## 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 <u>any two questions from</u> Section A (out of three questions – questions Nos. 2 to 4). From Section B, Answer <u>any two questions</u> (i.e. out of Question nos. 5 to 7). From Section C, Answer <u>any two questions</u> (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 let and answer the following questions:**

   Sahni Auto Industries is a manufacturer and exporter of Auto parts with an annual turnover of Rupees one thousand crores. It employs about 2,000 persons in its factory in Punjab and its other offices in India and abroad. The personnel Administration and Human resources Department of the company is headed by Mr. Amit Kapoor-the Chief Personnel Manager. Mr. Amit Kapoor, an Automobile Engineer joined the company 5 years ago as Product Development Manager. After a successful stint of 4 years as Product Development Manager, he was transferred to Personnel Administration and Human Resources Department as the Chief Personnel Manager as a part of Career development plan. Mr. Vikas, MBA in Human Resources from a renowned Business school, joined the company as Personnel Manager only 3 months back. He reports to Mr. Amit Kapoor-the Chief Personnel Manager. He handles all routine personnel and industrial relations matters.

   One day, during informal discussion with Mr. Amit Kapoor, Mr. Vikas suggested him of linking Human Resources Management with Company's strategic goals and objectives to further improve business performance and also to develop Organizational culture that fosters more innovative ideas. He also advocated creating abundant 'Social Capital' on the ground that people tend to be more productive in an environment which has trust and goodwill embedded in it rather than which is highly hierarchical and formal. Mr. Amit Kapoor disagreed with Mr. Vikas and told him that the role of Human Resources Department was only peripheral to the business and all his suggestions about its strategic role were beyond the purview of Personnel Administration and Human Resources Department. After this, Mr. Vikas started having number of arguments with Mr. Amit Kapoor in several issues relating to personnel and industrial relations since he felt that a person with a degree in Human Resources Management was in a far better position to run Personnel Administration and Human Resources Department. Mr. Amit Kapoor - the Chief Personnel Manager had often shown his displeasure on Mr. Vikas's argumentative, tendency and had made it known to the General Manager. The General Manager called Mr. Amit Kapoor in his office to inform him that he has been elected for an overseas assignment. He further told him to find a suitable person as his successor; he even suggested Mr. Vikas as a possible candidate. Mr. Amit Kapoor, however, selected Mr. Balram, who was working as Training Manager in a Multinational Company for the last 5 years. Mr. Vikas, soon started having arguments with Mr. Balram also over number of issues relating to industrial relations since he felt that he had no experience in handling industrial relations matters. Mr. Balram now realized that Mr. Vikas was trying to make things difficult for him. After a series of meetings with the General Manager, Mr. Balram eventually

succeeded in convincing him to transfer Mr. Vikas to an office outside Punjab. On learning about his impending transfer, Mr. Vikas wrote a letter to the General Manager joining details of various instances, when Mr. Balram had shown his incompetence in handling problematic situations. When asked for explanation by the General Manager, Mr. Balram had refuted almost all the allegations. The General Manager accepted his explanation and informed Mr. Vikas that most of his allegations against Mr. Balram were unwarranted and baseless. He further advised him to avoid confrontation with Mr. Balram. Mr. Vikas then wrote a letter to the Chairman repeating all the allegations against Mr. Balram. On investigation, the Chairman found most of the allegations were true. He then called all the three-the General Manager, the Chief Personnel Manager and the Personnel Manager in his office and implored them to forget the past and henceforth to work in coordination with each other in an environment of Trust and Goodwill.

**Required:**

**(a)** Indentify and discuss the major issues raised in the case.

**(b)** Comment on the recruitment of the two Chief Personnel Managers.

**(c)** Would you justify Mr. Vikas's argumentative tendency with the Chief Personnel Managers? Give reasons for your answer.

**(d)** Do you agree with suggestion offered by Mr. Vikas to link Human Resources Management with the company's strategic goals? If yes, suggest prominent areas where Human Resources Department can play role in this regard.          **[6+4+5+5]**


2.  **(a)** Formulate the following game as a Linear Programming problem from (i) A's and (ii) B's point of view. The player A is the maximizing player here.

Strategy of Player B

|   |   | $B_1$ | $B_2$ | $B_3$ |
|---|---|---|---|---|
| | $A_1$ | 90 | 80 | 110 |
| Strategy of Player A | $A_2$ | 110 | 120 | 90 |
| | $A_3$ | 120 | 70 | 80 |

**(b)** Explain any eight productivity improvement techniques.          **[8+12]**


3 **(a)** A company is planning to market a new model of a doll. Rather than setting the selling price of the doll based only on production cost estimation management polls the retailers of the doll to see how many dolls they will buy for various prices. From this survey, it is determined at the unit demand function (the relationship between the amount 'x' each retailer would buy and the price he would pay) is x = 30,000 – 1500P. The fixed cost of the production of the dolls are found to be ₹ 28,000 and cost of Material & labour to produce each doll is estimated to be ₹ 8 per unit. What price should the company charge retailer in order to obtain a maximum profit? Also find the maximum profit.

**(b)** Describe the role of the Management Accountant of Competitive Intelligence.

**(c)** A Company has sales of 1,00,000 units at a price of ₹ 200.00 per unit and profit of ₹ 40.00 Lakhs in the current year. Due to stiff competition, the Company has to reduce its price of product next year 5% to achieve same volume target of sales. The cost structure and profit for the current year is given as below:

| Particulars | (₹ Lakhs) |
|---|---|
| Direct Material | 60.00 |
| Direct Wages | 45.00 |
| Variable Factory Overheads | 20.00 |
| Fixed Overheads including Sales & Admin Expenses | 35.00 |
| Total Cost | 160.00 |

To achieve the Target Cost to maintain the same profit, the Company is evaluating the proposal to reduce Labour Cost and Fixed Factory Overheads. A Vendor supplying the Machine suitable for the Company's operations has offered an advanced technology Semi-Automatic Machine of ₹ 20 Lakhs as replacement of Old Machine worth ₹ 5.0 Lakhs. The Vendor is agreeable to take back the Old Machine at ₹ 2.70 Lakhs only. The Company's policy is to charge depreciation at 10% on WDV. The Maintenance Charge of the Existing Machine is ₹ 1.20 Lakhs per annum whereas there will be warranty of services free of cost for the New Machine first two years. There are ten (10) Supervisors whose Salary is ₹ 1.50 Lakhs per annum. The New Machine having Conveyor Belt is expected to help in cost cutting measures in the following ways –
- Improve Productivity of workers by 20%
- Cut-down Material Wastage by 1%
- Elimination of services of Supervisors because of automatic facilities of the machine
- Saving in Packaging Cost by ₹ 1.5 Lakhs.

Assuming Cost of Capital to be 15%, calculate how many Supervisors should be removed from the production activities to achieve the Target Cost.

**(d)** Mention the objectives of Customer Relationship Management. **[5+6+5+4]**

4. **(a)** The production function of a commodity is given by: $Q = 40x + 3x^2 - \dfrac{x^3}{3}$

Where q is the total output and x is the unit of input.
(i) Find the number of units of input required to give maximum output.
(ii) Find the maximum value of marginal product.
(iii) Verify that when the average product is maximum, it is equal to marginal product.

**(b)** Write a note on Contractual Terms in the context of Interaction of Transfer pricing and Taxation.

**(c)** Amit Ltd provides the following details on its new product.
Years 1 and 2: R & D Costs: ₹ 2,40,000, Design Costs ₹ 1,60,000 Years 3 to 6: Other Functional Costs:

| Function | One-Time Costs | Costs per unit |
|---|---|---|
| Production | ₹ 1,00,000 | ₹ 25 |
| Marketing | ₹ 70,000 | ₹ 24 |
| Distribution | ₹ 50,000 | ₹ 16 |
| Customer Service | ₹ 80,000 | ₹ 30 |

The sale quantities during the Product Life Cycle at various Selling Prices are

| Selling Price per unit (₹) | 400 | 480 | 600 |
|---|---|---|---|
| Sale Quantity in units | 5,000 | 4,000 | 2,500 |

Ignoring time value of money, compute the Net Incomes generated over the Product Life Cycle at various prices. Which price should the Company select?

**(d)** Describe the role of Demand in Pricing Decisions. **[6+4+6+4]**

**Section – B**
**[Answer any 2 questions from this section]**

**5. (a)** State the problems are addressed by Supply Chain Management.
  **(b)** Describe about the Recurrent Artificial Neural Network.          **[6+4]**

**6. (a)** "Government can, however, play an important role in examining the economic and social impact of ecommerce technologies and in promoting understanding and application of these technologies throughout Indian industries and communities." – Describe any 5 role of the government.
  **(b)** Explain about the Fuzzy sets in HR Management.          **[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]**

**Section C**
**[Answer any 2 questions from this section]**

**8. (a)** Describe the Performance-Related measures in the context of Corporate Risk Management.
  **(b)** Explain about the Exchange Rate Risk and Liquidity Risk.          **[6+(2+2)]**

**9.** Discuss Altman's Model and Explain the Five Z – Score Constituent Ratios.          **[10]**

**10.** Discuss about the Probability of Ruin and Risk Pooling.          **[6+4]**