

# Chapter 1: Organizations, Business Processes, and Information Systems

---

## Review questions

1. What are the reasons for increased global competition? What are the consequences of global competition to organizations?

One reason for increased global competition is changes in national and international politics and policies. These policies have encouraged organizations to source their activities in the most advantageous locations. Since organizations are no longer geographically limited, they must ensure that their operations are properly integrated. This is more difficult when organizations are spread all around the globe.

2. What is meant by the term “information revolution?” What caused this revolution? What are the implications of the information revolution for you?

The information revolution refers to the increased use of information and communication technology to create, deliver, and use information. ICT includes such things as the Internet (e.g., e-mail, web) and computer-based business information systems (e.g., SAP ERP) that support the work of organizations. This revolution was caused because organizations were expanding rapidly and their processes were becoming widely dispersed. A key implication is that this has given rise to the knowledge worker whose skills are quite different from workers of the previous generation.

3. What are knowledge workers? What skills do they possess? Why are they important to organizations?

A knowledge worker is one who uses ICT to create, acquire, process, synthesize, disseminate, analyze and use information to be more productive. They develop the skills to find and use the information they need rather than rely on others to find it for them. They are important to organizations because they can look at something and see how it fits into the whole organization. Knowledge workers are scarce and most organizations do not have enough of them.

4. Explain the difference between the functional view and the process view of organizations. Why is the process view important today?

The functional view of an organization view the work performed in organizations in terms of loosely coupled functions. Whereas, the process view focuses on the interrelationships between functions that are needed to effectively complete the work of organizations. The process view is extremely important today because pressures of global competition are forcing organizations to find way to reduce costs, lead times, and delays.

5. What are some of the key business processes in an organization? Do all companies have the same key processes? Why or why not?

Some key business processes in an organization are procurement, fulfillment, and production. While most companies in the same industry do have similar key processes they may execute them differently. Some companies may not execute certain processes at all. For example a retail store like Home Depot wouldn't have the manufacturing process.

6. What is a common organizational structure? Why did this structure evolve? What are the benefits of such a structure?

The most common organizational structure is a functional structure. This structure evolved to solve the problems of managing organizations that evolved from being relatively small corporations that were centralized to large corporations that were located across the world. The functional structure emphasizes division of labor and specialization and makes the task of managing large organizations simpler.

7. What are the typical functions or departments in an organization? What type of work is done in each of these functions?

Typical functions or departments in an organization are *purchasing, operations, warehouse (inventory management), sales and marketing, research and development, finance and accounting, human resources, and information technology*. Each function performs a narrowly defined (or specialized) set of activities. Specific activities are provided in Table 1.1.

8. What are the drawbacks of a functional organizational structure? What negative consequences do they lead to?

The major drawback of a functional organizational structure is the silo effect where persons in a function are very focused on the work performed in their functions and lose sight of the bigger process that they support.

9. What are functional information systems? What is their value to organizations? What are their main drawbacks?

Functional information systems are information systems that only support by one functional area of the organization. They are valuable in that they can help the functional area be more efficient, but they lack the ability to communicate with other functional areas to help complete a process more efficiently.

10. What are enterprise systems? How do they differ from functional information systems? What is the value of enterprise systems to organizations?

Enterprise systems support processes across the entire organization rather than just parts of the process. They differ from the functional information systems because they integrate all the functional areas together and enhance effectiveness and speed of the process. Enterprise systems are critical to organizations as they provide better visibility, reduce delays, and inventories.

11. What is a business process? Explain the various “flows” associated with a business process.

A business process is the series of steps that are necessary to create value in an organization. The flows associated with a process include physical, data, document and information. Physical flows refer to the physical steps executed in the process. Data is what is created and accumulated as the process steps are executed. Data is captured in documents. Information is organized data that is meaningful. Information is associated with each instance of the process as well as at the aggregate process level, that is, across multiple instances or executions of a process.

12. Describe two key financial documents.

The two key financial statements are the income statement and balance sheet. The income statement represents the state of an organization over a given period of time, such as one year. A balance sheet represents the state of an organization at a point in time. A variety of accounts from the chart of accounts are included in these statements.

13. What is a chart of accounts? How is this related to the two key financial documents?

The chart of accounts is the list of accounts that are in the General Ledger. The financial impact of transactions are recorded in these accounts.

14. Explain how processes impact the two key financial documents. Under what circumstances does a process step have an impact on a company's finances?

Processes impact key financial documents by increasing or decreasing accounts in the chart of accounts. Typically, there has to be an exchange in value between the company and an external entity for there to be a financial impact.

## True or False Questions

1. One consequence of globalization is increased competition.

True

2. Due to globalization, organizations often locate parts of their operations in different countries.

True

3. Due to globalization, organizations tend to locate their operations in one country.

False

4. The information revolution refers to the increased use of communication and computer technologies to create, deliver, and use information.

True

5. The information revolution has a very limited role in globalization.

False

6. Information and communication technologies help organization coordinate their global operations.

True

7. People in organizations are becoming more dependent on information.

True

8. Knowledge workers are those who work in information systems departments of global companies.

False

9. Knowledge workers exist in all parts of an organization.

True

10. Structured information is well defined and its source is known.

True

11. Unstructured information is well defined and its source is known.

False

12. Task workers perform routine, well defined work.

True

13. Functional Information Systems only support the activities of specific areas of the business.

True

14. In a manual (paper-based) process, information is communicated between functional areas using an enterprise system.

False

15. The silo effect refers to the integrated and the cross-functional nature of business processes.

False

16. The silo effect refers to be losing sight of the big picture of the process and being narrowly focused on a task.

True

## Multiple Choice Questions

1. A sequence of tasks or activities that takes a set of inputs and converts them into desired outputs is called:
  - a. globalization
  - b. Income statement
  - \*c. a business process
  - d. an ERP system
  
2. \_\_\_\_\_ indicates the financial condition of a company at a specific point in time.
  - a. Income Statement
  - \*b. Balance Sheet
  - c. Chart of Accounts
  - d. Statement of Income
  
3. \_\_\_\_\_ indicate(s) the financial condition of a company over a specific period of time.
  - \*a. Income Statement
  - b. Balance Statement
  - c. Chart of Accounts
  - d. Statement of Income
  
4. \_\_\_\_\_ can also be referred to as a profit and loss (P&L) statement.
  - \*a. Income Statement
  - b. Balance Statement
  - c. Chart of Accounts
  - d. Statement of Income
  
5. Which of the following processes is triggered when someone in the company determines that a specific quantity of a certain material is needed?
  - \*a. Procurement Process
  - b. CRM Process
  - c. Fulfillment Process
  - d. Hiring Process
  
6. Which of the following processes involves making products in-house?
  - a. Procurement Process
  - \*b. Production Process
  - c. Fulfillment Process
  - d. Hiring Process
  
7. According to “Essentials of Business” by Magal, why did Apple Inc. decide to have its products made by an outside contract manufacturer?
  - \*a. So it could stick to its core competency of designing easy-to-use and engaging hardware and software products.
  - b. Because the contract manufacturer used cheaper labor which allowed Apple to cut costs and increase profits.
  - c. Because the theories of globalization suggested it was a good strategy.

d. To provide a higher quality product.

8. Why do we study the global competitive environment?

- \*a. Because doing business globally can provide access to cheaper resources which reduce costs and increase the number of potential customers which increases sales.
- b. Because outsourcing is making manufacturing in the U.S. a thing of the past.
- c. Because, as a knowledge worker, I'll probably be required to work overseas someday.
- d. Because MIS is difficult to understand without it.

9. Which activity would likely be performed by a knowledge worker?

- a. Creating a Purchase Requisition when inventory falls below a reorder point.
- b. Converting a Requisition into a PO and sending it to a vendor.
- c. Receiving a shipment from a vendor.
- \*d. Deciding whether to outsource manufacturing.

10. Which is not a skill of a knowledge worker?

- \*a. Business competency
- b. Strategic thinking
- c. Information literacy
- d. Communication and collaboration

11. If the silo effect is a consequence, why do companies organize by business function?

- \*a. Because specialization allows companies to be more efficient.
- b. Because one person completing all tasks of a process is more efficient.
- c. Because functional organizations can more easily downsize, minimizing labor costs.
- d. Because it's always been done that way.

12. Select the most accurate statement.

- a. Lead time is the amount of time between placing a PO and receiving goods.
- b. Cycle time is similar but measures the time to complete the fulfillment process.
- \*c. Both the above are true.
- d. Neither of the above are true.

13. From the sidebar cases in Essentials of "Business" by Magal, which company produces make-to-order goods, meaning they assemble products only after receiving a customer order?

- \*a. Dell
- b. Apple
- c. Nike
- d. Cisco

14. All of the following are disadvantages of a paper-based process except?

- \*a. the silo effect
- b. delays
- c. excess inventory
- d. lack of visibility