

COVENANT UNIVERSITY
NIGERIA

TUTORIAL KIT
OMEGA SEMESTER

PROGRAMME: BUSINESS
ADMINISTRATION

COURSE: BUS 420

DISCLAIMER

The contents of this document are intended for practice and leaning purposes at the undergraduate level. The materials are from different sources including the internet and the contributors do not in any way claim authorship or ownership of them. The materials are also not to be used for any commercial purpose.

BUS 420 BUSINESS POLICY & STRATEGY TUTORIAL QUESTIONS

Lecturers: Dr.ST. Akinyele, Dr.O. Iyiola & Dr. E. Agwu

1. Define a policy.
2. What is a business?
3. What are the objectives of Business Policy?
4. What are main objectives of Business Policy?
5. Why does a business create policy?
6. In what direction is strategic management likely to move in the future?
7. What are the different aspects of the nature of business policy? Discuss each one of them with the help of suitable examples
8. In what way(s) does the function of management relate to implementation of business policy in an organisation?
9. Briefly explain the four major sources of policies that you know of.
10. Around what questions does strategic management revolve?
11. List the steps required for formulating a new policy or review an existing policy
12. Who constitutes the senior or top management in an organization?
13. Identify the reasons for formulating policies
14. What is the main characteristic of functional policy
15. Sound and creative policies are essential for a company to survive the competitive business terrain. Explain the necessary actors that will ensure that a policy is sound and creative .
16. How does a course in business policy serve the needs of (a) management students (b) middle-level executives?
17. Identify the various areas in which policies can be directed or addressed in an organisation.
18. State the uses of policies and explain them
19. What are the reasons for the formulation of organizational policies
20. What is the relationship between objectives, policies and strategies?

MARKING GUIDE FOR TUTORIAL QUESTIONS ODD NUMBERS

Q1. Definition of Policy

What comes to your mind when the word policy is mentioned? As stated in the introduction earlier, policy is defined as a decision rule not a decision. For example, of a policy- Hire only professionally qualified accountants for senior accounting positions. When such a person is hired it is a decision. A policy is considered the general guideline for decision making. Kalejaye, A. (1998) defined policy as the objectives, the mode of thought and the body of principle underlying the activities of an organization

According to Fagbemi (2006) a policy refers to what an organization or a person intends to do or does. Business policy therefore is what business organization intends to do. It aims at assisting the organization to deliver services to meet the needs and expectations of the goals of the organization. Policies are plans in that they are general statements or understandings that guide or channel thinking in decision making. In actual business situation, not all policies are “statements”; they are often merely implied from the action of managers. The president of a company (organization), for example may strictly follow-perhaps for convenience rather than as policy-the practice of promoting from within; the practice may be interpreted as policy and carefully followed by subordinates. Weighrich & Koontz (2005).

Business policy is a guide and roadmap to create awareness and direction to the management of any organization. It publicizes the rights and obligations of different rung of the ladder- horizontal and vertical- of the different capital be human resource engagement, finance utilization etc. It ensures that organizations deliver better end product within a framework. It encourages, promotes and improves performance attainment in an organization.

Policy provides the bedrock for vision and mission statement of the business organization along the corporate objectives and goal. Policy enables the business to be assessed and given an image by the way the carry out their responsibility along with their relationship with their clients/customers. It is the ‘barometer’ of playing by the rule and gives purpose to the strategy thrust of the organization.

Q3. Objectives of Business Policy

The main objective of business policy is performance driven which ensures delivery of service or product depending on purpose of which the business was set up-service or product oriented.

Business policy specific objectives ensure:

- Efficiency and effectiveness in performance of duties
- Equal provision of services and treatment of customers
- Better management and provision of better quality services
- The utilization and application of resources
- The formulation mission statement
- The establishment of vision of the organization

Policies are always aligned with the objectives of the enterprise if it is to be effective. All policies follow parallel courses and directly related to objectives. If they cross or oppose objectives, collective effect is lost and disorder would prevail. Misunderstanding and confusion are often the cause of problems and poor results rather than faults in the stated policy (Kalejaye, 1998).

Q5. Why Create Business Policies?

No matter what the size of the business, business policies can be simple to write and implement, while adding structure to the great things you are already doing.

Specifically, business policies:

- drive strategic planning, and help set expectations and performance objectives.
- lead to more efficient internal operations.

- engage and align the values of stakeholders; and build mutual understanding of expectations and challenges.
- ensure accountability and create transparency.
- promote ethical and responsible decision-making.
- assess and mitigate risk.
- streamline new staff orientation; having established written policies that staff can refer to create consistency, clarity, and provides an understanding of the goals and culture of the company.
- result in time savings: proactively thinking about how specific situations and issues will be handled eliminates having to discuss and debate how to handle issues every time they come to the forefront.
- meet legal requirements; some laws require employers to adopt certain policies to guide the actions of their staff and management. Example: Discrimination/Harassment Policy.

Q7. The Nature of Business Policy

Before we proceed to understand the nature of business policy, let us witness these situations, as reported in an issue of a reputed business magazine in India: (Business India, 1999, cited in Kazmi, 2006).

- Exide reaps the benefits of its strategies, which include modernization, expansion, and acquisitions, to become the integrated leader in the battery sector.
- Costly expansions and poor demand have forced JK Corp to rework its strategies. It is now banking its future on its core paper business. This will come through the divestment of its cement division, Laxmi Cements, and the acquisition of the Central Pulp Mills.
- Tisco is using divestments and mergers to restructure its core businesses of steel, allied industries, refractory, and engineering.
- Exim Bank (the Export and Import Bank of India), established in the early eighties with the objective of extending support to Indian exporters and importers, still remains small given the Indian economy's requirements. As it faces tough competition from the scheduled commercial banks it needs a strategic vision to cope with the increasing competition in the new millennium.

From the above reports, we can see that when a company either promotes a joint venture, divests a part of its business, embarks upon an expansion programme, undertakes mergers and acquisitions or takes other similar actions which have a long-term impact on its future operations and status, those are a result of senior management decision-making. The senior management in any organization is primarily responsible for guiding the future course of action and for

providing a sense of direction. Business policy attempts to inculcate the capability for senior management in one toward these ends.

As defined by Christensen et. al. (1982 quoted in Kazmi, 2006), business policy is “the study of the function and responsibilities of senior management, the crucial problems that affect success in the total enterprise, and the decisions that determine the direction of the organization and shape its future. The problems of policy in business, like those of policy in public affairs, have to do with the choice of purposes, the moulding of organizational identify and character, the continuous definition of what needs to be done, and the mobilization of resources for the attainment of goals in the face of competition or adverse circumstances” (Christensen, et. al., 1982).

This comprehensive definition covers many aspects of business policy. Firstly, it is considered as the study of the functions and responsibilities of the senior management related to those organizational problems which affect the success of the total enterprise. Secondly, it deals with the determination of the future course of action that an organization has to adopt. Thirdly, it involves a choosing the purpose and defining what needs to be done in order to mould the character and identity of an organization. Lastly, it is also concerned with the mobilization of resources, which will help the organization to achieve its goals.

The senior management consists of those managers who are primarily responsible for long-term decisions, and who carry designations, such as, Chief Executive Officer, President, General Manager, or Executive Director. These are persons who are not concerned with the day-to-day problems but are expected to devote their time and energy to thinking and deciding about the future course of action. With its concern for the determination of the future course of action, business policy lays down a long-term plan, which the organization then follows. While determining the future course of action, the senior management has a mental picture of the type of organization they want their company to become.

While deciding about a future course of action, the senior management are confronted with a wide array of decisions and actions that could possibly be taken. The senior management exercises a choice, on the basis of given circumstances, and which, in their opinion, would lead the organization in a specific direction. By moving in a predetermined direction, an organization can attain its planned identity and character.

Organizational decisions are not made in isolation and managerial actions cannot be taken without providing the resources necessary for them. While deciding about the future course of action, the senior management concern themselves with the financial, material and human resources that would be required for the implementation of the long-term plans.

Q9.

Sources of Policy

Kalejaye (1998) examined the major sources of policies and classified them as originated, appealed, implied and externally-imposed. These are explained as follows:

(1) Originated Source – The most acclaimed source of policies is the one from top management which originates for the express purpose of guiding the company’s operations. Originated policies flow basically from the objectives of the enterprise, as they are defined by top executive authority. These types of policies may be broad in scope, allowing key subordinates to give them clearer definition or they might be promulgated so completely and comprehensively as to leave little room for definition or interpretation.

(2) Appealed Source – In practice, in most cases, policies stem from appeal through the hierarchical level of management authority. If occasion for decision arises for executives who do not know whether they have sufficient authority or how such matters should be handled, they appeal to their supervisors for the necessary support and action. As appeals are taken upward and decisions are made on them, a kind of rules and procedures are established. Precedent, therefore, develops and becomes guides for future managerial action and serves as reference point.

(3) Implied Source – Useful policies are developed from the actions which employees see about them and believe to constitute them. Employees will readily understand what real policy is if they work for a company that operate policies that produce high quality goals, or sound labour policy, for instance, though the real policy is implied.

(4) Externally-imposed Source – To a large extent, policies are externally-imposed by such agencies as the government, trade unions, professional associations and others like trade association. This might come in form of direct regulation or one of the many conditions of accepting government aid or contract; it could also be to maintain industrial peace. Besides, local and state governments, professional associations, social and charitable organisations do influence the policies of organisations.

Q11. certain definite steps are stipulated to be followed by decision makers when formulating new policies or modifying the existing ones. These are (Kalejaye, 1998):

- (i) Carefully study the organisation's objectives.
- (ii) Identify the need for a policy in a given area.
- (iii) Source for and collect all possible and relevant information for the policy formulation.
- (iv) Consideration must be given to all alternatives especially as they relate to the policy.
- (v) Analyse all possible available outcomes.
- (vi) Select the best policy statement so far made taking into consideration its possible outcome.
- (vii) Review the policy statement with the employees and others who will be affected by its application.
- (viii) Ensure the policy is in line with the other existing policies of the organisation.
- (ix) Draw out the final policy statement including the effective dates of such a policy.

Q13. **Reasons for Formulating Policies**

Many professionally managed businesses acknowledged that it is necessary to have policies in all the major functional areas of management. The focus areas will thus include production policy, purchasing policy, marketing policy, selling and promotional policy, etc. All these policies are expected to give support to the overall objectives of the organisation as defined by the top management and they complement each other. The major reasons for having policies are as follows:

(1) It is impossible and wrong to rely on expediency or precedents to solve problems which arise interally or regularly. To that extent, decision-making is more consistent and detailed when policy is defined and known.

(2) Policy provides continuity for the organisation. They are more permanent than the individuals who are employed and later leave for greener pastures or are sacked; thereby providing an enduring foundation for continuity.

(3) They help to facilitate expansion and integration of new businesses into the company so that when growth occurs, there is already a firm foundation policy to apply in the new situation.

(4) They provide a yardstick with which to measure progress in the organisation. For example, policy on issue of stock items – stipulating that no condition on which stock should be issued on verbal instruction. This may not be achievable instantly, but it sets a standard against which progress can be measured as the policy is implemented.

(5) They stimulate action, because managers and supervisors have the knowledge and confidence to make decisions and take actions knowing fully well that they are following the laid down policies.

(6) Policies also save management time because the information is available and the procedures for carrying them out are known. This, of course, assumes that the policies are made freely available to those who require them.

Q15. Uses of Policies for Management Effectiveness

Policies are of great importance to every organisation as they are used to establish stable institution, create identity, shape planning and boost the organisation's image and acceptability by the public. Kalejaye (1998) itemised the various uses of policies as follows:

1. Policies are used in preventing deviation from planned course of action by providing definite guide to follow. They provide the communication channels between organisational units thus facilitating the delegation process.

2. Policies provide a conceptual framework within which other plans can be established to form a balanced and coordinated structure of plans. Since they serve as guide to further action, the existing policies relieve managers of the necessity to ask superiors for permission to do or not to do certain things. As long as managers are conforming to the organisation's policies, they can safely proceed and use their own initiatives.

3. Through policies, closer coordination and cooperation can be promoted among the organisation elements. Closer coordination and easier delegation will permit a greater degree of decentralization within the organisation.

4. Employees are more likely to take action and voluntarily assume greater responsibility when they are aware of organisational policies. If the personnel are confident that their actions are consistent with organisational policies, they are more likely to take actions than do nothing.

5. Definiteness and flexibility are both desirable to goals attainment, but calculating the trade-off lies the problem. In certain cases, decisions are too trivial to require policy and at the other extreme, decisions may be too important to rule; hence, in between these extremes, there is need for policies to save time and increase the speed of decision making.

The concept of workers participation in management policy formulation has always been controversial. The principal perspectives in which workers participation in management policy may be seen as:

(i) Workers participation is viewed as a means of advancing the interest of workers;

(ii) Workers participation is a way of distributing power within the enterprise more equally and in handling conflicts of interest by democratic procedure otherwise known as industrial democracy.

(iii) By involving workers in policy formulation, this will bring about effective utilization of the human resources of the enterprise.

(iv) Workers participation in management policy is in effect seen as the antidote towards uncooperative attitudes and increase in industrial conflicts.

Q17. Management Policy Areas

Management policy areas are very extensive; some of the specified principal areas are as discussed below:

Organisation: The organisation has to develop policies for itself. Such policies have to do with defining the appropriate departments, jobs, ranks within the organisation and interrelationships in line with the corporate objectives of the organisation.

Administration: Administrative policies of the organisation are formulated with a view to ensuring that there is effective leadership, direction and supervision at all levels and divisions of the organisation.

Unions: The policy statements are set out to maintain appropriate relationships with management. Between the organisation and unions/labour movement, they also space out the procedure for negotiating conditions of service and settling of industrial disputes.

Control: Policies on control are essential in organisation because they facilitate and pave way for the attainment of organisational goals by maintaining appropriate standards of tasks, personal and group performance.

Training and Development: This category of policies are formulated to guide the top management in providing programmes designed to meet organisation needs, individual needs and career requirements of managers and employees.

Incentive: This involves developing appropriate incentives to motivate employees and managers alike in order to ensure efficient performance.

Public Relations: The policy here guides in providing adequate and appropriate attention to public attitudes and reactions to policies and practices of the organisation.

Political Action: This policy expresses the position or attitude of the organisation on political issues and events. Policy statement in this regard may restrain employees from talking to the press on political issues or even discuss political matters within the organisation.

Q19. 1. Policy refers to the specific guide for operating managers and their subordinates in carrying out their routine responsibilities. Policy operates like the internal law of an organization.

2. The reasons for the formulation of organizational policies are as follows:

- i. Policies establish indirect control over independent action by making a clear statement about how things are now to be done.
- ii. Policies promote uniform handling of similar activities.
- iii. Policies ensure quicker decisions by standardizing answers to previously answered questions that would otherwise recur and be pushed up the management hierarchy again and again.
- iv. Policies help institutionalize basic aspects of organisation behaviour.
- v. Policies reduce uncertainty in repetitive and day-to-day decision making, there providing a necessary foundation for coordinated, efficient efforts.
- vi. Policies can counteract resistance to or rejection of chosen strategies by organisation members.
- vii. Policies offer a predetermined answer to routine problems, giving managers more time to cope with non-routine matters.
- viii. Policies afford managers a mechanism for avoiding hasty and ill-conceived decisions in changing operations.

