Strategic Evaluation and Control

The final phase of strategic management is strategic evaluation and control. Strategic evaluation operates at two levels viz. strategic and operational. The strategic level is concerned more about the consistency of strategy with the environment. The operation level evaluates how well the strategies are being pursued by the organisation. The strategic control is a contemporary concept. The purpose of strategic evaluation is to evaluate the effectiveness of strategy in achieving the organisational objectives.

So strategic evaluation and control could be defined as the process of determining the effectiveness of a given strategy in achieving the organisational objectives and taking corrective action wherever required.

There has to be a way to find out whether the suggested set of strategies on implementation will guide the organisation towards the desired objectives or not. So, strategic evaluation and control keeps the organisation on the right track. In absence of this evaluation and control a management will not be able to detect the non-compliances to the desired objective of the business.

Importance of Strategic Evaluation

In a proper strategically managed business, the objectives are laid down first and then strategies are developed to achieve them. This means there are several managerial tasks that need to be performed by individual managers. Now each task of each manager is interrelated to the other managers' task. Thus the main importance of strategic evaluation and control is to coordinate the tasks of individual managers. Some other areas of importance are as follows:

- The need for feedback
- Check on the validity of strategic choice
- Appraisal and reward of employees

- Congruence between decisions and intended strategies
- Successful culmination of strategic management process
- Creating food for thought for the next strategic planning

Control system is also used:

- To overcome resistance to change
- Ensuring continuing attention of to new strategic initiatives
- Formalising beliefs
- Communicating the new strategic agenda
- Setting boundaries on acceptable strategic behaviour
- Motivating discussion and debate about strategic uncertainties

Participants in Strategic Evaluation Process

Having the basic understanding about strategic evaluation and control, the next question is who evaluates the strategy and how they do it? Now there are more than one participant in the process they are as follows:

Shareholders: The public and the leaders are the ones to whom any business is majorly responsible to. Thought individual holding is small, public holding is big, the major concern is for the financial institutions and banks who lend the money.

The Board of Directors: they play the formal role in generally evaluating strategies. But this role varies across company in India based on public sector, undertaking, private ownership, MNCs etc.

Chief Executives: they are responsible for all the administrative aspect of strategic evaluation. Ideally the chief executive should also be evaluated. But generally he does not report to anybody, so his evaluation is difficult, but is sometimes taken care by having an appropriate ownership structure.

The SBU or Profit centre heads: they also have a major involvement and are facilitated by corporate level executives.

Financial controllers, company secretaries, and external and internal auditors: they are responsible for operational control based on financial analysis, budgeting and reporting.

Audit and Executives committees: They are responsible for continuous screening and control.

Middle level managers: They may participate as providers of information and feedback and as recipients of directions from above.

Barriers to Evaluation

However may the strategic evaluation and control sound important and imperative, there are several barriers to the process. They are as follows:

Difficulties in measurements**:** The collection of data on performance is difficult and the reliability is a major issue. Also there are problems in setting the performance standard itself. The problems are associated with reliability and validity of the measurements techniques as well as quantifiable objectives.

Managerial short-sightedness**:** Managers often tend to rely on short term implications of strategies and lack a focus on future. Long term seems too long to be considered and hence mostly the long term impacts are ignored.

Limits of Control**:** A major impediment is the limit to which control should be exercised. Too much control kills innovation and freedom and to lose a control leads to indiscipline.

Relying on efficiency versus effectiveness**:** Managers get confused between effectiveness and efficiency as in what is the right thing to do and what should be done rightly. Measuring the wrong parameters may lead to wrong strategy planning and implementation.

Resistance to evaluation**:** Like any other managerial activity and change the strategic evaluation also is resisted by managers.

Requirements of Effective Evaluation

- Control should only monitor managerial activities and results.
- Control should involve only minimum amount of information as too much of that may lead to clutter.
- Control should be timely. A stitch in time saves nine.
- Rewards for meeting or exceeding standards should be emphasized.
- Control should be able to pinpoint exceptions.
- Both long and short term control should be used.
- Before the process begins the managerial team should be made aware about that.

Strategic Control

The process of strategic management depends a lot on assumptions. There could be a time gap between the stages of strategic planning, implementation and control. From the time strategies are set to their implementation time changes and the assumptions may not hold good. So the strategic control 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
- Implementation control
- Strategic surveillance
- Special alert control

Premise Control

Every strategy is based on a set of assumptions regarding the organisation and its environment. Now during the period of its planning and implementation the premise or the assumptions may change. Premise control is necessary to identify the key assumptions and keep track of any change in them so as to assess their impact on strategy and its implementation. Premise control serves the purpose of continually testing the assumptions to find out whether they are still valid or not. This enables the strategists to take corrective action at the correct time avoiding wastage and failure.

Implementation control

During the implementation of any strategy the resources need to be allocated. Implementation control is aimed at evaluating whether the plans, programmes and projects are actually guiding the organisation towards its predetermined objectives or not. Resource allocation may be revised if required through this control.

Strategic Surveillance

Unlike the previous two control, strategic surveillance is generalised and overarching control designed to monitor a broad range of events, both internal and external to the organisation that may affect or even threaten the course of firm's strategy.

Special alert Control

This is based on trigger mechanism for rapid response and immediate assessment of the strategy in light of sudden and unexpected events. They are generally exercised by formulating contingency strategies. The responsibility of handling the emergencies are given to various parts of the crisis management team.

Operational Control

Operational control is aimed at allocating resources of the organisation through the evaluation of organisational units. The focus is mainly to the internal of the organisation. The time horizon for such control is short term. Operational control is mainly exercised by executive or middle-level management on the direction of the top management. The main techniques used are budget, Schedules, MBO etc.

The Process of Evaluation

The process of strategic evaluation has basic four steps:

***Setting standards for performance*:** According to the level of management in concern the standards of performance are set which are to be achieved. The criteria for performance include both qualitative and quantitative factors.

***Measurement of Performance*:** In order to see whether the standards are being achieved or not the actual performance need to be measured which will be compared with the standards. The information system of the business in concern is the key element of measurement of performance. It also done through accounting, reporting and communication systems

Analysis of various: once the actual performance in case of strategy implementation is measured, it needs to be compared to the performance standards to find the gaps. The variance of the actual from the benchmark is analysed to find out the problem areas.

***Taking corrective action*:** If after analysis, it is found that benchmark is yet to be achieved, corrective action is taken. It can start from strategy planning as well. It may be a corrective action in terms of resource allocation as well.