

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

QUESTIONS


Multiple Choice Questions


Q. No (s) 1 to 4 are based on the Case Scenario. Question No. 5 is independent.

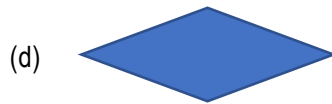
Sweet & Sour is an established food chain with five branches at different locations within Delhi. In 2018, the management decided to start a tiffin services with 24x7 availability on regular basis. To do so, they decided to acquire a software which would be an online assistant to its customers by providing them a complete detail about their services. The Management asked its manager to present them a report mentioning the benefits, risks, control objectives and above all highlighting any changes that are required in the working of food chain.

The management settled on a plan to benefit all its customers by providing them discounted coupons in case they recommend their services to others and customer ensuring to provide the food chain of three new customers. Also, the management decided for a centralized billing system that mandatorily requires customer's name and phone number to be filled for each bill that system generates. To maintain these necessary details of its customers, the data management team of Sweet & Sour implemented major changes in the database design of its billing software. Subsequently, the security and database maintenance has become essential to protect the system against any unlawful activity as the database now contains the personal details of its customers.

1. The software which food chain decided to buy, to help their customer and provide them online help, falls under which of the following technology?
 - (a) Artificial Intelligence
 - (b) Data Mining
 - (c) Cloud Computing
 - (d) Mobile Computing

2. The Manager of the food chain prepared a document wherein he depicted various business processes of the food chain in diagrammatic form. Which of the following diagram will he use to present pre-defined process?
 - (a) 

 - (b) 



3. The data management team of Sweet & Sour food chain was working to implement changes in database design of its billing software. Which of the following person will carry out routine data maintenance and monitor this task?
- (a) Database Administrator
 - (b) Database Architect
 - (c) Database Analyst
 - (d) Database Advisor
4. The management of Sweet & Sour has shown its concern what would happen if any of its employees dishonestly make use of personal information of customer. Which of the following Section of IT Act, 2000 will help Sweet & Sour to deal with this situation?
- (a) Section 43A
 - (b) Section 43
 - (c) Section 66E
 - (d) Section 66B
5. The Management Information System of SVE Ltd. enterprise develops MIS reports only when required. It does not generate MIS reports for each and every day. Identify from following the type of MIS report generated by SVE Ltd.
- (a) Off Demand MIS Reports
 - (b) Demand MIS Reports
 - (c) Required MIS Reports
 - (d) On-Demand MIS Reports

Descriptive Questions

Chapter 1: Automated Business Process

6. ERM framework identifies risks and opportunities to protect the business and create the value for stakeholders, including owners, customer, regulators and society overall. Briefly explain all the components of ERM framework.

7. An E-commerce site has the following cash back offers.
- (i) If purchase mode is via website, an initial discount of 5% is given on bill amount.
 - (ii) If purchase mode is via phone app, an initial discount of 10% is given on bill amount.
 - (iii) If done via any other purchase mode, the customer is not eligible for any discount.
- Every purchase eligible to discount is given 10 reward points.
- (a) If the reward points are between 100 and 200 points, the customer is eligible for a further 20% discount on the bill amount after initial discount.
 - (b) If the reward points exceed 200 points, the customer is eligible for a further 25% discount on the bill amount after initial discount.

Taking purchase mode, bill amount and number of purchases as input; draw a flowchart to calculate and display the total reward points and total bill amount payable by the customer after all the discount calculation.

Chapter 2: Financial and Accounting Systems

8. A medium sized enterprise ABC Ltd. wants to acquire Financial Accounting System not through its own IT infrastructure but rather through outsourcing its IT functions using cloud-based application. Enlist the characteristics of cloud-based application on various parameters that would help ABC company.
9. Identify the functional module of ERP that controls the business flow in an organization and facilitates coordinating, monitoring and optimizing all processes in an organization and elaborate the key features of this module.

Chapter 3: Information Systems and its Components

10. Share & Care is a multinational FMCG company having various branches in different cities across the country. The company used a centralized Data warehouse to store data of all branches at its headquarters in Mumbai. Elaborate the benefits of Data Warehouse that may be availed by Share & Care company.
11. In Information Systems, Logical Access Controls ensure the access to system, data, and program. Discuss various technical exposures on which logical access controls can be implemented.

Chapter 4: E-Commerce, M-Commerce and Emerging Technologies

12. Ms. Nisha has setup a home tiffin service along with her business partner Ms. Seema. Though Nisha is not convinced, her business partner Ms. Seema is certain to adopt the digital mode of payment than traditional method in their business. To convince Nisha about the same, Ms. Seema jotted down the advantages and disadvantages of digital payment. Identify the points she would have prepared.


13. Mr. R as an IT manager of a financial company, advised his management to allow their senior employees to use their own computing devices for official work under Bring Your Own Device (BYOD) policy. The management wishes to know about the risks associated with BYOD. Briefly explain the classification of BYOD risks.

Chapter 5: Core Banking Systems

14. Agro development bank is a corporative bank with two branches in Jaipur city. The bank has decided to implement Core Banking Systems (CBS) in both branches for better inter-connectivity between its branches and also to facilitate management of deposit, loan and credit processing. Explain the various stages involved in deployment and implementation of CBS.
15. Explain the Section 43 of IT Act, 2000 related to penalty and compensation for damage to computer and computer system.

SUGGESTED ANSWERS/HINTS

Multiple Choice Answers

1. (a) Artificial Intelligence
2. (c) 
3. (c) Database Analyst
4. (a) Section 43A
5. (d) On-Demand MIS Reports

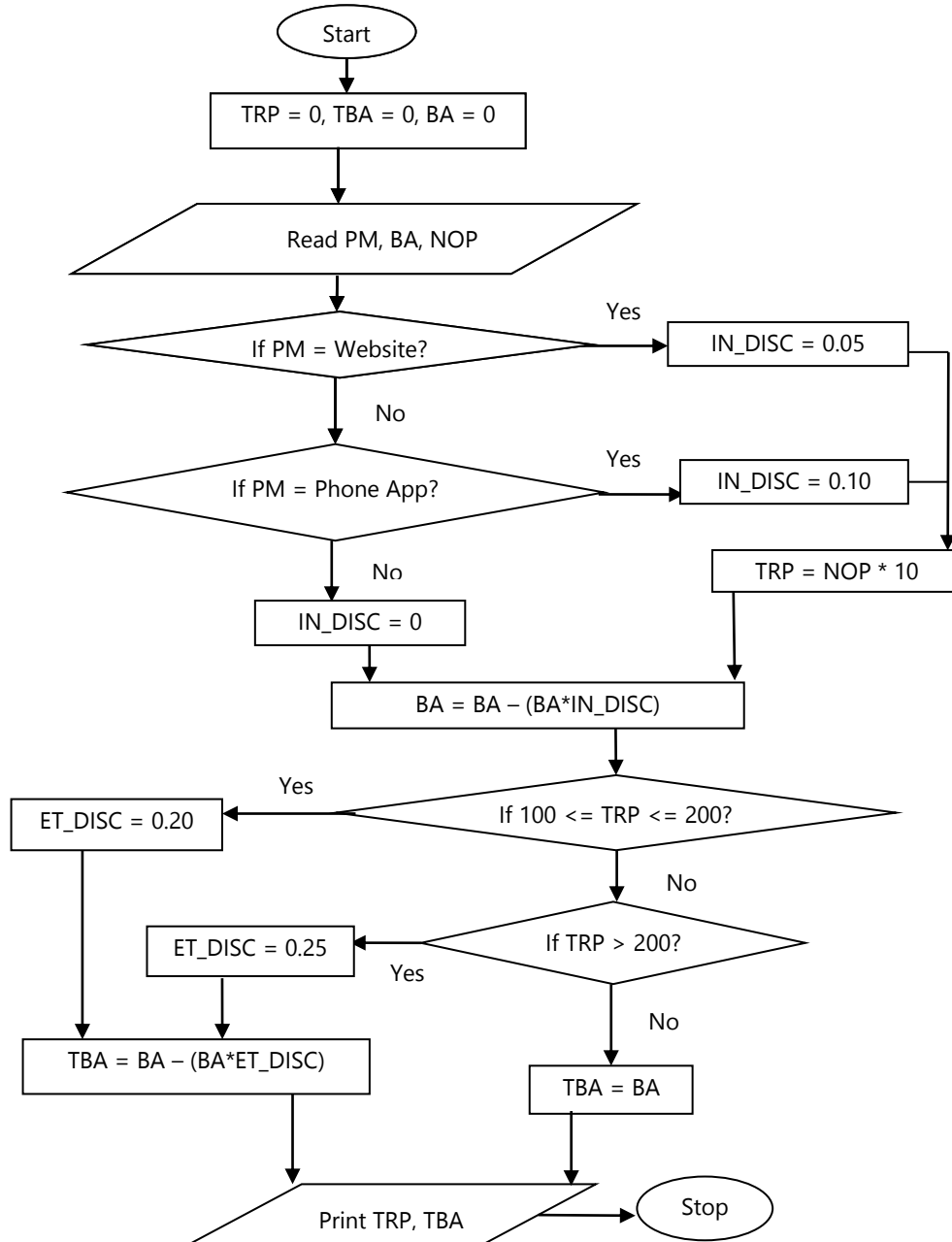
Descriptive Answers

6. ERM framework consists of eight interrelated components that are derived from the way management runs a business and are integrated with the management process. These components are as follows:
- (i) **Internal Environment:** The internal environment encompasses the tone of an organization and sets the basis for how risk is viewed and addressed by an entity's people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate. Management sets a philosophy regarding risk and establishes a risk appetite. The internal environment sets the foundation for how risk and control are viewed and addressed by an entity's people. The core of any business is its people – their individual attributes, including integrity, ethical values and competence – and the environment in which they operate. They are the engine that drives the entity and the foundation on which everything rests.

- (ii) **Objective Setting:** Objectives should be set before management can identify events potentially affecting their achievement. ERM ensures that management has a process in place to set objectives and that the chosen objectives support and align with the entity's mission/vision and are consistent with the entity's risk appetite.
 - (iii) **Event Identification:** Potential events that might have an impact on the entity should be identified. Event identification includes identifying factors – internal and external – that influence how potential events may affect strategy implementation and achievement of objectives. It includes distinguishing between potential events that represent risks, those representing opportunities and those that may be both. Opportunities are channelled back to management's strategy or objective-setting processes. Management identifies inter-relationships between potential events and may categorize events to create and reinforce a common risk language across the entity and form a basis for considering events from a portfolio perspective.
 - (iv) **Risk Assessment:** Identified risks are analyzed to form a basis for determining how they should be managed. Risks are associated with related objectives that may be affected. Risks are assessed on both an inherent and a residual basis, and the assessment considers both risk likelihood and impact. A range of possible results may be associated with a potential event, and management needs to consider them together.
 - (v) **Risk Response:** Management selects an approach or set of actions to align assessed risks with the entity's risk tolerance and risk appetite, in the context of the strategy and objectives. Personnel identify and evaluate possible responses to risks, including avoiding, accepting, reducing and sharing risk.
 - (vi) **Control Activities:** Policies and procedures are established and executed to help ensure that the risk responses that management selected, are effectively carried out.
 - (vii) **Information and Communication:** Relevant information is identified, captured and communicated in a form and time frame that enable people to carry out their responsibilities. Information is needed at all levels of an entity for identifying, assessing and responding to risk. Effective communication also should occur in a broader sense, flowing down, across and up the entity. Personnel need to receive clear communications regarding their role and responsibilities.
 - (viii) **Monitoring:** The entire ERM process should be monitored, and modifications made as necessary. In this way, the system can react dynamically, changing as conditions warrant. Monitoring is accomplished through ongoing management activities, separate evaluations of the ERM processes or a combination of the both.
7. Let us define the variables first:
- | | | |
|---------------------------------|---------------------------------|----------------------------------|
| PM: Purchase Mode | BA: Bill Amount | TBA: Total Bill Amount |
| NOP: Number of Purchases | TRP: Total Reward Points | IN_DISC: Initial Discount |

ET_DISC: Extra Discount on purchases eligible to Initial Discount

N: Counter (to track the no. of purchases)



8. The characteristics of Cloud-based application on various parameters that would help ABC company are as follows:
- **Installation and Maintenance:** Installation on user computer is not required. Update and maintenance are defined responsibility of service provider.
 - **Accessibility:** As software is available through online access, to use the software a browser and an internet connection is needed. It can be used from any computer in the world. Access to the software becomes very easy. Also, it can be used 24 x 7.
 - **Mobile Application:** Mobile application becomes very easy as data is available 24x7. As technology evolves mobile technology is becoming an industry norm. That makes cloud-based application future oriented.
 - **Data Storage:** Data is not stored in the user's server computer. It is stored on a web server. Ownership of data is defined in Service Level Agreement (SLA). SLA defines the rights, responsibilities and authority of both service provider and service user.
 - **Data Security:** Data security is a challenge in case of cloud-based application as the data is not in control of the user or owner of data. As time evolves; SLAs provides for details of back-up, disaster recovery alternatives being used by service provider.
 - **Performance:** Access is dependent on speed of internet. Slow internet slows access to information and may slow operations.
 - **Flexibility:** The success of cloud-based applications is that they allow flexibility against both capital expenditure (CAPEX) and Operating Expense (OPEX) to the user. User can scale up operations as per need.
9. In ERP, the **Controlling Module** controls the business flow in an organization and facilitates coordinating, monitoring, and optimizing all the processes in an organization. This module helps in analysing the actual figures with the planned data and in planning business strategies.

Key features of Controlling module are as under.

- **Cost Element Accounting:** This component provides overview of the costs and revenues that occur in an organization. The cost elements are the basis for cost accounting and enable the user the ability to display costs for each of the accounts that have been assigned to the cost element. Examples of accounts that can be assigned are Cost Centres, Internal Orders, WBS (work breakdown structures).
- **Cost Centre Accounting:** This provides information on the costs incurred by the business. Cost Centres can be created for such functional areas as Marketing, Purchasing, Human Resources, Finance, Facilities, Information Systems, Administrative Support, Legal, Shipping/Receiving, or even Quality. Some of the benefits of Cost Centre Accounting are that the Managers can set Budget/Cost

Centre targets; Planning; Availability of Cost allocation methods; and Assessments/Distribution of costs to other cost objects.

- **Activity-Based-Accounting:** This analyze cross-departmental business processes and allows for a process-oriented and cross-functional view of the cost centres.
- **Internal Orders:** Internal Orders provide a means of tracking costs of a specific job, service, or task. These are used as a method to collect those costs and business transactions related to the task. This level of monitoring can be very detailed but allows management the ability to review Internal Order activity for better decision-making purposes.
- **Product Cost Controlling:** This calculates the costs that occur during the manufacture of a product or provision of a service and allows the management the ability to analyse their product costs and to make decisions on the optimal price(s) to market their products.
- **Profitability Analysis:** This allows the management to review information with respect to the company's profit or contribution margin by individual market segment; and
- **Profit Centre Accounting:** This evaluates the profit or loss of individual, independent areas within an organization.

10. Benefits of Data Warehouse are as follows:

- The process of developing a data warehouse forces an organization to better understand the data that it is currently collecting and, equally important, what data is not being collected.
- A data warehouse provides a centralized view of all data being collected across the enterprise and provides a means for determining data that is inconsistent.
- Once all data is identified as consistent, an organization can generate one version of the truth. This is important when the company wants to report consistent statistics about itself, such as revenue or number of employees.
- By having a data warehouse, snapshots of data can be taken over time. This creates a historical record of data, which allows for an analysis of trends.
- A data warehouse provides tools to combine data, which can provide new information and analysis.

11. The various technical exposures on which Logical Access Controls can be implemented are as follows:

- ◆ **Data Diddling:** This involves the change of data before or after they entered the system. A limited technical knowledge is required to data diddle and the worst part with this is that it occurs before computer security can protect the data.

- ◆ **Bomb:** Bomb is a piece of bad code deliberately planted by an insider or supplier of a program. An event, which is logical, triggers a bomb or time based. The bombs explode when the conditions of explosion get fulfilled causing the damage immediately. However, these programs cannot infect other programs. Since, these programs do not circulate by infecting other programs; chances of a widespread epidemic are relatively low.
- ◆ **Christmas Card:** It is a well-known example of Trojan and was detected on internal E-mail of IBM system. On typing the word 'Christmas', it will draw the Christmas tree as expected, but in addition, it will send copies of similar output to all other users connected to the network. Because of this message on other terminals, other users cannot save their half-finished work.
- ◆ **Worm:** A worm does not require a host program like a Trojan to relocate itself. Thus, a Worm program copies itself to another machine on the network. Since, worms are stand-alone programs, and they can be detected easily in comparison to Trojans and computer viruses. Examples of worms are Existential Worm, Alarm clock Worm etc. The Alarm Clock worm places wake-up calls on a list of users. It passes through the network to an outgoing terminal while the sole purpose of existential worm is to remain alive. Existential worm does not cause damage to the system, but only copies itself to several places in a computer network.
- ◆ **Rounding Down:** This refers to rounding of small fractions of a denomination and transferring these small fractions into an authorized account. As the amount is small, it gets rarely noticed.
- ◆ **Salami Techniques:** This involves slicing of small amounts of money from a computerized transaction or account. A Salami technique is slightly different from a rounding technique in the sense a fix amount is deducted. For example, in the rounding off technique, ₹ 21,23,456.39 becomes ₹ 21,23,456.40, while in the Salami technique the transaction amount ₹ 21,23,456.39 is truncated to either ₹ 21,23,456.30 or ₹ 21,23,456.00, depending on the logic.
- ◆ **Trap Doors:** Trap doors allow insertion of specific logic, such as program interrupts that permit a review of data. They also permit insertion of unauthorized logic.
- ◆ **Spoofing:** A spoofing attack involves forging one's source address. One machine is used to impersonate the other in spoofing technique. Spoofing occurs only after a particular machine has been identified as vulnerable. A penetrator makes the user think that s/he is interacting with the operating system. For example, a penetrator duplicates the login procedure, captures the user's password, attempts for a system crash and makes user login again.

12. The **advantages** of Digital payment are as follows:

- (i) **Easy and convenient:** Digital payments are easy and convenient. Person does not need to take loads of cash with themselves.
- (ii) **Pay or send money from anywhere:** With digital payment modes, one can pay from anywhere anytime.
- (iii) **Discounts from taxes:** Government has announced many discounts to encourage digital payments. User get 0.75% discounts on fuels and 10% discount on insurance premiums of government insurers.
- (iv) **Written record:** User often forgets to note down his / her spending, or even if nothing is done it takes a lot of time. These are automatically recorded in passbook or inside E-Wallet app. This helps to maintain record, track spending and budget planning.
- (v) **Less Risk:** Digital payments have less risk if used wisely. If user losses mobile phone or debit / credit card or Aadhar card, no need to worry a lot. No one can use anyone else's money without MPIN, PIN or fingerprint in the case of Aadhar. It is advised that user should get card blocked, if lost.

The **disadvantages** of Digital Payments are as follows:

- (i) **Difficult for a Non-technical person:** As most of the digital payment modes are based on mobile phone, the internet and cards. These modes are somewhat difficult for non-technical persons such as farmers, workers etc.
- (ii) **The risk of data theft:** There is a big risk of data theft associated with the digital payment. Hackers can hack the servers of the bank or the E-Wallet a customer is using and easily get his/her personal information. They can use this information to steal money from the customer's account.
- (iii) **Overspending:** One keeps limited cash in his/her physical wallet and hence thinks twice before buying anything. But if digital payment modes are used, one has access to all his/her money that can result in overspending.

13. Bring Your Own Device (BYOD) risks can be classified into four areas that are as follows:

- ◆ **Network Risks:** It is normally exemplified and hidden in 'Lack of Device Visibility'. When company-owned devices are used by all employees within an organization, the organization's IT practice has complete visibility of the devices connected to the network. This helps to analyze traffic and data exchanged over the Internet. As BYOD permits employees to carry their own devices (smart phones, laptops for business use), the IT practice team is unaware about the number of devices being connected to the network. As network visibility is of high importance, this lack of visibility can be hazardous. For example, if a virus hits the network and all the devices connected to the network need be scanned, it is probable that some of the

devices would miss out on this routine scan operation. In addition to this, the network security lines become blurred when BYOD is implemented.

- ◆ **Device Risks:** It is normally exemplified and hidden in 'Loss of Devices'. A lost or stolen device can result in an enormous financial and reputational embarrassment to an organization as the device may hold sensitive corporate information. Data lost from stolen or lost devices ranks as the top security threats as per the rankings released by Cloud Security Alliance. With easy access to company emails as well as corporate intranet, company trade secrets can be easily retrieved from a misplaced device.
 - ◆ **Application Risks:** It is normally exemplified and hidden in 'Application Viruses and Malware'. A related report revealed that most employees' phones and smart devices that were connected to the corporate network weren't protected by security software. With an increase in mobile usage, mobile vulnerabilities have increased concurrently. Organizations are not clear in deciding that 'who is responsible for device security – the organization or the user'.
 - ◆ **Implementation Risks:** It is normally exemplified and hidden in 'Weak BYOD Policy'. The effective implementation of the BYOD program should not only cover the technical issues mentioned above but also mandate the development of a robust implementation policy. Because corporate knowledge and data are key assets of an organization, the absence of a strong BYOD policy would fail to communicate employee expectations, thereby increasing the chances of device misuse. In addition to this, a weak policy fails to educate the user, thereby increasing vulnerability to the above-mentioned threats.
14. The various stages involved in deployment and implementation of Core Banking Systems (CBS) are as follows:
- **Planning:** Planning for implementing the CBS should be done as per strategic and business objectives of bank.
 - **Approval:** The decision to implement CBS requires high investment and recurring costs and will impact how banking services are provided by the bank. Hence, the decision must be approved by the board of directors.
 - **Selection:** Although there are multiple vendors of CBS, each solution has key differentiators. Hence, bank should select the right solution considering various parameters as defined by the bank to meet their specific requirements and business objectives.
 - **Design and develop or procured:** CBS solutions used to be earlier developed in-house by the bank. Currently, most of the CBS deployments are procured. There should be appropriate controls covering the design or development or procurement of CBS for the bank.
 - **Testing:** Extensive testing must be done before the CBS is live. The testing is to be

done at different phases at procurement stage to test suitability to data migration to ensure all existing data is correctly migrated and testing to confirm processing of various types of transactions of all modules produces the correct results.

- **Implementation:** CBS must be implemented as per pre-defined and agreed plan with specific project milestones to ensure successful implementation.
- **Maintenance:** CBS must be maintained as required. E.g. program bugs fixed, version changes implemented, etc.
- **Support:** CBS must be supported to ensure that it is working effectively.
- **Updation:** CBS modules must be updated based on requirements of business processes, technology updates and regulatory requirements.
- **Audit:** Audit of CBS must be done internally and externally as required to ensure that controls are working as envisaged.

15. Section 43: Penalty and compensation for damage to computer, computer system, etc.

If any person without permission of the owner or any other person who is in-charge of a computer, computer system or computer network -

- (a) accesses or secures access to such computer, computer system or computer network [or computer resource];
- (b) downloads, copies or extracts any data, computer database or information from such computer, computer system or computer network including information or data held or stored in any removable storage medium;
- (c) introduces or causes to be introduced any computer contaminant or computer virus into any computer, computer system or computer network;
- (d) damages or causes to be damaged any computer, computer system or computer network, data, computer database or any other programs residing in such computer, computer system or computer network;
- (e) disrupts or causes disruption of any computer, computer system or computer network;
- (f) denies or causes the denial of access to any person authorized to access any computer, computer system or computer network by any means;
- (g) provides any assistance to any person to facilitate access to a computer, computer system or computer network in contravention of the provisions of this Act, rules or regulations made there under;
- (h) charges the services availed of by a person to the account of another person by tampering with or manipulating any computer, computer system, or computer network;

- (i) destroys, deletes or alters any information residing in a computer resource or diminishes its value or utility or affects it injuriously by any means;
- (j) steals, conceals, destroys or alters or causes any person to steal, conceal, destroy or alter any computer source code used for a computer resource with an intention to cause damage, he shall be liable to pay damages by way of compensation to the person so affected.

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
- (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. Training company operates a network of accounting training centres throughout Europe, the US and Australia. The business intends to enter developing markets in order to drive growth and has now decided to enter India which is 7,500 kilometres from the Training Co.'s UK headquarters. The Board has suggested that it will require externally focused management information to move into India. Which of the following is an external factor(s) that the Board should consider while implementing its strategy?
- (a) Key local rivals and their strengths and weaknesses
 - (b) Courses are suitable for this market
 - (c) Timing of the courses (Public holidays, religious festivals, etc to be avoided)
 - (d) All of the above
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. A person who searched for business opportunity and starts a new enterprise to make use of that opportunity called
 - (a) Employee
 - (b) Entrepreneur
 - (c) Intrapreneur
 - (d) Investor
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-Introduction to Strategic Management

7. Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and like till four years back. With shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in last four years.
Analyse the position of Ramesh Sharma in light of limitations of strategic management.
8. "Strategy is partly proactive and partly reactive." Discuss.

Chapter 2-Dynamics of Competitive Strategy

9. 'Speed' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. The Chief executive of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products. Highlight and explain the core competence of the retail chain.
10. Write a short note on the role of ADL Matrix in assessing competitive position of a firm.

Chapter 3-Strategic Management Process

11. 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.
12. What is strategic decision making? What tasks are performed by a strategic manager?

Chapter 4-Corporate Level Strategies

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-Business Level Strategies

15. Airlines industry in India is highly competitive with several players. Businesses face severe competition and aggressively market themselves with each other. Luxury Jet is a private Delhi based company with a fleet size of 9 small aircrafts with seating capacity ranging between 6 seats to 9 seats. These aircrafts are chartered by big business houses and high net worth individuals for their personalised use. With customised tourism packages their aircrafts are also often hired by foreigners. Identify and explain the Michael Porter's Generic Strategy followed by Luxury Jet.
16. Distinguish between Cost Leadership and Differentiation Strategies.

Chapter 6-Functional Level Strategies

17. 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.
18. How would you argue that Research and Development Personnel are important for effective strategy implementation?

Chapter 7-Organisation and Strategic Leadership

19. Delta is an organization specializing in Information Technology enabled 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?

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

Chapter 8-Strategy Implementation and Control

21. The Audit Committee of Theta Ltd on observing a sluggish growth has advised a radical internal digital transformation. A strategy audit was proposed to identify problem areas and correct the strategic approaches that have not been effective so far. The strategy auditor while measuring organisational performance has identified gaps in flow between order booking by the sales department and the dispatch of product by the delivery department, which amounts to success of one department means failure for another. With reference to Richard Rumelt's criteria for strategy audit, identify and explain the correct evaluation criteria to be adopted.
22. Discuss three methods for reassigning new patterns of behavior as proposed by H.C. Kellman.

SUGGESTED ANSWERS/HINTS

1. (i) b (ii) d (iii) a (iv) c (v) d
2. a
3. d
4. d
5. b
6. c
7. Ramesh Sharma is facing declining sales on account of large scale shift of customers to online stores. While he is using the tools of strategic management, they cannot counter all hindrances and always achieve success. There are limitations attached to strategic management as follows:
- ◆ Environment under which strategies are made is highly complex and turbulent. Entry of online stores, a new kind of competitor brought a different dimension to selling consumer durables. Online stores with their size power could control the market and offer stiff competition to traditional stores.

- ◆ Another limitation of strategic management is that it is difficult to predict how things will shape-up in future. Ramesh Sharma, although managing strategically failed to see how online stores will impact the sales.
 - ◆ Although, strategic management is a time-consuming process, he should continue to manage strategically. The challenging times require more efforts on his part.
 - ◆ Strategic management is costly. Ramesh Sharma may consider engaging experts to find out preferences of the customers and attune his strategies to better serve them in a customized manner. Such customized offerings may be difficult to match by the online stores.
 - ◆ The stores owned by Ramesh Sharma are much smaller than online stores. It is very difficult for him to visualize how online stores will be moving strategically.
8. 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.
9. A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses. A core competency for a firm is whatever it does is highly beneficial to the organisation. 'Speed' is the leader on account of its ability to keep costs low. The cost advantage that 'Value for Money' has created for itself has allowed the retailer to price goods lower than competitors. The core competency in this case is derived from the company's ability to generate large sales volume, allowing the company to remain profitable with low profit margin.
10. 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.

11. 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.

12. Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational i.e., which relate to general day-to-day operations. They may also be strategic in nature. According to Jauch and Glueck "**Strategic decisions encompass the definition of the business, products to be handled, markets to be served, functions to be performed and major policies needed for the organisation to execute these decisions to achieve the strategic objectives.**"

The primary task of the strategic manager is conceptualizing, designing and executing company strategies. For this purpose, his tasks include:

- ◆ Defining the mission and goals of the organization.
- ◆ Determining what businesses it should be in.
- ◆ Allocating resources among the different businesses.

- ◆ Formulating and implementing strategies that span individual businesses.
 - ◆ Providing leadership for the organization.
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. The Airlines industry faces stiff competition. However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

Luxury Jet compete in the market based on uniqueness and target a narrow market which provides business houses, high net worth individuals to maintain strict schedules. The option of charter flights provided several advantages including, flexibility, privacy, luxury and many a times cost saving. Apart from conveniences, the facility will provide time flexibility. Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.

Chartered services in airlines can have both business and private use. Personalized tourism packages can be provided to those who can afford it.

16. Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. Different strategies offer different degrees of differentiation. A differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty.

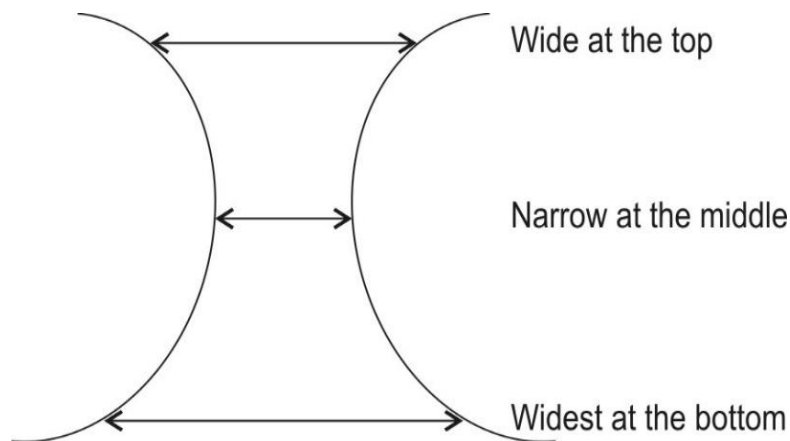
17. Mr. Vicky Verma established personal contacts with potential buyers of the product and persuaded the marketing department over several physical meetings, and was finally able to make sales. The personal relation establishment and physical demonstration, indicates that Mr. Verma used the Personal 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.

18. 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.

19. 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.



20. 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.
- 21.** Richard Rumelt's criteria for strategy audit proposes four criteria namely, consistency, consonance, feasibility and advantage. In the present scenario, the strategy auditor while measuring organisational performance has identified a gap which amounts to success of one department means failure for another. This can be clearly identified as a consistency criterion as the current organisational strategies are inconsistent.

Three guidelines help determine if organizational problems are due to inconsistencies in strategy:

- ◆ If managerial problems continue despite changes in personnel and if they tend to be issue-based rather than people-based, then strategies may be inconsistent.
 - ◆ If success for one organizational department means, or is interpreted to mean, failure for another department, then strategies may be inconsistent.
 - ◆ If policy problems and issues continue to be brought to the top for resolution, then strategies may be inconsistent.
22. H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.
- ◆ **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.
 - ◆ **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.
 - ◆ **Internalization:** Internalization involves some internal changing of the individual's thought processes in order to adjust to a new environment. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.