CONTROL FUNCTION OF MANAGEMENT

Control is that activity or process that attempts to ensure that the actual activities performed match with the desired activities or goals that have been set. The control process involves **setting** standards of performance, **measuring** actual performance, **comparing** actual performance with set standards and taking **corrective actions** where necessary.

Characteristics of control

1. Control is an **end** function. Controls are perceived as an end function in the mgt process. Every organization must exercise control in order to survive and grow.
2. It is a **continuous** process. As long as the organization exists control continues to exist. It is dynamic as it adapts to change.
3. Control is mainly **forward** looking. It not only aims at correcting current performance, it also provides guidelines for future standards.
4. It is an all **pervasive** (universal) function. It is done at all levels of an organization just like planning.
5. It is a **normative** and **positive** force. It is normal means used to achieve desired result.
6. Control **guides** behaviour. It guides and integrates employee behaviour towards broader organizational goal.
7. Allows organizations to **cope with uncertainty**. It anticipates shifts in tastes and preference of consumers and directs the organization to modify its product in order to meet the requirements of the consumers.

Importance of control

1. An excellent **reputation** evolves as **firms are able to accomplish their goals**.
2. Control system **direct behaviour towards important goals**. They monitor, reward and reinforce the behaviours and activities that management desires.
3. Control system **coordinates the activities** of all members of the organization; they provide methods of integration and measurement. Coordination is done through standard rules, norms, budgets and reporting systems.
4. Control uses **standing plans** e.g. rules and regulations to handle repetitive problems. They therefore limit options in decision making and eliminate the possibility of members acting in diverse ways.
5. Controls are **motivating**. Once organizational goals are accomplished through coordination and integration the morale of the organizational members increases.
6. **Eliminates future uncertainty**. By being flexible and forward looking it allows organizations to

cope with changes as they arise.

7. **Perpetuity**. Since it is a dynamic process, it allows organizations to survive and grow over a long period of time.

Levels of control

The nature of control changes with the level of management; upper level management is concerned with issues relating to strategic control while lower level management is concerned with operational uses. There are 3 main levels of control

1. Strategic control
2. Managerial control
3. Operational control

1. Strategic control

The main activities here concern the direction of the firm and this is done through

1. The evaluation of strategy
2. The interrelationships of business units
3. Maintaining cash flows within business units
4. Overseeing strategies, etc
5. It involves a long time frame in which information about the future is inadequate. It therefore employs forecasting techniques strategy. Control oversees and monitors the implementation strategy and makes changes as events change. Strategic control ensures that all the subunits performance is in line with corporate goals even though each sub unit may have different interest.

2. Managerial Control

This allocates resources so that the business units or departments have what they need to accomplish their goal, to schedule activities and to monitor progress. It pertains to a business level or departments. Evaluation is done through collection of data and reporting. It is also concerned with rewarding function areas.

3. Operational control

i. Operational control oversees individual task and performance.
ii. It concerns the integration of the work groups.
iii. Ensure compliance with rules and regulations.
iv. Ensures that work will be completed within the constraints given.
v. The time frame is short
vi. Most of the information used here is complete and quantitative.

The Process of Control

The process of control involves 4 main steps

1. Establishment of performance standards
2. Measuring the actual performance
3. Comparing actual performance against set standards
4. Taking corrective action where necessary.

1. Establishment of performance standards

Standards are the criteria for judging results. A standard is a measuring rod against which actual results can be measured. To understand the importance we have to concentrate on S-O G.P chain (standards object – goals purpose chain) standards are the measuring criteria in attaining unit objectives. These objectives aim at completing the organization goals which is the ultimate purpose of every organization. In essence, standards are used to control objectives, objectives are used to control goals and goals are used to control the purpose of the organization.

Types of standards

Standards may be quantitative or qualitative.

Quantitative standards are the standards that are reasonably precise i.e. the required level of performance is stated in terms of managers understanding. They are also relatively easy to measure. They mean the same things to all managers and supervisors. The most common quantitative standards are:

1. Time standards – this indicates how much time is required to achieve a specific task or results e.g. an employee should work 40 hours a week, exam duration is 3 hours.
2. Cost standards – these are concerned with how much money should be spent to perform a particular task e.g. material cost per unit is sh 120. The labour cost per unit is 250/= etc.
3. Revenue standards – they show how much income should be earned from specific activity e.g. revenue expected from sales per sales persons is Kshs 3 million.
4. Historical data. Past performance can be used as a basis for estimating future satisfactory performance.
5. Market share. This concerns the percentage of the total market that a firm would like to acquire and maintain e.g. 30% of all units sold of a particular product.

Qualitative standards

These are not precise and are not easily measurable; it is difficult to apply them in the operations of a firm. They are subjective and hence difficult to use in performance evaluation e.g. the relationship with

the trade union.

Guidelines for setting standards

1. Standards should be set at an appropriate level. This level should be reasonable because if they are too high mistakes and frustrations will set in and if they are too low, they are not challenging and workers may lose their enthusiasm (interest).
2. Should be of a reasonable number. Too many standards will waste the manager's time and create resentment. Measuring performance against such standards is time consuming and causes unnecessary interruption with the manager's work.
3. Joint standard setting. Participation by subordinates and first level managers helps making them acceptable.
4. Communicate standards effectively. Each employee must know which standards have been set for them and the degree to which they are expected to meet them.
5. Explain why the standards are needed. This will make them more acceptable.
6. Condition people to want higher standards. Personnel should be motivated to want even higher standards through attainable standards.
7. Management should identify strategic points. These are points that are critical of organization performance.

2. Measurement of performance

Measuring actual performance - we have to consider a number of questions:

1. What is to be measured? The manager has to measure that work against which appropriate standards are set.
2. How is the measurement done? It is quite simple to establish standards and easily measure the performance of highly technical tasks. Less technical activities are hard to measure i.e. it is difficult to measure qualitative factors such as morale, satisfaction, motivation and leadership.
3. How do we measure qualitative jobs? Certain vague standards are resulted to e.g. to measure the performance of a financial adviser, a standard may be the financial health, to measure the performance of a labour relations officer, the behaviour of a trade union, absence of strikes, increased productivity etc can be used as standards.

Techniques of measurement.

i. Personal observation. By observing the pace of the workers, listening to them, the managers can estimate the morale and attitude of workers. This technique is however time

consuming.

ii. Sampling. Managers pick certain items and sample them at random e.g. the use of accounting ratios to measure financial health.

iii. Managerial accounting and computer science e.g. schedule charts and computers are used in collecting and analysing performance.

iv. Management by exception (MBE). The essence of MBE is that only exceptional matters are brought to the attention of the executives. It is a system of identification and communication that signals the manager when his/her attention is required/needed. On the other hand, it remains silent when the manager's attention is not required.

Benefits of MBE to a modern organization

1. Saves time
2. It identifies critical problem areas
3. Stimulates communication
4. Reduces the frequency of decision making
5. It makes use of knowledge and data
6. Efforts are concentrated only on necessary issues
7. It is most appropriate to large organizations where there are many activities.

4. When to measure?

Whenever it is not possible to measure performance prior to completion, measurement is done after accomplishing the task. Sometimes measurement during performance is possible but management may not practice it due to the cost incurred in doing so. If the cost incurred is not high and time consumed is minimal, measurement during work is advisable.

Guidelines for measuring performance

1. Be economical. Measurement of an activity should not cost more than its worth; sampling and concentrating on strategic control points is advisable.
2. Be accurate. The more accurate the measurement the better will be the corrective action.
3. Be prompt. Delays in measuring performance automatically lead to delays in taking corrective action.
4. Be systematic. The information used to measure performance should be collected and disseminated systematically.

3. Comparing actual performance against set performance standards.

The main objective of this comparison is to identify any variation between the two. There are 4 phases in comparison;

1. Receiving the raw data. Necessary data must be made available to management through an upward communication system.
2. Involves accumulation, classification and recording of the information.
3. Periodic evaluation of completed action to date. i.e deviations are noted between actual performance and set standards.
4. Reporting the status of accomplishment to a higher line authority. If clear cut deviations exist, management must study:

    i. The cause of deviation
    ii. The effects of this deviation
    iii. The size or magnitude of this deviation
    iv. Whether the deviations are +ve or –ve

Techniques of comparison

(i) Strategic control points e.g. in areas of income, expenses, inventory, product quality etc.
(ii) Through ratio analysis one can use comparative statistical analysis
(iii) Sampling
(iv) Personal observation
(v) Break-even analysis
(vi) Gantt charts
(vii) Network analysis etc.

4. Taking corrective action, where necessary

Corrective action is called for when performance fails to meet the standards set for it. Corrective action can be as simple as adjusting a machine and as complicated as turning around an unprofitable organization. Sometimes corrective action may be in the form of altering future performance criteria.

Favorable or positive deviation may be due to low standards or the under – estimation of workers' ability by management. Similarly negative deviation may not always be a bad sign. Deviations may be negative due to over ambitious standards that are set by management.

Corrective actions vary in the time required to affect them. Routine malfunctioning can be corrected

immediately but complex problems may require months or even years to rectify.

Guidelines to taking corrective action.

1. If deviations are considered to be acceptable and controllable, then there should be no change in the performance standards.
2. If deviations are considered acceptable but are in future subject to change them corrective sub – plans and standards must be established to ensure a new line of performance.
3. If deviations are **unacceptable**, standards must be set to guide future performance.
4. Deal with problems not symptoms. Managers must search for the fundamental problems and not base remedial action on symptom e.g. lack of motivation is not usually the real problem it is only a symptom of one or more underlying problem(s). It may be caused by ineffective supervision, poor work conditions, inadequate compensation etc.
5. Be prompt in taking corrective action. Corrective action taken too late might prove to be expensive for the organization.
6. Build corrective action into standing plans if possible. Prescribed action saves time and is efficient.
7. Consider constraints. Various environmental constraints limit the problems solving action that managers may take e.g. how the competitors will react.

Control systems

Control systems can be classified under three main bases:

1. Managerial discretion
2. Timing
3. Information.

1. Classification on the Basis of Managerial discretion

Discretion is the freedom/authority to make decision or choices about a particular situation. Managerial discretion relates to the amount of discretion a manager has in completing a task. Such systems may be either

i. Cybernetic or
ii. Non-cybernetic

Cybernetic control

They are self-regulating in that they have built in devices to automatically correct any deviations that occur. There is little managerial discretion. They are useful for tasks and processes in which all the

steps and standards are all very well known.

Non – cybernetic control

Managers use their own discretion in making decision on how best to perform an activity and meet performance goals. The more creative and usual the task, the more managerial discretion is needed. It is used more at the strategic level than at the operational level.

2. Classification on the Basis of Timing

Control systems can be classified on the basis of when the systems are implemented. This may be:

1. Steering controls/feed forward controls
2. Yes/no controls
3. Post action controls/feedback controls

Steering controls

Steering control occurs when an attempt is made to control the activity before it occurs. They are also referred to as preliminary or feed forward controls. As activity progresses corrective actions are taken based on the predicted result e.g. new product development frequently involves steering controls in which:

1. The market demand is predicted
2. Production schedules are set and expected delivery dates are defined beforehand.

Yes – No control (Behavioral control)

They assess activity while it is in progress. They monitor, measures and evaluate behavior as it occurs. The more there is known about the task to be accomplished the greater will be the tendency to use yes, no controls e.g. critical path methods and P.E.R.T. (Program Evaluation Review Technique – which breaks down the individual tasks of a project for analysis)

Post-action controls

They measure and evaluate the results of an activity after it is completed. These controls provide information for rewards and planning. Changes in new performance levels or goals are based on this evaluation. It is best suited where processes are not well known

3. Classification on the Basis of Information

Control systems are designed to accumulate and evaluate certain types of information e.g. financial, production, marketing, human resources etc.

Financial

The typical mechanism for control includes:

1. Budgets – to control expenditure projections
2. Capital expenditures – to control capital investments
3. Cash flow analysis – to control cash management etc.

Production

This includes; production schedules - spells out completion dates for tasks, quality control – outline quality specification and expectations etc.

Marketing

They include - Credit control – credit sales

-Customer data – expectations

Human resource – Must keep records of personnel to check conformity to regulations etc.

Dysfunction Effects (Negative) of control systems.

1. **Game playing**. Workers will normally look at controls as something to be beaten. Games are played with the procedures of the control systems. People attempt to change the rules e.g. filling in false tax returns, circumventing rules and regulations, etc.
2. **Sabotage**. Employees attempt to create such damages to the control system that it will not work in the future and will be abandoned by management. E.g. Breaking of computerized clocks that are used for signing in and signing out.
3. **Inaccurate information**. Realistic progress reports and expenses may not be reported if they contradict what management expects. The accuracy and timelines of information about actual performance is important for any control system.
4. **Illusion of control**. Managers attempt to appear in control and to assure their superiors that everything is in order and flowing smoothly.
5. **Red tapism (**too much bureaucracy). Too many controls may lead to delays in decision making and taking actions.
6. **Less customers'/client satisfaction**. Too many controls may mean it takes long to be served. This will lead to dissatisfaction of customer/client.
7. **Less workers' satisfaction**. Too many controls will mean that managers will over interfere with the subordinates' work. This will lead to a reduced workers' satisfaction level.
8. **Hinders creativity**. Workers will only concentrate on activities which will lead to the achievement of the set standards, this does not give them time to try out new ideas.
9. **Lowered efficiency**. Poor systems will lower the efficiency level of the organization

Essentials/requirements of effective control system

1. **Understandable**. A control must be understandable. The individuals must understand what the control system is attempting to do. This requires proper training and employment of competent people in the execution of the control systems.
2. **Controls must be flexible**. This is important due to the rapidly changing and widely fluctuating economic and organization environments. Standards and plans on which controls are based frequently need modification or revision when underlying circumstances change.
3. **Controls must be economical**. A control system should be worth its cost and must consider the job/task and the size of the organization. The bigger the organization, the costlier and more complicated the techniques of controls to be used.
4. **Controls must be objective**. Effective control systems call for objective, accurate, suitable and definite standards or plans. If the controls are subjective then the managers or subordinate personality may influence judgments and therefore there may be an element of bias in the decision leading to ineffective performance. When controls are objective, they are easily quantifiable and verifiable.
5. Controls must recognize the **time** element – they should quickly report deviations, corrective action can then be taken without much loss of time or delay.
6. Control systems should provide **useful** and **understandable** information. Should provide information to the right people who can use them to correct deviation and foster growth. It should provide information in the required form for the purpose of analysis.
7. Controls should be **forward looking**. Control aids in further planning. Control through feedback provides a framework within which planning and control can be undertaken. Control systems should also have a feedforward system that will help correct inaccurate planning.
8. Controls should be **selective**. In every organization there are certain key determinants of efficiency and effectiveness. Management should concentrate on certain control points which are key to an organization's success.
9. Systems should reflect the organization **structure** and needs of the organization. Structure clarifies the rules for people in the organization and the control system reflects who is responsible for what and for any deviations on set standards.
10. Should lead to **corrective action**. Good control system must also provide various alternative courses of action for different problems i.e. ways of improving performance.