

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A: INFORMATION TECHNOLOGY

QUESTIONS

1. Define the following terms briefly:
 - (i) Multiprogramming
 - (ii) Interpreter
 - (iii) Multitasking
 - (iv) Structured Query Language (SQL)
 - (v) DDL Compiler
 - (vi) Real Time Data Warehouse
 - (vii) Web Casting
 - (viii) Multiplexer
 - (ix) Wi-Fi
 - (x) Data Centre
2. Convert the following from one number system to another number system along with the working notes:
 - (i) $(1324)_{10} = ()_2$
 - (ii) $(1101001)_2 = ()_{10}$
 - (iii) $(527.25)_{10} = ()_2$
 - (iv) $(11101101.110)_2 = ()_{10}$

Decision Support Systems

3. What do you understand by Decision Support System? Discuss major characteristics of a DSS.

Systems Software

4. What are the major tasks performed by the utility programs? Explain in brief.

Database Management Systems

5. "The efficiency and effectiveness of end user applications is limited due to some problems, which are associated with File Processing System." Explain these problems in brief.
6. What is a database? Explain major benefits of a DBMS Solution.

Database Structures

7. What do you understand by Hierarchical Database Structure? Explain its key features in brief.

Data Warehouse

8. Discuss various reporting tools available in a Data Warehouse.

Communication Software

9. Discuss various functions of Communication Software in brief.

Network Topologies

10. Explain Star Network Topology along with its advantages and disadvantages.

Transmission Technologies

11. Discuss various Data transmission modes in brief.

Local Area Network (LAN)

12. Discuss various attributes of Local Area Network (LAN).

E-Commerce

13. 'E-Commerce presents several benefits to individual organizations, consumers and society as a whole'. Explain any eight benefits.

Customer Relationship Management (CRM)

14. How does Customer Relationship Management (CRM) improve customer relationship?

Flowchart

15. Draw a flowchart to find the sum of first 50 even numbers, starting from 2.

SUGGESTED ANSWERS / HINTS

1. (i) **Multiprogramming:** Multiprogramming is defined as execution of two or more programs that all reside in primary storage. The CPU can execute only one instruction at a time; it cannot simultaneously execute instructions from two or more programs. However, it can execute instructions from one program then from second program then from first again, and so on. This type of processing is referred to as "concurrent execution".
- (ii) **Interpreter:** It refers to a language translator that converts source program written in high level language to machine code. Interpreter translates programs a line at a time as it is being run. Each statement is translated into machine language just before it is executed.
- (iii) **Multitasking:** Multi-tasking refers to the operating system's ability to execute two or more of a single user's tasks, concurrently. Multiple tasks are executed by the CPU switching between them. This is accomplished through foreground/background processing. In this method, CPU time is shared by different processes.
- (iv) **Structured Query Language (SQL):** A query language is a set of commands to create, update and access data from a database allowing users to raise adhoc

queries/questions interactively without the help of programmers. It is a computer programming language used to manipulate information in Relational Database Management Systems (RDBMS).

- (v) **DDL Compiler:** DDL Compiler converts data definition statements into a set of tables. Tables contain meta-data (data about the data) concerning the database. It gives rise to a format that can be used by other components of the database.
- (vi) **Real Time Data Warehouse:** In this data warehouse, data is updated on a transaction or event basis, every time an operational system performs a transaction such as an order or a delivery or a booking etc.
- (vii) **Web Casting:** Web casting is a media presentation distributed over the Internet using streaming media technology to distribute a single content source to many simultaneous listeners/viewers. A webcast may either be distributed live or on demand. Essentially, webcasting is "broadcasting" over the Internet.
- (viii) **Multiplexer:** It is a device that enables several devices to share one communication line. The multiplexer scans each device to collect and transmit data on a single line to the CPU, and also communicates transmission from the CPU to the appropriate terminal linked to the multiplexer. The devices are polled and periodically asked whether there is any data to transmit.
- (ix) **Wi-Fi:** It stands for Wireless Fidelity that describes the underlying technology of wireless local area network based on IEEE 802.11 specifications. It is used for mobile computing devices, Internet and VOIP phone access, gaming applications, consumer electronics, public transports and mobile commerce etc.
- (x) **Data Centre:** It is a centralized depository for the storage, management and discrimination of data and information. It can be defined as highly secure, fault-resistant facilities, hosting customer equipment that connects to telecommunications networks.

2. (i) $(1324)_{10} = (\quad)_2$

2	1324	
2	662	0
2	331	0
2	165	1
2	82	1
2	41	0
2	20	1
2	10	0
2	5	0
2	2	1
2	1	0
	0	1

Therefore $(1324)_{10} = (10100101100)_2$

$$\begin{aligned}
 \text{(ii)} \quad (1101001)_2 &= (\quad)_{10} \\
 &= 1 \times 2^6 + 1 \times 2^5 + 0 \times 2^4 + 1 \times 2^3 + 0 \times 2^2 + 0 \times 2^1 + 1 \times 2^0 \\
 &= 64 + 32 + 0 + 8 + 0 + 0 + 1 \\
 &= 105
 \end{aligned}$$

Therefore $(1101001)_2 = (105)_{10}$

$$\text{(iii)} \quad (527.25)_{10} = (\quad)_2$$

To convert the given number from Decimal Number System to Binary Number System, first we will convert mantissa part, then the fractional part into Binary Number System.

Step-I

2	527	
2	263	1
2	131	1
2	65	1
2	32	1
2	16	0
2	8	0
2	4	0
2	2	0
2	1	0
	0	1

$$(527)_{10} = (1000001111)_2 \quad \dots \quad \text{(i)}$$

Step – II **Integer Part**

$$\begin{array}{rcl}
 .25 \times 2 & = & 0.50 \quad 0 \\
 .50 \times 2 & = & 1.00 \quad 1
 \end{array}$$

$$(.25)_{10} = (.01)_2 \dots \dots \dots \quad \text{(ii)}$$

So, combining equations (i) and (ii), we get -

$$(527.25)_{10} = (1000001111.01)_2$$

$$\text{(iv)} \quad (11101101.110)_2 = (\quad)_{10}$$

$$\begin{aligned}
 &= 1 \times 2^7 + 1 \times 2^6 + 1 \times 2^5 + 0 \times 2^4 + 1 \times 2^3 + 1 \times 2^2 + 0 \times 2^1 + 1 \times 2^0 \\
 &\quad + 1 \times 2^{-1} + 1 \times 2^{-2} + 0 \times 2^{-3} \\
 &= 128 + 64 + 32 + 0 + 8 + 4 + 0 + 1 + \frac{1}{2} + \frac{1}{4} + 0 \\
 &= 237 + \frac{3}{4} \\
 &= 237 + .75
 \end{aligned}$$

Therefore $(11101101.110)_2 = (237.75)_{10}$

3. **Decision Support System:** Decision Support System (DSS) is a specific class of computerized information system that supports business and organizational decision-making activities. A properly designed DSS is an interactive software-based system intended to help decision maker to compile useful information from raw data, documents, personal knowledge, and/or business models to identify and solve problems and make decisions. A DSS may present information graphically and may include an expert system or artificial intelligence. DSS have also achieved broad use in accounting and auditing today.

Major characteristics of a Decision Support System are given as follows:

- **DSS support management decision making** – These enhance decision quality. While the system might not point to a particular decision, it is the user, who ultimately makes the final choice.
 - **DSS solve relatively unstructured problems** – The unstructured problems with lesser well-defined questions do not have easy solution procedures and therefore need some managerial judgment. Such problems can be handled and addressed with the help of appropriate DSS.
 - **DSS are friendly computer interface** – A friendly computer interface is also a characteristic of a DSS. As the managers and other decision makers using DSS are not necessarily good programmers, such systems must be easy to use. The communication between the user and the DSS is made easy through nonprocedural modeling languages.
 - **DSS should be able to respond quickly to the changing needs of the decision makers** – As managers must plan for future activities, they rely heavily on assumptions. Any DSS should address the decision making for a variety of assumptions. A key characteristic of many systems is that these allow users to ask what-if questions and examine the results of these questions.
4. Major tasks performed by the utility programs are given as follows:
- Sorting and storing of the data;
 - Checking or scanning the data stored on hard disk for security reason;
 - Making a copy of all information stored on a disk, and restore either the entire disk;

- Performing routine data management tasks, such as deleting, renaming, moving, copying, merging, generating and modifying data sets;
 - Providing encryption and decryption of data;
 - Analyzing the computer's network connectivity, configure network settings, check data transfer or log events;
 - Partitioning of drive into multiple logical drives, each with its own file system, which can be mounted by the operating system and treated as an individual drive;
 - Converting data from one recording medium to another, viz., floppy disk to hard disc, tape to printer, etc.;
 - Dumping of data to disc or tape; and
 - Tracing the operation of program.
5. Major problems, which are associated with File Processing Systems that limit the efficiency and effectiveness of end user applications are given as follows:
- (i) **Data Duplication:** Independent data files include a lot of duplicated data that causes problems when data is to be updated, since separate file maintenance programs have to be developed and coordinated to ensure that each file is properly updated.
 - (ii) **Lack of Data Integration:** Data in independent files makes it difficult to provide end users with information for ad hoc requests that require accessing data stored in several different files. Special computer programs have to be written to retrieve data from each independent file. This is difficult, time consuming, and expensive for the organizations.
 - (iii) **Data Dependence:** In file processing systems, major components of a system i.e., the organization of files, their physical locations on storage, hardware and the application software used to access those files depend on one another in significant ways. Thus, if changes are made in the format and structure of data and records in a file, changes have to be made in all the programs that use this file. This program maintenance effort is a major burden of file processing systems.
 - (iv) **Data Integrity and Security:** There are certain integrity constraint defined in DBMS to protect and unauthorized access to the data in the database. For example, when inserting the data for a particular field says salary for an employee data base, it can not be null. Such type of constraint does not allow the user to leave the field blank thus providing integrity and security on the database. Whereas in file processing systems, such type of integrity constraint and security aspects are lacking. Also in file processing system, the integrity (i.e. the accuracy and completeness) of the data is suspected because there is no control over their use and maintenance by authorized end users.

6. A data base is a computer file system that uses a particular file organization to facilitate rapid updating of individual records, simultaneous updating of related records, easy access to all records, by all applications programs, and rapid access to all stored data which must be brought together for a particular routine report or inquiry or a special purpose report or inquiry.

Major benefits of a DBMS Solution are given as follows:

- It reduces data redundancy and inconsistency.
- It enhances data integrity and security.
- It provides logical and physical data independence.
- It provides application data independence.
- It reduces complexity of the organization's Information System environment.
- It provides faster data accessibility and improved data sharing.
- It increases productivity of application development.
- It provides low cost of developing and maintaining system.
- It provides systematic storage of data in the form of table.
- Multiple simultaneous usages by good number of users.
- Different privileges can be given to different users.
- It provides backup & recovery.

7. **Hierarchical Database Structure:** In a hierarchical database structure, records are logically organized into a hierarchy of relationships. A hierarchically structured database is arranged logically in an inverted tree pattern. For example, an equipment database, may have building records, room records, equipment records, and repair records. The database structure reflects the fact that repairs are made to equipment located in rooms that are part of buildings.

All records in hierarchy are called nodes. Each node is related to the others in a parent-child relationship. Each parent record may have one or more child records, but no child record may have more than one parent record. Thus, the hierarchical data structure implements one-to-one and one-to-many relationships.

The key features of Hierarchical Database are given as follows:

- Hierarchically structured database are less flexible than other database structures because the hierarchy of records must be determined and implemented before a search can be conducted. In other words, the relationships between records are relatively fixed by the structure.

- Adhoc queries made by managers that require different relationships other than that are already implemented in the database may be difficult or time consuming to accomplish.
 - Managerial use of query language to solve the problem may require multiple searches and prove to be very time consuming. Thus, analysis and planning activities, which frequently involve adhoc management queries of the database, may not be supported as effectively by a hierarchical DBMS as they are by other database structures.
 - On the plus side, a hierarchical database management system usually processes structured, day-to-day operational data rapidly. In fact, the hierarchy of records is usually specifically organized to maximize the speed with which large batch operations such as payroll or sales invoices are processed.
 - Any group of records with a natural, hierarchical relationship to one another fits nicely within the structure. However, many records have relationships that are not hierarchical.
 - Though a hierarchical database structure does not permit such a structure conceptually, a commercial hierarchical database management system must have ways to cope with these relationships. Unfortunately, they may not always be easy to implement.
8. Various reporting tools available in a Data Warehouse are given as follows:
- **Business Intelligence tools:** These are software applications that simplify the process of development and production of business reports based on warehousing data.
 - **Executive Information System tools:** These are software applications that are used to display complex business metrics and information in a graphical way to allow rapid understanding of the overall process.
 - **Online Analytical Processing (OLAP) tools:** They form data into logical multi-dimensional structures and allow users to select dimensions to view data.
 - **Data Mining tools:** They are software that allows users to perform detailed mathematical and statistical calculations on detailed warehousing data to detect trends, identify patterns and analyze data.
9. **Various Functions of Communication Software:** Communication software manages the flow of data across a network. It performs the following major functions:
- **Access Control:** Linking and disconnecting different devices; automatically dialling and answering telephones; restricting access to authorized users and establishing parameters such as speed, mode, and direction of transmission.
 - **Network Management:** Polling devices to see whether they are ready to send or receive data; queuing input and output; determining system priorities; routing messages and logging network activity, use, and errors.

- **Data and File Transmission:** Controlling the transfer of data, files, and messages among various devices.
 - **Error Detection and Control:** Ensuring that the data sent is indeed the data received.
 - **Data Security:** Protecting data during transmission from unauthorized access.
10. **Star Network Topology:** The geometrical arrangement of computer resources, remote devices and communication facilities is known as Network Structure or Network Topology. Star Network topology is characterized by communication channels emanating from centralized computer system as shown in figure given below:

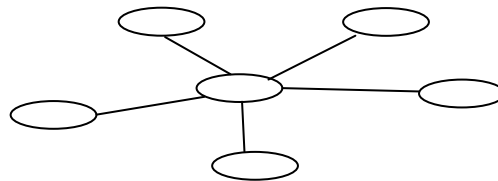


Fig: Star Network Topology

The processing nodes in a star network interconnect directly with a central system. Each terminal, small computer or large main frame can communicate only with the central site and not with other nodes in the network. If it is desired to transmit information from one node to another, it can be done only by sending the details to the central node, which in turn sends them to the destination.

Advantages:

Major advantages of Star topology are given as follows:

- It is easy to add new and remove nodes.
- A node failure does not bring down the entire network.
- It is easier to diagnose network problems through a central hub.

Disadvantages:

Major disadvantages of Star topology are given as follows:

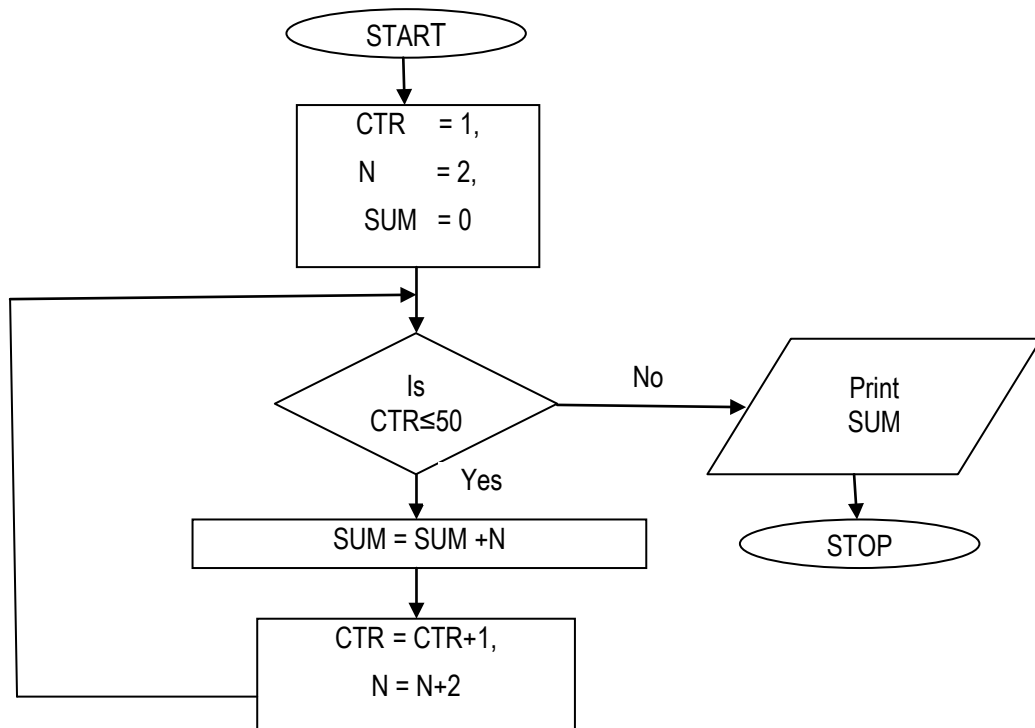
- If the central hub fails, the whole network ceases to function.
- It costs more to cable a star configuration than other topologies.

11. There are three major data transmission modes, which are given as follows:

- **Simplex:** A simplex communication mode permits data to flow in only one direction. A terminal connected to such a line is either a send-only or receive only device. Simplex mode is seldom used because a return path is generally needed to send acknowledgements, control or error signals.

- **Half duplex:** In this mode, data can be transmitted back and forth between two stations, but data can only go in one of the two directions at any given point of time.
 - **Full duplex:** A full duplex connection can simultaneously transmit and receive data between two stations. It is most commonly used communication mode. A full duplex line is faster, since it avoids the delay that occurs in a half-duplex mode each time the direction of transmission is changed.
12. Main attributes of a Local Area Network are given as follows:
- Inexpensive transmission media is used to connect computers in limited geographical area mainly through coaxial cable.
 - Inexpensive devices like modems, repeaters and transceiver is used to interface with the transmission media.
 - Provide easy physical connection of devices to the media.
 - Provide high data transmission rates between source and the destination.
 - Network data transmissions are easier for the devices with different transmission rates in the network.
 - Provide high degree of interconnection between the network devices.
 - All devices have the potential to communicate with other devices on the network.
 - It does not provide central controlling processor on the network.
 - Each attached device may only hear and does not necessarily process messages or instructions.
13. Major benefits of E-Commerce applications are given as follows:
- Reduces costs to buyers from increased competition in procurement as more suppliers are able to compete in an electronically open marketplace.
 - Reduces errors, time, and overhead costs in information processing by eliminating requirements for re-entering data.
 - Reduces costs to suppliers by electronically accessing on-line databases of bid opportunities, on-line abilities to submit bids, and on-line review of rewards.
 - Reduces time to complete business transactions, particularly from delivery to payment.
 - Creation of new markets through the ability to reach potential customers easily and cheaply.
 - Easier entry into new markets, especially geographically remote markets, for companies of all sizes and locations.

- Better quality of goods as specifications are standardized and competition is increased, and improved variety of goods through expanded markets and the ability to produce customized goods.
 - Faster access time to market as business processes are linked, enabling seamless processing and eliminating time delays.
 - Optimization of resource selection as businesses form cooperative teams to increase the chances of economic success, and to provide the customer products and capabilities more exactly meeting his or her requirements.
 - Reduced inventories and reduction of risk of obsolete inventories as the demand for goods and services is electronically linked through just-in-time inventory and integrated manufacturing.
14. Customer Relationship Management (CRM) programs are able to improve customer relationship because of the following reasons:
- CRM technology can track customer interests, needs and buying habits as they progress through their life cycles and tailor the marketing effort accordingly. In this manner, the customers get exactly what they want as per their changing requirements.
 - It can track customer's product use as the product progresses through its life cycle and tailor the service strategy accordingly. This way the customers get what they need as the product ages.
 - In industrial markets, the technology can be used to micro-segment the buying centre and help coordinate the conflicting purchase criteria of its members.
 - It ensures long term customer satisfaction resulting into repeat purchases, improved customer relationships, increased customer loyalty, decreased customer turnover, decreased marketing costs, increased sales revenue and thereby increase in profit margins.
15. The required flowchart is drawn below in Fig.:



SECTION – B: STRATEGIC MANAGEMENT**QUESTIONS****Correct/Incorrect with reasoning**

1. State with reasons which of the following statements are correct/incorrect:
 - (a) Porter's five forces model considers substitute products as a latent source of competition in an industry.
 - (b) A strategic vision is a road map of a company's future.
 - (c) Successful businesses have to recognize different elements of environment.
 - (d) Growth share matrix is popularly used for resource allocation.
 - (e) Balance scorecard is a combination of strategic and marketing objectives.
 - (f) Strategic planning is an attempt to improve operational efficiency.
 - (g) With the help of strategies, organisations easily overcome their rivals.
 - (h) Human resource management is important for strategic management.
 - (i) An organisation's culture is always an obstacle to successful strategy implementation.
 - (j) The internet can be an economical means of delivering customer services.

Explain the concepts

2. Explain the meaning of the following concepts:
 - (a) Key success factors
 - (b) Corporate strategy
 - (c) Relationship marketing
 - (d) Value chain Analysis

Differences between the two concepts

3. Distinguish between the following:
 - (a) Vertically integrated diversification and Horizontally integrated diversification.
 - (b) Strategy formulation and Strategy implementation.
 - (c) TQM and Traditional management practices.
 - (d) Logistic management and Supply chain management.

Short notes

4. Write short notes on the following:
 - (a) Strategic business unit.

- (b) Best-cost provider strategy.
- (c) BPR.
- (d) Importance of Strategic Management.

Brief answers

- 5. Briefly answer the following questions:
 - (a) Explain in brief environmental scanning.
 - (b) What is meant by retrenchment strategy?
 - (c) Can a change in the elected government affect the business environment? Explain.
 - (d) Discuss the relevance of Tows Matrix in strategic planning process.

Chapter 1-Business Environment

- 6. The external environment holds considerable power over the organization. How?
- 7. How PESTLE analysis is used for analyzing the macro environment? Explain.

Chapter 2-Business Policy and Strategic Management

- 8. What tips can you offer to write a 'right' Mission Statements?
- 9. What is Strategic Management? What benefits accrue by following a strategic approach to managing?

Chapter 3-Strategic Analysis

- 10. Describe the construction of BCG matrix and discuss its utility in strategic management.
- 11. Explain the Ansoff's product market growth matrix.

Chapter 4-Strategic Planning

- 12. Many organizations in order to achieve quick growth use strategies such as mergers and acquisitions. Explain. Discuss various types of mergers.
- 13. What is turnaround management? What are various stages in its implementation?

Chapter 5-Formulation of Functional Strategy

- 14. What are the requirements for the successful implementation of supply chain management system? Discuss.
- 15. What is meant by Functional strategies? In term of level where will you put them? Are functional strategies really important for business?

Chapter 6-Strategic Implementation and Control

- 16. A company is planning to introduce changes in its structure, technology and people. Explain how Kurt Lewin's change process can help this organisation.
- 17. Explain the various types of strategic control.

Chapter 7-Reaching Strategic Edge

18. Adoption of six sigma can bring paradigm change in the organization. Discuss how six sigma can improve the functioning of business organization.
19. What is Benchmarking? What are the areas where benchmarking can help.

SUGGESTED ANSWERS / HINTS

1. (a) **Correct:** Substitute products are a latent source of competition in an industry. In many cases they become a major constituent of competition. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry. And they can bring it about all of a sudden. For example, coir suffered at the hands of synthetic fibre. Wherever substantial investment in R&D is taking place, threats from substitute products can be expected. Substitutes, too, usually limit the prices and profits in an industry.
- (b) **Correct:** A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.
- (c) **Correct:** To be successful businesses have to recognise different elements of the environment. They have to also respect, adapt to or have to manage and influence them. Businesses must continuously monitor and adapt to the environment to survive and prosper.
- (d) **Correct:** Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company. Primarily it categorises organisations/products on the basis two factors consisting of the growth opportunities and the market share enjoyed.
- (e) **Incorrect:** Balance scorecard is a combination of strategic and financial objectives. It measure company performance, requires setting both financial and strategic objectives and tracking their achievement. Unless a company is in deep financial difficulty, such that its very survival is threatened, company managers are well advised to put more emphasis on achieving strategic objectives than on achieving financial objectives whenever a trade-off has to be made.
- (f) **Incorrect:** Strategic planning, an important component of strategic management, involves developing a strategy to meet competition and ensure long-term survival and growth. They relate to the top level in the organisation and relate the organisation with its environment. Operational efficiency is not a direct outcome of strategic planning.
- (g) **Incorrect:** Although often strategies are aimed to overcome rivals, it is not easy

task. Competitors are simultaneously developing strategies that act as forces opposing strategies of an organisation. Winning is tedious and difficult task.

- (h) **Correct:** The human resource management helps the organization to effectively deal with the external environmental challenges. The function has been accepted as a partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and rewarding of personnel.
 - (i) **Incorrect:** A company's culture is manifested in the values and business principles that management preaches and practices. The beliefs, vision, objectives, business approaches and practices underpinning a company's strategy may be compatible with its culture or may not. When they are compatible the culture becomes a valuable ally in strategy implementation and execution.
 - (j) **Correct:** The internet can be an economical means of delivering customer services. It provides innovative opportunities for handling customer service activities. Companies are discovering ways to deliver services online, thus curtailing the need to keep company personnel at the facilities of major customers, reducing staffing levels at telephonic call centers, and cutting the time required for service technicians to respond to customer faxes and e-mail messages.
2. (a) **Key success factors** vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change. Only rarely does an industry have more than three or four key success factors at any one time. And even among these three or four, one or two usually outrank the others in importance.
- (b) **Corporate strategy** is basically the growth design of the firm; it spells out the growth objective - the direction, extent, pace and timing of the firm's growth. It also spells out the strategy for achieving the growth. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages.
- (c) **Relationship marketing** is the process of creating, maintaining, and enhancing strong, value-laden relationship with customers and other stakeholders, thus, providing special benefits to select customers to strengthen bonds. It will go a long way in building relationship.
- (d) **Value chain analysis** refers to separate activities which are necessary to underpin an organization's strategies and are linked together both within and around the organization. Organizations are much more than a random collection of machines, money and people. Value chain of a manufacturing organization comprises of primary and supportive activities.
3. (a) In vertically integrated diversification, firms opt to engage in businesses that are related to their existing businesses. The firm remains vertically within the same process. Sequence moves forward or backward in the chain and enters specific

product/process steps with the intention of making them into new businesses for the firm.

On the other hand, horizontal Integrated Diversification is the acquisition of one or more similar business operating at the same stage of the production-marketing chain that is going into complementary products, by-products or taking over competitors' businesses.

- (b) Strategy formulation and implementation can be distinguished in the following ways:

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

- (c) Total Quality Management is different from traditional management practices, requiring changes in organisational processes, beliefs and attitudes, and behaviours. The nature of TQM differs from common management practices in many respects. Some of the key differences are as follows:

- (i) **Strategic Planning and Management:** Quality planning and strategic business planning is indistinguishable in TQM. Customer satisfaction, defect rates and process cycle times receive very high attention on TQM which is not the case in traditional management.
- (ii) **Changing Relationships with customers and suppliers:** Distinguishable, innovation is essential to meet and exceed customers' needs. In TQM quality is defined as product and services. Traditional management places customers outside of the enterprises and within the domain of marketing and sales.
- (iii) **Organizational Structure:** TQM is also distinguishable as it views enterprise as a system of interdependent processes. Every process contains sub-processes and is also contained within a higher process.
- (iv) **Organizational Change:** In TQM the environment in which the enterprise interacts is considered to be changing constantly. Management's job,

therefore, is to provide the leadership for continual improvement and innovation in processes and systems, products, and services. TQM recognises the inevitability of external change and focuses on shaping the future.

- (v) **Teamwork:** In TQM, individuals cooperate in team structure such as quality circles, steering committees, and self-directed work teams. Departments work together toward system optimization through cross-functional teamwork.
 - (vi) **Motivation and Job Design:** TQM managers provide leadership and motivation rather than overt intervention in the processes of their subordinates who are viewed as process managers rather than functional specialists.
- (d) Supply chain management is an extension of logistic management. However, there are differences between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfillment of orders, inventory management and supply/demand planning. Although these activities also form part of supply chain management, the latter is much broader. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management is an integrating function of all the major business activities and business processes within and across organisations. Supply Chain Management is a systems view of the linkages in the chain consisting of different channel partners – suppliers, intermediaries, third-party service providers and customers. Different elements in the chain work together in a collaborative and coordinated manner. Often it is used as a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

4. (a) **Strategic Business Unit:** A strategic business unit (SBU) is a unit of the company that has a separate mission and objectives which can be planned independently from other company businesses. SBU can be a company division, a product line within a division or even a single product/brand, specific group of customers or geographical location. The SBU is given the authority to make its own strategic decisions within corporate guidelines as long as it meets corporate objectives.
- (b) **Best-cost provider strategy:** Best-cost provider strategy involves providing customers more value for the money by emphasizing low cost and better quality difference. It can be done:
- (a) through offering products at lower price than what is being offered by rivals for products with comparable quality and features or
 - (b) charging similar price as by the rivals for products with much higher quality and better features.

- (c) **BPR:** BPR stands for business process reengineering. It refers to the analysis and redesign of workflows both within and between the organisation and the external entities. Its objective is to improve performance in terms of time, cost, quality, and responsiveness to customers. It implies giving up old practices and adopting the improved ones. It is an effective tool of realising new strategies.

Improving business processes is paramount for businesses to stay competitive in today's marketplace. New technologies are rapidly bringing new capabilities to businesses, thereby raising the strategical options and the need to improve business processes dramatically. Even the competition has become harder. In today's market place, major changes are required to just stay even.

- (d) **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 a decision on businesses, products, markets, organization 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 defence 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.

5. (a) Environmental scanning can be defined as the process by which organizations monitor their relevant environment to identify opportunities and threats affecting their business for the purpose of taking strategic decisions. It is the process of gathering information, analyzing it and forecasting the impact of all predictable environmental changes. The managers are able to decide the future path. Scanning must identify the threats and opportunities existing in the environment. While strategy formulation, an organization must take advantage of the opportunities and minimize the threats. A threat for one organization may be an opportunity for another. The factors which need to be considered for environmental scanning are

events, trends, issues and expectations of the different interest groups.

- (b) Retrenchment strategy implies substantial reduction in the scope of organization's activity. A business organization can redefine its business by divesting a major product line or market. While retrenching organizations might set objectives below the past level of objectives. It is essentially a defensive strategy adopted as a reaction to operating problems stemming from either internal mismanagement, unanticipated actions by competitors or hostile and unfavourable changes in the business environmental conditions. With a retrenchment strategy the endeavour of management is to raise the level of enterprise achievements focusing on improvements in the functional performance and cutting down operations with negative cash flows.
- (c) The type of government running a country is a powerful influence on business. Businesses are highly guided and influenced by government actions. Change in the elected government relates to the change in political environment. To an extent, even legal environment may change with the changes in the Government. It has a strong bearing on the conduct of business as it leads to significant changes in the economic policies and the regulatory framework. It generally reflects the political ideology of the political party or alliances. The government's policy of promoting select sectors further impacts the functioning of business organizations.

Businesses are affected by the factors such as political stability, the political ideology and practices of the ruling party, the purposefulness and efficiency of governmental agencies, the extent and nature of governmental intervention in the economy and the industry, Government policies (fiscal, monetary, industrial, labour and export-import policies), specific legal enactments and framework and so on.

- (d) The TOWS matrix illustrates how the external opportunities and threats facing a particular corporation can be matched with company's internal strengths and weaknesses to result in possible strategic alternatives to be competitive. It is a good way to use brainstorming and to create alternative strategies that might not otherwise be considered. It forces strategic managers to design various growth, stability or retrenchment strategies. It can be used to generate corporate as well as business strategies.

Moreover, TOWS Matrix is very useful for generating a series of alternatives that the decision makers of a company or business unit might not otherwise have considered. Nevertheless, the TOWS Matrix is only one of the many ways to generate alternative strategies.

In a way TOWS is considered to be an improvement over the SWOT. However, it is not undermining the SWOT analysis.

- 6. 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. It offers a range of opportunities, incentives and rewards on the one hand and a set of constraints, threats and restrictions on the other. In both ways, the organization is conditioned and constrained. The external environment is also in a position to impose its will over the organization and can force it to fall in line. Governmental control over the organization is one such power relationship. Other organizations, competitors, markets, customers, suppliers, investors etc., also exercise considerable collective power and influence over the planning and decision making processes of the organization.

In turn, the organization itself is sometimes in a position to wield considerable power and influence over some of the elements of the external environment by virtue of its command over resources and information. The same elements which exercise power over the organization are also subject to the influence and power of the organization in some respects. To the extent that the organization is able to hold power over the environment increases its autonomy and freedom of action. It can dictate terms to the external forces and mould them to its will.

7. The term PESTLE is used to describe a framework for analysis of macro environmental factors. PESTLE analysis involves identifying the political, economic, socio-cultural, technological, legal and environmental influences on an organization and providing a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy. PESTLE is an acronym for:

- | | |
|---------------------|------------------|
| • P- political | T- technological |
| • E- economic | L- legal |
| • S- socio-cultural | E- environmental |

The PESTLE analysis is a simple to understand and quick to implement. The advantage of this tool is that it encourages management into proactive and structured thinking in its decision making.

The Key Factors

- **Political** factors are how and to what extent a government intervenes in the economy and the activities of corporate. Political factors may also include goods and services which the government wants to provide or be provided and those that the government does not want to be provided.
- **Economic** factors have major impacts on how businesses operate and take decisions. For example, interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. The money supply, inflation, credit flow, per capita income, growth rates have a bearing on the business decisions.
- **Social** factors affect the demand for a company's products and how that company operates.
- **Technological** factors can determine barriers to entry, minimum efficient production

level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation.

- **Legal** factors affect how a company operates, its costs, and the demand for its products.
- **Environmental** factors affect industries such as tourism, farming, and insurance. Growing awareness to climate change is affecting how companies operate and the products they offer.

On the basis of these, it should be possible to identify a number of key environmental influences, which are in effect, the drivers of change. These are the factors that require to be considered in matrix. A typical example is as follows:

Political • Political stability • Political principles and ideologies • Current and future taxation policy • Regulatory bodies and processes • Government policies • Government term and change • Thrust areas of political leaders.	Economic • Economic situation & trends • Market and trade cycles • Specific industry factors • Customer/end-user drivers • Interest and exchange rates • Inflation and unemployment • Strength of consumer spending
Social • Lifestyle trends • Demographics • Consumer attitudes and opinions • Brand, company, technology image • Consumer buying patterns • Ethnic/religious factors • Media views and perception	Technological • Replacement technology/solutions • Maturity of technology • Manufacturing maturity and capacity • Innovation potential • Technology access, licensing, patents • Intellectual property rights and copyrights
Legal • Business and Corporate Laws • Employment Law • Competition Law • Health & Safety Law • International Treaty and Law • Regional Legislation	Environmental • Ecological/environmental issues • Environmental hazards • Environmental legislation • Energy consumption • Waste disposal

8. Mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup. Following points are useful while writing mission of a company:
- Good mission statements are highly personalized – unique to the organization for which they are developed.
 - One of the roles of a mission statement is to give the organization its own special identity, business emphasis and path for development.
 - A company's business is defined by what needs it is trying to satisfy, customer groups it is targeting, technologies and competencies it uses and the activities it performs.
 - Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.
 - The mission should not be to make profit.
9. In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So to meet changing conditions in their industries, companies need to be farsighted and visionary, and must have a system of managing strategically.

Strategic management starts with developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business portfolio (to allow management to utilise all facets of the organisation), and functional plans (plans to carry out daily operations from the different functional disciplines).

The overall objective of strategic management is two fold:

- To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
- To guide the company successfully through all changes in the environment.

The following are the benefits of strategic approach to managing:

- Strategic management helps organisations to be more proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner.
- Strategic management provides framework for all the major business decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to do.

- Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.
 - Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It help organisations to avoid costly mistakes in product market choices or investments. Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.
10. Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units or major product lines. The BCG growth-share matrix named after its developer facilitates portfolio analysis of a company having invested in diverse businesses with varying scope of profits and growth.

The BCG matrix can be used to determine what priorities should be given in the product portfolio of a business unit. Using the BCG approach, a company classifies its different businesses on a two-dimensional growth share matrix. Two dimensions are market share and market growth rate. In the matrix:

- The vertical axis represents market growth rate and provides a measure of market attractiveness.
- The horizontal axis represents relative market share and serves as a measure of company strength in the market.

Thus the BCG matrix depicts four quadrants as per following:

Market Growth Rate	High	Stars	Question Marks
	Low	Cash Cows	Dogs
		High	Low
		Relative Market Share	

Different types of business represented by either products or SBUs can be classified for portfolio analysis through BCG matrix. They have been depicted by meaningful metaphors, namely:

- (a) **Stars** are products or SBUs that are growing rapidly. They also need heavy investment to maintain their position and finance their rapid growth potential. They represent best opportunities for expansion.

- (b) **Cash Cows** are low-growth, high market share businesses or products. They generate cash and have low costs. They are established, successful, and need less investment to maintain their market share. In long run when the growth rate slows down, stars become cash cows.
- (c) **Question Marks**, sometimes called problem children or wildcats, are low market share business in high-growth markets. They need heavy investments with low potential to generate cash. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces.
- (d) **Dogs** are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves, but do not have much future. Sometimes they may need cash to survive. Dogs should be minimised by means of divestment or liquidation.

The BCG matrix is useful for classification of products, SBUs, or businesses, and for selecting appropriate strategies for each type as follows:

- (a) Build with the aim for long-term growth and strong future.
- (b) Hold or preserve the existing market share.
- (c) Harvest or maximize short-term cash flows.
- (d) Divest, sell or liquidate and ensure better utilization of resources elsewhere.

Thus BCG matrix is a powerful tool for strategic planning analysis and choice.

11. 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. With the use of this matrix a business can get a fair idea about how its growth depends upon it markets in new or existing products in both new and existing markets. The product/market growth matrix is a portfolio-planning tool for identifying company growth opportunities.

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

Market Penetration: Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. It is achieved by making more sales to present customers without changing products in any major way. Overcoming competition in a mature market requires an aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors.

Penetration is also done by effort on increasing usage by existing customers.

Market Development: Market development refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for current company products. This strategy may be achieved through new geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies to attract different customers or create new market segments.

Product Development: Product development is refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets.

Diversification: Diversification refers to a growth strategy where a business markets new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets. This strategy is risky because it does not rely on either the company's successful product or its position in established markets. Typically the business is moving into markets without proper experience.

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

12. Many organizations in order to achieve quick growth, expand or diversify use strategies such as mergers and acquisitions. This also helps in deploying surplus funds.

Merger and Acquisition Strategy

Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms but the impact of combination is completely different in both the cases.

Some organizations prefer to grow through mergers. Merger is considered to be a process when two or more organizations join together to expand their business operations. In such a case the deal gets finalized on friendly terms. Owners of pre-merged entities have right over the profits of new entity. In a merger two organizations combine to increase their strength and financial gains.

When one organization takes over the other organization and controls all its business operations, it is known as acquisition. In the process of acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, one that is financially stronger and bigger establishes its power. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization takes over a weaker entity.

Types of Mergers

1. **Horizontal merger:** Horizontal mergers are combinations of firms engaged in the same industry. It is a merger with a direct competitor. The principal objective behind this type of mergers is to achieve economies of scale in the production process by shedding duplication of installations and functions, widening the line of products, decrease in working capital and fixed assets investment, getting rid of competition and so on. For example, formation of Brook Bond Lipton India Ltd. through the merger of Lipton India and Brook Bond.
2. **Vertical merger:** It is a merger of two organizations that are operating in the same industry but at different stages of production or distribution system. This often leads to increased synergies with the merging firms. If an organization takes over its supplier/producers of raw material, then it leads to backward integration. On the other hand, forward integration happens when an organization decides to take over its buyer organizations or distribution channels. Vertical merger results in operating and financial economies. Vertical mergers help to create an advantageous position by restricting the supply of inputs or by providing them at a higher cost to other players.
3. **Co-generic merger:** 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 include the extension of the product line or acquiring components that are required in the daily operations. It offers great opportunities to businesses to diversify around a common set of resources and strategic requirements. For example, an organization manufacturing refrigerators can diversify by merging with another organization having business in kitchen appliances.
4. **Conglomerate merger:** Conglomerate mergers are the combination of organizations that are unrelated to each other. There are no linkages with respect to customer groups, customer functions and technologies being used. There are no important common factors between the organizations in production, marketing, research and development and technology. In practice, however, there is some degree of overlap in one or more of these factors.
13. Turnaround Management is the formulation and implementation of a strategic plan and a set of actions aimed towards corporate renewal and restructuring, during times of severe distress. Rising competition, business cycles and economic volatility create a climate where no business can take viability for granted. Turnaround strategy is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level. Turnaround strategy is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is a question. When organization is facing both internal and external pressures making things difficult then it has to find something which is entirely new, innovative and different. Through turnaround the organization's first objective is to survive and then grow in the market. Once turnaround is successful the organization may turn to focus on growth.

Action plan for turnaround strategy

- (i) **Assessment of current problems:** The first step is to assess the current problems and get to the root causes and the extent of damage the problem has caused. Once the problems are identified, the resources should be focused toward those areas essential to efficiently work on correcting and repairing any immediate issues.
- (ii) **Analyze the situation and develop a strategic plan:** Before making any major changes, chances of survival may be ascertained. Identify appropriate strategies and develop a preliminary action plan. For this one should look for the viable core businesses, adequate bridge financing and available organizational resources. Once major problems and opportunities are identified, develop a strategic plan with specific goals and detailed functional actions.
- (iii) **Implementing an emergency action plan:** If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive. The plan typically includes human resource, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, prune product lines and accelerate high potential products. A positive operating cash flow must be established as quickly as possible and raise enough funds to implement the turnaround strategies.
- (iv) **Restructuring the business:** The financial state of the organization's core business is particularly important. If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions to position the organization for rapid improvement.

During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning. Core products neglected over time may require immediate attention to remain competitive. Some facilities might be closed. Organizations may even withdraw from certain markets. The 'people mix' is another important ingredient in the organization's competitive effectiveness. Reward and compensation systems that encourage dedication and creativity encourage employees to think profits and return on investments.

- (v) **Returning to normal:** In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added. Emphasis is placed on a number of strategic efforts to take the organisation on growth path.
14. Successful implementation of supply management system requires a change from managing individual functions to integrating activities into key supply chain processes. It involves collaborative work between buyers and suppliers, joint product development, common systems and shared information. A key requirement for successfully implementing supply chain will be network of information sharing and management. The

partners need to link together to share information through electronic data interchange and take decisions in timely manner. Implementing and successfully running supply chain management system will involve:

1. **Product development:** Customers and suppliers must work together in the product development process. Right from the start the partners will have proper knowledge. Involving all partners will help in shortening the life cycles. Products are developed and launched in shorter time and help organizations to remain competitive.
 2. **Procurement:** Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Organizations have to coordinate with suppliers in scheduling without interruptions. Suppliers are involved in planning the manufacturing process.
 3. **Manufacturing:** Flexible manufacturing processes must be in place to respond to market changes. They should be adaptive to accommodate customization and changes in the taste and preferences. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes. Changes in the manufacturing process be made to reduce manufacturing cycle.
 4. **Physical distribution:** Delivery of final products to customers is the last position in a marketing channel. Availability of the products at the right place at right time is important for each channel participant. Through physical distribution processes serving the customer become an integral part of marketing. Thus supply chain management links a marketing channel with customers.
 5. **Outsourcing:** Outsourcing is not limited to the procurement of materials and components, but also include outsourcing of services that traditionally have been provided within an organization. The company will be able to focus on those activities where it has competency and everything else will be outsourced.
 6. **Customer services:** Organizations through interfaces with the company's production and distribution operations develop customer relationships so as to satisfy them. They work with customer to determine mutually satisfying goals, establish and maintain relationships. This in turn help in producing positive feelings in the organization and the customers.
 7. **Performance measurement:** There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with a firm performance. Performance is measured in different parameters such as costs, customer service, productivity and quality.
15. Once higher level corporate and business strategies are developed, management need to formulate and implement strategies for functional areas such as marketing, financial, production and Human Resource. For effective implementation, strategists have to provide direction to functional managers regarding the plans and policies to be adopted. In fact, the effectiveness of strategic management depends critically on the manner in

which strategies are implemented. Strategy of one functional area can not be looked at in isolation, because it is the extent to which all the functional tasks are interwoven that determines the effectiveness of the major strategy.

For each functional area, first the major sub areas are identified and then for each of these sub functional areas, contents of functional strategies, important factors, and their importance in the process of strategy implementation are identified.

In terms of the levels of strategy formulation, functional strategies operate below the SBU or business-level strategies. Within functional strategies there might be several sub-functional areas. Functional strategies are made within the higher level strategies and guidelines therein that are set at higher levels of an organisation. Functional managers need guidance from the business strategy in order to make decisions. Operational plans tell the functional managers what has to be done while policies state how the plans are to be implemented.

Major strategies need to be translated to lower levels to give holistic strategic direction to an organisation. Functional strategies provide details to business strategy & govern as to how key activities of the business will be managed. Functional strategies play two important roles. Firstly, they provide support to the overall business strategy. Secondly, they spell out as to how functional managers will work so as to ensure better performance in their respective functional areas. The reasons why functional strategies are really important and needed for business can be given as follows:

The development of functional strategies is aimed at making the strategies-formulated at the top management level-practically feasible at the functional level.

- Functional strategies facilitate flow of strategic decisions to the different parts of an organisation.
 - They act as basis for controlling activities in the different functional areas of business.
 - The time spent by functional managers in decision-making is reduced as plans lay down clearly what is to be done and policies provide the discretionary framework within which decisions need to be taken.
 - Functional strategies help in bringing harmony and coordination as they remain part of major strategies.
 - Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.
16. The organisation can implement the desired changes in its structure, technology and people through three phases of the change process as given by Kurt Lewin. These stages are: **unfreezing, changing and refreezing**.
- (i) **Unfreezing the situation:** Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions.

- (ii) **Changing to new situation:** Once the unfreezing process has been completed, members' behaviour patterns need to be redefined. This can be done through compliance (through rewards and punishment), identification (impressing people to identify with new patterns) and internalisation (changing the thought processes)
- (iii) **Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life replacing the former behaviour completely for successful and permanent change to take place.

Change process is not a onetime application but a continuous process due to dynamism and ever changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action. By the change management process, organizations can better manage the required strategic change. In the given scenario, the company may:

- Create awareness on compelling reasons for change.
- Steer the organization on the desired path with wide acceptance.
- Implement and install the necessary changes in the desired manner for the overall benefit of the organisation.
- Aim to stabilize the operation at a higher level of performance.

17. Types of Strategic Control: There are four types of strategic control as follows:

- ◆ **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the complex and turbulent organizational environment. Over a period of time these premises may not remain valid. 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. It primarily involves monitoring two types of factors:
 - (i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and regulatory.
 - (ii) Industry factors such as competitors, suppliers, substitutes.
- ◆ **Strategic surveillance:** Contrary to the premise control, the strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy. It involves casual environmental browsing. Reading financial and other newspapers, business magazines, meetings, conferences, discussions at clubs or parties and so on can help in strategic surveillance.

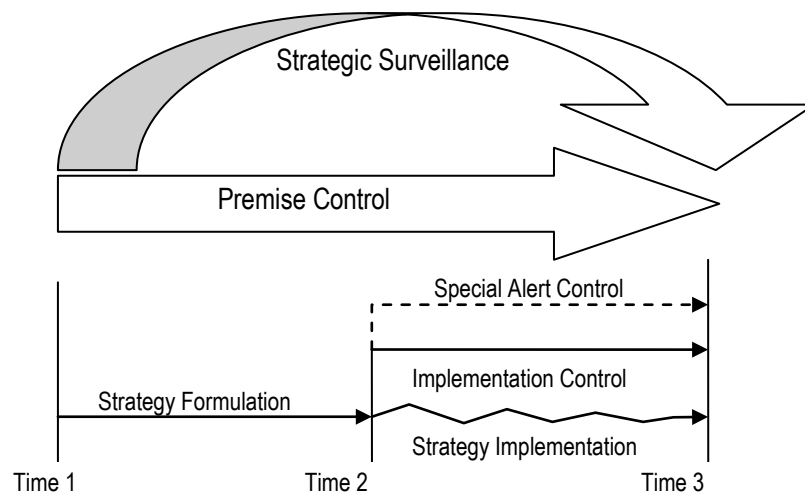
Strategic surveillance may be loose form of strategic control, but is capable of uncovering information relevant to the strategy.
- ◆ **Special alert control:** At times unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities,

terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy. Organizations to cope up with these eventualities, form crisis management teams.

- ◆ **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 results associated with incremental steps and actions.

Strategic implementation control is not a replacement to operational control. Unlike operational controls, it continuously monitors the basic direction of the strategy. The two basis forms of implementation control are:

- (i) *Monitoring strategic thrusts:* Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- (ii) *Milestone Reviews.* All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.



Source: From book "Strategic management-formulation, Implementation and control" by John A Pearce II, Richard B Robinson, Jr. and Amita Mital.

These four strategic controls steer the organisation and its different sub-systems to the right track. They help the organisation to negotiate through the turbulent and complex environment.

18. A significant difference between six sigma and seemingly similar programs of past years is the degree to which management plays a key role in regularly monitoring program results and accomplishments. Six sigma is a system that combines both strong

leadership and grassroots energy and involvement. In addition, the benefits of six sigma are not just financial. People at all levels of a six sigma company find that better understanding of customers, clearer processes, meaningful measures, and powerful improvement tools make their work more rewarding.

The critical elements of six sigma can be put into six themes as follows:

- **Theme one** – *genuine focus on the customer*: Companies launching six sigma often find that how little they really understand their customers. In six sigma, customer focus becomes the top priority. For example, the measures of six sigma performance begin with the customer. Six sigma improvements are defined by their impact on customer satisfaction and value.
- **Theme two** – *data and fact-driven management*: Six sigma takes the concept of "management by fact" to a new, more powerful level. Despite the attention paid in recent years to improved information systems, knowledge management, and so on, many business decisions are still being based on opinions, assumptions and gut feeling. Six sigma discipline begins by clarifying what measures are key to gauging business performance and then gathers data and analyzes key variables. Problems are effectively defined, analyzed, and resolved. Six sigma also helps managers to answer two essential questions to support data-driven decisions and solutions.
 - a. What data/information is really required?
 - b. How to use the data/information for maximum benefit?
- **Theme three** – *processes are where the action is*: Six sigma positions the process as the key vehicle of success. Processes like designing products and services, measuring performance, improving efficiency and customer satisfaction, may relate to build competitive advantage in delivering value to customers.
- **Theme four** – *proactive management*: In simple terms, being proactive means acting in advance of events rather than reacting to them. In the real world, though, proactive management means making habits out of what are, too often, neglected business practices: defining ambitious goals and reviewing them frequently, setting clear priorities, focusing on problem prevention rather than fire-fighting, and questioning why we do things instead of blindly defending them.

Far from being boring or overly analytical, being truly proactive is a starting point for creativity and effective change. Six sigma, encompasses tools and practices that replace reactive habits with a dynamic, responsive, proactive style of management.
- **Theme five** – *boundaryless collaboration*: "Boundarylessness" is one of Jack Welch's mantras for business success. Years before launching six sigma, GE's chairman was working to break barriers and to improve teamwork up, down, and across organizational lines. The opportunities available through improved collaboration within companies and with vendors and customers are huge. Billions

of dollars are lost every day because of disconnects and outright competition between groups that should be working for a common cause: providing value to customers.

- **Theme six** – *drive for perfection; tolerate failure*: Organizations need to make efforts to achieve perfection and yet at the same time tolerate failure. In essence, though, the two ideas are complementary. No company will get even close to six sigma without launching new ideas and approaches - which always involve some risk. Six sigma cannot be implemented by individuals who are overly cautious and are scared of making mistakes.
19. In simple words, benchmarking is an approach of setting goals and measuring productivity based on best industry practices. It developed out of need to have information against which performances can be measured. For example, a customer support engineer of a television manufacturer attends a call within forty-eight hours. If the industry norm is that all calls are attended within twenty-four hours, then the twenty-four hours can be a benchmark.

Benchmarking helps in improving performance by learning from best practices and the processes by which they are achieved. It involves regularly comparing different aspects of performance with the best practices, identifying gaps and finding out novel methods to not only reduce the gaps but to improve the situations so that the gaps are positive for the organization. Benchmarking can help in almost all aspect of business that are amenable to comparison and are significant to business. Typically organisations can use benchmarking process to achieve improvement in diverse range of management function like:

- ◆ Maintenance operations
- ◆ Assessment of total manufacturing costs
- ◆ Product development
- ◆ Product distribution
- ◆ Customer services
- ◆ Plant utilization levels
- ◆ Human resource management