CONTROLLING PROCESS

402-Business Management

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Example of Controlling Process



Standard Production 1,00,000 Watches Per Year

Actual Production 80,000 Watches Per Year



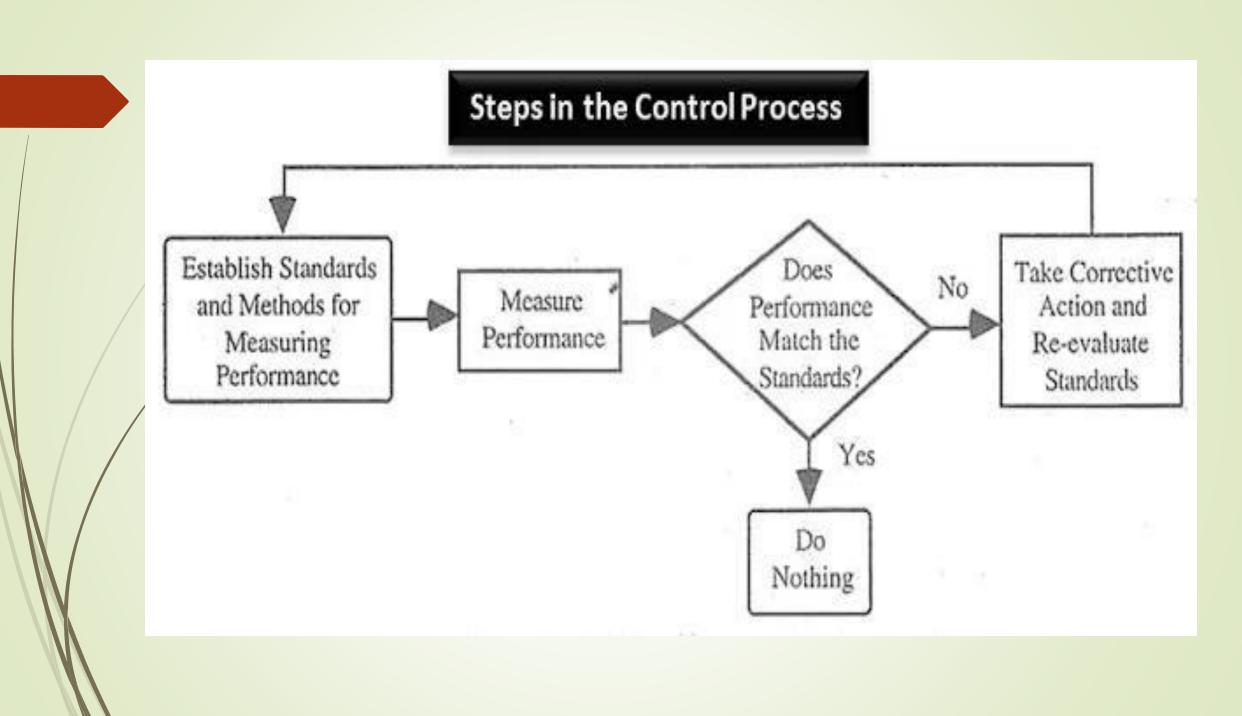
Comparison

Standard Production
100000 Watches
Per year

VS

Actual Production 80000 Watches Per Year

Deviation 100000-80000=20000



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:

- 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

- 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.

- 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

- Google
 Wikipedia

Thank you