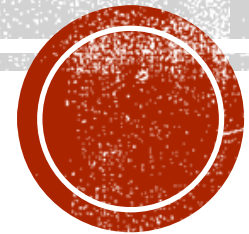


BUSINESS POLICY AND DECISION MAKING — UNIT II

- ❑ Prof (Dr.) Pavnesh Kumar
- ❑ Head of Department
- ❑ Department of Management Sciences
- ❑ Mahatma Gandhi Central University of Bihar

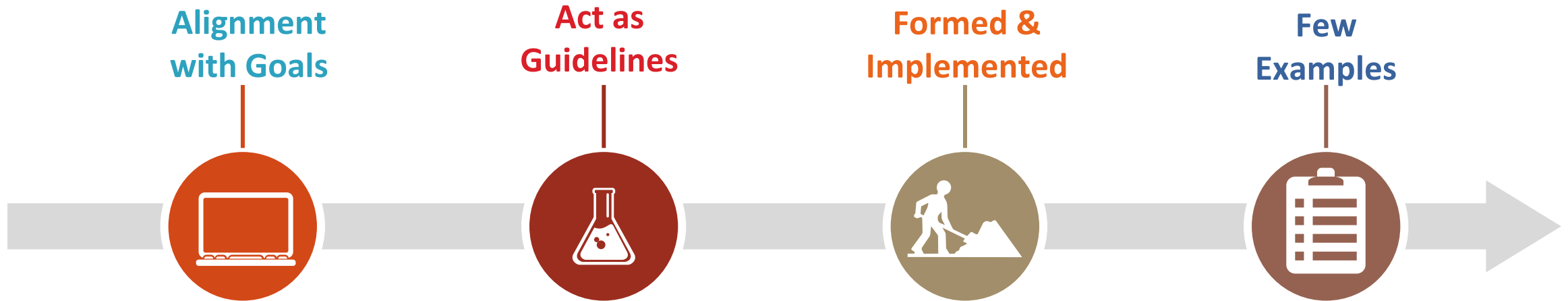


INTRODUCTION

- The development of business policy was due to the rising need of real life business. Clear policies help each manager to understand the range within which he/she can make decision and thus, feels less uncertain as to whether he/she can give answers to subordinates without 'getting into trouble.' We will also discuss different factors to be considered before framing policies and how policies are framed. At the end of the unit we will explain role of policy in strategic management and decision making.



BASIC FEATURES OF BUSINESS POLICY



Policies should be framed in alignment with organizational goals and objectives.

Policies act as guidelines to the managers in deciding the course of action.

Generally policies are formulated at top or senior level and implemented at middle and lower level.

- A company will not consider addition of new products whose ROI is less than 5 %.
- No customer should be given credit for more than 30 days.



FACTORS CONSIDERED BEFORE FRAMING BUSINESS POLICIES

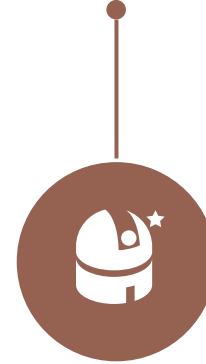
Relationship to Organization's objective
while framing policies one should take into account for what purposes and objectives the business has been established and how this can be best achieved.



Written Policies
When the policies are in writing, it ensures uniformity of freedom of action on the part of the management.



Comprehensiveness
The policy should be comprehensive. It should cover all issues concerned with the firm.



Supplementary
Supplementary policies extend overall organisational policies. If the policies are not supplementary, there can be conflict between departmental policy and overall policy.



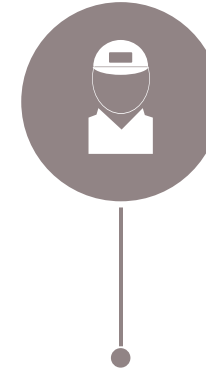
Simple Understandable
Clarity is the essence of good policy. If the policies are clear cut then personal opinion will not affect in decision making.








Stable
Stable policies give confidence to the employees, customer and dealers. Policy must not be modified frequently



Complementary
All policies in the functional areas must be complementary to one another. Eg. Manufacturing policy and purchase policy should be complementary to each other.








STEPS INVOLVED IN FRAMING BUSINESS POLICIES

 First	 Second	 Third	 Fourth	 Fifth
Identification of the situation	Problem Definition	Policy recommendation	Policy Proposal	Development of Policy
Policy framing is a complex task involving help of the experts. The policies are required to reflect the good practices in society. Policymaking involves all levels in the working organization.	It involves identification of problem and determining the need for framing policy. Normally it is the function of line manager to identify the problems in their respective department.	The next step is policy recommendation which will suit the situation. This depends on the level at which policies are formulated. A manager has to make choice among the various proposals.	Policies framed should be based on the guidelines provided by the overall corporate policies. The purpose of the policy is to guide the lower level management and the operative in making decisions	This leads to formulation of sound policies which are developed after detailed discussion. The middle management gets involved from their relative areas of responsibility.

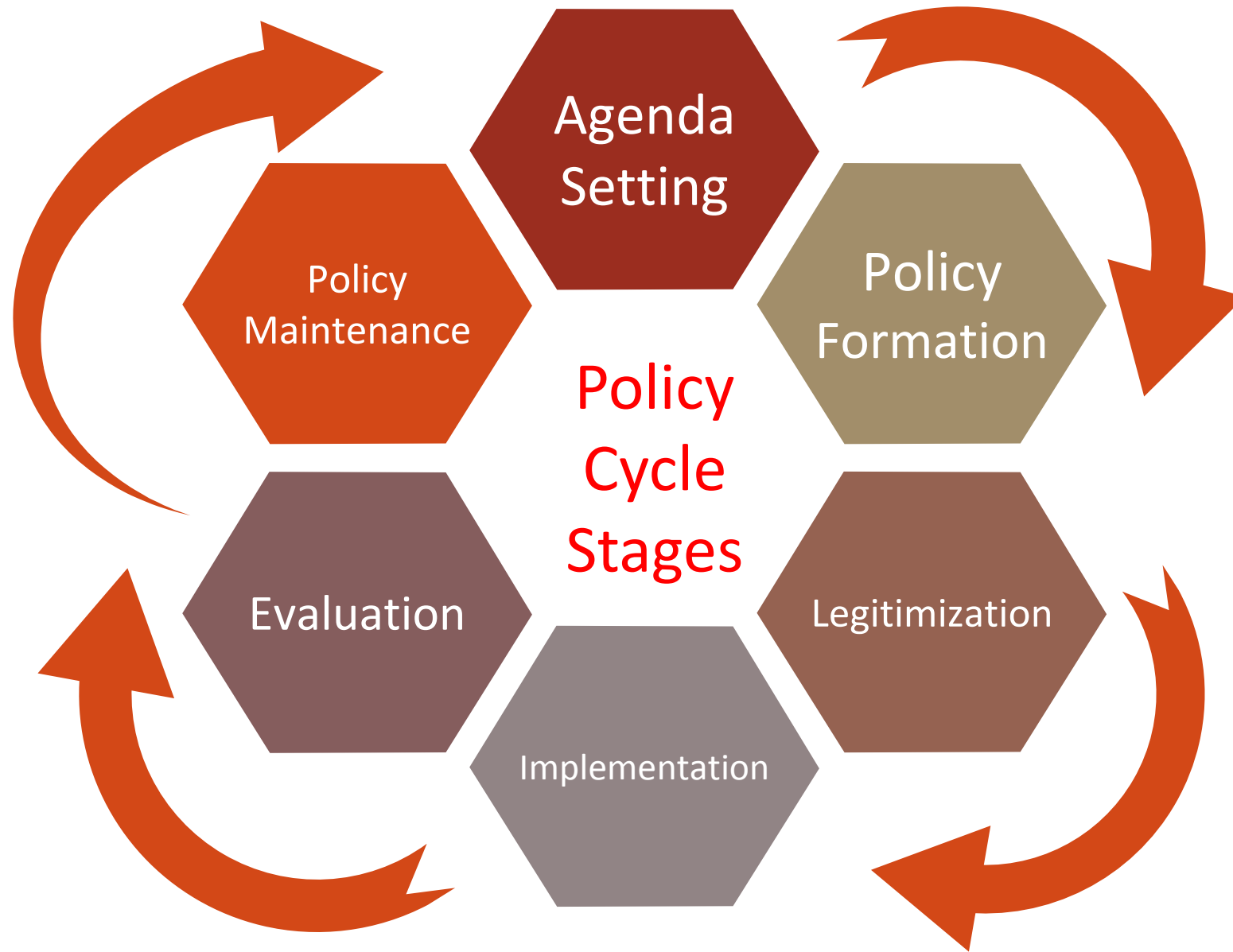


STEPS INVOLVED IN FRAMING BUSINESS POLICIES

 Sixth	 Seventh	 Eighth	 Ninth	 Tenth
Dissemination of the Policy	Explanation of the policy	Acceptance of the policy	Policy Implementation	Policy Review
Policies must be disseminated to those who are responsible for its implementation. In certain cases company may publish handbook of the policy.	It is necessary to educate the person how the policy relates with organisational goals. Company may use different methods and techniques like elucidation, explanation, case studies etc.	Before accepting the policy the persons related with its implementations of the policy, must understand the principles underlying it and rules of action.	Policy once formulated and interpreted needs to be implemented. Policy implementation is a process of putting policy into effect.	The most important task is to assess policy at regular interval. There should be continuous review of policies. It helps us to know whether the policy has been effective in the areas at which it was aimed.



POLICY CYCLE STAGES



POLICY CYCLE STAGES EXPLANATION

- **Agenda Setting:** Organisation faces many problems and issues which requires management to take immediate attention. It is the responsibility of the policy maker to decide on which matter or issue is important and which one to be tackled on urgent basis. The policy framing starts with defining and identifying the problem. It is rightly said that problem known is 50% problem solved; hence it is the core responsibility of the policy framer to correctly diagnose the problem. Once the problem is identified policy framing becomes easier task.
- **Policy Formulation:** Once the problem is identified, efforts are made to resolve the problem by framing right policies. Objectives are set so that it will become easier for the implementer to understand the underlined purpose of policy framing. Once the policies are formulated, it is essential to find out its commercial feasibility. For this purpose it becomes essential to identify the cost and estimating the effect of solution. It is the critical job to select the best policy amongst many.



POLICY CYCLE STAGES EXPLANATION

- **Legitimation:** It is not enough to formulate the best policy but it is equally important to get it accepted by those who are going to implement it. The policy framer had a challenging task of getting support for the policy. It can involve one or more combination of legislative approvals, executive approval, seeking consent through consultation with affected group / interest groups. It is one of the important steps in policy cycle.
- **Implementation:** After educating policy and getting consent from the concern, the next step is to implement the policy. Establishing and employing an organisation to take responsibility for implementation is the critical factor. For implementation, all the resources like money, material, manpower, finance legal framework and so on should be made available. This will ensure effective implementation of policy. If the resources are properly made available, it will enable smooth execution of the policy. Here attention should be made on the fact that decisions needs to be carried out as planned.



POLICY CYCLE STAGES EXPLANATION

- **Evaluation:** Once the policy is implemented it becomes essential to know whether the policy was able to achieve the desired results. Assessment of the policy requires knowing the extent the policy was successful or whether the policy decisions were correct ones. It will be called successful if it gives the desired results. If there is any deviation necessary steps should be taken.
- **Policy maintenance or termination:** If the policy fails to give desired outcome then it should be modified. If the policy is not suitable to the present situation then it should be discontinued.



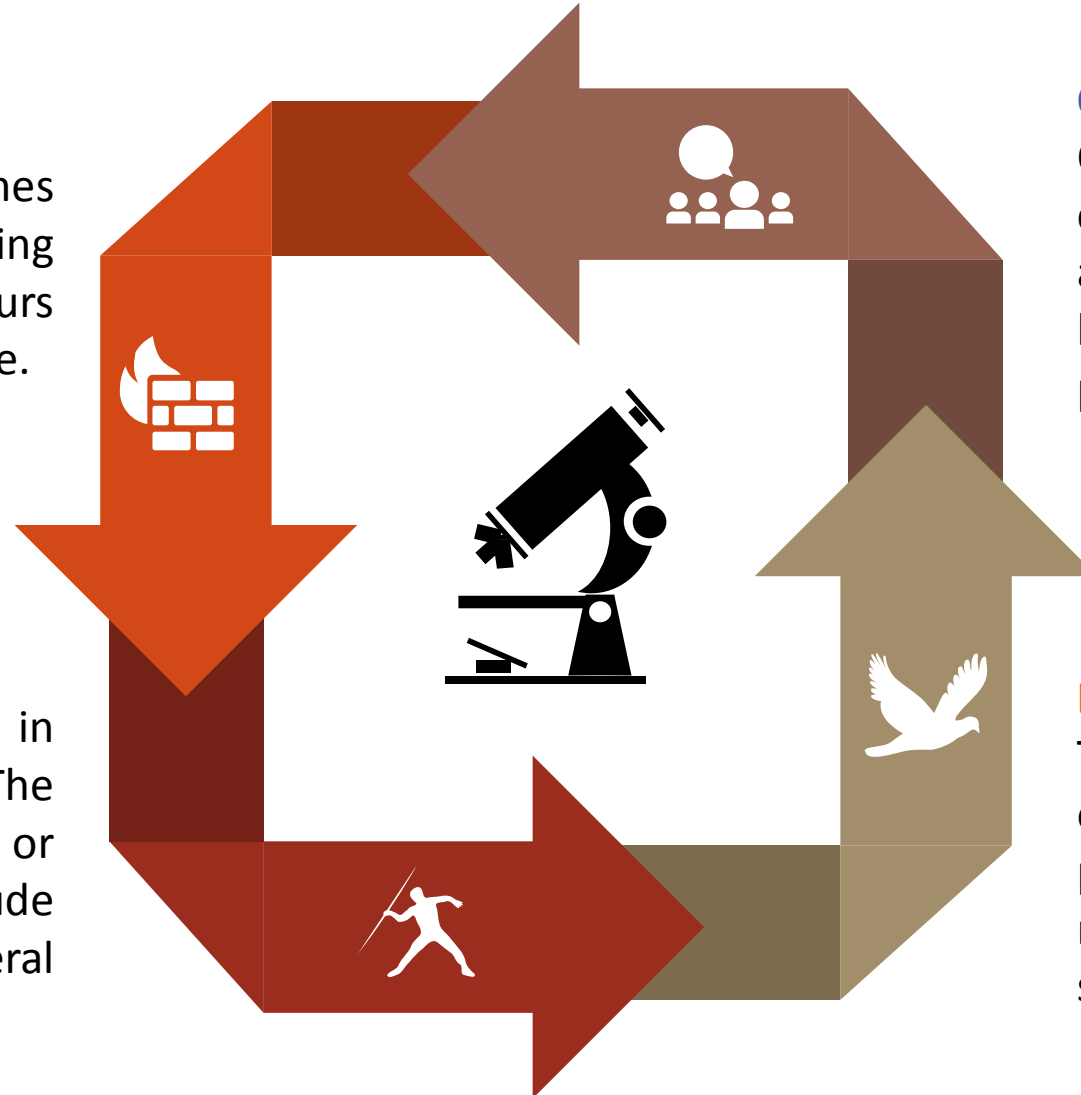
IMPLEMENTATION OF POLICY CHANGE

Knowledge Change

A change in knowledge comes through education and learning process. Sometimes it occurs due to experience of the people.

Attitudinal Change

The change is brought about in the attitude of the people. The attitude may be positive or negative. The change in attitude can be brought in by several motivational approaches.



Organizational Change

Organisations involving changes in the norms, customs and belief of the people at large have to initiate it in a planned manner.

Behavioral Change

This change is brought because of change in the behaviour of a person. It is very difficult to notice such change in short span of time..

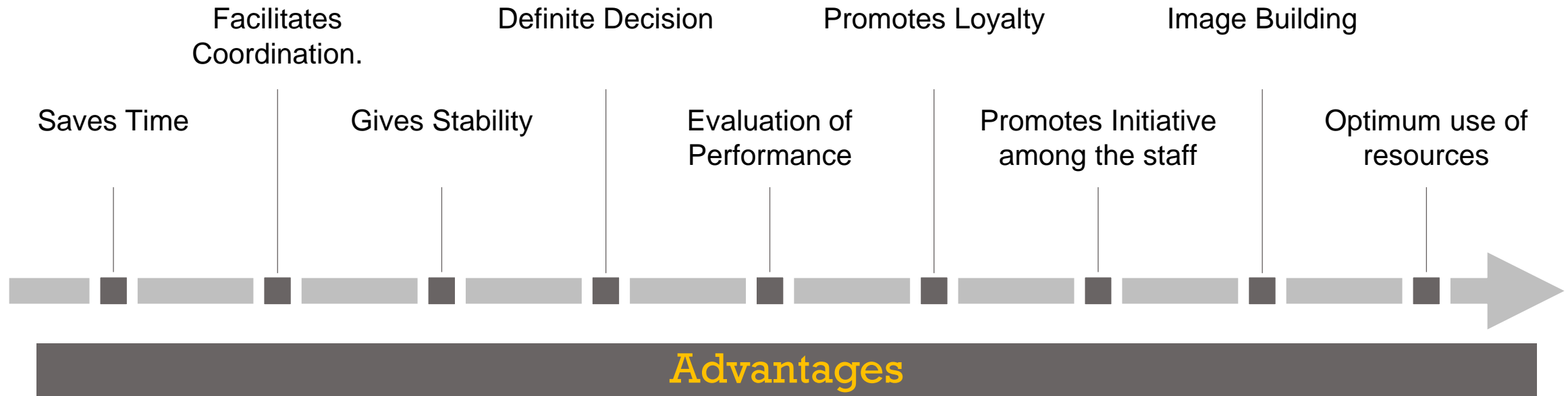


ROLE OF POLICIES IN STRATEGIC MANAGEMENT

- Policy institutionalizes practices which are strategy-supportive.
- They also facilitate development of operating procedures throughout the organization which enable implementation of strategies.
- Policy reduces uncertainty in repetitive and day-to-day activities of the organization. It helps in the direction of efficient execution of strategy /strategies.
- It curtails discretionary decision and behaviour of the individuals. On the other hand procedures imply steps how things are to be handled.
- Policy helps to establish a fit between corporate culture and strategy which enable proper implementation of the policies.
- Policy helps to shape the character of the working environment. It translates the corporate philosophy into how things are to be done, how people are treated.
- It reflects out what corporate beliefs and attitudes mean in terms of everyday activities.
- Alignment of actions and behaviour with strategy is possible due to policy. This avoid conflicting practices.
- Because of policy, there will be consistent patterns of action in terms of how the organization is trying to make the strategy work.



BUSINESS POLICY AND DECISION MAKING



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