

Class 12

Business Studies



Chapter – 8_Focus Area 2022

Controlling



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Controlling

Controlling is the process through which management ensures that the actual performance conforms to the planned performance



Controlling

Controlling discovers deviation from the results expected



It also identifies the reasons for deviations and suggests suitable action to avoid their recurrence in future

The background is a solid blue color with a repeating pattern of hexagons. Each hexagon has a slight 3D effect, with a darker blue shadow on its top and right sides, giving it a textured, honeycomb appearance.

Controlling Process **(Steps in** **Controlling)**

Controlling Process



1. Setting Standards

1

2. Measurement of Actual Performance

2

3. Comparison of Actual Performance

3

4. Analysing Deviations

4

5. Taking Corrective Actions

5

Controlling Process

1. Setting performance Standards

To achieve the goals, standards of performance have to be determined in planning itself



Controlling Process

a) Quantitative Standards

Standards must be in concrete and tangible forms which will make evaluation process easy



Eg: Cost of production for one unit is Rs.100 etc.

Controlling Process

b) Qualitative Standards

Standards can also be in intangible forms



Eg: The results expected from a training programme, loyalties of workers, Improving motivation level of employees, etc.

Controlling Process

2. Measurement of actual performance

Actual performance of each activity in terms of quality and quantity should be measured



Controlling Process

3. Comparison of actual performance with standards

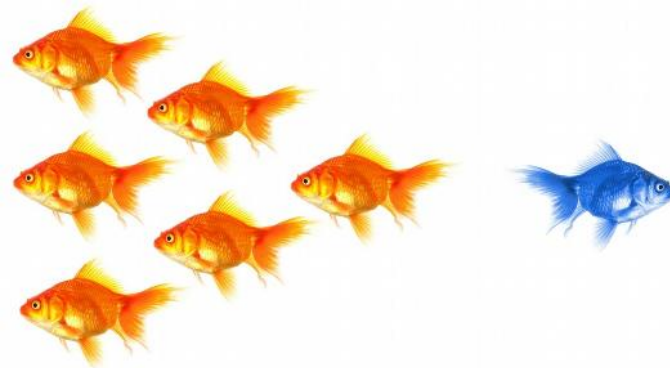
Comparison of actual performance with the standards reveals the deviations between actual and desired results



Controlling Process

4. Analysing deviations

The extent of deviations and causes of such deviations are to be found out



It is important to ascertain whether deviations are within the expected range

Deviations in key areas of business require urgent attention

Methods of Analysing Deviations in Key areas

a) Critical Point Control

The control measures should be focused on **Key Result Areas (KRAs)** which are critical in the success of an organization



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These KRAs are the Critical Points, if anything goes wrong at this critical point, the entire organization will suffer

Eg: 5% increase in labour cost is a serious matter than 20% increase in postal charges

Methods of Analysing Deviations in Key areas

b) Management by Exception (MBE) / Control by Exception

All deviations need not be brought to the attention of top management



Only those deviations which seem exceptionally high and which cannot be easily solved by lower level management alone should be reported to top management

Controlling Process

5. Taking corrective actions

As soon as deviations are reported, it is the duty of the executives to take steps to correct the past action so that deviations may not occur again and the plans are properly executed



If there is no deviation or if the deviation is within the permissible limit, let the situation remain as it is

Controlling Process

1. **Setting performance Standards**
2. **Measurement of actual performance**
3. **Comparison of actual performance with standards**
4. **Analysing deviations**
5. **Taking corrective actions**



Controlling Process

Cause of deviation	Corrective action to be taken
Defective material	Change the supplier or quality
Defective machinery	Repair or replace
Obsolete machinery	Undertake technological up gradation
Increase in labour turnover	Improve working conditions and provide better incentives
Defective process	Modify the existing process



Techniques of Managerial Control

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Controlling Techniques

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graph TD; A[Controlling Techniques] --> B[Traditional Techniques]; A --> C[Modern Techniques]
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**Traditional
Techniques**

**Modern
Techniques**

Traditional Techniques

1. Personal observation

Personal observation on the employee may create a psychological pressure to perform well



Traditional Techniques

2. Statistical reports

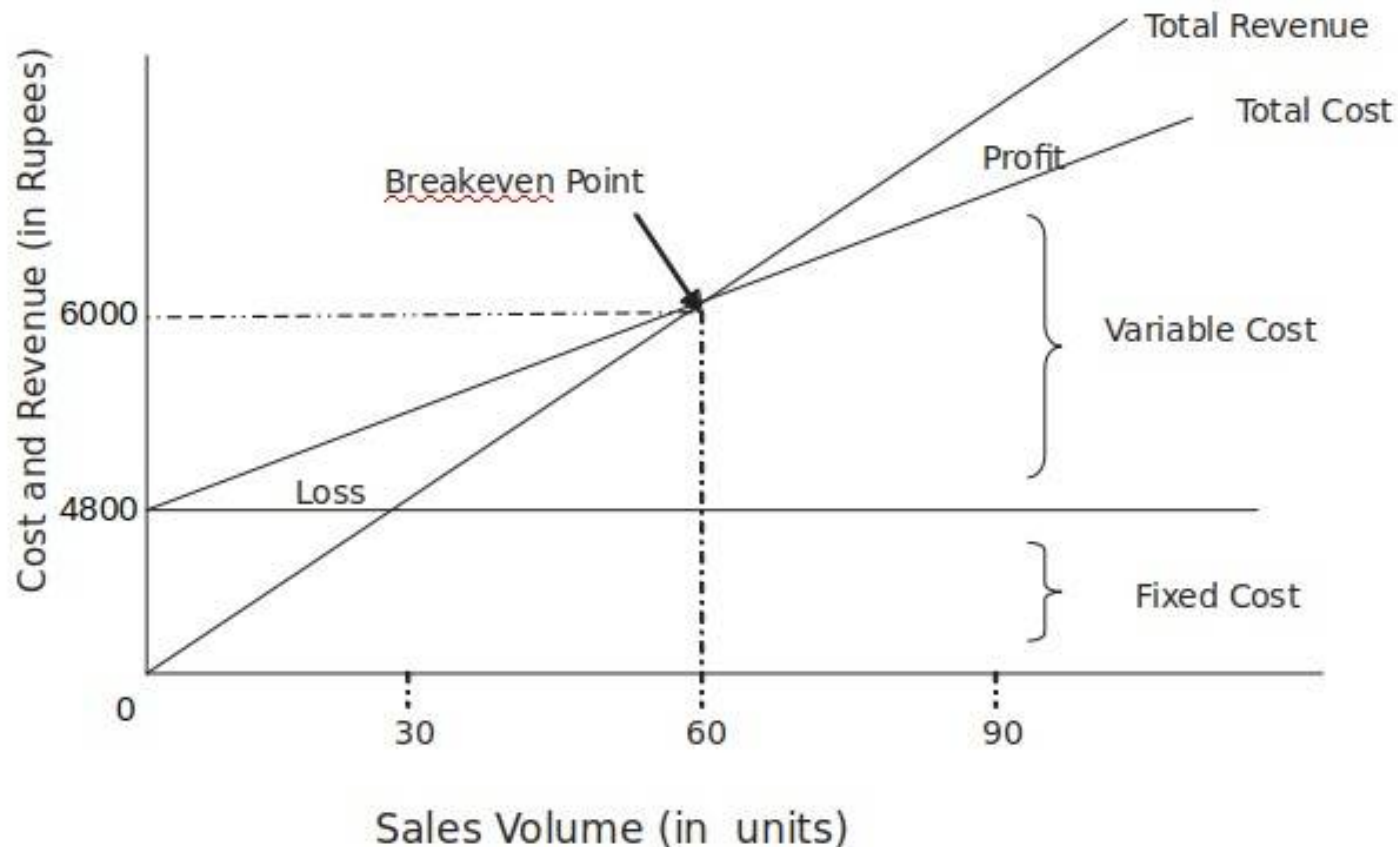
Statistical information regarding performance of employees in the form of charts, graphs, tables etc. enable the managers to interpret them and to make comparison



Traditional Techniques

3. Break-even analysis

The level of operation where total revenue or sales are equal to total cost is called the break-even point



At this point (sales volume) the firm makes no profit no loss

Traditional Techniques

4. Budgetary control

Controlling the activities of an organization with the help of budgets

It involves the comparison of actual performance with the budgetary standards



E.g. Sales budget, production budget, Materials budget etc.

Budgetary control

1. Budget is a guidance for management in planning and policy formulation.
2. Gives a direction to the organisation by fixing the goals and targets.



Budgetary control

3. Minimises wastages and losses.
4. Actual performance can be compared with budgetary standards.
5. It motivates the executives to attain targets.



Traditional Techniques

1. Personal observation
2. Statistical reports
3. Break-even analysis
4. Budgetary control



Thanks



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