PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

*Question No. **1** is compulsory.*

*Answer any **three** questions from the rest.*

Question 1

(a) Business managers use MIS reports in the decision-making process. MIS reports need to ensure that it meets certain criteria to make information most useful. Explain any three such criteria. **(3 Marks)**

(b) Distinguish between Connection Oriented and Connectionless Networks. **(2 Marks)**

Answer

(a) MIS Reports need to ensure that it meets the following criteria to make the information most useful:

- **Relevant:** MIS reports need to be specific to the business area they address. This is important because a report that includes unnecessary information might be ignored.

- **Timely:** Managers need to know what's happening now or in the recent past to make decisions about the future. Be careful not to include information that is old. An example of timely information might be customer phone calls and emails going back 12 months from the current date.

- **Accurate:** Managers and others who rely on MIS reports can't make sound decisions with information that is wrong. It's critical that numbers add up and that dates and times are correct. Financial information is often required to be accurate to the dollar. In other cases, it may be OK to round off numbers.

- **Structured:** Information in an MIS report can be complicated. Making that information easy to follow helps management understand what the report is saying. Try to break long passages of information into more readable blocks or chunks and give these chunks meaningful headings.

(b) Difference between Connection Oriented Networks and Connectionless Networks are as follows:

Connection Oriented Networks	Connectionless Networks
It refers to the computer network wherein a connection is first established between the sender and the receiver and then data is exchanged.	It refers to the computer network where no prior connection is made before data exchanges. Data which is being exchanged in fact has a complete contact information of recipient and at each intermediate destination, it is decided how to proceed further.
For example - telephone networks.	For example - postal networks.

Question 2

(a) *Data is a critical resource that must be organized, controlled and managed properly. In order to achieve the same purpose, XYZ Ltd. decided to transform all its data into digitized form. As a Database Administrator of the company, you are required to suggest major advantages of Database Management Systems (DBMS) to the top management.* **(6 Marks)**

(b) *Briefly explain the advantages of business policy "Bring Your Own Device" (BYOD).*

(4 Marks)

Answer

(a) Major advantages of Database Management Systems (DBMS) are as follows:

- **Permitting Data Sharing:** One of the principle advantages of a DBMS is that the same information can be made available to different users.

- **Minimizing Data Redundancy:** In a DBMS, duplication of information or redundancy is, if not eliminated, carefully controlled or reduced i.e. there is no need to repeat the same data repeatedly. Minimizing redundancy significantly reduce the cost of storing information on storage devices.

- **Integrity can be maintained:** Data integrity is maintained by having accurate, consistent, and up-to-date data. Updates and changes to the data only must be made in one place in DBMS ensuring Integrity.

- **Program and File consistency:** Using a DBMS, file formats and programs are standardized. The level of consistency across files and programs makes it easier to manage data when multiple programmers are involved as the same rules and guidelines apply across all types of data.

- **User-friendly:** DBMS makes the data access and manipulation easier for the user. DBMS also reduces the reliance of users on computer experts to meet their data needs.

- **Improved security:** DBMS allows multiple users to access the same data resources in a controlled manner by defining the security constraints. Some sources of information should be protected or secured and only viewed by select individuals. Using passwords, DBMS can be used to restrict data access to only those who should see it. Security will only be improved in a database when appropriate access privileges are allotted to prohibit unauthorized modification of data.

- **Achieving program/data independence:** In a DBMS, data does not reside in applications, but databases program and data are independent of each other.

- **Faster Application Development:** In the case of deployment of DBMS, application development becomes fast. The data is already therein databases, application developer must think of only the logic required to retrieve the data in the way a user needs.

(b) The advantages of Bring Your Own Device (BYOD) are as follows:

- **Happy Employees:** Employees love to use their own devices when at work. This also reduces the number of devices an employee has to carry; otherwise, s/he would be carrying his/her personal as well as organization provided devices.

- **Lower IT budgets:** Could involve financial savings to the organization since employees would be using the devices, they already possess thus reducing the outlay of the organization in providing devices to employees.

- **IT reduces support requirement:** IT department does not have to provide end user support and maintenance for all these devices resulting in cost savings.

- **Early adoption of new Technologies:** Employees are generally proactive in adoption of new technologies that results in enhanced productivity of employees leading to overall growth of business.

- **Increased employee efficiency:** The efficiency of employees is more when an employee works on his/her own device. In an organization provided devices, employees have to learn and there is a learning curve involved in it.

Question 3

(a) Human Resource Management (HRM) plays an important role in the effective and efficient management of the human resources in any enterprise. As an HR Manager of XYZ Ltd., which typical stages of HR life cycle will you implement in the company?

(6 Marks)

(b) Categorize the different kinds of business risks that any enterprise faces.   (4 Marks)

Answer

(a) The stages of Human Resource (HR) Cycle are as follows:

- **Recruiting and On-boarding:** Recruiting is the process of hiring a new employee. The role of the human resources department in this stage is to assist in hiring. This might include placing the job ads, selecting candidates whose resumes look promising, conducting employment interviews and administering assessments such as personality profiles to choose the best applicant for the position. In a small business where the owner performs these duties personally, the HR person would assist in a support role. In some organizations, the recruiting stage is referred to as "hiring support." On-boarding is the process of getting the successful applicant set up in the system as a new employee.

- **Orientation and Career Planning:** Orientation is the process by which an employee becomes a member of the company's work force through learning his/her new job duties, establishing relationships with co-workers and supervisors and developing a niche. Career planning is the stage at which the employee and his/her supervisors work out her long-term career goals with the company. The human resource

department may make additional use of personality profile testing at this stage to help the employee determine his/her best career options with the company.

- **Career Development:** Career development opportunities are essential to keep an employee engaged with the company over time. After an employee has established himself/herself at the company and determined his long-term career objectives, the human resources department should try to help him/her meet his/her goals, if they are realistic. This can include professional growth and training to prepare the employee for more responsible positions with the company. The company also assesses the employee's work history and performance at this stage to determine whether he has been a successful hire.

- **Termination or Transition:** Some employees will leave a company through retirement after a long and successful career. Others will choose to move on to other opportunities or be laid off. Whatever the reason, all employees will eventually leave the company. The role of HR in this process is to manage the transition by ensuring that all policies and procedures are followed, carrying out an exit interview if that is company policy and removing the employee from the system. These stages can be handled internally or with the help of enterprises that provide services to manage the employee life cycle.

(b) Different kinds of Business Risks are as follows:

- **Strategic Risks:** These are the risks that would prevent an organization from accomplishing its objectives (meeting its goals). Examples include risks related to strategy, political, economic relationship issues with suppliers and global market conditions; also could include reputation risk, leadership risk, brand risk, and changing customer needs.

- **Financial Risks:** Financial risks are those risks that could result in a negative financial impact to the organization (waste or loss of assets). Examples include risks from volatility in foreign currencies, interest rates, and commodities, credit risk, liquidity risk, and market risk.

- **Regulatory (Compliance) Risks:** This includes risks that could expose the organization to fines and penalties from a regulatory agency due to non-compliance with laws and regulations. The examples include violation of laws or regulations governing areas such as environmental, employee health and safety, lack of due diligence, protection of personal data in accordance with global data protection requirements and local tax or statutory laws. New and emerging regulations can have a wide-ranging impact on management's strategic direction, business model and compliance system. It is, therefore, important to consider regulatory requirements while evaluating business risks.

- **Operational Risks:** Operational risks include those risks that could prevent the organization from operating in the most effective and efficient manner or be disruptive

to other operations due to inefficiencies or breakdown in internal processes, people, and systems. Examples include risk of loss resulting from inadequate or failed internal processes, fraud or any criminal activity by an employee, business continuity, channel effectiveness, customer satisfaction and product/service failure, efficiency, capacity, and change integration.

- **Hazard Risks:** Hazard risks include risks that are insurable such as natural disasters; various insurable liabilities; impairment of physical assets; terrorism etc.

- **Residual Risks:** This includes any risk remaining even after the counter measures are analyzed and implemented. An organization's management of risk should consider these two areas: Acceptance of residual risk and Selection of safeguards. Even when safeguards are applied, there is probably going to be some residual risk. The risk can be minimized, but it can seldom be eliminated. Residual risk must be kept at a minimal, acceptable level. As long as it is kept at an acceptable level, (i.e. the likelihood of the event occurring or the severity of the consequence is sufficiently reduced) the risk can be managed.

Question 4

(a) *Controlling Module is one of the business process modules of the Enterprise Resources Planning (ERP) systems. It facilitates coordinating, monitoring and optimizing all the processes in an organization. In the light of these statements, describe any six key features of Controlling Module of ERP system.* **(6 Marks)**

(b) *Briefly explain the Web Server and Proxy Server.* **(2 + 2 = 4 Marks)**

Answer

(a) The key features of Controlling Module of Enterprise Resource Planning (ERP) Systems 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 analyses 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.

- **Profit Centre Accounting:** This evaluates the profit or loss of individual, independent areas within an organization.

(b) Web Server

- The Web Server is used to host all web services and internet related software. All the online requests and websites are hosted and serviced through the web server.

- A Web server is a program that uses Hypertext Transfer Protocol (HTTP) to serve the files that form Web pages to users, in response to their requests, which are forwarded by their computers' HTTP clients.

- Dedicated computers and appliances may be referred to as Web servers as well. All computers that host websites must have Web server programs.

Proxy Server

- A Proxy Server is a computer that offers a computer network service to allow clients to make indirect network connections to other network services.

- A client connects to the proxy server, and then requests a connection, file, or other resource available on a different server.

- The proxy server provides the resource either by connecting to the specified server or by serving it from a cache and hence is often used to increase the speed and managing network bandwidth.

- In some cases, the proxy may alter the client's request or the server's response for various purposes. It serves as an intermediary between the users and the websites they browse for.

Question 5

(a) *Core Banking System/Solution (CBS) has become a mandatory requirement in the banking system. CBS are usually running 24 x 7 to support Internet banking, Mobile banking, ATM services, etc. with the help of its various modules. Most of the key modules of CBS are*

connected to a Central Server. As an IT expert, discuss any three Back End Applications/ Modules and any three Front End Applications/Modules of CBS. **(3 + 3 = 6 Marks)**

(b) *What is Mobile Computing? Explain the key components of Mobile Computing.*

(1 + 3 = 4 Marks)

OR

Describe any four characteristics of Infrastructure as a Service (IaaS). **(4 Marks)**

Answer

(a) The Back End Applications of Core Banking Systems (CBS) are as follows:

- **Back Office:** The Back Office is the portion of a company made up of administration and support personnel, who are not client-facing. Backoffice functions include settlements, clearances, record maintenance, regulatory compliance, accounting and IT services. Back Office professionals may also work in areas like monitoring employees' conversations and making sure they are not trading forbidden securities on their own accounts.

- **Data Warehouse:** Banking professionals use data warehouses to simplify and standardize the way they gather data - and finally get to one clear version of the truth. Data warehouses take care of the difficult data management - digesting large quantities of data and ensuring accuracy - and make it easier for professionals to analyze data.

- **Credit-Card System:** Credit card system provides customer management, credit card management, account management, customer information management and general ledger functions; provides the online transaction authorization and service of the bank card in each transaction channel of the issuing bank; support in the payment application; and at the same time, the system has a flexible parameter system, complex organization support mechanism and product factory based design concept to speed up product time to market.

- **Automated Teller Machines (ATM):** An ATM is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. Anyone with a credit card or debit card can access most ATMs. ATMs are convenient, allowing consumers to perform quick, self-serve transactions from everyday banking like deposits and withdrawals to more complex transactions like bill payments and transfers.

The Front-End Applications of Core Banking Systems (CBS) are as follows:

- **Internet Banking** also known as Online Banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website accessed through any browser. The online banking system offers over 250+ services and facilities that give

us real-time access to our bank account. We can make and receive payments to our bank accounts, open Fixed and Recurring Deposits, view account details, request a cheque book and a lot more, while you are online.

- **Mobile Banking** is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a smartphone or tablet. Unlike the related internet banking, it uses software, usually called an app, provided by the financial institution for the purpose. The app needs to be downloaded to utilize this facility. Mobile banking is usually available on a 24-hour basis.

- **Phone Banking** is a functionality through which customers can execute many of the banking transactional services through Contact Centre of a bank over phone, without the need to visit a bank branch or ATM. Registration of Mobile number in account is one of the basic perquisites to avail Phone Banking. Account related information, Cheque Book issue request, stop payment of cheque, Opening of Fixed deposit etc. are some of the services that can be availed under Phone Banking.

- **Branch Banking:** CBS are the bank's centralized systems that are responsible for ensuring seamless workflow by automating the frontend and backend processes within a bank. CBS enables single view of customer data across all branches in a bank and thus facilitate information across the delivery channels. The branch confines itself to various key functions such as creating manual documents capturing data required for input into software; internal authorization; initiating Beginning-Of-Day (BOD) operations; End-Of-Day (EOD) operations; and reviewing reports for control and error correction.

(b) Mobile Computing refers to the technology that allows transmission of data via a computer without having to be connected to a fixed physical link. Mobile data communication has become a very important and rapidly evolving technology as it allows users to transmit data from remote locations to other remote or fixed locations even when they are on move i.e. mobility. In general, Mobile Computing is a versatile and strategic technology that increases information quality and accessibility, enhances operational efficiency, and improves management effectiveness.

The key components of Mobile Computing are as follows:

- **Mobile Communication:** The Mobile Communication refers to the infrastructure put in place to ensure that seamless and reliable communication goes on. This would include communication properties, protocols, data formats and concrete technologies.

- **Mobile Hardware:** Mobile Hardware includes mobile devices or device components that receive or access the service of mobility. They would range from Portable laptops, Smart Phones, Tablet PCs, and Personal Digital Assistants (PDA) that use an existing and established network to operate on. At the back end, there are various

servers like Application Servers, Database Servers and Servers with wireless support, WAP gateway, a Communications Server and/or MCSS (Mobile Communications Server Switch) or a wireless gateway embedded in wireless carrier's network. The characteristics of mobile computing hardware are defined by the size and form factor, weight, microprocessor, primary storage, secondary storage, screen size and type, means of input, means of output, battery life, communications capabilities, expandability and durability of the device.

- **Mobile Software:** Mobile Software is the actual program that runs on the mobile hardware and deals with the characteristics and requirements of mobile applications. It is the operating system of that appliance and is the essential component that makes the mobile device operates. Mobile applications popularly called Apps are being developed by organizations for use by customers, but these apps could represent risks, in terms of flow of data as well as personal identification risks, introduction of malware and access to personal information of mobile owner.

OR

Characteristics of Infrastructure as a Service (IaaS) are as follows:

- **Web access to the resources:** The IaaS model enables the IT users to access infrastructure resources over the Internet. When accessing a huge computing power, the IT user need not get physical access to the servers.

- **Centralized Management:** The resources distributed across different parts are controlled from any management console that ensures effective resource management and effective resource utilization.

- **Elasticity and Dynamic Scaling:** Depending on the load, IaaS services can provide the resources and elastic services where the usage of resources can be increased or decreased according to the requirements.

- **Shared infrastructure:** IaaS follows a one-to-many delivery model and allows multiple IT users to share the same physical infrastructure and thus ensures high resource utilization.

- **Metered Services:** IaaS allows the IT users to rent the computing resources instead of buying it. The services consumed by the IT user will be measured, and the users will be charged by the IaaS providers based on the amount of usage.

SECTION –B: STRATEGIC MANAGEMENT

*Question No. **6** is compulsory*

*Answer any **three** questions from the rest.*

Question 6

Inspite of high commodity inflation, shortage of components and the threat of third wave of COVID-19 pandemic in India, manufacturers of packaged goods, home appliances and consumer electronics are expecting the business to grow by 12 to 25 percent in the coming months. After one-and-a-half years of disruption, manufacturers are now confident about managing their inventories better, keeping their supply channels well-stocked and preparing themselves to minimalize the impact of any COVID related restrictions even as they gear up for the festive season, which usually accounts for 25 to 35 percent of their yearly sales.

The home appliances sector could be an example. After a dismal April-June quarter in the year 221; producers of air conditioners, refrigerators and washing machines are expecting their business to grow by 15-20 percent in the months to come. All the companies operating in the sector have geared up to grab the opportunities available in the market.

A leading company in the home appliances domain, XXP India, is planning to launch various innovative product designs and offer loyalty programmes to lure consumers.

With reference to Michael Porter's generic strategies, identify which strategy XXP India has planner for? Explain how this strategy will be advantageous to the company to remain profitable? **(5 Marks)**

Answer

According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.

XXP India Ltd. has planned for Differentiation Strategy. The company is planning to launch various innovative product designs and offer loyalty programmes to lure customers.

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 that features the desired attributes. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty, because consumers may become strongly attached to the differentiated features.

Advantages of Differentiation Strategy

A differentiation strategy may help an organisation to remain profitable even with rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

1. Rivalry - Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.

2. Buyers – They do not negotiate for price as they get special features, and they have fewer options in the market.

3. Suppliers – Because differentiators charge a premium price, they can afford to absorb higher costs of supplies as the customers are willing to pay extra too.

4. Entrants – Innovative features are an expensive offer. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.

5. Substitutes – Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

Question 7

(a) *A Chennai based fast moving consumer goods (FMCG) major CDE Ltd. recently announced restructuring its business. The company indicated that the business would be split into mainly four different streams-FMCG, E-commerce, Retail, and Research & Development. The company management has decided that these four units will operate as separate businesses. The top corporate officer shall delegate responsibility for day-to-day operations and business unit strategy to the concerned managers.*

Identify the organization structure that CDE Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure.

(5 Marks)

(b) *What are the important aspects of the process of implementation of strategy?* *(5 Marks)*

Answer

(a) **CDE Ltd. has planned to implement Strategic Business Unit (SBU) structure.** Very large organisations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organisation with increase in number, size and diversity.

The attributes of an SBU and the benefits a firm may derive by using the SBU Structure are as follows:

♦ A scientific method of grouping the businesses of a multi – business corporation which helps the firm in strategic planning.

♦ An improvement over the territorial grouping of businesses and strategic planning based on territorial units.

♦ Strategic planning for SBU is distinct from rest of businesses. Products/ businesses within an SBU receive same strategic planning treatment and priorities.

♦ Each SBU will have its own distinct set of competitors and its own distinct strategy.

♦ The CEO of SBU will be responsible for strategic planning for SBU and its profit performance.

♦ Products/businesses that are related from the stand point of function are assembled together as a distinct SBU.

♦ Unrelated products/ businesses in any group are separated into separate SBUs.

♦ Grouping the businesses on SBU lines helps in strategic planning by removing the vagueness and confusion.

♦ Each SBU is a separate business and will be distinct from one another on the basis of mission, objectives etc.

(b) Implementation and execution are an operations-oriented activity aimed at shaping the performance of core business activities in a strategy-supportive manner. To convert strategic plans into actions and results, a manager must be able to direct organizational change, motivate people, build and strengthen company's competencies and competitive capabilities, create a strategy-supportive work culture, and meet or beat performance targets. Good strategy execution involves creating strong "fits" between strategy and organizational capabilities, structure, climate & culture.

In most situations, strategy-execution process includes the following principal aspects:

1. **Developing budgets** that steer ample resources into those activities critical to strategic success.

2. **Staffing the organization with the needed skills and expertise**, consciously building and strengthening strategy-supportive competencies and competitive capabilities and organizing the work effort.

3. **Ensuring that policies and operating procedures facilitate rather than impede** effective execution.

4. **Using the best-known practices** to perform core business activities and pushing for continuous improvement.

5. **Installing information and operating systems** that enable company personnel to better carry out their strategic roles day in and day out.

6. **Motivating people** to pursue the target objectives energetically.

7. **Creating a company culture and work climate conducive** to successful strategy implementation and execution.

Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution. When the organization encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.

Question 8

(a) *STU's association with India goes back to 1967, when it played a key role in constructing a very long highway in India spreading over multiple states. Since then, it is contributing in many ways to the country's growth story. Now it is looking at playing an active role in the key projects taken up by the central government. Suggest few Opportunities and Threats that the company should consider.* **(5 Marks)**

(b) *"There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive". Discuss.* **(5 Marks)**

Answer

(a) Faced with a constantly changing environment, each business unit needs to develop a marketing information system to track trends and developments, which can be categorized as an opportunity or a threat. The company has to review its strength and weakness in the background of environment's opportunities and threat, i.e., an organization's SWOT analysis.

STU is looking at playing an active role in the key projects taken up by the central government. Following are the potential opportunities and threats to STU:

Potential STU's Opportunities:

♦ Alliances or joint ventures with central government that expand the STU's market coverage or boost its competitive capability.

♦ Possibilities of working on the future projects of central government.

♦ Serving additional customer groups or expanding into new geographic markets.

♦ Utilizing existing company skills or technological know-how to enter new projects.

♦ Openings to take market share away from rivals.

♦ Openings to exploit emerging new technologies.

♦ Integrating forward or backward.

Potential STU's Threats:

♦ Due to COVID-19 pandemic, companies can have face the lockdown situation.

♦ Economic factors such as recession etc.

♦ Likely entry of potent new competitors.

- Technological changes/innovations in construction equipment.

- Costly new regulatory requirements.

- Growing bargaining power of suppliers.

- Vulnerability to industry driving forces.

(b) Rising competition, business cycles and economic volatility have created a climate where no business can take viability for granted. Turnaround strategy is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level. Organizations that have faced a significant crisis that has negatively affected operations requires turnaround strategy. Turnaround strategy is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is a question. When organization is facing both internal and external pressures making things difficult then it has to find something which is entirely new, innovative and different. Being organization's first objective is to survive and then grow in the market; turnaround strategy is used when organization's survival is under threat. Once turnaround is successful the organization may turn to focus on growth.

Conditions for turnaround strategies: When firms are losing their grips over market, profits due to several internal and external factors, and if they have to survive under the competitive environment, they have to identify danger signals as early as possible and undertake rectification steps immediately. These are certain conditions or indicators which point out that a turnaround is needed if the company has to survive. These danger signals are:

- Persistent negative cash flow from business.

- Uncompetitive products or services.

- Declining market share.

- Deterioration in physical facilities.

- Over-staffing, high turnover of employees, and low morale.

- Mismanagement.

Question 9

(a) *"Business organizations face countless marketing challenges that affect the success or failure of strategy implementation". In light of this statement, discuss some marketing decisions that require special attention.* **(5 Marks)**

(b) *GWA, a leading Japan based automobile company decides to make India a hub for the company's 250 cc motorcycle to be manufactured in collaboration with the TPR Group, a leading Indian motorcycle manufacturer. The production is to be exported to the company's home market as well as to other African countries.*

What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration.   *(5 Marks)*

Answer

(a) A business organization faces countless marketing challenges that affect the success or failure of strategy implementation. Some examples of marketing decisions that may require special attention are as follows:

1. The amount and the extent of advertising to be done. Whether to use heavy or light advertising. What should be the amount of advertising in print media, television or internet?

2. Decisions regarding distribution network to be used. Whether to use exclusive dealerships or multiple channels of distribution.

3. Whether to be a price leader or a price follower?

4. Whether to offer a complete or limited warranty?

5. Whether to limit or enhance the share of business done with a single or a few customers?

6. Whether to reward sales people based on straight salary, straight commission, or on a combination of salary and commission?

(b) GWA of Japan and TRP group of India opted for strategic alliance as their growth strategy. A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.

Advantages of Strategic Alliance

Strategic alliance usually is only formed if they provide an advantage to all the parties in the alliance. These advantages can be broadly categorised as follows:

1. **Organizational:** Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. Having a strategic partner who is well-known and respected also helps add legitimacy and creditability to a new venture.

2. **Economic:** There can be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline. Finally, partners can take advantage of co-specialization, creating additional value, such as when a leading computer manufacturer bundles its desktop with a leading monitor manufacturer's monitor.

3. **Strategic:** Rivals can join together to cooperate instead of competing with each other. Vertical integration can be created where partners are part of supply chain. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

4. **Political:** Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry. Forming strategic alliances with politically influential partners may also help improve your own influence and position.

Question 10

(a) *"Each organization must build its competitive advantage keeping in mind the business warfare. This can be done by following the process of strategic management." Considering this statement, explain major benefits of strategic management.*   **(5 Marks)**

(b) *Why is strategy evaluation more difficult? Give reasons.*   **(5 Marks)**

OR

What are the factors which determine the nature of rivalry in an industry?   **(5 Marks)**

Answer

(a) Each organization has to build its competitive advantage over the competitors in the business warfare in order to win. This can be done only by following the process of strategic management. Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

♦ Strategic management helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.

♦ It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides frameworks for all major business decisions of an enterprise such as on businesses, products, markets, organizational structures, etc.

♦ It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.

♦ It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.

♦   Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

(b)   Strategic evaluation involves measuring and evaluating performance. The goals achieved are compared with the desired goals to identify deviations and make necessary adjustments in strategies or in the efforts being put to achieve those strategies.

Reasons why strategy evaluation is more difficult today include the following trends:

♦   A dramatic increase in the environment's complexity.

♦   The increasing difficulty of predicting the future with accuracy.

♦   The increasing number of variables in the environment.

♦   The rapid rate of obsolescence of even the best plans.

♦   The increase in the number of both domestic and world events affecting organizations.

♦   The decreasing time span for which planning can be done with any degree of certainty.

OR

The intensity of rivalry in an industry is a significant determinant of an industry's attractiveness and profitability. The intensity of rivalry can influence the costs of suppliers, distribution, and of attracting customers and thus, can directly affect the profitability. "The more intensive the rivalry, the less attractive is the industry". Rivalry among competitors tends to be cutthroat and an industry's profitability is low when;

(i)   An industry has no clear leader. Therefore, continuous war for leadership.

(ii)   Competitors in the industry are numerous.

(iii)   Competitors operate with high fixed costs. Thus, aiming for better Return on Investment with more fierce tactics.

(iv)   Competitors face high exit barriers, and therefore, continue to fight for market share.

(v)   Competitors have little opportunity to differentiate their offerings.

(vi)   The industry faces slow or diminished growth.