



UNIVERSITY *of* NICOSIA

# Performance Measurement

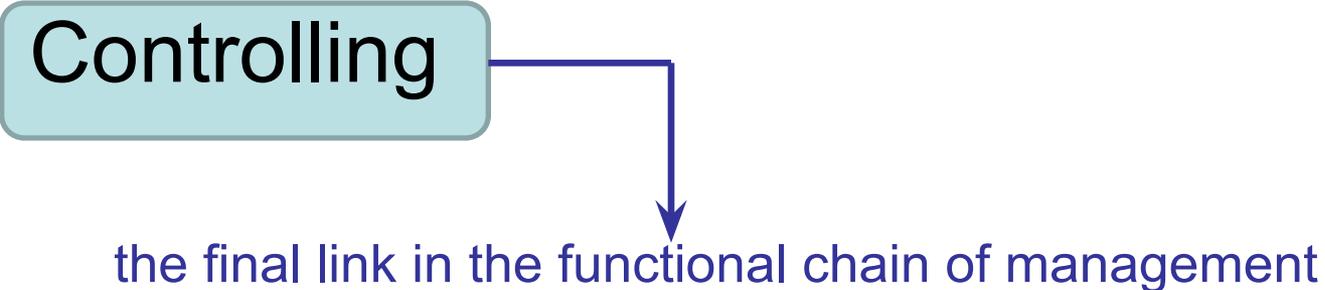
Harry Kogetsidis  
School of Business

# Lecture's topics

- What is controlling?
- What are the steps of the control process?
- What are the main types of control?

# Management functions

- Planning
- Organising
- Leading
- Controlling



the final link in the functional chain of management

# Controlling Function

Are activities going as planned? → monitoring

If not, what can we do about it? → taking action

# Controlling Function

Controlling is the process of:

- **monitoring** activities to ensure they are being accomplished as planned
- **acting** to correct any significant variations

# Controlling Function

Frequent checks ensure that corrective action is taken quickly to avoid wasting effort and resources.

when?



# Controlling Function

All managers exercise control as they try to add value by transforming resources into outputs of greater value.

by whom?



# Example 1

Volume of sales in November: 975 units.

Average monthly volume of sales: 1000 units.

**Variation** =  $1000 - 975 = 25$  units.

**Action:** Do nothing (variation acceptable).

## Example 2

Volume of sales in November: 800 units.

Average monthly volume of sales: 1000 units.

**Variation** =  $1000 - 800 = 200$  units.

**Action:** Identify cause of variation and correct performance.

# The Control Process

The control process involves four basic steps.

# The Control Process

Step 1 - Define objectives and set **standards**.

# Setting standards

The **standard** will itself have an effect on its achievement.

→ **standards** seen as too high may be ignored as unattainable

→ **standards** that are too low will lower performance

# The Control Process

Step 2 - Measure performance.

# Measuring performance

Quantifiable aspects of performance are relatively easy to measure whereas non-quantifiable aspects of performance are more open to subjective interpretations.

# The Control Process

Step 3 - Compare performance with standard.

# Comparing performance with standard

As some variation from the plan is always to be expected, managers need to determine the acceptable range of variation.

# The Control Process

Step 4 - Take appropriate managerial action to correct variations or inadequate standards.

# Taking action

Managers need to act on significant variations from the plan – either to correct future performance or to revise inadequate standards.

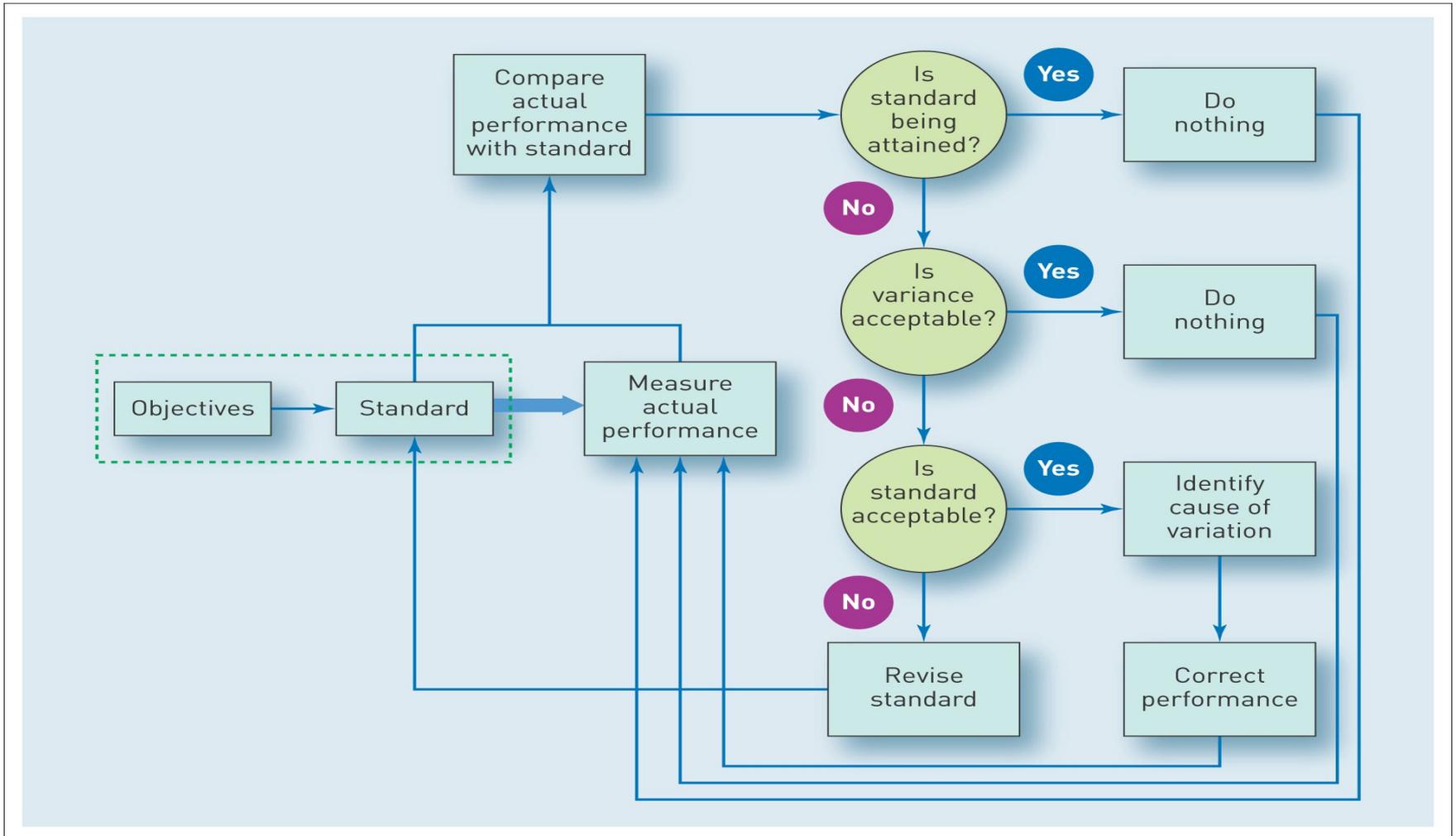
# Taking action

Managers need to act on significant variations from the plan – either to correct future performance or to **revise inadequate standards.**



Be careful – a constant lowering of standards can result in employees blaming the standard as being too high rather than accepting that their performance was inadequate!

# The Control Process



# Types of Control

- Concurrent control
- Feedback control

# Concurrent Control

- Takes place while an activity is in progress.
- Normally involves direct supervision.

**Main advantage:** allows managers to correct problems before they become too costly.

# Feedback Control

- Takes place after the activity.
- Does not require direct supervision.

**Main advantage:** allows managers to provide feedback, which can enhance employee motivation.

# Control & organisational size

- Small organisations:
  - informal & personal
  - concurrent control through direct supervision
- Large organisations:
  - formal & impersonal
  - feedback control

# Control & position level

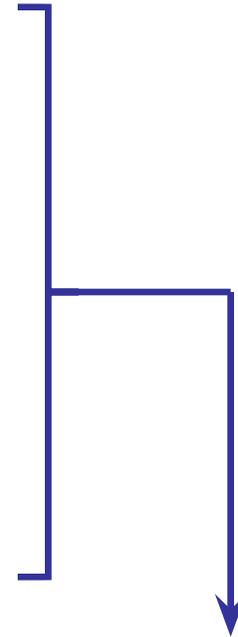
- Low-level positions:
  - performance easier to measure
- High-level positions:
  - performance more difficult to measure
  - many performance criteria

# Control & degree of decentralisation

- Low decentralisation:
  - reduced number of controls
- High decentralisation:
  - increased number of controls

# Control & degree of decentralisation

- Low decentralisation:
  - reduced number of controls
- High decentralisation:
  - increased number of controls



**Note:** Managers who delegate authority are ultimately responsible for the actions of those to whom it is delegated.