

(GI-1, GI-2, GI-3, GI-4, SI-1 &amp; VI-1)

DATE: 11.10.2019

MAXIMUM MARKS: 100

TIMING: 3¼ Hours

## EIS&amp; SM

## SECTION – A : ENTERPRISE INFORMATION SYSTEMS AND MANAGEMENT

Q. No. 1 &amp; 2 is Compulsory,

Answer any three questions from the remaining four questions

**Answer 1:**

1. Ans. b
  2. Ans. a
  3. Ans. c
  4. Ans. b
  5. Ans. b
  6. Ans. a
  7. Ans. a
  8. Ans. b
  9. Ans. d
  10. Ans. c
  11. Ans. a
  12. Ans. d
  13. Ans. a
  14. Ans. c
  15. Ans. b
- {1 M each}

**Answer 2:****(a) Internal Controls in Banks**

Risks are mitigated by implementing internal controls as appropriate to the business environment. These types of controls must be integrated in the IT solution implemented at the bank's branches. Some examples of internal controls in bank branch are given here:

- Work of one staff member is invariably supervised/ checked by another staff member, irrespective of the nature of work (Maker-Checker process).
- A system of job rotation among staff exists.
- Financial and administrative powers of each official/ position is fixed and communicated to all persons concerned.
- Branch managers must send periodic confirmation to their controlling authority on compliance of the laid down systems and procedures.
- All books are to be balanced periodically. Balancing is to be confirmed by an authorized official.
- Details of lost security forms are immediately advised to controlling so that they can exercise caution.

(1/2  
Mark for  
any 5  
Point)

- Fraud prone items like currency, valuables, draft forms, term deposit receipts, traveler’s cheques and other such security forms are in the custody of at least two officials of the branch.

**(b) IT Controls in Banks**

IT risks need to be mitigated by implementing the right type and level of controls in the automated environment. This is done by integrating controls into IT. Sample list of IT related controls are:

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- The system checks whether the amount to be withdrawn is within the drawing power.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

**(1/2 M for any 5 Point)**

**Answer 3:**

**(a)** E-commerce components include the following:

**(I) User:** This may be individual / organization or anybody using the e-commerce platforms. As e-commerce, has made procurement easy and simple, just on a click of button e-commerce vendors needs to ensure that their products are not delivered to wrong users. In fact, e-commerce vendors selling products like medicine / drugs need to ensure that such products are not delivered to wrong user.

**{1 M}**

**(II) E-commerce Vendors:** This is the organization / entity providing the user, goods/ services asked for. For example: www.flipkart.com. E-commerce Vendors further needs to ensure following for better, effective and efficient transaction.

- Suppliers and Supply Chain Management
- Warehouse operations
- Shipping and returns
- E - Commerce catalogue and product display
- Marketing and loyalty programs
- Showroom and offline purchase
- Different Ordering Methods
- Guarantees
- Privacy Policy
- Security

**{1 M}**

**(III) Technology Infrastructure:** The computers, servers, database, mobile

**{1 M}**

- apps, digital libraries, data interchange enabling the e-commerce transactions.
- (a) **Computers, Servers and Database**  
 (b) **Mobile Apps**  
 (c) **Digital Library: A Digital Library**  
 (d) **Data Interchange: Data Interchange**
- (IV) Internet / Network:** This is the key to success of e-commerce transactions.
- This is the critical enabler for e-commerce. Internet connectivity is important for any e-commerce transactions to go through. Net connectivity in present days can be through traditional as well as new technology.
  - The faster net connectivity leads to better e-commerce. Many mobile companies in India have launched 4G services.
  - The success of e-commerce trade depends upon the internet capability of organization. At a global level, it is linked to the countries capability to create a high speed network. The latest communication technologies like 4G, 5G have already made in-roads in India.
- (V) Web portal:** This shall provide the interface through which an individual / organization shall perform e-commerce transactions.
- **Web Portal** is the application through which user interacts with the e-commerce vendor. The front end through which user interacts for an e-commerce transaction. These web portals can be accessed through desktops / laptops / PDA / hand-held computing devices / mobiles and now through smart TVs also.
  - The simplicity and clarity of content on web portal is directly linked to customer experience of buying a product online. E-commerce vendors put a lot of money and effort in this aspect.
- (VI) Payment Gateway:** The payment mode through which customers shall make payments. Payment gateway represents the way e-commerce / m-commerce vendors collect their payments. The payment gateway is another critical component of e-commerce set up. These are the last and most critical part of e-commerce transactions. These assure seller of receipt of payment from buyer of goods / services from e-commerce vendors. Presently numerous methods of payments by buyers to sellers are being used, including Credit / Debit Card Payments, Online bank payments, Vendors own payment wallet, Third Party Payment wallets, like SBI BUDDY or PAYTM, Cash on Delivery (COD) and Unified Payments Interface (UPI).

**Answer:**

- (b) Preventive Controls:** These controls prevent errors, omissions, or security incidents from occurring.
- Examples include simple data-entry edits that block alphabetic characters from being entered in numeric fields, access controls that protect sensitive data/ system resources from unauthorized people, and complex and dynamic technical controls such as anti virus software, firewalls, and intrusion prevention systems. In other words, Preventive Controls are those inputs, which are designed to prevent an error, omission or malicious act occurring. Some of the examples of Preventive Controls are as follows:
- Any control can be implemented in both manual and computerized environment for the same purpose. Only, the implementation methodology may differ from one environment to the other. Some of the examples of preventive controls can be

Employing qualified personnel; Segregation of duties; Access control; Vaccination against diseases; Documentation; Prescribing appropriate books for a course; Training and retraining of staff; Authorization of transaction; Validation, edit checks in the application; Firewalls; Anti-virus software (sometimes this acts like a corrective control also), etc., and Passwords. The above list contains both of manual and computerized, preventive controls.

**Answer 4:**

- (a) Material Management (MM) Module manages materials required, processed and produced in enterprises. Different types of procurement processes are managed with this system. Some of the popular sub-components in MM module are vendor master data, consumption based planning, purchasing, inventory management, invoice verification and so on. Material management also deals with movement of materials via other modules like logistics, Supply Chain Management, sales and delivery, warehouse management, production and planning. The overall purchase process includes the following sub-processes: { 1 M }
- **Purchase Requisition from Production Department** - Production department sends a request to purchase department for purchase of raw material required for production.
  - **Evaluation of Requisition** - Purchase department shall evaluate the requisition with the current stock position and purchase order pending position and shall decide about accepting or rejection the requisition.
  - **Asking for Quotation** - If requisition is accepted, quotations shall be asked to approve vendors for purchase of material.
  - **Evaluation of quotations** - Quotations received shall be evaluated and compared.
  - **Purchase Order** - This is a transaction for letting an approved vendor know what we want to purchase, how much we want to purchase, at what rate we want to purchase, by what date we want the delivery, where we want the delivery. Hence a typical purchase order shall have following information.
    - Description of **stock items** to be purchased.
    - **Quantity** of these stock items.
    - **Rate** for purchases.
    - **Due Date** by which material is to be received.
    - **Godown** where material is to be received.
  - **Material Receipt** - This is a transaction of receipt of material against purchase order. This is commonly known as Material Receipt Note (MRN) or Goods Receipt Note (GRN). This transaction shall have a linking with Purchase Order. Information in Purchase Order is automatically copied to Material Receipt Voucher for saving time and effort for user. Stock is increased after recording of this transaction.
  - **Issue of material** - Material received by stores shall be issued to production department as per requirement.
  - **Purchase Invoice** - This is a financial transaction. Trial balance is affected due to this transaction. Material Receipt transaction does not affect trial balance. This transaction shall have a linking with Material Receipt Transaction and all the details of material received shall be copied automatically in purchase invoice. As stock is increased in Material Receipt transaction, it will not be increased again after recording of purchase ( 1 M for any 5 point )

invoice.

- **Payment to Vendor** - Payment shall be made to vendor based on purchase invoice recorded earlier. Payment transaction shall have a linking with purchase invoice.

**Answer :**

**(b)** Some of the important characteristics of Computer Based Information Systems are given as follows:

- ♦ All systems work for predetermined objectives and the system is designed and developed accordingly.
- ♦ In general, a system has several interrelated and interdependent subsystems or components. No subsystem can function in isolation; it depends on other subsystems for its inputs.
- ♦ If one subsystem or component of a system fails; in most of the cases, the whole system does not work. However, it depends on 'how the subsystems are interrelated'.
- ♦ The way a subsystem works with another subsystem is called interaction. The different subsystems interact with each other to achieve the goal of the system.
- ♦ The work done by individual subsystems is integrated to achieve the central goal of the system. The goal of individual subsystem is of lower priority than the goal of the entire system.

**(1 M for any 4 point)**

**Answer 5:**

**(a)** An **Operating System (OS)** is a set of computer programs that manages computer hardware resources and acts as an interface with computer applications programs. The operating system is a vital component of the system software in a computer system. Application programs usually require an operating system to function that provides a convenient environment to users for executing their programs. Computer hardware with operating system can thus be viewed as an extended machine, which is more powerful and easy to use. Some prominent Operating systems used nowadays are Windows 7, Windows 8, Linux, UNIX, etc.

All computing devices run an operating system. For personal computers, the most popular operating systems are Microsoft's Windows, Apple's OS X, and different versions of Linux. Smart phones and tablets run operating systems as well, such as Apple's iOS, Google Android, Microsoft's Windows Phone OS, and Research in Motion's Blackberry OS.

**{1 M}**

A variety of activities are executed by Operating systems which include:

- ♦ **Performing hardware functions:** Application programs to perform tasks must obtain input from keyboards, retrieve data from disk & display output on monitors. Achieving all this is facilitated by operating system. Operating system acts as an intermediary between the application program and the hardware.
- ♦ **User Interfaces:** An important function of any operating system is to provide user interface. If we remember DOS days, it had a command based User Interface (UI) i.e. text commands were given to computer to execute any command. But today we are more used to Graphic User Interface (GUI) which uses icons & menus like in the case of Windows. So, how we interface with our system will be provided by Operating system.
- ♦ **Hardware Independence:** Every computer could have different specifications and configurations of hardware. If application developer would have to rewrite code for every configuration s/he would be in a big trouble.

**(1 M for any 5 point)**

Fortunately, we have operating system, which provides Application Program Interfaces (API), which can be used by application developers to create application software, thus obviating the need to understand the inner workings of OS and hardware. Thus, OS gives us hardware independence.

- ♦ **Memory Management:** Memory Management features of Operating System allow controlling how memory is accessed and maximize available memory & storage. Operating systems also provides Virtual Memory by carving an area of hard disk to supplement the functional memory capacity of RAM. In this way, it augments memory by creating a virtual RAM.
- ♦ **Task Management:** Task Management feature of Operating system helps in allocating resources to make optimum utilization of resources. This facilitates a user to work with more than one application at a time i.e. multitasking and allows more than one user to use the system i.e. time sharing.
- ♦ **Networking Capability:** Operating systems can provide systems with features & capabilities to help connect computer networks. Like Linux & Windows 8 give us an excellent capability to connect to internet.
- ♦ **Logical Access Security:** Operation systems provide logical security by establishing a procedure for identification & authentication using a User ID and Password. It can log the user access thereby providing security control.
- ♦ **File management:** The operating system keeps a track of where each file is stored and who can access it, based on which it provides the file retrieval.

**Answer :**

**(b)** Types of Business Risks

Businesses face all kinds of risks related from serious loss of profits to even bank ruptcy and are discussed below:

- ♦ Strategic  
Risk that would prevent an organization from accomplishing its objectives (meeting its goals).
- ♦ Financial  
Risk that could result in a negative financial impact to the organization (waste or loss of assets).
- ♦ Regulatory (Compliance)  
Risk that could expose the organization to fines and penalties from a regulatory agency due to non-compliance with laws and regulations.
- ♦ Reputational  
Risk that could expose the organization to negative publicity.
- ♦ Operational  
Risk that could prevent the organization from operating in the most effective and efficient manner or be disruptive to other operations.

{ 1 M for any 4 point)

**Answer 6:**

**(a)** Banking industry is involved in dealing with public money and thus demands proper checks and balances to ensure close monitoring of the dealing, minimizing the risk arising out of the banking business. A CBS is built with these inherent features. In the past few years, banks have implemented these major technology initiatives and have deployed new state-of-the-art and innovative banking services. One of the significant projects implemented is the centralized database and centralized application environment for core and allied applications and services which is popularly known as CBS. The design and implementation of CBS has been completed in most of the commercial banks.

{ 1 M }

The various components/ features of core banking are as follows:

- ◆ Opening new accounts and customer on-boarding.
- ◆ Managing deposits and withdrawals.
- ◆ Transactions management from initiation to reporting.
- ◆ Interest calculation and management.
- ◆ Payments processing (cash, cheques/ mandates, NEFT, RTGS, IMPS etc.).
- ◆ Loans disbursement and management.
- ◆ Processing cash deposits and withdrawals.
- ◆ Processing payments and cheques.
- ◆ Processing and servicing loans.
- ◆ Accounts management.
- ◆ Configuring and calculating interest.
- ◆ Customer Relationship Management (CRM) activities.
- ◆ Setting criteria for minimum balances, interest rates, withdrawals allowed, limits and so on.
- ◆ Maintaining records for all the bank’s transactions.
- ◆ The branch confines itself to the following key functions:
- ◆ Creating manual documents capturing data required for input into software
- ◆ Internal authorization
- ◆ Initiating Beginning-Of-Day (BOD) operations
- ◆ End-Of-Day (EOD) operations
- ◆ Reviewing reports for control and error correction.

**(1/2 M for any 10 point)**

**Answer:**

**(b)** From the perspective of e-commerce in India, the IT Act, 2000 and its provisions contain many positive aspects which are as follows:

- ◆ The implications for the e-businesses is that email is now a valid and legal form of communication in India that can be duly produced and approved in a court of law.
- ◆ Companies shall now be able to carry out electronic commerce using the legal infrastructure provided by the Act.
- ◆ Digital Signatures have been given legal validity and sanction in the Act.
- ◆ The Act throws open the doors for the entry of corporate companies in the business of being Certifying Authorities for issuing Digital Signatures Certificates.
- ◆ The Act allows Government to issue notification on the web thus heralding e-governance.
- ◆ The Act enables the companies to file any form, application or any other document with any office, authority, body or agency owned or controlled by the appropriate Government in electronic form by means of such electronic form as may be prescribed by the appropriate Government.
- ◆ The IT Act also addresses the important issues of security, which are so critical to the success of electronic transactions.
- ◆ The Act has given a legal definition to the concept of secure digital signatures that would be required to have been passed through a system of a security procedure, as stipulated by the Government at a later date.

**(1 M for any 4 point)**

Under the IT Act, 2000, it shall now be possible for corporates to have a statutory remedy in case if anyone breaks into their computer systems or network and causes damages or copies data. The remedy provided by the Act is in the form of monetary damages, not exceeding Rs.1 crore.

## SECTION – B : STRATEGIC MANAGEMENT

Q. No. 7 &amp; 8 is Compulsory,

Answer any three questions from the remaining four questions

**Answer 7:**

1. Ans. b
  2. Ans. d
  3. Ans. b
  4. Ans. a
  5. Ans. d
  6. Ans. c
  7. Ans. a
  8. Ans. b
  9. Ans. b
  10. Ans. d
  11. Ans. b
  12. Ans. a
  13. Ans. b
  14. Ans. b
  15. Ans. a
- {1 M Each}

**Answer 8:**

Yummy foods is proactive in its approach. On the other hand Tasty Food is reactive. Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances. {2 M}

A company's strategy is typically a blend of proactive actions on the part of managers to improve the company's market position and financial performance and reactions to unanticipated developments and fresh market conditions. {1 M}

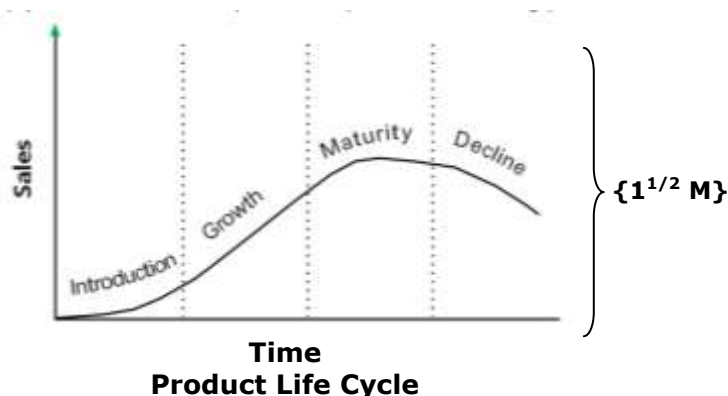
If organisational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you advantage in the mind of customers. {2 M}

At the same time, crafting a strategy involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company's situation change or better options emerge-a reactive/adaptive strategy. This aspect can be accomplished by Yummy Foods.

**Answer 9:**

- (a) Product Life Cycle is an important concept in strategic choice and S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages. {2 M}
- The first stage of PLC is the introduction stage in which competition is almost negligible, prices are relatively high and markets are limited. The growth in sales is also at a lower rate.
- The second stage of PLC is the growth stage, in which the demand expands rapidly, prices fall, competition increases and market expands.
- The third stage of PLC is the maturity stage, where in the competition gets tough and market gets stabilized. Profit comes down because of stiff competition.
- The fourth stage is the declining stage of PLC, in which the sales and profits fall down sharply due to some new product replaces the existing product.





PLC can be used to diagnose a portfolio of products (or businesses) in order to establish the stage at which each of them exists. Particular attention is to be paid on the businesses that are in the declining stage. Depending on the diagnosis, appropriate strategic choice can be made. For instance, expansion may be a feasible alternative for businesses in the introductory and growth stages. Mature businesses may be used as sources of cash for investment in other businesses which need resources. A combination of strategies like selective harvesting, retrenchment, etc. may be adopted for declining businesses. In this way, a balanced portfolio of businesses may be built up by exercising a strategic choice based on the PLC concept.

**Answer:**

(b) Using the BCG approach, a company classifies its different businesses on a two dimensional growth-share matrix. 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. With the given data on market share and industry growth rate of Soorya Ltd, its four products are placed in the BCG matrix as follows:

|                    |      | Retain Market Share                                               |                                                                         |
|--------------------|------|-------------------------------------------------------------------|-------------------------------------------------------------------------|
|                    |      | High                                                              | Low                                                                     |
| Market Growth Rate | High | Product A [80% Market Share + 15% Growth Rate]<br><b>Stars</b>    | Product B [40% Market Share + 10% Growth Rate]<br><b>Question Marks</b> |
|                    | Low  | Product C [60% Market Share -20% Growth Rate]<br><b>Cash Cows</b> | Product D [05% Market Share -10% Growth Rate]<br><b>Dogs</b>            |

Product A is in best position as it has a high relative market share and a high industry growth rate. On the other hand, product B has a low relative market share, yet competes in a high growth industry. Product C has a high relative market share, but competes in an industry with negative growth rate. The company should take advantage of its present position that may be difficult to sustain in long run. Product D is in the worst position as it has a low relative market share, and competes in an industry with negative growth rate.

**Answer 10:**

- (a) (i) Objectives should define the organization’s relationship with its environment.  
 (ii) They should be facilitative towards achievement of mission and purpose.  
 (iii) They should provide the basis for strategic decision-making.  
 (iv) They should provide standards for performance appraisal.

- (v) They should be concrete and specific.
- (vi) They should be related to a time frame.
- (vii) They should be measurable and controllable.
- (viii) They should be challenging.
- (ix) Different objectives should correlate with each other.
- (x) Objectives should be set within the constraints of organisational resources and external environment.

**Answer:**

- (b)** Rising competition, business cycles and economic volatility have created 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. Organizations that have faced a significant crisis that has negatively affected operations requires turnaround strategy. 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. Being organization's first objective is to survive and then grow in the market; turnaround strategy is used when organization's survival is under threat. Once turnaround is successful the organization may turn to focus on growth. **{1 M}**
- Conditions for turnaround strategies:** When firms are losing their grips over market, profits due to several internal and external factors, and if they have to survive under the competitive environment they have to identify danger signals as early as possible and undertake rectification steps immediately. These conditions may be, inter alia, cash flow problems, lower profit margins, high employee turnover and decline in market share, capacity underutilization, low morale of employees, recessionary conditions, mismanagement, raw material supply problems and so on.
- Action plan for turnaround strategy**
- Stage One – 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. **{1 M}**
- Stage Two – Analyze the situation and develop a strategic plan:** Before you make any major changes; determine the chances of the business's survival. 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. Analyze the strengths and weaknesses in the areas of competitive position. Once major problems and opportunities are identified, develop a strategic plan with specific goals and detailed functional actions. **{1 M}**
- Stage Three – 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 enough funds to implement the turnaround strategies must be raised. **{1 M}**
- Stage Four – 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. **{1 M}**

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; the organization may even withdraw from certain markets to make organization leaner or target its products toward a different niche.

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.

**Stage Five – 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 such as carefully adding new products and improving customer service, creating alliances with other organizations, increasing the market share, etc.

{1 M}

### Answer 11:

#### (a) Advantages of Differentiation Strategy

A differentiation strategy may help to remain profitable even with: rivalry, new entrants, suppliers’ power, substitute products, and buyers’ power.

1. Rivalry - Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.
2. Buyers – They do not negotiate for price as they get special features and also they have fewer options in the market.
3. Suppliers – Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too.
4. Entrants – Innovative features are an expensive offer. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.
5. Substitutes – Substitute products can’t replace differentiated products which have high brand value and enjoy customer loyalty.

{1 M  
each  
point}

### Answer:

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

{1 M}

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

(i) **Net worth or stockholders’ equity:** Net worth is the total assets minus total outside liabilities of an organisation.

{1 M}

(ii) **Future benefits to owners through net profits:** These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business’s worth as five times the firm’s current annual profit. A five-year average profit level could also be used.

{1 M}

(iii) **Market-determined business worth:** This, in turn, involves three methods. First, the firm’s worth may be based on the selling price of a similar company. The second approach is called the price-earnings ratio method whereby the market price of the firm’s equity shares is divided by the annual earnings per share and multiplied by the firm’s average net income for the preceding years. The third approach can be called the outstanding shares method

{2 M}

whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium. }

**Answer 12:**

- (a) The phenomenon which often distinguishes good organizations from bad ones could be summed up as 'corporate culture'. Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behaviour of managers. Culture affects not only the way managers behave within an organization but also the decisions they make about the organization's relationships with its environment and its strategy. **{2 M}**
- "Culture is a strength that can also be a weakness". This statement can be explained by splitting it in to two parts.
- Culture as a strength:** As a strength, culture can facilitate communication, decision- making & control and create cooperation & commitment. An organization's culture could be strong and cohesive when it conducts its business according to a clear and explicit set of principles and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organization. **{1<sup>1/2</sup> M}**
- Culture as a weakness:** As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change. An organization's culture could be characterized as weak when many subcultures exist, few values and behavioral norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment and loyalty with the organisation. **{1<sup>1/2</sup> M}**

**Answer:**

- (b) Business Process Reengineering (BPR) is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involves examination of the basic process itself. It looks at the minute details of the process, such as why the work is done, who does it, where is it done and when it is done. BPR refers to the analysis and redesign of workflows and processes both within the organization and between the organization and the external entities like suppliers, distributors, and service providers. **{1 M}**
- The orientation of redesigning efforts is basically radical. In other words, it is a total deconstruction and rethinking of business process in its entirety, unconstrained by its existing structure and pattern. Its objective is to obtain quantum jump in process performance in terms of time, cost, output, quality, and responsiveness to customers. BPR is a revolutionary redesigning of key business processes.
- BPR involves the following steps:
- i. Determining objectives: Objectives are the desired end results of the redesign process which the management and organization attempts to realise. They will provide the required focus, direction, and motivation for the redesign process and help in building a comprehensive foundation for the reengineering process. **{1 M}**
  - ii. Identify customers and determine their needs: The process designers have to understand customers - their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides value addition to the customer. **{1 M}**
  - iii. Study the existing processes: The study of existing processes will provide an important base for the process designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, as

- discussed earlier, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes. }
- iv. Formulate a redesign process plan: The information gained through the earlier steps is translated into an ideal redesign process. Formulation of redesign plan is the real crux of the reengineering efforts. Customer focussed redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected. } **{1 M}**
- v. Implement the redesigned process: It is easier to formulate new process than to implement them. Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements. It is the joint responsibility of the designers and management to operationalise the new process. } **{1 M}**

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