**Controlling**

Controlling is the process of ensuring that actual activities confirm to planned activities and take corrective actions to bridge the gap. It is one of the basic managerial functions. It involves development of performance standards or indicators, measuring the actual performance and taking corrective actions if any deviation exists between the standard and actual performance. It is also known as performance evaluation.

Controlling is a managerial function which measures and compares the actual performance with expected performance. If deviations exist, then corrective actions should start to correct the deviation. It ensures that the right things are done at right time by right persons. So, controlling is a managerial tool of enhancing organizational effectiveness.

* **Nature of control**
* 1. An important management function
* 2. Pervasive function
* 3. Continuous process
* 4. Dynamic function
* 5. Forward looking
* 6. Measurement and comparison
* 7. Related to planning
* 8. Corrective action
* **Purpose of control**
* 1. Cost minimization
* 2. Increase in efficiency
* 3. Improve employees motivation
* 4. Effective utilization of resources
* 5. Accomplishing organizational goal
* 6. Ensuring order and discipline
* 7. Helps in supervision
* **Process of control**
* 1. Establishment of standards
* 2. Measurement of performance
* 3. Comparison of actual and standard performance
* 4. Analysis of causes of deviation
* 5. Taking remedial action
* 

**Levels of control**

1. Strategic control
2. Structural control
3. Operational control
4. Financial control

1. Strategic control

Strategic control is the forward-looking evaluation process focused towards monitoring, measuring and managing the execution of formulated strategies and making necessary adjustments.

It is a specialized version of management control that handles issues and uncertainties. Managers give **warning signals** and determine the future course of action post-evaluation.

**Managers evaluate and ensure the progress of the chosen strategy in the right direction**. It tracks ongoing processes, measures results, detects deviations, and takes corrective actions. Moreover, they try to identify and fix the potential or existing **loopholes** in the strategic plan.

Managers ensure the effective alignment of inputs to generate desired output. They become progressive and move forward towards the achievement of strategic goals.

**Techniques or Types of Strategic Control**

Below are the basic types of strategic control or techniques that managers use to practice strategic control. These techniques help managers to put things on the right track.



#### Premise Control

Premises are the **assumptions** about the internal and external environment during strategic planning. Over a while, these premises may become**invalid**. This is because, changes can happen to these factors that may affect the strategy.

**Premise control is a tool that checks the validity of the premises during controlling**. If any premise is invalid, then managers make necessary changes in the strategy. Moreover, they can even make changes to the premise itself.

It monitors two types of factors:

1. Environment Factors (Social, Economic, Technological and Political Factors)
2. Industry Factors (Competition, Suppliers and Substitutes)

#### Implementation Control

Implementation of strategies takes place by disintegrating them into **incremental sequential steps**. Incremental control tracks the progress of these steps.

**Managers try to identify the issues arising during the implementation of these steps**. Moreover, they make necessary alterations in the overall strategy if required.

#### Special Alert Control

Sometimes, managers need to reconsider the strategy quickly due to some **unanticipated incident**. It may be triggered by an event raised due to sudden changes in:

* Government Policies
* Industrial Disaster
* Natural Disaster
* Product Recall
* Competitor Acquisition

In such cases, managers need to review and alter the current strategies.**Thus, it is a reactive process that creates a contingency strategy**. Besides, there may even arise the need to create a separate crisis management team.

#### Strategic Surveillance Control

It is pretty evident from its name that the managers use this type of control for **general monitoring**. Managers monitor all those events that might impact the strategy.**Consequently, managers can identify some unexpected information that can significantly affect the strategy**.

General monitoring involves sourcing information from the following sources to get unanticipated information:

1. Reading Newspaper
2. Business Magazines
3. Attending Meeting
4. Trade Conferences, etc.

#### Market Control

It focuses mainly on the market performance of the organization. It involves comparing the organization with others based on the factors like **ROI** and **Stock Prices**.

Conducting this type of strategic control helps assess the organization’s financial aspect.

#### Output Control

It evaluates the expected and achieved output to measure the strategy’s progress. Managers assess whether the organization can achieve the desired outcome or not. If it differs from the strategy, find possible reasons and rectify them.

# Structural Control

Structural control monitors how the building block’s of the organization’s structure are holding up to their planned function.  Two major types of control operate at opposite ends of each other because they have different goals, degrees of formality, performance expectations, organization designs, reward systems, and levels of participation.

**BUREAUCRATIC CONTROL**

Bureaucratic control is an approach to organization design characterized by formal and mechanistic structural arrangements. As the term suggests, it follows the bureaucratic model. The goal of bureaucratic control is employee compliance. Organizations that use it rely on strict rules and a rigid hierarchy, insist that employees meet minimally acceptable levels of performance, and often have a tall structure. They focus their rewards on individual performance and allow only limited and formal employee participation.

**DECENTRALIZED CONTROL**

Decentralized control, in contrast, is an approach to organizational control characterized by informal and organic structural arrangements.  Its goal is employee commitment to the organization. Accordingly, it relies heavily on group norms and a strong corporate culture, and gives employees the responsibility for controlling themselves.  Employees are encouraged to perform beyond minimally acceptable levels. Organizations using this approach are usually relatively fat. They direct rewards at group performance and favor widespread employee participation.

### ****Operational Control****

Operational control systems are designed to ensure that day-to-day actions are consistent with established plans and objectives. It focuses on events in a recent period. Operational control systems are derived from the requirements of the [management control system](https://www.mbaknol.com/management-concepts/scope-of-management-control-system/). Corrective action is taken where performance does not meet standards. This action may involve [training](https://www.mbaknol.com/human-resource-management/training-and-development/), [motivation](https://www.mbaknol.com/management-concepts/motivation/), [leadership](https://www.mbaknol.com/management-articles/leadership-characteristics-what-makes-an-effective-leader/), discipline, or termination.

**Evaluation Techniques for Operational Control:**

* [**Value chain analysis**](https://www.mbaknol.com/strategic-management/value-chain-analysis/)**:** Firms employ value chain analysis to identify and evaluate the competitive potential of resources and capabilities.   By studying their skills relative to those associated with primary and support activities, firms are able to understand their cost structure and identify their activities through which they can create value.
* **Quantitative performance measurements:** Most firms prepare formal reports of quantitative performance measurements (such as sales growth, profit growth, [economic value-added](https://www.mbaknol.com/financial-management/economic-value-added-eva-definition-calculation/), rational analysis, etc.) that managers review at regular intervals.   These measurements are generally linked to the standards set in the first step of the control process.   For example, if sales growth is a target, the firm should have a means of gathering and exporting sales data.   If the firm has identified appropriate measurements, regular review of these reports helps managers stay aware of whether the firm is doing what it should do.   In addition to there, certain qualitative bases based on intuition, judgment, opinions, or surveys could be used to judge whether the firm’s performance is on the right track or not.
* [**Benchmarking**](https://www.mbaknol.com/strategic-management/benchmarking-as-a-strategic-business-tool/): It is a process of learning how other firms do exceptionally high-quality things. Some approaches to benchmarking are simple and straightforward. For example, Xerox Corporation routinely buys copiers made by other firms and takes them apart to see how they work.   This helps the firms to stay abreast of their competitors’ improvements and changes.
* **Key Factor Rating:**   It is based on [a close examination of key factors affecting performance](https://www.mbaknol.com/modern-management-concepts/balanced-scorecard-bsc-a-strategic-management-tool/) (financial, marketing, operations, and human resource capabilities) and assessing overall organizational capability based on the collected information.

1. **Financial control**

Financial controls are the procedures, policies, and means by which an [organization](https://corporatefinanceinstitute.com/resources/management/best-organizational-structures-for-a-business/) monitors and controls the direction, allocation, and usage of its financial resources. Financial controls are at the very core of resource management and operational efficiency in any organization.

### Required Processes

The implementation of effective financial control policies should be done after a thorough analysis of the existing policies and future outlook of a company. In addition, it is important to ensure the following four processes are completed before implementing financial control in a business:

#### 1. Detecting overlaps and anomalies

Financial budgets, financial reports, [profit & loss statements](https://corporatefinanceinstitute.com/resources/accounting/profit-and-loss-statement-pl/), balance sheets, etc., present the overall performance and/or operational picture of a business. Hence, while formulating financial control policies, it is very important to detect any overlaps and/or anomalies arising out of the data available. It helps in detecting any existing loopholes in the current management framework and eliminating them.

#### 2. Timely updating

Financial control is the essence of resource management and, hence, the overall operational efficiency and profitability of a business. Timely updates of all available data are very important. In addition, updating all management practices and policies concerning the existing financial control methods is also equally important.

#### 3. Analyzing all possible operational scenarios

Before implementing a fixed financial control strategy in an organization, it is important to thoroughly evaluate all possible operational scenarios. Viewing the policies from the perspectives of different operational scenarios – such as profitability, [expenditures](https://corporatefinanceinstitute.com/resources/accounting/fixed-and-variable-costs/), safety, and scale of production or volume – can provide the necessary information. Also, it helps establish an effective financial control policy that covers all operational aspects of the organization.

#### 4. Forecasting and making projections

While implementing a financial control policy, forecasting and making projections are very important steps. They provide an insight into the future goals and objectives of the business. In addition, they can help establish a financial control policy in accordance with the business objectives and act as a catalyst in achieving such goals.