

Managerial Control

Controlling activity is a basic feature of all live systems. Hence, it is necessary that the managers should have the knowledge about the concept of control. Otherwise, they can not perform their functions successfully. Besides, the employees working in any institution/organization will also be not able to make the activities and the systems of the organization, effective, without proper control. If the future events, which are very uncertain are not kept under control, the organization will have to leave itself on the mercy of these events, which is not proper.

Meaning and Definitions of Control

Generally, control means, accomplishing the functions, according to the plan, In other words, the function of the control is to see, whether various activities of the enterprise are being performed, in conformity with pre-determined plans, objectives, principles and directions, or not. If not, taking the corrective action, by ascertaining the reasons of variations, is called managerial control.

Following definitions of control/managerial control, deserve mention :

1. In the words of **B.E. Goetz**, "Managerial control seeks to compel events to conform to plans."

2. According to **Invancevich and Gibson**, "The controlling process consists of actions and decisions which managers undertake to assure the actual results are consistent with desired results.

3. In the words of **Robert Anthony**, "Managerial control is that process by which manager determines the obtaining and utilizing of resources by effective and efficient method for fulfillment of organizational object."

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

5. In the words of **E.F.L. Brech**, "Controlling *i.e.* checking current performance against pre-determined standards and targets contained in the plans, with a view to ensuring adequate progress and satisfactory performance, whether

physical or financial, also contributing to decision in continuing or changing the plans as well as recording the experience gained from the working of their plans as a guide to possible operation."

Hence, control or managerial control is that process, in which it is seen, whether various activities of the enterprise are being performed, in conformity with pre-determined plans, or not if not, corrective measures are taken, by ascertaining the causes of variations, so that these may be directed, according to the plan.

Nature or Characteristics of Control

Following characteristics are observed in managerial control, on the basis of its definitions, given by management experts :

1. Managerial Functions : Control is a managerial function. Just as the manager accomplishes other functions of management, he also performs the function of managerial control. This function may be successfully performed by the manager, through line organization. However, if the line officer desires, he may take the help of the specialists and the employees, in that function.

2. Based on Planning : Control is based on planning because control is not possible, without planning. Future activities and their standards are executed through planning. The function of planning is to see, whether the task is according to those activities and standards, or not.

3. Continuous Process : Control is a continuous process, because attention is continuously paid on the objectives, plans, policies, working methods, programmes, economic structure and their effects, through control. In this regard, an economist has said, "Just as a navigator of the plane, goes on studying, with the help of the appropriate machinery, aiming at providing correct direction to the plan, similarly the manager also goes on making to his organization, understand, the correct direction through his various control studies."

4. Future Looking : Control is related to future. Past activities can not be executed, now. Past events can, however, provides guidelines for activities, in the future. Similarly, the objective of planning is also to get future activities executed, on the basis of determined standard. If obstacles or problems arise in the performance of activities, at present, efforts are made to prevent their repetition in future.

5. Guiding Activity : Control is a given guidance for checking the errors and improving the working system. In this regard, Brech has stated, "The skill of control is implicit in the guidance and supervision to the employees team, and not in obtained special knowledge of the systems and working methods."

6. Circular Speed : Control begins from planning. Planning consists of determination of objectives. These objective, are the standards, as well, in whose context, the performance of the employees is evaluated and examined. It is on its basis that the manager takes the corrective measures. As a result, determining several new plan-standards may be necessitated. In this way, the control reaches to planning by the circular speed, by starting also from the planning.

7. Necessary at All Levels of Management : Control is required at all levels of management. Every officer requires to have control on his subordinate employees. Inspectors and foremen control the workers, the heads of the departments control their workers, the heads of the departments control their subordinate employees and top level managers control their heads of departments. Besides that, the middle level managers control policy implementation and lower level manager control, actual work operation.

8. Positive and Negative Approach : Control may be with positive or negative approach control in positive form increases the production, by maximum utilization of the resources of the enterprise, whereas in negative form, puts check on undesirable and impure performance.

9. It is a Complete System : Control is such a system, in which it is essential to include all aspects of the activities of the institution. Control views all circumstances, economic, social, cultural and legal, in the totality.

10. Control is Different from Interference : Control is different from interference, because efficiency may go up by control. However, efficiency may go down, due to interference. Similarly, work freedom and feeling of self control is implicit in control, whereas such type of feeling does not exist in interference.

11. Multi-purpose Thought : Control is used at various levels of management, i.e. top level, middle level and low level, in different sense. At **top level**, it is used in the sense of overall evaluation of results, is used in the sense of making performance, in conformity with specified plans and target at the middle level and in the sense of overseeing, examining and correcting the work progress, at low level.

12. Other Characteristics :

- (i) It may be indirect and indirect form, like direct control is exercised on money, materials, goods, machineries, etc. whereas control on persons is automatically exercised, indirectly.
- (ii) Its scope is wide, as it applies to physical and human resources.
- (iii) Control is based on facts, statistical data and conclusions.

Objectives of Control

The main objective of control is to establish balance between various human resources, physical resources and the efforts. According to **E.F.L. Breach**, "The objective of control is to provide informations, so that statistical base may be provided to future plans." Similarly according to **Dalton E. McFarland**, "The objective of the control is to direct the activities, according to the plan."

Briefly, following are the objectives of control :

1. To maintain balance between objectives, resources, production and efforts.
2. To direct the activities, according to plan.
3. To gain information about the targets.
4. To know the progress of work-performance, according to the plan.
5. To know the quality, cost and date of performed task.

6. To know the effect of performance, and to evaluate it.
7. Safeguarding the assets.
8. To ascertain, whether manpower, material and other facilities are available, or not, for doing the determined work.
10. To ascertain, who is responsible for taking corrective measures and what will be its cost ?

3. Financial Control : Under financial control, control is exercised on cost, cash, capital activities and other activities, etc.

4. Control on Human Resources (Personnel) : It includes manpower, remuneration, employees welfare, social security and other terms of employment.

5. Control on Material : Control on material includes, proper quantity, price, timely purchase of raw material, internal and external changes, warehousing arrangements, material handling and maintenance, and material schedule control, etc.

6. Office Control : Under it, the managers determine working method, systems, policies and rules for the office. Thereafter, they see, whether work is performed, accordingly or not. If not, instructions are given to improve the deficiencies.

Need and Importance of Control

Control is the basic function of management, which relates to the measurement and evaluation of the efficiency. It facilitates efficient performance of managerial functions. Explaining the importance of control, **George R. Terry** has said, "Control co-operates in accomplishing the activities, according to the plan, it also ensures that their direction is proper and indicates proper interrelation among various factor, so that co-ordination may be achieved.

Following is the need and importance of control :

1. Facing the Business Complexities : In modern age, the form and operation of business has become highly complex, due to competition, fashion, techniques, government interference, specialization and increasing size. However, control faces these complexities and gets victory over them.

2. Evaluation of Planning and Organization : Weaknesses of planning and organization are known, by control and these may be corrected, according to the requirements. Similarly, whatever are the final outcomes of exercising the control, they also provide facts and informations for future planning and organization.

3. Increasing Organizational Effectiveness : Environmental factors are changing. These changes effects organizational plans, also. The employees makes errors and even several motivated employees also do not perform their work. Hence, motivation is necessary for solution of the problems and for the adjustments of the plans and objectives. Hence, **Malyak** has said, "Better control leads to high organizational effectiveness.

4. Safety from Risk : Control is a valuable insurance to provide safety, against various types of risks, since through control, it may be known, whether the organization is earning high or low profit and whether it will be able to sustain in the competition, or not. Control exercise examines every activity and indicates the reasons of weakness, facilitates the review and taking of corrective measures and overcomes the weaknesses.

5. Check on Misuse of Authority : Authority is delegated to fulfill the objectives of the organization. But, how it may be known that the works are performing, according to the delegation ? It is possible, only through control

Besides that, the control also provide opportunity to the subordinate employees to develop self confidence and leadership qualities. That way, control stops the misuse of authority.

6. Increases Moral : According to Dalton E. McFarland, "The employees do not like that situation, which is not under control. On being so, they can not assess, what will be towards them. They become victim of usefulness, rather than becoming the beneficiary. Hence, by existence of control, the employees have certainty for their future and their morale goes high."

7. Facilitates Co-ordination : Control helps in establishing co-ordination, in the area of management. It establishes adjustment, between the objectives and the means of the organization and co-ordinates physical resources with human values. Besides, co-ordination is also established between the policies and objectives of the organization, through exercising control on the functions of various employees.

8. Co-operation in Decision -Making : Decision-making and control have close relation. Most of the decisions taken by the higher authorities are taken, by keeping control in view. In this regard, W.T. Jeran has observed, "Controls work for making successive decisions, easy and makes possible, the achievement of the objectives inherent in basic policy-decisions." Thus, it becomes clear that the control co-operates in decision-making.

9. Check on Corruption, Thefts and Immorality : Control helps in checking corruption, theft, immorality, delay in working, serious errors, defalcation, accidents and unjust activities. As a result, feeling of discipline is developed, working efficiency also increases and managerial functions are operated, smoothly.

10. Motivation to Employees : Causes, locations and parties of laxity in works may be ascertained through control and the employees may be motivated to obviate the laxities, through various methods.

11. Standards of Quality becomes Possible : Control effects the quality of goods and services produced and sold by the organization. As a result, the profits of the organization go up, public image of the organization also improves and customers get higher satisfaction. For that, techniques like blue print, quality control and inspections, etc. are resorted.

12. Evaluation of Performance : The extent of difference between the standard and actual performance may be ascertained, by comparing the performance with the standards, as also the causes of this difference and how these may be reduced. Thus, the variations may be ended by evaluating the performance and repetition of errors in the future may also be avoided.

Principles of Control

Harold Koont's has emphasized on compliance of following fourteen principles to make and maintain the control policy, effective :

1. Principle of Assurance of Objectives : This principle of control makes emphasis on the fact that the control should be such, which may be helpful in achieving the objectives of the enterprise. Hence, control should be based on

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14. Principle of Action : The focus of this principle is on the fact that control is beneficial, only when corrective action is taken to overcome the variations, ascertained through control. Till effective steps not taken to end the variations, there will not be any benefit from the control process.

Elements or Criteria of a Good and Effective Control System

Every organization should have good and effective system for achieving most optimum results. Hence, it should be clearly defined, so that it may be made clear, what type of discipline will be enforced and at what level, it will be? In this regard, **Osburn** has stated that, "a good control system may include plan, organizational composition, appropriate operational policy, delegation of powers, working systems and communication, etc."

In brief, following are the elements of a good and effective control system :

1. Easy and Understandable : Control system should be easy and understandable. The system, which is not understood by the managers, will always be ineffective. That control system is considered easy effective, which may promptly indicate to the managers, what, when and how, they have to do? In this regard, **Drucker** has said "confusions are created by complicated controls. They concentrate their attention on control system and methods, by diverting from, what is to be controlled ?

2. Suitability : Control system should have the capacity to fulfill the needs of the organization. For that, it should be in accordance with the nature of the work or the activity the requirements. Besides, control system is required to be audited also, from time to time.

3. Economy : Control system should be such that the benefits gained from it are much more than the expenditure incurred on it. Limits of control should be determined, on the basis of precise standards, to make it, economical. In this regard, **Peter F. Drucker** has said, "Control is a principle of economy."

4. Objectful : Control policy should be objectful. As far as possible, the standards of performance should be objectful. If it is based on facts and participation, it will be acceptable and workable, meaning thereby that the standards determined for the control system should be appropriate, precise and objectful.

5. Flexibility : Control system should be such, which may be modified, according to the circumstances. Similarly, it should have the capacity to adopt new development. In this regard, **Theyoheman** has said, "A good control system should keep equity maintained during constant changes occurring in the dynamic world."

6. Participative : A good control system should have the quality of being participative. For that, it is necessary to obtain the co-operation of the employees. Control system imposed from above is often opposed and doubts may be expressed on its success.

7. Future-Directed : Control system relates to future, and not to the past. Hence, it should be such, which may immediately indicate the variations of work performance, so that these variations may be avoided in future performance.

9. Emphasis on Exceptions : The control system should be such that the managers need to pay attention only to exceptional variation and not on all variations. It will save some time and the energy of the managers, which they may devote for other useful activities.

9. Communication : Control system should also have the quality of efficient communication, i.e. sufficient message is required to be given to the proper person at the proper time. As a result, the co-operation of the employees may become available in control activities and it will also be possible to keep the future evaluation of future plans, in view.

10. Continuity : Control system should have the continuity. Besides that evaluation should also have the continuity. In this regard, **Koontz** and **O'Donnel** has stated, "As the captain of a plane goes on continuously watching place of his destination, through, ruder similarly a manager also carries the business in the right direction, through his control system."

Process of Control

Several steps or stages of control process have been specified by management experts, like **Newman** and **Summer**, **Koontz** and **O'Donnel**, **James** and **Pears**, **Juran**, **Deckvith** and **Pears**, etc. According to **Pears**, following are the three steps of control process :

1. To plan
2. To compare actual works with the plans and to submit the report, and
3. To take the decision and to perform the work.

According to **Juran**, a control system should have following levels :

1. Selection of various points of control
2. Determination of units of measurement
3. Systematic measurement of actual works and summarization.
4. Selection of Standards of works.
5. Knowing the reasons of deviations between the standard and actual works.
6. To determine, what work is to be done, and
7. To work, according to the decisions.

Briefly, following are the steps in the control process :

1. Establishment of Standards : Determination of standard is the first step of control process. Generally, determination of standards means determination of those results, which are expected from the performance of any particular work. Hence, determination of standards is the basis of control. It is due to the reason that by this determination, deviations may be ascertained, by evaluating actual works. It means the performance easy and useful. Besides, self-control also becomes easy, due to determination of standards, because the standards tell us the difference between good and bad.

2. Measurement of Actual Performance : In this step of control process, the actual performance of the employees and the officers are evaluated works are of two types, direct and intangible. Direct works may be expressed, by quantity.

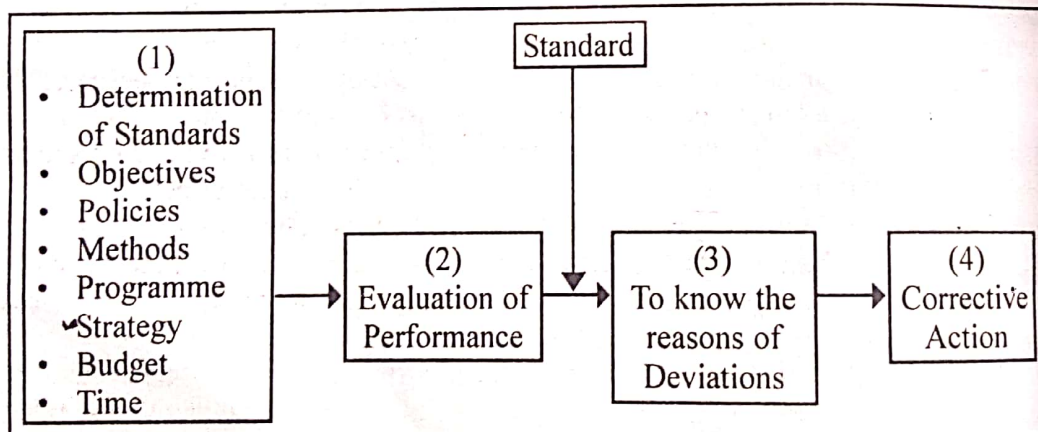
Hence, their evaluation is easy, like quantity of production, per unit cost and working hours, etc. On the contrary, intangible works can not be expressed, quantitatively and hence their evaluation is difficult, like efficiency of the managers, interest towards work, morale and honesty, etc.

Evaluation of actual performance is through various methods, like observation, inspection, reporting, scientific analysis, statistical methods, psychological tests and trend surveys, etc.

3. Knowing the Reasons of Deviation : This is the third step of control process, in which reasons of deviations are known, by comparing the performance with the standards. Deviation means that difference, which exists between the specified standards and the actual results. The deviation may be positive or negative. The question arises, to what extent, deviation is correct and to what extent, it is not correct? In response, it may be said that of the deviation is within determined limits, the managers need not pay attention, towards it, because small deviations are natural. But, if the quantity of deviation is much larger than pre-determined quantity, the reasons of deviation should be ascertained, otherwise, it will not be possible to improve the errors.

4. Corrective Actions : Taking corrective actions is the last step of control process. First three steps of control process relates to analysis of facts regarding the works, through which, it is known, when, to what extent and due to which reasons, the deviations have occurred. This step is related to stopping the recurrence of error, by correcting the deviations. That is why, **George R. Terry** has stated, "first three steps of control are related to diagnosis, whereas the last step relates to treatment. Control system is useless, without improvements."

Control-process may be explained, with the help of following chart :



Techniques of Control

Several techniques, tools and means are used for exercising control. Out of these, any one or more than one may be used, at a time. However, it is also not necessary that if some enterprise gets success in establishing effective control, by any one technique, some other enterprise may also be successful in establishing control, by the same technique. Hence, before using any means or technique, its circumstances, functions, need and scope, etc. should be kept in view.

Techniques of control may be divided in two parts :

(I) Traditional Techniques, and (II) Modern Techniques

(I) Traditional Techniques :

1. Individual Observations : By this technique of control, the work of the employees may be controlled, directly by personally observing them and establishing relations with them. In each organization, the work of the employees and the workers is overseen by low-level managers and officers like supervisors, foremen and the inspectors, etc. to have control, on their activities.

This technique of control helps the management to take immediate corrective steps or in providing directions, when so required. This technique has psychological effect on the employees, increases their morale and increases their working capacity. However, this technique is very expensive, complicated, time consuming and is inappropriate for big problems.

2. Control by Motivation : The work and efforts of the employees may also be controlled, by providing financial and non-financial motivations. Similarly, techniques, like fear or punishments may also be used for those employees, who are not motivated, even after getting all facilities and benefits.

The employees are automatically controlled, by the technique of control through motivation. It facilitates proper use of time, work output is also high and better results may be achieved, at the minimum possible cost. But, this technique is expensive and the feelings of the employees are that the facilities provided to them are adequate and they start demanding more. As a result, the atmosphere of unrest starts spreading in the organization.

3. Control by Exception : In this technique of control, the attention of the managers is drawn, only to those things, which are not being performed, according to plan, i.e. their attention is drawn only to exceptional situations.

Time of the managers is saved, by this method. It also provides opportunity to solve the problems of the subordinates and works of individual nature are seen and controlled by themselves. It adds to their morale. However, since the ultimate responsibility is of the managers, the subordinates may exercise carelessness.

4. Examine : This technique, among various techniques of control, materialises the saying, "better doing than saying". In what manner, work is to be done and in doing that, what things should be kept in view ? It will be more effective to show all these by doing, rather than saying. It is due to the reason that when an employee sees something being done, several mistakes and problems are automatically obviated, by observing it. Not only that, if the seniors want to make their employees punctual, to begin with, the seniors will have to be punctual, themselves.

5. Control by Policies : Policies are those particulars and guiding principles, which are used by the organization in performance of day to day activities. What is to be done in future, is possible to be determined, well in advance, on the basis of policies. As a result, success is achieved in the performance of the activities of the enterprise. It also facilitates control, by way of uniformity, in partiality and putting checks on deviations.

6. Control by Records and Reports : Deviations can be stopped, by comparing the actual performance with the standards, through the records and reports of the organization. Among these, daily and statistical reports are more important. Similarly, special reports are got prepared from the management consultants and experts to establish control over special problems.

Control through records and reports is possible only when these are easy, adequate and sufficiently informative, otherwise, effective control may not be established and it may not be easy also to understand.

7. Organizational Charts and Manuals : Organization charts specifies the mutual relations, between the officers and the managers and the working groups. Thereby, their powers, responsibilities and duties may be known. Similarly, the organization manuals mention policies, working systems and rules, etc. These facilitate establishment of control.

8. Disciplinary Action : This is a negative technique, which may be used, when the work and the behaviour is not satisfactory. If any subordinate makes the mistakes, provisions exist for punishment, so that the mistakes may not be repeated. However, power of initiation by the employees is hurt by this technique. Relations also become strained and morale and working capacity go down.

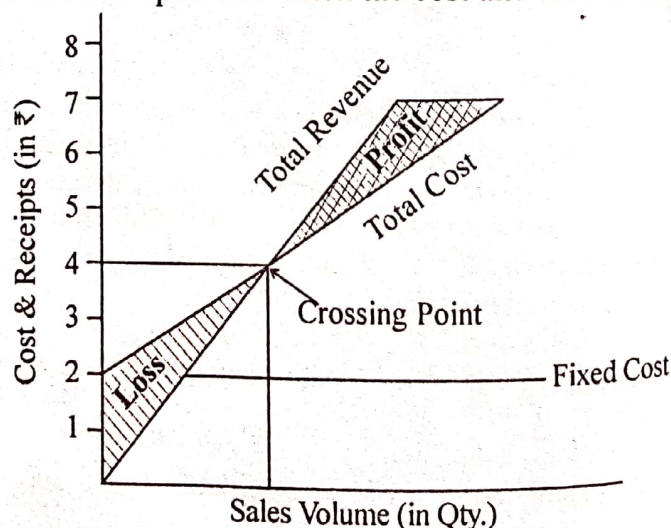
9. Written Instructions : In this technique of control, it is instructed, how the work is to be performed by the employees and what points should be kept, in view. As a result, clarity and certainty is introduced in the activities to be performed and errors and mistakes are overcome.

10. Budget : According to **Theo Haimann**, "Budget is the most effective instrument of control." Hence, budget is used as an important source of control, in the modern world. This is on document of estimated income-expenditure, control is established by comparing actual performance with the budget estimates.

11. Accounting : Control on income-expenditure, assets, funds and liabilities is possible, in the business organizations, by using accounting, as an important and practical method. Accounting has three main branches—financial accounting, cost accounting and management accounting, etc. Under it, standard cost accounting, marginal cost analysis, cost control accounting, ratio analysis, etc. are used for establishing control.

12. Auditing : Auditing technique is also used to examine financial accounts. Audit is of two types, internal and external. By auditing, repetition of mistakes may be avoided, by knowing the mistakes and hence fear of dishonesty is obviated. These auditing also relates to ability, quality of management, productivity and effectiveness of the resources. Auditing adds to the morale of the employees and the mistakes and deceptions are also removed.

13. Break-Even Point : This is that point of which the cost and the income is equal i.e. at this point, there is neither the profit, nor loss. This point helps in control on costs, production and sale, because it facilitates the managers to take decision, as to how much quantity of the commodity will have to be sold to recover the entire cost and how much profit the organization will earn, by it. It may also be understood, with the help of following diagram :



14. Ratio Analysis : Ratio analysis is an important technique to measure time efficiency and management efficiency of the organization and to have control over it. Profitability, liquidity and solvency in any organization may be easily measured and controlled, through it. Besides that, ratio analysis is also helpful in evaluation of comparative profit-loss account and of the efficiency of various departments.

15. Control Department : In those organizations, where the work of control is complicated and voluminous, separate control department is established, within the organization. The main functions of this department are, classification of information, analysis of information and preparation of appropriate reports and their submission to higher officers, etc. This department mainly carries out the functions of planning, of control, co-ordination and evaluation and corrective steps are also taken.

(II) Modern Techniques :

Following are the modern techniques of Control :

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| 1. Management Information System | 2. Managerial Audit |
| 3. Human Resource Accounting | 4. Network Analysis |
| (i) Programme Evaluation and Review Technique (PERT) | |
| (ii) Critical Path Method (C.P.M.) | |
| (iii) Resource Allocation and Multi-Project Schedule | |
| 5. Operational Research | 6. Linear Programming |
| 7. Simulation | 8. Queing Theory |
| 9. Game Theory | 10. Electronic Data Processing. |

Limitations of Control

Control is a complicated task. Through it, the plans may be successfully implemented and desired results may be achieved. However, it has certain limitations, as well. For exercising effective control, these should be kept into consideration. Briefly, following are the limitations of control :

1. Difficulties in Formation of Standards : Standards are the foundations of control, in which any activity is compared with the standards. Thereafter, if the work is not, in accordance with the standards, the control is required.

Standards are of two types :

- It is difficult to form physical standards, like wages per person, per capita production in units, price rate in rupees, time spent in per unit production, etc.
- Morale of employees, human behaviour, honesty, goodwill of the enterprise and enthusiasm, etc. are the intangible standards. It is difficult to control, even these.

2. Difficult to Know the Deviations and Solve Them : For control, it is difficult to know the deviations and solve the observed deviations, because to know the deviations, investigations, search, inspections and observations, etc. are required. Thereafter, services of the experts are availed. All these substantially increases the cost and are time-consuming also. The factory gets converted into a court and daily activities come to halt.

3. Difficult to Dertermine Individual Responsibility : Control is exercised, on the base of individual responsibility. But, sometimes, in spite of lot of efforts, it becomes difficult to decide, who is responsible for the lapse. In such situation, the control system fails to determine the responsibility and enforcing correcting actions also becomes difficult.

4. Opposition by People : Effectiveness of control mainly depends upon acceptance of the subordinates. Hence, their acceptance is also essential. But, the human nature is that they are opposed to controls, because they feel that control reduces their freedom. Hence, what to talk of getting their acceptance, even getting their co-operation is a difficult task.

5. Dependence on Internal Factors : Control depends more on internal factors. Control is not possible on the external factors of the organization, like control on market conditions, government policies, ups and downs in population and the conditions of money market, etc.

6. Narrow Approach : To exercise control, various techniques are adopted. As a result, the departments and the individuals develop, narrow approach and as far as possible, they