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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

Describe briefly, the following terms with reference to Information Technology:

- (i) *Multi-Processing*
- (ii) *Virtual Memory*
- (iii) *Meta Data*
- (iv) *Semantics*
- (v) *Partitioned Database*
- (vi) *Multimedia Network*
- (vii) *Middleware*
- (viii) *Repeaters*
- (ix) *Extranet*
- (x) *Uniform Resource Locator (URL)* (1 x 10 =10 Marks)

Answer

- (i) **Multi-Processing:** Multiprocessing refers to the use of two or more central processing units, linked together, to perform coordinated work simultaneously. The jobs can be processed more rapidly by adopting multiprocessing. This is used for major control applications like railway traffic control etc
- (ii) **Virtual Memory:** Virtual memory is a memory management technique developed for multitasking kernels. It gives the programmers the illusion of a primary storage that is for all practical purposes never ending. It uses the hardware and software features, which provide automatic segmentation of program and for moving the segments from secondary to primary storage when needed. It allows programmer to consider unlimited memory size, though not in physical terms.
- (iii) **Meta Data :** Meta data or 'data about data' is used to inform operators and users of the data warehouse about its status and the information held within the data warehouse. The most recent date for loading data, the business meaning of a data item and the number of users that are logged in currently, are examples of meta data
- (iv) **Semantics:** This is one of the aspects of digital communication defined by a protocol. It refers to the type and order of messages used to ensure reliable and error free information transfer.

- (v) **Partitioned Database:** It is a type of distributed database where processing of application programs and data can be performed at more than one site. In a partitioned database, the database is divided into parts or segments that are required and appropriate for respective sites so that only those segments are distributed without costly replication of the entire data.
- (vi) **Multimedia Network:** It is a communication network that transmits data, voice, image, video etc.
- (vii) **Middleware:** The network system implemented within the client/server technology is commonly called as middleware. Middleware is all the distributed software needed to allow clients and servers to interact. General Middleware allows communication, directory services, queuing, distributed file sharing, and printing.
- (viii) **Repeaters:** Repeaters are the devices that solve the snag of signal degradation, which results as data is transmitted along the cables. It boosts or amplifies the signals before passing it through to the next section of cable.
- (ix) **Extranet:** An Extranet is an extension of an Intranet that makes the latter accessible to outside companies or individuals with or without an Intranet. It is also defined as a collaborative Internet connection with other companies and business partners. The Extranet is thus an extended Intranet, which isolates business communication from the Internet through secure solutions.
- (x) **Uniform Resource Locators (URL):** A URL is the unique address for a file that is accessible on the Internet and are used to address and access individual web pages as well as internet resources. The format of URL is protocol / internet address / web page address.

Question 2

- (a) *Describe any four basic functions of an operating system.* (4 Marks)
- (b) *Convert the following from one number system to another number system along with working notes :*
- (i) $(10101.001)_2 = (\quad)_{10}$
- (ii) $(55.25)_{10} = (\quad)_2$ (2 × 2 = 4 Marks)

Answer

- (a) The basic functions of an operating system are given as follows:
- **Scheduling Jobs:** Operating systems can determine the sequence in which jobs are executed by using the priorities established by the organization.
 - **Managing Hardware and Software Resources:** Operating systems cause the user's application program to be executed by loading it into primary storage and then cause the various hardware units to perform as specified by the application.

- **Maintaining System Security:** They may require users to enter a password that identifies users as being authorized to have access to the system.
- **Enabling Multiple User Resource Sharing:** They can handle the scheduling and execution of the application programs for many users at the same time, this feature is termed as multiprogramming.
- **Handling Interrupts:** An interrupt is a technique used by the operating system to temporarily suspend the processing of one program in order to allow another program to be executed. Interrupts are issued when a program requests an operation that does not require the CPU, such as input or output, or when the program exceeds some predetermined time limit.
- **Maintaining Usage Records:** Operating systems can keep track of the amount of time used by each user for each system unit - the CPU, secondary storage, and input and output devices. Such information is usually maintained for the purpose of charging users' departments for their use of the organization's computing resources.

(b) (i) $(10101.001)_2 = ()_{10}$

$$= 1 \times 2^4 + 0 \times 2^3 + 1 \times 2^2 + 0 \times 2^1 + 1 \times 2^0 + 0 \times 2^{-1} + 0 \times 2^{-2} + 1 \times 2^{-3}$$

$$= 1 \times 16 + 0 + 1 \times 4 + 0 + 1 \times 1 + 0 + 0 + 1/2^3$$

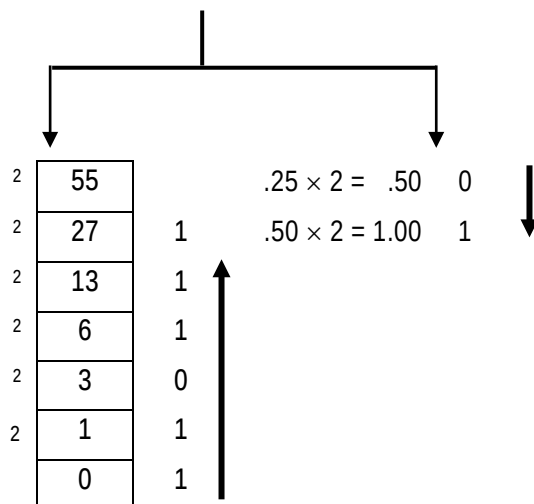
$$= 16 + 4 + 1 + 1/8$$

$$= 21 + .125$$

$$\text{Therefore } (10101.001)_2 = (21.125)_{10}$$

(ii) $(55.25)_{10} = ()_2$

55.25



$$= 110111.01$$

$$\text{Therefore } (55.25)_{10} = (110111.01)_2$$

Question 3

- (a) *Explain briefly any four components of Local Area Network (LAN).* (4 Marks)
- (b) *Describe Mesh Network Topology. Discuss its advantages.* (4 Marks)

Answer

- (a) Major components of Local Area Network (LAN) are given as follows:

- **File Server:** A network file server is a computer system used for the purpose of managing the file system, servicing the network printers, handling network communications, and other functions. A server may be dedicated, in which all of its processing power is allocated to network functions, or it may be non-dedicated which means that a part of the servers functions may be allocated as a workstation or DOS-based system.
- **The network operating system:** It is loaded into the server's hard disk along with the system management tools and user utilities. When the system is restarted, NetWare boots and the server commands its control.
- **Workstations:** Workstations are attached to the server through the Network Interface Card and the cabling. Workstations are normally intelligent systems, such as the IBM PC. The concept of distributed processing relies on the fact that personal computers attached to the networks perform their own processing after loading programs and data from the server. Hence, a workstation is called an Active Device on the network. After processing, files are stored back on the server where they can be used by other workstations.
- **Network Interface Card:** Every device connected to a LAN needs a Network Interface Card (NIC) to plug into the LAN. For example, a PC may have an Ethernet card installed in it to connect to an Ethernet. LAN.
- **Network Cabling:** Once the server, workstations and network interface cards are in place, networkcabling is used to connect everything together. The most popular type of network cable is the shielded twisted-pair, co-axial and fibre optic cabling.

- (b) **Mesh Network Topology:** In a mesh network topology, each of the network node and other related devices are interconnected with one another. This is a type of networking topology where each node must not only capture and disseminate its own data, but also serve as a *relay* for other nodes, which means, it must collaborate to propagate the data in the network. A mesh network can be designed using a flooding technique or a routing technique. This type of topology is very expensive as there are many redundant connections, thus it is not mostly used in computer networks.

A mesh network may be fully connected or connected with only partial links. In fully interconnected topology, each node is connected by a dedicated point to point link to every node. This means that there is no need of any routing function as nodes are

directly connected. The reliability is very high as there are always alternate paths available if direct link between two nodes is down or dysfunctional. Fully connected networks are not very common because of the high cost. Only military installations, which need high degree of redundancy, may have such networks, that too with a small number of nodes.

Partially connected mesh topology is the general topology for wide area networks. Here, computer nodes are widely scattered and it is the only choice. The function of routing information from one node to another is done using routing protocol or procedures.

Major advantages of Mesh Network Topology are given as follows:

- It yields the greatest amount of redundancy in the event therefore in case, one of the nodes fails, the network traffic can be redirected to another node.
- In this topology, network problems are easier to diagnose.
- Since messages travel through a dedicated line, directly to the intended recipient; therefore, privacy and security are enhanced.

Question 4

- (a) *Explain the factors in determining the best file organization.* (4 Marks)
- (b) *What is the difference between Internet and www ? Explain.* (4 Marks)

Answer

- (a) The factors to be considered in determining the best file organization are given as follows:
- **File Volatility:** It refers to the number of additions and deletions to a file in a given period of time. A file that constantly keeps changing is a highly volatile file. An Indexed-sequential file organization will not be suitable for such files, because additions have to be placed in the overflow area and constant reorganization of the file would have to occur. Other direct access methods would be a better choice. Even the sequential file organization could be appropriate if there are no interrogation requirements.
 - **File Activity:** It is the proportion of master file records that are actually used or accessed in a given processing run. At one extreme is the real-time file where each transaction is processed immediately and hence at a time, only one master record is accessed. This situation obviously requires a direct access method. At the other extreme is a file, such as a payroll master file, where almost every record is accessed when the weekly payroll is processed. In such case, a sequentially ordered file would be more efficient.
 - **File Interrogation:** It refers to the retrieval of information from a file. When the retrieval of individual record needs to be fast to support a real-time operation such as airline reservation, then some direct organization would be required. But if requirements of

data can be delayed, then all the individual requests or information can be batched and run in a single processing run with a sequential file organization.

- **File Size:** Large files that require many individual references to records with immediate response must be organized for certain direct access method. However, with small files, it may be more efficient to search sequentially or with more efficient binary search, to find an individual record.
- (b) **Difference between Internet and WWW:** The Internet & the World Wide Web (the Web), though used interchangeably, are not synonymous. Internet is the hardware part - it is a network of computer networks connected through either copper wires, fiber optic cables or wireless connections whereas, the World Wide Web can be termed as the software part – it is a collection of web pages connected through hyperlinks and URLs. In short, the World Wide Web is one of the services provided by the Internet. Other services over the Internet include e-mail, chat and file transfer services.

The following table highlights some of the major differences between Internet and WWW:

	<i>Internet</i>	<i>WWW</i>
Nature	Hardware	Software
Comprises of	Network of networks, copper wires, fiber - optic cables & wireless networks	Files, folders & documents stored in various computers
Governed By	Internet Protocol	Hyper Text Transfer Protocol
Dependency	This is the base platform and is independent from WWW.	It depends on the Internet to work.

Question 5

- (a) *What is M-Commerce? Discuss the business areas affected by M-Commerce technology.* (4 Marks)
- (b) *Discuss any four dimensions of E-Commerce Security.* (4 Marks)

Answer

- (a) **M-Commerce:** Mobile Commerce or M-Commerce is about the explosion of applications and services that are becoming accessible from Internet-enabled mobile devices. M-commerce is the buying and selling of goods and services through wireless handheld devices such as cellular telephone and Personal Digital Assistants (PDAs) known as next-generation e-commerce; m-commerce enables users to access the Internet without any need to find a place to plug in. The emerging technology behind m-commerce, which is based on the Wireless Application Protocol (WAP), has made strides across the globe, where mobile devices equipped with Web-ready micro-browsers are much more common.

The business areas affected by M-Commerce include:

- Financial services, which includes mobile banking (when customers use their handheld devices to access their accounts and pay their bills) as well as brokerage services, in which stock quotes can be displayed and trading conducted from the same handheld device.
- Telecommunications, in which service changes, bill payment and account reviews can be conducted from the same handheld device.
- Service/retail, as consumers are given the ability to place and pay for orders on-the-fly.
- Information services, which include the delivery of financial news, sports figures and traffic updates to a single mobile device.

(b) Different dimensions of E-Commerce security are :

- **Integrity** - The ability to ensure that information being displayed on a web site or transmitted or received over the internet has not been altered in any way by an unauthorized party.
- **Non-repudiation** - The ability to ensure that e-commerce participants do not deny (i.e. repudiate) their online actions.
- **Authenticity** - The ability to identify the identity of a person or entity with whom we are dealing in the internet.
- **Confidentiality** - The ability to ensure that messages and data are available only to those who are authorized to view them.
- **Privacy** - The ability to control the use of information about oneself.
- **Availability** - The ability to ensure that an e-commerce site continues to function as intended.

Question 6

(a) Distinguish between "Condition Stub" and "Condition Entries" in a Decision, Table.

(2 Marks)

(b) Top town Municipality, is levying annual House Tax, as per following rules :

Size of House in Sq. Metre	House tax rate per Square Metre
Less than 100	Nil
Upto Next 400	₹ 10
Upto Next 500	₹ 20
More than 1000	₹ 25

There is a surcharge of 5% of the value of House Tax. Taking into account the above factors, draw a flow chart to compute appropriate total House Tax including surcharge for any one house. (6 Marks)

Answer

- (a) **Condition Stub:** It is the part of a decision table. It comprehensively lists the comparisons and conditions.

Condition Entries: They enable to list in its various columns; the possible permutations of answers to the questions in the condition stub.

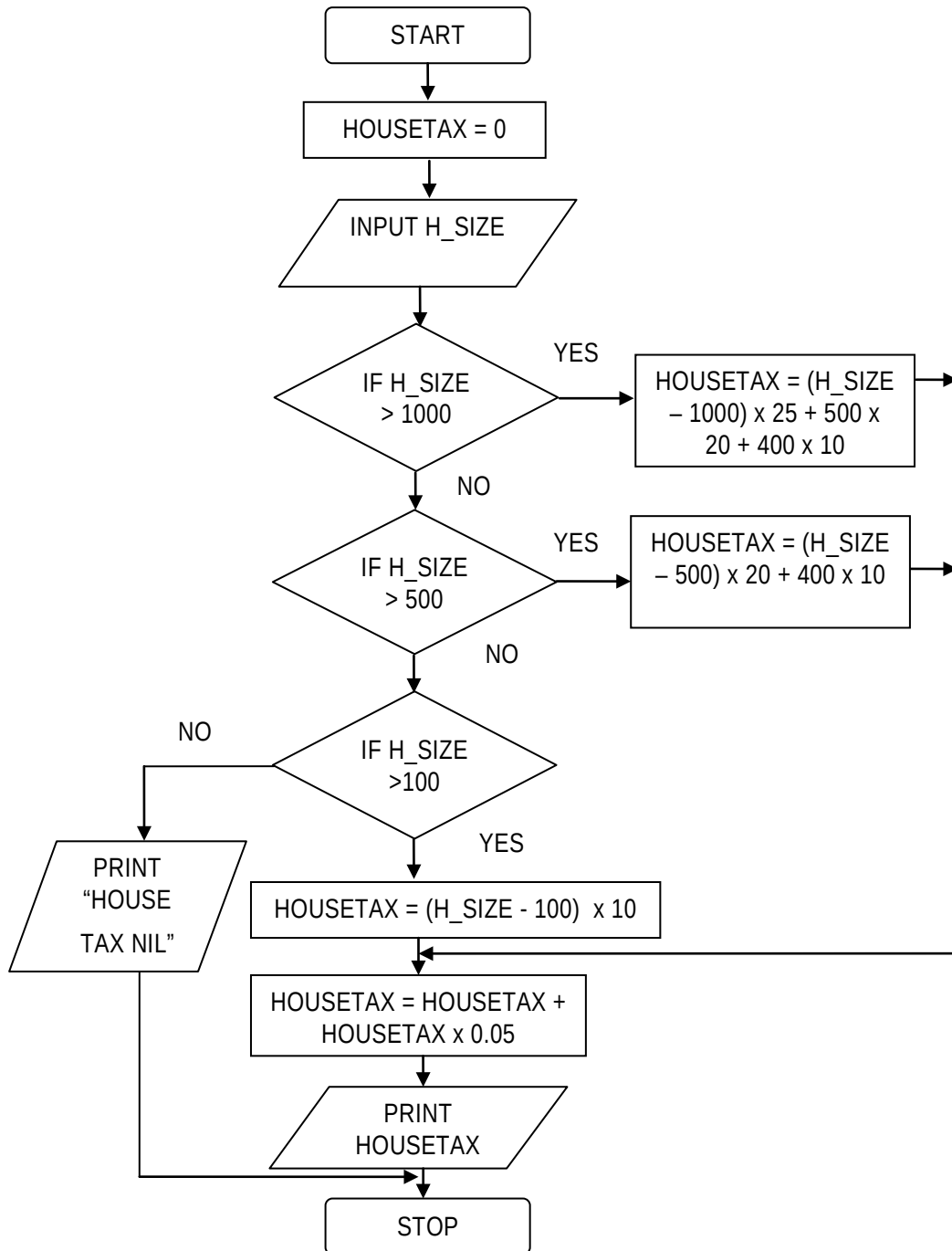
- (b) *Note: The information given in the question for drawing the flowchart is incomplete. In the given conditions, it is not clear that what is the house tax rate for 1000 sq. metre. To properly answer the question, any of the following assumptions can be made:*

(i) upto 100/less than or equal to 100: Nil

or

(ii) 1000 and more than 1000: 25

Based on first assumption, the flowchart can be drawn as follows:



Question 7

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

- (i) *Spooling software*
- (ii) *Program Debugging*
- (iii) *Host-based Intrusion Detection (HID)*
- (iv) *Honeypot*
- (v) *Electronic Purses*

(2 x 4 = 8 Marks)

Answer

- (i) **Spooling software:** The purpose of spooling software is to compensate for the speed differences between the computer and its peripheral devices such as input and output devices. It is used in large systems and network computing environment. To preclude the computer from being slowed down by input and output devices, many computer systems employ spooling software. These programs take the results of computer programs and move them from primary memory to disk. The area on the disk where the program results are sent is commonly called the output spooling area. Thus, the output device can be left to interact primarily with the disk unit, not the CPU. Spooling utilities can also be used on the input side, so that programs and data to be processed are temporarily stored in an input spooling area on disk.
- (ii) **Program Debugging:** Debugging is a process of finding and reducing the number of bugs, or defects, in a computer program before putting the program into use. There is a real necessity to debug a program, i.e. to cleanse it from errors. Debugging is a necessary process followed in almost any new software. Towards this purpose, the programmers device a set of test data transactions to test the various alternative branches in the program. The results got from the computer are compared with one derived manually prior to computer processing. If the results do not match for any reasons, the programmer then verifies the flowchart and coding sheet to hunt for the bugs. This process is called program debugging.
- (iii) **Host-based Intrusion Detection (HID):** Host-based Intrusion Detection systems are designed to monitor, detect, and respond to user and system activity and attacks on a given host. Some more robust tools also offer audit policy management and centralization, supply data forensics, statistical analysis and evidentiary support, and in certain instances provide some measure of access control. It is concerned with what occurs on the hosts themselves. Host-based intrusion detection is best suited to combat internal threats because of its ability to monitor and respond to specific user actions and file accesses on the host.
- (iv) **Honeypot:** Honeypot is a trap set to gather information regarding an attacker or intruder into our system. It is noteworthy to mention here that honeypots do not replace other traditional internet security systems; rather they are an additional level or system.

Honeypots are designed to mimic systems that an intruder would like to break into but limit the intruder from having access to the entire network. If a honeypot is successful, the intruder will have no idea that s/he is being tracked and monitored. Most of the honeypots are installed inside firewalls so that they can better be controlled, though it is possible to install them outside of firewalls also. In a fully deployed Intrusion Detection System (IDS), some administrators may choose to install a honeypot; essentially a system component setup as bait or decoy for intruders. Honeypots can be used as early warning systems on an attack, decoys from critical systems, and data collection sources for attack analysis. A honeypot should only be deployed when the organization has the resources to maintain it.

- (v) **Electronic Purses:** Electronic purse is another way to make payments over the internet. It is very similar to a prepaid card. For example, Bank issues a stored value cards to its customers, the customers can then transfer value from their accounts to the cards at an ATM, a personal computer, or a specially equipped telephone. The electronic purse card can be used as an ATM card (debit 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. Validation is done through a Personal Identification Number (PIN Number).

Once the transaction is complete, funds are deducted directly from the cards and transferred to the vendor's terminal. Merchants can transfer the value of accumulated transactions to their bank accounts by telephone as frequently as they choose. When the value on a card is spent, consumers can load additional funds from their accounts to the card.

SECTION – B

Question No. 8 is compulsory

Answer any five questions from the rest

Question 8

- (a) *"A business enterprise is a sub-system of the larger environmental system." Discuss the relationship between the organization and its business environment. (3 Marks)*
- (b) *What do you mean by financial strategy of an organization ? How the worth of a business is evaluated ? (3 Marks)*
- (c) *According to Michael Porter, strategies allow organizations to gain competitive advantages from different bases. Explain these bases as mentioned by Porter. (3 Marks)*
- (d) *"The Ansoff's product market growth matrix is a useful tool that help businesses their product and market growth strategy." Elucidate this statement. (3 Marks)*
- (e) *"Three key characteristics of six Sigma separate it from other quality programs of the past," Explain these characteristics. (3 Marks)*

Answer

- (a) A business does not function in isolation, rather, it acts as a sub-system of its environment consisting of society, economy, laws, competitors and so on. Business draws certain inputs from environment in form of resources and information and transforms them into outputs. The relationship between the organization and its environment may be discussed in terms of interactions between them that can be broadly outlined as below:
 - **Exchange of information:** The organization scans the external environmental variables, their behaviour and changes, generates important information and uses it for its planning, decision-making and control purposes.

On the other hand, the organization itself transmits information to several external agencies either voluntarily, inadvertently or legally.
 - **Exchange of resources:** The organization receives inputs — finance, materials, manpower, equipment etc., from the external environment. It sustains itself by employing the above inputs for involving or producing output of products and services.

The organization is also dependent on the external environment for disposal of its output of products and services to a wide range of clientele.
 - **Exchange of influence and power:** The external environment holds considerable power over the organization both by virtue of its being more inclusive as also by virtue of its command over resources, information and other inputs. The external environment is also in a position to impose its will over the organization. Governmental control,

competitors, customers, suppliers, investors etc., exercise considerable power and influence over the organization.

In turn, the organization itself is sometimes in a position to wield power and influence over the external environment by virtue of its command over resources and information.

- (b) **Meaning of the Financial Strategy:** The financial strategies of an organization are related to several finance/ accounting concepts considered to be central to strategy implementation. These are: acquiring needed capital/sources of fund, developing projected financial statements/budgets, management/ usage of funds, and evaluating the worth of a business.

Various methods for determining a business's worth can be grouped into three main approaches which are as follows:

- (i) **Net worth or stockholders' equity:** Net worth is the total assets minus total outside liabilities of an individual or a company.
 - (ii) **Future benefits to owners through net profits:** These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business's worth as five times the firm's current annual profit. A five-year average profit level could also be used.
 - (iii) **Market-determined business worth:** This, in turn, involves three methods. First, the firm's worth may be based on the selling price of a similar company. The second approach is called the price-earnings ratio method whereby the market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding years. The third approach can be called the outstanding shares method whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium.
- (c) According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. These bases form different generic strategies as follows:
- **Cost leadership** emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. It frequently results from productivity increases and aggressive pursuit of cost reduction throughout the development, production, marketing, and distribution processes. It allows a firm to earn higher profits than its competitors.
 - **Differentiation** is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. It concerns with distinguishing a product/service from that of its competitors through unique design features, technological leadership, unique uses of products and attributes like quality, environmental impact and customer service.

- Focus means producing products and services that fulfil the specific needs of small groups of consumers. It involves selecting or focusing a market or customer segment in which to operate. By focussing on the needs of particular segments that exists within the industry, an organisation can achieve competitive advantage either through lower cost or differentiation.

The basic purpose of following a generic strategy is to gain competitive advantage so as to ensure long-time survival and growth.

- (d) The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy. This matrix further helps to analyse different strategic directions. According to Ansoff there are four strategies that organisation might follow. These options for strategies are summarised below and shown in the matrix drawn under:

- **Market Penetration:** Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets.
- **Market Development:** Market development refers to a growth strategy where the business seeks to sell its existing products into new markets.
- **Product Development:** Product development refers to a growth strategy where business aims to introduce new products into existing markets.
- **Diversification:** Diversification refers to a growth strategy where a business markets new products in new markets.

As market conditions change over time, a company may shift product-market growth strategies. For example, when its present market is fully saturated there may be no choice other than to pursue new market.

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Ansoff's Product Market Growth Matrix

- (e) Three key characteristic that separate Six Sigma from other quality programs of the past.
1. Six Sigma is customer focused. While moving towards Six Sigma it is almost an obsession to keep external customer needs in plain sight, driving the improvement effort.
 2. Six Sigma projects produce major returns on investment. Six Sigma can help in improving the returns. A satisfied customer brings loyalty. Defects lead to increased

costs and complains. Ideally, an organisation wants to avoid any defects leading to increased cost and reduced customer satisfaction. Thus, six sigma helps a company to save more money by delivering near perfect products and services.

3. Six Sigma changes how management operates. Six Sigma is much more than improvement project. Senior executives and leaders throughout a business are learning the tools and concepts of Six Sigma: new approaches to thinking, planning, and executing to achieve results. In a lot of ways, Six Sigma is about putting into practice the notions of working smarter, not harder.

Question 9

- (a) *State with reasons which of the following statements is correct or incorrect.*
- (i) *A strategic group consists of rival firms with similar competitive approaches and positions in the market.*
 - (ii) *Total Quality Management (TQM) focusses on preventing rather than detecting defects.* (2 x 2 = 4 Marks)
- (b) *Explain the elements of strategic vision.* (3 Marks)

Answer

- (a) (i) **Correct:** A strategic group consists of those rival firms that have similar competitive approaches and positions in the market. Organisations in the same strategic group can resemble one another in any of the several ways: they may have comparable product-line breadth, sell in the same price/quality range, emphasize the same distribution channels, use essentially the same product attributes to appeal to similar types of buyers, depend on identical technological approaches, or offer buyers similar services and technical assistance.
- (ii) **Correct:** TQM is a management philosophy that seeks to prevent poor quality in products and services, rather than simply to detect and sort out defects. A little precaution before a crisis occurs is preferable to a lot of fixing up afterward. This also saves cost and time.
- (b) A strategic vision steers an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. The three elements of a strategic vision are:
1. Coming up with a mission statement that defines what business the company is presently in and conveys the essence of "Who we are and where we are now?"
 2. Using the mission statement as basis for deciding on a long-term course making choices about "Where we are going?"
 3. Communicating the strategic vision in clear, exciting terms that arouse organization wide commitment.

Question 10

What do you mean by micro environment of business ? Explain its elements. (7 Marks)

Answer

The environment of business can be categorised into two broad categories micro-environment and macro-environment. Micro-environment is related to small area or immediate periphery of an organization. Micro-environment influences an organization regularly and directly. Developments in the micro environment have direct impact on the working of organizations. Micro environment includes the company itself, its suppliers, marketing intermediaries, customer markets and competitors. The elements of micro environment are specific to the said business and affects its working on short term basis.

- **Consumers / Customers:** Customers who may or may not be consumers are the people who pay money to acquire organisational products and services. Consumer is the one who ultimately consumes or uses the product or services. The marketer has to closely monitor and analyse the changes in the consumer tastes and preferences and their buying habits. Consumer occupies the central position in the market.
- **Competitors:** Competitors are the other business entities that compete for resources as well as markets. A study of the competitive scenario is essential for the marketer, particularly threats from competition.
- **Organization:** Individuals occupying different positions or working in different capacities in organizations consists of individuals who come from outside. They have different and varied interests. An organization has several non-specific elements in form of individuals and groups that may affect its activities. Owners, board of directors and employees form part of organisation.
- **Market:** The market is larger than customers. The market is to be studied in terms of its actual and potential size, its growth prospect and also its attractiveness. The marketer should study the trends and development and the key success factors of the market.
- **Suppliers:** Suppliers form an important component of the micro environment. The suppliers provide raw materials, equipment, services and so on. Suppliers with their own bargaining power affect the cost structure of the industry. They constitute a major force, which shapes competition in the industry.
- **Market Intermediaries:** Intermediaries bridge the gap between the organisations and customers. They are in form of stockist, wholesalers and retailers. They exert considerable influence on the business organizations. In many cases the consumers are not aware of the manufacturer of the products they buy. They buy product from the local retailers or big departmental stores.

Question 11

- (a) How is TOWS Matrix an improvement over the SWOT Analysis ? Describe the construction of TOWS Matrix. (2+2 = 4 Marks)
- (b) Explain the role of Strategic Management in non-profit organisations. (3 Marks)

Answer

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

The matrix is outlined below:

<i>Internal elements</i> <i>External Elements</i>	Organizational Strengths	Organizational Weaknesses
	Strategic Options	
Environmental opportunities (and risks)	SO : Maxi – Maxi	WO : Mini – Maxi
Environmental threats	ST : Maxi – Mini	WT : Mini – Mini

The TOWS Matrix is a relatively simple tool for generating strategic options. Through TOWS matrix four distinct alternative kinds of strategic choices can be identified.

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

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

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

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

- (b) Business organization can be classified as commercial or non-commercial on the basis of the interest they have. 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. Examples of non-commercial organizations can be The Institute of Chartered Accountants of India, municipal corporations, non-governmental organizations such as Help-Age or Child

Relief and You. Their main aim is to provide services to members, beneficiaries or public at large.

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.

Question 12

- (a) *Define Strategic Change. Explain the various stages/phases of change process as propounded by Kurt Lewin.* (1+3 = 4 Marks)
- (b) *Explain in brief, how E-commerce environment has affected the business ?* (3 Marks)

Answer

- (a) The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process and it involves a corporate strategy focused on new markets, products, services and new ways of doing business.

To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

- (i) **Unfreezing the situation:** The process of unfreezing simply makes the individuals or organizations aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change.
- (ii) **Changing to New situation:** Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.
- (iii) **Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for

successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this new acquired behaviour does not diminish or extinguish.

(b) Growing use of the Internet by businesses and consumers reshapes the economic landscape and alters traditional industry boundaries. The following features stand out:

- The Internet makes it feasible for companies everywhere to compete in global markets.
- Competition in an industry is greatly intensified by the new e-commerce strategic initiatives of existing rivals and by the entry of new, enterprising e-commerce rivals.
- Entry barriers into the e-commerce world are relatively low.
- Online buyers gain bargaining power because they confront far fewer obstacles to comparing the products, prices, and shipping times of rival vendors.
- The Internet makes it feasible for companies to reach beyond their borders to find the best suppliers and, further, to collaborate closely with them to achieve efficiency gains and cost savings.
- Internet and PC technologies are advancing rapidly, often in uncertain and unexpected directions.
- The internet results in much faster diffusion of new technology and new idea across the world.
- The e-commerce environment demands that companies move swiftly.
- E-commerce technology opens up a host of opportunities for reconfiguring industry and company value chains.
- The Internet can be an economical means of delivering customer service.
- The needed e-commerce resource in short supply is human talent-in the form of both technological expertise and managerial know-how.

Question 13

Distinguish between the following:

- (a) *Transformational leadership style and Traditional leadership style.* (4 Marks)
- (b) *Top-down and Bottom-up strategic planning.* (3 Marks)

Answer**(a) Difference between Transformational and transactional leadership style:**

1. Traditional leadership borrowed its concept from formal Top-down type of leadership such as in the military. The style is based on the belief that power is bestowed on the leader, in keeping with the traditions of the past. This type of leadership places managers at the top and workers at the bottom of rung of power.

In transformational leadership, leader motivates and empowers employees to achieve company's objectives by appealing to higher ideas and values. They use charisma and enthusiasm to inspire people to exert them for the good of the organization.

2. Traditional leadership emphasizes characteristics or behaviours of only one leader within a particular group whereas transformational leadership provides a space to have more than one leader in the same group at the same time. According to the transformational leadership style, a leader at one instance can also be a follower in another instance. Thus there is element of flexibility in the relationships.
3. Traditional leadership is more focused in getting the work done in routine environment. Traditional leaders are effective in achieving the set objectives and goals whereas transformational leaders have behavioural capacity to recognize and react to paradoxes, contradictions and complexities in the environment. Transformational leadership style is more focus on the special skills or talents that the leaders must have to practice to face challenging situations. Transformational leaders work to change the organisational culture by implementing new ideas.
4. In traditional leadership, followers are loyal to the position and what it represents rather than who happens to be holding that position whereas in transformational leadership followers dedicate and admire the quality of the leader not of its position.

(b) Difference between Top Down and Bottom-up Strategic Planning:

Strategic Planning is a top level management function. The flow of planning can be from corporate to divisional level or vice versa. There are two approaches to strategic planning: Top-Down or Bottom-up.

The difference between the two approaches to planning is as under:

1. Top-down strategic planning describes centralised approach to strategy formulation in which the corporate centre or head office determines mission, strategic intent, objectives and strategies for the organisation as a whole.

Bottom-up strategic planning is the characteristics of autonomous or semi-autonomous divisions or subsidiary companies in which the corporate centre does not conceptualise its strategic role as being directly responsible for determining the mission, objectives or strategies of its operational character.

2. In Top-Down strategic planning, unit managers are seen as implementers of pre specified corporate strategies.

In Bottom-up strategic planning the corporate level may prefer to act as a catalyst and facilitator, keeping things reasonably simple and confining itself to perspective and broader strategic intent.

Question 14

Write short notes on the following:

- (a) *Elements of Marketing Mix.* (4 Marks)
(b) *Importance of Strategic Management* (3 Marks)

OR

Network Structure (3 Marks)

Answer

- (a) Marketing mix is a systematic way of classifying the key decision areas of marketing management. It is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The original framework of marketing mix comprises of 4Ps- product, price, place and promotion. These are subsequently expanded to highlight certain other key decision areas like people, processes, and physical evidence. The elements of original framework are:

Product: stands for the “goods and service” combination the company offers to the target market. Strategies are needed for managing existing product over time adding new ones and dropping failed products. Strategic decisions must also be made regarding branding, packaging and other products features such as warranties.

Price: stands for the amount of money customers have to pay to obtain the product. Necessary strategies pertain to the location of the customers, price flexibility, related items within a product line and terms of sale. The price of a product is its composite expression of its value and utility to the customer, its demand, quality, reliability, safety, the competition it faces, the desired profit and so on.

Place: stands for company activities that make the product available to target customers. One of the most basic marketing decisions is choosing the most appropriate marketing channels. Strategies applicable to the middleman such as the wholesalers and the retailers must be designed.

Promotion: stands for activities that communicate the merits of the product and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. In addition promotional strategies as a product move from earlier stages from later stages of its life

EITHER

(b) **Importance of Strategic Management:** Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

- Strategic management helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
- It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides framework for all major business decisions of an enterprise such as on businesses, products, markets, organizational structures, etc.
- It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
- It serves as a corporate defense mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
- Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

OR

Network structure is a newer and somewhat more radical organisational design. Its essential features are as follows:

1. It is termed as “non-structure” as it eliminates in house functions and outsources many of them.
2. An organisation organised in this manner is often called “virtual organisation” because it is composed of a series of project groups or collaborations linked by constantly changing non hierarchical, cob-web like structures.
3. Network structures become most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response.
4. Instead of having salaried employees, it may contract with people for a specific project or length of time.
5. Long term contracts with suppliers and distributors replace services that company could provide for itself.