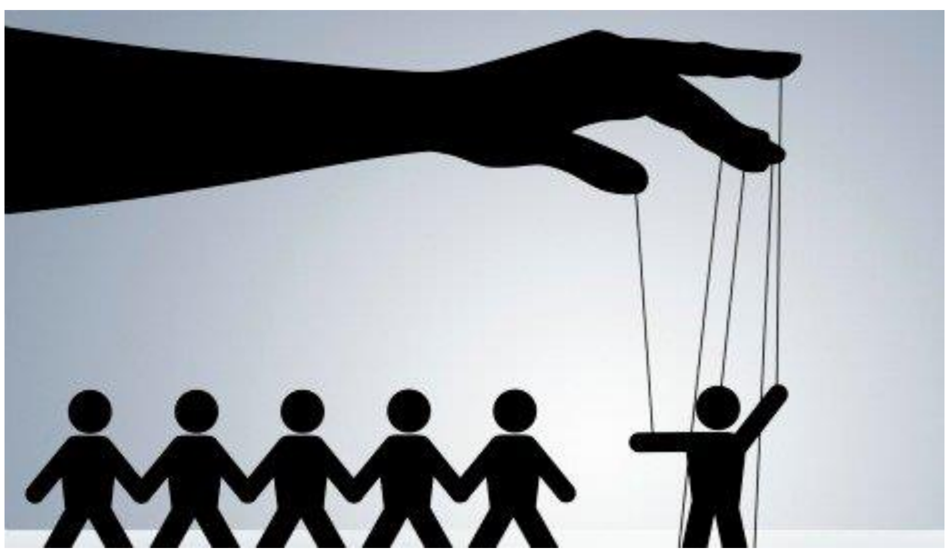

KTUNOTES

Leading

Controlling



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Leadership is an integral part of management and plays a vital role in management operation. Leadership exists in any type of organization. If there is any single factor that differentiates between successful and unsuccessful organization, it could be considered as dynamic and effective leadership. It is the capacity of an individual to influence and direct group effort towards the achievement of organizational goals.

"Leadership is the ability of a manager to induce subordinates to work with confidence and zeal."-Koontz and O'Donnell.

"Leadership is the exercise of authority and making of decisions." -Dubin, R.

"Leadership is the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion."-Allford and Beaty.

Nature and Characteristics:

1- Leadership is a personal quality.
2. It exists only with followers. If there are no followers, there is no leadership.
3. It is the willingness of people to follow that makes person a leader.
4. Leadership is a process of influence. A leader must be able to influence the behaviour, attitude and beliefs of his subordinates.
5. It exists only for the realization of common goals.
6. It involves readiness to accept complete responsibility in all situations.
7. Leadership is the function of stimulating the followers to strive willingly to attain organisational objectives.
8. Leadership styles do change under different circumstances.
9. Leadership is neither bossism nor synonymous with management.

Leadership Functions:

Following are the important functions of a leader:

1. Setting Goals:
A leader is expected to perform creative function of laying out goals and policies to persuade the subordinates to work with zeal and confidence.

2. Organizing:
The second function of a leader is to create and shape the organisation on scientific lines by assigning roles appropriate to individual abilities with the view to make its various components to operate sensitively towards the achievement of enterprise goals.

3. Initiating Action:
The next function of a leader is to take the initiative in all matters of interest to the group. He should not depend upon others for decision and judgement. He should float new ideas and his decisions should reflect original thinking.

4. Co-Ordination:
A leader has to reconcile the interests of the individual members of the group with that of the organisation. He has to ensure voluntary co-operation from the group in realizing the common objectives.

5. Direction and Motivation:
It is the primary function of a leader to guide and direct his group and motivate people to do their best in the achievement of desired goals. He should build up confidence and zeal in the work group.

6. Link between Management and Workers:
A leader works as a necessary link between the management and the workers. He interprets the policies and programmes of the management to this subordinate and represent the subordinates' interests before the management. He can prove effective only when he can act as the true guardian of the interests of the subordinates.

Qualities of a Good Leader:

A successful leader secures desired behaviour from his followers. It depends upon the quality of leadership he is able to provide. A leader to be effective must possess certain basic qualities. A number of authors have mentioned different qualities which a person should possess to be a good leader.

Some of the qualities of a good leader are as follows:

1. Good personality.
2. Emotional stability.
3. Sound education and professional competence.
4. Initiatives and creative thinking.
5. Sense of purpose and responsibility.
6. Ability to guide and teach.
7. Good understanding and sound judgment.
8. Communicating skill.
9. Sociable.
10. Objective and flexible approach.
11. Honesty and integrity of character.
12. Self confidence, diligence and industry.
13. Courage to accept responsibility.

Leadership Styles or Types of Leaders:
The term 'leadership style, refers to the consistent behaviour pattern of a leader as perceived by people around him. Every leader develops a pattern in the way he handles his subordinates or followers in various situations. The leadership style is the result of the philosophy, personality and experience of the leader. It also depends upon the types of followers and the conditions prevailing in an organisation.

I. Leadership Style Based on Attitude and Behaviour:

According to their attitude and behaviour patterns leaders are classified as under:

1. Autocratic or authoritarian style leader.

2. Laissez-faire or Free-rein style leader.

3. Democratic or participative style leader.

4. Paternalistic style leader.

1. Autocratic or Authoritarian Style Leader:
An autocratic also known as authoritarian style of leadership implies yielding absolute power. Under this style, the leader expects complete obedience from his subordinates and all decision-making power is centralized in the leader. No suggestions or initiative from subordinates is entertained. The leader forces the subordinates to obey him without questioning. An autocratic leader is, in fact, no leader. He is merely the formal head of the organisation and is generally disliked by the subordinates. The style of leadership may be practiced to direct those subordinates who feel comfortable to depend completely on the leader.

2. Laissez-faire or Free-rein Style Leader:
Under this type of leadership, maximum freedom is allowed to subordinates. They are given free had in deciding their own policies and methods and to make independent decisions. The leader provides help only when required by his subordinates otherwise he does not interfere in their work. The style of leadership creates self-confidence in the workers and provides them an opportunity to develop their talents. But it may not work under all situations with all the workers and under all situations. Such leadership can be employed with success where workers are competent, sincere and self-disciplined.

3. Democratic or Participative Style Leader:
The democratic or participative style of leadership implies compromise between the two extremes of autocratic and laissez-fair style of leadership. Under this style, the supervisor acts according to the mutual consent and the decisions reached after consulting the subordinates. Subordinates are encouraged to make suggestions and take initiative.

It provides necessary motivation to the workers by ensuring their participation and acceptance of work methods. Mutual trust and confidence is also created resulting in job satisfaction and improved morale of workers. It reduces the number of complaints, employee's grievances, industrial unrest and strikes. But this style of leadership may sometimes cause delay in decisions and lead to indiscipline in workers.

4. Paternalistic Style Leader:
This style of leadership is based upon sentiments and emotions of people. A paternalistic leader is like a father to his subordinates. He looks after the subordinates like a father looks after his family. He helps guides and protects all of his subordinates but under him no one grows. The subordinates become dependent upon the leader.

II. Formal and Informal Leader:

Leadership style based on official Recognition/Relationship:
From the view point of official recognition from top management, leaders may be classified as under:

1. Formal Leader

2. Informal Leader

1. Formal Leader:

A formal leader is one who is formally appointed or elected to direct and control the activities of the subordinates. He is a person created by the formal structure, enjoys organisational authority and is accountable to those who have elected him in a formal way. The formal leader has a two-fold responsibility. On the one hand, he has to fulfill the demands of the organisation, while on the other he is also supposed to help, guide and direct his subordinates in satisfying their needs and aspirations.

2. Informal Leader:

Informal leaders are not formally recognized. They derive authority from the people who are under their influence. In any organisation we can always find some persons who command respect and who are approached to help guide and protect the interest of the people. They are known as informal leaders.

The informal leaders have only one task to perform, i.e., to help their followers in achieving their individual and group goals. Informal leaders are created to satisfy those needs which are not satisfied by the formal leaders. An organisation can make effective use of informal leaders to strengthen the formal leadership.

Transactional and Transformational Leadership

Leadership can be described as transactional or transformational. Transactional leaders focuses on the role of supervision, organization, and group performance. They are concerned about the status quo and day-to-day progress toward goals. Transformational leaders work to enhance the motivation and engagement of followers by directing their behavior toward a shared vision. While transactional leadership operates within existing boundaries of processes, structures, and goals, transformational leadership challenges the current state and is change-oriented.

Transactional Leadership

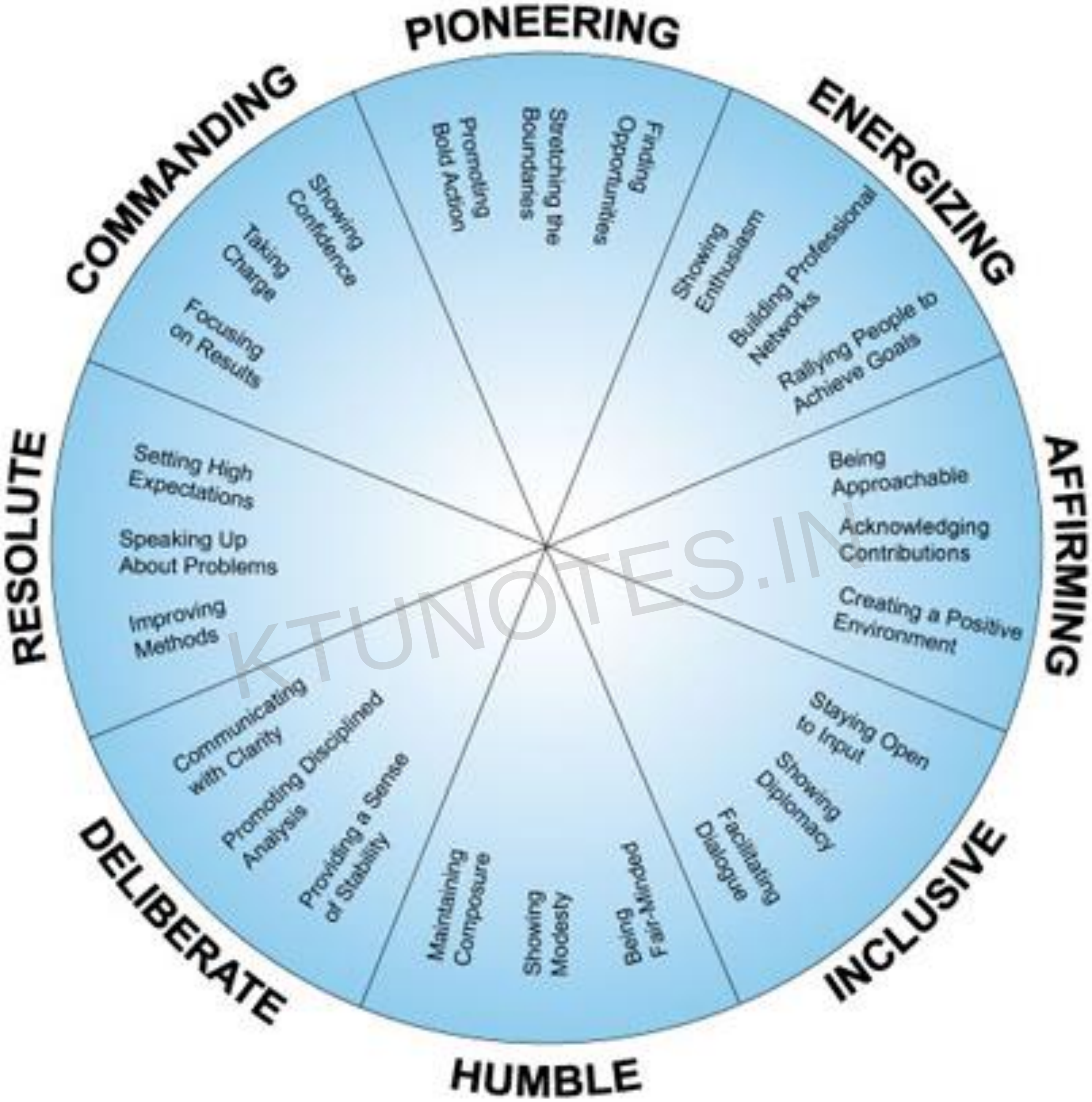
Transactional leadership promotes compliance with existing organizational goals and performance expectations through supervision and the use of rewards and punishments. Transactional leaders are task- and outcome-oriented. Especially effective under strict time and resource constraints and in highly-specified projects, this approach adheres to the status quo and employs a form of management that pays close attention to how employees perform their tasks.

Transformational Leadership

Transformational leadership focuses on increasing employee motivation and engagement and attempts to link employees' sense of self with organizational values. This leadership style emphasizes leading by example, so followers can identify with the leader's vision and values. A transformational approach focuses on individual strengths and weaknesses of employees and on enhancing their capabilities and their commitment to organizational goals, often by seeking their buy-in for decisions.

BASIS FOR COMPARISON	TRANSACTIONAL LEADERSHIP	TRANSFORMATIONAL LEADERSHIP
Meaning	A leadership style that employs rewards and punishments for motivating followers is Transactional Leadership.	A leadership style in which the leader employs charisma and enthusiasm to inspire his followers is Transformational Leadership.
Concept	Leader lays emphasis on his relation with followers.	Leader lays emphasis on the values, ideals, morals and needs of the followers.
Nature	Reactive	Proactive
Best suited for	Settled Environment	Turbulent Environment
Works for	Developing the existing organizational culture.	Changing the existing organizational culture.
Style	Bureaucratic	Charismatic
How many leaders are there in a group?	Only one	More than One
Focused on	Planning and Execution	Innovation
Motivational tool	Attracting followers by putting their own self interest in the first place.	Stimulating followers by setting group interest as a pr

Dimensions of Leadership



LEADERSHIP DIMENSION shows you which "tools" you reach for most often. When your personality profile is merged with your natural, or "default," leadership style, you can see your LEADERSHIP DIMENSION.
While your particular leadership gifting contains strengths worth developing and weaknesses that warrant attention, a truly effective leader must be MULTIDIMENSIONAL, capable of adopting leadership strategies other than their own.

The Pioneering Dimension:

Strengths and Motivators

- Action-oriented, adventurous, and drawn to new opportunities
- Dynamic and charismatic, charming others into support
- Passionate, optimistic, confident, and creative

Challenges

- Impulsive, impatient, overconfident, and outspoken
- Aggressive and overpowering under pressure
- Inconsiderate of how their impulsiveness may affect others in their wake

PIONEERING leaders would increase their effectiveness through focusing on patience, humility and consideration in their dealings with others.

The Energizing Dimension:

Strengths and Motivators

- Enthusiastic, spontaneous, outgoing, and upbeat
- Unafraid of colorful, new ideas– generating them or embracing them
- Collaborative, open, expressive, and connected

Challenges

- Disorganized, scattered, and erratic, especially on follow- through or solitary tasks; annoyed by analysis
- Motivated to avoid negativity, both external and internal (sensitivity to criticism)
- Overly expressive and even frantic under pressure

ENERGIZING leaders would increase effectiveness through being more objective, and following through on tasks.

The Affirming Dimension

Strengths and Motivators

- Kind and supportive, seeing the good in others
- Flexible, open, patient, easy-going, and tolerant.
- Relationship-oriented, sincere, affectionate.

Challenges

- Averse to conflict, often struggling to give negative feedback or an opposing viewpoint

- Prone to avoiding difficult problems that may create tension
- Frustrated by analysis because of a perception that it is negative by nature.

AFFIRMING leaders would increase their effectiveness through acknowledging others' flaws, and by confronting problems.

The Inclusive Dimension

Strengths and Motivators
- Good listeners who foster collaboration and understanding
- Accepting, diplomatic, patient, and dependable
- Prone to adopt a cautious, methodical pace to ensure thoughtfulness

Challenges
- Passive, often allowing others to take advantage of their patient nature
- Threatened by change or the unknown
- Prone to internalizing problems and avoiding conflict

INCLUSIVE leaders would increase their effectiveness by displaying self- confidence and revealing their true feelings.

The Humble Dimension

Strengths and Motivators
- Reliable, steady, conscientious, precise, and consistent
- Fair-minded, practical, diligent, and thorough
- Able to discern what systems and structures would meet others' needs

Challenges
- Overly cautious, hindering spontaneity or creativity at times
- Wary of change or "rocking the boat," even when it may be needed
- Prone to avoid trouble, conflicts, self-expression, and exposure

HUMBLE leaders would increase their effectiveness by being decisive, showing a sense of urgency, initiating change, and speaking up.

The Deliberate Dimension

Strengths and Motivators
- Disciplined leaders who provide high-quality outcomes through careful analysis and planning
- Systematic, moderately paced, objective problem- solvers
- Accurate, valuing expertise, logic, and privacy

Challenges
- Reluctant to show emotions coupled with a distaste for vulnerability
- Stubbornly skeptic of others' ideas, particularly if it threatens their perceived sense of credibility
- Devoted to a comfort zone that can make them seem isolated or stagnant

DELIBERATE leaders would increase their effectiveness by acknowledging others' feelings and looking beyond data.

The Resolute Dimension

Strengths and Motivators
- Tenaciously driven, with a passion for overcoming obstacles
- Independent and determined, valuing personal mastery, accomplishment, and efficient results

Challenges
- Naturally skeptical, appearing disinterested, guarded, or serious
- Vigorous debaters, critical, with a disdain for weakness
- Self-reliant, opinionated, driven by a perception of "shoulds"

RESOLUTE leaders would increase their effectiveness by focusing on personal warmth, tactful communication, and attention to others' needs.

The Commanding Dimension

Strengths and Motivators
- Powerful, decisive leaders who possess a take-charge presence
- Competitive, driven, assertive, motivated by bottom-line results or victory
- Able to tenaciously tolerate conflict

Challenges
- Blunt, insistent, demanding, and with an aversion to "soft" emotions
- Forceful, pushing others at the expanse of morale
- Closed to feedback, but open to giving it

COMMANDING leaders would increase their effectiveness by focusing on patience and empathy.

The eight dimensions can be briefly summarised as:

1. **Pioneering** – dynamic, charismatic, and adventurous
2. **Energising** – outgoing, encouraging, and spontaneous
3. **Affirming** – approachable, friendly, and positive
4. **Inclusive** – patient, accepting, and diplomatic
5. **Humble** –soft-spoken, precise, and modest
6. **Deliberate** – systematic, analytical, and cautious
7. **Resolute** – rational, challenging, and determined
8. **Commanding** –assertive, competitive, and driven

Trait Theory of Leadership

Trait Theory of Leadership is based on the assumption that people are born with inherited traits and some traits are particularly suited to leadership. People who make effective leaders have the right (or sufficient) combination of traits and great leaders has some common personality characteristics. Trait theories help us identify traits and dispositions that are helpful when leading others. This theory as described by Kelly (1974) attempts to classify what personal characteristics such as physical, personality and mental, are associated with leadership success. Trait theory relies on research that relates various traits to the success of a leader.

Early research on leadership was based on the psychological focus of the day, which was of people having inherited characteristics or traits. The trait theory of leadership focused on analyzing mental, physical and social characteristic in order to gain more understanding of what is the characteristic or the combination of characteristics that are common among leaders. There have been many different studies of leadership traits and attention was put on discovering these traits, often by studying successful leaders, but with the underlying assumption that if other people could also be found with these traits, then they, too, could also become great leaders.

Examples of Leadership Traits:

A lengthy list of traits has been made to describe an effective leader in terms of certain characteristics. Given below is a list of some traits/skills (non-exhaustive) generally believed to be possessed by leaders. This list is non-exhaustive as a large number of classifications exist for traits, for example Gordon Allport, an American psychologist had identified almost 18,000 English personality-relevant terms. A broad classification to six categories of traits is also done below:

Physical Characteristics of the Leader:

- Age
- Height
- Weight
- Alertness
- Energy

Background Characteristics of the Leader:

- Education
- Social Status
- Mobility
- Experience

Intelligence Characteristics of the Leader:

- Ability
- Judgment
- Knowledge
- Clever (intelligent)
- Conceptually skilled
- Creative
- Knowledgeable about group task
- Intellectual breadth

Personality Characteristics of the Leader:

- Aggressiveness
- Alertness
- Dominance
- Decisiveness
- Enthusiasm
- Extroversion
- Independence
- Self-confidence
- Authoritarianism
- Assertive
- Tolerant of stress

Task-Oriented Characteristics of the Leader:

- Achievement Needs
- Responsibility
- Initiative
- Persistence
- Ambitiousness
- Achievement-orientated
- Decisive
- Persistent
- Willingness to assume responsibility
- Organized (administrative ability)

Social Characteristics of the Leader:

- Supervisory Ability
- Popularity
- Prestige
- Tact
- Diplomacy
- Adaptability
- Cooperative
- Dependable
- Persuasive
- Socially skilled
- Emotional stability and composure
- Good interpersonal skills

Advantages of Trait Theory of Leadership:

The trait theory is naturally pleasing theory and gives constructive information about leadership. Lot of research has validated the foundation and basis of the theory and it can be applied by people at all levels in all types of organizations. Managers can utilize the information from the theory to evaluate their position in the organization and to assess how their position can be made stronger in the organization. It serves as a yardstick against which the leadership traits of an individual can be assessed and individuals can get an in-depth understanding of their identity and the way they will affect others in the organization. This theory makes the manager aware of their strengths and weaknesses and thus they get an understanding of how they can develop their leadership qualities. It gives a detailed knowledge and understanding of the leader element in the leadership process.

Criticism / Arguments against - The Trait Theory of Leadership:

Many arguments are made against the leadership theory of traits The greatest argument is that if particular traits are key differentiator of leadership, then how do we explain people who possess these qualities but are not leaders?

Some findings point out to the fact that leaders are intelligent individuals. But they do not provide any clue as to whether leaders are brighter than their followers or are as close to them in intelligence.

The followers have a significant effect on the job accomplished by the leader. Trait theory completely ignores the followers and the situations that also help a leader to be successful. To be more objective, traits of the person as well as demand of the situation together determine the effectiveness of the leader.

Some of the personality traits are overlapping with each other. Therefore, you need to be cautious in stating, personality or any other characteristic as a cause of successful leadership.

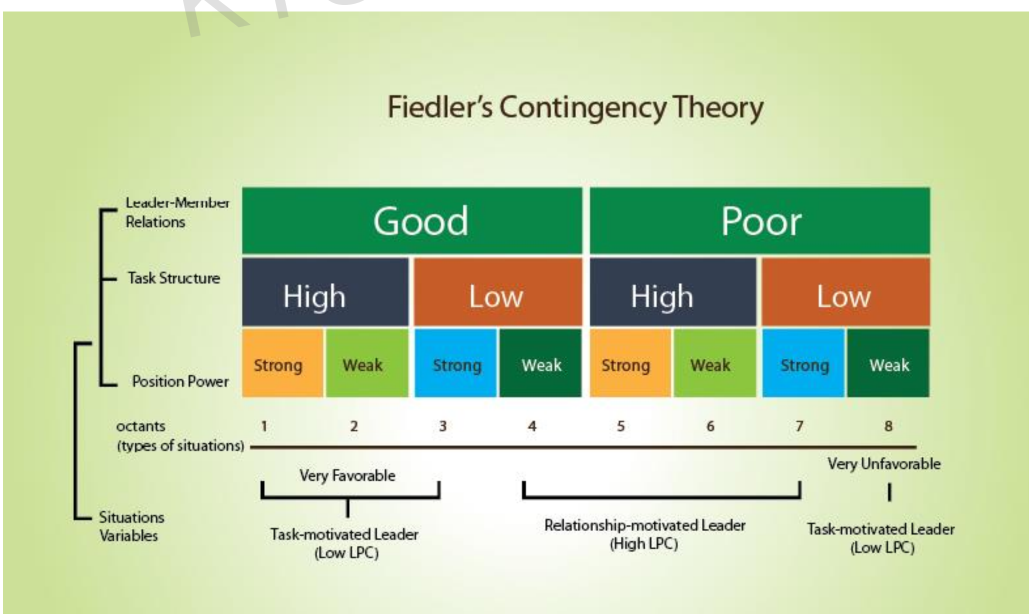
Moreover the list of possible traits tends to be very long and personality traits measurement weren't reliable across studies. More than 100 different traits of successful leaders in various leadership positions have been identified. These descriptions are simply generalities and there exists disagreement over which traits are the most important for an effective leader. This theory does not offer explanations between the relation of each characteristic and its impact on leadership. Some of the traits may describe a successful leader but predicting successful leaders on the basis of traits alone is not a correct approach.

The Fiedler Contingency Model

The Fiedler Contingency Model was created in the mid-1960s by Fred Fiedler, a scientist who studied the personality and characteristics of leaders.
The model states that there is no one best style of leadership. Instead, a leader's effectiveness is based on the situation. This is the result of two factors – "leadership style" and "situational favorableness" (later called "situational control").

Situational Favorableness

"situational favorableness" of your particular situation depends on three distinct factors:
Leader-Member Relations – This is the level of trust and confidence that your team has in you. A leader who is more trusted and has more influence with the group is in a more favorable situation than a leader who is not trusted.
Task Structure – This refers to the type of task you're doing: clear and structured, or vague and unstructured. Unstructured tasks, or tasks where the team and leader have little knowledge of how to achieve them, are viewed unfavorably.
Leader's Position Power – This is the amount of power you have to direct the group, and provide reward or punishment. The more power you have, the more favorable your situation. Fiedler identifies power as being either strong or weak.



Leadership Style

Identifying leadership style is the first step in using the model. Fiedler believed that leadership style is fixed, and it can be measured using a scale he developed called Least-Preferred Co-Worker (LPC) Scale
The scale asks you to think about the person who you've least enjoyed working with. This can be a person who you've worked with in your job, or in education or training. You then rate how you feel about this person for each factor, and add up your scores. If your total score is **high**, you're likely to be a **relationship-orientated leader**. If your total score is **low**, you're more likely to be **task-orientated leader**.

Figure 1: Least-Preferred Co-Worker Scale

Unfriendly	**1 2 3 4 5 6 7 8**	**Friendly**
Unpleasant	**1 2 3 4 5 6 7 8**	**Pleasant**
Rejecting	**1 2 3 4 5 6 7 8**	**Accepting**
Tense	**1 2 3 4 5 6 7 8**	**Relaxed**
Cold	**1 2 3 4 5 6 7 8**	**Warm**
Boring	**1 2 3 4 5 6 7 8**	**Interesting**
Backbiting	**1 2 3 4 5 6 7 8**	**Loyal**
Uncooperative	**1 2 3 4 5 6 7 8**	**Cooperative**
Hostile	**1 2 3 4 5 6 7 8**	**Supportive**
Guarded	**1 2 3 4 5 6 7 8**	**Open**
Insincere	**1 2 3 4 5 6 7 8**	**Sincere**
Unkind	**1 2 3 4 5 6 7 8**	**Kind**
Inconsiderate	**1 2 3 4 5 6 7 8**	**Considerate**
Untrustworthy	**1 2 3 4 5 6 7 8**	**Trustworthy**
Gloomy	**1 2 3 4 5 6 7 8**	**Cheerful**
Quarrelsome	**1 2 3 4 5 6 7 8**	**Harmonious**

The model says that task-oriented leaders usually view their LPCs more negatively, resulting in a lower score. Fiedler called these low LPC-leaders. He said that low LPCs are very effective at completing tasks. They're quick to organize a group to get tasks and projects done. Relationship-building is a low priority.

However, relationship-oriented leaders usually view their LPCs more positively, giving them a higher score. These are high-LPC leaders. High LPCs focus more on personal connections, and they're good at avoiding and managing conflict. They're better able to make complex decisions.

Controlling

Controlling is one of the managerial functions and it is an important element of the management process. After the planning, organising, staffing and directing have been carried out, the final managerial function of controlling assures that the activities planned are being accomplished or not.

So the function of controlling helps to achieve the desired goals by planning. Management must, therefore, compare actual results with pre-determined standards and take corrective action of necessary.

Control can be defined as the process of analysing whether actions are being taken as planned and taking corrective actions to make these to confirm to planning.

The managerial function of controlling is defined by Koontz and O'Donnell," as the measurement and correction to the performance of activities of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished."?

Management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives. Further, it is defined as the process by which managers in the organisation assure that activities and efforts are producing the desired objectives in the organisation. These definitions imply three main points about management control.

First, management control is a process of some inter-related and sequential steps, secondly, management control in the organisation aims at effectiveness and efficiency in the acquisition and utilisation of resources such as money, materials, machinery and manpower. Thirdly, management control in the organisation is designed to further objectives of the organisation.

Nature of Controlling:

1. Control is a Function of Management: Actually control is a follow-up action to the other functions of management performed by managers to control the activities assigned to them in the organisation.

2. Control is Based on Planning: Control is designed to evaluate actual performance against predetermined standards set-up in the organisation. Plans serve as the standards of desired performance. Planning sets the course in the organisation and control ensures action according to the chosen course of action in the organisation.

3. Control is a Dynamic Process: It involves continuous review of standards of performance and results in corrective action, which may lead to changes in other functions of management.

4. Information is the Guide to Control: Control depends upon the information regarding actual performance. Accurate and timely availability of feedback is essential for effective control action. An efficient system of reporting is required for a sound control system. This requires continuing monitoring and review of operations.

5. The Essence of Control is Action: The performance of control is achieved only when corrective action is taken on the basis of feedback information. It is only action, which adjust performance to predetermined standards whenever deviations occur. A good system of control facilities timely action so that there is minimum waste of time and energy.

6. It is a Continuous Activity: Control is not a one-step process but a continuous process. It involves constant revision and analysis of standards resulting from the deviations between actual and planned performance.

7. Delegation is the key to Control: An executive can take corrective action only when he has been delegated necessary authority for it. A person has authority to control these functions for which he is directly accountable. Moreover, control becomes necessary when authority is delegated because the delegator remains responsible for the duty. Control standards help a manger expand his span of management.

8. Control Aims at Future: Control involves the comparison between actual and standards. So corrective action is designed to improve performance in future.

9. Control is a Universal Function of Management: Control is a basic or primary function of management. Every manager has to exercise control over the subordinates' performance, no manager can get things done without the process of controlling. Once a plan becomes operational, follow-up action is required to measure progress, to uncover deficiencies and to take corrective actions.

Therefore, control is an essential managerial function at every level. The process of management is incomplete without controlling.

10. Controlling is Positive: The function of controlling is positive. It is to make things happen i.e. to achieve the goal with instead constraints, or by means of the planned activities. Controlling should never be viewed as being negative in character.

Principles of Controlling:

The followings are the principles of controlling:

1. Objectives: Controls must positively contribute to the achievement of group goals by promptly and accurately detecting deviations from plans with a view to making corrective action possible.
2. Interdependence of Plans and Controls: The principles of interdependence states that more the plans are clear, complete and integrated, and the more that controls are designed to reflect such plans, the more effectively controls will serve the need of managers.
3. Control Responsibility: According to this principle, the primary responsibility for the exercise of controls rests in the manager charged with the performance of the particular plans involved.
4. Principal of Controls being in Conformity to Organisation Pattern: Controls must be designed so as to reflect the character and structure of plans. If the organisation is clear and responsibility for work done is well defined, control becomes more effective and it is simple to isolated persons responsible for deviations.
5. Efficiency of Controls: Control techniques and approaches are effectively detect deviations from plans and make possible corrective actions with the minimum of unsought consequences.
6. Future-oriented Controls: It stresses that controls should be forward looking. Effective controls should be aimed at preventing present and future deviations from plans.
7. Individuality of Controls: Control should be designed to meet the individual requirements of managers in the organisation. Although some control techniques and information can be utilised in the same form by various types of enterprises and managers as a general rule controls should be tailored to meet the specific requirements.
8. Strategic Point Control: Effective and efficient control requires that attention to be given to those factors which are strategic to the appraisal of performance.
9. The Exception Principle: The exception principles whereby exceptions to the standards are notified, should be adopted. Note must be taken of the varying nature of exceptions, as “small” exceptions in certain areas may be of greater significance than ‘larger’ exceptions elsewhere.
10. Principal of Review: The control system should be reviewed periodically. The review exercise may take some or all the points emphasised in the above stated principles. Besides, flexibility and economical nature or controls, should not be lost sight of while reviewing controls.

Aims of Controlling:

The aims of controlling are listed as follows:

1. To find out the progress of the work—the work already completed and the work in progress.
2. To compare the actual performance of the work at different stages with the particulars indicated in the plans and policies.
3. To ascertain the time within which the work is completed.
4. To verify quantity and testing quality of the products.
5. To know the delays or interruptions, if any, in the performance of work and trace the cause of such delay or breakdown.
6. To see that causes of delay are eradicated and operations are suitably re-scheduled.
7. To ensure that variations in the contents and methodology of work are remedied by appropriate adjustments.
8. To assess the cost of materials and labour used and ensure that direct costs and indirect costs do not exceed the budget provisions.
9. To pinpoint the responsibility on individuals at different levels for slackness, indifference, or negligence, if any in the expected levels of performance.
10. To evaluate the value of the work performed and recognize the contributions of the staff towards realisation of the goals of the enterprise.
11. To maintain discipline and morale in the organisation.

Benefits of Controlling:

Following are the advantages of an effective system of control:

1. Control provides the basis for future action in the organisation. Control will reduce the chances of mistakes being repeated in future by suggesting preventive methods.
2. Control facilities decision making in the organization. The process of control is complete only when corrective measures are taken in the organization. This requires taking a right decision as to what type of follow up action is to be taken while controlling.
3. An effective system of control facilities decentralization of authority only when corrective measures are taken. This requires taking a right decision as to what type of follow up action is to be taken regarding control.
4. Control and planning go hand in hand in the organisation. Control is the only means to ensure that the plans are being implemented in real sense and not some other else. Control points out the shortcomings of not only planning but also other functions of management such as organising, staffing and directing in the organisation.
5. The existence of a control system has a positive impact on the behavior of the employees in the organisation. They are cautious when performing the duties in the organization and they know that their supervisors in the organisation are observing them.
6. Control helps in coordination of the activities of the various departments in the organisation of the enterprise by providing them unity of direction.

Limitations of Controlling:

A control system may be faced with the following limitations:

1. An organisation cannot control the external factors such as government policy, technological changes, fashion changes etc.
2. Control is an expensive process because sufficient attention has to be paid to observe the performance of the subordinates in the organisation. This requires an expenditure of a lot of time and effort to be made.
3. Control system loses its effectiveness in the organisation when standards of performance cannot be defined in quantitative terms. For example, it is very difficult to measure human behavior and employee morale in the organization.
4. The effectiveness of control mainly depends on the acceptance of subordinates in the organisation. They may resist control because they may feel that it will reduce or curtail their freedom while in duty. It also loses its significance when it is not possible to fix the accountability of the subordinates.

The Organizational 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 Control

It is also valuable to understand that, within the strategic and operational levels of control, there are several types of control. The first two types can be mapped across two dimensions: level of proactivity and outcome versus behavioral. The following table summarizes these along with examples of what such controls might look like.

Feedforward control /Proactivity

Proactivity can be defined as the monitoring of problems in a way that provides their timely prevention, rather than after the fact reaction. In management, this is known as feedforward control; it addresses what can we do ahead of time to help our plan succeed. The essence of feedforward control is to see the problems coming in time to do something about them. For instance, feedforward controls include preventive maintenance on machinery and equipment and due diligence on investments.

Concurrent Controls

The process of monitoring and adjusting ongoing activities and processes is known as concurrent control. Such controls are not necessarily proactive, but they can prevent problems from becoming worse. For this reason, we often describe concurrent control as real-time control because it deals with the present. An example of concurrent control might be adjusting the water temperature of the water while taking a shower.

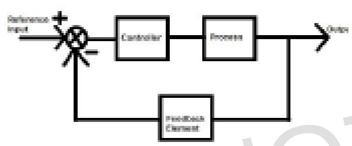
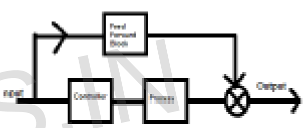
Feedback Controls

Finally, feedback controls involve gathering information about a completed activity, evaluating that information, and taking steps to improve the similar activities in the future. This is the least proactive of controls and is generally a basis for reactions. Feedback controls permit managers to use information on past performance to bring future performance in line with planned objectives.

Types and Examples of Control

Control	Behavioral control	Outcome control
Feed forward control	Organizational culture	Market demand or economic forecasts
Concurrent control	Hands-on management supervision during a project	The real-time speed of a production line
Feedback control	Qualitative measures of customer satisfaction	Financial measures such as profitability, sales growth

Difference between feedback and feedforward control

S. no	Point of Difference	Feedback control system	Feed Forward Control system
1	**Definition**	Systems in which corrective action is taken after disturbances affect the output	Systems in which corrective action is taken before disturbances affect the output
2	**Necessary requirement**	Not required	Measurable Disturbance
3	**Corrective action**	Corrective action taken after the disturbance occurs on the output.	Corrective action taken before the actual disturbance occurs on the output.
4	**Block Diagram**		
5	**Control Variable adjustment**	Variables are adjusted depending on errors.	Variables are adjusted based on prior knowledge and predictions.

<u>Control as a Feedback Loop</u>

In this latter sense, all these types of control function as a feedback mechanism to help leaders and managers make adjustments in the strategy, as perhaps is reflected by changes in the planning, organizing, and leading components.

Why might it be helpful for you to think of controls as part of a feedback loop in the P-O-L-C process? Well, if you are the entrepreneur who is writing the business plan for a completely new business, then you would likely start with the planning component and work your way to controlling—that is, spell out how you are going to tell whether the new venture is on track. However, more often, you will be stepping into an organization that is already operating, and this means that a plan is already in place. With the plan in place, it may be then up to you to figure out the organizing, leading, or control challenges facing the organization.

Essential Requirements of a Good Control System

1. **Focus on Objectives:**The **control system** should always focus on objectives. It should aim to achieve the objectives of the organisation.

2. **Suitability:**The control system should be suitable to the needs of the organisation.

3. **Promptness:**The control system should be prompt. That is, it should find out the deviations quickly. This will help the management to correct the deviations quickly.

4. **Flexibility:**The control system should be flexible. It should change according to the changes in plans, situations, environments, etc. A rigid control system will always fail. Hence flexibility is necessary for a control system.

5. **Forward Looking:**The control system should be forward-looking. It should forecast the future deviations. That is, it should find out the deviations before it happens. It should also take steps to prevent these future deviations.

6. **Economical:**The control system should be economical. This means the cost of the control system should not be more than its benefits.

7. **Simplicity:**The control system should not be complicated. It should be easy to understand and simple to use.

8. **Motivating:**The control system should be motivating. That is, it should give more importance to preventing the mistakes and less importance to punishing the employees. So, it should encourage, not discourage the employees.

9. **Suggestive:**The control system should be suggestive and it should give complete answers for the following questions :-What is the Problem?, Where is the Problem?, How to solve the Problem?

10. **Proper Standards:**The control system should have proper standards. The standards should be very clear. They should be definite, verifiable, specific and measurable. They should not be too high or too low.

Control Techniques

Managerial control is a systematic effort to set performance standard along with planning targets. There are various techniques of managerial control. All techniques can be classified broadly into two categories. Such as :-

A. Budgetary control techniques
B. Non-budgetary control techniques

Budgetary control techniques

A budget is a recorded plan of action expressed in quantitative terms.
Budgetary control is derived from the concept and use of budgets.
According to George R. Terry, “Budgetary” control is a process of comparing the actual results with the corresponding budget data in order to approve accomplishments or to remedy differences by either adjusting the budget estimates or correcting the cause of the difference.

There are generally four steps of modern system of budgetary control. These are mentioned below :-

1) Budget Policy Guidelines :- In an organisation, line managers have to base their expectations on various assumptions in time of preparing budgets. These assumptions are related to economy, political trends, government policies, competitors' actions, strengths of organisation, basic managerial policies etc. The top management should prepare a common set of budget policy guidelines to be followed by all managers of middle and lower level. Budget Policy Guidelines also lay down the fundamental targets necessary for continuous progress of the business.

2) Preparation of Budgets :- According to nature, activities and size of organisation, different types of budget are prepared. Different departmental heads have to prepare their own budget as per guidelines given by the top management. Thereafter the budget committee would discuss all the budgets and observe that budgets are prepared within the safety margin.

Let us discuss some budgets-

i) Sales budget :- Sales budget is a future estimate of expected sales. It is the nerve center or backbone of an organisation. At the time of preparing sales budget different factors are considered such as past sales figures, Assessment and reports of salesmen, availability of raw materials, seasonal fluctuations, availability of finances, and plant capacity etc. Generally sales managers have to prepare the sales budget.

ii) Selling and Distribution Cost budget :- This budget is prepared along with the budget. This budget breaks down the figures for selling costs and distribution costs in groups for controlling such costs. So, this budget is to depend upon the sales budget. Because, selling and distribution cost are changed according to change of sales. The sales managers are responsible for preparing this budget.

iii) Production :- Production budget is also prepared in relation to the sales budget. Production budget is the estimation of production during budget period. Production budget includes amount of production, cost of materials, labour, factory overheads etc. Production planning, plant capacity, stock quantity, sales budget figures etc. are important steps to be followed in time of preparing the production budget.

iv) Production cost budget :- In the production cost budget, the future productions are expressed in terms of money. This budget estimates the total amount of cost to be spent for producing the amount of goods estimated in production budget. Production cost budget has three subsidiary budgets such as (a) Direct materials,(b) Direct Labour, and (c) Production overheads.

v) Purchase budget :- Purchase budget is derived from the direct materials and indirect material included by the overhead budget. This is a subsidiary budget, which gives the consumption of materials in the production process.

vi) Cash budget :- After preparing all cost budgets, the cash budget is prepared. Cash budget is the anticipated receipt and expenditure for a certain period of time. Different sources of cash as well as various items of expenditure are anticipated in cash budget.

vii) Master budget :- It is a budget for the organisation as a whole. Master budget shows the expected overall effect. It is prepared in the form of projected profit and loss account for the organisation. By the master budget the top management tries to match with the goals set earlier.

3) Reporting of variance :- Cost variance is the difference between a budgeted cost and an actual cost. There are mainly three cost variance. such as material cost variance, labour cost variance and overhead cost variance. On the basis of variance analysis, the managers can take immediate corrective action. The managing director can know the overall position of the organisation from the report of variance. Generally the performance is measured against the budget and the variance is calculated by the budget department under the control of budget officer.

4) Review and Follow-up :- It is an important step in budgetary control process. Generally, the budget committee meets periodically to review the performance of various departments. If this review and follow-up action is neglected, then no system of budgetary becomes effective.

Objectives of budgetary control:

i) Ensure planning :- The main objectives of budgetary control is to ensure planning through different budgets.

ii) Coordinate the activities: - Another objective of budgetary control is to coordinate the different activities of different departments.

iii) Operation of cost center :- By the budgetary control, various cost centers and departments can operate with efficiency and economy.

iv) Eliminate wastes :- As a result of budgetary control, an organisation can eliminate its wastes and unnecessary cost, which can ultimately increase profitability.

v) Capital expenditure : Budgetary control can anticipate capital expenditure of an enterprise for the future.

vi) Control : Budgetary control can centralise the control system of an organisation.

vii) Correction : Different corrective measures can be adopted, which can minimise the deviations from the standards established earlier.

viii) Responsibility : By the budgetary control the responsibility of different employees and officers can be fixed.

In budgetary control, we use following techniques:

1. Variance Analysis

First of all, budgets of different departments are made with estimated figures. After this, it is compared with actual accounting figures. In this technique, we find variances. These variances may be favourable and unfavourable. For example, we have recorded actual quantity and cost of our raw material, after this, it is compared with budgeted value of raw material quantity and cost. Result of this will be material cost variance. Like this, we will find the variance of labour cost and overhead cost. This technique of budgetary control is helpful for reducing the cost of business.

2. Responsibility Accounting

Responsibility accounting is also a good budgetary control technique. In this technique, we create cost centre, profit centre and investment centre. All these centres are just like department of any organisation. Now, we classify our all employees work on the basis of their centres. Every employee's responsibility is fixed on the basis of his target or performance. After this, we record their performance manually. Then, we fix their accountability. For example, we have fixed the target of sales department is of Rs. 5 Lakh per month. For this, we have appointed expert salesman. But sales department's total per month sales is Rs. 3 Lakh which is Rs. 2 Lakh less than our sales department target. Through this budgetary control, we can take the decision of promotion and demotion of our employees or find other reasons if we do not obtain our targets.

3. Adjustment of Funds

In this technique of budgetary control, top management take the decision to adjust fund from one project to other project. For example, when Govt. of India makes budget for allocation of its total fund in different projects, at that time, it has to take decision for adjustment of funds. For example, railway department needs money for specific new project. If Govt. of India sees that project of IT has excess money, then it can be utilized for railway budget. In adjustment of funds, we also use fund flow analysis. We can also decrease misuse of funds by forecasting proper amount.

4. Zero Base Budgeting (ZBB)

These days zero base budgeting is popular technique of budgetary control. In this technique, every next year budget is made on nil base. It can only be possible, if your estimated income will be equal to the estimated expenses. At that time, difference between estimated income and estimated expenses will be zero. If there is any excess, it will be adjusted. For example, if your estimated revenue is more than estimated expenses, you need to increase the amount or allocate in new estimated expenses. With this, nothing will go to next year. With zero base budgeting technique, you can control on every money which you have to spend. Its base will be the current year income only.

5. Planning-programming Budgetary systems (PPBS)

The PPBS is a formal, systematic structure for making decisions on policy, strategy, and the development of forces and capabilities to accomplish anticipated missions. The PPBS is a cyclic process containing three distinct but interrelated phases

PPBS are about how resources are going to be achieve the various objectives of the organization for example, the care of the elderly, once the objectives have been established programs are identified to meet those objectives and the cost/benefits of alternative programs are assessed.

Planning, programming and budgeting system (PPBS) is a middle type of budget between the traditional character and object budget, on the one hand, and the performance budget on the other. The major contribution of PPBS lies in the planning process, I.E- the process of making program policy decisions that lead to a specific budget and specific multi-year plans.
The preferred programs form in effect a long term plan to be pursued over a number of years; each program budget will disclose the cost of providing a service to satisfy an objective,
Broken down into time periods, it therefore informs management in a manner allowing them to make judgments about such effectiveness that would not be possible it programs were fragmented in the department of budget concerned.
A Major shortfall of the PPBS approach to budgeting methods to adequately measure outcomes, this is particularly true in higher education, where a number of factors contribute to the education of a student
PPBS in practice are both "time and labor" intensive but it does link fiscal discussion directly to the planning processes and program implementations processes of the institution. Effective PPBS systems rely on agreed upon goals and objectives for the institution and the unit and achievement of goals is directly related to funding.

Advantages and disadvantages of budgeting

As a matter of fact, budgets offer a number of advantages. They have potential drawbacks as well. Both are summarized below;

Strengths	Weaknesses
Budgets facilitate effective control.	Budgets may be used too rigidly.
Budgets facilitate co-ordination and communication.	Budgets may be time-consuming.
Budgets facilitate record keeping.	Budgets may limit innovation and change.
Budgets are a natural complement to planning.	However; Budgets hampers development, change, flexibility of plan.

Non-budgetary control techniques

There are some other techniques of control, which are not based on budget; These are called non-budgetary control techniques. Some non-budgetary control techniques are discussed below –

i) **Reports:** Different special reports and records can be prepared by the experts for controlling purpose. Such types of special reports contain much deeper information. These are generally called investigative reports. These reports indicate the depth of the problems and can suggest the way of solving the problem.

ii) **Ratio analysis: -** Ratio anaysis is the most important method of interpretation the financial statement. A financial ratio implies a relationship between two variable of financial statements of an organisation. Generally the variables for ratio analysis are taken from both profit and loss account and balance sheet. Ratio may be expressed in three ways, such as percentage (25%), a proportion (1:4) and a fraction (¼).

iii) **Break-even analysis: -** Break-even analysis is a graphical technique of control. By this technique business can identify an appropriate number of units to be produced to generate maximum revenue to cover the Cost. By this technique a point is located where the total cost is equal to the total revenue. By the use of this technique production and sales volume can be controled to avoid loss.

iv) **PERT/CPM: -** These are the network techniques used for controlling the action and performance. The full meaning of PERT is Programme Evaluation and Review Technique and the full meaning of CPM is Critical Path Method. Under the PERT/CPM method a network diagram is prepared to display the sequence of activities necessary for the completion of a project. So, PERT helps an organiser in planning the sched ule of a project and to monitor and control the progress of this project. This method also helps in identifying two possible obstacles and shifting the resources as necessary to keep the project on schedule.

v) **Inventory control: -** Inventory control is also called material control, which includes the kind, amount, location and timing of various materials. Material may be classified mainly into three categories ie, Raw-Materials, Work-in-Progress and Finish Goods. In order to make a smooth functioning of the production activities, inventory control is immensely important. The main objective of inventory control is to provide the right material at right time at right place. Different parameters of inventory control are safety inventory level, maximum inventory level, re-ordering level, danger level etc.

vi) **Statistical Quality Control (SQC)** :- SQC is a statistical method which analyse data in the determination and control of quality. This statistical technique of quality control is based on mathematical theory of probability. By this method of production quality can be maintained in an economical manner. This method can immediately rectify the error. It is a preventive method and can save cost and time of inspection work.

vii) **Financial statement: -** Profit and Loss account and balance sheet are the two principle financial statements. These financial statements show the working as well as finantial position of a business. There are various techniques of analyzing these financial statements such as ratio analysis, comparative statement, break-even point, trend analysis etc. which can be used as techniques of controlling the day-to-day financial activities of an organisation.

viii) **Human Resource Accounting: -** According to Eric Flamholt Human Resource Accounting is the accounting for people as an organizational resource. It involves measuring the costs incurred by business firms and other organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organisation. Human Resource Accounting can change the attitude of executives and in this way it can provide necessary data and information for controlling human resource of an organisation.

ix) **Management by Objectives: -** It is also called Result Management. At first Peter Drucker introduced the concept of Management by Objectives in the year 1954. Peter Drucker defines Management by objectives as a system for improving performance in both the individual managers and the enterprise as a whole by setting the objectives at the corporate, department and individual manager's level. Under the process of MBO, periodic review is made and employees are provided with adequate feedback on the actual performance as compared to the planned performance. So, this method can be used as a control technique.

x) **Management Information System :-** Under the Management Information System selected decision oriented information is provided by management for planning, controlling and evaluating the activities of the corporation. It is designed to control the organizational activities at all levels. The Management Information System requires the current as well as future information on marketing, administration, production, research functions etc. On the basis of the data and information supplied by the Management Information System, the top management can formulate appropriate control technique.