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PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

*Question No. **1** is compulsory.*

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

Question 1

(a) GPL Bank wants to reduce IT related risks by implementing controls in the automated environment. As an IT consultant, explain any three IT controls which may be implemented for GPL Bank. ***(3 Marks)***

(b) A voucher is an important document for any accounting application. Please list any four important points for voucher numbering while designing an accounting application.

(2 Marks)

Answer

(a) The list of IT related controls which may be implemented for GPL Bank are as follows:

- The system maintains a record of all log-ins and log-outs.
- If the transaction is sought to be posted to a dormant (or inoperative) account, the processing is halted and can be proceeded only with a supervisory password.
- The system checks whether the amount to be withdrawn is within the drawing power.
- The system flashes a message if the balance in a lien account would fall below the lien amount after the processing of the transaction.
- Access to the system is available only between stipulated hours and specified days only.
- Individual users can access only specified directories and files. Users should be given access only on a 'need-to-know basis' based on their role in the bank. This is applicable for internal users of the bank and customers.
- Exception situations such as limit excess, reactivating dormant accounts, etc. can be handled only with a valid supervisory level password.
- A user timeout is prescribed which means that after a user logs-in and there is no activity for a pre-determined time, the user is automatically logged out of the system.
- Once the end-of-the-day process is over, the ledgers cannot be opened without a supervisory level password.

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(b) The important points related to voucher numbering while designing an accounting application are as follows:

- Voucher number must be unique.
- Every voucher type shall have a separate numbering series.
- A voucher number may have prefix or suffix or both, e.g. ICPL/2034/17-18. In this case "ICPL" is the prefix, "17-18" is the suffix and "2034" is the actual number of the voucher.
- All vouchers must be numbered serially i.e. 1,2,3,4,5,6 and so on.
- All vouchers are recorded in chronological order and hence voucher recorded earlier must have an earlier number, i.e. if voucher number for a payment voucher having date as 15th April, 2017 is 112, voucher number for all the vouchers recorded after this date shall be more than 112 only.

Question 2

(a) You are appointed as an IS auditor of TVL Ltd. Explain any three audit tools which may be used in IS audit to the management of TVL Ltd. ***(6 Marks)***

(b) Flowcharts are diagrammatic representation of business processes. Briefly explain any four steps for creating a flowchart for business processes. ***(4 Marks)***

Answer

(a) Many audit tools which may be used in IS Audit are described below:

(i) Snapshots: Tracing a transaction in a computerized system can be performed with the help of snapshots or extended records. The snapshot software is built into the system at those points where material processing occurs which takes images of the flow of any transaction as it moves through the application. These images can be utilized to assess the authenticity, accuracy, and completeness of the processing carried out on the transaction. The main areas to dwell upon while involving such a system are to locate the snapshot points based on materiality of transactions when the snapshot will be captured and the reporting system design and implementation to present data in a meaningful way.

(ii) Integrated Test Facility (ITF): The ITF technique involves the creation of a dummy entity in the application system files and the processing of audit test data against the entity as a means to verify processing authenticity, accuracy, and completeness. This test data would be included with the normal production data used as input to the application system. In such cases the auditor must decide what would be the method to be used to enter test data and the methodology for removal of the effects of the ITF transactions.

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(iii) **System Control Audit Review File (SCARF):** The SCARF technique involves embedding audit software modules within a host application system to provide continuous monitoring of the system's transactions. The information collected is written onto a special audit file - the SCARF master files. Auditors then examine the information contained on this file to see if some aspect of the application system needs follow-up. In many ways, the SCARF technique is like the snapshot technique along with other data collection capabilities.

(iv) **Continuous and Intermittent Simulation (CIS):** This technique can be used to trap exceptions whenever the application system uses a Database Management System (DBMS). During application system processing, CIS executes in the following way:

- The DBMS reads and passes an application system transaction to CIS. CIS then determines whether it wants to examine the transaction further. If yes, the next steps are performed or otherwise it waits to receive further data from the database management system.
- CIS replicates or simulates the application system processing.
- Every update to the database that arises from processing the selected transaction will be checked by CIS to determine whether discrepancies exist between the results it produces and those the application system produces.
- Exceptions identified by CIS are written to an exception log file.

(v) **Audit Hooks:** These are audit routines that flag suspicious transactions. For example, internal auditors at Insurance Company determined that their policyholder system was vulnerable to fraud every time a policyholder changed his or her name or address and then subsequently withdrew funds from the policy. They devised a system of audit hooks to tag records with a name or address change. The internal audit department will investigate these tagged records for detecting fraud. When audit hooks are employed, auditors can be informed of questionable transactions as soon as they occur. This approach of real-time notification displays a message on the auditor's terminal.

(b) Steps for creating a flowchart for business processes are as follows:

- Identify the business process that is to be documented with a flowchart and establish the overall goal of the business process.
- Based on inputs from the business process, owner obtains a complete understanding of the process flow.
- Prepare an initial rough diagram and discuss with the business process owner to confirm your understanding of the processes.

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- Obtain additional information about the business process from the people involved in each step, such as end users, stakeholders, administrative assistants, and department heads. During this phase, it may be found that some employees do not follow certain processes, or some processes are redundant. This should be highlighted so that corrective steps can be taken by the management.
- Identify the activities in each process step and who is responsible for each activity.
- Identify the starting point of the process. The starting point of a business process should be what triggers the process to action. In other words, it is the input that the business seeks to convert into an output.
- Separate different steps in the process. Identify each individual step in the process and how it is connected to the other steps. On the most general level, flowchart will have events or steps that require no action by the business, activities that are performed by the business in response to input, and decision gateways that splits in the process where the path of the process is decided by some qualifier. Between these objects, there are connectors, which can be either solid arrows (activity flow) or dashed (message/ information flow).
- Business Process Modelling Notation (BPMN) is a flow-chart-based notation for defining business processes. In traditional BPMN, the steps are represented by different shapes depending on their function. For example, we would use steps such as "customer order" (an event), "process order" (an activity), "Check credit" (an action), "Credit?" (A decision gateway that leads to one of two other actions, depending on a "yes" or "no" determination), and so on.
- Clarify who performs each step and what is performed in each step. To make the process as clear as possible, one should determine which part of the business completes each step. For example, different parts of the process may be completed by the accounting department, customer service, or order fulfilment. Alternately, for a small business, these steps may be completed by specific individuals. In BPMN, the associated person or department for each activity is either denoted by a designator next to the step or by a horizontal division or "lanes" in the flowchart that shows which part of the business performs each step, i.e. person or department.

Question 3

(a) *Prior to ERP audit, an auditor has to consider all aspects of audit of an ERP system. As the IS auditor of CRK Ltd., prepare a report on questions to be asked during the audit of their ERP system.* ***(6 Marks)***

(b) *You are designing data warehouse for DalMart, a retail company that sells wide range of products. Explain any four benefits of a data warehouse.* ***(4 Marks)***

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Answer

(a) Some of the questions that auditors should ask during an ERP audit are as follows:

- Does the system process as per GAAP (Generally Accepted Accounting Principles) and GAAS (Generally Accepted Auditing Standards)?
- Does it meet the needs for reporting, whether regulatory or organizational?
- Were adequate user requirements developed through meaningful interaction?
- Does the system protect confidentiality and integrity of information assets?
- Does it have controls to process only authentic, valid, accurate transactions?
- Are effective system operations and support functions provided?
- Are all system resources protected from unauthorized access and use?
- Are user privileges based on what is called "role-based access?"
- Is there an ERP system administrator with clearly defined responsibilities?
- Is the functionality acceptable? Are user requirements met? Are users happy?
- Have workarounds or manual steps been required to meet business needs?
- Are there adequate audit trails and monitoring of user activities?
- Can the system provide management with suitable performance data?
- Are users trained? Do they have complete and current documentation?
- Is there a problem-escalation process?

(b) Various benefits of a Data Warehouse are as follows:

- The process of developing a data warehouse forces an organization to better understand the data that it is currently collecting and, equally important, what data is not being collected.
- A data warehouse provides a centralized view of all data being collected across the enterprise and provides a means for determining data that is inconsistent.
- Once all data is identified as consistent, an organization can generate one version of the truth. This is important when the company wants to report consistent statistics about itself, such as revenue or number of employees.
- By having a data warehouse, snapshots of data can be taken over time. This creates a historical record of data, which allows for an analysis of trends.
- A data warehouse provides tools to combine data which can provide new information and analysis.

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Question 4

(a) Enterprise Risk Management helps an organization to operate more effectively in environment filled with risks. As a risk manager, justify the statement by explaining any six benefits of ERM. ***(6 Marks)***

(b) Increase in Internet-based transactions has necessitated a need for framing suitable laws. Explain any four objectives of IT Act, 2000. ***(4 Marks)***

Answer

(a) Several benefits of Enterprise Risk Management (ERM) are as follows:

- **Align risk appetite and strategy:** Risk appetite is the degree of risk, on a broad-based level that an enterprise (any type of entity) is willing to accept in pursuit of its goals. Management considers the entity's risk appetite first in evaluating strategic alternatives, then in setting objectives aligned with the selected strategy and in developing mechanisms to manage the related risks.
- **Link growth, risk, and return:** Entities accept risk as part of value creation and preservation, and they expect return commensurate with the risk. ERM provides an enhanced ability to identify and assess risks and establish acceptable levels of risk relative to growth and return objectives.
- **Enhance risk response decisions:** ERM provides the rigor to identify and select among alternative risk responses – risk avoidance, reduction, sharing and acceptance. ERM provides methodologies and techniques for making these decisions.
- **Minimize operational surprises and losses:** Entities have enhanced capability to identify potential events, assess risk and establish responses, thereby reducing the occurrence of surprises and related costs or losses.
- **Identify and manage cross-enterprise risks:** Every entity faces a myriad of risks affecting different parts of the enterprise. Management needs to not only manage individual risks, but also understand interrelated impacts.
- **Provide integrated responses to multiple risks:** Business processes carry many inherent risks, and ERM enables integrated solutions for managing the risks.
- **Seize opportunities:** Management considers potential events, rather than just risks, and by considering a full range of events, management gains an understanding of how certain events represent opportunities.
- **Rationalize capital:** More robust information on an entity's total risk allows management to effectively assess overall capital needs and improve capital allocation.

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(b) The objectives of Information Technology Act, 2000 can be summarized as follows:

- To grant legal recognition for transactions carried out by means of electronic data interchange or electronic commerce in place of paper-based method of communication.
- To give legal recognition to digital signature for authentication of any information or matter, which requires authentication under any law.
- To facilitate electronic filing of documents with Government departments.
- To facilitate electronic storage of data and its protection.
- To provide legal sanction to transfer fund electronically to and between banks and financial institutions.
- To provide legal recognition for keeping books of account in electronic format by bankers.
- To amend the Indian Penal Code, Indian Evidence Act, 1972, Bankers Book Evidence Act, 1891 and RBI Act, 1934.
- To provide legal infrastructure to promote e-commerce and secure information system.
- To manage cyber-crimes at national and international levels by enforcing laws.
- This Act governs all internet activities in India and is applicable to all online transactions in India, and provides for penalties, prosecution for non-compliances.

Question 5

(a) You are appointed as IS auditor by RIC Bank to audit their mortgage loan transactions. RIC Bank has an in-house CBS System. As a pre-audit program, please prepare a report to define Mortgage Loans and its types. Also explain the risks involved in mortgage process which need to be taken care of during the audit. ***(6 Marks)***

(b) After demonetisation, the trend of digital payments has increased a lot in India. Briefly explain Mobile Wallet and Mobile Banking. ***(4 Marks)***

OR

Write short notes on:

(i) Two-tier Client server architecture ***(2 Marks)***

(ii) Digital Library ***(2 Marks)***

Answer

(a) A **Mortgage Loan** is a secured loan which is secured on the borrower's property by marking a lien on the property as collateral for the loan. If the borrower stops paying, then the lender has the first charge on the property. Mortgages are used by individuals and

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businesses to make large real estate purchases without paying the entire value of the purchase up front. Over the period of many years, the borrowers repay the loan amount along with interest until there is no outstanding.

Types of Mortgage Loan

- **Home Loan:** This is a traditional mortgage where customer has an option of selecting fixed or variable rate of interest and is provided for the purchase of property.
- **Top Up Loan:** Here the customer already has an existing loan and is applying for additional amount either for refurbishment or renovation of the house.
- **Loans for Under Construction Property:** In case of under construction properties, the loan is disbursed in tranches / parts as per construction plan.

Various risks that are associated with Mortgage process are as follows:

- Incorrect customer and loan details are captured which will affect the over- all downstream process.
- Incorrect loan amount disbursed.
- Interest amount is in- correctly calculated and charged.
- Unauthorized changes made to loan master data or customer data.

(b) **Mobile Wallet:** A Mobile Wallet or e-wallet is a digital version of a physical or real-life wallet, in which one can add money to purchase various goods and services (both online and offline) and transfer money with this technology. A mobile wallet is a type of virtual wallet service that can be used by downloading an app on smartphone and registering for the service. It is the digital version of physical wallet with more functionality. User can keep his/her money in an E-wallet and use it when needed. The digital or mobile wallet stores bank account or debit/credit card information or bank account information in an encoded format to allow secure payments. Mobile Wallets provide a convenient way for a user to make-in-store payments and can be used that with merchants listed with the mobile wallet service providers. This eliminates the need to use credit/debit cards or remember the CVV or 4-digit pin. Mobile wallets are frequently used to make payments at physical shops/stores, recharge phone, online purchases, transfer money, and receive offers, cash backs, and rewards. For example - Paytm, Freecharge, State Bank Buddy, Mobikwik, phonepe etc.

Mobile Banking: It is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software usually called an app, provided by the banks or financial institution for the said purpose. Each Bank provides its own mobile banking App for Android, Windows and iOS mobile platform(s) which needs to be downloaded to utilize this facility. Mobile banking is usually available on a 24-hour basis.

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OR

(i) **Two-tier Client Server Architecture:** In a **Two-tier network**, client (user) sends request to server and the server responds to the request by fetching the data from it. The Two-tier architecture is divided into two tiers- **Presentation Tier** and **Database Tier.**

- **Presentation Tier (Client Application/Client Tier):** This is the interface that allows user to interact with the e-commerce/m-commerce vendors. User can login to an e-commerce vendor through this tier. This application also connects to database tier and displays the various products/prices to customers.
- **Database Tier (Data Tier):** The product data/price data/customer data and other related data are kept here. User has no access to data/information at this level, but he/she can display all data/information stored here through application tier.

(ii) **Digital Library:** A Digital Library is a special library with a focused collection of digital objects that can include text, visual material, audio material, video material, stored as electronic media formats (as opposed to print, microform, or other media), along with means for organizing, storing, and retrieving the files and media contained in the library collection. Digital libraries can vary immensely in size and scope, and can be maintained by individuals, organizations, or affiliated with established physical library buildings or institutions, or with academic institutions. The digital content may be stored locally or accessed remotely via computer networks. An electronic library is a type of information retrieval system.

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PAPER 7 - SECTION – B: STRATEGIC MANAGEMENT

Question paper comprises of 5 questions, Answer Question No. 6 which is compulsory and any 3 out of the remaining 4 questions.

Question 6

Swagatam was a chain of hotels. The business was good until the whole nation was impacted by COVID-19 pandemic in early 2022.

The management soon understood that pandemic had seriously disrupted the hotel sector and average revenue-per-available room fell by nearly 90% and they expected this decline to continue due to travel bans and fear seen in the society.

Pandemic required 14-day compulsory quarantine for the affected individuals and hospitals were short of rooms.

Management found a small opportunity as they had sufficient rooms, staff and could follow required health and safety standards. They decided to do service transformation by letting some of their units to hospitals to be transformed into covid-care units & rest of the units were rented to individuals as a quarantine facility.

(a) Name the strategic level of management at which such decisions are made. ***(1 Mark)***

(b) The above scenario depicts one of the limitations of strategic management. Discuss which limitation of strategic management is depicted here. ***(2 Marks)***

(c) Here the decision taken by the management was reactive. Discuss the benefit of proactive approach over reactive approach. ***(2 Marks)***

Answer

(i) The strategic level of management at which decisions like transforming hotel units into COVID-care units and quarantine facilities are made is at the **"Corporate Level."** This level of management is responsible for making decisions that affect the overall direction and scope of the entire organization.

(ii) The given scenario highlights a limitation of strategic management known as **highly complex and turbulent** environment. Due to this, there exist environmental uncertainty and unpredictability of the external factors that affect an organization. In this case, the **COVID-19 pandemic created a highly uncertain and unpredictable business environment** for Swagatam Hotels. The pandemic significantly impacted the hotel sector, causing a rapid decline in revenue and necessitating a strategic shift to adapt to the changing circumstances.

(iii) A proactive approach involves anticipating and addressing issues before they become critical, while a reactive approach responds to problems after they have occurred. In the scenario, the decision to transform hotel units into COVID-care units and quarantine facilities was reactive, driven by the unexpected impact of the pandemic.

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A proactive approach offers several benefits.

First, it **allows for better risk management** by identifying potential challenges in advance, enabling organizations to develop contingency plans.

Second, proactive strategies often **result in cost savings** as preventive measures can be more efficient than addressing crises retroactively.

Third, organizations can **maintain a competitive edge** by staying ahead of industry trends and changes.

Overall, a proactive approach enhances organizational strength and responsiveness in navigating uncertainties.

Question 7

(a) According to Michael Porter, what are the five competitive forces that exist within an industry? ***(5 Marks)***

(b) "The approach to BPR begins with defining the scope and objectives of the re-engineering project." With reference to this statement explain briefly the steps for implementing BPR. ***(5 Marks)***

Answer

(a) Michael Porter's Five Forces model is a widely utilized tool for systematically analyzing the competitive forces within an industry. The model identifies five competitive forces that shape the overall competitive landscape:

- **Threat of New Entrants:** New entrants bring added capacity and product variety, intensifying competition and impacting prices. The size of new entrants magnifies their competitive influence, placing constraints on prices and affecting existing players' profitability.
- **Bargaining power of Buyers:** The ability of buyers to form groups or cartels influences their bargaining power. This force, particularly in industrial products, impacts pricing and often leads to demands for better services, influencing costs and investments for producers.
- **Bargaining power of Suppliers:** Suppliers with specialized offerings exert significant bargaining power, especially when limited in number. Supplier bargaining power determines raw material costs, affecting industry attractiveness and profitability.
- **Rivalry among Current Players:** Existing players engage in competition, influencing strategic decisions across various levels. This rivalry is evident in pricing, advertising, cost pressures, and product strategies, impacting the overall competitive landscape.

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- **Threats from Substitutes:** Substitute products can alter an industry's competitive dynamics, offering price advantages or performance improvements. Substitutes limit prices and profits, and industries with substantial R&D investments are particularly susceptible to threats from substitute products.

These forces collectively determine industry attractiveness and profitability by influencing factors such as costs and investments required for industry participation. The strength of these forces varies across industries, ultimately shaping the potential for earning attractive profits.

(b) BPR is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. BPR is a revolutionary redesigning of key business processes.

BPR involves the following steps:

(i) **Determining objectives:** Objectives are the desired end results of the redesign process which the management and organization attempts to achieve. They will provide the required focus, direction, and motivation for the redesign process and help in building a comprehensive foundation for the reengineering process.

(ii) **Identify customers and determine their needs:** The designers have to understand customers – their profile, their steps in acquiring, using and disposing of a product. The purpose is to redesign the business process that clearly provides added value to the customer.

(iii) **Study the existing process:** The existing processes will provide an important base for the designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, some companies go through the reengineering process with a clean perspective without laying emphasis on the past processes.

(iv) **Formulate a redesign process plan:** Formulation of redesign plan is the real crux of the reengineering efforts. Customer focused redesign concepts are identified and formulated. Alternative processes are considered, and the optimum is selected.

(v) **Implement the redesign:** It is easier to formulate new processes than to implement them. It is the joint responsibility of the designers and management to operationalise the new processes.

Question 8

(a) Disha is appointed as Human Resource Manager in a Telecom company. Currently, the company is facing various HR challenges. Disha's role involves implementing effective human resource management strategies to address HR challenges and ensure the success of the company. Enumerate any five prominent areas where Disha can play a strategic role. ***(5 Marks)***

(b) Care Ltd. has decided to acquire Trust Ltd. Discuss the major dimensions of strategic decisions. ***(5 Marks)***

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Answer

(a) Disha, the Human Resource Manager in a Telecom company, plays a pivotal strategic role in addressing HR challenges and fostering the company's success. Key areas where Disha contributes strategically include:

1. **Providing purposeful direction:** The human resource manager leads people and the organization towards the desired direction involving people. He can ensure harmony between organisational objectives and individual objectives.
2. **Creating a competitive advantage:** In the present business environment, maintaining a competitive position or gains either by cost leadership or differentiation is an important objective of any business. Having a highly committed and competent workforce is very important for getting a competitively advantageous position.
3. **Facilitation of change:** The human resource manager will be more concerned about furthering the organization not just maintaining it. He can devote more time to promote acceptance of change rather than maintaining the status quo.
4. **Managing workforce diversity:** In a modern organization, management of a diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female, young and old, educated and uneducated, unskilled and professional employee and so on. Motivation, maintaining morale and commitment are some of the key tasks that a HR manager can perform.
5. **Empowerment of human resources:** Empowerment means authorizing ever member of an organization to take up his/her own destiny realizing his/her full potential. Empowerment involves giving more power to those who, at present, have little control over what they do and little ability to influence the decisions being made around them.
6. **Building core competency:** The human resource manager has an important role to play in developing the core competency of the firm. A core competence is a unique strength of an organization which may not be shared by others. Organization of business around core competence implies leveraging the limited resources of a firm.
7. **Development of works ethics and culture:** As changing work ethics requires increasing emphasis on individuals, jobs will have to be redesigned to provide challenge. A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among people and to encourage creative ideas by the people.

In these strategic roles, Disha contributes to the organizational success by aligning human resource practices with the overall objectives of the telecom company, ensuring resilience and competitiveness in the industry.

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(b) Strategic decisions, particularly exemplified by Care Ltd.'s decision to acquire Trust Ltd., possess distinctive dimensions that set them apart from routine operational decisions. These dimensions underscore the gravity and complexity of strategic decision-making:

1. Strategic decisions **require top-management involvement**. Strategic decisions involve thinking about the totality of the organizations and there is also a lot of risk involved in that.
2. Strategic decisions involve the **allocation/commitment of large amounts of company resources** - financial, technical, human etc.
3. Strategic decisions are likely to have a **significant impact on the long-term prosperity** of the firm.
4. Strategic decisions are **future oriented** by predicting future environmental conditions and how to orient for the changed conditions**.**
5. Strategic decisions usually have major multifunctional or **multi-business consequences** as they involve organizations in totality.
6. Strategic decisions necessitate consideration of **factors in the firm's external environment.**

Question 9

(a) Rohan works in the R & D department of an electronic appliances company and is given complete autonomy to conduct experiments for business expansion. He accepted the challenge and developed a new product for the customers. Identify and explain the role of Rohan in the company. ***(1 + 4 = 5 Marks)***

(b) Which strategy is implemented by redefining the business, by enlarging its scope of business and substantially increasing investment in the business? Explain the major reasons for adopting this strategy. ***(1 + 4 = 5 Marks)***

Answer

(a) Rohan, in this case, is working within the R & D department of the electronic appliances company, and he is given the autonomy to conduct experiments for business expansion. This level of autonomy and the initiative to develop a new product showcase intrapreneurial qualities. **Intrapreneurs** are individuals who take the initiative to innovate, create, and develop new products, services, or processes within the confines of an existing organization.

An intrapreneur is nothing but an entrepreneur who operates within the boundaries of an organisation. He is an employee of a large organisation, who is vested with authority of initiating creativity and innovation in the company's products, services and projects, redesigning the processes, workflows and systems.

The intrapreneurs believe in change and do not fear failure. They discover new ideas, look for such opportunities that can benefit the whole organisation and take risks,

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promote innovation to improve the performance and profitability of the organisation. The job of an intrapreneur is extremely challenging. They get recognition and reward for the success achieved by them.

It has now become a trend that large corporations appoint intrapreneur within the organisation, to bring operational excellence and gain competitive edge in the market.

(b) The strategy in question is the **growth/expansion** strategy.

The Growth/Expansion strategy involves redefining the business, expanding its scope, and significantly increasing investments. This dynamic and vigorous approach is synonymous with promise and success. It entails a substantial reformulation of goals, major initiatives, and strategic moves, including investments, exploration into new products, technologies, and markets, and innovative decision-making. While promising growth, this strategy navigates the enterprise through relatively unknown and risky paths, rich with potential but also pitfalls.

Major Reasons for Adopting Growth/Expansion Strategy:

- It may become imperative when environment demands increase in pace of activity.
- Strategists may feel more satisfied with the prospects of growth from expansion; chief executives may take pride in presiding over organizations perceived to be growth-oriented.
- Expansion may lead to greater control over the market vis-a-vis competitors.
- Advantages from the experience curve and scale of operations may accrue.
- Expansion also includes intensifying, diversifying, acquiring and merging businesses.

Question 10

(a) Mr. LMN has established a successful venture in the textiles sector in Maharashtra. His enterprise specializes in crafting unique and high-quality home furnishings, which have garnered significant market presence. However, there was a sales dip in the previous year. Seeking professional advice, Mr. LMN consulted a strategic management expert who suggested his first course of action should be to grasp the dynamics of the competitive landscape.

In order to comprehend the competitive landscape, what steps should Mr. LMN follow?

(5 Marks)

(b) What do you understand by Strategic Alliance? Discuss its advantages.

(1 + 4 = 5 Marks)

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OR

CDE Holdings operates in various sectors, including manufacturing fitness equipment, organic foods, eco-friendly products and children's educational tools. The organization is currently in the process of recruiting Chief Executive Officer. In this scenario imagine yourself as a HR consultant for CDE Holdings. ·

Identify the strategic level that encompasses this role within CDE Holdings. ***(1 Mark)***

Provide an overview of the key duties and responsibilities falling under the Chief Executive Officer's scope. ***(4 Marks)***

Answer

(a) Understanding the competitive landscape is crucial for Mr. LMN to navigate the textile sector in Maharashtra successfully. This involves identifying both direct and indirect competitors while gaining insights into their vision, mission, core values, niche markets, and strengths and weaknesses. Here are the structured steps Mr. LMN should follow to comprehend the competitive landscape and bolster his strategic position:

(i) **Identify the competitor:** The first step to understand the competitive landscape is to identify the competitors in the firm's industry and have actual data about their respective market share.

(ii) **Understand the competitors:** Once the competitors have been identified, the strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.

(iii) **Determine the strengths of the competitors:** What are the strengths of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers? Why do customers give them their business?

(iv) **Determine the weaknesses of the competitors:** Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. After all, consumers are often willing to give their opinions, especially when the products or services are either great or very poor.

(v) **Put all of the information together:** At this stage, the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps. The strategist can also know the areas which need to be strengthened by the firm.

By following these steps, Mr. LMN can gain a comprehensive understanding of the competitive landscape, enabling him to make informed strategic decisions. This tailored approach considers the specific dynamics of the textile sector in Maharashtra, ensuring that the insights gained are directly applicable to his business context.

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(b) **A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives** which neither would be able to achieve on its own. The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated.

The advantages of strategic alliance can be broadly categorised as follows:

(a) **Organizational:** Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain.

(b) **Economic:** There can be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline. The partners can also take advantage of co-specialization, creating additional value.

(c) **Strategic:** Rivals can join together to cooperate instead of competing. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

(d) **Political:** Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry.

Or

The Chief Executive Officer (CEO) position within CDE Holdings operates at the **Corporate Level.** This executive level is key in leading the overall direction, performance, and success of the entire organization. The CEO assumes a central role in shaping the company's strategic vision, overseeing diverse business sectors, and ensuring alignment with organizational goals.

Key Duties and Responsibilities of the CEO:

The CEO's role encompasses various strategic responsibilities at the Corporate Level, involving:

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;

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4. **allocating resources** among the different businesses;
5. **formulating, and implementing** strategies that span individual businesses;
6. **providing leadership** for the organization;
7. ensuring that the corporate and business level strategies which company pursues are consistent with **maximizing shareholders wealth**; and
8. managing the **divestment and acquisition** process.

Given the diverse nature of CDE Holdings, spanning manufacturing, organic foods, eco-friendly products, and children's educational tools, the CEO's responsibilities are tailored to navigate the unique challenges and opportunities presented by each sector. In conclusion, the CEO at the Corporate Level plays a critical role in guiding CDE Holdings strategically, ensuring cohesive leadership, and driving sustainable success across its diverse business domains.

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