

PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

Question No. 1 is compulsory

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

Question 1

Explain the following in brief:

- (a) *Business Intelligence (BI)*
- (b) *Line Error Control*
- (c) *Internet of Things (IoT)*
- (d) *Cyber Crime*
- (e) *Risk Assessment*

Answer

- (a) **Business Intelligence (BI):** Business Intelligence (BI) is a technology-driven process for analyzing data and presenting actionable information to help corporate executives, business managers and other end users make more informed business decisions. BI encompasses a wide variety of tools, applications and methodologies that enable organizations to collect data from internal systems and external sources, prepare it for analysis, develop and run queries against the data, and create reports, dashboards and data visualizations to make the analytical results available to corporate decision makers as well as operational workers.

The potential benefits of business intelligence programs include accelerating and improving decision making; optimizing internal business processes; increasing operational efficiency; driving new revenues; and gaining competitive advantages over business rivals. BI systems can also help companies identify market trends and spot business problems that need to be addressed.

- (b) **Line Error Control:** Whenever data is transmitted over a communication line in a telecommunication network, an error may occur because of attenuation distortion or noise that occurs on the line. These line errors must be detected and corrected.
- **Error Detection:** The errors can be detected by either using a loop (echo) check or building some form of redundancy into the message transmitted.
 - **Error Correction:** When line errors have been detected, they must then be corrected using either forward error correcting codes or backward error correcting codes.
- (c) **Internet of Things (IoT):** IoT is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-

to-computer interaction. For example: Washing machines with Wi-Fi networking capabilities can connect themselves to home Wi-Fi. Once these machines are so connected, they can be controlled through machine manufacturer mobile app from anywhere in the world.

- (d) **Cyber Crime:** Cyber-crime also known as Computer Crime are crimes that involve use of a computer and a network. It is defined as the offences that are committed against individuals or groups of individuals with a criminal motive to intentionally harm the reputation of the victim or cause physical or mental harm, or loss, to the victim directly or indirectly, using modern telecommunication networks such as Internet (Chat rooms, emails, notice boards and groups) and mobile phones. Committing of a fraud by manipulation of the input, output or throughput of a computer based system; Computer forgery which involves changing images or data stored in computers; Deliberate damage caused to computer data or programs through virus programs or logic bombs; Unauthorized access to computers by hacking into systems or stealing passwords; and unauthorized reproduction of computer programs or software piracy are some examples of Cybercrimes.
- (e) **Risk Assessment:** Risk Assessment is one of the five components that define Internal Control under SA 315. Every entity faces a variety of risks from external and internal resources. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Thus, risk assessment forms the basis for determining how risks will be managed. A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Management specifies objectives within categories of operations, reporting, and compliance with sufficient clarity to be able to identify and assess risks to those objectives. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective.

Question 2

- (a) *Data Warehouse extracts data from one or more of the organization's databases and loads it into another database for storage and analysis purpose. As a Data Warehouse Manager, determine the design criteria, which should be met while designing Data Warehouse.*

(6 Marks)

- (b) *Explain the positive aspects contained in the IT Act, 2000 and its provisions, from the perspective of e-commerce in India.*

(4 Marks)

Answer

- (a) The Data Warehouse extracts data from one or more of the organization's databases and loads it into another database for storage and analysis purpose. A data warehouse should be designed so that it meets the following criteria:
- It uses non-operational data. This means that the data warehouse is using a copy of data from the active databases that the company uses in its day-to-day operations,

so the data warehouse must pull data from the existing databases on a regular, scheduled basis.

- The data is time-variant. This means that whenever data is loaded into the data warehouse, it receives a time stamp, which allows for comparisons between different time periods.
 - The data is standardized. Because the data in a data warehouse usually comes from several different sources, it is possible that the data does not use the same definitions or units. For the data warehouse to match up different formats, a standard format (for example – date) would have to be agreed upon and all data loaded into the data warehouse would have to be converted to use this standard format. This process is called Extraction-Transformation-Load (ETL).
 - There are two approaches to follow when designing a data warehouse:
 - The **Bottom-Up Approach** starts by creating small data warehouses called Data Marts to solve specific business problems. As these data marts are created, they can be combined into a larger data warehouse.
 - The **Top-Down Approach** suggests that we should start by creating an enterprise-wide data warehouse and then, as specific business needs are identified, create smaller data marts from the data warehouse.
- (b) From the perspective of e-commerce in India, the IT Act, 2000 and its provisions contain many positive aspects which are as follows:
- ◆ The implications for the e-businesses is that email is now a valid and legal form of communication in India that can be duly produced and approved in a court of law.
 - ◆ Companies shall now be able to carry out electronic commerce using the legal infrastructure provided by the Act.
 - ◆ Digital Signatures have been given legal validity and sanction in the Act.
 - ◆ The Act throws open the doors for the entry of corporate companies in the business of being Certifying Authorities for issuing Digital Signatures Certificates.
 - ◆ The Act allows Government to issue notification on the web thus heralding e-governance.
 - ◆ The Act enables the companies to file any form, application or any other document with any office, authority, body or agency owned or controlled by the appropriate Government in electronic form by means of such electronic form as may be prescribed by the appropriate Government.
 - ◆ The IT Act also addresses the important issues of security, which are so critical to the success of electronic transactions.

- ◆ The Act has given a legal definition to the concept of secure digital signatures that would be required to have been passed through a system of a security procedure, as stipulated by the Government at a later date.

Under the IT Act, 2000, it shall now be possible for corporates to have a statutory remedy in case if anyone breaks into their computer systems or network and causes damages or copies data. The remedy provided by the Act is in the form of monetary damages, not exceeding ₹ 1 crore.

Question 3

- (a) *A manufacturing company is implementing an ideal ERP software, where a single database is being utilized and it contains all the data for various software modules. Identify the modules of an ideal ERP software along with their functions.* **(6 Marks)**
- (b) *Explain briefly the objectives of Information System's Auditing.* **(4 Marks)**

Answer

- (a) An ideal ERP System where a single database is being utilized and contains all data for various software modules includes the following modules:
- ◆ **Manufacturing:** Some of the functions include engineering, capacity, workflow management, quality control, bills of material, manufacturing process, etc.
 - ◆ **Financials:** Accounts payable, accounts receivable, fixed assets, general ledger and cash management, etc.
 - ◆ **Human Resources:** Benefits, training, payroll, time and attendance, etc.
 - ◆ **Supply Chain Management:** Inventory, supply chain planning, supplier scheduling, claim processing, order entry, purchasing, etc.
 - ◆ **Projects:** Costing, billing, activity management, time and expense, etc.
 - ◆ **Customer Relationship Management (CRM):** CRM is a term applied to processes implemented by a company to handle its contact with its customers. CRM software is used to support these processes, storing information on current and prospective customers. Information in the system can be accessed and entered by employees in different departments, such as sales, marketing, customer service, training, professional development, performance management, human resource development and compensation.
 - ◆ **Data Warehouse:** Usually this is a module that can be accessed by an organization's customers, suppliers and employees. Data warehouse is a repository of an organization's electronically stored data. These are designed to facilitate reporting and analysis, to retrieve and analyse data; tools to extract, transform and load data into the repository; and to manage the data dictionary.

(b) The major objectives of Information System's (IS) Auditing are as follows:

- **Asset Safeguarding:** The information system assets (hardware, software, data information etc.) must be protected by a system of internal controls from unauthorized access.
- **Data Integrity:** The importance to maintain integrity of data of an organization requires all the time and is a fundamental attribute of IS Auditing. It is also important from the business perspective of the decision maker, competition and the market environment.
- **System Effectiveness:** Effectiveness of a system is evaluated by auditing the characteristics and objective of the system to meet business and user requirements.
- **System Efficiency:** To optimize the use of various information system resources such as machine time, peripherals, system software and labour along with the impact on its computing environment.

Question 4

- (a) *Automation of business processes has introduced new types of risks in banking service. You being the Branch Manager of a CBS branch, list out some of the internal controls you think to be implemented in your branch.* **(6 Marks)**
- (b) *Explain various Control Objectives of e-commerce or m-commerce.* **(4 Marks)**

Answer

- (a) Some examples of Internal Controls that can be implemented in a bank branch to avoid the risks are as below:
- Work of one staff member is invariably supervised/ checked by another staff member, irrespective of the nature of work (Maker-Checker process).
 - A system of job rotation among staff exists.
 - Financial and administrative powers of each official/ position is fixed and communicated to all persons concerned.
 - Branch managers must send periodic confirmation to their controlling authority on compliance of the laid down systems and procedures.
 - All books are to be balanced periodically. Balancing is to be confirmed by an authorized official.
 - Details of lost security forms are immediately advised to controlling so that they can exercise caution.
 - Fraud prone items like currency, valuables, draft forms, term deposit receipts, traveller's cheques and other such security forms are in the custody of at least two officials of the branch.

(b) Various Control Objectives of e-Commerce or m-Commerce are as follows:

- **Prevent organizational costs of data Loss:** Data is a critical resource of an organization for its present and future process and its ability to adapt and survive in a changing environment.
- **Prevent loss from incorrect decision making:** Management and operational controls taken by managers involve detection, investigations and correction of out-of-control processes. These high-level decisions require accurate data to make quality decision rules.
- **Prevent loss of Computer Hardware, Software and Personnel:** These are critical resources of an organization which has a credible impact on its infrastructure and business competitiveness.
- **Prevent from high costs of computer Error:** In a computerized enterprise environment where many critical business processes are performed, a data error during entry or process would cause great damage.
- **Safeguard assets from un-authorized access:** The information system assets (hardware, software, data files etc.) must be protected by a system of internal controls from unauthorized access.
- **Ensure data integrity:** The importance to maintain integrity of data of an organization depends on the value of information, the extent of access to the information and the value of data to the business from the perspective of the decision maker, competition and the market environment.
- **System Effectiveness Objectives:** Effectiveness of a system is evaluated by auditing the characteristics and objective of the system to meet substantial user requirements.
- **System Efficiency Objectives:** To optimize the use of various information system resources (machine time, peripherals, system software and labour) along with the impact on its computing environment.

Question 5

(a) An e-commerce website is offering following discounts:

- If the purchase mode is via website, a discount of 5% is given on the bill amount.
- If the purchase mode is via phone app, a discount of 10% is given on bill amount.
- If purchase is done via any other mode, customer is not eligible for any discount.

Draw a Flowchart to calculate and display the bill amount payable by the customer.

(6 Marks)

- (b) *Now-a-days, Credit Cards are extensively being used for payment purpose. As a consultant to credit card section of a bank, advise the risks involved in the credit card process.* **(4 Marks)**

Answer

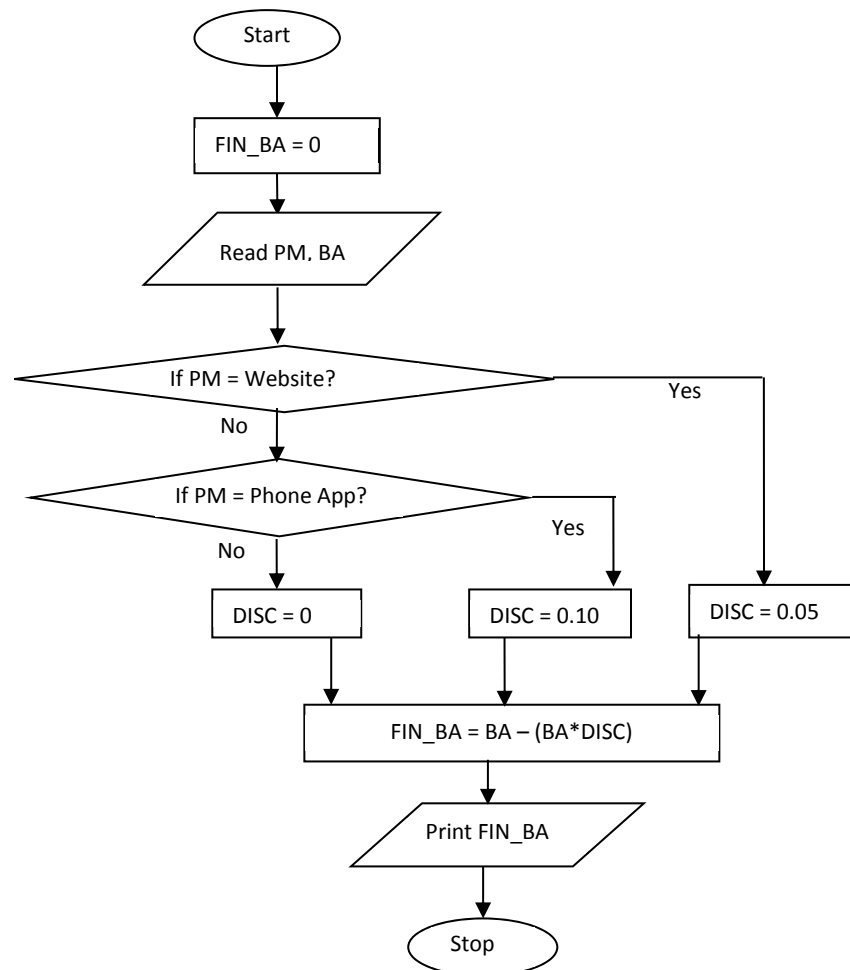
- (a) Let us define the variables first:

PM: Purchase Mode

BA: Bill Amount

FIN_BA: Final Bill Amount

DISC: Discount



(b) Various risks that are involved in the Credit Card process are as follows:

- Credit Line setup is unauthorized and not in line with the banks policy.
- Masters defined for the customer are not in accordance with the Pre-Disbursement Certificate.
- Credit Line setup can be breached.
- Inaccurate interest/charge being calculated in the Credit Card system.
- Inaccurate reconciliations performed.

Question 6

(a) Draw Workflow Diagram for e-commerce and describe various steps and corresponding activities involved in this diagram. **(8 Marks)**

(b) Explain the significance of Front End and Back End in a software. **(2 Marks)**

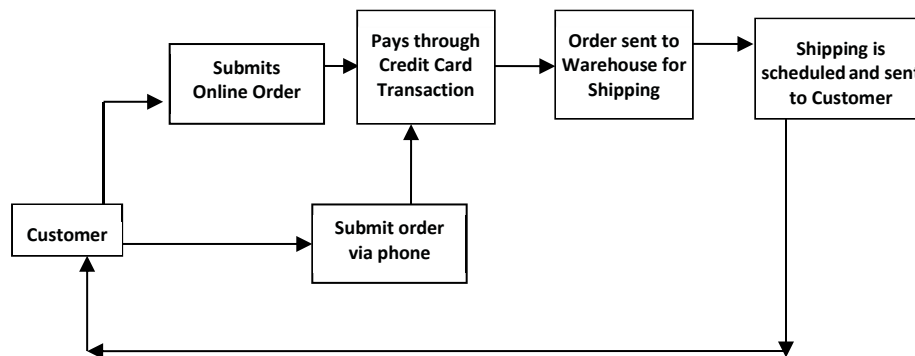
OR

Explain various types of Data Coding Errors.

(2 Marks)

Answer

(a) The workflow diagram for e-Commerce is as follows:



E-Commerce Workflow Diagram

Description of various steps and corresponding activities in e-Commerce workflow are as follows:

Step 1: Customers login: Few e-commerce merchants may allow same transactions to be done through phone, but the basic information flow is e-mode.

Step 2: Product / Service Selection: Customer selects products/services from available options.

Step 3: Customer Places Order: Order placed for selected product/service by customer that leads to next important activity “Payment Gateway”.

Step 4: Payment Gateway: Here, customer makes a selection of the payment method. In case payment methods is other than Cash on Delivery(COD), the merchant gets the update from payment gateway about payment realization from customer. In case of COD, e-commerce vendor may do an additional check to validate customer.

Step 5: Dispatch and Shipping Process: This process may be executed at two different ends. First if product/service inventory is managed by e-commerce vendor than dispatch shall be initiated at merchant warehouse. Second, many e-commerce merchants allow third party vendors to sale through merchant websites.

Step 6: Delivery Tracking: Another key element denoting success of e-commerce business is timely delivery. To keep a track of this, merchants provide their delivery staff with hand held devices, where product / service delivery to customers are immediately updated.

Step 7: COD Tracking: In case products are sold on Cash on Delivery (COD) payment mode, merchants need to have additional check on matching delivery with payments.

- (b) **Front End of a Software:** It is part of the overall software which interacts with the user who is using the software. For example - If a user wants to have some information from the Balance Sheet; user will interact with Front End part of the software and request front end to generate the report.

Back End of a Software: It is a part of the overall software which does not directly interact with the user, but interact with Front End only. Front End will receive the instruction from user and pass it on to the back end. Back End will process the data, generate the report and send it to the front end. Front end will then display the information to user.

OR

- (b) **Data Coding Errors:** Data Coding errors can cause serious problems in data processing if they go undetected. Two types of errors - Transcription and Transposition errors can corrupt a data code and cause processing errors.

- **Transcription Errors:** It is a special type of data entry error that is commonly made by human operators or by Optical Character Recognition (OCR) programs. These falls into three classes: Addition errors, Truncation errors and Substitution errors.
- **Transposition Errors:** It is a simple error of data entry that occur when two digits that are either individual or part of larger sequence of numbers are reversed (Transpose) when posting a transaction. There are two types of transposition errors: Single transposition and Multiple transposition errors.

SECTION –B: STRATEGIC MANAGEMENT

Question No. 7 is compulsory

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

Question 7

- (a) *Explain the concept of competitive advantage.*
- (b) *Describe the term 'Strategic Vision'.*
- (c) *Explain the meaning of Directional Strategy.*
- (d) *Explain the meaning of core competencies.*
- (e) *Describe the term 'Co-generic merger'.*

(5 x 2 = 10 Marks)

Answer

- (a) **Competitive advantage** is the position of a firm to maintain and sustain a favorable market position when compared to the competitors. Competitive advantage is ability to offer buyers something different and thereby providing more value for the money. It is achieved advantage over rivals when a company's profitability is greater than average profitability of firms in its industry. It is the result of a successful strategy. This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry. Competitive advantage may also be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large.
- (b) **A strategic vision** delineates organisation's aspirations for the business, providing a **panoramic view of the position where the organisation is going**. A strategic vision points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity.

A Strategic vision is a **roadmap 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.
- (c) **Directional strategies**, also called **grand strategies**, provide basic directions for strategic actions towards achieving strategic goals. Such strategies are formulated at the corporate level so are also **known as corporate strategies**. The corporate strategies a firm can adopt have been **classified into four broad categories: stability, expansion, retrenchment, and combination**.
- (d) **A core competence** is a **unique strength** of an organization which may not be shared by others. It is defined as a combination of skills and techniques rather than individual skill or separate technique. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses.

- (e) **In co-generic merger** two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies. Such merger includes the extension of the product line or acquiring components that are required in the daily operations. It offers great opportunities to business to diversify around a common set of resources and strategic requirements.

Question 8

Which of the following statements are 'correct' and which are 'incorrect'?

Give reasons, in brief, for your answer:

- (a) *Non-profit organizations do not require Strategic Management.*
- (b) *Human Resource Manager's role is significant in building up core competency of the firm.*
- (c) *Corporate culture is always identical in all the business organizations.*
- (d) *Marketing function has no relation with production function.*
- (e) *Economies of scale discourages new entrants.*

(5 x 2 = 10 Marks)

Answer

- (a) **Incorrect:** Strategic management applies equally to profit as well as non-profit organisations. Similar to commercial organizations, 'not-for-profit' organizations must also have strategies, purpose, vision and mission also. Strategic Management is required to give direction, focus and lead to efficient utilization of resources. In many 'not-for-profit' organizations surpluses are important for their survival and growth.
- (b) **Correct:** The human resource manager has a significant role to play in developing core competency of the firm. A core competence is a unique strength of an organization which may not be shared by others. Core-competencies can be generated and maintained only through the effective management of human resources and their skills.
- (c) **Incorrect:** Every company has its own organisational culture. Each has its own business philosophy and principles, its own ways of approaching to the problems and making decisions, its own work climate, work ethics, etc. Therefore, corporate culture is not identical in all organisations. Organisations over a period of time inherit and percolate down its own specific work ethos and approaches.
- (d) **Incorrect:** Marketing function and production function complement each other. They need to work in tandem to produce goods as per the needs and preferences of the customers. Marketing links the production with the customers.
- (e) **Correct:** Economies of scale leads to decline in the per-unit cost of production (or other activity) as volume grows. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.

Question 9

- (a) XYZ Ltd. is a multi-product company, suffering from continuous losses since last few years and has accumulated heavy losses which have eroded its net worth.

What strategic option is available to the management of this sick company? Advise with reasons. **(5 Marks)**

- (b) Ram and Shyam are two brothers engaged in the business of spices. Both have different approaches to management. Ram prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Shyam believes in democratic participative management approach, involving employees to give their best.

Analyse the leadership style followed by Ram and Shyam. **(5 Marks)**

Answer

- (a) XYZ Ltd. is a sick company with accumulated losses that have eroded its net worth. The multi-product company may analyse its various products to take decisions on the viability of each. **The company may consider retrenchment strategy.** Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.

Retrenchment strategy is adopted because of continuous losses and unviability and stability can be ensured by reallocation of resources from unprofitable to profitable businesses.

Retrenchment 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 as follows:**

Turnaround strategy: If the organization chooses to transform itself into a leaner structure and focuses on ways and means to reverse the process of decline, it adopts a turnaround strategy. It may try to reduce costs, eliminate unprofitable outputs, generate revenue, improve coordination, better control, and so on.

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.

The management of multiproduct sick company manufacturing various items need to understand pros and cons of each strategic option. The decision will depend upon the specific circumstances of each product and management goals of the company.

- (b) **Ram is a follower of *transactional leadership style*** that focuses on designing systems and controlling the organization's activities. Such a leader believes in using authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.

On the other hand, Shyam is a follower of *transformational leadership style*. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

Question 10

- (a) *Define Strategic Management. Also discuss the limitations of Strategic Management.*

(5 Marks)

- (b) *Describe the principal aspects of strategy-execution process, which are included in most situations.*

(5 Marks)

Answer

- (a) The term '**strategic management**' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate.

The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management. These can be explained in the following lines:

- ◆ **Environment is highly complex and turbulent.** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans. The environment affects as the organisation has to deal with suppliers, customers, governments and other external factors.
- ◆ **Strategic Management is a time-consuming process.** Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.

- ♦ **Strategic Management is a costly process.** Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete.
 - ♦ **Competition is unpredictable.** In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.
- (b) **Implementation or execution** is an operations-oriented, activity aimed at shaping the performance of core business activities in a strategy-supportive manner. In most situations, strategy-execution process includes the following principal aspects:
- ♦ **Developing budgets** that steer ample resources into those activities that are critical to strategic success.
 - ♦ **Staffing the organization with the needed skills and expertise**, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort.
 - ♦ **Ensuring that policies and operating procedures facilitate** rather than impede effective execution.
 - ♦ **Using the best-known practices to perform core business activities** and pushing for continuous improvement.
 - ♦ **Installing information and operating systems** that enable company personnel to better carry out their strategic roles day in and day out.
 - ♦ **Motivating people to pursue the target objectives energetically.**
 - ♦ **Creating culture and climate conducive** to successful strategy implementation and execution.
 - ♦ **Exerting the internal leadership** needed to drive implementation forward and keep improving strategy execution.

Question 11

- (a) *Explain briefly the competitive forces in any industry as identified by Michael Porter.*

(5 Marks)

- (b) *Define the term 'Marketing'. Distinguish between social marketing and service marketing.*

(5 Marks)

Answer

(a) 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. bigger the new entrant, the more severe the competitive effect.
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. 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, can affect industry attractiveness and profitability.
4. **Rivalry among current players:** The rivalry among existing players is quite obvious. This is what is normally understood as competition. 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.

The five forces together determine industry attractiveness/profitability. This is so because these forces influence the causes that underlie industry attractiveness/profitability.

(b) In general, marketing is an activity performed by business organizations. In the present day for business, it is considered to be the activities related to identifying the needs of customers and taking such actions to satisfy them in return of some consideration. The term marketing constitutes different processes, functions, exchanges and activities that create perceived value by satisfying needs of individuals.

Social marketing and service marketing are marketing strategies primarily with different orientations. Social Marketing refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group. For instance, the publicity campaign for prohibition of smoking or encouraging girl child, etc.

On the other hand, **service marketing is applying the concepts, tools, and techniques, of marketing to services.** Service is any activity or benefit that one party can offer to another that is essentially intangible and non-perishing. These may be from business to consumer and from business to business.

Question 12

- (a) *Explain the concept and need of Strategy Audit. Why is it more difficult in present scenario?* **(7 Marks)**
- (b) *Explain different types of strategic control in brief.* **(3 Marks)**

OR

Write a short note on SWOT analysis.

Answer

- (a) **A strategy audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization.** The audit of management performance with regard to its strategies helps an organization identify problem areas and correct the strategic approaches that have not been effective.

Strategy audit is needed under the following conditions:

- (a) When the performance indicators reflect that a strategy is not working properly or is not producing desired outcomes.
- (b) When the goals and objectives of the strategy are not being accomplished.
- (c) When a major change takes place in the external environment of the organization.
- (d) When the top management plans:
 - i. to fine-tune the existing strategies and introduce new strategies and
 - ii. to ensure that a strategy that has worked in the past continues to be in-tune with subtle internal and external changes that may have occurred since the formulation of strategies.

The difficulties in strategy audit can be explained in terms of following trends:

- ◆ A dramatic increase in the environment's complexity.
- ◆ The increasing difficulty of predicting the future with accuracy.
- ◆ The increasing number of variables in the environment.
- ◆ The rapid rate of obsolescence of even the best plans.
- ◆ The increase in the number of both domestic and world events affecting organizations.
- ◆ The decreasing time span for which planning can be done with any degree of certainty.

- (b) **Strategic Control** focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended. **There are four types of strategic control:**

- (a) **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.
- (b) **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
- (c) **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.
- (d) **Implementation control:** managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and result.

or

SWOT analysis is a tool used by organizations for evolving strategic options for the future. The term SWOT refers to the analysis of strengths, weaknesses, opportunities and threats facing a company. Strengths and weaknesses are identified in the internal environment, whereas opportunities and threats are located in the external environment.

- (a) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor.
- (b) **Weakness:** A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it.
- (c) **Opportunity:** An opportunity is a favourable condition in the external environment which enables it to strengthen its position.
- (d) **Threat:** An unfavourable condition in the external environment which causes a risk for, or damage to the organisation's position.

The major purpose of SWOT analysis is to enable the management to create a firm-specific business model that will best align, fit or match an organisational resources and capabilities to the demands for environment in which it operates.