

THE IMPORTANCE OF THE CONTROLLING SYSTEM IN THE ENTITY: THE PERCEPTION OF SPECIALISTS

Cristina (Castrase) DIDEA ORCID 0000-0003-3769-925X

PhD, 1 Decembrie 1918 University of Alba Iulia,

E-mail: cristina.didea.sdc20@uab.ro

Dan Ioan TOPOR ORCID 0000-0002-9092-1449

PhD Prof., 1 Decembrie 1918 University of Alba Iulia,

E-mail: dan.topor@uab.ro

Simion Iosif MIHON

PhD Assoc. Prof. 1 Decembrie 1918 University of Alba Iulia,

E-mail: mihonsimion@hotmail.com

Abstract: The development of the controlling concept in the practices of modern entities is a decisive factor in order to ensure performance. Through this article we aim to capture the perception of business specialists on the importance they attach to the controlling function in business. The proposed objectives of the current research is to establish the extent to which specialists evaluate the importance of the organization and development of controlling in the entity, to establish the extent to which controlling provides the informational support necessary to substantiate decisions and establish the relationship between manager and controller.

The main tool used to achieve the research objectives is the questionnaire. The target group includes respondents who hold middle or top management positions in the financial accounting field. The answers were collected in March 2021, with 30 answers returned. In order to write, submit, process and interpret the questionnaire, we used Google Docs platform.

The main conclusion of our study is that the controlling function is considered to be necessary for a sustainable business, not only in the literature, but in the business practice too. Also, it provides the necessary information and tools to assist the decision-making process, not only during strategic planning, but also on operational level, on a daily basis. Another highlight of the study is the relationship between manager and controller, managers considering the high impact of the controller's activity for the business steering.

Key words: controlling, managerial accounting, management, organizational piloting, performance.

JEL Classification: M10, M41

Introduction

The modern society has imposed the development of the free-market economy and, due to the background of accelerating the phenomenon of globalization, entities must increase the degree of adaptation to the economic and social environment by continuously improving the information system necessary to

substantiate decisions. The concept of controlling has constantly evolved in the last two decades, becoming an indispensable business piloting tool for modern management.

Our research topic is of particular actuality against the background of events that generate global crises, increased competitiveness and the permanent need of sustainable business growth.

The scope of our research is to identify if the literature framework substantiates the business practice also and how do managers and specialists in the economical field perceive the controlling function. The importance of the obtained results consists in capturing the concerns of the entities to develop in the direction of forecasting, with the aim of acquiring a competitive advantage in the market.

The implementation and development of a controlling system helps management by using specific planning, analysis and control practices in order to provide relevant and timely information to support decisions (Nedelcu, 2017).

Literature review

The controlling term is a controversial one, both in specialized literature and in the practice of entities. Although it is assimilated to the notion of control, controlling is not only limited to that, but represents a management concept with the attributions of coordination, planning, control and information in order to achieve the expected results.

The word "controlling" is derived from the English verb "to control" and has multiple synonyms: 1) to direct, to command, to lead, to guide; 2) to regularize, regulate, serve; 3) to control, check; 4) to supervise, keep within limits; 5) to plan. Thus, we can already see that the modern concept of controlling has a multitude of valences.

Also, the term may have its origin in English "counter-roll", respectively in French "contre-rôle", meaning verification of the reality of the heritage against a list of records. The term "controlling" is used especially in German literature and practice, while "management accounting" is the usual English term that defines the same concept in Anglo-American literature.

There are many concerns of specialists regarding the conceptual delimitations of the controlling term. Starting from the accounting valences, controlling is defined as an activity through which "*managers ensure that resources are obtained and used efficiently, effectively and pertinently to achieve the organization's objectives*" (Anthony, 1965).

Jung, H., (2007) places the orientation of controlling towards values, results, customers and processes, overcoming the strictly accounting approach.

According to some specialists (Diehm, 2009), controlling provides management with the assurance of maintaining an overview of the activity, facilitates the identification of opportunities and risks and avoids predictable errors. In this way, controlling is one step ahead of planning.

Becker, W. and Ulrich P., (2016) attribute to controlling the task of "*monitoring the managerial process of setting objectives, assisting the planning process and the control process, thus receiving responsibility for the achievement of objectives*".

In the approach of other specialists, controlling is “*an information system useful in piloting the entity, because it controls the efficiency and effectiveness of actions and means to achieve objectives*” (Konegen-Grenier and Werner, 2001).

In the literature, controlling is also assigned the role of “*planning and control tool that presents the deviations between actual and budgeted results, accompanied by eloquent explanations*” (Eschenbach and Siller, 2014).

From the perspective of the International Association of Controllers (ICV) and the International Group on Controlling (IGC) (2012), controlling is a management function oriented towards strategy, risk, sustainability and future, by making forecasts. The role of the controller is a proactive one, equally responsible with the manager. Moreover, not only he carries out activities in the sphere of controlling, but there is a close connection between controllers and managers, so that controlling exists in the interaction between them.

Although, as we stated before, there are countless controversies in relation to the concept of controlling, there are also unifying directions in this regard (Jung, 2007). The common opinions of the authors concern the main objective of controlling, namely the coordination of all actions and measures in order to achieve the entity's objectives.

In our opinion, controlling is a management function and a subsystem of management, which monitors and coordinates short-term actions in the direction of harmonization with the strategic orientation of the entity. Thus, the planning, monitoring and control processes generate valuable information flows for the efficiency of company's piloting by adopting operational decisions, in order to achieve specific strategic objectives.

Concluding the summarized aspects, we can state that the controlling system is closely related to all the functions present within the entities, using them as sources of data collection and processing in order to assist the decision-making process.

Research methodology

Through the scientific approach we aim to capture the perception of specialists in the field on the importance it attaches to the controlling system in the organization, as well as the usefulness it attributes to the information provided by the controlling and the frequency of its use. Another aspect pursued is the formulation of the objectives of the controlling function of the entity in accordance with its strategy and mission.

The proposed objectives in the research process are:

- O_1 to establish the extent to which specialists evaluate the importance of the organization and development of controlling in the entity;
- O_2 to establish the extent to which controlling provides the informational support necessary to substantiate decisions;
- O_3 to establish the relationship between manager and controller.

In order to meet the research objectives, aiming to capture the human perception of the analyzed phenomenon, we approached the topic from an empirical perspective, the research being exploratory. The main tool on which the scientific approach is based is a questionnaire with 10 questions, 9 with predefined answer options, of which one question with answer grid type answers and an open question. The questions are

structured so as to allow us to analyze the phenomenon studied, going from general to particular (Chelcea, 2007) and are divided into 3 categories:

1. the first 3 general questions, in order to identify the profile of respondents and their experience in management and controlling positions;

2. the following 5 questions aim to identify the managers perception on the importance of the controlling system in assisting decisions and implicitly in supporting the business management process;

3. the last 2 questions capture the relationship between controller and manager, as well as his role as a business partner.

The target group includes respondents who hold middle or top management positions in the financial accounting field, who operate in 25 medium and large companies from different branches of industry in which there is a controlling system implemented. The questionnaire was also distributed to the professional body CECCAR, Alba branch. The answers were collected in March 2021, with 30 answers returned.

In order to be able to write, submit process and interpret the questionnaire we used the Google Docs platform.

Starting from the general approach, we identified the profile of the respondents, in order to establish the representativeness of the target group for our study. They occupy various management position: 33% of the respondents are in the position of administrator, 27% hold the position of economic director, and the rest of the respondents are divided into equal shares of 10%: manager in various fields, except economic, head of controlling department, head of financial-accounting department and economist. Regarding the professional experience of the respondents, 67% of them hold management positions for over 10 years, while 17% are in management positions between 7 and 10 years, 3% between 5 and 7 years, and 13% of them have an experience between 1 and 5 years. This information is shown in Figure 1 and Figure 2.

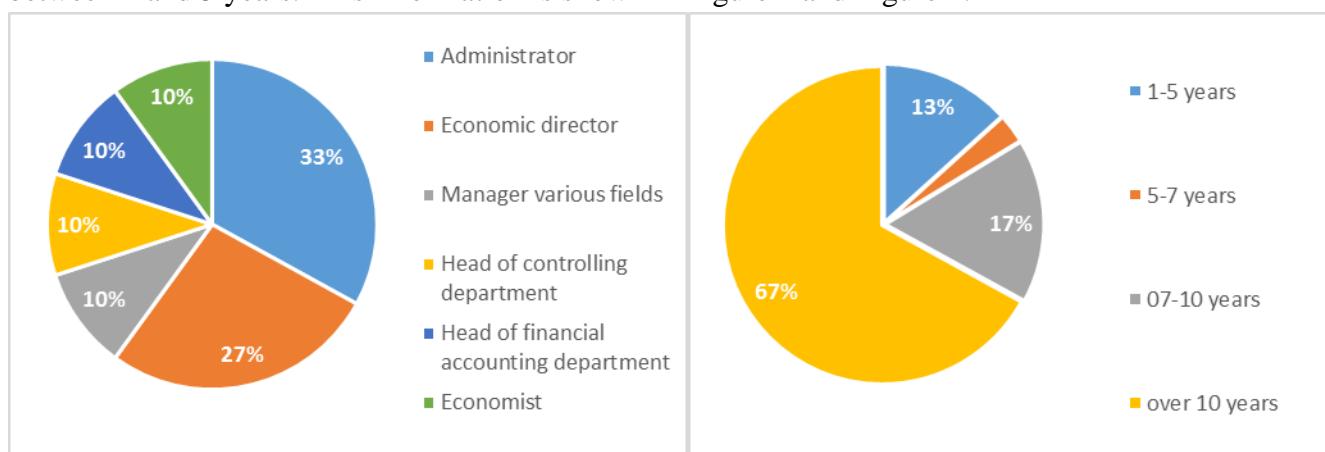


Figure 1. Distribution of respondents based on the position held

Source: Authors' processing based on questionnaire responses

Figure 2. Distribution of respondents according to experience

Source: Authors' processing based on questionnaire responses

Regarding the field in which the respondents from the target group have professional training, in proportion of 100% they mentioned the financial economic field.

Thus, based on the answers collected to the first 3 questions we conclude that the sample under analysis is a representative one, and the answers collected to the following technical questions are based on the experience and professional knowledge of the respondents in the field of controlling.

Analysis and interpretation of results

Next, we will analyze the answers regarding the extent to which it is considered that the organization and development of controlling in the entity is an important matter.

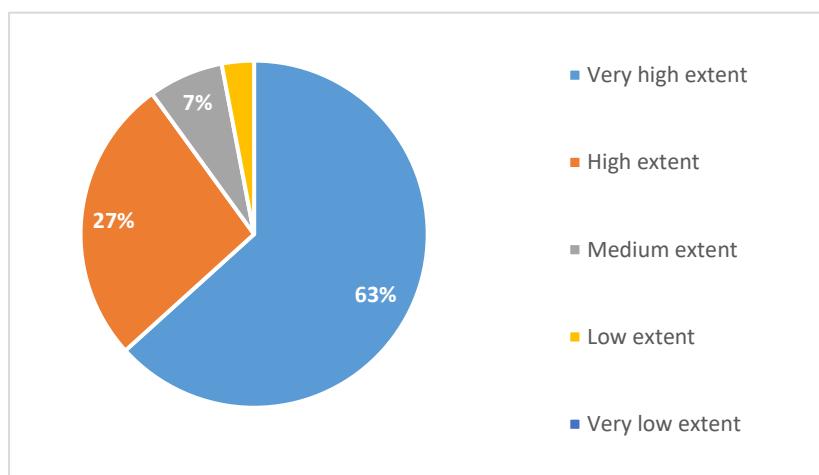


Figure 3. The importance given to the organization of controlling in the entity

Source: Authors' processing based on questionnaire responses

Based on the graph (Figure 3) it can be seen that in the majority of 63%, respondents consider that the organization and development of the controlling function is very important, while 27% say that this goal is important. Only 7% and 3% respectively give medium and low importance to the controlling system in the company.

In terms of the extent to which controlling provides decision-making support to management within the company (Figure 4), 60% of respondents say that to a very high extent controlling provides the information needed to substantiate decisions. Approximately 27% appreciate that this principle of controlling is largely achieved at the company level. 10% attach medium importance to controlling as a decision support, while only 3% consider that this is achieved to a low extent.

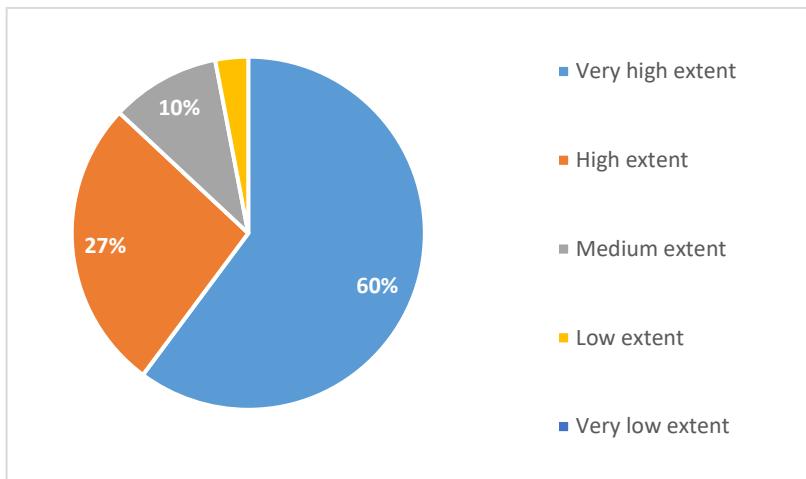


Figure 4. Perception of the extent to which controlling provides support in the decision-making process

Source: Authors' processing based on questionnaire responses

Regarding the formulation of the objectives of the controlling system, the respondents gave a score from 1 to 5, where 1 is very unimportant and 5 very important, depending on the specifics of organizing controlling in the entity and its usefulness in organizational management. The objectives subject to evaluation are:

- calculation of the production cost of products or services;
- cost optimization;
- providing information on costs to substantiate managerial decisions;
- preparation, execution and control of budgets;
- control and optimization of internal processes;
- providing decision support to formulate medium and long term strategies (Briciu et al, 2013, Gnawali, 2017).

The distribution of answers is captured in Figure 5. We can see that most of the respondents, 23 of them, representing 77% of the sample, attach great importance to the objective that controlling provides the information system to substantiate management decisions. The second objective in this hierarchy is cost optimization, for which 21 of the respondents (70%) attach a very high importance in terms of the controlling activities carried out in the entity. Determining the cost of production, as well as drawing up, executing and controlling budgets are considered very important by 19 of the respondents (63%). The objectives regarding the control and optimization of internal processes, as well as the assistance of the formulation of medium and long term strategies are appreciated as very important by 15 respondents (50%).

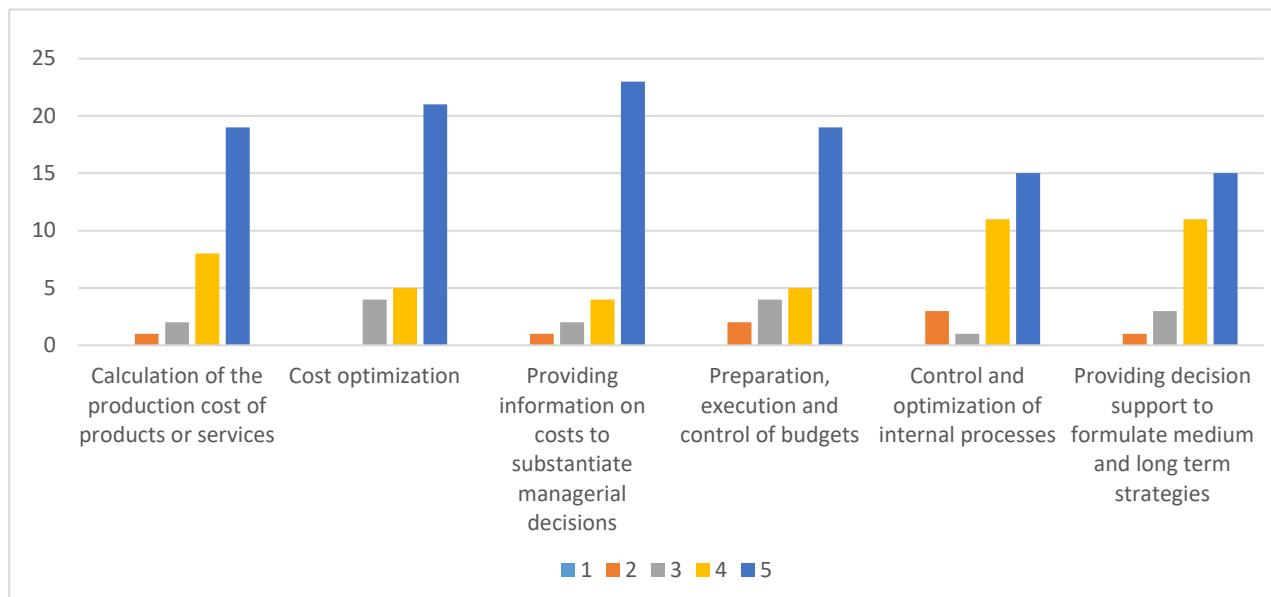


Figure 5. Respondents' assessment of the importance of controlling objectives in the entity

Source: Authors' processing based on questionnaire responses

Another aspect that we consider significantly important is the digital progress without which, in our opinion, businesses lose their competitiveness in the market. From technological processes to economic and financial services, all areas need continuous improvement in terms of digitization and automation of processes and activities. Asked to what extent is the controlling involved in increasing the digitalization of processes in the finance department, respondents said, in proportion of 33%, that in controlling there is a great interest in digitalizing all company's processes. 40% of respondents highly appreciate the involvement of controlling in the direction of digitalization, while 20% support this statement at an average level of appreciation. The distribution of the answers can be seen with the help of Figure 6.

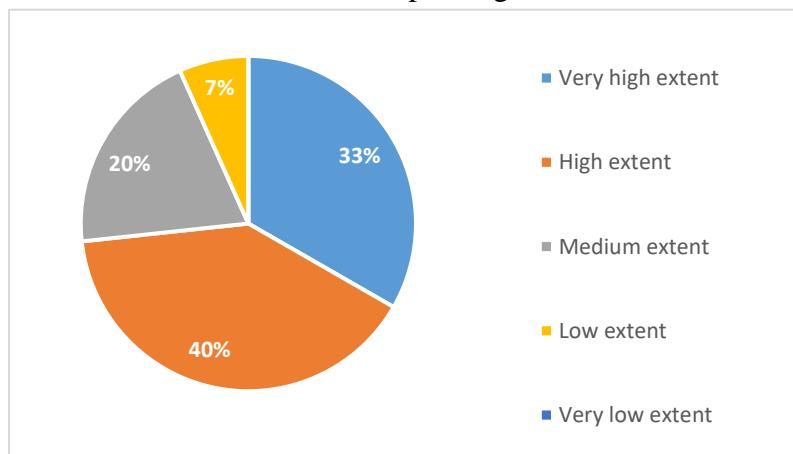


Figure 6. Perception of the extent to which controlling is involved in digitizing processes

Source: Authors' processing based on questionnaire responses

The frequency with which the information provided by controlling is used in assisting the decision-making process also gives us a perspective on the importance it has in relation to performance-oriented management. At the sample level, 40% of respondents use data and information provided by the controlling system on a daily basis to substantiate decisions. The share of responses can be analyzed in Figure 7.

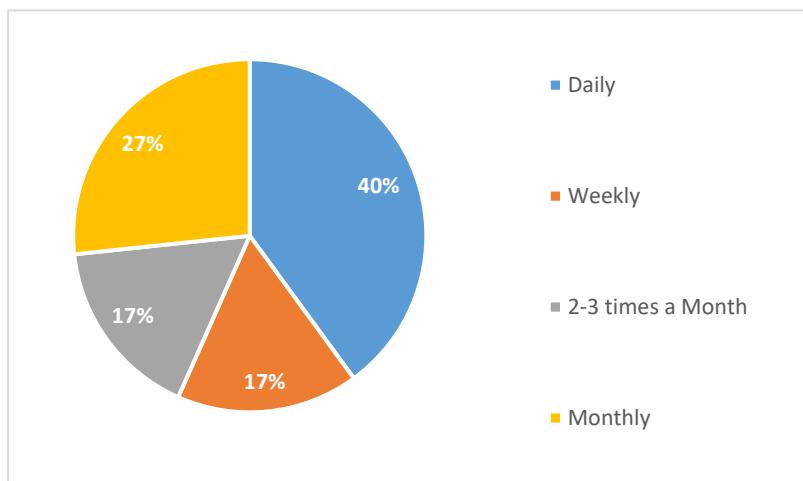


Figure 7. Frequency of use of information provided by controlling in assisting the decision-making process

Source: Authors' processing based on questionnaire responses

Analyzing the answers collected based on the questions in the second part of the questionnaire, we can conclude that not only in theory there is a close interdependence between controlling and management. This desideratum is also confirmed in the practice of the entities, according to the perception of the specialists in the field. We also find that an increased importance is given to all controlling objectives formulated based on the literature, and if we rearrange them hierarchically according to the number of maximum scores obtained (Figure 5), providing cost information to substantiate managerial decisions is the goal on the top of the hierarchy in the practical activity. It is followed by cost optimization, production cost calculation and budget control, internal process optimization and information support to formulate medium and long term strategies.

The questions in the third part of the questionnaire aimed to capture the relationship between manager and controller. As function tasks, managers have the role of achieving the expected results, while controllers must ensure a transparent framework in terms of strategy, processes, budgets and results obtained (International Group of Controlling, 2012). The difference between them is that, unlike managers, controllers do not have decision-making power, but provide through the specific tools the information framework necessary to substantiate decisions.

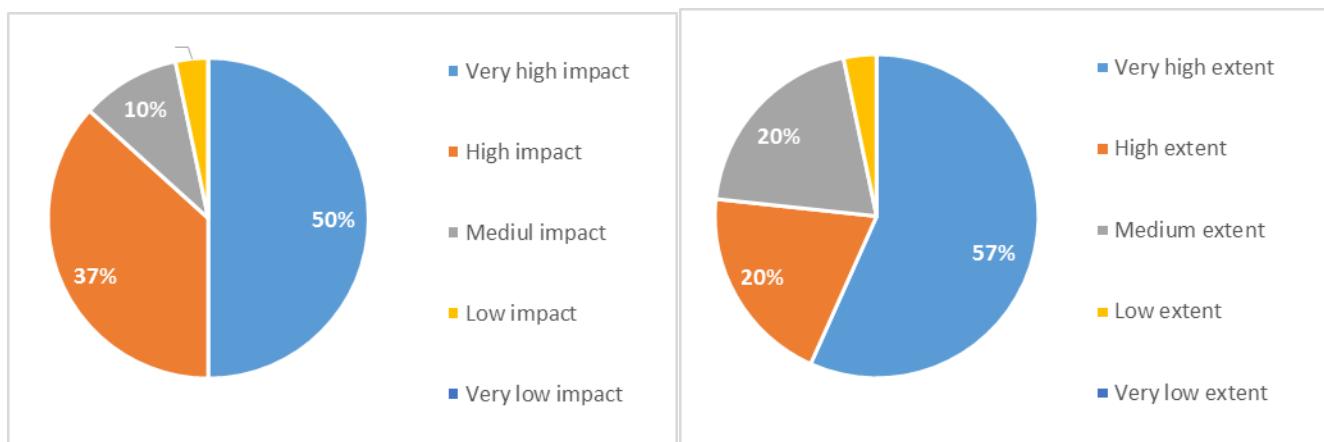
According to the interviewees, 50% consider that the controller activity has a very high impact in the decision-making process, respectively 37% consider the impact as high (Figure 8). Moreover, 57% state that, to a large

extent, they agree with the statement that the controller is a business partner for the manager. With equal shares of 20%, respondents largely and mediumly agree with this statement (Figure 9).

Figure 8. The impact of the controller's activity in the decision-making process

Figure 9. The role of the controller as a business partner for the manager

Source: Authors' processing based on questionnaire responses



Source: Authors' processing based on questionnaire responses

Conclusions, perspectives and limits of the research

Through the scientific approach with an extremely pragmatic character, we aimed to capture the opinion of practitioners regarding the importance it attaches to the controlling system in the organization, as well as the usefulness it attributes to the information provided by the controlling and the frequency of its use. Another targeted aspect is the formulation of the objectives of the controlling function of the entity in accordance with its strategy and mission.

To meet the research objectives, we structured the questions in the questionnaire into three categories, each in order to provide consistent results.

Thus, based on the answers of the first questions category, we can conclude that the chosen sample is a representative one, in view of the fact that the profile of the interviewed persons corresponds to the experienced manager who has links with a controlling system within the company.

Therefore, based on the second questions category, to answer O_1 and O_2 (to establish the extent to which specialists evaluate the importance of the organization and development of controlling in the entity; to establish the extent to which controlling provides the informational support necessary to substantiate decisions), the majority of respondents confirm that they attach major importance to the development of controlling in the entity and base their decisions on the provided information. For O_3 (to establish the relationship between manager and controller), based on the third questions category, the majority of specialists perceive the activity

of controllers as being connected with the management and having a very high impact in the decision-making process. Moreover, it highlights the controller's business partner role for managers, opinion we find also in the literature (Bunget, Brîndușe, 2019).

In order to support our research, there is an opinion in the literature that controlling is not only a tool for management, which supports it through the information provided, but is an idea that includes both the action oriented to the success of business and planning, and the way of thinking beyond the individual field of activity, in the sense of an interface management (Topor, 2019).

On the other hand, the main functions of the controlling activity formulated based on the literature are being confirmed by specialists as valid in the business practice too. Hierarchically, according to the number of maximum scores obtained (Figure 5), providing cost information to substantiate managerial decisions is the goal on the top of the hierarchy, followed by cost optimization, production cost calculation and budget control, internal process optimization and information support to formulate medium and long term strategies.

The limits of the research are imposed by a relative low number of respondents who returned the completed questionnaire on the platform, as well as the way of formulating the questions. Moreover, our study is restricted to the presentation and interpretation of the questionnaire data.

Our study is a starting point for future research in the field of controlling, given the speed with which the business environment is evolving and, implicitly, the need for entities to adapt to this environment. Also, it is a base for hypothesis formulation testing based on statistical methods.

References

1. Anthony, R., (1965), Planning and Control Systems. A Framework for Analysis, Boston, Harvard Business Review Press;
2. Becker, W., Ulrich, P., (2016), Handbuch Controlling. Wiesbaden Springer Gabler Germany;
3. Briciu S., Scorțe C., Meșter I., (2013), Impactul informației contabile asupra deciziilor manageriale – Studiu empiric realizat la entitățile din industria ospitalității din România, Economie teoretică și aplicată Volumul XX, No. 9(586), pp. 25-37;
4. Bunget, O. C., Brîndușe, A. I. (2019), Connection Between Controlling Department and Management – Premise for Achieving Organizational Objectives, Audit Financiar, vol. XVII, no. 4(156)/2019, pp. 680-688;
5. Chelcea S., (2007), Metodologia cercetării sociologice, ed. Economică, București;
6. Diehm, J., (2009), Controlling in jungen Unternehmen. Venture Capital Magazin „Start-up 2009”, S. 54-55;
7. Eschenbach, R., and Siller, H., (2014), Controlling profesional: concepte și instrumente, Editura Economică, București;
8. Gnawali, A., (2017), Management Accounting Systems and Organizational Performance of Nepalese Commercial Banks, The Journal of Nepalese Business Studies, 10(1), pp. 8-19;

9. International Group of Controlling, (2012), Perspective of the International Controller Association (ICV) and the International Group of Controlling (IGC), <https://www.igc-controlling.org/downloads/other-contents/the-essence-of-controlling>, accesat martie 2021;
10. Jung, H., (2007), Controlling 2, überarbeitete und aktualisierte Auflage, Oldenbourg Verlag, München;
11. Konegen-Grenier, C., Werner, D. (2001), Duale Studiengänge an Hochschulen, p. 8;
12. Nedelcu, S., (2017), Controllingul în spații economice eterogene, Universitatea Babeș-Bolyai din Cluj-Napoca;
13. Topor D., (2019), Controlling, ed. Aeternitas, Alba Iulia.