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Strategy evaluation in a multi-stakeholder environment

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Introduction

Strategy evaluation has been a subject which has lain at the intersection of several mainstream approaches to strategic management – it borrows policy analysis tools from political science, the cost-benefit framework from economics, and the goals-achievement framework from systems analysis. These sources suggest that strategy evaluation, as conventionally considered, has been derived from the rational planning school of strategic management. Consequently, none of these approaches fits comfortably within strategic management frameworks which emphasize emergence, politicking, and the balancing of stakeholder interests.

This paper looks at ways in which a framework for strategy evaluation can be constructed which is consistent with the ‘adaptive’ and ‘interpretive’ schools of strategic management. It suggests that some of the key instruments in the rational planning toolkit can be reinterpreted as methods for managing power and uncertainty in a multi-stakeholder environment.

The role of strategy evaluation

Strategy evaluation has long been regarded as way of analysing in a systematic framework the key aspects which differentiate strategies, from the perspective of how well they contribute to the organisation’s purposes. As Richard Rumelt puts it “Strategy evaluation is an attempt to look beyond the obvious facts regarding the short-term health of a business and appraise instead those more fundamental factors and trends that govern success in the chosen field of endeavour” (Rumelt, 1980; p. 91). He goes on to suggest that the “… whole idea of strategy evaluation implies management by much more than results” (p. 91) and that “… the real components of a strategy are … those activities which most strongly affect the selection and modification of objectives and which influence the irreversible commitment of important resources” (p. 99).
From this perspective, strategy evaluation is less a choice mechanism – since strategic choice is typically influenced by many personal, social and (organisational) political variables – but rather a testing mechanism in which the different implications of a variety of strategic options can be explored. Rumelt (1998) goes on to argue that strategy evaluation should be an integral part of an organisation’s processes of planning, review and control, although this can be done in a number of different ways – it can be informal, brief and cursory, or formal, elaborate, and lengthy. He suggests that it needs to embody double-loop learning, challenging and not simply accepting the norms and goals which the organisation wishes to use for evaluative purposes. He further suggests that strategy evaluation:

- should not necessarily frequent (it is often due to change in leadership or financial crisis)
- should not be automatic (but rather be timely, when there is a need for it)
- should not need constant reformulation (since it relates to underlying conditions which are NOT necessarily ever-changing)
- embodies a political settlement, which it can be dangerous (and unsettling) to alter
- should appear plausible, firm and stable to outsiders

These principles fly rather in the face of much conventional wisdom – for example, there is a common belief that strategy must be re-evaluated at least annually, in the rolling forward of strategic plans. However, there has been little testing of Rumelt’s propositions – or indeed those of the conventional wisdom. This is a field in which assertions have tended to triumph over analysis.

**What are the strategic options which should be evaluated?**

The implication of the foregoing discussion is that, when we talk of ‘strategy evaluation’, what we really mean is ‘evaluation of strategic options’. What are these ‘options’ which have to be evaluated?

This is not as simple as it first appears. In casual conversations, strategists – and academics – often describe as a ‘strategic option’ any element of a strategy that deviates from the central or current strategy. For example, it is commonly suggested that in-house production and outsourcing are strategic options. However, this is clearly not a defensible position in logic. It would insinuate that any one of these deviations could be a stand-alone strategy, when in fact each is only sensible when understood as a part of the background (unstated) strategy.

This leads to the conclusion that, when fully spelt out, a ‘strategic option’ is a connected series of decisions on all the elements of the strategic content mix:

- the strategic basis of the organisation - ownership, mission, values, scope
- the ‘generic strategy’ (cost leadership v. differentiation)
- the relationship of corporate HQ to service units
• ‘strategic direction’ - consolidation, new products and services, new markets, both new products/services and new markets
• growth strategy - ‘grow own timber’, acquire, joint venture
• competitive tactics
• the use of vertical or horizontal partnerships
• a position on spectrum of each ‘strategic stance’

These ‘strategic stances’ relate essentially to fundamental cultural aspects of the organisation. They include such cultural attributes as:

• Degree of control - drift, opportunism, planned change
• Direction of change - growth, consolidation, decline
• Speed of change - fast to slow
• Time horizon - short-term to long-term
• Scope of innovation - product and process, product or process, none
• Degree of risk aversion - ‘outrageous gambler’, risk-taker, ‘prone to occasional flutter’, prudent, cautious, ‘scared rigid’
• Socialisation and trust - competitive, collaborative, hybrid
• Level of aggression - aggressive, assertive, accommodating, ‘doormat’

Clearly, it will generally be the case that it is harder to change these cultural attributes that it is to change the other elements of a strategic option. Nevertheless, in the long-run these cultural attributes have to be regarded as variables and they are part of the strategic content mix which has been ‘chosen’ by an organisation.

A variation in any one of the elements of a strategic option produces a new strategic option. In evaluation terms, it is only legitimate to evaluate each of these variations against each other if they only vary one at a time. However, in practice, we must expect that the strategic options which an organisation will consider seriously will differ from each other in quite a number of respects, varying several elements of the strategic content mix. Moreover, the choice of strategic options which should be evaluated – i.e. the shortlisting or sieving process for strategic options – incorporates a search for synergy, in which options are especially likely to come to the fore where they incorporate non-linear interactions of elements of the strategic content mix. For this reason, the ranking of strategic options has to be done on a holistic basis, not on the basis of piecemeal comparison of their component elements.
This lesson has not been generally understood in economic appraisal methodology, which is why the results of option ranking through evolutionary algorithms often upsets the ranking which are derived by NPV methods.

Moreover, the choice of options is an inherently political activity. Different stakeholders will value potential strategic options differently. Consequently, any restriction in the range of options (or the range of components of the strategic content mix) to be tested in detail is likely to favour some stakeholders at the expense of others.

**Choosing the criteria against which strategic options should be evaluated**

Rumelt (1980) proposes four tests of a strategy:

- consistency
- consonance
- advantage
- feasibility

These can be applied to the range of potential strategies as a sieve: in this sense, strategy evaluation is about eliminating many of the non-starter and low-value-added strategies as soon as possible, so that strategists can concentrate on those strategic options which are most likely to be attractive to the decision-makers.

Johnson and Scholes (2002) have reduced this fourfold classification into the three tests:

- feasibility
- suitability
- acceptability

There is quite a close match between their ‘acceptability’ test and Rumelt’s test of ‘advantage’, so that the main differences between these schema is that Johnson and Scholes have combined Rumelt’s ‘consistency’ and ‘consonance’ tests into the single test of ‘suitability’.

In the Johnson and Scholes schema, the feasibility test is meant to eliminate all options which infringe constraints imposed by financial conditions (related to both borrowing and cash flow), staffing availability, managerial capacity, and physical limitations (such as land availability, environmental protection and pollution controls, etc.). These constraints are often portrayed as ‘given’, so that the feasibility test is an ‘objective’ way of filtering out some options at any early stage. Yet the perception of a constraint is inherently psychological. What some strategists will see as an unchangeable constraint will be regarded by others as an awkward problem to be solved. Indeed, a key part of the search for competitive advantage may come in the challenging of constraints which have previously been accepted as immutable by rival organisations.
According to Johnson and Scholes (2002, p. 384), the suitability test consists of screening the strategic options to see how well they fit into the organisational culture and address the key problems facing the organisation – ‘whether a strategy addresses the circumstances in which an organisation is operating’. The sub-criteria which are part of this screening test will necessarily include all of those used in the feasibility test (which is really just a ‘threshold’ version of the suitability test) but it may well also include other criteria.

The acceptability test proposed by Johnson and Scholes (2002, p. 390) consists of all the success criteria which matter to different stakeholders of the organisation – ‘the expected performance outcomes of a strategy’. They suggest that it could include financial criteria (such as the maximisation of return on investment or maximising shareholder value) or cost-benefit criteria, which would include tangible and intangible returns to people and organisations other than the one ‘sponsoring’ the project or strategy (p. 393). In practice, almost all the attention is devoted to the former.

It is interesting that these three ‘separate’ tests have been included with little change in various editions of Johnson and Scholes, until the latest edition (in 2002), with relatively little extra material added to this section of the book. It has been a largely moribund part of their formulation of the components of strategic management. Even in the latest edition, in which there has been significant re-ordering of the material, the content of these sections has been relatively little affected. In fact, when the suitability and acceptability tests are viewed from a multi-stakeholder approach, there is little difference between them, since the ‘suitability’ of a strategy will be judged differently by different stakeholders, depending on how they read the relationship between the ‘circumstances’ of the organisation and their desired success outcomes. (In other words, each stakeholder is likely to have a different view on the enabling factors which are critical in bringing about the success outcomes which they seek). Moreover, in the example given of a balanced scorecard approach, which might be expected to demonstrate a more disaggregated of stakeholder’s expectations, we are told that ‘the ultimate aim of this exercise was to create value for the whole organisation’ (Johnson and Scholes, 2002: p. 439).

This demonstrates that, for all the lip service which is often paid to multi-stakeholder analysis, in practice it has often been easier to continue to visualise the organisation and the system in which it is embedded as an organic whole, for which a single set of purposes and success criteria can be posed. This trap, and the consequences of falling into it, are well illustrated in relation to one particular approach to assessing the success of strategic options – the objectives-based approach to strategy evaluation.

The objectives-based approach to strategy evaluation

The roots of strategy evaluation are in policy analysis, basically from the public sector, which in turn emerged from the welfare economics approach of cost benefit analysis. However, evaluation only attracted widespread interest after it had become grounded in the analysis of achievement of organizational objectives. The basic idea behind
management by objectives (MbO), as proposed by Drucker, was quite simple and systematic, but not systems-oriented (Bovaird, 2001). Ansoff (1969) produced a more extended interpretation of the same ideas, in which the sets of objectives in an organisation could be joined together in a model which cascaded down through the layers of the organisation, showing how high-level objectives in the organisation could be linked to the low-level objectives found elsewhere.

In this approach, the objectives at the top of the hierarchy of objectives indicate the impacts which the organisation wishes to have on users and other stakeholders, including society as a whole. The achievement of these ‘impact’ objectives is linked clearly to the achievement of the next level of objectives, (‘service level’ objectives) which are instrumental and essentially show the organisational outputs which are necessary if the ‘impact’ objectives are to be achieved. Finally, the lowest level objectives (‘logistical’ objectives) are shown, the achievement of which will enable the service level objectives to be achieved.

The hierarchy of objectives approach allowed the interactions between objectives to be modelled clearly, highlighted clearly the potential conflicts between some objectives, and encouraged performance measurement at all levels of the hierarchy of objectives (and showed how measuring performance at the lowest level of objectives might act as a proxy for measuring performance at the highest level, if this was problematic). However, perhaps the greatest innovation was that it presented the map of inter-related objectives as a framework of hypotheses about ‘cause and effect’ chains in the organisation. Since these hypotheses could be contested (and often were in practice), this approach stimulated managers and professionals to find logical arguments and evidence for their view of how the hierarchy of objectives held together. Essentially, this approach encouraged and embodied an ‘evidence-based management’ approach, a long time before that became fashionable.

Furthermore, a map of the hierarchy of objectives drawn up by a stakeholder allows other stakeholders to contest the view of ‘reality’ held by that stakeholder, as represented in the cause-and-effect chains hypothesed in the map. Indeed, it allows each stakeholder to construct and argue for its own vision of the ‘reality’ of corporate aspirations, and how these are linked to current activities and practices within the organisation.

It is interesting to explore the theoretical inter-relationship between a hierarchy of objectives and a ‘PIs’ tree. Theoretically, there should be at least one performance indicator associated with each objective, so the systems are formally identical. However, performance indicators may be relevant to more than one objective and the achievement of each objective may be measured by more than one performance indicator. Consequently, the construction of a map of linkages between objectives and a map of linkages between performance indicators may lead to different results. This is an interesting instance of ‘sensitive dependence on initial conditions in a system’ and highlights the way in which a hierarchy of objectives is a model of a dynamic non-linear system, with the potential that such a systems may exhibit ‘chaotic’ or ‘complex’ characteristics.
Multiple stakeholders and the hierarchy of objectives

One of the most obvious aspects of priority-setting in any organisation is that it is an arena for power plays by stakeholders, in which the outcome is likely to be determined by the dominant stakeholder or the dominant coalition of stakeholders. So how can this be fitted into the framework of a hierarchy of objectives?

We suggested above that, by presenting a model of the hypothesised links between aspirations, the hierarchy of objectives allows stakeholders to contest the views of ‘reality’ held by other stakeholders. The logic of the hierarchy of objectives is that each stakeholder group should construct and fight for its own vision of the appropriate corporate aspirations. Furthermore, it should attempt to gain acceptance for the ways in which the organisation might hope to realise these aspirations, i.e. the rest of the cause-and-effect chain which it hypothesises for the organisation.

This results in a set of ‘hierarchies of objectives’ within any organisation, rather than just one. This appears much messier than the elegant simplicity of Ansoff’s original idea, never mind the simple lists envisaged by Drucker.

What is the relationship between these stakeholders’ hierarchies of objectives? There are three major ways in which they may be expected to differ:

- differences in values held by stakeholders may lead to different objectives being accepted as aspirations - this is especially likely to mean that stakeholder groups may place different objectives at or near the top of their hierarchies of objectives;

- differences in values or in interests may lead stakeholder groups to put different priorities on top objectives and the pathways which lead down from them:

- differences in experience or in logical reasoning may lead stakeholders to different models of the cause-and-effect chains linking different sub-objectives in the hierarchy of objectives.

While the first two sets of differences stem essentially from values and interests, and are therefore unlikely to be altered by argument or research, the third set of differences can be resolved, at least in principle, by an appeal to evidence. One of the advantages of the hierarchy of objective approach is that it structures the disagreement between stakeholders in such a way that the basis for disagreement is made more transparent. It therefore allows an appeal to evidence to be made, and where that evidence is thin - as will so often be the case in management - it allows experiments to be devised which can test the causal links which are explicitly suggested in the hierarchy. In this way, the natural and often destructive disagreements between stakeholders can be managed more constructively to identify those which emanate from value differences, and are therefore irreconcilable (with the results to be determined by the relative power of the disagreeing
stakeholders) and those which can be subjected to the procedures of evidence-based management.

This means that a multiple stakeholder approach does not simply mean the overlay of different stakeholder maps, each containing a sub-set of the overall hierarchy of objectives. In practice, stakeholder maps may differ in the objectives they contain and the logical cause-and-effect chains which are modelled within them.

Consequently, the construction of a balanced score card for each stakeholder (Kaplan and Norton, 1996) cannot simply be a matter of listing the key objectives and PIs for each stakeholder. In practice, it is rather more problematic, since each stakeholder may bring a very different vision of what the organisation is fundamentally about and how the organisation works to achieve those purposes.

Moreover, each stakeholder may construct the ‘hierarchy of objectives’ differently for different purposes and at different times. For example, if a stakeholder group is trying to tackle problems around improving the quality of life of its members, it may wish to focus on one or two of the top level objectives and examine in depth how they might be achieved, with a much greater level of detail in the cause-and-effect pathway leading to this impact objective. In theory, there are an infinite number of steps between each level in any hierarchy of objectives. The depth to which a stakeholder goes in modelling any one pathway will presumably be decided mainly on the pragmatic grounds of what is needed in order to provide the kinds of answers sought in a specific problem-solving exercise, rather than on conceptual grounds alone.

Moreover, there are an infinity of maps which might be drawn by any one stakeholder to analyse different problems or different issues - a stakeholder may wish to examine the objective map for one its functions rather than for one of its products or one of its clients - and each map would present the opportunity to envisage a different formulation of what the organisation is trying to achieve.

An infinity of maps means 'windows' into worlds of causation

This leads us to the conclusion that the search for ‘organisational objectives’ has been fool’s gold twice over:

- the organisation does not have objectives, only its stakeholders have objectives - so that any attempt to state ‘organisational objectives’ is at base an attempt to impose upon other stakeholders the objectives believed by the dominant stakeholder group or coalition to be the most advantageous public expression of its own interests
- each stakeholder group or coalition is likely to need a different map of its objectives, depending on the problem to be solved or the issue to be addressed
With this insight, we can then see each stakeholder’s statement of objectives as a set of windows into its 'underlying world' of objectives. In order to illustrate this, we will use some hierarchies of objectives derived from some work with West Midlands Police.

**Figure 1. Maps from two stakeholders**

![Diagram showing objectives]

In Figure 1, we see in the background window a set of objectives for reassuring the public about the level of community safety, as it might be envisaged by the Command Team of the police force. This shows, for example, that the objective ‘To provide high visibility policy’ is an instrumental objective on the pathway to achieving the higher level objective ‘To deter crime’. One set of objectives out of this background window has been highlighted in a separate window - it relates to the police officers whose role is to liaise with the community in particular neighbourhoods. For them, the main pathway is oriented towards increasing the public’s knowledge of actual crime levels (and thus reassuring them by getting the message across that the fear of crime is much higher than is justified by the actual level of crime), but they have a further objective ‘to provide high visibility policing’, which in general does not relate at all closely to their other aspirations.

Of course, other groups involved in community safety will have different sets of objectives. In Figure 2, we see the same objectives but this time a new set has been highlighted in a ‘window’, a set of objectives relating to a different stakeholder – the “catch ‘em bang ‘em up” brigade. For this group, crime detection is the key objective upon which the police should focus in order to reassure the public about its safety. This stakeholder group does not see ‘high visibility policing’ as a sub-objective on the pathway to deterring crime, but only as a means of detecting crime.
What we see here is a dispute here about the empirical relationships which exist in the specific society in which the map is created. And this argument really matters – the two versions of this map, at the heart of the dispute between the stakeholders involved, lead to very different strategies for police work. Now, there is empirical evidence that in the UK the emphasis on ‘high visibility policing’ is likely to be hugely wrong-headed. Home Office research shows that police officers on the beat are a poor means of either deterring or detecting crime - e.g. it is estimated that the average police officer on the beat comes within 100 yards of a burglary being committed once every seven years (Home Office, 1988). Clearly, this is likely to be disputed by the Neighbourhood Watch schemes, whose members are likely to place major emphasis on ‘high visibility policing’. Until these arguments can be resolved by collection and analysis of relevant evidence, major resource wastage is likely to occur.

Clearly this example has been made simple for illustrative purposes. However, we suggest it is sufficiently realistic to demonstrate the point that it would be unwise to take at face value any set of ‘organisational objectives which purport to represent all stakeholders and to aid decision making in all contexts.

**Adapting CBA and GMA to multiple stakeholder formats**

The two most common policy evaluation frameworks in the literature are cost benefit analysis (CBA) and the goals achievement matrix (GAM). Both need significant adaptation in a multiple stakeholder context.
CBA represents an attempt, from the economics discipline, to provide a ‘bottom-line’ assessment system for strategies, policies, programmes, projects or services, based on customer valuations of outcomes and outputs (‘willingness to pay’ measures) as compared to the opportunity costs (i.e. the benefits foregone through the loss of the opportunity to undertake the next best use of the resources involved). To standardise over time, a social discount rate (which or may not be equivalent to the market rate) is used. Furthermore, it requires a judgement that benefits and costs to all actors, now and in the future, are of equal social significance, or alternatively the positing of a social welfare function which makes explicit the weights to be used between individuals or stakeholders.

Clearly, in a multiple stakeholder environment, a number of extra decisions must be taken if CBA is to have any credibility. The analysis must be able to uncover and incorporate differences between stakeholders in relation to:

- valuations of benefits and costs in each of the strategic options
- the appropriate social discount rate
- the social welfare function, i.e. the relative weights to be placed on the benefits and costs to different stakeholders

The most well-known framework in which these adaptations can be made is the ‘planning balance sheet’ (Lichfield, Kettle and Whitbread, 1975), in which the benefits and costs to each stakeholder are calculated and presented separately. This alerts each stakeholder group to the implications for it of each of the strategic options. Furthermore, it allows transparency in the decisions made by those responsible for the final strategy selection – their choice of strategy will reveal their implicit weighting between stakeholders. However, this approach has rarely been used outside of land use planning.

The GAM (Hill, 1968) was an attempt to make more transparent the ‘black box’ of CBA calculations (which are often said to be highly opaque, even to insiders) and to move to an objectives-based approach to evaluation. It derives essentially from the systems analysis discipline and requires the scoring of all options against criteria, typically the goals of the strategy, policy, programme, project, etc. These goals may or not be weighted. In scoring, the relative weight of current and future benefits and costs must be taken into account (although this may be more informally than through the explicit use of a social discount rate). Equity, fairness or social redistributional goals may be incorporated either by setting a separate goal, against which all options are scored, or by giving different weights to the costs and benefits of different stakeholder groups.

Without such adjustments, both CBA and GAM are likely to incorporate strategy assessments which misrepresent the strength of the impacts of each strategy, the distribution of these impacts across stakeholders, and the time path of these impacts. While this has long been understood in CBA, it has had little impact on the use of the common evaluation tools in strategy evaluation practice. It is therefore not surprising that
these tools have continually been regarded with huge suspicion both by stakeholder
groups and by the top decision makers, whose strategic choices are in danger of losing all
credibility when these analytical tools are misused in this way.

**The Balanced Scorecard and multiple stakeholders**

We already suggested in an earlier section that the Balanced Scorecard (BSC) needs to be
interpreted as a flexible ‘window’ into the many underlying sets of objectives and
performance indicators which stakeholders might highlight in order to model their own
aspirations and the pathways by means of which they might be fulfilled.

However, there is a more fundamental issue about the use of a BSC in an environment of
multiple stakeholders. The core format of the original BSC suggested that it would
measure and report the performance of the organisation along lines which would respect
the aspirations and views of core stakeholders. However, in practice only the aspirations
of two stakeholder groups were fully incorporated in the model – shareholders (and other
financial stakeholders) and customers (although this could, in some circumstances, be
interpreted very widely to cover many wider groups of ‘customers’ such as staff, external
partners, etc.). However, the BSC is essentially a hybrid model – it gets away from the
‘bottom-line’ performance reporting which attempts to impose the view that shareholders
and other providers of finance as the only important stakeholders, but at the same time it
makes it hard to give significant weighting to the priorities of other stakeholders, apart
from paying external purchasers of the organisations outputs.

In order to get round this difficulty, three different approaches are available. Each has the
potential to put stakeholder analysis back into the picture in a useful way, but each has
also got at least one major disadvantage:

- **Within each performance domain of the BSC (e.g. ‘customer results’, ‘learning
  and innovation’), the organisation’s performance might be assessed separately by
each of the stakeholders. This would have the disadvantage of obscuring the
overall impact of each strategic option on specific stakeholders, who would have
to recast the approach to make it usable in their own decision-making processes.**

- **Extra boxes could be developed which would represent the results which are
  relevant to newly highlighted stakeholder groups (e.g. ‘staff results’,
  ‘environmental impacts’). This would have the potential disadvantage of greatly
  expanding the volume of information collected and presented and it might also
  lead to significant overlap (‘double and triple counting’) of costs and benefits
  between stakeholders.**

- **A separate BSC could be compiled by (or for) each stakeholder group. This would
  have the disadvantages of greatly extending the complexity of the presentation
  (thus nullifying one of the greatest strengths of the current approach) and of
  potentially setting stakeholders at loggerheads with each other by allowing them
to interpret their own position without reference to that of other stakeholders.**
One of the central issues behind use of the BSC is whether there is any implication of a ‘hierarchy of ends’. Is it the case, for example, that learning and innovation goals are simply contributory to process and customer goals? And that process and customer goals are simply contributory to financial goals. Kaplan and Norton are ambivalent on this – in some of their writings there is a very clear implication that financial goals are paramount and the others are simply part of the ‘enabling factors’. However, this was not their initial position and it is not a prerequisite of their model. In a multi-stakeholder environment, where different stakeholders have very different goals, it is all the harder to justify the assumption of financial dominance of goals.

**Using the EFQM Excellence model for strategy evaluation in a multi-stakeholder context**

While the EFQM Excellence model was not specifically designed for strategy evaluation, there is no doubt that it has been used by some organisations for this purpose in two different ways:

- First, the set of evaluative instruments within the ‘enabling’ factor of ‘strategy’ has been used to test the adequacy of strategymaking documentation and process.
- Furthermore, different strategic options have been tested to estimate the extent to which they would result in the organisation achieving a higher score against the criteria within the Excellence Model (whether in a self-assessment exercise or from a third party assessment).

The Excellence model, as with other strategy evaluation approaches, has been slow to recognise the needs of a multiple stakeholder environment. Once again, several different options are available to adapt it. The views of different stakeholders can be explicitly recorded within the scoring for each of the enabling and results boxes. (In order to come to a final score for each of the nine factors, some weighting between stakeholders would be necessary). Alternatively, a separate exercise could be undertaken and reported from the perspective of each stakeholder (which might undermine its use as a mechanism for achieving alignment of stakeholders behind an agreed ‘one company, one vision’ model for the organisation).

**Emerging lessons for strategy evaluation in a multiple stakeholder context**

This analysis suggests that there has been insufficient attention given to the incorporation of the needs and interests of different stakeholders into strategy evaluation. Insofar as this has gone unremarked, both in the literature and in practice, it may reflect the reality that strategy evaluation is often NOT an important part of the strategy process.

This would, of course, be a heresy from the standpoint of the rationalist comprehensive perspective of strategic management. However, it is not so remarkable if we regard strategy-making as an emergent, adaptive or interpretative process (Chaffee, 1985).
Whatever perspective we take on the strategy process, we can expect each stakeholder to be aware of, and perhaps even calculating about, the relationship between chosen strategic options and the likely outcomes for that stakeholder – what we might call ‘rational planning after the event’. What is not clear is the set of interactions which will take place between stakeholders who have conflicting aims and diverse views on their preferred strategic options for the organisation. However, given the uncertainty that always revolves around the decisions of stakeholders, and the ever-present possibility that the configuration of the dominant stakeholder coalition will be altered by the changing strategic options chosen by each of them, it is clear that the scope for rational calculation by each stakeholder will be seriously constrained in most cases.

Nevertheless, we have grounds for believing that strategy evaluation is not simply a matter of random choice by each stakeholder. The passion with which stakeholders fight for their corner, based on their views of which strategies are likely to further their interests, indicates that they at least are far from convinced that strategy evaluation is so complex that the final choice of organisational strategy is a matter of indifference to them. Furthermore, there are grounds for believing that the outcome of multi-stakeholder strategy-making is not always chaotic – the persistence of dominant coalitions, both at board level within organisations and in cartels between organisations, is testament to the sustainability and predictability of many strategies over time.

In exploring the characteristics of strategy evaluation in a multi-stakeholder environment, the arguments in this paper suggest that:

- Strategy making is not confined to the dominant coalition of stakeholders – all stakeholders seek to participate in it, and thereby to undermine the current strategy chosen by the dominant coalition of stakeholders.
- Strategy evaluation is likely to be undertaken by all stakeholders, not only by the dominant coalition. Each of these stakeholders is likely to have different goals and priorities, and different preferred pathways to these goals.
- Part of the strategy evaluation process for each stakeholder is to explore the possibility of forming coalitions with other stakeholders in order to bring each other mutual advantage.
- In this sense, there is not and cannot be one ‘strategy evaluation’ process for the organisation as a whole. Part of the strategy evaluation process for each of the stakeholders in the dominant coalition has the aim of testing whether advantage can be gained through the undermining or replacing of that coalition.
- The goals which stakeholders choose in their strategy evaluation may cover a wide range – financial goals are likely to be included but may not be paramount. This means that strategy evaluation has to be able to cope with financial and non-financial, tangible and intangible, direct and indirect costs and benefits.
- Given their different goals and priorities, the ways in which stakeholders interact in the strategy process, as they seek to further the claims of the strategic options which they favour, are likely to be non-linear in their effects. This suggests that the final strategy adopted by the dominant coalition is likely to be path dependent.
• These non-linearities in the effects of stakeholder interactions may also mean that an organisation, once it has chosen a particular strategic option, may become ‘locked into’ that strategy, where it represents a ‘local optimum’ and where it prompts mutually reinforcing adjustments by each of the stakeholders to each other’s expectations and requirements.

• All evaluation techniques need to consider how best to incorporate multiple stakeholder perspectives in their analysis. Broadly speaking this is likely to mean one of the following approaches:
  o Separate itemisation of all benefits and costs from the perspective of different stakeholders, with a weighting applied to different stakeholders in order to determine the final ranking of strategic options from the perspective of the organisation (or the stakeholder doing the analysis).
  o Separate aggregation of the benefits and costs of each strategic option from the perspective of each stakeholder, with an overall statement for each stakeholder of the ranking of each of the strategic options.

Conclusions

This paper has argued that strategy evaluation has been a neglected area in the strategy process. Many of the techniques and approaches come from other disciplines (and in many cases are not widely used in those disciplines). Strategic management has tended to assume that explicit evaluation is not a key element of strategic choice, since emphasis is given to strategymaking as an emergent, adaptive and interpretative process.

However, strategies are real in their effects and therefore matter to stakeholders. The paper argues that stakeholders are likely to care about strategic choice and to engage in politicking in order to influence it. In order to do so, they need to have a feel for the implications of different strategic options, from the perspective of their goals and priorities. Strategy evaluation for stakeholders therefore has a rationale and a conceptual legitimacy, at least as long as stakeholder groups are seen to be relatively homogenous.

However, the paper argues that the search for a single strategy evaluation approach for the overall organisation is likely to fail. Unless there is a remarkable alignment of the interests of each stakeholder group, the interaction of stakeholders means that there are complex non-linearities at play in the strategy process. The ultimate strategy which emerges in an organisation is likely to be path dependent rather than ‘chosen’ through an explicit evaluation process. Moreover, a strategy, once accepted by the dominant coalition, produce ‘strategy lock-in’ so that further strategy evaluations are likely to be relatively fruitless. Stakeholders help determine strategy, partly through evaluating the impact of strategic options on their own welfare. However, to extrapolate this to the level of the organisation would be commit a fallacy – if strategy evaluation makes sense at all, organisational strategies are forged in stakeholder evaluations, not organisation-wide evaluations.
References


