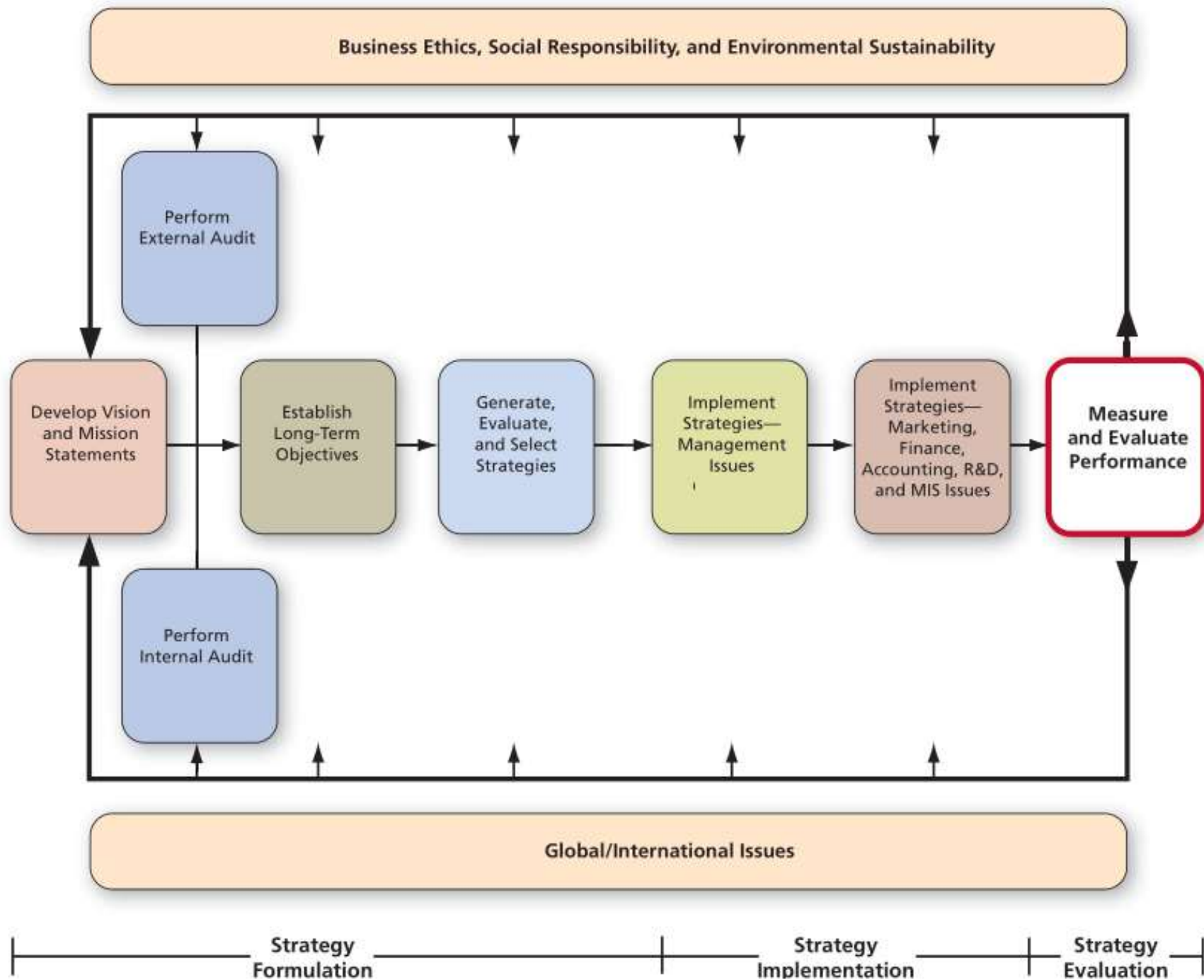


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Strategy Review, Evaluation, and Control





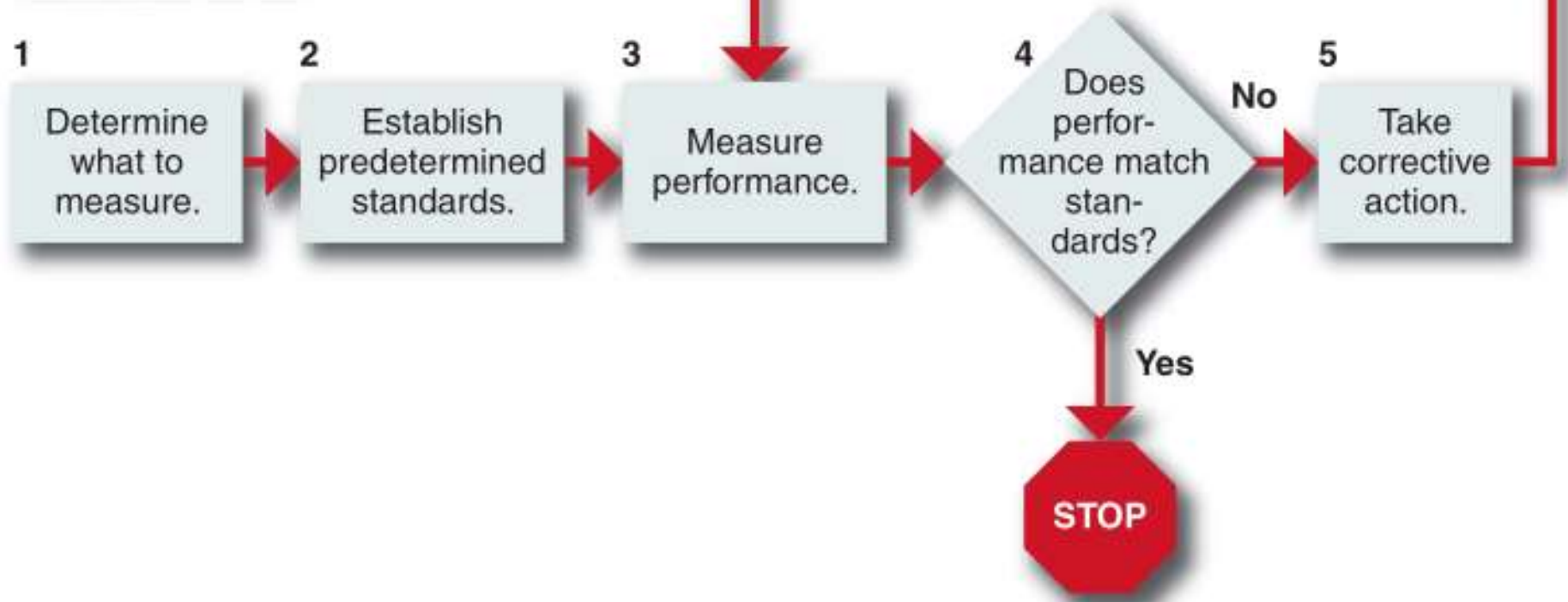
Tujuan Kuliah



- Menjelaskan
 1. Pengertian evaluation and control
 2. Strategy evaluation and control
 3. Types of control systems
 4. The Balanced Scorecard

Evaluation and Control

Evaluation and Control Process



Performance

A Sample Framework for Measuring Organizational Performance

Factor	Actual Result	Expected Result	Variance	Action Needed
Corporate Revenues				
Corporate Profits				
Corporate ROI				
Region 1 Revenues				
Region 1 Profits				
Region 1 ROI				
Region 2 Revenues				
Region 2 Profits				
Region 2 ROI				
Product 1 Revenues				
Product 1 Profits				
Product 1 ROI				
Product 2 Revenues				
Product 2 Profits				
Product 2 ROI				

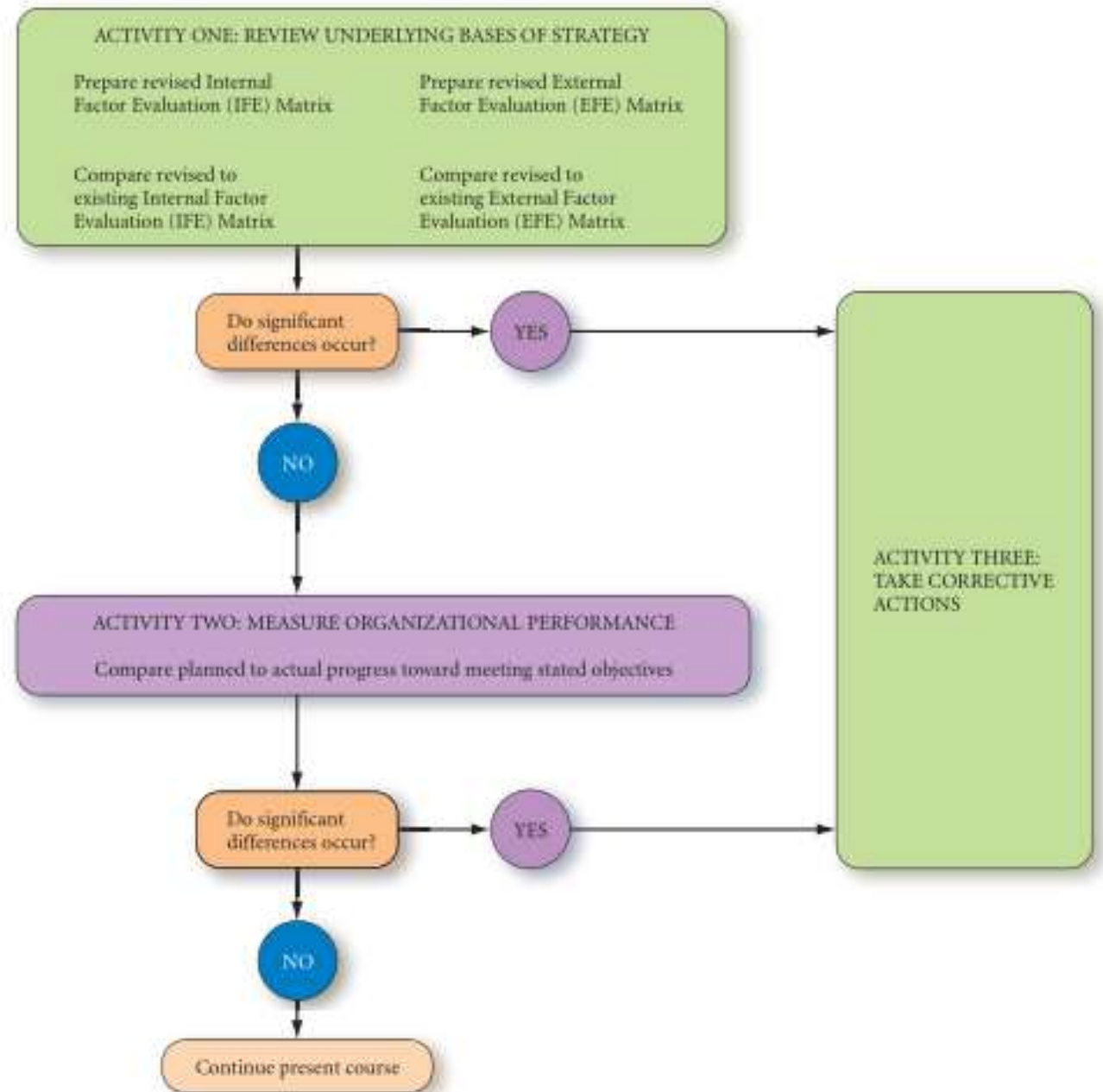
ROI, return on investment.

Corrective Actions

Corrective Actions Possibly Needed to Correct Unfavorable Variances

1. Alter the firm's structure
 2. Replace one or more key individuals
 3. Divest a division
 4. Alter the firm's vision or mission
 5. Revise objectives
 6. Alter strategies
 7. Devise new policies
 8. Install new performance incentives
 9. Raise capital with stock or debt
 10. Add or terminate salespersons, employees, or managers
 11. Allocate resources differently
 12. Outsource (or rein in) business functions
-

Strategy Evaluation (Fred David)



A Strategy-Evaluation Framework

Strategic Control

- Strategic control is the process of setting targets and monitoring, evaluating, and rewarding organizational performance.
- Managers should develop strategic control systems that measure all important aspects of their organization's performance.
- Control takes place at all levels in the organization: corporate, divisional, functional, and individual.
- Effective control systems are flexible, accurate, and able to provide quick feedback to strategic planners

Hill & Jones, 2011

Types of Control Systems

(Wheelen, Hunger, Hoffman & Bamford, 2015)

- **Output controls** specify what is to be accomplished by focusing on the end result of the behaviors through the use of objectives and performance targets or milestones.
 - Sales quotas, specific cost-reduction, profit objectives, surveys of customer satisfaction
- **Behavior controls** specify how something is to be done through policies, rules, standard operating procedures, and orders from a superior.
 - Following company procedures, making sales calls to potential customers, and getting to work on time, ISO 9000 and 14000
- **Input controls** emphasize resources, such as knowledge, skills, abilities, values, and motives of employees.
 - Number of years of education and experience

Types of Control Systems

(Hill & Jones, 2011)

Types of Control Systems

Financial Controls	Output Controls	Behavior Controls	Organizational Controls
Stock price	Divisional goals	Budgets	Values
ROI	Functional goals	Standardization	Norms
	Individual goals	Rules and procedures	Socialization

I. Financial Controls

- Stock price
 - the price of the stock is determined competitively by the number of buyers and sellers in the market
 - indication of the market's expectations for the firm's future performance
- Return on investment (ROI)
 - dividing net income by invested capital
 - the performance of the whole company can be evaluated against that of other companies
- Return on equity (ROE)
- Profit margin
- Market share
- Debt to equity
- Earnings per share
- Sales growth
- Asset growth

II. Output Controls

1. Divisional Goals

- Efficiency, quality, innovation, and responsiveness to customers, market share

2. Functional and Individual Goals

- Efficiency (such as cost of sales), quality (such as number of returns), and customer responsiveness (such as the time needed to respond to customer needs)
- Individual employees are expected to achieve to allow the function to achieve its goals

III. Behavior Controls

- The objective of using behavior controls is not to specify the goals but to standardize the way of reaching them

1. Operating budget

- A blueprint that states how managers intend to use organizational resources to achieve organizational goals most efficiently

2. Standardization

- **Inputs:** people and resources
- **Conversion activities:** activities are done the same way time and time again
- **Outputs:** the dimensions or tolerances the product should conform to

3. Rules and Procedures

- Rules constrain people and lead to standardized, predictable behavior

IV. Organizational Controls

Organizational Culture

Specific collection of **values** and **norms** that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization

Organizational Values

Beliefs and ideas about what kinds of goals members of an organization should pursue
Microsoft: entrepreneurship, ownership, honesty, frankness, and open communication

Organizational Norms

Unwritten guidelines or expectations that prescribe the kinds of behavior employees should adopt

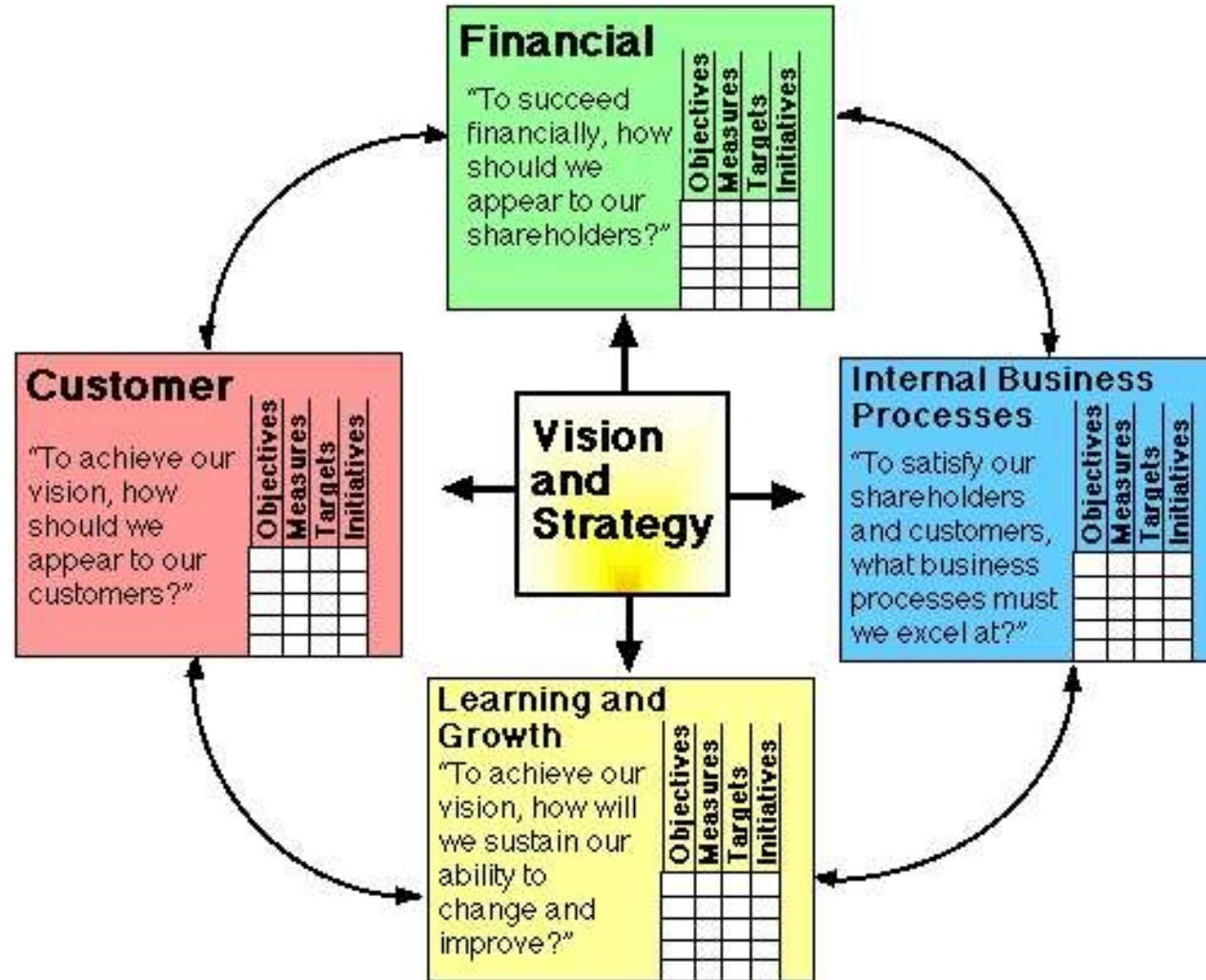
Microsoft: long hours and weekends, wearing whatever clothing is comfortable (but never a suit and tie), consuming junk food, and communicating with other employees via electronic mail and the company's state-of-the-art intranet

Culture and Strategic Leadership

The Balanced Scorecard

- An important strategy-evaluation tool
- The Balanced Scorecard approach to strategy evaluation aims
 - to balance long-term with short-term concerns
 - to balance financial with nonfinancial concerns, and
 - to balance internal with external concerns
- It is a process that allows firms to evaluate strategies from 4 perspectives:
 1. financial performance
 2. customer knowledge
 3. internal business processes
 4. learning and growth

The Balanced Scorecard



The Balanced Scorecard

An Example Balanced Scorecard

Area of Objectives	Measure or Target	Time Expectation	Primary Responsibility
Customers			
1.			
2.			
3.			
4.			
Managers/Employees			
1.			
2.			
3.			
4.			
Operations/Processes			
1.			
2.			
3.			
4.			
Community/Social Responsibility			
1.			
2.			
3.			
4.			
Business Ethics/Natural Environment			
1.			
2.			
3.			
4.			
Financial			
1.			
2.			
3.			
4.			

PR

1. Jelaskan pada bank Saudara, apa ukuran kinerja bidang-bidang
 - a. Pemasaran
 - b. Operasional
 - c. Keuangan
 - d. SDM
 - e. Teknologi Informasi

2. Berilah contoh bagaimana kira-kira bank Saudara menjalankan
 - a. Output controls
 - b. Behavior controls
 - c. Organizational controls