

Unit 5: Policies in Functional Areas

A) Policy

- Policies are predetermined guidelines, laid down by the senior management of an organisation to guide the thinking, decision-making & actions of managers and their subordinates in implementing on organisation's strategy.
- Purpose of Policies:
 - i. Framework to facilitate strategic decision-making.
 - ii. Control & reinforce the implementation of functional strategies.
 - iii. Uniform handling of similar situations occurring in different functional areas.
- Different policies are:
 1. Personnel Policies-
 - These relate to the personnel system, organisational & employee characteristics & industrial relations
 - The major decisions & issues involved in this are:
 - i. Manpower planning, selections, development, compensation, etc.
 - ii. Working condition, availability of developmental opportunities for employees.
 2. Marketing Policies-
 - These policies are based on 4P's of marketing mix (Product, Price, Place & Promotion)
 - It includes:

- i. Product Policy which relates to its quality, features, packaging, branding etc.
- ii. Pricing Policy which relates to Price setting, credit terms, payment period & so on.
- iii. Place or Distribution Policy which relates to distribution channels, logistics, coverage of markets.
- iv. Promotion Policy or Promotional Mix

3. Financial Policies-

- o The significant plans & policies that need to be formulated in Financial aspects are:
 - a) Sources of funds which relates to procurement of capital, reserves, relationship with lenders & banks.
 - b) Usage of funds which relates to capital investment, fixed assets acquisition, dividend decisions
 - c) Management of funds which relates to financial accounting, cost control & reduction, tax planning, etc