Strategy Evaluation

SAFe Criteria

Other considerations

Introduction:

- It is defined as the process of determining the effectiveness of a given strategy in achieving the organizational objectives and taking corrective actions wherever required.

- Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: (1)examining the underlying bases of a firm's strategies, (2)comparing actual results with expected results, and (3)taking remedial/corrective actions. Evaluation makes sure that the organizational
- strategy as well as it's implementation meets the organizational objectives.

Purpose

The purpose of strategic evaluation is to evaluate the effectiveness of strategy in achieving organizational objectives and goals.

Importance:

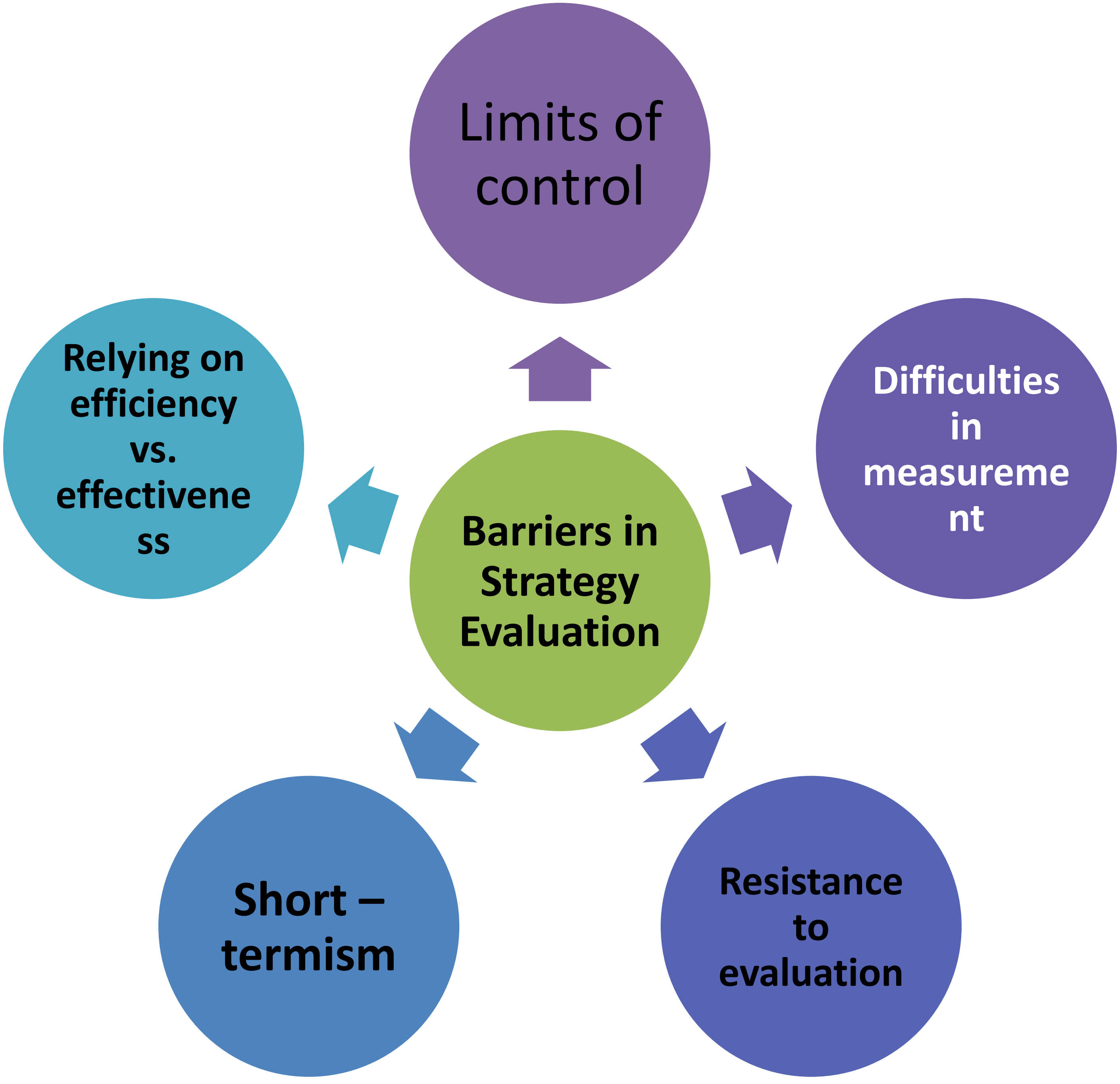
- Strategy Evaluation helps to keep a check on the validity of a strategic choice.
- An ongoing process of evaluation would, in fact, provide feedback on the continued relevance of the strategic choice made during the formulation phase.
- Strategy Evaluation can help to assess whether decisions match the intended strategy requirements.
- Strategy Evaluation, through its process of control, feedback, rewards and review, helps in a successful culmination of the Strategic Management process.
- In the absence of such evaluation process, managers would not know explicitly how to exercise such discretion.
- The process of Strategic Evaluation provides a considerable amount of information and experience to strategists that can be useful in new strategic planning.

Participants in Strategic Evaluation

- Shareholders
- Board of Directors
- Chief executives
- Profit-centre heads
- Financial controllers
- Company secretaries
- External and Internal Auditors
- Audit and Executive Committees
- Corporate Planning Staff or D
- Middle-level managers

Process of Strategy Evaluation

1. Fixing benchmark of performance
2. Measurement of performance
3. Analyzing variance
4. Taking corrective action


Limits of control
Relying on efficiency vs. effectivene ss
Barriers in Strategy Evaluation
Difficulties in measureme nt
Short – termism
Resistance to evaluation

Criteria for evaluating strategies

- **CONSISTENCY**: Strategy must not present mutually inconsistent goals and policies.
- **CONSONANCE**: The Strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.
- **ADVANTAGE**: A Strategy must provide for the creation and/or maintenance of competitive advantage in a selected area of the activity.
- **FEASIBILITY**: A Strategy must neither overtax available resources nor create unsolvable sub-problems. The final broad test of Strategy is its feasibility, that is, can the Strategy be attempted within the physical, human and financial resources of the enterprise?

Strategic Control

Meaning:

Strategic control is focused on the achievement of future goals, rather than the evaluation of past performance.

Strategic control is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying premises, and making necessary adjustments.

The basic theme of strategic control is to continually assess the changing environment to uncover events that may significantly affect the course of an organization's strategy.

Characteristics

- It is a continuous process
- It is a management process
- It is embedded in each level of organizational hierarchy
- It is forward looking
- It is closely linked with planning
- It is a tool for achieving organizational activities
- It is an end process.

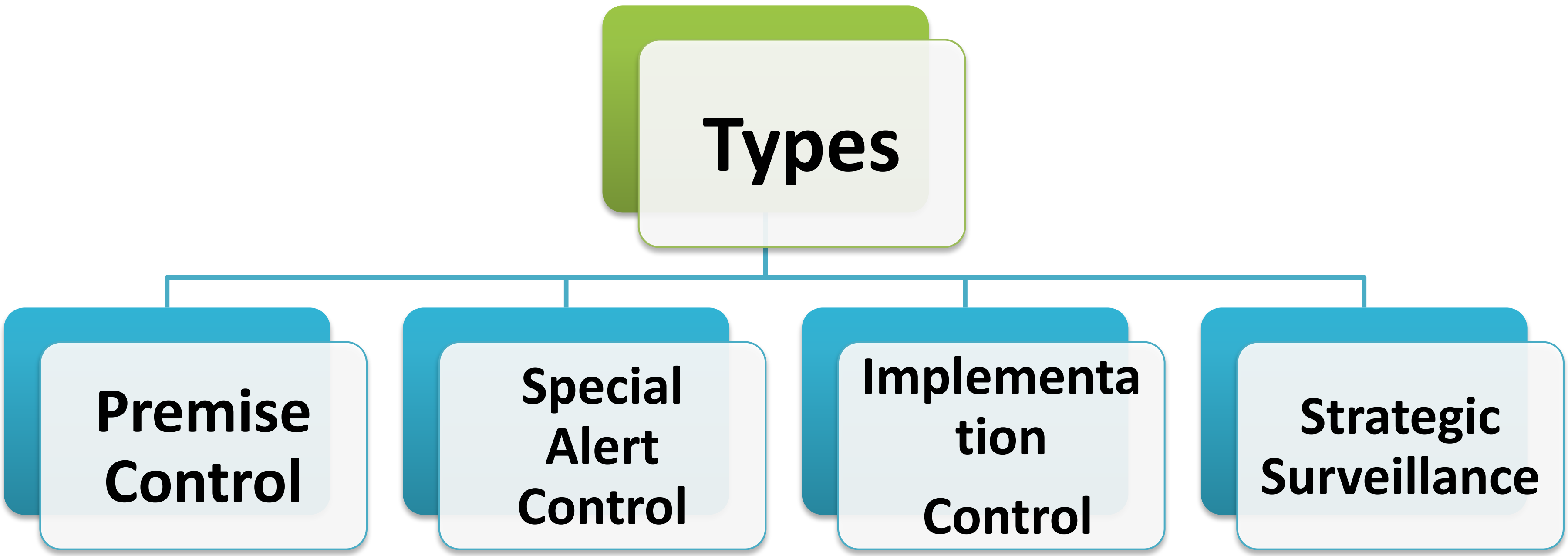
Process of Strategic Control

Establish standards and targets.

Create measuring and monitoring systems

Comparing actual performance against the established target

Evaluate results and take action if necessary


Types
Premise Control
Special Alert Control
Implementation Control
Strategic Surveillance

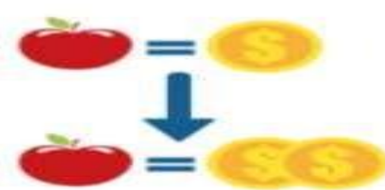
1. Premise Control

Premise control has been designed to check systematically and continuously whether or not the premises set during the planning and implementation process are still valid.

It involves the checking of environmental conditions. Premises are primarily concerned with two types of factors:

a.)Environmental factors (for example, inflation, technology, interest rates, regulation, and demographic/social changes).

b.)Industry factors (for example, competitors, suppliers, substitutes, and barriers to entry)



2. Special Alert Control

The rigorous and rapid reassessment of the organization's strategy because of the occurrence of an immediate, unforeseen event.

- An example of such event is the acquisition of a company's competitor by an outsider.
- Such an event will trigger an immediate and intense reassessment of the firm's strategy.
- The company must form crisis teams to handle it's initial response to the unforeseen events.

3.Implementation Control

Implementing a strategy takes place as a series of steps, activities, investments and acts that occur over a lengthy period. The two basis types of implementation control are:

- **Monitoring strategic thrusts** (new or key strategic programs): Two approaches are useful in enacting implementation controls focused on monitoring strategic thrusts: (1) one way is to agree early in the planning process on which thrusts are critical factors in the success of the strategy or of that thrust; (2) the second approach is to use stop/go assessments linked to a series of meaningful thresholds (time, costs, research and development, success, etc.) associated with particular thrusts.

- **Milestone Reviews**: Milestones are significant points in the development of a programme, such as points where large commitments of resources must be made. A milestone review usually involves a full-scale reassessment of the strategy and the advisability of continuing or refocusing the direction of the company.

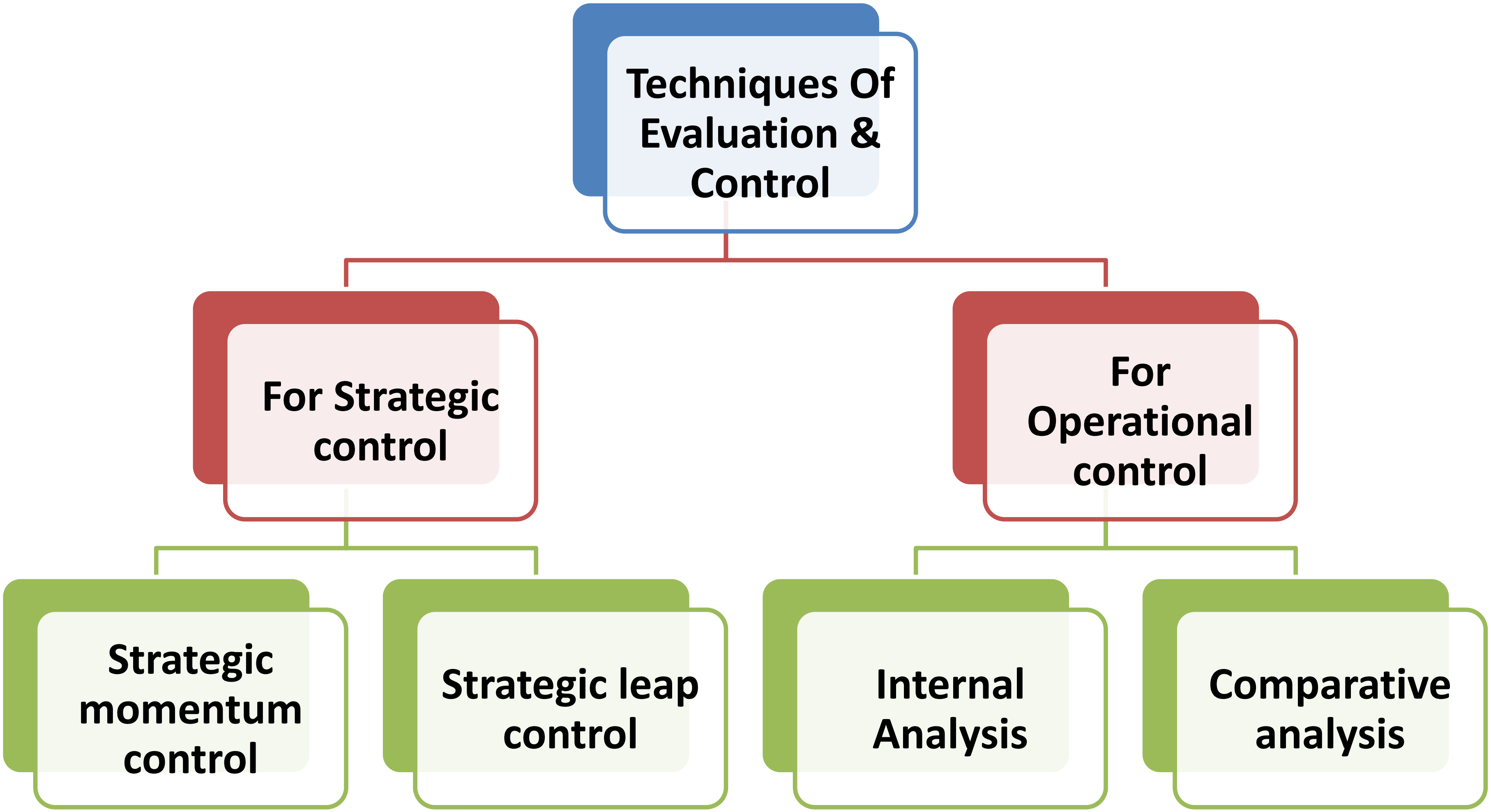


4. Strategic Surveillance

Designed to observe a wide range of events within and outside the organization that are likely to affect the track of the organization's strategy.

- Based on the idea that one can uncover important yet unanticipated information by monitoring multiple information sources.
- Such sources include trade magazines, journals such as The Wall Street Journal, trade conferences, conversations and observations

THE WALL STREET JOURNAL.


Techniques Of Evaluation & Control
For Strategic control
For Operational control
Strategic momentum control
Strategic leap control
Internal Analysis
Comparative analysis

Strategic momentum control

These types of techniques are aimed at assuring that the assumptions on the basis of which strategies were formulated are still valid & what needs to be done in order to allow the organization to maintain its strategic momentum.

To achieve these aims, 3 techniques are used:

- Responsibility control centers
- Underlying success factors
- Generic strategies

Strategic leap control

Organizations are required to make strategic leap in order to make significant changes when the environment is relatively unstable. Strategic leap control can assist such organizations by helping to define the new strategic requirements and to cope with emerging environmental realities.

Techniques used for this are:

- Strategic issue management
- Strategic field analysis
- Systems modeling
- Scenarios

Internal Analysis

It deals with the identification of the strengths and weaknesses of a firm in absolute terms.

Techniques used in this analysis are:

- VRIO Framework
- Value chain analysis
- Quantitative analysis
- Qualitative analysis

Comparative analysis

This analysis compares the performance of a firm with its own past performance or with other firms.

The techniques involved in this analysis are:

- Historical analysis
- Industry norms
- Benchmarking

Thank you