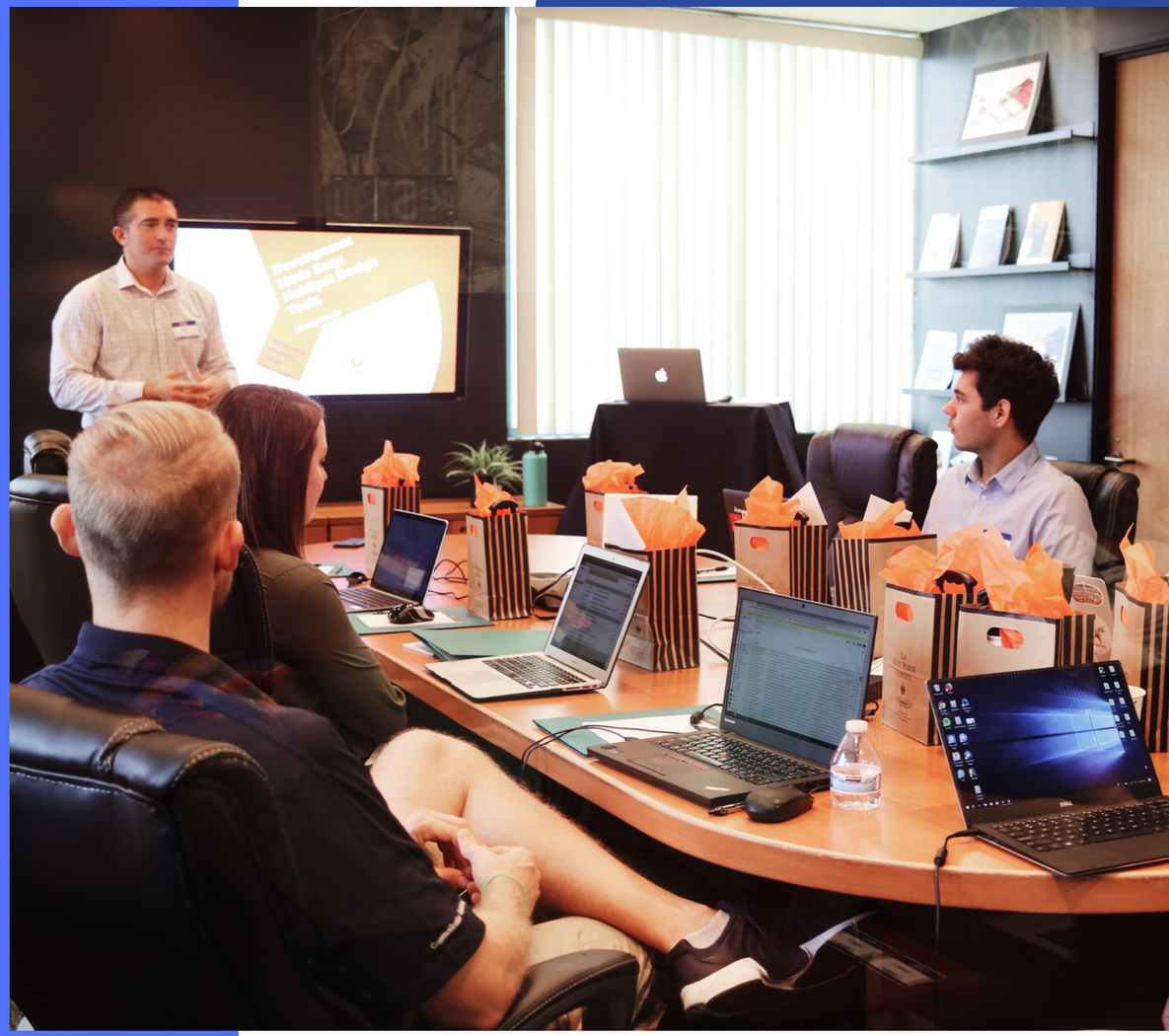
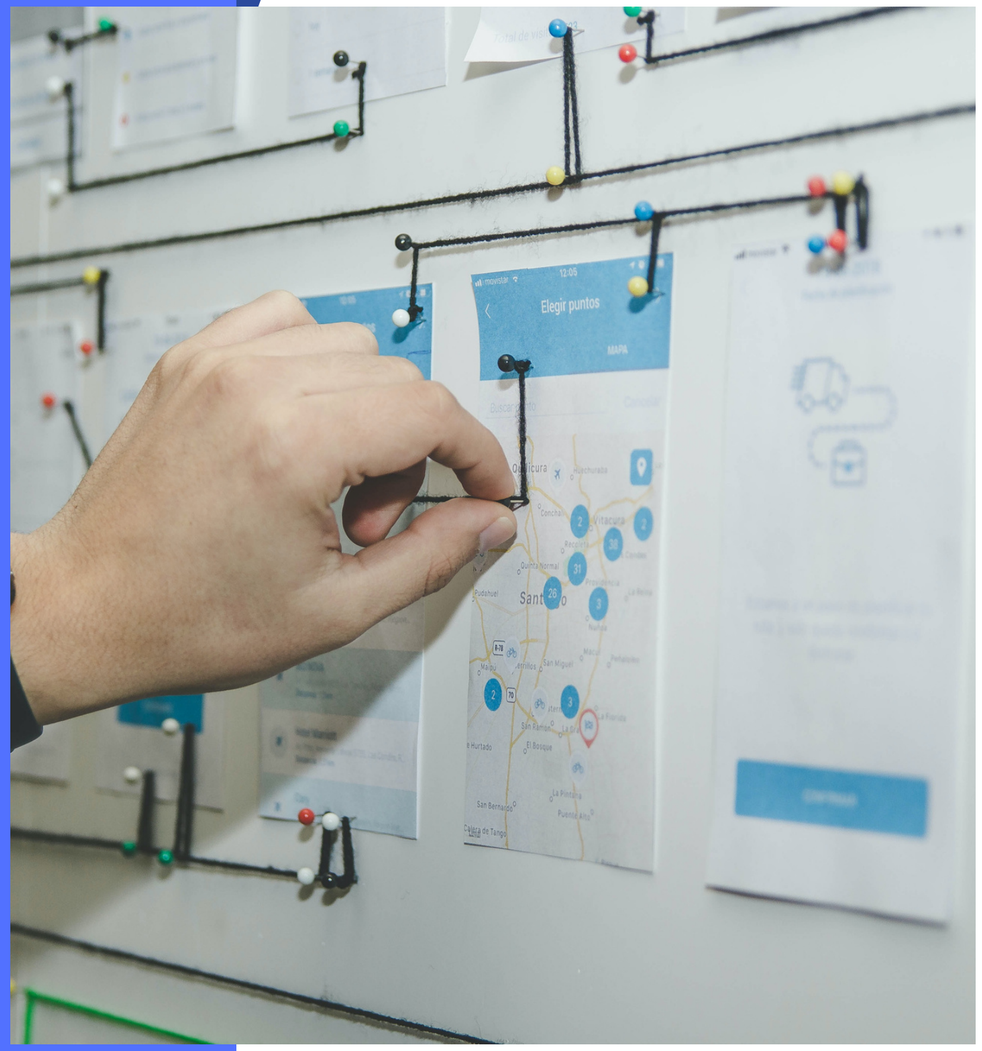
MANAGEMENT CONTROL SYSTEM

GROUP 5 PRESENTATION

INTRODUCTION

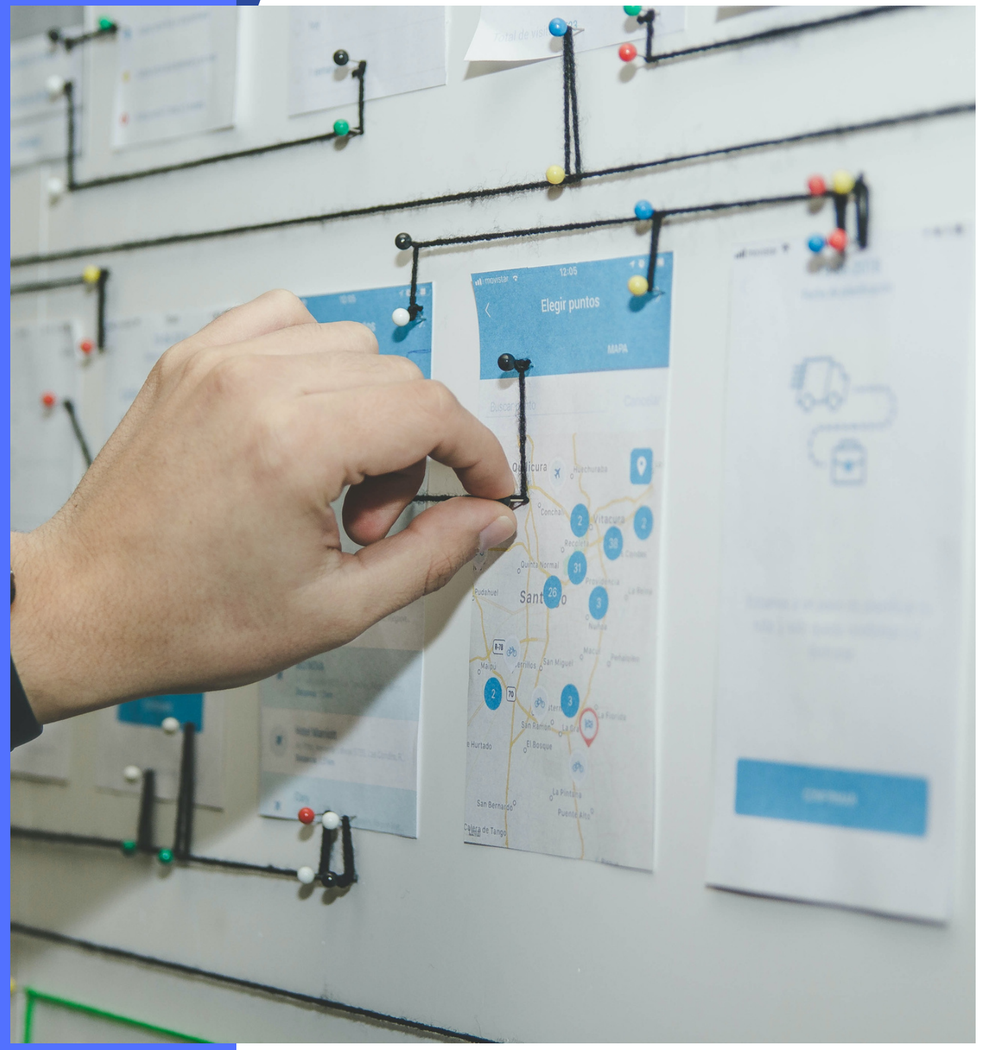
FOR BUSINESSES TO SUCCEED, THEY OFTEN HAVE TO MANAGE MULTIPLE DEPARTMENTS WITH DIFFERENT RESPONSIBILITIES.





MANAGEMENT CONTROL SYSTEM

AN APPROACH BUSINESSES EMPLOY TO UNDERSTAND HOW SUCCESSFULLY IT ACHIEVES GOALS RELATED TO PRODUCTIVITY, PROFITABILITY OR EFFICIENCY.



ANALYZING THE INFORMATION IN AN MCS HELPS MANAGERS UNDERSTAND WHERE THEY CAN MAKE IMPROVEMENTS IN AN ORGANIZATION'S DAY-TO-DAY OPERATIONS.

Data helps formulate MCS to find solutions.

NATURES OF MANAGEMENT CONTROL SYSTEMS

Formal Control System

Information Control System

FORMAL CONTROL SYSTEM

The organization has clear procedures, rules and guidelines in place to explain the different managerial requirements.

HR Department

Hiring Staffs and personnel

INFORMAL CONTROL SYSTEM

The organization will also have informal and unwritten processes in place for management control.

Subordinate

Be loyal and respect our organization

CHARACTERISTICS OF MANAGEMENT CONTROL SYSTEMS

MANAGEMENT CONTROL SYSTEMS DESIGNED IN AN ORGANISATION SHOULD FULFILL THE FOLLOWING CHARACTERISTICS:

Aligned to an Organisation's Strategies and Goals

Designed to Fit the Organisation's Structure

Motivate Managers and Employees

ALIGNED TO AN ORGANIZATION'S STRATEGIES AND GOALS.

BEING ALIGNED TO AN ORGANIZATION'S GOAL MAKES IT EASIER TO FOLLOW AND IMPLEMENT.

Production Management

The relevance of people and production rate..

DESIGNED TO FIT THE ORGANISATION'S STRUCTURE

AN MCS SYSTEM THAT DOES NOT FIT DOESN'T HELP.

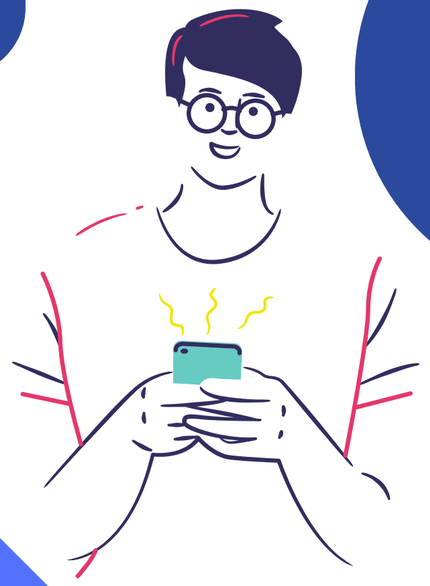
Production Team

We're short in people, we need to double time.

MOTIVATE MANAGERS AND EMPLOYEES TO EXERT EFFORT

FOLLOWING AN MCS SHOULD FEEL REWARDING WHEN ACCOMPLISHED, EITHER BY PHYSICAL REWARD OR INTANGIBLE REWARDS.

Production Employee



A nice vaction sounds good!

BENEFITS OF MANAGEMENT CONTROL SYSTEMS

THE BENEFITS OF IMPLEMENTING THE FRAMEWORK FOCUS LARGELY ON DIFFERENT WAYS OPERATIONAL EFFICIENCY IS ENHANCED AND IMPROVED.

- Reduce Risks
- Improves an Organization's Ability to Plan Future Actions
- Better Facilitation of Coordination
- Managerial Problems are Easier to Notice
- Supports Organizational Decentralization

Reduce Risks

THE ORGANIZATION WILL REMOVE NON-CONFORMITY BY ENSURING THE ACTUAL PERFORMANCE AND RESULTS RELATE TO THE MAIN OBJECTIVES OF THE ORGANIZATION.

MCS advises an alternative approach

If such risk hapens we can...

Improves an Organization's Ability to Plan Future Actions

THE INFORMATION FLOWS FASTER UNDER THE MCS SYSTEM, AS EACH PART OF THE ORGANIZATION'S PROCESS IS BEING MONITORED AND ANALYZED.

MCS shows that this method is effective

With the demand of such product we can...

Better Facilitation of Coordination

FOR ANY BUSINESS TO SUCCEED, A GOOD COMMUNICATION BETWEEN THE MANAGEMENT AND OTHER PARTS OF THE BUSINESS IS THE KEY.

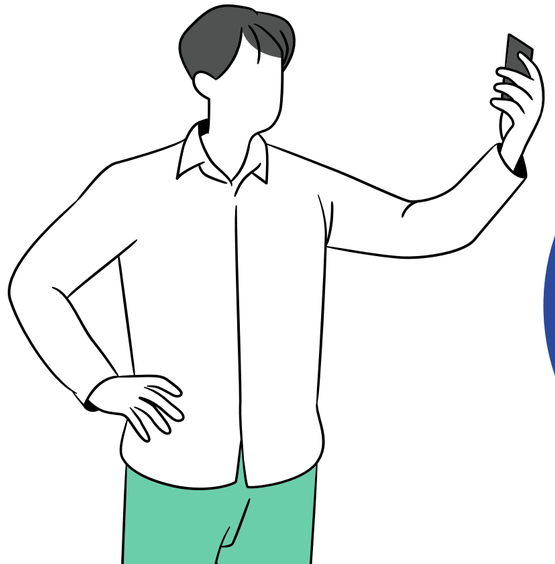
MCS provides information that both ends can utilize

With the demand of such product we can...

Managerial Problems are Easier to Notice

EACH ORGANIZATION WILL FACE PROBLEMS RELATED TO THE OTHER MANAGERIAL FUNCTIONS BUT WITH A PROPER CONTROL SYSTEM IN PLACE, THE IMPACT OF THESE CAN BE LIMITED.

MCS shows that this problem is common on this department



If a problem arises, they can...

Supports Organizational Decentralization

SUPPORTS DECENTRALIZATION WITHOUT THE LOSS OF CONTROL. THE SYSTEM CREATES AN ENVIRONMENT OF KNOWLEDGE AND UNDERSTANDING OF THE OBJECTIVES.

MCS can still identify problems without constant monitoring

If they won't work as expected, it means...

COMPONENTS OF A MANAGEMENT CONTROL SYSTEM

SEVERAL COMPONENTS COMPRISE A MANAGEMENT CONTROL SYSTEM:

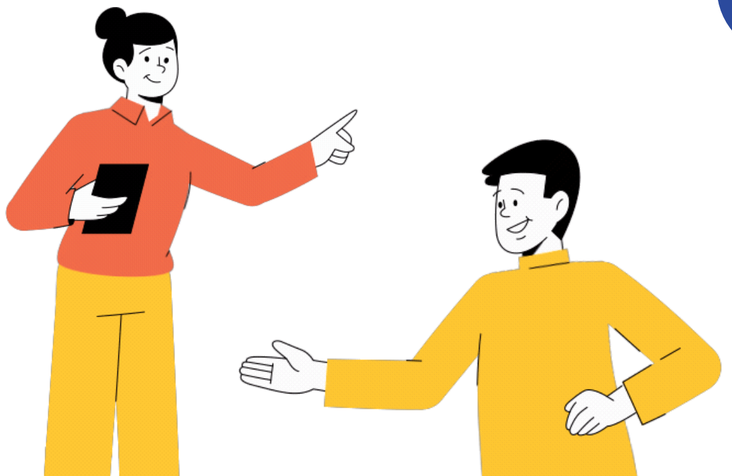
- Clear managerial assignments
- Bureaucratic controls
- Financial controls
- Quality controls
- Normative controls

Clear managerial assignments

THE LARGER A COMPANY, THE MORE LIKELY THERE ARE MANAGERS WITH DIFFERENT RESPONSIBILITIES.

Executive Chef

The kitchen is working all out!



Service Manager

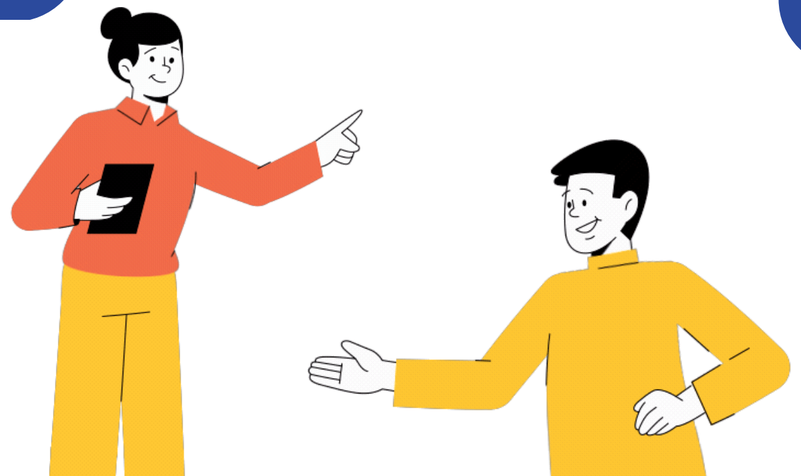
The dining area is under control.

Bureaucratic controls

BUREAUCRATIC CONTROLS ARE THE RULES AND GUIDELINES OF A BUSINESS OPERATION THAT ENHANCE EFFICIENCY AND MAINTAIN ORGANIZATION.

Copy Writer

You don't have such policy?



Graphic Designer

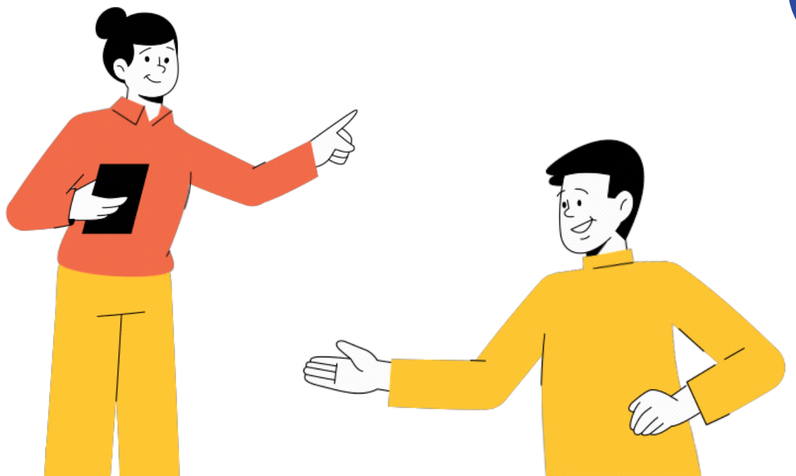
We don't have such policy.

Financial controls

FINANCIAL CONTROLS ARE THE TARGETS A BUSINESS ESTABLISHES AS NECESSARY FOR GROWTH AND PROFITABILITY.

Supervisor

Can we reach the quota?



Laborer

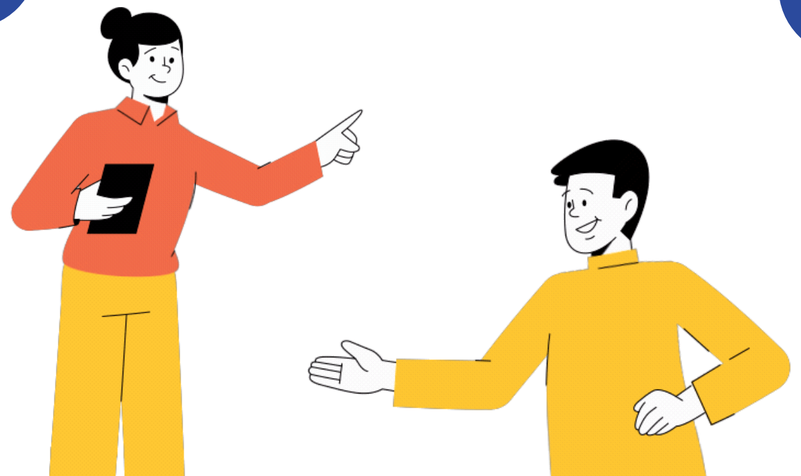
We need more work force...

Quality controls

QUALITY CONTROLS HELP ENSURE A BUSINESS'S PRODUCT OR SERVICE MEETS CERTAIN STANDARDS.

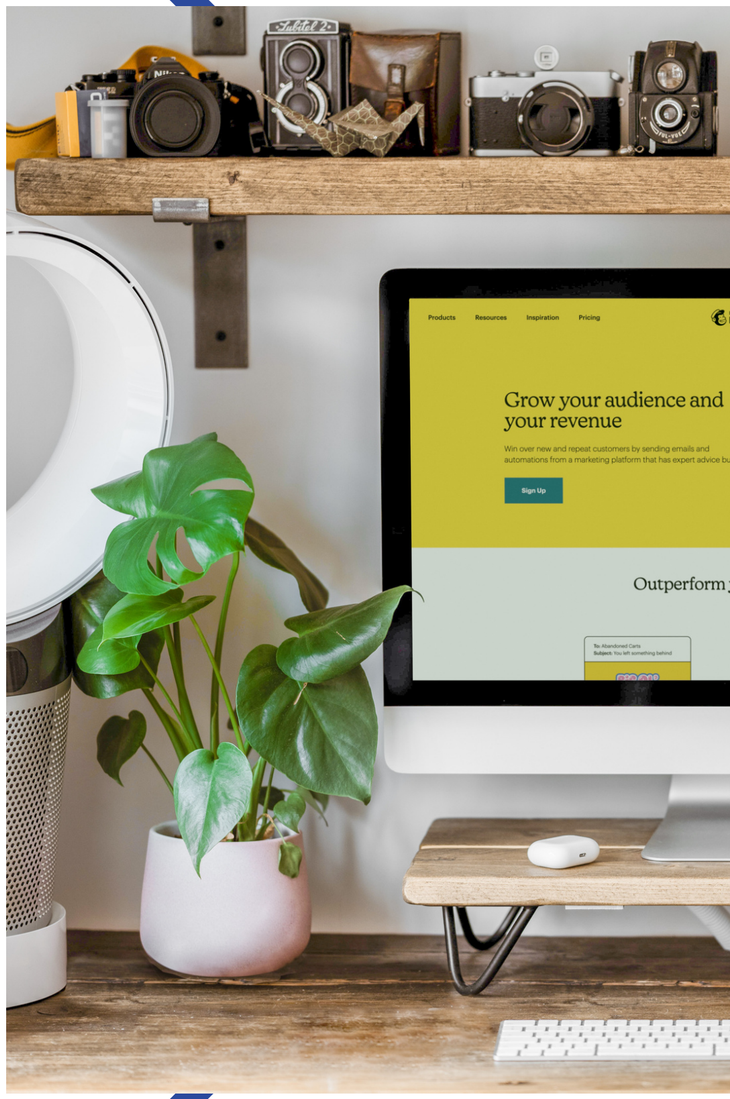
Developer

Does our system meet the criteria?



QA Tester

Let us check your system's quality.

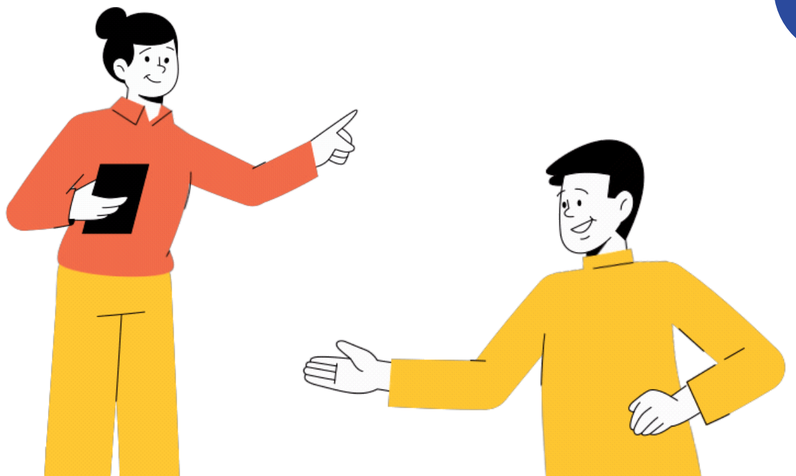


Normative controls

NORMATIVE CONTROLS ARE BEHAVIOR-BASED PATTERNS THAT UNIFY A TEAM IN ITS APPROACH AND ATTITUDE TOWARD GOALS.

Team Norms

We have each other's back



Organizational Culture Norms

We would like to be uniform.

TIPS FOR MANAGEMENT CONTROL SYSTEMS

IF ALL THE COMPONENTS OF A MANAGEMENT CONTROL SYSTEM ARE IN PLACE, A BUSINESS MAY BE MORE LIKELY TO MEET ITS GOALS MORE OFTEN AND PREDICT DIFFICULTIES IN ADVANCE.

Make informed comparisons

Understand variations in goals

Plan to correct variations

Repeat the process

Make informed comparisons

AS YOU COLLECT INFORMATION FOR YOUR FINANCIAL AND QUALITY CONTROLS, CONSIDER HOW TO MAKE THE MOST OF IT.

Our customers kept buying the same flavors recently

Should we add new flavors or add something at the menu?

Understand variations in goals

WHEN YOU ENCOUNTER VARIATION FROM A GOAL, TRY TO IDENTIFY THE CAUSE BEFORE TAKING ANY ACTION.

This flavor is quite popular recently

And one of our flavor get fewer sales that others.

Plan to correct variations

YOU CAN USE YOUR INSIGHTS FROM ANALYZING VARIATIONS TO PLAN FOR FUTURE OUTLIERS.

My distributor increased the price on what I want to order

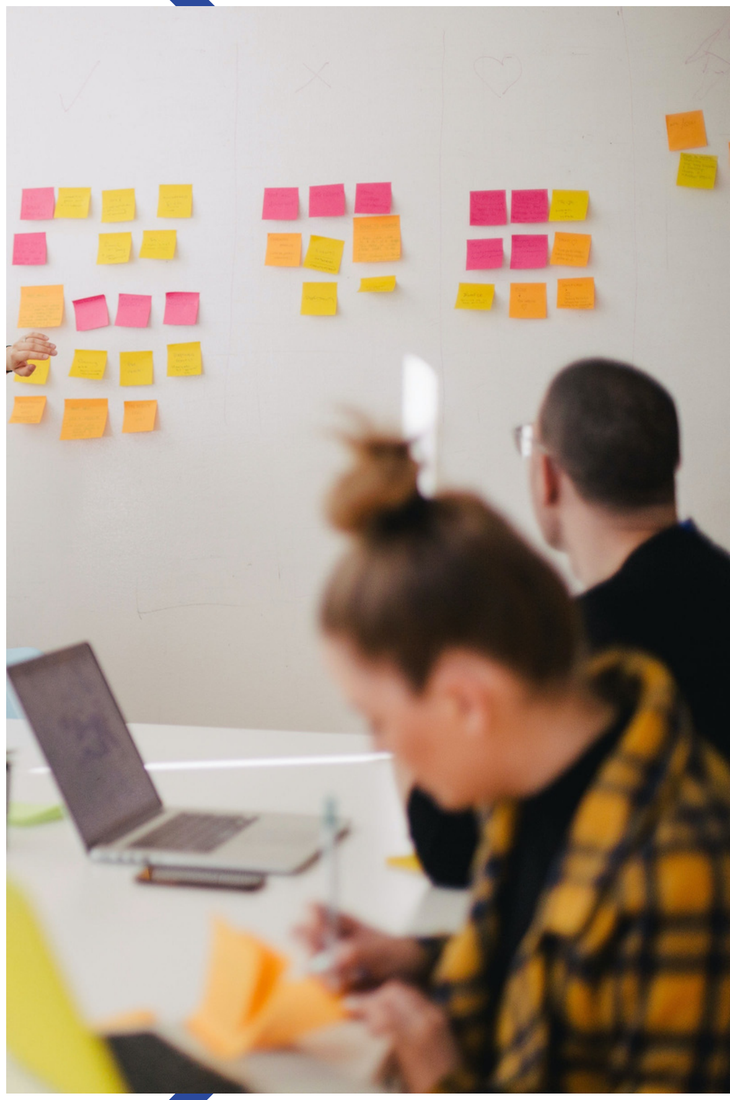
Thankfully, I have another distributor that sell it a little cheaper.

Repeat the process

YOU MAY HAVE GREAT MANAGEMENT CONTROL SYSTEMS THAT RELIABLY GUIDE YOUR BUSINESS, BUT IT'S STILL IMPORTANT TO MONITOR THEM.

This MCS helped my shop last month

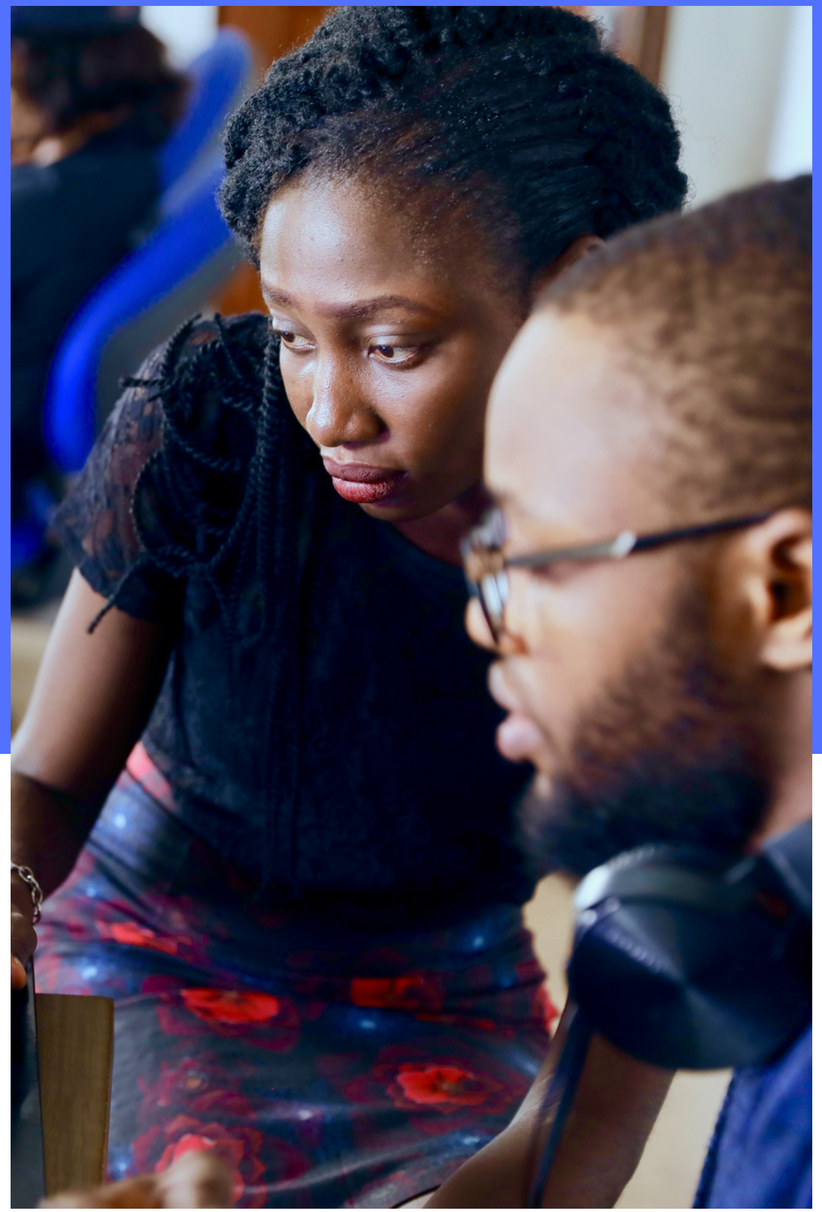
Maybe I need an MCS to help me with my other branch.



ELEMENTS INFLUENCING MANAGEMENT CONTROL SYSTEMS

THESE ARE ESSENTIALLY THE ELEMENTS THAT MAKE MCS WORK FOR YOUR ORGANIZATION'S BENEFIT AND SMOOTHEN THE PROCESS.

- The size, the reach and the structure of the organization
- The nature of the operations and their divisibility
- The variety of responsibilities within the organization
- The people of the organization and their perceptions



The size, the reach and the structure of the organization

LARGER ENTERPRISES ARE NATURALLY DIFFERENT TO SMALLER ORGANIZATIONS IN TERMS OF OPERATIONS. THE LARGER THE ENTERPRISE, THE MORE COMPLEX THE MCS WILL BE.

Google is quite large, they have a lot of departments and branches.

IT Solutions company in our area are smaller with fewer departments.

The nature of the operations and their divisibility

MANAGEMENT IS INFLUENCED BY THE NATURE OF THE OPERATIONS IT IS SUPPOSED TO MANAGE AND THIS WILL IMPACT THE IMPLEMENTATION OF MCS.

Shoe production is a single product industry.

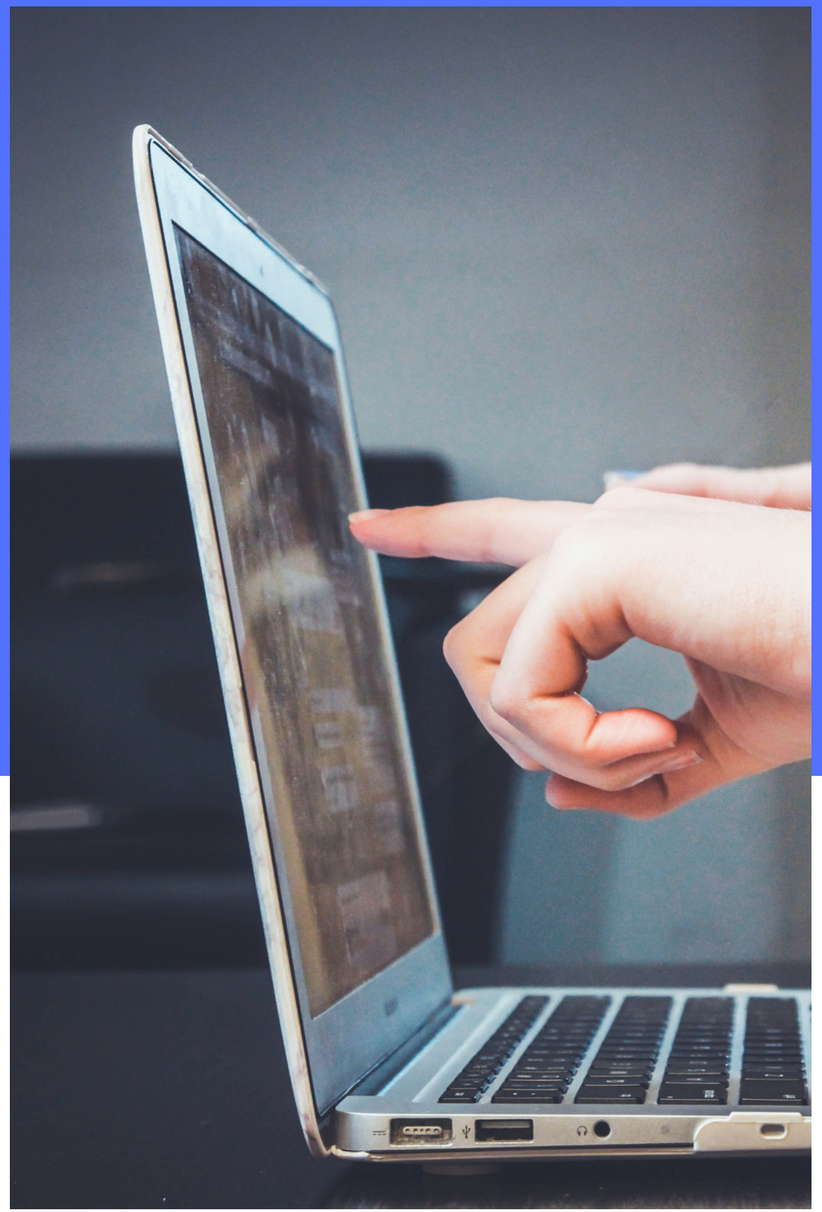
It's not necessary to divide the work into sub-sections.

The variety of responsibilities within the organization

MCS IS ALSO DRIVEN BY THE DIFFERENT RESPONSIBILITY CENTRES AN ORGANIZATION MIGHT HAVE. THE MORE RESPONSIBILITIES, THE MORE DIFFERENT CONTROL SYSTEMS ARE NEEDED TO KEEP OPERATIONS FLOWING.

The production team's responsibility is focused on the production

The distribution team focuses on the export of products.



The people of the organization and their perceptions

PEOPLE'S PERCEPTIONS OF THE MCS NEED TO BE TAKEN INTO ACCOUNT AND CONSIDERED BEFORE YOU IMPLEMENT THE FRAMEWORK.

MCS impacts differently in each departments

Understanding the people's perspective gives us hint.

THE 8 UNIVERSAL PRINCIPLES OF QUALITY MANAGEMENT

ISO 9001 IS THE CATCHY NAME FOR ITS QUALITY MANAGEMENT SYSTEM (QMS) STANDARDS MODEL, WHICH WAS INTRODUCED IN 1994.

- Customer focus
- Leadership
- People involvement
- Process approach
- Systematic approach to management
- Continual improvement
- Factual Approach to Decision Making
- Mutually Beneficial Supplier Relations

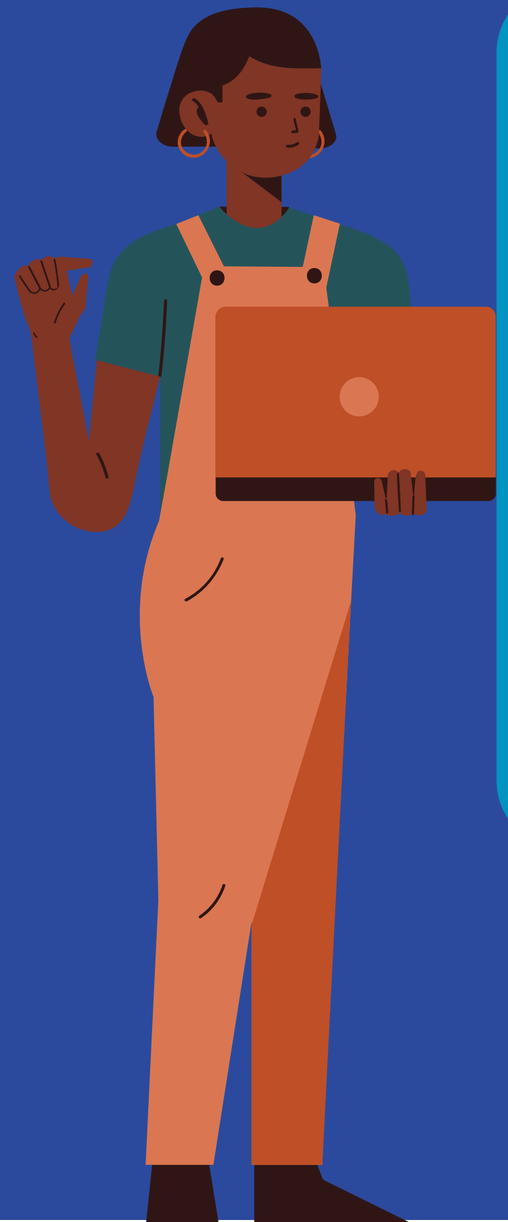
PRINCIPLE 1: CUSTOMER FOCUS

THE FIRST AND POSSIBLY MOST SIGNIFICANT PRINCIPLE MAKES THE CASE THAT A COMPANY COULDN'T SURVIVE WITHOUT ITS CLIENTS.

In order to better meet their needs and expectations, businesses should work to understand their present and potential customers.

PRINCIPLE 2: LEADERSHIP

THE DEVELOPMENT OF A SUCCESSFUL AND FORWARD-THINKING BUSINESS ENVIRONMENT IS THE RESPONSIBILITY OF LEADERS.



Having a clear business goal and the right leaders in place to spread that vision to the rest of the team are prerequisites for putting this idea into practice in the workplace.

PRINCIPLE 3: PEOPLE INVOLVEMENT

YOUR COMPANY WOULDN'T SUCCEED WITHOUT A CLIENTELE ANY MORE THAN IT WOULD WITHOUT A WELL-ROUNDED, MULTI-SKILLED WORKFORCE.

This principle is all about acknowledging that employees at every level of the organization are essential to its success.

PRINCIPLE 4: PROCESS APPROACH

A PROCESS-DRIVEN APPROACH CAN HELP COMPANIES TO AVOID LOGISTICAL PROBLEMS THAT OFTEN STEM FROM CONFUSION OVER THE RIGHT WAY TO GO ABOUT THINGS.

Developing processes for every area of your business will ensure that resources are used most effectively, resulting in cost-effective and consistent results.

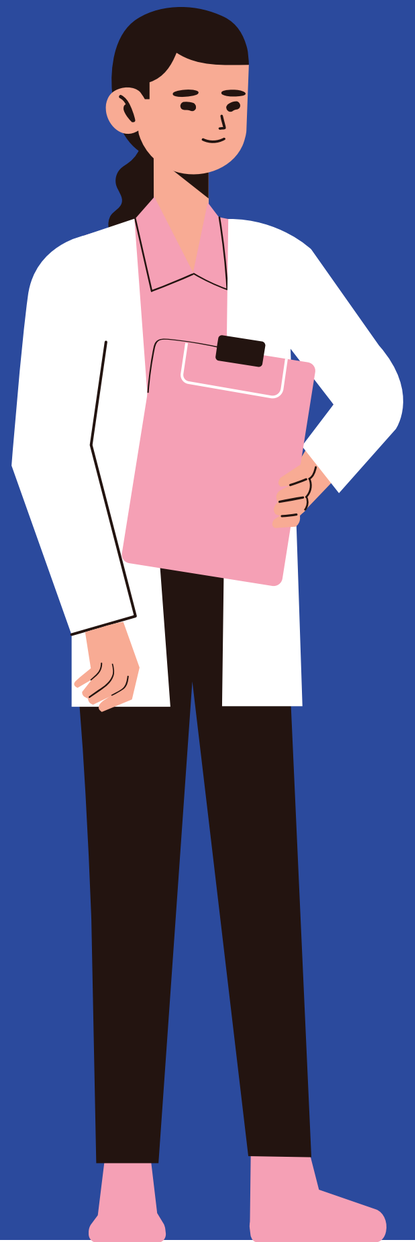
PRINCIPLE 5: SYSTEMATIC APPROACH TO MANAGEMENT

RELATED TO THE ONE BEFORE IT, CONTENDS THAT STREAMLINING YOUR FIRM WOULD BE AIDED BY RECOGNIZING, COMPREHENDING, AND MANAGING PROCESSES THROUGH A CLEAR FRAMEWORK.

You may cut down on wasted time and increase the effectiveness of your company by ensuring that team members are giving important tasks the appropriate amount of attention.

PRINCIPLE 6: CONTINUAL IMPROVEMENT

A COMPANY SHOULD CONSTANTLY STRIVE FOR DEVELOPMENT BECAUSE, IF THEY DON'T, YOU CAN EXPECT THAT YOUR RIVALS WILL.



Being dedicated to improvement also enables you to dominate the market because you'll be setting the pace rather than lagging behind your rivals.

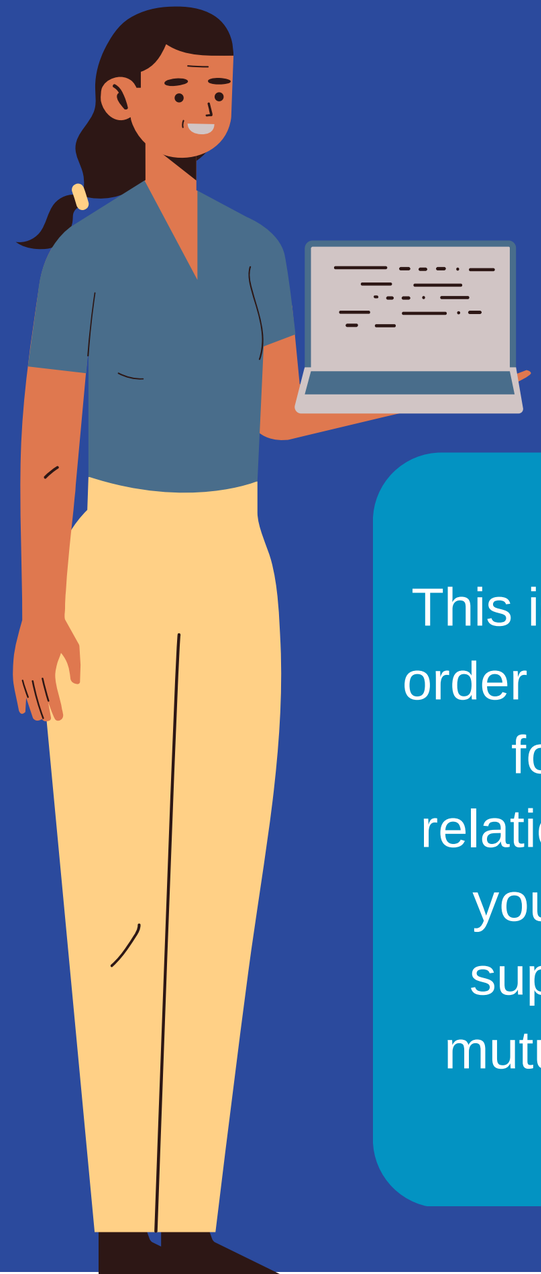
PRINCIPLE 7: FACTUAL APPROACH TO DECISION MAKING

ACCORDING TO THIS NOTION, SENSIBLE DATA ANALYSIS UNDERPINS THE FORMULATION OF SENSIBLE DECISIONS.

Although a gut instinct can be helpful in some circumstances, it won't really hold up when you're trying to convince your board of investors that your profits this year are down 10%.

PRINCIPLE 8: MUTUALLY BENEFICIAL SUPPLIER RELATIONS

SO, YOU HAVE A GREAT MANAGEMENT SYSTEM, GREAT CLIENT RELATIONSHIPS, AND A THOROUGH BUSINESS PLAN. ONE THING IS STILL MISSING: WHAT DO YOU OFFER YOUR CLIENTS?



This idea states that in order to generate value for both sides, relationships between your firm and any suppliers must be mutually beneficial.

TECHNIQUES OF MANAGERIAL CONTROL

THERE ARE VARIOUS TECHNIQUES OF MANAGERIAL CONTROL WHICH CAN BE CLASSIFIED INTO TWO BROAD CATEGORIES NAMELY: TRADITIONAL AND MODERN TECHNIQUES.

TRADITIONAL

- Personal Observation
- Statistical Report
- Break-even Analysis
- Budgetary Control

MODERN

- Return on Investment
- Ration Analysis
- Responsibility Accounting
- Management Audit
- PERT and CPM

Traditional Techniques of Managerial Control

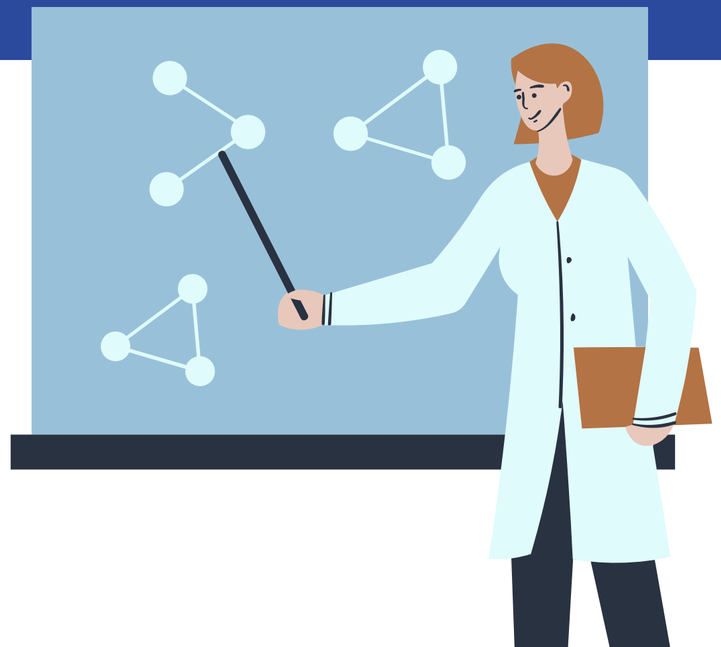
1. Personal Observation

The most conventional way of control is this one. One of the methods the manager might use to gather information directly from the employees is personal observation.

Traditional Techniques of Managerial Control

2. Statistical Reports

Statistical reports are an overall analysis of reports and data that are presented to managers as averages, percentages, ratios, correlations, etc. to inform them about the organization's performance in many areas.



Traditional Techniques of Managerial Control

3. Break-even Analysis

An analysis technique to investigate the connection between expenses, volume, and profitability. While analyzing the total position, it establishes the overall image of anticipated profit & losses at various degrees of activity.

Traditional Techniques of Managerial Control

4. Budgetary Control

A method of managerial control in which all tasks that must be carried out are carried out in a way that allows them to be completed and planned in advance in the form of budgets, and actual results are compared to budgetary standards.

Modern Techniques of Managerial Control

1. Return on Investment

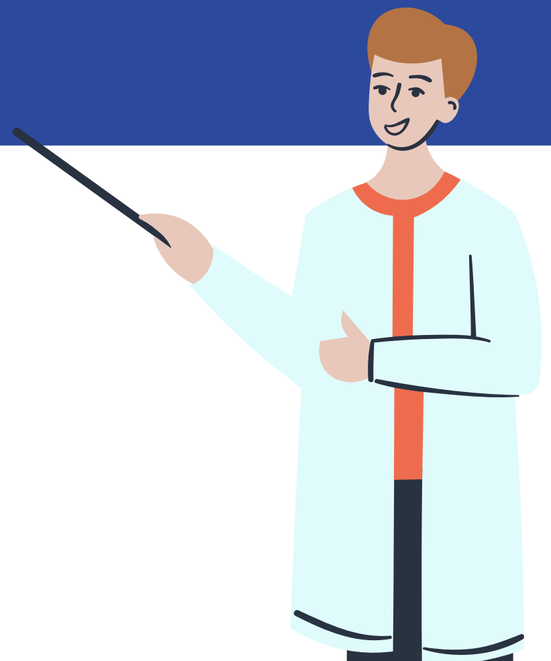
One of the crucial and practical approaches. It offers the fundamentals and guidelines for determining whether invested capital has been used successfully to produce a return that is appropriate.

Modern Techniques of Managerial Control

2. Ratio Analysis

The following categories can be used to group the most popular ratios utilized by organizations:

Liquidity ratio, Solvency ratio, Profitability ratio, Turnover ratio



Modern Techniques of Managerial Control

3. Responsibility Accounting

A method of accounting that establishes "Responsibility centers" for the overall involvement of various sections, divisions, and departments within a company:

Cost center, Revenue center, Profit center, Investment center

Modern Techniques of Managerial Control

4. Management Audit

A management audit is a methodical evaluation of the overall effectiveness of an organization's management. Reviewing management's efficacy and efficiency with a view to enhancing performance in the future is the goal.

Modern Techniques of Managerial Control

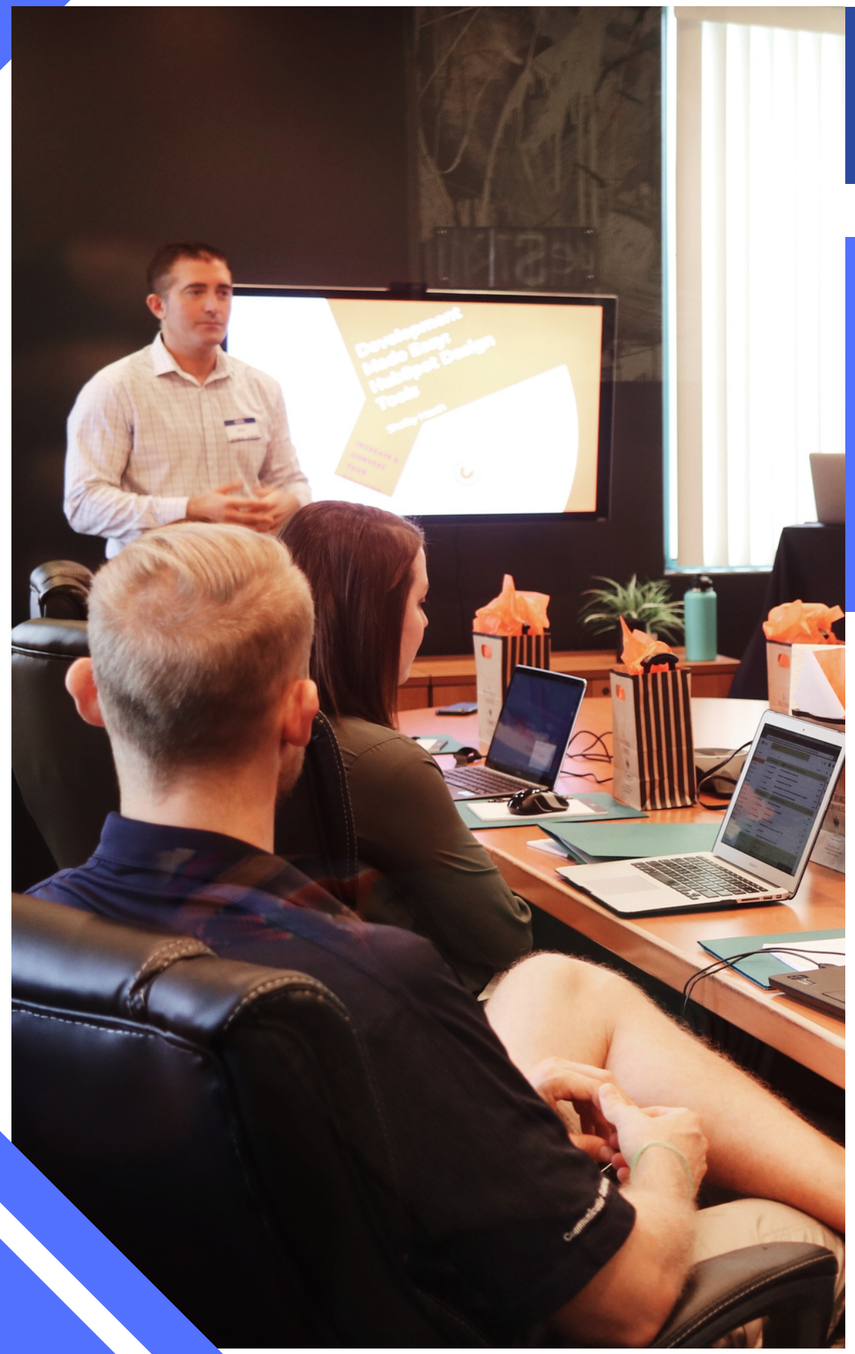
5. Critical path method (CPM) and PERT (planned evaluation and review technique)

these strategies assist in carrying out a variety of management tasks such as project planning, scheduling, and implementation within time constraints that need a number of intricate, varied, and interconnected actions.

ELEMENTS OF TOP QUALITY MANAGEMENT

TQM CAN BE SUMMED UP AS A MANAGEMENT FRAMEWORK FOR A CLIENT-CENTERED BUSINESS THAT INCORPORATES ALL STAFF MEMBERS IN ONGOING DEVELOPMENT.

- Customer-Focused
- Strategic & Systematic Approach
- Total Employee Involvement
- Continual Improvement
- Processed-Centered
- Fact-based Decision Making
- Integrated System
- Communications



1. CUSTOMER-FOCUSED

THE CUSTOMER DECIDES WHETHER AN ORGANIZATION'S QUALITY IMPROVEMENT INITIATIVES WERE SUCCESSFUL REGARDLESS OF WHAT IT DOES TO PROMOTE IT.

In the end, quality is decided by the client.

2. TOTAL EMPLOYEE INVOLVEMENT

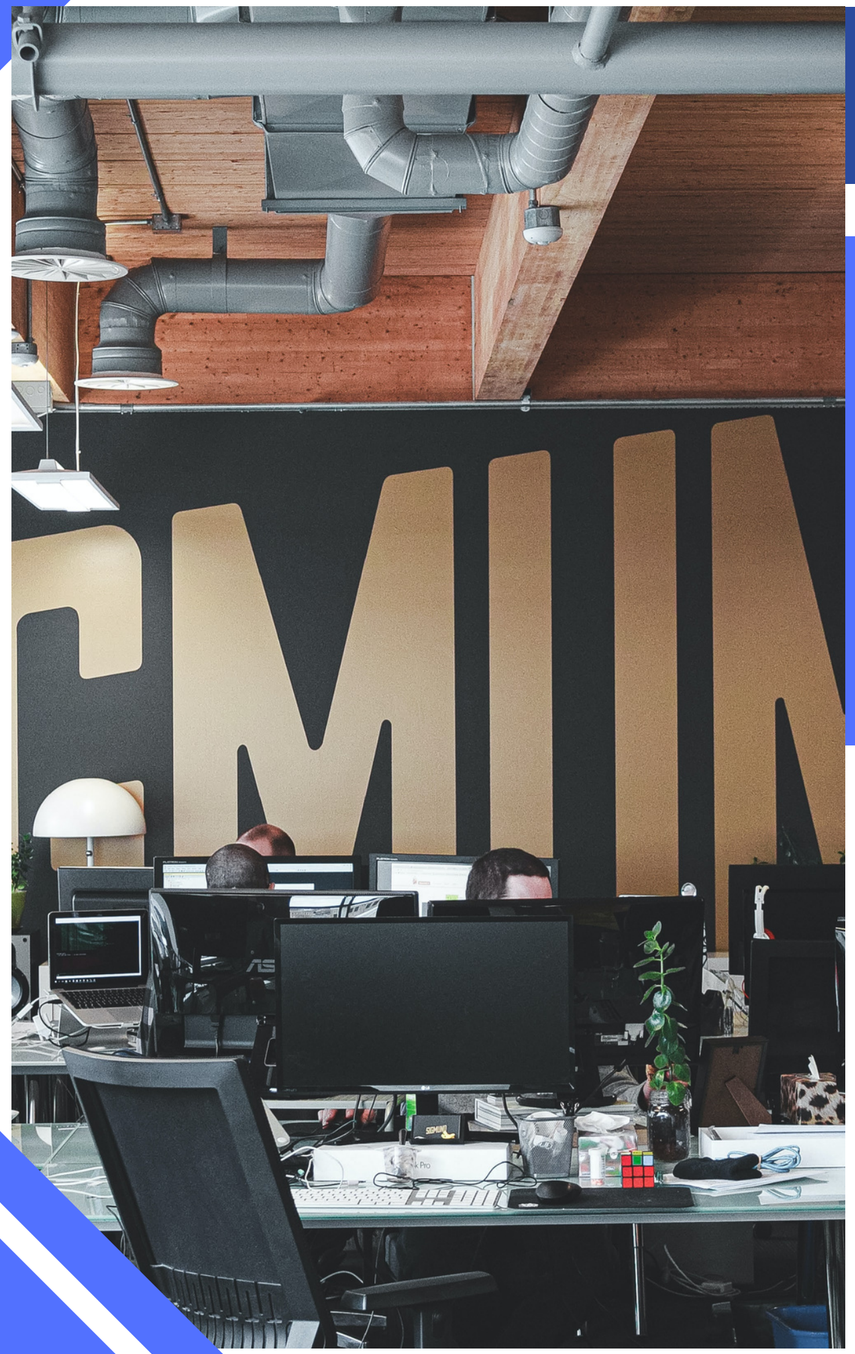
ONLY ONCE FEAR HAS BEEN ELIMINATED FROM THE WORKPLACE, WHEN EMPOWERMENT HAS TAKEN PLACE, AND WHEN MANAGEMENT HAS CREATED THE RIGHT CLIMATE, CAN TOTAL EMPLOYEE COMMITMENT BE ATTAINED.

Every employee takes part in achieving shared objectives.

3. PROCESS-CENTERED

THE TRANSFORMATION OF INPUTS FROM SUPPLIERS, WHETHER INTERNAL OR EXTERNAL, INTO OUTPUTS THAT ARE PROVIDED TO CLIENTS IS KNOWN AS A PROCESS (INTERNAL OR EXTERNAL).

A focus on process thinking is a key component of TQM



4. INTEGRATED SYSTEM

THE FOCUS OF TQM IS ON THE HORIZONTAL PROCESSES CONNECTING VARIOUS FUNCTIONS, EVEN IF AN ORGANIZATION MAY CONSIST OF MANY DIFFERENT FUNCTIONAL SPECIALIZATIONS THAT ARE FREQUENTLY ORGANIZED INTO DEPARTMENTS WITH A VERTICAL STRUCTURE.

Smaller processes grow into bigger ones, and all processes come together to form the business processes necessary for developing and carrying out strategy.

5. STRATEGIC AND SYSTEMATIC APPROACH

THE CREATION OF A STRATEGY PLAN THAT INCORPORATES QUALITY AS A KEY ELEMENT IS A STEP IN THIS PROCESS, OFTEN KNOWN AS STRATEGIC PLANNING OR STRATEGIC MANAGEMENT.

The deliberate and methodical approach to accomplishing an organization's vision, mission, and goals is a crucial component of quality management.

6. CONTINUAL IMPROVEMENT

AN ORGANIZATION IS MOTIVATED TO CONTINUALLY DEVELOP ITSELF BY LOOKING FOR INNOVATIVE AND ANALYTICAL WAYS TO RAISE ITS COMPETITIVENESS AND BETTER MEET THE EXPECTATIONS OF ITS STAKEHOLDERS.

TQM emphasizes continuous process improvement heavily

7. FACT-BASED DECISION MAKING

TO INCREASE THE PRECISION OF DECISION-MAKING, REACH CONSENSUS, AND ENABLE PREDICTION BASED ON HISTORICAL DATA, TQM MANDATES THAT AN ORGANIZATION CONTINUOUSLY GATHER AND ANALYZE DATA.

Data on performance measurements are required in order to understand how well a company is performing.

8. COMMUNICATIONS

EFFECTIVE COMMUNICATION IS CRUCIAL FOR PRESERVING MORALE AND INSPIRING WORKERS AT ALL LEVELS BOTH IN REGULAR BUSINESS OPERATIONS AND DURING ORGANIZATIONAL TRANSFORMATION.

Communication requires timing, methods, and strategies.

MANAGEMENT CONTROL SYSTEM

GROUP 5

MIGUEL TIMOTHY
MIGUEL ROSCHILE
RALLONZA MAYNARD
REYES JAYSON
RUAMERO RENZ
USBAL LOVELY