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E-Content
BCH-601 : Business Policy

Lecture 26

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Difference between Policy and Strategy

- The term “policy” should not be considered as synonymous to the term “strategy”. The **difference between policy and strategy** can be summarized as follows-
- Policy is a blueprint of the organizational activities which are repetitive/routine in nature. While strategy is concerned with those organizational decisions which have not been dealt/faced before in same form.
- Policy formulation is responsibility of top level management. While strategy formulation is basically done by middle level management.
- Policy deals with routine/daily activities essential for effective and efficient running of an organization. While strategy deals with strategic decisions.
- Policy is concerned with both thought and actions. While strategy is concerned mostly with action.
- A policy is what is, or what is not done. While a strategy is the methodology used to achieve a target as prescribed by a policy.

What is a Business?

- What is a Business?
- **Definition:** A business is an organization or entity that sells goods or services for a profit. The important part of this definition is that a business is something that operates in order to make a profit. Not all businesses actually are successful enough make a profit, but their main purpose is to generate profits.
- **What Does Business Mean?**
- There are three mains legal forms a business can take: sole proprietorship, partnership, and corporation. Each of these legal forms has distinct characteristics as well as advantages and disadvantages.

- **Example**
- A sole proprietorship is a business organization, or lack their of, where the business owner and the business itself is one entity. For example, if you made some lemonade and sold it at the end of your road, you would be considered a sole proprietorship. No legal documents need to be created for filed to start a sole prop. It starts as soon as you start your business. The main disadvantage of a sole prop is that the owner is not protected with limited liability.
- A partnership is an organization where a few partners join to form a business. The partners can be individuals, partnerships, or even corporations. There are many different types of partnerships including LLCs, LLPs, and other various. All of these have different advantages and disadvantages, but the main advantage to a partnership is that multiple partners can own the business and work together to generate profits.
- A corporation is the most common form of business because it is the most adaptive. The corporate structure allows shareholders to own a percentage of the business with maintaining limited liability protection. This means that shareholders can't be sued for corporate debts or malpractice. One of the main advantages of the corporate structure is the ease of ownership transfer. Shareholders can easily purchase or sell stocks without affecting the company's operations.

Business Models

- When analyzing a company, it is helpful to learn what sort of business model it is following.
- This is especially important when analyzing Internet-based companies. Abusiness model is a
- company's method for making money in the current business environment. It includes the key
- structural and operational characteristics of a firm—how it earns revenue and makes a profit.
- A business model is usually composed of five elements:
- _ Who it serves
- _ What it provides
- _ How it makes money
- _ How it differentiates and sustains competitive advantage
- _ How it provides its product/service21