Control And Its Process

Batch: FO_J11_01
Subject: Management
CS Foundation Programme
The ICSI Ahmedabad Chapter
Introduction

- Controlling is an important function of management. It is the process that measures current performance and guides it towards some predetermined objectives.

- The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but also pinpoints the reasons why it has happened and provides data that enable the manager to take corrective steps, if he finds he is on the wrong track.
DEFINITION

- According to George R Terry - "Controlling is determining what is being accomplished i.e., evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans."

- In the words of Haynes and Massie - "Fundamentally, control is any process that guides activity towards some predetermined goal. The essence of the concept is in determining whether the activity is achieving the desired results".
STEPS IN CONTROL PROCESS

1. Establishing standards.
2. Measuring and comparing actual results against standards.
3. Taking corrective action.
Establishing Standards

- The first step in the control process is to establish standards against which results can be measured.
- The standards the managers desire to obtain in each key area should be defined as far as possible in quantitative terms.
- Standards expressed in general terms should be avoided.
- Standards need to be flexible in order to adapt to changing conditions.
Measuring and Comparing actual Results against Standards

- Measurement of performance can be done by personal observation, by reports, charts and statements.
- If the control system is well organised, quick comparison of these with the standard figure is quite possible.
- A quick comparison of actual performance with the standard performance is possible, if the control system is well organised.
Taking Corrective Action

- After comparing the actual performance with the prescribed standards and finding the deviations, the next step that should be taken by the manager is to correct these deviations.

- Corrective action should be taken without wasting of time so that the normal position can be restored quickly.

- These steps must be repeated periodically until the organizational goal is achieved.
ESSENTIALS OF EFFECTIVE CONTROL SYSTEMS

1. **Suitable:** The control system should be appropriate to the nature and needs of the activity. In other words, control should be tailored to fit the needs of the organisation.

2. **Timely and Forward Looking:** The feedback system should be as short and quick as possible. If the control reports are not directed at future, they are of no use as they will not be able to suggest the types of measures to be taken to rectify the past deviations.
3. **Objective and Comprehensive:** The control system should be both, objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for argument by the employees.

4. **Flexible:** The control system should be flexible so that it can be adjusted to suit the needs of any change in the environment. A sound control system will remain workable even when the plans change or fail outright. It must be responsive to changing conditions.

5. **Economical:** Economy is another requirement of every control. The benefit derived from a control system should be more than the cost involved in implementing it.
ESSENTIALS OF EFFECTIVE CONTROL SYSTEMS

6. **Acceptable to Organisation Members:** The system should be acceptable to organisation members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards as unreasonable or unrealistic.

7. **Motivate People to High Performance:** A control system is most effective when it motivates people to high performance.

8. **Corrective Action:** Merely pointing of deviations is not sufficient in a good control system. It must lead to corrective action to be taken to check deviations from standard through appropriate planning, organizing and directing.
9. Reflection of Organisation Pattern: Organization is not merely a structure of duties and function, it is also an important vehicle of control. In enforcing control the efficiency and the effectiveness of the organisation must be clearly brought out.

10. Human Factor: A good system of control should find the persons accountable for results, whenever large deviations take place. They must be guided and directed if necessary.

11. Direct Control: Any control system should be designed to maintain direct contact between the controller and controlled. Even when there are a number of control systems provided by staff specialists, the foreman at the first level is still important because he has direct knowledge of performance.

12. Focus on Strategic Points: A good system of control not only points out the deviations or exceptions but also pinpoints them where they are important or strategic to his operations.
Budgetary Control

- **Budget**: “A financial and/or quantitative statement prepared prior to a defined period of time of the policy to be pushed during that period for the purpose of attaining a good objective.”

- **Budgetary control**: “The establishment of objectives relating to the responsibilities of executive to the requirements of a policy and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy or to provide a basis of its revision.”
Purpose of Budgeting

- To develop an organized procedure for planning
- Means Coordination
- A basis of control
- Increase efficiency in the field of production
- To determine capital requirement
- To encourage research and development
- To increase utility of cost records
Benefits of Budgeting

1. Maximum efficiency
2. Scrutinizing of the Expenses
3. Gives a target
4. Management by exception
5. No overlapping of the activities
Danger in Budgeting

1. Cumbersome and costly
2. Prime importance to departmental goals than whole enterprise goal
3. Time consuming
4. Rigid
Essentials for Success

- Objectives must be defined
- There should be a budget director
- Must be appropriate for changing condition, strategies of the firm.
- Must be flexible
- Limiting factors must be located
- Sufficient time to be allowed for budget programme
Reporting

- The report should be factual and objective
- The report should be brief and concise but clear
- Report must show what is exceptional
- Report must be shelved which is not used
- One copy must be given to the responsible person of department.
- Report should be prompt.
Non Budgetary Control devices

1. BEP Analysis
2. Internal Audit
3. Statistical Data
4. Personal observation
Control of over all performance

1. Budget summaries and reports
2. P&L control
3. ROI
4. Internal external Audit
5. Key Results
   - Profitability
   - Productivity
   - Employee Attitude
6. Control through inter firm comparison
Network Analysis

- It is a technique for planning and controlling complex projects and for scheduling the resources required on such projects.
- The result of this analysis are represented diagrammatically as a network of interrelated activities.
A critical path consists of that set of dependent tasks (each dependent on the preceding one), which together take the longest time to complete.

This path is shown with the network diagram.

It defines most critical activities where to pay more attention.

It assist in avoiding waste of time, energy and money on unimportant activities.
CPM and PERT

- Program evaluation and review technique (PERT) is a variation on Critical Path Analysis that takes a slightly more sceptical view of time estimates made for each project stage.
- PERT charts depict task, duration and dependency information.
- It assist project manager in
  1. Planning and schedules and costs
  2. Determining time and cost status
  3. Forecasting and manpower skill requirement
  4. Predicting schedules slippages
  5. Developing alternative time cost plans
  6. Allocating resource among tasks
Management Audit

Management Audit may be defined as the systematic and dispassionate examination, analysis and appraisal of management’s overall performance.

For example, production efficiency and investment.

Financial audit is compulsory, looks into past and useful for the external parties more.

Management audit is not compulsory, looks into future and mostly for internal purpose.
Appraisal Areas

1. Economic function
2. Corporate structure
3. Health of earnings
4. Service of shareholders
5. Research and development
6. Directorate analysis
7. Fiscal policies
8. Production efficiency
9. Sales vigor
10. Executive evaluation.