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# CONTROL SYSTEM

For Internal Circulation and  
Academic Purpose Only

# Programme Educational Objectives

*Our program will create graduates who:*

- 1. Will be recognized as a creative and an enterprising team leader.*
- 2. Will be a flexible, adaptable and an ethical individual.*
- 3. Will have a holistic approach to problem solving in the dynamic business environment.*

# Principles of Management Course Outcomes

- CO1-Student manager will be able to identify application of various management theories in the organization / establishment under study.
- CO2-For a given profile, student manager will be able to map the desired skill set with available skills through interaction with the employees of the organization / establishment under study
- CO3-Given the task / event, student manager will be able to formulate plan, design the team structure with authority and responsibility, and devise a control mechanism for effective management.

- CO4- In the organization/establishment under study, student manager will be able to calculate Span of Control and analyze Scalar Chain.
- CO5- Student manager will be able compare the motivational practices and its suitability in the organization/establishment under study.
- CO6- Student manager will be able determine sources of recruitment and comment on its suitability in the organization/establishment under study.

# What is Control?

- **Controlling**

- The process of monitoring activities to ensure that they are being accomplished as planned and of correcting any significant deviations.

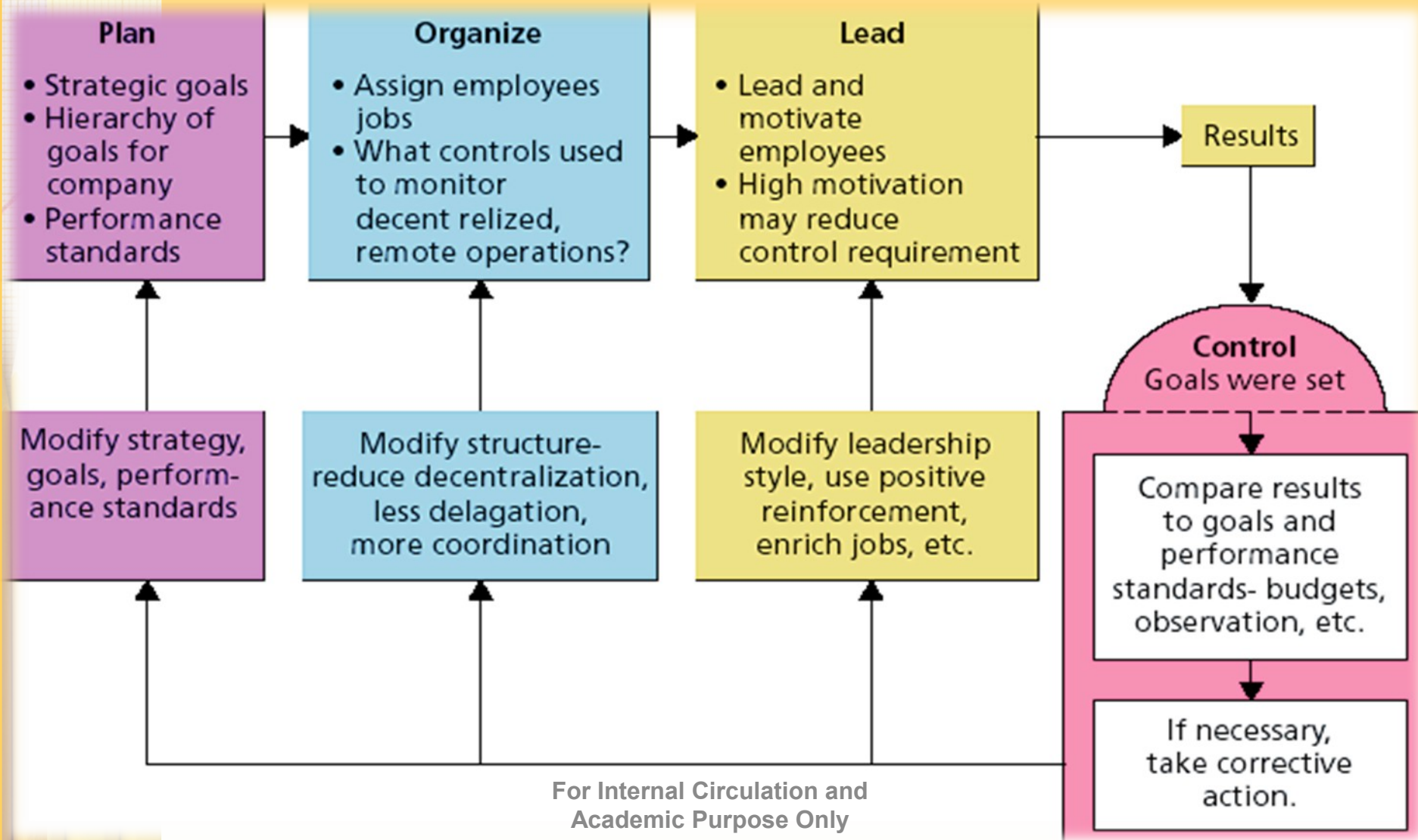
- **The Purpose of Control**

- To ensure that activities are completed in ways that lead to accomplishment of organizational goals.

# Why Is Control Important?

- As the final link in management functions:
  - **Planning**
    - Controls let managers know whether their goals and plans are on target and what future actions to take.
  - **Empowering employees**
    - Control systems provide managers with information and feedback on employee performance.
  - **Protecting the workplace**
    - Controls enhance physical security and help minimize workplace disruptions.

# Management and the Control Process



# Steps in the Control Process

- **Step 1-Measuring actual performance**
  - Personal observation, statistical reports, oral reports, and written reports
  - Management by walking around (MBWA)
- **Step II- Comparing actual performance against a standard**
  - Comparison to objective measures: budgets, standards, goals
  - Range of variation



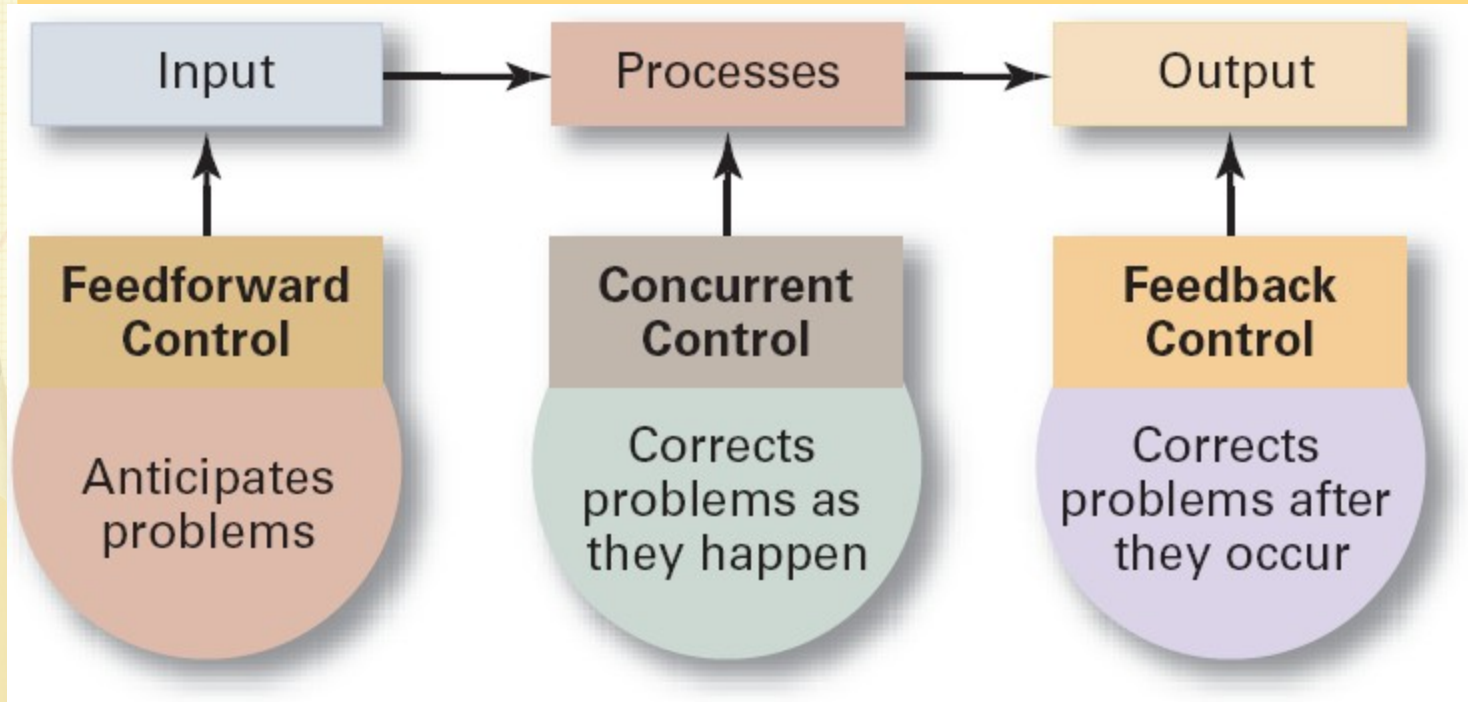
# Steps in the Control Process

- Step III- Taking managerial action to correct deviations or inadequate standards
  - **Immediate corrective action**
    - Correcting a problem at once to get performance back on track
  - **Basic corrective action**
    - Determining how and why performance has deviated and then correcting the source of deviation
  - **Revising the standard**
    - Adjusting the performance standard to reflect current and predicted future performance capabilities

# Qualities of an Effective Control System

Accuracy	Timeliness
Economy	Flexibility
Understandability	Reasonable criteria
Strategic placement	Emphasis on the exception
Multiple criteria	Corrective action

## Types of Control



# Types of Control

- **Feedforward Control**

- A control that prevents anticipated problems *before* actual occurrences of the problem.
  - Building in quality through design.
  - Requiring suppliers conform to ISO 9002.

- **Concurrent Control**

- A control that takes place while the monitored activity is in progress.
  - **Direct supervision:** management by walking around.

# Types of Control

- **Feedback Control**

- A control that takes place after an activity is done.
  - Corrective action is after-the-fact, when the problem has already occurred.
- **Advantages of feedback controls:**
  - Provide managers with information on the effectiveness of their planning efforts.
  - Enhance employee motivation by providing them with information on how well they are doing.

# The Basic Management Control System

- **Budget**
  - Formal financial expression of a manager's plans.
- **Capital Budget**
  - Shows the expenses for equipment with a life longer than one year.
- **Operating Budget**
  - Shows the expected sales and/or expenses for each of the company's departments for the planning period in question.

# Performance Reporting

- **Variiances**
  - Differences between budgeted and actual amounts.
- **Audit**
  - A systematic process of objectively obtaining and evaluating evidence of the firm's performance, judging the accuracy and validity of the data, and communicating the results to interested users.
- **Financial Ratio**
  - An arithmetic comparison of one financial measure to another, generally used to monitor and control financial performance.

# **Tools for Controlling Organizational Performance: Financial Controls**

- **Traditional Controls**

- **Ratio analysis**

- **Liquidity**
- **Leverage**
- **Activity**
- **Profitability**

- **Budget Analysis**

- **Quantitative standards**
- **Deviations**

- **Other Measures**

- **Economic Value Added (EVA)**
- **Market Value Added (MVA)**



# Reference

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