

# Chapter 8

## Managing Control

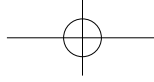
### 管理笔记：

谓水不足忧而不为之防，一旦水至则防无所及矣。故君子贵于思患而豫防之也。

成果控制的主要作用，甚至可以说是唯一的作用，是通过总结过去的经验和教训，为未来计划的制订和活动的安排提供借鉴。

未雨绸缪，指管理学中所说的预先控制，也就是企业在进行生产活动之前所作的控制。事实上，事后控制不如事中控制，事中控制不如事前控制。可惜很多管理者没有意识到这一点，等到错误的决策造成了重大损失才寻求弥补，为时已晚。

Prevention is the best way to solve the crisis.



## ▲ Discussion

### Domino Effect

The Domino Effect is a chain reaction that occurs when a small change causes a similar change nearby, which will then cause another similar change, and so on in a linear sequence. The term is best known as a mechanical effect, and is used as an analogy to a falling row of dominoes. It typically refers to a linked sequence of events where the time between those successive events is relatively small. It can be used literally or metaphorically.

#### Topics for Discussion

1. What is the implication of Domino Effect as for management?
2. Provide some daily life examples to illustrate Domino Effect.
3. Comment on the following Chinese idioms with Domino Effect: “防微杜渐”“有备无患”“未雨绸缪”“曲突徙薪。”

## Learning Objectives

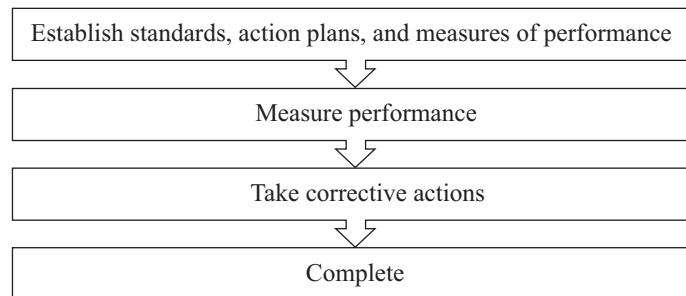
1. Define control.
2. Describe the three approaches to control.
3. Describe the control process.
4. Distinguish between the three types of control.
5. Describe the characteristics of an effective control system.
6. Know some contemporary issues on control.

## Introduction

Control is an important function of management. Inadequate control may cause not only fraud and theft, but also skyrocketing costs and failure to achieve its goals. To make management more effective, managers take feed-forward control, concurrent control, and feedback control to ensure finance, time, production, sales, market, and many other issues in accordance with the overall corporate strategy. Well-designed control systems enable managers to predict, monitor, and adjust to changes. Therefore, control management is always seen as the process of monitoring and adjusting organizational activities in order to facilitate the accomplishment of organizational objectives. Well-designed control systems will help the organization prevent crises, standardize outputs, appraise employee performance, update plans, protect organizational assets, and ensure the accomplishment of organizational goals.

### Definition of Control

Control is a process of problem-identifying, decision-making, and problem-solving. It starts with establishing standards of desired outcomes, followed by comparison or measurement, and ends up with remedial or improvement actions. (See Exhibit 8-1)



**Exhibit 8-1 Control Process**

### Management Control System

A management control system (MCS) is a system which gathers and uses information to evaluate the performance of different organizational resources like human, physical, and financial resources, as well as the organization as a whole. Three different approaches to designing control systems have been identified: market control, bureaucratic control, and clan control.



## Market Control

Market control is an approach that emphasizes the use of external market mechanisms, such as price competition and relative market share. This approach is typically used by organizations in which their products or services are clearly specified and distinct, and in which there is considerable marketplace competition. Under such conditions, an organization's divisions are often turned into profit centers and evaluated by the percentage of the total corporate profits each contributes.

## Bureaucratic Control

Bureaucratic control emphasizes organizational authority and relies on administrative rules, regulations, procedures, and policies. This type of control depends on standardization of activities, well-defined job descriptions, and other administrative mechanisms, such as budgets, to ensure employees exhibit appropriate behaviors and meet performance standards.

## Clan Control

Clan control means that employee behaviors are regulated by the shared values, norms, traditions, rituals, beliefs, and other aspects of the organizational culture. For instance, corporate rituals such as employee performance award dinners or holiday bonuses play a significant part in controlling behaviors. Bureaucratic control is based on strict hierarchical mechanisms, while clan control depends on the individual and the group (or clan) to identify appropriate and expected behaviors and performance measures. Because clan control arises from the shared values and norms of the group, this type of control system is often found in organizations in which teams are commonly used for work activities and in which technology changes frequently.

### Reflective Questions

1. What is control management?
2. What is the purpose of control management?
3. What is a good control system?

## The Implementation of Control

Control is usually a process of three steps: measuring actual performance, comparing actual performance against a standard, and taking managerial actions to correct deviations or inadequate standards.

## Measuring Actual Performance

A manager must be aware of the standards before he or she starts measuring. Two issues need to be considered in measuring are: how to measure and what to measure.

### How to Measure

Measuring actual performance is a process of data collection for which four common methods are used by managers:

- 1) Personal observation
- 2) Statistics
- 3) Oral reports
- 4) Written reports

Each of the measuring methods has its advantages and disadvantages. (See Exhibit 8-2) However, a combination of these methods will increase both the number of input sources and the probability of getting reliable information.

Measuring Methods	Advantages	Disadvantages
Personal observation	Direct, timely, genuine	Time-consuming, passive
Statistics	Convincing, easy to understand, obvious	Difficult to prove, may be misleading
Oral reports	Direct, fast, easy to produce	Difficult to prove, easily forgotten, may produce bias impressions
Written reports	Easy to keep, more evident, more thoughtful	Slow, may cause data redundancy, time-consuming

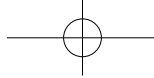
**Exhibit 8-2 Advantages and Disadvantages of the Measuring Methods**

### What to Measure

What to measure is probably more critical than how to measure, because the selection of the wrong criteria can result in serious dysfunctional consequences. Besides, what we measure determines, to a great extent, what people in the organization will attempt to excel at.

Some common control criteria are applicable to any management situation. For instance, criteria such as employee satisfaction, turnover, and absenteeism rates can be measured. Most managers also have budgets set in money costs for their area of responsibility. Keeping costs within budget is a fairly common control measure.

However, any comprehensive control system needs to recognize the diversity of activities



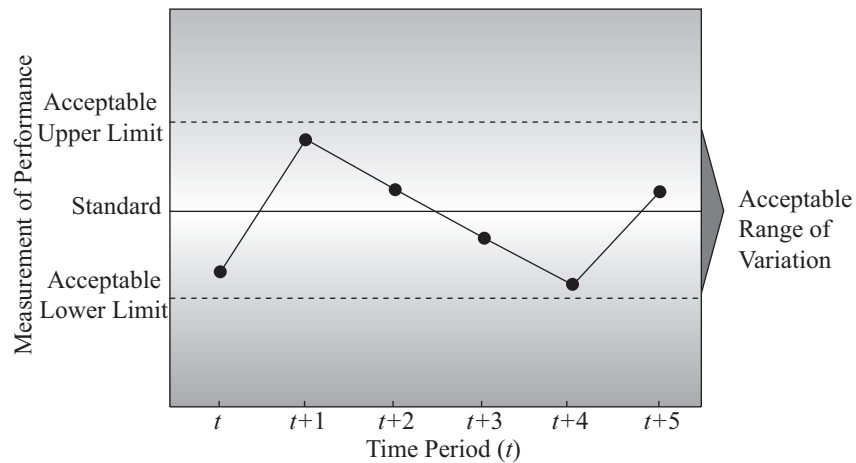
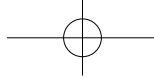
that different managers do. For instance, a production manager at a paper tablet manufacturer might use measures such as the quantity of tablets produced per day, tablets produced per labor-hour, scrap tablet rate, or percentage of rejects returned by customers. On the other hand, a manager of an administrative unit in a governmental agency might use number of document pages typed per day, number of client requests processed per hour, or average time required to process paperwork. Marketing managers often use measures such as percentage of market held, average profit per sale, number of customer visits per salesperson, or number of customer impressions per advertising medium.

Most jobs and activities can be expressed in tangible and measurable terms. That is to say, most activities can be grouped into some objective segments that can be measured. A manager needs to determine what contributions a person, a department, or a division makes to the organization and then to convert the contribution into measurable standards.

As people might imagine, some activities are more difficult to measure in quantifiable terms. For instance, it is more difficult for a manager to measure the performance of a research chemist or a school teacher than to measure that of a person who sells life insurance. When a performance indicator cannot be stated in quantifiable terms, managers should look for and use subjective measures. Certainly, subjective measures have significant limitations. Still, they are better than having no standards at all and ignoring the control function. If an activity is important, the excuse that it is difficult to measure is unacceptable. Of course, any analysis or decisions based on subjective criteria should recognize the limitations of such information.

## Comparing

The comparing step determines the degree of variation between actual performance and the standard. Some variation in performance can be expected in all activities. It is critical, therefore, to determine the acceptable range of variation. (See Exhibit 8-3) Deviations that exceed this range become significant and need the manager's attention. In the comparing stage, managers are particularly concerned with the size and the direction of the variation.



**Exhibit 8-3 Control Variations**

(Source: Robbins, *Management*, 2012)

## Taking Managerial Actions

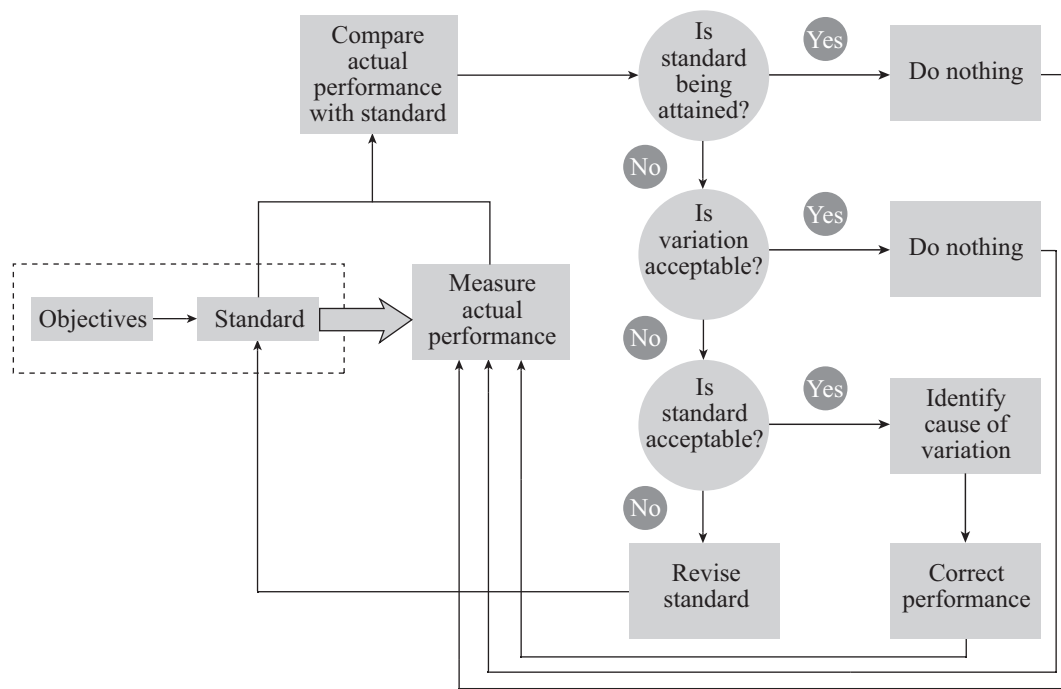
The third and final step in the control process is taking managerial actions. Managers can choose among three possible courses of action: doing nothing, correcting the actual performance, and revising the standards. (See Exhibit 8-4)

### Correcting the Actual Performance

If the source of the performance variation is unsatisfactory work, the manager will want to take corrective actions. Such corrective actions might include changing strategy, restructuring, compensation practices, training programs, redesigning jobs, and firing employees.

### Revising the Standards

It is possible that the variation is a result of an unrealistic standard. The goal may have been too high or too low. In such cases, it is the standard that needs corrective attention, not the performance.



**Exhibit 8-4 Managerial Decisions in the Control Process**

### Reflective Questions

1. What is the control process?
2. What does “taking managerial actions” mean in control?
3. What does the flow chart of Exhibit 8-4 mean? Can you describe it in detail?

## Types of Control

There are three types of control in terms of time occurrence: feed-forward control, concurrent control, and feedback control, which can be vividly illustrated in the story of Bian Que (扁鹊).

### The Story of Bian Que and the King of Wei

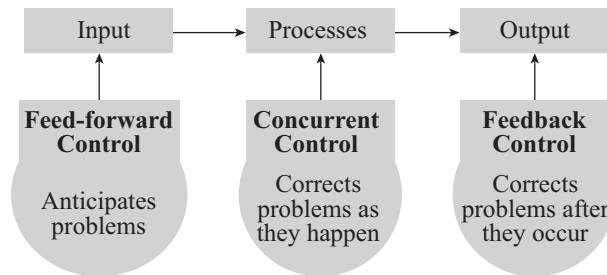
In the Warring States period, there lived a very famous Chinese doctor named Bian Que. He had two elder brothers who also worked as doctors. But Bian Que was the most famous one. Once, the King of Wei (Kingdom Wei) asked Bian Que, “Who is the best doctor of all your three brothers?” Bian Que replied, “My oldest brother is the best, then my second brother. I am the worst.” “But why are you the most famous?” asked the King.





Bian Que said, “My oldest brother can tell the disease before it apparently appears and then cure it. Therefore, he is only well-known in our family. My second brother is good at curing the disease before it becomes serious, and he is well-known in our neighborhood. As for me, I use poisonous medicine and other terrible means to cure dying patients from severe diseases. That is why I have been well-known nationwide.”<sup>1</sup>

Just like the story of Bian Que brothers, managers can implement control at different stages of an activity before an activity begins, during the time the activity is going on, or after the activity has been completed. Thus three types of control will be formed: feed-forward control, concurrent control, and feedback control. (See Exhibit 8-5)



**Exhibit 8-5 Types of Control**

## Feed-forward Control

The most desirable type of control—feed-forward control—prevents anticipated problems since it takes place in advance of the actual activity. It is future-directed.

The key to feed-forward control is to take managerial action before a problem occurs. This is exactly what it means by the Chinese idiom “防患于未然。”

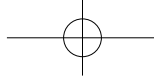
## Concurrent Control

Concurrent control, as its name implies, takes place while an activity is in progress. When control is enacted while the work is being performed, management can correct problems before they become too costly.

The best-known form of concurrent control is direct supervision. When a manager directly oversees the actions of employees, the manager can concurrently monitor their actions and correct

<sup>1</sup> (魏文王)曰：“子昆弟三人其孰最善为医？”扁鹊曰：“长兄最善，中兄次之，扁鹊最为下。”魏文侯曰：“可得闻邪？”扁鹊曰：“长兄于病视神，未有形而除之，故名不出于家。中兄治病，其在毫毛，故名不出于闾。若扁鹊者，鑿血脉，投毒药，副肌肤，闲而名出闻于诸侯。”

——出自《鹞冠子·卷下·世贤第十六》



the problems before they become too serious. It is just like the Chinese proverb “防微杜渐.”

## Feedback Control

The third type of control is feedback control, which takes place after the activity is done.

The major drawback of this type of control is that, by the time the manager has the information, the problems have already occurred and led to waste or damage. But for many activities, feedback is the only viable type of control available. For instance, financial statements are an example of feedback control. If the income statement shows that sales revenues are declining, the decline has already occurred. So at this point, a manager's only option is to try to determine why sales decreased and to correct the situation.

Feedback control has two advantages over feed-forward and concurrent control. First, feedback control can provide a manager with meaningful information on how effective their planning efforts are. Feedback that indicates little variance between standard and actual performance is the evidence that the planning is generally on target. If the deviation is significant, a manager can use that information when formulating new plans to make them more effective. Second, feedback control can enhance employees' motivation. People want the information on how well they have performed which could be provided by feedback control. Feedback control is just like the Chinese proverb “亡羊补牢.”

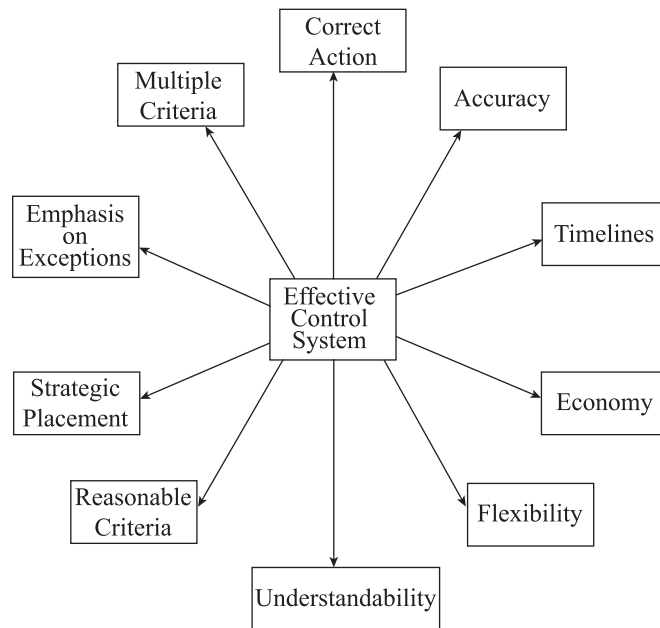
### Reflective Questions

1. What are the three types of control? Describe and tell the importance of each.
2. What are the pros and cons of each type of control?
3. How can you apply the three types of control in your study plan?

## Characteristics of an Effective Control System

Control is not for control's sake. The purpose of control is to improve individual performance and seek effective fulfillment of a company's goals. Since different companies do different businesses, activities for control are different. You have to take correct action in your business and control accurately at the right time. Both the control process and the time of control are of some cost to a company. The control system should be both financially economical and time-saving. It should also be simple and reasonable so that it could be easily understood and accepted by all staff. Even within one company, different departments will be assessed differently. For example, an engineer and a marketing staff should not be appraised with identical criteria.

The control system must be designed with multiple criteria to indicate the differences. Above all, the control system is not a law but a guiding frame. A manager should be flexible when practicing control with such a system, and he or she should always remember the purpose for control is to improve performance, but not to make it worse. Above all, effective control systems share certain characteristics in common. (See Exhibit 8-6)



**Exhibit 8-6 Characteristics of an Effective Control System**

## Contemporary Issues on Control

Issues will emerge as managers design efficient and effective control systems. Technological advances in computer hardware and software, for example, have made the process of controlling much easier, but these advances have brought difficult problems, such as justifying who have the right to know about employees and how far they can go in controlling employees' behavior. In this section, three contemporary issues on control will be discussed, namely workplace privacy, employee theft, and workplace violence.

### Workplace Privacy

Do you think you should have the right to privacy in your workplace? What can your manager find out about you at your work? In the United States, many managers can read emails of their employees, tap their telephones, monitor their work by computers, and store and review



computer files. Not all of these actions are uncommon in China. More and more Chinese companies take monitoring measures in some form in the workplace, such as video cameras.

Why do managers think that they must monitor what employees are doing? A main reason is that employees are hired to work, but not to surf the Internet checking stock prices, placing bets at online casinos, shopping for presents for family or friends, playing games, or WeChatting. Recreational on-the-job Internet surfing has been said to cost billions of dollars of wasted computer resources and lost work productivity annually. That is a significant cost to businesses.

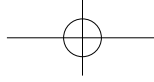
Another reason that managers monitor employees' emails and computer usage is that they do not want to risk being sued for creating a hostile workplace environment because of offensive messages or an inappropriate image displayed on a co-worker's computer screen. Concern about racial discrimination or sexual harassment is one of the reasons why companies might want to monitor or keep backup copies of all emails. This electronic record can help establish what actually happened and can help managers react quickly.

Finally, managers want to ensure that company secrets are not being leaked. While protecting intellectual property is important for all businesses, it is especially important in high-tech industries. A manager needs to be certain that employees are not, even inadvertently, sending information to others who could use that information to harm the company.

## Employee Theft

Would it surprise you to find out that approximately 85 percent of all organizational theft and fraud is committed by employees, rather than outsiders? It is a costly problem for many companies. Employee theft is defined as any unauthorized taking of company property by employees for their personal use. It can range from embezzlement to fraudulent filing of expense reports to removing equipment, parts, software, and office supplies from company premises. Although retail businesses have long faced particularly serious potential losses from employee theft, loose financial control at start-ups and small companies and the ready availability of information technology have made employee theft an escalating problem in all kinds and sizes of companies. It is the control mechanism that managers need to educate themselves in order to deal with this situation.

We can use the concept of feed-forward, concurrent, and feedback control to identify measures for deterring or reducing employee theft and fraud. Exhibit 8-7 summarizes several possible managerial actions.



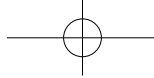
Feed-forward control	Concurrent Control	Feedback Control
Careful pre-hiring screening.	Treat employees with respect and dignity.	Make sure employees know when theft or fraud has occurred—not naming names but letting people know this is not acceptable.
Establishing specific policies defining theft and fraud and discipline procedures.	Openly communicate the costs of stealing.	Use the services of professional investigators.
Involve employees in writing policies.	Let employees know on a regular basis about their successes in preventing theft and fraud.	Redesign control measures.
Educate and train employees about the policies.	Use video surveillance equipment if conditions warrant.	Evaluate the organization’s culture and the relationships of managers and employees.
Have professionals review the internal security control.	Install “lock-out” options on computers, telephones, and emails.	
	Use corporate hotlines for reporting incidences.	

**Exhibit 8-7 Control Measures for Employee Theft and Fraud**

## Workplace Violence

To control violence in the workplace, one should know what factors contribute to workplace violence first. Employees’ stress might be caused by long working hours, information overload, daily interruptions, unrealistic deadlines, and uncaring managers. Experts have considered the following characteristics of a dysfunctional working environment as primary contributors to workplace violence.

- 1) Employees’ work driven by TNC (time, numbers, and crises).
- 2) Rapid and unpredictable change in which instability and uncertainty plague employees.
- 3) Destructive communication style in which managers communicate in an excessively aggressive, condescending, explosive, or passive-aggressive style.
- 4) Excessive workplace teasing or scapegoating.
- 5) Authoritarian leadership with a rigid mindset of managers vs. employees. Employees are not allowed to challenge ideas, participate in decision-making processes, or engage



- in team-building efforts.
- 6) Defensive attitude is common, in which little or no performance feedback is given; only numbers count; yelling, intimidation, and avoidance are the preferred ways of handling conflicts.
  - 7) Double standards in terms of policies, procedures, and training opportunities for managers and employees.
  - 8) Unresolved grievances because there are no mechanisms or only adversarial ones in place for resolving them. Dysfunctional individuals may be protected or ignored because of long-standing rules, union contract provisions, or reluctance to take care of problems.
  - 9) Emotionally troubled employees and no attempt by managers to provide help for these people.
  - 10) Repetitive and boring work in which there is no chance of doing something else or of letting new people come in.
  - 11) Faulty or unsafe equipment or deficient training ( 缺乏培训 ) that keeps employees from being able to work efficiently or effectively.
  - 12) Hazardous working environment in terms of temperature, air quality, repetitive motions, overcrowded spaces, noise levels, excessive overtime, and so forth. To minimize costs, no additional employees are hired when workload becomes excessive, leading to potentially dangerous work expectations and conditions.
  - 13) Culture of violence in which there is a history of individual violence or abuse, violent or explosive role models, or tolerance of on-the-job alcohol or drug abuse.

### Reflective Questions

1. How does workplace privacy affect managerial control?
2. What can managers do to control employee theft?
3. What are the new problems in Chinese companies in relation to post-80s workforce?

## Summary

Control is one of the most important functions of management. Control function is used to measure activities and improve performance of the organization for the accomplishment of organizational goals. Control system should not be rigid, but rather a guideline to follow flexibly. Control is not just for control's sake. It is for effective fulfillment of preset organizational goals.



## Exercises and Practices

### I Reflective Questions

1. What is the relationship between planning and control?
2. What is the importance and purpose of control?
3. What are the three approaches to control?
4. How do you understand control and flexibility?
5. What have you learned from the story of Bian Que? Retell the story and comment on excellent control characteristics.

### II Creative Thinking Exercises

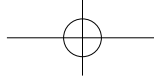
1. Is control in contradiction to creativity and innovation? Give your reasons.
2. Why should universities have Student's Handbooks? Explain it with the concept of control.
3. Can you provide some examples of feedback problems from your daily life? Comment on them and think of appropriate approaches to solve them.
4. What are the common areas for a university to control? What do you suggest in order to control them, such as the dining hall?
5. What factors made Sanlu Group (三鹿集团) bankrupted? Use control mechanism to explain.

### III Case Application: Mickey Mouse Control

**Jean:** Hey, John. I could sure use some help. Our regional supervisors are caught in the middle. What do you do about this red tape that we have to put up with? The accounting department is all bothered about the way people are padding their expenses (虚报账目) and about the cost of luncheons and long-distance calls. You know—their answer is nothing but more red tape.

**John:** Well, Jean, I don't know. I'm feeling the heat too. Upper management wants us to maintain our contacts with our brokers and try to get the money out in loans, so we push the district supervisors to see our best contacts or at least call them frequently. Yet lately, I have been having a heck of a time getting my people reimbursed (报销) for their expenses. Now the accounting department is kicking because we spend a few bucks taking someone to lunch or making a few long-distance calls.

**Jean:** I really don't know what to do, John. I'll admit that some of my people tend to charge the company for expenses that are for their personal entertainment. But how can I tell whether they're buttering up a broker or just living it up on the company? The accounting



department must have some receipts and records to support expenses. Yet I think that getting a receipt from a parking lot attendant is carrying this control stuff too far. As a matter of fact, the other day, I caught a taxi at the airport and failed to get a receipt. I'll bet I have a hard time getting that money from the company even if I sign a notarized affidavit ( 公证宣誓书 ).

**John:** Well, the way I handle those things is to charge the company more for tips than I actually give, and you know they don't require receipts for tips. I just don't know how to decide whether those reimbursement receipts that I sign for my people are legitimate.

**Jean:** Yeah, but I don't want to ask questions about that because it would just result in more control!

**John:** Well, I say that the brass is getting hot about a relatively small problem. A little fudging ( 捏造 ) on an expense account isn't going to break the company. I learned the other day that the accounting department doesn't require any receipts from the security department people.

**Jean:** I don't want to get a guilt complex about signing reimbursement requests that may look a little out of line. Why should I call an employee on the carpet for some small expense that may be the reason we got the deal?

**John:** Jean, I've got to run now. But honestly, if I were you, I wouldn't worry about the Mickey Mouse control. I'm just going to do my job and fill in the form in order to stay out of trouble on the details. It's not worth getting upset about.

### Reflective Questions

1. Has the company imposed overly restrictive control? Why or why not?
2. Do you think the company has fair control system? Why or why not?
3. If you were Jean, what would you do?

## Further Research

Conduct some research on the following works/authors/topics.

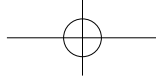
Peter Senge: *The Fifth Discipline*

## Business English Column

### Business Denotation

In this chapter, we have come across the word "anticipate" (in the Feed-forward





Control section), which has a similar denotation to “hope” or “expect.” Students often fail to judge the difference of these three words. You can identify the different usage of the three words through the following examples.

- 1) We *hope* to live long and be happy. (something which is welcome)
- 2) The general *anticipated* the enemy’s movements and removed his stores. (taking action before it happens)
- 3) His death was hourly *expected*. (neither anticipated, nor hoped; logical according to the circumstance)

Therefore, we use “hope” for something that is welcome. We use “expect” for a situation which is probable or reasonably certain. We use “anticipate” to signify, literally, “to take action before.” The three words cannot be used interchangeably.