

CHAPTER – 8 CONTROLLING

MEANING:

Controlling is a managerial function that ensures that activities in an organisation are performed as per the plans.

OR

The controlling functions 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

FEATURES

1. **Goal-oriented:** helps in keeping a track on the progress of activities but also ensures that activities conform to the standards set in advance so that organisational goals are achieved.
2. **All pervasive:** Managers at all levels of management- top, middle and lower-need to perform controlling functions to keep a control over activities in their areas. It is as much required in an educational institution, military, hospital, and a club as in any business organisation.
3. **Continuous:** Control is not a onetime activity. Rather, it is a dynamic process that involves constant analysis of actual and planned performance. The resultant deviations, if any, are corrected as per the need of the situation.
4. **It is both a backward looking as well as forward looking function:** Under controlling past performance is analysed, therefore controlling is backward looking. On the basis of this past performance analysis, remedial action is taken to make future performance better, in this way controlling is forward looking.

Note : Controlling should not be misunderstood as the last function of management. It is a function that brings back the management cycle back to the planning function.

IMPORTANCE OF CONTROLLING

1. **Accomplishing organisational goals:** The controlling function measures progress towards the organisational goals and brings to light the deviations if any and indicate corrective action.
2. **Judging accuracy of standards:** An efficient control system checks changes taking place in the organisation and in the environment and helps to review and revise the standards.
3. **Making efficient use of resources:** Each activity is performed in accordance with predetermined standards and norms. As a result, wastage and spoilage of resources is reduced and effective and efficient use of resources can be ensured.
4. **Improving employee motivation:** A good control system ensures that employees know well in advance what they are expected to do as well as the basis against which their performance will be appraised. Thus, it motivates them to give better performance.
5. **Ensuring order and discipline:** Control creates an atmosphere of order and discipline in Organisation and helps to minimize dishonest and fraud behaviour of employees by keeping a close check on their activities.

6. Facilitates coordination in action: The activities of each department and employee are governed and controlled by predetermined standards, which are well coordinated with one another.

RELATIONSHIP BETWEEN PLANNING AND CONTROLLING (Planning and controlling are inseparable twins of management)

1. **Planning without controlling is meaningless.** Once a plan becomes operational, controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans.
2. **Controlling is blind without planning :** If the standards are not set in advance, managers have nothing to control i.e. when there is no plan, no basis of controlling. Planning is clearly a prerequisite for controlling.
3. **Planning is prescriptive whereas controlling is evaluative.**
 - Planning is basically an intellectual process involving thinking and analysis to discover and prescribe an appropriate course of action for achieving objectives.
 - Controlling, on the other hand, checks whether decisions have been translated into desired action.
4. **Planning is a forward looking function whereas Controlling is a backward looking function-**
 - Plans are prepared for future and are based on forecasts about future conditions. Therefore, planning involves looking ahead
 - On the other hand, Controlling is like a post mortem of past activities to find deviations from the standards which we have set in past. Therefore it is backward looking process
4. **Planning is backward looking, Controlling is forward looking:**
 - Planning is guided by the experiences.
 - Whereas, Controlling is done to improve future performance.

NOTE: Both Planning and Controlling are forward looking and backward looking.

CONTROLLING PROCESS

1. Setting performance standards:

- Standards are the criteria against which actual performance would be measured.
- Standards can be set in both qualitative and quantitative terms.
- Standards should be flexible enough to be modified whenever required according to changes taking place in internal and external business environment

2. Measurement of actual performance:

- Performance should be measured in an objective and reliable manner.
- There are several techniques for the measurement of performance. These include

§ personal observation

§ sample checking- in large organisations

§ calculation of certain ratios- to check company's performance

§ performance reports – for employees

- Measurement of work should be done during the performance and not necessarily after the task is completed

3. Comparing actual performance with standards:

The comparison of actual performance with the standard will reveal the deviation, if any. If the deviation is minor, it should be ignored. But, if the deviation is more, then timely action must be taken.

4. Analysing deviation:

There are two ways to analyse deviations.

(a) Critical point control (CPC): It is neither economical nor easy to have a check on all the activities of an organisation. It means keeping focus on some Key Result Areas (KRAs) which are critical to the success of an organisation. If anything goes wrong in these critical points, then it must be attended to urgently. **For Example:** 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.

(b) Management by Exception (MBE) : It is based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond permissible limit should be brought to the notice of management. **For example:** 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

After identifying the deviations that demand managerial attention, these deviations need to be analysed for their causes.

5. Taking corrective action:

- **No corrective action** is required when the deviations are within acceptable limits.
- **Immediate managerial attention** is required when the deviations go beyond the acceptable range, especially in the important areas
- **Revise Standards** In case the deviation cannot be corrected through managerial action

EXAMPLES OF CORRECTIVE ACTION:

Reason of deviation	Corrective action
Defective machinery	Repair the existing machine or replace the machine if it cannot be repaired
Defective material	Change the quality specification for the material used
Power failure	Install Generators
Untrained labour	Training of labour