

**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 questions in brief:*

- (a) List the steps in preparing a Limited Entry Decision Table.*
- (b) Explain disadvantages of a Data Base Management System.*
- (c) What is Secret Key encryption/decryption method?*
- (d) List the Transaction Processing System (TPS) attributes.*
- (e) Explain the different types of Audit during System Development Process.*

**(5 x 2 = 10 Marks)**

**Answer**

- (a)** The steps in preparing a Limited Entry Decision Table are as follows:
  - List conditions and actions.
  - Combine conditions which describe the only two possibilities of a single condition. In other words, delete conditions which can be derived from the responses of the other conditions.
  - Make 'Yes' or 'No' (Y or N) responses and mark actions to be taken for each rule with X.
  - Combine redundant rules to simplify table.
  - Check for completeness.
- (b)** The disadvantages of Database Management Systems (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.
- (c) Secret Key encryption/decryption method:** In this method, the same key is used by both sender and the receiver for encryption and decryption. The sender uses this key and an encryption algorithm to encrypt data; the receiver uses the same key and the corresponding decryption algorithm to decrypt the data. In this, the algorithm used for decryption is the inverse of the algorithm used for encryption.

- (d) The attributes of Transaction Processing System (TPS) are as follows:
- Access Control
  - Equivalence
  - High Volume Rapid Processing
  - Trustworthiness
- (e) The different types of Audit during System Development Process are as follows:
- **Concurrent Audit:** Auditors are members of the system development team and assist the team in improving the quality of systems development for the specific system they are building and implementing.
  - **Post-implementation Audit:** Auditors seek to help an organization learn from its experiences in the development of a specific application system. In addition, they might be evaluating whether the system needs to be scrapped, continued, or modified in some way.
  - **General Audit:** Auditors evaluate systems development controls overall. They seek to determine whether they can reduce the extent of substantive testing needed to form an audit opinion about management's assertions relating to the financial statements for systems effectiveness and efficiency.

### Question 2

- (a) *Mention various key factors to be considered in implementing Business Process Management (BPM) in an organization.* **(4 Marks)**
- (b) *What are the basic steps involved in 'Data Processing Cycle' under Processing Cycles of an Accounts BPM? Discuss.* **(4 Marks)**

### Answer

- (a) Various key factors to be considered in implementing Business Process Management (BPM) in an organization are as follows:
- **Scope:** A single process, a department, the entire company;
  - **Goals:** Process understanding, improvement, automation, re-engineering, optimization;
  - **Methods to be used:** Six Sigma, BPM Life Cycle Method, TQM, Informal methods;
  - **Skills Required:** Consultants, Train Employees, Formal Certification, Basic Education, Existing Skill sets;
  - **Tools to be used:** White-Boards, Sticky Notes, Software for Mapping, Documenting, Software for Simulation, Comprehensive BPMS;
  - **Investments to Make:** Training, Tools, Time; and

- **Sponsorship/Buy-in Needed:** Executive Level, Department Level, Process Owner Level, Employee Level.
- (b) The Data Processing Cycle consists of following basic steps:
- **Data Input** - Involves the activities like capturing the data, implementing control procedures, recording in journals, posting to ledgers and preparation of reports.
  - **Data Storage** - Involves organizing the data in master file or reference file of an automated system for easy and efficient access.
  - **Data Processing** - Involves addition, deletion and updating of the data in the transaction file, master file or reference file.
  - **Information Output** - Involves generation of documents and managerial reports in printable or electronic form for addressing queries, to control operational activities and help the management in decision making.

**Question 3**

- (a) *What is meant by a 'server'? Explain whether it is a computer or a computer program. Describe any two types of servers based on the nature of service they provide.*

**(2 + 2 = 4 Marks)**

- (b) *Explain briefly, the following activities executed by Operating System:*

- (1) *Performing Hardware functions*
- (2) *User Interfaces*
- (3) *Hardware Independence*
- (4) *Memory Management*

**(4 Marks)**

**Answer**

- (a) **Server:** From a hardware perspective, a server is a computer (hardware) or device on a network dedicated to run one or more services (as a host), to serve the needs of the users of other computers on a network. However, in the context of client-server architecture, a server is a computer program running to serve the requests of other programs, the "clients". Thus, the server performs some computational task on behalf of "clients." The clients either run on the same computer, or they connect through the network.

On multiprocessing operating systems, a single computer executes several programs at once. A server in this case refers to the program that is managing resources rather than the entire computer. Thus, a server is not defined by the size of a computer system rather the function that it provides through its program.

There are different types of servers based on the nature of service they provide. Some of them are as follows:

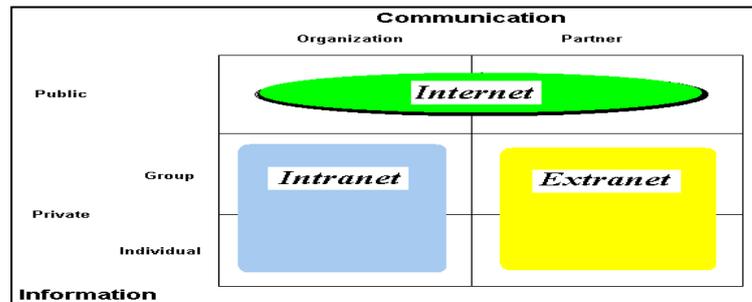
- **File Server:** This is a computer and storage device dedicated to storing files. Any user on the network can store files on the server.
  - **Print Server:** This is a computer that manages one or more printers.
  - **Network Server:** This is a computer that manages network traffic.
  - **Database Server:** This is a computer system that processes database queries.
  - **Application Server:** This is a program that handles all application operations between users and an enterprise's backend business applications or databases.
  - **Web Server:** Web Server is a computer that delivers (serves up) web pages. Every web server has an IP address and possibly a domain name. Whenever, a URL is entered in a browser, a request is sent to the Web server for the specified URL. The server then fetches the home page named and sends it to our browser. Any computer can be turned into a Web server by installing server software and connecting the machine to Internet.
  - **Mail Server:** Mail server moves and stores mail over corporate networks.
- (b) The following activities are executed by the Operating System (OS):
- (1) **Performing Hardware functions:** Application programs to perform tasks must obtain input from keyboards, retrieve data from disk and display output on monitors. Achieving all this is facilitated by operating system. Operating system acts as an intermediary between the application program and the hardware.
  - (2) **User Interfaces:** How we interface with our system is provided by Operating system. During DOS days, a command based User Interface (UI) i.e. text commands were given to computer to execute any command. But nowadays, Graphic User Interface (GUI), which uses icons and menus like in the case of Windows are used prominently.
  - (3) **Hardware Independence:** Every computer could have different specifications and configurations of hardware. If application developer would have to rewrite code for every configuration, s/he would be in a big trouble. The operating system provides Application Program Interfaces (API), which can be used by application developers to create application software, thus obviating the need to understand the inner workings of Operating system and hardware. Thus, OS gives us hardware independence.
  - (4) **Memory Management:** Memory Management feature of Operating System allows controlling how memory is accessed and maximize available memory and storage. Operating systems also provides Virtual Memory by carving an area of hard disk to supplement the functional memory capacity of RAM. In this way, it augments memory by creating a virtual RAM.

**Question 4**

- (a) Explain relationship between internet, intranet and extranet with reference to business enterprise. Discuss five rules of extranet. **(4 Marks)**
- (b) Discuss any two advantages and two disadvantages of Peer-to-Peer network. **(4 Marks)**

**Answer****(a) Relationship between Internet, Intranet and Extranet**

Any business enterprise uses the Internet to communicate public information about itself to members of the enterprise and to others outside the enterprise. Intranets and Extranets are private versions of the Internet. An enterprise uses an Intranet to share information between its members and uses Extranets to exchange information with and provide services to their business partners (customers, suppliers, etc.).



The Five Rules of the Extranet are as follows:

- ◆ **Be as flexible as the business:** An extranet must be driven by the demands of the market, not the limitations of technology. It must be extremely flexible and allow companies to immediately deploy extranet services that best fit the business need, be it intimate supply chain partners using a wide range of applications or mass e-commerce extranets driven by Web-based applications.
- ◆ **Deploy in Internet time:** To deploy an extranet, companies shouldn't have to roll out a new infrastructure or go through a major re-architecting of their applications. To remain market-driven, enterprises must be able to deploy their extranet quickly, and leverage their existing infrastructure to do so.
- ◆ **Protect the interests of the data owner:** Extranet services need to be deployed in a fast and flexible way, but with the complete assurance that only the correct users can access the right services. An extranet must ensure that what's supposed to be private stays private.
- ◆ **Serve the partner as a customer:** An extranet presents a very important and delicate balance: providing customer service to key partners in a competitive environment with mission-critical resources at risk. Partners should never be required

to change their security policies, networks, applications, and firewalls for the good of the extranet community.

- ◆ **Drive information to the decision-maker:** An extranet must provide a central means to measure progress, performance, and popularity. Business units deploying applications need to understand which extranet content and applications are most successful.

(b) Following are the major advantages of Peer-to-Peer networks:

- (i) Peer-to-Peer Networks are easy and simple to set up and only require a Hub or a Switch to connect all the computers together.
- (ii) It is very simple and cost effective.
- (iii) If one computer fails to work, all other computers connected to it continue to work.

The major disadvantages of Peer-to-Peer networks are as below:

- (i) There can be a problem in accessing files if computers are not connected properly.
- (ii) It does not support connections with too many computers as the performance gets degraded in case of high network size.
- (iii) The data security is very poor in this architecture.

#### Question 5

- (a) Write any four parameters of do's and don'ts each, that need to be considered while developing MIS. **(4 Marks)**
- (b) Discuss the four general functions possessed by the Access Controls related to software and information. **(4 Marks)**

#### Answer

- (a) The parameters of Do's and Don'ts that need to be considered while developing Management Information Systems (MIS) are as follows:

S. No.	Parameter	Do's	Don'ts
1	Layman	Have simpler and manageable system.	Be ambitious.
2	Bridging	Develop common understanding between consultant and the organization.	Be unrealistic in developing action plan.
3	Contribution in Totality	Involve programmer in needs' assessment.	Delay decisions on hiring application developer/s.
4	Tailor-made	Customize off-the-shelf software.	Depend heavily on the consultant.

5	<b>Interpretation</b>	Have simple software for users to handle.	Invest heavily in in-house application development.
6	<b>Synchronization</b>	Extensively involve users in MIS development.	Let vendors determine hardware needs for LAN.
7	<b>Application</b>	Adopt modular approach for software development.	Go for large applications.

(b) The general functions possessed by the Access Controls related to software and information are as follows:

- ◆ **Identity Management:** Identity management consists of one or more processes to verify the identity of a subject attempting to access an object, though it does not provide 100% assurance of the subject's identity. Rather, it provides a level of probability of assurance that depends on the identity verification processes in place and their general trustworthiness. The three pillars that support authorized access still define the tools and techniques necessary to manage who gets access to what and what they can do when they get there are Authentication, Authorization, and Accountability.
- ◆ **Authentication:** Identity management and authentication are inseparable. Identity management includes assigning and managing a subject's identity. Authentication is the process of verifying a subject's identity at the point of object access.
- ◆ **Authorization:** Once a resource or network verifies a subject's identity, the process of determining what objects that subject can access, begins. Authorization identifies what systems, network resources, etc. a subject can access. Related processes also enforce least privilege, need-to-know, and separation of duties.
- ◆ **Accountability:** Each step from identity presentation through authentication and authorization is logged. Further, the object or some external resource logs all activity between the subject and object. The logs are stored for audits, sent to a log management solution, etc. They provide insight into how well the access control process is working: whether subjects abuse their access or not.

#### Question 6

- (a) *What are major advantages of Cloud Computing?* **(4 Marks)**
- (b) *Describe different types of Input Controls under Application Control.* **(4 Marks)**

#### Answer

- (a) Major advantages of Cloud Computing are as follows:
- **Cost Efficient:** Cloud computing is probably the most cost efficient method to use, maintain and upgrade.
  - **Almost Unlimited Storage:** Storing information in the cloud gives us almost unlimited storage capacity.

- **Backup and Recovery:** Since all the data is stored in the cloud, backing it up and restoring the same is relatively much easier than storing the same on a physical device. Furthermore, most cloud service providers are usually competent enough to handle recovery of information.
  - **Automatic Software Integration:** In the cloud, software integration is usually something that occurs automatically. As cloud computing allows us to customize the options with great ease, just those services and software applications that best suit the enterprise, can only be handpicked.
  - **Easy Access to Information:** Once we register ourselves in the cloud, we can access the information from anywhere, where there is an Internet connection.
  - **Quick Deployment:** Once we opt for this method of functioning, the entire system can be fully functional in a matter of a few minutes. Of course, the amount of time taken here will depend on the exact kind of technology that we need for our business.
- (b) Different types of Input Controls that are responsible for ensuring the accuracy and completeness of data that are input into an application system are as follows:
- **Source Document Control:** A well-designed source document reduces the likelihood of data recording errors, increases the speed with which data can be recorded and controls the work flow. Source Document Controls facilitate the data entry into a computer system and subsequent reference checking.
  - **Data Coding Controls:** Data Coding Controls are put in place to reduce user error during data feeding.
  - **Batch Controls:** These are put in place at locations where batch processing is being used. Batch processing is where there is a time gap between occurrence and recording of transactions, that is, transactions are not recorded at the time of occurrence but are accumulated and a set based on number/ time is processed.
  - **Validation Controls:** These validate the accuracy/correctness of input data. Input Validation Controls are intended to detect errors in transaction data before the data are processed.

#### Question 7

Write short notes on any **four** of the following:

- (a) Context Diagram
  - (b) Tablet
  - (c) Store and forward characteristic of message switching
  - (d) Payment Gateway
  - (e) Certificate authority with reference to grid security
- (4 x 2 = 8 Marks)**

**Answer**

- (a) **Context Diagram:** The Context Diagram is a high-level Data Flow Diagram (DFD) that shows the entire system as a single process and shows the interaction between the system and external agents which act as data sources and data sinks, and gives no clues as to its internal organization. The context-level DFD is next "exploded" to produce Level 1 DFDs for each process that show how the system is divided into sub-systems (processes), each of which deals with one or more of the data flows to or from an external agent, and which together provide all the functionality of the system as a whole.
- (b) **Tablet:** Tablet is a one piece general-purpose computer contained in a single panel that uses a touch screen as the input device. Tablet PCs provide extreme portability, easy to use interfaces and wide range of ways they can be used. Some features of Tablets are as follows:
- **Input Method:** Tablets rely solely on a touch interface on the screen for all input.
  - **Size:** These have the size roughly of a small pad of paper with weight less than one kg.
  - **Battery Life:** Because of the low power requirements of their hardware components, tablets can achieve all day usage.
  - **Storage Capacity:** Most tablets come with configurations that allow between 16 and 64 Gigabytes of storage.
  - **Performance:** Since most tablet PCs are based on extremely low powered processors, these are more suited for tasks like email, web browsing, playing video or audio.
  - **Software:** The two major tablet platforms are Android and iOS amongst plenty of applications that are available.
  - **Wireless:** Because tablets by design are mobile computers; most of them have Wi-Fi, blue tooth and mobile connectivity.
- (c) **Store and Forward characteristic of Message Switching:** In message switching, no physical path is established between sender and receiver in advance. The end-users communicate by sending each other a message, which contains the entire data being delivered from the source to destination node. As a message is routed from its source to its destination, each intermediate switch within the network stores the entire message, providing a very reliable service. The intermediary nodes have the responsibility of conveying the received message from one node to another in the network. Therefore, each intermediary node within the network must store all messages before retransmitting them one at a time as proper resources become available. This characteristic is often referred to as **Store-and-Forward**. Electronic mail (e-mail) and voice mail are examples of message switching systems.
- (d) **Payment Gateway:** Payment Gateway is fundamentally a service used to process credit card transactions when orders are accepted online from clients. In a way, it represents a physical POS (Point-of-Sale) terminal, which is set in every retail outlet these days.

Payment gateways use a special code for acquiring sensitive information like credit card numbers, so that information passes securely.

- (e) **Certificate Authority:** The Certificate Authority is one of the most important aspects of maintaining strong grid security. It is critical to ensure the highest levels of security in a grid because the grid is designed to execute code and not just share data. Thus, viruses, Trojan horses, and other attacks can affect the grid system. An organization may choose to use an external Certificate Authority or operate one itself. The primary responsibilities of a Certificate Authority are:
- Positively identifying entities requesting certificates;
  - Issuing, removing, and archiving certificates;
  - Protecting the Certificate Authority server;
  - Maintaining a namespace of unique names for certificate owners;
  - Serving signed certificates to those needing to authenticate entities; and
  - Logging activity.

**SECTION –B: STRATEGIC MANAGEMENT**

*Question No. 8 is compulsory*

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

**Question 8**

- (a) Explain the basic goals of environmental analysis. **(3 Marks)**
- (b) What should be the major components of a good mission statement? **(3 Marks)**
- (c) Explain the strategic implications of each of the following types of business in a corporate portfolio:
- (a) Stars (b) Question Marks (c) Cash Cows (d) Dogs **(3 Marks)**
- (d) What are the five competitive forces in an industry as identified by Michael Porter? **(3 Marks)**
- (e) 'A strategy-supportive culture promotes good strategy execution.' - Explain. **(3 Marks)**

**Answer**

- (a) In general, environmental analysis has three basic goals as follows:
- First, provide an understanding of current and potential changes taking place in the environment.
- Second, facilitate and foster strategic thinking in organizations. It should challenge the current wisdom by bringing fresh viewpoints into the organization.
- Third, provide useful inputs for strategic decision making. Mere collection of data is not enough.
- (b) Mission statements broadly describe an organizations' present capabilities, customer focus, activities, and business makeup. Following points are useful while writing a good mission statement of a company:
- Good mission statement is highly personalized – unique to the organization for which it is developed.
  - \*Mission statement should emphasize on giving an organization its own special identity, business emphasis and path for development.
  - \*Mission statement should clearly specify that, what needs it is trying to satisfy, customer groups it is targeting, technologies and competencies it uses and the activities it performs.
  - Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.
  - The mission should not be to make profit.

- (c) 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. The strategic implications for various business types under BCG in the corporate portfolio are:

**Stars** are products or businesses that are growing rapidly and are best opportunity for expansion. *Stars may follow build strategy.* They need heavy investments to maintain their position and finance their rapid growth potential.

**Cash Cows** are low-growth, high market share businesses or products. They generate cash and have low costs. They are established, successful, and need less investment to maintain their market share. *Strategic alternative advocated for cash cows is harvest.*

**Question Marks** are low market share business in high-growth markets. *Strategic option for them is hold for which they need heavy investments.* Question marks if left unattended are capable of becoming cash traps.

**Dogs** are low-growth, low-share businesses and products. *Relevant strategy is divest.* Dogs may generate enough cash to maintain themselves, but do not have much future. Dogs should be minimized by means of divestment or liquidation.

- (d) Five forces model of Michael Porter is a popular tool for systematically diagnosing the significant competitive pressures in the market and assessing their strength and importance. The model holds that the state of competition in an industry is a composite of competitive pressures operating in five forces as follows:

1. **Threat of new entrants:** New entrants place a limit on prices and affect the profitability of existing players. The new capacity and product range the new entrants bring increases competitive pressure.
2. **Bargaining power of customers:** The bargaining power of the buyers influences not only the prices that the producer can charge but also influence costs and investments of the producer. This force will become heavier depending on the possibilities of the buyers forming groups or cartels, particularly in case of industrial products.
3. **Bargaining power of suppliers:** Often suppliers can exercise considerable bargaining power. The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry and, therefore, can affect industry attractiveness and profitability.
4. **Rivalry among current players:** The impact is evident more at functional level in the prices being charged, advertising, and pressures on costs, product and so on.
5. **Threats from substitutes:** Substitute products are a latent source of competition in an industry. Substitute products offering a price advantage and/or performance improvement to the consumer can have significant impact.

- (e) Strong cultures promote good strategy execution when there's fit and hurt execution when there's negligible fit. A culture grounded in values, practices, and behavioral norms that

match what is needed for good strategy execution helps energize people throughout the organization to do their jobs in a strategy-supportive manner. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility. This is very conducive to successful execution of a strategy of delivering superior customer service.

A work environment where the culture matches the conditions for good strategy execution provides a system of informal rules and peer pressure regarding how to conduct business internally and how to go about doing one's job.

A strong strategy-supportive culture makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.

**Question 9**

- (a) State with reasons which of the following statement is correct/incorrect:
- (i) "Efficiency and effectiveness mean the same in strategic management."  
 (ii) Telephone-marketing is an instance of direct marketing. **(2 x 2 = 4 Marks)**
- (b) Elaborate the reasons necessary for the globalization of companies. **(3 Marks)**

**Answer**

- (a) (i) **Incorrect:** Efficiency pertains to designing and achieving suitable input output ratios of funds, resources, facilities and efforts whereas effectiveness is concerned with the organization's attainment of goals including that of desired competitive position . While efficiency is essentially introspective, effectiveness highlights the links between the organization and its environment. In general terms, to be effective is to do the right things while to be efficient is to do things right.
- (ii) **Correct:** Direct marketing is done through various advertising media that interact directly with customer. Teleshopping is a form of direct marketing which operates without conventional intermediaries and employs television and other IT devices for reaching the customer. The communication between the marketer and the customer is direct through third party interfaces such as telecom or postal systems.
- (b) **There are several reasons why companies go global. These are discussed as follows:**
- One reason could be the rapid shrinking of time and distance across the globe thanks to faster communication, speedier transportation, growing financial flows and rapid technological changes.
  - It is being realised that the domestic markets are no longer adequate and rich. Companies globalize to take advantage of opportunities available elsewhere.
  - A new product may gradually get acceptance and grow locally and then globally. This

may initially be in form of exports and then later production facilities may begin in other countries.

- Organizations may go global to take advantage of cheaper raw material and labour costs.
- Companies often set up overseas plants to reduce high transportation costs.
- The motivation to go global in high-tech industries is slightly different. Companies in electronics and telecommunications must spend large sums on research and development for new products and thus may be compelled to seek ways to improve sales volume to support high overhead expenses.
- The companies may also go global to take advantage of local taxation laws. For example products manufactured in a country can have lower overall taxes when compared to the products that are imported.

#### Question 10

*What does a business process mean? Under what circumstances this process needs re-engineering?* **(1 + 6 = 7 Marks)**

#### Answer

Business processes are simply a set of activities that transform a set of inputs into a set of outputs for another person or process. A process is a set of logically related tasks or activities oriented towards achieving a specified outcome. It is a collection of activities which creates an output of value to the customer and often transcends departmental or functional boundaries.

For example, selling tickets is a business process which is simple but at the same time needs to be further divided into steps. There are other business processes such as purchasing raw material, logistic movements of finished products, developing new products, etc.

Over a period, there can be circumstances that may warrant reengineering of these processes. Such circumstances leading to business process reengineering can be explained as follows:

- (a) Processes that might have been developed by their functional units over a period of time and might have been result of a series of unplanned decisions will require reengineering. There can be possibility that there has been no serious effort in past to systematically analyse the processes and measure their effectiveness towards the organizational efficiency.
- (b) There are also possibilities that individual departments or units have aimed at optimising their own performance disregarding the resultant effect on other areas of operation. This may result in a sub-optimal performance for the organization as a whole. Fragmentation of work processes makes it difficult to improve the quality of work performance and also develops a narrow vision among the employees.
- (c) The overall business processes in an organization extending over several departments may be quite lengthy, time consuming, costly and inefficient. The unduly long processes

may also lead to chances of errors. As the small fragments of work move from person to person and from unit to unit, delays keep on mounting and it enhances the chances of errors. In such a situation, the emerging critical issues often remain unattended.

- (d) Processes may also need change to take advantage of emerging technologies. In case the existing work processes were developed before the IT revolution, they may require reengineering. The organizations that have applied the technology only in a limited way to automate their existing work methods need to reengineer.
- (e) Further, for organizations on decline, changing the process or redesigning the process may be the only viable alternative for turnaround. They must break themselves free from their primitive and archaic work processes that drag them down.

**Question 11**

- (a) 'TOWS Matrix has a wider scope as compared to SWOT analysis.' - Explain. (4 Marks)
- (b) "To coordinate more complex organizational functions, companies should abandon the simple structure in favour of the functional structure." Analyse. (3 Marks)

**Answer**

- (a) Through SWOT analysis organizations identify their strengths, weaknesses, opportunities and threats. While conducting the SWOT Analysis managers are often not able to come to terms with the strategic choices that the outcomes demand. Heinz Weirich developed a matrix called TOWS matrix by matching strengths and weaknesses of an organization with the external opportunities and threats. The incremental benefit of the TOWS matrix lies in systematically identifying relationships between these factors and selecting strategies on their basis. The matrix is outlined below:

		Internal Elements	
		Organizational strengths	Organizational weaknesses
External Elements	Environmental opportunities (and risks)	<p><b>SO</b></p> <p><b>Maxi-Maxi</b></p>	<p><b>WO</b></p> <p><b>Mini-Maxi</b></p>
	Environmental threats	<p><b>ST</b></p> <p><b>Maxi-Mini</b></p>	<p><b>WT</b></p> <p><b>Mini-Mini</b></p>

**TOWS Matrix**

Through TOWS matrix four distinct alternative kinds of strategic choices can be identified.

**SO (Maxi-Maxi):** SO is a position that any firm would like to achieve. The strengths can be used to capitalize or build upon existing or emerging opportunities.

**ST (Maxi-Mini):** ST is a position in which a firm strives to minimize existing or emerging threats through its strengths.

**WO (Mini-Maxi):** The strategies developed need to overcome organizational weaknesses if existing or emerging opportunities are to be exploited to maximum.

**WT (Mini-Mini):** WT is a position that any firm will try to avoid. An organization facing external threats and internal weaknesses may have to struggle for its survival.

- (b) Simple organizational structure is most appropriate usually in those small organizations that follow single business strategy and offer a line of products in a single geographic market. When a small organization grows, its complexities also tend to grow which necessitates the companies to abandon the simple organization structure which it has been adopting hitherto and move towards structures like functional organizational structure. A typical simple organization structure is often owner driven with small number of employees.

A Complex organization refers to organizations that have many people, processes, rules, strategies and basic units. Hence, in such situation functional structure proves to be more beneficial over simple structure. Functional structure groups tasks and activities by business function, such as production, marketing, finance, research and development and is generally headed by Chief Executive Officer or Managing Director. Besides being simple and inexpensive, a functional structure also promotes specialization, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision making. At the same time with the passage of time and overall growth much more complex organizational structures exist in business world. However, dividing organization according to functional lines is invariably found at some level or the other.

#### Question 12

- (a) *Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results.* **(4 Marks)**
- (b) *"Strategies allow organizations to gain competitive advantage from three different bases." Elucidate this statement.* **(3 Marks)**

#### Answer

- (a) A strategic manager defines the strategic intent of the organisation and take it on the path of achieving the organisational objectives. There can be a number of areas that a strategic manager should concentrate on to achieve desired results. They commonly establish long-term objectives in seven areas as follows.
- Profitability.
  - Productivity.
  - Competitive Position.

- Employee Development.
  - Employee Relations.
  - Technological Leadership.
  - Public Responsibility.
- (b) 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.
  - **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.
  - **Focus** means producing products and services that fulfill the specific needs of small groups of consumers. It involves selecting or focusing a market or customer segment in which to operate.

**Question 13**

*Distinguish between the following:*

- (a) *Publicity & sales promotion.* **(4 Marks)**
- (b) *Shared vision and vision shared.* **(3 Marks)**

**Answer**

- (a) Publicity and Sales promotion are adopted by organizations when they are undertaking promotion in the overall marketing mix.

Publicity is a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skillfully seek to promote themselves and their product without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly.

Thus it is way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share to an organization.

- (b) Individuals in organisations relate themselves with the vision of their organisations in different manner. When the individuals are able to bring organisational vision close to their hearts and minds they have "shared vision". Shared vision is a force that creates a sense of commonality that permeates the organization and gives coherence to diverse activities. However, 'vision shared' shows imposition of vision from the top management. It may demand compliance rather than commitment. For success of organisations having shared vision is better than vision shared.

#### Question 14

Write short notes on the following:

- (a) *Elements considered for situational analysis* **(4 Marks)**  
 (b) *Need for Turnaround strategy* **(3 Marks)**

**OR**

*Supply chain management*

#### Answer

- (a) All business organizations operate in a "macro environment" shaped by a number of influences. As organizational managers scan the external environment, they must watch for potentially important environmental forces, assess their impact and influence, and adapt its direction and strategy as needed. Situational Analysis forms an essential part of any business plan. A preliminary introduction as to what to take into account when conducting a situational analysis and provide a checklist of the important factors to consider are.
- **Environmental factors:** What external and internal environmental factors are there that needs to be taken into account. This can include economic, political, demographic or sociological factors that have a bearing on the performance.
  - **Opportunity and issue analysis:** What are the current opportunities that are available in the market, the main threats that business is facing and may face in the future, the strengths that the business can rely on and any weaknesses that may affect the business performance.
  - **Competitive situation:** Analyze main competitors of the organization: Who are they, what they up to are, how they compare. What are their competitive advantages?

- **Distribution situation:** Review the distribution situation - how are the products moving through channels.
  - **Product situation:** The details about current product. The details about current product may be divided into parts such as the core product and any secondary or supporting services or products that also make up what you sell. It is important to observe this in terms of its different parts in order to relate this back to core client needs.
- (b) 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 return 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.

**Or**

The term supply chain refers to the linkages between suppliers, manufacturers and customers. Supply chains involve all activities like sourcing and procurement of material, conversion, and logistics. Supply chain management is 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 encompasses all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption. Organizations are finding that they must rely on the chain to successfully compete in the global market.