

The challenges of accounting profession as generated by controlling

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Abstract. *Internationalization and globalization marked in Europe in the early '70s the development of controlling, in its role to complete the management and have influenced it to a great extent until present. In practice, controllers' responsibilities range from the extreme of performing only primary accounting tasks and up to the extreme of undertakings related to executive management. Controlling has undergone decades of evolution, and herewith the concept got standardized in theory and practice; however it cannot be claimed that a unitary definition for controlling has already been achieved. Same as a theatre spotlight shines on the stage from different angles, controlling should be viewed in the same way, as: mind-set, substance, work approach, process, tool and role. Only when all the lights are on and the object is viewed from all sides, it can be defined in its completeness. As a management function, controlling must be practiced in a professional manner, as the sustainable development is ensured only for those entities that act professionally. Without solid controlling know-how, managers are sentenced to being led rather than leading. If the manager does not have solid controlling know-how, he must rely on a team of specialists who have extensive knowledge of controlling.*

Keywords: modern management, management functions, professional controlling, normative management, strategic management, project controlling.

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REL Classification: 14B.

Despite the revolution of information technology, mankind is still far from being able to effortlessly satisfy its needs.

Information as a product of the human mind seems to defy economic theory models, as it is “mobile” and can be transmitted without any losses.

As far as information is concerned, the consumption process is in fact adding value by making use of its synergetic features. Information is valid for a long time span because it seized a piece of reality. Even though information does not disappear, from an economic perspective, its usage can be blocked. By blocking the circuit of the potential contained by the information, the consumption cancels its conversion into value, hence making it obsolete.

A well-founded and consumed piece of information can substitute substance, energy and particularly, another piece of information.

The error of mistaking value for cost, “contributed” to the discriminatory treatment of environment and of social services, as value creators (education, healthcare, art, etc.). Unfortunately, even today, the world’s „decisions factors” look at the expenses generated by schools, hospitals, research centers only from a value perspective and not also from the perspective of the social potential that these institutions generate for economy.

Business management cannot be achieved based on intuition and experience alone. Assimilation and learning from past experiences is essential but not sufficient; modern management is inconceivable without creativity. Creativity is a synergistic blend between intuition and, above all, hard work; without intuition, knowledge is lacking the means and thinking is lacking the content.

Wisdom gathered from all places and times is a unique product of civilization centered on asserting the value of each person. Science is sentenced to develop models with the aim of solving complex problems.

The complex phenomenon of macro-competence can be viewed as a strategic structure of the entity upon which systemic offers generating outstanding and hard to imitate value, can be build. Competence can be viewed as performing better than others, and especially as having the capacity to provide explanations. If analysed alone, competence has at any rate the following features: knowledge, skill and existence.

In practice, the engineer's work is focused on studying and implementing projects while the economist’s work focuses on managing scarce resources for the production and distribution of goods and services. As resources are scarce, engineers and economists meet in the “cost arena”. Both engineers and

economists resort to models that imply concept, empirical data and reality validation.

Today, economists' models resemble those of engineers, because each has to consider systems' steering or control, to strive to obtain cheap solutions and to take actions which must have a strategic perspective.

The control of the resources implies ever more the control of the networks and herewith of their main nodes, including their human dimensions. Globalization and multiple ways of governance are attained through an overlap of powers and a gradual erasing of the borders as radical separation lines between states.

The acceleration of technical progress and the massive increase of interdependencies are factors which positively impact living conditions for most people today and tomorrow, but they create countless problems which must be clearly identified.

Interactions among national economies are a development factor for economies, at both country and global level. Although in recent decades interdependencies have increased, this did not diminish the role of national economies nor did it amputate the national sovereignty, as practice has proved that each solid national economy participates more effectively to the global exchange.

Each country, rich or poor, has something to offer and something to receive from the global circuit of values. Any modern nation, while preserving its specific character, its cultural originality, shows at the same time willingness to assimilate from other nations' civilization and cultural conquests, as these are universal and have the ability to overcome local or national boundaries.

Knowledge is essential for any economic culture, as it enables mankind to grasp as much as possible and to open new paths towards its hopes and desires.

Science and culture store millennial creations of human thinking and action, and help mankind turn simultaneously into social creation and causal factor in the evolutionary process of society.

The Institute for Business Administration of the Vienna University of Economics and Business and Controller Institut Austria, have been doing researches and have been providing courses in the field of controlling for more than 35 years and for the past 20 years the Universities of Applied Sciences have joined as well, emphasizing the practical approach and especially the advanced knowledge in controlling.

The launch of *Professional controlling. Concepts and Instruments*, second edition revised, published in 2011 by Schäffer-Poeschel Stuttgart Publishing, written by Professor Rolf Eschenbach, PhD - Vienna University of Economics and Business,

founder of Controller Institut Austria, partner at Contrast Management Consulting GmbH and by mag. doctor Helmut Siller, MSc - University of Applied Sciences Vienna, was an important moment to acknowledge how indispensable and essential this work is for the students and, in particular, for the specialists in Romania.

To be mentioned that from the accepted version of the Romanian translation and until the actual printing of the book, many specialists have contributed.

The translation from German and the selection of the most suitable terms in Romanian language was not at all an easy task.

Let's see why this work it is so valuable and, especially, what is controlling!

The professional controlling is no longer the classic, traditional controlling of the years 1960-1970. As a management function, controlling must be practiced in a professional manner, as the sustainable development is ensured only for the entities that act professionally. Professionalization means performing an activity, a profession with the mind-set of meeting goals at the highest level.

Among many other prerequisites for this profession, we stress vocational training which requires time, practical experience, scientifically grounded know-how, mastering of specialized terminology, high social and technical skills for solving challenges.

The authors tackle entities (companies, non-profit and public institutions) as being systems, from the perspective of the management-oriented entity.

Using a systemic approach has the following advantages in the case of controlling:

- the use of a language of systems with a high degree of generalization simplifies analysis, absorbing knowledge, interdisciplinary transfer of knowledge;
- its transparent language allows the systematization of knowledge, the separation of what is essential from nonessential, enables new solutions for problem-solving;
- holistic thinking, specific to the systemic approach, is multifactorial and multi-causal and takes into consideration retroactive, subsequent and delayed effects.

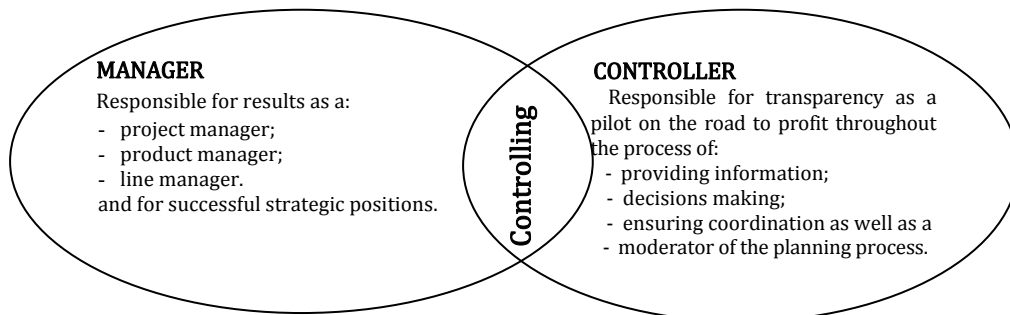
The book presents clearly how sustainable controlling can be successfully performed, thanks to its professionalization.

Without solid controlling know-how, managers are sentenced to being led rather than leading.

Controlling is a functional management concept with the role of coordinating the planning, the control and the information towards the desired end-result. The controller can be regarded as the “economic conscience” of the entity.

We must distinguish between controlling as a function in the organization and the controller as a person holding this function. In fact, controlling, in terms of steering the organization, is one of the central management activities. Each manager fulfils controlling functions within its duties. Controlling, as both process and mind-set, is thus generated by the manager and controller as a team and becomes a type of “interface”. The connection between the manager’s responsibilities, controlling and the controller’s responsibilities is illustrated in the figure below.

Figure1. *Controlling at the intersection between the manager and the controller*



Controlling does not target a position or a person, but rather a field of activities carried out by various employees or even managers who do not necessarily hold the “controller” position. In small and medium-sized entities, controlling function is taken over by the management of the entity or by the head of the financial-accounting department. Entities with over two hundred employees appoint more and more often a controller to take over controlling tasks.

The coordination responsibilities of the controller translate into making sure that the planning and control activities performed by management are goal-oriented and that all necessary information is available at any time. Controller’s role regarding planning is to coordinate the partial plans and to organize the entire planning process. Therefore, it is not the controller who normally plans and coordinates, but the manager. To define the limit, it has to be mentioned that in small and medium-sized entities, it might occur that controller’s role surpasses coordination responsibilities. Thus, in current practice, the controller often takes the responsibility of planning, which actually should be performed by specialized departments. In the recent years, it can be noticed that, at global level, the controller’s role has extended from a simple service provider to a consultant for the management.

The controller's tasks, identity and responsibility have been established in the controller model developed by the IGC (International Group of Controlling, former Society of interests in the field of controlling). In the version of September 2002 of this model, the responsibility of the controller for meeting the targets was acknowledged for the first time. On one hand, controller's liability results from his/her responsibility for the accuracy of the information collected and provided; on the other hand, it results from his/her responsibility for organizing and monitoring the process, which enables the management to take target-oriented decisions.

Controller's mission

Controllers design and accompany the management process of goal-finding, planning and controlling and thus are co-responsible for reaching the objectives.

This means:

- *Controllers ensure the transparency of business results, finance, processes and strategy and thus contribute to higher economic effectiveness.*
- *Controllers coordinate sub-targets and sub-plans in a holistic way and organise a reporting-system that is oriented towards the future and covers the enterprise as a whole.*
- *Controllers moderate and design the process of goal-finding, planning and management control so that every decision-maker can act in accordance with agreed objectives.*
- *Controllers provide all relevant controlling-information to managers.*
- *Controllers develop and maintain the controlling systems.*

The coordination activity of controlling consists in solving problems that have a strong effect over the entity as a result of environmental influences:

- the dynamics is increasing;
- the markets are stagnating;
- new technologies are issued very fast;
- the product life cycles are becoming shorter and shorter.

Controlling helps the management of the entity to withstand these problems by making use of innovative solutions rather than relying on old, obsolete methods.

Controlling is currently not achieved only through the controller, but often on the spot, through directly involved employees. Controlling becomes more and more an *integrated controlling*; the controlling as an institution and the controller act more and more often as a moderator for promoting the idea of controlling.

Controlling – main elements

A careful analysis of the literature allows us to emphasize six concepts outlined until today:

- controlling as an administrative record tracking (the '80s)
- controlling as an administrative information system (end of the '80s);
- controlling as planning and control (beginning of the '90s);
- controlling as coordination activity (the '90s);
- controlling as business administration (end of the '90s);
- controlling as a system for coordinating decision-making process (the 2000s).

Within each concept, controlling is regarded differently; later concepts develop previous ones, focusing on different aspects.

Tasks of the controlling system

According to the definition of controlling, the controller has responsibilities with regard to planning, control and information.

In order to explain the basic idea and the need for controlling, some classic questions might be useful, such as:

- Do you know precisely which products generate profit and from where losses are coming?
- Do know how various measures impact the outcome?
- Do you know how your result looks like without fiscal or balance sheet fragmentations?
- Are objective-oriented targets included in your planning and are resources allocated properly?
- How fast can you find out if you are performing according to your plan or you have lost control?
- Are decisions taken in due time and are proper measures put in place?
- Can you translate your company's strategy into concrete target-oriented plans?
- Do you know the factors that generate higher indirect costs?

Each entity follows a certain strategy whose achievement is guaranteed through proper structuring of the operational processes and through the configuration of an appropriate organizational structure.

The most important information source within the information system is accounting. Electronic data processing system has become an indispensable element. Budgeting is an important component of the planning and control processes. However, controller's work does not cover only short-term operational planning; taking into consideration also strategic aspects is increasingly defining the activity of the controller.

Basically, the controller has two different coordination tasks, with regard to both the planning system and the information system. On the one hand the controller deals with configuration and development and on the other hand with the permanent coordination of activities.

The purpose of controlling within the entity is to sort individual components that generally occur, check their utility, complete and organize them within a system. The most important components of the management system to which the controller directs his/her activity are:

- planning and control system;
- information system.

The objective of the controlling system of the entity is to increase transparency as a prerequisite for optimal management of the business. Controlling follows three main principles:

- plan-oriented actions;
- decentralized, individual responsibility;
- measurable KPIs.

It is enough to remember that controller's responsibilities and position are determined significantly by the size of the entity. Thus, for medium-sized entities, it is typical that the controller is seen as a "handyman" and is responsible for more than just controlling activities, while large companies split the activities within the financial department between the controller and the treasurer, with delimitations that can be more or less rigid.

The job description is the most suitable instrument to formalize the framework of the controller's activity. Below an example of job description for a controller:

Job description	
1 Job title	2 Level
Controlling coordinator	Field coordinator
3 Objectives	
<ul style="list-style-type: none"> - development and implementation of procedures which lead to required profit for the entity - supporting the company's management towards efficient control from the analyst and consultant position 	
4 Direct superior	
The CEO	
4.1 Job holder receives expert guidance from	
-	
5. Job holder provides expert guidance to	
<ul style="list-style-type: none"> - the coordinator of the cost calculation department - the coordinator of the planning and reporting department - the employees in the controlling department 	
6. Job holder is be deputised by	
<ul style="list-style-type: none"> - the director in charge with economic, financial and administrative matters - the coordinator of the administrative department 	
7. Job holder deputises	
The coordinator of the administrative department	
8. Special empowerment	
(here must be mentioned the special powers and rights that are not specific as per the hierarchical level and that exceed the general regulation)	
<ul style="list-style-type: none"> - general power of attorney - power of attorney for bank 	

<p>9. Description of the specialized activities that must be carried out especially by the person holding the position (independently)</p> <ul style="list-style-type: none"> - consultancy for the company's CEO - responsibility for reporting and information management systems - development of budgets and monthly results - deviations analysis and benchmarking - calculation, interpretation and comments of the comparison between forecasted and actual result - forecasting - development of product cost calculations and target pricing - consultancy for internal and external reporting - calculations of profitability and investment - financial planning - support / perform strategic planning - analysis of the processes and development of mitigations measure - standardisation and development of controlling tools - project management 			
<p>Note to job holder: The job description establishes your responsibilities and competences in a committed manner. You must act and decide accordingly. You must inform immediately your direct superior in case of any irregularities.</p>			
<p>Date:</p>	<p>Date:</p>	<p>Date:</p>	<p>I received the job description</p>
<p>Direct Superior</p>	<p>Department coordinator</p>	<p>Human Resources Department</p>	<p>Date:</p> <p>Job holder's signature:</p>

Controlling in commercial entities

In the meantime, efficient controlling systems have emerged within the commercial field as well. Among the particularities of trade is the increasingly important role given to:

- the location or locations – for subsidiary-based systems;
- life cycles of various types of operations/commercial transactions concepts (discounters, supermarkets, consumer markets, specialized markets, etc.);
- the range of products in its wideness and depth, against the importance of individual item;
- the high informational and coordination needs related to developing the product range, on behalf of the procurement and distribution department (buying and selling);
- the ordering of the physical flow of goods;
- the organization and usage of the display areas for goods presentation;
- the coordination of the involved factors: personnel and sales spaces.

Mohlenbruch and Meier (1998) show how a unitary consistent system of controlling for the commercial field should be in order to meet these specific elements. At the heart of the integrated controlling system for retail entities lays a central database that must support and improve the information transfer, as well as the management of the interfaces.

The significant elements of the system are the following:

- *overall controlling of the entity*: financial controlling, strategy and organization planning, investment controlling, subsidiaries coordination, development of the types of entities, overall clients management;
- *human resources controlling*: flexible planning of human resources allocation and productivity measurement based on the data from the “personnel qualification controlling”;
- *product range controlling*: product range planning (inclusion or exclusion of articles, as well as overall management of merchandise groups), product range coordination, product range control;
- *spaces/areas controlling*: the management of the commercial space using the analysis of sales data recorded by scanners, the sales integrated management of commercial space, the management of commercial space by means of management systems;
- *goods controlling*: ordering system, external logistics system, internal logistics system, goods reception and warehouse coordination, goods delivery.

Controlling in public administration

The introduction of controlling in the public administration was triggered at the beginning, on one hand by the high and increasing indebtedness, on the other hand by the faulty quality of services in public administration, strongly criticized by citizens.

Compared to private companies, public administration entities do not have services programs and the “products” are not clearly defined. The reporting, a significant communication tool within private companies was lacking almost entirely. Because of insufficient cost calculation, a thorough control of services is impossible or insufficient for most positions in the public administration. One of the reasons is that certain concepts related to information and communication technology are, at best, in an early stage of development. Gaps are identified mainly in the way the public administration presents itself towards its target audience, the citizens as well as in the personnel related area.

In this context, in order to simplify administration, the so-called New Public Management (NPM) was developed by communities in order to reform these entities.

With the help of the New Public Management, the introduction of controlling within public administration was initiated.

The elements of the New Public Management:

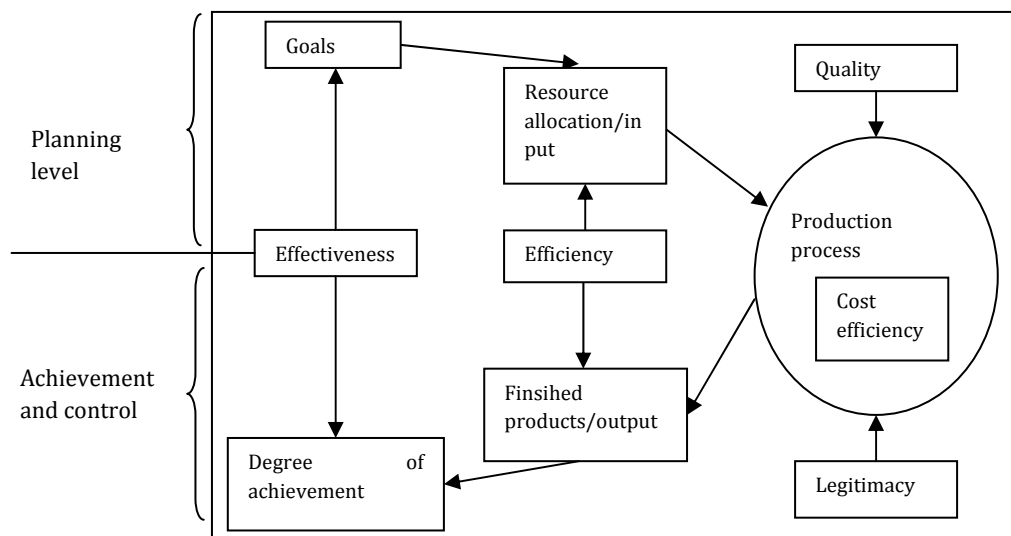
- clear delimitation of responsibilities between public administration and politics;
- reduction of the centralized control with better support for decentralized areas;
- contract management;
- decentralized responsibility for resources;

- development of the organization;
- actions oriented towards output (costs), respectively the product;
- staff training;
- introduction of economy- oriented management tools (cost calculation and profitability calculation, indicators, reporting).

The fundamentals of controlling can be very well transferred to the public administration; however certain peculiarities need to be considered. For controlling within the public sector, respectively for planning, management and controlling for public administration organizations, the “3E” model (effectiveness, efficiency, economy) according to Becker and Weise proved to be a suitable reference.

The focal point of controlling activities in terms of effective management consists in the strategic planning and the planning of the objectives, as well as the control of the goals achievement. Successful management is possible only when the objectives of the civil servants are set between political and public administration institutions involved in the structuring process and when there is a clearly articulated outlook in terms of objectives. To meet these objectives, a series of values under the format of indices and indicators, which should be subsequently anchored in the public administration entities’ internal and external reporting system, must be processed. To support the strategic planning process for objectives and resources, as well as for the monitoring of the achievement of the goals within the multidimensional target system of the civil servants, the Balanced Scorecard concept has proved to be the appropriate solution, being successfully used for many years in these entities

Figure 2. The “3E” model of public administration controlling



In terms of efficiency control, the main focus is on the planning and the control of the productivity and profitability of the services, also taking into account the correctitude and quality requirements of the service.

Within this operational area of controlling, we can find the annual planning and the budgeting, the cost management and the quality management. Within the New Public Management, a significant role in budgeting is represented by the consistent mix between the financial responsibility and the technical (expert) responsibility. The starting point for budgeting is represented by those expert services which can independently decide whether to provide the services while using more personnel or more capital. Taking a decision requires a clear concept of what: products, product range can be made available and their subsequent cost, as well as a proper costs and services calculation. On this basis, comparisons between planned and actual values can be made and deviations can be analysed.

In order to achieve continuous efficiency and effectiveness, the management of the public administration is trained to use an up-to-date, stepwise, clear and action-oriented reporting system.

Controlling in public administration is still at the beginning of a complex development process. In the past years, internal professionalization within public administration followed its course.

Controlling in healthcare institutions

Healthcare is another area where controlling penetrated.

Economic planning and services control within hospitals require a service and cost accounting which meets the following accounting objectives:

- transparency over individual activities/processes with the purpose of recording the services delivered to each patient from admission to release;
- subsequent calculation of total costs of the services performed with the purpose of control over the profitability against the revenues generated by the corresponding DRGs (Diagnosis Related Groups);
- making available information in order to ensure a minimum quality for each treatment with as little as possible consumption of resources: herein lies the influence of medical and administrative behaviour; at the same time, the comparison with other hospitals, respectively benchmarking should be possible.

As long as the specificities of the hospital are considered, the process cost calculation seems appropriate and represents a necessary prerequisite for economic planning, for the management and control of the hospital, as well as for negotiations with health insurance funds and authorities.

Other controlling tasks with regard to hospitals are related to conducting of market analysis for areas of interest, analysis of doctors who issue medical recommendations for further investigations, analysis of diagnoses and their frequency, as well as staff analysis in order to derive constructive proposals for future services and staff. The controller is also the moderator of the discussions between head physicians and management with regard to hospital budget.

Recently, the term medical controlling was chosen in order to designate topics which require special medical know-how regarding hospital management, for example checking of the codes assigned to diagnoses and services, processing of the treatment procedures and deviations analysis. Medical controlling implies a close cooperation between economic and medical staff and demonstrates that in healthcare units, controlling cannot be delegated to a single position, but it must be fulfilled jointly by several persons.

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