

# [Management control system as a package commerce essay](https://assignbuster.com/management-control-system-as-a-package-commerce-essay/)

The aim of the this essay introduces the management control system as a package in the different typologies which is proposed by Merchant, K. Van der Stede, W. and Malmi, T. & Brown D with examples of Barclays Bank PLC firstly. Subsequently, discuss the way of collaboration between packages. Lastly, analyses critically the challenges of implementing MCS as a package.

Body

Management control system is an integrated technique which concentrates and processing information to evaluate, effect and conduct the performance of organizational resources. Management controls systems play a pivotal role in dominating the organization’s strategies to enhance the competitive advantage and make the influence of the goal achievement. Management control system (MCS) as a package is a collection or set of controls and controls systems (Malmi 2007). The idea is proposed over 30 years by Otley (1980). The inevitability of development confirms MCS should work together not in isolation. There are more reasons prove it. Firstly, use MCS as a package, the role of MCS will be transformed or advanced to be more essential. Secondly, MCS as a package is a good way to achieve increased organizational performance. Moreover, Fisher (1998) supported that without linkage between MCS, the contingency variables of isolation of MCS using may lead to erroneous conclusions. In other words, the function of an existing MCS package may make an influence on a new MCS’s using. Therefore, studying and utilizing the new system individually can affect the accuracy of results. Besides, if the elements do not conflict between management control systems, MCS cannot only complement or substitute each other, but also perfect function, such as personal controls and cultural controls.

Barclays Bank PLC is established in 1965. It is one of the biggest business bank with the perfect management control systems. It is suited example to illustrate two typologies of MCS as packages in the contemporary literature. The typologies of Malmit., & Brown., 2008 afforts a sufficiently broad. It involves five packages which are planning, cybernetic controls, reward and compensation controls, administrative controls and cultural controls. Planning is an ex-ante form of control (Flamholtz et al., 1985). To control the behavior and effort, it formulates the standards and goals in functional area. Additionally, planning makes sure the operation in an orderly manner on the basis of the expected goals. Action planning and long range planning are two aspects of planning. Action planning means the action and goals can be implementing and achieved during 12 months or less. Obviously, Long range planning needs long time to implement the action and realize the goals. For instance, in 2012 Barclays set a 2015 Citizenship Plan. It set out how we will play our part in overcoming the challenges facing the global economy and in restoring confidence in the financial services sector during the 3 years. Green and Welsh (1988) defined cybernetic control as “ a process in which a feedback loop is presented by using standards of performance, measuring system performance, comparing that performance to standards, feeding back information about unwanted variance in the systems, and modifying the system’s comportment”. Four systems are included in, which identified by other research: Budgets (Bunce et al., 1995; Hansen et al., 2003); financial measures (Ittner and Larcker, 1998); non-financial measures; and Hybrids which include financial and non-financial. To motivate the employees working hard, the reward and compensation control is a useful means. Barclays provides the reward for performance incentives, private healthcare, tax-free share schemes, child care vouchers and up to 30 days holiday a year. Cultural control is a system to limit member’s behavior through the belief, sometimes beyond the managers’ control. It involves three parts: value-based controls (Simons, 1995), symbol-based controls (Schein, 1997), and clan controls (Ouchi, 1979). There are three levels of value-based controls, the first level is that if your value is particular and met the value of organizations, you are the person they are finding. The second level is your value is socialized and you can transform it to fit the organization value. Lastly, you do not insist personally. Symbol-based control is that the organization will establish particular fixed and current assets, such as building work and relax space. Clan control creates value and employable skills in the socialization process. The professional training may come from organization division or training center. “ Core of Barclays” is five organizational values, Barclays put forward, which is Keep smile, Own it, Work together, Think smart and 100% energy. Training, support and development are provided to help employees fit the value by the human resource department. Administrative controls control staff by individuals or group. It is a process to oversee whether a task or activities operates. Organization design and structure, policies and procedure and governance structure are the three aspects.

The another typology was proposed by Merchant K., & Van der Stede W., (2007), they support that MCS system contains 4 packages which are results controls, action controls, personnel controls and cultural controls respectively. Result controls transfer the employees’ attention from process to result. On the one hand, it makes an influence to action, to achieve expected goal, the system selects the most suitable process for them. On the other hand, organization creates meritocracies. Organization rewards the talent and hard working employees instead of the long tenure. It causes the employees concentrate on the proper working area selecting and performance. The final performance determines whether they can obtain the reward. The application of result control is limited. Only in this circumstance, which is employees’ action can affect the results and the results can be measured effectively, can the control be suited for. Planning and budget belong to financial result control system, however, Malmit T., & Brown, D., proposed planning is an individual package and budget is regarded as a part of cybernetic control. Action control is constituted by four basic forms: behavioral constraints, preaction review, action accountability and redundancy. Constraints employees behavioral are of great importance to the security company such as a bank. Behavioral constraints, therefore, include two aspects which are physical and administration. Lock the desk, set the password of computer and door and restrict decision making authority is the means of behavioral constraints. Preaction reviewer can check the planned action during or before the implementation of the plan. The action may be accepted, denied or asked for modify. Action accountability means employees should be accountable for their actions if they know definitions of actions and can get reward or punishment for the actions. Redundancy, an expensive control, involves arranging more employees in one post to avoid a loss from the contingent accident and ensure the task can be achieved efficiently and perfectly. Policies and procedures, which belong to administrative control in another typology, are the parts of action control. According to the personal characteristics, personnel controls encourage employees engage in self-monitoring which is an expressive to motivate people do their utmost. Training, selection and placement employee and job design are personnel control belonging to human resources in Barclays, however, training and job design are often linked to administrative controls, and selection is an item of cultural controls. Training does not have a clear board. It can be regarded as policies and procedures of administrative control or cultural control. Organization put pressure on the employees who detached the organization rules and value, are called cultural control. The more emotional ties, the stronger cultural controls are, such as group reward, setting the proper tone at the top and intra-placement. Group reward should be included in reward and compensation packages in another typology. Comparing the two typologies, there not only is differences, but also shares the similar. On the one hand, a multitude of organizations concentrate on shaping their particular culture and believe cultural control can make a great influence on the organizational behaviors. On the other hand, reward and compensation are the most efficient method to motivate workers to do a better job. The two typologies pay most attention to develop the cultural controls and reward and regard it as an individual package.

Nowadays, more organizations implement MCS as a package, the more researchers focus on how the management control packages operate harmonious and reciprocal. Mikko Sandelin did series researches the coupling among cultural, personnel, action and results controls on the basis of typology of Merchant & Van der Stede. There is a case of Barclays to prove how the personnel and cultural controls work together well. As with any company, professional and hard working employees make sure the organization’s normal operation and stable growth. As for the human resource department of Barclays, a particular culture which can match the Barclays culture is the imperative standard for hiring instead of the academic degree and work experience. To test whether yourself value against their value, Barclay website affords a culture fit quiz. The question about:

“ Own It”, for example, is one of the five values in “ core of Barclays”: Your overhear a team member dealing with a complaint and realize that you are responsible for the error being discussed. What will you do?

Barclays finds a person who can take responsibility for the error and explain why it happened to your team. After the employment, the department will provide a series training to help you fit their chaotic culture better. If someone still cannot fit it, he will be dismissed. The example shows the harmonious collaboration between personnel and cultural controls. The equivalent is a relative frequent topic of discussion. Result controls and cultural controls motivate employees to fulfill their potential by rewarding. It proofs that a company can get the ultimate equal state through different control packages. Various control systems composite more control packages, the function of control packages hinges on the internal consistency such as a reciprocal connection between the designs of two control systems. It was suggested by two researches can be accomplished by informal controls or formal control systems

It is fierce market competition environment that many companies implement the MCS as a package indiscriminately to guarantee the achievement of goals, whereas, the limitation appeared in the process of implementation. Most importantly, the challenge is no MCS can be pledged avoiding the error, especially on the complex collection of MCS. An honest error will make a big impact on the holistic operation. A plethora of companies attempt to modify the risk of wrongdoing, and the designer should prove that improprieties in the system will not take place. Thus, manager must pay attention to the risk of building and maintaining MCS as a package. Then, extensive budget management system may not be perfect or match the unique circumstance of company. Further, some firms scarcity the accurate and objective performance evaluation systems. Moreover, the unfair incentive and restraint mechanisms will excite dissatisfaction of employees and work without management. Last but not least, any packages have the control problem such as lack of direction, motivational problems and personal limitations.

Conclusion

In summary, we can get a clear perspective of the management control system as a package. It is the tool that scrutiny and monitors the behavioral to achieve the goals of an organization. Cultural controls and reward are the concerns of two typologies, but, the specific classifications are different. The packages can work harmoniously with each others. Nevertheless, the company has to be confronted with the challenges of implementing management control system as a package, such as biased incentive and restraint mechanisms.