

Strategic Management and Business Policy I

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Course & Class Information

Course: Strategic Management and Business Policy I

Program: Bachelor's Program

Credits: 4 ECTS

Mode: Onsite / Blended

**Class 1: Introduction to Strategic Management and
Business Policy**

Instructor: Dr Leul Girma

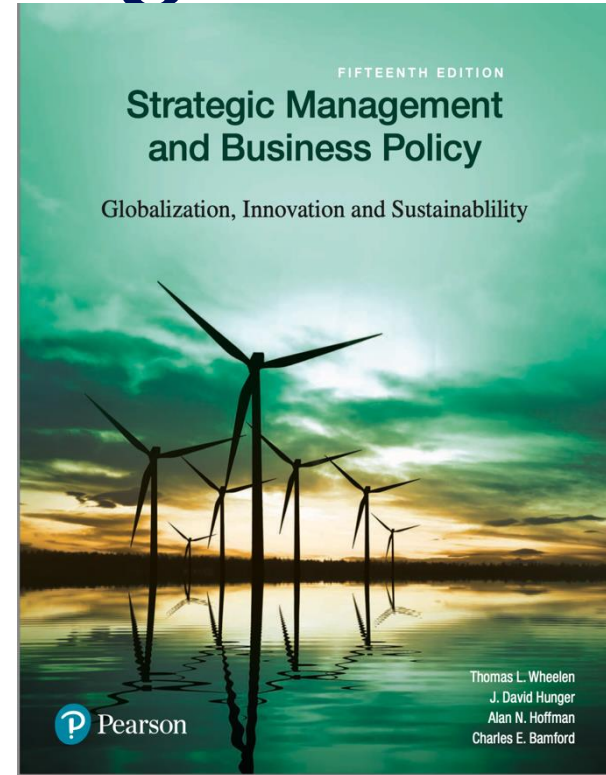
Main Teaching & Learning Materials

Books

- Mastering Strategic Management.
- Strategic Management and Business Policy

Business Policy resources

- Company annual reports
- Public corporate governance codes and policy guidelines
- Instructor-provided case materials



Objective and Learning Outcomes

Objective:

To introduce students to strategic management and business policy as foundational managerial disciplines, and to establish an understanding of how organizations define long-term direction and guide key managerial decisions in dynamic business environments.

By the end of this class, students will be able to:

- Describe how strategy and policy support long-term organisational direction.
- Distinguish between strategic, policy, and operational decisions.
- Identify the main stages of the strategic management and business policy process.
- Explain the purpose of strategic management and business policy in organisations.
- Recognise the importance of internal and external influences on strategic and policy decisions.

Strategic Management in the Business Policy Context

What is Strategic Management?

Strategic management is the process by which organizations analyze their environment, formulate strategies, implement those strategies, and evaluate outcomes to achieve long-term objectives (Hill et al., 2017)

What is Business Policy?

Business policy refers to the **set of guidelines, principles, and rules** that direct managerial actions and **support the implementation of organizational strategy** (Wheelen et al., 2018).

Business policy provides a framework that helps managers make decisions that are:

- **Consistent** across the organization
- **Aligned** with strategic objectives
- **Ethically and legally responsible**
- Supportive of **organizational stability**

Strategic Management Through a Business Policy Lens

Strategic management defines the organization's direction, while **business policy translates that direction into consistent managerial rules, boundaries, and decision guidelines.** Together, they ensure that strategic intentions are effectively and responsibly executed across the organization.

Why It Matters in a Business Policy Context

- **Clarifies long-term organizational direction** through policies that guide strategic priorities.
- **Supports structured managerial and policy decisions**, reducing ambiguity in complex situations.
- **Aligns resources with strategic and policy priorities** to ensure coherent organizational action.
- **Helps organizations adapt to internal and external changes** while maintaining policy stability.
- **Promotes consistency and accountability** through formal policy guidance.

Why Business Policy Matters?

- **Translates strategy into actionable guidance**
- **Reduces uncertainty** in managerial decision-making
- Establishes **boundaries for organizational behavior**
- Supports effective **strategy implementation**
- Strengthens **governance and accountability**

Strategy and Business Policy as Managerial Disciplines

Strategic Management: Focuses on defining organizational direction and determining how long-term objectives will be achieved.

Business Policy: Focuses on establishing the principles and guidelines that shape managerial decisions and ensure consistent organizational actions.

Complement Each Other:

- Strategic management sets the direction.
- Business policy guides decisions within that direction.
- Strategic choices require policy support for effective implementation.
- Policies help translate strategy into everyday managerial practice.

Managerial Implication

Managers rely on business policies to make decisions efficiently without needing to escalate every issue to top leadership. Well-designed policies empower managers to act within clear **boundaries while maintaining alignment with organizational priorities.**

This **distributed decision-making** improves organizational responsiveness and reduces managerial bottlenecks, allowing senior leadership to focus on long-term strategic issues rather than routine decisions.

Strategy, Policy, and Organizational Direction

Strategic Decisions

It's used full to:

- Determine the organization's future direction
- Address major opportunities and risks
- Require cross-organizational coordination

Adobe Inc. transformed its business from selling packaged software to offering cloud-based subscriptions (Creative Cloud). This required redesigning revenue models, restructuring customer relationships, and investing heavily in digital infrastructure, **resulting in more predictable recurring revenue and stronger long-term customer retention.**



Policy Decisions

It's Is used full to:

- Define the boundaries within which managers operate
- Standardize responses to recurring situations
- Ensure organizational coherence as the firm grows

Patagonia enforces strict environmental and sourcing policies that guide supplier selection, product development, and corporate practices, **strengthening brand credibility and deepening customer loyalty among environmentally conscious consumers.**



Operational Decisions

It's Is used full to:

- Translate guidance into concrete actions
- Support reliability in organizational processes
- Maintain performance in day-to-day activities

Toyota Motor Corporation applies daily process improvements through its production system to enhance efficiency, reduce errors, and maintain product quality, **leading to lower operational costs and consistently high manufacturing reliability.**



Managerial Decision Types

The Strategic Management and Business Policy Process

Strategic management is a process that involves analyzing the environment, formulating strategy, implementing strategic choices, and evaluating outcomes to achieve organizational objectives.
(Hill, et al., 2017)

Analysis: Assess internal capabilities and external conditions.

Formulation: Define strategic direction and establish guiding policies.

Implementation: Translate strategy and policy into organizational actions.

Evaluation: Monitor performance and adjust decisions when necessary.

Strategic Thinking in Dynamic Environments

Strategic thinking involves **anticipating and responding to environmental change**, while **business policy provides guiding principles that support consistent organizational decision-making** (Johnson, et al., 2020; Wheelen et al., 2018)

It's Is used full to:

- Organisations operate in environments characterized by continuous change and uncertainty.
- Strategic thinking helps managers anticipate shifts and prepare long-term responses.
- Business policy provides stability by guiding decisions during periods of change.
- Together, they support organisational resilience and informed managerial action.

How Organizations Manage Strategy and Policy

Organizations do not rely on isolated decisions; they follow a structured approach to understand challenges, set direction, coordinate actions, and learn from outcomes. **Strategy provides the direction, while business policy ensures that organizational actions remain consistent as managers move forward.**

- Managers begin by understanding internal capabilities and external challenges.
- They make choices about organizational priorities and acceptable courses of action.
- These choices are translated into coordinated activities across departments.
- Organizations review outcomes and adjust decisions to remain effective in changing conditions.

Strategy and Policy in a Changing Environment

Internal and External Influences on Strategic and Policy Decisions

Strategic and policy decisions are shaped by **factors both inside and outside the organization**. Managers must recognize these influences to make informed decisions and maintain alignment with organizational priorities.

Internal influences include organizational resources, capabilities, leadership, and culture.

External influences arise from market conditions, competition, regulation, technological change, and societal expectations.

Effective **managers evaluate these factors before committing to strategic actions or establishing policies**. Awareness of these influences supports more responsible and realistic decision-making.

From Analysis to Action

From Insight to decision

Organizations must move **beyond understanding their environment to making decisions and acting on them**. This progression helps managers reduce uncertainty, coordinate efforts, and ensure that organizational objectives are pursued effectively.

It's Is used full to:

- **Analysis helps managers identify key issues** and potential responses.
- **Decisions establish priorities** and define the organization's course of action.
- **Policies guide how these decisions are implemented** across the organization.
- **Coordinated action** enables the organization to execute plans consistently.

Introduction to Strategic Analysis Tools

Analysis tools

Managers use structured tools to better understand organizational situations and support informed decision-making.

- **SWOT Analysis** helps identify strengths, weaknesses, opportunities, and threats.
- **PESTEL Analysis** supports understanding of the broader external environment.
- **Porter's Five Forces** assists in evaluating competitive pressures within an industry.

These tools help managers reduce uncertainty and make more systematic strategic and policy decisions.

SWOT Analysis

Helpful

Strengths

- What does the organization do well?
- What resources or capabilities create advantage?
- What differentiates the organization

Weaknesses

- Where does the organization lack resources?
- What processes need improvement?
- What limits performance?

Harmful

Opportunities

- What trends can the organization benefit from
- Are there emerging markets or technologies?
- What external changes create growth potential?

Threats

- What external risks could harm the organization?
- Are competitors gaining advantage?
- Do regulation or market shifts pose challenges?

PESTEL Analysis

Factor	Key Questions to Consider
Political	• How do government policies affect the organization? • Are there political stability or trade issues?
Economic	• What economic trends influence demand? • How do inflation, interest rates, or unemployment affect operations?
Social	• How are demographics and lifestyle changes shaping customer needs? • Are consumer preferences shifting?
Technological	• What new technologies could impact the organization? • Is innovation changing how value is created?
Environmental	• What environmental regulations apply? • Are sustainability expectations increasing?
Legal	• What laws and regulations must the organization comply with? • Are there risks related to employment, competition, or safety?

Force	Key Questions to Consider
Industry Rivalry	• How intense is the competition? • How many competitors operate in the market? • Is competition based on price, quality, or innovation?
Threat of New Entrants	• How easy is it for new competitors to enter the market? • Are there strong barriers such as high costs, regulation, or brand loyalty?
Bargaining Power of Buyers	• Do customers have many alternatives? • Can buyers easily switch to competitors? • Are buyers' price-sensitive?
Bargaining Power of Suppliers	• Are there many suppliers or only a few? • Can suppliers influence prices or quality? • How difficult is it to change suppliers?
Threat of Substitutes	• Are alternative products or services available? • Can customers easily replace this product? • Do substitutes offer better value?

Recap

- Strategic management defines organisational direction and long-term priorities.
- Business policy guides managerial decisions and supports consistent organisational action.
- Managers must distinguish between strategic, policy, and operational decisions.
- Organisations operate within internal and external environments that influence decision-making.
- Effective management requires moving from analysis to coordinated action.
- Tools such as SWOT, PESTEL, and Porter's Five Forces support more structured strategic and policy thinking.

Thank you



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