

Nature, Scope and Importance of Business Policy

Meaning of Business Policy

Business policies are the guidelines developed by an organization to govern its actions. They define the limits within which decisions must be made. Business policy also deals with acquisition of resources with which organizational goals can be achieved. Business policy is the study of the roles and responsibilities of top level management, the significant issues affecting organizational success and the decisions affecting organization in long-run.

It defines the scope within which decisions can be taken by the subordinated in an organization. It permits the lower level management to deal with the problems and issues without consulting top-level management.

The term "Business Policy" comprises of two words, Business and Policy. Business as we know means exchange of goods and services for increasing utilities. Policy may be defined as "The mode of thought and the principles underlying the activities of an organization or an Institution." Policies are general statements of principles which guide the thinking, decision- making and actions in an organization.

The term 'Business Policies' comprises of two words, i.e. Business and Policy, where Business means exchange of goods and services in return for money. The main aim of doing business is to earn Profits and Policy is a set of ideas or plans that is used as a basis for making decisions.

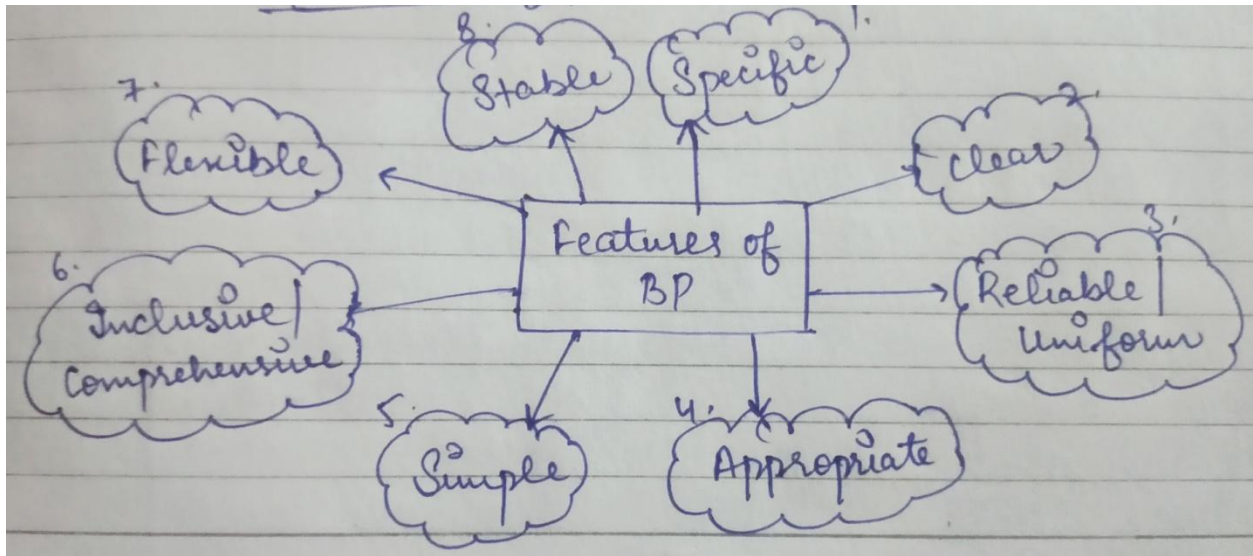
Business strategy can be understood as the course of action or set of decisions which assist the entrepreneurs in achieving specific business objectives. It is nothing but a master plan that the management of a company implements to secure a competitive position in the market, carry on its operations, please customers and achieve the desired ends of the business.

A business strategy is a set of competitive moves and actions that a business uses to attract customers, compete successfully, strengthening performance, and achieve organizational goals. It outlines how business should be carried out to reach the desired ends.

Difference between Business Policy and Strategy

BASIS FOR COMPARISON	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 used to achieve the target.	What should be done and what should not be done.

Features/ Nature of Business Policy and Strategy



1. Specific-

Policy should be specific/ definite. If it is uncertain, it becomes tricky and difficult for the subordinates to implement it.

2. Clear-

Policy should be written in clear terms. It should be easily understandable to reader without being ambiguous. It should avoid use of jargons and connotations. There should be no misunderstandings in the following policies.

3. Reliable/ Uniform-

Policy must be uniform enough so that it can be efficiently followed by the subordinates without any doubts and questions in mind regarding its credibility.

4. Appropriate-

Policy should be appropriate to the present organizational goal and objective. It should reflect the philosophy of the management.

5. Simple-

The policy should be simple and easily understood by all in the organization to make the implementation easier and avoid any problems later on.

6. Inclusive/ Comprehensive-

Business Policy should present a detailed account of all the necessary guidelines and principles to assist the people in decision making within an organization. The scope should be wide.

7. Flexible-

Policy should be flexible in operation and application so that if deemed necessary, subsequent changes should be made in it. Although, it does not imply that a policy should be subjected to changes frequently.

8. Stable-

Policy should be stable and last for something long time. Otherwise, it may lead to indecisiveness and ambiguity in minds of those who would want to follow it while making decisions.

Importance of Business Policy

Business policies are important and affect everything from legal liabilities to employee satisfaction and a positive public image. Policies make sure everyone is on the same page when it comes to expectations of certain things. There are various importance of Business Policy discussed below-

1. They set expectations-

Policies allow an employer to commit to writing the company's values and mission. They also set standards of behavior, conduct and performance for employees.

As a result, policies clearly define and set the expectations for employees and provide a source of reference for employees to be able to review and check if they are meeting those expectations.

2. Keep management accountable-

In addition to setting standards for employees, policies also set standards for managers of a business.

This provides guidance to managers for how they are to conduct themselves and the standards they will be held to, but also provides transparency to the rest of the workforce as they can see the standards expected of their leaders and what they can in turn expect from their managers.

3. Ensure compliance with the law-

Policies that are regularly reviewed and updated will assist a company in meeting its obligations at law. For instance a clear work health and safety policy will assist an employer in communicating its obligations to provide a safe workplace and how it will meet those obligations imposed on the business at law.

4. It helps the employees to know from where to seek help-

Finally, policies and procedures let employees know where they can turn to for help. All policies should have a point of contact for queries relating to that policy so employees know who they can contact with questions. Further, policies and procedures will set out the processes and options available for how any grievance can be addressed in the workplace.