

UNIT V

Controlling

Definition

- as the process of analyzing actual operations and seeing that actual performance is guided towards expected performance.
- Comparing operating results with plans and taking corrective action when results deviate from plans
- Def. Koontz and O'Donnell " The managerial function of controlling is the measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and the plans devised to attain them are being accomplished.

Nature & Purpose of Control

1. Control is an essential function of management
2. Control is an ongoing process
3. Control is forward – working because past cannot be controlled
4. Control involves measurement
5. The essence of control is action
6. Control is an integrated system

Elements of Control

1. Planning
2. Information Feedback
3. Delegation of Authority
4. Remedial action

Control Process

1. Fixation of Standard
2. Measurement of Performance
3. Comparing performance with standards
4. Correction of Deviations

Problems in the Control Process

- Magnitude of Change
- Time rate of Change
- Erroneous standard (Mistakes in setting standard)
- Workers Resistance
- Communication Problems

Characteristic of an ideal Control system

- Suitable
- Flexible

- Economical
- Simple
- Objective
- Prompt
- Forward looking
- Suggestive
- Strategic point control
- Motivational

Techniques of Managerial Control

Traditional Techniques

1. **Personal Observation** (For Eg. A Factory manager goes around the plant, observes the performance of Employees and Machines)
2. **Good Organisation Structure**
3. **Unity of Plans**
4. **Statistical Control Reports**
5. **Budgetary control** – Statement expressed in financial terms
 - a. Master budget
 - b. Functional Budget - Sales budget, Production budget, Material budget, Labour budget, Cash budget, Administrative Overhead budget,
 - c. Capital & Revenue budget
 - d. Fixed and Flexible Budget
 - e. Zero base budgeting (the budget proposals are considered from the ground up (zero base) or from scratch

Objectives of Budgetary Control

- a. Planning
- b. Coordination
- c. Control
- d. Motivation
- e. Efficiency

Merits

- Optimum use of resources
 - Fixation of Responsibility
 - Effective coordination
 - Planned approach
6. **Profit & loss control**
 7. **External audit Control**
 8. **Overall Control criteria (BEP Analysis)**
 9. **Return on Investment Control**

10. **Management Audit**

- Organisation Structure

- Executive appraisal
- Functioning of the management board
- Soundness of Earning
- Economic Functioning
- Service to stock holders
- R & D
- Fiscal Policy
- Production Efficiency

11. Responsibility accounting

- Cost centre
- Profit centre
- Investment centre

Techniques of Management

- MBO
- MBE
- MBP – Management by Participation implies the mental and emotional involvement of employees, share holders, investors, consumers and other stake holders in the decision making process.

Forms

1. Work Committee
2. Joint Management Councils
3. Worker Directors
4. Co-partnership

Productivity & Operations Management

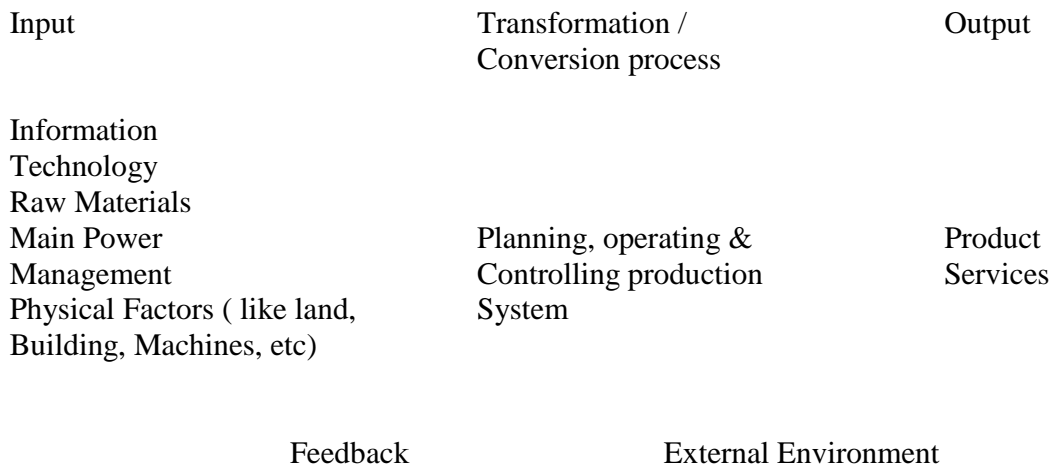
- Productivity which accounts for profitable operations of an enterprises and provides opportunities to an enterprise for remaining competitive and successful in an area of global competition
- Output – input ratio, within a given time period & with due consideration for quality of Performance

Problems in Measuring Productivity of Knowledge workers

- Measurement of the productivity of skill workers is easier but it becomes more difficult to measure the productivity of knowledge workers
- Greatest scope for increasing productivity lies in the work performed by knowledge workers Eg. Managers, Engineers, Cost accountant, etc.

Operation Management

- is the design and operation of systems. Working of Operation Management.



Developing Excellent Managers – The key to preventive control

- a. Efforts required on the part of managers themselves
 - Willingness to learn
 - Planning for Innovation & Inventions
 - Tailoring Information
- b. Efforts required on the part of the Organisation
 - Acceleration of Managerial Development programmes
 - Measuring Managerial programmes and rewarding it
 - Need for management R & D
 - Need for Intellectual Leadership

Globalisation

- Globalisation means the internationalization of trade. Particularly product transaction and the integrating of economic and capital markets throughout the world.
- The integration takes place when trade exists freely among the different countries, thus the world economy becomes a single market or single economy.
- In globalization there is no restriction of quota, license, tariff and other administrative barrier for trade.

Benefits of Globalisation

- Improves efficiency
- Improves factor Income

- Improves finance
- Gains from Migrations

Drawbacks of Globalisation

1. Globalisation increases the problems of unemployment
2. Domestic Industries finds difficulty in survival

Only group of people who participate in the process of Globalisation will be benefitted, this creates income inequality within the country

3. Control on domestic economy becomes more difficult
4. Developing country suffers from the problem of brain-drain

International Business

- Involves commercial activities that cross national frontiers
- It is a process of Entrepreneur conducting business activities across national boundaries
- It consist of Exporting, Importing, Ilcensing, opening of Sales office
- The activities necessary for ascertaining the need and want of target consumer often takes place in more than one country. When an Entrepreneur executes his or her business model in more than one country International Business Occuring.

Entry into International Business

The method of entering or engaging in International Business can be divided into three categories

1. Exporting

- Indirect Exporting
- Direct Exporting

2. Non Equity arrangement – Doing international business through an arrangement that does not involve any investments.

- Licensing - allowing someone else to use something of the company's in return for the payment of royalty
- Turn key Projects – A foreign Entrepreneur build a factory or other facility, training the workers, train the management and then turn it over to the local owners once the operation is completed, hence the name turn key operation
- Management Contracts – Contracting management techniques and skills. The management contracts allows the purchasing country to gain foreign expertise without giving ownership of its resources to a foreigner.

3. Direct Foreign Investments – preferred mode of ownership

- Minority Interest – Having less than 50% Ownership Poaition
- Joint Ventures – Merger of two companies