

Strategic Management

Lecture Ten : Strategy Evaluation and Control

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Introduction

- In our previous lecture, we explored how strategies are implemented through aligning resources, structures, and processes. However, even the best-implemented strategy can fail if it is not constantly monitored, evaluated, and adjusted.
- This lecture picks up from there showing that strategy implementation is not the final step, but a doorway into a dynamic, ongoing process of strategy evaluation and control.
- Here, the organizations must answer: “Did our strategy deliver the intended results?”
- Strategic evaluation and control close the loop, ensuring strategies remain relevant amid shifting markets, technologies, and stakeholder expectations (Morris & Hodges, 2019)

Learning Outcomes

By the end of this session, learners should be able to:

- Define strategy evaluation and explain its importance in the strategic management process.
- Identify key tools and techniques for evaluating strategies.
- Understand the relationship between control systems and strategic success.
- Apply strategic evaluation principles to a personal context

Case Study 2: Kodak—The Missed Opportunity in Digital Revolution.

Kodak was once a giant in the photography industry. It had the resources, brand loyalty, and technological lead—it even invented the first digital camera in 1975. However, Kodak failed

to evaluate the implications of digital photography on its traditional film business. Instead of adapting, it doubled down on its existing strategy. The control mechanisms to assess changing market realities and internal innovation were weak. By the time Kodak attempted to pivot, competitors like Canon and Sony had already captured the digital market.

Lessons from Kodak:

- Ignoring weak signals and emerging trends can derail even industry leaders.
- Strategy evaluation must include monitoring technological shifts.
- Internal innovations need to be integrated into a broader strategy, not shelved.
- Without strategic surveillance and premise control, companies risk obsolescence.

Strategy Evaluation and Control

- **Definition and Purpose**

Strategy evaluation involves assessing the effectiveness and relevance of a strategic plan, identifying deviations from expected outcomes, and initiating corrective actions.

- Strategy evaluation can also be seen as systematic assessment of strategy effectiveness.
- If you are to use the analogy of our first lecture - a ship destined for a certain city, evaluation would mean checking how close we are moving toward the city, are we in the right track.
- Then control would mean what actions we take when we note, for example our ship has veered off from the correct course that was to take us to the desired destination. In another case it may be the ship speed is slow to get us there in good time. The corrective actions here would be to take the ship to the correct bearing and increase the speed so as to take us to our destination.

Importance of Strategy Evaluation

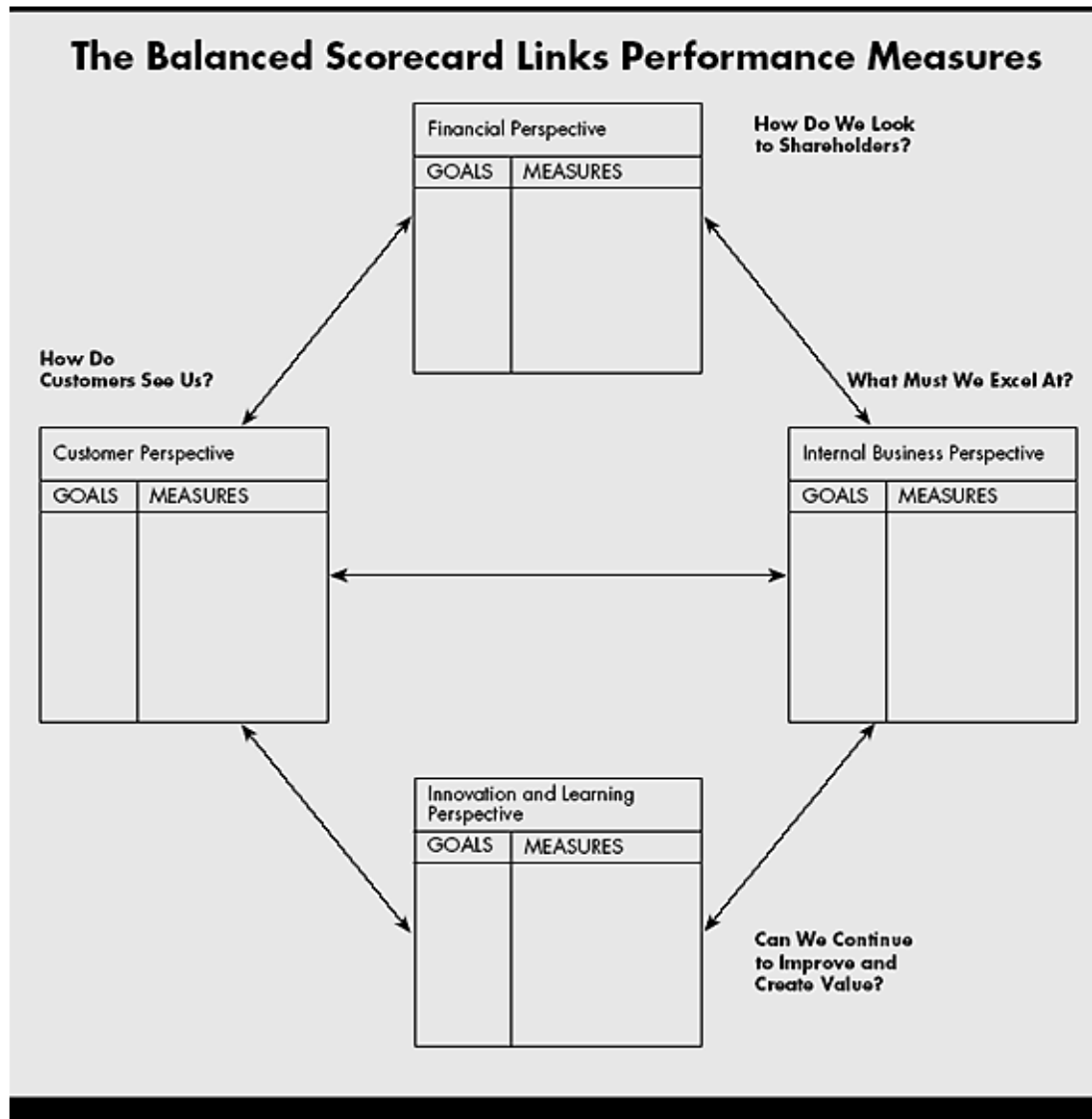
- Ensures alignment with dynamic external and internal environments.
- Encourages accountability through measurable performance indicators.
- Detects early warning signs of strategic failure.
- Facilitates adaptive learning and continuous improvement (Morris & Hodges, 2019).

Key Evaluation Tools

1. Balanced Scorecard

Evaluates performance from financial, customer, internal process, and learning perspectives as shown in diagram 1. It was introduced by Kaplan and Norton in 1992 (*The Balanced Scorecard&Mdash; Measures That Drive Performance*, 1992)

Diagram 1: Balance Scorecard



Source: Harvard Business Review

a. Customer's Perspective

- Here the firm is interested to know “how do customers see us?”
- A customer's concern will fall into four categories; Time, quality, performance and service, and cost.
- A firm must develop goals and specific measures around these four areas.

b. Internal business Perspective

- Having customer measures is important but translating that into what the firm must do is equally important.
- This is about that, those internal operations that allow a firm to satisfy customer's needs
- It's about those competencies, processes, and capabilities a firm must have to excel in meeting customer needs.

c. Innovation and Learning Perspective

- This is about a firm's ability to develop and introduce new products or launch them in new markets.
- It also speaks of the firm's ability to continuously improve in customer satisfaction and internal business processes.

d. Financial Perspective

- This try to see if the firm strategy, implementation is yielding results that is contributing to bottom line
- Mostly financial goal has to do with profitability, growth and shareholder value
- This has been criticized due to its backward-looking approach and attempts are being made to introduce forecasting

2. Benchmarking

- Compares performance metrics against industry best practices.
- Benchmarking can be said to be the systematic process of comparing an organization's processes, practices, and performance metrics against industry leaders, competitors, or best-in-class companies to identify gaps, set improvement targets, and drive strategic adjustments.
- It bridges the gap between "where we are" and "where we need to be" in strategy execution.

- The method provides objective data to compare if the current strategy is delivering results
- It points out areas where improvements are needed
- It pushes firm to innovation as it compares itself with the best in the industry

3. Key Performance Indicators (KPIs)

- Measures quantifiable outcomes aligned with goals.
- Effective KPIs are SMART
- Some examples of KPIs are
 - Revenue growth rate
 - Market share increase
 - Customer satisfaction index (CSI)
 - Employee turnover rate
 - Return on investment (ROI)
- KPIs should be reviewed regularly to keep the firm aligned with strategic priorities
- Where there is a gap, it triggers a deep analysis to inform corrective action.

4. Gap Analysis

- Identifies the difference between current and desired performance.
- Clarifies the scale and nature of underperformance.
- Supports data-driven decision-making.
- Prioritizes strategic interventions.
- Example of gap analysis
 - If a company aims for a **10%** market share in **2** years but is currently at **6%**, the gap is **4%**. A gap analysis will ask:
 - Why aren't we at **10%**?
 - Are our marketing efforts effective?
 - Is our product differentiated enough?
 - What resources or capabilities are missing?

Control Systems in Strategy

- Strategic Control: Monitors key assumptions, direction, and competitive positioning.
- Operational Control: Ensures efficient implementation of tasks and routines.

Types of Control:

- Premise Control: Monitors validity of assumptions.
- Implementation Control: Assesses whether strategic plans are executed as intended.
- Strategic Surveillance: General monitoring of external threats/opportunities.
- Special Alert Control: Response to sudden, major events.

When and How to Evaluate

- Evaluation should be ongoing, not periodic.
- Use both quantitative (e.g., profit margins, growth rates) and qualitative data (e.g., customer satisfaction).
- Conduct regular strategic review meetings.

Relating to Personal Life

Your Life as a Strategic Plan Think of your personal goals (career, relationships, finances, health). In our last lecture, we talked of health as a goal. If you want to attain a certain weight or any other health goal. You will need to constantly keep evaluating whether you are moving closer to that goal, if not what corrective action must you take to remain on course. The following questions are important. Do you have a control system? Do you check whether your actions align with your goals? Do you pivot when things aren't working? Strategy evaluation is essential for our personal growth, not just for corporates.

Topic Recap

- Strategy implementation must be followed by evaluation and control.
- Evaluation tools help detect deviations and enable course correction.

- Control systems support adaptability and strategic alignment.
- Applying these principles personally can enhance decision-making and outcomes.
- Our next lecture will look into risk management

References

Morris, J., & Hodges, T. (2019). Strategic Management. Open Educational Resources, Oregon State University, Carvallis.

The Balanced Scorecard—Measures that Drive Performance. (1992, January 1). Harvard Business Review. <https://hbr.org/1992/01/the-balanced-scorecard-measures-that-drive-performance-2>