Management Control System

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Intro

- Basic Concepts: Management, Control, System
- Distinguishing management control function, from two other planning and controlling function: strategy formulation and task control
- Road map
Management

- The leaders of organization.
- Make decisions, directions, policies, tasks, reward punishment mechanism, and hire persons to perform tasks.
Control

- A process conducted by an entity of a system to ensure another entity in the system to act accordingly (to some ‘standards’) so that goals can be achieved.
System

Supra System: Office

System: Human

Sub System: Digestion
Control System Elements

Control Device

Assessor
Comparison with standard

Detector
Observed information
About what is happening

Entity
Being controlled

Effector
Behavior altering
Communication if needed
Management Control System

- The standard is not preset
- MCS is not automatic
- MCS requires coordination among individuals
- The connection between the observed need for action and the behavior that is required to obtain the desired action is by no means clear-cut
- Much control is self control
Activities in MCS

- Planning
- Coordinating
- Communicating
- Evaluating
- Deciding
- Influencing
Activities in MCS

- The purpose of MC is to ensure that strategies are carried out so that organization’s goal are attained

- MC does not necessarily mean that action should correspond to a plan (budget)
  → Conforming to a budget is not necessarily good, and departure from a budget is not necessarily bad.
Boundaries of MCS

- Planning and Control Activities:
  - Strategy Formulation
  - Management Control
  - Task Control
Where’s Management Control Located?

Strategy Formulation

Management Control

Task Control

Top Management
Least Systematic
Long Run
Rough Approximation Information
Planning Process

Low Management
Most Systematic
Short Run
Current Accurate Data
Control Process
The Management Control Environment

- Understanding Strategies
- Behavior in Organization
- Measuring and Controlling Assets Employed
- Responsibilities Centers
- Transfer Pricing

The Management Control Process

- Strategic Planning
- Budget Preparation
- Management Control Of Operations
- Analyzing Performance Budget
- Management Compensation