



19MEE312

PRINCIPLES

OF

MANAGEMENT



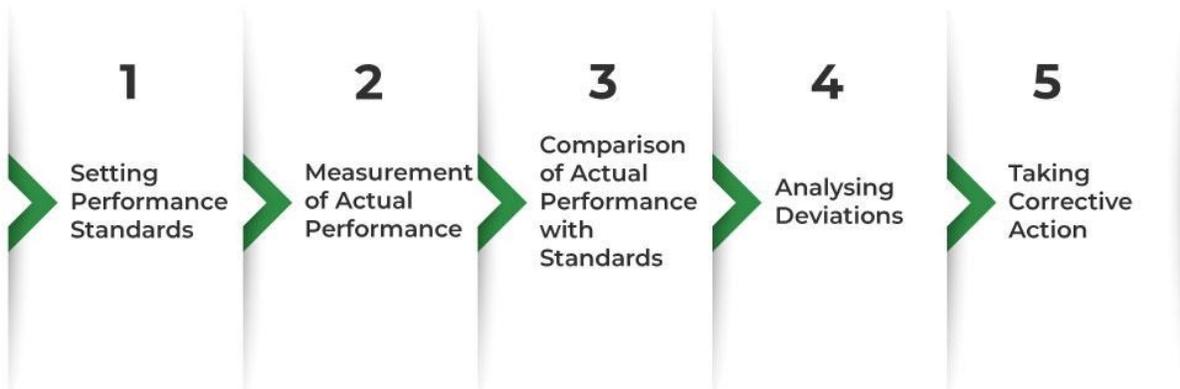
UNIT V

CONTROLLING

Process of Controlling

Controlling means comparing the actual performance of an organisation with the planned performance and taking corrective actions if the actual performance does not match the planned performance. Controlling cannot prevent the deviation in actual and planned performance; however, it can minimise the deviations by taking corrective actions and decisions that can reduce their recurrence.

5 Steps of Process Control





Process of Controlling

Different steps involved in the process of controlling are as follows:

1. Setting Performance Standards

The first step of the process of controlling is to establish standards of performance against which the actual performance of the organisation is measured. An organisation should clearly define its standards to the employees and must establish attainable, understandable, and realistic standards to be achieved. Standards can be set in quantitative terms as well as qualitative terms. Under **quantitative terms**, the standards of an organisation are expressed in quantitative terms like units of the product to be produced and sold, revenue to be earned, the cost to be incurred, etc. While setting the quantitative standards an organisation should keep them precise so as to easily compare the actual performance with the standards. However, under **qualitative terms**, the standards of an organisation are expressed in qualitative terms like time taken to serve a customer, motivation level of employees, etc. The qualitative standards should also be set in a way that makes the measurement easy.

Besides, the business environment in which an organisation works is dynamic and keeps on changing. Therefore, the established standards should be flexible so that they have a scope of change whenever the business environment changes.



2. Measurement of Actual Performance

Once the organisation has established the standards, the second step of the process of controlling is to measure the actual performance in a reliable and objective manner. The actual performance of an organisation can be measured through different techniques such as sample checking, personal observation, etc., and should be measured in the same units in which the standards are fixed to make the comparison easy. Usually, the actual performance is measured at the end of the performance. However, in some cases, organisations measure performance throughout the performance. **For example**, an electrical appliance organisation can check the parts before assembling them together to ensure the final product is not defective.

Also, while measuring the actual performance of an organisation, it should be kept in mind that both quantitative and qualitative aspects are being considered. Sometimes organisations focus more on the quantitative aspects and less on the qualitative aspects, which can be harmful to them. **For example**, the quantitative standard of lowering the cost of a product can be achieved by degrading its quality. This can for sure lower the cost of the product, but can also lose the customers of the organisation. Different departments of an organisation can measure its actual performance differently (like the production department by the number of units produced, the sales department by the number of units sold or customer satisfaction level, etc.).



3. Comparison of Actual Performance with Standards

The third step of the process of controlling is to compare the actual performance of the organisation with the established standards (in the first step). By comparing the actual performance with the standards, an organisation can determine the deviation between them. When the standards are expressed in quantitative terms, it becomes easy for the organisation to make comparisons as there is no subjective evaluation required. **For example**, it is easy for an organisation to compare the number of units sold in a month against the set standard. However, the comparison between the set standard for the motivation of employees with its actual performance is difficult.

4. Analysing Deviations

The actual performance and set standards of an organisation rarely match with each other. Usually, there is always some variation between the expected and actual performance. Therefore, the fourth step of the process of controlling is to analyse the deviations. To do so, an organisation must fix an acceptable range of deviation in performance. Besides, an organisation should focus more on the significant deviation and less on the minor deviations. For this, managers of an organisation usually take the help of **Critical Point Control** and **Management by Exception**.

A) Critical Point Control

Critical Point Control states that the control system of an organisation should focus more on the **Key Result Areas (KRAs)**, which are critical to its overall performance. It is not easy and economical for an organisation to keep a check on every activity with the same attention level. Therefore, it should pay more



attention to the key areas on which the performance of the whole organisation depends.

For example, if there is a 2% deviation in the production cost and a 15% deviation in the stationery expenses of an organisation, then it should focus on the deviation in its production cost, as it is a key area and can affect the profitability of the organisation.

B) Management by Exception

Management by Exception is based on *“If you try to control everything, you may end up controlling nothing”*, and states that the manager of an organisation should focus on the significant deviations which go beyond the set deviation limit. For this, the managers should establish a range of deviations for the performances and any deviation that goes beyond the set range must be given attention.

For example, the manager of an organisation has set the deviation limit in the production cost of 5%. Now, if the production cost of the firm deviates by 2%, then the managers can ignore such deviation. However, if the deviation is 10%, then it needs immediate attention.

Once the organisation has identified the major deviations, it has to analyse its cause. A deviation in the performance of an organisation can be because of many reasons, such as faulty processes, unrealistic standards, business environment, etc. Therefore, it is essential for the organisation to identify the exact cause of the deviation so that proper and corrective measures can be taken for the same.



5. Taking Corrective Action

The last and final step of the process of controlling is to take corrective action. If the deviations are within the acceptable limits set by the managers, then there is no need to take corrective action. However, if the deviations go beyond the set acceptable limit in the key areas, then proper and immediate managerial actions are required. An organisation can easily rectify the defects in the actual performance through the corrective steps.

For example, If the actual performance of the organisation deviates because of the lack of resources, then the managers try to procure them to meet the standards. However, if the actual performance deviates because of the lack of skills in the employees, then the managers might give proper and required training to the employees.

It shows that every deviation does not need the same corrective action. The rule, process, or method of corrective action changes with the requirement of deviation.

Reference: <https://www.geeksforgeeks.org/process-of-controlling/?ref=lbp>