

**INGORGANIZATIONAL PERFORMANCE
THROUGH PRODUCTIVITY AND QUALITY**

Types of Controls

- A. Controls can be classified according to their timing or place in the productive cycle.
1. **Feed- forward control** focuses on the regulation of inputs to ensure that they meet the standards necessary for the transformation process.
 - a. The emphasis is upon preventing problems.
 - b. Other names for feed-forward control are “preliminary control,” “pre-control,” “preventative control” and “steering control.”
 2. **Concurrent control** involves the regulation of ongoing activities that are part of the transformation process to ensure that conform to organizational standards.
 - a. Checkpoints are in place to determine whether to continue the process, take corrective action, or stop work altogether.
 - b. Other names for concurrent control are “screening” and “yes-no control.”
 - c. This type of control is not appropriate for work that requires creativity or innovation.
 3. **Feedback control** is regulation exercised after a product or service has been completed in order to ensure that the final output meets organizational standards and goals.
 - a. Feedback control is used when feedforward and concurrent controls are not feasible or are too costly.
 - b. Feedback control serves a number of functions:
 - 1) To serve as a final means to check for deviations not detected earlier
 - 2) To provide information that will facilitate the planning process
 - 3) To provide information regarding employee performance
 - c. Other names for feedback control are “post action control” or “output control.”
- B. **Multiple control systems** are systems that use two or more of the feed-forward, concurrent, and feedback control processes and involve several strategic control points.
1. Multiple control systems develop because of the need to control various aspects of a productive cycle, including inputs, transformation, and outputs.
 2. Computer software companies provide examples of processes complex enough to require multiple controls.
- C. The degree to which human discretion is part of a control process determines whether it is cybernetic or non-cybernetic.
1. A **cybernetic control system** is a self-regulated control system that, once it is put into operation, can automatically monitor the situation and take corrective action when necessary, e.g., a heating system or some computerized inventory systems.
 2. A **non-cybernetic control system** is a control system that relies on human discretion as a basic part of its process.

CONTROLLING FOR ORGANIZATIONAL PERFORMANCE

A. What Is Organizational Performance?

Performance is the end result of an activity. Managers are concerned with **organizational performance**—the accumulated end results of all the organization’s work processes and activities.

Measures of Organizational Performance

Employees need to see the connection between what they do and the outcomes. The most frequently used organizational performance measures include organizational productivity, organizational effectiveness, and industry rankings.

1. **Organizational productivity** is the overall output of goods or services produced divided by the inputs needed to generate that output. It’s the management’s job to increase this ratio.
2. **Organizational effectiveness** is a measure of how appropriate organizational goals are and how well an organization is achieving those goals.

TOOLS FOR MONITORING AND MEASURING ORGANIZATIONAL PERFORMANCE

Managers might use any of the following types of performance control tools: financial controls, information controls, balanced scorecard approach, or benchmarking best practices approach.

A. Financial Controls.

1. Traditional Financial Control Measures.
 - a. Financial ratios are calculated by taking numbers from the organization’s primary financial statements—the income statement and the balance sheet. The four key categories of financial ratios are as follows.
 - 1) Liquidity ratios measure an organization’s ability to meet its current debt obligations.
 - 2) Leverage ratios examine the organization’s use of debt to finance its assets and whether it’s able to meet the interest payments on the debt.
 - 3) Activity ratios measure how efficiently the firm is using its assets.
 - 4) Profitability ratios measure how efficiently and effectively the firm is using its assets to generate profits.
 - b. We have also discussed budgets as a planning tool. However, budgets are also control tools. They provide managers with quantitative standards against which to measure and compare actual performance and resource consumption.
2. Other Financial Control Measures. Managers are using measures such as EVA (economic value added) and MVA (market value added).
 - a. **Economic value added** is a tool for measuring corporate and divisional performance by calculating after-tax operating profit minus the total annual cost of capital.
 - b. **Market value added** adds a market dimension by measuring the stock market’s estimate of the value of a firm’s past and expected capital investment projects.

B. Information Controls.

- Controlling information can be vital to an organization’s success. We need to look at the development and use of management information systems.
1. A **management information system** is a system that provides managers with needed and usable information on a regular basis.
 - a. Managers need usable information, not just data
 - b. **Data** are raw, unanalyzed facts. **Information** is analyzed and processed data.
 2. Information can help managers control the various organizational areas efficiently and effectively. It plays a vital role in the controlling process.

C. Balanced Scorecard Approach.

1. The **balanced scorecard** is a performance measurement tool that looks at four areas—financial, customer, internal processes, and people/innovation/growth assets—that contribute to a company's performance.
2. The intent of the balanced scorecard is to emphasize that all of these areas are important to an organization's success.

D. Benchmarking of Best Practices

1. **Benchmarking** is the search for the best practices among competitors or non-competitors that lead to their superior performance.
2. Research shows that best practices frequently already exist within an organization, but usually go unidentified and unused.

Internal benchmarking best practices program.

Establishing Quality Management Systems

By implementing international quality standards like ISO-9000, European Quality Award, Deming Prize, or Malcom Balridge Award; an organization can boost its productivity and quality. This will give leverage for a continuous improvement and consistent quality products for customers and keeping the employees happy as well. One can also adapt TQM philosophy of Deming, Juran or Crosby or Taguchi to outperform their competitors in the global market.

THE END