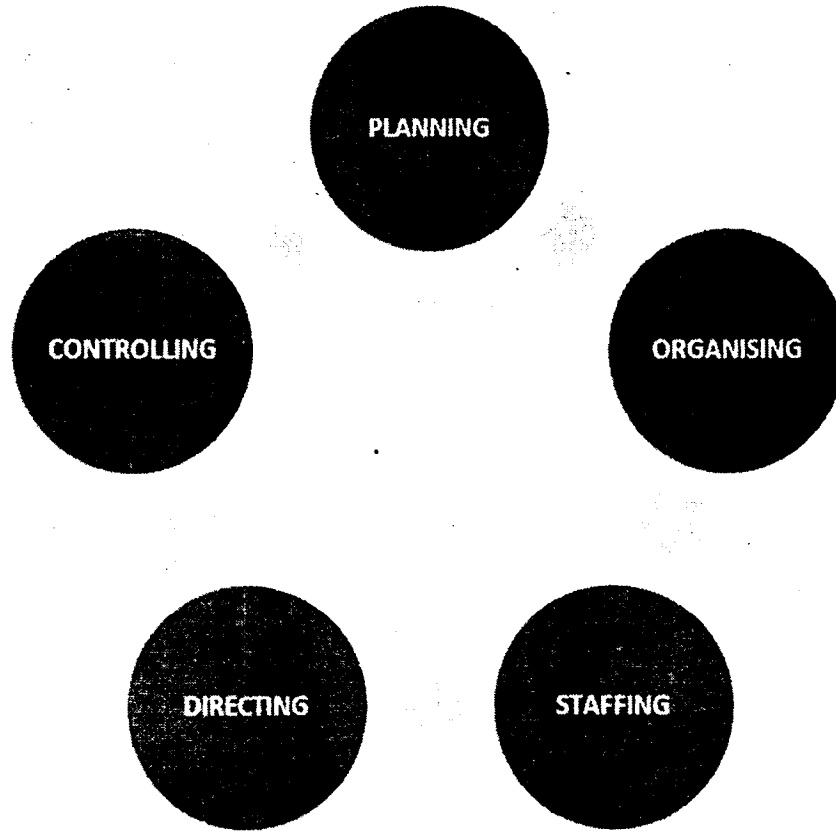


CHAPTER-8

CONROLLING

CONCEPTS MAPPING :-



MEANING OF
CONTRROLLING

IMPORTANCE OF
CONTRROLLING

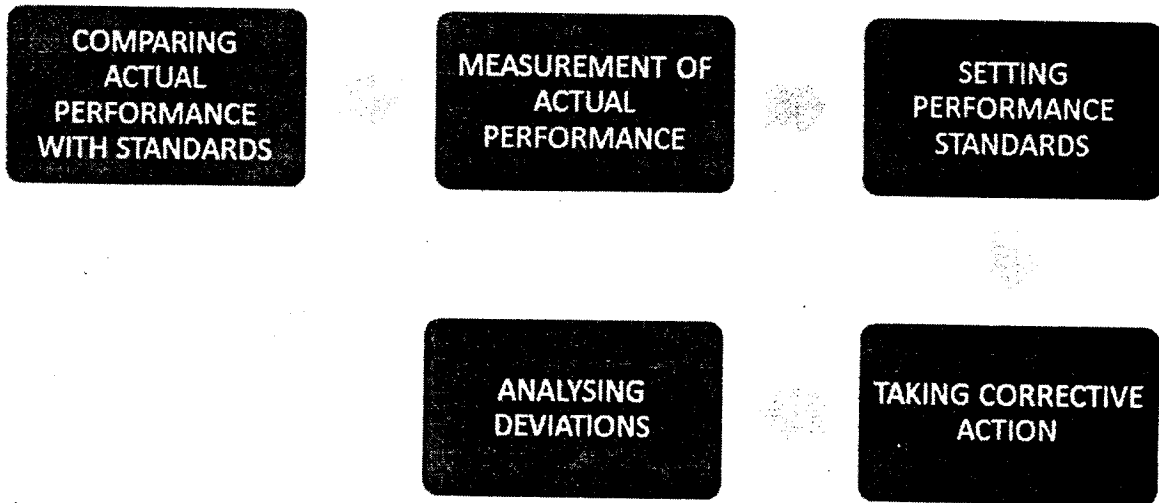
LIMITATIONS OF
CONTRROLLING

PROCESS OF
CONTRROLLING

RELATIONSHIP
BETWEEN
PLANNING AND
CONTRROLLING

NATURE OF
CONTRROLLING

PROCESS OF CONTROLLING



1. Meaning of controlling: comparing actual performance with standards and finding deviations if any and taking corrective action.

Actual Performance=Standards=No deviation

Features /Nature of Controlling:

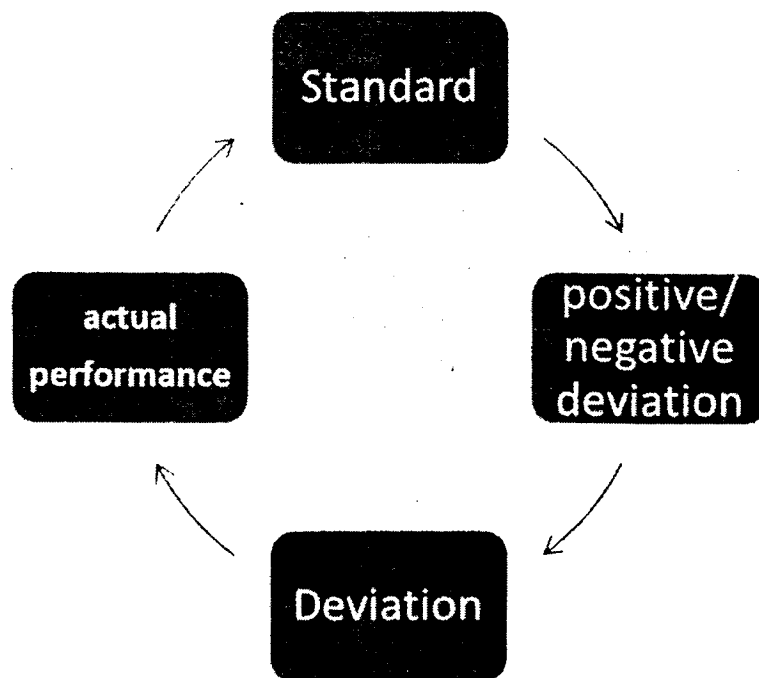
- Controlling is pervasive
- Controlling is a primary function
- Controlling is a continuous process
- Controlling is a goal oriented function

2. Process of Controlling:

1. Setting performance standards: standards are the criteria against which actual performance would be measured. Standards serve as bench marks. They can be set in both quantitative as well as qualitative.

2. Measurement of actual performance: Performance should be measured in an objective and reliable manner.

3. Comparing actual performance with standards:



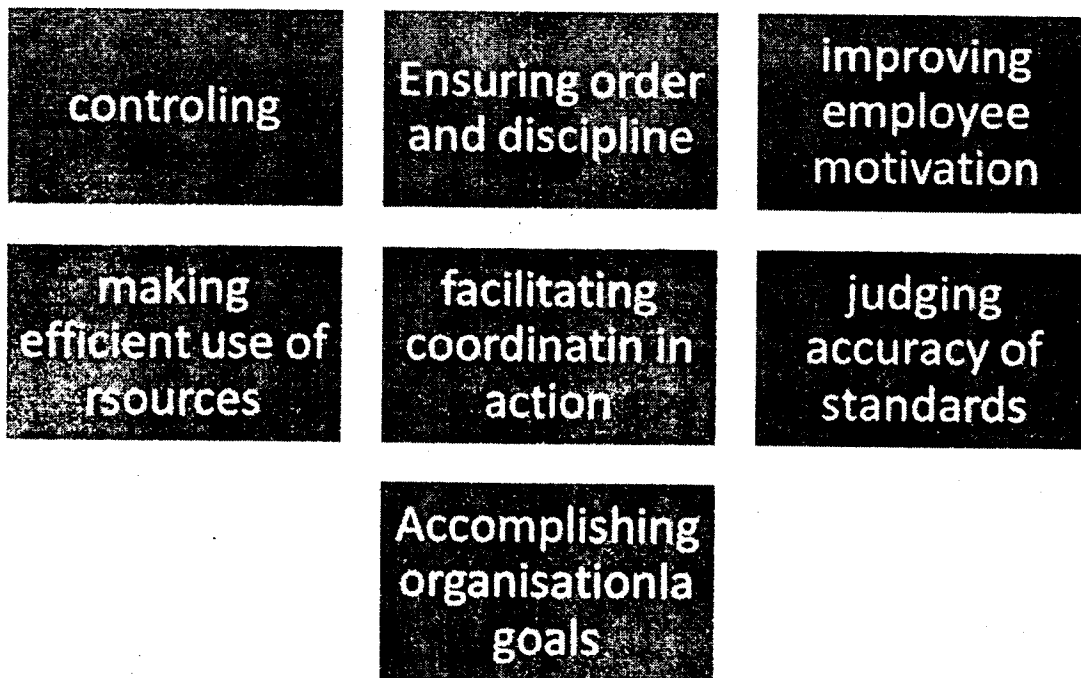
4. Analyzing deviations: Major deviation or minor deviation and analyzing the causes of deviation.

- a) **Critical point control:** Focus only on key Result Areas (KRAs).
- b) **Management by Exception:** Concentrate only on major deviations only.

5. Taking corrective action: when deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.

Conclusion: In case the deviation cannot be corrected through managerial action, the standards may have to be revised.

IMPORTANCE OF CONTROLLING



RELATIONSHIP BETWEEN PLANNING AND CONTROLLING:

- Planning and controlling are inseparable twins of management. Planning initiates the process of management and controlling completes the process. Plans are the basis of control and without control the best laid plans may go astray.
- Planning is clearly a prerequisite for controlling. It is utterly foolish to think that controlling could be accomplished without planning
- Planning is prescriptive and controlling is evaluative
- It is often said that planning is looking ahead while controlling is looking back. However, the statement is only partially correct. Plans are prepared for future and involve looking ahead. On the contrary, controlling is like a postmortem of past activities to find out deviations from the standards. In that sense controlling is a backward looking function. However, it should be understood that planning is guided by past experience and the corrective initiated by control function.

VERY SHORT QUESTION ANSWER**Q1 What do you understand by controlling?**

Ans. Controlling is that function of management which ensures that activities of an organization conform to the standard .it also involves establishing standards, measuring performance against these standards and correcting deviations from the standards set.

Q2 Suppose you are the manager of xyz clothing ltd it comes to your knowledge that postal expenses have been increased by15% over the standard price and cost of labor and raw materials has increased by 3%which of the two deviations is more critical according to you?

Ans. Increase in cost of labor and raw material is more critical. (the principle of critical point control)

Q3 Give an example of external factors beyond the controlling process.

Ans. Government policy.

Q4 which two steps in the process control are concerned with compelling events to confirm to plan?

Ans. (i) Comparison of actual performance with standards

. Taking corrective action.

Q5 Why is it said that “controlling is a continuous activity”

Ans. Controlling is a continuous activity because it involves constants review of actual performance for taking corrective action, if any.

Q6 What should be the ‘focus point ‘ for a manager while controlling ‘as controlling at each and every step is not possible ?

Ans. Focus point for a manager while controlling should be key result areas.

Q7 What is important while analyzing deviations in controlling?

Ans. While analyzing deviations, it is important to determine the acceptable range of deviations /key result areas.

Q8 Why is controlling blind without planning?

Ans. Planning provides standards to control without which controlling becomes aimless or baseless.

SHORT ANSWERS.

Q1 Explain the various steps in the process of controlling.

Ans. Steps involved in the process of controlling

Setting performances standards

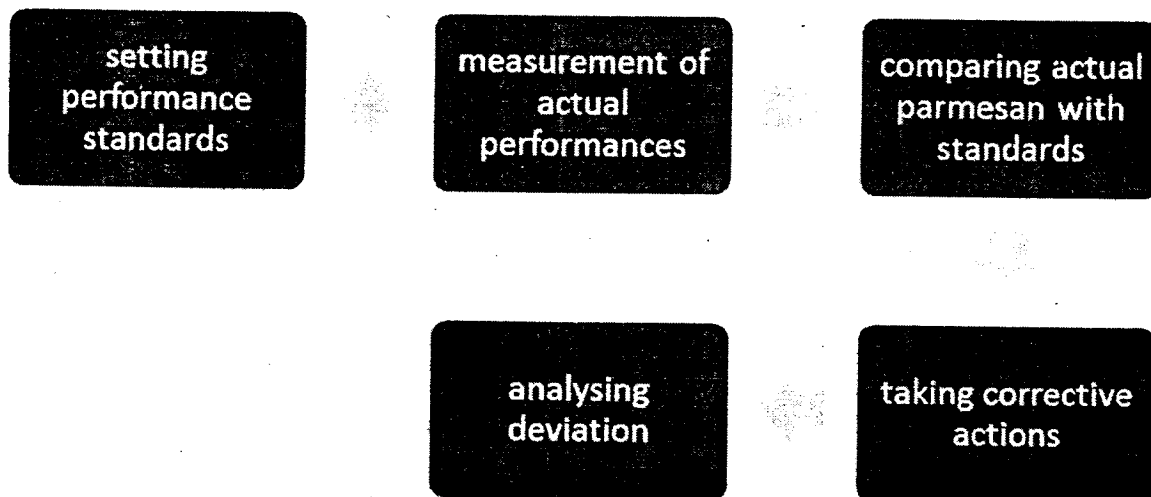
Standards are the criteria, set in both quantitative and qualitative terms against which actual performance can be measured.

Standards are the benchmarks towards which efforts of entire organization are directed .

Thus standards act as s lighthouse that warns and guide the ship at sea as far possible ,standards must be set up in numerical.

Taking corrective action

The final set in the process of controlling involves taking corrective action. if the deviations are within acceptable limits no corrective measures is required. However IF the deviations exceed acceptable limits. They should be immediately brought to the notice of the management for taking corrective measures, especially in important and critical areas



Q2 “An attempt to control everything results in controlling nothing.” Explain.

Ans. **Management by Exception/control by exception:** This principal is based on the belief that “*an attempt to control everything results in controlling nothing.*”

Critical point control: Critical point control helps in controlling process by focusing on key results areas (KRAs) which are critical to the success of an organization.

Q3 “planning and controlling are inseparable twins of management” Explain.

Ans. (i) *Controlling is blind without planning.* Controlling involves comparison of actual performance with certain standards which are provided by planning .

(ii) *Planning is meaningless without controlling* as controlling ensures that the events conform to the plans.

(iii) *Planning prescribes* an appropriate course of action for achieving objectives whereas *controlling evaluates* whether decision have been translated into desired action.

(iv) *Planning and controlling are both backward-looking as well as forward-looking functions.*

HOTS

1. ‘Controlling brings back the management cycle back to the planning function’. Comment.

- The controlling function involves comparing the actual performance with the predetermined standards, finding out deviations, analyzing the causes of such deviations and finally taking corrective measures for further improvement.
- This **helps in formulating future plans.**
- Thus, controlling brings back the management cycle back to the planning function.

2. What do you mean by management by exception?

OR

‘If you try to control everything, you may end up by controlling nothing’. Comment.

It implies that manager must **focus attention only on factors critical to performance.**

Normal factors of deviation should be ignored as they can be corrected at lower levels.

It is based on the maxim –“**an attempt to control everything results in controlling nothing.**”

Based on this, only major deviations from standards should be reported to top-level management and other routine problems should be looked into by the subordinates.

For example, if a plan allows 5 percent decrease in the output as acceptable range of deviation then only such decrease in the output as acceptable range of deviation than only such decrease in output should be reported to the management as is well beyond 5 percent.

VALUE BASED QUESTIONS

1. An effective system of controlling discourages dishonesty among employees. What values does this statement imply?

:Orderliness
Discipline
Honesty

2. Give examples of values which are in the form of qualitative standards

:Loyalty
Team spirit
Cooperation

3. What value does the Manager establish through a proper measurement of actual Performance?

Objectivity
Impartial