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# Business Policy and Strategy

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**Abstract**

Businesses need to implement sound strategies to succeed. Those strategies form part of an overall management and business policy that guide the business in connecting with customers, generating profits and managing resources. Else, I will mention for state of Kuwait, during process business policy and strategy. What was done about AL-MANAHK CRISIS and the develop, grew up the Kuwait stock exchange (KSE).

***Keywords:*** Business Policy, Business Strategy

## 1. Introduction

The origins of business policy can be traced back to 1911, when Harvard business school introduced an integrative course in management aimed at the creation of general management capability [1]. The introduction of business policy in the curriculum of business school / management institutes came much later. In 1969, the American assembly of collegiate school of business, a regulatory body for business schools, made the course of business policy, a mandatory requirement for the purpose of recognition. During the next few decades, business policy as a course spread to different management institutes across different nations and become an integral part of management curriculum. Business policy is the study of the functions and responsibilities of senior management, the crucial problems that affect success in the total enterprise, and the decisions that determine the direction of the organization and shape its future. And the mobilization of resources for the attainment of goals in the face of competition or adverse circumstance. Business policy tends to emphasis on the rational analytical aspect of strategic management. It presents a framework for understanding strategic decision making. Such a framework enables a person to make preparations for handling general management responsibilities.

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Business policy process

Four most important business policy process are: A. Environment scanning B. policy formulation C. policy implementation D. evaluation and control[2].

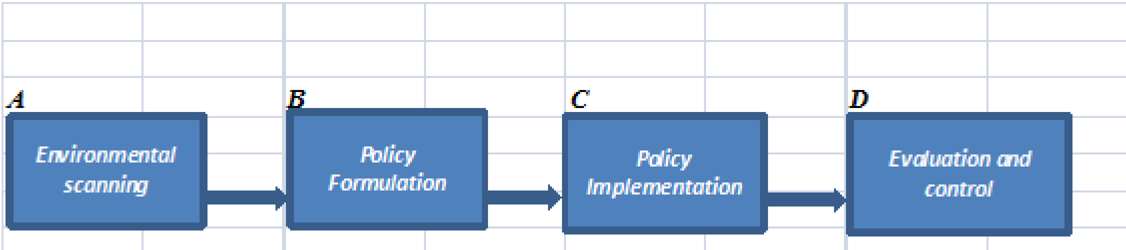


**Figure 1:** Basic elements of the business policy process

### *A . Environment scanning*

Environment scanning is the monitoring, evaluating and disseminating of information from the external and internal environments to key people within the corporation. Its purpose is to identify strategic factors those external and internal elements that will determine the future of the corporation. We used environmental scanning through describe those particular strengths, weaknesses, opportunities, and threats that are strategic factors for a specific company.

The external environment consists of variables "opportunities and threats" that are outside the organization and not typically within the short run control of top management. These variables form the context with which the corporation exists.

The internal environment of a corporation consists of variables "strengths and weaknesses" that are with the organization itself and aren’t usually within the short run.

Control of top management these variables form the context in which work is done. They include the corporation's structure, culture, and resources. Key strengths form a set of core competencies that the corporation can use to gain competitive advantage.

### *B . Policy Formulation*

The development of long-range plans for the effective management of environmental opportunities and threats, in light of corporate strength and weaknesses. It includes defining the corporate mission, vision, specifying achievable objectives, developing strategies, and setting policy guidelines.

### *B . 1. Mission*

An organization's mission is the purpose or reason for the organization's existence. It tells what the company is providing to society, like service house, cleaning or products. Mission is the fundamental, unique purpose that sets the company apart from the other firms of its type and identifies the scope of the company operations in the terms of products offered and markets served. Mission include the firm's philosophy about how it does business and treats its employees. It puts into words not only what the company is now, but also what it wants to become management's strategy vision of the firm's future.

Mission statement describes what the organization is now, vision statement describes what the organization would like to become.

A company's Mission statement is typically focused on its present scope "who we are and what we do"; mission statement broadly describe an organizations present capabilities, customer focus, activities, and business makeup.

A short message, at 15:36 Frankfort time on 4 January 1999, announced the launch of the first open market operation of the Euro system[3] , a two week repurchase tender at a fixed interest rate of 3 per cent. This simple act symbolized the birth of the monetary policy for the new single European currency, the euro.

### *B. 2. Vision*

Very early in the strategy making process, a company senior managers must fight with the issue of what directional path the company should take and what changes in the company's product, market, customer and technology focus would improve its current market position and future prospects. Deciding to commit the company to one path how to try to modify the company's business makeup and the market position it should stake out. A strategic vision delineates management's aspirations for the business, providing a panoramic view of the "where we are going" and a convincing rational for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders and helps leadership the energies of company personnel in a common direction.

A strategic vision is a road map of a company's future providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

### *B . 3. Objectives*

Objectives are the end results of planned activity. They state what is to be accomplished by when and should be quantified if possible. The achievement of corporate objectives should result in the fulfillment of a corporation's mission. In effect, this is what society gives back to the corporation when the corporation does a good job of fulfilling its mission. The term "goal" is often used interchangeably with the term "objective". In this paragraph, we prefer to differentiate the tow terms. In contrast to an objective, we consider a goal statement of what one wants to accomplish with no quantification of what is to be achieved and no time criteria for completion. For example, a simple statement of "increased profitability" is thus a goal, not an objective, because it doesn’t state how much profit the firm wants to make the next year. An objective would say something like, "increase profits 5% over last year".

### *B . 4. Strategies*

A strategy of a corporation forms a comprehensive master plan stating how the corporation will achieve its mission and objectives. It maximum competitive advantage and minimum competitive disadvantage. Often, the typical business firm considers three types of strategy: Corporate, business and functional.

#### *B . 4.1. corporate strategy*

Describes a company's overall direction in terms of its general attitude towards growth and the management of its various businesses and product lines. Corporate strategies typically fit within the three main categories of stability, growth strategy by acquiring and other appliance companies in order to have a full line of major home appliances.

#### *B . 4.2. business strategy*

Usually occurs at the business unit or product level, and it emphasizes improvement of the competitive position of a corporation's products or services in the specific industry or market. business strategy may fit within the two overall categories of competitive or cooperative strategies. For example, APPLE computer uses a differentiation competitive strategy that emphasized innovative products with create design.

#### *B .4.3. functional strategy*

The approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximum resource productivity. It is concerned with developing and a distinctive competence to provide a company or business unit with a competitive advantage. Functional strategies are technological follower ship and technological leadership. This helped the company to keep its costs lower than its competitors and consequently to compete with lower prices. in terms of marketing functional strategies. The process of spending huge amounts on advertising in order to create customer demand. This supports competitive strategy of differentiating its products from its competitors.

#### *B . 4.4. Policies*

A policy is a broad guideline for decision making that links the formulation of strategy with its implementation. Companies use policies to make sure that employees throughout the firm make decisions and take actions that support the corporation's mission, objectives and strategies.

### *C . policy Implementation*

The process by which strategies and policies are put into action through the development of programs, budgets, and procedures. This process might involve changes within the overall culture, structure, and/or management system of the entire organization.

***D . Evaluation and control***

The process in which corporate activities and performance results are monitored so that actual performance can be compared with desired performance. managers at all levels use the resulting information to take corrective action and resolve problems.

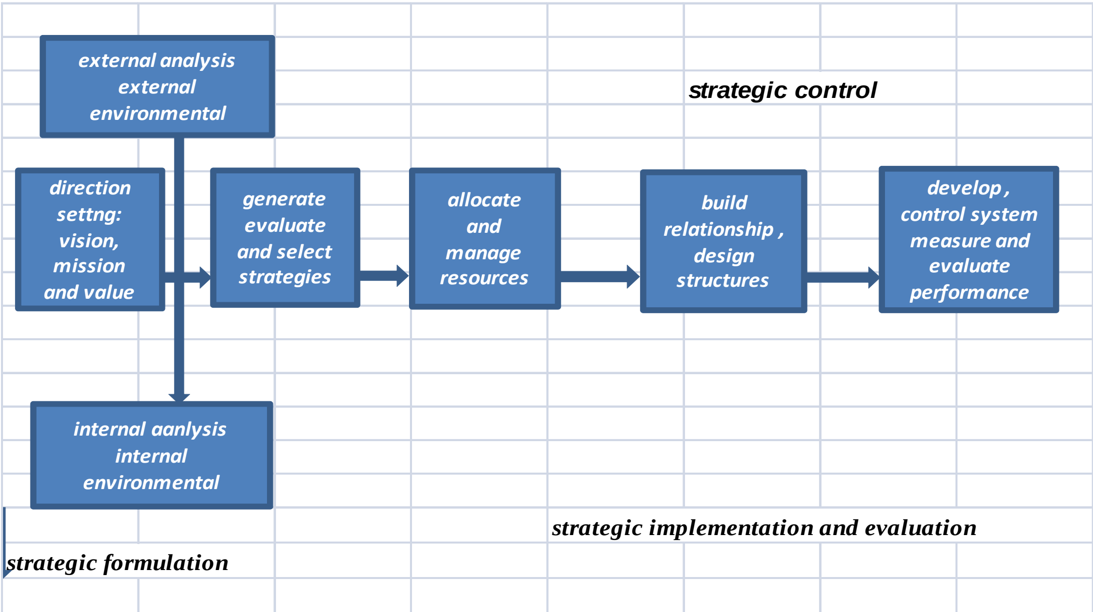


**Figure 2**

***Analysis the role of business in environmental policy***

Since the beginning of the modern environmental movement some thirty five years ago, American business has played a uniquely important role in environmental policymaking. From helping to set the political agenda and formulate environmental policies to influencing decision-making in executive agencies and the courts, US firms have been among the most significant policy actors at all levels of government. they have made a concerted effort to set out positions on a range of environmental protection, natural resource, and energy issues, influence public opinion, and advance political strategies to attain their goals. so, we know about the political activities of business and the effects they have had. Yet we think the influence of business on environmental policy more systematic. There are several key questions at the center of such an investigation. What does business try to achieve in the policy process? What factors affect whether it succeeds in getting its way? How does such success vary from one institutional venue to another. For example, from the U.S. congress to the executive branch, the courts, and state and local governments. We try to address these questions through a concentration on the American political system.

The relative neglect of these kinds of questions is particularly prominent in light of often heated debates in the united states over proposed new directions in environmental policy and the participation of business and environmental groups in these debates. For example, American corporations have long research to create a business friendly environmental policy, with mixed success. They have argued that many environmental policies actually undermine the public welfare because of their economic inefficiency.

As a result, business groups have lobbies intensively at both national and state levels for policy reforms to reduce regulatory loads, costs, and improve efficiency. Therefore, sometimes they have successes in these efforts and sometimes they haven't. the policy approaches they have advocated include greater reliance on cost-benefit analysis, risk assessment, regulatory flexibility, public& private partnerships, and market-based incentives, among other changes [4] Many of these proposals have been endorsed as well by others, inside and outside of government, who see them as a way to improve the effectiveness, efficiency, or equity of environmental policies [5] National Academy of public Administration 2000).

However, no everyone is convinced. Some analysis, believe that suggested policy changes of this kind are largely untested and that few empirical students confirm they will prove to be as effective, efficient, or equitable in practice as their supporters suggest[6].environmentalists have campaigned activity against most of these kinds of proposals. They assert that American business is already powerful and would use any flexibility given it under such policy changes to further weaken environmental protection and resource conservation. As evidence, they point to business lobbying over the past several decades intending to modify or defeat important policy actions they believe would have benefited the environment and public health [7] .

Corporate leaders and conservative analysis, of course, challenge these assessments and question the motivation of their critics [8,9,10,11] They argue that environmentalists exaggerate problems to alarm Americans, raise money for their cause, and shape public policy to advance their own interests. Present law, regulations, and government programs often expensive but if any improvements in environmental quality. They have every right to express their positions and lobby government to protect their interests.

Environmentalists, challenge these indicators of progress as both misleading and insufficient to address the problems. They taken steps to improve the nation's environmental quality and hasn't fundamentally altered its operations.

These contrasting business has taken to improve environmental protection, the merits of proposed policy reforms, and the purposes and success of business and environmental lobby suggest the need for careful assessment. There is little disagreement that firms engage in diverse political activities to protect their interests and profits. There are a lot of debates which they get their way in deliberations over public policy [12: 343 – 369]

***What is a strategy?***

Dictionary define the word strategy as something that has to do with war and ways to win over enemy. In business organizational context the term isn't much different. Businesses have to respond to dynamic and often hostile external forces for pursuit of their mission. Strategy seeks to relate the goals of the organization to the means of achieving them. Strategy is the game plan management is using to take market position, conduct its operations, attract and satisfy customers, complete successfully, and achieve organizational objectives. Strategy is associated with unified design and action for achieving major goals, gaining command over the situation with a long-range perspective and securing a critically advantageous position. Its implications for corporate functioning are obvious. Strategy is consciously considered and flexibly designed scheme of corporate intent and action to achieve effectiveness, to mobilize resources, to direct effort and behavior, to handle events and problems, to perceive and utilize opportunities, and to meet challenges and threats to corporate survival and success. Strategy provides an integrated framework for the top management to search for, evaluate and exploit beneficial opportunities, to perceive and meet potential threats and crises, to make full use of resources and strengths, to offset corporate weaknesses and to make major decisions in general. Top management operates in an environment of partial ignorance and uncertainty. Strategies are formulated at the corporate, divisional and functional level. Corporate strategies are formulate by the top managers. They include the determination of the business lines, expansion and growth, vertical and horizontal integration, diversification, takeovers and mergers, new investment and divestment area, these corporate wide strategies need to be operational by divisional strategies regarding product lines, production volumes, quality ranges, prices, product promotion, market penetration, purchasing sources, personnel development. Strategy is partly proactive and partly reactive. A company's strategy is typically a blend of proactive actions on the part of managers to improve the company's market position and financial performance and as needed reactions to unanticipated developments and fresh market conditions. The biggest portion of a company's current strategy flows from previously initiated actions. This part of management game plan is deliberate and proactive, standing as the product of management analysis and strategic thinking about the company's situation and its conclusion about how to position the company in the marketplace. A portion of a company's strategy is always developed as a reasoned response to unforeseen development. So, apart from adapting strategy to changes in the market, there is also a need to adapt strategy as new learning emerges about which pieces of the strategy are working well and which aren't.

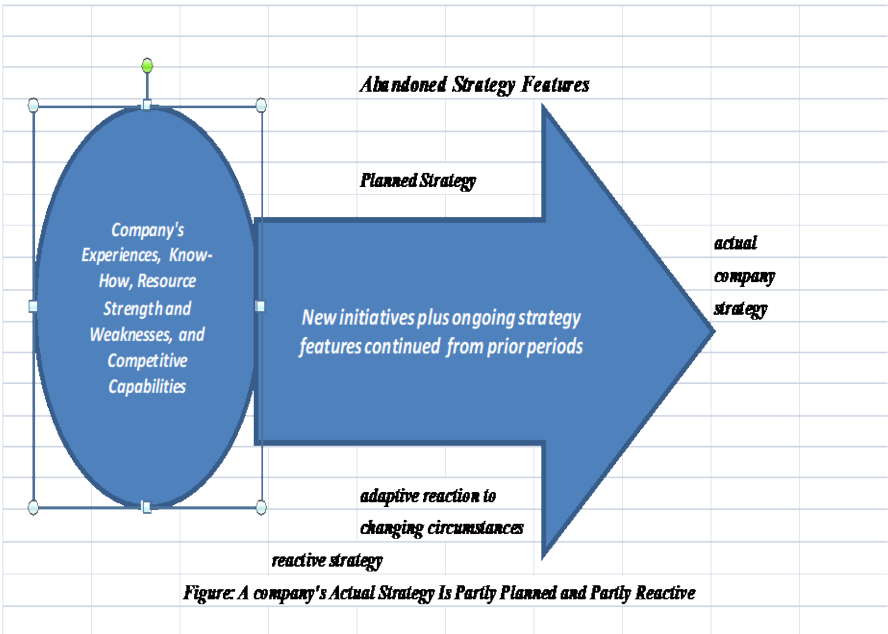


**Figure 3:** a company's actual strategy is partly planned and partly reactive.

***The dynamics of competitive strategy***

Strategic thinking involves orientation of the firm's internal environment with the changes of the external environment. The competitive strategy evolves out of consideration of several factors that are external to the firm as shown in the figure-context in which competitive strategy is formulated [13].

The economic and technical components of the external environment are considered as major factors leading to new opportunities for the organization and also closing threats. The strengths and weaknesses of organizations are the internal factors, which determine the corporate strategy. It is to be analyses and find out in which functional area such as marketing, R and D, operations. the organization has superiority over the competitors. The strength is to considered in the context of the opportunities arising in the external environment. The personal values of the key implementers also play major roles in formulating the competitive strategy.

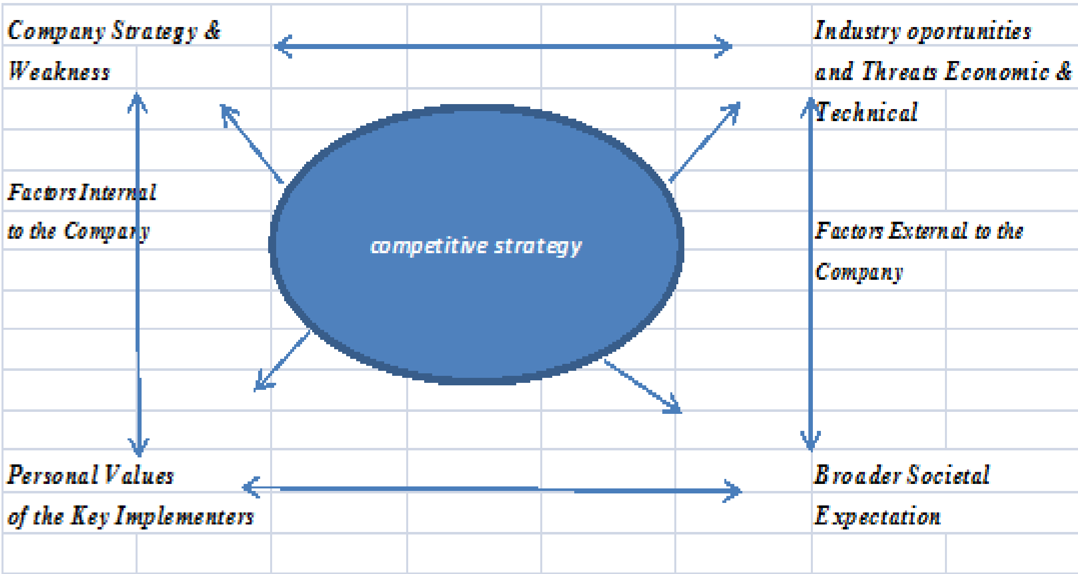


**Figure 4:** Context in which competitive stratege is formulated

**2. The origin of strategic management**

The increasing importance of strategic management may be a result of several trends. Increasing competition in most industries has made it difficult for some companies to compete. Modern and cheaper transportation and communication have led to increasing global trade and awareness.

Technological development has led to accelerated changes in the global economy. Regardless of the reasons, the past two decades have seen a surge in interest strategic management. Many perspectives on the strategic management and the strategic management process have emerged.

This book’s approach is based predominantly on three of these perspectives: (1) the traditional perspective, (2) the resource-based view of the firm, and (3) the stakeholder approach, which are outlined in table 1.1.

**Table 1**

| | Traditional perspective | Resource-based view | Stakeholder view | |
|---|---|---|---|---|
| Origin | Economics, other business disciplines, and consulting | Economics, distinctive competencies, and general management capacity | Business ethics and social responsibility | |
| View of firm | An economic entity | A collection of resources, skills, and abilities | A network of relationships among the firm and its stakeholders | |
| Approach to Strategy formulation | Situation analysis of internal and external environments leading to formulation of mission and strategies | Analysis of organizational resources, skills, and abilities acquisition of superior resources, skills, and abilities | Analysis of the economic power, political, influence, rights, and demands of various stakeholders | |
| Source of competitive advantage | Best adapting the organization to its environment by taking advantage of strength and opportunities and overcoming weakness and threats | possession of resources, skills, and abilities that are valuable , rare, and difficult to imitate by competitors | Superior linkages with stakeholders leading to trust, goodwill, reduce uncertainty, improve business dealings, and ultimately higher firm performance | |

***The traditional perspective***

As the field of strategic management began to emerge in the latter part of the 20th century, for some time, economists had been actively studying topics associated with the competitiveness of industries. These topics included industry concentration, diversification, product differentiation, and market power. However, much of the economics research at that time focused on industries as a whole, and some of it even assumed that individual firm differences didn’t matter. Other fields also influenced early strategic management thought, including marketing, finance, psychology, and management.

Academic progress was slow in the beginning, and the large consulting firms began to develop their own models and theories to meet their clients’ needs. Scholars readily adopted many of these models into their own articles and books.

Eventually, a consensus began to build regarding what is included in the strategic management process. The traditional process for developing strategy consist of analyzing internal and external environment of the company to arrive at organizational strengths, weaknesses, opportunities, and threats (SWOT). The results from this “situation analysis,” as this process is sometimes called, are the basis for developing missions, goals, and strategies. In general, a company should select

strategies that (a) take advantage of organizational strength and environmental opportunities or (b) neutralize or overcome organizational weaknesses and environmental threats. After strategies are formulated, plans for implementing them are established and carried out. Figure 4 presents the natural flow of these activities.

The model contained in figure 4 provides a framework for understanding the various activities described in this book. However, the traditional approach to strategy development also brought with it some ideas that strategic management scholars have had to reevaluate. The first of these ideas was that the environment is the primary determinant of the best strategy. This is called environmental determinism. According to the deterministic view, good management is associated with determining which strategy will best fit environmental, technical, and human forces at a particular point in time, and then working to carry it out. The most successful organization best adapts to existing forces.

Basically, a large firm may decide not to compete in a given environment. Or, as an alternative, the firm may attempt to influence the environment to make it less hostile and more conducive to organizational success. This process is called enactment , which means that a firm can influence its environment.

***The principle of enactment***

The principle of enactment assume that organizations don't have to submit to existing forces in the environment; they can, in part, create their environments through strategic alliances with stakeholders, investments in leading technologies, advertising, political lobbying, and a variety of other activities. Of course, smaller organizations are somewhat limited in their ability to influence some components of their environments on their own. For example, a small restaurant firm may have a difficult time influencing national government agencies and administrators. However, smaller organizations often band together into trade groups, such as the national restaurant association, to influence government policy on pressing issues like minimum wage, immigration policy, and health-care costs. Also, they may form alliances with other entities. The key to enactment is understanding that a firm doesn't necessarily have to adapt completely to the forces that exist in its operating environment. It can at least partly influence certain aspects of the environment in which it competes.

***Deliberate strategy versus emergent strategy***

The traditional school of thought concerning strategy formulation also supported the view that managers respond to the forces discussed thus far by making decisions that are consistent with a preconceived strategy. In other word, strategy is deliberate. Deliberate strategy implies that managers plan to pursue an intended strategic course. In some cases, however, strategy simply emerges from a steam of decisions. Managers learn as they go. An emergent strategy is one that was not planned or intended. According to this perspective, managers learn what will work through a process of trial and error. Supporters of this view argue that organizations that limit themselves to acting on the basis of what is already known or understood will not be sufficiently innovative to create a sustainable competitive advantage. Despite the strength of this example of emergent strategy, it is not a good idea to reject deliberate strategy either. When Starwood first launch the concept of the heavenly bed in

1999, the strategy was a deliberate effort, but the opportunity to provide retail sales was an unintended outcome, and this unforeseen opportunity led to an emergent and highly successful retail strategy, as the above example show.

***Case: An emerging retail strategy for the heavenly bed***

In the first week of launch the WESTIN HEAVENLY BED, 32 guests called to ask where they could buy the bed. A light bulb went on. WESTIN executives put order cards with a toll-free number in every room. Then they started placing catalogs by bedsides desks and set up a web site. By June of 2004, WESTIN had sold 20,000 pillows-$75 for the king-sized version-and 3,500 bed/bedding combos, at $2,965 each, enough to spread the idea throughout STARWOOD, with the SHERATON, ST. Regis, and W lines all turning into retailers. The unanticipated success of the Heavenly Bed has spawned a new business-companies that help hotels run their retail arms. Box port, a spin-off of san Francisco-based hotel procurer Higgins purchasing Group, operates web sites and catalogs for several chains that now sell bedding.

***Effective strategic planning***

In summary, scholars have determined that both adaptation and enactment are important to organizations, they should adapt to environmental forces when the costs of enacting (influencing) the environment exceed the benefits. However, they should be proactive (taking the initiative by acting rather than reacting to events) in creating their own opportunities, in additions, organizations should engage in deliberate strategic planning processes, but they should also be willing to make mistake and learn from them as they chart a strategic course. In other words, strategy should be both deliberate and emergent, and firms should both adapt to and enact their environment, with the situation determining which option to choose. Westin learned these lessons by paying attention to their customers.

***The organization as a bundle of resources: the resource-based view***

In recent years, another perspective on strategy development has gained wide acceptance. The resource-based view of the firm has its roots in the work of the earliest strategic management theorists. It grew out of the question, “why do some firms persistently outperform other firms?” an early answer to that question was that some firms are able to develop distinctive competencies in particular areas. One of the first competencies identified was general management capability. This led to the proposition that firm with high-quality general managers will outperform their rivals. Much research has examined this issue. Clearly,

Effective leadership is important to organizational performance, but it is difficult to specify what makes an effective leader. Also, although leaders are an important source of competence for an organization, they are not the only important resource that makes a difference.

Economic thought also influenced development of the resource-based view. Nearly two centuries ago, an economist named DAVID RICARDO investigated the advantages of possessing superior resources, specially land. One of RICARDO’s central propositions was that the farmer with the most-fertile land had a sustained performance advantage over other farmers. More recently, another economist, EDITH PENROSE, expanded on RICARDO's view by notion that various skills and abilities possessed by firms could lead to superior performance. She viewed

firms as an administrative framework that coordinated the activities of numerous groups and individuals, and also as a bundle of productive resources. She studied the effects of various skills and abilities possessed by organization, concluding that a wide range of skills and resources could influence competitive performance.

A common thread of reasoning in the distinctive competency literature and the arguments of Ricardo and Penrose is that organizational success can be explained in terms of the resources and capabilities possessed by an organization. Many modern scholars have contributed to this perspective of the firm. According to this view, an organization is a bundle of resources, which fall into the general categories of:

1 – financial resources, including all of the monetary resources from which a firm can draw

2 – physical resources, such as land, buildings, equipment, locations, and access to raw materials

3 – human resources, which pertains to the skills, background, and training of managers and employees, as well as the way they are organized

4 – organizational knowledge and learning

5 – general organizational resources, including the firm's reputation, brand names, patents, contracts, and relationships with external stakeholders

***The organization as a bundle of resources is depicted in figure 5***

Much of the research on the resource-based perspective has demonstrated that firms can gain competitive advantage through possessing "superior resources". Superior resources are those that have value in the market, are possessed by only a small number of firms, and are not easy to sustainable. If a particular resource is also costly or impossible to imitate, then the competitive advantage may be sustainable. A sustainable competitive advantage may lead to higher-than-average organizational performance over a long period. Many strategy scholars believe that acquisition and development of superior organizational resources is the most important reason that some companies are more successful than other. Most of the resources that a firm can acquire or develop are directly linked to its stakeholders, for example, financial.

resources are closely linked to establishing good working relationships with financial intermediaries. Also, the development of human resources is associated with effective management of organizational stakeholders. Finally, organizational resources reflect the organization's understanding of the expectations of society and the linkages it has established with stakeholder.

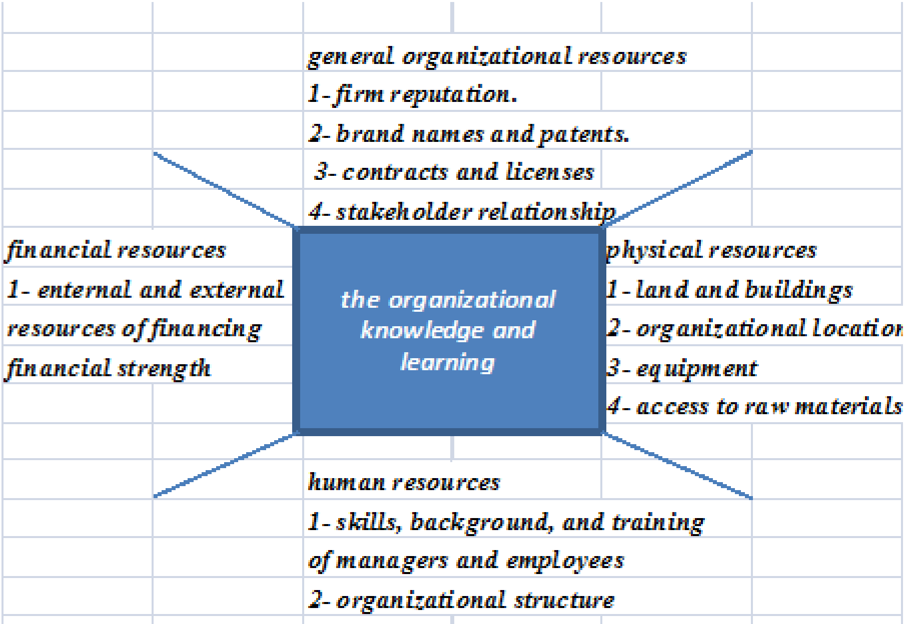


**Figure 5:** The organization as a bundle of resoures

***Case: Marriott: A bundle of resources***

The success of Marriott is largely attributable to advantages created by resources that have been difficult to duplicate by other companies in the hotel industry. The first is financial controls. Marriott can determine and anticipate construction and operating costs with nearly exact precision. Second, Marriott has developed a distinctive competence in customer service, or "becoming the provider of choice." Looking to the future, Marriott is actively engaged in creating a third organizational capability as the "employer of choice." Marriott executives reason that with fewer people entering the labor force in the 18-to 25-year-old age group, good workers will become increasingly difficult to attract. Also, good workers are especially important in a service business such as hotels because they interact directly with customers.

***The emergence of the stakeholder approach***

In the mid-1980s, a stakeholder approach to strategic management began to emerge. It was developed as a direct response to the concerns of managers who were being buffeted by increasing levels of complexity and change in the external environment. The existing strategy models were not particularly helpful to managers who were trying to create new opportunities during a period of such radical change. The word stakeholder was a deliberate play on the word stakeholder. Much of the strategy literature at the time was founded, either explicitly or implicitly, on the idea that stockholders were the only important constituency of the modern for-profit corporation. Stakeholder theory contradicted this idea by expanding a company's responsibility to groups or individuals who significantly affect or are significantly affected by the company's activities; including stockholders.

Figure 6 contains a typical stakeholder map. A firm has internal stakeholders, such as employees, who are considered a part of the internal organization. In addition, the firm has frequent interactions with stakeholders in what is called the operating (or task) environment. The firm and stakeholders in its operating environment are influenced by other factors, such as society, technology, the economy, and the legal environment.

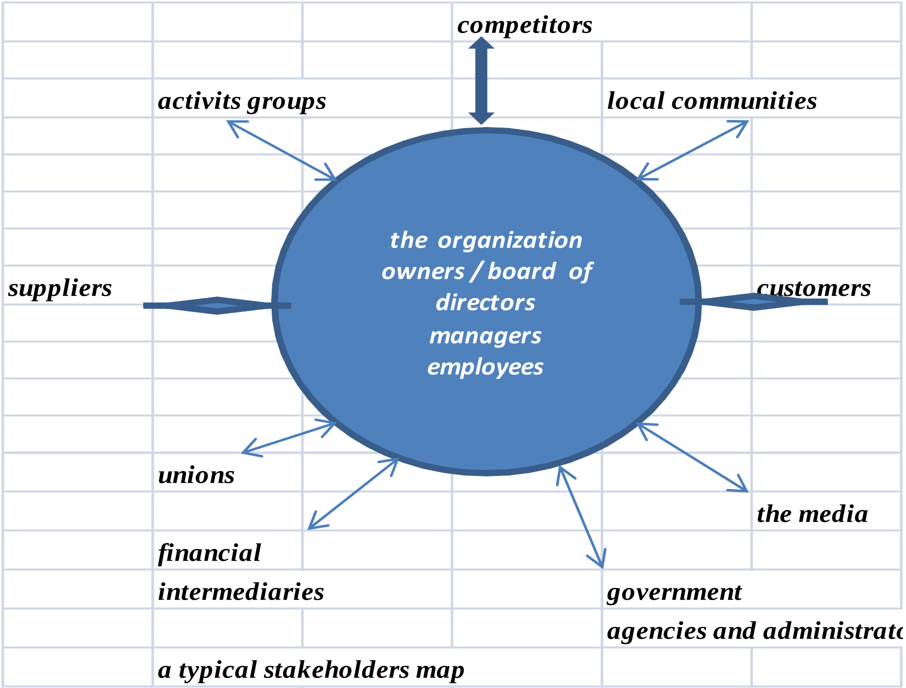


**Figure 6**

Survival strategic to counter competition in the new business If there is no competition, there will be no need for a strategy. In industrially developed countries, the market is matured and more saturated. These countries are, therefore, looking for new markets. Foreign investors have been very active in our capital market from the time the earning per share (EPS) and price came down to its realistic level. If the management is not competent, it is likely to lose control of the company. It is generally believed that India has cheap labor but if labor productivity is taken into consideration, Indian laborers are not that cheap. This does not mean that Indian labor can't generate higher productivity. Trade union activity is responsible for labor policy, cost of labor. Availability of Indian managers, who are considered to be one of the brightest and most capable managers in the world, will be a problem. Thus, be a scarcity of efficient and capable business managers. Large multinational companies will try to grab them at a higher price. Managers will be required to work in a highly dynamic global environment. They will be increasingly dependent on technology since the internet has now redefined the way we do business.

We need to develop strategies for survival and growth in a highly competitive environment. Since, 1960, Japan has been steadily increasing its share of world market from five percent to 20% and has overtaken both US and Germany. This was possible because Japan made real value addition in its manufacturing sector and continues to lead in manufacturing technology. All new products and inventions are being conceived in Europe or USA, but the Japanese have consistently demonstrated superior ability in translating concepts into marketable products by using those technologies. Europe was all set to become the largest single world market during the 1990s, but it is not clearly known whether it will develop tendencies to protect its own industries against the threat of external competition. Worldwide, there is a growing concern about environmental safety, pollution, declining environmental quality and depletion of natural resources. For example, Motorcar designs are now determined by environmental considerations. future cars will have to be designed in conformance with zero emission norms. Already legislation in the US and Europe has adopted the same. All these tendencies to protect its own industries. But, most of these environment friendly products will be more expensive. Customers, by and large, will be willing to pay the price of perceived value of the product but competition will keep the price and quality at a reasonable and affordable level. The manufacturing company will be required to be watchful for the ways of legislation on the one hand and changing customer preference on the other. The market is expected to develop rapidly for high value domestic and industrial products.

Knowledge management for an effective sales and marketing function

Tacit to explicit: articulation

Tacit knowledge is transformed into explicit knowledge using documentation of policies that define the philosophy of the firm. (Baumard,1999).

Explicit to explicit: combination

Explicit knowledge can be converted into explicit knowledge by combining the knowledge through mechanisms such as conversations or exchange of documents. In this type of exchange, “fitting together” dominates as an explicit combinative logic (BAUARD, 1999).

Explicit to tacit: internalization

Visual or codified knowledge available within organizations can be internalized by employees by watching, reading, and observing the artifacts. At times, explicit manifestations of tacit knowledge can also be seen in body language or facial expressions.

Tacit to tacit: socialization

It is difficult to transform and more difficult to convert from tacit knowledge into tacit knowledge. this can happen only through one-to-one interaction and socialization of individuals and also, happen without use any language. Knowledge within organizations exists at two levels- individual and collective. The transfer of knowledge from individual to collective levels marks knowledge creation at organizational level.

Sales and marketing functions

Three most important S&M functions which create and deliver maximum value to customers are: new product development, segmentation and targeting, selling process.

1 – new product development process: collective.

The process of new product development includes generation of new idea, concept development, test marketing, and product launch. involves knowledge of markets, consumers, and competitors to successfully target customers and make an offering to them. New product development starts by collecting information on customer needs and transforming this information first into organization knowledge about customer needs. This knowledge needs to be shared across departments to convert customer needs successfully into product design attributes. It is extremely important that market knowledge in general is in explicit form, so that sharing across departments is easily facilitated to facilitate efficient and effective response to market needs in a timely manner. The concept of time-to-market of new product introduction also corroborates importance of knowledge about markets to move in explicit form within organizational sub-unites.

Segmentation and targeting process: collective

Segmenting customers based on their common needs, wants or demands has been used by firms for several decades. A plethora of variables have been used for segmentation including demographic, variable such as age, gender, education; psychographic variables such as consumer lifestyle patterns; or even geographic variables such as political boundaries within the market.  The effectiveness of segmenting depends on the accuracy of information on each of the variables. Segmentation of customers and targeting profitable ones has also been shown to be helpful in determining the market structure i.e. whether the market is monopolistic, duopolistic, oligopolistic, or near to perfect competition.

Selling process: individual to collective

Sales people build an accumulated stock of knowledge, which is also known as their experience.This experience helps them categorize customers, as well as selling situations. The classification helps sales people sell more effectively to new customers, using the a priori mental schema for classification. This knowledge is often called declarative. Sales people use yet another type of knowledge called procedural knowledge. Simultaneous use of declarative and procedural knowledge by sales people is popularly called adaptive selling strategy.Issues, controversies and problems in managing S&M knowledge We discuss the key issues, controversies, and problems in knowledge management in S&M function of organization.

***To create and deliver value to customers:***

Customer value is a function of customer benefits net of their costs, and a perceived measure of their utility. Besides the price paid, costs incurred by customers would include, information search costs and transaction costs. Benefits maybe either functional or experiential, functional benefits providing information to customers, experience is something that a customer perceives as a gestalt. Value creation and delivery in the services context happens at the same time while the service is consumed. The role of KM in creating customer value requires dual focus on time and delivery dimensions of information exchange with customers.

***New product development (npd):***

Most often the best ideas for developing new products come from customers. It is difficult to find organization mechanism that really encourages, motivates, and promotes their employees and other stakeholders to contribute “really new” ideas.

***Targeting customer segments:***

Targeting customers poses several challenges for firms. who has decisions , said that half of advertising goes waste, as it is impossible to reach all the targeted customers. Therefore, knowledge management for targeting customers needs timely and customized information delivered to the right customer, using a right choice of media for delivery. Often the same information needs to be provided to customers using several media to reinforce their latent needs and to stimulate their purchase intention and reduce the purchase cycle. Most firms fail to provide timely and useful information to customers either because of poor choice of media or sub-optimal media planning. Marketing and advertising scholars are yet to be fully convinced of the nature of the relationship between the number of ad exposures and product sales, purchase intentions, or brand attitudes. Therefore, the quality, quantity, and timeliness of information to customers need to be more precisely understood before increasing marketing expenditures for any given media.

***Optimal level of advertising***

In imperfectly competitive markets. Competition between firms is based on using a combination of advertising, price and product characteristics. If the firm can adjust both price and advertising expenditure, then the firm is able to use a combination of both to compete with its rivals. To maximize profits a firm will equate marginal revenue and marginal cost . in figure 11.4 the curve ACA shows the average cost of advertising: this increases average total cost from ACP to ACP+A but doesn’t alter the marginal cost curve since advertising expenditure is treated as a fixed cost. This level of advertising generates a demand curve(AR) and allows the firm to maximize profits by selling 0Q products and charging price 0P. the average cost of advertising is QG or EF. For every level of advertising expenditure. The profit-maximizing position can be determined and the price, quantity and average advertising cost can be determined.

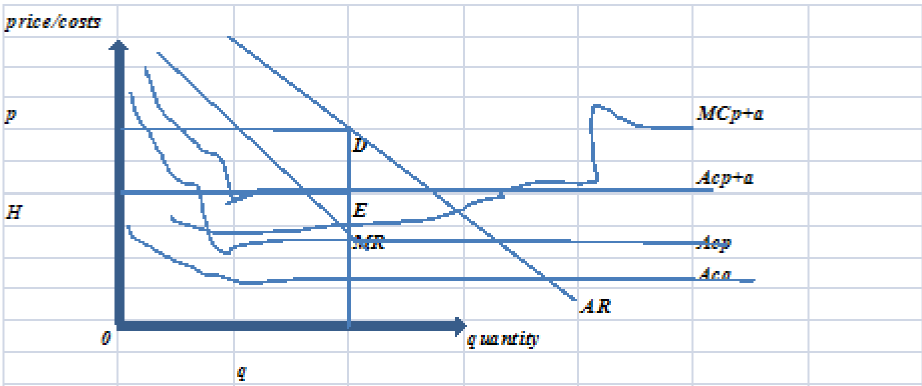


**Figure 7:** profit maximizing with a advertising p

In figure 7 the combinations of price and quantity that maximize profit for each level of advertising expenditure are plotted as the AAR curve. On this curve two combinations, p1 and Q1 AND P2 and Q2 are identified at points E and F. for each price-quantity outcome there is an associated average cost of advertising. These points are plotted as the AAC curve. On this curve the average cost of advertising for output Q1 is Q1G and for output Q2it is Q2H. the general share of these new curves reflects the underlying presence of diminishing return to advertising expenditure and the increasing average cost of advertising as it becomes less effective. Since both represent average functions, it is necessary to derive their respective marginal functions, parts of these curves are shown in figure 8 as the AMC and AMR curves. The optimal level of advertising expenditure for the firm is determined where the marginal increase in costs of advertising are equal to the marginal increase in revenue: this achieved at point K where the firm charges price 0P2, sells quantity 0Q2 and average advertising costs of Q2H.

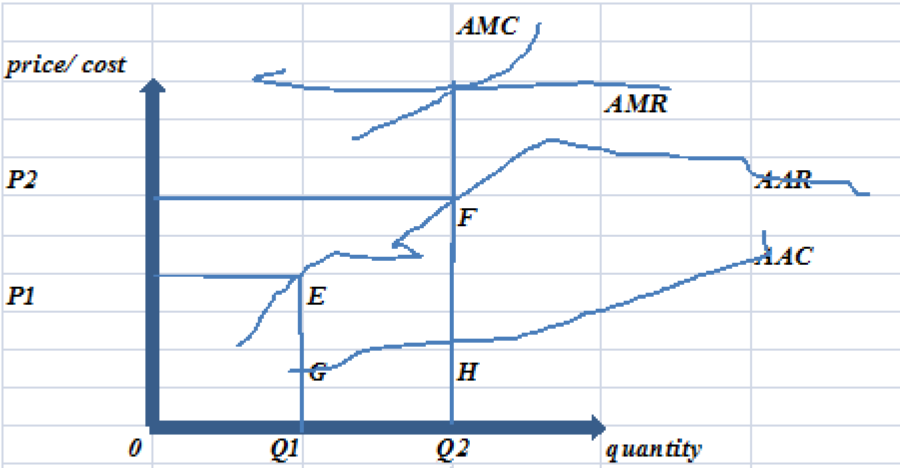


**Figure 8:** Optimal price and advertising

***Sustainability***

The origin of sustainable development came from concerns about the limits to growth, fast growing world population and finite resource supplies. The most definition of sustainable development is provided by the report of the BRUNDTLAND commission: "meets the needs of the present without compromising the ability of future generations to meet their own needs" [14: P. 43]. this definition concept of human development. Following sustainable practices as ways to "manage technology and social organization to make balanced and equitable progress on economic, environmental and social needs so that meeting these needs in the present doesn't compromise the ability of future generations to meet their own needs."

Since late 1980s sustainable development has become one of the hottest topics of discussion and debate at the political level, in academic, business and corporate sustainability is "a meeting the needs of the firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure group and communities) without comprising its ability to meet the needs of future stakeholders as well" [15: P. 131] The phrase, either corporate sustainability or sustainable development, is increasingly used to describe a broad range of environmentally and socially business practices. In particular corporate sustainability frequently refers to the notion of triple bottom line, in terms of social, environmental, and economic dimensions [16]. It involves the improvement of managing corporate social and environmental impacts and advancement of stakeholder integration in terms of corporate social responsibility and corporate citizenship [17].

Stakeholder theory has become one of the main theoretical foundations of corporate social performance (CSP) [18: 20(1), 92 − 117] MARGOLIS and WALSH, 2003). There are three interconnected constructs related to CSP in the literature, and referring to different aspects of business involvement in social issues. First, corporate social responsibility (CSR) refers to the business philosophy that directs managers making policy and management decision towards normatively correct performance regarding expectations of multiple stakeholders of the firm [19] VAN DER and his colleagues 2008). Distinguishes social expectations as four dimensions of CSR: economic, legal, ethical, and available.

Second, corporate social responsiveness (CSR2) describes how firms respond to social issues. CSR2 is concerned with the "ability to achieve significant levels of social responsiveness" [20: 156] the meaning of social responsiveness is "the ability to manage the company's relations with various social groups" [21: 156] Suggests four responsiveness strategies to resolve social issues: 1- reaction, 2- defense, 3- accommodation, 4- pro action.

These CSR2 strategies are neatly summarized by [22] that is mean the term of responsiveness, "the manager must resolve the inevitable conflicts between primary stakeholders groups over the distribution of the increased wealth and value created by the corporation" [23: p. 112]

Third, corporate social performance (CSP) is concerned with the outcomes of socially responsive behavior. [24] describes CSP as the "the social impacts of corporate behavior, regardless of the motivation for such behavior or the process by which it occurs; the programs companies use to implement responsibility and/or responsiveness; and the policies developed by companies to handle social issues and stakeholders interests" [25: p. 708]. The corporate social performance (CSP) construct represents a feature of principle- problem-action framework that focuses on both stakeholders and social issues [26]

According to [27: 11(2): 130 − 141] the stakeholders approach has also been used to support corporate sustainability, which concerns a firm's long-term success and survival. As a stakeholder view considers a firm as a value-creation network, moving towards creating value for all stakeholders involved. Corporate sustainability depend on sustainable relationships between the firm and its multiple stakeholders [28] The concept of value-based network emphases the issue of value creation beyond the boundaries of an organization. it would be challenging since individuals, firms, and society may have dissimilar interests and viewpoints about what value is and how it should be created.

Corporate sustainability and corporate social responsiveness are very similar concepts. The criticisms of corporate sustainability came from two reasons. First, the concept of corporate sustainability and its underlying theoretical perspective, stakeholder theory, are inherently corporate oriented. Stakeholder theory was rooted in strategic management. That mean the stakeholder theory tends to offer managers a practical tool and give preference to stakeholders with high power, which is inconsistent with the criteria of global sustainability. Second, primarily based on stakeholder requests, the concept of corporate sustainability is changing continuously. According to $[29\text{: vol}, 22, \text{no.}, 4.853-886.\ \text{and p.}\,292]$. stakeholder attributes are socially constructed, not objective really. In the other words, when we refer to stakeholders, we are constructing a narrative about the company, the narrative is shaped by assumptions, descriptions, values and criteria $[30\text{: }60-77]$ Like when we are talking about global sustainability and related stakeholders; we are constructing a narrative as well, a narrative about a sustainable world. For instance, we are constructed with the flourishing of life on earth over an indefinite time frame, and where this flourishing of life goal incorporates ideas of human and ecological wellbeing, grounded in principles of intra-and –inter-generational justice $[31\text{: p.}\,122]$. Apparently, corporate sustainability and global sustainability are regarded as two distinctive frames of references.

The corporate of sustainability is concern with the issues of business management, whereas, global sustainability concern a balanced and sustainable human development.

Corporate sustainability focus on a more micro level, about what corporation do, while global sustainability emphasizes the macro level and society as a whole $[32\text{: }499-509]$ There are the results of separate but interrelated learning processes, and evolving and responding to constant stakeholder demands.

***Kuwait***

***Monetary policy objectives***

It is set and implemented by central bank of Kuwait (CBK) in accordance with the law NO. 32 of the year 1968 concerning currency, the CBK and the organization of banking business monetary policy's prime objective is to maintain monetary stability with the aim to mitigate the impacts of inflation. A related objective mandated by the law is that monetary policy should be managed in such a manner as to enhance the social and economic progress and growth of national income.

CBK also focuses its efforts toward maintaining financial stability of banking system through the use of macro prudential instruments including monitoring bank liquidity, bank credit, and introducing and monitoring prudential regulations.

1- A central bank has confliction objectives. The bank must try keep inflation from making goods too expensive, while also ensuring that citizens of a country can find jobs. if the bank focuses on unemployment alone, inflation will rise. According to the federal reserve, a policy only designed to reduce inflation can create long-term unemployment, and prices will be higher in the future because workers who lack skills because of long-term unemployment will be less productive.
2- Central banks plan for a small amount of inflation. According to the federal reserve, an inflation rate of 2% per year is helpful because it reduces the risk of deflation. With deflation, wages will drop in the future, creating a strong incentive for employers not to hire workers, because they can hire them for lower wages next year and their current inventory will sell for lower prices.

***Exchange rate policy***

CBK policy for the Kuwaiti Dinar (KD) exchange rate aims at maintaining and enhancing the relative stability of the KD against other currencies, and shielding the domestic economy against the impacts of imported inflation. These responsibilities reflect the importance of the exchange rate policy in the Kuwaiti economy where no restrictions are imposed on the movement of capital.

During the period from 18 march 1975 to the end of the year 2002, CBK adopted an exchange rate policy pegging the KD to a weighted basket of major currencies. The policy based the determination of the KD exchange rate on a special weighted basket of currencies of the countries that have significant trade and financial relations with the state of Kuwait. This policy proved to be effective in achieving a high degree of relative stability of the KD exchange rate against major world currencies.

***Kuwait stock exchange (KSE)***

KSE has witnessed significant changes in terms of regulations, market operations and the number of listed companies. (HESHAM. School of accounting and financial. UNIVERSITY OF DUNDEE, UK.). between 2002 to 2008, the number of companies in the KSE increased from 89 to 218 (central bank of Kuwait, 2008). Further, the price index and the annual value of shares traded on the KSE witnessed incredible growth over the 17 years period ending in 2008 (central bank of Kuwait, 2009). Also, the market has experienced a privatization program and the introduction new regulations such that international investors are now allowed to purchase, sell and own KSE companies.

The Kuwait stock exchange has one physical location in Kuwait city with a main trading hall surrounded by 14 brokerage offices that provide services to investors. stock market investors in developed countries like USA and UK are geographically diverse and transact with a large number of brokerage firms who don’t operate in one location. Thus, one might expect that KSE investors would use different investment techniques from their Western counterparts since all market facilities are in one geographical location and informal communications as well as rumors circulate among market participants (Al-LOGHANI, 1995). In addition, family networks are possibly stronger in Kuwait than in developed countries which supports are argument that equity investors place less emphases on annual reports and articles about companies in financial press; information is obtained from informed family members rather than from other resources (ALSHMALI, 1989).

According to AL-YAQOUT (2006), the Kuwait stock exchange established until 1977, share trading occurred long before the establishment of the KSE; it started in the early 1950s after an initial public offering (IPO) from the national bank of Kuwait. This the first Kuwaiti company to sell its shares to the public. it was allowed by the National Cinema of Kuwait in 1954 and several financial services and insurance companies that joined the born unofficial market in the 1960s, such as the Gulf Bank, the Kuwait commercial Bank and the Kuwait insurance company (ALSHAMALI, 1989; AL-YAQOUT, 2006; Kuwait Stock Exchange Bulletins, 2008). With the share of these companies owned by the public, mechanisms developed to facilitate the transfer of securities among Kuwaiti investors. thus, Kuwait's unofficial stock market was born. The environmental of the country and the unofficial stock markets activities were driven by oil prices, as the government of Kuwait's revenue grew following increases in oil prices, domestic liquidity within the country improved and this led to a higher level of security transactions among investors.

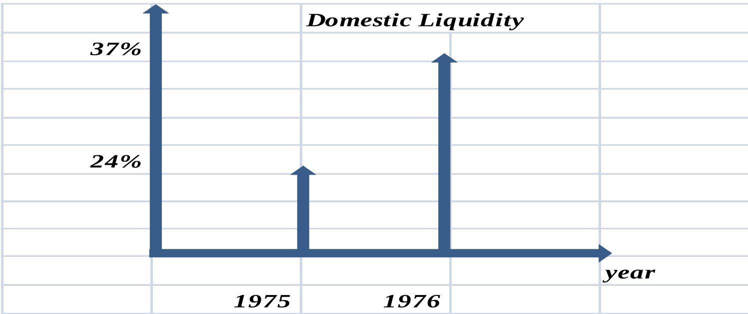


**Figure 9**

The domestic liquidity increased because of a rise in government spending, this rise increased upward pressures on share prices and led to a stock market crash at the end of 1976. The value of shares traded in the market at the beginning of 1977 declined by 66%. Associated with this decline was a fall in the capitalization of the market to KD346 million from KD936 million, a drop of 64%. This crash was followed by one of the most serious recessions in Kuwait's history. The economy recovered and share trading resumed until the ALMANAKH market Crisis of august 1982. After the ALMANAKH Crisis, the Kuwaiti government intervened and an official stock market, the KSE, was launched (BUTLER and MALAIKAH, 1992). In September 1984, the KSE opened its new building to the public; this was the birth of the modern KSE as an independent financial organization, controlled by an executive committee. Evidence suggests that Kuwaiti stock market behaves differently from its counterparts in developed countries in the sense that share price movements are often the result of social interaction, competition among rival business groups, rumors, the political situation in the Gulf region and the size and distribution of government spending (AL-LOUGHANI, 1995). These differences are apparent from KSE statistics over the past of two decades. For example, the KSE witnessed an incredible growth between 1985 and 2008;

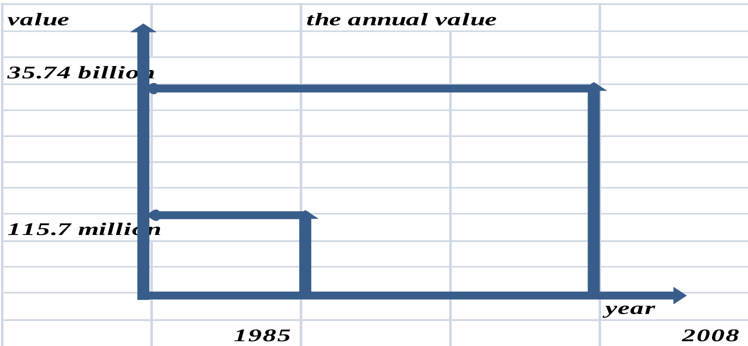


**Figure 10**

***Central Bank Of Kuwait Bulletins, 2008.***

The price index of the KSE recorded a new high in 2007; it rose from 1365 in 1995 to 12558 in 2007. However, In 2008, it declined 38% as a consequences of a downward trend among the world's stock markets. the Kuwait

Investment Authority, which acts on behalf the Kuwaiti government in the KSE, launched a privatization program between 1994 and 1999; 2,499 million shares in 30 companies were sold to the public for KD901.6 million (ABUL, 2005). Further, new regulations were introduced to increase the transparency and protect the rights of shareholders. In addition, the KSE allowed foreign nationals to own up to 100% of any company listed on the KSE. Moreover, the profits earned by foreign investors on transactions in the Kuwait stock market, either directly VIA their own purchases and sales of shares or indirectly through investment funds, weren't subject to taxation (Kuwait AL-YOUM Magazine, 2008).

## 3. Conclusion

The relationship between organizations and society has been subject to much argue, often of a critical nature, evidence continues to mount that the best companies make a positive impact their environment. Furthermore, the evidence continues to mount that such socially responsible behavior is good for business, not just in ethical terms but else in financial terms. In other hand, that corporate social responsibility is good for business as well as all its stakeholders. Therefore, ethical behavior and a concern for people and for the environment have been shown to have a positive correlation with corporate performance.

## 4. My opinion

Businesses policy and strategy, its whole organization and correlation with internal and external, society, environment, and sustainability. Focuses of the factors that influence societal or business behavior and thereby contribute towards social responsibility. Particular volume focuses upon the increasingly important topic of sustainability and its link to business strategy. And consider the relationship between corporate performance and corporate social responsibility.

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