ISM50 Fall 2009 – Assignment 2 – Due October 15, 2009

1) You have a plan to deploy an information system in your company. Your boss tells you to deploy your proposed information system if the return on investment is more than 20%. Suppose the information system requires an initial investment of $750,000, and will result in a savings of $530,000 after the first year, $330,000 after the second year and no savings thereafter. For calculation purposes, assume that the savings are realized in “lump” sums each year rather than distributed throughout the year. The illustrated figure is below.

Please answer the following:

• What is the rate of return (ROR) of the investment?
• Should you deploy the information system? Why?

2) Complete the review quiz of O’brien’s Chapter 2 (pg. 91 in the reader). Try to find the “best fit.” Some answers may be suitable for more than one choice—try to pick the best one!

3) Construct a basic Porter 5-forces model for Best Buy. Define the industry; list some of Best Buy’s direct competitors, its
suppliers, buyers, substitutes and potential new entrants. Draw your porter model similar to how we did in class (see the class slides). For each item you list in your model, state whether you think that item has strong or weak negotiating power, or is a strong or weak threat. Justify your answers.

For example, if you listed store clerks as one of the suppliers, do you think Best Buy store clerks have strong or weak negotiating power as compared to the negotiating power of iPhone engineers at Apple?