MONITOR STAFF PERFORMANCE

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Unit descriptor

Monitor staff performance

This unit deals with the skills and knowledge required to Monitor staff performance in a range of settings within the hotel and travel industries workplace context. At this stage of human resource management (HRM), we now have employees in our organization who can do the work, we've given them at least some initial training, and they are now doing their individual jobs. What's next? The next issue that we need to figure out is how to manage their performance over time to ensure that they remain productive, and hopefully become even more capable, as they progress in their careers.

Learning Objectives

By the end of this module, you will be able to:

- Explain the concept of performance management;
- Distinguish performance management from performance appraisal;
- Explain the many advantages of and make a business case for implementing a well-designed performance management system;
- Recognize the multiple negative consequences that can arise from the poor design and implementation of a performance management system, which affect all the parties involved – employees, supervisors, and the organization as a whole;
- Understand the concept of a reward system and its relationship to a performance management system;
- Distinguish between the various types of employee rewards, including compensation, benefits and relational returns;
- Describe the multiple purposes of a performance management system, including strategic, administrative, information, developmental, organizational maintenance and documentation purposes;

A. THE BASIC ELEMENTS OF THE CONTROL PROCESS

In this study unit we start the process of considering performance management by looking at the management control function and control techniques. We will work through the control process and identify areas of the organization where controls should be set. We shall consider the setting of standards and ways of measuring performance and reporting deviations. Later in the unit we will classify types of control systems and provide a summary of techniques of control. Finally, we will provide a set of guidelines for effective control. We need to start, though, by considering the place of control in management, and to do this; we shall reproduce a diagram from the first unit of the course.

Sensor

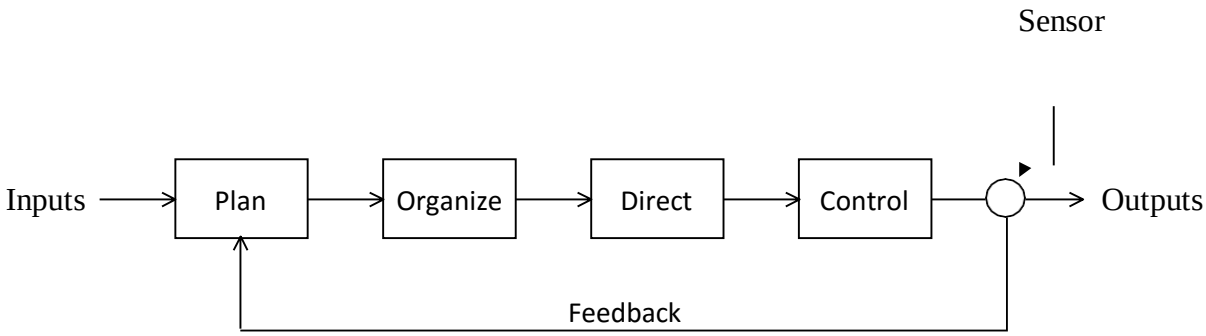


Figure: The Management Loop

Many management theorists have found it useful to group key management processes under four main headings: planning, organizing, directing and control. These functions may be seen as interrelated as in Figure above. Note that, whilst the model shows management activities as a sequence where plans become implemented and where controls monitor progress and feedback results in a real work situation, a manager may be planning some things while organizing, directing and controlling others. There are, in reality, two processes at work here monitoring and control.

Monitoring and Controlling

The term **monitor** means to maintain regular surveillance over something or someone, while **control** refers to checking and identifying performance. The term **control** may be defined generally as the process by which the organization ensures that the plans which have been made for its operations are being effectively carried out. If performance is not in accord with plans,

either factors such as the behavior of employees must be changed or, if plans are unrealistic, they must be modified.

More detailed definitions are:

"Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established" (Henri Fayol).

"... the function whereby every manager, from President to foreman, makes sure that what is done is what is intended" (Koontz and O'Donnell).

Perhaps one of the most useful definitions of control is that put forward by Drucker in his book "The Practice of Management". Note the way Drucker stresses the role of **measurement** in the control process:

"The manager establishes measuring yardsticks – and there are few factors as important to the performance of the organization and of every man in it. He sees to it that each man in the organization has measurements available to him which are focused on the performance of the whole organization, and which at the same time focus on the work of the individual and help him to do it. He analyses performance, appraises it and interprets it. And again, as in every other area of his work, he communicates both the meaning of the measurements and their findings to his subordinates as well as to his superiors."

Basic Elements of Control

The control process itself has three key elements.

- **Setting standards –** management have to establish the standards of performance which are to be met if the organization is to achieve its objectives. They must establish the ways in which progress is to be measured and monitored, the degrees of deviation from standards which will be tolerated and what actions will be taken to correct failures to achieve required performance.
- **Comparison** – actual performance measurements must be compared against standards.
- **Tackling deviations** – when deviations from the standards expected by management are detected, appropriate corrective action must be taken.

A. SETTING STANDARDS

The setting of standards establishes the parameters for performance management. Without them, it is not possible to measure outcomes in any meaningful or objective way.

There are three aspects to this:

- **Setting objectives** – every organization will have objectives but when these are translated into specific objectives for sections of the organization they need to be set in precise terms.

- **Translating objectives into standards** – a standard may be defined as a model or yardstick expressed in clearly measurable form. A simple example of a standard is the par set for a golf course – individual players compare their actual scores with the par score.

- **Setting up the monitoring of progress** – as plans become reality, their progress must be monitored and contingency plans held ready for use if things go wrong.

Where to Set Standards

Management must decide which areas of the organization are to be given standards to achieve. Drucker pinpoints those activities which are vital to the success of an organization and should be monitored against expected standards of performance. These **key result areas** are:

- **Productivity** – the amount of goods or services produced from a given input of resources. This is a crucial area for the success of an organization so must be carefully monitored and controlled.
- **Innovation** – the source of new ideas, which should be monitored for progress if the organization is to avoid stagnation.
- **Resources** – the financial, physical and human resources of the organization must be planned and controlled.
- **Management performance** – the performance of managers must be monitored to see that it is up to the requirements of the organization.
- **Worker performance** – the control system must ensure that workers are performing up to the standards set for them.
- **Market performance** – management must ensure that the organization is meeting the standards required of it by its customers.
- **Public responsibility** – the organization must ensure certain standards of conduct so that it can meet its responsibilities to the community; these must be put in precise terms.
- **Profitability** – profits are the lifeblood of businesses, so must be monitored closely.

Types of Standards

Standards for each key result area must then be decided, so that the objectives of the undertaking, department, etc. can be expressed in measurable terms, and progress towards achievement monitored.

Standards may be of the following types:

- Physical, e.g. number of items produced, sold, etc., ton-miles of freight carried, durability of a fabric, absentee rate (of labour).
- Cost, e.g. monetary, machine/hour cost, direct and indirect cost per unit produced.
- Capital standards, e.g. ratio of net profits to investment or return on investment.
- Revenue standards, e.g. revenue per bus passenger/mile, average sale per customer.
- Intangible standards – it is all too tempting to assert that measurable standards cannot easily be found in many key result areas.

It is sometimes argued that qualitative standards, e.g. the goodwill of a business or the morale of a workforce, are difficult to measure, but modern techniques set out to bring these into measurable terms.

Establishing Measurable Standards

For standards to be effective, both as a target for workers to achieve and as a benchmark on which to base control, they must be measurable in some form. This relates to the ability of the control system – be it mechanical in some way or by personal management intervention – to obtain the required information about outcomes.

Obtaining the desired output information, particularly relating to detailed costing elements, can involve a lot of effort in both attaining the data and its processing, and may not always be economic. Further, some important variables in management systems are not easy to measure – for example, employee satisfaction levels – and related variables which can be measured, such as good time- keeping, absenteeism or staff turnover, may need to be used in their place.
Three main methods can be used to help establish measurable standards:

- **Statistical** data can be drawn from sources within and outside the undertaking. This is largely historical, being drawn from records. While an analysis of past performance is naturally a useful starting point, the drawback is that past performance (or performance in similar undertakings) may be only a fraction of possible performance.
- **Appraisal** of results in terms of experience and judgment are often inescapable, though the obvious reliance on the manager's own values is an unfortunate drawback. Standards set by appraisal simply have to be used in some cases. The wise manager supplements them as far as possible by whatever statistical and engineered standards can be applied, and exercises due caution in using them.
- **Engineered** standards are based on an objective, quantitative analysis of a specific work situation. They are used especially for the measurement of machine output and for worker output. Machine capacity figures are usually supplied by the manufacturers, and

present no problems. Worker output (for individuals or for groups of workers) can be assessed by time study, on the classical lines advocated by F W Taylor. The technique is not limited to shop floor operatives but has been applied to clerical and sales staff, telephone operators, receptionists and others.

B. MEASURING AND COMPARING PERFORMANCE

In organization theory the elements which record and measure performance are known as **sensors**. Sensors may be machines which check production or people employed as controllers of quality or output. Accurate recording and measurement is crucial for the operation of the control system. Sensors need to be able to spot deviations from standards or feedback information to the control unit so that it may compare the data with the standard. Difficulties in measuring performance can be considerable. Closeness and frequency of control need careful consideration. With the current emphasis on individual freedom and dignity, people resent close supervision and meticulous control, so ultimately motivation is liable to suffer. In addition, much control information can be misinterpreted or be misleading. Of course it should not be, if it is well designed, but human frailty has to be taken into account.

Tolerance Limits

When we compare actual performance with planned standard performance, a relatively small deviation may not be crucially important. The standard itself may allow for minor deviations; if this is the case we talk of **tolerance limits**.

Tolerance limits usually have an upper and a lower level, within which performance is allowed to fluctuate; only when performance breaches the limits is control activated to change performance (see the figure below).

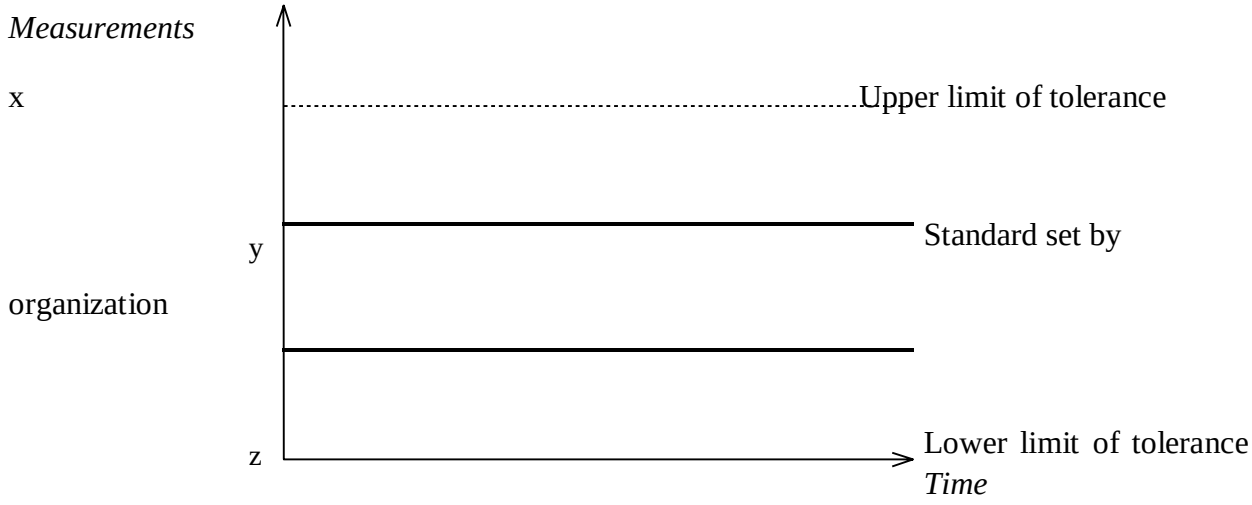


Figure: Tolerance Limits

An example of the use of tolerance limits might be the hours worked by an employee. The standard set by the organization (line y in the diagram) may be 40 hours per week. The upper tolerance level may be 50 hours per week; up to this level the firm is prepared to tolerate employees working overtime (line x in the diagram). If an employee tries to work above the upper limit, the sensors (in this case people checking worksheets) will detect the deviation and will trigger action from the control unit, who will act to forbid excessive overtime. Likewise, if the lower tolerance level is 30 hours per week (line z), where an employee fails to attend work for 30 hours the sensors will detect this and report short working or absenteeism to the control unit, which will act to correct the situation.

The advantage of using tolerance limits is that it reduces the intervention of the control unit; so long as the deviations do not have serious consequences for the organization it is as well for control not to intervene. The width of the tolerance band will depend on the circumstances, e.g. in precision engineering the allowable deviation from standard will be very small indeed, whereas in other tasks in an organization there may be considerable leeway allowed for deviation from standard performance.

Benchmarking

The essence of the technique known as benchmarking is comparison. Benchmarking can be applied to any activity within an organization which is deemed important. Here, we shall illustrate its use to assess the performance of human resource management – so the areas of importance to HRM might include standards such as the rate of staff turnover, amount of industrial disputes, number of industrial injuries or any of the activities relating to human resources issues.

Benchmarking measures performance – for example, the rate of events – in one department or team and compares it with the rate of the same event in another. Thus, it would be used to establish, for example, whether the turnover of staff is greater in one department than in another. Benchmarking can also compare performance between one organization and another. Normally comparison is between the unit under study and the best performer among other units, or between the unit under study and the average of all the units. In benchmarking it is important to compare like with like, as far as possible.

Benchmarking can be applied to individual behavior or to performance. Thus, the absentee or lateness record of a given employee may be compared with the average in a team or department, or the performance of the best salesperson compared with the average of all the salespeople.

Benchmarking can reveal divergences between both best practice and performance and the average, and can show when individuals, teams or organizations are underperforming the average. In order that benchmarking be effective, measurements of behavior or performance

need to be accurate, and any special circumstances that may be affecting behavior need to be identified and taken into account.

Having benchmarked a human resources issue, steps must be taken to spread the practices of high performers to the others and to identify and rectify the causes of underperformance. Benchmarking is not a one-off activity; rather it should be used to keep a continuous watch on the activities of human resources and the constant pursuit of improved performances. The concept of benchmarking can be linked to the concepts of effectiveness and efficiency by selecting the best ways to achieve goals and the best use of resources.

Note that benchmarks can be used to examine performance in relation to any facet of organizational activity, not just employee performance. It may be linked to effectiveness through measuring/ comparing goal achievement and to efficiency through looking at the use of resources.

Reporting

The results of comparisons between expected standards and actual performances are reported to the control unit; this may be a manager or department head.

Two issues are important to the effectiveness of the reporting process.

- **Span of control**. There is a limit to the number of "performances" that a control unit can monitor. The extent of the span of control will vary with the nature of the task which must be controlled and the tolerance levels that can be allowed. Where tolerance limits are small, the span of control is reduced because control has to be ready to intervene if there is even a slight deviation from standard performance.
- **Management by exception.** In reporting, there is an ever-present danger of an "information explosion". Top management can be deluged by a mass of facts and figures. One way of coping with this is by employing the technique of management by exception. This is a filter mechanism which ensures that only those facts and figures which differ from the set standards are referred to the top. While everything goes along normally there is no need for management to be concerned. Where matters are not going according to plan, details will be passed to superiors for corrective action to be taken. The advantages of this technique are that senior managers are not overloaded with routine information, and it allows delegation to take place while control is still maintained.

C. TACKLING DEVIATIONS FROM STANDARD

If performance is up to standard, no action is called for. However, where performance differs from standard then steps must be taken to either:

- correct performance; or

- examine the standards themselves – if they are found to be unattainable, they may have to be revised.

The appropriate step will depend on correct decisions being made by the control unit. This in turn will depend on accurate and relevant information and a high quality of interpretation and analysis.

In either case, a new standard or level of performance will then be measured and feedback information to the control unit. If performance now reaches the required standard, no further action is needed, but if performance and standards still diverge, further action must be taken.

Figure: illustrates a simple control process.

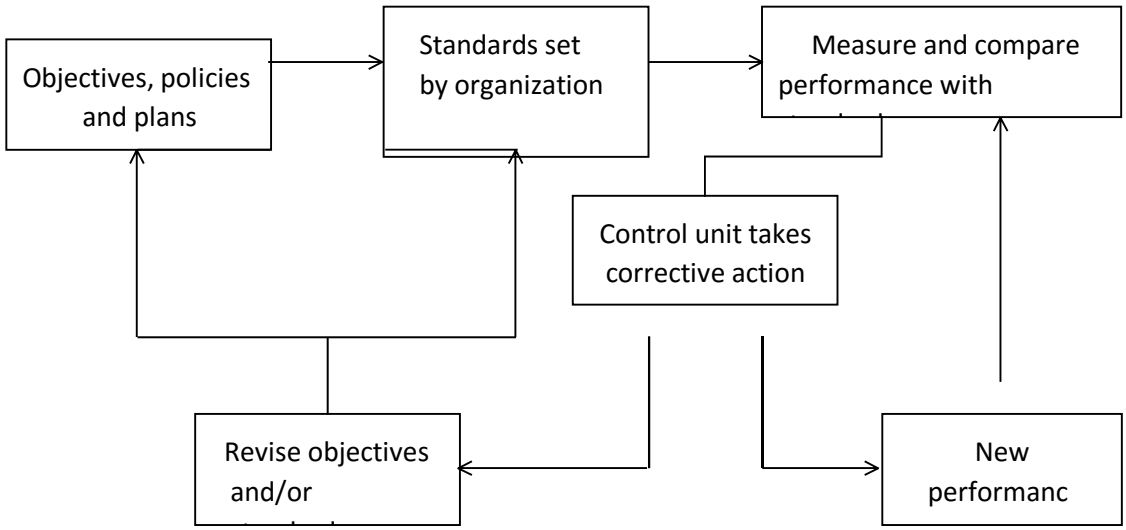


Figure: Control Process

Feedback

We saw in Figure that, after corrective action by a control unit, performance will be re-examined and the information obtained fed back to the control unit so that the effects of the corrective action can be assessed. Feedback can be classified as negative or positive.

(a) Negative feedback

This refers to a situation where performance is deviating in a given direction from the standard set, and where the control unit will apply pressure to change things in the opposite direction from that in which they are moving. Figure shows performance falling in terms of production – as time passes production is heading downwards; hence the control unit must reverse this trend and raise production back up to the standard level.

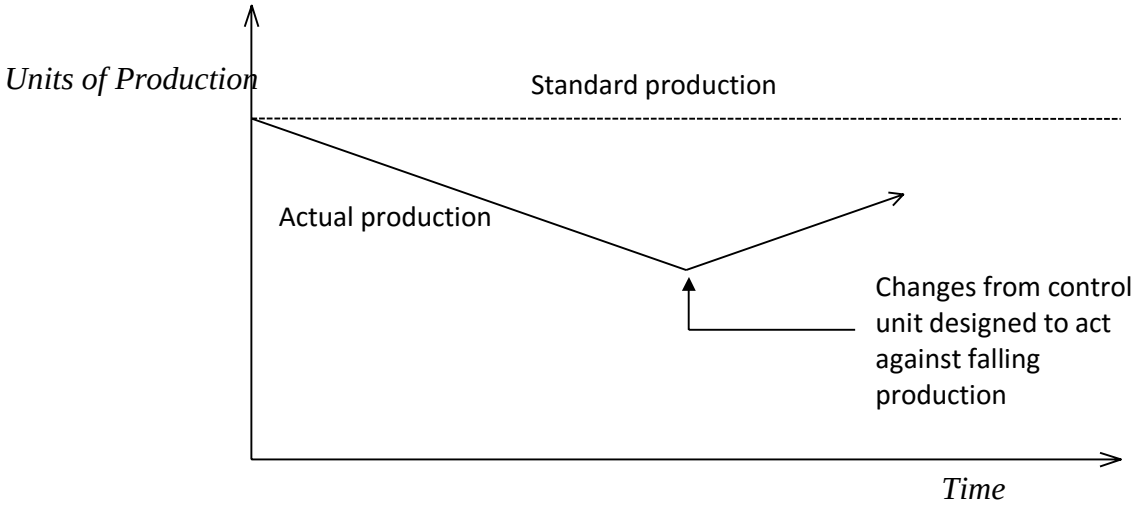


Figure: Negative Feedback

(b) Positive feedback

This is where the indications are that the organization should take steps to push performance in the direction in which it is already going, e.g. rising production performance.

Figure shows this positive type of feedback.

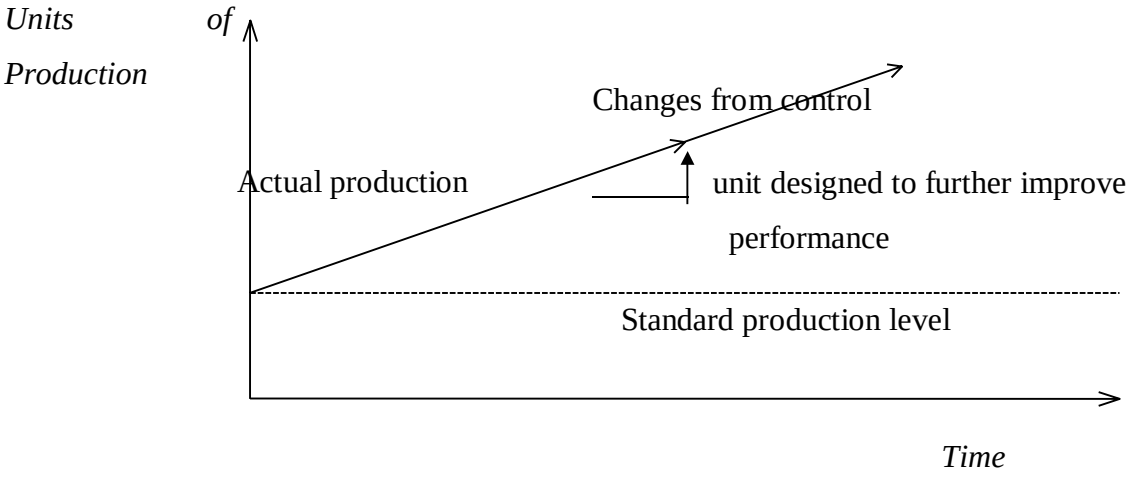


Figure: Positive Feedback

Another important point is the speed at which feedback takes place. If feedback is long delayed it cannot be used effectively as a measure of performance; this problem is known as **feedback lag** and should be avoided.

Control Loops

The way in which the control system handles deviations from the standard is often referred to as a control loop. Control loops are classified into closed and open systems.

(a) Closed-loop Control Systems

This type of control simply measures the change in performance from the required standard and acts to correct it. For example, the thermostat in a heating system senses if the temperature has gone above the required setting and, if it has, it cuts off the power and so maintains the required temperature. However, it does not identify the cause of the deviation from standard – it merely corrects – no matter what the cause. This is a negative feedback control system.

(b) Open-loop Control Systems

This type of control goes beyond measurement and correction and analyses the causes of the deviation. In complex organizations there are many combinations of factors which may affect performance and make it deviate from standard. Open-loop control systems are designed to analyze and discover which elements are causing the deviation. They operate by changing some elements and then receiving feedback to inform them whether performance has improved. The technique here is one of experiment until the cause is found, and then action is taken to correct the elements found to be causing the deviation.

If we take the example of falling production, the open-loop system would review the possible causes, e.g. physical conditions of work, the psychological state of the workforce and its morale, and the sociological conditions of group or organizational attitudes. It would then make changes in each of these areas in turn, measuring the effects of its action by feedback on changes in production performance. Having identified the problems causing the fall in production, it would increase the corrective measures until performance was back up to standard.

As we have said, control units are based on feedback, and this becomes even more important in open- loop systems. Information must be of sufficient detail to enable the control to experiment until the appropriate corrective measures are identified.

Closed-loop control systems are appropriate for relatively simple operations, where deviations are brought about by relatively few causes. However, where operations are complex, open-loop

control systems need to be used. In a modern organization we will thus have some operations controlled by closed-loop systems and others by open-loop systems.

Feed-forward Control

Some organizational theorists have pointed out certain drawbacks to the idea of control by feedback. Important among these is the time element; clearly it takes time for negative feedback to become apparent and corrective action to be taken. In today's rapidly changing economic environment, these time lags can prove extremely costly to an organization, e.g. delayed positive feedback can mean a wasted opportunity in swiftly exploiting a market or a successful product.

In order to overcome such problems, some management is developing feed-forward control. This is a technique that attempts to **predict** future problems and opportunities. It uses models to simulate future conditions and identify alternative scenarios that the organization may have to face. A feed- forward control system sets out to build in responses in anticipation of future changes.

For effective feed-forward control, the key influences or variables that are acting on the project must be identified and included in the model. These must be constantly updated so that an accurate picture of the present can be used to build in possible future developments. The control element must monitor changes and take appropriate corrective action. In a dynamic environment strategic (long- term) forecasting is problematic.

Techniques to assist feed-forward control include the following:

(a) Network analysis and critical path analysis (CPA)

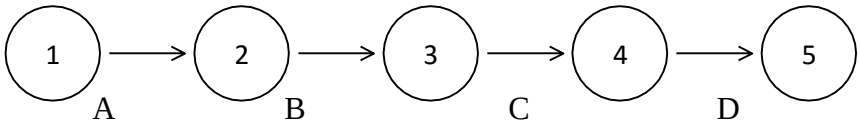
Network analysis is a generic term covering techniques which depict a project with an arrow diagram showing the sequence and relationship of the activities and events. Its purpose is to assist planning and control.

The technique is used mainly in connection with major capital schemes, where the interlocking of manifold streams of activities is basic to progress being possible. A bottleneck or hold-up in one job can interfere with continuation of several others, or make starting another job impossible. Clearly some forward-looking control has special value where building schemes are concerned. The technique can be used, however, in other fields (and probably should be more often adopted), e.g. it has been found helpful in planning a big conference.

Where the project is so complex that more than about 200 activities are involved, the network can usefully be fed into a computer, which can be programmed to cope with adjustments and updating as they become necessary.

The basic network analysis technique consists of breaking down the work carried out in a given part of an organization into small units, each of which is defined as an **activity**. When an activity is completed, it is divided from the next activity by what is termed an **event**. An activity is seen as the smallest unit of action that it is necessary to control; each activity is measured and compared with the set time allocated for it.

Figure gives a simple example of network analysis – arrows depict activities, circles portray events (i.e. the end of an activity).



A = Plan activity

B = Complete first stage of task

C = Complete intermediate stage of task

D = Complete final stage of task

Figure: Network analysis

In more complicated networks there may be a choice in the sequence in which activities are tackled, and some may be going on simultaneously. Each activity is timed, and the best possible sequence of activities is calculated in order to complete the task with the least wastage of time. This is termed **critical path analysis**.

CPA is readily adapted to computer programming analysis of the numerous complex network paths to completion. It is used to identify slack in start and completion times of sub-elements and to quickly identify new priorities if unexpected events should change the network critical path.

(b) Programme Evaluation and Review Technique (PERT)

PERT is a more complex form of network analysis. Whereas critical path analysis uses a single estimate of time, PERT uses three estimates – optimistic, normal and pessimistic.

Optimistic estimates assume that all goes well; normal estimates include a reasonable mix of favorable and unfavorable factors; and pessimistic estimates assume that a great deal goes

wrong for the project. The times are estimated using statistical probabilities to take account of favorable and unfavorable factors. PERT is usually expressed as a formula:

$$\text{Expected time} = \frac{\text{Optimistic time} + \text{Pessimistic time} + 4 \times \text{most likely time}}{6}$$

To take a simple example:

- Your project is to put up a shelf in your dining room
- Your optimistic time is 20 minutes (everything goes smoothly)
- Your pessimistic time is 100 minutes (everything goes wrong)
- Your most likely time is 30 minutes (most of it goes smoothly)
- So we have: $\frac{20 + 100 + (4 \times 30)}{6}$ = 40 minutes (expected time)

When the PERT formula is used in large-scale projects, statistical techniques are used to estimate likely deviations from estimates.

CPA and PERT are techniques of feed-forward control in that they take account of the future implications of problems arising out of earlier problems. These techniques should help to avoid bottlenecks; they force managers to plan each step and how they should fit together.

However, there are certain problems and drawbacks with CPA and PERT. Managers must have the skills to set up complex networks, the appropriate use of computers is called for, and time and cost estimates can be a problem. It is a mistake to see PERT as a solution to planning and control; rather it is a technique that ensures management will give proper attention to special projects.

D. CONTROL SYSTEMS

Control systems can be classified by reference to two criteria.

- From where does the control originate, i.e. who sets the standards and authorizes the corrective measures when needed?
- What techniques are used in control?

Control in organizations can derive from top boardroom level, where the directors set the standards needed to achieve the objectives of the organization, or from management level, where more specific controls are operated. Remember that the directors take the broad policy decisions and that management translates these into more specific tasks, which they delegate to workers lower down in the organization.

Board Level Control – Planning, Programming and Budgeting Systems (PPBS)

At director level, the allocation of resources to the various departments of an organization may be used as a means of control beyond being a purely financial decision. Planning, Programming

and Budgeting Systems (PPBS) help the directors make and monitor decisions for the achievement of organizational goals.

The steps in PPBS are:

(a) Identify objectives derived from the policy of the organization.

(b) Identify problems, and the resources needed to overcome these problems.

(c) Break down the objectives into various key activities and calculate the costs of each activity.

(d) Set up a budget for each activity, and an overall **programme budget** for the whole operation.

(e) Use the programme budget and the activity budget as a check on performance and progress towards the desired outcomes.

The technique can be cascaded down through the organization, so that at middle management level it is essential concerned with operational budgets. At board level, the concern will be with strategic objectives and overall programmes.

Control Techniques at Management Level

Managers performing the control function have a number of techniques at their disposal:

(a) Budgets

Budgets can have wide applications as control devices. They are the key link between the planning and control functions – budgets control resources and timescales.

Budgets may be allocated by top management (as under PPBS) or by budget committees or they may be set by individual managers, in consultation with their own management. It is important, though, that budgets should not be imposed on managers from the outside, without their full consultation and commitment. Each budget should be prepared by the executive responsible for earning the revenue or incurring the expenditure, subject to approval by departmental heads, the budget committee and the board of directors.

Budgets have a great deal of flexibility in the way in which they may be prepared and operated. For example, the following elements may be varied according to the needs of the activity or programme:

- the categories of analysis (the framework both for the setting of the budgets and for the collection of costs);
- the form and frequency of budget statements;
- the number and length of control periods;
- the flexibility allowed in variations from the budget.

They provide the opportunity, therefore, of monitoring progress and achievement of objectives in whichever way is most appropriate for the particular project, although there are invariably financial considerations which must be monitored in relation to their own timescales.

(b) Quality Control

We have already considered quality control as a technique to ensure acceptable standards earlier in the course. Quality control in its wider, dynamic application is an excellent example of a control technique.

(c) Standard Costing

This method of control is concerned with predicting the costs of future production. Standard costing techniques are similar to budgeting techniques in that both set out to predict future situations. The basic difference is that budgets set financial limits whereas standard costing approaches the problem from the other side, i.e. it starts with what it **should** cost to produce a certain amount of utilities under a given set of circumstances. As the actual performance is undertaken, it is compared with the standard, and any divergence is analyzed. The feedback from actual performance compared with predetermined costs provides the basis of control through standard costing. If a department cannot justify increases in costs then the control mechanism is activated, and change needs to be introduced.

When variance is detected between standard cost and actual cost, this is analyzed into the various contributory causes, e.g. cost of raw materials, wages, etc.

Standard cost control can be used in conjunction with budgetary control. Budgets set the overall plan; standard costs establish that part of the budget that concerns the cost of production.

(d) Marginal Costing and Break-even Analysis

This is concerned with the way in which certain costs vary with the level of output. Marginal costing measures the way costs change when output is increased or decreased by one unit.

Many costs are variable, such as labour, raw materials, etc. and profits will also vary with the level of output. The control mechanism associated with marginal costing is based on finding out at which level of production the enterprise is profitable. Should this level not be reached, the intervention mechanism is activated, and either production will be raised or costs reduced, or the enterprise will be abandoned.

Marginal costing is illustrated by the use of break-even point graphs (see Figure 6.7). This shows that, at a sales level of below 100 units, total costs are greater than total sales revenue; hence a loss accrues to the organization. If sales fall below 100 units at the price being charged, the control mechanism should be activated as the firm cannot be allowed to continue operating at a loss. Intervention must either raise the price per unit or push production above the 100 unit level.

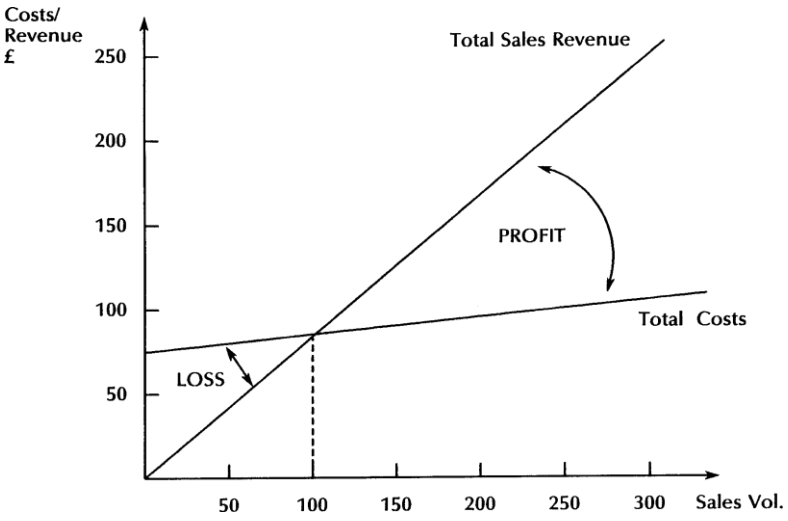


Figure: Example of a break-even graph

(e) Computerized Control Systems

Modern organizations have the advantage of being able to use computers to assist control. The functions of such systems are to provide:

- Information for day-by-day control
- Information for strategic decisions
- Fast information for effective action

- Minimal consumption of time and effort
- Flexibility in the way in which information is accessed
- The ability to underline objectives

E. HUMAN BEHAVIOUR AND CONTROL SYSTEMS

In all our consideration of control systems we must never overlook the fact that it is human beings who are being controlled. Control mechanisms can exert pressures on individuals which may not encourage them to give of their best to the organization. Management faces the following basic problem – the tighter they make the control process, the more likely they are to alienate their employees. Even the linking of employee conformity with controls by bonuses or incentive payments does not seem to solve this problem.

Many human beings have creative talents or allegiances to small groups that do not always fit well with control mechanisms. Many employees see budgets, audit or control checks as mechanisms that set out to report the unfavorable without giving due credit to all that goes right in the organization.

Modern managements are trying to humanize their control systems by looking beyond narrow financial objectives like profit maximization, and taking account of the social needs of their employees.

Making Control Systems Work

Managers realize that to obtain the co-operation of subordinates they need to take account of the following points.

(a) Choosing Appropriate and Realistic Standards

Managers have to decide what standards they are going to use. For some operations a quantitative standard is appropriate, while for others a qualitative standard may be used, (e.g. if loyalty to the firm is being considered). Quantitative standards are mostly used because they are objective and more reliable. Whichever type of standard management decides to use, the key is that **standards should be realistic**, and that in most cases they should be **flexible**, so that if feedback indicates performance consistently below standard, even after corrective action has been taken, standards can be re-set. Before a manager can set a realistic standard he must understand the task or activity in question. He will obtain this knowledge from his own

experience, from the advice of experts, and the results of time and motion study and any other research carried out into the activity.

(b) Reducing Animosity to Control

When setting standards and initiating controls, the manager must take account of the fact that most people do not like control being imposed on them; therefore control systems should be used only when the need for them is clearly established. Excessive numbers of standards are both confusing and annoying for those who have to comply with them.

Another way to help overcome animosity towards control is to try to involve workers in setting standards. This helps to make standards more acceptable and more realistic.

Once standards have been set, the details of just what is going to be expected from workers must be communicated to them in a clear and direct manner. Standards should be explained to the workers, especially the reasons why a certain activity has to be controlled for the good of the organization as a whole. The good manager will convince employees of the need for set standards. One approach is to stress the fact that standards prevent people from failing to pull their weight.

(c) Reviewing Standards

Having set standards in accordance with the above guidelines, management cannot just leave things to rest. They have to take a dynamic approach – standards must be constantly reviewed. For example, if a production level was set as standard using traditional machinery, the introduction of new machines and processes might mean it would have to be revised radically upwards. As the skill of a workforce is improved through training, standards may have to be raised. Management has to decide when standards should be changed and how often they should be reviewed.

(d) Measuring Performance

Management has to select key points at which measurement will take place. In every organization there are sensitive areas. In most firms the level of revenue, or cash flowing into the organization, and the level of expenses or cash flowing out of the firm, are two such important areas. Stock level is also of crucial concern to many firms; hence it should be regularly measured and compared with the standard level. In manufacturing organizations the quality of products needs to be regularly checked. Labor turnover, absenteeism and accident rates are also important. Management will also have to decide which measurement techniques to

employ: there is a wide range of technical devices available to check quality of production, etc. Managers will also make use of comparisons from other, similar manufacturing periods. In many cases management will select a random sample taken from a large number of performances. The random spot check can be a useful method of control. Managers should also keep their eyes open and make personal checks and measurements on the performance of workers. The good manager will keep his eye on the costs of the control system itself. Control systems should be accurate, and no larger than is really necessary.

(e) Taking Corrective Action

This is probably the most difficult function which management is called upon to perform in its exercise of control. Having discovered a deviation from the standards it has set, management has to come up with ideas on how to put it right. Many small or routine corrections can be dealt with through a set procedure. However, when new or difficult problems arise, there may be a serious dilemma for management. Managers must be able to analyze a problem in order to come up with a course of action which has a good chance of correcting the deviation from standard.

Managers may have to dig deep below the surface to find the real causes of deviation. If we take a fall in production in a given period, we may find that this was caused by a strike; it may well be that corrective action by management will bring the strike to an end and production will again reach standard levels. However, the strike may be only a symptom of a deep-seated problem that will emerge again and again in some form or another to interfere with production. Hence, the corrective measures need to be directed at eradicating the cause of the strike, rather than just getting the employees back to work.

Generally, corrective action should be thorough and look for root causes; but it should also be prompt. Where a procedure for intervention already exists it should be activated without delay. Where management has to investigate the root cause of divergence from standards, it should come up with its findings as soon as possible.

(f) Feedback

Managers should receive and digest feedback as quickly as possible. The new state of performance following corrective action will indicate whether such action has been effective. Managers must not see unfavorable feedback as an attack upon themselves; it merely tells them that their action has not been successful in correcting the deviation, so they must try again.

The quantity and nature of inputs to a process will determine the nature of the outputs which are monitored. The resultant feedback is compared with the objectives. Deviations are controlled by adjusting inputs. The standard illustration of this depicts a person adjusting a shower, with one hand on the temperature controls and the other sensing the temperature. The brain assesses and actuates the inputs. Physical features will dictate the lag in response, which in turn influences the oscillation of the output. If the water is too hot then more cold is added and vice versa. This is known as negative feedback. If the cold and hot supplies should inadvertently be crossed over then the resultant effects would be positive feedback. This system is known as closed-loop control. If the shower controls taps were set to a graded temperature setting and you stepped into the shower without testing, this would be an example of open-loop control. The feedback loop is open and there is no monitoring of the output. The degree of control can depend on the nature of the organization's activities and management style. Where there is a high degree of creativity and commitment, such as in a research and development environment, open-loop control is more prevalent.

Guidelines for Effective Controls

Management experts offer the following guidelines to organizations seeking to improve their control systems:

- A control system should be specifically tailored to the area in which it will function, so different control systems may be required for various sections or parts of an organization, e.g. controls for the sales department may be different from those used in the production department.
- Management should make the appropriate use of feedback or feed-forward control; there is sometimes a tendency to neglect feed-forward types of control.
- The short term should **not** be emphasized at the expense of the long term; this happens sometimes because the long term is more difficult to control.
- The total control system **should be flexible**, i.e. controls must cope with changing conditions that may affect any of the parts of the organization.
- All control systems should be in harmony with the plans and objectives which are being pursued by the organization.

- Control systems should fit in with the structure of the given organization; whenever possible control should be related to a given position in the organization, and the holder of this position is then held accountable.
- Controls should be objective – this normally means measurable standards and performances, i.e. quantitative control. However, qualitative controls should also be objective in that they should be clearly stated and defined and not influenced by subjective judgments on the part of individual managers.
- Controls should be fully understood by those to whom they apply, and those employees should be consulted when standards are being set.
- Control should be essentially a process of self-control, i.e. employees held accountable for achieving targets should get direct feedback on their efforts.
- Controls should be held to a minimum and done away with if found to be unnecessary.

HOME TAKE EXAM 30%

1. Discuss various definitions of performance appraisal?
2. List and explain the need for performance evaluation?
3. Justify work, career, communication and administrative related objectives of performance appraisal?
4. Identify the use, elements and steps/ processes/ of performance appraisal?
5. Explain obstacles for making effective performance appraisal?
6. Elaborate aims and purposes of performance appraisal?
7. Identify and give short explanation for all types of performance appraisal methods?
8. Discuss diversity and management of diversity at work place?