

Answer: a

Difficulty: Medium

Reference: p. 85

26. Business processes are collections of:

- informal practices and behaviors.
- formalized and documented practices.
- routines.
- rights and privileges.

Answer: c

Difficulty: Medium

Reference: p. 86

27. Mintzberg's classification of organizational structure categorizes the knowledge-based organization where goods and services depend on the expertise and knowledge of professionals as a(n):
- entrepreneurial structure.
 - divisionalized bureaucracy.
 - professional bureaucracy.
 - adhocracy.

Answer: c

Difficulty: Medium

Reference: p. 89

28. The costs incurred when a firm buys on the marketplace what it cannot make itself are referred to as:
- switching costs.
 - transaction costs.
 - procurement.
 - agency costs.

Answer: b

Difficulty: Medium

Reference: p. 90

29. According to **agency theory**, the firm is viewed as a(n):
- unified, profit-maximizing entity.
 - task force organization that must respond to rapidly changing environments.
 - entrepreneurial endeavor.
 - "Nexus of contracts" among self-interested individuals.

Answer: d

Difficulty: Hard

Reference: p. 91

30. *Analysis*

Amazon's use of the Internet as a platform to sell books illustrates a tactical use of information services for:

- low-cost leadership.
- product differentiation.
- focusing on market niche.
- strengthening customer intimacy.

Answer: a

Difficulty: Medium

Reference: pp. 98, 107–108

31. The four major types of competitive strategy are:

- a. low-cost leadership; substitute products and services; customers; and suppliers.
- b. low-cost leadership; product differentiation; focus on market niche; and customer and supplier intimacy.
- c. new market entrants; substitute products and services; customers; and suppliers.
- d. low-cost leadership; new market entrants; product differentiation; and focus on market niche.

Answer: b

Difficulty: Medium

Reference: p. 98

32. An organization is:

- a. a stable, formal social structure that takes resources from the environment and processes them to produce outputs.
- b. a formal, legal entity with internal rules and procedures that must abide by laws.
- c. a collection of social elements.
- d. all of the above.

Answer: d

Difficulty: Medium

Reference: p. 84

33. *Synthesis*

You are consulting for a beverage distributor who is interested in determining the benefits it could achieve from implementing new information systems. What will you advise as the first step?

- a. Identify the business ecosystem the distributor is in.
- b. Implement a strategic transition to the new system.
- c. Perform a strategic systems analysis.
- d. Benchmark existing systems.

Answer: c

Difficulty: Medium

Reference: pp. 113–114

Synthesis in terms of prepare, model

34. The _____ model is used to describe the interaction of external forces that affect an organization's strategy and ability to compete.

- a. network economics
- b. competitive forces
- c. competitive advantage
- d. demand control

Answer: b

Difficulty: Medium

Reference: p. 96

35. Which of the following is not one of the competitive forces?

- a. Suppliers
- b. Other competitors
- c. External environment
- d. Customers

Answer: c

Difficulty: Medium

Reference: pp. 96–97

36. *Evaluation*

A substitute product of most concern for a cable TV distributor is:

- a. satellite TV.
- b. broadcast TV.
- c. satellite radio.
- d. Internet.

Answer: a

Difficulty: Medium

Reference: p. 97

37. *Evaluation*

A manufacturer of deep-sea oil rigs may be least concerned about this marketplace force.

- a. Product differentiation
- b. Traditional competitors
- c. Low number of suppliers
- d. New market entrants

Answer: d

Difficulty: Hard

Reference: p. 97

38. Which of the following industries has a low barrier to entry?

- a. Automotive
- b. Computer chip
- c. Restaurant
- d. Airline

Answer: c

Difficulty: Medium

Reference: p. 97

39. Which of the following can force a business and its competitors to compete on price alone?

- a. Transparent marketplace
- b. High product differentiation
- c. Poor process efficiency
- d. Demand control

Answer: a

Difficulty: Hard

Reference: p. 97

40. A firm can exercise greater control over its suppliers by having:

- a. more suppliers.
- b. fewer suppliers.
- c. global suppliers.
- d. local suppliers.

Answer: a

Difficulty: Easy

Reference: p. 97

41. Wal-Mart's continuous replenishment system allows it to:

- a. provide mass customization.
- b. provide an efficient customer response system.
- c. strengthen customer intimacy.
- d. achieve economy of scale.

Answer: b

Difficulty: Easy

Reference: p. 98

42. When a firm provides a specialized product or service for a narrow target market better than competitors, they are using a:

- a. product differentiation strategy.
- b. market niche strategy.
- c. mass customization strategy.
- d. process efficiency strategy.

Answer: b

Difficulty: Medium

Reference: p. 100

43. _____ is the ability to offer individually tailored products or services using the same production resources as bulk production.

- a. Mass customization
- b. Size customization
- c. Magnitude customization
- d. Dimension customization

Answer: a

Difficulty: Easy

Reference: p. 99

44. An information system can enable a company to focus on a market niche through:

- a. complex trend forecasting.
- b. tailoring products to the client.
- c. intensive product trend analysis.
- d. intensive customer data analysis.

Answer: d

Difficulty: Hard

Reference: p. 100

45. Hilton Hotels' use of customer information software to identify the most profitable customers to direct services to is an example of using information systems to:
- a. strengthen customer intimacy.
 - b. differentiate their service.
 - c. focus on market niche.
 - d. increase efficiency.

Answer: c

Difficulty: Medium

Reference: p. 100

46. *Analysis*

Which competitive force did 7-Eleven determine as being its primary disadvantage, based on your reading of the chapter case?

- a. Traditional competitors
- b. Substitute products and services
- c. Customers
- d. Suppliers

Answer: c

Difficulty: Medium

Reference: p. 101–102

Analysis in terms of appraise, categorize

47. *Analysis*

Which of the four generic strategies to combat competitive forces did 7-Eleven implement?

- a. Low cost leadership
- b. Focus on market niche
- c. Customer and supplier intimacy
- d. Product differentiation

Answer: c

Difficulty: Medium

Reference: pp. 101–102

Analysis in terms of appraise, categorize

48. Which industries did the first wave of e-commerce transform?

- a. Air travel, books, bill payments
- b. Air travel, books, music
- c. Real estate, air travel, books
- d. Real estate, books, bill payments

Answer: b

Difficulty: Hard

Reference: p. 103

49. To what competitive force did the printed encyclopedia industry succumb?

- a. Positioning and rivalry among competitors
- b. Low cost of entry
- c. Substitute products or services
- d. Customer's bargaining power

Answer: c

Difficulty: Medium

Reference: p. 103

50. Internet technology:

- a. makes it easy for rivals to compete on price alone.
- b. imposes a significant cost of entry, due to infrastructure requirements.
- c. increases the difference between competitors because of the wide availability of information.
- d. makes it easy to sustain operational advantages.

Answer: a

Difficulty: Medium

Reference: p. 103

51. The Internet raises the bargaining power of customers by:

- a. creating new opportunities for building loyal customer bases.
- b. making more products available.
- c. making information available to everyone.
- d. lowering transaction costs.

Answer: c

Difficulty: Medium

Reference: p. 103

52. The value chain model:

- a. categorizes five related advantages for adding value to a firm's products or services.
- b. sees the supply chain as the primary activity for adding value.
- c. categorizes four basic strategies a firm can use to enhance its value chain.
- d. helps a firm identify points at which information technology can most effectively enhance its competitive position.

Answer: d

Difficulty: Easy

Reference: p. 104

53. The primary activities of a firm include:

- a. inbound logistics, operations, outbound logistics, sales and marketing, and service.
- b. inbound logistics, operations, outbound logistics, technology, and service.
- c. procurement, inbound logistics, operations, technology, and outbound logistics.
- d. procurement, operations, technology, sales and marketing, and services.

Answer: a

Difficulty: Medium

Reference: p. 104

54. The secondary activities of a firm include:
- inbound logistics, technology, outbound logistics, sales and marketing, and service.
 - inbound logistics, organization infrastructure, outbound logistics, technology, and procurement.
 - organization infrastructure, human resources, sales and marketing, and technology.
 - organization infrastructure, human resources, technology, and procurement.

Answer: d **Difficulty: Medium** **Reference: pp. 104–105**

55. Benchmarking:
- compares the efficiency and effectiveness of your business processes against strict standards.
 - allows industry participants to influence industry-wide standards.
 - is used to measure the speed and responsiveness of information technology.
 - synchronizes the business processes of customers, suppliers, and trading partners.

Answer: a **Difficulty: Easy** **Reference: p. 105**

56. The most successful solutions or methods for achieving a business objective are called:
- value activities.
 - best processes.
 - core competencies.
 - best practices.

Answer: d **Difficulty: Easy** **Reference: pp. 105–106**

57. A collection of independent firms that use information technology to coordinate their value chains to produce a product or service for a market collectively is called a(n):
- industry value chain.
 - business ecosystem.
 - value web.
 - consortia.

Answer: c **Difficulty: Medium** **Reference: p. 106**

58. How are information systems used at the industry level to achieve strategic advantage?
- Building industry-wide, IT-supported consortia and symposia
 - By raising the bargaining power of suppliers
 - By encouraging the entry of new competitors
 - By enforcing standards that reduce the differences between competitors

Answer: a **Difficulty: Easy** **Reference: p. 106**

59. When the output of some units can be used as inputs to other units, or if two organizations pool markets and expertise that result in lower costs and generate profits it is often referred to as creating:

- a. a value web.
- b. a value chain.
- c. synergies.
- d. core competencies.

Answer: c

Difficulty: Easy

Reference: pp. 109–110

60. An information system can enhance core competencies by:

- a. providing better reporting facilities.
- b. creating educational opportunities for management.
- c. allowing operational employees to interact with management.
- d. encouraging the sharing of knowledge across business units.

Answer: d

Difficulty: Medium

Reference: p. 110

61. An example of synergy in business is:

- a. Amazon's use of the Internet to sell books.
- b. JP Morgan Chase's merger with Bank One Corporation, which provided JP Morgan with a network of retail branches in new regions.
- c. Blockbuster combining traditional video rental with online video rental.
- d. Wal-Mart's order entry and inventory management system to coordinate with suppliers.

Answer: b

Difficulty: Easy

Reference: p. 110

62. The more any given resource is applied to production, the lower the marginal gain in output, until a point is reached where the additional inputs produce no additional output. This is referred to as:

- a. the point of no return.
- b. the law of diminishing returns.
- c. supply and demand.
- d. network inelasticity.

Answer: b

Difficulty: Easy

Reference: p. 111

63. Network economics:

- a. applies the law of diminishing returns to communities of users.
- b. applies traditional economics to networked users.
- c. sees the cost of adding new members as inconsequential.
- d. balances the high cost of adding new members to a community against the lower cost of using network infrastructure.

Answer: c

Difficulty: Medium

Reference: p. 111

64. In network economics, the value of a commercial software vendor's software products:
- increases as more people use them.
 - decreases as more people use them.
 - increases due to higher marginal gain in output.
 - decreases according to the law of diminishing returns.

Answer: a

Difficulty: Easy

Reference: p. 111

65. A virtual company:
- uses the capabilities of other companies without being physically tied to those companies.
 - uses Internet technology to maintain a virtual storefront.
 - uses Internet technology to maintain a networked community of users.
 - provides entirely Internet-driven services, or virtual products.

Answer: a

Difficulty: Easy

Reference: p. 111

66. According to Leavitt's model of organizational resistance, the four components that must be changed in an organization in order to successfully implement a new information system are:
- environment, organization, structure, tasks.
 - technology, people, culture, and structure.
 - organization, culture, management.
 - tasks, technology, people, and structure.

Answer: d

Difficulty: Hard

Reference: p. 94

67. *Analysis*

Blockbuster's move to include online movie rental as a part of its services illustrates the use of information systems for:

- competitive advantage.
- survival.
- new products and services.
- customer intimacy.

Answer: b

Difficulty: Hard

Reference: pp. 121–122

68. *Analysis*

Which competitive force best categorizes the threat Netflix posed to Blockbuster?

- a. Rivalry among traditional competitors
- b. Threat of new market entrants
- c. Substitute products and services
- d. Bargaining power of customers

Answer: c

Difficulty: Hard

Reference: pp. 121–122

Analysis in terms of appraise, analyze, categorize

69. *Analysis*

Blockbuster's implementation of online movie rental is an example of using information technology to enhance which part of the value chain?

- a. Inbound logistics
- b. Operations
- c. Sales and marketing
- d. Procurement

Answer: c

Difficulty: Medium

Reference: pp. 121–122

Analysis in terms of appraise, analyze, categorize

70. *Evaluate*

The emergence, for Amazon.com, of new competitors in the sphere of online shopping illustrates what disadvantage posed by the use of information systems to achieve competitive advantage?

- a. Law of diminishing returns
- b. Internet technologies are universal, and therefore usable by all companies.
- c. Internet shopping produces cost transparency.
- d. The Internet enables the production or sales of substitute products or services.

Answer: b

Difficulty: Hard

Reference: p. 107

Evaluate in terms of assess, compare

Fill In the Blanks

71. 1 The activity of measuring performance of your business processes against strict standards is called **benchmarking**.

Difficulty: Easy

Reference: p. 105

72. A virtual company/virtual organization uses networks to link people, assets, and ideas, enabling it to work with other companies to create products and services without being limited by traditional organizational boundaries or physical locations.

Difficulty: Medium Reference: p. 111

73. Mass customization is the ability to offer individually tailored products and services using the same production resources as mass production.

Difficulty: Easy Reference: p. 99

74. The value chain model highlights the primary or support activities that add a margin of value to a firm's products or services where information systems can best be applied to achieve a competitive advantage.

Difficulty: Medium Reference: p. 104

75. Primary activities are directly related to the production and distribution of a firm's products or services.

Difficulty: Easy Reference: p. 104

76. Support activities are part of the organization's infrastructure, human resources, technology, and procurement that makes the delivery of the firm's products or services possible.

Difficulty: Medium Reference: pp. 104–105

77. The value web is a collection of independent firms that use information technology to coordinate their value chains to collectively produce a product or service for a market.

Difficulty: Hard Reference: p. 106

78. Product differentiation is a competitive strategy for creating brand loyalty by developing new and unique products and services that are not easily duplicated by competitors.

Difficulty: Easy Reference: p. 97

79. Switching costs are the expenses incurred by a customer or company in lost time and resources when changing from one supplier or system to a competing supplier or system.

Difficulty: Medium Reference: p. 103

80. A(n) core competency is an activity at which a firm excels as a world-class leader.

Difficulty: Medium Reference: p. 110

Essay Questions

81. **Discuss the impact of the Internet on the competitive forces model.**

The traditional competitive forces are still at work, but the Internet has made competitive rivalry much more intense. Internet technology is based on universal standards that any company can use, making it easy for rivals to compete on price alone and for new competitors to enter the market. Easy access to information on the Internet raises the bargaining power of customers, who can quickly find the lowest-cost provider on the Web, lowering profits. At the same time, the Internet creates new opportunities for building brands and building very large and loyal customer bases that are willing to pay a premium for the brand. The traditional Porter model assumes a relatively static industry environment; relatively clear-cut industry boundaries; and a relatively stable set of suppliers, substitutes, and customers, with the focus on industry players in a market environment. Instead of participating in a single industry, some of today's firms participate in industry sets and business ecosystems—collections of industries that provide related services and products.

Difficulty: Medium

Reference: p. 103

82. **Value chain analysis is useful at the business level to highlight specific activities in the business where information systems are most likely to have a strategic impact. Discuss this model, identify the activities, and describe how the model can be applied to the concept of information technology.**

The value chain model identifies specific, critical leverage points where a firm can use information technology most effectively to enhance its competitive positions. Exactly where can it obtain the greatest benefit from strategic information systems? What specific activities can be used to create new products and services, enhance market penetration, lock in customers and suppliers, and lower operational costs? This model views the firm as a series or chain of basic activities that add a margin of value to a firm's products or services. These activities can be categorized as either primary activities or support activities.

- **Primary activities** are most directly related to the production and distribution of the firm's products and services that create value for the customer. Primary activities include: inbound logistics, operations, outbound logistics, sales and marketing, and service.
- **Support activities** make the delivery of the primary activities possible and consist of: organization infrastructure (administration and management), human resources (employee recruiting, hiring, and training, technology (improving products and the production process), and procurement (purchasing input).

Difficulty: Medium

Reference: pp. 104–106

83. *Analysis:*

Apply Porter's competitive forces model to the 7-Eleven problems discussed in this chapter.

1. **Competitors:** Other convenience stores, and local stores with closer connections to customers, and grocery stores.
2. **New Market Entrants:** There is a low barrier to entry in regards to other local convenience stores.
3. **Substitute products and services:** The products 7-Eleven has can be found in other stores such as grocery stores.
4. **Customers:** If 7-Eleven doesn't offer quick convenience to commonly wanted items, customers will purchase products at grocery stores.
5. **Suppliers:** 7-Eleven faced problems in allowing vendors to stock what they wanted, which did not necessarily follow 7-Eleven's need to respond to local customer demand.

Difficulty: Medium

Reference: pp. 96–97, 101

Analysis in terms of categorize, examine, analyze

84. *Evaluate*

The text describes Michael Porter's view of the Internet as somewhat negative. What negative influences does Porter see? Describe several positive influences the Internet has on business. Do these outweigh the negative influences?

Answers will vary. Following is an example of a possible answer:

Porter sees the Internet as creating ever more intense rivalry, through allowing new competitors to enter the market, and forcing competition on price alone, raising the bargaining power of customers, and dampening profits.

Positive influences of the Internet would be lowering telecommunications costs, creating new opportunities for building brands and loyal customer bases, lowering costs of globalization. You could also view Porter's negative take on lowering the barrier to entry as a positive for new companies.

The Internet's influence being negative or positive depends in part on the point of view from which the influence is being seen. For example, a telephone utility is impacted negatively by the emergence of Internet telephony, whereas other industries may be impacted positively either through the use of this technology or through engaging in Internet telephony as a business.

Difficulty: Medium

Reference: pp. 103–104

85. *Evaluation*

You are advising the owner of Smalltown Computer, a new, local computer repair store that also builds custom computers to order. What competitive strategies could Smalltown Computer exert? Which ones will it have difficulty exercising?

Low-cost leadership: Smalltown Computer may have difficulty competing against the warranty services or computer sales of major national computer manufacturers, such as Dell, but may be able to exercise low-cost leadership in comparison to any other local computer repair stores.

Product differentiation: Although many national computer manufacturers' sell customized computers to the individual, Smalltown computer may be able to differentiate their product by using superior components and adding more services to their product.

Focus on market niche: Smalltown computer could determine a market niche geared to their advantage in being a local store with in-store technology support and assistance.

Customer and supplier intimacy: Smalltown computer has an advantage in customer intimacy, in that it can develop relationships with local customers on a face-to-face basis. This advantage could be augmented to offset the low-cost leadership of national manufacturer's such as Dell. Because of much smaller production scales, Smalltown will probably not be able to exercise as much control over suppliers as Dell or other manufacturers.

Difficulty: Medium

Reference: p. 103

Evaluation in terms of assess, judge, predict

86. *Evaluate*

In the case of Smalltown Computer discussed above, how is the concept of core competency relevant to this business? Give examples.

A core competency is an activity for which a company is a world leader, and from this perspective, Smalltown Computer does not have a core competency, as there are thousands of similar firms with longer track records. However, it might be good business practice for Smalltown Computer to define its core competencies in ways that differentiate its products from those of competitors and enable it to provide superior service or products. In defining a core competency, the business management can then determine ways to enable employees to understand and reach higher levels of quality production and service. For example, Smalltown Computer might define a core competency as being able to advise customers as to the types of system they really need, and Smalltown Computer could engage in knowledge gathering activities to help employees assess customer need.

Difficulty: Medium

Reference: p. 110

Evaluate in terms of judge, assess, support

87. *Synthesis*

You are consulting with the owner of Better Bodies, a national chain of gyms. What strategies might Better Bodies use in applying information services to achieve a competitive advantage?

Better Bodies could use computers to monitor and evaluate health and fitness of members and customize workouts in product differentiation strategy. They could use information systems for sales and marketing data research in order to define a niche market that would bring greater profits. They could allow customers to review their health data and add additional information or view statistics to create customer intimacy. If the individual gyms are franchises, then a network could be used for franchisees to share data and research new sales tactics, etc.

Difficulty: Medium

Reference: pp. 97–103

Synthesis in terms of propose, design, create

88. **Differentiate between the technical and behavioral definitions of an organization.**

The behavioral definition of an organization is that it is a collection of rights, privileges, obligations, and responsibilities that is delicately balanced over a period of time through conflict and conflict resolution. The technical definition sees an organization as an entity that takes inputs from the environment and processes these to create products that are then consumed by the environment. The technical view sees capital and labor as interchangeable units, with the ability to rearrange these units at will, whereas the behavioral view sees that rearranging some aspects of the organization, such as an information system, will have important consequences and changes for the organization's other units.

Difficulty: Medium

Reference: pp. 84–85

89. **How is Internet technology useful from a network economics perspective? Give examples.**

In network economics, the cost of adding a participant in the network is negligible, while the gain in value is relatively much larger. The Internet itself is an example of a successful implementation of network economics—the more people participate, the more valuable and essential a commodity it is. If a company were to provide a service through the Internet such as a project management application, the costs to the company of adding another user are small (as the software infrastructure or application is already built), and the more users are signed up the more profit is made.

Difficulty: Medium

Reference: p. 111

90. *Synthesis*

List three organizational factors that can prevent a firm in fully realizing the benefits of a new information system, and provide examples for each.

Features of organizations include the organization's culture, politics, and structure. A new information system might be resisted by end users or by managers for political reasons because they are concerned about the political changes the system implies. For example, a new system might lessen the authority of a manager in overseeing the employees, and he or she may not want to relinquish this power. A new information system might challenge the organization's culture and be resisted for this reason. For example, an information system might allow students at a university to take self-managed courses, while the university's basic cultural assumptions include the concept that professors are the purveyors of knowledge. An information system, by allowing the distribution of knowledge, may be better used in a company with a flatter organization. A company with a highly stratified hierarchy may have difficulty adjusting its business processes and structures to an information system that does not follow the same business hierarchy of information.

Difficulty: Medium

Reference: pp. 86–88

Synthesis in terms of organize, formulate