THE ROLE OF CONTROLLING IN MEASURING THE COMPANY'S PERFORMANCE

SLUSARIUC GABRIELA CORINA *

ABSTRACT: *In the last decade everything took shape more importance of strategic management control in private companies, but also in associations or public institution. Controlling provides numbers and information that allows the monitoring and adjustment of some situations for the fulfilment of strategic objectives and improving long term business plans and support the leading factors in the decision-making process. The controlling department represents buffer department between the general managers and the others responsables, with a determined role in the performance's measurement.*

KEY WORDS: *controlling, performances, budget, dashboard, reporting, balanced score card, communication.*

JEL CLASSIFICATIONS: *M11, M12, J50*

1. INTRODUCTIONS

At the beginning of the XX century, Frederick Winslow Taylor în SUA, Henri Fayoul in France și Walther Rathenau in Germany have published works on leadership and organization of the company, and laid the foundations for creation of the management as a science.

In 1880 it was presented for the first time in the specialized literature, the controller of the company „Atchinson, Topekaand Santa Fe Railroad Company”, and the position of controller in the organizational chart of a company appeared at ”General Electric Company” in 1892.

Thus in practice and scientific studies it appeared the notion of control, especially as an important function in management of companies (Taylor, 1911 and Fayol 1918).

* *Assoc. Prof., Ph.D., University of Petroșani, Romania, ellaslusariuc@gmail.com*

In the practice of companies, controlling has developed continuously after the year 2000 and became a function of indispensable leadership in a current company. So, Controll is an objective and subjective necessity, a means of perfecting the activity executive, and company management process. The control has as essential directions; better orientation to work, strengthening order and discipline in the organization and the development of the economic activity, to achive better the material and financial means.

The multitude of mutation in the market economy, through globalization and reglamentation, technology development, competition and the complexity of the companies, they put the emphasis on the function of control to dominate and influence a system, evolving from the form of correction and sanction.

2. THE IMPORTANCE OF CONTROLLING IN COMPANY

The concept of controlling is present by different authors. According to economists R Mann and A Maier, „controlling represents a system of regulation and of profit management,which allows the entity to obtain maximum profit in the existing conditions". C. Mazarachi states that controlling is a management function, contributing to the merging and regulation of individual and social interests as a whole unitary'.

Association of Controllers and International Group of Controlling said „controlling is a management activity. It means to be oriented towards achieving the objectives and making decisions in this regard. Therefore planning, monitoring and control are of essential importance. This applies to both, to every management decision, as well as management of the company as a whole.

Controlling is one of the key factors of managerial succes for companies everywhere areas. Controlling is a main function oriented towards objectives of management in an organization (Dumitrașcu, 2019, p. 7).

Boisselier (1999) defines the control of a organizations as a process that before an action orients, in the course of the action adjusts, and once the action is done ‚evaluate it's results to learn useful lessons."

Specialized literature underlines the fact that by controlling managers achieve the company's objectives considering the principles of efficiency and effectiveness the use of available resources.

The main objective of management control is providing information to managers for taking decisions regarding current and long term management to the company. This information must be current, reliable, complete, relevant and accessible. Following the management control, the controller must provide the manager information to guide actions and make decisions in the medium and long term.

The main information tools used by company managers for orientation and reception decisions are:

- Information on medium- and long-term plans
- Economic studies
- Non accounting statistics

- Management accounting
- Financial accounting
- Financial analyses
- Dashboards
- The company's budget system
- Reporting
- Balanced scorecard

Controlling is organized in a functional way, being subordinated to general directives at the company for assistence in making decisions and having a counseling and guidance role for the other departments.

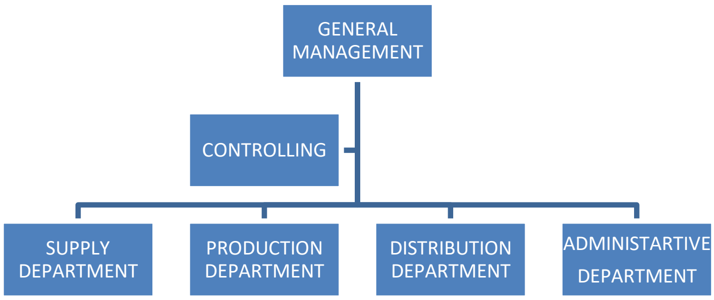

Figure 1. The place of controlling in company structure

Controlling is a complex activity, much more focused of the future, which has several objectives.

The first objective of controlling its to maintain adequate long term company performance, fact which underlines the strategic nature of controlling.

The second objective of controlling is to use the formations provided by the various reports technical, financial, accounting and transmit them transposed in an appropiate managerial language.

The third objective involves the creations of some simple, clear informational and decision making way ,but essential within the company.

The last objective is't a boost development personal and professional of the company's human resources. Practically a good controlling can only be carried out if the employees have appropriate work behaviors based on the compliance with ethical stantards and the treasury, the organizational culture of the company.

The management controller can influence the culture organization of the company, the essential virtue of today's management controller is communication. Managers and operational staff appreciate before all qualities like intellectual curiosity, availability, flexibility of thinking, ability to work in the team. (Raymond Danziger, 1995).

The controller quickly provides to the managers the necessary information and collaborates with the services of general accounting, analytical accounting, budget and plans, statistics , internal control, informatics, studies economic.

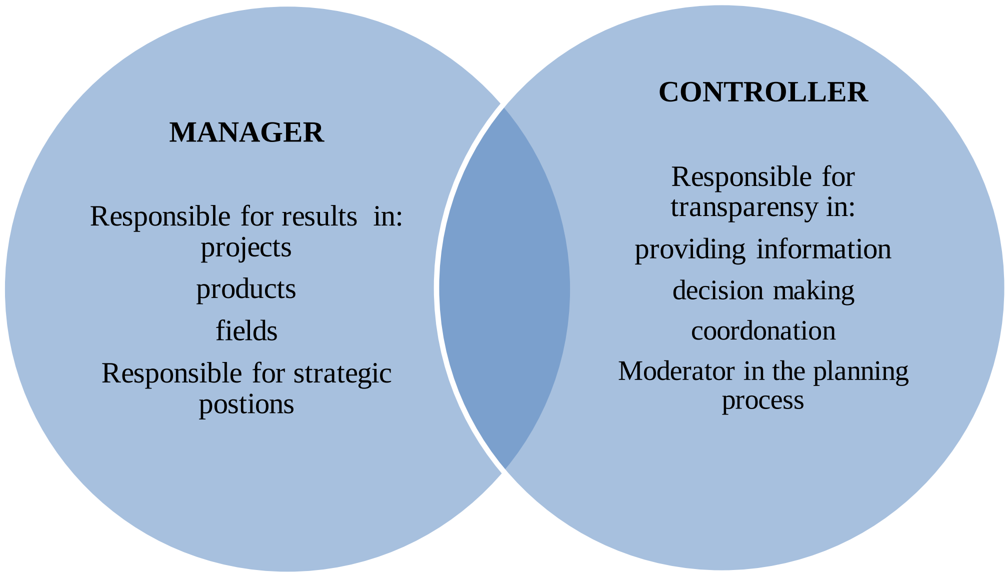

Figure 2. Controller model according to IGC

The duties, identity and responsability of the controller are set very meaningfully in the controller model compiled by IGC (International Group of Controlling, Company of Interests in the Field of Controlling)

Performances are the result of one's activity elite staff, motivated, creative, involved. The works of specialty highlights the fact that,''the main challange for a modern controlling ar the behaviors of reliable and quality work'' (Dumitrașcu, 2019).

3. THE MAIN CONTROL TOOLS OF COMPANY PERFORMANCE

For the control of the company's performance, the cotroller has using more instruments like:

- budgetary control,
- dashboard,
- the reporting,
- the balanced scorecard.

In evaluating to the company's performance, in management and controlling activity, the system of budget has a very important role.

The management controller elaborates the budget as a plan than presents the achievement of the strategic objectives of the company.

Realization of control throught compare the budgets permanently, the results obtained with the budget forecasts, to identify and correct the budget deviations, inform the managers and evaluate the activity of those in caqrge of the budgets.

The management controller and the managers follow the budget system to be coherent and the inter budgets dependent on each other.

The need to budget the various components of an enterprises is required to achieve performance in a competitive environment under the conditions of use of limited resources.

At the company level, four groups of budgets, respectively the operating budget consisting of sales, production and supply budgets, the budget of investments, the budget of general expenses and summaries budgeting with the treasury budget and financial statements forecasts, respectively the income statment and the balance sheet predictive.

Operating budgets, related to the function of operation of the enterprise, are designed according to the volume of the company's activity. In this category are included the sales budget (detailed, in turn, in the budget turnover and distribution budget), the production budget and the supply budget.

The investment budget includes the projects of the company investments with term commitments short. They have no impact on the budget exploatation, but only on the treasury and forecast financial statements (income statement and forecast balance sheet).

The general expenses budget includes expenses related to the general administration of the company, which are usually fixed expenses and they are not related to the operating budget. The budgeting of these expenses is more difficult to achieve and is often done in one way arbitrary.

Budget summaries are general budgets, a synthesis of the other budgets. These include the budget of treasury which includes the forecast of flows of liquidity and forecast financial statements: the account of expected results and balance sheet.

The balance sheet and the forecasted results account constitutes the last stage of the budget construction.

The data foreseen in the budgets are expressed monetary, but can also be expressed in natural standard for quantities, time, etc. or a combination between these.

Building budgets is an interative process, which must ensure the articulation of all budgets in an ensemble coherent.

Dashboard. Dashboard, as a piloting tool of the company are appeared in France since the interwar period, allowing managers to make decisions, having a vision in real time synthetic on the business environment and the rincipals indicators of the company.

The dashboard is a modern tool information and decision, which offers managers informaton on the key points of their management and on possible slippagers, and the objective is to enrolls the company on the path of progress defined by decision makers.

The dashboard is a fast, simple and easy tool understandable, intended for operational managers, comprising 10-25 financial, technical and the quality.

The procedure for drawing up the scoreboard (P Boisselier, 1999,) follows four steps, thus:

- Quantifiable and realistic determination of goals
- Establishment of an action plan with the parameters of influence to achieve the objective.
- Identification of relevant indicators.
- Drawing up the scoreboard with absolute values, deviations, rates, graphs, icons, tables, etc.

The dashboard is used in practice by the most many times apart from the budget system.

Reporting based on responsability accounting from lare companies, and it is a tool of the pursuit of strategic objectives and evaluation the performances, useful for general managers and the others manager.

The reporting presents only financial data accounting and has two components, one accounting which compare achievements with forecasts and other management white identifies the causes that generated deviations and proposes corrective measures.

Some information with physical and qualitative indicators are transmitted daily (production volume, volume sales), weekly (cash flow, the movements of funds, loans, currency exchange result) or monthly (profit) orevenn less often (inflation, competition, tax regime).

Balanced scorecard. In 1992 Robert Kaplan and David Norton, do to the insufficientes found in practice of reporting from the companies, they designet another tool of performance control of american companies similar to the dashboad in french companies, called the *balanced scorecard.*

Balanced scorecard is a multi-dimensional performance measurement and management control tool that can play an essential role in corporate sustainability and is attracting growing research interest (Hansen & Schaltegger, 2018).

Balanced scorecard is an integrative tool of control of the company's performance. This tool helps guide and evaluation of the strategy and ensures a representation opertional of the company's gloal performance.

Balanced scorecard is intended for the manager and contains financial-accounting, technical, qualitative indicators regarding customers, quality, internal efficiency of the company and long-term development capacity.

Balanced scorecard is an organization based on 4 axes (Carla Mendoza and Robert Zrihen,1999), respectively,

- Financial perspective (demands of shareholders);
- Customer perspective (customer requirements);
- Growth and development (managers' demand for achieving the proposed objectives);
- Internal processes (managers' requirements for a get the performance).

For this perspectives, the BSC framework involves defining the objectives, selecting appropriate measures, setting targets and undertaking congruent actions to meet the targets.

Through its characteristics, balanced scorecard achieves a convergence betweenthe French scoreboard and American reporting ,can be considered a integrative management tool.

4. CONCLUSIONS

Controlling has now become an activity indispensable in large companies, but it is widely used in non-profit companies or public administrations. In the usually one or more are used for controlling many tools in paralel for evaluation the performances achieved. Those are „constructions" which have a different size historical dimension and have developed in different socio-economic contexts .

The controller is an indispensable person to company management, responsible for the good operation of the informational system in view the adoption of strategic decisions.

REFERENCES:

[1]. Albu, N.; Albu, C. (2003) *Performant Management Tools,* Economic Publishing House Bucharest

[2]. Briciu, S.; Căpuşneanu, S.; Rof, L.M.; Topor, D. (2010) *Accounting and Management Control. Tools for performance evaluation of the entity*, Aeternitas Publishing House, Alba Iulia

[3]. Bouquin, H. (1997) *Contrôle*, in *Encyclopédie de management*, 2nd édition, Economica Publishing House

[4]. Burlaud, A.;, Simon, C. (1999) *Control of management*, C. N. I. „Coresi" Publishing House

[5]. Cosăcescu L. (2021) *Controllingul perspective that opens doors the proactive fulfilment of the company's objectives*, CECCAR Business Review, no. 11, www.ceccar businessreview.ro

[6]. Danziger, R. (1995) *25 years of management control: l'hommeet la fonction*, *Paris-Dauphine. 25 ans de sciences d'organisation*, Claude Le Pen et al., Editions Masson

[7]. Dumitraşcu, R.A. (2019) *Controlling*, University Publishing House, Bucureşti

[8]. Gänßlen, S.; Losbichler, H.; Niedermayr, R.; Rieder, L.; Schäffer, U.; Weber, J. (2012) *Principles of the basis of the international Controllers Association (ICV) and the International Group by Controlling (IGC)),*translated by R. Niedermayr, https://www.igc-controlling.org/fileadmin/pdf/ICV_IGC_Valuepaper_RO.pdf

[9]. Groşanu A. (2010) *Calculation of costs per center of profit from theory to practice*, Irecson, Publishing House, Cluj Napoca

[10]. Hlaciuc E., Ailoaiei, R., Măciucă, G. (2017) *Controlling warning system early crises of from organization, Collection of scientific articles*, Chișinău, https://caae.ase.md/ files/caae/conf/

[11]. Horvath & Partners (2007) *Controlling. Efficient systems for increasing the performance of the company,* Beck Publishing House, Bucharest

[12]. Ionascu, I. (2003) *Control digestion*, Economica, Publishing House Bucureşti

[13]. Mendoza, M.; Zrihen, R. (1999) *Le tableau de bord: en V. O. ouen version américaine Comparaison entre le tableau de bord et le balanced scorecard*, Revue française de comptabilité, nr. 309

[14]. Mio, C.; Costantini, A.; Panfilo, S. (2021) *Performance measurement tools for sustainable business: A systematic literature review on the sustainability balanced scorecard use*, Corporate Social Responsability and Environmental Management, Wiley Library

[15]. Tabără, N.; Briciu, S. (coord.) (2012) *News and perspectives in accounting and management control*, Tipo Publishing House, Iaşi