Strategy and Policy

- Strategy depicts HOW the Organisation's purpose & objectives are to be achieved
- Role of policy is to GUIDE and CHANNEL the implementation of strategy
- Prescribes HOW internal organisational processes will function and be administered

The term 'Policy' refers to:

- 'the organisational methods, procedures, rules & practices associated with implementing & executing strategy'
  (Thompson & Strickland)

Distinction in Management Literature Is Not Always Clear

- Used here to mean management decisions & practices specifically related to strategy implementation
- ALSO often used to refer to top management pronouncements
  eg. "it is our 'policy' not to diversify into markets where we lack technological proficiency"

Policies

Thompson & Strickland
- 'policies are guides to carry out strategy; they set boundaries and limit the kinds and directions of actions to be taken'

- Policies are the result of institutionalising and operationalising the chosen strategy

So Why is policy so important?

- It is a means of getting the organisation into a position of being able to execute the strategic plan effectively & efficiently
- Is subordinate to & supportive of strategy and purpose and Signals what should and should not be done to further the achievement of the desired performance & results of the organisation
Why is Policy Important cont

Examples of policies which an organisation might adopt in support of its overall purpose and strategy from:

- A retail grocery chain
- An oil company
- A graduate school of business
- A manufacturing firm
- A hospital

What Form Should Policy Take

- Written statements
- Unwritten understandings of past actions
- These may/may not be intended as precedents or frames of reference for future action
- A need for major/minor policy guides at all levels of management structure

What Scope?

- May range from lofty principles
  - eg. ‘it is company policy to give our customers complete satisfaction or their money back’
- Down to more mundane matters
  - eg. ‘it is company policy not to accept personal cheques for purchases under $100’
- Some concern only operational matters
  - eg. the length of coffee breaks

What Scope? cont

- Others provide vital support to an organisation’s strategic plan
  - eg. GM’s policy of trying to standardise parts for its’ different models aimed at achieving greater mass production economies and minimising capital tied up in parts inventory
- Whatever the scope or form the managerial thrust of policy is to set organisational mechanisms that support strategic success

What Are the Inter-relationships Among Purpose, Objectives, Strategy & Policy?

- Purpose & objectives set forth exactly what the organisation intends to do and to accomplish in the short & long term
- Strategy then addresses the issue of how the desired results are to be accomplished
  - (The game plan, blueprint for getting the organisation where it wants to go)
- Policy refers to strategy implementation
  - (Procedures, practices and structure associated with administering & operating the organisation on a day to day basis)

Interrelationships Cont.

- In conjunction they define an overall grand design for the organisation and indicate the guidelines & principles by which it is to be managed
- Figure 1-1 Relationship
- However, in practice they are not always well-defined or strictly adhered to
- Can span the spectrum from broad to narrow
- very important to comparatively unimportant
- general to specific
Interrelationships Cont

- Possibility of overlap & blurring
  - eg. 'our major objective is to be a diversified, growing & profitable company with emphasis on manufacturing electronic products and components for worldwide use in industry, govt & the home'
- Contains an indication of what the company is trying to do (purpose & mission)
- Suggests the existence of several objectives (diversification, growth & profitability)
- Has hints of strategy (manufacturing, electronic products and target markets)

Interrelationships Cont

- In organisations strategy is a term used to:
  - 'embrace & include the whole process whereby management (in no set order) interprets market needs, analyses threats & opportunities, decides what the organisation should or should not do, establishes specific objectives, develops strategy & positions the firm in its environment'
- This broad view is often referred to in organisations as strategy formulation

Interrelationships Cont

- The remaining activities revolving around carrying out and monitoring the pursuit of chosen strategy is referred to as strategy implementation
- Strategy formulation/implementation offers a conceptual way of approaching the management of the total enterprise and of gaining a general management perspective

Strategy Formulation – Key Activities:

- Identify opportunities to create & enter new markets
- Develop new and improved products & services
- Devise better ways to meet customer needs & wants

Strategy Implementation – Key Activities

- How to structure/organise necessary daily activities set policy & monitor how well it functions
- Deal with a wide array of 'people problems'
- Ensure timetables and schedules are met
- Efficient & effective use of financial & human resources
- Initiate corrective action when performance levels are not met

Key Activities Cont

- Evaluate how to meet emerging environmental or competitive threats
- Decide when and how to diversify
- Decide which businesses to get out of/stay in/enter
- Assess what opportunities exist to redirect resources from low return to high return areas
Four Levels of Strategy

- Corporate strategy
  - Multi-product, multi-industry, multi-technology firms
  - Two main elements: scope & allocation of resources
  - Aims at matching scope & resources that yield high performance & results

- Business strategy
  - Single-product, single-industry (corporate plan)
  - How to conduct activities in a single market/segment
  - How business units should be aligned & coordinated to be responsive to those market upon which competitive success depends

Four Levels of Strategy (Cont)

- Functional area support strategy
  - How key functional areas of business should be managed & how resources are allocated to each area
  - How they contribute to accomplishment of overall business strategy

- Operational level strategy
  - Strategic guidelines operating level managers develop & use in managing their areas of responsibility
  - How various activities of the functional area strategies will be carried out (pricing approaches, raw materials purchasing policy)

The End