

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

QUESTIONS

Multiple Choice Questions

SciLabs, is an upcoming robotics company in India providing innovative solutions for different verticals. The company has adopted the concept of Cloud Computing using the cloud type which is small, most secure, controlled, maintained internally and used to perform critical activities of the company.

For every new project undertaken by them; the functional requirement documents are prepared, and the initial design requirements are communicated to programmers via algorithms and flowcharts. All the customer requirements are tracked, assembling materials are ordered and the details regarding entire cost incurred for training, research and full-fledged development of the product are managed through the implemented SAP ERP system.

Furthermore, different versions of all the documents and white papers related to the ongoing research are stored in the Relational Database Management Systems (RDBMS) Teradata warehouse periodically to maintain record of all the changes a said project undergoes during its entire life cycle. Such methodology enables SciLabs to maintain and compare the data between different time periods based on the time stamps the data is stored in the data warehouse.

SciLabs has also implemented stringent controls so that the high-level architectural diagrams of the new project are kept with utmost confidentiality.

Based on the facts of the case scenario given above, choose the most appropriate answer to Q. Nos 1 to 5.

1. Flowcharts are used by SciLabs to communicate the requirements to the programmers. Which among the following would be the initial step in developing flowcharts?
 - (a) Identifying the activities in each process step.
 - (b) Preparing an initial rough diagram.
 - (c) Identifying the business processes to be documented.
 - (d) Identifying the starting point of the process.
2. SciLabs uses a module of SAP ERP system that enables to create detailed scheduling, material requirement planning, and refine production integration. Which of the following module of SAP ERP support all these features?
 - (a) Material Management
 - (b) Supply Chain

- (c) Production Planning
 - (d) Sales and Distribution
3. The documents and white papers related to the research carried on by the SciLabs analysts are loaded in Teradata data warehouse so as to have comparisons of the different version files. Which feature of a Teradata tool is referred here?
- (a) Standardized
 - (b) Time Variant
 - (c) Non-operational data
 - (d) Consistency
4. SciLabs initially has adopted the concept of Cloud Computing using the cloud which is small, most secure, controlled and maintained internally. However, with the expansion in the SciLabs business, the management decided to deploy another cloud named _____ for its non-critical activities and usage of additional resources. Identify the deployed cloud.
- (a) Private Cloud
 - (b) Public Cloud
 - (c) Hybrid Cloud
 - (d) Community Cloud
5. Though stringent controls are implemented by SciLabs, one of its development team member Mr. Atul accesses the confidential architectural diagrams of the new project and download them on his personal computer for wrongful reasons. Under which Section of the Information Technology Act, 2000; is Mr. Atul punishable?
- (a) Section 65
 - (b) Section 43
 - (c) Section 66
 - (d) Section 66D

Descriptive Questions

Chapter 1: Automated Business Processes

6. Though Business Process Automation (BPA) provides many advantages to diverse businesses in various forms, however, every business is not suitable for automation. Each business needs a valid reason before it goes for automation. Discuss some examples of business processes that are best suited to automation.
7. Every business faces all kinds of risks that may cause serious loss or even bankruptcy. In purview of this statement, state various types of business risks related to business.

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Chapter 2: Financial and Accounting Systems

8. ABC Ltd. is planning to implement some modules of Enterprise Resource Planning (ERP) system to manage different aspects related to its various business processes. Determine in specific various Sales and Distribution activities that enterprise may get support from ERP framework.
9. Mr. Rajesh, a manager of a medium-sized company's customer service department, uses MIS reporting tool to obtain the reports that help him evaluating company's businesses' daily activities or problems that arise, making decisions and tracking progress. Elaborate the criterions that the information generated through MIS tool meet so that it is useful to Mr. Rajesh in discharging his role.

Chapter 3: Information Systems and its Components

10. Data Mining is commonly applied in banking industry to credit ratings and to intelligent anti-fraud systems to analyze transactions, card transactions, purchasing patterns and customer financial data etc. The process of Data Mining involves sequential execution of steps for its implementation. Discuss the steps involved in this process.
11. Due to absence of Logical Access Controls in XYZ Limited; the company's security mechanism got attacked by a Logical Access Violator Mr. X leading to potential loss resulting in total shutdown of the computer functions of the company. Discuss the categories under which the Logical Access Violator Mr. X may fall into.

Chapter 4: E- Commerce, M-Commerce and Emerging Technologies

12. A business model is adopted by an organization as a framework to describe how it makes money on a sustainable basis and grows whereas an e-business model utilizes the benefits of electronic communications. Discuss various e-market models that help businesses to achieve the value adding processes.
13. DJY is a brand in the field of online supplier of kids' apparels. As we know that risks associated with e-commerce transactions are high as compared to general internet activities, what do you think are the risks that DJY is addressing due to its online transactions?

Chapter 5: Core Banking Systems

14. Information Security that refers to ensure Confidentiality, Integrity and Availability of information, is critical in banking industry, to mitigate the risks of Information Technology. Identify and explain various sub-processes that are involved in Information Security.
15. Current and Savings Account (CASA) is a unique feature which banks offer to their customers to make them keep their money in their banks. Discuss its business process flow.

SUGGESTED ANSWERS/HINTS

Multiple Choice Answers

1. (c) Identifying the business processes to be documented.
2. (b) Supply chain
3. (b) Time Variant
4. (b) Public Cloud
5. (b) Section 43

Descriptive Answers

6. The examples of business processes that are best suited to automation are as follows:
 - ◆ **Processes involving high-volume of tasks or repetitive tasks:** Many business processes such as making purchase orders involve high-volume of repetitive tasks. Automating these processes results in cost and work effort reductions.
 - ◆ **Processes requiring multiple people to execute tasks:** A business process which requires multiple people to execute tasks often results in waiting time that can lead to increase in costs. E.g. help desk services. Automating these processes results in reduction of waiting time and in costs.
 - ◆ **Time-sensitive processes:** Business process automation results in streamlined processes and faster turnaround times. The streamlined processes eliminate wasteful activities and focus on enhancing tasks that add value. Time-sensitive processes are best suited to automation. For example - online banking system, railway/aircraft operating and control systems etc.
 - ◆ **Processes involving need for compliance and audit trail:** With business process automation, every detail of a particular process is recorded. These details can be used to demonstrate compliance during audits. For example- invoice issue to vendors.
 - ◆ **Processes having significant impact on other processes and systems:** Some processes are cross-functional and have significant impact on other processes and systems. In cross functional processes, different departments within the same company work hand in hand to achieve a common goal, e.g., the marketing department may work with sales department. Automating these processes results in sharing information resources and improving the efficiency and effectiveness of business processes.

7. Various types of business risks related to business are as follows:

- ◆ **Strategic Risks:** These are the risks that would prevent an organization from accomplishing its objectives (meeting its goals). Examples include risks related to strategy, political, economic relationship issues with suppliers and global market conditions; also, could include reputation risk, leadership risk, brand risk, and changing customer needs.
- ◆ **Financial Risks:** Financial risks are those risks that could result in a negative financial impact to the organization (waste or loss of assets). Examples include risks from volatility in foreign currencies, interest rates, and commodities; credit risk, liquidity risk, and market risk.
- ◆ **Regulatory (Compliance) Risks:** This includes risks that could expose the organization to fines and penalties from a regulatory agency due to non-compliance with laws and regulations. Examples include Violation of laws or regulations governing areas such as environmental, employee health and safety, lack of due diligence, protection of personal data in accordance with global data protection requirements and local tax or statutory laws. New and emerging regulations can have a wide-ranging impact on management's strategic direction, business model and compliance system. It is, therefore, important to consider regulatory requirements while evaluating business risks.
- ◆ **Operational Risks:** Operational risks include those risks that could prevent the organization from operating in the most effective and efficient manner or be disruptive to other operations due to inefficiencies or breakdown in internal processes, people and systems. Examples include risk of loss resulting from inadequate or failed internal processes, fraud or any criminal activity by an employee, business continuity, channel effectiveness, customer satisfaction and product/service failure, efficiency, capacity, and change integration.
- ◆ **Hazard Risks:** Hazard risks include risks that are insurable, such as natural disasters; various insurable liabilities; impairment of physical assets; terrorism etc.
- ◆ **Residual Risks:** This includes any risk remaining even after the counter measures are analyzed and implemented. An organization's management of risk should consider these two areas: Acceptance of residual risk and Selection of safeguards. Even when safeguards are applied, there is probably going to be some residual risk. The risk can be minimized, but it can seldom be eliminated. Residual risk must be kept at a minimal, acceptable level. As long as it is kept at an acceptable level, (i.e. the likelihood of the event occurring or the severity of the consequence is sufficiently reduced) the risk can be managed.

8. Various sales and distribution activities that may get support from ERP framework are as follows:
- ◆ **Pre-Sales Activities:** Include prospecting of customers, identifying prospective customers, gathering data, contacting them and fixing appointments, showing demo, discussion, submission of quotations, etc.
 - ◆ **Sales Order:** Sales order is recorded in our books after getting a confirmed purchased order from our customer. Sales order shall contain details just like purchase order. E.g. Stock Item Details, Quantity, Rate, Due Date of Delivery, Place of Delivery, etc.
 - ◆ **Inventory Sourcing:** It includes making arrangements before delivery of goods; ensuring goods are ready and available for delivery.
 - ◆ **Material Delivery:** Material is delivered to the customer as per sales order. All inventory details are copied from Sales Order to Material Delivery for saving user's time and efforts. This transaction shall have a linking with Sales Order. Stock balance shall be reduced on recording of this transaction.
 - ◆ **Billing:** This is a transaction of raising an invoice against the delivery of material to customer. This transaction shall have a linking with Material Delivery and all the details shall be copied from it. Stock balance shall not affect again.
 - ◆ **Receipt from Customer / Payment:** This is a transaction of receiving amount from customer against sales invoice and shall have a linking with sales invoice.
9. To make the information most useful, Mr. Rajesh needs to ensure that it meets the following criteria:
- ◆ **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.

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10. The steps involved in the Data Mining process are as follows:
- a. **Data Integration:** Firstly, the data are collected and integrated from all the different sources which could be flat files, relational database, data warehouse or web etc.
 - b. **Data Selection:** It may be possible that all the data collected may not be required in the first step. So, in this step we select only those data which we think is useful for data mining.
 - c. **Data Cleaning:** The data that is collected are not clean and may contain errors, missing values, noisy or inconsistent data. Thus, we need to apply different techniques to get rid of such anomalies.
 - d. **Data Transformation:** The data even after cleaning are not ready for mining as it needs to be transformed into an appropriate form for mining using different techniques like - smoothing, aggregation, normalization etc.
 - e. **Data Mining:** In this, various data mining techniques are applied on the data to discover the interesting patterns. Techniques like clustering and association analysis are among the many different techniques used for data mining.
 - f. **Pattern Evaluation and Knowledge Presentation:** This step involves visualization, transformation, removing redundant patterns etc. from the patterns we generated.
 - g. **Decisions / Use of Discovered Knowledge:** This step helps user to make use of the knowledge acquired to take better informed decisions.
11. The Categories under which the logical Access Violator Mr. X may fall into are as follow:
- ◆ Hackers: Hackers try their best to overcome restrictions to prove their ability. Ethical hackers most likely never try to misuse the computer intentionally but assists in finding the weaknesses in the system;
 - ◆ Employees (authorized or unauthorized);
 - ◆ IS Personnel: They have easiest to access to computerized information since they come across to information during discharging their duties. Segregation of duties and supervision help to reduce the logical access violations;
 - ◆ Former Employees: should be cautious of former employees who have left the organization on unfavorable terms;
 - ◆ End Users; Interested or Educated Outsiders; Competitors; Foreigners; Organized Criminals; Crackers; Part-time and Temporary Personnel; Vendors and consultants; and Accidental Ignorant – Violation done unknowingly.

12. The various e-market models that help businesses to achieve the value adding processes are as follows:
- ◆ **e-Shops (e-tailers):** An e-shop is a virtual store front that sells products and services online. E-shop is an online version of retail stores where customers can shop at any hour of the day or night without leaving home. They are convenient way of effecting direct sales to customers; allow manufacturers to bypass intermediate operators and thereby reduce costs and delivery times. For example: www.sonicnet.com, www.wforwomen.com
 - ◆ **e-Malls:** The e-mall is defined as the retailing model of a shopping mall, a conglomeration of different shops situated in a convenient location in e-commerce. E-malls help the consumers from a variety of stores. e.g., Yahoo! Stores
 - ◆ **e-auctions:** Electronic auctions provide a channel of communication through which the bidding process for products and services can take place between competing buyers. At e-auctions, people buy and sell through an auction website. In e-auctions, almost perfect information is available about products, prices, current demand, and supply. E-auction has become an increasingly popular tool for the buyer to access the lowest price the suppliers are willing to charge. Example – www.onsale.com, www.ebay.com
 - ◆ **Portals:** Portal is a website that serves as a gateway or a main entry point on the internet to a specific field of interest or an industry. It is a website that is positioned as an entrance to other sites on the internet. A portal consists of web pages that act as a starting point for using the web or web-based services. The control of content can be a source of revenue for firms through charging firms for advertising or charging consumers a subscription for access. Some major general portals include Yahoo, Excite, and Netscape.
 - ◆ **Buyer Aggregators:** The Buyer Aggregator brings together large numbers of individual buyers so that they can gain the types of savings that are usually the privilege of large volume buyers. In this, the firm collects the information about goods/service providers, make the providers their partners, and sell their services under its own brand. Example - www.zomato.com
 - ◆ **Virtual Communities:** Virtual Community is a community of customers who share a common interest and use the internet to communicate with each other. Amazon.com provides websites for the exchange of information on a wide range of subjects relating to their portfolio of products and services. Virtual communities' benefit from network externalities whereby the more people who join and contribute to the

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community, the greater the benefits that accrue, but without any additional cost to participants.

- ◆ **e-marketing:** E-marketing (Electronic Marketing) is the process of marketing a product or service using the Internet. Of course, information on websites also empowers customers and helps the organizations to achieve their objectives. For example, they can compare prices of products by rival firms. The internet changes the relationship between buyers and sellers because market information is available to all parties in the transaction.
- ◆ **e-procurement:** e-procurement is the management of all procurement activities via electronic means. Business models based on e-procurement seek efficiency in accessing information on suppliers, availability, price, quality and delivery times as well as cost savings by collaborating with partners to pool their buying power and secure best value deals. E-procurement intermediaries specialize in providing up-to-date and real-time information on all aspects of the supply of materials to businesses.
- ◆ **e-distribution:** e-distributor is a company that supplies products and services directly to individual business. The e-distribution model helps distributors to achieve efficiency savings by managing large volumes of customers, automating orders, communicating with partners and facilitating value-adding services such as order tracking through each point in the supply chain. An example of a firm specializing in e-distribution is www.wipro.com that uses the internet to provide fully integrated e-business-enabled solutions that help to unify the information flows across all the major distribution processes including sales and marketing automation, customer service, warehouse logistics, purchasing and inventory management, and finance.

13. The risks that DJY is addressing due to its online transactions are as follows:

- (i) **Privacy and Security:** When an organization uses internet to engage in e-commerce, it exposes itself to additional security threats and privacy issues. There are often issues of security and privacy due to lack of personalized digital access and knowledge. The nature of e-commerce operations is an important factor determining the security risks perceptions of any e-commerce installation. For example, if the type of industry is banking and finance, it would require more stringent deployment of security solutions than would be for manufacturing industry.
- (ii) **Quality issues:** There are quality issues raised by customers as the original product differs from the one that was ordered.

- (iii) **Delay in goods and Hidden Costs:** When goods are ordered from another country, the shipment may be delayed due to factors such as port congestion, bad weather, custom clearances, etc. Moreover, e-commerce companies may have these hidden costs.
- (iv) **Needs Access to internet and lack of personal touch:** The e-commerce requires an internet connection which is an extra expense and lacks personal touch.
- (v) **Security and credit card issues:** The credit card and debit card information may be stolen and misused which poses a security threat. There is also possibility of cloning of credit cards and debit cards.
- (vi) **Infrastructure:** There is a greater need of not only digital infrastructure but also network expansion of roads and railways which remains a substantial challenge in developing countries.
- (vii) **Problem of anonymity:** There is need to identify and authenticate users in the virtual global market where anyone can sell to or buy from anyone, anything from anywhere.
- (viii) **Repudiation of contract:** There is possibility that the electronic transaction in the form of contract, sale order or purchase by the trading partner or customer may be denied.
- (ix) **Lack of authenticity of transactions:** The electronic documents that are produced during an e-commerce transaction may not be authentic and reliable.
- (x) **Data Loss or theft or duplication:** The data transmitted over the Internet may be lost, duplicated, tampered with, or replayed.
- (xi) **Attack from hackers:** Web servers used for e-commerce may be vulnerable to hackers. A hacker is an unauthorized user who attempts to or gains access to the system with/without the intention to steal or modify data or to insert viruses or worms to cause damage to the system.
- (xii) **Denial of Service:** Service to customers may be denied due to non-availability of system as it may be affected by viruses, e-mail bombs and by transmitting so many data packets to a server that it cannot process them all. The denial of service may cause a network to shut down, making it impossible for users to access the site. For busy e-commerce sites such as Flipkart, these attacks are costly; while the site is shut down, customers cannot make purchases. Moreover, the longer a site is shut down, the more damage is done to a site's reputation.
- (xiii) **Non-recognition of electronic transactions:** e-Commerce transactions, as electronic records and digital signatures may not be recognized as evidence in courts of law in some countries.

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- (xiv) **Lack of audit trails:** Audit trails in e-Commerce system may be lacking and the logs may be incomplete, too voluminous or easily tampered with.
- (xv) **Problem of piracy:** Intellectual property such as copyright may not be adequately protected when such property is transacted through e-Commerce.

14. The various sub-processes that are involved in information Security are as follows:

- ◆ **Information Security Policies, Procedures and practices:** This 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. For example – Non-disclosure agreement with employees, vendors etc., KYC procedures for security.
- ◆ **User Security Administration:** This 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:** This 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. For example – Event Logging.
- ◆ **Database Security:** This refers to various aspects of implementing security for the database software. For example - Role based access privileges given to employees.
- ◆ **Operating System Security:** This refers to security for operating system software which is installed in the servers and systems which are connected to the servers.
- ◆ **Network Security:** This refers to how security is provided at various layers of network and connectivity to the servers. For example - Use of virtual private networks for employees, implementation of firewalls etc.
- ◆ **Physical Security:** This refers to security implemented through physical access controls. For example - Disabling the USB ports.

15. The Business Process flow of Current and Saving Account (CASA) is as follows:

- (i) Either the customer approaches the relationship manager to apply for a CASA facility or will apply the same through internet banking, the charges/ rates for the

facility are provided by the relationship manager on basis of the request made by the customer.

- (ii) Once the potential customer agrees for availing the facilities/products of the bank, the relationship manager request for the relevant documents i.e. KYC and other relevant documents of the customer depending upon the facility/product. KYC (Know Your Customer) is a process by which banks obtain information about the identity and address of the customers. KYC documents can be Passport, Driving License, etc.
- (iii) The documents received from the customers are handed over to the Credit team / Risk team for sanctioning of the facilities/limits of the customers.
- (iv) Credit team verifies the document's, assess the financial and credit worthiness of the borrowers and updates facilities in the customer account.
- (v) Current Account /Saving Account along with the facilities requested are provided to the customer for daily functioning.
- (vi) Customers can avail facilities such as cheque deposits/ withdrawal, Cash deposit/ withdrawal, Real Time Gross Settlement (RTGS), National Electronics Funds Transfer System (NEFT), Electronic Clearing Service (ECS), Overdraft Fund Transfer services provided by the bank.

SECTION – B: STRATEGIC MANAGEMENT

Multiple Choice Questions

1. Increasing investment in the share market, mutual funds, and equity/debt investment plans from the growing salaried middle class gave birth to Scripzy, an Artificial Intelligence based market predictor and digital brokerage company. The company is headquartered in Mumbai and has a team of 100+ IT professionals working on building a safe and secure digital infrastructure.

The market is saturated. There is fierce competition and big brands have all jumped in with digital offerings for their existing customers. Scripzy, on the other hand, is new and vulnerable but its organic reach to the young earning set of customers is a winning streak. This was achieved by project Force.

Project Force was a secret market analysis conducted by internal teams to find sustainable competitive advantages, focus on final product attributes most valued by customers and imitate the competitive capabilities of competitors. It was a complete final product-customer approach which helped them win over youngsters.

Interestingly, the company being AI based has also automated its internal decision making with in-house AI decision making bots. The top management explains their requirements to the AI bot and the bot makes functional decisions that are to be executed by respective teams. It also engages with team leaders and sends regular reports on fulfilments. This projected a very strong image for the company in the international market and a Chinese investor offered them a huge undisclosed amount to buy-out the AI system. Scripzy immediately accepted the offer and earned huge sums from the unexpected sale.

Repercussions followed and their core customers, the youth, boycotted their product. The team had to approach the share market leaders to support and with a little influence from the share market leaders, they were able to regain their “True Indian Company” status in the media. Nonetheless, damage had been done and they saw their customer base shattered to an all time low.

Decisions which seem economically attractive are multi-faceted, and this is one lesson that Scripzy shall remember for times to come. Business for now is low and weak, but a good strategy can change the landscape for Scripzy’s future.

Based on the above Case Scenario, answer the Multiple Choice Questions.

- (i) Which of the following statement by Ansoff is most appropriate for Scripzy’s strategy in the changing environment?
 - (a) Preparedness of worst case scenarios
 - (b) Far fetched planning of leadership
 - (c) Money has the power to influence environment

- (d) Blend of proactive and reactive actions
 - (ii) Project Force was crucial in determining Scripzy's position in the market. However, which of the following metrics was missed by the team while understanding KSFs?
 - (a) Crucial product attributes
 - (b) Sustainable competitive advantage
 - (c) Resources for competitive success
 - (d) Competitive capabilities to be competitively successful
 - (iii) Scripzy's huge investment in Artificial Intelligence has caused its organisational structure to be which of the following structures?
 - (a) SBU Structure
 - (b) Divisional Structure
 - (c) Hourglass Structure
 - (d) Multidivisional Structure
 - (iv) In future, to fight out uncertainties like geo-political influences, which of the following can be used by Scripzy?
 - (a) Strategic Audit
 - (b) Scenario Analysis
 - (c) Benchmarking
 - (d) ADL Matrix
 - (v) Not all customers can be satisfied, and Scripzy addressed the same by connecting with the right customers. Arrange the following in the order that Scripzy followed while pursuing their customer reach out.
 - (i) Market Positioning
 - (ii) Market Segmentation
 - (iii) Market Target
 - (a) (i), (ii), (iii)
 - (b) (ii), (iii), (i)
 - (c) (iii), (ii), (i)
 - (d) (i), (iii), (ii)
2. Sanjivni Pharmaceuticals Limited manufacturers a cough syrup Zenus. It has modified Zenus syrup, claiming that the Zenus cough syrup is sugar-free, and the consumer will not feel drowsiness after consuming this cough syrup. Consumers found this product as unique. The sales of Zenus cough syrup have increased as expected. The price of this sugar-free syrup is higher by 20% than the earlier syrup. Identify the strategy adopted by Sanjivni Pharmaceuticals Limited.

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- (a) Focus strategy
 - (b) Best cost provider strategy
 - (c) Differentiation strategy
 - (d) Cost leadership strategy
3. Everyouth Beauty Products Limited, the makers of Feel-Fresh soaps have been suffering from low sales volume from the last six months due to stiff competition. To regain its position, Everyouth Beauty Products Limited launched various schemes such as 'win a phone every hour', scratch cards, buy 1 get 1 free and contest on social media. This resulted into increase in sales. Which type of promotional activity did Everyouth Beauty Products Limited adopted?
- (a) Sales promotion
 - (b) Advertising
 - (c) Publicity
 - (d) Personal selling
4. ABC Ltd. has identified that all three of its main products are at the maturity phase of the product life cycle. Which of the following is ABC Ltd. likely to be experiencing due to this?
- (a) High, but declining sales
 - (b) Growing numbers of competitors
 - (c) Product diversification and differentiation strategies
 - (d) Adoption of price skimming strategies
5. A tool by which management identifies and evaluates the various businesses that make up a company is termed as:
- (a) Value chain analysis
 - (b) Portfolio analysis
 - (c) Competition analysis
 - (d) Strategic analysis
6. If suppliers are unreliable or too costly, which of these strategies may be appropriate?
- (a) Horizontal integration
 - (b) Backward integration
 - (c) Market penetration
 - (d) Forward integration

Descriptive Questions

Chapter 1-Introduction to Strategic Management

7. Dharam Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently promoted to look after sales department along with procurement department. His seniors at the corporate level have always liked his way of leadership and are assures that he would ensure the implementation of policies and strategies to the best of his capacity but have never involved him in decision making for the company.

Do you think this is the right approach? Validate your answer with logical reasoning around management levels and decision making.

8. Define strategic management. Also discuss the limitations of strategic management.

Chapter 2-Dynamics of Competitive Strategy

9. ABC Ltd. manufactures and sells air purifier 'Fresh Breath'. The 'Fresh Breath' has seen sales growth of around 1% for the last two years, after strong growth in the previous five years. This is due to new products entering the market in competition with the 'Fresh Breath'. ABC Ltd. is therefore considering cutting its prices to be in line with its major rivals with a hope to maintain the market share. Market research indicates that this will now cause a significant increase in the level of sales, even though in previous years price cuts have had little effect on demand. ABC Ltd. is also planning to launch a promotional campaign to highlight the benefits of the 'Fresh Breath' against its rival products.

Identify and explain the stage of the product life cycle in which 'Fresh Breath' falls.

10. Write a short note on SWOT analysis.

Chapter 3-Strategic Management Process

11. Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results.
12. What are 'objectives'? What characteristics it must possess to be meaningful?

Chapter 4-Corporate Level Strategies

13. Mini theatre Ltd. was a startup venture of three young IIM graduates. They developed an application to watch web-based content like web series, TV Shows, theatre shows, etc. after purchasing their exclusive rights. They were successful in getting many consumers enrolled with them. After a certain span of time, the company realized that some regional content like 'bangla movies', 'Gujarati shows' etc. were having high cost and less viewership. The leadership team of Mini theatre Ltd. decided to sell the rights and curtail any further content development in these areas.

Identify and explain the corporate strategy adopted by the leadership team of Mini theatre Ltd.

14. Justify the statement "Stability strategy is opposite of Expansion strategy".

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Chapter 5-Business Level Strategies

15. Competitive pressures operate as a composite in five areas of the overall market. Elaborate.
16. Write a short note on the concept of cost leadership strategy and how to achieve it?

Chapter 6-Functional Level Strategies

17. ABC Ltd is a company that has grown eleven times its size in last five years. With the increase in size, the company is facing difficulty in managing things. Many a times functional level is not in sync with the corporate level. What will you like to advise to the company and why?
18. Write short note on Publicity and Sales Promotion.

Chapter 7-Organisation and Strategic Leadership

19. Suraj Prakash and Chander Prakash are two brothers engaged in the business of spices. Both have different approaches to management. Suraj Prakash prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Chander Prakash believes in democratic participative management approach, involving employees to give their best.

Analyse the leadership style followed by Suraj Prakash and Chander Prakash.

20. How can management communicate that it is committed to creating a new culture assuming that the old culture was problematic and not aligned with the company strategy?

Chapter 8-Strategy Implementation and Control

21. Why is Strategic Control important for organizations? Discuss briefly 4 types of strategic control that can be implemented to achieve the enterprise goals.
22. Do you agree with the statement that 'Benchmarking is a process of continuous improvement in search of competitive advantage'? Discuss.

SUGGESTED ANSWERS

1. (i) (d) (ii) (c) (iii) (c) (iv) (b) (v) (b)
2. (c)
3. (a)
4. (c)
5. (b)
6. (b)
7. Functional managers provide most of the information that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.

This is so because functional managers like Dharam Singh are closer to the customer than the typical general manager is. A functional manager may generate important ideas that subsequently may become major strategies for the company. Thus, it is important for general managers to listen closely to the ideas of their functional managers and involve them in decision making.

An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business level plans, and if they are involved in formulation, the clarity of thoughts while implementation can benefit too.

Thus, the approach of Cylcix Corporate management is not right. They should involve Dharam Singh, as well as other functional managers too in strategic management.

8. 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 where 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.
9. Product Life Cycle is a useful concept for guiding strategic choice. PLC is an S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), growth (rapid market acceptance) maturity (slowdown in growth rate) and decline (sharp downward drift).

The product 'Fresh Breath' of ABC Ltd. falls under Maturity stage of product life cycle. In this stage, the competition gets tough and market gets stabilised. Profit comes down

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because of stiff competition. At this stage, ABC Ltd. have to work for maintaining stability by cutting the prices to be in line with its major rivals with a hope to maintain the market share and by launching a promotional campaign to highlight the benefits of the 'Fresh Breath' against its rival products.

10. SWOT analysis is a tool used by organizations for evolving strategic options for the future. The term SWOT refers to the analysis of strengths, weaknesses, opportunities and threats facing a company. Strengths and weaknesses are identified in the internal environment, whereas opportunities and threats are located in the external environment.
- (a) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor.
 - (b) **Weakness:** A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it.
 - (c) **Opportunity:** An opportunity is a favourable condition in the external environment which enables it to strengthen its position.
 - (d) **Threat:** An unfavourable condition in the external environment which causes a risk for, or damage to the organisation's position.

The major purpose of SWOT analysis is to enable the management to create a firm-specific business model that will best align, fit or match an organisational resources and capabilities to the demands for environment in which it operates.

11. A strategic manager defines the strategic intent of the organisation and take it on the path of achieving the organisational objectives. There can be a number of areas that a strategic manager should concentrate on to achieve desired results. They commonly establish long-term objectives in seven areas as follows:
- Profitability.
 - Productivity.
 - Competitive Position.
 - Employee Development.
 - Employee Relations.
 - Technological Leadership.
 - Public Responsibility.
12. Objectives are organizations performance targets – the results and outcomes it wants to achieve. They function as yardstick for tracking an organization's performance and progress.

Objectives with strategic focus relate to outcomes that strengthen an organization's overall business position and competitive vitality. Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- ◆ Objectives should define the organization's relationship with its environment.

- ◆ Objectives should be facilitative towards achievement of mission and purpose.
 - ◆ Objectives should provide the basis for strategic decision-making.
 - ◆ Objectives should provide standards for performance appraisal.
 - ◆ Objectives should be understandable.
 - ◆ Objectives should be concrete and specific.
 - ◆ Objectives should be related to a time frame.
 - ◆ Objectives should be measurable and controllable.
 - ◆ Objectives should be challenging.
 - ◆ Different objectives should correlate with each other.
 - ◆ Objectives should be set within constraints.
13. The leadership team of Mini theatre Ltd. decided to cut off the loss-making units, reduces the functions performed that some of regional content like 'bangla movies', 'Gujarati shows' etc. were having high cost and less viewership, it adopts a divestment strategy. The leadership team of Mini theatre Ltd. decided to sell the rights and curtail any further content development in these areas.
- 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. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.
14. Stability Strategies, as name suggests, are intended to safeguard the existing interests and strengths of business. It involves organisations to pursue established and tested objectives, continue on the chosen path, maintain operational efficiency and so on. A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy. This strategy is typical for mature business organizations. Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position.
- On the other hand, expansion strategy is aggressive strategy as it involves redefining the business by adding the scope of business substantially, increasing efforts of the current business. In this sense, it becomes opposite to stability strategy. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigor, promise and success. Expansion also includes diversifying, acquiring and merging businesses. This strategy may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls.
15. Competition makes organizations work harder, however, it is neither a coincidence nor bad luck. All organizations have competition and its benefit are enjoyed by the markets. The customers are able to get better products at lower costs. They get better value for their money because of competition. A powerful and widely used tool for systematically

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diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market as follows:

- (i) **Rivalry among current players:** Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on among rival sellers in the industry.
 - (ii) **Threat of new entrants:** Competitive pressures associated with the threat of new entrants into the market.
 - (iii) **Threats from substitutes:** Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.
 - (iv) **Bargaining power of suppliers:** Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.
 - (v) **Bargaining power of customers:** Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration.
16. Cost leadership strategy requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs. Accordingly, the cost leader is able to charge a lower price for its products than its competitors and still make satisfactory profits. The low cost leadership should be such that no competitors are able to imitate so that it can result in sustainable competitive advantage to the cost leader firm.

To achieve cost leadership, following are the actions that could be taken:

- 1. Forecast the demand of a product or service promptly.
 - 2. Optimum utilization of the resources to get cost advantages.
 - 3. Achieving economies of scale leads to lower per unit cost of product/service.
 - 4. Standardisation of products for mass production to yield lower cost per unit.
 - 5. Invest in cost saving technologies and try using advance technology for smart working.
 - 6. Resistance to differentiation till it becomes essential.
17. The higher-level corporate strategies need to be segregated into viable plans and policies that are compatible with each other and communicated down the line. The higher-level strategies need to be broken into functional strategies for implementation. These functional strategies, in form of marketing, finance, human resource, production, research and development help in achieving the organisational objective. The reasons why functional strategies are needed can be enumerated as follows:
- Functional strategies lay down clearly what is to be done at the functional level. They provide a sense of direction to the functional staff.

- They are aimed at facilitating the implementation of corporate strategies and the business strategies formulation at the business level.
- They act as basis for controlling activities in the different functional areas of business.
- They help in bringing harmony and coordination as they are formulated to achieve major strategies.
- Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

18. Publicity and Sales promotion are adopted by organizations when they are undertaking promotion in the overall marketing mix.

Publicity is a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skillfully seek to promote themselves and their product without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly.

Thus, it is way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share to an organization.

19. Suraj Prakesh is a follower of *transactional leadership style* that focuses on designing systems and controlling the organization's activities. Such a leader believes in using authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.

On the other hand, Chander Prakash is a follower of *transformational leadership style*. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

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20. Corporate culture refers to company's values, beliefs, business principles, traditions, ways of operating and internal work environment. Changing problem cultures is very difficult because of deeply held values and habits. It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy-supportive.
- ◆ The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
 - ◆ Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.
 - ◆ The talk has to be followed swiftly by visible, aggressive actions to modify the culture-actions that everyone will understand are intended to establish a new culture more in tune with the strategy.

Management through communication has to create a shared vision to manage changes. The menu of culture-changing actions includes revising policies and procedures, altering incentive compensation, shifting budgetary allocations for substantial resources to new strategy projects, recruiting and hiring new managers and employees, replacing key executives, communication on need and benefit to employees and so on.

21. **Importance of strategic control:** Strategic control is an important process that keeps organisation on its desired path. It involves evaluating strategy as it is formulated and implemented. It is directed towards identifying problems and changes in premises and making necessary adjustments. 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.

22. Yes, benchmarking is a process of continuous improvement in search for competitive advantage. It measures factors related to products, services and practices against those of its competitors or other acknowledged leaders in their field.

Benchmarking is an approach of setting goals and measuring productivity based on best industry practices. It developed out of need to have information against which performances can be measured. It helps in improving performance by learning from best practices and the processes by which they are achieved.

Benchmarking involves regularly comparing different aspects of performance with the best practices, identifying gaps and finding out novel methods to not only reduce the gaps but to improve the situations so that the gaps are positive for the organization. Better processes are not merely copied. Efforts are made to learn, improve and evolve them to suit the organizational circumstances. Further, benchmarking exercises are also repeated periodically so that the organization does not lag behind in the dynamic environment.

Firms can use benchmarking process to achieve improvement in diverse range of management function like maintenance operations, assessment of total manufacturing costs, product development, product distribution, customer services, plant utilisation levels and human resource management.