**CHAPTER - 8**

**CONTROLLING**

Q1. Controlling function of an organisation is \_\_\_\_\_\_\_\_\_\_\_\_. (1)

(a) Forward looking

(b) Backward looking

(c) Forward as well as backward looking

(d) None of the above

Q2. Which of the following is an example of qualitative standards? (1)

(a) Time taken by a customer to wait or a table in a fast food chain having self service

(b) Time to be spent in performing a task

(c) Cost to be incurred

(d) Production units to be produced and sold

Q3. While scrutinizing the production records it is found that in a particular Batch, the rejection rate was 5% against the standard of 2%. The management found out that this was due to negligence of quality control staff. This action is part of which step in the controlling process? (1)

(a) Measurement of actual performance

(b) Comparing actual performance with standards

(c) Analysing deviations

(d) Taking corrective action

Q4. An important project at AMB consultants is running behind schedule by a month. This has upset their clients and might affect the reputation of the company in the long run. No managerial action like assigning more workers, equipment or giving overtime has been able to solve the problem. What managerial action may now be taken by the company to avoid such a situation from arising in the future?

 (1)

(a) Revise the schedule

(b) Assigning additional works and equipment to the project

(c) Get permission for further overtime work.

(d) Both (b) and (c)

Q5. Mr. Akshay had been heading the production department of Write Good Products Ltd., a firm manufacturing stationary items. The firm secured an export order that had to be completed on a priority basis, and production targets were defined for all the employees. One of the workers, Mr. Bhavnish , fell short of his daily production target by 10 units for two days consecutively. Mr. Akshay approached Ms. Vasundhara, the CEO of the Company, to file a complaint against Mr. Bhavnish Prasad and requested her to terminate his services. Explain the principle of management control that Ms. Vasundhara should consider while taking her decision. (3)

Q6. Explain how controlling helps in: (3)
(i)Accomplishing organisational goals; and
(ii)Judging accuracy of standards.

Q7. Explain 'Critical Point Control' as a measure of analyzing deviations. (3)

Q8. How does controlling help in achieving objectives and improving employers’ morale? (4)

Q9. ‘Planning is looking ahead and controlling is looking back’. Comment. (4)

Q10. "Planning and Controlling are inseparable twins of management." Explain.(4)

Q11. A company, 'R' limited, manufactures mobile phones, both for the domestic Indian market as well as for export. It enjoyed a substantial market share and also had a loyal customer following. But lately, it has been experiencing problems because its targets have not been met with regard to sales and customer satisfaction. Also, the mobile market in India has grown tremendously, and new players have come with better technology and pricing. This is causing problems for the company. It is planning to revamp its controlling system and take other steps necessary to rectify the problems it is facing.

a. Identify the benefits the company will derive from a good control system.

b. How can the company relate its planning with control in this line of business to ensure that its plans are actually implemented and targets attained?

c. Give the steps in the control process that the company should follow to remove the problems it is facing. (6)

Q12. Explain the process of controlling. (6)

**Answers**

Ans 1. (c) Forward as well as backward looking

Ans 2. (a) Time taken by a customer to wait or a table in a fast food chain having self service

Ans 3. (c) Analysing deviations

Ans 4. (a) Revise the schedule

Ans 5. In this situation, the principle of management by exception should be followed. This principle states that any effort to control everything may end up having control of nothing. Only deviations that are beyond the limit will need to be acknowledged, and appropriate actions need to be taken. Therefore, Mr. Bhavnish should not be terminated for such a small reason.

Ans 6. (i)Accomplishing organisational goals - The controlling function measures the performance against the pre-determined standards and corrects deviations. This helps in ensuring that organisation is moving on right track to achieve the organisational goals. In other words, by controlling, the manager ensures that resources are obtained and used economically and efficiently for the achievement of organisational objectives.
(ii)Judging accuracy of standards - A sound controlling system helps the management to verify whether the standards set are accurate and objective. It keeps a careful check on the changes, which are taking place in the organisation and helps in revising standards as and when required.

Ans 7. Critical point control: It means keeping focus on some key areas (KRAs) and if there is any deviation in these key areas, and then it must be attended urgently. Key areas are those which have impact on whole organisation. For example, if there is increase in production cost by Rs 5, per unit and there is increase in postal cost by Rs 20, then more focus should be to find out reasons for increase in cost of production as it will affect the profit and future revenue of organisation whereas postal cost is incurred rarely and managers have no control over postal cost.

Ans 8.  Controlling helps in achieving objectives and improving employers’ morale by following ways: Controlling helps in achieving objectives by continuously measuring the performance in the light of organisational goals brings out the deviations, if any and indicates the corrective actions to be taken. Thus, controlling keeps the organisation on the right track.
Controlling improves employers’ morale The implementation of controlling makes all the employees to work with complete dedication because they are aware that their performance will be evaluated, and they will have a chance to build their reputation in the organisation. The employees who show good performance are rewarded by giving them promotions, cash prizes, etc.

Ans 9. Planning is the process of creating a structure in advance regarding the work that needs to be done. It is helpful in defining the objectives and goals that need to be achieved by an individual or organisation. Therefore, it is said that planning is about looking ahead, which involves predicting about future. Controlling takes into consideration the assessment of past performance and comparing them with set standards. Due to these characteristics, it can be said to be a backward-looking future. But all these statements are partially correct, as planning is done based on past experiences and how to do better, similarly controlling although looks at past performance, its aim is to improve future performance. Hence, it can be said that both planning and controlling are forward and backward-looking functions.

Ans 10. Planning involves selecting enterprise objectives and deciding ways to achieve them. Controlling is the process of assuring that actions are in line with the plans. Planning sets the course and control makes event to conform the chosen course or initiates action to appropriately change the plan. All controls imply existence of goals and plans. No manager can ascertain whether his subordinates are operating in the desired way unless he has a plan. Control will be much better, if the plans are clear and well-coordinated.
Without planning, there is no basis for controlling activities. In the absence of plans, it is not possible to evaluate. In the absence of plans, it is not possible to evaluate performance. Similarly, without controlling, planned activities cannot be properly implemented and there cannot be improvement in future plans. Pre-determined goals can be achieved only through controlling. , Planning without control is useless and control without planning is meaningless. Planning, based on facts, makes controlling easier. Thus, planning and controlling are mutually inter-related and interdependent.

Ans 11. a. The company will derive the following benefits from a good control system:

i. Deficiencies in the system will be identified, and corrective steps can be taken accordingly. It helps the organisation to move towards the objective in the right way.

ii. Accuracy of set standards can be determined. If needed, the set of standards can be appropriately modified.

iii. Optimum resource utilisation will occur, so there will be less wastage of resources and more efficiency.

iv. The employees will be aware of their roles and expectations from the management, which motivates them to achieve the objective of the organisation.

b. Planning and controlling are closely related functions. While planning is all about what objectives need to be achieved and the steps to follow, controlling is about evaluating the work as per standards and taking necessary corrective actions as required. In the current situation, plans can be made with regard to customer satisfaction, sales and pricing policy. In the event of a lack of standards, there will be no control.

c. The company should follow the steps as mentioned below:

1. Standards should be set up which will serve as a benchmark for comparison against actual performance. Standards can be either qualitative or quantitative.

2. After setting the standards, actual performance needs to be analysed. It can be done by personal observation and collecting reports of performance.

3. The next step would be to compare the performances with standards and find deviations; then, necessary corrective steps can be taken to rectify them.

4. Deviations that are over the permissible range should be worked upon. It can be analysed using critical point control and management by exception methods.

5. The corrective steps are the last part of controlling as it works towards correcting deficiencies of the organisation.

Ans 12. (i) Setting performance standards: The first step in the controlling process is to set the performance standards.

Standards are those criteria, on which the actual performances are measured. These standards serve as a benchmark towards which an organisation strives to work.

(ii) Measurement of actual performance: After the establishment of standards, the next step is measuring the actual performance with the set standards. This can be done by opting several methods like personal observation, sample checking, performance reports, etc.

(iii) Comparison of actual performance with standards: In this step, the actual performances are compared with the established standards. Such comparisons reveal the deviation between planned and actual results.

(iv) Analysing deviations: At this stage, acceptable and non-acceptable deviations are analysed.

Two methods are generally used:

(a) Critical point control: It means keeping the focus on key result areas where deviations are not acceptable and they should be attended on a priority basis.

(b) Management by exception: It means that if a manager tries to control everything, he may end up in controlling nothing. Thus, he should first handle the significant deviations, which require his priority.

(v) Taking corrective action: The most important step in the controlling process is taking corrective actions. After the deviations and their causes are analysed, the task is to remove the hurdles from the actual work plan. The purpose of this step is to bring the actual performance up to the level of expectations by taking corrective measures.