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	Analyze	Examine in detail the structure of
		Categorize	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

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

This paper contains 10 questions, divided 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]

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 to the implementation of the systems?
(d) Mention the objectives of using the CRM applications. **[5+5+4+6]**

2.(a) Kitchen King Company makes a high-end kitchen range hood "Maharaja". The Company presents the following data for the Year 1 and 2.

	Particulars	Year 1	Year 2
1	Units of Maharaja produced and sold (in units)	40,000	42,000
2	Selling Price per unit	₹ 1,000	₹ 1,100
3	Total Direct Material (square feet)	1,20,000	1,23,000
4	Direct Material Cost per square feet	₹ 100	₹ 110
5	Manufacturing Capacity (in units)	50,000	50,000
6	Total Conversion Cost	₹ 1,00,00,000	₹ 1,10,00,000
7	Conversion Cost per unit of Capacity (5) ÷ (6)	₹ 200	₹ 220
8	Selling and Customer Service Capacity	300 customers	290 customers
9	Total Selling and Customer Service Cost	₹ 72,00,000	₹ 72,50,000
10	Cost per customer of Selling and Customer Service Capacity (9) ÷ (8)	₹ 24,000	₹ 25,000

- Kitchen King produces no defective units, but it reduces Direct Material Used per unit in Year 2.
- Conversion Cost in each year depends on production capacity defined in terms of Maharaja units and can be produced.
- Selling and Customer Service Cost depends on the number of customers that the Selling and Service functions are designed to support. Kitchen King has 230 customers in Year 1 and 250 customers in Year 2.

Required:

(i) Describe the key elements that would be included in Kitchen King's Balanced Score Card.

(ii) Calculate the Operating Income for the Years Year 1 and Year 2.

(iii) Calculate the Productivity Components that explain the change in Operating Income from Year 1 to Year 2.

(iv) Was the Company successful in implementing its strategy? Comment. **[4+6+3+2]**

2. (b) Explain the role of the Management Accountant in Value Chain Analysis. **[5]**

3. Formulate the following game as an LLP and obtain its solution:

B's Strategy

		b_1	b_2	b_3
A's Strategy	a_1	8	9	3
	a_2	2	5	6
	a_3	4	1	7

[20]

4. (a) (i) If 'n' be the no. of workers employed the average cost of production is given by

$C = 24n + \left[\frac{3}{2(n-4)}\right]$ Show that $n = 4^1/_4$ will make C minimum.

(ii) A firm has revenue function given by R = 8D, where R = Gross Revenue and D = Quantity sold, production cost function is given by $C = 15000 + 60\left(\frac{D}{900}\right)^2$. Find the total profit function and the number of units to be sold to get the maximum profit.

[5+4=9]

(b) Explain about the term "Normal Profit" and "Supernormal Profit". **[6]**

(c) Explain the term "Market Price – Based Methods" in the context of Transfer pricing. **[5]**

Section – B

5. (a) List the Advantages of Data Envelopment Analysis [DEA]. **[5]**

(b) Discuss the different types of One – Line Analytical Processing [OLAP]. **[5]**

6. Define the following term in the context of Supply Chain Management:

(a) Capacity Utilization;
(b) In source vs. Outsource;
(c) Logistics Management;
(d) Strategic Alliance;
(e) Supplier Performance Evaluation. **[2×5=10]**

7. (a) What do you think, would be the impact on the different levels of management due to computers and MIS? **[5]**

(b) Describe about the Fuzzy Sets and discuss the role of Fuzzy sets in HR Management. **[5]**

Section – C

8. (a) Discuss about the Risk Retention. Describe the guidelines to be followed for risk Retention. **[5]**

(b) Explain the Genetic Algorithm under the Corporate Bankruptcy Prediction Models. **[5]**

9. (a) State the objectives of Risk Management. **[5]**

(b) Describe about the Dr. L. C. Gupta's Sickness Prediction Model under the corporate failure. **[5]**

10. Following is the Balance Sheet of a company as on 31st March, 2015:

Equity & Liabilities	₹	Assets	₹
(1) Shareholder Fund: (a) Share Capital (@ ₹ 100 each)	4,00,000	(1) Non – Current Assets (a) Fixed Assets	10,00,000
(b) Reserves & Surplus	2,00,000	(b) Non Current Investment - Trade Investment	2,00,000
		(2) Current Assets (i) Inventory	1,25,000
(2) Non – Current Liabilities: - 12% Debentures - 10% Bank Loan	3,00,000 2,00,000	(ii) Book Debts	75,000
(3) Current Liabilities	3,00,000		
	14,00,000		14,00,000

Additional Information:

(i) Net sales for 2014-15 were ₹20,00,000.
(ii) Price-Earnings Ratio is ₹10.
(iii) Dividend Pay-out Ratio is 50%.
(iv) Dividend per Share in 2014-15 is ₹20.
(v) Corporate Tax Rate is 50%.

Using Altman's Model, calculate the Z-score of the company and interpret the result. **[10]**