What is Strategic Control?

In 100 Words

Strategic control processes ensure that the actions required to achieve strategic goals are carried out, and check to ensure that these actions are having the required impact on the organisation. An effective strategic control process should by implication help an organisation to ensure that it is setting out to achieve the right things, and that the methods being used to achieve these things are working. By contrast Operational control views success as ensuring that the actions required by a process are executed as planned. Modern design methods such as the 3rd Generation Balanced Scorecard integrate the latest thinking about strategic control ideas and principles within an easy to implement framework.

Introduction

Managers exercise Strategic Control when they work to ensure achievement of strategic goals for their part of an organisation. To do this effectively, the managers need some decision-making freedom: either to decide the strategic goals that need to be achieved or how best to go about achieving the strategic aims or both of these. Such decision-making freedom is one of the characteristics that differentiates Strategic Control from other forms of control exercised by managers such as Operational Control - the management of operational processes. These characteristic differences affect how you should design management processes and support systems, such as Balanced Scorecards. This FAQ introduces and explains the concept of Strategic Control and looks at how it compares to Operational Control. Other 2GC FAQs look at how this understanding affects the design processes and structures required in a Balanced Scorecard – How do I create a strategic Balanced Scorecard?

Types of control process

Strategic and Operational control processes overlap: for example, the steps being taken to achieve strategic goals will also have implications for the operational targets of the organisation. To explore the differences between these two types of control process in more detail, see the related 2GC FAQ How do I create an Operational Balanced Scorecard? and a paper by Raman Muralidharan “Strategic Control for Fast-moving Markets: Updating the Strategy and Monitoring the Performance” in the journal Long Range Planning (Vol.30 No. 1 pp.64-73; 1997).

Types of control - an example

To illustrate the relationship between Operational Control and Strategic Control, consider an air conditioning/heating system as an example.

This system comprises an air conditioning/heating unit combined with a thermostat that is used to control room temperature: if the temperature falls below a set level, the unit heats
the room, if it goes above a set level the unit cools the room. This controlling activity itself is an example of an Operational Control system. A key characteristic of such a control system is that we know what is supposed to happen if the system is working properly, and if it fails we know what to do to fix it (and that when fixed it will resume behaving the way we designed it to). The air conditioning system is shown in red in the diagram.

The purpose of the system is to ensure a nominated temperature is maintained within the room. The system is designed to maintain any set temperature within a broad range. To be useful, the system must be set to a specific temperature. Choosing the target temperature is a strategic choice (within the bounds of this example at least), and will be based on an understanding of what the room is to be used for and of users’ preferences, not what the air conditioning/heating system is capable of: the target temperatures chosen for a bedroom and a sauna will differ and temperatures chosen by men and women in a training room often differ! This is an example of how a strategic choice can affect the target chosen for an Operational Control system. The Strategic Control element of our example is shown in blue in the diagram.

Another key difference between Strategic Control and Operational Control is how managers respond when the expected outputs are not achieved:

- We diagnose problems in an Operational Control system with reference to its designed function: an error is when the system does not perform as designed, a ‘repair’ is when steps are taken to reinstate its ability to work as designed;

- We diagnose problems with a Strategic Control system with reference to the desired consequences of the strategy: an error is when the strategy fails to deliver the outcomes required, a ‘repair’ is either a new set of actions that are expected to deliver the required outcomes, or changes to the outcomes expected. It is unlikely the actions that failed previously will be repeated.

Operational Control views success as ensuring that the actions required by a process are executed as planned. Strategic Control views success in terms of the consequences of the actions taken. A strategic plan may fail even if the actions associated with it have been executed exactly as intended.

Consider a problem occurring in the Strategic Control process in our temperature control example: someone in the room thinks the temperature is too cold. But before we act to ‘fix’ the problem, we need to check if the person’s expectations match those originally set for the
room. Does this person understand what the room is ‘for’? Has the purpose of the room changed? To decide, we probably need to check with others…, and so on. These ‘repair’ activities are quite different to those required for Operational Control, which, if the unit fails, tells us simply to get it repaired and to carry on as before.

Applying Strategic Control in organisations

Strategic Control processes ensure that the actions required to achieve strategic goals are carried out, and checks to ensure that these actions are having the required impact on the organisation. An effective Strategic Control process should by implication help an organisation to ensure that it is setting out to achieve the right things, and that the methods being used to achieve these things are working. Within this arena, traditionally there has been emphasis on strategic planning (ensuring we have the right aims and the right action plans). However, day-to-day activity within organisations is controlled primarily through Operational Control systems. Our example above shows that strategic choices can influence the targets used by Operational Control systems, but also that in many respects Operational Control systems can co-exist with strategic plans, but be disconnected from them. Effective control of the implementation of strategic plans needs to bridge the gap between these two worlds - and this is the role of the Strategic Control process in the modern organisation.

Summary

An effective strategic control process needs to both communicate information about what outcomes should be achieved, and be able to monitor how well chosen activities are working to achieve the strategic aims of the organisation. One way of doing this is to introduce management processes built around the deployment of Strategic Balanced Scorecards as described by Kaplan & Norton in “The Balanced Scorecard is more than just a new measurement system”, Harvard Business Review; Boston; May/June 1996. Modern design methods such as the 3rd Generation Balanced Scorecard integrate the latest thinking about strategic control ideas and principles within an easy to implement framework.

More Information...

The Resources section of the 2GC web site contains a wealth of useful information on Performance Management in general and the Balanced Scorecard in particular. In addition to answers to other Balanced Scorecard FAQs, the Resources section contains longer papers on a variety of topics, case studies and various short presentations, all of which can be downloaded without charge. The website also has recommendations for books and articles on the subject and links to useful websites. For information on 2GC’s professional services including consultancy and training programmes, visit the Services section of the website or email info@2GC.eu.
About 2GC Active Management

Established in 1999, 2GC is a specialist strategy implementation consultancy and thought leader in the Performance Management field. With offices and partners spanning the globe, we have a diverse range of clients in the commercial, public and NGO sectors both in the UK and worldwide.

2GC is dedicated to bringing the sharpest focus to its clients’ strategic and operational activity. To achieve this we work on the alignment of strategy, operations, teams and individuals, helping organisations to design and implement tailored performance management systems.

2GC’s methods are proven and reliable. They enable leaders to control the broad spectrum of strategic and operational issues their organisations face every day. Our consulting processes achieved the prestigious ISO 9001 accreditation in 2012.

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