

## **THE ASSESSMENT OF RESULTS AND DRAWBACKS OF CONTROLLING IMPLEMENTATION IN THE LIGHT OF EMPIRICAL RESEARCH**

*Benefits and drawbacks of implementing controlling system at the enterprise have been considered in the article. The results of statistical research dedicated to controlling implementation at Polish enterprises have been researched. Partial results of the research on controlling at the large scale organizations located in Lower Silesia have been presented in the article. These results refer to reasons, benefits and drawbacks of controlling implementation*

**Introduction.** Controlling as an “over functional management instrument” [8, p. 15] has been widely used both in theory and functional practice of organizations run in Poland. Increasing interest in controlling seems to result from notable benefits that can be achieved thanks to it. It is assumed that this method enables increase in efficiency of management in the most general meaning [6, p. 362] and therefore contributes to the organization’s development in a tempestuously variable environment and on a competitive market. Recently this matter seems to be the overriding goal of most businesses run in Poland.

Benefits mentioned above are the reason why controlling has won so many supporters. At the same time, there are a lot of critics of this management-support concept. Generally, this criticism stems from the lack of explicit relations between controlling and management, which is the base to question the legitimacy of controlling. The point is whether to improve only business management or, additionally, support it with controlling.

It has to be said that nowadays there is no explicit confirmation, acquired by the means of empirical research, of both benefits based on implementing controlling and its drawbacks. This results from the lack of complex verification of practically applied controlling solutions. Therefore, there is need to conduct this type of research.

In the context presented, the aim of this article is to show partial results of the research regarding controlling in businesses run in Poland. In particular, it is about this part of research, which refers to the assessment of controlling solutions from the point of view of benefits and drawbacks, and also, reasons for its implementation in big organizations in Lower Silesia. The research begins with the issues included in the article.

### **1. Benefits and drawbacks resulting from controlling implementation**

In the literature, positive effects (benefits) of controlling implementation in organizations are mentioned quite frequently. The important fact is that authors discuss

this matter in two ways. On one hand – they refer to the superior aims or even tasks of controlling – and detail synthetic benefits (expectations) that can be achieved due to controlling, and on the other, controlling capabilities are directly specified. Supporters of the first concept claim that the basic aims (expected benefits) of controlling are “increasing [...] management efficiency and reinforcing adaptability to the changes inside and outside the organization” [9, p. 15] or – stressing only economic value – “the improvement of management profitability and efficiency and, what is more, limiting business risk effectively [6, p. 362]. Its main objective is to “ensure conditions for long-term business existence and stability of employment” [4 after 7]. Representatives of the latter notion define benefits resulting from controlling. Most often detailed are:

- facilitating rational competencies order and responsibilities on different management stages,
- relation between the results achieved and motivational system,
- testing correctness of economic procedures,
- providing different management levels with multi-sectional information essential in business management [7, p. 7],
- stimulating and redirecting employees’ activities into being pro-effective and pro-market,
- removing “bottlenecks” and business development obstacles,
- improving management system by creating objective and credible information system enabling to take fast and accurate decisions [1, p. 286],
- increasing decentralization range and therefore decision making independency of autonomous managers of business units [3].

The question is, which results of controlling implementation can be considered as the best. At first glance, synthetic seem to be the answer. Aggregated values, related to management quality or ultimate economic values, are considered to be the base. This is in accordance with the general definition of controlling, which constitutes the concept of supporting management and the ultimate aim of controlling implementation, i.e. improving economic results. Whereas the praxeologic notion of management capabilities mentioned in this context, especially in its broadest meaning (including basic and additional criteria) is difficult to define explicitly; however, business effectiveness and profitability cannot be solely related to controlling implementation. Besides, the latter conclusion relates to the management efficiency as well. Moreover, there is a relation, or even resulting, between the synthetic criteria mentioned. Improving business effectiveness should lead to better economic results. In general, it means appropriateness, or even necessity, of presenting controlling implementation results in a form of detailed criteria, taking into consideration different assessment aspects and balancing synthetic criteria to a certain degree.

In the controlling implementation benefits assessment particular set of detailed criteria should be adopted. It coincides with the detailed criteria presented above in the literature sense and includes:

- facilitating planning, controlling, steering and providing with information,
- motivating employees to perform duties in accordance with the company's goals,
- more effective achievement of goals,
- better decision-information system,
- facilitating inside communication,
- facilitating communication with the environment,
- more accurate decisions in the managerial process.

Detailed results assessment criteria of controlling implementation should be considered as more coherent than the set of criteria already mentioned and in full accordance with the idea of controlling, especially in its fullest and the most appropriate form – controlling perceived as a management coordination concept. These criteria concern – on one hand – controllers' activities, such as planning, controlling, steering and providing with information, and motivating; on the other, they are closely related to the main controlling function, i.e. coordination – with reference to all formulations.

Controlling implementation results not only in certain benefits, but also drawbacks. They are indicated by different authors and frequently called obstacles, difficulties, barriers or irregularities that appear in the controlling implementation process. Thereby they quote these drawbacks in a more detailed, general or merely indicative way. The most detailed presentation of the controlling implementation drawbacks, called barriers, was shown by J. Nesterak (tab. 1).

**Table 1. Barriers in controlling implementation in organization**

<i>Barrier type</i>	<i>The barrier's essence</i>
<i>1</i>	<i>2</i>
Connected with awareness	<ul style="list-style-type: none"> <li>– problems with changing employees' mentality and habits in order to activate their actions and pro-effective thinking,</li> <li>– paying too much attention to achieving long-term goals by the managers, which is irrational from the strategic goals point of view</li> <li>– disputatious results of the assessment process especially during exact isolation of the factors influencing effectiveness of the independent economic units</li> </ul>
Personnel	<ul style="list-style-type: none"> <li>– understaffed and exhausted controlling departments regarding number of duties they are to perform (usually 3 – 5 people),</li> <li>– lack of employees having broad knowledge of costs,</li> <li>– lack of employees who could become controllers responsible for implementations and functioning of the controlling,</li> <li>– problems with recruiting employees possessing appropriate formal and factual qualifications to become a controller,</li> <li>– relatively poor factual knowledge of the middle-rank employees participating in controlling,</li> <li>– lack of good knowledge of possible to use modern management tools</li> </ul>

Continuation of the tab. 1

1	2
Technical–organizational	<ul style="list-style-type: none"> <li>– problems with changing the organizational structure of the company,</li> <li>– inappropriate controller placing in the organizational structure and inappropriate definition of their competencies,</li> <li>– problems with management decentralization regarding increased decisional independence of contact managers,</li> <li>– limited period for adjustment tests of even well-known management concepts</li> </ul>
Record-accounting	<ul style="list-style-type: none"> <li>– problems with detailed and systematic business costs control in a big company; the process of checking instruction of order appropriateness is extremely difficult and labor-intensive,</li> <li>– <i>relatively</i> fixed and variable costs are treated as <i>explicitly</i> fixed and variable</li> </ul>
Informational	<ul style="list-style-type: none"> <li>– the present state of equipping company with computers and lack of specialist software facilitating controlling,</li> <li>– lack of informational network systems ready for new modules that can support company; accounting tasks are usually done manually</li> </ul>
Financial	<ul style="list-style-type: none"> <li>– lack of financial resources to hire qualified external experts, this regards especially smaller businesses,</li> <li>– lack of financial resources to cover costs connected with buying informational network, specialist management software,</li> <li>– little possibilities regarding appropriate financial motivation for achieving goals by the lower-rank employees</li> </ul>

Source: [3, p. 83]

It is easy to notice that the list of detailed drawbacks presented above regards a lot of controlling implementation aspects, however, it goes far beyond controlling itself and refers to management in general. What is more, this list mainly presents not drawbacks appearing in the process of controlling functioning, which means after its implementation, but constituting conditions of actual controlling implementation and functioning. Because of that, they were not included in the presented range of this research. Two controlling functioning drawbacks were suggested to the respondents however: competency conflicts and increase in management costs, without coverage in additionally obtained (after controlling implementation) results. The problem was left unsolved though, enabling indication of other controlling implementation drawbacks.

The results and drawbacks of controlling implementation described constitute two basic issues of research. In results part they are preceded by the third issue - the reasons for controlling implementation. All this taken together require characterizing research sample.

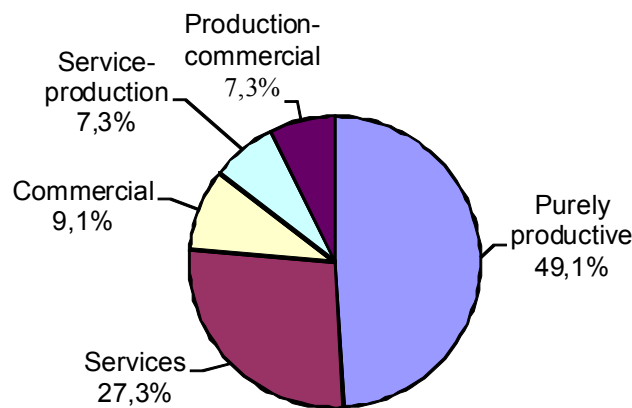
## 2. Characteristics of the research sample

55 big companies of different types located in Lower Silesia participated in characterized research (size measure amounts to the number of people employed). Taking into consideration, however, the number of general population at the end of

year 2007 in big organizations from Lower Silesia (364), with the confidence level at 0,90 and assumed maximum of the estimate error amounting to 10 % the essential sample strength should amount to 58. Smaller sample size required estimating the actual measure error, which was done with regard to indicated organization fraction obtained on the basis of research, in which controlling was identified (0,727). Taking into consideration the above data, measure error was estimated at the level of 0,09117, i.e. 9,12 %<sup>1</sup>, so even slightly smaller than assumed.

Distribution of the organizations surveyed is shown according to its age, type of ownership and legal-organizational form, prevailing type of business, level of internationalization and period of controlling duration. At the same time, these were the criteria essential from the point of view of the results.

Picture 1 shows distribution of analysed organizations according to the prevailing type of activity. Almost 64 % runs productive business. Among them about 11 % each indicates that they also run commercial or service businesses, which constitutes about 7,3 % of analysed population each. Little more than 27 % of analysed businesses are of service type, whereas about 9 % – purely commercial.



**Pic. 1.** Prevailing type of analysed businesses

Source: author's own study

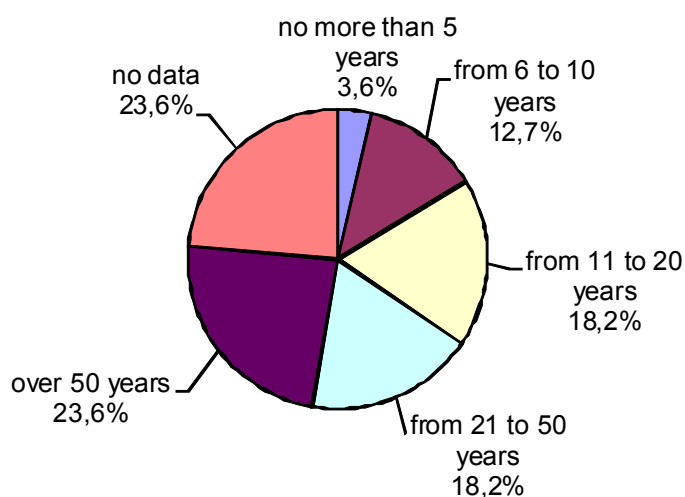
57 % of analysed businesses is purely Polish, the source of capital in 22 % of businesses is foreign, remaining 21 %, however, constitutes businesses with mixed capital. In 19 % among them (i.e. 4 % of the whole population analysed) Polish capital prevails, whereas the remaining 81 % (i.e. 17 % of businesses analysed) has foreign capital. The source of capital seems to be directly connected with the level of internationalization in analysed businesses. More than 36 % of

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<sup>1</sup> Counted considering determined fraction of businesses with controlling; number of representative sample is smaller than number obtained and amounts to 46,91, i.e. 47 businesses in fact.

businesses is present only on national market, more than 32 %, however, considers themselves to be international, i.e. producing goods in the country but selling them also on foreign markets. Remaining 31 % constitutes multinational (18,2 %) or global (12,7 %) businesses.

Picture 2 shows distribution of analysed businesses according to their age. Almost one quarter has not answered the question concerning age. Among the remaining businesses, the ones founded before 1989 (almost 42 % analysed) prevail, which during the last 20 years have gone through a lot of changes and transformations (from being state-owned companies to trading partnerships at the moment). About 35 % constitutes businesses present on the market for 20 years, with just 4 % of new businesses (present on the market for 5 years).



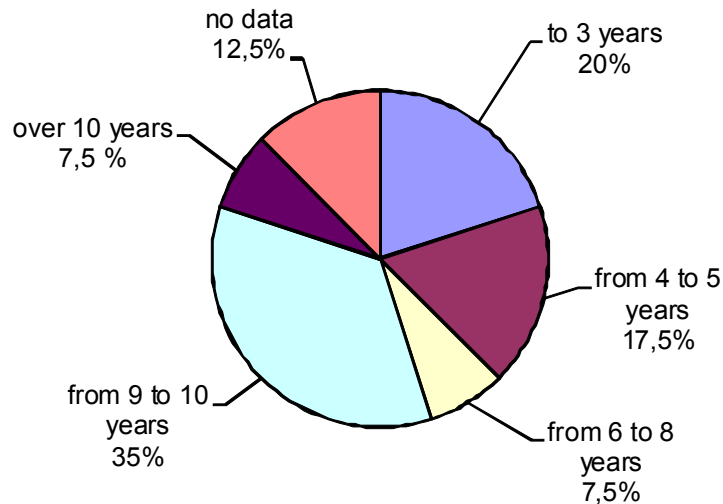
**Pic. 2.** *The age of analysed businesses*

Source: author's own study.

Restricting analysed sample to big businesses only had significant influence on its monotonization considering its legal form. Almost 91 % constitutes trading partnerships (over one half constitutes public companies, about 38 % – limited liability companies). Among remaining 9 % there are general partnerships, state-owned company, cooperative society.

About 73 % among analysed big businesses located in Lower Silesia has implemented controlling. Picture 3 shows how long controlling has been functioning there. The group of businesses which have implemented controlling immediately after its introduction in Poland is relatively small – about 7,5 % and, what is surprising – apart from one organization– these are businesses purely national. The reason for spreading controlling in Poland, which is frequently mentioned in the literature, was its implementation in branches of foreign

companies. The explanation for that might be the level of internationalization present in these businesses, as most of them is present on foreign markets. Slightly more than one third of these businesses implemented controlling system just before the year 2000, and the positive thing is that controlling solutions still win new supporters – about 20 % of businesses has implemented controlling in the last 3 years, and 17,5 % – no more than 5 years ago. Therefore it is easily seen that there is practical need to apply solutions of this type.

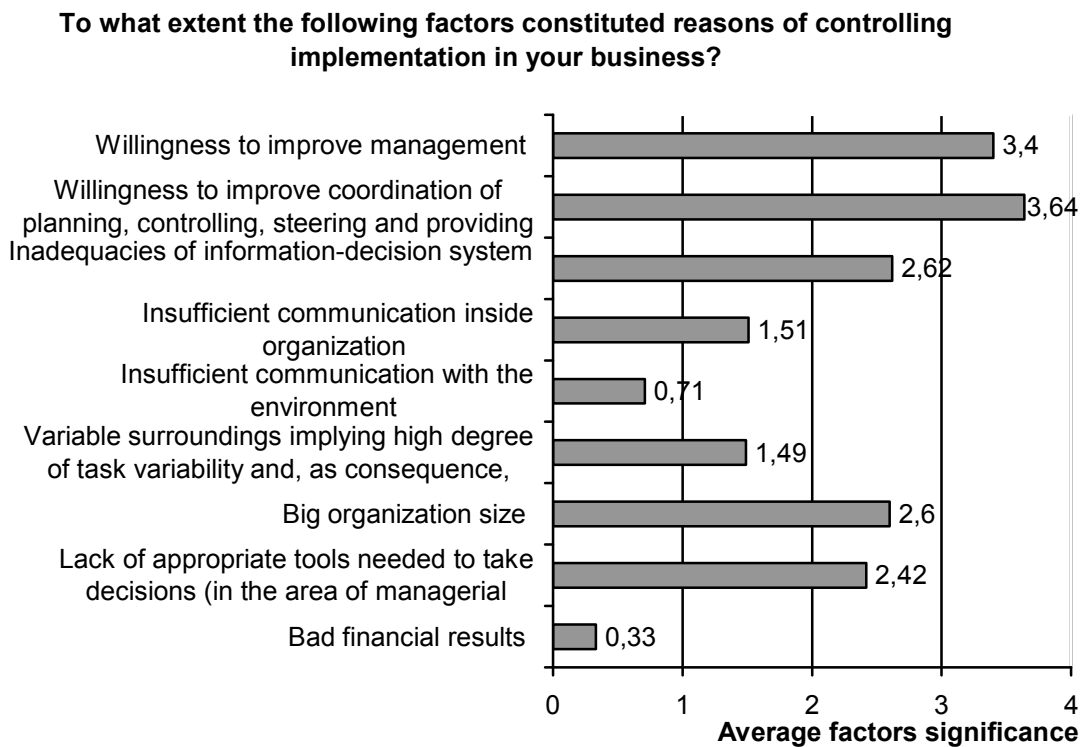


**Pic. 3.** Number of years since implementing controlling in analysed businesses  
Source: author's own study.

The results shown in the next part of the article refer to the businesses with implemented controlling.

### 3. Results

The reasons of controlling implementation were indicated and assessed by respondents on a scale from 1 to 5, where the higher mark meant more significant factor. On the basis of the respondents' answers, it can be judged that efficiency of their activities was high, which can be observed in great financial results. Moreover, controlling implementation was meant to improve coordinating planning tasks, steering, controlling and providing information and to facilitate management (pic. 4). Taking into account actual benefits coming from controlling implementation indicated by respondents, it should be said that they were successful to significant extent. Among the most important reasons for controlling implementation were information-decision system drawbacks, the organization's size and lack of appropriate tools needed to take decisions (in the area of managerial accountancy).



**Pic. 4.** Reasons for controlling implementation in an organization

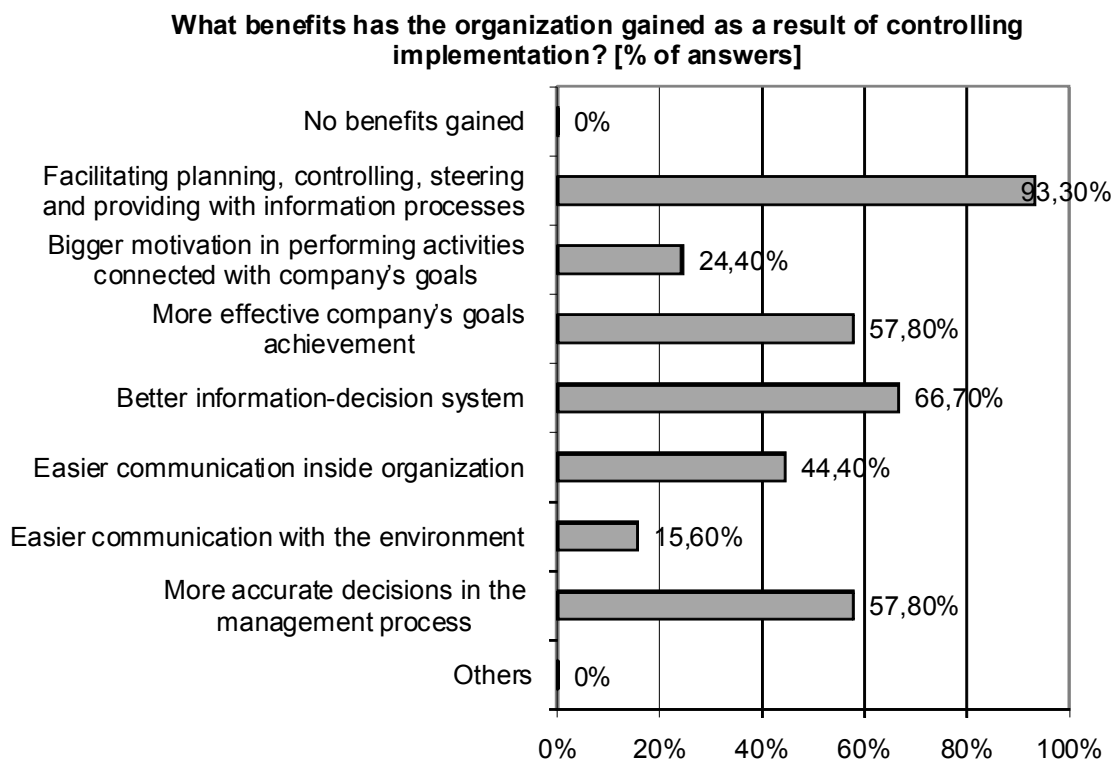
Source: author's own study.

Picture 5 shows respondents' answers to the question concerning benefits gained by the organization as a result of controlling implementation. Taking into consideration percentage of respondents who indicated particular benefits, it is possible to create a rank list. The first place is taken by improvement of planning, controlling, steering and providing with information processes (over 90 % of analysed organizations indicated so). Although respondents did not explain how this improvement manifests itself (there was no such question), indicated answer constitutes significant proof of controlling effectiveness as a management-support method. Further places are taken by: improvements in information-decision system (a little over two third of indications), what probably enables to take more accurate decisions in the management process and achieve particular goals (about 58 % of indications each).

Controlling is considered to be the tool facilitating communication inside organization (44 % of respondents said so), influencing communication with the environment to a little extent (only 15 % of respondents indicates such benefit). It is by no means surprising. Controlling was created to support management's decision-taking process and its instruments are directed at inside users of managerial information. It is said, however, that there is a type called "partner's controlling", which is defined as "a method supporting management (also management of business' value), consisting in current shaping coordination and maintaining versatile



relations between the business and the environment, possible cooperation in these processes, and what is more, systematic supervising and monitoring correctness of their course” [2. p. 44], but in practice, this is very difficult to achieve and so far probably not achieved. What is worrying, is the fact that only one quarter of respondents notices benefits in a form of bigger employees motivation, leading to fulfilling tasks according to the company’s goals. Controlling system that functions in a proper way assumes translating goals into tasks and transferring them to direct executors, and subsequently, motivating employees to fulfill tasks according to the company’s goals by appropriately prepared remuneration shaping system. It is probable that the result achieved stems from the fact that not all businesses analysed implemented controlling system in a complex way, limiting themselves to these elements that seemed to be essential from the functional point of view.

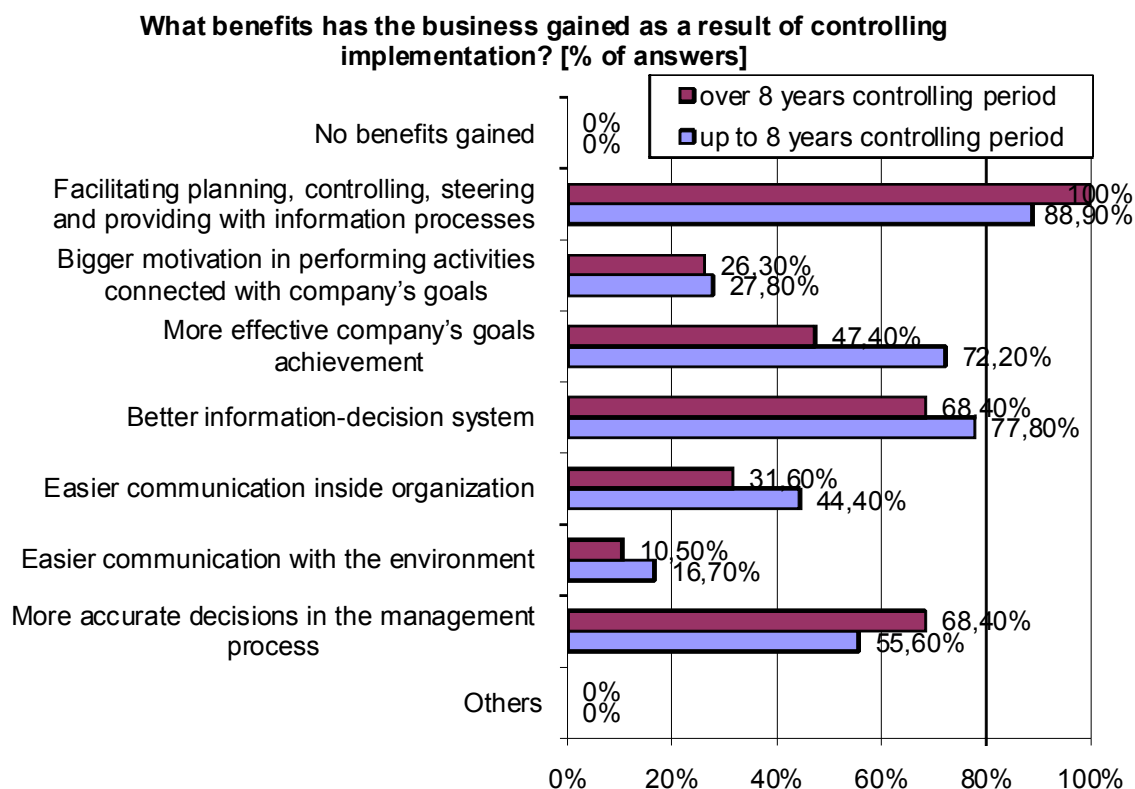


**Pic. 5.** Benefits gained by the businesses that implemented controlling  
Source: author’s own study.

Ranking of answers among organizations with shorter (up to 8 years) and longer (over 8 years) controlling period is very similar (pic. 6<sup>2</sup>), although definitely fewer organizations with shorter controlling period are convinced that controlling

<sup>2</sup> Pic. 6 shows answers that are true only for the businesses that determined their controlling period (19 businesses implemented controlling after the year 2000 (i.e. no sooner than 8 years ago), 18 – before the year 2000, remaining did not determine controlling period). Therefore answers adequate for all the businesses (pic. 5) are not their straight arithmetic average. The same comments refer to pic. 7 and 8.

enables to achieve goals more efficiently and communicate inside the organization more easily. In turn, more among them, in comparison with businesses of longer controlling period, claim that controlling implementation enabled them to facilitate planning, controlling, steering and providing with information processes (all analysed businesses with shorter controlling period claim so and only 89 % with longer) and to take more accurate decisions in management process (68,4 % and 55,6 % of businesses with shorter and longer period respectively).

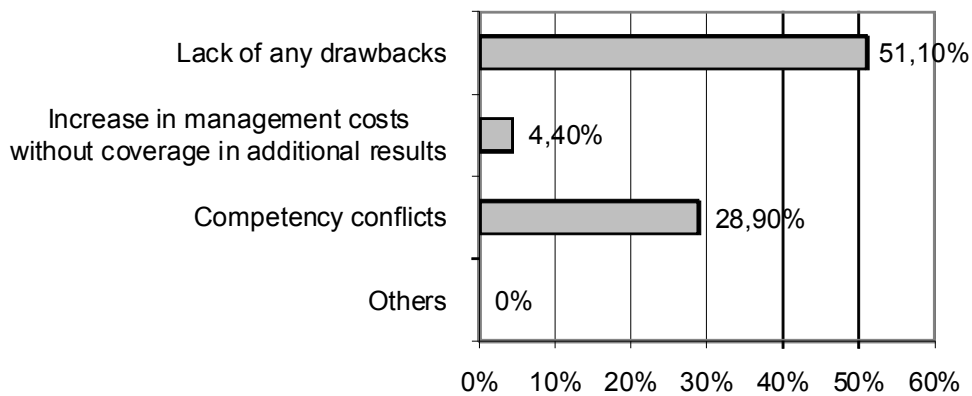


**Pic. 6.** Benefits gained by the businesses that implemented controlling according to shorter (up to 8 years) and longer (over 8 years) controlling period

Source: author's own study.

With reference to controlling implementation drawbacks it has to be said that more than a half of analysed organizations has not experienced them. Competency conflicts are considered to be the most important problem – they were indicated by almost 29 % of respondents (pic. 7). Under 5 % of all analysed businesses (and 11 % of businesses with longer controlling period – pic. 8) admitted that controlling implementation caused increase in management costs without coverage in additional results. At the same time, it has to be mentioned that none of the businesses with shorter period has experienced that. Probably this is connected with the application of more advanced informational solutions that support controlling system and enabling to reduce the costs of its implementation.

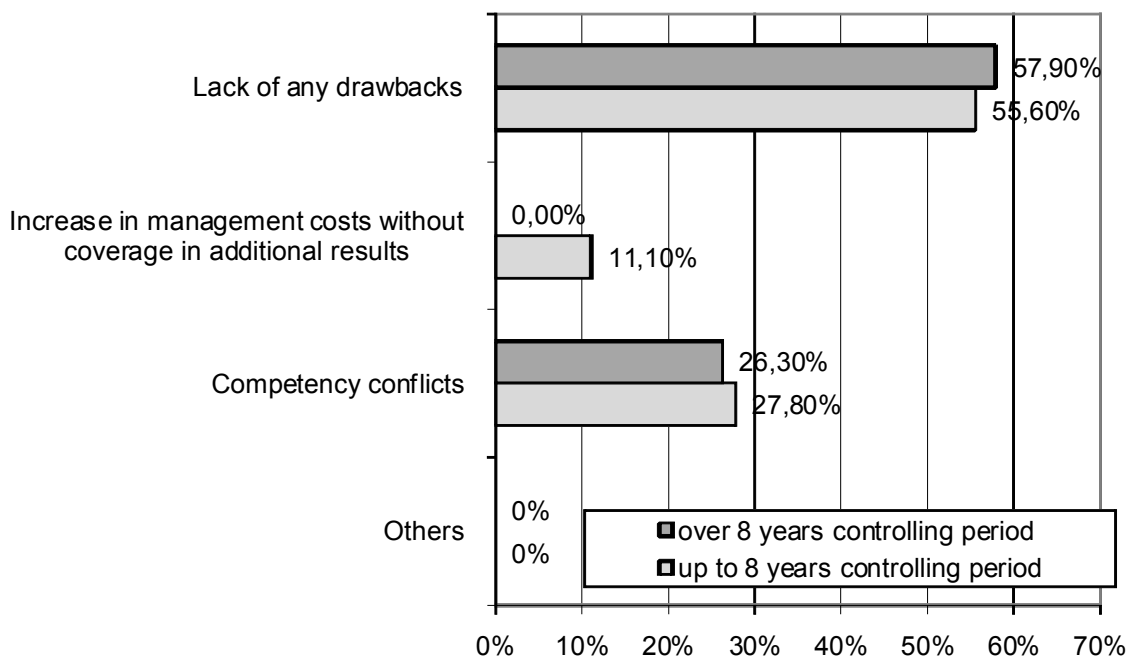
**What controlling implementation drawbacks can be indicated? [% of answers]**



*Pic. 7. Controlling implementation drawbacks from the analysed organizations' point of view*

Source: author's own study.

**What controlling implementation drawbacks can be indicated? [% of answers]**



*Pic. 8. Controlling implementation drawbacks from the analysed organizations' point of view according to the controlling period of up to 8 years and over 8 years.*

Source: author's own study.

**Conclusion.** “Business managers aspiring to choose the most rational ways of actions in certain decisional situations need to have appropriate planning, controlling and steering tools at their disposal. The role of modern management tool supporting

managerial function is performed by controlling, which is responsible for describing and preparing for managerial personnel methods and tools of planning, coordinating and controlling used in the course of economic processes of businesses connected with performing crucial business functions” – as E. Nowak wrote in 1996 [5, p. 9]. Current situation looks alike. Research conducted shows irrefutably that because of practical problems in the managerial area, it is still necessary to implement solutions in the businesses of Lower Silesia, which will enable to improve coordination of planning tasks, controlling, steering and providing with information. The above constitutes – in the light of this research – the most important reason for controlling implementation in analysed businesses. On the other hand, controlling solutions – in respondents’ opinion – enable taking accurate decisions in organizations, implying at the same time improvement in profitability and effectiveness of their management. Therefore, possible and notable benefits that can be achieved thanks to controlling cause increasing interest in controlling among management practitioners and determine the level of popularity of the discussed method in economic practice. No significant drawbacks of controlling were found. The attention was paid to competency conflicts, which can result from controlling implementation.

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