PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A: INFORMATION TECHNOLOGY

*Question No. **1** is compulsory*

*Answer any **five** questions from the rest.*

Question 1

Answer the following in brief:

(a) Write any two principles of Business Process Management

(b) What kind of awareness is required by an auditor for auditing in an IT environment?

(c) What are the advantages of Fiber-optic transmission?

(d) How does DSS (Decision Support System) help its users?

(e) What are the components of a Computerised Information Processing cycle?

(5 x 2 = 10 Marks)

Answer

(a) The Principles of Business Process Management are as follows:

- Business processes are **organizational assets** that are central to creating value for customers. Core processes and processes that generate the most value to customers should be carefully managed;
- By measuring, monitoring, controlling, and analyzing business processes, a company can deliver consistent **value to customers**;
- As the basis for process improvement - business processes should be **continuously improved**; and
- Information technology is an essential enabler for BPM.

(b) The kind of awareness required by an Auditor for auditing in an IT environment is to:

- know the Methodology of Audit so to ensure that the standards, proper usage of common procedures and techniques in the performance of audits is adhered to.
- understand the steps and techniques necessary to plan, perform and complete the Audit.

(c) Fiber-optic transmission, which uses pulses of a laser-generated light, offer significant advantages in terms of:

- Reduced size and installation effort;
- Greater communication capacity;
- Faster transmission speeds; and

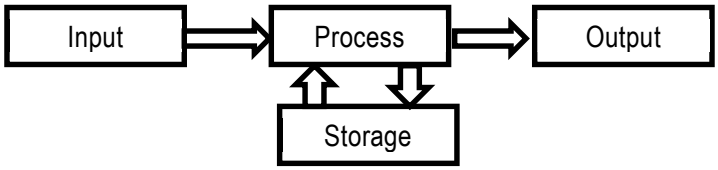
- Freedom from electrical interference.

(d) A Decision Support System (DSS) helps users to:

- engender data models and "what if" scenarios;
- manipulate data directly;
- premeditated to make non-routine decisions; and
- slot in data from external sources.

(e) The components of a computerized information processing cycle include:

- **Input:** Entering data into the computer;
- **Processing:** Performing operations on the data;
- **Storage:** Saving data, programs, or output for future use; and
- **Output:** Presenting the results.



Question 2

A company is selling three types of products, namely, A, B and C to two different types of customers viz, dealers and retailers. To promote the sales, the company is offering the following discounts:

(i) 10% discount is allowed on Product A, irrespective of the category of customers and the value of order.

(ii) On product B, 8% discount is allowed to retailers and 12% discount to dealers, irrespective of the value of order.

(iii) On product C, 15% discount is allowed to retailers irrespective of the value of order and 20% discount to dealers if the value of order is minimum of ₹10,000.

Draw a flowchart to calculate the discount for the above policy. *(8 Marks)*

Answer

Let us define the variables first:

- PROD_TYPE: Product Type
- CUST_TYPE: Customer Type
- VAL_ORDER: Value of Order
- DISC: Discount

The desired flowchart is as follows:

- Freedom from electrical interference.

(d) A Decision Support System (DSS) helps users to:

- engender data models and "what if" scenarios;
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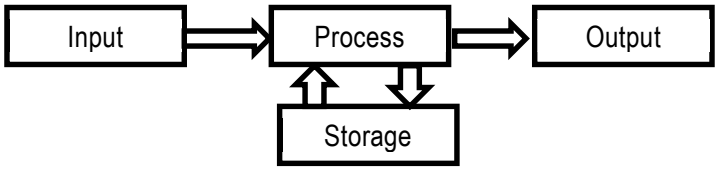

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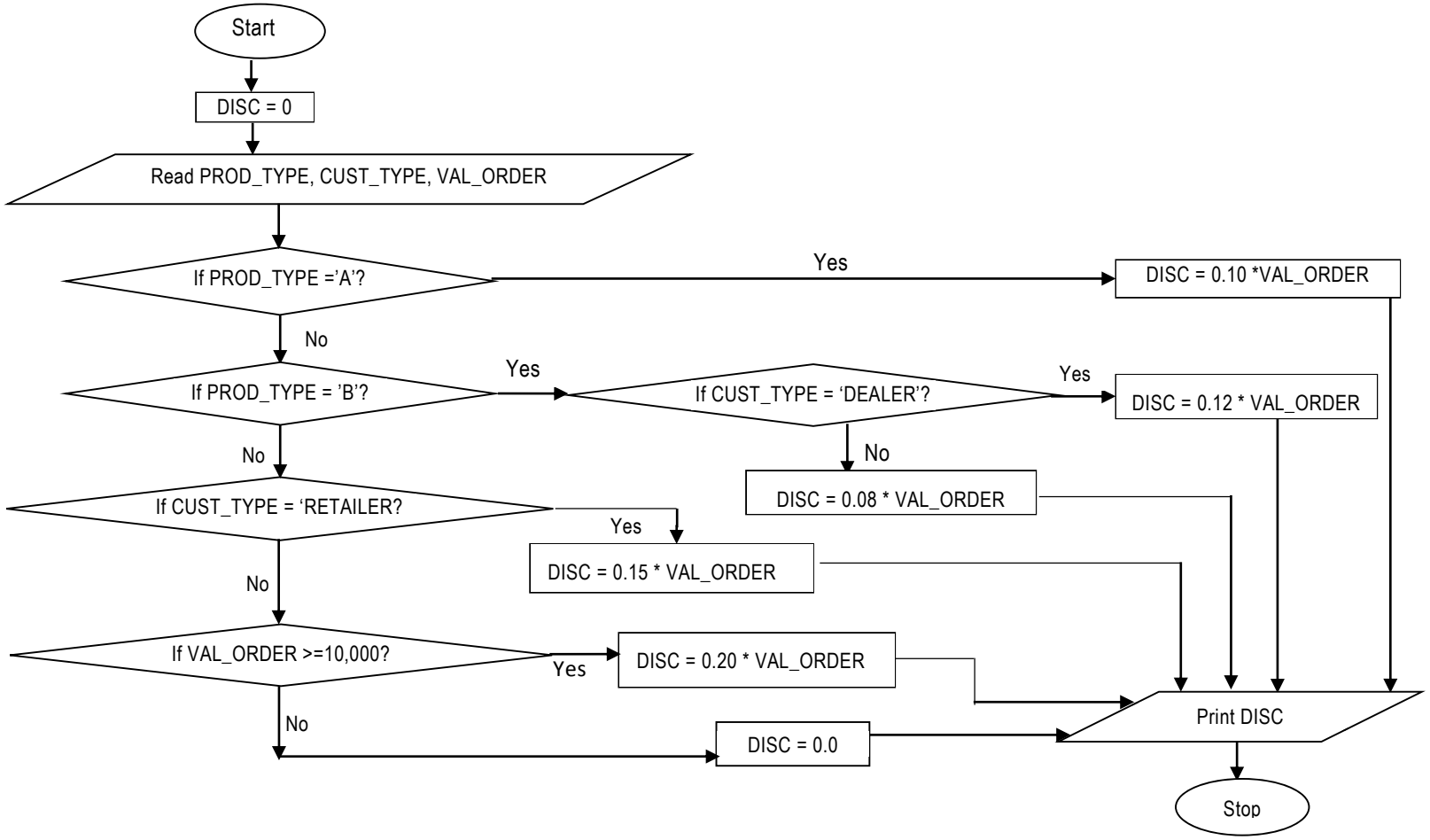

Question 3

(a) Explain the different types of feasibility study done in the System Investigation phase of System Development Life Cycle (SDLC). (4 Marks)

(b) Explain any four advantages of using a Data Base Management System (DBMS). (4 Marks)

Answer

(a) Different types of Feasibility Study done in the System Investigation Phase of System Development Life Cycle (SDLC) are as follows:

- **Technical feasibility:** Does the technology exist to implement the proposed system or is it a practical proposition?
- **Economic feasibility:** Is proposed system cost-effective; if benefits do not outweigh costs, it is not worth going ahead?
- **Legal feasibility:** Is there any conflict between the proposed system and legal requirements?
- **Operational feasibility:** Are the current work practices and procedures adequate to support the new system?
- **Schedule feasibility:** How long will the system take to develop, or can it be done in a desired time-frame?

(b) Major advantages of Data Base Management System (DBMS) are as follows:

- **Permitting data sharing:** One of the principle advantages of a DBMS is that the same information can be made available to different users.
- **Minimizing Data Redundancy:** In a DBMS, duplication of information or redundancy is, if not eliminated, carefully controlled or reduced which significantly reduce the cost of storing information on hard drives and other storage devices.
- **Integrity can be maintained:** Data integrity is maintained by having accurate, consistent, and up-to-date data. Updates and changes to the data only must be made in one place in DBMS ensuring integrity.
- **Program and file consistency:** Using a DBMS, file formats and programs are standardized. This makes the data files easier to maintain because the same rules and guidelines apply across all types of data.
- **User-friendly:** DBMS makes the data access and manipulation easier for the user. DBMS also reduce the reliance of users on computer experts to meet their data needs.
- **Improved security:** DBMS allows multiple users to access the same data resources which could lead to risk to an enterprise if not controlled. Security constraints can be defined and Rules can be built to give access to sensitive data. With passwords,

database management systems can be used to restrict data access to only those who should see it.

- **Achieving program/data independence:** In a DBMS, data does not reside in applications but data bases program and data are independent of each other.
- **Faster application development:** In the case of deployment of DBMS, application development becomes fast. The data is already therein databases, application developer must think of only the logic required to retrieve the data in the way a user needs.

Question 4

(a) What are the characteristics of Local Area Networks? (4 Marks)

(b) What are the facts responsible for occurrence of vulnerabilities in the software? (4 Marks)

Answer

(a) Some of the characteristics of Local Area Network (LAN) include the following:

- The Local Area Networks (LAN) are telecommunications networks that connect information-processing devices within a limited physical area. These networks cover areas such as Offices, Classrooms, Buildings, Manufacturing plant etc.
- LANs use a variety of telecommunications media, such as ordinary telephone wiring, coaxial cable, or wireless radio systems to interconnect microcomputer workstations and computer peripherals.
- To communicate over the network, a PC usually has a circuit board called a Network Interface Card.
- Most LANs use a powerful microcomputer with a large disk capacity as a file server or network server that contains a network operating system (e.g., Novell NetWare) that controls telecommunications and the use of network resources.
- LANs allow end users in a workgroup to communicate electronically; share hardware, software, and data resources; and pool their efforts when working on group projects.
- LANs provide security for programs and data can be achieved using servers that are locked through both software and by physical means.

(b) The following facts are responsible for occurrence of vulnerabilities in the software:

- **Software Bugs** - Software bugs are so common that users have developed techniques to work around the consequences, and bugs that make saving work necessary every half an hour or crash the computer every so often are a normal part of computing. For example - buffer overflow, failure to handle exceptional conditions, access validation error, input validation errors are some of the common software flaws.

- **Timing Windows** - This problem may occur when a temporary file is exploited by an intruder to gain access to the file, overwrite important data, and use the file as a gateway for advancing further into the system.
- **Insecure default configurations** - Insecure default configurations occur when vendors use known default passwords to make it as easy as possible for consumers to set up new systems. Unfortunately, most intruders know these passwords and access systems effortlessly.
- **Trusting Untrustworthy information** - This is usually a problem that affects routers, or those computers that connect one network to another. When routers are not programmed to verify that they are receiving information from a unique host, bogus routers can gain access to systems and do damage.
- **End users** - Generally, users of computer systems are not professionals and are not always security conscious. For example, when the number of passwords of a user increases, user may start writing them down, in the worst case to places from where they are easy to find. In addition to this negligence towards security procedures, users do human errors, for example, save confidential files to places where they are not properly protected.

Question 5

(a) Explain the different types of Information Systems. *(4 Marks)*

(b) Explain the pre-requisites of ACID Test for any Transaction Processing System. *(4 Marks)*

Answer

(a) Different types of Information Systems are as follows:

- **Strategic-Level Systems:** These systems serve strategic managers to track and deal with strategic issues and assisting in long-range planning that affects the entirety of the organization. A principle area is tracking changes in the external conditions (market sector, employment levels, share prices, etc.) and matching these with the internal conditions of the organization. For example, Executive Information System (EIS).
- **Management-Level Systems:** These systems are used by Middle Managers who are responsible for carrying out the goals set by Top Management. These systems are used for the monitoring, controlling, decision-making, and administrative activities of middle management. Tracking current progress in accord with plans is another major function of systems at this level. For example, Management Information System (MIS) and Decision Support Systems (DSS).
- **Knowledge-Level Systems:** These systems support discovery, processing and storage of knowledge and are used by data workers who are selected, recruited and trained in a special manner than the non-knowledge workers. These systems further

control the flow of paper work and enable group working. For example, Knowledge Management System (KMS) and Office Automation System (OAS).

- **Operational-Level Systems:** These systems support Operational Managers or supervisors tracking elementary activities that include tracking customer orders, invoice tracking, etc. Operational-level systems ensure that business procedures are followed. For example, Transaction Processing System (TPS).

(b) The Pre-requisites of ACID TEST for any Transaction Processing System (TPS) are as follows:

- **Atomicity:** This means that a transaction is either completed in full or not at all. TPS systems ensure that transactions take place in their entirety. For example, if funds are transferred from one account to another, this only counts a bona-fide transaction if both the deposit and withdrawal take place. If one account is debited and the other is not credited, it does not qualify as a transaction.
- **Consistency:** TPS systems exist within a set of operating rules or integrity constraints. If an integrity constraint states that all transactions in a database must have a positive value, any transaction with a negative value would be refused.
- **Isolation:** Transactions must appear to take place in seclusion. For example, when a fund transfer is made between two accounts the debiting of one and the crediting of another must appear to take place simultaneously. The funds cannot be credited to an account before they are debited from another.
- **Durability:** Once transactions are completed they cannot be undone. To ensure that this is the case even if the TPS suffers failure, a log will be created to document all completed transactions.

Question 6

(a) Explain any four characteristics of cloud computing. *(4 Marks)*

(b) What are the generic reasons for going for Business Process Automation? *(4 Marks)*

Answer

(a) Some of the key characteristics of Cloud Computing are as follows:

- **Elasticity and Scalability:** Cloud computing gives us the ability to expand and reduce resources as per the specific service requirement. For example, we may need many server resources for the duration of a specific task. We can then release these server resources after we complete our task.
- **Pay-per-Use:** We pay for cloud services only when we use them, either for the short term (for example, for CPU time) or for a longer duration (for example, for cloud-based storage or vault services).

- **On-demand:** Because we invoke cloud services only when we need them, they are not permanent parts of the IT infrastructure. With cloud services, there is no need to have dedicated resources waiting to be used, as is the case with internal services.
- **Resiliency:** The resiliency of a cloud service offering can completely isolate the failure of server and storage resources from cloud users. Work is migrated to a different physical resource in the cloud with or without user awareness and intervention.
- **Multi Tenancy:** Public cloud service providers often can host the cloud services for multiple users within the same infrastructure. Server and storage isolation may be physical or virtual depending upon the specific user requirements.
- **Workload Movement:** This characteristic is related to resiliency and cost considerations. Cloud-computing providers can migrate workloads across servers both inside the data center and across data centers (even in a different geographic area). This migration might be necessitated by cost or efficiency considerations. A third reason could be regulatory considerations for certain types of workloads.

(b) Some generic reasons of going for Business Process Automation (BPA) include the following:

- **Reducing the Impact of Human Error:** BPA removes human participation in the process, which is the source of many errors; thus, reducing the impact of human error.
- **Transforming Data into Information:** BPA can, apart from collecting and storing data also analyze data and make it available in a form that is useful for decision-making.
- **Improving performance and process effectiveness:** In many cases, tasks that must be done manually are the bottleneck in the process. Automating those manual tasks speeds up the effective throughput of the application.
- **Making users more efficient and effective:** People can focus their energies on the tasks they do best, allowing the computers to handle those that machines are best suited for.
- **Making the business more responsive:** Enterprises can easily automate new applications and processes as they are introduced that provide greater control over business and IT processes.
- **Improving Collaboration and Information Sharing:** Business processes designed through a collaborative interface mean Information Technology can integrate its processes with the business-side logic that drives day-to-day operations.
- **Cost Saving:** Automation leads to saving in time and labor costs through higher efficiency and better management of the people involved;
- **To remain competitive:** To provide the level of products and services as offered by competition.

- **Fast service to customers:** Automation shortens cycle times in the execution of processes through improved and refined business workflows and helps enterprises to serve their customers faster and better.

Question 7

*Write short notes on any **four**:*

(a) Business Process Re-engineering

(b) Read Only Memory

(c) Hyper Text Transfer Protocol Secure (HTTPS)

(d) Artificial Intelligence

(e) Network Virtualization *(4 x 2 = 8 Marks)*

Answer

(a) Business Process Reengineering: Business Process Reengineering (BPR) is defined as the fundamental rethinking and radical redesign of processes to achieve dramatic improvement, in critical, contemporary measures of performance such as cost, quality, service and speed. BPR aims at major transformation of the business processes to achieve dramatic improvement. Here, the business objectives of the enterprise (e.g., profits, customer-satisfaction through optimal cost, quality, deliveries, etc.) are achieved by "transformation" of the business processes which may, or may not, require the use of Information Technology (IT). BPR is the main method by which organizations become more efficient and modern. It transforms an organization in ways that directly affect its performance.

(b) Read Only Memory (ROM)

- This is non-volatile in nature (contents remain even in absence of power).
- Usually, these are used to store small amount of information for quick reference by CPU.
- Information can be read not modified.
- Generally used by manufacturers to store data and programs like translators that is used repeatedly.

(c) HyperText Transfer Protocol Secure (HTTPS): HyperText Transfer Protocol Secure is a communications protocol for secure communication over a computer network, with especially wide deployment on the Internet. The security of HTTPS uses long term public and secret keys to exchange a short-term session key to encrypt the data flow between client and server.

(d) Artificial Intelligence: Artificial Intelligence (AI) is the vicinity of computer science focusing on creating machines that can fit into place on behaviors that humans regard as intelligent. It is a research field that studies how to comprehend the intelligent human

behaviors on a computer. The decisive objective of AI is to make a computer that can discover, sketch, and crack problems in parallel. The subject of artificial intelligence spans a wide horizon dealing with various kinds of knowledge representation schemes, different techniques of intelligent search, various methods for resolving uncertainty of data and knowledge, different schemes for automated machine learning and many others. Expert systems, Pattern Recognition, Natural language processing, and many others are some of the various purposes on which AI may be applied.

(e) 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 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. Network virtualization is intended to optimize network speed, reliability, flexibility, scalability, and security.

SECTION –B: STRATEGIC MANAGEMENT

*Question No. **8** is compulsory*

*Answer any **five** questions from the rest.*

Question 8

(a) A Manager faces different problems while trying to understand the environment. Discuss. *(3 Marks)*

(b) Mention three key characteristics that separate Six Sigma from other Quality Programs. *(3 Marks)*

(c) Davis and Lawrence have proposed three distinct phases to develop matrix structure. Explain. *(3 Marks)*

(d) Briefly discuss the framework of strategic management. *(3 Marks)*

(e) Discuss the characteristics of business environment. *(3 Marks)*

Answer

(a) In trying to understand the environment, managers face different problems as follows:

- **Diversity:** The environment contains many different influences and the difficulty is in making sense of this diversity in a way which can contribute to strategic decision-making. Listing all conceivable environmental influences may be possible, but it may not be of much use.
- **Uncertainty:** It is difficult to understand the future external influences on an organisation. The pace of technological change and the speed of global communications may also increase the pace of change.
- **Complexity:** Managers like other individuals may tend to simplify complexity by focusing on those aspects of the environment, which may confirm to their prior views. One of the tasks of the strategic manager is to find ways & means to break out of oversimplification or bias in the understanding of their environment, while still achieving a useful and usable level of analysis.

(b) Three key characteristic that separate Six Sigma from other quality programs are as follows:

1. **Customer focused.** While moving towards Six Sigma it is almost an obsession to keep external customer needs in plain sight, driving the improvement effort.
2. **Higher return on investment.** Six Sigma can help in improving the returns. An organization wants to avoid any defects leading to increased cost and reduced customer satisfaction. Six sigma brings customer loyalty and save more money by delivering near perfect products and services.

3. **Changes how management operates.** Six Sigma is much more than improvement project. Senior executives and leaders throughout the business learn the tools and concepts of Six Sigma: new approaches to thinking, planning, and executing to achieve results. Six Sigma is about putting into practice the notions of working smarter, not harder.

(c) For development of matrix structure; Davis and Lawrence have proposed three distinct phases:

- **Cross-functional task forces:** Temporary cross-functional task forces are initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link.
- **Product/brand management:** If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. In this arrangement, function is still the primary organizational structure, but product or brand managers act as the integrators of semi-permanent products or brands.
- **Mature matrix:** The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager.

(d) The basic framework of strategic process can be described in a five stages sequence:

- **Stage one** - Where are we now? (beginning): Initially, the firm must find out its relative market position, corporate image, its strength and weakness and also environmental threats and opportunities.
- **Stage two** - Where we want to be? (ends): This is a process of goal setting for the organization after it has finalised its vision and mission.
- **Stage three** - How might we get there? (means): Here the organization deals with the various strategic alternatives it has.
- **Stage four** - Which way is best? (evaluation): Out of all the alternatives generated in the earlier stage the organization selects the best suitable alternative.
- **Stage five** - How can we ensure arrival? (control): This is an implementation and control stage of a suitable strategy. Here again the organization continuously does situational analysis and repeats the stages again.

(e) Business environment exhibits many characteristics as follows:

- **Environment is complex:** The environment consists of a number of factors, events, conditions and influences arising from different sources and is complex because it is somewhat easier to understand in parts but difficult to grasp in totality.

- **Environment is dynamic:** The environment is constantly changing in nature. Due to the many and varied influences operating; there is dynamism in the environment causing it to continuously change its shape and character.
- **Environment is multi-faceted:** What shape and character an environment assumes depends on the perception of the observer. A particular change in the environment, or a new development, may be viewed differently by different observers, i.e., as an opportunity for one company and a threat for another.
- **Environment has a far reaching impact:** The growth and profitability of an organization depends critically on the environment in which it exists. And thus any environmental change has an impact on the organization in several different ways.

Question 9

(a) State with reasons which of the following statement is correct or incorrect:

(i) A corporate culture is always is identical in all organizations.

(ii) Strategic management is a bundle of tricks and magic.

(b) Give various reasons to justify that a division structure is costly. (2 x 2 = 4 Marks)

Answer

(a) (i) Incorrect: Every company has its own organizational culture. Each has its own business philosophy and principles, its own ways of approaching to the problems and making decisions, its own work climate, work ethics, etc. Therefore, corporate culture need not be identical in all organisations. Every organisation over a period of time inherits and percolates down its own specific work ethos and approaches.

(ii) Incorrect: No, Strategic management is not a bundle of tricks and magic. It is much more serious affair. It involves systematic and analytical thinking and action. Although, the success or failure of a strategy is dependent on several extraneous factors, it cannot be stated that a strategy is a trick or magic. Formation of strategy requires careful planning and requires strong conceptual, analytical, and visionary skills.

(b) A divisional structure is costly for several reasons which are as follows:

- First, each division requires functional specialists who must be paid.
- Second, there exists some duplication of staff services, facilities, and personnel; for instance, functional specialists are also needed centrally (at headquarters) to coordinate divisional activities.
- Third, managers must be well qualified because the divisional design forces delegation of authority better-qualified individuals requires higher salaries. A divisional structure can also be costly because it requires an elaborate, headquarters-driven control system.

- Finally, certain regions, products, or customers may sometimes receive special treatment, and it may be difficult to maintain consistent, company wide practices.

Question 10

What is supply chain management? Discuss major steps in implementing supply chain management systems in a business organization. *(7 Marks)*

Answer

Supply chain management defined as the process of planning, implementing, and controlling the supply chain operations. It is a cross-functional approach to managing the movement of raw materials into an organization and the movement of finished goods out of the organization toward the end-consumer who are to be satisfied as efficiently as possible. It refers to the linkages between suppliers, manufacturers and customers. It is a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

Implementing and successfully running supply chain management system will involve:

1. **Product development:** Customers and suppliers must work together in the product development process. Products are developed and launched in shorter time and help organizations to remain competitive.
2. **Procurement:** Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage.
3. **Manufacturing:** Flexible manufacturing processes must be in place to respond to market changes. They should be adaptive to accommodate customization and changes in the taste and preferences.
4. **Physical distribution:** Delivery of final products to customers is the last position in a marketing channel. Availability of the products at the right place at right time is important for each channel participant.
5. **Outsourcing:** Outsourcing is not limited to the procurement of materials and components, but also includes outsourcing of services that traditionally have been provided within an organization.
6. **Customer services:** Organizations through interfaces with the company's production and distribution operations develop customer relationships so as to satisfy them.
7. **Performance measurement:** There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with a firm performance. Performance is measured in different parameters such as costs, customer service, productivity and quality.

Question 11

(a) In the light of BCG Growth Share Matrix, state the situation under which the following strategic options are suitable:

(i) Build

(ii) Hold

(iii) Harvest

(iv) Divest

(b) How Ansoff's Product Market Growth Matrix is a useful tool for business organizations?

(3 Marks)

Answer

(a) In the BCG growth-share matrix portfolio of investments are represented in two dimensional space. The vertical axis represents market growth rate and the horizontal axis represents relative market share. Using the matrix, organizations can identify four different types of products or SBU as stars, question marks, cash cows and dogs. In the light of BCG Growth Matrix, the four strategies that can be pursued are:

(i) **Build:** Here the objective is to increase market share, even by forgoing short-term earnings in favour of building a strong future with large market share. It is done by increasing investment. For example, investments can be made to push question marks into stars.

(ii) **Hold:** Here the objective is to preserve market share. It can be in situation where the organization is not in position to invest or has other commitments.

(iii) **Harvest:** A relevant situation can be when the product or SBU is in position of being Cash Cow. Here the objective is to increase short-term cash flow regardless of long-term effect.

(iv) **Divest:** Divest is relevant in case of Dog quadrant. Here the objective is to sell or liquidate the business because resources can be better used elsewhere.

(b) The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy. With the use of this matrix a business can get a fair idea about how its growth depends upon it markets in new or existing products in both new and existing markets.

Companies should always be looking to the future. Businesses that use the Ansoff matrix can determine the best strategy. The matrix can help them to decide how to do this by demonstrating their options clearly, breaking them down into four strategies, viz., *Market Penetration, Market Development, Product Development, Diversification*. Determining which of these is best for their business will depend on a number of variables including available resources, infrastructure, market position, location and budget.

Question 12

(a) Michael Porter has suggested three generic strategies. Explain them with examples.

(4 Marks)

(b) What are the strategic responses of an organization to its environment? Explain. (4 Marks)

Answer

(a) The basic purpose of following a generic strategy is to gain competitive advantage so as to ensure long-time survival and growth. According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. These bases form different generic strategies as follows:

- **Cost leadership** emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. It frequently results from productivity increases and aggressive pursuit of cost reduction throughout the development, production, marketing, and distribution processes. It allows a firm to earn higher profits than its competitors. For example, car manufacturers Maruti and Hyundai work on reducing their costs to sell their cars in popular segment at attractive prices.
- **Differentiation** is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. It concerns with distinguishing a product/service from that of its competitors through unique design features, technological leadership, unique uses of products and attributes like quality, environmental impact and customer service. For example, Apple brings out mobile phone with distinct features.
- **Focus** means producing products and services that fulfil the specific needs of small groups of consumers. It involves selecting or focusing a market or customer segment in which to operate. For example, Nestle KitKat targeting on teenagers and young adults or Johnson and Johnson having host of products such as cream, shampoo, brushes for infants and young babies.

(b) A business organization and its many environments have in numerous interrelationship. It is difficult to determine exactly what the business organisation should do in response to a particular situation in the environment. Strategically, the business organisations should make efforts to exploit the opportunities and avoid the threats.

In this context, following are the possible strategic responses of an organisation to its business environment:

(i) **Least resistance:** Some organisations just manage to survive by way of coping with their changing external environments. They are simple goal-maintaining units. They are very passive in their behaviour and are solely guided by the signals of the external environment. They are not ambitious but are content with taking simple paths of least resistance in their goal-seeking and resource transforming behaviour.

(ii) **Proceed with caution:** At the next level, are the organisations that take an intelligent interest to adapt with the changing external environment. They seek to monitor the changes in that environment, analyse their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival, stability and strength. This is a sophisticated strategy than to wait for changes to occur and then take corrective-adaptive action.

(iii) **Dynamic response:** At a still higher sophisticated level, are those organisations that regard the external environmental forces as partially manageable and controllable by their actions. Their feedback systems are highly dynamic and powerful. They not merely recognise and ward off threats; they convert threats into opportunities. They are highly conscious and confident of their own strengths and the weaknesses of their external environmental 'adversaries'. They generate a contingent set of alternative courses of action to be picked up in tune with the changing environment.

Question 13

Distinguish between the following:

(a) Vision and Mission *(4 Marks)*

(b) Co-generic Merger and Conglomerate Merger *(3 Marks)*

Answer

(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:

VISION	MISSION
It describes a future identity.	It serves as an ongoing and time-independent guide.
It 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.	It provides a path to realize the vision in line with its values.
It is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.	It defines the purpose or broader goal for being in existence or in the business and can remain the same for decades.

(b) Co-generic merger: In Co-generic merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies. Such merger includes the extension of the product line or acquiring components that are required in the daily operations. It offers great opportunities to businesses to diversify around a common set of resources and strategic requirements. For example, organization in the white goods categories such as refrigerators can diversify by merging with another organization having business in kitchen appliances.

Conglomerate merger: Conglomerate merger is the combination of organizations that are unrelated to each other. There are no linkages with respect to customer groups, customer functions and technologies being used. There are no important common factors between the organizations in production, marketing, research and development and technology. In practice, however, there is some degree of overlap in one or more of these factors.

Question 14

Write short notes on the following:

(a) Strategic Group Mapping *(4 Marks)*

(b) Augmented Marketing *(3 Marks)*

Or

Internet Technology *(3 Marks)*

Answer

(a) Strategic group mapping is a technique for displaying the different markets or competitive positions that rival firms occupy in the industry. A strategic group is a cluster of firms in an industry with similar competitive approaches and market positions. An industry contains only one strategic group when all sellers pursue essentially identical strategies and have comparable market positions. It involves plotting firms on a two-variable map using pairs of differentiating characteristics such as price/quality range; geographic coverage and so on.

(b) Augmented marketing refers to deliberate and accelerated efforts to get better marketing returns through additional means. It includes provision of additional customer services and benefits built around the care and actual products that relate to introduction of hi-tech services like movies on demand, online computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.

***OR (*Alternative /choice)**

The Internet is an integrated network of banks of servers and high-speed computers, digital switches and routers, telecommunication equipment's and lines, and individual computers. The backbone of the internet consists of telecommunication lines crisscrossing countries, continents, and the world that allow computers to transfer data in digital form at very high speed.

Internet has made significant changes in the way businesses are being conducted. Communications has become faster, with many interlinkages promoting globalization. While markets have expanded, the competition has also increased manifolds. E-commerce is a recent area which has developed on account of internet technology.