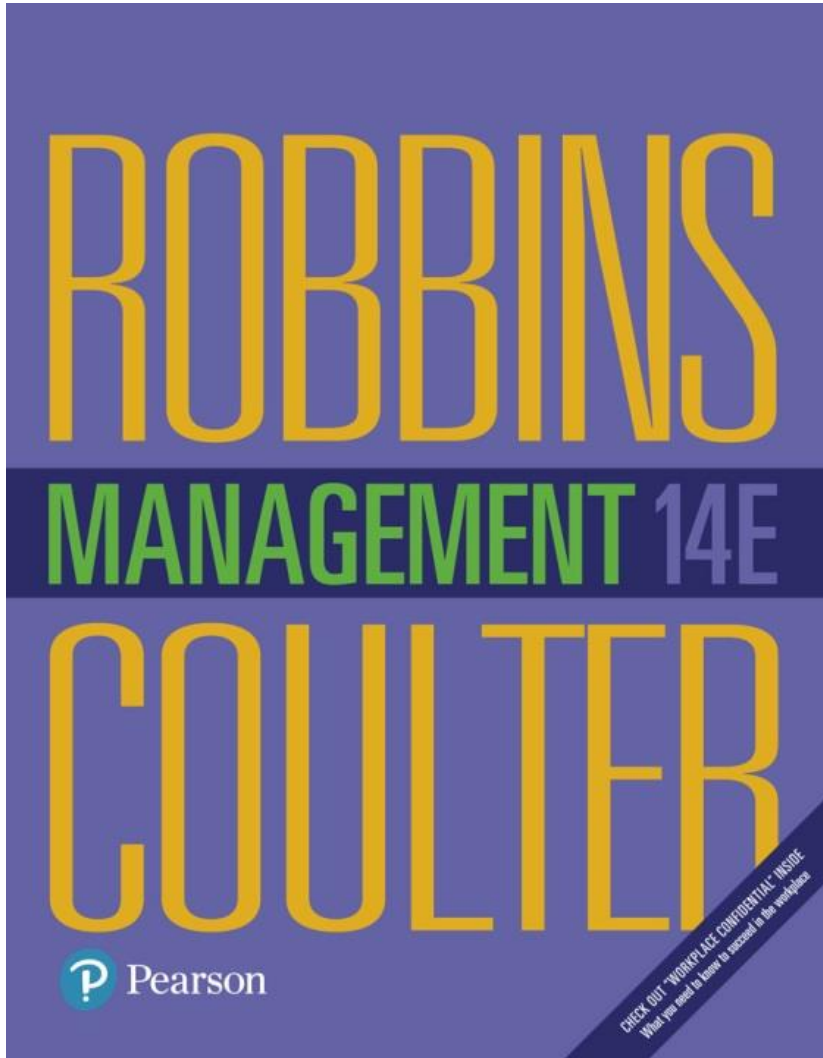


Management

Fourteenth Edition



Chapter 18

Monitoring and Controlling

What Is Controlling and Why Is It Important?

- **Controlling:** management function that involves monitoring, comparing, and correcting work performance

Why Is Control So Important?

- Planning
- Empowering employees
- Protecting the workplace

Exhibit 18-1

Planning-Controlling Link



Exhibit 18-1 shows how controlling provides a critical link back to planning.

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

Exhibit 18-2

The Control Process

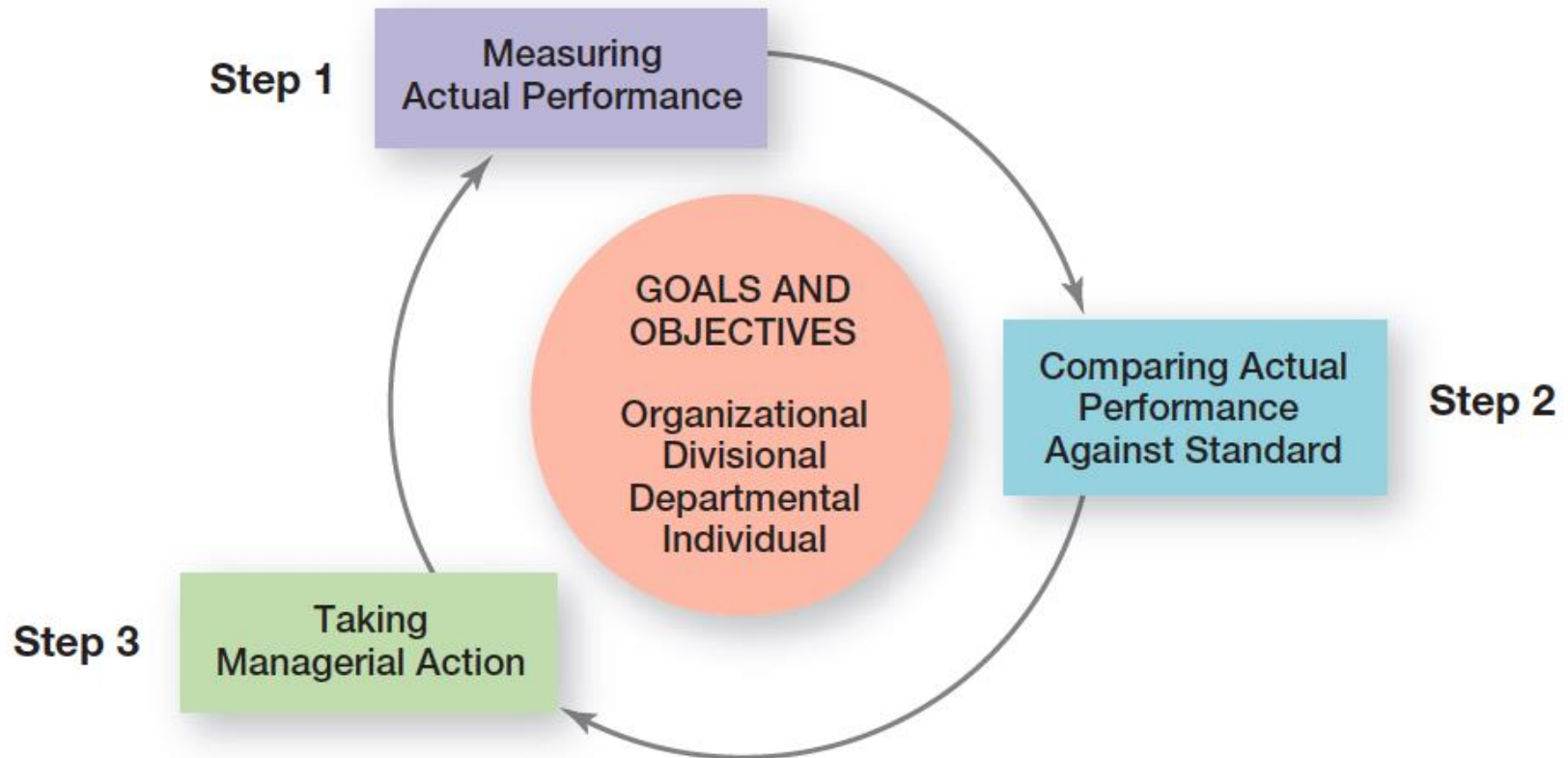


Exhibit 18-2 illustrates the three-step control process.

Step 1: Measuring Actual Performance

- How we measure
- What we measure

Step 2: Comparing Actual Performance Against the Standard

- **Range of variation:** the acceptable parameters of variance between actual performance and the standard

Exhibit 18-4

Acceptable Range of Variation

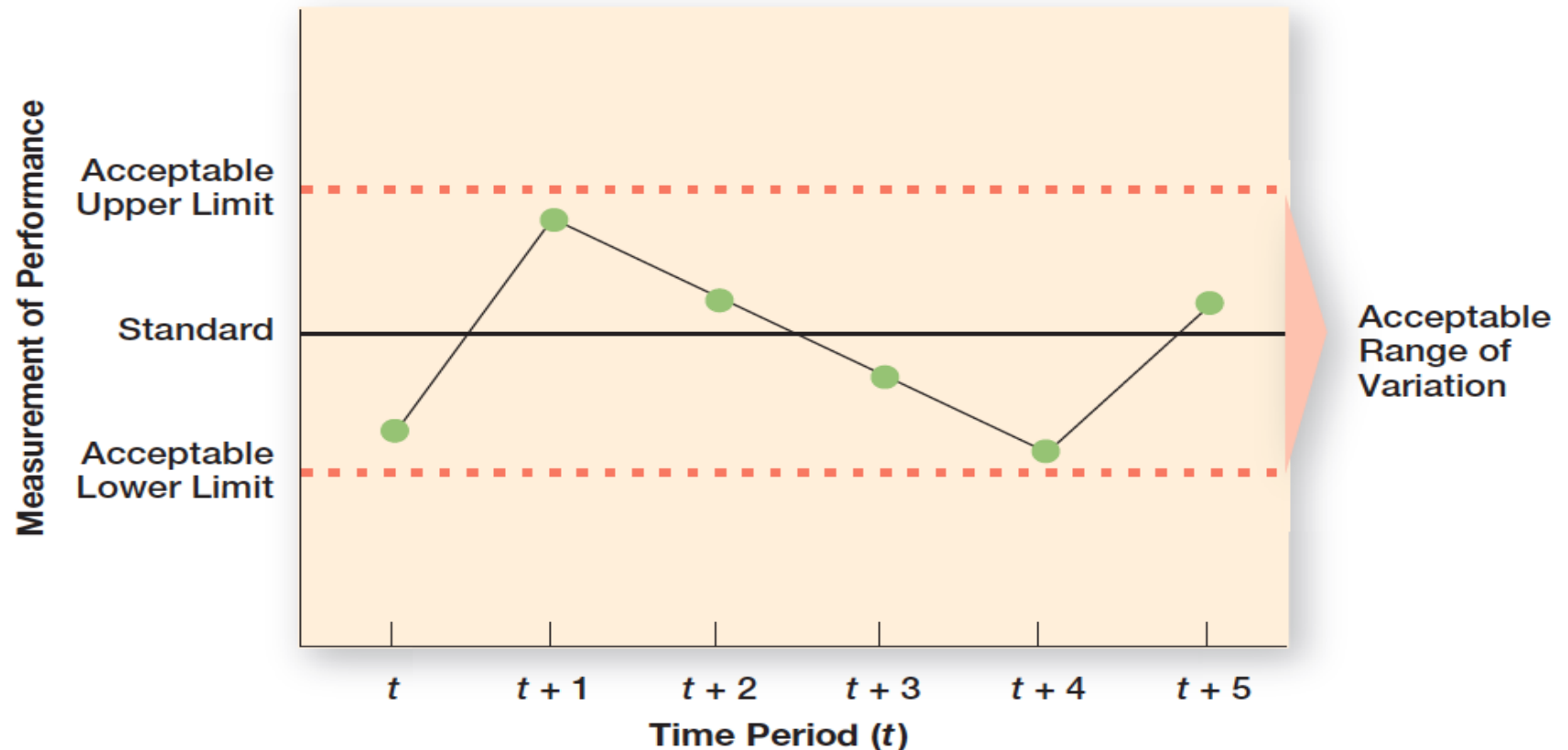


Exhibit 18-4 illustrates the acceptable range of variation.

Step 3: Taking Managerial Action

- Correct actual performance
 - **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 before correcting the source of deviation

Revise the Standard

- If performance consistently exceeds the goal, then a manager should look at whether the goal is too easy and needs to be raised.
- Managers must be cautious about revising a standard downward.

Managerial Decisions in Controlling

- Depending on the results, a manager's decision is to do nothing, correct the performance, or revise the standard.

Exhibit 18-6

Managerial Decisions in the Control Process

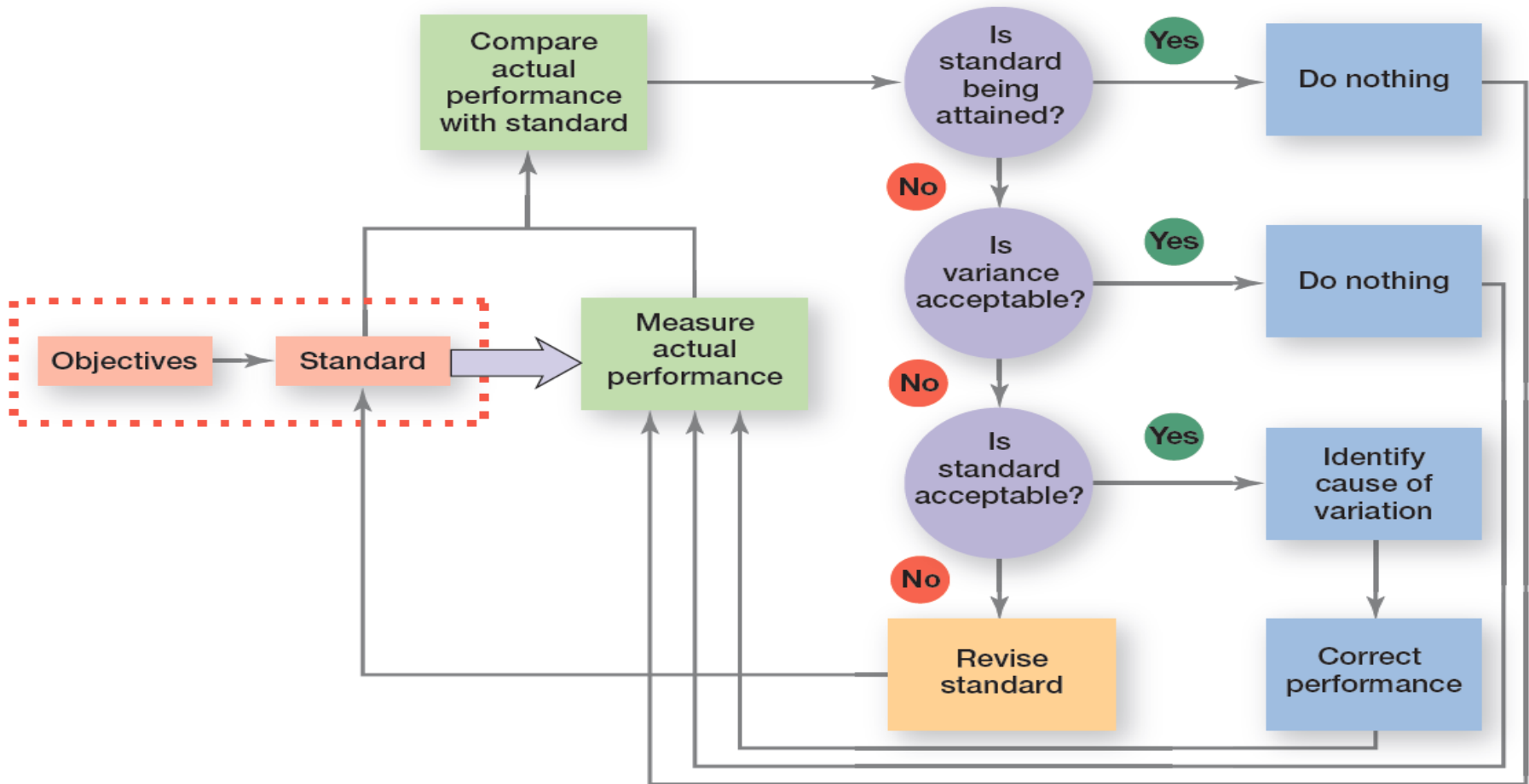


Exhibit 18-6 summarizes the decisions a manager makes in controlling

What is Organizational Performance?

- **Performance:** the end result of an activity
- **Organizational performance:** the accumulated results of all the organization's work activities

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

Controlling for Employee Performance

- **Disciplinary action:** actions taken by a manager to enforce the organization's work standards and regulations
- **Progressive disciplinary action:** an approach to ensure that the minimum penalty appropriate to the offense is imposed

Feedforward/Concurrent/Feedback Controls

- **Feedforward control:** control that takes place before a work activity is done
- **Concurrent control:** control that takes place while a work activity is in progress
- **Management by walking around:** a term used to describe when a manager is out in the work area interacting directly with employees
- **Feedback control:** control that takes place after a work activity is done

Exhibit 18-9

Types of Control

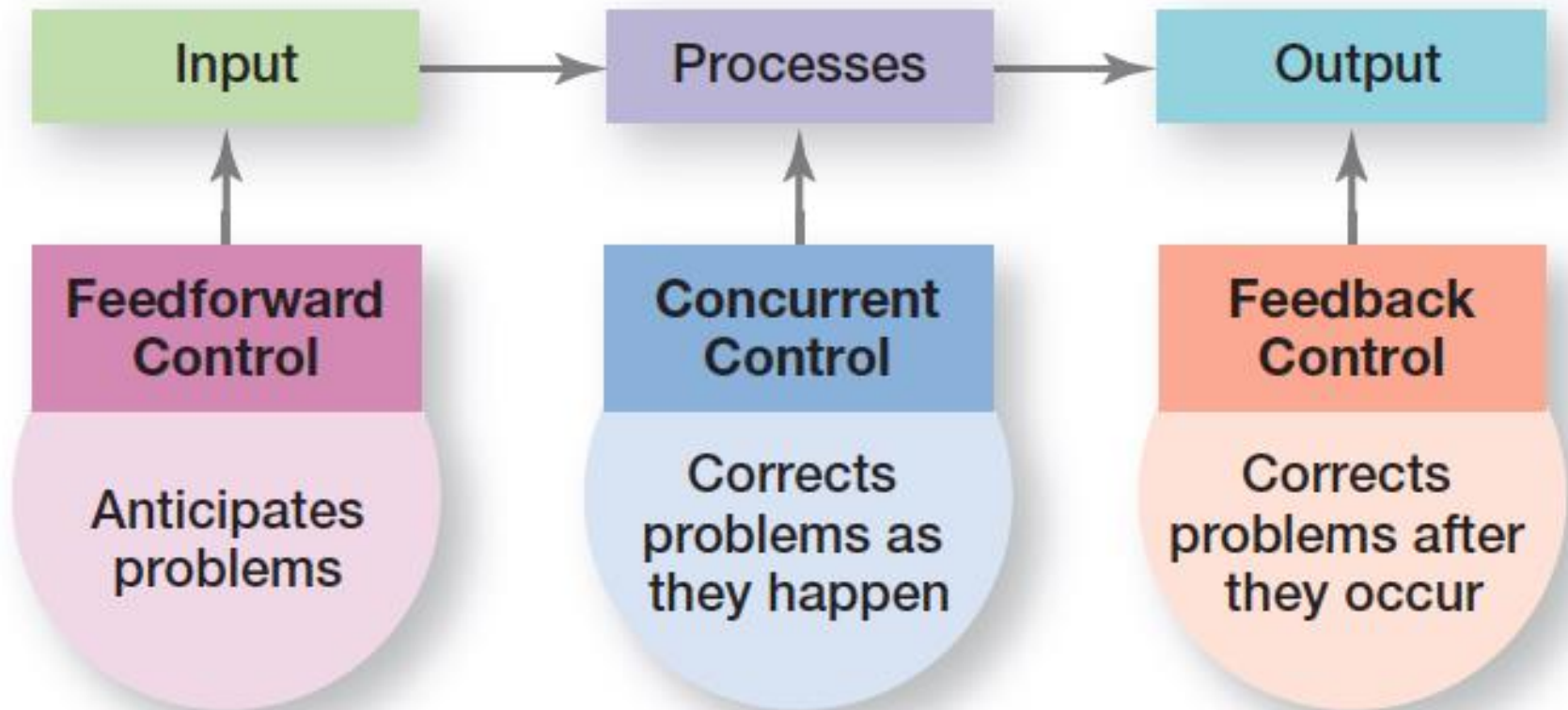


Exhibit 18-9 shows the three kinds of control

Financial Controls

- Traditional controls
 - Ratio analysis:
 - Liquidity
 - Leverage
 - Activity
 - Profitability
 - Budget analysis:
 - Quantitative standards
 - Deviations

Information Controls

- **Management information system (MIS):** a system used to provide management with needed information on a regular basis
- Data versus information

Balanced Scorecard and Benchmarking

- **Balanced scorecard:** a performance measurement tool that looks at more than just the financial perspective
- **Benchmark:** the standard of excellence against which to measure and compare
- **Benchmarking:** a performance measurement tool that looks at more than just the financial perspective

Adjusting Controls for Cross-Cultural Differences and Global Turmoil

- Distance creates formalized controls, e.g. formal reports
- Impact of technology
- Constraints due to local laws
- Comparability issues in data collection
- Be prepared for global turmoil and disasters

Workplace Privacy

- Employers can read your e-mail, tap your telephone, monitor your work by computer, store and review computer files.
- Reasons companies monitor:
 - Productivity/Internet traffic
 - Concerns about offensive/inappropriate material
 - Protecting company secrets

Employee Theft

- **Employee theft:** any unauthorized taking of company property by employees for their personal use

Controlling Customer Interactions

- **Service profit chain:** the service sequence from employees to customers to profit

Corporate Governance

- **Corporate governance:** the system used to govern a corporation so that the interests of corporate owners are protected

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