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) What are limitations of using a Decision Tree?

(b) Distinguish between 'Resilience' and 'Contention'.

(c) Distinguish between 'Message Authentication' and 'Message Integrity'.

(d) Distinguish between CRM and SRM.

(e) Distinguish between cloud service models - SaaS and PaaS. **(5 x 2 = 10 Marks)**

Answer

(a) Limitations of using a Decision Tree are as follows:

- For data including categorical variables with different number of levels, information gain in decision trees are biased in favor of those attributes with more levels.

- Calculations can get very complex particularly if many values are uncertain and/or if many outcomes are linked.

(b) **Resilience:** It refers to the ability of a network to recover from any kind of error like connection failure, loss of data etc.

Contention: It refers to the situation that arises when there is a conflict for some common resource in a network. For example, network contention could arise when two or more computer systems try to communicate at the same time.

(c) **Message Authentication:** This means that in a telecommunication network, the receiver is sure of the sender's identity and that an imposter has not sent the message.

Message Integrity: This means that the data must arrive at the receiver exactly as it was sent in a telecommunication network. There must not be any changes during the transmission - either accidental or malicious.

(d) The differences between CRM and SCM are as follows:

- Customer Relationship Management (CRM) attempts to enhance the relationship with customers whereas Supply Chain Management (SCM) aims to facilitate the collaboration between the organization, its suppliers, the manufacturers, the distributors and the partners.

- CRM software focuses on the identification, targeting, acquisition and retention of customers, and on the building of strong relationships between the business and its

customers. However, SCM software ensures that materials and information flow through the supply chain with the highest possible efficiency and the lowest possible cost.

(e) Software as a Service (SaaS): It is one of the cloud service models that features a complete application offered as a service on-demand. A service provider hosts the application at its data centre over the Internet and customer accesses it via a standard Web browser. For example - Google Apps.

Platform as a Service (PaaS): PaaS delivery is a cloud service model that allows a customer to rent virtualized servers and associated services used to run existing applications, or to design, develop, test, deploy and host applications. The consumer may create software using tools and/or libraries from the provider and may also control software deployment and configuration settings. The provider provides the networks, servers, storage, and other services. For example - AppScale.

Question 2

Consider the following flow chart:
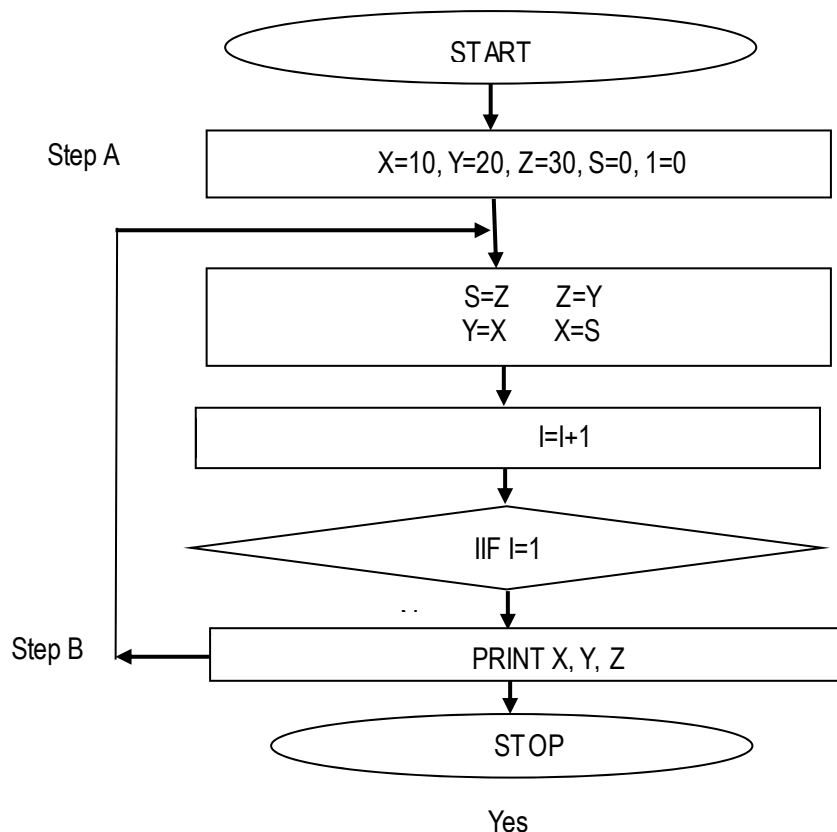
(a)   What is the output of the flow chart?

(b) *In Step-B, put 1=3 in place of 1= 1; what will be output then?*

(c) *In Step-B, put 1=6 in place of 1= 1; what will be the output then?*

(d) *In the given flow-chart, replace 1= 0 by 1= 1 at step A, what will be the output?*

(4 x 2 = 8 Marks)

Answer

Working of the Flowchart

Initial Values	Sequence of Steps	Output - 1	Output - 2	Output - 3	Output - 4	Output - 5	Output - 6
I = 0							
S = 0	S = Z	**S = 30**	S = 20	**S = 10**	S = 30	S = 20	**S = 10**
Z = 30	Z = Y	**Z = 20**	Z = 10	**Z = 30**	Z = 20	Z = 10	**Z = 30**
Y = 20	Y = X	**Y = 10**	Y = 30	**Y = 20**	Y = 10	Y = 30	**Y = 20**
X = 10	X = S	**X = 30**	X = 20	**X = 10**	X = 30	X = 20	**X = 10**
I = 0	I = I + 1	**I = 1**	I = 2	**I = 3**	I = 4	I = 5	**I = 6**
		Answer (a)		**Answer (b)**			**Answer (c)**

(a) X = 30, Y = 10, Z = 20

(b) For I = 3; X = 10, Y = 20, Z = 30

(c) For I = 6; X = 10, Y = 20, Z = 30

(d) For I = 1 at Step A; the flowchart will enter into an Infinite Loop as the condition I = 1 will never be true.

Question 3

(a) *What are (i) unstructured and (ii) structured network security threats? Discuss.* *(4 Marks)*

(b) *Which of the following network(s) considers connectivity to a certain central unit?*

    (i) *Mesh Network*

    (ii) *Ring Network*

    (iii) *Star Network*

Write three advantages of such network. *(1 + 3 = 4 Marks)*

Answer

(a) Unstructured Threats - These threats originate mostly from inexperienced individuals using easily available hacking tools from the Internet. Many tools available to anyone on

the Internet can be used to discover weaknesses in a company's network. These include port-scanning tools, address-sweeping tools, and many others. Most of these kinds of probes are done more out of curiosity than with a malicious intent in mind. For example, if a company's external website is hacked; the company's integrity is damaged. Even if the external website is separate from the internal information that sits behind a protective firewall; the public does not know that and would conclude that it is an unsafe place to conduct business.

Structured Threats - These threats originate from individuals who are highly motivated and technically competent and usually understand network systems design and the vulnerabilities of those systems. They can understand as well as create hacking scripts to penetrate those network systems. An individual who presents a structured threat typically targets a specific destination or group. Usually, these hackers are hired by industry competitors, or state-sponsored intelligence organizations.

(b) Out of the Mesh Network, Ring Network and Star Network; the **Star Network** is a popular network configuration that involves connectivity of number of terminals to a Central Unit.

Advantages of the Star Network include the following:

- Several users/nodes can use the central unit at the same time.
- It is easy to add new nodes and remove existing nodes.
- A node failure does not bring down the entire network.
- It is easier to diagnose network problems through a central hub.

Question 4

(a) Discuss in brief the two major approaches of establishing 'access controls'.   **(4 Marks)**

(b) List out various Information System Resources and their corresponding products. **(4 Marks)**

Answer

(a) There are two major approaches to establish access controls which are as under:

♦ **Role-based Access Control (RBAC):** RBAC largely eliminates discretion when providing access to objects. Instead, administrators or automated systems place subjects into roles. Subjects receive only the rights and permissions assigned to those roles. When an employee changes jobs, all previous access is removed, and the rights and permissions of the new role are assigned. RBAC enforces static constraints based on a user's role.

♦ **Rules-based Access Control (RAC):** RAC differs from RBAC methods because it is largely context-based. RAC considers the data affected, the identity attempting to perform a task, and other triggers governed by business rules. A manager, for example, can approve his/her employees' hours worked. However, when s/he attempts to approve his/her own hours, a rule built into the application compares the

employee record and the user, sees they are the same, and temporarily removes approval privilege. This is dynamic and occurs at the time a transaction is attempted.

(b) Various Information Resources and their corresponding products are as follows:

    (i) **People Resources** consist of -

- **IT specialists** - systems analysts, software developers, systems operators.

- **End Users** - anyone else who uses information systems.

    (ii) Hardware Resources involve -

- **Machines** - computers, video monitors, magnetic disk drives, printers, optical scanners.

- **Media -** floppy disks, magnetic tape, optical disks, plastic cards, paper forms.

    (iii) Software Resources include -

- **Programs** - operating system programs, spreadsheet programs, word processing programs, payroll programs.

- **Procedures** - data entry procedures, error correction procedures, paycheck distribution procedures**.**

    (iv) Data Resources include Product descriptions, customer records, employee files, inventory databases.

    (v) Network Resources include Communications media, communications processors, network access, control software.

    (vi) Information Products include Management reports and business documents using text and graphics displays, audio responses, and paper forms.

Question 5

(a) *What are benefits of pursuing Business Process Automation? List any eight.*   **(4 Marks)**

(b) *What adequate controls related to data processing should be enforced through the front end application system to have consistency in the control process? Discuss any four.*

(4 Marks)

Answer

(a) Some benefits of pursuing Business Process Automation (BPA) include the following:

- ♦ Reducing the Impact of Human Error;

- ♦ Transforming Data into Information;

- ♦ Improving performance and process effectiveness;

- ♦ Making users more efficient and effective;

♦ Making the business more responsive;

♦ Improving Collaboration and Information Sharing;

♦ Cost Saving;

♦ To remain competitive; and

♦ Fast service to customers.

(b) Some controls related to data processing that should be enforced through the front-end application system to have consistency in the control process are as follows:

- **Run-to-Run Totals:** These help in verifying data that is subject to process through different stages. A specific record probably the last record can be used to maintain the control total.

- **Reasonableness Verification:** Two or more fields can be compared and cross verified to ensure their correctness.

- **Edit Checks:** Edit checks similar to the data validation controls can also be used at the processing stage to verify accuracy and completeness of data.

- **Field Initialization:** Data overflow can occur if records are constantly added to a table or if fields are added to a record without initializing it, i.e., setting all values to zero before inserting the field or record.

- **Exception Reports:** Exception reports are generated to identify errors in data processed.

- **Existence/Recovery Controls:** The check-point/restart logs, facility is a short-term backup and recovery control that enables a system to be recovered if failure is temporary and localized.

Question 6

(a) *Explain the concept of mobile computing. Also, mention its components.* **(1 + 3 = 4 Marks)**

(b) *Discuss six major advantages and two disadvantages of a DBMS.* **(3+ 1=4 Marks)**

Answer

(a) Mobile Computing: Mobile Computing is the use of portable computing devices in conjunction with mobile communications technologies to enable users to access the Internet and data on their home or work computers from anywhere in the world. It is a human - computer interaction by which a computer is expected to be transported during normal usage. Mobile computing is enabled by use of portable and hand held computing devices such as Personal Digital Assistants (PDAs), Laptops, Mobile Phones, MP3 players, Digital Cameras, Tablet PC and Palmtops on a wireless network.

Mobile Computing involves following components:

- Mobile Communication
- Mobile Hardware
- Mobile Software

(b) Major advantages of Database Management Systems (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 i.e. there is no need to repeat the same data repeatedly. Minimizing redundancy can therefore 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. The chances of making a mistake increase if the same data needs to be changed at several different places than making the change in one place.

♦ **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. The level of consistency across files and programs also makes it easier to manage data when multiple programmers are involved.

♦ **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 i.e. Rules can be built to give access to sensitive data. Some sources of information should be protected or secured and only viewed by select individuals. Using 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.

The major disadvantages of DBMS are as follows:

♦ **Cost:** Implementing a DBMS system can be expensive and time-consuming, especially in large enterprises. Training requirements alone can be quite costly.

♦ **Security:** Even with safeguards in place, it may be possible for some unauthorized users to access the database. If one gets access to database, then it could be an all or nothing proposition.

Question 7

Write short notes on any four of the following:

(a) 'Top-down commitment, Bottom-up Execution' in BPM.

(b) 'Memory Management' by Operating System.

(c) Any four risks involved in e-commerce.

(d) Is 'Electronic cheque' superior to the 'paper cheque'?

(e) 'Resource balancing' as benefit of Grid computing.   **(4 x 2 = 8 Marks)**

Answer

(a) Top-Down Commitment, Bottom - Up Execution in BPM: For Business Process Management (BPM) to work -

• Top management needs to commit to it and support the process-focused management approach it requires. Without top management commitment, BPM will likely to disappear because of internal organizational resistance.

• Executing process improvement should use a bottom-up approach. The benefit of a bottom-up approach is it encounters less resistance from the employees most directly affected by the change.

(b) Memory Management: Memory Management feature of Operating System allows controlling how memory is accessed and maximizes available memory and storage. Operating systems also provides Virtual Memory by carving an area of hard disk to supplement the functional memory capacity of Random Access Memory (RAM). In this way, it augments memory by creating a virtual RAM.

(c) The risks associated with e-Commerce are multi-faceted and are as follows:

♦ **Problem of anonymity:** There is need to identify and authenticate users in the virtual global market where anyone can sell to or buy from anyone, anything from anywhere.

♦ **Repudiation of contract:** There is possibility that the electronic transaction in the form of contract, sale order or purchase by the trading partner or customer may be denied.

♦ **Lack of authenticity of transactions:** The electronic documents that are produced during an e-Commerce transaction may not be authentic and reliable.

- ♦ **Data Loss or theft or duplication:** The data transmitted over the Internet may be lost, duplicated, tampered with or replayed.

- ♦ **Attack from hackers:** Web servers used for e-Commerce may be vulnerable to hackers.

- ♦ **Denial of Service:** Service to customers may be denied due to non-availability of system as it may be affected by viruses, e-mail bombs and floods.

- ♦ **Non-recognition of electronic transactions:** e-Commerce transactions, as electronic records and digital signatures may not be recognized as evidence in courts of law.

- ♦ **Lack of audit trails:** Audit trails in e-Commerce system may be lacking and the logs may be incomplete, too voluminous or easily tampered with

- ♦ **Problem of piracy:** Intellectual property may not be adequately protected when such property is transacted through e-Commerce.

(d) An electronic cheque can prove to be superior to the paper cheque in one significant aspect. As a sender, we can protect ourselves against fraud by encoding our account number with the bank's public key, thereby not revealing our account number to the merchant. As with the Secure Electronic Transaction (SET) protocol, Digital Certificates can be used to authenticate the payer, the payer's bank and bank account.

(e) **Resource Balancing:** For applications that are grid-enabled, the grid can offer a resource balancing effect by scheduling grid jobs on machines with low utilization. This feature of grid computing handles occasional peak loads of activity in parts of a larger organization. An unexpected peak can be routed to relatively idle machines in the grid; and if the grid is already fully utilized, the lowest priority work being performed on the grid can be suspended temporarily or even cancelled and performed again later to make room for the higher priority work.

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

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

Question 8

(a) *What are the key characteristics of a global company? Explain.* **(3 Marks)**

(b) *Discuss the responsibilities of a functional manager.* **(3 Marks)**

(c) *"Strategy is partly proactive and partly reactive." Do you agree with statement? Give reasons for your answer.* **(3 Marks)**

(d) *"A network structure is suited to unstable environment." Elucidate this statement.* **(3 Marks)**

(e) *Discuss the challenges faced by public sector units while designing for their organisations.*

(3 Marks)

Answer

(a) A global company views the world as one market minimizing the importance of national boundaries. A global company has three attributes:

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

(ii) Multiple units draw a common pool of resources such as money, credit, patents, trade name, etc.

(iii) The units respond to common **strategy.**

(b) Responsibilities of Functional Manager

- Functional Manager is responsible for the specific business functions or operations such as HRM manager performs human resource related functions, marketing manager performs marketing of the product, production manager are involved in activities related to producing the product and so on.

- His responsibility is confined only to one organizational activity.

- Involves in strategic role to develop functional strategies in their respective areas

- Helps the organization in achieving strategic objectives

- Provides valuable information to corporate managers which are used while formulating realistic strategies. Generate important ideas which are helpful for the organization

(c) Yes, strategy is partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behavior, evolving technologies and so on.

There can be significant deviations between what was visualized and what actually happens. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

(d) Network structure is a newer and somewhat more radical organizational design. The network structure could be termed a "non-structure" as it virtually eliminates in-house business functions and outsource many of them. An organization organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response. Instead of having salaried employees, it may contract with people for a specific project or length of time. Long-term contracts with suppliers and distributors replace services that the company could provide for itself through vertical integration. The network structure provides organization with increased flexibility and adaptability to cope with rapid technological change and shifting pattern of international trade and competition.

(e) Central, state, municipal agencies, Public Sector Units, departments are responsible for formulating, implementing, and evaluating strategies that use taxpayers' money in the most cost-effective way to provide services and programs. The Challenges faced by the public sector units while designing their organizations are on account of basic nature of such organizations.

Public sector units face the following challenges while designing strategies for their organizations:

- Operating with less strategic autonomy.
- Cannot diversify into unrelated businesses or merge with other firms.
- Strategists usually enjoy little freedom while altering the organization's mission or redirecting objectives when needed.
- Legislators and politicians control over major decisions and resources.
- Fear of media debate over the strategic issues.
- Chances of politicization of issues resulting fewer strategic choice.

Question 9

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

(i)   Performance appraisal is a tool to identify the deficiencies in employees.

(ii)   Successful strategy formulation guarantee successful strategy implementation.

(2 x 2 = 4 Marks)

(b)   Explain the various categories in which generic business process of a firm requires redesigning.   *(3 Marks)*

Answer

(a)   (i)   **Correct:** Performance appraisal is a systematic process to assess job performance of employees in relation to certain pre-established criteria and organizational objectives. Performance appraisal can help to identify performance deficiencies in employees, accordingly can help in identifying deficiencies.

(ii)   **Incorrect:** Strategy implementation is fundamentally different from strategy formulation. Successful strategy formulation does not guarantee successful strategy implementation. It is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation).

(b)   "The generic business processes of a firm that require redesign may be classified into **three broad categories** as follows:

♦   **Processes pertaining to development and delivery of product(s) and / or services** - These may include research, design, engineering, manufacturing, and logistics, besides purchasing / procurement and materials management.

♦   **Process involving interface(s) with customers** - These usually include marketing, advertising, order fulfilment, and service.

♦   **Process comprising management activities** - These include strategy formulation, planning and budgeting, performance measurement and reporting, human resource management, and building infrastructure.

In the context of these generic business processes, BPR may be viewed as a means of solving business problem through IT capabilities.

Question 10

Explain the different stages of the Product Life Cycle (PLC) and its significance in a portfolio diagnosis.   *(7 Marks)*

Answer

Product Life Cycle (PLC) is a useful concept for guiding strategic choice. Essentially, PLC is S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), growth (rapid

market acceptance) maturity (slowdown in growth rate) and decline (sharp downward drift). If businesses are substituted for product, the concept of PLC could work just as well.

The first stage of PLC is the introduction stage in which competition is almost negligible, prices are relatively high and markets are limited. The growth in sales is at a lower rate because of lack of knowledge on the part of customers.

The second stage of PLC is growth stage. In the growth stage, the demand expands rapidly, prices fall, competition increases and market expands. The customer has knowledge about the product and shows interest in purchasing it.

The third stage of PLC is maturity stage. In this stage, the competition gets tough and market gets stabilised. Profit comes down because of stiff competition. At this stage organisations may work for maintaining stability.

The fourth stage of PLC is declining stage in which the sales and profits fall down sharply due to some new product replaces the existing product. So a combination of strategies can be implemented to stay in the market either by diversification or retrenchment.
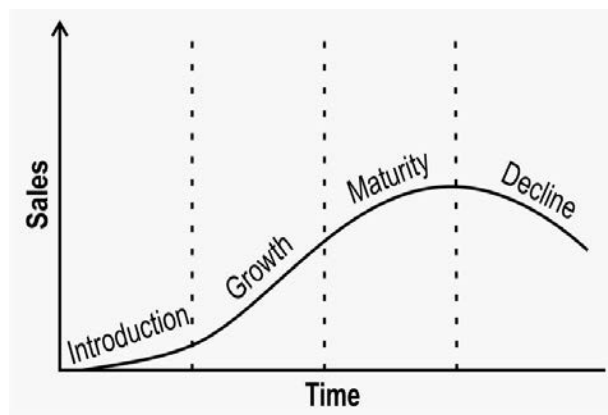

Figure: Product Life Cycle

Significance of PLC

The main advantage of PLC is that it can be used to diagnose a portfolio of products (or businesses) in order to establish the stage at which each of them exists. Particular attention is to be paid on the businesses that are in the declining stage. Depending on the diagnosis, appropriate strategic choice can be made. For instance, expansion may be a feasible alternative for businesses in the introductory and growth stages. Mature businesses may be used as sources of cash for investment in other businesses which need resources. A combination of strategies like selective harvesting, retrenchment, etc. may be adopted for declining businesses. In this way, a balanced portfolio of businesses may be built up by exercising a strategic choice based on the PLC concept.

Question 11

(a) *As a Manager, which factors will you need to consider for environmental scanning?* *(4 Marks)*

(b) *Why environmental analysis is needed in a Business Organisation?* *(3 Marks)*

Answer

(a) Organizational environment consists of both external and internal factors. Environment must be scanned so as to determine development and forecasts of factors that will influence organizational success. The factors that need to be considered are explained below:

Events are important and specific happenings in the internal or external organisational environment which can be observed and tracked.

Trends are grouping of similar or related events that tend to move in a given direction, increasing or decreasing in strength of frequency of observation.

Issues are the current concerns that arise in response to events and trends. Identifying an emerging issue is more difficult.

Expectations are the demands made by interested groups in the light of their concern for issues.

(b) From environmental analysis strategists get time to anticipate opportunities and to plan to take optional responses to these opportunities. It also helps strategists to develop an early warning system to prevent threats or to develop strategies which can turn a threat to the firm's advantage. In general, environmental analysis has three basic goals as follows:

♦ *First,* **the analysis should provide an understanding of current and potential changes** taking place in the environment. It is important that one must be aware of the existing environment and have a long term perspective about the future.

♦ *Second,* **environment analysis should facilitate and foster strategic thinking in organizations** – typically a rich source of ideas and understanding of the context within which a firm operates.

♦ *Third,* **environmental analysis should provide inputs for strategic decision making.** Mere collection of data is not enough. The information collected must be useful for and used in strategic decision making.

Question 12

(a) *You are a Manager of a firm and you have to raise funds for a business project. From which sources you will raise the funds?* *(4 Marks)*

(b) *How does Total Quality Management facilitate value addition in an organization.*

(3 Marks)

Answer

(a) Strategies related to the source of fund are important since they determine how financial resources will be available for the implementation of the financial strategies. Companies may rely on internal and external sources of financing for their short term and long term requirement of their funds. The funds may be raised from national and international money and capital markets.

Following are some important sources for raising funds:

i. **Net profit from the operations.**

ii. **Sale of assets:** The purpose of an asset sale is generally to increase cash flow, reduce bad debt risk and liquidation of assets.

iii. **Debt:** Debt is an amount of money borrowed by one party from another. It is used by many corporations as a method of making large purchases that they could not afford under normal circumstances. It could be applied to boost organizations return on investment. During low earning periods, too much debt in the capital structure of an organization can endanger stockholders' return and jeopardize company survival. Debt can be in the form of debentures, bonds, loans from financial institutions and deposits from public/fixed deposits.

iv. **Issuance of share capital to the public:** Equity can be of two type – ordinary Shares and preference shares.

(b) Total Quality Management (TQM) is a people-focused management system that aims at continual increase in customer satisfaction at continually lower real cost. It adds value in an organization by way of:

(a) Helps in changing the system and benchmarking the operational quality of the organisation. It helps organisation to improve and become competitive as if adopts best industry practices through benchmarking.

(b) Improvement through constant review, waste elimination and process chain improvement. Organisation does this faster than competitors hence take competitive advantage. In case of substandard performance organisation immediately takes remedial measures.

(c) Organisation adds to the value by improving quality of personnel, enables life time learning, instituting quality circles, providing training and building the synergy of team.

(d) TQM also requires management to be change oriented, committed towards quality, workmen empowerment, and keeping open mind for appreciating achievers.

Question 13

Distinguish between the following:

(a) *Market Development and Product Development under Ansoff's Product Market Growth Matrix.*   **(4 Marks)**

(b) *Concentric Diversification and Conglomerate Diversification.*   **(3 Marks)**

Answer

(a) Following are the differences between the market development and product development:

Market Development	Product Development
Meaning	**Meaning**
• It refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for current company products.	• It refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets.
Strategy Application	**Strategy Application**
• It may be achieved through new geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies to attract different customers or create new market segments.	• It is for company's growth and requires the development of new competencies and the business to develop modified products which can appeal to existing markets.

(b) Following are the differences between the concentric diversification and conglomerate diversifications:

Concentric Diversification	Conglomerate Diversifications
Meaning: It occurs when a firm adds related products or markets.	**Meaning:** It occurs when a firm diversifies into areas that are unrelated to its current line of business.
Linkage: The new business is linked to the existing businesses through process, technology or marketing,	**Linkage:** Here no such linkages exist; the new business/product is disjointed from the existing businesses/products.
Reasons for pursuing: The most common reason for pursuing a concentric diversification is that opportunities in a firm's existing line of business are available.	**Reasons for pursuing:** The common reason for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

Question 14

Write a short note on the following:

(a)   Basic features of grand strategies.   **(4 Marks)**

(b)   Merger and Acquisition Strategy.   **(3 Marks)**

> *OR*

Responsibilities of strategic leader.   **(3 Marks)**

Answer

(a)   The basic features of the grand strategies are as follows:

Strategy	Basic Feature
Stability	The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.
Expansion	The firm seeks significant growth-maybe within the current businesses; maybe by entering new business that are related to existing businesses; or by entering new businesses that are unrelated to existing businesses.
Retrenchment	The firm retrenches some of the activities in a given business(es), or drops the business as such through sell-out or liquidation.
Combination	The firm combines the above strategic alternatives in some permutation/combination so as to suit the specific requirement of the firm.

(b)   Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms but the impact of combination is completely different in both the cases.

Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking the trade barriers.

When one organization takes over the other organization and controls all its business operations, it is known as acquisitions. In this process of acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, one that is financially stronger and bigger establishes it power. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization either consumes the operation or a company in loss is forced to sell its entity.

Or

A strategic leader has following key responsibilities:

♦   Making strategic decisions.

♦   Formulating policies and action plans to implement strategic decision.

♦   Ensuring effective communication in the organization.

♦   Managing human capital (perhaps the most critical of the strategic leader's skills).

♦   Managing change in the organization.

♦   Creating and sustaining strong corporate culture.

♦   Sustaining high performance over time.

♦   Providing leadership to the organization.