

Chapter 8 · Controlling

CBSE Class 12 Business Studies (054) · Part A · Unit 6+7+8 = 20 marks · Ultimate Revision Sheet

60-SECOND RECALL

Definition	Ensuring that actual activities conform to planned activities — measuring performance, comparing it with standards and taking corrective action.
Process (5 steps)	Set standards → Measure performance → Compare → Analyse deviations → Take corrective action
Importance (5)	Achieving goals, Judging accuracy of standards, Efficient use of resources, Improving employee motivation, Ensuring order & discipline, Facilitating coordination
Limitations (4)	Difficulty in setting quantitative standards, Little control over external factors, Resistance from employees, Costly affair
Two key techniques	Critical Point Control & Management by Exception
The famous line	"Planning is looking ahead , controlling is looking back ."

1. Meaning & Nature

WRITE THIS VERBATIM Controlling means ensuring that activities in an organisation are performed as per the plans. It is the process of comparing actual performance with the standards set, finding out deviations and taking corrective action. Controlling is a **goal-oriented, pervasive, continuous** function and is both a **backward-looking** and a **forward-looking** function.

EXPLAIN THIS PARADOX — a frequent 3-marker Controlling is **backward-looking** because it evaluates past performance against standards. It is **forward-looking** because corrective action improves future performance and revises future plans. So it is **both**.

2. Importance of Controlling

1. **Accomplishing organisational goals** — it measures progress and corrects deviations, guiding the organisation back on track.
2. **Judging accuracy of standards** — a good control system verifies whether the standards set were accurate and objective, and revises them as needed.
3. **Making efficient use of resources** — each activity is performed as per pre-determined standards, which reduces wastage of resources.
4. **Improving employee motivation** — employees know in advance what they are expected to do and the standards of appraisal, which motivates them.
5. **Ensuring order and discipline** — it creates an atmosphere of order and discipline and helps minimise dishonest behaviour by keeping a close check on activities.
6. **Facilitating coordination in action** — it gives direction to all activities and departments, keeping them tied to the common organisational goal.

3. Limitations of Controlling

1. **Difficulty in setting quantitative standards** — it is hard to measure things like human behaviour, job satisfaction and employee morale in numbers.
2. **Little control over external factors** — an enterprise cannot control government policy, technological change or competition.
3. **Resistance from employees** — employees often see control as a restriction on their freedom, and resist things like CCTV monitoring.
4. **Costly affair** — control involves a lot of expenditure, time and effort, so it may not be justified for small organisations.

4. Relationship between Planning and Controlling

THE TWO SENTENCES TO MEMORISE “Planning without controlling is meaningless, and controlling without planning is blind.”

“Planning is looking ahead; controlling is looking back.”

- Planning and controlling are **inseparable twins** of management.
- **Planning precedes controlling** — planning sets the standards; controlling measures against them.
- **Controlling succeeds planning** — but it also **improves future planning** by feeding back the deviations found.
- Planning is a **prescriptive** activity (what should be done); controlling is an **evaluative** activity (what has been done).
- Both are **backward-looking and forward-looking**: planning is forward-looking but is based on past experience; controlling is backward-looking but guides future action.

5. Controlling Process (5 Steps)

#	Step	What happens
1	Setting performance standards	Standards are the benchmarks against which performance is measured. They may be quantitative (cost, revenue, units, time) or qualitative (goodwill, morale). Standards should be flexible enough to adapt to a changing environment.
2	Measurement of actual performance	Performance is measured in an objective and reliable way — personal observation, sample checking, performance reports. Measurement should be in the same units as the standards.
3	Comparing actual performance with standards	The actual is compared with the standard to find the deviation . Easy where standards are quantitative.
4	Analysing deviations	Deviations are analysed to find their causes , using Critical Point Control and Management by Exception (see below).
5	Taking corrective action	No action if the deviation is within acceptable limits. Otherwise, corrective action is taken — and if the standard itself was unrealistic, the standard is revised .

The Two Techniques inside Step 4

Technique	Meaning
Critical Point Control	It is neither economical nor easy to check every activity. So control should focus on Key Result Areas (KRAs) — the critical points that are vital to the organisation. Eg: a 5% rise in labour cost matters more than a 15% rise in stationery cost.

Management by Exception

"Control by exception" — only **significant deviations beyond the acceptable range** are brought to the notice of management. Small deviations are ignored. *Eg: report only if production cost rises by more than 5%.*

BENEFITS of these two techniques: saves the manager's time and effort · focuses attention on **important areas** · reduces the burden of unnecessary work · identifies **critical problems** quickly · facilitates **delegation** and increases employee morale.

Types of Deviations to identify in a case

Common causes of deviation you should name: **unrealistic standards** · **defective process** · **obsolete machinery** · **shortage or poor quality of resources** · **structural drawbacks** · **environmental / external changes** such as government policy or natural calamity.

TRAP If the deviation is caused by an **external factor** (change in government policy, natural calamity), the correct answer is usually to **revise the standard**, not to punish employees. Examiners test exactly this judgement.

6. Case-Study Keyword Triggers 40% of the paper is competency-based

If the case says...	The answer is...
"fixed a target of 100 units per worker per day"	Setting performance standards (step 1)
"checked a sample of the output"	Measurement of actual performance (step 2)
"found actual output was 80 against the target of 100"	Comparing performance with standards (step 3)
"found out why the shortfall happened"	Analysing deviations (step 4)
"replaced the old machine / retrained workers"	Taking corrective action (step 5)
"only deviations above 5% reported to the manager"	Management by Exception
"concentrated only on key areas like labour cost"	Critical Point Control
"employees objected to CCTV monitoring"	Resistance from employees (limitation)
"could not measure employee morale in numbers"	Difficulty in setting quantitative standards
"shortfall was due to a change in government policy"	Little control over external factors → revise the standard
"the target itself was found to be unrealistic"	Revising the standard (step 5)

MOST-ASKED BOARD QUESTIONS

1. **[6M]** Explain the steps in the process of controlling.
2. **[6M]** Explain the relationship between planning and controlling.
3. **[4-6M]** Explain the importance / limitations of controlling.
4. **[4M]** Explain critical point control and management by exception with examples.
5. **[3M]** "Controlling is both backward-looking and forward-looking." Explain.
6. **[1M]** Which principle says only significant deviations should be reported? → **Management by exception**

LINK THE CHAPTERS — Ch 4 and Ch 8 are examined together constantly. Standards come from **planning**; deviations feed back into **future plans**. If a case mentions both a target and a shortfall, expect the answer to involve both chapters — say so explicitly and you pick up the extra mark.