

CHAPTER 5. POLICIES IN FUNCTIONAL AREAS

Policies are guidelines designed to guide the thinking, decisions and actions of managers and their subordinates in implementing an organization's strategy. Policies help manager for establishing and controlling ongoing operations in manner consistent with the firm's of strategic objectives.

Purpose of policies:

1. Policies provide a statement about how things are to be done in an organization. They help controlling decisions and the conduct of activities without direct intervention by top management.
2. Policies promote uniform handling of similar activities in an organization.
3. Since policies are written statements which ensure quicker decisions and helps reduce uncertainty in repetitive and day to day decision making.
4. Policies offer a predetermined answer to routine problems.
5. Policies give managers a mechanism for avoiding hasty decisions.

Policies in functional areas

- I. **Product Policy:** In a product policy, the statements that are included are the products which the company should emphasize, the products that contribute most to the profitability, the image of the product which has to be given importance and also continuous improvement of the product.
- II. **Personal Policy:** Personal policy guides the effective utilization of human resources to achieve both the annual objectives of the firm and the satisfaction and development of employees. The various statements in the personal policy include employee recruitment, selection, orientation, career development, counseling, performance evaluation, training and development, salary and compensation etc.

- III. Financial Policies: Financial policy of an organization is related to the availability, usage and management of funds. Statements in the financial policy include capital investment, fixed asset acquisition, dividend decisions, usage of funds. If there is no financial policy, the wage of funds would be inefficient, leading to less than optimum utilization of resources. Some of the other statements in the financial policy include as to how final selections of projects are to be made, to obtain approval from top management regarding capital allocation, what portion of earnings should be paid not as dividend?, etc.
- IV. Marketing Policy: Marketing policy deals with the 4 “P”s of the marketing mix: Product, Price, place and promotion. Product policy is already mentioned. In the price policy, the various approaches to the pricing of the product are mentioned. How the product should be priced like cost oriented, market oriented, competition oriented etc are mentioned in the marketing policy of which price is component. In the promotion policy, various statements that guide the use of advertising budget, media selection are mentioned. These statements help manager to take decisions which are cost effective and beneficial to the company. The place component is concerned with as to how manager should appoint dealer, distributors, wholesalers etc. it also gives guidelines to managers regarding the selection of channel of distribution and how the goods / services should reach the final customer.
- V. Public Relations Policy: public relations is the art of creating mutual understanding between an organization and the various group or groups of people whose opinion has a direct bearing in the functioning of an organization. In a public relation policy, the various statements that are mentioned are how to generate goodwill, understanding and image building of the organization through varied communication strategies, the various ways the media should be used for publicity, the importance of press. Audio- visual channels, radio etc the kind of audience to be reached, aim of public

relations etc are mentioned in the policy. How to use the Public Relations Budget by the PR manager is mentioned in a statement form in the Public Relations Policy



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