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EVALUATION OF BUSINESS STRATEGIES "EX-ANTE"

In article the economic essence of construction of business strategy on the basis of research of such principles is considered: uniqueness, feasibility, potential, an acceptability. The practical estimation of business strategy is calculated on the basis of weight factors and criteria corresponding each of the specified principles.

Key words: *business strategies, pertinent criteria, uniqueness, feasibility, potential, acceptability, estimation of business strategy.*

There is the most important issue of the business strategies, they represent vital feature in increasing of competitiveness of the entrepreneurial subjects. Any strategy worth its name needs to fulfill pertinent criteria. Followings will be included to the crucial ones:

- uniqueness;
- feasibility;
- potential;
- acceptability.

The uniqueness is a very important attribute of any strategy. Just on it rely the strengthening of competitiveness of the subject. The strategy needs to be based upon the strengths of the subject. It is important for increase of ability to sustain when faced with threats. Uniqueness will rely on one or more basic ideas, making its intellectual set off, but also its "glue" keeping it together, making of it an entirety, a light in darkness of uncertainty. Last but not least, the main change, the most internal sense of the strategy, falls back on the uniqueness.

To evaluate the strategy means to answer a question, if – or how far – it is probable, the strategy may be materialized. It is impossible to analyze the future (since it does not emerge yet), but we need not to resign on testing of the strategy. We will to be contented with checking of initial features and readiness of those, who are responsible for its materialization.

Feasibility of a strategy depends on objective conditions; it will be materialized in, on sufficient resources in necessary structure and quality. But it also rely on how far the management will agree on it, as well as the other employee, and how far they are able to unify their effort – all these depends mostly on a general level of acceptance of strategy namely by managers.

Need in shifting the decision about strategy materialization on a rather solid base lead us to the question: *How to evaluate the general ability of a strategy just before the decision about its implementation?* This is an important question. If we would be able to find a reasonable response, we will economize resources and make managers more sure and trusty.

Within last seventeen years we set up a new method. Step by step, based upon an increasing experience, we were able to decide about the quality and ability of strategy, just before to launching its implementation. Our method was educed from a simplified SWOT analysis. This procedure will be rather useful namely if the method of brainstorming was used for formulation of strategic goals and evolved threats.

In this case we shall take the advantage in using the participants in brainstorming (the members of strategic team, as well as some specialists of the supporting team[2]) as a group of respondents, and to gain their evaluation.

Using computer techniques makes serious advantage. The aim this task depends not only in simplification of the procedure itself and elaboration of outputs, their aggregation and implementation into the final evaluation. The experience showed that using computers will also influence the behavior of respondents, who will "impersonalise" to some extent, giving less personal answers, and stressing out rather their professional experience and value orientation (vicariously also corporate culture), i.e. issues rather important for evaluation of strategy, as well as for its materialization.

The evaluation of strategy will be done in steps as follows:

- determination of weights of criteria in both sets (goals and threats);
- determination of potential of each criteria in both sets;
- determination of degree of acceptance of strategy by respondents.

[2] Strategic team consists of the top management of the SBU (Strategic Business Unit), eventually also further selected employee, such as leading specialists (at least 7 people due to the nature of statistics). The Supporting team consists of specialists in strategy building, obviously experienced consultants.

1. Determination of weights of goals and threats

After some less successful experiments with paperwork matrixes at the end of eighties and beginning of nineties we changed the method substantially. Instead of fulfill the papers we used the computers and instead of matrices we use the method transforming the poly-criteria decision-making process into bi-criteria one. In this process just two criteria of the total set of goals or threats will be manifested to the evaluator, which needs to earmark the more important goal or more endangering threat. The process will follow until each criterion will be compared with all other inside the entire set[2]. Software will register the decision adding one point for each response in favor of the criterion. Because the manipulation is rather simple, without any need in computer literacy, the evaluator will concentrate himself on the answer only. The responses of each evaluator will be included in separate file. This is the way, how the primary data will be obtained.

After amalgamation of data for single evaluators, the calculation of weight will be done according with following formula:

$$ V = \frac{\sum_{points}}{P_r} \cdot \frac{100}{\sum_{n1...nx} \frac{\sum_{point}}{P_r}}, $$

where $\sum_{points}$ – is a total of points acquired by a single criterion;

P_r – is a total of respondents (evaluators);

$\sum_{n1...nx}$ – is a total of averages of points acquired of all criteria within the set.

2. Determination of potentials

The potential of each criterion does not be determined at once. The method needs to decide about the present level of fulfillment of goals or present level of threats. In the second stage the future (in terms of strategy period) levels will be determined. This will be done using a six-grade scale[3]. Also eventual variations of strategy in question may be observed using the same principle.

This method is quite simple, based primarily on expert's estimation. The responses of each evaluator will be collected in separate file.

After collecting data from all the evaluators, the calculation of potentials will be done in following steps:

(a) At first the present level will be calculated using following formula:

$$ {}^0F = V \cdot Ø_k, $$

where ${}^0F$ – represents the present level of goals fulfillment or threats jeopardize;

V – is the weight from the above calculation;

$Ø_k$ – is a number of points from evaluation divided by number of respondents.

(b) Using a similar formula (only 1F instead of ${}^0F$ will be used) the future level of the fulfillment/threat at the criteria will be calculated.

(c) In case of some variations of strategy, also its level of the fulfillment/threat criteria will be calculated using the same principles.

(d) The values of the potential of improvement or threats changes will be calculated using the following formula:

$$ \Delta\% = \frac{F_{k0}}{F_{k1}} \cdot 100, $$

where ${}^0F_{k0}$ – represents the level of fulfillment of strategic goals or evolved threats at the present stage;

${}^0F_{k1}$ – represents the level of fulfillment of strategic goals or evolved threats at the end of period of strategy;

$\Delta\%$ – is the change in value representing the potential at the criterion in question.

3. Determination of degree of acceptance

Probation of degree of acceptance will proceed by an indirect method, based upon the primary data from above mentioned steps. The data provided by single evaluators will be examined using statistical methods, actually coefficient of variation (V_k – in per cent) and standard deviation (σ). The results of the first method will show how close the positions within the group of evaluators are. The second method will show the distances at single criteria from the weight center. If compared, the results will afford information about the conformity of views within the group, in fact representing the general attitude towards the strategy in question.

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[2] This method is primarily devoted to the strategy evaluation, but shall be used for any decision-making process. System is enriched by the graphic support, enabling to the evaluator to use a frame shifting from one to another criterion (using keys "A" and "B"), and saving the final decision by the key "Enter".

[3] At the beginning we used a five-grade scale, but our experience shoved that in case of uncertainty or doubt the middle value was chosen. After we decided to change the scale, the results improved to some extent.

4. Explication of results

Explication of results will be based upon the data included into the pertinent matrices, but also a graphic output remains rather useful. The method itself is quite exact, nevertheless explication needs some experience. The more shape slopes in the curve of weights symbolize the boundaries of groups (see Graph 1 and Table 1).

WEIGHT ANALYSIS - GOALS
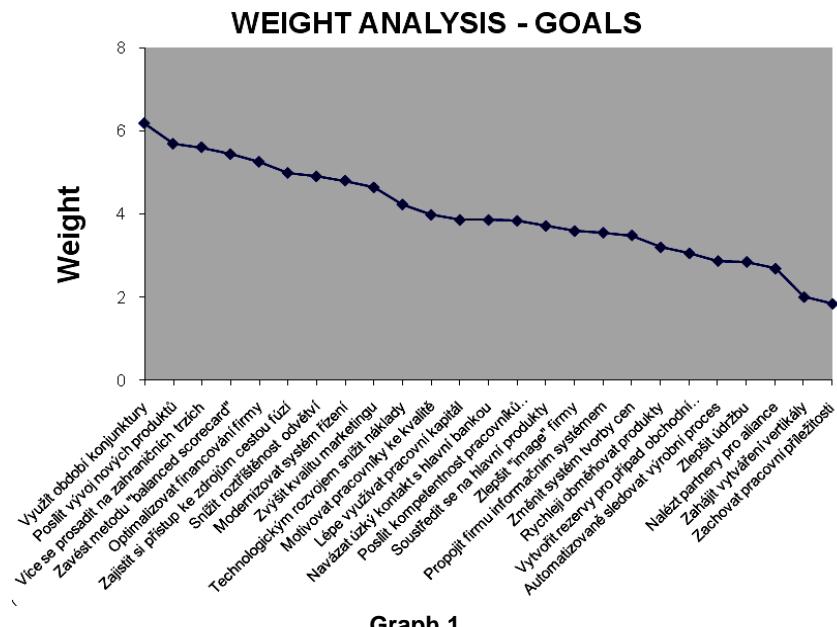
Graph 1

Table 1

Weight analysis – GOALS	Σ_{body}	$\emptyset_{body}$	σ_n	^bV_k	Weight	Order
Využít období konjunktury	301,00	20,07	5,23	26,08	6,17	1.
Posílit vývoj nových produktů	277,00	18,47	1,86	10,06	5,68	2.
Více se prosadit na zahraničních trzích	273,00	18,20	5,29	29,09	5,60	3.
Zavést metodu "balanced scorecard"	265,00	17,67	4,96	28,09	5,44	4.
Optimalizovat financování firmy	256,00	17,07	6,74	39,48	5,25	5.
Zajistit si přístup ke zdrojům cestou fúzí	243,00	16,20	3,80	23,45	4,98	6.
Snížit roztříštěnost odvětví	239,00	15,93	4,06	25,47	4,90	7.
Modernizovat systém řízení	234,00	15,60	5,19	33,25	4,80	8.
Zvýšit kvalitu marketingu	226,00	15,07	4,86	32,29	4,64	9.
Technologickým rozvojem snížit náklady	206,00	13,73	6,59	47,97	4,23	10.
Motivovat pracovníky ke kvalitě	194,00	12,93	5,60	43,32	3,98	11.
Lépe využívat pracovní kapitál	188,00	12,53	6,12	48,83	3,86	12.
Navázat úzký kontakt s hlavní bankou	188,00	12,53	4,32	34,46	3,86	13.
Posílit kompetentnost pracovníků školením	187,00	12,47	6,59	52,87	3,84	14.
Soustředit se na hlavní produkty	181,00	12,07	5,76	47,70	3,71	15.
Zlepšit "image" firmy	175,00	11,67	4,28	36,72	3,59	16.
Propojit firmu informačním systémem	173,00	11,53	5,75	49,85	3,55	17.
Změnit systém tvorby cen	170,00	11,33	5,13	45,30	3,49	18.
Rychleji obměňovat produkty	156,00	10,40	7,53	78,40	3,20	19.
Vytvořit rezervy pro případ obchodní války	149,00	9,93	6,61	71,31	3,06	20.
Automatizovaně sledovat výrobní proces	140,00	9,33	5,62	63,38	2,87	21.
Zlepšit údržbu	139,00	9,27	5,50	62,55	2,85	22.
Nalézt partnery pro aliance	131,00	8,73	4,48	55,53	2,69	23.
Zahájit vytváření vertikály	98,00	6,53	5,85	74,93	2,01	24.
Zachovat pracovní příležitosti	90,00	6,00	4,72	62,61	1,85	25.
Σ	4 879,00			1 122,95		

The rates under 100 per cent in determination of potential of goals signalize bad strategy, which would not be materialized. In such a case a new strategy needs to be generated from the very beginning. Optimum rates range from about 140 per cent till 240 per cent. Lower rates show insufficient potential, while the rates over 240 per cent seem not to be realistic. The most potential criteria should be concentrated rather in the center of the set (organized according to the weight), rather than in the sphere of most important criteria. This is due to the fact that most important criteria usually are not quite new, also their importance in past times leads to high level of fulfillment at the present stage – under these circumstances we do not attend high potential of increase. On the other hand, in the center of the set there are criteria belonging to the group of new features, connected with the main idea of the strategy, usually offering high potential (cf. Graph 2).

I case of threats the increase in it over 110 per cent needs to be recognized, if it is in more criteria, namely of higher importance.

Use of coefficient of variation in determination of degree of acceptance needs better knowledge of its behavior. Generally, we shall decide that values less than 30 per cent will show a deep common view, while those between 30 and 50 per cents are reasonable to use, but those over 50 per cent will show a deep difference in meanings, and such a criterion needs to be observed as not certain positioned (cf. Graph 3).
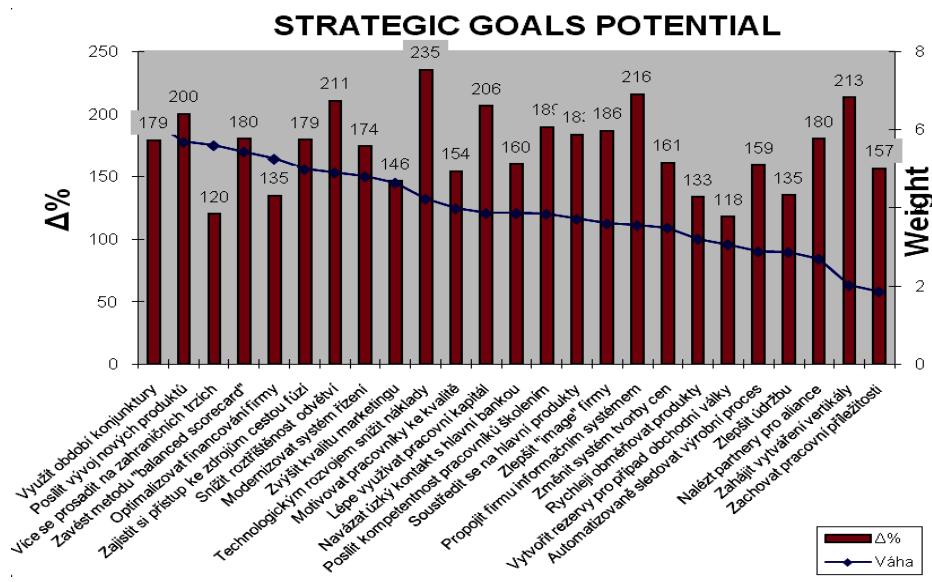
Graph 2
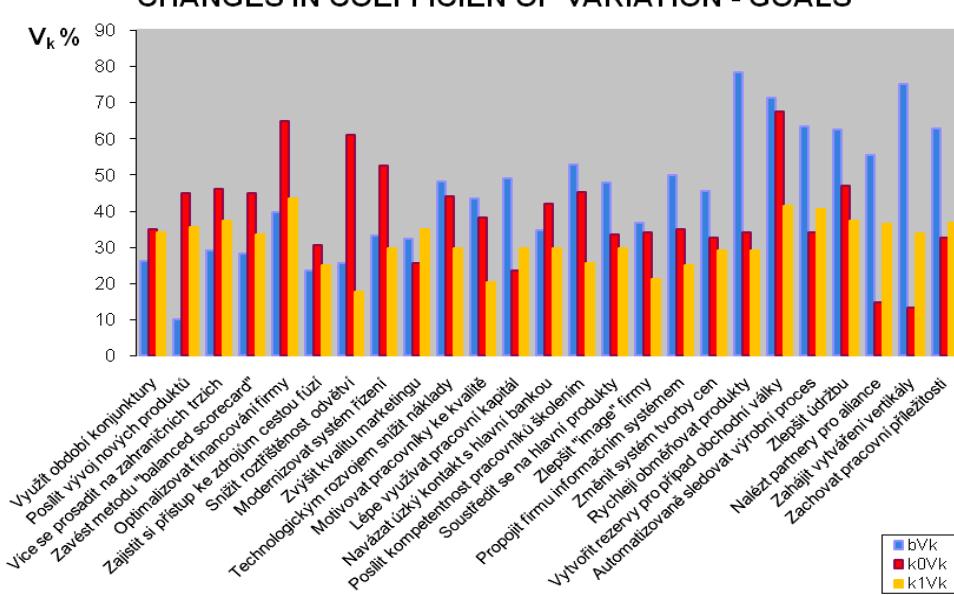
Graph 3

But due to the accuracy of method used, there is necessary to be little more careful, and know, that only in case of more criteria crossing these boundaries, and namely criteria showing higher weight within the strategy, the process of formulation of strategy should be repeated after thorough discussion with the strategic team.

5. Conclusions

The method used for evaluation of entrepreneurial strategies showed its ability in reduction of uncertainty of managements in the process of strategy building and deciding about its implementation. Method also supports issuing creative strategies. The method can be successfully used with the aim to secure the quality of the strategic management in corporations of different kind. Experience about 20 years enabled step-by-step increasing experience and development of the method.

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Анотація

У статті розглянуто економічну сутність побудови ділових стратегій бізнесу на основі дослідження принципів унікальності, виконання, потенціалу, прийнятності. Оцінка ділових стратегій розрахована на основі вагових коефіцієнтів та критеріїв відповідно до кожного з принципів.