SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION

MBA FA 405

SUBJECT NAME: STRATEGIC MANAGEMENT

UNIT-IV

TOPIC NAME: STRATEGIC EVALUATON AND CONTROL

MEANING:

Strategic evaluation and control is the process of determining the effectiveness of a given strategy in achieving the organizational objectives and taking corrective actions whenever required.

Control can be exercised through formulation of contingency strategies and a crisis management team.

There can be the following types of control:

- **Operational control**: It is aimed at allocation and use of organization resources through evaluation of performance of organizational units, divisions, SBU;'s to assess their contribution in achieving organizational objectives.
- **Strategic control:** It takes into account the changing assumptions that determine a strategy, continually evaluate the strategy as it is being implemented and take the necessary steps to adjust the strategy to the new requirements

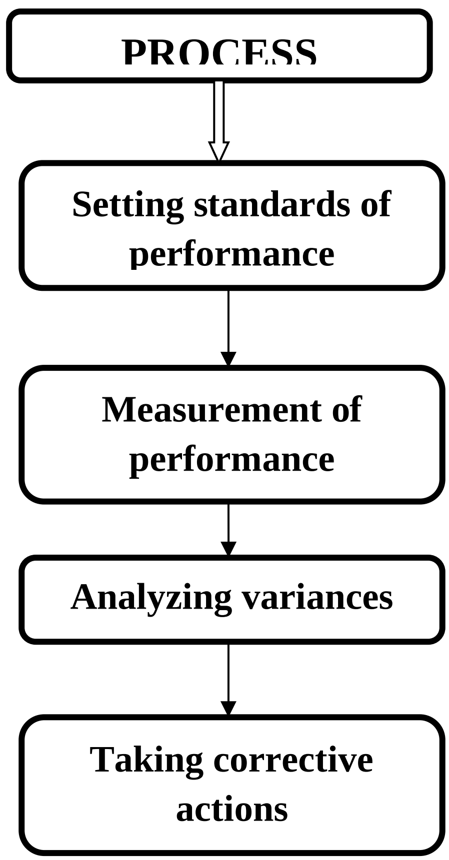
The four basic type of strategic control are:

- **Premise control:** It identifies the key assumption and keeps track of any change in them to assess its impact on strategy and implementation. The goal is to find if the assumptions are still valid or not. It is generally handled by the corporate planning staff considering the environmental and organizational factors.
- **Implementation control:** It includes evaluating plans, programs, projects to see if they guide the organization to achieve predetermined organizational

objectives or not. It consists of identification and monitoring of strategic thrusts.

- **Strategic surveillance:** It aims at generalized control. It is designed to monitor a broad range of events inside and outside the organization that are likely to threaten the course of the firm. Organizational learning and knowledge management system capture the information for strategic surveillance.
- **Special alert control:** It is a rapid response or immediate reassessment of strategy in the light of sudden and unexpected events. It can be contingency strategies and a crisis management team.

STRATEGIC EVALUATION PROCESS:



STEP 1.Setting standards of performance: It must focus on question like:

- What standards should be set?
- How should the standards be set?
- In what terms should these standards be expressed?

The firm must identify the areas of operational efficiency in terms of people, process, productivity and pace. Standards set must be related to key management tasks. The special requirement for performance of these tasks must be studied. It can be expresses in terms of performance indicators.

The criteria for setting standards may be qualitative or quantitative. Therefore standards can be set keeping in mind past achievement compare performance with industry average or major competitors. Factors such as capabilities of a firm core competencies risk bearing ability strategic clarity and flexibility and workability must also be considered.

STEP 2.Measurement of performance: Standards of performance act as a benchmark in evaluating the actual performance. Operationally it is done through accounting, reporting and communication system. The key areas which must be kept in mind are difficulty in measurement, timing of measurement (critical points) and periodicity in measurement (task schedule).

STEP 3.Analyzing variances: The two main tasks are noting deviations and finding the cause of deviations.

- When actual performance is equal to budgeted performance tolerance limit must be set.
- When actual performance is greater than budgeted performance one must check the validity of standard and efficiency of management.
- When actual performance is less than budgeted performance we must pinpoint the areas where performance is low and take corrective action.

The cause of deviations may be:

- External or internal
- Random or expected
- Temporary or permanent

The two main questions to focus upon are:

- Are the strategies still valid?
- Does the organization have the capacity to responds to the changes needed?

STEP 4.Taking corrective actions: It consists of the following:

- Checking of performance: It includes in depth analysis and diagnosis of the factors that might b responsible for bad performance.
- Checking of standards: It results in lowering or elevation of standards according to the conditions.
- Reformulate strategies, plans, objectives: Giving a fresh start to the strategic management process.

IMPORTANCE OF STRATRGIC EVALUATION AND CONTROL:

- There is a need for feedback, appraisal and reward
- To check on the validity of strategic choice
- Congruence between decisions and intended strategy
- Creating inputs for new strategic planning

THE DIFFERENCE BETWEEN OPERATIONAL AND STRATEGIC CONTROL PROCESSES:

In contrast to the large amount of data and extended time frame required for strategic controls to take effect, operational controls monitor and evaluate day-to-day functions to correct any problems as soon as possible. Operational controls may be either manual or automated, and can involve people, processes, and technology. When successful, they flag potential risks, identify misalignments between plans and actions, and effectively implement changes to stay on course with your strategy.

For example, if there are technical malfunctions or performance is below expectations, operational control processes can initiate a course correction quickly. This could include updating an IT system or retraining particular employees, respectively. Or, imagine a factory that produces widgets. If the number of widgets drops below expectations or the error rate rises above expectations, a process control alert should be triggered to make the proper operational change. Strategic control, on the other hand, might then evaluate whether your hiring criteria and employee on boarding processes need adjustment in order to achieve your strategy.

STRATEGIC CONTROL TECHNIQUES:

There are four primary types of strategic control:

1. **Premise Control:**

Every organization creates a strategy based on certain assumptions, or premises. As such, premise control is designed to continually and systematically verify whether those assumptions, which are foundational to your strategy, are still true. These are typically environmental (e.g. economic or political shifts) or industry-specific (e.g. new competitors) variables.

The sooner you discover a false premise, the sooner you can adjust the aspects of your strategy that it affects. In reality, you can't review every single strategic premise, so focus on those most likely to change or have a major impact on your strategy.

2. **Implementation Control:**

This type of control is a step-by-step assessment of implementation activities. It focuses on the incremental actions and phases of strategic implementation, and monitors events and results as they unfold. Is each action or project happening as planned? Are the proper resources and funds being allocated for each step? This process continually questions the basic direction of your strategy to ensure it's the right one.

There are two subcategories of implementation control:

- Monitoring Strategic Thrusts Or Projects:

This is the assessment of specific projects or thrusts that have been created to drive the larger strategy. This early feedback will help you decide whether to continue onward with the strategy as is or pause to make adjustments.

You can pre-determine which thrusts are critical to the achievement of your goals and continually assess them. Or, you can decide which measurements are most meaningful for your thrusts or projects (such as timeframes, costs, etc.) and use that data as an indicator of whether a thrust is on track or not, and how that may subsequently affect the strategy.

- Reviewing Milestones:

  During strategic planning, you likely identified important points in the implementation process. When these milestones are reached, your organization will reassess the strategy and its relevance. Milestones could be based on timeframes, such as the end of a quarter, or on significant actions, such as large budget or resource allocations.

Implementation control can also take place via operational control systems, like budgets, schedules, and key performance indicators.

3. **Special Alert Control:**

When something unexpected happens, a special alert control is mobilized. This is a reactive process, designed to execute a fast and thorough strategy assessment in the wake of an extreme event that impacts an organization. The event could be anything from a natural disaster or product recall to a competitor acquisition. In some cases, a special alert control calls for the formation of a crisis team—usually comprising members of the strategic planning and leadership teams—and in others, it merely means activating a predetermined contingency plan.

4. **Strategic Surveillance Control:**

Strategic surveillance is a broader information scan. Its purpose is to identify overlooked factors both inside and outside the company that might impact your strategy. This process ideally covers any “ground” that might be missed by the more focused tactics of premise and implementation control. Your surveillance could encompass industry publications, online or social mentions, industry trends, conference activities, etc.