Unit 15 Strategic Control and Evaluation

Strategic control can be defined as process of monitoring as to whether, various strategies adopted by the organization are helping its internal environment to be matched with the external environment.

Strategic control processes allow managers to evaluate a company's program from a critical long-term perspective.

Types of control

1. **Premise Control**: Premises are assumptions anticipated environment. A strategy is expected to be implemented on the basis of these assumptions. Premises are forecasts of future expectations about political-legal, economic, socio-cultural & technological forces in the external environment. Any change in premises affects the strategy. Premise control is continuous process. It ensures relevance of a strategy. Premise control involves:
   - Identification of key premises made while formulating strategy.
   - Keeping track of changes in premises & assessing their impact on strategy implementation.
   - Re-examination of the validity of premises to make necessary changes at the right time.
2. **Implementation Control**: Implementation control evaluates whether the plans, program, projects & budgets are guiding the organization towards objectives achievements. Resources allocated to them are withdrawn or revised to ensure envisaged benefits to the organization. It involves strategic rethinking. Tools of strategic implementation control are:
   - Strategic thrusts: The strategic thrusts for implementation are identified & monitored. For e.g. strategic thrusts can be in terms of new products launch or diversification program.
   - Milestone Review: Critical milestones in strategy implementation are identified. They can be in terms of events, resources allocations or end time. They are reviewed to reassess the continued relevance of implementation to objectives achievements.
3. **Strategic Surveillance**: Strategic surveillance a broad range of events inside & outside the organization which threaten the course of the strategy. It can be:
   - Selective surveillance: Monitoring is based on selected information sources to uncover external events likely to affect the strategy.
   - Organizational surveillance: Information generated within the organization is captured for monitoring.

4. **Special alert control**: Organizations should hope for the best & prepare for the worst. Sudden & unexpected events create crisis. They threaten the course of strategy. Special alert control is triggered by detection of a crisis. It provides rapid response through immediate reassessment of strategy crisis situations. Contingency strategies are formulated to handle unforeseen events. The responsibility to handle crisis situations is given to crisis management teams.

Meaning of strategy evaluation

The best formulated and best implemented strategies become obsolete as a firm's external and internal environments change. It is essential, therefore, that strategists systematically review, evaluate, and control the execution of strategies.

Strategic evaluation is the process of reviewing and examining the strategies and their effectiveness in achieving the future goals.

Strategy evaluation includes three basic activities:

- examining the underlying bases of a firm's strategy,
- comparing expected results with actual results,
- And, taking corrective actions to ensure that performance conforms to plans.

Characteristics of strategy evaluation

i. Provide direction
ii. Continuous activity
iii. Top management activity
iv. Efficiency maintenance
v. Focus on key performance
vi. Future oriented

Criteria for evaluating strategies

i. Consistency: consistent with goal and policies.
ii. Consonance: responsive with environmental trends.

iii. Feasibility: practical to the organization, in- terms of resource and capabilities

iv. Advantage: helps to build competitive advantage in-terms of resource, skill or position.

Operating /performance Evaluation

Operating evaluation is the process of measuring the performance of operation functions. It deals with quality enhancement and sound operational flow in organization.

The steps includes in operation evaluation are:

- Setting performance standard
- Measurement of performance
- Identify deviation
- Take corrective action

Measures of Corporate Performance

i. Traditional financial measures (Return on Investment, Earning per share, return on equity, operating cash flow.)

ii. Shareholder value

iii. Stakeholder measures

iv. Balance scorecard method : (Financial perspective, customer perspective, business process perspective, learning and growth perspective)

Guideline for proper control and evaluation

Measuring performance is a crucial part of evaluation and control. Inappropriate controls can result in managers manipulating the measures for personal advantage to the detrimental of company. In designing a control system, top management should remember that controls should follow strategy. Unless controls ensure the use of the proper strategy to achieve objectives, dysfunctional (unable to deal with) side effects are likely to completely undermine the implementation of the objectives. The following guidelines are recommended.

i. Control should involve only the minimum amount of information needed to give a reliable picture of events. Too many controls create confusion. Focus on the strategic factors by following the 80/20 rule: Monitor 20% of the factors that determine 80% of the results.

ii. Controls should monitor only meaningful activities and results.
iii. Control should be timely. Corrective action must be taken before it is too late.
iv. Controls should be long-term and short-term. If only short-term measures are emphasized a short term managerial orientation is appropriate.
v. Controls should pinpoint exceptions. Only those activities or results that fall outside a predetermined acceptance range should call for action.
vi. Controls should be used to reward meeting or exceeding standards rather than to punish failure to meet standards. Heavy punishment of failure typically results in goal displacement. Manages will falsify reports and lobby for lower standards.