BUSINESS ADMINISTRATION

PART 5 - CONTROLLING

AREAS OF CONTROL

1. PHYSICAL RESOURCES
2. HUMAN RESOURCES
3. INFORMATION RESOURCES
4. FINANCIAL RESOURCES

PURPOSE OF CONTROLLING

1. Adapting to Environmental Change
2. Limiting the accumulation of error
3. Coping with the Organizational Complexity
4. Minimizing Cost

LEVEL OF CONTROL

1. STRATEGIC CONTROL

Focuses on the processes that the organization uses to transform resources into product or services.

INTERNATIONAL STRATEGIC CONTROL

Focuses on whether to manage the global organization from a centralized or decentralized perspective.

Choices of Control:

Centralization creates more control and coordination,

Decentralization fosters adaptability and innovation.

2. STRUCTURAL CONTROL

Concerned with how the elements of the organization's structure are serving their intended purpose.

BUREACRATIC CONTROL	a form of organizational control characterized by formal and mechanical structural arrangements
DECENTRALIZED CONTROL	An approach to organizational control based on informal and organic structural arraignments.

3. OPERATION CONTROL

Focuses on the processes that the organization uses to transform resources into product or services.

PRELIMINARY CONTROL	Attempts to monitor the quality or quantity of financial, physical, human, and information resources before they actually become part of the system.
SCREENING CONTROL	Relies heavily on feedback processes during the transformation process
POSTACTION CONTROL	Monitors the outputs or results of the organization after the transformation process is completed.

3. FINANCIAL CONTROL

Concerned with the organization's financial resources.

FINANCIAL STATEMENT	A profile of some aspect of an organization's financial circumstances.
BALANCE SHEET	List of asset and liabilities of an organization at a specific point in time.
INCOME STATEMENT	A summary of financial performance over a period of time.

BUDGETARY	A plan expressed in numerical terms, types of budget are:
Financial budget	Sources and Uses of Cash (Cash flow, Capital, Balance Sheet)
Operating budget	Planned Operations in Financial Terms (Sale & Revenue, Expenses, Profit)
Nonmonetary Budget	Planned Operations in Nonfinancial Terms (Labor, Space, Production)

RATIO ANALYSIS	calculation of (1 or more) financial ratios to assess some aspect of the financial health.
Liquidity ratios	show how readily the firm's assets can be converted to cash.
Debt ratios	reflect the firm's ability to meet long-term financial obligations.
Return ratios	show how much investment return the firm is generating relative to the value of its assets.
Coverage ratios	estimate the ability of the firm to pay the interest expenses on money it has borrowed.
Operating ratios	demonstrate the efficiency of the firm's functional operations.

(FINANCIAL) AUDIT	An independent appraisal of an organization's accounting, financial, & operational systems.
External audits	financial appraisals conducted by experts who are not employees of the organization.
Internal audits	appraisals conducted by employees of the organization.