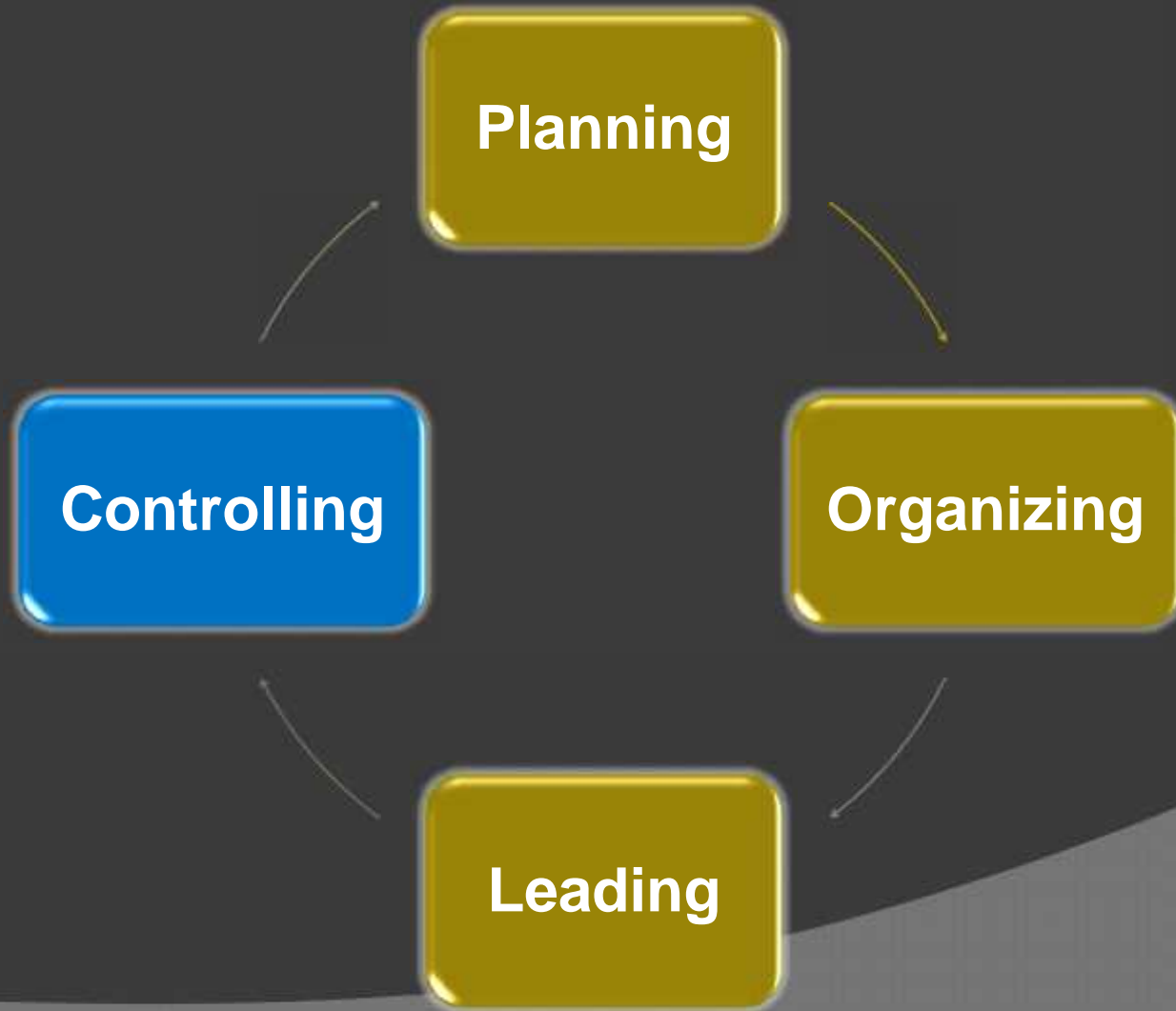


# CONTROLLING

## CHAPTER 8

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# Management Function



# What is Controlling?

Process of regulating organizational activities, so that actual performance conforms to expected organizational standards and goal.

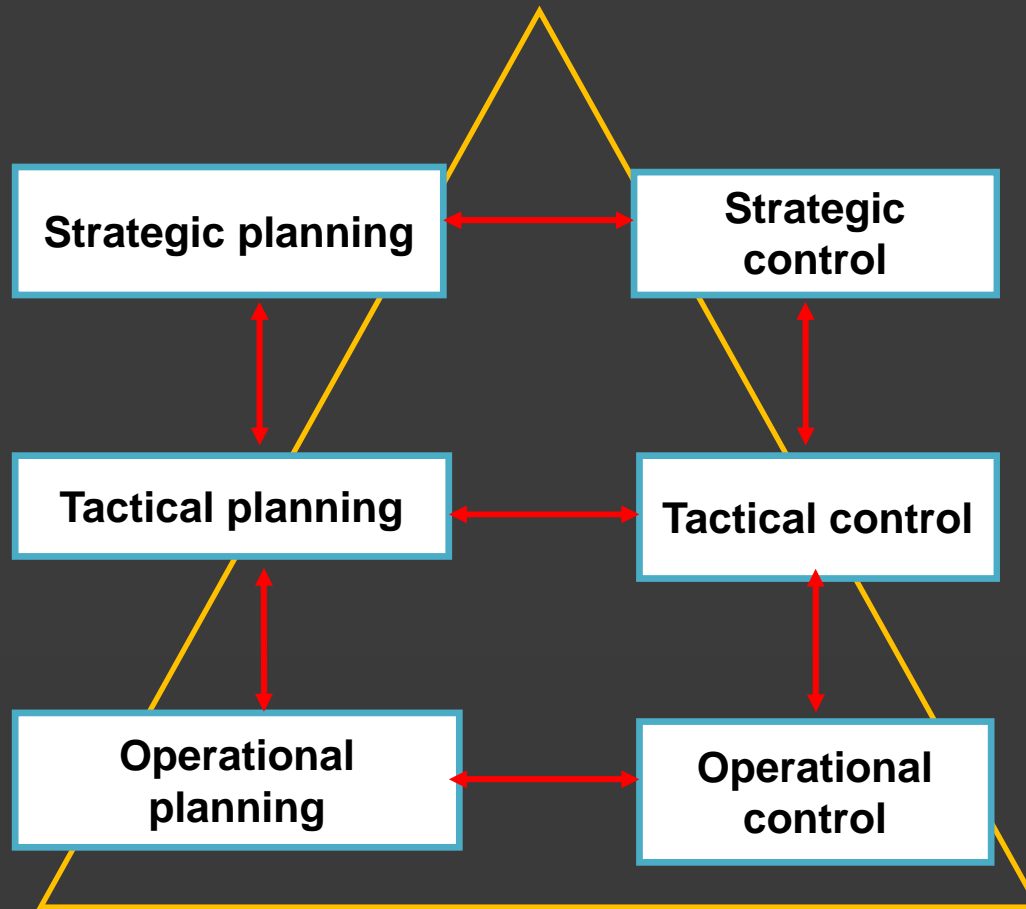
Controlling means that managers develop appropriate standards, compare ongoing performances against those standards, and take steps to ensure that corrective actions are taken where necessary.



# Why is Control Important?

- ❖ Controls let managers know whether their goals and plans are on target and what future actions to take.
- ❖ Control systems provide managers with information and feedback on employee performance.
- ❖ Help minimize workplace disruptions.

# LEVELS OF CONTROL



**Top level management**  
Organization wide perspective  
Long time frame

**Middle level management**  
Department perspective  
Periodic time frame

**Lower level management**  
Unit/individual perspective  
Short time frame

# Levels of Control

## ⦿ Strategic control

- involves **monitoring critical environmental factors** to **ensure that strategic plans are implemented as intended**, **assessing the effects of organizational strategic actions**, and **adjusting such plans** when necessary

## ⦿ Tactical control

- focuses on **assessing the implementation** of tactical plans at department levels, **monitoring associated periodic results**, and **taking corrective action** as necessary

# Tactical control

Budget  
Hotel



Tactics

**Marketing strategy : develop business package targeting travel agent including e-commerce**

## **Other Tactics:**

- **Building a list of local travel agents**
- **Preparing a biz incentive scheme**
- **Outlining how they can use hotel website to make reservations and keep up-to-date**
- **Personally visit the agents to follow up**
- **Monitoring the response to determine if the sales target is met.**

# Levels of Control

## ○ Operational control

- involves **overseeing the implementation** of operating plans, **monitoring day-to-day results**, and **taking corrective action** when required

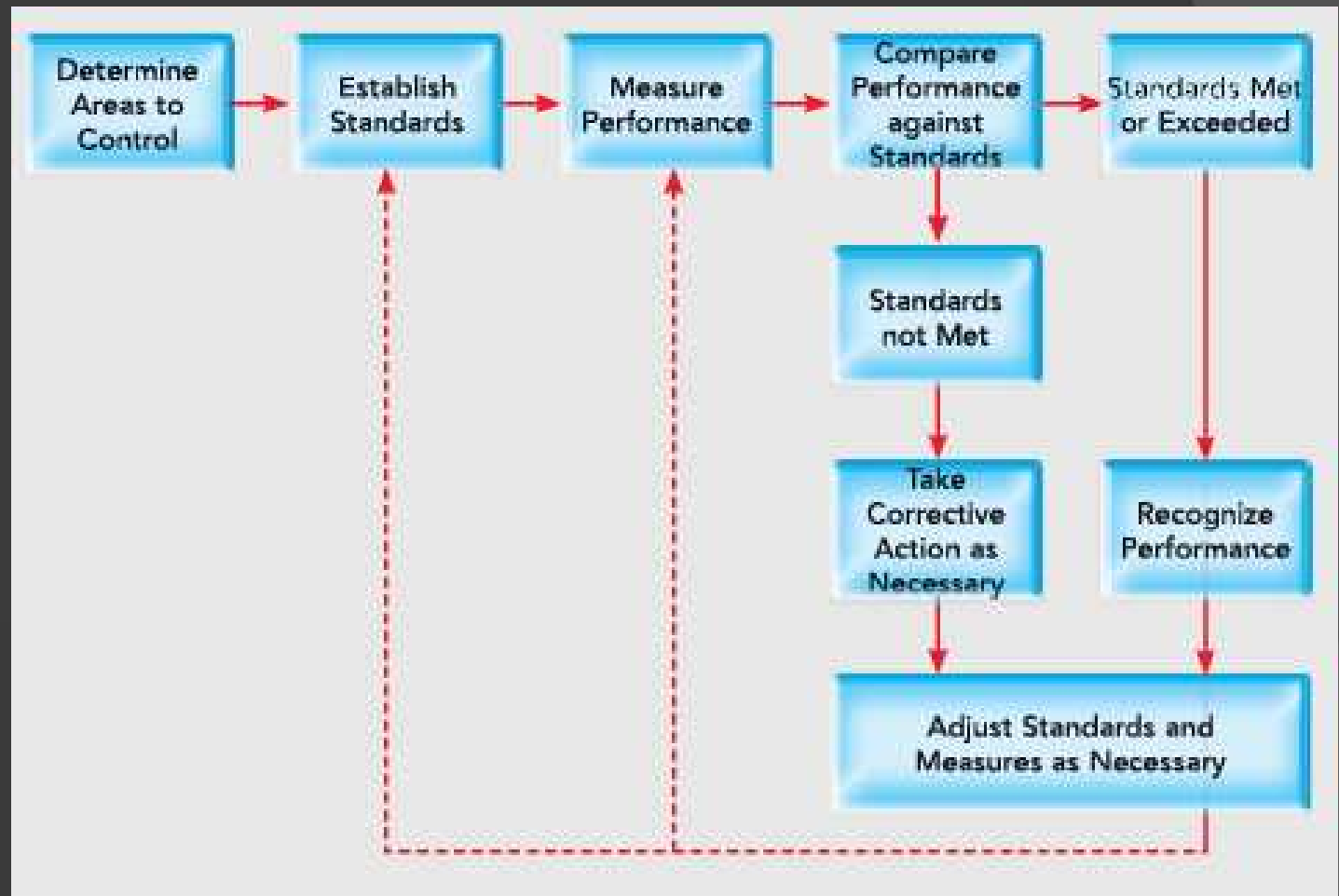
e.g:

- ✓ Are product and service output high quality and delivered on time?
- ✓ Are inventories of raw material, goods-in-process and finished products being purchased and produced in the desired quantity?
- ✓ Are the actual production cost in line with cost estimates?




# THE CONTROL PROCESS

Steps in the Control Process



## ESTABLISHMENT OF STANDARDS

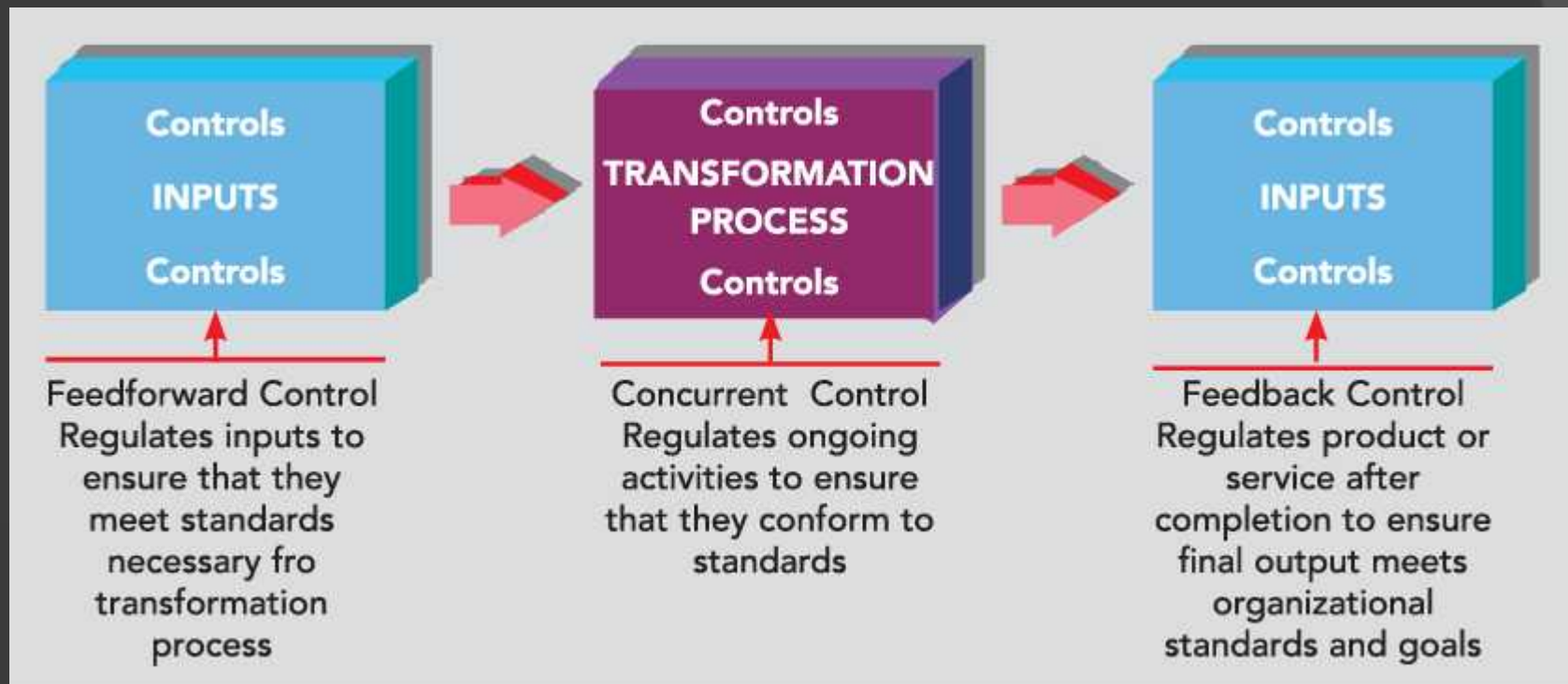
- Plans can be considered as the criteria or the standards against which we compare the actual performance in order to figure out the differences.
  - Standards could be set on the basis of :
    - Profitability standards : How much company would like to make as profit over a given period of time.
    - Market position standards : Standards indicate the share of total sales in the market.
    - Productivity standards : How much various segments should produce.
- 

## MEASUREMENT OF PERFORMANCES AND COMPARING PERFORMANCES

- Measurement of performance is an important procedure of the control process, the deviations can be detected in advance by taking appropriate actions.
- **COMPARING MEASURED PERFORMANCES TO SET STANDARDS :**
  - A standard is the level of activity established to serve as a model for evaluating organizational performance.
  - Performance evaluated can be for the organization as a whole or for some individuals working within the organization.
- In simple terms, standards are the evaluations that determine an organizations performance is sufficient or inadequate.



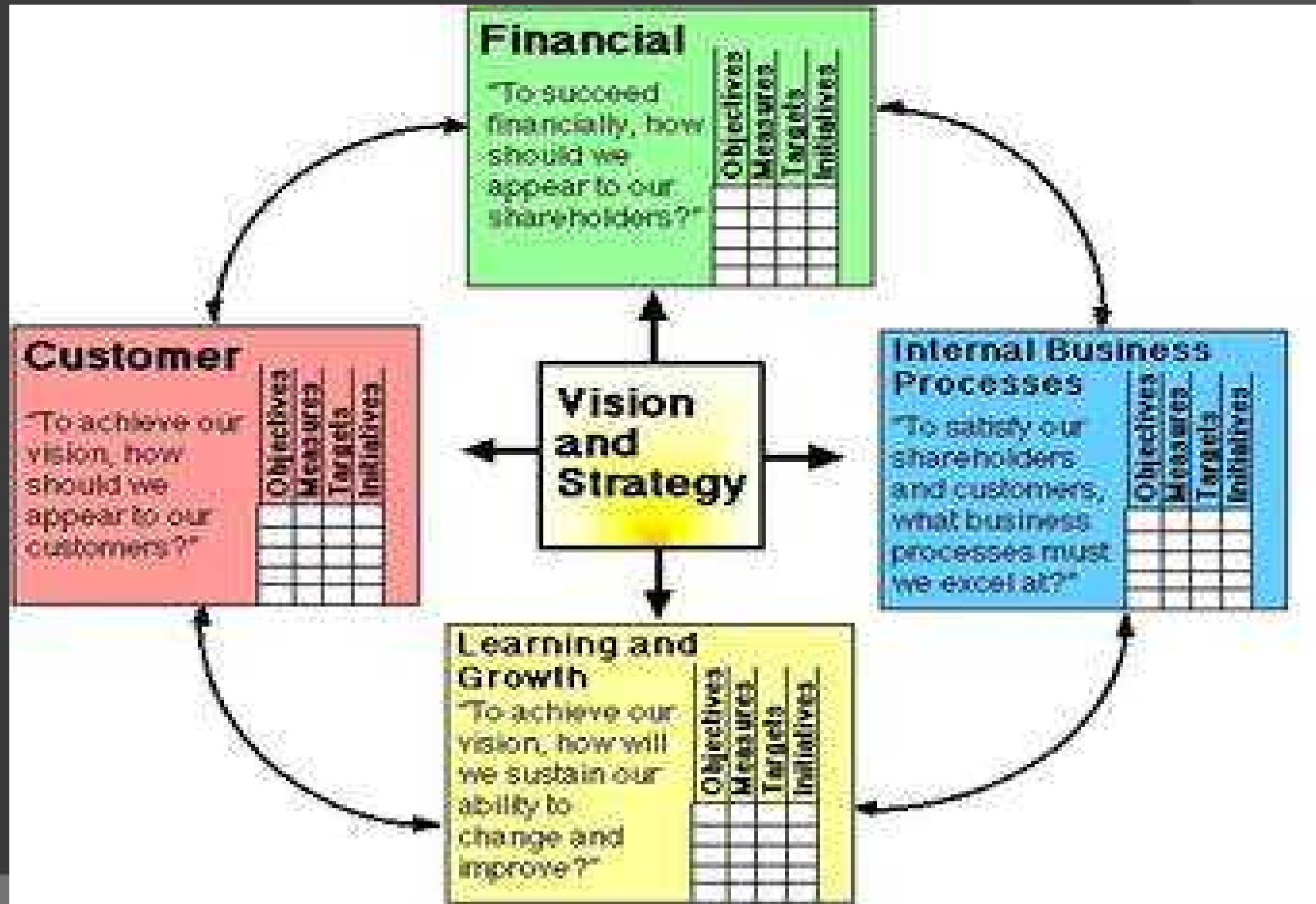
# TYPES OF CONTROL



# The Balanced Scorecard

- ◎ A strategic planning and management system that is used extensively in business and industry, government and non-profit organizations worldwide to:
  - Align business activities to the vision and strategy of an organization
  - Improve internal and external communications
  - Monitor organization performance against strategic goals

# How company measure their performance?



# Balanced Scorecard Perspectives:

## -How company's measure their performance?

### ❖ The learning and growth perspective

- Companies need to increase their performance align to companies vision.
- Includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement

### ❖ The business process perspective

- Refers to internal business processes
- Metrics based on this perspective allow managers to know how well their business is running, and whether its products and services conform to customer requirements (the organization's mission).
- Measure – How they manage their fixed and current asset – sale

## Balanced Scorecard Perspectives (cont.)

### ◎ The customer perspective

- The importance of customer focus and customer satisfaction in any business.
- Measure – customer complain , average collection period, average payment period.

### ◎ The financial perspective

- Timely and accurate funding data will always be a priority and managers will do whatever necessary to provide it.
- Companies have a good performance if they get a positive financial ratios. (ROA, NPR).



## Objectives, Measures, Targets, and Initiatives

Each perspective of the Balanced Scorecard includes objectives, measures of those objectives, target values of those measures, and initiatives, defined as follows:

- **Objectives** - major objectives to be achieved, for example, profitable growth.
- **Measures** - the observable parameters that will be used to measure progress toward reaching the objective. For example, the objective of profitable growth might be measured by growth in net margin.
- **Targets** - the specific target values for the measures, for example, +2% growth in net margin.
- **Initiatives** - action programs to be initiated in order to meet the objective.

These can be organized for each perspective in a table as shown below.

	Objectives	Measures	Targets	Initiatives
Financial				
Customer				
Process				
Learning				