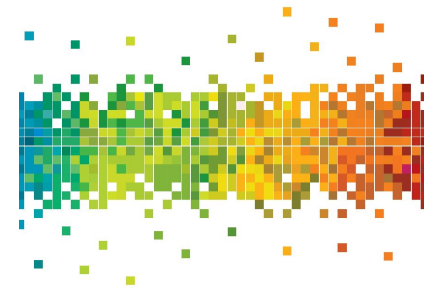# The Definition of Management
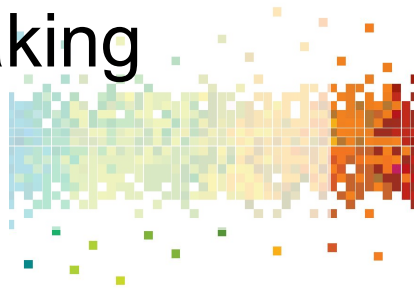
Management is the attainment of organizational goals in an effective and efficient manner through planning, organizing, leading, and controlling organizational resources.
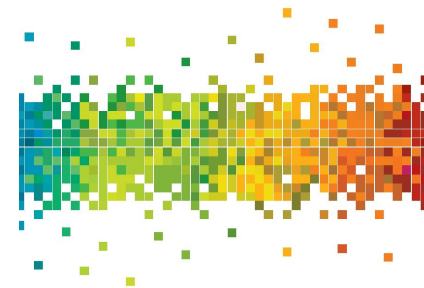
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The Four Management Functions
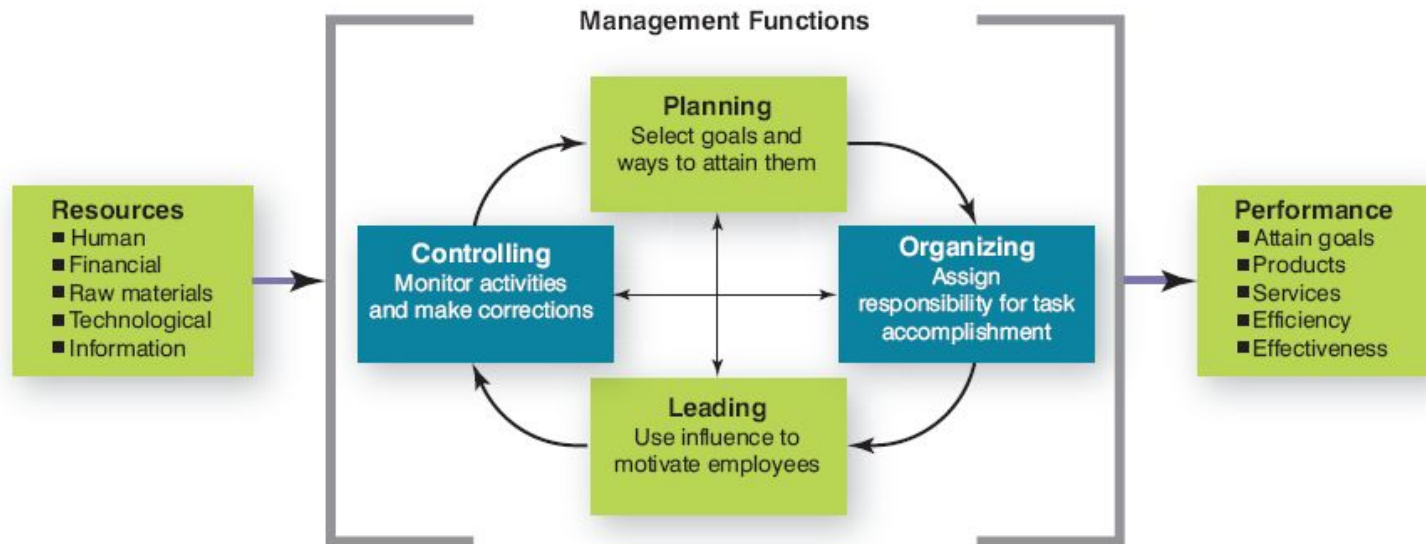
- *Planning.* Identifying goals and resources or future organizational performance.

- *Organizing.* Assigning tasks, delegating authority and allocating resources.

- *Leading.* The use of influence to motivate employees to achieve goals.

- *Controlling.* Monitoring activities and taking corrective action when needed.

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The Process of Management

Exhibit 1.1 The Process of Management

Management Functions

Planning
Select goals and ways to attain them

Organizing
Assign responsibility for task accomplishment

Leading
Use influence to motivate employees

Controlling
Monitor activities and make corrections

Resources
- Human
- Financial
- Raw materials
- Technological
- Information

Performance
- Attain goals
- Products
- Services
- Efficiency
- Effectiveness

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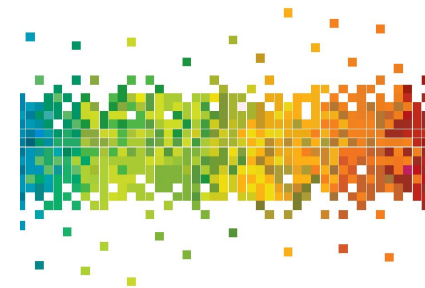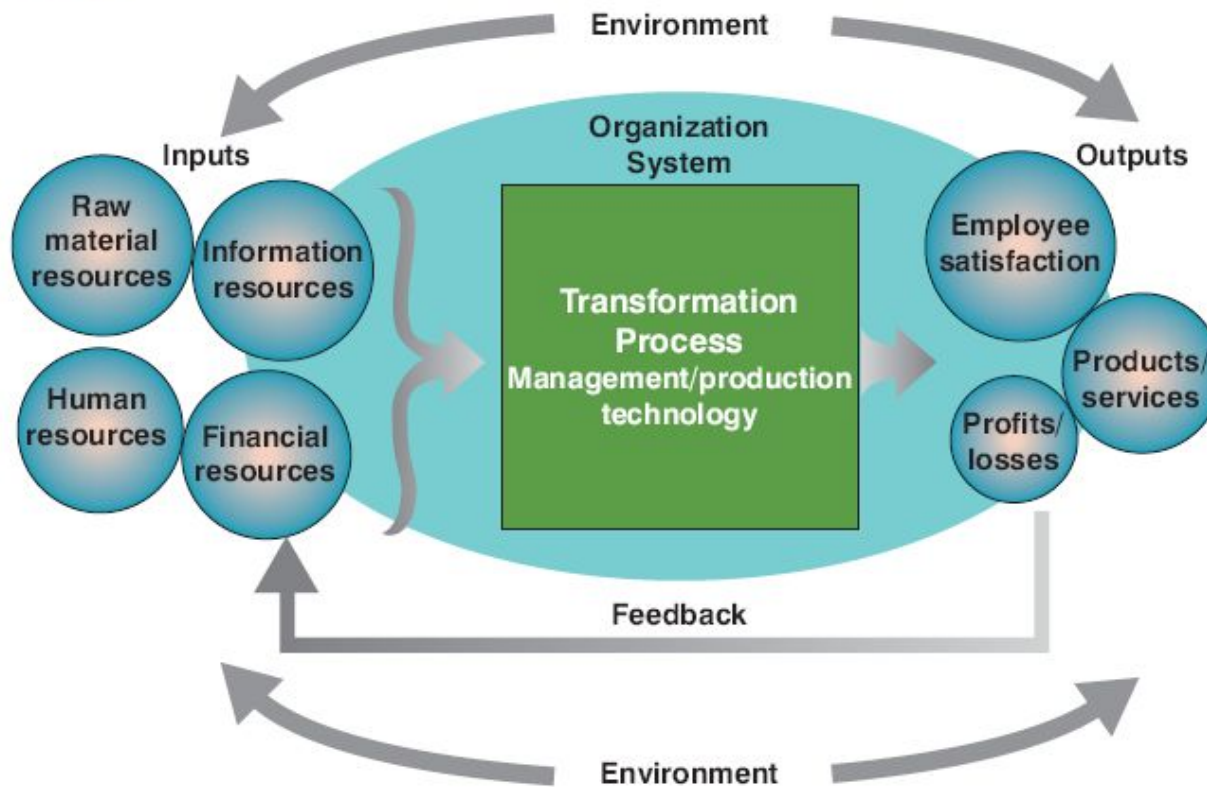
Organizational Performance

- Organizations bring together knowledge, people, and raw materials to perform tasks
  - *Effectiveness* is the degree to which the organizations achieves goals
  - *Efficiency* is the use of minimal resources to produce desired output
- Organization is a *social entity* that is *goal directed* and *deliberately structured*
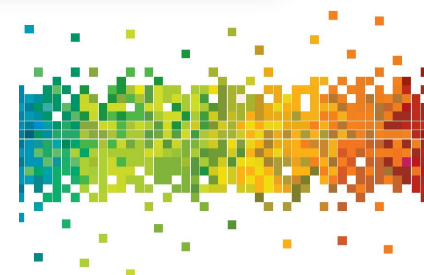
The Systems View of Organizations

Exhibit 2.6 The Systems View of Organizations

Contingency View of Management

Exhibit 2.7 Contingency View of Management

- Case View → 'Every situation is unique.'
- Universalist View → 'There is one best way.'

Contingency view
Organizational phenomena exist in legal patterns.
Managers devise and apply similar responses to common types of problems.

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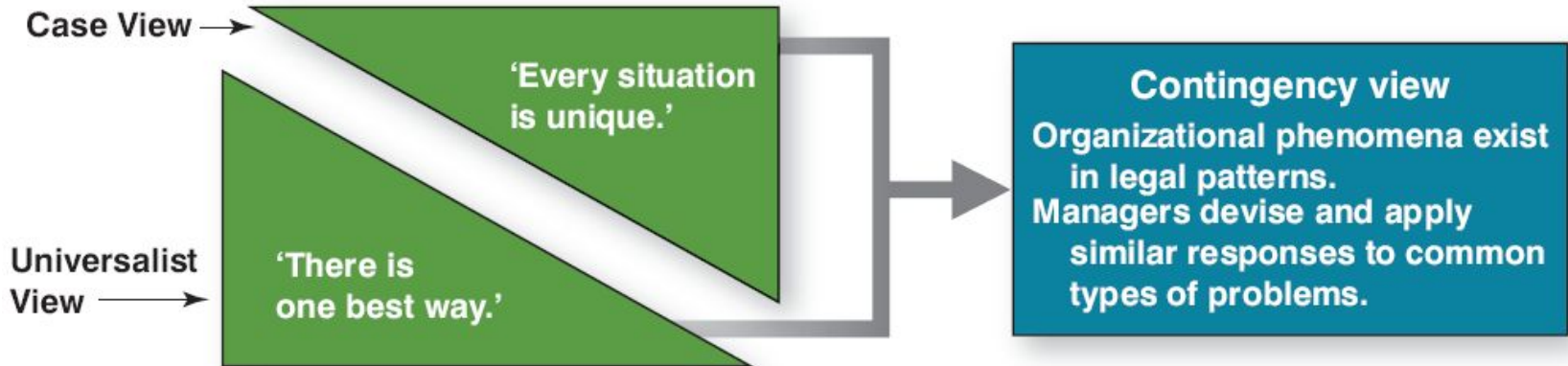
Total Quality Management
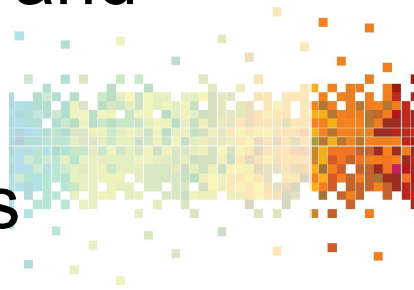
- W. Edward Deming, known as the father of the quality movement

  – US initially scoffed at Deming

- During the 1908s and 1990s, quality became a focus to meet global competition

- Four key elements of quality management:

  1. Employee involvement
  2. Focus on customer
  3. Benchmarking
  4. Continuous improvement

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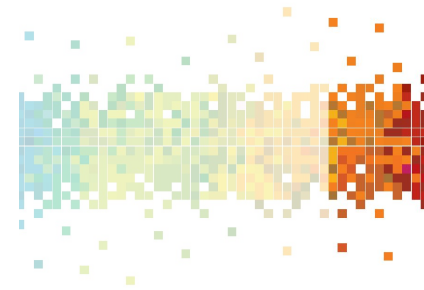
The Learning Organization

- Learning aids in the adaptation to change

- Peter Senge began the discussion about the learning organization

- All employees are engaged in identifying and solving problems

- Learning increases the capacity to learn and grow

- Move from efficiency to solving problems
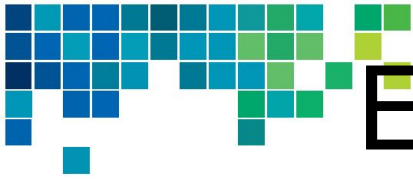
Elements of a Learning Organization

Exhibit 2.8 Elements of a Learning Organization

Team–Based Structure

Learning Organization

Empowered Employees

Open Information

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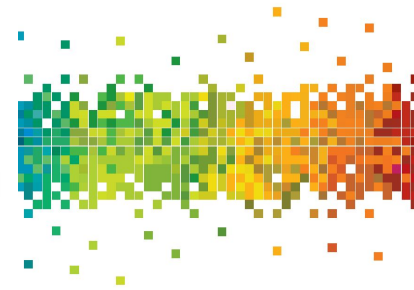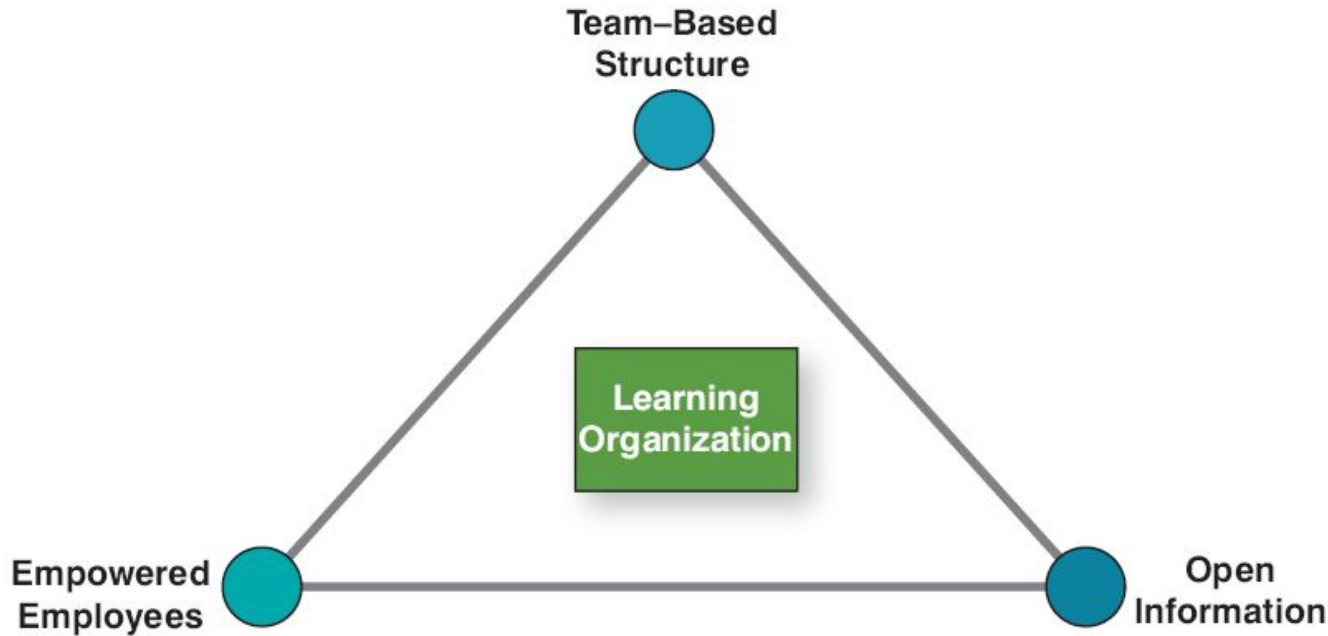
Managing the Technology-Driven Workplace

- Most work is performed on computers in today's workplace

- Companies use technology to communicate and collaborate

- Key technologies in today's workplace:

    – *Supply Chain Management*

    – *Customer Relationship Management*

    – *Outsourcing*
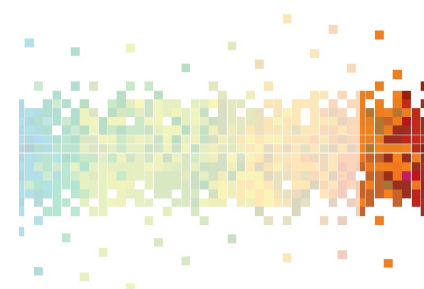
Levels of Corporate Culture

Exhibit 3.5 Levels of Corporate Culture

Culture that can be seen at the surface level

Visible

1. Artifacts, such as dress, office layout, symbols, slogans, ceremonies

Invisible

2. Expressed values, such as 'The Penney Idea', 'The HP Way'

3. Underlying assumptions and deep beliefs, such as 'people here care about one another like a family'

Deeper values and shared understandings held by organization members

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Environmentally Adaptive versus Un-adaptive Corporate Cultures

Exhibit 3.6 Environmentally Adaptive versus Unadaptive Corporate Cultures

|	Adaptive Corporate Cultures	Unadaptive Corporate Cultures
Visible Behaviour	Managers pay close attention to all their constituencies, especially customers, and initiate change when needed to serve their legitimate interests, even if it entails taking some risks.	Managers tend to behave somewhat insularly, politically, and bureaucratically. As a result, they do not change their strategies quickly to adjust to or take advantage of changes in their business environments.
Expressed Values	Managers care deeply about customers, stockholders, and employees. They also strongly value people and processes that can create useful change (e.g. leadership initiatives up and down the management hierarchy).	Managers care mainly about themselves, their immediate work group, or some product (or technology) associated with that work group. They value the orderly and risk-reducing management process much more highly than leadership initiatives.

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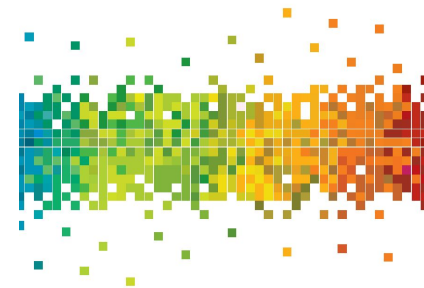
Four Types of Corporate Culture

Exhibit 3.7 Four Types of Corporate Cultures

SOURCES: Based on D. R. Denison and A. K. Mishra, 'Toward a Theory of Organizational Culture and Effectiveness', *Organization Science*, 6, no. 2 (March–April 1995): 204–223; R. Hooijberg and F. Petrock, 'On Cultural Change: Using the Competing Values Framework to Help Leaders Execute a Transformational Strategy', *Human Resource Management* 32, no. 1 (1993): 29–50; and R. E. Quinn, *Beyond Rational Management: Mastering the Paradoxes and Competing Demands of High Performance* (San Francisco: Jossey-Bass, 1988).
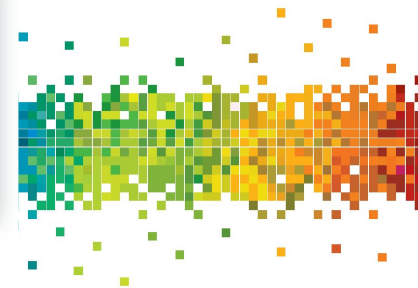
Managerial Ethics

- Ethics can be difficult to define
- Ethical issues are exceedingly complex
- Managers face a variety of difficult situations
- ***Ethics fall between law and free choice***

Exhibit 5.1 Three Domains of Human Action

| Domain of Codified Law (Legal Standard) | Domain of Ethics (Social Standard) | Domain of Free Choice (Personal Standard) |

Amount of Explicit Control

High ← → Low

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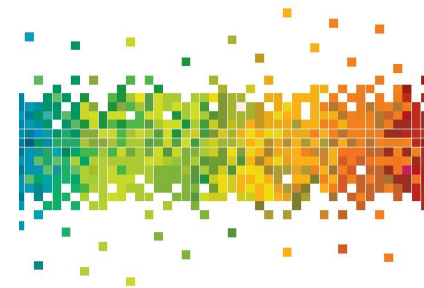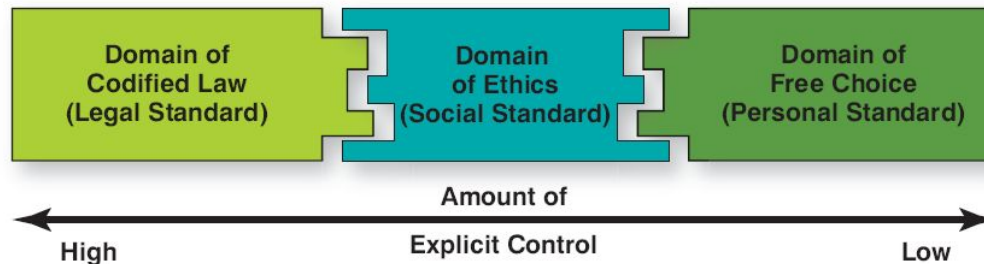
Criteria for Ethical Decision Making

- ***Utilitarian approach*** – moral behaviors should produce the greatest good for the greatest number

- ***Individualism approach*** – acts are moral when they promote the individual's best long-term interests

- ***Moral Rights Approach*** – moral decisions are those that best maintains the rights of those affected

- ***Justice Approach*** – decisions must be based on standards of equity, fairness, and impartiality

- ***Disruptive Approach*** – different treatment of people should not be based on arbitrary characteristics

Defining Justice

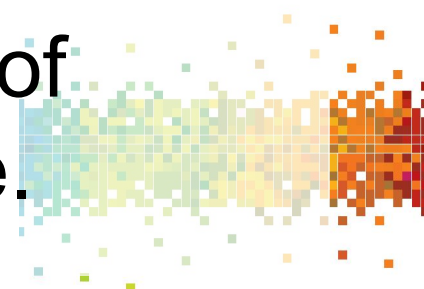**_Disruptive Justice_ –** different treatment of people should not be based on arbitrary characteristics.

Compensatory Justice – individuals should be compensated for the cost of their injuries by the party responsible.

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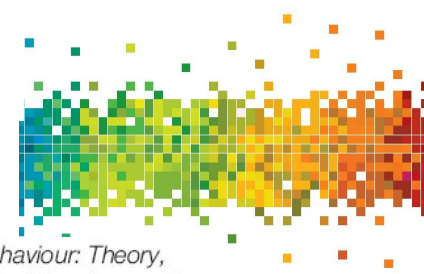RICHARD L. DAFT, MARTYN KENDRICK, NATALIA VERSHININA

Manager Ethical Choices

An important personal trait that mangers poses is their stage of moral development

Exhibit 5.2 Three Levels of Personal Moral Development

Level 3: Post-conventional

Follows self-chosen principles of justice and right. Aware that people hold different values and seeks creative solutions to ethical dilemmas. Balances concern for individual with concern for common good.

Level 2: Conventional

Lives up to expectations of others. Fulfills duties and obligations of social system. Upholds laws.

Level 1: Pre-conventional

Follows rules to avoid punishment. Acts in own interest. Obedience for its own sake.

Leadership Style: Autocratic/coercive | Guiding/encouraging, team oriented | Transforming or servant leadership

Employee Behavior: Task accomplishment | Work group collaboration | Empowered employees, full participation

SOURCES: Based on L. Kohlberg, 'Moral Stages and Moralization: The Cognitive-Developmental Approach', in *Moral Development and Behaviour: Theory, Research, and Social Issues,* ed. T. Lickona (New York: Holt, Rinehart, and Winston, 1976), pp. 31–53; and Jill W. Graham, 'Leadership, Moral Development and Citizenship Behaviour', *Business Ethics Quarterly* 5, no. 1 (January 1995): 43–54.

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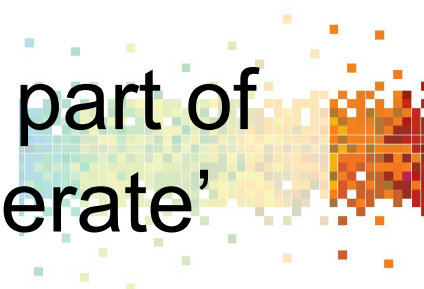# What is Corporate Responsibility?

Corporate Social Responsibility (CSR) is the obligation of organization management to make decisions and take actions that will enhance the welfare and interests of society as well as the organization

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RICHARD L. DAFT, MARTYN KENDRICK, NATALIA VERSHININA
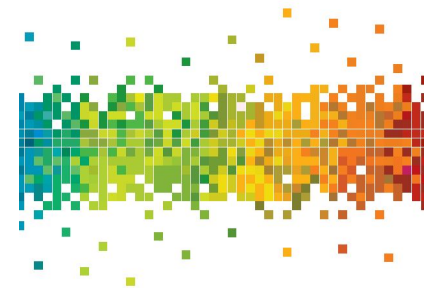
What is Corporate Responsibility?

- Garriga and Mele suggest that research into CSR can be summarised within four general categories:

- *Instrumental theories* which focus on profit maximization

- *Political theories* which ascribe responsibilities to organizations as part of the social contract or 'license to operate'

What is Corporate Responsibility?

- *Integrative theories* which suggest that the long-term success and profitability of organizations is closely allied to the well-being of society.

- *Ethical theories* which apply ethics on organizations and deduct the responsibility of firms from universal and/or conventional norms and values and fundamental moral principles
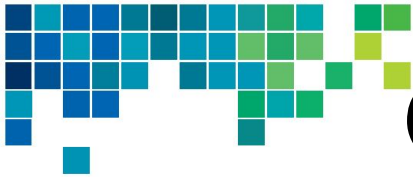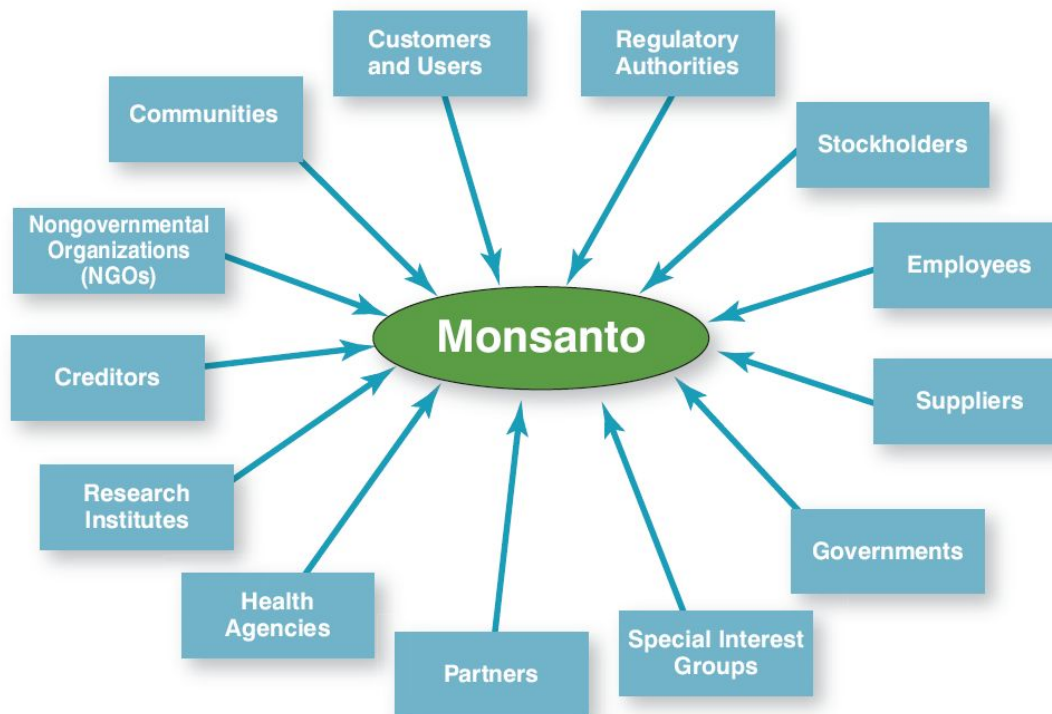
Organizational Stakeholders

Stakeholders are any group within or outside the organization that has a stake in the organization's performance.

Exhibit 5.4 Major Stakeholders Relevant to Monsanto Company

SOURCES: Based on information in D. Wheeler, B. Colbert, and R. E. Freeman, 'Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability, and a Stakeholder Approach in a Networked World', *Journal of General Management* 28, no. 3 (Spring 2003): 1–28; and J. E. Post, L. E. Preston, and S. Sachs, 'Managing the Extended Enterprise: The New Stakeholder View', *California Management Review* 45, no. 1 (Fall 2002): 6–28.

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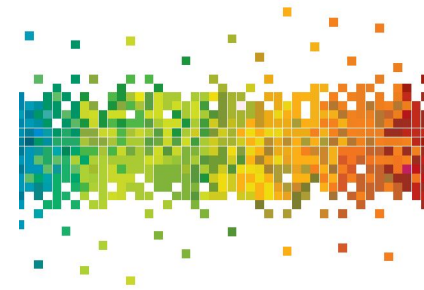
The Bottom of the Pyramid (BOP)

- Sometimes called *base of the pyramid*

- Alleviate poverty and social ills while making profits

- Selling to the world's poorest people

- 4 Billion people make up the lowest level of the world's economic pyramid

- These people have traditionally been underserved

- Companies can **make money** while **addressing global poverty**, environmental destruction, social decay and political instability

Overview of Goals and Plans

- A goal is a desired future state that the organization attempts to realize

- A plan is a blueprint for goal achievement

- There are different levels of planning and goals in an organization

- Goals at each level of the organization guide the organization

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Levels of Goals/Plans and their Importance

Exhibit 7.1 Levels of Goals/Plans and their Importance

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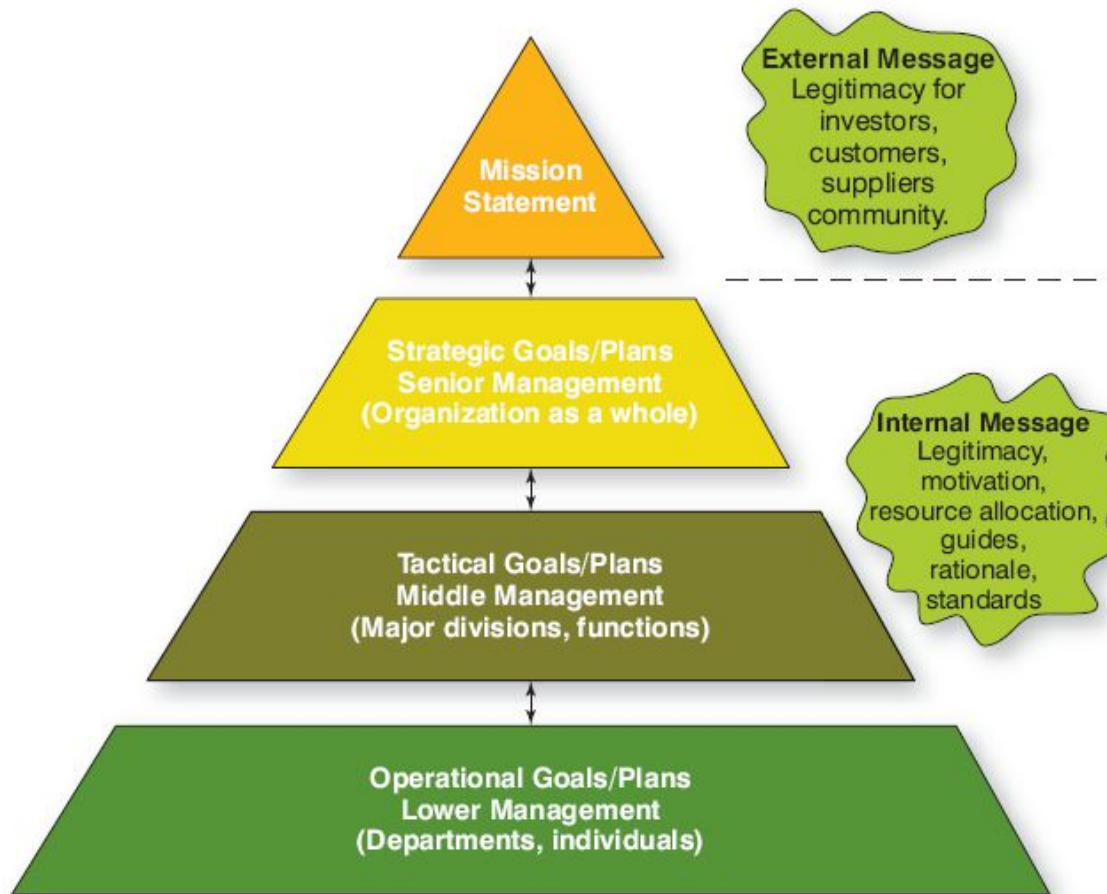
Characteristics of Goals and Plans

✔ Legitimacy

✔ Source of motivation and commitment

✔ Resource allocation

✔ Guides to action

✔ Rationale for decisions

✔ Standards of performance
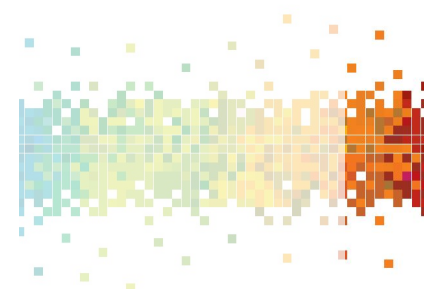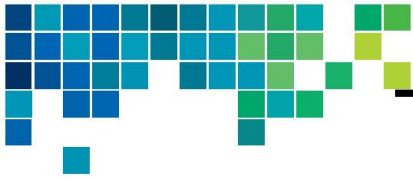
The Organizational Planning Process

Exhibit 7.2 The Organizational Planning process

1. Develop the Plan
- Define mission, vision
- Set goals

2. Translate the Plan
- Define tactical plans and objectives
- Develop strategy map
- Define contingency plans and scenarios
- Identify intelligence teams

3. Plan Operations
- Define operational goals and plans
- Select measures and targets
- Set stretch goals
- Crisis planning

4. Execute the Plan

Use:
- Management by objectives
- Performance dashboards
- Single use plans
- Decentralized responsibility

5. Moniter and Learn
- Hold planning reviews
- Hold operational reviews

SOURCE: Based on Robert S. Kaplan and David P. Norton, 'Mastering the Management System', *Harvard Business Review* (January 2008): 63–77.

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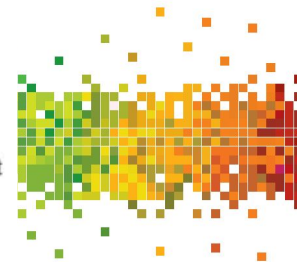
What is Strategic Management?

- ***Plans and actions that lead to superior competitive standing***

  - Who are our competitors and what are their strengths and weaknesses?

  - Who are our customers?

  - What products or services should we offer?

  - What does the future hold for our industry?

  - How can we change the rules of the game?

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Purpose of Strategy

- **_Strategy:_**
  – Plan of action
  – Resource allocation
  – Activities for dealing with the environment
  – Achieving competitive advantage

- **_Strategy should:_**
  – Exploit Core Competence
  – Build Synergy
  – Deliver Value

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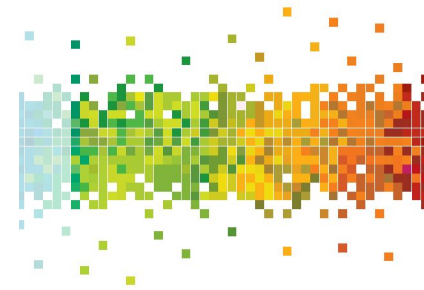
Three Levels of Strategy in Organizations

Exhibit 8.1 Three Levels of Strategy in Organizations

Corporate–Level Strategy: What business are we in?

Corporation

Business–Level Strategy: How do we compete?

Consumer Products Unit

Biotechnology Unit

Media Unit

Functional–Level Strategy: How do we support the business–level strategy?

Finance

R&D

Manufacturing

Marketing
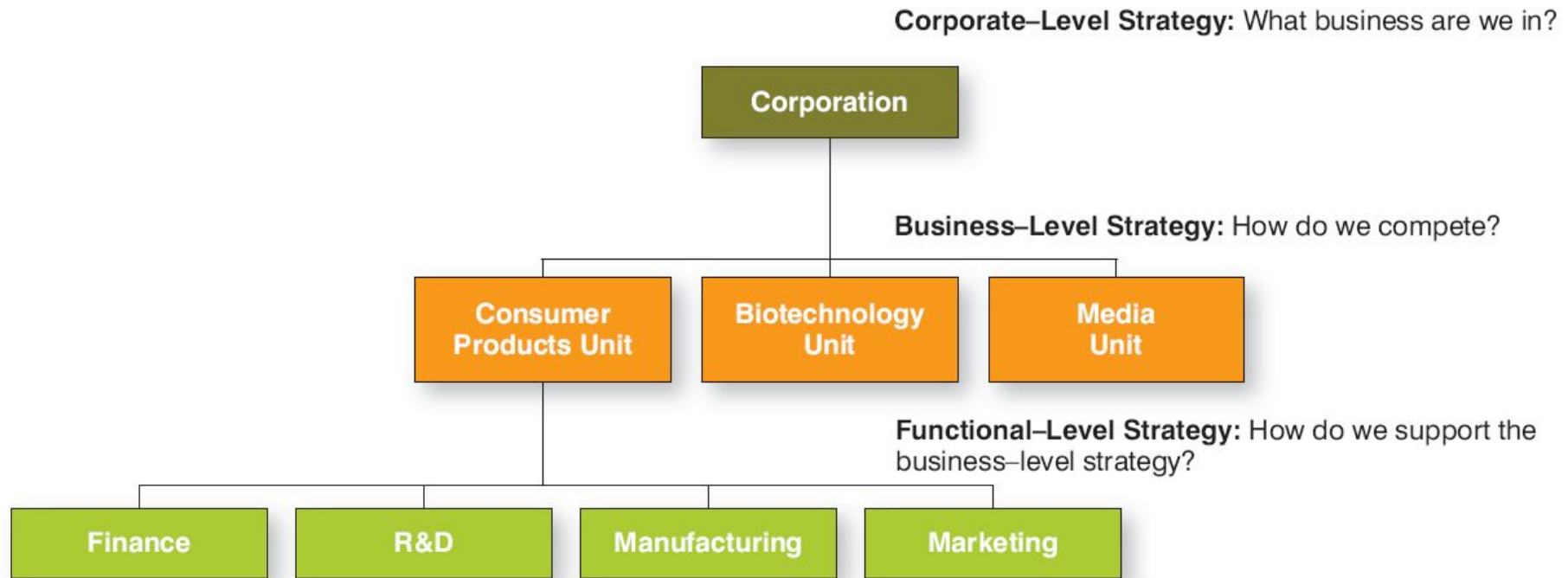
SOURCE: Milton Leontiades, *Strategies for Diversification and Change* (Boston: Little, Brown, 1980): 63; and Dan E. Schendel and Charles W. Hofer, eds., *Strategic Management: A New View of Business Policy and Planning* (Boston: Little, Brown, 1979): 11–14.

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Levels of Strategy

What business are we in? ➔ Corporate-level strategy

How do we compete? ➔ Business-level strategy

How do we support the business-level strategy? ➔ Functional-level strategy

Strategy Formulation Versus Execution

- ***Strategy Formulation***
  - Assess environment and internal problems
  - Planning
  - Decision making
  - Establishment of goals

- ***Strategy Execution***
  - Directing resources
  - Accomplishing results
  - Changes in structure
  - *Use managerial and organizational tools*
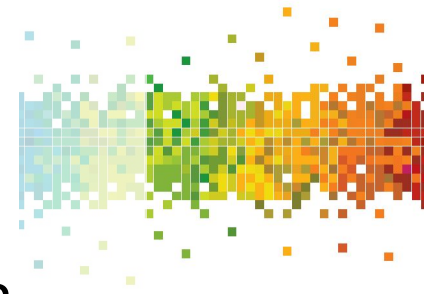
The Strategic Management Process

Exhibit 8.2 The Strategic Management Process
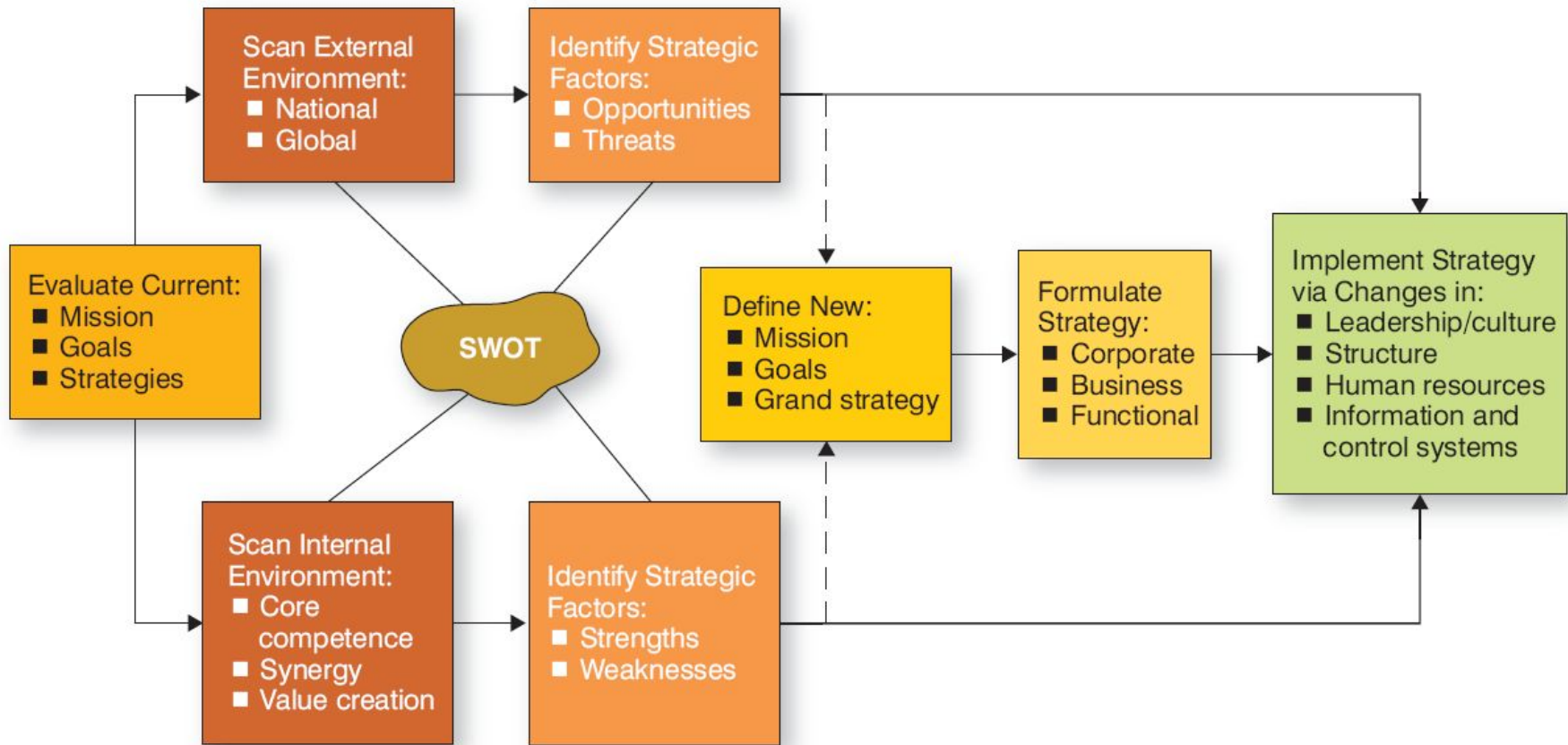
SWOT Analysis

Assessment of internal and external factors

- Organizational strengths, weaknesses, opportunities, and threats
  - Reports
  - Budgets
  - Financial ratios
  - Employee Surveys

- External information about opportunities and threats
  - Customers
  - Government reports
  - Professional journals
  - Bankers
  - Consultants
  - Association meetings
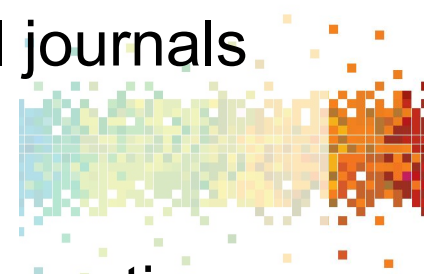
Formulating Corporate-Level Strategy

- Portfolio Strategy

  - A diverse mix of business units

  - Strategic Business Units (SBU) have different products, mission, markets and competitors

- The BCG Matrix

  - Organizes businesses along two dimensions—growth and market share

- Diversification Strategy

  - Movement into new lines of business

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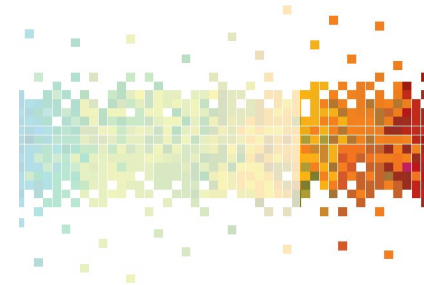
The BCG Matrix

Exhibit 8.4 The BCG Matrix

Market Share — High ... Low

Business Growth Rate — High ... Low

Stars
Rapid growth and expansion.

Question Marks
New ventures. Risky – a few become stars, others are divested.

Cash Cows
Milk to finance question marks and stars.

Dogs
No investment. Keep if some profit. Consider divestment.
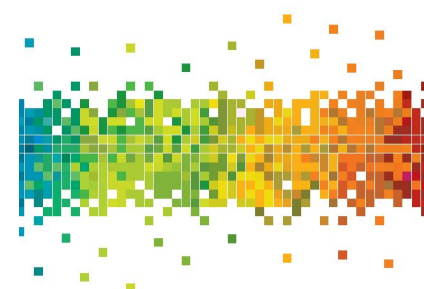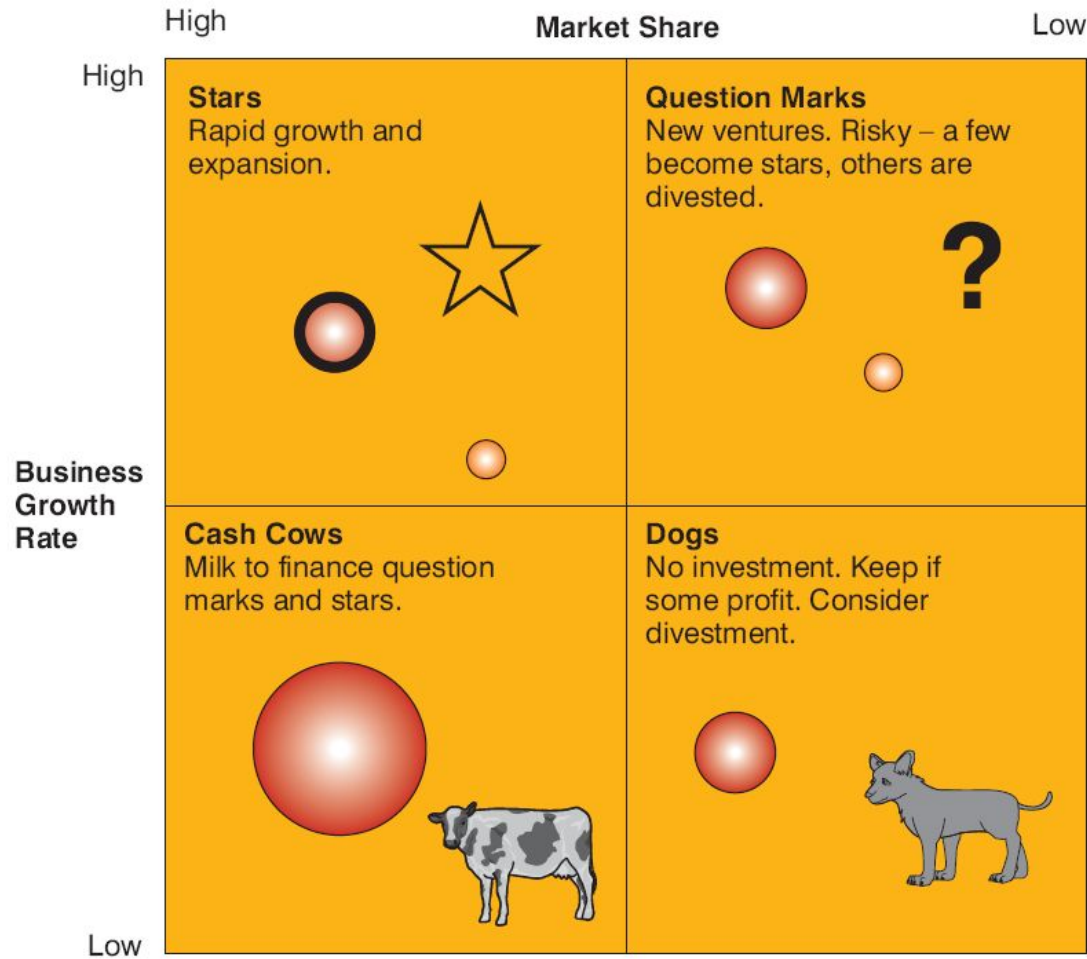
Formulating Business-Level Strategy

- Porter's Five Forces – analyzing a company's position in the industry

  ◻ Potential New Entrants

  ◻ Bargaining Power of Buyers

  ◻ Bargaining Power of Suppliers

  ◻ Threat of Substitute Products

  ◻ Rivalry Among Competitors
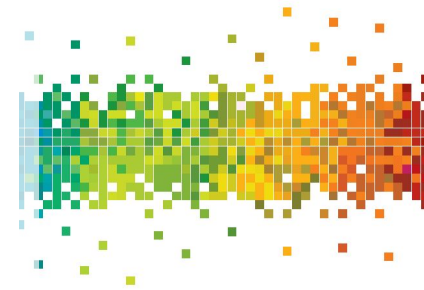
Porter's Five Forces

Exhibit 8.5 Porter's Five Forces Affecting Industry Competition

- Internet reduces barriers to entry

Potential New Entrants

- Internet blurs differences among competitors

Threat of Substitute Products

- Internet creates new substitution threats

Rivalry Among Competitors

Bargaining Power of Buyers

- Internet shifts greater power to end consumers

Bargaining Power of Suppliers

- Internet tends to increase bargaining power of suppliers

SOURCE: Based on Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: Free Press, 1980); and Michael E. Porter, 'Strategy and the Internet', *Harvard Business Review* (March 2001): 63–78.

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Implementing Change
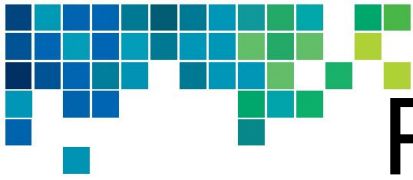
- ***Need for Change.*** Many people are not willing to change. Managers must recognize the need and make others aware.

- ***Resistance to Change.*** Getting others to understand the need for change is the first step.

  - Self-interest

  - Lack of Understanding and Trust

  - Uncertainty

  - Different Assessment and Goals

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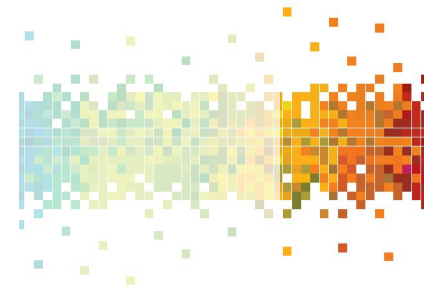
Force-Field Analysis

- Change was a result of the competition between driving and restraining forces.

- *Driving forces* are the problems and opportunities that provide motivation to change.

- *Restraining forces* are the various barriers to change.

- Managers should recognize the driving force and the restraining forces.

- *As barriers are reduced, behaviour will shift.*

Personal Characteristics of Leaders

Exhibit 15.3 Personal Characteristics of Leaders

Physical Characteristics	Personality	Work-Related Characteristics
Energy	Self-confidence	Achievement drive, desire to excel
Physical stamina	Honesty and integrity	Conscientiousness in pursuit of goals
	Enthusiasm	Persistence against obstacles, tenacity
	Desire to lead	
	Independence	

Intelligence and Ability	Social Characteristics	Social Background
Intelligence, cognitive ability	Sociability, interpersonal skills	Education
Knowledge	Cooperativeness	Mobility
Judgement, decisiveness	Ability to enlist cooperation	
	Tact, diplomacy	

SOURCE: Based on Bernard M. Bass, *Bass & Stogdill's Handbook of Leadership: Theory, Research, and Managerial Applications,* 3rd ed. (New York: The Free Press, 1990): 80–81; and S. A. Kirkpatrick and E. A. Locke, 'Leadership: Do Traits Matter?', *Academy of Management Executive* 5, no. 2 (1991): 48–60.

Behavioral Approaches to Leadership

- **Ohio State Studies**
  - Consideration: people-oriented behavior
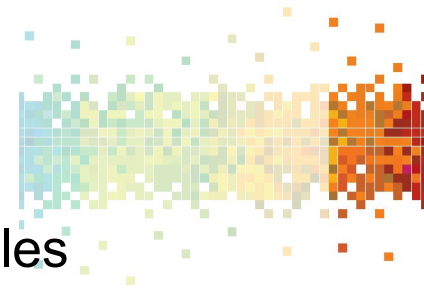 - Initiating structure: task-behavior that directs work activities

- **Michigan Studies**
  - Employee-centered leaders: focused on subordinates human needs
  - Job-centered leaders: meeting schedules, keeping costs low and achieving productivity

- **The Leadership Grid**
  - Built on both Ohio State and Michigan Studies
  - Two-dimensional grid w/ five major management styles

The Leadership Grid

Exhibit 15.4

High

9 1.9
Country Club Management
Thoughtful attention to the needs of people for satisfying relationships leads to a comfortable, friendly organization atmosphere and work tempo.

9.9
Team Management
Work accomplishment is from committed people: interdependence through a common stake in organization purpose leads to relationships of trust and respect.

5 5.5
Middle-of-the-Road Managemnet
Adequate organization performance is possible through balancing the necessity to get out work with maintaining morale of people at a satisfactory level.

Impoverished Management
Exertion of minimum effort to get required work done is appropriate to sustain organization membership.
1.1

Authority-Compliance
Efficiency in operations results from arranging conditions of work in such a way that human elements interfere to a minimum degree.
9.1 ®

Concern for People

Low

1 2 3 4 5 6 7 8 9
Low **Concern for Production** **High**

SOURCE: The Leadership Grid® figure, Paternalism figure and Opportunism from *Leadership Dilemmas-Grid Solutions,* by Robert R. Blake and Anne Adams McCanse (formerly the Managerial Grid by Robert R. Blace and Jase S. Mouton). Houston: Gulf Publishing Company. (Grid figure: p. 29, Paternalism figure: p. 30, Opportunism figure: p. 31.) Copyright © 1991, by Blake and Mouton, and Scientific Methods, Inc. Reproduced by permission of the owners.

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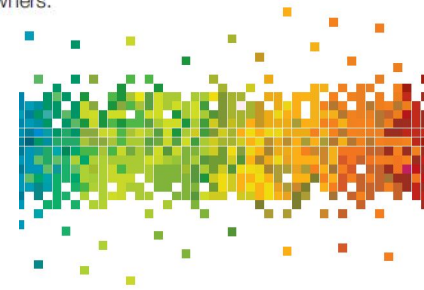
Contingency Approaches

Hersey and Blanchard's Situational Theory

- Characteristics of followers and determining appropriate leadership behavior

- Adopt one of four leadership styles

Fiedler's Contingency Theory

- Apply leader's style to organizational situation

- Is situation favorable on unfavorable to the leader's style

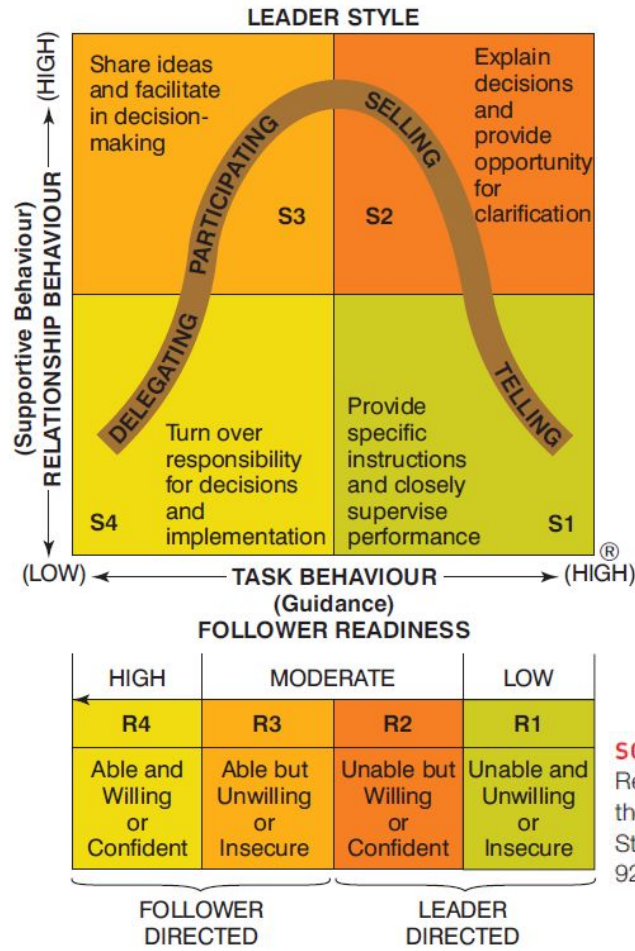# Situational Theory: Hersey & Blanchard

Exhibit 15.5

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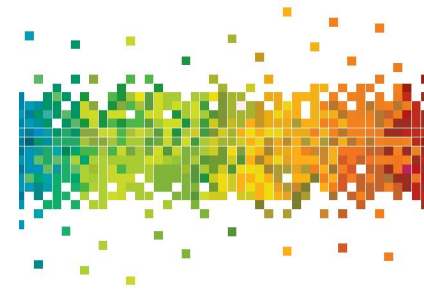
How Leader Style Fits the Situation

Exhibit 15.6

	Situation Very Favourable to Leader		Situation Intermediately Favourable to Leader				Situation Very Unfavourable to Leader	
Leader–Member Relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task Structure	Structured		Unstructured		Structured		Unstructured	
Leader Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak
	I	II	III	IV	V	VI	VII	VIII
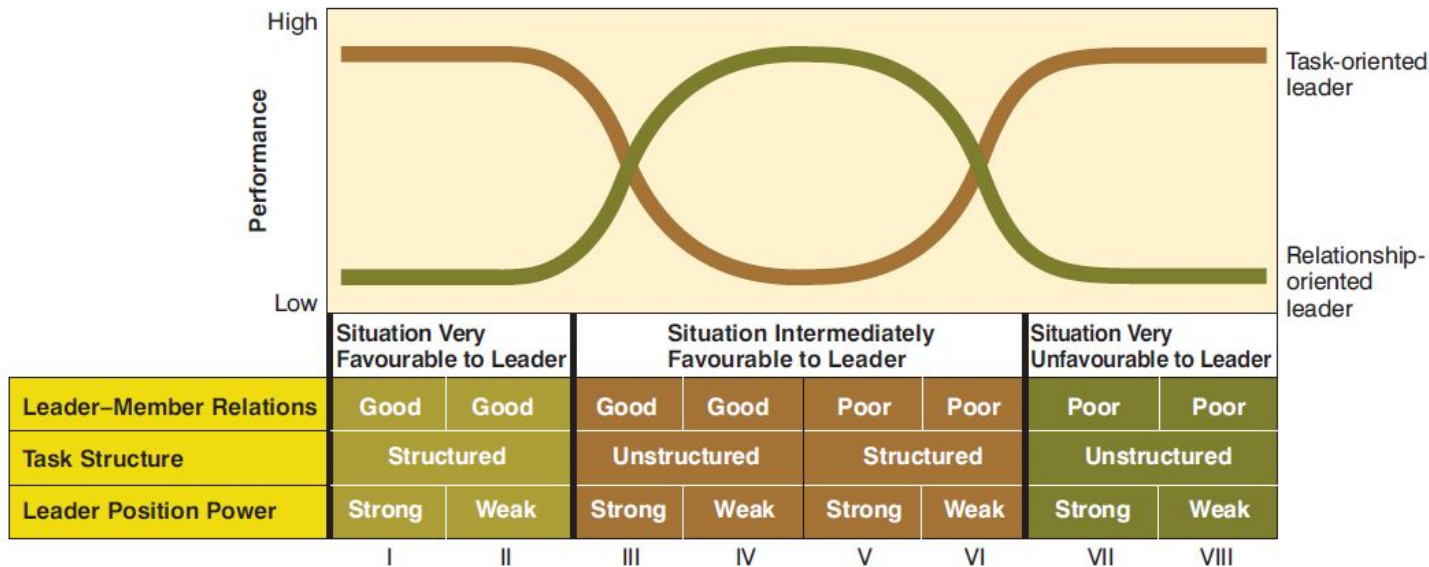
SOURCE: Based on Fred E. Fiedler, 'The Effects of Leadership Training and Experience: A Contingency Model Interpretation', *Administrative Science Quarterly* 17 (1972): 455.

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Path goal theory

Exhibit 15.7

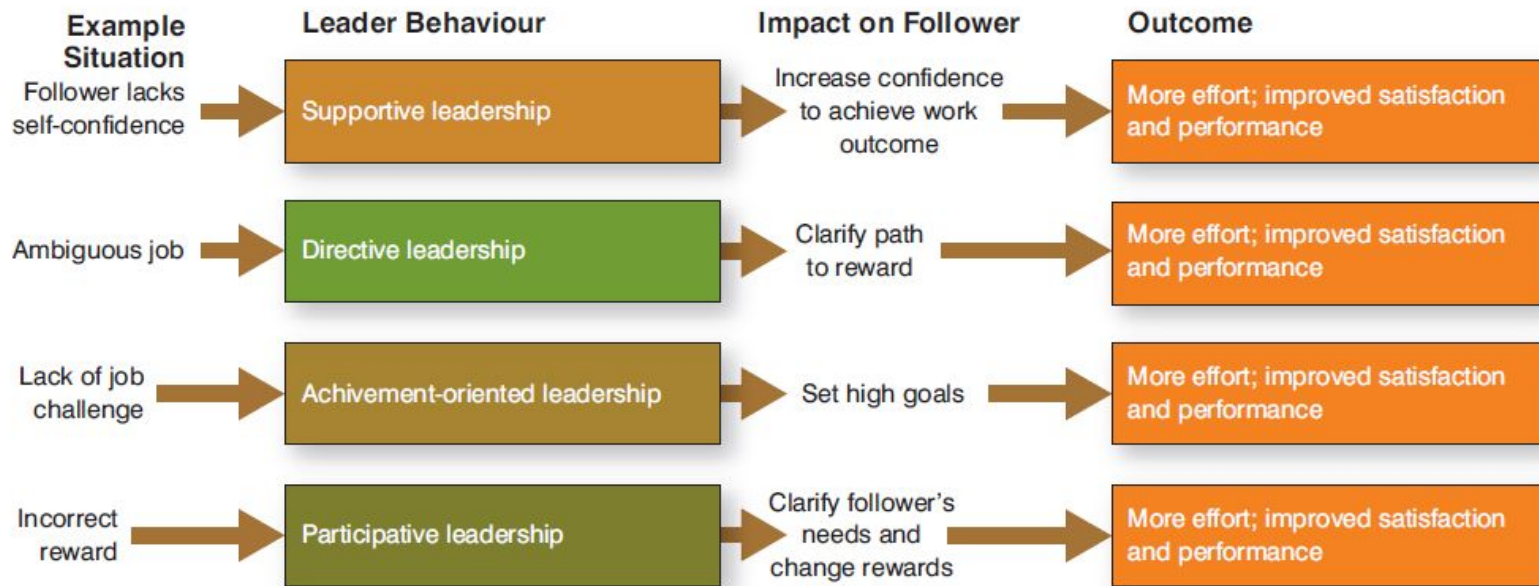| Example Situation	Leader Behaviour	Impact on Follower	Outcome
Follower lacks self-confidence	Supportive leadership	Increase confidence to achieve work outcome	More effort; improved satisfaction and performance
Ambiguous job	Directive leadership	Clarify path to reward	More effort; improved satisfaction and performance
Lack of job challenge	Achivement-oriented leadership	Set high goals	More effort; improved satisfaction and performance
Incorrect reward	Participative leadership	Clarify follower's needs and change rewards	More effort; improved satisfaction and performance

SOURCE: Adapted from Gary A. Yukl, *Leadership in Organizations* (Englewood Cliffs, NJ: Prentice Hall, 1981): 146–152.

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Substitutes and Neutralizers for Leadership

Exhibit 15.8
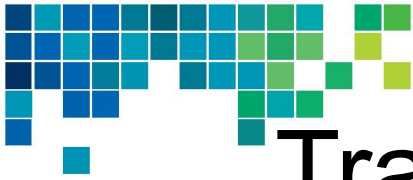
Variable		Task-Oriented Leadership	People-Oriented Leadership
Organizational variables	Group cohesiveness	Substitutes for	Substitutes for
	Formalisation	Substitutes for	No effect on
	Inflexibility	Neutralises	No effect on
	Low position power	Neutralises	Neutralises
	Physical separation	Neutralises	Neutralises
Task characteristics	Highly structured task	Substitutes for	No effect on
	Automatic feedback	Substitutes for	No effect on
	Intrinsic satisfaction	No effect on	Substitutes for
Group characteristics	Professionalism	Substitutes for	Substitutes for
	Training/experience	Substitutes for	No effect on

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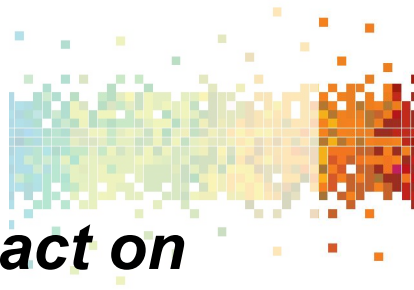RICHARD L. DAFT, MARTYN KENDRICK, NATALIA VERSHININA

Charismatic Leadership

- Leadership can ***inspire and motivate people***

- Charismatic Leaders

  - Lofty visions

  - Ability to understand and empathize

  - Empowering and trusting subordinates

- Charismatic leaders are less predictable and create an environment of change
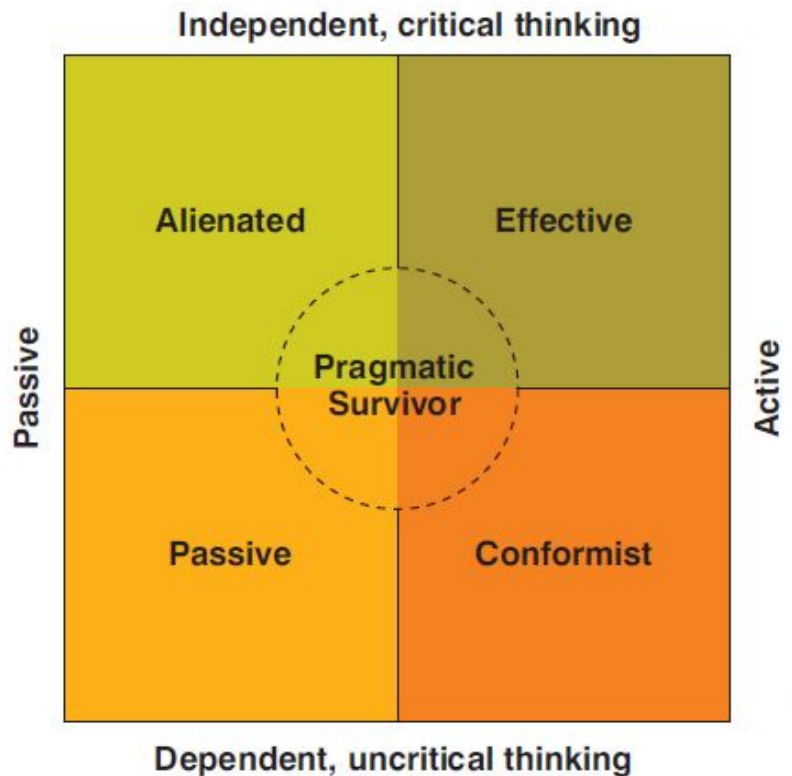
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Transformational vs. Transactional Leadership

- Transformational leaders drive innovation and change

  – Recognize needs of followers

  – Inspire others to believe in themselves

- Different than transactional leadership

  – Initiate structure, provide rewards

  – Excel in management functions

- *Transformational leaders have positive impact on followers*

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Followership

✔ Leaders can develop understanding of followers

✔ Good followers have leadership traits

✔ Effective followers are independent, critical thinkers

Independent, critical thinking

Alienated	**Effective**
Passive	**Conformist**

Pragmatic Survivor

Passive

Active

Dependent, uncritical thinking

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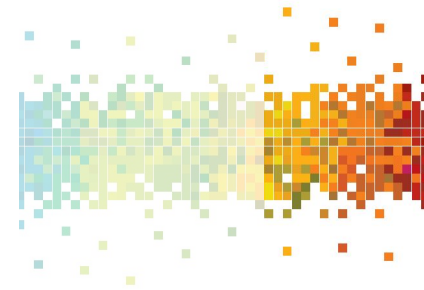RICHARD L. DAFT, MARTYN KENDRICK, NATALIA VERSHININA

Power

- Position Power
  - *Legitimate Power:* formal position
  - *Reward Power:* authority to reward others
  - *Coercive Power:* authority to punish or recommend

- Personal Power
  - *Expert Power:* knowledge and skills
  - *Referent Power:* personal characteristics

- Other Source of Power
  - *Personal Effort:* initiative
  - *Network of Relationships:* cultivated people resources
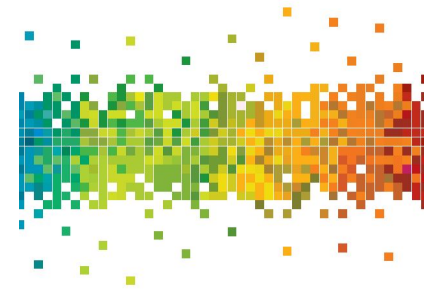 - *Information:* access to information

Power and influence are not the same.

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Interpersonal Influence Tactics

✔ Use rational persuasion

✔ Make people like you

✔ Rely on the rule of reciprocity

✔ Develop allies

✔ Ask for what you want

✔ Make use of higher authority

✔ Reward the behaviors you want

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A Simple Model of Motivation

Exhibit 16.1

NEED Creates desire to fulfil needs (food, friendship, recognition, achievement) → **BEHAVIOUR** Results in actions to fulfil needs → **REWARDS** Satisfy needs; intrinsic or extrinsic rewards

FEEDBACK Reward informs person whether behaviour was appropriate and should be used again.

- Motivation can lead to behaviors that reflect high performance within organizations.

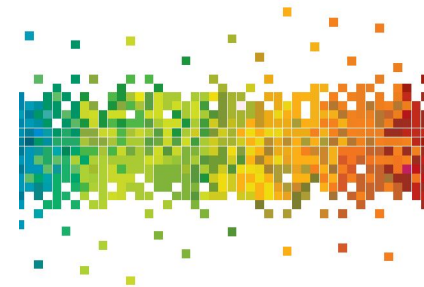- High employee motivation is related to high organizational performance and profits.
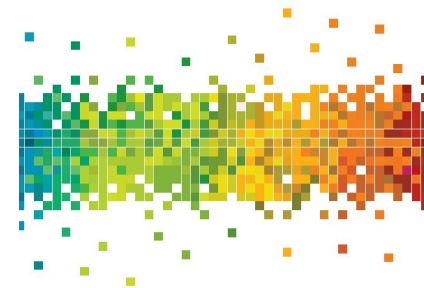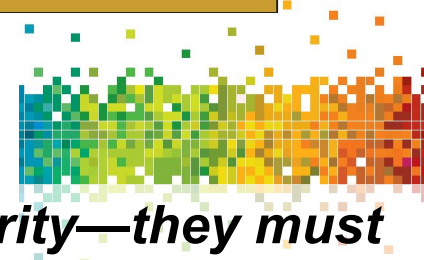
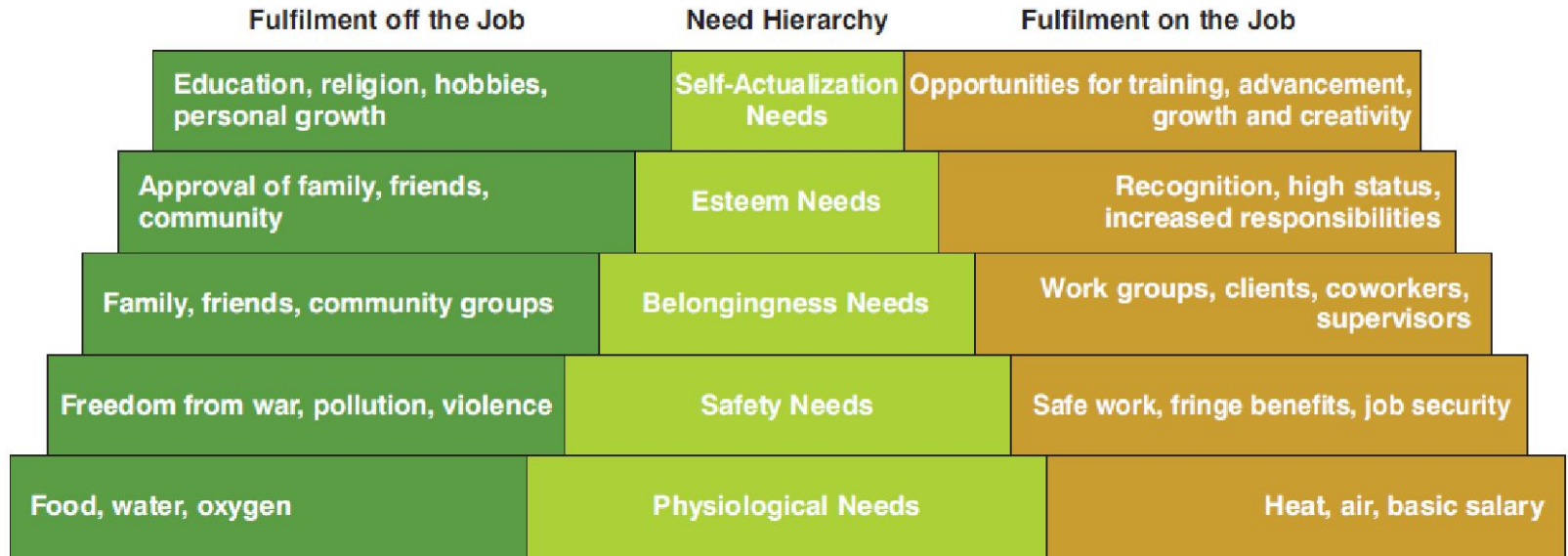# Content Perspectives on Motivation

These theories emphasize the needs that motivate people.

- Hierarchy of Needs Theory

- ERG Theory

- Two-Factor Theory

- Acquired Needs Theory
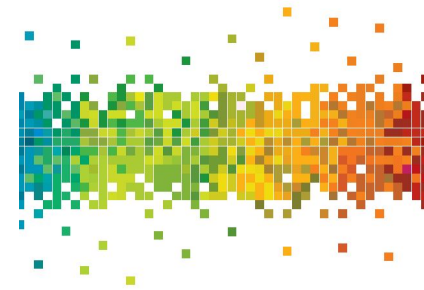
Maslow's Hierarchy of Needs

Fulfilment off the Job	Need Hierarchy	Fulfilment on the Job
Education, religion, hobbies, personal growth	Self-Actualization Needs	Opportunities for training, advancement, growth and creativity
Approval of family, friends, community	Esteem Needs	Recognition, high status, increased responsibilities
Family, friends, community groups	Belongingness Needs	Work groups, clients, coworkers, supervisors
Freedom from war, pollution, violence	Safety Needs	Safe work, fringe benefits, job security
Food, water, oxygen	Physiological Needs	Heat, air, basic salary

According to Maslow's Theory, low-order needs take priority—they must be satisfied before higher-order needs are activated.

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Maslow's Hierarchy of Needs

✔ Once a need is satisfied, it declines in importance and the next higher need is activated

✔ There are opportunities for fulfillment off the job and on the job in each of the five levels of needs

ERG Theory

- ERG is a simplification of Maslow.
- Three categories of needs:
  - *Existence needs.* The needs for physical well-being.
  - *Relatedness needs.* The needs for satisfactory relationships with others.
  - *Growth needs.* The needs that focus on the development of human potential and the desire for personal growth.

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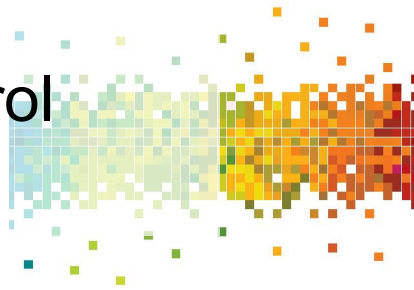RICHARD L. DAFT, MARTYN KENDRICK, NATALIA VERSHININA
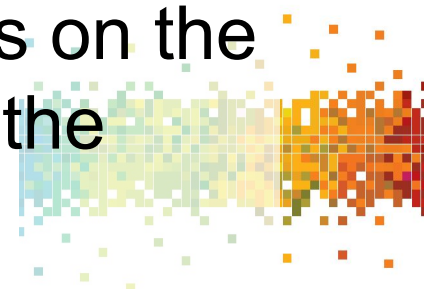
Two-Factor Motivation Theory

Exhibit 16.4
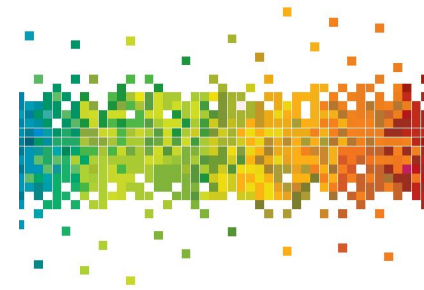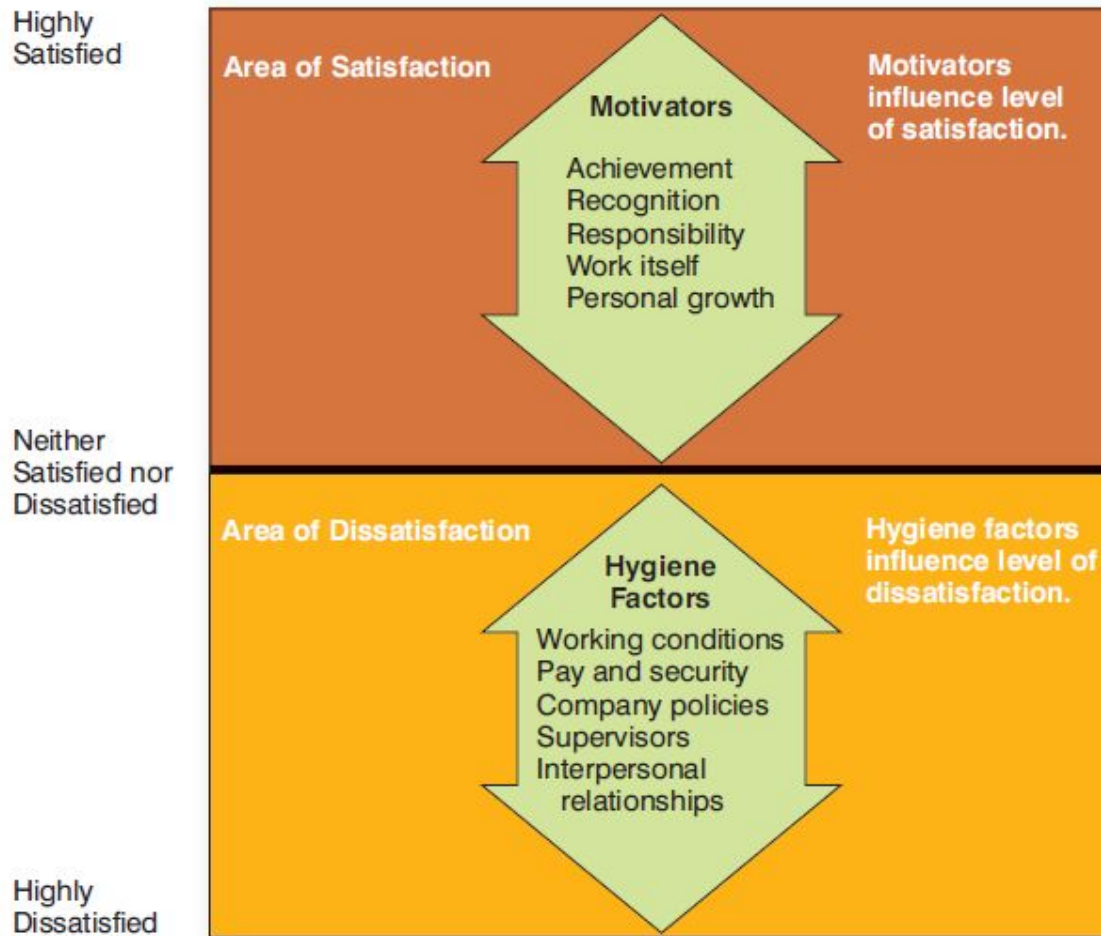
Acquired Needs Theory

- **Need for Achievement.** desire to accomplish something difficult, master complex tasks, and surpass others.

- **Need for Affiliation.** desire to form close personal relationships, avoid conflict, and establish warm friendships.

- **Need for Power.** desire to influence or control others.

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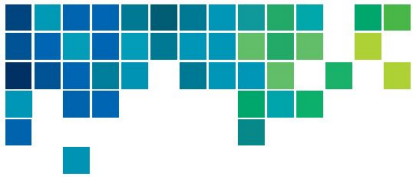RICHARD L. DAFT, MARTYN KENDRICK, NATALIA VERSHININA

Process Perspectives on Motivation

These theories explain how people select behavioral actions to meet their needs.

- Goal-Setting Theory

- Equity Theory

- Expectancy Theory

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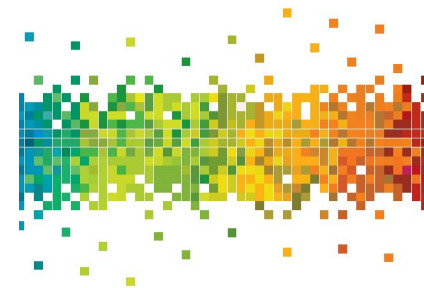
Goal-Setting

- Specific, challenging targets significantly enhance people's motivation and performance.

- Managers can improve performance by setting specific goals.

- ***Goal-setting theory requires:***
  - Specific Goals
  - Difficult Goals
  - Acceptance
  - Feedback

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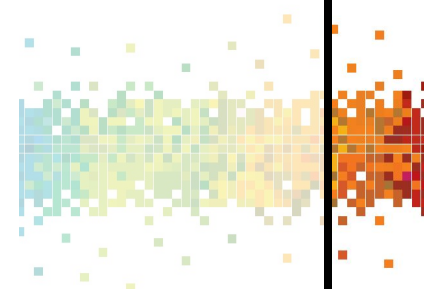
Equity Theory

❑ Focuses on individuals' <u>perceptions</u> of how <u>fairly</u> they are treated compared with others

❑ Motivated to seek <u>social equity</u> in the rewards they expect for performance

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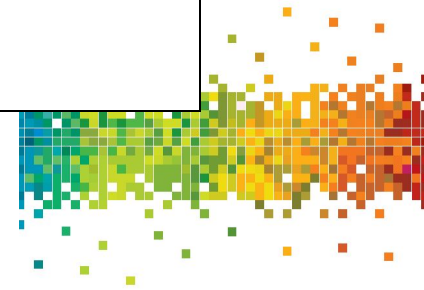
Methods for Reducing Perceived Inequities

- Change Work Efforts

- Change Outcomes

- Change Perceptions

- Leave the Job

Employees evaluate the perceived equity of their rewards compared to others'.

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Expectancy Theory

❑ Motivation depends on individuals' expectations about their ability to perform tasks and receive desired rewards

❑ Focuses on the thinking process that individuals use to achieve rewards

❑ Based on the effort, performance, and desirability of outcomes

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Major Elements of Expectancy Theory

Exhibit 16.5
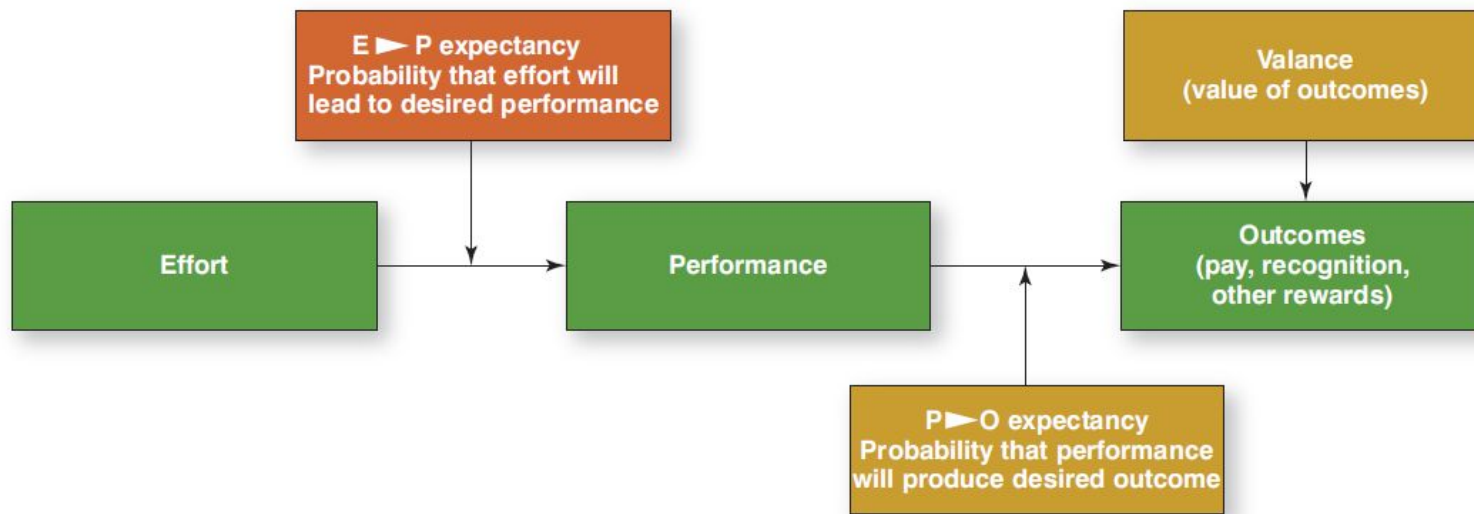
Valence – the value or attraction an individual has for an outcome

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Reinforcement Perspective on Motivation

Exhibit 16.6
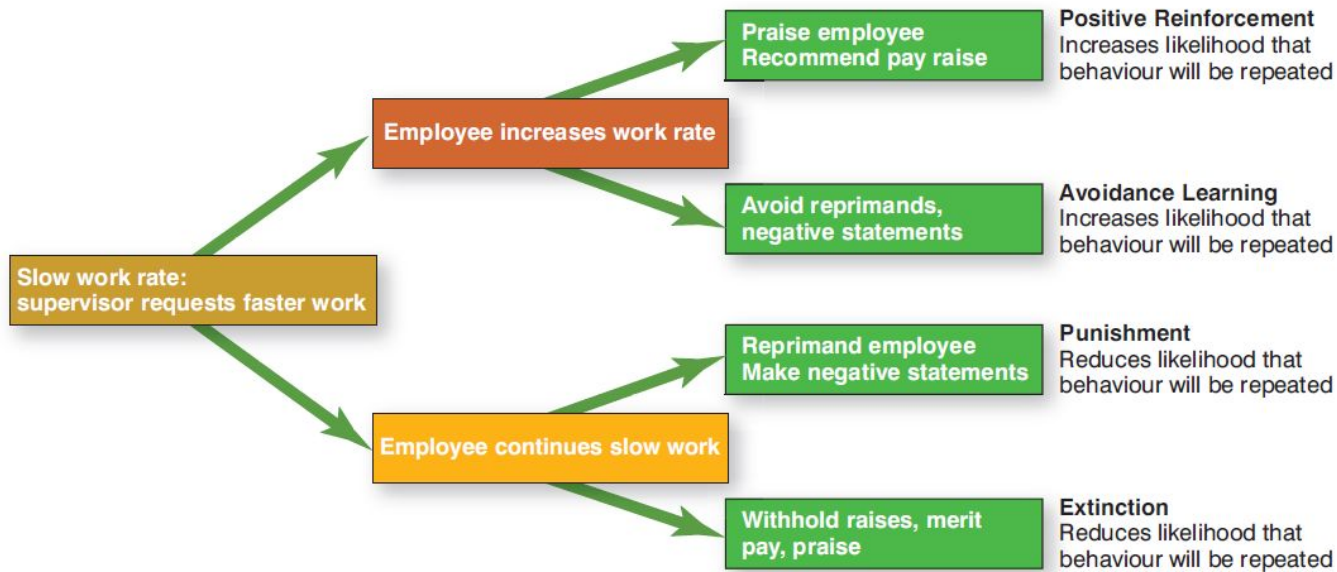
SOURCE: Based on Richard L. Daft and Richard M. Steers, *Organizations: A Micro/Macro Approach* (Scott, Foresman Glenview, IL;, 1986): 109.
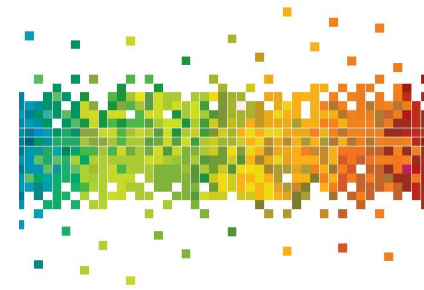
Job Design for Motivation

Job Design - application of motivational theories to the structure of work

Exhibit 16.8
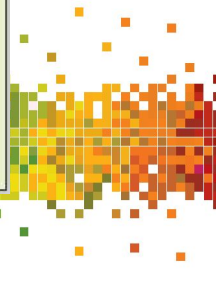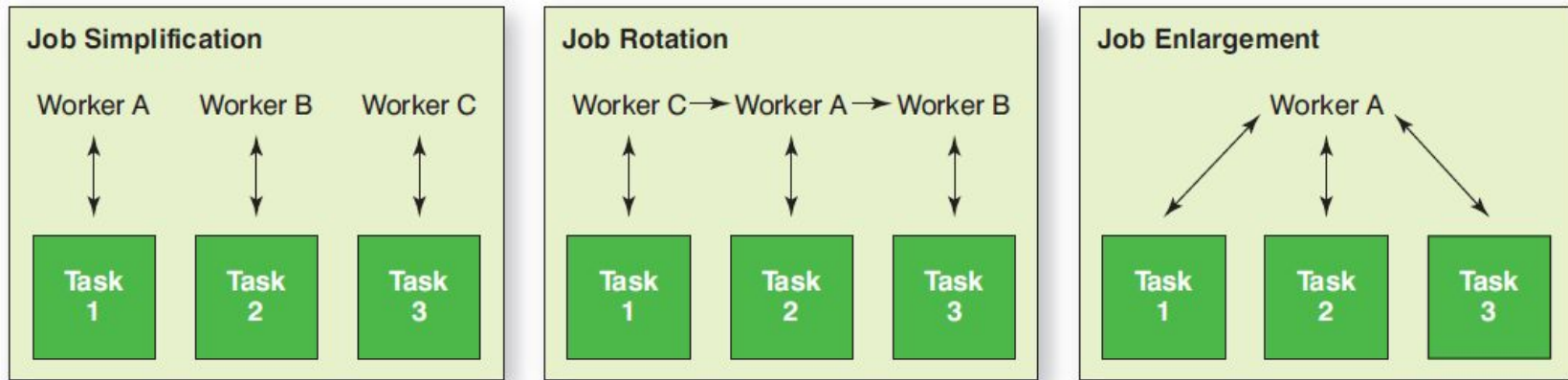
Job Design for Motivation

Job Simplification - improve task efficiency by reducing the number of tasks

Job Rotation - moving employees from one job to another to provide them with variety and stimulation

Job Enlargement - combining a series of tasks into one new, broader job to give employees variety and challenge

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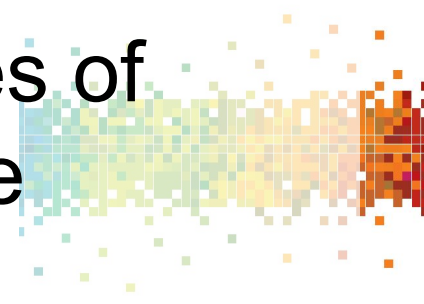
Job Design for Motivation

Job Enrichment - incorporating achievement, recognition, and other high-level motivators into the work

Work redesign – altering jobs to increase both the quality of employee's work experience and their productivity

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Job Characteristics Model

Core Job Dimensions	Critical Psychological States	Personal and Work Outcomes
Skill variety Task identity Task significance	Experienced meaningfulness of the work	High internal work motivation
Autonomy	Experienced responsibility for outcomes of the work	High-quality work performance
Feedback	Knowledge of the actual results of the work activities	High satisfaction with the work
		Low absenteeism and turnover

Employee Growth-Need Strength

SOURCE: Adapted from J. Richard Hackman and G.R. Oldham, 'Motivation through the Design of Work: Test of a Theory', *Organizational Behavior and Human Performance* 16 (1976): 256.

The Meaning of Control

- The systematic process of regulating organizational activities to meet expectations
  - Established plans
  - Targets
  - Standards

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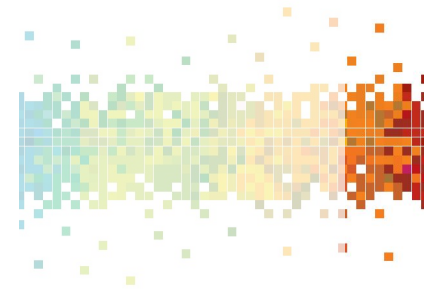
Choosing Standards and Measures

- Common forms of control include financial performance
  - Sales
  - Revenue
  - Profit
- There is a growing need to measure intangible aspects of performance
  - Customer Service
  - Customer Retention

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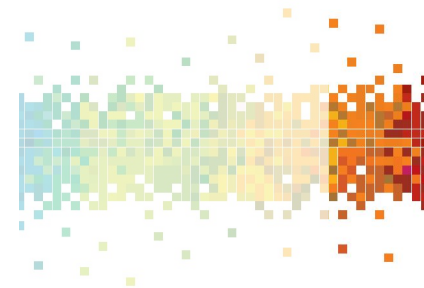
The Balanced Scorecard

- Comprehensive **management control system** that balances traditional financial measures with:
  - Customer Service
  - Internal Business Processes
  - Learning and Growth

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Exhibit 19.1 The Balanced Scorecard

Review the Scorecard

Financial

Do actions contribute to improving financial performance?

Targets	Measures	Outcomes	Corrections

Customers

How well do we serve our customers?

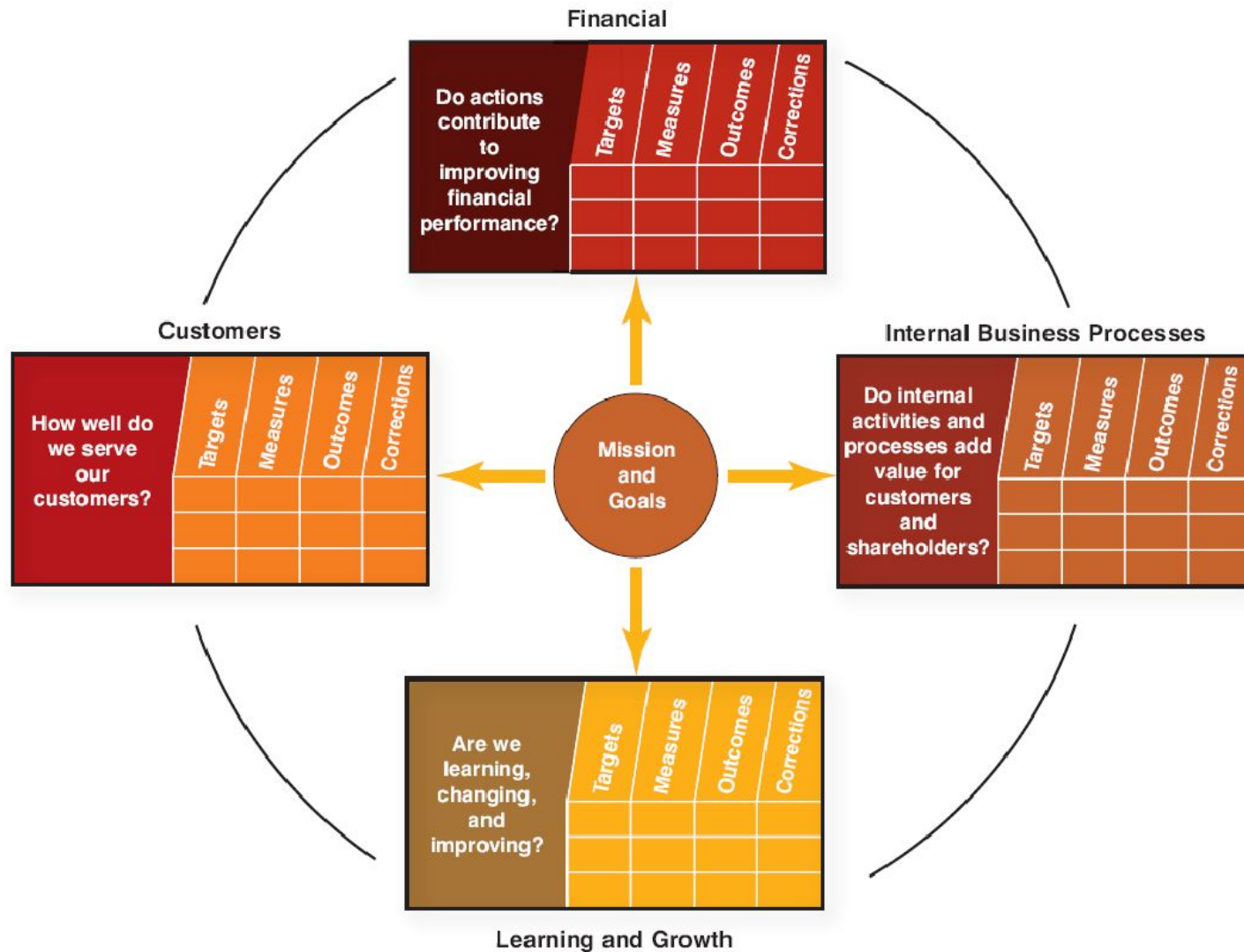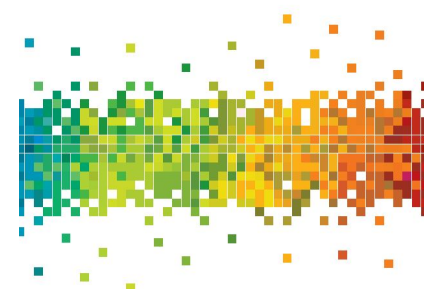| Targets	Measures	Outcomes	Corrections

Mission and Goals

Internal Business Processes

Do internal activities and processes add value for customers and shareholders?

Targets	Measures	Outcomes	Corrections

Learning and Growth

Are we learning, changing, and improving?

Targets	Measures	Outcomes	Corrections

SOURCES: Based on Robert S. Kaplan and David P. Norton, 'Using the Balanced Scorecard as a Strategic Management System', *Harvard Business Review* (January–February 1996): 75–85; and Chee W. Chow, Kamal M. Haddad and James E. Williamson, 'Applying the Balanced Scorecard to Small Companies', *Management Accounting* 79, no. 2 (August 1997): 21–27.
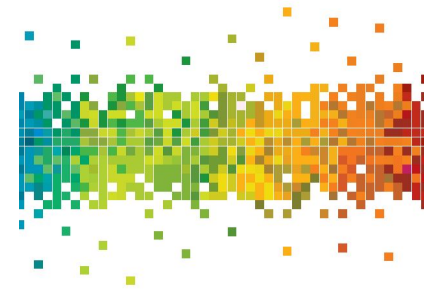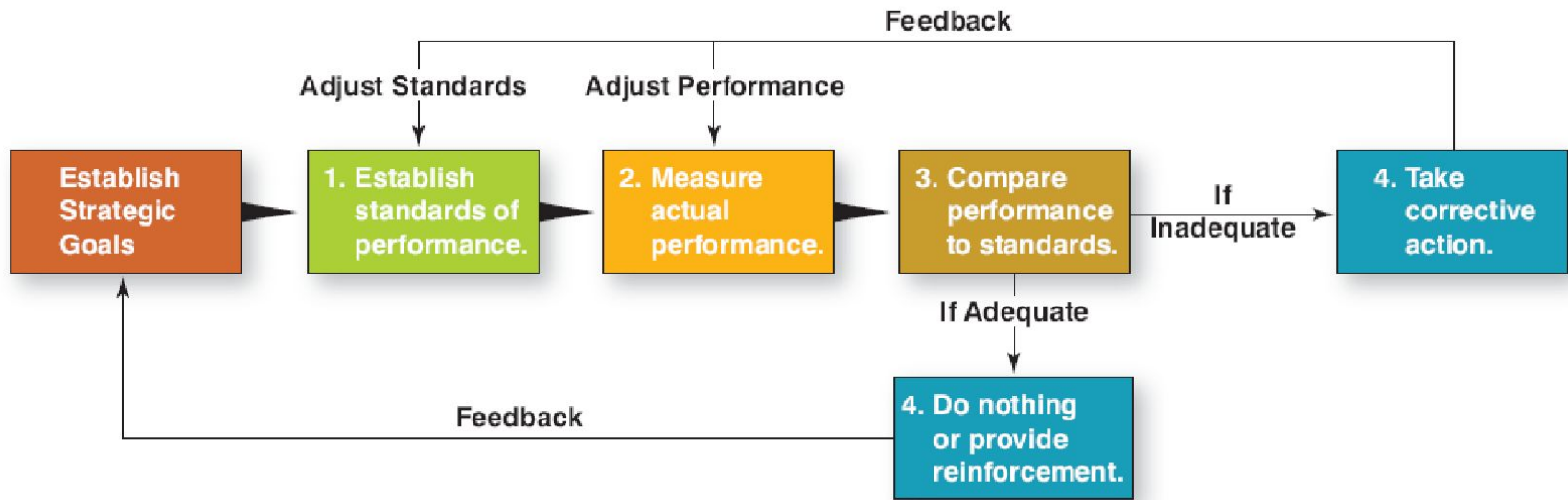
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Steps of Feedback Control

✔ Establish Standards of Performance

✔ Measure Actual Performance

✔ Compare Performance to Standards

✔ Take Corrective Action

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Feedback Control Model

Exhibit 19.2 Feedback Control Model

Open-Book Management

- Information sharing

- Teamwork

- Encourage active participation

- Commitment to goals

- ***Open-book management*** allows employees to see for themselves—through charts, computer printouts, meetings, and so forth—the financial condition of the company

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