**Techniques of Managerial Control**

Management is an art as well as a [science](https://www.toppr.com/guides/general-awareness/basic-science-awareness/basic-science-practice-questions/). So management and its functions keep evolving to stay up with the times. Controlling function of management also advances with passing time. So let us learn the traditional and modern techniques of managerial control.

**Controlling**

Control is a fundamental managerial function. Managerial control regulates the organizational activities. It compares the actual [performance](https://www.toppr.com/guides/business-management-and-entrepreneurship/human-resource-management/performance-appraisal/) and expected organizational standards and goals. For deviation in performance between the actual and expected performance, it ensures that necessary corrective action is taken.

There are various techniques of managerial [control](https://www.toppr.com/guides/business-management-and-entrepreneurship/controlling-cs/control-process/) which can be classified into two broad categories namely-

* [Traditional techniques](https://www.toppr.com/guides/business-management-and-entrepreneurship/controlling/traditional-types-of-control-techniques/)
* [Modern techniques](https://www.toppr.com/guides/business-management-and-entrepreneurship/controlling/modern-control-techniques/)

**Traditional Techniques of Managerial Control**

Traditional techniques are those which have been used by the companies for a long time now. These include:

* Personal observation
* Statistical reports
* Break-even analysis
* Budgetary control

**1. Personal Observation**

This is the most traditional method of control. Personal observation is one of those techniques which enables the manager to collect the information as first-hand information.

It also creates a phenomenon of psychological pressure on the employees to perform in such a manner so as to achieve well their objectives as they are aware that they are being observed personally on their job. However, it is a very time-consuming exercise & cannot effectively be used for all kinds of jobs.

**Browse more Topics under Controlling**

* [Meaning of Controlling](https://www.toppr.com/guides/business-studies/controlling/meaning-of-controlling/)
* [Responsibility Accounting, Management Audit and Pert and CPM](https://www.toppr.com/guides/business-studies/controlling/responsibility-accounting-management-audit-and-pert-and-cpm/)

**2. Statistical Reports**

[Statistical](https://www.toppr.com/guides/business-economics-cs/descriptive-statistics/stages-of-statistical-enquiry/) reports can be defined as an overall analysis of reports and data which is used in the form of averages, percentage, ratios, correlation, etc., present useful information to the managers regarding the performance of the [organization](https://www.toppr.com/guides/business-management-and-entrepreneurship/controlling-cs/control-process/) in various areas.

This type of useful information when presented in the various forms like charts, graphs, tables, etc., enables the managers to read them more easily & allow a comparison to be made with performance in previous periods & also with the benchmarks.

**3. Break-even Analysis**

Breakeven analysis is a technique used by managers to study the relationship between costs, volume & profits. It determines the overall picture of probable profit & losses at different levels of activity while analyzing the overall position.

The sales volume at which there is no profit, no loss is known as the breakeven point. There is no profit or no loss. Breakeven point can be calculated with the help of the following formula:

Breakeven point = Fixed Costs/Selling price per unit – variable costs per unit

**4. Budgetary Control**

Budgetary control can be defined as such technique of managerial control in which all operations which are necessary to be performed are executed in such a manner so as to perform and plan in advance in the form of budgets & actual results are compared with budgetary standards.

Therefore, the budget can be defined as a quantitative statement prepared for a definite future period of time for the purpose of obtaining a given objective. It is also a statement which reflects the policy of that particular period. The common types of budgets used by an organization.

Some of the types of budgets prepared by an organisation are as follows,

* Sales budget: A statement of what an organization expects to sell in terms of quantity as well as value
* Production budget: A statement of what an organization plans to produce in the budgeted period
* Material budget: A statement of estimated quantity & cost of materials required for production
* Cash budget: Anticipated cash inflows & outflows for the budgeted period
* Capital budget: Estimated spending on major long-term assets like a new factory or major equipment
* Research & development budget: Estimated spending for the development or refinement of products & processes

**Modern Techniques of Managerial Control**

Modern techniques of [controlling](https://www.toppr.com/guides/business-studies/controlling/meaning-of-controlling/) are those which are of recent origin & are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organization can be controlled. These include:

* Return on investment
* Ratio analysis
* Responsibility accounting
* Management audit
* PERT & CPM

**1. Return on Investment**

Return on investment (ROI) can be defined as one of the important and useful techniques. It provides the basics and guides for measuring whether or not invested capital has been used effectively for generating a reasonable amount of return. ROI can be used to measure the overall performance of an organization or of its individual departments or divisions. It can be calculated as under-

Net income before or after tax may be used for making comparisons. Total investment includes both working as well as fixed capital invested in the business.

**2. Ratio Analysis**

The most commonly used ratios used by organizations can be classified into the following categories:

* Liquidity ratios
* Solvency ratios
* Profitability ratios
* Turnover ratios

**3. Responsibility Accounting**

Responsibility accounting can be defined as a system of accounting in which overall involvement of different sections, divisions & departments of an organization are set up as ‘Responsibility centers’. The head of the center is responsible for achieving the target set for his center. Responsibility centers may be of the following types:

* Cost center
* Revenue center
* Profit center
* Investment center

**4. Management Audit**

Management audit refers to a systematic appraisal of the overall performance of the management of an organization. The purpose is to review the efficiency &n effectiveness of management & to improve its performance in future periods.

**5. PERT & CPM**

PERT (programmed evaluation & review technique) & CPM (critical path method) are important network techniques useful in planning & controlling. These techniques, therefore, help in performing various functions of management like planning; scheduling & implementing time-bound projects involving the performance of a variety of complex, diverse & interrelated activities.

Therefore, these techniques are so interrelated and deal with such factors as time scheduling & resources allocation for these activities.

**Solved Example for You**

Q.1 Explain how management audit serves as an effective technique for controlling?

Ans. Management Audit judges the overall performance of the management of an organization. It aims at reviewing the efficiency and effectiveness of [management](https://www.toppr.com/guides/business-management-and-entrepreneurship/nature-of-management-and-its-process/management-functions/) and improving its future performance. Its basic purpose is to identify the deficiencies in the performance of [management functions](https://www.toppr.com/guides/business-studies/nature-and-significance-of-management/levels-and-functions-of-management/). It also ensures updating of existing managerial policies.

Q2 Write a short note on budgetary control?

Ans: Under this technique, different budgets are prepared for different operations in an organization in advance. These budgets act as standards for comparing them with actual performance and taking necessary actions for attaining organizational goals.

A budget can be defined as a quantitative statement of expected result, prepared for a future period of time. The budget should be flexible so that necessary changes if need be, can be easily made later according to the requirements of the prevailing environment.