Specific Features of the Development Potentials of Controlling Systems

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Abstract: Since the management revolution highlighted by the theories of Frederick Winslow and Henry Fayol, plenty of global changes have occurred. Competitiveness has become the major factor to determine the economic and social power represented by companies and nations.
The basic aim of the research to be outlined was to reveal the significance of real and information process analysis of operating controlling systems introduced in domestic entrepreneurial practice, and also to present the features commonly shared by enterprises as well as those that can be considered unique.

1 A summary of the Aim of the Research

The sphere of activity available for company management is determined by the ever-increasing competition, changing realization and buying markets and the tight possibilities of potential applications. The art of company management lies in the skills to guarantee that the company may persist and sustain its viability. Ever since market economy came into being Hungarian companies have been forced to continually utilise their resources rationally. Controlling is proven to be an efficient method, which is to provide key information for the company management at the right moment, concerning the status of environment and inside processes.

No controlling organisations and functions can be separated from real processes, the controlling system is always established by the given company and its environment. Controlling systems and applying merely its function (e.g. with small or medium-size enterprises) have a general feature. The general features of controlling systems are independent of external and internal factors, special features of the controlling systems being specified by the latter. For the last 15 years the author of this thesis has been bent on defining the concept of controlling and controlling system as well as revealing its specific features, which means either linking one company function to controlling (e.g. logistics) or
differentiation resulted by external and internal factors influencing the operation of the company.

2 The Outline of the Research Carried Out

Practical research carried out is related to controlling systems, which I studied during my researches, and also contributed to in the process of establishment and introduction. These studies are applicable to support my theoretical conclusions of controlling systems regarding practical validity.

An important criterion was to represent the variety of social and business sphere, to analyze and demonstrate the similarities and distinctive features characteristic of controlling systems.

Consequently in my dissertation I have studied the controlling systems listed bellow:

Controlling systems linkable to general company functions:

- logistics controlling
- project controlling
- production controlling

In analysing internal and external operation factors of organisations I have analysed the following systems:

- public services
- hospital controlling
- higher education controlling

Linking logistics and controlling is also demonstrated by the analysis of the structure of systems of logistics. Apart from the fact that material processes occur, handling information also belongs to the system. As a contributor and consultant I had dealt with models of material and stock management at companies having existed before the change of regime (Csepel Works Transformer Manufacturing Plant, Book-Binding Co-operative). My proposals were made upon the basis of research carried out into technical literature and were aimed at linking logistics to controlling. My conclusions were published in scientific periodicals. In the area of production controlling I made contributions by functioning as a participant at Ganz KK Ltd. charged with a commission by Capitaly Ltd., and simultaneously I was in charge of introducing a controlling system at Atheneum Printer’s Co.

The concept of project controlling dates back as long ago as the 1980’s in international publications. First and foremost I was involved in Information
Technology projects, during which I studied specific features of a company rendering public services, as a user. I could also show specific applications of controlling systems with Mercantil Bank, where my general model was relied upon by the Bank. I prepared a college-level higher education concept upon the request of the Rector and Academic Board of Budapest Polytechnic.

In the sphere of health service controlling I acted as consultant to several of my students who worked on individual research for their theses, assisting them in completing their theses and elaborating rates.

Apart from empirical experience hitherto quoted I also relied upon the outcome of the analysis of questionnaires arranged by Research Centre of Competitiveness as well as research carried out in the field of small and medium size enterprises and conclusions of questionnaire-assisted studies performed by the Department of Organisation and Management of Budapest Polytechnic.

3 Methods of Research and Analysis

Both empirical and theoretical approaches were involved in the research work accomplished in the above-mentioned field of study. Research methodology thus shall be divided into three major categories:

- Theoretical research, whose function is to lay the grounds for study of individual groups of problems
- Elaborating my own methods on a scientific basis, simultaneously incorporating empirical experience
- Processing practical experience

During the research the methods relevant for these three categories or their combinations shall be applied:

- Thanks to research accomplished by studying libraries of controlling research I have shed light upon the issue of the usage of the concept of controlling
- Via comparison of various schools (or trends) I have set up a model of the controlling system as such
- In the area of the specific question of system development I have developed my own controlling model by means of combining theoretical and empirical approaches on the basis of practical experience (gained in company environment).
4 Scientific and Practical Outcome of the Research

Apart from summarising practical and theoretical research the study was also motivated by the aim of providing undergraduate students involved in higher education training with a course-book, which relies on a wide spectre of methodological experience and easy to use. The purpose of the study was also to re-evaluate the approach to controlling on a nationwide scale and to contribute to the development of science.

Controlling
- is strictly and primarily practice-oriented
- in its system a priority prevails and is oriented on outcome
- has an approach focusing on company management
- it is theoretically rooted in company management practice
- co-ordination and information system embodies its main function
- the development of its concept and function is centred on managerial functions

Empirical studies as well as theoretical research (based on technical literature) prove that controlling includes planning, co-ordination and supervisory functions, and de facto clues suggest that this also plays a role in management. The significance of the influence of controlling in the area of organisation is still not verified. The development from company management model towards management model indicates that controlling as an integrating management function will develop in the direction of the model outlined in the figure.

This theoretical approach may be verified judging from the outcome of theoretical research, too.
Controlling is a managerial function based on information management, a managerial tool to plan, supervise, analyse and control events in a company.

Controlling is a system which serves to support company management with coordination and information. It is implemented via planning, supervising and improving alternative strategies for company management.

The two-fold interpretation of the concept of controlling:

- function determined by information management
- a managerial device for planning, supervising analysing and controlling company efficiency

H. Fayol (1918) classified company activities into six groups and he devoted separate studies to examining managerial functions (planning, organisation, direct management, co-ordination, supervision).
The controlling system as a managerial function affects basic activities of the organisation (company). Supposing we accept the statement according to which controlling fulfils its controlling, co-ordinational and supervisory function in processes involving basic technology and information technology.

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<tr>
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<th>Logistics - Controlling</th>
<th>Producer</th>
<th>Public Services</th>
<th>Project-Controlling</th>
<th>Bank Controlling</th>
<th>Hospital Controlling</th>
<th>Nonprofit sphere (college) Controlling</th>
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<tr>
<td>Organisation</td>
<td>Professional</td>
<td>Ind. leaders</td>
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1. Assertion of Controlling as a Managerial Function

2. The application of Controlling Tools and Methodology

3. Controlling as the contents of information source

<table>
<thead>
<tr>
<th>Real processes</th>
<th>Logistics - Controlling</th>
<th>Producer</th>
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<td>Feedback</td>
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Table 1

Comparison of different controlling systems
According to the analysis of the integrated operation of logistic and controlling systems it can be presumed that most important factor in information management is the relationship between logistics costs and logistics output.

Approaching logistics-controlling on a strategic level is an important factor determining competitiveness on the market.

It is of crucial importance to build its sets of objectives and conditions in harmony with company strategy, which will determine the competitiveness of the product (or service).

In company management competitive criteria for cutting costs should be measured in its complexity according to the competitive value of the product (or service).

The essence of up-to-date logistics-controlling management is the integrated handling of the material process and the development of the organisation and information system.

5 Potential Practical Applications of the Results

Proponents and representatives of the German school unambiguously identify the ultimate aim of controlling as an information aim and, simultaneously it has occurred as a co-ordination aim in the theories of all authors.

The first insights of the German school seem to suggest an image according to which controlling is a practice-oriented tool in the hands of company management, whose primary task is to provide the management with information and to contribute to successful co-ordination.

In the above interpretation controlling as the sub-system of management means creating and controlling links between objectives and tools, considering the objectives of the company in the short as well as the long run.

Direct managerial subsystem and Controlling subsystems are the principal pillars which support management. The set of objectives determined by the company link the two subsystems moving them in the same direction. Controlling subsystems fulfil a function of regulation, thus taking over the planning, information supplying and supervisory functions of the leadership. The controlling subsystem is linked to the executive system by a direct managerial subsystem.

For the past 10 years controlling aims appear to have been on a divergent path. Besides co-ordination and information purposes of controlling, further direct purposes emerge. Indirect purposes keep focusing on company objectives, primarily the purposes of efficiency.

The conception of controlling is
profit-oriented
information-oriented
planning- and supervision-oriented
co-ordination-oriented

The following conclusion can be made in respect of the development controlling:

Controlling
- is strictly and primarily practice-oriented
- in its system a priority prevails oriented on outcome
- has an approach focusing on company management
- it is theoretically rooted in company management practice
- co-ordination and information system embodies its main function
- the development of its concept and function is centred on managerial functions

The accomplishment of controlling as a managerial function implies that it appears in management systems integrated with the other functions. Individual classical management functions may be conceived as integrated, professional or individual on the level of the manager. Professional and individual managerial functions have not been integrated so far, thus controlling function is realised independent of those.

On the basis of the study we can conclude that the Controlling explicitly connected with supervisory function appears to be entirely integrated, whereas in the overwhelming majority of cases planning, supervision and co-ordination belong to integrated functions. It is obvious that in most cases organisational function is characterised by professional features and does not show any feature of integration. In material processes co-ordination as an integrative function appears in the sector of hospitals, whereas in the remaining cases it has preserved its individual managerial function.

The conclusion can be drawn that the success rate of application of controlling tools is most outstanding in operative planning and executive functions, better than the average in presenting reports and feedback, and good at calculating and applying rates. The application of controlling tools and methods seem to be the least effective in strategic planning. Certainly each of the controlling systems being discussed possesses a well-structured set of devices and all systems are consistent.

Controlling as the contents of information sources in the usual sense of the word applies not only to financial and accountancy information, but also to real processes in natural measurement units as well. This statement is especially
applicable for the majority of cases surveyed with the exception of hospitals and colleges where financial controlling dominates.

Applied information systems carry controlling system information, thus it can be claimed that Controlling as the source for management information may also be exploited in practice.

References


