

MOCK TEST PAPER

INTERMEDIATE (IPC): GROUP – II

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

Time Allowed – 1½ Hours

Maximum Marks: 50 Marks

Part I: Multiple Choice Questions

Total Marks: 15 Marks

Question Nos. 1 to 5 belong to the case scenario and carries 2 marks each.

Fit&Fine is one of the renowned gymnasium in South Delhi established in 2016. The gym is very famous for its health services, latest equipment, cordial environment, and experts. The Fit&Fine gym management has excellent arrangement for its customers as well as employees. A Dietician and a physician are also associated with gym during the gym timings of 5:00 am to 10:00 pm all days.

On the occasion of Diwali in 2019, the gym also launched an online Fit&Fine Gym Aggregator service application to reach out and get connected to more customers through various gyms located in West and North Delhi. For its new e-business as online gym aggregator, Fit&Fine entered into various electronic agreements with many other gyms in West Delhi and North Delhi prescribing the specific terms and conditions of the agreement. All these gyms associated with Fit&Fine are required to provide fitness related best services to its customers.

The services of various associated gyms can be availed by the customers either through the Gym Aggregator service application or through physical visit at the registered gyms in the app by paying onetime membership fees of ₹ 3000 and gets unique membership id and PIN number to avail the facilities. A member can either book for his/her physical visit or online session with any of these registered gyms associated with Fit&Fine using the membership id.

1. Though Fit&Fine gym and other registered gyms have excellent arrangements for health and safety of its employees; yet the management of the gym remains concerned about any negligence that may occur and the risks that can expose it to various fines and penalties posed by any regulatory agency. Which type of business risk is the management here referring to?
 - (a) Strategic Risk
 - (b) Regulatory Risk
 - (c) Hazard Risk
 - (d) Operational Risk

2. The IT team managing the Fit&Fine Gym Aggregator application manages the MIS Report on various parameters like – number of bookings for online sessions/physical meetings done each day, joining of new members per month etc. The information so extracted through these MIS reports have following criterions except one. Identify it.
 - (a) Relevant
 - (b) Accurate
 - (c) Timely
 - (d) Confidential

3. Fit&Fine gym provides Unique Id and PIN number as an access control mechanism to its customers to avail the facilities provide through Gym aggregator service app. From the following controls, identify the Application control under which this specific access control mechanism falls.
- (a) Physical Control
 - (b) Boundary Control
 - (c) Communication Control
 - (d) Management Control
4. In purview of above case scenario, there can be a possibility that any registered gym with Fit&Fine Gym aggregator online service may violate the terms and conditions of the agreement done between the two. Which type of risk is associated with this e-Commerce transaction?
- (a) Lack of authenticity of transaction
 - (b) Problem of anonymity
 - (c) Repudiation of contract
 - (d) Privacy and security
5. In purview of above case scenario, customer can pay its membership fees through credit card to Fit&Fine. Which risk is taken care in case the banking system key control is established that transaction cannot be made if the aggregate limit of out- standing amount exceeds the credit limit assigned to customer?
- (a) Credit Line setup is unauthorized and not in line with the bank's policy.
 - (b) Credit Line setup can be breached.
 - (c) Masters defined for the customer are not in accordance with the Pre-Disbursement Certificate.
 - (d) Inaccurate reconciliations performed. **(2 x 5 = 10 Marks)**

Question Nos. 6 to 10 carries 1 mark each.

6. Identify from the following controls of Information System that deals with organization's policies, procedure and planning.
- (a) Management Controls
 - (b) Environmental Controls
 - (c) Access Controls
 - (d) Physical Controls
7. Mr. Neeraj is working on a project on healthcare system where he has to perform data mining on the database of patients of last five years in ABC Hospital. The hospital provided him inconsistent data with lots of errors and missing values. He has to apply various techniques to get rid of these anomalies. Identify from the following process which he can use to get rid of these anomalies.
- (a) Data Cleaning
 - (b) Data Selection
 - (c) Data Integration
 - (d) Data Transformation

8. Mr. X and Mr. Y are employees of XYZ Ltd. In the office during lunch time when Mr. Y was not on his seat, Mr. X stole the pen drive of Mr. Y containing some confidential information from his system. Under which of the following section of Information Technology Act, 2000, is Mr. X punishable?
- Section 66B
 - Section 66C
 - Section 66D
 - Section 43
9. Which of the following is not true about cloud computing?
- Data and information can be accessed with minimal upfront spending in a pay-as-you-go approach.
 - Getting more work done in less time with less resources are possible.
 - Customers may have to face restrictions on the availability of applications, operating systems and infrastructure options.
 - It is feasible to confine within budgetary allocations and can be ahead of completion cycle times.
10. The risk management strategy that is followed by an organization in case the impact and probability of risk is very low. Which type of the risk management strategy would be followed in this case?
- Tolerate the risk.
 - Terminate the risk.
 - Share the risk.
 - Treat the risk.

(1 x 5 = 5 Marks)

Part II: Descriptive Questions

Total Marks: 35 Marks

Question No. 1 is compulsory.

Attempt any three questions out of remaining four questions.

- Identify the controls that are designed to detect errors, omissions or malicious acts that occur and report the occurrence and explain them. (3 Marks)
 - Define the Process of Money Laundering. (2 Marks)
- Mr. X is the chief manager of ABC Ltd. - a shoe manufacturing company in New Delhi. He has put a proposal to top management to implement ERP system to enhance the quality in production across processes in company. The management asked him to prepare a report on how the quality management module of ERP would help the company to accelerate its business processes. Describe all the points that Mr. X may write in his report regarding quality Management Module of ERP. (6 Marks)
 - Mr. G has started his new business of homemade biscuits and cookies through online mode. He has a website having detail of all its products and payment gateway. Identify different ways that should be followed by him to protect his e-business from intrusion? (4 Marks)
- DEF Ltd., a wealth Management Company has its head office in Bengaluru and wants to set up a new office at Mumbai. For the new setup, the DEF Ltd.'s managerial controls are required to be enforced to ensure that the development, implementation, operation and maintenance of information systems at Mumbai office is in planned and controlled manner. Determine all the activities that deal with the Systems Development Management Controls that are responsible for

- the functions concerned with analyzing, designing, building, implementing and maintaining information systems. **(6 Marks)**
- (b) The organizations implementing ERP systems should keep abreast of the latest technological developments and implementation which is required to survive and thrive. Enlist all the risks associated with technological aspect of an ERP system. **(4 Marks)**
4. (a) Mr. Amar runs a grocery shopping centre and uses only cash mode for the payments from his customers. However, on regular demand of his customers, he wants to use digital mode of payment also. As a novice, he worries about the security and hassles involved in digital mode of payment as well. Enlist advantages and disadvantages of digital mode of payment for him to make him better understand it. **(6 Marks)**
- (b) ABC Company is having Internal Control System that provides it reasonable assurance about the achievement of ABC's objectives regarding reliability of financial reporting, effectiveness and efficiency of operations. However, the company is not able to achieve its objectives. Write the limitations of Internal Control System that hinder the success of ABC Company. **(4 Marks)**
5. (a) J&J Pvt. Ltd. wants to start its e-business in India. Enlist the positive impacts of IT Act, 2000 in perspective of e-commerce in India that would help J&J Pvt. Ltd. to promote their business. **(6 Marks)**
- (b) ABC is a newly established financial company that wants to obtain ISO 27001 certificate for information security to mitigate the risks of information technology. Write all the sub-processes included in implementation of Information Security. **(4 Marks)**

INTERMEDIATE (NEW): GROUP – II
SECTION – B: STRATEGIC MANAGEMENT

Time Allowed – 1½ Hours

Maximum Marks – 50

Question 1 and 2 are compulsory.

Attempt any three questions out of remaining four questions.

1. (A) Aero Mind Bridge Technologies Ltd (AMBTL) is a software development company work as a solution provider to airlines industry. The company was established more than a decade ago by Mr. Pranshu Gupta having experience of working in United States of America (USA). His entrepreneurial desires brought him back to India to promote Aero Mind Bridge Technologies Ltd (AMBTL). The company started its operations with a meagre capital of ₹ 10 lakhs with limited workforce. Currently, it enjoys a valuation of more than ₹ 50 crores. Almost everybody acknowledged the competency of AMBTL in developing customised software for the airlines industry.

The high growth of the company was mainly on account of the heavy inflows of the funds in the airlines industry from various big business houses that have diversified into airlines industry. Currently, these business houses were in the manufacturing of FMCG, textiles, packaging etc. and having good expertise and uniqueness in these industries.

However, AMBTL saw stagnation in last three years. The order position was shrinking day by day. The margins were also reducing. Last year was particularly bad for the AMBTL and its annual sales reduced by 20 % for the first time since its inception.

Most of the business houses that had entered in the airlines industry had less knowledge and experience in the industry. However, their desire to diversify and seeing new opportunity in the airlines industry prompted them to invest heavily into the industry.

However, things did not turn out to be as expected. The tough competition between several players, reduction in the fare by railways and high prices of aviation fuel created problems for the industry. The sector was not able to generate reasonable profits thus resulting difficulty in maintaining operations. They were in need for hard to come by capital. Lately, the airlines industry is witnessing some consolidation with companies planning for mergers or even contemplating closures.

The general global recession also resulted in the reduction of travel expenditure of corporates resulting in decrease in the order position of AMBTL.

Based on the above Case Scenario, answer the Multiple Choice Questions which are as follows:

Multiple Choice Questions (MCQs)

- (i) Identify the nature of diversification by the business houses entering into airlines industry.
- (a) Concentric diversification
 - (b) Conglomerate diversification
 - (c) Vertically integrated diversification
 - (d) Horizontal integrated diversification
- (1 Mark)**
- (ii) The big business houses were in the manufacturing of FMCG, textiles, packaging etc. and having good expertise and uniqueness in these industries. But they are not performing well in airlines industry because of

- (a) Non availability of funds
- (b) Incompetent workforce
- (c) Rapid technological changes
- (d) Lacking core competence

(1 Mark)

(iii) According to Michael Porter's model, identify the competitive pressures faced by airlines industry as per the given scenario.

1. Competitive pressure among rival sellers
2. Competitive pressure from suppliers
3. Competitive pressure from substitute products
4. Competitive pressure from buyers
5. Competitive pressure from new entrants

Select the correct combination in the above scenario:

- (a) 1, 2 & 3
- (b) 1, 3 & 4
- (c) 2, 3 & 5
- (d) 1, 4 & 5

(1 Mark)

(iv) AMBTL can be identified as a Star as per BCG's Growth Matrix, basis the rapid growth it has shown to maintain market and fuel the growth potential. For last three years, AMBTL turn into, as per the BCG matrix, when its growth slows down?

- (a) Dog
- (b) Question Mark
- (c) Will remain a star
- (d) Cash Cow

(2 Marks)

(v) Mr. Pranshu Gupta as a core strategist of AMBTL, authorised for bringing about strategic change in his company, how he will initiate "unfreezing of the situation"?

- (a) Promoting new ideas throughout the organization
- (b) Promoting compliance throughout the organization
- (c) Promoting change in process throughout the organization
- (d) None of the above

(1 Mark)

(B) Members of Infinite Care, an NGO, have met and determined that they need to formulate a philosophical basis for their activities. Thereby they have come up with a statement:-

"Provide children till age 12, living in homeless or low-income situations, with the essential items they need to thrive – at home, at school and at play"

Identify the area of strategic intent, which the members have stated?

- (a) Vision
- (b) Business Definition
- (c) Goal and Objective

- (d) Mission **(2 Marks)**
- (C) Sport Spirit (SS) is a medium sized sports retailer. It currently operates three shops in the city at centre locations. The management of Sport Spirit (SS) has a very careful recruitment policy; any applicant must have a 'passion for sport'. Which one of the following functional strategies would best describe by SS?
- (a) Human Resource Strategy
 - (b) Financial Strategy
 - (c) Operation Strategy
 - (d) Marketing Strategy **(1 Mark)**
- (D) Dee Limited is an international clothing retailer. The company is making the following decisions:
- i. Should another range of shops be established?
 - ii. Should the company float more share capital?
 - iii. How will the premises be fitted out for the new range of shops?
- Which of the above decisions will be taken by corporate level managers?
- (a) Only (i)
 - (b) Only (ii)
 - (c) (i) & (ii)
 - (d) (ii) & (iii) **(1 Mark)**
- (E) 'Strategic group mapping' helps in-
- (a) Identifying the strongest rival companies
 - (b) Identifying weakest rival companies
 - (c) Identifying weakest and strongest rival companies
 - (d) None of the above **(1 Mark)**
- (F) Low cost, differentiation and focus are:
- (a) SBU level strategies
 - (b) Corporate level strategies
 - (c) Business level strategies
 - (d) Functional level strategies **(1 Mark)**
- (G) Supply chain refers to the linkages between:
- (a) Suppliers
 - (b) Customers
 - (c) Manufacturers
 - (d) All the above **(1 Mark)**

- (H) When two organisations combine to increase their strength and financial gains along with reducing competition is called-----.
- (a) Hostile takeover
 - (b) Liquidation
 - (c) Merger
 - (d) Acquisition **(1 Mark)**
- (I) Which of the following would be chosen by the core strategist to implement operational control?
- (a) Premise Control
 - (b) Special Alert Control
 - (c) Implementation Control
 - (d) Budgetary Control **(1 Mark)**
2. Delta Co. is an organization specializing in Information Technology enabled Services (ITeS) and Communications business. Last year, the organization had successfully integrated an Artificial Intelligence (AI) tool named 'Zeus' into the existing ERP system. The AI tool, using Deep Learning technique provided a digital leap transformation in various business processes and operations. It has significantly diminished the role played by specialist managers of the middle management. This technological tool in addition to saving organizational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organization and assists in quick decision making. The skewed middle level managers now perform cross-functional duties. Which type of organizational structure is the company transitioning into? **(5 Marks)**
3. (a) Write short note on expansion through acquisitions and mergers. **(5 Marks)**
- (b) How would you argue that Research and Development Personnel are important for effective strategy implementation? **(5 Marks)**
4. (a) What benefits accrue by following a strategic approach to managing? **(5 Marks)**
- (b) Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly. **(5 Marks)**
5. (a) Identify three aspects of impact of IT Systems on Business Process Reengineering and list three areas where it provides business value. **(5 Marks)**
- (b) Distinguish between Cost Leadership and Differentiation Strategies. **(5 Marks)**
6. (a) Explain the concept of Experience Curve and highlight its relevance in strategic management. **(5 Marks)**
- (b) What is corporate culture? How is it both strength and weakness of an organisation? **(5 Marks)**

MOCK TEST PAPER

INTERMEDIATE (IPC): GROUP – II

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

ANSWERS

PART-I: MULTIPLE CHOICE QUESTIONS

1. (b) Regulatory Risk
2. (d) Confidential
3. (b) Boundary Control
4. (c) Repudiation of contract
5. (b) Credit Line setup can be breached.
6. (a) Management Control
7. (a) Data Cleaning
8. (a) Section 66B
9. (c) Customers may have to face restrictions on the availability of applications, operating systems and infrastructure options.
10. (a) Tolerate the risk.

PART II: DESCRIPTIVE ANSWERS

1. (a) **Detective Controls** are designed to detect errors, omissions or malicious acts that occur and report the occurrence. In other words, Detective Controls detect errors or incidents that elude preventive controls. A detective control may identify account numbers of inactive accounts or accounts that have been flagged for monitoring of suspicious activities. Detective controls can also include monitoring and analysis to uncover activities or events that exceed authorized limits or violate known patterns in data that may indicate improper manipulation. For sensitive electronic communications, detective controls can indicate that a message has been corrupted or the sender's secure identification cannot be authenticated.

Some of the examples of Detective Controls include review of payroll reports; compare transactions on reports to source documents; monitor actual expenditures against budget; use of automatic expenditure profiling where management gets regular reports of spend to date against profiled spend; hash totals; check points in production jobs; echo control in telecommunications; duplicate checking of calculations; past-due accounts report; the internal audit functions; Intrusion Detection System; Cash counts and bank reconciliation and Monitoring expenditures against budgeted amount etc.

The main characteristics of Detective controls are given as follows:

- Clear understanding of lawful activities so that anything which deviates from these is reported as unlawful, malicious, etc.;
- An established mechanism to refer the reported unlawful activities to the appropriate person or group;

- Interaction with the preventive control to prevent such acts from occurring; and
 - Surprise checks by supervisor.
- (b) **Money Laundering** is the process by which the proceeds of the crime and the true ownership of those proceeds are concealed or made opaque so that the proceeds appear to come from a legitimate source. The objective in money laundering is to conceal the existence, illegal source, or illegal application of income to make it appear legitimate. Money laundering is commonly used by criminals to make 'dirty' money appear 'clean' or the profits of criminal activities are made to appear legitimate.
2. (a) Quality Management module collaborates in procurement and sales, production, planning, inspection, notification, control, audit management and so on. It involves the following processes.
- **Quality Planning:** Quality planning is the process of planning the production activities to achieve the goals of meeting the customer requirements in time, within the available resources.
 - **Quality Control:** It is a system for ensuring the maintenance of proper standards in manufactured goods, especially by periodic random inspection of the product. It involves the checking and monitoring of the process and products with an intention of preventing non-conforming materials from going to the customer. Various result areas are identified for each process and studies are conducted to verify whether those results are being achieved.
 - **Quality Assurance:** Quality assurance concentrates on identifying various processes, their interactions and sequence, defining the objectives of each process, identifying the key result areas and measures to measure the results, establishing the procedures for getting the required results, documenting the procedures to enable everyone to follow the same, educating the people to implement the procedures, preparing standard operating instructions to guide the people on work spot, monitoring and measuring the performance, taking suitable actions on deviations and continuously improving the systems.
 - **Quality Improvement:** Quality improvement is a never-ending process. The customer's needs and expectations are continuously changing depending on the changes in technology, economy, political situation, ambitions and dreams, competition, etc.
- (b) Some ways through which e- business can be protected from intrusion are as follows:
- i. **Viruses:** Check your website daily for viruses, the presence of which can result in the loss of valuable data.
 - ii. **Hackers:** Use software packages to carry out regular assessments of how vulnerable your website is to hackers.
 - iii. **Passwords:** Ensure employees change these regularly and that passwords set by former employees of your organization are defunct.
 - iv. **Regular software updates:** Your site should always be up to date with the newest versions of security software. If you fail to do this, you leave your website vulnerable to attack.
 - v. **Sensitive data:** Consider encrypting financial information and other confidential data (using encryption software). Hackers or third parties will not be able to access encrypted data without a key. This is particularly relevant for any e-Commerce sites that use a shopping cart system.
 - vi. Know the details of your payment service provider contract.

3. (a) The activities that deal with the System Development Management controls are as follows:
- ◆ **System Authorization Activities:** All systems must be properly and formally authorized to ensure their economic justification and feasibility. This requires that each new system request be submitted in written form by users to systems professionals who have both the expertise and authority to evaluate and approve (or reject) the request.
 - ◆ **User Specification Activities:** Users must be actively involved in the systems development process wherein a detailed written descriptive document of the logical needs of the users is created.
 - ◆ **Technical Design Activities:** The technical design activities translate the user specifications into a set of detailed technical specifications of a system that meets the user's needs.
 - ◆ **Internal Auditor's Participation:** The internal auditor should be involved at the inception of the system development process to make conceptual suggestions regarding system requirements and controls and should be continued throughout all phases of the development process and into the maintenance phase.
 - ◆ **Program Testing:** All program modules must be thoroughly tested before they are implemented. The results of the tests are then compared against predetermined results to identify programming and logic errors.
 - ◆ **User Test and Acceptance Procedures:** Just before implementation, the individual modules of the system must be tested as a unified whole. A test team comprising user personnel, systems professionals, and internal audit personnel subjects the system to rigorous testing. Once the test team is satisfied that the system meets its stated requirements, the system is formally accepted by the user department(s).
- (b) All the risks associated with Technological Aspect of an ERP system are as follows:
- ❖ **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.
 - ❖ **Technological Obsolescence:** With the advent of more efficient technologies every day, the ERP system also becomes obsolete as time goes on.
 - ❖ **Enhancement and Upgrades:** ERP Systems are not upgraded and kept up-to-date. Patches and upgrades are not installed and the tools are underutilised.
 - ❖ **Application Portfolio Management:** These processes focus on the selection of new business applications and the projects required delivering them.
4. (a) The **Advantages** of Digital Payments are as follows:
- (i) **Easy and convenient:** Digital payments are easy and convenient. Person do not need to take loads of cash with themselves.
 - (ii) **Pay or send money from anywhere:** With digital payment modes, one can pay from anywhere anytime.
 - (iii) **Discounts from taxes:** Government announces many discounts to encourage digital payments off and on.
 - (iv) **Written record:** User often forgets to note down his / her spending, or even if nothing is done it takes a lot of time. These are automatically recorded in passbook or inside E-Wallet app. This helps to maintain record, track spending and budget planning.

- (v) **Less Risk:** Digital payments have less risk if used wisely. If user loses mobile phone or debit/credit card or Aadhar card, no need to worry a lot. No one can use anyone else's money without MPIN, PIN or fingerprint in the case of Aadhar. It is advised that user should get card blocked, if lost.

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

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

(b) The limitations of Internal Control System that hinder the success of ABC Company 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 potential for human error, such as, due to carelessness, distraction, mistakes of judgement 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 judgements required in the preparation of financial statements.

5. (a) The Positive impacts of IT Act, 2000 in perspective of e-commerce in India are as follows:

- ◆ The Act offers the legal framework for the authentication and origin of electronic records/communications through digital signatures.
- ◆ The implications for the e-businesses would be that email would now be a valid and legal form of communication in India that can be duly produced and approved in a court of law.
- ◆ Companies shall now be able to carry out electronic commerce using the legal infrastructure provided by the Act.
- ◆ Digital signatures have been given legal validity and sanction in the Act.
- ◆ The Act throws open the doors for the entry of corporate companies in the business of being Certifying Authorities for issuing Digital Signatures Certificates.
- ◆ The Act now allows Government to issue notification on the web thus heralding e-governance.
- ◆ The Act enables the companies to file any form, application or any other document with any office, authority, body or agency owned or controlled by the appropriate Government in

electronic form by means of such electronic form as may be prescribed by the appropriate Government.

- ◆ The IT Act also addresses the important issues of security, which are so critical to the success of electronic transactions.
- ◆ The Act has given a legal definition to the concept of secure digital signatures that would be required to have been passed through a system of a security procedure, as stipulated by the Government at a later date.

(b) Information security is comprised of the following sub-processes:

- **Information Security Policies, Procedures and practices:** Refers to the processes relating to approval and implementation of information security. The security policy is basis on which detailed procedures and practices are developed and implemented at various units/department and layers of technology, as relevant. These cover all key areas of securing information at various layers of information processing and ensure that information is made available safely and securely.
- **User Security Administration:** Refers to security for various users of information systems. The security administration policy documents define how users are created and granted access as per organization structure and access matrix. It also covers the complete administration of users right from creation to disabling of users is defined as part of security policy.
- **Application Security:** Refers to how security is implemented at various aspects of application right from configuration, setting of parameters and security for transactions through various application controls.
- **Database Security:** Refers to various aspects of implementing security for the database software.
- **Operating System Security:** Refers to security for operating system software which is installed in the servers and systems which are connected to the servers.
- **Network Security:** Refers to how security is provided at various layers of network and connectivity to the servers.
- **Physical Security:** Refers to security implemented through physical access controls.

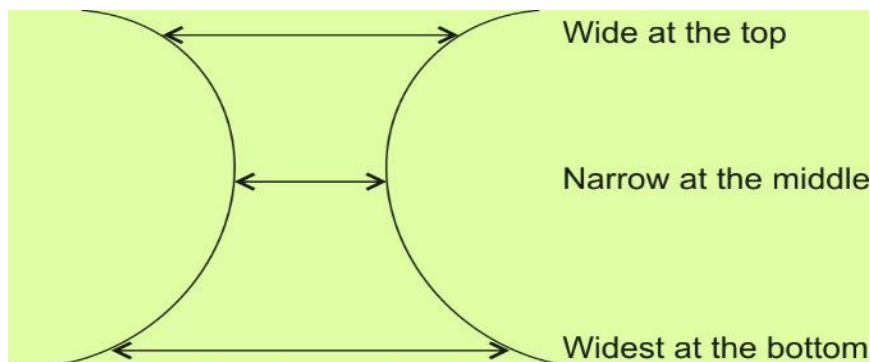
INTERMEDIATE (NEW): GROUP – II
SECTION – B: STRATEGIC MANAGEMENT
SUGGESTED ANSWERS/HINTS

1. (A)

(i)	(ii)	(iii)	(iv)	(v)
(b)	(d)	(a)	(d)	(a)

- (B) (d)
- (C) (a)
- (D) (c)
- (E) (c)
- (F) (c)
- (G) (d)
- (H) (c)
- (I) (d)

2. The Delta company is transitioning into the hourglass organization structure because it has used technological tools to transform various business processes and operations and has significantly diminished the role played by specialist managers of the middle management. The technological tool in addition to saving organizational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organization and assists in faster decision making. The skewed middle level managers now perform cross-functional duties. All these factors indicate towards hourglass organization structure.



3. (a) Acquisitions and mergers are basically combination strategies. Some organizations prefer to grow through mergers. Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity. In a merger, two organizations combine to increase their strength and financial gains along with breaking the trade barriers.

When one organization takes over the other organization and controls all its business operations, it is known as acquisition. In this process of acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, one that is financially stronger and bigger establishes its power. The combined operations then run under the name of the powerful entity. A deal in case

of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization either consumes the operation or a company in loss is forced to sell its entity.

- (b) Research and Development (R&D) personnel can play an integral part in strategy implementation. These individuals are generally be charged with developing new products and improving old products in a way that will allow effective strategy implementation. R&D employees and managers perform tasks that include transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets, and altering products to particular tastes and specifications.

Strategies such as product development, market penetration, and concentric diversification require that new products be successfully developed and that old products be significantly improved. But the level of management support for R&D is often constrained by resource availability.

4. (a) The following are the benefits of strategic approach to managing:

- ◆ Strategic management helps organisations to be more proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.
- ◆ Strategic management provides framework for all the major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to do.
- ◆ Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.
- ◆ Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It helps organisations to avoid costly mistakes in product market choices or investments. Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

- (b) A company's mission statement is typically focused on its present business scope — “who we are and what we do”; mission statements broadly describe an organizations present capability, customer focus activities and business makeup. An organisation's mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organisation. It helps organisation to set its own special identity, business emphasis and path for development. Mission amplifies what brings the organization to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business organisation.

In other words, the mission serves as a justification for the firm's very presence and existence; it legitimizes the firm's presence.

5. (a) Impact of IT Systems on Business Process Reengineering are identified as:

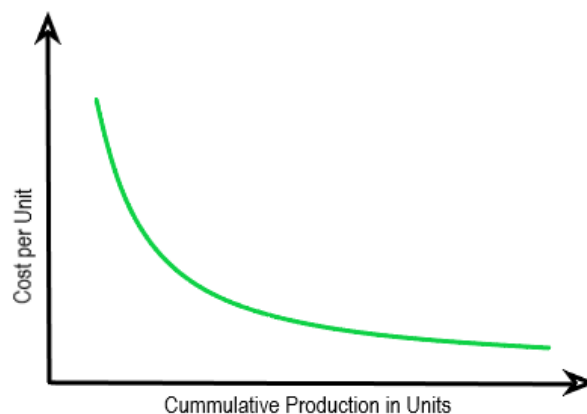
- Compression of time
- Overcoming restrictions of geography and/or distance
- Restructuring of relationships

IT initiatives, thus, provide business values in three distinct areas:

- Efficiency – by way of increased productivity
 - Effectiveness – by way of better management
 - Innovation – by way of improved products and services
- (b) Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

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

6. (a) 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. It is represented diagrammatically as follows:



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.

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.

- (b) Corporate culture distinguishes one organisation from another. It refers to a company's values, beliefs, business principles, traditions, and ways of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behaviour of managers. Culture affects not only the way managers behave within an organization but also the decisions they make about the organization's relationships with its environment and its strategy.

A culture grounded in values, practices, and behavioural norms that match what is needed for good strategy execution helps energize people throughout the company to do their jobs in a strategy-supportive manner, adding significantly to the power and effectiveness of strategy execution

Culture is both a strength and a weakness as follows:

Culture as a strength: As a strength, culture can facilitate communication, decision-making & control and create cooperation & commitment. An organization's culture could be strong and cohesive when it conducts its business according to a clear and explicit set of principles and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organization.

Culture as a weakness: As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change. An organization's culture could be characterized as weak when many subcultures exist, few values and behavioral norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment and loyalty with the organisation.