

CONTROLLING IN MANAGEMENT SYSTEM

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The art of economic management requires the ability to foresee the economic and commercial situation and climate, to take decisive measures which optimize «cost – the result» relationship and thus achieve the objective, and most importantly to obtain the desired profit which is needed to maintain and expand.

In comparison to planning and accounting, controlling more reliably orients the company in market relations. As controlling is a cyclical process it is by definition never completed, but rather an ongoing process. Controlling identifies issues that will result in problems that will need to be addressed in order to achieve the goal of profit.

Both domestic and international experts perceive controlling as the catalyst towards further development and continued improvement of economic management.

The emergence of controlling, according to experts, is due to the development of a market economy. With the rapid evolution of technology companies have been able to utilize these advancements which resulted in an increasingly knowledge-intensive machine which can analyze multiple demographics simultaneously. Investments in buildings, land, facilities and equipment, among others, are in a constant state of flux and ever increasing often reaching to two-thirds of current investments in a fixed assets market. This inflation in cost will easily overtake the sum of annual profits in the manufacturing industry if not carefully managed by controlling.

The climate of industry is in a constant state of change therefore it is increasingly necessary to rely on the knowledge and advice of various technical specialists. These individuals do not have direct contact with the CEO, CFO or other leadership positions within a company's administrative apparatus. Consequently senior executive management decision-making on major issues have increasingly become a group process and less an individual executive decision.

The antiquated model of individual executive decisions had to be replaced with technology decision-making. At the beginning of the XX century, when there was a rapid growth of firms and an ever increasing complexity to their production, and administrative staff (employees), the executive officers of the firms, also referred to as headquarters, vastly increased in strength and knowledge. Originally the headquarters, or executives, were responsible for the preparation of solutions which is to collect, classify, analyze and present information necessary for decision. The task of staff specialists

were to provide information and not to participate in decision-making.

However in the second half of the XX century circumstances changed and the headquarters was replaced by a new type of a staff manager with expertise, resources and knowledge that was not obtainable by the prior firm's management. Among the many aspects of this change in management were mathematical economists, which are specialists who test data and apply scientific problem solving, data processing specialists who are responsible for the incoming information for decision-making, and mathematical economists whose job it is to analyze alternative solutions.

Once these key components are in place the process of integration of traditional methods of accounting, analysis, evaluation, planning and control form into a single system of acquisition, processing and integration of information which act upon management decisions, reorienting towards the achievement not only of operational and current goals which are in the form of profit in a particular size, but also integrate global strategic objectives. Global strategic objectives include the survival of the company, its environmental neutrality, job stability, e.g. social factors and with it a systematic, comprehensive solution to problems. The narrow perspective and specific orthodox thinking which business managers possessed in the past are no longer relevant to an ever evolving economy.

This system is called «controlling» which is defined as: Predictive control based on monitoring changes in the object.

The most complete system of controlling was first described and used in the United States. Hence, the semantic meaning of the term «controlling» (from the English. «To control»), and derivatives or related concepts, such as the controller – Head of Controlling.

By analogy with similar sounding words in the Russian language «control» suggests the conclusion that the controlling, perhaps, is a system of control, and the controller monitors the companies' economy and finance.

This is partly true, but not completely, while the initial concept of controlling is a set of tasks in the field of accounting and finance, and the controller was the chief accountant. Today the content of controlling and operation of the controller are not limited to only those functions in the extent to which we are accustomed to see them. Their function is broad and much more diverse.

Controlling – is a concept aimed at eliminating bottlenecks and future-oriented in accordance with the objectives and purpose of obtaining certain results [1].

The main reasons for the emergence and development of the controlling were the following factors:

– The industrial growth in the U.S. in the late XIX – early XX century, which caused an increase

in the number of new enterprises, as well as increased competition between them.

- Strengthening the concentration of capital, the growth of the size of individual businesses and industries of lead to the need for improved methods of management of these enterprises;

- Complexity of the planning and development of new approaches to the planning of the enterprise;

- Increased government intervention in business activities by establishing specific reporting requirements of enterprises, which has been significantly extended and complicated.

- Increasing demands and complexity of accounting problems led to the fact that there are separate facilities for controlling service responsible for the collection, processing, and providing enterprise managers the necessary information to make adequate and appropriate management decisions in the prevailing situation the business environment;

- Scientific and technical progress, the increasing complexity of technology of production of goods and services in different branches, the introduction of technological innovations in production.

- The economic crisis of 1929 led to the understanding of the role of cost accounting, as well as to the need for the company controlling elements. In order to ensure the survival of the company during the economic crisis, it was necessary to use the most advanced and promising management techniques. As a result, controlling as a progressive concept of enterprise management has been in demand in the United States;

- Ensure that the interests of owners and shareholders of companies leads to the need for their control over the activities of the company, over its management, the effectiveness of the management of the enterprise as a whole, as well as the directions of the use of financial resources;

- The country has qualified staff from Europe, which contributed to the development of science and industry on the basis of European scientific and technical expertise, as well as the United States freed from the costs of training personnel;

- Business and government at the expense of the windfall not only stimulated the development of industry, technology, but also the scientific methods of management of the enterprise;

- The inflow of foreign investment, which has been associated with high profit margins, contributed to the development of scientific and technological progress and the introduction of modern technologies in the production of goods and services.

Thus, the development of the idea of controlling associated with objective necessity of using of modern management techniques in enterprises that allow to take adequate management solutions that conform to the conditions of the market situation [2].

Controlling integrates accounting, control, planning and analysis into a single self-governing system in which the clearly defined business objectives, principles and methods for their implementa-

tion. Controlling, ensuring stability of the business and its finances, identifying internal resources and promptly implementing innovation, is an important factor in ensuring the competitiveness of the enterprise. Optimizing the model of management of industrial enterprise, taking into account its specific features, controlling allows you to clearly observe the principle of goal-setting and the correspondence principle of authority types of management actions. Controlling service provides a systematic collection, processing and analysis of information across all of the company, determines its compliance with the adopted development strategy, prepares proposals for the design guidelines for the effective solution of the problems. On this basis, significantly improves the quality of management [3].

The decision to implement controlling must be balanced and reasonable. In justifying the decision to implement the controlling can be divided into three components:

Should be weighted and justified all the factors for the adoption of enterprise management positive solution to implement the controlling. The conditions of controlling implementation are following:

1. Setting specific strategic objectives within the controlling.

2. The existence of sufficient economic problems. For example, the average performance of enterprise is 2–3 times lower than the maximum achieved or all analyzed indicators had a negative trend. These indicators include the following: increasing the financial stability, productivity growth, raising the level of investment attractiveness. [4]

3. The presence of administrative problems necessitating the introduction of controlling. These include the following: non-optimized planning system, reducing the efficiency of workflow.

4. Confirmation and specification of the effectiveness of the practical implementation of controlling.

5. The enterprise has enough financial resources.

6. Necessary production resources.

7. At the time of the decision-making the psychological climate in the team should allow the introduction of controlling.

8. The proof of the relevance and timeliness of the introduction of controlling [3].

9. There is necessity of qualitative component of human resources within the implementation of controlling. Availability of trained professionals in this field will allow controlling to effectively function in the management of the company. With the aim of effective implementation of the controlling system, as well as its stable development and improvement company needs very high qualified specialists. Demands for the qualification of controllers depend on the internal and external environment of company.

The design and implementation of a controlling system should start with sound financial condition of the company, and in a favorable atmosphere from a psychological point of view [3].

Summary

Controlling – is an essential element of modern management – one of the most effective methods of effective management on the market, a factor of crisis management. Controlling – is a system that combines accounting, planning, marketing, analysis in a single managed system. Controlling system helps companies to clearly define the goals, principles and methods of management, and how to implement them. It is therefore necessary to use the experience of foreign countries and companies to introduce a system of controlling.

Controlling promotes better governance and focused on the future development of enterprises, the main purpose of which is the orientation of the management process to maximize profits while minimizing risk and maintaining liquidity and solvency of the company. In addition, the controlling not only allows to foresee the results and plan the activities of the company, but to have an accurate

and timely information needed to make informed management decisions.

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The work was submitted to International Scientific Conference «Modeling and forecasting economic processes», France (Marseilles), June, 2-9, 2013, came to the editorial office on 28.05.2013.