

Chapter 01 - Management Information Systems: Business Driven MIS

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Management Information Systems: Business Driven MIS

True / False Questions

1. Companies today are successful when they combine the power of the information age with traditional business methods.

True False

2. Competitive intelligence is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making.

True False

3. The information age is the present time, during which infinite quantities of facts are widely available to anyone who can use a computer.

True False

4. Technology provides countless business opportunities, but can also lead to pitfalls and traps for a business.

True False

5. Top managers use social intelligence to define the future of the business, analyzing markets, industries, and economies to determine the strategic direction the company must follow to remain unprofitable.

True False

6. A variable is a business intelligence characteristic that stands for a value that cannot change over time.

True False

7. Companies update business strategies continuously as internal and external environments change.

True False

8. For an organization to succeed, every department or functional area must work independently to be most effective.

True False

9. Porter's Five Forces Model outlines the process for a sales strategy.

True False

10. With the Five Forces Model, companies should watch the forces in the market. If the forces are strong, competition generally increases, and if the forces are weak, competition typically decreases.

True False

11. Successful companies today operate cross-functionally, integrating the operations of all departments.

True False

12. An overview of systems thinking includes input, process, output, and finances.

True False

13. MIS is a tool that is most valuable when it leverages the talents of people who know how to use and manage it effectively.

True False

14. The chief technology officer is responsible for ensuring the security of business systems and developing strategies and safeguards against attacks from hackers and viruses.

True False

15. A leadership plan that achieves a specific set of goals or objectives is a business strategy.

True False

16. When a company is the first to market with a competitive advantage, it gains a particular benefit known as competitive intelligence.

True False

17. Over the past decade, the United States has lost an estimated 2.4 million factory jobs to Nepal.

True False

18. Two ways to reduce buyer power are through switching costs and loyalty programs.

True False

19. Mark Peterson identified the Porter's Five Forces Model, which analyzes the competitive forces within a business environment.

True False

20. There are many challenges to changing doctors, including transferring medical records and losing the doctor-patient relationship along with the doctor's knowledge of the patient's history. Changing doctors provides a great example of switching costs.

True False

21. Supplier power is one of Porter's five forces, and it measures the suppliers' ability to influence the prices they charge for supplies (including materials, labor, and services).

True False

22. Polaroid had a unique competitive advantage for many years until it forgot to observe competitive intelligence. The firm went bankrupt when people began taking digital pictures. Polaroid provides a great example of Porter's threat of new entrants.

True False

23. Product differentiation occurs when a company develops unique differences in its products or services with the intent to influence demand.

True False

24. Buyer power is the ability of buyers to affect the price they must pay for an item.

True False

25. Tiffany & Company competes in the marketplace by offering high-cost custom jewelry. Tiffany & Company is following a broad market and cost leadership strategy.

True False

26. Porter has identified three generic business strategies, including focused, broad cost leadership, and switching strategy.

True False

27. According to Porter's three generic strategies, Walmart is following a business strategy that focuses on "broad market and low cost."

True False

28. Value chain analysis views a firm as a series of business processes that each adds value to the product or service.

True False

29. A standardized set of activities that accomplish a specific task is called a supply chain component.

True False

30. The value chain will group a company's activities into two categories: primary value activities and support value activities.

True False

Multiple Choice Questions

31. Which of the following is not considered a core driver of the information age?

- A. Information.
- B. Business Intelligence.
- C. Competitive Intelligence.
- D. Data.

32. Why do students need to study information technology?

- A. Information technology is everywhere in business.
- B. Information technology is rarely discussed in business.
- C. Information technology is rarely used in organizations.
- D. Information technology is found in only a few businesses.

33. Which of the following is considered information?

- A. Quantity sold
- B. Date sold
- C. Best selling item by month
- D. All of these

34. Which of the following is considered data?

- A. Quantity sold
- B. Best customer by month
- C. Best selling item by month
- D. Worst selling item by month

35. Cheryl Steffan is the operations manager for Nature's Bread Company, which specializes in providing natural products for health-conscious individuals. Cheryl is responsible for compiling, analyzing, and evaluating daily sales numbers to determine the company's profitability and forecast production for the next day. Which of the following is an example of a piece of data Cheryl would be using to successfully perform her job?

- A. Craig Newmark is customer number 15467.
- B. Compare the costs of supplies, including energy, over the last five years to determine the best-selling product by month.
- C. Best-selling product by day.
- D. Best-selling product changes when Tony, the best baker, is working.

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37. Cheryl Steffan is the operations manager for Nature's Bread Company, which specializes in providing natural products for health-conscious individuals. Cheryl is responsible for compiling, analyzing, and evaluating daily sales numbers to determine the company's profitability and forecast production for the next day. Which of the following is an example of knowledge that Cheryl would be using to successfully perform her job?

- A. Craig Newmark is customer number 15467.
- B. Trina Hauger is customer 45673AA-3.
- C. Best-selling product by day.
- D. Best-selling product changes when Tony, the best baker, is working.

38. Data are useful for understanding individual sales, but to gain deeper insight into a business, data need to be turned into information. Which of the following offers an example of turning data into information?

- A. Who are my best customers?
- B. What is my best-selling product?
- C. What is my worst-selling product?
- D. All of these

39. Which of the following provides an example of information?

- A. Who is customer number 12345XX?
- B. What is product number 12345XX?
- C. What customer number is Bob Smith?
- D. What is my worst-selling product?

40. Which of the following provides an example of data?

- A. Who are my best customers?
- B. What is my best-selling product?
- C. What is my worst-selling product?
- D. Who is customer number 12345XX?

41. Business intelligence is information collected from multiple sources. Which of the following provides an example of a source that would be included in business intelligence?

- A. Suppliers.
- B. Customers.
- C. Competitors.
- D. All of these.

42. Knowledge includes the skills, experience, and expertise coupled with information and _____ that creates a person's intellectual resources.

- A. Resources.
- B. Intelligence.
- C. Expectations.
- D. Enterprise information.

43. Which of the following is not a topic associated with the information age?

- A. Collection of data.
- B. Storage of data.
- C. College statistics for data.
- D. Use of data.

44. Which of the following represents the core drives of the information age?

- A. Data, information, business intelligence, knowledge.
- B. Fact, data, intelligence, experience.
- C. Fact, intelligence, business skills, knowledge.
- D. Data, intelligence, business information, knowledge.

45. Which of the following is not a core driver of the information age?

- A. Information.
- B. Knowledge.
- C. Fact.
- D. Data.

46. Which of the following represents the definition of a variable?

- A. A data characteristic that is collected through competitive intelligence and cannot change over time.
- B. A data characteristic that stands for a value that changes or varies over time.
- C. A data characteristic that stands for a value that does not change or vary over time.
- D. A data characteristic that is collected only through competitive intelligence and can change over time.

47. Today's workers are referred to as _____ and they use BI along with personal experience to make decisions based on both information and intuition, a valuable resource for any company.

- A. Knowledge workers.
- B. Knowledge thinkers.
- C. Knowledge resources.
- D. All of these.

48. What is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making?

- A. Supplier's intelligence.
- B. Social intelligence.
- C. Employee intelligence.
- D. Business intelligence.

49. Information is data converted into useful, meaningful context. What are data characteristics that change or vary over time?

- A. Facts.
- B. Variables.
- C. Supplies.
- D. Vulnerable.

50. Which of the following is the key term that defines the confirmation or validation of an event or object?

- A. Buyer power.
- B. Data.
- C. Fact.
- D. Entry barrier.

51. What is data converted into a meaningful and useful context?

- A. Competitive intelligence.
- B. Information.
- C. Buyer power.
- D. First-mover advantage.

52. As companies move from data to knowledge, they will start to include more and more variables for analysis resulting in better, more precise support for _____.

- A. Decision making.
- B. Problem solving.
- C. Both A and B.
- D. None of these.

53. How are the majority of companies today typically organized?

- A. By departments or functional areas.
- B. By departments or financial areas.
- C. By degree or financial areas.
- D. All of these.

54. How does the text recommend that a company operate if it wants to be successful in the information age?

- A. Functionally independent between departments.
- B. Interdependently between departments.
- C. Together as one department with little or no independence.
- D. Each department acting as its own individual business unit.

55. Most companies are typically organized by departments or functional areas. Which of the following is not a common department found in a company?

- A. Accounting.
- B. Payroll.
- C. Marketing.
- D. Human Resources.

56. Which of the following is typically performed by the sales or marketing department?

- A. Manage enterprisewide processes.
- B. Maintain employment policies.
- C. Manage cross-enterprise processes.
- D. Maintain transactional data.

57. The sales department needs to rely on information from operations to understand _____.

- A. Inventory.
- B. Customer orders.
- C. Demand forecasts.
- D. All of these.

58. Which of the following represents the department that maintains policies, plans, and procedures for the effective management of employees?

- A. Human Resources.
- B. Sales.
- C. Employee Resources.
- D. Employee Relations.

59. Greg works for Geneva Steel Corporation. Greg's duties include managing the overall processes for the company and transforming the steel resources into goods. Which department would Greg most likely work in?

- A. Accounting Manager.
- B. Operations Manager.
- C. Marketing Manager.
- D. CIO.

60. Information technology can enable departments to more efficiently and effectively perform their core _____.

- A. Facts.
- B. Feedback mechanisms.
- C. Business operations.
- D. Media issues.

61. The department within a company that records, measures, and reports monetary transactions is called _____.

- A. Accounting.
- B. Marketing.
- C. Finance.
- D. Operations Management.

62. The department within a company that performs the function of selling goods or services is called _____:

- A. Marketing.
- B. Sales.
- C. Finance.
- D. Operations Management.

63. The department within a company that supports the sales by planning, pricing, and promoting goods or services is called _____.

- A. Sales.
- B. Operations Management.
- C. Accounting.
- D. Marketing.

64. Which of the following represents the relationship between functional areas in a business?

- A. Independent.
- B. Autonomous.
- C. Interdependent.
- D. Self-sufficient.

65. Which of the following statements is true?

- A. IT equals business success.
- B. IT equals business innovation.
- C. IT represents business success and innovation.
- D. IT enables business success and innovation.

66. What is the name of a company's internal MIS department?

- A. Management information systems (MIS).
- B. Information systems (IS).
- C. Information technology (IT).
- D. All of these.

67. A system is a collection of parts that link together to _____.

- A. Monitor the company.
- B. Gather experience.
- C. Achieve a common purpose.
- D. Implement solutions.

68. Which of the following does not offer a good example of a system?

- A. A car.
- B. A laptop.
- C. The light-rail tram.
- D. A pencil.

69. Which four elements are included in systems thinking?

- A. Output, process, feedback, and accounting.
- B. Process, output, operations, and accounting.
- C. Input, process, output, and feedback.
- D. Input, output, sales, and feedback.

70. MIS is a business function, like accounting or sales, that moves information about people, products, and processes across the company to facilitate decision making and problem solving.

What does MIS stand for?

- A. Management information strategy.
- B. Management intelligence system.
- C. Management information system.
- D. Management information strategist.

71. Shelby Black runs a very successful hair salon in downtown Los Angeles. One of Shelby's tasks is to input positive and negative customer reviews into her computer system. What type of information is Shelby gathering?

- A. Feedback.
- B. Processing.
- C. Output management.
- D. Sales processing.

72. Trina Hauger works for Johnson Electric as a corporate lawyer, and part of her duties are to ensure the ethical and legal use of information within the company. Which of the following represents Trina's role at Johnson Electric?

- A. Chief knowledge officer (CKO).
- B. Chief privacy officer (CPO).
- C. Chief technology officer (CTO).
- D. Chief information officer (CIO).

73. The challenge that companies today sometimes have is that they are departmentalized and act independently of each other. One solution that can help a company work interdepartmentally includes _____.

- A. System processes.
- B. Human resources.
- C. Management information systems.
- D. Resource information systems.

74. Susan Stewart is an executive at Equity Title, where she is responsible for collecting, maintaining, and distributing knowledge for the company. What is Susan's role at Equity Title?

- A. Chief knowledge officer (CKO).
- B. Chief technology officer (CTO).
- C. Chief information officer (CIO).
- D. Chief security officer (CSO).

75. What is the primary responsibility of the CTO?

- A. Overseeing all uses of MIS.
- B. Ensuring the security of business systems.
- C. Ensuring speed, accuracy, and reliability for MIS.
- D. Collecting and distributing company information.

76. What is a way of monitoring the entire system in a company, by viewing the multiple inputs being processed to produce outputs?

- A. Feedback thinking.
- B. Systems thinking.
- C. Output management.
- D. Operational thinking.

77. Jeremy Bridges is an executive for Green Web Designs, where his primary role is to ensure the security of business systems and develop strategies to protect the company from online viruses and hackers. What is Jeremy's role within the company?

- A. Chief executive officer (CEO).
- B. Chief security officer (CSO).
- C. Chief procurement officer (CPO).
- D. Chief technology officer (CTO).

78. Feedback is information that returns to its original transmitter and modifies the transmitter's actions. What would the original transmitter include?

- A. Input, transform, output.
- B. Input, transform, outnumber.
- C. Output, input, performer.
- D. Input, process, transform.

79. MIS is a business function. Which of the following does MIS perform to help aid the company in decision making and problem solving?

- A. Moves information about people.
- B. Moves processes across the company to improve systems.
- C. Moves information about products.
- D. All of these.

80. A system is a collection of parts that link to achieve a common purpose. Systems thinking is a way of monitoring _____.

- A. The entire system.
- B. A division within the sales role.
- C. The executive team.
- D. The company's competitors.

81. MIS can be an important enabler of business success and innovation. Which of the following statements is accurate when referring to MIS?

- A. MIS equals business success and innovation.
- B. MIS represents business success and innovation.
- C. MIS is not a valuable tool that leverages talent.
- D. MIS is a valuable tool that can leverage the talents of people who know how to use and manage it effectively.

82. Which role within a company is responsible for overseeing all uses of MIS and ensuring that MIS strategic aligns with business goals and objectives?

- A. Chief knowledge officer (CKO).
- B. Chief privacy officer (CPO).
- C. Chief information officer (CIO).
- D. Chief security officer (CSO).

83. Which of the following provides an accurate definition of systems thinking?

- A. A way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs, while continuously gathering feedback on each part.
- B. A way of monitoring individual components, including an input, the process, and an output, while continuously gathering feedback on the entire system.
- C. A way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs, while continuously gathering feedback on the entire system.
- D. A way of monitoring singular parts of a system by viewing a single input that is processed or transformed to produce an entire system that is continuously monitored to gather feedback on each individual part.

84. If you were thinking about a washing machine as a system, which of the following represents the inputs?

- A. The dirty clothes, water, and detergent.
- B. The clean clothes.
- C. The wash and rinse cycle.
- D. The light indicating that the washer is off balance and has stopped.

85. If you were thinking about a washing machine as a system, which of the following represents the process?

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86. If you were thinking about a washing machine as a system, which of the following represents the feedback?

- A. The dirty clothes, water, and detergent.
- B. The clean clothes.
- C. The wash and rinse cycle.
- D. The light indicating that the washer is off balance and has stopped.

87. If you were thinking about a washing machine as a system, which of the following represents the outputs?

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88. If you were thinking about an oven as a system, which of the following represents the input?

- A. The uncooked food.
- B. The cooked food.
- C. A light indicating that the oven has reached the preheated temperature.
- D. The oven running at 350 degrees for 20 minutes.

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92. If you were thinking about a home theater system, which of the following represents the inputs?

- A. The DVD player, DVD movie, speakers, TV, and electricity.
- B. Playing the movie, including the audio, through the speakers and the video on the TV.
- C. A message stating that the disk is dirty and cannot be played.
- D. Spinning the disk to play, pause, rewind, or fast forward.

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96. Which of the following is not a typical way that a company would duplicate a competitive advantage?

- A. Acquiring the new technology.
- B. Copying the business operations.
- C. Hiring away key employees.
- D. Carrying large product inventories.

97. When a company is the first to market with a competitive advantage, this is called a first-mover advantage. All of the following companies were first-movers except _____.

- A. FedEx—the online self service software.
- B. Apple—iPad.
- C. Apple—iPod.
- D. Microsoft—Bing Search Engine.

98. A business strategy achieves a specific set of goals, which include _____.

- A. Developing new products or services, attracting new competition.
- B. Increasing costs, attracting new competition.
- C. Attracting new customers, developing new products or services.
- D. All of these.

99. Competitive intelligence is the process of gathering information about the competitive environment, including _____.

- A. Competitors' employees.
- B. Competitors' differentiated processes.
- C. Competitors' plans.
- D. All of these.

100. Which of the following is a tool a manager can use to analyze competitive intelligence and identify competitive advantages?

- A. The three generic strategies.
- B. The threat of substitute buyer power.
- C. Differentiated costs.
- D. Supplier loyalty.

101. Identifying competitive advantages can be difficult and explains why they are typically _____.

- A. Temporary.
- B. Satisfactory.
- C. Terminated.
- D. Unsuccessful.

102. Updating business strategies is a continuous undertaking as internal and external environments _____.

- A. Become less competitive.
- B. Remain stagnant.
- C. Rapidly change.
- D. Become more consistent.

103. Which of the following represents a reason that competitive advantages are typically temporary?

- A. The competitor will hire away your key employees.
- B. The competitor quickly seeks ways to duplicate your business operations.
- C. The competitor will purchase new technology.
- D. All of these.

104. What is a competitive advantage?

- A. A product that an organization's customers place a lesser value on than similar offerings from a competitor.
- B. A feature of a product or service on which customers place a lesser value than they do on similar offerings from a supplier.
- C. A service that an organization's customers place a lesser value on than similar offerings from a supplier.
- D. A feature of a product or service on which customers place a greater value than they do on similar offerings from competitors.

105. All of the following are common tools used in industry to analyze and develop competitive advantages, except:

- A. Five Forces model
- B. Three generic strategies
- C. Competitive analysis model
- D. Value chain analysis

106. Greg Provenzo owns and runs a Blockbuster video store. Greg is implementing a drive-thru rental process that is the same as you would find at a fast-food restaurant. Customers can pick-up and drop-off their videos without leaving their cars. Greg's new system has become so popular that Videos Plus, a competitor down the street, is attempting to recreate Greg's video drive-thru rental process. Greg's system is an example of a _____.

- A. Supply chain power.
- B. First-mover advantage.
- C. Business processing strategy.
- D. Business intelligence.

107. The process of gathering information about the competitive environment, including competitors' plans, activities, and products, to improve a company's ability to succeed is the definition of _____.

- A. Feedback.
- B. Information.
- C. Competitive intelligence.
- D. Data.

108. Steve Jobs and Apple created a big advantage in the technology industry with the introduction of the iPod, iPhone, and iPad. What are these all examples of?

- A. Competitive advantage
- B. Competitive intelligence
- C. First-mover advantage
- D. All of these

109. Paula Logston is the owner and operator of a high-end online custom clothing company. Paula has never heard of Porter's Five Forces Model and she wants to understand why she would perform an analysis using it. If you were tasked with explaining Porter's Five Forces Model to Paula, what would be the primary reason she would want to use this type of analysis?

- A. To help Paula choose a clothing business focus.
- B. To help Paula evaluate the attractiveness of the clothing industry.
- C. To help Paula evaluate and execute business goals.
- D. All of these.

110. A _____ advantage features a product or service on which customers place a greater value than they do on similar offerings from competitors.

- A. Competitive advantage
- B. Competitor advantage
- C. Power advantage
- D. First-mover advantage

111. The Victory Wireless store in Denver is currently offering a fabulous marketing strategy for potential new iPhone customers. Victory Wireless offers customers who purchase an iPhone with a 2-year subscription a free Otter phone case, car charger, ear phones, and speakers. In terms of Porter's five forces, what is Victory Wireless attempting to achieve with this marketing strategy?

- A. Increase buyer power.
- B. Increase substitute products.
- C. Decrease supplier power.
- D. Decrease buyer power.

112. Gina Brooks works for Aquarium Retail Services selling high-end saltwater fish and tank supplies. Aquarium Retail Services is the current market leader in Gina's city. Gina has recently been approached by Deep Blue Incorporated with an opportunity to run its corporate nationwide marketing and sales division. Gina decides to jump at the opportunity! Deep Blue is attempting to gain a competitive _____ by stealing its competitor's key employee.

- A. Power
- B. Entry Barrier
- C. Advantage
- D. Loyalty

113. The banking industry has implemented several competitive advantages, including ATMs, online bill pay services, and electronic statements. Of course, these competitive advantages were quickly duplicated by any competitor that wanted to remain in the banking industry. These were all examples of _____ competitive advantages.

- A. Acquiring new technology products and services.
- B. Hiring new employees.
- C. Reducing expenses.
- D. Gaining invaluable feedback from customers.

114. Michael Porter defined the Five Forces Model and the potential pressures that can hurt sales. Which of the following is not one of the potential pressures that can hurt sales?

- A. Suppliers can drive down profits by charging more for supplies.
- B. New market entrants can steal potential investment capital.
- C. Substitute products can steal customers.
- D. Competition can steal customers.

115. Which of the following is included in Porter's Five Forces Model?

- A. Loyalty expenses.
- B. Supply chain management.
- C. The power of competitors.
- D. Systems thinking.

116. Kevin Campbell is an incoming freshman at your college. Kevin is frustrated by the cost of books, tuition, and expenses, and he also needs to purchase a rather expensive laptop. In an effort to save money, Kevin begins a Facebook group finding other college students who need to purchase laptops. Soon, Kevin's Facebook group has close to 100,000 students. Kevin decides to collectively approach different computer companies to see if his group qualifies for a special discount. What business strategy is Kevin using to purchase laptops?

- A. Collecting business intelligence.
- B. Decreasing entry barriers.
- C. Purchasing a substitute product.
- D. Increasing buyer power.

117. What are costs that make customers reluctant to switch to another product or service?

- A. Support activities.
- B. Switching costs.
- C. Loyalty rewards.
- D. Value chain activities.

118. Callie Crystal owns and operates one of the most successful local coffee shops in Denver, called The Edgewater Café. Each time customers purchases their 100th cup of coffee at The Edgewater Café, they receive a free pound of coffee of their choice. What is Callie attempting to create with her unique "Free Pound of Coffee" marketing program?

- A. Reducing buyer power with a loyalty program.
- B. Increasing buyer power with a loyalty program.
- C. Decreasing supplier power with a differentiated product.
- D. Creating a substitute product.

119. What includes all parties involved, directly or indirectly, in obtaining raw materials or a product?

- A. Support chain.
- B. Supply chain.
- C. System chain.
- D. Supply choice.

120. Which of the following represents a company in a supply chain?

- A. Customer and competitor.
- B. Supplier and competitor.
- C. Knowledge worker and supplier.
- D. Supplier and customer.

121. In the center of Porter's Five Forces Model is competition. Which of the following represents the four outer boxes?

- A. Buyer power, systems power, threat of false entrants, and threat of substitute products or services.
- B. Buyer power, systems power, threat of new entrants, and threat of substitute products or services.
- C. Buyer power, supplier power, threat of new entrants, and threat of substitute products or services.
- D. Business power, supplier power, threat of new entrants, and threat of powerful services.

122. Shawn McGill is on the executive board for ABC pharmaceuticals. The company produces the number-one-selling cancer-fighting drug on the market. Due to its incredible success, ABC Pharmaceuticals has decided to increase the cost of the drug from \$8 a pill to \$15 a pill. Which force is ABC Pharmaceutical using to increase its drug price?

- A. Supplier power.
- B. Buyer power.
- C. Threat of false entrants.
- D. Business power.

123. What is one of the most common ways a company can decrease supplier power?

- A. Charge lower prices.
- B. Charge higher prices.
- C. Use MIS to find and create alternative products.
- D. Companies cannot affect supplier power.

124. If a supplier has high power, what can it do to influence its industry?

- A. Charge higher prices.
- B. Shift costs to industry participants.
- C. Limit quality or services.
- D. All of these.

125. When buyer power is low, supplier power is typically _____.

- A. Identical.
- B. High.
- C. Low.
- D. Unstable.

126. How can a company reduce the threat of substitute products or services?

- A. Market the product to less than ten customers.
- B. Ignore competitive forces.
- C. Offer additional value through wider product distribution.
- D. Offer less value, making the product far more generic and similar to the competition.

127. Which one of Porter's Five Forces is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to joining a market?

- A. Threat of new entrants.
- B. Threat of substitute products or services.
- C. Threat of buyer power.
- D. Supply chain competition.

128. John Cleaver is the CEO of Tech World, which is a retail store that sells computers, monitors, cameras, televisions, and many other electronic products. John and his executive team are meeting to brainstorm new ideas on how to grow the business. One idea is to mimic a competitor's product that is attempting to sell a new product in a different industry. After performing a Porter's five forces analysis, John determines that all of the forces are high in this new industry. What should John do?

- A. Explode into the market with an overflow of the product.
- B. Contemplate other products to introduce at the same time in this new market.
- C. Compare the competitor's prices and offer his product lower in this new market.
- D. Not introduce the product because all five forces are strong, and this would be a highly risky business strategy.

129. What is a feature of a product or service that customers have come to expect and that entering competitors must offer as well if they want to survive?

- A. Significant barrier.
- B. Entry barrier.
- C. Product differentiation.
- D. Entry chain.

130. Which of the following represents a typical supply chain?

- A. Company—customers—suppliers.
- B. Company—suppliers—customers.
- C. Suppliers—company—customers.
- D. Suppliers—customers—company.

131. Imagine you are creating a new product to sell in an up-and-coming market. Which of the following statements indicates that it would be easy for you as the new entrants to compete in this market?

- A. The threat of new entrants force is high in the up-and-coming market.
- B. The threat of new entrants force is low in the up-and-coming market.
- C. The threat of new entrants force is impossible to define in the up-and-coming market.
- D. All of these, depending on the time of year.

132. Imagine you are creating a new product to sell in an up-and-coming market. Which of the following statements indicates that it would be difficult for you to enter this new market?

- A. The threat of new entrants force is high in the up-and-coming market.
- B. The threat of new entrants force is low in the up-and-coming market.
- C. The threat of new entrants force is high during the summer months in the up-and-coming market.
- D. All of these, depending on the time of year.

133. Which of the following offers an example where Porter's Five Forces are mostly strong and competition is high?

- A. A dog-walking business.
- B. A ski resort.
- C. A professional hockey team.
- D. All of these.

134. Which of the following offers an example where Porter's Five Forces are mostly weak and competition is low?

- A. An international hotel chain purchasing milk.
- B. A coffee shop.
- C. A single consumer purchasing milk.
- D. A dog-walking business.

135. Some industries' competition is much more intense than others. Retail grocery stores such as Kroger, Safeway, and Albertson's in the United States experience fierce competition and offer similar marketing campaigns to compete. What is this an example of in terms of Porter's five forces?

- A. Rivalry among new entrants.
- B. Rivalry among existing competitors.
- C. Threat of substitute products or services.
- D. Buyer power.

136. Amazon.com uses a customer profiling system whenever a customer visits its website. Using this system, Amazon can offer products tailored to that particular customer's profile and buying pattern. What is Amazon using to achieve this competitive advantage?

- A. Rivalry.
- B. Buyer power.
- C. Product differentiation.
- D. Substitute product.

137. Your boss, Ty Jacob, has asked you to analyze the music industry using Porter's Five Forces Model. Which of the following represents supplier power in the music industry?

- A. Established record labels like EMI, Sony, Universal.
- B. Walmart, Target, iTunes.
- C. Game systems like Wii, social networks like Facebook.
- D. Taylor Swift, Beyonce, The Beatles, The Stones.

138. Your boss, Ty Jacob, has asked you to analyze the music industry using Porter's Five Forces Model. Which of the following represents buyer power in the music industry?

- A. Established record labels like EMI, Sony, Universal.
- B. Walmart, Target, iTunes.
- C. Independent record labels.
- D. Game systems like Wii, social networks like Facebook.

139. Your boss, Ty Jacob, has asked you to analyze the music industry using Porter's Five Forces Model. Which of the following represents the threat of substitute products or services in the music industry?

- A. Established record labels like EMI, Sony, Universal.
- B. Independent record labels.
- C. Game systems like Wii, social networks like Facebook.
- D. Taylor Swift, Beyonce, The Beatles, The Stones.

140. Your boss, Kerry Miller, has asked you to analyze the soft-drink industry using Porter's Five Forces Model. Which of the following represents supplier power in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Vitamin water, fruit juice, coffee.

141. Your boss, Kerry Miller, has asked you to analyze the soft drink industry using Porter's Five Forces Model. Which of the following represents buyer power in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Vitamin water, fruit juice, coffee.

142. Your boss, Kerry Miller, has asked you to analyze the soft-drink industry using Porter's Five Forces Model. Which of the following represents a threat of a new entrant in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Vitamin water, fruit juice, coffee.

143. Your boss, Kerry Miller, has asked you to analyze the soft-drink industry using Porter's Five Forces Model. Which of the following represents a substitute product in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Vitamin water, fruit juice, coffee.

144. Your boss, Kerry Miller, has asked you to analyze the soft-drink industry using Porter's Five Forces Model. Which of the following represents rivalry in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Coke and Pepsi submit bids to the owner of a football stadium for the exclusive sale of their products during games.

145. Porter identified three generic strategies that a business could follow after identifying a market it wanted to enter. Which of the following is not included as one of Porter's three generic strategies?

- A. Broad differentiation.
- B. Supplier cost differentiation.
- C. Focused strategy.
- D. Broad cost leadership.

146. When analyzing Porter's three generic strategies for entering a market, if you have a focused strategy what market should you target?

- A. A niche market.
- B. A broad market.
- C. Neither niche or broad markets.
- D. Both niche and broad markets.

147. Which of the following offers an example of a company operating in a narrow focused-market operating as the low-cost provider?

- A. Walmart.
- B. Tiffany & Co.
- C. Neiman Marcus.
- D. Payless Shoes.

148. Broad differentiation, broad cost leadership, and _____ create the three generic strategies identified by Porter.

- A. Narrow market leadership.
- B. High cost versus low cost.
- C. Focused strategy.
- D. None of these.

149. Jennifer Bloom is writing a paper, and she must determine which of Porter's three generic strategies The Museum Company has implemented. Jennifer finds out that The Museum Company offers specialty products found only in museums around the world to affluent customers. What would Jennifer determine The Museum Company is using as its generic strategy?

- A. Broad market, low cost.
- B. Narrow market, high cost.
- C. Broad market, high cost.
- D. Narrow market, low cost.

150. According to Porter, companies that wish to dominate broad markets should operate using a _____ strategy.

- A. Cost leadership with a low cost.
- B. Differentiation with a low cost.
- C. Cost leadership with a high cost.
- D. All of these.

151. Which of the following demonstrates a company that has implemented a low-cost, broad-market strategy?

- A. Neiman Marcus.
- B. Payless Shoes.
- C. The Sharper Image.
- D. Walmart.

152. If a business is following a focused strategy then its competitive scope is _____.

- A. Broad market.
- B. Narrow market.
- C. Broad range products.
- D. Broad range of services.

153. When applying Porter's three generic strategies, Tiffany & Co. has a competitive scope and cost strategy that is _____.

- A. Broad market—high-cost strategy.
- B. Narrow market—low-cost strategy.
- C. Narrow market—high-cost strategy.
- D. Broad market—low-cost strategy.

154. When analyzing the bookstore industry, some of today's businesses compete with different business strategies and cost strategies. Which of the following is using a broad market competitive scope along with a low cost strategy?

- A. Amazon.com.
- B. Any local independent book store that specializes in antique books.
- C. Barnes & Noble.
- D. Target.

155. Which of the following is similar to focused strategy versus broad strategy?

- A. Large market versus leadership.
- B. Large market versus uniqueness.
- C. Niche market versus large market.
- D. Niche market versus generic.

156. Your boss, Tom Repicci, has asked you to analyze the airline industry using Porter's three generic strategies. Which of the following companies are using a cost leadership strategy?

- A. Southwest, Horizon, Frontier, JetBlue.
- B. British Airways, Singapore Airlines, Virgin Atlantic.
- C. Sky Taxi—a rent-by-the-hour personal plane service.
- D. All of these.

157. Your boss, Tom Repicci, has asked you to analyze the airline industry using Porter's three generic strategies. Which of the following companies are using a differentiation strategy?

- A. Southwest, Horizon, Frontier, JetBlue.
- B. British Airways, Singapore Airlines, Virgin Atlantic.
- C. Sky Taxi—a rent-by-the-hour personal plane service.
- D. All of these.

158. Your boss, Tom Repicci, has asked you to analyze the airline industry using Porter's three generic strategies. Which of the following companies are using a focused strategy?

- A. Southwest, Horizon, Frontier, JetBlue.
- B. British Airways, Singapore Airlines, Virgin Atlantic.
- C. Sky Taxi—a rent-by-thehour personal plane service.
- D. All of these.

159. When reviewing Porter's value chain analysis, which of the following provides customer support after the sale of goods and services?

- A. Inbound logistics.
- B. Outbound logistics.
- C. Operations.
- D. Service.

160. Which of the following represents procurement as part of the support value activities in a value chain analysis?

- A. Purchases inputs such as raw materials, resources, equipment and supplies.
- B. Applies MIS to processes to add value.
- C. Distributes goods and services to customers.
- D. Promotes, prices, and sells products to customers.

161. What includes support value activities and primary value activities and is used to determine how to create the greatest possible value for customers?

- A. Supplier power.
- B. Operations management.
- C. Porter's Five Forces Model.
- D. The value chain analysis.

162. What is a standardized set of activities that accomplishes a specific task?

- A. Business strategy.
- B. Business outcome.
- C. Business process.
- D. Knowledge process.

163. Which of the following analyzes a company's business processes and is useful for determining how to create the greatest possible value for customers?

- A. Product analysis.
- B. Primary supplier power.
- C. Value chain analysis.
- D. Buyer chain analysis.

164. The goal of value chain analysis is to identify processes in which the firm can add value for the customer and create a competitive advantage for itself, with a _____ or _____.

- A. Focused strategy; product differentiation.
- B. Focused strategy; cost advantage.
- C. Cost advantage; primary value activities.
- D. Cost advantage; product differentiation.

165. What are the two main categories in a value chain analysis?

- A. Primary value activities and secondary value activities.
- B. Primary value activities and support value activities.
- C. Primary value activities and strengthening value activities.
- D. None of these.

166. Which of the following is not considered a category within the primary value activities in a value chain analysis?

- A. Inbound logistics.
- B. Firm infrastructure.
- C. Operations.
- D. Service.

167. Which of the following is not considered a category within the support value activities in a value chain analysis?

- A. Technology development.
- B. Outbound logistics.
- C. Human resource management.
- D. Firm infrastructure.

168. What is the support value activity that provides employees with training, hiring, and compensation?

- A. Procurement.
- B. Operations resource management.
- C. Human resource management.
- D. Firm infrastructure.

169. Sandy Fiero works as the chief knowledge officer for Bend Lumbar Company. She has been given the responsibility to create a product or service that will bring an added value to its customers to increase the company's revenue. Sandy determines that the best value she can add is by creating a service that offers free next-day shipping on any order over \$50. Where in the value chain is Sandy adding value?

- A. The primary value activity outbound logistics.
- B. The primary value activity inbound logistics.
- C. The primary value activity marketing and sales.
- D. The primary value activity operations.

170. When evaluating the value chain, all of the following are included in the primary value activities except:

- A. Inbound activities.
- B. Operations.
- C. Service.
- D. MIS development.

171. When evaluating the value chain, which of the following is included in the support value activities?

- A. Inbound activities.
- B. Marketing and sales.
- C. Firm infrastructure.
- D. Finance and sales.

172. Which of the following decisions does a firm need to make as soon as it has identified the activities from the value chain that are bringing the highest added value to their customers?

- A. Target high value-adding activities to further enhance their value.
- B. Target low value-adding activities to increase their value.
- C. Perform some combination of the two.
- D. All of these.

173. MIS can add value to both primary activities and support activities in the value chain. Which of the following is not an example of a company adding value by the use of MIS in a primary activity?

- A. Scottrade Corp. creating an online system for employees to track paychecks, benefits, wellness rewards program, and other employee benefit items.
- B. A system for the sales and marketing departments to track specific sales targets and follow up processes.
- C. An easy electronic survey, similar to the Survey Monkey, to be sent to the customer right after a service was completed.
- D. Royal Crest Dairy using their custom order and delivery system through an easily accessible web portal for the customer to track delivery status.

174. MIS can add value to both primary and support activities within a business. Which of the following is not an example of a company adding value by the use of MIS in a support activity?

- A. Netflix creating a business strategy for the video rental market that delivers videos via the mail.
- B. The human resources department creates a tracking system to efficiently reward employees based on their performance.
- C. Scottrade Corp. creating an online system for employees to track paychecks, benefits, wellness rewards program, and other employee benefit items.
- D. The University of Forks creates a program to automatically order office supplies such as pens and pads of paper for its employees.

Fill in the Blank Questions

175. A _____ is the confirmation or validation of an event or object.

176. The core drivers of the information age are data, knowledge, business intelligence, and _____.

177. Today's workers are commonly referred to as _____ workers, who use business intelligence along with personal experience to make decisions.

178. Top managers use _____ intelligence to define the future of the business, analyzing markets, industries, and economies.

179. Companies are organized by departments. The _____ department is responsible for maintaining records, measures, and reports monetary transactions.

180. The _____ management department in a company manages the process of converting or transforming of resources into goods or services.

181. The _____ department tracks strategic financial issues including money, banking, credit, investments, and assets.

182. The _____ resources department maintains policies, plans, and procedures for a company.

183. _____ is information that returns to its original transmitter and modifies the transmitter's actions.

184. A _____ is a collection of parts that link to achieve a common purpose.

185. A _____ strategy is a leadership plan that achieves a specific set of goals or objectives.

186. The chief information officer is responsible for overseeing all uses of MIS and ensuring that MIS strategically aligns with _____ goals and objectives.

187. The chief security officer is responsible for ensuring the _____ of business systems and developing strategies and safeguards against attacks by hackers and viruses.

188. Business strategies that match _____ company competencies to opportunities result in a competitive advantage.

189. Competitive _____ is the process of gathering information about the competitive environment, including competitors' plans, activities, and products, to improve a company's ability to succeed.

190. Apple utilized the first-mover _____ with its iPod product.

191. Michael Porter identified pressures that can hurt potential sales. Knowledgeable customers can force _____ prices by pitting rivals against each other.

192. The Porter's Five Forces Model analyzes the competitive forces within the environment in which a company operates to assess the potential for _____ in an industry.

193. _____ power measures the ability of buyers to affect the price they must pay for an item.

194. The threat of substitute products or services is _____ when there are many alternatives to a product or service and low when there are few alternatives from which to choose.

195. The _____ chain consists of all parties involved, directly or indirectly, in obtaining raw materials or a product.

196. Rivalry among existing competitors is _____ when competition is fierce in a market and low when competitors are more complacent.

197. Porter has identified three _____ business strategies for entering a new market: (1) broad cost leadership, (2) broad differentiation, and (3) focused strategy.

198. Focused strategies concentrate on either cost leadership or _____.

199. Porter suggests adopting only _____ of the three generic strategies.

200. A _____ chain analysis views a firm as a series of business processes that each adds value to the product or service.

201. _____ value activities are found at the bottom of the value chain and include business processes that acquire raw materials and manufacture, deliver, market, sell, and provide after-sales services.

202. _____ value activities are found along the top of the value chain and include business processes, such as firm infrastructure, human resource management, technology development, and procurement that support the primary value activities.

Essay Questions

203. Describe the information age and the differences among data, information, business intelligence, and knowledge.

204. Identify the different departments in a company and why they must work together to achieve success.

205. Explain systems thinking and how management information systems enable business communications.

206. Explain why competitive advantages are temporary.

207. Describe Porter's Five Forces Model, and explain each of the five forces.

208. Compare Porter's three generic strategies.

209. Demonstrate how a company can add value by using Porter's value chain analysis.

Chapter 01 Management Information Systems: Business Driven MIS **Answer Key**

True / False Questions

1. Companies today are successful when they combine the power of the information age with traditional business methods.

TRUE

Companies today are successful when they combine the power of the information age with traditional business methods.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

2. Competitive intelligence is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making.

FALSE

This is the definition of business intelligence not competitive intelligence.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

3. The information age is the present time, during which infinite quantities of facts are widely available to anyone who can use a computer.

TRUE

The information age is the present time, during which infinite quantities of facts are widely available to anyone who can use a computer.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

4. Technology provides countless business opportunities, but can also lead to pitfalls and traps for a business.

TRUE

Technology provides countless business opportunities, but can also lead to pitfalls and traps for a business.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

5. Top managers use social intelligence to define the future of the business, analyzing markets, industries, and economies to determine the strategic direction the company must follow to remain unprofitable.

FALSE

Top managers use business intelligence, not social intelligence, and the goal is to become profitable, not unprofitable.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

6. A variable is a business intelligence characteristic that stands for a value that cannot change over time.

FALSE

A variable is a data characteristic that can change over time.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

7. Companies update business strategies continuously as internal and external environments change.

TRUE

Companies update business strategies continuously as internal and external environments change.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

8. For an organization to succeed, every department or functional area must work independently to be most effective.

FALSE

For an organization to succeed, every department or functional area must work together or interdependently, sharing common information, and not be a "silo."

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

9. Porter's Five Forces Model outlines the process for a sales strategy.

FALSE

Porter's Five Forces Model analyzes the competitive forces within the environment in which a company operates to assess the potential for profitability in an industry.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

10. With the Five Forces Model, companies should watch the forces in the market. If the forces are strong, competition generally increases, and if the forces are weak, competition typically decreases.

TRUE

With the Five Forces Model, companies should watch the forces in the market. If the forces are strong, competition generally increases, and if the forces are weak, competition typically decreases.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

11. Successful companies today operate cross-functionally, integrating the operations of all departments.

TRUE

Successful companies today operate cross-functionally, integrating the operations of all departments.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

12. An overview of systems thinking includes input, process, output, and finances.

FALSE

An overview of the systems thinking includes input, process, output, and feedback.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

13. MIS is a tool that is most valuable when it leverages the talents of people who know how to use and manage it effectively.

TRUE

MIS is a tool that is most valuable when it leverages the talents of people who know how to use and manage it effectively.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

14. The chief technology officer is responsible for ensuring the security of business systems and developing strategies and safeguards against attacks from hackers and viruses.

FALSE

The chief technology officer is responsible for ensuring the speed, accuracy, availability, and reliability for MIS.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

15. A leadership plan that achieves a specific set of goals or objectives is a business strategy.

TRUE

A leadership plan that achieves a specific set of goals or objectives is a business strategy.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

16. When a company is the first to market with a competitive advantage, it gains a particular benefit known as competitive intelligence.

FALSE

When a company is the first to market with a competitive advantage, it gains a particular benefit known as a first-mover advantage.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

17. Over the past decade, the United States has lost an estimated 2.4 million factory jobs to Nepal.

FALSE

Over the past decade the United States has lost an estimated 2.4 million factory jobs to China.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

18. Two ways to reduce buyer power are through switching costs and loyalty programs.

TRUE

Two ways to reduce buyer power are through switching costs and loyalty programs.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

19. Mark Peterson identified the Porter's Five Forces Model, which analyzes the competitive forces within a business environment.

FALSE

Michael Porter identified the Porter's Five Forces Model, which analyzes the competitive forces within a business environment.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

20. There are many challenges to changing doctors, including transferring medical records and losing the doctor-patient relationship along with the doctor's knowledge of the patient's history. Changing doctors provides a great example of switching costs.

TRUE

Switching costs are costs that make customers reluctant to switch to another product or service. Switching costs include financial as well as intangible values.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

21. Supplier power is one of Porter's five forces, and it measures the suppliers' ability to influence the prices they charge for supplies (including materials, labor, and services).

TRUE

Supplier power is one of Porter's five forces, and it measures the suppliers' ability to influence the prices they charge for supplies (including materials, labor, and services).

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

22. Polaroid had a unique competitive advantage for many years until it forgot to observe competitive intelligence. The firm went bankrupt when people began taking digital pictures. Polaroid provides a great example of Porter's threat of new entrants.

FALSE

This is an example of Porter's threat of substitute products or services.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

23. Product differentiation occurs when a company develops unique differences in its products or services with the intent to influence demand.

TRUE

Product differentiation occurs when a company develops unique differences in its products or services with the intent to influence demand.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

24. Buyer power is the ability of buyers to affect the price they must pay for an item.

TRUE

Buyer power is the ability of buyers to affect the price they must pay for an item.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

25. Tiffany & Company competes in the marketplace by offering high-cost custom jewelry. Tiffany & Company is following a broad market and cost leadership strategy.

FALSE

Tiffany & Company is following a focused market with a high cost differentiation strategy.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

26. Porter has identified three generic business strategies, including focused, broad cost leadership, and switching strategy.

FALSE

Porter has identified three generic business strategies: (1) broad cost leadership, (2) broad differentiation, and (3) focused strategy.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

27. According to Porter's three generic strategies, Walmart is following a business strategy that focuses on "broad market and low cost."

TRUE

An example of a business that uses the business strategy "broad market and low cost" is Walmart.

AACSB: Reflective Thinking
AACSB: Technology
Blooms: Understand
Difficulty: 2 Medium
Learning Outcome: 01-06 Compare Porter's three generic strategies.
Topic Area: The Three Generics Strategies

28. Value chain analysis views a firm as a series of business processes that each adds value to the product or service.

TRUE

Value chain analysis views a firm as a series of business processes that each adds value to the product or service.

AACSB: Reflective Thinking
AACSB: Technology
Blooms: Remember
Difficulty: 1 Easy
Learning Outcome: 01-06 Compare Porter's three generic strategies.
Topic Area: Value Chain Analysis

29. A standardized set of activities that accomplish a specific task is called a supply chain component.

FALSE

A standardized set of activities that accomplish a specific task is called a business process.

AACSB: Reflective Thinking
AACSB: Technology
Blooms: Remember
Difficulty: 1 Easy
Learning Outcome: 01-06 Compare Porter's three generic strategies.
Topic Area: Value Chain Analysis

30. The value chain will group a company's activities into two categories: primary value activities and support value activities.

TRUE

The value chain will group a company's activities into two categories: primary value activities and support value activities.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: Value Chain Analysis

Multiple Choice Questions

31. Which of the following is not considered a core driver of the information age?

A. Information.

B. Business Intelligence.

C. Competitive Intelligence.

D. Data.

The core drivers of the information age include data, information, business intelligence, and knowledge.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

32. Why do students need to study information technology?

- A. Information technology is everywhere in business.
- B. Information technology is rarely discussed in business.
- C. Information technology is rarely used in organizations.
- D. Information technology is found in only a few businesses.

Information technology is everywhere in business.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

33. Which of the following is considered information?

- A. Quantity sold
- B. Date sold
- C. Best selling item by month
- D. All of these

Best selling item by month is information.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

34. Which of the following is considered data?

- A. Quantity sold
- B. Best customer by month
- C. Best selling item by month
- D. Worst selling item by month

Quantity sold is data.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

35. Cheryl Steffan is the operations manager for Nature's Bread Company, which specializes in providing natural products for health-conscious individuals. Cheryl is responsible for compiling, analyzing, and evaluating daily sales numbers to determine the company's profitability and forecast production for the next day. Which of the following is an example of a piece of data Cheryl would be using to successfully perform her job?

- A. Craig Newmark is customer number 15467.
- B. Compare the costs of supplies, including energy, over the last five years to determine the best-selling product by month.
- C. Best-selling product by day.
- D. Best-selling product changes when Tony, the best baker, is working.

Data are raw facts that describe the characteristics of an event or object. Data for Cheryl would include "Craig Newmark is customer number 15467."

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

36. Cheryl Steffan is the operations manager for Nature's Bread Company, which specializes in providing natural products for health-conscious individuals. Cheryl is responsible for compiling, analyzing, and evaluating daily sales numbers to determine the company's profitability and forecast production for the next day. Which of the following is an example of the type of information Cheryl would be using to successfully perform her job?

- A. Craig Newmark is customer number 15467.
- B.** Compare the costs of supplies, including energy, over the last five years to determine the best-selling product by month.
- C. Best-selling product by day.
- D. Best-selling product changes when Tony, the best baker, is working.

Best-selling product by day is an example of information.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

37. Cheryl Steffan is the operations manager for Nature's Bread Company, which specializes in providing natural products for health-conscious individuals. Cheryl is responsible for compiling, analyzing, and evaluating daily sales numbers to determine the company's profitability and forecast production for the next day. Which of the following is an example of knowledge that Cheryl would be using to successfully perform her job?

- A. Craig Newmark is customer number 15467.
- B. Trina Hauger is customer 45673AA-3.
- C. Best-selling product by day.
- D.** Best-selling product changes when Tony, the best baker, is working.

Knowledge would include knowing that the best baker is Tony and that when he works the best-selling product changes.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

38. Data are useful for understanding individual sales, but to gain deeper insight into a business, data need to be turned into information. Which of the following offers an example of turning data into information?

- A. Who are my best customers?
- B. What is my best-selling product?
- C. What is my worst-selling product?
- D.** All of these

Questions outlined in the book include: Who are my best customers? Who are my least-profitable customers? What is my best-selling product? What is my slowest-selling product? Who is my strongest sales representative? Who is my weakest sales representative?

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

39. Which of the following provides an example of information?

- A. Who is customer number 12345XX?
- B. What is product number 12345XX?
- C. What customer number is Bob Smith?
- D.** What is my worst-selling product?

"What is my worst-selling product?" is an example of taking data and turning it into information.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

40. Which of the following provides an example of data?

- A. Who are my best customers?
- B. What is my best-selling product?
- C. What is my worst-selling product?
- D.** Who is customer number 12345XX?

"Who is customer number 12345XX?" is an example of data.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

41. Business intelligence is information collected from multiple sources. Which of the following provides an example of a source that would be included in business intelligence?

- A. Suppliers.
- B. Customers.
- C. Competitors.
- D.** All of these.

Business intelligence is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making.

AACSB: Reflective Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

42. Knowledge includes the skills, experience, and expertise coupled with information and _____ that creates a person's intellectual resources.

- A. Resources.
- B. Intelligence.**
- C. Expectations.
- D. Enterprise information.

The definition of knowledge is skills, experience, and expertise coupled with information and intelligence that creates a person's intellectual resources.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

43. Which of the following is not a topic associated with the information age?

- A. Collection of data.
- B. Storage of data.
- C. College statistics for data.**
- D. Use of data.

We live in the information age where the collection, storage, and the use of data are hot topics.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

44. Which of the following represents the core drives of the information age?

- A. Data, information, business intelligence, knowledge.
- B. Fact, data, intelligence, experience.
- C. Fact, intelligence, business skills, knowledge.
- D. Data, intelligence, business information, knowledge.

Data, information, business intelligence, and knowledge are the core drivers of the information age.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

45. Which of the following is not a core driver of the information age?

- A. Information.
- B. Knowledge.
- C. Fact.
- D. Data.

The core drivers of the information age are data, information, business intelligence, and knowledge.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

46. Which of the following represents the definition of a variable?

- A. A data characteristic that is collected through competitive intelligence and cannot change over time.
- B. A data characteristic that stands for a value that changes or varies over time.**
- C. A data characteristic that stands for a value that does not change or vary over time.
- D. A data characteristic that is collected only through competitive intelligence and can change over time.

A variable is a data characteristic that stands for a value that changes or varies over time and can be manipulated to help improve profits.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

47. Today's workers are referred to as _____ and they use BI along with personal experience to make decisions based on both information and intuition, a valuable resource for any company.

- A. Knowledge workers.**
- B. Knowledge thinkers.
- C. Knowledge resources.
- D. All of these.

Today's workers are commonly referred to as knowledge workers and they use BI along with personal experience to make decisions based on both information and intuition, a valuable resource for any company."

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

48. What is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making?

- A. Supplier's intelligence.
- B. Social intelligence.
- C. Employee intelligence.
- D.** Business intelligence.

Business intelligence is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

49. Information is data converted into useful, meaningful context. What are data characteristics that change or vary over time?

- A. Facts.
- B.** Variables.
- C. Supplies.
- D. Vulnerable.

A variable is a data characteristic that stands for a value that changes or varies over time.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

50. Which of the following is the key term that defines the confirmation or validation of an event or object?

- A. Buyer power.
- B. Data.
- C. Fact.**
- D. Entry barrier.

A fact is the confirmation or validation of an event or object.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

51. What is data converted into a meaningful and useful context?

- A. Competitive intelligence.
- B. Information.**
- C. Buyer power.
- D. First-mover advantage.

Information is data converted into a meaningful and useful context.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

52. As companies move from data to knowledge, they will start to include more and more variables for analysis resulting in better, more precise support for _____.

- A. Decision making.
- B. Problem solving.
- C. Both A and B.**
- D. None of these.

As companies move from data to knowledge they will start to include more and more variables for analysis resulting in better, more precise support for (1) decision making and (2) problem solving.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

53. How are the majority of companies today typically organized?

- A. By departments or functional areas.**
- B. By departments or financial areas.
- C. By degree or financial areas.
- D. All of these.

Companies today are typically organized by departments or functional areas.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

54. How does the text recommend that a company operate if it wants to be successful in the information age?

- A. Functionally independent between departments.
- B. Interdependently between departments.**
- C. Together as one department with little or no independence.
- D. Each department acting as its own individual business unit.

For companies to operate as a whole and be successful in our current business environment today, they must operate interdependently between departments.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

55. Most companies are typically organized by departments or functional areas. Which of the following is not a common department found in a company?

- A. Accounting.
- B. Payroll.**
- C. Marketing.
- D. Human Resources.

Payroll is part of the accounting department.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

56. Which of the following is typically performed by the sales or marketing department?

- A. Manage enterprisewide processes.
- B. Maintain employment policies.
- C. Manage cross-enterprise processes.
- D.** Maintain transactional data.

Sales and marketing departments focus on moving goods or services into the hands of the consumers and maintain transactional data.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

57. The sales department needs to rely on information from operations to understand

- _____.
- A. Inventory.
 - B. Customer orders.
 - C. Demand forecasts.
 - D.** All of these.

Sales needs to rely on information from operations to understand inventory, place orders, and forecast consumer demand.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

58. Which of the following represents the department that maintains policies, plans, and procedures for the effective management of employees?

- A. Human Resources.
- B. Sales.
- C. Employee Resources.
- D. Employee Relations.

Human resources maintains policies, plans, and procedures for the effective management of employees.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

59. Greg works for Geneva Steel Corporation. Greg's duties include managing the overall processes for the company and transforming the steel resources into goods. Which department would Greg most likely work in?

- A. Accounting Manager.
- B. Operations Manager.
- C. Marketing Manager.
- D. CIO.

Operations management manages the process of converting or transforming of resources into goods or services.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

60. Information technology can enable departments to more efficiently and effectively perform their core _____.

- A. Facts.
- B. Feedback mechanisms.
- C. Business operations.**
- D. Media issues.

Information technology can enable departments to more efficiently and effectively perform their business operations.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

61. The department within a company that records, measures, and reports monetary transactions is called _____.

- A. Accounting.**
- B. Marketing.
- C. Finance.
- D. Operations Management.

The department within a company that records, measures, and reports monetary transactions is accounting.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

62. The department within a company that performs the function of selling goods or services is called _____:

- A. Marketing.
- B. Sales.**
- C. Finance.
- D. Operations Management.

The department with a company that performs the function of selling goods or services is sales.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

63. The department within a company that supports the sales by planning, pricing, and promoting goods or services is called _____.

- A. Sales.
- B. Operations Management.
- C. Accounting.
- D. Marketing.**

The department with a company that supports the sales by planning, pricing, and promoting goods or services is marketing.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

64. Which of the following represents the relationship between functional areas in a business?

- A. Independent.
- B. Autonomous.
- C. Interdependent.**
- D. Self-sufficient.

Functional areas are interdependent.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

65. Which of the following statements is true?

- A. IT equals business success.
- B. IT equals business innovation.
- C. IT represents business success and innovation.
- D. IT enables business success and innovation.**

IT is an important enabler of business success and innovation.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

66. What is the name of a company's internal MIS department?

- A. Management information systems (MIS).
- B. Information systems (IS).
- C. Information technology (IT).
- D.** All of these.

Typical organizations have an internal MIS department often called information technology (IT), information systems (IS), or management information systems (MIS).

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

67. A system is a collection of parts that link together to _____.

- A. Monitor the company.
- B. Gather experience.
- C.** Achieve a common purpose.
- D. Implement solutions.

A system is a collection of parts that link to achieve a common purpose.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

68. Which of the following does not offer a good example of a system?

- A. A car.
- B. A laptop.
- C. The light-rail tram.
- D.** A pencil.

A system is a collection of parts that link to achieve a common purpose. A pencil does not link together to achieve a common purpose.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

69. Which four elements are included in systems thinking?

- A. Output, process, feedback, and accounting.
- B. Process, output, operations, and accounting.
- C.** Input, process, output, and feedback.
- D. Input, output, sales, and feedback.

The systems thinking process includes input, process, output, and feedback.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

70. MIS is a business function, like accounting or sales, that moves information about people, products, and processes across the company to facilitate decision making and problem solving.

What does MIS stands for?

- A. Management information strategy.
- B. Management intelligence system.
- C. Management information system.**
- D. Management information strategist.

Management information systems

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

71. Shelby Black runs a very successful hair salon in downtown Los Angeles. One of Shelby's tasks is to input positive and negative customer reviews into her computer system. What type of information is Shelby gathering?

- A. Feedback.**
- B. Processing.
- C. Output management.
- D. Sales processing.

Feedback is information that returns to its original transmitter (input, transform, or output) and modifies the transmitter's actions.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

72. Trina Hauger works for Johnson Electric as a corporate lawyer, and part of her duties are to ensure the ethical and legal use of information within the company. Which of the following represents Trina's role at Johnson Electric?

- A. Chief knowledge officer (CKO).
- B. Chief privacy officer (CPO).**
- C. Chief technology officer (CTO).
- D. Chief information officer (CIO).

The CPO is responsible for ensuring the ethical and legal use of information within a company.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

73. The challenge that companies today sometimes have is that they are departmentalized and act independently of each other. One solution that can help a company work interdepartmentally includes _____.

- A. System processes.
- B. Human resources.
- C. Management information systems.**
- D. Resource information systems.

Management information systems is a business function, like accounting and human resources, that moves information about people, products, and processes across the company to facilitate decision making and problem solving.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

74. Susan Stewart is an executive at Equity Title, where she is responsible for collecting, maintaining, and distributing knowledge for the company. What is Susan's role at Equity Title?

- A. Chief knowledge officer (CKO).
- B. Chief technology officer (CTO).
- C. Chief information officer (CIO).
- D. Chief security officer (CSO).

The chief knowledge officer (CKO) is responsible for collecting, maintaining, and distributing company knowledge.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

75. What is the primary responsibility of the CTO?

- A. Overseeing all uses of MIS.
- B. Ensuring the security of business systems.
- C. Ensuring speed, accuracy, and reliability for MIS.
- D. Collecting and distributing company information.

The chief technology officer is responsible for ensuring the speed, accuracy, availability, and reliability for MIS.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

76. What is a way of monitoring the entire system in a company, by viewing the multiple inputs being processed to produce outputs?

- A. Feedback thinking.
- B. Systems thinking.**
- C. Output management.
- D. Operational thinking.

Systems thinking is a way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs while continuously gathering feedback on each part.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

77. Jeremy Bridges is an executive for Green Web Designs, where his primary role is to ensure the security of business systems and develop strategies to protect the company from online viruses and hackers. What is Jeremy's role within the company?

- A. Chief executive officer (CEO).
- B. Chief security officer (CSO).**
- C. Chief procurement officer (CPO).
- D. Chief technology officer (CTO).

The chief security officer is responsible for ensuring the security of business systems and developing strategies and safeguards against attacks by hackers and viruses.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

78. Feedback is information that returns to its original transmitter and modifies the transmitter's actions. What would the original transmitter include?

- A. Input, transform, output.
- B. Input, transform, outnumber.
- C. Output, input, performer.
- D. Input, process, transform.

Feedback is information that returns to its original transmitter and modifies the transmitter's actions. The original transmitter includes input—transform—output.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

79. MIS is a business function. Which of the following does MIS perform to help aid the company in decision making and problem solving?

- A. Moves information about people.
- B. Moves processes across the company to improve systems.
- C. Moves information about products.
- D. All of these.

MIS is a business function that moves information people, products, and processes across the company to facilitate decision making and problem solving.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

80. A system is a collection of parts that link to achieve a common purpose. Systems thinking is a way of monitoring _____.

- A. The entire system.
- B. A division within the sales role.
- C. The executive team.
- D. The company's competitors.

A system is a collection of parts that link to achieve a common purpose, where systems thinking is a way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs while continuously gathering feedback on each part.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

81. MIS can be an important enabler of business success and innovation. Which of the following statements is accurate when referring to MIS?

- A. MIS equals business success and innovation.
- B. MIS represents business success and innovation.
- C. MIS is not a valuable tool that leverages talent.
- D. MIS is a valuable tool that can leverage the talents of people who know how to use and manage it effectively.

MIS does not equal or represent business success and innovation. It is a valuable tool that can leverage the talents of people who know how to use and manage it effectively.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

82. Which role within a company is responsible for overseeing all uses of MIS and ensuring that MIS strategic aligns with business goals and objectives?

- A. Chief knowledge officer (CKO).
- B. Chief privacy officer (CPO).
- C. Chief information officer (CIO).**
- D. Chief security officer (CSO).

The chief information officer (CIO) is responsible for (1) overseeing all uses of MIS and (2) ensuring that MIS strategic aligns with business goals and objectives.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

83. Which of the following provides an accurate definition of systems thinking?

- A. A way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs, while continuously gathering feedback on each part.**
- B. A way of monitoring individual components, including an input, the process, and an output, while continuously gathering feedback on the entire system.
- C. A way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs, while continuously gathering feedback on the entire system.
- D. A way of monitoring singular parts of a system by viewing a single input that is processed or transformed to produce an entire system that is continuously monitored to gather feedback on each individual part.

Systems thinking is a way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs, while continuously gathering feedback on each part.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

84. If you were thinking about a washing machine as a system, which of the following represents the inputs?

- A. The dirty clothes, water, and detergent.
- B. The clean clothes.
- C. The wash and rinse cycle.
- D. The light indicating that the washer is off balance and has stopped.

The inputs for a washing machine include the dirty clothes, water, and detergent.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

85. If you were thinking about a washing machine as a system, which of the following represents the process?

- A. The dirty clothes, water, and detergent.
- B. The clean clothes.
- C. The wash and rinse cycle.
- D. The light indicating that the washer is off balance and has stopped.

The process for a washing machine includes the wash and rinse cycle.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

86. If you were thinking about a washing machine as a system, which of the following represents the feedback?

- A. The dirty clothes, water, and detergent.
- B. The clean clothes.
- C. The wash and rinse cycle.
- D.** The light indicating that the washer is off balance and has stopped.

The feedback for a washing machine includes a light indicating that the washer is off balance and has stopped.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

87. If you were thinking about a washing machine as a system, which of the following represents the outputs?

- A. The dirty clothes, water, and detergent.
- B.** The clean clothes.
- C. The wash and rinse cycle.
- D. The light indicating that the washer is off balance and has stopped.

The output for a washing machine includes clean clothes.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

88. If you were thinking about an oven as a system, which of the following represents the input?

- A.** The uncooked food.
- B. The cooked food.
- C. A light indicating that the oven has reached the preheated temperature.
- D. The oven running at 350 degrees for 20 minutes.

The input for an oven includes the uncooked food.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

89. If you were thinking about an oven as a system, which of the following represents the output?

- A. The uncooked food.
- B.** The cooked food.
- C. A light indicating that the oven has reached the preheated temperature.
- D. The oven running at 350 degrees for 20 minutes.

The output for an oven includes the cooked food.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

90. If you were thinking about an oven as a system, which of the following represents the process?

- A. The uncooked food.
- B. The cooked food.
- C. A light indicating that the oven has reached the preheated temperature.
- D.** The oven running at 350 degrees for 20 minutes.

The process for an oven includes running at 350 degrees for 20 minutes.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

91. If you were thinking about an oven as a system, which of the following represents the feedback?

- A. The uncooked food.
- B. The cooked food.
- C.** A light indicating that the oven has reached the preheated temperature.
- D. The oven running at 350 degrees for 20 minutes.

The feedback for an oven includes a light indicating that the oven has reached the preheated temperature.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

92. If you were thinking about a home theater system, which of the following represents the inputs?

- A.** The DVD player, DVD movie, speakers, TV, and electricity.
- B. Playing the movie, including the audio, through the speakers and the video on the TV.
- C. A message stating that the disk is dirty and cannot be played.
- D. Spinning the disk to play, pause, rewind, or fast forward.

A home theater system requires inputs of the DVD player, DVD movie, speakers, TV, and electricity.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

93. If you were thinking about a home theater system, which of the following represents the outputs?

- A. The DVD player, DVD movie, speakers, TV, and electricity.
- B.** Playing the movie, including the audio, through the speakers and the video on the TV.
- C. A message stating that the disk is dirty and cannot be played.
- D. Spinning the disk to play, pause, rewind, or fast forward.

The output of a home theater system includes playing the movie, including the audio, through the speakers and the video on the TV.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

94. If you were thinking about a home theater system, which of the following represents the process?

- A. The DVD player, DVD movie, speakers, TV, and electricity.
- B. Playing the movie, including the audio, through the speakers and the video on the TV.
- C. A message stating that the disk is dirty and cannot be played.
- D.** Spinning the disk to play, pause, rewind, or fast forward.

The process of a home theater system includes spinning the disk to play, pause, rewind, or fast forward.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

95. If you were thinking about a home theater system, which of the following represents the feedback?

- A. The DVD player, DVD movie, speakers, TV, and electricity.
- B. Playing the movie, including the audio, through the speakers and the video on the TV.
- C.** A message stating that the disk is dirty and cannot be played.
- D. Spinning the disk to play, pause, rewind, or fast forward.

The feedback from a home theater system includes a message stating that the disk is dirty and cannot be played.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

96. Which of the following is not a typical way that a company would duplicate a competitive advantage?

- A. Acquiring the new technology.
- B. Copying the business operations.
- C. Hiring away key employees.
- D.** Carrying large product inventories.

Ways that companies duplicate competitive advantages include acquiring new technology, copying the business operations, and hiring away key employees.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

97. When a company is the first to market with a competitive advantage, this is called a first-mover advantage. All of the following companies were first-movers except _____.

- A. FedEx—the online self service software.
- B. Apple—iPad.
- C. Apple—iPod.
- D.** Microsoft—Bing Search Engine.

First-mover advantage is an advantage that occurs when a company can significantly increase its market share by being first with a competitive advantage. Google was first to market with search engine technology.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

98. A business strategy achieves a specific set of goals, which include _____.

- A. Developing new products or services, attracting new competition.
- B. Increasing costs, attracting new competition.
- C. Attracting new customers, developing new products or services.
- D. All of these.

A business strategy is a leadership plan that achieves a specific set of goals or objectives such as developing new products or services, entering new markets, increasing customer loyalty, attracting new customers, increasing sales, and decreasing costs.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

99. Competitive intelligence is the process of gathering information about the competitive environment, including _____.

- A. Competitors' employees.
- B. Competitors' differentiated processes.
- C. Competitors' plans.
- D. All of these.

Competitive intelligence is the process of gathering information about the competitive environment, including competitors' plans, activities, and products, to improve a company's ability to succeed.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

100. Which of the following is a tool a manager can use to analyze competitive intelligence and identify competitive advantages?

- A. The three generic strategies.
- B. The threat of substitute buyer power.
- C. Differentiated costs.
- D. Supplier loyalty.

Managers utilize three common tools to analyze competitive intelligence and develop competitive advantages: (1) the Five Forces Model, (2) the three generic strategies, and (3) value chain analysis.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

101. Identifying competitive advantages can be difficult and explains why they are typically

- _____.
- A. Temporary.
 - B. Satisfactory.
 - C. Terminated.
 - D. Unsuccessful.

Competitive advantages are typically temporary.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

102. Updating business strategies is a continuous undertaking as internal and external environments _____.

- A. Become less competitive.
- B. Remain stagnant.
- C. Rapidly change.**
- D. Become more consistent.

Updating business strategies is a continuous undertaking as internal and external environments rapidly change.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

103. Which of the following represents a reason that competitive advantages are typically temporary?

- A. The competitor will hire away your key employees.
- B. The competitor quickly seeks ways to duplicate your business operations.
- C. The competitor will purchase new technology.
- D. All of these.**

Competitive advantages are typically temporary, because competitors often quickly seek ways to duplicate them by acquiring new technology, copying the business operations, and hiring away key employees.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

104. What is a competitive advantage?

- A. A product that an organization's customers place a lesser value on than similar offerings from a competitor.
- B. A feature of a product or service on which customers place a lesser value than they do on similar offerings from a supplier.
- C. A service that an organization's customers place a lesser value on than similar offerings from a supplier.
- D.** A feature of a product or service on which customers place a greater value than they do on similar offerings from competitors.

This is the definition of competitive advantage.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

105. All of the following are common tools used in industry to analyze and develop competitive advantages, except:

- A. Five Forces model
- B. Three generic strategies
- C.** Competitive analysis model
- D. Value chain analysis

A competitive analysis model is not discussed in this text.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

106. Greg Provenzo owns and runs a Blockbuster video store. Greg is implementing a drive-thru rental process that is the same as you would find at a fast-food restaurant. Customers can pick-up and drop-off their videos without leaving their cars. Greg's new system has become so popular that Videos Plus, a competitor down the street, is attempting to recreate Greg's video drive-thru rental process. Greg's system is an example of a _____.

- A. Supply chain power.
- B. First-mover advantage.**
- C. Business processing strategy.
- D. Business intelligence.

The first-mover advantage is an advantage that occurs when a company can significantly increase its market share by being first with a competitive advantage.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

107. The process of gathering information about the competitive environment, including competitors' plans, activities, and products, to improve a company's ability to succeed is the definition of _____.

- A. Feedback.
- B. Information.
- C. Competitive intelligence.**
- D. Data.

Competitive intelligence is the process of gathering information about the competitive environment, including competitors' plans, activities, and products, to improve a company's ability to succeed.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

108. Steve Jobs and Apple created a big advantage in the technology industry with the introduction of the iPod, iPhone, and iPad. What are these all examples of?

- A. Competitive advantage
- B. Competitive intelligence
- C. First-mover advantage
- D.** All of these

Steve Jobs and Apple created a big advantage in the technology industry with their products the iPod, iPhone, and iPad. These are examples of competitive advantage, competitive intelligence, and first-mover advantage.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

109. Paula Logston is the owner and operator of a high-end online custom clothing company. Paula has never heard of Porter's Five Forces Model and she wants to understand why she would perform an analysis using it. If you were tasked with explaining Porter's Five Forces Model to Paula, what would be the primary reason she would want to use this type of analysis?

- A. To help Paula choose a clothing business focus.
- B.** To help Paula evaluate the attractiveness of the clothing industry.
- C. To help Paula evaluate and execute business goals.
- D. All of these.

One of the three tools company executives often use when analyzing competitive intelligence is the Five Forces Model. This is used to evaluate industry attractiveness.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

110. A _____ advantage features a product or service on which customers place a greater value than they do on similar offerings from competitors.

- A. Competitive advantage
- B. Competitor advantage
- C. Power advantage
- D. First-mover advantage

A competitive advantage features a product or service on which customers place a greater value than they do on similar offerings from competitors.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

111. The Victory Wireless store in Denver is currently offering a fabulous marketing strategy for potential new iPhone customers. Victory Wireless offers customers who purchase an iPhone with a 2-year subscription a free Otter phone case, car charger, ear phones, and speakers. In terms of Porter's five forces, what is Victory Wireless attempting to achieve with this marketing strategy?

- A. Increase buyer power.
- B. Increase substitute products.
- C. Decrease supplier power.
- D. Decrease buyer power.

Victory Wireless is attempting to decrease buyer power by offering products at a lower price or competing on price.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

112. Gina Brooks works for Aquarium Retail Services selling high-end saltwater fish and tank supplies. Aquarium Retail Services is the current market leader in Gina's city. Gina has recently been approached by Deep Blue Incorporated with an opportunity to run its corporate nationwide marketing and sales division. Gina decides to jump at the opportunity! Deep Blue is attempting to gain a competitive _____ by stealing its competitor's key employee.

- A. Power
- B. Entry Barrier
- C. Advantage
- D. Loyalty

Ways that companies duplicate competitive advantages include acquiring new technology, copying business processes, and hiring away employees.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

113. The banking industry has implemented several competitive advantages, including ATMs, online bill pay services, and electronic statements. Of course, these competitive advantages were quickly duplicated by any competitor that wanted to remain in the banking industry. These were all examples of _____ competitive advantages.

- A. Acquiring new technology products and services.
- B. Hiring new employees.
- C. Reducing expenses.
- D. Gaining invaluable feedback from customers.

The banking industry, for example, has utilized competitive advantage by now offering ATMs, online bill pay services, and e-statements—all examples of ways they duplicated each other by acquiring new technology products and services.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

114. Michael Porter defined the Five Forces Model and the potential pressures that can hurt sales. Which of the following is not one of the potential pressures that can hurt sales?

- A. Suppliers can drive down profits by charging more for supplies.
- B. New market entrants can steal potential investment capital.
- C. Substitute products can steal customers.
- D. Competition can steal customers.

Michael Porter defined the Five Forces Model. Before formally presenting his model, he identified pressures that can hurt potential sales, which include (1) knowledgeable customers can force down prices by pitting rivals against each other, (2) influential suppliers can drive down profits by charging higher prices for supplies, (3) competition can steal customers, (4) new market entrants can steal potential investment capital, and (5) substitute products can steal customers.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

115. Which of the following is included in Porter's Five Forces Model?

- A. Loyalty expenses.
- B. Supply chain management.
- C. The power of competitors.
- D. Systems thinking.

In figure 1.8, Porter's Five Forces Model outlines rivalry among existing competitors—the power of competitors.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

116. Kevin Campbell is an incoming freshman at your college. Kevin is frustrated by the cost of books, tuition, and expenses, and he also needs to purchase a rather expensive laptop. In an effort to save money, Kevin begins a Facebook group finding other college students who need to purchase laptops. Soon, Kevin's Facebook group has close to 100,000 students. Kevin decides to collectively approach different computer companies to see if his group qualifies for a special discount. What business strategy is Kevin using to purchase laptops?

- A. Collecting business intelligence.
- B. Decreasing entry barriers.
- C. Purchasing a substitute product.
- D.** Increasing buyer power.

Buyer power is one of Porter's Five Forces, which measures the ability of buyers to affect the price they must pay for an item. Kevin's group is attempting to increase its buyer power.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

117. What are costs that make customers reluctant to switch to another product or service?

- A. Support activities.
- B.** Switching costs.
- C. Loyalty rewards.
- D. Value chain activities.

Switching costs are those costs that make customers reluctant to switch to another product or service.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

118. Callie Crystal owns and operates one of the most successful local coffee shops in Denver, called The Edgewater Café. Each time customers purchases their 100th cup of coffee at The Edgewater Café, they receive a free pound of coffee of their choice. What is Callie attempting to create with her unique "Free Pound of Coffee" marketing program?

- A. Reducing buyer power with a loyalty program.
- B. Increasing buyer power with a loyalty program.
- C. Decreasing supplier power with a differentiated product.
- D. Creating a substitute product.

One way to reduce buyer power is with a loyalty program, which is a program to reward customers based on their spending.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

119. What includes all parties involved, directly or indirectly, in obtaining raw materials or a product?

- A. Support chain.
- B. Supply chain.
- C. System chain.
- D. Supply choice.

Supply chain includes all parties involved, directly or indirectly, in obtaining raw materials or a product.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

120. Which of the following represents a company in a supply chain?

- A. Customer and competitor.
- B. Supplier and competitor.
- C. Knowledge worker and supplier.
- D.** Supplier and customer.

In a typical supply chain, a company will be both a supplier and a customer.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

121. In the center of Porter's Five Forces Model is competition. Which of the following represents the four outer boxes?

- A. Buyer power, systems power, threat of false entrants, and threat of substitute products or services.
- B. Buyer power, systems power, threat of new entrants, and threat of substitute products or services.
- C.** Buyer power, supplier power, threat of new entrants, and threat of substitute products or services.
- D. Business power, supplier power, threat of new entrants, and threat of powerful services.

The four competitive forces that work among the power of competitors are buyer power, supplier power, threat of new entrants, and threat of substitute products or services.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

122. Shawn McGill is on the executive board for ABC pharmaceuticals. The company produces the number-one-selling cancer-fighting drug on the market. Due to its incredible success, ABC Pharmaceuticals has decided to increase the cost of the drug from \$8 a pill to \$15 a pill. Which force is ABC Pharmaceutical using to increase its drug price?

- A. Supplier power.
- B. Buyer power.
- C. Threat of false entrants.
- D. Business power.

Supplier power is one of Porter's Five Forces; it measures the suppliers' ability to influence the prices they charge for supplies (including materials, labor, and services).

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

123. What is one of the most common ways a company can decrease supplier power?

- A. Charge lower prices.
- B. Charge higher prices.
- C. Use MIS to find and create alternative products.
- D. Companies cannot affect supplier power.

Using MIS to find alternative products is one way of decreasing supplier power.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

124. If a supplier has high power, what can it do to influence its industry?

- A. Charge higher prices.
- B. Shift costs to industry participants.
- C. Limit quality or services.
- D.** All of these.

If the supplier power is high, the supplier can influence the industry by (1) charging higher prices, (2) limiting quality or services, and (3) shifting costs to industry participants.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

125. When buyer power is low, supplier power is typically _____.

- A. Identical.
- B.** High.
- C. Low.
- D. Unstable.

When buyer power is low, supplier power is typically high.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

126. How can a company reduce the threat of substitute products or services?

- A. Market the product to less than ten customers.
- B. Ignore competitive forces.
- C.** Offer additional value through wider product distribution.
- D. Offer less value, making the product far more generic and similar to the competition.

One way a company can reduce the threat of substitute products or services is to offer additional value through wider product distribution.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

127. Which one of Porter's Five Forces is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to joining a market?

- A.** Threat of new entrants.
- B. Threat of substitute products or services.
- C. Threat of buyer power.
- D. Supply chain competition.

Threat of new entrants is one of Porter's Five Forces: high when it is easy for new competitors to enter a market and low when there are significant entry barriers to joining a market.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

128. John Cleaver is the CEO of Tech World, which is a retail store that sells computers, monitors, cameras, televisions, and many other electronic products. John and his executive team are meeting to brainstorm new ideas on how to grow the business. One idea is to mimic a competitor's product that is attempting to sell a new product in a different industry. After performing a Porter's five forces analysis, John determines that all of the forces are high in this new industry. What should John do?

- A. Explode into the market with an overflow of the product.
- B. Contemplate other products to introduce at the same time in this new market.
- C. Compare the competitor's prices and offer his product lower in this new market.
- D.** Not introduce the product because all five forces are strong, and this would be a highly risky business strategy.

When the five forces are all strong or high, it is a poor business strategy; when the forces are low, this is a great time to execute the business strategy.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

129. What is a feature of a product or service that customers have come to expect and that entering competitors must offer as well if they want to survive?

- A. Significant barrier.
- B.** Entry barrier.
- C. Product differentiation.
- D. Entry chain.

Entry barrier is a feature of a product or service that customers have come to expect and that entering competitors must offer as well for survival.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

130. Which of the following represents a typical supply chain?

- A. Company—customers—suppliers.
- B. Company—suppliers—customers.
- C. Suppliers—company—customers.**
- D. Suppliers—customers—company.

A traditional business supply chain operates like this: supplier—company—customers.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

131. Imagine you are creating a new product to sell in an up-and-coming market. Which of the following statements indicates that it would be easy for you as the new entrants to compete in this market?

- A. The threat of new entrants force is high in the up-and-coming market.**
- B. The threat of new entrants force is low in the up-and-coming market.
- C. The threat of new entrants force is impossible to define in the up-and-coming market.
- D. All of these, depending on the time of year.

The threat of new entrants is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to joining a market.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

132. Imagine you are creating a new product to sell in an up-and-coming market. Which of the following statements indicates that it would be difficult for you to enter this new market?

- A. The threat of new entrants force is high in the up-and-coming market.
- B. The threat of new entrants force is low in the up-and-coming market.**
- C. The threat of new entrants force is high during the summer months in the up-and-coming market.
- D. All of these, depending on the time of year.

The threat of new entrants is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to joining a market.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

133. Which of the following offers an example where Porter's Five Forces are mostly strong and competition is high?

- A. A dog-walking business.**
- B. A ski resort.
- C. A professional hockey team.
- D. All of these.

With Porter's Five Forces Model, these are all examples of strong forces, where it increases competition: (1) a single consumer purchasing milk, (2) a company that makes pencils, (3) coffee from McDonald's, (4) a dog-walking business, and (5) a coffee shop.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

134. Which of the following offers an example where Porter's Five Forces are mostly weak and competition is low?

- A. An international hotel chain purchasing milk.
- B. A coffee shop.
- C. A single consumer purchasing milk.
- D. A dog-walking business.

With Porter's Five Forces Model, these are all examples of weak forces, where it decreases competition: (1) an international hotel chain purchasing milk, (2) a company that makes airline engines, (3) cancer drugs from a pharmaceutical company, (4) a professional hockey team, and (4) the Department of Motor Vehicles.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

135. Some industries' competition is much more intense than others. Retail grocery stores such as Kroger, Safeway, and Albertson's in the United States experience fierce competition and offer similar marketing campaigns to compete. What is this an example of in terms of Porter's five forces?

- A. Rivalry among new entrants.
- B. Rivalry among existing competitors.
- C. Threat of substitute products or services.
- D. Buyer power.

Some industries' competition is much more intense than others. The retail grocery stores such as Kroger, Safeway, Albertson's, and Ralph's in the United States have fierce competition and similar programs to compete with each other.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

136. Amazon.com uses a customer profiling system whenever a customer visits its website. Using this system, Amazon can offer products tailored to that particular customer's profile and buying pattern. What is Amazon using to achieve this competitive advantage?

- A. Rivalry.
- B. Buyer power.
- C. Product differentiation.
- D. Substitute product.

Product differentiation is an advantage that occurs when a company develops unique differences in its products with the intent to influence demand.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

137. Your boss, Ty Jacob, has asked you to analyze the music industry using Porter's Five Forces Model. Which of the following represents supplier power in the music industry?

- A. Established record labels like EMI, Sony, Universal.
- B. Walmart, Target, iTunes.
- C. Game systems like Wii, social networks like Facebook.
- D. Taylor Swift, Beyonce, The Beatles, The Stones.

An example of supplier power in the music industry includes established record labels like EMI, Sony, and Universal.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

138. Your boss, Ty Jacob, has asked you to analyze the music industry using Porter's Five Forces Model. Which of the following represents buyer power in the music industry?

- A. Established record labels like EMI, Sony, Universal.
- B. Walmart, Target, iTunes.**
- C. Independent record labels.
- D. Game systems like Wii, social networks like Facebook.

Buyer power in the music industry includes Walmart, Target, and iTunes, which purchase music from record labels to sell online and in their stores.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

139. Your boss, Ty Jacob, has asked you to analyze the music industry using Porter's Five Forces Model. Which of the following represents the threat of substitute products or services in the music industry?

- A. Established record labels like EMI, Sony, Universal.
- B. Independent record labels.
- C. Game systems like Wii, social networks like Facebook.**
- D. Taylor Swift, Beyonce, The Beatles, The Stones.

Game systems like Wii and social networks offer alternatives or substitute products to purchasing music for a consumer.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

140. Your boss, Kerry Miller, has asked you to analyze the soft-drink industry using Porter's Five Forces Model. Which of the following represents supplier power in the soft-drink industry?

- A.** Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Vitamin water, fruit juice, coffee.

Supplier power in the soft-drink industry is represented by Pepsi.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

141. Your boss, Kerry Miller, has asked you to analyze the soft drink industry using Porter's Five Forces Model. Which of the following represents buyer power in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B.** Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Vitamin water, fruit juice, coffee.

Buyer power in the soft drink industry is represented by Walmart.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

142. Your boss, Kerry Miller, has asked you to analyze the soft-drink industry using Porter's Five Forces Model. Which of the following represents a threat of a new entrant in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Vitamin water, fruit juice, coffee.

Zevia Natural Diet Soda represents a new entrant in the soft-drink industry.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

143. Your boss, Kerry Miller, has asked you to analyze the soft-drink industry using Porter's Five Forces Model. Which of the following represents a substitute product in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D. Vitamin water, fruit juice, coffee.

Vitamin water, fruit juice, or coffee are all substitute products to a soft drink.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

144. Your boss, Kerry Miller, has asked you to analyze the soft-drink industry using Porter's Five Forces Model. Which of the following represents rivalry in the soft-drink industry?

- A. Pepsi requires stores that carry Pepsi products to commit to minimum orders of 1,000 cases.
- B. Walmart negotiates a lower cost per bottle from Coke in exchange for premium shelf space in every Walmart store.
- C. Zevia Natural Diet Soda begins selling directly over the Internet.
- D.** Coke and Pepsi submit bids to the owner of a football stadium for the exclusive sale of their products during games.

The rivalry between Coke and Pepsi is famous in the soft-drink industry.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

145. Porter identified three generic strategies that a business could follow after identifying a market it wanted to enter. Which of the following is not included as one of Porter's three generic strategies?

- A. Broad differentiation.
- B.** Supplier cost differentiation.
- C. Focused strategy.
- D. Broad cost leadership.

Porter has identified three generic business strategies for entering a new market: (1) broad cost leadership, (2) broad differentiation, and (3) focused strategy.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

146. When analyzing Porter's three generic strategies for entering a market, if you have a focused strategy what market should you target?

- A. A niche market.
- B. A broad market.
- C. Neither niche or broad markets.
- D. Both niche and broad markets.

When analyzing Porter's three generic strategies for entering a market, if you have a focused strategy you should target a narrow market, niche market, or a unique market.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

147. Which of the following offers an example of a company operating in a narrow focused-market operating as the low-cost provider?

- A. Walmart.
- B. Tiffany & Co.
- C. Neiman Marcus.
- D. Payless Shoes.

Payless competes by offering a specific product (narrow market)—shoes at low prices. Their strategy is to be the low-cost provider of shoes.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

148. Broad differentiation, broad cost leadership, and _____ create the three generic strategies identified by Porter.

- A. Narrow market leadership.
- B. High cost versus low cost.
- C. Focused strategy.**
- D. None of these.

The three strategies proposed by Porter are (1) broad cost leadership, (2) broad differentiation, and (3) focused strategy.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

149. Jennifer Bloom is writing a paper, and she must determine which of Porter's three generic strategies The Museum Company has implemented. Jennifer finds out that The Museum Company offers specialty products found only in museums around the world to affluent customers. What would Jennifer determine The Museum Company is using as its generic strategy?

- A. Broad market, low cost.
- B. Narrow market, high cost.**
- C. Broad market, high cost.
- D. Narrow market, low cost.

The Museum Company competes using a narrow market and high cost focus.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

150. According to Porter, companies that wish to dominate broad markets should operate using a _____ strategy.

- A. Cost leadership with a low cost.
- B. Differentiation with a low cost.
- C. Cost leadership with a high cost.
- D. All of these.

According to Porter, broad markets should utilize cost leadership with a low cost and differentiation with a high cost.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

151. Which of the following demonstrates a company that has implemented a low-cost, broad-market strategy?

- A. Neiman Marcus.
- B. Payless Shoes.
- C. The Sharper Image.
- D. Walmart.

Walmart competes by offering a broad range of products at low prices. Its business strategy is to be the low-cost provider of goods for the cost-conscious consumer.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

152. If a business is following a focused strategy then its competitive scope is _____.

- A. Broad market.
- B. Narrow market.**
- C. Broad range products.
- D. Broad range of services.

When you have a market segment, the competitive scope should be a narrow market, and the cost strategy should be a focused strategy.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

153. When applying Porter's three generic strategies, Tiffany & Co. has a competitive scope and cost strategy that is _____.

- A. Broad market—high-cost strategy.
- B. Narrow market—low-cost strategy.
- C. Narrow market—high-cost strategy.**
- D. Broad market—low-cost strategy.

Tiffany & Co. competes by offering a differentiated product, jewelry, at high prices. Its business strategy allows it to be a high-cost provider of premier designer jewelry to affluent consumers.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

154. When analyzing the bookstore industry, some of today's businesses compete with different business strategies and cost strategies. Which of the following is using a broad market competitive scope along with a low cost strategy?

- A. Amazon.com.
- B. Any local independent book store that specializes in antique books.
- C. Barnes & Noble.
- D. Target.

Amazon.com competes by offering a broad range of differentiated products at low prices.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

155. Which of the following is similar to focused strategy versus broad strategy?

- A. Large market versus leadership.
- B. Large market versus uniqueness.
- C. Niche market versus large market.
- D. Niche market versus generic.

Focused strategies versus broad strategies is synonymous to niche market versus large markets.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

156. Your boss, Tom Repicci, has asked you to analyze the airline industry using Porter's three generic strategies. Which of the following companies are using a cost leadership strategy?

- A. Southwest, Horizon, Frontier, JetBlue.
- B. British Airways, Singapore Airlines, Virgin Atlantic.
- C. Sky Taxi—a rent-by-the-hour personal plane service.
- D. All of these.

Southwest, Horizon, Frontier, and JetBlue all use cost leadership business strategies.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

157. Your boss, Tom Repicci, has asked you to analyze the airline industry using Porter's three generic strategies. Which of the following companies are using a differentiation strategy?

- A. Southwest, Horizon, Frontier, JetBlue.
- B. British Airways, Singapore Airlines, Virgin Atlantic.
- C. Sky Taxi—a rent-by-the-hour personal plane service.
- D. All of these.

British Airways, Singapore Airlines, and Virgin Atlantic all compete using differentiation strategies.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

158. Your boss, Tom Repicci, has asked you to analyze the airline industry using Porter's three generic strategies. Which of the following companies are using a focused strategy?

- A. Southwest, Horizon, Frontier, JetBlue.
- B. British Airways, Singapore Airlines, Virgin Atlantic.
- C. Sky Taxi—a rent-by-the-hour personal plane service.**
- D. All of these.

Sky Taxi is using a focused-strategy targeting individuals that want to hire private planes.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

159. When reviewing Porter's value chain analysis, which of the following provides customer support after the sale of goods and services?

- A. Inbound logistics.
- B. Outbound logistics.
- C. Operations.
- D. Service.**

The service activity within the primary value activities will provide customer support after the sale of goods and services.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

160. Which of the following represents procurement as part of the support value activities in a value chain analysis?

- A.** Purchases inputs such as raw materials, resources, equipment and supplies.
- B. Applies MIS to processes to add value.
- C. Distributes goods and services to customers.
- D. Promotes, prices, and sells products to customers.

Procurement is the process of the support value activity that purchases inputs such as raw materials, resources, equipment and supplies.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

161. What includes support value activities and primary value activities and is used to determine how to create the greatest possible value for customers?

- A. Supplier power.
- B. Operations management.
- C. Porter's Five Forces Model.
- D.** The value chain analysis.

The support activity firm infrastructure coupled with the primary value activity of outbound logistics is a part of the value chain analysis

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

162. What is a standardized set of activities that accomplishes a specific task?

- A. Business strategy.
- B. Business outcome.
- C. Business process.
- D. Knowledge process.

A business process is a standardized set of activities that accomplish a specific task.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

163. Which of the following analyzes a company's business processes and is useful for determining how to create the greatest possible value for customers?

- A. Product analysis.
- B. Primary supplier power.
- C. Value chain analysis.
- D. Buyer chain analysis.

The value chain analysis views a firm as a series of business processes that each add value to the product or service.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

164. The goal of value chain analysis is to identify processes in which the firm can add value for the customer and create a competitive advantage for itself, with a _____ or _____.

- A. Focused strategy; product differentiation.
- B. Focused strategy; cost advantage.
- C. Cost advantage; primary value activities.
- D. Cost advantage; product differentiation.**

The goal of value chain analysis is to identify processes in which the firm can add value for the customer and create a competitive advantage for itself, with a cost advantage or product differentiation.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

165. What are the two main categories in a value chain analysis?

- A. Primary value activities and secondary value activities.
- B. Primary value activities and support value activities.**
- C. Primary value activities and strengthening value activities.
- D. None of these.

The value chain groups a firm's activities into two categories: primary value activities and support value activities.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

166. Which of the following is not considered a category within the primary value activities in a value chain analysis?

- A. Inbound logistics.
- B. Firm infrastructure.**
- C. Operations.
- D. Service.

Primary value activities are found at the bottom of the value chain; these include business processes that acquire raw materials and manufacture, deliver, market, sell, and provide after-sales services.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

167. Which of the following is not considered a category within the support value activities in a value chain analysis?

- A. Technology development.
- B. Outbound logistics.**
- C. Human resource management.
- D. Firm infrastructure.

Support value activities are found along the top of the value chain and include business processes (such as firm infrastructure, human resource management, technology development, and procurement) that support the primary value activities.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

168. What is the support value activity that provides employees with training, hiring, and compensation?

- A. Procurement.
- B. Operations resource management.
- C. Human resource management.**
- D. Firm infrastructure.

Human resource management provides employee with training, hiring, and compensation.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

169. Sandy Fiero works as the chief knowledge officer for Bend Lumbar Company. She has been given the responsibility to create a product or service that will bring an added value to its customers to increase the company's revenue. Sandy determines that the best value she can add is by creating a service that offers free next-day shipping on any order over \$50. Where in the value chain is Sandy adding value?

- A. The primary value activity outbound logistics.**
- B. The primary value activity inbound logistics.
- C. The primary value activity marketing and sales.
- D. The primary value activity operations.

Outbound logistics distributes goods and services to customers.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

170. When evaluating the value chain, all of the following are included in the primary value activities except:

- A. Inbound activities.
- B. Operations.
- C. Service.
- D.** MIS development.

The primary value activities include (1) inbound logistics, (2) operations, (3) outbound logistics, (4) marketing and sales, and (5) service.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

171. When evaluating the value chain, which of the following is included in the support value activities?

- A. Inbound activities.
- B. Marketing and sales.
- C.** Firm infrastructure.
- D. Finance and sales.

The support value activities found along the top of the value chain include (1) firm infrastructure, (2) human resource management, (3) technology development, and (4) procurement.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

172. Which of the following decisions does a firm need to make as soon as it has identified the activities from the value chain that are bringing the highest added value to their customers?

- A. Target high value-adding activities to further enhance their value.
- B. Target low value-adding activities to increase their value.
- C. Perform some combination of the two.
- D.** All of these.

When a firm has identified the activities from the value chain that are bringing the highest added value to their customers, they need to make decisions regarding the competitive advantage by determining whether to (1) target high value-adding activities to further enhance their value, (2) target low value-adding activities to increase their value, or (3) perform some combination of the two.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

173. MIS can add value to both primary activities and support activities in the value chain. Which of the following is not an example of a company adding value by the use of MIS in a primary activity?

- A.** Scottrade Corp. creating an online system for employees to track paychecks, benefits, wellness rewards program, and other employee benefit items.
- B. A system for the sales and marketing departments to track specific sales targets and follow up processes.
- C. An easy electronic survey, similar to the Survey Monkey, to be sent to the customer right after a service was completed.
- D. Royal Crest Dairy using their custom order and delivery system through an easily accessible web portal for the customer to track delivery status.

MIS can add value to both primary and support activities within a business. All are primary activities except Scottrade Corp. creating an online system for employees to track paychecks, benefits, wellness rewards program, and other employee benefit items. This is a support value activity.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

174. MIS can add value to both primary and support activities within a business. Which of the following is not an example of a company adding value by the use of MIS in a support activity?

- A.** Netflix creating a business strategy for the video rental market that delivers videos via the mail.
- B. The human resources department creates a tracking system to efficiently reward employees based on their performance.
- C. Scottrade Corp. creating an online system for employees to track paychecks, benefits, wellness rewards program, and other employee benefit items.
- D. The University of Forks creates a program to automatically order office supplies such as pens and pads of paper for its employees.

MIS can add value to both primary and support activities within a business. All are support activities except for the Netflix example of creating a business strategy for the video rental market that makes renting a movie simplified with their inexpensive, no late fee, quick mail delivery system. This is a primary value activity.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

Fill in the Blank Questions

175. A _____ is the confirmation or validation of an event or object.

Fact

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

176. The core drivers of the information age are data, knowledge, business intelligence, and

_____.

Information

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

177. Today's workers are commonly referred to as _____ workers, who use business intelligence along with personal experience to make decisions.

Knowledge

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

178. Top managers use _____ intelligence to define the future of the business, analyzing markets, industries, and economies.

Business

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

179. Companies are organized by departments. The _____ department is responsible for maintaining records, measures, and reports monetary transactions.

Accounting

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

180. The _____ management department in a company manages the process of converting or transforming of resources into goods or services.

Operations

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

181. The _____ department tracks strategic financial issues including money, banking, credit, investments, and assets.

Finance

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

182. The _____ resources department maintains policies, plans, and procedures for a company.

Human

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

183. _____ is information that returns to its original transmitter and modifies the transmitter's actions.

Feedback

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

184. A _____ is a collection of parts that link to achieve a common purpose.

System

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

185. A _____ strategy is a leadership plan that achieves a specific set of goals or objectives.

Business

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

186. The chief information officer is responsible for overseeing all uses of MIS and ensuring that MIS strategically aligns with _____ goals and objectives.

Business

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

187. The chief security officer is responsible for ensuring the _____ of business systems and developing strategies and safeguards against attacks by hackers and viruses.

Security

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

188. Business strategies that match _____ company competencies to opportunities result in a competitive advantage.

Core

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

189. Competitive _____ is the process of gathering information about the competitive environment, including competitors' plans, activities, and products, to improve a company's ability to succeed.

Intelligence

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

190. Apple utilized the first-mover _____ with its iPod product.

Advantage

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

191. Michael Porter identified pressures that can hurt potential sales. Knowledgeable customers can force _____ prices by pitting rivals against each other.

Down

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

192. The Porter's Five Forces Model analyzes the competitive forces within the environment in which a company operates to assess the potential for _____ in an industry.

Profitability

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

193. _____ power measures the ability of buyers to affect the price they must pay for an item.

Buyer

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

194. The threat of substitute products or services is _____ when there are many alternatives to a product or service and low when there are few alternatives from which to choose.

High

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

195. The _____ chain consists of all parties involved, directly or indirectly, in obtaining raw materials or a product.

Supply

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

196. Rivalry among existing competitors is _____ when competition is fierce in a market and low when competitors are more complacent.

High

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

197. Porter has identified three _____ business strategies for entering a new market: (1) broad cost leadership, (2) broad differentiation, and (3) focused strategy.

Generic

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

198. Focused strategies concentrate on either cost leadership or _____.

Differentiation

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

199. Porter suggests adopting only _____ of the three generic strategies.

One

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Understand

Difficulty: 2 Medium

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

200. A _____ chain analysis views a firm as a series of business processes that each adds value to the product or service.

Value

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

201. _____ value activities are found at the bottom of the value chain and include business processes that acquire raw materials and manufacture, deliver, market, sell, and provide after-sales services.

Primary

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

202. _____ value activities are found along the top of the value chain and include business processes, such as firm infrastructure, human resource management, technology development, and procurement that support the primary value activities.

Support

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Remember

Difficulty: 1 Easy

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis

Essay Questions

203. Describe the information age and the differences among data, information, business intelligence, and knowledge.

We live in the information age, when infinite quantities of facts are widely available to anyone who can use a computer. The core drivers of the information age include data, information, business intelligence, and knowledge. Data are raw facts that describe the characteristics of an event or object. Information is data converted into a meaningful and useful context. Business intelligence (BI) is information collected from multiple sources such as suppliers, customers, competitors, partners, and industries that analyzes patterns, trends, and relationships for strategic decision making. Knowledge includes the skills, experience, and expertise, coupled with information and intelligence, that create a person's intellectual resources. As you move from data to knowledge, you include more and more variables for analysis, resulting in better, more precise support for decision making and problem solving.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-01 Describe the information age and the differences among data; information; business intelligence; and knowledge.

Topic Area: Competing in the Information Age

204. Identify the different departments in a company and why they must work together to achieve success.

Companies are typically organized by department or functional area, such as accounting, finance, human resources, marketing, operations management, and sales. Although each department has its own focus and own data, none can work independently if the company is to operate as a whole. It is easy to see how a business decision made by one department can affect other departments. Functional areas are anything but independent in a business. In fact, functional areas are interdependent. Sales must rely on information from operations to understand inventory, place orders, calculate transportation costs, and gain insight into product availability based on production schedules. For an organization to succeed, every department or functional area must work together sharing common information and not be a "silo." Information technology can enable departments to more efficiently and effectively perform their business operations.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-02 Identify the different departments in a company and why they must work together to achieve success.

Topic Area: The Challenge Departmental Companies

205. Explain systems thinking and how management information systems enable business communications.

A system is a collection of parts that link to achieve a common purpose. Systems thinking is a way of monitoring the entire system by viewing multiple inputs being processed or transformed to produce outputs while continuously gathering feedback on each part. Feedback is information that returns to its original transmitter (input, transform, or output) and modifies the transmitter's actions. Feedback helps the system maintain stability. Management information systems (MIS) is a business function, like accounting and human resources, that moves information about people, products, and processes across the company to facilitate decision making and problem solving. MIS incorporates systems thinking to help companies operate cross-functionally. For example, to fulfill product orders, an MIS for sales moves a single customer order across all functional areas, including sales, order fulfillment, shipping, billing, and, finally, customer service. Although different functional areas handle different parts of the sale, thanks to MIS, to the customer, the sale is one continuous process.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-03 Explain systems thinking and how management information systems enable business communications.

Topic Area: The Solution Management Information Systems

206. Explain why competitive advantages are temporary.

A competitive advantage is a feature of a product or service on which customers place a greater value than they do on similar offerings from competitors. Competitive advantages provide the same product or service either at a lower price or with additional value that can fetch premium prices. Unfortunately, competitive advantages are typically temporary, because competitors often quickly seek ways to duplicate them. In turn, organizations must develop a strategy based on a new competitive advantage. Ways that companies duplicate competitive advantages include acquiring the new technology, copying business processes, and hiring away employees.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-04 Explain why competitive advantages are temporary.

Topic Area: Identifying Competitive Advantages

207. Describe Porter's Five Forces Model, and explain each of the five forces.

Porter's Five Forces Model analyzes the competitive forces within the environment in which a company operates to assess the potential for profitability in an industry. Buyer power is the ability of buyers to affect the price they must pay for an item. Supplier power is the suppliers' ability to influence the prices they charge for supplies (including materials, labor, and services). Threat of substitute products or services is high when there are many alternatives to a product or service and low when there are few alternatives from which to choose. Threat of new entrants is high when it is easy for new competitors to enter a market and low when there are significant entry barriers to entering a market. Rivalry among existing competitors is high when competition is fierce in a market and low when competition is more complacent.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-05 Describe Porter's Five Forces Model and explain each of the five forces.

Topic Area: The Five Forces Model

208. Compare Porter's three generic strategies.

Organizations typically follow one of Porter's three generic strategies when entering a new market: (1) broad cost leadership, (2) broad differentiation, (3) focused strategy. Broad strategies reach a large market segment. Focused strategies target a niche market. Focused strategies concentrate on either cost leadership or differentiation.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-06 Compare Porter's three generic strategies.

Topic Area: The Three Generics Strategies

Chapter 01 - Management Information Systems: Business Driven MIS

209. Demonstrate how a company can add value by using Porter's value chain analysis.

To identify competitive advantages, Michael Porter created value chain analysis, which views a firm as a series of business processes that each add value to the product or service. The goal of value chain analysis is to identify processes in which the firm can add value for the customer and create a competitive advantage for itself, with a cost advantage or product differentiation. The value chain groups a firm's activities into two categories—primary value activities and support value activities. Primary value activities acquire raw materials and manufacture, deliver, market, sell, and provide after-sales services. Support value activities include firm infrastructure, human resource management, technology development, and procurement. Not surprisingly, these support the primary value activities.

AACSB: Reflective Thinking

AACSB: Technology

Blooms: Analyze

Difficulty: 3 Hard

Learning Outcome: 01-07 Demonstrate how a company can add value by using Porter's value chain analysis.

Topic Area: Value Chain Analysis