# PGDM-HB: E Learning Toolkit: Summary chapter 12

## Subject: Principles of Management

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**Chapter 12: Controlling**

- The process of management begins with setting S-M-A-R-T goals, then planning and then other functions. Controlling is the last function of this series. Controlling means constraints. It means influencing the activities, which people do not like. It requires maturity.
- When the activities start based on a smart goal, they tend to go haywire. It needs discipline to realize if things are not going as per plan. Success depends on how well the organization is able to control and bring the things on track.
- Planning and controlling are two sides of the same coin. Planning is forward looking. Controlling is concurrent and backward looking. It needs sensitivity or awareness to know if the process is on the track or not.
- When things are not as per plan, we have to make course correction. We plan, organize, interlink resources, staff, direct, coordinate etc. and if there is no control, things go haywire. However, we always find that people resist any control. Suppose there is flow of action and someone says it is not good and stops it, there is resistance from everywhere.
- Control is applicable almost in all goal-oriented activities that aim for success. Policies of the organization, manpower needs, capital expenditure, production, wages and salaries are the examples where control is required. In short, any activity that is goal-centric, control is required.
- **Steps in controlling process**:
    - Establishing standards
    - Measuring performance
    - Comparison of actuals with standards
    - Taking corrective actions
- **Requirements of effective control system**
    - Feedback
    - Impartial performance appraisal
    - It should conform to nature of deviations
    - The deviations should be informed without delay

  - Forward looking
  - It should pay direct attention to deviations
  - Flexible
  - Economical
  - Easily understood by everyone
  - Should highlight causes for failure and initiate remedial actions
  - If large deviations are found, employees should be directed and guided instead of punishment.
- **Techniques of control**:
  - Statistical control reports:
    - These types of reports are prepared in quantitative terms and used in large organizations. Then the variations from standards can be easily measured.
  - Personal observation
  - Cost accounting and cost control
  - Breakeven analysis
  - Special control reports
  - Management audit
    - It aims at pointing out inefficiency in the performance of management functions such as planning, organizing, staffing, directing, controlling and suggesting possible improvements.
  - Standard costing
  - Return on investments
    - Using this technique, the rate of profitability is identified by the management.
  - Internal audit
    - Internal audit report is prepared at regular intervals, normally every month. It covers all areas of operations. This report is sent to the top management.
  - Responsibility accounting
    - The performance of various people is judged by assessing how far they have achieved pre-determined objectives.
  - Managerial statistics

- Performance evaluation and review technique- PERT
- Critical path method: CPM
- Gantt milestone chart
- Production control
- **Management information system**:
  - Relevant information is collected and transferred to all the persons who are responsible to take decisions. External audit control (statutory audit control):
- **External audit** is a must for all the joint stock companies under the purview of statutory control.
- Zero-base budgeting
- Standing orders:
  - These cover rules and regulations, discipline, procedures etc.
- **Budgetary control**:
  - The preparation of budget is also one of the control techniques followed by management.
  - A plan expressed in monetary terms, prepared and approved prior to the budget period and which shows income expenditure and the capital employed. It may be drawn showing incremental effects on former budgeted figures or complied by zero budgeting.
  - Budgets are therefore not prepared in isolation and then filed away but are concrete components of what is known as a budgetary control system. Such a system essentially ensures communication, coordination and control within an organization. The basic functions of management are allocation of resources, planning and control.
  - Budgetary control is the establishment of a budget relating the responsibilities of executive management to the requirement of a policy and continuous comparison of actual and budgeted results.

- Budgetary Control should ensure that actions are accordance with the objective of the policy in question. Also provides a basis for its revision.