

## THE ROLE OF CONTROLLING AS THE BASIS OF PERFORMANCE-ORIENTED MANAGEMENT DECISIONS

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**ABSTRACT:** *Through the article we aim to deepen the correlation between the controlling system as a piloting tool of the entity and management whose main purpose is to maximize the benefits obtained over a long period of time, as a result of actions taken in the economic and social environment. In principle, the objective of this scientific approach is to highlight the premise that a modern, performance-oriented management is based on a controlling system that meets the ever-changing needs, in response to stimuli from the business environment. The importance of this aspect derives from the influence of complex events at the macroeconomic level. In the elaboration of the paper we combined both theoretical and technical levels of research (quantitative and qualitative), using specific types, such as descriptive and explanatory research.*

**Keywords:** *controlling, management, performance, decision making process.*

**JEL Codes:** *M21, M49*

### INTRODUCTION

The fact that we live in the so-called century of speed makes us witness the transformation and continuous evolution of the business environment and implicitly, the internal need to generate information in real time, in order to take the pulse of activity at any time. The complexity of economic life reflected in the light of the phenomenon of globalization and the competitive environment emphasizes the role of information in the decision-making process. Its quality influences both the quality of current decisions and the perspective of decision-making and, implicitly, the results obtained from the decision taken (Topor et al., 2011).

The modern management of any entity has as main purpose the maximization of the benefits obtained using limited resources, as a result of the actions undertaken in the economic and social environment.

To this end, management methods and techniques are outlined in the specialized literature and practice (method of management by objectives, method of management by projects, method of management by budgets, method of management by exceptions and management by product) (Borza et al., 2005) which aim to transpose reality into efficient decisions.

We can say with certainty that the major events that take place at the macroeconomic level decisively influence the organizations, as they have to respond and constantly adapt to the new changing environmental conditions. We appreciate that the most current such events are the global crises generated by uncontrollable events (pandemics, climate change, financial and government crises), the speed with which information technologies are introduced and developed, globalization and the competitive environment. All these stimuli cause changes in the information and decision-making system of the entities.

From the perspective of the International Association of Controllers (ICV) and the International Controlling Group (IGC) (2012), controlling, as a management function, looks at the purpose of activities in terms of strategy, risk, sustainability, is future-oriented by making forecasts, and the role the controller is proactive, equally responsible to the manager. Therefore, the information system of controlling plays an important role in assisting managerial decisions, as it provides the manager with the tools necessary for efficient piloting.

## 1. RESEARCH METHODOLOGY

Generic, research involves a search using a methodical process in order to improve both their own knowledge and that of others, by discovering nontrivial facts and visions. The success in the research activity is given by the widening of the knowledge horizon in the researched field (Groșanu, 2009).

Scientific research can be seen as a process of improving knowledge, carried out through objective and careful observation, investigation and experimentation, in order to discover or interpret new information (Groșanu, 2009).

In order to meet the general objective of this scientific paper, we approached a research strategy that combines methods, rules, principles, tools and know-how specific to the issue. This strategy aims at research on three different levels, namely the theoretical, technical and epistemological level.

The theoretical level ensures thorough documentation by mastering the literature and formulating hypotheses. We analyzed scientific articles, specialized works and publications of the competent organizations, but also of acknowledged authors.

Technically, we used a series of methods (quantitative and qualitative), such as documentation, critical analysis of documents, observation and comparison in order to ensure the operational approach of the events subject to research.

At the epistemological level, we approach the transposition of practical knowledge into the act of research, as well as the correlation of theoretical research with economic reality.

In order to achieve the scientific paper, the research is approached with a strong descriptive character, as well as explanatory, being formulated opinions and conclusions based on the synthesis of the specialized literature. The documentary research aimed to gather information to be analyzed, described and formulated opinions on the notion of controlling.

## 2. LITERATURE REVIEW

In recent decades, the concept of controlling has grown and developed continuously, raising controversy in the literature and in the practice of entities. Controlling is a key factor for successful companies, but there are often uncertainties about the meaning of the concept.

These uncertainties lie mainly in the various approaches and translations of the notion of controlling. The term is used both in management, being one of its main functions, and in managerial accounting, as a management system that supports managers in making qualified decisions (Juraj Misun, 2020).

According to the literature, the notion of controlling first appeared in England and dates back to the fifteenth century. The Great Financial Crisis of 1929 marked the need to develop a controlling system within organizations to fulfill the function of planning and forecasting their development, as well as the implementation of techniques to adapt to the uncertain environment (Caprian et al., 2017). Subsequently, the foundations of managerial accounting were laid, and after 1980 the concept of cost management was outlined (Nedelcu, 2017).

The controlling has been defined over time through the prism of various approaches of specialists in the field.

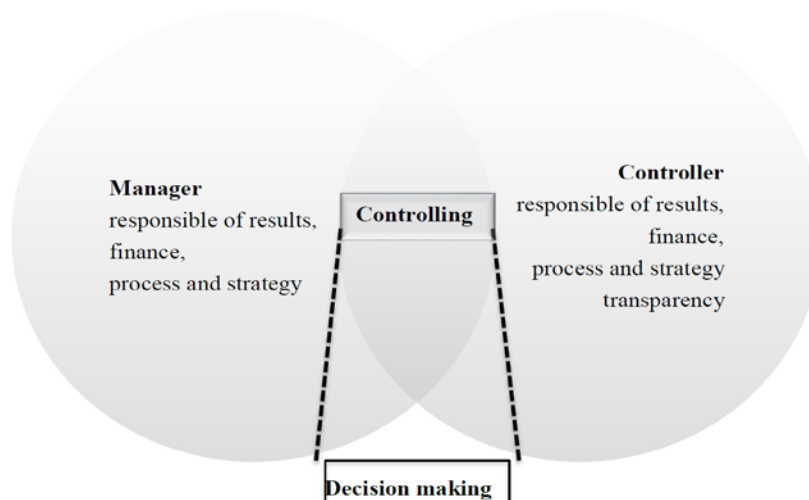
R. N. Anthony (1965) defines controlling as "the process by which leaders ensure that resources are obtained and used effectively in order to achieve the goals of the organization".

According to specialists R. Mann, E. Mayer (1996), "controlling is a system of regulation and management of profit, which allows the entity to obtain maximum profit under existing conditions."

A broad definition of the notion is formulated by W. Becker and P. Ulrich (2016), so controlling "has the task of designing and monitoring the management process in defining objectives, in the planning and control process, with a responsibility to achieve the set objectives".

ICV and IGC (2012) illustrate the premise that not only controllers carry out activities in the field of controlling, but there is a close connection between controllers and managers, "therefore, the interaction between managers and controllers constitutes controlling".

**Figure 1. Interaction between managers and controllers**

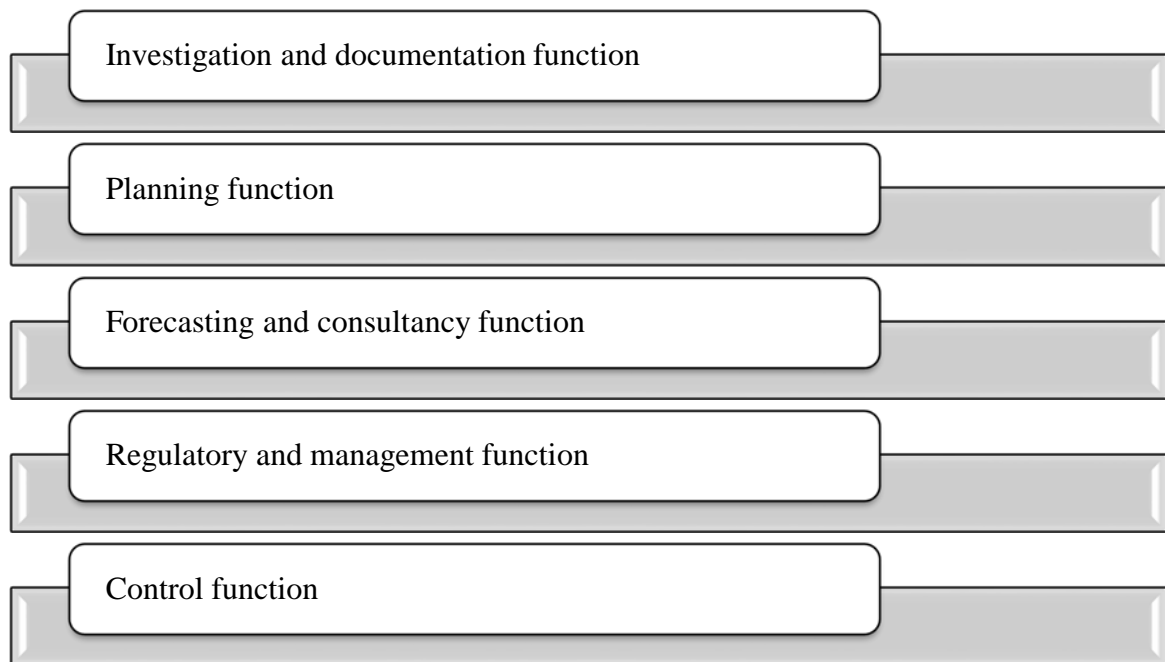


Source: own processing after ICV (2012)

Therefore, we can say that the approaches of specialists regarding the concept of controlling are not unanimous. From our perspective, controlling arose from the need to monitor actions in the short term, so that they are compatible with the strategic orientation. Thus, the planning, monitoring and control processes generate valuable information flows to streamline the management of companies by adopting operational decisions, in order to achieve specific strategic objectives.

Deriving from the numerous approaches of the notion, in the specialized literature are outlined the main functions of controlling, which will be illustrated in the continuation of the paper.

**Figure 2. The main functions of controlling**

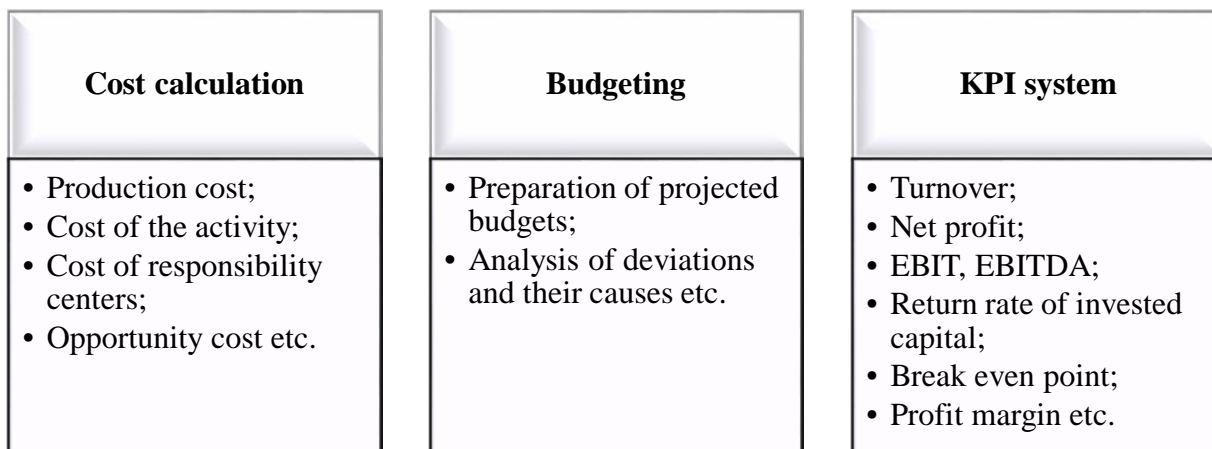


Source: own processing after Jung, 2007

Controlling combines a wide range of tools used, integrates and coordinates all control functions to assist decision-making. In this context, the tasks of controlling are outlined:

- creating an efficient information framework for making managerial decisions, based on data provided by financial accounting and managerial accounting;
- collecting, processing and transmitting information at different levels of management, in accordance with its requests;
- drawing up the budgeting system within the entity, as well as monitoring the fulfillment of the budgetary plans;
- monitoring and coordinating the activity at subdivision level and of the company as a whole;
- drawing up a strategic and operational planning system;
- evaluating the performance of the activity in terms of business perspectives;
- coordinating the management process in order to improve the entity's performance.

In order to fulfill its interdependent tasks and functions, controlling operates with a system of specific tools and procedures, in order to streamline operational processes.

**Figure 3. Controlling operating tools**

Source: own processing after Nedelcu, 2007

### 3. RESEARCH RESULTS AND CONCLUSIONS

In order to ensure the fulfillment of daily tasks and to establish new perspectives and future development strategies in a constantly changing environment, it is vital for managers to have relevant, and timely information. Both over-information and lack of information are the basis for inefficient decision-making. Controlling is an efficient information system that contributes to the achievement of a performance-oriented management, in a context characterized by uncertainty.

From the perspective a department of the organization, controlling has the role of collecting data both in connection with individual activity and in connection with the economic and social environment in which it operates. Moreover, it uses specific tools to analyze, process, interpret and report information aimed at providing decision support to management.

In order to provide relevant information about the organization, we distinguish the strategic and operational valences of controlling. While strategic controlling is focused on how to perform the appropriate activities, operational controlling is focused on how to perform the activities correctly. The objectives set can only be achieved by combining the two approaches. Tactical controlling connects strategic controlling with operational controlling and aims to perform the right activity correctly, as well as to find solutions when undertaking an activity inappropriate to the proposed objectives, or when an appropriate activity is performed incorrectly. The answers to these paradigms ensure a direct relationship between strategic and operational controlling.

The term controlling is a controversial one, not only in terms of various approaches over time, but also because of the many translations and misinterpretations, being assimilated with control. Therefore, we consider that it is important to make the distinction between controlling as an independent function and control as a function of management (Nedelcu, 2017). Controlling can be done through accounting, as follows: investments and projects controlling, budget controlling, cost controlling, controlling through KPIs. From a managerial perspective, control can be achieved by analyzing strategies, objectives, activities and operations. In this case, we can

conclude that controlling provides the necessary support to management in order to establish strategic direction and coordination at the operational level.

The importance of a controlling system for strategic orientation and decision-making lies in the help provided to management to find answers to two fundamental questions, namely "how to use efficiently the resources invested to achieve the objectives?" and "how were the allocated resources used?". Given the existence of a strong competitive environment, it is imperative that management have access to relevant and timely information in relation to the performance indicators of the business, as well as in relation to the external environment in which the entity operates. This ensures the relevance of the decisions taken.

All organizations benefit from an information system, but for it to be efficient, oriented towards growth and economic development, it must take into account the specifics of the activities and the tools used must ensure relevance, timeliness, complexity, consistency, representativeness, credibility and comparability of information.

In conclusion, the decision-making process is necessary at the level of all structures of the organization, covering both the short-term and the long-term horizon. Decisions are the engine of the plans, and their adoption involves financial and non-financial analysis, in order to substantiate and document the best approaches.

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