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MODELS FOR STRATEGIC PERFORMANCE CONTROL AND EVALUATION OF THE COMPANY

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Abstract

Strategic control represents that sequence of the strategic management process in which the strategy to be applied is followed,existing and potential problems are being identified and neccessary corrections are being made in order to ensure compliance of the achieved performance with set standars.

Strategic control should allow the identification of problems generated by these changes and correction of the course of action based on intermediate performance that is registered succesively in the process of applying the strategic management model and then in that of full operation of the company based on the new model. This is achieved by permanent monitoring of the way in which the provisions of strategic plans are being administered, comparing achieved performance with the standards set by the plans. When the performance gaps exceed certain limits, corrective measure are take in order to restore the envisaged course of action on track. As the application of the strategic model progresses, the information collected from monitoring this process serve to review the strategy and update the strategic plans.

Strategic control involves the use of a wide range controls at the corporate, business and functional levels to guide, direct, motivate and support managers and employees in the evaluation of the percentage of objectives achievement.

Keywords: strategy, strategic control, strategic vigilence, evaluation model, performance, behavioural continuity, corporate social responsibility.

1. INTRODUCTION

The specialised literature dedicated to strategic management seems to lack a consistent authors' view on the sequence of actions that create the content of the relevant process, as well as on the breakdown into stages of the respective actions. Despite all the existing differences, the views of various authors still follow a consistent logic with respect to the performance of a series of actions that start with the analysis of a company's competitive environment and with the establishment of its strategic mission and ends with the appraisal of the performance achieved by applying the strategy and, if necessary, with a reconsideration and modification of the respective strategy. Verboncu and al. (2008) state that during application of the strategic management model, the policies and procedures that guide the actions in accordance with the strategic plans cannot ensure full compliance of the results of such actions with the standards set; therefore, strategic control and evaluation of the strategy are required. If the functional strategies offer a clearer view on the strategic objectives pursued and on the actions to be taken to attain them, the organizational structure provides the organizational support required for the achievement of the objectives, and personnel's involvement

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contributes to directing them towards adopting those elements that are suitable for achieving the strategy, control and evaluation are aimed at checking whether all efforts do contribute to the proper operation of the ensemble and accomplishment of the strategic management model, at emphasizing its feasibility in relation with the company's potential and capacity to take actions, as well as with the unexpected changes in the external environment. They ensure identification of the errors and inadvertences that could occur during implementation and, consequently, they allow for making the necessary corrections and revisions to the strategy, thus making feedback possible. Evaluation of performances implies measuring the results of the actions taken, whereas control appears as a comparison between the desired and actual outputs. Carpenter and Sanders (2009) consider that there are early warning signals that would prompt someone to start questioning a firm's strategy or its execution, or simply the reliability or competency of its leaders. Thus, exist certain indicators that reflect a variety of factors. The value-chain analysis tools are good qualitative indicators. Regular evaluation of the quality of a firm's strategy is another qualitative indicator. A strategy that does not fit with current external environmental conditions or the near-term environment will lead to organizational decline.

2. TYPES AND MODELS OF STRATEGIC CONTROL

If, as we shown, functional strategies provide a clearer picture of the pursued strategic objectives and the actions that need to be done to achieve them, the organizational structure provides the organizational support necessary to achieve the objectives and training the people contributes to their orientation towards adopting components favorable to the realisation of the strategy, control and evaluation are intended to verify that all the efforts contribute to the smooth functioning of the assembly and the implementation of the strategic model, to highlight its feasibility in relation to the potential and the capacity of action of the organization, as well as with the unpredictible changes in the environment. They ensure the identification of error or inconsistencies that may occur in the implementation process and thus making it possible to apply corrections or revisions that are imposed upon the strategy, ensuring thus reverse connection.

Another reason for which the strategic management model evaluation should be performed, depends on the extent to which managers' remuneration is linked to their performance. When the principles on which their remuneration is established favors targeting higher objectives and an achieving them at the same level, managers will be deeply interested in doing the evaluation of the strategic model, because they see it as an effective means of achieving the objectives they proposed (based on comparison of the results of applying the model to these objectives) and of higlighting the performance they have registered. But in practice, the relationship between the remuneration of managers and their performances is usually, poor, with many cases of promotions and pay increases even when the performance recored was modest; the explanation is that managers are the ones who usually make recommendations on their remuneration and, consequently, are less interested in the obtained performance and in the strategy evaluation. But when managers have the responsibility to achieve a certain strategic performance before setting remunaration levels, they will be truly motivated to make periodic evaluations of the strategy.

A third reason for the carrying out of the strategic evaluation is that it requires an adequate informational system for management, able to provide comprehensive, relevant and timely information on the results of applying the strategy. However, in the aquisition and use of this information, managers are selective, giving special attention to the positive and taking into account less those revealing weaknesses. But when the flow of unfavorable information increases, reflecting the emergence and development of concerning performance gaps, managers are forced to react and take corrective action to bring the envisaged course of action on track. However it is necessary, for each of the hierarchial levels of management, to establish the limits within which positive or negative performance gaps should alert managers located on these levels, so that they can react appropriately.

Classification of the types of control is based on several factors related to the nature of the quantities to be measured, in particular that of the objectives. They are associated with a hierarchy of importance and time horizon.

The views expressed in the literature about this problem are very different. Thus:

a) the more traditional approaches focus on the classic operational control, post-factum, which is designed to reveal if the performance of the organization is consistent with the set objectives. The focus is on resource allocation and use, the results are compared with certain performance standards to identify deviations. Control can be financial (costs, sales, profit, investment revenue and income remaining after paying loans, etc.) or non-financial (productivity, product quality, staff, relations with suppliers and customers, etc.).

b) This method is however improper or insufficient as a means of achieving control of the strategy. Given the time that elapses between the formulation and implementation of the strategy and achieving the objectives, the unpredictible and dynamic character of the business environment, the many changes that may occur outside and inside the company, a different type of control is required, namely the strategic control. Its role is to follow the attainment of the strategy during its implementation, to determine the changes in the basis assumptions (premises) and to provide the necessary corrections. Therefore, besides the post-factum control, strategic control takes other forms, such as:

- Anticipatory control – of the basic premises (assumptions) – aimed to verify these assumptions, established during the planning and implementation process, are still valid or that they should

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be changed or revised. In this framework, two groups of factor are selectively considered, namely those related to the global environment (growth rate, inflation, technology) and the evolving competitive environment, that influence the succes of the company in the industry (competitors, suppliers, substitutes, etc.);

- Actual control of the implementation, which has two main goals namely: to determine whether implementation of the overall strategic management model is carried out as planned or if corrections or changes need to be made; to identify critical moments, turning points in the organization occuring during implementation and that may involve, where appropriate, either the continuation or re-evaluation and revision of the model or the redirection of the organization;

c) Finally, a more inclusive conception, given the fact that it not only concerns the implementation phase (ie not only the actual control of the strategy), but also the formulation of the strategic management model, is that related to the establishment of a sysem of „strategic vigilence" in the company, which consists of monitorization (generally on selective basis) of the signals that announce major changes in the environment and at the level of the progress indicators in achieving the company's strategy.

The environmental monitoring system is centered on events that, if they would occur, could have an impact in the market and company. The priority supervision „fields" are: dynamic of the competition system and the behavior of the major competitors, before creating the model, but also in the implementation phase. The objective of such a system is to alert decision makers as quickly as possible on the sensitive points and to more quickly engage in corrective actions or subversion of strategic options, as well as to foster emerging strategies.

3. EVALUATION OF STRATEGY IMPLEMENTATION

The evaluation of strategy implementation also implies some qualititive criteria. The most popular evaluation model was developed by Seymour Tilles and focused on the following questions everyone who wants to implement a strategy needs to ask:

- Is the chosen strategy consistent? The mission, objectives and different elements of the strategy need to have a consistent logic. If, for example, it is wanted to extend the work of a family business by attracting additional capital through the conversion to a joint stock company, family control will not be able to be maintained. The owner and the manager will be two different persons.
- Is there a consistency between the chosen strategy and the environment? The strategy must be adapted to the environment and the objectives must take into account the operating context. For

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example, if the industry is in decline and there are unused overcapacities or if the economic cycle is in recession, an offensive or diversification strategy can not be adapted.

- Are there any available resources for sustaining a strategy? The chosen strategy must be sustained from an organizational point of view by ensuring necessary resources at the right time. If these resources are not available for the practical implementation of the plan of actions, the strategy remains a theoretical exercise.

The accurate estimation of the available and potential financial resources is key to any aquisition or development of new products.

- Is the assumed risk acceptable? Any strategy implies the possibility of failure due to environmental changes. Management assumes some risk for which it establishes a certain threshold. Exceeding it implies changes to the strategy.
- Is the time horizon of the strategy proper? The strategy must have a realistic time horizon, that permits the ensuring of human and material resources needed. There are numerous examples in which the deadlines were exceeded along with the increase of expenses. A narrow time horizon can mean supplementary resources, provided that they are not available.
- Is the chosen strategy feasible? The answer requires a quantitive analysis of the organizational capabilities and competencies. If the study for future situations, assumed stable or predictable, doesn't provide an acceptable chance of succes, the strategy must be revised.
- To these questions, in 1969, were added two more that demand the focused attention of the organizations on the human element, both in the organizational and external environment:
- Is the strategy in accordance with the values of those who create it? The strategy must fall on a line of behavioural continuity. Not „anything" can be done without affecting the behavioural model that stands for the image of the organization.
- Is the strategy socially responsible? The consequences that the strategy of the organization implies must also be acceptable to the other members of the society. The concept of corporate social responsibility means evaluating possible effects of a strategy in time and space limits larger than the strategic time horizon.
- The Tiles model was subsequently enriched, adapted and modernized, but the core essence of the questions remained the same.

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4. CONCLUSIONS

Therefore, the process of strategic control involves two stages:

- comparison of the current (actual) performance with the performance standard determining the corespondence degree between the two. Usually the comparisson reveals deviation, As such, managers need to specify acceptable deviations, and when the comparison result is unacceptable deviations it is necessary to take measures to redress the situation.
- correction involves two issues, namely: to correct performance and to correct strategic plans and performance standards.

However, strategic plans, standards and performance are evaluated thus achieving the evaluation of the strategy's performance.

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