

CONTROLLING AS A TOOL FOR EFFECTIVE BUSSINES MANAGEMENT

Introduction. *The success of the actions taken in the process of business management, largely depends on the experience and accuracy of the decisions made by policymakers, these however are subject to certain economic exposure.*

Economic risk is permanently inscribed in the functioning of any business. In extreme cases, the taken risk is reflected in the bankruptcy. Therefore, policymakers have been looking for better and more effective management and control tools of business.

Traditional reporting refers to the past, not responding to the nowadays demands of the competitive market. So that more and more enterprises are keyed up for transforming their organizational structures to implement appropriate management system and to adapt to the new market conditions. Controlling is designed to provide the necessary information for bussines management, therefore, it has become a response to the expressed needs of enterprises because it meets the requirements for directing the management to react quickly to changes in the operating conditions of enterprises by taking relevant and effective decisions. Simultanenously it extorts orientation of the policymakers to the market and to the customer. Only then, the entire system will be consistent and well-acted, and the customers will be satisfied which allows the enterprise to survive and to continue to multiply profits.

The objective of this compilation is an approximation of issues related to controlling usefulness as a tool for effective business management.

Concept and essence of controlling. Controlling appeared in Europe in the 50's and 60's of the twentieth century. The German and French companies as first, rapidly began to implement controlling and unify its functions and objectives. Only at the end of the twentieth century, development of controlling was also observed in the countries of Central and Eastern Europe. It is worth noting that the idea of controlling is descended from the Middle Ages, when in the fifteenth century the English royal court appointed the position of «Controllour»¹.

Despite the fact that the first time around 1778 the United States, in the central government administration created the organizational window, which was identified with the position of the controller, the real growth of controlling took place in the twenties of the last century, when as a result of the global crisis, U.S. companies have been forced to intensive search for new methods of management. The controller was assigned to the new tasks, not directly related to finances. Then in 1931 the «Controller's Institute of America» was founded and in 1962 as a «Financial Executive Institute» developed «Catalogue of tasks for the controller» including:

- 1) planning,
 - 2) implementation and coordination of the various plans in the enterprise,
 - 3) reporting and interpretation,
 - 4) evaluation and counselling,
 - 5) supervision of tasks completion,
- development of the whole economy researches.²

¹ Por. E. Janczyk-Strzała, *Controlling w przedsiębiorstwie produkcyjnym*, Wydawnictwo CeDeWu, Warsaw 2008, s.11

² Por. J. Goliszewski, *Controlling - system koordynacji przedsiębiorstwa*, Przegląd Organizacji, nr 9 z 1990, s. 16

Controlling is not only associated with planning and running the enterprise. This instrument is becoming a philosophy of business existence, because it forces managers to change the way of thinking by eliminating some measure of uncertainty.

The term «controlling» has its source in English, literally means the same as «control», «controlling». This term also includes concepts such as: controlling, handling, running, decision making, dominion and many others. This concept was created on the basis of financial and went through some transformations. Initially the position, under which the term controlling rose, was called «Comptroller», which expressed the relationship with counting. Due to some changes, especially in connection with the enactment of «supervision» to the scope of this post, was called as controller. Later, the «supervision» was eliminated from the scope of the controlling, but the term remained³.

However, according to J. Grasshoff controlling is carried out in system management coordination by objectives accomplishment guarantee and by planning system, control and information. In the opinion of the author, controlling should be tailored to individual needs of managing directors and take into account the dynamics of activity⁴. M. Chaberka defines controlling in a similar way, claiming that this is the way of business management, so that you can create, within one company, structures of the special supervision with the appropriate matching rules and standards⁵.

H. Bieniok represents a different definition while claiming that controlling, should cover the entire enterprise with the reference to planning the real and financial tasks, costs, to handling its activity, to providing necessary information, also to overseeing and accounting the economic centers of the agreed goals⁶.

Objectives and tasks of controlling in the company. The consequences of the financial changes do not necessarily mean the formation of states that are seen as acceptable or desirable. On the one side, may appear such assets, which the very fact of the appearance, their amount (the amount of dead assets in financial means) and their length of occurrence in the company presents questions. On the other hand, the degree of financial dependence from other operators can increase, which threatens the maintenance of the existing state of independence, and even legal status. In this case, observation of the effects of economic processes and the consequences of decisions that were made or not, must be in terms of changes in general state of finance and economic of the business entity.⁷

Implementing controlling in the company, determine goals and objectives to be met. Typically, this system is designed to streamline processes the company as well as help make difficult decisions. Accordingly specific, desirable and possible to achieve objectives should be set, on which action and analysis of controlling centres are based. To intentions were properly defined, controlling in the company should be orientem to:

- 1) future – decisions making at the moment must take into consideration events that will occur in the future,
- 2) narrow throats – identify narrow throats, the weakest link in the system, not allowing for further intensive development of the company,

³ Por. K. Wierzbiński, *Zarządzanie firmą u progu XXI wieku*, Centrum Szkoleniowo-Wydawnicze Kwadrat, Warszawa 1999, s. 78

⁴ Por. H. J. Vollmuth, *Controlling. Planowanie, kontrola, kierowanie*, Agencja Wydawnicza Placet, Warszawa 2000, s. 15

⁵ Por. M. Chaberek, *Koncepcje logistyczne w zarządzaniu przedsiębiorstwem*, Agencja Wydawnicza Placet, Warszawa 1993, s. 71

⁶ Por. H. Bieniok, *Metody sprawnego zarządzania-planowanie, organizowanie, motywowanie, kontrola*, Agencja Wydawnicza Placet, Warszawa 2001, s. 281

⁷ Por. E. Nowak, *Rachunkowość w controllingu przedsiębiorstwa*, PWE, Warszawa 1996, s. 119

- 3) market – if the company wants to generate profits must really know its product, customers requirements and know that there may be risks coming from the surroundings,
- 4) client – products manufactured by the company must meet customers needs, without such a condition the company cannot sell its products and this will inevitably lead to the sunset of the company.⁸

In order to determine the controlling tasks, division into two sections was made below:

- section of managerial accounting (costs controlling section),
- financial controller section.⁹

Management accounting section accomplishes functions related to costs management (budgeting and cost control), while financial controller section fulfills functions related to liquidity. With such an organisation of controlling, management accounting is widely understood, which means it covers both, the issues related to the management of costs and liquidity management. It is worth noting that very often controlling department is called the financial controlling department, to make clear that its functions are related to financial management, rather than controlling the production, marketing, commercial or personal.

In controlling department, two the most important posts should be specified: financial controller and main controller of costs. The basic tasks of the main controller and his management accounting section are:

- coordinating, preparing, consolidating of budgets costs,
- product costs budgeting,
- forecasting of financial results and break-even point,
- monitoring of carrying out budget ,
- analysis of product cost per unit deviation ,
- analysis of financial result deviation,
- monitoring of deviatons and reporting about findings to the different sections of management¹⁰

However the basic tasks of the financial controller and his team are:

- operating capital management,
- forecasting and analysing liquidity,
- making pro forma balance sheet,
- analysis of financial ratios.¹¹

It should be pointed out that in small-sized enterprises very often, only one person is responsible for completion of many functions. Controlling tasks are carried out by the Chairman or CFO if so department is separated . In medium-sized enterprises the idea of creation a special controlling department is also given up and controlling tasks are carried out by specialists located in the following departments: economic, financial and management accounting. However, in the large companies controlling function may be accomplished by a few, and sometimes even several posts. Usually it is a multiperson control department directly subordinated to the Director of the company. It is also possible to locate controllers in the particular centers of responsibility or assign them to monitor the implementation of the selected functions.¹²

⁸ Por. K. Kowalska, *Controlling w zarządzaniu przedsiębiorstwem*, Wyższa Szkoła Biznesu w Dąbrowie Górniczej, Dąbrowa Górnicza 2001, s. 10

⁹ Por. Z. Leszczyński, T. Wnuk, *Controlling*, Fundacja Rozwoju Rachunkowości w Polsce, Warszawa 2000, s. 604

¹⁰ Por. Tamże, s. 610

¹¹ Por. Tamże, s. 611

¹² Por. M. Sierpińska, B. Niedbała, *Controlling operacyjny w przedsiębiorstwie*, PWN, Warszawa 2003, s. 43 i 44

*Summary. Based on the findings in this development it can be concluded that controlling is a tool for the company to adapt to the changing circumstances of the market game that is underway. Enables policymakers to obtain information about current trends and possible directions of action. Nowadays, the controller is required to represent a holistic point of view, entire and general idea of the possibilities which controlling can give to company. Most of all it allows enterprise to focus on the factors contributing to its success.*¹³

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