UNIT V

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Strategic Evaluation and Control

Strategic evaluation refers to the measurement and testing the efficiency of strategic decisions and the effective implementation of business strategy to achieve desired business objectives. It is advisable to identify the corrective steps and actions to achieve business efficiency. It is considered as the final step of strategy management process. Strategic management concentrates on formulating organisational objectives based on an analysis of the business (internal and external) environment, formulating the plans and policies, controlling and implementing the action plans to achieve the business results.

Continous evaluation and monitoring is essential requirement of strategic management process. The strategic evaluation and controlling process indicates the organization whether the organizational objectives are achieved or not. The evaluation system concentrates on three main aspects of strategy such as appropriate strategy, consistency and feasibility of strategy. Strategy should be appropriate to achieve desired objectives of the organization and it should be formulated as per the available resources and analyses of the internal and external business environment. It should be feasible which implies easy implementation of the strategic decision with available resources of the organization. Strategic management is continuous nature of management process. Strategic evaluation is considered as the last stage under the strategy management process. If there is difference between desired objectives and achieved objectives,controlling process indicates steps for corrective actions.

Strategic evaluation and control process provides the right pat Strategic evaluation and control process provides the right paths and directions to achieve desired organisational goals. The controlling process makes sure about corrective strategies and actions are required to achieve organisational target.

Definition given by **Stahl and Grigsley**, “Strategic evaluation and control is the process of evaluating strategic plans and monitoring organizational performance so that necessary corrective action can be taken. Today, it also indicates process of improvement in order to preclude out of control situations from occurring and to continually provide greater value to customers.

Techniques of Strategic Evaluation and Control

Strategic evaluation is referred to the process of the measurements and testing the efficiency and effectiveness of strategic decisions to achieve business objectives and taking the corrective steps and actions if desired objectives not achieved.

1. Gap Analysis: This is one of the techniques which can identify the gap between the actual achieved performance and expected performance of the organization as per the management

strategy. With the various business tools and ratio analyse, it can easily indentify the gap between actual and expected performance. Under the Financial measures the gap identify with the help of various ratio, relationship of business variables to each others such as Net Sales to Working Capital ,Current Ratio, Net profit to net sales ratio, etc. Undermarketing measures, the gap identify with the analyses of Sales, Market share, Competitors performance, etc.

2. SWOT Analysis: This is one techniques of strategic evaluation to actual monitor the performance of strategic decisions. SWOT describes as organization's strengths, weaknesses, opportunities and threats.The business environment is complex and dynamic nature and consists of internal and external environment. It is an Unpredictable about the future and accuracy of business environment. Internal Environment consists of organization's strengths, weaknesses and on other side external environment is only being provided only opportunities and threats. The Evaluation system should analyse the internal and external environment of business and plan organization's strengths, weaknesses, opportunities and threats for the effectively applicable business resources to achieve desired results.

3. PEST Analysis: This is one of the techniques used for the evaluation system of strategy.The business atmosphere is highly sensitive and complex in nature. PEST denotes Political, Economical, Social and Technological factors directly impact on the business. These are essential factors should be considered while framing the strategy. The success of strategic decisions is mainly depending on these factors. Political factors are considered rules and regulation, legislatures, and environmental norms etc. Economical factors exhibits the economic conditions prevailed in the market to identify opportunity and threats for the business. Social factors show the behavior of customers, demographic pattern of customers and about the values and tradition of people for adopted best suitable strategy. Technological factors are highly sensitive and dynamic in nature. Today technology will be stale for tomorrow exhibits the flexible or changing pattern of technology. Due to rapid changes in technology cause the obsolete our plans and business strategies, these factors should consider while framing the strategy of management.

4. Benchmarking: It is technique of strategic evaluation to identify whether the organization is achieved the expected results or not. If it is failed to achieve the expected result, then what is the difference between actual result and expected result. The organization must set the Standard performance is benchmark for the measuring actual performance. The regular monitoring and measuring the performance of strategic plan and collection of data that indicates actual result of the given activity and set the benchmark of activity.

Strategic issues in managing and innovation

In this age of hyper competition and innovation, management of technology plays a crucial role. Innovation is the major driver of companies for creation of value.

a) The Role of Management

Due to increased competition and accelerated product development cycles, innovation and the management of technology are becoming crucial to corporate success. New product development

is positively associated with corporate performance. Approximately half the profits of all U.S. companies come from products launched in the previous 10 years. What is less obvious is how a company can generate a significant return from investment in R&D as well as an overall sense of enthusiasm for innovative behavior and risk-taking. One way is to include innovation in the corporation's mission statement.

Eg. Intel: "Delight our customers, employees, and shareholders by relentlessly delivering the platform and technology advancements that become essential to the way we work and live."

Another way is by establishing policies that support the innovative process. If top management and the board are not interested in these topics, managers below them tend to echo their lack of interest.

b) Environmental Scanning

Issues in innovation and technology influence both external and internal environmental scanning.

(i) External Scanning

Corporations need to continually scan their external societal and tack environment for new development in technology that may have some application to their current or potential products. This is external scanning.

Impact of Stakeholders on Innovation

A company should look to its stakeholders, especially its customers, suppliers, and distributors, for sources of product and service improvements. These groups of people have the most to gain from innovative new products or services. Under certain circumstances, they may propose new directions for product development. Some of the methods of gathering information from key stakeholders are using lead users, market research, and new product experimentation.

Technological Developments

A company's focusing its scanning efforts too closely on its current product line is dangerous. Most new developments that threaten existing business practices and technologies do not come from existing competitors or even from within traditional industries. A new technology that can substitute for an existing technology at a lower cost and provide higher quality can change the very basis for competition in an industry. Managers therefore need to actively scan the periphery for new product ideas because this is where breakthrough innovations will be found.

(ii) Internal Scanning

Strategists should assess how well company resources are internally allocated and evaluate the organization's ability to develop and transfer new technology in a timely manner to generate innovative products and services.

Research allocation issues –The company must make available the resources necessary for research and development.

Time to market issues – In addition to money another improvement consideration in the effective management of R&D is time to market. It is an important issue because 60% of patented innovations are generally imitated with in 4 years at 65% of the cost of innovation.

c) Strategy Formulation

R&D strategy deals not only with the decision to be a leader or a follower in terms of technology and market entry but also with the source of the technology.

(i) Technology sourcing – a make or buy decision can be important in a firm's R&D strategy. There are two methods for acquiring technology, namely in house R&D is an important source of technical knowledge. Firms that are unable to finance alone the huge cost of developing a new technology may coronate their R&D with other firms through a strategic R&D alliance.

(ii) Technology competence – R&D creates a capacity in a firm to assimilate and exploit new knowledge. This is absorptive capacity. Technology competence is to make good use of the innovative technology purchased by a firm.

d) Strategy implementation

If a corporate decides to develop innovations internally, it must make sure that its corporate system and culture are suitable for such a strategy. It must establish procedures to support all six stages of new product development [idea generation, concept evaluation, preliminary design, prototype build and test final design and pilot production, new business development. Top management must develop an entrepreneurial culture – one that is open to the transfer of new technology into company must be flexible and accepting change.

e) Evaluation and Control

For innovations to succeed, appropriate evaluation and control techniques must be used to ensure that the end product is what was originally planned. Some of these techniques are the stage gate process and the house of quality. Appropriate measures are also needed to evaluate the effectiveness of the R&D process.

Enterpreneurial Ventures and Small Business

Often, the terms small business and entrepreneurship are used by individuals interchangeably when referring to a business that is seeking to accomplish specified goals with very few resources. Though this is true, this is probably the only similarity between the two. In the start, most entrepreneurial ventures are small businesses; however, all small businesses are not entrepreneurship.

Entrepreneurship essentially involves coming up with an idea, formulating a business around it, and managing the business, while also assuming its risk. An entrepreneurial venture typically starts as a small business and then grows. In contrast, a small business is a business that a person or a small group of individuals own or manage. The owner has a direct impact on the decision making process. There are very few employees in a small business and its market share is also quite less.

Definitions and explanations

Entrepreneurship

Entrepreneurship refers to the process in which a business opportunity is identified by an individual, who uses this idea to formulate a business. It represents the ability and readiness of an individual to develop and look after a business and manage its risks so as to achieve profits in the long run. A person who shows willingness to take up such risks is called an entrepreneur. Entrepreneurship is a challenging field because it is not guaranteed that the business will achieve success. Nonetheless, majority of the entrepreneurs are risk takers and are very enthusiastic about their ventures. Entrepreneurs comprehend that when the risk is higher, the returns will also be higher. There are a few qualities that are common to successful entrepreneurs: they are able to develop a competitive advantage, bring together a team that is highly competent and skilled, exhibit high technological expertise, are hardworking and loyal, have a high risk taking ability and perform effective money management.

An entrepreneurial venture starts operating as a small business. However, it is likely to exhibit rapid growth because the entrepreneurs are in the constant lookout out for opportunities to take higher risks and hence, advance their business. They are not worried about making high profits; rather, their objective is to use creative methods while carrying out their business and to sell innovative products or services.

Small business

Small business is owned and managed by a single person or a small group of people. The capital is contributed by these few individuals, who are involved to a large extent in the decision-making process. There are a limited number of employees in a small business, hence it is quite easy and convenient to manage. The scope of operation of this kind of business is quite small and they have a small share in the market.

The key objective of a small business is to generate profits. However, as the owners are not keen on evaluating and taking up new business opportunities, they have limited profit making ability. The most popular kinds of small businesses are sole proprietors and partnerships.

Difference between entrepreneurship and small business

The main points of difference between entrepreneurship and small business has been detailed below:

1. **Meaning**

Entrepreneurship is the process of identifying a new business opportunity in the market and starting and developing a new business. It typically commences operations as a small business and achieves growth subsequently. A small business is one that is owned and controlled by an individual or a small group of people and has a limited scope and market share.

2. Objective

The main objective of entrepreneurship is to develop a new and innovative product or service. Entrepreneurs usually start a business because of their passion towards it. This is why they will continue carrying out their business without thinking about the risks they face or the profits they are making. The key objective of small businesses, however, is to generate profits. Hence, when they come across situations when they face excessive risks, they often suspend their business to prevent losses.

3. Business expansion

Entrepreneurship achieves rapid growth and development because entrepreneurs are always seeking new opportunities. They are always looking for change and are never content with their current situation. On the other hand, there is limited scope of development in small businesses. This is because small business owners do not seek new business opportunities and are satisfied with whatever success they achieve.

4. Attitude of owners

Entrepreneurs and small business owners are both self-employed; however, they exhibit different attitudes. Small business owners are satisfied with whatever success they achieve and do not try to change much. On the other hand, entrepreneurs are always seeking to change and develop. They exhibit an energetic attitude, instead of being comfortable with their existing situation.

5. Innovation

Entrepreneurs are famous for their willingness to innovate and create new things. On the other hand, small businesses owners usually do something that is already being done by entrepreneurs.

6. Market share

The vision of entrepreneurs is quite often to influence and affect the entire world. Hence, their business usually has an impact on a large number of people, and their market share is usually quite high. On the other hand, small businesses have a smaller share of the market because they provide service to a small number of people.

Not for Profit Organizations

A not-for-profit organization does not earn any profits for its owners. Instead, the organization donates the money it receives to help fund the organization's objectives and goals. A not-for-profit might also use received donations to stay up and running.

In many cases, not-for-profits are tax-exempt, meaning they are not required to pay most taxes. However, businesses are not automatically exempt.

To achieve tax-exempt status, you must apply for it through the IRS. Qualifying not-for-profit organizations can apply for 501(c)(3) status to become exempt from federal income tax.

There are a couple of different types of not-for-profits. Some examples of not-for-profit organizations include:

1.Social organizations

2.Community organizations

1. **Social organizations**

Social organizations strive to improve or cater to social causes. These organizations may assist the homeless, provide free legal services, or help veterans find work.

A social organization's earnings typically come from donations or profits made from selling goods. Social organizations might use any profits to provide services to those in need or to fund the organization's goals and operations (e.g., supplies).

2. Community organizations

Most not-for-profit organizations are considered community organizations. They could range from small local groups to larger agencies with branches across the country.

Individuals establish community organizations to help with causes around the community. Some causes that community organizations might help with include cleaning up the community, improving neighborhoods, and promoting recycling locally.

The Contents in this E-Material is taken from the text and reference book as given in the syllabus.