

CONTROLLING AS A KEY SUCCESS FACTOR IN BUSINESS OPERATIONS

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Abstract

This paper explores the theoretical characteristics of controlling, focusing on its historical development, conceptual definition, types, instruments, and methods, as well as the implementation of controlling in enterprises. Through a literature analysis, the paper identifies key elements and steps in controlling implementation, highlighting the importance of management engagement, collaboration, and communication. Additionally, the paper examines the role of controlling in various business functions, emphasizing its vital role in monitoring, analyzing, and managing organizational performance.

Keywords: *controlling, enterprise, implementation*



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1 INTRODUCTION

In today's contemporary business environment, effective management of organizational performance becomes a crucial factor for success and sustainability in the market. In this context, the function of controlling is gaining increasing significance as a key mechanism for monitoring, analyzing, and managing performance, both financial and non-financial, in organizations of various sizes and industries. This paper explores the theoretical characteristics of controlling, focusing on its historical development, conceptual definition, various types, instruments, and methods, as well as the process of implementation in enterprises.

The historical development of controlling dates back to the 19th century, paralleling the evolution of industrial facilities and the initial forms of accounting and control. Over time, controlling has evolved through various phases, from its origins in accounting to today's integrated approaches to performance management, with technological advancements and changes in the business environment playing a crucial role in this process.

The conceptual definition of controlling encompasses the definition, objectives, and functions of this key business function. Controlling can be defined as a function that involves the analysis, planning, control, and optimization of the financial and non-financial performances of an organization, providing relevant information to management for informed decision-making and efficient resource management.

Types of controlling present in organizations include financial, operational, strategic, and non-financial controlling, each with specific characteristics, focus, and tasks. Through the combination of these types, organizations can effectively monitor and manage various aspects of their performance.

Controlling instruments and methods provide tools and techniques for efficiently monitoring, analyzing, and managing

organizational performance. From traditional tools like budgeting and cost accounting to modern approaches like balanced scorecards and variance analysis, controlling employs various methods to provide management with the necessary information for informed decision-making. The implementation of controlling in an enterprise is a complex process that requires careful planning, organization, and engagement of all relevant stakeholders in the organization. This process is crucial for achieving effective performance monitoring and management, as well as for realizing the organization's business goals. Through needs and goals analysis, controlling system design, implementation of controlling processes, and continuous monitoring and improvement, organizations can ensure efficient controlling that supports their business activities.

Through the exploration of these theoretical foundations, this paper aims to deepen the understanding of the concept of controlling and its significance for contemporary business, as well as to provide guidance for its practical application in organizations.

2 THEORETICAL CHARACTERISTICS OF CONTROLLING

2.1 Historical development of controlling

Controlling is a key function in modern business, dealing with the analysis, planning, and control of both financial and non-financial performance of an organization. The development of controlling is a complex process that has evolved through various phases over time, from its roots in accounting to today's integrated approaches to performance management.

The beginnings of controlling can be traced back to the 19th century, when primitive forms of accounting and control began to develop in industrial facilities. Taylor's

"scientific management approach" and the emergence of the first budgetary control in the United States during the early 20th century represent key precursors to modern controlling (Horngren, Datar, & Foster, 2006). In Europe, especially in Germany, controlling experienced significant development throughout the 20th century. The concept of "Kostenrechnung," or cost accounting, which developed in Germany during the 1920s, became the foundation for modern controlling in European companies (Malmi & Brown, 2008). In recent decades, technological advancement has played a crucial role in the development of controlling. The introduction of computerized information management systems and data analysis software has enabled controllers to analyze financial data more quickly and accurately and provide relevant information for decision-making (Chapman, Hopwood, & Shields, 2007).

Controlling will continue to evolve to meet the changing demands of the business environment. The integration of data analytics, artificial intelligence, and predictive analytics tools is likely to shape the future of controlling, enabling organizations to respond more quickly to changes and optimize their performance (Davenport & Harris, 2007).

2.2 Conceptual definition of controlling – definition, objectives, and functions

Controlling, as a crucial business function, aims to provide relevant information to management for making informed decisions and efficiently managing resources (Langfield-Smith, Thorne, & Hilton, 2006). According to Langfield-Smith, Thorne, and Hilton (2006), controlling can be defined as a function that encompasses the analysis, planning, control, and optimization of both financial and non-financial performance of an organization.

The main objectives of controlling include performance optimization, planning and control, management support, and resource efficiency (Kaplan & Norton, 2004). Kaplan and Norton (2004) highlight key functions of controlling, including analysis and planning, control and monitoring, reporting and informing, as well as advising and supporting management.

2.3 Types of controlling

Controlling is a complex function that can manifest through various types, approaches, and methods depending on the specific needs and characteristics of the organization. This diversity allows controlling to adapt to different situations and demands of the business environment.

Financial controlling: Financial controlling focuses on monitoring and analyzing financial data to ensure financial stability and compliance with legal regulations. It involves the preparation of financial statements, budgeting, cost and revenue analysis, as well as monitoring liquidity and profitability (Atkinson, Kaplan, Matsumura, & Young, 2012).

Operational controlling: Operational controlling concentrates on controlling and optimizing operational processes within the organization to increase efficiency and productivity. This includes monitoring operational performance, identifying process efficiencies, and implementing improvements in operational activities (Langfield-Smith, Thorne, & Hilton, 2006).

Strategic controlling: Strategic controlling relates to long-term planning and setting strategies for the organization. This type of controlling focuses on market analysis, identifying competitive advantages, and aligning business objectives with strategic plans (Simons, 1995).

Non-Financial controlling: Non-financial controlling involves monitoring and analyzing non-financial performance, such as customer satisfaction, product or service quality, innovation, and sustainability. This type of controlling is increasingly gaining

importance in modern organizations that recognize the significance of non-financial factors for long-term success (Bourguignon & Malleret, 2018).

3 INSTRUMENTS AND METHODS OF CONTROLLING

Controlling utilizes various instruments and methods to enable efficient monitoring, analysis, and management of organizational performance. These tools provide controllers and managers with the necessary information to make informed decisions and achieve business objectives.

Controlling instruments:

- **Budgeting:** Budgeting is a classic controlling tool used for planning and controlling the financial resources of an organization. This process involves setting financial goals, allocating funds, and monitoring actual results against planned budgets (Horngren, Datar, & Foster, 2006).
- **Balanced Scorecard (BSC):** BSC is a strategic tool that combines financial and non-financial indicators to provide a holistic view of organizational performance. This approach allows management to assess performance through four perspectives: financial, internal, learning and growth perspective, as well as customer perspective (Kaplan & Norton, 1992).
- **Cost accounting:** Cost accounting is a method used to track and allocate costs to different products, services, or activities. This tool enables organizations to better understand the cost structure and identify efficient cost management methods (Drury, 2007).

Controlling methods:

- **Variance analysis:** Variance analysis is a method used to compare actual results with planned results to identify

differences and causes of deviations. This method allows controllers to identify areas where corrective actions are needed (Garrison, Noreen, & Brewer, 2010).

- **Benchmarking:** Benchmarking is the process of comparing an organization's performance with that of competitors or industry best practices. This method enables organizations to identify their strengths and weaknesses and adopt best practices to achieve superior performance (Camp, 1989).
- **Utilization of information management systems:** Information management systems enable automated processing and analysis of data, facilitating the process of performance monitoring and decision-making (Chapman, Hopwood, & Shields, 2007).

The combination of these instruments and methods enables controlling to effectively manage organizational performance and contribute to achieving its goals.

4 APPLICATION OF CONTROLLING IN BUSINESS

4.1 The role of controlling in different business functions

Controlling is a critical business function that plays a vital role in all segments of an organization. Through various functions, controlling provides support to management in monitoring, analyzing, and managing performance to achieve business objectives and enhance operational efficiency.

Within financial functions, controlling plays a crucial role in monitoring financial performance, budgeting, risk management, and ensuring regulatory compliance. Controlling provides management with relevant information and analysis necessary for making financial decisions. In

operational functions, controlling supports management in managing operational processes, identifying process efficiencies, and implementing improvements. Through analysis of operational performance and costs, controlling helps organizations optimize operational processes and increase productivity. In strategic functions, controlling contributes to long-term planning and strategy formulation for the organization. Through market analysis, competition identification, and internal resource analysis, controlling aids in identifying strategic opportunities and challenges, supporting management in making informed strategic decisions. Non-financial functions are becoming increasingly important in today's business environment. Controlling plays a crucial role in monitoring non-financial performance, such as customer satisfaction, product quality, innovation, and sustainability. This information is essential for making strategic decisions and creating long-term value for the organization. Through its role in different business functions, controlling contributes to efficient operations and achieving competitive advantage in the market.

4.2 Implementation of controlling in an enterprise

Implementing controlling in an enterprise is a complex process that requires careful planning, organization, and engagement of all relevant stakeholders in the organization. This process is crucial for achieving effective monitoring and management of performance, as well as for achieving the organization's business objectives.

Steps for implementing controlling:

- Needs and objectives analysis: The first step in implementing controlling is a detailed analysis of the organization's needs and objectives. This includes identifying key performance indicators

and success metrics to be monitored, as well as setting clear implementation goals for controlling.

- Designing the controlling system: After identifying needs and objectives, the next step is designing a controlling system that will enable monitoring and analysis of defined performance metrics. This includes selecting appropriate methods, techniques, and controlling tools to support the organization's needs.
- Implementing controlling processes: Once the controlling system is designed, the next step is implementing controlling processes within the organization. This involves training employees, establishing clear procedures and guidelines for data collection, analysis, and reporting.
- Continuous monitoring and improvement: Controlling implementation is a continuous process that requires ongoing monitoring and evaluation of the effectiveness of the controlling system. Organizations need to be prepared to identify and respond to changes in the environment to continuously improve their controlling processes.

Key factors for successful implementation:

- Management engagement: Active involvement of management in the controlling implementation process is crucial for success. Management needs to support controlling initiatives, define clear objectives, and provide resources for implementation.
- Collaboration and communication: Effective communication and collaboration among different departments and teams in the organization are critical for successful controlling implementation. Teamwork allows for the exchange of information and ideas, as well as faster response to changes and challenges.

Implementing controlling in an enterprise requires a holistic approach and engagement of all relevant stakeholders. Careful planning, system design, process implementation, and continuous monitoring are key steps towards achieving effective performance management and business objectives.

CONCLUSION

In today's dynamic business environment, controlling emerges as a crucial mechanism for successfully leading organizations and achieving business objectives. Through research into the historical development, conceptual definition, different types, instruments, methods, and processes of controlling, we have discovered that this function is indispensable in modern business.

The historical development of controlling has followed the evolution of the industry and changes in the business environment, from early forms of accounting to integrated performance management approaches. Through this development, controlling has become an essential part of managing organizations of all sizes and industries.

The conceptual definition of controlling clearly defines its role in analyzing, planning, controlling, and optimizing the financial and non-financial performance of an organization, providing relevant information to management for making informed decisions.

Different types of controlling, such as financial, operational, strategic, and non-financial, enable organizations to adapt to the specific requirements and characteristics of their business, while controlling instruments and methods provide tools for effectively monitoring, analyzing, and managing performance.

Implementing controlling in an enterprise requires a holistic approach, including needs and objectives analysis, designing controlling systems, implementing controlling processes, and continuous monitoring and improvement.

Through all these aspects, controlling is reaffirmed as a key factor for the success of organizations in the modern business world. Its role in supporting management, optimizing performance, and achieving competitive advantage cannot be overstated.

Through further research and application of acquired knowledge, organizations will be able to more effectively use controlling as a means to achieve their goals and realize long-term sustainability and competitiveness.

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