UNIT 6: STAFFING

UNIT STRUCTURE

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6.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- explain the concept of staffing
- explain the importance of staffing
- discuss human resource planning
- explain the meaning of recruitment and its sources
- explain the concept of selection and its differences between recruitment and selection
- discuss the concept of orientation.

6.2 INTRODUCTION

Every business manager is faced with the never-ending job of staffing in the organization. Since management is basically the art of getting things done through people, the performance of an organization largely depends on the staffing function. This unit is, therefore, devoted to discussing the

concept and importance of staffing.

The first step in the staffing function is to understand the job requirements. It is concerned with determining two aspects – the number and type of personnel required. This can be done by preparing a human resource plan. The unit therefore, includes a discussion on the concept of human resource planning. The unit also intends to highlight recruitment, selection and orientation which are three important steps in the staffing process.

6.3 CONCEPT OF STAFFING

The term 'staffing' may be defined as that function of management which is concerned with hiring and developing the required personnel to fill in various positions in the organization.

According to Haimann, "Staffing pertains to the recruitment, selection, development, training and compensation of subordinate managers".

Thus, staffing involves human resource planning i.e. estimating the size and nature of the personnel required, followed by recruitment and selection of the best candidates to train, to induct, to reward and to have regular and effective communication with them. The process of staffing consists of the following steps:

(i) Estimating manpower requirement keeping in view the present and future needs of the organization.

(ii) Identifying the sources of supply for adequate number and types of manpower.

(iii) Selecting the right number and quality of personnel.

(iv) Assigning the right jobs to the right person selected by management.

(v) Orientation of employees to their jobs and work environment.

(vi) Training employees in order to improve their knowledge and skill.

Thus, the essence of staffing is the placement of the right man on the right job and at the right time.

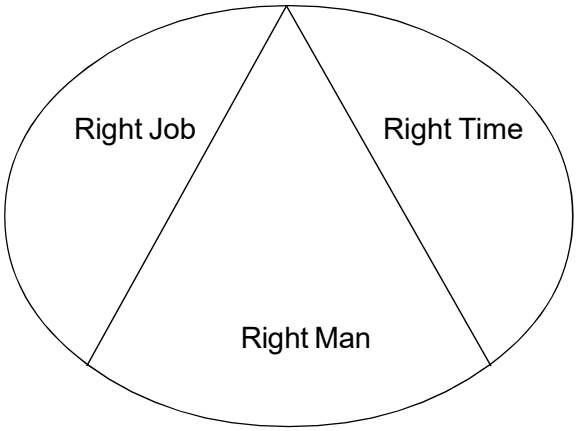


Figure 6.1: Three directions of staffing

6.4 IMPORTANCE OF STAFFING

Human resources of an organization are considered the most valuable assets because it is the people who activate other resources. Human resources perform various activities in different functional areas like production, marketing, finance etc. In fact, effective performance of the staffing function helps to derive the following benefits:

- **Efficient performance of other functions**:

Staffing helps in the efficient performance of other functions of management. If an organization does not have competent personnel, the other functions of management like planning, organizing, controlling etc. cannot be performed efficiently.

- **Effective use of non-human resources:**

Plant and machinery, technology, materials etc. are of no use and remain idle unless there are competent personnel willing to operate them. Staffing function is instrumental in the effective use of available resources.

- **Effective utilization of human resources**:

The staffing function lays emphasis on training and development of the employees of the organization. This enhances the skill and competency of the employees and hence effective utilization of human resources become possible.

- **Realization of objectives**:

Like the other functions of management, staffing function, helps in the realization of organizational objectives. Placement of the right person at the right place ensures the best realization of the organizational objectives.

- **Investment costs**:

Economy and efficiency in operation of an organization may be attained if right men are put in the right job.

- **Stable work force**:

The staffing function offers job satisfaction to employees through training and development programmes, offering financial and non-financial incentives and creating congenial atmosphere at work. All these are done so as to ensure a stable work force in the long- term interest of the organization.

- **Better human relations and industrial relations**:

The staffing function of management not only helps in creating better human relations but also helps in improving the overall industrial relations. These are made possible by implementing the rules, procedures and methods which are designed to maintain congenial atmosphere for work.



CHECK YOUR PROGRESS

Q 1: What is staffing.

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Q 2: State two points of importance of staffing in an organization.

i) .....

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ii) .....

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6.5 HUMAN RESOURCE PLANNING

An organisation will do better if it plans well in advance about the type of personnel required, from where they can be made available and how they can be trained and developed so that the right people are available at the right time for right positions. All these exercises are undertaken in manpower planning or human resource planning.

Thus, human resource planning involves two aspects:

- Planning the manpower requirements for all types and levels of jobs.
- Planning the sources of manpower supplies to provide the organization with the right types of people to meet the planned requirements.

According to Edwin B. Geisler, "Human resource planning is the process – including forecasting, developing, implementing and controlling by which a firm ensures that it has the right number of people and right kind of people, at the right place, at the right time, doing things for which they are economically most suitable".

Based on the above discussion and definition, following features of human resource planning can be identified:

- It is a comprehensive process which includes various aspects of human resource management.
- It involves determination of future needs of manpower in the light of organizational planning and structure.
- It takes into account the manpower to be made available at a future date in the organization.
- It deals with effective utilization of manpower.

Human resource planning is essential in all organisations. Let us discuss its impertance–

- **Skill shortage:** Despite the prevailing huge unemployment, there is an acute shortage of varieties of skills. It makes it necessary to make effective recruitment policy and retain the skilled people.
- **Government controls:** Government controls and changing labour laws with regard to working conditions, hours of work, contract and casual labourers have made the organization more aware of the need

for systematic human resource planning.

- **Technological advancement:** Rapid changes in production technologies, marketing methods and management techniques have exercised tremendous influence on job contents. All these make it necessary to plan human resource needs systematically.
- **Demographic changes:** The changing profile of the work force in terms of literacy, social background, gender etc. call for careful planning of manpower.
- **Impact of pressure group:** In today's context, various pressure groups such as workers' union, politicians, reservation for SC/ ST and other castes etc. exercise considerable influence on matters of employment, promotion etc. These also call for a systematic planning of human resources.
- **Organizational changes:** In the present environment marked by cycling inflation, the nature and pace of changes of organizational environments, activities and structure affect manpower requirements.

6.6 CONCEPT AND SOURCES OF RECRUITMENT

Recruitment involves searching of employees, from within or outside the organisation. It is the discovering of potential applicants for actual or anticipated organisational vacancies. The objective of recruitment is to procure a sufficiently large number of qualified candidates so that the most eligible employees can be selected.

According to Edwin B. Flippo, "Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in an organization".

Thus, recruitment involves the following steps:

1) Identifying the sources of supply for adequate number and quality of employees required for the organisation.
2) Publishing information about vacant jobs in the organization.
3) Evaluating available alternative sources of applicants or candidates and selecting the best source.

4) Contacting the selected source of recruitment to secure application, i.e. encouraging and stimulating prospective candidates to apply for the vacant job by providing detailed information regarding the job and the organisation.

Thus, there are two stages in recruitment –

(a) Searching of suitable candidates for the job, and

(b) Motivating and encouraging them to apply for the jobs.

Now, let us discuss the sources of recuitment.

The various sources of recruitment can be divided into two groups –

A. Internal Source (from inside the organization)

B. External Source (from outside the organization)

A. Internal Source: Filling vacancies from inside the organisation is known as the internal source of recruitment. Under this method, vacancies are filled through promotion, retired employees, dependants of deceased or disabled employees, retrenched employees, transfer of an employee from one job to another etc.

B. External Source: Filling vacancies from various outside sources is known as external sources. Some commonly used external sources are employment exchange, campus recruitment, recommendations of existing employees, educational institutions, advertisements and trade unions etc.

We can make a comparative analysis of internal and external sources of recruitment as under:

Basis	**Internal Source**	**External Source**
1. Meaning	It involves search of personnel from within the organization	It involves finding candidates from outside the organization.
2. Time	It is less time consuming	It consumes more time
3. Scope	Choice of candidate is limited	External sources offer wider choice
4. Motivation	Existing staff is motivated to improve their performance	The existing staff feels dissatisfied when recruitment is made from outside sources.

5. Suitability	Candidates may not be found suitable for newer types of jobs	Suitable candidates may be recruited for newer types of jobs

Table 6.1 : Comparison between internal and external sources of recruitment



CHECK YOUR PROGRESS

Q 3: What is human resource planning?

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Q 4: What is recruitment?

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6.7 CONCEPT OF SELECTION

Selection means choosing the fit candidates or rejecting the unfit candidates. It involves a series of steps by which candidates are screened to find out who among them is the best suited for a particular job. It is the process of dividing the applicants into two groups –

a) Those who are to be employed, and

b) Those who are to be rejected.

According to Dale Yoder, "Selection is the process by which candidates for employment are divided into class– those who will be offered employment and those who will not".

Thus, selection is the process of selecting the most suitable candidate from applicants for the various vacant jobs. In other words it is the process of eliminating or rejecting many unsuitable candidates to choose the few suitable candidates. It is described as a negative process as compared to the positive process of recruitment.

The importance of selection can be studied from the following factors:

- **Procurement of suitable personnel:** Only the suitable candidates

who are fit for the job are selected from among the prospective candidates for employment. In this way, the selection process helps in hiring desirable personnel.

- **Reduction of training cost:** Proper selection of candidates reduces the cost of training because qualified and suitable personnel have better learning capacity and they can understand the techniques of work quickly.
- **Building competent workforce:** Proper selection and placement of personnel go a long way towards building up a suitable workforce. It helps in keeping the rate of absenteeism and labour turnover low.
- **Achievement of objectives:** Competent employees inducted in through the selection process show higher efficiency and enable the organization to achieve its objectives effectively.
- **Reduction in accidents:** The rate of industrial accidents are found to be considerably low whenever candidates are chosen and placed on various jobs which suit them.

6.7.1 Steps in selection process

Let us now discuss the steps followed by modern organizations in their selection process to get the right type of persons:

1. **Preliminary interview:** It is the first step in the selection procedure. It takes place at the reception counter of the organization. The object of this interview is to eliminate the fully unsuitable candidate in respect of qualifications and other requirements.
2. **Application form:** It is a blank application form which is supplied to the applicant for filling it with the information in respect of his educational qualifications, age, experience, training etc. as sought by the organization.
3. **Employment tests:** It is the third hurdle for the potential candidates which they have to pass through after their applications are found to be in order. Testing the respondents

has now become a popular method of selection. The various tests used by the employer can broadly be divided into two categories –

(a) Ability tests, and

(b) Personality tests.

4. **Employment Interview:** Employment interview is the most popular method of selection. The purpose of the interview is to know additional information from the candidate and to determine the suitability of the candidate for the job. The interview should be conducted in a friendly environment and efforts should be made to allow the interviewee to settle down and feel at ease.

5. **Reference check:** The reference check is the next step in the selection process. The employer can ask the potential candidate to provide the names of two or three persons who know the candidate personally. The unfavorable remarks by the referees go against the candidate and his candidature may be rejected.

6. **Medical examination:** The medical or physical examination has now become a part of selection procedure in India. This is very important to know whether the candidate is in good health or suffering from any physical disease.

7. **Final selection:** If the candidate successfully passes through all the stages discussed above, an appointment letter is issued to him mentioning the post on which he is selected, the terms of appointment, pay scales etc. The personnel manager should introduce him to the company and his job.

6.8 CONCEPT OF ORIENTATION

When a new employee reports for duty, he should be welcomed as a new member of the organization. He must be helped to get acquainted and adjusted with his fellow employees and work environment. The first day of employment is long remembered by most of the people. A new entrant

joins in an organization as a stranger to his co-workers, job and organization. Hence, arrangements need to be made to make the integration of the new employee into the organization. Orientation or induction helps to do so.

Thus, orientation is welcoming a new employee to the organization. It is concerned with the problem of introducing or orienting a new employee to the organization.

According to Michael Armstrong, "Orientation is the process of receiving and welcoming an employee when he first joins a company and giving him basic information he needs to settle down quickly and happily and start work".

In short, orientation is the process of welcoming and socialization of a new employee to his/her job and organization.

Orientation programme is designed to achieve the following objectives:

- To reduce the initial anxiety all new entrants feel when they join a new job in a new organization.
- To familiarize the new employees with the job, people, work place, work environment and the organization.
- To facilitate outsider-insider transition in an integrated manner.
- To reduce exploitation of the new entrant by the unscrupulous co-workers.
- To reduce the cultural shock faced by a new entrant in the organization.

A formal orientation programme may provide the following benefits to the new comer and the organization:

- It reduces anxiety, nervousness, turnover and absenteeism of the employee.
- It helps to minimize the cultural shock of the new employees which he or she may undergo on joining a new organization.
- It also helps to integrate the new employees into the organization.
- It binds the new comer and the present employees in a team.



CHECK YOUR PROGRESS

Q 5: What is recruitment?

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Q 6: State two objectives of an orientation programme.

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6.9 LET US SUM UP

In this unit we have discussed the following:

- Staffing is that function of the management which is concerned with hiring and developing the required personnel to fill in various positions in the organization. It is very important for the performance of an organization which largely depends on the staffing function.
- Human resource planning is first concerned with planning manpower requirements and supplies for smooth functioning of an organization.
- Recruitment involves searching of employees from within or outside the organization. There are two important sources of recruitment-internal and external. Selection means choosing the fit candidates or rejecting the unfit candidates or a combination of both. Recruitment is followed by selection.
- Orientation is welcoming a new employee to the organization.



6.10 FURTHER READINGS

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2) Smarth, M. W. & Siriya M. Pratibha (2001) Fundamentals of management: Perspective management. New Delhi, S. Chand & Company Ltd.

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6.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Staffing is an important function of management which is concerned with the hiring and developing the people required in the organisation. The steps in staffing process are–

(i) Estimate the required manpower supply;

(ii) Identity the sources of manpower supply;

(iii) Selecting the right number and quality of people;

(iv) Assigning the right job to the right person;

(v) Orientation of employees; and

(vi) Training of employees.

Ans to Q No 2: The importance of staffing are –

(i) It helps in effective utilization of human resources.

(ii) It helps in realization of organizational objectives.

Ans to Q No 3: Human resource planning is concerned with deciding in advance the type of people required, the sources from where the required number and type of people can be collected and how they may be trained and developed to meet future organisational requirement.

Ans to Q No 4: Recruiting is the process of searching of employees from internal and external sources of recuritment. It is concerned with discovery of potential applicants for the organisation. There are mainly two sources of recuritment- internal sources and external sources.

Ans to Q No 5: Selection is the process of choosing the right candidate and rejecting the unsuitable candidate. Selection process divide the applicants into two groups–

(i) those who are to be employed, and

(ii) those who are to be rejected.

Ans to Q No 6: Two objectives of an orientation programme are –

i) To familiarize the new employees with the job, people and work place.

ii) To reduce the initial anxiety of the new employees.



6.12 MODEL QUESTIONS

Q 1: What is staffing?

Q 2: State the steps involved in the staffing process.

Q 3: Explain in brief the importance of staffing in an organization.

Q 4: Define human resource planning.

Q 5: What are the important features of human resource planning?

Q 6: What are the reasons for giving more importance to human resource planning in modern organization?

Q 7: What do you mean by recruitment?

Q 8: What are the various sources of recruitment?

Q 9: Distinguish between internal and external sources of recruitment.

Q 10: Define selection and discuss its importance.

Q 11: Explain the various steps in a selection procedure.

Q 12: Give the meaning of orientation.

Q 13: What are the objectives of orientation programme and what are its benefits?

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UNIT 7: CONTROLLING

UNIT STRUCTURE

7.1 Learning Objectives

7.2 Introduction

7.3 Meaning and Importance of Control

- 7.3.1 Meaning of Control
- 7.3.2 Importance of Control

7.4 Steps in Control Process

7.5 Behavioural Implications of Control

7.6 Management By Exception

7.7 Techniques of Managerial Control

- 7.7.1 Budgetary Control Techniques
- 7.7.2 Non Budgetary Control Techniques

7.8 Let Us Sum Up

7.9 Further Readings

7.10 Answers to Check Your progress

7.11 Model Questions

7.1 LEARNING OBJECTIVES

After going through this unit, you will be able to –

- define the meaning and importance of management control
- describe the necessary steps in control process
- explain the behavioural implications of control
- define the management by exception
- classify the techniques of managerial control into budgetary and non-budgetary.

7.2 INTRODUCTION

Control is the final principal element of the managerial process. This function intends to ensure that everything occurs in conformity with the plans and predetermined goals which are successfully achieved. Thus, this

function aims to make things happen in order to achieve goals. In this unit, we will discuss the meaning and some important aspects of control.

7.3 MEANING AND IMPORTANCE OF CONTROL

7.3.1 In this section firstly we will discuss about meaning of control.

Meaning of control :

Control is the exercise of checking and correcting organisational functions in order to ensure that things occur in accordance with the planning. Control is a process that guides performance towards predetermined goals. Control is a process of analysing and examining whether actual performance is going on according to planned performance and if not where the deviations are occuring and when to take measures for correction. Control is a process of comparison and verification between planned and actual performance. Philip Kotler defines Control "as the process of taking steps to bring actual results and desired results closer together." According to Massie, control is the process that measures current performance and guides it towards some predetermined goals. EFL Breach defines control as a process of checking current performance against pre- determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance. Out of the above definitions, the following characteristics of control emerge.

- Control is an important managerial function. Every manager in an organisation has to perform controlling functions.
- Controlling function is essential in every level of management.
- Another important feature of control is that the elements and nature of control process are universal. The process of control remains the same in all types of organisation.
- Control is a continuous process. It is a never ending process till the organisation exists.
- Control is a dynamic process. Every manager is to change the control process according to changing situation of the environment.
- The purpose of control is always positive and constructive, because control aims at achieving the goal as desired.

- Control is a goal-oriented function.
- Control is also action-oriented, because it takes some corrective action to fulfil the desired performance of an organisation.
- Control is called forward looking as it aims at future action of an enterprise.
- Control is based on planning, because without the objectives, targets and standards of planning, control is not possible.
- Control is related to checking, examining and regulating actions and behaviour of employees.
- The scope of control is very wide as because it includes the control of quantity, quality, time, cost etc, i.e. all activities of an organisation.
- The control is also called backward looking as it is related to the activities which have already been done.

Importance of Control :

Control is one of the important elements of management process. No manager can complete the management process without control. According to Robbins and Coulter, control is important because it is the final link in the functional chain of management activities. It is the only way of managers to know whether or not organisation goals are being met and why or why not. The importance of control is discussed as folows:

- **Smooth functioning of the enterprise :**

The control function help an enterprise in performing its activities smoothly. In this connection Peter Drucker has said that control maintains the equilibrium between ends and means, output and effort. In presence of such equilibrium position, an enterprise can perform its function smoothly. By the help of control an enterprise can maintain equilibrium between planning and purpose of the organisation.

- **Management of big enterprise :**

The control function is very much essential in the management of large organisations. In large organisations numerous complexities are associated. Large organisations produce variety of products, use automatic

and computerised system of production, and also cover vast geographical areas. So, in case of these organisations, uniformity of actions and behaviour among the employees can be ensured only through effective control system.

- **Maintaining Competitiveness :**

In order to maintain competitiveness over a long period of time, a business is to apply effective control system. Through effective control system, management can utilise the valuable resources of the business for the accomplishment of its organisational goals.

- **Attainment of goals :**

By the help of control system a business can guide its activities towards the realisation of the pre-determined goals. According to Robbins and Coulter an effective control system ensures that activities are completed in ways that lead to the attainment of organisational goals.

- **Success of Planning :**

Through control, organisational activities are checked and examined to ensure that everything is going on according to planning. That is why, Terry and Franklin have rightly said that the failure of controlling means sooner or later the failure of planning and success of planning means the success of controlling.

- **Help in Decision-making :**

By the help of control system a manager can find out the difference between actual performance and standard performance. Thereafter, the manager can easily decide how to correct the deviations. In this connection, managers can take the help of effective control system, through which they can decide about follow up actions.

- **Effective delegation and decentralisation :**

In order to make the delegation and decentralisation effective, control system is very much essential. Because, without proper control system, no delegation and decentralisation of authority can produce desired results.

- **Proper Direction :**

Effective direction is always possible through effective control. So,

Peter. F. Drucker pointed out : "The synonymous to control is direction. The managers can observe that activities of a business are effectively directed towards the pre-determined objectives through systematic control system."

- **Promotes Coordination :**

The control system can guide the activities of an organisation towards the same direction as desired by the management. Thereby managers can ensure unity of direction and uniformity of actions and behaviour. This also helps in the development of the spirit of cooperation and coordination among the employees and various departments.

- **Enhances motivation and morale :**

A systematic control system plays an important role in the enhancement of employees' motivation and morale. Control can encourage employess to perform their duties better and serves as challenge and provide opportunity to improve performance.

- **Maintains discipline and honesty :**

Effective control system requires every member of an organisation to maintain rules and regulations, standards of behaviour and action. In order to maintain discipline and honesty among the employees, management is to apply effective control system. Otherwise, managers shall be regarded as irresponsible.

- **Timely performance :**

Time is an important factor in managerial activity. Management can perform the organisational activities in right time by the control system. Pre-decided work schedules, programmes, time tables are the different controlling techniques which ensure timely performance of organisational activities.

- **Detection and correction of mistakes :**

The control system finds out the deviation between standard and actual performance. Moreover, if any deviation is found then the control system detects the cause of the same and also provides corrective measures. Thus, through a control system all possible mistakes and irregularities can be detected and corrected.

- **Promotes economy :**

An effective control system can reduce unnecessary cost and wastages of production. Thereby, management can reduce the per unit cost of production and increase the profitability. After all, an organisation can effectively and efficiently use its resources by the help of control.

- **Organisational Stability :**

Organisational stability is possible, if the management can properly use its control system. Different control techniques such as plans, policies, rules, budgets, fixation of standard can contribute to the organisational stability. All of these techniques of control can provide a strong foundation to the organisation. By an effective control system management can create a good work culture and build good image and goodwill of the organisation in the society.

- **Adapting to changing environment :**

These days, products, competition, technology, consumer, market, government policies, corporate laws, employees behaviour, society etc. are changing at a high rate. So, control is very much essential to adjust the business activities according to the changing situation.



LET US KNOW

At present, management experts view control as comprising of two components. One part is related to the achievement of effective control by a manager on his subordinates. This means controlling the human element in the enterprise. A manager must control people. If people are controlled properly, actions and events will take place as per plans. Managers, therefore, control things by controlling people. The second part of controlling is related to the evaluation of actual work performance or output and the initiation of corrective action when necessary to rectify errors or deviations. This is the control mechanism with a feedback loop present in the planning – control feedback cycle. Success of any organisation depnds on control mechanism. Where control mechanism fails, plans also fail and where plans succeed, control also succeed.



ACTIVITY 7.1

1."Planning is an empty exercise without controlling." – In the light of this statement find out the relationship between control and planning.



CHECK YOUR PROGRESS

Q 1: State whether the following statements are true or false-

i) Manager do not performs control function.

ii) Process of control remains the same in all types of organisation.

iii) Control is a goal -oriented function

iv) Control is both forward and backward looking.

v) Control is not a dynamic process.

7.4 STEPS IN CONTROL PROCESS

Control is a continuous or ongoing dynamic process. Control process involves the following steps.

1) Establishment of Standards :

Establishment of standards is the first step of control process. Standard is the criteria of performance or yardstick for judging results. A standard is a rule for measuring. Standard may be in several forms. Standard should be defined in quantitative terms to make control more specific. Different forms of standard are Productivity Standards, Time Standards, Cost Standards, Quality Standards, Behavioural Standards. Standard should be fixed in all the key areas of business. Moreover, standards should always be flexible and capable of being adapted to changing environment.

2) Measurement of Performance :

The next step in the control process is the measurement of actual performance. Personal observation, samples, reports, accounting statement etc are the various methods of measuring actual performance. Depending on various situations, the method of measurement may be quantitative, or

qualitative or a combination of both. Managers should carefully select the methods of measurement and time gap within which performance will be measured. The measurement of performance should always be clear, complete, precise and objective.

3) Comparison between actual performance and standard :

The third step in the control process is the comparison of actual performance with the standards. In this step, the managers not only find the deviation between the actual and the standard performance, but also identify the cause of this deviation. The managers should distinguish between noncritical and critical deviation. It is important to mention that focussing on critical deviations is known as control by exception. The management can provide information relating to work performance through relevant data, charts, graph and written reports.

4) Correction of Deviation :

This is the last step in the control process. Management should take immediate corrective measure after determining the causes of deviations. In order to improve performance managers can provide training, revise compensation plan, redesign job; change the strategy, changing the organisational structure etc.

The various steps of control process are shown below-

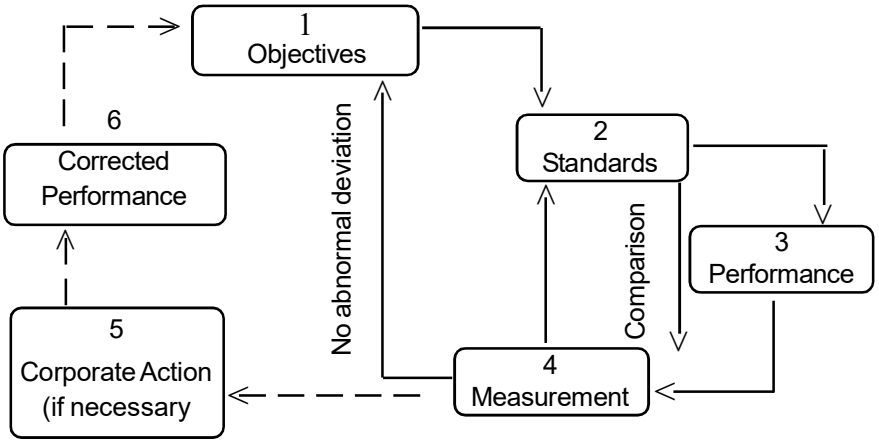


Figure7.1: Control Process



CHECK YOUR PROGRESS

Q 2: Match the following

	A	B
i)	Establishment of standard	a) Second step of control
ii)	Comparison between actual and standard	b) Fourth step of control
iii)	Correction of deviation	c) Third step of control
iv)	Measurement of performance	d) First step of control

i) .....

ii) .....

iii) .....

iv) .....

7.5 BEHAVIOURAL IMPLICATIONS OF CONTROL

The essence of control is the people, because management must control people, not things or resources. Management is to control material resources through controlling the people. All employees are not completely logical in their behaviour. Control system generally affects the behaviour of employees in the following different ways –

- Employees are likely to resent very close control. Employees may be present on the job physically but they may be absent mentally and emotionally.
- Employees may adopt hidden hostility instead of open hostility. Hidden hostility may be more dangerous.
- Employees may react to minimize the control through absenteeism as well as turnover or by quitting their jobs.
- Sometimes they may develop innovative methods of deviation and may keep the deviations from being discovered.
- Trade union may fight back against tighter control system adopted by the management. As a result, the tighter control may lead to lower performance.

- Moreover, tighter control system may create absenteeism, turnovers, transfers, union activity, low employee morale, low productivity, dissatisfaction of employees and poor organisational climate.
- Employees' view regarding fixation of standard may be negative. They may not understand fully the standards, if the standards are imposed on the employees without any accompanying explanation of their need and value.
- In case of corrective action, most of the employees dislike being corrected. Because they find it difficult to accept the facts of life and so develop a sense of frustration. Moreover, employees blame control decisions as they expose their limitations to peers, superiors and subordinates. Sometimes, it will be ego-deflating for the employees against whom corrective actions are taken.
- The perception of employees of an organisation may be against the control system. The employee may think that the purpose of control is for the benefit of the organization, not for them. In such a situation, control system will be adversely affected by the behaviour of the employees.

Overcoming Behavioural Problems :

The behavioural implications of control as discussed above do not imply that management should not initiate control techniques in the organization. By overcoming the behavioural problems, the control system can be made effective in the organisation. Now, we will discuss certain measures to overcame the behaviooural problems-

- In an organization, the management should avoid the direct hierarchical pressure. So, management can adopt structural arrangement.
- Management should improve the co-operation by increasing participation among the employees. For this purpose, a suitable organizational climate is very much essential.
- Management can build-up a good communication network based on two-way communication.
- Group processes should be strengthened in the organization for the purpose of obtaining coordination and cooperation in control system.

- In order to solve the problems of motivation arising from the control system, the management should reinforce both economic as well as non-economic needs of the employees.
- At the time of designing control system, management should consider its long term perspective so that frequent and abrupt changes never take place.



CHECK YOUR PROGRESS

Q 3: How control system can influence the behaviour of employees? (Answer withing 50 words)

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Q 4: Suggest two measures to overcome behavioural problems of employees over the control system.

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7.6 MANAGEMENT BY EXCEPTION

Management by exception is an important principle of organizational control. According to this principle, the managers should give attention only on a significant deviations from standards of performance. By this principle, manager can separate important and unimportant deviation. As per this principle, a managers should send only information of important deviation to the top management. The managers should concentrate their effort only on important matters. They should not observe each and every matter of the organization. If managers can apply this principle, they can handle their control system more efficiently. This principle says that subordinates should perform all routine matters of the organization and thereby the subordinates should leave the manager free to deal with non-routine or exceptional organizational issues. As for example, the manager establishes a quality

control standard, under which 2% defective production can be allowed. So, according to the principles of management by exception, managers should inform the top management, if the defective is found more than 2% and they should not inform the management about any defective production up to or less than 2%.

Benefits of Management by Exception :

From the use of the principles of management by exception, the following benefits can be enjoyed –

- It can save the time of top level management.
- It can increase the concentration of executive efforts on major problems.
- It provides better facilities in systematic delegation of authority.
- It makes possible the use of the knowledge of the managers and the important data and information for the productive purpose.
- It helps the managers in the identification of critical problems.
- It provides both qualitative and quantitative yardsticks to judge situation and people.
- It improves the quality of communication among various segments of an organization.
- It plays vital role in the control system of big organizations.
- It helps in the development of skill of the lower level managers.
- It minimizes the frequency of decision making.



CHECK YOUR PROGRESS

Q 5: What is management by exception?

(Answer within 50 words)

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7.7 TECHNIQUES OF MANAGERIAL CONTROL

Managerial control is a systematic effort to set performance standard along with planning targets. There are various techniques of managerial control. All techniques can be classified broadly into two categories. Such as :

A. Budgetary control techniques

B. Non-budgetary control techniques

7.7.1 Budgetary Control Techniques

A budget is a recorded plan of action expressed in quantitative terms. Budgetary control is derived from the concept and use of budgets. According to George R. Terry, "Budgetary control is a process of comparing the actual results with the corresponding budget".

There are generally four steps of modern system of budgetary control. These are mentioned below :-

- **Budget Policy Guidelines :** In an organisation, line managers have to base their expectations on various assumptions in time of preparing budgets. These assumptions are related to economy, political trends, government policies, competitors' actions, strengths of organisation, basic managerial policies etc. The top management should prepare a common set of budget policy guidelines to be followed by all managers of middle and lower level. Budget Policy Guidelines also lay down the fundamental targets necessary for continuous progress of the business.
- **Preparation of Budgets :** According to nature, activities and size of organisation, different types of budget are prepared. Different departmental heads have to prepare their own budget as per guidelines given by the top management. Thereafter the budget committee would discuss all the budgets and observe that budgets are prepared within the safety margin.

- **Reporting of variance :** Cost variance is the difference between a budgeted cost and an actual cost. There are mainly three cost variance. such as material cost variance, labour cost variance and overhead cost variance. On the basis of variance analysis, the managers can take immediate corrective action. The managing director can know the overall position of the organisation from the report of variance. Generally the performance is measured against the budget and the variance is calculated by the budget department under the control of budget officer.
- **Review and Follow-up :** It is an important step in budgetary control process. Generally, the budget committee meets periodically to review the performance of various departments. If this review and follow-up action is neglected, then no system of budgetary control becomes effective.



LET US KNOW

Let us discuss some budgets-

- **Sales budget :** Sales budget is a future estimate of expected sales. It is the nerve center or backbone of an organisation. At the time of preparing sales budget different factors are considered such as past sales figures, Assessment and reports of salesmen, availability of raw materials, seasonal fluctuations, availability of finances, and plant capacity etc. Generally sales managers have to prepare the sales budget.
- **Selling and Distribution Cost budget :** This budget is prepared along with the sales budget. This budget breaks down the figures for selling costs and distribution costs in groups for controlling such costs. So, this budget is to depend upon the sales budget. Because, selling and distribution cost are changed according to change of sales. The sales managers are responsible for preparing this budget.

- **Production budget :** Production budget is also prepared in relation to the sales budget. Production budget is the estimation of production during budget period. Production budget includes amount of production, cost of materials, labour, factory overheads etc. Production planning, plant capacity, stock quantity, sales budget figures etc. are important factors to be considered at the time of preparing the production budget.
- **Production cost budget :** In the production cost budget, the future productions are expressed in terms of money. This budget estimates the total amount of money to be spent for producing the amount of goods estimated in production budget. Production cost budget has three subsidiary budgets such as (a) Direct materials,(b) Direct Labour, and (c) Production overheads.
- **Purchase budget :** Purchase budget is derived from the direct materials and indirect material included by the overhead budget. This is a subsidiary budget, which gives the consumption of materials in the production process.
- **Cash budget :** After preparing all cost budgets, the cash budget is prepared. Cash budget is the anticipated receipt and expenditure for a certain period of time. Different sources of cash as well as various items of expenditure are anticipated in cash budget.
- **Master budget :** It is a budget for the organisation as a whole. Master budget shows the expected overall effect. It is prepared in the form of projected profit and loss account for the organisation. By the master budget the top management tries to match with the goals set earlier.

Objectives of budgetary control :- The main objectives of budgetary control are as follow –

- **Ensure planning :** The main objectives of budgetary control is to ensure planning through different budgets.
- **Coordinate the activities :** Another objective of budgetary control is to coordinate the different activities of different departments.
- **Operation of cost center :** By the budgetary control, various cost centers and departments can operate with efficiency and economy.
- **Eliminate wastes :** As a result of budgetary control, an organisation can eliminate its wastes and unnecessary cost, which can ultimately increase profitability.
- **Capital expenditure :** Budgetary control can anticipate capital expenditure of an enterprise for the future.
- **Control :** Budgetary control can centralise the control system of an organisation.
- **Correction :** Different corrective measures can be adopted, which can minimise the deviations from the standards established earlier.
- **Responsibility :** By the budgetary control the responsibility of different employees and officers can be fixed.

Advantages of Budgetary Control :

The budgetary control has the following advantages -

- **Profitability :** By virtue of budgetary control, the profitability of an organisation can be maximised.
- **Increase Coordination :** Another advantage of budgetary control is to increase the coordination among different activities, departments, employees etc.
- **Achievement of goals :** Organisational goals can be achieved by the help of budegtary control.
- **Measuring performance :** Budgetary control can be used as a tool for measuring performance. Under budgetary control different targets are provided to different departments and thereafter actual performance is compared with the target. The

deviations between the actual and the budgeted targets are reported to the top management.

- **Economy :** Under the budgetary control system, different expenditures are systematically alloted to different departments and activities. Thereby, wastage can be minimised and the resources of an orgnisation can be economically used.
- **Determining drawbacks :** There are various drawbacks and weaknesses in the activities and departments of an organisation. Through the budgetary control, these drawbacks are determined and efforts are concentrated to remove these drawbacks.
- **Incentive schemes :** By the help of budgetary control system, an organisation can introduce different incentive schemes of remuneration for the employees.

Limitation of Budgetary Control

Inspite of many advantages, the budgetary control system suffers from the following limitations :

i) **Unknown and Unseen future :** Budgetary control system entirely depends upon the future. On the other hand,the future is unseen and unknown. So, the future may not come as per estimate in budget. The change in business environment, market, government policy may adversely affect the budgetary control of an organisation.

ii) **Revision :** Budgetary control is based on some assumption. So, if these assumption do not come true, then budgets should be revised. Frequent revision of budget can reduce its value and importance.

iii) **More efficient employees may be discouraged :** Generally the target are fixed under the budget to be achieved by the average quality employees. So, the more efficient employees may be discouraged under the budgetary control system.

iv) **Lack of coordination :** The budgetary control system depends on the coordination of different departments. But, in practice

the coordination may not be maintained by the departments. There should be a budgetary officer for maintaining coordination. But, all organisations cannot appoint such budgetary officer owing to financial burden.

v) **Conflicts among departments :** Under budgetary control system, different amounts of finance are allotted to different departments. All departmental heads want to get the maximum allocation of funds, which is not practically possible. As a result, conflict may arise among these departments.

vi) **Depends upon top management :** The support of the top management is essential for the success of budgetary control. So, if at any time, there is a lack of necessary support from the top management the budgetary control system may fail to deliver the expected result or adversely affect the performance.

7.7.2 Non-Budgetary Control Techniques

There are some other techniques of control, which are not based on budget. These are called non-budgetary control techniques. Some non-budgetary control techniques are discussed below –

i) **Reports :** Different special reports and records can be prepared by the experts for controlling purpose. Such special reports contain much deeper information. These are generally called investigative reports. These reports indicate the depth of the problems and can suggest the way of solving the problem.

ii) **Ratio analysis :** Ratio anaysis is the most important method of interpreting the financial statements. A financial ratio implies a relationship between two variables of financial statements of an organisation. Generally the variables for ratio analysis are taken from both profit and loss account and balance sheet. Ratio may be expressed in three ways, such as percentage (25%), a proportion (1:4) or a fraction (¼).

iii) **Break-even analysis :** Break-even analysis is a graphical technique of control. By this technique business can identify an appropriate number of units to be produced to generate maximum revenue to cover the cost. By this technique a point is located where the total cost is equal to the total revenue. By the use of this technique production and sales volume can be controled to avoid loss.

iv) **PERT/CPM :** These are the network techniques used for controlling the action and performance. The full meaning of PERT is Programme Evaluation and Review Technique and the full meaning of CPM is Critical Path Method. Under the PERT/CPM method, a network diagram is prepared to display the sequence of activities necessary for the completion of a project. So, PERT helps an organiser in planning the schedule of a project and to monitor and control the progress of this project. This method also helps in identifying possible obstacles and shifting the resources as necessary to keep the project on schedule.

v) **Inventory control :** Inventory control is also called material control, which includes the kind, amount, location and timing of various materials. Material may be classified mainly into three categories i.e, Raw-Materials, Work-in-Progress and Finished Goods. In order to make a smooth functioning of the production activities, inventory control is immensely important. The main objective of inventory control is to provide the right material at right time at right place. Different parameters of inventory control are safety inventory level, maximum inventory level, re-ordering level, etc.

vi) **Statistical Quality Control (SQC) :** SQC is a statistical method which analyse data in the determination and control of quality. This statistical technique of quality control is based on mathematical theory of probability. By this method production quality can be maintained in an economical manner. This

method can immediately rectify the error. It is a preventive method and can reduce cost and time of inspection work.

vii) **Financial statement :** Profit and Loss account and balance sheet are the two principle financial statements. These financial statements show the working as well as finantial position of a business. There are various techniques of analyzing these financial statements such as ratio analysis, comparative statement, break-even point, trend analysis etc. which can be used as techniques of controlling the day-to-day financial activities of an organisation.

viii) **Human Resource Accounting :** According to Eric Flamholt Human Resource Accounting is the accounting for people as an organizational resource. It involves measuring the costs incurred by business firms to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organisation. Human Resource Accounting can change the attitude of executives and in this way it can provide necessary data and information for controlling human resource of an organisation.

ix) **Management by Objectives :** It is also called Result Management. Peter Drucker introduced the concept of Management by Objectives in the year 1954. Peter Drucker defines Management by objectives as a system for improving performance in both the individual managers and the enterprise as a whole by setting the objectives at the corporate, department and individual manager's level. Under the process of MBO, periodic review is made and employees are provided with adequate feedback on the actual performance as compared to the planned performance. So, this method can be used as a control technique.

x) **Management Information System :** Under the Management Information System selected decision oriented information is provided by management for planning, controlling and

evaluating the activities of the corporation. It is designed to control the organizational activities at all levels. The Management Information System requires the current as well as future information on marketing, administration, production, research functions etc. On the basis of the data and information supplied by the Management Information System, the top management can formulate appropriate control technique.



CHECK YOUR PROGRESS

Q 6: What is budgetary control system?

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7.8 LET US SUM UP

In this unit, we have discussed the following–

Controlling is a process of analysing and examining whether actual performance is going on according to planned performance and if not where the deviations are and when to take measures for correction. Control is a continuous process. It is goal oriented and based on planning. Control is very much essential in the management of large organisation. Control can help an organisation in fulfilment of its predetermined goals. It is also helpful in the decision making process. There are mainly four steps of control process: Establishment of standard, Measurement of performance, Comparison between the actual perfornamce and standard, correction of deviation. The essence of the control system is the people, not things or resources. The control system affects the behaviour of the employees. So, control system should consider the feeling, motive, behaviour and attitude

of employees. Management by exception is an important principle of organisational control. Under the principle, managers should give attention only on significant deviations from the standards of performance. This principle has six basic ingerdients, these are - Measurement, projection, selection, observation, comparision and decision - making. This principle can save the time of the top level managers so they can give more attention on the major problems. There are several techniques of managerial control. All of these techniques can be classified mainly into two categories, such as budgetary control techniques and non-budegtary control techniques.



7.9 FURTHER READING

1) Gupta R.N. (2006). Business organisation and management, New Delhi, S. Chand &b Company Ltd.
2) P. C. Tulsian & Pandey Vishal (2008). Business organization and management. New Delhi, Pearson Education Ltd.
3) Knootz Harold & Weihrich Heinz (2007). Essentials of management: An international perspective. New Delhi, Tata McGraw Hill.
4) Massie Joseph (2007). Essentials of management. New Delhi, Prentice – Hall of India Pvt. Ltd.
5) Dutta M. (2002). Management Control System. New Delhi, S. Chand & Company Ltd.



7.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: i) False ii) True iii) Trueiv) True
v) False

Ans to Q No 2:

(i) – d.

(ii) – c.

(iii) – b.

(iv) – a.

Ans to Q No 3: (i) Employees may not like very strict control. Therefore, in organisations where strict control is exercised, employees may be present on the job physically but not emotionally;

(ii) Employee turn over rate may increase;

(iii) Trade union may resent strict control adopted by the management.

Ans to Q No 4: (i) Management should improve cooperation with the employees,

(ii) Management should build up a good communications system.

Ans to Q No 5: It is an important principle of organisational control which states that managers should conecentrate only on significant deviations from the standard of performance. The managers should not observe the routine matters. There matters should be taken care of subordinates and the top level managers should concentrate on exceptional organisational matters.

Ans to Q No 6: In budgetary control system, actual results are compared with the budget and for any significant variations immediate corrective steps are taken. The performance review is regularly undertaken under this system.



7.11 MODEL QUESTIONS

Q 1: Define control. Explain the main characteristics of control.

Q 2: Access the importance of managerial control.

Q 3: Discuss the main steps in the control process.

Q 4: What are the behavioural implications of control ?

Q 5: Explain the principle of Management by Exception.

Q 6: What are the various techniques of control ?

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