

PAPER – 7: INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT

SECTION – A: INFORMATION TECHNOLOGY

Question No. 1 is compulsory

*Answer any **three** questions from the rest.*

Question 1

(a) *From the IT perspective, which IT processes are usually involved in a typical business enterprise? Explain any six of them. (3 Marks)*

(b) *Explain any two disadvantages of Cloud Computing. (2 Marks)*

Answer

(a) From the IT perspective, following IT processes are usually involved in a typical business enterprise:

- **Database access and changes:** It provides access to data via ODBC (Open Data Base Connectivity) connections, data updates, and file transfers.
- **File replication and data backup:** It protects valuable data by backing up databases and key systems.
- **Systems and event log monitoring:** It reviews and analyzes the event log and critical systems, and create multistep corrective action, such as restarting a server service. With BPA, these processes run automatically when certain events occur.
- **Job scheduling:** It automates processes that perform a variety of daily or unscheduled tasks.
- **Application integration:** It automates IT and business processes by combining applications that drive business. Complex processes such as database queries, data transformation and spreadsheet integration can be automated.
- **File transfers:** It can be automated to deliver and retrieve data on set schedules.
- **Printing:** It is automated to simplify print jobs.

(b) Major disadvantages of Cloud Computing are as follows:

- **Technical Issues:** This technology is always prone to outages and other technical issues. Even the best cloud service providers run into this kind of trouble, in spite of keeping up high standards of maintenance. The user will invariably be stuck in case of network and connectivity problems.
- **Security in the Cloud:** Surrendering all the company's sensitive information to a third-party cloud service provider could potentially put the company to great risk.
- **Prone to Attack:** Storing information in the cloud could make the company vulnerable to external hack attacks and threats. Nothing on the Internet is completely secure and hence, there is always the possibility of stealth of sensitive data.

Question 2

(a) You are appointed as a Security Administrator in an organization. Top management of organization asks you to conduct a security program to ensure safeguarding of assets and maintenance of data integrity. Explain any six steps which you will prefer to involve in conducting such security program. **(6 Marks)**

(b) List any four major pictorial techniques which are used for mapping business processes. Explain any three reasons why documentation is important to Information Systems.

(1 + 3 = 4 Marks)

Answer

(a) Security programs that ensure safeguarding of assets and maintenance of data integrity may undertake following steps:

- **Preparing project plan for enforcing security:** The project plan components are at first outlining the objectives of the review followed by in sequence determining the scope of the review and tasks to be accomplished, assigning tasks to the project team after organizing it, preparing resources budget which will be determined by the volume and complexity of the review and fixing a target/schedule for task completion.
- **Asset identification:** Assets which need to be safeguarded can be identified and subdivided into Personnel, Hardware, Facilities, Documentation, Supplies, Data, Application Software and System Software.
- **Asset valuation:** The process of valuation of assets can differ depending on who is asked to render the valuation, the way in which the asset can be lost and the period for which it is lost and how old is the asset. Valuation of physical assets cannot be considered apart from the valuation of the logical assets. For example, the replacement value of the contents in a micro computer's hard disk may be several times more than the replacement value of the disk itself.
- **Threat identification:** The source of a threat can be external or internal and the nature of a threat can be accidental/non-deliberate or deliberate. The example of a non-deliberate external threat is an act of God, non-deliberate internal threat is pollution, deliberate external threat is hackers, and deliberate internal threat is employees.
- **Threats probability of occurrence assessment:** This step is an assessment of the probability of occurrence of threats over a given time period. This exercise is not so difficult if prior period statistical data is available. If, however, prior period data is not available, it has to be elicited from the associated stakeholders like end users furnishing the data aspect and the management furnishing the control aspect.
- **Exposure analysis:** This step is the Exposures Analysis by first identifying the controls in the place, secondly assessing the reliability of the existing controls, thirdly evaluating the probability that a threat can be successful and lastly assessing the

resulting loss if the threat is successful. For each asset and each threat, the expected loss can be estimated as the product of the probability of threat occurrence, probability of control failure and the resulting loss if the threat is successful.

- **Controls adjustment:** This involves the adjustment of controls which means whether over some time period any control can be designed, implemented and operated such that the cost of control is lower than the reduction in the expected losses. The reduction in the expected losses is the difference between expected losses with the existing set of controls and improved set of controls.
 - **Report generation outlining the levels of security to be provided for individual systems, end user, etc.:** This is the last step that involves report generation documenting, the findings of the review and specially recommending new assets safeguarding techniques that should be implemented and existing assets safeguarding mechanisms that should be eliminated/rectified, and recommending the assignment of the levels of security to be provided for individual end users and systems.
- (b) Some of the popular pictorial techniques which are used for mapping business processes are as follows:
- Entity Relationship (E-R) Diagram;
 - Data Flow Diagram (DFD);
 - Flowchart;
 - Decision Tree; and
 - Decision Table

Some of the reasons why documentation is important to Information Systems are as follows:

- **Depicting how the system works:** In computerized systems, the processing is electronic and invisible. Therefore, documentation is required to help employees understand how a system works, assist accountants in designing controls for it, demonstrates to managers that it will meet their information needs, and assists auditors in understanding the systems that they test and evaluate.
- **Training users:** Documentation also includes user guides, manuals, and similar operating instructions that help people learn how an Information System operates. These documentation aids help train users to operate Information systems hardware and software, solve operational problems, and perform their jobs better.
- **Designing new systems:** Documentation helps system designers develop new systems in much the same way that blueprints help architects design building. Well-written documentation and related graphical systems-design methodologies play key

roles in reducing system failures and decreasing the time spent correcting emergency errors.

- **Controlling system development and maintenance costs:** Personal computer applications typically employ prewritten, off-the-shelf software that is relatively reliable and inexpensive. Good documentation helps system designers develop object-oriented software, which is software that contains modular, reusable code that further avoid writing duplicate programs and facilitate changes when programs must be modified later.
- **Standardizing communications with others:** Documentation aids such as E-R Diagrams, System Flowcharts, and Data Flow Diagrams are more standardized tools, and they are more likely to be interpreted the same way by all parties viewing them. Thus, documentation tools are important because they help describe an existing or proposed system in a common language and help users communicate with one another about these systems.
- **Auditing Information Systems:** Documentation helps depict audit trails, For example- when investigation and Accounting Information system, the auditors typically focus on internal controls. In such circumstances, documentation helps auditors determine the strengths and weaknesses of a system's controls and therefore the scope and complexity of the audit.
- **Documenting business processes:** Understanding business processes can lead to better systems and better decision. Documentation helps managers better understand how their businesses operate what controls are involved or missing from critical organizational activities, and how to improve core business activities.

Question 3

- (a) *As a business decision maker of an organization, why do you need to have controls in Information Systems? List any eight control procedures which should be included for an Information System. Also, mention any two major areas in which controls have been affected. (1 + 4 + 1 = 6 Marks)*
- (b) *Explain the pre-requisites of ACID Test for any Transaction Processing System. (4 Marks)*

Answer

- (a) The business decision maker in today's dynamic global enterprises need information integrity, reliability and validity for timely flow of accurate information throughout the organization. For this purpose, a significant control process for safeguarding assets to maintain data integrity to achieve system effectiveness and efficiency is required.

The control procedures that should be included for an Information System are as follows:

- Strategy and direction;
- General Organization and Management;

- Access to IT resources, including data and programs;
- System development methodologies and change control;
- Operation procedures;
- System Programming and technical support functions;
- Quality Assurance Procedures;
- Physical Access Controls;
- Business Continuity Planning(BCP) and Disaster Recovery Planning (DRP);
- Network and Communication;
- Database Administration; and
- Protective and detective mechanisms against internal and external attacks.

The major areas in which controls have been affected are as follows:

- Realignment of functions
- Changes in custody of files and documents
- Transfer of responsibilities
- Decline of accountability

(b) Pre-requisites of ACID TEST for any Transaction Processing System (TPS) are as follows:

- **Atomicity:** This means that a transaction is either completed in full or not at all. TPS systems ensure that transactions take place in their entirety. For example, if funds are transferred from one account to another, this only counts as a bona-fide transaction if both the withdrawal and deposit take place. If one account is debited and the other is not credited, it does not qualify as a transaction.
- **Consistency:** TPS exist within a set of operating rules or integrity constraints. If an integrity constraint states that all transactions in a database must have a positive value, any transaction with a negative value would be refused.
- **Isolation:** Transactions must appear to take place in seclusion. For example, when a fund transfer is made between two accounts, the debiting of one and the crediting of another must appear to take place simultaneously. The funds cannot be credited to an account before they are debited from another.
- **Durability:** Once transactions are completed they cannot be undone. To ensure that this is the case even if the TPS suffers failure, a log will be created to document all completed transactions.

These four conditions ensure that TPS carry out their transactions in a methodical, standardized and reliable manner.

Question 4

- (a) *As a Business Process Automation (BPA) administrator, you have been asked to develop an implementation plan for automation of purchase order generation process in a manufacturing entity. Discuss various steps you would like to perform to implement such business process automation. (6 Marks)*
- (b) *Explain the main elements/components of a Supply Chain Management System. (4 Marks)*

Answer

- (a) The steps involved in the implementation plan for automation of purchase order generation process, in a manufacturing entity are as follows:

Step 1: Define why we plan to go for a Business Process Automation (BPA)?

The entity has been facing the problem of non-availability of critical raw material items which is leading to production stoppages and delay in delivery. Delay in delivery has already cost company in terms of losing customer and sales.

Step 2: Understand the rules/regulation under which enterprise needs to comply with.

The item is not covered by regulation, regarding quantity to be ordered or stored. To keep cost at minimum, entity has calculated economic order quantity for which orders are placed.

Step 3: Document the process, we wish to automate.

The present process is manual where the orders are received by purchase department from stores department. Stores department generates the order based on manual stock register, based on item's re-order levels. The levels were decided five years back and stores records are not updated timely.

Step 4: Define the objectives/goals to be achieved by implementing BPA.

The objective behind the present exercise is to ensure that there are no production losses due to non-availability of critical items of inventory. This shall automatically ensure timely delivery of goods to customer.

Step 5: Engage the business process consultant.

ABC Limited, a consultant of repute, has been engaged for the same. The consultant has prior experience and knowledge about entity's business.

Step 6: Calculate the ROI for project.

The opportunity loss for the project comes to around ₹ 100/- lakhs per year. The cost of implementing the whole BPA shall be around ₹ 50/- lakhs. It is expected that the opportunity loss after BPA shall reduce to ₹ 50 lakhs in year one, ₹ 25/- lakhs in later years for the next five years.

Step 7: Developing the BPA.

Once the top management says “Yes”; the consultant develops the necessary BPA. The BPA is to generate purchase orders as soon as an item of inventory reaches its re-order level. To ensure accuracy, all data in the new system need to be checked and validated before being put the same into system:

- Item’s inventory was physically counted before uploading to new system.
- Item’s re-order levels were recalculated.
- All items issued for consumption were timely updated in system.
- All Purchase orders automatically generated are made available to Purchase manager at end of day for authorizations.

Step 8: Testing the BPA.

- Before making the process live, it should be thoroughly tested.

(b) The main elements of a Supply Chain Management (SCM) System include the following:

- **Procurement/Purchasing:** This includes purchasing of parts, components, or services. Procurement must ensure that the right items are delivered in the exact quantities at the correct location on the specified time schedule at minimal cost. This means that procurement must concern itself with the determination of who should supply the parts, the components, or the services. It must address the question of assurance that these suppliers will deliver as promised. The key issue in procurement is how one goes about selecting and maintaining a supplier, which can be approached from two directions. The first concentrates on how a firm might evaluate a potential supplier whereas the second is how a firm evaluates those businesses that are already suppliers to an operation.
- **Operation:** Having received raw materials, parts, components, assemblies, or services from suppliers; the firm must transform them and produce the products or the services that meet the needs of its consumers. It must conduct this transformation in an efficient and effective manner for the benefit of the supply chain management system.
- **Distribution:** Distribution involves several activities – transportation (logistics), warehousing, and customer relationship management (CRM). The first and most obvious is logistics - the transportation of goods across the entire supply chain.
- **Integration:** Integration is critical that all participants in the service chain recognize the entirety of the service chain. The impact of the failure to adopt a system-wide perspective - that is, examining the totality of the chain can significantly increase costs and destroy value.

Question 5

- (a) "BPM has evolved with usage of combination of well-known organizational transformation concepts such as BPR, Six Sigma, and TQM." In light of this statement, explain Six Sigma and discuss various phases of its life cycle. **(6 Marks)**
- (b) (i) Give two examples where Intranets are being used as the platform for developing and deploying critical business applications to support business operations and managerial decision making across the internet-worked enterprise. **(2 Marks)**
- (ii) Discuss the two categories of encryption/decryption methods. **(2 Marks)**

OR

Discuss the two basic approaches to Encryption. **(2 Marks)**

Answer

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

It follows a life-cycle having phases: **Define, Measure, Analyze, Improve & Control** (DMAIC) which are as follows:

- (i) **Define:** Customers are identified and their requirements are gathered. Measurements that are critical to customer satisfaction [Critical to Quality (CTQ)] are identified for further project improvement.
- (ii) **Measure:** Process output measures that are attributes of CTQs are determined and variables that affect these output measures are identified. Data on current process are gathered and current baseline performance for process output measures are established. Variances of output measures are graphed and process sigma are calculated.
- (iii) **Analyze:** Using statistical methods and graphical displays, possible causes of process output variations are identified. These possible causes are analyzed statistically to determine root cause of variation.
- (iv) **Improve:** Solution alternatives are generated to fix the root cause. The most appropriate solution is identified using solution prioritization matrix and validated using pilot testing. Cost and Benefit analysis is performed to validate the financial benefit of the solution. Implementation plan is drafted and executed.
- (v) **Control:** Process is standardized and documented. Before and after analysis is performed on the new process to validate expected results, monitoring system is

implemented to ensure process is performing as designed. Project is evaluated and lessons learned are shared with others.

- (b) (i) Intranets are being used as the platform for developing and deploying critical business applications to support business operations and managerial decision making across the internetworked enterprise. Its examples include:
- Many companies are developing customer applications like order processing, inventory control, sales management and executive information systems that can be implemented on intranets, extranets, and the Internet.
 - Many applications are designed to interface with, and access, existing company databases and legacy systems. The software for such business uses, is then installed on Intranet web servers.
 - Employees within a company, or external business partners can access and run applications using web browsers from anywhere on the network whenever needed.
 - Company newsletters, technical drawings, and product catalogs can be published in a variety of ways including hypermedia and web pages, e-mail, net broadcasting, and as part of in-house business applications.
 - Intranet software browsers, servers, and search engines can help to easily navigate and locate the business information.
- (ii) There are two categories of Encryption/Decryption methods:
- **Secret Key Method:** In Secret key encryption/decryption method, the same key is used by both sender and the receiver. The sender uses this key and an encryption algorithm to encrypt data; the receiver uses the same key and the corresponding decryption algorithm to decrypt the data. In this, the algorithm used for decryption is the inverse of the algorithm used for encryption.
 - **Public Key Method:** In Public key encryption, there are two keys: a private key and a public key. The private key is kept by the receiver and the public key is announced to the public.

Or

The two basic approaches to Encryption are as follows:

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

PAPER 7 - SECTION - B: STRATEGIC MANAGEMENT

Question paper comprises of 5 questions, Answer Question No. 6 which is compulsory and any 3 from the remaining questions.

Question 6

How is best-cost provider strategy different from other three generic competitive strategies? What are the distinctive features of the generic competitive strategies with respect to

- (a) Strategic target
- (b) Product emphasis

(5 Marks)

Answer

According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation and focus.

The model of best cost provider strategy is further development of three generic strategies as given by Michael Porter. Best cost provider strategies directed towards giving customers more value for the money by emphasizing both low cost and upscale differences. The objective is to keep costs and prices lower than those of other sellers of comparable products.

Distinctive features of the generic competitive strategies with respect to strategic target and product emphasis are given below:

Type of Feature	Low-Cost Provider	Broad Differentiation	Best-Cost Provider	Focused Low-Cost and Focused Differentiation
Strategic target	A broad cross-section of the market	A broad cross-section of the market	Value-conscious buyer	A narrow market niche where buyer needs and preferences are distinctively different from the rest of the market
Product emphasis	A continuous search for cost reduction without sacrificing acceptable quality and essential features	Creation of value for buyer; strive for product superiority	Incorporation of upscale features and attributes at low cost	Tailor-made for the tastes and requirements of niche members

Question 7

- (a) *What are the key factors of PESTLE analysis of macro environment?* (5 Marks)
- (b) *How the 'Strategic Business unit (SBU), structure become imperative in an organization with increase in number, size and diversity of divisions?* (5 Marks)

Answer

- (a) PESTLE is a framework for analysis of macro environmental factors surrounding an organisation. The term PESTLE is an acronym for political, economic, social, technological, legal and environmental. The advantage of this tool is to encourage management into proactive and structured thinking in its decision making. The key factors of PESTLE analysis are:
- **Political** factors include factors governing how and to what extent government intervenes in the economy and in the activities of business enterprises. Political factors reflect ideologies of government and may also cover goods and services that the government wants to provide. They reflect thrust areas such as health, education and infrastructure.
 - **Economic** factors have major impacts on how businesses operate and take decisions. For example, interest rates affect cost of capital and therefore has a bearing on business growth. Exchange rates affect the costs of exporting goods and supply and price of imported goods in an economy. The money supply, inflation, credit flow, per capita income, growth rates have a bearing on the business decisions.
 - **Social** factors affect the demand for a business enterprises products and how that company operates.
 - **Technological** factors can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation.
 - **Legal** factors affect how a business enterprises operates, its costs, and the demand for its products.
 - **Environmental** factors affect different industries such as tourism, farming and insurance. Growing awareness to climate change is affecting how business enterprises operate and the products they offer - it is both creating new markets and diminishing or destroying existing ones.
- (b) SBU is a part of a large business organization that is treated separately for strategic management purposes. The concept of SBU is helpful in creating an SBU organizational structure. It is separate part of large business serving product markets with readily identifiable competitors. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Very large organisations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organisation with increase in number, size and diversity. SBUs helps such organisations by:

- Establishing coordination between divisions having common strategic interest.
- Facilitate strategic management and control.
- Determine accountability at the level of distinct business units.
- Allow strategic planning to be done at the most relevant level within the total enterprise.
- Make the task of strategic review by top executives more objective and more effective.
- Help to allocate resources to areas with better opportunities.

Question 8

- (a) *Do you agree with the statement that 'Benchmarking is a process of continuous improvement in search of competitive advantage'? Discuss. (5 Marks)*
- (b) *You are the Human Resource Manager of a Company. What are the prominent areas where you can play strategic role? (5 Marks)*

Answer

- (a) Yes, benchmarking is a process of continuous improvement in search for competitive advantage. It measures factors related to products, services and practices against those of its competitors or other acknowledged leaders in their field.

Benchmarking is an approach of setting goals and measuring productivity based on best industry practices. It developed out of need to have information against which performances can be measured. It helps in improving performance by learning from best practices and the processes by which they are achieved.

Benchmarking involves regularly comparing different aspects of performance with the best practices, identifying gaps and finding out novel methods to not only reduce the gaps but to improve the situations so that the gaps are positive for the organization. Better processes are not merely copied. Efforts are made to learn, improve and evolve them to suit the organizational circumstances. Further, benchmarking exercises are also repeated periodically so that the organization does not lag behind in the dynamic environment.

Firms can use benchmarking process to achieve improvement in diverse range of management function like maintenance operations, assessment of total manufacturing costs, product development, product distribution, customer services, plant utilisation levels and human resource management.

- (b) Prominent areas where the Human Resource Manager can play strategic role are as follows:
1. **Providing purposeful direction:** The human resource manager leads people and the organization towards the desired direction involving people. He can ensure harmony between organisational objectives and individual objectives.
 2. **Creating competitive atmosphere:** In the present business environment, maintaining competitive position or gains is an important objective of any business. Having a highly committed and competent workforce is very important for getting a competitively advantageous position.
 3. **Facilitation of change:** The human resource manager will be more concerned about furthering the organization not just maintaining it. He can devote more time to promote acceptance of change rather than maintaining the status quo.
 4. **Managing diversity of workforce:** In a modern organization, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female, young and old, educated and uneducated, unskilled and professional employee and so on. Motivation, maintaining morale and commitment are some of the key tasks that a HR manager can perform.
 5. **Empowerment of human resources:** Empowerment involves giving more power to those who, at present, have little control on what they do and little ability to influence the decisions being made around them.
 6. **Building core competency:** The human resource manager has an important role to play in developing core competency of the firm. A core competence is a unique strength of an organization which may not be shared by others. Organization of business around core competence implies leveraging the limited resources of a firm.
 7. **Development of works ethics and culture:** A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among people and to encourage creative ideas by the people.

Question 9

- (a) *What are 'objectives'? What characteristics it must possess to be meaningful?* **(5 Marks)**
- (b) *What is 'situational analysis'? What factors are to be considered about the situation to choose a strategy?* **(5 Marks)**

Answer

- (a) Objectives are organizations performance targets – the results and outcomes it wants to achieve. They function as yardstick for tracking an organization's performance and progress.

Objectives with strategic focus relate to outcomes that strengthen an organization's overall business position and competitive vitality. Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- ◆ Objectives should define the organization's relationship with its environment.
 - ◆ Objectives should be facilitative towards achievement of mission and purpose.
 - ◆ Objectives should provide the basis for strategic decision-making.
 - ◆ Objectives should provide standards for performance appraisal.
 - ◆ Objectives should be understandable.
 - ◆ Objectives should be concrete and specific.
 - ◆ Objectives should be related to a time frame.
 - ◆ Objectives should be measurable and controllable.
 - ◆ Objectives should be challenging.
 - ◆ Different objectives should correlate with each other.
 - ◆ Objectives should be set within constraints.
- (b) Situational Analysis forms an essential part of any business plan. Situational analysis implies that Organizational managers scan the external environment, identify potentially important environmental forces, assess their impact and influence, and adapt its direction and strategy as needed. A preliminary introduction as to what to take into account when conducting a situational analysis and provide a checklist of the important factors to consider are:
- ◆ **Environmental factors:** What external and internal environmental factors are there that needs to be taken into account. This can include economic, political, demographic or sociological factors that have a bearing on the performance.
 - ◆ **Opportunity and issue analysis:** What are the current opportunities that are available in the market, the main threats that business is facing and may face in the future, the strengths that the business can rely on and any weaknesses that may affect the business performance.
 - ◆ **Competitive situation:** Analyze main competitors of the organization: Who are they, what they up to are, how they compare. What are their competitive advantages?
 - ◆ **Product situation:** The details about current product. The details about current product may be divided into parts such as the core product and any secondary or supporting services or products that also make up what you sell. It is important to observe this in terms of its different parts in order to relate this back to core client needs.

Question 10

(a) *Distinguish between Operational Control and Management Control.* **(5 Marks)**

(b) *Write a short note on:*

'The role of ADL Matrix in assessing competitive position of a firm.'

OR

Write a short note on:

'Importance of Strategic Management'.

(5 Marks)

Answer

(a) Differences between Operational Control and Management Control are as under:

- (i) The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organization, instead of mere narrowly circumscribed activities of sub-units. For example, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.
 - (ii) Many of the control systems in organizations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. On the other hand, the basic purpose of management control is the achievement of enterprise goals – short range and long range – in an effective and efficient manner.
- (b) The ADL matrix has derived its name from Arthur D. Little which is a portfolio analysis method based on product life cycle. The approach forms a two dimensional matrix based on stage of industry maturity and the firm's competitive position, environmental assessment and business strength assessment. The role of ADL matrix is to assess the competitive position of a firm based on an assessment of the following criteria:**
- ◆ **Dominant:** This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong h
 - ◆ **Strong:** By virtue of this position, the firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitors.
 - ◆ **Favourable:** This position, which generally comes about when the industry is fragmented and no one competitor stand out clearly, results in the market leaders a reasonable degree of freedom.
 - ◆ **Tenable:** Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.

- ◆ **Weak:** The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist.

OR

Importance of Strategic Management: Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

- ◆ Strategic management helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
- ◆ It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides framework for all major business decisions of an enterprise such as on businesses, products, markets, organizational structures, etc.
- ◆ It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
- ◆ It serves as a corporate defense mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
- ◆ Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.