

THE APPLICATION OF CONTROLLING FOR HUNGARIAN MEDIUM AND LARGE ENTERPRISES

Méhesné Berek Szilvia

College Assistant, Szolnoki Főiskola, 5000, Szolnok, Tiszaligeti sétány 14., Tel.: 20/289-89-75, berek.szilvia@gmail.com

Abstract

Controlling is a popular topic of these days. Its purport is complex so many people think it has magic power. But the controlling is simply a summarising, coordinating, integrating activity, a tool to practice the function of leadership and ownership.

Competitive advantage depends on credible and up-to-date information in our accelerated life. Professional development of feedback points of a controlling system enable managers to form an efficient and up-to-date data base. Controlling affects cost and result management with the functions of leading and integrating. So, as the result of these activities, company's functioning will become effective.

Successful company's pledges are correct information and effective operation.

Key words: *planning, controlling, leadership, costs*

INTRODUCTION

According to research controlling as a leadership tool can be derived from the function of general governmental treasurers. These results also allow us to conclude that controlling was attached particular significance already back in that age. Similarly to the treasurer, controlling also provides the opportunity of leadership, coordination and feedback to the management. As a result of this, the management is ensured to be provided by information which made it possible for the leaders to respond to the new situation following the changes of the internal and external environment of the organization (general government) in the age of treasurers just like nowadays.

'The English expression 'to control' refers to regulation, leadership, not primarily to controlling. The head of controlling (and the function) is often compared to the steersman of a boat, whose well-defined task is to reach a given destination.' (Francsovcics, 2005)

The purpose of controlling is to help the management reach its set targets, taking into account the internal and external environment of the organizations. According to this it is completely ambiguous to compare controlling to the 'steersman of a boat', since it is only a tool to reach targets, similarly to the steersman of a boat.

Currently the life and survival of organizations is mostly regulated by the competition in the market. The competition is becoming even more fierce, thus the survival of market organizations is possible only if they are able to adapt to the circumstances completely and they can reach this adaptation within the shortest possible time (Pakurár and Kovács, 2007).

The continuous development of the given enterprises, which was also generated by this competition in the market, resulted in the broadening of activities and the intensification of their complexity. One of the fundamental conditions of the economical, efficient operation of a system, especially such a system full of connections is to be continuously connected to the external environment and perform its tasks accordingly. Another criterium is the supplying of informations, since our current information society can not lack important data. This criterium is of even higher significance in business life and on the market.

The above facts allow us to conclude that a well-functioning organization has the following features:

- efficient, economical operation
- feedback on activity and results
- possession of up-to-date information
- establishment and existence of possible intervention options based on the results
- quick response to the changes of environment based on the possession of information
- adaptation flexibility.

Controlling has a significant role in the determination of these features. In order to prove this, I carried out a questionnaire survey.

2. THE CONCEPT AND SIGNIFICANCE OF CONTROLLING

Controlling is a tool for the management to ensure that the targets set by the owner(s) and the management to be reached in the future could be realized quicker and easier. The relation between controlling and management is of utmost significance, since it functions as one of the most significant tools of efficient operation. Controlling system always has to be there to help the management, because only this way does it become possible for the management to lead the organization according to the set goal, taking into account the changes of environment and adapting to that.

The application of controlling affects two areas in general: cost and result management. It is also proved from this point of view that the controlling subsystem is a system touching upon and affecting all corporate activities, so its approach is complex.

'Summarizing the above mentioned it can be concluded that

- the organizational relations of controlling are characterised by functional openness
- its ways of problem solving by the interdisciplinary approach
- its field of activity by integration and coordination.' (Maczó-Horváth, 2001)

'We see controlling as a tool for the management; a tool which promotes the adaptation of the management to the dynamic changes of the environment (...) Controlling is a planning, accounting, information providing, controlling and interest system based on the principle of responsibility.' (Körmendi - Tóth, 2003. pp. 27.)

This integration and coordination applies to the coordination of accounting and planning. Since in reality these tasks involve more things, four major pillars of corporate controlling have been determined. These are the following:

- planning
- accounting
- controlling
- information technology'. (Maczó-Horváth, 2001)

Based on the relation between planning and controlling, two types of controlling can be distinguished:

- operative planning-operative controlling,
- strategic planning-strategic controlling.

'Planning is an integral part of every conscious human action. In our consciousness we build up the preview of our action, we look for the best combination of the possible steps. In this sense the planning function has been present since the first appearance of management, then business institutions, in the beginning of informal (thus coming alive in an intellectual plane), later of formal nature.' (Kresalek, 2003. pp. 11.)

'Planning means the determination of tasks needed to reach the targets put forward and ensuring the system of conditions needed to carry out the tasks.' (Körmendi - Tóth, 2006., pp. 29.)

In case of operative planning we plan for short term, usually for a one year period. Due to this, operative controlling concentrates on tasks related to short term operation. 'In the centre of operative controlling economy, profitability and liquidity can be found primarily, the emphasis is on the achievement of the previously set targets. Operative controlling provides information to the management to reach the decisions needed for everyday operations, taking into account the given targets and the availability of resources.' (Szóka, 2007, pp. 97.)

Contrary to this, strategic controlling creates a framework for those management activities, which are supposed to serve the planning and implementation of strategies and their monitoring. Strategic controlling 'deals with the system of implementation and processes of the strategy, with opportunities and threats, its tasks are the determination of strategy and targets and the updating of strategy, intervening into its implementation.' (Szóka, 2007, pp. 97.) Due to this, its time horizon is not restricted, it usually implies to the period needed for the implementation of strategy. It foresees a long term period, thus functions as the tool of future creation.

'Accounting is such an account and objective information system, which

- observes
- measures
- systematically organizes economic operations (events).' (Kozma, 2001)

Controlling provides an opportunity to detect and correct the problems arising and occurring during operation; thus ensuring the possibility of further sound operation.

Information technology is an indispensable asset in our accelerated world, the simplest tool of supplying and flow of information. Its speed and development alternatives force all other information tools to the background, thus ensuring its stable place in the life of companies. 'The development of information technology ensures:

- the creation of quick accounting and finance, technological, commercial, HRM etc. data of the same time
- quick data processing and controlling of processing
- quick flow and communication of information within and outside the company
- the availability of even more larger professional softwares and hardwares of growing capacity.' (Sinkovics, 2007)

Based on the above it can be said that the controlling system built on corporate activities is a tool ensuring and promoting the achievement of operative and strategic objectives set by the organizations, which takes into consideration the opportunities provided by the internal and external environment and the barriers within, thus its introduction and competent application is of utmost importance in the life of enterprises.

The elements of controlling system are the following:

- 'the establishment and operation of the target setting process (strategic and operative planning and controlling system)
- detailed cost, result and performance accounting system (management orientated accounting)
- development of index systems

- development of the reporting system (reporting) in order to provide information corresponding to management levels
- development of management information system in order to provide relevant information from the point of view of controlling.’ (Francsovics, 2005)

The elements of controlling system described above also constitute the problems of system introduction. Certain elements of the system can already be found in the organizations before the introduction, while others are developed only during the introduction as indispensable elements of operation. Both cases can lead to problems. The elements already to be found in the organizations before the introduction of the controlling system will not definitely correspond to the freshly occurred requirements. Consequently their reorganization, renovation or possible exchange is necessary.

An even bigger emphasis is put on the development and introduction of those elements which have not been used by the organization yet. These are for example the establishment of the index system and the reporting system, which are closely connected to the controlling system developed. In order to make the controlling system providing support function efficiently, indices and reports containing useful information for the management have to be established. The factors influencing the development, structure and operation of a given organization the most are the following:

- ’external environment
- size of the enterprise
- features of activities performed
- style of management
- the method of information processing’. (Macz6-Horv6th, 2001)

Only taking the above mentioned into consideration can we develop such a controlling system, which is able to fulfill its targets and perform its tasks. Should we like to introduce any system, we always have to keep the features, opportunities and barriers of the given organization in mind, since only this way does it become possible for the given system to function according to the applicable requirements and the characteristics of the organization.

The above described positive results and effects pursue some of those applying the controlling system to set out too high expectations related to the system. We have to clarify though that the introduction and operation of the system is not a global key to solve corporate economic problems. ’It can help the management to achieve the optimum achievable under given circumstances, to make the determinations influencing the technological, economical, commercial etc. situation of a given period understood and to

reach the economic decisions optimal under given circumstances.’ (Sinkovics, 2007)

MATERIAL AND METHOD

85 organizations took part in the questionnaire survey. The content of the questionnaires can be divided into three topics. The first part refers to the respondent, the second one to the organization, while the third part contains the logistics and controlling features of the given organization.

The questionnaire contains both closed and open questions, which enables the provision of concrete answers and for the respondents free expression of their opinions.

The assembling of questionnaires took place via the Internet (82.3%) and personal interviews (17.7%).

35.2% of the organizations taking part in the survey are active in Hajdú-Bihar, 41.2% in Jász-Nagykun-Szolnok and 11.8% in Békés county, so both my examinations and conclusions are restricted to these areas. The remaining questionnaires (11.8%) were assembled in Pest county.

The participants of the survey are medium (40%) and large enterprises (60%).

The main activities of the organizations are as follows: 35% are service providers, 27% are active in the food industry, 21% of the participants deal with automatization, 12.9% with electronics activities, while 4.1% with the production of seed hybrids. Thus my conclusions are relevant in the areas of **service provision, food industry, automatization and electronics.**

Based on the obtained pieces of information I put together a database with the help of Microsoft Office Excel 2003. I processed and evaluated the data with this programme.

RESULTS AND DISCUSSIONS

One of the indispensable elements of the production, possession and provision of information is the coverage of IT tools in the organizations. The computer systems enable the data of the companies to be put in a database and treated as a whole, from where we can obtain quick and relevant pieces of information asking for reports.

The indispensable conditions of treatment as a whole and system approach are proper control, feedback. Without feedback, if the system does not function properly, the organization can easily become disabled. (Méhész Berek, 2011, pp. 1.) On the other hand, organizations cannot lack the continuous review of their activities, the feedback and evaluation of their results because of the market competition. Pieces of information, the speed

of access to them has become indispensable in the area of successful and efficient management. It needs 'informatics, which collects, evaluates market and customer feedback and its data extremely quickly with its softwares, - thus enabling the adaptation flexibility of the company.' (Knoll, 2002, pp.121.)

In case of the examined organizations the coverage of IT tools is the following.

Table 1

The coverage of IT tools in the organizations

Title	Service	Automatization	Food industry	Seed hybrid production	Electronics
IT need of employment	70%	30%	80%	80%	20%
Actual IT coverage	70%	30%	100%	100%	20%

Source: own examinations, 2011

Regarding the main activities of the organizations, the ones operating in the food industry and dealing with seed hybrid production require IT services the most. In these organizations the need of employments is around 80%. In case of the enterprises of the service provider sector this ratio is less than 70%, in the area of automatization the IT need of employments is only 30%, while in the area of electronics it is only 20%. The need of the employments and the actual IT coverage do not coincide in each case. In the service provider sector, in the area of automatization and in the electronics industry the actual and the required IT coverage are the same, while in the food industry and in the seed hybrid production the actual IT coverage is higher. Regarding the computer information system of the organizations, it can be found in 90.5% of the enterprises, while 9.5% do not apply such a system. These organizations are active in the area of automatization.

Computer information systems are applied in the following areas.

Table 2

Application areas of computer information systems

Title	Service	Automatization (11,5%)	Food industry	Seed hybrid production	Electronics
Finance	X	X	x	x	X
Fixed asset handling	X				X
Stock inventory	X	X	x	x	X
Supplier offers	X	X	x	x	X
Customer orders	X	X	x	x	X
Production planning					X
Management decision support	X				

Source: own examinations, 2011

All the examined organizations – disregarding the 9.5% originating from the area of automatization, for easier understanding – apply computer information system in case of finance, stock inventory, handling of supplier offers and customer orders. In case of the handling of fixed assets only the service provider sector and electronics industry apply such an information system. In case of production planning the electronics industry, while in case of management decision support it is applied by the service provider sector.

The application of a computer information system is a necessary, but not sufficient condition for efficient and successful operation. It is not enough to produce information, but the pieces of information have to be evaluated, analyzed so that the management of the organization will own the actual pieces of information. This is promoted by the controlling system, which is a subsystem of management; and by ensuring the opportunity of feedback it is an efficient tool of the decision support system of the management.

76.5% of the examined organizations are in command of a controlling system, while 23.5% do not apply this practice. The organizations not applying controlling systems are originated from the areas of automatization (21%) and electronics (2.5%). Among the organizations operating a controlling system 25% apply operative controlling, while 75% strategic controlling. Considering the above mentioned it can be concluded that three quarters of the organizations taking part in the survey apply this system in order to achieve future oriented targets more easily, while the remaining quarter strives for the clarification and improvement of the tasks related to actual operation. The controlling system can be applied within a wide range in a given company. It can be applied within (a) given department(s), function(s), but such a feedback system can touch upon the whole corporate organization.

In case of the examined organizations the application of controlling system is the following:

Table 3

Application areas of the controlling system

Title	Service	Food industry	Seed hybrid production	Electronics (10,4%)
Logistics	X		x	X
Finance	X	X		X
Suppliers			x	X
Fixed asset handling		X		X
Stocking			x	X
Customers				X
Production planning				X
Management decision support	X			

Source: own examinations, 2011

Based on the results above the following can be concluded. Regarding the four sectors applying controlling systems 75% apply this practice in the area of logistics, while 75% in the area of finances. The application distribution is 50-50% regarding the handling of suppliers, the handling of fixed assets and the implementation of tasks related to stocking. In case of performing tasks related to customers, production planning and management decision preparation a ratio of only 25-25% can be observed.

Based on the above it can be stated that in the business life of the examined organizations finance and logistics, thus financing and 'supply'- with materials, pieces of information- are the areas significantly influencing the activity, its economy and efficiency. Thus the monitoring, reviewing and controlling of these areas cannot be neglected and substituted with anything else. Obviously, the control of the other areas cannot be neglected either, because organizations operate as a whole and the optimization of the activities and results of the company is only possible if the other subareas also operate in an optimal way. The achievement and realization of this optimal operation is enhanced and enabled by the application of the controlling system.

CONCLUSIONS

'Controlling is a leadership supporting function, which ensures that the leadership activity of the management accomplishes the objectives of the company and the owners.' (Sinkovics, 2007)

'Controlling has become an integral part of corporate management systems by now and its application is a pledge of corporate business-economic success. The methodology of controlling profession has been internationally classified in the past few decades and essentially in all market economic regions of the world middle size or larger companies – independent from being companies of local or global significance – apply same and very similar controlling systems, methods.' (Sinkovics, 2007)

The pledge of the success of introduction and application is the knowledge of the internal, external environment of the organizations, adaptation to the characteristics – opportunities, barriers.

Our world of information cannot lack the formulation of data and knowledge and their quick flow. Even more emphasis is put on this in economic life and in the life of organizations aiming to survive in the market. The quick production and quick flow of information can be implemented through information technological systems. With the application of the management information systems applied by the companies and the controlling systems, the opportunity is ensured to obtain

the data leading to competitive advantage in the market and to adapt to the changes generated by the development of the external environment.

Flexibility and competitive advantage in the market constitute only parts of the successful process ensured by the controlling system. Successful application establishes the economical and efficient organizational activity, which leads to optimal operation and results under given economic circumstances. This shows the significance of controlling.

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