INTERMEDIATE EXAMINATION
GROUP - II
(SYLLABUS 2016)

SUGGESTED ANSWERS TO QUESTIONS

JUNE - 2018

Paper-9 : OPERATIONS MANAGEMENT AND STRATEGIC MANAGEMENT

Time Allowed : 3 Hours **Full Marks : 100**

This figures in the margin on the right side indicate full marks.
This paper contains 2 Sections.
Both Sections are compulsory, subject to instructions provided against each.
All working must form part of your answer.
Assumptions, if any, must be clearly indicated.

Section - A
(Operations Management)

1. (a) Choose the correct answer: **1x10=10**

(i) The recent trend in the Production/Operations management which suggests the use of minimal amount of resources to produce a high volume of high quality goods with some variety is referred to as:
(a) SCM
(b) TQM
(c) Lean Production
(d) Just-In-Time

(ii) Effective capacity can NOT be determined by which of the following factors?
(a) Product design and product-mix
(b) Quantity and quality capabilities
(c) Facilities
(d) None of the above

(iii) In which of the following stages the management should try to change its approach by changing its strategy from "buy my product" to "try my product"?
(a) Introduction
(b) Growth
(c) Maturity
(d) Decline

(iv) Conducting occasional check-ups of the products manufactured or assembled to ensure high quality of the production is known as:
(a) Planning
(b) Scheduling
(c) Inspection
(d) Routing

(v) Which one of the following standards is associated with the "Quality Assurance in Final Inspection Test"?
(a) ISO 9001
(b) ISO 9002
(c) ISO 9003
(d) ISO 9004

(vi) With reference to project management, identify which of the following statement is NOT correct?

(a) Gantt chart is a principal tool used in scheduling and also in some methods of loading.

(b) Routing is the first step in the production planning.

(c) The cost of any activity is proportional to its time of completion.

(d) The free float can be calculated by subtracting EFT from EST.

(vii)Identify which one of the following statement is NOT correct?

(a) Preventing maintenance includes lubrication, cleaning, periodic overhaul, etc.

(b) The two types of cost-cost of premature replacement and cost of breakdown-need to be balanced.

(c) Wear and obsolescence are the two main causes of replacement of machinery in every aspect of life.

(d) A machine is technically obsolete when another machine can do the same job more efficiently with reduced time and also at a lower cost.

(viii)To determine where the plant should be located for maximum operating economy and effectiveness, refers to which one of the following?

(a) Plant layout

(b) Facility location

(c) Capacity planning

(d) Capacity requirement

(ix) Which of the following models deals with the physical movement of goods from different supply origins to a number of different demand destinations?

(a) Simulation

(b) Transportation

(c) Lean operations

(d) Line balancing

(x) One of the objectives of maintenance is:

(a) to prevent obsolescence.

(b) to ensure spare parts management.

(c) to satisfy customers.

(d) to extend the useful life of Plant & Machinery without sacrificing the level of performance.

(b) Match Column A with Column B: 1x6=6

Column A	Column B
(A) The ability to adapt quickly to changes in volume of demand, in the product mix demanded and in product design or in delivery schedules	(i) Method Study
(B) To address the planning and controlling of a manufacturing process and all of its related support functions	(ii) Maintenance Stores
(C) Degree to which the system can be adjusted to changes in processing requirements	(iii) Flexibility
(D) Eliminating unnecessary motions or by changing the sequence of operation or the process itself	(iv) Network Analysis
(E) Certain specific techniques which can be used for planning, management and control of project	(v) MRP-II
(F) Availability of vital spare parts needs to be ascertained to meet an emergency like breakdown	(vi) Process Flexibility

(c) State whether the following statements are 'True' or 'False': 1x6=6

(i) The primary concern of production planning and control is the delivery of products to customers or to inventory stocks according to some predetermined schedule.

(ii) Capacity refers to the minimum load an operating unit can handle.

(iii) Job-shop process is used when a very highly standardized product is desired in high volumes.

(iv) The productivity is a measure of how much input is required to achieve a given output.

(v) One of the limitations of Gantt Chart is that it does not clearly indicate the details regarding progress of activities.

(vi) Preventive maintenance ensures greater safety to workers.

Answer:

1. (a)

(i)	(c)	Lean Production
(ii)	(d)	None of the above
(iii)	(b)	Growth
(iv)	(c)	Inspection
(v)	(c)	ISO 9003
(vi)	(d)	The free float can be calculated by subtracting EFT from EST.
(vii)	(a)	Preventive maintenance includes lubrication, cleaning, periodic overhaul, etc.
(viii)	(b)	Facility location
(ix)	(b)	Transportation
(x)	(d)	To extend the useful life of Plant & Machinery without sacrificing the level of performance

(b)

Column A	Column B
(A) The ability to adapt quickly to changes in volume of demand, in the product mix demanded and in product design or in delivery schedules	(iii) Flexibility
(B) To address the planning and controlling of a manufacturing process and all of its related support functions	(v) MRP-II
(C) Degree to which the system can be adjusted to changes in processing requirements	(vi) Process Flexibility
(D) Eliminating unnecessary motions or by changing the sequence of operation or the process itself	(i) Method Study
(E) Certain specific techniques which can be used for planning, management and control of project	(iv) Network Analysis
(F) Availability of vital spare parts needs to be ascertained to meet an emergency like breakdown	(ii) Maintenance Stores

(c)

(i)	True
(ii)	False
(iii)	False
(iv)	True
(v)	True
(vi)	True

Answer any three questions from the following: 16×3=48

2. (a) Categorise the objectives of operations management and discuss about each category. 2+4=6

(b) The monthly requirement of raw material for a company is 3200 units. The carrying cost is estimated to be 25% of the purchase price per unit, in addition to ₹ 2.5 per unit.

The purchase price of raw material is ₹ 24 per unit.
The ordering cost is ₹ 28 per order.

(i) You are required to find EOQ and Total cost.
(ii) What is the total cost when the company gets a concession of 6% on the purchase price if it orders 3200 units or more but less than 6200 units per month?
(iii) What happens when the company gets a concession of 15% on the purchase price when it orders 6,200 units or more?
(iv) Which of the above three ways of orders the company should adopt?

4+2+2+2=10

Answer:

2. (a) Objectives of operations management can be categorised into:

(i) Customer service, and
(ii) Resource utilization

(i) Customer service

The first objective is the customer service for the satisfaction of customer wants. Customer service is therefore a key objective of operations management. The Operations Management must provide something to a specification which can satisfy the customer in terms cost and timing. Thus, primary objective can be satisfied by providing the 'right thing at the right price at the right time'. These three aspects of customer service - specification, cost and timing - are the principal sources of customer satisfaction and must, therefore, be the principal dimension of the customer service objective for operation managers. Generally an organization will aim reliably and consistently to achieve certain standards, or levels, on these dimensions, and operations managers will be influential in attempting to achieve these standards.

Hence, this objective will influence the operations manager's decisions to achieve the required customer service.

(ii) Resource Utilization

Another major objective is to utilize resources for the satisfaction of customer wants effectively, i.e., customer service must be provided with the achievement of effective operations through efficient use of resources. Inefficient use of resources or inadequate customer service leads to commercial failure of an operating system. Operations management is concerned essentially with the utilization of resources, i.e., obtaining maximum effect from resources or minimizing their loss, under-utilization or waste. The extent of the utilization of the resources' potential might be expressed in terms of the proportion of available time used or occupied, space utilization, levels of activity, etc. Each measure indicates the extent to which the potential or capacity of such resources is utilized. This is referred to as the objective of resource utilization.

Operations management is also concerned with the achievement of both satisfactory customer service and resource utilization. An improvement in one will often give rise to deterioration in the other. Often both cannot be maximized, and hence a satisfactory performance must be achieved on both objectives. All the activities of operations management must be tackled with these two objectives in mind, and many of the problems will be faced by operations managers because of this conflict. Hence, operations managers must attempt to balance these basic objectives.

(b) (i) D=3200 × 12 = 38,400 units per annum
C_0 = 28
C_h=2.5 + 25% of 24 = 8.5
EOQ = √[(2 × 28 × 38,400)/8.5] = 502.97 = 503 units (approx.)

Total Cost = $C_o + C_{rm} + C_h$
= [(38,400 × 28)/503)] + (38,400 × 24) + [(503 × 8.5)/2]
= 2,137.57 + 9,21,600 + 2,137.75
= 9,25,875.32

(ii) When the company has an option to order between 3200 and 6200 units, the EOQ should be calculated with a reduction in price by 6% (due to concession);
The purchase price = 94% of 24 = 22.56.
D = 38,400 units per annum;
C_0 = 28;
C_h = 2.5 + 25% of 22.56 = 8.14
EOQ = √[(2 × 28 × 38,400)/8.14] = 513.98 = 514 units (approx.)
Total Cost = $C_0 + C_{rm} + C_h$
= [(38,400 × 28)/514)] + (38,400 × 22.56) + [(514 × 8.14)/2]
= 2091.828 + 8,66,304 + 2,091.98 = 8,70,487.8

(iii) When the company orders more than 6,200 units purchase price = 85% of 24 (because 15%) concession) = 20.4;
D = 38,400 units per annum;
C_o = 28
C_h= 2.5 + 25% of 20.4 = 7.6
EOQ = √[(2 × 28 × 38,400)/7.6] = 531.92 = 532 units (approx.)
Total Cost = $C_0 + C_{rm} + C_h$
= [(38,400 × 28)/532)] + (38,400 × 20.4) + [(532 × 7.6)/2]
= 2021.052 + 7,83,360 + 2,021.6 = 7,87,402.65

(iv) Comparing these costs, we notice that the cost is minimum (7,87,402.65) for (iii) order. Therefore the company should adopt a policy of ordering 532 units per order.

3. (a) "Virtually all goods or services are made by using some variation of one of three process Strategies". Discuss about each of the three process strategies. Also state the situation during the decline stage of a product life cycle. (2x3)+2=8

(b) Discuss the principles of scheduling. Explain briefly the relationship between routing and scheduling. 6+2=8

Answer:

3. (a) The process strategies are: (i) process focus (ii) repetitive focus and (iii) product focus. Each of these three strategies are discussed below:

(i) **Process Focus:** Majority (about 75 per cent) of global production is devoted to low volume, high variety products in manufacturing facilities called job shops. Such facilities are organised around performing processes. For example, the processes might be welding, grinding or painting carried out in departments devoted to these processes. Such facilities are process focussed in terms of equipment, machines, layout and supervision. They provide a high degree of product flexibility as products move intermittently between processes. Each process is designed to perform a wide variety of activities and handle frequent changes. Such processes are called intermittent processes. These facilities have high variable costs and low utilisation of facilities.

(ii) **Repetitive Focus:** A repetitive process is a product oriented production process that uses modules. It falls between product focus and process focus. It uses modules which are parts or components prepared often in a continuous or mass production process. A good example of repetitive process is the assembly line

which is used for assembling automobiles and household appliances and is less flexible than process-focused facility. Personal computer is an example of a repetitive process using modules in which the modules are assembled to get a custom product with the desired configuration.

(iii) **Product Focus:** It is a facility organised around products, a product oriented, high-volume low-variety process. It is also referred to as continuous process because it has very long continuous production run. Examples of product focussed processes are steel, glass, paper, electric bulbs, chemicals and pharmaceutical products, bolts and nuts etc. Product-focussed facilities need standardisation and effective quality control. The specialised nature of the facility requires high fixed cost, but low variable costs requiring high facility utilisation.

Situation during the decline stage of a product life cycle:
At the final stage of decline, profit margins touch a low level, competition becomes severe and customers start using newer and better products. It is here that the story of a product ends - a natural but hard end.

(b) The principles of scheduling are:

(i) **The principle of optimum task size:** Scheduling tends to achieve its maximum efficiency when the task sizes are small and all tasks are of the same order of magnitude.

(ii) **The principle of the optimum Production plan:** Scheduling tends to achieve its maximum efficiency when the work is planned, so that it imposes an equal/even load on all the plant.

(iii) **The principle of the optimum operation sequence:** Scheduling tends to achieve its maximum efficiency when the work is planned so that the work centers are normally used in the same sequence.

The first principle has a tendency when applied, not only give good results but also to be self-correcting if it is ignored. For example, if in a functional batch production machine shop the loads imposed by different operations vary greatly in length it is possible that it will be necessary to break many of the long operations into one or more small batches, in order to get the other orders completed by due date. In effect, this principle only repeats the known advantage of maintaining a high rate of stock turn over, and of single phase ordering. The second principle merely states that the obvious fact that there will be less idle time and waiting time, if all the plant is evenly loaded by the production planners, then if some of the machines are over loaded perhaps because direct labour cost on them are lower and others are idle for part of the time due to shortage of work. The third principle says about principle of flow. Sometimes it is also true if we sequence some jobs, which need the same machine set up, at a time, this avoids machine ancillary time needed, in case, the jobs of the above type are done at different times.

For example, consider drilling a 10 mm hole in five different jobs may be done at a time so that the set up time required for five jobs can be once only.

Relationship between Routing and Scheduling:
Both routing and scheduling are interconnected as scheduling is difficult without routing and routing is also not effective without scheduling. Routing is a prerequisite for scheduling while time to be taken may form the basis of routing and that is fixed by scheduling.

4. (a) A blacksmith supervisor in his workshop is considering how he should assign the four jobs that are to be performed, to four of the workers under him. He wants to assign the jobs to the workers such that the aggregate time to perform the jobs is the least.

Based on previous experience, he has the information on the time taken by the four workers in performing these jobs and the same is given in the table below:

Time Taken (in minutes) by 4 Workers

Worker	Job			
	A	B	C	D
1	46	40	51	68
2	57	42	63	55
3	49	53	48	64
4	41	45	61	55

Solve the assignment problem for optimal solution using Hungarian Method. 8

(b) At a tool service centre, the arrival rate is 3 per hour and the service potentials 4 per hour. Simple queue conditions exist. The hourly wage paid to the attendant at the service centre is ₹ 2 per hour and the hourly cost of a machinist away from his work is ₹ 5.

Calculate: 2x4=8

(i) The average number of machinists being served or waiting to be served at any given time.

(ii) The average time a machinist spends waiting for service.

(iii) The total cost of operating the system for an eight-hour day.

(iv) The cost of the system if there were two attendants working together as a team, each paid ₹ 2 per hour and each able to service on average 3 per hour.

Answer:

4. (a) Step - 1 :

The minimum value of each row is subtracted from all elements in the row. It is shown in the reduced cost table, also called opportunity cost table, given below:

Table-1: Reduced Cost Table - 1

Worker	Job			
	A	B	C	D
1	6	0	11	28
2	15	0	21	13
3	1	5	0	16
4	0	4	20	14

Step 2:

For each column of this table, the minimum value is subtracted from all the other values. The columns that contain a zero would remain unaffected by this operation. Hence, only the fourth column values would change. Table-2 shows this.

Table - 2: Reduced Cost Table - 2

Worker	Job			
	A	B	C	D
1	6	0	11	15
2	15	0	21	0
3	1	5	0	3
4	0	4	20	1

Step 3:

Draw the minimum number of lines covering all zeros. As a general rule, we should first cover those rows/columns which contain larger number of zeros. Table 3 shows this.

Worker	Job			
	A	B	C	D

1	6	0	11	15
2	~~15~~	~~0~~	~~21~~	~~0~~
3	1	5	0	3
4	~~0~~	~~4~~	~~20~~	~~1~~

Step 4:

Since the number of lines drawn is equal to 4 (= n), the optimal solution is obtained. The assignments are made after scanning the rows and columns for unit zeros. Assignments made are shown with squares as shown in Table 4.

Table - 4: Assignment of Jobs

Worker	Job			
	A	B	C	D
1	6	[0]	11	15
2	15	~~0~~	21	[0]
3	1	5	[0]	3
4	[0]	4	20	1

Assignments are made in the following order. Rows 1, 3, and 4 contain only one zero each. So assigned 1-B, 3-C, and 4-A. Since worker 1 has been assigned job B, we cross the zero in the second column of the second row. After making these assignments, only worker 2 and job D are left for assignment. The final pattern of assignments is 1-B, 2-D, 3-C, and 4-A, involving a total time of 40 + 55 + 48 + 41 = 184 minutes. This is the optimal solution to the problem.

(b) At a tool service centre, the arrival rate is 3 per hour and the service potentials are 4 per hour.
Arrival Rate: = λ = 3 per hour
Service Rate: = μ = 4 per hour

(i) The average number of machinists being served or waiting to be served at any given time:
$L_n = [\lambda / (\mu - \lambda)] = 3/(4-3) = 3$

(ii) The average time a machinist spends waiting for service:
$W_q = [(\lambda/\mu) \times 1/(\mu - \lambda)] = (3/4) \times 1/(4-3) = 0.75$ hours = 45 minutes.

(iii) Average time in the system:
$W_S = [1 / \mu - \lambda)] = 1/(4-3) = 1$ hr.

Average number of machinists in the system = 3 [As per (i) above]
Cost of three machinists being away from work = 5 x 3 = 15 per hour.
Attendant cost = 2 per hour
Total Cost / hour = 17 per hour

The total cost of operating the system for an eight - hour day: 17 x 8 = 136

(iv) It is assumed that there is still a single service point, but the average service rate is now
= 6 per hour.
=> Now λ = 3 per hour
μ = 6 per hour
=> Average number in the system $L_n = [\lambda / (\mu - \lambda)] = 3/(6-3) = 1$
Average time spent in the system $W_S = 1/(\mu - \lambda)] = 1/(6-3)$
= 1/3 hours.
= (1/3) x 60 = 20 minutes.

Machinists cost = 1/3 hour x 5 =	1.67
Attendant cost	4.00
Total Cost	5.67

Cost per 8 hour day = 5.67 x 8 = 45.36

5. (a) The following jobs have to be shipped a week from now(week has 5 working days)

Job	**A**	**B**	**C**	**D**	**E**	**F**
Number of day's work remaining	**4**	**5**	**8**	**7**	**6**	**3**

Sequence the jobs according to priority established by: 4x2=8
(i) Least slack rule
(ii) Critical ratio rule

(b) A cab operations company is experiencing the following number of breakdowns for months over the past 2 years in their new fleet of cabs:

Number of breakdowns	**0**	**1**	**2**	**3**	**4**
Number of months this occurred	**3**	**7**	**9**	**4**	**1**

Each breakdown costs the firm an average of 2,500. For a cost of 1,600 per month, preventive maintenance can be carried out to limit the breakdowns to an average of one per month. Which policy is suitable for the firm? 8

Answer:

5. (a) (i) Calculation of slack:
Number of days until due date is 5 days for all jobs:

Job	Slack	(Days)
A	5-4	1
B	5-5	0
C	5-8	(-3)
D	5-7	(-2)
E	5-6	(-1)
F	5-3	2

C	D	E	B	A	F
-3	-2	-1	0	1	2

(ii) Calculation of Critical ratio:
Critical ratio = Available time / Operation time
Critical Ratio for job A = 5/4 = 1.25
Critical Ratio for job B = 5/5 = 1.00
Critical Ratio for job C = 5/8 = 0.625
Critical Ratio for job D = 5/7 = 0.714
Critical Ratio for job E = 5/6 = 0.833
Critical Ratio for job F = 5/3 = 1.667

Job having least critical ratio is given the first priority and so on.

Sequence	C	D	E	B	A	F
Critical Ratio	0.625	0.714	0.833	1.00	1.25	1.667

(b) Converting the frequencies to a probability distribution and determining the expected cost/month of breakdowns we get:

Number of breakdowns	Frequency in months	Frequency in percent	Expected value
0	3	3/24=0.125	0
1	7	7/24=0.292	0.292
2	9	9/24=0.375	0.750
3	4	4/24=0.167	0.501
4	1	1/24=0.042	0.167
Total:	24	Total = 1	Total: 1.710

Breakdown cost per month; Expected cost = 1.710 * 2500 = 4,275.

Preventive maintenance cost per month: -
Average cost of one breakdown / month = 2,500
Maintenance contract cost/month = 1,600
Total = 4,100.
Thus, preventive maintenance policy is suitable for the firm.

Section - B
(Strategic Management)

6. Choose the correct answer: 1×6=6

(i) Which one of the following does NOT seem to be an advantage of the strategic management?
- **(a) Discharges board responsibility**
- **(b) Provides a framework for decision-making**
- **(c) Forces an objective assessment**
- **(d) It can be expensive**

(ii) Which of the following analyses 'products and businesses by market share and market growth'?
- **(a) SWOT Analysis**
- **(b) BCG Matrix**
- **(c) PEST Analysis**
- **(d) Portfolio Analysis**

(iii) Which one of the following is NOT part of the McKinsey's 7-S framework?
- **(a) Skills**
- **(b) Staff**
- **(c) Systems**
- **(d) Supervision**

(iv) Which one of the following statement is NOT correct?
- **(a) Vision is the statement of the future.**
- **(b) The corporate mission is the purpose or reason for its existence.**
- **(c) Targets are formed from vision and mission statement of organizations.**
- **(d) Goals are objectives that are scheduled for attainment during planned period.**

(v) Which of the following can NOT be the called as a strength of an organization?
- **(a) Good Industrial relations**
- **(b) Incentives from State Government**
- **(c) Financially very sound**
- **(d) Raw materials source at a distance**

(vi) Strategic Business Unit (SBU) structure does NOT experience one of the following as an advantage:
- **(a) Higher career development opportunities**

(b) Better control of categories of products manufacturing, marketing and distributions
(c) High cost approach
(d) Help in expanding in different related and unrelated businesses

Answer:

6. (i) (d) It can be expensive
(ii) (b) BCG Matrix
(iii) (d) Supervision
(iv) (c) Targets are formed from vision and mission statement of organizations
(v) (d) Raw Materials source at a distance
(vi) (c) High Cost approach

Answer any two questions from the following: 12×2=24

7. (a) Identify basic elements of strategic vision and discuss about the important purposes served by such strategic vision. 1½ + 2½ = 4

(b) Discuss in brief about the areas of attention for SWOT appraisal. State the purpose of such appraisal. 6+2=8

Answer:

7. (a) Strategic vision specifies primarily three elements:

1. Forming a mission statement that defines what business the company presently is in? And "who we are and where we are now?"
2. Using this mission statement as base to define long term path by indicating choices about "Where we are going?"
3. Finally, communicating above strategic vision in clear and committed term.

Strategic Vision has important purposes, such as:

1. Clearly provides the direction that company wants to follow.
2. Identify the need of changing from existing direction or products, if stated in vision statement.
3. Create passionate environment in the organisation to steer the company with great excitement in selected direction.
4. Create creativity in every member of company to prepare company for future.
5. Promote entrepreneurship.

(b) SWOT appraisal should give particular attention to the following:

(i) **A study of past accounts and the use of ratios.** By looking at trends, or by comparing ratios (if possible) with those of other firms in a similar industry, it might be possible to identify strengths and weaknesses in major areas of the business. The assistance of a management accountant should be of great value in this work.
(ii) **Product position and product-market mix.**
(iii) **Cash and financial structure.** If a company intends to expand or diversify, it will need cash or sufficient financial standing in order to acquire subsidiaries by issuing shares.
(iv) **Cost structure.** If a company operates with high fixed costs and relatively low variable costs, it might be in a relatively weak position with regard to production capacity. High volumes of production and sale might be required to break even. In contrast, a company with low fixed costs might be more flexible and adaptable so that it should be able to operate at a lower breakeven point.
(v) **Managerial ability.** There may be a problem in attempting to assess this and objective measurements should be sought. The danger is that a poor management might overestimate their own ability and incorrectly analyse their weakness as strength.

The purpose of such appraisal is to express, qualitatively or quantitatively, which areas of the business have strengths to exploit, and which areas have weaknesses which must be improved. Although every area of the business should be investigated, only the areas of significant strength or weakness should warrant further attention.

While finalising the corporate plan together with corporate objectives, growth strategies, it would be necessary to make a review of the corporate strengths and weaknesses in connection with its mission and objectives. This is an important managerial task linked with corporate planning process.

8. (a) State the different approaches in Strategic Planning. 4

(b) Categorise major reasons of SBU approach. 8

Answer:

8. (a) There are three approaches that can be adopted to strategic planning:

(i) A top-down process, in which managers are given targets to achieve which they pass on down the line.

(ii) A bottom-up process, in which functional and line managers in conjunction with their staff submit plans, targets and budgets for approval by higher authority.

(iii) An iterative process, which involves both the top-down and bottom-up setting of targets. There is a to-and-from movement between different levels until agreement is reached. However, this agreement will have to be consistent with the overall mission, objectives and priorities and will have to be made within the context of the financial resources available to the organization. The iterative approach, which involves the maximum number of people, is the one most likely to deliver worthwhile and acceptable strategic plans.

(b) Some of major reasons of using SBU approach are as follow:

- A scientific method of grouping the businesses of a multi-business corporation which helps the firm in strategic planning.
- An improvement over the geographical grouping of businesses and strategic planning based on locational units.
- An SBU is a grouping of related businesses that can be taken up for strategic planning distinct from the rest of the businesses.
- Grouping the businesses on SBU lines helps the firm in strategic planning by removing the ambiguity and confusion generally seen in grouping businesses.
- Each SBU is a separate business from the strategic planning standpoint. In the basic factors, viz., mission, objectives, competition and strategy-one SBU will be distinct from another.
- Each SBU will have its own distinct set of competitors and its own distinct strategy.
- Each SBU will have a CEO. He will be responsible for strategic planning for the SBU.

9. Write short notes on any three of the following: 4×3=12

(a) Marketing Plan and Strategy

(b) Geographic and Matrix structure for implementation of organisational strategy

(c) Types of firms/organisations for which BPR can be applied

(d) Difference between strategic management and strategic planning

Answer:

9. (a) Marketing Plan and Strategy.

Marketing plan is a written document that specifies in detail the firm's marketing objectives and how marketing management will use the controllable marketing tools such as product design, channels, promotion and pricing to achieve these objectives. Marketing strategy means finding attractive opportunities and developing profitable ways to capture the market.

A marketing strategy specifies a target market and a related marketing mix. It is a big picture of what a firm will do in some market. The job of planning strategies to guide a whole company is called strategic planning. It is the managerial process of developing and maintaining a match between an organisation's resources and its market opportunities.

(b) Geographic structure:

In geographic structure, activities and personnel are grouped by specific geographic locations. Each geographic unit includes all functions required to produce and market products in that region. Organization according to geographic areas or territories is rather common structural form for large-scale enterprise whose strategies need to be tailored to fit the particular needs and features of different geographic locations.

Matrix structure:

Another way to achieve focus on multiple outcomes is with the matrix structure. The matrix structure creates a dual chain of command; two lines of budget authority and two sources of performance and reward. The key feature of the matrix is that product (or business) and functional lines of authority are overlaid to form a matrix or grid, between the product manager and functional manager.

(c) Types of firms / organisations for which BPR can be applied.

BPR could be implemented to all firms (manufacturing firms, retailers, services, etc.) and public organizations that satisfy the following criteria:

- Minimum Number of employees: 20 (at least 4 in management positions).
- Strong management commitment to new ways of working and innovation.
- Well formed IT infrastructure.

Business Process Reengineering could be applied to companies that confront problems such as the following:

- High operational costs
- Low quality offered to customers
- High level of "bottleneck" processes at pick seasons
- Poor performance of middle level managers
- Inappropriate distribution of resources and jobs in order to achieve maximum performance, etc.

(d) The basic difference between Strategic management and Strategic planning are as follows

Strategic Management	Strategic Planning
(i) It is focused on producing strategic results; new markets; new products; new technologies etc.	(i) It is focused on making optimal strategic decisions.
(ii) It is management by results.	(ii) It is management by plans
(iii) It is an organizational action process.	(iii) It is an analytical process.
(iv) It broadens focus to include psychological, sociological and political variables	(iv)It is focused on business, economic and technological variables.
(v) It is about choosing things to do and also about the people who will do them.	(v) It is about choosing things to do.