

*Ing. Zuzana Chodasová, PhD.*

Slovak University of Technology in Bratislava  
Institut of Management

*Ing., Mgr Zuzana Tekulová, PhD.*

Slovak University of Technology in Bratislava  
Faculty of Mechanical Engineering

*Ing. Anna Jacková, PhD.*

University of Žilina  
Faculty of Management Science and Informatics

## **Controlling – the Current Management Tools in the Enterprise<sup>1</sup>**

### INTRODUCTION

Management process is therefore a complicated process which is interdisciplinary and dynamic in character. It must account for various aspects of the creation of the built-up area – economic, political, technical, sociological, legal and others which carry along risk not quite immaterial. This risk may be suitably moderated by the employment of methods such as controlling which represents a high-quality advisory capacity for the boards of management. Controlling is a methodological tool of management as its employment may result in quality information necessary for efficient management. High-quality controlling is aimed at the implementation of cooperative style of management. This doesn't mean the use of only routine management activities, but the use of information obtained to point out the so-called „weak spot“ due to which the company fails to achieve its objectives. Therefore, controllers must be acquainted with the company as a whole and be able to reveal specific features of individual departments. Controlling prepares the information basis for the solution of planning, implementation and control tasks and that is why we regard controlling as a subsystem of the enterprise management.

The aim of controlling is therefore to create a complex system of information regarding costs and performance which are economic indicators of the development of the enterprise as a whole. Controlling also needs to observe the

---

<sup>1</sup> The paper was worked out within the grant-based research project VEGA 1/1056/12.

operation of the enterprise by means of partial views that may be very important for enterprise management. Very often reports containing selected indicators are prepared for the needs of individual departments, and their aim is to inform the head of department on the given situation and compare this department with other subsystems within the company. Another helpful activity is the comparison not only of real and planned variables of the given period, but, if the information system of the company allows this, the comparison of plan with the reality of previous periods. This helps to adapt planning process according to real needs and abilities of the enterprise.

However, in reality it is sometimes impossible to predict information needs of management directors because they depend on actual situation. Management workers very often don't know what they need. They need to see company data in various dimensions from various angles and with a various degree of detail. The aim of controlling is therefore to identify the problem before it even starts to appear. Controllers also need information to find possible opportunities the company could use to its advantage. They analyse performance trends of the company in order to gain competitive advantage, increase profit or make strategic decisions for further development of the company. They can't wait for the problem to appear and cause any kind of trouble; they need to brace company sources for its further effective operation [Bartošová, 2011].

Because of the fact that information requirements cannot be predicted, prepared controlling activities and schemes usually fail to react in the sufficient way. Very often there is a need to create ad hoc overviews in as shortest time as possible. Usually the information needed is scattered in several subsystems of the company and thus, instead of quick reaction, we have delays that are frustrating for the workers concerned. This may be potentially dangerous for the company as a whole. When the managers finally write their report, the data contained may be inconsistent, inaccurate or out-dated and the problem remains. The company is able to solve such problems only in case their existing accounting and accounting management are restructured to such method of accounting that supports the enterprise management, e.g. management accounting aimed at the support of decision-making process and not at documenting of the past [Chodasová, Tekulová, 2012]. Therefore, the interconnection between individual information tools of the company is one of the most important prerequisites of correct implementation of controlling in the enterprise.

The most important tools of controlling activities are accounting, calculations and budgets that provide information necessary for the company management, especially for planning and checking, they inform on the most important end variables, such as profitability, economy, liquidity and responsibility towards individual management departments. The aim of this contribution is to point out these information sources of controlling and their importance in the enterprise management.

## CONTROLLING ACTUAL METHOD IN MANAGEMENT

Controlling plays very important role nowadays, it is for the management of the company may be of assistance in performing the following tasks:

- comparing plans and reality and budget control,
- employment of information from accountancy of costs/management accountancy,
- financial planning,
- reporting,
- analysis of deviations and their reasons,
- information interpreting,
- budgeting,
- investment planning,
- balancing accounts,
- internal advisory services in decision-making process *etc.*

It is important to determine the relationship between the functions of management and controlling in a business entity. Management of the company takes decisions, assumes responsibility, whereas controlling inspires, evaluates, analyses, controls and gives recommendations [Hilmar, 2007]. Controlling should be a highly qualified advisory body for the board of managers. Its successful introduction requires that there exist substantial elements of interrelation of information system such budgeting and recording of costs (recording according to types, place of origination, performance).

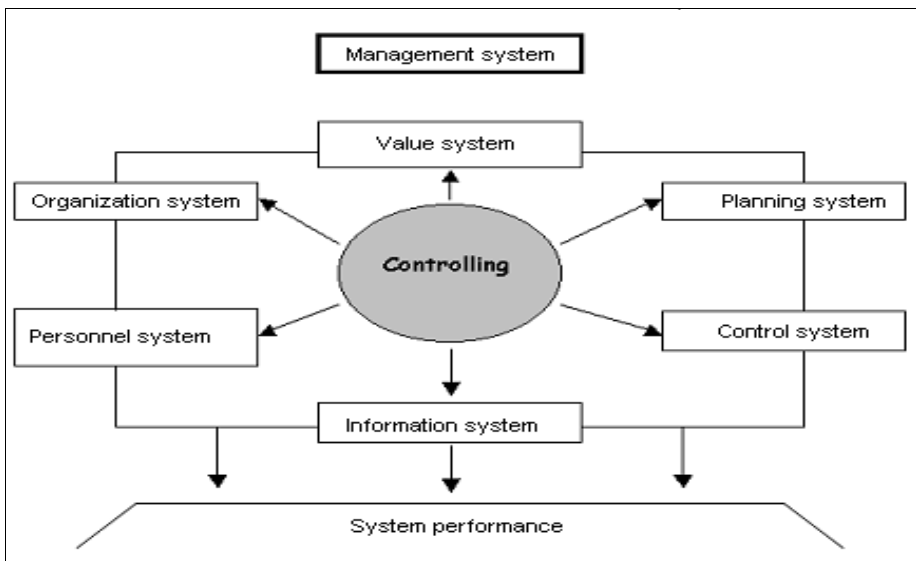


Figure 1. Controlling in management system

While accountancy is subject to statutory rules regulating obligatory quality standards, with budgeting and costs recording the rules are less strict. This might count as the first impediment for the introduction of efficient controlling. Before the introduction of controlling, the quality of management information tools has to be inspected and accommodated with view to controlling fig.1. Otherwise there may arise danger of controlling being supplied with devaluated information.

Enterprises should be responsible for construction works, investments as well as management of plots of land, renting of constructed premises, trading operations at the property market etc. In this respect organizations assume considerable risks as they frequently manage long-termed investment portfolios, which require high quality management work [Kucharčíková, Vodák, 2004]. If compared to other enterprises such organizations, as a rule, assume greater risk as the premises constructed are designed for a long-term occupation and any conceptional mistake that does not respect market requirements may become a source of considerable financial loss. It is sometimes rather difficult to foresee market trends and investors may be financially successful on the one hand or they may lose their investments as well. Every mistaken decision in the conception which does not respect market requirements may bring about serious financial risk. Decrease in the risk connected with management decisions may be achieved through the supply of relevant information that must be processed in proper time and amount. It is controlling that plays an important role in this respect [Chodasová, 2010].

#### DIMENSION OF CONTROLLING

Controlling may be efficient only if it is targeted in accordance with the aims of the business entity. Planning, decision-taking and management in the company may be performed only in conjunction with goals set in advance [Chodasová, Kucharčíková, 2009]. These are also the grounds for a controlling organization which may take the following forms:

- working position – controlling,
- division of controlling,
- external controlling.

**Working position – controlling:** it is suitable mainly for small-size business entities, it is designed as a single working position subject to the head of the financial department.

**Division of controlling:** it is a higher form of controlling organization, headed by a person, trustworthy for the organization board of management, responsible for the selection of employees for this division who will perform partial tasks of controlling.

**External controlling:** represented by transfer of controlling tasks to an external entity, advantage of this sort being external view of production and non-production process.

There are two dimension of controlling in respect of time projection:

- **strategic controlling** – it is a long-term, future-oriented type aimed at current initiating measures that will safeguard future existence of the business entity,
- **operational controlling** – it is aimed at short-term management and is targeted at the present period and the achievement of immediate business goals. It is centered on the formulation of the profit management system. Operational controlling operates in the horizon of between one and three years. This is accompanied with monitoring of monthly results. Running deviation analysis primarily serves the aim of determining a certain place as well as defining necessary management measures. Operational controlling is based on current personnel, machinery and capital capacity of an undertaking.

#### TOOLS CONTROLLING AS A SOURCE OF INFORMATION

The main instruments of controlling includes budgeting, costing, accounting and financial plans, which are important sources of information in control work. Provide important information about the costs and benefits over their real flow and form the basic elements of a business. These tools must be linked to their information sheets have been beneficial in controlling the activities fig. 2. In terms of internal management is very important especially the cost, which to be first to plan, manage and no additional detect variations and their causes. The fundamental objectives that have internal management tools to meet, we therefore define:

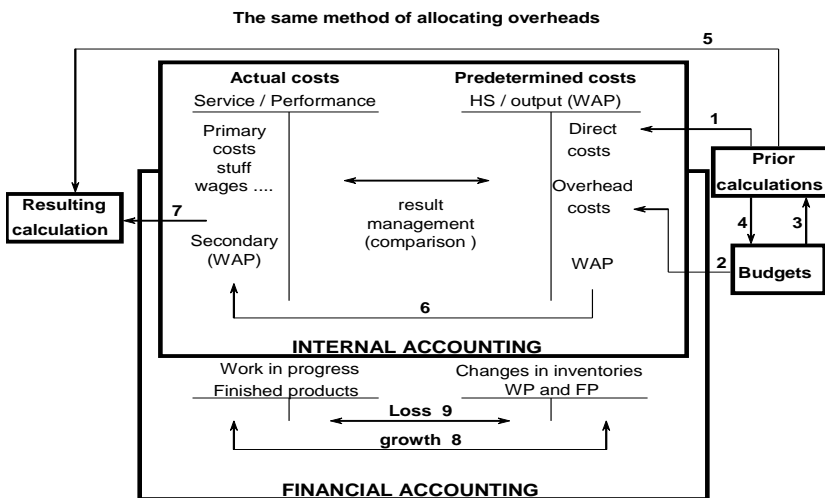
- control, i.e. recording variations and their analysis,
- providing information for decision making,
- current internal performance measurement.

Executors of individual instruments are the people whose office is identical with the inclusion of these instruments and the role of controller is to attune and coordinate their work, give them momentum and impulses to the tools of economic management created such links, which would allow to capture the real financial and capital flows within management organizations [Strišš, Vodák, 2010]. These instruments provide important information on the costs and benefits over their real flow, and are therefore essential elements inhouse information system [Chodasová, 2012].

The **internal accounting** is the most important tool for controlling activities of business entity, which provides information needs for management business. Represents integrating tool of controlling, which in conjunction with the estimates and budgets submitted:

- information to management costs and revenues as a whole entity and that the distribution of the various processes and activities,
- information to assess performance and efficiency of individual products, works and services.

**Calculations** are by one of tool to assess the relationship between cost and performance. An operation which has resulted in a structure determination and recognition of their own product costs, while allowing in conjunction with the internal accounting and budgeting to compare planned and actual achievements of the costs of the product.



**Figure 2. Controlling the tools of interconnectivity**

Tasks calculations can be divided into two groups:

- act as a management tool of economy and efficiency realized performances, and perform this task in conjunction with budgeting,
- are the basis for pricing of products and services.

In the business entities compile different kinds of calculations depending on what purpose they serve, and under what conditions the implementation of ongoing performance. Costing systems are different kinds of calculations and appropriately chosen calculation method. For the right choice in the management process is necessary to choose an appropriate type of calculation and calculation methods.

**Budgets and budgetary** system is chosen according to the nature of business, its scope, complexity and segmentation to best suit the needs of business in the respective conditions. The budget determines the particular economic role in the performance (sales), costs, profits, expenses and income, or in other areas of particular organizations.

Budgeting focuses on two processes:

- planning: provides forecasts of economic outcomes,
- control: provides a yardstick by which to assess performance.

In preparing the budget is an important decision on the length of the budget period, studying accounting and other documents from previous years, estimate possible changes, deciding on the values of individual budget items, inclusion of values in the budget. Thus it is possible to ensure the steps that lead to easier control [Ďurišová, Jacková, 2007].

**Financial plan** shows the effects of business activities in the planning period. Responsibility for coordination, methodology and information security planning process includes controlling the organ. This responsibility is practically fills several activities that can be summarized as:

- innovation in information systems for planning,
- innovation planning methodology,
- innovation planning process,
- coordination of planning process,
- content and formal specification of plans.

Controlling itself and its components in the company's management are justified, but that was controlling usable, it is necessary when applying the practice to ensure the linkage of information flows from the individual instruments. We want management organizations note that the information obtained by controlling the activities are qualified advice, because attention can navigate officers to “bottlenecks” preventing the achievement of stated objectives, which are still often underestimated.

### CONTROLLING APPLICATION IN PRACTICE

Controlling to be successful requires primarily to the proper implementation of the management work. Therefore, there are fig. 3 controlling the deployment, but should not be respected at all costs, but adapted to the specific undertaking. Controlling requires that the board management of organization should set clear, definite, binding and realistic goals. It should also recommend the company's employees to receive further systematic training as an efficient mode of discovering internal resources necessary for the satisfaction of the employees' needs [Strišš, Vodák, 2006].

- |   |
|---|
| <ul style="list-style-type: none"> <li>• Analysis the present state</li> <li>• Statement of objectives controlling</li> <li>• Determination of controlling the organization in company</li> <li>• Determination of tasks, the formulation of outputs controlling</li> <li>• Training controllers</li> <li>• Trial period controlling</li> <li>• Full integration into the controlling company governance</li> </ul> |
|---|

**Figure 3. Controlling stages**

The analysis of the use of controlling and controlling internal tools in selected construction companies showed many deficiencies in the management work and it is necessary to warn the managerial staff tab. 1.

**Table 1. Profile of a Controller**

Profile of a Controller		
Personal characteristic	Expertise	Other
<ul style="list-style-type: none"> <li>– active and creative</li> <li>– communicative and sociable</li> <li>– inherent authority</li> <li>– strong personality</li> <li>– reliable</li> <li>– able to impose its views</li> </ul>	<ul style="list-style-type: none"> <li>– university degree or technical direction of economic</li> </ul>	<ul style="list-style-type: none"> <li>– use of computer technology</li> <li>– the ability of high-quality presentation</li> </ul>

When introducing controlling the creation of many barriers. It is easier to introduce it sometime in the newly created enterprises or emergent branch, expanding firms [Chodasová, 2008].

Main difficulties and barriers that exist for controlling the introduction in tab. 2.

**Table 2. Barriers and obstacles in controlling**

Sort barrier	Sort restraint
In keeping	<ul style="list-style-type: none"> <li>• difficulties in changing attitudes and habits of workers</li> <li>• focus executives on short-term goals</li> <li>• contradictions process of evaluation results, the effectiveness of individual economic units</li> </ul>
Personnel	<ul style="list-style-type: none"> <li>• few overloaded and controlling personnel departments (3–5 persons)</li> <li>• lack of staff able to fulfill the role of controller and responsible for managing and controlling the operation of</li> <li>• difficulties in selecting appropriate staff for the office of controller</li> </ul>
Technical – organizational	<ul style="list-style-type: none"> <li>• problems with changing the organizational structure of enterprise</li> <li>• controller inappropriate inclusion in the organizational structure and incorrect definition of the competencies</li> </ul>
Registration – financial	<ul style="list-style-type: none"> <li>• fixed and variable costs are considered to be clearly fixed and variable clearly</li> <li>• difficulties in operational planning tasks in the service of substantive activities</li> <li>• difficulties in term of tasks, recording material and value targets</li> <li>• inappropriate method of aggregation of inputs to outputs</li> </ul>
Information	<ul style="list-style-type: none"> <li>• the current state of enterprise computer technology equipment and lack of special programs to support the implementation of controlling</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• lack of funds for employment of skilled business professionals</li> <li>• lack of funding for computing</li> </ul>



Analysis of the use of controlling and controlling internal tools in selected construction companies we have shown many deficiencies in the management work, which is necessary to warn managerial staff. Businesses entities in Slovakia still underestimate the importance of applying these arrangements in the management of work and therefore for several years, we process the survey in selected building businesses to verify the possible use of modern control methods work. We wanted to reflect on the organization, how they functioning account information system, internal management [Pilková, 2009]. The companies already having established control systems are perceived as controlling unit, under which all belong controlling tasks as shown tab. 3.

**Table 3. Controlling tasks in the business sections**

Finance department	Division bussiness calculations	Division organization and information	Planning division
– finance – taxes – insured	– survey costs	– data processing – information – report – statistics	– planning – coordination plans – consolidation plans
– financial accounting	– detection performance	– organization – system analysis – palnning systems	– financial-economic analysis

## CONCLUSION

Due to the fact that there are still several inconsistencies about company controlling in both terminological and practical point of view, the controlling as a management tool is still a current issue. In order to implement controlling to the company management we need to create suitable conditions that enable its further implementation. Generally, we need to prepare two areas. First we need to interconnect basic information sources from accounting information system in the company and only afterwards we may start to apply controlling to the entrepreneurial unit.

In order to perform successful controlling, we need to prepare high-quality work environment and, especially, correct implementation to the company management. This requires the following:

- Company's budget procedure and costs registration form the basis for all controlling activities with necessary predictive value,
- Management of the company has sufficiently aggregated and structured information, or they have a base for the reporting-system of internal company reports and elaborations of required character,
- Information has a decision-making character, or is it only documentary-based information,

- There exists a closed system of planning,
- Analysis of the company is being performed as the basis for its management,
- There exists an indicator characterizing activity of individual functions and management degrees and systems of indicators,
- Profitability of an investment is taken into account before the actual investments are performed, there is a comparison with other variants,
- Management of the company is informed in due time on costs and administration problems,
- Function of controlling can be adequately implemented into organizational structure of the company,
- Our staff corresponds with requirements, workers must have also necessary rights to perform activities.

During the application of controlling into the company we need to take into account also factors that influence the choice of suitable organization of controlling body. Sometimes we come across many unsolved problems. The more complex these issues in the company and its environment are, the greater is the importance of coordination and integration of controlling. Factors, influencing the choice of suitable organization of controlling are among others the following: specifications of productive activity of the company, market attributes, character of company rules, e.g. culture of management. The identification of these factors during the application of internal controlling is still a current issue. The role of internal controlling in a company depends above all on the understanding of its function in management. We need to emphasize that controllers (controlling managers) should not substitute executive managers (planning workers, budget analysts, accountants). The aim of controlling is to prepare adequate decision-making environment for the company managers and to provide high-quality information in real time and with high predictive value. Therefore, we need to identify facts and obstructions that may appear during the implementation of controlling into practice.

#### LITRATURE

- Bartošová V., 2011, *Management risk* [in:] Štofková J., *Management enterprise*, print ŽU, University of Žilina, 2011.
- Ďurišová M., Jacková A., 2007, *Bussiness finance*, print Žilina, ŽU.
- Hilmar J.V., 2007, *Controlling*, print Profess.
- Chodasová Z., 2012, *Controlling enterprise management tool*, print STATIS Bratislava.
- Chodasová Z., Tekulová Z., 2012, *Management accounting prerequisite for effective controlling*, In: EMS 1/2012, print EDIS Žilina, ŽU.
- Chodasová Z., 2010, *Actual methods in management proce*, [in:] *Globalization and crises in modern. Economy the 1 ht Scientific volume*, Edited by Vytautas Juščius Lithuania.

- Chodasová Z., Kucharčíková A., 2009, *Controller can replace the work manager Companies*, [in:] "MANEKO" 2/2009, č.1, print STU UM v Bratislave.
- Kucharčíková A., Vodák J., 2004, *Diagnostic approach to the – Human capital development*, [in:] Proceedings, Second international conference on soft computing applied in computer and economic environments, ICSC 2004, Kunovice, European Polytechnical Institute Kunovice.
- Pilková A., 2009, *Basel 2 as a driver of changes in the commercial bank strategic management*, Comenius Management Review.
- Strišš J., Vodák J., 2008, *Strategic Control – Performance Management Tool for Increasing Company Competitiveness*, Scientific Papers of the University of Pardubice 2007, vydavatel'stvo Univerzita Pardubice.
- Strišš J., Vodák J., 2006, *Corporate Identity as one of the important Management Activity*, Scientific Papers of the University of Pardubice, Pardubice.

### *Summary*

The role of controlling is to prepare for managers of the company an adequate environment for decision-making processes, quality of information with added value provided in the real time. Controlling is focused on the implementation of cooperative style of management. This does not mean the use of only routine management activities, but the use of obtained information to point out so-called „weak spot“ due to which the company fails to achieve its objectives. The aim of the controlling is therefore to create a complex system of information regarding costs and performance, methods, economic indicators that should evaluate development of the company as a whole and at the same time observe operational side of the company by means of partial views that are crucial for company management. The interconnection of enterprise information tools, one of the prerequisites for the proper implementation of the controlling enterprise in what also discusses the article.

## **Controlling – współczesne narzędzie zarządzania w przedsiębiorstwie**

### *Streszczenie*

Rolą controllingu jest przygotowanie dla menedżerów firmy odpowiedniego środowiska dla procesów podejmowania decyzji, dostarczenie informacji wysokiej jakości wraz z wartością dodaną w czasie rzeczywistym. Controlling koncentruje się na implementacji kooperacyjnego stylu zarządzania. Nie oznacza to wykorzystywania jedynie rutynowych czynności zarządczych, ale wykorzystanie uzyskanej informacji do wskazania tzw. słabych punktów, w wyniku których przedsiębiorstwu nie udaje się osiągnąć założonych celów. Celem controllingu jest więc kreacja kompleksowych systemów informacyjnych uwzględniających koszty, działania, metody, wskaźniki ekonomiczne, które powinny służyć ocenie rozwoju przedsiębiorstwa jako całości, a jednocześnie obserwacją operacyjnych aspektów działalności przedsiębiorstwa z wykorzystaniem częściowych przeglądów, które są kluczowe dla zarządzania firmą. W artykule dyskusji poddaje się wzajemne powiązania między narzędziami informacyjnymi przedsiębiorstwa, które stanowią istotne uwarunkowanie dla właściwego wdrożenia controllingu w przedsiębiorstwie.