CONTROLLING – A CONCEPT OF FUNCTIONAL MANAGEMENT WITHIN ORGANIZATIONS

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Abstract: Controlling is a procedural-type pragmatic process, which has developed mainly within large companies owing to the complexity of the economic activity. It is regarded as a management concept, i.e. coordinating planning, control, and information processing, with a view to producing a body of knowledge necessary in the decision-making process.
Its function is to support the company management by coordinating *planning*, *informing*, *analysis and control*. This support refers to gathering as much information as possible with respect to the actions planned, their current status, the gaps occurred between planning and results by using *accounting as an assessment system.*

Key words: Controlling; controller; process de re-engineering,; business controllers; business analyst; change agent; councilor.

1. THE CONCEPT OF CONTROLLING

Controlling is a procedural-type pragmatic process, which has developed mainly within large companies owing to the complexity of the economic activity. It is regarded as a management concept, i.e. coordinating planning, control, and information processing, with a view to producing a body of knowledge necessary in the decision-making process.

By means of controlling the difference between what was planned and the outcome thereof is assessed, then causes contributing to the gap are to be highlighted and appropriate measures to be taken in order to reduce or even remove the existing gap.

Controlling does not refer to the product specifications but to how consistent the progress of implementation is with the planned actions by measuring with the company financial and accounting support. Although it is essentially a control process, it focuses on targets other than those of the managerial control, and its pragmatic support comes from a different area in an organization.

In this respect, controlling is a support tool for the management, the higher the decision-making level, the more important the tool. In a small or medium-sized company, controlling tasks are carried out by those in charge with major decisions. In a large company, controlling can be focused in a specialized entity within the top management.

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The success of controlling depends on the capacity of the information system to reflect as accurately as possible material and immaterial processes within the organization and their representation in the cash flow the financial management operates so as to obtain a dynamic image as accurate as possible of the gap between the planned and forecast target and the actual outcome.

The concept of controlling in company practice has been developed over the last twenty years and has become a managerial position without which one cannot conceive a modern company. Controlling has been quite often construed misunderstood for checking. Controlling is much more than that, namely a **concept of functional management** which takes the role to *coordinate plan,* control and *inform* while aiming at reaching the results wished for.

Moreover, we need to *make a clear-cut distinction, between controlling as a position and controller as the person in charge*. Controlling, construed as management, is a crucial task of the management. Each manager fulfils among his assignments the function of controlling. Controlling as a process and thinking mood is thus generated by the manager and the controller within a team and constitutes a sort of 'interface'. The connection between the manager's managerial task, controlling, and the controller's tasks are presented by the figure nr. 1:

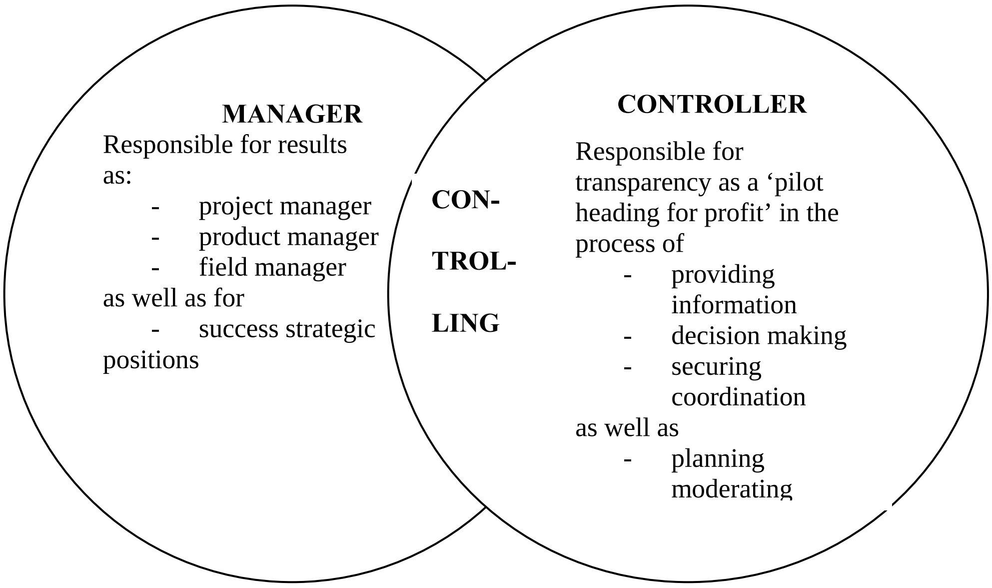

Figure 1. Controlling if system of interactions of manager and controller

Controlling does not indicate a *position* or *a person, but certain tasks* which are being carried out by various persons or even by the management, without a certain person occupying the position of 'Controller.' Mainly in the small and medium-sized company, controlling is assigned to the management of the company or the accounting department management. More and more companies with over 200 employees have recently appointed a controller who is responsible for controlling assignments. The controller's coordinating task consists of in supervising that the management's planning and control activities are carried out within a result-centered framework and that the required data are always available.

The role of the controller in planning consists in coordinating partial plans and organizing the entire planning process. Hence, as a rule, it is not the controller the one who plans and coordinates but the manager. To limit, we should mention here that within small and medium-sized companies, the controller's scope of activity may exceed the pure coordinating task.

Therefore, the controller also takes on planning assignments – in terms of content – which should be performed by the specialized departments. This situation is mainly important for the contribution to organizing business policy and strategic planning. The Controller – by extension of the understanding of his tasks - has turned, over the last few years, from a simple service provider into a consultant for the management.

In the variant of the model set by IGC – 2002 (International Group of Controlling) it was highlighted for the first time the involvement of the controller's responsibility in meeting objectives. Involving responsibility results, on the one hand, from the fact that the Controller is responsible for the accuracy of the data collected and transmitted; on the other hand, it results from the fact that he has a clear contribution to the management's taking precise, objective-centered decision by his organizing and supervising the managerial process with a vie to meeting the objectives. *The responsibility for making decisions, expressed in setting forth plans, has always been the management's.*

As to the controller's mission, he structures and accompanies the managerial process in setting objectives, finalizing planning and control as he is responsible for meeting the objectives. This means that the Controller:

- secures the transparency of finances, strategy, results, processes, thus contributing to the growth of profitability;
- fully coordinates partial objectives and plans and organizes future-centered reporting of the whole company;
- models and structures the objective-setting process, planning and control so as any decision-
- is responsible for obtaining the economic data for the company;
- organizes and maintains controlling systems.

As a rule, the task of coordinating controlling contributes to solving those issues which have a strong impact on the company by the following environmental influencing factors:

- the dynamics accelerates;
- market stall;
- new technologies are developed quite fast;
- life of products becomes shorter and shorter.

Controlling helps the company management to face such issues with innovating solutions instead of relying on old, out-dated recipes. He is not only a service to the management, which assists the controller by providing data, but equally an idea which should be brought to the attention of every employee of the company. This idea contains the success-centered way of acting and planning, undertaking a personalized responsibility, as well as the way of thinking beyond the individual activity field, aiming at a management of interfaces.

2. CONTROLLING SYSTEM

Each company pursues a certain strategy whose implementation is guaranteed by appropriately structuring of the exploitation processes and by carrying out an appropriate organizational structure which the controlling system relies upon. This should make up a whole body, a system from the point of view of tasks*, organizing, and tools.*

The task of controlling within the company is to sort the individual components currently in place, to check their utility, to complete and organize them in such a system. The most important components of the management system toward which the controller's activity is centered are as follows:

- the planning and control system ;
- the information system.

The most important source of data within the information system is accounting. The data processing system has become an indispensable element. In principle, the controller has two different coordinating tasks both related to the planning system and related to the information system. On the one hand, he in is charge of structuring and development. On the other hand, he deals with the day-to-day operation (permanent coordination).

With respect to structuring the information system it essentially consists in determining the necessary amount of data, collecting and processing them (via the accounting department) and sending them in reports. The major issues here are the choice of the computational system with respect to costs or the procedure of calculating investment that need to be used to meet the information requirements of the management. Planning and control structuring refers to the type and number of plans, their content and the time needed to carry out one round of planning.

The information and planning systems cannot be structured independently. They are dependent one on the other with respect to content as the data and figures in the accounting are processed in planning. This defines the first coordinating task of the controller: coordinated organization from the point of view of content and form of an information, planning and control information systems.

The second coordinating task – the permanent coordination of the two systems – is carried out by the controller as detailed here: via the information system, real values are determined on a regular basis; such real values inform on the actual achievement of the company objectives (actual turnover for the first quarter). Therefore, permanent coordination should be construed as a reaction to information modified outside and within the company, which means "overcoming disturbances". In the figure below, we present such connections. The variants presented allow for approaching a new perspective on the controller's activity, i.e. coordinating a regulating circuit (see. Figure nr. 2).

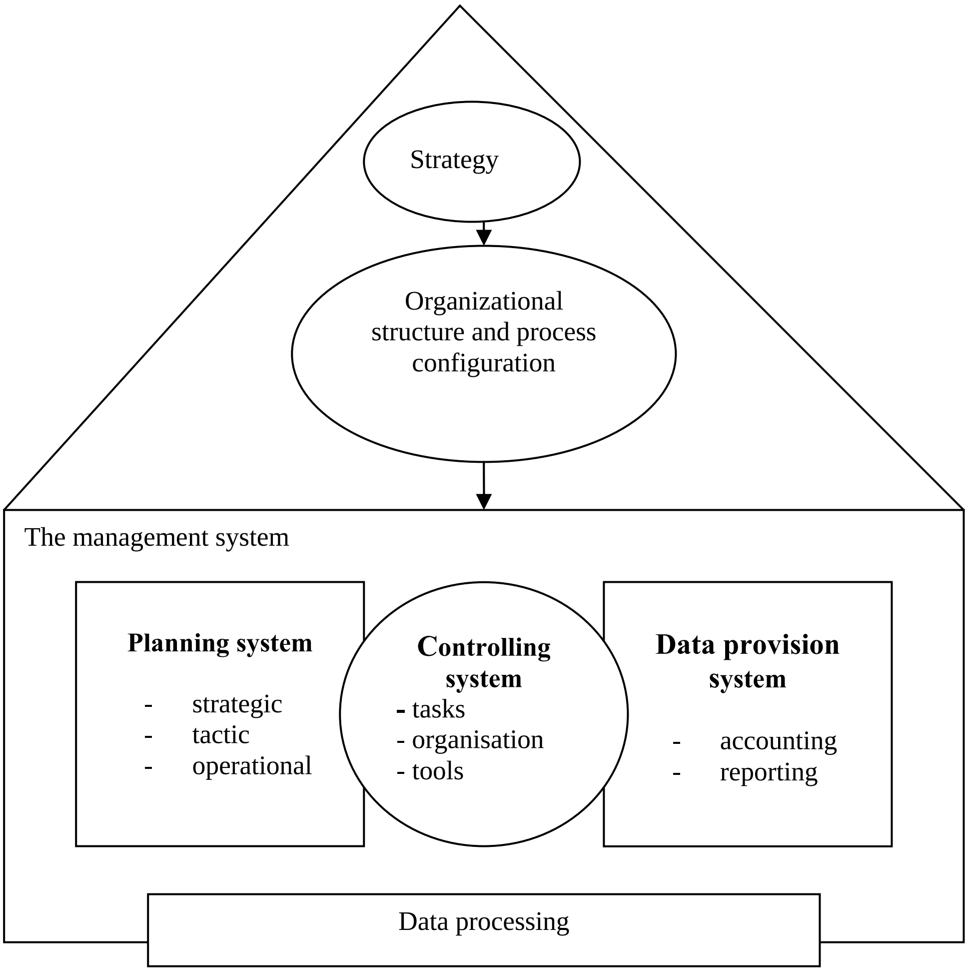

Figure 2. Controlling system

Based on the data provided at the time of planning, the controller tries to find and set efficiency criteria appropriate to the field the company operates in. When planning, people usually start form a given level of information as opposed to the information system which is centered toward improving the level of information. Eventually, by comparing actual with estimate, one reaches a comparative view of the planned figures with the actual values. Consequently, the need to determine the cause is obvious as well as the need to correlate errors or to determine corrective measures thereof. Thus the regulating circuit reaches, again, the planning stage.

The most important principle of the regulating circuit is as such: *deviations must occur as a result of modifications brought to the company and to its environment.* Therefore, such deviations should not be used as evidence to penalize employees on account of their negligence, but merely a basis to determine new measures. Such measures serve to meeting the objectives set by the plan or to adjusting such objectives according to the amended conditions.

All in all, the controlling system and its components serve the management as they use the management system by drafting concrete plans and processes the data provided to this aim by the controller via the information system. The achievement of the management decisions, expressed in such plans, are materialized in concrete goods and services.

3. TRENDS IN CONTROLLING. HOW WILL IT BE IN THE FUTURE

New Controlling. Developing controlling systems is an on-going process as such systems need to be adjusted to as a part of the management system. This means to carry out such tasks, controlling should undergo a **re-engineering process,** whose controlling principles break down to three major aspects:

- the principle of integrating process-centered tasks;
- responsible self-control;
- customer-focusing.

Thus, within *controlling re-engineering* first it is necessary to modified controlling tasks and its organization. Finally, controlling tools need to be restructured before, before ‘engaging’, during the implementation stage, the new rules of team work as well.

As to restructuring controlling tasks, the idea of self-controlling is in the foreground. The objective of controlling is not the external management of managers, but supporting their self-management. Within self-controlling it is has been practiced to give up work division and at management level. The functions of controlling are taken over, fully or at least partially, by individual managers. Self-controlling can be construed as a reintegration of controlling in management.

Upon a new distribution of assignments, one should consider that part of such assignments, which so far have been undertaken by controlling, need to remain in such responsibility. Firstly, those tasks that can be transferred from controllers to managers need to be determined, and then the possibility that employees may take part should be considered.

Moreover, controlling tasks, such as those related to planning, controlling, and providing information, can be redistributed. Firstly, all necessary steps within these areas should be determined. Then, a person in charge for each stage should be appointed. Upon this task restructuring one should consider that managerial staff and employees are closer to facts, know their ‘business’ better, which can justify a transfer of controlling tasks.

At the same time, the unity and transparency of various systems should be secured, which requires a central processing performed by the controller. Within this stressful environment, one needs to find the right balance between the closeness of the action and the overview.

The redistribution of controlling tasks is also mirrored in the structure of the controlling department. In principle, a reduction of such department needs to be considered as its tasks are considerable reduced. During the restructuring process, controller’s work load may increase for a while, as they take over numerous functions within the restructuring process such as organizing and coordinating.

Moreover, the controller – while he familiarizes himself with the new task distribution – needs to secure coaching and support. The important issue is, however, the reduction of the personnel as soon as managers have learned «the new rules of the game» in order to avoid a permanent character of such expansions.

Based on future tasks, the controlling department needs to have a high degree of centralization. The central controlling department will be subordinate directly to the company management as such department shall take over, on behalf of the management, the coaching and motivating role from the secondary managerial level. This result-centered role imposes very strict requirements with a view to controllers. Besides mastering the tool kit, in future, controllers will be required to understand the business they are to provide commercial coaching to.

Hence, controllers will become '**analysts of business model**'. The hierarchic level the department is integrated in needs to be carried out while considering task distribution between managers and controllers. Controllers' position involves also involves structuring the department as a mixture of columns and lines. Possibilities and limits of self-controlling are briefly presented below:

Possibilities	**Limitations**
- requirements pertaining to a new concept of controlling (decentralized, integrated, process-centered, proactive, and team-centered) - reference to practice - to adjust to specificity of the field - observing the controller's instructions - acquiring larger action areas in order to structure and exploit the planning, control, and information systems - controller's freeing from tasks allows for possibilities to perform his functions of coaching, moderating, and training	- all participants' dedication is a must - motivating participants - caution not to overload participants - the need for a controlling-centered management culture (controlling awareness, trust, availability to change, capability to change) - separating local systems - losing high-level set objectives - lack of availability or suitability for self-control - conflicts and difficulties in reaching agreement - problems of company total control or coordination - caution not to under-optimize

Controlling should be regarded as any manager's control function. A pure self-controlling is currently rather a theoretical position. In the future controlling system to be implemented, the manager and the controller, as peers, will use the transparency created by erasing hierarchic lines in order to interpret deviations, to discuss the decision-making needs, to initiate actions and to monitor the consequences of decisions. Controllers are responsible along with managers for meeting the objectives.

The company re-engineering of the controlling process includes an increase of the process-centered attitude. The rigid division of activities is not consistent with such tasks. It is necessary to contain common controlling tasks in one process. To support managers, a good knowledge of the value-generating chain structure and its implementation early on are a must.

The process team should receive from controlling the tools and information necessary to control process measures which are important to the process. Such tools should meet requirements such as simplicity, flexibility, market- and receiver-centered attitude, as well as the multiple-dimension requirement. Data provided to the process team are not expressed only in monetary measures, but also in quantitative measures, e.g. time, quality, and technical specifications.

Eventually, the controlling organization should meet the customer-centered attitude requirement. To this aim, controlling should focus, within the company, on the customers, and to provide for the entire company, among other data, indices and non-monetary tools, in order to satisfy their needs.

Such transformations generate a new understanding and a new self-image of controlling, which has the role of an inside councilor with appropriate knowledge of the products, customers, and processes. The main features of New Controlling are synthesized below:

	"New"	**"Old"**
Assignments	- self-control (role of support) - market-centered - strategy and opportunity-	- outside (mainly, high level) managerial percentage - sizeable inner centeredness

	centered	- problems concerning interfaces between controlling and feedback stages
Organizing	- consistent and process-centered organizing - begins early on, strictly connected to the value chain - service centers partially undertaken by third parties	- functional/division, and tailoristic rigid centeredness - rigid centeredness during production, no value chain centeredness - hierarchy, cost centers, exclusively domestic taken over
Tools	- integration of all data dimensions - company value-centered - active use of IT facilities	- focused on accounting - outcome-centered - IT reactive
Understanding controlling	- Change Agent, councilor - a good knowledge of the products, customers, processes	- 'Watch dog' - controlling tools expertise

4. FROM FINANCIAL CONTROLLER TO BUSINESS CONTROLLER

Besides the CEO, the business Controller must be the person who has a good knowledge of what goes on in the company, sometimes better than the CEO's, has to know where the company head to, the market trends, to be able to forecast the development of the number of customers.

If so far, the controller has been in charge of the financial area of the company, presently their scope undergoes an expansion process. The controller is the person who knows everything in the company and who secured the transparency of all activities in the company. What are the expectations of the executive management form the business controller? In short, they expect the business controller to perform a function of cautioning with respect to errors. In the Western companies, the controller is a business partner; s/he is the one who understands where profit comes from and is close to those who have the executive power. A business analyst should not be taken for a business controller, the former being only a member of the latter's team. Managers wish that the business controllers know their business, define the measuring tools of the outcome, monitor the activities and have a large picture of the things.

Among the main activities of a business controller we mention here: inner consulting for the top management, issuing monthly reports on the results analyses, developing profitability analyses in the operative area and investment, be responsible for the reporting to the management or the development of monthly analyses of business forecast development.

Business controllers should be more competent than financial controllers as they are more complex persons, a long business experience, who have also learned to operate with figures. So, there are financial controllers in few Romanian companies, but there are almost no business controllers.

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