

15.14: Levels and Types of Control

Learning Outcomes

- Differentiate between strategic, operational, and tactical controls.
- Differentiate between top-down, objective, and normative control.

Strategic Control

Managers want to know if the company is headed in the right direction and if current company trends and changes are keeping them on that right path. To answer this question requires the implementation of strategic control. Strategic control involves monitoring a strategy as it is being implemented, evaluating deviations, and making necessary adjustments.



Strategic control may involve the reassessment of a strategy due to an immediate, unforeseen event. For example, if a company's main product is becoming obsolete, the company must immediately reassess its strategy.

Implementing a strategy often involves a series of activities that occur over a period. Managers can effectively monitor the progress of a strategy at various milestones, or intervals, during the period. During this time, managers may be provided information that helps them determine whether the overall strategy is unfolding as planned.

Strategic control also involves monitoring internal and external events. Multiple sources of information are needed to monitor events. These sources include conversations with customers, articles in trade magazines and journals, activity at trade conferences, and observations of your own or another company's operations. For example, Toyota gives tours of its plants and shares the "Toyota Way" even with competitors.

The errors associated with strategic control are usually major, such as failing to anticipate customers' reaction to a competitor's new product. BlackBerry had a strong position in the business cell phone market and did not quickly see that its business customers were switching to the iPhone. BlackBerry could not recover.

Operational Control



Operational control involves control over intermediate-term operations and processes but not business strategies. Operational control systems ensure that activities are consistent with established plans. Mid-level management uses operational controls for intermediate-term decisions, typically over one to two years. When performance does not meet standards, managers enforce corrective actions, which may include training, discipline, motivation, or termination.

Unlike strategic control, operational control focuses more on internal sources of information and affects smaller units or aspects of the organization, such as production levels or the choice of equipment. Errors in operational control might mean failing to complete

projects on time. For example, if salespeople are not trained on time, sales revenue may fall.

Tactical Control

A tactic is a method that meets a specific objective of an overall plan. Tactical control emphasizes the current operations of an organization. Managers determine what the various parts of the organization must do for the organization to be successful in the near future (one year or less).

For example, a marketing strategy for a wholesale bakery might be an e-commerce solution for targeted customers, such as restaurants. Tactical control may involve regularly meeting with the marketing team to review results and would involve creating the steps needed to complete agreed-upon processes. Tactics for the bakery strategy may include the following:

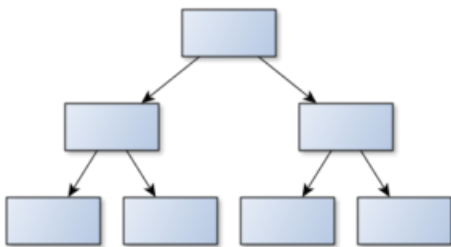
- building a list of local restaurants, hotels, and grocery stores
- outlining how the bakery website can be used to receive orders
- personally visiting local executive chefs for follow-up
- monitoring the response to determine whether the sales target is met

Strategic control always comes first, followed by operations, and then tactics. For example, a strategy to be environmentally responsible could lead to an operations decision to seek Leadership in Energy and Environmental Design (LEED) certification. This is a program that awards points toward certification for initiatives in energy efficiency, such as installing timed thermostats, using occupant sensors to control lighting use, and using green cleaning products. The tactical decision is deciding which energy-efficient equipment to purchase. At each level, controls ask if the decisions serve the purpose: actual energy savings, the LEED certification, and acting responsibly for the environment.

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Top-Down Controls



Top-down controls are also known as bureaucratic controls. Top-down control means the use of rules, regulations, and formal authority to guide performance. It includes things such as budgets, statistical reports, and performance appraisals to regulate behavior and results. Top-down control is the most common process, where senior executives make decisions and establish policies and procedures that implement the decisions. Lower-level managers may make recommendations for their departments, but they follow the lead of senior managers.

Advantages

With top-down control, employees can spend their time performing their job duties instead of discussing the direction of the company and offering input into the development of new policies. Senior executives save time by not explaining why some ideas are used and not others. Heavily regulated businesses may find this approach to be most beneficial.

Disadvantages

The top-down approach has its drawbacks. The lower levels of a company are in touch with customers and recognize new trends or new competition earlier than senior management. A heavy-handed top-down approach may discourage employees from sharing information or ideas up the chain of command.

Objective and Normative Control

Objective control is based on facts that can be measured and tested. Rather than create a rule that may be ambiguous, objective controls measure observable behavior or output. As an example of a behavioral control, let's say that a store wants employees to be

friendly to customers. It could make that a rule as stated, but it may not be clear what that means and is not measurable. To make that goal into an objective control, it might specify, “Smile and greet anyone within 10 feet. Answer customer questions.”

Output control is another form of objective control. Some companies, such as Yahoo, have relaxed rules about work hours and focus on output. Because programmers’ output can be measured, this has worked well, whether an employee works the traditional 9 a.m. to 5 p.m. or starts at noon and works until 8 p.m.

Normative controls govern behavior through accepted patterns of action rather than written policies and procedures. Normative control uses values and beliefs called norms, which are established standards. For example, within a team, informal rules make team members aware of their responsibilities. The ways in which team members interact are developed over time. Team members come to an informal agreement as to how responsibilities will be divided, often based on the perceived strengths of each team member. These unwritten rules are normative controls and can powerfully influence behavior.

Normative control reflects the organization’s culture, the shared values among the members of the organization. Every organization has norms of behavior that workers need to learn. One company may expect employees to take the initiative to solve problems. Another may require a manager’s approval before employees discuss changes outside the department. Some topics may be off-base, while others are freely discussed. Companies will have a mix of controls—top-down, objective, and normative.

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