Chapter 13
The Role of Controlling in the Business Environment

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ABSTRACT

Environmental changes and especially the development of the digital economy have posed real existential questions to businesses, provoked strategic reflection, and made the emergence of controlling efficient. The objective of this chapter was to explore the role of controlling in the business environment and generalize a reflection on strategy and controlling in the life of companies. The results show that controlling has a significant role in enhancing the corporate governance pillars in companies, and the successes of corporate governance requires compliance with all elements of internal control.

INTRODUCTION

Controlling, along with accounting, is a management science (Mikalef & Pateli, 2017). The information available to the control centers supports the decisions of the managers and allows the evaluation of the behavior of the actors. In fact, management control has become a discipline related to both management and management accounting, devoted to examining the canonical forms of business structure (Awais & Hussain, 2015).

The concept of controlling appeals to various instruments, of influence and less of direct control within a hierarchy. Verification, of course, can be part of the whole. In this sense, controlling is a result, a consequence of a power situation, coming from within organization or other source (Elbannan, 2009).

However, in the enterprise regarded as a set of parties and at the same time as a unitary whole, controlling is the human activity of continual attempt to make the responsibilities, decisions and actions of different managers coherent (Marlin & Geiger, 2012). The coherence process represents the coordination of the interrelationships between the assembly of parts and the different components, and the result is

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the degree of coherence achieved. As a result, controlling controls the good balance between the differentiation of the parties and their integration through individual self-control and collective self-control (Fadilah, 2013).

Controlling has evolved, become autonomous with respect to the techniques of control of deviations and adjustment of budgets, and today the theorists and practitioners see it rather as a system of behavior regulation (Young, 2002). It exists in the context of a contractual approach to delegating responsibilities and relies on a set of remote behavior control techniques.

In the long term, controlling refers to strategic planning (Aguilera & Jackson, 2003). This includes a complete study of the possible options, an accounting of the treatments that are retained, a reaffirmation of the structure of the company and consequently of its operating and capital expenditures. The control associated with the strategic planning is oriented mainly to the relevance of the objectives set (Clarke, 2004).

In the short term, controlling is about budgetary control (Bhimani, 2008). It represents the set of piloting techniques that allow to orient the management of the company towards achieving the previously defined objectives. Budgetary control is one of the techniques of management control that allows, starting from a decentralization of responsibilities, ensuring control within a budgetary exercise, of all the activities of the company, translated into monetary units (Johnstone & Rupley, 2011).

Controlling in the French sense has a double meaning: verification (carried out by the management controller) and holding control (exercised by the manager). So, is management control what the management controller does or the purpose of the process that powers it? The purpose is to allow managers to keep management. However, there are value management controllers that can perform both functions (Weygandt, Kimmel & Kieso, 2011).

The objective of this chapter was to explore the role of internal control in enhancing the corporate governance and supervise the functionality of the implementation of the corporate government principles. The results show that the internal control has a significant role in enhancing the corporate governance pillars in companies, and the successes of corporate governance requires compliance with all elements of internal control.

Background

Controlling is a circular system of rules that helps to achieve the objectives of the company, avoiding surprises and signaling in time the dangers that require corrective measures (Zikmund, 2000).

Alongside governance and risk management, internal control is the third major component of corporate governance (Monks & Minow, 2004). A good corporate government depends on risk management to understand the issues with which the organization is confronted and the internal control for fulfilling its objectives (Cheng, 2008).

In practice, every organization wants to implement these three ideals, corporate governance, risk management and the internal control system, whereas internal audit is the key component of its supervision (Hoitash, Hoitash & Bedard, 2009).

More specifically, corporate governance refers to the way in which the rights and responsibilities are distributed among the categories of participants in the company's activity, such as the board of directors, the managers, the shareholders and other groups of interest, also specifying how are decisions taken regarding the company's activity, how are strategic objectives defined, what are the means of fulfilment and how are the financial results monitored (Todorovic, 2013).

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