**CHAPTER SIX**

**CONTROLLING**

In the series of managerial functions, planning is the first function and controlling is the last. Success in business is very often proportionate to the astuteness of its planning and the skill with which it is controlled. Plans can be effectively achieved in most organizations only with good controls, and planning is always pre-requisite for controlling. Planning seeks to set goals and programs and control seek to secure performance in accordance with plans.

Controlling is an important function of management. It is the process that measures current performance and guides it towards some predetermined objectives. Under primitive management, control was undertaken only when something went wrong and the objectives of control was to reprimand the person responsible for these events and take action against him. The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but also pinpoints the reasons why it has happened and provides data that enable the manager to take corrective steps, if he finds he is on the wrong track. Therefore, there is no intention to punish the person for wrongdoing, but to find out the deviations between the actual performance and the standard performance and to take steps to prevent such variances in future. The concept of control is often confused with lack of freedom. The opposite of control is not freedom but chaos or anarchy. Control is fully consistent with freedom. In fact, they are inter-dependent. Without control, freedom cannot be sustained for long. Without freedom, control becomes ineffective. Both freedom and accountability are embedded in the concept of control.

**DEFINITIONS OF CONTROL**

Control is the process through which managers assure that actual activities conform to planned activities. According to Breach - "Control is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance." According to George R Terry - "Controlling is determining what is being accomplished

i.e., evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans." According to Billy E Goetz - "Management control seeks to compel events to conform plans".

According to Robert N Anthony - "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently."

In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

In the words of Haynes and Massie - "Fundamentally, control is any process that guides activity towards some predetermined goal. The essence of the concept is in determining whether the activity is achieving the desired results”.

In the words of J. L. Massie - "Control is the process that measures current performance and guides it towards some predetermined goals." In the words of Henry Fayol - "Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. Its object is to find out the weakness and errors in order to rectify them and prevent recurrence. It operates on everything, i.e., things, people and actions". From the above definitions it is clear that the managerial function of control consists in a comparison of the actual performance with the planned performance with the object of discovering whether all is going on well according to plans and if not why. Remedial action arising from a study of deviations of the actual performance with the standard or planned performance will serve to correct the plans and make suitable changes. Controlling is the nature of follow-up to the other three fundamental functions of management. There can, in fact, be not controlling without previous planning, organising and directing. Controlling cannot take place in a vacuum.

**CHARACTERISTICS OF CONTROL**

Managerial control has certain characteristic feature. They are:

1. Control is the function of every manager. Managers at all levels have to perform this function to contribute to the achievement of organisational objectives.

2. Control leads to appraisal of past activities. The deviations in the past are revealed by the control process. Corrective actions can be initiated accordingly.

3. Control is linked with future, as past cannot be controlled. It should anticipate possible deviations and to think of corrective action for the control of such deviations in the future. It is usually preventive as presence of control system tends to minimize wastages, losses and deviations from standards.

4. Control is concerned with setting standards, measurement of actual performance, comparison of actual performance with predetermined standards and bringing to light the variations between the actual performance and the standard performance.

5. Control implies taking corrective measures. The object in checking the variations or deviations is to rectify them and prevent their recurrence. It is only action which adjusts performance to predetermined standards whenever deviations occur.

6. Control can be exercised only with reference to and or the basis of plans. To quote Mary Cushing Niles - "Whereas planning sets the course, control observes deviations from the course or to an appropriately changed one"

7. To some people, control is opposite of freedom. This is not true. Control is based on facts and figures. Its purpose is to achieve and maintain acceptable productivity from all resources of an enterprise. Therefore, control aims at results and not at persons. It is for correcting a situation, and not for reprimanding persons.

8. Information or feedback is the guide to control. The feedback is helpful to the manager to determine how far the operations are proceeding in conformity with plans and standards, and where remedial action is called for.

9. Control involves continuous review of standards of performance and results in corrective action which may lead to change in the performance of other functions of management. This makes control a dynamic and flexible process.

10. Control is a continuous activity. It involves constant analysis of validity of standards, policies, procedures etc.

**STEPS IN CONTROL PROCESS**

There are three basic steps in a control process:

1. Establishing standards.
2. Measuring and comparing actual results against standards.
3. Taking corrective action.

**1 Establishing Standards**

The first step in the control process is to establish standards against which results can be measured. The standards the managers desire to obtain in each key area should be defined as far as possible in quantitative terms. Standards expressed in general terms should be avoided. Standards need to be flexible in order to adapt to changing conditions.

The standard should emphasis the achievement of results more than the conformity to rules and methods. If they do not do so, then people will start giving more importance to rules and methods than to the final results. While setting the standards, the following points have to be borne in mind:

(a) The standards must be clear and intelligible. If the standards are clear and are understood by the persons concerned, they themselves will be able to check their performance.

(b) Standards should be accurate, precise, acceptable and workable.

(c) Standards are used as the criteria or benchmarks by which performance is measured in the control process. It should not be either too high or too low. They should be realistic and attainable.

(d) Standards should be flexible i.e., capable of being changed when the circumstances require so.

**2 Measuring and comparing actual Results against Standards**

The second step in the control process is to measure the performance and compare it with the predetermined standards. Measurement of performance can be done by personal observation, by reports, charts and statements. If the control system is well organised, quick comparison of these with the standard figure is quite possible. This will reveal variations. After the measurement of the actual performance, the actual performance should be compared with the standards fixed quickly. A quick comparison of actual performance with the standard performance is possible, if the control system is well organised. While comparing the actual performance with the standards fixed, the manager has to find out not only the extent of variations but also the causes of variations. This is necessary, because some of the variations may be unimportant, while others may be important and need immediate corrective action by the manager.

**3 Taking Corrective Action**

After comparing the actual performance with the prescribed standards and finding the deviations, the next step that should be taken by the manager is to correct these deviations. Corrective action should be taken without wasting of time so that the normal position can be restored quickly. The manager should also determine the correct cause for deviation. Taking corrective action can be achieved in the following way:

(a) The manager should try to influence environmental conditions and external situations in such a way as to facilitate the achievement of goals.

(b) He should review with his subordinates the instructions given earlier so that he may be able to give clear, complete and reasonable instructions in future.

(c) There are many external forces which cannot be adjusted by the manager. They have to be accepted as the facts of the situation, and the executives should revise their plans in the light of these changing forces.

**Check Your Progress**

1. Define control.

2. What are the characteristics of the control process?

3. Explain the steps in the control process.

**TYPES OF CONTROLLING**

Controlling can be feed forward, concurrent or feedback controls.

1. Feed forward controls are preventive in nature. They are created to screen out possible causes of problems. Procedures and training can be preventive as well as remedial.
2. Concurrent controls monitor ongoing operations as they occur in real time, allowing for instant reactions and the spotting of trends.
3. Feedback controls are after action controls. Inspecting output after an operation has been performed and soliciting customer feedback are examples of after-action control.

All the three types of controls are important to managers and their organizations. When designed and used properly, they can prevent, identify, and correct deviations from established standards.

**ESSENTIALS OF EFFECTIVE CONTROL SYSTEMS**

1. ***Suitable:*** The control system should be appropriate to the nature and needs of the activity. A large firm calls for controls different from those needed for a small firm. In other words, control should be tailored to fit the needs of the organisation. The flow of information concerning current performance should correspond with the organizational structure employed. If a superior is to be able to control overall operations, he must find a pattern that will provide control for individual parts. Budgets, quotas and other techniques may be useful in controlling separate departments.

2. ***Timely and Forward Looking:*** The control system should be such as to enable the subordinates to inform their superiors expeditiously about the threatened deviations and failures. The feedback system should be as short and quick as possible. If the control reports are not directed at future, they are of no use as they will not be able to suggest the types of measures to be taken to rectify the past deviations. A proper system of control should enable the manager concerned to think of and plan for future also.

3. ***Objective and Comprehensive:*** The control system should be both, objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for argument by the employees. This is necessary both for the smooth working and the effectiveness of the system.

4. ***Flexible:*** The control system should be flexible so that it can be adjusted to suit the needs of any change in the environment. A sound control system will remain workable even when the plans change or fail outright. It must be responsive to changing conditions. It should be adaptable to new developments including the failure of the control system itself. Plans may call for an automatic system to be backed up by a human system that would operate in an emergency.

5. ***Economical:*** Economy is another requirement of every control. The benefit derived from a control system should be more than the cost involved in implementing it. A small company cannot afford the elaborate control system used by a large company. A control system is justifiable if the savings anticipated from it exceed the expected costs in its working.

6. ***Acceptable to Organization Members:*** The system should be acceptable to organization members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards as unreasonable or unrealistic.

7. ***Motivate People to High Performance:*** A control system is most effective when it motivates people to high performance. Since most people respond to a challenge, successfully meeting to tough standard may well provide a greater sense of accomplishment than meeting an easy standard. However, if a target is so tough that it seems impossible to meet, it will be more likely to discourage than to motivate effort.

8. ***Corrective Action:*** Merely pointing of deviations is not sufficient in a good control system. It must lead to corrective action to be taken to check deviations from standard through appropriate planning, organizing and directing. In the words of Koontz and O'Donnell, "An adequate control system should disclose where failure is occurring, who is responsible for them and what should be done about them." A control system will be of little use unless it can generate the solution to the problem responsible for deviation from standards.

9. ***Reflection of Organization Pattern:*** Organization is not merely a structure of duties and function; it is also an important vehicle of control. In enforcing control the efficiency and the effectiveness of the organization must be clearly brought out.

10. ***Human Factor:*** A good system of control should find the persons accountable for results, whenever large deviations take place. They must be guided and directed if necessary.

11. ***Direct Control:*** Any control system should be designed to maintain direct contact between the controller and controlled. Even when there are a number of control systems provided by staff specialists, the foreman at the first level is still important because he has direct knowledge of performance.

12. ***Focus on Strategic Points:*** A good system of control not only points out the deviations or exceptions but also pinpoints them where they are important or strategic to his operations.

**SCOPE OF CONTROL**

The scope of control is very wide. A well designed plan of control (or control system) covers almost all management activities. According to Holden, Fish and Smith, the main areas of control are as follows:

1. ***Control over policies:*** The success of any business organization to a large extent, depends upon, how far its policies are implemented. Hence the need of control over policies is self-evident. In many enterprises, policies are controlled through policy manuals.

2. ***Control over organization:*** Control over organization is accomplished through the development of organization chart and organization manual. Organization manual attempts at solving organizational problems and conflicts making long-range organization planning possible, enabling rationalization of organization structure, helping in proper designing of organization and department

3. ***Control over personnel:*** The statement that ‘Management is getting the work done through people’ underlines sufficiently the importance of control of personnel. All employees working at different levels must perform their assigned duties well and direct their efforts in controlling their behavior. Personal Director or Personnel Manager prepares control plan for having control over personnel.

4. ***Control over wages and salaries:*** Such type of control is done by having programme of job evaluation and wage and salary analysis. This work is done either by personnel department or industrial engineering department. Often a wage and salary committee is constituted to help these departments in the task of controlling wages and salaries.

5. ***Control over costs:*** Cost control is exercised by the cost accountant, by setting cost standards for material, labour and overheads and making comparison of actual cost data with standard cost. Cost control is supplemented by budgetary control systems.

6. ***Control over methods:*** Control over methods is accomplished by conducting periodic analysis of activities of each department. The functions performed, methods adopted and time devoted by every employee is studied with a view to eliminate The Process of Controlling non-essential motions, functions and methods.

7. ***Control over capital expenditures:*** It is exercised through a system of evaluation of projects, ranking of projects in terms of their rank power and appropriate capital to various projects. A capital budget is prepared for the whole firm. A capital budgeting committee reviews the project proposes and approves the projects of advantages to the firm. Capital budgeting, project analysis, break-even analysis, study of cost of capital, etc. are some popular techniques of control over capital expenditure.

8. ***Control over research and development:*** Such activities are highly technical in nature so no direct control is possible over them. By improving the ability and judgement of research staff through training programmes and other devices, an indirect control is exercised on them. Control is also exercised by having a researchon the business.

9. ***Control over external relations:*** Public relations department is responsible for controlling the external relations of the enterprise. It may prescribe certain measures for other operating departments which are instrumental in improving external relations.

10. ***Overall control:*** It is effected through budgetary control. Master plan is prepared for overall control and all the departments are made involved in this procedure. For effective control through the master plan, active support of the top management is essential.