

***Enterprise Systems for Management, 2e (Motiwalla/Thompson)***  
**Chapter 10 Global, Ethics, and Security Management**

1) Outsourcing ERP systems helps to lower the cost of software ownership and maintenance.

Answer: TRUE

Diff: 1 Page Ref: 268

2) All companies can benefit from outsourcing their ERP systems.

Answer: FALSE

Diff: 2 Page Ref: 268

3) One reason that outsourcing lowers costs is because it doesn't require any oversight.

Answer: FALSE

Diff: 2 Page Ref: 268

4) Enterprise systems can change the ethical and legal environment of the organization.

Answer: TRUE

Diff: 1 Page Ref: 268

5) Because of their extensive integration, ERP systems are less susceptible to security hazards.

Answer: FALSE

Diff: 2 Page Ref: 268

6) Outsourcing occurs when a company decides to sub-contract its business processes or functions to another company.

Answer: TRUE

Diff: 1 Page Ref: 268

7) Outsourcing ERP systems has been done by organizations worldwide.

Answer: TRUE

Diff: 2 Page Ref: 268

8) Initially, most IT outsourcing focused on software training.

Answer: FALSE

Diff: 2 Page Ref: 269

9) The Y2K problem provided a huge boost to the practice of IT outsourcing.

Answer: TRUE

Diff: 2 Page Ref: 269

10) Outsourcing IT functions is cost effective but decreases flexibility.

Answer: FALSE

Diff: 2 Page Ref: 269

11) Front-office IT functions generally include system development and maintenance.

Answer: FALSE

Diff: 2 Page Ref: 269

12) One benefit of outsourcing an ERP system is that it has a predictable monthly payment.

Answer: TRUE

Diff: 2 Page Ref: 268

13) Back office IT functions typically involve customer interactions.

Answer: FALSE

Diff: 2 Page Ref: 268-9

14) Outsourcing gives organizations access to a broader set of key IT skills.

Answer: TRUE

Diff: 1 Page Ref: 268-9

15) It is difficult to add more hardware resources when the ERP system is outsourced.

Answer: FALSE

Diff: 3 Page Ref: 268-9

16) Outsourcing by its very nature forces a more process-oriented perspective on the company.

Answer: TRUE

Diff: 3 Page Ref: 268-9

17) ERP systems don't require a high amount of maintenance.

Answer: FALSE

Diff: 2 Page Ref: 271

18) ERP outsourcing is more common than IT outsourcing in general.

Answer: FALSE

Diff: 2 Page Ref: 271

19) Misunderstandings often occur between the outsourcer and the organizations.

Answer: TRUE

Diff: 2 Page Ref: 271

20) One benefit of outsourcing is that there are no unexpected costs.

Answer: FALSE

Diff: 3 Page Ref: 271

21) Outsourcing operations means that a company might have to share their trade secrets.

Answer: TRUE

Diff: 2 Page Ref: 271

22) Outsourcing is the same as offshoring.

Answer: FALSE

Diff: 1 Page Ref: 271

23) Over half of all offshoring IT spending is in India.

Answer: FALSE

Diff: 2 Page Ref: 272

24) Collocating team members is not cost effective in global ERP implementations.

Answer: TRUE

Diff: 2 Page Ref: 272

25) Offshoring ERP development helps make change management easier.

Answer: FALSE

Diff: 3 Page Ref: 272

26) Offshoring can be difficult because firms in different countries have the same local requirements.

Answer: FALSE

Diff: 2 Page Ref: 272

27) Companies in developing countries may have less mature operational models.

Answer: TRUE

Diff: 2 Page Ref: 272

28) Completely localizing an ERP system decreases complexity and customization, while defeating the purpose of a global solution.

Answer: FALSE

Diff: 3 Page Ref: 273

29) Companies must be careful to perform due diligence when selecting an outsourcing vendor.

Answer: TRUE

Diff: 2 Page Ref: 273

30) Many developing countries do not have strong intellectual property laws to protect your firm's ideas from being stolen by an outsourcing vendor.

Answer: TRUE

Diff: 2 Page Ref: 273

31) Software can be rented or leased from a software vendor using the PMO model.

Answer: FALSE

Diff: 2 Page Ref: 274

32) Many SaaS providers allow a wide range of customization within a basic set of functions.

Answer: TRUE

Diff: 3 Page Ref: 275

33) Because they are cheap SaaS applications can instantly reach a global market.

Answer: FALSE

Diff: 2 Page Ref: 275

34) The monthly costs of SaaS applications do not depreciate over time as a capital investment in software licenses would.

Answer: TRUE

Diff: 3 Page Ref: 275

35) Over a one year period, it is possible that a traditional ERP architecture might be cheaper than a SaaS solution.

Answer: FALSE

Diff: 3 Page Ref: 275

36) An ASP is a type of SaaS provider which offers to host the software of another vendor for the company that purchased the software license.

Answer: TRUE

Diff: 3 Page Ref: 275

37) It is important to find the right balance between outsourcing and in-sourcing.

Answer: FALSE

Diff: 2 Page Ref: 275

38) One long standing best practice is the creation of a formal governance process to manage the offshore relationship.

Answer: FALSE

Diff: 3 Page Ref: 276

39) Small and midsize companies are most inclined to in-source their ERP operations.

Answer: FALSE

Diff: 2 Page Ref: 276

40) ERP implementation teams should not use outsourcing partners as someone who will take \_\_\_\_\_ or to deflect blame when the project is not successful.

A) development

B) users

C) accountability

D) change management

Answer: C

Diff: 2 Page Ref: 272

41) Working with a qualified outsourcing partner may give your IT staff the chance to \_\_\_\_\_ their skills and gain confidence.

A) manage

B) oversee

C) qualify

D) improve

Answer: D

Diff: 1 Page Ref: 273

42) In the U.S., corporations must adhere to the disclosure rules as specified by:

- A) the PMO.
- B) the industry council.
- C) Sarbanes-Oxley.
- D) the Project Executive.

Answer: C

Diff: 2 Page Ref: 277

43) Ethics are developed through culture, values, and the \_\_\_\_\_ system of the individual with influences from family and society.

- A) thought
- B) belief
- C) political
- D) corporate

Answer: B

Diff: 2 Page Ref: 277

44) The increased value of information and the \_\_\_\_\_ both endanger privacy in the information age.

- A) use of spreadsheets
- B) greater bandwidth
- C) ease of use
- D) growth of information technology

Answer: D

Diff: 1 Page Ref: 279

45) There are very few institutions that can protect \_\_\_\_\_ globally.

- A) intellectual property rights
- B) system security
- C) database access
- D) customer rights

Answer: A

Diff: 3 Page Ref: 278

46) ERP systems make it \_\_\_\_\_ to use and share information.

- A) easier
- B) harder
- C) controversial
- D) necessary

Answer: A

Diff: 1 Page Ref: 278

47) The ethical issues surrounding the use of information technology include, privacy, accuracy, property, and \_\_\_\_\_ issues.

- A) communication
- B) adaptability
- C) accessibility
- D) conversion format

Answer: C

Diff: 2 Page Ref: 278

48) Any organization which collects personal information must follow a process on how this information is \_\_\_\_\_, used and shared.

- A) processed
- B) collected
- C) disseminated
- D) collated

Answer: B

Diff: 2 Page Ref: 279

49) An individual's right to privacy must be balanced with:

- A) corporate social responsibility.
- B) business process efficiencies.
- C) the cost of maintaining the data.
- D) the public's right to know.

Answer: D

Diff: 3 Page Ref: 279

50) Organizations now must get a(n) \_\_\_\_\_ to collect and share individual's personal data.

- A) database
- B) network application
- C) approval
- D) web cookie

Answer: C

Diff: 2 Page Ref: 280

51) The biggest threat to privacy from ERP systems is from \_\_\_\_\_ activities.

- A) BPR
- B) data mining
- C) security
- D) data warehouse

Answer: B

Diff: 2 Page Ref: 280

52) \_\_\_\_\_, where crooks use an individual's profile for fraudulent transactions, is now the number one crime in many parts of the world.

- A) Data mining
- B) Phishing
- C) Internet fraud
- D) Identify theft

Answer: D

Diff: 3 Page Ref: 280

53) The large amount of data being collected today and its integration with multiple sources means there is a greater chance the data may be:

- A) corrupted.
- B) converted.
- C) outsourced.
- D) duplicated.

Answer: A

Diff: 2 Page Ref: 280

54) To protect the accuracy of the data, ERP systems must embed \_\_\_\_\_, on data accuracy and make them available to organizations.

- A) test examples
- B) training
- C) best practices
- D) policy

Answer: C

Diff: 3 Page Ref: 280

55) ERP systems can help to \_\_\_\_\_ data with an organization's trading partners.

- A) enable
- B) synchronize
- C) privatize
- D) import

Answer: B

Diff: 3 Page Ref: 280

56) \_\_\_\_\_ collect and disseminate information about consumers to be used for credit evaluation and certain other purposes.

- A) Marketing agencies
- B) Accounting firms
- C) Credit reporting agencies
- D) ERP systems

Answer: C

Diff: 2 Page Ref: 280

57) The \_\_\_\_\_ principle of ethics makes organizations realize that they are not the ultimate owners of the information collected on individuals.

- A) privacy
- B) accessibility
- C) accuracy
- D) property

Answer: D

Diff: 2 Page Ref: 281

58) With the passage of the \_\_\_\_\_, the U.S. government has gained access to vast databases of telephone and email records.

- A) NAFTA Act
- B) Patriot Act
- C) COPA Act
- D) FCRA Act

Answer: B

Diff: 2 Page Ref: 281

59) The \_\_\_\_\_ principle of ethics forces an organization to have proper controls for authorization and authentication.

- A) privacy
- B) accessibility
- C) accuracy
- D) property

Answer: B

Diff: 2 Page Ref: 281

60) Identity theft in the U.S. is:

- A) declining.
- B) increasing.
- C) stabilizing.
- D) random.

Answer: A

Diff: 2 Page Ref: 282

61) In the context of an ERP implementation, \_\_\_\_\_ theory would implement very few restrictions on using the information from this system to monitor employee performance or collect and share consumer information from the system..

- A) stakeholder
- B) stockholder
- C) communication
- D) social contract

Answer: B

Diff: 3 Page Ref: 282



62) In the context of \_\_\_\_\_ theory, the ERP system would not be allowed to share or collect consumer information unless the consumers were notified of this plan and only if this activity would result in a net benefit to the society.

- A) stakeholder
- B) stockholder
- C) communication
- D) social contract

Answer: D

Diff: 3 Page Ref: 282

63) Globalization and offshoring have \_\_\_\_\_ the level of ethical concerns.

- A) lowered
- B) mediated
- C) raised
- D) mitigated

Answer: C

Diff: 2 Page Ref: 283

64) Often in software negotiations, the software is placed in \_\_\_\_\_ in the event the software company declares bankruptcy.

- A) storage
- B) escrow
- C) production
- D) development

Answer: B

Diff: 2 Page Ref: 283

65) One danger of outsourcing is that employees for an outsourcing partner can leave and go to work for a(n) \_\_\_\_\_.

- A) government
- B) attorney
- C) competitor
- D) consultant
- E) none of the above

Answer: C

Diff: 2 Page Ref: 273

66) Language and time zone differences can be difficult to \_\_\_\_\_ as far as their impact on an IT project.

- A) quantify
- B) identify
- C) determine
- D) document
- E) all of the above

Answer: A

Diff: 2 Page Ref: 274

67) Outsourcing ERP functions might look cheaper on paper, but savvy managers must consider the total cost of \_\_\_\_\_.

- A) attorneys
- B) consultants
- C) ownership
- D) management
- E) none of the above

Answer: C

Diff: 2 Page Ref: 274

68) SaaS is a model for \_\_\_\_\_ delivery rather than being a separate market segment.

- A) data
- B) software
- C) hardware
- D) consultant
- E) none of the above

Answer: B

Diff: 3 Page Ref: 274

69) The SaaS model brings lower implementation risk and a better \_\_\_\_\_ transfer between integrators and users.

- A) knowledge
- B) hardware
- C) data
- D) consultant
- E) all of the above

Answer: A

Diff: 3 Page Ref: 274

70) The rapid growth in SaaS-based applications is due in part to the advent of PCs and the \_\_\_\_\_.

- A) printers
- B) cell phones
- C) internet
- D) iPods
- E) none of the above

Answer: C

Diff: 3 Page Ref: 274

71) The learning curve for SaaS-based applications is less because most users already know how to use a \_\_\_\_\_.

- A) web browser
- B) personal computer
- C) printer
- D) iPod
- E) none of the above

Answer: A

Diff: 2 Page Ref: 274

72) The adoption of the SaaS model may turn applications into \_\_\_\_\_.

- A) hardware
- B) commodities
- C) disasters
- D) managers
- E) none of the above

Answer: B

Diff: 3 Page Ref: 275

73) When using a computer, most people spend the majority of their time using \_\_\_\_\_ applications.

- A) custom
- B) end-user developed
- C) illegal
- D) standard
- E) none of the above

Answer: D

Diff: 2 Page Ref: 275

74) It is a myth to think that SaaS applications do not need any \_\_\_\_\_.

- A) attorneys
- B) hardware
- C) configuration
- D) consultants
- E) none of the above

Answer: C

Diff: 3 Page Ref: 275

75) Ethics is sometimes referred to as the science of \_\_\_\_\_.

- A) managers
- B) attorneys
- C) morality
- D) consultants
- E) none of the above

Answer: C

Diff: 2 Page Ref: 277

76) How can companies guard themselves from lack of performance on the part of consulting partners?

Answer: It is important that companies safeguard their relationship with consulting firms with carefully drawn up contracts. Sometimes consulting firms will send out their best people for the first week or two and then replace them with inexperienced and incompetent staff. A clear description of the roles and expectations of the consultants can help address performance issues.

Diff: 2 Page Ref: 295

77) Why do ERP implementations need an audit plan?

Answer: Audit plans are necessary to ensure that the ERP system has the appropriate automated and manual controls in place. These controls will help to prove the completeness of key processes such as the data conversion process. The audit will also consider whether there is enough separation in duties as far as controls are concerned. Auditors must also evaluate the data flow for approval processes, change controls and software update and testing.

Diff: 3 Page Ref: 295

78) How has the need for SOX compliance impacted ERP systems?

Answer: The Sarbanes-Oxley Act of 2002 has had a huge impact on business today. In particular, sections 404 and 409 related to IT controls. Section 404 impacts how internal controls are set up and states that IT systems have to have adequate internal controls and procedures for financial reporting. Section 409 states that there must be real-time access to operational and financial corporate data. Both of these must be kept in mind when implementing an ERP system. The ERP system must be set up to support SOX compliance in terms of internal controls, timely access to data, and financial reporting.

Diff: 3 Page Ref: 286

79) How should an ERP system be secured?

Answer: Because many users now access their ERP systems with browsers, they are increasingly susceptible to viruses, hackers and attacks over the Internet. Employees need to be educated about the importance of maintaining security for their ERP system. User IDs and passwords can be stolen and sometimes firms hire consultants to try and hack into their systems to test users. PDAs and laptops with sensitive information can also be stolen. ERP systems are prime targets since they contain so much sensitive information. A security plan should be created which starts with changing passwords frequently and educating users. Extensive hardware and network security features should also be in place.

Diff: 2 Page Ref: 289

80) How should an organization with an ERP system plan for a disaster?

Answer: Because an ERP system is considered to be "mission critical", it is important that some planning be done for both natural and man-made disasters. For large companies, one estimate is that they lose \$13K for every minute the ERP system is down. Of course there must be some trade-off between the acceptable level of risk and the cost of getting the systems back up and running. Sometimes, companies set up alternate sites at different locations that are ready in case the original systems go down. Data backups may also be stored in multiple locations and on different media.

Diff: 2 Page Ref: 293

81) What is outsourcing? How is it used in ERP systems?

Answer: Anytime a company decides to sub-contract its business processes or functions to another company, it can be said to be engaged in outsourcing. In this respect, offshoring is just one type of outsourcing. Over the past 10 to 20 years there has been a growing trend to outsource many different IT functions from maintenance to development. This has impacted ERP systems more and more recently. Some firms outsource the whole management and delivery of their ERP applications. Some may outsource different parts of the development and maintenance. They may also have economic benefits for offshoring these same pieces of the ERP system. This strategy is especially popular for small and medium-sized companies which don't want to invest a lot of resources in their own, unique ERP system.

Diff: 3 Page Ref: 294

82) What are the potential drawbacks to outsourcing ERP systems?

Answer: Ostensibly there are many benefits to outsourcing ERP systems. But there are some less obvious reasons why a firm may decide against it. Because ERP outsourcing is still relatively new the outsourcing partner may not have enough expertise and experience in integrating with other applications in the organization or with external business partners. There are also a lot of hidden costs such as travel costs, monitoring costs, and the lost productivity and revenues if things do not go well with the system. Because these systems are mission critical, some firms may not like to give up control of their systems to an outside company and possibly lose crucial intellectual property.

Diff: 2 Page Ref: 270

83) What is the SaaS model and how is it impacting ERP systems?

Answer: The Software as a Service model is a way that expensive software like ERP software can be leased or rented from a software vendor. For a specific monthly fee, this vendor will maintain, operate, and support the software for the client. It is a way of delivering ERP applications over the Internet in a way that allows users to access them with an Internet browser. This makes it easier for users to access and learn since they are probably already quite familiar with Internet browsers. It also means that it can be accessed from many different devices. Because SaaS vendors can sell standardized applications to a global market, the economies of scale may drive down the cost too.

Diff: 3 Page Ref: 274

84) What are the ethical considerations associated with ERP systems?

Answer: The basic ethical framework described as PAPA (privacy, accuracy, property, and accessibility) certainly applies equally to an ERP system. Because the data is totally integrated, there are more chances for sharing data and violating an individual's privacy. The accuracy of the data could also be a big problem since the data is supposed to be entered once and then it is replicated to dozens of other applications throughout the enterprise. So if it is wrong, the damage is even greater. If implemented properly with good controls, ERP systems can safeguard the individual's information better than before, but if done poorly, the ERP system can also make it harder. The same can be said as far as the accessibility of the information. In an ERP system, the proper access controls must be in place and this can make it easier to control access if done correctly.

Diff: 3 Page Ref: 277