(LI–9, LI-11, LI-12, LI-14 & LI-15)

DATE: 25.02.2017 **MAXIMUM MARKS: 100** **TIMING: 3 Hours**

IT & SM

Q. No. 1 is compulsory.
Answer any five questions from the rest

SECTION – A : INFORMATION TECHNOLOGY

Answer 1: (2 x 5 = 10 Marks)

(a) The key benefits of Business Process Automation are as follows:

Saving on costs: Automation leads to saving in time and labor costs through higher efficiency and better management of the people involved. **½M**

Staying ahead in competition: Today, in order to survive, businesses need to adopt automation.

Fast service to customers: Automation shortens cycle times in the execution of processes through improved and refined business workflows and help enterprises to serve their customers faster and better. **Or**

Reducing the impact of human error: BPA removes human participation in the process, which is the source of many errors. **½M**

Transforming data into information: BPA can, apart from collecting and storing data also analyze data and make it available in a form that is useful for decision -making. **Or**

Improving performance and process effectiveness: In many cases, tasks that must be done manually are the bottlenecks in the process. Automating those manual tasks speeds up the effective throughput of the application. **½M**

Making users more efficient and effective: People can focus their energies on the tasks they do best, allowing the computers to handle those that machines are best suited for. **Or**

Making the business more responsive: Enterprises can easily automate new applications and processes as they are introduced that provide greater control over business and IT processes. **½M** **Or**

Improving collaboration and information sharing: Business processes designed through a collaborative mean IT can integrate its processes with the business -side logic that drives day-to-day operations. **½M**

(b) The Extranets can be used by business organizations in some of the following ways: Share product catalogs exclusively with wholesalers or those "in the trades". **½M**

Collaborate with other companies on joint development efforts. Jointly develop and use training programs with other companies. **½M**

Provide or access services provided by one company to a group of other companies; and Share news of common interest exclusively with partner companies. **½M**

Establish direct private network links between themselves, or create private secure internet links between them called virtual private networks. **½M**

Use the unsecured internet as the extranet link between its intranet and consumers and others, but rely on encryption of sensitive data and its own firewall systems to adequate security.

(c) The various phases of System Development Life Cycle (SDLC) are as follows:

Phase 1: System Investigation **½M**
Phase 2: System Analysis **½M**
Phase 3: System Designing **½M**
Phase 4: System Implementation
Phase 5: System Maintenance and Review } **½M**

(d) The three tiers in Three-tier architecture are as follows:

Presentation Tier: This tier occupies the top level, communicates with other tiers and displays information related to services available on a website. **1M**

Application Tier: Also called the Middle tier, Logic tier, Business Logic or Logic tier; this tier controls application functionality by performing detailed processing. **½M**

Database Tier: This tier houses the database servers where information is stored and retrieved. Data in this tier is kept independent of application servers or business logic. **½M**

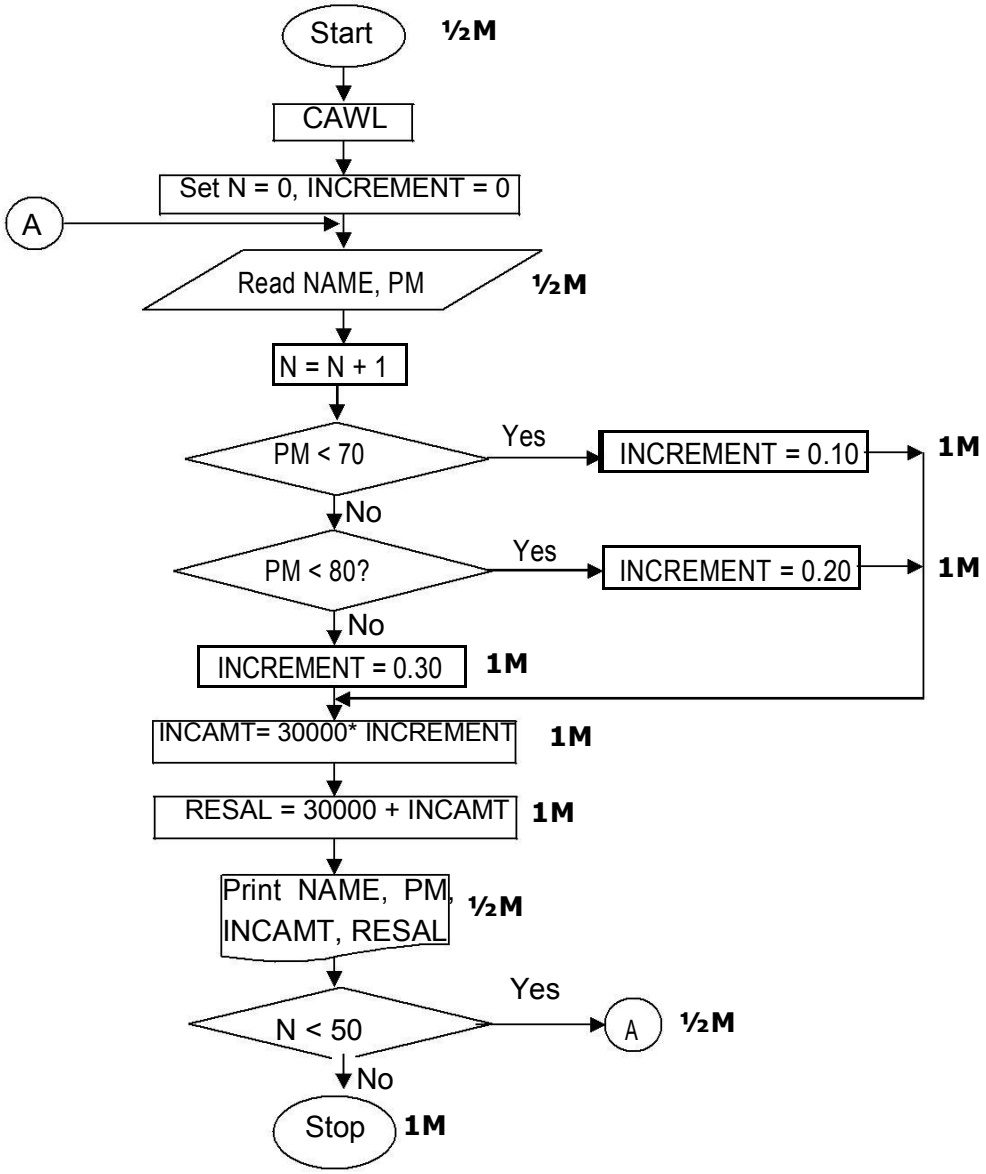
(e) The components of a Computerized Information Processing Cycle include the following:

Input: Entering data into the computer; **½M**
Processing: Performing operations on the data; **½M**
Storage: Saving data, programs, or output for future use; and Output: Presenting the results. **½M**
Output: **½M**

Answer 2: (8 Marks)

(a) Let us define the variables first:

PM: Performance Marks,
RESAL: Revised Monthly Salary,
INCAMT: Increment Amount,
NAME: Name of Engineer,
N: Pointer to track number of Engineers,
INCREMENT = 0.



Answer 3: (2×4 = 8 Marks)

(a)

(i) Network as a Service (NaaS): It is a category of cloud services in Cloud Computing where the capability provided to the cloud service user is to use network/transport connecting services. NaaS involves optimization of resource allocation by considering network and computing resources as a whole. Some of the examples are Virtual Private Network, Mobile Network Virtualization etc. **2M**

(ii) Platform as a Service (PaaS): It provides clients with access to the basic operating software and optional services to develop and use software applications (e.g. database access and payment service) without the need to buy and manage the underlying computing infrastructure. For example, Google App Engine. **2M**

(b) **Server:** A server is a computer program running to serve the requests of other programs, the "clients". Servers are often dedicated, meaning that they perform no other tasks besides their server tasks. The clients either run on the same computer, or they connect through the network. **1M**

Some of the different types of servers based on the nature of service they provide are as follows:

File server: This is a computer and storage device dedicated to storing files. Any user on the network can store files on the server.
Print server: This is a computer that manages one or more printers.
Network server: This is a computer that manages network traffic.
Database server: This is a computer system that processes database queries.
Application Server: This is a program that handles all application operations between users and an enterprise's backend business applications or databases.
Web Servers: Web server has an IP address and possibly a domain name, and is the computer that delivers (serves up) web pages.
Mail Server*:* Mail servers move and store mail over corporate networks. **3M**

Answer 4: (2 x 4 = 8 Marks)

(a) The two categories of encryption/decryption methods are: the **Secret Key Method** and the **Public Key Method**.

- **Secret Key Method:** In Secret key encryption/decryption method, the same key is used by both sender and the receiver. The sender uses this key and an encryption algorithm to encrypt data; the receiver uses the same key and the corresponding decryption algorithm to decrypt the data.
- **Public Key Method:** In Public key encryption, there are two keys: a private key which is kept by the receiver and the public key which is announced to the public.

The two basic approaches to Encryption are as follows:

- **Hardware Encryption:** Hardware encryption devices are available at a reasonable cost, and can support high- speed traffic. If the Internet is being used to exchange information among branch offices or development collaborators, for instance, use of such devices can ensure that all traffic between these offices is secure. **2M**
- **Software encryption:** Software encryption is typically employed in conjunction with specific applications. Certain electronic mail packages, for example, provide encryption and decryption for message security. **2M**

(b) Some of the prominent characteristics of Client-Server (C/S) architecture are as follows:

- **Service:** C/S provides a clean separation of function based on the idea of service. The server process is a provider of services and the client is a consumer of services. **1M**
- **Shared Resources:** A server can service many clients at the same time and regulate their access to the shared resources. **1M**

- **Transparency of Location:** C/S software usually masks the location of the server from the clients by redirecting the service calls when needed.
- **Mix-and-Match:** The ideal C/S software is independent of hardware or Operating System software platforms.

1M

- **Scalability:** In a C/S environment, client workstations can either be added or removed and also the server load can be distributed across multiple servers.
- **Integrity:** The server code and server data is centrally managed, which results in cheaper maintenance and the guarding of shared data integrity. At the same time, the clients remain personal and independent.

1M

Answer 5: (2 x 4 = 8 Marks)

(a)A Decision Support System (DSS): is a computer-based information system that supports business or organizational decision-making activities. DSSs serve the management, operations, and planning levels of an organization (usually mid and higher management) and help to make decisions, which may be rapidly changing and not easily specified in advance. DSS can be either fully computerized, human or a combination of both. In other words, a properly designed DSS may be defined as an interactive software-based system intended to help decision makers compile useful information from raw data, documents, personal knowledge, and/or business models to identify and solve problems and make decisions. **1M**

DSS has four basic components:

- **The user:** The user is usually a manager with an unstructured or semi-structured problem to solve and may be at management - level of an organization.
- **One or more databases:** Databases contain both routine and non-routine data from both internal and external sources.
- **Planning languages:** These can either be general-purpose or special-purpose allowing users to perform routine tasks and specific tasks respectively.
- **Model Base:** It is the brain of the DSS as it performs data manipulations and computations with the data provided to it by the user and the database.

3M

(b)The key components of an Expert System are as under:

- **Knowledge Base:** A knowledge base is the computer equivalent of all the knowledge and insight that an expert or group of experts develop through years of experience in their field. This includes the data, knowledge, relationships, rules of thumb (heuristics), and decision trees used by experts to solve a particular problem. The knowledge base of expert systems encloses both realistic and heuristic knowledge. **1M**
- **Inference Engine:** This program contains the logic and reasoning mechanisms that simulate the expert logic process and deliver advice. It uses data obtained from both the knowledge base and the user to make associations and inferences, form its conclusions, and recommend a course of action. **1M**
- **User Interface:** This program allows the user to design, create, update, use and communicate with the expert system. **½M**
- **Explanation facility:** This facility provides the user with an explanation of the logic the ES used to arrive at its conclusion. **½M**
- **Database of Facts:** This holds the user's input about the current problem. The user may begin by entering as much as they know about the problem or the **1M**

inference engine may prompt for details or ask whether certain conditions exist. Gradually a database of facts is built up which the inference engine will use to come to a decision. The quality and quantity of data gained from the user will influence the reliability of the decision.

Answer 6: (2 x 4 = 8 Marks)

(a)Top Management and Information Systems Management Controls: Top management must ensure that information systems function is well managed. It is responsible primarily for long – run policy decisions on how Information Systems will be used in the organization. Information Systems management has overall responsibility for the planning and control of all information system activities**.**

It also provides advice to top management in relation to long-run policy decision making and translates long-run policies into short-run goals and objectives. The senior managers who take responsibility for Information System function in an organization face many challenges. The major functions that a top/senior manager must perform are as follows:

- **Planning** – determining the goals of the information systems function and the means of achieving these goals; **1M**
- **Organizing** – gathering, allocating, and coordinating the resources needed to accomplish the goals; **1M**
- **Leading** – motivating, guiding, and communicating with personnel; and **1M**
- **Controlling** – comparing actual performance with planned performance as a basis for taking any corrective actions that are needed. **1M**

Top management must prepare two types of information systems plans for the information systems function: a **Strategic Plan** and an **Operational Plan**. The **Strategic Plan** is the long-run plan covering, say, the next three to five years of operations whereas the **Operational Plan** is the short-plan covering, say, next one to three years of operations.

(b) To develop a secured Grid architecture, following constraints are needed to be taken into consideration:

- **Single Sign-on:** A user should authenticate once and they should be able to acquire resources, use them, and release them and to communicate internally without any further authentication.
- **Protection of Credentials:** User passwords, private keys etc. should be protected.
- **Interoperability with local security solutions:** Access to local resources should have local security policy at a local level. Despite of modifying every local resource there is an inter-domain security server for providing security to local resource.
- **Exportability:** The code should be exportable i.e. they cannot use a large amount of encryption at a time. There should be a minimum communication at a time.
- **Support for secure group communication:** In a communication there are number of processes which coordinate their activities. This coordination must be secure and for this there is no such security policy.
- **Support for multiple implementations:** There should be a security policy

(1 Mark for each valid point)

which should provide security to multiple sources based on public and private key cryptography.

Answer 7: (2 x 4 = 8 Marks)

(a) Six Sigma: Six Sigma is a set of strategies, techniques, and tools for process improvement. It seeks to improve the quality of process outputs by identifying and removing the causes of defects and minimizing variability in manufacturing and business processes. Each Six Sigma project carried out within an organization follows a defined sequence of steps and has quantified value targets, for example: reduce process cycle time, reduce pollution, reduce costs, increase customer satisfaction, and increase profits. It follows a life-cycle having phases: **Define**, **Measure**, **Analyze**, **Improve** and **Control** (or **DMAIC**). **2M**

(b) iPod: The iPod is a line of portable media players designed and marketed by Apple Inc. There are four current versions of the iPod: the ultra-compact iPod Shuffle, the compact iPod Nano, the touch screen iPod Touch, and the hard drive-based iPod Classic. Like other digital music players, iPods can serve as external data storage devices. Storage capacity varies by model, ranging from 2 GB for the iPod Shuffle to 160 GB for the iPod Classic. **2M**

(c) Secure Socket Layer (SSL): It is a protocol that provides a secure channel between two machines operating over the Internet or an internal network. In today's Internet focused world, the SSL protocol is typically used when a web browser needs to securely connect to a web server over the inherently insecure Internet. In practice, SSL is used to secure online credit card transactions, system logins and any sensitive information exchanged online, to secure webmail and applications like Outlook Web Access, Exchange and Office Communications Server, to secure the connection between an email client such as Microsoft Outlook and an email server such as Microsoft Exchange, to secure intranet based traffic such as internal networks, file sharing, extranets, and database connections etc. **2M**

(d) Nucleus FinnOne: The Nucleus FinnOne is a banking suite, made and marketed by India-based Company **Nucleus software**, and comes with a wide variety of integrated applications that cover different aspects of global web banking. These applications support banks and financial solution companies in dealing with assets, liabilities, core financial accounting and customer service. The solution is wholly focused on banking and financial services spanning across solutions in the areas of Retail and Corporate Banking, Cash Management, Relationship Banking, Financial CRM, Credit Risk & Appraisal, Enterprise Application Integration (EAI), Internet Banking, Data warehousing and Analytics. **2M**

(e) Storage Virtualization: Storage virtualization is the apparent pooling of data from multiple storage devices, even different types of storage devices, into what appears to be a single device that is managed from a central console. Storage virtualization **2M**

helps the storage administrator perform the tasks of backup, archiving, and recovery more easily - and in less time - by disguising the actual complexity of a Storage Area Network (SAN). Administrators can implement virtualization with software applications or by using hardware and software hybrid appliances. The servers connected to the storage system aren't aware of where the data really is. Storage virtualization is sometimes described as "abstracting the logical storage from the physical storage".

SECTION – B : STRATEGIC MANAGEMENT

Q. No. 8 is compulsory.
Answer any five questions from the rest

Answer 8: (3×5 = 15 Marks)

(a)

(i) Large base of customers of an organization (supplier) may increase its bargaining power in comparison to the bargaining power of the customer.

(ii) The manufacturer of sports goods would be in better position amongst existing competitors since it has advantage of economies of scale. Even the threat of new entrants gets reduced.

(iii) Similar products will reduce the bargaining power of the rivals, i.e., competitors. In other words the bargaining power of the customer will be more.

(1 Mark for each point)

(b) There are three main levels of management in a typical organisation: corporate, business, and functional. The corporate level of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff. These individuals occupy the apex of decision making within the organization and broadly have following roles:

1. Oversee the development of strategies for the whole organization.
2. Defining the mission and goals of the organization.
3. Determining what businesses it should be in.
4. Allocating resources among the different businesses.
5. Formulating and implementing strategies that span individual businesses.
6. Providing leadership for the organization.
7. Provide a link between the people who oversee the strategic development of a firm and those who own it.

(½ Mark for each valid point)

(c) The BCG growth-share matrix is the simplest way to portray a corporation's portfolio of investments. Using the matrix, organisations can identify four different types of products or Strategic Business Units. *Question Marks,* sometimes called problem children or wildcats, are low market share businesses in high-growth markets.
They require a lot of cash to hold their share. 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.

1½M

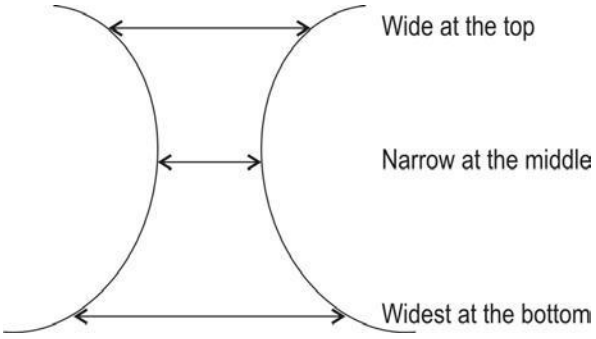
It is for business organisations to turn those businesses into stars and then to cash cows when the growth rate reduces. *Thus the strategic option that they must strive to achieve is to build.* Here the objective is to increase market share, even by forgoing short-term earnings in favour of building a strong future with large market share. **1½M**

(d) Successful strategy implementation often requires additional capital. Besides net profit from operations and the sale of assets, two basic sources of capital for an organization are debt and equity. Fixed debt obligations generally must be met, regardless of financial or operating performance. This does not mean that equity issuances are always better than debt for raising capital. If ordinary stock is issued to finance strategy implementation; ownership and control of the enterprise gets diluted. This can be a serious concern in today's business environment of hostile takeovers, mergers, and acquisitions. **2M**

The major factors regarding which strategies have to be made by a financial manager are: capital structure; procurement of capital and working capital borrowings; reserves and surplus as sources of funds; and relationship with lenders, banks and financial institutions. Strategies related to the sources of funds are important since they determine how financial resources will be made available for the implementation of strategies. Organizations have a range of alternatives regarding the sources of funds. While one company may rely on external borrowings, another may follow a policy of internal financing. **1M**

(e) In the recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers in an organisation structure with constricted middle layer. The structure has a short and narrow middle management level as shown in the figure given below. **1M**

Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities.



Hourglass Organization Structure **1M**

Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so that it is faster. However, with the reduced size **1M**

of middle management, the promotion opportunities for the lower levels diminish significantly.

Answer 9: (4+3 = 7 Marks)

(a)

(i) Incorrect: PESTLE Analysis is used in analysis of macro environmental factors and not micro environment. It involves identification of 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. The advantage of this tool is that it encourages management into proactive and structured thinking in its decision making. **(Decision-1M & Explanation-1M)**

(ii) Correct: Demarketing is a marketing strategy to reduce demand temporarily or permanently – the aim is not to destroy demand, but only to reduce or shift it. This happens when the demand is too much to handle. For example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand. **(Decision-1M & Explanation-1M)**

(b) Primarily six sigma means maintenance of the desired quality in processes and end products. It means taking systemic and integrated efforts toward improving quality and reducing cost. Six sigma has its base in the concept of probability and normal distribution in statistics. Six sigma strives that 99.99966% of products manufactured are defect free. Six sigma is an improvement over other quality programmes because of its characteristics. The following key characteristics separate six sigma from earlier quality programs: **1M**

(i) Six sigma is customer focused. It strives to provide better satisfaction to the customer owning the product.
(ii) Six sigma is a total management commitment and philosophy of excellence, process improvement and the rule of measurement.
(iii) Six sigma induces changes in management operations - new approaches to thinking, planning and executing to achieve results.
(iv) Six Sigma projects produce major returns on investment.
(v) Six sigma combines both leadership and grassroots energy and involvement for its success.

(½ Mark for each valid point)

Answer 10: (7 Marks)

A sick company has huge accumulated losses that have eroded its net worth. The electric home appliance company may analyse its various products to take decisions on their individual viability.

Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency.

Retrenchment strategy is adopted because:

The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.
The environment faced is threatening.
Stability can be ensured by reallocation of resources from unprofitable to profitable businesses.
Retrenchment grand strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems. These steps result in different kinds of retrenchment strategies.

Turnaround strategy: If the organization chooses to focus on ways and means to reverse the process of decline, it adopts a turnaround strategy. It may try to reduce costs, generate revenue, improve coordination, better control, minimize pressures and so on. It may also involve changes in top management and reorienting leadership. **2M**

Divestment Strategy: Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. **2M**

Liquidation Strategy: In the retrenchment strategy, the most extreme and unattractive is liquidation strategy. It involves closing down a firm and selling its assets.
It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure. Many small-scale units, proprietorship firms, and partnership ventures liquidate frequently but medium-and large-sized companies rarely liquidate in India. The company management, government, banks and financial institutions, trade unions, suppliers and creditors, and other agencies are extremely reluctant to take a decision, or ask, for liquidation.
Liquidation strategy may be unpleasant as a strategic alternative but when a "dead business is worth more than alive", it is a good proposition.
The management of a Sick company manufacturing various electrical home appliances be explained about the each of the above three options of retrenchment strategy with their pros and cons. But the appropriate advice with respect to a particular option of retrenchment strategy will depend on the specific circumstances of each electrical home appliances and management goals of the company. **3M**

Answer 11: (4+3 = 7 Marks)

(a)

(i) The organisation has adopted market penetration strategy (intensification) through advertising the new uses of its product 'çhokoo mix' aggressively. Here the organisation seeks significant growth – within the current business by selling existing products in the existing markets without changing the product in a major way. **1M**

(ii) The company has adopted product development strategy (intensification) by deciding to revise college text books. The company is already in publishing industry and must be having appropriate competencies in dealer network and **1M**

acceptance amongst the student community. Revising the college text books (new product) would enable it to expand in the college text books segment (existing market).

(iii) The company has adopted backward integration strategy (vertically integrated diversification) by starting to manufacture PFY and PSF, critical raw materials for textiles. This strategy, apart from overall growth of the organisation, ensures uninterrupted supply of critical raw materials for the present business of the firm. It will also enable the organization to retain the margins in dealing with the raw materials which otherwise would have gone to its suppliers. **1M**

(iv) The business giant in auto manufacturing has adopted conglomerate diversification strategy by entering into edible oils, hotels, financial services and dairy businesses. **1M**

In conglomerate diversification a business enters into new businesses that may have little or no linkages with existing business. The organisation has mammoth growth ambition.

(b) Simple organizational structure is most appropriate usually in those small organisations that follow single business strategy and offer a line of products in a single geographic market. When a small organisation grows, its complexities also tend to grow which necessitates the companies to abandon the simple organisation structure which it has been adopting hitherto and move towards structures like functional organisational structure. A typical simple organization structure is often owner driven with small number of employees. **2M**

Functional structure groups tasks and activities by business function, such as production, marketing, finance, research and development and is generally headed by Chief Executive Officer or Managing Director. Besides being simple and inexpensive, a functional structure also promotes specialization, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision making. At the same time with the passage of time and overall growth much more complex organisational structures exist in business world. However, dividing organization according to functional lines is invariably found at some level or the other. **1M**

Answer 12: (4+3 = 7 Marks)

(a) Business enterprises pursue multiple objectives rather than a single objective, however it is generally asserted that private enterprises are primarily motivated by the objective of profit. All other objectives are facilitative objectives and are meant to be subservient to the profit motive. However, profits cannot remain primary objective in long run. Although some profits are necessary, organizations need to pursue other objectives such as survival, stability, growth and like. These objectives also change with the changes in the environment. Organisations monitor the changes in the environment, analyse their impact on their own goals and activities and translate their assessment in terms of specific strategies. In general, all organizations aim for optimum utilization of resources and economy in operational costs. Some of the other important objectives of a business are as follows: **1M**

- **Survival:** Survival is a basic, implicit objective of most organizations. While survival is an obvious objective, it gains more value and prominence during the initial stage of the establishment of the enterprise and during general economic adversity. The ability to survive is a function of the nature of ownership, nature of business competence of management, general and industry conditions, financial strength of the enterprise and so on.
- **Stability:** Another important objective of business enterprises is stability. It is a cautious, conservative objective that is often employed when things are not very conducive. It is a strategy of least resistance in a hostile external environment.
- **Growth:** This is a promising and popular objective which is equated with dynamism, vigor, promise and success. Enterprise growth may take one or more of the forms like increase in assets, manufacturing facilities, increase in sales volume and so on. Growth may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls.
- **Efficiency:** Business enterprises seek efficiency in rationally choosing appropriate means to achieve their goals. In a sense, efficiency is an economic version of the technical objective of productivity – designing and achieving suitable input output ratios of funds, resources, facilities and efforts. Efficiency is a very useful operational objective.

3M

(b) Business organizations function within dynamic environment. The environment may vary from being conducive to hostile. Whatever be the conditions, implementation of strategic management is very important for the survival and growth of business organizations. Strategy implementation helps in improving the competence with which it is executed and helps organizations to sustain superior performance in following manner:

- Strategic management helps organizations to be more proactive rather than reactive in dealing with its future.
- It provides better guidance to entire organization on the crucial point – what it is trying to do.
- It facilitates to prepare the organization to face the future. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
- It serves as a corporate defense mechanism against mistakes and pitfalls.
- Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages.

(1 Mark for each valid point)

Answer 13: (4+3 = 7 Marks)

(a) Concentric and conglomerate diversification are different forms of diversification with the following key differences:

1. Concentric diversification occurs when a firm adds related products or markets. On the other hand conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business.

2M

2. In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. In conglomerate diversification, no such linkages exist; the new business/product is disjointed from the existing businesses/products. **1M**
3. The most common reasons for pursuing a concentric diversification are that opportunities in a firm's existing line of business are available. However, common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative. **1M**

(b) Market Development and product development are two different growth strategies. The following are the differences between these two:

Market Development	Product Development
1. 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.	1. Product development 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. **2M**
2. Market development 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.	2. Product development strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets. **1M**

Answer 14: (4+3 = 7 Marks)

(a) The benefits of cooperation are also seen in Japan, where large cooperative networks of businesses are known as *kieretsus*. These are formed in order to enhance the abilities of individual member businesses to compete in their respective industries. A *kieretsu* is a loosely-coupled group of companies, usually in related industries. *Kieretsu* members are peers and may own significant amounts of each other's stock and have many board members in common. **1M**

Kieretsus are different from conglomerates (common in western countries and also found in India) wherein all members are lineated through ownership pattern. A *kieretsu* also differs from a consortium or an association, as the primary purpose of a *kieretsu* is not to share information or agree industry standards, but to share purchasing, distribution or any other functions. In *Kieretsu* members remain independent companies in their own right: the only strategy they have in common is to prefer to do business with other *kieretsu* members, both when buying and when selling. **3M**

(b) Driving Forces: Industry conditions change because there are external forces that are driving industry participants to modify their actions. Industry and competitive conditions change because forces are in motion that creates incentives or pressures for changes.

The most dominant forces are called driving forces because they have the biggest influence on what kinds of changes will take place in the industry's structure and competitive environment. **1M**

Analyzing driving forces has two steps: identifying what the driving forces are and assessing the impact they will have on the industry. Many events can affect an industry powerfully enough to qualify as driving forces. Some are unique and specific to a particular industry situation, but many drivers of change fall into general category affecting different industries simultaneously. **2M**

***OR (*Alternative / choice)**

It is true that strategies are partly proactive and partly reactive.

In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on. **1M**

There can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in the light of possible environmental changes. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities. **2M**

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