

**UNIVERSITY OF SWAZILAND**

**FACULTY OF COMMERCE**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SUPPLEMENTARY EXAMINATION 2006**

**TITLE OF PAPER:                      MANAGEMENT INFORMATION SYSTEMS II**

**DEGREE AND YEAR:                BCOM**

**COURSE NUMBER:                BA 416**

**TIME ALLOWED:                    TWO (2) HOURS**

**INSTRUCTIONS: 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)**

**2. THE CASE STUDY SECTION (A) IS COMPULSORY**

**3. ANSWER ANY TWO QUESTIONS FROM SECTION B.**

**Note MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN  
ENGLISH AND FOR ORDERLY PRESENTATION OF WORK**

**THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL  
PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.**

## SECTION A

More than 10,000 times a day in wall paper stores throughout the country, a shopper picks out a pattern. The wall paper store clerk phones Kinney Wall Covering, a major distributor based in Oakland, California. Within moments the entire order transaction has been processed and the customer is informed exactly when his wall paper will arrive. All it takes for Kinney to achieve this level of responsiveness is terminals for customer service representatives and two information systems specialists. O.S., a San Francisco based outside contractor, handles all of Kinney's information systems processing, management, and application development.

Outsourcing, turning over some or most of the information systems function to outside contractors, is an old idea that is gaining new attention. Outsourcing is becoming especially attractive for firms involved with mergers, acquisitions, and leveraged buyouts. For those seeking to cut costs, smaller firms can realize significant savings from outsourcing because it eliminates the need to staff their own computer centres, maintain their own hardware, keep up with new technologies, and purchase bigger computers when data processing capacity runs out. Customers only pay for the share of the computer they use. A company can use its limited resources to build more capital instead of sinking these resources into running a computer centre. In some instances, the cost mainframe operating system software amounts to as much as 11 percent of the system's overall cost, whereas outsourcers pick up these costs.

Some companies have found that outsourcing frees up internal information systems staff for development of more strategic information systems. For example, Copperweld Corporation, a Pittsburgh-based tube maker, turned over its routine data processing work to Genix Enterprises, a facilities management firm. Facilities management firms are third party companies that operate a firm's computer centre, either on the premises or at a remote site. Copperweld had been ailing for four years because its market was the declining steel industry. It found that outsourcing out its data processing reduced its information systems budget from \$9 million to \$4 million per year and reduced information systems staff from 100 to 20, freeing the remaining staff to develop systems that could have more impact on the business.

First City Bancorp contracted with Electronic Data Systems to take over its data processing operations. A bank the size of First City can spend as much as \$60 million developing a retail system that has a 30 percent chance of never coming up as designed.

Some firms still developed their own software internally but rely on services bureaus to run it. Others, especially smaller firms, use the service bureaus to develop their routine back office systems, freeing their internal resources to develop systems they think lend real competitive advantage. They realize that they must compete via marketing systems with greater functionality, such as ATMs, and market analysis systems requiring databases that can support various marketing strategies. Very few banks with less than \$10 billion in assets are doing any innovative work on core systems. Using service bureaus is helping to narrow the technology gap between smaller banks and the banking giants because the lesser banks can focus their value added spending on second tier applications such as ATMs.

Paradoxically, some of the leading proponents of outsourcing have been corporation's chief information systems officers. They want to protect the information system function in the firm, but they are also obligated to produce economies and help the firm achieve its business goals. Sometimes, however, service bureaus bypass the information systems department entirely and make their pitch to senior management, many of whom can only comprehend information systems technology as a function of cost.

Some of analysts view outsourcing with skepticism, considering it a panacea only for troubled firms. In their view, information systems are so strategic to the firm's survival that they need to be carefully controlled. Outsourcing is also displacing thousands of information systems specialist who are laid off. Burlington Northern Railroad in ST Paul found that its internal information systems group, which uses a charge back systems to charge user departments for information systems processing and development costs, was more cost effective than using an external profit making service bureau. Other firms have also questioned whether for profit service bureaus can consistently deliver lower costs than a well run internal information systems department.

### **QUESTIONS**

1. Under what circumstances should a firm consider using an outside service for systems development work? **(15 Marks)**
2. What are some of the disadvantages of outsourcing? **(10 Marks)**
3. If you were an information systems manager, what steps would you need to take in order to determine whether to use outsourcing for systems development? **(15 Marks)**

## **SECTION B**

**Answer any two questions**

### **Question 1**

Discuss the five (5) key questions that can be used to guide an assessment of the impact of IT on strategy. 25 marks

### **Question 2**

Discuss the pressures towards IT planning. 25 marks

### **Question 3**

Discuss the software development life cycle 25 marks

### **Question 4**

Briefly discuss the following:

- A) Elements of project implementation
- B) Project dimension influencing inherent risk
- C) Project categories and degree of risk
- D) Portfolio risk

25 marks