

Role of Control Modes in Improving Performance: An Essential Facet for Managing Human Resources

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Abstract Control is an important element to improve organization's performance and a prerequisite of management process. Control is a process of establishing performance standards, measuring performance and comparing with standards to uncover errors and take corrective actions for better performance. Detailed analysis of control modes shows three major dimensions. These are input control which enhances the quality of workforce, behavioral control improves employee on the job behavior, through ongoing performance evaluation and continuous feedback and output control encourages employees to improve their performance through effective reward management system. Effective control system, in order to monitor employees' performance is considered to be an imperative process in organizational management. The purpose of current study is to analyze the modes of control (input, behavioral and output control) and their collision with organizational performance. It aims at uncovering important elements of input, behavioral and output control for influencing employees' behaviors which ultimately leads to improve organizational performance. Research strategy includes analysis of literature based on work of Ouchi, Flamholtz and Cardinal. First half of this paper is based on theoretical framework of Flamholtz and second half is based on conceptual framework developed in order to show relationship between control modes and organizational performance.

Keywords: Human Resources, Organizational Performance, Control Modes

1. Introduction

"Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it." (H. James Harrington)

In this global environment, firms are not only competing with different organizations but also competing for quality workers to enhance their performance (Friedman, 2006). Hence its organization's objectives are to take care of its employees, influence their behavior and reward their contributions. Organizations must focus on their relationship with their employees if they want to improve their performance (Byrne, 2001).

Many contemporary organizations favor employee's empowerment in making decisions related to jobs, and they prefer employee's empowerment over organizational control for higher organization performance (Renn and Fedor, 2001). But studies indicate that control is an integral to high organization's performance. Control includes all those mechanisms that are designed and implemented for motivations and encouragement of the members of organization to make them accomplish the goals set by that organization. (Kirsch, 2004). The major purpose of organizational control is to align performance of an organization to its objectives. Now, main focus of businesses is to promote high performance of their organization through monitoring of their daily operations and strategies (Chen, 1998).

Control process is highly imperative for an organization, as it regulates the behavior of employees, their input and output. Tannenbaum (1968) emphasized that control should be implemented in the organization according to its requirements. Control is not just the part of formal organization rather it is an important characteristic of organizational behavior that has interpersonal impact on the members of an organization (Byrne, 2001). Therefore, it can be concluded that control is not just important for influencing employees' behaviors but also for the betterment of organization's performance. Management always tries to control employees' behaviors and improves performance of the organization to the satisfactory level. Control is executed to confirm whether things are happening as planned by the organization. It attempts to highlight weakness and deviations in the performance for the purpose of eliminating them and prevent them from occurring again (Flamholtz et al., 1985). Organizations want to improve employees performance in terms of how effectively they achieve their goals, fulfills the purpose and mission of the organization and this can only be achieved through controlling activities of organization and behaviors of employees. Control has a positive impact on performance because through an organizational control, management can easily identify whether organization is performing what they have specified (Narayanaswamy et al., 2007).

Although researchers studied organizational control in depth yet they devoted little effort to determine the impact of organizational control modes on performance. Narayanaswamy *et al.* (2007) pointed out that the major focus of prior research studies were on determination of the factors importance in choosing control modes not on the outcomes or benefits of implementing organizational control. This research attempts to identify this difference, that found in the data collected from secondary sources consists of many theories of researchers, and tries to address it by analyzing the impact of modes of control on the organizational performance. First half of this paper consists of literature including theoretical background and framework of Flamholtz *et al.* and second half of this paper consists of conceptual framework showing how three control modes (input control, behavioral control mode and output control mode) effect organization performance.

2. Literature Review

The phenomenon of organizational control is quite old as it originated from the time organizations came into being. In early days, control was considered as an activity to accomplish organizational objectives and goals, but today, we can see a clear difference in "*control of organization by its owner; cooperate control*" and "*the management controlling the organization as a "management control"*" (Samuelson, 1999). Literature is filled with number of different concepts of control (Flamholtz *et al.*, 1985). Tannenbaum (1968) stated that control in the organization is treated as a process by which members of the organizations influence the behaviors of other members or organization as a whole. Different researchers presented different definitions for organizational control. As emphasized by Flamholtz *et al.* (1985) control is an ongoing process of affect work and behaviors of other persons whom are a part of the same organization. Whereas systems designed to exert a control are ways by which organization make sure that behaviors of the employees are in the

direction of achievement of objectives of the organization (Flamholtz *et al.*, 1985).

The performance of the organization can be improved by designing a control system that is targeted to achieve organizational objectives (Otley, 1994). Effectiveness of an organization can also be increased through control system as it is organization's capacity to accomplish objectives that are mutually established or solely developed by an organization. Although there are different views about organizational control but "*control is goal oriented*" is a common phenomenon. Moreover its basic function is to motivate employee to do work and to take initiatives to make decisions in a line with the goals of an organization. Different techniques are used to carry out control system. Control system may cover all the levels where there is a behavioral influence such as "*individual*", "*small group*", "*formal subunits*" and "*organization as a whole*" (Flamholtz *et al.*, 1985).

Extensive research has been done in finding exact concept lie behind control. Today, research on control is taken as a piece meal character which means that nowadays, researchers are studying some or one dimension of control rather than organizational control as a whole. That is why many researchers are exerting less effort in integrating organizational control theories (Samuelson, 1999). There are many examples indicating that first half of 20th century is filled with more comprehensive control theories than second half of the century. As emphasized by Thompson this type of evolution and development is sure in the field of theory. Such type of general trends has some exceptions. The assumptions of this theory are that "*control is interdependent*". It is also known as system theory. Studies that have main focus in top management's role in the formation of organizational control and culture are also a part of this type of approach. Established methods and principles provide a framework for carrying out organizational control. Thus it refers as an "*institution*", "*tradition*" and "*sediment*" (Flamholtz *et al.*, 1985).

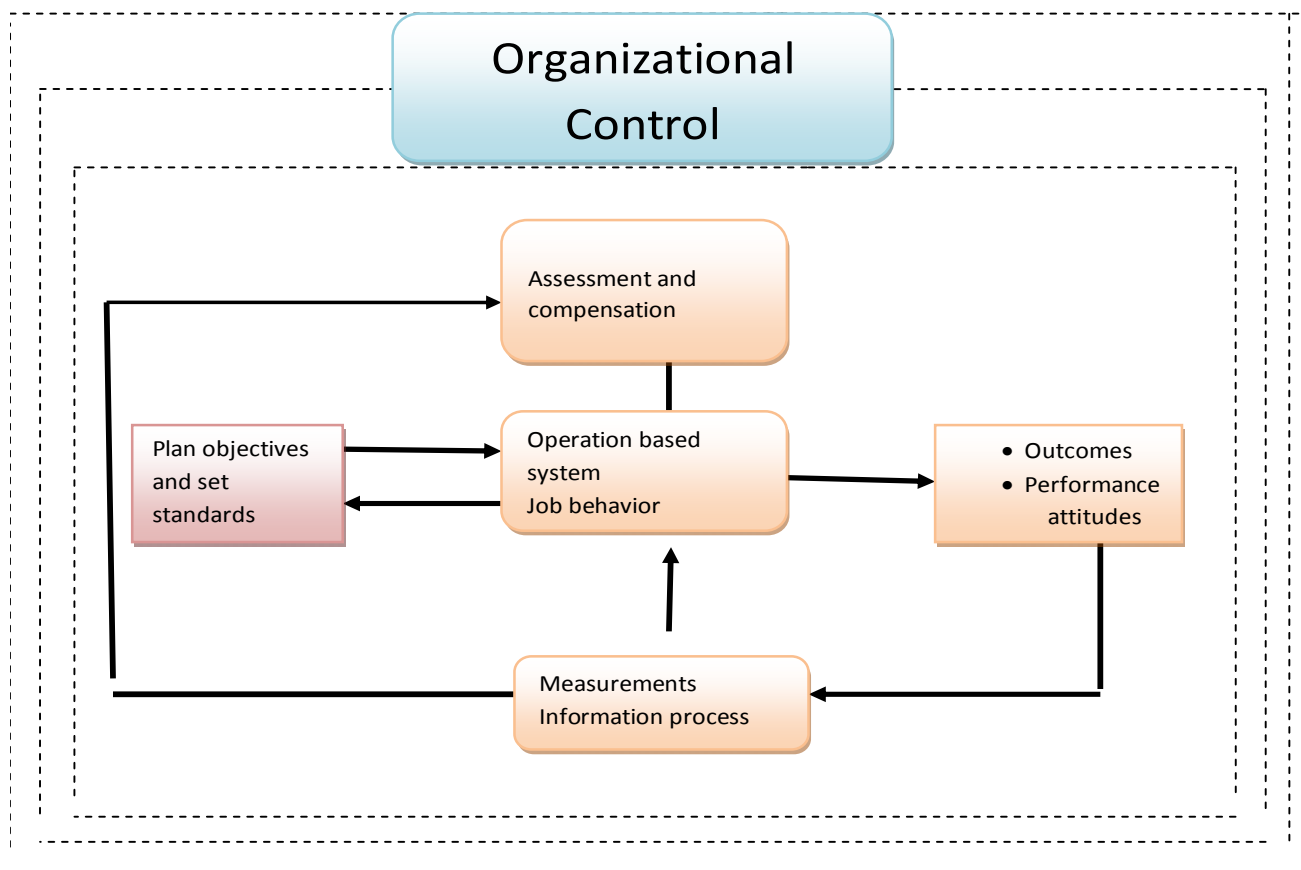
Snell (1992) highlighted the true notion of control, emphasizing that control is all about adjusting the organization operations according to the established standards hence improving the performance of the organization. According to Hofstead (1978) control consists of "establishment of objectives", "measuring and evaluating performance" and "feedback channel". These three factors have a positive impact on the performance of individuals and organizations as a whole. Moreover, control has a positive impact on performance as it defines goals and standards, prompt organized planning, disseminate relevant information to influence behavior and perception of individuals, provide feedback and reinforce positive behavior (Flamholtz, 1985).

Flamholtz *et al.* (1985) has projected an integrated framework for control. Figure: 1 presents the framework of organizational control. According to this framework of control it can be seen how different behaviors are affected by control. In this framework core systems are those that directly related to organizational goal achievements, by influencing the behaviors of group or an individual for example input control; outcome based control; and behavior based control. Factors in the context of control, affect on the job behavior in an indirect way. This frame work of organizational control is different from frameworks proposed by early researchers (Flamholtz *et al.*, 1985). As shown in theoretical framework, (Figure: 1), given below, the key emphasis of the framework is on "human" capital of an organization. The central part of control comprises of planning, evaluation and reward, feedback, measurement, and outcomes. The first step in central part of control is planning of work with related objectives and establishment of performance standards. Then the process proceeds and measurement systems are used to evaluate real performance and then match up to standard one. Then gaps are being observed, and corrective actions are being taken. Feedback is then provided on ongoing basis. According to the figure: 1, elements of core control system are as follow:

- Planning: It includes establishment of goals and performance standards for individual or group in their specific functional area against which organization determines the success level. It is an important element of control process without which control cannot be possible. It involves what organization desired to achieve. It clarifies objectives and goals to the employees and illustrates key operations (Tannenbaum, 1968).

- Operational System: It includes "on the job behavior, acquisitions, allocation, utilization, development, conversation and deposition of resources (Flamholtz *et al.*, 1985)
- Outcomes: It includes production volume, total profit, job satisfaction, loyalty and commitment.
- Feedback: It includes convey all the information about performance appraisal and evaluation process. It also convey gap in the actual and desired performance. It reveals deviations from the desired standards and demands employees to improve them.
- Evaluation reward: It includes rewards (intrinsic and extrinsic) are given on the basis of performance evaluation to motivate employees.

Figure 1: Integrated Framework of Organizational Control



Source: "Towards an integrated framework of organizational control" by Flamholtz *et al.*, 1985

One of the famous theories of organizational control one is given by Ouchi. Who emphasized design of mechanism of organizational control and emphasizes the accomplishment of corporation and collaboration among the organizational members, who have different goals in order to improve organization performance. The integral part of organizational control is goal congruity (Ouchi, 1979). According to Ouchi (1979) there are three modes of control used to achieve organizational members' corporation. First is market control mode, used to assess, praise and reward contributions of organizational members. It is used for accurately measurable tasks and activities. It improves employees' on the job performance and leads to better organization performance as a whole. Second is bureaucratic control, based on performance evaluation and reward. Formal structure is applied to evaluate and reward individual performances. It has positive impact on performance as motivation and reinforcement encourages employees to perform at their highest level. Third

is clan control, based on the process of socialization. It removes individual interests through sharing common beliefs and goals. It aligns individual goals with organizational strategic vision (Ouchi, 1979). This control mode directly relate to improved performance due to dissemination of relevant information and knowledge sharing in informal scenario. Three modes of control are suggested by Cardinal *et al.* (2004). According to Cardinal *et al.* (2004), input control, behavioral control and outcome control are three mechanisms which positively affect performance.

Input Control: Input control involves management of organization's resources. These resources include material, finance and human resources (Cardinal *et al.*, 2004). Mechanism of input control includes matching up interest of individuals with the organization main interest through proper employees screening and ensuring that the best and high performer employee are selected (Snell, 1992).

Behavioral Control: Behavioral control constitutes the conversion procedure of work" (Snell, 1992). Behavioral controls are first applied at top level in an organization and then it moves downward to operational level. Behavioral controls needs that everyone should understand task activities in order to manage conversion of inputs into products or services as a output (Cardinal *et al.*, 2004).

Output Control: Output control is used to regulate outcomes of services, products and regulates process results (Cardinal *et al.*, 2004). Such control is used to measure end results. That motivates discretion of subordinates by paying attention on results of the activities, not how this activity has been done (Snell, 1992). Ouchi (1979) and Eisenhardt (1985) defined two modes of control, formal and informal. Formal control includes output control and behavior based control. Because such controls usually depends on what task is required from an employee. Output control usually includes end results, targets to be achieved and rewards allocation on the basis of actual performance and contributions; whereas behavior based control includes procedures detailing what to perform. On the other hand, informal control is clan and self control (Ouchi 1979, Eisenhardt 1985). Clan control consists of an activity which is not documented but has a social acceptance including informal ways of dealing of an employee , client and all those behaviors that are permitted in the organization for supporting work behaviors (Ouchi 1979). Whereas, self control is all about managing one's own self through internal motivation and discretion an individual values. (Eisenhardt, 1985). These control modes ultimately leads to improved performance of a company, as informal and formal control influence employees' behaviors.

Figure 2. Model of relationship between Control Modes and Performance

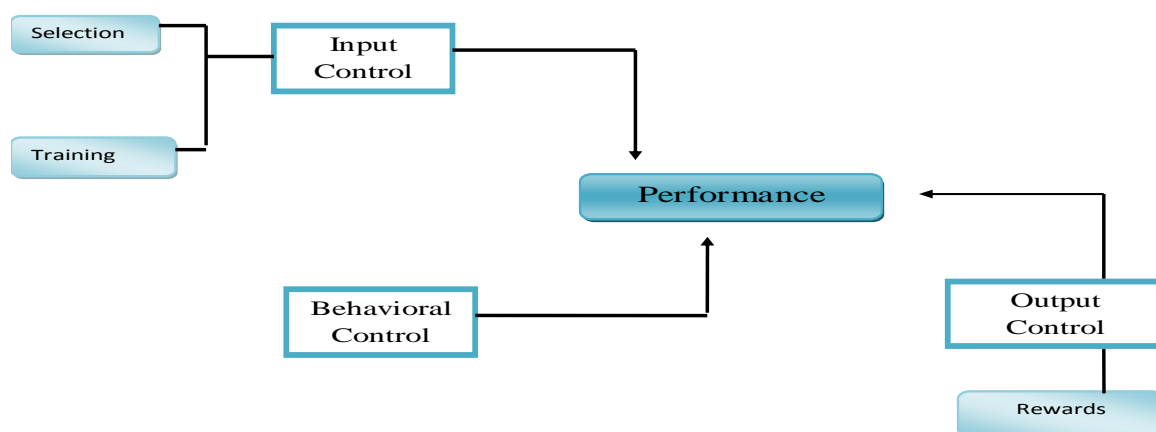


Figure 2, illustrates positive relationship between input, behavioral and output control, and performance. How elements of these control modes improve performance is discussed below

3. Input Control and Performance

Input control deals with regulation of conditions that are necessary for work performance, and this includes

person's skills, knowledge, abilities and person's motives. An important role that is played by input control in human resource management is bringing individuals into line with organization's interest, through proper screening of individuals and employees training. Input control is considered very important, when incomplete information is available about what to perform and how to perform (Snell, 1992). Effectiveness of input control mostly relies on selection process. Perfect selection of employee is critical for company success (Schuler, 2001). Input control directly impacts performance of organization (Petrovic and Kakabadse, 2003). Mostly input controls are applied in the situations where managers roughly know individual or subordinates' qualification required for the job. Input control ensures quality personnel through proper selection, which eliminates future performance problems that may become very difficult to eliminate (Snell, 1992). Training is also a part of input control. Lanigan and Bently (2006) emphasized that significant changes in the organizational performance can be created through training intervention. *"Training and development control means that supervisors undertake responsibilities to provide practical training programs, to set up most effective recruitment procedures, and to involve in employees' skill development; in the meantime, supervisors will advise the job applicants about the training programs and development plans which want them to become the best employees"* (Yu, 2000).

4. Selection

Significant resources are devoted by an organization for proper employee selection (Goodsell, 2004). According to Prendvegast (2008) there is a diverse link between management control and employee selection. Selection is all about determining a best of individual skills, abilities and knowledge with required job. Because high performance workplace is build by proper selection of employees. Selection process ensures employees retention rates, competitiveness of organization and productivity of individual as it's all about matching person to a job (Hauenstein, 2005). Through better selection procedures, organizations are able to hire best personals for specific job, and if that person performs well it definitely leads to improved organizational performance.

5. Training

Training involves acquiring required skills and knowledge to perform a assigned task (Cole, 2002). Training leads to orderly changes in the employee behavior through different set of activities, that helps an individual to acquire competencies to perform a particular task. As organizations shifted their operations on machines they need highly skilled workers, capable enough to work on or operate particular machines. Firstly managers should identify training needs and then set desired goals for them. Usually organizations follow systematic approach for designing and implementing training programs. The major objective of training is to enhance level of confidence and motivation of an employee. It lowers down the cost and decreases employee turnover, and increases organization performance (Cole, 2002).

6. Behavioral Control and Performance

Behavioral control is all about regulating subordinates actions. It usually starts from the top management and then implements at middle and lower level of management. The basic function of behavioral control is to make sure that subordinates are performing as planned; constantly monitoring of performance and then employees' actions are evaluated. Corrective actions are taken in case of any discrepancy between desired and actual performance, and feedback is given on ongoing basis (Akdere and Azevedo, 2006). Main focus of behavior based control is based on achieving improvements in goals with an assumption that managers have a knowhow of tasks and subordinates have capabilities to act in the following direction. *"Behavioral control is most necessary because it would foster employee development, which is crucial for company survival in the*

long run. The beneficial effect of supervisory behavioral control is argued to stem from supervisor's opportunity for coaching, counseling and making adjustments to work allocations" (Baldauf *et al.*, 2002). Behavioral control includes evaluating employee performance by means of performance appraisal. Organizations greatly emphasized the importance of employee's evaluation procedures because it ensures that company is progressing in the way of its desired goals (Biggs, 2011). Performance appraisal focus on determination whether the employees are working as it was planned. "Performance appraisal is the systematic, periodic and an impartial rating of employ excellence in the matters pertaining to present job and potential for better job" (Kumbhar, 2011).

7. Output Control and Performance

Unlike behavioral control, output control is all about setting targets for subordinates' to follow by the managers. In an output control, managers set desired outcomes which are to be achieved by their employees. Such targets may be production units, sales revenue, product and service outcomes etc. Output control is all about controlling rewards system by rewarding employees' contributions.

8. Rewards

Organizations which are trying to improve their performance, are now considering how better employee performance is, that leads to improved organization's performance (Roberts, 2005). Therefore, they are finding the impact of rewards on employee performance and as a whole on organization performance. Reward attractiveness can be the quality of reward given to the employee, and the value of reward to an individual (Lawler, 2003). According to one research study, employee job satisfaction and motivation is positively related to intrinsic and extrinsic rewards than training (Rehman *et al.*, 2007).

Rewards are positively associated with increased organization performance (Akdere and Yilmaz, 2006). All types of rewards whether given to individuals or groups, it ultimately leads to rise organizations performance (Desseler, 2005). Rewards not just include financial compensation; it also includes praising employees, employee empowerment and opportunities given to the employee to be their own leader (Dewhurst *et al.* 2010). Rewards means different to different people. For some people monetary rewards are more important and for others non monetary rewards are more important (Chiang and Birtch, 2009). Organizations must control their reward management system as a part of output control. Rewarding employees decreases the proportion of job burnouts. Because rewards add recognitions, increase the level of job satisfaction and changed the employees negative attitude towards work and organization.

9. Conclusion

Organizations are always overwhelmed with issues that affect performance. Organizational control is an important issue that has a significant impact on organizational performance. This research paper attempted to analyze impact of control modes on performance. The existing studies conducted on organizational control only provide what is organizational control. But Flamholz *et al.* (1985) developed the integrative framework of organizational control showing important elements of performance to be controlled. Later on Cardinal (2004) suggested that basically organizational control is not a single phenomenon rather it is a combination of different control modes which are input control, behavioral control and output control. In general, this stream of research found that selection of quality workers enhances performance due to best fit between job, individual skills and knowledge. Training fulfills the needs of acquiring additional skills, which leads to better employee performance (Cole, 2002). Behavioral control deals with evaluating and controlling employees' behaviors to achieve outcomes of performance. Such behavioral control has strong impact on performance as it changes the attitudes of employees towards their workplace (Akdere and Azevedo, 2006). Through

performance appraisal system organization easily identify gaps in actual performance and provides a room for improvement. Once organization identifies performance problems, it becomes able to remedy them before it becomes impossible for the organization to eliminate them. Moreover, output control increases employee's motivation level and job satisfaction through effective reward management system as Rewards are positively associated with increased organization performance.

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