
UNIT 16 PROCESS OF CONTROL

Structure

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16.0 OBJECTIVES

After studying this Unit, you should be able to:

- explain the nature and characteristics of control function
- describe the importance of control in management
- enumerate and analyse the stages in the control process
- explain the requisites of effective control, and
- outline the various types of control.

16.1 INTRODUCTION

In the preceding units you have learnt in detail, the planning, organising, staffing and directing functions of management. Controlling is another very important function of management. The study of management practices cannot be complete unless the function is also examined in detail. In this unit we shall discuss the nature and importance of the control function of management, analyse the stages in control process, outline the types of control, and explain the requisite of an effective control system.

16.2 DEFINITION OF CONTROL

Control may be defined as the process of analysing whether actions are being taken as planned and taking corrective measures to make them conform to the plan of action. Control is the essence of good management. It is concerned with ascertaining that planning, organising and directing functions result in attainment of organisational objectives. In fact control precipitates bad decisions and their consequences and restores effectiveness and efficiency. It is a continuous process

which helps a manager to get the performance of his subordinates correspond to the standard fixed. It also detects the variations as soon as they occur and takes corrective steps to prevent them in future.

According to Henri Fayol: “Control consists in verifying whether everything occurs in conformity with the plan adopted, instructions issued and principles established.”

The control function of management involves determining what is to be accomplished (the standard); what is being accomplished (the performance), and, if necessary, applying corrective measures so that performance takes place according to plans i.e. in conformity with the standard.

In other words controlling involves:

- a) Knowing exactly what work is to be done as to quantity, quality and time available
- b) Checking whether work has been or is being carried out with the resources available, within the time available, at a reasonable cost and in accordance with the required standard of quality
- c) Analysing deviations, if any, from the planned targets and standards to ascertain the causes thereof
- d) Adopting remedial measures to correct the deviations, and
- e) Suggesting revision of plans and targets, if necessary.

16.3 CHARACTERISTICS OF CONTROL

Control is a device or a procedure which keeps the manager informed as the activities for which he is responsible and which assures him that his plans and policies are being carried out according to schedule. The nature of control function will be clearly understood from the following characteristics of control:

- 1) **Control is all pervasive function:** Control is essential at all levels of organisation. It is a follow-up action to the other management functions. Every manager performs the control function irrespective of his rank and nature of job. Control is the essential counterpart of planning. It is the control function which completes the management process.
- 2) **Control is a continuous process:** Control is an ongoing and dynamic function of management. It involves continuous review of performance and revision of standards of operations. As long as an organisation exists, control continues to exist. It is amenable to change with the external environment. Therefore it is a highly flexible process.
- 3) **Planning is the basis of control:** Control can be exercised only with reference to and on the basis of plans. Effective control is not possible unless the management spells out clear objectives of the organisation. In fact, measurement of performance requires certain standards which are laid down under planning. Planning sets the course and control ensures that actual conforms to the planned action.
- 4) **Action is the essence of control:** Control is an action-oriented process. A manager initiates action which guides the operation within the sphere of

plans. In order to prevent a recurrence of deviations a manager modifies or improves the existing plans.

- 5) **Control is a forward looking process:** Control aims at future. Although past experience is the criteria for future standards, control is concerned with checking the current performance and providing guidelines for the future. Therefore, control is both backward-looking and forward-looking. It looks at future through the eyes of past.
- 6) **Delegation is the key to control:** Effective control requires adequate delegation of authority. An executive can perform the control function properly if he enjoys the authority to take remedial action and is to be held accountable for results.
- 7) **Control allows the organisation to cope with uncertainty:** Control helps in regulating the uncertain events of the organisation. It anticipates any shift in task and preference of consumers and directs the organisation to modify its process in order to meet the contingencies of the future.

16.4 IMPORTANCE OF CONTROL

The necessity of control in business organisation cannot be over-emphasised. Proper control smoothens the working of an organisation. Absence of control leads to lowering of efficiency of the employees, since there is no check on their performance. Existence of an efficient system of control creates an atmosphere of order and discipline, and helps greatly in minimizing the chances of work being defective or being delayed. The importance of control function also arises from the following benefits derived from it.

- 1) **Adjustment in operations:** A control system acts as a device for adjustment of organisational operations. There are various objectives which serve as the basis of control. It is through the control function that these objectives are achieved. Control provides the means of determining whether plans are being implemented and there is progress towards the achievement of objectives. It facilitates measures to be taken, if necessary, to correct any deviations.
- 2) **Managerial responsibility:** In every organisation, managerial responsibility is created through assignment of activities to various individuals. This process starts at the top level and then goes to the lower level. While manager assigns work to be carried out by his subordinates, he remains responsible for the performance of their activities. It is quite natural that when a person is responsible for the performance of his subordinates, he must exercise some control over them. Thus, controlling enables managers to discharge their responsibilities.
- 3) **Psychological effect:** The process of control induces individuals towards better performance. The performance of individuals is evaluated in the light of targets set for them. A person is likely to act according to the plan, if he is aware that his performance will be evaluated against the planned targets. Thus, he is more inclined to achieve the results according to the standards fixed for him, particularly when there is provision of reward or punishment on the basis of the performance. Since performance measurement is one of the basic elements of the process, it ensures that every person in the organisation contributes to his maximum ability.

- 4) **Coordination in action:** Though coordination is the essence of management and is achieved through the proper performance of all managerial functions, control affects this aspect significantly. Controls are designed in such a way that they focus not only on the operating responsibility of a manager, but also on his ultimate responsibility. So this forces a manager to coordinate the activities of his subordinates in such a way that each of them contributes positively towards the objectives. Since this follows throughout the organisation, coordination is achieved in the organisation as a whole.
- 5) **Organisational efficiency and effectiveness:** If the control function is carried out properly, it results in organisational efficiency and effectiveness. By making manager responsible, motivating them for higher performance, and achieving coordination in their performance, control ensures that the organisation works efficiently. As regards effectiveness, the organisation is effective if it is able to achieve its objectives. Since control focuses on the achievement of organisational objectives, it necessarily leads to organisational effectiveness.

16.5 STAGES IN THE CONTROL PROCESS

Controlling is the final step in the process of comparing actual performance with the plans and taking steps to initiate correction action. The basic control process, wherever it is found and whatever it controls, involves the following steps:

- 1) **Setting standards:** The total workload of the business is broken down into departments, sections and individuals. Each of them has specific objectives for detailed operation. These objectives are set in physical terms, such as quantities of products, units of service, labour-hours, speed or volume of rejections or they may be expressed in monetary terms, such as volume of sales, costs, capital expenditures or profits or it may be expressed in any other verifiable qualitative terms. These standards must be clear so that the checking of performance becomes possible. At the same time it is essential that the responsibility should be identified with definite individuals in the organisation and he is accountable for the lapse, if the performance varies from the standard laid down.

Establishment of standards may be discussed with S-O-G-P Chain. Standard is a measuring rod for the attainment of organisational objectives. These objectives aim at accomplishing the organisational goals, which is the ultimate purpose of every organisation.

Standards - Objectives - Goals - Purpose

As shown above, standards are used to control objectives, objectives are used to control goals, and goals are used to control purpose.

- 2) **Measurement of performance:** The second step is to measure actual performance of various individuals, groups or units in the light of standards. Management should not depend upon the guess that standards are being met. It should measure the performance and compare it with the standards. Quantitative measurement is done in those cases where standards have been set in numerical terms. This makes evaluation easy and simple. In all other cases, the performance is measured in terms of qualitative factors. For

instance, performance of Industrial Relations Manager may be measured in terms of attitudes of workers, frequency of strikes, and morale of workers. Attitude and morale of workers are not capable of being measured quantitatively. They have to be measured qualitatively. If standards are appropriately drawn and if means are available for determining exactly what subordinates are doing, appraisal of actual or expected performance is fairly easy.

- 3) **Comparing performance with standards and ascertaining the causes of difference, if any:** The responsibility of a manager does not end with measuring the performance. Deviations from the standard, if any, must be noted and the causes of deviation ascertained. Comparing performance with the standard and ascertaining the causes of deviation involve the third stage of control. The causes of factors responsible for deviations may be defective materials, machinery, process, slackening of efforts, etc. The comparative analysis should be done as close to the point of performance as possible. It assists in quick location of defects and results in correction with minimum losses.
- 4) **Adopting corrective measures:** The final step in the control process consists of remedial actions so that deviations may not occur again and the objectives of organisation are achieved. Towards that end, managers must take appropriate decisions so as to meet immediate needs, or revising the existing targets and standards, or changing the methods of selection and training of workmen, or even drawing up revised plants.

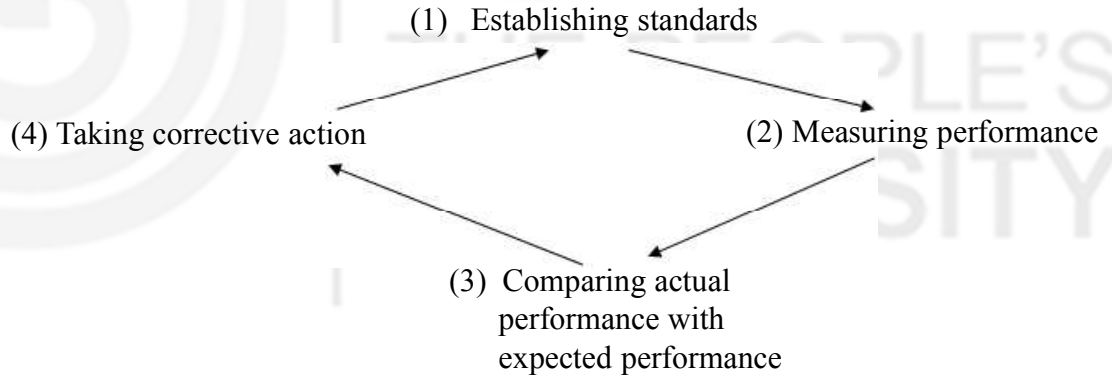


Fig. 16.1: Control Process

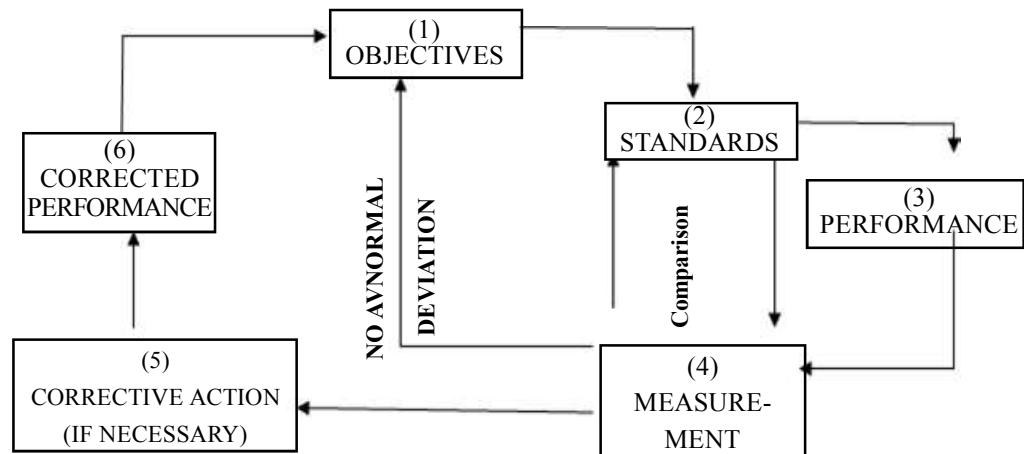


Figure 16.2: The Control Process

1) Define 'Control' as a function of management.

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2) Which of the following statement are True and which are False

- i) Control relieves managers of their responsibilities.
- ii) Control is necessary only when there is deviation of performance from standards.
- iii) Organisational efficiency is ensured with the help of controls
- iv) Controlling mainly involves punishing people and putting pressure on employees for efficient performance.
- v) The process of control is relevant at all levels of management.

3) Enumerate the stages in control process.

- i)
- ii)
- iii)
- iv)

16.6 REQUISITES OF EFFECTIVE CONTROL

To be effective and to serve its purpose, the system of control must satisfy certain requirements. These may be regarded as the prerequisites of effective control. The requirements of an effective control system may be enumerated in brief as under:

- 1) **Definition of objectives:** Before planning a control system, it is essential to clearly define the objectives of the organisation. The control system must be directed towards the potential or actual deviations towards the potential or actual deviations from plans early enough to permit corrective action.
- 2) **Efficiency of control techniques:** Control techniques are said to be efficient when they detect deviations from plans and make possible corrective action at an early stage with the minimum of unsought consequences.
- 3) **Responsibility of control:** The primary responsibility for the exercise of control should rest with the manager charged with the implementation of plans.

- 4) **Direct control:** Any control system should be designed to maintain direct contact between the controller and the controlled.
- 5) **Organisation suitability:** Controls should be tailored to fit the organisation. The flow of information concerning current performance should correspond with the organisational structure. If superior is to control overall operations, he must find a pattern that will provide control for individual parts.
- 6) **Flexibility:** A good control system must keep pace with the continuously changing pattern of a dynamic business world. It must be responsive to changing conditions. It should be adaptable to new developments including the failure of the control system itself. Plans may call for an automatic system to be backed up by a human system that would operate in an emergency; likewise, an automatic system may back up a human system.
- 7) **Self-control:** Units may be planned to control themselves. If a department can have its own goals and control system, much of the detailed controls can be handled within the department. These sub-systems of self-control can then be tied together by the overall control system.
- 8) **Strategic point control:** Effective and efficient control can be achieved if critical key or limiting points can be identified and close attention can be directed to adjustment at those points. This is known as '**Control by exception**'. It is called control by exception because according to this principle only significant deviations from standard, whether positive or negative, require management's attention as they constitute exceptions. An attempt to go through all deviations tends to increase unnecessary efforts and to decrease attention on important problems.
- 9) **Corrective action:** Merely pointing out deviations is not sufficient in a control system. It must lead to timely corrective action to be taken to check deviations from standards through appropriate planning, organising and directing.
- 10) **Forward-looking control:** The control system should be directed towards future. It should report the deviations from the plans quickly in order to safeguard the future. If the control reports do not relate to the future, then the reports are of no use as they will not be able to suggest the type of measure to be taken to rectify the past deviations.
- 11) **Human factor:** A good system of control should be **worker centered** rather than work centred as the control is exercised on the workers who do the work. It must find the persons accountable for results whenever large deviations take place and they must be directed accordingly. So the human factor must be given proper attention while controlling. A technically well-designed control system may fail because the human beings may react unfavorably to the system.
- 12) **Economical:** The system of control must be worth its cost. The controls must justify the expenses involved. A control system is justifiable if the savings anticipated from it exceed the expected costs in its working. Small-scale production units cannot afford elaborate and expensive control system.

- 13) **Objective standards:** As far as possible, standards should be objective, that is based on factual information. If they are subjective, a manager's or subordinate's personality may influence judgement of performance inaccurately. Effective control requires objective, accurate and suitable standards. Objective standards may be quantitative or qualitative. However, in either case, the standard should be factually determinable and verifiable. Although we have explained how the 'Control Function' can be effective with various requirements as mentioned above, even then there are some limitations of control. Let us now examine the limiting factors.

16.7 LIMITATIONS OF CONTROL

- 1) **No control over external factors:** Controls is intended to be exercised on factors which are internal to an enterprise. But there are external factors like government action, change of market conditions, discovery and invention of new techniques and material of production, innovation and so on, which are often beyond the control of management. So, controls may be ineffective in the face of changing external factors.
- 2) **Want of satisfactory standards:** Satisfactory standards help control operations. But there are many areas and activities with intangible nature of performance which do not permit accurate measurement. No satisfactory standards can be established for them, e.g. results of management development, public relations, human relations, advice of staff service, loyalty of workmen, and such other human behaviour.
- 3) **Measurement of imperfections:** Intangible performance presents difficulties in setting up standards. It is also a complicated matter to measure its results in quantitative or qualitative terms. It is then left to managerial judgement and interpretation which cannot be taken as perfect measurement. Moreover, results of day-to-day activities involving uneconomic expenditure cannot be evaluated or measured properly on grounds of economy.
- 4) **Limitations of corrective actions.** Business can be run on an even keel if all deviations and mistakes can be corrected properly in time. This will guard against losses. Control operations are carried out in assumption of fixed personal responsibility and the person concerned is expected to adopt necessary corrective and remedial actions. It is not uncommon that many deviations occur, but nobody in particular can be held responsible for them. Control becomes ineffective in such cases.
- 5) **Adverse reaction against control:** Control operations as a rule are not liked by the subordinates over whom they are exercised. Such operations curtail their freedom of action and interfere with their individual thinking and initiative. Control thus invites opposition and adverse reaction of the subordinates.
- 6) **Practical impediments to application:** Control involves analysis of deviations to find out their causes. But it faces great obstacles in such analytical work. First of all, it involves considerable expenditure. Secondly, it requires skilled and experienced staff to cope with the situation. Thirdly, corrections and deviations may require some time and even stoppage of work which may result in loss to the concern.

16.8 AREAS OF CONTROL

For effectiveness, it is important to decide on the critical areas where control should be exercised. There are many advantages of identifying these areas of control (also known as types of control) so as to enable management to:

- i) Delegate authority and fixing responsibility;
- ii) Reduce the burden of supervising each activity in detail; and
- iii) Secure means of achieving satisfactory results.

Controls are actually needed in every area where performance and results directly and vitally affect the survival and prosperity of the organisation. These areas need to be specially mentioned. In this connection, Peter Drucker has identified eight key result areas where objective should be set and **controls** should be exercised. These are:

- 1) Market standing
- 2) Innovation
- 3) Productivity
- 4) Physical resources
- 5) Financial resources
- 6) Profitability
- 7) Manager performance and attitude
- 8) Public responsibility

Apart from the identification of key areas, control may be distinguished on the basis of their nature and purpose. Let us discuss them one by one.

1) **Physical and Financial Control**

Physical controls refer to controls over the safety and maintenance of properties and assets, stocks of materials, stores, spare parts, and other articles on the task of quantitative and numerical measures. Financial controls include control over cash receipts and payments, fixed and working capital, income and expenditure as well as profits and the value of assets and liabilities.

2) **Control Over Actual and Anticipated Performance**

Day-to-day operations need to be controlled to achieve the short-run objectives, targets and standards as well as continuing goals. This is another category of controls.

3) **Control over Activities or Areas of Operations**

i) **Control over policies and procedures:** Policies are formulated, procedures laid down to govern the behaviour and action of personnel in the organisation. These are generally controlled through manuals which are prepared by top management. Each individual in the organisation is expected to function according to manuals.

ii) **Control over organisation:** Organisation Charts and Manuals are used to keep control over organisation structure. Organisation manuals

attempt at solving organisational problems and conflicts, making long-range organisational planning possible, enabling rationalisation of the organisation structure, helping in proper designing and clarification of each part of the organisation, and conducting periodic check on facts about organisation practice.

- iii) **Control over personnel:** Generally the Personnel Manager or Head of the Personnel Department, whatever his designation maybe, keeps control over personnel in the organisation. Sometimes, a personnel committee is constituted to act as an instrument of control over key personnel.
- iv) **Control on wages and salaries:** Control over wages and salaries is exercised through job analysis and job evaluation. The functions are carried out by personnel and industrial engineering departments. Often, a wage and salary committee is constituted to provide help to these departments.
- v) **Control over costs:** Control over costs is exercised through making comparison between standard costs and actual costs. Standard costs are set in respect of different elements of costs. Cost control is also supplemented by budgetary control system which includes different types of budgets. The Controller's department provides information for setting standard costs, calculating actual costs, and pointing out differences between these two.
- vi) **Control over methods and manpower:** Control over methods and manpower is required to ensure that each individual is working according to schedule. For this purpose periodic analysis of activities of each department is conducted. The functions performed, methods adopted, and time consumed by every individual are studied to eliminate non-essential functions, methods and time. Many organisations create a separate department or section known as 'Organisation and Methods' to keep control over methods and manpower.
- vii) **Control over capital expenditure:** Control over capital expenditure or acquisition of fixed assets exercised through the system of evaluation of projects and ranking of projects on the basis of their importance, generally on the basis of their earning capacity. A capital budget is prepared for the business as a whole. The budget is reviewed by the budget committee or appropriation committee. For effective control over capital expenditure, there should be a plan to identify the realisation of benefits from capital expenditure and to make comparison with anticipated results. Such comparison is important in the sense that it serves as an important guide for future capital budgeting activities.
- viii) **Control over service departments:** It is effected:
 - a) through budgetary control within operating departments,
 - b) through putting limits upon the amount of service an individual department can ask for, and
 - c) through authorising the heads of service departments to evaluate the request for service made by other departments and to use discretion about the quantum of service to be rendered to a particular department. Sometimes, a combination of the methods may be used.

ix) Control over line of products: Control over line of products is exercised by a committee whose members are drawn from production, sales and research departments. The committee controls the product-mix on the basis of studies about market needs. Efforts are made to simplify and rationalise the line of products.

x) Control over research and development: Control over research and development is exercised in two ways:

- 1) by providing a budget for research and development, and
- 2) by evaluating each project keeping in view savings, sales or profit potentialities.

Research and development being a highly technical activity is also controlled indirectly. This is done by improving the ability and judgement of the research staff through training programmes and other devices.

xi) Control over foreign operations: Foreign operations are controlled in the same way as domestic operations. The tools and techniques applied are the same. The only difference is that the chief executive of foreign operations has relatively greater amount of authority.

xii) Control over external relations: External relations are regulated by the public relations department. This department may prescribe certain measures to be followed by other departments while dealing with external parties.

xiii) Overall control: Control over each segment of the organisation contributes to overall organisational control. However, some special measures are devised to exercise overall control. This is done through budgetary control, project profit and loss account and balance sheet. A master budget is prepared by integrating and coordinating budgets prepared by each segment. The budget committee reviews such budget. This budget acts as an instrument for overall control. Profit and loss account and balance sheet are also used to measure the overall results.

Check Your Progress B

- 1) Which of the following statements are True and which are False.
 - i) Control techniques may be said to be efficient if subordinates like them.
 - ii) Past deviations can be corrected only if controls are forward looking.
 - iii) Expenses on control should not matter because control relieves the manager of their worries.
 - iv) Manager having no control over external factors should not try to control internal disturbances.
- 2) Enumerate the critical or key result areas where control should be exercised by managers.

i)	v)
ii)	vi)
iii)	Vii)
iv)	viii)

16.9 LET US SUM UP

The study of management practices cannot be complete unless the controlling function is clearly understood. Control may be defined as the process of analysing whether actions are being taken as planned and taking corrective measures to make these conform to the plan of action. It is a continuous process which helps a manager to get the performance of his subordinates correspond to the standards fixed, to detect the variations as soon as they occur, and to take corrective steps to prevent them in future.

The characteristic features of control include: Control is all pervasive function, control is a continuous process, planning is the basis of control, action is the essence of control, control is a forward-looking process, delegation is the key to control and control allows the organisation to cope with uncertainty.

Proper control smoothens the working of an organisation. Existence of an efficient system of control creates an atmosphere of order and discipline and helps greatly in minimizing the chances of work being defective or being delayed. The importance of control function also arises from the various benefits derived from it. Like adjustment in operations, managerial responsibility, psychological effect, coordination in action and organisational efficiency and effectiveness.

The process of control involves (1) establishing standards (2) measurement of performance (3) comparing performance with the standards and ascertaining the causes of differences, if any, and (4) correcting deviations by remedial action.

To be effective and to serve its purpose, the system of control must satisfy certain requirements, which includes; (1) Definition of objectives in clear terms; (2) Efficiency of control techniques; (3) Assigning responsibility for control; (4) Direct contact; (5) Suitability of the system to the organisation; (6) Flexibility; (7) Encouragement of self-control; (8) Strategic point control' (9) Timely corrective action; (10) Forward-looking control; (11) Attention to human factor; (12) Economical; and (13) Specifying objective standards.

Despite all precautions, controls are not always perfect since there are several limiting factors which restrict the effectiveness of controls.

Controls may be distinguished on the basis of the key result areas where controls should be exercised. Controls may also be distinguished on the basis of their nature and purpose. Thus, controls may be divided into several categories, such as: (1) Physical and financial controls (2) Control over actual and anticipated performance, and (3) Control over activity or areas of operation.

16.10 KEY WORDS

Control: Process of verifying whether performance of work is in conformity with plan and correcting it where necessary.

Control by exception: Attending only to significant or exceptional deviations in the process of control.

Financial Control: Control over cash flows, capital, income, expenditure and profits.

Forward-looking Control: Correcting deviations to safeguard the future

operations in the concern.

Physical Control: Control over the safety and maintenance of properties, assets and physical quantifiable objects.

Standards: Norms of work performance.

Strategic Point Control: Identifying and directing closer attentions to key or limiting factors and points in the process of control.

16.11 ANSWERS TO CHECK YOUR PROGRESS

- A) 1) The controlling function of management may be defined as the process of determining what is to be accomplished, what is being accomplished, and, if necessary, applying corrective measures so that performance takes place according to plans.
- 2) i) False ii) False iii) True iv) False v) True
- 3) i) Establishing standards of performance.
 ii) Measuring performance.
 iv) Comparing performance with standards and ascertaining the causes of differences, if any.
 v) Adopting corrective measures.
- B) 1) i) False ii) True iii) False iv) False v) True
- 2) i) Market standing ii) Innovation iii) Productivity
 iv) Physical resources
 v) Financial resources vi) Profitability
 vii) Manager performance and attitudes
 viii) Public responsibility

16.12 QUESTIONS FOR PRACTICE

- 1) What do you mean by controlling function of management? Describe salient characteristic features of control.
- 4) “Control is a fundamental management function that ensures worth accomplishment according to plans.” Discuss.
- 5) Explain the importance of control in a business enterprise. What are the requirements of an effective control system?
- 6) Explain in detail various stages in the control process.
- 7) Enumerate the various requisites of an effective control system and outline the limitations of control.
- 8) Discuss various types of control or control areas.

Note: These questions will help you to understand the Unit better. Try to write answers for them. But do not send your answers to the university. They are for your practice only.