
Organizing

Learning Outcomes

- Explain the purpose of decisions about organizational design.
 - Describe the logical relationships between division of work, departmentalization, hierarchy and coordination.
 - Explain the general benefits of organizational structures, advantages and disadvantages of each particular structure.
 - Discuss why informal organizations exist.
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Organizing

Process of arranging and allocating work, authority, and resources among an organization's members so they can achieve the organization's goals.

Some Purposes of Organizing

- Divides the work to be done into specific jobs and departments.
 - Assigns tasks and responsibilities associated with individual jobs.
 - Coordinates diverse organizational tasks.
 - Clusters jobs and units.
 - Establishes relationships among individuals, groups and departments.
 - Establishes formal lines of authority.
 - Allocates and deploys organizational resources.
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Organization Structure

The way in which an organization's activities are divided, organized and coordinated in order to make a stable framework to work together to achieve organizational goals.

Fundamental steps taken when making decisions about organizing;

- Divide the workload into tasks (*division of work*)
 - Grouping employees and work activities that are similar and logically connected - *Departmentalization*
 - Specify reporting structures ie. linking of departments – results in organizational *hierarchy*
 - Setup mechanism for integrating departmental activities into a coherent whole and monitor effectiveness - *coordination*
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Division of Work

- **Individuals are responsible for a limited set of activities.**
 - **Fosters specialization.**
 - *Advantages* – **increase productivity (limited activities – can be learned and completed relatively quickly), people can be assigned to jobs that match talents and interests.**
 - *Disadvantages* – **Alienation, boredom.**
 - **Volvo's approach to minimise alienation and boredom (assembly lines based on teams).**
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Departmentalization

- **Organization chart – keeps track of complex web of formal relationships, depicts how work is divided.**
 - **Logical grouping of work activities – departments.**
 - **Varies from one organization to another.**
 - **Eg. University and a software development organization**
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Hierarchy

- ***Span of management control*** – number of people and departments that could be handled by one person effectively.
 - **Span of management affect work relationships in a department and decision making speed (tall/flat hierarchy).**
 - ***Chain of command*** – plan that specifies who reports to whom. Such reporting lines are important feature of any organizational chart.
 - **Hierarchy is a multiple level of an organizational structure.**
 - - Top level – senior ranking managers
 - - Lower level – lower ranking managers
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Span of Management

- **Choosing an appropriate span of management control is important.**
 - **Span of management affects:**
 - **Work relationships**
 - Too wide (over extended – employees receive little guidance. Managers can condone serious errors)
 - Too narrow – inefficient as managers are underutilised
 - **Speed of decision making when multiple levels are involved**
 - Narrow span of management (tall hierarchies) can lead to slow decision making.
 - Wide span of management (flat organizational hierarchies. Eg. Adopted by HP) faster decision making.
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Coordination

- **Integration of the activities of the separate parts of an organisation to accomplish organisational goals.**
 - **Extent of coordination depends on the nature of tasks performed and degree of interdependence of people in various units.**
 - **Can occur among people working at different organisations.**
 - **Eg. Job coordinating – pilot and co-pilot**
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Differentiation

- **Specialisation tends to separate people in organizations because jobs by definition are separate identifiable collection of activities.**
 - **Differentiation is differences in attitudes and working styles, arising naturally among members of different departments that can complicate the coordination of an organisations activities.**
 - **Four types identified by Lawrence and Lorsch**
 - **(1) Develop own perspectives on the organisation's goals and how to pursue them.**
 - Eg. Accountants – cost**
 - Manufacturing – develop on time, quality**
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Differentiation

- **(2) Differ in time orientation**
Eg. Production – handle things to be dealt immediately
R&D – problems that take time to solve
 - **(3) Interpersonal styles**
Eg. Production – abrupt communication (for fast decision making), clear cut answers
R&D – easy going communication that encourages brainstorming
 - **(4) Differ in formality**
Eg. Production – specific standards of performance
Personnel – more general standards
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Integration

- **The term Lawrence and Lorch used in place of coordination, to designate the degree to which members of various departments work together in a united manner.**
 - **Departments should cooperate and their tasks should be integrated where necessary**
 - E.g. sales department give advice on advertisements and not to view themselves as adjuncts of advertising department.
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Organizational Design

- **Decision making process by which managers choose an organisational structure appropriate for the strategy of the organisation and the environment in which members of the organisation carry out that strategy.**
 - **Managers look in two directions (inside and outside their organisation).**
 - **As both strategies and environments change over time, organisational design is an ongoing process.**
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Historical Development

(1) The Classical Approach

Major contributors – Max Weber, Fredrick Taylor and Henry Fayol

- **Believed that most efficient and effective organizations had a hierarchical structure.**
 - **According to Weber, characteristics of bureaucratic organizations are;**
 - **Specialization of tasks**
 - **Appointment by merit**
 - **Provision of career opportunities**
 - **Routinization of activities**
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Historical Development

(2) The Task-Technology Approach

Refers to the different kinds of production technology involved in making different kinds of production.

- **Woodward's study (provided evidence of technology on organizational structure)**
 - **Divided into groups – (i) unit and small-batch production eg. custom made clothes and machine parts, (ii) large batch and mass production eg. computer chips production (iii) process production eg. chemicals or drugs.**
 - **General conclusions;**
 - More complex technology requires tall organizational structures, more supervision and coordination.
 - From unit to mass production span of management for first level managers increase (eg. Assembly line workers who perform similar tasks can be supervised by one manager).
 - As technological complexity increases, clerical and administrative staff becomes larger.
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Historical Development

(3) The Environmental Approach

Incorporating the organizational environment into organizational design (Burns and Stalker).

- **Stalker distinguished between 2 organizational systems**
 - **(i) Mechanistic**
 - **Follows classical bureaucratic chain of command (activities broken down into separate, specialized tasks, precisely defined)**
 - **Suitable for stable environmental**
 - **(ii) Organic**
 - **Work in group setting. Less emphasis on taking/giving orders.**
 - **Communicate across all levels to obtain information and advice.**
 - **Best suited for turbulent environment.**
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Downsizing

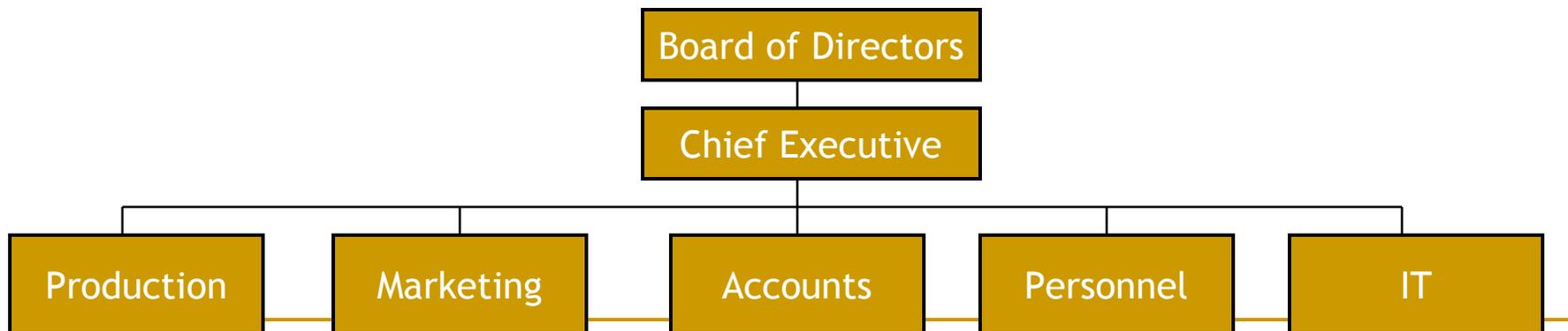
- **Downsizing** – version of organisational restructuring which results in decreasing the size of the organisation. Often results in flatter organisational structures and flexible structures that can respond rapidly to the pace of change in global markets.
 - **Important to adopt to the changing environment.**
 - **Negative impact** – loss of jobs, social problems created due to this.
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Organizational Structures

- **The way in which an organisations activities are divided, grouped, and coordinated into relationships between managers and employees, managers and managers and employees and employees.**
 - **Basic structures**
 - **Functional**
 - **Divisional**
 - **Matrix**
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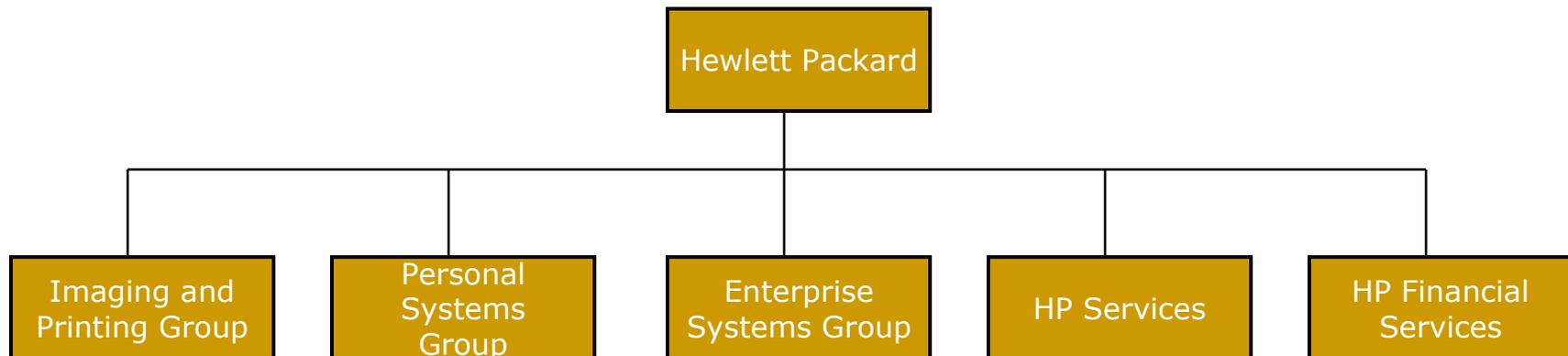
Functional Structure

- Individuals engaged in one functional activity are grouped into one unit, such as HRM, Sales.
- Advantages
 - Makes efficient use of specialised resources
 - Makes supervision easy
- Disadvantages
 - Difficult to get quick decisions
 - Difficult to determine accountability and judge performance
 - Coordination of the activities may be difficult



Divisional Structure

- Arranged around main products, services or customer groups. Can be further divided into either product or customer structures which enable staff to specialise in particular product or customer group or geographic structure where managers divide the organisation geographically, usually according to location of customers.

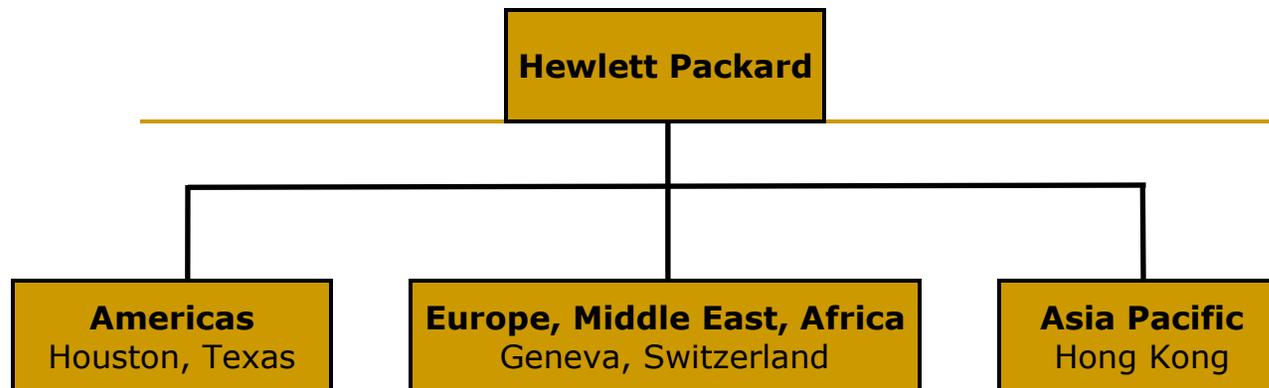


Organization by Division

- **Individuals engaged in one functional activity are grouped into one unit.**
 - **Advantages**
 - Easy coordination and high performance
 - Speed of decision making is greater
 - Positive competition between divisions
 - Better control as each division can act as separate profit centre and clear accountability
 - **Disadvantages**
 - Duplication of functions (e.g. different sales force for each division)
 - Negative effects of competition
 - Lack of central control over each separate division
 - The interests of the division may be placed ahead of goals of organisation
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Organisation by Area

Hewlett-Packard's Headquarters Worldwide



Organisation by Area

Advantages

- **Serve local needs better**
- **Positive competition**
- **More effective communication between firm and local customers**

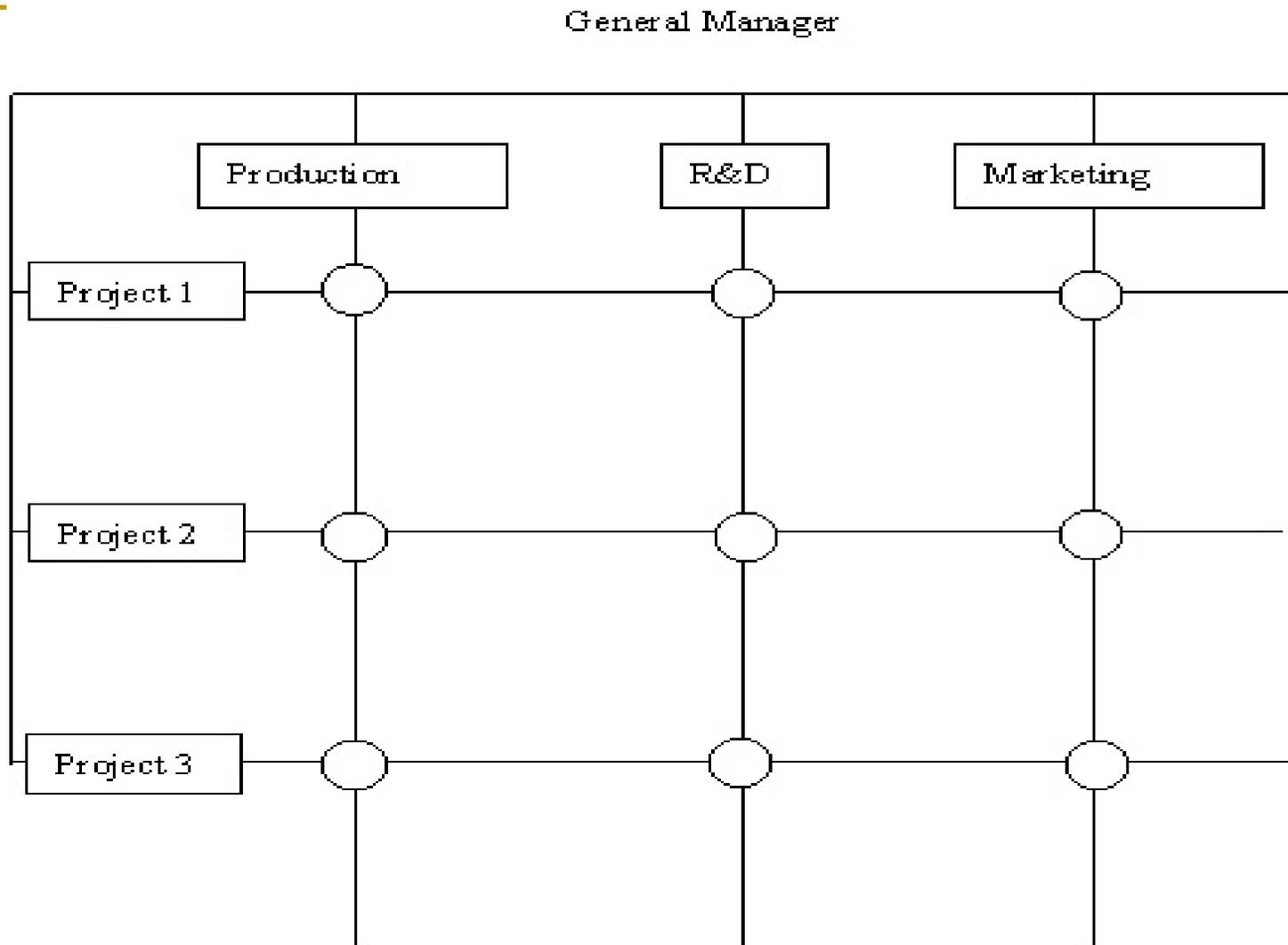
Disadvantages

- **Conflict between local and central management**
 - **Duplication of resources and functions**
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Matrix Structure

A matrix or multidimensional organizational structure may have several structures at the same time. For example, an organization may have both traditional functional areas and major project units.

Matrix Structure



Matrix Structure

Advantages

- Efficient means of using specialised skills
- Easy coordination – work as a group
- Flexibility and adaptability to changing environment
- Ability to understand each others workload

Disadvantages

- Conflict between local and central management
 - Need good interpersonal skills
-

Informal Organizational Structure

Undocumented and officially unrecognized relationships between members of an organization that emerge out of personal and group needs of the employees.

Eg. Employee in sales may establish a relationship with an employee in production in order to find information about product availability faster.

Virtual Organization

Temporary network of independent companies-suppliers, customers, competitors linked by information technology to share skills, costs and access to one another's markets. It will not have a central office, organization chart or a hierarchy.

Leading

Leading

Leading is the process of influencing and inspiring the behaviour of individuals and groups towards the achievement of organizational goals and objectives.

Leadership and Management Are Not the Same.

You can be a manager due to your position. But your position doesn't mean you can influence employees as a true leader.

“Management is doing things right, leadership is doing the right things”

(Warren Bennis and Peter Drucker)

“Good leaders don’t ask more than their constituents can give, but they often ask—and get—more than their constituents intended to give or thought it was possible to give.”

John W. Gardner,

Excellence, 1984

Leadership vs. Management

How tasks are done

- Establish a vision
- Imaginative ideas
- help others understand vision (and buy in)
- Inspire others
- Produce change

What is done

- Plan and budget
 - focus on process and system
 - organize and staff
 - take control and problem solve
 - produce order and stability
-

Excellent Leaders Must be Able to;

- Direct and guide the organisational members with a vision.
 - Productively communicate with all the parties.
 - Create a conducive work culture.
 - Positively motivate all the parties.
 - Successfully introduce changes.
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Leadership Theories

- The Trait Approach
 - Behavioural Approach
 - Contingency Approach
-

The Trait Approach to Leadership

Assumes that leaders are born and cannot be created.

Leadership is determined by looking at certain inherent traits which are generally accepted as good leadership qualities.

The Trait Approach to Leadership

Ghiselli's six significant leadership traits

- Supervisory ability (getting the job done through others)
 - Need for occupational achievement (seeking responsibility)
 - Intelligence (good judgment, reasoning, thinking capacity)
 - Decisiveness (solve problems and make decisions)
 - Self-assurance (copes with problems, self-confidence)
 - Initiative (self-starting)
-

Behavioral Leadership Theories

- Assume that there are distinctive styles that effective leaders use consistently, or, that good leadership is rooted in behavior.

- **Basic leadership styles**

The various patterns of behaviour favoured by leaders during the process of directing and influencing leaders.

- Employee oriented style
 - Task oriented style
-

Factors Influencing Managers Choice of Leadership?

Two Categories of Leadership Behavior

- Ohio State Studies
 - Consideration (employee-oriented)
 - Initiating structure (task-oriented)
 - University of Michigan
 - Production-oriented
 - Employee-oriented
-

Behavioral Theory

- Ohio State University Study (study of Initiating Structure and consideration leadership behaviours)
- Results
 - *employee turnover rates lowest and employee satisfaction highest with high consideration leaders*
 - *high grievance and turnover rates with leaders rated low in consideration and high in initiating structure*
 - *effectiveness depended on situation rather than style*

Consideration	<i>High</i>	<i>High Consideration Low Initiating Structure</i>	<i>High Consideration High Initiating Structure</i>
	<i>Low</i>	<i>Low Consideration Low Initiating Structure</i>	<i>Low Consideration High Initiating Structure</i>
		<i>Low</i>	<i>High</i>

Initiating Structure

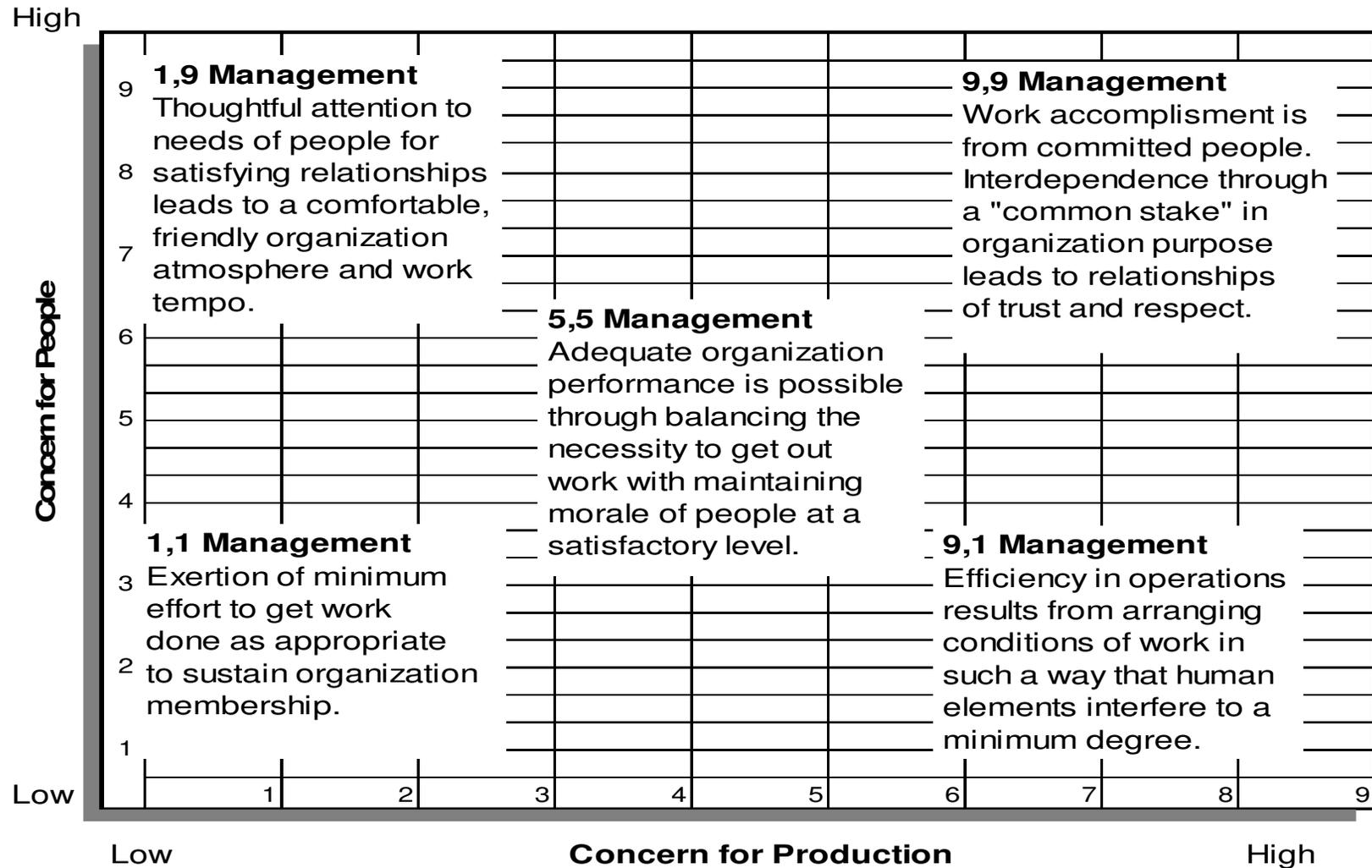
Behavioural Theory

- University of Michigan Study
 - Distinguished between production and employee centered managers
 - **Production centered**
 - Rigid work standards, organise tasks in detail, prescribed work methods, close supervision
 - **Employee centered**
 - Employee participation in goal setting and other decisions, ensure high performance by inspiring trust and respect
 - Most productive work groups tend to have employee centered leaders
 - Most effective leaders had supportive relationship with employees, depend on group rather than individual decision making, encourage employees to set and achieve high performance goals
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The Management Grid

- Identifies range of management behaviours based on ways that task-oriented and employee oriented styles can interact with each other.
 - 1,1 Impoverished Management – sometimes called *laissez-faire* management
 - 1,9 Country Club Management
 - 5,5 Middle of the Road Management
 - 9,9 Team/Democratic Management (one orientation? most effective management style?)
 - 9,1 Authoritarian Management
 - Blake and Mouton managerial grid widely used as a training device for managers
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The Management Grid



Contingency Theories

- Contingency Approach
 - No one trait common to all leaders and no one style was effective in all situations.
 - Contingency approach views that the management technique that best contributes to the attainment of organisational goals might vary in different types of situations or circumstances ie. appropriate leadership style varies from situation to situation.
 - Identify factors in each situation ?

•Fiedler Model

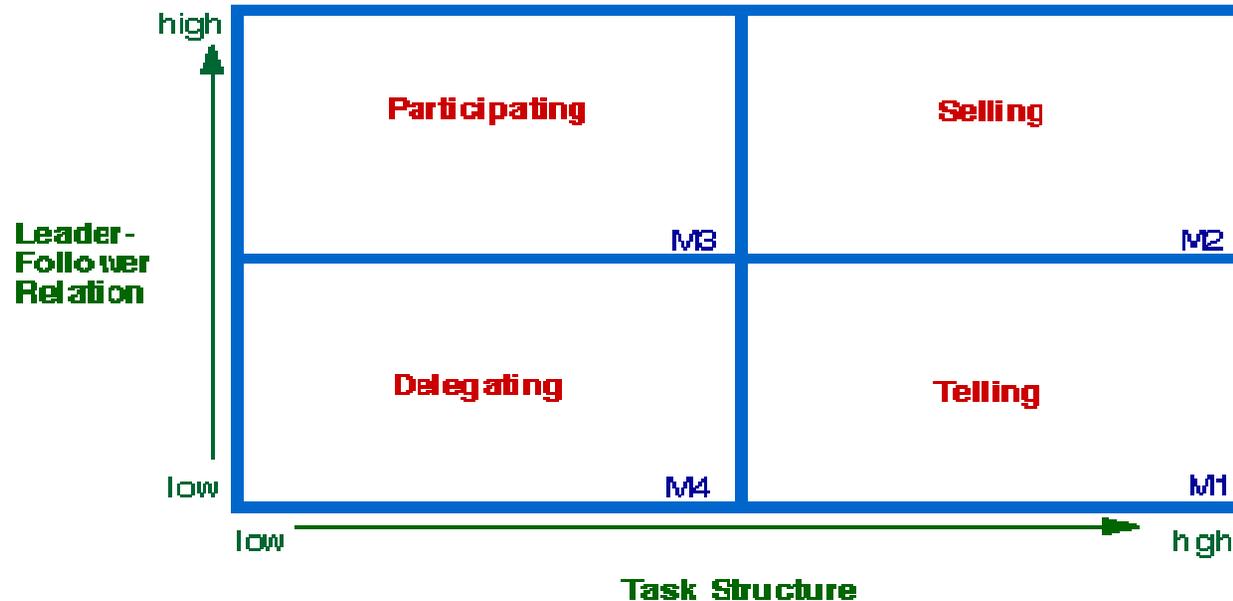
•Hersey and Blanchard's Situational Leadership Model

•Path-Goal Approach

Fiedler Model

- There are three elements of the leader-follower contingency model developed by Fred Fiedler:
 - Position power – the degree to which a leader's position ensure compliance.
 - Task structure – the degree of clarity for goal accomplishment.
 - Leader-member relations – the nature of relationship between the leader and the members.
-

Situational Leadership by Hersey and Blanchard



Ability and Willingness ("maturity") of followers:

M1: Unable and unwilling to take on responsibility

M2: Able but unwilling

M3: Unable but willing

M4: Able and willing to do the job asked by leader

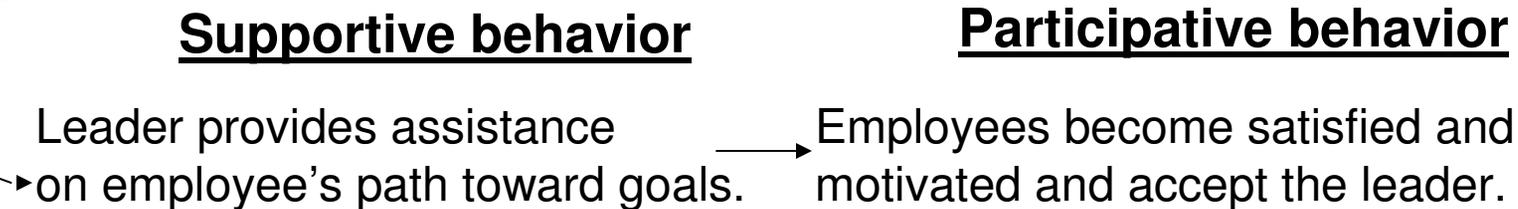
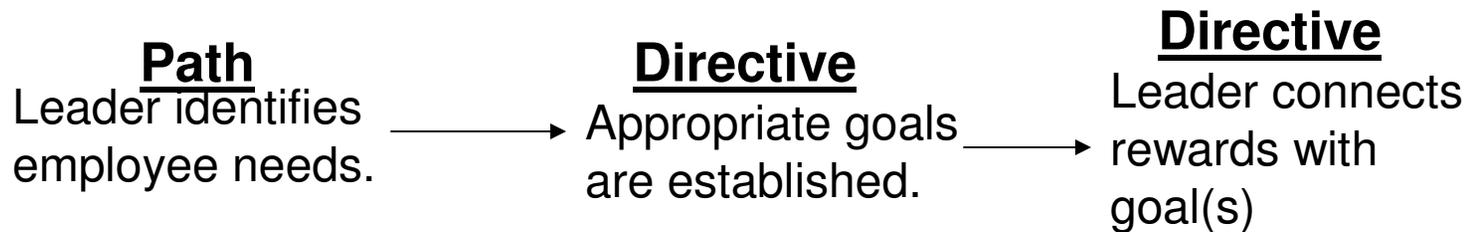
Situational Leadership Model

- Holds that most effective leadership style varies with “readiness” of employees.
 - “readiness” – desire for achievement, willingness to accept responsibility and task related ability, skill, and experience.
 - Initial phase – high task behaviour, familiarize with rules and procedures, employees require structure.
 - What style?
 - 2nd phase –
 - 3rd phase – more ability and achievement, greater responsibility.
Need non directive leadership
 - 4th phase – employees confident, self-directing, experienced can reduce amount of support and encouragement
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Fiedler Model

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-

Path-Goal Theory of Leadership



Emerging Theories of Leadership

- Transformational Leaders
 - value driven change agents
 - make followers conscious of importance of tasks (make ideas seem real and tangible)
 - have a vision and excite followers
 - Express confidence in followers
 - Celebrate success
 - Contrast to Transactional Leadership-
shows followers how to meet goals &
provides rewards
-

Charismatic Leadership

- Often Transformational and charismatic leadership are used interchangeably.
 - Charismatic traits and behaviors
 - Advocates a vision
 - Not keeper of the status quo – behavior is out of the ordinary – perceived as change-agent
 - Acts in several unconventional ways – counter to norms
 - Willingly makes self-sacrifices, takes personal risks, to support their vision
 - Strong self-confidence
-

Characteristics of Transactional Leaders

- **Contingent Reward:** Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments.
 - **Management by Exception (active):** Watches and searches for deviations from rules and standards, takes corrective action.
 - **Management by Exception (passive):** Intervenes only if standards are not met.
-

Characteristics of Transformational Leaders

- **Charisma:** *Provides vision and sense of mission, instills pride, gains respect and trust.*
 - **Inspiration:** *Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways.*
 - **Intellectual Stimulation:** *Promotes intelligence, rationality, and careful problem solving.*
 - **Individualized Consideration:** *Gives personal attention, treats each employee individually, coaches, advises.*
-

Early Leadership Theories

- Trait Theories (1920s-30s)
 - Research focused on identifying personal characteristics that differentiated leaders from non-leaders was unsuccessful.



Behavioral Theories of Leadership

Ohio State

- 1) Structure
 - 2) Consideration
-

University of Michigan

- 1) Production-oriented
 - 2) Employee-oriented
-

Managerial Grid

- 1) Concern for production
 - 2) Concern for people
-

Early Leadership Theories (cont'd)

■ Behavioral Theories (cont'd)

□ Ohio State Studies

■ Identified two dimensions of leader behavior

- **Initiating structure:** the role of the leader in defining his or her role and the roles of group members
- **Consideration:** the leader's mutual trust and respect for group members' ideas and feelings.

■ Research findings: mixed results

- High-high leaders generally, but not always, achieved high group task performance and satisfaction.
 - Evidence indicated that situational factors appeared to strongly influence leadership effectiveness.
-

Early Leadership Theories (cont'd)

■ Behavioral Theories (cont'd)

□ University of Michigan Studies

■ Identified two dimensions of leader behavior

□ **Employee oriented:** emphasizing personal relationships

□ **Production oriented:** emphasizing task accomplishment

■ Research findings:

□ Leaders who are employee oriented are strongly associated with high group productivity and high job satisfaction.

The Managerial Grid

■ Managerial Grid

- Appraises leadership styles using two dimensions:
 - Concern for people
 - Concern for production
 - Places managerial styles in five categories:
 - Impoverished management
 - Task management
 - Middle-of-the-road management
 - Country club management
 - Team management
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Contingency Theories of Leadership

■ The Fiedler Model

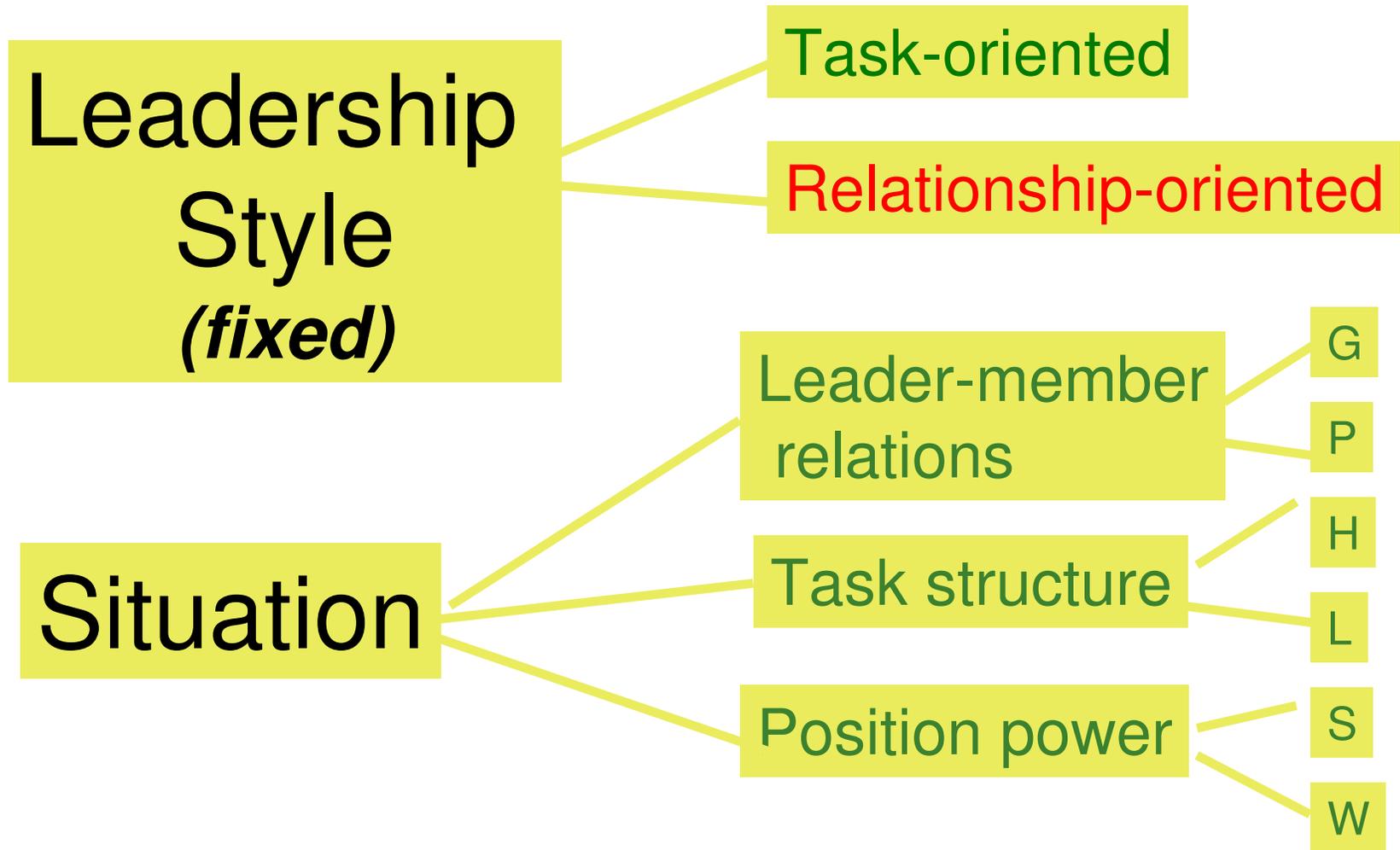
- Proposes that effective group performance depends upon the proper match between the leader's style of interacting with followers and the degree to which the situation allows the leader to control and influence.
 - Assumptions:
 - A certain leadership style should be most effective in different types of situations.
 - Leaders do not readily change leadership styles.
 - Matching the leader to the situation or changing the situation to make it favorable to the leader is required.
-

Contingency Theories... (cont'd)

■ The Fiedler Model (cont'd)

- Least-preferred co-worker (LPC) questionnaire
 - Determines leadership style by measuring responses to 18 pairs of contrasting adjectives.
 - High score: a relationship-oriented leadership style
 - Low score: a task-oriented leadership style
 - Situational factors in matching leader to the situation:
 - Leader-member relations
 - Task structure
 - Position power
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Fiedler Model Variables



Findings of the Fiedler Model

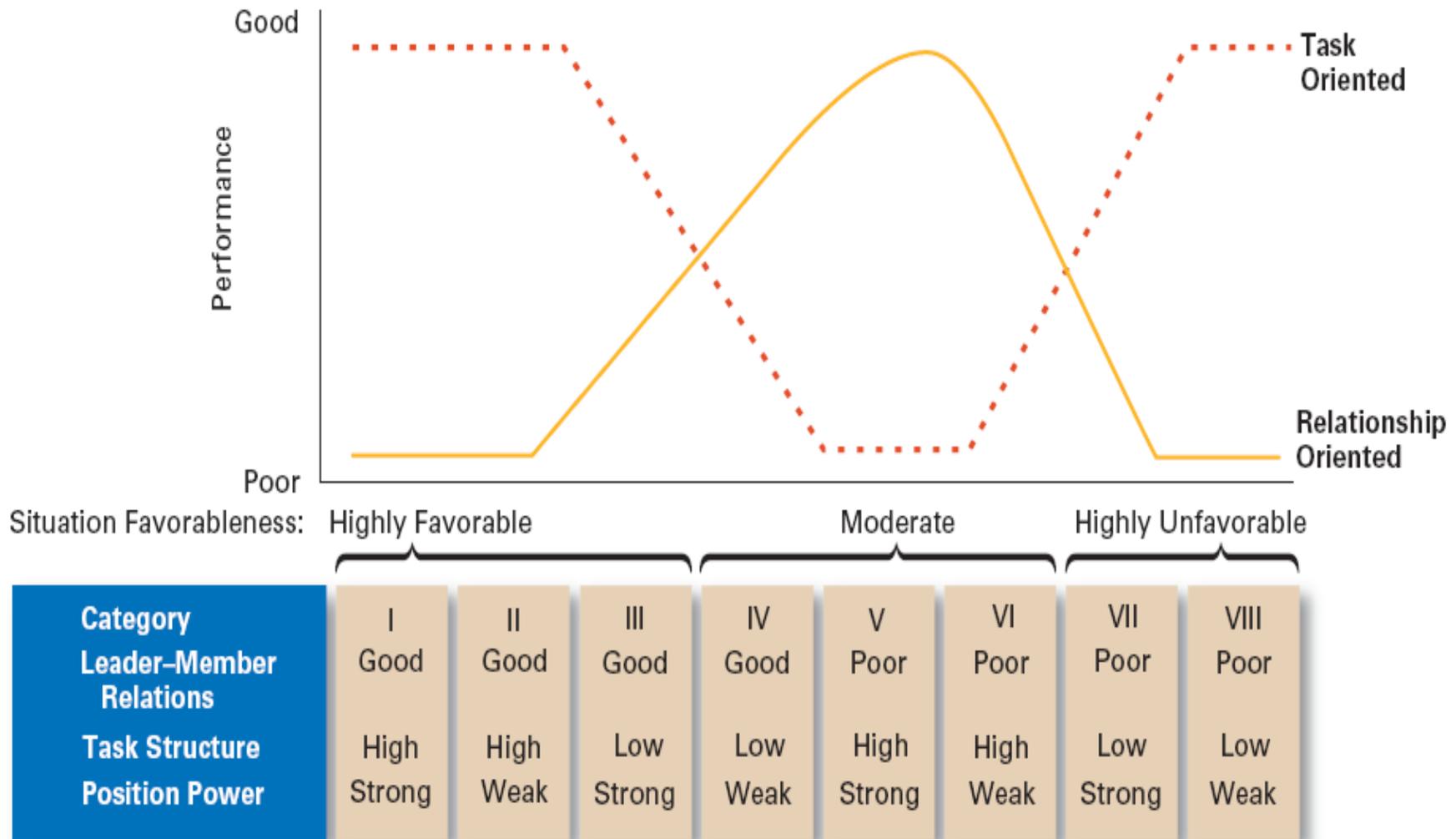


Exhibit 17.4



Contingency Theories... (cont'd)

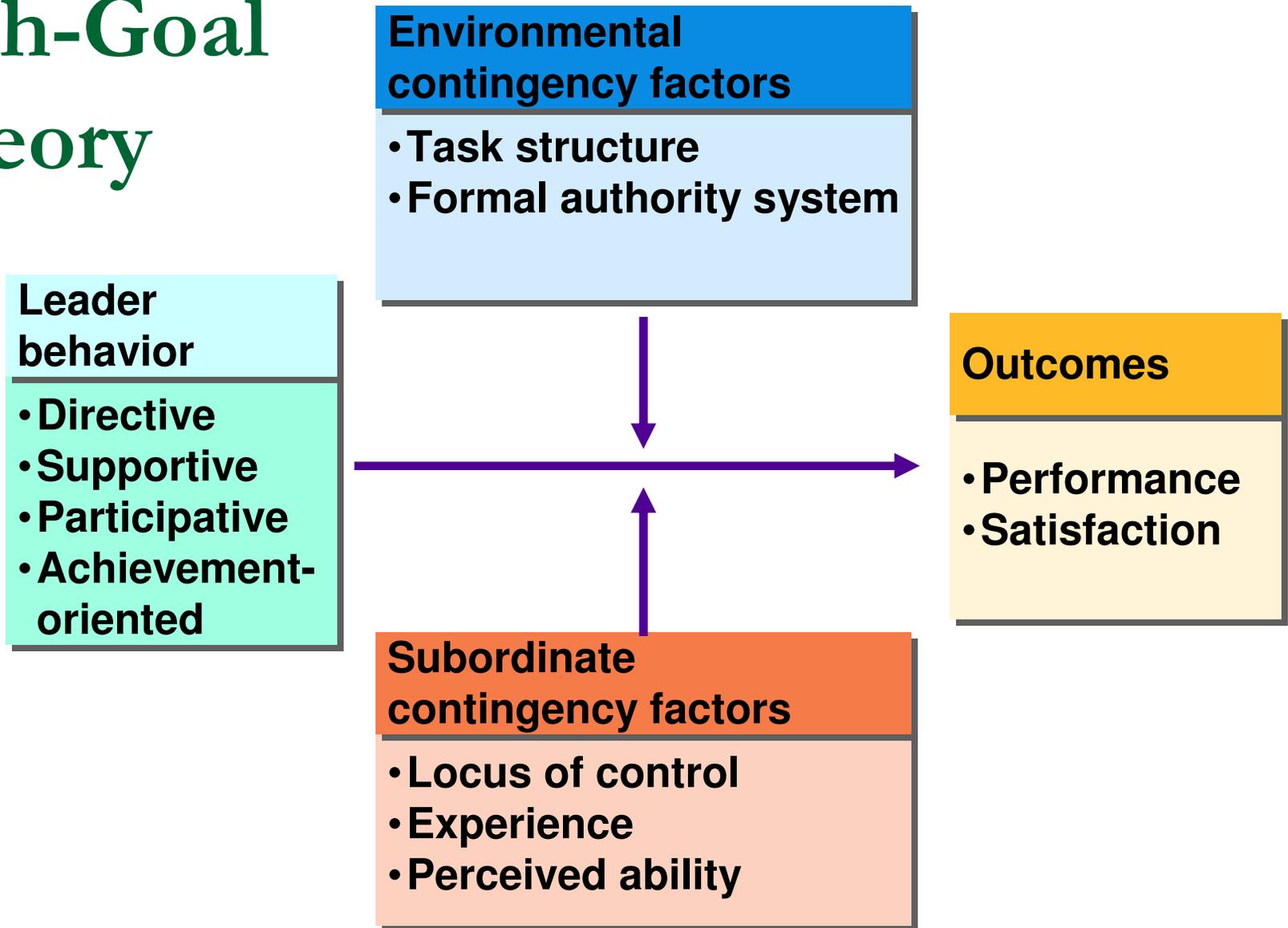
Vroom and Yetton's Normative Theory

- Offers guidelines on how decisions ought to be made in specific situations.
 - Five decision-making methods ranging from highly autocratic to participative are identified.
 - The appropriate method depends on the answer to seven questions relating to the problem being solved and subordinates involved.
-

Path-Goal Theory

- **House** Suggests that a leader can affect the performance, satisfaction and motivation of a group by:
 - Offering rewards for achieving performance goals,
 - Clarifying paths towards these goals,
 - Removing obstacles to performance.
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Path-Goal Theory



Path-Goal Theory

- According to House, there are four different types of leadership styles depending on the situation:
 - **Directive**: characterized by a leader who informs subordinates what is expected of them and provides specific guidance.
 - **Supportive**: characterized by a leader who is friendly and approachable and shows concerns for the status, well-being, and personal needs of the subordinates.
 - **Participative**: characterized by a leader who consults with subordinates and asks for their suggestions before making a decision.
 - **Achievement-oriented**: characterized by a leader who sets challenging goals, expects subordinates to perform at best, and shows confidence that subordinates will perform well.
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Examples of Hypotheses from Path-Goal Theory

- When tasks are ambiguous and stressful, subordinates will prefer directive leadership; when tasks are highly-structured and well-laid out, subordinates will prefer supportive leadership
 - When subordinates are in a team environment that offers great social support, the supportive leadership style becomes less necessary
 - When subordinates have high ability and considerable experience, directive leadership will be perceived as redundant
 - Subordinates with an internal locus of control will be more satisfied with a participate style
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Other Types of Leadership

- *Charismatic*
 - *Transformational*
 - *Transactional*
 - *Entrepreneurial*
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What is a Charismatic Leader?

- An enthusiastic, self-confident leader whose strong personality and actions influence people to behave in certain ways. Often visionary. Will often take risks to achieve vision, and exhibit behavior that is out of the ordinary.



Charismatic Leadership

- Often Transformational and charismatic leadership are used interchangeably.
 - Charismatic traits and behaviors
 - Advocates a vision
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 - Willingly makes self-sacrifices, takes personal risks, to support their vision
 - Strong self-confidence
-

What is a Transformational Leader?

- Someone Who:
 - Inspires others to transcend their own self-interests and work for the larger good of the organization.
 - Articulates a vision that convinces subordinates to make major changes.
 - Possesses charisma.
 - Can have a profound belief on followers' beliefs and values – actually change you (goes beyond charisma)



Characteristics of Transformational Leaders

- **Charisma:** Provides vision and sense of mission, instills pride, gains respect and trust.
 - **Inspiration:** Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways
 - **Intellectual Stimulation:** Promotes intelligence, rationality, and careful problem solving.
 - **Individualized Consideration:** Gives personal attention, treats each employee individually, coaches, advises.
-

Examples of Transformational Leaders

- ***Bill Gates*** (Microsoft)
 - ***Steve Jobs*** (Apple)
 - ***Michael Dell*** (Dell Computer)
 - ***Jeff Bezos*** (Amazon.com)
 - ***Lou Gerstner*** (IBM)
 - ***Jack Welch*** (GE)
-

Characteristics of Transactional Leaders

- **Contingent Reward:** Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments.
 - **Management by Exception (active):** Watches and searches for deviations from rules and standards, takes corrective action.
 - **Management by Exception (passive):** Intervenes only if standards are not met.
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Can Leadership Be Taught?

- Leadership training is big business!
 - Most successful with high “self-monitors”
 - Highly motivated individuals more successful at leadership training
 - People can be taught how to:
 - Be “charismatic” (eye contact, gesture, voice)
 - Analyze situations and learn about different leadership styles
 - Implement
 - Build trust
 - Mentor
 - But hard to “teach”:
 - Visioning, strong personality, passion, walk the talk, risk-taking
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QUESTIONS?

- (1) Directing must be consistent with:
 - (a) Organizational policies;
 - (b) procedures;
 - (c) job descriptions;
 - (d) none of the above;
 - (e) all of the above.

 - (2) The following is true about the conclusions drawn from the trait approach to leadership:
 - (a) The trait approach identifies traits that consistently separate leaders from non-leaders;
 - (b) there are certain traits that guarantee that a leader will be successful;
 - (c) the trait approach is based on early research that assumes that a good leader is born, not made;
 - (d) leadership is a simple issue of describing traits of successful leaders;
 - (e) none of the above.

 - (3) Limiting the self-guidance of the follower and specifically defining procedures for the follower's task performance are called:
 - (a) initiating behaviour;
 - (b) structure behaviour;
 - (c) maturity behaviour;
 - (d) consideration behaviour;
 - (e) relationship behaviour.
-

QUESTIONS?

- (4) Usually, upon entrance into an organisation, an individual is unable to solve task-related problems independently. According to the life cycle theory, the appropriate style of leadership for this person is:
- (a) high task/low relationships;
 - (b) high task/ high relationships;
 - (c) high relationships/ low task;
 - d) low task/ low relationships (e) none of the above.
- (5) According to path goal theory of leadership, a leader should carefully inform followers of the rewards that are available to them in the organization and then allow them to pick their own methods of earning rewards.
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Fundamentals of Controlling

- Control is making something happen the way it was planned to happen.
 - A plan is only as good as our ability to make it happen. We must develop methods of measurement and control to signal when deviations from the plan are occurring so that corrective action can be taken.

(Robert L. Dwelt)

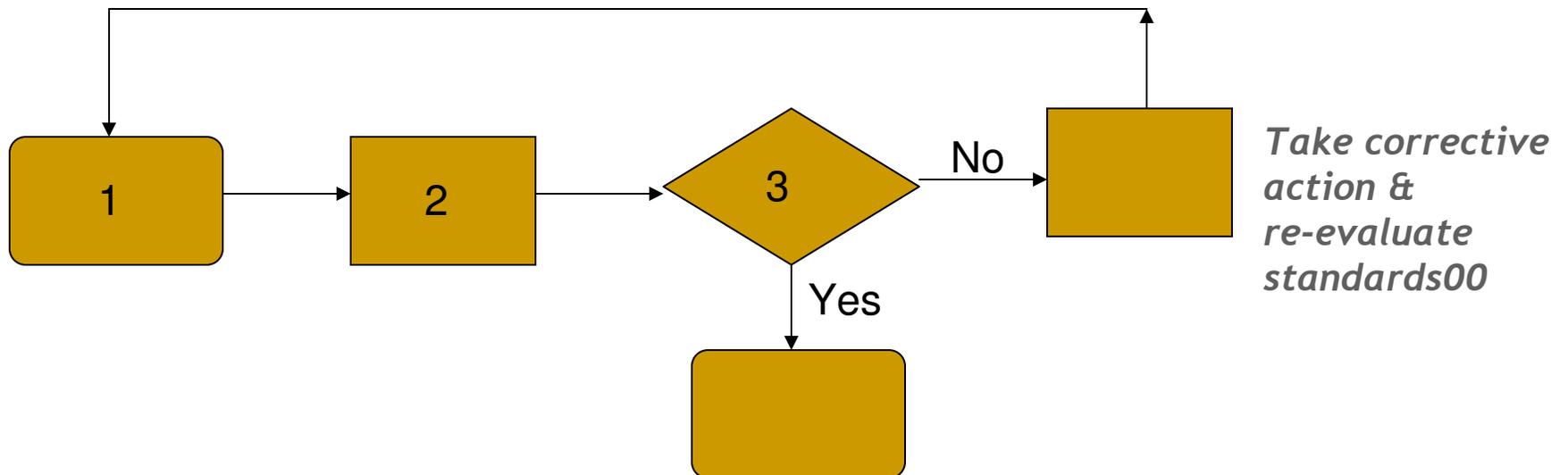
What is Controlling

- Controlling is the process managers go through to control.
 - Controlling is a systematic effort by business management to compare performance to predetermined standards, plans, or objectives.
 - The process of controlling determines whether performance is in line with standards and take action required.
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The Controlling Process

- (1) Establish standards and methods for measuring performance.
- (2) Measure performance.
- (3) Compare measured performance to standards.
- (4) Taking corrective action.

(based on Robert Mockler's definition)



The Controlling Process

(1) Establishing Standards and Methods

What is a standard? *Level of activity established to serve as a model for evaluating organizational performance.*

1. Profitability Standards
(return on investment)
 2. Productivity Standards
(how much should be produced)
 3. Product Leadership Standards
 4. Personnel Development Standards
(type of training programs for staff)
 5. **Social Responsibility Standards**
(level and types of contribution management should make to improve social standards)
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The Controlling Process

(1) Establishing Standards and Methods

- Goals and objectives established during the planning process should be stated in clear measurable terms.
 - Precisely worded measurable objectives facilitates clear directions for controlling process.
 - Examples of service industry (supermarket, bank, restaurant) standards:
 - amount of waiting time in a queue;
 - amount of time taken to answer the telephone.
 - Examples of industrial enterprise (garments, car manufacturers) standards:
 - sales and production targets;
 - health and safety records.
-

The Controlling Process

(2) Measuring the Performance

- Repetitive and ongoing process.
- Frequency depends on type of activity being measured.
 - Monitoring of level of gas particles in air for health and safety, Customer service frequency in a fast food outlet

(3) Determine whether performance matches the standard

- 2 primary possibilities.
-

The Controlling Process

(4) Taking Corrective Action

- the managerial activity aimed at bringing organisational performance up to the level of performance standards.
 - This step is necessary if performance falls short of standards.
 - Corrective action can focus on primary management activities such as planning, organising and leading.
 - Example of corrective action:
 - increase counter workers to reduce customer waiting time.
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Why Is Control Needed?

- To Create Better Quality
 - To Cope with Change
 - Change? Customers needs, competitor activities, new technologies, government regulations etc..
 - To Create Faster Cycle Times
 - To Add Value
 - Value? Above-average quality (Mitsubishi vs. Chrysler)
 - To Facilitate Delegation and Teamwork
 - Participative management need to delegate authority and encourage employees to work together as a team.
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Designing Control Systems

- Identify Key Performance Areas
 - Aspects of the unit or organization that must function effectively for the entire unit or organization to succeed.

Production	Marketing	Personnel Management
<i>Quality</i>	<i>Sales volume</i>	<i>Labour turnover</i>
<i>Quantity</i>	<i>Sales expense</i>	<i>Labour absenteeism</i>
<i>Cost</i>	<i>Individual sales person's performance</i>	

Designing Control Systems

- Identify Strategic Control Points
 - Critical points in a system at which monitoring or collecting of information should occur.
 - Typically, only small percentage of activities, events, individuals or objects in a given operation will account for problems.
 - Identify where changes occur in process.
 - Monitoring change points is a highly effective way to control an operation.
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Control Methods and Systems

Various control methods and systems used to address different problems and elements in an organization.

Financial controls – provides snapshots of an organization's general financial condition.

- ❑ Balance Sheet
 - Description of the organization in terms of its assets, liabilities and net worth.
- ❑ Income Statement
 - Summary of the organization's financial performance over a given interval of time (sales, expenses, other income, taxes, income after tax).
- ❑ Budgets
 - A budget is a consolidated statement of the resources required to achieve objectives or to implement planned activities. It is a planning and control tool relevant to all aspects of management activities.

Control achieved by having a plan against which actual results can be progressively compared.

Auditing

- Auditing (2 types) – External and Internal
 - External auditing
 - Appraisal of organization's financial accounts and statements.
 - Assets and liabilities verified, and financial reports checked for accuracy and completeness.
 - Conducted by external accountants.
 - Conducted at the end of accounting period when statements are complete.
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Auditing

- Internal auditing
 - Objectives are to provide reasonable assurance that assets of the organisation are properly safeguarded and financial records are kept reliably and accurately.
 - Carried out by internal staff (members of financial department or full time audit staff).
 - Can range from narrow survey to comprehensive review of appraising procedures, policies, the use of authority and overall effectiveness of managerial methods being used.
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