


Week 12

■ Foundation of Control

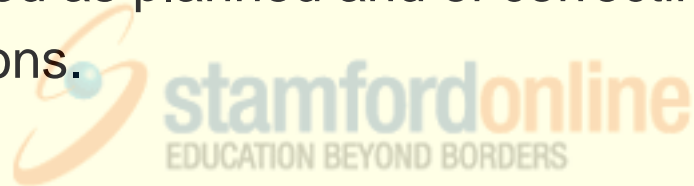
Topic outline :

Definition of control -  **stamfordonline**
EDUCATION BEYOND BORDERS

1. The control process
2. Types of control
3. Implications for Managers
4. Contemporary Issues in control

Definitions

The process of monitoring activities to ensure that they are being accomplished as planned and of correcting any significant deviations.

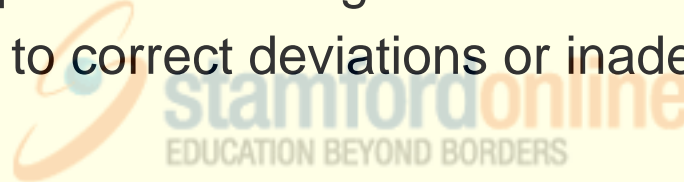


Three different approaches to designing control systems:

- a) Market control : An approach to control that emphasizes the use of external market mechanisms to establish the standards used in the control system;
- b) Bureaucratic control : An approach to control that emphasizes organizational authority and relies on administrative rules, regulations, procedures, and policies;
- c) Clan control : An approach to control in which employee behaviour is regulated by the shared values, norms, traditions, rituals, beliefs, and other aspects of the organization's culture.

The Control Process

The control process: measuring actual performance, comparing actual performance against a standard, and taking managerial action to correct deviations or inadequate standards.



The Control Process

Step 1 – Measuring actual performance – How to measure:

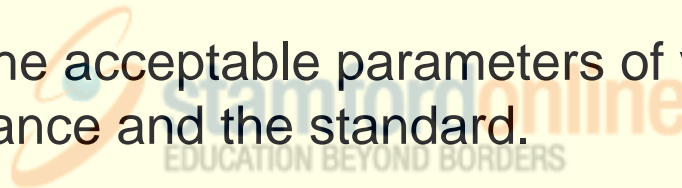
Four sources:

1. Personal Observation
2. Statistical Reports
3. Oral Reports
4. Written Reports



Step 2 – Comparing Actual Performance Against Standard

- To determine the degree of variation between actual performance and standard.
- To determine the acceptable parameters of variance between actual performance and the standard.



Step 3 – Taking Managerial Action

Possible cause of action:

1. Do nothing
2. Correct actual performance
3. Revise standard



Immediate corrective action

Corrective action that corrects problems at once to get performance back on track.

- Basic corrective action – corrective action that looks at how and why performance deviated and then proceeds to correct the source of deviation.
- Revise standard – if the variance was a result of an unrealistic standard; too high or too low.

Types of control

- i. 1. Input – Feedforward
- ii. 2. Processes – Concurrent control
- iii. 3. Output – Feedback control



Feedforward control

Feedforward control - A type of control that focuses on preventing anticipated problems since it takes place in advance of the actual work activity.



Concurrent control

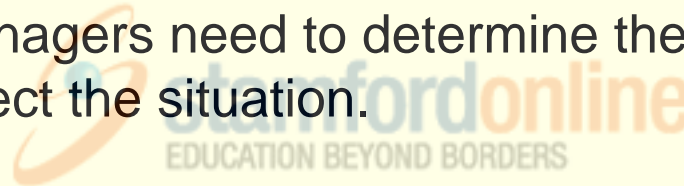
Concurrent control – A type of control that takes place while a work activity is in progress – management corrects problems before it becomes too costly.

The technique called **management by walking around** – a term used to describe a manager being out in the work area, interacting directly with employees.

Feedback control

Feedback control - A type of control that takes place after a work activity is done.

Example: financial statements, when sales revenues are declining – managers need to determine the decrease of the sales and correct the situation.



Managers' Implications

1. Develop a control system for each important product, service, process or activity within the organization.
2. Incorporate sufficient variety, sensitivity, anticipation capability, and feed-back into the control system.
3. Gauge the control system's effectiveness by considering its relationship to corporate strategy, its completeness, the degree to which it incorporates objective of the performance measure.
4. Determine the appropriate points within the organization where control systems should be focused.
5. Adopt a philosophy of control that is consistent with the management style, organizational culture, employee professionalism, and performance measures present within the organization.

Contemporary Issues in control

- a) Adjusting controls for cross-cultural differences – people quite different in different countries.
- Example – in global organization – because of the distance, managers of foreign operations tend to be less directly controlled by the home office. Control system depends on the power of technology.
- In less technologically advanced country – managers rely more on supervision to ensure work activities are carried out according to the plan.

Contemporary Issues In control

..Continue

- b) Workplace concerns – types of workplace monitoring by employers:
 1. Internet use
 2. Telephone use
 3. E-mail messages
 4. Computer files
 5. Phone conversation
 6. Voice mail messages



Workplace concerns

..continue:

- i. Workplace privacy
- ii. Employee theft
- iii. Workplace violence
- iv. Controlling customer interactions



The Service Profit Chain

Employees → Customers → Organization

Loyal

Service quality

Service capability

Satisfaction

Productivity &

Output quality

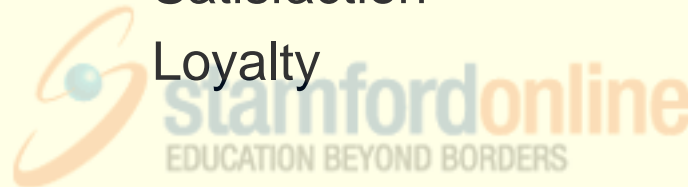
Service value

Satisfaction

Loyalty

Revenue growth

Profitability



The Service Profit Chain

The concept of service profit chain is the service introduced to achieve customer satisfaction.

The concept of service profit chain:

- Managers should create long term and mutually beneficial relationships among company, employees and customers.
- When employees satisfied - deliver high quality service - improve customer satisfaction.

