CHAPTER – 8
CONTROLLING

CONCEPT MAPPING:

CONTROLLING – 6 MARKS

MEANING OF CONTROLLING

IMPORTANCE OF CONTROLLING

LIMITATIONS OF CONTROLLING

PROCESS OF CONTROLLING

RELATIONSHIP BETWEEN PLANNING AND CONTROLLING

NATURE OF CONTROLLING

Process of Controlling

Comparing actual performance with standards

Measurement of actual performance

Setting performance standards

Analysing deviations

Taking corrective action
Key Concepts in nutshell:

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**

Controlling ensures order and discipline by fixing standards in advance which leads to improved employee motivation, it also facilitates efficient use of resources, judging the accuracy of standards, facilitates coordination in action which will result into accomplishment of organizational goals.

**LIMITATIONS OF CONTROLLING:**

- Difficulty in setting quantitative standards
- Costly affair
- Little control on external factors
- Resistance from employees
1. **Difficulty in setting quantitative standards:** It is difficult to set standards for all types of activities this makes measurement of performance and their comparison with standards a difficult task.

2. **Little control on external factors:** Business environment is ever changing. The firm has no control on external factors such as government policies, technological changes, competition etc.

3. **Resistance from employees:** Employees oppose controlling measures taken by any organisation.

4. **Costly affair:** It is a costly affair as it involves a lot of expenditure, time and effort. Especially small organizations cannot afford.

**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 experiences and the corrective action initiated by control function.
Questions (with some hints wherever necessary)

Important questions are shown with * mark and the Most important questions are shown with ** mark

*1. Give the meaning of Controlling.  
2. Define Controlling.  
   Ans: It is a process of taking steps to bring actual results and desired results closer together.  
3. Which function of management ensures that actual activities confirm to planned activities?  
   Ans: Controlling  
4. Name the function of management which reviews the operations in a business unit.  
   Ans: Controlling  
5. Why it is said that planning is meaningless without controlling?  
   Ans. In the absence of controlling, actual performance will not be measured and compared. So, how far plans are implemented cannot be known.  
6. Why it is said that controlling is blind without planning?  
   Ans. Without laid standards actual performance cannot be compared.  

**7. Explain the limitations of Controlling.  
**8. Planning is looking ahead whereas controlling is looking back. Discuss.  
9. Explain how controlling helps in 'achieving better co-ordination' and 'better planning'.  
   Hint: Refer Importance of Controlling.  
10. Controlling is a pervasive function. Explain  
   Ans: It is a pervasive function, it is required every level and in any type of organisation.  
11. Does control help in 'judging the accuracy of standards' and 'improving motivation of the employees'? Explain  
   Hint: Refer importance of Controlling  
**12. Explain the difference between Planning and Controlling.  
   Hint: Refer Relationship between Planning and Controlling
13. ‘Planning and Controlling are mutually interrelated and interdependent activities’
How?  
Hint: Relationship

14. “Controlling is forward looking” Explain

15. Controlling is looking back. Explain

*16. “If you try to controlling everything you may end up by controlling nothing”
Discuss

Hint: Management by exception.

*17. “Controlling is not a panacea for every problem in the organisation” Discuss 3M
Hint: Limitations of controlling.

*18. What is Critical Point Control?

Ans: It is neither economical nor easy to keep a check on each and every activity in an organisation. Controlling should focus on key result areas (KRAs) only which are critical to the success of the organisation.

19. “Planning is the first function and control is the last function of managerial process”  
Discuss

20. Control moves from downward to upward whereas planning moves from top to bottom. Discuss

21. Controlling is a continuous activity in an organisation.

*22. What are the factors to be kept in mind while setting standards?

Ans:

i) Standards should be in measurable terms

ii) Standards should be flexible to change

iii) They may be in qualitative or quantitative

iv) They should be stated in clear terms without any ambiguity

**23. “Measurement of a company’s performance may involve calculation of certain ratios like gross profit ration, net profit ratio, return on investment ration etc.”
Identify the function of management involved in the given statement and explain the relevant step.

24. How does controlling help in ‘achieving objectives’ and ‘improving employee morale’? 3M

Hint: Refer importance of Controlling

25. Controlling is an indispensable function of management. Do you agree? Give four reasons in support of your answer. 5M

Hint: Importance of Controlling

26. If planning is done carefully and accordingly other functions of management are going in the right direction, then there is need of the controlling function of management. Do you agree with the statement? Give reasons in support of your answer. 5M

Hint: Importance of Controlling

27. “There is close and reciprocal relationship between Planning and Controlling” Explain this statement through an example. 5M

28. There are two managers of a company Rahul and Rohit. Rahul is saying that ‘Planning is looking ahead whereas controlling is looking back’. On the other hand, according to Rohit planning is looking back whereas as controlling is looking ahead. Who is correct and why? 5M

Hint: Both are correct.

29. Control is considered important for many reasons. Explain any five such reasons. 5M

30. “A production in change was given a standard toy train. He was asked to produce similar other toy trains. What control process would he have followed?” 5M

Hint: Process of Controlling.

31. “An ideal control technique is one that checks every bit of performance” Comment. 5M

Hint: Management by exception.

32. Suggest the corrective actions to be taken for the following causes of deviation.

i) Defective material

ii) Defective machinery

iii) Obsolete machinery

iv) Defective Process

v) Defective physical conditions of work 5M
Ans:

i) Change the quality specification for the material used.

ii) Repair the existing machine or replace the machine if it cannot be repaired.

iii) Undertake technological upgradation of machinery

iv) Modify the existing process

v) Improve the physical conditions of work

**33. Explain the process of controlling.**

**34. Explain the importance of controlling.**

**35. Explain the relationship between Planning and Controlling.**

36. Explain briefly the various steps involved in the process of controlling.

37. “Comparing the actual performance with laid standard, finding out deviations and taking corrective action is an important process of a function of management” Name and explain the process of that function.

Hint: Process of Controlling

**38. “Control does not require any process” Comment**

Hint: This statement is wrong. Controlling has a process which contains five steps in a given serial order.

39. “Controlling is a systematic process involving a series of steps” Explain

*40. Explain the importance of managerial function which provides direction to work effort in conformity with the plans.

Hint: Importance of Controlling

**41. “In the absence of of a managerial function, planning goes unchecked “Name the function and explain its importance.**

Ans.

(i) **Accomplishing organizational goals:** The controlling function measures progress towards the organizational goals and brings to light the deviations, if any, and indicates corrective action.

(ii) **Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate and objective.
(iii) Making efficient use of resources: By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms.

(iv) Improving employee motivation: A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to give better performance.

(v) Ensuring order and discipline: Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimize dishonest behaviour on the part of the employees by keeping a close check on their activities.

(vi) Facilitating coordination in action: Controlling provides direction to all activities and efforts for achieving organizational goals.

**43. Planning without controlling is blind and vice-versa. Discuss.**

Ans. Planning and controlling are inseparable twins of management. A system of control presupposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational, controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans. Planning without controlling is meaningless. Similarly, controlling is blind without planning. If the standards are not set in advance, managers have nothing to control. When there is no plan, there is no basis of controlling. Planning is clearly a prerequisite for controlling. It is utterly foolish to think that controlling could be accomplished without planning. Without planning there is no predetermined understanding of the desired performance.