FINAL EXAMINATION

GROUP IV

(SYLLABUS 2012)

SUGGESTED ANSWERS TO QUESTIONS
DECEMBER 2016

Paper-17: STRATEGIC PERFORMANCE MANAGEMENT

Time Allowed: 3 Hours   Full Marks: 100

The figures in the margin on the right side indicate full marks.
This Question paper has been divided into 2 parts viz., Section-A and Section-B

SECTION A
Compulsory Question carrying 20 marks.

1.   **Answer all the questions in this Section.**   1 ×5 = 5

   (a) **Fill in the Blanks with appropriate words:**
      (i)   _____ is a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals.
      (ii) _____ is an integrated approach to identifying, acquiring and retaining customers.
      (iii) _____ represents a modern method of evaluating the performance of personnel and is a form of results-oriented appraisal.
      (iv) _____is a period to period computation which can be used to monitor the process of value creation and record historically the growth of the enterprise.
      (v)   _____ is the continuous process of measuring products, services or activities against the best levels of performance that may be found either inside or outside the organization.

   (b) **State whether the following statements are True/False. If False, rewrite the correct statement. No credit will be given, if the justification for your answer is not given.**
                                                                                           1×5=5

      (i)   The term "Business" refers to the state of being busy for an individual, group, organization or society.
      (ii) Brand Loyalty is buyer's priority for the products of established organizations.

(iii) Competitive Analysis is a process of gathering data, creating information and making decisions.

(iv) Critical Incident Technique is one of the methods for Individual Performance Evaluation.

(v) Business Process Re-Engineering (BPR) is known by many names such as "Core Process Re-design", "New Industrial Engineering" or "Working smarter".

(c) Define the following terms, in just one/two sentences only: 1×2 = 2
   (i) Target Costing
   (ii) Lean Management

(d) Match the statement under Column I with the appropriate statement under Column II: 1× 4=4

Column I		Column II
(i) E – Commerce	(A)	is a term used by some Computer storage manufacturers and storage service providers to describe products and services.
(ii) Data Mining	(B)	is to increase the 'intelligence of Decision Process and knowledge of the people involved in this processes'.
(iii) A primary goal of a data Warehouse	(C)	is the entire process of applying a computer based methodology for discovering knowledge from data.
(iv) Data Availability	(D)	is a way of doing business transaction via the Internet.

(e) Multiple Choice Question, Pick the correct choice: 1×4 =4

   (i) **Business Risk**
      A. arises due to the default in meeting the financial obligations as and when due for payment.
      B. arises due to changes in demand and supply, expectations of the investors, information flow, investors risk perception etc.
      C. is determined by how the business invests its funds.
      D. is defined as exposure to a loss in offshore landing, caused by events in a particular country.

   (ii) **'Risk Mapping'**
      A. is a procedure to identify threats and vulnerabilities.
      B. Denotes acceptance of the loss or benefit arising out of a risk when it takes place.
      C. is one of the popular methods of measuring financial risks.
      D. Promotes awareness of significant risks through priority ranking, facilitating the efficient planning of resources.

(iii) One of the alternatives given below does not stand as symptoms of Corporate failure:

A. Low Profitability
B. High gearing
C. Low liquidity
D. Window-dressing

(iv) Business Process Improvement

A. is one of the models for predicting corporate failure.
B. enables the business to implement the improvements.
C. is a systematic approach to help an organization to optimize its underlying processes to achieve more efficient results.
D. stands for Improvements, Identification and procedure of operational changes to Performance Management System in Performance Improvement Strategies.

Answer: 1 (a)

i. Performance Management
ii. Customer Relationship Management (CRM).
iii. Management by Objectives (MBO).
iv. Economic Value Added (EVA)
v. Benchmarking

Answer: 1 (b)

i. True. The given statement is absolutely correct.
ii. True. The given statement is absolutely correct.
iii. False. Competitive <u>Intelligence</u> is a process of gathering data, creating information and making decisions.
iv. True. The given statement is absolutely correct.
v. True. The given statement is absolutely correct.

Answer: 1 (c)

i. <u>Target Costing</u>: is a system under which a company plans in advance for the product price points, product costs and the margins that it wants to achieve.
ii. <u>Lean Management</u>: has been developed with the intention of reducing process wastes and maximizing the value of the product or the service to the customer.

Answer: 1 (d)

i. D
ii. C
iii. B
iv. A

Answer: 1 (e)

i. C

ii.   D
iii. D
iv.   C

SECTION B

This section contains 7 Questions, out of which you are required to answer any 5 Questions. Each Question carries 16 marks.

2. (a) In view of increasing cost of operating own fleet of cars, Krish Ltd., is presently considering two proposals viz.,
    (i) To hire cars with drivers from an agency @ ₹800 per car per month. The company will bear the cost of petrol, oil and tyres.
    (ii) The executive will be given ₹25,000 interest-free loan repayable in 5 years to buy his own car. The company will, however, provide him free petrol and ₹500 per month for maintenance and driver's wages.

    If the present cost of a car is ₹50,000 and monthly average running is 2,000 kilometers, find out the most economic way with the help of the following data:

	Paise per km.
Petrol	65
Oil	8
Tyre	7
Repair	10
Tax and Insurance	₹560/year
Driver's wages and Bonus	₹ 720/month
Life of a car	5 years
Resale value at the end of 5th year	₹ 10,000
Assume Interest @ 18% per annum	

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(b) A Businessman has two independent investments A and B available to him but he lacks the capital to undertake both of them simultaneously. He can choose to take A first and then stop, or if A is successful, then take B or vice-versa. The probability of success on A is 0.7, while for B, it is 0.4. Both the investments require an initial capital outlay of ₹2,000 and both return nothing, if the venture is unsuccessful. Successful completion of A will return ₹3,000 (over cost) and successful completion of B will return ₹5,000 (over cost).

     Draw the Decision Tree and determine the best strategy.   4+4=8

Answer: 2 (a)

Statement showing comparative cost of operation per month.

Items of cost	Company's Own car (₹)	Hired car (₹)	Executive car (₹)
Petrol	1,300.00	1,300.00	1,300.00
Oil	160.00	160.00	
Tyre	140.00	140.00	
Repair	200.00		
Taxes and Insurance	46.67(560/12)		
Wages and Bonus	720.00		
Depreciation = (50,000 - 10,000)/5 × 1/12	666.67		
Hire charges	-	800.00	
Maintenance Allowance	-		500.00
Interest on loan	-		25,000 ×18%/12 = 375.00
Total Cost	3,233.34	2,400.00	2,175.00
Cost per km	1.62	1.20	1.09

CONCLUSION:

This cost will further go up, since the company would have earned interest, if it had invested ₹50,000 elsewhere. On the basis of the above analysis, third alternative viz. Executive Car is recommended.

Answer: 2 (b)

The required Decision tree is as shown below:
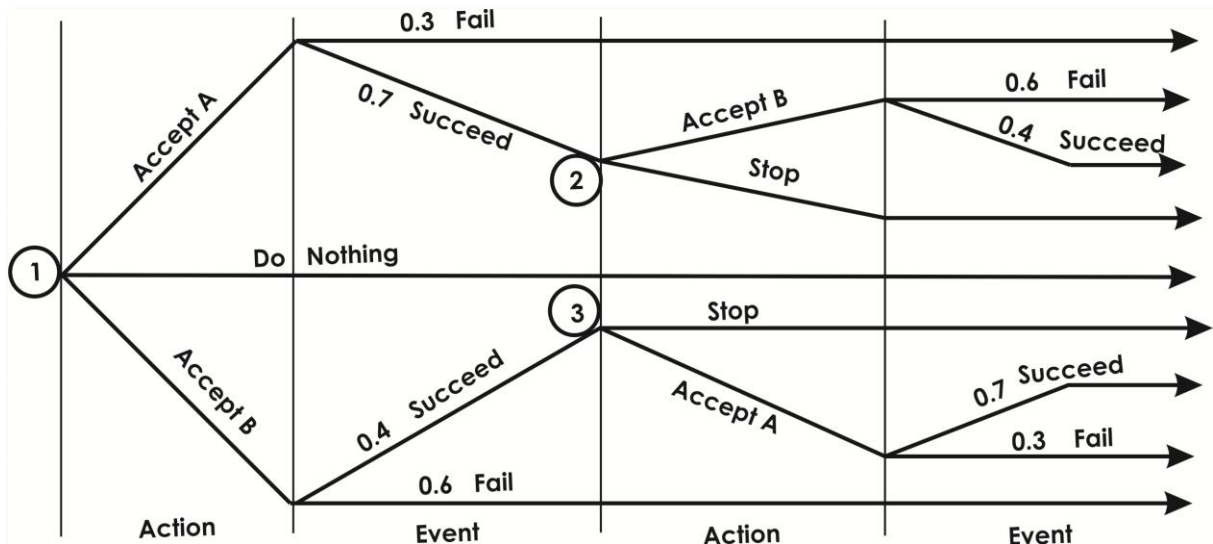
There are three Decision points in this tree. They are indicated as 1, 2 and 3.

Evaluation of Decision point 3:

Accept A:

Outcome (1)	Probability (2)	Conditional values (3) ₹	Expected values (4) = (2) × (3) ₹
Success	0.7	3,000	2,100
Failure	0.3	-2,000	-600
			1,500
Stop			Expected Value = 0

Evaluation of Decision point 2:

Accept B:

Outcome (1)	Probability (2)	Conditional values (3) ₹	Expected values (4) = (2) × (3) ₹
Success	0.4	5,000	2,000
Failure	0.6	-2,000	-1,200
			800
Stop			Expected Value = 0

Evaluation of Decision point 1:

1.   Accept A:

Outcome (1)	Probability (2)	Conditional values (3) ₹	Expected values (4) = (2) × (3) ₹
Success	0.7	3,000 + 800	2,660
Failure	0.3	-2,000	-600
			2,060

2.   Accept B:

Outcome (1)	Probability (2)	Conditional values (3) ₹	Expected values (4) = (2) × (3) ₹
Success	0.4	5,000 + 1,500	2,660
Failure	0.6	-2,000	-1,200
			1,400

3.   Do Nothing   Expected Value = 0

Conclusion: The best strategy is to accept A first, and if it is successful, then accept B.

3. (a) Jai Ltd., has the capacity of production of 80,000 units and presently sells 20,000 units at ₹50 each. The demand is sensitive to Selling Price and it has been observed that for every reduction of ₹10 in Selling Price, the demand is doubled.

As a Cost and Management Accountant, you are required to find out

(i) What should be the Target Cost at full capacity, if the Profit Margin on Sale is 10%?

(ii) What should be the Cost Reduction Scheme, if at present, 40% of the Cost is variable, with the same % of profit?

(iii) If the rate of return desired is 15%, what will be the maximum investment at full capacity? 2+4+2 = 8

(b) A company is organized on decentralization lines, with each manufacturing division operating as a separate Profit Centre. Each divisional manager has a full authority to decide on sale of the division's output to outsiders and other divisions.

Division B has always purchased its requirements of a component from Division A. But when informed that Division A was increasing its selling price to ₹ 150, the manager of Division B decided to look at outside sources.

Division B can buy the component from outside sources for ₹135. But Division A refuses to reduce its price in view of its need to maintain its return on the investment. The top management has the following information:

B's annual purchase of the component	1,000 units
A's Variable cost per unit	₹120
A's Fixed cost per unit	₹20

Required:

(i) Will the company be benefited as a whole, if Division B bought the component at ₹135 from outside sources?

(ii) If Division A did not produce the material for Division B, it could use the facilities for other activities resulting in a cash operating savings of ₹18,000. Should Division B then purchase from outside sources? 4+4= 8

Answer: 3 (a)

Jai Ltd.

i. **Target Cost at Full capacity:**

Selling Price/unit	₹50	₹40	₹30
Demand (units)	20,000	40,000	80,000 (Full Capacity)

Hence, target Cost at full Capacity = Sale price Less Profit margin

= ₹30 less 10% thereon

= ₹27 per unit.

ii. Determination of Target Cost reduction

		₹
a. Since Present Price is ₹ 50/ unit and Profit is 10% thereon.		

Present Cost per unit = ₹45, of which 40% is variable. Therefore the Fixed Cost is 60% of ₹45 = ₹27/unit. So, the Total Fixed Cost =	27 × 80,000	21,60,000
b. Variable Cost at full capacity (40% of ₹45/unit) × 80,000	18 × 80,000	14,40,000
c. Estimated Cost at Full Capacity [Fixed Cost (constant at all levels + Variable Cost)] i.e., (a +b)		36,00,000
d. Target Cost at Full Capacity [₹27/unit for 80,000 units]		21,60,000
e. Cost Reduction Target /Scheme [Estimated Cost less Target Cost] i.e., (c-d)		14,40,000

iii. Computation of Investment required:

a. Profit at full capacity (10% of ₹30) × 80,000umts		2,40,000
b. Since ROCE desired is 15%, Maximum required investment	₹2,40,000/15%	16,00,000

Answer: 3 (b)

Option I:

	₹
Purchase cost from outside sources(1,000 × ₹ 135) =	1,35,000
Less: Savings in Variable Cost of Division A by reducing output (1,000 × ₹ 120)	1,20,000
Net cost (benefit) to the company as a whole	15,000

Comment: The company as a whole will not be benefited, as it will be required to incur an additional cost of ₹15,000 if Division B purchases the components from outside sources.

Option II:

	₹	₹
Purchase cost from outside sources(1,000 × ₹135) =		1,35,000
Less: Savings in Variable Cost of Division A by reducing output (1,000 × ₹120)	1,20,000	
Add Cash operating savings of Division A	18,000	1,38,000
Net cost (benefit) to the company as a whole		(3,000)

Comment: It is advisable that Division B should purchase the component from outside sources, as this decision will benefit the company by ₹3,000.

4. (a) M/s. ABC Ltd., provides the following details on its new product.

Years 1 and 2: R&D costs: ₹4, 80,000; Design costs: ₹3, 20,000.
Assume that this R&D costs and Design costs represents the total costs incurred in 2 years.

Years 3 to 6 : Other Functional costs:

Function	One-time costs (₹)	Variable cost/unit (₹)
Production	2,00,000	50
Marketing	1,40,000	48
Distribution	1,00,000	32
Customer Service	1,60,000	60

The Sale quantities during the Product-Life-Cycle at various selling prices are:

	Option-I	Option-II	Option-III
Selling price/unit (₹)	800	960	1,200
Sale Quantity in units	10,000	8,000	5,000

Ignoring the time value of money, compute the net incomes generated over the Product-Life-Cycle at various prices. Which price should the company select?

6+4=10

(b) Pay Offs of three acts A, B and C and the states of nature X, Y and Z are given below:

Act → State of nature ↓	A	B	c
X	-20	-100	200
Y	200	-50	-50
Z	400	600	300

The probabilities of the states of nature are 0.3, 0.4 and 0.3 respectively.
Calculate the Expected Monetary Value (EMV) for the above data and select the best act. **2+2= 4**
Also find the EVPI. **2**

Answer: 4 (a)

Particulars	Option I	Option II	Option III
1. Life Cycle Sales Quantity	10,000 units	8,000 units	5,000 units
2. Life cycle Selling Price per unit(₹)	800	960	1,200
3. Life Cycle Sales Revenue (1 × 2) ₹	80,00,000	76,80,000	60,00,000
4. Life Cycle Functional Costs:			
(a) Research and Development	4,80,000	4,80,000	4,80,000
(b) Design	3,20,000	3,20,000	3,20,000
(c)Production-One time	2,00,000	2,00,000	2,00,000
Variable (10,000 × 50)	5,00,000	4,00,000	2,50,000

(d) Marketing-One time	1,40,000	1,40,000	1,40,000
Variable (10,000 × 48)	4,80,000	3,84,000	2,40,000
(e) Distribution-One time	1,00,000	1,00,000	1,00,000
Variable(10,000 × 32)	3,20,000	2,56,000	1,60,000
(f) Customer Service-One time	1,60,000	1,60,000	1,60,000
Variable (10,000 × 60)	6,00,000	4,80,000	3,00,000
5. Life Cycle Total Costs	33,00,000	29,20,000	23,50,000
6. Life Cycle Net Income (3)-(5)	47,00,000	47,60,00	36,50,000

Conclusion: The Company may select option II at the selling price of ₹960 to maximize profits.

Answer: 4 (b)

Calculation of EMV of each act:

Act A   = -20 × 0.3 + 200 × 0.4 + 400 × 0.3 = ₹ 194

Act B   = 100 × 0.3 - 50 × 0.4 + 600 × 0.3 = ₹ 130

Act C   = 200 × 0.3- 50 × 0.4 + 300 × 0.3 = ₹ 130

The EMV of Act A is the highest and it should be selected as the best one.

State of nature	Probability	A	B	C	Max. for state of nature	Max. Pay-off probability
X	0.3	-20	-100	200	200	200 × 0.3 = 60
Y	0.4	200	-50	-50	200	200 × 0.4 = 80
Z	0.3	400	600	300	600	600 × 0.3 = 180
Total						320

The EVPI   = Expected Pay-off with Perfect Information (EPPI)-Max. EMV of act

            = ₹320 - ₹194

            = ₹126.

5. (a) Why 'Total Productivity Management' (TPM) is suggested by many companies?   **6**

    (b) How the Process, People and Product are related with 'Total Quality Management' (TQM)?   **6**

    (c) What is meant by 'Decision Support System'? State the four components of Decision Support System?   **2+2= 4**

Answer: 5 (a)

Total Productivity Management (TPM) is a management Process developed for improving Productivity continuously in all operational conditions within a prescribed production system by stimulating the daily awareness of all employees. It provides a system for coordinating all the various improvement activities for the company so that they contribute to the achievement of corporate objectives. Starting with a corporate vision and broad goals, these activities are developed into supporting objectives and targets of the company. The targets are specifically and quantitatively defined.

One way to think of TPM is "deterioration prevention". Deterioration is what happens naturally to anything that is not "taken care of. For this reason, many people refer to TPM as 'Total Productive Manufacturing' or 'Total Process Management'.

TPM is a proactive approach that essentially aims to identify issues as soon as possible and plan to prevent any issues before occurrence. One motto is "Zero error, Zero work related accident and Zero loss".

TPM focuses primarily of manufacturing, although its benefits are applicable to any process. TPM is an extension of TQM. During the TPM implementation process, the Production unit and the maintenance unit should work jointly. TPM has basically three goals:
➢ Zero Product defects;
➢ Zero equipment unplanned failure and
➢ Zero accidents.

Answer: 5 (b)

Relationship between 3Ps and TOM:

First P is the 'Processes'.
Continuous improvement of all operations and activities is focused as the core theme of TQM. Quality Product is seen as the deliverables of customer satisfaction. Inorder to enhance the product quality and customer satisfaction, TQM also recognizes that Product quality is the result of Process of Quality.

Second P is the 'People'.
A successful TQM environment is required to develop a committed and well-trained work force that participates fully in any quality improvement activity process in an organization. Such participation is reinforced by reward and recognition systems which emphasizes the achievement of the quality objectives.

Third P is the 'Product'.
Product development in a TQM environment is customer -driven and focused on the quality of objectives. Teams are process-oriented and interact with their internal customers to deliver the required results. Management's main focus is on controlling the overall process and rewarding teamwork. The Product is the end result of a cumulative process implemented by the process.

Answer: 5 (c)
Decision Support System (DSS) are a specific class of computer-based Information System that supports the decision-making activities. DSS analyzes business data and provide interactive information supports to managers and business professionals during the decision-making process, from problem recognition to implementing the required decisions.

Components of a typical DSS:
➢ Data Management Components- It performs the function of storing and maintaining the information for DSS.

➢ Model Management Component-It consists of both the DSS's models and the DSS model management system.

➢ User Interface Management Components- It consists of the user interface management system. It combines the know-how with the storage and processing capabilities of the computer.

➢ Knowledge Management Component- It is an expert system, providing information about the relationship among data that is too complex for a database to represent.

6. (a) **What is meant by the term "Spread Sheet"?** 2
   (b) **How the Scorecards and Dashboards are used interchangeably?** 4
   (c) **Mention the steps which are involved in 'Data Mining Problems'?** 10

Answer: 6 (a)

Spread Sheet: A Spread Sheet is a programme designed specifically for processing data in a tabular form. These data may be numerical or textual, although most of the functions of a Spread Sheet are of numerical type only.

Answer: 6 (b)

Scorecards and Dashboards:
The two terms, Scorecards and Dashboards have a tendency to confuse or rather get used interchangeably, each bringing a different set of capabilities. The souces of the confusions are:

• Both represent a way to track results.
• Both use traffic lights, dials, sliders and other visual aids
• Both have targets, thresholds and alert messages.
• Both provide linkage and drill down to other metrics and report.

Answer: 6 (c)

The steps in Data mining process may be enumerated as follows:

1. **State the problem and formulate the hypothesis:**
   Most data-based modeling studies are performed in a particular application domain. Hence, domain specific knowledge and experience are usually necessary in order to come up with a meaningful problem statement. Unfortunately, many application studies tend to focus on the data-mining technique at the expense of a clear problem statement. In this step, a modeler usually specifies a set of variables for the unknown dependency and, if possible, a general form of this dependency as an initial hypothesis. There may be several hypotheses formulated for a single problem at this stage. The first step requires a close interaction between the data-mining expert and the application expert which continues during the entire data-mining process.

2. **Collect the data:**
   This step is concerned with collection of data from the existing databases. There are two distinct possibilities — the first is when the data-generation process is under the control of

an expert (modeler) which is known as a designed experiment. The second possibility is when the expert cannot influence the data-generation process which is known as the observational approach. An observational setting, namely, random data generation, is assumed in most data-mining applications. Typically, the sampling distribution is completely unknown after data are collected, or it is partially and implicitly given in the data-collection procedure. It is very important to understand how data collection affects its theoretical distribution, since such a priori knowledge can be very useful for modeling and, later, for the final interpretation of results.

3. **Preprocessing the data:**
   In the observational setting, data are usually "collected" from the existing databases, data warehouses, and data marts. Data preprocessing usually includes at least two common tasks:
   (i) Outlier detection and
        (Outliers are unusual data values that are not consistent with most observations. Commonly, outliers result from measurement errors, coding and recording errors, and, sometimes, are natural, abnormal values.)
   (ii) Scaling, encoding, and selecting features

4. **Estimate the model:**
   The selection and implementation of the appropriate data-mining technique is the main task in this phase. This process is not straightforward; usually, in practice, the implementation is based on several models, and selecting the best one is an additional task.

5. **Interpret the model and draw conclusions:**
   In most cases, data-mining models should help in decision making. Hence, such models need to be interpretable in order to be useful because humans are not likely to base their decisions on complex "black-box" models. Note that the goals of accuracy of the model and accuracy of its interpretation are somewhat contradictory. Usually, simple models are more interpretable, but they are also less accurate. Modern data-mining methods are expected to yield highly accurate results using high dimensional models. The problem of interpreting these models, also very important, is considered a separate task, with specific techniques to validate the results.

7. (a) **How Enterprise Risk Management (ERM) is creating a corporate culture in a rapidly changing business environment?** 4
   (b) **Write the needs of implementation of Enterprise Risk Management (ERM).** 4
   (c) **Write a short note on Value-at-Risk (VaR) method. How it helps in determining financial risk in a business?** 4+4= 8

Answer: 7 (a)

Enterprise Risk Management (ERM): seeks to implement the risk awareness and its prevention programmes throughout the company, thus creating a corporate culture able to handle the risks associated with a rapidly changing business environment. ERM deals with the risks and

opportunities affecting value creation and preservation.

ERM encompasses the following:
i.   Aligning the risk appetite and strategy.
ii. Enhancing risk response decisions.
iii. Reducing the operational surprises and losses.
iv. Identifying and managing multiple and/or cross enterprise risks.
v.   Seizing opportunities.
vi. Improvement in deployment of capital.

Answer: 7 (b)

ERM needs to be implemented for the following reasons:
i.   Reduce unacceptable performance variability.
ii. Align and integrate varying views of risk management.
iii. Build confidence of investing community and stake-holders.
iv. Enhance corporate governance.
v.   Successfully respond to a changing business environment.
vi. Align corporate strategy and corporate culture.

Answer: 7 (c)

Value-at Risk (VaR):
VaR is one of the popular methods of measuring financial risks. VaR is defined as the threshold value such that the probability of a portfolio making a market to a market loss over a specific time horizon exceeds this value. There are different types of VaR like Long-term VaR, Marginal VaR, Factor VaR and Shock VaR. VaR has different applications scope such as, in Financial Risk Management, Risk Measurement, Control and Reporting. It can also be used in calculating Regulatory Capital.

There are four aspects of VaR applications :
i.   Application in Risk Management;
ii. Application in Risk Measurement;
iii. Application in the governance of endowments trusts and pension plans;
iv. Application for the purpose of monitoring risks.

8. **(a) State the areas in which the causes of sickness for a project may arise and show their effects.** **6**
    (b) What is meant by 'Performance Improvement Zone'? **4**
    (c) Write the important steps for running a Business Process Improvement and Management? **6**

Answer: 8 (a)

The causes of Sickness can be categorized into two viz.,
    i.   Internal Causes and

ii. External Causes.

Internal Causes: are those that are internal to the organization over which the management has the control.

External Causes: are those that are external to the organization over which the management has little or no control. Government's plans, policies and actions, failure of monsoon are some examples of external control. Though sickness may be caused either by internal or external causes, sometimes, the management may be able to revamp its organization, plan suitable strategies and take on the external factors to reduce the impact.

The areas/causes in which these causes may exist and their effects can be pointed out under the following heads:

i. Project identification and formulation: Most of the sickness is attributed to ill-conceived projects. External factors play a major role in Project Formulation stage.

ii. Project Implementation: Delayed Implementation gives a project a difficult start. Unduly long time taken Project Implementation results in Time-overrun, which is invariably followed by Cost-overrun.

iii. Production Process: Major aspects of production that may lead to sickness are - increase in cost of production, decrease in the quality of Product, Standardization of product and Customer satisfaction lacking, producing more quantity that can be sold and leading to accumulation of stocks.

iv. Marketing Strategies: Lack of proper planning of product -mix and lack of coordination between production and marketing division may lead to piling up of inventory, which is only adding to the cost of production.

v. Financial sources both internal and external and

vi. General and personnel administration.

Answer: 8 (b)

Performance Improvement Zone:
Performance is a measure of the results achieved. Performance efficiency is the ratio between the effort expended and the results achieved. The difference between the Current Performance and the Theoretical Performance limit is the Performance Improvement Zone.

Answer: 8 (c)

Business Process Improvement (BPI) :
BPI is a systematic approach to help an organization optimize its underlying processes to achieve more efficient results. It is also an aspect of organizational development in which a series of actions are taken by a process owner to identify, analyze and improve existing business process within an organization to meet new goals and objectives. Process Improvement may include the restructuring of company training programmes to increase their effectiveness.

A model for running a 'Business Process Improvement and Management consists of the following steps:

i. Identify the particular process to be improved effectively. This is to be based on a critical business issue.

ii. Develop the objective for the project based on the requirements of the process. The focus might be on improvement of quality, productivity, customer services, cycle time, cost control etc., The goal is to get the key process under control.

iii. Select the members of the cross-functional team for cross-functional analysis.

iv. Document the current process by creating a flow-chart or organizational map for the business improvement process.

v. Identify 'disconnects' and categorize them into respective levels like organizational level, process level and the job-level.

vi. Recommend changes

vii. Establish process and sub-process measures.

viii. Timely implement for process improvement.