



MILLIONS

MANAGEMENT SOLUTIONS

INTRODUCTION OF MANAGEMENT

SUMMARY

CHAPTER 18

THE PROCESS OF CONTROL

IN ORGANIZATION

What is Controlling and Why Is it Important?

- **Controlling** : The process of monitoring, comparing, and correcting work performance.
 - It is important because :
 - a. The only way that managers know whether the organizational goals are being met and if not, the reasons why.
 - b. It provides information and feedback so managers feel comfortable empowering employees
 - c. It Helps protect an organization and its assets

The Control Process



Step 1 : Measuring Actual Performance

- **How We Measure** : Use 4 approaches to measure and report performance

	Benefits	Drawbacks
Personal Observations	<ul style="list-style-type: none"> • Get firsthand knowledge • Information isn't filtered • Intensive coverage of work activities 	<ul style="list-style-type: none"> • Subject to personal biases • Time-consuming • Obtrusive
Statistical Reports	<ul style="list-style-type: none"> • Easy to visualize • Effective for showing relationships 	<ul style="list-style-type: none"> • Provide limited information • Ignore subjective factors
Oral Reports	<ul style="list-style-type: none"> • Fast way to get information • Allow for verbal and nonverbal feedback 	<ul style="list-style-type: none"> • Information is filtered • Information can't be documented
Written Reports	<ul style="list-style-type: none"> • Comprehensive • Formal • Easy to file and retrieve 	<ul style="list-style-type: none"> • Take more time to prepare

- **What We Measure** : Choosing Control Criteria

Step 2 :Comparing Actual Performance against the Standard

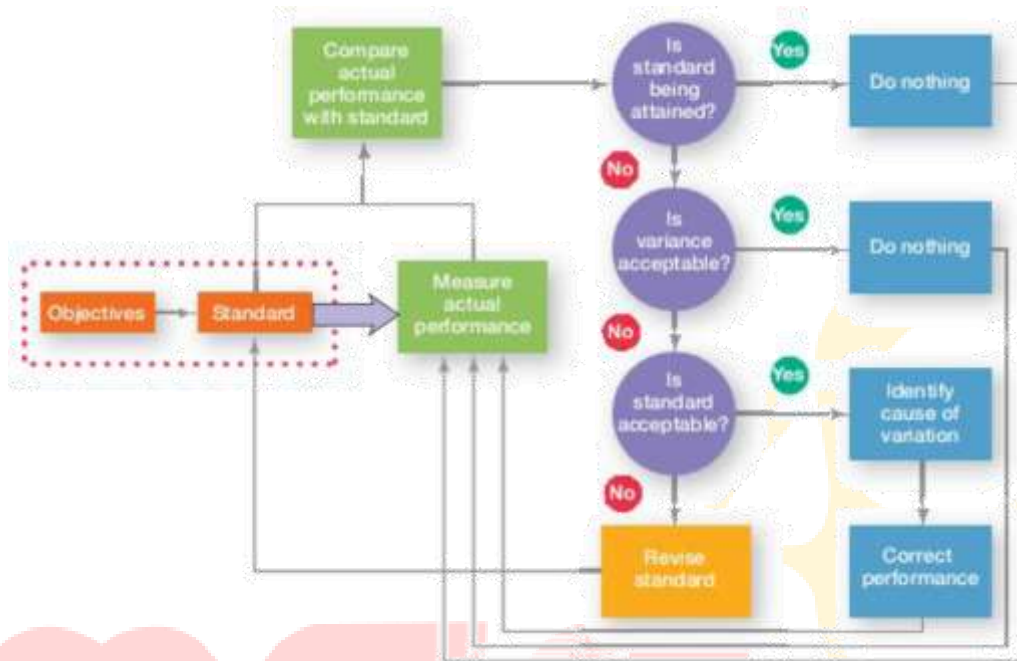
- Need to determine an acceptable parameters of variance between actual performance and the standard (**Range of Variation**)

Step 3 : Taking Managerial Action(3 actions)

- **Do Nothing**
- **Correct Actual Performance**

- **Immediate corrective action** : Corrects problems at once to get performance back on track
- **Basic Corrective action** : Looks at how and why performance deviated before correcting the source of deviation
- **Revise the Standard**

Scheme of Managerial Decision in the Control Process



Controlling for Organizational Performance

- **Performance** : The end result of an activity
- **Organizational Performance** :The accumulated results of all the organization's work activities. Measures about the information of organizational performance :
- **Organizational Productivity. Productivity** :is the amount of goods or services produced divided by the inputs needed to generate that output.
- **Organizational Effectiveness** : a measure of how appropriate organizational goals are and how well those goals are being met
- **Industry and Company Rankings**

Tools for Measuring Organizational Performance

- **Feedforward/Concurrent/Feedback Controls**
 - **Feedforward Control** : Control that takes place **before** a work activity is done
 - **Concurrent Control** :Take places **while** a work activity is in progress.
 - **Management by walking around** : A term used to describe when a manger is out in the work area interacting directly with employees
 - **Feedback Control** :Control that takes place **after** a work activity is done.Have two advantages :
 - a. Gives manager meaningful information on how effective their planning efforts were
 - b. Enhance motivation

- **Financial Controls**
 - Use of two primary financial statement (The Balance Sheet and The Income Statement) and expressed as percentage or ratio as internal controls
 - Budgets can also be used for controlling because they provide managers with quantitative standard against which to measure and compare resource consumption
- **Balanced Scorecard** :a performance measurement tool that looks of more than just the financial perspective.
 - Look at four areas :**Financial, Customer, Internal Process, People/innovation/growth assets.**
- **Information Controls**
 - Managers deal with information control in two ways :
 - a. As a tool to help them control other organizational activities
 - b. As an organizational area they need to control
 - Management Information System (MIS) :a system used to provide managers with needed information on a regular basis. So it provides managers with information (processed and analyzed data) not raw data.
- **Benchmarking of Best Practices**
 - **Benchmarking** : the search for the best practices among competitors or noncompetitors that lead to their super performance.
 - **Benchmark** :the standards of excellence against which to measure and compare

Contemporary Issues in Control

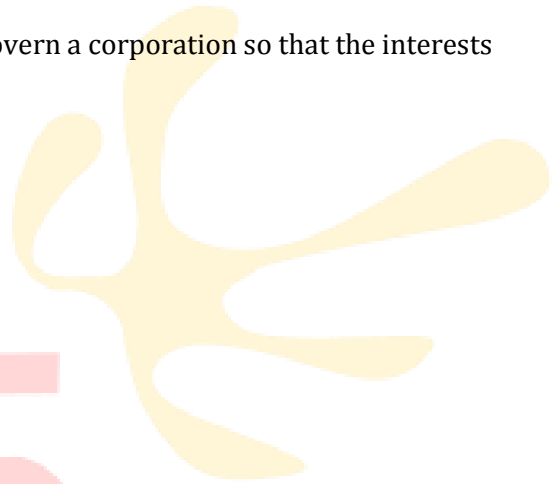
- **Adjusting Controls for Cross-Cultural Differences**
 - Distance creates tendency to formalize controls and it keeps manager being able to observe work directly
 - More advanced technology used indirect control devices to ensure work activities are going as planned
 - Managers should be aware of constraints on corrective actions they can take
 - Comparability of collecting data for measurement and comparison is challenge
- **Workplace Concerns** include workplace privacy, employee theft

Concept of feedforward, concurrent, and feedback control in employee theft

Feedforward	Concurrent	Feedback
Careful pre hiring screening.	Treat employees with respect and dignity.	Make sure employees know when theft or fraud has occurred—not naming names but letting people know this is not acceptable.
Establish specific policies defining theft and fraud and discipline procedures.	Openly communicate the costs of stealing.	Use the services of professional investigators.
Involve employees in writing policies.	Let employees know on a regular basis about their successes in preventing theft and fraud.	Redesigns control measures.
Educate and train employees about the policies.	Use video surveillance equipment if conditions warrant.	Evaluate your organization's culture and the relationships of managers and employees.
Have a professional review of your internal security controls.	Install "lock-out" options on computers, telephones, and e-mail. Use corporate hotlines for reporting incidences. Set a good example.	

- **Workplace Violence**, Some factors contribute to workplace violence :
 - Employee work driven by Time, Numbers and Crises
 - Rapid and Unpredictable change where instability and uncertainty plague employees
 - Authoritarian leadership with a rigid, militaristic mind-set of managers vs employees
 - Destructive Communication style
 - Repetitive, boring work with no chance for doing something else
- **Controlling Customer Interactions**
 - **Service Profit Chain** : the service sequence from employees to customers to profit.
Company's strategy and service delivery system influence how employees deal with customers; how productive they are in providing service and the quality of that service.
- **Corporate Governance** : the system used to govern a corporation so that the interests of corporate owners are protected

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