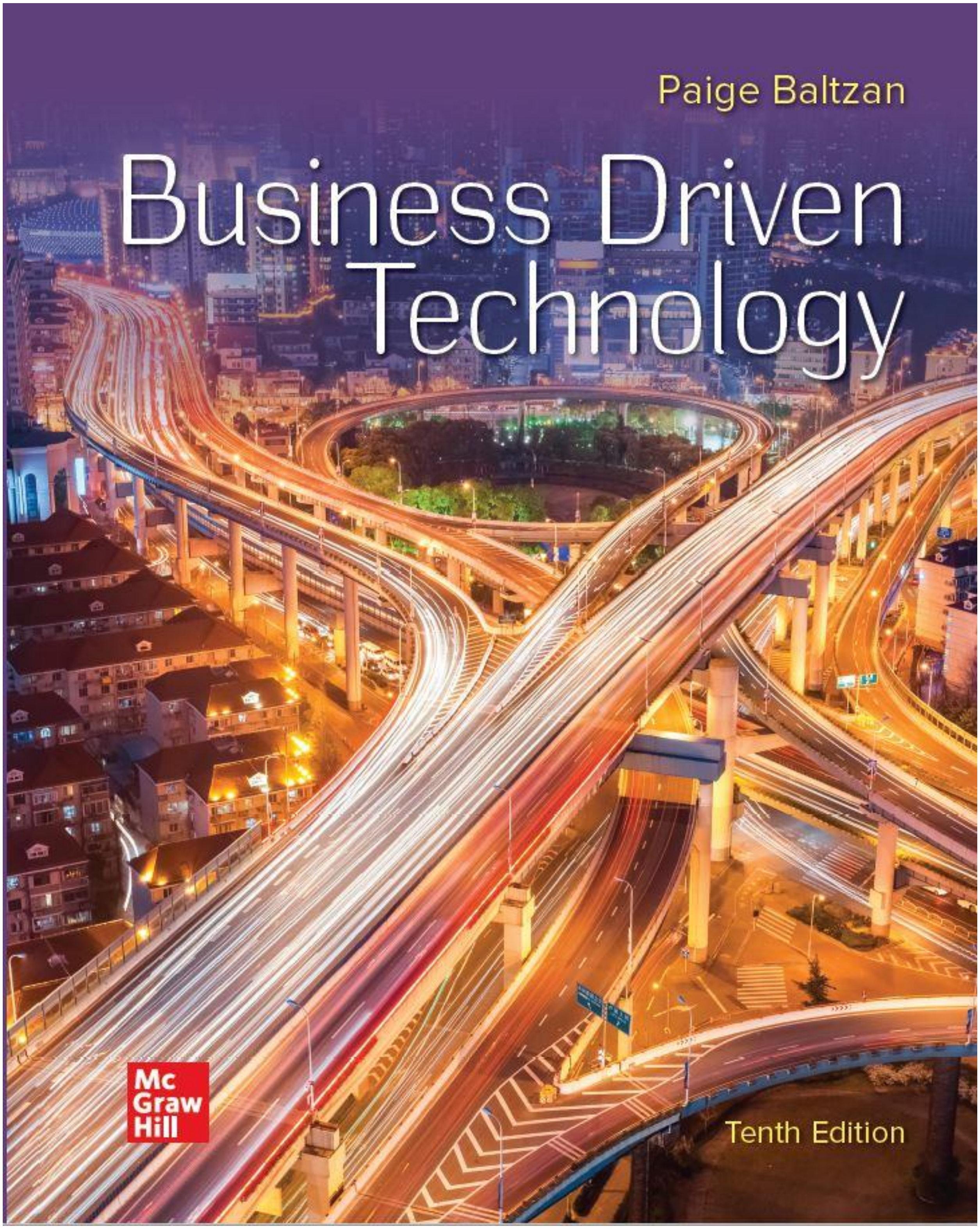
Business Driven Technology 10th edition Baltzan Solutions Manual

SKU: 9781266609077-SOLUTIONS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Business Driven Technology
Mc Graw Hill
Tenth Edition

BUSINESS DRIVEN TECHNOLOGY 10E
INSTRUCTOR'S MANUAL

This guide provides many classroom activities, videos, and debates to accompany Business Driven Technology 10e. A few course suggestions:

- Create one or two test questions based on the classroom activity to help reward students who attend lectures.
- Many professors have found that assigning an activity and then lecturing on the material helps students gain a deeper understanding of the core MIS concepts as they have already struggled with applying the material to a real-world situation.
- Asking a small group of students to explain their answer to the activity to the entire class after completion ensures students come to class prepared. I select a different group each activity to explain their answer and they do not want to look unprepared in front of their fellow classmates. It is a powerful motivator to get my students to read prior to class. After the activity and student's presentations then I lecture—this keeps my students engaged and helps to achieve a higher level of learning outcomes as they are constantly tasked with applying the concepts during class.
- Create an Ask the Professor Discussion Board that runs the entire course where students can ask course- and content-related questions. I typically promise to respond within 24 hr, and I always encourage my students to check the discussion board before sending an email. Many times, if one student has a question so do other students.
- **Three Before Me Rule! This is something I have found that saves a great deal of time answering email. I state the Three Before Me Rule in my syllabus. Before a student comes to me with a question, they must provide three sources they used to answer the question themselves. This significantly cuts down on emails as many times students can find the answer to their questions, but it seems easier just to email the professor.
  Sources can include the syllabus, the Ask the Professor Q&A Discussion Board, classmates, the textbook, and so on. If I ask the student for the three sources and they do not have them, I dock participation points. Works great on significantly cutting down my emails and helps to prepare my students for the real world!
- The core chapter material is covered in detail in the PowerPoint slides. Each slide contains detailed teaching notes including exercises, class activities, questions, and examples. Please review the PowerPoint slides for detailed notes on how to teach and enhance the core chapter material.

Enjoy your course and best of luck! Please feel free to email me directly if you have any questions, ideas, suggestions, or feedback! For additional course materials, content, and cases, visit www.baltzan.net or email me directly at pbaltzan@baltzan.net.

BUSINESS DRIVEN TECHNOLOGY 10E
INSTRUCTOR'S MANUAL
UNIT ONE OVERVIEW

Information is everywhere. Information is a strategic asset. Without information, an organization simply could not operate. This Unit introduces students to several core business strategies that focus on using information to gain a competitive advantage, including:

- Competitive advantages
- Porter's Five Forces Model
- Porter's three generic strategies
- Value chain
- Supply chain management
- Customer relationship management
- Business process reengineering
- Enterprise resource planning
- IT efficiency metrics
- IT effectiveness metrics
- Organizational structures
- Ethics
- Security

Many of these concepts and strategies will be new to your students. Be sure to explain to your students that this Unit offers an introduction to these concepts and they will gain a solid understanding of the details of these concepts as they continue reading the text. For example, customer relationship management is introduced in Unit One and discussed in detail in several additional chapters and in the business plug-ins. The chapters in Unit One include:

- **Chapter One**—Business Driven Technology
- **Chapter Two**—Identifying Competitive Advantages
- **Chapter Three**—Strategic Initiatives for Implementing Competitive Advantages
- **Chapter Four**—Measuring the Success of Strategic Initiatives
- **Chapter Five**—Organizational Structures That Support Strategic Initiatives

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CHAPTER 2

This section discusses how an organization can identify competitive advantages using tools such as Porter's Five Forces, three generic strategies, and value chains. Gaining competitive advantages is critical for organizations. Organizations also must understand that competitive advantages are typically temporary since competitors are quick to copy competitive advantages. For example:

- United was the first airline to offer a competitive advantage with its frequent flyer mileage (this first-mover advantage was temporary).
- Sony had a competitive advantage with its portable stereo systems (this first-mover advantage was temporary).
- Microsoft had a competitive advantage with its unique Windows operating system.
- Ask your students if Microsoft still has a competitive advantage with its Windows operating system.
  - Ans: Perhaps—primarily due to its first-mover advantage since it is difficult to switch operating systems and users face interoperability issues if they are using different operating systems at the same organization.
  - How many students in your class are currently using Windows?
  - What are the competitors to Windows? Ans: Linux and Macintosh.
  - Why are there only three primary competitors (Microsoft, Macintosh, and Linux) in this large operating system market?

LEARNING OUTCOMES

2.1: Explain why competitive advantages are temporary along with the four key areas of a SWOT analysis.

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.

A SWOT analysis evaluates an organization's strengths, weaknesses, opportunities, and threats to identify significant influences that work for or against business strategies. Strengths and weaknesses originate inside an organization, or internally. Opportunities and threats originate outside an organization, or externally, and cannot always be anticipated or controlled.

2.2: 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.

2.3: 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, and (3) focused strategy. Broad strategies reach a large market segment. Focused strategies target a niche market and concentrate on either cost leadership or differentiation.

2.4: 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, along the top of the value chain in the figure, include firm infrastructure, human resource management, technology development, and procurement. Not surprisingly, these support the primary value activities.

CORE MATERIAL

The core chapter material is covered in detail in the PowerPoint slides. Each slide contains detailed teaching notes including exercises, class activities, questions, and examples. Please review the PowerPoint slides for detailed notes on how to teach and enhance the core chapter material. You will find numerous classroom ideas to keep your course exciting and challenge your students to apply the material.

RUNNING CASE STUDY QUESTIONS

1. **You have landed your dream job working for Steve Evert. Unfortunately, Steve does not understand Porter's Five Forces Model. Using an example of your choice, explain to Steve the five forces in the model.**
   Using Costco as an example, the following will explain Porter's Five Forces. Buyer power is high for Costco as they have many choices for competing stores such as Sam's Club, Wal-Mart, or generic brands at grocery stores. Supplier power is lower for Costco since the company competes on prices if the suppliers choose to increase prices Costco would just drop the product and since their warehouse is constantly changing products with no guarantees to any product, they have reduced supplier power.

2. **Steve also does not understand why you can only choose one of the Porter's generic strategies to follow. Explain to Steve why it would be difficult to operate in more than one area of Porter's generic strategies.**
   Costco is following a cost leadership strategy. If you follow more than one of Porter's generic strategies, you run the risk of confusing your customers. It would be a mistake to sell Tiffany's rings at Costco. Sticking to one of Porter's three generic strategies is a key to success. If you do want to operate in a different market, then you should change the brand name.

CHAPTER TWO CASE

Throughout my career I have never heard anyone say—"My career was right on track until I learned about technology—I sure wish I had never learned technology it ruined my career."

- Amazon is a book selling company—not a technology company.
- Netflix is a video rental business—not a technology company.
- eBay is a consumer trading business—not a technology company.

All of these businesses were started by businesspeople who understood the value of technology so well that they fundamentally changed the primary business processes of buying books, renting videos, and trading goods. Every businessperson should understand technology, without it they won't be able to spot the competitive advantages that are just waiting for the next brilliant entrepreneur to discover.

There are huge strides in third world countries. We now have internet carts that can drive around and provide remote villages in Neap and India and Africa with computers and access. Some argue that the world between the haves and the have-nots is widening because of technology—I personally believe it is closing. With a computer, I can literally get a PhD from an online school no matter where I am located—a remote village in Antarctica or an island in the Pacific.

Here is a question for your students. Is the world flat for everyone? When I view Friedman and try to think of a job that isn't flat I actually tend to come up with blue-collar jobs. White-collar jobs are easily outsourced—CPAs are doing our taxes in China, legal work is done in Africa, architecture work is done in India, programming code is done in Ukraine, doctors are reading our X-rays in India, and so on. But can a nurse, garbage man, house painter, contractor, waitress, librarian, (service industry) jobs be outsourced? Now these jobs will be taken over by robots.

Don't get me wrong—I completely agree that the best thing you can invest in is your education—but in a flat world I no longer agree that it means your skill set won't be outsourced or replaced by a robot. Spending time figuring out your personal career SWOT can help you learn how best to prepare for the future.

REVIEW QUESTIONS

1. **What is the relationship between a business strategy and stakeholders?**
Stakeholders must believe in and support the business strategy to ensure its success. If a company creates a business strategy that employees or shareholders do not value, it is doomed to failure. Having support of all stakeholders when setting goals and strategies for the business is crucial for survival.

2. **Who are the top three most important stakeholders in a business?**
The answer to this question varies depending on the stakeholder. Shareholders do not always care about employees and employees do not always care about shareholders. Of course, in an ideal environment every stakeholder would have the same goals, but this is rarely the case in business. Clearly employees are the number one stakeholder because without employees there is no business. Clearly customers are the number one stakeholder because without customers there is no business. Obviously, you can make this statement for every stakeholder—hence the dilemma with defining who are the three most important.

3. **When would you use a SWOT analysis to help you make business decisions?**
The question should be when you would not use a SWOT since this tool is amazingly simple to use for analyzing every aspect of business. I can’t think of time you would not want to gain the insight of a SWOT analysis in business.

4. **What is the role Porter’s Five Forces Model plays in decision-making?**
Formally defined, 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. Its purpose is to combat these competitive forces by identifying opportunities, competitive advantages, and competitive intelligence. If the forces are strong, they increase competition; if the forces are weak, they decrease competition.

5. **How could a company use loyalty programs to influence buyer power?**
Companies can also reduce buyer power with loyalty programs, which reward customers based on their spending. The airline industry is famous for its frequent-flyer programs, for instance. Because of the rewards travelers receive (free airline tickets, upgrades, or hotel stays), they are more likely to be loyal to or give most of their business to a single company. Keeping track of the activities and accounts of many thousands or millions of customers covered by loyalty programs is not practical without large-scale business systems, however. Loyalty programs are thus a good example of using MIS to reduce buyer power.

6. **How could a company use switching costs to lock in customers and suppliers?**
   One way to reduce buyer power is by manipulating switching costs, costs that make customers reluctant to switch to another product or service. Switching costs include financial as well as intangible values. The cost of switching doctors, for instance, includes the powerful intangible components of having to build relationships with the new doctor and nurses, as well as transferring all your medical history. With MIS, however, patients can store their medical records on DVDs or thumb drives, allowing easy transferability. The internet also lets patients review websites for physician referrals, which takes some of the fear out of trying someone new.

7. **What are Porter's three generic strategies and why would a company want to follow only one?**
   Porter has identified three generic business strategies for entering a new market: (1) broad cost leadership, (2) broad differentiation, and (3) focused strategy. Broad strategies reach a large market segment, while focused strategies target a niche or unique market with either cost leadership or differentiation. Trying to be all things to all people is a recipe for disaster, since doing so makes it difficult to project a consistent image to the entire marketplace. For this reason, Porter suggests adopting only one of the three generic strategies.

8. **How can a company use Porter's value chain analysis to measure customer satisfaction?**
   To identify these 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. Value chain analysis is a useful tool for determining how to create the greatest possible value for customers. 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. When performing a value chain analysis, a firm could survey customers about the extent to which they believe each activity adds value to the product or service. This step generates responses the firm can measure to describe how each activity adds (or reduces) value. Then the competitive advantage decision for the firm is 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.

MAKING BUSINESS DECISIONS

1. **KEEPING SENSITIVE DATA SAFE WHEN IT'S NOT IN A SAFE**
   Sensitive organizational data includes:
   - Human resource data
   - Competitive data
   - Strategic data
   - Pricing data
   - New product development data

- Marketing data
- Finance data
- Employee salary data
- Customer data

  Keeping sensitive data safe is a key priority for digital companies. Today one angry employee can walk out the door with terabytes of corporate data. Policies for data sharing and data capture can help mitigate the issues of data security.

Top 10 Questions Managers Should Ask Regarding Information Security:

- Does the board of directors recognize information security is a board-level issue that cannot be left to the IT department alone?
- Is there clear accountability for information security in the organization?
- Do the board members articulate an agreed-upon set of threats and critical assets? How often do they review and update these?
- How much is spent on information security and what is it being spent on?
- What is the impact on the organization of a serious security incident?
- Does the organization view information security as an enabler? For example, by implementing effective security, could the organization increase business over the internet?
- What is the risk to the business of getting a reputation for low information security?
- What steps have been taken to ensure that third parties will not compromise the security of the organization?
- How does the organization obtain independent assurance that information security is managed effectively?
- How does the organization measure the effectiveness of its information security activities?

The importance of educating employees on information security

Adding to the complexity of information security is the fact that organizations must enable employees, customers, and partners to access information electronically to be successful in this electronic world. Doing business electronically automatically creates tremendous information security risks for organizations. Surprisingly, the biggest issue surrounding information security is not a technical issue, but a people issue.

The CSI/FBI Computer Crime and Security Survey reported that 38% of respondents indicated security incidents originated within the enterprise. Insiders are legitimate users who purposely or accidentally misuse their access to the environment and cause some kind of business-affecting incident. Most information security breaches result from people misusing an organization's information either advertently or inadvertently. For example, many individuals freely give up their passwords or write them on sticky notes next to their computers, leaving the door wide open to intruders.

2. MARKET DISSECTION

Organizations must formulate a strategy for entering new markets. An organization can follow Porter's three generic strategies when entering a new market: (1) broad cost leadership, (2) broad differentiation, or (3) a focused strategy. Broad strategies reach a large market segment, while focused strategies target a niche market. A focused strategy concentrates on either cost leadership or differentiation. Trying to be all things to all people, however, is a recipe for disaster, since it is difficult to project a consistent image to the entire marketplace. Porter suggests that an organization is wise to adopt only one of the three generic strategies.

To illustrate the use of the three generic strategies, consider Figure AYK.1. The matrix shown demonstrates the relationships among strategies (cost leadership versus differentiation) and market segmentation (broad vs. focused).

- Hyundai is following a broad cost leadership strategy. Hyundai offers low-cost vehicles, in each particular model stratification, that appeal to a large audience.
- Audi is pursuing a broad differentiation strategy with its Quattro models available at several price points. Audi's differentiation is safety, and it prices its various Quattro models (higher than Hyundai) to reach a large, stratified audience.
- Kia has a more focused cost leadership strategy. Kia mainly offers low-cost vehicles in the lower levels of model stratification.
- Hummer offers the most focused differentiation strategy of any in the industry (including Mercedes-Benz). Student solutions to this project will vary. The most important part of their answer is their justification for each product placement.

3. COMPUTERS ARE EVERYWHERE

There are so many products invented yearly that this list will continually change; iRobot vacuums, iWatches, virtual reality games, earbuds, and ChatGPT. When you think about the devices such as iPods, DVD players, pagers, digital cameras, or even fax machines (yes, many businesses still use them) it is amazing to think of products we depended on that are now obsolete. Ask your students to name a product they use daily that might not exist in 5 years.

4. DEATH OF A PRODUCT

Answer to this question will vary. Be sure when the students present their models the other students perform the Q&A. This allows everyone to test their understanding of Porter's Five Forces.

5. APPLYING THE 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, and (3) focused strategy. Broad strategies reach a large market segment. Focused strategies target a niche market and concentrate on either cost leadership or differentiation. Student answers will vary depending on which industries they choose to research.

6. IOT TIME MANAGEMENT

Answers to this question will vary. This works great as a group exercise. Give your students 20 min to perform their analysis and then ask them to present to the class. Ensure the other students are performing the analysis and asking questions. You will soon see any problem areas with the content and can address them to ensure a comprehensive understanding.

7. **GLOBAL DATA**
It is important to help your students understand that data is dirty and when you combine data from international sources you can make huge mistakes if you do not understand the nuances. Example include date: 1/2/2026 could be January 2 in the United States and February 1 in Canada. Time in the United States could be 8 a.m. or 8 p.m. as we do not use a 24-hr clock. Amounts will vary based on currency.