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**CONTROLLING IMPLEMENTATION IN
ECONOMICALLY RELATED ENTERPRISES
DISSERTATION SUMMARY**

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Introduction

Controlling as a concept of enterprise management supports the execution of management functions, especially planning and control, creating the basis for rational strategic and operational decisions. Analysed extensively, in various cross-sections and in various industries in the literature on the subject, in relation to individual enterprises, it becomes significantly more complicated when many cooperating enterprises are considered simultaneously, which is a natural consequence of the division and specialization of work. The complicacy and complexity of economic events and processes in the cooperating enterprises, in particular in the highly developed structures of economically interconnected enterprises, and the mutual interactions between departments or related enterprises, cause making rational decisions more and more complex and difficult. It is not only the different purposes of related economic entities that stand in the way, but also the conditions in which their activities are carried out.

When dealing with controlling, it should be noted that in the literature on the subject, but also in practice, it is not an unequivocal concept. Generally, it is considered a concept supporting the management of an enterprise. Nevertheless, the common characteristic of all controlling concepts is its overriding goal, i.e. improving the company's results by rationalizing the management process. The implementation of this goal takes place both through the information and methodological support of the management within the implemented planning, steering and control functions, but also through continuous improvement of the management process. It should also be stated that the degree of dissemination of the concept of controlling is currently very high and covers the vast majority of large and medium-sized enterprises. Recently, it can be observed that the controller (or any other contractor of tasks set for controlling) has ceased to be only a supplier of numbers and has become a partner and advisor supporting decision-making processes, and even preparing a decision. The tasks set for controlling are closely related to the needs of decision makers and their main goal is to enable them to make rational decisions – in a systematic and well-grounded manner.

It is also remarkable that in the era of globalization, easy flow of capital and people, and in the light of increased competitiveness and pressure on cost-effectiveness, more and more often new economic entities (often in other countries) are created, or that already existing enterprises are taken over or merged. The above also leads to the necessity to establish intensive cooperation between capital-independent enterprises. In the case of the latter, this cooperation may turn into their mutual economic dependence

(which is usually indispensable for legally related entities). The resulting groups of enterprises and associations of formally independent enterprises most often have different goals than each of these enterprises separately. Managing a group of enterprises (aimed at improving the results of the whole, and not only individual enterprises - as elements forming it) and coordination of activities of cooperating entities, taking into account the capabilities and specificity of each enterprise included in the group of economically related enterprises, is associated with a growing number of problems. These include difficulties in obtaining and exchanging information needed to harmonize (coordinate) decisions and actions between enterprises (including in terms of maintaining the level of inventories, investment needs and production capacity) and managing the risk related to the consequences of breaking or loosening economic ties. These problems generate (directly or indirectly) difficulties in rational decision making - for example by incorrect identification or analysis of the problem, determining an incomplete spectrum of available solutions or their incorrect evaluation. Therefore, in the author's opinion, there is a need to reduce the deficit of rational decision-making by the management of a group of economically related enterprises through an effective and efficient implementation of controlling in relation to various types of these relationships.

The literature on the subject - in Polish, German or English - does not, however, provide solutions for the methodology of implementing controlling in economically related enterprises, which are accessible and adequate to the operating conditions of such complex entities. It includes only studies devoted to the implementation of controlling in individual companies, controlling in the supply chain or capital groups. Although in each type of these publications there are elements of controlling that can be applied or adapted to the needs of the specificity of economically related enterprises, there is no literature devoted in a comprehensive manner to the implementation of controlling to such enterprises. In the studies on controlling in the supply chain and controlling in capital groups, you can find numerous aspects of operational and financial-management controlling that are also important for economically related companies. However, the issues of coexisting economic dependence are only incidental there - not every enterprise forming a supply chain or capital group must be economically related at the same time. As a consequence, there are no studies where economic dependence is in the foreground.

Transferring general (universal) concepts of controlling to economically related enterprises may be associated with numerous problems (e.g., implementation of controlling tools, the use of which cannot be used to obtain reliable data), generate errors

and be ineffective (not solve existing problems), and at the same time cost ineffective (not profitable). The diversity of individual groups of economically related enterprises and enterprises forming these groups requires individual solutions and often adjusting expectations (expected benefits) to the possibilities (available resources). In some situations, or in terms of individual areas of business, the implementation of the concepts and controlling tools proposed in the literature to groups of economically related enterprises may also lead to an inefficient management system, including making wrong decisions from the perspective of the entire group. For example, the use of tools for planning the sale (or purchase) of products (or production materials) without other additional tools to protect the risks associated with the failure to implement these plans may lead to the implementation of investments, the return of which will not be achieved within the assumed time or amount.

In a situation where there is a lack of research and scientific studies relating to the possibility of organizational shaping of controlling in the group of economically related enterprises, as well as the issues and specificity of implementing controlling to enterprises forming this group, it is fully justified to undertake detailed research in this subject area. The identified ignorance, in the analysis of the publications to date, is therefore a cognitive gap (especially methodological), the fulfilment of which is the subject of this work.

1. Subject of the study

In the context of the above, the subject of the study in this paper were the concepts of controlling, along with the methodology of their implementation, including design and implementation in economically related enterprises, in terms of functionality (controlling goals and tasks), instrumental (controlling tools, methods and techniques) and institutional. The presented triad of organizational problems has also determined the shape of controlling, its essential element.

The subject of the research was a group of economically related companies, and the cases studied include companies from Germany, the Czech Republic and Poland cooperating in the furniture industry. Due to the heterogeneity of individual enterprises and systems that they formed as the research object, it should be assumed that there is no single concept of controlling that "fits" to each type of economically related enterprise. As a result, it is impossible to formulate universal and practically applicable solutions at the same time. This assumption is particularly important in relation to the purpose of the research. Therefore, the paper proposes a general methodology for implementing controlling, adequate for various types of economic relations, and then presents its modifications (enriching or reducing some activities) for individual types of economically related enterprises, identified by the Author.

The consequence of the facts presented above, for the selected object and subject of research, is the formulation of the following research problem, taking the form of a question:

What are the reasons for controlling implementation to economically related enterprises, what factors influence its shape and what methods of its implementation are used?

The main research goal of the work was to collect and analyse data, through literature studies and empirical exploratory research, on the reasons for implementation and the shape of controlling in economically related enterprises, and on this basis, proposing and carrying out a practical verification of methodologies (ways) of its implementation, adequate to conditions for the operation of such enterprises.

Due to the diverse conditions of operation and management of economically related enterprises, for their different types (kinds), it seems reasonable to first propose a universal methodology for implementing controlling, based on studies of the subject literature, taking into account the needs and capabilities of such enterprises, and then to exemplify this methodology, in order to draw conclusions and possibly adjust (modify) it

to specific conditions. Proceeding in this way, it is possible to enrich the knowledge on the factors and methods of introducing controlling to economically related enterprises with a varying degree of organizational and capital dependence.

The main goal of the work has been specified in detail through the cognitive, methodological and application goals:

- **The cognitive objective** of the work was to determine the main reasons for implementing controlling in economically related enterprises, the type and importance of factors shaping the concept of controlling and the conditions for its effective implementation, tailored to the expectations of management and the possibility of their implementation.
- **The methodological objective** of the work was to construct a methodology according to which the implementation of controlling in economically related enterprises should be carried out.
- **The application objective** was to present recommendations for the practical application of the proposed solutions in economically related enterprises.

2. Research methodology

The intention to achieve the adopted goal of the work and the need to obtain answers to the research questions posed caused that the research work was carried out in the following stages:

1. Stage: Analysing and synthesizing literature sources (available studies), both Polish and foreign (mainly in German), on economically related enterprises and controlling in economically related enterprises, and in particular on the causes, factors shaping it and methods of its introduction. The result of the studies of the literature on the subject was a summary of the results of the research carried out so far and the systematization of knowledge (classification and nomenclature) in this field. Literature studies were also used for practical research in the form of case studies.

2. Stage: Presentation of the theoretical (model) shape of controlling and the methodology of its implementation in economically related enterprises based on the analysis and synthesis of the literature on the subject carried out in stage 1. Designing the procedure (methodology) according to which the implementation of controlling in economically related enterprises should be carried out, was used to achieve the methodological goal of this stage, which was a model approach to the shape and methodology of implementing controlling in economically related enterprises.

3. Stage: Conducting qualitative (interpretative) research using the case study methodology. The use of this research method is justified by the need to recognize the phenomenon of shaping controlling in the real conditions of a complex economic system of cooperating enterprises, but also by the early stage of knowledge development in the studied area. Four pairs of economically related enterprises from the furniture industry were examined. The geographical and sectoral selection of enterprises for empirical research was dictated by interesting practical solutions and cognitively supported by the professional experience of the author of the work. This selection was deliberate, and the main criterion for this selection was the variety of economic ties. The related companies include two German companies, one Czech and one Polish. The conducted research was therefore of an exploratory nature, which is justified by the relative novelty of the analysed issues, which is still to a small extent presented in the literature on the subject. As part of this stage, on the basis of empirical studies of selected enterprises, the results of stage two studies (controlling models) were verified, as well as conclusions and recommendations for practice were formulated.

In the preparation of the thesis, the general method of analysis and synthesis was used, and the following detailed research methods were used: in stage 1, the method of critical analysis of the literature on the subject, in stage 2, the modelling method, and in stage 3, the method of case study, using the method of interview and surveying. The author of the work also used the method of participant observation, taking an active part in analysing and designing controlling solutions for the examined group of companies.

3. Thesis structure

The structure of the work was subordinated to the formulated research problem and specific research goals, in which – apart from the introduction and conclusion – four logically related chapters were distinguished.

In **the introduction**, the essence of the controlling concept was indicated, a cognitive gap was indicated, based on the results of the literature review and bibliometric analysis, a research problem, specific questions, and research goals were formulated. The structure of the work, the research procedure and the methods used were also briefly characterized.

The first chapter presents the essence, types, and features of economically related enterprises. Decision-making processes, the controlling support of which is of particular importance, were also described.

The second chapter presents the general characteristics of controlling, as well as the specificity of the functioning of this concept in economically related enterprises, including a description of functions, instruments, and contractors. In addition, the motives for implementing controlling in economically related enterprises were presented, as well as the factors justifying the implementation of individual functions and the controlling tools needed for their implementation. The literature on the subject was based on its critical analysis and then synthesis, also through the prism of one's own experiences gathered during participant observation.

The third chapter proposes a methodology for designing and implementing controlling in economically related enterprises, based on the analysis and synthesis of solutions presented in the literature on the subject, and the experience of the author of the work. The applied research methods also allowed to define general guidelines that should be followed during the implementation of controlling.

The fourth chapter is an exemplification (illustration) of the implementation of controlling in economically related enterprises on the example of a group of enterprises

operating in Poland, Germany, and the Czech Republic. Empirical research, carried out on the basis of the case study procedure, using the method of interview and survey as well as participant observation, made it possible to verify (correct and enrich) the methodology of implementing controlling, developed in Chapter 3. Conclusions from the analysed cases allowed to adjust the methodology to the nature of the relationship and specificity individual types of economically related enterprises and verify the correctness of the theoretical methodology in practice.

The whole work ends with **the conclusion**, which summarizes the conclusions of the conducted research, providing answers to the research questions posed in the introduction. Further directions of research in the analysed area were also indicated.

4. Conclusions from the conducted research

The process of implementing controlling in economically related enterprises – on the basis of a literature study – consists of the following stages:

o Stage 1 – system preparation and design

- Analysis of the needs of decision makers and determination of controlling functions, goals, and tasks:

The goals and needs of controlling have a decisive impact on its scope, shape, and form. On the one hand, benefits are expected from the introduction of single controlling elements. On the other hand, the introduction of each of these elements is associated with the cost: both one-time, related to its implementation, as well as periodic, related to its use (licenses for IT programs and personnel costs of controllers or possibly services provided by external entities).

- Selection of controlling tools:

Based on the set goals, the controlling tools needed for their implementation are selected. Basically, each task can be carried out with the use of various - often tailor-made for a given company (or a given task) - tools.

- Selection of contractors for controlling tasks:

When the controlling objectives and its scope (and with it the tools) are pre-defined, the entity and contractors for controlling tasks should be selected and responsibilities and competences should be defined. As a rule, the contractor of controlling tasks may be:

- own controller as a separate position,
- division of controlling tasks between existing positions within the company,

- as well as outsourcing of controlling (including as a shared service center embedded in another company belonging to the group).
- **Stage 2 – implementation**

When implementing controlling, as in any other organizational change in the company, special attention should be paid to the appropriate mental preparation of employees. This is because the success of the implementation depends to a large extent on them, and the natural reluctance to change may reduce it or limit its desired effectiveness.
- **Stage 3 – system maintenance and further development**

The final stage of implementing controlling is the verification (control) of the compliance of the controlling tasks performed with the previously set goals. In addition, it is also important to assess the effectiveness of controlling (the relation of incurred expenditure to the achieved results), contractors and implemented instruments. After its completion, the above stage should be repeated cyclically, becoming the beginning of continuous improvement of the controlling system. Only continuous and updating of controlling objectives and tasks to the changing needs of the enterprise can ensure the expected quality of the controlling system. The created system is never perfect, and its continuous improvement is also one of the tasks of controlling.

Based on the conclusions from the implementation of controlling in the surveyed companies, it was proposed to separate an additional stage from which the implementation project should begin, i.e., the preparatory stage. Of particular importance in economically related enterprises is to discuss the benefits of cooperation in the area of controlling with decision-makers of individual economically related enterprises, as well as their employees. The fields of cooperation may, of course, be different, but the decision-makers of each enterprise must be convinced of the advisability of implementing controlling. It is not important to name the package of goals and tasks as an implementation of controlling. An important element of the preparatory phase is also an open discussion of issues related to the security of cooperation (security of orders and

supplies, security in terms of specific financial outlays incurred and security of maintaining liquidity).

As it results from the presentation of the course of implementation of controlling in separate types of economic relations, numerous problems, obstacles, and limitations were encountered during the implementation of controlling tasks and tools. They were also slightly different for different types of economic ties. The presented cases also showed possible functional areas and processes that should be supported by controlling and controlling instruments specific to economically related companies. They are listed below in the form of conclusions assessing the actual state of affairs in the cross-section of various types of economic ties.

Conclusions for independent economically related enterprises:

- Ensuring the security of cooperation in the field of:
 - guarantee of orders (e.g., ensuring a certain minimum number of deliveries or orders),
 - guarantee of delivery and prices for a specified period of time – e.g., through contracts,
 - incurring specific costs / expenses (e.g., semi-finished products for stock) – regulating the consequences of breaking cooperation or not achieving the assumed minimum level of sales.
- Change in the distribution of negotiating power:
 - with unevenly distributed economic dependence between two enterprises (one-sided economic dependence), it is worth introducing together with controlling solutions limiting the effects of this one-sided dependence through, e.g., purchasing groups, developing action plans in the event of a break in economic ties,
 - maintaining a second supplier may reduce the risk of breaking the economic ties with the first supplier.

Conclusions for cooperating economically related enterprises:

- Security in terms of maintaining liquidity – one customer, responsible for a significant part of revenues, is the risk of loss of liquidity caused by his insolvency or withholding payments. Securing this risk is one of the most important tasks of controlling economically related enterprises.
- The necessity to constantly adapt the possibilities to the needs of economically related enterprises is necessary to maintain the durability of the relationship.

However, the lack of mutual matching may be the reason for breaking the cooperation.

Conclusions for concentrated economically related enterprises:

- Failure to obtain understanding and acceptance of the introduced organizational changes by employees, in connection with the implementation of controlling, may limit the motivation of supporters of change and increase resistance among employees striving to maintain the status quo.
- Resistance to changes – when implementing controlling in a concentrated enterprise, the habits and general lack of readiness of employees to change may constitute a significant barrier. The consequence of this may be difficulties in obtaining information or coordinating work at the interface between the areas of sales, production, and logistics (storage and transport). The need to prepare reports and provide information may be perceived as control activities, which may result in their unsatisfactory quality.
- Different IT systems can also hinder the way of obtaining data and create additional difficulties related to their processing.
- When the implementation of controlling additionally has a cross-border dimension, then cultural and linguistic issues constitute an additional obstacle.
- In concentrated enterprises, management is at least formally independent, which makes it possible to be guided by its own interests. The above may result – as in the case of independent and cooperating enterprises – presenting false and incomplete information. The recipe for this may be instruments for data cross-verification or the resignation from obtaining and analysing the data that cannot be verified.

Applications for dependent economically linked enterprises:

- Lack of adequate resources (personal, financial and information) in groups of economically related enterprises and the lack of a consistent project approach (no communication of controlling goals, a clear implementation plan and setting specific tasks, deadlines, and resources for their implementation) when implementing controlling may contribute to the implementation controlling improperly (in terms of the scope of tasks, selection of instruments and task contractor).
- In the case of a newly established economically related enterprise, controlling is one of many subsystems (processes) that are the subject of implementation.

Decision-makers first focus their attention on the basic processes of the enterprise, and only after their launch, the quality improvement in auxiliary and management processes (optimization) begins.

- A newly established enterprise is most often a small enterprise, even if it is ultimately to become a large enterprise. Therefore, the implementation of controlling requires adjusting the scope of tasks and instruments to the needs that grow over time.
- Lack of habits and openness of new employees to changes (due to the lack of formed processes) prevent the implementation of controlling from encountering resistance, which is an inherent feature of employees of concentrated enterprises.
- Lack of own IT system in the initial phase (ERP class or even accounting system) may make it difficult to perform controlling tasks. An external service provider is not always able (or not always willing) to adapt its internal (administrative and accounting) processes to the specific needs of individual clients.

Conclusion

Controlling as a management concept used in economically related enterprises – as in individual enterprises – is an approach aimed at systematizing and structuring management processes, using management instruments (techniques and methods) adequate to the needs and costs. The overriding goal is the broadly understood rationalization of management processes taking place in economically related enterprises and between them. Just as there is no single management system universal for different types of enterprises, there is no one optimal concept of controlling and management information system. Thus, in two initially independent business entities, which after some time interact with each other, as a result of a takeover, merger, or intensification of cooperation, one should take into account the necessity to reorganize or supplement the controlling systems. Controlling is a service provider (internal or external) that provides its services to decision-makers who may have different expectations and be guided by different goals. Extensive controlling, using very comprehensive and at the same time complicated to use tools, may be a symptom of waste and ineffectiveness when the recipient of these services does not want or is unable to use them.

The issues discussed in the work, concerning the implementation of controlling in economically related enterprises, although commonly found in economic practice, have not been developed in a comprehensive and exhaustive manner in the literature on the subject. This work was to fill this gap and was an attempt to answer detailed research questions posed in relation to the research problem formulated in the form of a question: *"What are the reasons for introducing controlling to economically related enterprises, what factors influence its shape and what methods implementation are applied?"*

In response to this question, it should be stated that the conducted research has shown that improving the financial results of economically related enterprises is one of the most important goals for controlling and the same motive for its implementation. Cost optimization or better use of available resources and opportunities by any economically linked enterprise, in principle, increases the chances of survival of the entire group of related enterprises and ensures its competitiveness. On the other hand, economically related enterprises, due to the complexity of mutually interpenetrating economic processes, require methodical and coordination support, which is offered by controlling. Also, deficits in the exchange of information and its quality play an important role in deciding to implement controlling. Inconsistent data, non-integrated systems, or the lack of other tools for collision-free information exchange deprive decision makers of

economically related enterprises of the basis for making rational decisions. Moreover, from the perspective of a single economically linked enterprise, the security of cooperation plays an important role. Economic ties are not only benefits, but also threats. Controlling is then aimed at supporting decision-makers in reducing the risk (or its effects) resulting from economic ties with another enterprise. Moreover, in the case of legal relationships, an additional motive may be the desire to centralize functions (including controlling) within a group of economically related enterprises and to support management accounting from the perspective of the entire group.

The main factors influencing the scope of controlling objectives and tasks are individual preferences and needs of decision-makers, the size of economically related enterprises, legal dependence, or lack thereof, availability and cost of controlling services and controller's work. Equally important are the type and scope of economic ties, the degree of complexity of economic processes at the interface between economically related enterprises and the process of agreeing this scope, during which decision-makers of individual economically linked enterprises may have different visions of joint controlling. The geographical distance, language barrier and different culture also play a significant role, which may significantly affect the scope of tasks and coordination needs. The international nature of the cooperation and related communication problems should also be taken into account. Also, the issue of continuous system improvement plays a central role in ensuring the success of the implementation. The events related to the Covid-19 pandemic and the war in Ukraine have perfectly demonstrated the importance of speed and flexibility in adapting to new conditions. As a consequence of answering detailed research questions, the solution of the formulated research problem was brought closer, as well as the implementation of the main goal of the work.

Finally, it should be noted that outside of the area studied in the study, however, many important issues remain. Therefore, it seems reasonable and useful to undertake further, in-depth research on a comprehensive approach to the discussed issues. It seems interesting cognitively to conduct research, e.g., in the area of:

1. opportunities, scope, and tools for the transformation of organizational culture in cooperating companies, with the intention of supporting the implementation (as well as improvement) of controlling in a group of related companies, in particular by building a friendly climate for controlling and training the ability to overcome problems accompanying its implementation and operation,

2. creating strategic controlling in a leading enterprise in the entire group of cooperating enterprises (center), for the implementation of mainly coordination and integration functions, but also communication, in order to ensure durability, coherence and effectiveness of the entire economic system.