

THE MEANING OF EXECUTIVE CONTROLLING IN BUSINESS MANAGEMENT - RESULTS OF THE RESEARCH SURVEY

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Abstract

During several years of research on the state of controlling in Poland, attention was paid to several areas of how some modern enterprises are functioning. One of them is executive controlling, which should be considered as a strong and innovative determinant influencing the development of management methods in a modern enterprise. One of the fundamental requirements of executive controlling is the need to move from a functional operation system to an approach utilizing process management of an enterprise. The advantage of such a solution is the ability to quickly diagnose and continuously coordinate problems at their place of origin. The aim of this article is to present selected results of research on executive controlling issues, which were carried out on a group of 266 companies operating in Poland.

Keywords: *executive controlling, controlling, management.*

1. Introduction

In the current economic environment, one of the most interesting issues is the implementation of the principles and tools of executive controlling. They allow considering of controlling effective and innovative instrumentation in the process of organization and management of a modern enterprise. The fundamental requirement of executive controlling is the need to move from a functional operation system to an approach utilizing process management of an enterprise. The advantage of such a solution is the ability to quickly diagnose and continuously coordinate problems at their place of origin. Since executive controlling involves practically all employees of the company, constant monitoring of the created procedures is necessary. This allows direct observation of changes in the company and allows quick response in the event of deviations. This is facilitated by the electronic information exchange system, introduced as part of the executive controlling system,

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which significantly contributes to the optimization of business processes in the enterprise. Clear procedures guarantee a clear and temporary access to management information.

The aim of this article is to present selected results of research on executive controlling issues, carried out on a group of 266 companies operating in Poland.

2. Controlling in terms of the theory of organization and management

There is no uniform definition of controlling in the world literature. Different schools worldwide present different views, and numerous management authorities admit they are helpless in trying to organize this concept. Preissler (1999) states that “everyone has their own ideas about what controlling or meaning means, but everyone thinks of something else.” The multiplicity of definitions also arises from the use of controlling in many different companies with different situations in an organization, finance, or any other business sphere. The fact that controlling can involve many functional areas also affects the multiplicity of concepts. One of the reasons for many different theories may be the ambiguity of the English word “to control.” To influence on shaping the term “controlling” to the greatest degree were Americans and Germans. In literature, the most often mentioned terms derived from these two schools (Table 1), while in Poland the guidelines of the German school predominate.

Table 1. Summary of selected definitions of controlling by American and German authors.

Author	Definition of controlling
USA	
Anthony (1988, p. 34)	Controlling is a management enhancement tool that guides your organization toward your goals, facilitates your competitive advantage, ensures effective implementation of your strategy, and achieving success.
Horngren (2008, p. 618)	Controlling is a method of collecting and using the information to support and coordinate planning processes and their control throughout the company. Controlling is the continuous improvement of all decisions made within the organization.
Kerzner (1989, pp. 224-226)	Controlling is a management process that includes certain steps of measuring economic values, serving to assess the degree to which goals are met, to identify the causes of deviations, to correct of bad trends and to exploit the beneficial ones.
Koontz, O'Donnell & Wehrich (1984, p. 549)	Controlling is a management function, the essence of which is the measurement and correction of tasks performed by subordinates, given the need to evaluate the objectives achieved.

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Bramseman (1990, pp. 47-48) Controlling is such a mindset of employees, which ensures full compliance with goals at all levels of the company. This is achieved through strong coordination of tools, know-how, appropriate planning, control and information systems.

Heigl (1989, p. 19) Controlling is appropriately designated tasks of enterprise management. He rejects the idea to identify controlling with control, noting that it is rather organization, motivation, coordination, direction, forecasting, planning and communication.

Horvath (2011, pp. 42-60) Controlling is a management subsystem that coordinates the planning, control, and delivery of information and thus supports the adaptation and coordination of the entire system. These actions are directed at managing the entire company because of the set goals, that is, to achieve certain effects.

Weber (2001, pp.19-25) The purpose of controlling is to support the management of the company. It shows the three most important aspects of controlling: providing access to reliable information, enabled by fast-growing databases (1), a form of management that enables the company to achieve its goals (2) and coordinating all areas of business management, which facilitates the implementation of the strategy (3).

Vollmuth (2007, p. 15) Controlling is of super-functional importance. As a management instrument, it assists the company's leaders in making decisions. The essence of management is such planning, in which objectives are determined jointly by the management and members of the board. The effectiveness of this approach is achieved by constantly comparing the goals set with their implementation. The last vital element of controlling is the information system, which allows for quick detection of disturbances.

Ziegenbein (2004, p. 112) Controlling provides the company with methods and information in terms of work systems, including planning and control processes, as well as the support and coordination of these systems.

3. Executive controlling as an innovative management instrument

Sources provide many criteria that classify controlling. The most common criteria are levels, functions, and scope of management (Figure 1).

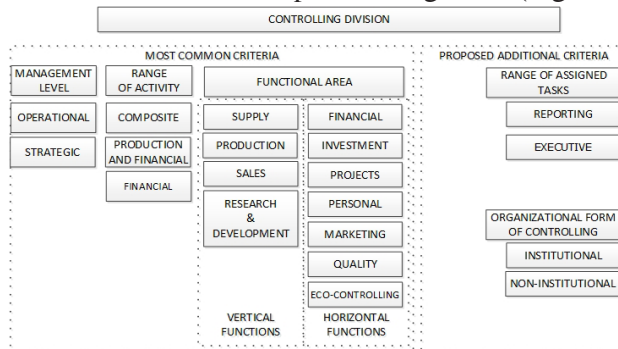


Figure 1. Selected criteria for division and types of controlling

Source: Nesterak (2015, p. 41).

Based on the foreign definitions of controlling presented above, as well as active observation of the transformation process taking place in companies operating in Poland, a new criterion of the controlling system is presented. The controller's scope of competence allows defining two of its types: report controlling and executive controlling. The first is an extended financial and management accounting system for the development of multi-dimensional material and financial reports, often used outside of national offices or branches. These reports are sent to corporate headquarters, where decision-makers use their findings to make decisions globally. However, this does not help to improve the way a company operates. Reporting controlling is especially the domain of large corporations, which impose on their Polish departments the obligation to produce various types of reports. The task of the controlling department is then practically the sole building of the information system, and the controller's scope of competence is small (e.g., Kokovixina, 2012; Lipych, 2012; Kes, 2003; Lichtarski & Nowosielski, 2006; Łapińska & Dynowska, 2010; Pietrzak, 2002; Tyrańska-Walas, 2001).

The developed form of controlling, i.e., executive controlling, assigns more ambitious tasks to the controller, thereby increasing the scope of his competence. The fundamental premise of controlling is the comprehensive optimization of the internal business processes that result in improved economic and financial results and are aimed at improving its competitive position in the market. This contributes to achieving the overriding purpose of the entrepreneur, which is the increase in the value of the enterprise. Controlling can be seen as a system that strongly supports managers at different levels, from top management to operational managers, in strategic, tactical and operational decision-making (Nesterak & Kowalski & Czerniachowicz, 2016, p. 40). Defining controlling as a way of managing an organization, aimed at improving its effects, allows to add to the definition of controlling the word "management." One of the goals of executive controlling is to strive to build a multidimensional system of support for management decision-making. Although executive controlling uses the full spectrum of information tools, it should not be treated as a system identical to accounting or reporting controlling. The analytical knowledge gained is primarily used to optimize the course of technological processes taking place in each functional area of an organization. As a result, executive controlling has a much broader scope of impact, since it affects both the basic and auxiliary processes in the enterprise. In addition, the controller receives here a very large scope of competence, including decision-making, which directly leads to the acquisition of managerial functions (Figure 2).

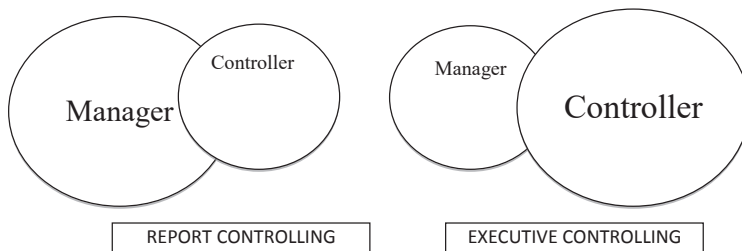


Figure 2. Executive controlling vs. report controlling

Source: Nesterak (2015, p. 47).

Authors controlling the future of controllers as a member of the chief executive bodies in companies, creates a natural consequence of the increase in knowledge, skills, professionalism and, in particular, the extension of competence (Holland-Letz, 2009, p. 11).

In executive controlling, the employees of the technology divisions play a greater role than in report controlling ones, as they are those who influence the outcome of their company's economic and financial performance to the greatest extent.

4. Methodological notes, and criteria and selection of research objects

A personal research was carried out in the years 2013-2015, the main goal was to gain knowledge, the progress degree of controlling in companies operating in the Polish market. When conducting a wide range of differentiated studies, a non-probabilistic sampling method was used, i.e., purposive sampling. In addition, to broaden the conclusions of the survey, the Delphi method was also used. The knowledge of enterprise executives, both chief executives and operational managers, was utilized. Also included were the guidance and opinions of external consultants supporting the controlling departments and the management of companies in the process of implementing and operating controlling. Micro, small, medium, and large enterprises participated in the study. Invited to participate were entities that were based in Poland, but also those that were branches of large foreign corporations, with management decisions taken outside the country. Of all the surveyed companies, 63.6% are companies with 100% national capital and 74.2% of at least 50% domestic capital. Foreign capital mainly finances the remaining companies, however, 19.5% of the total number of respondents engages only foreign capital. An interesting point of the respondents' characteristics is their sales market. More than 50.4% of entities earn revenue only domestically, and as many as 90.4%

of respondents earn at least 90% of revenue domestically. 16.9% of domestic entities account for less than half of turnover domestically. The largest share in the survey belonged to 126 service companies, which accounted for 47.4% of the total surveyed units, and to manufacturing companies, i.e., 109 entities (40.1%). The five sectors accounted for over 50% of the surveyed companies, including finance (13.5%), energy and heating (12.4%), construction (12.0%), chemicals (7.1%) and FCMG (6%). Over 46% of the surveyed entities indicate strong competition in the core business, with 73.5% offering products or services to a large number of customers. These are private entities (69.9%) and with over 15 years of business activity (65.0%). The structure of respondents in terms of the number of employees is more flattened. In the three largest groups, it is: 101-500 people (28.9%), over 1000 people (27.8%) and 10-100 people (26.3%).

5. Findings

This study presents selected results of the conducted research. One of them is the executive controlling -specific calculation of results, which enables obtaining useful, and above all, more reliable management information than that from the classical profit and loss account. Respondents were asked a question about the company's multi-level and multi-block accounting of the cost coverage margin. The results are presented in Figure 3. Nearly half of the cases (45.9%) don't use such accounting, which may indicate a lack of reliable information on the effectiveness of individual business segments of the companies as the lack of an analytical report makes it impossible to make the right operational decisions. On the other hand, the dominant counter-solution is to base the accounting on product groups, goods, and services (32.0%).

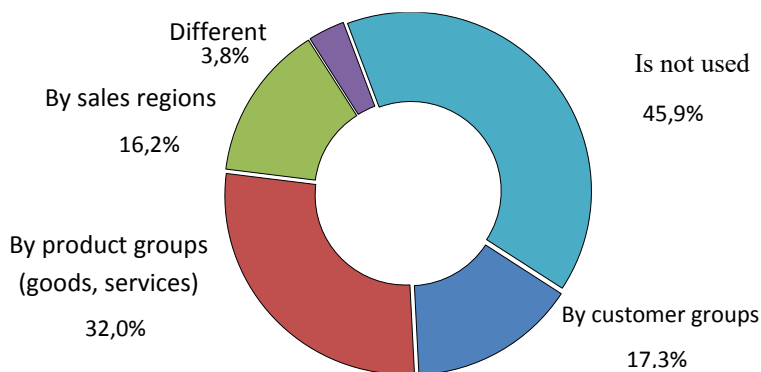


Figure 3. Utilizing a multi-level margin account for costs coverage

Key Performance Indicators (KPIs) support the company's achievement of management goals (Jabłoński & Jabłoński, 2011; Nesterak & Ziębicki, 2011; Skoczylas & Niemiec, 2016; Skoczylas, 2013). They are important for building a company that is result-oriented and provide objective feedback to employees about the effects, cost, and quality of their work. At the same time, KPIs are a control tool for managers and allow for efficient decision-making. They support the optimization of business processes, which is the key task of modern controlling management. Figure 4 presents the results of the study in this area. Respondents indicated profit margins as the most important KPI used in companies (44.4% of entities). The next four are based on traditional, statutory accounting. Surprisingly low is the share of added value-based measures, which were indicated only by 9.4% of respondents.

Dynamic measures based on cash flows, which are better indicators than classic, static indicators of the economic condition of the company, are also used in a minor degree.

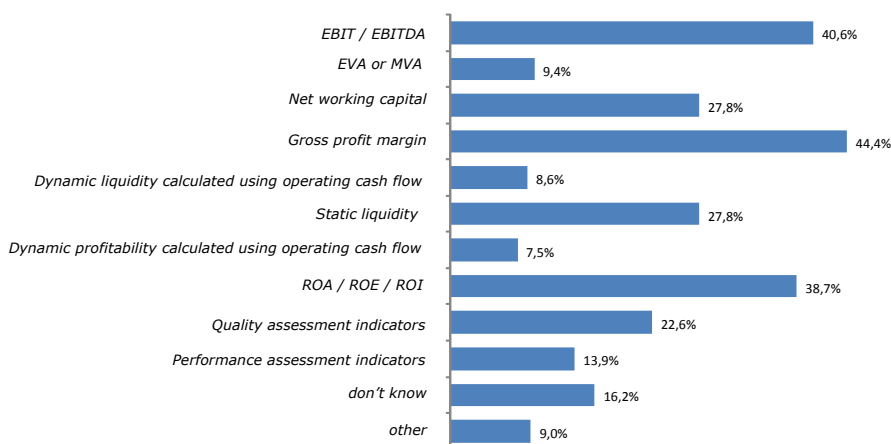


Figure 4. KPIs used in an enterprise

The research has further confirmed the view that the most commonly chosen methodology supporting enterprise management processes is the Balanced Scorecard, which is also indicated by those who are preparing for the formalization of controlling tools.

Interesting conclusions are provided by the data presented in Table 2, which outlines the ways employees work when they do not find a procedure that solves a problem in the company. Employees most often ask their direct supervisor (34.5%), i.e., almost twice often than their process supervisor (17.7%) or associates (15.0%). The high indicator means low executive

controlling culture in the surveyed companies. This is also supported by other, relatively low indicators referring to the “process supervisor.” Faced with a lack of procedures, employees prefer contacting with a direct supervisor or closest associate than the process manager.

Table 2. Operating methods of employees in the absence of clear procedures

Specification	Ask		
	Direct supervisor (%)	Process maintainers (%)	Co-workers (%)
0-20% employees are doing so	8.1	22.4	28.0
20-40% employees are doing so	14.0	18.5	21.3
40-60% employees are doing so	19.0	13.4	12.2
60-80% employees are doing so	34.5	17.7	15.0
Everyone is doing so	17.1	7.5	7.5
No one does that	1.2	10.2	6.3
I do not know	6.2	10.2	9.8
Total	100.0	100.0	100.0

Respondents are aware of the importance of the problem and clearly point to it. In answer to the question: Do you consider a lack of procedures a problem? 81.5% of respondents answered affirmatively. The following answers were:

- Definitely YES – 37.7%
- Rather YES – 43.8%
- Rather NO – 15.4%
- NO, I think the procedures are superfluous – 0.8%
- I have no opinion – 2.3%.

This section presents the selected aspects of executive controlling, which indicate that it is needed in the management of the company to support managers in making difficult decisions.

6. Conclusions

Executive controlling includes all management levels, from executive to operational level. Although it uses the full spectrum of information tools, it should not be treated as synonymous with the accounting system. The acquired analytical knowledge is primarily used to optimize the way innovative technological processes are carried out in an enterprise. Thus, controlling has a much broader impact, since it affects both the basic and auxiliary processes in the enterprise.

In controlling processes, it is not only employees of economic divisions who are involved but, above all, employees of technical divisions, who are

decisively the authors of parameters influencing the economic and financial condition of the company.

One of the fundamental tasks of executive controlling is to build the image of the controller as a person with extensive knowledge, supported by a multidimensional, continually updated information system. That is, it is necessary to identify the controller with the person of a Consigliere, without the advice of whom decision-making would be practically impossible. It is also worth stressing here that executive controlling should not be equated with numbers because it is not with them that the controller works, but with people. And this can be considered a clear innovative factor that distinguishes executive controlling against other types of controlling.

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