From Rules & Control to Freedom & Trust

https://www.youtube.com/watch?v=vMjJdmW1gHs

Class
Management Diagnosis

Step 4. Assessing the control processes (controlling)

MONTPELLIER MANAGEMENT
UNIVERSITÉ DE MONTPELLIER

Agenda of today

- ❑ PART 1 : Takeaways of the last class and feedback on your assessment of the structure

- ❑ PART 2 : PLOC

Focus on the controlling

- ❑ PART 3 : Thinker50

Use thinker 50 to go one step further

- ❑ PART 4 : Management diagnostic

Find and advice on the control

Takeaways on Structure

- Orga design : the three components

Structure, Control, Culture

- Org design def :

*Process of creating; implementing, **monitoring and modifying** the structure, processes, and procedures of an organization.*

- 5 building blocks : each has strength **and downside**
    - *Specialization*
    - *Formalization*
    - *Centralization*
    - *Hierarchy*
    - *Coordination*
- Difficulties to change the structure

Change the resource allocation / Power distribution / Org Inertia

- Some reasons to change

A new strategy, a change in the environment and problem

- **Case of Ubisoft**

Change in goal/strategy, require a change in the structure and management

- Thinker50 : Gary Hamel

? Humanocraty. *and experimentation*

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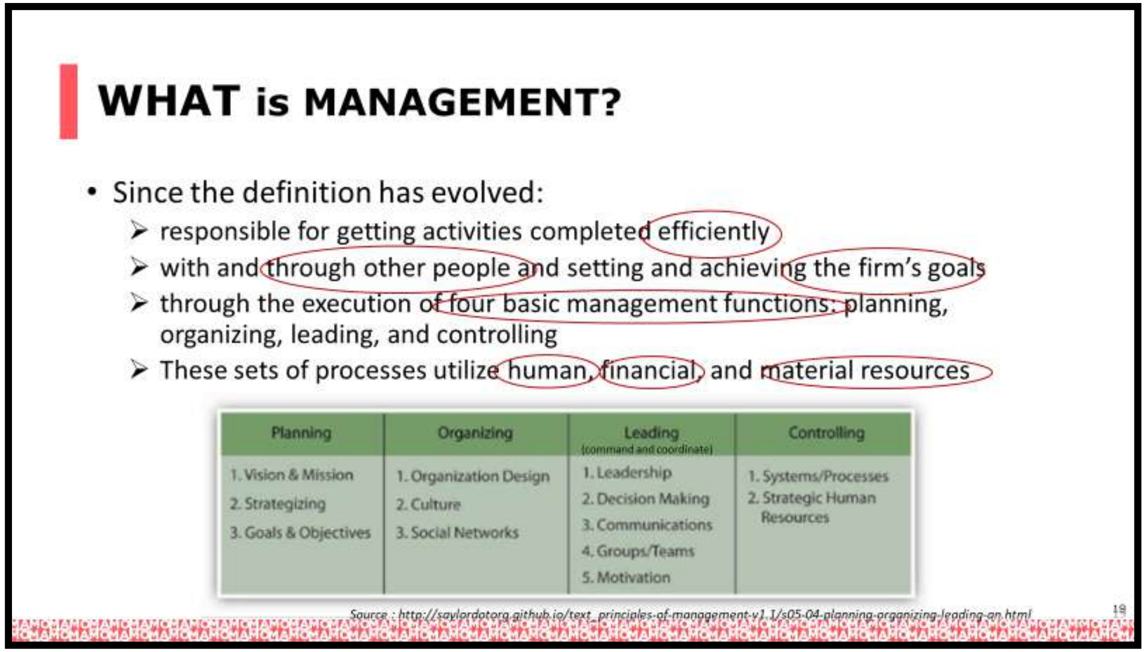
Learning Objective

Control theory

- ❑What is control in organization?
  (2 actions, 2 approaches, control in the control theory)
- ❑When and why is control useful ?
- ❑What to keep in mind when you implement it?
- ❑How to control?
- ❑What the boundary conditions of this theory?

Why study control in Management?

- Class 1 : one of the managerial function



WHAT is MANAGEMENT?

- Since the definition has evolved:
  - responsible for getting activities completed efficiently
  - with and through other people and setting and achieving the firm's goals
  - through the execution of four basic management functions: planning, organizing, leading, and controlling
  - These sets of processes utilize human, financial and material resources

Planning	Organizing	Leading (command and coordinate)	Controlling
1. Vision & Mission 2. Strategizing 3. Goals & Objectives	1. Organization Design 2. Culture 3. Social Networks	1. Leadership 2. Decision Making 3. Communications 4. Groups/Teams 5. Motivation	1. Systems/Processes 2. Strategic Human Resources

Source : http://saylordotorg.github.io/text_principles-of-management-v1.1/s05-04-planning-organizing-leading-an.html

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What is control for you?

- Brainstorm !

Control theory

1. A referent standard

System with a goal: The system can be an organization, a business process, or any entity with defined goals and operations.

2. A sensor

Inputs are the resources or information that enter the system (e.g., human resources, raw materials, financial capital

3. A comparator

Feedback: *Feedback is the key mechanism in control theory. It involves monitoring the system's output and comparing it to the desired objectives. If there is a deviation from the target, feedback helps adjust the inputs or processes to bring the system back on track.*

4. Effector :

Control Action: *This is the corrective action taken to ensure the system functions within its desired parameters. In management, control actions could include adjusting budgets, changing strategies, modifying processes, or providing additional training to employees*

Definition of control as a feedback loop that drives action

Control in the firms

- Said differently, it is 2 different actions :

Foreseeing action

↓

Setting standards

Detection of errors

↓

Measuring actual performance relatively to the expected performance
and taking corrective action

Control in the firms

When to control?

Action

Feed-forward Control (Preventive Control):
This type of control occurs before the actual process begins. It involves anticipating problems and taking preventive measures to ensure the system works smoothly. For example, setting standards and guidelines before project execution

Concurrent Control (Real-Time Control):
This occurs during the execution of the process. It involves monitoring activities as they happen and making immediate adjustments. For example, monitoring employee performance on an ongoing basis or tracking real-time data during production

•**Feedback Control (Corrective Control):**
Feedback control occurs after the process is complete. It involves reviewing the final outcomes and comparing them to the goals. If deviations are found, corrective actions are taken to improve future performance. For example, analyzing quarterly financial reports and adjusting the strategy accordingly.

Control in firms

What does the firm control?

Application of Control Theory in Management

- **Performance Management:** Control theory is often applied in performance management, where managers set performance standards, monitor employee output, and provide feedback to ensure objectives are met.
- **Quality Control:** In operations, control theory is used to ensure that products or services meet quality standards. Deviations from desired quality are identified through feedback mechanisms, and corrective actions are taken.
- **Financial Control:** Organizations use control theory in financial management to monitor budgets, control costs, and ensure that financial performance aligns with objectives. Financial statements provide feedback, and adjustments can be made as needed.
- **Strategic Management:** In strategic management, control theory ensures that organizational strategies are effectively implemented. If the results deviate from the strategic goals, corrective measures are applied to bring the company back on course.

Control in firms

What does the firm control?

Two types of control :

- Negative (failure and discrepancy)
- Positive (success)

Careful : to not forget positive control

Control in the firms

How to control?

- 2 different approaches :

Control by domination
- Obedience/Command
- Rules
- Incentive and punishment (carrot and stick)

Control by “self-control
- “Responsability/empowerment
- Objectives
- Self-actualization

A shift to be aware of :
« pushing down to the lowest possible level »
« paying people for the results »

Let's go further

Let's discover Netflix "self-control"

Let’s discuss the case of NETFLIX: how do they control?

Stenovec (2017) « One Reason For Netflix's Success -- It Treats Employees Like Grownups” huffpost.com https://www.huffpost.com/entry/netflix-culture-deck-success_n_6763716

« No traditional yearly performance reviews »

« Can expense without getting approval from their managers, as long as they’re acting in Netflix’s best interest »

« Unlimited vacation »

« Netflix is fond of saying it hires only “fully formed adults,” and the company treats them as such — bestowing on them great amounts of freedom so they can take risks and innovate without being bogged down by process »

Let’s discuss the case of NETFLIX

Hard Work – Not Relevant

- We don’t measure people by how many hours they work or how much they are in the office
- We do care about accomplishing great work
- Sustained B-level performance, despite “A for effort”, generates a generous severance package, with respect
- Sustained A-level performance, despite minimal effort, is rewarded with more responsibility and great pay

NETFLIX

Netflix

«

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The keeper test

- “All Managers would ask themselves the following: “Which of my people, if they told me they were leaving for a similar job at a competitor or peer company would I fight hard to keep?”
- And/Or:
«
- All team members would ask their managers: “If I told you I was leaving the company to work for a competitor, how hard would you fight to keep me and try and convince me to change my mind?” (Khan,2024)

Khan (2024) « Keeper Test », Medium.com https://haroonkhan9426.medium.com/netflixs-keeper-test-828a4128333e (viewed Oct 2024)

Control in firms

How to control?

There are different forms of control which an organization can use in order to get the desired results such as:

- Organizational structure,
- Performance measurement mechanisms,
- **Behavioral controls like norms and policies of an organization**

Debate

Pay the employees to quit

Pay to Quit

Zappos	Amazon	Riot Games
Cash bonus: $4,000	Cash bonus: $2,000 after first year Offer increases by $1,000 yearly—up to $5,000 max	Cash bonus: 10% of annual salary, up to $25,000
After training, until 60 days	Once every year for 4 years	Anytime during first 60 days
Any Zappos new hire	Fulfillment Center employees	Any Riot Games new hire

Controlling requires taking into account the human

Critics on control theory

- Control based on discrepancy detection (negative feedback) is too mechanistic and forget the human part

  - Critic 1 : Human change or improve not only when there is a discrepancy detected

Forget that in setting goal there are

Cognitive element :

compare their **perf. level** to their goal standard

Affective element

compare their **desired** perf level to their actual perf

Imagine yourself in a one on one meeting with me, I tell you that I want you to have 16/20 for this semester. What do you do?

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Critics

- Too mechanistic : Control based on discrepancy detection (negative feedback)

  - Critics 2 : Risk of overweight negative feedback

    When delivering a feedback to a human, the communication of feedback is important.

    Tendancy to forget positive feedback

If I tell you, you are good for X and underperforming for Y and Z reasons, what will you remember?

Critics

- Too mechanistic : do not fit to explain human behavior
  - Critic 3 : Setting standard requires training => impact the human prioritization (in a way that can be negative for the firm standards)

If you were a sale person and
"# of Sales contacts" is new featured
used to control your behavior :
- What would you do ?
- Would it increase the firm sales?

Critics

- Too mechanistic : do not fit to explain human behavior
  - Critic 4 : The discrepancy identified can be biased by human

When the control is if you connected on moodle to see if you watch the video, how can you bias the system?

Sanofi's drug development manager delayed the report to the top management of negative results on the main drug they were developing?

Managerial Implication

- Role of the manager
  - Set performance standards with your employees : (1) what to do, (2) why it is an important goal to desired (deal with the affective dimension) and (3) how to reach it
  - Need clear, simple, rational and relevant measurements (not only quantitative)
  - Establish a monitoring system (know how well they perform) and facilitate this **discrepancy perception** for your employees
  - Have resource to support action to correction

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Amy C. Edmondson

Acclaimed pioneer and champion of psychological safety.

RANKED THINKER

Ranked #1 in 2023.

Previously featured:

#1 (2021), #3 (2019), #13 (2017), #16 (2015), #15 (2013), and #35 (2011).

AWARD RECIPIENT

Recipient of the Thinkers50 2019 Breakthrough Idea Award for *The Fearless Organization*.

Recipient of the Thinkers50 2017 Talent Award for her work on psychological safety.

THINKERS50 BOOKLIST

Right Kind of Wrong was featured on the Thinkers50 Best New Management Booklist in 2024.

Let’s go further with Amy Edmondson

- Research object :

  Performance and mistake

- Assumption :

  Teams that performed best would make fewer mistakes

WORK UNIT	REPORTED ERRORS
MEMORIAL 1	23.68*
UNIVERSITY 1	17.23
UNIVERSITY 3	13.19
MEMORIAL 2	11.02
MEMORIAL 4	8.6
MEMORIAL 5	10.31
UNIVERSITY 2	9.37
MEMORIAL 3	2.34

* preventable and potential adverse drug events (ADEs) per 1000 patient-days

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Let’s go further with Amy Edmondson

- Surprising result
  - ➢ Teams that performed best actually reported more mistakes

- Explaination :
  - ➢ More open to discuss the mistake

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* preventable and potential adverse drug events (ADEs) per 1000 patient-days

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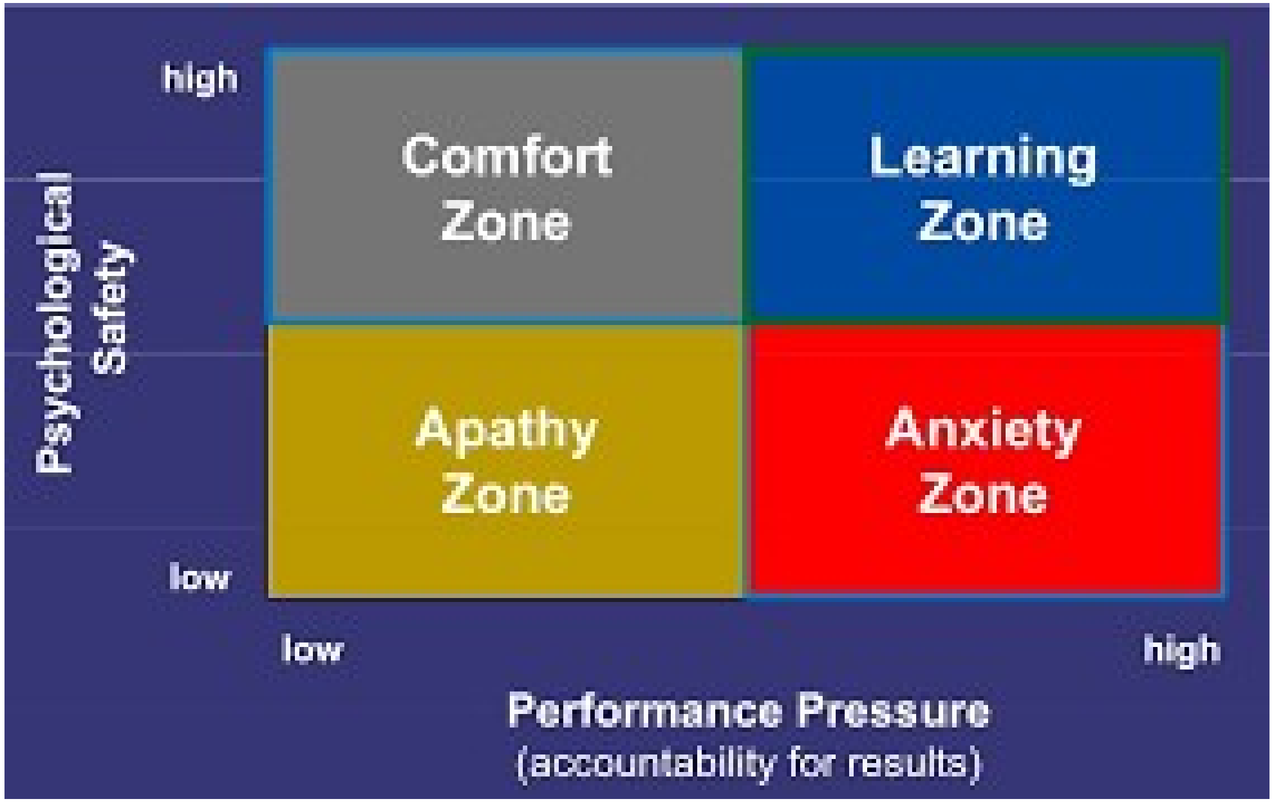
Let's go further with Amy Edmondson

Psychological safety :

« is a belief that one will not be punished, and is even expected to speak up with ideas, questions, concerns, or mistakes »



Let’s go further with Amy Edmonson

- Link with our class on control :
  - ➢ Controling requires psychological safety : Be willing to share the data and be transparent on the discrepency

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Debate

- How to use of AI for control ?

Debate on the use of AI for control

How is AI used for managers "controlling role"?

- For identifying discrepency

  Sense new discrepency that you even thought about

  Example : Sensor on the bridge that show one day a difference and thus a need to act

- For identifying best practice/solutions when a discrepancy is identified

  AI will be able to tell you who in the company performed well this specific activity

- For emotion detection and more customized feedback

  Perception of the feedback can be positive and negative depending on the individual ("customized management)

- AI as a control tool for managers

  Give a second opinion and check if there is a difference between your decision and what the computer think you should do and then take a decision

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Analyze how your company control their employees

- Reuse the concepts of the class on contol to analyzing the controlling function and then do recommendation
- Provide concreate example of what they do to support your argument
- And for each concreate example, give the source

Agenda

Before nov 3rd 8pm : handle in the first draft of the report (not graded – I will not check it)

Nov 4th : we meet on zoom at 9:30 and then each of you will do the friendly review of the report of an other group

Before nov 13th 8pm : evaluate the quality of the feedback received and handle in the final version of your report

Nov 17th : Debate on the novel managerial practices that you have unpacked in all the companies (be prepared to talk about your company or the one you reviewed)

Nov 18th : Conclusion and quiz

Thanks for your attention !

CULTIVONS LA DIFFÉRENCE !

www.montpellier-management.fr