

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A: INFORMATION TECHNOLOGY

QUESTIONS

Multiple Choice Questions

1. An aspiring CA in his interview was questioned to provide correct sequence of the following sub-processes that represent Accounting Process Flow. The sub processes are - (1) Journal, (2) Adjusted Trial Balance, (3) Closing Entries, (4) Ledger, (5) Source Document, (6) Trial Balance, (7) Adjustments, and (8) Financial statement. What should be the sequence?
 - (a) (1)-(2)-(3)-(4)-(5)-(6)-(7)-(8)
 - (b) (5)-(1)-(4)-(6)-(7)-(2)-(3)-(8)
 - (c) (1)-(4)-(3)-(5)-(6)-(2)-(8)-(7)
 - (d) (5)-(3)-(1)-(2)-(4)-(8)-(7)-(6)
2. Which of the following statement is false?
 - (a) It is the size of a computer system that makes it a server.
 - (b) Instruction Set is the set of machine code instructions that the processor can carry out.
 - (c) The cloud computing environment consists of multiple types of clouds based on their deployment and usage.
 - (d) Cache memory is a memory which stores copies of the data from the most frequently used main memory locations.
3. Which of the following statement is true?
 - (a) Gateway is a communications processor that boosts or amplifies the signal before passing it to the next section of cable in a network.
 - (b) In Star Network Topology, it is difficult to add new nodes and remove existing nodes.
 - (c) Vulnerability is defined as an inherent weakness in the design, configuration, or implementation of a network or system that renders it susceptible to a threat.
 - (d) In OSI Model, the Application Layer is a hardware layer which specifies mechanical features as well as electromagnetic features of the connection between the devices and the transmission.
4. The different levels of Information Systems used in any enterprise are as follows:
 - (i) Management – Level Systems
 - (ii) Knowledge - Level Systems

- (iii) Strategic – Level Systems
- (iv) Operational – Level Systems

Moving from top to bottom in hierarchy, which of the following represents the correct sequence of different levels of Information Systems?

- (a) (i) – (ii) – (iii) – (iv)
 - (b) (iv) – (iii) – (ii) – (i)
 - (c) (iii) – (iv) – (i) – (ii)
 - (d) (iii) – (i) – (ii) – (iv)
5. Google App Engine is an example of _____.
- (a) Network as a Service (NaaS)
 - (b) Platform as a Service (PaaS)
 - (c) Infrastructure as a Service (IaaS)
 - (d) Communication as a Service (CaaS)

Descriptive Questions

Chapter 1: Business Process Management & IT

1. A book publisher offered discount to customers based on their mode of purchase and the number of copies ordered as shown below:

Mode of Purchase	Number of copies ordered	Discount%
Online	More than 5	20
	Less than or equal to 5	15
Offline	More than 10	10
	Less than or equal to 10	5

If Customer name, Customer type, Date of order placed, Number of copies ordered and unit price are input; draw a flowchart to calculate the net amount of the bill and date of purchase for each customer and print it. The above is to be carried out for 50 customers.

2. Research has identified certain factors that are responsible for the success of any Business Process Reengineering (BPR) Project. Discuss them.

Chapter 2: Information Systems and IT Fundamentals

3. For conversion from manual system to automated Information systems, discuss the different activities during the phase of Conversion which can be undertaken under Systems Development Life Cycle (SDLC)?

4. There are different Service Models that are supported by Cloud Computing. Discuss them.

Chapter 3: Telecommunication and Networks

5. Mr. X started up his own business of Grocery shop at small level. Which is the most suitable tier architecture of Information systems that fits the best to his business requirements? Also, discuss its advantages and disadvantages.
6. The network architecture of the Internet is predominantly expressed by its use of the Internet Protocol Suite, rather than a specific model for interconnecting networks or nodes in the network, or the usage of specific types of hardware links. What do you understand by the term “Protocols”? Discuss them in detail.

Chapter 4: Business Information Systems

7. It is said that there is huge difference between Information and Knowledge yet they have certain similarities. Justify the statement.
8. People are the most valuable asset of an enterprise and substantial time and endeavour has to be spent in managing the human resources. Human Resource Management System (HRMS) refers to the systems and processes at the intersection between Human Resource Management (HRM) and Information Technology. Discuss key modules of HRMS.

Chapter 5: Business Process Automation through Application software

9. You are a senior manager in the Top management of a company X Ltd. and take the responsibility for Information Systems function in the company. List out the major functions performed by your good self and the Top Management under Managerial functions.
10. Consider a case of an organization where the employee's attendance system is manual. If this process is to be automated, discuss the various steps that will be involved in its automation.

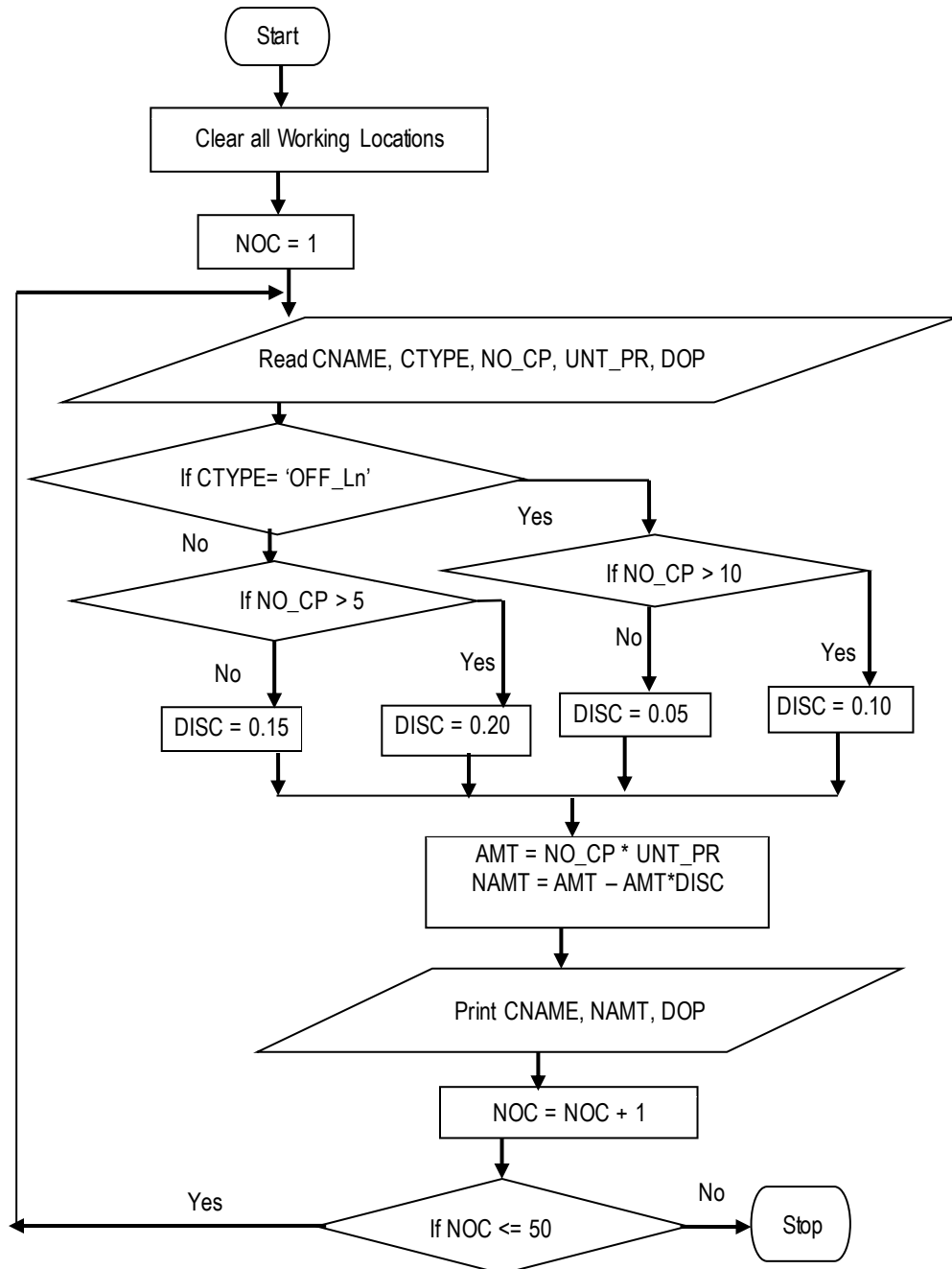
SUGGESTED ANSWERS/HINTS

Multiple Choice Answers

1. (b) (5)-(1)-(4)-(6)-(7)-(2)-(3)-(8)
2. (a) It is the size of a computer system that makes it a server.
3. (c) Vulnerability is defined as an inherent weakness in the design, configuration, or implementation of a network or system that renders it susceptible to a threat.
4. (d) (iii) – (i) – (ii) – (iv)
5. (b) Platform as a Service (PaaS)

Descriptive Answers

1. The required flowchart is given below:



Abbreviations used in the flowchart are as follows:

DOP	-	Date of order placed	CNAME	-	Customer Name
NO_CP	-	Number of Copies	UNT_PR	-	Unit Price
DISC	-	Discount	AMT	-	Total Amount
NAMT	-	Net Amount	NOC	-	Number of Customers
CTYPE	-	Type of the Customer (Can either be Online or Offline[OFF_LN])			

2. Research has identified some key factors for Business Process Reengineering (BPR) projects to succeed. These factors are as follows:
 - (i) **Organization wide commitment:** Changes to business processes would have a direct impact on processes, organizational structures, work culture, information flows, infrastructure & technologies and job competencies. This requires strong leadership, support and sponsorship from the top management. Top management not only has to recognize the need for change but also has to convince every affected group about the potential benefits of the change to the organization as a whole and secure their commitment.
 - (ii) **BPR team composition:** A BPR team is formed which would be responsible to take the BPR project forward and make key decisions and recommendations. The BPR team would include active representatives from top management, business process owners, technical experts and users. The teams must be kept of manageable size to ensure well-coordinated, effective and efficient completion of the entire BPR process.
 - (iii) **Business needs analysis:** It is important to identify exactly what current processes need reengineering. This would help determine the strategy and goals for BPR. A series of sessions are held with the process owners and stakeholders and all the ideas would be evaluated to outline and conceptualize the desired business process. The outcome of this analysis would be BPR project plan – identifying specific problem areas, setting goals and relating them to key business objectives. This alignment of the BPR strategy with the enterprise strategy is one of the most important aspects.
 - (iv) **Adequate IT infrastructure:** Adequate investment in IT infrastructure in line is of vital importance to successful BPR implementation. An IT infrastructure is a set of hardware, software, networks, facilities, etc. (including all of the information technology), in order to develop, test, deliver, monitor, control or support IT services. Effective alignment of IT infrastructure to BPR strategy would determine the success of BPR efforts.
 - (v) **Effective change management:** BPR involves changes in people behavior and culture, processes and technologies. Hence, resistance would be a natural consequence which needs to be dealt with effectively. An effective change management process would consider the current culture to foster a change in the prevailing beliefs, attitudes and behaviors effectively. The success of BPR depends on how effectively management conveys the need for change to the people.

- (vi) **Ongoing continuous improvement:** BPR is an ongoing process hence innovation and continuous improvement are key to the successful implementation of BPR.
3. Under Systems Development Life Cycle (SDLC), the major activities that are involved during the phase of Conversion are as follows:
- **Direct Changeover:** The user stops using the old system one particular day and starts using the new system from thereon, usually over a weekend or during a slack period.
 - **Parallel Conversion:** The old system continues alongside the new system for a few weeks or months.
 - **Phased Conversion:** Used with larger systems that can be broken down into individual modules which can be implemented separately at different times.
 - **Pilot Conversion:** New system will first be used by only a portion of the enterprise, for example at one branch or factory.
4. Mainly, there are five Cloud Computing Service based models. These are given as follows:
- **Infrastructure as a Service (IaaS):** It is the foundation of cloud services. It provides clients with access to server hardware, storage, bandwidth and other fundamental computing resources. The service is typically paid for on a usage basis. The service may also include dynamic scaling so that if the customer needs more resources than expected, s/he can get them on the fly (probably to a given limit). It provides access to shared resources on need basis, without revealing details like location and hardware to clients.
 - **Software as a Service (SaaS):** It includes a complete software offering on the cloud. Users can access a software application hosted by the cloud vendor on pay-per-use basis. This is a well-established sector. SaaS is a model of software deployment where an application is hosted as a service provided to customers across the Internet by removing the need to install and run an application on a user's own computer. It is a way for businesses to get the same benefits as commercial software with smaller cost outlay. SaaS can alleviate the burden of software maintenance and support but users relinquish control over software versions and requirements.
 - **Platform as a Service (PaaS):** It provides clients with access to the basic operating software and optional services to develop and use software applications (e.g. database access and payment service) without the need to buy and manage the underlying computing infrastructure. For example, Google App Engine allows clients to run their web applications (i.e. software that can be accessed using a web browser such as Internet Explorer over the internet) on Google's infrastructure. It has evolved from Software as a Service (SaaS) and Infrastructure as a service (IaaS). The major drawback of Platform as a Service is that it may lock us into the use of a development environment and stack of software components.

- **Network as a Service (NaaS):** It is a category of cloud services where the capability provided to the cloud service user is to use network/transport connecting services. NaaS involves optimization of resource allocation by considering network and computing resources. Some of the examples are: Virtual Private Network, Mobile Network Virtualization etc.
 - **Communication as a Service (CaaS):** CaaS has evolved in the same lines as SaaS. CaaS is an outsourced enterprise communication solution that can be leased from a single vendor. The CaaS vendor is responsible for all hardware and software management and offers guaranteed Quality of Service (QoS). It allows businesses to selectively deploy communication devices and modes on a pay-as-you-go, as-needed basis. This approach eliminates the large capital investments. Examples are: Voice over IP (VoIP), Instant Messaging (IM), Collaboration and Videoconferencing application using fixed and mobile devices.
5. For a small business, **single tier-architecture** is the best choice which has a single computer that contains a database and a front-end (GUI) to access the database. One-tier architecture involves putting all the required components for a software application or technology on a single server or platform. There is one computer which stores all the company's data on a single database. The interface used to interact with the database may be part of the database or another program which ties into the database itself.

Advantages of Single -Tier architecture are as follows:

- A single-tier system requires only one stand-alone computer.
- It also requires only one installation of proprietary software which makes it the most cost effective system available.

Disadvantages of Single -Tier architecture are as follows:

- It can be used by only one user at a time.
 - A single tier system is impractical for an organization which requires two or more users to interact with the organizational data stores at the same time.
6. **Protocols:** Protocols are software that performs a variety of actions necessary for data transmission between computers. Stated more precisely, protocols are a set of rules for intercomputer communication that have been agreed upon and implemented by many vendors, users and standards bodies to ensure that the information being exchanged between the two parties is received and interpreted correctly. Ideally, a protocols standard allows heterogeneous computers to talk to each other.

At the most basic level, protocols define the physical aspects of communication, such as how the system components will be interfaced and at what voltage levels will be transmitted.

At higher levels, protocols define the way that data will be transferred, such as the establishment and termination of "sessions" between computers and the synchronization

of those transmissions. At still higher levels, protocols can standardize the way data itself is encoded and compressed for transmission.

Thus, we can say that, Network protocols which are essentially software are sets of rules for-

- Communicating timings, sequencing, formatting, and error checking for data transmission.
- Providing standards for data communication.

A protocol defines the following three aspects of digital communication.

- (a) **Syntax:** The format of data being exchanged, character set used, type of error correction used, type of encoding scheme (e.g., signal levels) being used.
- (b) **Semantics:** Type and order of messages used to ensure reliable and error free information transfer.
- (c) **Timing:** Defines data rate selection and correct timing for various events during data transfer.

At the sending computer, protocols –

- (i) Break data down into packets;
- (ii) Add destination address to the packet; and
- (iii) Prepares data for transmission through Network Interface Card (NIC)

At the receiving computer, protocols –

- (i) Take data packets off the cable;
- (ii) Bring packets into computer through Network Interface Card (NIC);
- (iii) Strip the packets off any transmitting information;
- (iv) Copy data from packet to a buffer for reassembly; and
- (v) Pass the reassembled data to the application.

7. Information touches all human action – it is repeatedly said that we survive in the 'Information Age'. Information is an important resource to an organization. It represents an organization's tangible and intangible resources and all transactions relating to those resources. Information influences the way an organization operates. The right information, if it is delivered to the right person, in the right fashion, and at the right time, can improve and ensure organizational effectiveness and efficiency. The information system is the mechanism used to manage and control the information resource.

Knowledge is power. Knowledge is derived from information. Knowledge represents information with a potential use retained for reference in future decision situations. Information is necessarily subjective. Information must always be set in the context of its recipient. The same data may be interpreted differently by different people, depending on their existing knowledge.

A close and firm link between information and knowledge has always existed.

- Information is piecemeal, fragmented, and particular whereas knowledge is structured, coherent, and often universal.
 - Information is timely, transitory, perhaps even short-lived, whereas knowledge is of enduring significance.
 - Information is a flow of messages, whereas knowledge is a stock, largely resulting from the flow, in the sense that the “input” of information may affect the stock of knowledge by adding to it, restructuring it, or changing it in any way.
 - Information is acquired by being told, whereas knowledge can be acquired by thinking. Thus, new knowledge can be acquired without new information being received.
 - Information is “know what” despite the fact that knowledge is “know-how.” Information is “what is” at the same time as knowledge is “what works.” Information that helps achieve an action well again is knowledge. To sum up, data refers to the raw figures, information is essentially data in a context and knowledge is interpreted data/information which will also be very well presented
8. Some of the key modules of Human Resource Management System (HRMS) are as below:
- **Workforce Management:** Integrated across the strategic Human Capital Management (HCM) solution, Workforce Management provides powerful tools to effectively manage labor rules, ensure compliance, and control labor costs and expenses.
 - **Time and Attendance Management:** The time and attendance module gathers standardized time and work related efforts. The most advanced modules provide broad flexibility in data collection methods, labor distribution capabilities and data analysis features. Cost analysis and efficiency metrics are the primary functions.
 - **Payroll Management:** This module of the system is designed to automate manual Payroll functions and facilitate salary, deductions etc. calculations, eliminates errors and free up HR staff for more productive tasks. Data is generally fed from the human resources and time keeping modules to calculate automatic deposit and manual cheque writing capabilities. This module can encompass all employee-related transactions as well as integrate with existing financial management systems.
 - **Training Management:** Training programs can be entered with future dates which allow managers to track progress of employees through these programs, examine the results of courses taken and reschedule specific courses when needed. The module tracks the trainer or training organization, costs associated with training schedules. The module also tracks training locations, required supplies and equipment and registered attendees. All employees are linked to a skills profile. The skill profile lists the skills brought with them and acquired through training after they were hired. The skills profile is updated automatically through the training module.

- **Compensation Management:** Compensation Management is more than just the means to attract and retain talented employees. In today's competitive labor market, organizations need to fully leverage their human capital to sustain a competitive position. This requires integrating employee processes, information and programs with organizational processes and strategies to achieve optimal organizational results.
 - **Recruitment Management:** This module helps in hiring the right people with the right target skills. This module includes processes for managing open positions/requisitions, applicant screening, assessments, selection and hiring, correspondence, reporting and cost analysis.
 - **Personnel Management:** The personnel management comprises of HR master-data, personnel administration, recruitment and salary administration.
 - **Organizational Management:** Organizational management includes, organizational structure, staffing schedules & job description.
 - **Employee Self Service (ESS):** The employee self-service module allows employees to query HR related data and perform some HR transactions over the system. Employees may query their attendance record from the system without asking the information from HR personnel. The module also lets supervisors approve Over Time (O.T.) requests from their subordinates through the system without overloading the task on HR department.
 - **Analytics:** The Analytics module enables organizations to extend the value of an HRMS implementation by extracting HR related data for use with other business intelligence platforms. For example, organizations combine HR metrics with other business data to identify trends and anomalies in headcount to better predict the impact of employee turnover on future output.
9. The senior manager who take responsibility for Information Systems function in an organization perform some major functions that are as follows:
- **Planning** – determining the goals of the information systems function and the means of achieving these goals;
 - **Organizing** – gathering, allocating, and coordinating the resources needed to accomplish the goals;
 - **Leading** – motivating, guiding, and communicating with personnel; and
 - **Controlling** – comparing actual performance with planned performance as a basis for taking any corrective actions that are needed.
- Top management must prepare two types of information systems plans for the information systems function: **Strategic Plan** and an **Operational Plan**.
- The **Strategic Plan** is the long-run plan covering, say, the next three to five years of operations; and

- The **Operational Plan** is the short-plan covering, say, next one to three years of operations.

Both the plans need to be reviewed regularly and updated as the need arises. The planning depends upon factors such as the importance of existing systems, the importance of proposed information systems, and the extent to which IT has been integrated into daily operations.

10. Various steps of automation are as follows:

- **Step 1: Define why we plan to go for a BPA?**

The system of recording of attendance being followed is not generating confidence in employees about the accuracy. There have been complaints that salary payouts are not as per actual attendance. It has also created friction and differences between employees, as some feels that other employees have been paid more or their salary has not been deducted for being absent.

- **Step 2: Understand the rules/regulation under which needs to comply with?**

A number of regulations are applicable to employee attendance including Factories Act 1948, Payment of Wages Act 1936, State laws, etc. This is a compliance requirement and hence, any BPA needs to cater to these requirements.

- **Step 3: Document the process, we wish to automate.**

The present system includes an attendance register and a register at the security gate. Employees are expected to put their signatures in attendance registers. The register at the gate is maintained by security staff, to mark when an employee has entered. There is always a dispute regarding the time when an employee has entered and what has been marked in the security register. The company policy specifies that an employee coming late by 30 minutes for two days in a month shall have a ½ day salary deduction. There are over-writing in attendance register, leading to heated arguments between human resource department staff and employees. As the time taken to arrive at the correct attendance is large, there is a delay in preparation of salary. The same has already lead to penal action against company by labor department of the state.

- **Step 4: Define the objectives/goals to be achieved implementing BPA**

The objective for implementing BPA, being:

- Correct recording of attendance.
- Timely compilation of monthly attendance so that salary can be calculated and distributed on a timely basis.
- To ensure compliance with statutes.

- **Step 5: Engage the business process consultant**

XYZ Limited a consultant of repute has been engaged for the same. The consultant has prior experience and also knowledge about entity's business.

- **Step 6: Calculate the RoI for project**

The BPA may provide Tangible benefits in the form of reduced penalties and intangible benefits which may include:

- Better employee motivation and morale,
- Reduced difference between employees,
- More focus on work rather than salary, and
- Improved productivity.

- **Step 7: Developing the BPA**

Implementing BPA includes would result in the following:

- All employees would be given electronic identity cards.
- The cards would contain details about employees.
- The attendance system would work in the following manner:
 - Software with card reading machine would be installed at the entry gate.
 - Whenever an employee enters or leaves the company, he/she needs to put the card in front of machine.
 - The card reading machine would be linked to the software which would record the attendance of the employee.
 - At the end of month the software would print attendance reports employee-wise.
 - These reports would also point out how many days an employee has reported late in the month.
 - Based on this report monthly attendance is put in the system to generate the monthly salary.

- **Step 8: Testing the BPA**

Before making the process live, it should be thoroughly tested.

The above illustrations are of entities, which have gone for business process automation. There are thousands of processes across the world for which entity have gone for BPA and reaped numerous benefits. These include:

- Tracking movement of goods,
- Sales order processing,
- Customer services departments,
- Inventory management,
- Employee Management System, and
- Asset tracking systems.

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – B: STRATEGIC MANAGEMENT

Multiple Choice Questions

1. In the questions given below select the best answer out of options (A), (B), (C), or (D):
- (a) Consider the following statements:
- i. An opportunity is inherent capacity of an organisation
 - ii. Opportunity enables an organisation to consolidate and strengthen its position.
 - iii. Growing demand for the company's products is an opportunity.
- Which of the above statements correctly explain opportunity:
- (A) i and ii
 - (B) i and iii
 - (C) ii and iii
 - (D) i, ii and iii
- (b) Which of the following is not part of macro environment?
- (A) Fashion
 - (B) Laws
 - (C) Internet
 - (D) Suppliers
- (c) Statement that describes an organizations present capabilities, customer focus, activities, and business makeup is:
- (A) Business policy
 - (B) Mission
 - (C) Strategy
 - (D) Vision
- (d) External risk is on account of _____ between strategies and the forces in the environment.
- (A) Cohesiveness
 - (B) Inconsistencies
 - (C) Interdependence
 - (D) Proximity

- (e) A merger of two unrelated organisation is:
 - (A) Co-generic merger
 - (B) Conglomerate merger
 - (C) Horizontal merger
 - (D) Vertical merger
- (f) Face-to-face interaction of sales force with the prospective customers is
 - (A) Direct marketing
 - (B) Personal Selling
 - (C) Promotion
 - (D) Publicity
- (g) Functional organisation structures are _____ in nature with _____ cost.
Select right combination to fill in the blank.
 - (A) Complex, low
 - (B) Complex, Significant
 - (C) Simple, low
 - (D) Simple, Significant
- (h) Approach of setting goals and measuring productivity based on best industry practices is
 - (A) Benchmarking
 - (B) Improvement
 - (C) Objectives
 - (D) Standards
- (i) Dog in the BCG Matrix is
 - (A) Diversify
 - (B) Divest
 - (C) Invest
 - (D) High growth
- (j) Transformational leaders are suited for:
 - (A) An organization in turbulent environment.
 - (B) A growing organization
 - (C) An organization in a stable environment
 - (D) Organization that are performing well

Chapter 1 : Business Environment

2. Do you think that businesses can succeed in the long with profit as their main objective? What are other objectives of a business?
3. Environment analysis helps in achieving objectives. Discuss. Why should organisations conduct environment analysis?

Chapter 2 : Business Policy and Strategic Management

4. What are the major dimensions of strategic decision making?
5. What is Corporate Strategy? How would you argue that 'corporate strategy' ensures the correct alignment of the firm with its environment?

Chapter 3 : Strategic Analysis

6. Explain the concept of Experience Curve and highlight its relevance in strategic management.
7. What are driving forces that may trigger change? Give common driving forces.

Chapter 4 : Strategic Planning

8. What is 'strategic uncertainty'? What is its impact on strategic planning?
9. The Management of a sick company manufacturing various electrical home appliances seeks your advice for an appropriate retrenchment strategy. What will be your advice and why?

Chapter 5 : Formulation of Functional Strategy

10. Distinguish between logistic management and supply chain management.
11. An organisation faces several variables that may lead to success or failure of strategy. Do you agree? Give a few examples of marketing decisions.

Chapter 6 : Strategy Implementation and Control

12. Explain that successful strategy formulation does not guarantee successful strategy implementation. How strategy formulation is different from strategy implementation?
13. What are the leadership roles that managers play in pushing good strategy execution? Discuss.

Chapter 7 : Reaching Strategic Edge

14. What are the various guiding principles of total quality management?
15. To implement six sigma in an organisation is difficult. Explain the critical elements of six sigma.

SUGGESTED ANSWERS/HINTS

1.

(a) (C)	(b) D	(c) B	(d) B	(e) B
(f) B	(g) C	(h) A	(i) B	(j) A

2. Profits cannot be primary objective in long run. While some profits are necessary, organizations need to pursue other objectives such as survival, stability, growth and like. These objectives also change with the changes in the environment. In general, all organizations aim for optimum utilization of resources and economy in operational costs. Some of the other important objectives of a business are as follows:

Survival: Survival is a basic, implicit objective of most organizations. While survival is an obvious objective, it gains more value and prominence during the initial stage of the establishment of the enterprise and during general economic adversity.

Stability: It is a cautious, conservative objective that is often employed when things are not very conducive. It is a strategy of least resistance in a hostile external environment.

Growth: This is a promising and popular objective which is equated with dynamism, vigor, promise and success. Enterprise growth may take one or more of the forms like increase in assets, manufacturing facilities, increase in sales and so on. Growth may take the enterprise along relatively unknown and risky paths.

Efficiency: Business enterprises seek efficiency in rationally choosing appropriate means to achieve their goals. In a sense, efficiency is an economic version of the technical objective of productivity – designing and achieving suitable input output ratios of funds, resources, facilities and efforts. Efficiency is a very useful operational objective.

3. Environmental analysis helps to anticipate opportunities and respond to them. It also helps strategists to develop an early warning system to prevent threats or to develop strategies which can turn a threat to the firm's advantage. It is difficult to anticipate future. To the extent it is estimated by analysis, managerial decisions are likely to be better.

In general, environmental analysis has three basic goals as follows:

- ◆ *First*, the analysis should provide an understanding of current and potential changes taking place in the environment. It is important that one must be aware of the existing environment. At the same time one must have a long term perspective about the future too.
- ◆ *Second*, environmental analysis should provide inputs for strategic decision making. Mere collection of data is not enough. The information collected must be useful for and used in strategic decision making.
- ◆ *Third*, environment analysis should facilitate and foster strategic thinking in organizations-typically a rich source of ideas and understanding of the context within

which a firm operates. It should challenge the current wisdom by bringing fresh viewpoints into the organization.

4. Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day-to-day working of the organizations. The major dimensions of strategic decisions are given below:
 - *Strategic issues require top-management decisions:* Strategic issues involve thinking in totality of the organizations and also there is lot of risk involved. Hence, problems calling for strategic decisions require to be considered by top management.
 - *Strategic issues involve the allocation of large amounts of company resources:* It may require huge financial investment to venture into a new area of business or the organization may require huge number of manpower with new set of skills in them.
 - *Strategic issues are likely to have a significant impact on the long term prosperity of the firm:* Generally the results of strategic implementation are seen on a long term basis and not immediately.
 - *Strategic issues are future oriented:* Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
 - *Strategic issues usually have major multifunctional or multi-business consequences:* As they involve organization in totality they affect different sections of the organization with varying degree.
 - *Strategic issues necessitate consideration of factors in the firm's external environment:* Strategic focus in organization involves orienting its internal environment to the changes of external environment.
5. Corporate strategy helps an organisation to achieve and sustain success. It is basically concerned with the choice of businesses, products and markets. It is often correlated with the growth of the firm.

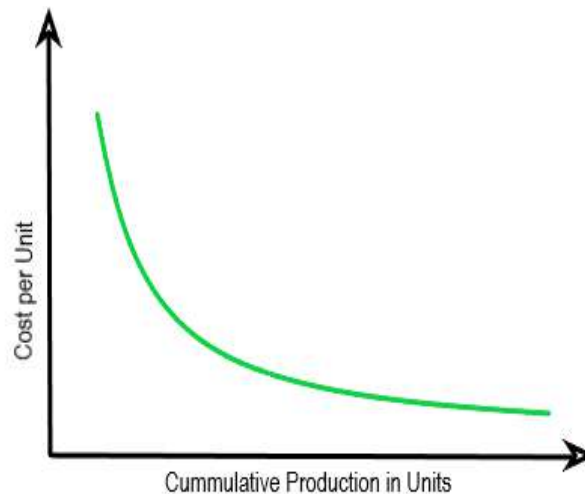
Corporate strategy in the first place ensures the growth of the firm and its correct alignment with the environment. Corporate strategies are concerned with the broad and long-term questions of what businesses the organization is in or wants to be in, and what it wants to do with those businesses. They set the overall direction the organization will follow. It serves as the design for filling the strategic planning gap. It also helps to build the relevant competitive advantages. A right fit between the firm and its external environment is the primary contribution of corporate strategy. Basically the purpose of corporate strategy is to harness the opportunities available in the environment and countering the threats embedded therein. With the help of corporate strategy, organizations match their unique capabilities with the external environment so as to achieve its vision and mission.
6. Experience curve is similar to learning curve which explains the efficiency gained by workers through repetitive productive work. Experience curve is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms

of a cumulative volume of production. The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage. Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.

Experience Curve has following features:

- ◆ As business organisation grow, they gain experience.
- ◆ Experience may provide an advantage over the competition. Experience is a key barrier to entry
- ◆ Large and successful organisation possess stronger “experience effect”.

A typical experience curve may be depicted as follows:



The concept of experience curve is relevant for a number of areas in strategic management. For instance, experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition.

7. Industry and competitive conditions of organisation change as environmental forces are in motion. The most dominant forces are called driving forces because they have the biggest influence on what kinds of changes will take place in the industry's structure and competitive environment. Analyzing driving forces has two steps: identifying what the driving forces are and assessing the impact they will have on the industry.

Many events can affect an industry powerfully enough to qualify as driving forces. Some are unique and specific to a particular industry situation, but many drivers of change fall into general category affecting different industries simultaneously. Some of the categories/examples of drivers are:

- ◆ The internet and the new e-commerce opportunities and threats it breeds in the industry.
 - ◆ Increasing globalization.
 - ◆ Changes in the long-term industry growth rate.
 - ◆ Product innovation.
 - ◆ Marketing innovation.
 - ◆ Entry or exit of major forms.
 - ◆ Diffusion of technical know-how across more companies and more countries.
 - ◆ Changes in cost and efficiency.
8. Strategic uncertainty has strategic implications and is a key idea in strategy formulation. A typical external analysis will emerge with dozens of strategic uncertainties. To be manageable, they need to be grouped into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.
- ◆ Sometimes the strategic uncertainty is represented by a future trend or event that has inherent unpredictability. Information gathering and additional analysis will not be able to reduce the uncertainty. In that case, scenario analysis can be employed. Scenario analysis basically accepts the uncertainty as given and uses it to drive a description of two or more future scenarios. Strategies are then developed for each. One outcome could be a decision to create organizational and strategic flexibility so that as the business context changes the strategy will adapt.
 - ◆ *Impact of a strategic uncertainty:* Each strategic uncertainty involves potential trends or events that could have an impact on present, proposed, and even potential strategic business units (SBUs). For example, a trend toward natural foods may present opportunities for juices for a firm producing aerated drinks on the basis of a strategic uncertainty. The impact of a strategic uncertainty will depend on the importance of the impacted SBU to a firm. Some SBUs are more important than others. The importance of established SBUs may be indicated by their associated sales, profits, or costs. However, such measures might need to be supplemented for proposed or growth SBUs for which present sales, profits, or costs may not reflect the true value to a firm. Finally, because an information-need area may affect several SBUs, the number of involved SBUs can also be relevant to a strategic uncertainty's impact.
9. A sick company has huge accumulated losses that have eroded its net worth. The electric home appliance company may analyse its various products to take decisions on their individual viability.

Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency.

Retrenchment strategy is adopted because:

- The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.
- The environment faced is threatening.
- Stability can be ensured by reallocation of resources from unprofitable to profitable businesses.

Retrenchment grand strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems. These steps result in different kinds of retrenchment strategies.

Turnaround strategy: If the organization chooses to transform itself into a leaner structure and focuses on ways and means to reverse the process of decline, it adopts a turnaround strategy. It may try to reduce costs, eliminate unprofitable outputs, generate revenue, improve coordination, better control, and so on. It may also involve changes in top management and reorienting leadership.

Divestment Strategy: Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.

Liquidation Strategy: In the retrenchment strategy, the most extreme and unattractive is liquidation strategy. It involves closing down a firm and selling its assets.

It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure. Liquidation strategy may be unpleasant as a strategic alternative but when a "dead business is worth more than alive", it is a good proposition.

The management of a sick company manufacturing various electrical home appliances be explained about the each of the above three options of retrenchment strategy with their pros and cons. But the appropriate advice with respect to a particular option of retrenchment strategy will depend on the specific circumstances of each electrical home appliances and management goals of the company.

10. Supply chain management is an extension of logistic management. However, there are differences between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfillment of

orders, inventory management and supply/demand planning. Although these activities also form part of supply chain management, the latter is much broader. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management is an integrating function of all the major business activities and business processes within and across organisations. Supply Chain Management is a systems view of the linkages in the chain consisting of different channel partners – suppliers, intermediaries, third-party service providers and customers. Different elements in the chain work together in a collaborative and coordinated manner. Often it is used as a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

11. Yes, a business organization faces countless marketing variables that affect the success or failure of strategy implementation. Marketing in recent decades has gained a lot of importance. Marketing constitutes different processes, functions, exchanges and activities that create perceived value by satisfying needs of individuals. Marketing induces or helps in moving people closer to making a decision to purchase and facilitate a sale.

Some examples of marketing decisions that may require special attention are as follows:

- ◆ What should be the features of product?
- ◆ The distribution network to be used.
- ◆ The promotion aspects to cover in communications. The amount and the extent of advertising.
- ◆ Whether to limit or enhance the share of business done with a single or a few customers?
- ◆ Whether to be a price leader or a price follower?
- ◆ Whether to offer a complete or limited warranty?
- ◆ Whether to reward salespeople based on straight salary, straight commission, or on a combination of salary/commission?

12. Successful strategy formulation does not guarantee successful strategy implementation. It is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation)! Although inextricably linked, strategy implementation is fundamentally different from strategy formulation. Strategy formulation and implementation can be contrasted in the following ways:

Strategy Formulation	Strategy Implementation
◆ Strategy formulation is positioning forces before the action.	◆ Strategy implementation is managing forces during the action.

◆ Strategy formulation focuses on effectiveness.	◆ Strategy implementation focuses on efficiency.
◆ Strategy formulation is primarily an intellectual process.	◆ Strategy implementation is primarily an operational process.
◆ Strategy formulation requires good intuitive and analytical skills.	◆ Strategy implementation requires special motivation and leadership skills
◆ Strategy formulation requires coordination among a few individuals	◆ Strategy implementation requires combination among many individuals.

13. A strategy manager has many different leadership roles to play in the area of strategy, conducive culture, managing resources, problem solver, spokesperson, decision maker, etc. Depending upon the circumstances, he needs to act in authoritarian or participative manner. For the most part, major change efforts have to be top-down and vision-driven. Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. Managers have five leadership roles to play in pushing for good strategy execution:
- Staying on top of what is happening, closely monitoring progress, ferreting out issues, and learning what obstacles lie in the path of good execution.
 - Promoting a culture and team spirit that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
 - Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
 - Exercising ethics leadership and insisting that the company conduct its affairs like a model corporate citizen.
 - Pushing corrective actions to improve strategy execution and overall strategic performance.
14. Implementing TQM requires organization wide support. There are several principles that guide success of TQM. Various principles that guide the total quality management philosophy are as follows:
- ◆ A sustained management commitment to quality
 - ◆ Focusing on the customer
 - ◆ Preventing rather than detecting defects
 - ◆ Universal quality responsibility
 - ◆ Quality measurement

- ◆ Continuous improvement and learning
- ◆ Root cause corrective action
- ◆ Employee involvement and empowerment
- ◆ The synergy of teams
- ◆ Thinking statistically
- ◆ Inventory reduction
- ◆ Value improvement
- ◆ Supplier teaming
- ◆ Training

15. The critical elements of six sigma can be put into six themes as follows:

- **Theme one** – *genuine focus on the customer*: Companies launching six sigma often to find that how little they really understand about their customers. In six sigma, customer focus becomes the top priority. For example, the measures of six sigma performance begin with the customer. Six sigma improvements are defined by their impact on customer satisfaction and value.
- **Theme two** – *data and fact-driven management*: Six sigma takes the concept of "management by fact" to a new, more powerful level. Despite the attention paid in recent years to improved information systems, knowledge management, and so on, many business decisions are still being based on opinions, assumptions and gut feeling. Six sigma disciplines begins by clarifying what measures are key to gauging business performance and then gathers data and analyzes key variables. Problems are effectively defined, analyzed, and resolved. Six sigma also helps managers to answer two essential questions to support data-driven decisions and solutions.
 - What data/information is really required?
 - How to use the data/information for maximum benefit?
- **Theme three** – *processes are where the action is*: Designing products and services, measuring performance, improving efficiency and customer satisfaction and so on. Six sigma positions the process as the key vehicle of success. One of the most remarkable breakthroughs in Six Sigma efforts to date has been convincing leaders and managers. Process may relate to build competitive advantage in delivering value to customers.
- **Theme four** – *proactive management*: In simple terms, being proactive means acting in advance of events rather than reacting to them. In the real world, though, proactive management means making habits out of what are, too often, neglected business practices: defining ambitious goals and reviewing them frequently, setting clear priorities, focusing on problem prevention rather than fire-fighting, and questioning

why we do things instead of blindly defending them.

- **Theme five** – *boundaryless collaboration*: "Boundarylessness" is one of Jack Welch's mantras for business success. Years before launching six sigma, GE's chairman was working to break barriers and to improve teamwork up, down, and across organizational lines. The opportunities available through improved collaboration within companies and with vendors and customers are huge. Billions of dollars are lost every day because of disconnects and outright competition between groups that should be working for a common cause: providing value to customers.
- **Theme six** – *drive for perfection; tolerate failure*: Organizations need to make efforts to achieve perfection and yet at the same time tolerate failure. In essence, though, the two ideas are complementary. No company will get even close to six sigma without launching new ideas and approaches-which always involve some risk. Six sigma cannot be implemented by individuals who are overly cautious and are scared of making mistakes.