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Strategic Management Notes

Cover all reasoning Questions

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Source practice manual and last year's question papers

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All Reasoning Questions and basic concepts

Business Environment

- (a) *Businesses function in isolation.*
- (b) *Environmental constituents exist in isolation and do not interact with each other.*
- (c) *The basic objective of a business enterprise is to monitor the environment.*
- (d) *"Profit may not be a universal objective but business efficiency is definitely an objective common to all business".*
- (e) *Managers must list and analyse all environmental influences for proper strategic understanding.*
- (f) *There is both opportunity and challenge in changes happening in environment*
- (g) *Changes in strategy may lead to changes in organizational structure.*
- (h) *A business, even if it continually remains passive to the relevant changes in the environment, would still grow and flourish.*
- (i) *"Changes of any type are always disquieting, sometimes they may be threatening."*
- (j) *The rate and magnitude of changes that can affect organisations are decreasing dramatically*
- (k) *Strategic actions are always in reaction to the changes in environment.*
- (l) *Successful businesses have to recognize different elements of environment.*
- (m) *Socio-cultural environment consists of factors related to government and politics.*
- (n) *The benefit of competition is also enjoyed by the customers.*
- (o) *Competition is bad for the organizations.*
- (p) *Porter's five forces model considers new entrants as a significant source of competition.*
- (q) *Globalization means different things to different people.*
- (r) *The term PESTLE analysis is used to describe a framework for analyzing the micro-environmental factors.*
- (s) *The process of strategy avoids matching potential of the organization with the environment opportunities.*

Answer

- (a) **Incorrect:** Businesses do not function in an isolated manner. They function within a whole gambit of relevant environment and have to negotiate their way through it. The extent to which the business thrives

depends on the manner in which it interacts with its environment. A business which continually remains passive to the relevant changes in the environment is destined to gradually decline.

- (b) **Incorrect:** Environmental constituents such as economic, legal, society, technology and other macro and micro elements are interwoven through complex and haphazard linkages. These constituents comprise of multitude of forces that are inter-related and inter-dependent. They are termed as environment as they are outside the main periphery of business but may affect its functioning directly or indirectly.
- (c) **Incorrect:** Monitoring environment is ancillary to basic objectives of a business enterprise. It is imperative for organisations to create and retain customers. Organisational objectives may include survival, stability, growth, profitability and like. Organisations monitor the changes in the environment, analyse their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival, stability and strength.
- (d) **Correct:** It is generally asserted that business enterprises are primarily motivated by the objective of profit. Organizations pursue multiple objectives rather than a single objective in which business efficiency is a very useful operational objective. Many organizations, particularly charitable and non-government do not aim for making profits. But in general, all organizations aim for optimum utilization of resources and economy in operational costs.
- (e) **Incorrect:** The environment encapsulates many different influences. The difficulty is in making sense of this diversity in a way which can contribute to strategic decision-making. Listing all conceivable environmental influences may be possible, but it may not be of much use.
- (f) **Correct:** It is said that change is inevitable, especially in the context of business environment. Changes in the business environment from time to time throw up new issues before businesses. A right perspective of such new issues is to view them both as challenges and opportunities - challenge because appropriate action is called for and, opportunity because it opens up new potentials for the future plans that would lead to prosperous business.
- (g) **Correct:** Changes in strategy may require changes in structure as the structure dictates how resources will be allocated. Structure should be designed to facilitate the strategic pursuit of a firm and, therefore, should follow strategy. Without a strategy or reasons for being, companies find it difficult to design an effective structure.
- (h) **Incorrect:** Businesses function within a whole gamut of relevant environment and have to negotiate their way through it. A successful business has to identify appraise and respond to various opportunities and threats in its environment. The extent to which the business thrives depends upon the manner in which it interacts with environmental situations or constraints. A business remaining passive to changes in its environment is destined to gradually fade away into oblivion.

- (i) **Incorrect:** Favourable changes either in the external environment or internal environment are not threatening and/or disquieting. Changes that are initiated by the management to bring improvements in its working are not always disquieting. However, sometimes changes can be threatening especially for old and weak organizations with risk averse and stodgy managers.
- (j) **Incorrect:** No, the reality is just the other way round. Business environment especially after globalisation and liberalisation is witnessing changes that are fast paced and have far-reaching implications for businesses. This is true for economic, political, technological, legal, and socio-cultural factors. This has created strong pressures on organization for proactive adaptation to environmental changes for survival growth and competitive edge.
- (k) **Incorrect:** Strategic actions are typically a blend of (1) proactive actions on the part of managers to improve the company's market position and financial performance and (2) as needed reactions to unanticipated developments and fresh market conditions and developments.
- (l) **Correct:** To be successful businesses have to recognise different elements of the environment. They have to also respect, adapt to or have to manage and influence them. Businesses must continuously monitor and adapt to the environment to survive and prosper.
- (m) **Incorrect:** Socio-cultural environment consist of factors related to human relationships and the impact of social attitudes and cultural values which has bearing on the business of the organization. The beliefs, values and norms and general fabric of society determine how individuals and organizations should be interrelated.
- (n) **Correct:** The benefit of competition are enjoyed by the society and the markets in which organisations operate. The customers are able to get products at lower costs and of better quality. They are able to get better value of their money because of competition.
- (o) **Incorrect:** All organizations have competition that makes their working challenging. However, competition is neither a coincidence nor bad luck. The nature and extent of competition that a business is facing in the market is one of the major factors affecting the rate of growth, income distribution and consumer welfare. Competition makes them work harder, brings innovation and cost economies. The benefit of competition is also enjoyed by the society and the markets in which organisations operate.
- (p) **Correct:** Porter's five forces model considers new entrants as major source of competition. The new capacity and product range that the new entrants bring in throw up new competitive pressure. The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players.
- (q) **Correct:** Globalization refers to the process of integration of the world into one huge market. Such unification calls for removal of all trade barriers among countries. Globalization is an opportunity for organizations

to expand their markets and reach out to different customers. Globalization can also have other meanings. For some it is a new paradigm - a set of fresh beliefs, working methods, and economic, political and socio-cultural realities in which the previous assumptions are no longer valid. For developing countries, it means integration with the world economy.

- (r) Incorrect: The term PESTLE Analysis is used to describe a framework for analysis of macro environmental factors. It involves identification of political, economic, socio-cultural, technological, legal and environmental influences on an organization and providing a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy. The advantage of this tool is that it encourages management into proactive and structured thinking in its decision making.
- (s) Incorrect: In the process of strategic management an organisation continuously scan its relevant environment to identify various opportunities and threats. Organisations keen to grow and expand often look for promising opportunities that match their potential. Such opportunities become a good stepping stone for achieving the goals of the organization.

Business Policy and Strategic Management

- (a) *Strategies provide an integral framework for management to negotiate its way through a complex and turbulent external environment.*
- (b) *Strategic management is not needed in non-profit organisations.*
- (c) *Strategy is a substitute for sound, alert and responsible management.*
- (d) *Strategies are perfect, flawless and optimal organisational plans.*
- (e) *Strategic management is a bundle of tricks and magic.*
- (f) *Corporate strategy is basically the growth design of the firm.*
- (g) *All strategies emerge from corporate vision*
- (h) *For a small entrepreneur vision and mission are irrelevant.*
- (i) *Control systems run parallel with strategic levels.*
- (j) *A company's strategy has always to be proactive in nature.*
- (k) ***Developing annual objectives & short-term strategies that are compatible with the selected set of long-term objectives are one of the major task of strategic management.***

Answer

- (a) **Correct:** Strategies are meant to fill in the need of enterprises for a sense of direction, focus and coherent functioning. They provide a systematic basis for the enterprise to stand its ground in the face of challenge and change as also quickly adjust to them. They obviate the occasions for impulsive and crisis decisions, false starts, misdirected moves, wasted resource uses and the like.
- (b) **Incorrect:** Strategic management applies equally to profit as well as non-profit organizations. Though non-profit organizations are not working for the profit, they have to have purpose, vision and mission. They also work within the environmental forces and need to manage strategically to stay afloat to accomplish their objectives. For the purpose of continuity and meeting their goals, they also need to have and manage funds and other resources just like any other for profit organization.
- (c) **Incorrect:** Strategy is not substitute for sound, alert and responsible management. Strategy can never be perfect, flawless and optimal. Strategies are goal-directed decision and actions in which capabilities and resources are matched with the opportunities and threats in the environment. A good management at the top can steer the organizations by adjusting its path on the basis of the changes in the environment.
- (d) **Incorrect:** Strategy can never be perfect, flawless and optimal. It is in the very nature of strategy that it is flexible and pragmatic; it is art of the possible; it does not preclude second-best choices, trade-offs, sudden emergencies, pervasive pressures, failures and frustrations. However, in a sound strategy, allowances are made for possible miscalculations and unanticipated external events.
- (e) **Incorrect:** No, Strategic management is not a bundle of tricks and magic. It is much more serious affair. It involves systematic and analytical thinking and action. Although, the success or failure of a strategy is dependent on several extraneous factors, it can not be stated that a strategy is a trick or magic. Formation of strategy requires careful planning and requires strong conceptual, analytical, and visionary skills.
- (f) **Correct:** Corporate strategy in the first place ensures the growth of the firm and ensures the correct alignment of the firm with its environment. It serves as the design for filling the strategic planning gap. It also helps to build the relevant competitive advantages.
- (g) **Correct:** Vision explains where the organization is headed, so as to provide long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organization with a sense of purpose. All strategies need to be drawn in the light of corporate vision, which is what the firm ultimately wants to become.
- (h) **Incorrect:** Entrepreneur, big or small has to function within several influences external forces. Competition in different form and different degree is present in all kind and sizes

Strategic Analysis

- (a) *"Industry is a grouping of dissimilar firms".*
- (b) *A strength is an inherent capacity of an organization.*
- (c) *The purpose of SWOT analysis is to rank organizations.*
- (d) *SWOT analysis merely examines internal environment of an organization.*
- (e) *"B" in BCG Matrix stands for balance.*
- (f) *Growth share matrix is popularly used for resource allocation.*
- (g) **Portfolio analysis helps the strategists in identifying and evaluating various businesses of a company.**

Answer

- (a) **Incorrect:** Industry is a consortium of firms whose products or services have homogenous attributes or are close substitutes such that they compete for the same buyer. For example, all paper manufacturers constitute the paper industry.
- (b) **Correct:** Strength is an inherent capacity which an organization can use to gain strategic advantage over its competitors. An example of strength is superior research and development skill which can be used for continuous product innovation or for new product development so that the company gains competitive advantage.
- (c) **Incorrect:** SWOT analysis stands for the analysis of strengths, weaknesses opportunities, and threats. It is not used for ranking of organizations. It is a tool for organizational and environmental appraisal necessary for formulating effective strategies.
- (d) **Incorrect:** SWOT analysis presents the information about both external and internal environment in a structured form to compare external opportunities and threats with internal strengths and weaknesses. This helps in matching external and internal environments so that strategic decision makers in an organisation can come out with suitable strategies by identifying patterns of relationship and develop suitable strategies.
- (e) **Incorrect:** The acronym BCG stands for Boston Consulting Group, an organization that developed a matrix to portray an organizational corporate portfolio of investment. This matrix depicts growth of business and the business share enjoyed by an organization. The matrix is also known for its cow and dog metaphors and is popularly used for resource allocation in a diversified company.
- (f) **Correct:** Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company.

Primarily it categorises organisations/products on the basis two factors consisting of the growth opportunities and the market share enjoyed.

- (g) **Correct:** A business portfolio is a collection of businesses and products that make up the organisation. Portfolio analysis is a tool by which management identifies and evaluates its various businesses. In portfolio analysis top management views its product lines and business units as a series of investments from which it expects returns. The best business portfolio is the one that best fits its strengths and weaknesses to the opportunities and threats in the environment. Through portfolio analysis, organisations are able to compare its various businesses and categorize them in various strata as promising, growing, without good future and so on.

Strategic Planning

- : (a) Strategic planning is an attempt to improve operational efficiency.
- (b) The first step of strategy formulation in strategic management model is to undertake internal analysis.
- (c) Balance scorecard is a combination of strategic and marketing objectives.
- (d) Divesting a major product line or market in an organization can be termed as retrenchment strategy.
- (e) Acquisition is a strategy.
- (f) Diversification only involves entering in new businesses that are related to the existing business of an organisation
- (g) Vertical diversification integrates firms forward or backward in the product chain.
- (h) Concentric diversification amounts to unrelated diversification.
- (i) Liquidation is the last resort option for a business organisation.
- (j) Retrenchment implies downsizing of business.

Answer

- (a) **Incorrect:** Strategic planning, an important component of strategic management, involves developing a strategy to meet competition and ensure long-term survival and growth. They relate to the top level in the organisation and relate the organisation with its environment. Operational efficiency is not a direct outcome of strategic planning.
- (b) **Incorrect:** Identifying an organisation's existing vision, mission, objectives, and strategies is the starting point for any strategic management process because an organisation's existing situation and

condition may preclude certain strategies and may even dictate a particular course of action. Determining vision and mission provides long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organisation with a sense of purposeful action.

- (c) **Incorrect:** Balance scorecard is a combination of strategic and financial objectives. It measure company performance, requires setting both financial and strategic objectives and tracking their achievement. Unless a company is in deep financial difficulty, such that its very survival is threatened, company managers are well advised to put more

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emphasis on achieving strategic objectives than on achieving financial objectives whenever a trade-off has to be made.

- (d) **Correct:** An organization can redefine its business by divesting a major product line or market. The divesting can be termed as retrenchment strategy. The enterprise may withdraw from marginal markets, withdraw some brands or sizes of products. It may also withdraw of some slow moving products. In an extreme manner it may seek retirement either from the production or the marketing activity.
- (e) **Correct:** An acquisition is a strategy through which one firm buys a controlling or complete interest in another firm. Acquisition of an existing concern is an instant means of achieving growth through expansion and/or diversification. Ideally, acquisition strategy should be used when the acquiring firm is able to enhance its economic value through ownership and the use of the assets that are acquired.
- (f) **Incorrect:** Although, organisations can diversify into businesses that are vertically or horizontally related to the existing businesses, the diversification is not limited to the related businesses. In conglomerate diversification; the new businesses/ products are disjointed from the existing businesses/products in every way. There is no connection between the new products and the existing ones in process, technology or function.
- (g) **Correct:** In vertically integrated diversification, firms opt to engage in businesses that are related to the existing business of the firm. It moves forward or backward in the chain and enters specific product with the intention of making them part of new businesses for the firm.
- (h) **Incorrect:** Concentric diversification amounts to related diversification. Concentric diversification takes place when the products or services added are in different industry but are similar to the existing product or service line with respect to technology or production or marketing channels or customers.

- (i) **Correct:** Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive. It involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities a firm could pursue, and the stigma of failure. The company management, government, banks and financial institutions, trade unions, suppliers, creditors, and other agencies are extremely reluctant to take a decision, or ask, for liquidation.
- (j) **Incorrect:** In the context of strategic management, retrenchment implies giving up certain products and reducing the level of business as a compulsive measure to cope up with certain adverse developments on which the firm has little control. Downsizing (or rightsizing) is planned elimination of positions or jobs. Retrenchment does not imply downsizing, however, the latter is often used to implement a retrenchment strategy of business. Even entrepreneur with small businesses can have complicated environment. To grow and prosper they need to have clear vision and mission.
- (i) **Correct:** There are three strategic levels – corporate, business and functional. Control systems are required at all the three levels. At the top level, strategic controls are built to check whether the strategy is being implemented as planned and the results produced by the strategy are those intended. Down the hierarchy management controls and operational controls are built in the systems. Operational controls are required for day-to-day management of business.
- (j) **Incorrect:** A company's strategy is a blend of proactive actions and reactive actions by the management. Reactive actions are required to address unanticipated developments and environmental conditions. Thus, not every strategic move is the result of proactive and deliberate management actions. At times, some kind of strategic reaction or adjustments are required.
- (k) **Correct:** *A strategic manager has to set the long term objectives, future oriented plans by appreciating the competitive environment. Without bifurcating grand strategies and long-term objectives into annual objectives and short-term strategies, implementation of the strategies is not possible. Dividing objectives, into annual plans help to move forward in a systematic manner.*

Formulation of Functional Strategy

- (a) Functional level constitutes the lowest hierarchical level of strategic management*
- (b) Market penetration ignores competition.*
- (c) Skimming means keeping price very low.*
- (d) PLC is an S shaped curve*
- (e) Augmented marketing is provision of additional customer services and benefits.*
- (f) Tele-shopping is an instance of direct marketing*
- (g) Supply chain management is conceptually wider than logistic management.*
- (h) Human resource management aids in strategic management.*
- (i) Production strategy implements, supports and drives higher strategies.*
- (j) Marketers alone can deliver superior value to customers.*
- (k) The role of human resource manager is significant in building up core competency of the firm*

Answer

- (a) Correct:** Functional-level managers and strategies operate at the lowest hierarchical level of strategic management. Functional level is responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions. Although they are not responsible for the overall performance of the organisation, functional managers nevertheless have a major strategic role to develop functional strategies in their area that help to fulfil the strategic objectives set by business and corporate-level managers.
- (b) Incorrect:** Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. Penetration might require greater spending on advertising or personal selling. Overcoming competition in a mature market requires an aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors.
- (c) Incorrect:** In skimming, prices of a new product are kept at a very high level. The idea is to take advantage of the initial interest that a new product generates amongst the buyers who are relatively price insensitive.
- (d) Correct:** Product Life cycle (PLC) which is a graphical depiction of sales over time is an 'S' shaped curve with four stages – introduction, growth, maturity and decline. The pattern is shared by all product group and families though the duration for each phase is different in each case. Identification of PLC stages for a product/service offers useful insights for

marketing management.

- (e) **Correct:** Augmented marketing refers to deliberate and accelerated efforts to get better marketing returns through additional means. It includes provision of additional customer services and benefits built around the core and actual products that relate to introduction of hi-tech services like movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.
- (f) **Correct:** Direct marketing is done through various advertising media that interact directly with customer. Teleshopping is a form of direct marketing which operates without conventional intermediaries and employs television and other IT devices for reaching the customer. The communication between the marketer and the customer is direct through third party interfaces such as telecom or postal systems.
- (g) **Correct:** Supply chain management is an extension of logistic management. Logistic management is related to planning, implementing and controlling the storage & movement of goods & services while supply chain management is much more than that. It is a tool of business transformation and involve delivering the right product at the right time to the right place and at the right price.
- (h) **Correct:** The human resource management helps the organization to effectively deal with the external environmental challenges. The function has been accepted as a partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and rewarding of personnel.
- (i) **Correct:** For effective implementation of higher level strategies, strategists need to provide direction to functional managers, including production, regarding the plans and policies to be adopted. Production strategy provides a path for transmitting corporate and business level strategy to the production systems and makes it operational. It may relate to production planning, operational system, control and research & development.
- (j) **Incorrect:** A marketer alone cannot deliver superior value to the customers. It needs to work in coordination with other departments to accomplish this. It is important to be part of organization chain & marketer needs to work in coordination with other departments in the search for competitive advantages. Organisations need to look at the value chain network along with its own chain of activities and the chain of suppliers, distributors and ultimately customers.
- (k) **Correct:** The human resource manager has a significant role to play in developing core competency of the firm. A core competence is a unique strength of an organization which may not be shared by others. Core-competencies can be generated and maintained only through the effective management of human resources and their skills.

Strategy Implementation and Control

- (a) "Efficiency and effectiveness mean the same in strategic management"*
- (b) Primarily, strategy formulation is an operational process and strategy implementation is an intellectual process.*
- (c) Strategy follows structure.*
- (d) Strategies may require changes in organizational structure.*
- (e) SBU concepts facilitate multi-business operations.*
- (f) Culture promote better strategy execution*
- (g) A core competence is a unique strength of an organization which may not be shared by others.*
- (h) An organisation's culture is always an obstacle to successful strategy implementation.*
- (i) A corporate culture is always identical in all the organisations.*
- (j) "Resistance to change is an impediment in building of strategic supportive corporate culture".*

Answer

- (a) Incorrect:** Efficiency pertains to designing and achieving suitable input output ratios of funds, resources, facilities and efforts whereas effectiveness is concerned with the organization's attainment of goals including that of desired competitive position. While efficiency is essentially introspective, effectiveness highlights the links between the organization and its environment. In general terms, to be effective is to do the right things while to be efficient is to do things rightly.
- (b) Incorrect:** Strategy formulation is primarily an intellectual process and strategy implementation is primarily an operational process. Strategy formulation is based on strategic decision-making which requires analysis and thinking while strategy implementation is based on strategic as well as operational decision-making which requires action and doing.
- (c) Incorrect:** Structures are designed to facilitate the strategic pursuit of a firm and, therefore, follows strategy. Without a strategy or reasons for being, it will be difficult to design an effective structure. Strategic developments may require allocation of resources and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.
- (d) Correct:** Strategies may require changes in structure as the structure dictates how resources will be allocated. Structure should be designed to facilitate the strategic pursuit of a firm and, therefore, should follow strategy. Without a strategy or reasons for being, companies find it difficult to design an effective structure.

- (e) **Correct:** Organizing business along SBU lines and creating strategic business units has become a common practice for multi-product/service and global organizations. It is a convenient and intelligent grouping of activities along distinct businesses and has replaced the conventional groupings. SBU facilitates strategic planning, gaining product-related/market-related specialization, gaining cost-economies and more rational organizational structure.
- (f) **Correct:** Strong cultures in an organisation promote good strategy execution when there's fit and hurt execution when there's negligible fit. A culture grounded in values, practices, and behavioural norms that match what is needed for good strategy execution helps energize people throughout the company to do their jobs in a strategy-supportive manner, adding significantly to the power and effectiveness of strategy execution.
- (g) **Correct:** A core competence is a unique strength of an organization which may not be shared by others. If business is organized on the basis of core competence, it is likely to generate competitive advantage. A core competence provides potential access to a wide variety of markets. Core competencies should be such that it is difficult for competitors to imitate them.
- (h) **Incorrect:** A company's culture is manifested in the values and business principles that management preaches and practices. The beliefs, vision, objectives and business approaches and practices underpinning a company's strategy may be compatible with its culture or may not. When they are compatible the culture becomes a valuable ally in strategy implementation and execution.
- (i) **Incorrect:** Every company has its own organisational culture. Each has its own business philosophy and principles, its own ways of approaching to the problems and making decisions, its own work climate, work ethics, etc. Therefore, corporate culture need not be identical in all organisations. However, every organisation over a period of time inherits and percolates down its own specific work ethos and approaches.
- (j) **Correct:** Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating, and internal work environment. In an organizational effort to build strategic supportive corporate culture resistance can impede its successful implementation and execution.

Reaching Strategic Edge

- (a) *Reengineering mean partial modification or marginal improvement in the existing work processes.*
- (b) *BPR is an approach to maintain the existing growth of an organization.*
- (c) *The main focus of six sigma is on the shareholders.*
- (d) *The focus of six sigma is on customers.*
- (e) *Benchmarking and Business process Reengineering are one and the same.*
- (f) *Not-for-profit organizations are not required to have a strategy.*

- (g) *E-commerce technology opens up a host of opportunities for reconfiguring industry and company value chains.*
- (h) *Benchmarking is a remedy for all problems faced by organizations.*

Answer

- (a) **Incorrect:** Reengineering does not mean any partial modification or marginal improvement in the existing work processes. Reengineering is a revolutionary approach towards radical and total redesigning of the business processes.
- (b) **Incorrect:** BPR is an approach to unusual enhancement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involve examination of the basic processes.
- (c) **Incorrect:** Although any business action may result directly or indirectly in creation/erosion of shareholders wealth, the main focus of six sigma is on delivering value to the customers. Six sigma aims in improving customer satisfaction. Primarily, six sigma means maintenance of the desired quality in processes and end products. It also means taking systematic and integrated efforts toward improving quality and reducing cost.
- (d) **Correct:** Six sigma puts the customer first and uses facts and data to derive better solutions and products. Six sigma focus on three main areas: improving customer satisfaction, reducing cycle time and reducing defects.
- (e) **Incorrect:** Benchmarking relates to setting goals and measuring productivity based on best industry practices. The idea is to learn from competitors and others to improve their own performance. On the other hand business process reengineering relates to analysis and redesign of workflows and processes both within and between the organizations.
- (f) **Incorrect:** Similar to commercial organizations, 'not-for-profit' organizations must also have a strategy. It is required to give it direction, focus and efficient utilization of resources. In many 'not-for-profit' organizations surpluses are important for their survival and growth.
- (g) **Correct:** *The impact of e-commerce technology on industry and company value chains is profound, paving the way for fundamental changes in the ways business is conducted both internally, and with suppliers and customers. Using the network to link the customers and the suppliers enables just-in-time delivery, reducing inventory costs and allowing production to match demand.*
- (h) **Incorrect:** *Benchmarking is an approach of setting goals and measuring productivity based on best industry practices and is a process of continuous improvement in search for competitive advantage. However, it is not panacea for all 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.*