Chapter 10 – Strategy Evaluation and Control

Introduction

All strategies are subject to future modification because internal and external factors keep changing constantly. The fundamental to strategy evaluation and control activities are review of internal and external factors in relation to current strategy, measure performance that conforms to plan, do performance gap analysis and recommend & take corrective actions

Six Step feed-back model in strategy evaluation and control

- Determine and focus on what to control
- Establish control standards
- Measure performance
- Compare performance to the established standards
- Determine the reasons for deviation
- Take corrective action.

Defining Control – in deciding what to control, the organisation must communicate through the actions of its executives that strategic control is an essential activity

Setting strategic control standards – A control standard is a target against which the subsequent performance of the company will be compared. The control standard can be quantitative and qualitative. The standards may include profitability, market position, productivity, product leadership, personnel development, employee attitude public responsibility, and balance between short range and long range plan

Measuring performance – Exerting strategic control requires that the actual performance must be compared to the standards. The measurement can be carried out through evaluation of performance parameters, competitive benchmarking, establishing formal or informal organisations.

Taking corrective actions- The organisation can maintain status quo, correct the actual performance or revise the standard. The important general areas for corrective action are –

- Revision of standards
- Revision of the objectives
- Revision of the strategy

- Revision of the structure
- Revision of the activity

It is important to ensure that the adjustment in one factor will also entail adjustment in one or more other factors.

Strategic control audits-A strategic audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organisation.

Essential requirements of effective evaluation and control system

- **Objective based**- the purpose of evaluation and the objectives must be clear to choose the appropriate evaluation system
- **Objectivity** – Standards and targets selected must reflect internal and external realities
- **Economic**- The cost must be justified with its utility
- **Pervasiveness –** the need for its should be appreciated throughout the organisation
- **Simplicity –** A complex strategy often confuses the stakeholders and does not yield desired results
- **Communication –** The stakeholders must be aware of the factors contributing to the success or failure in achieving strategic objectives
- **Congruence-** The scope, range, magnitude and accuracy of measurement should be related to the objective and usefulness
- **Operational-** The controls must be focussed on the action rather than only information.

Budgetary Control

Budgetary control refers to the management measures taken to ensure that the standards and norms laid down are maintained and the planned results are achieved. Strategic evaluation and control becomes an integral part of budgets to reflect the actions required for achieving the objectives within the specified timeframe.

Contingency planning

A contingency plan is a plan to cope up with the critical developments which trigger major deviations in the strategy execution from the original strategy planning done by the strategic managers

Crisis management is an important process which organisation should formulate to deal with and plan for worst case scenarios. Standard Operating Procedures (SOPs) should be implemented prior to any crisis event

Disaster Recovery and Business Continuity Planning

Disaster recovery and business continuity planning are processes that help organisations to prepare for disruptive events. Management's involvement in this process can range from overseeing the plan, providing input and support and putting the plan into action during emergency.

The first step for development of DRP and BCP is conducting Business Impact Analysis (BIA). BIA helps the companies to identify the most crucial system and processes and evaluate the impact of outage would have on the business.

The organisation should always be able to handle major pitfalls.