**Business Policy and Strategic Management**

The term "Business Policy" comprises of two words, Business and Policy. Business: "Business means exchange of commodities and services for increasing utilities." Policy: Policies may be defined as "the mode of thought and the principles underlying the activities of an organization or an institution." Policies are plans in they are general statements of principles which guide the thinking, decision making and action in an organization. Business policy as a principle or a group of related principles, along with their consequent rule (s) of action that provide for the successful achievement of specific organization / business objectives. Accordingly, a policy contains both a "principle" and a "rule of action." Both should be there for the maximum effectiveness of a policy.

**Features of Business Policy**

An effective business policy must have following features-

1. **Specific-** Policy should be specific/definite. If it is uncertain, then the implementation will become difficult.
2. **Clear-** Policy must be unambiguous. It should avoid use of jargons and connotations. There should be no misunderstandings in following the policy.
3. **Reliable/Uniform-** Policy must be uniform enough so that it can be efficiently followed by the subordinates.
4. **Appropriate-** Policy should be appropriate to the present organizational goal.
5. **Simple-** A policy should be simple and easily understood by all in the organization.
6. **Inclusive/Comprehensive-** In order to have a wide scope, a policy must be comprehensive.
7. **Flexible-** Policy should be flexible in operation/application. This does not imply that a policy should be altered always, but it should be wide in scope so as to ensure that the line managers use them in repetitive/routine scenarios.
8. **Stable-** Policy should be stable else it will lead to indecisiveness and uncertainty in minds of those who look into it for guidance.

**Evolution of Business Policy**

Due to the increasing environmental changes in the 1930s and 40s in the US, planned policy formulation replaced ad hoc policy-making. Based on this second paradigm, the emphasis shifted to the integration of functional areas in a rapidly changing environment. Increasing complexity and accelerating changes in the environment made the planned policy paradigm irrelevant since the needs of a business could no longer be served by policy-making and functional-area integration only. By the 1960s, there was a demand for a critical look at the basic concept of business and its relationship to the environment. The concept of strategy satisfied this requirement and the third phase, based on & strategy paradigm, emerged in the early sixties. The current thinking- which emerged in the eighties- is based on the fourth paradigm of strategic management. The initial focus of strategic management was on the intersection of two broad fields of enquiry: the processes of business firms and the responsibilities of general management.

**Differences**

The term “policy” should not be considered as synonymous to the term “strategy”. The **difference between policy and strategy** can be summarized as follows-

1. Policy is a blueprint of the organizational activities which are repetitive/routine in nature. While strategy is concerned with those organizational decisions which have not been dealt/faced before in same form.
2. Policy formulation is responsibility of top level management. While strategy formulation is basically done by middle level management.
3. Policy deals with routine/daily activities essential for effective and efficient running of an organization. While strategy deals with strategic decisions.
4. Policy is concerned with both thought and actions. While strategy is concerned mostly with action.
5. A policy is what is, or what is not done. While a strategy is the methodology used to achieve a target as prescribed by a policy.