

Controlling

PART 1

Objective Questions

• Multiple Choice Questions

1. Controlling means ensuring that activities in an organisation are performed as per the
(a) plans (b) goals
(c) resources (d) None of these

Ans. (a) plans

2. Which of the following describes the nature of controlling?
(a) Goal oriented process (b) Pervasive function
(c) Continuous process (d) All of these

Ans. (d) All of these

3. Controlling provides direction to all activities of each department and employee, which helps in establishing among them.
(a) organising (b) directing
(c) planning (d) co-ordination

Ans. (d) Controlling makes sure that proper direction is taken and that various factors are maintained properly. All the departments are controlled according to predetermined standards which are well co-ordinated with one another.

4. Textile manufacturer Super textiles reported 43% fall in its profits in the fourth quarter ended 31st March, 2021, which is beyond the acceptable range of 25% decided by the company.
This was due to higher fuel cost and lower yield on account of demonetisation. The company aims to implement cost saving measures by restructuring contracts and its business processes to meet its targets in the future. Name the function of management discussed above.
(a) Planning (b) Organising
(c) Staffing (d) Controlling

Ans. (d) Controlling

5. Mr. Albert is working as a Head, Product Development, at Orchid Chemicals and Pharmaceuticals Limited. He provides all such opportunities to his employees that are necessary

for their skill development and promotion. All these efforts have improved the employees' motivation to achieve the desired targets in time. Name the point of importance, the manager has tried to achieve in the controlling process.

- (a) Judging accuracy of standards
(b) Improves employees motivation
(c) Ensures order and discipline
(d) Facilitates co-ordination in action

Ans. (b) Improves employees motivation

6. In an organisation, all the workers take things easy and it has also resulted in loss of secrecy and confidential information being leaked out. To supervise the affairs of the workers, the company decides to install Closed Circuit Televisions (CCTVs), which the employees consider as restriction on their freedom. Identify the limitation of controlling the company is suffering.
(a) Ensure order and discipline
(b) Resistance to change
(c) Judging accuracy of standards
(d) None of the above

Ans. (b) Resistance to change

7. Mahima Jain is the Senior Manager in the Advisory Services Department of Kodes Ltd. She regularly prepares performance reports of her subordinates as a part of the appraisal. Identify the step of the controlling process performed by her.
(a) Analysing Deviations
(b) Measurement of Actual Performance
(c) Taking Corrective Actions
(d) Setting Performance Standards

Ans. (b) Measurement of Actual Performance

8. Which of the following is the limitation of controlling?
(a) Little control on external factors
(b) Resistance from employees
(c) Difficulty in setting quantitative standards
(d) All of the above

Ans. (d) All of the above

9. Which of the following examples is suitable for the stage 'analysing deviations'?
(a) High labour turnover (b) Deficit production
(c) Budgeted production (d) Actual production

Ans. (a) High labour turnover

- 10.** Kapil, Kamal & Co. is a large manufacturing unit. Recently the company had conducted time and motion studies and concluded that on an average, a worker could produce 300 units per day. However, it has been noticed that the average daily production of a worker is in the range of 200-225 units. Identify the step in the process of controlling which helped in finding out that the actual production of worker is less than the set target.

(a) Setting standards
(b) Measurement of actual performance
(c) Comparison of actual with standard performance
(d) Taking corrective actions

Ans. (c) Comparison of actual with standard performance

- 11.** Under controlling of HR area, corrective action must be taken for

(a) high labour turnover rate
(b) low labour turnover rate
(c) zero labour turnover rate
(d) low labour absenteeism

Ans. (a) A high labour turnover ratio implies that a company's employees leave their jobs at a relatively high rate. It increases the cost of recruitment, selection and training. To overcome this issue, corrective action must be taken to reduce high labour turnover rate.

- 12.** Which of the following statements signifies the deviations?

(a) Wastage is reduced due to initiatives taken by workers.
(b) Workers may become more responsible due to provision of amenities and incentives.
(c) Carelessness while handling tools and machines.
(d) None of the above

Ans. (c) Carelessness while handling tools and machines.

- 13.** For the following two statements, choose the correct option.

Statement I "Routine problems should be left to the subordinates" is governed by the principle, 'Management by exception'.

Statement II Management by exception principle suggest that, if manager tries to control everything, he may end up in controlling nothing.

Alternatives

(a) Statement I is correct and Statement II is wrong
(b) Statement II is correct and Statement I is wrong
(c) Both the statements are correct
(d) Both the statements are incorrect

Ans. (c) Both the statements are correct

- 14.** If normal wastage of stationary (which is 5% of total cost) has increased by 40% whereas the normal wastage in the raw material (which is 10% of total cost) increases merely by 5%, identify the principle governing the wastage in an organisation.

(a) Critical point control
(b) Management by exception
(c) Taking corrective actions
(d) Span of management

Ans. (a) According to the CPC, management should first focus on key result areas which are critical to the success of the organisation like reducing wastage of raw material.

- 15.** Mr. Martin is working as a production manager in Cairn India Limited. He is assisted by qualified and competent workforce. Employees feel accomplished and their zeal to work gives good rise to production. However, it led to increase in labour cost from acceptable range of 2% to 5% by the end of the year, which needed immediate attention of the management. Identify the governing principle that relates to the above deviation of labour cost.

(a) Critical Point Control
(b) Management by Exception
(c) Taking Corrective Actions
(d) Span of Management

Ans. (b) Management by Exception

● **Assertion-Reasoning MCQs**

Directions (Q. Nos. 1 to 5) There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true, but Reason (R) is false
(d) Assertion (A) is false, but Reason (R) is true

- 1. Assertion (A)** Controlling is regarded as goal oriented process.

Reason (R) Controlling ensures that an organisation's resources are effectively and efficiently utilised for achievement of goal.

Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

- 2. Assertion (A)** Critical point control system should first focus on key result areas.

Reason (R) It is not possible to keep a check on all the activities of the enterprise.

Ans. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

- 3. Assertion (A)** Controlling is backward looking as well as forward looking process.

Reason (R) Controlling is the end of the management function cycle.

Ans. (c) Controlling is not an end of the management cycle because it brings back the management cycle to planning function.

- 4. Assertion (A)** Deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas.

Reason (R) Deviation can be positive, when actual performance is better than the standard performance.

- Ans.** (b) Deviation in key areas of business need to be attended more urgently as they are critical to the success of the organisation.

- 5. Assertion (A)** By keeping a check on the activities of the workers, directing creates an atmosphere of order and discipline among them.

Reason (R) Controlling is performed by all managers.

- Ans.** (d) By keeping a check on the activities of the workers, controlling creates an atmosphere of order and discipline among them.

• Case Based MCQs

- 1. Direction** Read the following text and answer the question no. (i) to (vi) on the basis of the same.

Kaira Machines Limited is engaged in manufacturing of machine components. The company has planned to venture into automobile parts as well for which, it started doing the market research. The target production for machine parts is 450 units per day per worker. The company had been successfully attaining this target until two months ago.

The company follows a practice where only significant deviations from a budget or plan are brought to the attention of management. Over the last three months, it has been observed that daily production varies between 400-410 units per day per worker.

Management called the supervisor and asked him to find out the reasons for low productivity. CCTV cameras were installed to keep a check on employees. It was found that some of the workers used to spend more time for lunch than allotted. The report for the same was prepared and submitted by the supervisor to the management.

- (i) Identify the function of management highlighted in the case.
- | | |
|--------------|-----------------|
| (a) Planning | (b) Organising |
| (c) Staffing | (d) Controlling |

- Ans.** (d) Controlling

- (ii) “The company follows a practice where only significant deviations from a budget or plan are brought to the attention of management”.

Which concept is mentioned here?

- (a) Span of Management
(b) Scalar Chain
(c) Key Result Areas
(d) Management by Exception

- Ans.** (d) Management by Exception

- (iii) “Over the last two months, it has been observed that daily production varies between 400-410 units per worker”. Which step of one of the functions of management has carried out by the company here?

- (a) Setting Objectives
(b) Measuring Actual Performance
(c) Analysing Deviations
(d) Planning Premises

- Ans.** (b) Measuring Actual Performance

- (iv) “It was found that some of the workers used to spend more than the allotted time for lunch”. Which step should be taken by the company after receiving report by the supervisor?

- (a) Identify various alternatives
(b) Setting up standard
(c) Taking corrective measures
(d) Follow up

- Ans.** (c) Taking corrective measures

- (v) “It was found that some of the workers used to spend more than the allotted time for lunch”. Which step highlighted in the given lines?

- (a) Identify various alternatives
(b) Analysing deviations
(c) Taking corrective measures
(d) Follow up

- Ans.** (b) Analysing deviations

- (vi) Which importance of controlling is highlighted in the case?

- (a) Accomplishing organisational goals
(b) Judging accuracy of standards
(c) Making efficient use of resources
(d) Improving employees motivation

- Ans.** (b) Judging accuracy of standards

- 2. Direction** Read the following text and answer the question no. (i) to (vi) on the basis of the same.

Gem Ltd. is a large company engaged in assembly of room-heaters. Recently the company had conducted the various studies and concluded that on an average a worker can assemble 25 room heaters in a day.

The target volume of the company in a day is assembling of 2,500 units of room-heaters. However, the assembly of room heaters per day is 2,000 units only.

To find out the reason, the company compared actual performance of each worker and observed that some of the workers were busy in gossiping.

The company decided to keep a close check on the activities of the workers to minimise the dishonest and unethical behaviour as the part of workers.

- (i) As per the study conducted by company, how many workers are required to meet the daily target volume of Gem Ltd.?

(a) 25 (b) 250 (c) 100 (d) None of these

Ans. (c) Total 2,500 room heaters assemble in a day by the workers.

Total 25 room heaters assemble by a worker in a day.

So, number of workers required = $2,500/25 = 100$.

- (ii) Identify the function of management discussed above.

(a) Planning (b) Staffing (c) Directing (d) Controlling

Ans. (d) Controlling

- (iii) “..... observed through CCTV that some of the workers were busy in gossiping.” Identify the step in the function of management identified, as highlighted above.

(a) Measurement of Actual Performance
(b) Comparing Actual Performance with Standards
(c) Analysing Deviations
(d) Taking Corrective Actions

Ans. (c) Analysing Deviations

- (iv) “The company decided to keep a close check on the activities of the workers to minimise the dishonest and unethical behaviour as the part of workers.” Identify the point of importance of the function of management identified, as highlighted above.

(a) Accomplishing organisational goals
(b) Ensuring order and discipline
(c) Making efficient use of resources
(d) Judging accuracy of standards

Ans. (b) Ensuring order and discipline

- (v) “The company decided to keep a close check on the activities of the workers to minimise the dishonest and unethical behaviour as the part of workers.” Which step is highlighted in the above lines?

(a) Measurement of Actual Performance
(b) Comparing Actual Performance with Standards
(c) Analysing Deviations
(d) Taking Corrective Actions

Ans. (d) Taking Corrective Actions

- (vi) “The company compared actual performance of each worker”. Identify the step in the function of management identified, as highlighted above.

(a) Measurement of Actual Performance
(b) Comparing Actual Performance with Standards
(c) Analysing Deviations
(d) Taking Corrective Actions

Ans. (a) Measurement of Actual Performance

3. Direction Read the following text and answer the question no. (i) to (vi) on the basis of the same.

Mr. Rajhans Aggarwal is working on the post of Manager in a big company of Mumbai. He has fixed standards for all the workers in his department. All the workers know the basis on which their appraisal will be done. This is the very reason that they continue to make efforts to give better performance.

Mr. Aggarwal takes the help of the methods- personal observation and sample checking in order to evaluate the performance of his subordinates. On the basis of these very methods, he gets acquainted with the deviation between the actual and desired work.

When Mr. Aggarwal was controlling his department, he was aware that controlling all the activities was neither easy nor economical. Therefore, he focused his attention only on the key result areas. In this way, the performance of his department turned out to be the best of all. The company honoured him with the award of being the Best Manager.

- (i) ‘The employees were informed about the basis on which their work appraisal would be done.’

Identify the point of importance of controlling to which this fact is related.

(a) Judging accuracy of standards
(b) Making efficient use of resources
(c) Improving employee motivation
(d) Facilitating co-ordination in action

Ans. (c) Improving employee motivation

- (ii) In order to exercise control over his department, Mr. Aggarwal took the help of methods of ‘Personal Observation’ and sample checking. Identify the stage of ‘Control Process’ referred here.

(a) Setting performance standards
(b) Measurement of actual performance
(c) Comparison of actual performance with standards
(d) Analysing deviation

Ans. (b) Measurement of actual performance

- (iii) Identify the stage of ‘controlling process’ on which the information on the deviation between actual and desired performance is obtained.

(a) First (b) Second
(c) Third (d) Fourth

Ans. (c) Third

- (iv) Mr. Aggarwal has focussed his attention only on the ‘key result areas’ in his department. Identify the point from the following to which his thought is related.

(a) Setting performance standards
(b) Measurement of actual performance
(c) Comparison of actual performance
(d) Analysing deviation

Ans. (d) Analysing deviation

- (v) “When Mr. Aggarwal was controlling his department, he was aware that controlling all the activities was neither easy nor economical”. Which concept of controlling depicted through these lines?
- (a) Measuring Actual Performance
 - (b) Critical Point Control
 - (c) Management by Exception
 - (d) None of the above

Ans. (c) Management by Exception

- (vi) Identify the function of management highlighted in the given case.

- (a) Planning
- (b) Organising
- (c) Staffing
- (d) Controlling

Ans. (d) Controlling

PART 2

Subjective Questions

• Short Answer (SA) Type Questions

1. Explain how controlling helps in
- (i) accomplishing organisational goals.
 - (ii) judging accuracy of standards. (CBSE 2013)

Ans. (i) **Accomplishing Organisational Goals** The controlling function measures the accomplishment against the standards and corrects deviations. This helps in ensuring that organisation is moving on the right track to achieve organisational goals.

- (ii) **Judging Accuracy of Standards** A sound controlling system helps the management to verify whether the standards set are accurate and relevant or not. It keeps a careful check on the changes, which are taking place in the organisation.

2. XYZ Ltd. is a manufacturer of wall clocks and the company is opting a good control system in order to achieve the targets on time. In context of this, give some of the advantages of controlling.

Ans. A good control system enables a manager to verify whether standards set are accurate or not.

Following are the advantages of controlling

- (i) A good control system helps in improving the quality of the product which in result, increases the goodwill of the company.
- (ii) It helps in minimising the wastage of resources.
- (iii) It facilitates the fixation of responsibility and one knows upto what level he/she has to perform.
- (iv) It also facilitates the coordination and thus, work flows smoothly in the organisation and finishes in time.

3. “Control implies taking action.” Explain.

Ans. The purpose of control is not only to detect errors and defects in performance of work, but also to adopt remedial measures. Without taking corrective actions, control has no meaning. The base of controlling process is taking actions in order to ensure that the actual activities conform to the planned activities. For example, if actual output falls short of standard output, we take several actions like checking the raw material, checking the production activities, corrective actions may be taken analysis of standards, reassignment of duties, bringing change in the style of production etc.

4. In KCF Ltd, a food joint, it is being observed that sales are declining day-by-day as the company is not able to produce products as per the satisfaction of customers. Suggest, if the company imposes a control system, it would be effective or not.

Ans. As per the limitations of controlling, there are many areas in business where measurable standards cannot be set. Such areas are employees morale, job satisfaction and customer satisfaction. Thus, from this aspect, it is difficult to measure customer satisfaction.

Even if a manager imposes a control system, it will depend more on his capabilities. He can initiate customer feedback and get information on quality of food, waiting time, service quality, attitude of waiters, etc. This information might be quite useful in finding the problem areas and thus the company can work towards improvement in customers’ satisfaction.

5. Vikas was the chief operation officer of ‘Yalet Ltd’. a company providing advanced software solutions of Indian Defence Services. They had been carrying on business successfully for the last twelve years and earning enough profits. But from the last one year, they realised that though the business is getting big orders which are being fulfilled in time, even then the revenues kept on decreasing.

Vikas was not able to find out where the problem was. He started keeping a close check on the progress of activities as he could sense that something was wrong. He wanted to take some action before any major damage could be done to the business. Vikas appointed a cyber security expert who monitored the company’s processes and found out that the computer operator was deleting the entries from the computers and pocketing the revenues. He was caught and handed over to the police. This created an atmosphere of order and discipline in the organisation and helped in minimising dishonest behaviour on the part of the employees.

- (i) Identify the function of management highlighted in the above paragraph.
- (ii) Explain any three other ways in which this function of management may help the organisation. (CBSE 2019)

Ans. (i) The function of management highlighted here is controlling.

(ii) Controlling help the organisation in following ways

- (a) **Accomplishing Organisational Goals** It measures progress towards the organisational goals and find out deviations. In the absence of control system, activities may not be carried out according to plans. Thus, we can say, it guides the organisation and keeps it on the right track, so that it can attain its goals.
- (b) **Judging Accuracy of Standards** Through an effective control system, managers can easily judge the accuracy of standards. It also keeps a careful check on the changes taking place in the organisation and in the environment, which facilitates the review of standards, in the light of such changes.
- (c) **Making Efficient Use of Resources** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms, which helps in effective and efficient utilisation of resources.

- 6.** Timely Ltd. is a manufacturer of premium wall clocks. The company has been doing extremely well and has been able to carve a niche in the market. The company recently decided to go global. To achieve the above objective, the company decided to increase its production to 30,000 units per month. But, after two months, the management observed that only 45,000 units were manufactured. Company is opting for a good control system in order to achieve the targets on time. In context to this, give some of the advantages of controlling.

Ans. Some advantages of good control system are as follows

- (i) **Motivation to the Employees** It is a source of motivation to the employees, who knows the standards against which their performance will be evaluated.
- (ii) **Optimum Utilisation of Resources** By allocating the resources according to the requirements of the different departments, it helps in optimum utilisation of resources.
- (iii) **Facilitating Co-ordination in Action** It provides direction to all activities and each department and employee is governed by predetermined standards, which helps in establishing co-ordination among them.

- 7.** ILT Ltd. is a small enterprise. Suggest whether this company can afford to install an expensive control system or not.

Ans. Controlling is an expensive and time taking process. Considerable time and huge expenditure is required to install a control system. Thus, it is suggestive that small enterprises should not install it, as it may not justify the expenses involved. Personal observation method can be adopted for this purpose, since it is a less expensive way to monitor the progress of tasks and behaviour of employees.

- 8.** Blue Pharmacy is a company engaged in the production of life-saving drugs. The company has no internal system of performance appraisal and for the past two years, it has not declared any incentives or bonus to its employees, inspite of enormous profits. One of its employee, Mr. Sangeet has discovered a new medication for dengue during in-house research. The company has got patent on it in its own name and no reward or compensation was given to Sangeet. All these factors have de-motivated the employees and the company is started facing the problem of high employee turnover ratio, increased absenteeism, falling levels of productivity, etc.

Due to a combined result of all these factors, Blue Pharmacy was not able to meet its organisational objectives. Design a control plan, suggesting measures to Blue Pharmacy to be able to achieve its objectives.

Ans. Under such circumstances, Blue Pharmacy should implement a control plan covering following points

- (i) Performance based appraisal system should be introduced.
- (ii) Employees like Mr. Sangeet should be given due acknowledgement for their achievements.
- (iii) Proper communication of tasks should be made and feedback should be collected from time-to-time.

- 9.** How does controlling help in decision-making? Illustrate your answer with a suitable example.

Ans. Controlling involves taking corrective actions whenever required. In an organisation, first, the manager plans in advance, what is to be done, then through controlling, he measures the progress and keeps checking that everything is in accordance with plan or not and if there is any deviation, he takes preventive measures to correct that deviation.

In this way, it facilitates decision-making. e.g. Suppose in XYZ Ltd. production is delayed due to lack of resources, then through the controlling function, manager takes decision to provide resources on time.

10. XYZ Ltd. is a leading manufacturer of bone China cups. Recently, the company had conducted a comparative analysis, concluded that on an average, workers could produce 120 units per day. However, it has been noticed that they were producing only 80-90 units per day, due to lack of resources and obsolescence of machinery.

- (i) What steps will you suggest to ensure that the actual performance is in accordance with the planned targets?
- (ii) Who is responsible for the non-completion of work?

Ans. (i) Following steps should be taken

- (a) Provide resources in advance.
- (b) Resources should be of standard quality.
- (c) Establishing modern machinery.
- (d) Provide incentives to workers so that they will be motivated to perform well.

- (ii) Company is responsible as it is not providing resources on time. Secondly, the work is conducted on obsolete or out dated machinery.

11. 'AS Ltd' is a large company engaged in assembly of air-conditioners. Recently, the company had conducted the 'time' and 'motion' study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only.

To find out the reason, the company compared actual performance of each worker and observed through CCTV that some of the workers were busy in gossiping.

- (i) Identify the function of management discussed above.
- (ii) State those steps in the process of the function identified which are discussed in the above paragraph. (CBSE 2015)

Ans. (i) Controlling function

- (ii) Steps in the process of control discussed above are as follows

Step 1 Setting Performance Standards Through 'time' and 'motion' study, an average worker can assemble 10 air-conditioners in a day. On this basis, target volume of 1,000 units per day is set.

Step 2 Measurement of Actual Performance Assembly per day is 800 units.

Step 3 Comparison of Actual Performance with Standards The company compared actual performance of each worker.

Step 4 Analysing Deviations Observed through CCTV that some of the workers were busy in gossiping.

12. "An effort to control everything may end up in controlling nothing." Explain. (NCERT)

Ans. It is true that an effort to control everything may end up in controlling nothing. To make control effective and economical, one must focus attention on factors critical to performance. e.g. In a large organisation, keeping a close check on each and every activity will be very time consuming and expensive. Therefore, managers should pay serious attention to only such cases, which are critical to success, i.e., KRAs.

13. The manager of production department of Allistar Pvt. Ltd. engaged in manufacturing of pens, is of the opinion that even the minutest deviation should be emphasised upon and corrective action should be taken immediately.

- (i) Do you agree with his opinion.
- (ii) Explain the advantages of using critical point control.

Ans. (i) No, I do not agree with the opinion of production manager.

- (ii) The following are the advantages of critical point control
 - (a) It saves time and effort of the managers as they deal with major deviations only.
 - (b) There is better utilisation of managerial talent.
 - (c) It facilitates delegation of authority and increases morale, when routine problems are left to the subordinates.
 - (d) Timely action helps to keep the organisation on the right track.

14. "An ideal control technique is the one that checks every bit of performance." Comment.

Ans. This statement is not true. An ideal control system should concentrate on key aspects of performance. There are several activities to be controlled. In practice, it is not possible for management to control each and every activity due to limited time. Moreover, minor deviations from plans and targets are insignificant for success.

Therefore, an attempt to control everything is likely to be a futile exercise. Control system should focus attention on exceptional and key factors only. This will help to save time, efforts and money.

On the other hand, controlling each and every activity results in delays, increased cost and neglect of key items. The control system should be designed in such a manner that only significant deviations from the standards are reported to the higher level managers.

- 15.** You are the manager of a tyre manufacturing company. If it is reported to you that postal expenses have increased by 20% and cost of raw materials by 2%, which of the two deviations is more critical to you. Give reason.

Ans. A 2% increase in the cost of raw material is more critical, as the deviation which is occurring in Key Result Areas (KRAs) should be corrected first. A 2% increase in cost of raw material will have an impact on the profitability, thus it is a KRA. Whereas, 20% increase in postal cost will not have much of the impact on profitability of the company.

• Long Answer (LA) Type Questions

- 1.** Sawaj Ltd. is a manufacturer of wrist watches and the company is opting a good control system in order to achieve the targets on time. In context of this, give some points of importance of controlling.

Ans. Importance of controlling is as follows

- (i) **Accomplishing Organisational Goals** It measures the accomplishment of work against the standards and corrects deviations. This helps in ensuring that organisation is moving on right track to achieve the organisational goals.
- (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 in the environment, thereby helping to review and raise the standards in the light of such changes.
- (iii) **Making Efficient Use of Resources** By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standards and norms, which helps in effective and efficient utilisation of resources.
- (iv) **Improving Employees Motivation** It helps employees in realising, what they are expected to do and what are the standards of performance, on the basis of which they are appraised. This motivates them to perform better.
- (v) **Ensuring Order and Discipline** By keeping a check on the activities of the workers, controlling creates an atmosphere of order and discipline among them. It also helps to keep a check on the dishonest behaviour of employees.
- (vi) **Facilitating Co-ordination in Action** It provides direction to all activities and each department and employee is governed by predetermined standards, which helps in establishing co-ordination among them.

- 2.** Briefly explain the nature of controlling.

Ans. Nature of controlling can be described through the points mentioned below

- (i) **Goal-oriented Process** Since, controlling ensures that an organisation's resources are effectively and efficiently utilised for achievement of goals, it is regarded as a goal-oriented process.
- (ii) **Pervasive** At the same time, controlling is performed by all managers, i.e. top, middle and lower managers, to keep a check on the activities of their subordinates. It is equally required in a hospital, a club, an educational institution, etc. Therefore, it is regarded as a pervasive function.
- (iii) **Continuous** Control should not be misunderstood as the last function of the management process. By analysing deviations and taking corrective action, it helps in formulating better plans for the future. Thus, it is a function that brings the management cycle back to planning and is regarded as a continuous function.
- (iv) **Both a Backward Looking as well as a Forward Looking Function** Controlling is backward looking process because it is like a postmortem of past activities to find out deviations from standard plans and it is also a forward looking process, as it seeks to improve future results by taking corrective action.

- 3.** Managers at a New York City import-export company suspected that two employees were robbing it. Corporate Defense Strategies (CDS) of Maywood, New Jersey, advised the firm to install a software program that could secretly log every single stroke of the suspects' computer keys and send an encrypted e-mail report to CDS. Investigators revealed that the two employees were deleting orders from the corporate books after processing them, pocketing the revenues, and building their own company from within. The programme picked up on their plan to return to the office late one night to steal a large shipment of electronics. Police hid in the rafters of the firm's warehouse, and when the suspects entered, they were arrested. The pair was charged with embezzling \$3 million over two and a half years, a sizable amount of revenue for a \$25 million-a-year firm.

- (i) With reference to the above case, explain the concept of controlling.
- (ii) Explain why controlling sometimes become ineffective.

Ans. (i) Controlling refers to the process of measurement of performance according to standards, measuring deviations and taking corrective action to achieve predetermined goals.

- (ii) Controlling sometimes become ineffective because of the following reasons

- (a) **Difficulty in Setting Quantitative Standards** Control system is effective when standards are defined in quantitative terms. But in some cases, like employee morale, job satisfaction, etc, it is not possible to set quantitative standards. In the absence of these standards, measurement and comparison becomes difficult.
- (b) **Little Control on External Factors** There are certain external factors like change in government policies, technological changes, competition, etc, which are beyond the control of the organisation. Thus, controlling such factors becomes difficult.
- (c) **Resistance from Employees** Employees often resist control as they consider it as restriction or boundation on their freedom. e.g. Employees might resist working under close supervision of CCTV's and cameras.
- (d) **Costly Affair** Control is a costly affair as it involves a lot of expenditure, time and effort. A small firm cannot afford to install an expensive control system. The cost of control system should not exceed the benefits derived from it.

4. Ram Rahim is the sales head of Good Fortune Ltd. His team includes three people. Each of the three team members are supposed to sell 20 electric mixers in a month. At the end of the month of March, he checked the reports of sales persons. 2 members sold less than 20 mixers, whereas one member sold more than 20 mixers. He decided to hear the reasons of non- accomplishment of target. The reasons they disclosed was the inadequate supply of mixers which lead to less sales. Ram Rahim directed the production department to ensure timely supply of mixers in future.

- (i) Name the function of management discussed above.
- (ii) State the steps of function identified in part (i) by quoting the lines.

Ans. (i) Controlling

(ii) Steps of Controlling are

- (a) **Setting Performance Standards** "Each of the three team members are supposed to sell 20 electric mixers in a month."
- (b) **Measurement of Actual Performance** "At the end of the month of March, he checked the reports of sales persons."
- (c) **Comparing Actual Performance with Standards** "2 members sold less than 20 mixers, whereas one member sold more than 20 mixers."
- (d) **Analysing Deviations** "He decided to hear the reasons of non-accomplishment of target. The reasons they disclosed was the inadequate supply of mixers which lead to less sales."

- (e) **Taking Corrective Actions** "Ram Rahim directed the production department to ensure timely supply of mixers in future."

5. Give the meaning of 'controlling'. Explain the steps in the process of controlling. (CBSE (C) 2020)

Ans. Controlling refers to the process of measurement of performance according to standards, measuring deviations and taking corrective action to achieve pre-determined goals. In order to seek results, manager must exercise effective control over the workers. Following are the steps in the controlling process

- (i) **Setting Performance Standards** The first step in the process is the establishment of standards of performance. Standards are the criteria against which actual performance would be measured. Thus, standards serve as benchmarks or yardsticks towards which an organisation strives to work.
- (ii) **Measurement of Actual Performance** Once the standards are fixed, the next step is to measure the actual performance. Generally, it is conducted by the managers to analyse the overall efficiency level of the employees. While measuring the performance, objective and reliable methods should be used, such as sample checking, preparing reports, personal observation, etc.
- (iii) **Comparing Actual Performance with Standards** This step involves comparison of actual performance with the standard. Such comparison helps in revealing the deviations between actual and desired results. Comparison becomes easier when standards are set in quantitative terms.
- (iv) **Analysing Deviations** Under this step, deviations in key areas of business need to be attended on urgent basis as compared to deviations in certain insignificant areas. There is a need to determine the acceptable range of deviations in all operational areas. Following points should be kept in mind, while analysing deviations
 - (a) **Critical Point Control** According to this principle, control system should first focus on Key Result Areas (KRAs) which are critical to the success of the organisation. Therefore, if anything goes wrong at the critical points or key areas, immediate action should be taken.
 - (b) **Management/Control by Exception** It suggests that, if 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** This is the final step in which manager takes corrective measures to bring back everything on track in the organisation. 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.

Chapter Test

Multiple Choice Questions

1. An efficient control system helps to
 - (a) accomplishes organisational objectives
 - (b) boosts employee morale
 - (c) judges accuracy of standards
 - (d) All of the above
2. Which of the following is not an importance of controlling?
 - (a) Judging accuracy of standards
 - (b) Effective use of resources
 - (c) Ensures order and discipline
 - (d) Exploitation of resources
3. 'Controlling provides direction to all activities and efforts for achieving organisational goals'. Which importance of controlling is referred here?
 - (a) Judging accuracy of standards
 - (b) Effective use of resources
 - (c) Ensures order and discipline
 - (d) Facilitates co-ordination in action
4. Each employee of 'Bhoomika Ltd.' should manufacture 10 tables per day as per the terms of employment. All the employees met the said target except a few who manufactured between 4 to 6 tables per day. The management took a decision to install Closed Circuit Television (CCTV's) in the factory for monitoring the activities of the employees. Identify the managerial function discussed above.
 - (a) Planning
 - (b) Organising
 - (c) Staffing
 - (d) Controlling
5. Under management by exception, manager
 - (a) Set up a range and deviation within the range are ignored and beyond range are taken seriously.
 - (b) All deviations are taken seriously
 - (c) Both (a) and (b)
 - (d) None of the above

Short Answer (SA) Type Questions

1. Which function of management ensures a manager that activities in an organisation are performed as per plans? Name and state some points of its importance.
2. Explain how controlling helps in
 - (i) Making efficient use of resources.
 - (ii) Improving employees' motivation.
3. Enumerate the following limitations of controlling.
 - (i) Difficulty in setting quantitative standards.
 - (ii) Resistance from employees.
4. Explain how 'critical point control' helps in the controlling process.

5. 'Controlling provides direction to all activities and efforts for achieving organisational goals'. Which importance of controlling is referred here? Discuss it briefly.

Long Answer (LA) Type Questions

1. A company M Ltd. is manufacturing mobile phones both for domestic Indian market as well as for export. It had 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, 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.

- (i) Identify the benefits that the company will derive from a good control system.
- (ii) 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?
- (iii) Give the steps in the control process that the company should follow to remove the problems it is facing.

2. FedEx operates an \$18 billion delivery system from its eight U.S. and seven international hubs. It operates more than 630 airplanes, 42,500 vehicles, and 44,400 drop-off locations. It delivers more than three million express packages to customers in more than 200 countries. Effective control was one of the key to FedEx's increased profits during the past decade.

An important part of that control system was the ability to track customers' parcels at each stage of collection, shipment and delivery. Also, at FedEx, its controls help identify which customers generate the greatest profits and which eventually end up costing the company. FedEx closes accounts that aren't profitable to serve, such as those in small, widely scattered locations.

The Internet has enabled FedEx to attract and hold new customers by providing them with crucial information as needed. Customers can log onto the Internet and follow the progress of their packages. By providing timely information about services and costs, along with parcel progress to its customers, FedEx has been able to expand rapidly its customer base. More than 2.5 million customers are connected electronically with FedEx.

With reference to the above case, explain the steps involved in the process of controlling.

Answers

Multiple Choice Questions

1. (d) 2. (d) 3. (d) 4. (d) 5. (a)