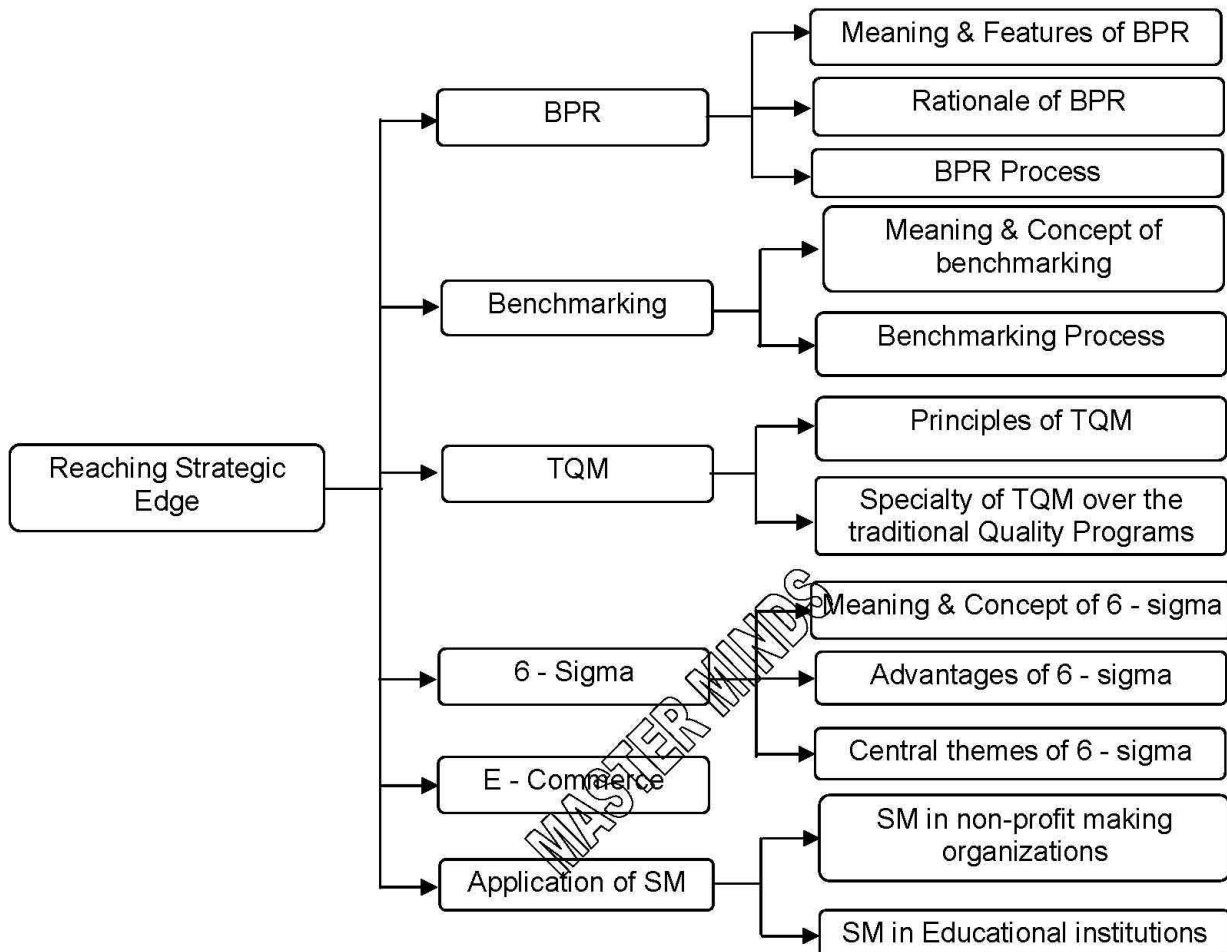




## 7. REACHING STRATEGIC EDGE



### BUSINESS PROCESS RE-ENGINEERING (BPR)

**INTRODUCTION:** Waiting in a queue in a post office or bank, a person may feel need for improvement in processes. In case of queue the process begins with a person stepping into the queue, and ends with receiving the desired items or service and leaving the place. The steps of the process are the activities that the customer and the personnel providing services perform to complete the transaction.

**Q.No.1. Define the term Business Process and outline the importance of Business Process. (C)**

**MEANING:** A Business Process

1. Is a set of logically related tasks or activities oriented towards achieving a specified outcome.
2. Is a collection of activities which creates some value to the customer
3. It often surpasses departmental or functional boundaries.
4. Is a set of activities that transform a set of inputs into set of outputs for another person or process.

**EXAMPLES:** Examples of Business Processes are:

1. Development of a new product or service,
2. Launching a new product in the market,
3. Procurement of goods from suppliers,
4. Fulfillment of customer orders,
5. Preparation of firm's financial and operational budgets, etc.
6. The steps followed by a bank when a customer deposits a cheque.
7. Buying a ticket is a simple business process.

**Q.No.2. Outline the need for Business Process Re-engineering (BPR)? (B)**

The problems in traditional business processes have created the need for BPR. Some of the major problems involved in the traditional business processes are as given under.

1. **OUTDATED PROCESSES:** Most of the processes that firms follow might have been developed by their functional units over a period of time. They might be developed based on a series of unplanned decisions. *There has not been any serious effort to systematically analyse the processes and measure their effectiveness towards the organizational efficiency.*
2. **SUB-SYSTEM VIEW:** Individual departments or divisions of a firm try to optimize their own performance, without considering the effect on other areas of operation. This will lead to sub-optimal performance of the entire organisation.
3. **TIME AND COST:** Existing business processes may be lengthy, time-consuming, costly, inefficient, obsolete and irrational.
4. **FRAGMENTATION:** Fragmentation of work processes makes it difficult to improve the quality of work performance and also develops a narrow vision among the employees.
5. **INEFFICIENCY:** Emerging critical issues may remain unattended by traditional management systems, due to the narrow definition of tasks or roles of an individual department.
6. **NEED FOR IT:** Most of the existing work processes were developed before the advent of computers and IT revolution. By using Information Technology, it is possible to
  - a) Increase the speed of normal production,
  - b) Increase asset turnover i.e. utilise assets and machinery more effectively, and
  - c) Reduce the customer response time and increase customer satisfaction.

These advantages may not be available in the existing business processes.

The above factors bring out the need for BPR.

**SIMILAR QUESTIONS:**

1. State the Problems in Traditional Business Processes?
- A. Same as above.



*Money withdrawal process earlier was very time consuming and cumbersome.*

**Q.No.3. Define the term Business Process Re-engineering (BPR)? (A)**

**MEANING:**

- Business Process Re-engineering (BPR) refers to the analysis and re-design of workflows and processes both within and between business firms.
- It is a total deconstruction and re-thinking of a business process in its entirety, unconstrained by its existing structure and pattern.
- Its objective is to improve performance in terms of time, cost, quality, and responsiveness to customers.
- It implies giving up old practices and adopting the improved ones.



**SIMILAR QUESTIONS**

1. Define the term BPR.

(PM, M07 – 2.5M, J09 – 2M)

A. Same as above.

**Q.No.4. State the objectives of Business Process Re-engineering? (B)**

**FIRST WRITE THE MEANING OF BPR....FOLLOWING ARE THE OBJECTIVES OF BUSINESS PROCESS RE-ENGINEERING:**



*Consumer's life today has become much simpler due to the introduction of ATM's, online banking etc.*

1. To obtain considerable gain in the performance of the process in terms of time, cost, output, quality, and responsiveness to customers.
2. To simplify and streamline the process by –
  - a) Eliminating all redundant and non-value adding steps, activities and transactions,
  - b) Drastically reducing the number of stages or transfer points of work, and
  - c) Speeding up the work flow by using information technology systems.
3. To obtain dramatic improvement in operational effectiveness by re-designing core business processes and supporting business systems.
4. To provide competitive advantage to the firm.

**Q.No.5. Bring out the features of Business Process Re-engineering? (B)**

First write the meaning of BPR.

1. **STARTING FROM SCRATCH:** BPR means setting aside old practices and procedures. It involves forgetting how work has been done so far and deciding how it can best be done now.
2. **NO ASSUMPTIONS:** BPR does not begin with any assumptions. The thinking process in BPR begins with a totally free state of mind i.e. without any pre-conceived notions.

BPR aims at achieving extraordinary improvement in performance but not marginal improvement in performance.

3. **RADICAL:** BPR involves radical re-designing of processes. Radical re-designing means going to the root of the problem. It will not try to make any superficial changes. It completely ignores the existing structures and procedures and develops completely new ways of doing the work.
4. **DRAMATIC IMPROVEMENT:** BPR aims to achieve dramatic improvement in performance. Marginal improvement in any area of operation can be achieved by making some simple adjustments in existing processes. But BPR is about substantial improvements.
5. **CENTRAL THRUST AREA:** The thrust area in BPR is "reduction of total cycle time of a business process". This involves:
  - a) Eliminating the unwanted, unnecessary and redundant steps,
  - b) Simplifying the systems and procedures, and
  - c) Eliminating waiting time and transit time to the maximum extent possible.
6. **RE-INVENTION:** BPR is about business re-invention, not business improvement, business enhancement or business modification.
7. **PROCESS ORIENTATION:** BPR focuses on the process and tries to improve performance. A process involves producing the output or rendering the service and output is the result of such process.
8. BPR begins with fundamental re-thinking.
9. BPR is a continuous improvement process.
10. BPR uses Information Technology for the most rational, simple and efficient re-design of work structure.
11. BPR involve massive change throughout the organisation. Work changes from task oriented to process-oriented.

**NOTE:** For 4 marks it is sufficient to write the first 5 or 6 points in a detailed manner. It is sufficient write the side headings of remaining points.

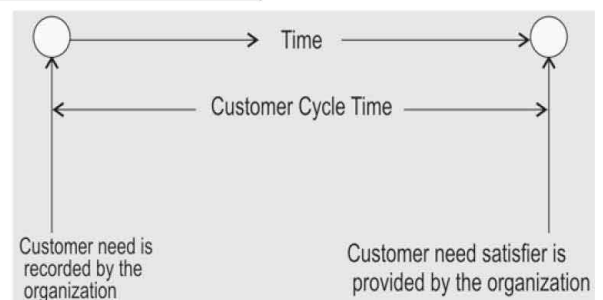
**Q.No.6. Write down the steps in the implementation of BPR? (A)**

(RTP- M12, M09 - 6M, M14 – 4M, M15, N15, N16)

### THE STEPS INVOLVED IN BUSINESS PROCESS RE-ENGINEERING ARE:

#### 1. Define Objectives and Framework:

- a) Objectives are the desired end results of the BPR process which a firm tries to achieve.
- b) This will provide the required focus, direction and motivation for the re-design process.
- c) It helps in building a comprehensive foundation for the BPR process.



#### 2. Identify customers and determine their needs:

- a) The purpose is to re-design business process that clearly provides added value to the customer. For this purpose, the designers should understand customers.
- b) This involves identification of –
  - i) customer(s) and customer group(s),
  - ii) customer requirements and expected utilities in a product or service,
  - iii) customers' problems and perceptions about the product, and
  - iv) buying habits, tendencies, etc.
  - v) their profile, usage and disposal of products.

3. **Study the Existing Processes:** For understanding "what", and "why" of targeted processes, the existing processes will act as important base. Hence, existing processes should be analysed carefully.
4. **Formulate a Re - design Process Plan:**
- Formulation of re-design plan is the real crux of BPR efforts. So, the information gained through analysis and study is translated into an ideal re-design process.
  - Customer focused re-design concepts are identified and formulated. Alternative processes are considered and the best one is selected.
5. **Implement the Re - design:**
- Implementation of the re-designed process and application of other knowledge gained from the previous steps is very important to achieve dramatic improvements.
  - It is the joint responsibility of the designers and management to implement the new process.

**SIMILAR QUESTIONS:**

- Define Business process Re – engineering? Briefly Explain the steps therein?  
A. Refer meaning in Q,no.4 + same as above.
- What is rationale behind BPR? What steps would you recommended to implement BPR in an organisation? **(PM, M14 – 7M)**  
A. Refer meaning in Q. no.4 + same as above.

**Q.No.7. What is the Rationale of BPR? (A)****(M 14 - 3M)**

Improving business processes is very important for businesses to stay competitive in today's marketplace due to the following reasons:

- AVAILABILITY OF LATEST TECHNOLOGY:** New concepts in Information Technology (internet, e-commerce, etc.) are rapidly bringing new capabilities to businesses. This increases the options available to the firm to achieve dramatic improvement in the performance.
- INCREASED COMPETITION:** Firms are now forced to improve their business processes to meet increased competition. Major changes are required even to stay in the competitive market.
- DEMANDING CUSTOMERS:** Customers are demanding better products and services. If they do not receive what they want from one firm, they will switch over to other firms. Customers are ready to try new brands. There is a need to re-design the firm's processes not only to meet customer expectations, but also to exceed the expectations and to improve quality standards to new levels.

**CONCLUSION:** Improving business processes is very important for businesses to stay competitive in the current economic conditions. So, BPR may be viewed as a means of solving business problems by using the capabilities of information technology.

**SIMILAR QUESTIONS:**

- Analyse the role of BPR in strategy implementation **(PM)**  
A. Same as above.

**Q.No.8. Explain the role of information Technology in BPR. (A)****(RTP M16, N11 – 4M, N12 - 3M, PM)**

- The accelerating pace at which information technology has developed during the past few years had a very large impact in the transformation of business processes.
- Various studies have conclusively established the role of information technology in the transformation of business processes.

*Information Technology is the heart of BPR exercise.*

3. Information technology is playing a significant role in changing the business processes.
4. A re-engineered business process, characterized by IT-assisted speed, accuracy, adaptability and integration of data and service points is focused on meeting the customer needs and expectations quickly and adequately, thereby enhancing the level of customer satisfaction.
5. With the help of tools of information technology organizations can modify their processes to make the automatic, simpler, time saving. Thus, IT can bring efficiency and effectiveness in the functioning of business.
6. The impact of IT-systems on BPR can be identified with respect to:
  - a) **Operational Speed**, drastic reduction in time,
  - b) **Global Village**, i.e. overcoming restrictions of geography and/or distance,
  - c) **Restructuring** of relationships

Thus, Information technology (IT) is a critical factor in the success of bringing this change.

#### SIMILAR QUESTIONS:

1. Trace the role of information technology in BPR? (PM)
- A. Same as above

### BENCHMARKING & TOTAL QUALITY MANAGEMENT (TQM)

**Q.No.9. What is Benchmarking? What are the areas where benchmarking can help?**

(4) (PM, RTP- N14,N08 - 3M, M11, N12 - 2M)

#### MEANING:

1. Dictionary defines a benchmark as a standard or a point of reference against which things may be compared and by which something can be measured and judged.
2. Benchmarking is the process of identifying and learning from the best industry practices and the processes by which they are achieved. It developed out of the need to have information against which performances can be measured. *E.g. a customer support engineer of a television manufacturer attends a call within forty-eight hours. If the industry norm is that all calls are attended within twenty-four hours, then the twenty-four hours can be a benchmark.*
3. Benchmarking is not a solution to all the problems. Rather, it studies the circumstances and processes that help in superior performance. Better processes are not merely copied. Efforts are made to learn, improve and evolve them to suit the organizational circumstances.
4. It is an approach of setting goals and measuring the productivity based on best industry practices. It is a process of continuous improvement in search of competitive advantage.
5. **Benchmarking involves:**
  - a) Comparing different aspects of the firm's products, services, activities, processes and other aspects of performance with that of competitors or other leaders in the field and the best prevailing practices.
  - b) Identifying gaps and deficiencies in the firm's own performance,
  - c) Finding out novel methods to reduce the gaps and also to improve the situations, and
  - d) Ensuring that these improved methods are implemented.

*Xerox pioneered this process in late 70's by benchmarking its manufacturing costs against those of domestic and Japanese competitors and got dramatic improvement in the manufacturing cost. Subsequently ALCOA, Eastman Kodak, IBM adopted benchmarking.*

**Areas in which the benchmarking process can be helpful:**

Benchmarking can lead to improvements and create competitive advantage in the areas of:

- |                               |   |
|-------------------------------|---|
| 1. Product Development.       | 5. Product Distribution.                  |
| 2. Plant Utilization Levels.  | 6. Customer services.                     |
| 3. Maintenance Operations.    | 7. Assessment of total manufacturing cost |
| 4. Human Resource Management. |   |

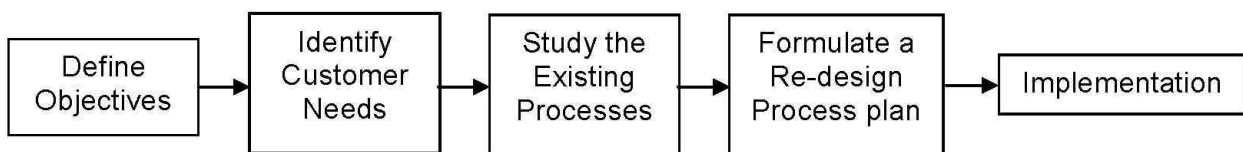


*Reliance took Wal-Mart as its benchmark in its retailing business.*

**SIMILAR QUESTIONS:**

- “Firms can use benchmarking process to achieve improvement in diverse range of management functions”. Elucidate. (PM)
- A. Same as above.
- Analyse the role of benchmarking in strategy implementation. (PM)
- A. Same as above.
- What is Benchmarking?
- A. Refer meaning in above answer.
- What is bench marking? What are the areas where benchmarking can help?
- A. Same as above. (PM, RTP M15)

**Q.No.10. What are the Elements/Steps in the Process of Benchmarking? (A)**  
(PM, N08 - 7M, M11 - 2M, N15 - 7M)



**Benchmarking Process involves the following steps:**

Stage	Steps
<b>1. Identifying the need for benchmarking and planning</b>	<ul style="list-style-type: none"> <li>Define the objectives of the benchmarking exercise and the type of benchmarking.</li> <li>Identify the <u>realistic opportunities</u> for improvement.</li> </ul>
<b>2. Clearly understanding existing business processes</b>	<ul style="list-style-type: none"> <li>Obtain information and data on the firm's actual performance.</li> <li>Collect information and <u>data using different</u> methods like interviews, site-visits, filling questionnaires, etc.</li> <li>Create an outline or map of existing business processes.</li> </ul>
<b>3. Identify best processes</b>	<ul style="list-style-type: none"> <li>Within the selected framework, best processes are identified.</li> <li>These may be within the same organization or external to them.</li> </ul>

<b>4. Compare own processes and performance with that of others</b>	<ul style="list-style-type: none"> <li>• Compare own processes and performance with that of others.</li> <li>• Identify gaps in performance between the firm and better performers.</li> <li>• Analyse the performance gaps to seek explanations, to make such <u>comparisons</u> meaningful and credible.</li> <li>• Examine the chances of making the improvements in the light of conditions that exist within the firm.</li> </ul>
<b>5. Prepare a report and implement the steps necessary to close the performance gap</b>	<ul style="list-style-type: none"> <li>• A report on the Benchmarking initiatives containing recommendations is prepared.</li> <li>• Such a report includes the action plan(s) for implementation.</li> </ul>
<b>6. Evaluation</b>	<ul style="list-style-type: none"> <li>• Evaluate the results of benchmarking in terms of improvements vis-à-vis objectives and other criteria set for the purpose.</li> <li>• Review, evaluate and re-set the benchmarks periodically, in the light of changing conditions.</li> </ul>

**SIMILAR QUESTIONS:**

1. What is bench marking? Explain briefly the elements involved in benchmarking process?

A. Refer meaning in 11<sup>th</sup> question & elements in the above answer.

(RTP M17)

**Q.No.11. What is Total Quality Management (TQM)? (A)**

(PM, RTP- M12, M14, M12 – 3M)

**Introduction:** Total Quality Management movement (TQM) has caught on in essentially every corner of industry. The TQM philosophy is a guiding force in all industrialized nations like USA, European nations, Japan, etc.

**MEANING:**

- TQM is a people focused management system that aims at continual increase in customer satisfaction at continually lower real cost.
- It is a sustained management commitment to quality and everyone in the organisation is responsible for preventing rather than detecting defects.
- TQM is a total system approach (not a separate area or program) and an integral part of high-level strategy. It works horizontally across functions and departments, involves all employees, top to bottom, and extends backward and forward to include the supply chain and the customer chain.
- TQM stresses learning and adaptation to continual change as keys to organizational success.

**SIMILAR QUESTIONS:**

1. Define TQM?

(PM)

A. Same as above.

**Q.No.12. What are the Principles / Features of TQM? (A) (PM, RTP- M12, M14, M12 – 3M)**

**PRINCIPLES / FEATURES OF TQM:** The features / guiding principles of TQM are

1. **A sustained management commitment to quality:** For successful implementation of TQM, total commitment must come from top management. Top management should not only define and create quality standards but should also participate in its implementation and in removing the barriers.



2. **Focusing on the customer:** Satisfying the customer is the main objective of TQM. Ultimately, satisfaction of customers will determine the success of an organisation.
3. **Preventing rather than detecting defects:** TQM tries to prevent poor quality in products and services rather than simply to detect and sort out defects. 'An ounce of prevention is worth a pound of cure.'
4. **Universal Quality Responsibility:** The responsibility for quality is not restricted to organisation's quality control department. It is a guiding philosophy shared by everyone in the organisation. Traditionally, organisations rely on quality control department. But in TQM, everyone takes the responsibility for quality.
5. **Quality Measurement:** The basic TQM concept is that quality is a measurable commodity and in order to improve we need to know where we are (what the current quality levels are) and we should have some idea about where we are going (what quality levels we aspire to).
6. **Continuous Improvement and Learning:** TQM should be recognized as a continuous process. Continuous improvement refers to both incremental and breakthrough improvement.
7. **Root Cause Corrective Action:** In majority cases, problems which we think as corrected continue to occur. TQM tries to prevent this by identifying the root cause of the problems and by taking corrective actions that solve the problems at root level.
8. **Employee Involvement and Empowerment:** Employee involvement means every employee shall involve in running the business and plays active role in helping organisation to meet its goals.  
Employee empowerment means employees and management recognise the obstacles to achieve goals and they can be overcome by employees who are provided with necessary authority to do so.
9. **The synergy of teams:** Taking the advantage of synergy in teams is an effective way to address the problems and challenges of continuous improvement.
10. **Thinking Statistically:** For improving quality, it is often required to reduce process or product design variations. Statistical methods are ideally suited to support this objective.
11. **Inventory Reduction:** The Japanese JIT inventory management philosophy was mainly intended for cost reduction but the interesting effect out of this method is quality improvement.
12. **Value Improvement:** The essence of value improvement is something more than quality improvement and it is the ability to meet or exceed customer expectations while removing unnecessary costs.
13. **Suppliers Teaming:** Developing long term relationships with high quality supplier rather than simply selecting those with lower initial cost is termed as suppliers teaming.
14. **Training:** The concept is based on empowering employees by providing the tools necessary for continuous improvement. One of the most basic tools is training.

**Note:** For 4 marks it is sufficient to write the first 5 or 6 points in a detailed manner. It is sufficient write the side headings of remaining points.

#### SIMILAR QUESTIONS:

1. Total Quantity Management (TQM) focuses on preventing rather than detecting defects. (T / F)  
A. A. Refer the 3<sup>rd</sup> point above. (M 13 - 2M)
2. Elaborate the following principles that guide the Total Quality Management Philosophy:
  - (i) Universal Quality Responsibility
  - (ii) Preventing Rather than Detecting Defects
  - (iii) Continuous Improvement and Learning

A. Refer 4,3,6 points in above answer. (PM, M12 – 3M)

**Q.No.13. What are the features that distinguish TQM from Traditional Management practices? (A)**  
(M 11 – 3M, PM, RTP – M13)

Total Quality Management is different from traditional management practices, requiring changes in organisational processes, beliefs and attitudes, and behaviours. 'Traditional management' means the way things are usually done in most organisations in the absence of a TQM focus. The nature of TQM differs from common management practices in many respects. Some of the key differences are as follows:

1. **Strategic Planning and Management:** Quality planning and strategic business planning is indistinguishable in TQM. Customer satisfaction, defect rates and process cycle times receive very high attention on TQM which is not the case in traditional management.
2. **Changing Relationships with customers and suppliers:** Distinguishable, innovation is essential to meet and exceed customers' needs. In TQM quality is defined as product and services. Traditional management places customers outside of the enterprises and within the domain of marketing and sales.
3. **Organizational Structure:** TQM is also distinguishable as it views enterprise as a system of interdependent processes. Every process contains sub-processes and is also contained within a higher process.
4. **Organizational Change:** In TQM the environment in which the enterprise interacts is considered to be changing constantly. TQM recognises the inevitability of external change and focuses on shaping the future.
5. **Teamwork:** In TQM, individuals cooperate in team structure such as quality circles, steering committees, and self-directed work teams. Departments work together toward system optimization through cross-functional teamwork.
6. **Motivation and Job Design:** TQM managers provide leadership and motivation rather than overt intervention in the processes of their subordinates who are viewed as process managers rather than functional specialists.

**SIMILAR QUESTIONS:**

1. Distinguish between TQM and traditional Quality Management?
- A. Refer Fast track material.

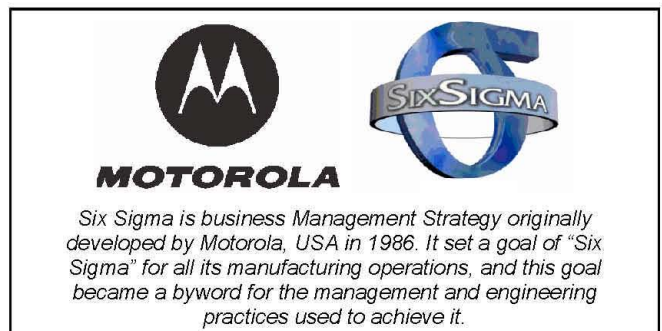
**SIX SIGMA**

**Q.No.14. What is Six Sigma and discuss its features? (A)**  
(N10, 12 - 2M, N13 – 3M, PM, RTP - N11)

**MEANING:** It is a philosophical benchmark or standard of excellence which aims at maintenance of desired quality in end products and processes by taking systematic and integrated efforts towards improving quality and reducing cost. It is also called zero defects program.

**FEATURES:**

1. Highly Disciplined process that helps in developing and delivering near-perfect products and services.
2. Tries to meet & improve the firm's goals on quality, cost, scheduling, manpower, new products, etc.



3. Tries to ensure that 99.99966% of products manufactured are defect-free.
4. Puts the customer first and uses facts and data to drive better solutions.
5. Six Sigma efforts target different areas such as:
  - Improving customer satisfaction
  - Improving quality
  - Reducing wastage
  - Reducing cycle time
  - Reducing defects
6. Full or Total Business Initiative, not merely a quality initiative.
7. Philosophy of management commitment, customer focus, process improvement and rule of measurement.

**SIMILAR QUESTIONS:**

1. What are different target areas of Six Sigma?
  - A. Refer the meaning and the 5<sup>th</sup> point in above answer.
2. Six sigma is not merely a quality initiative, it is a business initiative elucidate? **(RTP M16)**
  - A. Same as above
3. How would you explain managerial significance of six sigma in today's business world?
  - A. Same as above. **(RTP N15)**
4. Write short note on six sigma?
  - A. Same as above.

**Q.No.15. What are the Advantages of Six Sigma? (C)**

1. Improved customer satisfaction and opportunities to retain customers.
2. Reduction in cycle time and defectives.
3. Significant cost savings.
4. Opportunities to capture new markets.
5. Creation of reputation for top performing products or services.
6. Gives a new approach to thinking, planning and executing.
7. It leads to working smarter, not harder.

These are the 3 target areas of SIX SIGMA



*The ISO 9001: 2000 certified Mumbai Dabbawalas (5000 people) have successfully achieved six sigma rating in their operations. They make only one mistake in every 16 million transactions.*

Q.No.16. Explain the Central Themes of Six Sigma Philosophy? (A) (PM, RTP – M13, M17)

**THE CRITICAL ELEMENTS OF SIX SIGMA CAN BE PUT INTO SIX THEMES AS FOLLOWS:**

1. **Theme 1 - Genuine Customer Focus:** Customer focus is the top priority. Six Sigma improvements are defined by their impact on customer satisfaction and value. *For example, the measures of Six Sigma performance begin with the customer.*
2. **Theme 2 - Data and Fact-driven Management:**

A company is said to have achieved Six Sigma if its Defect Rate is only 3.4 for every 1 million parts produced / services rendered.

  - a) Six Sigma discipline begins by clarifying the measures that are important for gauging business performance and then gathers data and analyses key variables.
  - b) *Such concept of "management by fact" drives out opinions and assumptions. Therefore, problems can be much more effectively defined, analyzed and resolved permanently.*
  - c) Six Sigma helps managers to answer two essential questions to support data-driven decisions and solutions.:
    - i) What data / information is really required for decision-making?, and
    - ii) How to use that data / information to obtain maximum benefit?
3. **Theme 3 - Processes are where the action is:** Six sigma identifies the "process" as the key vehicle of success. Mastering processes is a way to build competitive advantage in delivering value to customers.
4. **Theme 4 - Pro-active Management:**
  - a) Being pro-active means acting in advance of events rather than reacting to them. This process involves -
    - Defining ambitious goals and reviewing them frequently,
    - Setting clear priorities,
    - Focusing on problem prevention rather than fire-fighting, and
    - Questioning why we do things instead of blindly defending them.
  - b) *Being pro-active is a starting point for creativity and effective change.*
  - c) *Six sigma replaces reactive habits with a dynamic, responsive, pro-active style of management.*
5. **Theme 5 - Boundaryless Collaborations:** "Boundary lessness" is one of the key factors for business success. The opportunities available through improved collaboration between and within companies and with vendors and customers are substantial.
6. **Theme 6 - Drive for Perfection and Tolerance for Failure:** A company can get closer to Six Sigma only by launching new ideas and approaches, which always involve some risk. Hence, drive for perfection is to be viewed as a tendency to tolerate failure.

**CONCLUSION:** Finally we must bear in mind that six sigma is a gradual process. It starts with a dream or vision, the goal of near perfect products and services and to improve customer satisfaction. Thus it is not a one time affair and it is a continuous process.

**SIMILAR QUESTIONS:**

1. To implement six sigma in an organization is difficult? Explain the critical elements of Six sigma? (RTP - M17)
- A. Same as above.

**Q.No.17. What are the Key Characteristics that differentiate Six Sigma from other Quality Programs? (A)**  
(PM, N 09 - 2M, M 13 – 3M)

**SIX SIGMA IS IMPROVEMENT OVER OTHER QUALITY PROGRAMMES AS STATED BELOW:**

1. It is customer focused. It strives to provide better satisfaction to the customer owing the product.
2. Six Sigma is a total management commitment and philosophy of excellence, process improvement and the rule of measurement.
3. Six Sigma projects produce major returns on investments.
4. Six Sigma changes how management operates. It gives new approaches to thinking, planning and executing to achieve results. It is about working smarter not harder.
5. Six Sigma combines both leadership and grassroots energy and involvement for its success.

**SIMILAR QUESTIONS:**

1. What are the characteristics of six sigma that separate it from earlier quality programmes? Explain briefly. (M15 – 3M, M13 - 3M)
- A. Same as above.

### RECENT STRATEGIC ISSUES

**Q.No.18. What are the Strategy-Shaping Characteristics of E-Commerce environment? (A)**  
(PM, P1P- M14, N10 - 7M, N14 -7M, N14, N16)

We need to understand how growing use of the Internet by businesses and consumers reshapes the economic landscape and alters traditional industry boundaries. The following features stand out.

1. The Internet makes it feasible for companies everywhere to compete in global markets.
2. **There are new e-Commerce strategic initiatives of existing rivals and new entrants in the form of e-commerce rivals:** The innovative use of the Internet adds a valuable weapon to the competitive resource of rival sellers, giving them yet another way to compete for market position and achieve competitive advantage.
3. Entry barriers into the e-commerce world are relatively low.
4. Increased bargaining power of customers to compare the products, prices and other terms and conditions of rival vendors.
5. Possibility for business organizations to locate the best suppliers across the world to gain cost advantage.
6. **Internet and PC technologies are advancing rapidly, often in uncertain and unexpected directions:** Such changes are often bringing in new opportunities and challenges.
7. Faster diffusion of new technology and new idea across the world.
8. **The E - commerce environment demands that companies move swiftly:** In the exploding ecommerce world, speed is a condition of survival.
9. **E-commerce technology opens up a host of opportunities for reconfiguring industry and company value chains:** Using the internet to link the orders of customers with the suppliers of components enables just-in-time delivery to manufacturers, slicing inventory costs and allowing production to match demand.
10. *The Internet can be an economical means of delivering customer service.*
11. *The capital for funding potentially profitable e-commerce businesses is readily available.*
12. *The needed e-commerce resource in short supply is human talent-in the form of both technological expertise and managerial know-how.*

**SIMILAR QUESTIONS:**

1. E-commerce technology opens up a host of opportunities for reconfiguring industry and company value chains. State with reason whether this statement is correct or incorrect.
  - A. Refer the 7<sup>th</sup> point above. (M 12 - 2M)
2. Explain in brief, how E-Commerce environment has affected the business.
  - A. Refer Fast Track Material for brief answer. (M 13 - 3M)
3. 'The growing use of the internet by businesses and consumers is changing the competitive scenario.' Identify the characteristics of the E- Commerce environment in doing so. (PM)
  - A. Same as above.
4. How does the Internet Technology influence an industry's competitive environment? Explain. (N14 – 7M)
  - A. Same as above.
5. Give any three special features or characteristics of the E-commerce? (N16 – 3M)
  - A. Write any 3 characteristics in above answer.

**APPLICATION OF STRATEGIC MANAGEMENT**

**Q.No.19. Explain the Significance of Strategic Management in Non-Profit making organizations? (B) (M 13 – 3M)**

**NON - PROFIT ORGANISATION:**

- a) Business organization can be classified as commercial or non-commercial on the basis of the interest they have.
- b) Typically, a non - profit organization may function without commercial objective of making profit. They might be established for social, charitable, or educational purposes.
- c) Their aim is to provide services to members, beneficiaries or public at large.
- d) **Examples of non - profit organizations:** ICAI, municipal corporations and so on.

**IMPORTANCE OF STRATEGIC MANAGEMENT TO NO- PROFIT ORGANIZATIONS:**

- a) Strategic Management Process can be used effectively by Non-Profit and Governmental Organisations.
- b) Many Non-Profit and Governmental Organisations outperform Private Firms and Corporations on innovativeness, motivation, productivity and strategic management.
- c) Non-Profit and governmental organisations may function as a monopoly, produce a product or service that offers little or no measurability of performance, and are totally dependent on outside financing.
- d) Strategic management provides an excellent vehicle to such social and charitable institutions for developing needed financial support.

**Q.No.20. Educational Institutions require Strategic Management. Explain? (A) (N11 - 3M, PM)**

1. **INTRODUCTION:** Education is considered to be a noble profession. An educational institution often functions as a not-for-profit organization managed by trusts and societies. They include schools, colleges and universities. *Being inherently non-commercial in nature, educational organisations do not have cut-throat competition as in case of their commercial counterparts. However, as the number of institutions belonging to both public and private sector are increasing, the competition is gradually rising.*

2. **IMPORTANCE OF STRATEGIC MANAGEMENT TO EDUCATIONAL INSTITUTIONS:** On account of the significant changes in the competitive environment of educational institutions, they have to adopt different strategies for attracting best students. Through the use of strategic management techniques such institutions are expected to concentrate attention towards:
- Joining hands with industries/ companies in order to deliver education and to make graduates more employable.
  - Introducing modernized teaching methods such as computers, Internet technologies, online degrees etc.
  - Getting better name and recognition.
  - Attracting talented students.
  - Designing the curriculum in such a way to provide better citizenry and employability.
  - Appointing and retaining quality faculty for teaching.
  - Preparing students for the future challenges by capacity building.

**Q.No.21. Define the term ERP and analyse the role of ERP in strategy implementation? (A)**  
(PM, M 16 - 3M, M07 - 2.5M)

**MEANING:**

- ERP stand for Enterprise Resource Planning which is an IT based system linking isolated information centers across the organisation into an integrated enterprise wide structured functional and activity bases.
- ERP is successor to MRP systems (Material Requirements and Manufacturing Resource Planning Systems).
- ERP is used for strengthening the procurement and management of input factors.

**Role of ERP in strategy implementation:**

- Modern ERP systems deliver end-to-end capabilities to support the performance management of entire organisation.
- It helps in consolidated financial reporting, financial management, planning, budgeting, performance management and so on.

**SIMILAR QUESTIONS:**

- Analyse the role of ERP in strategic implementation?
- A. Same as above.

**QUESTIONS FOR ACADEMIC INTEREST – FOR STUDENT SELF STUDY**

**Q.No.22. How internet has helped business? (C)** (PM)

**MEANING:** The Internet is an integrated network of high-speed computers and servers, digital switches and routers, telecommunications equipment and lines and individual computers of users.

**Internet helps businesses in the following ways:**

- Provides very fast means of communication to business with no geographic limitations.
- Internet helps companies to find, negotiate and deal across the world with suppliers on one hand and customers on the other.
- Helps in altering industry value chains, providing substantial opportunities for increasing efficiency and reducing costs, and affecting strengths and weaknesses of business organisations.

**Q.No.23. Write short notes on Core or Generic Business Processes? (C)**  
(For student self - study)

**MEANING:**

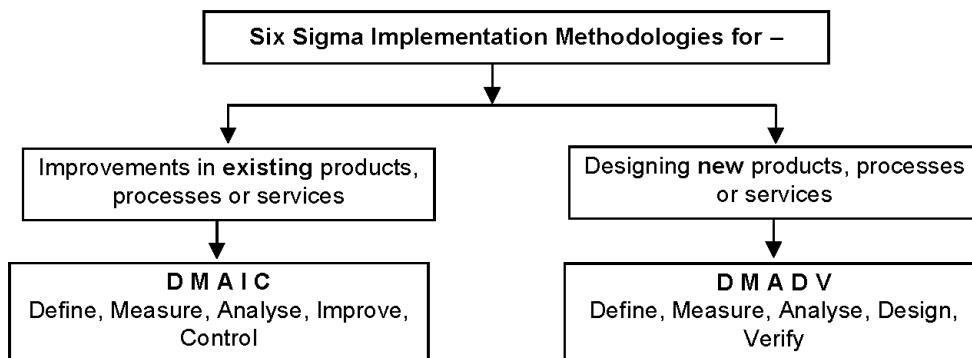
- Core or Generic Business Processes are those which are highly critical for the success and survival of the firm.
- They are critical in a company's evaluation by its customers.
- They are vital for success in the industry sector within which the company is positioned.
- They are crucial for generating competitive advantages for a firm in the marketplace.

**SOME EXAMPLES OF CORE BUSINESS PROCESSES ARE –**

<b>Nature of Activity</b>	<b>Core Business Processes</b>
1. News distribution by TV, newspaper, etc.	Collection & Broadcasting of news in a timely manner.
2. Fast Moving Consumer Goods	Marketing, Brand Management.
3. Electronics and Software	New Product development.
4. Banking	Mobilising Deposits and generating funds for providing advances to customers.
5. Insurance	Balance between competitive premium and profits after claims for the company.

**Q.No.24. What are the Procedures / Methodologies for implementing Six Sigma? (A)**  
(RTP- N14, N16 M13 – 4M) (For student self study)

For implementing six sigma there are two separate key methodologies for existing and new processes. Conceptually there is some overlapping between the two. The two methodologies are as follows:



**1. DMAIC (for Existing Products, Processes and Services)**

<b>Define</b>	<ul style="list-style-type: none"> <li>• Define the process <u>improvement goals</u> that are consistent with the firm's overall strategy and customer demands.</li> <li>• Discuss all issues with senior management officials so as to define what needs to be done.</li> </ul>
<b>Measure</b>	<ul style="list-style-type: none"> <li>• Measure the existing processes to facilitate future comparison.</li> <li>• Collect process data by <u>mapping and measuring</u> relevant processes.</li> </ul>
<b>Analyse</b>	<ul style="list-style-type: none"> <li>• Verify cause-and-effect relationship between the factors in the processes.</li> <li>• Identify the <u>inter-relationship between</u> the factors which affect performance.</li> <li>• Make a <u>comprehensive analysis</u> to identify hidden or latent factors.</li> </ul>
<b>Improve</b>	<ul style="list-style-type: none"> <li>• Make a detailed plan to improve on the basis of the above analysis.</li> </ul>



<b>Control</b>	<ul style="list-style-type: none"> <li>Perform initial trials or pilot runs, to establish process capability and transition to production.</li> <li>Measure the <u>process continuously</u> to ensure that variances are identified and corrected before they result in defects.</li> </ul>
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2. DMADV (for New products, Processes and Services)

(RTP - N11, M16)

<b>Define</b>	<ul style="list-style-type: none"> <li>Define the goals of the <u>design activity</u>, such that they are consistent with the firm's <u>overall strategy</u> and the demands of the customer.</li> </ul>
<b>Measure</b>	<ul style="list-style-type: none"> <li>Identify the factors that are critical to quality (CTQs). Also assess the risks involved.</li> <li>Measure factors such as product capabilities and production process capability.</li> </ul>
<b>Analyse</b>	<ul style="list-style-type: none"> <li>Develop and design alternatives.</li> <li>Create high-level design and evaluate to select the best design.</li> </ul>
<b>Design</b>	<ul style="list-style-type: none"> <li>Develop details of design and optimize it.</li> <li>Evaluate <u>designs using techniques</u> such as simulations.</li> </ul>
<b>Verify</b>	<ul style="list-style-type: none"> <li>Verify designs through simulations or pilot runs.</li> <li>Hand over the verified and implemented processes to the Process-Owners.</li> </ul>

**SIMILAR QUESTIONS:**

- Write short on DMADV – A six sigma methodology? (RTP N16)
  - Write 2<sup>nd</sup> point in above answer.
- What is six sigma? Briefly discuss the key methodology for adopting six sigma for a new product? (RTP M16)
  - Write 2<sup>nd</sup> point in above answer.
- Distinguish between DMAIC and DMADV methodology of six sigma? (N16 – 4M) (PM)
  - Refer fast track material

**APPLICATION ORIENTED QUESTIONS**

Q.No.25. Write a short note on Internet Technology? (B)

(PM, N12 - 3M)

1. **MEANING:**

- The Internet is an integrated network of banks of servers and high-speed computers, digital switches and routers, telecommunication equipment and lines, and individual computers.
- The backbone of the internet consists of telecommunication lines criss-crossing countries, continents, and the world that allow computers to transfer data in digital form at very high speed.

2. **IMPACT OF INTERNET ON BUSINESS:** Internet has made significant changes in the way businesses are being conducted.

- Communication has become faster, with many inter-linkages promoting globalization.
- While markets have expanded, the competition has also increased tremendously.
- E-commerce is a new area which has developed on account of internet technology.

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**Q.No.26. "TQM espouses a philosophy of continuous improvement in all areas of an organization". Justify the statement. (B) (M16 – 3M)**

**Meaning of TQM:** As given above.

TQM is a philosophy of continuous improvement in all areas of an organization. This philosophy ties in closely with the quality measurement and universal quality responsibility concepts. Quality measurement is needed in order to focus improvement efforts appropriately.

Continuous improvement is part of the management of all systems and processes. Achieving the highest levels of performance requires a well-defined and well-executed approach to continuous improvement and learning.

### TEST YOUR KNOWLEDGE

1. What is a Business Process? Mention the various business processes of a bank.
2. Explain the drastic changes that took place in the Indian Banking Sector after implementing Business Process Reengineering.
3. How do you persuade ICAI to implement BPR? What are the likely outcomes if ICAI implements BPR in its operations?
4. Which Company did Reliance benchmark with in retailing business? What are the different areas in which did Reliance follow benchmarking in retailing?
5. Benchmarking is nothing but imitating the best? Comment.
6. Which Japanese management Philosophy deals with ensuring 'Zero Inventory' in business?
7. What is difference between 'Value Improvement' and 'Quality Improvement'?
8. Make a list of household products. Segregate them into the ones that can be purchased through internet and those that are not available on internet. Identify the reasons, why some of the products are not popular on internet sales. **(PM)**

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**THE END**