

The Importance of Organizational Control To understand the importance of organizational control, consider how it helps managers obtain superior efficiency, quality, responsiveness to customers, and innovation--the four building blocks of competitive advantage. At Caterpillar, for example, investing in operational excellence and collaborating with employees, especially on the issue of safety, continues to reap rewards. If the managers of carmakers consistently measure the number of customer complaints and the number of new cars returned for repairs, or if school principals measure how many students drop out of school or how achievement scores on nationally based tests vary over time, they have a good indication of how much quality they have built into their product--whether it is an educated student or a car that does not break down. For example, when Kimberly-Clark, maker of Kleenex and other products, outsourced logistics at a UK plant to a leading lean organization, it reduced long shifts and overtime for its workers. Before Caterpillar introduced its lean manufacturing principle at its Aurora, Illinois, facility, discovering defects on its medium wheel loader value stream was considered normal.

Page 309 To determine how efficiently they are using their resources, managers must be able to accurately measure how many units of inputs (raw materials, human resources, and so on) are being used to produce a unit of output, such as a Toyota vehicle. Absenteeism dropped and productivity improved as staff morale went up. Without a control system in place, managers have no idea how well their organization is performing and how its performance can be improved--information that is becoming increasingly important in today's highly competitive environment. Thus, whether a customer buys a Ford Edge, Toyota Camry, or Honda CRV depends significantly on the design and quality of each car. Large image navigator opens in a modal

Caterpillar's approach to organizational control helped employees eliminate manufacturing defects and increase performance levels. A control system contains the measures, or yardsticks, that let managers assess how efficiently the organization is producing goods and services. Managers can help make their organizations more responsive to customers, for example, if they develop a control system, such as a CRM system, that allows them to evaluate how well customer-contact employees perform their jobs. Two workers are focused on inspecting large machinery.