



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Developing Workplace Critical Thinking (DWC) BMSK5001

Week 9 Organizational Control and Change

Trawsnewid Addysg; Trawsnewid Bywydau
Transforming Education; Transforming Lives



www.uwtsd.ac.uk

Learning Objectives

- Define organizational control, and describe the four steps of the control process.
- Identify the main output controls, and discuss their advantages and disadvantages as means of coordinating and motivating employees.

Learning Objectives

- Identify the main behavior controls, and discuss their advantages and disadvantages as means of coordinating and motivating employees.
- Discuss the relationship between organizational control and change, and explain why managing change is a vital management task

Organizational Control

- **Organizational Control**
 - Managers monitor and regulate how efficiently and effectively an organization and its members are performing the activities necessary to achieve organizational goals



Organizational Control

Managers must monitor and evaluate:

- Is the firm efficiently converting inputs into outputs?
 - Are units of inputs and outputs measured accurately?
- Is product quality improving?
 - Is the firm's quality competitive with other firms?
- Are employees responsive to customers?
 - Are customers satisfied with the services offered?
- Are our managers innovative in outlook?
 - Does the control system encourage risk-taking?

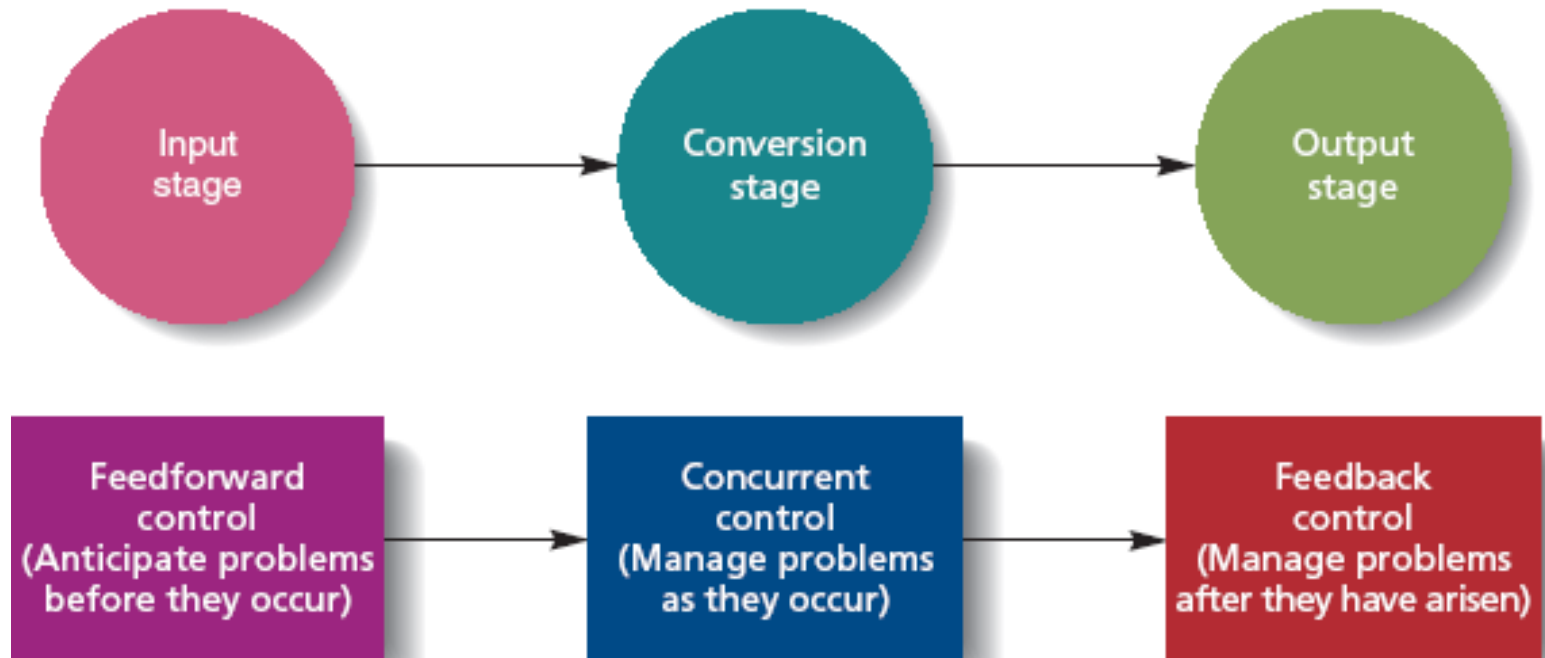
Control Systems

- **Control Systems**
 - Formal, target-setting, monitoring, evaluation and feedback systems that provide managers with information about whether the organization's strategy and structure are working efficiently and effectively.

Control Systems

- A good control system should:
 - be flexible so managers can respond as needed.
 - provide accurate information about the organization.
 - provide information in a timely manner.

Three Types of Control



Types of Control

- **Feedforward Controls**
 - Used to anticipate problems before they arise so that problems do not occur later during the conversion process
 - Giving stringent product specifications to suppliers in advance
 - IT can be used to keep in contact with suppliers and to monitor their progress

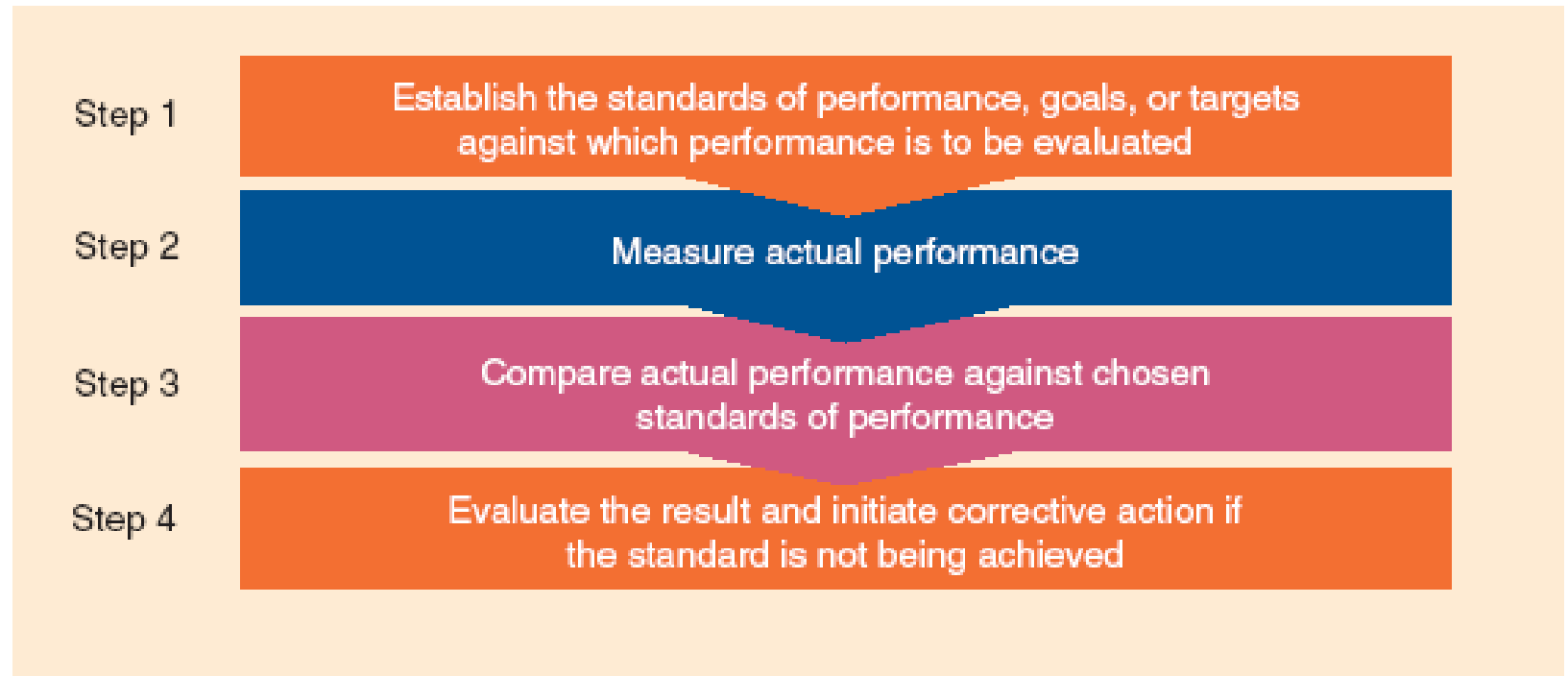
Types of Control

- **Concurrent Controls**
 - Give managers immediate feedback on how efficiently inputs are being transformed into outputs
 - Allows managers to correct problems as they arise

Types of Control

- **Feedback Controls**
 - Used to provide information at the output stage about customers' reactions to goods and services so that corrective action can be taken if necessary

Control Process Steps



The Control Process

1. Establish standards of performance, goals, or targets against which performance is to be evaluated.
 - Managers at each organizational level need to set their own standards.

The Control Process

2. Measure actual performance

- Managers can measure outputs resulting from worker behavior or they can measure the behavior themselves.
- The more non-routine the task, the harder it is to measure behavior or outputs

The Control Process

3. Compare actual performance against chosen standards of performance
 - Managers evaluate whether – and to what extent – performance deviates from the standards of performance chosen in step 1



The Control Process

4. Evaluate result and initiate corrective action if the standard is not being achieved
 - If managers decide that the level of performance is unacceptable, they must try to change the way work activities are performed to solve the problem

Three Organizational Control Systems

Type of control	Mechanisms of control
Output control	Financial measures of performance Organizational goals Operating budgets
Behavior control	Direct supervision Management by objectives Rules and standard operating procedures
Clan control	Values Norms Socialization

Financial Measures of Performance

- **Profit Ratios –**
 - measure how efficiently managers are using the organization's resources to generate profits
- **Return on Investment (ROI) –**
 - most commonly used financial performance measure
 - organization's net income before taxes divided by its total assets

Financial Measures of Performance

- **Operating margin**
 - calculated by dividing a companies operating profit by sales revenue
 - Provides managers with information about how efficiently an organization is utilizing its resources

Financial Measures of Performance

- **Liquidity ratios**
 - measure how well managers have protected organizational resources to be able to meet short-term obligations
- **Leverage ratios**
 - measure the degree to which managers use debt or equity to finance ongoing operations

Financial Measures of Performance

- **Activity ratios**
 - provide measures of how well managers are creating value from organizational assets



Output Control

- **Organizational Goals**
 - Each division within the firm is given specific goals that must be met in order to attain overall organizational goals.
 - Goals should be set appropriately so that managers are motivated to accomplish them

Organization-Wide Goal Setting

Corporate-level managers set goals for individual divisions that will allow the organization to achieve corporate goals

Divisional managers set goals for each function that will allow the division to achieve its goals

Functional managers set goals for each individual worker that will allow the function to achieve its goals

Output Control

- **Operating Budgets**
 - Blueprint that states how managers intend to use organizational resources to achieve organizational goals efficiently.

Effective Output Control

1. Objective financial measures
2. Challenging goals and performance standards
3. Appropriate operating budgets

Problems with Output Control

- Managers must create output standards that motivate at all levels
- Should not cause managers to behave in inappropriate ways to achieve organizational goals

Behavior Control

- **Direct supervision**
 - managers who actively monitor and observe the behavior of their subordinates
 - Teach subordinates appropriate behaviors
 - Intervene to take corrective action
 - Most immediate and potent form of behavioral control
 - Can be an effective way of motivating employees

Problems with Direct Supervision

- Very expensive because a manager can personally manage only a relatively small number of subordinates effectively
- Can demotivate subordinates if they feel that they are under such close scrutiny that they are not free to make their own decisions

Management by Objectives

- **Management by Objectives (MBO)**
 - formal system of evaluating subordinates for their ability to achieve specific organizational goals or performance standards and to meet operating budgets



Management by Objectives

1. Specific goals and objectives are established at each level of the organization
2. Managers and their subordinates together determine the subordinates' goals
3. Managers and their subordinates periodically review the subordinates' progress toward meeting goals

Bureaucratic Control

- **Bureaucratic Control**
 - Control through a system of rules and standard operating procedures (SOPs) that shapes and regulates the behavior of divisions, functions, and individuals.

- Problems with Bureaucratic Control
 - Rules easier to make than discarding them, leading to bureaucratic “red tape” and slowing organizational reaction times to problems.
 - Firms become too standardized and lose flexibility to learn, to create new ideas, and solve to new problems.

Clan Control

- **Clan Control**
 - The control exerted on individuals and groups in an organization by shared values, norms, standards of behavior, and expectations.

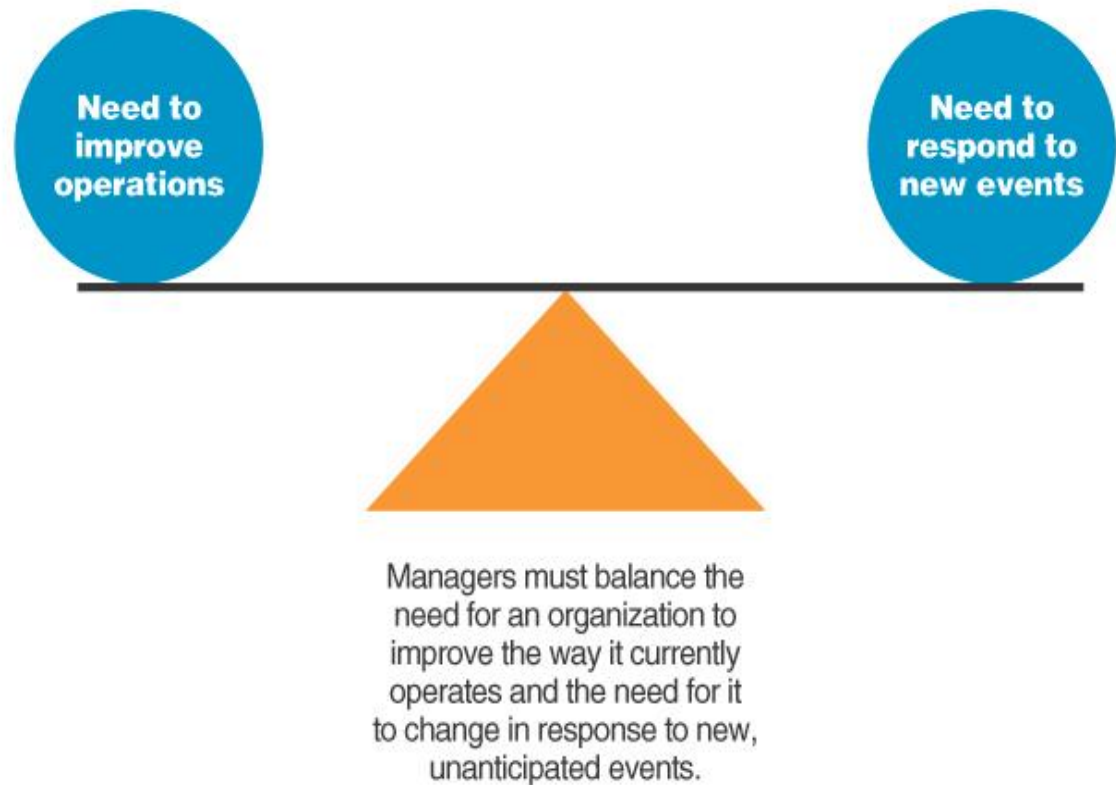


Organization Change

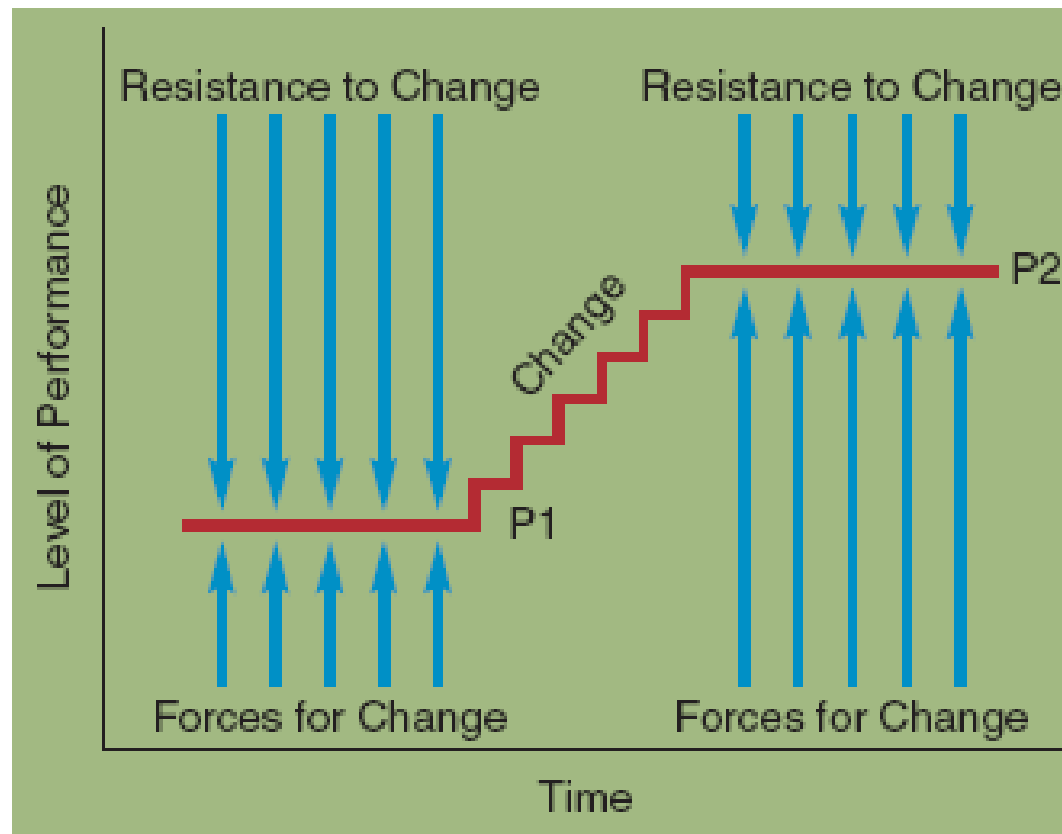
Movement of an organization away from its present state and toward some desired future state to increase its efficiency and effectiveness

Organizational Change

Figure 11.5
Organizational
Control and
Change



Lewin's Force-Field Theory of Change



Lewin's Force-Field Theory of Change

- There are a wide variety of forces arising from the way an organization operates, from its structure, culture, and control systems that make organizations resistant to change

Lewin's Force-Field Theory of Change

- To get an organization to change, managers must find a way to increase the forces for change, reduce resistance to change, or do both simultaneously

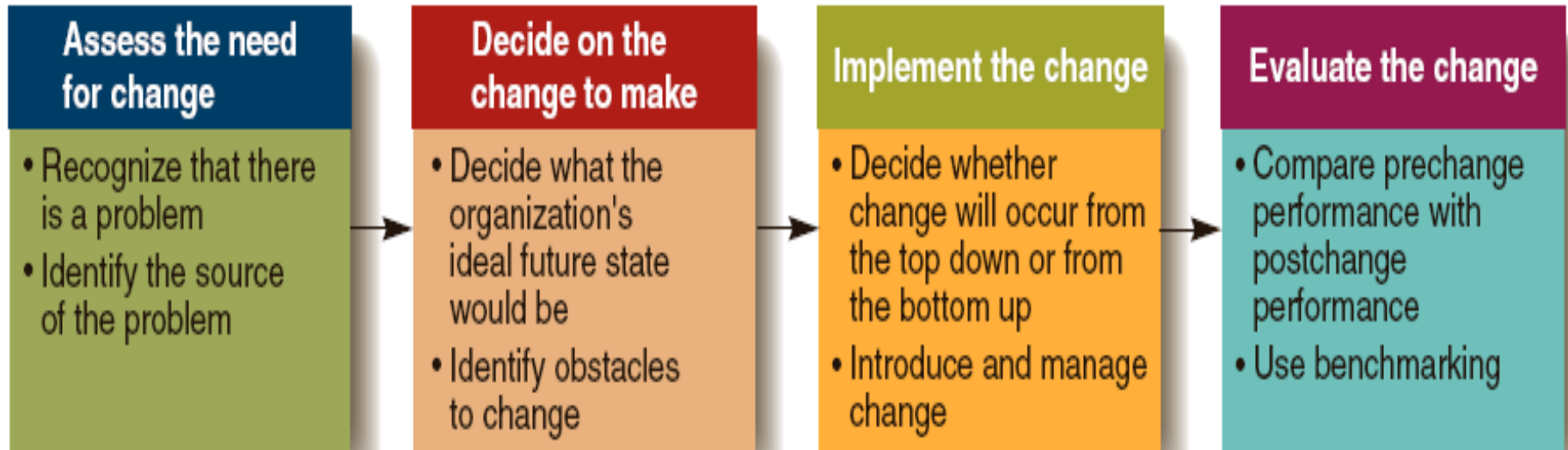
Evolutionary and Revolutionary Change

- **Evolutionary change**
 - gradual, incremental, and narrowly focused
 - constant attempt to improve, adapt, and adjust strategy and structure incrementally to accommodate changes in the environment

Evolutionary and Revolutionary Change

- **Revolutionary change**
 - Rapid, dramatic, and broadly focused
 - Involves a bold attempt to quickly find ways to be effective
 - Likely to result in a radical shift in ways of doing things, new goals, and a new structure for the organization

Steps in the Organizational Change Process



Implementing the Change

- **Top Down Change**
 - A fast, revolutionary approach to change in which top managers identify what needs to be changed and then move quickly to implement the changes throughout the organization.

Implementing the Change

- **Bottom-up change**
 - A gradual or evolutionary approach to change in which managers at all levels work together to develop a detailed plan for change.

Evaluating the Change

- **Benchmarking**

- The process of comparing one company's performance on specific dimensions with the performance of other, high-performing organizations.



Reference

- Jones, G. and George, J.
(2007). *Contemporary management*. 5th ed. Boston: McGraw-Hill/Irwin.