Definition & Nature of Control:

- Control ensures actual activities align with planned ones.
- Koontz and O'Donnell define it as measuring accomplishments against standards and correcting deviations for goal attainment.

Purpose of Control:

- Essential management function.
- Continuous and forward-looking.
- Involves measurement, action, and an integrated system.

Control Process:

- **Establishment of Standards:**
  - Plans set the standards for performance comparison.
  - Examples: Profitability, market position, productivity, social responsibility, etc.
- **Measurement of Performance:**
  - Forward-looking measurement detects deviations in advance.
- **Comparing Performance to Standards:**
  - Standards act as models for evaluating performance.
- **Taking Corrective Actions:**
  - Focus on rectifying mistakes hindering performance.
  - Difficult to pinpoint problems hindering goals.

Barriers for Controlling:

- Short-term overemphasis, reduced morale, falsification of reports, narrow perspectives, misperception of control goals.

Requirements for Effective Control:

- Tailored to plans and positions.
- Tailored to individual managers and responsibilities.
- Emphasis on critical exceptions.
- Objective and flexible.
- Economical and leads to corrective actions.

Types of Control Systems:

- **Feedforward Controls:**

  - Preventive, anticipate issues, and take corrective action beforehand.
  - Example: Team leader checking tools before site work.
- **Concurrent Controls:**

  - Occur during activities and monitor performance in real-time.
  - Example: Team leader assessing member performance during tasks.
- **Feedback Controls:**

  - Measure completed activities for post-performance corrections.
  - Example: Feedback from engineers after job completion.

Budgetary Control:

- **Definition:**
  - Relates executive responsibilities to policy requirements.
  - Continuous comparison of actual with budgeted results for policy objectives.
- **Salient Features:**
  - Objectives determination.
  - Activities planning for objective achievement.
  - Drawing up plans in physical and monetary terms.
  - Performance evaluation and discrepancies analysis.
  - Corrective actions for unachieved plans or plan revisions.

Classification of Budgets:

- **Based on Time Period:**
  - Long-Term Budget (e.g., Capital Expenditure, R&D).
  - Short-Term Budget (e.g., Cash Budget).
- **Based on Condition:**
  - Basic Budget (unaltered over a long period).
  - Current Budget (related to current conditions, short-term).
- **Based on Capacity:**
  - Fixed Budget (unchanged despite activity level).
  - Flexible Budget (varies with activity level, considers costs).
- **Based on Coverage:**
  - Functional Budgets (relate to individual functions).
  - Master Budget (consolidated summary of functional budgets).

Budgetary Control Techniques:

Types of Budgets:

- **Revenue and Expense Budgets:**
  - Plans for revenues and operating expenses in rupee terms.
  - Sales budget represents sales forecast.
  - Expense budgets cover items like travel, advertising, etc.
- **Time, Space, Material, and Product Budgets:**
  - Expressed in quantities (e.g., labor hours, materials, units produced).
  - Monetary measures might not accurately represent resources or outcomes.
- **Capital Expenditure Budgets:**
  - Outline capital spending for plant, machinery, inventories, etc.
  - Tied to long-range planning due to extended recovery period.
- **Cash Budgets:**
  - Forecast cash receipts and disbursements for comparison with actual experience.
  - Vital for meeting financial obligations.

- **Variable Budget:**
    - Analyzes cost variations concerning output volume.
    - Considers fixed, semi-variable, and variable costs.
- **Zero-Based Budget:**
    - Calculates costs afresh for each period, avoiding bias from previous budgets.

Advantages of Budgetary Control:

- Future-oriented planning.
- Promotes coordination and responsibility.
- Defines areas of responsibility clearly.
- Provides performance appraisal basis.
- Enables corrective action and motivates employees.
- Enhances resource allocation and economizes management time.

Problems in Budgeting:

- Perceived as pressure devices leading to labor issues and inaccurate records.
- Departmental conflicts over resource allocation and unmet targets.
- Difficulty reconciling individual and corporate goals.
- Potential waste due to spending pressures and "empire building."
- Challenges in attributing costs under multiple influences.

Non-Budgetary Control Techniques:

Control Devices:

- **Statistical Data:** Important for control, presented through charts.
- **Break-even Point Analysis:** Illustrates the sales and expense relationship.
- **Operational Audit:** Appraises accounting and financial operations independently.
- **Personal Observation:** Essential for control through direct monitoring.
- **PERT:** Project Evaluation and Review Technique, analyzes project tasks and completion times.
- **Gantt Chart:** Illustrates project schedule, dependencies between activities.

Productivity Measurement:

Types of Productivity:

- **Physical Productivity:** Product/resource ratio.
- **Functional Productivity:** Functionality/resource ratio.
- **Economic Productivity:** Value/product cost ratio.

Challenges in Measuring Knowledge Workers' Productivity:

- Lack of consensus on causes of productivity issues.
- Blame attributed to various factors like worker skills, research cutbacks, attitudes, policies, etc.
- Difficulty in measuring knowledge work compared to skills-based work.

Cost Control:

Definition:

- Measures to ensure cost objectives in planning are achieved.
- Ensures consistency with organizational policies.

Steps in Designing Cost Control System:

- **Establishing Norms:**
  - Set standards or targets based on research or past actuals.
- **Appraisal:**
  - Compare actual results with norms to identify controllable and uncontrollable deviations.
- **Corrective Measures:**
  - Review variances and take remedial or revisionary actions as needed.

Advantages of Cost Control:

- Optimal resource utilization.
- Competitive positioning.
- Reasonable pricing.
- Market standing and improved productivity.
- Enhanced efficiency and long-term benefits.

Purchase Control:

Definition:

- Element of material control ensuring continuous material flow.
- Responsibility lies with purchase managers or purchasers.

Advantages of Purchase Control:

- Continuous material availability.
- Right quantity and quality procurement.
- Economical purchasing and information provision.
- Development of business relationships and alternative sources.

Objective:

- Ensure continuity of material supply, prevent production hold-ups, reduce production costs.

Maintenance Control:

Objective:

- Carry out maintenance functions within a specified budget.

Measures for Cost Control:

- Provide cost information to supervisors.
- Review budget provisions and actual expenditures.
- Uniformly spread expenditure, discuss controllable costs.
- Focus on reducing material and overhead costs through inspections, proper handling, and operator checks.

Quality Control:

Process Steps:

- Determine parameters to control.
- Establish criticality and specifications.
- Plan control means and organize resources.
- Install sensors, collect and analyze data.
- Verify results, diagnose variances, propose remedies, and take action.

Advantages and Disadvantages:

- **Advantages:** Improved products/services, better reputation, increased revenue.
- **Disadvantages:** Increased manpower/operations, longer process times.

Planning Operations Overview:

- **Operational Planning Definition:**
  - Subset of the strategic work plan, detailing short-term strategies for achieving milestones.
  - Operationalizes the strategic plan within a defined operational period, often a fiscal year.
- **Purpose:**
  - Explains how strategic plans will be executed during an operational period.
  - Justifies annual operating budget requests.
- **Relation to Strategic Plan:**
  - Each year of a strategic plan is supported by an operational plan and funded by an operating budget.
  - Links strategic vision with specific activities and resource allocation.
- **Elements of an Operational Plan:**
  - Derived from strategic plans, detailing missions, goals, objectives, and activities.
  - Answers key questions: where are we, where do we want to be, how do we get there, and how do we measure progress?
- **Role in Budget Development:**
  - Acts as the starting point for resource allocation in budget requests.
  - May be revised during budget development to align with policy or financial changes.
- **Preparation and Stakeholder Involvement:**
  - Prepared by those involved in implementation.
  - Requires cross-departmental dialogue due to implications across the organization.
- **Components of Operational Plans:**
  - Clear objectives and goals.
  - Detailed activities and deliverables.
  - Quality standards and desired outcomes.
  - Resource requirements, including staffing.
  - Implementation timelines and monitoring processes.