J.K. SHAH
TEST SERIES
Evaluate Learn Succeed

INTER CA – MAY 2018
PAPER 7: ENTERPRISE INFORMATION SYSTEM
& STRATEGIC MANAGEMENT
Branch : MULTIPLE   Date :

(10 0 Marks)

SECTION A: ENTERPRISE INFORMATION SYSTEMS (50 MARKS)
Question 1 is compulsory. Attempt any five from the rest

Q.1.

a. The different types of Application Software are – **(1 mark for each)**

Item	Description	Example
1. **Application Suite**	This has multiple applications bundled together as a package. Related functions feature and User Interfaces interact with each other.	MS Office which has MS Word, MS Excel, MS Access, etc.
2. **Enterprise Software**	This addresses an Enterprise's needs and data flow in a huge distributed environment.	ERP Applications like SAP.
3. **Enterprise Infrastructure Software**	These provide capabilities required to support Enterprise Software Systems.	Email Servers, Security Software.
4. **Information Worker Software**	These software address individual needs required to manage and create information for individual projects within departments.	Spreadsheets, CAAT (Computer Assisted Audit Toots), etc.
5. **Content Access Software**	These are used to access contents and address a desire for published digital content and entertainment.	Media Players, Adobe Digital, etc.
6. **Educational Software**	These hold contents adopted for use by students.	Examination Test CDs.
7. **Media Development Software**	These software address the individual needs to generate and print electronic media for others to consume.	Desktop Publishing, Video Editing, Encryption, etc.

(5 marks)

b. **Compliance Steps by Entities**

Some of the Key Steps for ensuring compliance with Cyber Law include –

1.   Designate a Cyber Law Compliance Officer.**(1 mark)**
2.   Conduct regular training of all relevant employees, on Cyber Law Compliance. **(1 mark)**
3.   Implement strict procedures in HR Policy in case of Cyber Law Non-Compliance, including a No-Tolerance Clause. **(1 mark)**
4.   Implement the Authentication Procedures as per legal requirements. **(1/2 mark)**
5.   Implement applicable standards on Data Privacy, on collection, retention, access, deletion, etc. **(1/2 mark)**
6.   Identify and initiate safeguard requirements under various provisions of the IT Act, e.g. Sec.43A, 69, 69A, 69B, etc. **(½ mark)**
7.   Implement an appropriate reporting mechanism for compliance with Cyber Laws. **(½ mark)**

c. **1. Components of Mobile Computing**

Items	Description
1. **Mobile Communication (1 mark)**	a) It refers to the infrastructure available to ensure seamless and reliable communication. b) It includes Communication Properties, Protocols, Data Formats and concrete Technologies.
2. **Mobile Hardware (2 mark)**	a) This refers to the various Mobile **Devices or Device Components** that receive or access the service of mobility. b) It includes Portable Laptops, Smart Phones, Tablet PCs, and Personal Digital Assistants (PDA) that use an existing and established network to operate on. c) Back End Items include Servers like Application Servers, Database Servers and Servers with Wireless Support, WAP Gateway, a Communications Server and/or MCSS (Mobile

	Communications Server Switch) or a Wireless Gateway embedded in Wireless Carrier's Network (to provide communications functionality to allow the handheld device to communicate with the Internet or Intranet Infrastructure). **d)** Mobile Computing Hardware are defined by various factors like - (i) Size & Form, (ii) Weight, **e)** (iii) Microprocessor, (iv) Primary Storage, (v) Secondary Storage, (vi) Screen Size and Type, (vii) Means of Input, (viii) Means of Output, (ix) Battery Life, (x) Communications Capabilities, (xi) Expandability, and (xii) Durability of the Device.
3. Mobile Software(2 mark)	**a)** It is the actual program that runs on the Mobile Hardware and deals with the characteristics and requirements of Mobile Applications. **b)** It is the operating system of that Device, i.e. essential to make the Device operate. **c)** Mobile Applications (called Apps), are developed by organizations for use by customers. However, Apps could represent risks, in terms of flow of data, personal identification risks, introduction of malware and access to personal information of Mobile Owner.

(5 marks)

d. **Policy Areas to be defined in e-Commerce (1 mark for each)**

E-Commerce / m-Commerce Business Entities should have clear policy guidelines in the following areas -

Area	Description
1. Process and Parties	**a)** Identification of the Parties in the e-Commerce transaction, viz. Network Provider, Logistics Service Provider, Inventory Managers, etc. **b)** Roles to be played by each Party, and their responsibilities.
2. Billing	**a)** Process of Billing, **b)** Format of Bill, details to be provided in the Bill, treatment of applicable Indirect Taxes (GST), etc.
3. Warranty	**a)** Display of Product Guarantee / Warranty online as well as documents sent along with the products, **b)** Extent of Responsibility towards Guarantee / Warranty - for Vendor or for Supplier.
4. Despatch and Shipping	**a)** Shipping Time, **b)** Place of Shipping, **c)** Frequency of Shipping, **d)** Mode of Shipping, **e)** Packing at the time of Shipping, etc.
5. Delivery	**a)** Mode of Delivery - viz. Courier / Third Party Hand Delivery / Own Staff Hand Delivery, **b)** Time of day when deliveries are to be made, **c)** Place of Delivery - directly at Buyer's Office / Home or through dedicated Delivery Shops of the E- Commerce Vendor from where the Buyer can collect the goods.
6. Payment	Mode of Payment - immediate (options like Credit Cards, Internet Banking), or Cash on Delivery,
7. Return	**a)** Types of goods for which Returns can be accepted, **b)** Number of days within which Returns can be accepted, **c)** Process of verifying the authenticity of products received back, **d)** Time within which Buyer shall be credited back for the goods returned.

Q.2.

a. **Record Relationships:** When designing the Database to make it easy for the end user to use the database for different purposes, the following relationships are to be considered – **(1 mark for each)**

Relationship	Example
1. **One : One**	In a Multi-Speciality Hospital, the Doctor sees a patient and writes a prescription for that
2. **One : Many**	A Doctor sees many patients and writes prescriptions for each person separately.
3. **Many : One**	Many Specialist Doctors see a single patient.
4. **Many: Many**	The Billing Section of the Hospital processes the bills of different patients from different

(4 marks)

b. **Chapter IX Penalties & Adjudications**

1. **Compensation for failure to protect data [Sec.43A]: (2 mark)**

Meaning of Terms	a) **"Body Corporate"** means any Company and includes a Firm, Sole Proprietorship or other Association of Individuals engaged in commercial or professional activities. b) **"Reasonable Security Practices and Procedures"** means security practices and procedures designed to protect information from unauthorized access, damsage, use, modification, disclosure or impairment, as per agreement between the parties or as per prevalent law, and in the absence of such agreement or any law, such reasonable security practices and procedures, as prescribed by Central Govt in consultation with such Professional Bodies or Associations as it may deem fit. c) **"Sensitive Personal Data or Information"** means personal information as prescribed by Central Govt in consultation with such Professional Bodies or Associations as it may deem fit.
Acts attracting penalty	Where a Body Corporate, possessing, dealing or handling any sensitive personal data or information in a Computer Resource which it owns, controls or operates, is negligent in implementing and maintaining reasonable security practices and procedures and thereby causes wrongful loss or wrongful gain to any person
Penalty	The Body Corporate is liable to pay damages by way of compensation, to the person so affected.

2. Penalty for failure to furnish information and returns [Sec. 44]: (1 mark)

Acts attracting penalty	Penalty
a) Failure to furnish any Document, Return, Report to the Controller or Certifying Authority.	Penalty not exceeding `1, 50,000 for each such failure.
b) Failure to file any Return or furnish any information, books or other documents within	Penalty not exceeding `5,000 for every day during which such failure continues.
c) Failure to maintain books of accounts or records.	Penalty not exceeding `10,000 for every day during which the failure continues.

3. **Residuary Penalty [Sec.45]:** Where any person contravenes any of the provisions of the rules or regulation for which no penalty has been provided elsewhere in this Act, he shall be liable to pay a compensation or penalty of an amount not exceeding `25,000 to the affected person. **(1 mark)**

(4 marks)

Q.3.

a. **Benefits of Networks:(1 mark for each)**

1. **Resource Sharing:** Data (relevant information) or Peripheral Devices (e.g. Printers) could be stored at a central location and can be shared across different systems.
2. **Computational Power:** Computational Power of many applications increases substantially if the processing is distributed amongst computer systems.
3. **Reliability:** Many critical applications should be available 24x7, if such applications are run across different systems which are distributed across Network, then the reliability of the application would be high.
4. **User Communication:** Networks allow Users to communicate using e-mail, newsgroups, video conferencing, etc.
5. **Central Pooling of Data:** Where data / information is distributed geographically, Networking helps in aggregation and pooling of information for effective use.

b. **Confiscation, Compounding, Cognizability, and Bailability (1 mark for each)**
1. **Confiscation:**
   (a) **Powers of Confiscation [Sec. 76]:** Any computer, computer system, floppies, compact disks, tape drives or any other accessories related thereto, in respect of which any provision of this Act, rules, orders or regulations, has been or is being contravened, shall be liable to confiscation.
   (b) **Other Order in lieu of Confiscation [Sec. 76]:** Where it is established to the satisfaction of the Court adjudicating the confiscation that the person in whose possession the power or control of any such computer, computer system, floppies, compact disks, tape drives or any other accessories relating thereto is found, is NOT responsible for the contravention of the provisions, the Court may, instead of making an order for confiscation, make such other order, as it may think fit, authorised by this Act against the person guilty of contravention.
   (c) **Other Punishment / Penalty [Sec. 77]:** No compensation awarded, penalty imposed or confiscation made under this Act shall prevent the award of compensation or imposition of any other penalty or

punishment under any other law for the time being in force.

2. **Compounding [Sec. 77A]:**
   (a) The person accused of an offence under this Act may file an application for compounding in the court in which offence is pending for trial and the provisions of sections 265B and 265C of the Code of Criminal Procedure, 1973 shall apply.
   (b) A court of competent jurisdiction may compound offences, other than the following -
   • Offences for which the punishment for life or imprisonment for a term exceeding 3 Years has been provided,
   • Where the accused is, by reason of his previous conviction, liable to either enhanced punishment osssr to a punishment of a different kind,
   • Where such offence affects the socio economic conditions of the country or has been committed against a child below the age of 18 years or a woman.

3. **Cognizable and Bailable [Sec. 77B]:** Notwithstanding anything contained in the Code of Criminal Procedure, 1973, the offence punishable with imprisonment of 3 years and above shall be cognizable and the offence punishable with imprisonment of 3 years shall be bailable.

<div align="center">(4 marks)</div>

Q.4.
a. **(1 mark for each)**

A. Lock on Doors	B. Physical Identification Media	C. Logging on Utilities	D. Controlling Physical Access
1. Cipher Locks 2. Bolting Door Locks 3. Electronic Door Locks 4. Biometric Door Locks	1. Personal Identification Numbers (PIN) 2. Plastic Cards 3. Identification Badges	1. Manual Logging 2. Electronic Logging	1. Perimeter Fencing 2. Video Cameras 3. Security Guards 4. Controlled visitor Access 5. Bonded Personnel 6. Dead man Doors 7. Non – exposure of Sensitive Facilities 8. Computer Terminal Locks 9. Controlled Single Entry Point 10. Alarm System 11. Control of out of hours of employees 12. Secured Report / Document Distribution Car

<div align="center">(4 marks)</div>

b**1. Digital Payments**

Points	Description
Meaning	1. Digital Payment (or Electronic Payment) is a way of payment which is made through digital modes / online modes. 2. Both Payer and Payee use digital modes to send and receive money, without using hard currency.
Advantages (2 marks)	1. Payments are easy & convenient. Transactions can happen even on a Mobile or Tablet with a few clicks. 2. Payments are completed instantly in online real-time basis. 3. There is no need for Payer to carry huge loads of Hard Currency. 4. Payer can pay or send money from anywhere anytime. 5. Many discounts / cash back offers are available as Incentives to Payers, for making Digital Payments. 6. Digital Payments have less risk if used wisely, and if there are adequate security protocols in usage. 7. It is easier to maintain records of payments, track spending and planning expenditure budgets. 8. There is transparency and minimal processes in Digital Payments.

Limitations (2 marks)	1. Digital Payment have higher risk due to data loss, misuse of sensitive personal information, etc.
	2. There is a Cost of Digital Payment for the Payee, since he may receive only the Net Consideration after deduction of Charges by e-Commerce Intermediaries and Service Providers. This may sometimes indirectly push up the Prices of Goods for the Buyer also.
	3. Use of Credit Cards may lead to reckless overspending, and consumption of undesirable goods also.
	4. Use of Digital Payments may be difficult for non-technical persons, Super Senior Citizens, etc.

(4 marks)

Q.5.

a. **Boundary Controls (1 mark for each)**

The major controls of the Boundary System are the Access Control Mechanisms, which link the authentic users to the authorized resources through three steps, viz. 1. **Identification**, 2. **Authentication** and 3. **Authorization.**

Boundary Control Techniques are as under –

1. **Cryptography:**
   (a) This deals with programs for transforming data into codes that are meaningless to anyone who does not possess the authentication to access the respective system resource or file.
   (b) A cryptographic technique **encrypts** data (Clear Text) into **cryptograms** (Cipher Text), and its strength depends on the time and cost to decipher the cipher text by a cryptanalyst.
   (c) The three techniques of Cryptography are - (i) Transposition (permute the order of characters within a set of data), (ii) **Substitution** (replace text with a key-text) and (iii) **Product Cipher** (combination of Transposition and Substitution).

2. **Passwords:**
   (a) User Identification by an Authentication Mechanism with personal characteristics like Name, Date of Birth, Employee Code, Function, Designation or a combination of two or more of these, can be used as a Password Boundary Access Control.
   (b) Some best practices followed to avoid failures in this control system are - (i) minimum password length, (ii) avoiding usage of common dictionary words, (iii) periodic change of passwords, (iv) encryption of passwords, and (v) number of entry attempts.

3. **Personal Identification Numbers (PIN):**
   (a) PIN is similar to a password assigned to a User by an Institution, based on the User characteristics and encrypted using a cryptographic algorithm, or the Institution generates a random number stored in its database independent to a User identification details, or a customer selected number.
   (b) However, PIN or Digital Signature is exposed to vulnerabilities / risks during issuance or delivery, validation, transmission and storage.

4. **Identification Cards:**
   (a) Identification Cards are used to store information required in an authentication process.
   (b) These cards used to identify a User are to be controlled through the application for a card, preparation of the card, issue, use and card return or card termination phases.

5. **Biometric Devices:** Biometric Identification, e.g. Thumb and / or finger impression, Eye Retina Pattern, etc. are also used as Boundary Control Techniques.

b. **Quality Management (QM) Module (2 marks for each)**
1. **Process:** QM Process includes the following activities -
   (a) Setting Master Data and Standards for quality management,
   (b) Setting Quality Targets,
   (c) Preparing a Quality Management Plan,
   (d) Establishing measurement norms for Quality Targets,

(e) Creating a Reporting System for measuring actual quality achieved compliance levels, etc.

(f) Identifying Quality Issues and improvements and changes to be made (including Training, Re-design, etc.),

(g) Initiating Change Requests, in case of any change is needed in the product / design / process, and

(h) Ensuring ongoing compliance with the overall level of quality achieved.

2. **Key Features:** Quality is checked at multiple points, e.g. Material Receipts, Manufacturing Processes, Outsourced Activities, Procurement of Components and Finished Goods, Sales Returns from Customers, etc. So, the QM Module -

(a) helps to manage quality in production across processes in an Entity.

(b) seeks to adopt a structured and functional way of managing quality in different processes,

(c) collaborates in procurement and sales, production, planning, inspection, notification, control, audit,etc. (4 marks)

Q.6.

a.   Output Controls ensure that the data delivered to Users will be presented, formatted and delivered in a consistent and secured manner. Output Controls seek to ensure consistency, confidentiality and integrity of the output.
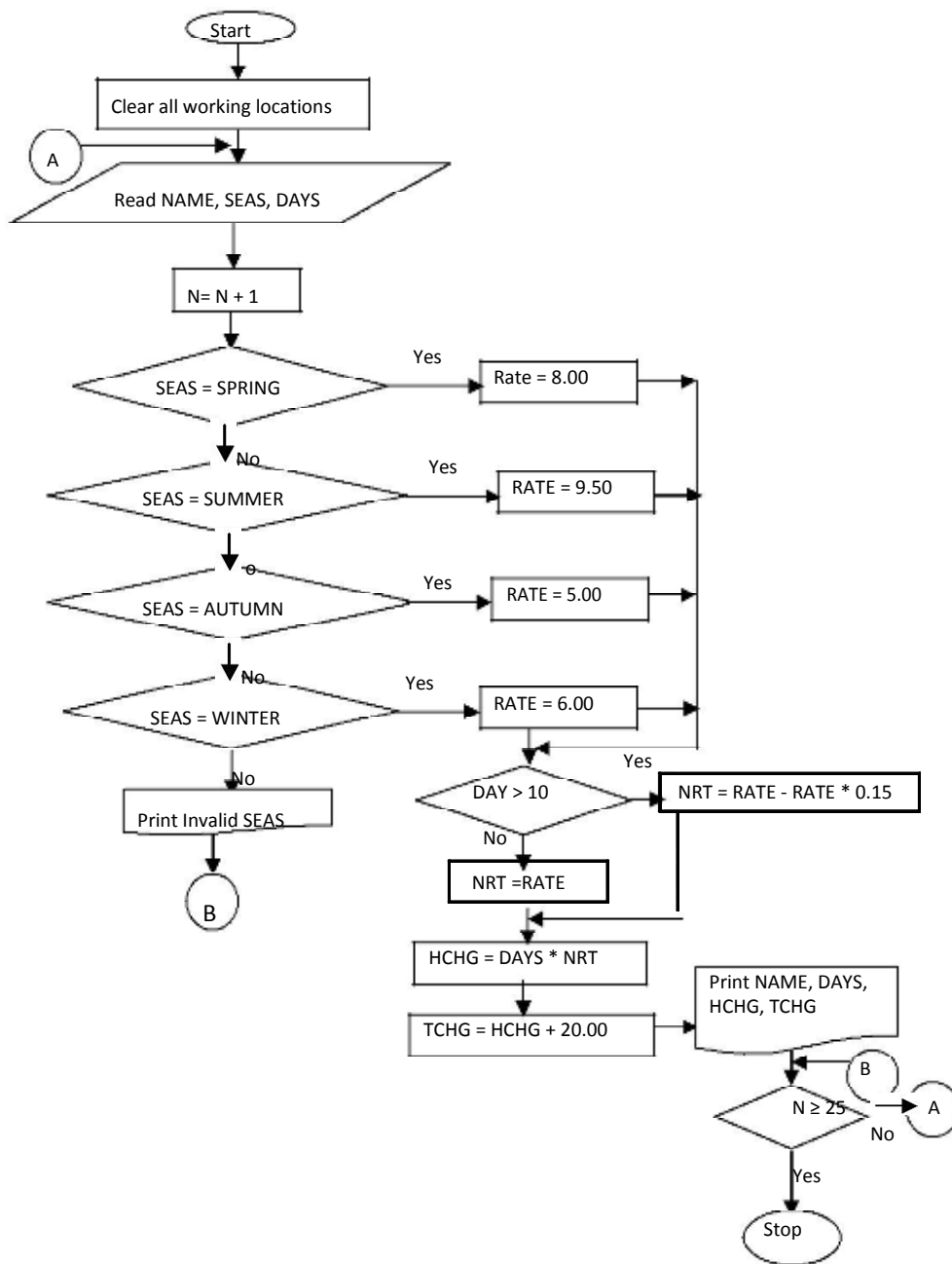
Output Controls are applicable for Batch-Processing environment as well as Online Environment. Output Controls include – **(1 mark for each)**

1. **Storage and Logging of sensitive, critical forms:** Pre-printed stationery should be stored securely to prevent unauthorized destruction or removal and usage. Only authorized persons should be allowed access to stationery supplies such as Security Forms, Negotiable Instruments, etc.

2. **Logging of Output Program executions:** When programs used for output of data are executed, it should be logged and monitored. In the absence of control over such output program executions, confidentiality of data could be compromised.

3. **Spooling / Queueing Controls:** "Spool" is an acronym for "Simultaneous Peripherals Operations Online". This is a process used to ensure that the User is able to continue working, even before the print operation is completed. When a File is to be printed, the Operating System stores the data stream to be sent to the Printer in a temporary file on the Hard Disk. This File is them "spooled" to the Printer as soon as the Printer is ready to accept the data. This intermediate storage of output could lead to unauthorized disclosure and / or modification. A Queue is the list of documents waiting to be printed on a particular printer. This queue should not be subject to unauthorized modifications.

4. **Controls over Printing:** it should be ensured that unauthorized disclosure of information printed is prevented. Users must be trained to select the correct printer and access restrictions may be placed on the workstations that can be used for printing.

5. **Report Distribution and Collection Controls:** Distribution of Reports should be made in a secure way to ensure unauthorized disclosure of data. It should be made immediately after printing to ensure that the time gap between generation and distribution is reduced. A log should be maintained as to what reports were generated and to whom it was distributed. Where Users have to collect reports, the User should be responsible for timely collection of the report especially if it is printed in a public area. A log should be maintained as to what reports where printed and which of them where collected. Uncollected reports should be stored securely.

6. **Retention Controls:** Retention Controls consider the duration for which outputs should be retained before being destroyed. Retention Control requires that a date should be determined for each output item produced. Retention Period depends upon factors like need for the output, use of the output, medium of output, legal requirements, etc.

7. **Existence / Recovery Controls:** These are needed to recover output in the event that it is lost or destroyed. If the output is written to a Spool of Files or Report Files and has been kept, then recovering and new generation is comparatively easy. Check / Restart helps in recovery when a hardware problem causes a program that prints customer invoices to abort in midstream.

b **Artificial Intelligence (1 mark for each point)**

Point	Description
Concept	1. Intelligence is the ability to use memory, knowledge, experience, understanding, reasoning, imagination and judgment to solve problems and adapt to new situations. 2. If such ability is exhibited by Machines, it is called as Artificial Intelligence (AI).
Applications	1. Search Engines (e.g. Google search), 2. Vehicles not driven by humans (i.e. Autonomous Vehicles), (e.g. Drones and Self-Driving Cars'). 3. Playing Games (e.g. Chess), and predicting the Outcomes (e.g. Lottery Tickets), 4. Medical Diagnosis, (e.g. predicting the chances of an individual getting ill by a disease), 5. Creating art (e.g. Poetry), 6. Proving Mathematical Theorems, etc.
Risks	1. Use of incorrect data can lead to incorrect conclusions with AI driven Machines. 2. Robots using AI may carry a Security Threat. 3. If all data is processed in a structured manner, and Machines provide solution based on their learning over a period of time, these Machines do not have capability of thinking out of box. Human Creativity can be challenged by AI. **Note:** To overcome the risks, the set of controls in AI must be dealt with based on the nature of the AI tool and the purpose.
Related Concept: Machine Learning	1. Machine Learning is a type of Artificial Intelligence (AI) that provides Computers with the ability to learn without being explicitly programmed. 2. Machine Learning focusses on the development of Computer Programs that can change when exposed to new data. The process of Machine Learning is similar to that of Data Mining. 3. **Example:** Machine Learning has been used for image, video, and text recognition, as well as serving as the power behind recommendation engines.

Q7 **(8 marks)**

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Q1 (5 marks each)

a. Benchmarking Process involves the following steps –

Stage	Steps
1. Planning (1 mark)	- Define the objectives of the benchmarking exercise and the type of benchmarking - Identify realistic opportunities for improvements
2. Data Compilation (1 mark)	- Obtain information and data on the firm's actual performance. - Collect information and data using different methods like interviews, site – visits, filling of questionaries, etc. - Create an outline or map of existing business processes.
3. Analysis (1 mark)	- Identify the best processes within the selected frame work. These may within the same Firm (intra- group Benchmarking) or external to the Firm (inter - group Benchmarking).
4. Comparison(1 mark)	- Compare own processes and performance with that of others. - Identify gaps in performance between the firm and better performers. - Analyse the performance gaps to seek explanations, to make comparisons meaningful and credible. - Examine the feasibility of making the improvements in the lights of the conditions that apply within the firm.
5. Reporting (1/2 mark)	- Prepare a report on the benchmarking initiatives, and provide recommendations and action plans. - Communicate the action plans to the concerned Managers & field – workers. - Implement the steps necessary to close the performance gap.
6. Review (1 /2 mark)	- Evaluate the results of benchmarking in terms of improvements vis-a –vis objectives and other criteria set for the purpose. - Review, evaluate and re-set the benchmarks periodically, in the light of changes in the conditions that impact the performance.

b. The responsibilities of a Strategic Leader include – **(1 mark for each point)**

1. Managing Human Capital, since HR, the most valuable resource, directly affects a Firm's performance.

2. Managing Firm's operations, in strategy implementation and execution.

3. Sustaining the high performance over a period of time.

4. Making bold and courageous (at the same time, pragmatic and feasible) decisions in order to take the Firm to greater heights.

5. Seeking feedback through face – to – face communication, thereby motivating people.

c. **(1 mark for each point)**

1. **Meaning:** Retrenchment or Retreat Strategy is resorted to save the enterprise's vital interests, to minimise the adverse effects of advancing forces, or even to regroup and recoup the resources before a fresh assault and ascent on the growth ladder is launched.

2. **Approach:** The Firm retrenches some of the activities in a given business (es), or drops the business as such through sell – out or liquidation. The Firm reduces the scope of its business (es).

3. **Redefinition:** Retrenchment Strategy constitutes re – definition of the business of the Firm.

4. **Ways of retrenchment:**
   a) Cutting back on capital and revenue expenditure, e.g. R&D projects, advertising, executives perks, etc.
   b) Reduction in inventory levels, production volumes, manpower, dividend rates, etc.
   c) Withdrawal of some products / products version, winding up some branch offices, etc.
   d) Disposal / Sale of manufacturing facilities and product divisions,
   e) Retirement either from the production or the marketing stage.
   f) Offering itself for take – over by another more viable enterprise.
   g) Seeking liquidation or winding up (corporate death).

5. **Types:** Retrenchment may be done either – (a) I**nternally** (i.e. Turnaround) or (b)

   Externally (i.e. Divestment or Liquidation).

   D
   (I) UTILITY –
       (A) It is satisfaction or happiness that customers obtain from consumption/usage of the products
       (B) It is based on on attributes of the product
   (II) SALE PRICE – consideration charged from the customers for the product/ service
   (III) PERCEIVED VALUE –
       (a) It is the value that the consumers understands the product delivered to it.
       (b) It is the price of the product that a consumer is willing to spend to have that product

Q2.
   a. A Strategic Manager should first set the long - term objectives and future – oriented plans by appreciating the competitive environment. **(I mark)**

   Strategy Implementation is possible only by bifurcating the grand strategies and long term objectives, into annual objectives and short – term strategies. **(I ½ mark)**

   Such sub – division of objectives, into annual objectives and short – term strategies, helps strategy Implementation in a systematic manner. **(I ½ mark)**

   b.
   1. **Concept of Strategic Group: (I mark)**

Meaning	A Strategic Group consists of rival Firms with similar competitive approaches and positions in the market.
Areas	Companies in the same strategic Group have commonality in any one or more of following aspects – (a) Product – lines, (b) Product attributes, (c) Price / Quality range, (d) Distributions and Marketing channels, (e) Technological approaches, (f) Services and Technical assistance to Buyers.
Factors	The number of Strategic Groups in an industry varies with the strategic pursued by the various sellers and their comparable market positions.

   2. **Mapping:** Strategic Group Mapping is one of the analytical tools / techniques, for evaluating the market position of the Competitors / Rivals in the industry, by comparing the market positions of each Firm separately of grouping them into like positions. **(I mark)**

   3. **Procedure: (2 mark)**

Step	Description
1	Identify the Competitive characteristics that differentiate Firms in the industry.

2	Plot the Firms on a two – variable map, using pairs of differentiating characteristics.
3	Classify Firms that follow the same strategy, into one Strategic Group.
4	Determine the position of each strategic group, by making it proportional to the size of the Group's respective share of total industry sales revenues.

Note: The Competitive Characteristics that differentiate the Firms in the industry are –

Item	States of Nature
(a) Price / Quality Range	High, Medium, Low
(b) Geographic Coverage	Local, Regional, National, Global
(c) Degree of Vertical Integration	None, Partial, Full
(d) Product – line Breadth	Wide, Narrow
(e) Use of Distribution channels	One, Some, All
(f) Degree of Service offered	No – frills, Limited, Full

Q3
  a. **(I mark for each point)**

Basis	Strategy Formulation	Strategy Implementation
1. Nature	Positioning forces before the action.	Managing forces during the action.
2. Focus	Focus on Effectiveness.	Focus on Efficiency.
3. Process	Primarily an intellectual process.	Primarily an operational process.
4. Skills required	Good intuitive and analytical skills.	Special motivation and leadership skills.
5. Co-ordination	Requires co – ordination among a few individuals.	Combination and synchronized work among many individuals
6. Concepts and Tools	Similar for small and large, business and non – profit organisations.	Differ greatly for various types of organizations.
7. Orientation	Planning – Orientation.	Action / Execution – Orientation
8. Scope	Entrepreneurial activity.	Administrative Task.
9. Responsibility	Top Level Management	Middle and Operational Level Management.

b) Identify the strategy used in the following examples   **(3 marks) (I mark for each)**
(i)   Dell computer has decided to rely exclusively on direct marketing - **differentiation**
(ii)   "our basic strategy was to price a price so low that microcomputer makers couldn't do the software internally for that cheaply" – **Cost leadership**
(iii)   'NDTV', a TV channel has identified a profitable audience through addition of new channel like 'NDTV profit' and 'IMAGE' - **Focus**

Q4
  a.
    1.   **Shared Vision:** It means people in the organization have the vision of the organization as their vision. Shared vision is said to be exist when people – **(3 mark)**
  a)   Are inspired by the purpose of the group or organization.
  b)   Feel that their values and ideas are incorporated into what the organization is trying to achieve.
  c)   Can easily communicate the mission and direction of the organization.
  d)   Recognize that both individual and organizational needs are being addressed.
  e)   See how their day – to – day activities support the overall goals of the organizations.
    2.   **Vision shared** : it means every person is sharing their vision to other person. The intention to share the share the vision and not to make other person have the same vision **(I mark)**
  b. **(I mark for each)**
    1. **Business Models:** SWOT analysis helps Managers to create a business model (s) that

allows a Company to gain a competitive advantage in its area of activity.

2.   Logical Framework:

(a)   SWOT Analysis provides a logical framework for systematic and sound analysis of issues having bearing on – (i) business situation, (ii) generation of alternative strategies, (iii) choice of a strategy.

(b)   Variation in Managerial perceptions about organizational strengths and weakness and the environmental opportunities and threats, lead toi differences in approaches to specific strategies.

3.   Comparative Analysis:

(a)   SWOT analysis presents the information in a structured manner so as to compare external opportunities and threats with internal strengths and weakness.

(b)   This helps in matching external and internal environments, and identifying certain patterns of relationship, e.g. high opportunities and high strengths, high opportunities and low strengths, etc.

4.   Strategy Identification:

(a)   SWOT Analysis helps to identity the strategies that create a Firm – Specific business model, that will best align, fit, or match a Company's resources and capabilities to the demands of the environment in which it operates.

(b)   Strategic Managers compare and contrast the various alternative possible strategies against each other with respect to their ability to achieve major Company goals.

Q5

a.

1. The Principle General Manager at the Business Level, or the Business – Level Manager, is the Head of the concerned division. **(I mark)**

2.   The strategic role of these Managers is to translate the general statements of direction and intent that come from the corporate level, into concrete strategies for individual business. **(I mark)**

3.   The Business – Level Managers make sure that they are pursing robust strategies that will contribute toward the maximization of Long – run profitability and to hold them into account for their performance. **(I mark)**

Note: Corporate – Level General Managers are concerned with strategies that span individual business, but Business – Level General Managers are concerned with strategies that are specific to a particular business. **(I mark)**

b. **Meaning:** A Multinational Company (MNC) or a Transnational Company (TNC) is one, that by operating in more than one country, gains R&D, production, marketing and financial advantages in its costs and reputation, that are not available to purely domestic competitors. **(I mark)**

2.   Features: (2 mark)

(a)   MNC is a conglomerate of multiple units (located in different parts of the globe) but all linked by common ownership.

(b)   Multiple units draw on a common pool of resources, such as money, credit, information, patents, trade names and control systems.

(c)   Inspite of pressure in different nations, the units or divisions of MNC amy have a common strategy in certain areas.

(d)   MNC – (i) views the world as one market, (ii) minimises the importance of national boundaries, and (iii) raises its capital and markets its products, wherever it can do the job rest.

(e)   Some examples of industries that reveal global pattern in today's world include Automobiles, Television Sets, Commercial Aircrafts, Sporting Equipment, Watches, Clothing, Semiconductors, etc.

3.   Forms of MNCs: (I mark)

Point	One Company & Several Subsidiaries	Many Companies in a Group
Form	This involves one Company in a Country (called Home Country) having Subsidiaries in many other countries.	This involves having many Companies in different Countries, which, are not necessarily Subsidiaries of any one Company as such
Management	Decision – making and Management is centralized. Power and Influence lies with the Holding Company.	There is decentralization of decision – making. Group companies cannot exert significant influences on other Group Firm's operation.

Q6

a. Whether Culture is an ally or obstacle to strategy execution / implementation depends on the compatibility between the Company's strategy and its culture. If there is compatibility between strategy and culture, then the culture becomes a **valuable ally** in Strategy Implementation. **(I mark)**

2. When the culture is in **conflict** with the aspect of the Company's direction, performance targets or strategy, the culture becomes a **stumbling block** that impedes successful strategy implementation and execution. A sizable and prolonged strategy – culture weakens and may even defeat managerial efforts to make the strategy work. **(2 mark)**

3. A strategy – Culture Conflict requires – (a) revamping strategy to produce cultural fit, and also (b) revamping the mismatched cultural features to produce **strategy fit. (I mark)**

B (4 marks)

a. The dictionary meaning of "strategy" may be "something that has to do with war and deception of enemy". In business organizational context also, the term "Strategy" is not much different. **(I mark)**

b. A Company's strategy is the game plan used by Management, to stake out market position, conduct its operations, attract and please customers, compete successfully, and achieve organizational objectives. **(I /2 mark)**

c. Strategy is a long range blueprint of an organization's desired image, direction and destination. **(1/2 mark)**

d. Strategy is consciously considered and flexibly designed scheme of corporate intent and action – (a) to achieve effectiveness, (b) to mobilise resources, (c) to direct effort and behaviour, (d) to handle events and problems, (e) to perceive and utilise opportunities, and (f) to meet challenges and threats to corporate survival and success. **(1/2 mark)**

e. Strategy is associated with unified design and action for achieving major goals, gaining command over the situation with a long – range perspective and securing a critically advantageous position. **(1/2 mark)**

f. Strategy is a unified, comprehensive and integrated plan designed to assure that the basic objectives of the Enterprise are achieved. **(1/2mark)**

g. Strategy is a deliberate reach for a plan of action that will develop a business vision and compound it. **(1/2 mark)**

Q7

The three important concepts in the context of Portfolio Analysis are – (1) SBU, (2) Experience Curve, and (3) PLC.

1. Strategic Business Unit (SBU): (2 mark)

(a) Meaning	• SBU is a unit of the Company that has a separate mission and objectives, and which can be planned independently from other Company business. • SBU can be Company division, or a product line within a division, or even a single product or band.
(b) Features	• Single business or collection of related business that can be planned for separately. • Has its own set Competitors. • Has a Manager who is responsible for strategic planning and profit.
(c) Significance	After identifying SBUs, the business have to assess their respective attractiveness, and support that is required for each SBU.

2   Experience curve – the concept of experience curve is based on the commonly observed phenomenon that average cost per unit, decline as a firm accumulates experience in terms of a cumulative volume of production. **(I mark)**

3   product life cycle : PLC is an S- shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages. **(I mark)**

(i)   Introduction

(ii)   Growth

(iii)   Maturity

(iv)   Decline

B.

The important Characteristics of Business Environment are-

1. **Pervasive:** No Business enterprise can operate in a vacuum, Every business, irrespective of its size, objectives , nature of business , products/services, years of standing etc. has to interact with its environment.**(1 mark)**

2. **Complexity:** Business environment consists of a number of factors, events, conditions, and influences arising from different sources, which interact with each other continuously to create entirely new sets of complex influences. (**1 mark)**

3. **Dynamism:** Business environment is ever-changing in nature. Due to the operation of multifarious influences, there is total dynamism in the environment, causing it to continuously change its shape , nature and character. (**1 mark)**

4. **Multi –faceted:** the shape and character of an environment depends on the perception of the observer. A particular change in the environment, or a new development, may be welcomed as an opportunity by one Firm while another Firm perceives it as a threat .(e.g. Introducing of GST). (**1/2 mark)**

5.**Impact:** Environment has a far-reaching impact on business. The growth and profitability of a Firm depends critically on the environment in which it exists. Every environment changes has an impact on the Firm in several ways. (**1/2 mark)**

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