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The Competitive Challenge of Controlling

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Abstract

The complexity of today's business increases and, correspondingly, the requirements for decision support increase. A traditional supplier of top management decision support is the controlling function. However, when controlling struggles to meet the increased requirements, the influence of controlling on top management decisions can get marginalized and eventually vanishes. This paper analyses this observation based on recent surveys and statistics and suggests solutions to master the "competitive challenge of controlling".

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1. Determinants of the controlling function

Recent megatrends such as increasing complexity, volatility, internationalization and increased demand for transparency and compliance have changed the expectations towards the controlling function (Laval, 2015a).

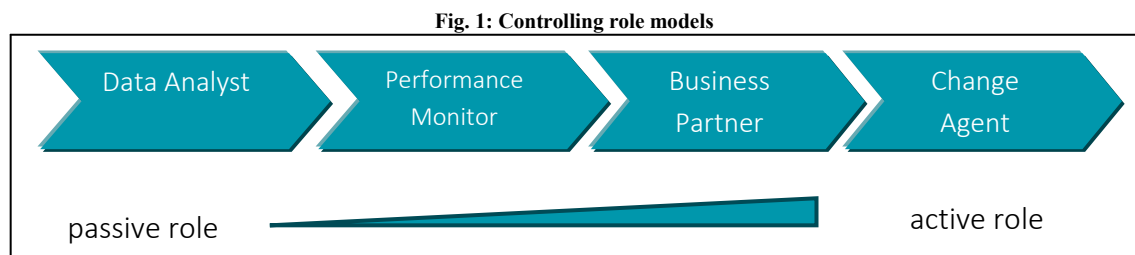
As there are no legal requirements on how to organize controlling, the actual set up depends on the requirements of the company's management. This provides the controlling department with the possibility as well as the responsibility to adapt its services in a flexible manner to the operative and strategic needs that the company faces. In the following, multinational production companies were defined as large production companies with more than 20,000 employees operating and producing in multiple countries with an annual sales volume exceeding 1,000 million EUR (see figure 20: The headcount of controlling depends on company size). Based on the surveys analyzed, the controlling function in such companies employs on average more than 60 controllers or 0.3% of the total headcount (Gräf & Horváth & Partners, 2014). The number of maintained controlling specializations is seven, with an imbalance towards production controlling (Gräf & Horváth & Partners, 2014). In comparison with small companies, multinational production companies regularly apply strategy-oriented planning and controlling tools (Littkemann, Reinbacher, & Baranowski, 2012). In 65% this sized companies, the head of controlling reports to the

CFO (Gräf & Horváth & Partners, 2014). However, such quantitative figures do describe the controlling function only on the surface. To further analyse the content and goals of the controlling function three qualitative perspectives, namely (1) mission, (2) processes and (3) roles were applied. For each perspective, there is a framework in which the controlling function is described and organized.

The mission statement of the controller (IGC - International Group of Controlling, 2013) includes the definition of goals, of parameters for planning and of applicable management control. Controllers should support decision makers with reliable and relevant information so that every decision maker can act in accordance with agreed objectives.

The processes, as summarized in the controlling main processes (IGC, 2010; International Group of Controlling, 2012), can be described as the activities which are executed to achieve the purposes that have been defined in the mission statement of the company. The processes are further divided into sub processes and a hierarchical process structure is implemented. The central processes are strategic planning, budgeting and operative planning, forecasting, cost accounting, management reporting, project and investment controlling, risk management, management support and the enhancement of organization, processes, instruments and systems. These processes need sources and the allocation of the sources is carried out according to the needs of the company and can be changed over time (Laval, 2015a).

The controlling roles are the third perspective on the controlling function (Ernst, Reinhard, & Hendrik Vater, 2006; Gleich, 2015; Gleich & Lauber, 2013; Schäffer & Weber, 2014b). A role in general can be defined as set of connected behaviors, rights, obligations, beliefs, and norms as conceptualized by people in a social situation. It is an expected or continuously changing behavior and may possess a given individual social status or social position. According to the controller's mission statement the controller shall support the manager to keep the company moving towards the defined objectives, to achieve the vision and the mission statement of the company and to make the right management decisions. This general understanding of the role can be broken down into four distinct roles a controller can take.



Source: Author's own processing based on (Gleich & Lauber, 2013)

These roles are data analyst, performance monitor, business partner and change agent. The data analyst role includes the preparation of the monthly and quarterly management reports, a collection of the operational data and many others. The performance monitor role includes the review of the manager's spending of resources and setting up of the performance reports for top management. The business partner role includes the evaluation of investment opportunities, development of plans for cost reduction and increased profit. The change agent role in addition involves the initiation of the change processes (Edlefsen & Pedell, 2015; Gleich, 2012; Gleich & Lauber, 2013; Schäffer & Weber, 2014b)

The controlling function at multinational companies is diverse as the controlling function in a specific company reflects various internal and external influencing factors. In the following it was therefore analysed, how the controlling function in a specific company is influenced by various internal and external factors:

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