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 Intelligence is a technology-driven process for analysing data and presenting actionable information to help corporate executives, business managers and other end users make more informed business decisions. List out the benefits of using Business Intelligence in an organization.* **(3 Marks)**

(b) *Briefly discuss the characteristics of Core Banking Systems (CBS).* **(2 Marks)**

Answer

(a) The list of various benefits of Business Intelligence (BI) is provided below:

- Business Intelligence improves the overall performance of the company using it. The potential benefits of BI programs include –

    o accelerating and improving decision making;

    o optimizing internal business processes;

    o enhancing communication among departments while coordinating activities;

    o increasing operational efficiency;

    o driving new revenues; and

    o gaining competitive advantages over business rivals.

- BI systems can also help companies identify market trends and spot business problems that need to be addressed.

- BI systems help in enhancing customer experience, allowing for the timely and appropriate response to customer problems and priorities.

- BI data can include historical information as well as new data gathered from source systems as it is generated, thus enabling BI analysis to support both strategic and tactical decision-making processes.

- The ultimate objective of BI is to improve the timeliness and quality of information. Business intelligence provides the information regarding -

    o the position of the firm in comparison to its competitors.

    o the changes in customer behaviour and spending patterns.

- o   the capabilities of the firm.

- o   the market conditions, future trends, demographic, and economic information.

- o   the social, regulatory, and political environment.

- o   what the other firms in the market are doing.

(b) The characteristics of Core Banking Systems (CBS) are as follows:

- CBS is centralized Banking Application software that has several components which have been designed to meet the demands of the banking industry.

- CBS is supported by advanced technology infrastructure and has high standards of business functionality.

- Core Banking Solution brings significant benefits such as a customer is a customer of the bank and not only of the branch.

- CBS is modular in structure and is capable of being implemented in stages as per requirements of the bank.

- A CBS software also enables integration of all third-party applications including in-house banking software to facilitate simple and complex business processes.

- There is a common database in a central server located at a Data Center which gives a consolidated view of the bank's operations.

- Branches function as delivery channels providing services to its customers.

Question 2

(a) *PQR limited is planning to receive payment from the customers through Digital Payments. Though there are lots of benefits of digital payments but there are drawbacks as well. Briefly explain any six drawbacks of digital payments.*   *(6 Marks)*

(b) *Internal control provides an entity with only reasonable assurance and not absolute assurance about achieving the entity's operational, financial reporting and compliance objectives. Explain any four inherent limitations of Internal Control System.*   *(4 Marks)*

Answer

(a) Some drawbacks of Digital Payments are listed below:

    (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.

(iv) **Disputed transactions:** In case the electronic money such as credit card is misused by someone else, it is very difficult to receive a refund.

(v) **Increased business costs:** Digital payment systems come with an increased need to protect sensitive financial information stored in a business's computer systems from unauthorized access. Businesses have to incur additional costs in procuring, installing and maintaining sophisticated payment-security technologies.

(vi) **The necessity of internet access:** Digital payment cannot be performed if Internet connection fails.

(b) Some inherent limitations of Internal Control System are as follows:

- Management's consideration that the cost of an internal control does not exceed the expected benefits to be derived.

- The fact that most internal controls do not tend to be directed at transactions of unusual nature, the reasonable potential for human error such as - due to carelessness, distraction, mistakes of judgment and misunderstanding of instructions.

- The possibility of circumvention of internal controls through collusion with employees or with parties outside the entity.

- The possibility that a person responsible for exercising an internal control could abuse that responsibility, for example - a member of management overriding an internal control.

- Manipulations by management with respect to transactions or estimates and judgments required in the preparation of financial statements.

Question 3

(a) Data Mining is the process of analysing data to find previously unknown trends, patterns and associations to make decisions. As an IT expert of the company, explain the steps involved in the data mining process. **(6 Marks)**

(b) ERP implementation is a huge task and requires lot of time, money and patience. The organizations implementing ERP Systems should keep abreast of the latest technological developments and implementation, which is required to survive and thrive. Discuss the various risks and corresponding controls related to technological risks in an ERP environment. **(4 Marks)**

Answer

(a) The steps involved in the Data Mining process are as follows:

a. **Data Integration:** Firstly, the data are collected and integrated from all the different sources which could be flat files, relational database, data warehouse or web etc.

b. **Data Selection:** It may be possible that all the data collected may not be required in the first step. So, in this step we select only those data which we think is useful for data mining.

c. **Data Cleaning:** The data that is collected are not clean and may contain errors, missing values, noisy or inconsistent data. Thus, we need to apply different techniques to get rid of such anomalies.

d. **Data Transformation:** The data even after cleaning are not ready for mining as it needs to be transformed into an appropriate form for mining using different techniques like - smoothing, aggregation, normalization etc.

e. **Data Mining:** In this, various data mining techniques are applied on the data to discover the interesting patterns. Techniques like clustering and association analysis are among the many different techniques used for data mining.

f. **Pattern Evaluation and Knowledge Presentation:** This step involves visualization, transformation, removing redundant patterns etc. from the patterns we generated.

g. **Decisions/Use of Discovered Knowledge:** This step helps user to make use of the knowledge acquired to take better informed decisions.

(b) The technological risks and their corresponding controls related in an ERP environment are as follows:

Aspect	Risk Associated	Control Required
Software Functionality	ERP systems offer a myriad of features and functions, however, not all organizations require those many features. Implementing all the functionality and features just for the sake of it can be disastrous for an organization.	Care should be taken to incorporate the features that are required by the organization and supporting additional features and functionality that might be required at a future date.
Technological Obsolescence	With the advent of more efficient technologies every day, the ERP system also becomes obsolete as time goes on.	This requires critical choice of technology, architecture of the product, ease of enhancements, ease of upgrading, and quality of vendor support.

Enhancement and Upgrades	ERP Systems are not upgraded and kept up to date. Patches and upgrades are not installed, and the tools are underutilised.	Care must be taken while selecting the vendor and upgrade/support contracts should be signed to minimize the risks.
Application Portfolio Management	These processes focus on the selection of new business applications and the projects required in delivering them.	By bringing to the light the sheer number of applications in the current portfolio, IT organizations can begin to reduce duplication and complexity.

Question 4

(a) XYZ Bank wants to deploy and implement Core Banking Systems (CBS) to all of its branches. As a consultant, how would you suggest the deployment and implementation of CBS at various stages to ensure that banks automation objectives are achieved?

(6 Marks)

(b) Hybrid cloud is a combination of both at least one private and at least one public cloud computing environments. Explain the characteristics of Hybrid Cloud. *(4 Marks)*

Answer

(a) The various stages of deployment and implementation of Core Banking Systems (CBS) should be controlled to ensure that banks automation objectives are achieved:

- **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 which is scalable and where different interfaces are readily available considering various parameters as defined by the bank to meet their specific requirements and business objectives.

- **Design and develop or procure:** 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 to confirm that the 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. For example - 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.

(b) The characteristics of Hybrid Cloud are as follows:

- **Scalable:** The hybrid cloud has the property of public cloud with a private cloud environment and as the public cloud is scalable; the hybrid cloud with the help of its public counterpart is also scalable.

- **Partially Secure:** The private cloud is considered as secured and public cloud has high risk of security breach. The hybrid cloud thus cannot be fully termed as secure but as partially secure.

- **Stringent SLAs:** In the hybrid cloud, the Service Level Agreements (SLAs) are overall more stringent than the private cloud and might be as per the public cloud service providers.

- **Complex Cloud Management:** Cloud management in hybrid cloud is complex as it involves more than one type of deployment models, and the number of users is high.

Question 5

(a) *In the present age of Information Technology, Business Process Automation (BPA) is the key technology-enabled automation of activities or services. As an Information Technology consultant, you are requested to suggest any three examples of business processes that are best suited to automation and also discuss any three challenges involved in Business Process Automation.* **(6 Marks)**

(b) *Briefly discuss two disadvantages of Data Base Management Systems (DBMS).*

(2 Marks)

(c) *Differentiate between Processor Registers and Cache Memory.* **(2 Marks)**

OR

Briefly explain any two output controls.

Answer

(a) Few examples of processes that are best suited to automation are as follows:

- **Processes involving high-volume of tasks or repetitive tasks:** Many business processes such as making purchase orders involve high-volume of repetitive tasks. Automating these processes results in cost and work-effort reductions.

- **Processes requiring multiple people to execute tasks:** A business process which requires multiple people to execute tasks often results in waiting time that can lead to increase in costs. For example - Help desk services. Automating these processes results in reduction of waiting time and in costs.

- **Time-sensitive processes:** Business process automation results in streamlined processes and faster turnaround times. The streamlined processes eliminate wasteful activities and focus on enhancing tasks that add value. Time-sensitive processes are best suited to automation. For example - Online banking system, Railway/aircraft operating and control systems etc.

- **Processes involving need for compliance and audit trail:** With business process automation, every detail of a particular process is recorded. These details can be used to demonstrate compliance during audits. For example- Invoice issue to vendors.

- **Processes having significant impact on other processes and systems:** Some processes are cross-functional and have significant impact on other processes and systems. In cross functional processes, different departments within the same company work hand in hand to achieve a common goal, e.g., the marketing department may work with sales department. Automating these processes results in sharing information resources and improving the efficiency and effectiveness of business processes.

Automated business processes are susceptible to many challenges, some of them are given below:

- **Automating Redundant Processes:** Sometimes organizations start off an automation project by automating the processes they find suitable for automation without considering whether such processes are necessary and create value or not. In other cases, some business processes and tasks require high amount of tacit knowledge that cannot be documented and transferred from one person to another and therefore seek employees to use their personal judgment. These processes are generally not good candidates for automation as these processes are hard to encode and automate.

- **Defining Complex Processes:** Business Process Automation (BPA) requires reengineering of some business processes that requires significant amount of time to

be allocated and spent at this stage. This requires a detailed understanding of the underlying business processes to develop an automated process.

- **Staff Resistance:** In most cases, human factor issues are the main obstacle to the acceptance of automated processes. Staff may see process automation as a way of reducing their decision-making power. This is due to the reason that with automated processes, the management has a greater visibility of the process and can make decisions that used to be made by the staff earlier. Moreover, the staff may perceive automated processes as threat to their jobs.

- **Implementation Cost:** The implementation of automated processes may be an expensive proposition in terms of acquisition/development cost of automated systems and special skills required to operate and maintain these systems.

(b) The disadvantages of Database Management System (DBMS) are as follows:

- **Cost:** Implementing a DBMS in terms of both system and user-training can be expensive and time-consuming, especially in large enterprises. Training requirements alone can be quite costly.

- **Security:** Even with safeguards in place, it may be possible for some unauthorized users to access the database. If one gets access to database, then it could be an all or nothing proposition.

(c) The differences between Processor Registers and Cache memory are provided in the table below:

Processor Registers	Cache Memory
These are high speed memory units within CPU for storing small amount of data (mostly 32 or 64 bits).	It is a fast memory built into computer's CPU and is used to reduce the average time to access data from the main memory. The data that is stored within a cache might be values that have been computed earlier or duplicates of original values that are stored elsewhere.
The registers are the only memory units most processors can operate on directly.	Cache memory is an interface between CPU and Main storage. It is not directly accessible for operations.

OR

Various Output Controls under Application Controls are as follows:

- **Storage and Logging of sensitive, critical forms:** Pre-printed stationery should be stored securely to prevent unauthorized destruction or removal and usage.

- **Logging of output program executions:** When programs used for output of data are executed, these should be logged and monitored otherwise confidentiality/ integrity of the data may be compromised.

- **Spooling/Queuing:** "Spool" is an acronym for "Simultaneous Peripherals Operations Online". This is a process used to ensure that the user can continue working, while the print operation is getting completed. This process allows data that is being used by the input or output devices to be placed in a temporary space or buffer until the existing operation gets finished. A queue is the list of documents waiting to be printed on a particular printer; this should not be subject to unauthorized modifications.

- **Controls over printing:** Outputs should be made on the correct printer, and it should be ensured that unauthorized disclosure of printed information does not take place.

- **Report Distribution and Collection Controls:** Distribution of reports should be made in a secure way to prevent unauthorized disclosure of data. It should be made immediately after printing to ensure that the time gap between generation and distribution is reduced. A log should be maintained for reports that were generated and to whom these were distributed. Reports generated but not collected immediately should be secured such that there is no unauthorized disclosure and data leakage.

- **Retention Controls:** Retention controls consider the duration for which outputs should be retained before being destroyed. Retention control requires that a date should be determined for each output item produced.

PAPER 7 - SECTION – B: STRATEGIC MANAGEMENT

Question paper comprises 5 questions. Question No. 6 is compulsory. Attempt any 3 out of 4 questions.

Question 6

'ALBELA' Foods and 'JustBE' Foods are successfully competing chain of restaurants in India. ALBELA' s are known for their innovative approach, which has resulted in good revenues. On the other hand, JustBE is slow in responding to environmental change. The initial stages of Covid-19 pandemic and the ensuring strict lockdown had an adverse impact on both the companies. Realizing its severity and future consequences. ALBELA, foods immediately chalked out its post lockdown strategies, which include initiatives like:

(a) Contactless dinning

(b) New category of foods in the menu for boosting immunity

(c) Improving safety measures and hygiene standards

(d) Introducing online food delivery app

Seeing the positive buzz around these measures taken by ALBELA Food, JustBE Foods also thinks to introduce these measures.

(i) Identify the strategic approach taken by 'ALBELA' Foods and 'JustBE' Foods.

(ii) Discuss these strategic · approach.

(iii) Which strategic approach is better and why?   ***(1 + 3 + 1 = 5 Marks)***

Answer

(i) '**ALBELA' foods is proactive** in its approach. On the other hand, **'JustBE' foods is reactive** in its approach**.**

(ii)

- Proactive strategy is planned strategy. While continuing with the previously initiated business approaches that are working well, the newly launched managerial initiatives aim to strengthen the company's overall position and performance. These are outcomes of management's analysis and strategic thinking about the company's situation and its conclusions about the positioning of the company in the marketplace. If done well, it helps the company to effectively compete for buyer patronage.

- Reactive strategy is an adaptive reaction to changing circumstances. It is not always possible for a company to fully anticipate or plan for changes in the market. There is also a need to adapt strategy as new learnings emerge about which pieces of strategy are working well and which aren't. By itself also, the management may hit upon new ideas for improving the current strategy.

(iii) In reference to the given case, proactive strategy seems to be better because ALBELA foods had been able to utilise available opportunities, reduce adverse impact, enhance the demand for product and is also able to avail the first mover advantage.

Question 7

(a) *A manufacturing company is in direct competition with fifteen companies at national level. Head of marketing department of this company wishes to study the market position of rival companies by grouping them into like positions. Name the tool that may be used by him/her. Explain the procedure that may be used to implement the techniques.*

(1 + 4 = 5 Marks)

(b) *"Strategic decisions are different in nature than all other decisions." In the light of this statement explain major dimensions of strategic decisions.* *(5 Marks)*

Answer

(a) A tool to identify the market positions of rival companies by grouping them into like positions is *strategic group mapping.* A strategic group consists of those rival firms which have similar competitive approaches and positions in the market.

The **procedure for constructing a strategic group map** and deciding which firms belong in which strategic group are as follows:

1. **Identify the competitive characteristics** that differentiate firms in the industry typical variables that are price/quality range (high, medium, low); geographic coverage (local, regional, national, global); degree of vertical integration (none, partial, full); product-line breadth (wide, narrow); use of distribution channels (one, some, all); and degree of service offered (no-frills, limited, full).

2. **Plot the firms on a two-variable map** using pairs of these differentiating characteristics.

3. **Assign firms that fall in about the same strategy space** to the same strategic group.

4. **Draw circles around each strategic group** making the circles proportional to the size of the group's respective share of total industry sales revenues.

(b) Strategic decisions are different in nature than all other operational decisions. The dimensions of strategic decisions are not similar to that of other decisions which are taken at various levels of the organization during day-to-day working.

The following major dimensions of strategic decisions make them different than operational decisions:

1. Strategic decisions **require top-management decisions**. Strategic decisions involve thinking in totality of the organizations and there is also a lot of risk involved in that.

2. Strategic decisions involve the **allocation of large amounts of company resources** - financial, technical, human etc.

3. Strategic decisions are likely to have a **significant impact on the long-term prosperity** of the firm.

4. Strategic decisions are **future oriented.**

5. Strategic decisions usually have major multifunctional or multi-business consequences.

6. Strategic decisions necessitate consideration of factors in the firm's external environment.

Question 8

(a) *The CEO of a textile mill is convinced that his loss making company can be turned around. Suggest an action plan for a turnaround to the CEO.*   **(5 Marks)**

(b) *"Understanding the competitive landscape is important to build upon a competitive advantage". Explain.*   **(5 Marks)**

Answer

(a) A workable action plan for turnaround of the textile mill 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 after analyzing strengths and weaknesses in the areas of competitive position.

- **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.

(b) Competitive landscape is a business analysis which identifies competitors, either direct or indirect. Competitive landscape is about identifying and understanding the competitors and at the same time, it permits the comprehension of their vision, mission, core values, niche market, strengths and weaknesses.

An in-depth investigation and analysis of a firm's competition allows it to **assess the competitors' strengths and weaknesses** in the marketplace and helps it to **choose and implement effective strategies** that will improve its competitive advantage.

Steps to understand the competitive landscape for building competitive advantage are:

(i)   Identify the competitor: The first step to understand the competitive landscape is to identify the competitors in the firm's industry and have actual data about their respective market share.

(ii) Understand the competitors: Once the competitors have been identified, the strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.

(iii) Determine the strengths of the competitors: What are the strengths of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers? Why do customers give them their business?

(iv) Determine the weaknesses of the competitors: Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. After all, consumers are often willing to give their opinions, especially when the products or services are either great or very poor.

(v)   Put all of the information together: At this stage, the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps. The strategist can also know the areas which need to be strengthen by the firm.

Question 9

(a)   There are many companies in the market offering COVID vaccine. Analyse the product in terms of threat of new entrants.   **(5 Marks)**

(b)   What are the issues to· be resolved by a business enterprise to have an effective logistic strategy?   **(5 Marks)**

Answer

(a)   There are three companies offering a vaccine for COVID-19 in India and a fourth company is awaiting approval from authorities.

This product involves **huge capital requirements** and hence not every existing pharma company is likely to get into the competition. However, once approved for use, the entire world is the target market. This would lead to **economies of scale** helping the company to recover the investments made. The **product differentiation** is in terms of the low after effect of the vaccine and the effectiveness of the vaccine in controlling COVID-19. **Brand identity** is becoming very important with people preferring international brands compared

to a home – grown company. **Factors like switching cost, access to distribution channels and possibility of aggressive retaliation do not apply at present** because governments across the world are controlling these factors and the vaccine has not entered the phase of free competition.

(b) Management of logistics is a process which integrates the flow of supplies into, through and out of an organisation to achieve a level of service which ensures that the right materials are available at the right place, at the right time, of the right quality and at the right cost.

For a business enterprise, effective logistic strategy will involve raising and finding solutions to the following questions:

♦ Which **sources of raw materials and components** are available?

♦ How many **manufacturing locations** are there?

♦ **What products** are being made at each manufacturing location?

♦ **What modes of transportation** should be used for various products?

♦ What is the **nature of distribution** facilities?

♦ What is the nature of **materials handling equipment** possessed? Is it ideal?

♦ What is the **method for deploying inventory** in the logistics network?

♦ Should the business firm **own the transport vehicles or hire**?

Question 10

(a) *"Entrepreneur is an individual who conceives the idea of starting a new venture." In light of this statement discuss who is an entrepreneur.*   *(5 Marks)*

(b) *Discuss various steps involved in Business Process Reengineering (BPR) while implementing in an organization.*   *(5 Marks)*

OR

Write short note on Richard Rumelt's criteria for strategy audit.

Answer

(a) Entrepreneurship is an attitude of mind to seek opportunities, take calculated risk and drive benefits by starting and running a venture. It comprises of numerous activities involved in conception, creation and running an enterprise. An entrepreneur is an individual who conceives the idea of starting a new venture, takes all type of risks, not only to put the product or service into reality but also to make it an extremely demanding one.

An entrepreneur is one who:

➢ Initiates and innovates a new concept.

➢ Recognises and utilises opportunity.

➢ Arranges and coordinates resources such as man, material, machine and capital.

➢ Faces risks and uncertainties.

➢ Establishes a startup company.

➢ Adds value to the product or service.

➢ Takes decisions to make the product or service a profitable one.

➢ Is responsible for the profits or losses of the company.

(b) BPR is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. BPR is a revolutionary redesigning of key business processes.

BPR involves the following steps:

(i) Determining objectives and framework: Objectives are the desired end results of the redesign process which the management and organization attempts to achieve. This will provide the required focus, direction, and motivation for the redesign process.

(ii) Identify customers and determine their needs: The designers have to understand customers – their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides added value to the customer.

(iii) Study the existing process: The existing processes will provide an important base for the redesigners. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes.

(iv) Formulate a redesign process plan: Formulation of redesign plan is the real crux of the reengineering efforts. Customer focused redesign concepts are identified and formulated. Alternative processes are considered, and the optimum is selected.

(v) Implement the redesign: It is easier to formulate new process than to implement them. It is the joint responsibility of the designers and management to operationalise the new processes.

<div align="center">**OR**</div>

Richard Rumelt's Criteria for Strategy Audit

(i) Consistency: A strategy should not present inconsistent goals and policies which can lead to organizational problems and conflicts. Inconsistencies in strategy are indicated if

     (a)   the cause of organizational problems is issue based;

     (b)   success for one department implies failure for another;

     (c)   the top management is expected to resolve policy problems and issues every time.

(ii) **Consonance:** Consonance refers to the need for strategists to examine *sets of trends*, as well as individual trends, in auditing strategies. The difficulty is that most trends are the result of interactions among other trends. A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.

(iii) **Feasibility:** A strategy must neither overtax available resources nor create unsolvable sub-problems. The final broad test of strategy is its feasibility; that is, can the strategy be attempted within the physical, human, and financial resources of the enterprise?

(iv) **Advantage:** A strategy must provide for the creation and/or maintenance of a competitive advantage in a selected area of activity. The advantage may reflect superiority in any one or combination of: **resources, skills and position**.