

# **BBS 3rd Year Business Environment & Strategy Notes Pdf**

## **Chapter 5: Strategic Evaluation and Control**

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## Unit-5 Strategic Evaluation & Control

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### Definition:-

Evaluation is measuring the direction to ensure the proper destination.  
Strategy evaluation is important to ensure that stated objectives are being achieved. It has both a long-run and short-run focus.

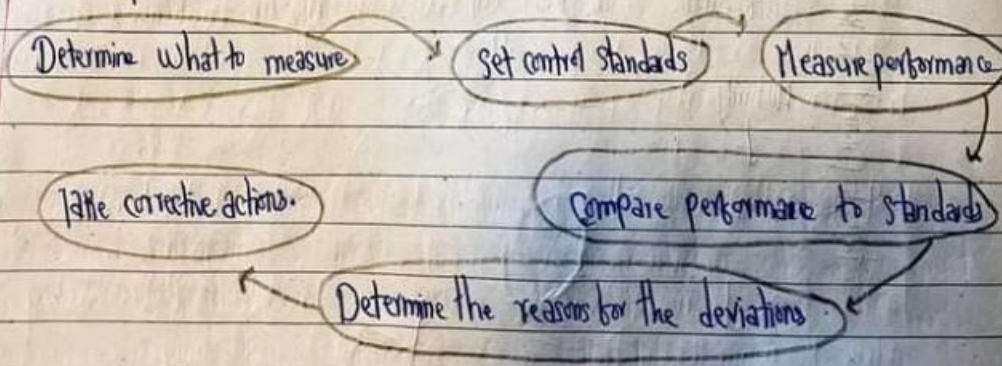
### According to Pearce & Robinson,

"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."

### Importance of Evaluation and Control:-

- 1) Guides for the implementation of strategy.
- 2) Provide early signals of the obstacles in the process of strategy implementation.
- 3) Provide the future direction to the strategy.

### Process of Evaluation and Control.



### 1) Determine what to measure:-

The first step in the evaluation and control process is determining the major

Control areas of an organization. The controls are based on the organizational mission and objectives developed during the strategic planning process.

2) **Set control standards:-**

The second step in the evaluation and control process is establishing control standards. A standard is a target against which the subsequent performance is compared.

3) **Measure performance:-**

Once standards are determined, the next step is measuring the actual performance. Strategic evaluation and control involve continuous measurement of performance.

4) **Compare performance to standards:-**

After the measurement of actual performance, it should be compared to the standards. It determines the variation between actual performance and standards.

5) **Determine the reasons for the deviations:-**

The fifth step of the strategic evaluation and control process involves finding the reasons of deviations between the standard and actual performances.

6) **Take corrective action:-**

The final step in the strategic control process is to determine the corrective action. This includes re-examination of plans, programmes, goals and strategies.

**Types of control.**

**On the basis of focus:-**

- 1) Input controls.
- 2) Behavioural controls.
- 3) Output controls.



### On the basis of Strategic management:

- 1) Premise control.
- 2) special alert control.
- 3) Implementation control.
- 4) Strategic surveillance.

### On the Basis of focus:

- a) **Input controls:-**  
They focus on inputs such as knowledge, skills, abilities, values and motives of the employees. They ensure the proper input in the work process.
- b) **Behavioural controls:-**  
They specify work procedures. They are related to the ways of doing organizational activities through policies, rules and procedures.
- c) **Output controls:-**  
They focus on performance outcomes. They deal with the end results through the use of targets or milestones.

### On the basis of Strategic management:-

- a) **Premise control:-**  
Every strategy is based on certain planning premises or assumptions. They are based on environmental or industry factors. premise control is the management process of systematically and continuously checking to determine whether premises upon which the strategy is based are still valid.
- b) **special alert control:-**

It is the management actions undertaken to thoroughly, and often very rapidly, reconsider a firm's strategy because of a sudden, unexpected event.

c) **Implementation control:**  
Implementing a strategy takes place as a series of steps, activities, investments and jobs that occur over a lengthy period. For this, mobilization of resources, carrying out special projects and employing or reassignment of staff are essential.

d) **Strategic surveillance:**  
It is the management efforts to monitor a broad range of events inside and more often outside the firm that are likely to affect the course of its strategy over time.

#### **Characteristics of Strategic Evaluation:**

- 1) Provides Direction.
- 2) Continuous Activity.
- 3) Top management Activity.
- 4) Cost Effective.
- 5) Focus on key performance.
- 6) Future oriented.

#### **According to Richard Rumelt,**

Strategy should be evaluated on four bases, which is consistency, consonance, feasibility and Advantages.

Consonance and advantages are based on a firm's external assessment.

Whereas,

consistency and feasibility are based on an internal assessment.

#### **Types of Evaluation :-**



1) **Quantitative Evaluation:-**

It largely reflects market performance. They are the target performance outcomes for normally one year. They are called financial performance. Quantitative criteria of performance includes operating incomes and profitability, cash flow, Earning per share etc.

2) **Qualitative evaluation:-**

Qualitative Evaluation of performance is used to measure the outcomes of the organization over a long period of time. It is concerned with competitiveness and future business prospects.

It includes quality of products, service and programmes, satisfaction of customers, HR Attractiveness, Employee commitment and satisfaction.

**Measures of Corporate Performance:-**

Performance is the end result of any activity. In other words, it is the accomplishment of a given task. Performance is measured on ground of standard, cost, quality and speed.

Similarly, Corporate performance may also be categorized as:-

1) **Quantitative criteria:-**

It largely reflects market performance. They are the target performance outcomes for normally one year. They are called financial performance.

Quantitative criteria of performance includes:-

- a) operating income
- b) profitability
- c) Growth in operating incomes.
- d) Growth in Net profit
- e) Return on Capital employed.

### 2) Qualitative Criteria:

It is the criteria of performance is used to measure the outcome of the organization over a long period of time. It is concerned with competitiveness and future business prospects.

The qualitative criteria of performance includes following

- a) Quality of products, services and programmes.
- b) Development of new product, services or programmes.
- c) Satisfaction of customers.
- d) Relation between management and employees.
- e) HR attractiveness.

### Guidelines for proper Evaluation & Control.

- 1) Economical.
- 2) Timeliness.
- 3) Provide true picture.
- 4) Action oriented.
- 5) Simple.

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