



MANAGEMENT CONTROL: DEFINITION, IMPORTANCE & PROCESS

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Abstract

Whether the company is in full development or experiencing temporary difficulties, management control is one of the tools to consolidate achievements and / or anticipate problems. But what is it and what are its objectives? At the heart of the company's activity, management control is a forecasting tool (budgeting). It allows you to compare achievements against forecasts. The analysis of the gaps found leads to readjusting its strategy and setting new goals.

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How to define the management control?

Management control is often mistaken for accounting or a means of monitoring the economic and commercial activity of a company or organization. Indeed, when it was set up at the beginning of the 20th century in industrial companies, the management control was intended to control the smooth running of the firm's activities.

However, for several decades now, we have undergone a profound transformation of businesses and the functions and trades associated with them. Thus, just as the accounting profession has evolved since the 1980s, the role of the controller has changed.

The management controller

Management control is nowadays a key function of the company, in the sense that the main task of the management controller is to support the achievement of the corporate strategy by controlling its performance and ensuring its sound management through the implementation of various management tools. The purpose of such tools is to measure the achievement of the company's objectives by analysing the results obtained compared to the forecasts, but also to past performance.

The analysis of the results provided by these management tools enables the management controller to provide valuable information to the company manager in order to help him achieve his strategic ambitions. In addition, the management controller will also be the

person in a position to provide corrective solutions to overcome the performance problems encountered by the firm.

What are the interests of management control?

The management control allows the manager to have a clear vision of his company and to understand the history of the company in order to make decisions. It is therefore, on the one hand, a decision-making function for management. In fact, by evaluating the company's financial, economic, commercial or social data, management control provides elements that make it possible to carry out a company policy.

On the other hand, it should be known that management control interacts with the various functions of the company and not exclusively with the management and the accounting function, to which it is too often assimilated. From this point of view, we can affirm that the "management control" function is an information management system intended to drive corporate performance.

He accompanies the operational actors in the development of their performances while being the "guardrail" of the company. It is the process by which the leader ensures that the resources are used effectively (in relation to the objectives), efficiency (in relation to the means employed) and relevance to achieve the objectives.

The management control has the task of verifying the good match between the defined strategies and the performances achieved. It controls, measures and analyses an activity, an organization, a service, a market, a product, a customer. The results obtained are presented in the form of synthetic dashboards from which to identify the possible lines of improvement and proposing the means to reach them.

To this end, management control must be clearly positioned as the interface between the operational services (actors in the field) and the functional services (operational support actors). This requires from the management controller a very good knowledge of the various business lines of the company, a developed sense of relationship and communication with the company's stakeholders.

In fact, management controller cannot simply receive the information he needs. He must also ensure that this information is complete and of high quality.

The objectives of the management control are:

1. To contribute to the definition of the strategy;
2. To monitor the implementation of the strategy;

3. To prepare the allocation of resources in line with short-term objectives and strategic objectives
4. To measure the organizational performance;
5. To control the activity and take corrective actions.

It is essential for the process of Management control to be present at all levels and in all functions with two main goals:

1. To allow each manager to control his management unit in order plan and program means, stages and monitor performance;
2. To allow each manager to present the results he has obtained, the decisions he has taken, the objective towards which he is heading.

Phases of the process

Planning. The starting point of management control is the planning phase in which the objectives are defined, then translated into operational acts through marketing, investment, human resources management and financial management policies. In this phase, a strategy must be defined operationally regarding: the product / market pairs; investments and divestments; the organization and management of HR, the adaptation of the production tool where appropriate;

Budgeting. The budget phase begins with the setting of the short-term objectives, which are derived from the medium-term action programs, but take into account the constraints and the plans of action decided for the coming year. Most of this phase is in the definition, coordination and approval of the company's action plans.

Action and follow-up of achievements. The overriding phase that follows budgeting is the execution of the action plans and their translation into facts in order to achieve the objectives. The control process is therefore inseparable from the management of the company, and its implementation is done through the use of various tools, including long-term and medium term plans, one-off economic studies, statistics, general accounting and cost accounting, ratios, dashboards...etc.

Measure results. The final step is to analyse the results with the aim of identifying the necessary corrective actions.

Today, decision-makers not only ask management control to calculate costs and measure results afterwards, but to continuously monitor the performance of all activities in order to help in real time decision-making throughout the strategic and operational process.

An organization to set up

Implementing management control involves thinking about one's administrative organization and information system (CRM, accounting software, etc.) to quickly retrieve the necessary information and process it.

The various tools generally put in place by management control are:

- Reporting in the form of key indicators;
- Dashboards whose frequency varies according to needs and activities;
- The development of annual objectives revisable during the year;
- A 3 year mobile business plan;
- The calculation of the cost of products and services offered, the various internal processes.

The benefits of effective management control

The purpose of any business is to generate profit, and generally, it is through general accounting that one determines whether the company has generated profits or losses during a given period. However, these data do not allow to define what was the margin generated for the sale of a product or a service. It is only through cost accounting that we can calculate the costs of production and we can see the profit made for each piece of product sold. The management control also makes it possible to evaluate the expenses borne by each service within the company.

Avoid sight management with cost accounting

Cost accounting focuses on cost. All positions in the company are listed to determine what are the expenses to be incurred during a given period: a month, a quarter, or a year. It is essential in this case that each direction establishes a budget not to navigate on sight. Each manager is expected to evaluate what their expenses and revenues will be during this period. Everything has to be taken into account, from the office supplies to the spare parts that will be used on the machines. Staff salaries, consumables, raw materials, travel expenses, maintenance contracts are all charges that will need to be identified and quantified in the budget. In principle, the budget must be completed, validated and put in place at the beginning of the business and before the beginning of each financial year.

Establish procedures for a well-organized organization

The procedures that will be used in the current management mode must also be defined to ensure a harmony of tasks in the company. The management controller, managers and directorates will need to look at each task and each position in the organization chart. There must be no ambiguity in the hierarchies. Practical issues are also discussed such as disbursement conditions, material exits at the central store, the quality of the people who trigger a purchase, the establishment of databases to facilitate control, and so on.

All these actions are implemented so that the partners, the shareholders and the financial partners see that the company in which they have invested their capital has a specific objective and that their funds will be used wisely.

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