PART 5:

CONTROLLING : Quality and Performance

Controlling

Managers use a variety of measures to monitor performance:

- Controlling work processes

- Regulating employee behavior

- Systems for financial resources

- Evaluating profitability

The Meaning of Control

Organizational control is the <u>systematic process</u> through which managers regulate organizational activities to make them consistent with <u>expectations established</u> in plans, targets, and <u>standards of performance</u>

Choosing Standards and Measures

- Common measures and controls:
  - Sales
  - Revenue
  - Profit
- *More* focus on measuring intangibles
  - Customer service
  - Increased revenue

Steps of Feedback Control

❶ Establish Standards of Performance

❷ Measure Actual Performance

❸ Compare Performance to Standards

❹ Take Corrective Action

Application to Budgeting

- ***Budgetary control*** – setting targets and monitoring expenditures

- Budgets list planned and actual expenditures

- Budgets are associated with a division or department

  - The unit of analysis for budgeting is the *responsibility center*

Financial Control

Financial Statements provide basic information for financial control

Balance Sheet shows firm's financial position

Income Statement profit-and-loss statement or P&L highlights firm's financial performance

Hierarchical versus Decentralized Approaches

- *Hierarchical controls* include the monitoring of behavior through rules, policies, reward systems, and written documentation

- *Decentralized controls* based on values and assumptions; rules are only used when necessary
  – Culture is adaptive, uniting individuals and teams
  Managers' approach to control is changing in many of today's organizations

Open-Book Management

- ✓ Decentralized philosophy

- ✓ Get every employee thinking like an owner

- ✓ Information sharing and teamwork

- ✓ Allows employees to see the financial condition of company

- ✓ See how his/her job fits into organizational success

Total Quality Management (TQM

- Infuse quality into every aspect of the business, all day-to-day activities

- Focuses on:
  - Teamwork
  - Collaboration
  - Identifying improvements

TQM

- Total - made up of the whole

- Quality - degree of excellence a product or service provides

- Management - act, art or manner of planning, controlling, directing,....

Therefore, TQM is the art of managing the whole to achieve excellence.

What's the goal of TQM?

"Do the right things **right** the first time, every time." –zero defect

Another way to put it

- At it's simplest, TQM is all managers leading and facilitating all contributors in everyone's two main objectives:

(1) **total client satisfaction** through quality products and services; and

(2) **continuous improvements** to *processes, systems, people, suppliers, partners, products, and services.*

The three aspects of TQM

Counting

Tools, techniques, and training in their use for analyzing, understanding, and solving quality problems

Customers

Quality for the customer as a driving force and central concern.

Culture

Shared values and beliefs, expressed by leaders, that define and support quality.

Value-based Approach

- Manufacturing Dimensions
  - Performance
  - Features
  - Reliability
  - Conformance
  - Durability
  - Serviceability
  - Perceived quality

- Service Dimensions
  - Reliability
  - Responsiveness
  - Assurance
  - Empathy

The TQM System

Objective

Continuous Improvement

Principles

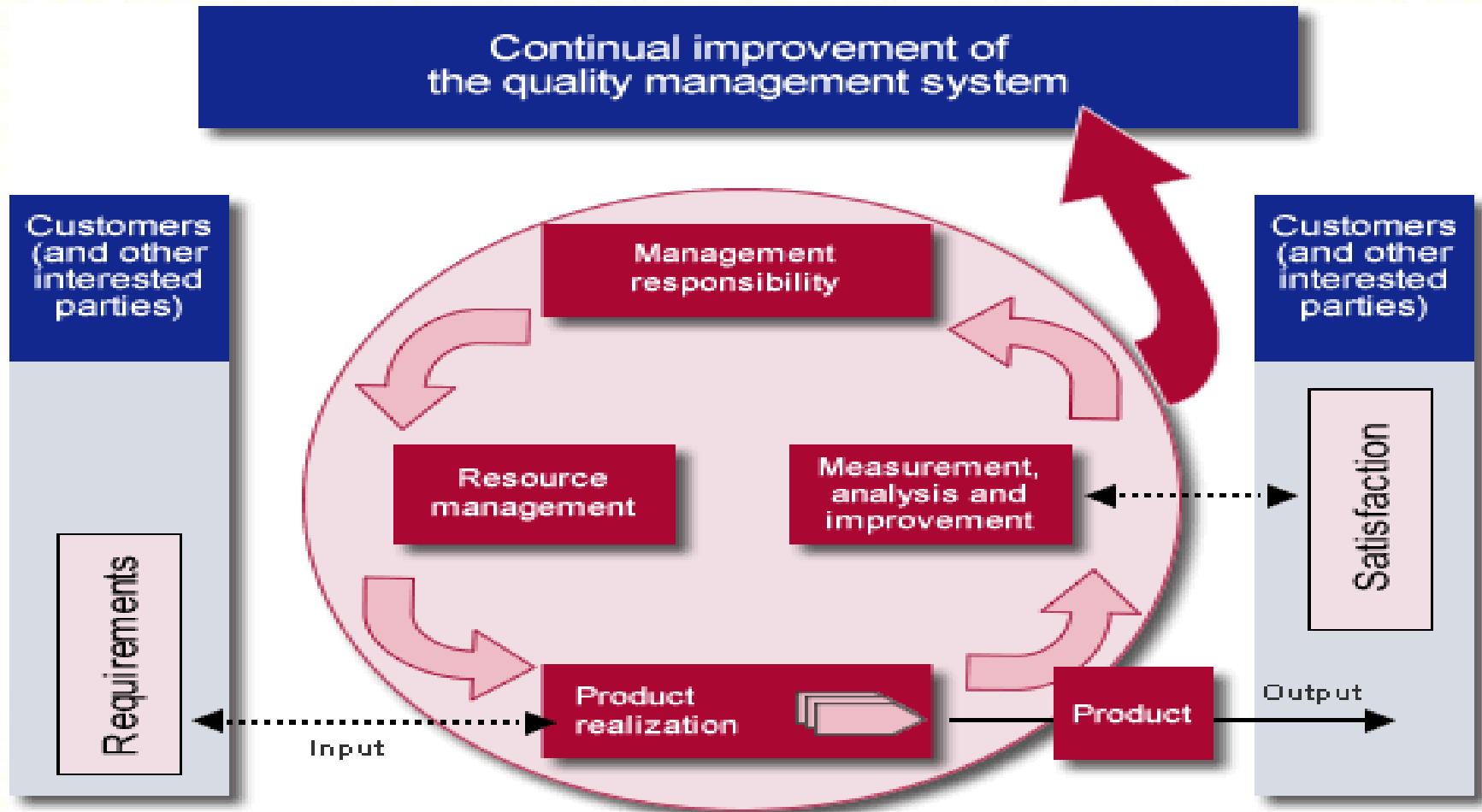| Customer Focus | Process Improvement | Total Involvement |

Elements

Leadership
Education and Training   **Supportive structure**
Communications   **Reward and recognition**
Measurement

International Quality Standards

- ISO 9000 standards – International Organization for Standardization

  - *Organization certification*

  - *157 Countries*

- Organizations demonstrate a commitment to quality

- Europe leads in certifications but the United States has had large increases

ISO 9001: 2000 QMS Model

Control of Human Behavior

- Have rules & regulations

- Fair reward system

- Training

- Performance appraisal

- Disciplinary procedures

Thank you