Paper-17: Strategic Performance Management

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

Whenever necessary, suitable assumptions should be made and indicate in answer by the candidates.
Working Notes should be form part of your answer

Section –A
[Question 1 and 2 are compulsory and answer any 3 from the rest]

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

The Royal Bank of Canada (RBC) is one of Canada's largest banks as measured by assets and market capitalization, and is among the largest 20 banks globally by market capitalization. RBC provides personal and commercial banking, wealth management services, insurance, corporate, investment banking and transaction processing services on a global basis. The bank currently employs some 74,000 full- and part-time employees who serve more than 15 million personal, businesses, public sector and institutional clients through offices in Canada, the US and 56 other countries. RBC holds strong market positions in the following business segments: Canadian Banking, Wealth Management, International Banking, Capital Markets and Insurance. RBC has long been regarded as a leading pioneer and best-practice exemplar in CRM.

RBC's business philosophy focuses on always earning the right to be its clients' first choice. In the competitive world of financial services, RBC knew that it needed to have a vision and methodology to drive its customer first mission and meet the ever-changing business needs of its customers. When it was looking at methods for improving customer experience, RBC focused on making it easier for clients to get rapid and predictable responses to their inquiries and requests.

This initiative focused on increasing the productivity and improving the efficiency of RBC's inquiry management processes. Client requests arrive in RBC's service centers through multiple channels, including phone, branch, fax, e-mail and mail. Within RBC's Canadian Operations, requests are sent in from staff in eight different geographic regions to 14 different service fulfillment groups. Each group uses different systems and processes to manage its work, which raises the question of 'which operations team do I need to contact to help resolve this issue and how do I best engage them for a quick turnaround?' With such a complex web of fulfillment options, customer service representatives were challenged to find the right path for specific client inquiries, how to accurately set client expectations on response times, and provide updates on existing requests.

A key business issue for RBC was that its large, diverse customer support staff, distributed over diverse geographies, had to address the high service experience demands of its customers. This needed to be achieved while reducing operational costs, increasing organizational transparency and complying with regulatory mandates

Management is using the CRM system tools. RBC identified Smart BPM as the key technology to deliver an end-to-end rebuild of their client inquiry and problem resolution process, creating a single system across channels and lines of business. Smart BPM would serve as the backbone for their 'new client action and request tool' (CART).

This was delivered so successfully that when the system was first rolled out there was no need for any formalized end-user training. The field service staffs were able to click on the 'create a new client request' button and successfully drive the process through to resolution. Additionally, it helped to determine that many cases were requests that could be resolved

right at the point of contact and also avoided doubling effort. Once requests were captured into, the system, the process automation capabilities of the Smart BPM start it's servicing. This involved:

• automatically looking up supporting customer information to enrich the request with required data to help resolve it;
• automatically determining the correct support group, location and even individual for routing and presentation;
• automatically generating supporting forms and correspondence as well as receiving inbound materials supplied by the customer or other support groups.

Required:
(a) Define the Customer Relationship Management.
(b) What are the steps taken by the Bank to face the challenge?
(c) If you are appointed as a CEO of this Bank, would you agree the implementation of systems?
(d) Mention the objectives of the using of CRM applications. **[5+5+3+2]**

2. The Royal Botanical Gardens has been established for more than 120 years and has the following mission statement: "The Royal Botanical Gardens belongs to the nation. Our mission is to increase knowledge and appreciation of plants, their importance and their conservation, by managing and displaying living and preserved collections and through botanical and horticultural research."

Located towards the edge of the city, the gardens are visited regularly throughout the year by many local families and are an internationally well known tourist attraction. Despite charging admission, it is one the top five visitor attractions in the country. Every year it answers many thousands of inquiries from universities and research establishments, including pharmaceutical companies from all over the world, and charges for advice and access to its collection. Inquiries include requests for access to the plant collection for horticultural work, seeds for propagation or samples for chemical analysis to seek novel pharmaceutical compounds for commercial exploitation. It receives an annual grant in aid from central government, which is fixed once every five years. The grant is due for review in three years' time.

The finance director has decided that, in order to strengthen its case when meeting the government representatives to negotiate the grant, the management board should be able to present a balanced scorecard demonstrating the performance of the gardens. He has asked you, the senior management accountant, to help him. Many members of the board, which consists of eminent scientists, are unfamiliar with the concept of a balanced scorecard.

Required:
(a) Describe the benefit of the Balanced Scorecards.
(b) Discuss the process you would employ to develop a suitable balanced scorecard for the Royal Botanical Gardens and give examples of measures that would be incorporated within it. **[5+10]**

3 (a) ABC Ltd has two divisions A and B. A division is currently operating at full capacity. It has been asked to supply its product to division B. Division A sells its product to its regular customers for ₹ 30 each. Division B (currently operating at 50 per cent capacity) is willing to pay ₹ 20 each for the component produced by division A (this represents the full absorption cost per component at division A). The components will be used by division B in

supplementing its main product to conform to the need of special order. As per the contract terms of sale, the buyer calls for of full cost to division B, plus 10 per cent. Division A has a variable cost of ₹ 17 per component. The cost per unit of division B subsequent to the buying part from division A is estimated as follows:

Particulars	Amount (₹)
Purchased parts - outside vendors	90.00
Purchased part - division A	20.00
Other variable costs	50.00
Fixed overheads and administration	40.00
	200.00

Required:
  (i) As manager of division A would you recommend sales of your output to division B at the stipulated price of ₹ 20?
  (ii) Would it be in the overall interest of the company for division A to sell its output to division B?
  (iii) Suggest an alternative transfer price and show how could it lead to goal congruence?

(b) Explain the strengths of the ROI. **[(1+3+2)+4]**

4. The Oil India Corporation is considering whether to go for an offshore oil drilling contract to be awarded in Bombay High. If they bid, value would be ₹ 600 million with a 65% chance of gaining the contract. They may set up a new drilling operation or move already existing operation, which has proved successful, to the new site. The probability of success and expected returns are as follows:

Outcome	New Drilling Operation		Existing Operation	
	Probability	Expected Revenue (₹ in millions)	Probability	Expected Revenue (₹ in millions)
Success	0.75	800	0.85	700
Failure	0.25	200	0.15	350

If the Corporation do not bid or lose the contract, they can use the ₹600 million to modernize their operation. This would result in a return of either 5% or 8% on the sum invested with probabilities 0.45 and 0.55.
 (Assume that all costs and revenue have been discounted to present value)
  (i) Construct a decision tree for the problem showing clearly the course of action.
  (ii) By applying an appropriate decision criterion recommended whether or not the Oil India Corporation should bid the contract. **[10]**

5.(a) The total revenue from sale of 'x' units is given by the equation $R = 100x - 2x^2$, calculate the point price elasticity of demand, when marginal revenue is 20.

(b) List a few business applications of ABM. **[5+5]**

6 (a) State the steps to be considered in strategies Bench Trending
  (b) Describe the Normal Profit

(c) W is examining the profitability and pricing policies of its Software Division. The Software Division develops Software Packages for Engineers. It has collected data on three of its more recent packages - (1) EE Package for Electricals Engineers, (2) BCA Package for Computer Engineers, and (3) IE Package for Industrial Engineers.

Summary details on each package over their two year cradle to grave product lives are -

Package	Selling Price	Number of units sold	
		Year 1	Year 2
ECE	₹250	2,000	8,000
CE	₹300	2,000	3,000
IE	₹200	5,000	3,000

Assume that no inventory remains on hand at the end of year 2. Wipro is deciding which product lines to emphasize in its software division. In the past two years, the profitability of this division has been mediocre.

Wipro is particularly concerned with the increase in R & D costs in several of its divisions. An analyst at the Software Division pointed out that for one of its most recent packages (IE) major efforts had been made to reduce R&D costs.

Last week, Sandeep the Software Division Manager, decides to use Life Cycle Costing in his own division. He collects the following Life Cycle Revenue and Cost information for the packages   (in ₹)-

Particulars	Package EE		Package BCA		Package IE	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Revenues	5,00,000	20,00,000	6,00,000	9,00,000	10,00,000	6,00,000
Costs						
R&D	7,00,000	-	4,50,000	-	2,40,000	-
Design of Product	2,75,000	4,25,000	1,05,000	15,000	65,000	20,000
Manufacturing	15,000	2,75,000	1,10,000	1,00,000	1,76,000	43,000
Marketing	-	-	1,50,000	1,20,000	2,08,000	2,40,000
Distribution	25,000	60,000	24,000	36,000	60,000	36,000
Customer Service	50,000	3,25,000	45,000	1,05,000	2,20,000	3,88,000

Present a Product Life Cycle Income Statement for each Software Package. Which package is most profitable and which is the least profitable? How do the three packages differ in their cost structure (the percentage of total costs in each category)   **[3+3+4]**

Section –B
[Answer any one]

7(a) Discuss the importance of Decision Support Systems for gaining the Competitive Advantage.

(b) Describe the Technical and Operational factors of E-commerce.

(c) State the following terms:

(i) Data Availability, (ii) Data Envelopment Analysis. **[5+ 6 (3 + 6)]**

8 (a) After adopting Total Productivity Maintenance, what types of benefit will your organization get?

(b) Define the following terms in the context of Supply Chain Management:

(i)Activity Based Management, (ii) Capacity Management, (iii) Customer Relationship Management, (iv) Customer Value, (v) Information Sharing, (vi) Lean Manufacturing. **[8+ 12]**

Section – C
[Answer any one]

9.(a) "Risk management process refers to the process of measuring or assessing risk and then developing Strategies to manage risk. In the risk management, the following steps are taken up to minimize the risk"- Discuss the steps which are taken to minimize the risk.

(b) There are various Strategic Decisions for Managing Risk. Describe those strategic decisions.

(c) Describe the Asset Liability Management Model in the perspective of Corporate Risk Management. **[5+9+6]**

10.(a) "Symptoms are interrelated. The classic path to corporate failure starts with the company experiencing low profitability. This may be indicated by trends in the ratios for:

(i) Profit margin,(ii) Return on Capital Expenditure and (iii) Return on Net Assets" – Discuss it.

(b) "Several techniques have been developed to help in prediction why companies fail." – Describe the Altman: Z Score Model in this regard.

(c) Explain the Neural Network (NN) under the Corporate Bankruptcy Prediction Models.

[5+10+5]