UNIT 15: STRATEGIC EVALUATION AND CONTROL

UNIT STRUCTURE

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15.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- discuss nature and Importance of strategic evaluation.
- discuss strategic control and its implementation process.
- describe about strategic surveillance system.
- learn about operational control,
- describe the measurements of performance, analyzing variances and taking corrective actions of operational control
- outline techniques of strategic evaluation.

15.2 INTRODUCTION

In this unit we are going to discuss the concept of strategic evaluation, nature and requirements for effective of srategic evaluation. We will get a

fair idea about strategic control, its implementation control and importance of srategic control. Also at the end of the unit we will discuss the process of evaluation of operational control, setting of standard, measurements of performance and analyzing variances and taking corrective actions. As there are various techniques of strategic evaluation we will also discuss the techniques of strategic evaluation and control.

15.3 CONCEPT OF STRATEGIC EVALUATION

Strategic evaluation refers to the measurement and testing the efficiency of strategic decisions and the effective implementation of business strategy to achieve desired business objectives. It is advisable to identify the corrective steps and actions to achieve business efficiency. It is considered as the final step of strategy management process. Strategic management concentrates on formulating organisational objectives based on an analysis of the business (internal and external) environment, formulating the plans and policies, controlling and implementing the action plans to achieve the business results.

Continous evaluation and monitoring is essential requirement of strategic management process. The strategic evaluation and controlling process indicates the organization whether the organizational objectives are achieved or not. The evaluation system concentrates on three main aspects of strategy such as appropriate strategy, consistency and feasibility of strategy. Strategy should be appropriate to achieve desired objectives of the organization and it should be formulated as per the available resources and analyses of the internal and external business environment. It should be feasible which implies easy implementation of the strategic decision with available resources of the organization. Strategic management is continuous nature of management process. Strategic evaluation is considered as the last stage under the strategy management process. If there is difference between desired objectives and achieved objectives, controlling process indicates steps for corrective actions.

Strategic evaluation and control process provides the right paths and directions to achieve desired organisational goals. The controlling process

makes sure about corrective strategies and actions are required to achieve organisational target.

Definition given by Stahl and Grigsley, "Strategic evaluation and control is the process of evaluating strategic plans and monitoring organizational performance so that necessary corrective action can be taken. Today, it also indicates process of improvement in order to preclude out of control situations from occurring and to continually provide greater value to customers".

15.4 NATURE OF STRATEGIC EVALUATION

The business environment is the current context in quite complex, volatile uncertain and ambiguous. Change is invitable and occurs very frequently. The organisation has to continually adapt itself to adapt to the changing requirements of the environment.

Strategic evaluation is a complex system to undertake for the effective implementation of management strategy and analyses for strategic decisions. There is need of evaluation for the smooth functioning of strategic decisions and checking to achieve the set objectives of the organization. It is essential to involve and cooperation from allt he people of the management. They should understand the evaluation process for the effective implementing the strategy for the benefits of all stakeholders of the organization.

The business environment is dynamic and complex in nature. The business environments are:

- Highly sensitive and complex in nature
- Unpredictable about the future and accuracy of business environment
- Globalisation and other factors also increases the flexibility of business environment which make difficult to implement business strategies.

Richard Rumlet has suggested the four criteria's, which are applied for internal and external business environment. They are:

- Consonance
- Advantages

- Consistency
- Feasibility

The criteria Consonance and Advantages are considered for the external business environment. “Consonance” means analysing and examining the certain trends of external environment in evaluating strategies. The advantages consider the number of opportunities available in the business environment.

The criteria “Consistency” and “Feasibility” are applied for internal environment of business organization.Consistency isrequired the strategy should be consistent as per the plans and polices of the management to achieve desired goals.The internal environment of organization should favorable and consistent.

Feasibility indicates strategies should be at par with the available resources and it should not be overextended. It should be easy to handle and achievable.

15.5 IMPORTANCE OF STRATEGIC EVALUATION

Most of the time, strategists have only concentrated their efforts to formulate strategic decisions and implementation. They might ignore or overlook the strategic evaluation and control process until situation warns. It is essential to measure the strategic decisions effectiveness and controlling process to ensure the right directions of strategic plans and policies. The importance of strategic evaluation process may be described with the following points:

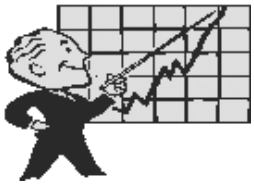
1.The strategic evaluation identifies the corrective steps and actions to achieve business efficiency and effectiveness.

2. The strategic evaluation is not only focused to measure the result but also provides the right paths and directions to achieve desired organisational goals.

3. The output of strategic evaluation is feedback which provides essential inputs for the future strategic decisions or plans and polices of the organization.

4 The strategic evaluation is also related with performance appraisal system for reward and recognitions which leads the motivation of employees and boosts the morale of the employees in the organization.

5. Stratrgic evaluation process is beneficial for all organizations whether small, medium, or large.



CHECK YOUR PROGRESS

Q1: Define strategic evaluation

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Q2: State any three points highlighting significance of strategic evaluation.

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15.6 PROCESS OF STRATEGIC EVALUATION

The process of strategic evaluation starts with formulation of strategic decisions and plans as per the available resources and analysis of the business environment to achieve the desired organisational objectives. After the formulation of strategic plan the next step is effective implementation of strategic plans within available resources to achieve desired result within stipulated time. The process is shown below:

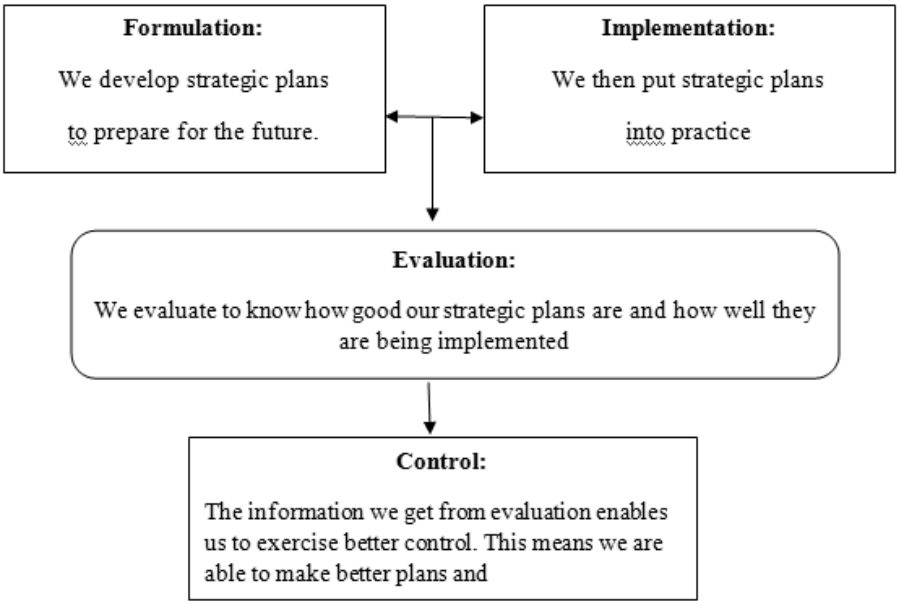


Fig: 15.1 Process of strategic evaluation

Source: -The role of evaluation and control in strategic management HRC Group, Strategic management briefing papers (1989).

Strategic evaluation process is to measure the efficiency and effectiveness of strategic decisions. It identifies the desired results achieved by the strategic decisions. The controlling process makes sure about corrective strategies and actions that are required to achieve organisational goals.

15.7 STRATEGIC CONTROL

Strategic controlling is the process of monitoring and checking the performance of strategic decisions, ensuring the effective implementation of strategic plans and polices, identifying the problems and to take corrective actions whenever required for achieving the desired organizational objectives. In other words it describes the controlling system for the effective implementation.

Some of the definition of strategic control are stated below:

Schreyogg and Steinmann (1987) have described Strategic Control as "the critical evaluation of plans, activities, and results, thereby providing information for the future action".

According to Robert J Mockler, "Management control implies systematic efforts to set standards to compare actual performance with the pre-determined standards, to determine whether there are any deviations and to measure their significance so as to take any action required to assure that all corporate resources are being used in the most effective and efficient way".

The above definition of Robert J Mockler has divided the controlling process in various steps as follows.

i. To establish performance standards
ii. To measure organizational performance
iii. To measure the techniques
iv. To compare the performance with standards
v. To evaluate of deviations
vi. To take corrective actions

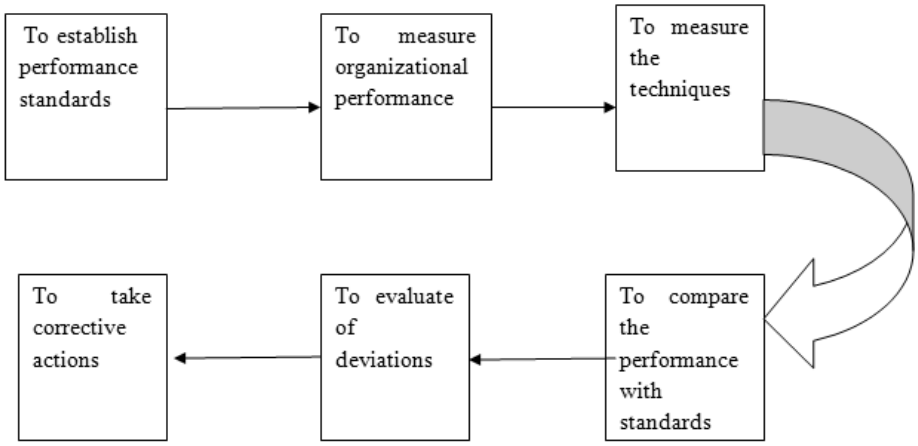


Fig: 15. 2 Strategic evaluation and Control Process

Let us discuss this steps in detail.

1. To establish performance standards:

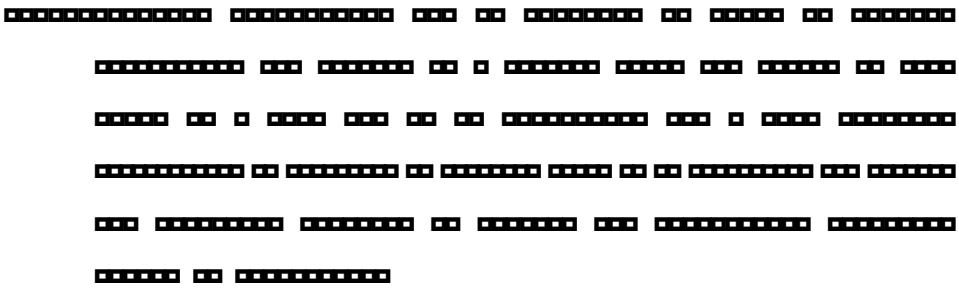
This is the beginning steps of controlling process. The organization should develop the standards of performances. While fixing the standards, precaution should be taken about their specificity.

Some standards may be difficult to quantify in explicit terms such as morale, discipline, creativity etc. In such cases qualitative goals and design control mechanism are useful for measuring the performance. The following are the some quantitative standards against the performance can be measured.

- **Time standard:** The time factor should be considered to complete the task or goal of the organization. It may be for measuring per hour unit of production, or in the sales, number of sales are made by the executives in day,etc.
- **Cost Standard:** This describes the financial expenditure involved per unit of activity. It could be material cost per units, cost of distribution or selling cost on per sales call basis.
- **Income standard:** It could be sales for the months, sales generated by sales executives in a year,etc.
- **Market share standard:** It is emphasized on to increase the share of market. For example company wants increasing the market share by 5 percent in the next 5 years.
- **Return on investment:** It is one the indicators which shows the various performance of business such as turnover sales, working capital, production and operating costs and Investment.

2. To measure organizational performance:

After the finalized the goals or objectives of the organization, the next step is controlling process to measure the actual achieved organizational performance as compared the fixed goals or objectives of the organization.



3.To select the techniques:

It is one of the difficult tasks to measure the actual performance in the strategic decisions. There are various techniques to measure the efficiency and effectiveness of strategic management. What is to be measured, how to be measured, when to be measured or whether to be measured

continuously or periodically etc. are important objectives. These questions provide right path for the measure the performance of strategy. The following are some of the techniques of measurement:

- **Financial measures** :-It indicates the financial condition of the business organization. It involves various ratios, relationship of business variables to each others. Some of the ratios which exhibit financial soundness of business are:
  - Net Sales to Working Capital
  - Current Ratio
  - Liquid ratio
  - Net profit to net sales ratio
  - Net profit to Net worth ratio
  - Collection period on credit sales
- **Production measures:-**It is related with outcome of activities to the production related effort. It involves pre controls, concurrent control and post controls measures.
  - **Pre controls: -** It involves the inputs of productions activities such as men, machines, raw materials, capitals, etc. It is aimed at the control of quality of inputs for the desired objectives. It ensures the skilled personnel as per the requirement with quality of raw materials.
  - **Con-current control:-**It is also known as Production Scheduling. It involves the timeframe work for the production activity. Program Evaluation and Review techniques(PERT) facilitates concurrent control.
  - **Post Control:-**It is also known as "Feedback Controls". It measures the results of completed actions or production activities.
- **Marketing measures :-**According to Smith, Arnold and Bizzell, there are five categories to measures marketing performance.
  - **Sales analysis:-**In this method, the actual sale is compared with projected sales. Any deviation can be analysed with volume of sales.
  - **Market Share analysis:-**It is calculation between Company's Sales volumes to competitor's sales volume. It indicates the corporate image or goodwill of the company in the competitive market.

- **Marketing expenses to sales ratio:-**It includes the sales promotions expenses such as marketing, advertising, publicity etc.
- **Customer attitude tracking:-**Customers are the centric point for every business. Without customers, no one can survive in the competitive market. It is analysed the behaviour of customers. Collected feedback with proper mechanism and maintain customer relationship management.
- **Efficiency Analysis:-**It is focused on the efficiency of all marketing efforts to achieve the desired sales in the market. It is involved the Sales force, Sales promotions and techniques and distributions plans and polices etc.

4. To compare performance with standards:-

The next step of controlling process is to compare the actual performance with pre determined performance with standards. If there are not specified standards performance, It would be difficult to measure the performance and to identify the efficiency and effectiveness of strategic decisions.

5. To evaluate deviations:-

It is essential step before the deviation is corrected. The reasons should be investigated. The main idea is to find the root cause for the deviations or problems therefore it would never arise in the future also. The deviations may be positive or negatives.

The positive deviations are in various forms such as achievement of the target before the time with less cost actually planned. The negative deviations may be low quality or quantity than the standards, late schedule of production, increasing the cost of production as compared to estimated costs etc.

6.To take corrective actions:-

After the analysis and investigation, the final steps are arrived to take corrective actions for remedy of the problem. The corrective actions should be consistant to the internal and external environment of business. It should be as per the company's culture, philosophy, labour unions, rules and regulation, etc. the following guidelines should taken into consideration while taking corrective actions.

- Management should identify the root cause of the problem instead of focusing on time being solutions for the problems.
- It should be as per the company's philosophy and rules and regulations

15.7.1 Types of Strategic Control

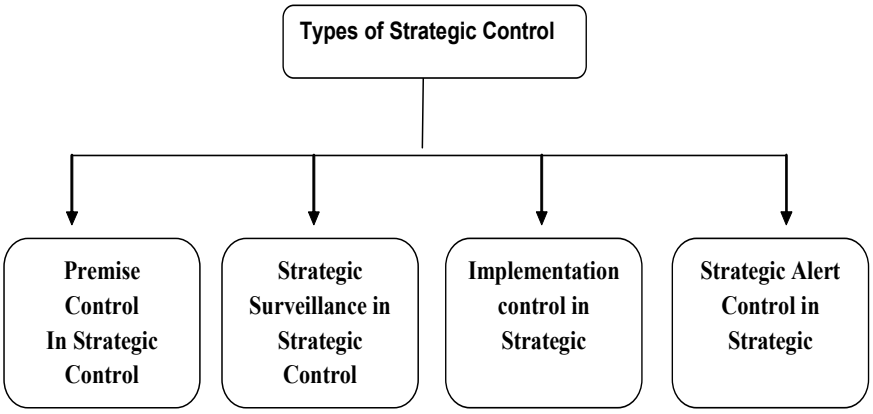


Fig: 15.3: Types of Strategic Control

Let us now discuss the types of strategic control in the following points:

1. Premise Control in Strategic Control:

Premise control is being checked continuously and systematic whether **the premises set during the planning and implementation process is still valid.** If any premise is not suitable to the internal or external situation, the strategy would modify or change as per the requirement.It is always established during the formulation of strategic planning process. It should be considered two basic environmentfactors as follow**.**

- *Environmental factors* :It includes political, social, technological and economical factors are prevailed in the external business environment
- *Industry factors* :It consists of Competitors, Supplier and Market conditions available for the Industry.

2. Strategic Surveillance in Strategic Control:

Strategic Surveillance is concerned within and outside of the organization of variousranges of events that would effect on strategic decisions and policies. The main aim of Strategic Surveillance is

monitoring of number of information systems as well as encouraged the untapped information and opportunities for the effective implementation of strategy. It is also similar to the environmental scanning to identify new information's and untapped opportunity. It is also helped tosafeguard the established strategy.

3. Implementation Control in Strategic Control:

Implementation control strategies are applied when the events are being started. It is involved numbers of events, plans; acts are implemented to achieve organsational goals. It is further divided into two types such as

- *Strategic thrusts or projects:*-It provides relevant information that would help to frame the effective strategy decisions and plans.
- *Milestone reviews:*-It is process to monitor and review the progress of strategy through specific intervals or milestone achieved.

4. Strategic Alert Control in Strategic Control:

It is applied at the time of unexpected events or occurring suddenly situations which would impact on management strategy. It is special alert control system for the rapid and meticulous reassessment of strategy. Strategic alert control system is useful during the emergency situation such as natural disasters, plane crashes, product defects, hostile, chemical spills, etc.

15.7.2 Importance of Strategic Control

Strategic control is process monitoring and evaluating of strategies to achieve the desired objectives and make sure about the smooth functioning of management strategies. If the desired objectives are not achieved then the corrective steps or actions are taken into consideration.

It helps the Manager to obtain quality, innovation, consistency in the strategies, and complete the target within stipulated time. The following are the importance of controlling process.

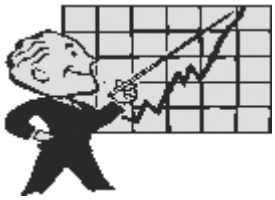
- ***Control and quality:*** Quality of the products or Services indicates the success and progress path of the organization in the competitive environment. The feedback mechanism under the evaluation systems played crucial role for the improvement of quality of the product.

- ***Control and Efficiency:*** Efficiency indicates the output and input ratio of production which includes all resources of the organization. It is involved the production and the efforts of human resources. The controlling system makes sure about everything goes as per the strategy if not the corrective actions should take for the efficiency under the production process.

- ***Control and innovations:*** Strategic control leads towards innovative and creativity through continues monitoring and implementing the effective actions to acheve desired results.Strategic decision and policies ensure the appropriate controlling system and evaluation increased the risk taking abilities and improved the skills of management.

- ***Control and customers satisfaction:*** The success of the strategic evaluation process is to measure the satisfaction level of customers. An evaluation controlling system monitors and interacted with employees through proper system and boosts the employees' morale to provide better quality and services to the customers.

Customers are the backbone of the organization and if they satisfied then our business also survived and progress therefore it is essential to maintain satisfaction level among the employee.



CHECK YOUR PROGRESS

Q3:Define Strategic controlling

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Q4: State the significance of strategic controlling process

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15.8 TECHNIQUES OF STRATEGIC EVALUATION AND CONTROL

Strategic evaluation is referred to the process of the measurements and testing the efficiency and effectiveness of strategic decisions to achieve business objectives and takingthe corrective steps and actions if desired objectives not achieved.

Techniques of Strategic Evaluation are stated below:

1. Gap Analysis: This is one of the techniques which can identify the gap between the actual achieved performance and expected performance of the organization as per the management strategy. With the various business tools and ratio analyse, it can easily indentify the gap between actual and expected performance. Under the Financial measures the gap identify with the help of various ratio, relationship of business variables to each others such as Net Sales to Working Capital ,Current Ratio, Net profit to net sales ratio, etc. Undermarketing measures, the gap identify with the analyses of Sales, Market share, Competitors performance, etc.

2. SWOT Analysis: This is one techniques of strategic evaluation to actual monitor the performance of strategic decisions. SWOT describes as organization's strengths, weaknesses, opportunities and threats.The

business environment is complex and dynamic nature and consists of internal and external environment. It is an Unpredictable about the future and accuracy of business environment. Internal Environment consists of organization's strengths, weaknesses and on other side external environment is only being provided only opportunities and threats. The Evaluation system should analyse the internal and external environment of business and plan organization's strengths, weaknesses, opportunities and threats for the effectively applicable business resources to achieve desired results.

3. PEST Analysis: This is one of the techniques used for the evaluation system of strategy.The business atmosphere is highly sensitive and complex in nature. PEST denotes Political, Economical, Social and Technological factors directly impact on the business. These are essential factors should be considered while framing the strategy. The success of strategic decisions is mainly depending on these factors. Political factors are considered rules and regulation, legislatures, and environmental norms etc. Economical factors exhibits the economic conditions prevailed in the market to identify opportunity and threats for the business. Social factors show the behavior of customers, demographic pattern of customers and about the values and tradition of people for adopted best suitable strategy. Technological factors are highly sensitive and dynamic in nature. Today technology will be stale for tomorrow exhibits the flexible or changing pattern of technology.Due to rapid changes in technology cause the obsolete our plans and business strategies, these factors should consider while framing the strategy of management.

4. Benchmarking: It is technique of strategic evaluation to identify whether the organization is achieved the expected results or not. If it is failed to achieve the expected result, then what is the difference between actual result and expected result. The organization must set the Standard performance is benchmark for the measuring actual performance.The regular monitoring and measuring the performance of strategic plan and collection of data that indicates actual result of the given activity and set the benchmark of activity.



CHECK YOUR PROGRESS

Q5: Write the steps in process of evaluation of operational control

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Q6: What is SWOT Analysis?

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15.9 LET US SUM UP

Strategic evaluation process is to measure the efficiency and effectiveness of strategic decisions. It identifies the desired results achieved by the strategies decisions are not. It is being provided the right paths and directions to achieve desired organisational goals. The strategic evaluation and Controlling process indicates the organization whether achieved or not the organizational objectives. The evaluation system has concentrate of three mainly aspect s of strategy such as Appropriate strategy, Consistency and feasible of strategy. Strategy should be appropriate to achieve desired objectives of the organization and it should frame and formulate as per the available resources and analyses the internal and external business environment.

The controlling process makes sure about corrective strategies and actions are required to achieve organisational target. It is related two concepts, one is Strategic management set desired organisational goals and the other one is controlling process for the accomplishment of management goals. Operational control is part of Management control system. It is designed to

monitor and regular checking of day to day business operation to ensure the consistency and quality in production as per the established objectives of the organization. It is mainly focused on latest occurrence or events in the organization for the smooth functioning of business activities. If the desired standard or quality of business is matched as per the standards then corrective action should be taken.



15.10 FURTHER READING

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15.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q. No.1: Strategic evaluation and control is the process of evaluating strategic plans and monitoring organizational performance so that necessary corrective action can be taken.

Ans to Q. No.2: The significance of strategic evaluation are:

1. Measuring the organisational progress or results and evaluating
2. It identifies the corrective steps and actions to achieve business efficiency and effectiveness.
3. It provide the right paths and directions to achieve desired organisational goals.

Ans to Q. No.3: Strategic controlling is the process of monitoring and checking the performance of strategic decisions, ensuring the effective implementation of strategic plans and polices, identify the problems and to take corrective actions whenever is required for achieving the desired organizational objectives.

Ans to Q. No.4: The following are the importance of strategic controlling process.

- Control and quality
- Control and Efficiency
- Control and innovations
- Control and customers satisfaction

Ans to Q. No.5: The process of evaluation normally is divided into four steps such as

1. To set the standard of performance
2. To measure the performance
3. To Analysis the deviations
4. To take corrective action

Ans to Q. No.6: SWOT describes as organization's strengths, weaknesses, opportunities and threats.



15.12 MODEL QUESTIONS

1. Explain the nature and importance of Strategic Evaluation
2. Discuss the importance of strategic evaluation.
3. Discuss briefly the process of strategic evaluation.
4. Discuss different steps of strategic control process.
5. Explain different types of Strategic Control.
6. Explain the Techniques of Strategic Evaluation and control

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