

MANAGEMENT

PRINCIPLES AND APPLICATIONS

UNIT-2

PART-IV

POLICIES

3. Policies: General statements that guide decision-making are called 'policies'. They define the boundaries within which decisions can be made by sub-ordinates. They direct decisions towards the accomplishment of objectives. The basic purpose of policies is to secure a consistency of purpose and avoid decisions which are based on expediency. Policies may be either written statements or oral understandings in general terms governing actions in repetitive situations. Policies help in the realisation of business objectives.

Definitions of Policies

1. "Policies de-limit an area within which a decision is to be made and assure that decision will be consistent with and contribute to objectives."

-Koontz and O'Donnell

2. "Policies are general statements which guide or channel the thinking of all personnel charged with decision-making."

-Theo Haimann

3. "Policy is simply a statement of an organisation and intention to act in certain ways, when specified types of circumstances arise."

-Dougless

Policy is the standing direction to the management to take decisions within the prescribed limit. Every executive has to honour policy and his decisions should not violate it. In this way we can define policy as objective oriented continuing decision guides to management in making

his decisions in specific similar circumstances. Characteristics of a Policy Following are the important features of a policy:

- (a) A policy is an expression of intentions of top management. It presents the principles that will guide the organisational actions.
- (b) A policy is based on objectives of the enterprise.
- (c) A policy is long lasting. It is sufficiently comprehensive and is so formulated that it covers all the conditions reasonably anticipatable.
- (d) A policy is realistic. It can be translated into action in every department of the enterprise. A policy is stated in simple and easily understandable terms. It is definite, positive and clear.
- (e) A policy is developed with the active participation of the people who are going to use it.
- (f) A policy is consistent with other policies of the enterprise. It is also in harmony with the policies of the Government and institutions like Trade Associations and Chambers of Commerce.

Kinds of Policies

A business enterprise may have the following kind of policies:

- (i) **Functional policies:** Policies may be set up in the key areas of the enterprise like production, purchase, finance, personnel and marketing. Such policies are known as personnel policies.
- (ii) **Internal policies:** Internal policies include those initiated by managers at various levels to guide the sub-ordinates. Such policies are closely related to the organisational objectives. They differ in their nature and scope depending upon the level of management where they have been formulated.

They can be sub-classified into three categories:

- (a) **Basic policy:** It is used primarily by the top managers and is very broad in scope and affects the organisation as a whole.

(b) General policy: It affects the middle level managers and is more specific than a basic policy. It is used mainly by the middle level managers.

(c) Departmental policy: It is highly specific in nature and is applicable at the lowest level of the management to provide a guide in the day-to-day activities.

(iii) External policies: External or imposed policies include those policies arising to meet the various pressures and request of forces outside the enterprise such as government, trade unions and trade associations.

(iv) Appealed policies: Such policies are formulated on the basis of the suggestions and complaints received from the employees. This happens when the subject-matter of a suggestion or complaint is exceptional in nature and is not covered by the existing policies. Such policies are sometimes incomplete. So, it is better to replace them by the originated policies.

(v) Stated or explicit policies: Such policies are usually in writing and form a part of enterprise manual. They are definite and generally rigid.

(vi) Unstated or implied policies: These policies are not recorded in writing even though they are followed at every level. Sometimes they are not stated orally but are inferred from the behaviour of the managers. That is why they are known as implied policies. An implied policy is generally flexible in nature.

Benefits of Policies

Policies bring about the following benefits:

- (a) Policies facilitate better administrative control. Policies provide the rational basis, for evaluating the results.
- (b) By making policy decisions on frequently recurring problems, the top management provides the guidelines to lower-level managers.
- (c) Policies secure co-ordination and integration of efforts in accomplishing the organisational objectives.

- (d) Policies save time and effort by pre-deciding problems in situations. They save the management from the botheration frame the policy repetitive of every repeating the expensive analysis required to time,
- (e) Policies help managers at various levels to act with confidence without the need for consulting the superiors every time. This also ensures promptness of action.
- (f) By setting up policies, the management ensures that decisions made will be consistent and in keeping with the objectives and interests of the enterprise.

Limitations of Policies

Following are the limitations of the policies:

- i. Policies do not cover all the problems. Sometimes unforeseen situations arise which are not covered by the existing policies.
- ii. Policies are not ever lasting.
- iii. Policies are repeatedly used plans and bring about rigidity in operations. They leave no room for initiative by the subordinates.
- iv. Policies are no substitute for human judgement. Policies only the area within which decisions are to be made.

Differences between Objectives and Policies

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S. No.	Basis of Difference	Objectives	Policies
1.	Meaning	Objectives are end points of an planning.	Policies outline the mode of achieving objectives.
2.	Necessity	Objectives are foundations of an organisation. No enterprise can do without them.	Policies are only guides, and hence, may or may not be, formulated.
3.	Determination	Objectives are largely determined by top management or proprietors.	Policies are determined by all levels of management.
4.	Scope	Objectives state the purpose or mission of an enterprise.	Policies serve to carry out the objectives of the organisation.
5.	Determination of Work	Objectives determine what is to be done.	Policies determine how the work is to be done.