

7. Effectiveness of the organisation

Controlling

Control is the management's activity of verifying that the activities aimed at achieving the objective were consistent with those planned. The purpose of the audit is to show which tasks have been carried out as planned and which need to be corrected.

1. The first step in the audit process is **to establish standards and methods for measuring effectiveness**. These standards should be set already at the planning stage, as specific targets are more useful than empty slogans. Also because of the separation of the planning and control cells, precise findings are important.
2. The next step is **to measure efficiency**. It is a continuous and repeatable process. It can be carried out continuously or several times a year.
3. We then determine **whether the effectiveness is in line with the standards**. If so, no action is required. However, if the effectiveness is not in line with the standards, corrective action is needed to change the way we act.

7. Effectiveness of the organisation

Comprehensive quality management

An audit is needed to assess the progress of the plan. It is also important to detect changes taking place in the organisation's environment and their impact on the progress of the organisation's operations. To this end, a variety of methods are introduced, focused on the environment and the customer. One of them is comprehensive quality management. Basic assumptions:

1. Focusing on customers.
2. Continuous improvement of quality.
3. Improvement of quality of all components of the organization's activities. Accurate measurement of quality.
4. Accurate measurement of critical variables.
5. Transmission of power to employees.

7. Effectiveness of the organisation

Design of control systems

The control system should be designed to provide timely and cost-effective feedback and be acceptable to employees. Excessive control of too many elements can lead to tensions in management's relations with employees and can frustrate the management. It can also be a waste of time and money, so it is essential to set strategic control points and identify key performance areas.

Key performance areas are those segments of the organization that affect the quality of the whole operation. Most often they are:

- production,
- marketing,
- finance and accounting.

7. Effectiveness of the organisation

Design of control systems (cont.)

In the production department, the quality of products, quantity produced, costs and individual work efficiency are subject to control.

The marketing department is assessed on the basis of sales volume, sales costs, advertising costs and individual effectiveness of salespeople.

Human resources department are subject to control due to employment relationships, staff turnover and absenteeism.

Finance and accounting are controlled for capital expenditures, inventories, as well as capital flows.

Strategic control points are critical points at which information must be collected or monitored on an ongoing basis. By designating such control points you can limit the number of places where we will collect information.

7. Effectiveness of the organisation

Financial control

Financial control is quite easy to carry out, because money is easy to count and check.

Financial control instruments are:

- **Financial statements**, which analyse cash flows, goods or services inside and outside the organisation. Financial statements make it possible to determine whether an organisation meets its financial obligations and fulfils them in a timely manner. It is also possible to determine whether the company has a long-term balance and whether it is profitable (i.e. whether it has the ability to make a profit).
- **The balance sheet** shows the state of the company on a given day. The balance sheet includes a statement that takes into account current assets, fixed assets, current liabilities and long-term liabilities.
- **The profit and loss account** shows the company in a given period and shows how much money the company has earned on the activity it carries out.

7. Effectiveness of the organisation

Organization efficiency and flexibility

Efficiency is a measure that evaluates the ratio of output to input. The higher the number achieved, the higher the efficiency and the better the use of resources in the manufacture of products.

Raising productivity within a company is profitable because the same resources can be used to produce more goods and services for which the company can receive money. However, constant improvement in productivity leads to automation and completely ignores the issue of quality and investment in human capital, i.e. the skills and knowledge of employees.

Flexibility is the ability to adapt production quite quickly to changing demand. It may concern e.g. product design or production quantity. A company that is able to change relatively quickly in accordance with market expectations is flexible and has a better chance of survival and profit than one that is difficult to adapt to changes.

7. Effectiveness of the organisation

Relevance of the information

Information is essential for the organisation to be able to make decisions. The more accurate it is, the more the management can rely on it.

The information provided should have appropriate parameters:

- timeliness (relevant information must be delivered on time and to the right person),
- quantity (only selected information is needed, not all on a given topic),
- relevance (information should be properly targeted in view of the scope of activities and responsibilities).

7. Effectiveness of the organisation

Scheduled changes in the organisation

Scheduled changes in the organisation are systematic attempts to redesign the organisation so that it can better adapt to changes in the environment and achieve new goals.

Changes are necessary to gain a competitive advantage over other market participants.

It is extremely important to overcome the resistance of the participants to change.

Changes can be carried out in different fields such as organisation design, decentralisation, workflow modification, technological changes and changes in people.

7. Effectiveness of the organisation

Learning of the organisation

A learning organisation is an organisation that can constantly adapt and change. It is a prerequisite for the functioning of companies, because in a constantly changing environment there is no way to stop improving processes in the organization.

A learning organisation is one in which there is a vision and the members of the organisation agree with it. Old ways of thinking and acting are rejected and replaced by completely new ones. All processes and activities as well as functions and interactions with the environment are part of the system of mutual relations. Members of the organization are not afraid of criticism or punishment, so they communicate freely both horizontally and vertically.

The most important thing is the realization of the vision, to which all the interests of individuals and departments are subordinated.

7. Effectiveness of the organisation

Reengineering

Reengineering means radical redesign of the organization. The role of the manager is to analyze how he would create a company if he were to do it now.

Why such a change?

- Organizations tend to stagnate and stop developing. Despite the fact that the people working in the department perform their tasks correctly, the organization as a whole stops working properly and does not satisfy the customers or people associated with its environment.
- Co-workers in the department focus on their immediate environment instead of looking at the organisation in a broader perspective.
- Reengineering is the redefinition of the relationship. What was effective in the past and is now no longer necessary to be rejected and to look at the problem from a different perspective.