Module V: Controlling (Controlling; Management of Change)

CONTROLLING

Control ensures what is done is what is intended. Exercising control is a universal and important managerial challenge. Policemen regulating the traffic, control rooms regulating the movement of vehicles, evaluation of students by conducting examination, inspection of men, money and materials, audit of books of accounts, recording check in and check out through swipe cards etc., represent control activities. Control in management means andcomprises of three main activities: Setting standards, Measuring actual performance, and Taking corrective action. The term control connotes measurement of accomplishment against the standard and correction of deviation to ensure attainment of objectives according to plans. It involves regulation of activities, resources and behaviour.

Controlling is an important function of management which all the managers are required to perform. It is an important function because it helps to check the errors and to take the corrective action so that deviation from standards are minimized and stated goals of the organization are achieved in desired manner.Management control is a process which managers follow to perform the controlling function. Management control refers to setting of predetermined standards, comparing actual performance with these standards and, if required, taking corrective actions to ensure the achievement of organizational goals.In order to contribute towards achievement of organizational objectives, a manager is required to exercise effective control over the activities of his subordinates. Thus, controlling is a managerial function to ensure that activities in an organization are performed according to the plans.

Controlling function is performed in all types of organizations whether commercial or non-commercial and at all levels i.e. top, middle and supervisory levels of management. Thus, it is a pervasive function. Controlling also ensures efficient and effective use of organizational resources for achieving the goals. Hence, it is a goal oriented function.The very primary object of control is to highlight variations and make correction. Therefore, it is a positive function.

Controlling should not be considered as the last function of management.Earlier managers thought that control function was needed only when something went wrong. Concept of control was used only when errors were detected. But,according to modern concepts, control is a foreseeing action. It is a continuous process. Though it is listed as the last function in the functional hierarchy, controlling is concurrent and continuous.Control does not wait till the wheels derail rather it seeks to prevent the wheel from going off the track.

Controllingis closely related toplanning, that precedes all managerial functions.The management process will be incomplete and become useless without the control function. Control as a tool helps an organization measure and compare its actual progress with the established plan. The controlling function compares the actual performance with predetermined standards, finds out deviation and attempts to take corrective measures. Eventually, this process helps in formulation of future plans too. Thus, controlling function helps in bringing the management cycle back to planning.

"Controlling is the measurement and correction of performance in order to make sure that the enterprise objectives and the plans devised to attain them are accomplished". – **Harold Koontz**
"Managerial control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans". – **Koontz & O'Donnell**
"Control is the process of bringing about conformity of performance with planned action"" – **Dale Henning**

The basic control process consists of the following five steps:
Step # 1. Establishment of Standard:
Standards serve as a basic for measuring performance. They may be expressed in quantitative or qualitative terms. A standard is a criterion against which results can be measured. In quantitative terms they are expressed in numbers.
For example, number of units to be produced by workers, the cost of production, cost of distribution per unit, etc. Therefore, the planner has to set the standards which must be valid, understandable and acceptable and state clearly to workers from whom the results are expected.
Step # 2. Measurement of Performance:
The second important element in the process of control is the measurement of the actual performance. It is not only knowing what has happened but also what is likely to happen. It means that deviations are to be predicted in advance to take corrective action in advance for the achievement as soon as the operations are completed. Concurrent control, i.e., it should also be measured while the activity is in the course of operation, makes the appraisal possible in time.

Step # 3. Appraisal of Performance:
Comparing the actual performance with the standards is known as appraisal. If the standards are properly determined and methods are clearly communicated measurement of performance becomes easier. The manager should concentrate on major deviations while making the appraisal of performance and should not waste his time and energy on small deviations. This approach will give the correct, quick and favourable results.

Step # 4. Finding out Deviations:
While comparing the actual with standard, it is necessary to find out the extent, nature and the basic causes for deviations. To find out the cause of deviations one has to depend on proper, accurate and timely information. A manager after getting the information from various departments can easily find out the causes of deviations and the persons who are responsible for such errors.

Step # 5. Remedial Measures:
The last element in the process of control is Remedial actions. Correction of deviations involve improvement in technology, direction, supervision, setting new goals, restructuring the organization and revision of targets, set in advance. If corrective action is not taken properly in time against the major deviations, then it will lead to heavy losses.

Scope
The scope of control is very wide. A well designed plan of control covers almost all management activities.

1. Control over Policies: The success of any business organization 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 helps in solving organizational problems and conflicts – making long-range organization planning possible, enabling rationalization of organization structure, and helping in proper designing of organization and departments.

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. Direction of their efforts and controlling their behaviour is the process of control over personnel. Personnel director or personnel manager preparescontrol 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 analyses. 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 done by the cost accountant by setting cost standards for material, labour and over-heads and making comparison of actual cost data with standard cost. Cost control is enhanced by budgetary control system.

6. Control over Methods: Control over methods is accomplished by conducting periodic analysis of activities of each department. The functions performed, method adopted, and time devoted by every employee is studied with a view to eliminate nonessential motions, functions and methods.

7. Control over Capital Expenditure: It is exercised through a system or evaluation of projects, ranking of projects in terms of their ranking power and appropriating capital to various projects. A capital budgeting committee reviews the projects proposed and approves the projects that are advantageous to the firm.Capital budgeting, project analysis, break even analysis, study of cost of capital are same popular techniques of control over capital expenditures.

8. Control over Production: Control over production is done through studies about market needs, attitude of customers, and revision in product lines. Efforts are made to simplify and rationalize the line of products. Such efforts serve as control measures. Routing, scheduling, dispatching, follow up, inventory control inspection and quality control are some popular techniques of production control.

9. 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 judgment of research staff, through training programmes and other devices, an indirect control is exercised on them. Control is also exercised by having a research budget in the business.

10. Control over External Relations: Public relations department is responsible for controlling the external relations of the enterprise. It prescribes certain measures for other departments which are instrumental in improving external relations.

11. Overall Control: It is carried out through budgetary control. Master Plan is prepared for overall control and all the departments are involved in this procedure. For effective control through the master plan, active support of top-management is essential.

Types of Control

1. **Feedback Control**: This process involves collecting information about a finished task, assessing that information and improvising the same type of tasks in the future.
2. **Concurrent Control**(Real-time Control): Checks any problem and examines it to take action before any loss is incurred.
3. **Predictive/ Feed-forward Control**: This type of control helps to foresee problem ahead of occurrence. Therefore, action can be taken before such a circumstance arises.

The tools of control available to modern management are as follows:

1. **Budgetary Control** supplies quantitative data for various sections.
2. **Cost Control** helps to determine the limits of expenditure and to see that they are not exceeded.
3. **Statistical Control** ensures that the figures are supplied at the right time.
4. **Work Measurement and Production** Control enables to check work values.
5. **Quality Control** ensures that standards will be maintained.
6. **Financial Control** will keep tight grip on money.
7. **Documentation** makes sure that you have the information as and when you want it and in usable form.

Techniques of Managerial Control

Techniques of managerial control can be classified into two broad categories –Traditional& Modern.Traditional techniques are those which have been used by the companies for a long time now.Modern techniques of controlling are those which are of recent origin & are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organization can be controlled.

Traditional Techniques of Managerial Control

1. Personal Observation: This is the most traditional method of control. Personal observation enables the manager to collect the information as first-hand information.It also creates a phenomenon of psychological pressure on the employees to perform in such a manner so as to achieve well their objectives as they are aware that they are being observed personally on their job. However, it is a very time-consuming exercise & cannot effectively be used for all kinds of jobs.

2. Statistical Reports: Statistical reports can be defined as an overall analysis of reports and data which is used in the form of averages, percentage, ratios, correlation, etc. They present useful information to the managers regarding the performance of the organization in various areas.This type of useful information when presented in the various forms like charts, graphs, tables, etc., enables the managers to read them more easily & allow a comparison to be made with performance in previous periods & also with the benchmarks.

3. Break-even Analysis: Breakeven analysis is a technique used by managers to study the relationship between costs, volume & profits. It determines the overall picture of probable profit & losses at different levels of activity while analyzing the overall position.The sales volume at which there is no profit-no loss, is known as the breakeven point. There is no profit or loss. Breakeven point can be calculated with the help of the following formula:

Breakeven point = Fixed Costs/Selling price per unit – variable costs per unit

4. **Budgetary Control:**Budgetary control can be defined as such technique of managerial control in which all operations which are necessary to be performed are executed in such a manner so as to perform and plan in advance in the form of budgets. Actual results are compared with budgetary standards. Budget can be defined as a quantitative statement prepared for a definite future period of time for the purpose of obtaining a given objective. It is also a statement which reflects the policy of that particular period.Some of the types of budgets prepared by an organisation are as follows:

- **Sales budget**: A statement of what an organization expects to sell in terms of quantity as well as value
- **Production budget**: A statement of what an organization plans to produce in the budgeted period
- **Material budget**: A statement of estimated quantity & cost of materials required for production
- **Cash budget**: Anticipated cash inflows & outflows for the budgeted period
- **Capital budget**: Estimated spending on major long-term assets like a new factory or major equipment
- **Research & development budget**: Estimated spending for the development or refinement of products & processes

Modern Techniques of Managerial Control

1. Return on Investment: Return on investment (ROI) provides the basics and guidelines for measuring whether or not invested capital has been used effectively for generating a reasonable amount of return. ROI can be used to measure the overall performance of an organization or of its individual departments or divisions. Net income, before or after tax, may be used for making comparisons. Total investment includes both working as well as fixed capital invested in the business.

2. Ratio Analysis: Common ratios used by organizations: Liquidity ratios, Solvency ratios, Profitability ratios, Turnover ratiosetc.

3. Responsibility Accounting: A system of accounting in which overall involvement of different sections, divisions & departments of an organization are set up as 'Responsibility centres'. The head of the centre is responsible for achieving the target for his centre. Responsibility centrescan be termed as Cost centre, Revenue centre, Profit centre, Investment centreetc.

4. Management Audit: Refers to a systematic appraisal of the overall performance of the management of an organization. The purpose is to review the efficiency & effectiveness of management & to improve its performance in future periods.

5. PERT & CPM: PERT (Programmed Evaluation &Review Technique) & CPM (Critical Path Method) are important network techniques useful in planning & controlling. These techniqueshelp in performing various functions of management like planning; scheduling & implementing time-bound projects involving the performance of a variety of complex, diverse & interrelated activities. These techniques deal with such factors as time scheduling & resources allocation for these activities.

Significance of the Controlling Function

1. **Accomplishing Organizational Goals:**Controlling helps in comparing the actual performance with the predetermined standards, finding out deviation and taking corrective measures to ensure that the activities are performed according to plans. It helps in achieving organizational goals.
2. **Judging Accuracy of Standards:**An efficient control system helps in judging the accuracy of standards. It further helps in reviewing & revising the standards according to the changes in the organization and the environment.
3. **Making Efficient Use of Resources:**Controlling checks the working of employees at each and every stage of operations. Hence, it ensures effective and efficient use of all resources in an organization with minimum wastage or spoilage.
4. **Improving Employee Motivation:**Employees know the standards against which their performance will be judged.Systematic evaluation of performance and consequent rewards in the form of increment, bonus, promotion etc. motivate the employees to put in their best efforts.
5. **Ensuring Order and Discipline:**Controlling ensures a close check on the activities of the employees. Hence, it helps in reducing the dishonest behaviour of the employees and in creating order and discipline in an organization.
6. **Facilitating Coordination in Action:**Controlling helps in providing a common direction to all the activities of different departments and efforts of individuals for attaining the organizational objectives.

Limitations of Controlling

1. **Difficulty in Setting Quantitative Standards:**It becomes very difficult to compare the actual performance with the predetermined standards, if these standards are not expressed in quantitative terms. This is especially so in areas of job satisfaction, human behaviour and employee morale.
2. **No Control on External Factors:**An organization fails to have control on external factors like technological changes, competition, government policies, and changes in taste of consumers etc.
3. **Resistance from Employees:**Employees may resist the control systems as they consider them as curbs on their freedom.
4. **Costly Affair:**Controlling involves a lot of expenditure, time and effort. So, it is a costly affair. Managers need to ensure that the cost involved in installing and operating a control system should not be more than the benefits expected from it.

MANAGEMENT OF CHANGE

Change is often said to be the only constant in one's life. This statement holds true for business organizations as well. External and internal factors almost always lead to changes in the way things happen. One of the most important tasks of managers is to implement these changes smoothly. This is referred to as the process of Management of change.

Management of Change is a collective term for all approaches to prepare, support, and help individuals, teams, and organizations in making organizational change. Drivers of change may include the ongoing evolution of technology, internal reviews of processes, crisis response, customer demand changes, competitive pressure, acquisitions and mergers, and organizational restructuring. It includes methods that redirect or redefine the use of resources, business process, budget allocations, or other modes of operation that significantly change a company or organization. It deals with many different disciplines, from behavioural and social sciences to information technology and business solutions.

Changes in its external and internal environment constantly affect every business's activities. These changes can happen either at individual levels or at the organizational level. Furthermore, it affects employees as well as managers. Since an organization's success depends on how well it adapts to change, management of these situations is crucial.

Preventing changes is not always possible as they are,sometimes,inevitable. However, it is possible to plan for changes and overcome them. The management must always strive to ensure changes happen smoothly. The organization and its members must not find changes too drastic.

Change is basically a variation in the common way of doing things. Whenever people perform a task in a certain way, they get accustomed to them. They develop methods which they can implement routinely to achieve these tasks. Any variation in these methods is perceived as change.

Changes may be either natural or reactive. Natural changes generally occur routinely in the ordinary course of business. For example, the effects of the growth of an organization lead to changes in management styles.On the contrary, reactive changes happen as a reaction to the organization's policies or its environment. For example, whenever a firm adopts new technologies in production, its workers will have to adapt to them.

Every manager must be able to anticipate predictable changes. Apart from that, he should also be able to smoothly incorporate these changes into the organization. This is basically the entire aim of change management.Change is always inevitable; one can never completely prevent it. Managers can either wait for changes to occur or they can anticipate them and act in advance. A good manager will always do the latter.This process generally requires a thorough understanding of factors that affect changes. This is because external and internal factors are solely responsible for effecting changes.

Causes of Change
Changes affecting an organization are basically the result of its environment. Both, external as well as internal factors play a huge role here. Hence, managers need to understand all types of changes possible under these two classifications.

External factors
These factors always lie outside an organization. Neither the organization itself nor its members are responsible for them. However, they always feel the effect of these factors. Some of these factors include:
Economic factors: Access to resources, market demand, competition, inflation, interest rates, etc.
Technology: The growth of technology forces an organization to adapt. eg. the discovery of new production methods.
Politics: Policies of a government change routinely. Even the government itself changes every term. These factors play a large role in the external environment.
Other factors: Urbanization, education, cultural changes, change in social mind set also affect every business organization.

Internal factors
Sometimes changes can also occur internally. An organization and its own members are responsible for these changes. For example, the top management of a company might decide to diversify its business. This decision will lead to several changes in which the company functions. Other internal factors include:

- Changes in personnel due to hiring, termination of employment, retirement, promotion, etc.
- Change of functional policy decisions like holidays, work hours, paid leaves, etc.
- Changes affecting physical facilities like usage of alternative raw materials or adaptation to new machinery.

Nature of Planned Change
Organizational Development is directed in bringing about planned change in order to increase the organizations' performance. It is generally initiated and implemented by managers often with the help of some OD practice. Planned change can be used by organizations to solve problems, to learn from experience, to adapt to external environmental change, to improve performance, to influence future changes, or to reframe shared perceptions.

Steps in Planned Change
Once managers and an organization commit to planned change, they need to create a logical step-by step approach in order to accomplish the objectives. Planned change requires managers to follow an eight-step process for successful implementations.
1. Recognize the need for change: Recognition of the need for change may occur at the top management level of the organization. The change may be due to either internal or external forces.
2. Develop the goals of the change: Before any action is taken, it is necessary to determine why the change is necessary. Both problems and opportunities must be evaluated. It is important to define the needed changes in terms of products, technology, structure, and culture.
3. Select a change agent: The change agent is the person who takes the leadership and responsibility to implement planned change. The change agent must be alert to things that need revamping, open to good ideas, and supportive of the implementation of those ideas into actual practice.
4. Diagnose the current climate: The change agent sets about gathering data about the climate of the organization in order to help employees prepare for the change. Preparing people for change requires direct and forceful feedback about the negatives of the present situation, as compared to the desired future state. It involves sensitizing people to the forces of change that exist in their environment.
5. Select an implementation method: This step requires a decision on the best way to bring about the change. Managers can make themselves more sensitive to pressures for change by using networks of people and organizations with different perspectives and views, visiting other organizations exposed to new ideas, and using external standards of performance, such as competitor's progress.
6. Develop a plan: This step involves actually putting together the plan, or the "what" information. This phase also determines the when, where, and how of the plan. The plan is like a road map. It notes specific events and activities that must be timed and integrated to produce the change. It also delegates responsibility for each of the goals and objectives.
7. Implement the plan: After all the questions have been answered, the plan is put into operation. Once a change has begun, initial excitement can dissipate in the face of everyday problems. Managers can maintain the momentum for change by providing resources, developing new competencies and skills, reinforcing new behaviours, and building a support system for those initiating the change.
8. Follow the plan and evaluate it: Managers must compare the actual results to the goals established. It is important to determine whether the goals were met. A complete follow-up and evaluation of the results aids this determination. Change should produce positive results and not be undertaken for its own sake.

Resistance to Change

Resistance to change is the unwillingness to adapt to altered circumstances. Resistance to change is the act of opposing (or struggling with) modifications or transformations that alter the status quo. It is a basic human nature to resist changes, especially drastic ones.It can be covert or overt, organized, or individual. Resistance can manifest itself in one employee, or in the workplace as a whole.Employees may realize they don't like or want a change and resist publicly, and that can be very disruptive.Employees can also feel uncomfortable with the changes introduced and resist, sometimes unknowingly, through their actions, their language, and in the stories and conversations they share in the workplace.In a worst-case scenario, employees can be forceful in their refusal to adopt any changes, bringing confrontation and conflict to the organization.

Resistance to change is the opposition to altered circumstances or modification of the status quo.Employees may resist change when they haven't been briefed on the reasons for the change or the thinking behind the decision-making.When employees are poorly introduced to changes that affect how they work, especially when they don't see the need for the changes, they may be resistant. They may also experience resistance when they haven't been involved in the decision-making process.

Resistance to change can intensify if employees feel they have been involved in a series of changes that have had insufficient support to gain the anticipated results. They also become weary when changes happen too frequently.Whatever causes the resistance to change, it can be a big threat to the success of any business and can affect the speed atwhich the organization adopts an innovation. It affects the feelings and opinions of employees at all stages of the adoption process. Employee resistance also affects productivity, quality, interpersonal communication, employee commitment to contribute, and the relationships in the workplace.Listening to employee concerns and ideas will help reduce resistance to change.

Spotting Resistance

Missing meetings,late assignments, forgotten commitments, and absenteeism can all be signs of resistance to change.Resistance to change is also evident in actions such as:Criticism, Nit-picking, Snide comments or sarcastic remarks, Endless arguments, and/ or Sabotage. Employees also resist change by failing to take action to move in the new direction, quietly going about their familiar and accustomed business in the same ways as always, withdrawing their interest and attention, and failing to add to conversations, discussions, and requests for input.

Some employees will publicly challenge the change, its purpose, or how it is unfolding. Covert resistance to change can damage the progress of your desired changes seriously as it is more difficult to deal with resistance that isn't visible, demonstrated, or expressed publicly.

Employees who have higher position and more seniority may be more resolute in their resistance. Less well-positioned employees may resist collectively in ways such as a work slowdown, staying home from work, deliberately misunderstanding directions, and, in rare cases, organizing to bring in a labour union.

Minimizing Resistance to Change

Managing resistance to change can be a challenge. Organizations are constantly evolving, which means change is inevitable. But, serious resistance may occur ifchange isintroduced to an organizationrepeatedly. Also, introducing changes without consulting the people they affect, explaining the need for change, and providing support through the process will alienate employees and drag down morale.When employees believe their input is considered, they are less likely to experience resistance to change. Smart employers recognize this and collect input before employees are asked to make any changes.

When a change is introduced in the environment, with a lot of discussions and employee involvement, resistance to change is minimized. Resistance is also minimized if there is a widespread belief that the changes are needed and will have a positive effect. It also helps to present reasons for why a change is necessary instead of withholding that information. Taking employee feedback into account can help improve the chances of success for any change.

Something as simple as listening to how employees talk about the change in meetings and hall conversations can tell a lot about any resistance they are experiencing. Some employees may come directly to the manager for help navigating the changes. That's a great opportunity to listen to their concerns.

In an organization that has a culture of trust, transparent communication, employee involvement and engagement, and positive interpersonal relationships, resistance to change is easy to see—and also much less likely to occur.In a trusting environment, employees think about how to make the change process go more smoothly. They are likely to ask their managers what they can do to help.In such a work environment, employees feel free to tell their boss what they think and have open exchanges with managers about how they think the changes are going. They are also more likely to share their feelings and ideas for improvement.