



• Name: _____

• Date: _____

• Section: _____

BUSN 315: Management Information Systems

Problem Set #2: Suggested Solutions

Spring 2026

Problem 1. Definitions

Select FOUR items from the list below, and provide a definition for each item you choose.

- Technical View of an Organization
- Transaction Costs
- Organizational Culture
- Competitive Forces Model
- Categorical Imperative
- Agency Costs

- **Technical View of an Organization:**

The technical view of an organization treats the firm as a formal structure that transforms inputs into outputs to achieve goals efficiently. It assumes organizations are rational systems where resources can be allocated and substituted to improve performance.

- **Transaction Costs:**

Transaction costs are the costs of participating in market exchanges, including searching for information, negotiating agreements, coordinating activities, and monitoring compliance. Firms may internalize activities when doing so lowers these costs.

- **Organizational Culture:**

Organizational culture refers to the shared values, norms, and beliefs that shape behavior within an organization. It influences how employees respond to authority, change, and new technologies.

- **Competitive Forces Model:**

The Competitive Forces Model, developed by Michael Porter, analyzes the competitive pressures within an industry. It identifies five forces that shape competition and influence firm strategy.

- **Categorical Imperative:**

The categorical imperative, associated with Immanuel Kant, states that individuals should act only according to rules that could be universally applied. It focuses on duty and universal principles rather than consequences.

- **Agency Costs:**

Agency costs arise when managers pursue their own interests rather than those of owners. These costs include monitoring expenses, incentive payments, and losses from misaligned incentives.

Problem 2. True / False

Determine whether each statement is TRUE or FALSE. If FALSE, justify your answer briefly.

2.A. Information systems influence organizations, but organizations do not meaningfully shape the design or use of information systems once they are implemented.

- FALSE
- Organizations meaningfully shape the design, implementation, and use of information systems. Information systems and organizations influence each other; systems are embedded within existing structures, culture, and power relationships.

2.B. Information systems can reduce transaction costs by lowering the costs of searching for information, coordinating activities, and monitoring contracts.

- TRUE

2.C. Ethical, social, and political issues related to information systems typically emerge only after social norms and legal institutions have fully adapted to new technologies.

- FALSE
- Ethical, social, and political issues typically emerge before social norms and legal institutions fully adapt to new technologies. Institutional lag creates gaps between technological change and regulatory response.

2.D. Under the principle of utilitarianism, an action is considered ethical if it maximizes total benefits, even if it causes harm to a minority of affected stakeholders.

- TRUE

Problem 3. Multiple Choice

Select the BEST answer for each question.

- 3.A. The behavioral view of organizations emphasizes:
- a) Profit maximization through efficient resource allocation
 - b) Rapid adjustment to technological change
 - c) Rights, obligations, and power relationships among participants**
 - d) Automation of routines and standardized procedures
- 3.B. Which organizational feature is most likely to generate resistance when a new information system is introduced?
- a) High employee turnover
 - b) Strong organizational culture tied to existing routines**
 - c) Competitive product markets
 - d) Low transaction volumes
- 3.C. In the context of transaction cost economics, firms historically relied on vertical integration primarily to:
- a) Increase product differentiation
 - b) Improve employee motivation
 - c) Reduce coordination and contracting costs**
 - d) Comply with regulatory requirements
- 3.D. A firm uses information systems to make it difficult for customers to switch to competitors by storing user data in proprietary formats. This strategy primarily aims to:
- a) Increase supplier power
 - b) Reduce rivalry among competitors
 - c) Raise switching costs and weaken customer power**
 - d) Improve internal operational efficiency

Problem 3. Multiple Choice (continued)

3.E. Which activity below is a support activity in the value chain?

- a) Outbound logistics
- b) Marketing and sales
- c) Human resources management**
- d) Customer service

3.F. Which ethical principle asks managers to consider whether a rule could be applied universally without contradiction?

- a) Utilitarianism
- b) Risk aversion principle
- c) Slippery slope rule
- d) Categorical imperative**

3.G. Ethical dilemmas related to information systems often become political issues because:

- a) Technology eliminates the need for regulation
- b) Ethical standards are fixed across societies
- c) Legal institutions may lag behind technological change**
- d) Firms intentionally violate social norms

3.H. Which of the following best captures the concept of system quality?

- a) The acceptable balance between reliability, cost, and risk**
- b) The degree to which a system perfectly eliminates all errors
- c) The aesthetic design of user interfaces
- d) The legal ownership of system outputs

Problem 4. Short Answers

A technology company operates a popular mobile app that tracks users' interactions, search behavior, and time spent on specific features. The company uses this data to improve personalization, optimize system performance, and guide future product development. These practices are disclosed in a lengthy privacy policy that users must accept to use the app, but most users do not read the policy in detail. The data collection practices are legal under current regulations.

4.A. Identify **one ethical principle discussed in class** that is relevant to this situation.

- Any principle discussed in class can be relevant to this situation. Some examples include:
 - Bentham's Utilitarianism
 - Kant's Categorical Imperatives
 - Rawls' Veil of Ignorance

4.B. Briefly explain how this ethical principle applies to the company's use of user data.

- If your selection was Utilitarianism:
 - The company may justify its actions if the overall benefits, such as improved personalization and system performance, outweigh the harms to users. However, if the harms to privacy or autonomy exceed the aggregate benefits, the practice would be unethical under utilitarian reasoning.
- If your selection was Categorical Imperative:
 - The company must consider whether collecting and using data without meaningful informed consent could be universalized without contradiction. If users are treated merely as means to increase profit rather than as ends in themselves, the practice would violate the categorical imperative.
- If your selection was the Veil of Ignorance:
 - Decision makers should evaluate the policy without knowing whether they would be a highly informed user or someone unaware of data collection practices. If the policy would seem unfair from behind the veil, it would be ethically problematic.

4.C. Identify **one ethical concern** raised by the company's actions, even if the practice is legal.

- Lack of meaningful informed consent
- Exploitation of users who do not read privacy policies
- Privacy invasion
- Potential manipulation of user behavior
- ... etc