

# **Business and Administrative Policy**

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**Text, Cases, Incidents, and Readings**

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**RICHARD H. BUSKIRK**

**Wiley Series in Management and Administration**

# Business and Administrative Policy

Text, Cases, Incidents and Readings

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Richard H. Buskirk

California State College—Fullerton

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# Preface

Although I began teaching Business and Administrative Policy by using only comprehensive case histories, over the years I have modified the straight case approach for several reasons.

1. It was necessary to teach the numerous policy concepts in three credit hours rather than six. In my search for ways to make more efficient use of the contact hour I was encouraged to use materials more directive than cases.
2. The students seemed to respond with better, more meaningful participation in class when readings and incidents were mixed with cases than when they had to study one comprehensive case each week.
3. The scope of the course is currently being broadened to include administrators of nonprofit-seeking institutions. Much more can be done with a policy course than, as one student put it, "merely cure sick companies." This book is oriented toward a course that covers all aspects of the office of the chief operating executive and the board of directors of all types of institutions.
4. The students evidenced a real need for well-focused discussions in certain policy areas. Current articles from the trade press provided the best springboard into such discussions. These articles divide conveniently into two categories. Many of the articles are really current cases *focused on one of a few issues and should be treated as case studies*. The remainder of the articles provide a point of entry into the discussion of one or more selected issues confronting the policy maker.
5. There appeared to be a need for some text material to orient the students toward the basic concepts underlying the policy course. Many of the terms used in the course, such as "objectives, strategy, and policy," are ambiguous because they are used in many ways by many different writers. For the sake of communication, we have tried to define how they are used in this book and how they fit into the total managerial scheme of affairs.

In short, many of the things that seem to be needed in a policy program are best provided by materials other than comprehensive cases. The various materials included in this book have been assembled with one thought in mind: to put together a complete, comprehensive policy course in which the student is stimulated to venture forth into areas of administration that may be new to him. The objective of this book is to provide the student with a broad, current, and interesting experience in business policy.

The materials in this book are arranged to fit into the following topical outline, which was developed along the sequential steps that one must take in administering an organization. It is used to give the student an idea of the nature of the subject matter that lies ahead of him in the course.

- I. Goals
  - A. Externally Imposed Goals
  - B. Role of Executive Values and Goals
  - C. Role of Executive Judgment
- II. Corporate Strategy
  - A. Relationship to Goals
  - B. The Problem of Levels of Strategy
  - C. The Need for Strategic Planning
- III. Tactics
  - A. Importance of Tactics
  - B. Determination of Tactics
- IV. Policy
  - A. Types of Policies
    - 1. Strategic
    - 2. Operational
    - 3. Explicit Versus Implicit
    - 4. Covert
  - B. Purpose of Policy
    - 1. Uniformity of Actions
    - 2. Communication
      - a. External
      - b. Internal
    - 3. Continuity
    - 4. Protection from Pressures of Immediacy
    - 5. Automatic Decision Maker
- V. Situation Analysis
  - A. Environmental
    - 1. Economics of Industry

2. Institutional Structure of Industry and Market
3. Competition
4. State of the Technical Art
5. Market Analysis
6. Labor Conditions
- B. Internal
  1. People
  2. Market
  3. Finance and Control
  4. Management and Organization
  5. Production
  6. Capabilities
- VI. Problem Recognition
  - A. Determination of Basic Problems
  - B. Sequencing
  - C. Timing
  - D. Problem Statement
- VII. Recommendations (Plan of Action)
  - A. Consistency with Goals and Strategies
  - B. Need for Sequencing
  - C. Timing
  - D. Need for Specifics
  - E. Feasibility
  - F. Pricing the Programs
- VIII. Implementation of Plans
  - A. Staffing
  - B. Tactics
  - C. Supervision
  - D. Monitoring Progress
  - E. Evaluation
  - F. Revision of Plans
- IX. Growth
  - A. Planning for Growth
  - B. Various Forms
  - C. Pitfalls
  - D. Management of Growth
  - E. Requisites for Growth
- X. Role of the President
  - A. What Does President Do?
  - B. What It Takes to Be President
  - C. Who Should Be President?
  - D. Presidential Styles of Action



- XI. Role of the Board of Directors
  - A. Who Should Be on the Board?
  - B. Who Makes a Good Director?
  - C. What a Good Director Does
  - D. Types of Boards
  - E. The President and the Board
  - F. Problems with Boards
  - G. Limitations of the Board

The text material has deliberately been made brief so that the student can grasp the essence of the topic quickly; the incidents and readings provide the illustrations and examples that are normally used in text material to support a point.

A few comprehensive cases are included so that the book may be used alone as a text for a policy course. The professor can easily obtain additional cases from other sources if he wishes to supplement it.

I have had the good fortune to have received the advice of many able "Policy" men in formulating these materials. Professor Melvin Anshen of Columbia University first stimulated my interest in Policy, farther back than we both would care to admit. Dean Earl Goddard of Oregon State University must accept the blame for luring me into this fascinating field and providing me with much of my early orientation toward Policy. My colleagues at the University of Colorado, Professors Burton Kolb and Kenneth Reed, have been of great assistance.

I especially thank my excellent assistant, Sylvia Arnot, for doing all the hard work involved in getting out a book.

*Richard H. Buskirk*

*Fullerton, California, 1970*

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# I

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## Objectives

The first stage of administrative thinking should be devoted to the establishment of objectives—the goals of the organization. Objectives are needed as a basis for rationally planning the operations of an enterprise since a rational plan, by necessity, must have some ends in sight. Without goals it is impossible to put a purposeful design into a plan. Organizational structure should also be strongly influenced by the goals that it endeavors to achieve. In the consumer electronics industry some firms have, as one of their objectives, the capture of a large share of the market. A few of their competitors are not at all concerned with large-volume operations but, instead, desire to earn a higher than average return on their investment. These different objectives cause great differences in the resulting operational plans of the companies. The large-volume companies engage in a strenuous competitive race through advertising and special-pricing policies, and compete vigorously for large-volume dealers. In contrast, one profit-oriented concern maintains a strict resale price maintenance policy, markets directly to carefully selected dealers, does a minimum of national advertising, and generally follows a strategy that is the antithesis of its volume-oriented competitors.

A plan of action should be dictated by the goals it seeks to achieve. A football team whose main objective is winning will do different things than one whose objective is to provide young men

with physical exercise while building their character. A military organization whose basic purpose is defense will institute vastly different enterprises and will rely on different weapons than one whose primary objective is the maintenance of offensive striking power. A political organization whose goal is to stimulate employment will undertake different projects than one whose objective is to control inflation. And so it should be appreciated that the objectives established for an enterprise determine the entire character of its operation and organization.

### *Difficulty in Agreeing on Objectives*

Although it might seem that the establishment of objectives for a profit-seeking organization would be quite simple, actually great debates within management are common over what goals the enterprise should seek. The administrator usually must establish and achieve several objectives. Furthermore, he often is faced with the dilemma of choosing among several objectives, some of which are not compatible. Other times it is not at all clear to the administrator exactly what the objectives of his organization should be.

Perhaps a classic case of this dilemma is faced by the administrator of a School of Business. What should be the objectives of a School of Business? If only one objective could be agreed on, the formulation of curricula, the selection of faculty, and the nature of the various activities to be undertaken would be easy to determine. But, unfortunately, this is not the case. Ask the opinions of various people on what the objectives of a School of Business should be and you will hear statements such as: "To train men and women to take a productive place in the business world." "To train top management for business concerns." "To train administrators for all types of institutions." "To educate the individual so that he can play a more useful role in society." "To train accountants." "To train secretaries." "To provide a man with a well-rounded education with a business and economic orientation." And so it goes, with additional people adding on endless variations of these objectives.

Look how simple it would be if agreement could be reached

on just one objective. Assume that the sole objective in one School of Business would be to train people to become CPA's. Life immediately becomes much simpler for the school's administrator. He now knows precisely the kinds of people he will have to attract to his faculty, the kinds of students that he should admit to the school, and the kind of program he will have to institute for them. With such a specific objective the planning becomes rather easy.

Now suppose the objective of a school is to train people for all types of administrative positions in all types of institutions, both profit and nonprofit. Now the water has been considerably muddied. The administrator is not quite sure about the kinds of people he needs on his faculty; he is less sure of the kinds of students that he should be training; and, most important, the kind of program that he should offer is highly debatable.

The conclusion is inescapable: the more specific one can make objectives for an enterprise, the easier and more clear-cut the planning for the firm becomes. And so it follows that good administrators vigorously strive to pin down the objectives of their organization as specifically as possible because to do otherwise unduly complicates their administrative lives.

### *Common Mistakes Made in Setting Objectives*

Most statements of objectives tend to be little more than platitudes. This tendency should be fought against energetically. Such banalities as "We should be of service to the community" or "It is the goal of this company to make a good return on investment" are but hazy guideposts for policy and planning. Objectives, to be useful, must be sufficiently specific so that a subordinate cannot read into them justification for anything he may wish to do.

### *Objectives Should Be in Writing*

In the hurry and confusion of routine operations, it is easy to lose sight of the purpose of all the various activities. Yet any activity that is not in accord with the organization's objectives is wasted



effort. Even worse, an activity may be an adverse action in that it may remove the group farther from its goals. One way to keep the objectives of the organization in mind is to put them in writing, thereby making them visible to everyone. Continual reference should be made to the objectives. They should be brought up to date whenever the occasion requires because as times change, objectives may need changing. Most organizations make the mistake of formulating some objectives that are merely platitudes and then proceed to ignore them, which is about all one can do with such platitudes.

### *Internal Conflicts*

In a misguided attempt to be all things to all people, some organizations err in placing something for everyone in the statement of objectives. This almost inevitably gives rise to internal conflicts that cannot be resolved. For example, some Chambers of Commerce, in order to placate property owners in the city, have as one of their objectives, the reduction of property taxes. Then in the next breath, the Chamber establishes as an objective the institution of certain civic improvements that assuredly cannot be accomplished without an increase in property taxes. You cannot have it both ways. An organization with conflicting objectives is working at cross purposes—a situation fraught with danger to morale and effectiveness.

Much of the ineffectiveness of governmental efforts can be ascribed to just this problem of conflict in objectives. The Small Business Administration (SBA) endeavors to help the small businessman prosper through many different programs, but the Defense Department works against this by establishing procurement policies that grossly favor (with reason) large business over the small entrepreneur, thereby negating the effectiveness of much of the money and effort expended in the name of the SBA. Throughout the government there are repeated examples of these internal conflicts that arise naturally because the government, by political necessity, must try to serve many masters. One cannot efficiently serve several masters whose interests are in conflict.