Controlling:- Control is a management process to aim at achieving defined goals within an established timetable, and comprises of three components: (1) setting standards, (2) measuring actual performance, and (3) taking corrective action.

An effective organization is one where managers understand how to manage and control. The objective of control as a concept and process is to help motivate and direct employees in their roles. Understanding managerial control process and systems is essential for the long- term effectiveness of an organization.

Without enough control systems in place, confusion and chaos can overwhelm an organization. However, if control systems are "choking" an organization, the organization will suffer from erosion of innovation and entrepreneurship.

Concept of Control:

The term control has different connotations depending upon the context of the use of the term. In manufacturing it refers to a Device or mechanism installed or instituted to guide or regulates the activities or operation of an apparatus, machine, person, or system; in law it refers to controlling interest and in management as an authority to order and manage the workings and management of an entity.

Characteristics of Control:

Following characteristics of control can be identified:

1. Control is a Managerial Process:

Management process comprises of five functions, viz., planning, organizing, staffing, directing and controlling. Thus, control is part of the process of management.

2. Control is forward looking:

Whatever has happened has happened, and the manager can take corrective action only of the future operations. Past is relevant to suggest what has gone wrong and how to correct the future.

3. Control exists at each level of Organization:

Anyone who is a manager, has to involve into control – may be Chairman, Managing Director, CEO, Departmental head, or first line manager. However, at every level the control will differ – top management would be involved in strategic control, middle management into tactical control and lower level into operational control.

4. Control is a Continuous Process:

Controlling is not the last function of management but it is a continuous process. Control is not a one-time activity, but a continuous process. The process of setting the standards needs constant analysis and revision depending upon external forces, plans, and internal performance.

5. Control is closely linked with Planning:

Planning and controlling are closely linked. The two are rightly called as 'Siamese twins' of management. "Every objective, every goal, every policy, every procedure and every budget become standard against which actual performance is compared.

Planning sets the ship's course and controlling keeps it on course. When the ship begins to veer off the course, the navigator notices it and recommends a new heading designed to return the ship to its proper course. Once control process is over its findings are integrated into planning to prescribe new standards for control.

6. Purpose of Controlling is Goal Oriented and hence Positive:

Control is there because without it the business may go off the track. The controlling has positive purpose both for the organization (to make things happen) and individuals (to give up a part of their independence for the attainment of organizational goals).

Process of Control:

Following are the steps involved into the process of control:

1. Establish the Standards: Within an organization's overall strategic plan, managers define goals for organizational departments in specific, precise, operational terms that include standards of performance to compare

with organizational activities. However, for some of the activities the standards cannot be specific and precise.

Standards, against which actual performance will be compared, may be derived from past experience, statistical methods and benchmarking (based upon best industry practices). As far as possible, the standards are developed bilaterally rather than top management deciding unilaterally, keeping in view the organization's goals.

Standards may be tangible (clear, concrete, specific, and generally measurable) – numerical standards, monetary, physical, and time standards; and intangible (relating to human characteristics) – desirable attitudes, high morale, ethics, and cooperation.

2. Measure Actual Performance:

Most organizations prepare formal reports of performance measurements both quantitative and qualitative (where quantification is not possible) that the 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. Data can be collected through personal observation (through management by walking around the place where things are happening), statistical reports (made possible by computers), oral reporting (through conferencing, one-to-one meeting, or telephone calls), written reporting (comprehensive and concise, accounting information – normally a combination of all. To be of use, the information flow should be regular and timely.

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.

The manager must know of the standard permitted variation (both positive and negative). Management by exception is most appropriate and practical to keep insignificant deviations away. Timetable for the comparison depends upon many factors including importance and complexity attached with importance and complexity.

4. Take Corrective Action and Reinforcement of Successes:

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 corrective action may be to maintain status quo (reinforcing successes), correcting the deviation, or changing standards. The most effective course may be prescribed by policies or may be best left up to employees' judgment and initiative. The corrective action may be immediate or basic (modifying the standards themselves).

Importance of Control:

1. Guides the Management in Achieving Pre-determined Goals:

The continuous flow of information about projects keeps the long range of planning on the right track. It helps in taking corrective actions in future if the performance is not up to the mark.

2. Ensures Effective Use of Scarce and Valuable Resources:

The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency if present is corrected at the earliest.

Controls put psychological pressure on persons in the organization. On the other hand control also enables management to decide whether employees are doing right things.

3. Facilitates Coordination:

Control helps in coordination of activities through unity of action. Every manager will try to coordinate the activities of his subordinates in order to achieve departmental goals.

Similarly, the chief executive also coordinates the functioning of various departments. The control acts as a check on the performance and proper results are achieved only when activities are coordinated.

4. Leads to Delegation and Decentralization of Authority:

A decision about follow-up action is also facilitated. Control makes delegation easier/better. Decentralization of authority is necessary in big enterprises. The management cannot delegate authority without ensuring proper control.

The targets or goals of various departments are used as a control technique. Various control techniques like budgeting, cost control; pre action approvals etc. allow decentralization without losing control over activities.

5. Spares Top Management to Concentrate on Policy Making:

For control processes management's attention is not required every now and then. The management by exception enables top management to concentrate on policy formulation.

Many people are averse to the concept of control for the following reasons:

(i) New, more "organic" forms of organizations (self-organizing organizations, self- managed teams, network organizations, etc.) allow organizations to be more responsive and adaptable in today's rapidly changing world. These forms also cultivate empowerment among employees, much more than the hierarchical, rigidly structured organizations of the past.

(ii) Many people assert that as the nature of organizations has changed so must the nature of management control. Some people go so far as to claim that management shouldn't exercise any form of control whatsoever.

They claim that management should exist to support employee's efforts to be fully productive members of organizations and communities – therefore, any form of control is completely counterproductive to management and employees.

(iii) Some people even react strongly against the phrase "management control". The word itself has a negative connotation, e.g., it can sound dominating, coercive and heavy-handed. It seems that writers of management literature now prefer use of the term "coordinating" rather than "controlling".

(iv) People also oppose controls as they are thought of decreasing autonomy, stifling creativity, threatening security, and perpetuating oppression. This may lead to change in expertise and power structure, and social structure in the organisation.

Types of Control:

Controls can be numerous in kind. These may be classified on the basis of (a) timing,

(b) designing systems,

(c) management levels, and

(d) Responsibility

On the basis of timing:

Control can focus on events before, during, or after a process. For example, a local automobile dealer can focus on activities before, during, or after sales of new cars. Such controls may be respectively called as Preventive, Detective, and Corrective.

On this basis the control may be:

(i) Feed forward Control

(ii) Concurrent Control

(iii) Feedback Control

1. Feed forward Control:

The objective of feed forward control or preliminary control is to anticipate the likely problems and to exercise control even before the activity has started or problem has occurred or been reported. It is future directed.

This kind of control is very popular in airlines. They go in for preventive maintenance activities to detect and prevent structural damage, which may result in disaster. These controls are evident in the selection and hiring of new employees. It helps in taking action beforehand.

In case of feedback control, one relies on historical data, which will come after the activity has been performed. This means information is late and the rectification is not possible. One can make correction only for future activities.

That means whatever wrong has been done is done, and it cannot be undone. Though, future-directed control is largely disregarded in practice, because managers have been excessively dependent on accounting and statistical data for the purpose of control. In the absence of any means of looking forward, reference to history is considered better than no reference at all.

However, the concept of feed forwarding has been applied now and then. One common way managers have practised it is through careful and repeated forecasts using the latest available information, comparing what is desired with the forecasts, and introducing program changes so that forecasts can be made more promising.

2. Concurrent Control:

Concurrent control monitors ongoing employee activity to ensure consistency with quality standards takes place while an activity is on or in

progress. It involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to organizational standards.

The technique of direct supervision is the best-known form of concurrent control. Concurrent control is designed to ensure that employees' activities produce the correct results and to correct the problems, if any, before they become costly.

In case of computer typing, if the spelling is wrong or construction is incorrect, the programme immediately alerts the user. Many manufacturing operations include devices that measure whether the items being produced meet quality standards.

Since concurrent control involves regulating ongoing tasks, it requires a complete understanding of the specific tasks involved and their relationship to the desired and product.

Concurrent control sometimes is called steering, screening or yes-no control, because it often involves checkpoints at which decisions are made about whether to continue progress, take corrective action, or stop work altogether on products or services.

3. Feedback Control:

The control takes place after the job is over. Corrective action is taken after analysing variances with the planned standards at the end of the activity. It is also known as 'post action control', because feedback control is exercised after the event has taken place.

Such control is used when feed forward or concurrent is not possible or very costly; or when exact processes involved in performing a work is difficult to specify in advance.

The twin advantages of feedback control are that meaningful information is received with regard to planning efforts, and feedback control enhances employee motivation.

On the basis of designing Control Systems:

Three approaches may be followed while designing control systems, viz., Market Control, Bureaucratic Control, and Clan Control. However, most organisations do not depend only on just one of them.

1. Market Control:

Control is based upon market mechanisms of competitive activities in terms of price and market share. Different divisions are converted into profit centres and their performance is evaluated by segmental top line (turnover), bottom line (profit) and the market share.

Using market control will mean that the managers in future will allocate resources or create departments or other activities in line with the market forces.

2. Bureaucratic Control:

Bureaucratic control focuses on authority, rule and regulations, procedures and policies. Most of the public sector units in India go in for bureaucratic control.

If they do not go by the rulebook, the legislative committees and the ministries under whom they work will reprimand them. In a hospital no medicine can be used unless the prescription is there and it is recorded in the issue register, even if the patient may die in between.

3. Clan Control:

The control systems are designed in a way that give way to shared vision, shared values, norms, traditions and beliefs, etc., part of the organisational culture.

It is not based upon hierarchical mechanisms, but work-related and performance measures. This kind of control is most suitable for the organisations which use team style of work groups and where technology changes very fast.

On the basis of Levels:

People at different level have different planning responsibilities, so do they undertake controlling. On the basis of levels controls, can be categorised as Operational, Structural, Tactical, and Strategic.

1. Operational Control:

Its focus remains upon the processes used by the organisation for transforming the inputs (resources) into outputs (products/services). Operational controls are used at the lower management. It is exercised almost every day. Quality control, financial controls are part of operational controls.

2. Structural Control:

Are the different elements of organisation structure serving their intended aims? Is there overstaffing? Is the ratio of staff to line increasing? Necessary action is to be undertaken.

Two important forms of structural control can be bureaucratic control and clan control, about which we have already talked. Structural control is exercised by top and middle management.

3. Tactical Control:

Since tactical control deals with the departmental objectives, the controls are largely exercised by middle management levels.

4. Strategic Control:

Strategic controls are early warning systems. Strategic control is the process to determine whether the effectiveness of a corporate, business and functional strategies are successful in helping organisations to meet its goals. Strategic controls are exercised by top level management.

On the basis of Responsibility:

Who has the responsibility of controlling? The responsibility may rest with the person executing the things or with the supervisor or manager. This way control may be internal and external.

Internal control permits highly motivated people to exercise self-discipline. External control means that the thread of control is in the hands of supervisor or manager and control is exercised through formal systems.

Requirements of Effective Control System:

A control system is not an automatic phenomenon but deliberately created. Though different organisations may design their control systems according to their unique and special characteristics or conditions, yet in designing a good and effective control system the following basic requirements must be kept in view:

1. Focus on Objectives and Needs:

The effective control system should emphasise on attainment of organizational objectives. It should function in harmony with the needs of the enterprise. For example, the personnel department may use feed forward control for recruiting a new employee, and concurrent control for training.

At the shop level, control has to be easy, but more sophisticated and broad ranging controls may be developed for higher level managers. Thus, controls should be tailored to plans and positions.

2. Immediate Warning and Timely Action:

Rapid reporting of variations is at the core of control. An ideal control system could detect, not create bottlenecks and report significant deviation as promptly as possible so that necessary corrective action may be taken well in time. This needs an efficient system of appraisal and timely flow of information.

3. Indicative, Suggestive as well as corrective:

Controls should not only be able to point to the deviations, but they should also suggest corrective action that is supposed to check the recurrence of variations or problems in future.

Control is justified only if indicated or experienced deviations from plans are corrected through appropriate planning, organizing, staffing and directing. Control should also lead to making valuable forecasts to the managers so that they become aware of the problems likely to confront them in the future.

4. Understandable, Objective, and Economical:

Controls should be simple and easy to understand, standards of performance are quantified to appear unbiased, and specific tools and techniques should be comprehensive, understandable, and economical for the managers.

They must know all the details and critical points in the control device as well as its usefulness. If developed and complex statistical and mathematical techniques are adopted, then proper training has to be imparted to managers.

Standards should be determined based on facts and participation. Effective control systems must answer questions such as, “How much does it cost?” “What will it save?” or “What are the returns on the investment?”

The benefits of controls should outweigh the costs. Expensive and elaborate control systems will not suit, for example to small enterprise.

5. Focus on Functions and Factors:

Control should emphasise the functions, such as production, marketing, finance, human resources, etc and focus on four factors – quality, quantity, timely use and costs. Not one, but multiple controls should be adopted.

6. Strategic Points Control:

Control should be selective and concentrate on key result areas of the company. Every detail or thing cannot and is not to be controlled in order to save time, cost and effort.

Certain strategic, critical or vital points must be identified along with the expectations at those points where failures cannot be tolerated and appropriate control devices should be designed and imposed at those stages.

Controls are applied where failure cannot be tolerated or where costs cannot exceed a certain amount. The critical points include all the areas of an organization’s operations that directly affect the success of its key operations.

7. Flexibility:

Control must not become ends in themselves. It must be environment friendly and be able to make modifications or revisions necessitated by the rapidly changing and complex business environment. Flexibility in control system is generally achieved by the use of alternative plans or flexible budgets.

8. Attention to Human Factor:

Excess control causes corruption. It should not arouse negative reactions but positive feelings among people through focus on work, not on people. The aim of control should be to create self-control and creativity among members through enmeshing it in the organisational culture. Employee involvement in the design of controls can increase acceptance.

9. Suitability:

Controls have to be consistent with the organization structure, where the responsibility for action lies, position, competence, and needs of the individuals who have to interpret the control measures and exercise control. The higher the quality of managers and their subordinates, the less will be the need for indirect controls.

Control Techniques:

Many techniques have been developed to control the activities in management. The list is very long, and it is difficult to describe them all.

Some of the important techniques are:

Financial Control:

Finance is related with mobilization of funds and their utilization and the return on them. Financial control is exercised through the following:

1. Financial Statements:

Income statement (telling about expenses, segmental incomes, overall income and expenses, and the net profit/loss), and Balance Sheet (shows the net worth at a single point of time and the extent to which the debt or equity finance the assets)

2. Financial Audits:

Financial audits, either internal or external are conducted to ensure that the financial management is done in line with the generally accepted policies, procedures, laws, and ethical guidelines. Audits may be internal (by Organisation's own staff), external (statutory audit by chartered accountants), and management audit (by experts).

3. Ratio Analysis:

Ratio analysis monitors liquidity, profitability, debt, and activity related aspects.

4. Budgetary Controls:

Budgetary control is the process of constructing budgets, comparing actual performance with the budget one and revising budgets or activities in the light of changed conditions.

Budgetary control is as such not related only to finance area, but all functional areas do take help of budgetary control. Budgets help not only in planning but also help to keep a tab on overall spending.

Budgeting may be top-down (managers prepare the budget and ask subordinates to use); bottom-up (figures come from lower levels and adjusted at upper levels); zero-based (justifying allocation of funds on the basis of activities or goals); and flexible budgeting (varying standards and varying allocations).

5. Break-even Analysis:

It is a tool of profit planning and deals with cost-volume-profit relationships.

6. Accounting:

Accounting includes responsibility accounting, cost accounting, standard cost approach, direct costing, and marginal costing.

Marketing Control:

In the field of marketing, to see that customer gets right product at the right price at the right place and through right communication, the control is exercised through the following:

Market Research:

It is to assess customers' needs, expectations and the delivery; and the competitive scenario.

Test Marketing:

To assess consumer acceptance of a new product, a small-scale marketing is done. HUL uses Chennai for most of its test marketing.

Marketing Statistics:

Marketing managers control through marketing ratios and other statistics.

Human resource control:

Human resource control is required to have a check on the quality of new personnel and also to monitor performances of existing employees so as to determine firm's overall effectiveness.

Goal setting, instituting policies and procedures to guide them are to help them. Common controls include performance appraisals, disciplinary programmes, observations, and development assessments.

Information Control:

All organizations have confidential and sensitive information to be kept secret. How to control access to computer databases is very important. This has become a key contemporary issue in control. Organizations keep a watch on employee's computer usage in general and internet in particular.

Production Control:

To ensure quality production in right quantity at right time economically production controls are required. Two of the important techniques include: Inventory control (ABC Analysis, Economic Order Quantity, Just-

in time inventory control), and quality control (through inspection, statistical quality control).

Project Control:

Network analysis is most suitable for the projects which are not routine in minimizing cost and completing project well in time. Network analysis makes use of two techniques – Programme Evaluation and Review Technique (PERT), and Critical Path Method (CPM).