SECTION 10. MANAGEMENT

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10.1 Management control in business: tasks, functions, stages and methods

The aim of the paper is to define and compare definitions and objectives of the managerial control and controlling based on research of scientific and professional literature through the opinions of domestic and foreign authors.

Control is the most fundamental element of the management process. Neither planning, nor organizing, nor motivation can be considered in isolation from control. In fact, all other management functions are integral parts of the overall control system in the organization. Control is the process of regulating organizational activities by constantly monitoring production activities and eliminating deviations that arise in this process. Control is a management function aimed at ensuring the achievement of the organization's goals by evaluating and analyzing the results of its activities, identifying deviations of actual results from planned ones and making the necessary adjustments [332].

Controlling is the management function in which managers establish and communicate performance standards for people, processes, and devices [333]. Control is defined as any process that directs activities toward organizational goals. It is how effective managers make sure that activities are going as planned. Some managers don’t want to admit it, but control problems — the lack of controls or the wrong kinds of controls—frequently cause irreparable damage [334] .

Control on the principle of feedback ensures the interconnection of all management functions (illustration 1).

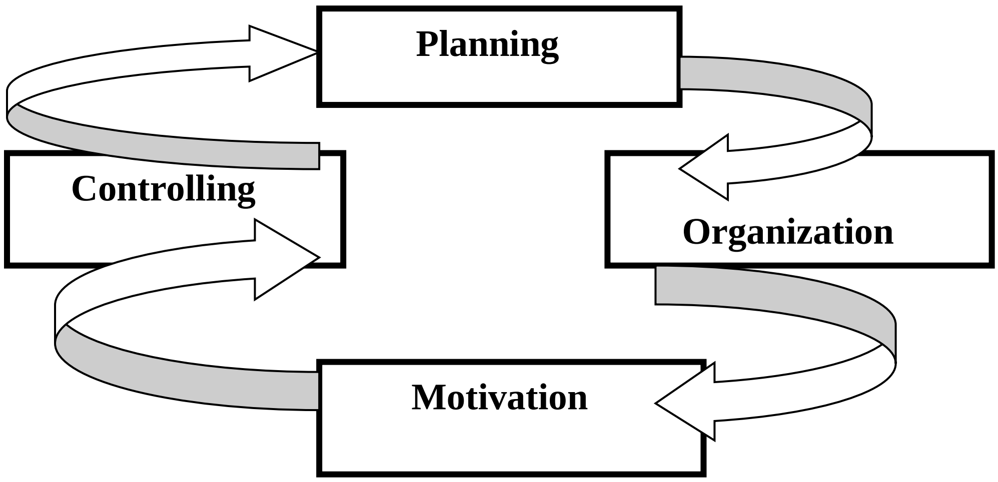

Illustration 1. Interrelationship of management functions

Control as the final stage of the management process directly affects the effectiveness of other management functions - planning, organizing, motivating. Even the best plans will not be implemented if control over their implementation is not ensured. The effective functioning of the organizational structure is possible only if the work of its units is properly controlled by senior managers. Finally, the motivation function will be performed only if there is compliance: reward - the result of activity. To determine the result of activity, a holistic system of measuring the actual result and comparing it with the standard is necessary.

The business environment in which companies compete for competitive advantage is constantly changing and evolving. Once managers form plans and strategies, they must ensure that the plans are carried out. They must make sure that people are doing what needs to be done and are not doing inappropriate things. The word “control” leads to negative emotions. For many people, control means, above all, constraints, pressure, lack of independence. Managers continually look for ways to improve customer satisfaction, maintain relationships with suppliers, cut inventory costs, and develop the right products. As a result, every organization needs basic systems for allocating financial resources, developing human resources, analyzing financial performance, and evaluating overall profitability [334].

In the practical activities of the organization, the control function can be carried out by both managers at all levels of the hierarchy and by special specialists specializing exclusively in control. They decide what types of control are necessary for the company, develop and implement control systems and take measures based on the information obtained when controlling the organization's activities.

The main purpose of control is to: ensure the implementation of the strategy, compliance with the main parameters of activity, implementation of management decisions by structural units and individual executors. Objects and subjects of control are distinguished.

The subjects of control are: state and departmental bodies; public organizations; collective and collegial management bodies; linear and functional apparatus of business.

The control function has 6 main tasks [332]:

1. Adaptation to environmental changes. A medical and preventive institution must respond to changes in the external and internal environment. For example, changes in the structure of the disease of the population served by the institution, the epidemic situation; new methods and technologies of diagnostics and treatment, etc.

2. Ensuring the achievement of the goals and mission of the health care institution.

3. Limiting the accumulation of errors. If errors are not controlled, they tend to accumulate. This thesis applies to both the process of providing medical care and the management process.

4. Overcoming complex organizational problems. With the expansion of a health care institution, it is necessary to expand the control system. An outpatient clinic may have a simple control system. If we are talking about a hospital, then the control system should be more complicated. Thus, the institution overcomes organizational problems associated with the division of labor, structuring, reporting, division of powers and coordination of activities.

5. Minimization of costs. Effective control reduces costs.

6. Prevention of crisis situations.

The correct estimation of total-factor productivity is a fundamental issue in applied economics and is the main topic of several seminal articles. When subject to productivity shocks, firms respond by expanding their level of output and by demanding more input; negative shocks, on the other hand, lead to a decline in both output and demand for input. The positive correlation between the observable input levels and the unobservable productivity shocks is a source of bias in ordinary least squares, when estimating total-factor productivity. Various methods have been proposed to tackle this simultaneity issue, and according to their approaches, it is possible to group them into three families: fixed-effects, instrumental-variables, and control function approaches [335].

The control function provides: identification of problems in the organization; establishment of compliance of the process with standards; provision of assistance to subordinates (advice, training, prompts); correction of actions of subordinates; formation of feedback with the subordinate in order to consolidate the necessary forms of behavior.

The control function provides for: assessment of the results of the rganization's activities and its individual structural units; assessment of the flexibility of management, its ability to adequately respond to changes in the external environment and adapt to them; identification and analysis of factors that impede the achievement of planned results; prevention of the occurrence and accumulation of errors; consideration of the specific contributions of each employee to ensuring the final result; formation of feedback to inform and encourage personnel; overcoming problems associated with the growth of the organization, organizational changes, etc.

Beside, control functions serve as the vanguard of risk management. In today's volatile business environment, organizations are constantly exposed to a myriad of risks, ranging from financial uncertainties to regulatory compliance issues and reputational threats. Control functions help mitigate these risks by proactively identifying potential vulnerabilities, implementing preventive measures, and establishing robust internal controls. By fostering a risk-aware culture and ensuring adherence to compliance standards, control functions safeguard the organization against adverse impacts and enhance its resilience in the face of uncertainty.

Also note that control functions play a crucial role in governance and compliance. In an era marked by increasing regulatory scrutiny and corporate accountability, organizations must demonstrate adherence to legal and ethical standards in their operations. Control functions facilitate compliance by establishing frameworks for monitoring and enforcing adherence to regulatory requirements, industry standards, and internal policies. By promoting transparency, integrity, and accountability in organizational practices, control functions enhance stakeholder trust and mitigate the risk of legal liabilities and reputational damage [336].

The following requirements are put forward for control, as the leading function of organizational management [332]:

1. Strategic focus of control. Control should reflect the general priorities of the healthcare institution and support them.

2. Consistency and efficiency. Control should be carried out constantly at certain intervals of time, in a timely manner or with some advance notice. Combination: control from above (by officials) and control from below (associations of citizens).

3. Principle of objectivity. The conclusions of controllers should have arguments, be based on reliable facts.

4. Mass and publicity. Control should be extended to all types of activities, all structural divisions, all employees. Conditions should be created in the healthcare institution so that the results of control are known to all employees.

5. Timeliness of control. The timeliness of control consists in a certain time interval between measurements or assessments, which adequately corresponds to the object of control.

6. Effectiveness of control. Based on the results of the control, measures should be taken to eliminate the identified shortcomings.

7. Control planning is implemented in order to avoid unnecessary control and the involvement of a large number of specialists. Planning allows you to get rid of the situation when certain types of activities or specialists remain uncontrolled.

Any control in organizations is characterized by the following components: object and subject of control; control process; control results. In accordance with the above, the types of control are distinguished: by the degree of coverage of the work; by form; by the source of information use; by the nature of relations; by the essence of the task; by qualitative characteristics; by content; by stages of activity.

By the degree of coverage of the work, selective and continuous control are distinguished. Decisions and orders for which the deadlines for implementation are not of great importance are subject to selective control.

Typically, managers use overt and covert control. With open control, the fact of checking the activities of employees (structural units) is notified in advance to subordinates. Such control of activities may be planned. When using secret control, its fact is unknown to the persons whose activities are controlled.

According to the form of implementation, open and secret managerial control are distinguished. Documentary control is carried out in the form of inspections, audits, special surveys. This form of control uses large amounts of information, plans, estimates, contracts, standards, statistical reporting, etc. Visual (physical) control is carried out by direct inspection of objects with the naked eye or optical instruments.

According to the nature of the relationship between managers and subordinates, internal and external control are distinguished. With internal control, the performer himself controls the quality of his work, with external control, the performer's actions are controlled by the immediate manager or (if we are talking about the activities of the entire healthcare institution) an independent management entity (for example, an accreditation commission).

Ensuring the effectiveness of control is achieved by: compliance with the type of activity being controlled (control must objectively measure and evaluate what is really important for achieving business goals); two-way communication between employees of control bodies and personnel whose activities are being controlled; avoiding overly vigilant control; applying methods of strict and fair control; using methods of material incentives based on the results of control; implementing an information and management control system using computer technology.

Controllers have a new role in their organizations, and strategy is the key. Traditionally their role has been process driven and governed by routines such as month-end and statutory reporting. Financial statements, general ledger, cost accounting, payroll, accounts payable, accounts receivable, budgeting, and tax compliance are typical responsibilities. A controller taking on a greater leadership role in his or her organization needs to become more of a strategic business partner than in the past. Most controllers are aware of this, of course, but many aren’t exactly sure what this means in practice — or precisely how to make the shift [337]. Results show that controllers’ behavior is strongly influenced by management’s expectations. Moreover, the results support the notion that business partnering is associated with organizational improvements regarding internal processes, decisions and efficiency, thereby increasing the contribution of the controllers’ department to the competiveness of an organization [338].

One of the types of control in organizations is financial control - control that consists in supervising the use of funds that: come to the healthcare institution : are at the disposal of the organization; go beyond the boundaries of the healthcare institution: payment of expenses, payment of taxes.

Financial control involves: assessing the effectiveness of the healthcare institution's use of its resources; assessing solvency, financial stability; determining the limit to which the company can finance itself through borrowed funds (if we are talking about a healthcare institution of non-state ownership).

The tools of financial control are financial analysis, controlling, budget control, and audit.

Controlling is a system for managing the process of achieving the ultimate goal of an enterprise and the results of its activities through the profit management system of a healthcare institution. The functions of financial controlling include: strategic and operational financial planning; coordination of financial plans and functional financial management systems; control over the implementation of financial plans; methodological support for financial activities, formation of information channels for information receipt, etc.

Controlling is oriented towards the future of a non-state healthcare institution. Therefore, in the process of controlling, the following are monitored and assessed: trends of changes that have developed in the past; trends of changes that are expected in the future; reasons for changes in trends; likelihood of expected changes;

identification of "threats" to the healthcare institution's activities; forecasts of "new opportunities" for the healthcare institution; likely consequences of future changes for healthcare institution employees, suppliers, patients, investors, and society as a whole; necessary protective actions for the healthcare institution; necessary stimulating measures in the healthcare institution's activities; economic feasibility of strategic measures.

The task of controlling is not only process management; however mainly company-wide management with the use of obtained information about real processes. A necessity for controlling employees is not only knowledge of the whole company as a whole, but also its components [333]. The task of controlling is not only the evaluation of already performed events, but also anticipation, finding the most suitable direction to achieve business goals. Controlling is a set of specific tasks that are necessary and need to be completed. It is therefore essential to distinguish between the controlling function and the controller - the person who is the holder of the controlling function [334]. Controlling is also the main task of management. Every manager also remembers the function of controlling [335]. There is no controller function in small and medium-sized enterprises; someone usually performs these tasks from the company's management or the head of the financial accounting department. The independent function of a controller exists in companies with up to about two hundred employees. He then takes over a responsibility for controlling tasks within the company. At present, controlling means a method of thriving business or managing success. Controlling is then effective and efficient if the organization achieves the goals it has set [339].

Information is the medium of control, because the flow of sensory data and later the flow of corrective information allow a characteristic or condition of the system to be controlled. To illustrate how information flow facilitates control, let us review the elements of control in the context of information [340]. .

Control may be grouped according to three general classifications: the nature of the information flow designed into the system (that is, open- or closed-loop control) , the kind of components included in the design (that is man or machine control systems), and the relationship of control to the decision process (that is, organizational or operational control).

Audit is a systematic process of obtaining and evaluating objective data on economic actions and processes in a healthcare institution, their compliance with a certain criterion and communicating the results of the audit to interested users (patients, customers).

An audit is an independent assessment of the accounting, financial and operational systems of an organization.

An audit is carried out on the initiative of the organization's management or at the request of a third party. Depending on who carries out the audit, two types are distinguished - external and internal.

An external audit is a financial assessment of the activities of the entire organization, a group of organizations or a separate structural unit at the request of the owner, the board of directors, managing state organization. An external audit is carried out by experts who are not employees of the organization. It is carried out in order to determine the correctness and objectivity of the execution of accounting operations and the preparation of financial reports.

In recent years, there has been an increase in the role of decentralized control in the management of organizations. Such control is formed on the basis of the organizational culture of the organization and its core values: traditions, organizational goals, trust, employee participation in making management decisions, a developed system of self-control, etc.

The basis of decentralized control is the principles according to which employees: consciously want to fulfill their duties; enjoy the trust of the institution's management. Methods of decentralized control are used in the following circumstances: in conditions of uncertainty; in creative teams: when working on a project; conducting scientific and research developments; implementing a new diagnostic method; with certain positions of the organization in a competitive environment: market leader; a firm that challenges the competitive environment.

Decentralized control is implemented in the following areas:

1. Organizational culture. If the organization has a strong organizational culture, then its norms and values are the main levers in the implementation of decentralized control methods.

2. Peer groups. The implementation of peer control leads to a decrease in the need for traditional control methods. For example, bonuses are introduced based on the overall results of the unit's activities. In this case, everyone will be interested not only in their work, but also in the effective work of their colleague.

3. Self-control - a control method by which each employee wants to contribute to the success of the organization and receive a reward for it. The highest level of self-control is in highly qualified employees. Providing employees with additional powers, access to information, additional rights to make decisions helps to increase the level of self-control.

4. Socialization of employees - at the stage of personnel selection, those applicants who share corporate values, the culture of the organization are selected. After the candidate is appointed to the position, he must undergo appropriate training, the purpose of which is: familiarization with the company's values; company traditions; standards and instructions.

Decentralization of control is not a weakening of the control function, but rather an integral part of a strong organizational culture of the company.

When implementing decentralized control, remuneration for work is carried out not according to individual indicators, but according to the results of team work. Such a system of methods encourages employees to mutual assistance, not to rivalry.

The combination of traditional and decentralized control methods provides an opportunity to formulate full-fledged organizational control in the organization.