

Test Series: October, 2018

MOCK TEST PAPER - 2

INTERMEDIATE (NEW): GROUP – II

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

ANSWERS

1. (i) The BPA may provide tangible benefits in the form of reduced penalties and intangible benefits which may include:
 - Better employee motivation and morale,
 - Reduced difference between employees,
 - More focus on work rather than salary, and
 - Improved productivity.
 - (ii) **Ideal ERP System:** An **Ideal ERP System** is that system which caters all types of needs of an organization and provides right data at right point of time to right users for their purpose. Hence, definition of ideal ERP system may change per organization. But generally, an ideal ERP system is that system where a single database is utilized and contains all data for various software modules. These software modules can include Manufacturing, Financials, Human Resources, Supply Chain Management and Projects etc.
 - (iii) **Virtual Memory:** Virtual Memory is in fact not a separate device but an imaginary memory area supported by some operating systems (for example, Windows) in conjunction with the hardware. If a computer lacks the Random-Access Memory (RAM) needed to run a program or operation, Windows uses virtual memory to compensate. Virtual memory combines computer's RAM with temporary space on the hard disk. When RAM runs low, virtual memory moves data from RAM to a space called a paging file. Moving data to and from the paging file frees up RAM to complete its work. Thus, Virtual memory is an allocation of hard disk space to help RAM
 - (iv) **Mobile Wallets:** It is defined as virtual wallets that stores payment card information on a mobile device. Mobile Wallets provide a convenient way for a user to make-in-store payments and can be used that merchants listed with the mobile wallet service providers. There are mobile wallets like Paytm, Freecharge, Buddy, Mobikwik etc. Some of these are owned by banks and some are owned by private companies.
 - (v) **Money Laundering:** It is defined as the process by which the proceeds of the crime and the true ownership of those proceeds are concealed or made opaque so that the proceeds appear to come from a legitimate source. The objective in money laundering is to conceal the existence, illegal source, or illegal application of income to make it appear legitimate. Money laundering is commonly used by criminals to make 'dirty' money appear 'clean' or the profits of criminal activities are made to appear legitimate.
2. (a) Various steps that are required while automating the Grievance Cell of the Airline Industry are as follows:

Step 1: Define why we plan to implement a Business Process Automation (BPA)? - The primary purpose for which an enterprise implements automation may vary from enterprise to enterprise. In this case, to improve upon the Poor customer service is a major concern.

Step 2: Understand the rules / regulation under which enterprise needs to comply with? – This step emphasizes on building an understanding on the rules of engagement, which include

following the rules, adhering to regulations and following document retention requirements. This governance is established by a combination of internal corporate policies, external industry regulations and local, state, and central laws.

Step 3: Document the process, we wish to automate - At this step, all the documents that are currently being used need to be documented. The questions emphasized upon are like - what documents need to be captured?; where do they come from?; what format are they in?; who is involved in processing of the documents?; what is the impact of regulations on processing of these documents?; can there be a better way to do the same job? and how are exceptions in the process handled? etc.

Step 4: Define the objectives/goals to be achieved by implementing BPA – Once the above steps have been completed; entity needs to determine the key objectives of the process improvement activities. The goals need to be SMART - Specific: Clearly defined; Measurable: Easily quantifiable in monetary terms; Attainable: Achievable through best efforts; Relevant: Entity must need these, and Timely: Achieved within a given time frame.

Step 5: Engage the business process consultant - To decide as to which company/ consultant to partner with, depends upon the following:

- ◆ Objectivity of consultant in understanding/evaluating entity situation.
- ◆ Does the consultant have experience with entity business process?
- ◆ Is the consultant experienced in resolving critical business issues?
- ◆ Whether the consultant can recommend and implementing a combination of hardware, software and services as appropriate to meeting enterprise BPA requirements?
- ◆ Does the consultant have the required expertise to clearly articulate the business value of every aspect of the proposed solution?

Step 6: Calculate the RoI for project - The right stakeholders need to be engaged and involved to ensure that the benefits of BPA are clearly communicated and implementation becomes successful. A lot of meticulous effort would be required to convince the senior management about need to implement the right solution for BPA.

Step 7: Developing the BPA - Once the requirements have been document, ROI has been computed and top management approval to go ahead has been received, the consultant develops the requisite BPA. The developed BPA needs to meet the objectives for which the same is being developed.

Step 8: Testing the BPA - Once developed, it is important to test the new process to determine how well it works and identify where additional “exception processing” steps need to be included. The process of testing is an iterative process, the objective being to remove all problems during this phase.

- (b) **Hardware Virtualization:** Hardware Virtualization or Platform Virtualization refers to the creation of a virtual machine that acts like a real computer with an operating system. Software executed on these virtual machines is separated from the underlying hardware resources. For example, a computer that is running Microsoft Windows may host a virtual machine that looks like a computer with the Linux operating system; based software that can be run on the virtual machine.

The basic idea of Hardware virtualization is to consolidate many small physical servers into one large physical server so that the processor can be used more effectively. The software that creates a virtual machine on the host hardware is called a hypervisor or Virtual Machine Manager. The

hypervisor controls the processor, memory and other components by allowing several different operating systems to run on the same machine without the need for a source code. The operating system running on the machine will appear to have its own processor, memory and other components.

Network Virtualization: Network Virtualization is a method of combining the available resources in a network by splitting up the available bandwidth into channels, each of which is independent from the others, and each of which can be assigned (or reassigned) to a particular server or device in real time. This allows a large physical network to be provisioned into multiple smaller logical networks and conversely allows multiple physical LANs to be combined into a larger logical network. This behaviour allows administrators to improve network traffic control, enterprise and security. Network virtualization involves platform virtualization, often combined with resource virtualization.

Various equipment and software vendors offer network virtualization by combining any of the Network hardware such as switches and Network Interface Cards (NICs); Network elements such as firewalls and load balancers; Networks such as virtual LANs (VLANs); Network storage devices; Network machine-to-machine elements such as telecommunications devices; Network mobile elements such as laptop computers, tablet computers, smart phones and Network media such as Ethernet and Fibre Channel. Network virtualization is intended to optimize network speed, reliability, flexibility, scalability, and security.

3. (a) The deployment and implementation of Core Banking Systems (CBS) should be controlled at various stages to ensure that banks automation objectives are achieved:
 - ◆ **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/Procure:** 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.
- (b) **Master Data:** It is relatively permanent data not expected to change frequently. It may change, but not again and again. All business process modules must use common master data. For example : In accounting systems, there may be following type of master data.
 - **Accounting Master Data** – This includes names of ledgers, groups, cost centers, accounting voucher types, etc. E.g. Capital Ledger is created once and not expected to change frequently.
 - **Inventory Master Data** – This includes stock items, stock groups, godowns, inventory voucher types, etc. Stock item is something which bought and sold for business purpose, a trading goods. E.g. For a person running a medicine shop, all types of medicines shall be stock items for him/her.
 - **Payroll Master Data** – Payroll is a system for calculation of salary and recoding of transactions relating to employees. Master data in case of payroll can be names of employees, group of employees, salary structure, pay heads, etc.
 - **Statutory Master Data** – This is a master data relating to statute/law. It may be different for different type of taxes. E.g. Goods and Service Tax (GST), Nature of Payments for Tax Deducted at Source (TDS), etc. This data also shall be relatively permanent. In case of change in tax rates, forms, categories, we need to update/change our master data.

Non-Master Data: It is a data which is expected to change frequently, again and again and not a permanent data. E.g. Amounts recorded in each transaction shall be different every time and expected to change again and again. Date recorded in each transaction is expected to change again and again and will not be constant in all the transactions.

4. (a) In accounting language, a Voucher is a documentary evidence of a transaction. There may be different documentary evidences for different types of transactions. E.g. Receipt given to a customer after making payment by him/her is documentary evidence of amount received. A sales invoice, a purchase invoice, is also a documentary evidence of transaction.

In computer language, the word “Voucher” is a place where transactions are recorded. It is a data input form for inputting transaction data. In accounting, there may be different types of transactions, hence we use different voucher types for recording of different transactions. Generally following types of vouchers are used in accounting systems as shown in the Table below:

Sr. No.	Voucher Type Name	Module	Use
1	Contra	Accounting	For recording of four types of transactions as under. a. Cash deposit in bank b. Cash withdrawal from bank c. Cash transfer from one location to another. d. Fund transfer from our one bank account to our own another bank account.
2	Payment	Accounting	For recording of all types of payments. Whenever the money is going out of business by any mode (cash/bank).
3	Receipt	Accounting	For recording of all types of receipts. Whenever money is being received into business from outside by any mode (cash/bank).
4	Journal	Accounting	For recording of all non-cash/bank transactions. E.g. Depreciation, Provision, Write-off, Write-back, discount

			given/received, Purchase/Sale of fixed assets on credit, etc.
5	Sales	Accounting	For recording all types of trading sales by any mode (cash/bank/credit).
6	Purchase	Accounting	For recording all types of trading purchase by any mode (cash/bank/credit).
7	Credit Note	Accounting	For making changes/corrections in already recorded sales/purchase transactions.
8	Debit Note	Accounting	For making changes/corrections in already recorded sales/purchase transactions.
9	Purchase Order	Inventory	For recording of a purchase order raised on a vendor.
10	Sales Order	Inventory	For recording of a sales order received from a customer.
11	Stock Journal	Inventory	For recording of physical movement of stock from one location to another.
12	Physical Stock	Inventory	For making corrections in stock after physical counting.
13	Delivery Note	Inventory	For recording of physical delivery of goods sold to a customer.
14	Receipt Note	Inventory	For recording of physical receipt of goods purchased from a vendor.
15	Memorandum	Accounting	For recording of transaction which will be in the system but will not affect the trial balance.
16	Attendance	Payroll	For recording of attendance of employees.
17	Payroll	Payroll	For salary calculations.

- (b) **Mortgage Loan:** A **Mortgage loan** is a secured loan which is secured on the borrower's property by marking a lien on the property as collateral for the loan. If the borrower stops paying, then the lender has the first charge on the property. Mortgages are used by individuals and businesses to make large real estate purchases without paying the entire value of the purchase up front. Over the period of many years, the borrowers repay the loan amount along with interest until there is no outstanding.

Types of Mortgage Loan are as follows:

- ◆ **Home Loan:** This is a traditional mortgage where customer has an option of selecting fixed or variable rate of interest and is provided for the purchase of property
 - ◆ **Top Up Loan:** Here the customer already has an existing loan and is applying for additional amount either for refurbishment or renovation of the house
 - ◆ **Loans for Under Construction Property:** In case of under construction properties the loan is disbursed in tranches / parts as per construction plan.
5. (a) **Technical Exposures:** Technical exposures include unauthorized implementation or modification of data and software. Technical exposures include the following:
- **Data Diddling:** This involves the change of data before or after they entered the system. A limited technical knowledge is required to data diddle and the worst part with this is that it occurs before computer security can protect the data.
 - **Bomb:** Bomb is a piece of bad code deliberately planted by an insider or supplier of a program. An event, which is logical, triggers a bomb or time based. The bombs explode when

the conditions of explosion get fulfilled causing the damage immediately. However, these programs cannot infect other programs. Since, these programs do not circulate by infecting other programs; chances of a widespread epidemic are relatively low.

- **Christmas Card:** It is a well-known example of Trojan and was detected on internal E-mail of IBM system. On typing the word 'Christmas', it will draw the Christmas tree as expected, but in addition, it will send copies of similar output to all other users connected to the network. Because of this message on other terminals, other users cannot save their half-finished work.
 - **Worm:** A worm does not require a host program like a Trojan to relocate itself. Thus, a Worm program copies itself to another machine on the network. Since, worms are stand-alone programs, and they can be detected easily in comparison to Trojans and computer viruses. Examples of worms are Existential Worm, Alarm clock Worm etc. The Alarm Clock worm places wake-up calls on a list of users. It passes through the network to an outgoing terminal while the sole purpose of existential worm is to remain alive. Existential worm does not cause damage the system, but only copies itself to several places in a computer network.
 - **Rounding Down:** This refers to rounding of small fractions of a denomination and transferring these small fractions into an authorized account. As the amount is small, it gets rarely noticed.
 - **Salami Techniques:** This involves slicing of small amounts of money from a computerized transaction or account. A Salami technique is slightly different from a rounding technique in the sense a fix amount is deducted. For example, in the rounding off technique, Rs.21,23,456.39 becomes Rs.21,23,456.40, while in the Salami technique the transaction amount Rs. 21,23,456.39 is truncated to either Rs.21,23,456.30 or Rs.21,23,456.00, depending on the logic.
 - **Trap Doors:** Trap doors allow insertion of specific logic, such as program interrupts that permit a review of data. They also permit insertion of unauthorized logic.
 - **Spoofing:** A spoofing attack involves forging one's source address. One machine is used to impersonate the other in spoofing technique. Spoofing occurs only after a particular machine has been identified as vulnerable. A penetrator makes the user think that s/he is interacting with the operating system. For example, a penetrator duplicates the login procedure, captures the user's password, attempts for a system crash and makes the user login again
- (b) Risks and Control objectives of Procure to Pay (P2P) business process at Masters level is as follows:

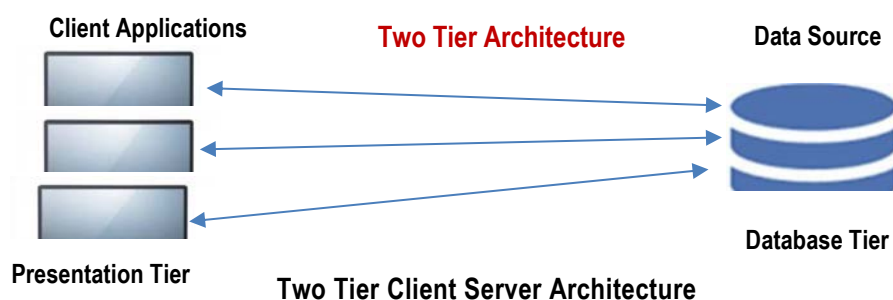
Risk	Control Objective
Unauthorized changes to supplier master file.	Only valid changes are made to the supplier master file.
All valid changes to the supplier master file are not input and processed.	All valid changes to the supplier master file are input and processed.
Changes to the supplier master file are not correct.	Changes to the supplier master file are accurate.
Changes to the supplier master file are delayed and not processed in a timely manner.	Changes to the supplier master file are processed in a timely manner.
Supplier master file data is not up to date.	Supplier master file data remain up to date.
System access to maintain vendor masters has not been restricted to the authorized users.	System access to maintain vendor masters has been restricted to the authorized users.

OR

Risks and Control objectives of Order to Cash (O2C) business process at Masters level is as follows:

Risk	Control Objective
The customer master file is not maintained properly and the information is not accurate.	The customer master file is maintained properly and the information is accurate.
Invalid changes are made to the customer master file.	Only valid changes are made to the customer master file.
All valid changes to the customer master file are not input and processed.	All valid changes to the customer master file are input and processed.
Changes to the customer master file are not accurate.	Changes to the customer master file are accurate.
Changes to the customer master file are not processed in a timely manner.	Changes to the customer master file are processed in a timely manner.
Customer master file data is not up-to-date and relevant.	Customer master file data is up to date and relevant.
System access to maintain customer masters has not been restricted to the authorized users.	System access to maintain customer masters has been restricted to the authorized users.

6. (a) **Two Tier Client Server:** In a Two-tier network, client (user) sends request to Server and the Server responds to the request by fetching the data from it. The Two-tier architecture is divided into two tiers - Presentation Tier and Database Tier.

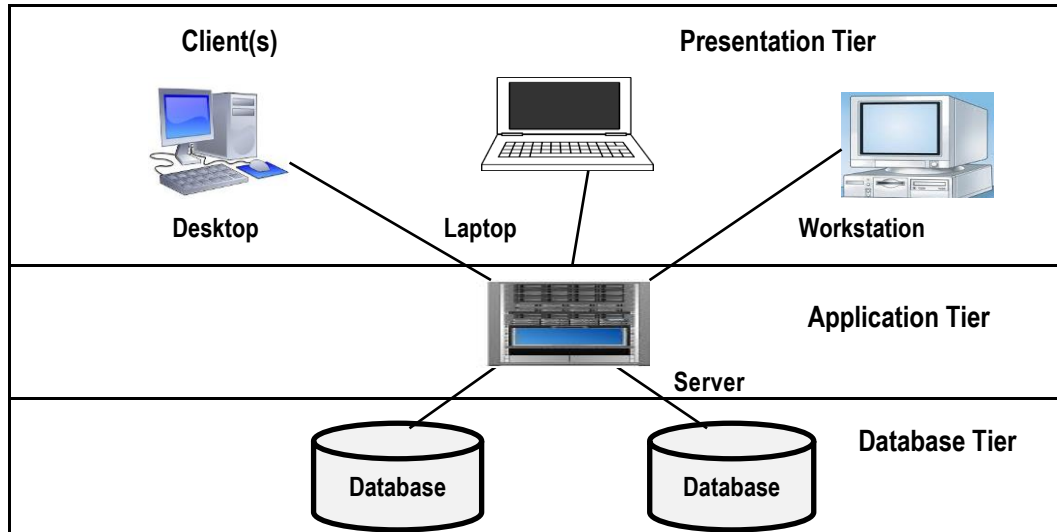


- (i) **Presentation Tier (Client Application/Client Tier):** This is the interface that allows user to interact with the e-commerce / m-commerce vendor. User can login to an e-commerce vendor through this tier. This application also connects to database tier and displays the various products / prices to customers.
- (ii) **Database Tier (Data Tier):** The product data / price data / customer data and other related data are kept here. User has not access to data / information at this level but he/she can display all data / information stored here through application tier.

Three Tier Client Server: Three - Tier architecture is a software design pattern and well-established software architecture. Its three tiers are the **Presentation Tier**, **Application Tier** and **Data Tier**. Three-tier architecture is a client-server architecture in which the functional process logic, data access, computer data storage and user interface are developed and maintained as independent modules on separate platforms. The three-tier architecture are as follows:

- (i) **Presentation Tier:** Occupies the top level and displays information related to services available on a website. This tier communicates with other tiers by sending results to the browser and other tiers in the network.

- (ii) **Application Tier:** Also, called the Middle Tier, Logic Tier, Business Logic or Logic Tier; this tier is pulled from the presentation tier. It controls application functionality by performing detailed processing. In computer software, business logic or domain logic is the part of the program that encodes the real-world business rules that determine how data can be created, displayed, stored, and changed.



Three Tier Client Server Architecture

- (iii) **Database Tier:** This tier houses the database servers where information is stored and retrieved. Data in this tier is kept independent of application servers or business logic. The Data Tier includes the data persistence mechanisms (database servers, file shares, etc.) and the data access layer that encapsulates the persistence mechanisms and exposes the data. The data access layer should provide an Application Programming Interface (API) to the application tier that exposes methods of managing the stored data without exposing or creating dependencies on the data storage mechanisms. Avoiding dependencies on the storage mechanisms allows for updates or changes without the application tier clients being affected by or even aware of the change.
- (b) Audit trail controls attempt to ensure that a chronological record of all events that have occurred in a system is maintained. This record is needed to answer queries, fulfill statutory requirements, detect the consequences of error and allow system monitoring and tuning.
- The Accounting Audit Trail shows the source and nature of data and processes that update the database.
 - The Operations Audit Trail maintains a record of attempted or actual resource consumption within a system.

SECTION – B: STRATEGIC MANAGEMENT

SUGGESTED ANSWERS/HINTS

1. (a) It is not advisable for any organisation to take things as they come. Organisations whether commercial or non-commercial need proper planning. In fact, 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 relations.

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.

Rohit needs to understand the importance of strategic management in his organisation. His organisation is also depended on funds from government and donations. On one side, he needs to maintain steady inflow of funds and on the other side he needs to ensure proper utilisation of funds.

He can plan to use funds in a manner to maintain similar level of continuous services. With proper planning, resources can be better utilised, more funds can be generated and the quality of services maintained.

- (b) Any organisation has a number of processes. Typically, a business process involves a number of steps performed by different people in different departments. Slow Ltd. needs to identify and change the processes improve the speed and quality. The tool that can be employed is Business Process Reengineering. Steps are as follows:
- i. **Determining objectives:** Objectives are the desired end results of the redesign process which the management and organization attempts to realise.
 - ii. **Identify customers and determine their needs:** The process 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 value addition to the customer.
 - iii. **Study the existing processes:** The study of existing processes will provide an important base for the process designers. However, some organisation go through the reengineering process with clean perspective without laying emphasis on the past processes.
 - iv. **Formulate a redesign process plan:** Formulation of redesign plan is the real crux of the reengineering efforts. Customer focussed redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.
 - v. **Implement the redesigned process:** Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements.

2. (a) (i) **Correct:** An organization can redefine its business by divesting a major product line or market. The divesting can be termed as retrenchment strategy. The enterprise may withdraw from marginal markets, withdraw some brands or sizes of products. It may also withdraw some of slow moving products. In an extreme manner, it may seek retirement either from the production or the marketing activity.
- (ii) **Incorrect:** A marketer alone cannot deliver superior value to the customers. It needs to work in coordination with other departments to accomplish this. It is important to be part of organization chain and marketer needs to work in coordination with other departments in the search for competitive advantages. Organisations need to look at the value chain network along with its own chain of activities and the chain of suppliers, distributors and ultimately customers.

(b) To gain a deep understanding of a company's industry and competitive environment, managers do not need to gather all the information they can find and waste a lot of time digesting it. Rather, the task is much more focused. A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

- Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on among rival sellers in the industry.
- Competitive pressures associated with the threat of new entrants into the market.
- Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.
- Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.
- Competitive pressures stemming from buyer bargaining power and seller-buyer Collaboration.

3. (a) Turnaround is needed when an enterprise's performance deteriorates to a point that it needs a radical change of direction in strategy, and possibly in structure and culture as well. It is a highly-targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level. It is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is difficult.

The overall goal of turnaround strategy is to transform an underperforming or distressed company to normalcy in terms of acceptable levels of profitability, solvency, liquidity and cash flow. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavourable industry characteristics.

(b) Experience curve is similar to learning curve which explains the efficiency gained by workers through repetitive productive work. Experience curve is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production. The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage. Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.

The concept of experience curve is relevant for a number of areas in strategic management. For instance, experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition.

4. (a) The terms Entrepreneur and the Intrapreneur might seem the same words to hear, but both the terms have much differences including their spelling and characteristics. The differences between these two terms have been shortly gleaned below:-

	Entrepreneur	Intrapreneur
Dependency	An entrepreneur is independent in his operations.	An intraprenuer is dependent on the entrepreneur, i.e. the owner.
Raising of Funds	An entrepreneur himself raises funds required for the enterprise.	Funds are not raised by the Intrapreneur.
Risk	Entrepreneur bears the risk involved in the business.	An intraprenuer does not fully bear the risk involved in the enterprise.

Operation	An entrepreneur operates from out side.	On the contrary, an intrapreneur operates from within the organization itself.
Orientation	An entrepreneur begins his business with a newly set up enterprise.	An intrapreneur sets up his enterprise after working someone else's organization.
Experience	As an entrepreneur establishes new business, so he does not possess any experience over the business.	An intrapreneur establishes his business after gathering experiences through working in the other organizations.

According to the above table, anyone can differentiate between the entrepreneur and intrapreneur as both the terms are heterogeneous.

- (b) Supply chain management is an extension of logistic management. However, there are differences between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfillment of orders, inventory management and supply/demand planning. Although these activities also form part of supply chain management, the latter is much broader. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management is an integrating function of all the major business activities and business processes within and across organisations. Supply Chain Management is a systems view of the linkages in the chain consisting of different channel partners – suppliers, intermediaries, third-party service providers and customers. Different elements in the chain work together in a collaborative and coordinated manner. Often it is used as a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

5. (a) **Importance of Strategic Management:** Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

- It helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates the organisations to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
- It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides framework for all major business decisions of an enterprise such a decision on businesses, products, markets, organization structures, etc.
- It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
- It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
- Over a period of time, strategic management helps organizations to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

- (b) **Implementation Control:** Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

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

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

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

The major dimensions of strategic decisions are as follows:

- ◆ *Strategic decisions require top-management involvement:* Strategic decisions involve thinking in totality of the organization. Hence, problems calling for strategic decisions require to be considered by the top management.
 - ◆ *Strategic decisions involve commitment of organisational resources:* For example, Strategic decisions to launch a new project by a firm requires allocation of huge funds and assignment of a large number of employees.
 - ◆ *Strategic decisions necessitate consideration of factors in the firm's external environment:* Strategic focus in organization involves orienting its internal environment to the changes of external environment.
 - ◆ *Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm:* Generally, the results of strategic implementation are seen on a long-term basis and not immediately.
 - ◆ *Strategic decisions are future oriented:* Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
 - ◆ *Strategic decisions usually have major multifunctional or multi-business consequences:* As they involve organization in totality they affect different sections of the organization with varying degree.
- (b) Competitive advantage is the position of a firm to maintain and sustain a favorable market position when compared to the competitors. Competitive advantage is ability to offer buyers something different and thereby providing more value for the money. It is the result of a successful strategy. This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry. Competitive advantage may also be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large.