

## **Chapter: Chapter 01: IT Support of Organizational Performance in a Turbulent Business Environments**

### **Multiple Choice**

1. A digital enterprise uses IT to accomplish any of the following objectives except:

- a) reach and engage customers more effectively
- b) increase employee productivity
- c) expand inventory supplies
- d) improve operating efficiency

Ans: c

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Critical thinking

2. The underlying infrastructure for digital enterprises and e-commerce is \_\_\_\_\_.

- a) intranets
- b) networked computing
- c) public networks
- d) wireless networks

Ans: b

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB:

3. Which of the following is not an element of a business model?

- a) products or services
- b) business processes
- c) revenues or profitability
- d) online advertising

Ans: d

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Reflective thinking

4. The collection of computing systems used by an enterprise is broadly termed:

- a) information technology
- b) electronic commerce
- c) value-added network
- d) extranet

Ans: a

Difficulty: Easy

Section Ref: 1.2 Information Systems and Information Technology

AACSB:

5. Which of the following factors is not a major type of business pressure on enterprises?

- a) Homogenous workforce
- b) Powerful customers
- c) Regulatory compliance
- d) Terrorist attacks and homeland security

Ans: a

Difficulty: Easy

Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support

AACSB: Critical thinking

6. \_\_\_\_\_ are intra-organizational Web-based networks that facilitate information access and collaboration.

- a) Extranets
- b) Intranets
- c) Virtual private networks
- d) EDI networks

Ans: b

Difficulty: Easy

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Use of information technology

7. Characteristics of a digital economy include all of the following except:

- a) widespread use of digitizable products like databases, news, information, books, and music CDs

- b) a decrease in geographic boundaries
- c) elimination of all traditional intermediaries
- d) consumers and firms conducting financial transactions digitally

Ans: c

Difficulty: Easy

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Use of information technology

9. The digital economy has brought about \_\_\_\_\_ changes in most industries.

- a) marginal
- b) significant
- c) expected
- d) planned

Ans: b

Difficulty: Easy

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Reflective thinking

10. Scanners read wireless signals from items that have \_\_\_\_\_ that are either attached or embedded in them.

- a) RFID tags
- b) EDI tags
- c) ATM chips
- d) XML tags

Ans: a

Difficulty: Easy

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Use of information technology

11. Which is not an advantage of the new economy's way of doing business over the old way?

- a) lower cost
- b) greater speed
- c) IT-based competitive advantage
- d) less convenience

Ans: d

Difficulty: Easy

Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB: Critical thinking

12. Several banks in Japan issued \_\_\_\_\_ cards to customers. These cards store a template of the person's palm vein to authenticate the customer's identity when withdrawing money.
- a) smart
  - b) RFID
  - c) ATM
  - d) adaptive

Ans: a

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB: Use of information technology

13. Jacobi Medical Center tracks the whereabouts of patients and links them to their medical records using \_\_\_\_\_ technology.
- a) smart
  - b) RFID
  - c) ATM
  - d) adaptive

Ans: b

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB: Use of information technology

14. The business improvements in terms of cost, quality, speed, competitive advantage, and customer service brought about by the new way of doing business over the old one is in the magnitude of \_\_\_\_\_.
- a) 20 to 25 percent
  - b) 60 to 75 percent
  - c) about 100 percent
  - d) several hundreds percent

Ans: d

Difficulty: Hard

Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB: Reflective thinking

15. A(n) \_\_\_\_\_ is a method of doing business by which a company can generate revenue to sustain itself.

- a) adaptive strategy
- b) business model
- c) electronic commerce Web site
- d) operations model

Ans: b

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB:

16. A(n) \_\_\_\_\_ is an analysis of the benefits of using a specific business model.

- a) core competency
- b) exchange
- c) RFQ
- d) value proposition

Ans: d

Difficulty: Hard

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB:

17. Which of the following is true about electronic marketplaces (e-marketplaces)?

- a) They have existed in isolated applications since 2001.
- b) Fully computerized e-marketplaces were introduced in the early-2000s.
- c) They introduced operating efficiencies to trading for both buyers and sellers.
- d) Most e-marketplaces have not been profitable.

Ans: c

Difficulty: Hard

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Critical thinking

18. IT facilitates and supports each of the following objectives except:

- a) reducing risk
- b) improving quality of service
- c) developing new strategic applications

d) minimizing collaboration

Ans: d

Difficulty: Medium

Section Ref: 1.2 Information Systems and Information Technology (IT)

AACSB: Reflective thinking

19. Which is not a characteristic of green IT?

- a) It is a growing movement that is driven primarily by pressure from customers who are demanding eco-friendly business practices.
- b) Many IT organizations are just starting to understand the influence that their IT purchase decisions have on power consumption.
- c) It focuses on reducing energy consumption, waste disposal, and polluting emissions.
- d) Data center servers need to be redesigned because they are both power-hungry and heat-generating.

Ans: a

Difficulty: Hard

Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support

AACSB: Reflective thinking

20. Which is the first step in the process of managing business performance?

- a) Determine how to attain the performance levels.
- b) Assess where the organization stands with respect to its goals, objectives, and measures.
- c) Decide on desired performance levels.
- d) Set the budget for achieving performance or goals.

Ans: c

Difficulty: Medium

Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support

AACSB:

21. According to Porter's competitive forces model, major forces in an industry that affect the degree of competition and ultimately profitability are all of the following except:

- a) Threat of entry of new competitors
- b) Competitive power of going green
- c) Bargaining power of suppliers and buyers
- d) Rivalry among existing firms in the industry

Ans: b

Difficulty: Medium

Section Ref: 1.4 Strategy for Competitive Advantage and IT Support

AACSB:

22. \_\_\_\_\_ is a technology for collecting and organizing vast amounts of data so they are easily accessible for analysis by managers and analysts.

- a) Business intelligence
- b) Electronic commerce
- c) HyperActive
- d) Open source

Ans: a

Difficulty: Medium

Section Ref: 1.4 Strategy for Competitive Advantage and IT Support

AACSB:

23. Blogs, mashups, instant messaging, and wikis are examples of

- a) avatars
- b) social computing
- c) virtual worlds
- d) wireless communications

Ans: b

Difficulty: Easy

Section Ref: 1.5 Social Computing and Networking

AACSB:

24. A(n) \_\_\_\_\_ is a computer-based simulated environment intended for its users to inhabit and virtual spaces interact via 2D or 3D representations.

- a) avatar
- b) social network
- c) virtual world
- d) presence exchange

Ans: c

Difficulty: Medium

Section Ref: 1.5 Social Computing and Networking

AACSB:

## **True/False**

25. Digital enterprises view their critical information infrastructures as though they extend to their stationary and mobile employees, partners, and customers.

Ans: True  
Difficulty: Easy  
Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB:

26. The digital enterprise shifts the focus from managing services and workflows to coaching individuals and optimizing IT resources.

Ans: False  
Difficulty: Easy  
Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB: Critical thinking

27. Some companies link their intranets to those of their business partners over networks called value-added networks (VANs).

Ans: False  
Difficulty: Medium  
Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB: Use of information technology

28. Netflix's monthly subscription rental model had been so successful at increasing demand that Movielink and other film downloading businesses are not a significant competitive threat.

Ans: False  
Difficulty: Medium  
Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB: Critical thinking



29. Self-service kiosks in retail stores are based on RFID tags.

Ans: False

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Use of information technology

30. Affiliate marketing is a method to generate additional revenues by placing a banner ad for marketing partners, such as Amazon.com, on their Web site and collecting commissions for sales made as a result of the ad.

Ans: True

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Use of information technology

31. In order to succeed in our dynamic world, companies must take traditional actions, such as lowering costs, and also undertake innovative activities. These actions and activities are called critical response activities.

Ans: True

Difficulty: Medium

Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support

AACSB:

32. Most response activities to competitive pressures can be greatly facilitated by information technology.

Ans: True

Difficulty: Medium

Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support

AACSB: Use of information technology

33. Business environment pressures on businesses include regulatory compliance, social responsibility, ethical issues, and terrorist attacks.

Ans: True  
Difficulty: Medium  
Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support  
AACSB: Ethical understanding and reasoning abilities\

34. Real-time information systems respond within a few seconds and are critical for all business applications.

Ans: False  
Difficulty: Easy  
Section Ref: 1.4 Strategy for Competitive Advantage and IT Support  
AACSB: Reflective thinking

### **Short Answer**

35. A digital enterprise uses computer networks to electronically connect its internal parts via a(n) \_\_\_\_\_ .

Ans: intranet  
Difficulty: Easy  
Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB:

36. A digital enterprise uses computer networks to electronically connect its business partners via the Internet, or via a secured Internet called a(n) \_\_\_\_\_ .

Ans: extranet  
Difficulty: Medium  
Section Ref: 1.1 Doing Business in the Digital Economy  
AACSB: Use of information technology

37. The infrastructure for digital organizations and e-commerce is \_\_\_\_\_, which connects computers and other electronic devices via telecommunication networks.

Ans: networked computing

Difficulty: Hard

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB:

38. A \_\_\_\_\_ is a method of doing business by which a company can generate revenue to sustain itself.

Ans: business model

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Use of information technology

39. \_\_\_\_\_ is an arrangement in which marketing partners place a banner ad for a company, such as Amazon.com, on their Web site.

Ans: Affiliate marketing

Difficulty: Hard

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Use of information technology

40. \_\_\_\_\_ relates to standards of right and wrong in information management practices.

Ans: information ethics

Difficulty: Medium

Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support

AACSB: Ethical and legal responsibilities in organizations and society

41. Passed in the wake of the Enron and WorldCom accounting scandals, the \_\_\_\_\_ Act stipulates procedures for improving corporate reporting, such as requiring CEOs to certify the accuracy of financial statements.

Ans: Sarbanes-Oxley

Difficulty: Hard

Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support

AACSB: Ethical and legal responsibilities in organizations and society

42. The \_\_\_\_\_ enterprise can respond properly and in a timely manner to changes in the business environment.

Ans: adaptive

Difficulty: Easy

Section Ref: 1.4 Strategy for Competitive Advantage and IT Support

AACSB:

43. A(n) \_\_\_\_\_ is an information system that provides fast enough access to information or data so that an appropriate decision can be made.

Ans: real-time system

Difficulty: Easy

Section Ref: 1.4 Strategy for Competitive Advantage and IT Support

AACSB: Use of information technology

44. A(n) \_\_\_\_\_ strategy is risky, but can be very rewarding for companies if successful.

Ans: first mover

Difficulty: Medium

Section Ref: 1.4 Strategy for Competitive Advantage and IT Support

AACSB:

45. A(n) \_\_\_\_\_ is a Web site where people write blogs and wikis, post pictures, video or music; share ideas, and link to other Web locations they find interesting.

Ans: social network

Difficulty: Easy

Section Ref: 1.5 Social Computing and Networking

AACSB:

46. \_\_\_\_\_ is the world's most popular social networking Web site.

Ans: MySpace

Difficulty: Medium

Section Ref: 1.5 Social Computing and Networking  
AACSB:

47. In August 2006, \_\_\_\_\_ paid \$900 million for placing its search and advertising on MySpace pages.

Ans: Google

Difficulty: Easy

Section Ref: 1.5 Social Computing and Networking

AACSB:

### **Essay**

48. Identify and briefly describe three of the major IT characteristics of the Digital Economy.

Ans: See Table 1.1.

Globalization: Global communication and collaboration; global electronic marketplaces. Global customers, suppliers, and partners.

Digital systems: From TV to telephones and instrumentation, analog systems are being converted to digital ones.

Speed: A move to real-time transactions, thanks to digitized documents, products, and services. Many business processes are expedited by 90 percent or more.

Information overload: Although the amount of information generated is accelerating, intelligent search tools can help users find what they need.

Markets: Markets are moving online. Physical marketplaces are being replaced by electronic markets; new markets are being created, increasing competition and market efficiency.

Digitization: Music, books, pictures, movies, and more are digitized for fast and inexpensive distribution.

Business models: New and improved business models and processes provide opportunities to new companies and processes and industries.

Innovation: Digital and Internet-based innovations continue at a rapid pace. More patents are being granted than ever before.

Obsolescence: The fast pace of innovations creates a high rate of obsolescence.

Opportunities: Opportunities abound in almost all aspects of life and business.

Fraud: Criminals employ a slew of innovative schemes on the Internet. Cybercons are everywhere.

Wars: Conventional wars are changing to cyberwars.

Difficulty: Medium

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Critical thinking

49. Describe the basic infrastructure for digital organizations and electronic commerce (EC).

Ans: The infrastructure for digital organizations and EC is networked computing (also known as distributed computing), which connects computers and other electronic devices via telecom networks. Such connections allow users to access information stored in many places and to communicate and collaborate with others. Computers are connected to the Internet, to private value-added networks (VANs), or to the organization's intranet. In addition, some companies link their intranets to those of their business partners over networks called extranets. Connections are done via wireline systems or wireless systems.

Difficulty: Hard

Section Ref: 1.1 Doing Business in the Digital Economy

AACSB: Use of information technology

50. Discuss how ethical issues create pressures or constraints on organizational operations and the use of IT.

Ans: Ethical issues may create pressures or at least constraints on the operations of an organization. Ethics relates to standards of right and wrong, and information ethics relates to standards of right and wrong in information processing practices. Organizations must deal with ethical issues relating to their employees, customers, and suppliers. Ethical issues are very important since they have the power to damage the image of an organization and to destroy the morale of the employees. Ethics is a difficult area because ethical issues are somewhat subjective and depend on the culture.

The use of IT raises many ethical issues. These issues range from the monitoring of e-mail to the invasion of customers' privacy whose data are stored in private and public databases.

Difficulty: Medium

Section Ref: 1.3 Business Performance Management, Business Pressures, Organization Responses, and IT Support

AACSB: Ethical and legal responsibilities in organizations and society