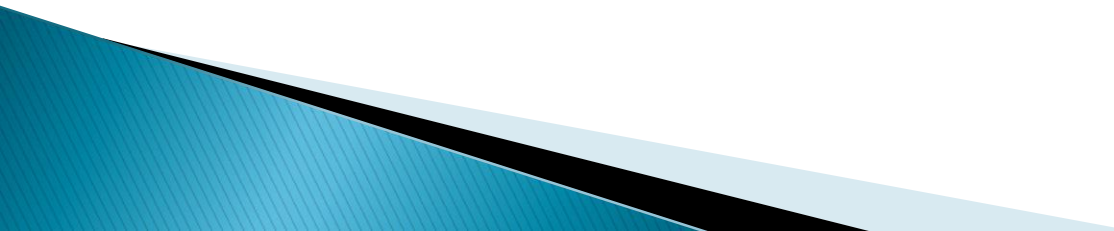



**SOS POLITICAL SCIENCE AND
PUBLIC ADMINISTRATION**

MBA FA 405

**SUBJECT NAME: STRATEGIC
MANAGEMENT**

**TOPIC NAME: CONCEPT OF POLICY &
STRATEGY**

- ▶ The success of an organization is strongly linked to how the management perceives the goals to be achieved and the ways devised to achieve those goals. These are two different but interrelated concepts of policy and strategy.
 - ▶ Organizational success or failure is largely dependent on how the various functional areas in the organization are combined to produce and deliver value to different stakeholders. This integration of functions is taking place in a continuously changing and complex environment. The formulation and implementation of policies and strategies is an important issue as the organization strives to remain successful and grow in an increasingly complex, competitive and globalised world. It is therefore interdisciplinary by nature and requires an understanding of all functional areas.
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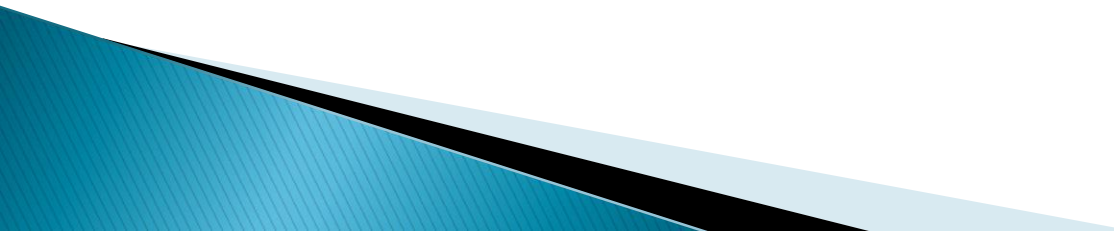
- ▶ Organizational policy refers to the roles and responsibilities of top level management, the significant issues affecting organization wide performance and the decisions affecting organization in the long run. Organizational strategy is the strategy developed and implemented to the goals set by the organizational policy. More specifically, organizational strategy can be defined as the way a company creates value through the configuration and coordination of its various multi activities.
 - ▶ Organizational policies and strategy provide guidelines for action. Unfavorable and ambiguous policies or strategy may affect the functioning of the employees adversely and they may experience stress. Organization wide policies are designed to achieve major organizational objectives.
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POLICY:

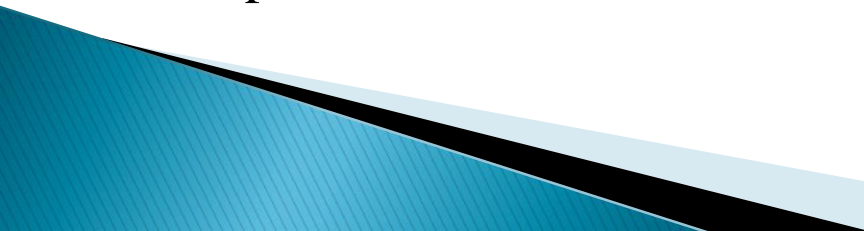
- ▶ Policy is a course or principle of action adopted or proposed by an organization. It is a guiding principle used to set direction in the organization. A policy contains the ‘what’ and the ‘why’. It is developed within (i) a legal framework, (ii) an organizational mission, and an ideological framework.
- ▶ Policies are general statements that help guide management thought process in decision making. Policies are guidelines and help the organization to achieve its goals. Policies are normally developed within the following regulatory environment.
- ▶ Statute, laws, and regulations governing the sector and general business environment under which the organization operates
- ▶ Mandatory standards of practice
- ▶ Voluntary codes of best practice
- ▶ Voluntary codes of conduct and ethics
- ▶ Stake holder’s expectations from the organization
- ▶ There are constants in good policy making. They are an intellectual rigor about issues, a commitment to procedural integrity and a willingness to experiment and learn through implementation and adaptation. Established practice (‘we have always done it this way’) should not be mistaken for policy.

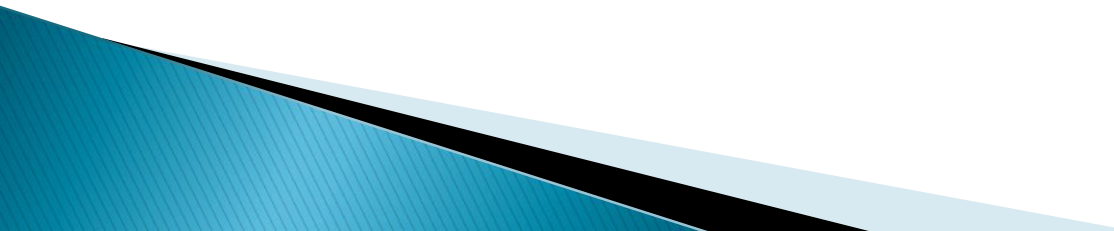
- ▶ A policy includes the following.
- ▶ The source of mandate and authority to implement the policy
- ▶ Aims and objectives of the policy
- ▶ Statements about (i) who is responsible for implementing the policy, (ii) how the policy will be implemented (strategies), (iii) how the policy will be communicated, (iv) codes, standards and benchmarks by which the policy implementation can be evaluated, and (v) when and how the policy will be reviewed.
- ▶ In an organization it is necessary that a policy must be implemented and communicated for which a strategy is needed. In a policy everyone must know his responsibilities and his accountabilities. Also the responsibility for the implementation of the policy must be assigned to someone who will be primarily accountable for the implementation of the policy.
- ▶ Policies align with the vision of the organization. They set the organization's overarching direction and drive the way the organization performs. Like a compass pointing north, policies lead the way to the organization's mission. By delineating a corridor of navigation or fields of interest and the linkages among them, these policies reduce uncertainty in strategy formulation and further downstream along the value chain. Policies should be mission driven rather in reaction to surprise events or undue pressure from change advocates. They should delineate the coping mechanisms to deal within unexpected issues, and the conditions under which ad hoc decisions can, within limits, override policy, as in major crises or pilot experiments. Policies must be coherent with equitable, accountable and effective governance.

The characteristics of a policy are given below.


- ▶ It offers guidelines for management to take appropriate decisions.
 - ▶ It is a general course of action with no defined time limits.
 - ▶ It is a guide to action in areas of repetitive activity.
 - ▶ Once policy decisions are formulated these can be delegated and implemented by others independently.
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STRATEGY:

- ▶ Strategy is viewed as the value based (longer term) approach to how a vision (policy goal) can be realized in broad terms e.g. specification and setting up of action directions and various programs.
 - ▶ Strategy is a plan of action designed to achieve a long term or overall aim. It is a methodology used consistently to achieve a long term or overall objective or aim. It is a plan for implementing a policy.
 - ▶ Strategy is meant to achieve the organizational mission and objectives by the adoption of various and different courses of action with proper allocation of resources.
 - ▶ The plan of action devised by the management to achieve the goals set forward is termed as the strategy of the organization. There can be different strategies to achieve the goals set by the organization following the policy guidelines though the policy is a long term concept that remains the same in a constant manner. Strategy is better labeled as plan of action while the policy is a guideline that is to be kept in mind all the time.
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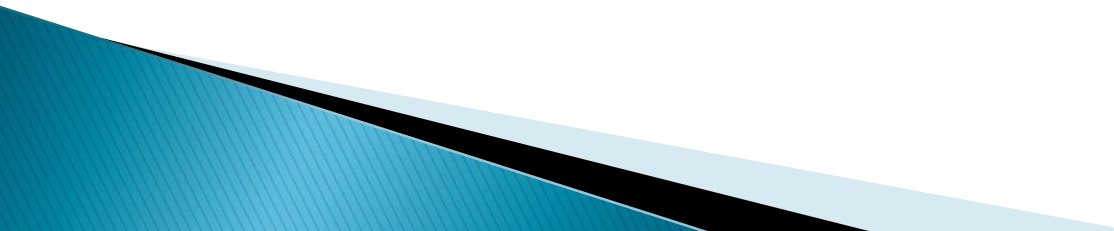
- ▶ Strategies define the overall character, mission and direction of an enterprise. The focus on an organization's long term relationship with its external environment specifies what an organization will be doing in future, reflecting the kind of enterprise the managers envision. Strategies are formulated and implemented with a view to achieve specific goals. An appropriate strategy will give the organization an advantage over the competitors. It will enable the organization to marshal the resources so that they are more effectively utilized. In other words, the basic purposes of a strategy are to deploy human as well as physical resources in order to maximize the chances of achieving a selected objective in the face of difficulties.
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The characteristics associated with the strategy are given below.


- ▶ It deals with strategic decisions that decide the long term health of the organization. It is a comprehensive plan of action designed to meet certain specific goals.
 - ▶ It is a means of putting a policy into effect within certain time limits.
 - ▶ It deals with those decisions which have not been encountered before in quite the same form, for which no predetermined and explicit set or ordered responses exist in the organization and which are important in terms of the resources committed or the precedent set'
 - ▶ It deals with crucial decisions whose implementation requires constant attention of top management.
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The following are the important issues related to the strategy.

- ▶ Internal consistency – It refers to the cumulative impact of individual policies on organizational goals, and in a well worked out strategy, each policy fits into an integrated pattern. A strategy must be judged on the basis of its relationships to the policies and goals of the organization.
- ▶ Consistency with the environment – The strategy should be consistent with the environment, that is, this should make sense with respect to what is going on outside. Consistency with the environment has both static and dynamic aspects. In a static sense, it implies judging the strategy with its suitability to the existing environment.
- ▶ Appropriateness in the light of available resources – The strategy must be appropriate in the light of available resources. Resources are those things that help an organization achieve its objectives. There are two basic issues which management must decide in relating strategy and resources. The three critical resources in an organization are money, competence, and physical facilities.

- ▶ Satisfactory degree of risk – Strategy and resources, taken together, determine the degree of risk which the organization is under taking. Thus, each organization must decide the degree of risk it can take. This, in turn, depends upon several factors.
 - ▶ Appropriate time horizon: A good strategy not only provides what objectives would be achieved, it also indicates when objective would be achieved. This is due to the fact that a significant part of every strategy is the time horizon on which it is based. In choosing an appropriate time horizon, the organization must pay careful attention to the goals being pursued. Goals have time based utility and must be established far enough in advance to allow the organization to adjust to them.
 - ▶ Workability – The strategy must have enough degree of workability. The workability of a strategy can be measured in terms of results which are obtained. However, the results measure two factors namely the strategy selected and the skill with which it is being executed. If the results are not up to standards, both these factors can be examined.
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DIFFERENTIATION BETWEEN POLICY AND STRATEGY:

- ▶ Policies are guidelines. They give the function its license and character. Policies often cover staff expectations, roles and processes in an organization. A strategy is a high level plan. It sets out aims to achieve, how it will respond to organizational requirements, type of training and development that will be provided, and how the budget will be allocated
 - ▶ Policy is the spheres or scope within which decisions are taken by the employees in the organization. Strategy is an action that managers and directors take to achieve one or more of the organizational goals.
 - ▶ A policy is a guide to thinking and action for those responsible for making decisions. On the other hand, a strategy deals with the allocation and deployment of physical and human resources so as to achieve the desired goals in the face of environmental pressures.
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- ▶ A strategy may exist without a policy. Strategy and policy may in some cases be coexisting. A strategy deals primarily with environmental constraints and opportunities whereas a policy is concerned mainly with internal management.
 - ▶ A policy is a contingent decision and it lays down the response to be made whenever the specified contingency arises. But a strategy is designed to deal with situations about which all facts are not known and, therefore, alternatives cannot be evaluated in advance.
 - ▶ The implementation of policy can be delegated but the execution of strategy cannot be delegated because it requires a last minute executive-decision.
 - ▶ However, both policy and strategy are designed to achieve organizational objectives. The process of their formulation is similar. In strategic decisions the identification and analysis of the factors bearing on the problem are more difficult than in case of policy decisions.
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