

THE GENERAL MANAGER AND STRATEGY FORMULATION:

OBJECTIVES,
MISSIONS,
STRATEGIES,
POLICIES

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To Sandra

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1

BUSINESS STRATEGY AND POLICY AND OUR APPROACH TO IT

The business policy and strategy course you are now beginning will give you the tools and practice you need to understand what such strategies are and how you may come to apply them. First, we will look at why this course is required by the American Academy of Collegiate Schools of Business (AACSB) of all undergraduate and graduate business students regardless of their chosen major field. Then we will discuss the role of the general manager in strategy formulation, provide you with an overview of

the plan of this textbook, and give you an opportunity to review this material through the analysis of a real-life business case.

EVOLUTION OF BUSINESS POLICY AND STRATEGY

The origin of a business policy requirement by AACSB goes back over 20 years. Employers at that time found that graduates of colleges of business were well prepared in the functional areas of business administration (e.g., finance, marketing, accounting, etc.), but that they lacked an understanding of how their own specialty meshed with the specialties of other business graduates. Furthermore, they approached all organizational problems from the perspective of their own specialty rather than focusing on what might be best for the entire organization. The result was a lack of cooperative effort and a less-than-optimum level of performance.

The AACSB took this claim seriously because it, too, felt that business graduates should have gained an understanding of the business organization as a whole. The Assembly commissioned an in-depth study of the curricula of member schools and ultimately concluded that, indeed, graduates did lack the broader perspective of business as a totality. The report found that a great many, if not most, AACSB accredited institutions had curricula lacking a course or courses that addressed the problems of managing an organization as a multifunction entity. As a consequence, AACSB accreditation standards by the early 1970s required that accredited institutions must include a business policy capstone course that would serve to integrate the functional areas of business administration and would provide the overall organizational perspective that employers had found missing among business school graduates.

ROLE OF THE GENERAL MANAGER

For many years, the focus of the business policy course was on the duties and responsibilities of general managers. *General managers* oversee the work of various functional managers and typically have responsibility for profitability of one or more business profit centers. In their work, general managers must integrate the needs, demands, and contributions of each of the business functions within their area of responsibility and work to achieve an optimum level of total organizational profitability.

As we look more closely at the work of general managers, we can see that the field of business policy extends well beyond the day-to-day tasks of the general manager who is busy carrying out the instructions of his superiors. In fact, many general managers are engaged in (1) establishing much longer-range objectives and targets, (2) articulating what they believe to be the mission of the organization, and (3) developing the larger plan to be used to achieve objectives and help in carrying out that mission.

The activities of the general manager in this part of his or her responsibilities shift from the functions of short-term planning and organizing and the directing and controlling of subordinates (i.e., establishing and executing tactical moves) to those of long-term planning and, to a lesser extent, large-scale conceptual organizing (i.e., developing strategies). Much of this work involves data collection, data analysis, and the exercise of judgment.

The effective use of a hierarchy of integrated plans and objectives is dependent in large part on the competence of managers intellectually capable of spanning the technological, social, competitive, and organizational complexities found in and around the organization. Hodgetts and Wortman contend that managers must overcome their specialties as they move up the hierarchy, "In becoming top level executives, they must put aside much of their previous education and interests and concentrate on being generalists."¹

The planning activities of general managers are similar in many respects to the functions performed by military commanders in waging war. In military terms, long-range and larger-scale plans used to achieve objectives are called *strategies* and are clearly distinguished from *tactics*, a term that denotes the actual processes for moving military forces. In organizational terminology, the word *strategy* refers to a long-range plan of action designed to achieve long-range objectives or carry out a long-range mission. Some authors in the field consider the term *strategy* to include both the ends to be achieved and the means or plan for achieving the ends.² Others distinguish between strategic objectives and strategies for achieving those ends. It seems clear that in either case two components are needed: objectives to be attained and a grand plan (a strategy) to be employed in reaching the objectives.

Some organizations assign long-range or strategic planning to individuals whose entire responsibility is the preparation of plans. Other organizations prepare long-range plans by means of top-level committees of executives and members of the board of directors. Still others make use of consulting firms or research institutes to assist in providing both the data needed and the application of independent judgment. In a great many organizations, however, the responsibility for long-range planning and the establishment of long-term organizational goals is that of the general manager.

DEVELOPMENT OF THE COURSE

By the 1960s, the expansion of the scope of the responsibilities of the general manager and a similar expansion of the field of study was evident as the word *strategy* became more popular in describing the nature of the longer-range management task. The field also began to take a direction toward more rigorous and empirically based

¹ R. M. Hodgetts, and M. S. Wortman, *Administrative Policy*, 2nd Ed. (New York: John Wiley, 1980), pp. 49–50.

² Dan E. Schendel and Charles W. Hofer Eds: *Strategic Management: A New View of Business Policy and Planning*. Boston, Little, Brown and Co., 1979, p. 97.

research. Business leaders and recruiters began to request higher levels of skills . . . in analysis, in written and verbal communication, and in the presentation of cogent, sharply focused recommendations for decision making.

The teaching of business policy also followed different modes of thought. For many years, faculty in colleges of business considered the business policy course to be a case course. Because many instructors of business strategy and policy were trained in the use of cases, they naturally preferred that method of instruction. Alternative modes of instruction were not extensively explored or considered. As the course began to take its present form, instructors across the country began to use a wide range of instructional approaches. Cases, of course, were still used extensively, but they were heavily supplemented by readings, text material, business games, and an extensive array of other materials.

The use of cases, although developing analytic and decision-making skills, began to be seen as inadequate in several distinctive ways. First, the exclusive use of cases lacked the structure needed to guide students. In the absence of a framework, or structure, survival, for many, seemed the only goal one might reasonably achieve.

A second problem with the use of cases is the lack of depth of content and the absence of an opportunity for extended practice. New skills are developed through practice. In a wide range of courses in any university, practice is provided to build skills. In contrast, repetitive skill-development exercises are rarely found in the traditional business policy course.

A third problem associated with the use of cases is the lack of feedback. For effective learning, students in all disciplines must have a sense that they have (or have not) adequately grasped the key elements of the material to be learned. Written analysis of cases does offer the opportunity for feedback to students, however the difficulties posed by the mechanics and logistics of feedback by this medium are quite substantial.

DESIGN FOR LEARNING

We believe that the existing methods for teaching this course lack a structure that is designed for effective learning. The sequence of course material in many business policy texts follows a problem-solving framework, but one that would be used by an experienced strategist, or problem solver, rather than by a person who wishes to learn how to master the art of strategy formulation and implementation.

The arrangement of this book is intended to overcome some of these problems. In this text, we will make use of an overall educational design that is intended to achieve three major course objectives. Each objective will be addressed in an order that is dictated by the concept of building toward the development of broad skills to be used in dealing with problems that are, for all practical purposes, unstructured. *The first objective* is to develop in you, the business administration student, the skills and perspectives of the general manager, a person charged with carrying out or *imple-*