

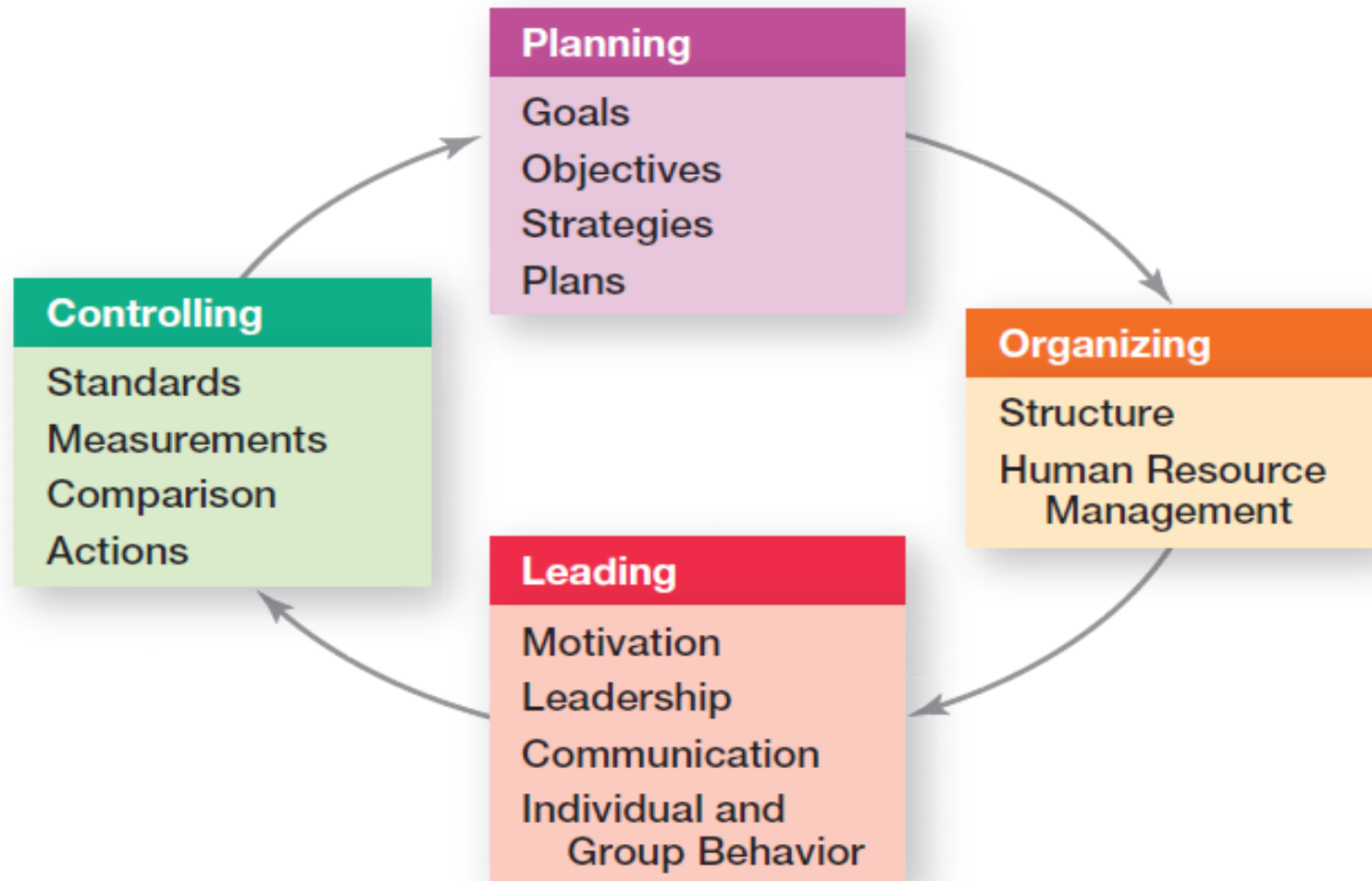
Controlling

Enhancing Organizational Performance

Learning Outcomes

- **Explain** the nature and importance of control
- **Describe** the three steps in the control process
- **Explain** how organizational performance is measured
- **Describe** tools used to measure organizational performance
- **Discuss** contemporary issues in control

Background



Introduction to Controlling Function ?

“the process of monitoring, comparing, and correcting work performance”

What/Who is being controlled ?

People, Machines, Processes, Technology !!!

What is the purpose of controlling ?

To ensure that activities are completed in ways that lead to the accomplishment of organizational goals.

The Controlling Process

Three step process of measuring actual performance, comparing actual performance against a standard, and taking managerial actions to correct deviations or inadequate standards.



Measuring: How and What We Measure ?

- Sources of Information (How)

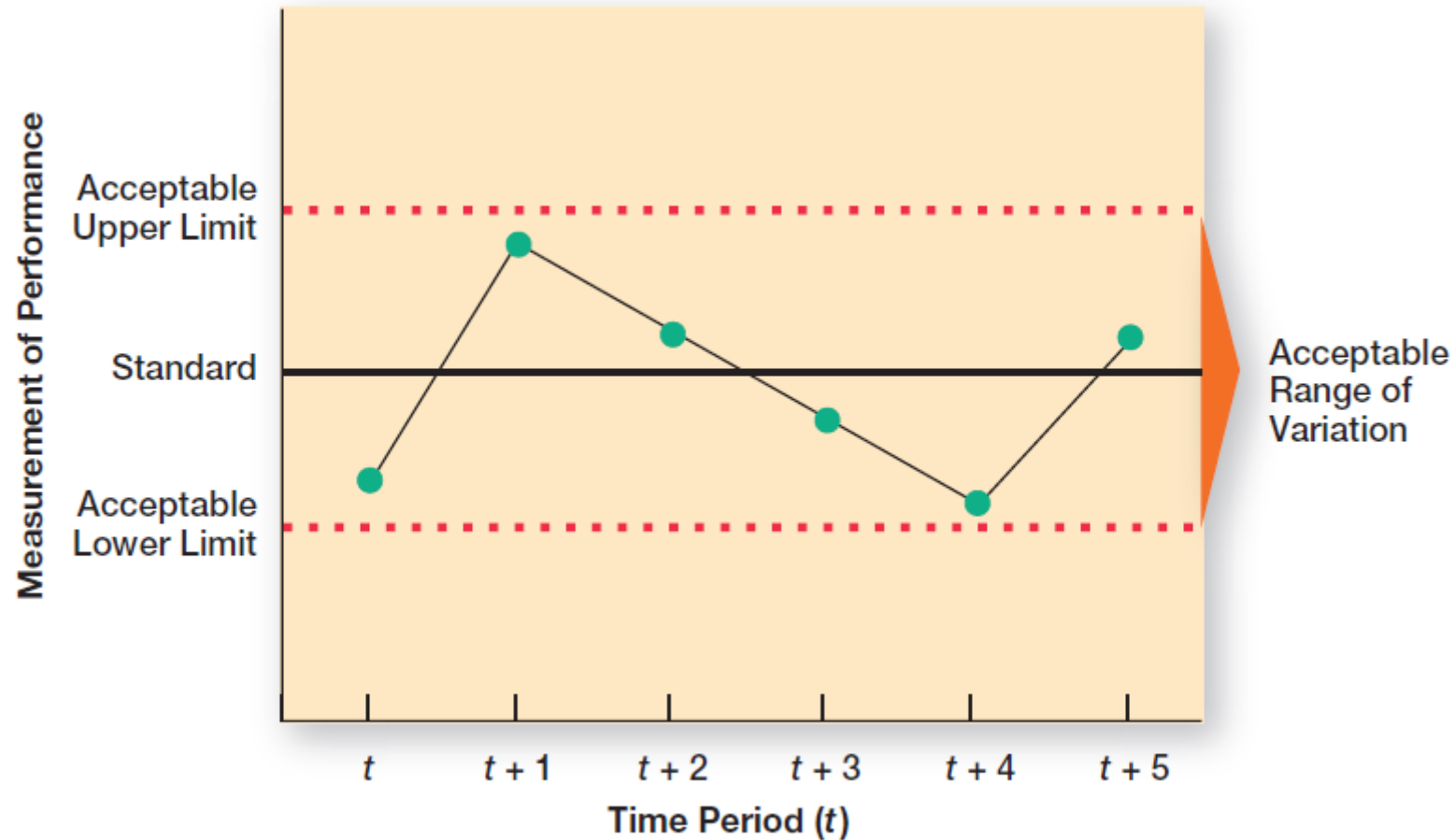
- Personal observation
- Statistical reports
- Oral reports
- Written reports

- Control Criteria (What)

- Employees
 - Satisfaction
 - Turnover
 - Absenteeism
- Budgets
 - Costs
 - Output
 - Sales

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.



Taking Managerial Action

- **Correct Actual Performance**

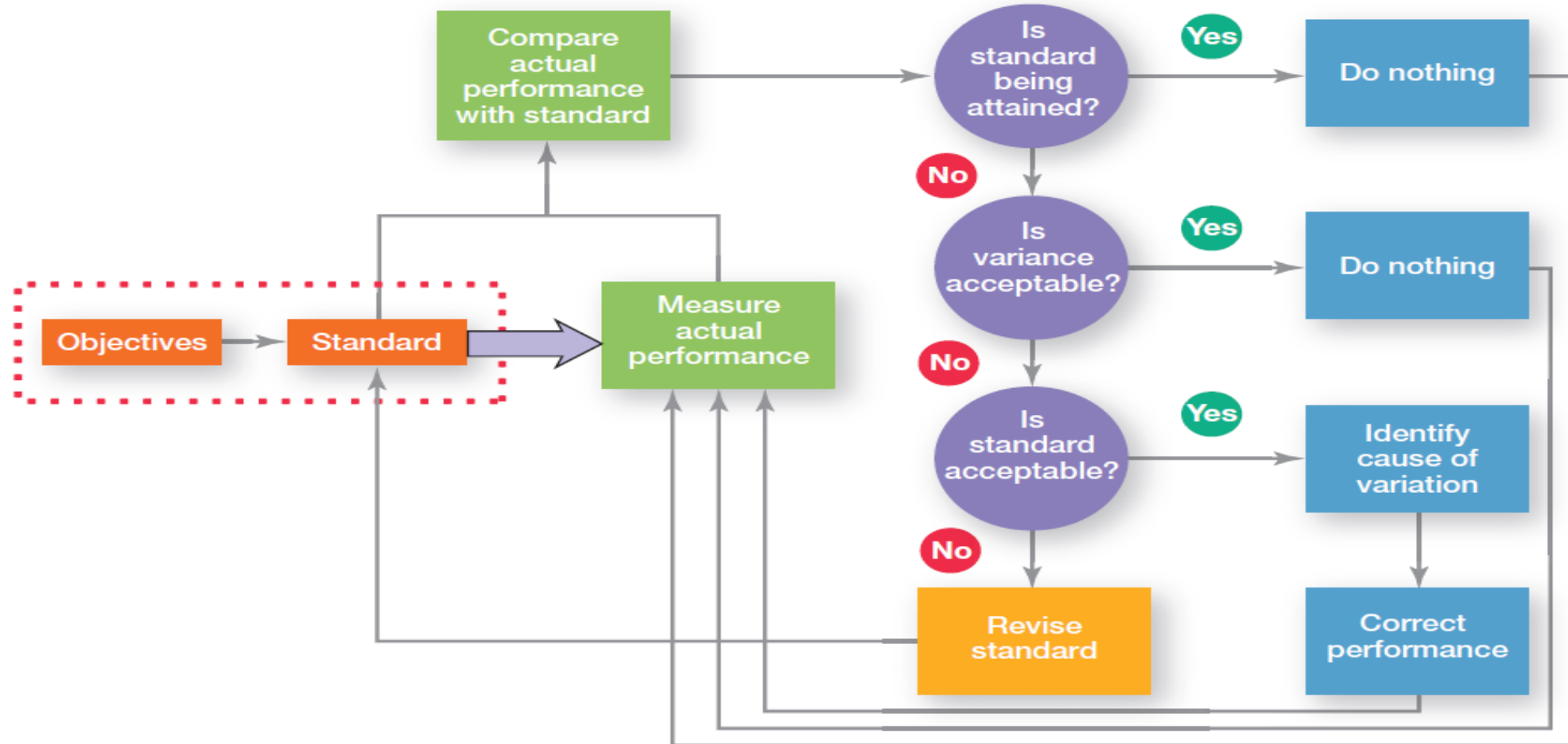
- **Immediate corrective action** - corrective action that corrects problems at once in order to get performance back on track.
- **Basic corrective action** - corrective action that looks at how and why performance deviated before correcting the source of deviation.

- **Revise the Standard**

Green Earth Gardening Supply — *June Sales*

Product	Standard	Actual	Over (Under)
Vegetable plants	1,075	913	(162)
Perennial flowers	630	634	4
Annual flowers	800	912	112
Herbs	160	140	(20)
Flowering bulbs	170	286	116
Flowering bushes	225	220	(5)
Heirloom seeds	540	672	132
Total	3,600	3,777	177

Managerial Decisions in the Control Process



What Is Organizational Performance?

- **Performance** - the end result of an activity.

Service Performance : Cost efficiency, waiting time, customer satisfaction etc.

- **Organizational performance** - the accumulated results of all the organization's work activities.

- Individuals
- Groups
- Processes
- Organizational

Team performance, Project performance

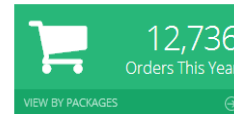
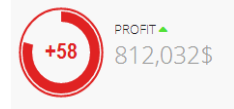
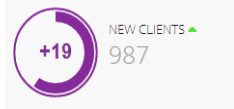
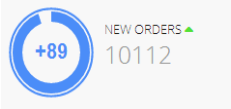
Number of units produced/Number of customer's served/time

Productivity, Effectiveness, Industry Rankings

Management Dashboard

DIAKRIT Overview statistics and general information

MAY 14, 2013 - JUNE 12, 2013



Top Ten Biggest Clients

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Company	Amount	
Pixel Ltd	152560.10\$	View
Pro Construction	135891.70\$	View
FoodMaster Ltd	94727.50\$	View
WaterPure Ltd	87210.50\$	View
Property United	59560.10\$	View
Smart House	57400.00\$	View
BatPel	49240.00\$	View
BatPel	42680.60\$	View
Smart House	39000.00\$	View
WaterPure Ltd	38768.30\$	View

Latest Projects

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Photo	Floor Plan	Interactive
	Villa de Leyva, Barcelona, Spain	Just now
	Domestic House, Berlin, Germany	20 mins
	Commercial Property, Oslo, Norway	24 mins
	Litex Tower, Stockholm, Sweden	30 mins
	Uppsala City Mall, Uppsala, Sweden	40 mins
	Microsoft Office, Bergen, Norway	1.5 hours
	Deep Blue Marina, Los Angeles, United States	2 hours
	Dallas Tower, Dallas, United States	3 hours

Customer Service / Support

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Today's Summary

Response Statistics

INCOMING CALLS ▲ 169

OUTGOING CALLS ▼ 78

MISSED CALLS 31

CALL BACK ▲ 89%

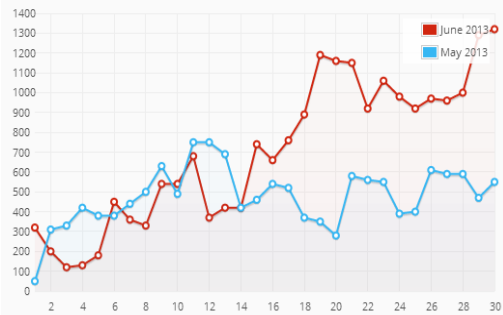
MAX WAITING TIME ▼ 4:30

AVERAGE WAITING TIME 0:42



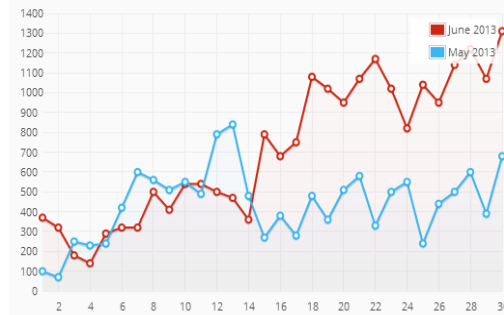
Photo Packages

Year View Month View Day View



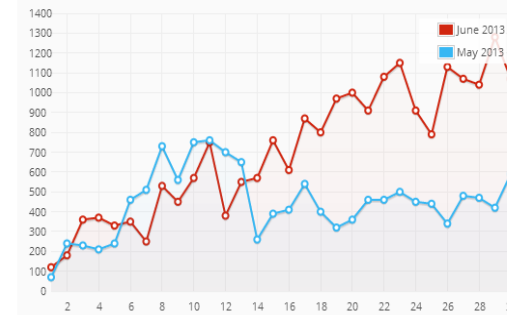
Floor Plan Packages

Year View Month View Day View

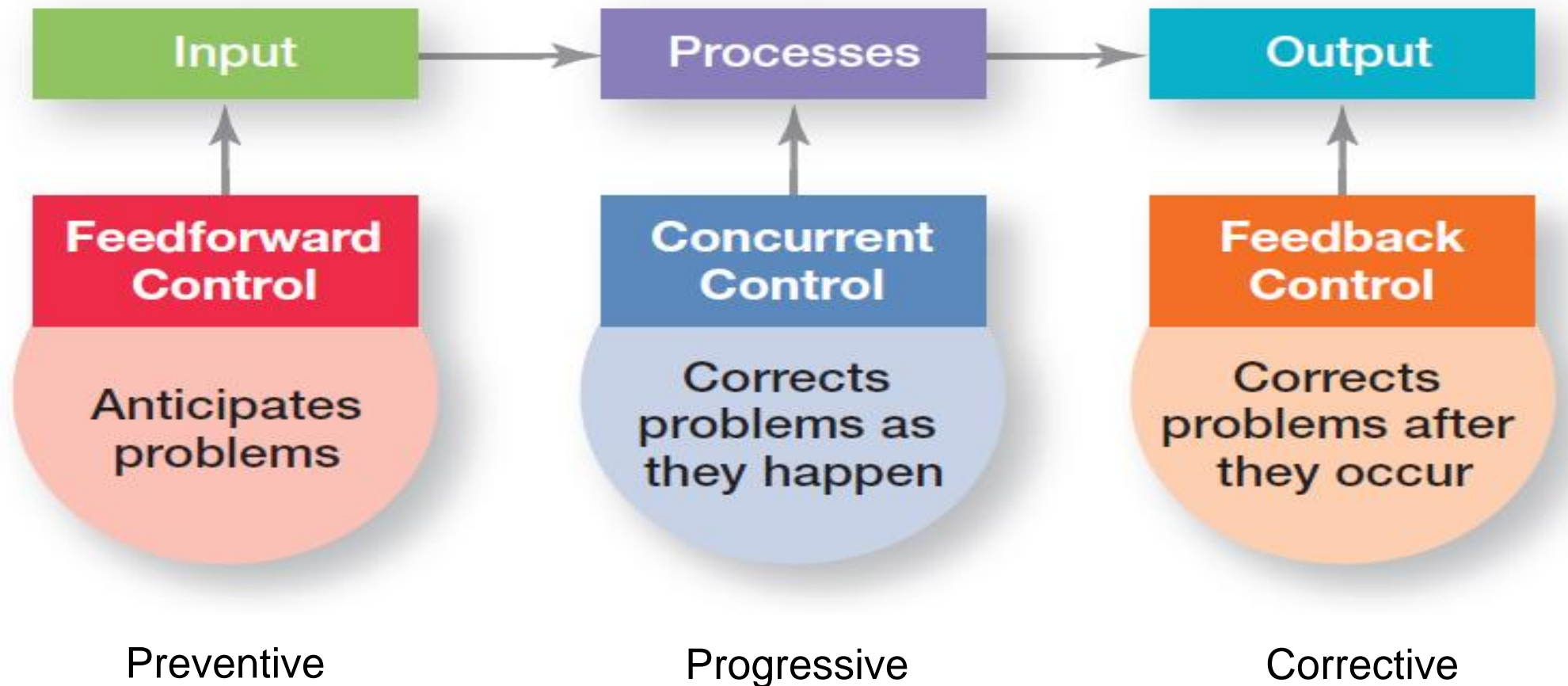


Total Packages

Year View Month View Day View



Tools for Performance Management



Information Control

- Information Security Issues
 - Theft of sensitive data
- Management Information System (MIS).....Middle Management
 - Processed and Analyzed Data (e.g. Digital Library)
 - Control (Protection/Facilitation) of Information
- Decision Support System (DSS).....Top Management
- Executive Information System (EIS).....Lower Management

Financial Controls

[Company Name]

Income Statement

For the Years Ending [Dec 31, 2008 and Dec 31, 2007]

Revenue	2008	2007
Sales revenue	110,000	95,000
(Less sales returns and allowances)		
Service revenue	70,000	62,000
Interest revenue		
Other revenue		
Total Revenues	180,000	157,000
Expenses		
Advertising	1,000	1,000
Bad debt		
Commissions		
Cost of goods sold	65,000	63,000
Depreciation		
Employee benefits		
Furniture and equipment		8,000
Insurance		
Interest expense	4,200	5,200
Maintenance and repairs		
Office supplies		
Payroll taxes		
Rent		
Research and development		
Salaries and wages	55,000	55,000
Software		
Travel		
Utilities		
Web hosting and domains		
Other	17,460	
Total Expenses	142,660	132,200
Net Income Before Taxes	37,340	24,800
Income tax expense	14,936	9,920
Income from Continuing Operations	22,404	14,880
Below-the-Line Items		
Income from discontinued operations		
Effect of accounting changes		
Extraordinary items		
Net Income	22,404	14,880

Financial Controls

Objective	Ratio	Calculation	Meaning
Liquidity	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	Tests the organization's ability to meet short-term obligations
	Acid test	$\frac{\text{Current assets less inventories}}{\text{Current liabilities}}$	Tests liquidity more accurately when inventories turn over slowly or are difficult to sell
Leverage	Debt to assets	$\frac{\text{Total debt}}{\text{Total assets}}$	The higher the ratio, the more leveraged the organization
	Times interest earned	$\frac{\text{Profits before interest and taxes}}{\text{Total interest charges}}$	Measures how many times the organization is able to meet its interest expenses

Financial Controls

Objective	Ratio	Calculation	Meaning
Activity	Inventory turnover	$\frac{\text{Sales}}{\text{Inventory}}$	The higher the ratio, the more efficiently inventory assets are being used
	Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	The fewer assets used to achieve a given level of sales, the more efficiently management is using the organization's total assets
Profitability	Profit margin on sales	$\frac{\text{Net profit after taxes}}{\text{Total sales}}$	Identifies the profits that are being generated
	Return on investment	$\frac{\text{Net profit after taxes}}{\text{Total assets}}$	Measures the efficiency of assets to generate profits

Balanced Scorecard

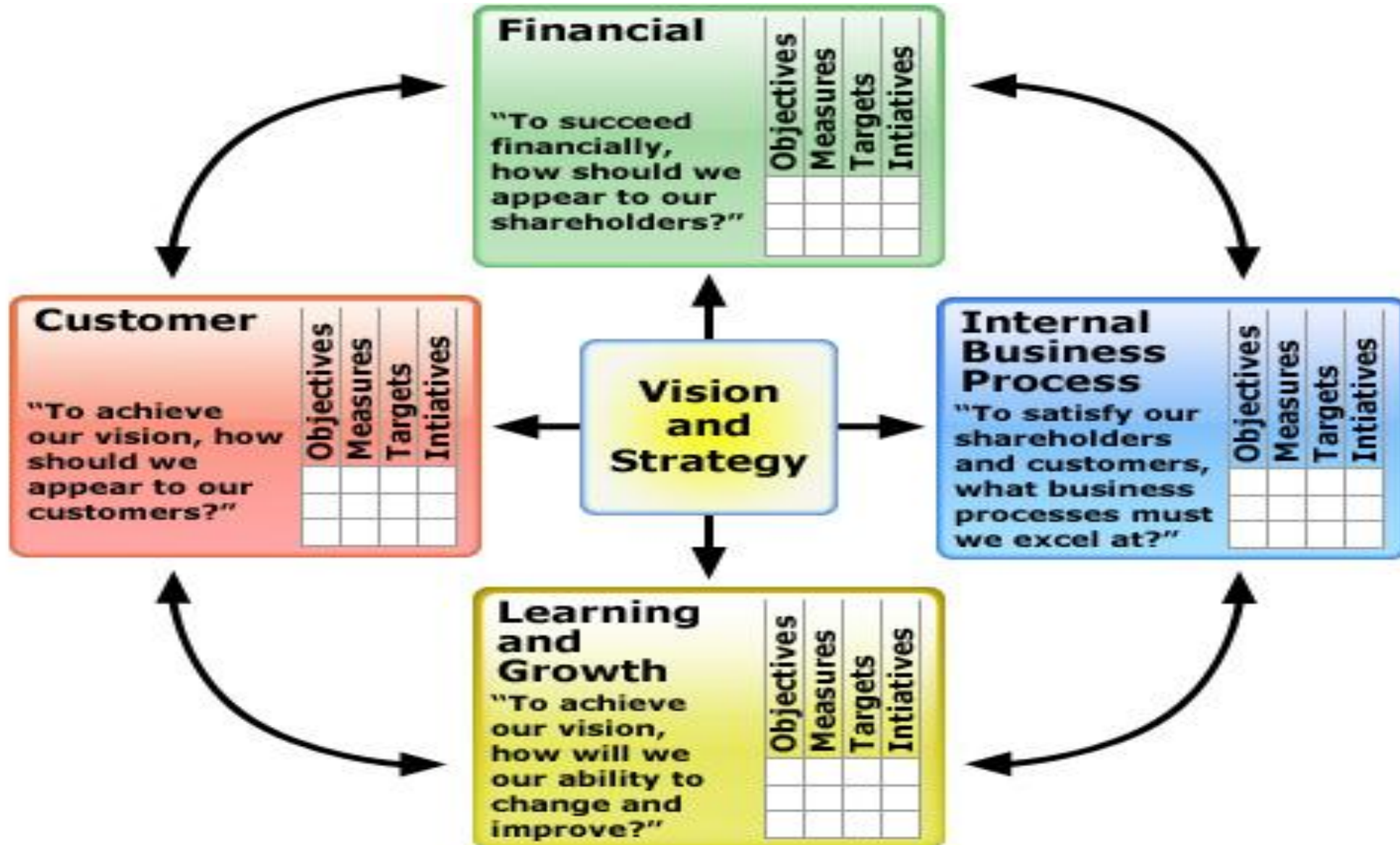
Are financial measures are sufficient ?

Are they leading measures or trailing measures ?

- How performance is defined ?
- How performance is measured ?
- What Goals has been set ?
- How are we performing wrt goals ?



Balanced Scorecard



Benchmarking

What ?

- Identify Efficient and Effective Processes which can be Standardized
- A tool for monitoring & measuring organizational performance
- A tool to identify specific performance gaps and potential areas of improvement

How ?

- Connect to Organizational Goals
- Identify & Adopt
- Incentivize
- Communicate and Share – Knowledge Sharing System
- Nurture

Five Types of Benchmarking

- **Internal benchmarking** (benchmark within a corporation, for example between business units)
- **Competitive benchmarking** (benchmark performance or processes with competitors)
- **Functional benchmarking** (benchmark similar processes within an industry)
- **Generic benchmarking** (comparing operations between unrelated industries)
- **Collaborative benchmarking** (carried out collaboratively by groups of companies (e.g. subsidiaries of a multinational in different countries or an industry organization).

Corporate Governance

- Corporate governance includes the processes through which corporations' objectives are set and pursued in the context of the social, regulatory and market environment.
- The aim is to align as nearly as possible the interests of individuals, corporations and society
- Board of Directors
 - A group independent from management looking out for the interest of shareholders

The Securities and Exchange Board of India Committee on Corporate Governance defines corporate governance as the "acceptance by management of the inalienable rights of **shareholders as the true owners of the corporation** and of their own role as **trustees on behalf of the shareholders**."

Corporate Governance Structure

