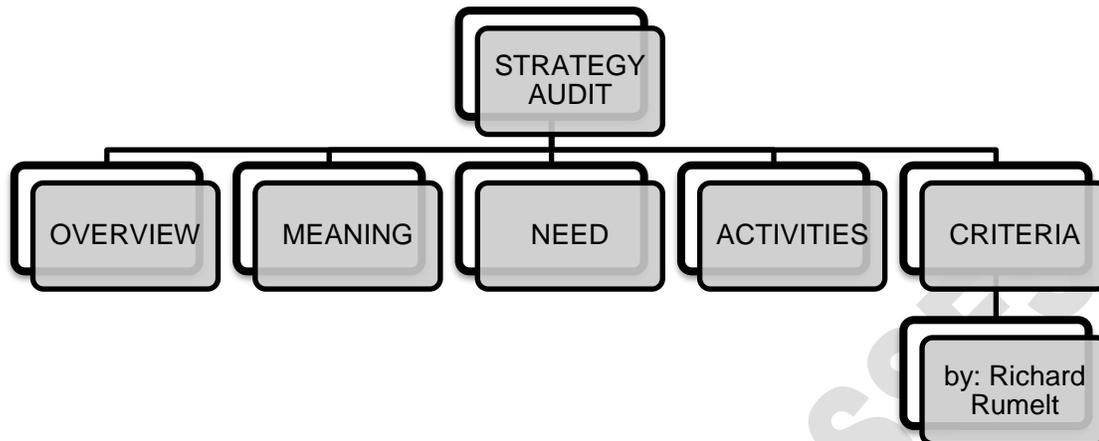


8.9 STRATEGY AUDIT



OVERVIEW

- The audit of management performance with regard to its strategies helps an organization identify problem areas and correct the strategic approaches that have not been effective so far.
- The organization can improve business performance by periodically conducting such an audit.
- The core of Strategy Audit, for any corporate entity, lies on four important questions:
 - How well is the current strategy working?
 - How well will the current strategy be working in future?
 - How can this be evaluated in present and future?
 - How urgent is there a need to change the strategy?
- For this, a periodic review and evaluation of the fundamental characteristics of a strategy are necessary.

MEANING

- A strategy audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization.
- A strategy audit provides an excellent platform for discussion with the top management regarding necessary corporate actions or changes in the existing business plan. It also identifies the need to adjust the existing business strategies and plans.

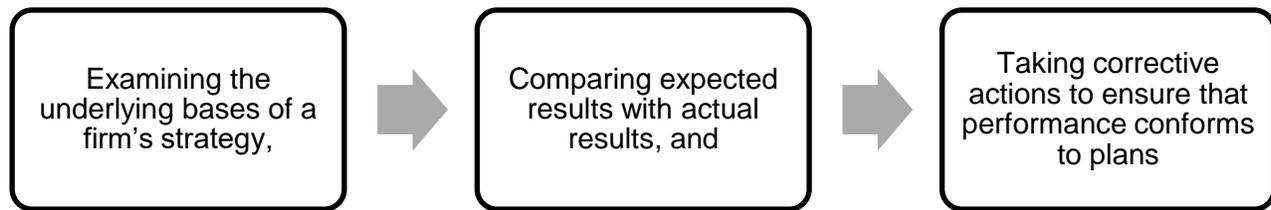
NEED OF STRATEGY AUDIT

A strategy audit is needed under the following conditions:

- When the performance indicators reflect that a strategy is not working properly or is not producing desired outcomes.
- When the goals and objectives of the strategy are not being accomplished.
- When a major change takes place in the external environment of the organization.
- When the top management plans:
 - to fine-tune the existing strategies and introduce new strategies and
 - To ensure that a strategy that has worked in the past continues to be in-tune with subtle internal and external changes that may have occurred since the formulation of strategies.

ACTIVITIES

Strategy Audit includes three basic activities:



RICHARD RUMELT'S CRITERIA FOR STRATEGY AUDIT

Consistency:

- A strategy should not present inconsistent goals and policies. Three guidelines help determine if organizational problems are due to inconsistencies in strategy:
- If managerial problems continue despite changes in personnel
- If success for one organizational department results in failure for another department, then strategies may be inconsistent.
- If policy problems and issues continue to be brought to the top for resolution, then strategies may be inconsistent.

Consonance:

- Consonance refers to the need for strategists to examine sets of trends, as well as individual trends, in auditing strategies.
- A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it.

Feasibility

- Feasibility i.e. can the strategy be attempted within the physical, human, and financial resources of the enterprise?
- In auditing a strategy, it is important to examine whether an organization has demonstrated in the past that it possesses the abilities, competencies, skills, and talents needed to carry out a given strategy.

Advantage:

- A strategy must provide for the creation and/or maintenance of a competitive advantage in a selected area of activity.
- Competitive advantages normally are the result of superiority in one of three areas: resources, skills, or position.