

Controlling

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- Meaning and concept of controlling
- How controlling helps to measure the performance
- Needs and features of controlling
- Types of Control techniques
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Concept of Controlling

CONCEPT OF CONTROLLING



Definitions

“Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from recurring.”

By- Henri Fayol

“Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished.”

By-Harold Koontz

“Control is checking current performance against pre-determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance.”

By-EFL Brech

Needs of Controlling

- ❖ Optimum utilization of resources
- ❖ Minimizes deviation
- ❖ Increased efficiency
- ❖ Coping with the changes
- ❖ Value addition
- ❖ Facilitates delegation and teamwork



- A function of management
- Exercise of control is futuristic
- Control at every level of management
- Control is a constant process
- Alignment of control to planning
- Exercise of control to achieve goal

Types of Control

Controls can be of numerous kinds

These may be classified on the basis of

- (a) Timing
- (b) Designing control systems
- (c) Management Level
- (d) Responsibility

Types of Control

On the basis of Time

- **Feed-Forward Control**
- **Concurrent Control**
- **Feedback Control**

**On the basis of Designing
control systems**

- **Market Control**
- **Bureaucratic Control**
- **Clan Control**

**On the basis of Management
Level**

- **Operational Control**
- **Structural Control**
- **Tactical Control**
- **Strategic Control**

On the basis of Responsibility

On the basis of Time

- **Feed-Forward Control-** In an organization, before performing any task, planning is done. An attempt that is made to anticipate the deviations that can occur while realizing the plan is called feed-forward control.



Concurrent Control

It is an attempt to control the tasks while they are being performed. This type of control ensures that the work is being performed as per the plan, if not corrective actions are taken.



Feedback Control

Feedback control provides information stating whether the organizational goal met. It is the basis on which further move of the organization can be decided.



On the basis of Designing Control System

Market Control- This control is based on establishing a competitive approach in terms of price and market share. Different units are converted into profit-making entities and their performance is evaluated by revenue, turnover, profit and the market share.



Bureaucratic Control

Bureaucratic control focuses on power, policies and procedure and it has been adopted by most of the Indian public sector undertaking. For example, a hospital cannot issue medicine unless prescribed.

POWER



Clan Control

It focuses on organizational culture through shared goals, Objectives, norms, policies and procedures and exercises appropriate control.

Control of the employees or members of an organization through shared values, belief structures, and cultural norms, rather than through traditional bureaucratic control procedures. Organizations using a clan control strategy allow employees a high degree of operational latitude, relying on commonly-held goals and behavioral expectations to produce desired strategic outcomes

On the basis of management level

Operational Control- The day-to-day control process at the lowermost level of the organizational which also includes financial and quality control is the part of operational control activities.

Structural Control- The structural control refers to the organization structure and hierarchy where every individual is accorded a role and responsibility, and progress in task assigned is monitored for each individual thereby exercising control.

Tactical Control- Tactical control implies meeting the departmental objective and controls are exercised by middle management of the organization.

Strategic Control- Strategic controls imply the effectiveness of a corporate, business and functional strategies helpful for organization to meets its goal. Strategic controls are exercised by top-level management.

On the Basis of Responsibility

- BUDGET

- ☐ Budget is a financial plan that is used to estimate the revenue and expenses over a specified future period of time.
- ☐ A budget can be made for a person, family, a group of people, business, government, country, multinational organization, or just about anything else that makes and spends money.
- ☐ The budgeting process is carried out to identify whether the person/organization can continue to operate with its projected income and expenses.

BUDGET PROCESS

- ❑ Define the Objectives of Organization
- ❑ Set Production, Marketing, and Financial Budget
 - Production Budget
 - Marketing Budget
 - Financial Budget
- ❑ Fragmentation of Budget
- ❑ Budget Monitoring Procedures Must Be Established
- ❑ Identify Variances
- ❑ Feedback

Variance Analysis

- ❑ Variance analysis is the investigation of the difference between actual and planned behaviour.
- ❑ For example, if the budgeted sales is worth ` 10 million and actual sales are worth 80 million, then variance analysis yields a difference of ` 20,000.
- ❑ Variance analysis helps to identify the difference between planned and actual results and its effect on the performance of the organization.
- ❑ Example:

Variance(in `)	Actual (in `)	Budgeted (in `)	
1,50,000 (F)	8,50,000	10,00,000	Cost of Raw Materials
5,000 (A)	5,50,000	5,00,000	Labour Cost
8,00,000 (A)	42,00,000	50,00,000	Sales Revenue
	6,55,000 (A)		Total Variance

Control Techniques

- ❑ Control techniques are broadly divided into following two categories:
 - Non-financial Control Techniques: There is no requirement of financial data and it includes rewards or punishments, stringent recruitment and retirement norms, trainings, management by exception, project progress control, production, and inventory and quality control.
 - Financial Control Techniques: Availability of data in terms of profits, costs, turnovers, or revenues is shared so that managers can control costs, sustain liquidity, and maintain a balance between assets and liabilities.

Non-Financial Control

- Market research
- Test Marketing
- HR control
- Production control
- MBO
- Direct supervision and observation
- Self-control
- Management Information System
- Management audit
- Critical Path Method and Project evaluation Review technique

Financial Control

- Financial audits
- Financial statements
- Budgetary control
- Break even analysis
- Accounting
- Return on investment

Control Process

- Established standards and performance measures
- Measure performance
- Compare actual performance against established standards
- Corrective action

MCQ

1. Control is a function aimed at:

- (a) economic development,
- (b) staffing,
- (c) organizational development,
- (d) planning

2. Control is a:

(a) static activity,

(b) plan,

(c) pervasive function,

(d) All of the above

3. The objective of control is:

- (a) take corrective actions,
- (b) make plans,
- (c) prepare manpower planning,
- (d) influence and persuasiveness,

4. Detecting irregularities is possible through:

(a) controlling,

(b) staffing,

(c) decision-making,

(d) planning.

News Room

India's retail market likely to touch Rs 80 trillion in 2020, says report

Buoyed by consumerism, rising income levels and foreign direct investments in consumer-facing sectors, India's retail market may touch Rs 80 trillion in 2020 from close to Rs 50 trillion now.

A joint report from Deloitte and Retailers' Association of India shows the retail sector is emerging as one of the largest sectors in the economy.

