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Part 4 Strategy Evaluation

9 *Strategy Review, Evaluation, and Control*



Source: *Burmakin Andrey/123rf*

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Learning Objectives

After studying this chapter, you should be able to do the following:

9-1 Discuss the strategy-evaluation process, criteria, and methods used.

9-2 Discuss three activities that comprise strategy evaluation.

9-3 Describe and develop a Balanced Scorecard.

9-4 Identify and describe published sources of strategy-evaluation information.

9-5 Identify and describe six characteristics of an effective strategy-evaluation system.

9-6 Discuss the nature and role of contingency planning in strategy evaluation.

9-7 Explain the role of auditing in strategy evaluation.

9-8 Identify and discuss three twenty-first-century challenges in strategic management.

9-9 Identify and describe 17 guidelines for effective strategic management.

Assurance of Learning Exercises

The following exercises are found at the end of this chapter:

Exercise 9A Examine 100 Balanced Scorecards

Exercise 9B Prepare a Strategy-Evaluation Report for Hershey Company

Exercise 9C Evaluate Your University's Strategies

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The best formulated and best implemented strategies become obsolete as a firm's external and internal environments change. It is essential, therefore, that strategists systematically review, evaluate, and control the execution of strategies. This chapter presents a framework that can guide managers' efforts to evaluate strategic-management activities, to make sure they are working, and to make timely changes. Guidelines are presented for formulating, implementing, and evaluating strategies. Nike is the exemplary company showcased because the firm continually evaluates its strategies and takes prompt corrective actions as needed, posting higher and higher revenues and profits every year.

Exemplary Company Showcased

Nike, Inc. (NKE)

The sportswear clothing giant, Nike, is running away from rival firms with both sales and earnings increases. Headquartered in Beaverton, Oregon, Nike's first-quarter (Q1) 2015 revenues rose 25 percent in western Europe, 12 percent in North America, and 20 percent in greater China. Analyst Laurent Vasilescu recently announced. "Nike is eating Adidas' lunch, especially in western Europe." Nike is doing an excellent job implementing its strategy to focus more on higher-margin products, higher average prices, and direct-to-consumer sales (includes Nike stores and Nike website). The company is capitalizing on the trend for people to wear gym clothes (called activewear) outside the gym. Nike recently secured the endorsement of NBA superstar Kevin Durant, beating out rival Under Armour's bid for that athlete.



Nike's strategy evaluation activities have resulted in the company offering premium stores called NIKETOWNS, the largest Nike stores in the fleet. Each NIKETOWN

store features six or seven NIKE brand categories, providing the very best innovative product and services. For example, the NIKE Running Store in New York City caters to the complete needs of the runner, and Nike's House of Hoops for Basketball with Foot Locker is available, as well as the NIKE Track Club for runners with Finish Line and the Field House with Dick's Sporting Goods Store. Nike store variation strategies allow for premium pricing. In addition, Nike has factory stores that provide a premium product to consumers shopping for value. These stores attract higher customer shopper volumes.

Revenues for Nike's 2015 Q2 rose 15 percent to \$7.4 billion, while the company's earnings per share increased 25 percent to \$0.74. For that quarter, revenues for the Nike brand rose 17 percent to \$7.0 billion, while the company's Converse revenues rose 24 percent to \$434 million. The company's net income for the quarter increased 23 percent to \$655 million.

Source: Based on Elaine Low, "Nike Sales Surge on Europe, Internet," Investor's Business Daily, September 26, 2014, A2.