
UNIT 15 CONTROLLING

Objectives

The purpose of this unit is to:

- understand the nature and purpose of control
- examine the prerequisites and characteristics of control
- describe the control process
- analyse the methods and managerial strategies of control

Structure

- 15.1 What is Control?
- 15.2 The Prerequisites and Characteristics of Effective Control Systems
- 15.3 The Control Process
- 15.4 Control as a Feedback System
- 15.5 Methods of Control
- 15.6 Policies and Design Choices in Control
- 15.7 Strategies of Control
- 15.8 Summary
- 15.9 Self-assessment Test
- 5.10 Key Words
- 15.11 Further Readings

15.1 WHAT IS CONTROL?

Control is the process of assuring the efficient accomplishment of enterprise objectives. In the turbulent environment faced by management, control is necessary to anticipate problems, measure performance against standards, take corrective actions for deviations from plans and if necessary, modify plans.

The term control may have some negative connotations for some. But, in the management process, it is a facilitating function aiding the organisation to accomplish the set objectives. To draw an analogy, it is like a thermostat in an air-conditioning system.

The primary responsibility for exercising control rests with every manager charged with the execution of plans. As Henry Fayol said, "In an undertaking, control consists in verifying whether everything occurs in conformity with the plans adopted, the instructions issued and principles established. Its object is to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything, things, people, and actions". It is wrong to assume that only top management has the responsibility for control and that there is little need for control at lower levels of management. While the scope for control may vary to some extent depending upon the position of an employee in the hierarchy, all those who have responsibility for the execution of plans need to exercise control too.

15.2 THE PREREQUISITES AND CHARACTERISTICS OF EFFECTIVE CONTROL SYSTEMS

The major prerequisites of control are two: a plan and a structure.

- Plan:** controls must be based on plan. The more clear and complete the plans are the more effective controls can be; plans become the standards by which the actions are measured.
- Structure:** There is need for a structure to know where the responsibility rests for deviations and corrective action, if any needed. As in the case of plans, the more clear and complete the organisation structure is, the more effective control can be. Controls, to be effective, should share the following basic characteristics:



Appropriate: Controls should correspond to an organisation's plans. Controls designed for a general manager are inappropriate for a supervisor. Similarly, control systems suitable for a line department may be inappropriate for a staff department.

Strategic: Control should serve a strategic purpose and provide spotlight on positive and negative exceptions at critical points.

Acceptable: Controls will not work unless people want them to. They should be acceptable to those to whom they apply.

Reliable and objective: Controls should be accurate and unbiased. If they are unreliable and subjective, people will resent them.

Cost-effective: The benefit from control should be greater than the costs. Control devices should yield tangible benefits.

15.3 THE CONTROL PROCESS

The control process involves three steps: (a) establishing standards, (b) measuring performance against these standards, and (c) reinforcing success/correcting deviations.

a) Establishing Standards: Standards mean criteria of performance. Standards may be of many kinds and include verifiable goals set in qualitative or quantitative terms. An organisation can establish standards in such areas as

- Profitability
- Productivity
- Market Share
- Worker Performance
- Innovation
- Social Responsibility

Standards can be based on past performance, managerial judgment or scientific analysis. Standards are used to measure performance and judge success or failure.

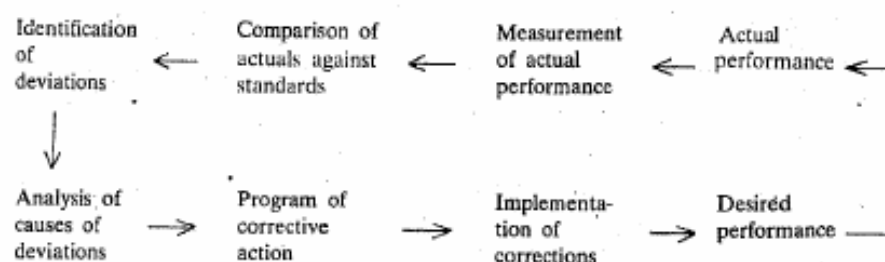
b) Measuring of Performance: Essentially, it is a comparison between "what is" and "what should be" the performance. Ideally, measurement should be done on a forward-looking basis to predict probable deviations from standards rather than merely be used as a post mortem exercise. To the extent prediction becomes possible, control becomes effective because appropriate actions can be taken well in advance of their actual occurrence.

c) Reinforcing Success/Correcting Deviations: When plans and organisation structures are clear, it is easy to reinforce success and avoid failures. When deviations are noticed or apprehended based on warning signs, the reasons can be analysed and appropriate corrective actions taken promptly.

15.4 CONTROL AS A FEEDBACK SYSTEM

Management control is usually viewed as a feedback system. This is seen more clearly by looking at the process involved in control system, as shown in Fig. I. Control is more than a matter of establishing standards, measuring performance and correcting for deviations. To initiate corrective action, there should be a programme (or a plan of action) which needs to be implemented and monitored as to whether such implementation will give the desired performance.

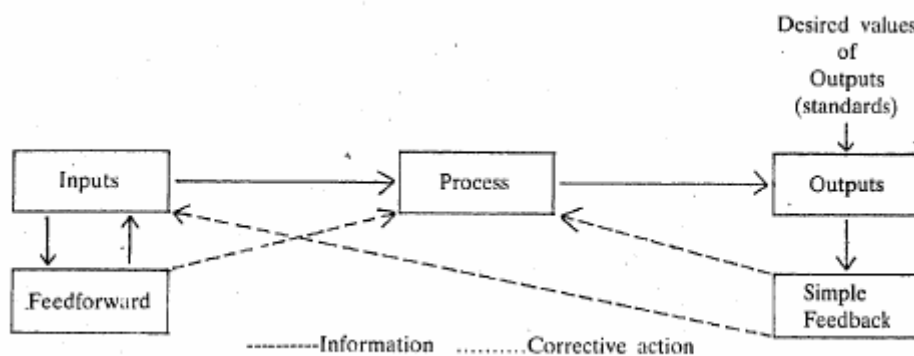
Figure 1: Feedback System in Control Process





In the simple feedback system there is a time lag in the control process. The old notion is to look at planning as looking forward and control as looking backward. But good management requires future-directed control where it is possible to get feedback somewhat ahead of actual happening than after the event. As Harold Koontz observed, "Since the past cannot be changed, effective control should be aimed at preventing present and future deviations from plans". Computers make it possible now to get feedback on a real-time basis, i.e., as of now or on a here-and-now basis. Where there are time lags in a system, corrective steps should be taken on a proactive basis predicting or anticipating efforts. As such, effective control systems should seek to overcome the deficiency of common or simple feedback systems to be modified as 'feedforward systems'. Feedforward systems monitor inputs into a process to ascertain whether the inputs are as planned; if they are not, the inputs, or perhaps the process, are changed in order to ensure the desired action. As shown in Fig. II a feedforward control system is really one of feedback. The only difference is that the information feedback is at the input side of the system so that corrections can be made before the system output is affected.

Figure II: Comparisons of Simple Feedback and Feedforward Systems:



Source: Koontz Harold (1981), "Management," Auckland, McGraw-Hill, p. 730.

15.5 METHODS OF CONTROL

Arthur Bedeian discusses nine methods of control and classifies them into three categories based on their frequency of use:

Constantly used controls: Self-control, group control and policies, procedures and rules.

Periodically used controls: Management Information Systems, External Audits and Budgets.

Occasionally used controls: Special reports, personal observation and project control.

The nine methods of control mentioned above (see Fig. III) are briefly discussed hereunder.

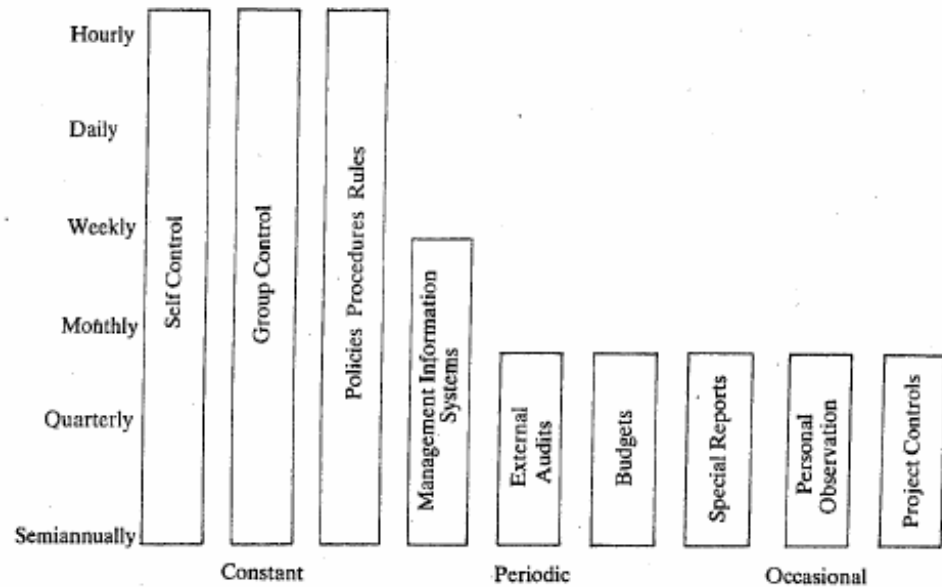
Constant Controls

Self-control: Managers need to exercise more self-control to minimise the need for other control methods and making control in the organisation acceptable and effective. Self-control means giving a fair day's work for a fair day's pay, reporting to work on time, discharging duties and responsibility properly and respecting the rights of others in the organisation. Self-control is more in tune with Theory Y discussed later in the unit on Leadership Styles and Influence Process in Block 5. Respect for self-control in an organisation can be a motivating factor. A sense of appreciation for self-control can be promoted among employees through training in behaviour modification.



Group Control: Work groups are a source of control. Group-defined norms exert greater influence in organisations than the norms that managements may choose to set unilaterally and thrust on groups. Group norms and group control can aid or hinder formal authority. Organisations would do well to develop and use group control processes to reinforce formal authority. While in some organisations group control processes helped increase output and improve quality, in others they resulted in restricting output. For group norms to contribute to organisational goals there should be a climate of trust and openness, a culture of cooperation than confrontation. Quality circle, quality of worklife programmes and work redesign experiments being taken up in some organisations are examples that point to organisational thrust toward reinforcing group control processes for achieving organisational goals through integration of members' interests with those of the organisation.

Figure Nine Methods of Control and Their Frequency of Use



Source: Bedian-A G-(1986), "Management", New York, Dryden Press, p. 553.

Policies/Procedures/Rules: These are essentially bureaucratic control mechanisms referred to in the discussion on control strategies. They reflect past managerial experience and include a variety of aspects concerning how to make certain decisions, deal with resources, etc. If the policies, procedures and rules are properly formulated, clearly communicated and implemented consistently throughout the organisation, they can be effective in controlling individual and work group behaviour.

Periodic Controls

Management Information Systems: A Management Information System is a mechanism designed to collect, combine, compare, analyse and disseminate data in the form of information. As such, management information systems link the various decision-making centres within an enterprise and serve a useful function in providing feedback for control purposes.

External Audits: The annual financial audit by an outside accounting firm is one form of external audit, mainly of the finances of an organisation. In the case of public sector units, such an audit is performed by Comptroller and Auditor General also. Forward looking progressive private companies have in the past sought to have a social audit, not for evaluating financial performance, but to find out whether and how well they have been discharging their social obligations. An example is the case of Social Audit conducted in Tata Steel in the late 1970s.



Budgets: Budgets are plans that deal with the future allocation and utilisation of various resources to different enterprise activities over a given period of time. Budgets help establish plans and also serve as the basis for measuring or evaluating the standards of performance. Budgetary control is a good example of bureaucratic control strategy (discussed separately in this unit).

Occasional Controls

Special Reports: These have a special role. Special reports can be commissioned by an organisation when its normal control systems point to the need for detailed investigation or study of a particular operational aspect. When major policy decisions of strategic importance are taken, special reports may be commissioned. These include situations where the organisations find the need for overcoming the existing difficulties, modernisation, expansion, diversification, merger, acquisition etc. Special reports vary in content and style depending upon the purpose. They could be prepared internally by managers in the organisation or by consultants or outside institutions. Special reports are a valuable method for controlling in turbulent environments, warranting changes in products and markets, technology and production processes, organisational structure, etc.

Personal Observation: Managers can know what is happening in an organisation by relying on information provided by others as also by finding out for them. First hand knowledge has to be critical to be effective. The importance of personal observation is best illustrated by Arthur Bedeian through his reference to the ill-fated ITT effort to build a giant wood/cellulose plant in Canada. The resulting \$320 million loss could probably have been averted if someone had just gone to Canada and looked at the trees, which grew to no more than an uneconomical 3 inches in diameter.

Project Controls: Various methods have been developed for controlling specific enterprise projects. The best example is the network analysis using the PERT tool. PERT is an acronym for Programme Evaluation and Review Technique. It is a diagram showing the inter-relationships between the events and activities that comprise a project. It is a detailed, easy-to-communicate means for determining current status of a project, stimulate alternative plans and schedules and controlling activities.

15.6 POLICIES AND DESIGN CHOICES IN CONTROL

Organisations have three options in exercising control:

- centralisation or delegation
- formal or informal
- direct or indirect

Preferences for one or a mix of all options are matters of judgment. Judgment in turn could be based on theory, practice or premonition. Each option has relevance in a particular situation. Here we shall briefly consider the three options mentioned above.

Centralisation or Delegation

The concepts of centralisation, decentralisation and delegation were discussed in the previous unit, 'Delegation and Interdepartmental Coordination'.

Centralisation is an approach where control is exercised by the chief executive or the top management group (comprising a few individuals). Others in the lower rungs of hierarchy cannot act on their own or use their discretion. Thus, functional autonomy will be lacking at operating levels.

Delegation, on the contrary, manifests transfer of decision-making authority downward and outward within the formal structure. For example, in a multiplant situation, plant managers may take decisions without having to seek prior consent of head office on financial matters involving a sum of not more than Rs.2 lakhs in each transaction. This is an instance of delegation of financial powers. If a transaction involves an expenditure of Rs 2.5 lakhs, the plant manager will have to refer to the head office which exercises control over the decision. Sometimes, decision-making power is transferred downwards in a hierarchy prescribing limits on the scope and t



type of decisions. For example, a branch manager is allowed to spend upto Rs 5000 per month on consumables, without referring upwards for approval, so long as it falls within the monthly budget. Here although the decision-making power is transferred, overall control is incorporated into the arrangement. Where delegation occurs in an organisation-wide context, it becomes decentralisation.

Centralised Control:

- makes it easier to coordinate the activities of various subunits/departments in an organisation.
- seeks to achieve balance among various functions because the top management can be expected to have a broad organisation-wide perspective.
- proves more useful because control will be in the hands of senior, experienced top executives.
- is necessary to meet extraordinary situations.
- is economical since duplication in activities and resource use can be avoided.

Delegation and decentralisation too have positive features:

- they relieve the top management from overload.
- motivate individuals to give better performance due to opportunities for individual freedom, discretion and control.
- contribute to the personal and professional development of managers.
- people at operating levels are more knowledgeable about the dynamics in decision-making situations and can be expected to take appropriate actions to suit local conditions. This is particularly true in the case of large and widely dispersed units.
- affords prompt actions and provides flexibility.

As seen above, both are beneficial, but each one is appropriate for specific conditions and situations. The option is to be exercised at two levels:

- in respect of different types of decisions which vary in importance.
- the contingencies and capabilities of managers in the total context of the organisation.

Strategic decision-making and control can be centralised. Routine operational matters can be delegated and decentralised. Large organisations with widely dispersed units find a greater need for delegation.

Formal or Informal

Formalisation refers to establishing written policies, procedures, rules etc. which prescribe the do's and don'ts. As organisations grow, formalisation grows. Formalisation renders activities more predictable in a desired direction and facilitates coordination and control. In large organisations where it is no longer possible to retain high degree of centralised control, formalisation helps to retain consistency and continuity by restraining the negative effects of delegation and decentralisation. Formalisation is appropriate for large organisations operating in conditions of stability. But, in today's fast changing environments, complete formalisation may not be desirable and practicable. Excessive formalisation vitiates the climate for initiative and employee freedom in performance, results in employee resistance and may even become counterproductive.

Formalisation can be effective insofar as policies, procedures and rules are flexible enough and reviewed periodically to make them appropriate to current changing situation.

Direct or Indirect

There are two ways of controlling. One way is to supervise subordinates' activities closely, trace deviations to the persons responsible and get them to correct their practices. This is called indirect control. The other way is to develop high quality managers who will properly understand and apply managerial principles, functions, techniques and philosophy, make few mistakes and initiate corrective actions, wherever necessary, themselves. This is called direct control. The higher the quality of managers and their subordinates, the less will be the need for indirect controls.



Exercising close supervision through indirect controls adds to overhead costs and reduces employee motivation. Modern management practices call for a greater degree of 'self control' (which in effect means direct control) by those who perform work. With the revolution in information technology using computers, control can be exercised through real-time information, i.e., gathering information on what is happening as events are occurring. This made it easy for organisations to combine direct controls with indirect controls. But here indirect control is exercised not through close personal supervision, but through modern technology and hence several of the negative features of close personal supervision of superiors such as infringement on freedom of operation and subjectivity in evaluation are avoided.

Direct control hastens corrective actions, lightens the burden caused by indirect control and subordinates feel less concerned about superior's subjectivity in rating their performance because in indirect control one would feel a close relationship between performance and measurement.

15.7 STRATEGIES OF CONTROL

John Child discusses four control strategies as listed in Figure IV.

Figure IV: Four Strategies of Control in Organisation

Each strategy will utilise one or more of the features listed

1 Personal centralised control

1. centralised decision-making
2. direct supervision
3. personal leadership: founded upon ownership or charisma, or technical expertise
4. reward and punishment reinforce conformity to personal authority

2 Bureaucratic control

1. breaking down of tasks into easily definable elements
2. formally specified methods, procedures and rules applied to the conduct of tasks
3. budgetary and standard cost-variance accounting controls
4. technology designed to limit variation in conduct of tasks with respect to pace, sequence and possibly physical methods
5. routine decision-taking delegated within prescribed limits
6. reward and punishment systems reinforce conformity to procedures and rules

3 Output control

1. jobs and units designed to be responsible for complete outputs
2. specification of output standards and targets
3. use of 'responsibility accounting' systems
4. delegation of decisions on operational matters: semi-autonomy
5. reward and punishment linked to attainment of output targets

4 Cultural control

1. development of strong identification with management goals
 2. semi-autonomous working: few formal controls
 3. strong emphasis on selection, training and development of personnel
 4. rewards oriented towards security of tenure and career progression
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Source: Child, J. (1984) "Organisation: A Guide to Problems and Practice" p. 159.

a) Personal centralised control: Strategy is usually found in small owner-managed enterprises. Control is centralised in the proprietor or chief executive who combines his rights of ownership with his unique personal qualities and expertise. In such a system reward and punishment are based more on loyalty to leader than competence. The system makes it easy to breed favouritism and distorts feedback so vital for



control.

b) Bureaucratic control: Strategy is the most common feature in large organisations in both private and public sectors, besides Government. The main thrust of bureaucratic control strategy is to ensure predictability through the specification of how people in the organisation shall behave and carry out their work. Formalisation in the sense of written definitions of jobs and procedures is the most characteristic feature of the bureaucratic control strategy. Division of work in modern industrial organisations lends itself to simplification and standardisation.

The focus in highly bureaucratic organisations is to seek compliance and 'keeping your nose clean'. Rules, then, become more important than goals. Compliance results in job security and other benefits and non-compliance leads to sanctions and punishments.

The accounting control systems are perhaps the best examples of bureaucratic control strategy. One advantage of bureaucratic control strategy is that the delegation becomes easy in such systems. Managers can easily delegate without losing control over what is going on so long as such delegation occurs within formalised limits to discretion.

c) Output control: Strategy is appropriate in case of activities where it is easy to identify tasks which are complete in themselves and their outcomes measurable in definite terms. Common criteria of achievement, applied to individuals or groups, product lines and whole units respectively, are quantity of items processed, value added, profitability, etc. Once outputs or criteria for overall achievement have been identified, it is possible for management to specify output standards and targets. Reward and punishment systems can be linked with actual performance vis-a-vis standards and targets. Measurement is the most important activity in the job of a manager. It is also one of the weakest areas. Output control strategy becomes relatively difficult to apply in office jobs and where the relationship between effort and outcome is not easy to establish. In production jobs, on the other hand, output control is easy and effective. Once output standards are agreed upon mutually by the management and work group or individual work, it is easy to grant semi-autonomy to the worker or work group and hold the worker or work group responsible for the output. Thus output control strategy too, like bureaucratic control strategy, facilitates delegation and at the same time is free of the negative features of bureaucratic control.

One major problem with output control strategy, however, is the possible resistance from work groups for improving the methods of working, norms of output, etc. Thus, it can even stand in the way of introducing technological changes and introduction of improvements based on work study and work simplification. The other major and practical problem is related to establishing suitable and agreeable measures of output.

d) Cultural control: Strategy refers to an approach of maintaining control by ensuring that members of an organisation accept as legitimate, and willingly comply with, the managerial requirements. This requires strong professional identification and high degree of loyalty to the organisation. To the extent that employees and subordinates in any organisation accept management's right to give executive instructions, one may say that a degree of cultural control already exists. This is reinforced further through conscious efforts to develop this pragmatic effort into a more enthusiastic support for management's purposes and organisational goals. As John Child says, "Cultural control combined with personal autonomy to follow strongly internalised norms of competence and conduct has long been the mark of the professional". Professionals resent administrative controls. They accept controls comparable with the mode of self-control within agreed cultural parameters worked out through discussion and negotiation. Experiments in 'autonomous work groups', 'quality circles' and 'quality of work life programmes' are examples in this direction. Cultural control fosters closer identification with organisation and induces high degree of motivation towards result oriented behaviour.



15.8 SUMMARY

We have observed that control is the process of assuring the efficient accomplishment of enterprise objectives. It is the primary responsibility of every one who has responsibility for execution of plans. Controls should be based on plans and there is need for a structure to know where the responsibility lies. Controls should be appropriate, strategic, acceptable, objective and cost-effective.

The control process involves three steps: establishing standards, measuring performance and reinforcing success or correct deviations. Controls can be constant, periodic or occasional. As a matter of policy organisations may prefer control to be centralised or dispersed and delegated, formal or informal and direct or indirect. Large organisations need delegation, certain amount of formalisation and direct control systems. The control strategies can be classified as personal and centralised, bureaucratic, output oriented or cultural. The appropriateness of strategies varies from organisation to organisation.

15.9 SELF-ASSESSMENT TEST

1. Discuss whether you need any control when everything is going as planned.
2. Do you subscribe to the view that only top management is responsible for exercising control function in the organisation?
3. Explain how you could use the three step control process to control your academic performance.
4. Examine the control methods and strategies used in your organisation.
5. Design a control system for controlling the performance of your own subordinates, keeping in view the characteristics of effective controls.

15.10 KEY WORDS

Budgetary Control: Measuring performance against plans and expected results expressed in numerical terms.

Controlling: The managerial function of measuring and correcting performance of activities of subordinates in order to assure that enterprise objectives and plans are being accomplished.

Control Process: In managing, the basic process involves establishing standards, measuring performance against standards and correcting for deviations.

Direct Control: The concept that the most direct of all controls is to assure high-quality managers on the premise that qualified managers make fewer mistakes requiring other (or indirect; controls, perceive and anticipate problems, and initiate appropriate actions to avoid or correct for deviations.

Feedback: An informational input in a system transmitting messages of system operation to indicate whether the system is operating as planned. Information on operations is relayed to the responsible persons for evaluation.

Feedforward Control: A control system that attempts to identify future deviations from plans, early enough to take action before the deviations occur.

15.11 FURTHER READINGS

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