Introduction to Management Week 7 Study Group

# Week 6 Comprehensive Notes

* The Control Process
  + Begins with the establishment of clear standards of performance
  + Involves a comparison of performance to those standards
  + Takes corrective action, if needed, to repair performance deficiencies
  + Is a dynamic, cybernetic process
  + Consists of three basic methods: feedback control, concurrent control and feed-forward control.

* Standards
  + A basis of comparison for measuring the extent to which various kinds of organisational performance are satisfactory or unsatisfactory
  + Standard must enable goal achievement.
  + Benchmarking:
    - The process of identifying outstanding practises, processes and standards in other organisations and adapting them to your organisation.

* Comparison to standards
  + Emphasis on quality of measurement and information a company uses.

* Corrective action
  + Identify performance deviation
  + Analyse deviations
  + Implement programs to correct them.

* Dynamic, cybernetic process
  + The process of steering or keeping on course
  + Performance is compared to standards regularly so that deviations can be minimised or corrected.

* Feedback, concurrent and feed-forward control
  + Feedback control:
    - A mechanism for gathering information about performance deficiencies after they occur.
  + Concurrent control:
    - A mechanism for gathering information about performance deficiencies as they occur, thereby eliminating or shortening the delay between performance and feedback.
    - E.g. fitness tracking apps give you live feedback on heartrate, distance, speed, etc. So you can work out how you're going.
  + Feed-forward control:
    - A mechanism for monitoring performance inputs rather than outputs to prevent or minimise performance deficiencies before they occur.

* Control isn't always worthwhile or possible (when)
  + Control loss
    - The situation in which the behaviour and work procedures do not conform to standards.
  + Regulation costs
    - A cost associated with implementing or maintaining control.
  + Cybernetic feasibility
    - The extent to which it is possible to implement each step in the control process.

* Control methods (how)
  + Bureaucratic control
    - The use of hierarchical authority to influence employee behaviour by rewarding or punishing employees for compliance or non-compliance with organisational policies, rules and procedures.
    - By encouraging managers to apply well-thought-out rules, policies and procedures in an impartial, consistent manner to everyone in the organisation, bureaucratic control is supposed to make companies more efficient, effective and fair. Unfortunately, it frequently has just the opposite effect.
    - Managers who use bureaucratic control often emphasise following the rules above all else.
    - Due to their rule and policy-driven decision making, they are highly resistant to change and slow to respond to customers and competitors.
  + Objective control
    - The use of observable measures of employee behaviour or outputs to assess performance and influence behaviour.
    - Bureaucratic control focuses on whether policies and rules are followed, objective control focuses on the observation or measurement of worker behaviour or output.
    - **Behaviour Control**
      * The regulation of the behaviours and actions that workers perform on the job.
    - **Output Control**
      * The regulation of workers' results or outputs through rewards and incentives.
  + Normative control
    - The regulation of employee's behaviour and decisions through widely shared organisational values and beliefs.
  + Concertive control
    - The regulation of workers' behaviour and decisions through work group values and beliefs.
    - Whereas normative controls are based on beliefs that are strongly held and widely shared throughout a company, concertive controls are based on beliefs that are shaped and negotiated by work groups.
  + Self-control
    - A control system in which managers control their own behaviour by setting their own goals, monitoring their own progress and rewarding themselves for goal achievement.

* What to control (what)
  + The balanced scorecard
    - Measures organisational performance in four different areas:
      * Finances
      * Customers
        + How do customers see us?
      * Internal operations
        + What must we excel in?
      * Innovation and learning
        + Can we continue to improve and create value?
    - Minimises sub-optimisation (improvement in one area at the cost of another).
  + Financial perspective:
    - Cash flow analysis: a type of analysis that predicts how changes in a business will affect its ability to take in more cash than it pays out.
    - Balance sheet: an accounting statement that provides a snapshot of a company's financial position at a particular time.
    - Income statement (profit or loss): shows what has happened to an organisation's income, expenses and net profit over a period of time.
    - Financial ratio: a calculation typically used to track a business' liquidity, efficiency and profitability compared to other businesses in its industry.
    - Budgets are used to project costs and revenues.
    - Economic Value Added (EVA): measures the value generates from funds invested in it. It is Net Operating Profit After Taxes (NOPAT) - Invested capital (Debt + capital leases + shareholders' equity) \* Weighted average cost of capital (WACC).
  + Customer perspective:
    - Customer defection: a performance assessment in which customers are leaving and measures the rate at which they are leaving.
  + Internal perspective:
    - Offer value (customer perception that the product quality is excellent for the price offered)
  + Innovation and learning
    - Improving ongoing products and services.