

Chapter 17: Introduction to Controlling

The process of monitoring, comparing, and correcting work performance

Why Is Control 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.
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Exhibit 17-1: Planning-Controlling Link



What is 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.
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Exhibit 17-2: The Control Process

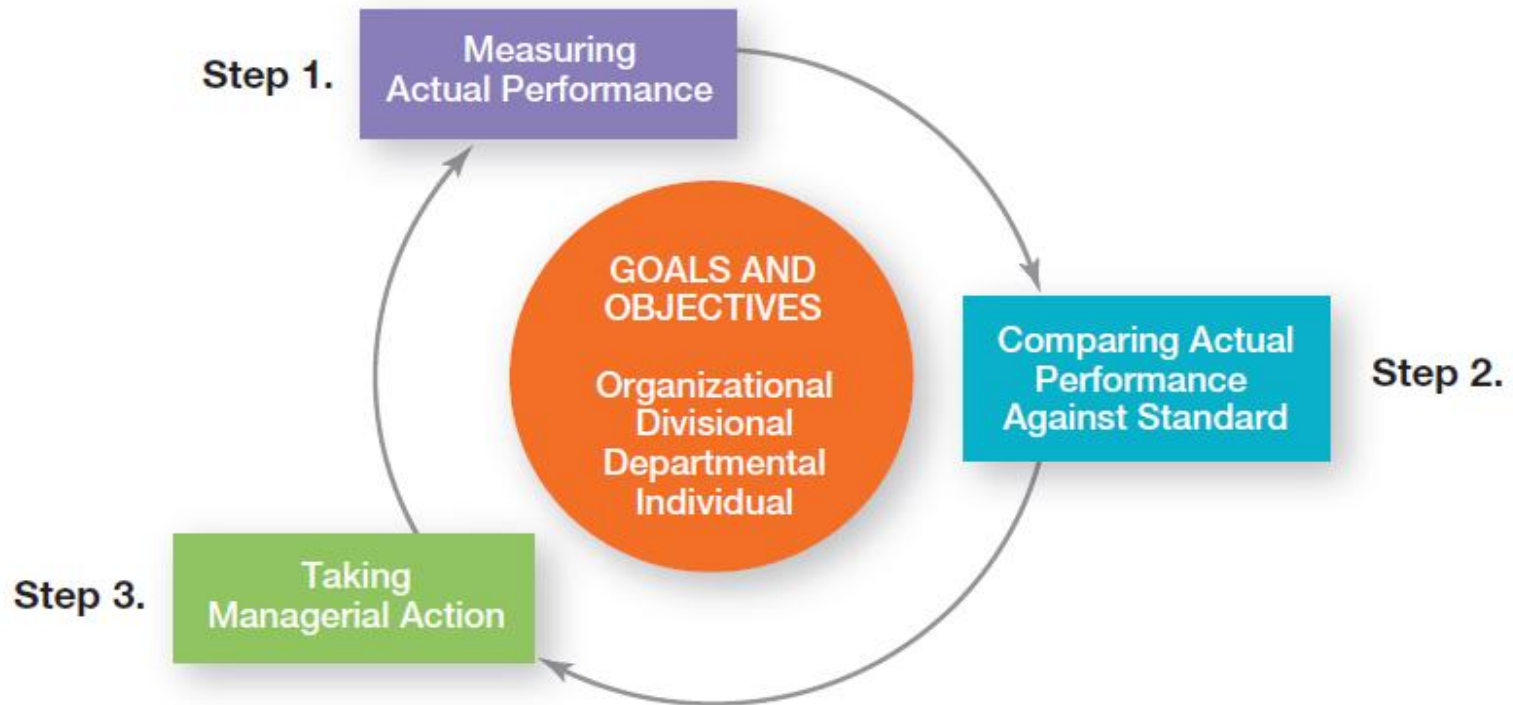


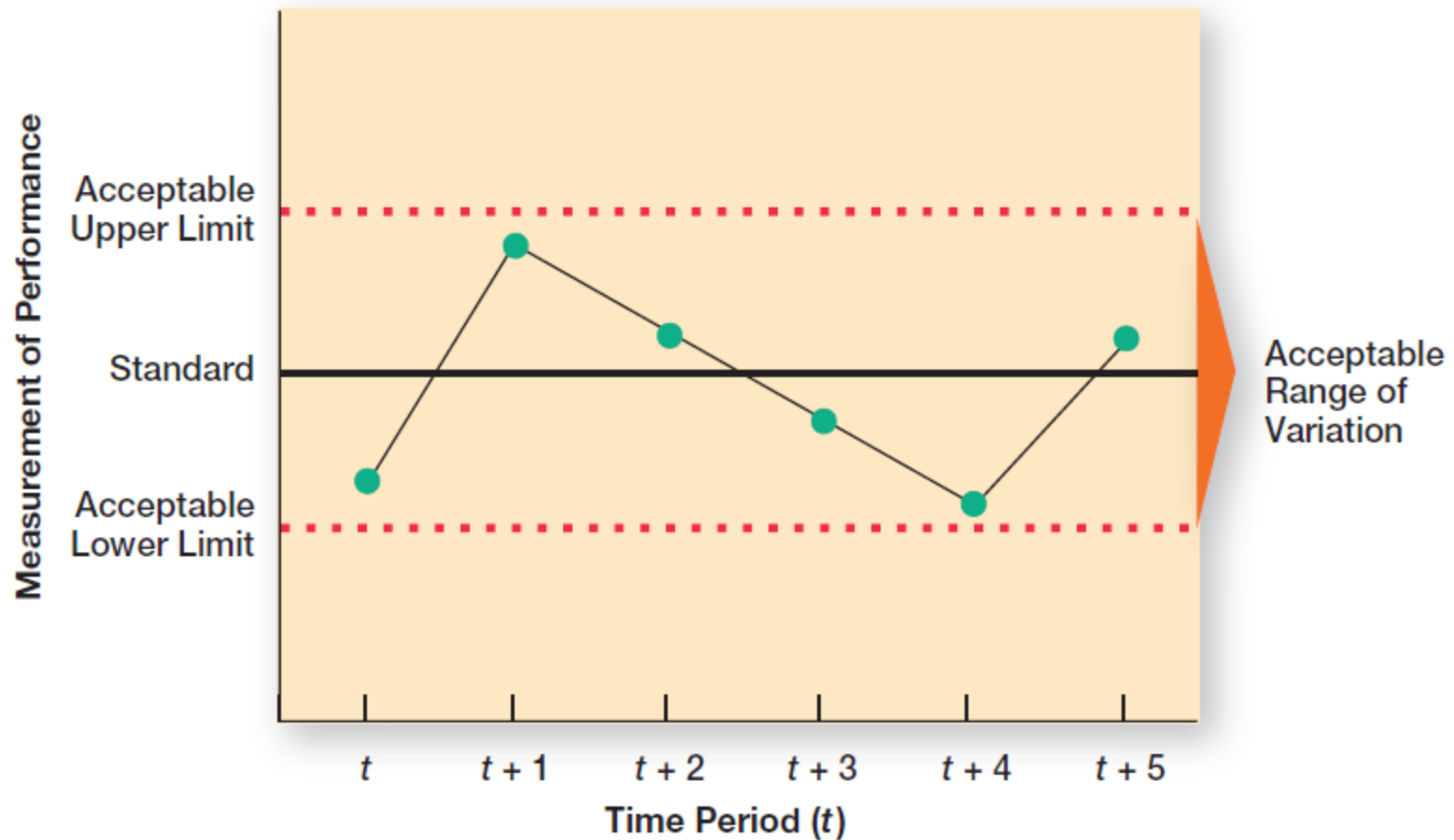
Exhibit 17-3: Sources of Information for Measuring Performance

	Benefits	Drawbacks
Personal Observations	<ul style="list-style-type: none">• Get firsthand knowledge• Information isn't filtered• Intensive coverage of work activities	<ul style="list-style-type: none">• Subject to personal biases• Time-consuming• Obtrusive
Statistical Reports	<ul style="list-style-type: none">• Easy to visualize• Effective for showing relationships	<ul style="list-style-type: none">• Provide limited information• Ignore subjective factors
Oral Reports	<ul style="list-style-type: none">• Fast way to get information• Allow for verbal and nonverbal feedback	<ul style="list-style-type: none">• Information is filtered• Information can't be documented
Written Reports	<ul style="list-style-type: none">• Comprehensive• Formal• Easy to file and retrieve	<ul style="list-style-type: none">• Take more time to prepare

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.
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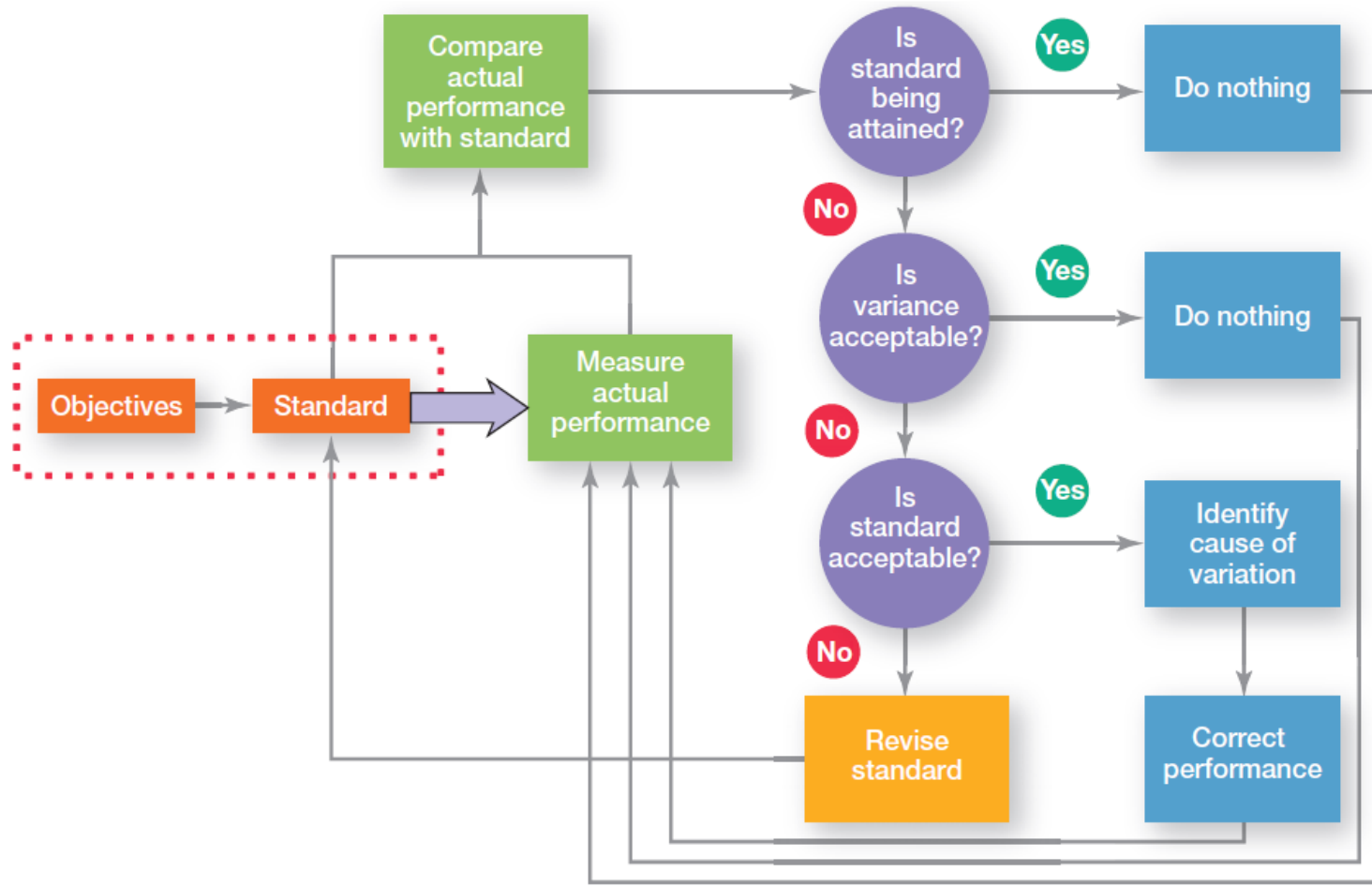
Exhibit 18-4: Acceptable Range of Variation



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.
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Exhibit 18-6: Managerial Decisions in the Control Process



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.
 - ❑ Industry and company rankings
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Exhibit 18-7: Popular Industry and Company Rankings

Fortune (www.fortune.com)

Fortune 500

25 Top MBA Employers

Most Admired Companies

100 Best Companies to Work For

101 Dumbest Moments in Business

Global 500

Top Companies for Leaders

100 Fastest-Growing Companies

BusinessWeek (www.businessweek.com)

World's Most Innovative Companies

BusinessWeek 50

Top MBA Programs

Customer Service Champs

IndustryWeek (www.industryweek.com)

IndustryWeek 1000

IndustryWeek U.S. 500

50 Best Manufacturing Companies

IndustryWeek Best Plants

Customer Satisfaction Indexes

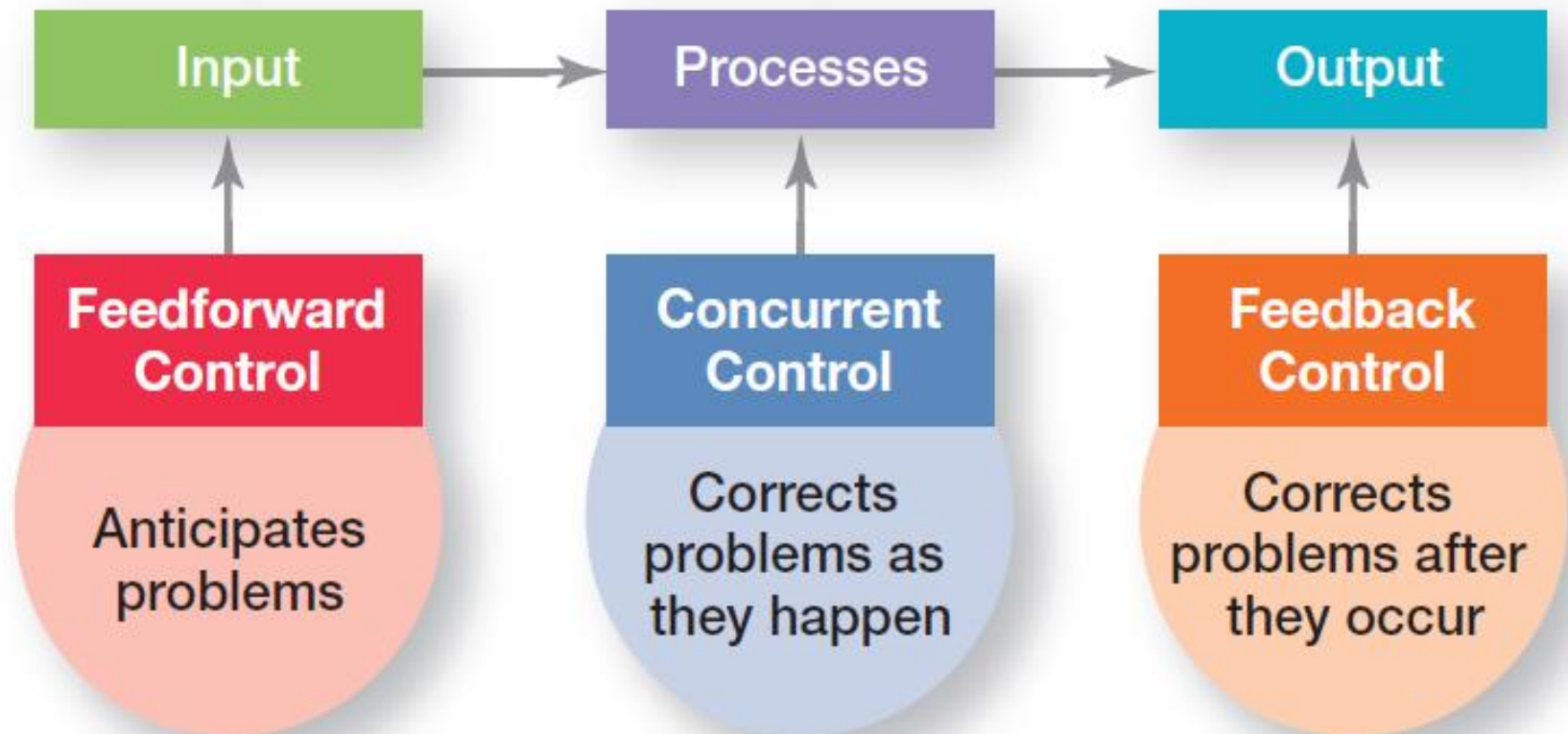
American Customer Satisfaction Index—
University of Michigan Business School

Customer Satisfaction Measurement
Association

Types of Control

- ❑ **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 (MBWA, computerized machine controls)
 - ❑ **Feedback control** - control that takes place after a work activity is done (financial statements)
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Exhibit 18-8: Types of Control



What is 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
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