

CONTROLLING – A SUPPORT FOR PRODUCTION MANAGEMENT

Lucian C-tin Gabriel BUDACIA¹

Abstract:

Control was and still is present in all aspects of economic and social reality. Through control, managers make sure that they are informed on a dynamic, real, preventive level, which raises the value of conclusions and the quality of decisions. As a result, this became a “common language for all managers” and without it, the proper functioning of businesses would be inconceivable. All modern theories of organization attest leadership in a quasi-automated manner, which represents the essence of management control itself. However, in order to achieve such a discipline, one’s actions must influence structures or, more precisely, one must adapt management control to different possible forms of organization which depend on how power and responsibilities are divided.

Management control can be exercised on all organizational levels and it is present on all levels where an activity is exercised. It becomes an essential factor for the functioning and evolution of businesses. The purpose of controlling is to provide useful information for the decisions of managers. Controlling, as decision support for industrial production management, is the administrator of the decisional cycle: information – analysis – decision – action – control.

Key words: management, control, leadership, decision-making

1. Introduction

The field of action of controlling is far-reaching, because it operates at the level of the enterprise ensemble, on two main axes of action and responsibility:

- one axis refers to the usage of controlling by **operational managers**, which means that those decision makers, who assimilate their judgements and actions into the system of controlling, adopt action plans for the achievement of goals and measure their performances starting from the respective goals;

- at another level there are the managers from the general directorate of the enterprise, especially those grouped within the financial directorate, responsible for the economic and financial equilibrium of the enterprise. These managers gather, summarize and present information useful for the exercise of controlling. Their calculations and analyses are subject to the judgement of operational managers. Therefore, controlling ensures the coherence of strategic objectives and operational decisions.

In order to elaborate a system of controlling, managers use different **information instruments** which can place action and decision making in position:

- information regarding medium and long term plans;
- punctual economic studies;
- extra-accounting statistics, usually concerning current operations;
- financial accountancy and financial analyses;

¹ The author is at the Romanian-American University of Bucharest, e-mail address: budacia.lucian.constantin@profesor.rau.ro

- management accounting;
- dashboards;
- the system of enterprise budgets.

2. The Role and Importance of Controlling within the Modern Enterprise

The role of controlling is to provide useful, relevant and current information for the decisions of managers. In this sense, the link between **information**, **decision** and **controlling** should be approached.

In general, the **decision** represents the transformation of the information received by a decision maker into actions, within an organization or a part of the organization. Herbert Simon introduces the notion of “**limited rationality**”, explained through the limited cognitive capacity of individuals. Cognitive capacity means the potential of an individual to perceive and understand the information that he receives.

The system of information is not perfect because not all information is available, as a part of it is hidden (willingly or unwillingly) or it does not exist. In such a situation, of imperfect information, the individual does not know or knows in an incomplete manner both the context in which he acts and the consequences of his behaviour. Moreover, the elements which imply moral values and motivation, such as business ethics, age, education, ambition etc., influence the decisional act, being like brakes or engines in a decision.

Practically, one can state that making a decision is a whole process which involves elements of cognitive, emotional and behavioural nature. The behaviour of decision makers is determined by their internal structure, as individuals, by the behaviour of other individuals and decision makers, but also by the nature, structure and relevance of the information that they possess.

The decisional process can be viewed as a sequence of stages:

- ✚ The identification of the problem which needs a settlement, a solution;
- ✚ The establishment of possible scenarios;
- ✚ The implementation of the optimal solution.

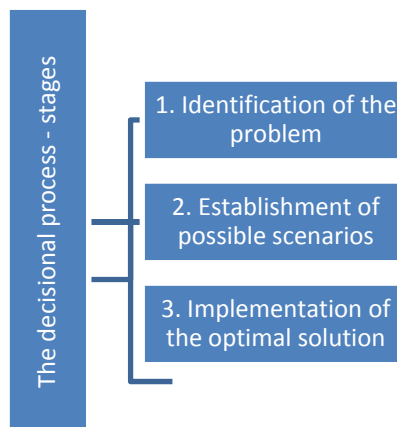


Fig. No. 1 The stages of the decisional process

A decision with an optimal solution also implies adequate information. The purpose of controlling is to provide information to managers in order for them to make decisions regarding the current and long term management of the enterprise. However, the quality of the decision and the achievement of performance depend also on the quality of the information provided by the management control. That is why, in order to be useful in the decisional act, the **information provided by controlling** should have the following **characteristics**:

- to be **reliable**, which means to provide a better representation of reality;
- to be **current**, which means to be provided in a timely manner;
- to be **complete**, which means to indicate all the elements that allow the decision to be made; however, this characteristic refers to a process of information screening and sorting, so as for the information to become useful in the decisional act;
- to be **relevant**, which means to be adapted to the issue in question;
- to be **accessible** for the decision makers,

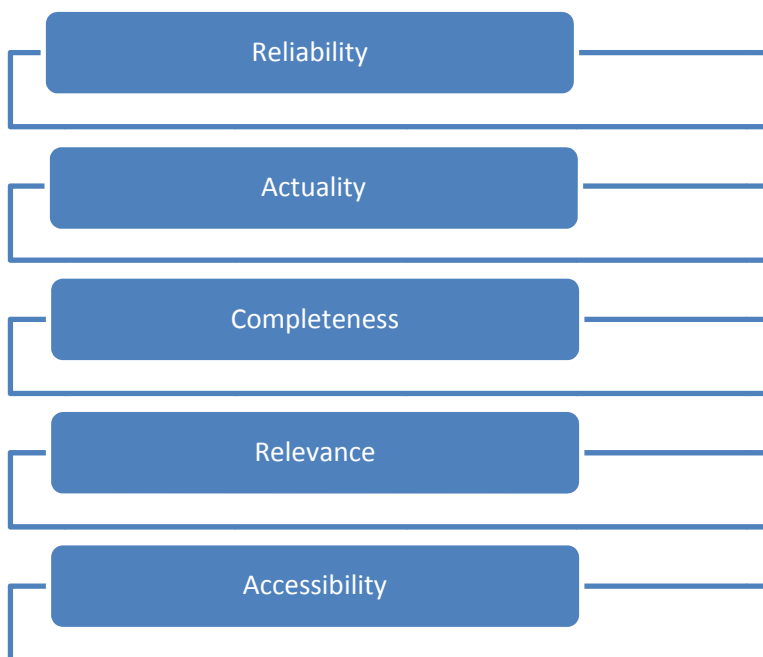
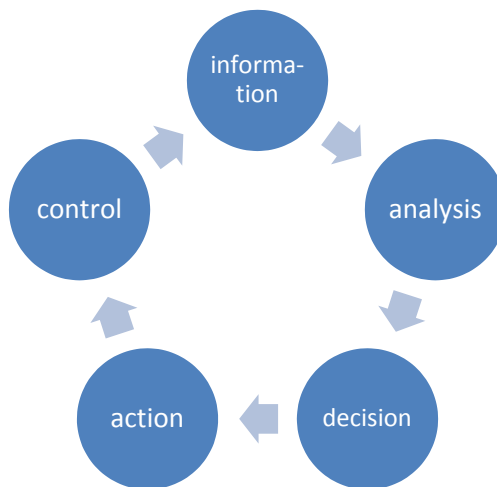


Fig. No. 2 The characteristics of the information provided by controlling

The production of information by controlling for managerial decisions should be conditioned by the relation between the **cost of the information** and its **value** for managers (value which should be superior to the cost, but sometimes hard to measure). In this sense, controlling can be viewed as an instrument which allows the manager to adopt a behaviour based on a “procedural” rationality, meaning an instrument that allows the manager to build an ensemble of options and to choose an acceptable solution, in relation to a certain context.

3. The Attributes of Controlling as a Decisional Support

An enterprise is lead and managed on the basis of a budget. The respective budget derives from the development strategy of the enterprise, which was elaborated by the management. In fact, it represents the annual plan of the enterprise, including sales indicators, investments, revenue and expenses. A very important part, maybe the most important, of the budget is represented by the costs. As a decisional support for the industrial production management, controlling is the manager of the decisional cycle: information – analysis – decision – action – control. From this point of view, the main attributes of controlling are: to foresee, to plan; to control, to analyze; to inform.



The activity of controlling is meant to contribute decisively to the accomplishment of an enterprise's tasks, which are the following:

- to produce at the lowest costs possible;
- to produce the best quality possible;
- to produce in line with the clients' orders.

From this point of view, controlling is focused on the following activities:

- ✓ Defining the costs of an enterprise;
- ✓ Predicting and planning the costs;
- ✓ Controlling the costs;
- ✓ Pursuing the accomplishment of costs;
- ✓ Informing the decision makers;
- ✓ Participating in the decision making.

Thus, the Controlling department should be a decisional support for the director of the factory, for the management team and the board of directors. The activity of controlling as decisional support for the management of a factory starts from the tasks of the respective factory:

- a) to produce at the lowest cost possible;
- b) to produce the best quality possible;
- c) to produce as much as requested.

4. Conclusions

The management control activity should be focused on:

- defining the costs;
- predicting and budgeting costs;
- controlling the costs;
- pursuing the accomplishment and usage of costs;
- analyzing the costs;
- informing the decision makers;
- making the best decisions.

The Controlling department should establish procedures in line with the laws of the country and with the rules of the group it is a part of. Also, it should ensure the necessary support for the negotiation and signing of the contracts with suppliers and for the negotiation and drawing up of the collective labour agreement with the employees and syndicate. In order to inform the decision makers, the Controlling department elaborates the Scorecard or the Dashboard which is a synthesis of the factory's main indicators. This document should be backed up and followed by specific situations of analysis. The managerial team should analyze the indicators of the dashboard on a monthly basis, in order to be able to make the best decisions.

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