

CONTROLLING PROCESS

402-Business Management

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- Example of Controlling Process



Actual Production
80,000 Watches
Per Year

Standard Production
1,00,000 Watches
Per Year



- Comparison

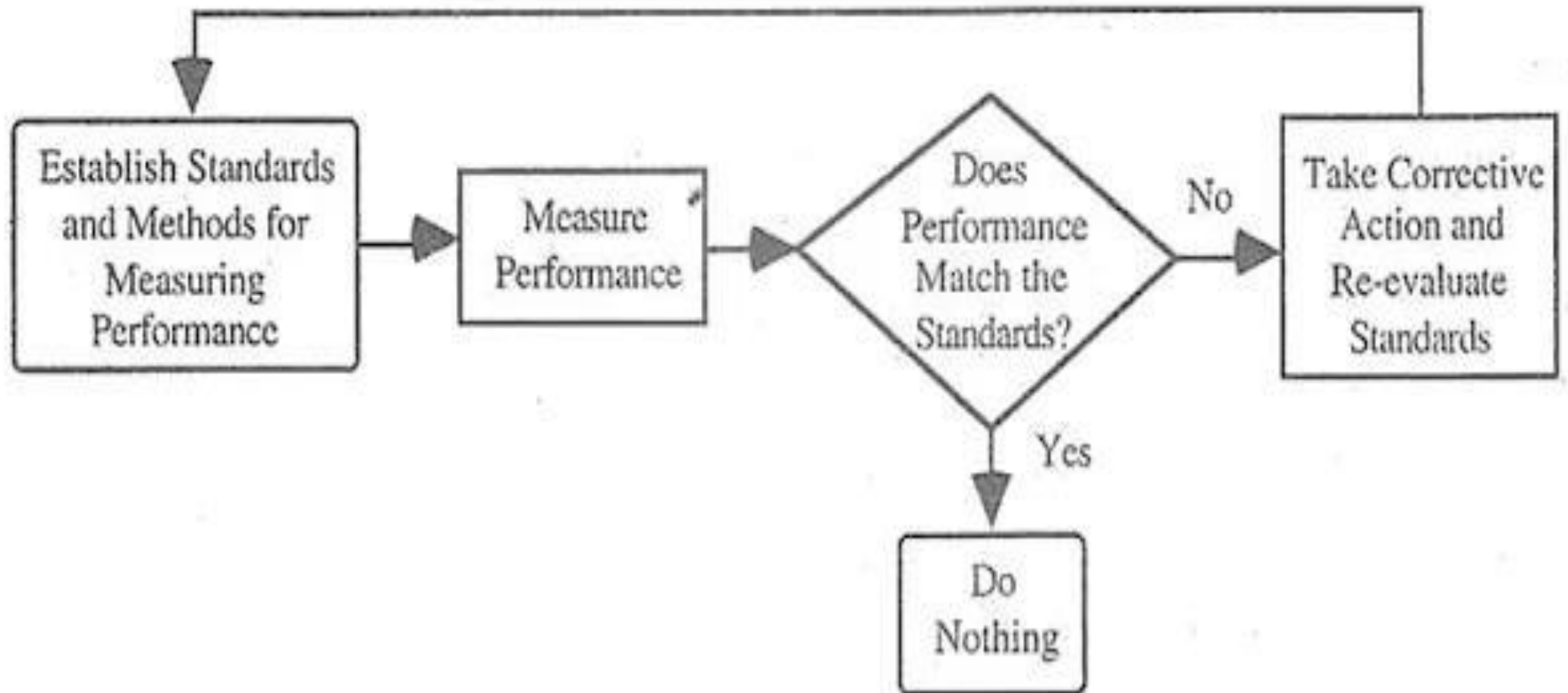
Standard Production
100000 Watches
Per year

VS

Actual Production
80000 Watches
Per Year

Deviation
 $100000 - 80000 = 20000$

Steps in the Control Process





1. Establish Standards and Methods for Measuring Performance

- Standard should be clearly defined, Understandable, Attainable and realistic
 - The first step in the process of controlling is concerned with setting Performance Standards
 - These Standards are the basis for Measuring the actual Performance
 - Standards are the criteria, against which actual Performance would be measured
 - Standards can be set by the following Two ways:
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1. Quantitative Terms

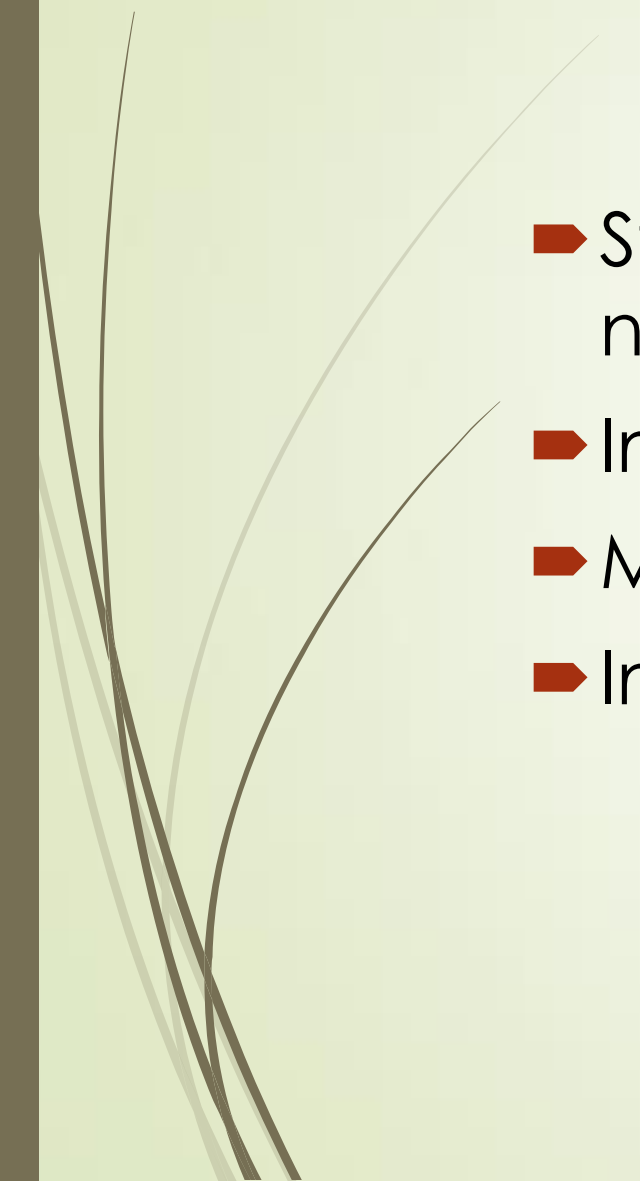
2. Qualitative Terms

1. Quantitative Terms / Easy to set

- Standards which can be measured in numeric figures
- Cost to be incurred in performing a task
- Revenue to be earned in performing a task
- Units to be produced in performing a task
- Time to be taken in performing a task



2. Qualitative Terms / Typical to set

- Standards which can't be measured in numerical figures
 - Improving Goodwill
 - Motivation level of employment
 - Improve efficiency of workers
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- But, Managers should try to set Standards in Quantitative Terms, which can be easily measured and compared later on
 - If standards are set in qualitative Terms, an effort must be made to define them clearly for easy measurements
 - Due to changes taking place in internal and external environment, Standards needs to be revised regularly



2. Measurement of actual Performance

- Generally, Performance is measured after the task, but it can be done during the Performance
- Once the Standards have been determined, the next step is to measure the actual performance
- The various techniques for measuring are sample checking, performance reports, personal observation etc.
- However, in order to facilitate easy comparison, the performance should be measured on same basis that the standards have.

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- Performance can be measured In different areas like:
 - Profitability Performance- By calculating GP ratio, NP ratio and ROI
 - Marketing Performance- By Measuring No of units sold
 - Production Performance- By Measuring No of units produced

1. In case of small organization

- Each piece produced may be checked to ensure quality

2. In case of big organization

- sample checking is conducted in which certain pieces are checked at random for quality



REFERENCES

1. Google
2. Wikipedia



Thank you