

# Controlling

## Meaning

Controlling function can be defined as comparison of actual performance with the planned performance. If there is any difference or deviation then find the reasons for such difference and take corrective measures or action to stop those reasons so that in future there is match between actual and planned performance.

"Controlling is measurement and correction of the performance of the subordinates to make sure that the enterprise objectives and plans devised to attain them are being accomplished."

## -Koontz and O'Donnell

Controlling is not the last function of management but it is the function which brings back the management cycle to planning.

## Nature/ Features of Controlling

- 1. Controlling is a goal-oriented function:** Controlling function makes sure every one follows the plan or work is accomplished as per the plan and plan always aims at achieving organisational goal.
- 2. Controlling is an all pervasive function:** Controlling is not the task of top level managers only but also for managers working at all the levels, i.e., top, middle and operational level perform controlling function.
- 3. Controlling is both backward looking as well as forward looking function:** Controlling is backward looking function as managers compare the planned performance with actual performance and to measure the actual performance they have to look back to the performance already done. Controlling is forward looking also because it does not end only by comparing past performance with future but it also suggests measures to remove the reasons for failure of plans in future.
- 4. Controlling is a continuous function:** Controlling is not a one time job but it is an ongoing process. It is carried on till the organisation is surviving.

## Importance of Controlling

- 1. Helps in achieving organisational goals:** Controlling function ensures that all the activities in the organisation move towards organisational goal and if there is any deviation, timely action is taken to bring back the activities on the right path. When all the activities are going according to the plan, then automatically these will direct towards the achievement of organisational goal.
- 2. Judging accuracy of standards:** A good control system enable manager to check whether the standard set are accurate and set objectively. An efficient control system keeps a careful check on changes taking place in environment and organisation and help to review and revise standard in the light of such changes.
- 3. Making efficient use of resources:** Like traffic signal control guides the organisation and keeps it on the right track. Each activity is performed according to predetermined standards. As a result, there is most effective use of resources.
- 4. Improving employee's motivation:** An effective control system communicates the goals and standards of appraisal for employees to subordinates well in advance. A good control system also guides employees to come out from their problems. This free communication and care motivates the employees to give better performance
- 5. Ensures order and discipline:** Control creates an atmosphere of order and discipline in the organisation. Effective controlling system keeps the subordinates under check and makes sure they perform their functions efficiently.
- 6. Facilitates coordination in action:** Control helps to maintain equilibrium between means and ends. Controlling makes sure that proper direction is taken and that various factors are maintained properly. All the departments are

controlled according to predetermined standards which are well coordinated with one another. Control provides unity of direction.

### Relationship Between Planning and Controlling

**1. Planning provides standard for controlling:** The standard of performance, which serve as basis of controlling are provided by planning. If standards are not set in advance, managers have nothing to control, when there is no plan, there is no basis of control.

**2. Planning without controlling is meaningless:** The monitoring done by controlling make sure there is right implementation of plan. Controlling monitor the progress in plan, measure it, discover deviation and initiate corrective measures to ensure right implementation of plan. Thus planning without controlling is meaningless.

**3. Planning and controlling both are backward and forward looking:** Controlling is backward looking because like a postmortem of past activities, the manager looks back to previous year's performance to find out its deviation from standard planning is also backward looking because planning is guided by past experiences and feedback report of controlling function.

Planning is forward looking because plans are prepared for future. It involves looking in advance and making policy for maximum utilisation of resources in future.

**4. Planning is prescriptive whereas controlling is evaluative:** Planning is basically an intellectual process involving lot of thinking, comparison to prescribe a particular course of action for achieving objectives. Controlling on the other hand, evaluates or checks whether the desired course of action is followed or not.

### Controlling Process

**1. Setting-up of (target) standards:** Standards mean target or the yardstick against which the actual performance is measured. The standards become basis for comparisons and the manager insists on following of standards. The standards must be achievable, high or very high standards which cannot be achieved are of no use. Standards must be set up keeping in mind the resources of the organisation and as far as possible standards must be set up in numerical or measurable terms.

**2. Measuring of performance:** Once performance standard are set, the next step is measurement of actual performance. Performance should be measured in an objective and reliable manner.

There are certain techniques for measurement of performance these include

- a. Personal observation
- b. Sample checking
- c. Performance report by superior
- d. Account ratios.

As far as possible, performance should be measured in same unit in which standard were set.

**3. Compare performance against standard:** After measuring the performance, the manager compares the actual performance with the planned performance and standard. If there is match in both then the controlling function ends there only. But if there is mismatch or deviation then the manager tries to find out the extent of deviation. If the deviation is minor then it should be ignored. But if the deviation is more, then timely actions must be taken.

**4. Analysing deviations:** All deviations need not be brought to the notice of top management. A range of deviations should be established and only cases beyond this range should be brought to the knowledge of top level management.

These two categories must be controlled by following ways (Two Techniques of Analysing Deviations):

**(i) Critical point control:** It means keeping focus on some key areas (KRAS) and if there is any deviation in these key areas, then it must be attended urgently. Key areas are those which have impact on whole organisation.

**(ii) Management by exception:** It means a manager who tries to control everything may end up controlling nothing. The deviations which are beyond the specific range should only be handled by managers and minute or minor deviations can be ignored. Manager should not waste his time and energy in finding solutions for minor deviations rather he should concentrate on removing deviations of high degree.

**Advantages/Merits of Management by Exception (MBE) and Critical Point Control:**

- (i) It saves time and efforts of managers.
- (ii) It focuses attention of managers on significant matters.
- (iii) No wastage of time and energy of managers to solve routine problems. These are solved by subordinates.
- (iv) It differentiates between critical and simple problems.

**5. Taking corrective measures:** On comparing the actual performance with the planned performance, the manager will come to know about the deviations between the plan and actual performance. Then the next step is to know the reasons for such deviations and trying to remove deviations in future. The manager takes measures to bring back everything on the track, ie., according to plan. Taking corrective measures may involve:

- (a) Let the situation remain the same if the deviations are minor.
- (b) Redesign or re-frame the plans or strategies if these are overstated or not matching with the present day business environment.
- (c) Taking corrective measures to improve the performance so that in future it matches with the plan.

**6. Feedback in Controlling:** The controlling function does not end by taking corrective action as it is a continuous process. After suggesting the corrective measure a feedback report is prepared. Feedback refers to list of reasons for deviations of plans or for inefficiency in overall working of organisation; along with reasons the corrective measures are also specified in the feedback report and feedback acts as a base to establish the standard for next year and controlling process again starts from 1st step.

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