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TEST PAPER – 04

(Chapters Covered – Strategic Management – Introduction, Strategic Analysis & Strategic Planning, Formulation & Implementation of Strategy & Digital Strategy)

OPERATIONS MANAGEMENT AND STRATEGIC MANAGEMENT

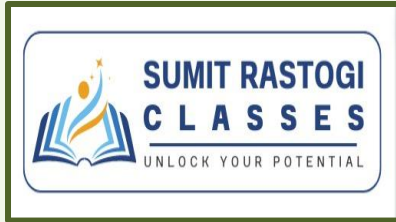
Time Allowed: 3 Hours

Full Marks: 100

**Section A contains Question Number 1. All parts of this question are compulsory.
Working notes should form part of the relevant answer.**

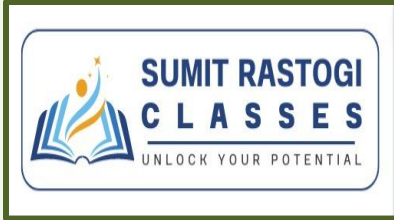
SECTION-A

- 1. Choose the correct answer from the given alternatives (you may write only the Roman number and the alphabet chosen for your answer) (2×15 = 30 Marks)**
- (i) Which one of the following cannot be closely associated with the “Red Ocean Strategy”?
- (a) Boat the Competition
 - (b) Make the Value Cost Trade-off
 - (c) Make the Competition irrelevant
 - (d) Exploit Existing Demand
- (ii) Forecasting the weather is an example of _____.
- (a) Narrow AI
 - (b) General AI/Human-Level
 - (c) Super AI
 - (d) Deep-Learning
- (iii) In the “SMART Goal Framework” the letter “S” stands for:
- (a) Specific
 - (b) Strategy
 - (c) Skill
 - (d) Social
- (iv) Strategy Formulation is characterized by –
- (a) The focus is on effectiveness
 - (b) It requires motivation and leadership skills
 - (c) It involves managing forces during action
 - (d) It is primarily an operational process



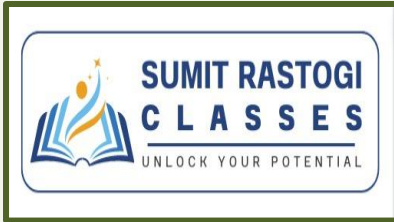
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- (v) This _____ provides the broad “DATA”, from which to identify key drivers of change.
- (a) SWOT Analysis
 - (b) BCG Matrix
 - (c) PESTEL Analysis
 - (d) Critical Success Factors
- (vi) Which one of the following activities involves receiving, storing and distributing inputs to the production process?
- (a) Inbound Logistics
 - (b) Operations
 - (c) Marketing & Sales
 - (d) Outbound Logistics
- (vii) The process of _____ requires co-ordination across the entire organization and involves business culture changes.
- (a) Digital Strategy
 - (b) Digitization
 - (c) Digital Transformation
 - (d) Data Aggregation
- (viii) _____ is about how people may be motivated to work together is more effective ways.
- (a) Organisational Behaviour
 - (b) Strategic Leadership
 - (c) Emotional Intelligence
 - (d) Organisational Change
- (ix) The _____ refers to a set of managerial decisions and actions that determines the long-term performance of an organisation.
- (a) Organisational Culture
 - (b) Strategic Management
 - (c) Vision
 - (d) Mission
- (x) A _____ is a business unit in a growing market, but not yet with high market share.
- (a) Cash Cow
 - (b) Dog
 - (c) Question Mark
 - (d) Star



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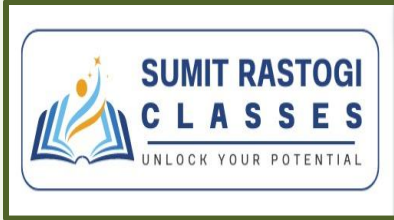
- (xi) _____ is a form of paid advertising that allows marketing teams to essentially purchase traffic to their website.
- (a) Influencer Marketing
 - (b) Affiliate Marketing
 - (c) Pay-per-click
 - (d) Content Marketing
- (xii) Which one of the following cannot be called a valid “Type” of Big Data?
- (a) Structured Data
 - (b) Unstructured Data
 - (c) Meta Data
 - (d) Semi-Structured Data
- (xiii) The Strategic which is about how to compete successfully in particular markets is:
- (a) Corporate Strategy
 - (b) Operational Strategy
 - (c) Business Strategy
 - (d) Functional Strategy
- (xiv) Environment is _____.
- (a) Complex
 - (b) Dynamix
 - (c) Multi-faceted
 - (d) All of the above
- (xv) In context with BPR, which among the following is true?
- (a) BPR has resulted in major gains in speed
 - (b) BPR has resulted in major gains in efficiency
 - (c) BPR has resulted in major gains in quality
 - (d) BPR has resulted in major gains in efficiency, quality and speed



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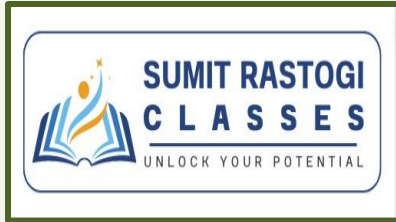
SECTION-B

2. (a) “The goal is to achieve quantity and quality of effort between individuals and the team” – In this context, analyze and append the details regarding the SMART goal framework to create organizational objectives. **(7 Marks)**
2. (b) “Strategic Management was associated with increasing focus on competitions as the central characteristics of the business environment” – In this context, append the basic elements of Strategic Management. **(7 Marks)**
3. (a) “Strategic Management involves a greater Scope than that of any one area of operational Management.” In this Context align the objectives of Strategic Management. **(7 marks)**
3. (b) “Big data is a collection of data that is huge in volume and growing exponentially with time”. In this Context Identify the different types of big data and briefly explain the main characteristics of big data. **(7 marks)**
4. (a) “Artificial Intelligence (AI) is intelligence exhibited by machines and systems” – In this context, enumerate the three levels of Artificial Intelligence (AI) and analyze the various contemporary concepts, namely, Machine Learning (ML), Deep Learning & Blockchain. **(7 marks)**
4. (b) “BLOCKCHAIN is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network” – In this context, Examine and Align the important components of a BlockChain. **(7 marks)**
5. (a) Summarize, in brief, a detailed explanation of the PESTEL Framework. **(7 marks)**
5. (b) “The Formal Strategic Planning process has five main steps” – In accordance to this statement, Examine and align the respective steps of Strategic Planning Process. **(7 marks)**
6. (a) “Porter Value Chain describes the categories of activities within and around an organization” – With reference to this statement align the activities involved in value chain of an Organisation. **(7 Marks)**
6. (b) “Business Environment exhibits many characteristics”. In this event, demonstrate in brief the said important characteristics of Business Environment. **(7 marks)**



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7. (a) What do you infer from Project-based Structures? Align the advantages and disadvantages of project based structures. **(7 marks)**
7. (b) Critically Assess Important reasons that lead an organization to undertake Business Process Re-engineering. **(7 marks)**
8. (a) “The achievement of goal congruence is essential in order to increase the profitability of the organization and to achieve its goals”. With reference to this statement, demonstrate some of the areas that have the ability to create goal congruence. **(7 marks)**
8. (b) Analyze the differences between Strategy Formulation and Strategy Implementation according to David (2005). **(7 marks)**



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ANSWERS OF TEST PAPER – 04

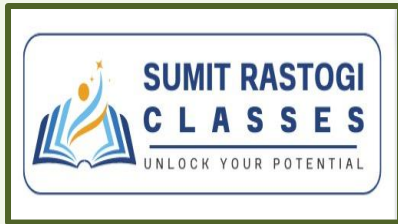
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OPERATIONS MANAGEMENT AND STRATEGIC MANAGEMENT

SECTION-A

ANS.1

- (i) (c) Make the competition irrelevant
- (ii) (a) Narrow AI
- (iii) (a) Specific
- (iv) (b) It requires motivation and leadership skills
- (v) (c) PESTEL Analysis
- (vi) (a) Inbound Logistics
- (vii) (c) Digital Transformation
- (viii) (a) Organisational Behaviour
- (ix) (b) Strategic Management
- (x) (c) Question Mark
- (xi) (c) Pay-per-click
- (xii) (c) Meta Data
- (xiii) (c) Business Strategy
- (xiv) (d) All of the above
- (xv) (d) BPR has resulted in major gains in efficiency, quality and speed



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SECTION-B

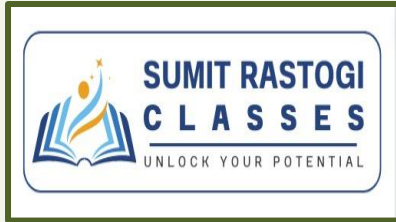
ANS. 2 (a)

Goals: Well construed goals denote what an organisation hopes to accomplish in a future period of time. They represent future state of outcome of effort put in now. The set of goals that an organisation sets addresses a wide range of financial and non-financial issues. Goals are close-ended attributes which are precise and expressed in specific terms.

Objectives: Objectives form the basis of the functioning of an organization. It is the setting of strategic objectives that the strategic vision of a firm into a specific performance targets. Objectives play a very important role in the organisation. They define the organization's relationship with the environment, help an organisation pursue its vision and mission, provide the basis for strategic decision making and provide the standards for performance appraisal.

Objectives are defined as the ends that state specifically how the goals shall be achieved. They are concrete and much specific compared to goals and are open ended attributes that denote the future states or outcomes. Objectives should possess certain desirable characteristics in order to be effective. **They are as follows:**

- (a) **Specific:** The first step towards setting objectives is to specify what the company wants to achieve. This involves answer to five specific set of questions namely, what the organisation wants to achieve? Why the company wants to achieve? Who are being involved in the process? Where it wants to achieve and which are the resources and constraints that needs to be identified? Specific objectives are more likely to lead and motivate the managers.
- (b) **Understandable:** The objectives should be such that they are understandable to those who are expected to achieve them. Clarity in objectives helps to avoid ambiguity which in turn helps to achieve the desired results.
- (c) **Measurable:** Objectives should be precise and measurable. There has to be a standard against which they can judge their performance. It is often considered to be a good practice to quantify objectives rather than to state them in qualitative terms. It helps to measure and control the achievement of the objectives with respect to comparable companies in a particular industry and in general.
- (d) **Attainable:** Objectives must be challenging but realistic or attainable. They give all employees an incentive to look for ways of improving the operations of an organisation. If an objective is unrealistic in the challenges it poses, employees may give up; an objective that is too easy may fail to motivate managers and other employees.
- (e) **Relevant:** Objectives must be linked to the overall vision and mission of the organisation. There should not be any conflict between the objectives that the management has set with the goals of the organisation. This is a very important task as misalignment between the two can lead to failure in achieving the corporate vision.
- (f) **Time Bound:** Objectives should specify a time period. Time constraints tell employees that success requires an objective to be attained by a given date, not after that date. Deadlines can inject a sense of urgency into objective attainment and act as a motivator. However, not all objectives require time constraints.

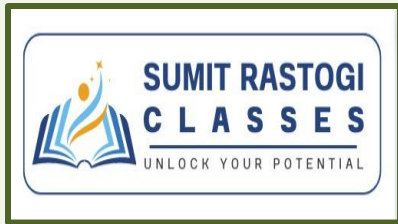


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ANS. 2 (b)

Strategic Management: It refers to a set of managerial decisions and actions that determines the long term performance of an organisation. Originally called 'Corporate Planning', the shift from 'Corporate Planning' to what became termed as 'Strategic Management' was associated with increasing focus on competition as the central characteristic of the business environment and competitive advantage as the primary goal of strategy.

- (a) **Environmental scanning:** It refers to the monitoring, evaluating and disseminating of information from the external and internal environments to key people within the organisation. The purpose is to identify the strategic factors both internal and external elements that will shape the future of the organisation. The range of methods and techniques available for environmental scanning is wide. There are formal and systematic techniques as well as intuitive methods available. The techniques are single variable extrapolation, theoretical limit envelopes, dynamic modes, mapping, multivariate interaction analysis, unstructured expert opinion, structured expert opinion, structured inexpert opinion and unstructured inexpert speculation.
- (b) **Strategy Formulation:** It refers to the development of long range plans for the effective management of environmental opportunities and threats, in the light of corporate strengths and weaknesses (SWOT). It includes defining the mission, setting objectives, developing strategies and setting policy guidelines.
- (c) **Strategy Implementation:** It is the process by which strategies and policies are put into practice through the development of programs, budgets and procedures. This includes day to day decisions in resource allocation and is typically conducted by the middle and lower level managers with review by the top management. It involves taking actions at the functional, business and corporate levels to execute a strategic plan. Implementation include, for example, putting quality improvement programs, changing the way product is designed, positioning the product differently, market segmentation, expanding through mergers and acquisitions and downsizing the company.
- (d) **Evaluation and control:** It involves the process through which organisational activities and performances are monitored. The actual performances are compared to the desired performances and corrective actions are taken to resolve problems. The process of evaluation and control helps to identify the weakness and lacunae of the previously implemented strategic plan and thereby, stimulates the entire process to begin again.



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ANS. 3 (a)

Objectives of Strategic Management

Strategic management is concerned with complexity arising out of ambiguous and non-routine situations with organisation wide rather than operation-specific implications. This is a major challenge for managers who are used to managing on a day-to-day basis the resources they control.

It can be a particular problem because of the background of managers who may typically have been trained, perhaps over many years, to undertake operational tasks and to take operational responsibility.

The objectives of strategic management may be listed as under:

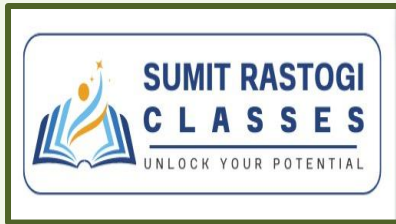
- (i) To identify opportunities and adapt resources to exploit the opportunities created.
- (ii) To create opportunities by stretching the resources and competences of the organisation and capitalise them.
- (iii) To help managers to understand the key relationships among actions, context, and performance by providing the conceptual frameworks.
- (iv) To help an organisation enjoy competitive advantage.
- (v) To sustain and improve the competitive position by the deployment and acquisition of appropriate resources and by monitoring and responding to environmental changes.
- (vi) To monitor and remain responsive to the demands of key stakeholders.
- (vii) To identify the critical success factors and meet the needs and wants of the customers.
- (viii) To avoid failure by focusing on the building blocks of competitive advantage (superior efficiency, superior quality, superior innovation and superior responsiveness to customers), instituting continuous improvement and learning, tracking the best industrial practices and using benchmarking.
- (ix) To overcome inertia and accept the changes in the ever-changing environment to remain competitive and at times to survive.
- (x) To develop a creative and innovative attitude and to think strategically.

ANS. 3 (b)

- **Big data** is a collection of data that is huge in volume and is growing exponentially with time.
- It is a data with so large size and complexity that none of traditional data management tools can store it or process it efficiently.
- Big data is also a data but with huge size. Examples of Big Data include stock exchange, social networking site, jet engine, etc.

There are three types of Big Data namely,-

- (a) structured,
- (b) unstructured and
- (c) semi-structured.



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- A 'structured data' is any data that can be stored, accessed and processed in the form of fixed format. A lot of success has been achieved over a period of time in developing techniques for working with such kind of data (where the format is well known in advance) and also deriving value out of it.
- An unstructured data is one with unknown form or structure. In addition to the size being huge, unstructured data poses multiple challenges in terms of its processing for deriving value out of it.
- A semi-structured data can contain both the forms of data. Example of semi-structured data is a data represented in an XML file.

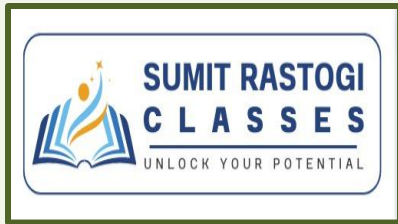
Big Data can be described by the following characteristics:

- (a) **Volume:** Size of data plays a very crucial role in determining value out of data. Also, whether a particular data can actually be considered as a Big Data or not, is dependent upon the volume of data. The name Big Data itself is related to a size which is enormous. Hence, 'Volume' is one characteristic which needs to be considered while dealing with Big Data solutions.
- (b) **Variety:** Variety refers to heterogeneous sources and the nature of data, both structured, unstructured and semi structured. During earlier days, spread-sheets and databases were the only sources of data considered by most of the applications however, in recent period data can be in the form of emails, photos, videos, monitoring devices, PDFs, audio, etc.. These data also need to be analysed.
- (c) **Velocity:** The term 'velocity' refers to the speed of generation of data and processing of data to be responsive to the needs of the customers. Big Data velocity deals with the speed at which data flows in from sources like business processes, application logs, networks, and social media sites, sensors, mobile devices, etc. The flow of data is massive and continuous.
- (d) **Variability:** This refers to the inconsistency which can be shown by the data at times, thus hampering the process of being able to handle and manage the data effectively.

ANS. 4 (a)

Artificial Intelligence:

- Artificial intelligence (AI) is intelligence exhibited by machines and systems, with machines imitating functions which are mostly related with human cognition.
- There are three levels of AI namely; Narrow AI, General AI/human-level and Super AI.
- Narrow AI refers to the current state-of-the-art with existing software that automates a traditionally human activity and often outperforms humans in efficiency and endurance in one specialized area, e.g., forecasting the weather, autonomous driving, etc.
- General AI/human-level AI describes the capacity of machines to understand their environment and reason and act accordingly, just as a human would in all activities across all dimensions, including scientific creativity, general knowledge, and social skills.



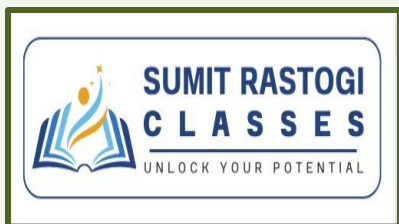
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- Super AI, the highest level of AI, is reached when AI becomes much smarter than the best human brains in practically every field.
- Super AI systems can make deductions about unknown environments.
- Machine learning (ML) describes automated learning of implicit properties of, or underlying rules for data. It is a major component for implementing
- AI since its output is used as the basis for recommendations, decisions, and feedback mechanisms with regards to a previously unknown situation.
- ML is an approach to creating AI. As most AI systems today are ML-based, the terms are often used interchangeably-particularly in a business context.
- ML involves training algorithms on sample input data to optimize its performance on a specific task so that the machine gains a new capability.
- Deep learning is a branch of AI. It mainly deals with neural networks that consist of many layers, hence the name "deep." In the last years, deep neural networks have been the most successful AI approach in many areas.
- AI is required for analyzing previously unavailable or indecipherable data (e.g., video or sound which previously could only be interpreted by humans), in order to detect quality issues.
- AI also has the ability to help detection and analysis mechanisms, improve its own accuracy by continuously learning from the issues detected, and optimize manufacturing processes by incorporating feedback and adjusting the control parameters accordingly.
- It is amazing to note how much friendly a technology AI is emerging to help people in quest for solving problems for society.

According to Basu, versatility of AI is transcending all areas of solution building. The most encouraging is that AI is emerging as a friend of all for keeping cyber criminals away. It is also acquiring self-propelling energies.

More and more corporate, who were observing peers attaining competitive advantage using digital technologies, are now plunging into the act of digital transformation, particularly using AI with IoTs and Blockchain

Blockchain: Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network. An asset can be tangible (house, car, cash, land, etc.) or intangible (intellectual property, patents, copyrights, branding). Virtually anything of value can be tracked and traded on a blockchain network, reducing risk and cutting costs for all involved. The importance of block chain network stems from the fact that business runs on information. The information should be accurate and received fast. Blockchain is ideal for delivering that information because it provides immediate, shared and completely transparent information stored on an immutable ledger that can be accessed only by permissioned network members. A blockchain network can track orders, payments, accounts, production and much more. As members share a single view of the truth, one can see all details of a transaction end to end, giving greater confidence, as well as new efficiencies and opportunities.



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ANS. 4 (b)

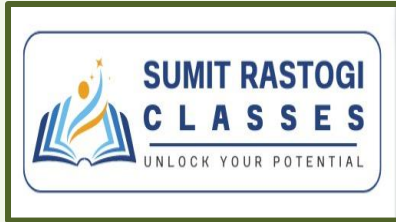
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The Important Component of Block Chain

- (a) **Distributed Ledger Technology:** All network participants have access to the distributed ledger and its immutable record of transactions. With this shared ledger, transactions are recorded only once, eliminating the duplication of effort that's typical of traditional business networks.
- (b) **Immutable records:** No participant can change or tamper with a transaction after it's been recorded to the shared ledger. If a transaction record includes an error, a new transaction must be added to reverse the error, and both transactions are then visible.
- (c) **Smart contracts:** A smart contract is stored on the blockchain and executed automatically. A smart contract can define conditions for corporate bond transfers; include terms for travel insurance to be paid and much more. A smart contract acts a set of rules and allows fastest transactions.

The benefits of blockchain network

- (d) **Increased trust:** As block chain is used by only the members who are within a defined network. This assures the members that the data being received by them is accurate and timely data. Moreover, the confidential blockchain records will be shared only with network members to whom one has specifically granted access.
- (e) **Greater security:** The increase security in blockchain network arises from the fact that consensus on data accuracy is required from all network members, and all validated transactions are immutable because they are recorded permanently. No one, not even a system administrator, can delete a transaction.
- (f) **Increased efficiencies:** With a distributed ledger that is shared among members of a network, time-wasting record reconciliations are eliminated. The smart contract enables automated transactions thereby saving on time.



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ANS. 5 (a)

The PESTEL framework categorises environmental influences into six main types: political, economic, social, technological, environmental and legal. Politics highlights the role of governments.

(a) Political processes shape a society's laws, which constrain the operations of organisations and managers and thus create both opportunities and threats.

Political instability creates adverse conditions for the businesses to function, Investors rarely want to invest in countries where there is political turmoil and this in turn can be detrimental to the businesses in those regions. On the other hand, political stability and favourable government attitude towards businesses can create a lot of opportunities and is considered to be a favourable business environment.

(b) Macroeconomic forces affect the general health and well-being of a nation or the regional economy of an organisation which in turn affect companies' and industries' ability to earn an adequate rate of return. The four most important macroeconomic forces are the growth rate of the economy, interest rates, currency exchange rates, and inflation (or deflation) rates.

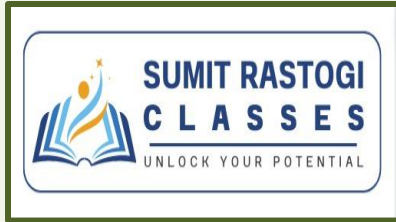
(c) Social influences include changing cultures and demographics. Demographic forces are outcomes of changes in the characteristics of a population, such as age, gender, ethnic origin, race, sexual orientation, and social class. Like the other forces in the general environment, demographic forces present managers with opportunities and threats and can have major implications for organisations.

(d) Technological influences refer to innovations such as artificial intelligence, internet, nano-technology, or the rise of new composite materials.

(e) Environmental stands specifically for 'green' issues, such as pollution and waste. The environmental factors have now become extremely important for organisations as countries across the globe are increasingly concerned with the environmental changes and are striving towards clean, green and renewable sources of energy. The disposal of e-waste and global warming are also very important causes of concern. Organisations need to be more environment friendly.

(f) Finally legal embraces legislative constraints or changes, such as health and safety legislation or restrictions on company mergers and acquisitions.

For managers, it is important to analyse how these factors are changing now and how they are likely to change in the future, drawing out implications for the organisation.



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ANS. 5 (b)

The formal strategic planning process has five main steps:

(i) Select the corporate mission and major corporate goals

The first component of the strategic planning process is crafting the organisation's mission statement, which provides the framework or context within which strategies are formulated. A mission statement has four main components: a statement of its reason for existence which is normally referred to as the mission; a statement of some desired future state, usually referred to as the vision; a statement of the key values that the organisation is committed to; and a statement of major goals.

(ii) Analyse the organisation's external competitive environment to identify opportunities and threats

The second component of the strategic planning process is an analysis of the organisation's external operating environment. The essential purpose of the external analysis is to identify strategic opportunities and threats within the organisation's operating environment that will affect how it pursues its mission. Three interrelated environments should be examined when undertaking an external analysis: the industry environment in which the company operates, the country or national environment and the wider socioeconomic or macro environment.

(iii) Analyse the organisation's internal operating environment to identify the organisation's strengths and weaknesses

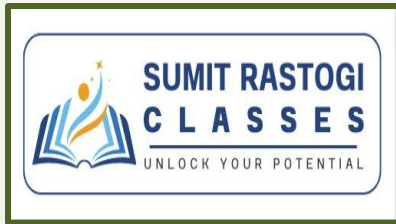
Internal analysis, the third component of the strategic planning process, focuses on reviewing the resources, capabilities, and competencies of a company. The goal is to identify the strengths and weaknesses of the company. The next component of strategic thinking requires the generation of a series of strategic alternatives, or choices of future strategies to pursue, given the company's internal strengths and weaknesses and its external opportunities and threats. The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as a SWOT analysis. More generally, the goal of a SWOT analysis is to create, affirm, or fine-tune a company-specific business model that will best align, fit, or match a company's resources and capabilities to the demands of the environment in which it operates.

(iv) Select strategies

Managers select strategies that build on the organisation's strengths and correct its weaknesses in order to take advantage of external opportunities and counter external threats. In order to select the right strategies managers compare and contrast the various alternative possible strategies against each other and then identify the set of strategies that will create and sustain a competitive advantage. It is very important for the strategic managers to keep in mind that the strategies selected should be consistent with the mission and major goals of the organisation. They should be congruent and constitute a viable business model.

(v) Implement the strategies

In order to achieve a competitive advantage and increase profitability managers must put those strategies selected into action. Strategy implementation involves taking actions at the functional, business, and corporate levels to execute a strategic plan.



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ANS. 6 (a)

The value chain describes the categories of activities within and around an organisation, which together create a product or service. The concept was developed in relation to competitive strategy by Michael Porter. The term value chain refers to the idea that a company is a chain of activities that transforms inputs into outputs that customer's value. The transformation process involves both primary activities and support activities that add value to the product. Activities can be broadly divided into two types namely, primary activities and secondary or support activities.



Primary activities are directly concerned with the creation or delivery of a product or service. For example, for a manufacturing business the primary activities are as follows:

Inbound logistics are activities concerned with receiving; storing and distributing inputs to the product or service including materials handling, stock control, transport, etc.

Operations transform these inputs into the final product or service. Operations include machining, packaging, assembly, testing, etc.

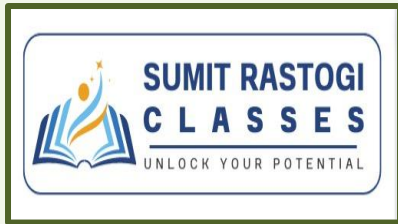
Outbound logistics collect, store and distribute the product to customers, for example warehousing, materials handling, distribution, etc.

Marketing and sales provide the means whereby consumers/users are made aware of the product or service and are able to purchase it. This includes sales administration, advertising and selling.

Service includes those activities that enhance or maintain the value of product or service, such as installation, repair, training and spares.

Support activities help to improve the effectiveness or efficiency of primary activities. The following are the support or secondary activities:

Procurement: It refers to the processes that occur in many parts of the organisation for acquiring the various resource inputs to the primary activities.



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Technology development: All value activities have a 'technology', even if it is just know-how. Technologies may be concerned directly with a product or with processes or with a particular resource.

Human resource management: This transcends all primary activities. It is concerned with those activities involved in recruiting, managing, training, developing and rewarding people within the organisation.

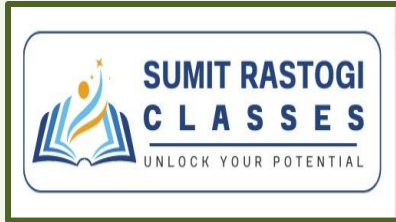
Infrastructure: The formal systems of planning, finance, quality control, information management, and the structures and routines that are part of an organisation's culture.

In the value chain process the value can be added early in the value chain, i.e. upstream and later in the value chain, i.e. downstream.

ANS. 6 (b)

Business environment exhibits many characteristics. Some of the important characteristics are as follows:

- (a) **Environment is complex:** The business environment happens to be very complex as it comprises of a number of factors namely, events, conditions and influences arising from different sources interacting with each other to create entirely new sets of influences. It is indeed difficult to instantly say what factors constitute a given environment. Environment is a complex phenomenon and it is easier to understand it in segments or compartments rather than grasp in totality.
- (b) **Environment is dynamic:** The changing nature of environment is a constant. The dynamism of the environment is largely due to large number of factors that continuously influences its character and shape.
- (c) **Environment is Multi-faceted:** The perception of the observer is very important to determine the shape and character of the environment. Changes in the environment may be perceived differently by different individual. The changes and developments may be considered to be an opportunity to one and a threat to others.
- (d) **Environment has a far reaching impact:** The impact of environment on an organisation is huge. It critically underpins the growth and profitability of an organisation. Any changes in the environment affect the organisation in more ways than one. The very survival and existence of an organisation is critically dependent on its environment



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ANS. 7 (a)

Project-based structures

A project-based structure is one where teams are created, undertake the work and are then dissolved. This can be particularly appropriate for organisations that deliver large and expensive goods or services (civil engineering, information systems, and films) or those delivering time-limited events (conferences, sporting events or consulting engagements). The organisation structure is a constantly changing collection of project teams created, steered and glued together loosely by a small corporate the 'main' structure. For example, taskforces are set up to make progress on new group. Many organisations use such teams in a more ad hoc way to complement elements of strategy or to provide momentum where the regular structure of the organisation is not effective.

Advantages of Project-based structures

- (a) The project-based structure can be highly flexible, with projects being set up and dissolved as required.
- (b) Accountability and control are good because project teams should have clear tasks to achieve within a defined life.
- (c) Projects can be effective at knowledge exchange as project team members will typically be drawn from different departments within the firm.
- (d) Projects can also draw members internationally and, because project life spans are typically short, project teams may be more willing to work temporarily around the world.

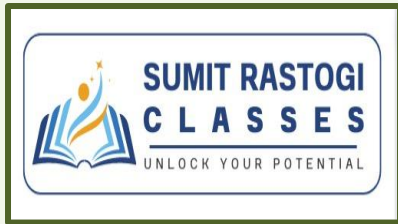
Disadvantages of Project-based structures

- (a) Without strong programme management providing overarching strategic control, organisations are prone to proliferate projects in an ill-coordinated fashion.
- (b) The constant breaking up of project teams can also hinder the accumulation of knowledge over time or within specialisms.

Overall, project-based structures have been growing in importance because of their inherent flexibility. Such flexibility can be vital in a fast-moving world where individual knowledge and competences need to be redeployed and integrated quickly and in novel ways.

ANS. 7 (b)

Business Process Engineering may be considered to be a radical redesign of business processes often used by companies to cut costs and return to profitability. During the 1990s, recognition that the re-design of operational processes could achieve substantial efficiency gains stimulated a surge of interest in a new management tool called business process reengineering (BPR). It may be mentioned that BPR is not in itself a type of structure, but it is an effective program to implement a turnaround strategy. Hammer and Champy (1993) defined BPR as 'the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service, and speed. There are primarily three important reasons that lead an organisation to undertake re-engineering:



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- (i) An organisation needs dramatic improvements to sustain it and is already in deep trouble. High failure rates of products and repetitive customer complaints can be a one of the reasons that can cause huge disruption in the functioning of the organisation.
- (ii) The need for re-engineering can be felt by the management keeping in mind the imminent problems that the organisation is expected to face in the future due to some dramatic changes in the environment, both internal and external.
- (iii) There can be situations when reengineering can help organisations to be in better position than they are currently in.

ANS. 8 (a)

Goal congruence is the term that is used to describe the situation when the goals of different interest groups coincide.

The achievement of goal congruence is essential in order to increase the profitability of the organisation and to achieve its goals.

It is very important that the individual goals are consistent with the organisational goals. It may be said that in a perfect organisation individual goals and organisational goals should correspond perfectly.

Aspects of Goal Congruence

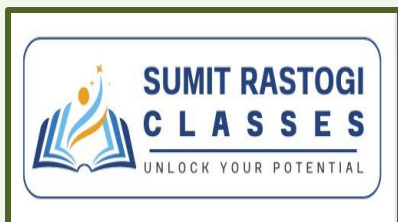
The following are some of the areas that have the ability to create goal congruence:

a. Communication and Understanding

Channels of communication and how goals are perceived are important to achieve goal congruence. Operational managers have a responsibility of being aware as to what actions are desirable and what goals are to be achieved. It should be understood that the communication of different goals can occur through informal channels, which involves meetings and face to face inter-actions, or through formal channels including budgets or other financial documents. There is an inherent risk that even if the communication is well executed, it might be perceived in different ways. Organisations, therefore, should internalise the goals in a good manner to avoid that employees feel inability to achieve them.

b. Create direction

One of the reasons for lack of goal congruence is the absence of direction related to employees' behaviour. Performance management and goals facilitate efficient communication about what managers want their subordinates to focus on. It needs no mention that providing clear information and direction, employees can better understand what is expected from them, how to perform adequately, and how to contribute effectively to the achievement of the organisational goals. There is a need to increase the employees understanding of the strategic objectives as well as the organisation's value drivers.



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c. Motivation

The problem of motivation can exist even though employees have knowledge about how to perform adequately because employees can act in their own self interest instead of in the organisation's best interest. The employees can make their own performance report better by allocating resources without befitting the organisation as a whole. One of the strongest reasons for demotivation among employees and managers is dislike for the work allocated. The reason for motivation varies among employees. While some employees feel motivated for some recognition and appraisals others may feel motivated because of commitment and responsibility without any required pay off. The more motivated the employees of the organisation the better will be the goal congruence.

d. Incentives

In order to increase the likelihood of employees working to achieve their individual goals, organisation's aim to influence motivation by providing incentives. Research suggests that individuals tend to perform better when they are rewarded. Rewards and compensations should create goal congruence between individual goals and organisational goals by stimulating individuals to perform by providing incentives, as rewards are related to increased effort.

e. Connection

It is very important to create a connection between goals, performance measures and incentives. In order to align the employees' self interest and overall organisational objectives it is necessary to relate incentives with performance. By linking incentives to certain goals, individuals tend to pay more attention to what is important.

ANS. 8 (b)

According to David the following are the differences between the strategy formulation and strategy implementation

Strategy Formulation	Strategy Implementation
It involves positioning forces before the action.	It involves managing forces during the action.
The focus is on effectiveness.	The focus is on efficiency.
It is primarily an intellectual process.	It is primarily an operational process.
It requires good intuitive and analytical skills.	It requires motivation and leadership skills.
Requires coordination among few individuals.	Requires coordination among many individuals.