Chapter-2

BUSINESS POLICY

Q:-1, Write short note on Business Policy.

Ans:- Business Policy is the study of functions and responsibilities of senior management, crucial problems that affects sucess of business, the guideliness and decisions that determine the direction of enterprise and its future.

The problems related to business policies are:

1. They have to do with choice with of purpose.
2. The moulding of organisational identity and character

   ↳ Tax Evasion
   ↳ Social Responsibility not followed

3. The continious defination of whats need to be done.
4. The mobilisation of resources for attainment of goals in case of competetion or adverse circumstances.

Business Policy tends to emphasis on rational-analytical aspect of strategic management. It presents a framework for understanding strategic decision making which enables a person to make prepartions for handling various management responsibilities.

* Policy → Guideline to Decision making. Eg:- Industrial, Import Export Policy

Plans   Decisions

Imp for Case Studies

Q:-2. What is Strategy ? What are its Characteristics?

Ans:- Strategy is unified, comprehensive and integrated plan relating to strategic advantages of the organisation, the challanges of environment and its design to ensure the basic objectives of the enterprise are achieved [William F. Glueck]

Characteristics of Strategy :

1. It relates the firm to enviornment
2. It is genrally forward looking
3. It is flexible and dynamic
4. It is genrally long term in nature
5. It is more specific then objectives as it tells how to achieve objectives
6. It is genrally formulated at top level management
7. It is concerned with perceiving opportunities and threats [To understand at personal level]

* Strategy → Game Plan (रणनीति)
* Perception → [illegible]

Policy → Broader Term
Strategy → Narrow Term

Q1-3 Discuss various generic, strategic, alternative as given by Glueck and Jauch.

Ans: The three genric strategices are

1. Stability Strategy: It means maintaning the existing objectives and position of the business. It involves making strategies

(a) To Safeguard existing strenths and interests
(b) To pursue well established and tested objectives
(c) To continue in chosen business path
(d) To maintain operational efficiency
(e) To consolidate the position already achieved
(f) To optimise the returns on its resources

A stability strategy is pursued by a firm when:

A. It continues to serve a same market and deals in same products and services
B. The strategic decisions focus on incremental improvement in performance

This strategy is typical for mature business organisations which maintain comfortable markets and profit position.

* Genric → Basic
* Typical → Representative

2. Expansion Strategy :- Expansion Strategies involves significant improvments of goals, directions, inicitatives, plans e.t.c by introducing new products, entering into new market, adopting new techonology and so on. Various options of expansion are

(a) Diversification
(b) Acquisition and Mergers

3. Retrenchment Strategy :- A strategy involving reduction of any existing product or service line. A business organisation following retrenchment strategy has to divest a major product, capacity, market or any other investment/project. It is followed in case of failure of some strategy or planning.

Conclusion :- These three basic strategies are used in combinations by various organisations. For Eg: An organisation may follow stability strategy in some area while expansion strategy in some other areas and also the retrenchment strategies in still other.

* Disinvestment → Eg. of Retrenchment.
* Retrenchment → Mass, Heavy
* [illegible] → [illegible]

Q:-4, Define Strategic Management? Discuss the five stages of framework of strategic management process.

Ans:- The process involving analysis of any situation in order to develop a suitable strategy for sucess and finally implementation of such strategy is called strategic management.

Hence we can say that it is managerial process involving

(a) Forming a strategic vision
(b) Setting objectives
(c) Crafting the strategy
(d) Implementing strategy
(e) Making corrective adjustments, if required

The framework of Strategic Management has five stages.

1. <u>Situational Analysis</u>:- It refers to the analysis of internal and external environment focusing on four areas

(a) Strenths → S
(b) weaknesses → W
(c) opportunities → O
(d) Threats → T

Conclusion:- These are collectively called SWOT Analysis

2. <u>Goal Setting</u>: It involves creating Strategic vision, mission statement and fixing goals and objectives

3. <u>Strategic Alternatives</u>:- It involves finding out suitable alternatives to achieve given objectives out of various alternatives such as expansion, retrenchment etc.

4. <u>Evaluation</u>:- Out of various alternatives generated is Stage 3 the best alternative is chosen after a complete assessment and evaluation

5. <u>Implementation and control</u>:- The best strategy is implemented properly in order to succeed and a system of feedback and control is designed to make ~~be~~ changes to it if desired.

Q:5. Briefly discuss the major dimensions of Strategic Decisions.

Ans:. The major dimensions of Strategic decisions are as follows

1. Such decisions are taken at top level although in consultation with middle and lower level managers, if needed.

2. Such decisions involve allocation of large amount of companies resources such as finance, human resources etc.

3. They affect long-term prosperity of the firm.

4. They are future oriented

5. They have major, multifunctional or multi-business consequences because strategies are made generally for broader issues

6. They necessiate considering external enviorment to use internal strenth for exploiding opportunities and handling threats

7. Strategic decision making is, a managerial process of chosing a particular cources of action out of several alternatives available for achieving goals.

Q:6. Write short note on Strategic Management Model.

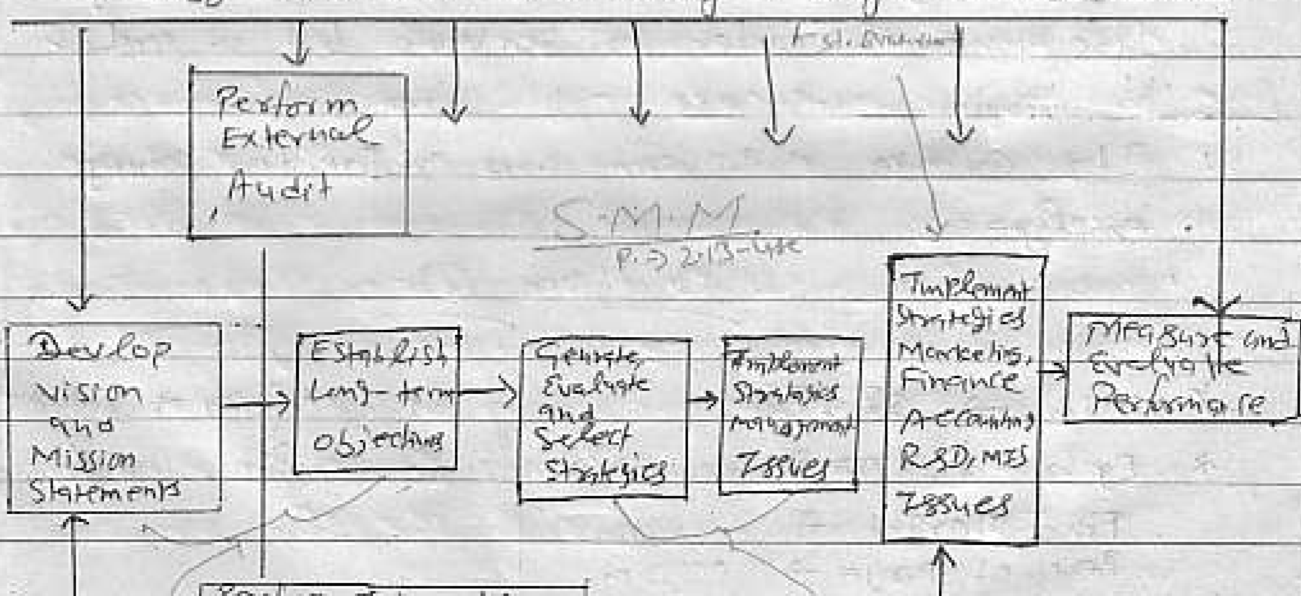
Ans: The graphical representation of process of formulating stratgies, their implementation and evaluation is called Strategic Management Model.

It is divided into 3 phases.

Phase-1 → Strategic Formulation :- It includes devloping vision and mission, performing audit, establishing objectives and genrating suitable stratgies.

Phase-2 → Strategy Implementation :- It involves implementing corporate level strategies, business level strategies and functional level strategies.

Phase-3 → Strategy Evaluation :- It involves measurment of performance and effectivness of strategy so the necessary change can be made.



Imp for case study

Q:7. What is Strategic Vision? State the factors that should be considered while developing strategic vision.

Ans:7. Strategic vision is a road map to Company's future, it provides information about technology, customers, market and capability of the company. It defines what kind of Company management wants to create. In short it is the mental picture of one-self and the enviornment in future. It Provides a strategic path to follow in future and helps an organisation to allocate resources and motivate people in commun direction.

The factors to be considered while developing strategic vision are as follows.

1. It is challenge to think creatively about future
2. It is an excercise in intelligent enterpreneurship.
3. Some organisations do not need to change directions in order to survive but in order to maintain sucess.
4. It Create enthusiasm and motivation among employees.

* Vision → दूरदृष्टि
* Eg → [illegible] से पहले उतरना

Find Target → Vision
Reach at Target → Mission

Eg:- 4 KM → Mission, + 5 KM → Establish