Test Series: February, 2016

MOCK TEST PAPER – 1

INTERMEDIATE (IPC): GROUP – II

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A: INFORMATION TECHNOLOGY

SUGGESTED ANSWERS / HINTS

1. (i) Six Sigma: Six Sigma is a set of strategies, techniques, and tools for process improvement. It seeks to improve the quality of process outputs by identifying and removing the causes of defects and minimizing variability in manufacturing and business processes.

(ii) Decision Tree: A Decision Tree is a collection of a basis (condition) and a conclusion (action). In its tree-like representation, the premises and conclusions are shown as nodes, and the branches of the tree connect the premises and the conclusions.

(iii) Micro Architecture: It is a lower level detailed description of the system that is sufficient for completely describing the operation of all parts of the computing system, and how they are inter-connected and inter-operate in order to implement the ISA.

(iv) Virtual Memory: Virtual Memory is not a separate device but an imaginary memory area supported by some operating systems (for example, Windows) in conjunction with the hardware. Virtual memory combines computer's RAM with temporary space on the hard disk.

(v) Modem: A MODEM is a device that converts a digital computer signal into an analog telephone signal (i.e. it modulates the signal) and converts an analog telephone signal into a digital computer signal (i.e. it demodulates the signal) in a data communication system. The word "modem" is a contraction of modulate and demodulate. Modems are required to send computer data with ordinary telephone lines because computer data is in digital form but telephone lines are analog.

(vi) HTTPS (Hyper Text Transfer Protocol Secure): Hypertext Transfer Protocol Secure (HTTPS) 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.

(vii) Transaction Processing System: A **Transaction Processing System (TPS)** may be defined as a type of information system that collects, stores, modifies and retrieves the day-to-day data transactions of an enterprise. Archetypal examples of such systems would be used in an Airline Reservation Systems, Railway reservation

by IRCT, Banking Systems, or the Accounting System of roughly any outsized company.

(viii) Smart Cards: Smart cards have an embedded microchip instead of magnetic strip. The chip contains all the information a magnetic strip contains but offers the possibility of manipulating the data and executing applications on the card. Contact Cards, Contactless Cards and Combi/Hybrid Cards are three types of smart cards.

(ix) Cryptographic Controls: Cryptographic Controls are designed to protect the privacy of data and to prevent unauthorized modifications of data. Cryptography achieves this goal by scrambling data into codes (cryptograms) so that it is meaningless to anyone who does not possess the authentication to access the respective system resource or file.

(x) Customer Relationship Management Software: These are specialized applications catering to the need of organizations largely in FMCG (Fast-Moving Consumer Goods) categories. These entities need to interact with their customers and respond to them. The response may be in the form of service support or may lead to product innovation. These are sought by entities, which deal directly with consumers.

2. (a) Unstructured Threats - These 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 web site is hacked; the company's integrity is damaged. Even if the external web site is separate from the internal information that sits behind a protective firewall, the public does not know that. All they know is that if the company's web site is hacked, then it is an unsafe place to conduct business.

Structured Threats - These 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) e-Commerce presents immense benefits to individual organizations, consumers, and society as a whole. Some of them are as follows:

- Reduction in costs to buyers from increased competition in procurement as more suppliers are able to compete in an electronically open marketplace.
- Reduction in errors, time, and overhead costs in information processing by eliminating requirements for re-entering data.

- Reduction in costs to suppliers by electronically accessing on-line databases of bid opportunities, on-line abilities to submit bids, and on-line review of rewards.
- Reduction in time to complete business transactions, particularly from delivery to payment.
- Creation of new markets through the ability to easily and cheaply reach potential customers.
- Easier entry into new markets, especially geographically remote markets, for enterprises regardless of size and location.
- Better quality of goods as specifications are standardized and competition is increased and improved variety of goods through expanded markets and the ability to produce customized goods.
- Faster time to market as business processes are linked, thus enabling seamless processing and eliminating time delays.
- Optimization of resource selection as businesses form cooperative teams to increase the chances of economic successes, and to provide the customer products and capabilities more exactly meeting the requirements.
- Reduction in inventories and reduction of risk of obsolete inventories as the demand for goods and services is electronically linked through just-in-time inventory and integrated manufacturing techniques.
- Reduction in overhead costs through uniformity, automation, and large-scale integration of management processes.
- Reduction in use of ecologically damaging materials through electronic coordination of activities and the movement of information rather than physical objects).
- Reduction in advertising costs.

3. (a) **Information System:** Information System (IS) is a combination of people, hardware, software, communication devices, network and data resources that processes (can be storing, retrieving, transforming information) data and information for a specific purpose. The system needs inputs from user (key in instructions and commands, typing, scanning) which will then be processed (calculating, reporting) using technology devices such as computers, and produce output (printing reports, displaying results) that will be sent to another user or other system via a network and a feedback method that controls the operation.

In general, any specific Information System aims to support operations, management and decision-making.

The major Components of Information System are as follows:

(i) **People Resources** consist of end users and IT specialists;

(ii) **Hardware resources** involve machines and media; **Software resources** include programs and procedures; and

(iii) **Data resources** include data and knowledge bases. These are transformed by information processing activities into a variety of information products for end users; and

(iv) **Network resources** include communications media and networks;

(v) **Information processing** consists of the system activities of input, processing, output, storage, and control.

All components of Information Systems are mutually connected and cannot exist individually. The relationship between separated components is defined for best process efficiency.

(b) Human Resource Management System (HRMS): A Human Resources Management System (HRMS) is a software application that coalesce many human resources functions, together with benefits administration, payroll, recruiting and training, and performance analysis and assessment into one parcel. In other words, HRMS refers to the systems and processes at the intersection between human resource management (HRM) and information technology.

Some of the key modules of HRMS are as below:

- **Workforce Management:** Integrated across the strategic Human Capital Management (HCM) solution, Workforce Management provides powerful tools to effectively manage labor rules, ensure compliance, and control labor costs and expenses.
- **Time and Attendance Management:** The time and attendance module gathers standardized time and work related efforts. The most advanced modules provide broad flexibility in data collection methods, labor distribution capabilities and data analysis features.
- **Payroll Management:** This module of the system is designed to automate manual payroll functions and facilitate salary, deductions etc calculations, eliminates errors and free up HR staff for more productive tasks.
- **Training Management**: The module tracks the trainer or training organization, costs associated with training schedules. The module also tracks training locations, required supplies and equipment and registered attendees.
- **Compensation Management:** Compensation Management allows integrating employee processes, information and programs with organizational processes and strategies to achieve optimal organizational results.
- **Recruitment Management:** This module helps in hiring the right people with the right target skills and includes processes for managing open

positions/requisitions, applicant screening, assessments, selection and hiring, correspondence, reporting and cost analysis.

- **Personnel Management:** The personnel management comprises of HR master-data, personnel administration, recruitment and salary administration.
- **Organizational Management:** Organizational management includes, organizational structure, staffing schedules & job description.
- **Employee Self Service (ESS):** The employee self-service module allows employees to query HR related data and perform some HR transactions over the system. The module also lets supervisors approve Over-Time requests from their subordinates through the system without overloading the task on HR department.
- **Analytics:** The Analytics module enables organizations to extend the value of an HRMS implementation by extracting HR related data for use with other business intelligence platforms.

4. (a) **Communication Controls:** Components in the communication subsystem are responsible for transporting data among all the other subsystems within a system and for transporting data to or receiving data from another system. Three types of exposure arise in the communication subsystem.

(a) As data is transported across a communication subsystem, it can be impaired through attenuation, delay distortion, and noise.

(b) The hardware and software components in a communication subsystem can fail.

(c) The communication subsystem can be subjected to passive or active subversive attacks.

- **Physical Component Controls**: One way to reduce expected losses in the communication subsystem is to choose physical component that have characteristics that make them reliable and that incorporate features or provide controls that mitigate the possible effects of exposures. These controls involve Transmission Media - Bounded (Guided) Media or Unbounded (Unguided) Media; Communication Lines – Private (Leased) or Public; Modems; Port Protection Devices; Multiplexors and Concentrators.
- **Line Error Controls**: Whenever data is transmitted over a communication line, it can be received in error because of attenuation, distortion, or noise that occurs on the line. Error Detection and Error Correction are the two major approaches under Line Error Controls.
- **Flow Controls**: These are needed because two nodes in a network can differ in terms of the rate at which they can send receive and process data. The simplest form of flow control is "Stop-and-Wait Flow Control" in

which the sender transmits a frame of data only when the receiver is ready to accept the frame.

- **Link Controls**: This involves two common protocols – HDLC (Higher Level Data Control) and SDLC (Synchronous Data Link Control).
- **Topological Controls**: A communication network topology specifies the location of nodes within a network, the ways in which these nodes will be linked, and the data transmission capabilities of the links between the nodes. Some of the four basic topologies include Bus, Ring, Star and Tree Topology.
- **Channel Access Controls**: Two different nodes in a network can compete to use a communication channel. Whenever the possibility of contention for the channel exists, some type of channel access control technique must be used. These techniques fall into two classes – **Polling methods** and **Contention methods**.
- **Internetworking Controls**: Internetworking is the process of connecting two or more communication networks together to allow the users of one network to communicate with the users of other networks. Three types of devices are used to connect sub-networks in an Internet: Bridge, Router and Gateway.

(b) Manual Information Processing Cycle: These are the systems where the level of manual intervention is very high. For example: valuation of exam papers, teaching, operations in operation theatres, ticket checking by railway staff in trains, buying of grocery, billing done by small medical shops, people maintaining books manually, etc. Components of manual information processing cycle include:

- **Input:** Put details in register.
- **Process:** Summarize the information.
- **Output:** Present information to management in the form of reports.

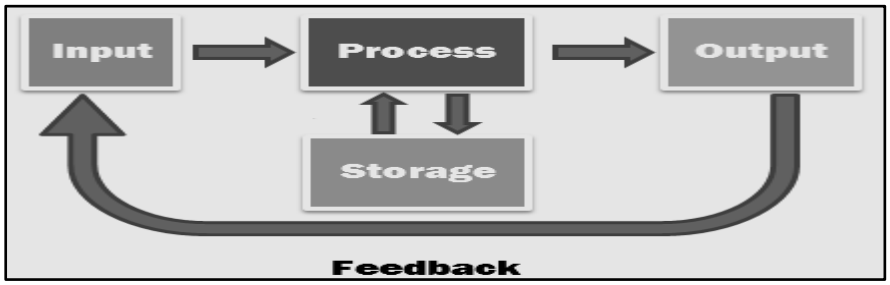
As the level of human intervention is very high the quality of information generated from these systems is prone to flaws such as delayed information, inaccurate information, incomplete information and low levels of detail.

Manual Processing Cycle

Computerized Information Processing Cycle: These are systems where computers are used at every stage of transaction processing. 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.

As the processing is computerized the quality of information generated from these systems is timely, accurate, fast and reliable.



Computerized Processing Cycle

5. (a) Value Chain Automation: Value Chain refers to separate activities which are necessary to strengthen an organization's strategies and are linked together both inside and outside the organization. It is defined as a chain of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market. The idea of the Value Chain is based on the process view of organizations, the idea of seeing a manufacturing (or service) organization as a system, made up of subsystems each with inputs, transformation processes and outputs. Value chain of a manufacturing organization comprises of Primary and Supportive activities. The primary ones are inclusive of inbound logistics, operations, outbound logistics, marketing and sales, and services. The supportive activities relate to procurement, human resource management, technology development and infrastructure.

Six business functions of the value chain are Research and development; Design of products, services, or processes; Production; Marketing and sales; Distribution and Customer service. Value Chain Analysis is a useful tool for working out how we can create the greatest possible value for our customers. IT helps us identify the ways in which we create value for our customers and then helps us think through how we can maximize this value: whether through superb products, great services, or jobs well done.

(b) Various success factors of Business Process Re-engineering (BPR) are as follows:

(i) **Organization wide commitment:** Changes to business processes would have a direct impact on processes, organizational structures, work culture, information flows, infrastructure & technologies and job competencies. This requires strong leadership, support and sponsorship from the top management. Top management not only has to recognize the need for change but also has to convince every affected group about the potential benefits of the change to the organization as a whole and secure their commitment.

(ii) **BPR team composition:** A BPR team is formed which would be responsible to take the BPR project forward and make key decisions and recommendations. The BPR team would include active representatives from top management, business process owners, technical experts and users.

(iii) **Business needs analysis:** It is important to identify exactly what current processes need reengineering. This would help determine the strategy and goals for BPR. A series of sessions are held with the process owners and stakeholders and all the ideas would be evaluated to outline and conceptualize the desired business process. The outcome of this analysis would be BPR project plan – identifying specific problem areas, setting goals and relating them to key business objectives. This alignment of the BPR strategy with the enterprise strategy is one of the most important aspects.

(iv) **Adequate IT infrastructure:** Adequate investment in IT infrastructure in line is of vital importance to successful BPR implementation. IT infrastructure is a set of hardware, software, networks, facilities, etc. in order to develop, test, deliver, monitor, control or support IT services. Effective alignment of IT infrastructure to BPR strategy would determine the success of BPR efforts.

(v) **Effective change management:** BPR involves changes in people behavior and culture, processes and technologies. An effective change management process would consider the current culture to foster a change in the prevailing beliefs, attitudes and behaviors effectively. The success of BPR depends on how effectively management conveys the need for change to the people.

(vi) **Ongoing continuous improvement:** BPR is an ongoing process; hence innovation and continuous improvement are key to the successful implementation of BPR.

6. (a) The Cloud Computing environment can consist of multiple types of clouds based on their deployment and usage. These are explained as follows:

- **Public Cloud:** The public cloud is made available to the general public or a large industry group and is administrated by third parties or vendors over the Internet, and services are offered on pay-per-use basis. It is widely used in the development, deployment and management of enterprise applications, at

affordable costs; and allows organizations to deliver highly scalable and reliable applications rapidly and at more affordable costs.

- **Private Clouds:** This cloud computing environment resides within the boundaries of an organization and is used exclusively for the organization's benefits. They are built primarily by IT departments within enterprises who seek to optimize utilization of infrastructure resources within the enterprise by provisioning the infrastructure with applications using the concepts of grid and virtualization. The benefit of a Private Cloud is that it enables an enterprise to manage the infrastructure and have more control, but this comes at the cost of IT department creating a secure and scalable cloud.
- **Community Clouds:** This is the sharing of computing infrastructure in between organizations of the same community. For example, all Government organizations within India may share computing infrastructure on the cloud to manage data. The risk is that data may be stored with the data of competitors.
- **Hybrid Clouds:** It is a composition of two or more clouds (Private, Community or Public) and is maintained by both internal and external providers. They have to maintain their unique identity, but are bound together by standardized data and application portability. With a hybrid cloud, organizations might run non-core applications in a public cloud, while maintaining core applications and sensitive data in-house in a private cloud.

(b) Information system Life Cycle: This is commonly referred as Software/System Development Life Cycle (SDLC), which is a methodology used to describe the process of building information systems. It is the logical starting point in the entire life cycle of a computerized system. Activities start when any enterprise decides to go for computerization or migrate from existing computerized system to a new one.

Phase 1: System Investigation - This phase examines that 'What is the problem and is it worth solving'? Feasibility study is done under the following dimensions:

- **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's 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?

Phase 2: System Analysis - This phase examines that 'What must the Information System do to solve the problem'? The Systems Analyst examines data and information flows in the enterprise using data flow diagrams; establishes what the proposed system will actually do (not how it will do it); analyzes costs and benefits; outlines system implementation options (e.g. in-house or using consultants); considers possible hardware configurations; and makes recommendations.

Phase 3: System Designing - This phase examines that 'How will the Information System do what it must do to obtain the solution to the problem'? This phase specifies the technical aspects of a proposed system in terms of Hardware platform, Software, Outputs, Inputs, User interface, Modular design, Test plan, Conversion plan and Documentation.

Phase 4: System Implementation - This phase examines that 'How will the Solution be put into effect'? This phase involves Coding and testing of the system; Acquisition of hardware and software; and either installation of the new system or conversion of the old system to the new one.

In Installation, new hardware, which may involve extensive re-cabling and changes in office layouts are installed; Training the users on the new system; and Conversion of master files to the new system or creation of new master files.

Phase 5: System Maintenance and Review - This phase evaluates results of solution and modifies the system to meet the changing needs. Post implementation review would be done to address Programming amendments, Adjustment of clerical procedures, Modification of Reports, and Request for new programs.

This is often the longest of the stages since it is an on-going process having some sort of long term continuum.

7. (a) Process Management: Process management is based on a view of an organization as a system of interlinked processes which involves concerted efforts to map, improve and adhere to organizational processes. To manage a process,

- The first task is to define it. This involves defining the steps (tasks) in the process and mapping the tasks to the roles involved in the process.
- Once the process is mapped and implemented, performance measures can be established. Establishing measurements creates a basis to improve the process.
- The last piece of the process management definition describes the organizational setup that enables the standardization of and adherence to the process throughout the organization. Assigning enterprise process owners and aligning employees' performance reviews and compensation to the value creation of the processes could accomplish this.

(b) Application Software: Application software includes all those computer software that cause a computer to perform useful tasks beyond the running of the computer itself. It is a collection of programs which address a real life problem of its end users which may be business or scientific or any other problem. The different types of application software are Application Suite, Enterprise Software, Enterprise Infrastructure Software, Information Worker Software, Content Access Software, Educational Software, Media Development Software etc.

Some of the most popular and widely accepted benefits of Application Software are to address user needs, less threat from virus and Regular updates. However, there are certain disadvantages of such software as well. Development is costly and may be Infected from Malware.

(c) Virtual Private Network (VPN): Virtual Private Network (VPN) is a secure network that uses the Internet as its main backbone network, but relies on the firewalls and other security features of the Internet and Intranet connections and those of participating organizations. Many organizations use Virtual Private Networks (VPNs) to establish secure intranets and extranets. A VPN is a private network that uses a public network (usually the Internet) to connect remote sites or users together. The VPN uses "virtual" connections routed through the Internet from the business's private network to the remote site or employee. By using a VPN, businesses ensure security - anyone intercepting the encrypted data can't read it.

(d) Business Intelligence: Business Intelligence (BI) is the delivery of accurate, useful information to the appropriate decision makers within the necessary time frame to support effective decision making for business processes. It is comprised of information that contains patterns, relationships, and trends about customers, suppliers, business partners and employees. Business intelligence systems process, store and provide useful information to the user who need it, when they need it. It can handle large amounts of information to help identify and develop new opportunities. BI, in simple words, refers to the process of collecting and refining information from many sources, analyzing and presenting the information in useful ways so that users can make better business decisions. It is essentially timely, accurate, high-value, and actionable business insights, and the work processes and technologies used to obtain them.

(e) Grid Computing Security: Grid systems and applications require standard security functions which are Authentication, Access Control, Integrity, Privacy, and No Repudiation. Authentication and access control issues are:

- To provide authentication to verify the users, process which have user's computation and resources used by the processes to authenticate
- To allow local access control mechanisms to be used without change.

To develop security architecture, following constraints are taken from the characteristics of grid environment and application.

- **Single Sign-on:** A user should authenticate once and they should be able to acquire resources, use them, and release them and to communicate internally without any further authentication.
- **Protection of Credentials:** User passwords, private keys, etc. should be protected.
- **Interoperability with local security solutions:** Access to local resources should have local security policy at a local level. Despite of modifying every local resource there is an inter-domain security server for providing security to local resource.
- **Exportability:** The code should be exportable i.e. they cannot use a large amount of encryption at a time. There should be a minimum communication at a time.
- **Support for secure group communication:** In a communication there are number of processes which coordinate their activities. This coordination must be secure and for this there is no such security policy.
- **Support for multiple implementations:** There should be a security policy which should provide security to multiple sources based on public and private key cryptography.

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INTERMEDIATE (IPC): GROUP – II

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – B: STRATEGIC MANAGEMENT

SUGGESTED ANSWERS/HINTS

1. (a) A strategic group consists of those rival firms that have similar competitive approaches and positions in the market. Organisations in the same strategic group can resemble one another in any of the several ways: they may have comparable product-line breadth, sell in the same price/quality range, emphasize the same distribution channels, use essentially the same product attributes to appeal to similar types of buyers, depend on identical technological approaches, or offer buyers similar services and technical assistance.

Identifying strategic group is required to examine the industry's competitive structure in the process of strategic analysis.

(b) Being a strategic manager, my primary task of the will be conceptualizing, designing and executing company strategies.

For this purpose, my tasks will include:

- Defining the mission and goals of the organization.
- Determining what businesses it should be in.
- Allocating resources among the different businesses.
- Formulating and implementing strategies that span individual businesses.
- Providing leadership for the organization.

(c) Business Process Reengineering (BPR) refers to the analysis and redesign of workflows and processes both within and between the organizations. The orientation of the redesign effort is radical. It involves total deconstruction and rethinking of a business process in its entirety.

The workflows are studied, appraised and improved in terms of time, cost, output, quality, and responsiveness to customers. The redesign effort aims to simplify and streamline a process by eliminating all extra avoidable steps, activities, and transactions. With the help of redesigning workflows, organizations can drastically reduce the number of stages of work, and improve their performance.

(d) The network structure is radical in nature and could be termed a "non-structure" as it virtually eliminates in-house business functions and outsource many of them. An organisation 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 wherein 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 with suppliers and distributors.

(e) Business environment in which an organization exists can be broadly divided into two parts: the external and the internal. Since the environment is complex and has multiple elements of it helps to understand it better. External environmental factors are largely beyond the control of individual enterprise and are. These are technological, physical, political and socio-cultural. Internal environment is the environment that has a direct impact on the business and is within the control of the entrepreneurs. These are internal management, machinery, methods of production, suppliers, customers etc.

2. (a) (i) **Incorrect**: Balance scorecard is a combination of strategic and financial objectives. It measure company performance, requires setting both financial and strategic objectives and tracking their achievement. Unless a company is in deep financial difficulty, such that its very survival is threatened, company managers are well advised to put more emphasis on achieving strategic objectives than on achieving financial objectives whenever a trade-off has to be made.

(ii) **Correct:** Functional-level managers and strategies operate at the lowest hierarchical level of strategic management. Functional level is responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions. Although they are not responsible for the overall performance of the organisation, functional managers have a major strategic role to develop functional strategies in their area that help to fulfil the strategic objectives set by business and corporate-level managers.

(b) (i) A joint venture is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets.

(ii) Horizontal integrated diversification is an expansion strategythrough the acquisition of one or more similar organisation(s) operating at the same stage of the production-marketing chain that is going into complementary products, by-products or taking over competitors' products.

(iii) Value chain analysis refers to separate activities which are necessary to underpin an organization's strategies and are linked together both within and

around the organization. Value chain of a manufacturing organization comprises of primary and supportive activities.

3. **(a)** A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

(b) Management issues central to strategy implementation include

- allocating resources,
- altering an existing organizational structure,
- restructuring and reengineering,
- revising reward and incentive plans,
- minimizing resistance to change,
- matching managers with strategy,
- developing a strategy-supportive culture,
- adapting production/operations processes,
- developing an effective human resource function and, if necessary,
- downsizing.

(c) Corporate culture refers to values, beliefs, business principles, traditions, ways of operating, and internal work environment. An organization's culture is either an important contributor or an obstacle to successful strategy execution. The beliefs, vision, objectives, business approaches and practices underpinning a company's strategy may be compatible with its culture or not. When they are, the culture becomes a valuable ally in strategy implementation and execution.

A culture grounded in values, practices, and behavioural norms that match what is needed for good strategy execution helps energize people throughout the company to do their jobs in a strategy-supportive manner, adding significantly to the power and effectiveness of strategy execution. When the culture is in conflict with some aspect of the company's direction, performance targets or strategy, the culture becomes a stumbling block that impedes successful strategy implementation and execution.

4. Five forces model of Michael Porter is a powerful and widely used 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 areas of the overall market. These five forces are:

(a) **Threat of new entrants:** New entrants are always a powerful source of competition. The new capacity and product range they bring in throw up new competitive pressure. And the bigger the new entrant, the more severe the competitive effect.

New entrants also place a limit on prices and affect the profitability of existing players.

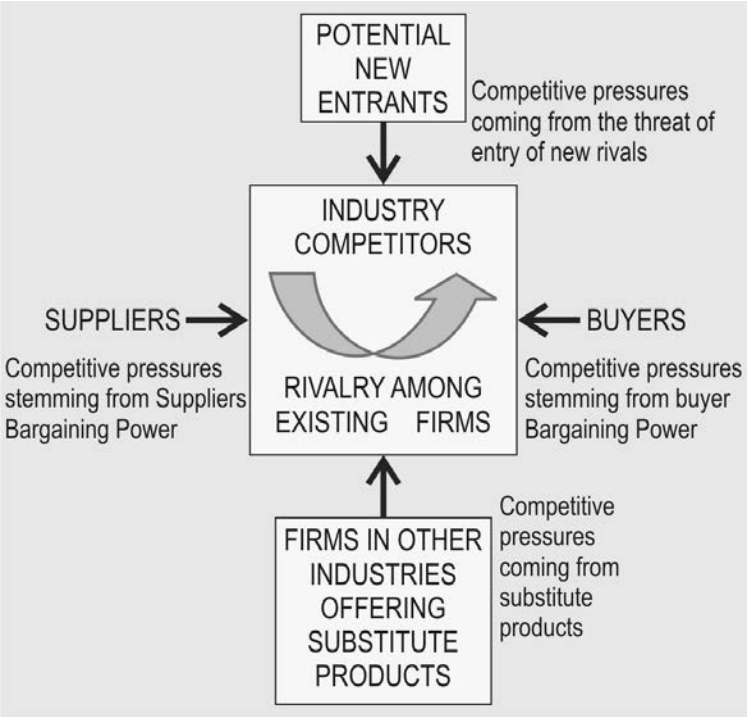
(b) **Bargaining power of customers:** This force will become heavier depending on the possibilities of the buyers forming groups or cartels. Mostly, this is a phenomenon seen in industrial products. Quite often, users of industrial products come together formally or informally and exert pressure on the producer. The bargaining power of the buyers influences not only the prices that the producer can charge but also influences in many cases, costs and investments of the producer because powerful buyers usually bargain for better services which involve costs and investment on the part of the producer.

(c) **Bargaining power of suppliers:** Quite often suppliers, too, exercise considerable bargaining power over companies. The more specialised the offering from the supplier, greater is his clout. And, if the suppliers are also limited in number they stand a still better chance to exhibit their bargaining power. The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry and, therefore, industry attractiveness and profitability.

(d) **Rivalry among current players:** The rivalry among existing players is quite obvious. This is what is normally understood as competition. For any player, the competitors influence strategic decisions at different strategic levels. The impact is evident more at functional level in the prices being changed, advertising, and pressures on costs, product and so on.

(e) **Threats from substitutes:** Substitute products are a latent source of competition in an industry. In many cases they become a major constituent of competition. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry. And they can bring it about all of a sudden. For example, coir suffered at the hands of synthetic fibre. Wherever substantial investment in R&D is taking place, threats from substitute products can be expected. Substitutes, too, usually limit the prices and profits in an industry.

The five forces together determine industry attractiveness/profitability. This is so because these forces influence the causes that underlie industry attractiveness/ profitability. For example, elements such as cost and investment needed for being a player in the industry decide industry profitability, and all such elements are governed by these forces. The collective strength *of* these five competitive forces determines the scope to earn attractive profits. The strength *of* the forces may vary from industry to industry.



Five Forces Model of Competition

5. A strategy manager has many different leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder, process integrator, crisis solver, spokesperson, negotiator, motivator, arbitrator, policy maker, policy enforcer, and head cheerleader. Managers have five leadership roles to play in pushing for good strategy execution:

(a) Staying on top of what is happening, closely monitoring progress, working through issues and obstacles.

(b) Promoting a culture that mobilizes and energizes organizational members to execute strategy and perform at a high level.

(c) Keeping the organization responsive to changing conditions, alert for new opportunities and remain ahead of rivals in developing competitively valuable competencies and capabilities.

(d) Ethical leadership and insisting that the organization conduct its affairs like a model corporate citizen.

(e) Pushing corrective actions to improve strategy execution and overall strategic performance.

6. It is true that evaluating the worth of a business is central to strategy implementation. There are circumstances where it is important to evaluate the actual worth of the business. These circumstances can be wide and varied. At a higher level they may include acquisition, merges or diversification. They may also include other situations such as fixing of share price in an issue. Acquisition, merger, retrenchment may require establishing the financial worth or cash value of a business to successfully implement such strategies.

Various methods for determining a business's worth can be grouped into three main approaches.

(i) Net worth or stockholders' equity: Net worth is the total assets minus total outside liabilities of an organisation.

(ii) Future benefits to owners through net profits: These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business's worth as five times the firm's current annual profit. A five-year average profit level could also be used.

(iii) Market-determined business worth: This, in turn, involves three methods.

(a) First, the firm's worth may be based on the selling price of a similar company.

(b) Price-earnings ratio method whereby the market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding years.

(c) Outstanding shares method whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium.

7. (a). In the light of BCG Growth Matrix, once an organisation has classified its products or SBUs, it must determine what role each will play in the future. 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.

(ii) **Hold:** Here the objective is to preserve market share.

(iii) **Harvest:** Here the objective is to increase short-term cash flow regardless of long-term effect.

(iv) **Divest:** Here the objective is to sell or liquidate the business because resources can be better used elsewhere.

(b) According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus.

Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. Different strategies offer different degrees of differentiation. A differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty.