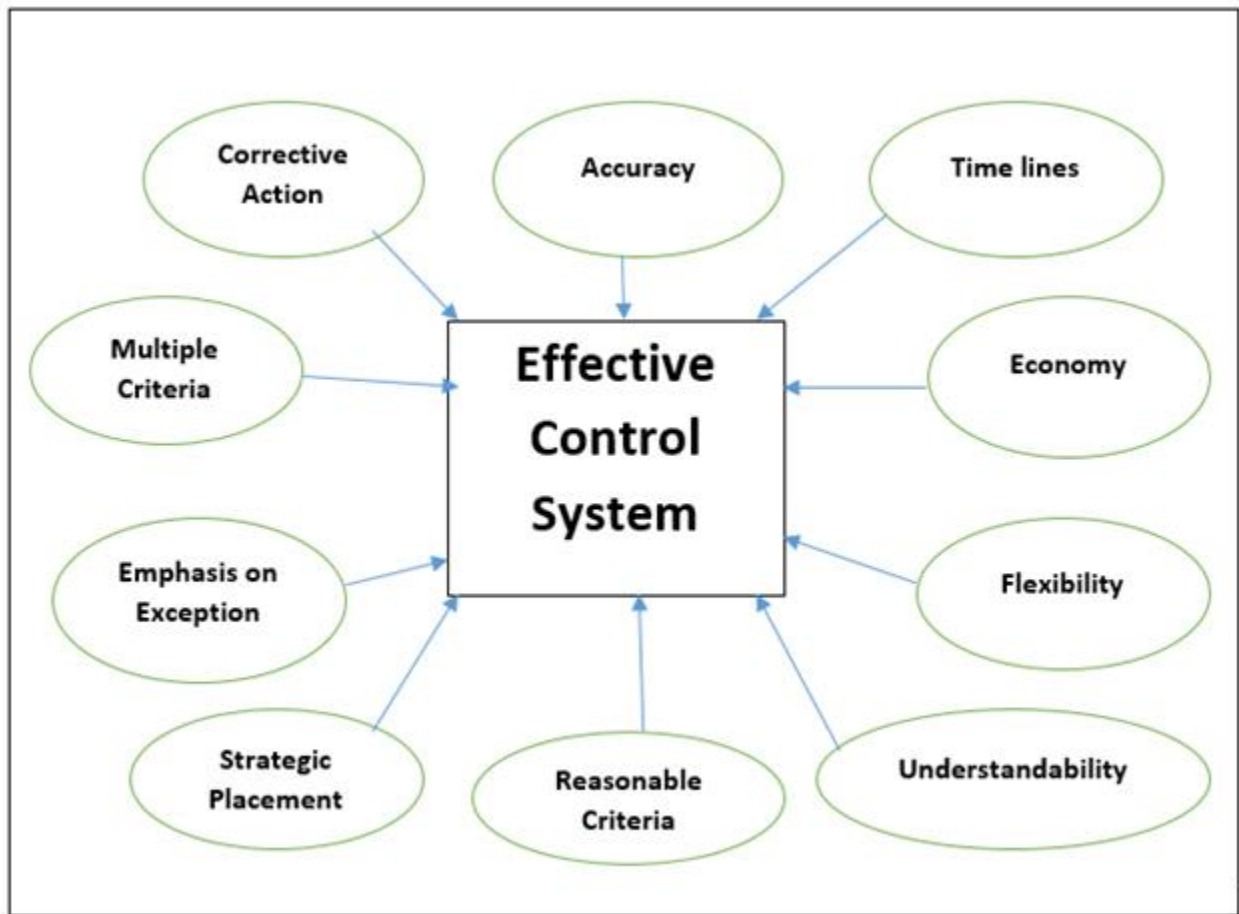# Unit-5 Controlling

Controlling is significant process in management. Controlling guarantee that organizational performance is as per standards. Performance standards are often stated in financial terms such as returns, costs, or profits but may also be stated units produced, number of defective products, or levels of quality or customer service. The measurement of performance is done in many ways and it depends on the performance standards, including financial statements, sales reports, production results, customer satisfaction, and formal performance appraisals. Managers at all levels get involved in the managerial function of controlling up to some extent.

The managerial function of controlling must not be confused with control in the behavioral. This function does not mean that managers have any role in controlling or manipulating behavior of personnel and their values, attitudes, or emotions. This function is related with the manager's role to take necessary actions to make certain that the work-related activities of assistants are regular with and all operations are performed for the attainment of organizational and departmental objectives. Effective controlling needs the existence of plans, since planning provides the necessary performance standards or objectives. Controlling also requires good understanding of where responsibility for deviations from standards lies. Traditional techniques of control are budget and performance audits. An audit process engages in investigating and verifying records and supporting documents. A budget audit provides information about where the organization is with respect to what was planned or budgeted for. Although controlling is determined in terms of financial standards, managers must also control production and operations processes, procedures to deliver services, compliance with company policies, and many other activities within the organization.
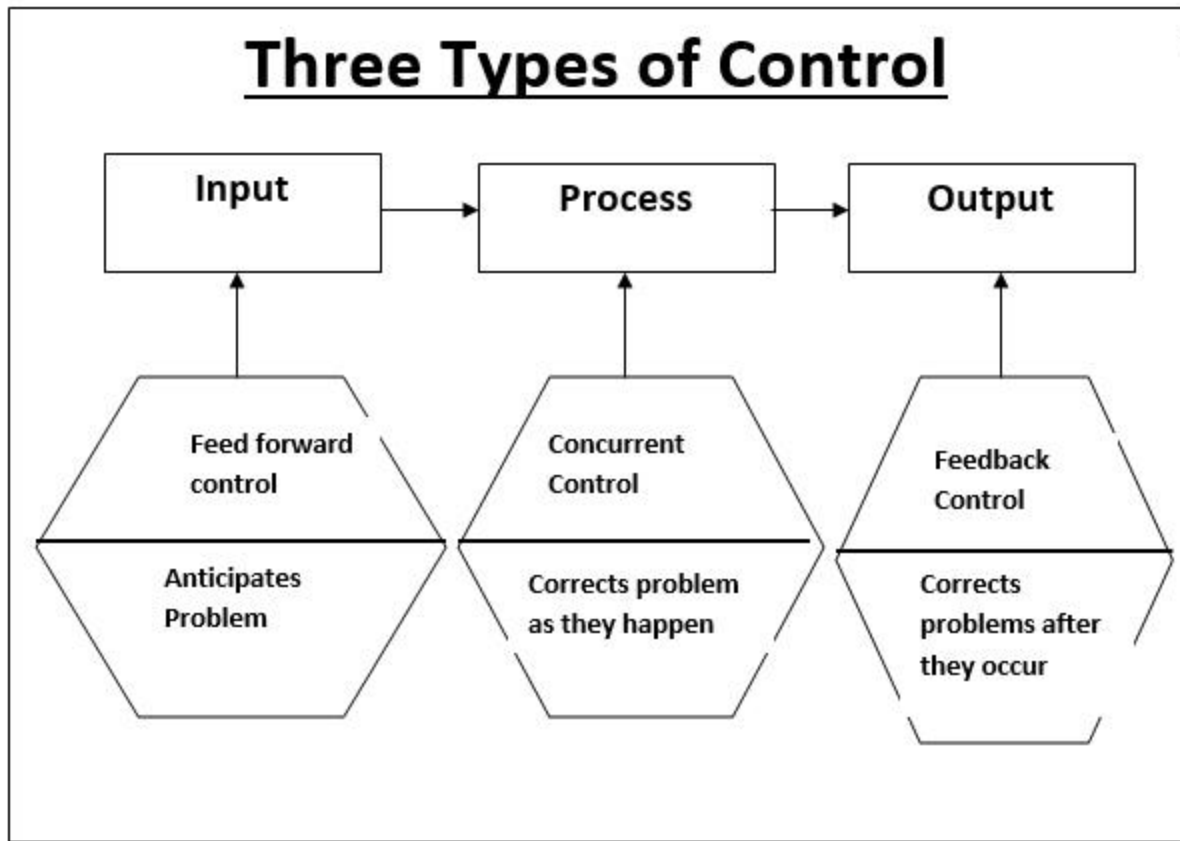
It is observed that earlier, managers believed that the need of control emerged when there is lacking something or management functions are not running successfully. Then, control process was performed to identify the person responsible for these events and take actions against him. This is only negative scrutiny of control. In today's business management, the chief purpose of control is to recognize the mistakes or variations as soon as they appear between performance and standard laid down and then to take necessary action to prevent such variations in future. The controlling is mainly intended to get positive results and not people as such. Its purpose is to guarantee that proposed results occur and not that particular workers are criticized.

When analysing theoretical studies, it is established that there have been extensive work done to understand the process of controlling as management function. Theorist, E F L Brech explained that "Control is checking current performance against predetermined standards contained in the plans, with the view to ensuring adequate progress and satisfactory performance". According to renowned theorist, George R. Terry, "Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary applying corrective measures so that the performance takes place according to plans". Several researchers said that controlling is process of monitoring activities to ensure that what is being accomplished matches plans and corrects significant deviations. Henry Fayol defined that control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. Another theorist, Koontz and O'Donnell stated that controlling implies measurement of accomplishment against the standards & the correction of deviations to assure attainment of objectives according to plans.

Qualities of effective control.

Some attributes of controlling as management function are as follows: Controlling is a continuous process. It is flexible and dynamic process. It is future oriented. Planning and controlling are closely related. Main essence of control is action. For Effective Control System, controls need to focus on appropriate activities. Effective controls must focus on critical factors that affect both the individual's and the organization's abilities to achieve objectives. Information needed for comparisons and control purposes needs to be in the management's hands in order to make effective corrective action. Delays in generating, gathering or disseminating information can prolong the occurrence and extent of deviation. Controls must be cost effective. The benefit of using appropriate controls should be worth their cost of installation and operation. Too much control can be worse than too little. The key is to provide appropriate for the situation and provide savings greater than the costs involved. Another characteristic of controlling is that Controls should be precise and concise. Controls must provide information about operations and people in sufficient quantity and quality to enable managers to make meaningful comparisons to operations standards. Controls should be accepted by the people they affect. Main objective of control is to measure the performance, compare to standard and take corrective actions. Mangers can measure the performance through personal observations, management-by-walking about, statistical reports, oral report and written reports. There are three types of control which is shown in figure:

Three Types of Control

```
   ┌──────────┐      ┌──────────┐      ┌──────────┐
   │  Input   │ ───▶ │ Process  │ ───▶ │  Output  │
   └──────────┘      └──────────┘      └──────────┘
        ▲                 ▲                 ▲
        │                 │                 │
   Feed forward       Concurrent         Feedback
   control            Control            Control

   Anticipates        Corrects problem   Corrects
   Problem            as they happen     problems after
                                         they occur
```

Major Steps In Control Process

There are three basic steps in a control process that include establishment of standards, measurement of performance and comparing the performance with the standards and taking corrective action.

1. **Establishment of standards:** This is the initial step in control process that establishes the standards of performance. A standard acts as a reference line or a basis of actual performance. Standards should be set accurately and in quantitative terms. Standards expressed in unclear or general terms such as "Costs should be reduced" or "rejections should be reduced" are not specific as "cost should be reduced by 10 percent" or "rejections should be reduced to 0.5 percent". Standards are used as the criteria by which performance is measured in the control process. Since standards cannot be set for entire operations, each organization must first develop its own list of key result areas for the purpose of control. Different standards of performance are developed for various operations at the planning stage. Actually, planning is the basis of control. Standards are to be flexible in order to accommodate in changing business situations. In management practice, different types of standards used are physical standards such as units of production per hour, cost standards, such as direct and indirect cost per unit, revenue standards such as sales per customer, capital standards such as rate of return of capital invested, and intangible standards such as competency of managers and employees.

2. **Measuring and comparing actual performance with standards:** Next step in controlling process is to measure the actual performance of individuals, group or units and compare it

with the standards. The quantitative measurement should be performed in cases where standards have been set in numerical terms to make evaluation easy. In other cases, the performance should be measured in terms of qualitative factors such as measuring performance of industrial relations manager. His performance should be measured in terms of attitude of workers, frequency of strikes and morale of workers. Personal observation technique is used to measure the performance such as in the case of the subordinates being observed while they are engaged in work or by a study of various summaries of figures, reports, charts and statements. Once the performance is measured, it should be compared with the standards to distinguish deviations. Some deviations are enviable such as the output above the standard. But some other variations are unwanted such as a variation in the delivery schedule agreed upon with the customer. The measurement and comparison are done at various stages in the total process and not at the end.

3. **Taking corrective action:** The last step in controlling process is to take corrective action so that deviations may not repeat and targeted objectives of the organization are met. This will involve taking certain decisions by the management like re-planning or redrawing of goals or standards, reassignment or classification of duties. It may also require improving the process of selection and training of workers. This control function may necessitate change in all other managerial functions. If the standards are not adequate and faulty, there is a need to establish again through observations. A good control system assists the manager to assess the risks of committing errors.

Four steps in controlling process
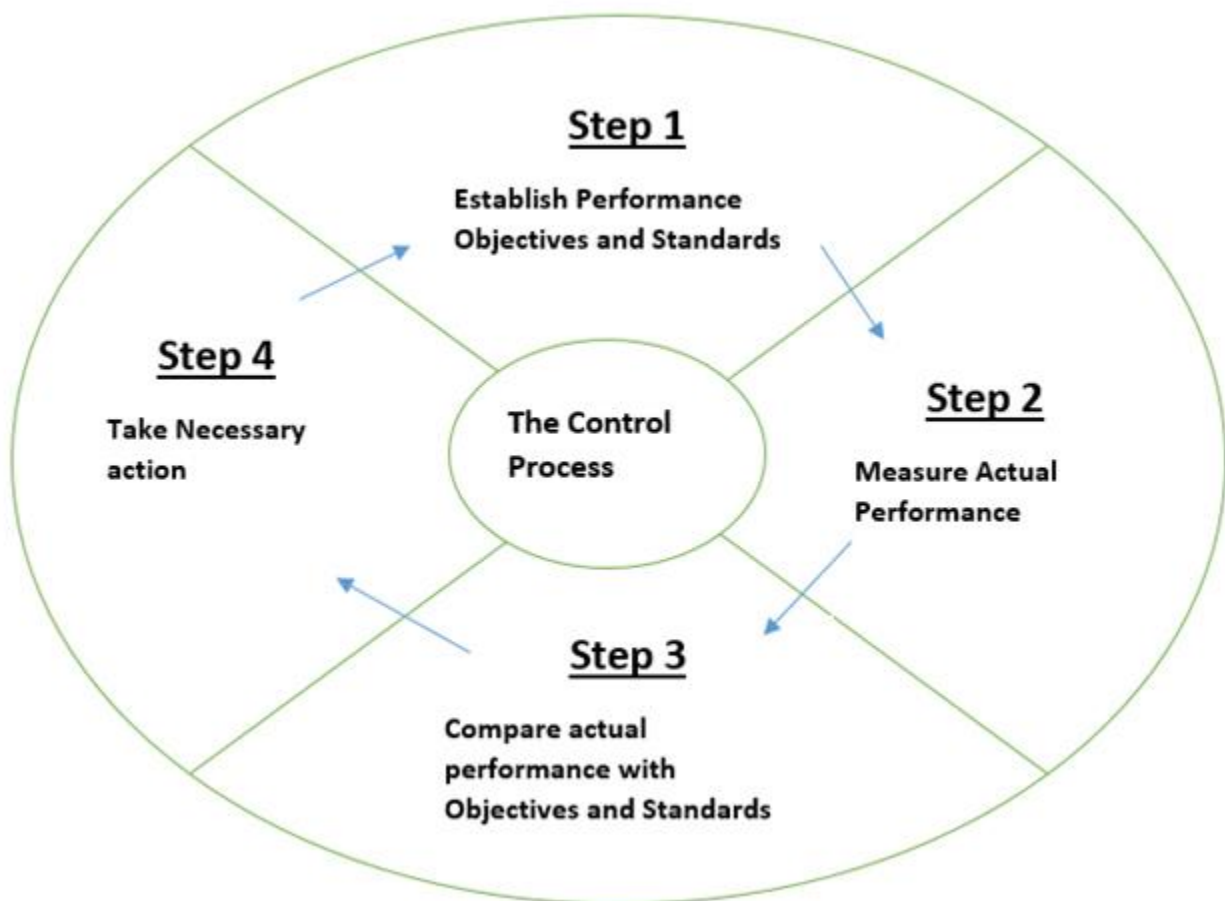
Control Methods

Control methods are generally categorized into two types that include past-oriented controls and future oriented controls.

Past-oriented controls: Past-oriented control measure results after the process. These are also identified as post action controls. They scrutinize activities occurred in the past for a particular period. Examples of past-oriented controls are accounting records, school grade reports etc. These controls are used to plan future behaviour through reviewing post errors or successes. They can also be used for rewarding, disciplining, training or promoting individuals.

Future-oriented controls: These are also recognized as feed-forward controls or steering controls. These controls are intended to assess results during the process, so that action can be taken before the task is completed or the period is over. Examples of such controls are cash flow and funds flow analysis, network planning which assist managers to observe that they will have problems in such areas of cash or on time delivery unless they take prior action.

Organizations use both these types. Future-oriented controls are vital because the information feedback in them is at the input side of the system, so that improvement can be made before the system output is affected.

Past-oriented and future-oriented controls
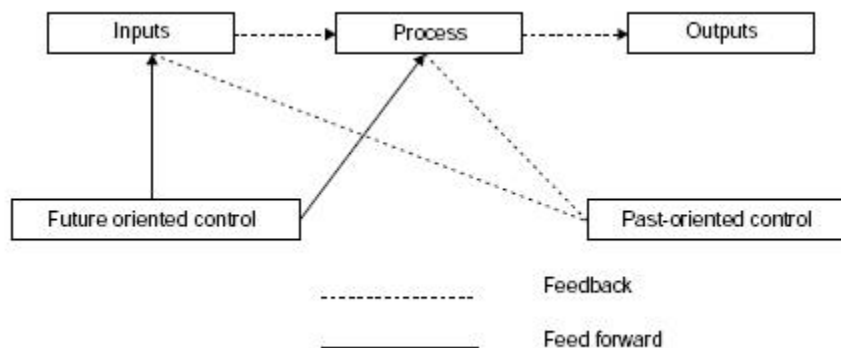
Current issues in control include rights that manager has to monitor employee behaviour, rights that manager has to control private lives of employees; employers may be able to control employee behaviour outside the work environment.

There are some limitations in controlling process. The first limitation is difficulty in setting quantitative standards: Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. Employee confidence, job satisfaction and human behaviours are such areas where this problem might arise. Second restriction of controlling is little control on external factors. Generally an enterprise cannot control external factors such as government policies, technological changes, and competition. Third limit is resistance from employees. Control is often opposed by employees. They perceive it as restriction on their freedom. Lastly, it is quite expensive as it involves a lot of expenditure, time and efforts.

It can be said that controlling is performed by managers to monitor current performance against pre-set standards contained in the plans in order to ensure good progress and satisfactory

performance. Control involves three steps namely establishing standards, measuring and comparing actual performance with standards and taking corrective action. Controlling assists to maintain compliance with essential organizational rules and policies.

COORDINATION

The co-ordination may be divided on different bases, namely;

1. Scope – on the basis of scope or coverage, co-ordination can be.

- **Internal –** refers to co-ordination between the different units of an organisation within and is achieved by integrating the goals and activities of different departments of the enterprise**.**
- **External –** refers to co-ordination between an organisation and its external environment comprising government, community, customers, investors, suppliers, competitors, research institutions, etc. It requires proper match between policies and activities of the enterprise and the outside world.

2. Flow – on the basis of flow, co-ordination can classified into:

- **Vertical –** implies co-ordination between different levels of the organisation and has to ensure that all the levels in the organisation act in harmony and in accordance with the goals and policies of the organisation. Vertical co-ordination is assured by top management through delegation of authority.
- **Horizontal or lateral** – refers to co-ordination between different departments and other units at the same level of the management hierarchy. For instance, co-ordination between production department and marketing department is horizontal or lateral co-ordination.

Co-ordination may also be:

3. Procedural and substantive – which according to Herbert A. Simon, procedural co-ordination implies the specification of the organisation in itself, i.e. the generalised description of the behaviour and relationship of the members of the organisation. On the other hand, substantive co-ordination is concerned with the content of the organisation's activities. For instance, in an automobile plant an organisation chart is an aspect of procedural co-ordination, while blueprints for the engine block of the car being manufactured are an aspect of substantive co-ordination.

Techniques of co-ordination:

The main techniques of effective co-ordination are as follows.

1. **Sound planning** – unity of purpose is the first essential condition of co-ordination. Therefore, the goals of the organisation and the goals of its units must be clearly defined. Planning is the ideal stage for co-ordination. Clear-cut objectives, harmonised policies and unified procedures and rules ensure uniformity of action.
2. **Simplified organisation** – a simple and sound organisation is an important means of co-ordination. The lines of authority and responsibility from top to the bottom of the organisation structure should be clearly defined. Clear-cut authority relationships help to reduce conflicts and to hold people responsible. Related activities should be grouped together in one department or unit. Too much specialisation should be avoided as it tends to make every unit an end in itself.

3. **Effective communication** – open and regular communication is the key to co-ordination. Effective interchange of opinions and information helps in resolving differences and in creating mutual understanding. Personal and face-to-face contacts are the most effective means of communication and co-ordination. Committees help to promote unity of purpose and uniformity of action among different departments.
4. **Effective leadership and supervision** – effective leadership ensures co-ordination both at the planning and execution stage. A good leader can guide the activities of his subordinates in the right direction and can inspire them to pull together for the accomplishment of common objectives. Sound leadership can persuade subordinates to have identity of interest and to adopt a common outlook. Personal supervision is an important method of resolving differences of opinion.
5. **Chain of command** – authority is the supreme co-ordinating power in an organisation. Exercise of authority through the chain of command or hierarchy is the traditional means of co-ordination. Co-ordination between interdependent units can be secured by putting them under one boss.
6. **Indoctrination and incentives** – indoctrinating organisational members with the goals and mission of the organisation can transform a neutral body into a committed body. Similarly incentives may be used to create mutuality of interest and to reduce conflicts. For instance, profit-sharing is helpful in promoting team-spirit and co-operation between employers and workers.
7. **Liaison departments** – where frequent contacts between different organisational units are necessary, liaison officers may be employed. For instance, a liaison department may ensure that the production department is meeting the delivery dates and specifications promised by the sales department. Special co-ordinators may be appointed in certain cases. For instance, a project co-ordinator is appointed to co-ordinate the activities of various functionaries in a project which is to be completed within a specified period of time.
8. **General staff** – in large organisations, a centralised pool of staff experts is used for co-ordination. A common staff group serves as the clearing house of information and specialised advice to all department of the enterprise. Such general staff is very helpful in achieving inter-departmental or horizontal co-ordination. Task forces and projects teams are also useful in co-ordination.
9. **Voluntary co-ordination** – when every organisational unit appreciates the workings of related units and modifies its own functioning to suit them, there is self-co-ordination. Self-co-ordination or voluntary co-ordination is possible in a climate of dedication and mutual co-operation. It results from mutual consultation and team-spirit among the members of the organisation. However, it cannot be a substitute for the co-coordinative efforts of managers.

Principles of co-ordination (requisites for effective co-ordination)

Mary Parker Follett has laid out four principles for effective co-ordination;

- **Direct personal contact** – according to this principle co-ordination is best achieved through direct personal contact with people concerned. Direct face-to-face communication is the most effective way to convey ideas and information and to remove misunderstanding.
- **Early beginning** – co-ordination can be achieved more easily in early stages of planning and policy-making. Therefore, plans should be based on mutual consultation or participation. Integration of efforts becomes more difficult once the unco-ordinated plans are put into operation. Early co-ordination also improves the quality of plans.
- **Reciprocity** – this principle states that all factors in a given situation are interdependent and interrelated. For instance, in a group every person influences all others and is in turn influenced by others. When people appreciate the reciprocity of relations, they avoid unilateral action and co-ordination becomes easier.
- **Continuity** – co-ordination is an on-going or never-ending process rather than a once-for-all activity. It cannot be left to chance, but management has to strive constantly. Sound co-ordination is not fire-fighting, i.e., resolving conflicts as they arise