

Stage III. Review

Introduction

In the management of successful organizations, a great deal of *human capital*, in the form of energy, enthusiasm, talents and other resources are expended in the first two stages of the TSMP. In orienting or, more demandingly, re-orienting an organization, managers and their team members often sense a spirit of exploration, maybe even adventure. Something new or innovative is in the air of the organization. Some people's natural inclination to be creative and imaginative becomes infectious. Some dream about future prospects for them and their organization. Flights of fantasy occur. Visions flow from such thinking and interaction.

As managers develop their plans, strategies, tactics and especially budgets, a sense of realism creeps into the SMP. Dreams fade and visions contract, like air seeping out of a balloon. Imagination, creativity and enthusiasm are transformed into achieving the priorities of the organization, whether they are reasonable, feasible, optimal or not. Financial considerations and performance criteria predominate. Marketing personnel have to justify their plans, strategies and tactics to budget managers. (What a downer for the optimistic sales, distribution and promotion people who need all the enthusiasm and energy they can muster to compete successfully in the marketplace.) Production people face cost constraints and/or outsourcing. R&D projects must be profitable within projected time parameters or be shut down. Human resources personnel need to justify their existence as well as their training, development and other programs, especially in an age where employees are viewed frequently as an interchangeable part with some machine or form of technology. Dilbert reigns supreme.

Even more reality and rational thought pervades stage three: review. In this stage, analysis and reflective thought predominate. While assessments and evaluations are integral to and on-going throughout the entire TSMP, such analysis is emphasized in the review stage. Management has reached the *transition phase* between planning (theory) and implementing (doing). Already managers may be suffering some post-decision cognitive dissonance ("having second thoughts about some of their previous decisions"). Maybe they let their personal values bias or otherwise influence their monitoring of the environment and/or future forecasts, their preferences in setting objectives and goals, in developing plans, strategies, tactics and budgets and/or ultimately in their choices. They are not overly confident about their alternatives and the choices they have to make fairly soon. Oh, the woes of limited time, other resources and "bounded rationality". Please see Herbert Simon, *Administrative Behavior: A Study of Decision-Making Processes in Administrative Organizations*, New York: The Free Press, 1976, especially pages 38-41, 80-81 and 240-244. The on-going flow of information and intelligence about challenging forces and conditions in the environment amplify the pressures on management for well-founded, progressive decisions and action.

The review stage is a time of evaluation and "sober second thought". Almost always under pressure, management is approaching "crunch time", the time when the planned programs, activities and resource allocations are scheduled for implementation and the organization gains or losses, at least perceptually. To many managers, it is a time

to recognize risk(s) and minimize potential mistakes. It is a time when maybe some incremental competitive advantage or organizational (and management) benefit might be gained or lost. And it is a time to know what is involved in making analytical reviews.

An overview of management reviews

Management reviews involve more than just a quick reading, short discussion and being comfortable with the forecasts, objectives, goals, plans, strategies, tactics and budgets that have been prepared. In the past, reviews of strategies have been criticized for being vague Rainer Feurer and Kazem Chaharbangi, "Defining Competitiveness: A Holistic Approach", *Management Decision*, Vol. 32, Issue 2, 1994, p. 49 and lacking in effective measures and methods. Many, if not most, strategists and tacticians have little expertise in general management analysis. This is not to say that they do not have valuable specialized analytical abilities in areas such as accounting, finance, marketing, operations, human resources, engineering and/or many other areas of expertise. But tactical and, especially, strategic management is more wide ranging and encompassing, thus necessitating a general approach to analysis. (Read on and you will discover such an approach.) However, before the general approach is outlined, various, more specialized approaches and methods of evaluation and review will be mentioned.

Many and various efforts have been made to develop and apply analytical methods to strategic reviews. Professors Feurer and Chaharbangi base their holistic approach on customer and shareholder values. *Ibid.* Another author provides four basic guidelines to "facilitate the daunting task of strategic analysis". Sarah Moore, "Making Sense of Strategic Management", *Management Decision*, Vol. 33, Issue 1, 1995, pp. 19-23, Based on a study of private, state and federal government organizations, the General Accounting Office (GAO) of the United States identified a set of "best practices" that included senior managers selecting, controlling and evaluating strategies as "investments" and having management develop and integrate rigorous performance measures into the strategic review decision-making processes. Sharon I. Caudle, "Managing Information and Technology for Results", *Public Manager*, Vol. 32, Issue 1, January, 1994, pp. 48-59. Other substantive and rigorous approaches to strategy evaluation merit mentioning. One strategic measurement process helps business managers understand what is achieved strategically and how such achievements were attained. Mike Vitale, Sarah Mavrinac and Mark Hauser, "Financial Scoreboard: A Strategic Performance Measurement System", *Planning Review*, Vol. 22, Issue 4, July-August, 1994, pp. 12-16. The authors claim that management should be able to see where *value* is being created, where investments and improvements are required and where the firm's strategies are being implemented successfully. To achieve such results, they outline a practical methodology that illustrates how a strategic measurement system is designed and used. Their system links to the two previous stages in the TSMP, i.e., orientation and development. In a similar vein, an accountant provides a thirteen step approach that is intended to measure processes that fulfill company goals and strategies. Kathleen Brown, "Strategic Performance Measurements", *CPA Journal*, Vol. 65, Issue 10, October, 1995, p. 65 Numerous other ways of reviewing the organization, its programs, activities and resource allocations are available in a vast literature and being used by successful managers.

Measuring is an essential part of the review and subsequent stages of the TSMP. Every manager, either consciously or sub-consciously, implicitly or explicitly, has value-

laden standards, norms, criteria or other forms of measurement that they use. Various associations and companies have developed standards or measures and processes for tactical and strategic benchmarking, with varying degrees of success. Professional accounting associations in North America have developed and applied their Generally Accepted Accounting Principles (GAAP). The American Bankers Association and KPMG Peat Marwick offered subscribing banks a set of uniform standards for comparing their retail performance to selected peer organizations and to the overall retail industry database. Maura Matzko and Charlotte Wingfield, "Coming: A Source of Competitive Benchmarking for Retail Distribution Strategy", *Journal of Retail Banking*, Vol. 17, Issue 2, Summer, 1995, pp. 9-14. The measurement categories focussed on primary distribution channels, typical product/service offerings and retail customer segments. Canadian banks have used benchmarking for new products and innovative services with variable results. Stephen A.W. Drew, "Strategic Benchmarking: Innovative Practices in Financial Institutions", *International Journal of Bank Marketing*, Vol. 13, Issue 1, 1995, pp. 4-16. Mr. Drew also found that human resource strategies, innovation and investment in R&D contributed to the success of the financial institutions he studied. Further, he cautioned managers about interpreting his findings and adopting bank practices in other industries.

In the health care sector, where program and service evaluations are being made with increasing frequency and rigor, numerous clinical and other types of medical benchmarking have been developed and utilized as valuable evaluation and review tools. In one health care benchmarking process, emphasis was placed on key personnel and teams that cut across the formal organization structure. Susan K. Bellile, "Benchmarking Sets Standards for Clinical Improvements", *Health Care Strategic Management*, Vol. 13, Issue 2, February, 1995, pp. 15-16. To reap the benefits of clinical benchmarking, health care leaders are being, even forced, to increase their attention to providing information and facilitating effective communications to their stakeholders, including the general public. With the burgeoning growth of health care services and costs, governments at all levels are being pressured to increase their accountability. A vast and growing array of measurement techniques, methods and models are being used to evaluate, review and otherwise manage one of the largest, most complex and sensitive social, economic and political sectors of most nations worldwide.

Analyses done by London (England) Underground Limited have utilized a network model to estimate changes in revenues and passenger transit times resulting from various possible failures in its infrastructures. Based on these analyses, management developed its engineering strategy to maintain and/or repair, on a priority basis, those sites where the consequences of potential failure would be the greatest. Nigel G. Harris and J. Bruce Ramsey, "Assessing the Effects of Railway Infrastructure Failure", *Journal of the Operational Research Society*, Vol. 45, Issue 6, June, 1994, pp. 635-640. Many cities with major transportation systems could benefit tactically and strategically from regular and rigorous evaluations of their fleets and infrastructures.

Based on research done in the brewing industry, the management science technique of goal programming was combined with microcomputer technology and used as an effective and efficient method of evaluating various global production sites and making optimal site selection decisions. James Hoffman and Marc J. Schneiderjans, "A Two Stage Model of Structuring Global Facility Site Selection Decisions: The Case of the Brewing Industry", *International Journal of Operations and Production Management*, Vol. 14, Issue 4, 1994, pp. 79-96. The stated advantages of this methodology included:

- * the provision of trade-off information revealing where subjective weighting scale values should be revised or re-evaluated to improve the site selection;
- * the simultaneous consideration and prioritization of all decision making criteria to obtain an optimal selection; and
- * the ease of changing optimal performance factors and objective factor estimates to solve for a new solution with little effort by management.

In a global context, growth vector analysis methods have been developed to evaluate complex strategic alternatives. Such analyses are intended to assure management that all relevant alternatives are considered, to determine if proposals are strategically compatible and to simplify the evaluation process. John D. Daniesl, "Combining Strategic and International Business Approaches Through Growth Vector Analysis," *Management International Review*, Vol. 34, Special Issue, First Quarter, 1994, pp. 21-32. However, as the author points out, the method has limitations, notably that it brings strategic and international perspectives together only at the corporate level of decision making. That "limitation" is merely a matter of having top management realize that international strategy formulation, its implementation and inherent decision making involves several levels of management, especially those who are "in the field" with the ultimate responsibility to make such strategies successful.