

# CONTROLLING

## CONTROLLING PROCESS

# Business Studies

## Class 12

# UNIT -8::MODULE -2

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# STEPS IN CONTROLLING PROCESS

## Controlling Process

### STEPS

1. Setting Performance Standards



2. Measuring Actual Performance



Standards: **Defined:** They are the criteria against which actual performance is to be measured (Bench marks)  
- They are set in both - QUALITATIVE (Non-exact) cannot be expressed in figures (precisely measurable) & QUANTITATIVE TERMS. A manager needs to set the definite/clearly defined standards so as to make comparison easy.

#### CHARACTERISTICS OF STANDARDS:

1. Clearly defined (measurable)
2. Flexible- Need to accommodate environmental changes.
3. Realistic

The actual ongoing performance should be measured accurately & reliably (without bias).

#### Note:

1. The measurement of actuals should be of the same units as the standard.
2. The measurement made should be presented in a performance report

#### TECHNIQUES OF MEASUREMENT:

1. Random sampling
2. Observation
3. Activity reports & (ROI, Ratio analysis) etc.

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3. Comparison of Actual Performance with Standards

The Actual performance (**A**) (step 2 result), should be compared with the standard (**S**) (step 1 results). The difference between A & S is the deviation.

**Note:**

1. If the actual (**A**) < Standard (**S**)  $\implies$  Negative deviation  $\implies$  determine reason for deviation.
2. If the actual (**A**) > Standard (**S**)  $\implies$  Positive deviation  $\implies$  should be encouraged.

4. Analysing Deviations

Every Activity will have a permissible range of deviation (tolerance limits) which are acceptable. But if a deviation is beyond the permissible range, the reasons (causa proxima) for the deviation are analysed & reported with the emphasis critical areas (Critical Factor Areas). For other non-critical areas- the MBE (Management by Exception) technique is adopted.

Reasons for deviation-Inadequate resource availability, unrealistic/obsolete stds, Defective processes, Environmental factors, Org. Constraints/Policies, Human Error etc.

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**5. Initiating Corrective  
Action**

Once the reason for deviations/causa proxima have been reported, the manager concerned has to himself immediately initiate corrective action by remedying the cause after through enquiry.

**Some of the remedies are:**

1. Assigning additional employees to complete the task on schedule,
2. Repairing the defective equipment
3. Ensuring time by availability of Raw Material.
4. Working overtime
5. Making structural policy adjustments.

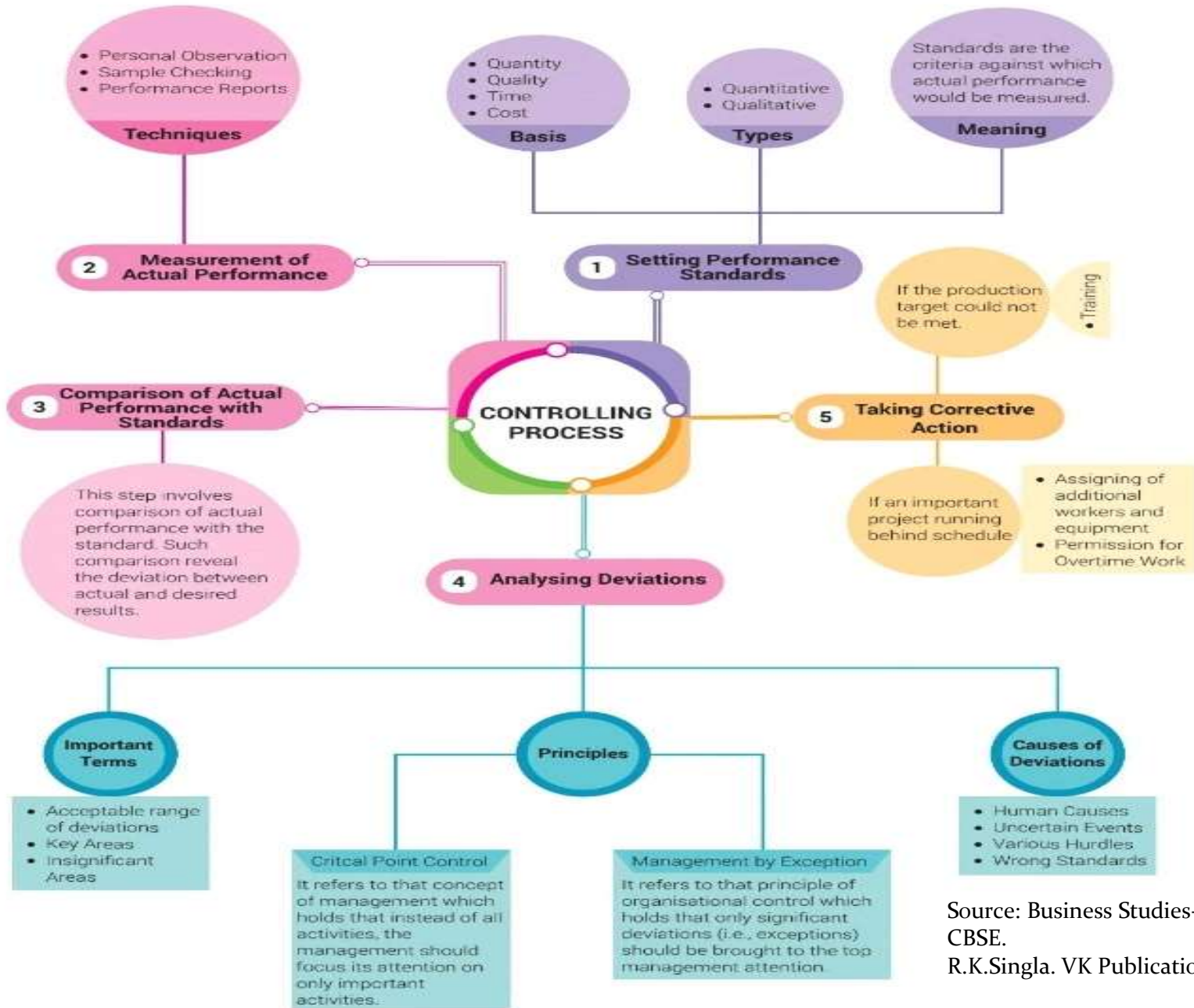
Note: if the deviation cannot be corrected by managerial action, then the standard has to be revised.

## Some examples of Corrective Action

| Causes of deviation                      | Corrective action to be taken   |
|--|---|
| 1. Defective material                    | Change the quality specification for the material used                      |
| 2. Defective machinery                   | Repair the existing machine or replace the machine if it cannot be repaired |
| 3. Obsolete machinery                    | Undertake technological upgradation of machinery                            |
| 4. Defective process                     | Modify the existing process   |
| 5. Defective physical conditions of work | Improve the physical conditions of work                                     |

SOURCE: NCERT business Studies ,class 12 Text book

# RECAPITULATION



Source: Business Studies-Class 12, CBSE.

R.K.Singla. VK Publications

# WORKSHEET

1. Explain the steps in the controlling process. ( 5 marks)
2. Define deviation. (1 mark)
3. \_\_\_\_ types of goals are not quantifiable. (1 mark)
4. If an organization's actions are not in consonance with plans, managers should take \_\_\_\_ action immediately. (1 mark)
5. Seeking customer feedback is one way of comparing \_\_\_\_\_ with ultimate goals and standards (1 mark)
6. One way of reducing \_\_\_\_\_ from employees is for managers to include employees while setting standards and making plans. (1 mark)