Daffodil International University
Department of Innovation & Entrepreneurship
Mid-Term Exam (Make-Up), Fall 2023
Course Code: MIS-102
Course Title: Information Technologies Management for Entrepreneurs

Semester: Fall 2023	**Examination: Mid Term**
Time: **1 Hour 30 Minutes**	Full Marks: 25
Section: **A**	Teachers' Initial: **MMS**

READ THE CASE BELOW AND THEN FOLLOW THE GIVEN INSTRUCTIONS

Frito-Lay's Long-Term IT Plan

[Para-1] Frito Lay's strategic goal has always been to make, move, and sell tasty, fresh snack food as rapidly and efficiently as possible. That goal hasn't changed since the 1930s, when founder Herman Lay ran his business from his Atlanta kitchen and one delivery truck. He bought and cooked the potatoes. He delivered the chips to the stores. He collected the money and knew all his customers. He balanced the books and did his quality assurance. Herman Lay knew how to conduct the perfect "sense and respond" e-business before such a thing ever existed, for he held real-time customer, accounting, and inventory information all in one place — his head!

[Para-2] After years of spectacular growth, the company became progressively distracted from this simple business model. By the early 1980s, the company's sales force had swelled to 10,000, and information grew harder and harder to manage. The company's old batch-based data processing systems were all driven by paper forms that took 12 weeks to print and distribute to the sales force. All sales transactions were recorded by hand; reams of disparate data were transferred to the company's mainframe computers. Much was lost in the process of setting up a dozen different functional organizations and a variety of databases, none of which communicated with each other.

[Para-3] This modus operandi made it impossible to change prices quickly or develop new regional promotions, streamline production, or improve inventory management. It was as if Herman Lay's company had suffered a spinal cord injury, with the brain and body no longer connected. At the same time, the company was seeing the rise of strong regional competitors. The leaders realized that if trends continued as they were, its overall revenues would fall significantly by the early 1990s.

[Para-4] Mike Jordan, who took over as CEO of Frito-Lay in 1983, decided to tackle the problem. He reconstructed the company as a hybrid organization that was neither totally centralized nor decentralized. His goal was to teach the company to "walk and chew the gum at the same time", as he put it, by separating the company's two competitive advantages: the purchasing, production, and distribution leverages of a national powerhouse, and the local resources that gave the company regional speed and agility.

[Para-5] Having identified the company's strategy, Jordan then developed a long-term renewal (as opposed to "rip and replace") plan. An executive committee- comprised of CEO, CFO, CIO, and two executive vice presidents- outlined a shift from paper to a risky, emerging handheld technology for the salespeople on the street, as well as transformation from batch accounting to online operational systems. The goal was to digitally reconnect the company's nervous system. Equipped with the cool new handhelds, the sales force would be able to manage price, inventory, and customer changes in real-time and connect to the supply pipeline. The handheld computers would also establish a technological "beach-head"- one sufficiently important to keep business's attention and achieve fast operating results.

[Para-6] Paying for all this, of course, would not be easy. The journey would take from 1984 to 1988, at a huge cost (at the time): $40 million for the handhelds and about $ 100 million for databases and core systems. Some of the executive committee balked, arguing that efficiencies gained by the technology would be lost by the salespeople working fewer hours. But the company had no choice but to revitalize its regional sales, and though the systems overhaul would be costly, staying put would be even costlier.

[Para-7] To fund the new computers, Jordan set up a long-term, ongoing funding mechanism designed to keep IT spending both predictable and fairly stable from year to year. To get things rolling, each sales region had to commit to a reduction in selling expenses from 22 cents on the dollar to 21 cents within a year of the handhelds' installation. The savings would be achieved by increasing sales at constant cost, reducing costs, or a combination of the two.

[Para-8] The scheme worked; with the new system in place, the company saved between 30,000 to 50,000 hours of paperwork per week. By 1988, savings resulting from better control over sales data came to more than 4 40 million per year — savings that in turn funded the renewal of the core data systems. Frito-Lay was able to cut the number of its distribution centers, reduce stale products by 50%, and increase its domestic revenues from $ 3 billion in 1986 to $ 4.2 billion by 1989. Today, Frito lay continues to be the dominant player in the snack-food industry.

[Para-9] In 1965 Pepsi cola and Frito Lay merged to form PepsiCo.
Today, Frito-Lay has more than fifteen $100 million brands: LAY'S ®, FRITOS ®, CHEE.TOS ®, BAKEN-ETS ®, RUFFLES ® DORITOS ®, FUNYUNS ®, TOSTITOS ®, BAKED LAY'S ®, WOW! ®, SUNCHIPS ®, MUNCHIES ®, OBERTO ®, ROLD GOLD ®, GRANDMA'S ® Cookies and Quaker Chewy Bars ®, Quakes ® and Fruit & Oatmeal Bars ®.

Now, answer all four (4) questions based on the case you've just read.

Q.1) How the nervous system of 'Frito-Lay' was damaged and recovered afterward? [6]

Q.2) Were the IT risks taken by the new CEO appropriate? Why or why not? [3]

Q.3) Explain all the six (6) standard strategic business objectives of information system (IS) that Frito-Lay integrated with its business policy. [8]

Q.4) Analyze Porter's five (5) competitive forces model concerning Frito-Lay's decision to enter a new location in the existing market. [8]