



**ensia** The National School of  
Artificial Intelligence  
المدرسة الوطنية العليا للذكاء الاصطناعي

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## المدرسة الوطنية العليا للذكاء الاصطناعي

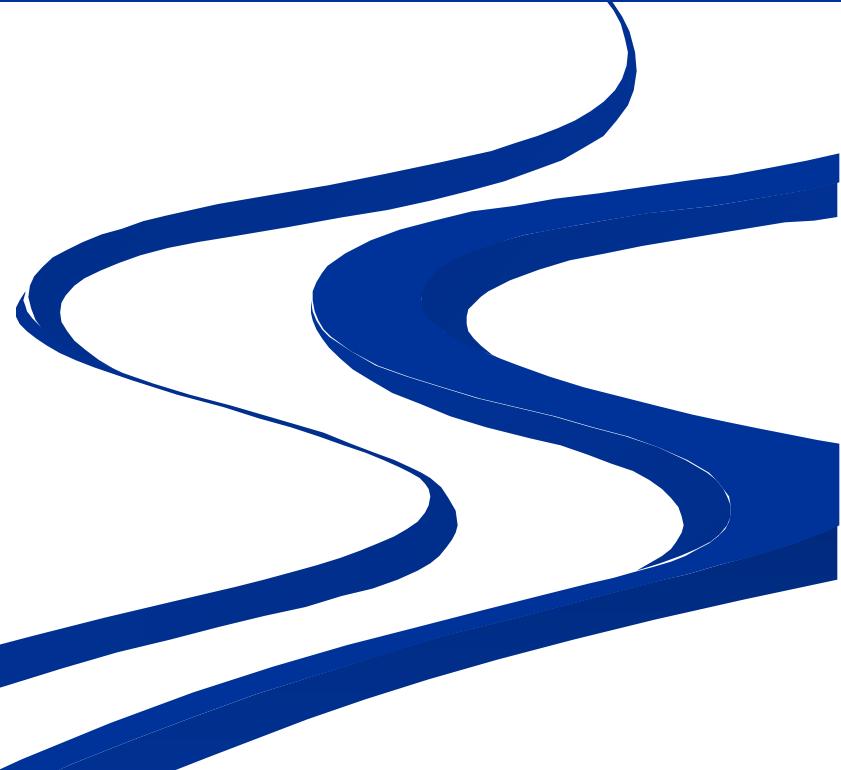
National High School of Artificial Intelligence

(ENSIA)

Academic Year  
2023-2024  
[Y2-S1]

**YOUR MANAGEMENT COURSE**

**Introduction to  
BUSINESS**





## PART 3: PLANNING AND CONTROL

### Chapter 10:



# **ACHIEVING ORGANISATIONAL CONTROL**

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## Learning Goals



1. Explaining the foundations of control;
2. Identifying the 6 phases of the corrective control model;
3. Describing the primary methods of organisational control;
4. Explaining key corporate governance issues and control mechanisms.



# Foundations of Control

- Control involves the processes for ensuring that behaviours and decisions conform to an organisation's standards and legal requirements, including its rules, policies, procedures, and goals.
  - Two types of control: preventive and corrective.
- 
- How controls and planning support each other?

- Controls help ensure that decisions, actions, and results are consistent with plans;
- Controls help maintain or redirect actual behaviours and results toward those desired in plans;
- Controls help provide essential information needed to plan;





# Preventive Controls



- ❖ PCs are mechanisms intended to reduce the likelihood of an unwanted event, and thereby the need for corrective action.



- ❖ A few forms:

1. Rules and regulations;
2. Standards;
3. Recruitment and selection procedures;
4. Training and development programs.





# Corrective Controls

## Corrective Controls:

- Are mechanisms intended to correct or deal with unwanted behaviours or results and thereby return the situation to conformity with the organisation's regulations and standards.



- A few forms:

1. Direct supervision and feedback;
2. Disciplinary action;
3. Procedures for reporting misconduct;
4. Monthly or even daily financial reports.





# Examples of Sources and Types of Control

Source of Control:

Preventive

Corrective

Stakeholders

Maintaining quotas for hiring personnel in policies to attract protected class.



Changing recruitment policies to attract qualified personnel.



Organization

Using budgets to guide expenditures.



Disciplining an employee for violating a “no smoking” safety regulation in a hazardous area.



(continued)



# Examples of Sources and Types of Control

(cont'd)

Source of  
Control:

Preventive

Corrective

Group

Advising a new employee about the group's norm in relation to expected level of output.

Harassing and socially isolating a worker who doesn't conform to group norms.

Individual

Deciding to skip lunch in order to complete a project on time.

Revising a report you have written because you are dissatisfied with it.



# Linkage to Strategic Goals for Effectiveness





# How Much Organisational Control?

One way to assess the amount of needed formal org. controls is to compare the C and B or Advantages and disadvantages; such a comparison addresses the following 3 basic questions:

## ➤ Core questions:

1. For what desired behaviours and results should organisational controls be developed?
2. What are the costs and benefits of the organisational controls required to achieve the desired behaviours and results?
3. What are the costs and benefits of utilising alternative controls; such as self-managed teams, informal peer control, or individual self-control?





# Internal Control

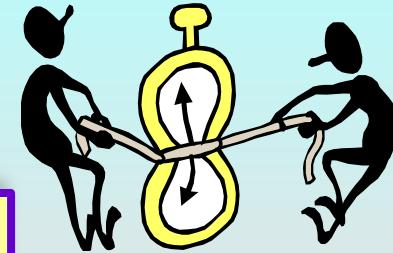


❑ A process—effected by an organisation's board of directors, management, and other personnel—designed to provide reasonable assurance regarding the achievement of goals in the various categories.

❑ Major categories of internal control:

1. Effectiveness and efficiency of operations;
2. Reliability of financial reporting;
3. Compliance with applicable laws and regulations.



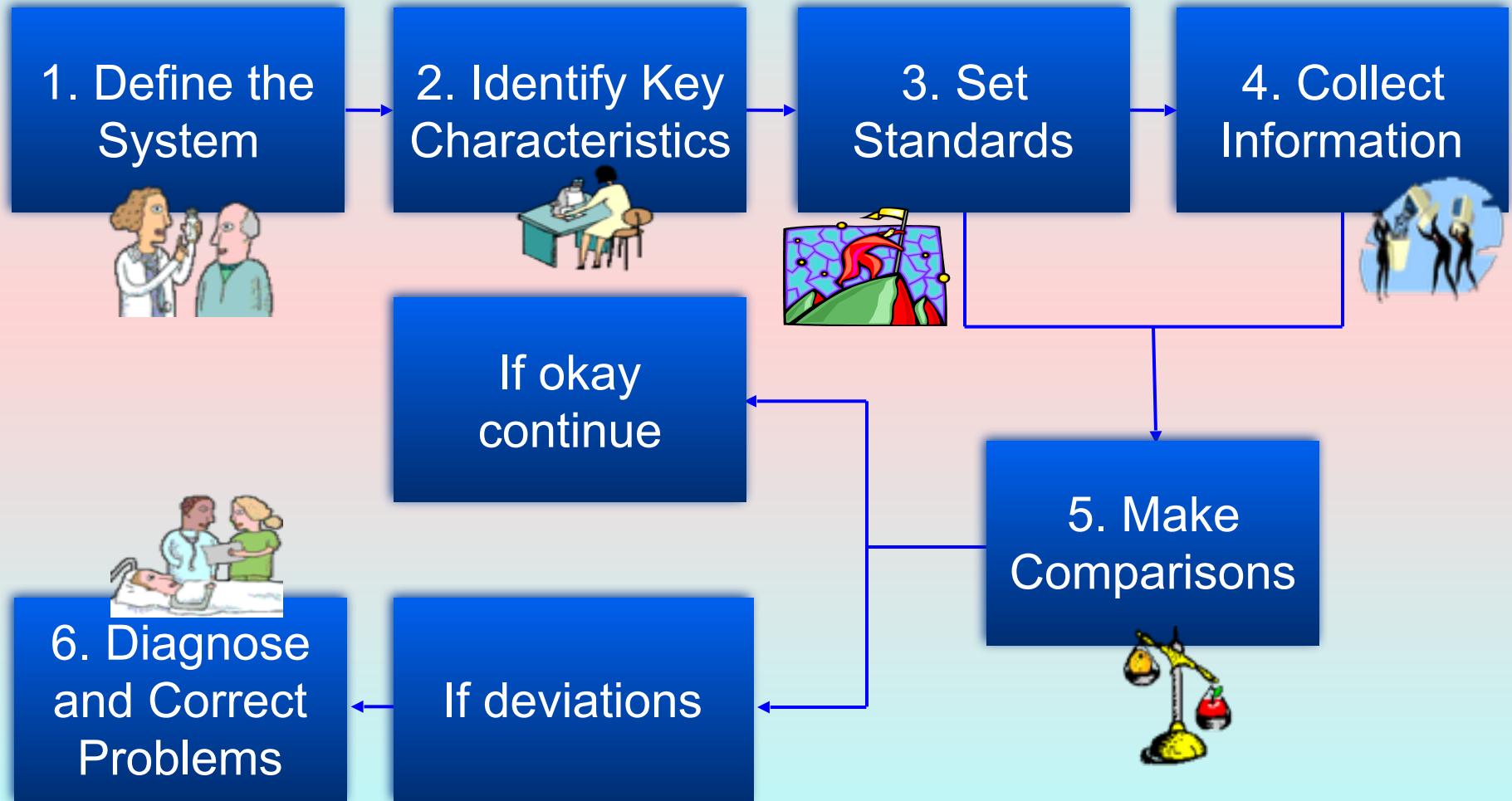


## Limitations of internal control:

- Cannot change a bad manager into a good one;
- External influences may be beyond management's control;
- Judgments may be faulty;
- May be circumvented by collusion of two or more employees;
- Management can override the control system.



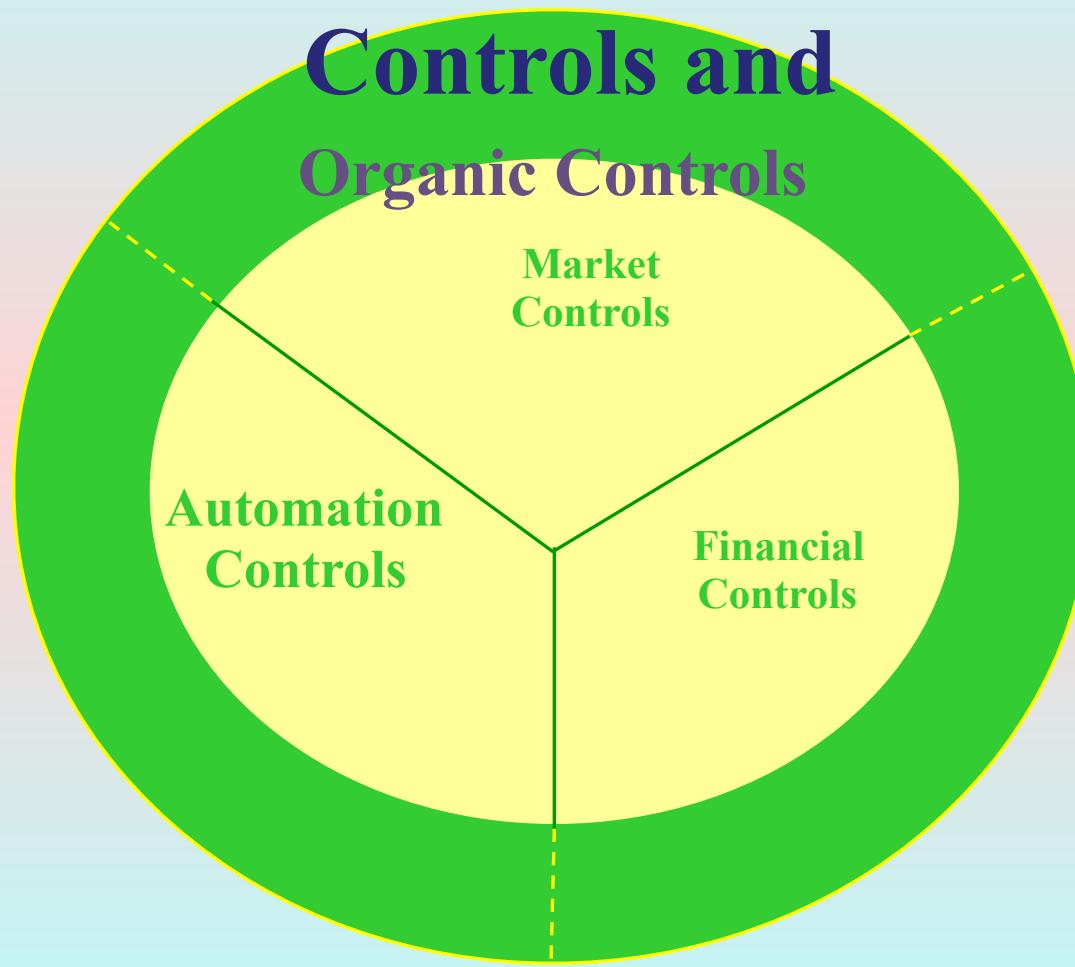
# Corrective Control Model





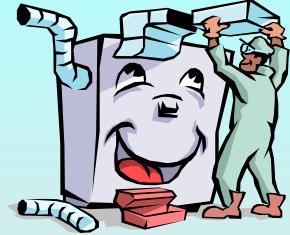
# Primary Methods of Control

## Mechanistic Controls and Organic Controls





# Mechanistic Vs Organic Control Methods



## Mechanistic Control Methods:

- Use of detailed rules and procedures whenever possible;
- Top-down authority, with emphasis on positional power;
- Activity-based job descriptions that prescribe day-to-day behaviours;

## Organic Control Methods:

- Use of detailed rules and procedures only when necessary;
- Flexible authority, with emphasis on expert power and networks of influence;
- Results-based job descriptions that emphasise goals to be achieved;



# Mechanistic and Organic Control Methods

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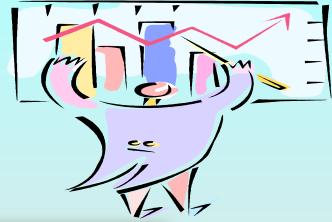


## Mechanistic Control Methods:

- Emphasis on extrinsic rewards (wages, pensions, status symbols);
- Distrust of teams, based on an assumption that team goals conflict with organisational goals.

## Organic Control Methods:

- Emphasis on both extrinsic and intrinsic rewards (meaningful work);
- Use of team, based on an assumption that team goals and norms assist in achieving organisational goals.



# Market Controls

- The collection and evaluation of data related to sales, prices, costs, and profits for guiding decisions and evaluating results.
- Market controls require:

1. The costs of the resources used in producing outputs **to be measured monetarily**;
2. The value of the goods and services produced to be defined clearly and **priced monetarily**;
3. The prices of the goods and services produced to be set competitively.

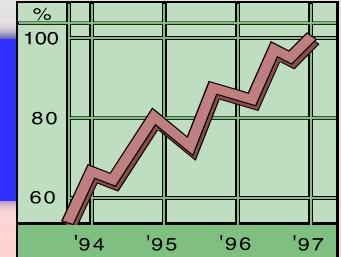




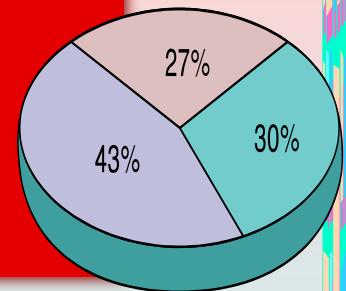
## Financial Controls



- Mechanisms for preventing or correcting the misuse and misallocation of resources, especially monetary resources.



- Comparative financial control: evaluation of a firm's financial condition for two or more time periods.



- Ratio analysis: selecting two significant figures (or a combination of a number of figures), expressing their relationship as a fraction or percent, and comparing the value for two or more periods of time.



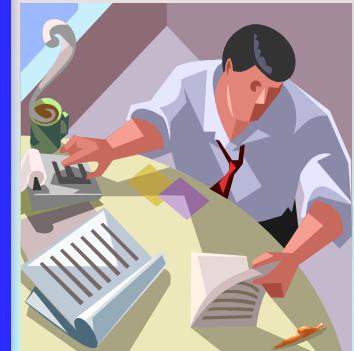
- Example: return on investment (ROI) ratio is net profit before tax divided by net worth and is a measure of the efficiency of total assets in generating net profits.



# Financial Controls

- Budgetary control: the process of monitoring, comparing, and evaluating actual expenditure levels in various categories in relation to budgeted amounts, and making changes as needed during the budget time period.
- Purposes of budgeting:

1. Help in planning work effectively;
2. Assist in allocating resources;
3. Aid in controlling and monitoring resource utilisation during the budget period.





# Financial Controls

## Common Types of Budgets in a Business

### Sales budget



### Capital budget



### Materials budget



### Research and development budget



### Labor budget



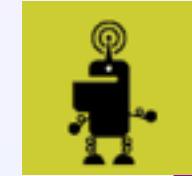
### Cash budget





# Automation-Based Controls

- **Automation:** the use of self-regulating devices and processes that operate independently of people.
- **Machine control:** utilises self-regulating instruments or devices to prevent and correct deviations from preset standards
- In continuous process or robotic operations, machines control other machines.





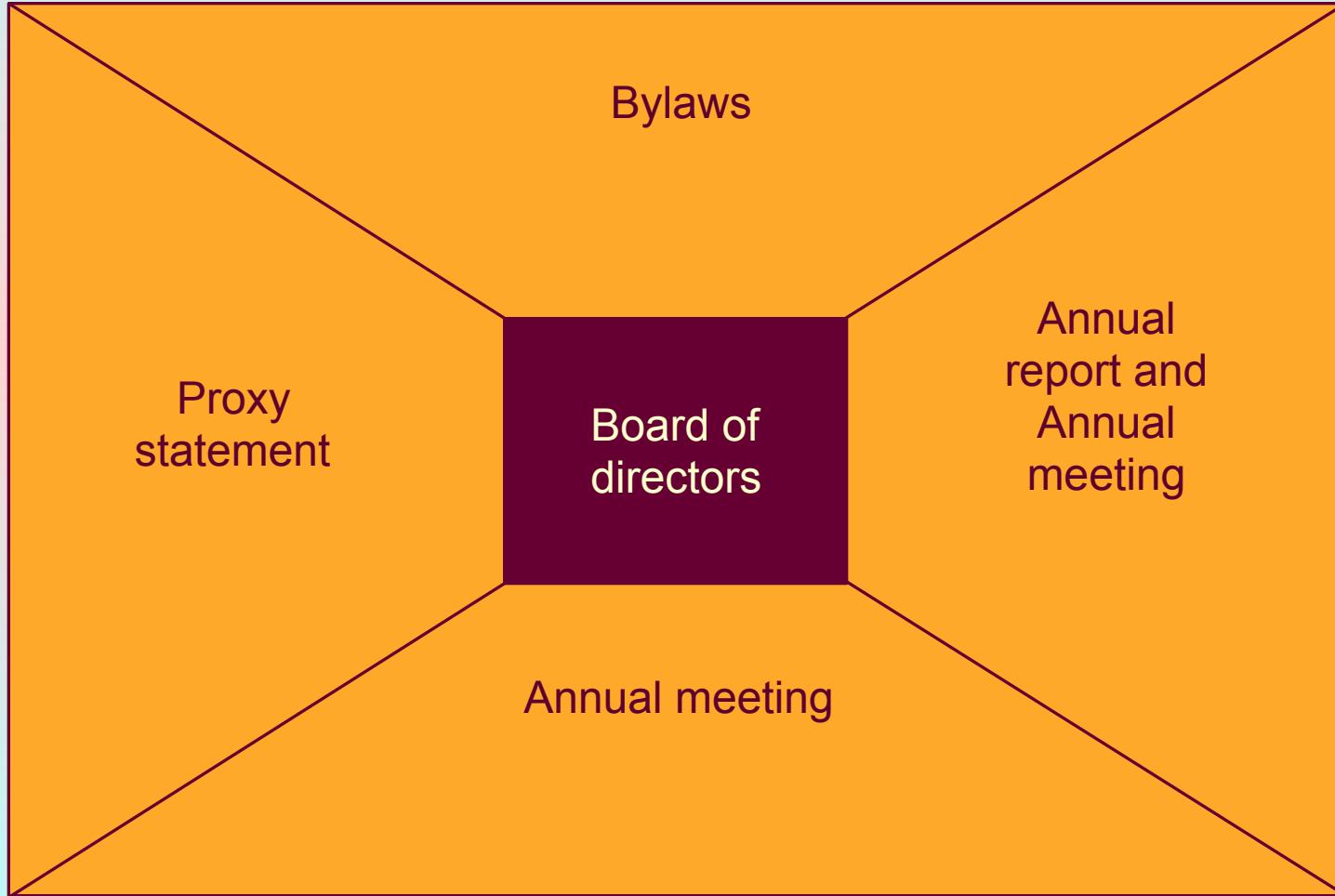
# Corporate Governance; What is it?

- ❖ The pattern of relations and controls between the stockholders, the board of directors, and the top management of a company.
- ❖ **Expectations:** set by the organisation through policies, procedures, practices and guidelines.
- ❖ **Communication:** makes sure that expectations are understood throughout the organisation, and that there is proper training.
- ❖ **Accountability:** holds people accountable for meeting the expectations that have been set.



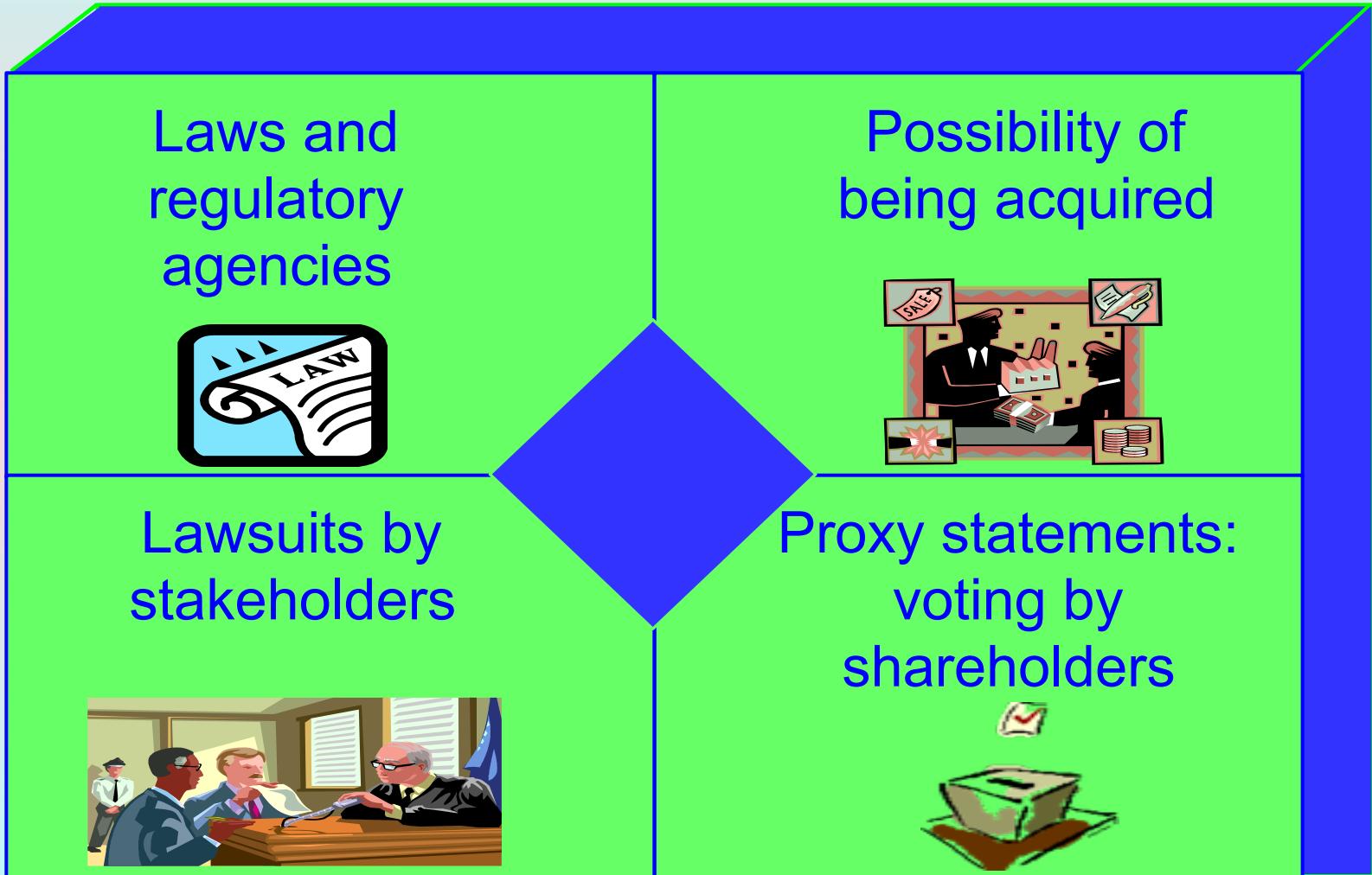


# Corporate Governance: A Sample of Key Terms and Elements





# External Control Mechanisms





# Internal Control Mechanisms

- Independent Boards of directors;
- Compensation contracts that attempt to align the interests of top executives with those of stockholders;
- Corporate bylaws that set ground rules for the responsibilities of top executives and board members;
- Evaluation of CEO by the Board;
- Strategic allocation of corporate resources by Board;
- Exercise of fiduciary responsibility and control by the Board.





# THANK YOU

# Q&A



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