

## MODULE 2

### DIRECTING AND CONTROLLING

#### Definition of Directing

Means issuance of orders and leading and motivating subordinates as they go about executing orders. Consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned.

Is a vital managerial function. Is used to stimulate action by giving direction to his subordinates through orders and also supervise their work to ensure that the plans and policies achieve the desired actions and results.

To conclude, direction is the process of utilizing the techniques in issuing instructions and making certain that operations are carried out as originally planned.

#### Direction has Following actions



#### Nature or characteristics of direction

##### 1. Initiates Action

A directing function is performed by the managers along with [planning](#), staffing, organizing and controlling in order to discharge their [duties](#) in the organization. While other functions prepare a platform for action, directing initiates action.

## **2. Pervasive Function**

Directing takes place at every level of the organization. Wherever there is a superior-subordinate relationship, directing exists as every manager provides guidance and inspiration to his subordinates.

## **4. Continuous Activity**

It is a continuous function as it continues throughout the life of organization irrespective of the changes in the managers or [employees](#).

## **5. Descending Order of Hierarchy**

Directing flows from a top [level of management](#) to the bottom level. Every manager exercises this function on his immediate subordinate.

## **6. Human Factor**

Since all employees are different and behave differently in different situations, it becomes important for the managers to tackle the situations appropriately. Thus, directing is a significant function that gets the work done by the employees and increases the growth of the organization.

### **Importance of direction:**

#### **1. Initiates Action**

Each and every action in an organization is initiated only through directing. The managers direct the subordinates about what to do, how to do when to do and also see to it that their instructions are properly followed.

#### **2. Ingrates Efforts**

Directing integrates the efforts of all the employees and departments through persuasive leadership and [effective communication](#) towards the accomplishment of organizational goals.

#### **3. Motivates Employees**

A manager identifies the [potential](#) and abilities of its subordinates and helps them to give their best. He also motivates them by offering them financial and non-financial incentives to improve their performance.

#### **4. Provides Stability**

Stability is significant in the growth of any organization. Effective directing develops co-operation and commitment among the employees and creates a balance among various departments and groups.

## 5. Coping up with the Changes

Employees have a tendency to resist any kind of change in the organization. But, adapting the environmental changes is necessary for the growth of the organization. A manager through [motivation](#), proper [communication](#) and leadership can make the employees understand the nature and contents of change and also the positive aftermaths of the change. This will help in a smooth adaptation of the changes without any [friction](#) between the management and employees.

## 6. Effective Utilization of Resources

It involves defining the duties and responsibilities of every subordinate clearly thereby avoiding wastages, duplication of efforts, etc. and utilizing the resources of men, machine, materials, and money in the maximum possible way. It helps in reducing costs and increasing profits.

### Requirements or principles of effective direction:

#### Harmony of objectives:

The goals of its members must be in complete harmony with the goals of an organization. The manager must direct the subordinates in such a way that they perceive their goals to be in harmony with enterprise objectives.

For Example the company's profits may be associated with the employee's gains by giving additional bonus or promotion.

#### Unity of Command:

The subordinates must receive orders and instructions from one supervisor only the violation of which may lead to conflicting orders, divided loyalties and decreased personal responsibility for results.

#### Direct supervision

Every supervisor must maintain face-to-face contact with his subordinates which boosts the morale of the employees, increases their loyalty and provides them with feedback on how well they are doing.

#### Efficient Communication:

Communication is an instrument of direction through which the supervisor gives orders, allocates jobs and explains duties and ensures performance.

Is a two way process which enables the superior to know how his subordinates feel about the company and how the company feels on a number of issues concerning them.

In communication comprehension is more important than the content

#### Follow-through:

Is an act of following through the whole performance of his subordinates to keep check on their activities, help them in their task and point out deficiencies if any and revise their direction if required

## **Leadership Styles:**

Three leadership styles widely used:

1. Traits approach
2. Behavioral approach
3. Contingency approach

### **Traits approach:**

Trait is basically a character and deals with personal abilities and assumed to be God's gift and abilities are identified as mental and physical energy, emotional stability, knowledge of human relations, empathy, objectivity, personal motivation, communication skills, teaching ability, social skills, technical competence, friendliness and affection, integrity and faith, intelligence etc.

Traits approaches –

Trait theories argue that leaders share a number of common personality traits and characteristics, and that leadership emerges from these traits.

Early trait theories promoted the idea that leadership is an innate, instinctive quality that you either have or don't have.

Now we have moved on from this approach, and we're learning more about what we can do as individuals to develop leadership qualities within ourselves and others.

Traits are external behaviors that emerge from things going on within the leader's mind – and it's these internal beliefs and processes that are important for effective leadership.

## **2 .Behavioral approach :**

Behavioral theories focus on how leaders behave. There are three types of leaders:

**Autocratic leaders** make decisions without consulting their teams. This is considered appropriate when decisions genuinely need to be taken quickly, when there's no need for input, and when team agreement isn't necessary for a successful outcome.

**Democratic leaders** allow the team to provide input before making a decision, although the degree of input can vary from leader to leader. This type of style is important when team agreement matters, but it can be quite difficult to manage when there are lots of different perspectives and ideas.

**Laissez-faire** : (Free rein leaders)

leaders don't interfere; they allow people within the team to make many of the decisions. This works well when the team is highly capable and motivated, and when it doesn't need close monitoring or supervision. However, this style can arise because the leader is lazy or distracted, and, here, this approach can fail.

**Contingency approach** situation influencing good leadership

The realization that there isn't one correct type of leader led to theories that the best leadership style is contingent on, or depends on, the situation.

These theories try to predict which leadership style is best in which circumstance.

## Motivation

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives

within the individuals.

It is the process of stimulating people to actions to accomplish the goals.

In the work goal context the psychological factors stimulating the people's behaviour can be -

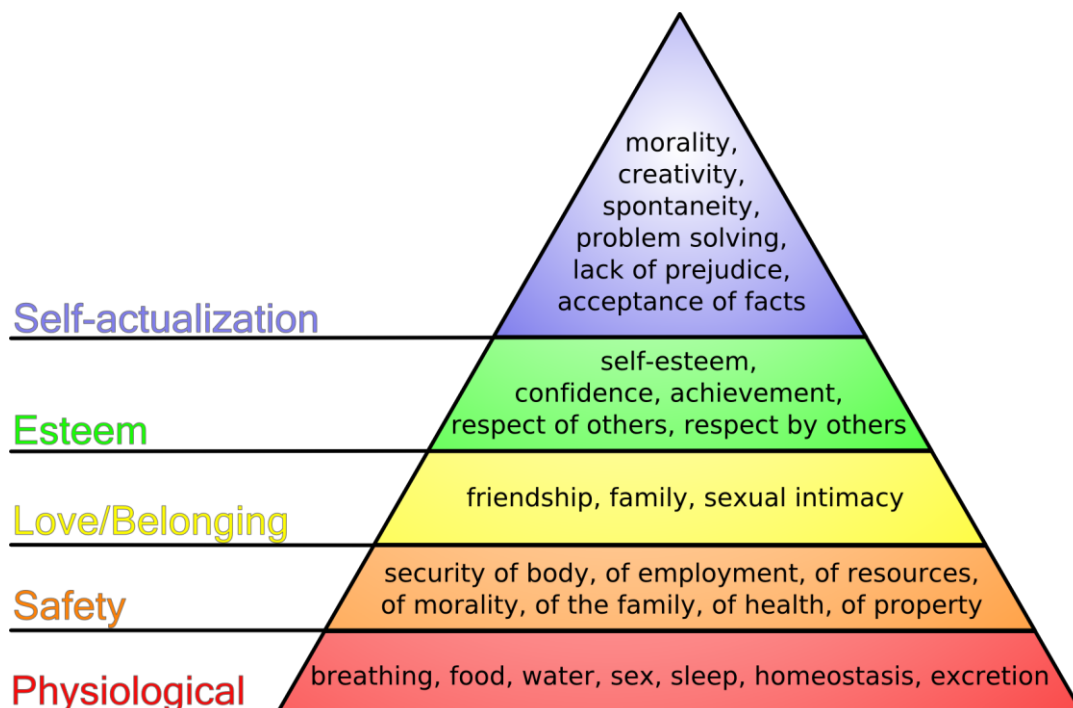
- **desire for money**
- **success**
- **recognition**
- **job-satisfaction**

### Motivation theories:

1. Maslow's need hierarchy theory
2. Herzberg's two factor theory
3. McClelland's achievement theory
4. Victor Vroom's Expectancy theory
5. Adams equity theory behavior
6. Skinners modification theory

### Maslow's need hierarchy theory:

An unsatisfied need is the basis for the motivation process and the starting point and begins the chain of events leading to behaviour as shown in the figure below.



Order of priority of human needs begins with the person's unsatisfied need at the lowest level- identification of the need develops in the form of as goal which leads to the fulfilment of the need to achieve the goal.

These needs are arranged in the form of a ladder of five successive categories as shown in the figure above.

**Physiological needs:** Arise of the basic physiology of life like the need for food, water, air, etc which must be at least satisfied partially for continued survival. (ii)**Security needs:** Needs to feel free from economic threat and physical harm which need protection from arbitrary lay-off and dismissal, disaster and avoidance of the unexpected.

**Egoistic needs or Esteem needs:** are the needs which relate to respect and prestige the need for dominanceCan be classified as self-esteem and esteem from others. Self esteem is the need for worthiness of oneself and the esteem is the necessity to think others that he is worthy

**Love and belonging needs::**refers to a human emotional need for interpersonal relationships, affiliating, connectedness, and being part of a group.

Examples of belongingness needs include friendship, intimacy, trust, acceptance, receiving and giving affection, and love

**Self-fulfilment needs:** are the needs to realize ones potential that is realizing one's own capabilities to the fullest-for accomplishing what one is capable of to the fullest. example a musician must make music etc.

According to Maslow, people attempt satisfy their physical needs first. as long as the needs are unsatisfied they dominate and after they become reasonably satisfied and progress to the next level and so on.

## **Herzberg's Two-factor theory:**

Original study based on the research by Fredrick and Herzberg who interviewed 200 engineers and accountants and were asked about the good times and bad times they think about their jobs.

Out of these interviews two factors emerged called the I Maintenance factors

## **II Motivators or satisfiers.**

### **I Maintenance factors (Factor 1)**

- Fair company polices and administration
- A supervisor who knows the work
- A good relationship with ones supervisor.
- A good relationship with one's peers.
- A good relationship with ones subordinates.
- A fair salary
- Job security
- Personal life
- Good working conditions
- Status

## **Motivators or satisfiers (Factor 2)**

- Opportunity to accomplish something significant
- Recognition for significant achievements
- Chance for advancement
- Opportunity to grow and develop on the job
- Chance for increased responsibility
- The job itself.

Some facts about the two factors:

- Motivators are job centered
- Maintenance factors are related working conditions and environmental conditions.
- These two groups of factors are also known as intrinsic and extrinsic rewards.
- These two sets of factors are unidirectional.

## **McClelland's need for achievement theory:**

According to McClelland there are three important needs

1. The need for affiliation
2. the need for power
3. the need for achievement



**Need for affiliation:**

Reflects desire to interact socially with people Concerned about the quality of an important personal relationship

**The need for power:**

Person having high need for power tries to exercise the power and authority Concerned with influencing others and winning arguments

**The need for achievement (n Ach):**

Has three distinct characteristics

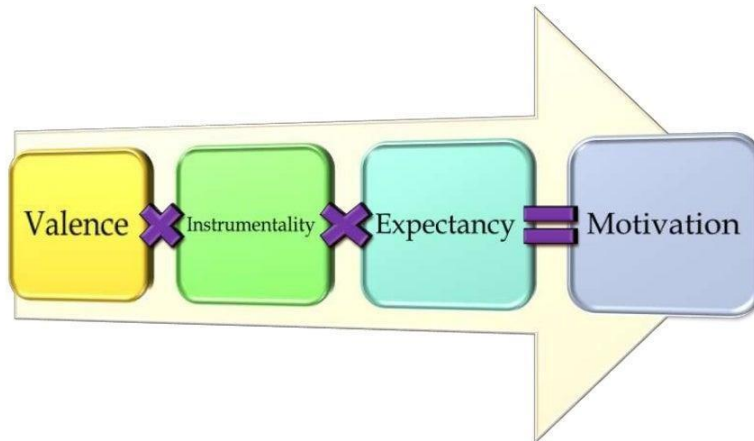
- a) preference in setting moderately difficult but potentially achievable goals
- b) Doing most things himself rather than getting them done by others and willing to take
- c) Seeking situations where concrete feedback is possible.



#### 4) Victor Vroom's Expectancy theory:

##### Managerial Implications of Expectancy theory

- According to Expectancy theory:



Works under conditions of free choice where an individual is motivated towards activity which he is most capable of rendering and which he believes has the highest probability of leading to his most preferred goal. The basic concepts of this theory are First and second level outcomes:

Job related goals before an individual such as promotion, increase in salary, recognition, and praise and so on are called second level outcomes.

Each second level outcome can be associated with a value called valence for each individual. valence can be positive, negative or zero

**Valence positive:** individual wants to attain promotion

**Valence negative:** does not want to attain promotion

**Valence zero:** outcome towards which he is indifferent Second level outcomes can be achieved in different ways:

promotion by leaving the organization , by absenting himself to show dissatisfaction, by joining a pressure group, by attending a training programme, or developing intimacy with the boss, by bribing somebody, by improving performance or by bribing somebody and so on.

**Instrumentality:**

All first level outcomes have equal probability of leading the individual to the second level outcome the individual has subjective estimates of these probabilities ranging from - 1 to +1

which are called instrumentalities. -1 indicates a belief that second level outcome is certain without the first level outcome 0 indicates a belief that second level outcome is impossible without first level outcome 1 indicates a belief that second level outcome is certain with first level outcome

These instrumentalities are helpful in determining the valence of each first-level outcome The valence of each first-level outcome is the summation of all products arrived by multiplying its instrumentalities with the related valences of the second level outcomes.

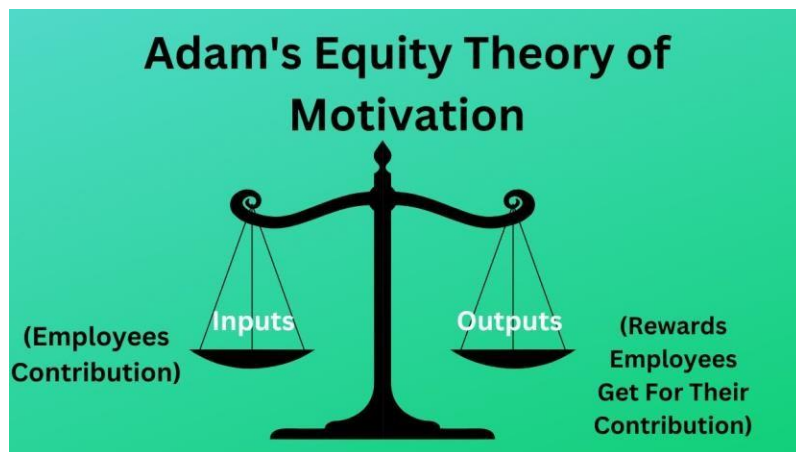
### **Expectancy:**

It is the probability estimate which joins the individual's efforts to first level outcome Expectancy values are always positive ranging from 0 to 1.

### **Motivation:**

Motivation is the multiplicative function of the valence of each first- level outcome (V1) And they believed expectancy (E) that given effort will be followed by a particular first level outcome, That is  $M=f(V1 * E)$

### **Adams equity theory:**



In this theory, Equity is defined as the ratio between **The individual's job inputs** (such as effort, skill, experience, education and seniority) to the job rewards (such as pay or promotion) it is believed that the individuals motivation, performance and satisfaction will depend on his on his or her subjective evaluation o f his or her effort/reward ratio and the effort/reward ratio of others in similar situations.

**Skinner's behavior modification theory:**

The theory developed by researches done by B.F Skinner.

The theory is believed and based on the behavior of the past circumstances which they have learnt that the certain behaviors associated with pleasant outcomes and certain other behaviors are associated with unpleasant outcomes.

Example: Obedience to authority leads to praise and disobedience leads to punishment.

The consequences that increase the frequency of a behavior are **positive reinforcement** (praise or monetary rewards) or negative reinforcement (A manager requiring all subordinates to attend early morning meetings if the performance falls below a certain desired level of the organization).

Negatives of the above theory proposed: Avoids concern for the inner motivation of the individual. Skinner's behavior modification theory is criticized for two reasons

Overemphasis of extrinsic rewards ignores the fact that people are better motivated by intrinsic rewards.

The theory is unethical no manager has a right to manipulate and control his employees' behavior life.

**Communication**

Communication means Exchange of opinions, facts ideas or emotions by two or more persons. The sum of all things what one does to create an understanding in the minds of others.

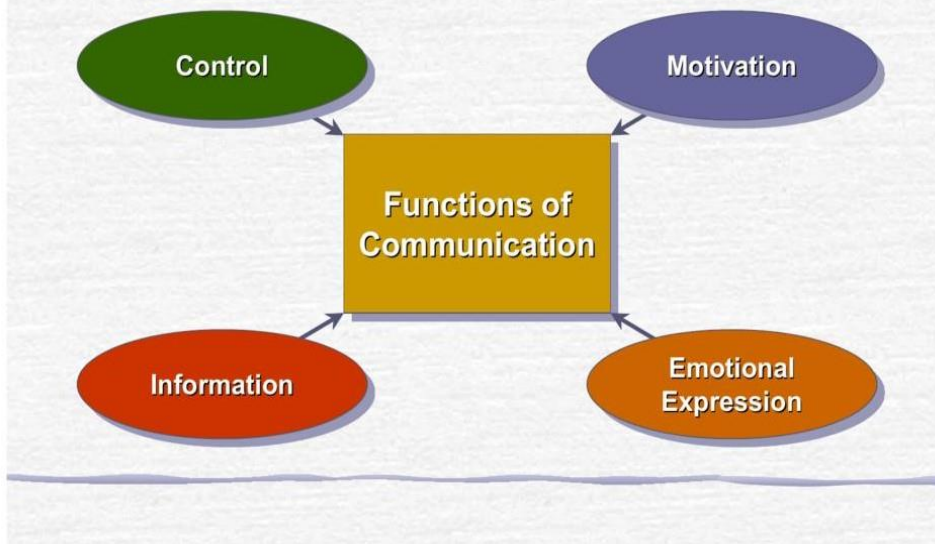
Is the process of passing information, correct understanding and with right Interpretation from one person to another.

**Importance of communication:**

The importance of communication rises from the fact that earlier business was considered only a technical and formal structure.

But by Hawthorne's experiments it was realized that every organization requires structure is a social system involving the interactions of the people working at different levels and proper communication is required to the goals of the organization, organization's existence from birth to continuing.

## Four Functions of Communication



### Systems of communication

According to the organization structures

1. Formal
2. Informal

According to the direction of expressions,

1. downwards
2. upward
3. horizontal

According to the way of expression is

1. oral or verbal
2. Written

According to the organization structure:

**Formal communication:** such communications are associated with formal organizations. They travel through formal channel. They include orders, instructions, decisions, etc. They make sure information flow smoothly, accurately in time. Communications network may be designed on single or multiple channels. A single channel network has only one part of communication is. This part is the line of authority commonly known as through proper channel.

## **Merits**

- Maintenance of authority.
- It controls the subordinates and the responsibility.
- Sound and proper communication.
- supervisor have direct communication with subordinate so that they know their level of attitude, capacity and intelligence.

## **Demerits**

- Overload of work.
- There is a lot of information passed by single line of authority.
- Decay in accuracy.
- It provides the bottom neck in the flow of information.
- overlook by the line of officers
- Line officers do not take any interest for subordinates because communication is happening downwards

**limitations.** It is used only for downward communications.

## **Direction of expressions**

Downward directions :ommunications flows from superior to suborn, which includes rules, orders, instructions, directions etc.

Upper communications: It is a reverse of downward communications flows from subordinate to the superior. Each communications includes reactions, suggestions, grievances etc.

Horizontal communication: takes place between two or more persons who are working in the same level of organization. It is also known as lateral communication or cross communications.

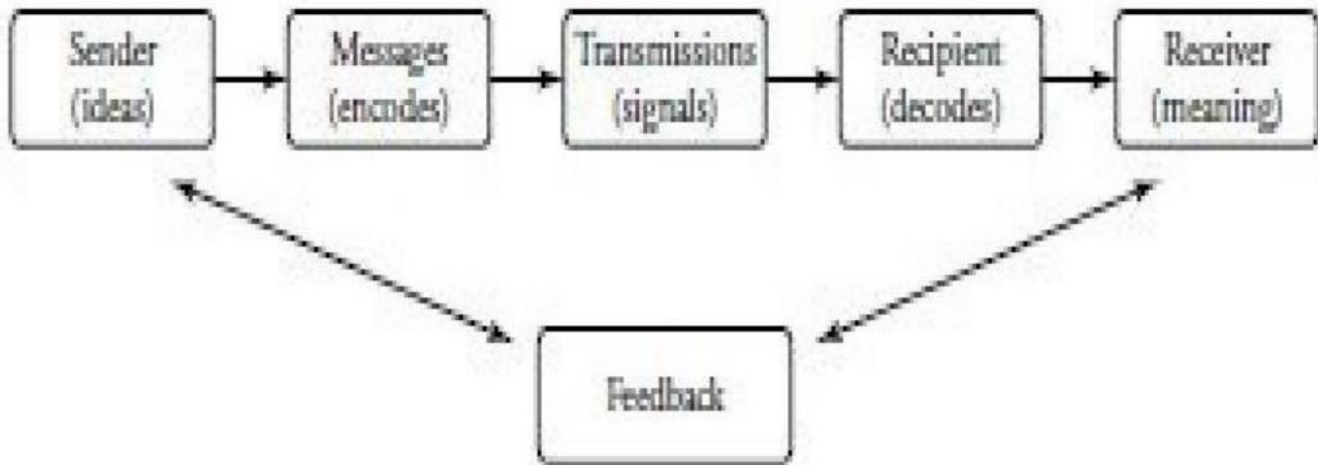
## **Way of expressions**

Oral process of communication exchanges, ideas orally, either face-to-face through devices like phone, meetings, conferences etc.

Written communication: This type of communication includes diagrams, pictures, circular, rules, manuals, reports, posters etc.

## **The Communication Process**

The goal of communication is to convey information—and the understanding of that information—from one person or group to another person or group. This communication process is divided into three basic components: A sender transmits a message through a channel to the receiver. (Figure 13-1 shows a more elaborate model.) The sender first develops an idea, which is composed into a message and then transmitted to the other party,



who interprets the message and receives meaning. Information theorists have added somewhat more complicated language. Developing a message is known as encoding. Interpreting the message is referred to as decoding.

## Coordination

Is the orderly synchronization or fitting together of the interdependent efforts of individuals to attain a common goal.

For example in hospital the proper synchronization of the activities of the nurses, doctors, wards attendants and lab technicians to give a good care to the patient.

Can be considered as an essential part of all managerial functions of planning, organizing, directing and controlling if the manager performs these functions efficiently and expertly coordination is automatically generated and there remains no need for special coordination.

## Coordination is required at every level of all managerial functions

**In planning:** performs his function of planning by coordination of the interrelating the plans of various departments

**In organizing:** coordination is required in grouping and various activities to subordinates and in creating departments

**In directing:** coordination is required to take effect of his particular action will have on other departments and executives

**In controlling:** coordination is required manager evaluates operations and checks whether performance is in conformity with the desired results

## Importance of Coordination

It is importance of coordination is first one is unity and diversity. There are large number of employees with different ideas views and interest and coordination among them is important

**Unity in diversity:** There are large number of employs with different ideas, views and interest. Hence coordination among them is very important

**Specialization:** One person specialisations may be unknown by the other employees that leads to the misunderstanding coordination. Play a major role in bringing them together.

**Teamwork:** coordination promotes teamwork

**Large number of employees:** Many times they don't work in harmony. Hence, coordination is very important

**Empire Building:** Empire building refers to top level of organization. It is important to achieve coordination among the top level and subordinates.

**Functional difference:** Each section performs different jobs, coordination is necessary.

Recognition of goals: coordination play the major role in identifying the goals

Communication: coordination ensures smooth flow of communications,

Interdependency: greater than interdependency greater than need of coordination

## Techniques of coordination:

The following are the important techniques of coordination

### Rules procedures and policies:

Helps in coordinating the subunits in the performance of their Repetitive activities. Standard policies, procedures and policies are laid down to cover all possible situations If the breakdown of the above occurs more rules, regulations are required to be framed to take care of the breakdown.

### Planning:

Ensures coordinated effort and targets of each department dovetail with the targets of all other departments.

Example: fixing the targets of the 10000 units of additional production and consequently the sales requires the coordination of the two departments respectively to meet the demands and achieve the target.

### Hierarchy:

Is the simplest device of achieving coordination by hierarchy or chain of command

By putting together independent units under one boss some coordination among their activities is achieved. Sometimes defective because makes individuals dependent upon, passive towards and subordinates to the leader.

### Direct contact:

Used to solve the problems created at the lower levels which affects the employees can be resolved by formal informal contacts to prevent overloading to top executives.

**Task force:**

Temporary group made up of representatives from the same departments facing problems and exists as long as the problems last and each participant returns to normal tasks once the solution is reached

**Committees:**

Arise due the fact when certain decisions consistently become permanent. These groups are labelled committees.

This device greatly eases the rigidity of the hierarchical structure, promotes effective communication and understanding, of ideas, encourages the acceptance of commitment to policies and makes implantation more effective.

**Induction:**

Of a new employee is a social setting of his work is also a coordinating mechanism. he device familiarizes the new employee with organizations rules and regulations dominant norms and behaviour, values and beliefs and integrates his personal goals with organizational goals.

**Indoctrination:**

Device commonly used in religious and military organizations is another coordinating device which develops the desire to work together for a purpose.

The major task of a leader being to build an organization can be succeeded by the indoctrination

and other means by converting the neutral body into a committed body

**Incentives:**

providing independent units with an incentive to collaborate such as profit sharing plan is another mechanism.

**Liaison departments**

evolved to handle transactions and typically occurs between the sales and production departments.

**Workflow:**

is the sequence of steps by which the organization acquires inputs and transforms them into outputs and exports these to the environment which is largely shaped by the technological, economic and social considerations and helps them in coordination



## Difference between Coordination and Cooperation

Basis	Coordination	Cooperation
1. Definition	It is a deliberate effort by a manager	It is voluntary attitude of organization members
2. Purpose	It is an orderly arrangement of group efforts to provide unity of action in the pursuit of common objectives.	It denotes collective efforts of the group contributed voluntarily to accomplish a particular objective.
3. Relations	It is achieved through both formal and informal relations.	Cooperation arises out of informal relations.
4. Result	Coordination seeks whole hearted support of employees and departments	Cooperation without coordination is fruitless.

## Steps in Control Process

The control process involves carefully collecting information about a system, process, person, or group of people in order to make necessary decisions about each. Managers set up control systems that consist of four key steps:

1. **Establish standards to measure performance.** Within an organization's overall strategic plan, managers define goals for organizational departments in specific, operational terms that include standards of performance to compare with organizational activities.
2. **Measure actual performance.** Most organizations prepare formal reports of performance measurements that managers review regularly. These measurements should be related to the standards set in the first step of the control process. For example, if sales growth is a target, the organization should have a means of gathering and reporting sales data.
3. **Compare performance with the standards.** This step compares actual activities to performance standards. When managers read computer reports or walk through their plants, they identify whether actual performance meets, exceeds, or falls short of standards. Typically, performance reports simplify such comparison by placing the performance standards for the reporting period alongside the actual performance for the same period and by computing the variance—that is, the difference between each actual amount and the associated standard.
4. **Take corrective actions.** When performance deviates from standards, managers must determine what changes, if any, are necessary and how to apply them. In the productivity and quality-centered environment, workers and managers are often empowered to evaluate their own work. After the evaluator determines the cause or causes of deviation, he or she can take the fourth step—corrective action. The most effective course may be prescribed by policies or may be best left up to employees' judgment and initiative. These steps must be repeated periodically until the organizational goal is achieved.

## Types of Controls

**Feedforward controls:** sometimes called preliminary or preventive controls, attempt to identify and prevent deviations in the standards before they occur. Feedforward controls focus on human, material, and financial resources within the organization. These controls are evident in the selection and hiring of new employees. For example, organizations attempt to improve the likelihood that employees will perform up to standards by identifying the necessary job skills and by using tests and other screening devices to hire people with those skills

**Concurrent controls** monitor ongoing employee activity to ensure consistency with quality standards. These controls rely on performance standards, rules, and regulations for guiding employee tasks and behaviors. Their purpose is to ensure that work activities produce the desired results. As an example, many manufacturing operations include devices that measure whether the items being produced meet quality standards. Employees monitor the measurements; if they see that standards are not being met in some area, they make a correction themselves or let a manager know that a problem is occurring.

**Feedback controls** involve reviewing information to determine whether performance meets established standards. For example, suppose that an organization establishes a goal of increasing its profit by 12 percent next year. To ensure that this goal is reached, the organization must monitor its profit on a monthly basis. After three months, if profit has increased by 3 percent, management might assume that plans are going according to schedule

## **Principles of effective coordination of requisites**

- Early start-up
- Direct contact
- Continuity
- Dynamism
- simplified organization
- Self-coordination
- Clear cut objective
- Clear definitions of authority and responsibility
- Effective communication.
- Effective supervision and leadership

**Early start-up:** coordination should be started from early stage of the planning and policy making

**Direct contact:** direct personal contact like ideas, goals views must be clarified in achieving the goals

**Continuity:** coordination Continuity coordination is a continuous process and it must go on all the stages of management

**Dynamism:** coordination should not be rigid.

**Simplified organizations :** it is an effective organization with the department can rearrange for better coordination is

**self-coordination:** Self coordination brings overall coordination is essential.

**Clear cut objectives:** necessary step should be taken by the heads defining clear explanations of all the objectives

**Clear definitions of authority and responsibility:** The management should be clearly clear authority and responsible for each individual for effective coordination.

**Effective communication:** It is a continuous exchange of information between the individual and department should be discussed for an effective coordination is effective supervision and leadership is top executive should cross supervise the work of subordinates for successful performance. Hence there is a need of coordination between supervisor and management.

## **ESSENTIALS OF A SOUND CONTROL SYSTEM**

The essentials of a sound control system are as follows:

**Suitable:** The control system should be appropriate to the nature and needs of the activity. For example, a machine based method of production requires control system which is different from the system that is used in labour intensive methods of production. Thus every enterprise should develop such a control system it would serve its purpose.

### **Timely and forward looking:**

The control system should be directed towards future. It should report all the deviations from the standards quickly in order to safeguard the future. The feedback system should be as short and as quick as possible. If the control reports are not directed at future, they are of no use as they will not be able to suggest the types of measures to be taken to rectify the past deviations.

### **Objective and comprehensible:**

The control system should be both objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for the argument by the employees. They provide employees with direct access to any additional information which they may need to perform their task. Employees are not made to go up and down the hierarchy to get the information.

### **Flexible:**

Control system should be flexible so that it can be adjusted to suit the needs of any change in the environment. It should be adoptable to new developments including the failure of the control system itself.

### **Economical:**

Another requirement of a good control system is economy. The benefits derived from the control system should be more than the cost involved in implementing it.

### **Control by exceptions**

This is also known as “management by exception” according to this principle, only significant deviations from standards, whether positive or negative requirement management as they constitute exceptions. An attempt to go through all deviations tends to increase unnecessary work and decrease attention on important problems.

### **Prescriptive and operational:**

A control system in order to be effective and adequate, must not only detect deviations, but should also provide solutions to the problems that cause

deviations. In other words, the system should be prescriptive and operational. It must disclose where failures are occurring, who is responsible for them and what should be done about them. It must focus more on action than on information.

**Acceptable to organization members:** The system should be acceptable to organization members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards of unreasonable or unrealistic. They may then refuse to meet them.

**Motivation:** A good control system should be employee centered. The control system is designed to secure positive reactions from employees.

## **METHODS OF ESTABLISHING CONTROL**

Various methods are used by management for controlling the various deviations in the organization.

### **i) Traditional Techniques**

- Personal observation
- statistical reports
- Break even analysis
- Budgetary Control

### **ii) Modern techniques**

- Return on investment
- Responsibility accounting
- Management audit
- PERT
- CPM
- Management Information system
- Internal audit

### **i) Traditional Techniques**

**1. Personal observation:** personal observation enables the manager to collect first hand information.

It also creates a psychological pressure on the employees to perform well as they are aware

that they are being observed personally on their job.

under this technique, manager notes the actual performance of employee

Then the manager decides whose performance is weak and how to improve it.

However, it is a very time consuming exercise and cannot effectively be used in all kinds jobs.

## Statistical Reports

Statistical analysis in the form of averages, percentages, ratios etc present useful information to the managers regarding performance of the organization in various areas.

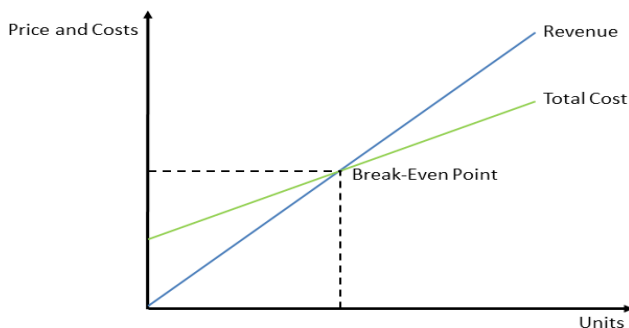
Such information is present in the form of charts, graphs, tables etc. enables the managers to read them more easily.

It allows a comparison to be made with performance in previous periods and also with the benchmarks.

## Break Even Analysis

is a Technique used by managers to study the relationship b/w cost, volume, profits. It determines the probable profit and losses at different levels of activity.

The sales volume at which there is no profit, no loss is known as breakeven point. Breakeven point is determined by the intersection of total Revenue and Total cost curves. It is beyond this point that the firm will start earning profits. It is a useful technique for the managers as it helps in estimating profits at different levels of activities.



## Budgetary control

It is a Technique of managerial control in which all operations are planned in advance in the form of budgets

The actual results are then compared with budgetary standards. This comparison tells us what necessary action is required.

Different types of budget are

1. Sales
2. Production budget
3. Research and development budget

4. Advertising budget modern Techniques

5. Return on investment

Ratios of net profit to the total investment employed in the business is termed as return on investment, generally expressed as percentage.

**ROI = Profit / Total Investment.**

Using this percentage of profit is identified.

if ROI is high then the financial performance of a business is good

It helps to compare its present performance with that of previous year's performance and also helps for inter-firm comparisons.

it also shows the areas where corrective actions are needed.

### **Responsibility accounting:**

It is defined as the system of accounting under which each department head is made responsible for the performance of his department.

each department is made a profit center.

i) Profit center- manager is responsible for both revenue and cost incurred.

ii) Investment center- center is responsible not only for profit but also for investments Ex: small start-up company

### **Management audit**

It is helpful in identifying the deficiencies in the performance of management functions and suggesting possible improvements.

It helps the management to handle the operation effectively.

### **PERT (Program Evaluation and Review Techniques)**

This was developed during 1957-58 for USA Navy.

A project is split into activities and all the activities are integrated in a highly logical sequence to find the shortest time required to complete the entire project

PERT was created primarily to handle R&D projects.

### **Critical Path Method (CPM)**

This concentrates mainly on cost rather than duration like PERT.

The use of both PERT and CPM has grown rapidly today in controlling time bound projects such as repairing a weak bridge, construction of huge building. This Technique also follows the principles of PERT i.e. Critical activities are identified. More importance is given to completion of these critical activities.



**Management Information System**

In order to control the organization properly the management needs accurate computer based information. They need information about the internal working of the organization and also about the external environment.

Information collected continuously to identify problems and find out solutions.

MIS collects data, processes it and provides it to the managers so that appropriate corrective action may be taken in case of deviations from standards.

**Internal audit**

is conducted by an internal auditor who is an employee of an organization. He makes an independent appraisal of financial and other operations.

He identifies the defects and deviations and reduced.

