

SUBJECT	COMMERCE
Paper No and Title	1: Management Concepts & Organizational Behaviour
Module No and Title	8: Directing & Controlling
Module Tag	COM_P1_M8

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COMMERCE
Paper No.1 : Management Concepts And Organizational Behaviour
Module N0.8: Directing & Controlling

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COMMERCE

Paper No.1 : Management Concepts And Organizational Behaviour

Module N0.8: Directing & Controlling

1. Learning Outcomes

After going through this module, you will gather information to

- Know- The concept and meaning of Directing and Controlling
- Learn- The Definitions given by various authors, elements of directing, process of controlling, techniques of controlling.
- Evaluate-The concernment of Directing and Controlling in achieving organizational goals

2. Introduction

Direction is one of the vital functions of the management. It pledges with human relations. It is a managerial function of guiding, motivating, and leading, supervising the subordinate to attain desired objectives. Without appropriate direction employees may go static and tedious. It is the vital phase of management requiring leadership and managerial skills critical to achieve the goals of the organization.

3. Meaning and Definition of Directing

Directing is a very noteworthy function of management which initiates from the top-level managers to the supervisors in relative to a consigned task which is given after division of labor, and consequent delegation of authority to each employee according to his skill and intelligence to outperform his contenders at work in a specific arena of the given task. This makes directing a fundamental facet of organizational management. Directing is telling people what to do and, seeing that they do it to the best of their capability, and getting all the members of the group to want and struggle to achieve the objectives of the enterprise.

According to Pearce and Robinson,

“Directing is a managerial task which involves the responsibility of managers for communicating to others what their roles are in achieving the company plan.” It is helping all the members of the group to strive to achieve the objectives of the enterprise.

4. Characteristics of Directing

The nature or characteristics of directing are given below (See Figure 1)

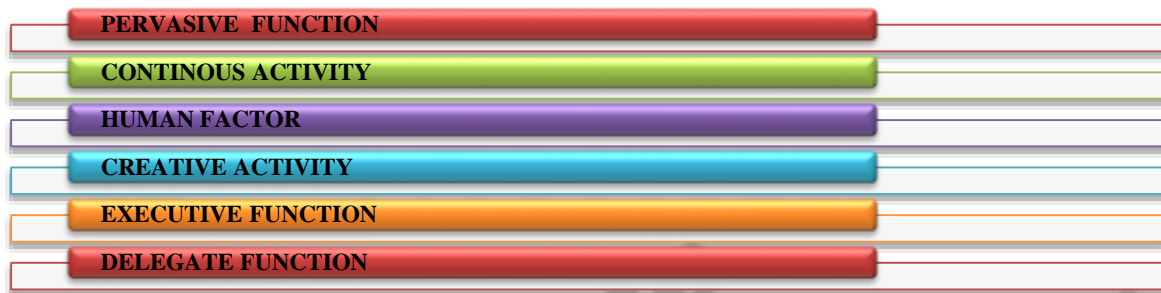


Figure 1: Nature of Directing

4.1 Pervasive function

Directing is necessary at all levels of business. Managers at every level provide guidance and inspiration to subordinates.

4.2 Continuous activity

Direction is a continuous activity, and it takes place every day in all organizations all the way throughout the life of organization.

4.3 Human factor

It is linked to subordinates, and hence it is related to human factor. Human factor is comprehensive in nature, and activities are unpredictable. Thus direction function becomes crucial.

4.4 Creative activity

It is a significant function that helps in translating plans into performance. Without this function, people become quiescent, and physical resources are worthless.

4.5 Executive function

It is carried out by each and every manager, irrespective of their position in organizational hierarchy and a subordinate receives instructions from his superior only.

4.6 Delegate function

Direction is an imperative function concerned with human beings who are erratic by nature. Hence, the work of a manager involves changing and guiding the behavior of workers towards the objective=s laid down by the firm. Delicacy is required to treat human behaviour.

5. Importance of Directing

Directing is of paramount significance to every form of organisation. Its importance is given below: (See Figure 2)



Figure 2: Importance of Directing

5.1 It makes an action start

Employees are appointed for planning, staffing, and organizing in a company. But, they cannot initiate their work if not given appropriate directions like, how to do? what to do?

5.2 It forms coordination among the employees

There are so many employees who are working in an organisation, and are an essential part of the organisation, which makes it obligatory to have cooperation and harmonization among them. Hence, the Manager governs them and gives them clear directions on how to do a particular task, and in which is the best way to carry out the task.

5.3 It helps in motivation

This is a significant function which motivates the staff to do their tasks perfectly with perseverance.

5.4 It facilitates changes in the organizational structure

The employees are able to acclimatize to changing strategies at work and different tasks due to direction which helps in bringing changes in the structure of the organisation.

5.5 It helps in building equilibrium

Directing helps in building equilibrium in the organization by motivation, support, harmonization, sponsorship, etc.

6. Principles of Directing

6.1 Maximum Individual Contribution

Direction must help every individual in the organization to give his utmost potential for accomplishment of organizational objectives.

6.2 Harmony of objectives

The objectives of individuals and organizations must be in harmony with each other. Good direction convinces employees that organizational objectives are in their own interest.

6.3 Unity of Command

It implies that the subordinates in a firm should receive commands and information from one and only one superior or else it may create perplexity, ambiguity, conflict, and disorder in the organization.

6.4 Appropriateness of Direction Technique

This implies that the motivation, supervision, communiqué, and leadership should be pertinent with the approach and want of the employees.

6.5 Managerial Communication

The two way communication is the most effectual means of securing cooperation of the subordinates because it provides them a chance to convey their feelings.

6.6 Use of Informal organization

An informal organization subsists within formal organization structure. So managers must design informal structure also for getting accurate and authentic feedback.

6.7 Leadership

A manager by becoming a good leader can make direction effectual with the faith and buoyancy of his subordinates.

6.8 Follow up

Mere giving of an order is not enough; managers should follow it up by reviewing incessantly.

7. Elements of Directing

Following are the constituents, depicted by Figure 3 are given below:

7.1 Supervision

Supervision is the function to cinch that work is being done in accord with the plans and instructions. “Supervision” means giving birds-eye-view to the workforce at work. It means observing, instructing, and guiding the subordinates in their task to make sure that both plans and measures are implemented.

7.2 Leadership

A leader is one who guides and directs people. He gives the efforts of his followers an alleyway and justification by influencing their conduct. It is the ability to use non-coercive influence on the motivation, activities, and goals of others in order to accomplish the objectives of the organization.

7.3 Motivation

Motivation is the process of inspiring people to action to achieve desired results. It depends upon pleasing needs of people.

7.4 Communication

Communication is swop of information and opinions between two or more persons for universal understanding. Communication may be official or abrupt. It is transfer of information from the sender to the receiver with the information being understood by the receiver.



Figure 3: Elements of Direction

8. Meaning and Definition of Controlling

Controlling is the fundamental managerial function. It is the process of ensuring the actual activities cramped to planned activity. It is a vital function for all levels of management. It ensures the right things are done in the right manner at right time. Controlling is defined as a measurement of actual performance and expected performance, and taking corrective action. Its intention is to make sure that actual performance is unfailing with plans. In fact, control helps managers to screen the efficacy of their planning, organizing, and directing activitie

- According to Terry and Franklin,

"Controlling is determining what is being accomplished - that is, evaluating performance and, if necessary, applying corrective measures so that performance takes place according to plans".

- According to Knootz & O'Donnell,

"Controlling is the measurement of accomplishment against the standards and the correction of deviations to assure attainment of objectives according to plans."

- According to G.R.Terry

"Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary, applying corrective measure so that the performance takes place according to plans."

- According to Henry Fayol,

"Control consists in verifying whether everything occurs in conformity, is with the plans adopted the instructions issued and principles established. It has for its object to point out weaknesses and errors in order to rectify them and prevent recurrence."

- According to Mc Farland,

"The presence in a business of that force which guides it to a pre-determined objective by means of pre-determined policies and decisions."

9. Nature and Characteristics of Controlling

9.1 Continuous Process

Control does not mean any activity which is performed only for once but it is needed at all times. Under controlling, the improvement has to be evaluated incessantly.

9.2 Management Function

There are numerous functions of management like planning, organizing, staffing, directing and controlling. Out of all these functions, controlling is the most significant. If controlling is debarred, all other functions of management are rendered worthless.

9.3 Pervasive Function

It is implanted in each level of organizational hierarchy in the organisation.

9.4 Forward Looking

Effectual control is impossible without past being controlled. Controlling always looks to future so that follow-up can be made whenever requisite.

9.5 It is closely linked with planning

Planning and Controlling are two indivisible functions of management. Without planning, controlling is a futile exercise and without controlling, planning is worthless. Planning presumes controlling and controlling succeeds planning.

9.6 Control is an end process

The step of controlling is exercised once every other managerial function has been performed.

10. Process of Controlling

It involves the following steps:

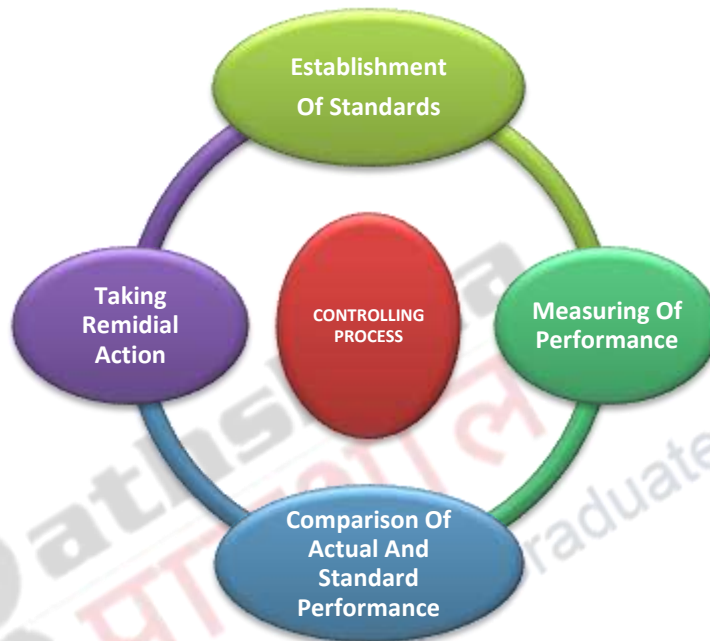


Figure 4: Controlling Process

10.1 Establishment of standards

The plans so developed at the “Planning” stage are termed as standards. They are also termed as the criteria for judging the performance. Standards can be bifurcated into 2 categories- a.) The standards which can be measured and expressed are called as measurable standards. They can take form of cost, output, expenditure, time, profit, etc. b.) Non-measurable standards are which cannot be measured financially e.g. - performance of a manager, divergence of workers, their attitudes towards a concern. Controlling becomes simple through formulation and development of standards or plans because it is only on these standards that control function can be performed.

10.2 Measurement of performance

The activities so performed by the firm in order to achieve the set plans, now needs to be quantified. This helps in finding out deviations. Tangible standards are easy to measure as they

can be expressed in units, cost, money terms, etc. Quantification of performance is required because it is very difficult to measure the performance qualitatively.

10.3 Comparison of actual and standard performance

Once actual performance is quantified, it is compared against the pre-established standards. This helps in calculating deviations. Deviations are the gap between actual performance and the planned targets. The manager has to discover two things-*extent of deviation and cause of deviation*. Manager has to find out those deviations which are critical for business. Trivial deviations have to be rendered useless. Critical deviations like replacement of technology, selection of workers, superiority of raw material, rate of profits, etc. should be considered willfully. Once the deviation is acknowledged, a manager has to think about various grounds which have led to deviation. Reasons can be flawed planning, lack of co-ordination; defective implementation of plans or ineffective supervision and communication, etc.

10.4 Taking remedial actions

Once the causes and extent of deviations are recognized, the manager has to perceive those errors and take remedial measures to remove those deviations. There are two alternatives, either manager can take corrective measures for deviations which have occurred or the manager can amend the targets. Follow up is an essential step as it is only through taking corrective measures, a manager can put into effect controlling function.

11. Techniques of Controlling

Control techniques offer managers the type and amount of information they need to assess and examine performance. The information from various controls must be customized to a precise management level, department, unit, or operation. To ensure inclusive and unswerving information, organizations frequently use standardized documents, such as, financial, status, and project reports. Each area within an organization, nevertheless, uses its own explicit control techniques.

Controlling techniques are divided into two categories: (See Figure 5)

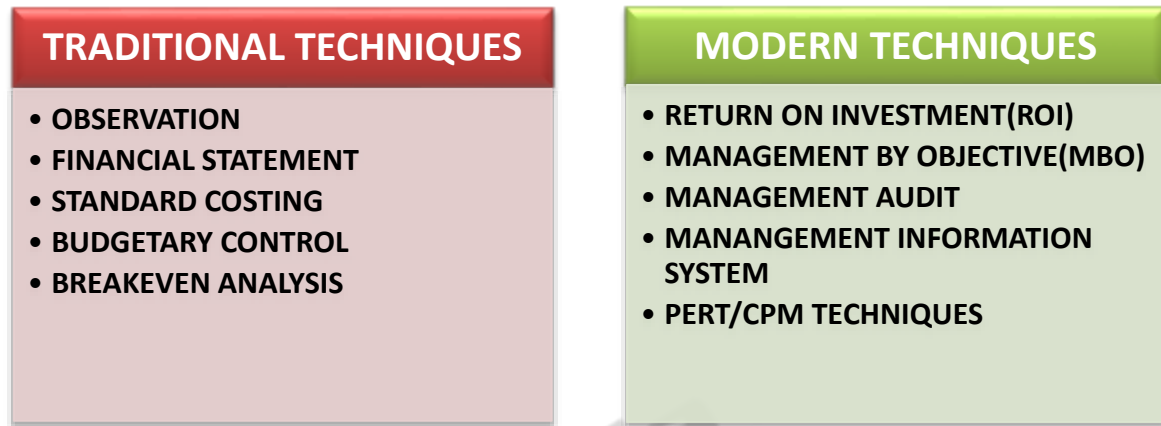


Figure 5: Controlling Techniques

1. Traditional techniques

a) Observation

This involves the observation of actual functions at the place of work. It is the oldest method of control. Such a method has psychosomatic impact on the employees making them try harder.

b) Financial Statement

All business organisations prepare Profit and Loss Account which gives a review of the income and expenses for a specific period. They also prepare Balance Sheet which depicts the financial position of the organisation at the end of the specified period. The figures of the current year can be contrasted with the previous years, and with the figures of similar organisations. Ratio analysis can be used to evaluate the financial statements. Ratio analysis helps to comprehend the profitability, liquidity, and solvency position of the business.

c) Standard Costing

Standard Costing may be defined essentially as a technique of cost accounting which evaluates the “standard cost” of each product or service with the real cost, to verify the competence of the operation, so that any counteractive action may be taken instantly. The “standard cost” is a prearranged cost which determines what each product or service should cost under given conditions.

d) Budgetary Control

Budgetary control is a technique of administrative control through budgets. It is the quintessence of financial control.

Budgetary control is done from all facets of a business, such as, earnings, expenses, production, capital, and revenue. Budgetary control is done by the Budget Committee.

e) Breakeven Analysis

It is an interrelationship between cost and volume of production, and also profits shown by a chart. Such type of a chart graphically represents the total cost and sales revenue at various levels of sales.

2. Modern Techniques

a) Return On Investment (ROI)

ROI helps in improving the financial report card of the firm. Through this the company is able to juxtapose the present performance with the previous years performance. The company also uses it to compare its performance with its rivals. Major areas where curative actions are required can also be ascertained using ROI. It is also well-known as return on capital employed; it signifies how efficiently resources have been utilised. It makes management conscious of wastages and ineptitude.

b) Management By Objective (MBO)

It is a systematic and structured approach that enables the firm to focus on key attainable targets and to accomplish the perfect results from accessible resources. Employees get chance to identify their own objectives. This concept was developed by Peter Drucker in 1954. The primary focus of this technique is attainment of company's goals in the best possible manner by aligning the goals and targets of subordinates.

c) Management Audit

This is a general and scientific assessment of quality of management. It is an inclusive and productive review of the performance of the management. It helps in reviewing all facets of the organisation, which in turn helps to perk up performance and guards the organisation from delusions.

d) Management Information System (MIS)

Management needs accurate information in order to control the organization properly. They require information about the in-house working of the organization, and also about the peripheral environment. Information is collected incessantly to discover problems, and find out solutions. MIS gathers data, processes it and provides it to the managers. MIS may be manual or computerized. With the help of MIS, managers can delegate authority to subordinates without trailing control.

e) Programme Evaluation and Review Technique (PERT)/ Critical Path Method (CPM)

Both these methods are oriented towards achieving healthier managerial control of time spent in finishing a project. Under both techniques, a project is divided into activities, and then all activities are integrated in an extremely rational sequence to find the shortest time required to complete the entire venture. Conversely the distinction between the two is that PERT focuses on time whereas CPM focuses on the cost.

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12. Summary

Summary	<p>Directing is telling people what to do and seeing that they do it to the best of their capability and is getting all the members of the group to want and to struggle to achieve the objectives of the enterprise.</p> <p>Directing is a pervasive, continuous and executive function.</p> <p>Direction initiates an action, forms coordination among the employees, helps in motivation, facilitates changes in the organizational structure and also helps in building equilibrium.</p> <p>The major principles of directing function are Maximum Individual Contribution, Harmony of objectives, Unity of Command, Appropriateness of Direction Technique, Managerial Communication, Use of Informal organization, Follow up.</p> <p>The four essential elements of directing function are: Supervision, Leadership, Communication and Motivation.</p> <p>Controlling is defined as a measurement of Actual performance and expected performance and taking corrective action. Its aim is to make sure that actual performance is unflinching with plans.</p> <p>Control helps managers to screen the efficacy of their planning, organizing and directing activities.</p> <p>Controlling function is an end process which is pervasive and linked with planning.</p> <p>Controlling process involves four steps: Establishment of standards, Measurement of actual performance, comparison of actual performance with standards and taking remedial action.</p> <p>The traditional techniques of controlling are observation, financial statement, standard costing, budgetary control and breakeven analysis.</p> <p>Modern techniques involved are ROI, MIS, MBO, PERT/CPM and Management Audit.</p>
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