

MOCK TEST PAPER - 2
INTERMEDIATE 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 No(s). 1 to 5 carries 2 marks each.

Healthcare is an area where any Government must invest as the growth of any nation is directly related to health of its population. With the growing population, the demand in the Indian healthcare industry has drastically changed in terms of IT requirements of hospitals. The existing challenges within the current healthcare system must be catered to. In current situation, some challenges are lack of equipped health centers with specialized doctors, nurses and infrastructure like beds, equipment, and diagnostic labs; manual processing of patient's records and appointments; non-availability of medicines and treatment etc. especially in rural areas. Under this situation, automation is the only solution through which hassle free processing in hospitals are maintained and the quality of medical services in a holistic manner are monitored. The automation comes with a challenge to secure the sensitive information of the patients undergoing treatment in a hospital.

Owing to the facts of the 'health industry', one of the reputed hospitals named Suraksha 24x7 Hospital, having a network of five hospitals in Delhi/NCR, has well implemented a user-friendly ERP package named "SafeHealthWiz" in all its hospitals to stay well connected with each other using a central database. The IT head of Suraksha 24x7 Hospital takes the backup of data of all five branches on the last day of every month. The management is under the process of opening its new hospital to provide best medical facilities in Noida's rural areas. For this purpose, the management has taken the loan from New Corporation Bank of India and has procured the equipment from S&N Manufacturers, one of the renowned companies in manufacturing of medical equipment.

Attempt Q. No(s) 1 to 4 based on the above case scenario. Question no. 5 is independent.

1. All the five hospitals of Suraksha 24x7 in Delhi/NCR are interconnected with each other with a central database. The patients may visit any of its five branches anytime. The complete medical history of the patients can be fetched by any hospital and thus does not require the patients to carry their medical records or past prescriptions. What do you think is the technology behind?
 - (a) Cloud Computing
 - (b) Bring Your Own Device
 - (c) Grid Computing
 - (d) Mobile Computing
2. While finalizing the account statements of Faridabad based Suraksha 24x7 hospital, Mr. Nirmal the accountant, noticed that all the online transactions made in the month of September showed that slicing of small amounts of money has been performed. Which type of technical exposure does it refer to?
 - (a) Data Diddling
 - (b) Salami Technique
 - (c) Bomb
 - (d) Worm

3. For the proper management of its data resources among all its five hospitals in Delhi/NCR, the management of the Suraksha 24x7 Hospital hired a third party so that centralized planning and control could be well implemented. During the implementation of Data Resource Management Controls by the third party, which of the following would not be encompassed under it?
 - (a) The availability of system in the case of data loss due to unauthorized access.
 - (b) The assurance to recover the data in case of any equipment failure or physical disaster.
 - (c) The program validation of input data and batch control over data in transit through the hospital.
 - (d) The logic-based errors detected in the system are corrected.
4. All five Suraksha 24x7 Hospital use an ERP package named SafeHealthWiz. However, the issues like SafeHealthWiz not being upgraded, tools being underutilized and not kept up to date are related to _____ aspect of ERP Implementation.
 - (a) People
 - (b) Process
 - (c) Technological
 - (d) Implementation
5. An employee of ABC Bank, Mr. Sushil altered the specific computer source code so that some major transactions could go untraceable in the bank's database and illegal money could be routed outside the country. Under which Section of Information Technology Act, 2000, will this act of Mr. Sushil is punishable?
 - (a) Section 66E
 - (b) Section 66B
 - (c) Section 65
 - (d) Section 66D

Question No(s). 6 to 10 carries 1 Mark each.

6. NewChoice Garments is an apparel manufacturing company that produces the garments for men and kids. The company has decided to automate its business processes to get the following benefits except the one. Pick the odd one out.
 - (a) Reduction in the number of tasks that employees need to perform.
 - (b) Gives visibility of the processes' status to the organization.
 - (c) Failure to identify future business needs.
 - (d) Accomplish more by optimal utilization of fewer resources.
7. MKL Pvt Ltd. uses XBRL for its business reporting which the company requires to share with its various stake holders. Identify the feature of XBRL which inhibits poor quality information being sent to a regulator, by being run by the preparer while the report is in its draft version.
 - (a) Multilingual support
 - (b) Testable Business Rules
 - (c) Strong Software Support
 - (d) Clear Definition

8. MM Movers and Packers is known for its quality of services PAN India and has an automated working environment with well implemented Segregation of Duties (SoD) control. The following are the statements w.r.t. SoD.
- I. Certain transactions' authorization by two or more persons.
 - II. Split custody of high-value assets.
 - III. All transactions' authorization to be segregated individually to avoid duplication of work.
- Choose the correct assertion from aforementioned statements.
- (a) Only I
 - (b) Only II
 - (c) Both I & II
 - (d) Only III
9. Identify the statement from the following which is not true for Private Cloud under Cloud Computing.
- (a) Budget is normally not a constraint for such a model.
 - (b) It improves average server utilization, allowing usage of low-cost servers and hardware while providing higher efficiencies.
 - (c) It provides a higher level of security and privacy than public cloud.
 - (d) It exhibits a central control feature maintained by organization which is using the private cloud.
10. Ms. Kirti purchased online a new dress for her birthday from lookbeautiful.com. She used internet banking facility by using her username and password to make the payment for her dress. Which of the following server stores all the login details of Ms. Kirti?
- (a) Internet Banking Channel Server
 - (b) Internet Banking Application Server
 - (c) Web server
 - (d) Database Server

Part II: DESCRIPTIVE QUESTIONS

Question No. 1 is compulsory. Attempt any three out of remaining four questions.

1. (a) Write a short note on Audit Hooks. **(3 Marks)**
 (b) State various sources of risk that may exist in any organization. **(2 Marks)**
2. (a) Because of numerous advantages of flowchart, this form of pictorial representation is the most recommended form of presenting various processes used in any organization. In lieu of the above statement, mention several advantages of flowchart. **(6 Marks)**
 (b) Discuss all Back-end applications of key module of Core Banking Systems (CBS). **(4 Marks)**
3. (a) The Controlling module of Enterprise Resource Planning facilitates the coordination, monitoring, and optimization of all the processes in an organization. Discuss various key features of Controlling Module of ERP. **(6 Marks)**
 (b) Explain various activities that help in mitigating the possible threats and risks to Blockchain. **(4 Marks)**

4. (a) The Loans and Advances process that involves business of lending is one of the major activities executed by Core Banking Systems (CBS). Describe different risks and their corresponding controls related to Loan and Advances process. **(6 Marks)**
- (b) An auditor's primary objective in examining the management control framework for the information systems function is to evaluate whether management of an organization has performed all the activities and is managing well or not. Discuss the role of auditor in each activity performed by management. **(4 Marks)**
5. (a) Describe the concept of Virtualization and its application areas. **(6 Marks)**
- (b) As a policy of QSD University, every staff member must submit a monthly report of the query resolution to his/her Head of Department (HoD). Discuss the criteria that sought information should meet so that the report is useful for the respective HoDs. **(4 Marks)**

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) In the wake of increasing incomes among salaried individuals and a surge in economic consumption, Anant Khanna, a 23-year-old graduate from IIT Mumbai, identified a lucrative market opportunity. He launched a digital credit payback platform named Money Mox, targeting the growing second-generation demographic.

Since its inception last year, the company has swiftly garnered a user base of approximately two million active customers. The availability of disruptive technology from earlier FinTech startups facilitated the establishment of the platform. Money Mox's concept is straightforward: create an exclusive community of high-income, high-spending individuals and incentivize their purchases through credit and debit card rewards.

The company recently made headlines, attracting the interest of global investors. Following this, early investor Josh Kattings met with the team and advised them not to merely mimic the approach of Batuya, a key competitor with a distinct business model, but rather to learn, enhance, and refine the process for customers.

Surprisingly, Josh also proposed a collaboration between Money Mox and Batuya for enhanced market penetration. However, Anant and his team hesitated, as they were dealing with their own infrastructure issues and were more inclined towards outperforming the competition rather than forming alliances at this stage.

Last month, the company publicly disclosed its revenue projections, which caught the attention of established players in the banking sector. CBZ Bank, at the forefront of this interest, extended an offer to purchase Money Mox for 50 crores, under a 100% equity arrangement. Anant and his team are yet to respond to this substantial offer from the well-established bank, underscoring how unique ideas are valued in developing economies like India.

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

1. Which model has been thoughtfully considered while taking the decision to dive into FinTech market?
 - (a) BCG growth share matrix
 - (b) ADL matrix
 - (c) Stop-Light strategy model
 - (d) SWOT analysis (1 Mark)

2. Money Mox's market strategy falls under which of Michael Porter's generic strategies?
 - (a) Cost leadership strategy
 - (b) Focused differentiation strategy
 - (c) Focused cost leadership
 - (d) Differentiation strategy (1 Mark)

3. Which of the following may be true about the downsides of the plan to work along with Batuya, that Anant and team might have considered?
- (a) Trade secrets can be spilled out
 - (b) Ally may become a competitor
 - (c) There may be good sharing of skills and technology and thus the costs will rise
 - (d) Only A and B **(1 Mark)**
4. Which procedural approach was brought out in the investor meeting by Josh Kattings for a better market standing of Money Mox?
- (a) Business process re-engineering (BPR)
 - (b) Benchmarking
 - (c) Change management
 - (d) Strategy control **(1 Mark)**
5. CBZ Bank's offer to buy 100% equity of Money Mox is an example of?
- (a) Horizontal merger
 - (b) Concentric diversification
 - (c) Strategic alliance
 - (d) Co-generic merger **(1 Mark)**
- (B) XYZ Corporation is a multinational conglomerate operating in various industries. They have a diverse portfolio of businesses, including a leading consumer electronics division, a growing e-commerce platform, a mature industrial machinery division, and a newly established software development unit. Which division of XYZ Corporation would most likely be classified as a "Star" in the BCG Growth-Share Matrix?
- (a) Consumer Electronics Division
 - (b) E-commerce Platform
 - (c) Industrial Machinery Division
 - (d) Software Development Unit **(2 Marks)**
- (C) Mr. Prakash and Mr. Pal are partners in a thriving business venture. Recently, they have become aware of their employees' dissatisfaction with their working conditions. Mr. Prakash believes that the situation should be dealt with before the employees explode. Mr. Pal, on the other hand, believes that if the employees have an outburst, then they will handle it. Mr. Prakash and Mr. Pal business philosophy is:
- (a) Reactive, Proactive
 - (b) Reactive, Reactive
 - (c) Proactive, Proactive
 - (d) Proactive, Reactive **(2 Marks)**
- (D) TechNo Solutions, a dynamic tech company, is considering a shift in its organizational structure to enhance efficiency. The management team is evaluating various strategies and decided to virtually eliminate in-house business functions. Which of the following organizational structures is TechNo Solutions shifting towards?

- (a) Network Structure
- (b) Matrix structure
- (c) Hourglass Structure
- (d) SBU Structure **(2 Marks)**
- (E) ABC Fashion provides early access and exclusive designs to its exclusive clientele, emphasizing personalized experiences. Which marketing type does this exemplify?
- (a) Augmented marketing
- (b) Service marketing
- (c) Person marketing
- (d) Relationship marketing **(2 Marks)**
- (F) Who ensures that the right materials are available at the right place, at the right time, of the right quality, and at the right cost?
- (a) Marketing management
- (b) R & D management
- (c) Supply chain management
- (d) Logistics management **(1 Mark)**
- (G) What is one of the key purposes of having an organizational mission?
- (a) Ensuring unanimity of purpose within the organization.
- (b) Setting short-term operational goals.
- (c) Providing a basis for marketing strategies.
- (d) Specifying financial forecasts. **(1 Mark)**
2. "XYZ Ltd., a multi-product company, has been experiencing consistent losses in recent years, leading to a significant erosion of its net worth. What strategic options should the management consider addressing the company's current situation? Provide recommendations along with supporting reasons." **(5 Marks)**
- 3 (a) Define Strategic Management. Also discuss the limitations of Strategic Management. **(5 Marks)**
- (b) Describe the principal aspects of strategy-execution process, which are included in most situations. **(5 Marks)**
4. (a) "A well designed strategic management system can fail if insufficient attention is given to the human resource dimension." ·Elucidate this statement. **(5 Marks)**
- (b) Woodworld Ltd. is a company manufactures a variety of household furniture items. They offered traditional designs, low cost furniture items to low income group customers. During the last couple of years, the company has been observing a fall in the market share. This is due to the change in the taste and preferences, designing, better quality, increase in purchasing power of buyers towards the household furniture. The customers are switching away traditional designs and material that have been the backbone of Woodworld Ltd.
- As a CEO of Woodworld Ltd., what can be the strategic options available with you. **(5 Marks)**

- 5 (a) Rajiv Arya is owner of an electrical appliance company that specializes in manufacturing of domestic vacuum cleaners. There are four other manufacturers with similar products and sales volume. Current rival firms also own a number of patents related to the product. The supplier base for procurement of raw material is also very large as there are multiple suppliers.

Identify Porter's Five Forces that may be classified as significant for the company? Explain.

(5 Marks)

- (b) What is strategic control? Briefly explain the different types of strategic control? **(5 Marks)**

- 6 (a) 'A strategy-supportive culture promotes good strategy execution.' Explain. **(5 Marks)**

- (b) Differentiation between Strategic Planning and Operational Planning. **(5 Marks)**

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Time Allowed – 1½ Hours

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Answers

PART I: MULTIPLE CHOICE QUESTIONS

1. (a) Cloud Computing
2. (b) Salami Technique
3. (d) The logic-based errors detected in the system are corrected.
4. (c) Technological
5. (c) Section 65
6. (c) Failure to identify future business needs.
7. (b) Testable Business Rules
8. (c) Both I & II
9. (a) Budget is normally not a constraint for such a model.
10. (a) Internet Banking Channel Server

PART II: DESCRIPTIVE QUESTIONS

1. (a) **Audit Hooks:** There are audit routines that flag suspicious transactions. For example, internal auditors at Insurance Company determined that their policyholder system was vulnerable to fraud every time a policyholder changed his or her name or address and then subsequently withdrew funds from the policy. They devised a system of audit hooks to tag records with a name or address change. The internal audit department will investigate these tagged records for detecting fraud. When audit hooks are employed, auditors can be informed of questionable transactions as soon as they occur. This approach of real-time notification displays a message on the auditor's terminal.
- (b) Some of the common sources of risk are as follows:
 - Commercial and Legal Relationships.
 - Economic Circumstances.
 - Human Behavior.
 - Natural Events.
 - Political Circumstances.
 - Technology and Technical Issues.
 - Management Activities and Controls.
 - Individual Activities.

2. (a) The advantages of flowcharts are as follows:
- **Quicker grasp of relationships:** The relationship between various elements of the application program/business process must be identified. Flowchart can help depict a lengthy procedure more easily than by describing it by means of written notes.
 - **Effective Analysis:** The flowchart becomes a blueprint of a system that can be broken down into detailed parts for study. Problems may be identified, and new approaches may be suggested by flowcharts.
 - **Communication:** Flowcharts aid in communicating the facts of a business problem to those whose skills are needed to arrive at the solution.
 - **Documentation:** Flowcharts serve as good documentation which aid greatly in future program conversions. In the event of staff changes, they serve as training function by helping new employees in understanding the existing programs.
 - **Efficient coding:** Flowcharts act as a guide during the system analysis and program preparation phase. Instructions coded in a programming language may be checked against the flowchart to ensure that no steps are omitted.
 - **Program Debugging:** Flowcharts serve as an important tool during program debugging. They help in detecting, locating, and removing mistakes.
 - **Efficient program maintenance:** The maintenance of operating programs is facilitated by flowcharts. The charts help the programmer to concentrate attention on that part of the information flow which is to be modified.
 - **Identifying Responsibilities:** Specific business processes can be clearly identified to functional departments thereby establishing responsibility of the process owner.
 - **Establishing Controls:** Business process conflicts and risks can be easily identified by recommending suitable controls.
- (b) Various Back-end applications of key module of Core Banking Systems (CBS) are as follows:
- **Back Office:** The Back Office is the portion of a company made up of administration and support personnel, who are not client-facing. Back-office functions include settlements, clearances, record maintenance, regulatory compliance, accounting, and IT services. Back Office professionals may also work in areas like monitoring employees' conversations and making sure they are not trading forbidden securities in their own accounts.
 - **Data Warehouse:** Banking professionals use data warehouses to simplify and standardize the way they gather data - and finally get to one clear version of the truth. Data warehouses take care of the difficult data management - digesting large quantities of data and ensuring accuracy and making it easier for professionals to analyze data.
 - **Credit-Card System:** Credit card system provides customer management, credit card management, account management, customer information management and general ledger functions; provides the online transaction authorization and service of the bank card in each transaction channel of the issuing bank; support in the payment application; and at the same time, the system has a flexible parameter system, complex organization support mechanism and product factory based design concept to speed up product time to market.
 - **Automated Teller Machines (ATM):** An Automated Teller Machine (ATM) is an electronic banking outlet that allows customers to complete basic transactions without the aid of a branch representative or teller. Anyone with a credit card or debit card can access most ATMs. ATMs are convenient, allowing consumers to perform quick, self-serve transactions from everyday banking like deposits and withdrawals to more complex transactions like bill payments and transfers.

3. (a) The key features of Controlling module of ERP are as follows:
- **Cost Element Accounting:** This component provides overview of the costs and revenues that occur in an organization. The cost elements are the basis for cost accounting and enable the user the ability to display costs for each of the accounts that have been assigned to the cost element. Examples of accounts that can be assigned are Cost Centres, Internal Orders, WBS (Work Breakdown Structures).
 - **Cost Centre Accounting:** This provides information on the costs incurred by the business. Cost Centres can be created for such functional areas as Marketing, Purchasing, Human Resources, Finance, Facilities, Information Systems, Administrative Support, Legal, Shipping/Receiving, or even Quality. Some of the benefits of Cost Centre Accounting are that the managers can set budget / cost Centre targets; Planning; Availability of Cost allocation methods; and Assessments / Distribution of costs to other cost objects.
 - **Activity-Based-Accounting:** This analyses cross-departmental business processes and allows for a process-oriented and cross-functional view of the cost centres.
 - **Internal Orders:** Internal Orders provide a means of tracking costs of a specific job, service, or task. These are used as a method to collect those costs and business transactions related to the task. This level of monitoring can be very detailed but allows management the ability to review Internal Order activity for better decision-making purposes.
 - **Product Cost Controlling:** This calculates the costs that occur during the manufacture of a product or provision of a service and allows the management the ability to analyse their product costs and to make decisions on the optimal price(s) to market their products.
 - **Profitability Analysis:** This allows the management to review information with respect to the company's profit or contribution margin by individual market segment.
 - **Profit Centre Accounting:** This evaluates the profit or loss of individual, independent areas within an organization.
- (b) Few activities that may help in mitigating the possible threats and risks to Blockchain are as follows:
- As opposed to traditional manual techniques, computerized continuous monitoring techniques shall be used to perform ongoing evaluations, considering the large volume of data processed and the frequency at which these transactions are getting processed.
 - Suitable data analytics procedures shall be developed to identify and obtain relevant and quality data from the blockchain so that it can then be processed into information that subsequently can be used to support management's business processes and reporting objectives.
 - Communication methods shall be developed to ensure that operational changes and updates relating to the use of blockchain are communicated to appropriate personnel so that internal control related responsibilities are carried out in proper manner.
 - The unique aspects of blockchain such as consensus protocols, smart contracts, and private keys, as well as factors relating to the ongoing health, governance, and overall reliability of the blockchain in use; shall be assessed thoroughly.
 - Both internal and external auditors shall be engaged in discussions during the development of or identification of a blockchain to make the management understand the typical auditability issues associated with using blockchain. Subsequently, processes can be established to mitigate against those issues so that the appropriate information and support for transactions is available.

4. (a) Various risks and their corresponding controls related to Loan and Advances process of Core Banking Systems are as follows:

Risk	Key Controls
Credit Line setup is unauthorized and not in line with the bank's policy.	The credit committee checks that the Financial Ratios, the Net-worth, the Risk factors and its corresponding mitigating factors, the Credit Line offered and the Credit amount etc. is in line with Credit Risk Policy and that the Client can be given the Credit Line.
	Access rights to authorize the credit limit in Loan Booking system/CBS should be restricted to authorized personnel.
Masters defined for the customer are not in accordance with the re- Disbursement Certificate.	Access rights to authorize the customer master in Loan Booking system/CBS should be restricted to authorized personnel.
	Segregation of Duties (SoD) exists in Loan Disbursement system. The system restricts the maker having checker rights to approve the loan/facilities booked by self in loan disbursal system.
Credit Line setup can be breached in Loan disbursement system/CBS.	Loan disbursement system/CBS restricts booking of loans/ facilities if the limit assigned to the customer is breached in Loan disbursement system/CBS.
Lower rate of interest/ Commission may be charged to customer.	Loan disbursement system/CBS restricts booking of loans/ facilities if the rate charged to the customer are not as per defined masters in systems.
Facilities/Loan's granted may be unauthorized/in- appropriate.	SoD exists in Loan Disbursement system. The system restricts the maker having checker rights to approve the loan/facilities booked by self in loan disbursal system.
Inaccurate interest / charge being calculated in the Loan disbursal system.	Interest on fund-based loans and charges for non-fund-based loans are automatically calculated in the Loan disbursal system as per the defined masters.

- (b) The major activities that senior management must perform are – **Planning, Organizing, Leading and Controlling**. The role of auditor at each activity is as following:

- ◆ **Planning:** Auditors need to evaluate whether top management has formulated a high-quality information system's plan that is appropriate to the needs of an organization or not. A poor-quality information system is ineffective and inefficient thereby leading to loss of its competitive position within the marketplace.
- ◆ **Organizing:** Auditors should be concerned about how well top management acquires and manages staff resources.
- ◆ **Leading:** Generally, the auditors examine variables that often indicate when motivation problems exist or suggest poor leadership – for example, staff turnover statistics, frequent failure of projects to meet their budget and absenteeism level to evaluate the leading function. Auditors may use both formal and informal sources of evidence to evaluate how well top managers communicate with their staff.
- ◆ **Controlling:** Auditors should focus on subset of the control activities that should be performed by top management – namely, those aimed at ensuring that the information systems function accomplishes its objectives at a global level. Auditors must evaluate whether top management's choice to the means of control over the users of IS services is likely to be effective or not.

5. (a) **Virtualization:** The core concept of Virtualization lies in Partitioning, which divides a single physical server into multiple logical servers. Once the physical server is divided, each logical server can run an operating system and applications independently. For example - Partitioning of a hard drive is considered as virtualization because one drive is partitioned in a way to create two separate hard drives. Devices, applications, and human users are able to interact with the virtual resource as if it were a real single logical resource.

Application areas of Virtualization are as follows:

- **Server Consolidation:** Virtual machines are used to consolidate many physical servers into fewer servers, which in turn host virtual machines. Each physical server is reflected as a virtual machine “guest” residing on a virtual machine host system. This is also known as “Physical-to-Virtual” or ‘P2V’ transformation.
- **Disaster Recovery:** Virtual machines can be used as “hot standby” environments for physical production servers. This changes the classical “backup-and-restore” philosophy, by providing backup images that can “boot” into live virtual machines, capable of taking over workload for a production server experiencing an outage.
- **Testing and Training:** Virtualization can give root access to a virtual machine thus providing the tester with the environment where they can actually test the software on all possible configurations on a single hardware system. If the virtual system crashes, it will not affect the actual system, and within a few minutes, a new virtual environment will be created. This can be very useful in kernel development and operating system courses.
- **Portable Applications:** Portable applications are needed when running an application from a removable drive, without installing it on the system’s main disk drive. Virtualization can be used to encapsulate the application with a redirection layer that stores temporary files, windows registry entries and other state information in the application’s installation directory and not within the system’s permanent file system.
- **Portable Workspaces:** A portable workspace is like an offline workspace that can be moved across multiple computers without requiring repeated installation, customization, and data setup. Recent technologies have used virtualization to create portable workspaces on devices like iPods and USB memory sticks.

- (b) Following are the criteria that the information should meet so that the report is useful for the respective HoDs:

- ◆ **Relevant** - MIS reports need to be specific to the business area they address. This is important because a report that includes unnecessary information might be ignored.
- ◆ **Timely** - Managers need to know what's happening now or in the recent past to make decisions about the future. Be careful not to include information that is old. An example of timely information for your report might be customer phone calls and emails going back 12 months from the current date.
- ◆ **Accurate** - It's critical that numbers add up and that dates and times are correct. Managers and others who rely on MIS reports can't make sound decisions with information that is wrong. Financial information is often required to be accurate to the dollar. In other cases, it may be OK to round off numbers.
- ◆ **Structured** - Information in an MIS report can be complicated. Making that information easy to follow helps management understand what the report is saying. Try to break long passages of information into more readable blocks or chunks and give these chunks meaningful headings.

SECTION – B: STRATEGIC MANAGEMENT

SUGGESTED ANSWERS/HINTS

1. (A)

(1)	(2)	(3)	(4)	(5)
(c)	(b)	(d)	(b)	(d)

(B) (b)

(C) (d)

(D) (a)

(E) (d)

(F) (c)

(G) (a)

2. XYZ Ltd. is a sick company with accumulated losses that have eroded its net worth. The multi-product company may analyse its various products to take decisions on the viability of each. **The company may consider a retrenchment strategy.** Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.

Retrenchment strategy is adopted because of continuous losses and unviability and stability can be ensured by reallocation of resources from unprofitable to profitable businesses.

Retrenchment 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 as follows:**

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.

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 a 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.

The management of multiproduct sick company manufacturing various items need to understand pros and cons of each strategic option. The decision will depend upon the specific circumstances of each product and the management goals of the company.

3. (a) The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments were deemed appropriate.

The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management. These can be explained in the following lines:

- ◆ **Environment is highly complex and turbulent.** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans. The environment affects as the organisation has to deal with suppliers, customers, governments and other external factors.
 - ◆ **Strategic Management is a time-consuming process.** Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
 - ◆ **Strategic Management is a costly process.** Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments, devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete.
 - ◆ **Competition is unpredictable.** In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.
- (b) **Implementation or execution** is an operations-oriented, activity aimed at shaping the performance of core business activities in a strategy-supportive manner. In most situations, strategy-execution process includes the following principal aspects:
- ◆ **Developing budgets** that steer ample resources into those activities that are critical to strategic success.
 - ◆ **Staffing the organization with the needed skills and expertise**, consciously building and strengthening strategy-supportive competencies and competitive capabilities and organizing the work effort.
 - ◆ **Ensuring that policies and operating procedures facilitate** rather than impede effective execution.
 - ◆ **Using the best-known practices to perform core business activities** and pushing for continuous improvement.
 - ◆ **Installing information and operating systems** that enable company personnel to better carry out their strategic roles day in and day out.
 - ◆ **Motivating people to pursue the target objectives energetically.**
 - ◆ **Creating culture and climate conducive** to successful strategy implementation and execution.
 - ◆ **Exerting the internal leadership** needed to drive implementation forward and keep improving strategy execution.
4. (a) A well-designed strategic-management system can fail if insufficient attention is given to the human resource dimension. Human resource problems that arise when a business implements strategies can usually be traced to one of three causes: (1) disruption of social and political structures, (2) failure to match individuals' aptitudes with implementation tasks, and (3) inadequate top management support for implementation activities.
- i. **Disruption of social and political structures:** Strategy implementation poses a threat to many managers and employees in an organization. New power and status relationships are

anticipated and realized. New formal and informal groups' values, beliefs, and priorities may be largely unknown. Managers and employees may become engaged in resistance behaviour as their roles, prerogatives, and power in the firm change. Disruption of social and political structures that accompany strategy execution must be anticipated and considered during strategy formulation and managed during strategy implementation.

- ii. **Failure to match individuals' aptitudes with implementation tasks:** A concern in matching managers with strategy is that jobs have specific and relatively static responsibilities, although people are dynamic in their personal development. Commonly used methods that match managers with strategies to be implemented include transferring managers, developing leadership workshops, offering career development activities, promotions, job enlargement, and job enrichment.

It is surprising that so often during strategy formulation; individual values, skills, and abilities needed for successful strategy implementation are not considered. It is rare that a firm selecting new strategies or significantly altering existing strategies possesses the right line and staff personnel in tight positions for successful strategy implementation. The need to match individual aptitudes with strategy-implementation tasks should be considered in strategy choice.

- iii. **Inadequate top management support for implementation activities:** Inadequate support from strategists for implementation activities often undermines organizational success. Chief executive officers, small business owners, and government agency heads must be personally committed to strategy implementation and express this commitment in highly visible ways. Strategists' formal statements about the importance of strategic management must be consistent with actual support and rewards given for activities completed and objectives reached. Otherwise, stress created by inconsistency can cause uncertainty among managers and employees at all levels.

- (b) Woodworld is having a product portfolio that is evidently in the decline stage. The product is being replaced with the latest designs with better quality of the product. Strategically, the company should minimize their dependence on the existing products and identify other avenues for the survival and growth. As a CEO of Woodworld Ltd., following can be the strategic options available with the CEO:

- Invest in new product development and switchover to the latest designs. Woodworld Ltd. also need time to invest in hiring interior designers.
- They can acquire or takeover a competitor, provided they have or are able to generate enough financial resources.
- They may also consider unrelated growth and identify other areas for expansion. This will enable Woodworld Ltd. to spread their risks.
- In longer run, they should divest the existing products. However, they may continue with the existing products in a limited manner for such time there is demand for the product.

5. (a) The competitive rivalry will be a significant force in case of company of Rajiv Arya as all the rivals are similar in sizes and are manufacturing similar products. It is difficult for any single manufacturer to dominate the market. Large number of patents will make it difficult for new entrants to break into the market. Further, as there are a large number of small suppliers the power that suppliers can exert will also be low.

There is no information relating to substitutes and bargaining power of customers in the information given in scenario. However, a domestic vacuum cleaner will directly compete with other options

such as house maids. Availability of house maids at low cost can significantly disturb the sales of products.

Further, as the products are similar customers can easily shift from one company to another. This will only enhance competitive rivalry.

- (b) Strategic Control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended.

There are four types of strategic control:

- ◆ **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.
- ◆ **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
- ◆ **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.
- ◆ **Implementation control:** Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.

6. (a) Strong cultures promote good strategy execution when there's fit and hurt execution when there's negligible fit. A culture grounded in values, practices, and behavioral norms that match what is needed for good strategy execution helps energize people throughout the organization to do their jobs in a strategy-supportive manner. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility. This is very conducive to successful execution of a strategy of delivering superior customer service.

A work environment where the culture matches the conditions for good strategy execution provides a system of informal rules and peer pressure regarding how to conduct business internally and how to go about doing one's job.

A strong strategy-supportive culture makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.

- (b)

Strategic planning	Operational planning
Strategic planning shapes the organisation and its resources.	Operational planning deals with current deployment of resources.
Strategic planning assesses the impact of environmental variables.	Operational planning develops tactics rather than strategy.
Strategic planning takes a holistic view of the organisation.	Operational planning projects current operations into the future.

Strategic planning develops overall objectives and strategies.	Operational planning makes modifications to the business functions but not fundamental changes.
Strategic planning is concerned with the long-term success of the organisation.	Operational planning is concerned with the short-term success of the organisation.
Strategic planning is a senior management responsibility.	Operational planning is the responsibility of functional managers.