

Managers exercise **Strategic Control** when they work with the part of the organisation they have influence over to ensure that it achieves the strategic aims that have been set for it. To do this effectively, the managers need some decision making freedom: either to decide what needs to be achieved or how best to go about achieving the strategic aims. Such decision making freedom is one of the characteristics that differentiate **Strategic Control** from other forms of control exercised by managers (e.g. **Operational Control** - the management of operational processes). These characteristic differences affect how you should design management processes and support systems. This FAQ introduces and explains the concept of **Strategic Control**, looks at how it compares to **Operational Control**. Other FAQs in this series look at how this understanding affects the design processes and structures required in a Balanced Scorecard – e.g. [“How do I create a strategic Balanced Scorecard?”](#).

## Types of control process

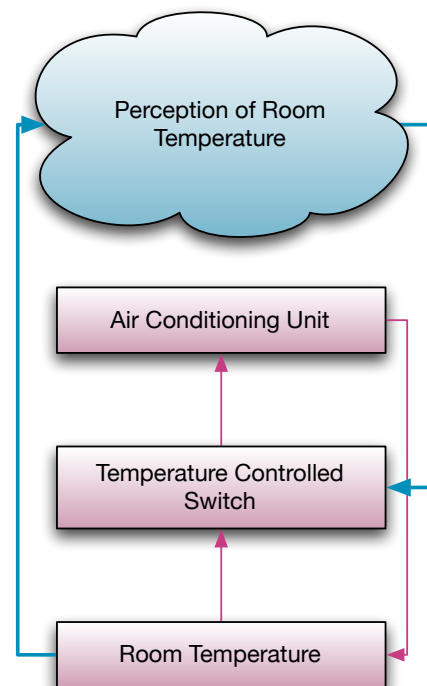
There are two common processes used by organisations to control progress towards goals. **Operational Control**, which is used to manage the delivery of operational goals, and **Strategic Control**, which is used to manage progress toward strategic goals. These two control processes overlap: for example, the steps being taken to achieve strategic goals will probably have some 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 a Balanced Scorecard for Operational Managers?”](#) 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 system as an example.

This system comprises an air conditioning 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, not what the air conditioning system is capable of: the target temperatures chosen for a bedroom and a sauna will differ. This is an example of how a strategic choice can affect the target chosen for an **operational control** system. This **Strategic Control** element of our example is shown in blue in the diagram.



A key difference between **strategic control** and **management control** is how managers respond when the required 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 be 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 for 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 ensure that 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). Day-to-day activity within organisations is controlled primarily through **management control** systems. Our example above shows that strategic choices can influence the targets used by **management control** systems, but also that in many respects **management 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 need to be achieved, and be able to monitor how well these 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’ e.g. 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 3<sup>rd</sup> **Generation Balanced Scorecard** integrate the latest thinking about strategic control ideas and principles within an easy to implement framework.

## About 2GC

2GC is a research-led consultancy, expert in addressing the strategic and performance management issues faced by organisations in today's era of rapid change and intense competition. Founded in 1999, UK-based 2GC has worked with organisations in over 35 countries, helping senior management teams to implement their strategic goals. Central to much of 2GC's work is the application of its 3<sup>rd</sup> Generation Balanced Scorecard, an approach to strategic implementation, strategy management and performance measurement.

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