

Strategic Management and Business Policy I

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Course & Class Information

Course: Strategic Management and Business Policy I

Program: Bachelor's Program

Credits: 4 ECTS

Mode: Onsite / Blended

Class 10: Class: Strategic Control, Compliance, and Risk Management.

Instructor: Dr. Leul Girma

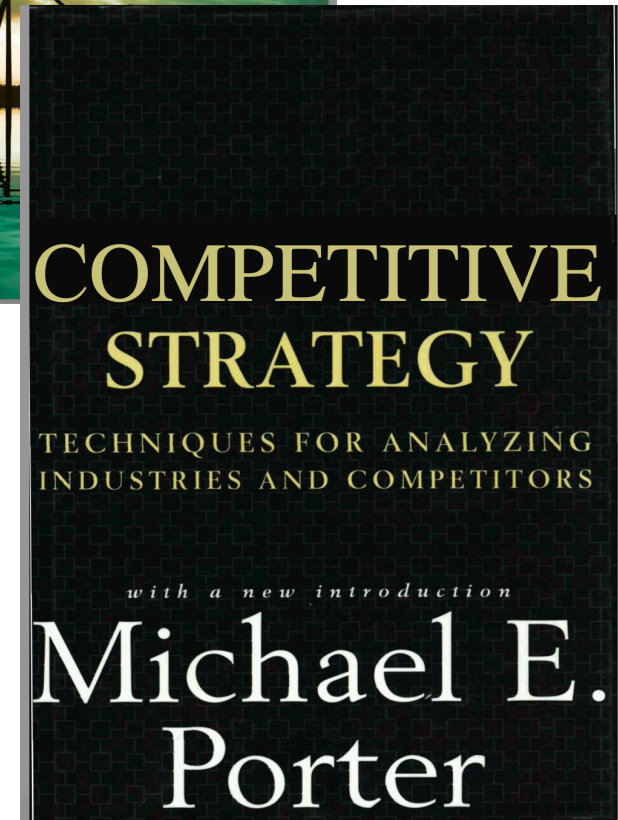
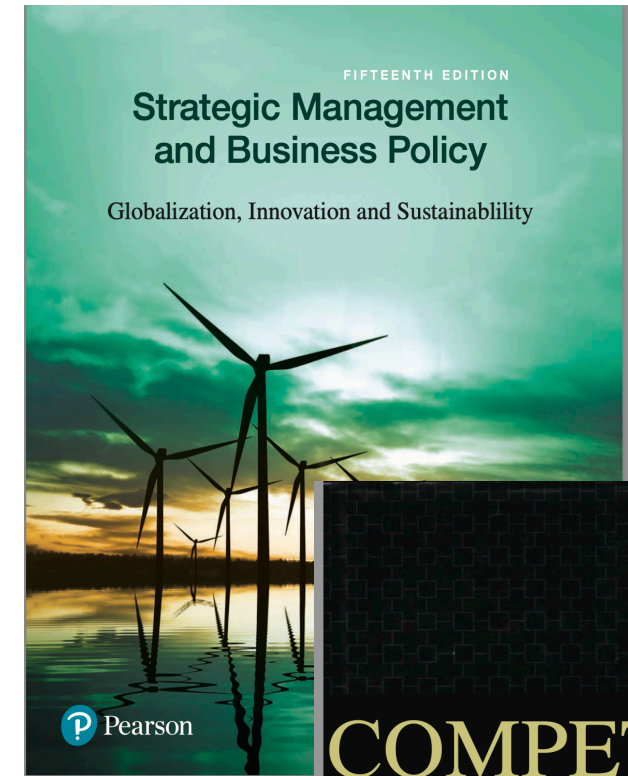
Main Teaching & Learning Materials

Books

- Mastering Strategic Management.
- Strategic Management and Business Policy

Business Policy resources

- Company annual reports
- Public corporate governance codes and policy guidelines
- Instructor-provided case materials



Objective and Learning Outcomes

Objective:

To develop understanding of **strategic control systems, risk oversight, and compliance**, in ensuring effective strategy implementation.

By the end of this class, students will be able to:

- Explain strategic control and monitoring
- Identify control mechanisms and feedback systems
- Understand risk oversight in strategy
- Explain compliance with policies

Strategic Control Systems

Strategic Control

Strategic control refers to the **process of monitoring and evaluating organizational strategies** to ensure that strategic **objectives are achieved effectively** (Wheelen et al., 2018; David & David, 2020).

Key Characteristics:



- Focuses on **long-term strategic goals**
- Ensures alignment **between strategy and performance**
- Supports **corrective decision-making**

Monitoring Strategic Performance

Monitoring strategic performance involves **assessing actual results against planned objectives to evaluate effectiveness** (David & David, 2020; Grant, 2019).

Core Attributes:

- Uses **measurable performance indicators**
- Identifies performance **gaps**
- Enables **corrective actions**



Performance Measurement Indicators

Performance measurement is essential for evaluating strategic success and organizational progress using defined metrics (Kaplan & Norton, 1996; Grant, 2019).

Key Indicators:

1. Financial performance
2. Operational performance



1. Financial Performance

Financial performance refers to the **ability of an organization to generate profit and manage its financial resources effectively** in achieving strategic objectives (Kaplan & Norton, 1996; Grant, 2019).

Key measurement:

- **Profitability:** How efficiently the organization generates profit.
- **Revenue growth:** Increase in sales over time.
- **Return on investment (ROI):** The efficiency of investments.
- **Cost control:** How well expenses are managed.



2. Operational Performance

Operational performance refers to the efficiency and effectiveness of internal processes in producing goods or services (Wheelen et al., 2018; Johnson et al., 2020).

Key measurement:



- **Productivity:** Output generated relative to inputs used.
- **Process efficiency:** How well operations minimize waste and time.
- **Quality:** Consistency and standard of outputs.

Control Mechanisms

Control mechanisms are **systems and processes** used to **ensure** that organizational **activities are aligned with strategic plans** (Wheelen et al., 2018; Johnson et al., 2020).

Control Type	When Applied	Purpose
Feedforward	Before activities	Prevent problems
Concurrent	During activities	Monitor performance
Feedback	After activities	Improve future actions

Feedforward Control

Feedforward control focuses on **preventing problems before they occur by ensuring proper planning and preparation** (Wheelen et al., 2018).

Core Attributes:

- Applied **before activities begin.**
- It helps **identify potential problems** in advance.
- It **improves resource allocation** and **planning.**

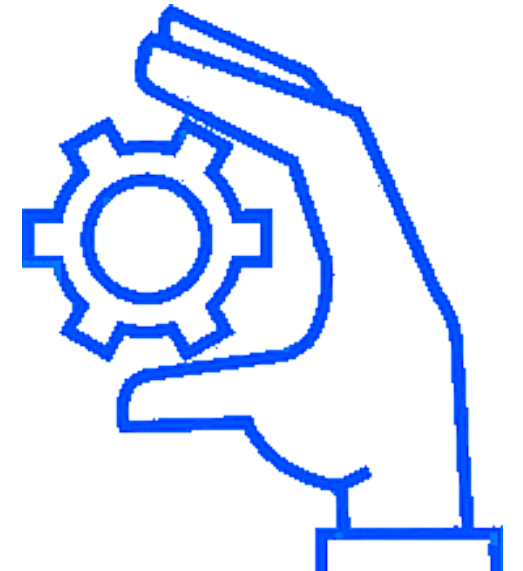


Concurrent Control

Concurrent control monitors activities **during their execution** to ensure they are **performed according to plans** (Johnson et al., 2020).

Core Attributes:

- Resources are adjusted to **maintain efficiency and quality**
- Allows **immediate correction** of mistakes.
- It ensures tasks are performed correctly.



Feedback Control

Feedback control evaluates results **after activities are completed** to **improve future performance** (Wheelen et al., 2018; David & David, 2020).

Core Attributes:



- Applied **after activities** are completed.
- It helps identify **strengths and weaknesses**
- It supports **learning and improvement**.
- It **guides future** strategic decisions.

Risk Oversight and Management

Risk in Strategic Management

Risk refers to **uncertainties that may affect achieving strategic objectives** (Hill et al., 2017; Wheelen et al., 2018).

Core Principles:

- Risks can arise from both **internal and external sources**.



Types of Risks

Organizations face **different types of risks** that can affect strategic performance and decision-making (Hill et al., 2017; Grant, 2019).

Risk Type	Description	Example
Financial	Losses related to financial resources, investments, or cash flow.	Unable to repay loans
Operational	Failures in internal processes, systems, or daily activities.	Production delay
Strategic	Poor strategic decisions or ineffective planning.	Wrong market entry
External	Outside the organization, such as economic or environmental changes.	Economic changes

Risk Response Strategies

Risk response strategies refer to the approaches organizations use to manage and handle identified risks in order to minimize their impact on performance (Hill et al., 2017; Wheelen et al., 2018).

Risk Avoidance	Risk Reduction (Mitigation)
Risk Transfer	Risk Acceptance

1. Risk Avoidance

Risk avoidance involves **eliminating activities or decisions** that create risk in order to **prevent potential negative outcomes** (Hill et al., 2017; Wheelen et al., 2018).



- The organization **chooses not to engage in high-risk activities.**
- It helps completely **eliminate exposure to certain risks.**
- It may **limit potential opportunities or growth.**

Example: A company **avoids entering an unstable market to prevent financial loss.**

2. Risk Reduction (Mitigation)

Risk reduction involves taking actions to **reduce the likelihood or impact of risks** (Hill et al., 2017; Wheelen et al., 2018).

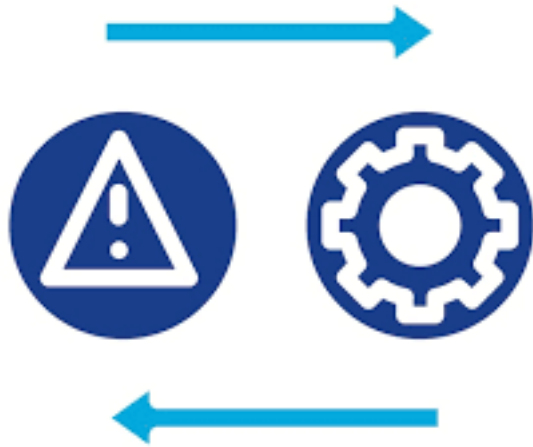
- The organization implements **measures to minimize the likelihood of risks.**
- It helps completely **eliminate exposure to certain risks.**
- It may **affect potential opportunities or growth.**



Example: A company **reduces risk** by implementing **safety controls.**

3. Risk Transfer

Risk transfer involves **shifting the risk to another party**, usually through **contracts or insurance** (Hill et al., 2017; Wheelen et al., 2018).



- The organization **shares or transfers responsibility for risk.**
- It **reduces financial exposure.**
- It **does not eliminate the risk completely.**

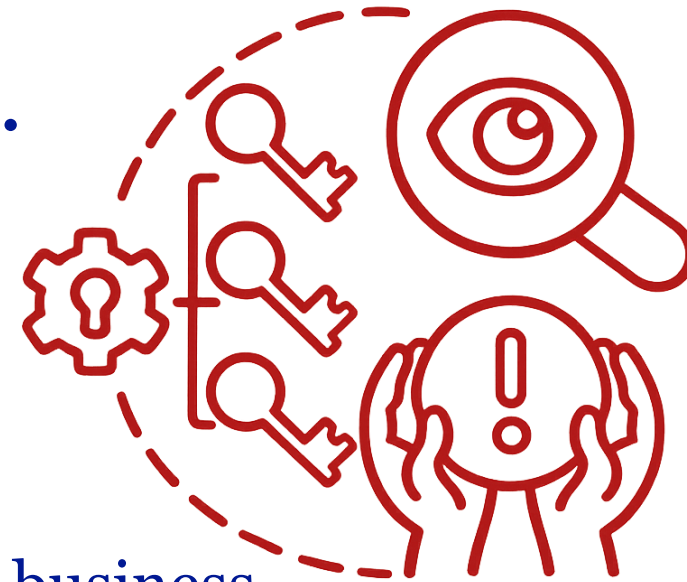
Example: Purchasing insurance to cover potential damages.

4. Risk Acceptance (Retention)

Risk acceptance involves acknowledging the risk and choosing to accept its potential impact (Hill et al., 2017; Wheelen et al., 2018).

- The organization accepts risks that **are low or unavoidable**.
- It **does not take specific action** to reduce the risk.
- It **prepares to manage consequences** if the **risk occurs**.

Example: Accepting small operational losses as part of normal business.



Key Takeaways

- Strategic control ensures that organizational activities align with planned objectives.
- Monitoring performance helps identify deviations and supports corrective actions.
- Control mechanisms improve efficiency through timely supervision and feedback.
- Risk management reduces uncertainty and protects organizational resources.
- Compliance ensures adherence to laws and internal policies.

Thank you



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