**sTRATEGIC MANAGEMENT & BUSINESS POLICY**

**UNIT-2**

**TOP MANAGEMENT:**

Top management is at the head of the organisation. It consists of the Board of Directors and its Chairman, the Chief Executive (Ex., Managing Director or General Manager) and the Senior Executive (viz, Deputy General manager). In the operation of the enterprise, top management is the ultimate level of authority. Further, these top level managers are primarily involved in board organisational matters such as policy formulation, long range planning, goal the top management of organisational strategies. In general, the top management effectively deals with all elements and forces that affet the survival, stability and growth of an organisation.
                                           In other words of **B.Yuill,**the top management duty is to protect the integrity of the organisation, so that it can survive for ita own employees, the shareholders, suppliers and the customer`s interests and for the general good of the social and economic system within which it operates.

**Functions of top level management:**
The main functions of top level management are as follows:
**(a) Determine objectives for the organisation:**Objectives may relate to profit, business growth, survival, prestige, competitive pricing, marketing method, widening the area of sales, relations with workers, customers, public etc.
 **(b) Frame the policy:**To frame the policy and chalk out the plans to carry out the objectives and policies. Policies may relate to different aspects of the organisation. For example, production policy deals with the quality, product variety, scheduling of production to meet the market demand etc.
**1) Market policy:**this policy deals with such matters as advertising and sales promotion techniques, pricing product, channel of distribution, commission, discount, placements, training, remuneration promotion, appraisal of performance etc. of the personnel.
**2)Financial policy:** This relates to the procurement of funds, source of finance, management of earning, etc.
 **(c)Organisational Frame Work:** Top management determines the organisational structure for the purpose of executing the plans that have been laid down. Execution of plans is necessary to carry out the objectives and policies.
 **(d)Assemble the Resources:**For the purpose of executing the plans, the resources of men, machines, materials and money have to be assembled. This again is the task of top management.
 **(e)Control the operations through organisation:** Controls the top management regarding operations through budgets, cost and statistics quality control and accounting devices.

## Roles and Responsibilities :

### 1. Envisioning Goals

The first and most important task of any manager is providing a direction to the organization. This entails mapping out their [visions and missions](https://www.toppr.com/guides/business-environment/introduction-to-business-environment/vision-and-mission-statements/).

This is one task the manager must not delegate, but perform himself. Defining the company’s objectives helps unify the employees and gets them working towards a common goal.

### 2. Managing Growth

One of the main roles and responsibilities of the manager is to manage the growth and ensure the survival of the firm. There are both internal and external factors that are a threat to this growth and survival of the firm.

Internal factors (such as choosing the right [technology](https://www.toppr.com/guides/essays/essay-on-science-and-technology/), hiring the correct people etc) are mostly in the firm’s control. External factors ([government policy](https://www.toppr.com/guides/general-awareness/economy/government-policies-projects/), [economic](https://www.toppr.com/guides/fundamentals-of-economics-and-management/basic-concepts-of-economics/) conditions) pose a concern the manager must deal with.

### 3. Improving and Maintaining Efficiency

The manager has many roles and responsibilities regarding the efficiency of the [firm](https://www.toppr.com/guides/business-laws-cs/indian-partnership-act/goodwill-of-a-firm/). Firstly he must ensure that the firm is efficient, i.e. resources are not being wasted. And then this efficiency has to be effectively maintained.

### 4. Innovation

It is the task of the manager to be innovative in his job. He must find new and creative solutions to the problems faced by the firm. Innovation not only means having new ideas but also cultivating and implementing them. This is one of the on-going jobs of a professional manager.

### 5. Looking out for the competition

A manager has to plan and prepare for the competition in the market. He must never be caught unaware, he must prepare for new and/or increased competition.

### 6. Leadership

The quality of the leadership usually dictates the future of a firm. Hence the manager must also be a good leader. He should be able to inspire and motivate people to work towards the goals of the company.

A leader leads from the front, and the manager must also possess exceptional qualities and work ethic that his team members can learn from.

### 7. Change Management

In any company or organization, change is a given. The manager has to be the agent of change in such cases. It is his roles and responsibilities to ensure the process of change is smooth and uneventful for the company.

### 8. Choosing correct Information Technology

This is a problem that all [managers](https://www.toppr.com/guides/business-management-and-entrepreneurship/nature-of-management-and-its-process/skills-of-an-effective-manager/) of today’s era are facing. There are so many choices available in the market for various IT processes.

It is a challenge to use the best and most suitable technology for your [organization](https://www.toppr.com/guides/business-management-entrepreneurship/organizing/structure-of-organization/). So this entails choosing the correct software, communication system, network system etc.

### ****Tasks of top level management:****

The main tasks of top level management are as follows:

(a) Determine objectives for the organisation: Objectives may relate to profit, business growth, survival, prestige, competitive pricing, marketing method, widening the area of sales, relations with workers, customers, public etc.

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(d) Assemble the Resources: For the purpose of executing the plans, the resources of men, machines, materials and money have to be assembled. This again is the task of top management.

(e) Control the operations through organisation: Controls the top management regarding operations through budgets, cost and statistics quality control and accounting devices.

**Business**

**Definition:** Business is defined as an organised economic activity, wherein the exchange of goods and services takes place, for adequate consideration. It is nothing but a method of making money, from commercial transactions. It includes all those activities whose sole aim is to make available the desired goods and services to the society, in an effective manner.

It is a systematic attempt of the businesspersons to produce goods and services, and sell them at the market, to reap the reward, by way of profit.

Profit plays a pivotal role, as all the business activities are directed towards it, because it works an incentive to the entrepreneurs, for their efforts, and thus, necessary for every business.

**Characteristics of Business:**



1. **Economic Activity:** Business is an economic activity, as it is conducted with the primary objective of earning money, i.e. for an economic motive.
2. **Production/purchase of goods and services**: Goods and services are produced or procured by business entities, so as to add value and sell them to the consumer. Goods are either manufactured by the company or procured from the supplier, with the aim of selling it further to the consumer, for profit.
3. **Selling of goods and services**: Business must involve the transfer of goods to the customer for value, through selling, meaning that if the goods are acquired for personal consumption, then the transaction will not amount to business activity.
4. **Continuity in dealings**: Every business requires regularity in transactions, i.e. an isolated transaction of exchange of goods or services will not be considered as business. So, to constitute business, the dealings must be carried out on a regular basis.
5. **Profit earning:** The basic purpose of business is to make the profit from its activities. It is the spine of business, which keeps the business going, in the long term.
6. **Element of risk:** Risk is the key element of every business, concerned with exposure to loss. Efforts are made to forecast future events and plan the business strategies accordingly. However, the factors that affect business are uncertain and so does the business opportunities, which can be a shift in demand, floods, fall in prices, strikes, lockout, money market fluctuation, etc.
7. **Uncertain return**: In business, the return is never predictable and guaranteed, i.e. the amount of money which the business is going to reap is not certain. It may be possible that the business earns a huge profit or suffer heavy losses.
8. **Legal and Lawful**: No matter, in which type of business the company is engaged, it should be legal in the eyes of the law, or else it will not be considered as business.
9. **Consumer satisfaction**: The aim of business is to supply goods and services to consumers, so as to satisfy their wants, as when the consumer (final user) is satisfied, he/she will purchase the goods or services. But, if they are not, there are chances that they will look for substitutes.

The consumer is regarded as the king, and so all the activities of the business are aligned towards the satisfaction of consumers. This can be done by making available quality-riched goods easily available to them, at reasonable prices.

## Classification of Business Activities:

## Into two broad categories, various business activities can be classified-

* [Industry](https://www.toppr.com/guides/geography/industries/introduction-to-industry/)
* Commerce

## Industry

The [sector](https://www.toppr.com/guides/economics/sectors-of-the-indian-economy/introduction-sectors-indian-economy/) where raw material gets converted into useful products is called industry. Activities related to production & processing as well as activities related to rearing & reproduction of animals or other living species are all included in the industry. The purpose of industry is to create form utility by converting raw materials into useful forms of finished products.

An industry may produce consumer goods or capital goods. Goods such as bread, butter, cloth, radio, etc. are consumer goods. These goods are directly used by the consumer. Goods such as machinery, cement etc. are called capital goods as these are used further in the production process to make useful products.

Industry can be classified into three broad categories.

* Primary industry
* Secondary industry
* Tertiary industry

### ****1.Primary Industry****

This is also known as extractive industries. It includes activity connected with the production of wealth directly from natural resources such as water, [air](https://www.toppr.com/guides/biology/natural-resources/air-and-air-pollution/), & land etc. Primary industry includes activities like extraction & processing of natural resources etc. These industries are further subdivided as follows:

* **Extractive industry:**These industries extract or draw out products from natural sources. Raw [materials](https://www.toppr.com/guides/science/sorting-materials-into-groups/properties-of-materials/) that are mostly products of the soil are some basic supply of extractive industries. Manufacturing industries transform these [products](https://www.toppr.com/guides/business-studies/marketing/product/) into many other useful goods. Some of the examples of extractive industries include farming, mining, lumbering, hunting & fishing operation.
* **Genetic industry:** The industries involved in the activities of rearing & breeding of living organism i.e. birds, plants, [animals](https://www.toppr.com/guides/biology/diversity-in-living-organisms/animal-kingdom/) etc. are known as a genetic industry. For example, rearing of cattle for milk, dairy farms, poultry farms, rearing of plants in the nursery, growing fish in ponds etc. are included in the [genetic](https://www.toppr.com/guides/biology/principles-of-inheritance-and-variations/introduction-to-genetics/) industry.

### ****2.Secondary Industry****

This industry is concerned with converting raw material into finishing product. The materials which have already been extracted at the primary stage is the concern of the secondary industry. Such materials are processed to produce goods for final consumption or for further processing by other industrial units in these industries. Secondary industries may be further divided as follows:

* **Manufacturing industries:** These industries are engaged in the process of conversion of raw materials or semi-finished goods into finished goods. These industries create from the utility by changing the form of raw materials into finished products.
* **Construction industries:** These industries are concerned with the construction of buildings, dams, roads etc. These industries use the products of manufacturing industries such as cement, iron & steel, lime etc.

### ****3.Tertiary Industry****

These industries are concerned with providing those services which facilitate a  flow of goods & services. This industry helps in the activities of the primary & secondary industry.

## Commerce

We can refer to commerce as all those activities which help directly or indirectly in the distribution of goods to the ultimate consumer. There will be no use of producing goods unless & until these goods reach the ultimate consumer. Goods are produced at one place & consumers are scattered at different places. Commerce can be classified into two broad categories:

* Trade
* Aids to trade

### ****Trade****

Trade is an integral part of commerce. It includes buying & selling of goods & services. The trade segment of commerce brings together the manufacturer & the consumer, i.e. it is a link between the manufacturer & the consumer.

Trade can be classified into two types:

* **Internal trade:**It refers to buying & selling of goods or services within the geographical boundaries of a country. It is also known as home trade or domestic trade. Under internal trade, goods & services are bought & sold in the home currency only. The internal trade can be two types:
	1. Wholesale trade
	2. Retail trade
* **External trade:**When the buying & selling of goods & services is beyond the geographical limits of the country it is called external trade. It is also known as trade between two or more countries. In external trade, the market is very wide. External trade is of the following types:
	1. Export trade
	2. Import trade
	3. Entrepot trade

### ****Aids to Trade****

The activities which help in the smooth flow of trade are known as aids to trade. These activities make buying & selling of goods easier. These help in removing various hindrances of trade which arises in [production](https://www.toppr.com/guides/business-economics/theory-of-production-and-cost/meaning-of-production/) & [distribution](https://www.toppr.com/guides/business-studies/marketing/distribution/) of goods. The common aids to trade are:

* Transport & communication
* Banking & finance
* Insurance
* Warehousing
* Advertising

### ****Meaning of Objectives:****

Objectives are the ends for the achievement of which managerial activities are directed. Effective management is possible only through the setting up of objectives and all managerial efforts should be directed to achieve these objectives. Objectives constitute the purpose, the attainment of which is necessary for the business. An organization can grow in an orderly way if well defined goals have been set. Objectives are a pre-requisite for planning. No planning is possible without setting up of objectives.

Objectives are not only helpful in planning but also in other managerial functions like organizing, directing and controlling. Clear cut objectives help in proper decision-making and in achieving better results. The objectives of the organization should be supported by sub-objectives. The objectives have hierarchy and a network. The organizations and managers may have multiple goals and at times they may be incompatible and may lead to conflicts within the organization and within the groups too.

Personal interests may have to be subordinated to organizational goals. The words objectives and goals are generally used interchangeably and various authors and practitioners have not made any distinction between the two, so these words will be used for the same meaning here.

**Definitions:**

* **Mc. Farland** defines objectives, “Objectives are the goals, aims, or purposes that organizations wish to achieve over varying periods of time.”
* In the words of **Terry**, “A managerial objective is the intended goal which prescribes definite scope and suggests direction to efforts of a manager.”

**Mc. Farland** suggests that objectives are the goals which an organization wants to achieve whereas Terry describes objectives as the parameters within which an organization has to work and make efforts to achieve them.

### Classification of Objectives:

Management objectives can be classified as follows:

#### 1. Primary Objectives:

These are the objectives for which a company has been started. Every business aims to earn more and more profits out of its working. Primary objectives are related to the company and not to individuals. Earning of profits out of providing goods and services to the customers is the primary objective of a company. The goods and services are provided as per the requirements of customers. Earning profits through customer satisfaction helps in earning goodwill and regular clientele. The production of goods and services as per determined targets will be achieved through individual goals of employees in the organization.

**2. Secondary Objectives:**

These objectives help in achieving primary objectives. The targets are identified and efforts are made to increase efficiency and economy in the performance of work. The goals dealing with analysis, advice and interpretation provide support to goals directed by primary objectives. Secondary objectives, like primary objectives, are impersonal in nature. The primary goal of earning profits through providing goods and services will be achieved if there is a plan to add new products in the market at regular intervals. The goal of adding new products will be a secondary goal which will help in achieving the primary objective.

**3. Individual Objectives**:

These are the goals which individual members in an organization try to achieve on daily, weekly, monthly or yearly basis. These objectives are achievable as subordinate to primary and secondary goals. Most of the individual objects are economic, psychological or non-financial rewards which an individual tries to achieve by using resources of time, skill and effort. An individual tries to satisfy his needs and desires by working in an organization. In order to motivate individuals for raising their performance, organizations offer varied incentives.

**4. Social Objectives:**

These are the goals of an organization towards society. These include the obligations required by the community, government agencies etc. These also include goals intended to further social, physical and cultural improvement of the society. Social obligations of business has become essential these days. Business has to produce goods and services by taking into consideration health requirements of people. There are expectations that business should also spent a part of its profits for the welfare of community.

## Hierarchy of Objectives

The hierarchy of objectives is a tool that helps analyze and communicate the project objectives. It organizes these objectives into different levels of a hierarchy or tree. Different organizations use different names for the various levels and the types of objectives at each level, but otherwise there is a great deal of similarity in approach.

This approach organizes objectives into three broad levels:

* Policy
* Strategic, and
* Operational.

In general, these levels correspond to the top, middle, and working levels of management in an organization. Broad, general objectives, some people call them "goals", that policymakers deal with, for example: "improve economic growth", fall into the top level and are called "policy objectives".

Objectives that are narrower in scope, such as "increase literacy for teenage girls", fall into the middle level and are called "strategic objectives". Objectives that relate directly to a project's deliverables fall into the operational level and are called "project objectives". Objectives that relate to project inputs, i.e. what is needed to make a project function, are also considered operational and are called "input objectives". Operational objectives are usually the concern of working management, including project managers.

**Figure** shows an example of a hierarchy of objectives for an electric power plant. As shown, the hierarchy has four types of objectives: policy, strategic, project, and input and they are grouped into three levels: policy, strategic, and operational.



**Policy Objective:**

The overall policy objective is to"Increase industrial production". We then ask: How is this to be accomplished? That brings us to the next lower objective, the strategic objective.

**Strategic Objective:**

One way that the country is trying to increase industrial production, the policy objective, is by producing "50 KW of electric power". This is the strategic objective for the project. Of course, there may be other strategic objectives and additional projects that also support the overall policy objective. Again we ask: "How is the 50 KW of electric power to be obtained?" The answer takes us to the next lower level of objective in the hierarchy, i.e. the project objective.

**Project Objective:**

The project objective in most cases is the same as the deliverable for the project. In this case, it is to "Build a new power plant." Asking: "How is the power plant to be built?", again takes us to the next lower level of objective, the input objective.

**Input Objective:**

 The input objectives relate primarily to the resources and conditions that are required to accomplish the project. For the power project, they consist of a "$10 million contract, land for the power plant, and necessary labor" as well as expertise

# 10 steps to setting smart objectives

Setting effective objectives to guide your team and organisation is very important for a leader to get right. Badly formulated objectives will steer an organisation in the wrong direction. I found this ten step approach to setting SMART objectives from the National Primary and Care Trust:

1. Sort out the difference between objectives and aims, goals and/or targets before you start. Aims and goals relate to your aspirations, objectives are your battle-plan. Set as many objectives as you need for success.
2. SMART stands for Specific, Measurable, Achievable, Realistic and Timely.
3. Don't try to use that order M-A/R-S-T is often the best way to write objectives.
4. Measurable is the most important consideration. You will know that you've achieved your objective, because here is the evidence. I will know too! Make sure you state how you will record your success.
5. Achievable is linked to measurable. Usually, there's no point in starting a job you know you can't finish, or one where you can't tell if or when you've finished it. How can I decide if it's achievable?
	* You know it is measurable.
	* Others have done it successfully (before you, or somewhere else.)
	* It's theoretically possible (i.e. clearly not 'not achievable'.)
	* You have the necessary resources, or at least a realistic chance of getting them.
	* You've assessed the limitations.
6. If it's achievable, it may not be realistic. If it isn't realistic, it's not achievable. You need to know:
	* Who's going to do it?
	* Do they have (or can they get) the skills to do a good job?
	* Where's the money coming from?
	* Who carries the can?

Realistic is about human resources, time, money, opportunity.

1. The main reason it's achievable, but not realistic is that it's not a high priority. Often something else needs to be done first, before you'll succeed. If so, set up two (or more) objectives in priority order.
2. The devil is in the specific detail. You will know your objective is specific enough if:
	* Everyone who's involved knows that it includes them specifically.
	* Everyone involved can understand it.
	* Your objective is free from jargon.
	* You've defined all your terms.
	* You've used only appropriate language.
3. Timely means setting deadlines. You must include one, otherwise your objective isn't measurable. But your deadlines must be realistic, or the task isn't achievable. T must be M, and R, and S without these your objective can't be top-priority.
4. It is worth this effort! You'll know you've done your job well, and so will others.