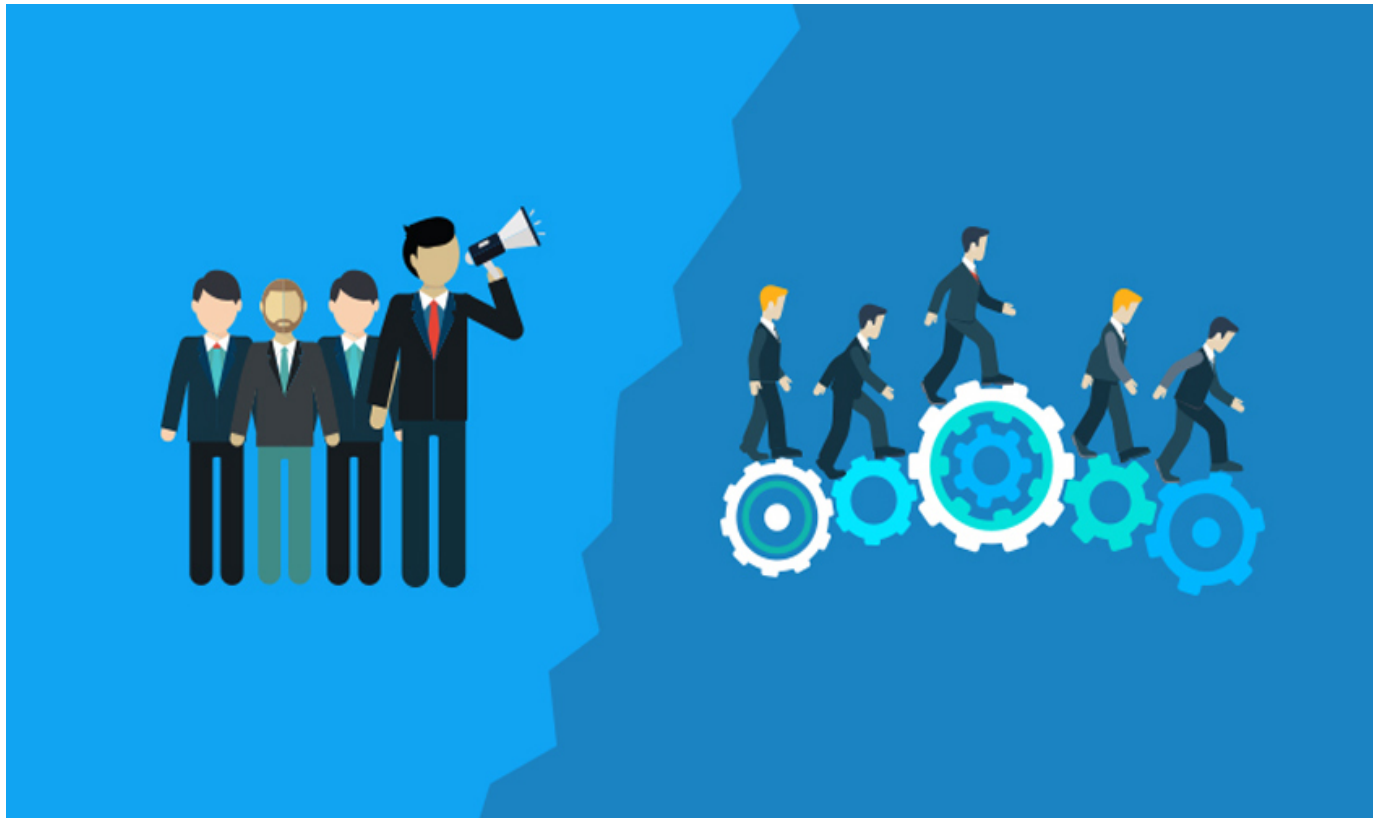


Fundamentals of Management

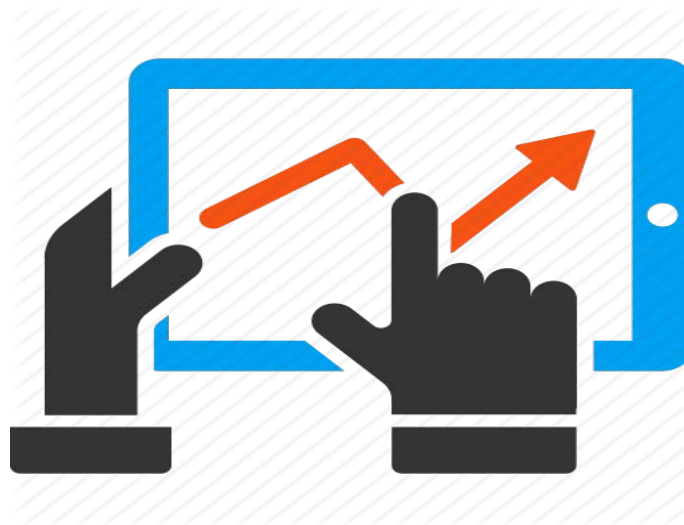
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Part Five: Controlling

2

- **Chapter Fourteen: Foundations of Control**
 - Explain the nature and importance of control.
 - Describe the three steps in the control process.
 - Discuss the types of controls organizations and managers use.
 - Discuss contemporary issues in control.



Controlling

3

- **Controlling is the final step in the management process.**
 - Managers must monitor whether goals established as part of the planning process are being accomplished efficiently and effectively.
 - ✦ **Appropriate controls can help managers look for specific performance gaps and areas for improvement.**
 - Things don't always go as planned.
 - And, that's why controlling is so important!



Control

4

- Control is the management function that involves monitoring activities to ensure that they're being accomplished as planned and correcting any significant deviations.
 - Control is the only way managers know whether organizational goals are being met and, if not, the reasons why.



Control

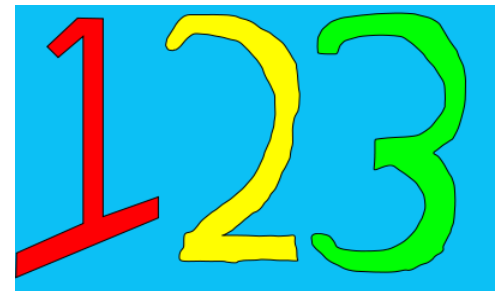
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- The value of the control function can be seen in three areas:
 - Planning
 - ✦ Controlling provides the critical link back to planning.
 - ✦ If managers didn't control, they'd have no way of knowing whether goals and plans were being achieved and what actions to take.
 - Empowering Employees
 - ✦ Effective control systems can provide information and feedback on EE performance and minimize the chance of potential problems.
 - Protecting the Workplace
 - ✦ Managers must protect the organization and its assets from all threats, including natural disasters, financial pressures, scandals, workplace violence, supply disruptions, market competition, etc.
 - ✦ Comprehensive controls and backup plans will minimize impact.

Control Process

6

- The Control Process is a three-step process of:
 1. Measuring actual performance,
 2. Comparing actual performance against a standard, and
 3. Taking managerial action to correct deviations or to address inadequate standards.
- ✦ The control process assumes that performance standards already exist, ... and they do. They're the specific goals created during the planning process.



Measuring

7

- To determine actual performance, a manager must first get information about it. Thus, the first step in control is measuring.
 - Four common sources of information frequently used to measure actual performance include:
 - ✦ Personal Observation
 - ✦ Statistical Reports
 - ✦ Oral Reports
 - ✦ Written Reports

PERFORMANCE



- EXCELLENT
- GOOD
- AVERAGE
- POOR

Measuring – Personal Observation

8

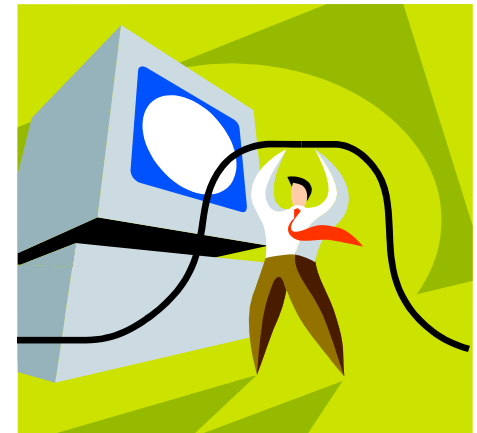
- Personal Observation provides firsthand, intimate knowledge of the actual activity – information not filtered through others.
 - Management by Walking Around (MBWA) is a phrase used to describe when a manager is out in the work area, interacting directly with EE's and exchanging information about what's going on.
 - ✦ MBWA can pick up factual omissions, facial expressions, and tones of voice that may be missed by other sources.
 - Unfortunately, MBWA can be biased and time consuming.
 - Also, MBWA may be obtrusive and affect trust with EE's.



Measuring – Statistical Reports

9

- The widespread use of computers has led managers to rely increasingly on Statistical Reports for measuring actual performance.
 - This measuring device, however, is limited to computer outputs, and may focus on a few key areas only and ignore other important, often subjective, factors.



Measuring – Oral Reports

10

- Information can also be acquired through Oral Reports – that is, through conferences, meetings, one-on-one conversations, or telephone calls.
 - In EE oriented organizations where EE's work closely together, this approach may be the best way to monitor performance.
 - ✦ The advantages and disadvantages of this method are similar to those of Personal Observation.
 - ✦ Although the information is filtered, it is fast, allows for feedback, and permits expression and tone of voice, as well as, words themselves to convey meaning.



Measuring – Written Reports

11

- Actual performance may also be measured by Written Reports.
 - Like Statistical Reports, they are slower yet more formal than firsthand or secondhand oral measures.
 - ✦ This formality also often gives them greater comprehensiveness and conciseness than found in oral Reports. In addition, Written Reports are usually easy to catalog and reference.



Measuring

12

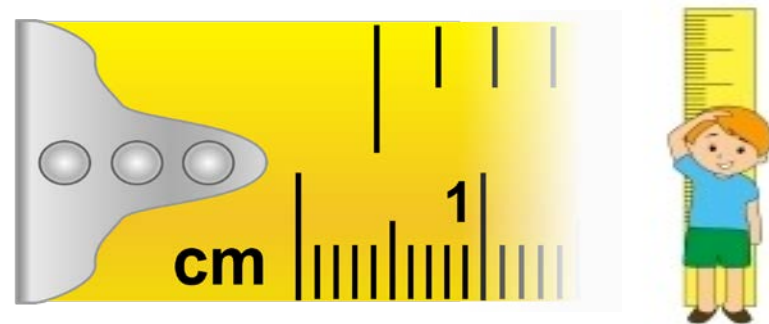
- Given the varied advantages and disadvantages of each of the four measurement techniques, managers should use all four for comprehensive control efforts.



What Do Managers Measure?

13

- What managers measure is probably more critical to the control process than how they measure.
 - The selection of the wrong criteria can result in serious dysfunctional consequences.
 - Besides, what we measure determines, to a great extent, what people in the organization will attempt to excel at.



Control Criteria

14

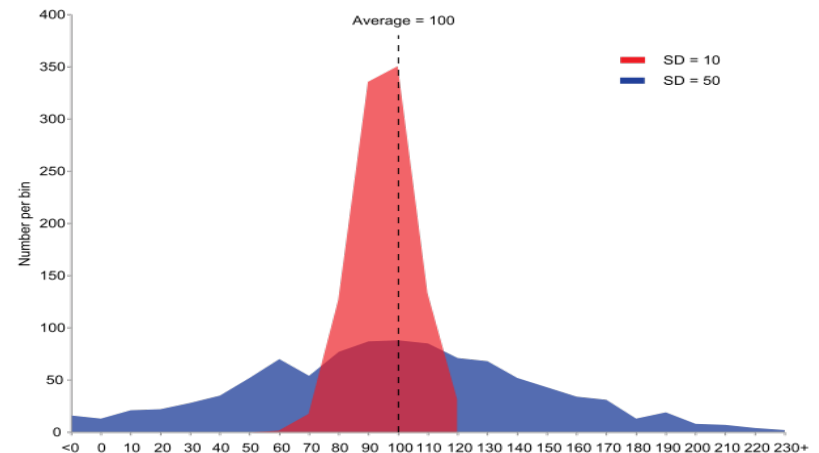
- **Some Control Criteria are applicable to any management situation.**
 - EE satisfaction or turnover and absenteeism rates.
 - Keeping costs within budget.
 - ✦ Most jobs and activities can be expressed in tangible and measurable terms.
 - ✦ When a performance indicator cannot be stated in quantifiable terms, managers should look for and use subjective measures, despite their limitations.



Comparing Actual Performance to Planned Goals

15

- The comparing step determines the variation between actual performance and the standard.
 - Although some variation in performance can be expected in all activities, it's critical to determine an acceptable Range of Variation.
 - ✦ Deviations outside the range need attention.



Range of Variation

16

- In regards to acceptable Range of Variation, managers can choose among three possible courses of action:
 1. Do Nothing (Self-Explanatory)
 2. Correct Actual Performance
 3. Revise the Standard
 - ✦ One decision that a manager must make is whether to take immediate corrective action, which corrects problems at once to get performance back on track, or to use basic corrective action, which looks at how and why performance deviated before correcting the source of deviation.
 - Often managers don't have time to find the source, so they work continuously with immediate corrective action.



Revise the Standard

17

- It's possible that a variance is a result of an unrealistic standard – too low or too high a goal. In such cases, it's the standard that needs corrective action, not the performance.
 - However, when performance isn't up to par, don't immediately blame the goal or standard.
 - ✦ If you believe the standard is realistic, fair, and achievable, tell EE's that you expect future work to improve, and then take the necessary corrective action to help make that happen.



Control

18

- Management can implement controls before an activity commences, during the activity, or after the activity has been completed.
 1. Feed-Forward Control
 - ✦ Anticipates Problems
 2. Concurrent Control
 - ✦ Corrects Problems As They Occur
 3. Feedback Control
 - ✦ Corrects Problems After They Occur



Traditional Financial Controls

19

- Want to earn a profit!? You need financial controls.



- Traditional financial controls include Ratio Analysis.
- Ratios are calculated using selected information from the organization's balance sheet and income statement.
 - ✦ Liquidity Ratios measure an organization's ability to meet its current debt obligations.
 - ✦ Leverage Ratios examine the org.'s use of debt to finance its assets and whether it's able to meet the interest payments on debt.
 - ✦ Activity Ratios assess how efficiently a company is using its assets.
 - ✦ Profitability Ratios measure how efficiently and effectively the company is using its assets to generate profits.

Budget Analysis

20

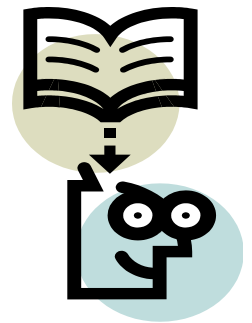
- Budgets are used for both planning and controlling.
 - Planning Tool
 - ✦ Indicates which work activities are important and what and how much resources should be allocated to those activities.
 - Controlling Tool
 - ✦ Provides managers with quantitative standards against which to measure and compare resource consumption.
 - ✦ Significant deviations require action and a manager to examine what has happened and why, and then take necessary action.



Information

21

- Information is a critical tool for controlling other organizational activities.
 - Managers need the Right Information at the Right Time and in the Right Amount to help them monitor and measure organizational activities:
 - ✦ About what is happening within their area of responsibility.
 - ✦ About the standards in order to be able to compare actual performance with the standard.
 - ✦ To help them determine if deviations are acceptable.
 - ✦ To help them develop appropriate course of action.

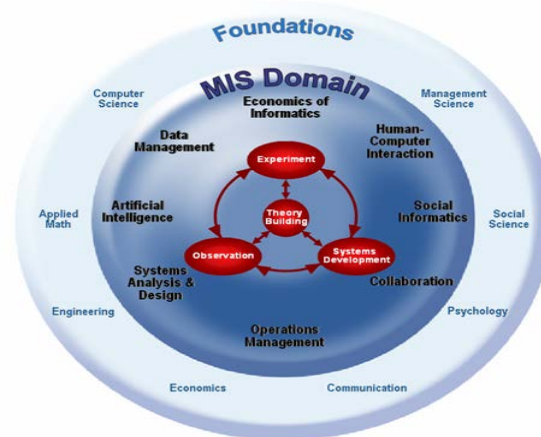


Information

22

- Management Information System (MIS)

- Can be manual or computer-based, although most organizational MIS are computer-supported applications.
- System in MIS implies order, arrangement, and purpose.
- Focuses specifically on providing managers with information (processed and analyzed data), not just data (raw, unanalyzed facts).



2005 MIS Research Domain Model

Employee Performance

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- Keeping track of employee performance:
 - Are employees doing their jobs as planned and meeting goals that have been set?
 - ✦ If not, employee counseling or employee discipline may be needed.
 - Over 81 percent of managers say they don't do very well at giving difficult feedback.



Balanced Scorecard

24

- The Balanced Scorecard approach looks at more than the financial perspective by typically looking at four areas that contribute to a company's performance.
 1. Financial
 2. Customer
 3. Internal Processes
 4. People-Innovation-Growth Assets
 - ✦ Managers should develop goals for each of the four areas and then measure whether goals are being met.



Contemporary Issues

25

- **Cross Cultural Differences**

- Methods of controlling EE behavior and operations can be quite different in different countries.
- In fact, the differences in organizational control systems of global organizations are primarily in the measurement and corrective action steps of the control process.
 - ✦ As distance creates a tendency for formalized controls, the home office of the global company often relies on extensive, formal reports for control.
 - ✦ The global company may also use information technology to control work activities.



Contemporary Issues

26

- **Workplace Concerns**

- Today's workplaces present considerable control challenges for managers. From monitoring EE's computer usage at work to protecting the workplace against disgruntled EE's intent on doing harm, managers need controls to ensure that work can be done efficiently and effectively as planned.

- ✦ Employers can (and do), among other things, read your email (even those marked "personal" or "confidential"), tap your telephone, monitor your work by computer, store and review computer files, monitor you in an EE bathroom or dressing room, and track your whereabouts in a company vehicle.



Why Monitor Employees?

27

- EE's are hired to work, not surf the internet.
 - 87 percent of EE's look at non-work-related websites while at work, and more than half engage in personal website surfing every day.
 - ✦ Employers need to protect from a hostile work environment, because of offensive messages or inappropriate images displayed on a coworker's computer screen.
 - ✦ Employers need to ensure company secrets are not being leaked.



Employee Theft

28

- **Employee Theft is any unauthorized taking of company property by EE's for personal use. It's a costly problem.**
 - Industrial Security propose that people steal because the opportunity presents itself through lax controls and favorable circumstances.
 - Criminologists say that it's because people have financial-based pressures or vice-based pressures.
 - Psychologists suggest that people steal because they can rationalize whatever they're doing as being correct and appropriate behavior.
- ✦ **Although each approach provides compelling insights into EE theft, what can managers do to prevent it?**



Controlling Employee Theft

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- **Feed Forward Control**
 - Use careful pre-hiring screening.
 - Establish specific policies defining theft and fraud and discipline procedures.
 - Involve employees in writing policies.
 - Educate and train employees about the policies.
 - Have a professional review of your internal security controls.



Controlling Employee Theft

30

- **Concurrent Control**

- Treat employees with respect and dignity.
- Openly communicate the costs of stealing.
- Let employees know on a regular basis about their success in preventing theft and fraud.
- Use video surveillance equipment if conditions warrant.
- Install “lock-out” options on computers, telephones, and email.
- Use corporate hotlines for reporting incidences.
- Set a good example.



Controlling Employee Theft

31

- **Feedback Control**

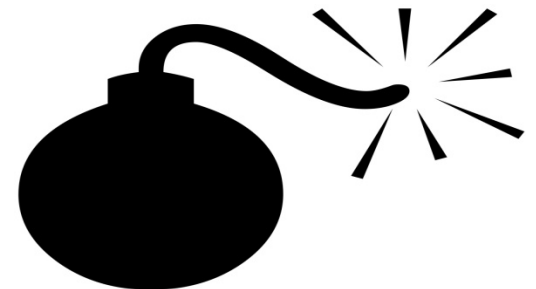
- Make sure employees know when theft or fraud has occurred – not naming names, but letting people know this is not acceptable.
- Use the services of professional investigators.
- Redesign control measures.
- Evaluate your organization's culture and the relationships of managers and employees.
- Install “lock-out” options on computers, telephones, and email.
- Use corporate hotlines for reporting incidences.
- Set a good example.



Workplace Violence

32

- The U.S. National Institute of Occupational Safety and Health says that each year, some 2 million American workers are victims of some form of workplace violence.
 - In an average week, one EE is killed and at least 25 are seriously injured in violent assaults by current or former coworkers.
 - Almost 60 percent of firms reported that managers received verbal threats from workers.
 - ✦ Anger, rage, and violence in the workplace are intimidating to coworkers and adversely affect their productivity.



Workplace Violence

33

- What factors are believed to contribute to workplace violence?
 - EE stress caused by job uncertainties, declining value of retirement accounts, long hours, information overload, unrealistic deadlines, other daily interruptions, and uncaring managers play a role.
 - Even office layout designs with small cubicles where EE's work amidst the noise and commotion from those around them.
 - There are various other contributors, including but not limited to:
 - ✦ Workload – Organizational Change
 - ✦ Poor Communication and Authoritative Leadership
 - ✦ Unresolved Grievances – Emotionally Troubled EE's
 - ✦ Repetitive Work – Hazardous Work Environment – Culture of Violence

Controlling Workplace Violence

34

- **Feed Forward Control**

- Ensure management's commitment to functional, not dysfunctional, work environments.
- Provide Employee Assistance Programs (EAP's) to help Employees with behavioral problems.
- Enforce organizational policy that any workplace rage, aggression, or violence will not be tolerated.
- Use careful pre-hiring screening.
- Never ignore threats.
- Train EE's about how to avoid danger if a situation arises.
- Clearly communicate policies to EE's.

Controlling Workplace Violence

35

- **Concurrent Control**

- Use MBWA to identify potential problems; observe how EE's treat and interact with each other.
- Allow EE's or work groups to "grieve" during periods of major organizational change.
- Be a good role model in how you treat others.
- Use corporate hotlines or some other mechanism for reporting and investigating incidents.
- Use quick and decisive intervention.
- Get expert professional assistance if violence erupts.
- Provide necessary equipment or procedures for dealing with violent situations (cell phones, alarm system, code names, etc.)

Controlling Workplace Violence

36

- **Feedback Control**

- Communicate openly about violent incidents and what's being done.
- Investigate incidents and take appropriate action.
- Review company policies and change, if necessary.

Disciplining Difficult Employees

37

- Almost all managers will, at one time or another, have to deal with EE's who are difficult.
 - The following are several suggestions that are likely to lessen the angst these people create in your life and may have some influence in reducing their difficult behavior.
 - ✦ Don't let your emotions rule.
 - ✦ Attempt to limit contact with the difficult person.
 - ✦ Try polite confrontation using a civil tone and approach.
 - ✦ Practice positive reinforcement to change behavior.
 - ✦ Recruit fellow victims and witnesses to put pressure for change.



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