

STRATEGIC MANAGEMENT

Lesson 10: Strategy Evaluation

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Chapter Description

- Expected Outcomes
 - Demonstrate the ability to describe how to evaluate strategies.
 - Demonstrate the ability to explain the importance of contingency planning.
- References
 - David, F.R. (2013). Strategic Management: Concept & Cases, 14th Edition. Prentice Hall



Strategy Evaluation: The Process

Necessary for
all sizes &
kinds of
companies

Should be
performed on
a continuing
basis

Involve as
many
employees as
possible

If expectations
differ from
forecasts,
should revisit
strategy
formulation



Strategy Evaluation

Timely evaluations can reveal potential problems before they become critical.

Three Basic Activities:

1. Examining
Company's
Current Strategy

2. Measuring
Company
Performance

3. Taking
corrective
actions



1. Examining Company's Current Strategy

- Review company's strategy by developing a revised EFE Matrix and a revised IFE Matrix.

Revised IFE Matrix

Looking at the changes of company's INTERNAL strengths + weaknesses.

Revised EFE Matrix

Looking at how effective the company's strategies responding to EXTERNAL opportunities + threats.



2. Measuring Company Performance

ACTIVITIES:

Compare expected results VS actual results

Investigate deviations from plans

Evaluate individual staff performance

Examine progress toward meeting agreed objectives



2. Measuring Company Performance

Reason for Failure:

- Unreasonable policies
- Unexpected economy downturn
- Unreliable suppliers or distributors
- Ineffective strategies
- Ineffectiveness or inefficiency in process or production



3. Taking Corrective Actions

Altering an
company's
structure

Replacing key
individuals

Selling a division

Reassess the
business
mission

Establishing &
revising
objectives

Devising new
policies

Adding
additional
salespersons

Allocating
resources

Developing new
performance
incentives



Contingency Plan

An alternative plans, if certain key events do not occur as expected.

E.g.: Natural disasters, Strikes, boycotts, new competitors & government actions

Developed to minimize the impact of potential threats



END