

SUBJECT – BM (GE) PAPER

Important youtube Links for online study

- 1 . <https://youtu.be/c6CZWfReDUI>
- 2 . <https://youtu.be/VzIGndd9mTA>
- 3 . <https://youtu.be/jOLHwYi-wal>
- 4 . <https://youtu.be/JRVXfaFrMEM>
- 5 . <https://youtu.be/o50eFfAlEXk>
- 6 . <https://youtu.be/QNjpWgC-OiU>

CONTROLLING

Controlling is the process of ensuring that actual activities conform to planned activities.

Managerial Control implies the measurement accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans.

- Koontz and O' Donnel

Importance of Controlling

Control is an indispensable function of management. Without control the best of plans can go awry. A good control system helps an organization in the following ways:

(i) **Accomplishing organizational goals:** The controlling function measures progress towards the organizational goals and brings to light the deviations, if any and indicates corrective action.

(ii) **Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.

(iii) **Making efficient use of resources:** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner.

(iv) **Improving employee motivation:** A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to give better performance.

(v) **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities.

(vi) **Facilitating coordination in action:** Controlling provides direction to all activities and efforts for achieving organisational

goals. Each department and employee is governed by pre determined standards which are well coordinated with one another. This ensures that overall organisational objectives are accomplished.

(Vii) **Facilitating coordination:** In every business organization, managers and employees always have to coordinate and work with each other collectively. Controlling improves this coordination by basically demarcating all activities and efforts into fixed boundaries. It brings together all the resources of an organization and enables its personnel to work together with unified efforts.

Features of Controlling

The following are some basic features of the controlling process: Controlling is one of the most important functions of management. It is something that every manager needs to carry out effectively at each level. Good controlling measures often increase the effectiveness of other functions of management as well.

i) **Forward-looking**

Controlling is a forward-looking process because all of its efforts dictate future courses of action. Managers often use experiences from the past to make corrections for the future.

ii) **Exists at all levels**

The process of controlling is all-pervasive. In other words, managers at all levels of management hierarchies have to use controlling. The nature of controlling measures that managers use might differ but they all have to use them.

For example, top-level managers use controlling for making policies and setting organizational goals. On the other hand, middle and lower level managers use controlling for effectively carrying out the organization's activities.

iii) Continuous activity

Controlling is not a one-off activity that managers have to perform once in a while. It is generally a continuous process that goes on permanently in different ways. Managers have to constantly compare their actual results with their targets and make changes accordingly.

iv) Positive purpose

The objective of control is to create positive impacts at both organizational and individual levels. At the organizational level, it aims to fulfill the organization's goals. At an individual level, control strives to increase productivity and make individuals benefit as well. Hence, control has a largely positive purpose in every way.

Limitations of Controlling

Although controlling is an important function of management, it suffers from the following limitations.

- (i) **Difficulty in setting quantitative standards:** Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. This makes measurement of performance and their comparison with standards a difficult task. Employee morale, job satisfaction and human behaviour are such areas where this problem might arise.
- (ii) **Little control on external factors:** Generally an enterprise cannot control external factors such as government policies, technological changes, competition etc.
- (iii) **Resistance from employees:** Control is often resisted by employees. They see it as a restriction on their freedom. For instance, employees might object when they are kept under a strict watch with the help of Closed Circuit Televisions (CCTVs).
- (iv) **Costly affair:** Control is a costly affair as it involves a lot of expenditure, time and effort. A small enterprise cannot afford to install an expensive control system. It cannot justify the expenses involved. Managers must ensure that the costs of installing and operating a control system should not exceed the benefits derived from it.

Controlling Process

Controlling is a systematic process involving the following steps.

1. Setting performance standards
2. Measurement of actual performance
3. Comparison of actual performance with standards
4. Analysing deviations
5. Taking corrective action

Step 1: Setting Performance Standards: The first step in the controlling process is setting up of performance standards. Standards are the criteria against which actual performance would be measured. Thus, standards serve as benchmarks towards which an organisation strives to work. Standards can be set in both quantitative as well as qualitative terms. For instance, standards set in terms of cost to be incurred, revenue to be earned, product units to be produced and sold, time to be spent in performing a task, all represents quantitative standards. Sometimes standards may also be set in qualitative terms. Improving goodwill and motivation level of employees are examples of qualitative standards.

Step 2: Measurement of Actual Performance: Once performance standards are set, the next step is measurement of actual performance. Performance should be measured in an objective and reliable manner. There are several techniques for measurement of performance. These include personal observation, sample checking, performance reports, etc. As far as possible, performance should be measured in the same units in which standards are set as this would make their comparison easier. It is generally believed that measurement should be done after the task is completed. However, wherever possible, measurement of work should be done during the performance. For instance, in case of assembling task, each part produced should be checked before assembling. Similarly, in a manufacturing plant, levels of gas particles in the air could be continuously monitored for safety.

Step 3: Comparing Actual Performance with Standards: This step involves comparison of actual performance with the standard. Such comparison will

reveal the deviation between actual and desired results. Comparison becomes easier when standards are set in quantitative terms. For instance, performance of a worker in terms of units produced in a week can be easily measured against the standard output for the week.

Step 4: Analysing Deviations: Some deviation in performance can be expected in all activities. It is, therefore, important to determine the acceptable range of deviations. Also, deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. Critical point control and management by exception should be used by a manager in this regard.

1. **Critical Point Control:** It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation. These KRAs are set as the critical points. If anything goes wrong at the critical points, the entire organisation suffers. For instance, in a manufacturing organisation, an increase of 5 per cent in the labour cost may be more troublesome than a 15 per cent increase in postal charges.

2. **Management by Exception:** Management by exception, which is often referred to as control by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management. Thus, if the plans lay down 2 per cent increase in labour cost as an acceptable range of deviation in a manufacturing organisation, only increase in labour cost beyond 2 per cent should be brought to the notice of the management. However, in case of major deviation from the standard (say, 5 per cent), the matter has to receive immediate action of management on a priority basis.

Step 5: Taking Corrective Action: The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits. However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished. Corrective action might involve training of employees if the production target could not be met. Similarly, if an important project is running behind schedule, corrective action might involve assigning of additional workers and equipment to the project and permission for overtime work.

