

**MANAGEMENT
POLICY**

second edition

Melvin J. Stanford

2nd edition

MANAGEMENT POLICY (二版)

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PREFACE

Management Policy is concerned with the management of the whole company. It is approached from the point of view of the general manager or chief executive officer, whatever the actual title of that person may be. It is integrative in nature; that is, management policy encompasses and integrates all of the other functions of marketing, production, human resources and organization, and finance, and all other related functions.

The complex and inexact nature of general management responsibilities is well recognized:

General management is not an exact science. Those striving for clarity, purity, and certainty will never acquire a general management point of view. General management is fuzzy, complicated and imprecise. . . . It is more important for the general manager to be wise than to be smart. . . . Corporate strategy formulation is an inexact science. Those seeking certainty should not aspire to become strategists.¹

The concern for management policy extends beyond general management, however. Others in the company are guided by, and need to relate in some way to, the strategic direction of the company in the choice of its objectives, the selection of strategies, and the integration and coordination of separate functions in operational activities within the policy concept. Members of staff supporting general management, subordinate line managers and staff members, supervisors at various levels, and even personnel in nonsupervisory work roles need some awareness of their own individual jobs, the place in the company of those jobs, and some opportunity to consciously contribute in appropriate ways to the achievement of that purpose. The input of other people in the company besides general management is needed in defining purpose, interpreting the environment, and formulating strategy, as well as operationally carrying out the specific plans that are developed from those broader perspectives.

The demands of routine work responsibilities of people in an organization are such that policy and strategy are a primary concern of general management but come to the active attention of other people only infrequently. It is therefore desirable that general managers and other members of the organization include policy and strategy in their educational preparation.

¹Hugo E. R. Uyterhoeven, Robert W. Ackerman, and John W. Rosenblum, *Strategy and Organization* (Rev. Ed.), (Homewood, Ill.: Richard D. Irwin, 1977), pp. 4, 5, 10.

THE STUDY OF MANAGEMENT POLICY

Management policy can be clearly discerned in terms of its own characteristics of comprehensive scope, integrative nature, strategic perspective, and general management responsibility. These four characteristics of policy are not collectively encompassed in any other business function or specialized field of study.

If confusion occasionally arises about the study of management policy, it may be due to the various ways in which policy is sometimes incompletely defined. Definitions of policy which come from other functions or theories, such as management theory, organizational behavior, decision theory, or economics, may not fully recognize the generalist requirement that is firmly inherent in policy and strategy. If policy is not considered to be the same type of discipline as mathematics or marketing, for example, there is no apparent reason that it needs to be. Policy is not so much a field of abstract theory as it is a conceptual field that draws upon other theories and functions to integrate them in a strategic framework for professional purposes.

Research in many disciplines is devoted to the development and testing of theory that can explain cause-and-effect relationships. Theory development and empirical research is gradually emerging in policy, but some limitations need to be recognized, for both study and practice.

Since problems in policy formulation are inherently more complex, less amenable to quantification, less repetitive, and more unstructured than any other class of management problem, it follows that at least some segments of the field are better handled by “artistic” than by scientific methods. This suggests that research directed at charting the bounds of rationality in policy formulation would make an important contribution to understanding the decision-making process at this level. It would particularly illuminate the interaction of science and art, knowledge and judgment, analysis and intuition.²

The art in management does not mean intuition alone. Successful artists are just as disciplined in artistic technique as successful scientists are disciplined in scientific technique. On the other hand, there is more to management, art, and science than technical knowledge. In India during British Colonial times, an Indian carpenter was installing a window frame in the home of a British lady. She grew impatient at his awkwardness and said to him, “Good heavens, man, can’t you see that you are putting it in backwards? Use common sense!” The carpenter replied with dignity, “Madam, common sense is a gift of God. I have technical knowledge only.”

OBJECTIVES OF THE POLICY COURSE

A policy course should be able to help you gain:

- A basic understanding of the concepts of policy and strategy
- Insight into the integrative and policy role of general management

²Melvin Anshen and William D. Guth, “Strategies for Research in Policy Formulation,” *Journal of Business*, 46(4): 1973, p. 507.

- Analytical capability pertaining to business performance, condition, opportunity, and risk
- Understanding of the relationships of the parts of the company to the whole and of the whole company to its environment
- Decision-making capability, with opportunity to develop and practice initiative and judgment in classroom situations where the consequences of a weak or ineffective decision will not be as severe as they would be for a manager in the business world
- Information about many kinds of practices and conditions in the business world and in various industries and companies
- Some research capability to find further information about industries and companies
- Conceptual ability, to develop a pattern of insight, analysis, understanding, and judgment in order to use confidence and initiative in approaching new information and issues and making more effective decisions in the future, or providing more meaningful information to managers who make decisions and then understanding and supporting those decisions made by others*

This book presents material for the study of management policy from the managerial point of view. It has been developed through extensive contact with practicing managers, study of related theories and concepts, and teaching of students in both graduate and undergraduate policy courses. Most of you who are studying policy are going to work in a business firm or some other managed organization; relatively few of you will become full-time academic scholars of the theories of various business functions. Accordingly, the book is not aimed toward teaching in-depth scholarly theory of policy or management but rather is deliberately oriented toward using both concepts (drawn from recognized research as well as from practicing managers) and cases to provide for you rigorous and meaningful experiences in analysis, exercise of judgment, and decision making, in addition to opportunities to learn something of the integrative and strategic responsibilities of general management. Such experiences in the policy course can also help you make the transition from an academic program in the classroom to situations where you must meet the demands of duties in professional employment after graduation.

Other approaches can be taken in using the materials in this book. Individual professors will approach the study and teaching of policy according to their own experience, training, and viewpoint, just as individual executives will approach their management responsibilities according to their own experience, training, and management style. If your professor wants you to read policy concepts in more depth, for example, he or she may wish to assign you some further readings either from my suggested references or from his or her own reading list.

DESIGN OF THE BOOK

This book is prepared as a balanced volume of text and cases for the policy course. The text provides concepts as a basis for becoming acquainted with the field of management policy and as a background for the study and discussion of the cases. In this book, while factual information or theoretical ideas are important in themselves, they are of particular significance as a means for a professionally oriented approach to the cases.

Every case in this book is a real business-world situation in which a manager is faced with significant issues and decisions to be made. All the data in the cases are factual; however, names are disguised in several of the cases in order to respect confidential information or sensitive issues.

The purpose of the cases is to provide a basis for study, analysis, and decision of the issues involved. This process is normally intended to begin with your individual preparation—and student group preparation also, where possible—and to fully emerge in class discussion by prepared students guided by the professor. Written papers and examinations for this type of course are also based on cases.

The cases in this book are not intended to “illustrate” principles or theories of management policy, or to serve as “examples” of correct or incorrect management. The professional world of the manager is typically not abstract, theoretical, or clinical in nature. Managers are paid to make decisions, not to define theories or discover solutions or answers as such, and policy decisions must always take into account the entire company rather than just a part of it. In preparing to make effective decisions, you must learn to generalize concepts from study and experience so that a conscious pattern of skill can be drawn on to deal with the never-ending sequence of events for which there is no specific precedent in either study or experience. Cases can provide the basis for this kind of development.

The appendices contain supplemental information. Appendix A gives some suggestions on how to study and prepare cases. Appendix B lists sources of business information. Appendix C is a brief summary of some well-known functional concepts and techniques. All of these appendices are indicative but certainly not exhaustive.

Finally I hope that you who use this book will study it seriously enough to understand it and yet casually enough to enjoy it.

ACKNOWLEDGMENTS

This book has been made possible through the assistance of many people whom I wish to recognize with appreciation. Executives and owners of business firms have provided information for the cases and have permitted their publication for use in the study of management. Other case authors have been kind enough to permit the use of their materials.

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To all who have helped I express my deepest gratitude.

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| 8. Gregg Knitwear, Ltd. | John L. Heath |
| 9. United Virginia Bankshares, Inc. | Melvin J. Stanford and Ivan T. Call |
| 10. King, Lyons, Musak, and Company | Donald L. Bates |
| 11. Josten's, Inc. | Richard N. Cardozo |
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| 14. Seabrook Oil Company | Robert McGlashan and William V. Rice |
| 15. United Board and Carton Corporation (C) | Melvin J. Stanford and J. Weldon Moffit |
| 16. Cumberland Gasket Company, Inc. | Herman Gadon and Dwight R. Ladd |
| 17. Indian Cashew Processors, Ltd. | Jean-Pierre Jeannet |
| 18. "Leave Us Alone" | Donald C. Soper |
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POLICY AND STRATEGY

What is policy?

What is strategy?

How are the concepts of policy and strategy related? How are they described by various writers? How should the differences in the respective descriptions be interpreted?

The purpose of this chapter is to consider some of the writings on policy and strategy and to present a conceptual model that can be used as a reference for the study of case materials, that is, for understanding a variety of theories in the literature and for developing strategic management capability.

Definitions of policy and strategy are introduced as a background for considering their purposes and levels of relevance. Next, a conceptual ends-means model of the policy concept is introduced and compared with several other concepts in the literature. References for evaluation of policy and strategy conclude the text of this chapter.

DEFINITIONS

Every organization has a need to define what it is, what it wants to be, and what it wants to accomplish and to assess what it has to work with, to decide how to use what it has within its environment to accomplish those purposes, and then to translate all this into plans, act upon those plans, and measure the results. This entire process is called by various names, some of which are policy, strategy, the strategic process, and planning or combinations and derivatives of these. The terms *policy*, *strategy*, and *planning* do not mean quite the same thing to all users, even though they are used in the context involving some comprehensive form of situation-capabilities-ends-means relationships.

Dictionary definitions show that both policy and strategy can mean either a management process (in a broad sense) or a plan or course of action (in a more specific sense). "Strategy is difficult to define" and, partly as a result, "to date, management has not adopted widely a conscious and coherent strategic approach to formulating corporate policy: at least there is little evidence to the contrary. . . . At present, business policy and general management education are dominated by the concept of strategy, although its adoption by business has been only piecemeal . . . yet, in spite of its imputed benefits, no researcher has established how strategy works, and the evidence that it works at all is

limited. This problem may arise because it is unclear, both in the classroom and business, just what strategy is. There are many definitions."¹

The word STRATEGY is of military origin:

The term "strategy" is best confined to its literal meaning of "generalship"—the actual direction of military force, as distinct from the policy governing its employment and combining it with other weapons: economic, political, psychological. Such policy is, in application, a higher-level strategy for which the term "grand strategy" has been coined.²

The foregoing quotation by one of the leading writers of our time on strategy comes from a military perspective, in which he is discussing the Greek and Persian wars. Even though he equates "policy" with "grand strategy," B. H. Liddell Hart gives a useful contrast of "strategy" as the general direction of the force or power element with the larger scope of "policy," which includes other elements besides strategy.

Policy implies a broad scope of relationship of all the major elements in a situation of comprehensive responsibility. In this sense, it is much broader than the use of the word policy (or policies) to refer to company rules or procedures.

At the national level, responsibility for policy (such as "foreign policy") within the boundaries set by representatives of the governed (or of those in power) lies with the heads of government. In a military setting, policy in the sense of Liddell Hart's "grand strategy" would again be the responsibility of the heads of government, but that policy responsibility can be delegated to a military commander to the extent that he controls within his assigned area elements other than military strategy. In a business firm, the comprehensive responsibility for policy falls upon general management, within boundaries set by owners and others. Corporate management, in turn, may delegate policy responsibility for parts of the total firm to subordinate general managers who have comprehensive assignments in their own respective parts of the company. Policy is thus identified with overall management responsibility.

The concept to be used for policy in this text is that of a relatively broad framework for top management in which desired ends (objectives) can be chosen in a firm's environment and in which strategic alternatives can be developed and employed to use the firm's resources to achieve those ends or objectives. Strategy thus can be defined as the general means by which to achieve ends or objectives. In this way, strategy can help to determine what a company may become or what goals it may reach. The formulation of objectives and the selection of strategic alternatives with relation to the environment and resources is a responsibility of top management and can be called strategic management. The application and implementation of the strategic alternatives can be called operational management. "That which is done at the top of an organizational structure is strategic management."³ In another perspective, strategic management is long range; operational management is short range.

¹Kenneth J. Hatten and Dan E. Schendel, "Strategy's Role in Policy Research," *Journal of Economics and Business*, (Spring-Summer 1976), p. 195

²B. H. Liddell Hart, *Strategy*, 2nd rev. ed. (New York: Praeger, 1968).

³George A. Steiner, *Strategic Planning: What Every Manager Must Know* (New York: Free Press, 1979), p. 4.