**Leaving Cert Business Chapter 8 – Management Activities - 3. Control**

The management activity of Control is essential to ensure plans stay on track and achieve their targets. The activity of control overlaps with those of planning and organising. The manager must regularly check the businesses performance in key areas such as Human Resources, Stock management, Finance, Customer Service, Production etc. If any of these areas is underperforming the manager must take action so as to ensure they reach their objectives.

**Steps in Controlling:**

1. **Set Targets** – Eg Arsene Wenger manager sets a top 4 finish and Champions league qualification as a seasonal target
2. **Measure performance regularly** – After 10 games the club lies in 7th place, 8 points behind Everton in 4th place.
3. **Measure deviations** – the club is off target by 3 places and 8 points.
4. **Take corrective action** – More training needed, sell underperforming players and purchase better ones in January transfer window.

**Key areas of Control in Business**

**1. Stock Control**

Aim – the aim of stock control is to ensure the business has the right amount of stock and the right kind of stock in the business at all times. Too little or too much stock both have disadvantages. If a firm doesn’t have the right amount of stock, it is likely to lose sales and profits.

|  |  |
| --- | --- |
| **Too much stock leads to**   * + Obsolescence   + Deterioration   + A rise in storage costs   + Tied-up Capital | **Too little stock leads to**   * + Lost orders   + Lost sales   + A drop in revenue   + A rise in costs   + A drop in profits |

To control stock the business should set stock levels:

|  |  |  |
| --- | --- | --- |
| Maximum Stock Level | The Business should never have more than this amount of stock of any product | This prevents problems of too much stock |
| Minimum Stock Level | The Business should never have less than this amount of stock of any product | This prevents problems of too little stock |
| Optimum Stock Level | The preferred level of stock – not too much or not too little | This is an average of Max and Min levels |
| Re-Order Point | When stock hits this level a new order is placed immediately | This prevents too little stock |
| Re-Order Quantity | The amount reordered should bring quantities back up to the optimum level. | This prevents too much stock |

**Advantages of Stock Control**

1. Lower amounts of stock reduces storage costs
2. Lower amounts of stock reduces insurance costs
3. Lower amounts of stock make it easier to spot theft by customers and/or by staff.
4. The correct amount of stock ensures customer demands are met. Failure to do this will result in lost sales and perhaps the loss of customer loyalty.
5. Having the optimum level of stock reduces wastage and increased cost from deteriorated or damaged stock

**Stock Control System – Just In Time (J.I.T.)**

* **Aim** – Keeping the minimum amount of stock possible in the business while never running out of stock (never failing to meet a customer’s demand). It is essential to have a good relationship with your supplier as you depend on them to deliver the exact amount of high quality products on time every time. The stock is used an immediately sold to the customer. It was developed in Japan by Toyota and adapted throughout Asia and the rest of the world. It really suits businesses who manufacture products before selling them on to retailers. **just-in-time** - items only move through the production system as and when they are needed
* In this system inventory (stock) is regarded as an unnecessary waste. Toyota identified a number of sources of waste that he felt should be eliminated:

1. **Overproduction** - waste from producing more than is needed
2. **Time spent waiting** - waste such as that associated with a worker being idle whilst waiting for another worker to pass him an item he needs (e.g. such as may occur in a sequential line production process)
3. **Transportation/movement** - waste such as that associated with transporting/moving items around a factory
4. **Processing time** - waste such as that associated with spending more time than is necessary processing an item on a machine
5. **Inventory** – waste and costs associated with keeping stocks
6. **Defects** - waste and costs associated with defective items

**2. Quality Control**

Involves making sure that the quality of the product or service offered by the business meets the expectations of their customers. A business can control its quality in various ways including the following:

**1. Product Inspections:**

The production manager delegates responsibility to a quality control inspector. He ensures all products meet the standards required. He will inspect a sample of the products before an order is distributed to customers. If a product does not meet quality standards the whole batch may be withdrawn from production.

**2. Quality Circles:**

This involves a working group from different departments within the business. They work as a team to spot problems and come up with suggestions as how to resolve them. Their aim is to maintain and/or increase quality standards in the Business.

|  |  |
| --- | --- |
| Advantages | Steps |
| Employees brainstorming ideas to eliminate problems | Employees meet and raise quality problems |
| Strive towards perfection | Discuss problems and present solutions to management |
| Employees are motivated to work harder to meet quality targets. | Manager implements solutions throughout the business |

**3. Awards**

**ISO 9000**

An internationally recognised award given to businesses that consistently meet the highest quality standards in their industry.

The business can aim to achieve other quality awards in their industry. These awards improve the image of the company and will lead to increased sales and profits.

**3. Credit Control**

The aim of credit control is to make sure all customers (debtors) pay their bills on time. This ensures the business can pay its bills on time (creditors). This is called working capital management. The advantage of this is that it reduces bad debts and costs, thus increasing profits Credit control steps include:

1. The Business vets all customers to see if they can be trusted with credit accounts. They ask for a reference.

2. The business sets a maximum credit limit and credit period for customers.

3. The Business sends an invoice to all credit customers stating amount owed and due dates.

4. if customers do not pay on time a reminder letter is sent, credit may be withdrawn and possible court action may be taken to retrieve debts.

**Advantages of control**

1. Controlling Activities makes sure the business achieves its goals and that plans are successful
2. Controlling reduces businesses costs.
3. Controlling helps improve the businesses cash flow.
4. Controlling increases sales and profits
5. Controlling improves employees performance and productivity