THE FORMING OF A COSTS CONTROLLING SYSTEM AS AN ELEMENT OF THE POLICY OF PROVIDING BALANCED SUSTAINABLE ENTERPRISE DEVELOPMENT

Tatyana Odintsova, Ph. D., associate professor
Sevastopol national technical university,
Sevastopol, Ukraine

The competitive ability and balanced sustainable enterprise development, in the first place, suppose the perspective business attractiveness, which is determined by the corporate social responsibility and the development strategy, which is aimed at long-term steadiness, development and harmonious existence in the economical sphere, nature and community. It is these characteristics that to great extent determine the investor’s trust to the company and that are considered as the long-term factors of creating the cost, thus being capital making.

An important condition of the competitive ability and the stable enterprise development is optimization of the inner processes, which provide the creation of the cost and the achievement of the strategic targets of the business. To such processes, firstly, the formulation and regulation of the costs can be referred. When building an effective system of controlling the costs it is reasonable to use modern methods and approaches, that can help to integrate management functions and gain the purposefulness of such system working.

Such an approach is used fully in the sphere of controlling, which is one of the subsystems of enterprise management, which provides data, methodical and organisational-technological support of control process. Estimating the quality of fulfilment and the mechanism of interaction of primary control function, controlling provides its coordination and integration, perception, regulation and submission of administrative processes to the common vector of enterprise development and helps to transfer management to another qualitatively higher level.

Controlling can be referred to the number of the most perspective directions in the field of functional, institutional and tool maintenance of corporate governance system as it flexibly enters this system and supports a strategic orientation of the enterprise development. Within the controlling limits can be united such functions of management, as targeting, planning, accounting and costing, monitoring and control, data flows, regulation and analysis. Thus the majority of authors emphasize that controlling doesn’t substitute these functions, and connects them together, integrates and coordinates, provides an estimation of quality of their performance, data, methodical and technological support. Controlling performs those tasks which are not solved or are solved in insufficient degree within the limits of other management functions, in particular:
- Gives an estimation to the internal and external environment, an estimation and the coordination of the business and management purposes;
- Estimates rationality and quality of the control system, its correlation to the purposes of the enterprise activity;
- Forms recommendations to the management organization using new technologies;
- Estimates the methods applied at the management functions’ realization, and recommends expedient methods, tools and procedures;
- Forms new vision of management objects and its functional spheres in the context of actual management concepts and enterprise purposes;
- Defines information requirements in the management outline and directions to develop the internally information environment of the enterprise;
- Makes a reflection, i.e. comprehension, judgement and the further estimation of administrative decisions, and also chooses (recommends) criteria for such estimation;
- Offers methods of coordinating the managers’ actions and the actions of interfunctional administrative teams in the course of development, judgements, coordination and acceptances of administrative decisions;
- Comments on the economic information and recommends possible options of accepted decisions, does an internal consulting at all stages connected with the decision acceptance and its realization.

Modern concepts of controlling define its importance for maintenance of competitiveness and the balanced sustainable enterprise development. A purpose of the enterprise is than optimisation of financial and economic indicators (profit, profitability, cash flow, value of business), more maintenance of long-term appeal, image and trust to it from a wide range of interested people – the states, owners, creditors, workers, social, ecological institutions, local community and so forth. In order to achieve such sustainability complex approach to economic efficiency, ecological safety and social responsibility of business is required. Such approach is organically enter and can be used in the controlling environment, which helps a control system to focus on achieving purposes when forming the information, necessary for their choice and the coordination, definition of achievement criteria, quantitative and quality estimation.

On the basis of the analysis of some authors’ researches, it is possible to allocate the most significant concepts of controlling to which, in particular, can be referred:

1. The registration concept (the beg. of ХХ century) according to which the controller registers useful for management information, and represents it to the management in the form of the reports which are different from the accounting.

2. The registration-analytical concept (the end of 20s – the beg. of 30s) is historically connected with intensive development of the managerial accounting which is considered as the effective tool to manage the company. The information given by the controller, gets analytical character and is supplemented with recommendations, and controlling practically does not differ from the management accounts.

3. The concept, focused on furnishing of the relevant information (70s), develops the previous concepts and still places emphasis on information function of controlling.
Its key problem is to provide management with the information to plan, accept and advance decisions, and also to control their execution.

4. The concept of internal firm integration (70s) has arisen simultaneously with the ABCS (Automated Business Control System) and the idea to integrate manufacture, stocking, merchandising and, later, researches and projects. It is based on new possibilities of the information processing, given by computer technics and assumes integration within the limits of controlling plans and enterprise budgets among its organizational units within the limits of the basic functional directions of activities.

5. The concept of planning and control, focused on financial result (the end of 70s) is also connected with the processes of aggravation of competition and understanding the necessity to pass on to the new organizational structures in business. It combines a target orientation of controlling – provides management with profit at sufficient level of liquidity, as well as an accent on certain functions in a control system – planning and control, providing their mutual coordination and realisation at strategic and operative level.

6. The concept focused on management process coordination (the end of 70s – 90s). Controlling carries out coordination of management actions in a control system, co-ordinates subsystems of planning, control, organisation, data support and staff administration.

7. The coordination-navigating concept (the end of 80s – the beg. of 90s). In this concept the basic reference point for management are the key indicators of the effectiveness that enter into four blocks of the system with balanced estimated indicators (BSC). Thus the prime role in controlling refers to a correct choice, measurement and balancing of strategic and operative indicators that will provide steady and effective goal achievement. Controlling is considered as the navigation system for management.

8. The concept focused on creation of the value added (90s). In this concept the emphasis is put on a target orientation of the system and controlling positions as an additional function of administrative process which initiates actions on creating add value and helps to orientate on this purpose achievement (it is allocated with so-called incentive function).

9. The concept of administration rationality (the end of 90s – the beg. of 2000) as the administration rationality can be insufficient because of an impact error of the managers from the enterprise purposes or errors in work, recognition of possible irrational actions of managers, their reduction and removal, i.e. administration support from the point of management „correctness” becomes the primary goal of controlling.

10. The concept focused on introspection of accepted decisions (2000). Decision-making assumes a choice which always contains risk of an error, therefore controlling aims at introspection of the accepted decisions – it is necessary to analyse them from various points of view, to impeach and to analyse if they satisfy the purposes and correctness of a choice from possible alternatives. In this case the reflective function becomes important which assumes comprehension and judgement of decisions and coordination of people’s actions in decision-making process.
present stage can be already automated. First of all it is urged to create tools for quantity measurement of strategic intentions and potentials.

12. The concept of optimization of interests of interested persons (stakeholders) as an element of corporate governance (from the beg. of 2000 in a formation stage). The concept is connected with changing neoclassical paradigm into an institutional one: the enterprises, or agents, should balance their interests with the interests of a wide range of institutions operating on economic arena with their norms, interests and behavior rules, and it should be considered when setting the purposes and interpretation of results. The enterprises in modern conditions can’t put a target task in the form of optimization of financial and economic indicators only for the enterprise (profit, profitability, cash flow). It is necessary to consider interests of a wide range of interested people – the states, proprietors, creditors, workers, social, ecological institutions, local community and so forth.

Attempt to systematize concepts was undertaken by the various authors, however the received results essentially differ. It occurs, first of all, because in order to allocate the concepts different though interconnected signs are taken as the basis – historical stages of controlling development, connected with the reaction to the changes in the economic environment, orientation to the certain function, a target orientation of the system.

To maintain the comparability of the concepts the following scheme of their classification is offered (drawing 1).

**Drawing 1 - the Scheme of classification of the controlling concepts on the basis of their allocation**
The analysis of the existing controlling concepts shows that they are defined by an economic paradigm, develop in the process of occurring new purposes of economic activities and flexibly react on the modern tendencies in the theory and management practice. Modern concepts develop in several directions, covering controlling positioning in the management system, its methodical base development, tool, remedial and institutional aspects, and a target functioning orientation of both the enterprise, and its control system. This way appeared the concepts focused on creating add value, on the management rationality, on the introspection of taken decisions, strategic navigation and others. It is a combination of technological flexibility and orientating on valuable reference points and social and economic requirements of the system, first of all viability and perspectivity of controlling consists of.

Controlling introduction into the enterprises’ activity can be considered as one of the formation elements of mechanism architectonics that provides balanced and stable economic growth, owing to its following features:

1) Controlling provides vision of the enterprise functioning purposes in the context of specificity of the external and internal environment and a modern economic paradigm, considering it as the cross center of the interests of the interested people and institutions, balancing and coordinating strategy to these interests;

2) Controlling focuses an enterprise control system on the achievement of competitiveness and long-term stability, that is a sustainable development in a long-term prospect. Now factors of such stability and perspective appeal of business are the corporate social responsibility and the strategy of development aimed at the development and harmonious existence in the economic, natural and social environment. As they define investors’ trust to the company, they can be considered as the factors of creating the cost. Also to the capital-forming factors can be referred: quality, organizational structure and system of management, ability of the enterprise to create new value and platforms for its creation (innovations, brands, satisfaction and loyalty of clients, quality and production renovation, a chain „supplier-consumer” , the human capital, reputation, stability to risks).

3) According to the chosen purposes and strategy of development controlling allows to estimate the organizational structure of the enterprise, to define feasibility of allocating those or other segments and to fulfill the reconfiguration of the business processes. Further it estimates quality of the management system and designs (reconstructs) it so that it provided achievement of the set goals, functioned with peak efficiency and provided rationality of accepted decisions.

4) There is an approach of the value-based management of the company in controlling, as it gives the chance to estimate ability of each of business segments to generate the economic add value in interrelation with the movement of the resources enclosed in actives of these segments, allows to orientate the enterprise on effective financial resources control, supporting thus proper level of economic stability, solvency and manoeuvrability. Criteria of efficiency of financial management controlling defines:

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1 Дубовик, А. Вклад надлежащей системы корпоративного управления в создание стоимости компании. – Эл. ресурс. Режим доступа: http://www.management.com.ua/finance/fin127.html?print
creation of value for the consumer, forming market advantages and competitive stability of the enterprise; increasing the cost of the enterprise and growth of market cost of its own capital that facilitates the process of attracting financial resources and investment appeal of business; appropriate increase of the financial indicators defining the perspective stability – DCF, CVA, EVA, SVA.

5) Controlling is considered as the means of providing the quality of the information delivered in the external environment of the enterprise. An important element in forming a new world financial architecture is providing transparency and decrease of the information asymmetry in the financial market since the movement of cash flows in the market is defined by the quality of the information received by investors, creditors, financial agents and other participants. It directly concerns the corporate reporting, representation of the information about the activity of managing subjects and the principles of its drawing up, providing transparency, liquidity and vitality of the financial market. The corporate reporting, the basis of which is financial reporting, was traditionally considered and is considered in a plane of the financial account and furnishing the information to external users. Controlling was formed on the basis of the managerial accounting with its orientation on the information support of managerial process in the enterprise. Existing long time division of the „external” and „internal” account assumed differentiation of their information „product”, applied technologies and approaches. Now an actual tendency in the field of account and reporting is their rapprochement and assimilation within the limits of concepts „Corporative Governance”, „Management Approach”.

The external reporting is supplemented with the data about those internal processes which form the cost and appeal of the company, the characteristic of its strategy, organizational structure and a management system, the innovative, human capital, image and reputation, activity indicators on the business segments. Thus, one of the controlling tasks is not simply this sort of forming the information, but also adjustment of the control system to regulate key options of business that get the priority value. That is controlling plays a link role between the external and internal accounting, a source and the guarantor of quality of that information on the company which is delivered in external environment and forms trust to it, its reputation and – accordingly - prospects of economic growth.

6) Controlling at a qualitatively new level allows to fulfill the requirements to the system of internal control of the enterprise. It is considered that one more condition confirming the quality of managerial processes and adequacy of the accounting information about the enterprise, is the presence of the internal control system, construction and adjustment of which is also can be reffered to the task field of controlling. In the end of – the beginning of XXI centuries the international organizations had accepted a number of acts and the requirements mentioning also the questions of internal control. The most known of them is the Sarbanes-Oxley Act (SOX act 2002), that toughened requirements to the internal control and audit of the public companies. Similar acts have been accepted in other countries (for example, a Turnbull Guidance on Internal Control in Great Britain), and also by the international bodies. After that systems of internal control (first of all in drawing up the financial
reporting) were on the foreground for many companies. The most recognized in the world methodology to observe the requirements of chapter 404 of the Sarbanes-Oxley Act is the methodology COSO ERM (Enterprise Risk Management), representing development of the previous standard ICIF (Internal Control – Integrated Framework).

Estimating the requirements of SOX and other similar documents, it is necessary to notice that all of them are directed to regulate the control of drawing up the enterprise financial reporting that essentially limits the understanding of internal control. The necessity of the internal control system is caused not only by the requirements of external users of the information (such as investors, creditors and other participants of the financial markets), but also by the necessity to provide a proper quality degree of the business processes’ management at the enterprise. Its formation should base not only on the legislative requirements connected with an entry into the stock exchange, but also on the proprietors’ requirements, and also on the requirements of the companies’ management. That is when forming an internal control system the complex approach of seeing the goals and tasks and integration with other management functions is important, that is fully realized in the controlling concept. Controlling allows to coordinate local tasks of internal control with the corporate strategy and the tasks, to provide its conformity to the level demanded from the external, market, environment, as well as from the proprietors and enterprise management. Configuring organizational structure of business and its control system, allocating the responsibility centers, indicators and procedures of their monitoring and control, controlling will allow to provide not just organization of the intraeconomic control system, but also to integrate it with other functional management spheres.

The most important substantial controlling block, in our opinion, is the cost controlling that provides information, methodical and organizational-coordinating support of the managerial process with the help of the costs of all functional kinds of the enterprise activity, aimed on achievement of its main goals. Traditionally and naturally costs are considered as the major object of the controlling generated on the basis of the administrative account with its accent on expenses. Construction of an effective costs control system is one of the controlling key tasks, allowing to integrate management functions and to achieve purposefulness of this system functioning. The concept of strategic management of the expenses is now considered as one of the fundamental directions of controlling development.

It allows to monitor and develop modern lines of costs management and to use them in practical activities. Now it is possible to formulate such key principles of costs’ management in controlling system:

- The rationalization assuming not simply decrease of costs, and regulation of their level, structure and appointment to achieve the set goals and reception of the maximum return from the used resources;
- Transition from the purely monetary criteria of the efficiency of the resources expenses to the criteria of creating value for the consumer and optimization of a cost chain;
- The target orientation of the system is more to define the possibilities of the business processes optimization, than to reveal the reserves of expenses’ decrease;
- Preventive character and orientation to the future (regulation of expenses at the design stages, planning and direct realization);
- Wide application of monitoring tools and costs control tools in a real time mode, management on indignations;
- The process-focused management of expenses, an estimation and regulation of the cost of the activity functions, processes and operations.

Defining a role of expenses’ controlling in a competitiveness maintenance and the balanced sustainable enterprise development, it is possible to notice that it, in particular, provides:
- Attention attraction to the strategically significant objects of costs and calculation of their prime cost in strategic planning and the analysis;
- An estimation and control of the management decisions influencing costs (at the planning, budgeting and realization stages);
- An estimation of business processes efficiency from the point of resource capacity and creation of the add value and value for the consumer;
- Comparison of the expenses and benefits (profit, value for the consumer, competitive advantages etc.);
- Revealing limiting factors and optimization possibilities to use resources at existing restrictions;
- Calculation of the product cost price at all stages of its life cycle;
- Information support of the analysis of a value chain, the revealing of possibilities to optimize business processes;
- Buildup of target indicators of the cost price and an estimation of the possibilities to achieve them;
- Revealing of cost drivers and regulation expenditure forming factors;
- Monitoring of expenses’ deviations from the preset values in the formatting course, costs control;
- An estimation of separate segments efficiency and others.

Construction of costs controlling assumes realization of a variety of the interconnected projects on reorganization of a business control system. First of all it is a working out of strategy and definition of the enterprise purposes on the basis of analyzing the external and internal environment and vision of the long-term prospects of its functioning taking into account balance of stakeholders’ interests. Depending on the chosen strategy the concept defining a fundamental idea and concrete mechanisms of expenses’ management can essentially change. So, when choosing a strategy of leadership on expenses or the focused strategy of low costs, decrease in expenses at all stages of a cost chain is important, accordingly the control system should be aimed at the search of ways to minimize them. The differentiation strategy and the focused strategy of differentiation assume the raised costs on creation of specific and unique valuable characteristics of the product allocating it in the consumer’s eyes, that’s why decrease in expenses is not so important than the maintenance at their admissible level of necessary qualities and attributes of the goods or service. Strategy of optimal costs gives an opportunity to combine their low level and distinctive goods’ properties that demands a complex approach to the expenses’ management and aiming at the search of organizational-technological innovations.
The next step is to estimate the efficiency of the business structure, the analysis of consecutive activity kinds that create value for the consumer (a cost chain) and search of ways to optimize them through the business processes' reconfiguration. At this stage it is important to correlate costs with the processes in course of which the cost is formed: the workings out of a product, manufacture, marketing, sale and an aftersales service to estimate the possibility of the expenses decrease and realization of the competitive advantages. In controlling system possibilities and expediency of structural changes are estimated: creation of new or liquidation of the existing manufactures, procuring or marketing units, use of outsourcing and insourcing, revision of the delivery modes and other structurally significant decisions. In organizational-functional enterprise structure the responsibility centers are allocated, their purposes and authority are defined and coordinated.

The further logically expedient stage is the quality estimation and reforming of an enterprise control system. Degree of its conformity to the criteria of providing purposeful development, rationality and adequacy of fulfilling the key functions in a management contour – such, as planning, the organization, motivation, control, is thus estimated; also it is possible to include in this list targeting, forecasting, the account, the analysis, coordination, regulation, working out and decision-making. Even the elementary description of what functions in the expenses' management are carried out by what units, what procedures and regulations are used, how the received results are coordinated among themselves and used further, frequently shows the obvious drawbacks of the existing control system. Thus it is necessary to consider that costs' management is carried out at a purely functional level, within the limits of specialized administrative services, as well as at the level of the concrete place of their occurrence (first-hand in the course of the activity involving resource expenses when accepting organizational-technical decisions). According to the vision of the enterprise purposes controlling defines the tasks, solved by the costs control system in whole and its separate functions, provides their congruence with the enterprise purposes and a mutual coordination. Also, as the management system is differentiated, controlling carries out coordination in it, develops tools and organizational actions for such coordination.

As the information function is one of the main in controlling, an obligatory condition of its application is designing and introduction of the system of information flows. Information about expenses is formed in the environment of the economic account, fulfilling the planning, forecasting, monitoring, control, the analysis, preparation of projects; the data from the internal and external sources is used. In costs' controlling regular information about the expenses of the separate centers of responsibility, segments and business processes for an estimation of their efficiency, the operative data about expenses and factors forming them for monitoring, control and regulation is important. Besides, the information about the costs of various variants of managerial decisions underlies in their estimation and the further choice. Controlling defines information requirements of the basic links of the costs' management, sources and procedures of data processing and in appropriate way reconstructs system of the information flow. The maintenance and qualitative characteristics of the information concern its components, suppliers (units and employees) that fix, process and transfer the data, recipients, regulations, procedures and IT platforms.
The substantial component, transparency and target concentration of the information flaws’ system to much extent depends on a choice of key indicators for the centers of responsibility of all levels. Indicators are reference points in planning, budgeting, motivation and control, allow carrying out the internal and external balancing of the enterprise purposes and its units on all strategically significant lines of activity and act as the criteria when estimating the degree of achieving these purposes. In the strategic managerial accounting and controlling various systems of indicators are known and are used, they are considered in works of D.Norton, R.Kaplan, P.Atrill, E.McLaney, C.Drury and others, their choice and adaptation to the concrete business conditions is one of the controlling tasks. In the field of costs management it is possible to model and apply the indicators to estimate the expenditure capacity and qualities of internal processes, for example, level of non-productive costs and losses, time of work stoppage, the cost price of operations, a share of expenses to fulfill the processes which do not add values to the product, processing average time, the expenses connected with the poor quality and others.

The centre of costs’ controlling is the system of the managerial accounting and, first of all, the costs’ accounting as there forms the information necessary for the management and a considerable part of the control functions is realized. Frequently the managerial accounting and controlling are identified, such approach is characteristic for the American school of controlling and its followers. However, as N.G.Danilochkina, E.A.Anankina, S.V.Danilochn mark „the primary goal of the managerial accounting – to grant the relevant information for acceptance of administrative decisions; functions of controlling are wider, they include not only the managerial accounting, but also planning, control, coordination, and also development of the recommendations to accept the administrative decisions“\(^2\). At some argumentativeness to restrict the managerial accounting functions with the only information function, it’s obvious that controlling – much more capacious concept. It assumes a quality estimation of the performance and methodical support of all functions in a contour of business operation and adjustment of the management system for the internal coordination and introspection which is impossible to include into the account competence even in the broadest sense of the word. System of the costs accounts’ reforming or modernization is the major stage at controlling construction at the enterprise and assumes:

- Definition of the requirements to the construction of the costs accounting according to the targets, the concept and logic of controlling system functioning;
- The analysis of existing methods and variants to build up the costs accounting, a choice of the most suitable accounting methods, taking in accordance with branch and corporate features; modernization and development of the used methods;
- Definition of a circle of the expenses account’ objects and costing (business processes and operations, functions of activity, the cost created for the consumer and kinds of activity, creating this cost, attributes, stages of product life cycle,

stages of movement in the course of cost creation and so forth) and kinds of considered expenses (the future, predicted, estimated, alternative expenses and so forth);

- A choice and construction of costing systems taking into account possibilities of their combination and development;

- Differentiation of the tasks solved in the system of the financial and managerial costs accounting and the analysis of variants to build up the integrated (differentiated) registration system according to the controlling concept and existing regulations;

- Perfection of organizational-methodical maintenance of the costs accounting.

Not less significant stages in formating a system of controlling the expenses are budgeting introduction, a regulation of the monitoring and operative control procedures, and also creation of the ordered system of analytical reports and discussion of the results and problems.

Creation of the expenses controlling system, which orientates to increase the management efficiency of the costs and achievement of the enterprise strategic targets, will promote maintenance of its balanced sustainable development and competitiveness in a long-term prospect.

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Tatyana Odintsova, Ph. D., associate professor
Sevastopol national technical university,
Sevastopol, Ukraine

Abstract

The article gives the essence of the notion “the concept of controlling”, systematized most significant controlling concepts, defined by the existing approaches to its content, target and functional orientation.

The article deals with the essence of controlling its role in the management system and current trends in its development. The basic controlling concepts presents and systematized; the author proposed a classification of the most important concepts. It is proved that the introduction of controlling the enterprises’ activities of can be considered as one of the elements forming the architectonics of a mechanism to ensure balanced and sustainable economic growth. Reviewed the importance of costs controlling as an element of the company’s management system, its components and the main approaches to the costs controlling. The article defines the role of cost controlling for the providing of competitiveness and balanced sustainable development of the company, proves the feasibility and main stages of the cost controlling system formation.