Management

TWELFTH EDITION

Stephen P. Robbins • Mary Coulter

ALWAYS LEARNING

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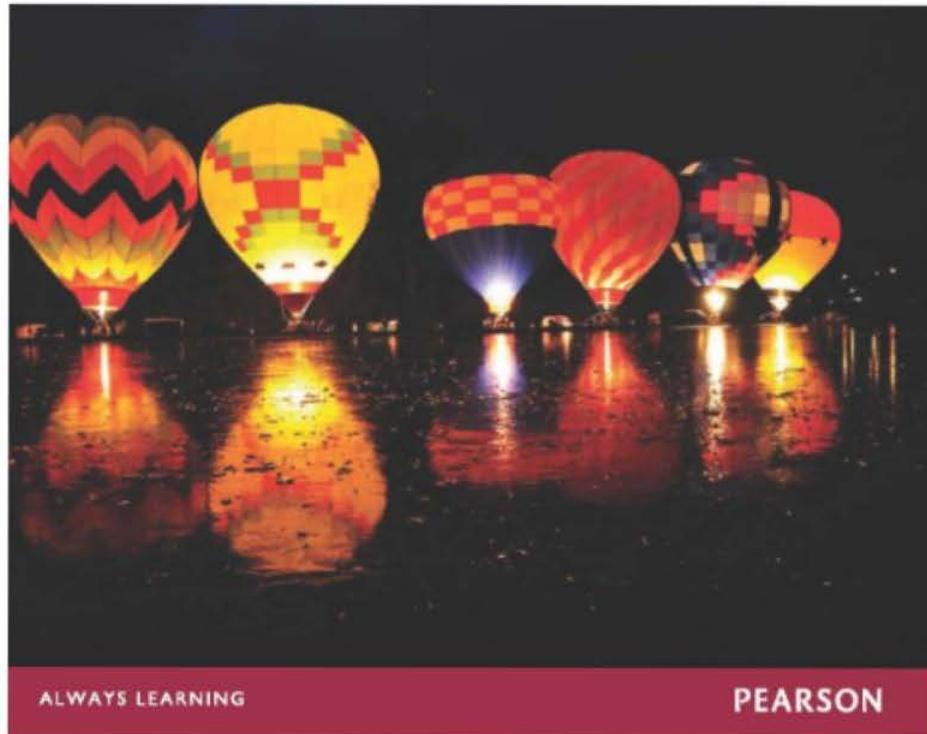
Foundations of Control

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CHAPTER 10

LEARNING OUTCOMES

Explain the nature and importance of control.

Describe the three steps in the control process.

Explain how organizational and employee performance are measured.

Describe tools used to measure organizational performance.

Discuss contemporary issues in control.

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 10-1
Planning-Controlling Link

Planning
- Goals
- Objectives
- Strategies
- Plans

Organizing
- Structure
- Human Resource Management

Leading
- Motivation
- Leadership
- Communication
- Individual and Group Behavior

Controlling
- Standards
- Measurements
- Comparison
- Actions

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 10-2
The Control Process

Step 1. Measuring Actual Performance

GOALS AND OBJECTIVES

Organizational
Divisional
Departmental
Individual

Comparing Actual Performance Against Standard **Step 2.**

Step 3. Taking Managerial Action

The Control Process (cont.)

- ## Step 1: 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 10-3 Sources of Information for Measuring Performance

	Benefits	Drawbacks
Personal Observations	• Get firsthand knowledge • Information isn't filtered • Intensive coverage of work activities	• Subject to personal biases • Time-consuming • Obtrusive
Statistical Reports	• Easy to visualize • Effective for showing relationships	• Provide limited information • Ignore subjective factors
Oral Reports	• Fast way to get information • Allow for verbal and nonverbal feedback	• Information is filtered • Information can't be documented
Written Reports	• Comprehensive • Formal • Easy to file and retrieve	• Take more time to prepare

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 10-4
Acceptable Range of Variation
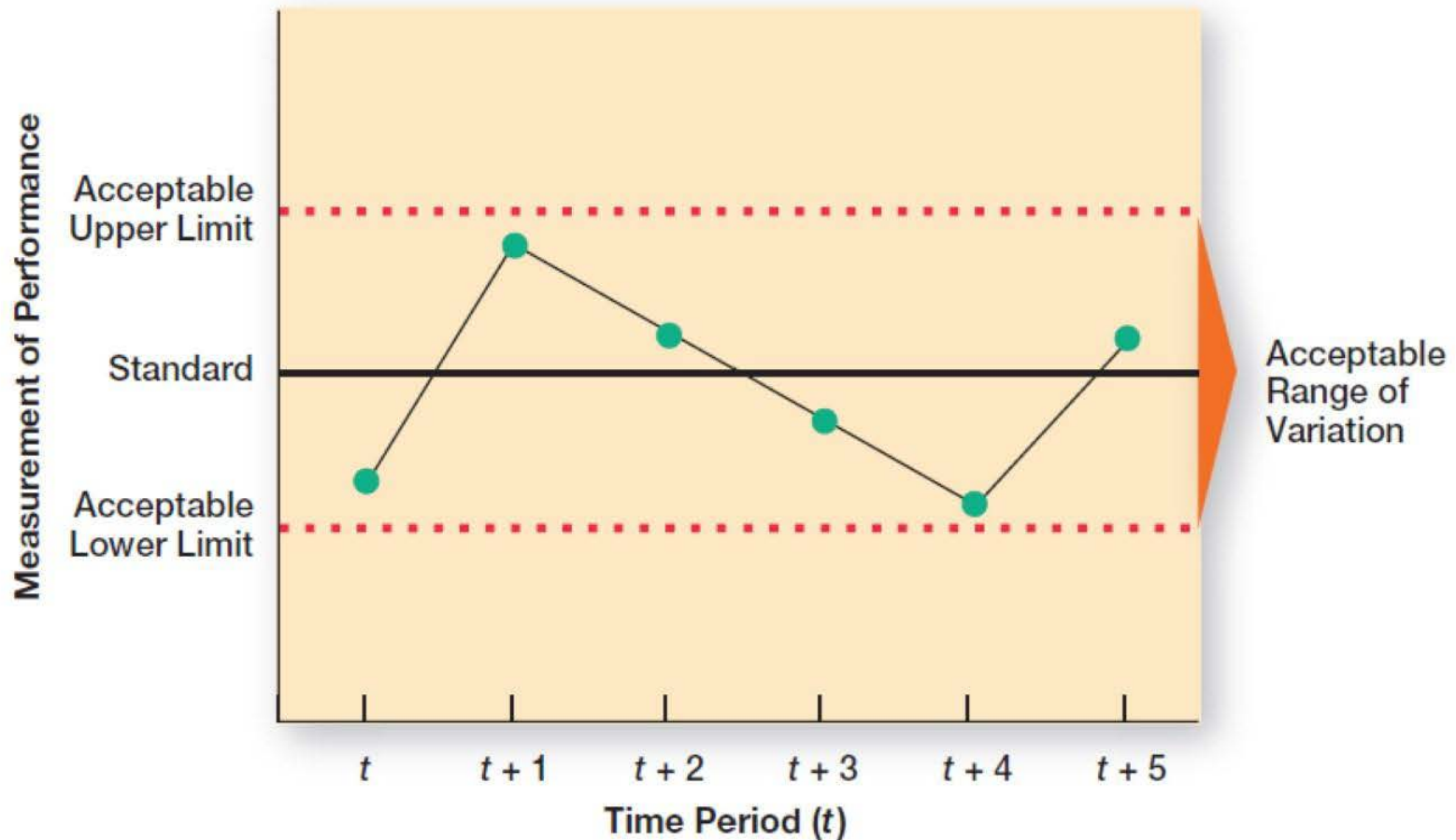
The Control Process (cont.)

- **Step 3: Taking Managerial Action**
  - **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

The Control Process (cont.)

- Step 3 (cont.)
  - 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 10-6 Managerial Decisions in the Control Process
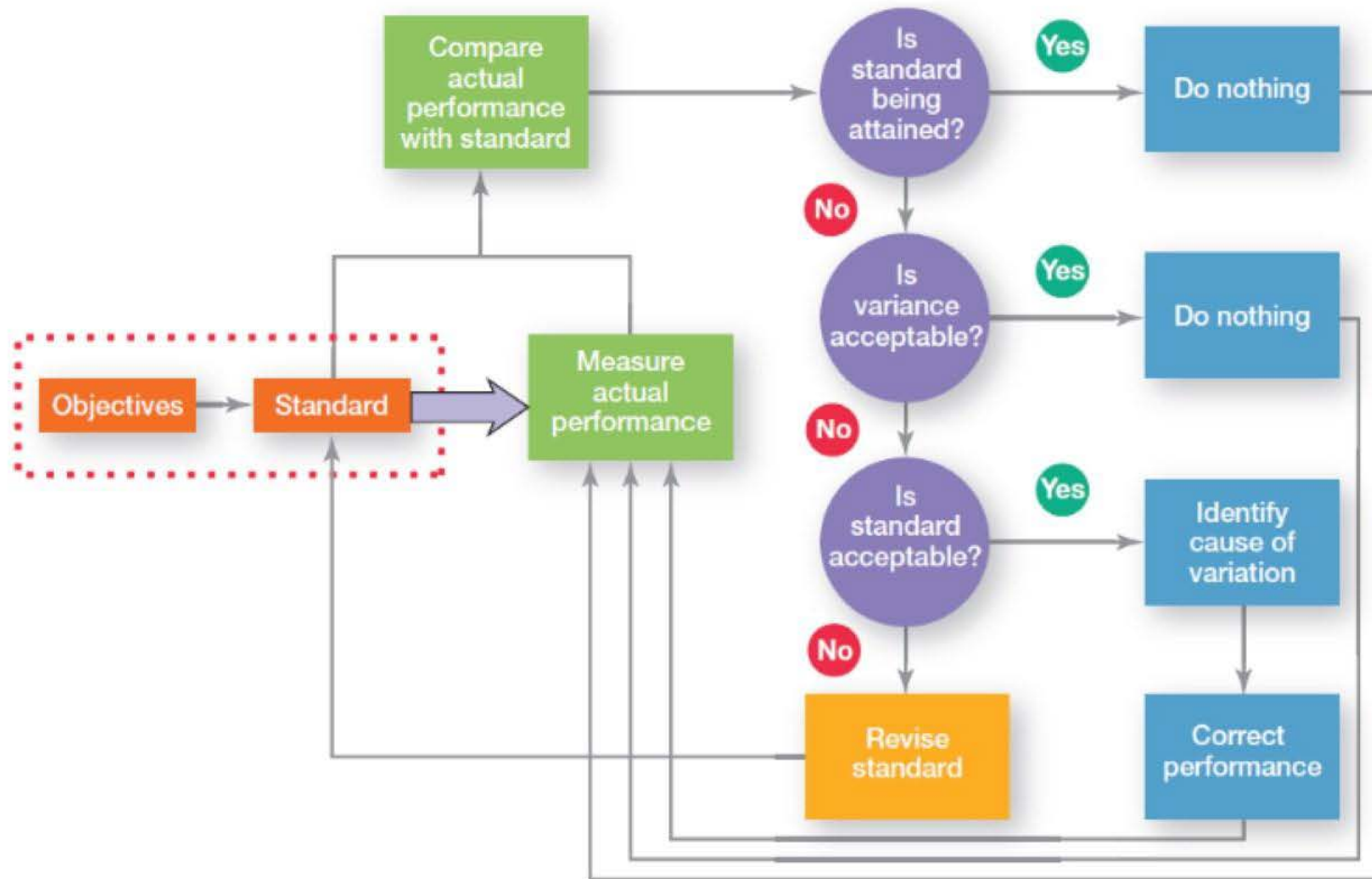
What Is Organizational Performance?

- **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.

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.

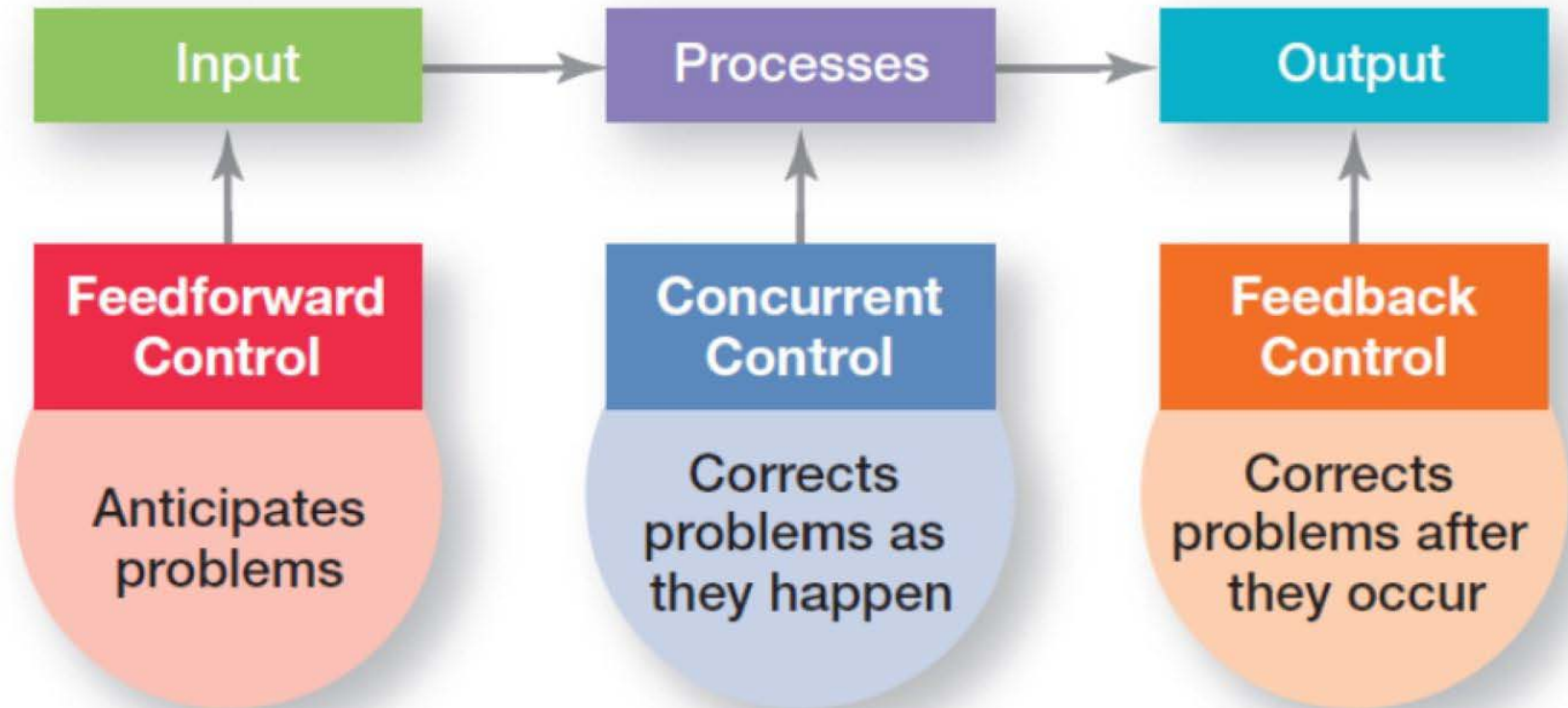# Exhibit 10-8 Types of Discipline Problems and Examples of Each

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

Tools for Measuring Organizational Performance

- **Feed forward control** - control that takes place before a work activity is done.

- **Concurrent control** - control that takes place while a work activity is in progress.

- **Management by walking around** - a term used to describe when a manager is out in the work area interacting directly with employees.

- **Feedback control** - control that takes place after a work activity is done.

Exhibit 10-9
Types of Control

| Input | → | Processes | → | Output |

Feedforward Control — Anticipates problems

Concurrent Control — Corrects problems as they happen

Feedback Control — Corrects problems after they occur

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.

Contemporary Issues in Control

- 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.

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

Review Learning Outcome 10.1

- Explain the nature and importance of control
  - Controlling is the process of monitoring, comparing, and correcting work performance.
  - Control is important because
    1. It's the only way to know if goals are being met, and if not, why
    2. It provides information and feedback so managers feel comfortable empowering employees
    3. It helps protect an organization and its assets

Review Learning Outcome 10.2

- Describe the three steps in the control process
  1. Measuring involves deciding how to measure actual performance and what to measure.
  2. Comparing involves looking at the variation between actual performance and the standard (goal).
  3. Taking action can involve doing nothing, correcting the actual performance, or revising the standards

Review Learning Outcome 10.3

- **Explain how organizational and employee performance are measured**

  1. Productivity, the output of goods or services produced divided by the inputs needed to generate that output

  2. Effectiveness, a measure of how appropriate organizational goals are and how well those goals are being met

  3. Industry and company rankings compiled by various business publications.

Review Learning Outcome 10.4

- Describe tools used to measure organizational performance

  - Feedforward controls take place before a work activity is done

  - Concurrent controls take place while a work activity is being done

  - Feedback controls take place after a work activity is done.

Review Learning Outcome 10.4 (cont.)

- Financial controls that managers can use include financial ratios (liquidity, leverage, activity, and profitability) and budgets.

- Mangers can use is an MIS, which provides managers with needed information on a regular basis.

Review Learning Outcome 10.4 (cont.)

- Balanced scorecards - provide a way to evaluate an organization's performance in four different areas rather than just from the financial perspective.

- Benchmarking - provides control by finding the best practices among competitors or noncompetitors and from inside the organization itself

Review Learning Outcome 10.5

- Discuss contemporary issues in control
  - Cross-cultural differences may be needed primarily in the areas of measuring and taking corrective actions
  - Workplace concerns include workplace privacy, employee theft, and workplace violence.
  - Corporate governance is the system used to govern a corporation so that the interests of corporate owners are protected