

Chapter-8

Controlling

Managerial functions start with planning and ends with controlling. Controlling means ensuring that activities in an organization are performed as per plans. The controlling function finds out how far actual performance deviates from standards, analyses the causes of such deviations and attempts to take corrective actions based on the same. Without proper control even the best plan will not give the desired result. Controlling is a pervasive function.

Features of controlling:

- Controlling is a goal-oriented process
- It is a pervasive function
- It is a backward-looking function. Controlling evaluates the past performance on the basis of pre-determined goals.
- Controlling is futuristic also. Controlling process helps in formulation of future plans.

Importance of Controlling

(i) Accomplishing organisational goals:

Controlling measures, the actual performance with standards and make corrective action on deviations.

(ii) Judging accuracy of standards:

A good control system keeps a careful check on the changes taking place in the organization. This helps to review and revise the standards in the light of such changes.

(iii) Making efficient use of resources:

Controlling helps a manager to reduce wastage and spoilage of resources.

(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 evaluated. This will motivate them and helps them to give better performance.

(v) Ensuring order and discipline:

Controlling creates an atmosphere of order and discipline in the organisation.

(vi) Facilitating coordination in action:

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

Limitations of Controlling

Controlling function of management is suffers from the following limitations.

(i) Difficulty in setting quantitative standards:

Controlling will be effective only when standards are fixed in quantitative terms. Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. Employee morale, job satisfaction and human behaviour etc. can't be fixed in quantitative terms.

(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.

(iv) Costly affair:

Control is a costly affair as it involves a lot of expenditure, time and effort.

Relationship between Planning and Controlling

Planning and controlling are inseparable twins of management. A system of control presupposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational, controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective actions. Thus, planning without controlling is meaningless. Similarly, controlling is blind without planning. If the standards are not set-in advance, managers have nothing to control. The relation between planning and controlling will be clear from the following points.

- When there is no plan, there is no basis of controlling.
- Future plans are made perfect by correcting the deviations, which are identified through controlling.
- Planning is clearly a prerequisite for controlling.
- Planning means deciding in advance what is to be done, how it is to be done, who should do it etc. Controlling ensures that things are done as per plan.
- It is utterly foolish to think that controlling could be accomplished without planning.
- Planning is basically an intellectual process involving thinking and analysis to discover an appropriate course of action for achieving objectives. Controlling, on the other hand, checks whether decisions have been translated into desired action.
- Planning is prescriptive whereas, controlling is evaluative.

The relationship between planning and controlling is that one helps the other.

1. Planning based on facts makes controlling easier and effective

2. Controlling improves future planning by providing information derived from past experience.

'Planning is looking ahead while controlling is looking back'. Comment

Planning is looking ahead while controlling is looking back. However, **the statement is only partially correct**. Plans are prepared for future and are based on forecasts about future conditions. Therefore, planning involves looking ahead and is called a forward-looking function. On the contrary, controlling is like a postmortem of past activities to find out deviations from the standards. In that sense, controlling is a backward-looking function.

However, **controlling is forward looking also** because it **does not end** by comparing the past performance with the standards. It also involves finding the reason for deviation and suggest measures so that these deviations do not occur future. Planning is backward looking also in the sense that it is guided by the past experiences and the corrective actions initiated by the control functions. Thus, planning and controlling are both backward-looking as well as a forward-looking function.

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.

Step 2: Measurement of Actual Performance:

Once performance standards are set, the next step is measurement of actual performance. There are several techniques for measurement of performance. These include personal observation, sample checking, performance reports, etc.

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.

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. All deviations need not be brought to the notice of top management.

Step 5: Taking Corrective Action:

The final step in the controlling process is taking corrective action. 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.

Controlling Process in a chart

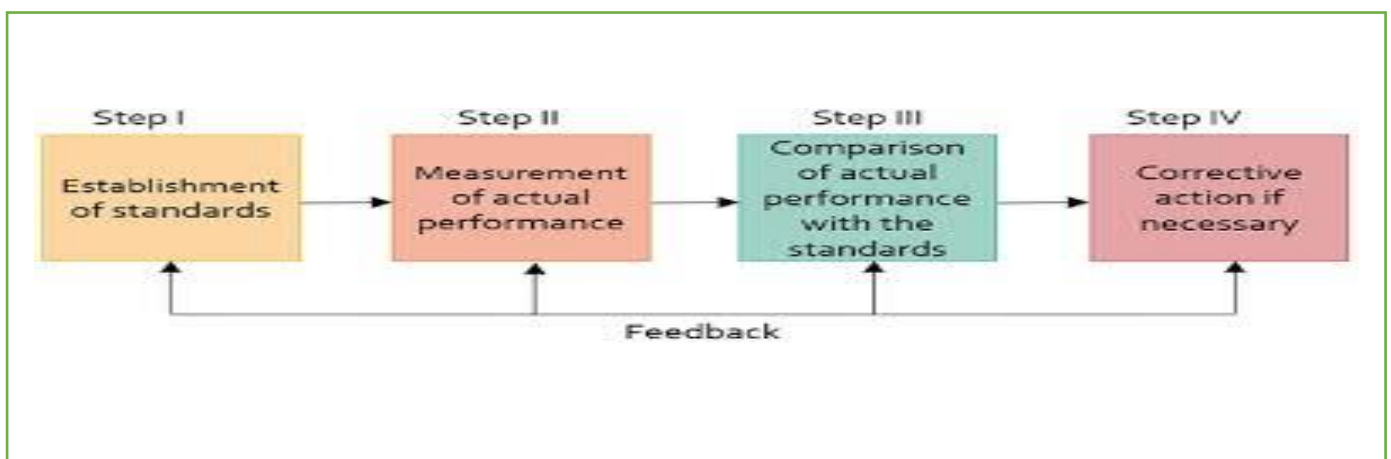


Fig: Controlling process

Management by Exception (MBE)/ Control by Exception

It is one of the important principles of control. This principle implies that only major exceptions (deviations) from the established standard should be reported to the top management. This idea is based on the concept “an attempt to control everything results controlling nothing”. Manager should not waste his time and energy in finding solutions for minor deviations rather he should concentrate on removing deviations of high degree. Deviations within the acceptable range (i.e, minor deviations) are ignored.

For Example, if a garment factory establishes that defects in 100 garments, i.e, 5% defects permissible. If the defect is between 1 to 5%, it need not be reported to the management. If the defects are 6% or more than that it must be reported.

Expected Questions

1. Which function of management consists of the following elements?

- a. Determining standards
- b. Measuring performance
- c. Comparing performance with standards
- d. Taking corrective action

Ans: Controlling

2. -----is the criteria against which actual performance is measured.

Ans: standard

3. Identify the principle which indicates that only significant deviations from standards require the attention of management. **Ans: Management by exception**

4. The first step in controlling process is-----

- a. Corrective action
- b. Fixing Standards
- c. Analysing Deviations
- d. Measuring the actual performance

Ans: Fixing Standards

5. An efficient control system helps to

- (a) Accomplishes organisational objectives
- (b) Boosts employee morale
- (c) Judges accuracy of standards
- (d) All of the above

Ans :All of the above

6. Arrange the steps in the process of control in its sequence:

- (1) Measurement of performance
- (2) Taking corrective action
- (3) Comparison of actual performance with standard
- (4) Establishment of standard

Ans: Establishment of standard -----Measurement of performance-----

Comparison of actual performance with standard-----Taking corrective action

7. Controlling function of an organization is

- a. Forward looking
- b. Backward looking
- c. Forward as well as backward looking
- d. none of the above

Ans: Forward as well as backward looking

8. Explaining the meaning of controlling. (3 Score)

9. Planning without control is like a ship without a captain. Do you agree with this
Discuss the relationship between planning and control

10. Just as traffic signals are essential to make our roads accident free, management controls are necessary for the smooth functioning of the organisation.
 - a. State your opinion about this statement.
 - b. Briefly explain the steps in control process.
11. "Controlling is an important function of management". Identify and explain the importance of controlling.
12. Explain the importance of standards in control process.
13. "An attempt to control everything results controlling nothing". Explain (5 Score)
14. Explain the various steps involved in the process of control. (6 Score)
15. Prepare a seminar paper in 'Steps in control process'.
16. Prakash and Thomas are two managers of KK Ltd. Prakash's view is that controlling is forward looking whereas Thomas argues that controlling is backward looking. In your opinion who is correct? Explain