

Lesson:-08

CONTROLLING

Controlling Concepts

Feed forward control

Control that attempts to identify and prevent deviations before they occur is called feed forward control, sometimes called preliminary or preventive control.

It focuses on human, material, and financial resources that flow into the organization. Its purpose is to ensure that input quality is high enough to prevent problems when the organization performs its tasks.

For example, managers in an organization may hire additional personnel as soon as they win a major contract. Feed forward control is future directed. It allows management to prevent problems rather than having to cure them later.

Feed forward controls require timely and accurate information that is difficult to develop. Feed forward controls are evident in the selection and hiring of new employees. Organizations attempt to improve the likelihood that employees will perform up to standards by identifying the necessary skills and using tests and other screening devices to hire people who have those skills.

Another type of feed forward control is to identify and manage risks. The large accounting firms have recognized that they can offer value to their clients by looking for risks the clients have knowingly or unknowingly taken on, rather than merely evaluating their financial performance after the fact. The firms have developed methods to study a client's industry, strategy, and operations to identify key business risks not shown on typical financial statements.

Concurrent control

Control that monitors ongoing employee activities during their progress, to ensure they are consistent with quality standards, is called concurrent control.

When control is enacted while the work is being performed, management can correct problems before they become too costly.

Concurrent control assesses current work activities, relies on performance standards, and includes rules and regulations for guiding employee tasks and behaviors. Its intent is to ensure that work activities produce the correct results.

Many manufacturing operations include devices that measure whether the items being produced meet quality standards. Employees monitor the measurements; if they see that standards are not met in some area, they make a correction themselves or signal the appropriate person that a problem is occurring. Technology advancements are enabling concurrent controls in services as well. For example, trucking companies are using computers to help plan their routes for efficiency. These also employ electronic devices, satellites, and antennas to transmit data back to headquarters indicating their position at all times to enable monitoring the status of deliveries.

An organization's cultural norms and values influence employee behavior.

Feedback control

This is the most popular type of control. In this case, the control takes place after the action. Sometimes called post-action or output control, feedback control focuses on the organization's outputs in particular, the quality of an end product or service.

The major drawback of this type of control is that by the time the manager has the information the damage has already been done. But, for many activities, feedback is the only viable type of control available. An example of feedback control in a manufacturing department is the intensive final inspection of a product.

Besides producing high-quality products and services, businesses tend to earn a profit, and even nonprofit organizations need to operate efficiently to carry out their mission. Therefore, many feedback controls focus on financial measurements. Managers evaluate whether they have operated within their budget targets, whether they have generated sufficient sales and profits, and so on. Feedback has two advantages over feedforward and concurrent control:

1. Feedback provides managers with meaningful information on how effective their planning effort was.
2. Feedback control can enhance employee motivation. People want information on how well they have performed. Feedback control provides that information.

Steps in the Control Process

Robert J. Mockler's definition of control points out the essential elements of the control process:

Management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with these predetermined standards, to determine whether there are any deviations and to measure their significance, and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives.

All well-designed control systems involve the use of feedback to determine whether performance meets established standards. Managers set up control systems that consist of the following four key steps:

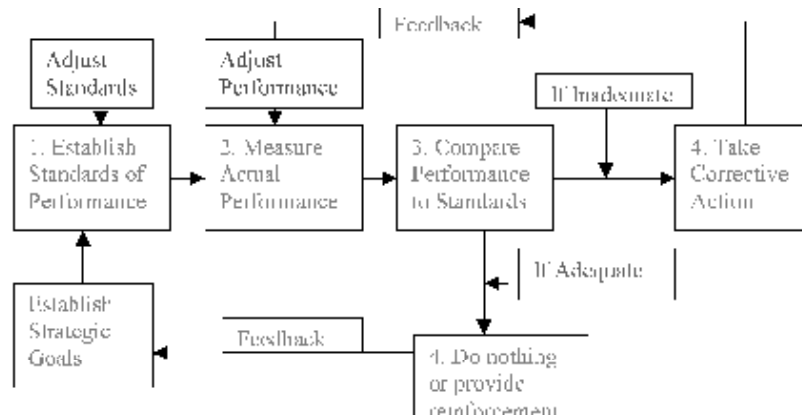
1. Establish standards of performance

Within the organization's overall strategic plan, managers define goals for organizational departments in specific operational terms that include a standard of performance against which to compare organizational activities.

In an industrial enterprise, standards and measurements could include sales and production targets, work-attendance goals, waste products produced and recycled, and safety records.

In service industries, standards and measurements might include the amount of time customers will have to wait in line at a bank, the amount of time they have to wait before the telephone is answered, or the number of new clients attracted by a revamped advertising campaign. Managers should carefully assess what they will measure and how they will define it

Steps in the Control Process



when the organization will reward employees for the achievement of standards, these standards should reflect those activities that contribute to the organization's overall strategy in a significant way.

Standards should be defined precisely for managers and workers since:

1. Vaguely worded targets are just empty slogans until managers begin to specify what they mean and what they intend to do to reach these goals—and when.
2. Precisely worded targets enable managers and workers to easily determine whether activities are on target.
3. Precisely worded, measurable objectives are easy to communicate. This ease of communicating is especially important for control since different people usually fulfill the planning and control roles.

2. Measure actual performance

Like all aspects of control, measurement is an ongoing repetitive process. The frequency of measurements depends on the type of activity being measured.

In a manufacturing plant, levels of gas particles in the air, for example, could be continuously monitored for safety, whereas progress on long-term expansion objectives might need to be reviewed by top management only once or twice a year.

Most organizations prepare formal reports of quantitative performance measurements that managers review daily, weekly, or monthly. These measurements should be related to the standards set in the first step of the control process.

For example, if sales growth is a target, the organization should have a means of gathering and reporting sales data. If the organization has identified appropriate measurements, regular review of these reports helps managers stay aware of whether the organization is doing what it should be.

In most companies, managers do not rely exclusively on quantitative measures. They get out into the organization to see how things are going, especially for such goals as increasing employee participation and learning.

3. Compare performance to standards

The next step in the control process is comparing actual activities to performance standards. When managers read reports or walk through the plant, they identify whether actual performance meets, exceeds, or falls short of standards.

Performance reports simplify comparisons by placing the performance standards for the reporting period alongside the actual performance for the same period and by computing the variance, that is, the difference between each actual amount and the associated standard. If performance matches the standards, managers may assume that everything is under control.

When performance deviates from a standard, managers must interpret the deviation. They are expected to dig beneath the surface and find the cause of the problem.

If the sales goal is to increase the number of sales calls by 10 percent and a salesperson achieved an increase of 8 percent, where did she fail to achieve her goal? Perhaps several businesses on her route closed, additional salespeople were assigned to her area by competitors, or she needs training in making sales calls more effectively.

Managers should take an inquiring approach to deviations in order to gain a broad understanding of factors that influenced performance. Effective management control involves subjective judgment and employee discussions as well as objective analysis of performance data.

4. Take corrective action

This step is necessary if performance falls short of standards and the analysis indicates action is required.

When performance deviates from standards, managers must determine what changes, if any, are necessary. The corrective action could involve a change in one or more activities of the organization's operations. Or, it could involve a change in the original standards rather than a change in activity.

Managers may encourage employees to work harder, redesign the production process, or fire employees. In contrast, managers using a participative control approach collaborate with employees to determine the corrective action necessary.

In some cases, managers may take corrective action to change performance standards. They may realize that standards are too high or too low if departments continually fail to meet or routinely exceed standards. If contingency factors that influence organizational performance change, performance standards may need to be altered to make them realistic and provide continued motivation for employees.

Managers may wish to provide positive reinforcement when performance meets or exceeds targets. They may reward a department that has exceeded its planned goals or congratulate employees for a job well done. Managers should not ignore high-performing departments at the expense of taking corrective actions elsewhere.

Designing control systems

Managers face a number of challenges in designing control systems that provide accurate feedback in a timely, economical fashion that is acceptable to organization members.

Most of these challenges can be traced back to decisions about what needs to be controlled and how often progress needs to be measured.

An analysis that identifies key performance areas and strategic control points simplifies the process.

Key performance or **key result areas (KRAs)** are those aspects of the unit or organization that must function effectively for the entire unit or organization to succeed.

Strategic control points are critical points in a system at which monitoring or collecting information should occur.

Principles of effective control

1. Effective controls are timely.
2. Control standards should encourage compliance.
3. Setting effective standards is important since they are:
 - a. Viewed as fair.
 - b. Observable and measurable.
 - c. Specific.
 - d. Difficult.
 - e. Relevant.
 - f. Complete.
 - g. Participatively set.
4. Use management by exception.
5. Employees should get fast feedback on performance.
6. Do not overrely on control reports.
7. Fit the amount of control to the task.