IMPORTANCE OF THE CONTROLLING ACTIVITY IN MAXIMIZING THE FINANCIAL PERFORMANCE OF THE COMPANY

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Abstract
Market economy, as a modern form of organization that promotes competition, imposes essential conditions for the existence of companies. New business trends, digital transformation and the dynamics of business processes also bring about changes in management and financial-accounting activity. Competitiveness and performance are elements that depend on the constantly adapting of companies, which have to meet the demands of consumers and market conditions and which impose continuous challenges for the mangers. To meet these challenges, we need new systems of analysis and deception, based on the best knowledge of the activity being carried out. This requires not only the continuous improvement of the knowledge of the results, but also an analysis of the basis on which corrective measures can be taken. That is why the tool that is required under these conditions is controlling, which provides data for various purposes, including planning, budget control and costing, thus overcoming the issue of managerial reporting and becoming a tool that adds more responsibility to decision-makers. It becomes a form of reflection not only of company performance but also of managerial performance.
In other words, controlling allows the creation of early warning systems, which can draw attention when certain limits are exceeded, allowing the development of protection scenarios.
Given the particularly important role that controlling plays, we believe that this concept should be deepened at every company level, regardless of its size, so that it occupies the place it deserves in the decision-making process.

Keywords: controlling, accounting, profitability

JEL classification: M41, F38

1. Introduction

The management of most companies faces new and numerous challenges caused by complex operational processes that demand on the one hand decentralized structures but at the same time connected to a central strategic control system. Under these conditions, opportunities and risks call for the use of dynamic control that is becoming more and more important to companies in the conditions imposed by globalization (Marcuta 2011). That is why existing instruments need to be adjusted and developed so that they can meet these challenges.

The need for control is determined by both internal and external needs. Decision makers need not only current but also forecasted data, shareholders, investors and analysts require information to be provided as quickly as possible, global capital markets are increasingly active and strengthen the influence of external partners and accounting is increasingly complicated and subject to different standards. That is why there has been a need for the development of a new instrument, controlling, which operates proactively and offers solutions to the decision-maker regarding the future development of the company.

Specialists believe there is a need for a culture of controlling, which can be difficult to implement in companies, the success depends primarily on the availability of management and employees to constantly carry out its application.

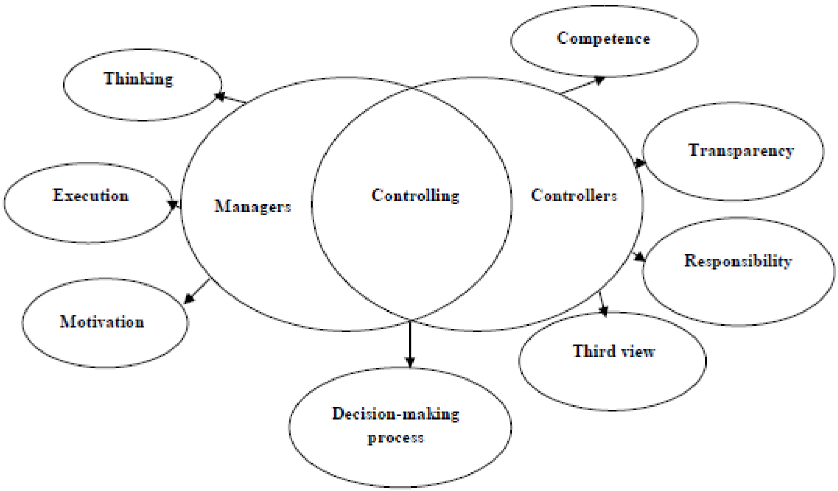
2. Controlling and his role within the firm

The specialized literature gives different definitions to control, considering it to be either a coordinating function serving management, either an information system for the same management system, or an activity of embezzling budgets, analyzing costs and pricing to achieve strategic objectives, or a tool for streamlining leadership activity.

Currently, controlling not only refers to the financial activity of a company but covers all areas of its activity, namely: controlling time, costs, performance management, etc. But all of these aspects have the role of early warning of the factors decision on certain slippages that can influence the company's performance. But most of the time when talking about controlling, we refer to accounting information because the most important decisions are based on financial information provided by accounting (Marza 2016). Controlling coordinates the planning, control and information, resulting in the production of the necessary synthesis in the decision-making process.

Consequently, controlling can not exist without management and, as Albrecht Deyhle shows, the interaction between managers and controllers is controlling, as shown in the intersection diagram.

Figure 1: Diagram of intersections adapted after Albrecht Deyhle

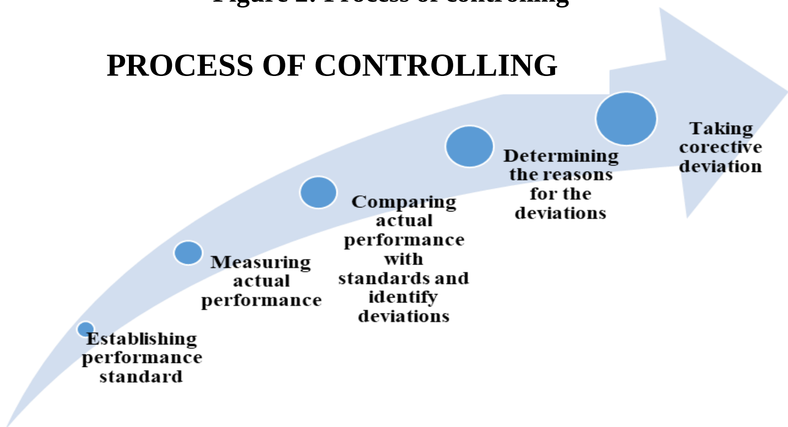


Source: adapted after Albrecht Deyhle

The task of controlling within the company is to sort out the individual components, check their usefulness, complete and organize them as a system. The most important components of the management system to which the controller's activity is oriented are the planning and control system and the information system (Ipate 2016).

The controlling activity aims to achieve the tasks of an enterprise, namely: to produce at the lowest possible costs; to produce the best possible quality; to produce according to customer orders. That is why controlling is focused on the following activities: defining the costs of an enterprise; forecasting and cost planning; cost control; tracking costs; inform decision makers; participation in decision-making.

Figure 2: Process of controlling



Source: own processing

The efficiency of this system is one of the main problems of managers because the help they need is related to the transformation of the information provided by the classical accounting into managerial accounting information that allows managers to follow the implementation of the decisions taken.

In the company's management activity are used the various controlling techniques that aim to maximize profit and create a competitive advantage compared to the competition. Therefore, performance gains imply, directly or indirectly, the evaluation of the concepts of competitiveness, competitive advantage, efficiency and effectiveness (Tulvinschi 2010).

The main aspects to which the controlling activity is to focus are related to the collection, interpretation and modeling of the data for the realization of the profitability analysis; verification and allocation of costs and revenues on cost and profit centers; Ensuring the economic and financial expertise of the entity; cost monitoring and other accounting items; risk analysis; tracking budget compliance; coordination of financial and accounting activity; participation in the production budgets; monitoring the enforcement of the legislation in force.

The classic tools of controlling are numerous and relate to costs, standards, budgets and reports, to accountability centers, etc. Some of these tools have an informative function, and others perform the behavioral adjustment function (Ionascu 2006).

Among the management techniques underlying performance measurement are the cost-volume-profit method, the standard cost method, or the budgeting system (Marza 2017).

Cost-Volume-Profitability Analysis is an important planning tool that lets you know how profits are evolving in different situations. This analysis will allow managers to make decisions about sales structure, assortment of products, safety margins, additional costs, etc.

The method includes a series of problem-solving techniques and procedures based on understanding the characteristics of the company's cost evolution models that reflect the relationship between revenue, costs, production structure, sales volume, earnings, profit forecasting, and profitability analysis. By using this method, short-term forecasts can be made to assess firm performance and analyze decision alternatives. At the same time, account must be taken of the profit-making or the equilibrium threshold, which is an important indicator of this method, and on the basis of which operative decisions can be made regarding the volume of fixed and variable expenditures, as well as when they are covered and the profit recording begins.

Also based on this method, analyzes can be made and decisions can be made regarding the company's vulnerability to activity changes, the company's pricing policies, or a sensitivity analysis. Sensitivity analysis responds to managers' questions about the sensitivity of financial results to investing, given the existence of risks, thus leveraging better spending.

By means of the standard costing method, managers obtain information on identifying the moments in which anomalies occur in the activity being carried out. The method involves comparing pre-established and actual costs and determining deviations, thus allowing for the analysis of performance.

By means of budgets are defined the short-term objectives of the companies and their means of realization are pursued. They provide information on how to achieve the company's strategic goals, and budgeting is driven by the need to record performance under the conditions of limited resources, as well as under the conditions of a competitive environment. Budgets are used not only to plan costs, revenues, financial results, but also to permanently monitor them, to set targets that can be used to determine the company's performance.

Although all of these elements are important, attention must be given to the costs involved in making decisions. The most important costs are the relevant costs, which will vary depending on the alternatives and options a company has to choose. These costs can be avoided if the decision is not taken. They can also generate opportunity costs for a company, that is, additional costs when there are different decision-making options.

The management decision also relies on pertinent, predictive costs, including hidden costs, social costs and external costs. As decisions concern future actions, management requires detailed information on future costs, some of which are not included in the management accounting data collection system (Cokins 2012).

Because one of the elements that, in the short term, can have negative implications on the business is lack of cash, managers should also focus on this indicator. Lack of cash-flow can result in either loss of opportunities or additional costs. Therefore, within each company, not only the cash-flow planning activity is important, but also the pursuit of the company's optimal cash-flow. The tracking of this indicator is correlated with the efficient use of circulating capital, stock management, customer management, and other cash-flow or cash-flow-generating activities.

Another important element in decision-making is the level of profit. The information provided by financial accounting is not sufficient for decision-making, as it only refers to total profit, without providing information about more profitable or less profitable activities. That is why information from management and controlling accounting is needed that refers to the company's profitability centres and the contribution of each of them to the cost and overall profitability of the company. They are important both for the decision-makers who make the right decisions about improving profitability, as well as for the shareholders who need to be informed about the company's profitability and the correctness of the decisions made.

It follows from the above that the controlling activity is especially important within a company, but it requires a lot of information and involves a large volume of activity. The ultimate goal of controlling is to provide useful information for managers' decisions and to produce as much synthetic and most useful reports as possible for the decision-making process. Therefore, the quality of the decision and the performance depends on the quality of the information provided by the controlling that must be reliable, to give a better representation of the reality; to be current, to be delivered in a timely manner; be complete, to indicate all the elements that make up the decision; to be relevant, to be adapted to the problem in question; be accessible for decision-makers.

Any activity developed is conditioned by efficiency, and information is also subject to this concept. The relationship between the cost of information and the value of this information is sometimes difficult to measure and controlling should therefore be seen as a tool that allows the manager to build a set of options and choose a satisfactory solution, depending on a particular context.

In order to inform decision-makers, the controlling activity involves the elaboration of the Scoreboard, which is a synthesis of the main economic and financial indicators, with which the decision-makers are constantly and intensively informed about the evolution of the phenomena specific to the activities carried out. The scoreboard is thus one of the management tools that responds very well to the substantiation and support of managerial decisions with data complementary to those provided by other media.

The specificity of the dashboard is given by its characteristics, namely: it is relatively synthetic, the figures or schemes not explaining deviations in detail in order to accelerate the information circuit; offers information at a very short interval; shows partial indicators of important activities, chosen primarily by the criterion of representativeness; Provides data and volume information that do not appear in the syntheses produced by the other information structures; uses information from both the accounting and the statistics from the operational system.

The advantages of the scoreboard are represented by: increasing the degree of substantiation of the decisions taken by providing the decision maker with the operative, relevant information etc; Increasing managerial responsibility for the work done because they have at their disposal information about the critical issues or areas they need to act on; Ensuring a high efficiency and high quality of reporting to various entities; the efficient use of the working time of managers and organizations participatory management, by focusing on key issues confront the enterprise; addressing information about management activity in a systemic view; using appropriate criteria to assess the contribution of each department to the company's economic and financial results.

The scoreboard also presents a number of drawbacks, such as the high volume of work involved in drawing up the scoreboard, and the cost of this workload.

In the controlling work, special attention must be paid to risk management, because while controlling refers to the management's actions to ensure that the objectives set are achieved, risk management is one of the important means by which it is achieved this thing. Risk management tracks how threats that are likely to have a negative impact on goals are managed, being a way to strengthen controlling. That is why the action plan needs to be subordinated to the plan that includes mitigating measures and the plan to deal with difficult situations. That is why risk management means: defining the strategy to be applied; identifying and evaluating the risks that may affect the organization; controlling risks so that they fall within the limits of risk tolerance; continuous monitoring, review and reporting of the risk situation. He is a process continuous learning from past experiences, own or others.

The use of controlling leads to the emergence of competitive advantage by providing the decision maker with operative, relevant information regarding the main aspects of the company or the field managed; allows an efficient use of the working time of managers and participatory management bodies; leads managers to be accountable for their work; it allows them to make decisions about those critical points to which they must direct their efforts; ensure operability in information analysis and decision making; allows the use of appropriate criteria for assessing the ways of obtaining the economic and financial results of the firm (Tulvinschi 2010).

The controlling process consists of three elements: coordination, communication and information, and involves aligning strategic and operational objectives and generating action plans; performance monitoring, analysis of the results obtained and reporting to the executive management team; as well as measures to increase profits, lower costs, and recommendations for adjusting the strategy.

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Internal control is therefore a global management function, and risk management involves all management functions at a specific level, therefore the relationship between internal control and risk management is given by the entity's risk management and current objectives.

That is why knowledge of the fundamental elements related to internal control and risk management is important in controlling the evolution of an organization, and the analysis of the components of each concept will allow us to find integrated models of operation, correct design and rational use of resources within the entities.

3. Conclusions

Ensuring the efficiency of managerial activity requires the organization of a constant and demanding control over all material and monetary means, on the economic processes and the obtained results.

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As companies operate in a dynamic market economy that constantly demands them to compete, there is a need to develop controlling systems that meet the requirement of profitability and customer focus.

Controlling is therefore a money-saving system because it can identify sources of loss of activity and can underscore unused profit sources.

Studies show that the implementation of a culture based on controlling encounters various obstacles due to organizational inertia, the reluctance of managers and staff to change the old way of acting. There is also a policy inadequacy in the company's internal and external environment, especially when implementing a policy, does not produce immediate effects that contribute to the company's progress. And then these things can not only lead to frustration among staff, but also to operational losses, the drop in market share, etc.

The development of controlling aims to increase its acceptance at the employee's level so that the concept is applied in an integrated sense without the permanent and unique presence of a department responsible for controlling.

The organization and tools of controlling are subject to permanent transformations and we need to find new solutions and new methods for the development of controlling so that this concept meets the current and future needs of the companies.

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