

# Pengendalian

Pertemuan 13



# Managerial and Quality Control

Control is a critical issue facing every manager in every organization today

Quality control

Office productivity

Basic systems

allocating financial resources,

developing human resources,

analyzing financial performance, and evaluating overall productivity

Manager's Challenge: Gateway



# Managerial and Quality Control

Topics  
Chapter 19

Basic mechanisms for controlling organizations

Basic structure & objectives of control process

Controlling financial performance

Changing philosophy of control

Today's total quality management

Recent trends

Control systems for a turbulent environment



# Organizational Control

The systematic process through which managers regulate organizational activities to make them consistent with expectations established in

- Plans
- Targets
- Standards of performance

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# Organizational Control

Effective controlling requires information about

- Performance standards
- Actual performance
- Actions taken to correct any deviations from the standards



# Organizational Control

## Three types of control

### Feed forward

Sometimes called preliminary or preventive control

### Concurrent

- Assesses current work activities, relies on performance standards
- Includes rules and regulations for guiding employee tasks and behaviors
- Intent to ensure that work activities produce the correct results

### Feedback

Focuses on the organization's outputs; also called post-action or output control



# Organizational Control Focus

## Feedforward Control Anticipates Problems

### Examples

- Pre-employment drug testing
- Inspect raw materials
- Hire only college graduates

Focus is on

Inputs

## Concurrent Control Solve Problems as They Happen

### Examples

- Adaptive culture
- Total quality management
- Employee self-control

Focus is on

Ongoing  
Processes

## Feedback Control Solves Problems After They Occur

### Examples

- Analyze sales per employee
- Final quality inspection
- Survey customers

Focus is on

Outputs

# Feedforward Control

Focus is on

- Human
- Material
- Financial resources

Attempts to identify and prevent deviations

Sometimes called preliminary or preventive control





# Concurrent Control

Includes self-control on behavior – personal values & attitudes

Monitors ongoing activities to ensure consistency with performance standards

## Assesses

- Current work activities
- Relies on performance standards
- Includes rules and regulations

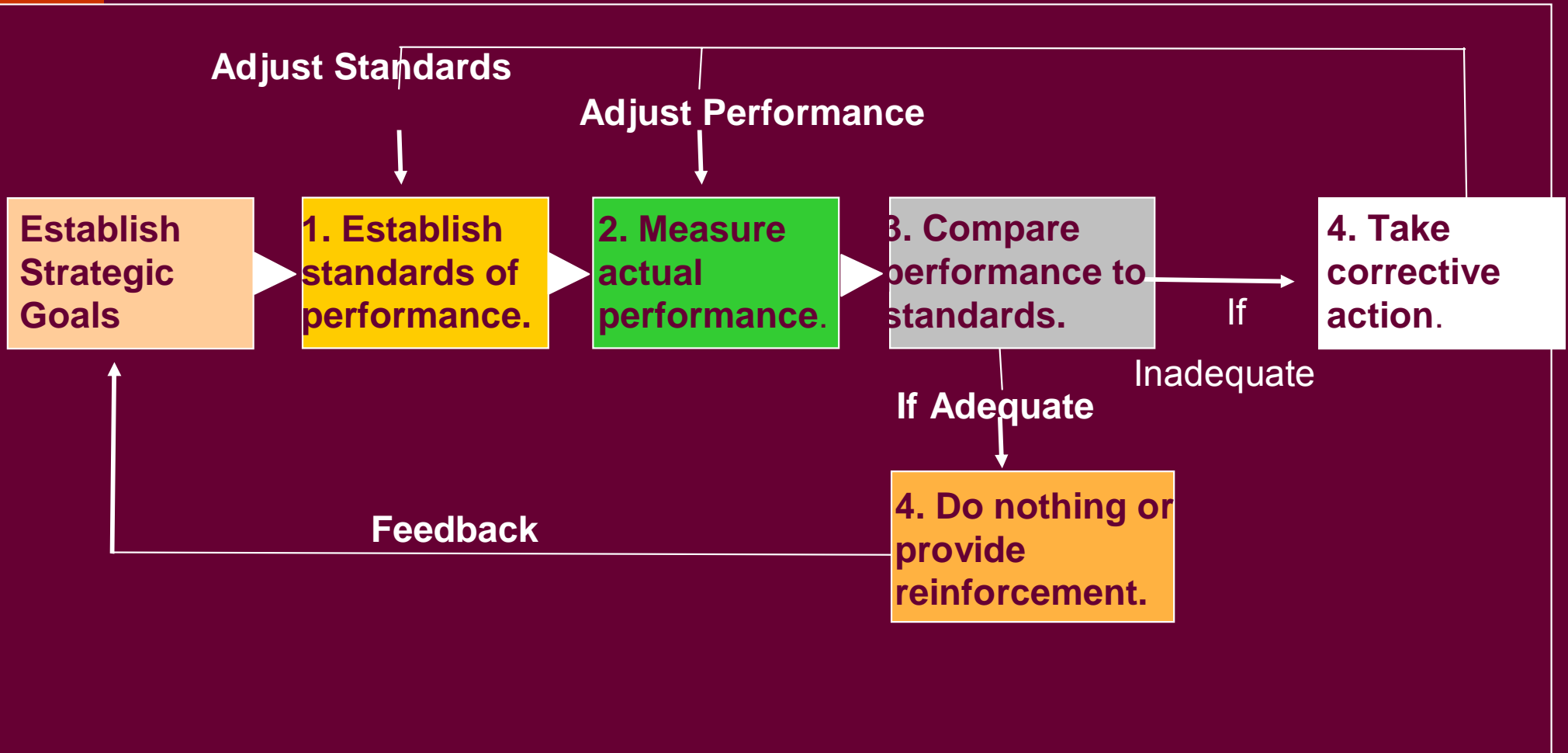
# Feedback Control

Focuses on organization's outputs

Sometimes called postaction or output control.



# Feedback Control Model



# Budgetary Control

Most commonly used method of managerial control

Process of setting targets

Used to monitor results and compare to budget

Experiential Exercise: Is Your Budget In Control?



# Responsibility Center



Organizational unit under the supervision of a single person who is responsible for its activity

# Budgets Managers Use

- **Expense** = anticipated and actual expenses
- **Revenue** = identifies forecasted and actual revenues
- **Cash** = estimates and reports cash flows
- **Capital** = plans and reports investments in major assets to be depreciated



# Traditional Budgeting Methods

## Top-down budgeting

Middle and lower-level managers set departmental budget targets

Done in accordance with overall company revenues and expenditures specified by top management

## Bottom-up budgeting

Lower-level managers budget their departments' resource needs

Pass up to top management for approval

# Financial Statements

Provide basic information for financial control

1. **Balance sheet**- shows firm's financial position with respect to assets and liabilities at a specific point in time
2. **Income statement**- summarizes the firms' financial performance for a given time interval (profit-and-loss statement)



# Financial Statements

For specific point in time

## Balance sheet

**Assets** – what company owns – fixed & current

**Liabilities** – what company owes – current & long-term

**Owners' equity**

Difference between assets and liabilities and

Is the company's net worth in stock and retained earnings



# Financial Statements

For given time interval – usually one year

## 1. Income statement-

Shows revenues coming into the organization from all sources

Subtracts all expenses, including cost of goods sold, interest, taxes, and depreciation

Bottom line indicates the net income (profit or loss)

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# Financial Analysis

Managers need to be able to evaluate financial reports that compare the organization's performance with earlier data or industry norms

Liquidity ratios

Activity ratios

Profitability ratios

Leverage ratios

# Common Financial Ratios

## Ratios

## How Determining

## Tells You

### Liquidity Ratios

Current ratio

Current assets/Current liabilities

1. Ability to meet its current debt obligations
2. If there are sufficient assets to convert into cash to pay off debts

### Activity Ratios

Inventory turnover

Conversation ratio

Total sales/Average inventory

Purchase orders/Customer inquiries

1. Measures internal performance
2. How many times the inventory is used up to meet the total sales figure
3. Company's effectiveness in converting inquiries into sales

### Profitability Ratios

Profit margin on sales

Gross margin

Return on assets (ROA)

Net income/Sales

Gross income/Sales

Net income/Total Assets

1. Profits relative to a source, such as sales or assets
2. What a company earned from its assets

### Leverage Ratios

Debt ratio

Total debt/Total assets

1. Funding activities with borrowed money
2. A debt ratio above 1.0 to be a poor credit risk

# Control Philosophies

**Bureaucratic control** influencing employee behavior and assess performance through

- rules
- policies
- hierarchy of authority
- reward systems
- written documentation

**Decentralized control** relies on

- cultural values
- traditions
- shared beliefs
- trust

# Total Quality Management - TQM

Based on decentralized control philosophy

Organizationwide commitment to infusing quality into every activity through continuous improvement

Quality circles

Benchmarking

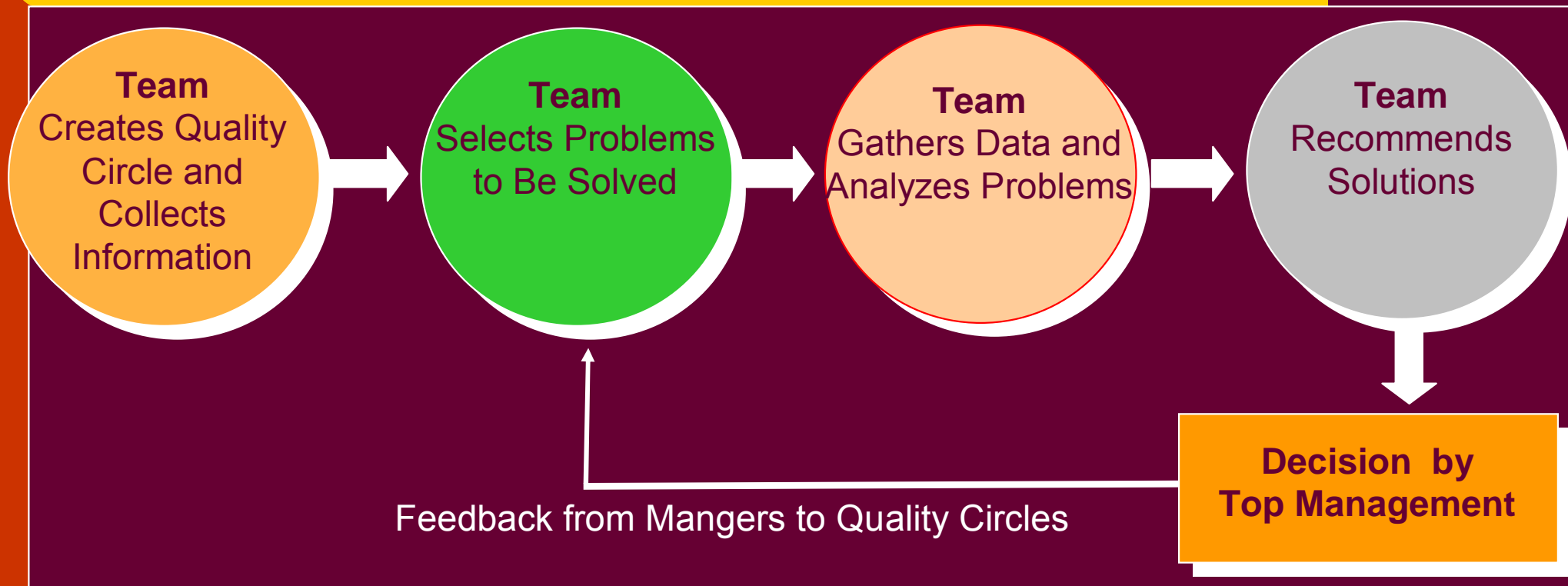
Six Sigma

Reduced cycle time

Continuous improvement

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# Quality Circle Process



# TQM Success Factors

TQM does not always work

Six sigma principles might not be appropriate for all organizational problems

Many contingencies can influence the success of TQM program

**Quality circles** = more beneficial when challenging jobs

**TQM more successful** = enriches jobs + improves motivation

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# Trends in Quality and Financial Control

International Quality Standards – ISO 9000

New Financial Control Systems

- Economic value added - EVA
- Market value added - MVA
- Activity-based costing - ABC

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# Control Systems for Turbulent Times

**Open-Book Management** = sharing financial information and results with all employees in the organization

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**Balanced scorecard** = comprehensive management control system that balances traditional financial measures with measures of customer service, internal business processes, and the organization's capacity for learning and growth

Ethical Dilemma: Is Internet Monitoring the Way to Go?



# The Balanced Scorecard

