

CHAPTER – 08

CONTROLLING

Controlling means ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively and efficiently for the achievement of predetermined goals. It can be defined as comparison of actual performance with the planned performance. The controlling functions find out how far actual performance deviates from standards, analyses the causes of such deviations and attempts to take corrective actions based on the same.

• Importance of Controlling:

- 1. Controlling helps in achieving organizational goals:** The controlling function measures progress towards the organizational goals and brings to light/indicates corrective action.
- 2. For Evaluating/Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate or not by careful check on the changes taking place in the organizational environment.
- 3. Making efficient use of resources:** By the process of control, a manager seeks to reduce wastage of resources.
- 4. Improves employee's motivation:** A good control system ensures that employees know well in advance what they are expected to do & also the standard of performance. It thus motivates & helps them to give better performance.
- 5. Facilitating Coordination in action:** In controlling each department and employee is governed by predetermined standards which are well coordinated with one another. Control provides unity of direction.
- 6. Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline in the organization by keeping a close check on the activities of its employees

• Nature of Controlling/Features of Controlling:

- 1. Controlling is a goal oriented function:** Controlling as a function of management ensures that the overall directions of individuals and groups are consistent with short and long range plans of the organization. So it is completely a goal oriented function.
- 2. Controlling is an all pervasive function:** Controlling is a function which is applicable to all types of organizations and at all levels. For example, the top managers are concerned with administrative control, which is exercised through broad policies, plans and other directives. The middle level managers are concerned with the executive control for the purpose of getting the plans, policies, and programmes executed. At the lower level, supervisors exercise operational control to ensure successful performing of actual operation

3. Controlling is a continuous function: 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. For example, if a firm X Ltd., a readymade garment manufacturing unit sets a target of manufacturing 10,000 premium shirts in a month and is only able to manufacture 8,000 shirts than The controlling mechanism will help in finding the deviation and causes associated with it. This process will carry on every month for the organizational in this case.

4. Controlling is both a backward looking as well as forward looking function: Effective control is not possible without analyzing our past mistakes. So from this point of view, we can call it backward looking. But the business environment is ever changing and controlling helps bring in changes in the organization in a conducive manner. So we cannot ignore the forward looking aspect of it as well.

5. Controlling is a dynamic process: Since controlling requires taking reviewable methods, changes have to be made wherever possible.

6. Controlling is a positive process: George Terry says, the function of controlling is positive – it is to make things happen, i.e. to achieve the goal within stated constraints, or by means of the planned activities. Controlling should never be viewed as being negative in character – as a hurdle in getting objectives won. Controlling is a managerial necessity and a help, not an impediment or a hindrance

• **Relationship between Planning and Controlling:**

Planning and controlling are interrelated and in fact reinforce each other in the sense that:

1. Planning is pre-requisite for controlling. Plans provide the standard for controlling. Thus, without planning, controlling is blind. If the standards are not set in advance managers have nothing to control.

2. Planning is meaningless without controlling. It is fruitful when control is exercised. It discovers deviations and initiates corrective measures

3. Effectiveness of planning can be measured with the help of controlling.

4. Planning is looking ahead and controlling is looking back: Planning is a future oriented function as it involves looking in advance and making policies for the maximum utilization of resources in future that is why it is considered as forward looking function. In controlling we look back to the performance which is already achieved by the employees and compare it with plans. If there are deviations in actual and standard performance or output, then controlling functions makes sure that in future actual performance matches with the planned performances. Therefore, controlling is also a forward looking function. Thus, planning & controlling cannot be separated. The two are supplementary function which support each other for successful execution of both the function. Planning makes controlling effective whereas controlling improves future planning

Controlling Process:

- 1. Setting Performance Standards:** Standards are the criteria against which actual performance would be measured. Thus standards become basis for comparison and the manager insists on following of standards.
- 2. Measurement of Actual Performance:** Performance should be measured in an objective and reliable manner which includes personal observation, sample checking. Performance should be measured in same terms in which standards have been established, this will facilitate comparison.
- 3. Comparing Actual Performance with Standard:** This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired performance. If the performance matches the standards it may be assumed that everything is under control.
- 4. Analyzing Deviations:** The deviations from the standards are assessed and analyzed to identify the causes of deviations.
- 5. Taking Corrective Action:** The final step in the controlling process is taking corrective action. No corrective action is required when the deviation is within the acceptable limits. But where significant deviations occur corrective action is taken.

• Limitations of Controlling:

- 1. Little control on external factors:** Generally, no enterprise can control external factors such as government policies, technological changes, competitions etc.
- 2. Resistance from employees:** Control is often resisted by employees. They see it as a restriction on their freedom e.g. Employees may resist and go against the use of cameras to observe them minutely.
- 3. Costly affair:** Control is a costly affair as it involves a lot of expenditure of time and efforts.
- 4. Difficulty in setting quantitative standards:** Control system loses some of its effectiveness, when standards cannot be defined in quantitative terms. In the absence of quantitative standards, comparison with standards becomes difficult.