Enterprise Information Systems and Strategic Management

For CA Intermediate

(New Syllabus)

Paper 7

Applicable For
May / November 2022

EIS-SM

Learn and revise EIS-SM in One week

Memory Code™ (Mnemonics) based to facilitate quick grasp over the subject

In Full Color to highlight the most noticeable & important points

Step-wise Bifurcation of Lengthy Chapters into smaller sections

Entire Subject has been dealt with in a "Self-Study Style"

Super simple explanation to understand the concepts in just one reading

Rich and Lucid Examples to illustrate and clarify complex topics

Diagrams and Charts for better marks oriented presentation

Quick Revision - Easy-to-grasp Summaries and Analysis. at the beginning of the new chapter/ topic.

Full Color Edition - To highlight the most noticeable & important points for easy preparation & revision.

Tutorial Notes - Understand new concepts quickly with the help of Author's Notes.

Diagram & Charts - For easy learning & better marks oriented presentation

Side Boxes - For short introduction of technical terms & core concepts.

Business Process

Chapter 1A

QUICK REVISION

In business, a process defines "how work gets done", and a business process describes "what those processes are". A business process is what an organization will carry out in order to fulfill its business objectives and goals. All work performed in a business may be classified into management, production, and support.

Tutorial Note

Imagine you want to set up your own business. Simply deciding to go into business is the most important decision, but next is the question of what product or service to produce (and hopefully sell). Once you decide what to produce, what kind of organization do you need? First, you need to organize a business.

Organizing a Business – Every business, regardless of its size, must perform four functions to succeed. It must produce the product or service; market and sell the product or service; keep track of accounting and financial transactions; and perform basic human resources tasks such as hiring and retaining employees. In small firms, you would be performing all these functions yourself or with a few others. In any event, even in small firms, the four basic functions of a firm are required. Larger firms often will have separate departments for each function: production and manufacturing, sales and marketing, finance and accounting, and human resources.

Business Process – Once you identify the basic business functions and entities for your business, your next job is to describe exactly how you want your employees to perform these functions. What specific tasks do you want your sales personnel to perform, in what order, and on what schedule? What steps do you want production employees to follow as they transform raw resources into finished products? How will customer orders be fulfilled? How will vendor bills be paid? The actual steps and tasks that describe how work is organized in a business are called business processes.

Many business processes are tied to a specific functional area. For example, the sales and marketing function would be responsible for identifying customers, and the human resources function would be responsible for hiring employees. Other business processes cross many functional areas and require coordination across departments. For Example, fulfilling a customer order. Initially, the sales department receives a sales order. The order goes to accounting to ensure that the customer can pay for the order either by a credit verification or request for immediate payment prior to shipping. Once the customer credit is established, the production department has to pull the product from inventory or produce the product. Next, the product needs to be shipped (which may require working with a logistics firm such as Bluedart or FedEx). The accounting department then generates a bill or invoice and sends a notice to the customer, indicating that the product has shipped. Sales has to be notified of the shipment and prepare to support the customer by answering calls or fulfilling warranty claims. For a cross-functional process to be successfully completed, each functional area must execute its specific process steps in a coordinated, collaborative way.

What at first appears to be a simple process, fulfilling an order, turns out to be a very complicated series of business processes that require the close coordination of major functional groups in a firm. Moreover, to efficiently perform all these steps in the order fulfillment process requires a great deal of information. The required information must flow rapidly within the firm from one

decision maker to another; with business partners, such as delivery firms; and with the customer. Enterprise Information Systems (EIS) make this possible.

Enterprise Information System – An information system that spans the entire organization and can be used to integrate business processes, activities, and data across all functional areas of a firm. Enterprise Information Systems facilitate communication and coordination among different functional areas, and allow easy exchange of, and access to, data across processes.

Q Business Processes *IMP*

A Business Process is an activity or set of activities that will accomplish a specific organizational goal. Business processes are designed as per vision and mission of top management.

An organization's business processes can lead to competitive advantages if they enable the company to innovate or execute better than competitors. Business processes can also be liabilities if they impede organizational responsiveness and efficiency.

Diagram Showing
Enterprise Business Process Model –

Business Process Management (BPM) is an approach that's designed to produce better business processes. BPA is concerned with the continuously improving way work gets done, in order to make process more efficient, less costly, & more productive for an organization, usually using automation.

Tutorial Note

Before we get into more details on business processes, let us say upfront that there are two types of business processes:

(1) functional business processes, and (2) enterprise business processes.

Before we get deeper into this, let us pinpoint the **main difference between a functional process and an enterprise process:** while a functional business process serves only one team/ department and its result is only for that particular team/ department, an enterprise business process cuts across multiple teams/ departments within an organization and always originates from either the customer or the supplier. These enterprise business processes constitute an organization's value streams, especially the ones that relate directly to the customers' needs. Because this book focuses on Enterprise Information Systems, we will focus on the enterprise business processes that are geared toward meeting the organization's customer value. If the process involves a customer, then that customer can be either internal or external to the organization. A manager who is the recipient of an internal reporting process is an example of an internal customer. In contrast, an individual or a business that purchases the organization's products is the external customer of the fulfillment process. Business process must produce results, that is, outcomes that are of value to its customers. *If activities do not create (or add) value that consumers are willing to pay for, they should not be performed.* The number & type of business processes and how the processes are performed would vary across enterprises. This is also impacted by automation.

Fully simplified text given with examples –
For those preparing EISSM by self-study.

Memory Code™ (Mnemonic) based –
to facilitate quick grasp over the subject.

Electronic Commerce *also known as e-commerce (EC)*

CHAPTER 4
E-COMMERCE & EMERGING TECHNOLOGIES
Chapter 4A
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QUICK REVISION

Electronic commerce is the process of doing business electronically.
E-commerce describes the buying and selling of products, services, and information via computer networks including the Internet.

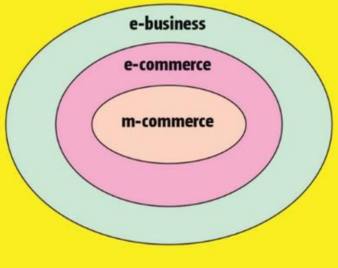
Q Electronic Commerce *(e-commerce or EC)* - *Short Note* *V. IMP*

1. **E-commerce** - Generally speaking, e-commerce is about the sale and purchase of goods or services by electronic means, particularly over the internet. *The most popular example of e-commerce is online shopping, which is defined as buying and selling of goods via the internet on any device. However, e-commerce can also entail other types of activities, such as online auction, payment gateways, online ticketing, and internet banking etc.*
2. E-commerce **involves the electronic trading of physical and digital goods** – quite often encompassing all the trading steps, such as online marketing, online ordering, e-payment and, for digital goods, online distribution (i.e. for after-sales support activities).
3. More formally, e-commerce can be defined as digitally enabled commercial transactions between and among organizations and individuals.
4. E-commerce has forever changed the way of doing business. E-commerce is ubiquitous in crossing local, regional, and national boundaries through ever-expanding information and communication technology infrastructures.

Tutorial Note

Electronic business – Electronic business (e-business), a newer term, is often used interchangeably with e-commerce though it encompasses much more than transacting business online. E-business is applied as a broader term encompassing e-commerce but also including all electronic transactions within an organization. **E-business involves using information technologies in all aspects of the business.**

Mobile-commerce (or M-commerce) – M-commerce is a subset of electronic commerce. While it refers to online activities similar to those mentioned in the electronic commerce category, the underlying technology is different since mobile commerce is limited to mobile telecommunication networks, which are accessed through wireless hand-held devices such as mobile phones, hand-held computers and personal digital assistants (PDA). ***(For more detail See Chapter 4B, Page 4.4)***



Q Benefits of e-Commerce and e-Business *M. IMP*

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Benefits to Consumers/ Users

1. **Convenience –** With e-commerce, the customer does not have to move from shop to shop physically in order to examine goods. He is able to sit in front of a terminal and search the net and examine the information on goods.
2. **Anytime Access –** Unrestricted by the working hours, e-commerce businesses can serve customers 24/7/365.
3. **Various Options –** E-commerce provides buyers with a wider range of choices than traditional commerce because buyers can consider many different products and services from a wider variety of sellers.
4. **Online Payment Methods –** Cash, wallets, debit cards, and credit cards are the four most common methods used in the world by consumers to pay for online purchases.
5. **Time Saving –** The main advantage of e-commerce over traditional commerce is the user can browse online shops, compare prices and order merchandise sitting at home on their PC.
6. **Easy to find reviews –** There are often reviews about a particular site or product from the previous customers which provides valuable feedback.
7. **Deals and Coupons –** Online buying is encouraged and promoted through various incentives such as coupons, rewards, online loyalty schemes etc.

Benefits to Business/ Sellers

Memory Code™ **I rob PWC**

1. **Increased Customer Base –** Reach a broader geographic dispersion of consumers. E-commerce business has the whole world as its market.
2. **Reduced costs –** As there's no need to hire sales staff or maintain a physical storefront, the major e-commerce costs go to warehousing and product storage. E-commerce businesses can automate their inventory management by using electronic tools to accelerate ordering, delivery and payment procedures.
3. **Online Payment Methods –** Payments can be made by electronic modes including digital means like internet payment or internet money transfer. Recent advancements in payment technologies allow encrypted, secure payment online.
4. **Better Quality of Products –** In nearly all businesses, competition is becoming increasingly intense. In order to survive, companies are constantly looking for the value add services and better quality products.
5. **Better-Customer Service –** As e-commerce is done round the clock, the customer will always have online help regarding the products.
6. **Provides a dynamic market –** Since there are several players, a dynamic market is provided which enhances quality and business.
7. **Working from anywhere –** Often, running an e-commerce business means that you don't need to sit in an office from 9 to 5 or suffer through a commute day-in and day-out. A laptop and a good internet connection is all it takes to manage your business from anywhere in the world.
8. **Creation of new markets –** This is done through the ability to reach potential customers easily and with low cost.

Easy Topic-by-topic Organization – Step wise Bifurcation of Lengthy Chapters into smaller sections for easy learning.

Business Policy

CHAPTER 1
INTRODUCTION TO STRATEGIC MANAGEMENT

Chapter 1A

QUICK REVISION

Business policy is a previous name for strategic management.
The field of strategic management has evolved from "business policy" & "business planning.
Today, we recognize both as a science and an art for the application of strategic management techniques.

Q What is Business Policy

1. **Introduction –** Business policy is a previous name for strategic management. The first course on business policy was started by Harvard Business School in 1911. Over time, business practitioners and academic researchers have expanded and refined their concepts. Today, strategic management is a eclectic field, drawing on a variety of theoretical frameworks. Such frameworks enable a manager to prepare to effectively deal with general management responsibilities.
2. **Definition –** *As defined by Christensen and others,* Business policy is the study of –
   - Functions and responsibilities of senior management,
   - Crucial problems that affect success in the total enterprise, and
   - Decisions that determine the direction of the organization and shape its future.

   Simply put, business policy is a statement of the means and resources through which management wants to achieve a set of defined goals and objectives.
3. **Evolution of Strategic Management** –** The field of strategic management has evolved from "business policy" & "business planning". *According to William F Glueck,* Business policy arose from the use of planning techniques by managers. But, due to the inability of these techniques to emphasize the role of future, the long-term planning began to be used. Long-term planning was soon replaced by strategic planning and later strategic management. The term strategic management currently describes the strategic decision making process.

Tutorial Note

In business practice, the term strategic management is used interchangeably with the terms business policy, corporate strategy and strategic planning. Through the centuries, strategic planning has evolved from the political levels of the military to governments to industries to organizations.

Management

Chapter 1B

QUICK REVISION

A key group in an organisation in-charge of its affairs.
A set of interrelated functions/processes carried out by management to attain objectives efficiently & effectively.

Q What is Management — IMP

The term 'management' is used in two senses such as:

Management
(What it is)

A key group in the organization which is in-charge of the affairs of the organization. i.e. authority *(who is ultimately responsible for getting things done).*	A set of interrelated functions & processes carried out by management of an organisation to attain its objectives efficiently & effectively. *(These functions include Planning, Organising, Directing and Control).*

More formally, management can be defined as

(1) the pursuit of organizational goals efficiently and effectively by
(2) integrating the work of people through
(3) planning, organizing, directing, and controlling the organization's resources.

There is a difference between management effectiveness and management efficiency. Efficiency means to use resources– people, money, raw materials, and the like– wisely and cost-effectively.. Effectiveness, on the other hand, means to achieve organizational goals that have been set. Thus, *efficiency is concerned with doing things right,effectiveness is doing the right things.*

To sum up, management is an influence process to make things happen and to get things done through people in a particular manner. *Influence is backed by power, competence, knowledge and resources.*

A firm's management usually has three levels: top, middle, and supervisory.

Diagram Showing Three Levels of Management –

***Top managers** are responsible for long-range planning.*

***Middle managers** are responsible for tactical planning, monitor progress to meet goals, & Initiate corrective action as needed.*

***Supervisors** are responsible for operational matters.*

Tutorial Note – Management principles and concepts apply to profit-seeking firms as well as not-for-profit organizations.

Strategy

Chapter 1C

QUICK REVISION

A strategy is the plan of actions by which an organization pursues its goals & objectives.
The aim of a strategy is to gain some kind of competitive advantage or to help to exploit future opportunities.
A company's actual strategy is partly planned and partly reactive to changing circumstances.

Q What is Strategy — IMP

<u>All Questions & Answers</u> – Explained clearly & concisely with examples, diagrams, charts and with Memory Code™ in a single book. The book covers entire syllabus of CA inter EISSM.

Q Nature and Strength of Competition (Intensity of competition in Industry's Analysis)

As per Porter's Five Forces Model of Competitive Analysis, following five factors affect the intensity of competition in an industry, namely;

1) Rivalry sellers,
2) Entry of new competitors,
3) Substitute products,
4) The bargaining power of buyers,
5) The bargaining power of suppliers

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Porter's Five Forces Model of Competitive Analysis is discussed in chapter 5 ***(See Chapter 5B, Page 5.2)***

Q Driving Forces or Triggers of Changes in an Industry (also called Drivers or Triggers)

A strategy in an organization may be the result of a triggering event. A triggering event is something that acts as a stimulus for a change in strategy.

The need to change strategy is initiated by changes in organization (internal triggers) or in the business environment (external triggers).

External triggers include *a new competitor in the market, growth or decline in the economy, taxation changes, or new technology etc.*

Internal reasons to change are *a change of location for the business, loss of an experienced member of staff etc.*

Some of the categories/examples of drivers (or triggers) are follows:

- *Globalization in any industry.*
- *Entry or exit of major forms.*
- *Technological innovation.*
- *Internet and new e-commerce opportunities and threats in the industry.*
- *Marketing innovation.*
- *Product innovation.*
- *Changes in cost and efficiency.*
- *Changes in the long-term industry growth rate.*
- *Diffusion of technical know-how across more companies and more countries.*

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Q Market Position of Competitors/rivals in the Industry (Strategic Group Mapping)
Identifying the companies that are in the strongest/weakest positions

To understand competitive behavior & performance within an industry, we can map the industry competitors into strategic groups.

A **strategic group** is a groups of companies in which each company follow the same or a similar strategy. Such companies compete closely *in areas such as pricing, geographic market coverage, degree of specialization, product quality, market image, R&D, technology position, customer service, or other decisions of competitive strategy.*

Companies in different strategic groups pursue different strategies. **The members of a company's strategic group constitute its immediate competitors.** Because different strategic groups are characterized by different opportunities and threats, a company may improve its performance by switching strategic groups.

Procedure for Constructing Strategic Group Map and deciding which firms belong in which strategic group is as follows –

1. **Identify the competitive characteristics that differentiate firms** in the industry such as
   - *price/quality range (high, medium, low);*
   - *geographic coverage (local, regional, national, global);*
   - *degree of vertical integration (none, partial, full);*
   - *product-line breadth (wide, narrow);*
   - *use of distribution channels (one, some, all); and*
   - *degree of service offered (no-frills, limited, full).*
2. **Plot the firms on a two-variable map** using these differentiating characteristics
3. **Classify firms that follow the same strategy** into the one strategic group
4. Draw circles around each strategic group, varying the size of the circle in proportion to the group's share of total industry sales.

Diagram Showing –
Automobile Industry: Strategic Groups

Q Likely strategic moves of competitive/rivals (Competitive Intelligence)

Competitive intelligence helps companies define and understand their industry and identify rivals' strengths and weaknesses. It is a formal program of gathering information on a company's competitors. Done properly, **competitive intelligence helps a company avoid surprises by anticipating competitors' moves and decreasing response time.**

For example, banks continually track home loan, auto loan, personal loan and certificate of deposit (CD) interest rates charged by rivals.