CHAPTER FOUR

-EVALUATION AND CONTROL OF STRATEGY

* 1. INTRODUCTION

We now come to our final module of study. We have put strategic evaluation and control last, not because it is less important than previous topics, but because it is central to everything we do in strategic management. The function of control closes the loop that started with planning. While the term ‘control’ can have some unfortunate connotations, such as authoritarian styles of management, when used correctly ‘control’ is merely a tool for measuring performance against expectations. Remember Drucker’s well-known advice: “You can’t manage what you don’t measure.”

* 1. EVALUATION AND CONTROL

Mechanisms are set in place to inform every stage of the strategic management process. They are a means of collecting whatever information we may need to compare plans against actual events, to ensure that things are working well, and to anticipate, or correct, any faults or weaknesses in the system. Effective evaluation and control can tell us what we are doing well and what we are not. This may sound good in theory, but it is not exactly pleasant when you are out there.

In this last topic, we shall explore the nature of evaluation and control. The evaluation and control process As soon as we mention evaluation and control some ideas will spring into your mind. Stop for a moment to think of the controls in your work environment. As we mentioned in the overview, evaluation and control play a central role in strategic management. Their role is to critically assess how well things are going at every phase of the strategic management process and to take whatever action is necessary to improve performance. The terms ‘evaluation’ and ‘control’, although almost always appearing in tandem, are not necessarily the same thing.

We must be able to exercise proper control over the strategic management process; that is, we must know how well our strategic plans are formulated and implemented, and where necessary, what corrective action can be taken to improve performance. Finding out what is going on is what evaluation is all about. It means collecting information about how well the strategic plan is progressing. Once we have the evaluation results, then we must decide on the appropriate action.

If, according to our evaluation, everything is going well, then we have no problem; all we need to do is to continue doing what we are doing (or try to do better!). However, if our evaluation shows that some things are not going well, then we have to take care of these trouble spots and eliminate them. Evaluation is really just a part of the overall control process, but it is a very important part. Without it, managers may end up making the wrong decisions. Because of this close relationship between evaluation and control, it is common to talk of them as though they were one. These Controls do not just guard the money: they also provide data for decision-making

* 1. OBJECTIVES OF STRATEGY EVALUATION AND CONTROL

Strategy evaluation is vital to an organization’s well-being; timely evaluations can alert management to problems or potential problems before a situation becomes critical. Through evaluation and Control process, corporate activities and Performance results are monitored so that actual performance can be compared with desired performance.

* Performance is the end result of activity. Which procedures to select, to assess performance depends on the organizational unit to be evaluated and the objectives to be achieved.
* The objectives that were established in the strategy formulation part of the strategic management process (dealing with profitability, market share and cost reduction, among others) should certainly be used to measure corporate or overall performance once the strategies have been implemented.
  1. BENEFITS OF STRATEGIC EVALUATION AND CONTROL

What are the main benefits of strategic evaluation and control? There are three:

* They provide direction: - They enable management to make sure that the organization is heading in the right direction and that corrective action is taken where needed.
* They provide guidance to everybody: - Everyone within the organization, both managers and workers alike, learn what is happening, how their performance compares with what is expected, and what needs to be done to keep up the good work or improve performance.
* They inspire confidence: - Information about good performance inspires confidence in everybody. Those within the organisation are likely to be more motivated to maintain and achieve better performance in order to keep up their track record. Those outside customers, government authorities, and shareholders are likely to be impressed with the good performance.

Consider this Linking rewards to evaluation and control. Does your compensation program reflect your employee’s contributions to your company’s success? Has your company developed a way to track all aspects of performance including, among other factors, leadership, customer services, and profitability? Do your employees value the rewards superior performance brings? Does everyone, for example, prefer money? Do you allow ‘different strokes for different folks?’ How often do you bestow rewards? Do you present awards spontaneously, or do people know that there are only specified times when they can hope to gain recognition for their efforts? Does your company restrict reward giving to the annual review? Is money the only kind of reward? Do you use performance data to plan and evaluate track records? Such scoreboards allow managers to acknowledge performance with appropriate rewards.

* 1. PROCESS OF EVALUATION

During the process of evaluation and controlling do not try to set objectives in every area. This shotgun approach is doomed to fail! Be more focused. Another equally important consideration when setting objectives is determining whether they are realistic and attainable. There is no point in working yourself (and all those people who have to follow your orders!) to the bone if the objectives you have set are altogether unrealistic. To guard against this, a concept called benchmarking can be a useful tool. Benchmarking simply means finding out how well your main competitors are doing and comparing your performance against theirs. In this way, you can set targets that equal, or are better than, what the competition is offering. When setting performance objectives, also bear in mind these are other useful pointers. Objectives should focus on three main areas of performance:

* How people perform
* How equipment functions
* How money is used 

To make sure that objectives fully describe the type of performance required, try viewing performance along five dimensions:

1. Quantity: - Volume of work completed
2. Quality: - How well a task was done
3. Cooperation: - Working well with others, providing support where needed (interdepartmental sharing of resources and personnel, trading information etc.)
4. Dependability: - Doing a task according to expectations (completed work on time and when needed)
5. Creativity: - Finding new or better ways of doing things (coming up with new ideas on how to reduce cost or complete a task, etc.) g.

The way the evaluation and control process works is quite straightforward:

**1. Determine what to measure: -** Top managers and operational managers must specify implementation process and results to be monitored and evaluated. The processes and results must be measurable in a reasonably objective and consistent manner. The focus should be on the most significant elements in a process – the ones that account for the highest proportion of exposure or the greatest no. of problems.

**2. Establish standards of Performance: -** Standards used to measure performance are detailed expressions of strategic objectives. They are measures of acceptable performance results. Each standard can be usually includes a tolerance range, which defines any acceptable deviations. Therefore it is critical to determine the acceptable degree of deviation from the standard.

**3. Measure actual performance: -** Measurements must be made at predetermined times.

**4. Compare actual performance with the standard**; - if the actual performance results are within the desired tolerance range, the measurement process stops here. When a set standard has been achieved or exceeded do not overlook the opportunity to recognize performance and praise staff. This is a wonderful tool for motivation.

**5. Take corrective action: -** If the actual results fall outside the desired tolerance range, action must be taken to correct the deviation. The action must not only correct the deviation but also prevent its recurrence. How often you should assess deviations from objectives depends on the nature of your organisation and its industry. Having determined that there has been a deviation from objectives you have two options (assuming that doing nothing is not really an option).

1. Correct the actual performance (of equipment or human resources). If the source of the deviation is inadequate performance you have a number of options. For example, you may change your section’s strategy or how you structure your section; you may alter your compensation or remuneration practices; you may introduce training programs or new technologies; or you may redesign jobs.
2. Revise the criteria of performance or the objectives set. You may determine that one or more of the original objectives were unrealistic or inappropriate. In this case it is the objectives, and not the performance, that need to be altered.

The following issues must be resolved in this stage:

1. Is the deviation only a chance fluctuation?
2. Are the processes being carried out in correctly?
3. Are the processes appropriate for achieving the desired standards?
   1. QUESTIONING THE STRATEGY

Strategic evaluation and control does not mean blind adherence to techniques; its effectiveness lies more in one’s ability to ask the right questions. In strategic management, particularly, it is not enough to ask how well things are progressing vice versa the strategic plan; it is just as important to question how good the strategic plan is. No plan is sacrosanct, or absolute. If a planned strategy is defective, then steps must be taken, quickly and decisively, to remove out bad parts and substitute better ones.

Setting the criteria: how good is your strategic plan? There are various ways by which the validity of a planned strategy can be assessed. Rumelt (1980) for instance, offers four key criteria against which to assess a strategy: two focuses on the external environment (consonance and advantage) while the other two concentrate on the internal environment (consistency and feasibility). A ‘classic’ approach by Tilles (1963) has a slightly different angle. He offers the following key questions to consider when evaluating a strategy:

1 Is the strategy internally consistent?

2 Is the strategy consistent with the environment?

3 Is the strategy appropriate in view of available resources?

4 Does the strategy involve an acceptable degree of risk?

5 Does the strategy have an appropriate time framework?

6 Is the strategy workable?

* 1. CHOOSING THE RIGHT EVALUATION APPROACH

Ultimately the kinds of questions you ask, and the criteria you set will depend on the evaluation approach you use. Before we say any more on this subject, try your hand at the following activity and see if it can help you decide which evaluation approach to use for what purpose. Review underlying basis of the strategic plan and its implementation. Evaluate actual performance against desired performance. Based on the evaluation, take the necessary action.

**Approach** **1**: -zeroes in right away on the targets (usually the goals or objectives as stated in the strategic plan) and assesses everything from that basis. It focuses on questions such as: Are the objectives appropriate under current circumstances? If not, what has changed the internal or external environment? Should the objectives be changed in view of any identified environmental changes? As these questions indicate, approach 1 does a lot of backtracking, constantly checking to see if targets remain in consonance with present or anticipated conditions.

**Approach** **2**: -casts a wider net right from the start. Instead of going directly to the targets, it starts off with a review of the basis of the whole strategic plan. This means seeking to validate every major aspect of both the strategic plan and the way in which it is implemented.

The difference between the two approaches is that the first assumes the strategic plan is valid and focuses on areas that require attention: the second first examines whether the plan is valid and then proceeds from there. This second approach is more comprehensive, but is time consuming (and by extension, more expensive). Your choice of approach would of course depend on the resources you have for conducting evaluation and control and the evaluation requirements of the organization. Both approaches, however, do raise the question of how in-depth a review should be. Experience has shown that far too many organizations get bogged down in detail. The type of review you choose depends on two factors: the relative importance of the issue/problem and the strategic health of the area being evaluated: 

* Large-scale reviews are clearly for those areas facing a major problem, or where a potential opportunity may make a significant impact. 
* Medium-scale reviews are for areas that may be meeting their targets but have a few important issues ahead that may require a slightly modified change. 
* Small-scale reviews are for areas where there are no real problems or dangers lurking on the horizon, and all that is needed is to monitor the situation.
  1. CONTROLLING STRATEGY

Controls can be established to focus either on actual performance results (OUT PUT), on the activities that generate the performance (BEHAVIOR) or resources that are used in performance (INPUT).

* 1. THE PRIMARY TYPES OF ORGANIZATIONAL CONTROL 

There are three primary types of organizational control: strategic control, management control, and operational control.

1. **Strategic control:** - The process of evaluating strategy is practiced both after the strategy is formulated and after it is implemented.
2. **Management control:** - Focuses on the accomplishment of the objectives of the various sub strategies comprising the master strategy and the accomplishment of the objectives of the intermediate plans (for example, "are quality control objectives being met?"). 
3. **Operational control:** - Is concerned individual and group performance as compared with the individual and group role prescriptions required by organizational plans (for example, "are individual sales quotes being met?").

Each of these types of control is not a separate and distinct entity and, in fact, may be indistinguishable from others. Moreover, similar measurement techniques may be used for each type of control.

* 1. GUIDELINES FOR PROPER CONTROL

Measuring performance is a crucial part of Evaluation and Control. The lack of quantifiable objectives or performance standards and the inability of the information system to provide timely, valid information are two obvious control problems. 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 side effects may completely undermine the implementation of the objectives. The following guidelines are very important to develop the control system in any organization:

1. Controls should involve only the minimum amount of information needed to give a reliable picture of events. Too many controls create confusion.
2. Controls should monitor only meaningful activities and result.
3. Controls should be timely.
4. Controls should be long term and short term
5. Controls should pinpoint exceptions.
6. Controls should be used to reward meeting or exceeding standards rather than to punish failure to meet standards
   1. CHARACTERISTICS OF AN EFFECTIVE CONTROL SYSTEM

We shall now turn our attention to how control systems are designed: that is, to how we can appraise our activities and our effectiveness in terms of both means and ends. The process of control is not automatic. It must be tailored to meet the requirements and uniqueness of your organization. Whether controls are developed to facilitate innovation or for other purposes, managers must continually assess them to ensure they are achieving the intended results.

Reliable and effective control systems have certain characteristics in common. The relative importance of these characteristics varies with circumstances, but most control systems are strengthened by their presence. The following brief reading explains the basic characteristics of control systems.

* Strategy-evaluation activities must be economical; too much information can be just as bad as too little information.
* Strategy-evaluation activities should also be meaningful; they should specifically relate to a firm’s objectives.
* Strategy-evaluation activities should provide timely information; on occasion and in some areas, managers may need information daily.
* Strategy evaluation should be designed to provide a true picture of what is happening.
  1. GENERAL REASONS FOR THE FAILURE OF STRATEGIC PLANNING 

Lessons to live by Perhaps there is no better way of stressing the importance of evaluation and control than by leaving you with some sobering lessons on failure. The literature on strategic management contains many stories of failure. Not that all these are due to a lack or an absence of evaluation and control. However, it is likely that had proper evaluation and control systems been set in place, problems could have been detected earlier, and perhaps resolved before they could have done any serious damage. We have grouped reasons why a planned strategy fails into two categories: general reasons and implementation-specific ones. Even from the general category, many of the entries are also implementation related. These reasons tell us a lot about the weakness of the strategic management process itself perhaps too much time formulating the strategy and too little time planning and monitoring its implementation.

* **Expecting results too fast:** - It takes time to see the results of a strategy. 
* **Lack of commitment from the top throughout the entire process: -** Just because the plan has been developed and provision has been made for implementation does not mean that it can then be delegated to others to do. The commitment from the top must always be there. It must be visible, and all actions and key decisions must be tailored towards the plan’s achievement. 
* **Too much complexity: -** If all the processes are kept as simple as possible, busy people will put up less resistance at putting in valuable time and effort. 
* **Loss of momentum: -**Try to keep people’s spirits up and seek to meet milestones on time and within the level of resources allocated. Not educating people about strategic management. To counteract this, ensure that everybody understands the strategic management process and the need for the organization to do it; and the strategic management process becomes a living part of the organization, with everybody carrying out some function every day as a vital part of what they do.
* **Inadequate line management involvement: -** All too often, line managers are brought into picture only at the implementation stage. Instead, their input and commitment must be sought at the very beginning and must continue through the entire process.
* **Telling senior management what they want to hear: -** Avoid the temptation of trying to produce good results that simply are not there just to please the boss. The boss will not thank you for doing so! Tell it as you see it, but be diplomatic in the telling. Too much form, very little substance. Oodles of facts and figures are not the goal; quality is. Strategy must be directed by important issues and not by lengthy routine reviews that produce meaningless bundles of paper. 
* **Isolation from the competitive environment: -** Strategic planning can very easily become inbred and insular. When this happens, the competitive environments tend to get overlooked. To overlook potential competitors while assessing the competitive environment is a very common problem in strategic planning.  Extrapolation from the past too many organizations extrapolate from the past even though they know that the past will be a poor guide to the future. 
* **Failure to differentiate: -** A common mistake is to compare an organization’s performance against industry norms. Such averages convey very little information about important strategic issues. The strategic requirements of an organization should be differentiated, so that the right resources are allocated in the right places. 
* **Inexperience in strategic management: -** All too often, the people responsible for strategic management do not have the necessary skills and competencies to carry out the strategic change.
* **Implementation: -** Specific reasons for the failure of strategic planning underestimating the nature and extent of disruption that can happen as a result of changes. Failure to ensure that internal efficiencies within departments are subservient to the new strategy and when changing from the old to the new strategy communicate properly; upwards and downwards and as a team(s) put into place the necessary coordination and controls in order to move from the old to the new strategy restructure at the operational level when making structural changes provide proper incentives that will motivate people make changed responsibilities clear to all employees focus on the most important and critical areas.

Consider this an ounce of inspiration is worth a pound of control. Do your top managers have the right stuff to transform the company? Are the people who work for them truly inspired to achieve company objectives? Do your leaders assure that everybody shares in the rewards of success? Have your managers learned to accept and embrace criticism of their performances?

* 1. CONCLUSION

Evaluation and control play a central role in the strategic management process to assess how well things are going at every phase of the process and to take whatever action is necessary to improve performance. We evaluate to know how good our strategic plans are and how well they are implemented. The information we get from evaluation enables us to exercise better control over the strategic management process.

We evaluate and control for three good reasons: to ensure that the organization is headed in the right direction, to provide guidance on how good performance can be achieved, and to inspire confidence in the organization’s ability to produce desired results. How the evaluation and control process works is quite straightforward: set performance objectives, compare actual performance against objectives, and take whatever action is necessary to improve performance. By setting performance objectives the organization is forced to constantly re-examine its targets (usually the strategic goals and objectives) and ensure they have measurable, realistic outcomes. Performance objectives should be set in those areas most critical to success, and the level of performance set should constantly be examined to ensure that it remains realistic and in tune with present and anticipated conditions.

Evaluation and control do not merely look at the implementation process; they should also be used to assess the validity of the strategic plan itself. Strategies fail because not enough attention is paid to important things. While proper evaluation and control may not altogether save an organization from ruin, it can help the organization. Before we close this module, let us leave you with this final food for thought: Murphy (who must have had his fair share of sufferings a failed strategist perhaps?) says: ‘If anything can go wrong, it will’. The good strategist says: ‘If anything goes wrong, we are prepared to handle it’.

* 1. SUBJECT CLOSURE - A FINAL WORD

I trust that you have enjoyed and learned from this subject and will never be able to look at an organization again without viewing it strategically. You should now be in a position to put the strategic management process into practical use. You should be able to move an organization from its current competitive position to some desirable future competitive position. Along this often-tricky journey environmental conditions may throw you off course, but we trust that, like a good navigator, you will keep adjusting your course (hence the ‘contingency tracks’ in the diagram) to get to your desired destination. Also, remember that the process will never end – arriving at one-destination starts off the process all over again, hopefully to new and better heights!

To steer your organization towards the fulfillment of strategic goals requires a good combination of knowledge and experience. In this subject we have endeavored to provide you with a good working knowledge of the strategic management process and we believe that the knowledge and skills you have gained will serve as a solid foundation for further learning. We also expect that now you have completed the subject you will be able to do the following at your work place: apply strategic thinking principles to solve any problem/issue;  take an holistic approach to analyzing strategic issues affecting an organization;  develop strategic plans that make good use of strategic analysis (that is, assessing the internal and external environment) and strategic choices (that is, an appropriate mission, goals/objectives and strategies);  evaluate different strategic options and decide on the best course of action for an organization;  develop proper guidelines for strategic implementation of the strategic plan; and evaluate the strategic performance of any organization.

These are, if you like, the performance objectives that have been set for you to achieve. How well do you think you have done? How good a target do you think we have set for you? Moreover, how ready do you think you are to accept the challenge of strategic management?

**All the best in applying your skills and we wish you every success in your career!**