

CHAPTER – 8

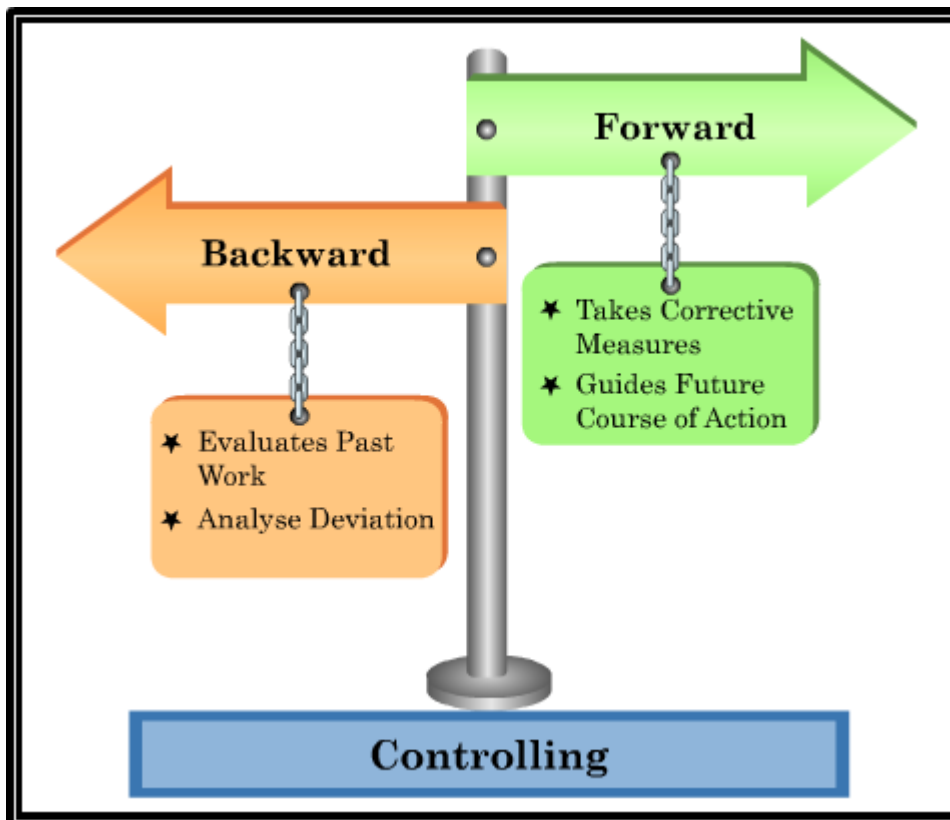
Controlling

❖ Controlling as a Function of Management

Controlling refers to the function of management that involves evaluating, assessing and monitoring the progress of the work done. It is a rigorous process involving setting up standards for performance, comparing the actual performance with the set standards, analysing deviations and taking the required corrective measures.

❖ Controlling: A Forward-Looking as well as a Backward-Looking Process

- Controlling is a backward-looking function in the sense that it assesses the past performance and analyses deviations from the pre-defined set of standards.
- It is also forward-looking in the sense that the corrective actions taken under controlling form the basis of future plans and policies. In this way, it guides the future course of action and aims at improving both performance and efficiency in the long run.

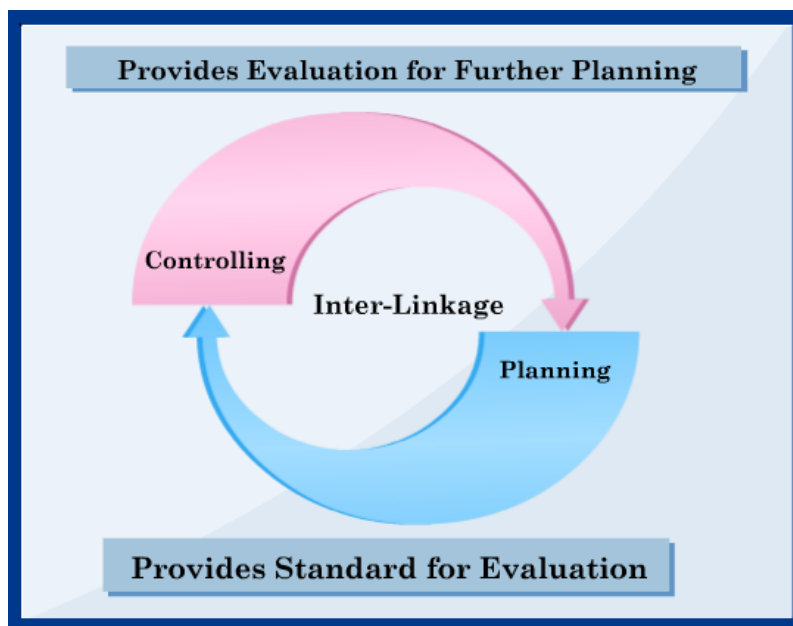


❖ Controlling and Planning are Interlinked

Both planning and controlling are important functions of management. While planning is the first step in the management process, controlling is the final step. They are interdependent; one cannot function properly without the other. The following points highlight the relationship between these two functions of management:

- Planning provides the base for controlling. It lays down standards for working against which the performance can be measured. In this way, it helps in making controlling a much easier and effective process.
- Controlling provides useful information based on the evaluation of past performance and takes corrective measures in case of any deviations. These assessments and corrective actions form the base for future planning.
- Controlling without planning is meaningless. Without standards or objectives, there is nothing to control.
- Without controlling, planning cannot be accomplished. Controlling is a requisite for analysing whether the plans are being properly implemented.

In this regard, we can say that both planning and controlling are interlinked with each other and incomplete without each other.



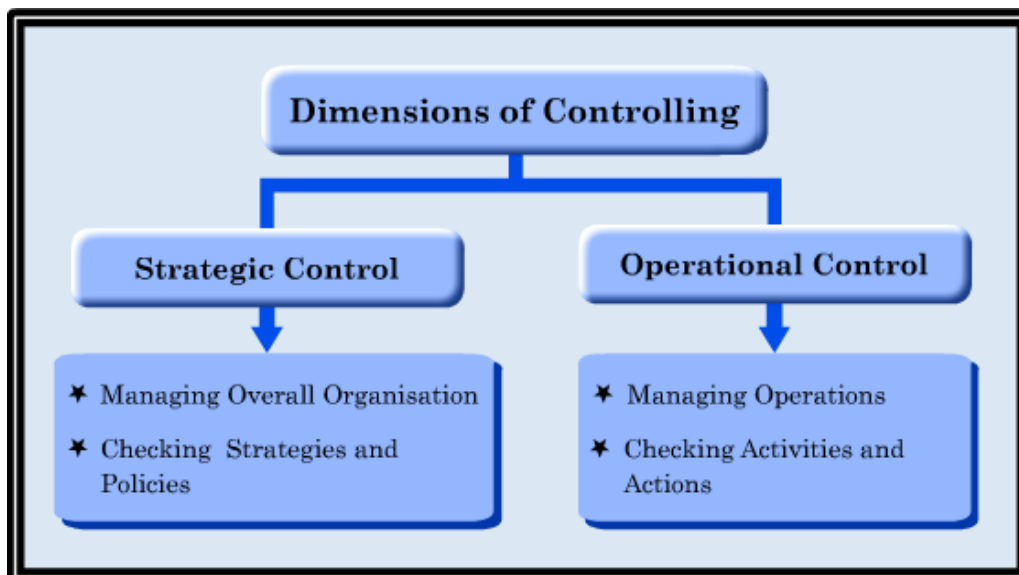
❖ Features of Controlling

- 1) **Pervasive**-Controlling is a pervasive function. It is exercised by all managers irrespective of their level, department or division.

- 2) **Backward-looking as well as forward-looking**- Controlling is backward-looking in the sense that it evaluates the past performance against the pre-defined set of standards and takes the required corrective actions in case of any deviations. This assessment and corrective actions form the base for future planning. That is, it is on the basis of corrective actions taken under controlling that future plans are formed. In this way, it is said to be a forward-looking function.
- 3) **Positive process**- Controlling is a positive process as it aims at achieving the organisational goals despite of working constraints.
- 4) **Continuous process**- Controlling is an on-going process as it involves a constant assessment and evaluation of the progress of current tasks and activities as against the set standards.
- 5) **Goal-oriented function**- Controlling keeps a close watch on the work in progress and constantly works towards the accomplishment of organisational goals.

❖ Dimensions of Controlling

- 1) **Strategic control**- It involves managing the overall work of the organisation. It includes assessing the strategies and policies of the organisation and ensuring that these are implemented as intended, while correcting any deviations. Strategic control involves long time frames and is primarily the responsibility of top-level managers.
- 2) **Operational control**- It involves monitoring the activities and operations of an organisation on a day-to-day basis. This mainly includes examining the actions involved in the process of transforming the raw materials and resources into final products and services. This control is usually exercised by lower-level managers.



❖ Importance of Controlling

- 1) ***Accomplishing organisational goals***- Controlling indicates the deviations in performance and takes the required corrective measures. In this way, it helps in the accomplishment of organisational goals in a better manner.
- 2) ***Evaluating the standards***- It helps in assessing and reviewing the accuracy and feasibility of the set standards according to the changing business environment.
- 3) ***Optimum utilisation of resources***- Controlling ensures that each task is performed as per the set standards, thereby helping in minimising the wastage of resources.
- 4) ***Employee motivation***- The employees know well in advance as to what is expected from them and the standards against which their performance will be judged. This encourages them to work to the best of their capabilities and achieve the assigned targets.
- 5) ***Order and discipline***- The employees are aware of the fact that they are being continuously observed. Thus, dishonesty and inefficiency in behaviour is minimised.
- 6) ***Promoting coordination***- Proper controlling ensures that every department is aware of its respective activities and tasks and coordinates with one another.

❖ Limitations of Controlling

- 1) ***Difficulty in setting standards***- Controlling becomes less effective when the standards are defined in qualitative terms. It is difficult to assess the performance of a task in qualitative terms rather than in quantitative terms.
- 2) ***No control on external factors***- The continuously changing business environment in the form of government policies, environmental changes, competition, etc., often create obstacles for effective controlling.
- 3) ***Resistance from employees***- If the measures taken under controlling go against the comfort zone of the employees, they may oppose and resist it.
- 4) ***Expensive affair***- Effective controlling is a costly affair in terms of time, money and effort. Thus, managers should ensure that the costs incurred in operating the controlling systems do not exceed the benefits derived from it.

❖ Controlling Process

The process of controlling involves the following steps:

- 1) **Setting standards-** This forms the first step in controlling and involves developing both the qualitative and quantitative benchmarks against which the actual performance would be measured.
- 2) **Measuring actual performance-** The actual performance is measured through various techniques such as personal observation, checking the sample, performance reports, etc. It must be ensured that the evaluation is done in an objective and reliable manner.
- 3) **Comparing performances-** Once the performances are measured, they are then compared with the pre-defined standards. Such a comparison helps in assessing the deviations in the performance.
- 4) **Analysing deviations-** The deviations are then properly analysed using two methods namely, 'Critical Point Control' and 'Management by Exception'. Once the deviations are recognised, the cause for these deviations is identified.
- 5) **Corrective measures-** When deviations go beyond the admissible limits, corrective actions are taken to ensure the errors do not occur again.



❖ Important Standards Involved in the Controlling Process

- **Qualitative standards**- Qualitative standards are those that cannot be quantified in numeric terms. For example, level of coordination in work, goodwill of the organisation, motivation level of employees, etc.
- **Quantitative standards**- These standards can be quantified in numeric terms. They can be in the form of sales targets, production units to be produced, time to be spent on a particular action, etc.

❖ Techniques of Controlling

The following are the two techniques of controlling used by managers:

- **Critical Point Control**- This technique is based on the belief that a manager cannot control each and every activity of the organisation. Thus, focus should solely be on the key result areas (KRAs) that are critical to the success of the organisation.
- **Management by Exception**- According to this technique ‘an effort to control everything may end up in controlling nothing’. Thus, only significant deviations which are beyond the permissible limit should be acknowledged.

➤ **Significance of Critical Point Control and Management by Exception**

- 1) **Saves time and efforts**- As managers have to deal only with the significant deviations, this saves the time, effort and cost involved to a large extent.
- 2) **Facilitates delegation**- While managers need to focus only on the important or the key areas of success, routine problems can be delegated to the subordinates.
- 3) **Facilitates growth**- By focusing on the key areas of success, the management ensures that work proceeds in the right direction and the organisational goals and objectives are met appropriately.