



RAMA UNIVERSITY

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FACULTY OF COMMERCE & MANAGEMENT

COURSE: MBA 3rd SEMESTER

**SUBJECT: BUSINESS POLICY & STRATEGIC
PLANNING**

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LECTURE: 2

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Lecture-2



Business Policy - Definition and Features

Definition of Business Policy

Business Policy defines the scope or spheres within which decisions can be taken by the subordinates in an organization. It permits the lower level management to deal with the problems and issues without consulting top level management every time for decisions.

Business policies are the guidelines developed by an organization to govern its actions. They define the limits within which decisions must be made. Business policy also deals with acquisition of resources with which organizational goals can be achieved. Business policy is the study of the roles and responsibilities of top level management, the significant issues affecting organizational success and the decisions affecting organization in long-run.

Features of Business Policy

An effective business policy must have following features-

1. **Specific-** Policy should be specific/definite. If it is uncertain, then the implementation will become difficult.
2. **Clear-** Policy must be unambiguous. It should avoid use of jargons and connotations. There should be no misunderstandings in following the policy.
3. **Reliable/Uniform-** Policy must be uniform enough so that it can be efficiently followed by the subordinates.
4. **Appropriate-** Policy should be appropriate to the present organizational goal.
5. **Simple-** A policy should be simple and easily understood by all in the organization.
6. **Inclusive/Comprehensive-** In order to have a wide scope, a policy must be comprehensive.
7. **Flexible-** Policy should be flexible in operation/application. This does not imply that a policy should be altered always, but it should be wide in scope so as to ensure that the line managers use them in repetitive/routine scenarios.
8. **Stable-** Policy should be stable else it will lead to indecisiveness and uncertainty in minds of those who look into it for guidance.

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-

1. 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.
2. Policy formulation is responsibility of top level management. While strategy formulation is basically done by middle level management.
3. Policy deals with routine/daily activities essential for effective and efficient running of an organization. While strategy deals with strategic decisions.
4. Policy is concerned with both thought and actions. While strategy is concerned mostly with action.
5. 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.

Strategic Decisions - Definition and Characteristics

Strategic decisions are the decisions that are concerned with whole environment in which the firm operates, the entire resources and the people who form the company and the interface between the two.

Characteristics/Features of Strategic Decisions

- a. Strategic decisions have major resource propositions for an organization. These decisions may be concerned with possessing new resources, organizing others or reallocating others.
- b. Strategic decisions deal with harmonizing organizational resource capabilities with the threats and opportunities.
- c. Strategic decisions deal with the range of organizational activities. It is all about what they want the organization to be like and to be about.

- d. Strategic decisions involve a change of major kind since an organization operates in ever-changing environment.
- e. Strategic decisions are complex in nature.
- f. Strategic decisions are at the top most level, are uncertain as they deal with the future, and involve a lot of risk.
- g. Strategic decisions are different from administrative and operational decisions.

Administrative decisions are routine decisions which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions which help execution of strategic decisions. To reduce cost is a strategic decision which is achieved through operational decision of reducing the number of employees and how we carry out these reductions will be administrative decision.

The differences between Strategic, Administrative and Operational decisions can be summarized as follows-

Strategic Decisions	Administrative Decisions	Operational Decisions
Strategic decisions are long-term decisions.	Administrative decisions are taken daily.	Operational decisions are not frequently taken.
These are considered where The future planning is concerned.	These are short-term based Decisions.	These are medium-period based decisions.
Strategic decisions are taken in Accordance with organizational mission and vision.	These are taken according to strategic and operational Decisions.	These are taken in accordance with strategic and administrative decision.
These are related to overall Counter planning of all Organization.	These are related to working of employees in an Organization.	These are related to production.

<p>These deal with organizational Growth.</p>	<p>These are in welfare of employees working in an organization.</p>	<p>These are related to production and factory growth.</p>
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