

Test Series: August, 2018

MOCK TEST PAPER - 1

INTERMEDIATE (IPC): GROUP – II

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

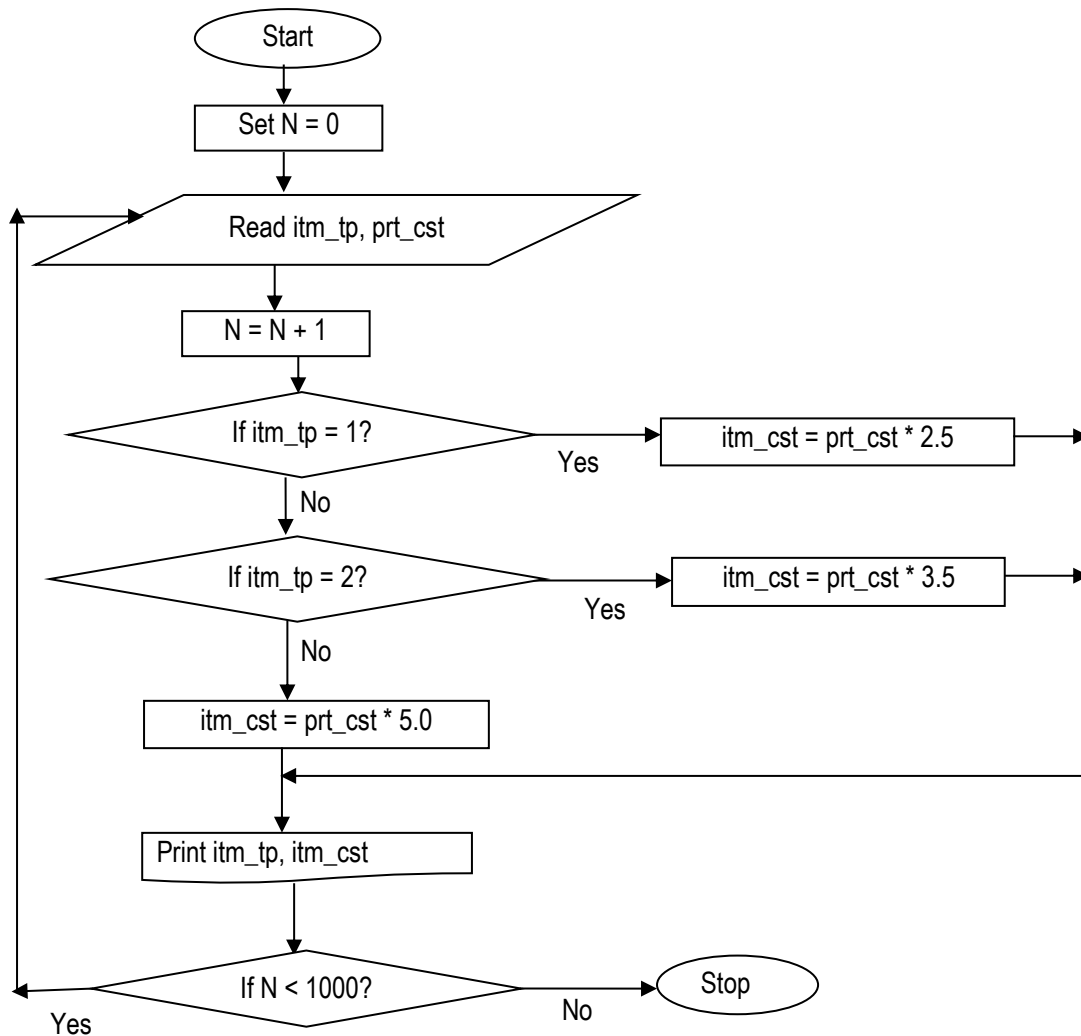
SECTION – A: ENTERPRISE INFORMATION SYSTEMS

ANSWERS

1. (i) **Operational Processes:** Operational or Primary processes deal with the core business and value chain. These processes deliver value to the customer by helping to produce a product or service. Operational processes represent essential business activities that accomplish business objectives, example - Generating revenue – Order to Cash Cycle; Procurement – Purchase to Pay cycle.
  - (ii) **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.
  - (iii) **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.
  - (iv) **Payment Gateway:** It defines the payment mode through which customers shall make payments. Payment gateway represents the way e-commerce / m-commerce vendors collect their payments. The payment gateway is another critical component of e-commerce set up. These are the last and most critical part of e-commerce transactions. These assure seller of receipt of payment from buyer of goods / services from e-commerce vendors. Presently numerous methods of payments by buyers to sellers are being used including Credit / Debit Card Payments, Online bank payments, Vendors own payment wallet, Third Party Payment wallets, like SBI BUDDY or PAYTM, Cash on Delivery (COD) and Unified Payments Interface (UPI).
  - (v) **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.
2. (a) Let us define the variables first:  

itm_tp = Item Type;	Part Cost = prt_cst;
itm_cst = Item Cost;	N = counter

The required flowchart is as below:

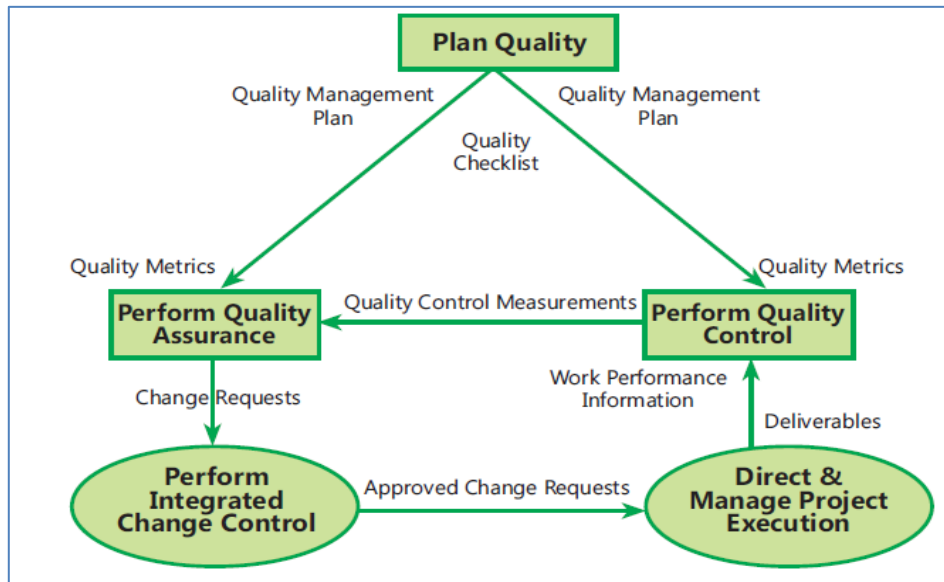


(b) **User Access Management:** This is an important factor that involves the following:

- **User Registration:** Information about every user is documented. Some questions like why and who is the user granted the access; has the data owner approved the access, and has the user accepted the responsibility? etc. are answered. The de-registration process is also equally important.
- **Privilege management:** Access privileges are to be aligned with job requirements and responsibilities and are to be minimal w.r.t their job functions. For example, an operator at the order counter shall have direct access to order processing activity of the application system.
- **User password management:** Passwords are usually the default screening point for access to systems. Allocations, storage, revocation, and reissue of password are password management functions. Educating users is a critical component about passwords, and making them responsible for their password.
- **Review of user access rights:** A user's need for accessing information changes with time and requires a periodic review of access rights to check anomalies in the user's current job profile and the privileges granted earlier.

3. (a) Quality Management Module helps in management of quality in productions cross processes in an organization. This quality management module helps an organization to accelerate their business by adopting a structured and functional way of managing quality in different processes. Quality Management module collaborates in procurement and sales, production, planning, inspection, notification, control, audit management and so on.

Fig. below shows Process in Quality Management Module.



Quality Management Process includes the following:

- Master data and standards are set for quality management;
  - Set Quality Targets to be met;
  - Quality management plan is prepared;
  - Define how those quality targets will be measured;
  - Take the actions needed to measure quality;
  - Identify quality issues and improvements and changes to be made;
  - In case of any change is needed in the product, change requests are sent;
  - Report on the overall level of quality achieved; and
  - Quality is checked at multiple points, e.g. inwards of goods at warehouse, manufacturing, procurement, returns.
- (b) The deployment and implementation of Core Banking Systems (CBS) should be controlled at various stages to ensure that banks automation objectives are achieved. This can be achieved through the following:
- **Planning:** Planning for implementing the CBS should be done as per strategic and business objectives of bank.
  - **Approval:** The decision to implement CBS requires high investment and recurring costs and will impact how banking services are provided by the bank. Hence, the decision must be approved by the board of directors.
  - **Selection:** Although there are multiple vendors of CBS, each solution has key differentiators. Hence, bank should select the right solution considering various parameters as defined by the bank to meet their specific requirements and business objectives.

- **Design and develop or procured:** CBS solutions used to be earlier developed in-house by the bank. Currently, most of the CBS deployment are procured. There should be appropriate controls covering the design or development or procurement of CBS for the bank.
  - **Testing:** Extensive testing must be done before the CBS is live. The testing is to be done at different phases at procurement stage to test suitability to data migration to ensure all existing data is correctly migrated and testing to confirm processing of various types of transactions of all modules produces the correct results.
  - **Implementation:** CBS must be implemented as per pre-defined and agreed plan with specific project milestones to ensure successful implementation.
  - **Maintenance:** CBS must be maintained as required. E.g. program bugs fixed, version changes implemented, etc.
  - **Support:** CBS must be supported to ensure that it is working effectively.
  - **Updation:** CBS modules must be updated based on requirements of business processes, technology updates and regulatory requirements.;
  - **Audit:** Audit of CBS must be done internally and externally as required to ensure that controls are working as envisaged.
4. (a) The controls that are related to the physical security of the tangible Information Systems Resources stored on tangible media.
- i. **Locks on Doors:** These are as below:
    - **Cipher locks (Combination Door Locks)** - Cipher locks are used in low security situations or when many entrances and exits must be usable all the time. To enter, a person presses a four-digit number, and the door will unlock for a predetermined period, usually ten to thirty seconds.
    - **Bolting Door Locks** – A special metal key is used to gain entry when the lock is a bolting door lock. To avoid illegal entry, the keys should not be duplicated.
    - **Electronic Door Locks** – A magnetic or embedded chip-based plastics card key or token may be entered a reader to gain access in these systems.
  - ii. **Physical Identification Medium:** These are discussed below:
    - **Personal Identification Numbers (PIN):** A secret number will be assigned to the individual, in conjunction with some means of identifying the individual, serves to verify the authenticity of the individual. The visitor will be asked to log on by inserting a card in some device and then enter their PIN via a PIN keypad for authentication. His/her entry will be matched with the PIN number available in the security database.
    - **Plastic Cards:** These cards are used for identification purposes. Customers should safeguard their card so that it does not fall into unauthorized hands.
    - **Identification Badges:** Special identification badges can be issued to personnel as well as visitors. For easy identification purposes, their color of the badge can be changed. Sophisticated photo IDs can also be utilized as electronic card keys.
  - iii. **Logging on Facilities:** These are given as under:
    - **Manual Logging:** All visitors should be prompted to sign a visitor's log indicating their name, company represented, their purpose of visit, and person to see. Logging may happen at both fronts - reception and entrance to the computer room. A valid and acceptable identification such as a driver's license, business card or vendor identification tag may also be asked for before allowing entry inside the company.

- **Electronic Logging:** This feature is a combination of electronic and biometric security systems. The users logging can be monitored and the unsuccessful attempts being highlighted.
- iv. **Other means of Controlling Physical Access:** Other important means of controlling physical access are given as follows:
  - **Video Cameras:** Cameras should be placed at specific locations and monitored by security guards. Refined video cameras can be activated by motion. The video supervision recording must be retained for possible future play back.
  - **Security Guards:** Extra security can be provided by appointing guards aided with CCTV feeds. Guards supplied by an external agency should be made to sign a bond to protect the organization from loss.
  - **Controlled Visitor Access:** A responsible employee should escort all visitors. Visitors may be friends, maintenance personnel, computer vendors, consultants and external auditors.
  - **Bonded Personnel:** All service contract personnel, such as cleaning people and off-site storage services, should be asked to sign a bond. This may not be a measure to improve physical security but to a certain extent can limit the financial exposure of the organization.
  - **Dead Man Doors:** These systems encompass a pair of doors that are typically found in entries to facilities such as computer rooms and document stations. The first entry door must close and lock, for the second door to operate, with the only one person permitted in the holding area.
  - **Non-exposure of Sensitive Facilities:** There should be no explicit indication such as presence of windows or directional signs hinting the presence of facilities such as computer rooms. Only the general location of the information processing facility should be identifiable.
  - **Computer Terminal Locks:** These locks ensure that the device to the desk is not turned on or disengaged by unauthorized persons.
  - **Controlled Single Entry Point:** All incoming personnel can use controlled Single Entry Point. A controlled entry point is monitored by a receptionist. Multiple entry points increase the chances of unauthorized entry. Unnecessary or unused entry points should be eliminated or deadlocked.
  - **Alarm System:** Illegal entry can be avoided by linking alarm system to inactive entry point and the reverse flows of enter or exit only doors, to avoid illegal entry. Security personnel should be able to hear the alarm when activated.
  - **Perimeter Fencing:** Fencing at boundary of the facility may also enhance the security mechanism.
  - **Control of out of hours of employee-employees:** Employees who are out of office for a longer duration during the office hours should be monitored carefully. Their movements must be noted and reported to the concerned officials frequently.
  - **Secured Report/Document Distribution Cart:** Secured carts, such as mail carts, must be covered and locked and should always be attended.
- (b) The risks associated with Bring Your Own Device (BYOD) can be classified into four areas as below:
  - **Network Risks:** It is normally exemplified and hidden in 'Lack of Device Visibility'. When company-owned devices are used by all employees within an organization, the organization's IT practice has complete visibility of the devices connected to the network. This helps to analyze traffic and data exchanged over the Internet. As BYOD permits employees to carry

their own devices (smart phones, laptops for business use), the IT practice team is unaware about the number of devices being connected to the network. As network visibility is of high importance, this lack of visibility can be hazardous. For example, if a virus hits the network and all the devices connected to the network need be scanned, it is probable that some of the devices would miss out on this routine scan operation.

- **Device Risks:** It is normally exemplified and hidden in 'Loss of Devices'. A lost or stolen device can result in an enormous financial and reputational embarrassment to an organization as the device may hold sensitive corporate information. Data lost from stolen or lost devices ranks as the top security threats as per the rankings released by Cloud Security Alliance. With easy access to company emails as well as corporate intranet, company trade secrets can be easily retrieved from a misplaced device.
  - **Application Risks:** It is normally exemplified and hidden in 'Application Viruses and Malware'. A related report revealed that a majority of employees' phones and smart devices that were connected to the corporate network weren't protected by security software. With an increase in mobile usage, mobile vulnerabilities have increased concurrently. Organizations are not clear in deciding that 'who is responsible for device security – the organization or the user'.
  - **Implementation Risks:** It is normally exemplified and hidden in 'Weak BYOD Policy'. The effective implementation of the BYOD program should not only cover the technical issues mentioned above but also mandate the development of a robust implementation policy. Because corporate knowledge and data are key assets of an organization, the absence of a strong BYOD policy would fail to communicate employee expectations, thereby increasing the chances of device misuse. In addition to this, a weak policy fails to educate the user, thereby increasing vulnerability to the above-mentioned threats.
5. (a) Information security is critical to mitigate the risks of Information technology. Security refers to ensure Confidentiality, Integrity and Availability of information. Information security is comprised of the following sub-processes:
- **Information Security Policies, Procedures, and practices:** Refers to the processes relating to approval and implementation of information security. The security policy is basis on which detailed procedures and practices are developed and implemented at various units/department and layers of technology, as relevant. These cover all key areas of securing information at various layers of information processing and ensure that information is made available safely and securely.
  - **User Security Administration:** Refers to security for various users of information systems. The security administration policy documents define how users are created and granted access as per organization structure and access matrix. It also covers the complete administration of users right from creation to disabling of users is defined as part of security policy.
  - **Application Security:** Refers to how security is implemented at various aspects of application right from configuration, setting of parameters and security for transactions through various application controls.
  - **Database Security:** Refers to various aspects of implementing security for the database software.
  - **Operating System Security:** Refers to security for operating system software which is installed in the servers and systems which are connected to the servers.
  - **Network Security:** Refers to how security is provided at various layers of network and connectivity to the servers.
  - **Physical Security:** Refers to security implemented through physical access controls.



(b) **Inventory Cycle:** The **Inventory Cycle** is a process of accurately tracking the on-hand inventory levels for an enterprise. An inventory system should maintain accurate record of all stock movements to calculate the correct balance of inventory. The term 'Inventory Cycle' means different things to companies in different verticals. For those who source, assemble and create inventory, it refers to a time-based process which is basic to understanding how to maximize resources and cash flow. To businesses that buy, store and sell inventory; it focuses on the process of understanding, planning and managing inventory levels, from purchasing through more-efficient auditing. The typical phases of the Inventory Cycle for Manufacturers are as follows:

- i. **The ordering phase:** The amount of time it takes to order and receive raw materials.
- ii. **The production phase:** The work in progress phase relates to time it takes to convert the raw material to finished goods ready for use by customer.
- iii. **The finished goods and delivery phase:** The finished goods that remain in stock and the delivery time to the customer. The inventory cycle is measured in number of days.

**Or**

**Human Resources Cycle:** The **Human Resources** life cycle refers to human resources management and covers all the stages of an employee's time within a specific enterprise and the role the human resources department plays at each stage. Typical stage of HR cycle includes the following:

- i. **Recruiting and On boarding:** Recruiting is the process of hiring a new employee. The role of the human resources department in this stage is to assist in hiring. This might include placing the job ads, selecting candidates whose resumes look promising, conducting employment interviews and administering assessments such as personality profiles to choose the best applicant for the position. In a small business where the owner performs these duties personally, the HR person would assist in a support role. In some organizations, the recruiting stage is referred to as 'hiring support.' On boarding is the process of getting the successful applicant set up in the system as a new employee.
- ii. **Orientation and Career Planning:** Orientation is the process by which the employee becomes a member of the company's work force through learning her new job duties, establishing relationships with co-workers and supervisors and developing a niche. Career planning is the stage at which the employee and her supervisors work out her long-term career goals with the company. The HR department may make additional use of personality profile testing at this stage to help the employee determine her best career options with the company.
- iii. **Career Development:** Career development opportunities are essential to keep an employee engaged with the company over time. After an employee, has established himself at the company and determined his long-term career objectives, the human resources department should try to help him meet his goals, if they are realistic. This can include professional growth and training to prepare the employee for more responsible positions with the company. The company also assesses the employee's work history and performance at this stage to determine whether he has been a successful hire.
- iv. **Termination or Transition:** Some employees will leave a company through retirement after a long and successful career. Others will choose to move on to other opportunities or be laid off. Whatever the reason, all employees will eventually leave the company. The role of HR in this process is to manage the transition by ensuring that all policies and procedures are followed, carrying out an exit interview if that is company policy and removing the employee from the system. These stages can be handled internally or with the help of enterprises that provide services to manage the employee life cycle.

6. (a) To develop security architecture, following constraints are taken from the characteristics of grid environment and application.
- **Single Sign-on:** A user should authenticate once and they should be able to acquire resources, use them, and release them and to communicate internally without any further authentication.
  - **Protection of Credentials:** User passwords, private keys, etc. should be protected.
  - **Interoperability with local security solutions:** Access to local resources should have local security policy at a local level. Despite of modifying every local resource there is an inter-domain security server for providing security to local resource.
  - **Exportability:** The code should be exportable i.e. they cannot use a large amount of encryption at a time. There should be a minimum communication at a time.
  - **Support for secure group communication:** In a communication, there are number of processes which coordinate their activities. This coordination must be secure and for this there is no such security policy.
  - **Support for multiple implementations:** There should be a security policy which should provide security to multiple sources based on public and private key cryptography.
- (b) **MIS Report:** Business managers at all levels of an organization, from assistant managers to executives, rely on reports generated from these systems to help them evaluate their business' daily activities or problems that arise, make decisions, and track progress. MIS system reporting is used by businesses of all sizes and in every industry.

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 that allow managers and other users of the system to generate an MIS report whenever they need it. Many large businesses have specialized MIS departments, whose only job is to gather business information and create MIS reports. Some of these businesses use sophisticated computing technology and software to gather information. Smaller businesses often use simple software programs and spreadsheets for their MIS reporting needs. There can be as many types of MIS reports as there are divisions within a business. For example, information about sales revenue and business expenses would be useful in MIS reports for finance and accounting managers. Warehouse managers would benefit from MIS reports about product inventory and shipping information. Total sales from the past year could go into an MIS report for marketing and sales managers.



**SECTION – B: STRATEGIC MANAGEMENT**

**SUGGESTED ANSWERS/HINTS**

1. (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.
- (b) Marshal, to be an effective strategic leader of Mathew & Sons Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape. He has several responsibilities, including the following:
  - ◆ Making strategic decisions.
  - ◆ Formulating policies and action plans to implement strategic decision.
  - ◆ Ensuring effective communication in the organisation.
  - ◆ Managing human capital (perhaps the most critical of the strategic leader's skills).
  - ◆ Managing change in the organisation.
  - ◆ Creating and sustaining strong corporate culture.
  - ◆ Sustaining high performance over time.
2. (a) (i) **Incorrect:** The acronym BCG stands for Boston Consulting Group, an organization that developed a matrix to portray an organizational corporate portfolio of investment. This matrix depicts growth of business and the business share enjoyed by an organization. The matrix is also known for its cow and dog metaphors and is popularly used for resource allocation in a diversified company.
- (ii) **Correct:** A core competence is a unique strength of an organization which may not be shared by others. If business is organized on the basis of core competence, it is likely to generate competitive advantage. A core competence provides potential access to a wide variety of markets. Core competencies should be such that it is difficult for competitors to imitate them.
- (b) The prominent areas where the human resource manager can play strategic role are as follows:
  1. **Providing purposeful direction:** The human resource manager must be able to lead people and the organization towards the desired direction involving people right from the beginning. The most important task of a HR manager is to ensure that the objectives of an organization are internalized by each individual working in the organization. Objectives of an organization state the very purpose and justification of its existence.
  2. **Building core competency:** The human resource manager has a great role to play in developing core competency by the firm. A core competence is a unique strength of an organization which may not be shared by others. This may be in the form of human resources, marketing capability, or technological capability. If the business is organized on the basis of core competency, it is likely to generate competitive advantage. Because of this reason, many

organizations have restructured their businesses by divesting those businesses which do not match core competence. Organization of business around core competence implies leveraging the limited resources of a firm. It needs creative, courageous and dynamic leadership having faith in organization's human resources.

3. **Creating competitive advantage:** Creating and maintaining a competitive advantage in the globalized market is the object of any organization. There are two important ways a business can achieve a competitive advantage over the others. The first is cost leadership which means the firm aims to become a low cost leader in the industry. The second competitive strategy is differentiation under which the firm seeks to be unique in the industry in terms of dimensions that are highly valued by the customers. Putting these strategies into effect carries a heavy premium on having a highly committed and competent workforce.
  4. **Facilitation of change:** The human resource manager will be more concerned with substance rather than form, accomplishments rather than activities, and practice rather than theory. The HR function will be responsible for furthering the organization not just maintaining it. Human resource manager will have to devote more time to promote changes than to maintain the status quo.
  5. **Managing workforce diversity:** In modern organizations, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female workers, young and old workers, educated and uneducated workers, unskilled and professional employee, etc. Moreover, many organizations also have people of different castes, religious and nationalities. The workforce in future will comprise more of educated and self conscious workers. They will ask for higher degree of participation and avenues for fulfilment. Money will no longer be the sole motivating force for majority of the workers. Non-financial incentives will also play an important role in motivating the workforce.
  6. **Empowerment of human resources:** Empowerment means authorizing every member of an organization to take up his/her own destiny realizing his/her full potential. It involves giving more power to those who, at present, have little control what they do and little ability to influence the decisions being made around them.
  7. **Development of works ethic and culture:** Greater efforts will be needed to achieve cohesiveness because employees will have transient commitment to groups. As changing work ethic requires increasing emphasis on individuals, jobs will have to be redesigned to provide challenge. Flexible starting and quitting times for employees may be necessary. Focus will shift from extrinsic to intrinsic motivation. A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among the employees and to encourage creative ideas by them.
3. (a) An important component of strategic thinking requires the generation of a series of strategic alternatives, or choices of future strategies to pursue, given the company's internal strengths and weaknesses and its external opportunities and threats. The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as SWOT analysis.
- **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitors.
  - **Weakness:** A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.
  - **Opportunity:** An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position.
  - **Threat:** A threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position.

SWOT analysis helps managers to craft a business model (or models) that will allow a company to gain a competitive advantage in its industry (or industries). Competitive advantage leads to increased profitability, and this maximizes a company's chances of surviving in the fast-changing, competitive environment. Key reasons for SWOT analyses are:

- It provides a logical framework.
  - It presents a comparative account.
  - It guides the strategist in strategy identification.
- (b) Organizations can be classified as commercial and non-commercial on the basis of the interest they have. Typically, a government or medical organization may function without any commercial objectives. A commercial organization has profit as its main aim. We can find many organizations around us, which do not have any commercial objective of making profits. Their genesis may be for social, charitable, or educational purposes.

The strategic-management process is being used effectively by countless non-profit governmental organizations. Many non-profit and governmental organizations outperform private firms and corporations on innovativeness, motivation, productivity, and human resource.

Compared to for-profit firms, non-profit and governmental organizations often function as a monopoly, produce a product or service that offers little or no measurability of performance, and are totally dependent on outside financing. Especially for these organizations, strategic management provides an excellent vehicle for developing and justifying requests for needed financial support.

4. (a) A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the other hand, a vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the major differences between vision and mission:

1. The vision states the future direction while the mission states the ongoing activities of the organisation.
  2. The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.
  3. A vision statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a mission statement is more specific in terms of both the future state and the time frame. Mission describes what will be achieved if the organization is successful.
- (b) A typical large organization is a multidivisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.

The corporate level of management consists of the chief executive officer and other top level executives. These individuals occupy the apex of decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the Corporate Level.

The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. A business unit is a self-

contained division with its own functions - for example, finance, production, and marketing. The strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. Thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division.

5. (a) An entrepreneur is an individual who conceives the idea of starting a new venture, takes all types 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.

**(b) Advantages of Cost leadership strategy**

Earlier we have discussed Porter's Five Forces Model in detail. A cost leadership strategy may help to remain profitable even with: rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

1. Rivalry – Competitors are likely to avoid a price war, since the low cost firm will continue to earn profits after competitors compete away their profits.
2. Buyers – Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product.
3. Suppliers – Cost leaders are able to absorb greater price increases before it must raise price to customers.
4. Entrants – Low cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.
5. Substitutes – Low cost leaders are more likely to lower costs to induce customers to stay with their product, invest to develop substitutes, purchase patents.

6. (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.
- (b) Strategic uncertainty denotes the uncertainty that has crucial implications for the organisation. A typical external analysis will emerge with dozens of strategic uncertainties. To be manageable, they need to be grouped into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.