**1 Conceptual Framework of Performance Management**

This Chapter Includes: Performance Management - Concepts, Components & Related Matrices; Performance, Productivity & Efficiency; Strategic Assessment; Business Environment Analysis; Competitive Intelligence; Result Analysis; Financial Performance & Process Analysis; Supply Chain Management; Customer Relationship Management.

Marks of Short Notes, Distinguish Between, Descriptive & Practical Questions

**SHORT NOTES**

2004 - June [19] Write short notes on the following:
(d) Internet as a major technological force. (8 marks)

**Answer:**
The internet is acting as a national and even global economic engine that is spurring productivity. The internet is saving companies billions of dollars in distribution and transaction costs from direct sales to self service systems. The internet is changing the vary nature of opportunities and treats by altering the life cycles of products, increasing the speed of distribution, creating new products and services, erasing limitations of traditional geographic markets and changing the historical trade off between production standardization and...
flexibility. It is also altering economies of scale, changing entry barriers and redefining the relationship between industries and various suppliers, creditors, customers and competitions. An emerging consensus holds that technology management is one of the key responsibilities of strategists.

2005 - Dec [18] Write short notes on the following with appropriate examples:
(d) Bargaining power of customers. (8 marks)
Answer:
Bargaining Power of Customers
The bargaining power of customers determines how much customers can impose pressure on margins and volumes.
Customers bargaining power is likely to be high when
• They buy large volumes; there is a concentration of buyers,
• The supplying industry comprises a large number of small operators
• The supplying industry operates with high fixed costs,
• The product is undifferentiated and can be replaced by substitutes,
• Switching to an alternative product is relatively simple and is not related to high costs,
• Customers have low margins and are price-sensitive,
• Customers could produce the product themselves,
• The product is of strategic importance for the customer,
• The customer knows about the production costs of the product
• There is the possibility for the customer integrating backwards.

2006 - Dec [17] Write short notes on the following:
(a) Corporate internal appraisal factors. (8 marks)
(b) Porter's Competitive Analysis Model. (8 marks)
Answer:
(a) The Internal Analysis of strengths and weaknesses focuses on internal factors that give an organization certain advantages and disadvantages in meeting the needs of its target market. Strengths refer to core competencies that give the firm an advantage in meeting the needs of its target markets. Any analysis of company strengths should be market oriented/customer focused because strengths are only meaningful when they assist the firm in meeting customer needs. Weaknesses refer to any limitations a company faces in developing or implementing a strategy.
The following area analyses are used to look at all internal factors affecting a company:
(a) Resources: Profitability, sales, product quality, brand associations, existing overall brand, relative cost of this new product, employee capability, product portfolio analysis
(b) Capabilities: To identify internal strategic strengths, weaknesses, problems, constraints and uncertainties
(c) Sources of Profit: Market share and profit-area-wise
(d) Risk: Single product, single market, raw material scarcity, fast-changing technology.
(e) Organizational Behavior: Formal/Informal behavior patterns, communication.
The model of the Five Competitive Forces was developed by Michael E. Porter in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. Since that time it has become an important tool for analyzing an organization's industry structure in strategic processes. Porter’s model is based on the insight that a corporate strategy should meet the opportunities and threats in the organization's external environment. Especially, competitive strategy should base on and understanding of industry structures and the way they change. Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porter’s model supports analysis of the driving forces in an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry. The five competitive forces as per Porter are:

(a) Threats from potential entrants.
(b) Threats from substitutes;
(c) Threats from power of buyers;
(d) Rivalry and competition among competitors;
(e) Threats from suppliers;

2009 - June [8] Write short notes on:
(b) Supply Chain Management; (5 marks)

Answer:
Supply Chain Management: Supply Chain Management encompasses the planning and management of all activities involved in sourcing, procurement, conversion and logistics management activities. Supply Chain Management integrates supply and demand management within and across companies.

Five basic components of supply Chain Management are:
• Plan-Develop a strategy for managing all resources that go towards meeting customer demand.
• Source-Choose the supplier
• Make-Schedule activities for Production.
• Deliver- Coordinate receipt of order to delivery
• Return- Receive Defectives and excess product back from customers.

2011 - June [8] Write Short Notes on the following:
(iv) Supply Chain Management. (5 marks)

Answer:
Please refer 2009 June [8] (b) on page no. 13
2005 - June [11] "The internal environment of a business organisation comprises of a number of factors that influence the strategies and other decisions".

(a) Explain what are these environmental factors.
(b) How do these key environmental factors influence a company's master strategy?

Answer:

(a) "The internal environment of a business organization comprises of a number of factors that influence the strategies and other decisions" These environmental factors are Political Factors, Economic Factors, Societal Factors, Technological Factors, Environmental Factors, and Legal Factors.

(b) Categories Factors affecting strategic decisions: Economic factors that affect the market may include the spending behavior of consumers, interest or exchange rates, as well as climate of business investment. A stable market economy contributes to the incremental business investments. For instance, the Chinese government had been reluctant to float its currency in accordance to market value. This is due to the reason of lower currency rate attracts investor to invest. Lower currency rate yields low capital investments and low labour costs. On the other hand, the climate of business investments is another factor to consider. When the global economic crisis occurred throughout 2007-2009, business around the world had been going slow and business investors hold back investments due to uncertainty of whether the economy will recover. During this period, domestic players are less likely to face foreign entry threats. Thirdly, consumer spending power has positive relations with market competition. The higher consumer spending is, the stronger competition it is Societal Social factors such as buying behavior, lifestyle improvements, demographic changes, and culture of the society in the market. These factors have to be paid attention to as it can be used to form strategic positioning to capture niche markets based on different consumer preference. One of the significant examples of positioning businesses basing on societal factors is the computer manufacturing company from Russia, Vist (Harvard Business Review March-April 1999). The Russian computer market was still on early stage, and Russians needed more information and reassurance of the computer they are buying. Vist’s approach satisfies consumer’s need, by providing lengthy warranties and local language manuals. The ability to understand cultural and what Russian electronics consumers demand has given Visit competitive advantages over its multinational rivals.

Technological advancement means more extensive line of product variety, a new approach to research and development activity. Companies that has proprietary technology will have an edge over other rivals. For example, Kyocera, a Korean electronics company that produce a wide range of electronics from chips to mobile phones. Over years of research, they gain technological advantage by becoming an industry leader in the Solar Energy sector. They have been the main provider of solar panels for Toyota (Far East Gizmo.com 2010). They also promote eco-awareness to
reduce carbon footprint through the use of solar energy. Since then Kyocera had been focusing on their solar panel business it is there core competence, and it allows them to remain a substantial force in the Korean market. Legal Lastly, the legal factors may include new legislation such as product licensing, new business contract agreement terms, and new contraband items. Companies have no other choice than to adhere strictly to the legislation made by local government in the market they operates in. Companies may face risks of conviction and in some cases the retraction of operating license in the market if they goes beyond the legislations. Legal factor may be an advantage for domestic players as they understand the legislation of the market better than any foreign companies.

2006 - June [11] According to Porter’s model, what are the five competitive forces that determine industry profitability? Write short notes on any two of these forces.

Answer :

The five competitive forces as per Porter are:

(a) Threats from potential entrants. - The competition in an industry will be the higher; the easier it is for other companies to enter this industry. In such a situation, new entrants could change major determinants of the market environment (e.g. market shares, prices, customer loyalty) at any time. There is always a latent pressure for reaction and adjustment for existing players in this industry. The threat of new entries will depend on the extent to which there are barriers to entry. These are typically

- Economies of scale (minimum size requirements for profitable operations),
- High initial investments and fixed costs
- Cost advantages of existing players due to experience curve effects of operation with fully depreciated assets,
- Brand loyalty of customers
- Protected intellectual property like patents, licenses etc,
- Scarcity of important resources, e.g. qualified expert staff
- Access to raw materials is controlled by existing players,
- Distribution channels are controlled by existing players,
- Existing players have close customer relations, e.g. from long-term service contracts,
- High switching costs for customers
- Legislation and government action

(b) Threats from substitutes- A threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce the potential sales volume for existing players. This category also relates to complementary products. Similarly to the threat of new entrants, the threat of substitutes is determined by factors like

- Brand loyalty of customers,
- Close customer relationships,
Switching costs for customers,
- The relative price for performance of substitutes,
- Current trends.

(c) **Threats from power of buyers** - The bargaining power of customers/buyers determine how much customers can impose pressure on margins and volumes. Customers bargaining power is likely to be high when
- They buy large volumes; there is a concentration of buyers,
- The supplying industry comprises a large number of small operators
- The supplying industry operates with high fixed costs,
- The product is undifferentiated and can be replaced by substitutes,
- Switching to an alternative product is relatively simple and is not related to high costs,
- Customers have low margins and are price-sensitive,
- Customers could produce the product themselves,
- The product is not of strategic importance for the customer,
- The customer knows about the production costs of the product
- There is the possibility for the customer integrating backwards.

(d) Rivalry and competition among competitors; This force describes the intensity of competition between existing players (companies) in an industry. High competitive pressure results in pressure on prices, margins, and hence, on profitability for every single company in the industry.

Competition between existing players is likely to be high when
- There are many players of about the same size,
- Players have similar strategies
- There is not much differentiation between players and their products, hence, there is much price competition
- Low market growth rates (growth of a particular company is possible only at the expense of a competitor),
- Barriers for exit are high (e.g. expensive and highly specialized equipment).

(e) **Threats from Power of Suppliers** - The term "suppliers" comprises all sources for inputs that are needed in order to provide goods or services.

Supplier bargaining power is likely to be high when:
- The market is dominated by a few large suppliers rather than a fragmented source of supply,
- There are no substitutes for the particular input,
- The suppliers customers are fragmented, so their bargaining power is low,
- The switching costs from one supplier to another are high,
- There is the possibility of the supplier integrating forwards in order to obtain higher prices and margins. This threat is especially high when
- The buying industry has a higher profitability than the supplying industry,
- Forward integration provides economies of scale for the supplier,
- The buying industry hinders the supplying industry in their development (e.g. reluctance to accept new releases of products),
The buying industry has low barriers to entry. In such situations, the buying industry often faces a high pressure on margins from their suppliers. The relationship to powerful suppliers can potentially reduce strategic options for the organization.

2007 - June [2] Discuss in what sense Government as a segment of the environment may be regarded both as an aid and as an impediment to business. (8 + 8 = 16 marks)

Answer:
It is convenient to divide the role of government into two categories:

1. Government acting as an aid and Government can aid business by:
   (a) Setting interest and exchange rates
   (b) Providing education and training through government institutions
   (c) Protecting physical property through legislation
   (d) Economic planning at key industry areas
   (e) Giving tax or other incentives to industries and provide subsidies to the threatened industry, erection of tariff barriers against foreign products, imposition of quotas against foreign goods etc.
   (f) Imposing import tariffs to curb foreign business entries
   (g) Government as an excellent customer
   (h) Government as a sustainer of R & D
   (i) Government as aid to controlling wage cost though adopting appropriate policies
   (j) Government as provider of new business opportunities like favoring privatization of new industries

2. Government acting as impediment to business. Government can act as impediment by:
   (a) Creating procedural regulations that are difficult to comply with
   (b) By increasing its intervention in society through legislations and regulations detrimental to the industries
   (c) Distorting markets by indirect taxation
   (d) Discretionary production licenses
   (e) Changing government policies in response to political pressures
   (f) Imposing restrictions such as monopoly controls, quota fixations etc
   (g) Putting short term political advantages before long term national benefits.

2007 - June [3] (a) List eight environmental factors that affect an organization’s strategy and why. (4 + 4 = 8 = 16 marks)

Answer:
The societal environment otherwise called as macro environment includes general forces that do not directly affect the short-term activities of the organization but those can and often do influence its long-term decisions. This includes economic, political, technological, cultural, legal environment etc.

1. Economic environment: The economic environment consists of macro level factors related to the means of production and distribution of wealth that have an impact on the business of the organization. Some of the economic environment factors to be analyzed are:
17.8 Solved Scanner CMA (CWA) Final Gr.IV Paper 17 (New Syllabus)

(a) General economic conditions
(b) Economic conditions of different segments of population
(c) Trends in income distribution and consumer spending patterns
(d) Rate of growth of each sector of economy
(e) Rate of inflation
(f) Behavior of capital market

2. **Technological environment**: The technological environment consists of the factors related to technology used in the production of goods and services that have an impact on the business of an organization. Technological factors to be considered are:
   (a) Source of technology like company, external and foreign sources, cost of technology acquisition, collaboration and transfer of technology.
   (b) Technological development, rate of change of technology and research and development.
   (c) Impact of technology on human beings, the man-machine system and the environmental effects of technology.
   (d) Communication, infrastructure and managerial technology

3. **Political environment**: Politico-legal forces allocate power and provide laws and regulation that may constrain or protect the business. The factors to be considered are:
   (a) The political system and its features like nature of the political system, ideological forces of the political parties and sentries of power
   (b) The political structure, its goals and stability
   (c) Political process like party systems, elections, funding of elections and legislation in economic and industrial matters and regulations
   (d) Political philosophy, role of government in business and its policy approach towards economic and business development.

4. **Legal framework**:
   (a) The constitutional framework, directive principles, fundamental rights and divisions of legislative power between central and state government
   (b) Policies related to licensing, monopolies, foreign investments and financing to industries
   (c) Policies related to distribution and pricing and their control
   (d) Policies related to imports and exports

5. **Sociocultural environment**: Socio cultural environment are the forces that regulate the values, morals and customs of society. Important factors to be considered are:
   (a) Demographic characteristics
   (b) Social concerns
   (c) Social attitudes
   (d) Family structure and changes in it
   (e) Role of women in society, position of children and adolescents in family and society
   (f) Educational level, awareness and consciousness of rights and work ethics of members of the society.
6. **Demand related factors**: By monitoring the demand related factors of one's industry a firm gather vital clues on consumption pattern, buying habits, invasion of substitute products, growth potential, attractiveness of the industry, expansion, divestment etc. The aspects to be considered are:
   (a) Nature of demand
   (b) Demand potential
   (c) Current level of demand
   (d) Changes in demand, consumption pattern, buying habits etc

7. **The consumer**: Monitoring the customer's taste may result in attractive business opportunities. Hence customer analysis is very important during environmental survey. The factors that have to be monitored in relation to the customers are:
   (a) Purchasing power
   (b) Buying motives, attitudes and habits
   (c) Lifestyle and need
   (d) Brand awareness, brand loyalty and brand switching
   (e) Reasons/motives for customer's patronage of specific brands

8. **Government policies**: Government policies significantly affect the way business operates. Unregulated economies, the impact of government on business is really immense. In market economies too, government policies are an important factor even though the constraints are much less here. Government policies usually affect the strategic choice of the firm because
   (a) Government is the large purchaser of goods and services
   (b) Government subsidises firms and industries
   (c) Government protects home products against foreign competitors
   (d) Government bans fresh entry into select industries
   (e) Government restricts use of certain technology and products.

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**2007 - Dec** [2] (a) "The internal environment of a typical business firm is assessed by a number of factors as a part of the internal appraisal". Explain briefly these appraisal factors. **(8 marks)**

**Answer:**

The internal environment of a typical business firm is assessed by the following factors:

(a) Competitive advantages of the firm relative to the competition. This enables to create differentiation and position itself vis-à-vis competitors.

(b) Inherent capabilities of the firm and its propensity to overcome competition and its ability to configure differential strategies to achieve organizational objectives

(c) Financial and physical infrastructure and services that help it to structure its resources for gaining and sustaining competitive advantage in the market place

(d) Market structure, value chains & customer/supplier relationships that includes social partners, support networks and institutions

(e) Good human resources and enterprise level labour-management relations and social dialogue and its ability and inclination to invest in enhancing human competencies

(f) Good technologies and equipment to ensure quality products

(g) Good management and entrepreneurship.
2008 - June [2] (a) ‘The intensity of competition depends on several factors.’ Identify these factors and discuss briefly on them. (8 marks)

Answer :
The intensity of competition depends on several factors. The possible factors are:
(a) Large number of equally balanced competitors. When the competition is intense, firms may try to avoid competing on price.
(b) The rate of growth in industry. Where growth is slow or stagnant, rivalry may intensify and the firms may indulge in competing with each other for a greater market share.
(c) Ease of switching will encourage suppliers to compete.
(d) Competitors may guess each others intentions. This may lead to uncertainty because of competitive strategy.
(e) Capacity and costs. Industries, characterized by economies of scale from substantial capacity increase, may face recurring products of over capacity and price cutting.
(f) High fixed costs and relatively low variable costs. This tempts the firms to compete on price and sell at prices above marginal costs. As a result, there may be a failure to recover fixed costs.
(g) High strategic stakes. A firm putting in high capital funds and extensive efforts to achieve targets and making success, is likely to be more proactive and competitive to attain further high targets.
(h) Exit barriers.

2008 - Dec [2] (a) State briefly the purpose of SWOT analysis. What are the major outcomes from such an analysis? (5 + 5 = 10 marks)

Answer :
The purpose of SWOT Analysis is to define the approach to a strategy for the company to be formulated in such a manner the strategy fits the environment. In other words SWOT Analysis which embraces both external and internal analysis are attempted so that the corporate body is able to develop a strategy which is suitable and provide proper notes of music with the environment instead of creating noise.

The purpose of SWOT analysis is to gather, analyze, and evaluate information and identify strategic options facing a community, organization, or individual at a given time. SWOT Analysis is a very effective way of identifying strengths and weaknesses, and of examining the opportunities and threats one tends to face. Carrying out an analysis using the SWOT framework helps to focus activities into areas where one is strong and where the greatest opportunities lie. This knowledge is then used to develop a plan of action. The analysis can be performed on a product, on a service, a company or even on an individual. Done properly, SWOT will give the big picture of the most important factors that influence survival and prosperity as well as a plan to act on. Strengths and weaknesses are internal while opportunities and threats are external. Strengths and weaknesses have to be matched with the opportunities in the external environment and also to counter any threats that might pose a danger to plans. SWOT Analysis is generally considered a Marketing tool but although it has its origins in Marketing field and is predominantly used by Marketing people, and it can also be done for self. SWOT Analysis is a tool which guides one to see where one stand in terms of job prospects and career growth.
The three major outcomes from such an analysis are:
(a) Matching the company strengths to take advantage of the opportunities in the market place. E.g. Converting fast food stands to full time restaurants
(b) Converting threat or weakness into an advantage.
(c) Eliminate the weaknesses that expose the company to external threats.

Another alternative to SWOT Analysis is TOWS Analysis identified by Vweirich (1982).

Strategic options are framed in the form of a matrix with 4 quadrants as below:
(a) So Strategies: Matching the strengths to opportunities
(b) ST Strategies: Utilize company’s strengths to mitigate threats
(c) WO Strategies: Exploit opportunities accepting weaknesses
(d) WT Strategies: A defensive approach to minimize weaknesses and threats.

2008 - Dec [4] (a) “Bargaining Power with the Suppliers as well as Buyers comes under strain during inflation in the economy.” - Explain. (10 marks)
Answer:
Bargaining power with the suppliers as well as buyers comes under strain during inflation in the economy. Inflation has both favorable and unfavorable aspects in propelling growth. As per the economic dictum, inflation is a result of “too much money chasing too few goods”. Lot of money in circulation with not much supply of goods will lead to high prices. For increased capacities through either organic or inorganic strategies will take advantage of this situation. However, inflation grips the raw material prices also and as such the operating margins come under strain. Building inventories or following a strategy of make to stock offers better advantage. If the inflation trend gets intense and a spiral develops a new problem of lower purchasing power of the customer results and suddenly demands starts falling because the customer cannot afford the high price. The immediate future companies that have high capacities may phase recessionary trends that would increase their cost of production through lower capacity utilization. At this point of time, if the recessionary conditions were too prolong corporate restructuring and turnaround strategies will have to be thought of. As far as the marketing strategies are concerned inflation will have to be understood fully as to the causes for the trend. The causes can be imported, unexploited resources, too much money in circulation, sudden change in supply position due to statutory regulations, etc. Due to increase in prices of crude oil in FY 2006-07, FY 2007-08, which is largely, imported in India the refined products like petrol, diesel, and kerosene have become costlier. This is purely due to imported inflation and proper adjustment of the end product prices will have to be made to maintain the margins. However, in India due to “inclusive” policy followed by the government, products like Kerosene and LPG are subsidized, but still not to the extent of neutralizing the increase in the cost of production. This has put the oil industry in a difficult situation and the strategies followed by the oil companies are in developing efficient purchasing to keep the cost of crude at manageable proportions. Fiscal policy of the government and the Reserve Bank of India in containing inflation also have its own share of impact on the strategies of any company. Increase in the interest rates leads to lower availability and utilization of funds and the monies in circulation are also controlled through increase of cash reserve ratio. This affects the purchasing power of the customer and the prices of product tend to fall to attract the customer. The strategy to be followed by a
company under these conditions will be cost leadership, as there will be better maneuverability in fixing prices.

2011 - Dec [2] (b) Explain the linkage between environmental analysis and strategic management. (5 marks)

Answer:
Following are the basic goals of environment analysis:
(a) The analysis should provide an understanding of current and potential changes taking place in the environment. It is important that one must be aware of the existing environment and at the same time have a long term perspective too
(b) Environment analysis should provide inputs for strategic decision-making. Mere collection of data is not enough. The information collected must be used in strategic decision making
(c) Environment analysis should facilitate and foster strategic thinking in organization, typically a rich source of ideas and understanding of the context within which a firm operates.

Following are the specific benefits of environment study:
(a) Development of board strategies and long-term policies of the firm
(b) Development of action plans to deal with development of technological advancements
(c) To foresee the impact of socio-economic changes at the international level on the firms stability
(d) To keep updated and dynamic
(e) To analysis the competitors strategies and formulation of effective counter measures

2012 - Dec [2] (b) Explain why it is important for organizations to analyze and understand the external environment. (4 marks)

Answer:
Organizations do not exist in isolation. The external environment of the organization presents threats and opportunities which the organization must address in its strategic actions. Parts of the organization’s external environment are changing rapidly, such as technology changes, and the organization must constantly adjust to these changes. The information that the organization gathers about competitors, customers and stakeholders is used to build the organization’s capabilities or to build relationships with stakeholders in the external environment. The information that the organization gathers about the external environment must be matched with knowledge of its internal environment to form its vision, to develop its mission, and to take actions that result in strategic competitiveness and above-average returns.

2012 - Dec [7] (a) What is ‘Supply Chain Management’? (3 marks)

Answer:
Supply Chain Management:
Supply Chain Management encompasses the planning and management of all the activities involved in sourcing, procurement, conversion and logistics management activities.
Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers and customers. In essence, Supply Chain Management integrates supply and demand management within and across the companies.

The concept of Supply Chain Management emphasizes on linkages among all of the value-adding activities in the chain. This concept has virtually displaced the term “business logistics”. In fact Supply Chain Management's emergence is perhaps the most significant development in business management since the early 1980s. Savvy business executives firmly believe that effective management of the Supply Chain can help boost a firm’s performance. They recognize that Supply Chain Management can provide a distinctive and sustainable competitive advantage and improved profitability.

**PRACTICAL QUESTIONS**

2013 - Dec [1] {C} M/s. Kraft Foods Ltd., is the world’s second largest food company, with an average annual turnover of over ₹ 200 Billion. The company provides the best brands of Coffee, Chocolate, Cheese and many savory food items. To help in consistently delivering against its objectives, M/s. Kraft Foods Ltd. has created a very strong Supply Chain Relationship between the company and its Suppliers/Customers. M/s. Kraft Foods Ltd., believes that a truly excellent Supply Chain Relationship with its customers cannot be achieved without the support and co-operation from its employees. Further the company believes that Customer Satisfaction is the key for its success.

M/s. Kraft Foods Ltd., is committed to ensure that right products are made available to its customers at right time and in right quantity and price. Its brand image is quite strong, based on 3 key areas, viz., quality, value and trust.

M/s. Kraft Foods Ltd.,s supply chain functions are provided with excellent operational support, which helps to deliver, as per its objectives.

M/s. Kraft Foods Ltd., focused on the successful management of a customer order from the moment it is compiled at the customer, its processing through M/s. Kraft Foods Ltd.’s order systems to the point of delivery at the customer warehouse. The company’s policy is to ensure that any ‘waste’ that could cause delay or disruption should be eliminated. The customer order is compiled correctly, using accurate date, sent at agreed timings with jointly agreed delivery windows. Ideally the order is electronically communicated using EDI or the Internet. Further the company believes that e-commerce is improving communication with the use of e-mail and the extranets making contract and the sharing of knowledge and information faster and easier.

You are required to-

(i) Describe the objectives of Supply Chain Management, with regard to M/s. Kraft Foods Ltd.,

(ii) Describe the importance of Supply Chain Management to the company under reference viz., M/s. Kraft Foods Ltd.,

(iii) Describe the measures taken by M/s. Kraft Foods Ltd., to change to Supply Chain Management. What are the benefits the company has been able to derive due to its sound Supply Chain Management? (5 x 3 = 15 marks)
2013 - Dec [2] {C} M/s. Royal & Sun Alliance is one of the world’s major insurance companies, with operations in 50 countries around the world. Like other service industries, insurance companies are faced by consumers, whose requirements are becoming increasingly sophisticated and whose willingness to switch to another supplier is on the increase. To compete successfully and thrive in its environment, M/s Royal & Sun Alliance must be forward-thinking in their approach to its customers and in applying new techniques. M/s. Royal & Sun Alliance has applied successfully the concept of customer segmentation and relationship management to achieve successful relationships with its key customers. M/s. Royal & Sun Alliance sells most of its commercial business through Insurance brokers, who place the business with the company, on behalf of their industrial and commercial customers. Because selling insurance is so competitive, it was essential that the company focused on working with high quality brokers, who had a positive attitude to business. M/s. Royal & Sun Alliance believed in
- Understanding each customer’s unique needs.
- Developing strategic plans and achieve mutual goals.
- Provide the tools, resources and service to achieve goals.

A Relationship Manager controls the overall business strategy and acts as a co-ordinator between different business divisions and customers.
M/s. Royal & Sun Alliance has created a website dedicated to its customers.
You are required:
(i) to define Customer Relationship Management.
(ii) what are the problems faced by the company before implementing Customer Relationship Management?
(iii) what are the steps taken by the company to solve the problem?

(5+5+5=15 marks)

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