12. Reaching Strategic Edge

Business Process Re-Engineering (BPR)

Q.No.1. Define the term Business Process.

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 a set 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.

Q.No.2. Outline the importance of business processes.

1. **Analysis:** The structural elements of a process are important for its analysis, appraisal and re-design for achieving higher levels of efficiency and effectiveness, economy, speed, quality and output.
2. **Linkages:** A set of inter-connected processes will form a business system. The performance of a business firm is the result of inter-related operations of its business processes.
3. **Competitive advantage:** Core business processes are critical for every company. Such processes are very important for the success of a business. Thus, they are very crucial for generating competitive advantage to the firm.

Q.No.3. Write short notes on Core or Generic Business Processes.

Meaning: Core or Generic Business Processes are those which are highly critical for the success and survival of the firm. Some examples of Core Business Processes are –

Nature of Activity	Core Business Processes
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.

Change: Core Business Processes of a Company may change over a period of time according to the shifting requirements of its competitiveness.

Re-design: Core or Generic Business Processes of a firm that require re-design may be classified into

1. Processes relating to development and **delivery of product(s) and/or services** - research, design, engineering, manufacturing, logistics, purchasing / procurement and materials management.
2. Processes **involving interface(s) with customers** - marketing, advertising, order fulfillment & service.
3. Processes relating to **management activities** - strategy formulation, planning and budgeting, performance measurement and reporting, Human Resource Management & building infrastructure.

Q.No.4. Outline the need for Business Process Re-engineering (BPR).

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.
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. They need to be re-designed as early as possible.
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:** 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.
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Q.No.5. What do you mean by Business Process Re-engineering (BPR)?

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 (= at liberty) by its existing structure and pattern.

Concept: The concept of BPR is outlined below

1. **Operational excellence:** The operational excellence of a company is very important for its competitiveness. The business strategy of a company should be designed to take the advantage of its operational excellence.
2. **Process orientation:** A customer-focused firm should be re-aligned in terms of process orientation. Processes need to be managed effectively. The firm should look at "what work is being done" and also **"**how work is being done".
3. **No old ideas:** For considering new ways of re-designing processes, each and every concept, assumption, purpose and principle should be abandoned (= discarded) temporarily. It is necessary to proceed afresh, without being influenced by old ideas.
4. **Dramatic improvement:** Dramatic improvement in performance is a pre-requisite for overcoming competition. Continuous improvement is not sufficient when the company is far below industry standards. In such a case, the company needs to make quantum leaps (= jump) in performance.
5. **Competitive advantage:** To survive, grow and tackle competition, "how to compete" is more important than deciding where to compete.

Q.No.6. State the objectives of Business Process Re-engineering?

The objectives of Business Process Re-engineering are:

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 (= repetitive) 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.

Q.No.7. Bring out the features of Business Process Re-engineering.

1. **Starting from scratch:** BPR means starting from the 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. **Re-thinking:** BPR begins with fundamental re-thinking. The strategists who initiate BPR ask some basic questions about the firm's operations. They try to find out answers to questions like "What is being done now? Why is it being done in this way?"
3. **No assumptions:** BPR does not begin with any assumptions or premises. The thinking process in BPR begins with a totally free state of mind i.e. without any pre-conceived (= pre determined) notions.
4. **Normative:** BPR is not a subjective process. It is a normative process. It first decides what a company must do and then it decides on 'how to do it'. BPR ignores what the existing process is and concentrates on 'what it should be'.
5. **Radical** (= drastic)**:** 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 (= surface) changes. It completely ignores the existing structures and procedures and develops completely new ways of doing the work.
6. **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.
7. **Re-invention:** BPR is about business re-invention, not business improvement, business enhancement or business modification.
8. **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.
9. **Detailed:** BPR looks at the minute details of the process such as why the work is done, who does it, where it is done and when it is done.
10. **Thrust** (= focus) **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.
11. **Continuous:** BPR is a continuous improvement process. Even after re-designing of a process, BPR maintains a continuous effort for more and more improvement.
12. **IT supported:** BPR uses information technology for the most rational, simple and efficient re-design of work structure. BPR aims to utilise information technology for developing new processes, instead of merely automating the existing processes.
13. **Wholistic:** BPR will affect all parts of the firm. BPR views the processes from a cross-functional and wholistic angle. BPR focuses on a multi-dimensional approach. It will disregard the constraints of organisational structure and departmental boundaries.
14. **Organisational change:** BPR involve massive organizational change. Work changes from task oriented to process-oriented. People have the choice of making their own decisions rather than being directed. Every aspect of the firm changes beyond recognition.
15. **Top management support:** BPR is supported by the vision and commitment of the firm's top leadership, to ensure its effective completion and implementation.

Q.No.8. Write down the steps in BPR?

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 customer 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 –
      - customer(s) and customer group(s),
      - customer requirements and expected utilities in a product or service,
      - customers' problems and perceptions about the product, and
      - buying habits, tendencies, etc.
3. **Study the existing process:** 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:**
   a) 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.
   b) Customer focused re-design concepts are identified and formulated. Alternative processes are considered and the best one is selected.
5. **Implementation of the re-design:**
   a) Implementation of the re-designed process and application of other knowledge gained from the previous steps is very important to achieve dramatic improvements.
   b) It is the joint responsibility of the designers and management to implement the new process.

Q.No.9. BPR is a means of solving business problems through an imaginative leveraging of Info.Tech. capabilities. Explain.

1. **Competition:** Firms are now forced to improve their business processes to meet increased competition. Major changes are required to even to stay in the competitive market.
2. **Customer needs:** 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.
3. **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.
4. **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.

Q.No.10. Explain the role of information Technology in BPR.

1. 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.

2. 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,

d) Information systems that provide timely, reliable and accurate information, and

e) **Business Values** – IT initiatives provide business values in the areas of -

- **Efficiency** - by way of increased productivity,
- **Effectiveness** - by way of better management,
- **Innovation** - by way of improved products and services.

Q.No.11. Differentiate between BPR and other methods of improving organizational efficiency.

Business Process Re-engineering	Conventional Methods of improving operational efficiency
1. Total re-designing of business processes.	Partial modification of processes.
2. Dramatic improvement in performance.	Marginal improvement in performance.
3. Re-engineering leads to re-structuring of the organization.	All re-structuring ideas does not necessarily mean Re-engineering.
4. Existing processes, procedures, ways of doing things, etc. are questioned and challenged.	Existing processes and procedures are not challenged. They are just modified & improvised.
5. Altogether new processes are identified.	New processes may not be identified.
6. Fundamental re-thinking and discontinuous thinking is involved.	Focus is on re-designing certain aspects of processes, without fundamentally modifying the same.
7. BPR is a cross-functional and multi-dimensional approach. It affects all functions, departments and sub-systems.	It may be restricted to a certain function (e.g. purchase or production or marketing) or a certain geographical area.
8. Leads to massive organisational change.	May not involve substantial change, as seen in BPR.

Q.No.12. State the problems in the implementation of BPR?

The problems encountered in BPR are:

1. All companies may not have enough courage to have BPR, because of the challenges involved.

2. BPR disturbs established hierarchies and functional structures and creates serious consequences.

3. BPR involves change and therefore causes resistance among the workforce.

4. BPR takes time and expenditure in the short run. Due to this several companies are reluctant to do this exercise.

5. There may be loss of revenue during the transition period of BPR.

6. If the targets are not properly set or the whole transformation is not properly carried out, BPR efforts may lead to failure.

BENCHMARKING & TOTAL QUALITY MANAGEMENT (TQM)

Q.No.13. What is Benchmarking?

Meaning:

1. Benchmarking is the process of identifying and learning from the best industry practices and the processes by which they are achieved.
2. 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.

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.
2. Plant Utilization Levels.
3. Maintenance Operations.
4. Human Resource Management.
5. Product Distribution.
6. Customer services.

Q.No.14. What are the elements/steps in the process of Benchmarking?

Benchmarking process involves the following steps:

Stage	Steps
1. Planning	❖ Define the objectives of the benchmarking exercise and the type of benchmarking. ❖ Identify the realistic opportunities for improvement.
2. Data Compilation	❖ Obtain information and data on the firm's actual performance. ❖ Collect information and data using different methods like interviews, site-visits, filling questionnaires, etc. ❖ Create an outline or map of existing business processes.
3. Analysis	❖ Identify the best processes within the same firm (intra-group benchmarking) or external to the firm (inter-group benchmarking).
4. Comparison	❖ Compare own processes and performance with that of others. ❖ Identify gaps in performance between the firm and better performers. ❖ Analyse the performance gaps to seek explanations, to make such comparisons meaningful and credible. ❖ Examine the chances of making the improvements in the light of conditions that exist within the firm.
5. Reporting	❖ Prepare a report on the benchmarking initiatives and provide recommendations and action plans. ❖ Communicate the action plans to the concerned managers & field-workers. ❖ Implement the steps necessary to fill the performance gap.
6. Review	❖ Evaluate the results of benchmarking in terms of improvements vis-à-vis objectives and other criteria set for the purpose. ❖ Review, evaluate and re-set the benchmarks periodically, in the light of changing conditions.

Q.No.15. What is Total Quality Management (TQM)? What are the principles / features of TQM?

Meaning: TQM is a people focused management system that aims at continual increase in **customer satisfaction** at continually lower real cost. It is a customer oriented approach to provide quality.

Features: The features / guiding principles of TQM are

1. **Commitment:** If a TQM culture is to be developed, total commitment must come from top management. It is not sufficient to delegate 'quality' issues to a single person or department. Quality expectations must be made clear by the top management, together with the support and training required for its achievement.
2. **Culture:** Training is very important for bringing change in culture and attitude. Negative perceptions must be changed to encourage individual contributions and to make 'quality consciousness' a normal part of everyone's job.
3. **Continuous Improvement:** TQM should be recognised as a 'continuous process'. It is not a 'one-time programme'. Continuous Improvement refers to both "incremental" improvement, as well as "breakthrough" improvement. Improvement may be of various types, like –
   - **a)** providing more value to the customer through new and improved products and services,
   - **b)** identifying new business opportunities,
   - **c)** reducing errors, defects, inefficiencies and wastes,
   - **d)** improving responsiveness and cycle time performance, and
   - **e)** improving productivity and effectiveness in the utilisation of resources.
4. **Co-operation:** Employee involvement and co-operation is required in the development of improvement strategies and associated performance measures. TQM visualises
   - **a) Employee involvement:** This means that every employee is involved in running the business and plays an active role in helping the firm to meet its goals.
   - **b) Employee empowerment:** Several obstacles in the achievement of organizational goals can be overcome by employees who are provided with the necessary tools and authority to do so.
5. **Customer focus:** The needs of external customers (who receipt the final product or service) and also the internal customers (colleagues who receive and supply goods, services or information), should be the prime focus.
6. **Control:** Documentation, procedures and awareness of current best practices are essential for appropriate functioning of TQM. Unless control measures are in place, improvements cannot be monitored and measured nor deficiencies corrected.
7. **Cross-functional:** TQM is a total system approach, and not a separate area or program. It is an integral part of high-level strategy-making. It works horizontally across functions and departments, involves all employees and extends backward and forward to include supply chain and customer chain.
8. **Cause Analysis:** TQM tries to design and build quality in the product rather than allow defectives and then inspect and rectify them. The focus is on the causes rather than the symptoms of poor quality. This is done by identifying the root causes of problems and by implementing corrective actions to rectify the problems at the root level.
9. **Change:** According to TQM, learning and adaptation to change are keys to organizational success. Improvement and learning should be a regular part of daily work. The objective is to eliminate problems at the source, be driven by opportunities, as well as by problems that need to be corrected. This requires a "learning" attitude.
10. **Concept of teams:** Taking advantage of synergy benefits of teams is an effective way to address the problems and challenges of continuous improvement.

Q.No.16. Explain a few operational principles / features of TQM.

1. **Universal Quality Responsibility:** Quality is a organization-wide guiding philosophy and it is not restricted to the Firm's Quality Control / Quality Assurance Department. Under TQM, every person or department takes responsibility of quality.

2. **Quality Measurement:** Under TQM, quality is recognised as a **measurable** concept and in order to improve, we need to know where we are (i.e. what the current quality levels are) and we need to have some idea where we are going (i.e. what quality levels we want to achieve). Statistical methods are used to support quality efforts in the areas of 'process-simplification' and 'product-design variation'.

3. **Inventory reduction:** Inventory reduction leads to
   a) cost reduction, and
   b) quality improvement.
   This management philosophy is called Just-in-Time (JIT) inventory management.

4. **Value Improvement:** The essence of value improvement is the ability to meet or exceed customer expectations while removing unnecessary costs. The philosophy is more of "Cost Management" and not merely "Cost Containment".

5. **Supplier teaming:** Developing long-term relationships with few high-quality suppliers, rather than simply selecting those suppliers with the lowest initial cost is termed as Supplier Teaming. This will ensure quality at the source level, i.e. at the raw materials / component procurement stage.

6. **Training:** Training is one of the pre-requisites to ensure
   a) Employee Involvement,
   b) Employee Empowerment and
   c) Continuous Improvement.

Q.No.17. What are the features that distinguish TQM from Traditional Management practices?

The features that differentiate TQM from Traditional Management Practices and Techniques are:

1. **Strategic planning and management:**
   a) Quality Planning and Strategic Business Planning go hand-in-hand. Quality goals are the corner stones of a business plan.
   b) Aspects like customer satisfaction, defect rates and process cycle times receive attention in the Strategic Plan and also in financial and marketing objectives.

2. **New linkages with customers and suppliers:**
   a) In TQM, quality is related to production of products and services beyond present needs and expectations of customers, using innovative techniques.
   b) TQM views everyone inside the firm as a Customer of an internal or external supplier, and a supplier of an external or internal customer.
   c) Marketing concepts and tools can be used to assess internal customer needs and to communicate internal supplier capabilities.

3. **Organizational structure:**
   a) TQM views the enterprise as a system of inter-dependent processes, linked over time through a network of collaborating (internal and external) suppliers and customers.
   b) Each process is connected to the firm's mission and purpose, through a hierarchy of micro and macro-processes and contains sub-processes and is also contained within a higher process.
   c) This structure of processes is repeated throughout the hierarchy.

4. Organizational Change:

a) In TQM, the environment in which the enterprise interacts is considered to be changing constantly. External change is inevitable, but a favourable future can be shaped.

b) The job of management's is to provide the leadership for continuous improvement and innovation in processes and systems, products, and services.

5. Teamwork: In TQM, individuals co-operate in team structures such as Quality Circles, Steering Committees and self-directed work teams. Departments work together towards system optimization through cross-functional teamwork.

6. Motivation & Job Design: TQM managers provide leadership in the processes of their sub-ordinates, who are viewed as Process Managers rather than Functional Specialists. Therefore, employees and sub- ordinates are motivated to make meaningful contributions to the value of the firm and society.

SIX SIGMA

Q.No.18. What is Six Sigma?

Meaning: Six Sigma means maintenance of the desired quality in processes and end products by taking systematic and integrated efforts in that direction.

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. Based on the concept of probability and normal distribution in statistics.
4. Tries to ensure that 99.99966% of products manufactured are defect-free.
5. Puts the customer first and uses facts and data to drive better solutions.
6. Full or Total Business Initiative, not merely a quality initiative.
7. Tries to achieve breakthroughs in every area of operation, not merely small marginal improvements.
8. Philosophy of management commitment, customer focus, process improvement and rule of measurement.
9. Makes every area of the firm ready to meet the changing needs of customers, markets & technologies.

Q.No.19. What are the advantages of Six Sigma?

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.

Q.No.20. What are procedures / methodologies for implementing Six Sigma?

Six Sigma Implementation Methodologies for –

Improvements in **existing** products, processes or services	Designing **new** products, processes or services
D, M, A, I, C Define, Measure, Analyse, Improve, Control	**D, M, A, I, C** Define, Measure, Analyse, Design, Verify

1. **DMAIC** (for existing products, processes and services)

Define	❖ Define the process improvement goals that are consistent with the firm's overall strategy and customer demands. ❖ Discuss all issues with senior management officials so as to define what needs to be done.
Measure	❖ Measure the existing processes to facilitate future comparison. ❖ Collect process data by mapping and measuring relevant processes.
Analyse	❖ Verify cause-and-effect relationship between the factors in the processes. ❖ Identify the inter-relationship between the factors which affect performance. ❖ Make a comprehensive analysis to identify hidden or latent (= hidden) factors.
Improve	❖ Make a detailed plan to improve on the basis of the above analysis.
Control	❖ Perform initial trials or pilot runs, to establish process capability and transition to production. ❖ Measure the process continuously to ensure that variances are identified and corrected before they result in defects.

2. **DMADV** (for **new** products, processes and services)

Define	❖ Define the goals of the design activity, such that they are consistent with the firm's overall strategy and the demands of the customer.
Measure	❖ Identify the factors that are critical to quality (CTQs). Also assess the risks involved. ❖ Measure factors such as product capabilities and production process capability.
Analyse	❖ Develop and design alternatives. ❖ Create high-level design and evaluate to select the best design.
Design	❖ Develop details of design and optimise it. ❖ Evaluate designs using techniques such as simulations.
Verify	❖ Verify designs through simulations or pilot runs. ❖ Hand over the verified and implemented processes to the Process-Owners.

Q.No.21. Explain Six Sigma as a system of management.

1. Six Sigma is a system that combines both strong leadership (from top level management) and grassroots energy and involvement (from operational level management).
2. People at all levels of a Six-Sigma firm find that better understanding of customers, clearer processes, meaningful measures and powerful improvement tools, make their work more rewarding.
3. The ideas, solutions, process discoveries and improvements that arise from Six-Sigma, take place at the front lines of the firm. Six-Sigma Companies put more responsibility into the hands of people who work directly with customers.
4. As a management system, Six-Sigma involves:
   a) Top Management Commitment,
   b) Middle Management participation,
   c) Training of employees and executives,
   d) Accountability of results, and
   e) Ongoing reviews to ensure performance and results.

Q.No.22. Explain the central themes of Six Sigma Philosophy.

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.

2. Theme 2 - Data and fact-driven management:

a) Six Sigma discipline (= subject, field) 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:

- What data / information is really required for decision-making?, and
- How to use that data / information to obtain maximum benefit?

3. Theme 3 - Process orientation: 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,
- focussing 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: "Boundarylessness" 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: 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.

RECENT STRATEGIC ISSUES

Q.No.23. What are the strategy-shaping characteristics of E-Commerce environment?

The strategy-shaping characteristics of E-Commerce environment are:

1. Global Markets:

a) E-commerce is very useful to companies whose products are of good quality and can be transported economically to all parts of the world.

b) Internet opens up bigger geographic markets. Thus, E-Commerce will increase rivalry among sellers of different geographic areas to a whole new level.

2. On line / Internet competition:

a) The use of Internet leads to cost cut-down and greater business efficiency.

b) Innovative use of the Internet is a key tool of rival sellers. It gives another way to get market position and to gain competitive advantage.

3. Limited entry barriers:

a) Many of the activities in e-commerce business can be outsourced. The software for establishing a website is readily available and the costs of using and maintaining servers are relatively modest.

b) Due to advent of internet, entry barriers are relatively low.

4. Buyer bargaining power:

a) A multinational manufacturer can easily pool their orders with parts and components' suppliers, and bargain for volume discounts.

- **b)** Consumers can readily get reviews of products, compare the features and prices of rival brands, and quote their willing price for purchasing the items.

5. **Supplier management:**
   - **a)** Companies can collaborate electronically with chosen suppliers to
   - streamline ordering and transportation of parts and components,
   - improve JIT deliveries,
   - work in parallel on the designs for new products, and
   - communicate speedily and efficiently.
   - **b)** In an e-commerce environment, companies integrate foreign suppliers into their supply chain networks more effectively, leading to cost savings and speeding up new products into the market.

6. **New business practices:** Companies in different countries can use the internet to monitor the latest technological developments and be in touch with what is happening in the markets of other countries. New business practices like e-auction, e-display of products, etc. can be adopted by such companies.

7. **Re-configuring value chains:**
   - **a)** Using the internet it is possible to link the orders of customers with the suppliers of components. This enables JIT delivery to manufacturers, reducing inventory costs and allowing production to match demand.
   - **b)** Tight supply chain management starting with customer orders and working back to components production, coupled with the use of Enterprise Resource Planning (ERP) software and Manufacturing Execution System (MES) software, can make custom manufacturing just as cheap as mass production.

8. **Customer service:**
   - **a)** The Internet provides innovative opportunities for handling customer service activities.
   - **b)** Companies are discovering ways to deliver services online. This helps to reduce the personnel at the facilities of major customers, reducing staffing levels at telephone call centers and cutting the time required for service technicians to respond to customer faxes and e-mail messages.

9. **Capital for funding:** E-commerce can help companies to raise equity and debt to fund a new venture, from any part of the world. The requirements for obtaining funding are:
   - **a)** a promising technology or idea,
   - **b)** an attractive business model, and
   - **c)** a well thought-out strategic plan.

10. **Human talent:**
    - **a)** Companies have competitive advantage in patented technology or unique physical assets or brand name awareness. Companies can get competitive advantage based on the expertise and intellectual capital of their personnel and on their organizational competencies and capabilities.
    - **b)** Competitive assets include –
      - ❖ dominating depth in a particular technology, and
      - ❖ workforce with exceptional know-how, experience and commitment that gives strong skills and competitive capabilities to the firm.

Q.No.24. Explain the significance of strategic management in Non-Profit making organizations.

1. Strategic Management Process can be used effectively by Non-Profit and Governmental Organizations.
2. Many Non-Profit and Governmental Organizations outperform Private Firms and Corporations on innovativeness, motivation, productivity and strategic management.
3. Non-Profit and governmental organizations 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.

4. Strategic management provides an excellent vehicle to such social and charitable institutions for developing needed financial support.

Q.No.25. Educational institutions require strategic management. Explain.

1. Academic Institutions have joined hands with industries in order to deliver education and to make graduates more employable.

2. The Educational Delivery System has undergone considerable changes with the introduction of computers, Internet technologies and more modernized teaching methods.

3. Online College Degrees are becoming common and represent a competitive threat to traditional Colleges and Universities.

4. On account of the above significant changes in the competitive environment of educational institutions, they have to adopt different strategies for attracting best students.

Q.No.26. What are the areas of Strategic Management in relation to Medical organizations?

1. A successful hospital strategy for the future requires renewed and deepened collaboration with physicians, who are central to the hospitals' well-being.

2. Backward Integration Strategies for hospitals include acquiring ambulance services, waste disposal services and diagnostic services.

3. Many people research medical ailments online, leading to a dramatic shift in the balance of power between doctor, patient, and hospitals.

4. A secure medical service whereby doctors and patients can conduct sensitive business on the Internet, such as sharing results of medical tests and prescribing medicine, is also available.

5. Following are the successful strategies for hospitals.

a) Free-standing outpatient surgery centers,

b) Outpatient Surgery & Diagnostic Centers,

c) Physical Rehabilitation Centers,

d) Home Health Services,

e) Cardiac Rehabilitation Centers

f) Preferred Provider Services,

g) Industrial Medicine Services,

h) Women's Medicine Services,

i) Skilled Nursing Units, and

j) Psychiatric Services

Q.No.27. Write short notes on Strategic Management in Governmental Agencies and Departments.

1. Central, State and Municipal Agencies, Public Sector Units and Departments are responsible for formulating, implementing and evaluating strategies that use taxpayers' money in the most cost-effective way to provide services and programs.

2. However, strategists in Government Organizations operate with less strategic autonomy than Managers in Private Firms. They enjoy little freedom in altering the organizations' mission or re-directing objectives.

3. Legislators and Politicians often have direct or indirect control over major decisions and resources.

4. Government organisations, agencies and departments are now motivating their employees to participate in the strategic management process thereby have an effect on the organization's mission, objectives, strategies and policies.

5. Government agencies are also using strategic management to develop and substantiate formal requests for additional funding.

The End