

UNIT 170 – UPSC - Strategic Management: Business policy as a field of study

Business policy has been traditionally related with the course in business school. It is rooted in the practice of management and has been passed through different stages before taking into shape of current strategic management. In management studies, business policy as a field of study evolved in 1911 at Harvard Business School. It has been developed in management courses out of the experience of corporate enterprises and the history of success and failure of business over a period of time. It is the outcome of senior management decision bearing of the future of ongoing enterprises (Appa Rao, 2009). Major objective of the management course was to enhance general management capability. Numerous expert studies on business education and the Business policy course were made obligatory for all Business Schools in USA. Since then, Business Policy was commenced as an vital course in the management degree/diploma programmes in many nations including India. However, there have been changes in focus of the Business Policy course since the 1980s. The modern approach is focussed on Strategic Management. The generic term business policy denotes to all of an organization's processes and procedures. This can range from human resources policies to the company's marketing schedule and its plans for expansion and development. Business policy is strongly associated with strategic management because the policies are basically the strategies put into action.



Business policy in Indian context: In India, formal education began in 1950s and received huge enhancement in 1960 with the establishment of Indian institute of management and Administrative staff college of India. IIM colleges structured their curriculum and teaching system on the basis of Harvard model. With the setting up numerous management Institutes all over the country, India has experienced unparalleled boom. Subsequently, All India council for technical education was established in 1990 to regulate the technical and management education India. All India council for technical education prescribed business policy and strategic management as a compulsory course in the curriculum of management studies.

Theoretical framework of business policy: In management literature, there are several definitions of business policies. Newman and Logan described business policy as the best thinking of company management as to how objectives may be achieved in the prevailing economic and social conditions. R E Thomas defined that business policy basically deals with decisions regarding the future of an ongoing enterprises. Such policy decisions are taken at senior level after carefully evaluating the organizational strength and weaknesses in relation to its environment. However the most comprehensive definition is given by Christensen and others. According to them, business policy is the study of the function of responsibilities of senior management, the crucial problem that affect success in the total enterprises and the decisions that determine the direction of the organization and shape its future. The problem of the policy in business has to do with choice of purpose, the moulding of the organizational identity and character, the continuous definition of what needs to be done and the mobilization of resources to accomplish the goal in competitive environment (Appa Rao, 2009).

Nature of Business Policy: In broad sense, Business Policy is described as decisions about the future of an ongoing enterprise. These are decisions which only the senior management of an enterprise can take having investigated market opportunity, appraised the distinctive competence and total resource of the company, and having combined the present and potential resources with the opportunities. These are essential, strategic decisions in as much as they verify the relationship between the enterprise and its environment, actions of company in near future, and how it should position itself to get benefit of the future market prospects. Consequently, business policy is intended to establish long-term objectives which will guide the future of the enterprise, its size and position in the product-market, as well as deciding on the resources of human abilities, capital plant and equipment, materials and energy which will be required to accomplish the objectives. Briefly, business policy entails senior management decisions relating to the future direction of business and the critical problems that influence the triumph of the total enterprise. The requirement of guiding the future direction of business occurs at some stage in the case of every enterprise.

The vibrant nature of business environment, the current and probable opportunities and threats, the risks of undertaking new projects, entering new markets, and such other aspects of business policy are of vital importance in decision-making with long-term implications. Strategic decisions also vary from managerial decisions which are concerned with structuring the firm's resources so as to generate a maximum performance potential. These are decisions associated with establishing authority-responsibility relationships, work-flows, communication, distribution channels, location of facilities, as well as acquisition and development of resources, developing source of raw materials supply, personnel training and development, financing and acquisition of plant and equipment.

Strategic management signifies an academic notion which was originated by Peter Drucker in the mid-20th century. Strategic management symbolizes that organizations will be better equipped to meet their goals and objectives if the owners and managers implement a clear business beliefs. The study of strategic management and business policy is a capstone course designed to integrate all prior learning into one subject suited for application in modern business environment. The study of business policies is comparatively new and the discipline finds its root in early American business colleges. Business policies provide practice in decision making because it primarily covers the job of managers and analyses potential problems from the perspective of business as a

whole. business policies have been designed to create an awareness of and interest in strategic problem of a business and its relationship with society (Alkhafaji, 2013).

Key objectives of business policy are that it integrates knowledge and methods learnt in functional courses such as production, finance, marketing, HR. It develops analytical skills and decision making capabilities of students through extensive case studies, research reports, industry specific studies and data. Business policy promotes positive attitude, ethical value and healthy way of thinking to take holistic view of the internal as well as external stakeholders of an organization (Appa Rao, 2009).

Attributes of business policy: Common features of business policy are as follows (Appa Rao, 2009):

1. Top management function: business policy stress more on functions and responsibilities of senior management such as defining objectives, specifying action plan, providing direction to enterprise activity, ensuring control, balance the concerns of internal and external groups and ensuring the success of company in a changing climate.
2. Understanding the big picture: Instead of examining the issues from functional angle, business policy tend to view all key issues from a broad perspective that is assessing the overall impact of decision on entire organization. This involves choosing the correct way, keeping organizational capabilities and environmental pressures in the background.
3. Integration of functional areas: Business policy is a capstone course demonstrating interdependence between separate functional areas.
4. Resource focus: Business policy is mainly concerned with the mobilization of various resources in order to accomplish the goal of enterprises in and effective way in competitive and adverse circumstances.
5. Externally tuned: Business policy tries to underscore the importance environmental impact on organization and the need for senior management to come out with appropriate responses. The most imperative factor in assessing organizational effectiveness is adaptability to functional change.
6. Wider application: Business policy can be applied in all types of organizations.
7. Enhancement of analytical skills: Study of business policy emphasizes active participation of students in the learning process through methodologies like case discussions, oral and written presentation reports. This improves the analytical and decision making skills of students.

Importance of business policy course: the course of Business policy is integrative in nature. It enable the learner to understand the importance of looking at the organization as a unified whole. It gives an opportunity to pull together the insights gained in introductory course as well as specialized functional course like production, finance, marketing, human resource and use such knowledge for analysis and decision making to resolve issues of organization. Business policy is critical for adding value to resources to bring cohesiveness and sustain competitive advantage in volatile and rapidly changing environment. Business policy assists managers to take a system view of business. A course in business policy helps in understanding business as a system consisting of numerous sub systems which have an impact on other sub systems and the system as a whole. Study in business policy also assists students to understand the linkage between various functional specialities and decide things objectively (Appa Rao, 2009).

It is established that business policy and strategic management are integrated disciplines which concern with the policy and strategic issues of organization. Business policy provides theoretical background for explaining the concepts of strategic management.

<u>Focus of business policy</u>	<u>Focus of strategic management</u>
1. Traditional name of strategic management	1. The current name of business policy
2. Focus is on integrating knowledge gained in various functional areas	2. Focus is on achieving a fit between organizational capabilities and environmental opportunities
3. Primarily looks inward	3. Primarily looks outwards.
4. Emphasis is on integrated approach to solve organization wide problems.	4. Emphasis is on management of strategy to achieve competitive advantage.

Table:

To summarize, Business policies are the directives developed by an organization to oversee its actions. They describe the restrictions within which decisions must be made. Business policy also deals with acquisition of resources with which organizational goals can be accomplished. Business policy is the study of the roles and responsibilities of senior level management, the important issues affecting organizational triumph and the decisions affecting organization in long-run. Business policy is important course in management curriculum and as component of executive development program for middle level managers who are preparing to move up to senior level management. It presents a basic framework for understanding strategic decision making while person is at the middle level management. Study of business policy is also beneficial for personal development.