PAPER – 17 - STRATEGIC PERFORMANCE MANAGEMENT

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	Learning objectives	Verbs used	Definition
LEVEL C	KNOWLEDGE What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION What you are expected to understand	Describe	Communicate the key features of
		Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identity	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
	APPLICATION How you are expected to apply your knowledge	Apply	Put to practical use
		Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS How you are expected to analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
		Construct	Build up or compile
		Prioritise	Place in order of priority or sequence for action
		Produce	Create or bring into existence
	SYNTHESIS How you are expected to utilize the information gathered to reach an optimum conclusion by a process of reasoning	Discuss	Examine in detail by argument
		Interpret	Translate into intelligible or familiar terms
		Decide	To solve or conclude
	EVALUATION How you are expected to use your learning to evaluate, make decisions or recommendations	Advise	Counsel, inform or notify
		Evaluate	Appraise or asses the value of
		Recommend	Propose a course of action

Paper – 17 - Strategic Performance Management

This paper contains 10 questions, divide in three sections; Section A, Section B and Section C. In total 7 questions are to be answered.
From Section A, Question No. 1 is compulsory and answer any two questions from Section A (out of three questions – questions Nos. 2 to 4). From Section B, Answer any two questions (i.e. out of Question nos. 5 to 7). From Section C, Answer any two questions (i.e. out of question nos.8 to 10).
Students are requested to read the instructions against each individual question also. All workings must form part of your answer. Assumptions, if any, must be clearly indicated.

Section –A

[Question 1 is compulsory and answers any 2 from the rest. All questions carry equal marks]

1. Read the following case study and answer the following questions:

The First International Bank of Israel (FIBI) is one of Israel's five largest banking groups, providing consumer and commercial banking services. FIBI employs innovative technology and computer logistics systems to conduct business for its various clients located throughout Israel, from large to mid-sized businesses down to residential households.

FIBI clients and employees rely on a wide range of applications as an essential part of daily operations. One example is FIBI's main business application which connects about 6,000 users from its 200 branches across Israel. Unfortunately, this mission critical application was encountering performance problems. Clients routinely complained about slow response times and service disconnections. The development team and others struggled to identify the root cause of the service degradation. Compounding the problem was the fact that this was a highly complex application incorporating various components including Web servers, Active Directories, message queues, and mainframes.

The performance of this core application suffered further when the marketing team rolled out a new, integrated application. All the major IT stakeholders congregated to troubleshoot. Each team was using its own siloed monitoring tool and proclaimed that its systems were fine. Yet even after daily meetings that regularly lasted 2 to 3 hours, the performance issues persisted.

FIBI implemented SharePath from Correlsense to gain a better understanding of what was happening across the complete application architecture.

"We want to know if there is a problem before the user reports it," said Chen Moskovich, who is a leader in the infrastructure team at FIBI. He manages three teams and is responsible for the company's monitoring systems.

SharePath was employed to help with the FIBI main business application. Given the immediacy of the problems with this core system, FIBI installed SharePath directly into the production environment. Moskovich was especially impressed with the tool's easy installation process. "I didn't need to sit with the developer or ask him to touch his code to instrument the monitoring," he said. "I think this is the main advantage over other APM products."

SharePath alerted the team that there was an issue every time the new marketing application accessed the mainframe. This was happening multiple times per second, significantly slowing down performance in the main business application. "SharePath gave us results right away," said Moskovich. "You need something like SharePath to find where the bottleneck is."

The team was also surprised to learn that the marketing and main business applications were dependent on each other. "No one knew about this connection between these two applications," said Moskovich. After discovering this link through SharePath they made adjustments to both applications. "We changed them to work in parallel. So now, we can shut down the marketing application and the main application still works OK," he said.

FIBI now uses SharePath as a core end-to-end monitoring tool to manage application performance and quickly resolve problems. "I use SharePath to investigate if there is something wrong in one of our branches or if a client is working with an application and experiences a problem," said Moskovich. In addition, the data from SharePath is forwarded to the central IT management platform to provide further intelligence for the 24/7 support team

Moskovich again emphasized the importance of being proactive. "I can now know there is a problem before getting a phone call, and I know I have 1-3 minutes to make a change before a client complains," he said, describing SharePath as "putting eyes where you don't have eyes." It helps him and his team see things, such as transactions or connections within the company's systems, that they did not know about before.

This information is also helpful to non-IT stakeholders. The business manager responsible for online banking at FIBI watches the SharePath dashboards in real-time, keeping a keen eye on the SLA watch. "She often knows if there is a problem before anyone else," said Moskovich, "she can raise an alert if she sees a large number of transactions that are not meeting the bank's SLA."

SharePath also helps Moskovich with other ad hoc tasks. "For example, management sometimes asks me to compare branches. If there is a problem in one branch, we want to make sure it's not happening in others," he said. "Or if we install a new application in a branch, they want me to monitor it. With Share Path, I can see how different versions of applications compare to each other."

Required:

(a) Explain Customer Intelligence.
(b) State the benefits of Customer Intelligence.
(c) State the performance degradation of the Bank.
(d) Describe How FIBI overcame the problem.
(e) Discuss the Benefits gained FIBI by implementing Share path. **[4+2+5+4+5]**

2(a) A company has developed a new product in its R&D laboratory. The company has the option of setting up production facility to market this product straight away. If the product is successful, then over the three years expected product life, the returns will be ₹ 120 lakh with a probability of 0.70. If the market does not respond favourable, then the returns will be only ₹ 15 lakh with probability of 0.30.

The company is considering whether it should test market this product building a small pilot plant. The chance that the test market will yield favourable response is 0.80. If the test market gives favourable response, then the chance of successful total market improves to 0.85.

If the test market gives poor response then the chance of success in the total market is only 0.30.

As before, the returns from a successful market will be ₹120 lakh and from an unsuccessful market only ₹15 lakh. The installation cost to produce for the total market is ₹40 lakh and the cost of the test marketing pilot plant is ₹5 lakh. Using decision-tree analysis, draw a decision-tree diagram, carry out necessary analysis to determine the optimal decisions.

(b) All-Win Co. manufactures and sells 15,000 units of a product. The Full Cost per unit is ₹ 200. The Company has fixed its price so as to earn a 20% Return on an Investment of ₹18,00,000.

Required:

(i) Calculate the Selling Price per unit from the above. Also, calculate the Mark-up % on the Full Cost per unit.

(ii) If the Selling Price as calculated above represents a Mark-up % of 40% on Variable Cost per unit, calculate the Variable Cost per unit.

(iii) Calculate the Company's Income if it had increased the Selling Price to ₹ 230. At this Price, the Company would have sold 13,500 units. Should the Company have increased the Selling Price to ₹ 230?

(iv) In response to competitive pressures, the Company must reduce the price to ₹ 210 next year, in order to achieve sales of 15,000 units. The Company also plans to reduce its investment to ₹ 16,50,000. If a 20% Return on Investment should be maintained, what is the Target Cost per unit for the next year**?**

(c) List the objectives of Transfer Pricing. **[9+6+5]**

3 (a) Describe the advantages and disadvantages of Return on investment.

(b) A market is characterized by two sellers and many buyers (duopoly) and demand curve is $p = a - bq$, $q = q_1 + q_2$ where the cost of production is zero.

(i) Generate the market output and show that it is two thirds of competitive output and monopoly output is three fourth of duopoly output if a, b >0

(ii) If 3 more sellers enter the market what would be the market output?

(iii) Show that if several sellers are now in the market i.e. a situation of competitive market, we will get competitive output.

(c) A manufacturer can sell 'x' items per month, at price P = 300 – 2x. Manufacturer's cost of production ₹Y of 'x' items is given by Y = 2x + 1000. Find no. of items to be produced to yield maximum profit per month. **[7+8+5]**

4. (a) Discuss about the Limitations of the Value Chain Analysis.

(b) Discuss the parameters to measure the performance of Public Undertakings.

(c) List a few business applications of Activity Based Management.

(d) Distinguish between Total Quality Management (TQM) and Business Process Re-Engineering (BPR). **[5+5+5+5]**

Section – B
[Answer any 2 questions from this section]

5. (a) State the Technological and Operational factors of E-commerce.

(b)"The MI is based on the concept of the Production function. This is a function of maximum possible production, with respect to a set of inputs pertaining to capital and labour" – Discuss it. **[6+4]**

6. (a) Explain the Statistical Process Control (SPC) methods.

(b) Describe about the different types of On-Line Analytical Processing. **[5+5]**

7. Define the following terms in the context of Supply chain Management:

(a) Capacity Strategy,**(b)** Lead Time/ Cycle Time, **(c)** Preventative Maintenance , **(d)** Specifications. **[2.5 x4]**

Section C
[Answer any 2 questions from this section]

8. (a)"Risk Management Process refers to the process of measuring or assessing risk and then developing strategies to manage risk. In the risk management, some steps are taken up to minimize the risk"- Discuss the steps taken to minimize the risk.

(b) From the following information, calculate of the Z-Score of a company :

Sales	25,978
Total Assets	49,579
Total Liabilities	5,044
Retained Earnings	177
Working Capital	-1,777
Market Value of Equity	2,605
Book Value of Total Liabilities	5,044

[5+5]

9.(a) Describe about the Partial Adjustment Process under the Corporate Bankruptcy Prediction Models.

(b) Discuss the benefits of Risk Mapping. **[6+4]**

10 (a) Describe the Asset Liability Management Model in the perspective of Corporate Risk Management.

(b) Explain the Neural Network (NN) under the Corporate Bankruptcy Prediction Models. **[6+4]**