PAPER – 7: ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT

SECTION – A: ENTERPRISE INFORMATION SYSTEMS

QUESTIONS

Chapter 1: Automated Business Processes

1. A travel agency ABC wishes to implement an automated Grievance Management System at its workplace to manage and handle the problems with an aim of solving them. Determine the major benefits that will be drawn out of automating this Grievance related business process.
2. Describe the term "Internal Control System"? State its limitations as well.
3. A bicycle shop in Delhi provides hired bicycles for day(s) at different rates as shown in table:

Season	Charges per day
Spring (March - May)	₹ 8.00
Summer (June - August)	₹ 9.50
Autumn (Sept - Nov.)	₹ 5.00
Winter (Dec. - Feb.)	₹ 6.00

To attract his customers, the proprietor also gives a discount on the number of days a bicycle is hired for. If the hire period is more than 10 days, a reduction of 15% is made. For every bicycle hired, a deposit of ₹ 20 must be paid.

Develop a flowchart to print out the details for each customer such as name of customer, number of days a bicycle is hired for, hire-charges and total charges including the deposit. It is also assumed that there are 25 customers and complete details for each customer such as name of customer, season and number of days the bicycle is required for is inputted through console.

Chapter 2: Financial and Accounting Systems

4. Explain the concept of "Customer Relationship Management (CRM)" and identify its key benefits also.
5. Being an IT consultant to a Government agency PQR, identify the most common open international standard, that should be used by the agency for their standardized digital business reporting. Support the recommendation by preparing a list of its important features also.

Chapter 3: Information Systems and Its Components

6. Physical security mechanisms in an organization provides protection to people, data, equipment, systems, facilities and company assets. Determine some major ways of protecting the organization's computer installation in the event of any explosion or fire.

7. (a) As an Information Systems (IS) Auditor, you need to keep yourself up-to-date with the latest Audit tools, techniques and methodology to meet the demands of the job. Discuss about various Audit Tools that you should be aware about.

   (b) Discuss the advantages of continuous Audit Techniques.

Chapter 4: E- Commerce, M-Commerce and Emerging Technologies

8. A customer X intends to place an order for an electric cooker on an online portal ABC.com. With the help of the diagram, determine the general workflow of the E-Commerce transaction that will take place.

9. Describe any six commercial laws each in brief, that are applicable to any e-commerce or m-commerce transactions.

Chapter – 5: Core Banking Systems

10. (a) In Core Banking Systems, discuss the possible risks and their controls around the CASA (Current and Savings Account) process.

    (b) Define Money Laundering.

SUGGESTED ANSWERS/HINTS

1. The major benefits that will be drawn out of automating the Grievance related business process and implementing the Grievance Management System are as follows:

- **Quality and Consistency:** Ensures that every action is performed identically - resulting in high quality, reliable results and stakeholders will consistently experience the same level of service.
- **Time Saving:** Automation reduces the number of tasks employees would otherwise need to do manually. It frees up time to work on items that add genuine value to the business, allowing innovation and increasing employees' levels of motivation.
- **Visibility:** Automated processes are controlled and consistently operate accurately within the defined timeline. It gives visibility of the process status to the organization.
- **Improved Operational Efficiency:** Automation reduces the time it takes to achieve a task, the effort required to undertake it and the cost of completing it successfully. Automation not only ensures systems run smoothly and efficiently, but that errors are eliminated and that best practices are constantly leveraged.
- **Governance and Reliability:** The consistency of automated processes means stakeholders can rely on business processes to operate and offer reliable processes to customers, maintaining a competitive advantage.

- **Reduced Turnaround Times:** Eliminate unnecessary tasks and realign process steps to optimize the flow of information throughout production, service, billing and collection. This adjustment of processes distills operational performance and reduces the turnaround times for both staff and external customers.
- **Reduced Costs:** Manual tasks, given that they are performed one-at-a-time and at a slower rate than an automated task, will cost more. Automation allows us to accomplish more by utilizing fewer resources.

2. **Internal Control System:** Internal Control System means all the policies and procedures adopted by the management of an entity to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. An Internal Control System:

- facilitates the effectiveness and efficiency of operations.
- helps ensure the reliability of internal and external financial reporting.
- assists compliance with applicable laws and regulations.
- helps safeguarding the assets of the entity.

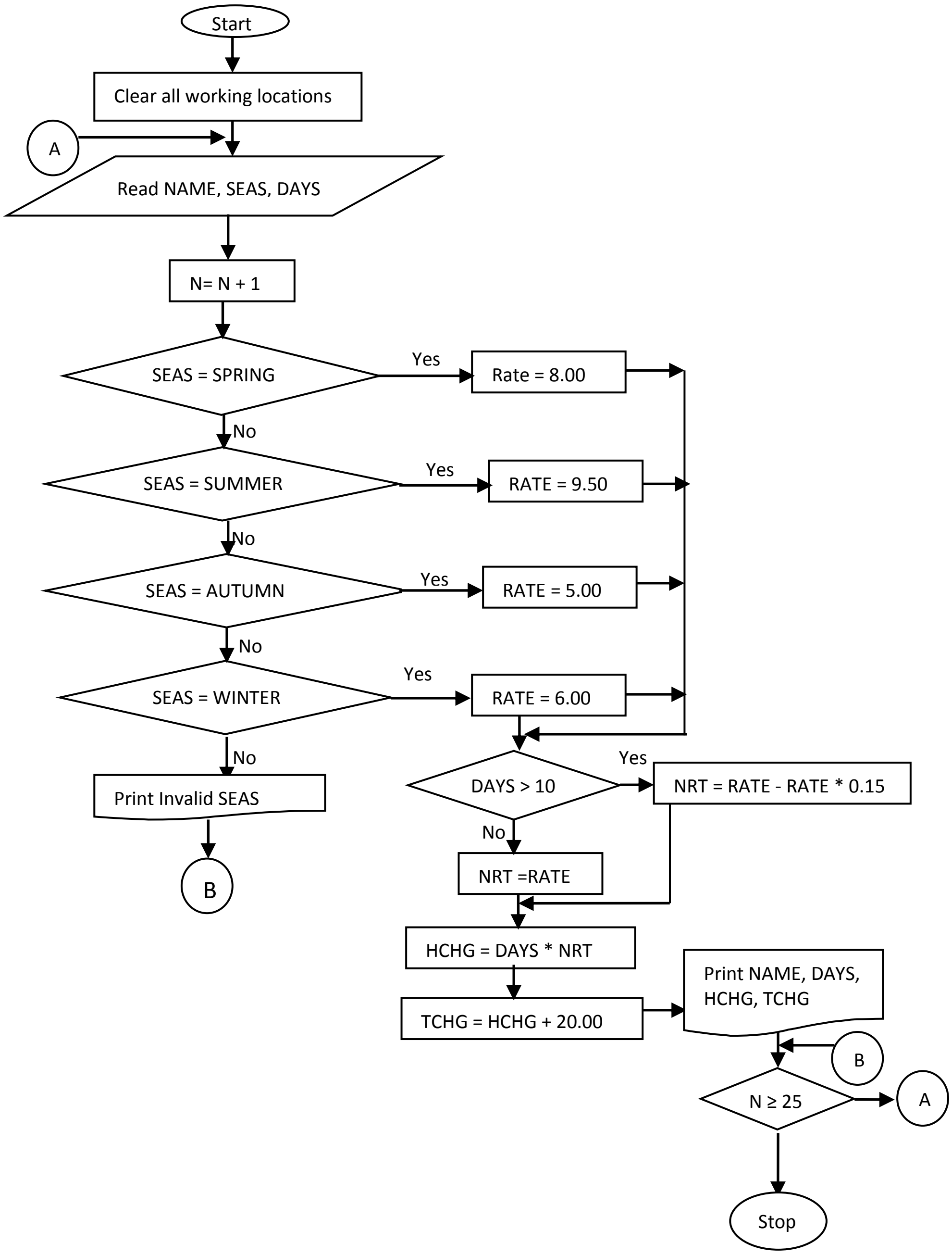
Limitations of Internal Control System are as follows:

- The fact that most internal controls do not tend to be directed at transactions of unusual nature. The potential for human error, such as, due to carelessness, distraction, mistakes of judgement and misunderstanding of instructions.
- The possibility of circumvention of internal controls through collusion with employees or with parties outside the entity.
- The possibility that a person responsible for exercising an internal control could abuse that responsibility, for example, a member of management overriding an internal control.
- Manipulations by management with respect to transactions or estimates and judgements required in the preparation of financial statements.

3. Let us define the variables first:

NAME: Name of the customer	SEAS: Season in which bicycle is hired
DAYS: Number of days a bicycle is hired for	RATE: Hire charges of bicycle per day
N: Number of customers	NRT: Net Rate
HCHG: Hire Charges	TCHG: Total Charges

The required flowchart is shown below:



4. **Customer Relationship Management (CRM):** CRM is a system which aims at improving the relationship with existing customers, finding new prospective customers, and winning back former customers. This system can be brought into effect with software which helps in collecting, organizing, and managing the customer information. CRM manages the enterprise's relationship with its customers. This includes determining who the high-value customers are and documenting what interactions the customers have had with the enterprise.

   Key benefits of a CRM module are as under:

   - **Improved customer relations:** One of the prime benefits of using a CRM is obtaining better customer satisfaction. By using this strategy, all dealings involving servicing, marketing, and selling out products to the customers can be carried out in an organized and systematic way. Better services can be provided to customers through improved understanding of their issues and this in turn helps in increasing customer loyalty and decreasing customer agitation. In this way, continuous feedback from the customers regarding the products and services can be received. It is also possible that the customers may recommend the product to their acquaintances, when efficient and satisfactory services are provided.
   - **Increase customer revenues:** By using a CRM strategy for any business, the revenue of the company can be increased. Using the data collected, marketing campaigns can be popularized in a more effective way. With the help of CRM software, it can be ensured that the product promotions reach a different and brand new set of customers, and not the ones who had already purchased the product, and thus effectively increase the customer revenue.
   - **Maximize up-selling and cross-selling:** A CRM system allows up-selling which is the practice of giving customers premium products that fall in the same category of their purchase. The strategy also facilitates cross selling which is the practice of offering complementary products to customers, based on their previous purchases. This is done by interacting with the customers and getting an idea about their wants, needs, and patterns of purchase. The details thus obtained will be stored in a central database, which is accessible to all company executives. So, when an opportunity is spotted, the executives can promote their products to the customers, thus maximizing up-selling and cross selling.
   - **Better internal communication:** Following a CRM strategy helps in building up better communication within the company. The sharing of customer data between different departments will enable them to work as a team. This is better than functioning as an isolated entity, as it will help in increasing the company's profitability and enabling better service to customers.
   - **Optimize marketing:** CRM enables to understand the customer needs and behaviour in a better way, thereby allowing any enterprise to identify the correct

time to market its product to the customers. CRM will also give an idea about the most profitable customer groups, and by using this information, similar prospective groups, at the right time will be targeted. In this way, marketing resources can be optimized efficiently and time is not wasted on less profitable customer groups.

5. **eXtensible Business Reporting Language (XBRL)** is an open international standard for digital business reporting that provides a language in which reporting terms can be authoritatively defined. Those terms can be used to uniquely represent the contents of financial statements or other kinds of compliance, performance and business reports. XBRL lets reporting information move between organizations rapidly, accurately and digitally. XBRL is a standard-based way to communicate and exchange business information between business systems. These communications are defined by metadata set out in taxonomies, which capture the definition of individual reporting concepts as well as the relationships between concepts and other semantic meaning. Information being communicated or exchanged is provided within an XBRL instance.

   Important features of XBRL are as follows:

   - **Clear Definitions:** XBRL allows the creation of reusable, authoritative definitions, called taxonomies, that capture the meaning contained in all the reporting terms used in a business report, as well as the relationships between all the terms.
   - **Testable Business Rules:** XBRL allows the creation of business rules that constrain what can be reported. Business rules can be logical or mathematical, or both and can be used, for example, these business rules can be used to stop poor quality information being sent to a regulator or third party, by being run by the preparer while the report is in draft; stop poor quality information being accepted by a regulator or third party, by being run at the point that the information is being received.
   - **Multi-lingual Support:** XBRL allows concept definitions to be prepared in as many languages as necessary. Translations of definitions can also be added by third parties. This means that it's possible to display a range of reports in a different language to the one that they were prepared in, without any additional work. The XBRL community makes extensive use of this capability as it can automatically open up reports to different communities.
   - **Strong Software Support:** XBRL is supported by a very wide range of software from vendors large and small, allowing a very wide range of stakeholders to work with the standard.

6. Fire Damage is one of the major threat to the physical security of a computer installation. Some of the major ways of protecting the installation against fire damage are as follows:

   - Both automatic and manual fire alarms may be placed at strategic locations and a control panel may be installed to clearly indicate this.

- Besides the control panel, master switches may be installed for power and automatic fire suppression system. Different fire suppression techniques like Dry-pipe sprinkling systems, water based systems, halon etc., depending upon the situation may be used.
- Manual fire extinguishers can be placed at strategic locations.
- Fireproof Walls; Floors and Ceilings surrounding the Computer Room and Fire Resistant Office Materials such as wastebaskets, curtains, desks, and cabinets should be used.
- Fire exits should be clearly marked. When a fire alarm is activated, a signal may be sent automatically to permanently manned station.
- All staff members should know how to use the system. The procedures to be followed during an emergency should be properly documented are Fire Alarms, Extinguishers, Sprinklers, Instructions / Fire Brigade Nos., Smoke detectors, and Carbon dioxide based fire extinguishers.
- Less wood and plastic should be in computer rooms.
- Use a gas based fire suppression system.
- To reduce the risk of firing, the location of the computer room should be strategically planned and should not be in the basement or ground floor of a multi-storey building.
- Regular Inspection by Fire Department should be conducted.
- Fire suppression systems should be supplemented and not replaced by smoke detectors.
- **Documented and Tested Emergency Evacuation Plans:** Relocation plans should emphasize human safety, but should not leave information processing facilities physically unsecured. Procedures should exist for a controlled shutdown of the computer in an emergency. In all circumstances saving human life should be given paramount importance.
- **Smoke Detectors:** Smoke detectors are positioned at places above and below the ceiling tiles. Upon activation, these detectors should produce an audible alarm and must be linked to a monitored station (for example, a fire station).
- **Wiring Placed in Electrical Panels and Conduit:** Electrical fires are always a risk. To reduce the risk of such a fire occurring and spreading, wiring should be placed in the fire-resistant panels and conduit. This conduit generally lies under the fire-resistant raised floor in the computer room.

7. **(a)** As an Information Systems (IS) Auditor, various Audit Tools that can be used to perform IS Auditing are as follows:

(i) **Snapshots:** Tracing a transaction is a computerized system can be performed with the help of snapshots or extended records. The snapshot software is built into the system at those points where material processing occurs which takes images of the flow of any transaction as it moves through the application. These images can be utilized to assess the authenticity, accuracy, and completeness of the processing carried out on the transaction. The main areas to dwell upon while involving such a system are to locate the snapshot points based on materiality of transactions when the snapshot will be captured and the reporting system design and implementation to present data in a meaningful way.

(ii) **Integrated Test Facility (ITF):** The ITF technique involves the creation of a dummy entity in the application system files and the processing of audit test data against the entity as a means of verifying processing authenticity, accuracy, and completeness. This test data would be included with the normal production data used as input to the application system. In such cases, the auditor must decide what would be the method to be used to enter test data and the methodology for removal of the effects of the ITF transactions.

(iii) **System Control Audit Review File (SCARF):** The SCARF technique involves embedding audit software modules within a host application system to provide continuous monitoring of the system's transactions. The information collected is written onto a special audit file- the SCARF master files. Auditors then examine the information contained on this file to see if some aspect of the application system needs follow-up. In many ways, the SCARF technique is like the snapshot technique along with other data collection capabilities.

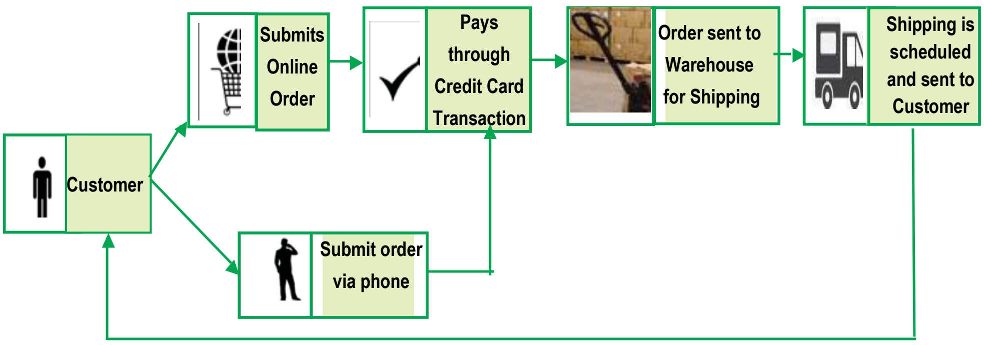
(iv) **Continuous and Intermittent Simulation (CIS):** This is a variation of the SCARF continuous audit technique. This technique can be used to trap exceptions whenever the application system uses a database management system. The advantage of CIS is that it does not require modifications to the application system and yet provides an online auditing capability.

(v) **Audit Hooks:** There are audit routines that flag suspicious transactions. For example, internal auditors at Insurance Company determined that their policyholder system was vulnerable to fraud every time a policyholder changed his or her name or address and then subsequently withdrew funds from the policy. They devised a system of audit hooks to tag records with a name or address change. The internal audit department will investigate these tagged records for detecting fraud. When audit hooks are employed, auditors can be informed of questionable transactions as soon as they occur. This approach of real-time notification displays a message on the auditor's terminal.

(b) Some of the advantages of continuous audit techniques are as under:

- **Timely, Comprehensive and Detailed Auditing** – Evidence would be available more timely and in a comprehensive manner. The entire processing can be evaluated and analyzed rather than examining the inputs and the outputs only.
- **Surprise test capability** – As evidences are collected from the system itself by using continuous audit techniques, auditors can gather evidence without the systems staff and application system users being aware that evidence is being collected at that particular moment. This brings in the surprise test advantages.
- **Information to system staff on meeting of objectives** – Continuous audit techniques provides information to systems staff regarding the test vehicle to be used in evaluating whether an application system meets the objectives of asset safeguarding, data integrity, effectiveness, and efficiency.
- **Training for new users** – Using the Integrated Test Facilities (ITF)s, new users can submit data to the application system, and obtain feedback on any mistakes they make via the system's error reports.

8. The work flow Diagram for any E-Commerce transaction is as follows:



Description of E-Commerce Work Flow Diagram is as follows:

Step 1 - Customers Login: Few e-commerce merchants may allow same transactions to be done through phone, but the basic information flow is e-mode.

Step 2 - Product / Service: Customer selects products / services from available options.

Step 3 - Customer Places: Order is placed for selected product / service by customer. This step leads to next important activity 'Payment Gateway'.

Step 4 - Payment Gateway: Customer selects the payment method. In case payment methods is other than Cash on Delivery (COD), the merchant gets the update from payment gateway about payment realization from customer. In case of COD, e-commerce vendor may do an additional check to validate customer.

Step 5 - Dispatch and Shipping Process: This process may be executed at two different ends. First if product / service inventory is managed by e-commerce vendor, then dispatch shall be initiated at merchant warehouse. Second, many e-commerce merchants allow third party vendors to sale through merchant websites.

Step 6 - Delivery Tracking: Another key element denoting success of e-commerce business is timely delivery. Merchants keep a track of this. All merchants have provided their delivery staff with hand held devices, where the product / service delivery to customers are immediately updated.

Step 7 - COD Tracking: In case products are sold on COD payment mode, merchants need to have additional check on matching delivery with payments.

9. All e-commerce transactions are commercial business transactions. All these transactions are covered under multiple laws, including commercial laws. Following commercial laws are applicable to e-commerce and m-commerce transactions.

- **Income Tax Act, 1961:** Income Tax Act, has detailed provisions regarding taxation of income in India. In respect of e-commerce / m-commerce transactions, the issue of deciding place of origin transaction for tax purpose is critical.
- **Companies Act, 2013:** Companies Act, 2013, regulates the corporate sector. The law defines all regulatory aspects for companies in India. Most of the merchants in e-commerce/m-commerce business are companies, both private and public.
- **Foreign Trade (Development and Regulation) Act, 1992:** An Act to provide for the development and regulation of foreign trade by facilitating imports into, augmenting exports from, India and for matters connected therewith or incidental thereto. Amazon has recently allowed Indian citizens to purchase from its global stores. All these shall be regulated through above law.
- **The Factories Act, 1948:** Act to regulate working conditions of workers. The act extends to place of storage as well as transportation. Most of the merchants in e-commerce / m-commerce business need to comply with provisions of the act.
- **The Custom Act, 1962:** The act that defines import / export of goods / services from India and provides for levy of appropriate customs duty. India being a signatory to General Agreement on Trade and Tariff (GATT) under World Trade Organization, cannot levy any custom duty that GATT non-compliant.
- **The Goods and Services Tax Act, 2017 (GST):** This Act requires each applicable business, including e-commerce/ m-commerce, to upload each sales and purchase invoice on one central IT infrastructure, mandating reconciliations of transactions between business, triggering of tax credits on payments of GST, facilitating filling of e-returns, etc.

- **Indian Contract Act,1872:** The act defines constituents of a valid contract. In case of e-commerce / m-commerce business it becomes important to define these constituents.
- **The Competition Act, 2002:** Law to regulate practices that may have adverse effect on competition in India. Competition Commission have been vigilant to ensure that e-commerce / m-commerce merchants do not engage in predatory practices.
- **Foreign Exchange Management Act (FEMA 1999):** The law to regulate foreign direct investments, flow of foreign exchange in India. The law has important implications for e-commerce / m-commerce business. Foreign investment in Business to Customer (B2C) e-commerce activities has been opened in a calibrated manner and an entity is permitted to undertake retail trading through e-commerce under certain circumstances.
- **Consumer Protection Act, 1986:** The law to protect consumer rights has been source of most of litigations for transaction done through e-commerce and m-commerce.

10. (a) In Core Banking Systems (CBS), the possible risks and their controls around the CASA (Current and Savings Account) Process are as follows:

Risks	Controls
Credit Line setup is unauthorized and not in line with the banks policy.	The credit committee checks that the Financial Ratios, the Net-worth, the Risk factors and its corresponding mitigating factors, the Credit Line offered and the Credit amount etc. is in line with Credit Risk Policy and that the Client can be given the Credit Line.
Credit Line setup in CBS is unauthorized and not in line with the banks policy.	Access rights to authorize the credit limit in case of account setup system should be restricted to authorized personnel.
Customer Master defined in CBS is not in accordance with the Pre-Disbursement Certificate.	Access rights to authorize the customer master in CBS should be restricted to authorized personnel.
Inaccurate interest / charge being calculated in CBS.	Interest on fund based facilities are automatically calculated in the CBS as per the defined rules.
Unauthorized personnel approving the CASA's transaction in CBS.	Segregation of Duties to be maintained between the initiator and authorizer of the transaction for processing transaction in CBS.

Inaccurate accounting entries generated in CBS.	Accounting entries are generated by CBS basis the facilities requested by the customer and basis defined configurations for those facilities in CBS.

(b) **Money Laundering:** Money Laundering is the process by which the proceeds of the crime and the true ownership of those proceeds are concealed or made opaque so that the proceeds appear to come from a legitimate source. The objective in money laundering is to conceal the existence, illegal source, or illegal application of income to make it appear legitimate. Money laundering is commonly used by criminals to make 'dirty' money appear 'clean' or the profits of criminal activities are made to appear legitimate. Money Laundering involves three stages namely – Placement, Layering and Integration.

SECTION – B: STRATEGIC MANAGEMENT

Brief answers

1. Briefly answer the following questions:
   (a) Define strategic management.
   (b) What is an opportunity?
   (c) How a company can deal with strategic uncertainty?
   (d) Explain the meaning of the Combination strategies.
   (e) Explain Best-cost provider strategy.
   (f) Define logistics strategy.
   (g) Explain the concept of Network structure.
   (h) Define Refreezing in Kurt Lewin's change process

Statement type of question (Correct / Incorrect)

2. State with reasons which of the following statements are correct/incorrect:
   (a) Strategic management involves huge cost.
   (b) Key success factors determine competitive success.
   (c) Information gathering and deep analysis can eliminate uncertainty.
   (d) Turnaround should succeed liquidation strategy.
   (e) Substitutes can also exert significant competitive pressures.
   (f) Publicity is personal form of promotion.
   (g) Network Structures eliminate many in-house functions.
   (h) Strategic surveillance is highly focussed and organised control activity.

Short notes

3. Write short notes on the following:
   (a) Strategy is partly proactive and partly reactive
   (b) Advantages of Cost leadership strategy
   (c) Production system
   (d) Implementation control

Differences between the two concepts

4. Distinguish between the following:
   (a) Inbound logistics and outbound logistics
   (b) Transformational and transactional leadership

(c) Mergers and acquisitions

(d) Vision and Mission

Descriptive answers

Chapter 1-Introduction to Strategic Management

5. Health Wellnow is a Delhi based charitable organisation promoting healthy lifestyle amongst the office-goers. It organises programmes to encourage and guide office-goers on matters related to stress relief, yoga, exercises, healthy diet, weight management, work-life balance and so on. Many business organisations and resident welfare associations take services of Health Wellnow. Its daily yoga sessions are very popular in some of the big companies located in Delhi, Noida and Gurgaon. The Health Wellnow has no commercial interest and does not charge any fees for its services. However, the organisation is able to get good charities and has sufficient funds to meet its routine expenses.

   Do you think the concepts of strategic management are relevant for Health Wellnow? Discuss.

6. The presence of strategic management cannot counter all hindrances and always achieve success for an organisation. What are the limitations attached to strategic management?

Chapter 2-Dynamics of Competitive Strategy

7. Suresh Singhania is the owner of an agri-based private company in Sangrur, Punjab. His unit is producing puree, ketchups and sauces. While its products have significant market share in the northern part of country, the sales are on decline in last couple of years. He seeks help of a management expert who advises him to first understand the competitive landscape.

   Explain the steps to be followed by Suresh Singhania to understand competitive landscape.

8. Explain the concept of experience curve and highlight its relevance in strategic management.

Chapter 3-Strategic Management Process

9. Rohit Seth in an informal discussion with his friend shared that he has to move very cautiously in his organisation as the decisions taken by him have organisation wide impact and involve large commitments of resources. He also said that his decisions decide the future of his organisation.

   Where will you place Rohit Seth in organisational hierarchy? What are the dimensions of the decisions being taken by him?

10. Define strategic intent. Briefly explain the elements of strategic intent.

Chapter 4-Corporate Level Strategies

11. Swift Insurance is a company engaged in the business of providing medical insurance maintaining a market share of 25 to 30 per cent in last five years. Recently, the company decided to enter into the business of auto insurance by having foreign collaboration. Identify the strategy being followed by the Swift Insurance with its advantages.

12. Strategic alliances are formed if they provide an advantage to all the parties in the alliance. Do you agree? Explain in brief the advantages of a strategic alliance.

Chapter 5-Business Level Strategies

13. Airlines industry in India is highly competitive with several players. Businesses face severe competition and aggressively market themselves with each other. Luxury Jet is a private Delhi based company with a fleet size of 9 small aircrafts with seating capacity ranging between 6 seats to 9 seats. There aircrafts are chartered by big business houses and high net worth individuals for their personalised use. With customised tourism packages their aircrafts are also often hired by foreigners. Identify and explain the Michael Porter's Generic Strategy followed by Luxury Jet.

14. What are the common barriers that are faced by new entrants when an existing firm earns higher profits?

Chapter 6-Functional Level Strategies

15. Ronit Roy has started a new business of manufacturing washing powder. Make a plan for him to promote his product.

16. State the factors of human resource that have influence on employee's competence.

Chapter 7-Organisation and Strategic Leadership

17. Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct company. Advise Mr Sinha about the leadership role to be played by him in execution of strategy.

18. Define Entrepreneur. What are the characteristics of an entrepreneur?

Chapter 8-Strategy Implementation and Control

19. Kewal Kapadia is the Managing Director of KK industries located in Kanpur. In a review meeting with the head of finance, Kuldeep Khaitan he said that in the first five years of last decade the company grew between 8-10 percent every year, then the growth rate started falling and in previous year the company managed 1 per cent. Kuldeep replied that the company is facing twin issues, one the strategy is not being implemented as planned; and two the results produced by the strategy are not in conformity with the intended goals. There is mismatch between strategy formulation and implementation. Kewal disagreed and stated that he takes personal care in implementing all strategic plans.

    You have been hired as a strategy consultant by the KK Industries. Advise way forward for the company to identify problem areas and correct the strategic approaches that have not been effective.

20. What is Benchmarking? Explain briefly the elements involved in Benchmarking process.

SUGGESTED ANSWERS / HINTS

1 **(a)** The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate.

(b) An opportunity is a favourable condition in the organization's environment which enables it to consolidate and strengthen its position. An example of opportunity is growing demand for the products or services that are offered by company.

(c) Strategic uncertainty denotes the uncertainty that has crucial implications for the organisation. An approach to deal with strategic uncertainty is by grouping them into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.

(d) Combination Strategies refer to a mix of different strategies like stability; expansion, diversification or retrenchment to suit particular situations that an enterprise is facing. For instance, a strategy of diversification/acquisition may call for retrenchment in some obsolete product lines.

(e) Best-cost provider strategy involves providing customers more value for the money by emphasizing low cost and better quality difference. It can be done:

(a) through offering products at lower price than what is being offered by rivals for products with comparable quality and features or

(b) charging similar price as by the rivals for products with much higher quality and better features.

(f) Logistics is a process that integrates the flow of supplies into, through and out of an organization to achieve a level of service that facilitate movement and availability of materials in a proper manner. When a company creates a logistics strategy, it is defining the service levels at which its logistics is smooth and is cost effective.

(g) Network structure is a newer and somewhat more radical organizational design. The network structure could be termed as 'non-structure' as it virtually eliminates in-house business functions and outsource many of them. A corporation organized in this manner is a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

(h) Kurt Lewin proposed three phases of the change process – Unfreezing, changing and then refreezing. Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. It may be achieved through continuous reinforcement.

2 **(a)** **Correct**: Strategic management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged. Efforts are made for analysis of external and internal environments, devise strategies and properly implement them. These can be really costly for organisations with limited

resources particularly when small and medium organisation create strategies to compete.

(b) **Correct**: The purpose of identifying Key Success Factors is to make judgments about things that are more important to competitive success and the things that are less important. To compile a list of every factor that matters even a little bit defeats the purpose of concentrating management attention on the factors truly critical to long-term competitive success.

(c) **Incorrect**: Strategic uncertainty is often represented by a future trend or event that has inherent unpredictability. Information gathering and additional analysis is not able to eliminate uncertainty.

(d) **Incorrect**: A retrenchment strategy considered the most extreme and unattractive is liquidation strategy, which 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. In an ideal scenario, turnaround should be attempted first and should precede option of liquidation.

(e) **Correct**: According to porter's five forces model, a final force that can influence industry profitability is the availability of substitutes for an industry's product. To predict profit pressure from this source, firms must search for products that perform the same, or nearly the same, function as their existing products.

(f) **Incorrect**: Publicity is a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skilfully seek to promote themselves and their products without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly.

(g) **Correct**: The network structure can be termed a "non-structure" by its virtual elimination of in-house business functions. Many activities are outsourced. A corporation organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

(h) **Incorrect**: The strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy. It involves casual environmental browsing. Reading financial and other newspapers, business magazines, attending meetings, conferences, discussions and so on. Strategic surveillance, a loose form of strategic control, is capable of uncovering information relevant to strategy.

3 **(a)** 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.

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.

(b) A cost leadership strategy may help to remain profitable in the presence of rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

(i) **Rivalry** – Competitors are likely to avoid a price war, since the low cost firm will continue to earn profits after competitors compete away their profits.

(ii) **Buyers** – Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product.

(iii) **Suppliers** – Cost leaders are able to absorb greater price increases before it must raise price to customers.

(iv) **Entrants** – Low cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.

(v) **Substitutes** – Low cost leaders are more likely to lower costs to induce customers to stay with their product, invest to develop substitutes, purchase patents.

(c) Production System is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration, and such factors. Strategies related to production system are significant as they deal with vital issues affecting the capability of the organisation to achieve its objectives.

Strategy implementation would have to take into account the production system factors as they involve decisions which are long-term in nature and influence not only the operations capability of an organisation but also its ability to implement strategies and achieve objectives.

(d) Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

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

(i) **Monitoring strategic thrusts:** Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.

(ii) **Milestone reviews.** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

4 (a) Inbound logistics are the activities concerned with receiving, storing and distributing the inputs to the product/service. It includes all activities such as materials handling, stock control, transport, etc.

Outbound logistics relate to collection, storage and distribution of the product to customers. It includes all activities such as storage/warehousing of finished goods, order processing, scheduling deliveries, operation of delivery vehicles, etc.

(b) Transformational leadership style use charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leadership style may be appropriate in turbulent environments, in industries at the very start or end of their life-cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

On the other hand, transactional leadership style focus more on designing systems and controlling the organization's activities and are more likely to be associated with improving the current situation. Transactional leaders try to build on the existing culture and enhance current practices. Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leadership style is more suitable in settled environment, in growing or mature industries, and in organizations that are performing well.

(c) Merger and acquisition in simple words are defined as a process of combining two or more organizations together.

Some organizations prefer to grow through mergers. Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking the trade barriers.

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

(d) The vision describes a future identity while the Mission serves as an on-going and time-independent guide.

The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, and relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.

A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

5. The concepts of strategic management are relevant for Health Wellnow.

Organizations can be classified as commercial and non-commercial on the basis of the interest they have. Health Wellnow falls in the category of a non-commercial organisation. While non-commercial organisations may have objectives that are different from the commercial organisations, they need to employ the strategic management tools to efficiently use their resources, generate sufficient surpluses to meet daily expenses and achieve their objectives. In fact, many non-profit and governmental organizations outperform private firms and corporations on innovativeness, motivation, productivity, and human relations.

The strategic management in Health Wellnow needs to cover aspects such as:

(i) Generate sufficient funds for meeting its objectives.

(ii) Efficiently reach office-goers and help them to have health in life.

(iii) Promote itself to cover more offices, resident welfare associations.

(iv) Have a deep collaboration with health experts, including dieticians, psychologist, fitness trainers, yoga experts.

6. The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management. These can be explained in the following lines:

- Environment is highly complex and turbulent. It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans. The environment affects as the organisation has to deal with suppliers, customers, governments and other external factors.

- Strategic Management is a time-consuming process. Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.

- Strategic Management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete.
- In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

7. Steps to understand the competitive landscape

(i) **Identify the competitor:** The first step to understand the competitive landscape is to identify the competitors in the firm's industry and have actual data about their respective market share.

(ii) **Understand the competitors:** Once the competitors have been identified, the strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.

(iii) **Determine the strengths of the competitors:** What are the strength of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers. Why do customers give them their business?

(iv) **Determine the weaknesses of the competitors:** Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. After all, consumers are often willing to give their opinions, especially when the products or services are either great or very poor.

(v) **Put all of the information together:** At this stage, the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps. The strategist can also know the areas which need to be strengthen by the firm.

8. Experience curve is similar to learning curve which explains the efficiency gained by workers through repetitive productive work. Experience curve is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production. The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage. Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.

The concept of experience curve is relevant for a number of areas in strategic management. For instance, experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition.

9. As the decisions taken by Rohit Seth have organisation wide impact, involves large commitments and have implication on the future, he is at the top level in organisational hierarchy. These characteristics also indicate that he is taking strategic decisions in the organisation. The major dimensions of strategic decisions are as follows:

- **Strategic decisions require top-management involvement:** Strategic decisions involve thinking in totality of the organization. Hence, problems calling for strategic decisions require to be considered by the top management.
- **Strategic decisions involve commitment of organisational resources:** For example, Strategic decisions to launch a new project by a firm requires allocation of huge funds and assignment of a large number of employees.
- **Strategic decisions necessitate consideration of factors in the firm's external environment:** Strategic focus in organization involves orienting its internal environment to the changes of external environment.
- **Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm:** Generally, the results of strategic implementation are seen on a long-term basis and not immediately.
- **Strategic decisions are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
- **Strategic decisions usually have major multifunctional or multi-business consequences:** As they involve organization in totality they affect different sections of the organization with varying degree.

10. Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realise the organization's strategic intent. Strategic intent refers to purposes for what organization strives for. Top management must define "what they want to do" and "why they want to do". "Why they want to do" represents strategic intent of the firm. Clarity in strategic intent is extremely important for the future success and growth of the enterprise, irrespective of its nature and size.

Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieve. It is a statement that provides a perspective of the means, which will lead the organization, reach its vision in the long run. Strategic intent gives an idea of what the organization desires to attain in future.

Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives. Strategic intent could be in the form of vision and mission statements for the organisation at the corporate level. It could be expressed as the business definition and business model at the business level of the organisation.

Strategic intent is generally stated in broad terms but when stated in precise terms it is an expression of aims to be achieved operationally i.e., goals and objectives.

Elements of Strategic Intent

(i) **Vision**: Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides a glimpse of what the organization would like to become in future. Every sub system of the organization is required to follow its vision.

(ii) **Mission**: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company. A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and business makeup.

(iii) **Business definition**: It seeks to explain the business undertaken by the firm, with respect to the customer needs, target markets, and alternative technologies. With the help of business definition, one can ascertain the strategic business choices. Organisational restructuring also depends upon the business definition.

(iv) **Business model**: Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financial details. Rival firms, operating in the same industry rely on the different business model due to their strategic choice.

(v) **Goals and objectives**: These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan, over the particular period. However, in practice no distinction is made between goals and objectives and both terms are used interchangeably.

The vision, mission, business definition, and business model explain the philosophy of the organisation but the goals and objectives represent the results to be achieved in multiple areas of business.

11. Overall Swift Insurance is following growth or expansion strategy as it is redefining the business and enlarging its scope. The step will also substantially increase investment in the business.

The new business is related and at the same time caters to a different segment and accordingly can be termed as related diversification. The new business falls within the scope of general insurance and horizontally related to the existing business.

In the process of expansion, the company will be able to exploit:

- Its brand name.
- The marketing skills available.
- The existing sales and distribution infrastructure.
- Research and development.
- Economies of scale

12. Strategic alliances are formed if they provide an advantage to all the parties in the alliance. These advantages can be broadly categorised as follows:

(i) **Organizational:** Strategic alliances may be formed to learn necessary skills and obtain certain capabilities from the strategic partner. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. A strategic partner may provide a good or service that complements each other, thereby creating a synergy. If one partner is relatively new or untried in a certain industry, having a strategic partner who is well-known and respected will help add legitimacy and creditability to the venture.

(ii) **Economic:** Alliances can reduce costs and risks by distributing them across the members of the alliance. Partners can obtain greater economies of scale in an alliance, as production volume increase, causing the cost per unit to decline. Finally, partners can take advantage of co-specialization, where specializations are bundled together, creating additional value.

(iii) **Strategic:** Organizations may join to cooperate instead of compete. Alliances may also create vertical integration where partners are part of supply chain. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

(iv) **Political:** Sometimes there is need to form a strategic alliance with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry. Forming strategic alliances with politically-influential partners may also help improve overall influence and position.

13. The Airlines industry faces stiff competition. However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

Luxury Jet compete in the market based on uniqueness and target a narrow market which provides business houses, high net worth individuals to maintain strict schedules. The option of charter flights provided several advantages including, flexibility, privacy, luxury and many a times cost saving. Apart from conveniences, the facility will provide time flexibility. Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.

Chartered services in airlines can have both business and private use. Personalized tourism packages can be provided to those who can afford it.

14. A firm's profitability tends to be higher when other firms are blocked from entering the industry. New entrants can reduce industry profitability because they add new production capacity leading to increase supply of the product even at a lower price and can substantially erode existing firm's market share. Barriers to entry represent economic forces (or 'hurdles') that slow down or impede entry by other firms. Common barriers to entry include:

(i) **Capital requirements:** When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry, thus enhancing the profitability of existing firms in the industry.

(ii) **Economies of scale:** Many industries are characterized by economic activities driven by economies of scale. Economies of scale refer to the decline in the per-unit cost of production (or other activity) as volume grows. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.

(iii) **Product differentiation:** Production differentiation refers to the physical or perceptual differences, or enhancements, that make a product special or unique in the eyes of customers. Firms in the personal care products and cosmetics industries actively engage in product differentiation to enhance their products' features. Differentiation works to reinforce entry barriers because the cost of creating genuine product differences may be too high for the new entrants.

(iv) **Switching costs:** To succeed in an industry, new entrant must be able to persuade existing customers of other companies to switch to its products. To make a switch, buyers may need to test a new firm's product, negotiate new purchase contracts, and train personnel to use the equipment, or modify facilities for product use. Buyers often incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change.

(v) **Brand identity:** The brand identity of products or services offered by existing firms can serve as another entry barrier. Brand identity is particularly important for infrequently purchased products that carry a high unit cost to the buyer. New entrants often encounter significant difficulties in building up the brand identity, because to do so they must commit substantial resources over a long period.

(vi) **Access to distribution channels:** The unavailability of distribution channels for new entrants poses another significant entry barrier. Despite the growing power of the internet, many firms may continue to rely on their control of physical distribution channels to sustain a barrier to entry to rivals. Often, existing firms have significant influence over the distribution channels and can retard or impede their use by new firms.

(vii) **Possibility of aggressive retaliation:** Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry. For example, introduction of products by a new firm may lead existing firms to reduce their product prices and increase their advertising budgets.

15. Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. Modern marketing is highly promotional oriented.

Ronit needs to cover four major direct promotional methods or tools – personal selling, advertising, publicity and sales promotion. They are briefly explained as follows:

(i) **Personal selling:** Personal Selling involves face-to-face interaction of sales force with the prospective customers and provides a high degree of personal attention to them. In personal selling, oral communication is made with potential buyers of a product with the intention of making a sale.

Ronit may engage a sales team to reach potential customers, explain the benefits of the product and make a sale.

While personal selling is highly effective it suffers from very high costs as sales personnel are expensive. Considering the product is a new launch in a competitive environment having a sales team would be essential.

(ii) **Advertising:** Advertising is a non-personal, highly flexible and dynamic promotional method.

Ronit needs to advertise washing powder through hoardings, display boards particularly near the point of sale. He may also consider having advertisements through handouts, newspapers, magazines and internet. Television and radio are costly alternatives that may be considered according to his budget.

(iii) **Publicity:** Publicity is also a non-personal form of promotion similar to advertising. He may organize a launch party where journalists are invited. It is way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

(iv) **Sales promotion:** Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Ronit may offer free trial packs to generate interest in the product. Activities like discounts, contests, money refunds, instalments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share.

16. Human resource management has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and reward systems. The following points should be kept in mind as they can have a strong influence on employee competence:

i. **Recruitment and selection:** The workforce will be more competent if a firm can successfully identify, attract, and select highly competent applicants.

ii. **Training:** The workforce will be more competent if employees are well trained to perform their jobs properly.

iii. **Appraisal of performance:** The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, once identified, can often be solved through counselling, coaching or training.

iv. **Compensation:** A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit.

17. Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. Managers have five leadership roles to play in pushing for good strategy execution:

(i) Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.

(ii) Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.

(iii) Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.

(iv) Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.

(v) Pushing corrective actions to improve strategy execution and overall strategic performance.

18. An entrepreneur is an individual who conceives the idea of starting a new venture, takes all types of risks, not only to put the product or service into reality but also to make it an extremely demanding one. An entrepreneur is one who:

- Initiates and innovates a new concept.
- Recognises and utilises opportunity.
- Arranges and coordinates resources such as man, material, machine and capital.
- Faces risks and uncertainties.
- Establishes a startup company.
- Adds value to the product or service.
- Takes decisions to make the product or service a profitable one.
- Is responsible for the profits or losses of the company.

19. The company needs to conduct strategy audit.

A strategy audit is needed under the following conditions:

- When the performance indicators reflect that a strategy is not working properly or is not producing desired outcomes.
- When the goals and objectives of the strategy are not being accomplished.
- When a major change takes place in the external environment of the organization.
- When the top management plans:
  - to fine-tune the existing strategies and introduce new strategies and

- to ensure that a strategy that has worked in the past continues to be in-tune with subtle internal and external changes that may have occurred since the formulation of strategies.

Adequate and timely feedback is the cornerstone of effective strategy audit. Strategy audit can be no better than the information on which it is based.

Strategy Audit includes three basic activities:

(i) Examining the underlying bases of a firm's strategy,

(ii) Comparing expected results with actual results, and

(iii) Taking corrective actions to ensure that performance conforms to plans.

20. Benchmarking is an approach of setting goals and measuring productivity of firms based on best industry practices or against the products, services and practices of its competitors or other acknowledged leaders in the industry. It developed out of need to have information against which performance can be measured. Benchmarking helps businesses in improving performance by learning from the best practices and the processes by which they are achieved. Thus, benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking practices to achieve improvements in diverse range of managerial functions like product development, customer services, human resources management, etc.

The various steps in Benchmarking Process are as under:

(i) **Identifying the need for benchmarking:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements.

(ii) **Clearly understanding existing decisions processes:** The step will involve compiling information and data on performance.

(iii) **Identify best processes:** Within the selected framework best processes are identified. These may be within the same organization or external to them.

(iv) **Comparison of own process and performance with that of others:** Benchmarking process also involves comparison of performance of the organization with performance of other organization. Any deviation between the two is analysed to make further improvements.

(v) **Prepare a report and implement the steps necessary to close the performance gap:** A report on benchmarking initiatives containing recommendations is prepared. Such a report also contains the action plans for implementation.

(vi) **Evaluation:** Business organizations evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. It also periodically evaluates and reset the benchmarks in the light of changes in the conditions that impact the performance.