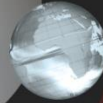


GLOBAL  
EDITION



# Management

THIRTEENTH EDITION

Stephen P. Robbins • Mary Coulter

## MONITORING AND CONTROLLING

18

# LEARNING OBJECTIVES

1. **Explain** the nature and importance of control.
2. **Describe** the three steps in the control process.
3. **Explain** how organizational and employee performance are measured.
  - **Know how** to be effective at giving feedback.
4. **Describe** tools used to measure organizational performance.
5. **Discuss** contemporary issues in control.
  - **Develop your skill** at dealing with difficult people.



# WHAT IS CONTROLLING?

- ▶ **Controlling** – the process of monitoring, comparing, and correcting work performance.
  - ▶ **The Purpose of Control**
    - ▶ To **ensure** that activities are **completed** in ways that lead to the accomplishment of organizational goals.



# WHY IS CONTROLLING IMPORTANT?

- ▶ As the final link in management functions:

## Planning

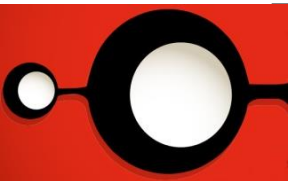
- Controls let managers know whether their goals and plans are on target and what future actions to take.

## Empowering employees

- Control systems provide managers with information and feedback on employee performance.

## Protecting the workplace

- Controls enhance physical security and help minimize workplace disruptions.



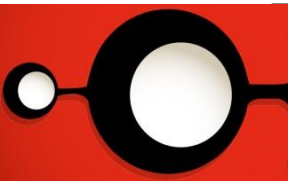
# EXHIBIT 18-1

## PLANNING-CONTROLLING LINK



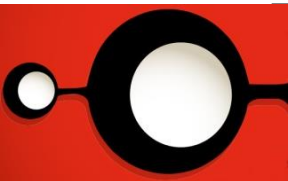
# THE CONTROL PROCESS

- ▶ **Control process** – a three-step process of **measuring actual performance, comparing** actual performance against a **standard**, and taking managerial action to **correct deviations** or inadequate standards.



# EXHIBIT 18-2

## THE CONTROL PROCESS



# THE CONTROL PROCESS (CONT.)

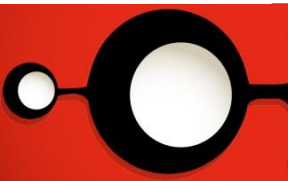
## ► Step I: Measuring Actual Performance

How We  
Measure

- Personal observations, statistical reports, oral reports, and written reports.

What We  
Measure

- What is measured is probably more critical to the control process than how it's measured.

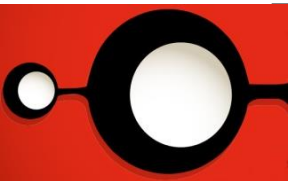




# EXHIBIT 18-3

## SOURCES OF INFORMATION FOR MEASURING PERFORMANCE

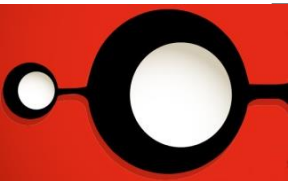
	Benefits	Drawbacks
Personal Observations	<ul style="list-style-type: none"><li>• Get firsthand knowledge</li><li>• Information isn't filtered</li><li>• Intensive coverage of work activities</li></ul>	<ul style="list-style-type: none"><li>• Subject to personal biases</li><li>• Time-consuming</li><li>•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



# THE CONTROL PROCESS (CONT.)

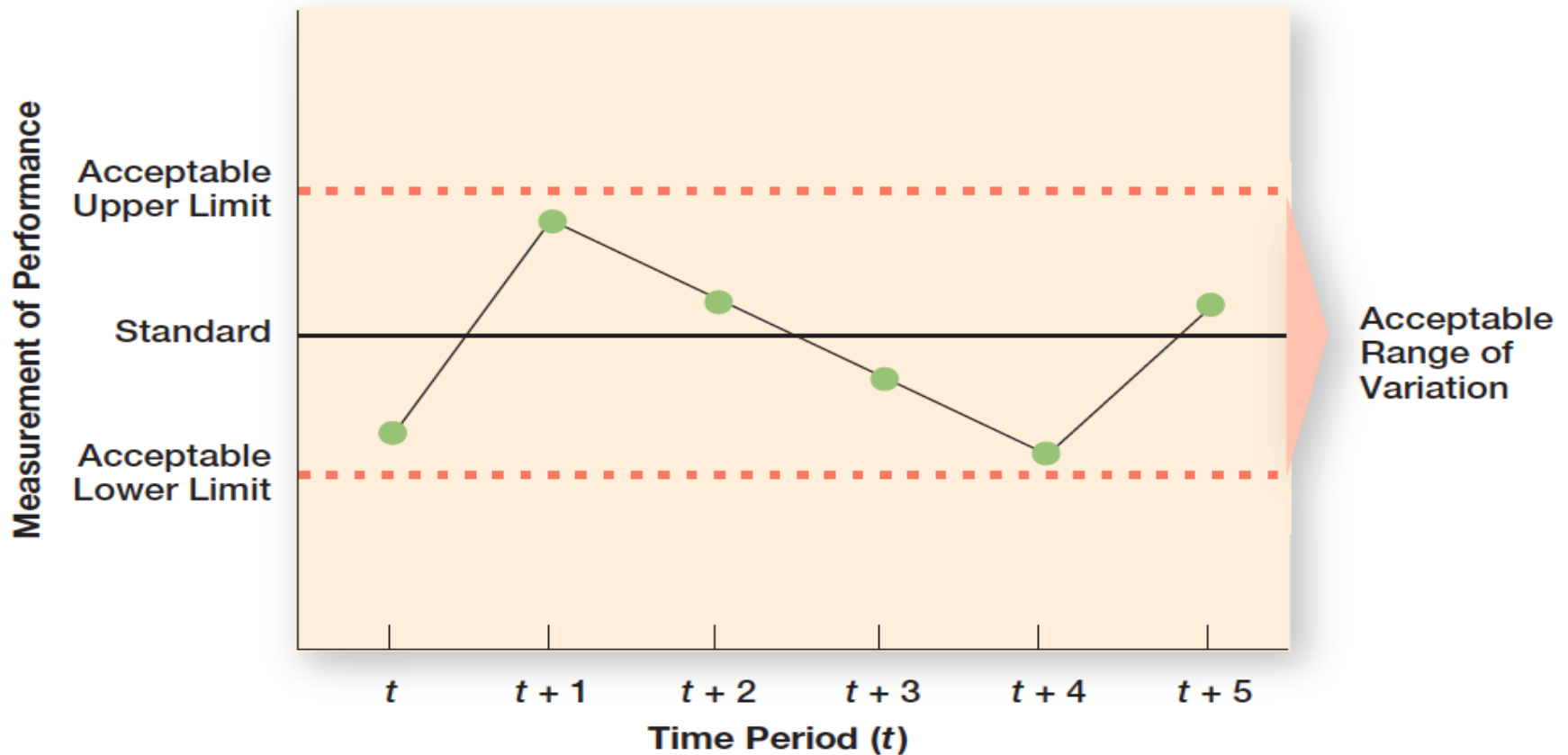
## ▶ **Step 2: Comparing Actual Performance Against the Standard:**

- ▶ Determining the degree of variation between actual performance and the standard.
  - ▶ **Range of variation** – the acceptable parameters of variance between actual performance and the standard.



# EXHIBIT 18-4

## ACCEPTABLE RANGE OF VARIATION



# EXHIBIT 18-5

## GREEN EARTH GARDENING SUPPLY—*JUNE* SALES

Product	Standard	Actual	Over (Under)
Vegetable plants	1,075	913	(162)
Perennial flowers	630	634	4
Annual flowers	800	912	112
Herbs	160	140	(20)
Flowering bulbs	170	286	116
Flowering bushes	225	220	(5)
Heirloom seeds	540	672	132
Total	3,600	3,777	177



# THE CONTROL PROCESS (CONT.)

## ▶ **Step 3: Taking Managerial Action**

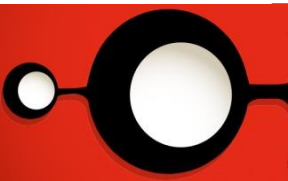
### ▶ **Correct Actual Performance**

▶ **Immediate corrective action** – corrective action that corrects problems at once in order to get performance back on track.

▶ **Basic corrective action** – corrective action that looks at how and why performance deviated before correcting the source of deviation.

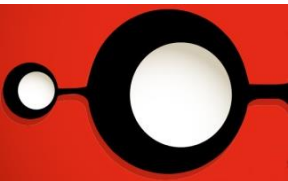
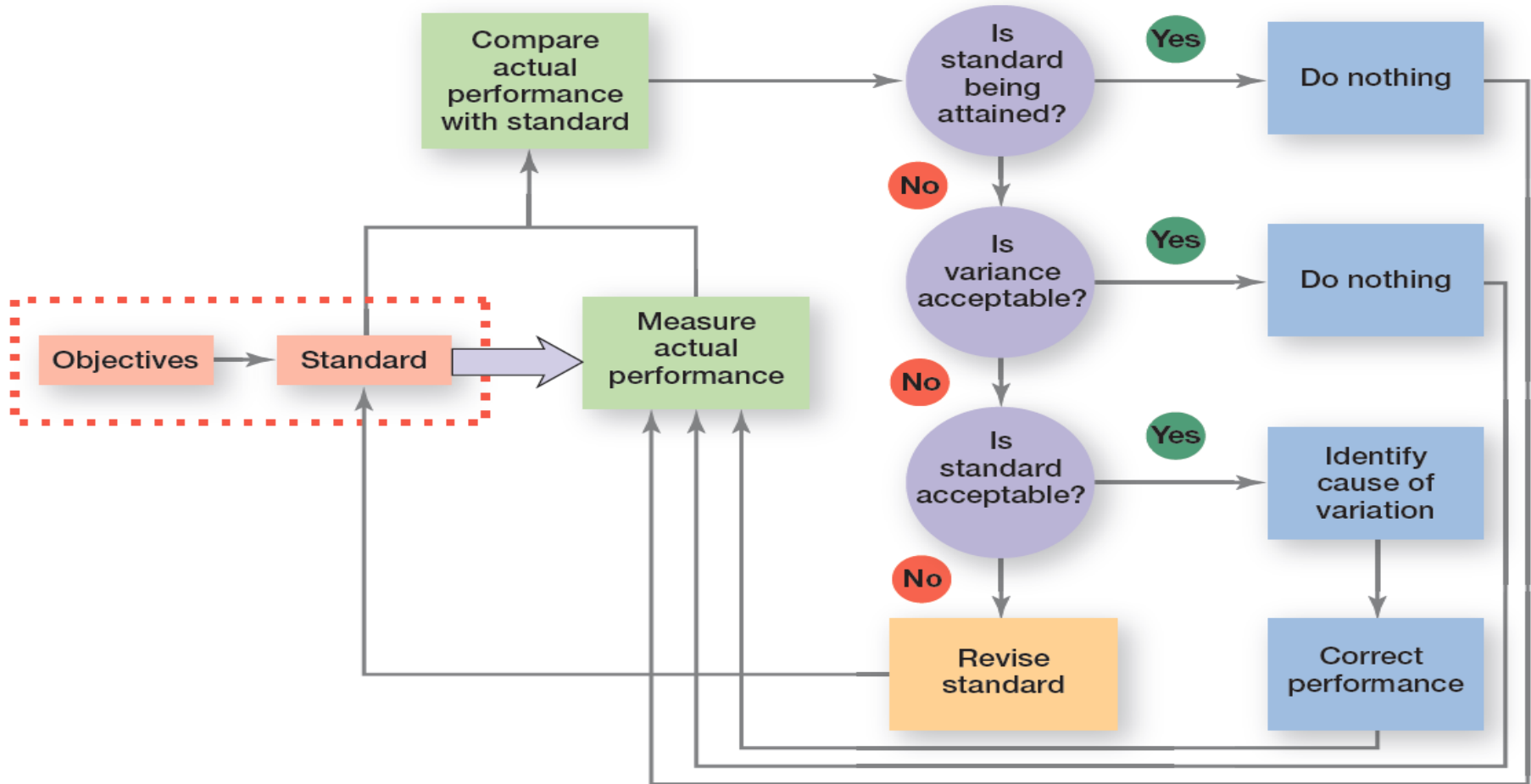
▶ **Revise the Standard** - if performance consistently exceeds the goal, then a manager should look at whether the goal is too easy and needs to be raised.

▶ Managers must be cautious about revising a standard downward.



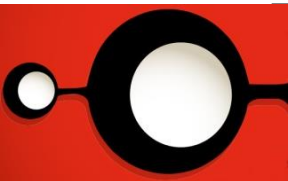
# EXHIBIT 18-6

## MANAGERIAL DECISIONS IN THE CONTROL PROCESS



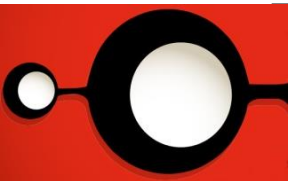
# WHAT IS ORGANIZATIONAL PERFORMANCE?

- ▶ **Performance** – the end result of an activity.
  - **Organizational performance** – the accumulated results of all the organization's work activities.



# MEASURES OF ORGANIZATIONAL PERFORMANCE

- ▶ **Productivity**— 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.





# EXHIBIT 18-7

## POPULAR INDUSTRY AND COMPANY RANKINGS

### ***Fortune*** ([www.fortune.com](http://www.fortune.com))

*Fortune* 500  
Global 500  
World's Most Admired Companies  
100 Best Companies to Work For  
25 Top Companies for Leaders  
100 Fastest-Growing Companies

### **Forbes** ([www.forbes.com](http://www.forbes.com))

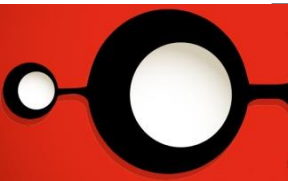
25 Fastest-Growing Tech Companies  
  
Best Places for Business and Careers

### ***IndustryWeek*** ([www.industryweek.com](http://www.industryweek.com))

*IndustryWeek* 1000  
*IndustryWeek* U.S. 500  
50 Best Manufacturers  
*IndustryWeek* Best Plants

### **Customer Satisfaction Indexes**

American Customer Satisfaction Index—  
University of Michigan Business School  
Customer Satisfaction Measurement  
Association



# CONTROLLING FOR EMPLOYEE PERFORMANCE

- ▶ **Disciplinary actions** – actions taken by a manager to enforce the organization's work standards and regulations.
  - Delivering Effective Performance Feedback – managers need to provide their employees with feedback so that the employees know where they stand in terms of their work.



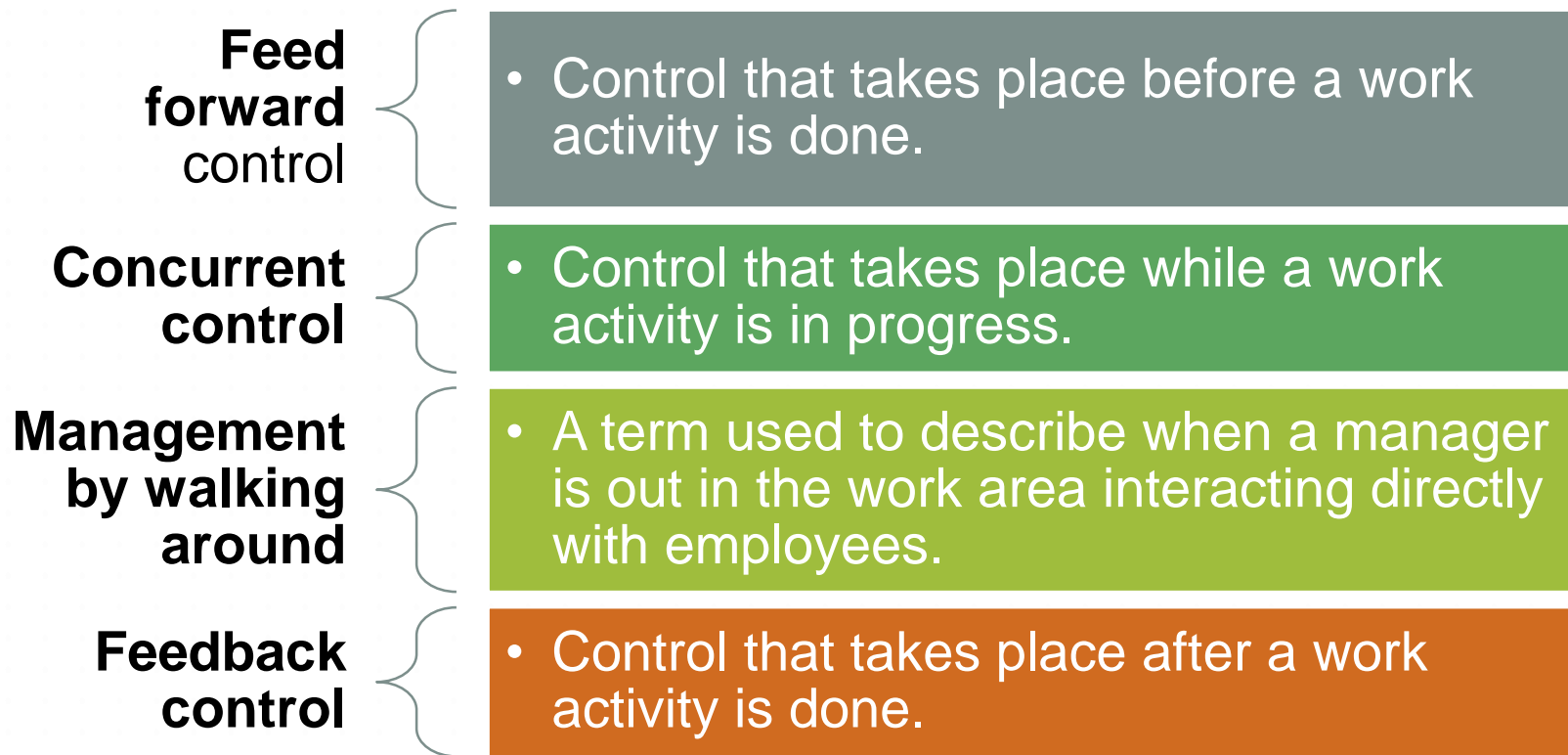
# EXHIBIT 18-8

## TYPES OF DISCIPLINE PROBLEMS AND EXAMPLES OF EACH

<b>PROBLEM TYPE</b>	<b>EXAMPLES OF EACH</b>
<b>Attendance</b>	Absenteeism, tardiness, abuse of sick leave
<b>On-the-Job Behaviors</b>	Insubordination, failure to use safety devices, alcohol or drug abuse
<b>Dishonesty</b>	Theft, lying to supervisors, falsifying information on employment application or on other organizational forms
<b>Outside Activities</b>	Criminal activities, unauthorized strike activities, working for a competing organization (if no-compete clause is part of employment)

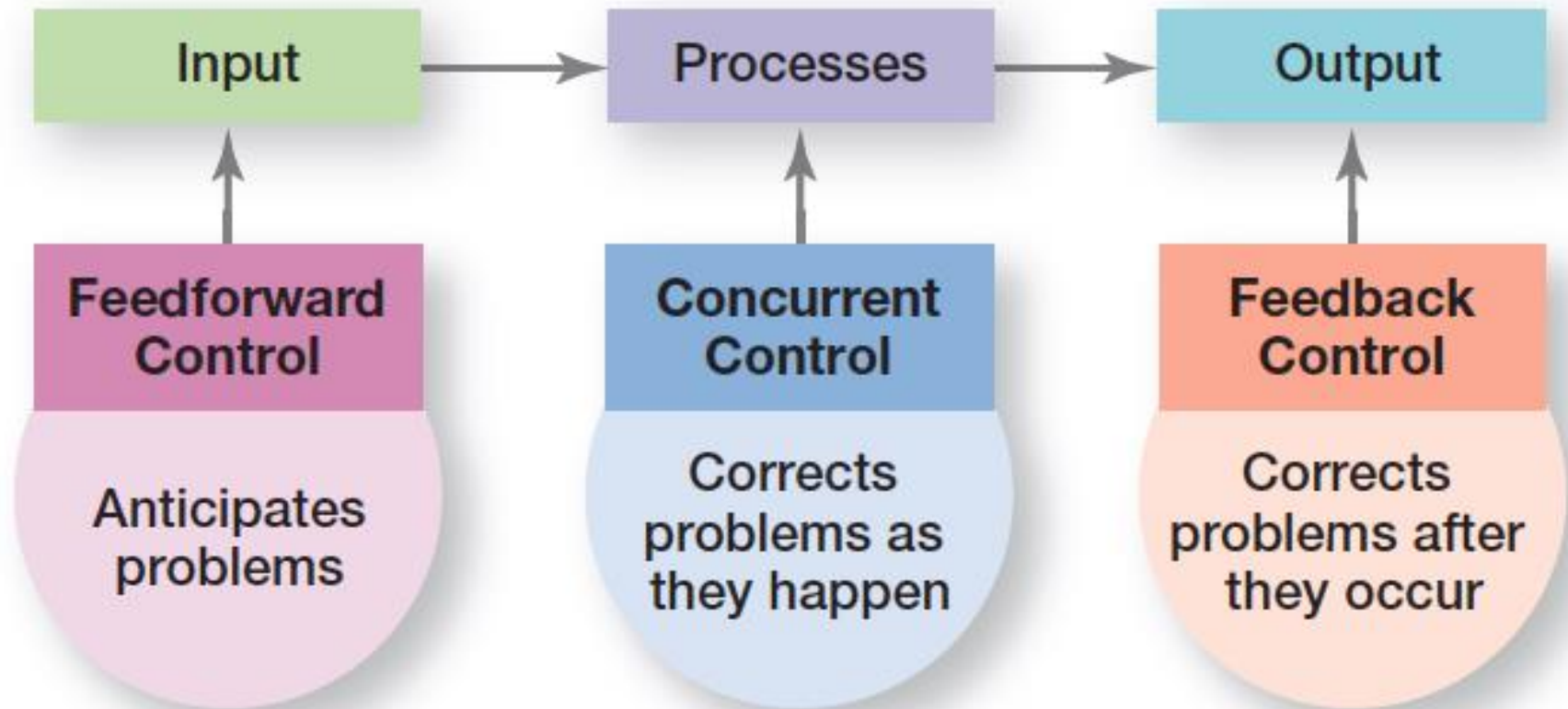


# TOOLS FOR MEASURING ORGANIZATIONAL PERFORMANCE



# EXHIBIT 18-9

## TYPES OF CONTROL



# CONTROL TOOLS

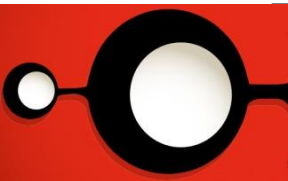


Financial  
Control

Information  
Control

Balanced  
Scorecard

Benchmarking



# FINANCIAL CONTROLS

## ► Traditional Controls

### Ratio analysis

Liquidity

Leverage

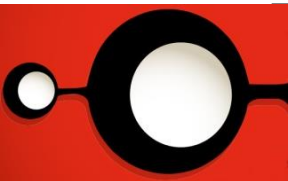
Activity

Profitability

### Budget Analysis

Quantitative  
standards

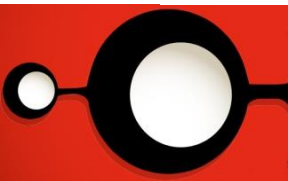
Deviations



# EXHIBIT 18-10

## POPULAR FINANCIAL RATIOS

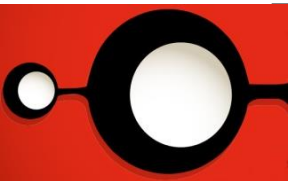
Objective	Ratio	Calculation	Meaning
Liquidity	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	Tests the organization's ability to meet short-term obligations
	Acid test	$\frac{\text{Current assets less inventories}}{\text{Current liabilities}}$	Tests liquidity more accurately when inventories turn over slowly or are difficult to sell
Leverage	Debt to assets	$\frac{\text{Total debt}}{\text{Total assets}}$	The higher the ratio, the more leveraged the organization
	Times interest earned	$\frac{\text{Profits before interest and taxes}}{\text{Total interest charges}}$	Measures how many times the organization is able to meet its interest expenses
Activity	Inventory turnover	$\frac{\text{Sales}}{\text{Inventory}}$	The higher the ratio, the more efficiently inventory assets are used
	Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	The fewer assets used to achieve a given level of sales, the more efficiently management uses the organization's total assets
Profitability	Profit margin on sales	$\frac{\text{Net profit after taxes}}{\text{Total sales}}$	Identifies the profits that are generated
	Return on investment	$\frac{\text{Net profit after taxes}}{\text{Total assets}}$	Measures the efficiency of assets to generate profits





# INFORMATION CONTROLS

- ▶ **Management Information System (MIS)** – a system used to provide management with needed information on a regular basis.
  - ▶ **Data** – an unorganized collection of raw, unanalyzed facts (e.g., an unsorted list of customer names).
  - ▶ **Information** – data that has been analyzed and organized such that it has value and relevance to managers.



# THE BALANCED SCORECARD

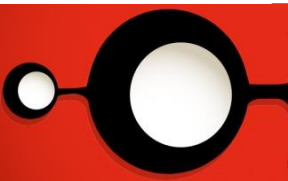
- ▶ **Balanced scorecard** – a performance measurement tool that examines more than just the financial perspective.
  - Measures a company's performance in four areas:

Financial

Customer

Internal processes

People/innovation  
/growth assets



# BENCHMARKING OF BEST PRACTICES

- ▶ **Benchmarking** – the search for the best practices among competitors or non-competitors that lead to their superior performance.
  - ▶ **Benchmark** – the standard of excellence to measure and compare against.



# EXHIBIT 18-11

## SUGGESTIONS FOR INTERNAL BENCHMARKING

---

1. *Connect best practices to strategies and goals.* The organization's strategies and goals should dictate what types of best practices might be most valuable to others in the organization.
  2. *Identify best practices throughout the organization.* Organizations must have a way to find out what practices have been successful in different work areas and units.
  3. *Develop best practices reward and recognition systems.* Individuals must be given an incentive to share their knowledge. The reward system should be built into the organization's culture.
  4. *Communicate best practices throughout the organization.* Once best practices have been identified, that information needs to be shared with others in the organization.
  5. *Create a best practices knowledge-sharing system.* There needs to be a formal mechanism for organizational members to continue sharing their ideas and best practices.
  6. *Nurture best practices on an ongoing basis.* Create an organizational culture that reinforces a "we can learn from everyone" attitude and emphasizes sharing information.
- 



# CONTEMPORARY ISSUES IN CONTROL

- ▶ Adjusting Controls for Cross-Cultural Differences and Global Turmoil:
  - ▶ Control techniques can be quite different for different countries.
  - ▶ Differences are primarily in the measurement and corrective action steps of the control process.
  - ▶ Managers in foreign countries also need to be aware of constraints on corrective actions they can take.

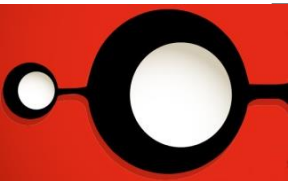


# CONTEMPORARY ISSUES IN CONTROL (CONT.)

## ▶ Workplace privacy

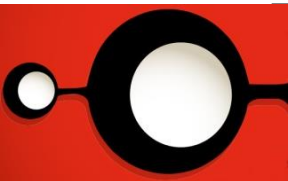
### – Employers can (and do)

- read your e-mail
- tap your telephone
- monitor your work by computer
- store and review computer files
- monitor you in an employee bathroom or dressing room
- track your whereabouts in a company vehicle



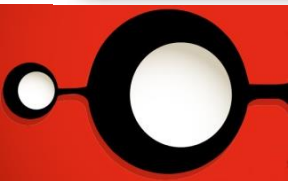
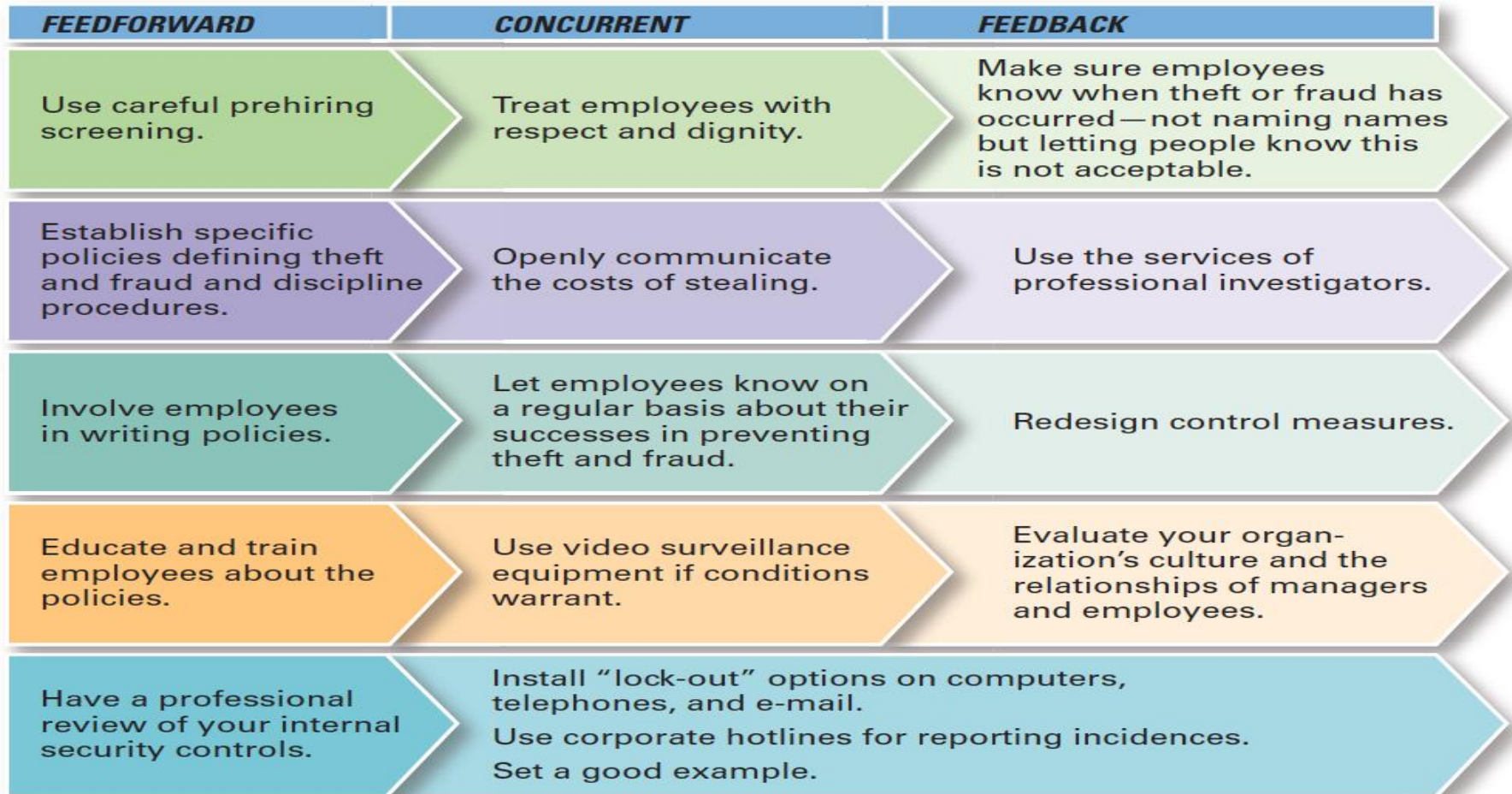
# CONTEMPORARY ISSUES IN CONTROL (CONT.)

- ▶ **Employee theft** – any unauthorized taking of company property by employees for their personal use.
  - Workplace Violence – the U.S. National Institute of Occupational Safety and Health still says that each year, some 2 million American workers are victims of some form of workplace violence.



# EXHIBIT 18-12

## CONTROLLING EMPLOYEE THEFT

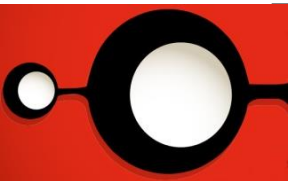




# EXHIBIT 18-13

## CONTROLLING WORKPLACE VIOLENCE

Feedforward	Concurrent	Feedback
Use MBWA (managing by walking around) to identify potential problems; observe how employees treat and interact with each other.	Ensure management commitment to functional, not dysfunctional, work environments.	Communicate openly about incidences and what's being done.
Provide employee assistance programs (EAPs) to help employees with behavioral problems.	Allow employees or work groups to "grieve" during periods of major organizational change.	Investigate incidences and take appropriate action.
Enforce organizational policy that any workplace rage, aggression, or violence will not be tolerated.	Be a good role model in how you treat others.	Review company policies and change, if necessary.



# EXHIBIT 18-13

## CONTROLLING WORKPLACE VIOLENCE (CONT.)

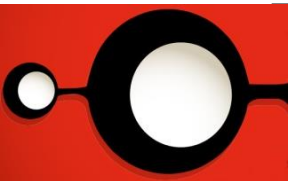
Feedforward	Concurrent	Feedback
Use careful pre hiring screening.	Use corporate hotlines or some other mechanism for reporting and investigating incidences.	
Never ignore threats.	Use quick and decisive intervention.	
Train employees about how to avoid danger if situation arises.	Get expert professional assistance if violence erupts.	
Clearly communicate policies to employees.	Provide necessary equipment or procedures for dealing with violent situations (cell phones, alarm system, code names or phrases, and so forth).	



# CONTEMPORARY ISSUES IN CONTROL (CONT.)

## ▶ Controlling Customer Interactions

▶ **Service profit chain** – the service sequence from employees to customers to profit.



# CONTEMPORARY ISSUES IN CONTROL (CONT.)

- ▶ **Corporate Governance** – the system used to govern a corporation so that the interests of corporate owners are protected.
  - The Role of Boards of Directors – a group, independent from management, looking out for the interests of shareholders who were not involved in the day-to-day management of the organization.

