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SUGGESTED SOLUTION
INTERMEDIATE N'18 EXAM

SUBJECT- EIS AND S.M.

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BRANCH - () (Date :)

Head Office : Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel : (022) 26836666

ANSWER-1

ANSWER-A

Functional Audit: This includes testing of different functions / features in the system and testing of the overall process or part of process in the system and its comparison with the actual process. Example - Purchase Process, Sales Process, Salary Calculation Process, Recruitment Process etc. Auditor may check this process in the system and compare it with actual process. It is quite possible that all the aspect present in the actual process may not be integrated in the ERP system. There may be some manual intervention.

ANSWER-B

Proxy Server: A Proxy Server is a computer that offers a computer network service to allow clients to make indirect network connections to other network services. A client connects to the proxy server, and then requests a connection, file, or other resource available on a different server. The proxy provides the resource either by connecting to the specified server or by serving it from a cache. In some cases, the proxy may alter the client's request or the server's response for various purposes.

ANSWER-C

Repeater: A repeater regenerates the signal over the same network before the signal becomes too weak or corrupted to extend the length to which the signal can be transmitted over the same network. They do not amplify the signals, however, when the signal becomes weak, they copy the signal bit by bit and regenerate it at the original strength.

ANSWER-D

Web Portal: This shall provide the interface through which an individual / organization shall perform e-commerce transactions. Web Portal is the application through which user interacts with the e-commerce vendor. The front end through which user interacts for an e-commerce transaction. These web portals can be accessed through desktops / laptops / PDA / hand-held computing devices / mobiles and now through smart TVs also.

ANSWER-E

Inventory/Stores Management: The inventory management system is designed with a view to keeping the track of materials in the stores. The system is used to regulate the maximum and minimum level of stocks, raise alarm at danger level stock of any material, give timely alert for re-ordering of materials with optimal re-order quantity and facilitate various queries about inventory like total inventory value at any time, identification of important items in terms of stock value (ABC Analysis), identification most frequently moving objects (XYZ Analysis) etc. Similarly, well designed inventory

management system for finished goods and semi-finished goods provides important information for production schedule and marketing/sales strategy.

ANSWER-2

ANSWER-A

Internal control, no matter how effective, can provide an entity with only reasonable assurance and not absolute assurance about achieving the entity's operational, financial reporting and compliance objectives. Internal control systems are subject to certain inherent limitations, such as:

- Management's consideration that the cost of an internal control doesn't exceed the expected benefits to be derived.
- The fact that most internal controls do not tend to be directed at transactions of unusual nature. The potential for human error, such as, due to carelessness, distraction, mistakes of judgment and misunderstanding of instructions.
- The possibility of circumvention of internal controls through collusion with employees or with parties outside the entity.
- The possibility that a person responsible for exercising an internal control could abuse that responsibility, for example, a member of management overriding an internal control.
- Manipulations by management with respect to transactions or estimates and judgments required in the preparation of financial statements.

ANSWER-B

- An ERP system is a **multi module software system** that integrates all **business process and functions** of the entire Enterprise into a single software system, using a single integrated database. Each module is intended to collect, process and store data of a **functional area** of the organization and to integrate with related processes.
 - An ERP system is based on a common database and a modular software design. The common database can allow every department of a business to store and retrieve information in real-time.

Advantages of an ERP System

- Ability to customize an organization's requirements;
- Integrate business operations with accounting and financial reporting functions;
- Increased data security and application controls;
- Build strong access and segregation of duties controls;
- Automate many manual processes thus eliminating errors;
- Process huge volumes of data within short time frames; and
- Strong reporting capabilities which aids management and other stakeholders in appropriate decision making.

Features of an Ideal ERP System

- It should cater all types of needs of an organization.
- It should provide right data at right point of time to right users for their purpose.
- It should be flexible enough to adapt to changes in the organization.
- It must have single database and contains all data for various software modules to perform all the functions of organization to achieve goals and objectives.

ANSWER-3

ANSWER-A

Software which is **used to perform a specific task** is called as an Application Software. It helps users to solve real life problem such as banking, stock trading etc.

The different types of application software are:

- **Application Suite:** Has multiple applications bundled together. Related functions, features and user interfaces interact with each other. E.g. MS Office 2010 which has MSWord, MS Excel, MS Access, etc.
- **Enterprise Software:** This type of software helps to manage enterprise's resources in an integrated manner. E.g. ERP Applications like SAP.
- **Enterprise Infrastructure Software:** Provides capabilities required to support enterprise software systems. E.g.: email servers, Security software.
- **Information Worker Software:** Addresses individual needs required to manage and create information. E.g. Spreadsheets, CAAT (Computer Assisted Audit Tools), etc.
- **Content Access Software:** Used to access and publish the digital and multimedia content. E.g. Media Players, Adobe Digital etc.
- **Educational Software:** Holds contents adopted for use by students. E.g. Examination Test CDs
- **Media Development Software:** Addresses individual needs to generate and print electronic media for others to consume. E.g. Desktop Publishing, Video Editing etc.

ANSWER-B

- Elasticity and Scalability:** Gives us the ability to **expand and reduce resources** according to the specific service requirement.
- Pay-per-Use:** We pay for cloud services **only when we use them**, either for the short term or for a longer duration.
- On-demand:** Because we invoke cloud services **only when we need them**, they are not permanent parts of the IT infrastructure, this is a significant advantage for cloud use as opposed to internal IT services. With cloud services there is no need to have dedicated resources waiting to be used, as is the case with internal services.

d) Resiliency: The resiliency of a cloud service offering can completely **isolate the failure of server and storage resources from cloud users**. Work is migrated to a different physical resource in the cloud with or without user awareness and intervention.

e) Multi Tenancy / Sharing: Public cloud service providers often can host the cloud services for **multiple users** within the same infrastructure.

f) Workload Movement: This characteristic is related to resiliency and cost considerations. Here, cloud-computing providers can migrate workloads across servers both inside the data center and across data centers (even in a different geographic area). This migration might be necessitated by cost.

ANSWER-4

ANSWER-A

Once the complete business is captured by technology and processes are automated in CBS, the Data Centre (DC) of the bank, and customers, management and staff are completely dependent on the DC. From a risk assessment and coverage point of view, it is critical to ensure that the Bank can impart advanced training to its permanent staff in the core areas of technology for effective and efficient technology management.

- **Ownership of Data/ process:** Since the entire data resides at the Data Centre, any authorized user may access any data sometimes beyond their access rights. Hence it is required to establish clear ownership.
- **Authentication procedure:** This may be inadequate and hence user entering the transaction may not be identifiable. Hence photo or ID and password required to be provided by the individual and it has to be verified with photo, ID & password stored in database server to check its authenticity.
- **Authorization process:** Once he is proved authenticated, level of access right provided to every user has to be verified to check up to what extent he is authorized to access.
- **Several software interfaces across diverse networks:** A Data Centre can have as many as 75-100 different interface and application software.
- **Maintaining response time:** Maintaining the interfacing software and ensuring optimum response time and up time can be challenging.
- **User Identity Management:** This could be a serious issue. Some Banks may have more than 5000 users interacting with the CBS at once.
- **Access Controls:** Designing and monitoring access control is an extremely challenging task.
- **Incident handling procedures:** These may not be adequate considering the need for real-time risk management.

ANSWER-B

- **(i) Quicker grasp of relationships** - The relationship between various elements of the application program/business process must be identified. Flowchart can help depict a lengthy procedure more easily than by describing it by means of written notes.
- **(ii) Effective Analysis** - The flowchart becomes a blue print of a system that can be broken down into detailed parts for study. Problems may be identified and new approaches may be suggested by flowcharts.
- **(iii) Communication** - Flowcharts aid in communicating the facts of a business problem to those whose skills are needed for arriving at the solution.
- **(iv) Documentation**- Flowcharts serve as a good documentation which aid greatly in future program conversions. In the event of staff changes, they serve as training function by helping new employees in understanding the existing programs.
- **(v) Efficient coding** - Flowcharts act as a guide during the system analysis and program preparation phase. Instructions coded in a programming language may be checked against the flowchart to ensure that no steps are omitted.
- **(vi) Program Debugging** - Flowcharts serve as an important tool during program debugging. They help in detecting, locating and removing mistakes.
- **(vii) Efficient program maintenance** - The maintenance of operating programs is facilitated by flowcharts. The charts help the programmer to concentrate attention on that part of the information flow which is to be modified.

Limitations of Flowchart

- **(i) Complex logic** -Flowchart becomes complex and clumsy where the problem logic is complex.
- **(ii) Modification** - If modifications to a flowchart are required, it may require complete re-drawing.
- **(iii) Reproduction** - Reproduction of flowcharts is often a problem because the symbols used in flowcharts cannot be typed.
- **(iv) Link between conditions and actions** - Sometimes it becomes difficult to establish the linkage between various conditions and the actions to be taken there upon for a condition.

ANSWER-5

ANSWER-A

- **Prevent organizational costs of data Loss:** Data is a critical resource of an organization for its present and future process and its ability to adapt and survive in a changing environment.
- **Prevent loss from incorrect decision making:** Management and operational controls taken by managers involve detection, investigations and correction of out-of-control

processes. These high-level decisions require accurate data to make quality decision rules.

- **Prevent loss of Computer Hardware, Software and Personnel:** These are critical resources of an organization which has a credible impact on its infrastructure and business competitiveness.
- **Prevent from high costs of computer Error:** In a computerized enterprise environment where many critical business processes are performed a data error during entry or process would cause great damage.
- **Safeguard assets from un-authorized access:** The information system assets (hardware, software, data files etc.) must be protected by a system of internal controls from unauthorized access.
- **Ensure data integrity:** The importance to maintain integrity of data of an organization depends on the value of information, the extent of access to the information and the value of data to the business from the perspective of the decision maker, competition and the market environment
- **System Effectiveness Objectives:** Effectiveness of a system is evaluated by auditing the characteristics and objective of the system to meet substantial user requirements.
- **System Efficiency Objectives:** To optimize the use of various information system resources (machine time, peripherals, system software and labour) along with the impact on its computing environment.

ANSWER-B

- Are designed to detect errors, omissions or malicious acts that occur and report the occurrence.
- Ex: Hash totals, CCTV, Review of Audit logs, BRS.

Characteristics of Detective Controls

- Clear understanding of lawful activities so that anything which deviates from these is reported as unlawful, malicious, etc.
- An established mechanism to refer the reported unlawful activities to the appropriate person or group
- Interaction with the preventive control to prevent such acts from occurring

Corrective controls

- Are designed to **reduce the impact** or **correct an error** once it has been detected.
- Ex: Cleaning a file detected to contain virus, data backups, stand by server, failover networks etc. (Business continuity plan)

Characteristics of Corrective Controls

- Minimize the impact of the threat
- Correct error arising from a problem
- Feedback from preventive and detective controls
- Modify the processing systems to minimize future occurrences of the problem.

ANSWER-6

ANSWER-A

- It is a system which provides accurate, timely and meaningful data to managers for decision making.
- MIS systems automatically collect data from various areas within a business. These systems can produce daily reports that can be sent to key members throughout the organization.
- Most MIS systems can also generate on-demand reports. On-demand MIS reports allow managers and other users of the system to generate an MIS report whenever they need it.
- It provides various types of sales reports i.e. month wise, quarter wise etc.
- It is user friendly system.

Benefits / criteria of MIS

- **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** –It provides information to the manager as and when it is required by him. 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 should provide accurate information to the manager. 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 decimal. 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.

ANSWER-B

Meaning:

- Green IT refers to the **study and practice of establishing/ using computers and IT resources in a more efficient and environmentally friendly and responsible way.**
- Computers consume a lot of natural resources, from the raw materials needed to manufacture them, the power used to run them, and the problems of disposing them at the end of their life cycle. Green computing is the environmentally responsible use of these computers and related resources.

- **Develop a sustainable Green Computing plan:**

- Involve stakeholders to include checklists, recycling policies, recommendations for disposal of used equipment, government guidelines etc.
- Encourage the IT community for using the best practices.
- On-going communication is required towards continuous commitment of green IT.
- Include power usage, reduction of paper consumption, as well as recommendations for new equipment and recycling old machines.
- Use cloud computing so that multiple organizations share the same computing resources, thus increasing the utilization by making more efficient use of hardware resources.

ANSWER-7

ANSWER-A

Atrix is having a product portfolio that is evidently in the decline stage. The product is being replaced with the technologically superior product. Strategically the company should minimize their dependence on the existing products and identify other avenues for the survival and growth. As a CEO of Atrix Ltd., following can be the strategic options available with the CEO:

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

ANSWER-B

In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So to meet changing conditions in their industries, companies need to be farsighted and visionary, and must have a system of managing strategically.

Strategic management starts with developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business portfolio (to allow management to utilise all facets of the organisation), and functional plans (plans to carry out daily operations from the different functional disciplines).

The overall objective of strategic management is two fold:

- ◆ To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
- ◆ To guide the company successfully through all changes in the environment. The following are the benefits of strategic approach to managing:

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

ANSWER-8

ANSWER-A

- (i) **Correct:** Consonance refers to the need for strategists to examine sets of trends, as well as individual trends, in auditing strategies. A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it. One difficulty in matching a firm's key internal and external factors in the formulation of strategy is that most trends are the result of interactions among other trends.
- (ii) **Incorrect:** Marketing function and production function complement each other. They need to work in tandem to produce goods as per the needs and preferences of the customers. Marketing links the production with the customers.

ANSWER-B

Most organizations find that organising around either functions (in the functional structure) or around products and geography (in the divisional structure) provides an appropriate organizational structure. The matrix structure, in contrast, 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. In matrix structure, functional and product forms are combined simultaneously at the same level of the organization. Employees have two superiors, a product or 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 or projects are usually temporary and act like divisions in that they are differentiated on a product-market basis.

A matrix structure is the most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication (hence the term matrix). In contrast, functional and divisional structures depend primarily on vertical flows of authority and communication. A matrix structure can result in higher overhead because it has more management positions. Other characteristics of a matrix structure that contribute to overall complexity include dual lines of budget authority (a violation of the unity command principle), dual sources of reward and punishment, shared authority, dual reporting channels, and a need for an extensive and effective communication system.

Despite its complexity, the matrix structure is widely used in many industries, including construction, healthcare, research and defence. Some advantages of a matrix structure are that project objectives are clear, there are many channels of communication workers can see the visible results of their work, and shutting down a project is accomplished relatively easily.

In order for a matrix structure to be effective, organizations need planning, training, clear mutual understanding of roles and responsibilities, excellent internal communication, and mutual trust and confidence. The matrix structure is used more frequently by businesses because they are pursuing strategies add new products, customer groups, and technology to their range of activities. Out of these changes are coming product managers, functional managers, and geographic managers, all of whom have important strategic responsibilities. When several variables such as product, customer, technology, geography, functional area, have roughly equal strategic priorities, a matrix organization can be an effective structural form.

Matrix structure was developed to combine the stability of the functional structure with the flexibility of the product form. It is very useful when the external environment (especially its technological and market aspects) is very complex and changeable. It does, however, produce conflicts revolving around duties, authority, and resource allocation. To the extent that the goals to be achieved are vague and the technology used is poorly understood, a continuous battle for power between product and functional managers is likely. The matrix structure is often found in an organization or within an SBU when the following three conditions exist: 1) Ideas need to be cross-fertilised across projects or products, 2) Resources are scarce and 3) Abilities to process information and to make decisions need to be improved.

ANSWER-9

ANSWER-A

Business Process Reengineering (BPR) is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involves examination of the basic process itself. It looks at the minute details of the process, such as why the work is done, who does it, where is it done and when it is done. BPR refers to the analysis and redesign of workflows and processes both within the organization and between the organization and the external entities like suppliers, distributors, and service providers.

The orientation of redesigning efforts is basically radical. In other words, it is a total deconstruction and rethinking of business process in its entirety, unconstrained by its existing structure and pattern. Its objective is to obtain quantum jump in process

performance in terms of time, cost, output, quality, and responsiveness to customers. BPR is a revolutionary redesigning of key business processes.

BPR involves the following steps:

1. **Determining objectives and framework:** Objectives are the desired end results of the redesign process which the management and organization attempts to achieve. This will provide the required focus, direction, and motivation for the redesign process. It helps in building a comprehensive foundation for the reengineering process.
2. **Identify customers and determine their needs:** The designers have to understand customers – their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides added value to the customer.
3. **Study the existing process:** The existing processes will provide an important base for the redesigners. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes.
4. **Formulate a redesign process plan:** The information gained through the earlier steps is translated into an ideal redesign process. Formulation of redesign plan is the real crux of the reengineering efforts. Customer focused redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.
5. **Implement the redesign:** It is easier to formulate new process than to implement them. Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements. It is the joint responsibility of the designers and management to operationalise the new process.

ANSWER-B

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.

A divestment strategy may be adopted due to various reasons:

- When a turnaround has been attempted but has proved to be unsuccessful.
- A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
- Persistent negative cash flows from a particular business create financial problems for the whole company.
- Severity of competition and the inability of a firm to cope with it.
- Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it.
- A better alternative may be available for investment.

ANSWER-10

ANSWER-A

Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realise the organization's strategic intent. Strategic intent refers to purposes of what the organization strives for. Senior managers must define "what they want to do" and "why they want to do". "Why they want to do" represents strategic intent of the firm. Clarity in strategic intent is extremely important for the future success and growth of the enterprise, irrespective of its nature and size.

Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieving. It is a statement that provides a perspective of the means, which will lead the organization, reach its vision in the long run. Strategic intent gives an idea of what the organization desires to attain in future. It answers the question what the organization strives or stands for? It indicates the long-term market position, which the organization desires to create or occupy and the opportunity for exploring new possibilities.

Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives. Strategic intent could be in the form of vision and mission statements for the organisation at the corporate level. It could be expressed as the business definition and business model at the business level of the organisation.

Strategic intent is generally stated in broad terms but when stated in precise terms it is an expression of aims to be achieved operationally, i.e., goals and objectives.

ANSWER-B

Yes, strategy is partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on. There can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in light of possible environmental changes. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

ANSWER-11

ANSWER-A

Advantages of Differentiation Strategy

A differentiation strategy may help to remain profitable even with: rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

1. Rivalry - Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.
2. Buyers - They do not negotiate for price as they get special features and also they have fewer options in the market.
3. Suppliers - Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too.
4. Entrants - Innovative features are an expensive offer. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.
5. Substitutes - Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

Disadvantages of Differentiation Strategy

1. In long term, uniqueness is difficult to sustain.
2. Charging too high a price for differentiated features may cause the customer to switch-off to another alternative.
3. Differentiation fails to work if its basis is something that is not valued by the customers.

Achieving Focused Strategy

To achieve focused cost leadership/differentiation, following are the measures that could be adopted by an organization:

1. Selecting specific niches which are not covered by cost leaders and differentiators.
2. Creating superior skills for catering to such niche markets.
3. Generating high efficiencies for serving such niche markets.
4. Developing innovative ways in managing the value chain.

ANSWER-B

Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the demand for its product. These are usually referred to as 4Ps - product, price, place and promotion.

Product stands for the "goods-and-service" combination the company offers to the target market.

Price stands for the amount of money customers have to pay to obtain the product.

Place stands for company activities that make the product available to target consumers. One of the most basic marketing decision is choosing the most appropriate channel to reach target customer.

Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. It includes - Personal Selling, Advertising, Publicity and Sales promotion

The traditional concept of 4Ps is also expanded further with more Ps such as, people, physical evidence and process. Under the dynamics of market all the Ps are extremely important so as to build and sustain a competitive advantage over the rivals.

ANSWER-12

ANSWER-A

Benchmarking is an approach of setting goals and measuring productivity based on best industry practices. It is developed out of need to have information against which performance can be measured. Benchmarking helps businesses in improving performance by learning from the best practices and the processes by which they are achieved. Thus Benchmarking is the process of continuous improvement in search of competitive advantage. It measures company's products, services and practices against those of its competitors or other acknowledged leaders in the industry.

The Benchmarking process elements: Some of the common elements of benchmarking process are as under.

- (i) Identifying the need for benchmarking process: This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organisations identify realistic opportunities for improvements.
- (ii) Clearly understanding existing business processes: This will involve compiling information and data on performance. This will include mapping processes also. Information and data is collected by different methods for example, interviews, visits and filling of questionnaires.
- (iii) Identify best processes: Within the selected framework best processes are identified. These may be within the same organisation or outside of them.
- (iv) Comparison of own processes and performance with that of others: Benchmarking process also involves comparison of performance of the organisation with

performance of other organisation. Any deviation between the two is analysed to make further improvements.

- (v) Prepare a report and implement the steps necessary to close the gap in performance: A report on benchmarking initiatives containing recommendations is prepared. Such report also contains the action plans for implementation.
- (vi) Evaluation: Business organisations evaluate the results of benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. It also periodically evaluates and reset the benchmarks in the light of changes in the conditions that influence the performance.

ANSWER-B

In simple economic terms globalization refers to the process of integration of world into one huge market. At the company level globalization means two things: (a) the company commits itself heavily with several manufacturing locations around the world and offers products in several diversified industries and (b) it also means ability to compete in domestic markets with foreign competitors.

A company which goes global is also called a Multinational Company (MNC). The global company views the world as one market minimizes the importance of national boundaries. A global company has three attributes:

- (i) It is a conglomerate of multiple units located in different parts of the globe but all linked with common ownership.
- (ii) Multiple units draw a common pool of resources such as money, credit, patents, trade name, etc.
- (iii) The units respond to common strategy.

Strategic approaches:

International economic dynamics accompanied by geographical changes have changed the paradigm of global business. A firm / company which wishes to go global will be guided by the following four types of strategies:

- (i) Multi-domestic strategy: A multi-domestic strategy focuses on competition within each country in which the firm operates. This Strategy is adopted when a company tries to achieve a high level of local responsiveness by matching their products and services offerings to national conditions prevailing in the countries they operate in. The organization attempts to extensively customize their products and services according to the local conditions of different countries.
- (ii) Global strategy: A global strategy assumes more standardization of products across country boundaries. Under this strategy, the company tries to focus on a low cost structure by leveraging their expertise in providing certain products and services and concentrating the production of these standard products and services at a few favourable locations around the world. Competitive strategy is centralized and controlled by the home office.

- (iii) Transnational strategy: Many large multinational firms, particularly those with many diverse products, may use a multi-domestic strategy with some product lines and a global strategy with others. A transnational strategy seeks to combine aspects of both multi- domestic and global strategies. Thus there is emphasizes on both local responsiveness and global integration and coordination. Although the transnational strategy is difficult to implement, environmental trends are causing multinational firms to consider the needs for both global efficiencies and local responsiveness.

When a firm adopts one or more of the above strategies, the firm would have to take decisions on the manner in which it would commence international operations. The decision as to how to enter a foreign market can have a significant impact on the results. Expansion into foreign markets can be achieved through following options:

- Exporting.
- Licensing/ Franchising.
- Joint Venture.
- Foreign Direct Investment.