



BUSINESS POLICY AND STRATEGIC MANAGEMENT – (MBA &M.COM)

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Evolution of Business Policy

- ▶ **Evolution of business policy:**
- ▶ Business policy as a distinct field of study was introduced at Harvard Business School way back in 1911. The course aimed at improving the general management capabilities of students. It was intended to tie together and give proper focus to the first year courses by showing how the functions of business both internally and as between businesses, were closely interrelated in practice and how a chief executive had to recognize and deal with those relationships. The course, however received widespread acceptance only after the publication of two reports in 1959.
- ▶ The Gordon and Howell report, sponsored by the Ford Foundation predicted that a course on business policy would give students an opportunity to put together what they have learned in the separate business fields and utilize this knowledge in the analysis of complex business problems. The Pierson report, sponsored by the Carnegie Foundation also recommended the introduction of the course strongly. Following these reports the business policy course was made mandatory in all business schools in the US for the purpose of recognition. In the course of time the course gained popularity in business schools in other parts of the world as well. It is being increasingly viewed as an integrative course offered to students after completing a set of functional area courses in Finance, Marketing, and Accounting etc.

PHASES OF BUSINESS POLICY

- ▶ They have summarized the developments in this regard thus:


First Phase: Paradigm of Adhoc Policy (till mid 1930s): Adhoc policy making necessitated by the expansion of American firms in terms of product markets and customers and the consequent need to replace informal controls and coordination by forming functional policies to guide managers.

- ▶ **Second Phase: Paradigm of planned Policy (1930s – 1940s):** Replacement of adhoc policy making by planned policy formulation and shifting attention towards integration of functional areas, in line with environmental requirements.
- ▶ **Third Phase Strategy Paradigm (1960s):** Rapid force of environmental changes and increasing complexity of managerial functions demanding a critical look at the concept of business in relation to its environment hence the need for strategic decisions.
- ▶ **Fourth Phase: Paradigm of Strategic Management (1980s):** Shifting of focus to the strategic management process and the responsibility of general management in resolving strategic issues.
- ▶ The central **difference between strategic management and business policies** is that **strategic management** is a system that helps guide and direct a firm, while policies, on the other hand, are merely rules to be followed.

Development of course contents:

- ▶ In the days gone by academicians viewed future as a moving target, difficult to capture analyze and interpret with a certain degree of confidence. So they pinned their hopes primarily on short term planning tools.
- ▶ Around 1930s systematic attempts were made to go deep into future and prepare the organizations for likely changes in future. Budget control systems management by objectives and capital budgeting techniques were pressed into service with a view to predict future impacts based on current trends.
- ▶ These techniques unfortunately failed to capture the essence of future conditions in an appropriate way.

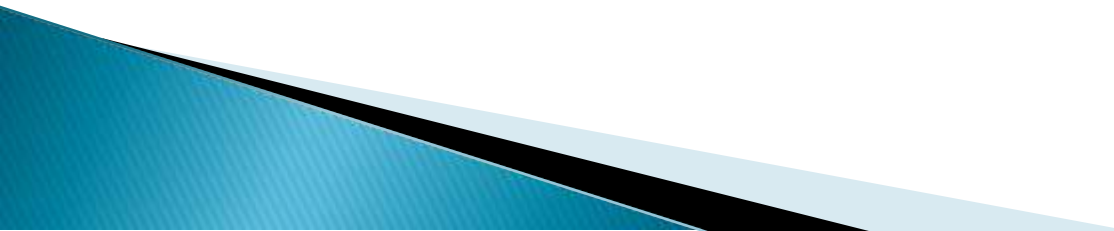
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- ▶ Long range planning was used to remedy the situation. Corporate plans, prepared by people at various levels based on current practices and likely changes in future, were often pushed upwards for approval by top management.
 - ▶ Top management's participation in such lopsided exercises was minimal and there was always the danger of the recommendations not being followed. This process is called as first generation planning.
 - ▶ First generation planning puts lot of emphasis on picking up an appropriate course of action (generally a single plan) based on environmental challenges and organizational strengths and weaknesses.
 - ▶ Then came the second generation planning in the form of strategic management which came to occupy the center stage in the business world, emphasizing interaction by managers at all levels of the organizational hierarchy in planning and implementation. Hofer called this evolution a paradigm shift.
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Comparison Between Policy and strategy

Basis	STRATEGY	POLICY
Meaning	Strategy is a comprehensive plan, made to accomplish the organizational goals.	Policy is the guiding principle that helps the organization to take logical decisions.
What is it?	Action plan	Action principle
Nature	Flexible	Fixed, but they allow exceptional situations
Related to	Organizational moves and decisions for the situations which have not been encountered previously.	Organizational rules for the activities which are repetitive in nature.
Orientation	Action	Thought and Decision
Formulation	Top Level Management and Middle Level Management	Top Level Management
Approach	Extroverted	Introverted
Describes	Methodology target.	used

Mintzberg 5 P's of strategy

- ▶ The Mintzerg 5 P's of strategy is five alternative definitions of, or methods of formulating, strategy. In 1987, Mintzberg published his first article on the 5 P's of Strategy. Each of the five P's represents a distinct approach to strategy. This includes Plan, Ploy, Pattern, Position and Perspective. These five elements enable a company to develop a more successful strategy. A strategy is long-term and encompasses several aspects of the company or organisation you work with.
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Mintzberg 5 P's of strategy

Plan

Ploy

Pattern

Position

Perspective

Explaining the 5 P's of strategy

- ▶ Mintzberg initially mentioned the notion in 1987. Each of the 5 P's indicates a distinct strategic approach. You design a good business plan that takes full use of the company's strengths and skills by knowing each P. Here are each of the 5 P's explained in more detail:

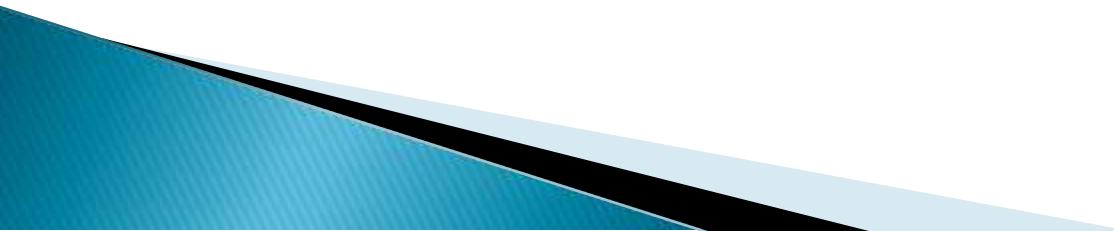
1. Plan

- ▶ The benefits of making an effective plan are myriad. Planning comes with only a small amount of expense attached to it, whereas later steps in strategy can be more expensive. The more planning a company does, the more likely they're to be able to achieve their goals and minimize risk. SWOT Analysis, PEST Analysis and realistic business planning are all tools that assist you in developing a successful plan. Effective plans help managers to provide clarity to their teams and set actionable steps towards each goal.


5p's cont..

▶ 2. Ploy

Getting ahead of competitors by trying to disrupt, deter, dissuade or otherwise influence them, according to Mintzberg, is part of a larger strategy. He refers to this as a ploy. An example of this could be a grocery chain that has the option to threaten to expand a shop to prevent a competitor from doing so or a telecoms corporation that might acquire patents that a rival uses to establish a competing product. Tools and technologies like the Futures Wheel and Scenario Analysis help you investigate future situations where competition might arise.



▶ 3. Pattern

- ▶ A strategy is occasionally derived from historical organisational behaviour. A coherent and successful style of doing business might turn into a strategy instead of being a conscious choice. Take notice of the patterns you find in the team and organization to apply this part of the five P's. Then consider if these patterns have become an unspoken element of the company's strategy and what influence they have on how to handle future strategic planning. This is also known as an emergent strategy.
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4. Position

- ▶ The importance of position in establishing organisational strategy must be carefully considered, created, planned and implemented, as it determines the organization's entire position in the market after taking into account all internal and external elements. It focuses on how the company wants to portray itself in the marketplace and in the minds of customers to attain a competitive advantage.
- ▶ To determine the position of a company in regards to strategy, you may want to consider what the brand's basic values are, the nature and qualities of the products and services it offers and its overarching brand strength. Exploring these variables in depth makes it easier to establish the business in a niche and to attract customers that desire its unique services.

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▶ 5. Perspective

- ▶ The aspect of perspective doesn't relate to any of the above approaches. Instead, it utilises a wider scope while maintaining the business at the centre. The organisation creates the strategy by considering the business's most vital and significant factors, such as how the intended audience perceives the company, how the business's employees feel about the management as a whole and what the views of the organisation's investors are. The sum of all of these distinct viewpoints and their thought patterns serve as a useful source of information for the organisation, assisting it in making strategic decisions.

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