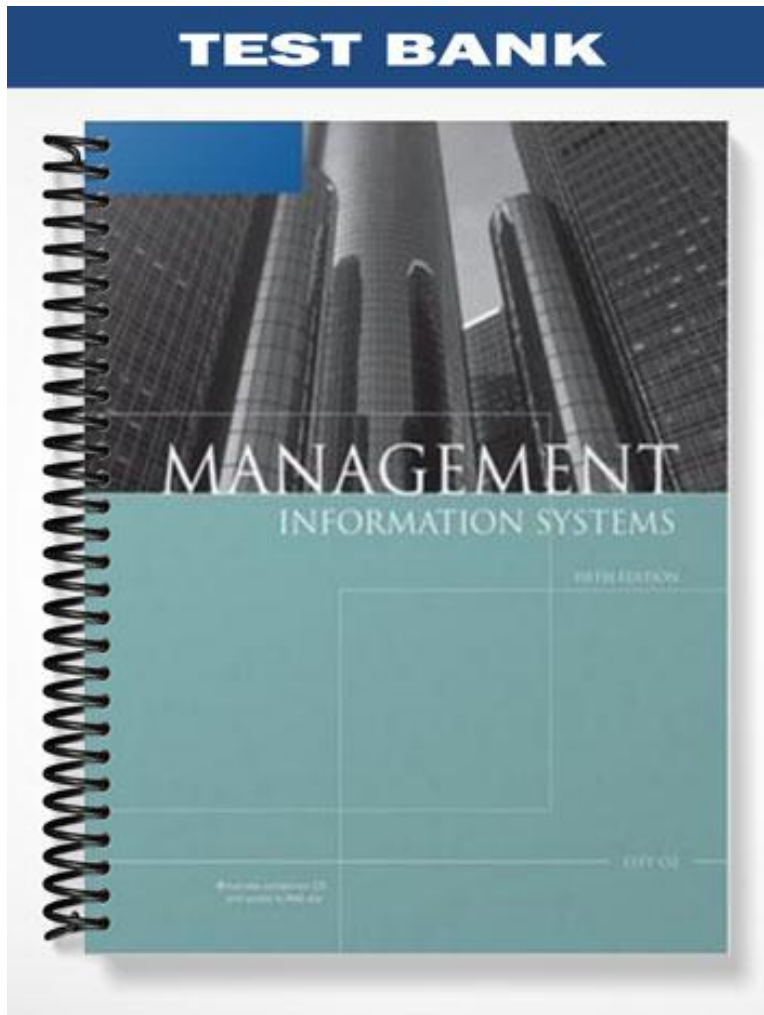


**TEST BANK**



## Ch02

### True/False

Indicate whether the statement is true or false.

- \_\_\_ 1. Although many information systems are built to solve problems, many others are built to seize opportunities.
- \_\_\_ 2. Practically any Web-based system that gives a company competitive advantage is a strategic information system.
- \_\_\_ 3. In the 1960s, Japanese automakers brought robots to their production and assembly lines and reduced costs quickly and dramatically.
- \_\_\_ 4. The larger the number of companies competing within an industry, the better off each company is.
- \_\_\_ 5. Manufacturers of laser and ink-jet printers sell their printers at cost or below cost.
- \_\_\_ 6. Infoseek, which entered the search engine arena in 1998, improved the quality and speed of Web searches, offering a clutter-free home page.
- \_\_\_ 7. Instead of differentiating a product or service, an organization might actually add to the product or service to increase its value to the consumer.
- \_\_\_ 8. Dell has not been able to maintain the popularity of its site, which sells computers online.
- \_\_\_ 9. Sometimes, alliances are formed by more than two organizations.
- \_\_\_ 10. Target Corp. provides Amazon with its proprietary search engine, order-fulfillment and customer-service systems, and the patented one-click shopping application.
- \_\_\_ 11. One way to lock in *buyers* in a free market is to create the impression that an organization's product is significantly better than the competitors'.
- \_\_\_ 12. Microsoft's decision to give away its Web browser by letting both individuals and organizations download it free from its site was altruistic.
- \_\_\_ 13. The reengineering process makes it possible to determine how much each change contributed to the organization's improved position.
- \_\_\_ 14. In a highly competitive industry that traditionally has had a narrow profit margin, JetBlue managed to gain strategic advantage by *reducing cost* and therefore reducing the price to the customer.
- \_\_\_ 15. Southwest Airlines was the first airline to establish paperless cockpits.
- \_\_\_ 16. Because of heightened security awareness, JetBlue management decided to install hidden video cameras in the cabin and monitors in the cockpit.

- \_\_\_ 17. When Nasser was appointed CEO of Ford in 1990, he regarded himself as a savior.
- \_\_\_ 18. To a great extent, the operating system determines which applications a computer can run.
- \_\_\_ 19. The United States, the European Union, and many other countries outlaw monopolies.
- \_\_\_ 20. Adopting a new technology involves great risk: there is no experience from which to learn, no guarantees that the technology will work well, and no certainty that customers and employees will welcome it.
- \_\_\_ 21. Multivision's toughest competitor is the industry leader, Video Monitoring Services (VMS), which has existed 16 years longer than Multivision but introduced closed-caption searches three years after Multivision.

**Multiple Choice**

*Identify the choice that best completes the statement or answers the question.*

- \_\_\_ 22. The word "strategy" originates from the Greek word *strategos*, meaning "\_\_\_."
  - a. ahead
  - b. general
  - c. task
  - d. vision
- \_\_\_ 23. We often use the terms "\_\_\_" and "strategic advantage" interchangeably.
  - a. advantage
  - b. competitive
  - c. competitive advantage
  - d. strategic move
- \_\_\_ 24. Some companies have developed information systems, or features of information systems, that are unique, such as \_\_\_'s "one-click" online purchasing.
  - a. Amazon
  - b. eBay
  - c. Priceline
  - d. Target
- \_\_\_ 25. One way to increase market share is to lower prices, and the best way to lower prices is to \_\_\_\_\_.
  - a. reduce costs
  - b. share information
  - c. train personnel
  - d. update equipment
- \_\_\_ 26. In the service sector, the Web has created an opportunity to automate what until recently was considered an activity that only humans could perform: \_\_\_\_\_.
  - a. accounting
  - b. customer service
  - c. human resources
  - d. customer resources
- \_\_\_ 27. \_\_\_ holds a patent for online reverse ("name your own price") auctioning, which has prevented competitors from entering its business space.
  - a. Amazon.com
  - b. eBay
  - c. Priceline.com
  - d. Target
- \_\_\_ 28. Establishing high \_\_\_ often locks in customers.
  - a. service edges
  - b. standard costs
  - c. switching margins
  - d. switching costs
- \_\_\_ 29. A \_\_\_ is a body of clients that is large enough to attract many other clients.
  - a. client mass
  - b. client set
  - c. critical advantage
  - d. critical mass
- \_\_\_ 30. Over a period of about \_\_\_ years Google established itself as the best search engine.

- a. one
- b. three
- c. five
- d. seven

- \_\_\_ 31. Adding to a product or service to increase its value to the consumer is called \_\_\_\_.
- a. adding value
  - b. enhancing existing products or services
  - c. increasing value
  - d. incrementing value
- \_\_\_ 32. One of the most important criteria for any \_\_\_\_ Web site is conversion, turning a Web shopper into a paying customer.
- a. financial
  - b. online
  - c. regressive
  - d. transactional
- \_\_\_ 33. Although devising strategic moves is mainly the responsibility of senior management, let us remember \_\_\_\_'s words: "Every soldier carries a marshal's baton in his knapsack."
- a. Churchill
  - b. Kennedy
  - c. Napoleon
  - d. Bush
- \_\_\_ 34. Growing Web use for \_\_\_\_ has pushed organizations to create alliances that would be unimaginable a few years ago.
- a. e-commerce
  - b. e-mail
  - c. publishing
  - d. searching
- \_\_\_ 35. On the Web, an obvious example of alliances is a(n) \_\_\_\_\_. Anyone can place links to commercial sites on his or her personal Web site.
- a. affiliate program
  - b. common agreement
  - c. common program
  - d. affiliate task
- \_\_\_ 36. The Web has generated \_\_\_\_ that would probably never be created offline. Can you imagine Wal-Mart inviting Sears to sell Sears' merchandise from Wal-Mart stores?
- a. affiliate jobs
  - b. affiliate moves
  - c. strategic jobs
  - d. strategic alliances
- \_\_\_ 37. One way to lock in *buyers* in a free market is to enjoy a situation in which customers fear high \_\_\_\_.
- a. offline costs
  - b. online costs
  - c. switching costs
  - d. switching publicity
- \_\_\_ 38. \_\_\_\_ combine two types of ideas: ideas for making potentially winning business decisions and ideas for harnessing information technology to implement the decisions.
- a. Database support systems
  - b. Manufacturing information systems
  - c. Strategic support systems
  - d. Strategic information systems
- \_\_\_ 39. \_\_\_\_ often involves adoption of new machinery and elimination of management layers.
- a. Engineering
  - b. Reengineering
  - c. Supermanaging
  - d. Supervising
- \_\_\_ 40. Implementation of a(n) \_\_\_\_ requires a business to revamp processes—to undergo organizational change—to gain an advantage.
- a. BI
  - b. CRM
  - c. GIS
  - d. SIS
- \_\_\_ 41. A system can only help a company sustain competitive advantage if the company continuously modifies and enhances it, creating a \_\_\_\_ for competitors.
- a. destiny
  - b. main goal
  - c. manifest destiny
  - d. moving target

- \_\_\_ 42. JetBlue uses \_\_\_\_, the software that Neeleman developed. It is a combination reservation system and accounting system, and supports customer service and sales tracking.
- a. Open Firmament
  - b. Open Skies
  - c. Sabre
  - d. Starlet
- \_\_\_ 43. \_\_\_ use physical characteristics of people, such as fingerprints and retina scans, for authentication and access to physical places and online information systems.
- a. Access codes
  - b. Biometrics
  - c. Human codes
  - d. Human metrics
- \_\_\_ 44. Its use of IT technologies placed \_\_\_ at the top of the list for on-schedule departures and arrivals, a service that is very important, especially to business travelers.
- a. American Airlines
  - b. JetBlue
  - c. Morris Air
  - d. Southwest Airlines
- \_\_\_ 45. The most important metric in the airline industry is \_\_\_\_, which is how much it costs to fly a passenger one mile of the journey.
- a. cost per available seat-mile (CASM)
  - b. cost per available seat (CAS)
  - c. cost per mile (CM)
  - d. cost per seat (CS)
- \_\_\_ 46. Ford formed an alliance with \_\_\_\_, a telecommunications company, and Yahoo! to launch Wingcast telematics, devices that would be installed in the company's vehicles and enable drivers and passengers to access the Web.
- a. Adobe
  - b. Microsoft
  - c. Oracle
  - d. Qualcomm Inc.
- \_\_\_ 47. An operating system (OS) is the software program that "mediates" between any computer program and the \_\_\_\_.
- a. computer
  - b. output
  - c. network administrator
  - d. database
- \_\_\_ 48. The United States, the European Union, and many other countries forbid \_\_\_ use of monopolistic power.
- a. excessive
  - b. repetitive
  - c. unfair
  - d. occasional
- \_\_\_ 49. Ford's management can find some solace in the continued operation of FordDirect.com. Although their grand plan did not materialize, the site is the origin point of \_\_\_ sales transactions per month.
- a. 1,000
  - b. 10,000
  - c. 50,000
  - d. 100,000
- \_\_\_ 50. Microsoft joined the Internet rush late, but it developed and gave away Internet Explorer, a Web browser that competed with the highly popular \_\_\_ and now dominates the market.
- a. Opera
  - b. Safari
  - c. Firefox
  - d. Netscape Navigator
- \_\_\_ 51. Although data warehousing—the organization and summarization of huge amounts of transactional records for later analysis—has been around since the mid-1990s, \_\_\_\_, decided only in 2002 to build a data warehouse.
- a. Lowe's
  - b. The Home Depot, Inc.
  - c. Target
  - d. Wal-Mart
- \_\_\_ 52. 99 Cents Only Stores does better than its competitors in every measure important in the retail industry: sales per square foot and \_\_\_\_.

- a. ROI
- b. net profit margin on revenue
- c. GNP
- d. sales per employee

### Completion

Complete each statement.

53. A company achieves \_\_\_\_\_ by using strategy to maximize its strengths, resulting in a competitive advantage.
54. The essence of strategy is innovation, so \_\_\_\_\_ is often gained when an organization tries a strategy that no one has tried before.
55. Companies that are first to adopt advanced systems that reduce labor enjoy \_\_\_\_\_ for as long as their competitors lag behind.
56. \_\_\_\_\_ are expenses incurred when a customer stops buying a product or service from one business and starts buying it from another.
57. eBay's success demonstrates the strategic advantage of the \_\_\_\_\_, an organization that is the first to offer a new product or service.
58. A company can achieve a competitive advantage by persuading consumers that its product or service is better than its competitors', even if it is not. Called product \_\_\_\_\_, this advantage is usually achieved through advertising.
59. \_\_\_\_\_ gained a competitive advantage over other, older brokerage companies such as Merrill Lynch by opening a site for online stock transactions.
60. In today's highly competitive market, \_\_\_\_\_ might determine an organization's rise or fall.
61. It is easy for any Web site holder to become a(n) \_\_\_\_\_ of Amazon.com.
62. Organizations can achieve competitive advantage if they are powerful enough to \_\_\_\_\_ either suppliers to their mode of operation or buyers to their product.
63. \_\_\_\_\_ gives away its Acrobat Reader software, an application that lets Web surfers open and manipulate documents created using different computers running different operating systems.
64. The goal of \_\_\_\_\_ is not to gain small incremental cost savings, but to achieve great efficiency leaps—of 100 percent and even 1000 percent.
65. In an environment where most information technology is available to all, \_\_\_\_\_ originally developed to create a strategic advantage quickly become an expected standard business practice.
66. JetBlue saves office space rent and electricity by using reservation agents who work from home (\_\_\_\_\_) and use VoIP (Voice over Internet Protocol) for telephoning.

67. Thanks to constant updates to the Open Skies system, \_\_\_\_\_ has managed to maintain check-in time at less than one minute.
68. \_\_\_\_\_ software is software that the developer gives to potential adopters for trial use.
69. In the 1970s, \_\_\_\_\_ was a small software company headed by its young president, Bill Gates, who established the company at age 19.
70. To a great extent, the \_\_\_\_\_ determines which applications a computer can run.
71. When failure occurs because an organization tries to be on the technological leading edge, observers call it the \_\_\_\_\_.
72. Ford created a joint venture with General Motors Corp. and DaimlerChrysler to establish \_\_\_\_\_, a Web site that serves as an electronic market for parts suppliers who can bid online on requests for proposals posted by the automakers.
73. The strategic advantage Robert Adams, vice president of IS, believes 99 Cents has is in the \_\_\_\_\_ with which the company integrates proven technologies into its operations.

### **Essay**

74. List eight basic initiatives that companies can use to gain competitive advantage.
75. Give an example of companies establishing high switching costs to gain competitive advantage.
76. Provide one example of a company using the lock in buyers strategy successfully.
77. Why would you consider competitive advantage as a moving target?
78. Why is JetBlue considered to have gained a late mover advantage?

## Ch02

### Answer Section

#### TRUE/FALSE

1.	ANS: T	PTS: 1	REF: 38
2.	ANS: T	PTS: 1	REF: 39
3.	ANS: F	PTS: 1	REF: 40
4.	ANS: F	PTS: 1	REF: 41
5.	ANS: T	PTS: 1	REF: 42
6.	ANS: F	PTS: 1	REF: 43
7.	ANS: T	PTS: 1	REF: 44
8.	ANS: F	PTS: 1	REF: 45
9.	ANS: T	PTS: 1	REF: 46
10.	ANS: F	PTS: 1	REF: 47
11.	ANS: T	PTS: 1	REF: 48
12.	ANS: F	PTS: 1	REF: 48
13.	ANS: F	PTS: 1	REF: 50
14.	ANS: T	PTS: 1	REF: 51
15.	ANS: F	PTS: 1	REF: 52
16.	ANS: T	PTS: 1	REF: 53
17.	ANS: F	PTS: 1	REF: 54
18.	ANS: T	PTS: 1	REF: 55
19.	ANS: F	PTS: 1	REF: 56
20.	ANS: T	PTS: 1	REF: 56-57
21.	ANS: T	PTS: 1	REF: 66

#### MULTIPLE CHOICE

22.	ANS: B	PTS: 1	REF: 38
23.	ANS: C	PTS: 1	REF: 38
24.	ANS: A	PTS: 1	REF: 39
25.	ANS: A	PTS: 1	REF: 40
26.	ANS: B	PTS: 1	REF: 40
27.	ANS: C	PTS: 1	REF: 41
28.	ANS: D	PTS: 1	REF: 42
29.	ANS: D	PTS: 1	REF: 42
30.	ANS: B	PTS: 1	REF: 43
31.	ANS: B	PTS: 1	REF: 44
32.	ANS: A	PTS: 1	REF: 44
33.	ANS: C	PTS: 1	REF: 45
34.	ANS: A	PTS: 1	REF: 46
35.	ANS: A	PTS: 1	REF: 46
36.	ANS: D	PTS: 1	REF: 47
37.	ANS: C	PTS: 1	REF: 48



38.	ANS: D	PTS: 1	REF: 48
39.	ANS: B	PTS: 1	REF: 49
40.	ANS: D	PTS: 1	REF: 50
41.	ANS: D	PTS: 1	REF: 50
42.	ANS: B	PTS: 1	REF: 51
43.	ANS: B	PTS: 1	REF: 52
44.	ANS: B	PTS: 1	REF: 52
45.	ANS: A	PTS: 1	REF: 53
46.	ANS: D	PTS: 1	REF: 54
47.	ANS: A	PTS: 1	REF: 55
48.	ANS: C	PTS: 1	REF: 56
49.	ANS: B	PTS: 1	REF: 56
50.	ANS: D	PTS: 1	REF: 57
51.	ANS: B	PTS: 1	REF: 57
52.	ANS: B	PTS: 1	REF: 64

## COMPLETION

53.	ANS: strategic advantage		
	PTS: 1	REF: 38	
54.	ANS: competitive advantage		
	PTS: 1	REF: 39	
55.	ANS: competitive advantage		
	PTS: 1	REF: 40	
56.	ANS: Switching costs		
	PTS: 1	REF: 41	
57.	ANS: first mover		
	PTS: 1	REF: 42	
58.	ANS: differentiation		
	PTS: 1	REF: 43	
59.	ANS: Charles Schwab		
	PTS: 1	REF: 44	
60.	ANS: strategy		
	PTS: 1	REF: 45	
61.	ANS: affiliate		
	PTS: 1	REF: 46	
62.	ANS: lock in		
	PTS: 1	REF: 47	

63. ANS: Adobe  
PTS: 1 REF: 48
64. ANS: Reengineering  
PTS: 1 REF: 50
65. ANS:  
SISs  
strategic information systems  
strategic information systems (SISs)  
PTS: 1 REF: 50
66. ANS: telecommuting  
PTS: 1 REF: 51
67. ANS: JetBlue  
PTS: 1 REF: 52
68. ANS: Beta  
PTS: 1 REF: 53
69. ANS: Microsoft  
PTS: 1 REF: 55
70. ANS: operating system  
PTS: 1 REF: 55
71. ANS: bleeding edge  
PTS: 1 REF: 56
72. ANS: Covisint  
PTS: 1 REF: 54
73. ANS: business intelligence  
PTS: 1 REF: 65

## ESSAY

74. ANS:

Consider competitive advantage in terms of a for-profit company, whose major goal is to maximize profits by lowering costs and increasing revenue. A for-profit company achieves competitive advantage when its profits increase significantly, most commonly through increased market share. Eight basic initiatives that can be used to gain competitive advantage are: reduce costs, raise barriers to market entrants, establish high switching costs, create new products or services, differentiate products or services, enhance products or services, establish alliances, and lock in suppliers or buyers. It is important to understand that the eight listed are the most common, but not the only, types of business strategy an organization can pursue. It is also important to understand that strategic moves often consist of a combination of two or more of these initiatives and other steps. The essence of strategy is innovation, so competitive advantage is often gained when an organization tries a strategy that no one has tried before.

PTS: 1                    REF: 39

75. ANS:

Manufacturers of laser and ink-jet printers sell their printers at cost or below cost. However, once you purchase a printer, you must replace a depleted ink or toner cartridge with one that the printer manufacturer sells, or take a risk with nonoriginal cartridges. As a cartridge customer, you face high costs if you consider switching to another brand. Even if comparable cartridges from another manufacturer are less expensive, you cannot use them; and if you decide to use those cartridges, you will lose your investment in the printer, because you must buy a new one. Thus, establishing high switching costs often locks in customers. Locking in customers by any means is a way to accomplish a strategic advantage.

PTS: 1                    REF: 42

76. ANS:

Adobe gives away its Acrobat Reader software, an application that lets Web surfers open and manipulate documents created using different computers running different operating systems, such as various versions of Windows, the Mac operating system, and UNIX. When the Reader user base became large enough, organizations and individuals found it economically justifiable to purchase and use the full Acrobat application (the application used to create the documents) and related applications. Using this strategy put Adobe's PDF (portable data format) standard in an unrivaled position.

PTS: 1                    REF: 48

77. ANS:

As you might have guessed, competitive advantage is not often long lasting. In time, competitors imitate the leader, and the advantage diminishes. So, the quest for innovative strategies must be dynamic. Corporations must continuously contemplate new ways to use information technology to their advantage. In a way, companies' jockeying for the latest competitive advantage is a lot like an arms race. Side A develops an advanced weapon, then side B develops a similar weapon that terminates the advantage of side A, and so on.

PTS: 1                    REF: 50

78. ANS:

Some observers cite the fact that JetBlue is a late competitor as an important factor in its success. The company is not burdened with antiquated information systems, or as IT professionals like to call them, legacy systems. This allowed its CIO, Jeff Cohen, to implement the latest available technologies: fast databases, VoIP, a slick Web site, laptop computers with the latest algorithms for fast calculation of routes and loads in the cockpit, and other technologies. This situation illustrates the strategic advantage of the late mover.

PTS: 1                    REF: 53