

CREATING AND MAINTAINING CONTROL SYSTEMS

1. Creation

Control is an element of the managerial task and it involves the measurement and correction of the performance of subordinates to make sure that the objectives of the enterprise and the plans devised to attain them are accomplished efficiently and economically.

Control involves:

- The setting of standards
- Measuring performance against standards
- The feedback of results
- Correcting the deviations from the standards

There are many types of control , for example, control of the quality of products, control of morale, etc. There must be, in all cases, clear and unambiguous plans which will enable the managers to carry them out efficiently and effectively.

Standards are an expression of planning goals and may be of many types, for example, physical (the numbers produced), or monetary. Some goals cannot be easily expressed in a quantitative form, for example, the morale of a group can only be measured in a quantitative manner.

The more jobs move away from the assembly line, the more difficult, and the more important becomes the control over them.

Maintenance

To maintain effective control, certain principles must be adhered to, which are:

Control must be set according to the nature of the job which is to be performed.

Small organisations need different systems of control to large organisations. It is important to note that although the same techniques are universally used, for example, budgets, break-even charts, financial ratios and standard costs, it must never be assumed that any of the techniques can be used in a given situation.

Deviations must be reported immediately. In an "ideal" situation, notification is made before deviations occur. However, in practice, such information is usually supplied too late to be of any immediate use, and as a result it can only be used for future planning. Data processing has been speeded up by the use of electronic accounting machines. This means that when data is received it is no longer as out of date as previously.

Controls must conform to the pattern of the organisation. If the organisation pattern is clear and the responsibility for the work done is well defined, then control becomes more effective and it becomes simpler to isolate the persons who are responsible for the deviations.

Controls should show exceptions at selected points. The "exception" principle, whereby only exceptions to the standard are notified, should be adopted. Note must be taken of the varying nature of exceptions, as a small exception in a certain area may be of greater significance than larger exceptions elsewhere.

The exception principle or "management by exception", simply means that the attention of management is brought to those activities of the business which are not going according to plan. By adopting the exception principle, a manager is not overwhelmed with details regarding those operations which are performing satisfactorily. Any minor discrepancies in these areas can be investigated by subordinates. However, the manager must be informed of all important exceptions which arise during the course of operations. Authority is delegated to others in order to permit them to deal with transactions of all kinds, with the exception of those over a certain cost or those which involve an unforeseen risk.

The working of the exception principle is illustrated by budgetary control, where top management concentrates on the minor variances which have less serious implications.

Control should be flexible and economical in use. A system should be sufficiently flexible to allow or provide for alternative remedies, where failures occur. A system of control should not cost more than what it is worth. For example, a complete system of standard costing may be installed, *where in* fact, a simpler system would have been less expensive and more suitable.

Controls should be simple to understand and should indicate the corrective action necessary.

Presentation of control information

in a manner that management can understand is vital. Some controls of a mathematical nature, for example, complex break-even charts are not understood by many managers. In this connection, management training schemes are important, in order to familiarise management with these techniques. If deviations are detected, this is not very useful in itself. It is essential that the results point the way to causes. For example, where the failures are occurring, who is responsible for them and what shall be done about them?

All Rights Reserved © [Arab British Academy for Higher Education](http://www.abahe.co.uk)