

**PAPER – 17 - STRATEGIC PERFORMANCE
MANAGEMENT**

MTP_Final_Syllabus 2012_June 2015_Set 2

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
		Identify	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:

A Prominent Foreign Bank found itself in a precarious position: Its commercial loan volume was static, but the unit's operating costs were increasing annually. Customer responsiveness was adequate for the industry, but not the competitive advantage that the bank needed. Managers wanted to engage employees in an ongoing, continuous improvement culture.

Bank facilitated a week-long session attended by senior management from each of the four regional operations centers, as well as internal business partners from IT, HR, and Sales. The team's goal was to use Voice of the Customer (VOC) analytics to see the business through the eyes of their customers, eliminate process steps that added no value, and develop the best future state for loan processing. At the end of the workshop, the group had a vision for the future operations flow and an agreed-upon roadmap to get there.

Through a series of rapid improvement projects, groups of 8 to 12 employees worked to scrutinize a particular segment of the lending process and find ways to eliminate waste and improve the flow of work. Overall, six improvement projects were completed over a five month period, engaging employees across three locations to create a new workflow that would improve the experience for customers and employees — and lower costs for the bank. A limited two-week pilot was launched to further refine and evaluate the new process. Employees in one location set up the new process and then worked to iron out details in the live customer environment. A week-long evaluation period followed, where the collected data was analyzed and discussed.

The elimination of redundant and unnecessary steps in the lending process led to dramatic increases in loan processing speed and capability. Analysis of the results from the pilot showed that the target of 20 percent productivity improvement was met and exceeded by an additional 10-15 percent gain. The lead time necessary to process a loan transaction also decreased from 4-8 hours to 20-60 minutes. The bank validated those results with pilots at two other sites. The project team and management team had the confidence to plan the full-scale roll-out of the new process.

After full implementation of the new process, the bank was able to reduce:

- Process steps from 140+ to 70
- Decision points from 20 to 14
- Physical hand-offs from 46 to 11; and electronic hand-offs from 16 to 14
- Operating expenses from \$10 to \$8 million
- Delivery time from 4-8 hours to 20-60 minutes with fewer errors and rework

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Required to:

- (a) State the shortcomings faced by the foreign bank before developing the new process.
- (b) Discuss the result achieved by the bank after implementing the new process.
- (c) Describe the advantages achieved by the foreign bank after full implementation of the new process.
- (d) Describe the steps taken by the bank to face the challenge. **[4+5+5+6]**

2. (a) In a small town, there are only two stores that handle sundry goods – ABC and XYZ. The total number of customers is equally divided between the two, because price and quality of goods sold are equal. Both stores have good reputation in the community, and they are render equally good customer service. Assume that a gain of customer by ABC is a loss to XYZ and vice versa. Both stores plan to run annual pre Diwali sales during the first week of November. Sales are advertised through a local newspaper, radio and television media. With the aid of an advertising firm, store ABC constructed the game matrix given below. (Figures in the matrix represent a gain or loss of customers.)

Strategy of ABC	Strategy of XYZ		
	Newspaper	Radio	Television
Newspaper	30	40	-80
Radio	0	15	-20
Television	90	20	50

- (b) Describe the different perspectives of Balanced Scorecard.
- (c) "EVA is period-to-period computation, which can be used to monitor the process of value creation and record historically the growth of the enterprise. The MVA can be expressed as the present value of all EVAs." - Discuss the statement. **[10+5+5]**

- 3.(a) Fruitolay has decided to increase the size of the store. It wants the information about the probability of the individual product lines: Lemon, Grapes and Papaya. It provides the following data for the year for each product line -

Particulars	Lemon	Grapes	Papaya
Revenues	₹79,350	₹2,10,060	₹1,20,990
Cost of Goods sold	₹60,000	₹1,50,000	₹90,000
Cost of Bottles Returned	₹1,200.00	₹0	₹0
Number of Purchase Orders	36	84	36
Number of Deliveries received	30	219	66
Hours of Shelf Stocking Time	54	540	270
Items sold	12,600	1,10,400	30,660

Fruitolay also provides the following information for the year:

No.	Activity	Description of Activity	Total costs	Cost Allocation Basis
1.	Bottle returns	Returning of Empty Bottles to the Store	1,200	Direct tracing to product line
2.	Ordering	Placing of orders of purchases	15,600	156 orders
3.	Delivery	Physical delivery & the receipt of merchandise	25,200	315 deliveries
4.	Shelf Stocking	Stocking of merchandise on store and ongoing re-stocking	17,280	964 hours of time
5.	Customer Support	Assistance provided to customers including bagging and check – out	30,720	1,53,600 item sold

- (b) State the steps to be considered in strategies Bench Trending.
- (c) "EVA is period-to-period computation, which can be used to monitor the process of value creation and record historically the growth of the enterprise. The MVA can be expressed as the present value of all EVAs." - Discuss the statements.
- (d) Describe the objectives of Performance Appraisal. **[(3+4+3)+3+3+4]**

4. (a) List the Objectives of pricing Policy.

- (b) The cost function is $C = 100 + q$, where the product is sold at ₹ 5 per unit. Determine break even sales and profit when 125 units are sold.
- (c) The total cost function of a firm $C = 2x^3 - x^2 + 3x + 5$ where C is total cost and the Marginal Revenue = $8 - 3x$, where x = output. Determine the most profitable output of the firm.
- (d) A radio manufacturer produces 'x' sets per week at total cost of ₹ $X^2 + 78x + 2500$. He is a monopolist and the demand function for his product is $x = \frac{(600 - P)}{8}$, when the price is 'p' per set. Show that maximum net revenue is obtained when 29 sets are produced per week. What is the monopoly price?
- (e) "Methods of pricing policy can be classified into 5 broad categories. One of them on that category is pricing Policies based on Market Conditions. There are 5 different types of market in Economics and certainly there are different types of pricing policies - Monopoly and Oligopoly is not different." – Explain the above statement. **[2+4+4+4+6]**

Section – B

[Answer any 2 questions from this section]

- 5 (a) List the Advantages of these Data Envelopment Analysis.**
- (b) "Data quality management incorporates a virtuous cycle in which continuous analysis, observation, and improvement lead to overall improvement in the quality of organizational information across the board. This virtuous cycle incorporates five fundamental data quality management practices, which are ultimately implemented using a combination of core data services." – Discuss the five fundamentals. **[5+5]**
- 6. (a) Describe about the Long Short Term Memory of Recurrent Artificial Neural Networks Topologies.**
- (b) Describe about the different types of On-Line Analytical Processing. **[5+5]**
- 7. (a) Discuss the potential impact of Computers and MIS on different levels of management.**
- (b) Mention any six objectives of Management Information Systems. **[7+3]**

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Section C

[Answer any 2 questions from this section]

8. (a) Discuss the needs for Implementation of ERM.

(b) State the objectives of Risk Management.

[5+5]

9. Calculate Altman's Z score using multivariate analysis and assign the firm as failed or non-failed firm.

Sales	10,00,000
Operating expenses	8,00,000
Interest	6,000
Depreciation	50,000
Tax	15,000

Balance sheet

Equity & Liabilities	₹	Assets	₹
Shareholders' Fund: Share Capital at ₹ 10 each	1,00,000	Non Current Assets: Fixed Assets	1,50,000
Reserve and surplus from retained earnings	50,000	Current Assets: Inventory	2,00,000
Non Current Liabilities: 6% long term loan	1,00,000	Sundry debtors	1,10,000
Current Liabilities: Sundry creditors	2,00,000	Loans and Advances	40,000
Provision for tax	1,00,000	Cash at Bank	50,000
	5,50,000		5,50,000

Market value per share is ₹ 8.

[10]

10. (a) Describe about the Dr. L.C. Gupta's Sickness Prediction Model under the corporate failure.

(b) Discuss the Total Loss Distribution

[6+4]