13 Lesson

GUIDING, EVALUATING AND CONTROLLING STRATEGIES.CHALLANGES OF CHANGE: THE KEY SUCCESS FACTORS

Objectives

After studying this chapter, you should be able to:

- Study the criteria for evaluating strategic alternatives;
- Analyze guiding factors that responsible for development of Organizations.
- Discuss the criteria for analyzing strategic frame work
- Study importance and use of strategic process and control ;
- Evaluate different strategic control with different environment factors.
- Implement and maintain healthy strategic control.
- Study different strategic changes in Business Organisations
- Know the Key Success factors responsible for the guiding principles of Strategic management.

Structure:

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13.1 INTRODUCTION

In this ever changing globalised era of today, organizations need to have a guiding set of principles and practices to complete vigorously in order to gain a competitive advantage. Such guiding principles shall pave the way for the organnisations in achieving the stated goals and objectives. With such practices, employees across the orgainsations shall truly be motivated and directed for accomplishing organisaional excellence.

Without a set of proper guiding principles and practices, organizations will be radered difficult and ineffective to operate. Guiding principles make the organizations more focused in achieving quality and excellence. Such guiding principles further facilitate in evaluating and controlling the organizational strategies to create and add value to the ever changing demand of twenty first century organizations.

The business environment across all the sectors of economy is no more static. It predominantly changes over a period of time in the present era of Liberalisation, Privatizations and Globalization. Such changes in the external changes of success will be in increasing sphere with passage of time. Hence organizations need to follow certain guiding principles as the future is always uncertain and no more prediction made by experts in the field can hold arose in this dynamic and changing environment.

13.2 STRATEGIC EVALUATION: CRITERIA FOR EVALUATING STRATEGIC ALTERNATIVES

There are a number of different criteria for evaluating strategic alternatives. It would be very difficult to use all these criteria to get a satisfactory result simultaneously. However, to make the evaluation practically possible, all the criteria can be classified into three groups, viz., criteria of suitability, criteria of feasibility and criteria of acceptability.

(i) Criteria of Suitability: These criteria attempt to measure the extent to which the proposed strategies fit the situation identified in the strategic analysis. The situation should indicate the list of the important opportunities and the threats that the firm faces and the particular strengths and weaknesses of the firm.

The evaluation should measure the suitability of the strategy to the situation. The evaluation of suitability is also called the criteria of consistency. The strategy to be selected should meet the following criteria:

- To what extent, the strategy can overcome the difficulties identified in the strategic analysis? For example, can the strategy increase the market share of the company?
- To what extent the strategy can exploit the environmental opportunities by using the company's strengths? For example, can the strategy provide the status of leader in introducing the new product, under the stable market conditions?

- Does the strategy fit in with the company's objectives and values? For example, would the strategy fit in the recently signed agreement with the members of the Chamber of Commerce and Industry in the country?

(ii) Criteria of Feasibility: These criteria, assess the practical implementation and working of the strategy. For example, will the strategy of price-cut result in hike in profits under the competitive environment? The following questions need to be assessed at the evaluation stage:

- Can the company provide enough financial resources to implement the strategy? This can be examined by analysing future cash flows, company's commitments, ability and willingness of the management to budget the funds.
- Is the company capable of performing to the required level?
- Can the necessary market position be achieved? Will the necessary marketing skills be available?
- Can competitive reactions be coped with?
- How will the company ensure that the required managerial and operative skills be available?
- Will the technology be available to compete effectively?
- Can the necessary materials and services be procured?

(iii) Criteria of Acceptability: The third measurement is acceptability of the strategy. The firm should assess the strategy to decide whether the consequences of proceeding with a strategy are acceptable. The strategy should be acceptable to the strategy decision maker in the company. Therefore, acceptability involves not only the consequences of the strategy, but also the personal considerations like values of the strategy decision maker. The following factors will help to identify the likely consequences of the strategy after its implementation:

- What will be the financial performance of the firm in terms of profitability?
- How will the financial problems (like liquidity) be solved?
- What will be the effect on capital structure?
- Will any proposed changes be acceptable to the general cultural expectations within the organisation?
- Will the function of any department, group or individual change significantly?
- Will the company's relationship with outside stakeholders (like suppliers, bankers, customers) need to change?
- Will the strategy be acceptable to the company's environment (like local community)?
- Will the proposed strategy fit existing systems or will it require major changes?

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13.3 FRAMEWORK FOR EVALUATING STRATEGIC ALTERNATIVES

After developing a number of strategic alternatives, they should be evaluated against the criteria, in order to select the best strategy. The process of evaluation is discussed below. Fig. 13.1 depicts the proposed framework for undertaking a strategic evaluation. The steps in the process of strategic evaluation are:

(i) The first step is a strategic analysis in order to gain a clear understanding of the circumstances affecting the organisation's strategic situation.

(ii) The second step is to produce a range of strategic options.

(iii) The third step is to develop a basis of comparison. This may be available from the strategic analysis or may need to be specially developed.

(iv) It is helpful to establish the underlying rationale for each strategy by explaining why the strategy might succeed. This is often done in qualitative terms and by using techniques like scenario building product portfolio analysis and the assessment of synergy.

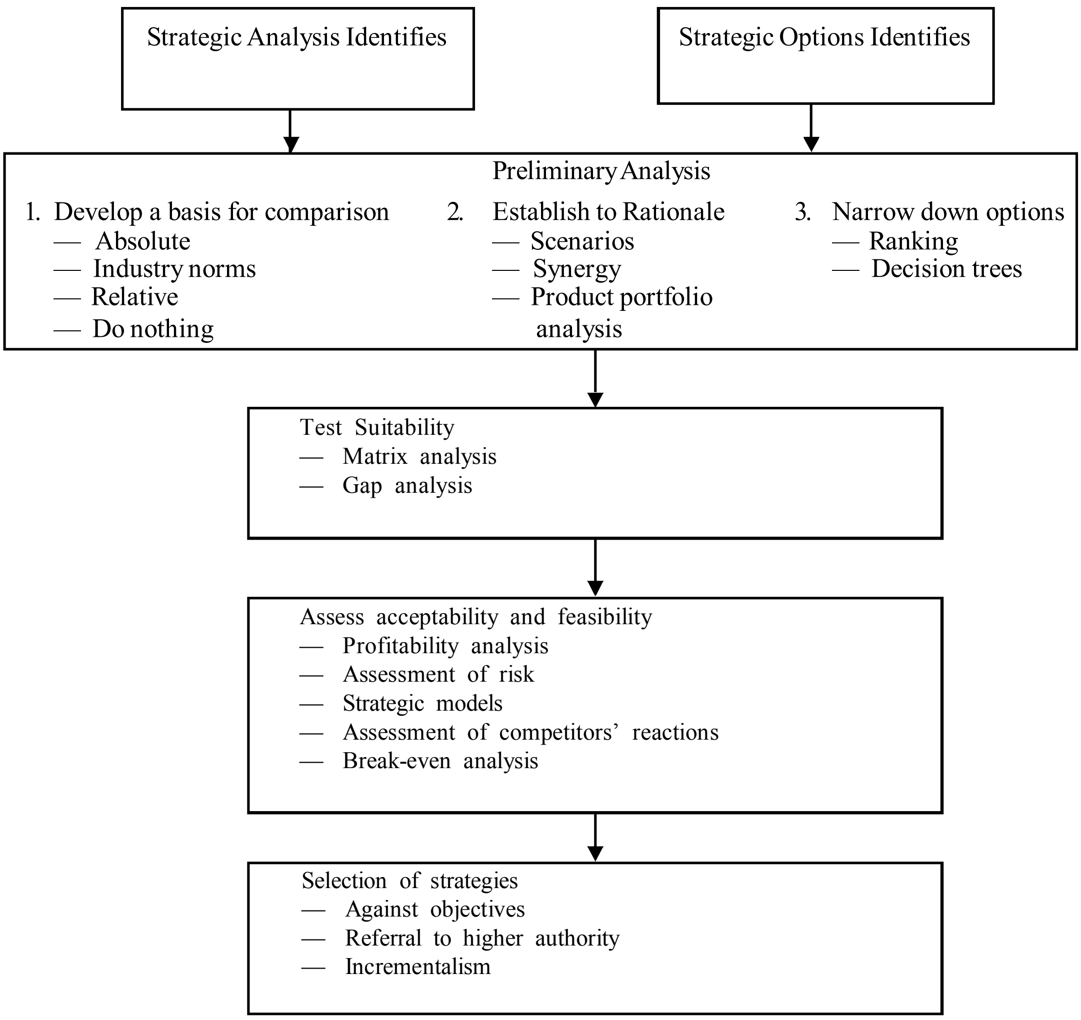

Fig. 13.1: A Framework for Evaluating Strategic Options

SOURCE :GERRY JOHNSON AND KEVEN SCHOLES, OP. CIT.,P-210.

(v) At this stage, the large number of strategic alternatives may be narrowed down, before a more detailed analysis is undertaken. Strategic alternatives may be ranked, based on their relative merits and demerits.

(vi) Suitability of each alternative should be tested. There are a number of techniques for testing. The specific choice of technique will depend upon the circumstances.

(vii) The next stage is assessing the feasibility and acceptability of strategies which appear reasonably suitable based on the analysis. The choice of the technique should be based on the circumstances of the company.

(viii) Finally, the company will need some system for selecting future strategies as a result of these evaluations.

13.4 A STRATEGY ANALYSIS FRAMEWORK

According to Fred D. David, significant strategy analysis techniques can be integrated into three-stage decision-making framework as presented in Fig. 13.2. The first stage of analytical frame work consists of the Internal Factor Evaluation (IFE) Matrix, the External Factor Evaluation (EFE) Matrix and Competitive Profile Matrix. These three techniques summarise the basic input information needed to generate feasible alternative strategies. Hence, this step is called input stage.

The second stage of analytical framework consists of Threats-Opportunities-Weaknesses-Strengths (TOWS) Matrix, Strategic Position and Action Evaluation (SPACE) Matrix, Boston Consulting Group (BCG) Matrix, General Electric (Nine-Cell Matrix), Directional Policy Matrix, Hofer's Life Cycle Matrix, Internal-External (IE) Matrix and Grand Strategy Matrix. This stage of analytical framework focuses on generating feasible alternative strategies. Key internal and external factors are matched in this stage. Hence, it is called 'matching stage.'

The third stage of the analytical framework is the decision stage. This stage helps to select specific strategies.

13.5 STRATEGIC CONTROL

Strategic control focuses on monitoring and evaluating the strategic management process to ensure that it functions in the right direction. The strategic control aims at achieving the results planned at the time of strategy formulation. Strategic control is a special type of organisational control.

13.6 PURPOSES OF STRATEGIC CONTROL

The basic purpose of strategic control is to help top management to achieve strategic goals as planned. To be specific, the purposes of strategic control are to answer the questions such as:

Are our internal strengths still holding good?

Have we added other internal strengths?

Are our internal weaknesses still holding good?

Do we have other weaknesses?

Are our opportunities still opportunities?

Are there new opportunities?

Are our threats still existing?

Are there new threats?

Are the decisions being made consistent with policy?

Are there sufficient resources to achieve the objectives?

Are events in the environment occurring as anticipated?

Are goals and targets being met?

Should we proceed with plans as we have formulated?

Are the organisational vision, mission and objectives appropriate to the changing environment factors?

Thus, strategic control provides feedback about various steps of strategic management to know, whether the strategic management processes are appropriate, compatible and functioning in the desirable direction.

13.7 PROCESS OF STRATEGIC CONTROL

The strategic control process consists of six steps. Top management, initially must decide what elements of the environment and the organisation need to be monitored, evaluated and controlled. The three key areas to be monitored and controlled are: the macro-environment, the industry environment and internal operations.

Step 1: Key Areas to be Monitored

Macro-environment: As stated earlier, one of the key areas to be monitored is the macro- environment of the company. This area should be focussed first. Normally, individual companies cannot influence the environment significantly. But, the external environmental forces must be continuously monitored as the changes in the environment influence the strategic implementation process of the company. As discussed in the earlier chapters, continuous strategic fit between the company and its external environment is necessary. Therefore, strategic control is essential.

Strategic Monitoring and Control Includes: Modifying any one or more of the areas like company's mission, objectives, goals, strategy formulation and strategy implementation. The modification depends upon the nature and degree of changes and shifts in the environment.

Industry Environment: The strategist also monitors and control the industry related environment. The environmental forces may not be as they were planned. The changes in the environment may provide new opportunities or pose new threats. The strategy, therefore, should be modified accordingly. Thus, the purpose is to modify the company's strategy, goals and operations in order to capitalise the new opportunities and defend against the new threats effectively. The industry environment of the future should be considered by the top management for the purpose of strategic evaluation and control.

Internal Operations: The strategist has to evaluate the internal operations continuously in view of the changes in the macro-environment and industry environment. The strategist has to introduce changes in internal operations when the changes in the environment affect the strategy.

Step 2: Establishing Standards

Evaluating an organisational performance is normally based on certain standards. These standards may be the previous year's achievements or the competitor's records or the fresh standards established by the management. Qualitative judgements like the qualitative features of the product or service in the last year may be used. Quantitative measures like return or investment, return on sales may also be used for judging the performance. Companies should establish the standards for evaluating the performance of the strategies taking several factors into consideration.

- The standards may include:
- Quality of Products/Services.
- Quantity of Products to be Produced.
- Quality of Management.
- Innovativeness/Creativity.
- Long term investment value.
- Volume of sales and/or market share.
- Financial soundness in terms of return on investment, return on equity capital, market price of the share, earnings per share, etc.
- Community and environmental responsibility in terms of amount spent on community development, variety of facilities provided to the community, programmes undertaken for the environmental protection and ecological balance, etc.
- Production targets, rate of capacity utilisation, design of new products, new uses of existing products, rate of customer complaints about the product quality, suitability of ingredients, etc.
- Soundness of human resource management in terms of number of employee grievances, employee satisfaction rate, employee turnover rate, industrial relations situation, etc.
- Ability to attract, develop and retain competent and skilled people.
- Use of company's assets.
- Production targets, rate of capacity utilisation, design of new products, new uses of existing products, rate of customer complaints about the product quality, suitability of ingredients, etc.
- Corporate image among the customers and general public.

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- Market place performance.
- Standards relating the organisational variables include freedom and autonomy, level of control, responsibility, formal organisation and degree of formality, informal organisation.

Step 3: Measuring Performance

The strategist has to measure the performance of various areas of the organisation before taking an action. Strategic audits and strategic audit measurement methods are useful to measure the organisational performance.

Strategic Audit

A strategic audit is an execution and evaluation of organisation's operations affected by the strategy implementation. Strategic audit may be very comprehensive, emphasising all facets of a strategic management process. It may also be narrowly focused, emphasising only on a single part of the process such as environmental process. Strategic audit may be quite formal adhering to organisational rules and procedures. It may be quite informal providing freedom and autonomy to the managers to take decisions. The strategic audit must work to integrate related functions. Hence, the strategic audits are carried out by cross-functional teams of managers.

Strategic Audit Measurement Methods

Generally accepted methods may be used to measure organisational performance. These methods can be broadly divided into two categories, *viz., (i)* Qualitative Methods and *(ii)* Quantitative Methods.

(I) Qualitative Methods

Qualitative measurements are in the form of non-numerical data that are subjectively summarised. These measurements are organised and provided to the strategists for decision-making and strategy control action. Critical questions are designed to reflect important facets of organisational operations. Answers to these questions form as the basis for measurements. There are no universally acceptable list of questions by all companies.

Is organisational strategy appropriate, given organisational resources? Strategy implementation invariably requires the allocation of sufficient resources. Therefore, the strategist should enquire, whether the existing organisational resources are sufficient to carry out a proposed strategy? The strategist should not implement the strategy, without the allocation of sufficient money, material, machines/technology and human resources.

Is the time horizon of the strategy appropriate? Organisational strategies are formulated to achieve specific goals within a time framework. The strategist should require whether the time framework, under the existing circumstances is realistic and acceptable? Organisational goals cannot be achieved satisfactorily, if there is inconsistency between these two variables:

Qualitative measurement methods are efficient and are useful. But applying them relies mostly on human judgement. Conclusion based on such methods should be drawn carefully due to the subjectivity of the judgement.

(II) Quantitative Methods:

Under quantitative organisational measurements of the performance of strategy implementation is taken place in the form of numerical data. The numerical data can be summarised and organised to draw conclusions and to recommend strategic action. Quantitative measurements can be used to evaluate:

(i) Number of units produced per time period,

(ii) Cost of production, cost of marketing,

(iii) Productivity and production efficiency levels,

(iv) Employee turnover, absenteeism levels,

(v) Sales and sales growth market shares,

(vi) Profit-gross, net, earning per share, dividend rate, return on equity, market price of the share,

(vii) Cost of production,

(viii) Cost of marketing, etc.

Organisations design and use their own methods to evaluate the performance quantitatively. The commonly used methods include:

Step 4: Compare Performance with Standards

Once the performance of the different aspects of the organisation is measured, it should be compared with the predetermined standards. Standards are set to achieve the already formulated organisational goals and strategies. Organisational standards are yardsticks and benchmarks that place organisational performance in perspective. The strategists should set standards for all performance areas of the organisation based on the organisational goals and strategies. Normally, the standards vary from one company to the other company. Further, they also vary from time to time in the same company. The standards developed by General Electric can be used as model standards. These standards include.

1. Profitability Standards: These standards include how much gross profit, net profit, return on investment, earning per share, percentage of profit to sales the company should earn in a given time period.

2. Market Position Standards: These standards include total sales, sales-region-wise and product-wise, market share, marketing costs, customer service, customer satisfaction, price, customer loyalty shifts from other organisations' products etc.

3. Productivity Standards: These standards indicate the performance of the organisation in terms of conversion of inputs into outputs. These standards include capital productivity, labour productivity, material productivity, etc.

4. Product Leadership Standards: These standards include the innovations and modifications in products to increase the new uses of the existing product, developing new products with new uses, etc.

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Step 5: Take No Action if Performance is in Harmony with Standards

If the performance of various organisational areas match with the standards, the strategist need not take any action. He should just allow the process to continue. However, he can try to improve the performance above the standards, if it would be possible, without having any negative impact on the existing process.

Step 6: Take Corrective Action, if necessary

Strategist should take necessary corrective action, if performance is not in harmony with standards.

The strategists compare the performance with standards. If they find any deviation between the standards and performance, they should take corrective action to bridge the gap between the standards and performance.

Causes of Deviations: It is very easy to conclude that someone made a mistake, when deviations are identified. But, the deviation may be the result of an unexpected move by a competitor, a typical whether patterns or changes in external environment. Therefore, the strategist should consider the following before making a decision, in this regard:

- Was the cause of deviation internal or external?
- Was the cause random, or should it have been anticipated?
- Is the change temporary or permanent?
- Are the present strategies still appropriate?
- Does the organisation have the capacity to respond to the change needed?

Corrective Action: Corrective action may be defined as change in a company's operations to ensure that it can more effectively and efficiently reach its goals and perform up to its established standards.

Strategies that do not achieve standards produce three possible responses, *viz., (i)* to revise strategies, *(ii)* to change standards, and *(iii)* to take corrective action in the existing process without changing standards and strategies. Strategy change may require a 'fine tuning' of the existing strategy or complete changes in strategies. If it is realised that the existing standards are unrealistic under the present conditions, the strategist should reset the standards taking the existing conditions into consideration.

Corrective action may be as simple as increase in the price or may be as complex as change the chief executive officer. Deviations require re-examination of the company's mission, objectives, relationship to its environment, internal strengths, weaknesses and strategies.

13.8 RELUCTANCE TO USE STRATEGIC CONTROL

Strategists are motivated to formulate and implement strategies. But most of them are reluctant to perform the strategic control function. Strategist may not *(i)* realise the importance of strategic control, *(ii)* have time to conduct long term analyses, *(iii)* perform long-term performance as being of equal importance to short-term performance, or *(iv)* be evaluated on long-term basis.

How to Make Strategic Control Creative?

Lorange, Morton and Ghoshal make the following recommendations for keeping strategic control creative and viable.

(i) Use strategic control teams drawn together from various parts of the organisation. Better follow the informal organisation structure and the cross lines of authority to draw individuals with new insights. Composition of the strategic control team should change regularly to assure fresh ideas and avoid stagnation.

(ii) Top management must be involved in the interpretation of key success factors and how they are monitored.

(iii) Strategic control must focus on bottlenecks in the critical success factors and on changes in the success factors.

(iv) Flexibility must be obtained within the strategic control process so that budgets, formats, agendas, and other organisational procedures can meet the demands of the particular control context.

13.9 STRATEGIC CONTROL AND ENVIRONMENTAL FACTORS

The environment of the organisation is the greatest determinant of the appropriateness of the strategies. Stable environments often allow the organisation to maintain its strategic momentum or direction. Dynamic environments force the organisation to change the strategic momentum or direction frequently. Further, organisations in such environments require control techniques designed to allow the organisation to make strategic leaps.

1. Strategic Momentum Control

This form of strategic control reconfirms that the assumptions on which strategies have been constructed are still valid despite environmental turbulence and change. New strategies are simply extensions of the current strategy. The role of control is to enable the company to make modifications in strategies.

2. Strategic Leap Control

Organisational environment may be dynamic. Firms operating in dynamic environment probably have major shifts in strategies and their assumptions may require more drastic changes. Lorange *et. al*., label this form of strategic control needed as the 'strategic leap'. Developing and maintaining control in such an environment need new strategic rules and to cope with emerging environmental realities. Therefore, the strategies, under dynamic environments should redefine the rules for developing and operationalising strategies. There are four forms of strategic leap control, *viz., (i)* strategic issue management, *(ii)* strategic field analysis, and *(iii)* systems modelling, and *(iv)* scenarios.

***(i)* Strategic Issue Management:** Strategic issue management involves the identification of one or a few key issues that are perceived as crucial to an organisation to

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achieve its performance objectives. Strategic issue management is designed to reduce the chances of an organisation being caught unaware by a major environmental change. These control techniques encourage the company to remain sensitive to potential environmental changes, plan appropriate actions for changes and avoid becoming locked into a particular course of action.

***(ii)* Strategic Field Analysis:** It is a way of examining the nature and extent of synergies that exist or are lacking between/among components of an organisation. This examination allows the managers to exploit the opportunities provided by the environment.

***(iii)* Systems Modelling:** Systems models are typically computer-based models trying to capture the administrative realities of an organisation and how it interfaces with its environment.

***(iv)* Scenarios:** Scenario planning focuses on qualitative aspects of the organisation broad trends, describing alternative major scenarios and developing an assessment of which scenario is most likely.

Moving from Momentum to Leap and *Vice Versa*

The environmental factors may change from stable to dynamic and *vice versa*. The strategist should also change from momentum to leap control and *vice versa* depending upon the nature of the environment.

13.10 IMPLEMENTING STRATEGIC CONTROL

Strategic control is the primary responsibility of the strategist who formulated the strategy. However, it is the responsibility of all members of the organisation. All employees participate in the strategy implementation. Therefore, all employees can contribute to the control of strategic implementation process.

1. Role of the Strategy Planning Staff

Normally, the role of strategy planning, formulation, implementation and control go hand-in-hand. But, in some companies the roles of planning and control of strategy are separated. This practice is unfortunate as performing these two functions separately by two managers is too often inflexible and bureaucratic. Planning without control eliminates feed forward and control without planning eliminates feedback.

The best results of strategic control are achieved when the planning and control staff works as a team. When a strategic control team member represents a cross-section of the organisation, a number of advantages are likely to occur. Better judgments and insights should result from a diverse group. The team serves as a sounding board for the ideas of individual managers. Involvement in implementation and control gives other members a better comprehension of the problems associated with the new strategy.

2. Role of Top Management

Top level managers are primarily responsible for strategy formulation, analysis and implementation. Therefore, they should understand strategic control and take actions implies in the control process. Top managers should have a vision about the possible changes in the environment and their possible affect on the current strategy and feed this information forward to the staff at the ground. They must be committed to the strategic control process. Top managers are in leadership position and as such they should influence the organisational members in strategic control process.

13.11 SUCCESSFUL MAINTENANCE OF STRATEGIC CONTROL

Successful maintenance of strategic control is important from the long-run point of view. According to this model, top managers must ensure that four interrelated organisational variables are consistent and complementary. They are: *(i)* organisational structure, *(ii)* reward system, *(iii)* information systems, and *(iv)* organisational value systems or cultures.

Quinn argues that implementing strategy and controlling its progress are actually a series of incremental steps. Quinn suggests that the managers should do the following to implement strategic and control the strategy successfully.

1. **Create pockets of commitment:** Executives provide broad goals, a proper climate, and flexible resource support. By allowing various groups to develop and present proposals for strategies, managers are able to build commitment among the groups to support the strategy finally selected.

2. **Maintain objectivity:** Managers should avoid taking a stand on issues too early in the generation and evaluation process. When managers take a position, the generation of new alternatives often ceases and the evaluation of existing alternatives is often biased by the position of the top manager.

3. **Eliminate options two levels down:** Managers can maintain their position of neutrality and avoid rejecting proposals by encouraging, discouraging, or killing options through subordinates.

4. **Crystallize focus and consensus:** By controlling membership on committees, managers are able to influence, and if desired, receive the proposals wanted. Properly selected committees can broaden support for and increase commitment to new strategies.

5. **Empower champions:** Managers are given responsibility for developing new ideas and programmes early. As the programme is evaluated and gains support, these individuals tend to become committed to the programme or strategy. Once it is given final approval, these managers are then willing to champion the strategy and to guide it through whatever hurdles are necessary to get it operating effectively.

6. **Develop strategies incrementally, but not piecemeal:** Part of management's responsibility is to make certain that strategies are integrated and appropriate for the environment in which the firm is operating. Strategies may be developed in incremental steps, but they must be made to fit together in a unified, integrated, and cohesive whole.

7. **Recognise continuing dynamics:** Strategies do not remain constant and fixed for long periods. Part of the executive's responsibility is to gain consensus and support for the new strategy, but at the same time room must be maintained to modify or terminate the

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strategy. Managers should use discretion in making certain that the organisation does not become overcommitted to the new strategy and unwilling to change at some future point.

13.12 STRATIGIES OF CHANGE

The term 'Change' implies to the creation of imbalances in the existent pattern or situation. Adjustment among people, technology and structural set up is established when an organisation operates for a long time. People adjust with their jobs, working conditions, colleagues, superiors etc. Similarly, an organisation establishes relationship in the external environment. Change requires individuals and organisations to make new adjustments. Complexity and fear of adjustment give rise to resistance and problem of change. Human resource is an important factor in the adjustments among individuals as well as between the organisation and environment, as an organisation is mostly composed of people. Individual members can resist either individually or in group.

Change could be both reactive and proactive. A proactive change has necessarily to be planned to attempt to prepare for anticipated future challenges. A reactive change may be an automatic response or a planned response to change taking place in the environment.

13.13 TYPES OF CHANGES

Changes can be broadly divided into: *(i)* Work change; and *(ii)* Organisational change. Work change includes changes in machinery, working hours, methods of work, job enlargement and enrichment, job-redesign or re-engineering. Change may also be in the working hours like morning shifts, evening shifts, operation of the organisation on Sundays/ Holidays.

Changes relating to organisation include change in employees due to transfers, promotion, retrenchment, lay-off, restructuring or organisation, introduction of new products or services, imposition of regulation, changes in organisational goals or objectives etc.

13.14 STRATEGIES OF CHANGE

Strategies of change include:

- Expansion and Diversification
- Joint Ventures
- Absorption, Amalgamation and Takeovers
- Organisational restructure
- Introduction of new production and product modifications
- Entry to new markets and withdrawal from existing markets
- Exports
- Licensing, franchising and management contracts

Offensive Strategies:

- Attacking competitor's strengths
- Attacking competitor's weaknesses
- Simultaneous attacks on many fronts
- End-run offensives
- Guerrilla offensive strategies
- Pre-emptive strategies

Defensive Strategies:

- Defensive strategies include:
- Protecting company's competitive position, and
- First mover advantage.
- Turnkey projects
- Low cost, high quality strategies
- Differentiation strategies

13.15 TECHNOLOGY AND CHANGE

Change is the order of the day. 'Change, before change changes you' and 'change or decay' are the buzz phrases the day. The factors that force the change include: nature of the workforce, technology, economic shocks, competition, social trends and world of politics.

Forces for Change

Force		Examples
Nature of the workforce	:	• Cultural diversity and the need for unification
		• Increase in professionalisation
		• Increased formal education
		• Increased level of soft skills
		• Positive attitude
Technology	:	• Faster and cheaper computers
		• Total Quality Management
		• Business Process Reengineering
Economic Shocks	:	• Asian real estate collapse
		• Russian devaluation of the ruble

		• Changes in oil prices (decline \$22 a barrel to \$13 in the late 1990s)
Competition	:	• Global Competitors
		• Mergers and Acquisitions
		• E-business
		• Customer Relationship Management and Quality
Social Trends:		• C102 (Career first and others second)
		• Increased career orientation among young ladies
World Political System	:	• Collapse of the Soviet Union
		• Opening of Markets in China and China becoming a number of WTO
		• Black rule of South Africa

Source: Stephen P.Robbins, "*Organisational Behaviour*", Prentice Hall of India Ltd., 2001, p. 540.

Just as necessity is the mother of invention, competition and a host of other reasons are responsible for the rapid technological changes and innovations all over the world. As a result of these changes, technical personnel, system specialists, technical workers and machine operators are increasingly required while the demand for other categories of employees has declined. But it is found that the supply of former category of employees is less compared to the demand for the same. Hence, procurement of skilled employees and maintaining them is highly essential. Further, the changes in technology continuously demand the existing employees to upgrade their skills and knowledge.

Human resources development techniques help the employees to acquire new skills and knowledge necessary to carry out the changed duties due to up-gradation of technology. Technology replaces human resources.

Technology is the most dramatic force shaping the destiny of people all over the world. Technology is self-reinforcing and in a big way affects society. In fact, technology reaches people through business. It increases the expectations of the customers. It brings social change and makes social system complex.

The impact of technology on human resources is significant, direct and complex. The impact of technology on HRD is through *(i)* jobs becoming intellectual, *(ii)* need for bio-professional and multi-professional managers, *(iii)* change in organisation structure, *(iv)* TQM and *(v)* BPRE.

Change Agents: Change agents foresee the possible changes in technology, product and markets, plan for modifications in the company and implement the modifications. According to Robbins, change agents are, "*persons who act as catalysts and assume the responsibility for managing change activities*." Thus, change agents are responsible for managing change activities. Change agents are employees or managers or executives of a company or outside management consultants.

The activities of change agents include:

- Changing organisational structure
- Changing technology
- Changing the physical setting and
- Changing people.

Changing Organisational Structure: Change agents introduce changes in the existing organisational structure. These changes include selecting a new approach of organization design like team structure, empowerment, open and flexible structure. In addition, change agents introduce matrix structures, flat structure and simple and dynamic structure.

Changing Technology: Change agents introduce new innovative technology equipments, tools, machines, operating methods, new ideas, new knowledge etc. Under the competitive environment, automation and information technology based techniques include Business Process Reengineering, Supply Chain Management and Enterprise Resource Planning. The change agents, in recent times, implement these new techniques.

Changing the Physical Setting: Change agents also introduce changes in physical lay-out of the factory, office, stores, space configurations, furniture based on ergonomics, decorations and colour.

Changing People: Change agents play a significant role in changing the attitudes, values, norms, aptitude, behaviour, leadership skills, team building skills, openness, communication abilities, problem solving abilities etc.

Once the strategy is formulated, it is to be implemented. The management should guide the executives who implement the strategy for proper implementation. Guiding strategy implementation include revising vision, mission and strategies, craft programs to implement strategies include detailed activities, integrate programs, roll-up programs, and put these programs into actions.

After the process of strategy implantation is started the strategy implementation should be evaluated. The evaluation process include comparing the implementation process with the guiding process and making sure that the process is carried-out as per the guide to strategy implantation.

Once the strategy is formulated and implemented, there is no guarantee that the strategy is implemented as it is designed and the strategy generates the results as aimed at. Therefore, the strategist has to evaluate the strategy and its programme to assess whether the implementation of the strategy is as per the strategic plan. Further, a number of deviations either in the external environment or in organisational environment may take place. These deviations, may necessitate a change in the strategy. These changes also require a strategic evaluation and control.

Control consists of making something happen the way it was planned to happen. According to Henri Fayol, control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established. It's objective is to point out weaknesses and errors in order to rectify them and prevent

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recurrence. It operates on everything, things, people, actions. The control function includes three procedures, *viz., (i)* measuring actual performance, *(ii)* comparing actual performance to standards, and *(iii)* taking corrective action to ensure that planned events actually occur. Fig.1 shows the model of control process.

Work Continues	No Corrective Action Necessary	Performance Equivalent to Standards
Measure of Controlling Begins	Compare Performance Measurement to Standards	Performance Significantly
New Work Situation Begins	Take Corrective Action, Change plans, organisation, and/or Influencing Methods	Different from Standards

Source: Samuel C. Certo, "*Modern Management*," 1994, p. 436.

Fig. 1: General Model of Control Process

Three Types of Control: There are three types of managerial control, *viz.,* preliminary control, concurrent control and feedback control. These three types of managerial control are presented in Fig. 2.

Human, material, capital and financial resources acquired and combined in organisation	Within which planned activity occurs	Leading to results achieved
Preliminary control	Concurrent control	Feedback control

Fig. 2: Three Types of Managerial Control

Preliminary control focuses on preventing the possible deviations in the quality and quantity of resources. Human resources must meet the job requirements. The materials must meet acceptable levels of quality and other specifications. Financial resources must be available at reasonable cost in the right time. Concurrent control monitors ongoing operations to ensure that objectives are pursued. Feedback control methods focus on end results. Corrective action is directed at improving either the resource acquisition process or the actual operations

13.16 KEY SUCCESS FACTORS

1. Engagement: The most important factor to craft, implement and evaluate a strategy of change is engagement and involvement of employees in the entire process. Employee involvement and engagement allow the employees to share their ideas which in turn enhance the quality of strategy and strategy implementation process.

2. Communication: Strategy formulation, implementation and evaluation process to be successful should be informed to all concerned by following upward, downward, horizontal and cross-communication. Senior management should follow downward communication, lower level management should follow upward communication and all managers should follow horizontal and cross communication to flow the information in the entire organisation.

3. Innovative: Management should encourage employees to be creative and innovative in crafting, implementing and evaluating strategies of change. Employees should be encouraged to be entrepreneurs in designing innovative strategies, implanting strategies innovatively and evaluate strategies of changes creatively.

4. Project Management: Implantation of every strategy of change should be based on project management. Project management is an integrated approach of implementation of all aspects of strategies.

Culture: Organisational culture is referred to attitudes, beliefs, values and behaviours of its employees. Therefore, management should consider the culture of all its employees rather than just the top management. Therefore, to make crafting, implementing strategies and evaluating strategy implantation successfully.

13.17 SUMMARY

Evaluation and control play a central role in the strategic management process to assess how things are going at every process in the organisaiton. Whatever action is necessary to improve performance can be evaluated and know how good our strategic plans are implemented. The information we know from evaluating enables us to work out for better control over process.

We evaluate and control for three good reasons. To ensure that the organisation is headed in the right direction, to provide guidance on how good performance can be achieved , we plan for ability to produce desired results. How the evaluation and control process works is quite strategic in nature. Our performance objectives, compare actual performance against objectives, take whatever action is necessary to improve performance. By setting proper initiative, the objectives the organisation is forced to and re-examine its targets with outcomes.

Performance objectives should be set in those areas most critical to success, and the level of performance set should constantly be examined to ensure realistic and in tune with present and anticipated conditions. Evaluation and control do not merely look at the implementation process, they should also be used to assess the validity of the strategic plan itself. Strategies fail because not enough attention is paid to important things. While proper evaluation and control may not altogether save an organisation from ruin, it can help the organisation.

Notes

13.18 SELF ASSESSMENT QUESTIONS

1. Explain the importance of evaluation and control to the strategic
2. Compare and contrast different control techniques in terms of their advantages and disadvantages;
3. Decide which control technique (or combination of techniques) would be most suitable for a given context;
4. Describe a practical framework for evaluating strategies;
5. Identify and explain the characteristics of an effective control system; and
6. Explain the reasons for strategic failure.
7. How strategic Change in Organisations can change the business environment. State burning examples
8. Strategic change is a change in the long term plan for healthy business-Explain