

## **DISCLAIMER**

The Suggested Answers hosted in the website do not constitute the basis for evaluation of the students' answers in the examination. The answers are prepared by the Faculty of the Board of Studies with a view to assist the students in their education. While due care is taken in preparation of the answers, if any errors or omissions are noticed, the same may be brought to the attention of the Director of Studies. The Council of the Institute is not in anyway responsible for the correctness or otherwise of the answers published herein.

**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 **all** the following questions in brief:*

- (a) What are the key benefits of Business Process Automation (BPA)?*
- (b) How extranets are used by Business Organization?*
- (c) Name the various phases of System Development Life Cycle (SDLC) in the logically correct order.*
- (d) Briefly explain three tiers in three tier architecture.*
- (e) What are the components of the Computerized Information processing Cycle?*

*(2 x 5 = 10 Marks)*

**Answer**

- (a)** The key benefits of Business Process Automation are as follows:
- **Saving on costs:** Automation leads to saving in time and labor costs through higher efficiency and better management of the people involved.
  - **Staying ahead in competition:** Today, in order to survive, businesses need to adopt automation.
  - **Fast service to customers:** Automation shortens cycle times in the execution of processes through improved and refined business workflows and help enterprises to serve their customers faster and better.
  - **Reducing the impact of human error:** BPA removes human participation in the process, which is the source of many errors.
  - **Transforming data into information:** BPA can, apart from collecting and storing data also analyze data and make it available in a form that is useful for decision-making.
  - **Improving performance and process effectiveness:** In many cases, tasks that must be done manually are the bottlenecks in the process. Automating those manual tasks speeds up the effective throughput of the application.
  - **Making users more efficient and effective:** People can focus their energies on the tasks they do best, allowing the computers to handle those that machines are best suited for.

- **Making the business more responsive:** Enterprises can easily automate new applications and processes as they are introduced that provide greater control over business and IT processes.
  - **Improving collaboration and information sharing:** Business processes designed through a collaborative mean IT can integrate its processes with the business -side logic that drives day-to-day operations.
- (b) The Extranets can be used by business organizations in some of the following ways:
- Share product catalogs exclusively with wholesalers or those “in the trades”.
  - Collaborate with other companies on joint development efforts.
  - Jointly develop and use training programs with other companies.
  - Provide or access services provided by one company to a group of other companies; and
  - Share news of common interest exclusively with partner companies.
  - Establish direct private network links between themselves, or create private secure internet links between them called virtual private networks.
  - Use the unsecured internet as the extranet link between its intranet and consumers and others, but rely on encryption of sensitive data and its own firewall systems to adequate security.
- (c) The various phases of System Development Life Cycle (SDLC) are as follows:
- Phase 1: System Investigation
  - Phase 2: System Analysis
  - Phase 3: System Designing
  - Phase 4: System Implementation
  - Phase 5: System Maintenance and Review
- (d) The three tiers in Three-tier architecture are as follows:
- **Presentation Tier:** This tier occupies the top level, communicates with other tiers and displays information related to services available on a website.
  - **Application Tier:** Also called the Middle tier, Logic tier, Business Logic or Logic tier; this tier controls application functionality by performing detailed processing.
  - **Database Tier:** This tier houses the database servers where information is stored and retrieved. Data in this tier is kept independent of application servers or business logic.

(e) The components of a Computerized Information Processing Cycle include the following:

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

**Question 2**

*ABC Limited is a software development company, which appointed 50 software engineers in August' 2014 at a monthly salary of ₹ 30,000. All these engineers shall be entitled for an increment in their monthly salary after six months. The increment on present monthly salary shall be based on their performance to be evaluated on a 100 marks scale as per details given below:*

- *Performance Marks < 70, then increment shall be 10% of present salary.*
- *$70 \leq$  Performance marks < 80, then increment shall be 20% of present salary.*
- *Performance marks  $\geq$  80, then increment shall be 30% of present salary.*

*Draw a Flow-Chart to enable to print the details like name of the engineer, performance marks, monthly increment amount and revised monthly salary for each of these 50 engineers.*

(8 Marks)

**Answer**

(a) Let us define the variables first:

**PM:** Performance Marks,

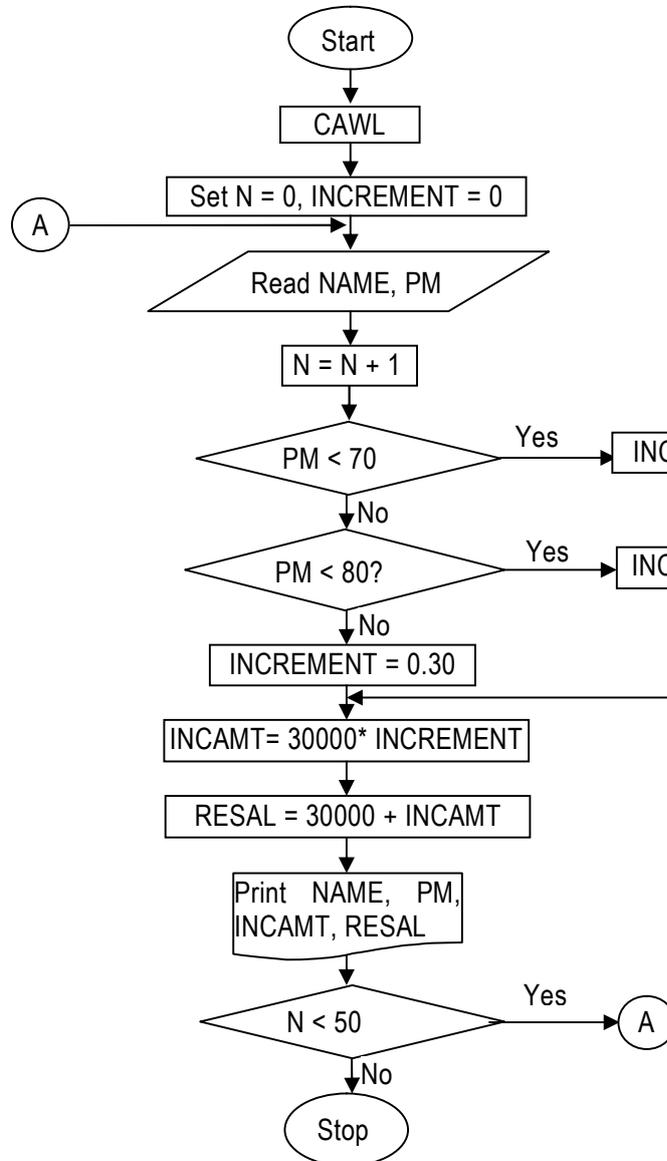
**RESAL:** Revised Monthly Salary,

**INCAMT:** Increment Amount,

**NAME:** Name of Engineer,

**N:** Pointer to track number of Engineers,

**INCREMENT = 0.**



**Question 3**

(a) Describe the following service models of cloud computing.

(i) Network as a Service (NaaS)

(ii) Platform as a Service (PaaS)

(4 Marks)

(b) What is Server? Briefly explain any four types of servers based on the nature of service they provide. (4 Marks)

**Answer**

- (a) (i) **Network as a Service (NaaS):** It is a category of cloud services in Cloud Computing where the capability provided to the cloud service user is to use network/transport connecting services. NaaS involves optimization of resource allocation by considering network and computing resources as a whole. Some of the examples are Virtual Private Network, Mobile Network Virtualization etc.
- (ii) **Platform as a Service (PaaS):** It provides clients with access to the basic operating software and optional services to develop and use software applications (e.g. database access and payment service) without the need to buy and manage the underlying computing infrastructure. For example, Google App Engine.
- (b) **Server:** A server is a computer program running to serve the requests of other programs, the "clients". Servers are often dedicated, meaning that they perform no other tasks besides their server tasks. The clients either run on the same computer, or they connect through the network.

Some of the different types of servers based on the nature of service they provide 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 Servers:** Web server has an IP address and possibly a domain name, and is the computer that delivers (serves up) web pages.
- ◆ **Mail Server:** Mail servers move and store mail over corporate networks.

**Question 4**

- (a) *Which network topology can be used in case of Military Installations with a very small number of nodes and why it should be used? List advantages and disadvantages of such network topology.* (4 Marks)
- (b) *What is Accounting Information System (AIS)? Briefly describe the key components of AIS.* (4 Marks)

**Answer**

- (a) In case of Military installations with a very small number of nodes, **Mesh Network topology** should be used.

In fully interconnected Mesh topology, each node is connected by a dedicated point to point link to every node and thus the reliability is very high which is of prime importance in any military installations. Even if one node fails, Mesh topology provides high degree of redundancy with each node connected to remaining nodes.

Advantages of mesh network are as follows:

- Mesh network topology yields the greatest amount of redundancy in the event that if one of the nodes fails, the network traffic can be redirected to another node.
- Network problems are easier to diagnose.

Disadvantage of mesh network are as follows:

- Mesh networks are not very common because of its high cost of installation and maintenance.
- More cabling is required than any other configuration.

**(b) Accounting Information System:** An Accounting Information System (AIS) is defined as a system of collection, storage and processing of financial and accounting data that is used by decision makers. An Accounting Information System is generally a computer-based method for tracking accounting activity in conjunction with information technology resources.

The key components of an Accounting Information System are as follows:

- **People:** AIS helps various system users that include accountants, consultants, business analysts, managers, chief financial officers and auditors etc. from different departments within a company to work together.
- **Procedure and Instructions:** These include both manual and automated methods for collecting, storing, retrieving and processing data.
- **Data:** This refers to the information pertinent to the organization's business practices that may include sales orders, customer billing statements, sales analysis reports etc.
- **Software:** These are the computer programs that provide quality, reliability and security to the company's financial data that may be stored, retrieved, processed and analyzed.
- **Information Technology Infrastructure:** This includes hardware such as personal computers, servers, printers, surge protectors, routers, storage media, a backup power etc.
- **Internal Controls:** These are the security measures such as passwords or as complex as biometric identification to protect sensitive data against unauthorized computer access and to limit access to authorized users.

**Question 5**

- (a) *Differentiate between Explicit Knowledge and Tacit Knowledge.* (4 Marks)
- (b) *Explain the pre-requisites of ACID Test for any Transaction Processing System (TPS).* (4 Marks)

**Answer**

- (a) **Explicit Knowledge:** Explicit knowledge is the knowledge which can be formalized easily and as a consequence, is easily available across the organization. Explicit knowledge is articulated, and represented as spoken words, written material and compiled data. This type of knowledge is codified, easy to document, transfer and reproduce. For example - Online tutorials, Policy and procedural manuals.

**Tacit Knowledge:** Tacit knowledge, resides in a few, often-in just one person and has not been captured by the organization or made available to others. Tacit knowledge is unarticulated and represented as intuition, perspective, beliefs, and values that individuals form based on their experiences. It is personal, experimental and context-specific. It is difficult to document and communicate the tacit knowledge. For example – hand-on skills, special know-how, employee experiences.

- (b) The ACID Test refers to the following prerequisites for any Transaction Processing System (TPS).
- **Atomicity:** This means that a transaction is either completed in full or not at all. TPS systems ensure that transactions take place in their entirety.
  - **Consistency:** TPS systems exist within a set of operating rules or integrity constraints. For Example - If an integrity constraint states that all transactions in a database must have a positive value, any transaction with a negative value would be refused.
  - **Isolation:** Transactions must appear to take place in seclusion. For example, the funds cannot be credited to an account before they are debited from another.
  - **Durability:** Once transactions are completed they cannot be undone. To ensure this, a log will be created to document all completed transactions.

**Question 6**

- (a) *Discuss any four key characteristics of Cloud Computing.* (4 Marks)
- (b) *What are the major process controls, which should be enforced through front end application system, to have consistency in the control process?* (4 Marks)

**Answer**

- (a) Some of the key characteristics of Cloud Computing are as follows:
- **Elasticity and Scalability:** Cloud computing gives us the ability to expand and reduce resources according to the specific service requirement.
  - **Pay-per-Use:** We pay for cloud services only when we use them, either for the short term or for a longer duration.
  - **On-demand:** Because we invoke cloud services only when we need them, they are not permanent parts of the IT infrastructure.
  - **Resiliency:** The resiliency of a cloud service offering can completely isolate the failure of server and storage resources from cloud users.
  - **Multi Tenancy:** Public cloud service providers often can host the cloud services for multiple users within the same infrastructure.
  - **Workload Movement:** Cloud-computing providers can migrate workloads across servers both inside the data center and across data centers.
- (b) The Process Controls 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 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.
  - **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 7**

Write short notes on any Four of the following:

- (a) *Radical Redesign*
- (b) *Android*
- (c) *Peer-to-Peer Network (PsP)*

(d) *Electronic Purses*

(e) *Network Virtualisation*

(2 x 4 = 8 Marks)

**Answer**

- (a) **Radical Redesign:** Radical redesign means that Business Process Reengineering (BPR) is reinventing and not enhancing or improving. In other words, BPR is based on the understanding that the products and services a company offers to the market are provided through business processes, and a radical redesign of these processes is the road to success. A radical rethinking on the way the business is run brings the finest out of the organization.
- (b) **Android:** Android is a Linux-based operating system designed primarily for touch screen mobile devices such as smart phones and tablet computers. Android is an open source and the permissive licensing allows the software to be freely modified and distributed by device manufacturers, wireless carriers and enthusiast developers. Android provides access to a wide range of useful libraries and tools that can be used to build rich applications.
- (c) **Peer-to-Peer Network (P2P):** A Peer-to-Peer (P2P) Network is created with two or more PCs connected together and share resources without going through a separate server computer. The prime objective goal of a P2P (Peer -to-Peer) file-sharing network is that many computers come together and pool their resources to form a content distribution system. Example – Napster, Freenet etc. Peer-to-Peer Networks are easy and simple to set up, cost effective and if one computer fails to work, all other computers connected to it continue to work.
- (d) **Electronic Purses:** Electronic Purse Card is one way to make payments over the net and is very similar to a pre-paid card. Bank issues a stored value card to its customer, the customer can then transfer value from his/her account to the card at an ATM, a personal computer, or a specially equipped telephone. The electronic purse card can be used as an ATM card as well as a credit card. While making purchases, customers pass their cards through a vendor's point of sale terminal. No credit check or signature is needed and validation is done through a Personal Identification Number (PIN).
- (e) **Network Virtualization:** In IT, Virtualization is the process of creating logical computing resources from available physical resources. This is accomplished using virtualization software to create a layer of abstraction between workloads and the underlying physical hardware. Network Virtualization allows a large physical network to be provisioned into multiple smaller logical networks and conversely allows multiple physical LANs to be combined into a larger logical network. This behavior allows administrators to improve network traffic control, enterprise and security.

**SECTION – B : STRATEGIC MANAGEMENT**

*Question No. 8 is compulsory  
Answer any **five** questions from the rest.*

**Question 8**

- (a) *Analyse the following cases in the context of Michael Porter's Five Forces Model:*
- (i) *A supplier has a large base of customers.*
  - (ii) *A manufacturer of sports goods has the advantage of economies of large scale production.*
  - (iii) *Products offered by competitors are almost similar. (3 Marks)*
- (b) *In your view, what is the role of Corporate level managers in Strategic management? (3 Marks)*
- (c) *What does the concept of 'question marks' in the context of BCG Growth-share matrix signify? What strategic options are open to a business firm which has some 'question marks' in the portfolio of its businesses? (3 Marks)*
- (d) *'Determining an appropriate mix of debt and equity in a firm's capital structure can be vital to successful strategy implementation'. Discuss. (3 Marks)*
- (e) *What is an 'hour glass structure'? How this structure benefits an organization? (3 Marks)*

**Answer**

- (a) (i) Large base of customers of an organization (supplier) may increase its bargaining power in comparison to the bargaining power of the customer.
- (ii) The manufacturer of sports goods would be in better position amongst existing competitors since it has advantage of economies of scale. Even the threat of new entrants gets reduced.
- (iii) Similar products will reduce the bargaining power of the rivals, i.e., competitors. In other words the bargaining power of the customer will be more.
- (b) There are three main levels of management in a typical organisation: corporate, business, and functional. The corporate level of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff. These individuals occupy the apex of decision making within the organization and broadly have following roles:
1. Oversee the development of strategies for the whole organization.
  2. Defining the mission and goals of the organization.
  3. Determining what businesses it should be in.
  4. Allocating resources among the different businesses.
  5. Formulating and implementing strategies that span individual businesses.

6. Providing leadership for the organization.
  7. Provide a link between the people who oversee the strategic development of a firm and those who own it.
- (c) The BCG growth-share matrix is the simplest way to portray a corporation's portfolio of investments. Using the matrix, organisations can identify four different types of products or Strategic Business Units. *Question Marks*, sometimes called problem children or wildcats, are low market share businesses in high-growth markets.

They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier.

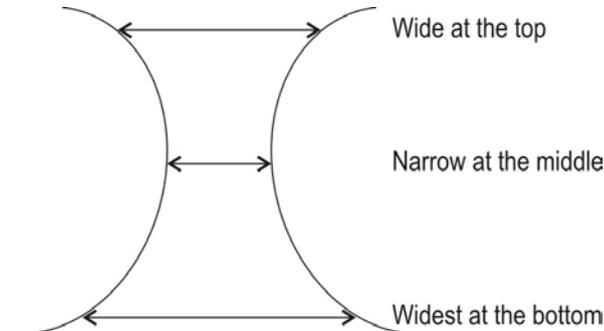
It is for business organisations to turn those businesses into stars and then to cash cows when the growth rate reduces. *Thus the strategic option that they must strive to achieve is to build.* Here the objective is to increase market share, even by forgoing short-term earnings in favour of building a strong future with large market share.

- (d) Successful strategy implementation often requires additional capital. Besides net profit from operations and the sale of assets, two basic sources of capital for an organization are debt and equity. Fixed debt obligations generally must be met, regardless of financial or operating performance. This does not mean that equity issuances are always better than debt for raising capital. If ordinary stock is issued to finance strategy implementation; ownership and control of the enterprise gets diluted. This can be a serious concern in today's business environment of hostile takeovers, mergers, and acquisitions.

The major factors regarding which strategies have to be made by a financial manager are: capital structure; procurement of capital and working capital borrowings; reserves and surplus as sources of funds; and relationship with lenders, banks and financial institutions. Strategies related to the sources of funds are important since they determine how financial resources will be made available for the implementation of strategies. Organizations have a range of alternatives regarding the sources of funds. While one company may rely on external borrowings, another may follow a policy of internal financing.

- (e) In the recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers in an organisation structure with constricted middle layer. The structure has a short and narrow middle management level as shown in the figure given below.

Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities.



### Hourglass Organization Structure

Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so that it is faster. However, with the reduced size of middle management, the promotion opportunities for the lower levels diminish significantly.

#### Question 9

(a) State with reasons which of the following statements is correct or incorrect.

- (i) The PESTLE framework is used for analyzing both macro and micro environment.
- (ii) Demarketing strategies may aim to reduce demand temporarily or permanently.

(2 x 2= 4 Marks)

(b) What are the characteristics of Six Sigma that separate it from earlier quality programmes? Explain briefly. (3 Marks)

#### Answer

- (a) (i) **Incorrect:** PESTLE Analysis is used in analysis of macro environmental factors and not micro environment. It involves identification of political, economic, socio-cultural, technological, legal and environmental influences on an organization and providing a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy. The advantage of this tool is that it encourages management into proactive and structured thinking in its decision making.
- (ii) **Correct:** Demarketing is a marketing strategy to reduce demand temporarily or permanently – the aim is not to destroy demand, but only to reduce or shift it. This happens when the demand is too much to handle. For example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

- (b) Primarily six sigma means maintenance of the desired quality in processes and end products. It means taking systemic and integrated efforts toward improving quality and reducing cost. Six sigma has its base in the concept of probability and normal distribution in statistics. Six sigma strives that 99.99966% of products manufactured are defect free. Six sigma is an improvement over other quality programmes because of its characteristics. The following key characteristics separate six sigma from earlier quality programs:
- i. Six sigma is customer focused. It strives to provide better satisfaction to the customer owning the product.
  - ii. Six sigma is a total management commitment and philosophy of excellence, process improvement and the rule of measurement.
  - iii. Six sigma induces changes in management operations - new approaches to thinking, planning and executing to achieve results.
  - iv. Six Sigma projects produce major returns on investment.
  - v. Six sigma combines both leadership and grassroots energy and involvement for its success.

#### Question 10

*The Management of a sick company manufacturing various electrical home appliances seeks your advice for an appropriate retrenchment strategy. What will be your advice and why? (7 Marks)*

#### Answer

A sick company has huge accumulated losses that have eroded its net worth. The electric home appliance company may analyse its various products to take decisions on their individual viability.

Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency.

#### Retrenchment strategy is adopted because:

- ◆ The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.
- ◆ The environment faced is threatening.
- ◆ Stability can be ensured by reallocation of resources from unprofitable to profitable businesses.

Retrenchment grand strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and

diagnose the causes of the problems. Next, steps are taken to solve the problems. These steps result in different kinds of retrenchment strategies.

**Turnaround strategy:** If the organization chooses to focus on ways and means to reverse the process of decline, it adopts a turnaround strategy. It may try to reduce costs, generate revenue, improve coordination, better control, minimize pressures and so on. It may also involve changes in top management and reorienting leadership.

**Divestment Strategy:** Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.

**Liquidation Strategy:** In the retrenchment strategy, the most extreme and unattractive is liquidation strategy. It involves closing down a firm and selling its assets.

It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure. Many small-scale units, proprietorship firms, and partnership ventures liquidate frequently but medium-and large-sized companies rarely liquidate in India. The company management, government, banks and financial institutions, trade unions, suppliers and creditors, and other agencies are extremely reluctant to take a decision, or ask, for liquidation.

Liquidation strategy may be unpleasant as a strategic alternative but when a "dead business is worth more than alive", it is a good proposition.

The management of a Sick company manufacturing various electrical home appliances be explained about the each of the above three options of retrenchment strategy with their pros and cons. But the appropriate advice with respect to a particular option of retrenchment strategy will depend on the specific circumstances of each electrical home appliances and management goals of the company.

#### Question 11

- (a) *To which industries the following environmental changes will offer opportunities and pose threats (name any two industries in each case). Give reasons for your answer. (2 x 4 = 4 Marks)*
- (i) *Significant reduction in domestic air-fares spanning over a long period.*
  - (ii) *Cut in interest rates by banks.*
- (b) *What steps would you take to construct a "Strategic Group Map" for an industry? (3 Marks)*

#### Answer

- (a) (i) Significant reduction in domestic air fares spanning over a long period will have opportunities and threats as follows:

##### Opportunities

1. **Tourism** as there would be more demand.

2. **Hotels** as travel would be cheaper and there would be more commuters.

**Threats**

1. **Airlines** Industry as there would be squeeze in their profits.
2. **In flight** catering as they would face pressure to reduce cost.

- (ii) Cut in interest rates by banks will have opportunities and threats as follows:

**Opportunities**

1. **Capital intensive** infrastructure as the interest cost will come down
2. **Real Estate** as demand for property on loan will increase.

**Threats**

1. **Banking industry** facing reduction in saving and investments.
2. **Financial services** industry in the area of managing funds such as pension funds, mutual funds as their income will recede.

- (b) A strategic group consists of those rival firms with similar competitive approaches and positions in the market. Companies in the same strategic group can resemble one another in any of the several ways. An industry contains only one strategic group when all sellers pursue essentially identical strategies and have comparable market positions. The steps for constructing a strategic group map and deciding which firms belong in which strategic group are as follows:

- ◆ Identify the competitive characteristics that differentiate firms in the industry. The typical variables are price/quality range (high, medium, low); geographic coverage (local, regional, national, global); degree of vertical integration (none, partial, full); product-line breadth (wide, narrow); use of distribution channels (one, some, all); and degree of service offered (no-frills, limited, full).
- ◆ Plot the firms on a two-variable map using pairs of these differentiating characteristics.
- ◆ Assign firms that fall in about the same strategy space to the same strategic group.
- ◆ Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues.

**Question 12**

- (a) *Do you agree with the statement that "Strategic Management concepts are of no use to Government organization and Medical organizations"? Explain with reasons. (4 Marks)*
- (b) *Quite often strategies of most business organizations are a combination of planned strategies and reactive strategies. Explain with reasons. (3 Marks)*

**Answer**

- (a) Business organization can be classified as commercial or non-commercial on the basis of the interest they have. Typically, a government or medical organisation may function without any commercial objectives. A commercial organization has profit as its main aim. We can find many organizations around us, which do not have any commercial objective of making profits. Their genesis may be for social, charitable, or educational purposes.

The strategic-management process is being used effectively by countless non-profit governmental organizations. Many non-profit and governmental organizations outperform private firms and corporations on innovativeness, motivation, productivity, and strategic management.

Compared to for-profit firms, non-profit and governmental organizations often function as a monopoly, produce a product or service that offers little or no measurability of performance, and are totally dependent on outside financing. Especially for these organizations, strategic management provides an excellent vehicle for developing and justifying requests for needed financial support.

- (b) Strategies are both proactive and reactive. In a 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 behaviour, evolving technologies and so on.

There can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in light of possible environmental changes. 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.

Thus owing to the reasons as mentioned above, quite often strategies of most business organisations are a combination of planned strategies and reactive strategies.

**Question 13**

*Distinguish between the following:*

- (a) *Strategy Formulation and Strategy Implementation.* (4 Marks)  
(b) *Vision and Mission.* (3 Marks)

**Answer**

- (a) Although inextricably linked, strategy implementation is fundamentally different from strategy formulation in the following ways:

Strategy Formulation	Strategy Implementation
- It involves the design and choice of appropriate organisational strategies.	- It is the process of putting the various strategies into action of organizations.
- It is positioning forces before the action.	- It is managing forces during the action
- It focuses on effectiveness.	- It focuses on efficiency.
- It is primarily an intellectual process.	- It is primarily an operational process.
- It requires good intuitive and analytical skills.	- It requires special motivation and leadership skills.
- It requires coordination among a few individuals.	- It requires coordination among many individuals.

- (b) A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the other hand, a Vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the major differences between vision and mission:

1. The vision describes a future identity while the Mission serves as an ongoing and time-independent guide.
2. The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.
3. A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

#### Question 14

Write short notes on the following:

- (a) *Product Life Cycle (PLC) and its significance in portfolio diagnosis.* (4 Marks)  
 (b) *Publicity and Sales Promotion.*

OR

*Conglomerate Merger.**(3 Marks)***Answer**

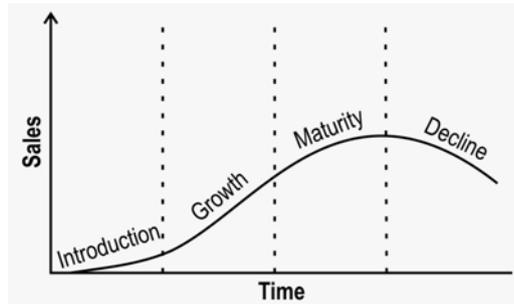
- (a) Product Life Cycle is an important concept in strategic choice and S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages.

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 also at a lower rate.

The second stage of PLC is the growth stage, in which the demand expands rapidly, prices fall, competition increases and market expands.

The third stage of PLC is the maturity stage, where in the competition gets tough and market gets stabilized. Profit comes down because of stiff competition.

The fourth stage is the declining stage of PLC, in which the sales and profits fall down sharply due to some new product replaces the existing product.

**Product Life Cycle**

PLC 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.

- (b) 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.

***Or (Alternative Choice)***

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.

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