

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A: INFORMATION TECHNOLOGY

QUESTIONS

Multiple Choice Questions

Q. No.(s) 1 to 5 are based on the Case Scenario.

A group of five friends from the same batch of course of post-graduation in computer science, on the successful completion of their course, decided to initiate a startup of their own. They launched a company with the name HIREME Ltd. under the website URL www.HIREME.com that enables searching and hiring of software provider companies. HIREME Ltd. has well adopted the concept of Business Process Management (BPM) to improve its end-to-end business processes in various stages and aims to grow their revenues quickly while controlling their resource costs. The website provides the entire details of various projects, architect designs and assignments handled by these vendors nationwide. The needy companies can review and analyze the promising offers of these vendors through the website www.HIREME.com and can directly contact them with their bid for their requirement. The vendors review all the bids and select the company for further processing.

DEF is an event management company that organizes the events for high profile people. The company through the website www.HIREME.com decided to hire a software provider Mr. X to develop a Burglar Alarm System for their events scheduled in different locations, for which HIREME Ltd was to be paid ₹ 50,000 as service charges apart from the payment of ₹ 2 lakhs to Mr. X. After completion of project, DEF released the payment of ₹ 50,000 and ₹ 2 lakhs to HIREME Ltd. and Mr. X respectively through net banking. Though Mr. X received his payment; due to some technical snag, the bank statement of the HIREME Ltd. did not reflect that the said amount of ₹ 50,000 has been credited in its account.

Read the above case scenario and answer the following questions.

1. We know that HIREME Ltd. adopted Business Process Management (BPM) to improve their end-to-end business processes. Identify the phase from the following phases of BPM Life cycle where HIREME Ltd. evaluated the potential solution to meet its business process modelling.
 - (a) Implementation
 - (b) Design
 - (c) Optimize
 - (d) Analysis

2. While developing the Burglar Alarm System for its client DEF, Mr. X followed all the steps involved in Information System Life Cycle. Which phase of Information System Life Cycle will provide an answer to the question "How will the new solution be put in effect"?
 - (a) System Maintenance and Review
 - (b) System Testing
 - (c) System Implementation
 - (d) System Analysis
3. In purview of the case scenario, what do you think is the e-Commerce model that is adopted by HIREME Ltd.?
 - (a) Consumer to Consumer e-Commerce
 - (b) Consumer to Business e-Commerce
 - (c) Business to Employee e-Commerce
 - (d) Business to Consumer e-Commerce
4. The situation in which the fixed amount was deducted from DEF's account but was not credited in bank account of HIREME Ltd., the transaction does not qualify as a successful transaction. Which of the following prerequisite of Transaction Processing System is not satisfied in this case?
 - (a) Isolation
 - (b) Consistency
 - (c) Atomicity
 - (d) Durability
5. During this pandemic COVID 19, Mr. X scheduled many video conferencing sessions with his team members to discuss on the work-in progress regarding development of Burglar Alarm System for its client DEF. The hardware, storage, servers and infrastructure were provided to Mr. X and his team members by Cloud Computing Service providers on pay as per usage basis. Which of the following statement is false regarding Cloud Computing?
 - (a) Storing information in the cloud provides strict security against threats and hackers.
 - (b) Once we register ourselves in the cloud, we can access the information from anywhere.
 - (c) Cloud computing is one of the most cost-efficient method to use, maintain and upgrade.
 - (d) In the cloud, software integration is usually something that occurs automatically.

Descriptive Questions

Chapter 1: Business Process Management & IT

6. ABC company is manufacturer and supplier of Diaries, Calendars, Notebooks and Duplex Cartons. To enhance the customer satisfaction and to reduce the process cycle time, the company decides to implement Six Sigma strategy. Briefly explain the Life Cycle of Six Sigma.
7. ABC Ltd. has adopted Business Process Management Systems (BPMS) to improve its business processes and to reduce expenses. After two years of adoption of BPMS, ABC Ltd. observed that BPMS is not successful and not yielding the desired results. Enlist the reasons for failure of BPMS.

Chapter 2: Information Systems and IT Fundamentals

8. Mobile Computing allows business organizations to conduct business anywhere and establishes a seamless communication with its employees. Enlist few Business applications of Mobile Computing.
9. Explain the role of Bluetooth and Wi-Fi Technologies in our daily operations.

Chapter 3: Telecommunication and Networks

10. In Three-tier architecture of computer system, network user interfaces are developed and maintained as independent modules on separate platform. Describe the advantages and disadvantage of this architecture.
11. Mr. X is head of testing team in a software development company. He discussed with his team members; the various vulnerabilities that render software susceptible to a threat. Elaborate the points of discussion of Mr. X.

Chapter 4: Business Information Systems

12. In an organization, different levels of Information Systems are used at various levels by different group of people. Explain in brief about these group of people.
13. Describe all the components of Enterprise Information System (EIS) that links data from various sources both internal and external to provide the amount of information that executives find useful.

Chapter 5: Business Process Automation through Application Software

14. Business Applications are used to fulfill a person's / organizations' need for regular occupation or commercial activity. In consideration of this statement, classify the Business Applications on the basis on Nature of processing.
15. ABC Ltd., a financial management company, uses certain controls under Application Controls to ensure that the data delivered to its users is presented, formatted, and delivered in secured manner. Identify the underlying control and explain its functions.

SUGGESTED ANSWERS/HINTS**Multiple Choice Answers**

1. (d) Analysis
2. (c) System Implementation
3. (d) Business to Consumer e-Commerce
4. (c) Atomicity
5. (a) Storing information in the cloud provides strict security against threats and hackers.

Descriptive Answers

6. Life Cycle of Six Sigma having phases Define, Measure, Analyze, Improve and Control (or DMAIC) are described as follows:
 - (i) **Define:** Customers are identified and their requirements are gathered. Measurements that are critical to customer satisfaction [Critical to Quality, (CTQ)] are identified for further project improvement.
 - (ii) **Measure:** Process output measures that are attributes of CTQs are determined and variables that affect these output measures are identified. Data on current process are gathered and current baseline performance for process output measures are established. Variances of output measures are graphed and process sigma are calculated.
 - (iii) **Analyze:** Using statistical methods and graphical displays, possible causes of process output variations are identified. These possible causes are analyzed statistically to determine root cause of variation.
 - (iv) **Improve:** Solution alternatives are generated to fix the root cause. The most appropriate solution is identified using solution prioritization matrix and validated using pilot testing. Cost and benefit analysis are performed to validate the financial benefit of the solution. Implementation plan is drafted and executed.
 - (v) **Control:** Process is standardized and documented. Before and after analysis is performed on the new process to validate expected results, monitoring system is implemented to ensure process is performing as designed. Project is evaluated and lessons learned are shared with others.
7. Business Process Management Systems (BPMS) are primarily fail due to inadequate investment in ongoing training for involved personnel, as well as lack of corporate policy protecting the integrity of the data in the BPM systems. Some of the other reasons for failure of BPMS are as follows:
 - Superficial or deficient executive involvement.
 - Deficient project management.

- Breakdown in gap analysis.
 - Limited options for customization of the BPM software is required.
 - Not flexible enough or too complicated to be customized to meet the precise workflow and business process.
 - Failure to identify future business needs.
 - Inadequate assessment of the need for change management.
 - Persistent compatibility problems with the diverse legacy systems of the partners.
 - Resources not available when desirable.
 - Software fails to meet business needs.
 - System may be over-engineered when compared to the actual requirements.
 - Technological obsolescence.
8. Some examples of Business applications of Mobile Computing are as follows:
- There is increase in workforce productivity as mobile device enables employees to work from anywhere, anytime by accessing and updating information as required. For example: employees can read/respond to emails using laptops, PDAs or smart phones from office, residence and even when on the move.
 - Customer service can be improved by responding to customer queries on site or off site. For example: customer complaints can be accessed and responded by accessing past/latest information of client as required.
 - Incident management can be improved by resolving problems faster without limitation of time as the concerned employees can attend to these regardless of their location. Further, escalations can be updated in real time which ensures timely resolution of problems. For example: Computer breakdowns can be serviced by service engineers from their desks/outside by logging into the specific computer, identify problem and resolve it online.
 - Business processes can be transformed by using mobile devices. Enterprises can reengineer core business processes. The new and reengineered processes can focus on utilizing the key features of location and time independence. Enterprises can focus on providing customers and employees with access to information in different ways and provide the latest information. This enables employees, customers, and businesses to be available to one another as per their choice. For example: billing can be done by employees using hand-held devices at customer site and the information updated online and deliveries to customers can be speeded up.
 - Enterprises can dynamically modify and update their offerings and offer new products and services altogether. For example: enterprises can implement telecommuting with flexible working hours and locations allowing for cost savings and better efficiency.

- Mobile computing gives users the freedom to roam, with access to data and services at any time and in any place. Most of the high-end ERP and business software applications for SMEs have in-built capabilities of mobile computing enabling users to access data. Used with proper security, enterprises can harness the power of this technology to create innovative opportunities for improving the quality and efficiency of business processes and services. Mobile devices are increasingly acquiring the must-have status for enterprises on account of the increasing acceptance as business tools.
9. **Bluetooth:** It is a wireless technology standard for exchanging data over short distances up to 50 meters (164 feet) from fixed and mobile devices, creating Personal Area Networks (PANs) with high levels of security. It is a feature which is used every day through a number of compatible devices. Bluetooth is really like a very low-power, short-range radio signal. Bluetooth signals are secure from the moment they are sent, so unlike any other wireless network we don't have to worry about turning on security. Few devices that utilize Bluetooth technology are- Keyboards and mice, Printers, Cell phones and headsets, PDAs (Personal Digital Assistants), Desktop and laptop computers, Digital cameras, and Remotes: replacing IR (infrared). Using a mobile phone with Bluetooth enabled in them; we can send pictures, videos, exchange business cards and also transfer files to our PC. Both data and voice transmissions can be sent and received through the use of short-range networks.
- Wi-Fi:** Wi-Fi is the name of a popular wireless networking technology that uses radio waves to provide wireless high-speed Internet and network connections. Wi-Fi networks have limited range. A typical wireless access point might have a range of 32 meters (120 ft.). Wi-Fi can be less secure than wired connections because an intruder does not need a physical connection. Wi-Fi networks use radio technologies called 802.11 to provide secure, reliable, fast wireless connectivity. A Wi-Fi network can be used to connect electronic devices to each other, to the Internet, and to wired networks (which use Ethernet technology). Large corporations and campuses use enterprise-level technology and Wi-Fi products to extend standard wired Ethernet networks to public areas like meeting rooms, training classrooms and large auditoriums. Many corporations also provide wireless networks to their off-site and telecommuting workers to use at home or in remote offices. Large companies and campuses often use Wi-Fi to connect buildings. Wi-Fi networks also work well for small businesses, providing connectivity between mobile sales-people, floor staff and behind-the-scenes finance and accounting departments. Because small businesses are dynamic, the built-in flexibility of a Wi-Fi network makes it easy and affordable for them to change and grow.
10. The **advantages** of Three-Tier systems are as follows:
- **Clear separation of user-interface-control and data presentation from application-logic:** Through this separation more clients are able to have access to a wide variety of server applications. The two main advantages for client applications are quicker development through the reuse of pre-built business-logic components and a shorter test phase.

- **Dynamic load balancing:** If bottlenecks in terms of performance occur, the server process can be moved to other servers at runtime.
- **Change management:** It is easy and faster to exchange a component on the server than to furnish numerous PCs with new program versions.

The **disadvantages** of Three-Tier systems are as follows:

- It creates an increased need for network traffic management, server load balancing, and fault tolerance.
- Current tools are relatively immature and are more complex.
- Maintenance tools are currently inadequate for maintaining server libraries. This is a potential obstacle for simplifying maintenance and promoting code reuse throughout the organization.

11. The facts responsible for occurrence of vulnerabilities in the software are as follows:

- ◆ **Software Bugs** - Software bugs are so common that users have developed techniques to work around the consequences, and bugs that make saving work necessary every half an hour or crash the computer every so often are considered to be a normal part of computing. For example - buffer overflow, failure to handle exceptional conditions, access validation error, input validation errors are some of the common software flaws.
- ◆ **Timing Windows** - This problem may occur when a temporary file is exploited by an intruder to gain access to the file, overwrite important data, and use the file as a gateway for advancing further into the system.
- ◆ **Insecure default configurations** - Insecure default configurations occur when vendors use known default passwords to make it as easy as possible for consumers to set up new systems. Unfortunately, most intruders know these passwords and can access systems effortlessly.
- ◆ **Trusting Untrustworthy information** - This is usually a problem that affects routers, or those computers that connect one network to another. When routers are not programmed to verify that they are receiving information from a unique host, bogus routers can gain access to systems and do damage.
- ◆ **End users** - Generally, users of computer systems are not professionals and are not always security conscious. For example, when the number of passwords of a user increases, user may start writing them down, in the worst case to places from where they are easy to find. In addition to this kind of negligence towards security procedures users do human errors, for example save confidential files to places where they are not properly protected.

12. The group of people that are served at different levels of Information System are as follows:
- ◆ **Strategic Level:** These are senior managers or Top-level managers that hold the titles such as Chief Executive Officers, Chief Financial Officers, Chief Operational Officers, Chief Information Officers and Chair Person of the Board, President, Vice President and Corporate Head Managers take decisions that will affect the entirety of the organization. Top Managers do not direct the day-to-day activities of the firm; rather they set goals for the organization and direct the company to achieve them. Top Managers are ultimately responsible for the performance of the organization, and often, these managers have very visible jobs.
 - ◆ **Management Level:** These are Middle Managers that are in the levels below top managers and hold the job titles like General Manager, Regional manager etc. Middle-level Managers are responsible for carrying out the goals set by Top Management. They do so by setting goals for their department and other business units. Middle Managers can motivate and assist First-line Managers achieve business objectives. Middle Managers may also communicate upwards, by offering suggestions and feedback to Top Managers. Because Middle Managers are more involved in the day-to-day workings of a company, they may provide valuable information to Top Managers to help improve the performance of an organization.
 - ◆ **Knowledge Level:** These include knowledge and data workers who are selected, recruited and trained in a special manner than the non-knowledge workers. The knowledge resides in the heads of knowledge workers and these are the most precious resource an organization possesses.
 - ◆ **Operational Level:** These include Operational Managers or supervisors that are responsible for the daily management of the line workers who actually produce the product or offer the service. There are First-line Managers in every work unit in the organization. Although First-line Managers typically do not set goals for the organization, they have a very strong influence on the company. These are the managers that most employees interact with on a daily basis, and if the managers perform poorly, employees may also perform poorly, may lack motivation, or may leave the company.
13. The components of an Enterprise Information System (EIS) are as follows:
- **Hardware** - Includes Input data-entry devices, CPU, Data Storage files and Output Devices.
 - **Software** - Includes Text base software, Database, and Graphic types such as time series charts, scatter diagrams, maps, motion graphics, sequence charts, and comparison-oriented graphs (i.e., bar charts) Model base.

- **User Interface** - Includes hardware (physical) and software (logical) components by which people (users) interact with a machine. Several types of interfaces can be available to the EIS structure, such as scheduled reports, questions/answers, menu driven, command language, natural language, and input/output.
 - **Telecommunication** - Involves transmitting data from one place to another in a reliable networked system.
14. The business applications based on Nature of processing can be classified as under:
- **Batch Processing:** It is defined as a processing of large set of data in a specific way, automatically, without needing any user intervention. The data is first collected, during a work day, for example, and then batch-processed, so all the collected data is processed in one go. This could happen at the end of the workday, for example, when computing capacities are not needed for other tasks. It is possible to perform repetitive tasks on many pieces of data rapidly without needing the user to monitor it. Batched jobs can take a long time to process. Batch processing is used in producing bills, stock control, producing monthly credit card statements, etc.
 - **Online Processing:** Data is processed immediately while it is entered, the user usually only has to wait a short time for a response. For example: games, word processing, booking systems. Interactive or online processing requires a user to supply an input. Interactive or online processing enables the user to input data and get the results of the processing of that data immediately.
 - **Real-time Processing:** Real time processing is a subset of interactive or online processing. Input is continuously, automatically acquired from sensors, for example, which is processed immediately to respond to the input in as little time as possible. After the system is finished responding, it reads the next set of input data immediately to process that. This system does not need a user to control it, it works automatically. Whenever there is a rapid reaction required due to some sort of change, real time processing can take action without the need of a user or long processing time beforehand. Real time processing is used in warning systems on aircraft, alarm systems in hazardous zones, burglar alarms etc.
15. **Output controls** under Application Controls are the controls that ensure the data delivered to users will be presented, formatted and delivered in a consistent and secured manner. The functions of Output Controls are as follows:
- **Storage and Logging of Sensitive and Critical Forms:** Pre-printed stationery should be stored securely to prevent unauthorized destruction or removal and usage. Only authorized persons should be allowed access to stationery supplies such as security forms, negotiable instruments etc.

- **Logging of Output Program Executions:** When programs, used for output of data, are executed, they should be logged and monitored.
- **Controls over Printing:** It should be ensured that unauthorized disclosure of information printed is prevented.
- **Report Distribution and Collection Controls:** Distribution of reports should be made in a secure way to avoid unauthorized disclosure of data. A log should be maintained as to what reports were generated and to whom it was distributed.
- **Retention Controls:** Retention controls consider the duration for which outputs should be retained before being destroyed. Consideration should be given to the type of medium on which the output is stored.
- **Existence/Recovery Controls:** These controls are needed to recover output in the event that it is lost or destroyed. If the output is written to a spool of files or report files and has been kept, then recovery is easy and straight-forward.

SECTION – B: STRATEGIC MANAGEMENT

Multiple Choice Questions

1. Connect Private Limited, a Mumbai based company is launching a smartphone, under the brand name of Poppy. The company recognizes plethora of options that customers have from Chinese manufacturers flooding the smartphone landscape. With recent COVID-19 pandemic hurting the global sentiment towards Chinese products, the company plans to play on the patriotic card and advertise Poppy as the “Desi” smartphone of India.

Strategic Arm of the company undertook an industry analysis and reported, that, budget phone segment was overtaken by the Chinese brands completely; however, the low segment of smartphones was still open for exploration. Thus, the company planned to enter the market with two models, Poppy A and Poppy B, priced at ₹ 4,499 and ₹ 5,499.

The company is also aware that their product can easily be imitated at same costing as well as pricing, and thus the very essence of their product can be lost. A team of marketing professionals was hired to tackle this issue. The solution they suggested was to take the first mover advantage by spending huge sums in advertising and promotion.

Based on sound consciousness of the competition from huge money backed international players, the company decided to manufacture smartphone covers and accessories with the same “Desi” tag, along with Poppy smartphones. This shall help them mitigate the risk of being completely thrown out of business. Consequently, they invested a fairly good amount in manufacturing of these accessories.

The investors made it an objective for the team to reach an annual sales volume of 15,000 handsets and 70,000 pieces of accessories. The accessories sales surpassed the expectations by a fairly good margin. However, Poppy A and Poppy B did not receive the much anticipated response and the leadership decided to reduce the scope and focus purely on accessories business going forward.

With a new focus on accessories production, the “Desi” tag will still play an important part in the success. However, they need to ensure creation of strong barriers to entry for domestic players, and for that, they have plans to increase the production to enormous levels. This shall reduce their unit cost, thus, eliminating the new entrants due to extremely competitive pricing.

Based on the above case scenario, answer the multiple choice questions which are as follows:

- (i) Connect Private Limited, entered a saturated market of smartphones, after a due market study of understanding the competitive landscape. Put the below steps in correct sequence of understanding the competitive landscape.

- (I) Understanding the competitors
 - (II) Determining strengths and weaknesses of the competitors
 - (III) Identify the competitors
 - (IV) Put all information gathered together
 - (a) (I),(III),(II),(IV)
 - (b) (III),(I),(II),(IV)
 - (c) (II),(III),(IV),(I)
 - (d) (I),(III),(II),(IV)
- (ii) Annual sales volume as an objective by the investors was crucial to establish the company in the market. In which stage of strategic management are such annual objectives especially important?
- (a) Formulation
 - (b) Control
 - (c) Evaluation
 - (d) Implementation
- (iii) Following the sales numbers reported at the end of year, the leadership took a serious strategic stand point to move forward and shift to a new core business which was more profitable. Under which of the following category of business strategy can this decision be categorized?
- (a) Retrenchment strategy
 - (b) Strategic alliance
 - (c) Diversification strategy
 - (d) Market development
- (iv) After getting results from the market, accessories business of the company can be classified under which category of BCG's growth share matrix?
- (a) Star
 - (b) Question mark
 - (c) Cash cow
 - (d) Dog

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- (v) In the second phase of shifting the business focus to peripheral accessories production, Connect Private Limited has planned setting up entries to barrier for its potential competitors. Which of the following barrier have they planned to implement?
- (a) Capital requirement
 - (b) Product differentiation
 - (c) Access to distribution channels
 - (d) Economies of scale
2. Velvet Limited is a full-service airline. The company is making the following decisions:
- (i) Should a 'no-frills', 'low-fare' subsidiary be set-up?
 - (ii) If it is set-up, how should the cabin staff be recruited?
- Which of the above decisions will be taken by corporate level managers?
- (a) Only (i)
 - (b) Only (ii)
 - (c) Both (i) & (ii)
 - (d) Neither (i) nor (ii)
3. Read the following statements:
- (i) Functional-level managers are responsible for the specific business functions.
 - (ii) Functional-level managers take decisions related to human resources, purchasing, product development, customer service, and so on.
- Select the correct alternative:
- (a) Both (i) and (ii) truly explain features of functional-level manager.
 - (b) Only (i) truly explains features of functional-level manager.
 - (c) Only (ii) truly explains features of functional-level manager.
 - (d) None of (i) and (ii) truly explains features of functional-level manager.
4. GetWellSoon Limited is a health provider and has only large, edge of town hospitals. It is considering setting-up additional small city centre clinics capable of treating less-serious day cases. Which of the following will fall under "Strategy Implementation"?
- (1) Acquiring and fitting out clinics
 - (2) Hiring and/or transferring staff

- (3) Publicity, so that patients know where and when to go
 - (4) Liaison with general practitioners and the main hospitals
 - (a) Only (d)
 - (b) (b) & (d)
 - (c) (a), (b) & (d)
 - (d) (a), (b), (c) & (d)
5. Which of the following statements is true?
- (a) Consumer and Customer is always the same person
 - (b) Customer may or may not be the consumer
 - (c) Environmental study is optional for any business
 - (d) Micro Environment is a part of Internal Environment
6. The Niche strategy is the best way to enter a:
- (a) New market
 - (b) Growing market
 - (c) Matured market
 - (d) None of the above

Descriptive Questions

Chapter 1-Business Environment

- 7. A Manager faces different problems while trying to understand the environment. Discuss.
- 8. What are the strategic responses of an organization to its environment? Explain.

Chapter 2-Business Policy and Strategic Management

- 9. Mr Raj has been hired as a CEO by XYZ Ltd a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients. Draft vision and mission statement that may be formulated by Raj.
- 10. "Strategy is partly proactive and partly reactive." Discuss.

Chapter 3-Strategic Analysis

- 11. What is 'situational analysis'? What factors are to be considered about the situation to choose a strategy?

12. Write a short note on the role of ADL Matrix in assessing competitive position of a firm.

Chapter 4-Strategic Planning

13. General public is discerning from buying air conditioning units based on the Health Ministry guidelines regarding emergence of a contagious viral pandemic. Consequently, Nebula Pvt. Ltd, a manufacturer of evaporation coils used in air conditioning units has faced significant loss in working capital due to sharp fall in demand. The company conducted financial assessment and developed a workable action plan based on short and long term financial needs. But for immediate needs, an emergency plan has been implemented. It includes selling scrap, asset liquidation and overheads cost reduction. Further, to avoid any such untoward event in future, they plan to diversify into newer business areas along with its core business. Identify and explain the strategy opted by M/s. Nebula Pvt. Ltd.?
14. What is Divestment strategy? When is, it adopted?

Chapter 5-Formulation of Functional Strategy

15. Mr. Vicky Verma, a Gwalior based entrepreneur, has entered into an exclusive-retail deal with an Italian company selling 'Fantasy-3D', a Hologram LED Fan, which is being used for advertising at public places. Mr. Verma procured a total of 500 units of the product and paid upfront as per the seller's policy. This resulted in blocking of his working capital significantly and the shipment is expected in a month. Meanwhile his continued efforts of establishing relations with the marketing heads of corporates resulted in a series of meetings, where he demonstrated his specialist product knowledge by changing the hologram images to personalise basis specifications of the customer. The management of a big automotive company was impressed with the quality and adaptability of the product, and awarded a contract of 125 units to be displayed in the auto-maker's showrooms. Identify and explain the product promotion strategy adopted by Mr. Verma.
16. How would you argue that Research and Development Personnel are important for effective strategy implementation?

Chapter 6-Strategy Implementation and Control

17. Delta is an organization specializing in Information Technology enables Services (ITeS) and Communications business. Previous year the organization had successfully integrated an Artificial Intelligence (AI) tool named 'Zeus' into the existing ERP system. The AI tool using Deep Learning technique provided a digital leap transformation in various business processes and operations. It has significantly diminished the role played by specialist managers of the middle management. This technological tool in addition to saving organisational costs by replacing many tasks of the middle management, has also served as a link between top and bottom levels in the organization and assists in faster decision making. The skewed middle level managers now perform cross-functional duties. Which type of organisational structure is the company transitioning into?

18. How can you differentiate between transformational and transactional leaders?

Chapter 7-Reaching Strategic Edge

19. Elaborate the following principles that guide the Total Quality Management Philosophy:

- (i) Universal quality responsibility
- (ii) Preventing rather than detecting defects
- (iii) Continuous improvement and learning

20. "Firms can use benchmarking process to achieve improvement in diverse range of management functions." Elucidate.

SUGGESTED ANSWERS/HINTS

1. (i) b (ii) d (iii) a (iv) c (v) d

2. a

3. a

4. d

5. b

6. c

7. In trying to understand the environment, managers face different problems as follows:

- ◆ **Diversity:** The environment contains many different influences and the difficulty is in making sense of this diversity in a way which can contribute to strategic decision-making. Listing all conceivable environmental influences may be possible, but it may not be of much use.
- ◆ **Uncertainty:** It is difficult to understand the future external influences on an organisation. The pace of technological change and the speed of global communications may also increase the pace of change.
- ◆ **Complexity:** Managers like other individuals may tend to simplify complexity by focusing on aspects of the environment, which may confirm to their prior views. One of the tasks of the strategic manager is to find ways & means to break out of oversimplification or bias in the understanding of their environment, while still achieving a useful and usable level of analysis.

8. A business organization and its many environments have in numerous interrelationship. It is difficult to determine exactly what the business organisation should do in response to a particular situation in the environment. Strategically, the business organisations should make efforts to exploit the opportunities and avoid the threats.

In this context, following are the possible strategic responses of an organisation to its business environment:

- (i) **Least resistance:** Some organisations just manage to survive by way of coping with their changing external environments. They are simple goal-maintaining units. They are very passive in their behaviour and are solely guided by the signals of the external environment. They are not ambitious but are content with taking simple paths of least resistance in their goal-seeking and resource transforming behaviour.
- (ii) **Proceed with caution:** At the next level, are the organisations that take an intelligent interest to adapt with the changing external environment. They seek to monitor the changes in that environment, analyse their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival, stability and strength. This is a sophisticated strategy than to wait for changes to occur and then take corrective-adaptive action.
- (iii) **Dynamic response:** At a still higher sophisticated level, are those organisations that regard the external environmental forces as partially manageable and controllable by their actions. Their feedback systems are highly dynamic and powerful. They not merely recognise and ward off threats; they convert threats into opportunities. They are highly conscious and confident of their own strengths and the weaknesses of their external environmental 'adversaries'. They generate a contingent set of alternative courses of action to be picked up in tune with the changing environment.

9. Feelgood brand of cosmetics may have following vision and mission:

Vision: Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. Mr Raj should aim to position "Feelgood cosmetics" as India's beauty care company. It may have vision to be India's largest beauty care company that improves looks, give extraordinary feeling and bring happiness to people.

Mission: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company:

Mr Raj may identify mission in the following lines:

- ◆ To be in the business of cosmetics to enhance the lives of people, give them confidence to lead.
 - ◆ To protect skin from harmful elements in environment and sun rays.
 - ◆ To produce herbal cosmetics using natural ingredients.
10. Strategy is partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner.

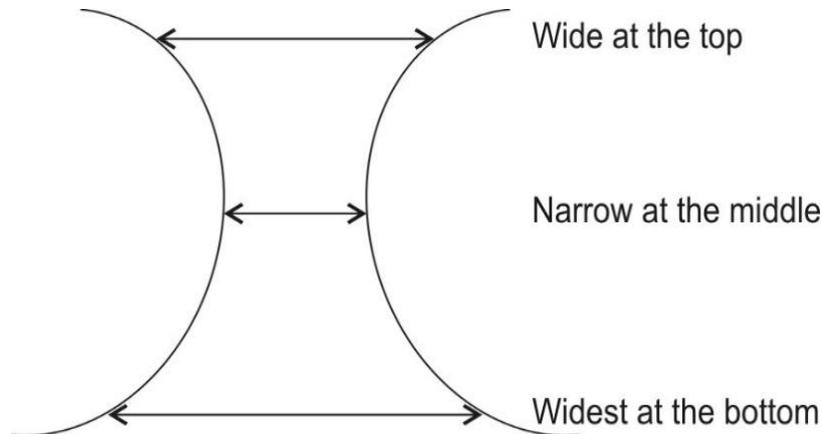
However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.

There can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in the light of possible environmental changes. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

11. Situational analysis forms an essential part of any business plan. Situational analysis implies that Organizational managers scan the external environment, identify potentially important environmental forces, assess their impact and influence, and adapt its direction and strategy as needed. A preliminary introduction as to what to take into account when conducting a situational analysis and provide a checklist of the important factors to consider are:
 - ◆ **Environmental factors:** What external and internal environmental factors are there that needs to be taken into account. This can include economic, political, demographic or sociological factors that have a bearing on the performance.
 - ◆ **Opportunity and issue analysis:** What are the current opportunities that are available in the market, the main threats that business is facing and may face in the future, the strengths that the business can rely on and any weaknesses that may affect the business performance.
 - ◆ **Competitive situation:** Analyze main competitors of the organization: Who are they, what they up to are, how they compare. What are their competitive advantages?
 - ◆ **Product situation:** The details about current product. The details about current product may be divided into parts such as the core product and any secondary or supporting services or products that also make up what you sell. It is important to observe this in terms of its different parts in order to relate this back to core client needs.
12. The ADL matrix has derived its name from Arthur D. Little which is a portfolio analysis method based on product life cycle. The approach forms a two dimensional matrix based on stage of industry maturity and the firm's competitive position, environmental assessment and business strength assessment. The role of ADL matrix is to assess the competitive position of a firm based on an assessment of the following criteria:
 - ◆ **Dominant:** This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong and protected technological leadership.

- ◆ **Strong:** By virtue of this position, the firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitors.
 - ◆ **Favourable:** This position, which generally comes about when the industry is fragmented and no one competitor stand out clearly, results in the market leaders a reasonable degree of freedom.
 - ◆ **Tenable:** Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.
 - ◆ **Weak:** The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist.
13. M/s. Nebula Pvt Ltd has opted Turnaround Strategy as the company while facing serious working capital crunch persistently conducted an assessment of current problem and developed a workable action plan based on short and long term financial needs and strategic issues. A workable action plan for turnaround would involve:
- Stage One – Assessment of current problems:** In the first step, assess the current problems and get to the root causes and the extent of damage.
- Stage Two – Analyze the situation and develop a strategic plan:** Identify major problems and opportunities, develop a strategic plan with specific goals and detailed functional actions.
- Stage Three – Implementing an emergency action plan:** If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive.
- Stage Four – Restructuring the business:** If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Efforts to be made to position the organization for rapid improvement.
- Stage Five – Returning to normal:** In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added.
14. Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. For a multiple product company, divestment could be a part of rehabilitating or restructuring plan called turnaround.
- ◆ A divestment strategy may be adopted due to various reasons:
 - ◆ When a turnaround has been attempted but has proved to be unsuccessful.

- ◆ A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
 - ◆ Persistent negative cash flows from a particular business create financial problems for the whole company.
 - ◆ Severity of competition and the inability of a firm to cope with it.
 - ◆ Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it.
 - ◆ A better alternative may be available for investment.
15. Mr. Vicky Verma established personal contacts with potential buyers of the product and persuaded the marketing department over several physical meetings, and was finally able to make sales. The personal relation establishment and physical demonstration, indicates that Mr. Verma used the Personal Selling method of Promotion. Modern marketing is highly promotional oriented and include personal selling, advertising, publicity and sales promotion. Personal selling involves face to face interaction of sales persons with the prospective customers and provides a high degree of personal attention. It involves working with one customer at a time and hence not cost effective. The intention of oral communication is sale.
16. Research and Development (R&D) personnel can play an integral part in strategy implementation. These individuals are generally charged with developing new products and improving old products in a way that will allow effective strategy implementation. R&D employees and managers perform tasks that include transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets, and altering products to particular tastes and specifications.
- Strategies such as product development, market penetration, and concentric diversification require that new products be successfully developed and that old products be significantly improved. But the level of management support for R&D is often constrained by resource availability.
17. The company Delta is transitioning into the Hourglass organization structure because it has used technological tools to transform various business processes and operations and has significantly diminished the role played by specialist managers of the middle management. The technological tool in addition to savings organisational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organization and assists in faster decision making. The skewed middle level managers now perform cross-functional duties. All these factors indicate towards Hourglass organization structure.



18. Difference between transformational and transactional leadership:
1. Transformational leadership style uses charisma and enthusiasm to inspire people to exert them for the good of organization. Transactional leadership style uses the authority of its office to exchange rewards such as pay, status symbols etc.
 2. Transformational leadership style may be appropriate in turbulent environment, in industries at the very start or end of their cycles, poorly performing organisations, when there is a need to inspire a company to embrace major changes. Transactional leadership style can be appropriate in static environment, in growing or mature industries and in organisations that are performing well.
 3. Transformational leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction. Transactional leaders prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement and non-achievement. Transactional leaders focus mainly to build on existing culture and enhance current practices.
19. (i) **Universal quality responsibility:** TQM requires that everyone takes responsibility for quality. The responsibility for quality is not restricted to an organization's quality assurance department, but is a guiding philosophy shared by everyone in an organization.
- (ii) **Preventing rather than detecting defects:** TQM is a management philosophy that seeks to prevent poor quality in products and services, rather than simply to detect and sort out defects. This saves cost, time and wastages.
- (iii) **Continuous improvement and learning:** TQM adopts a philosophy of continuous improvement in all areas. Improvement and learning need to be embedded in the way an organization operates. They should be a regular part of daily work, seeking to eliminate problems at their source.

20. Benchmarking is a process of finding the best practices within and outside the industry to which an organisation belongs. Knowledge of the best practices helps in setting standards and finding ways to match or even surpass own performances with the best performances.

Benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking process to achieve improvement in diverse range of management function such as mentioned below:

- Maintenance operations,
- Assessment of total manufacturing costs,
- Product development,
- Product distribution,
- Customer services,
- Plant utilisation levels; and
- Human resource management.