

**PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT**

**SECTION A: ENTERPRISE INFORMATION SYSTEMS**

**QUESTIONS**

**Multiple Choice Questions**

A tea manufacturing company, TEATREE launched its startup in the year 1988. Since then, it has been following the process of CTC - Crush, Tear and Curl process that includes withering of harvested crops, green leaf shifting, reconditioning, rolling, fermentation, drying, grading, sorting, and packing. Many vendors and suppliers are associated with the company to carry out these different tasks seamlessly. Over the period, the company continuously aligned itself to consumer preferences and recent food consuming trends to emerge as key players in local markets as well as international markets. The company has been a key contributor in the tea industry for over three decades and is renowned for producing the finest tea products in local and foreign markets. Its tea operations run on four plantations and two factories across the country and has acquired many regional and international awards.

In early 2K, the ERP implementation in TEATREE proved to play an instrumental role in its growth. The company had implemented ERP that allowed the management to have real-time visibility among all its business processes so that it can track and monitor plantation activities, production processes, inventory levels, sales and thereby make effective business decisions. With the exponential growth in the e-commerce industry, the company owns a website also that sells its products to intermediate buyers who then further sells the products to the final customers.

**Based on the above case scenario, attempt Q. No(s) 1 to 4. Q. No 5 is an independent question.**

1. The company's internal auditor Mr. Bali noticed that one of the trusted vendors associated with TEATREE has been supplying low-quality raw material to the company for past some time and this could eventually prove to be fatal for the company's reputation and growth. He reported this issue to the company's top management. Which of the following risk management strategies, the top management of company is opting, in case they have decided to select more capable supplier and terminate the services of the current supplier?
  - (a) Turn back
  - (b) Transfer the risk
  - (c) Terminate the risk
  - (d) Treat the risk

2. During the ERP implementation in TEATREE, there was always a doubt in the mind of the management that with the advent of more efficient technologies everyday, the ERP system may also become obsolete as time goes on. What do you think would be the control that was required to have been in place to cater such a situation?
  - (a) Care must be taken while selecting the vendor and support contracts should be signed to minimize such risk.
  - (b) Backup arrangements and physical controls are required to be strong.
  - (c) The ERP implementation shall be started only after the top management is fully convinced and assure of providing their full support.
  - (d) This requires critical choice of technology, architecture of the product, ease of enhancements, ease of upgrading and quality of vendor support.
3. As a system administrator of the company TEATREE, Mr. Lalit sets up company's computer network in such a way that enables the network to recover from any kind of error like connection failure, loss of data etc. In computer network, which of the following term takes care of the said activities?
  - (a) Routing
  - (b) Resilience
  - (c) Contention
  - (d) Bandwidth
4. The company TEATREE has been following a certain business model for its e-commerce wherein it allows only the wholesalers to place their order and further sell their products in the market. Which e-commerce business model does this refer to?
  - (a) Business-to-Business (B2B)
  - (b) Business-to-Consumer (B2C)
  - (c) Consumer-to-Consumer (C2C)
  - (d) Consumer-to-Business (C2B)
5. The deployment and implementation of Core Banking Systems is controlled at various stages. In which of the following stage, the bank should choose the right solution considering various parameters to meet business objectives?
  - (a) Approval
  - (b) Support
  - (c) Selection
  - (d) Planning

**Descriptive Questions**

**Chapter 1 Automated Business Processes**

6. Mr. Akash heads a project of Business Process Automation (BPA) in ABC Ltd. with a team of 10 people. He needs to give a presentation to senior manager to justify the proposal of implementing BPA so as to convince the management to go ahead with the project. What do you think shall be the points in his presentation?
7. Fixed Assets are important assets for any organization and are therefore required to be ensured that they are all tracked for preventive maintenance and theft deterrence. Explain the steps that are required to be processed to achieve the aforesaid objective.

**Chapter 2 Financial and Accounting Systems**

8. In an Accounting system, different types of vouchers are used for recording different types of transactions based on their specific nature. In this context, name various vouchers along with their usage in Inventory Module of an Accounting System.
9. Business Reporting is the public reporting of operating and financial data by a business enterprise. Why do you think is business reporting important in an organization?

**Chapter 3 Information System and its Components**

10. ABC University has installed a specific Students' Database Management System named EduSuppt which is a simple-to-operate Online Web-based application designed to maintain and manage records and data of students. List down various advantages that EduSuppt DBMS would provide to the University in handling its students' records.
11. Explain in detail the plan which enables a company to recover its operations, mitigate losses using the controls of last resort and attain normalcy in case any disaster strikes.

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

12. A business model enables a firm to analyze its environment more effectively and thereby exploit the potential of the market; better understand its customers; and raise entry barriers for rivals. Explain different e-commerce business models.
13. Discuss the underlying principle of Grid Computing that helps in increase in Return on Investment (RoI) on computing investment of an organization.

**Chapter 5 Core Banking Systems**

14. RKS is a corporative bank that provides various services to its customers, out of which one of them involves the transfer of funds from one place to another. Name the service and discuss its various modes.
15. The process of Money Laundering that supports the criminal activities to make the dirty money appear clean comprises of various stages to do so. Explain these stages in detail.

**ANSWERS****Multiple Choice Questions**

1. (c) Terminate the risk
2. (d) This requires critical choice of technology, architecture of the product, ease of enhancements, ease of upgrading and quality of vendor support.
3. (b) Resilience
4. (a) Business-to-Business (B2B)
5. (c) Selection

**Descriptive Questions**

6. To justify the proposal of implementing Business Process Automation (BPA) and also convince the management to go ahead with the project, Mr. Akash could include following points to justify the Business Process Automation (BPA) proposal:
  - Cost Savings, being clearly computed and demonstrated.
  - Reduction in required manpower leading to no new recruits/hired; and how existing employees can be re-deployed or used for further expansion.
  - Savings in employee salary by not having to replace those due to attrition.
  - The cost of space gained from paper, file cabinets, etc. is reduced.
  - Eliminating fines to be paid by entity due to delays being avoided.
  - Reducing the cost of audits and lawsuits.
  - Taking advantage of early payment discounts and eliminating duplicate payments.
  - Ensuring complete documentation for all new accounts.
  - New revenue generation opportunities.
  - Collecting accounts receivable faster and improving cash flow.
  - Building business reputation by providing superior levels of customer service.
  - Instant access to records such as public information, student transcripts, medical records etc.

7. The typical steps of Fixed Assets process are as follows:
- **Procuring an asset:** An asset is most often entered into the accounting system when the invoice for the asset is entered into the accounts payable or purchasing module of the system.
  - **Registering or adding an asset:** Most of the information needed to set up the asset for depreciation is available at the time the invoice is entered. Information entered at this stage could include acquisition date, placed-in-service date, description, asset type, cost basis, depreciable basis etc.
  - **Adjusting the Assets:** Adjustments to existing asset information often needed to be made. Events may occur that can change the depreciable basis of an asset. Further, there may be improvements or repairs made to the asset that either adds value to the asset or extends its economic life.
  - **Transferring the Assets:** A fixed asset may be sold or transferred to another subsidiary, reporting entity, or department within the company. These inter-company and intra-company transfers may result in changes that impact the asset's depreciable basis, depreciation, or other asset data. This needs to be reflected accurately in the fixed assets management system.
  - **Depreciating the Assets:** The decline in an asset's economic and physical value is called Depreciation. Depreciation is an expense which should be periodically accounted on a company's books, and allocated to the accounting periods, to match income and expenses. Sometimes, the revaluation of an asset may also result in appreciation of its value.
  - **Disposing the Assets:** When a fixed asset is no longer in use, becomes obsolete, or is beyond repair; the asset is typically disposed. When an asset is taken out of service, depreciation cannot be charged on it. There are multiple types of disposals such as abandonment, sales, and trade-ins. Any difference between the book value and realized value is reported as a gain or loss.
8. The various vouchers of Inventory module in an Accounting system are following:
- **Purchase Order:** It is used for recording of a purchase order raised by a vendor.
  - **Sales Order:** It is used for recording of a sales order received from a customer.
  - **Stock Journal:** It is used for recording of physical movement of stock from one location to another. E.g. Inter-Godown Transfer.
  - **Physical Stock:** It is used for making corrections in stock after physical counting.

- **Delivery Note:** It is used for recording of physical delivery of goods sold to a customer.
  - **Receipt Note:** It is used for recording of physical receipt of goods purchased from a vendor.
9. The importance of Business Reporting in an organization are as follows:
- Effective and transparent business reporting allows organizations to present a cohesive explanation of their business and helps them engage with internal and external stakeholders, including customers, employees, shareholders, creditors, and regulators.
  - High-quality business reporting is at the heart of strong and sustainable organizations, financial markets, and economies, as this information is crucial for stakeholders to assess organizational performance and make informed decisions with respect to an organization's capacity to create and preserve value. Value in this context is not necessarily limited to monetary value, but can also comprise of social, environmental, or wider economic value.
  - As organizations fully depend on their stakeholders for sustainable success, it is in their interest to provide them with high-quality reports. For example, effective high-quality reporting reduces the risk for lenders and may lower the cost of capital.
  - Many organizations are increasingly complex, and have larger economic, environmental, and social footprints. Thus, various stakeholder groups are demanding increased Environmental, Social and Global (ESG) information, as well as greater insight into how these factors affect financial performance and valuations.
  - High-quality reports also promote better internal decision-making. High-quality information is integral to the successful management of the business and is one of the major drivers of sustainable organizational success.
10. The advantages of EduSuppt Database Management System (DBMS) that University can avail are as follows:
- **Permitting Data Sharing:** One of the major advantages of a DBMS is that the same information can be made available to different users.
  - **Minimizing Data Redundancy:** In a DBMS, duplication of information or redundancy is, if not eliminated, carefully controlled or reduced i.e. there is no need to repeat the same data repeatedly. Minimizing redundancy significantly reduce the cost of storing information on storage devices.

- **Integrity can be maintained:** Data integrity is maintained by having accurate, consistent, and up-to-date data. Updates and changes to the data only must be made in one place in DBMS ensuring Integrity.
  - **Program and File consistency:** Using a DBMS, file formats and programs are standardized. The level of consistency across files and programs makes it easier to manage data when multiple programmers are involved as the same rules and guidelines apply across all types of data.
  - **User-friendly:** DBMS makes the data access and manipulation easier for the user. DBMS also reduces the reliance of users on computer experts to meet their data needs.
  - **Improved security:** DBMS allows multiple users to access the same data resources in a controlled manner by defining the security constraints. Some sources of information should be protected or secured and only viewed by select individuals. Using passwords, DBMS can be used to restrict data access to only those who should see it. Security will only be improved in a database when appropriate access privileges are allotted to prohibit unauthorized modification of data.
  - **Achieving program/data independence:** In a DBMS, data does not reside in applications, but database program and data are independent of each other.
  - **Faster Application Development:** In the case of deployment of DBMS, application development becomes fast. The data is already therein databases, application developer must think of only the logic required to retrieve the data in the way a user needs.
11. The plan which enables a company to recover its operations, mitigate losses using the controls of last resort and attain normalcy, in case any disaster strikes are as follows:
- **Disaster Recovery Plan (DRP):** DRP deals with how an organization recovers from a disaster and comes back to its normalcy. The plan lays down the policies, guidelines, and procedures for all Information System personnel. A comprehensive DRP comprise four parts:
    - **Emergency Plan:** Actions to be undertaken immediately when a disaster occurs.
    - **Backup Plan:** Specifies the type of backup to be kept, frequency of taking backup, the procedures for making backup etc.
    - **Recovery Plan:** Restores full Information Systems capabilities.
    - **Test Plan:** Identifies deficiencies in the test plan.

- **Business Continuity Plan (BCP):** BCP as compared to a DRP mainly deals with carrying on the critical business operations in the event of a disaster to ensure minimum impact on the business.
  - **Insurance:** It is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. Adequate insurance must be able to replace Information Systems assets and to cover the extra costs associated with restoring normal operations.
12. Different e-commerce business models are as follows:
- **Business-to-Consumer (B2C):** B2C is typically used to refer to online retailers who sell products and services to consumers through the Internet. Generally, this supports the activities within the consumer chain that focuses on sell-side activities. The e-business markets include e-shops, e-malls, e-auctions, Buyer aggregators etc. This may involve direct sellers like [www.cisco.com](http://www.cisco.com); Online intermediaries like [www.amazon.com](http://www.amazon.com); and communities built around common interests like education - example [www.byjus.com](http://www.byjus.com).
  - **Business-to-Business (B2B):** This supports the supply chain of organizations that involves commerce between a company and its suppliers or other partners. A website sells its products to an intermediate buyer who then sells the product to the final customer. The e-business markets are e-auctions, e-procurement, e-distribution etc. For example: A wholesaler places an order from a company's website and after receiving the consignment, sells the end-product to the final customer who comes to buy the product at one of its retails. Example - [www.indiamart.com](http://www.indiamart.com) is a website that helps in connecting prospective buyers to sellers and vice e-versa.
  - **Consumer-to-Consumer (C2C):** With C2C e-business model, consumers sell directly to other consumers via on-line classified ads and auctions, or by selling personal services and expertise on-line. C2C e-commerce allows unknown, untrusted parties to sell goods and services to one another. The model facilitates plain and simple commerce between consumers, wherein revenue streams are typically matching buyers with sellers and vice versa. The e-business market in this model includes e-auctions. For example: A consumer selling his/her mobile phones, cameras, computers, laptops, tablets, video game consoles, and home appliances like television, refrigerators, air conditioners, oven to even hair driers and ceiling fan etc. by publishing the relevant information on the website. Example - [www.olx.com](http://www.olx.com).
  - **Consumer to Business (C2B):** In this model, consumers create value and businesses consume that value. In the model, a reverse auction allows consumers

to set and demand their own price and companies bid to consume their offers and services. The e-business market in this model includes e-distribution. The best example for this model is the job portals like TimesJobs.com etc. Another example could be paisabazaar.com in which various banks/financial institutions provide different offers to which the consumers place an estimate of amount s/he wants to spend on hiring the particular service. The financial institution/ bank that fulfills the consumer's requirement within the specified budget, approaches the consumers and provides its services to them.

- **Consumer to Government (C2G):** This covers all the e-commerce transactions between consumers and government. For example - [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)
  - **Government to Consumer (G2C):** This allows consumers to provide feedback or ask information about government authority from public sector. Consumers can reach higher authority without going around in cities. The aim is to reduce the average time for fulfilling citizen's requests for various government services. Services include land searches, confirmation of genuine licenses and vehicle ownership searches, disputes such as non-payment of tax or tax refunds are resolved through online support on the government platforms. For example- e-Seva (Andhra Pradesh).
  - **Business to Government (B2G):** B2G model is a variant of B2B model. Such websites are used by governments to trade and exchange information with various business organizations. B2G websites are accredited by the government and provide a medium to businesses to submit application forms to the government. For example - any business that pays taxes, submit file reports, or sell goods and services to Government agencies.
13. The underlying principle of Grid Computing that helps in increase in Return on Investment (RoI) on computing investment of an organization are as follows:
- Grid Computing is a computer network in which each computer's resources are shared with every other computer in the system. It is a distributed architecture of large numbers of computers connected to solve a complex problem.
  - In the grid computing model, servers or personal computers run independent tasks and are loosely linked by the Internet or low-speed networks.
  - It is a special kind of distributed computing. In distributed computing, different computers within the same network share one or more resources.
  - In the ideal grid computing system, every resource is shared, turning a computer network into a powerful supercomputer. With the right user interface, accessing a

grid computing system would look no different than accessing a local machine's resources.

- Every authorized computer would have access to enormous processing power and storage capacity.
  - Grid Computing is used for high throughput computing at a lower cost. It has the ability to accumulate the power of geographically scattered and heterogeneous resources to form a cohesive resource for performing higher level computations.
  - In grid computing, by using multiple computers and executing processes in parallel, we can get powerful computational power.
  - Grid computing is applying the resources of many computers in a network to a single problem at the same time-usually to a scientific or technical problem that requires a great number of computer processing cycles or access to large amounts of data.
14. “**Remittances**” is the service that involves the transfer of funds from one place to another in core banking services. Various modes of remittance of funds are as follows:
- **Demand Drafts:** These are issued by one branch of the bank and are payable by another branch of the Bank or, in case, there being no branch of the Bank at the place of destination; branch of another bank with which the issuing bank has necessary arrangements. The demand drafts are handed over to the applicant.
  - **Mail Transfer (MT):** In case of Mail Transfer (MT), no instrument like a document guaranteeing the payment of a specific amount of money, either on demand, or at a set time, with the payer named on the document, that includes cheques, drafts, bills of exchange, credit notes etc. is handed over to the applicant. The transmission of the instrument is the responsibility of the branch. Generally, the payee of MT is an account holder of the paying branch.
  - **Electronic Funds Transfer (EFT):** It is another mode of remittance which facilitates almost instantaneous transfer of funds between two centers electronically. Most of the banks have now introduced digital mode of remittance which makes remittance possible online and on mobile devices directly by the customer in a few clicks. In recent times, new modes of money transfer have replaced the traditional methods of funds transfer. These include the following:
    - **Real Time Gross Settlement (RTGS):** It is an electronic form of funds transfer where the transmission takes place on a real-time basis. In India, transfer of funds with RTGS is done for high value transactions, the minimum amount

being ₹ 2 lakh. The beneficiary account receives the funds transferred, on a real-time basis.

- **National Electronic Funds Transfer (NEFT):** It is a nation-wide payment system facilitating one-to-one funds transfer. Under this scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the Scheme.
- **Immediate Payment Service (IMPS):** It is an instant payment interbank electronic funds transfer system in India. IMPS offers an inter-bank electronic fund transfer service through mobile phones. Unlike NEFT and RTGS, the service is available 24x7 throughout the year including bank holidays.

15. Various stages of Money Laundering are as follows:

- a. **Placement:** The first stage involves the Placement of proceeds derived from illegal activities - the movement of proceeds, frequently currency, from the scene of the crime to a place, or into a form, less suspicious and more convenient for the criminal. In this stage, the illegal funds or assets are first brought into the financial system.
- b. **Layering:** Layering involves the separation of proceeds from illegal source using complex transactions designed to obscure the audit trail and hide the proceeds. The criminals frequently use shell corporations, offshore banks or countries with loose regulation and secrecy laws for this purpose. Layering involves sending the money through various financial transactions to change its form and make it difficult to follow. Layering may consist of several bank-to-bank transfers or wire transfers between different accounts in different names in different countries, making deposits and withdrawals to continually vary the amount of money in the accounts, changing the money's currency, purchasing high-value items such as boats, houses, cars, and diamonds to change the form of money. This step is quite complex as it involves making the 'dirty' money as hard to trace as possible.
- c. **Integration:** Integration involves conversion of illegal proceeds into apparently legitimate business earnings through normal financial or commercial operations. Integration creates the illusion of a legitimate source for criminally derived funds and involves techniques as numerous and creative as those used by legitimate businesses. For example, false invoices for goods exported, domestic loan against a foreign deposit, purchasing of property and commingling of money in bank accounts.

**SECTION – B: STRATEGIC MANAGEMENT****Multiple Choice Questions**

1. Easy Drinks LLP, a company in the health drink industry, found itself grappling with a severe cash crunch due to high production costs and sluggish sales amid tough competition. Led by KK Batra, the team realized that a significant overhaul of their existing processes and business approach was necessary to turn the tide. Taking a bold leap, they took the decision to invest all of their debt in their balance sheet into brand building.

Their new strategy comprised of two key elements. First, they sought to position their brand as a leading extreme sports drink, aiming to elevate the customer's experience and perceived value. Second, they opted to outsource their production and distribution to external vendors. This move was driven by the intention to reduce operational costs significantly and channel the savings into strengthening their brand positioning.

With these transformative changes in mind, the company reimagined itself as "Purple Tiger." The brand's new identity featured a distinctive logo—a roaring tiger on a bright purple can, setting it apart from its competitors in the market.

To build a brand that resonated with consumers, Easy Drinks LLP heavily invested in extreme sports sponsorships. They supported world record holders' attempts, sponsored skydiving, fishing, deep diving, paragliding, bullfights, hot air balloon races, and various other adventure sports worldwide. The vision was to capture the attention of every individual who identified with the thrill of adventure sports. This approach marked a revolutionary step for the company.

Another aspect that set Purple Tiger apart from its competitors was its packaging. While most other brands offered standard 150 ml fat cans, Purple Tiger introduced a unique 180 ml long slimmer can. This differentiation allowed the company to charge a premium for the perceived "pride" it added to the consumer's experience, a strategy they termed "Pride Premium Pricing."

However, the decision to outsource the entire operations posted its own set of risks, mainly concerning quality control and measurement. Despite this, Easy Drinks LLP carefully selected Thai Beverages, a reputable Thailand-based company, as their strategic partner to support them in this endeavour. To instill confidence and ensure a long-term relationship, Thai Beverages was offered a share in the profits. This move aimed to free up the team's focus from operational and supply chain matters, enabling them to concentrate fully on brand building.

Purple Tiger's transformation exemplifies how a change in strategy can bring about a complete shift in the outlook, vision, and mission of a company. The successful execution of their new approach demonstrates the potential for newer dimensions to emerge in the business landscape.

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

- (i) How did Purple Tiger's unique packaging contribute to its competitive advantage?
  - (a) It attracted more customers
  - (b) It reduced production costs
  - (c) It allowed them to charge a premium
  - (d) It strengthened the partnership with Thai Beverages
- (ii) Which of the following growth strategy did Easy Drinks LLP use to free up their own teams and focus on their core specification of brand building?
  - (a) Horizontal integrated diversification
  - (b) Vertical integrated diversification
  - (c) Conglomerate diversification
  - (d) Concentric diversification
- (iii) The partnership with Thai Beverages is an outbound version of which of these?
  - (a) Supply chain management
  - (b) Logistics management
  - (c) Financial strategy
  - (d) Ease of operational control
- (iv) Purple Tiger's decision to involve Thai Beverages in profit sharing reflects a strategic focus on:
  - (a) Strategic alliances
  - (b) Competitive benchmarking
  - (c) Financial leverage
  - (d) Outsourcing
- (v) Easy Drinks LLP's decision to sponsor extreme sports aligns with which strategic objective?
  - (a) Market development
  - (b) Market penetration
  - (c) Product development
  - (d) Diversification

2. Big retail stores (e.g., Big Bazaar) and supermarkets have special core competencies in the areas of:
- A. Merchandising
  - B. Securing supplies at lower cost
  - C. In-house activity management
  - D. Computerized stock ordering and billing systems
  - E. Own brand labels
- Select the correct options:
- (a) A, C, D
  - (b) B, D, E
  - (c) A, B, C, D
  - (d) A, B, D, E
3. The tool for analyzing and comparing the best practices being used by established players in each segment, is known as:
- (a) Benchmarking
  - (b) Strategic Analysis
  - (c) Strategic Decision making
  - (d) BPR
4. Which one of the following cannot be considered as a part of proactive approach in strategy?
- (a) Planned strategy
  - (b) Deliberate management design
  - (c) Forecast about future market condition
  - (d) Adaptive reactions to changing circumstances
5. Indian Company plans to offer snack during travel through ropeways and two free movies tickets on completion of the travel. This marketing technique is known as \_\_\_\_\_
- (a) Augmented marketing
  - (b) Synchro
  - (c) Social
  - (d) Demarketing

6. In which type of organization are Strategic Business Units (SBUs) commonly found?
  - (a) Sole proprietorships
  - (b) One-business organizations
  - (c) Non-profit organizations
  - (d) Multi-business organizations
7. XYZ is a high-end department store chain that is struggling to survive. A number of other department store chains compete with it and are also struggling. How should XYZ best analyse the industry in order to work out how to increase performance?
  - (a) Identify groups of department stores that compete in a similar way.
  - (b) Show the competitive pathways that various competitors will adopt.
  - (c) Determine the combined effect of all the stores' different strategies.
  - (d) Ignore key success factors that affect discount stores.

### **Descriptive Questions**

#### **Chapter 1-Introduction to Strategic Management**

8. "The strategic management cannot counter all hindrances and always achieve success for an organization." Do you agree with this statement? Give arguments in support of your answer.
9. Falguni, CFO of Warships Advertisement Agency, stated that strategic management helps the organisation to develop certain core competencies and competitive advantages that facilitate management in the turbulent environment. Do you agree, if yes, then what and how does it facilitate in?

#### **Chapter 2-Dynamics of Competitive Strategy**

10. A company has recently launched a new product in the market. Initially, it faced slow sales growth, limited markets, and high prices. However, over time, the demand for the product expanded rapidly, prices fell, and competition increased. Identify the stages of the product life cycle (PLC) that the company went through.
11. ABC Corporation is a conglomerate with a diverse portfolio of businesses. One of its businesses is a well-established division in a mature and stable market. The division has maintained a high market share over the years but is experiencing slow growth due to market saturation. The management team is contemplating the best course of action for this division. How should ABC Corporation approach this division according to the BCG growth-share matrix, and what would be the rationale behind it?

**Chapter 3-Strategic Management Process**

12. ABC Pharmaceuticals, a leading pharmaceutical company, is in the process of formulating its strategic intent. The top management of ABC Pharmaceuticals wants to define the company's future direction, objectives, and goals. They aim is to create a vision that sets the organization apart and provides a roadmap for future growth. ABC Pharmaceuticals aspires to enrich the lives of people by producing high-quality pharmaceutical products at competitive prices and wants to become the world's leading pharmaceutical company by 2030." Based on this context, draft a vision and mission statement that could be formulated by the top management of ABC Pharmaceuticals.
13. What is strategic decision making? What tasks are performed by a Strategic Manager?

**Chapter 4-Corporate Level Strategies**

14. Jynklo Ltd. is an established online children gaming company in Japan. They are performing good in the gaming industry. The management of Jynklo Ltd. has decided to expand its business. They decided to start a premium sports drink named JynX for athletes. Identify and explain the growth strategy adopted by Jynklo Ltd.?
15. What is stability strategy? What are the reasons to pursue stability strategy?

**Chapter 5-Business Level Strategies**

16. Easy Access is a marketing services company providing consultancy to a range of business clients. *Easy Access* and its rivals have managed to persuade the Government to require all marketing services companies to complete a time-consuming and bureaucratic registration process and to comply with an industry code of conduct. Do you think that by doing this *Easy Access* and its rivals has an advantage in some way to fight off competitors? Explain.
17. Explain in brief the various basis of differentiation strategy.

**Chapter 6-Functional Level Strategies**

18. "A well designed strategic management system can fail if insufficient attention is given to the human resource dimension." ·Elucidate this statement.
19. Define the term 'Marketing'. Distinguish between social marketing and service marketing.

**Chapter 7-Organisation and Strategic Leadership**

20. Write a short note on Matrix structure.
21. "Entrepreneur is an individual who conceives the idea of starting a new venture." In light of this statement discuss who is an entrepreneur.

**Chapter 8-Strategy Implementation and Control**

22. ABC Ltd. is a shoe manufacturing company. The strategic manager of ABC Ltd. is Ms. Suman. Ms. Suman hired the best designers she could find online for her ethnic shoe brand but later she found that the designers were better at leather designs. Identify and explain linkage in the given situation as she had to change her strategy basis the actual resources she had?
23. What is implementation control? Discuss its basic forms.

**SUGGESTED ANSWERS**

1. (i) (c) (ii) (b) (iii) (a) (iv) (a) (v) (b)
2. (d)
3. (a)
4. (d)
5. (a)
6. (d)
7. (a)
8. **Yes**, it is true that the presence of strategic management cannot counter all hindrances and always achieve success for an organization. This is on account of complex multiple forces acting on business organization and limiting its success.

These limitations are on account of following factors:

- ◆ **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.
- ◆ **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 – particularly to small and medium organisations. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement.

- ◆ **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. **Yes**, strategic management plays a crucial role in an organization's survival and growth, particularly in a turbulent environment. It provides the framework for developing and leveraging core competencies and competitive advantages that enable the organization to not only withstand challenges but also seize opportunities for expansion and success.
- **Survival:** In a turbulent environment characterized by rapid changes, uncertainties, and challenges, strategic management helps an organization adapt and respond effectively. By developing core competencies and competitive advantages, an organization becomes better equipped to navigate unexpected disruptions and stay relevant in the market.
  - **Growth:** Strategic management goes beyond survival. It enables an organization to identify opportunities, innovate, and create value for its customers. By leveraging core competencies and competitive advantages, the organization can capture market share, expand its offerings, and achieve sustained growth.
10. The company went through the following stages of the product life cycle (PLC):
- Introduction stage:** Initially, the company faced slow sales growth, limited markets, and high prices, which are characteristic of the introduction stage. During this stage, competition is almost negligible, and customers have limited knowledge about the product.
- Growth stage:** Over time, the demand for the product expanded rapidly, prices fell, and competition increased. These are typical features of the growth stage in the PLC. In this stage, the product gains market acceptance, and customers become more aware of the product's benefits and show interest in purchasing it.
11. According to the BCG growth-share matrix, the division in a mature and stable market falls into the "Cash Cows" category. "Cash Cows" are low-growth, high market share businesses that generate cash with low costs. The recommended approach for ABC Corporation would be to adopt the "Hold" strategy. This means the company should preserve the market share of the division and continue generating cash with low costs. Since the market is mature and growth opportunities are limited, the division's focus should be on maintaining profitability and using the generated cash to support other high-potential businesses within the conglomerate. By holding onto the "Cash Cow" division, ABC can leverage its stability and cash flow to invest strategically in other areas of the business for future growth and innovation.
12. ABC Pharmaceuticals may have following vision and mission:
- Vision:** Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. ABC Pharmaceuticals may have vision "To be the globally

recognized leader in pharmaceutical innovation and enriching the lives of people worldwide by providing high-quality, affordable, and accessible pharmaceutical products."

**Mission:** Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company.

ABC Pharmaceuticals may identify mission in the following lines:

- To improve the well-being of individuals and communities by relentlessly pursuing excellence in pharmaceutical research, development, and manufacturing.
- Committed to producing safe, effective, and sustainable medicines that address unmet medical needs and enhance the quality of life for patients.
- Through innovation, collaboration, and ethical practices, we aim to make a positive impact on global healthcare and become the trusted partner of healthcare providers and patients alike.

13. Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organisational goals. Decisions may be operational i.e., which relate to general day-to-day operations. They may also be strategic in nature. According to Jauch and Glueck **“Strategic decisions encompass the definition of the business, products to be handled, markets to be served, functions to be performed and major policies needed for the organisation to execute these decisions to achieve the strategic objectives.”**

The primary task of the strategic manager is conceptualizing, designing and executing company strategies. For this purpose, his tasks include:

- ◆ Defining the mission and goals of the organisation.
- ◆ Determining what businesses, it should be in.
- ◆ Allocating resources among the different businesses.
- ◆ Formulating and implementing strategies that span individual businesses.
- ◆ Providing leadership for the organisation.

14. Currently Jynklo Ltd. is performing in the children gaming industry. But now its management has decided to expand their business by starting a premium sports drink named JynX for athletes. As there are no linkages in both products with respect to customer groups, customer functions, or the technologies being used, so Jynklo Ltd. have opted Conglomerate diversification.

Jynklo Ltd. diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification. In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way; it

is an unrelated diversification. In process/ technology/ function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.

15. One of the important goals of a business enterprise is stability - to safeguard its existing interests and strengths, to pursue well established and tested objectives, to continue in the chosen business path, to maintain operational efficiency on a sustained basis, to consolidate the commanding position already reached, and to optimise returns on the resources committed in the business. A stability strategy is pursued by a firm when:
- ◆ It continues to serve in the same or similar markets and deals in same or similar products and services.
  - ◆ The strategic decisions focus on incremental improvement of functional performance.

Major reasons for stability strategy are as follows:

- ◆ A product has reached the maturity stage of the product life cycle.
  - ◆ It is less risky as it involves less changes and the staff feel comfortable with things as they are.
  - ◆ The environment faced is relatively stable.
  - ◆ Expansion may be perceived as being threatening.
  - ◆ Consolidation is sought through stabilizing after a period of rapid expansion.
16. **Yes**, *Easy Access* and its rivals get advantage by this move. The new bureaucratic process is making it more complicated for organizations to start up and enter in *Easy Access* market, increasing barriers to entry and thereby reducing the threat of new entrants. New entrants can reduce an industry's profitability, because they add new production capacity, leading to increase in supply of the product, sometimes even at a lower price and can substantially erode existing firm's market share position. However, New entrants are always a powerful source of competition. The new capacity and product range they bring in throws up a new competitive pressure. The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players, which is known as Price War.
17. There are several basis of differentiation, major being: Product, Pricing and Organization.

**Product:** Innovative products that meet customer needs can be an area where a company has an advantage over competitors. However, the pursuit of a new product offering can be costly – research and development, as well as production and marketing costs can all add to the cost of production and distribution. The payoff, however, can be great as customer's flock to be among the first to have the new product.

**Pricing:** It fluctuates based on its supply and demand and may also be influenced by the customer's ideal value for a product. Companies that differentiate based on product price

can either determine to offer the lowest price or can attempt to establish superiority through higher prices.

**Organisation:** Organisational differentiation is yet another form of differentiation. Maximizing the power of a brand or using the specific advantages that an organization possesses can be instrumental to a company's success. Location advantage, name recognition and customer loyalty can all provide additional ways for a company differentiate itself from the competition.

18. 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 the 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.

19. In general, marketing is an activity performed by business organizations. In the present day for business, it is considered to be the activities related to identifying the needs of customers and taking such actions to satisfy them in return of some consideration. The term marketing constitutes different processes, functions, exchanges and activities that create perceived value by satisfying needs of individuals.

Social marketing and service marketing are marketing strategies primarily with different orientations. Social Marketing refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group. For instance, the publicity campaign for prohibition of smoking or encouraging girl child, etc.

20. In matrix structure, functional and product forms are combined simultaneously at the same level of the organization. Employees have two superiors, a product / project manager and a functional manager. The "home" department - that is, engineering, manufacturing, or marketing - is usually functional and is reasonably permanent. People from these functional units are often assigned temporarily to one or more product units or projects.

The product units / projects are usually temporary and act like divisions in that they are differentiated on a product-market basis. The matrix structure may be very appropriate when organizations conclude that neither functional nor divisional forms, even when combined with horizontal linking mechanisms like strategic business units, are right for the implementation of their strategies. Matrix structure was developed to combine the stability of the functional structure with flexibility of the product form. It is very useful when the external environment (especially its technological and market aspects) is very complex and changeable.

A matrix structure is most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication. It may result in higher overhead costs due to more management positions.

**The matrix structure is often found in an organization when the following three conditions exist:**

1. Ideas need to be cross-fertilized across projects or products;
  2. Resources are scarce; and
  3. Abilities to process information and to make decisions need to be improved.
21. Entrepreneurship is an attitude of mind to seek opportunities, take calculated risk and drive benefits by starting and running a venture. It comprises of numerous activities involved in conception, creation and running an enterprise. An entrepreneur is an individual who conceives the idea of starting a new venture, takes all type of risks, not only to put the product or service into reality but also to make it an extremely demanding one.

**An entrepreneur is one who:**

- Initiates and innovates a new concept.
- Recognises and utilises opportunity.
- Arranges and coordinates resources such as man, material, machine and capital.
- Faces risks and uncertainties.
- Establishes a startup company.
- Adds value to the product or service.
- Takes decisions to make the product or service a profitable one.
- Is responsible for the profits or losses of the company.

22. The strategy formulation and strategy implementation are intertwined and linked with each other. Two types of linkages exist between these two phases of strategic management. The forward linkages deal with the impact of strategy formulation on strategy implementation while the backward linkages are concerned with the impact in the opposite direction.

In the given situation Ms. Suman has to follow **Backward Linkages** as she had to change her strategy basis the actual resources she had. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

23. 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 associated with incremental steps and actions.

Strategic implementation control is not a replacement to operational control. Strategic implementation control, unlike operational controls continuously monitors the basic direction of the strategy. The two basic forms of implementation control are:

- (i) **Monitoring strategic thrusts:** Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- (ii) **Milestone reviews:** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.