INTEGRATION OF CONTROLLING IN THE GENERAL MANAGEMENT SYSTEM OF THE HORECA INDUSTRY

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Abstract
Under the double effect of competitive pressure and demand diversification, companies today feel the need to know their costs better. This is the only way to explain the current development of controlling and its privileged tool, analytical accounting ("management accounting" or "managerial accounting" in Anglo-Saxon), which no enterprise can do without if it wants to survive. The study carried out in the conceptual issue of controlling allowed us to identify its particularities as a useful tool for financial managers. In the research methodology we used as methods: documentation, comparison, synthesis.

Key words: *controlling, decision-making processes, accounting management system.*

JEL Classification: *M41, J41, L20.*

I. INTRODUCTION

The degree of prosperity of individuals in a given geographical area depends, to a large extent, on the economic success of for-profit organizations operating in that area. This finding has become a fundamental legitimacy in today's world, and the few exceptions (small states that are large oil-producers, for example) come to confirm the rule. The success of the companies involved in the market competition is, in turn, strictly dependent on their management, meaning on the way in which the resources of the respective organizations are integrated and coordinated. The integration and coordination of organizational resources involve planning, organizing, training and controlling. These basic functions of management are, in fact, complex processes consisting of elementary activities and relational fluency.

The accounting management literature strongly emphasizes the demands on the importance of how managers in tourism units design and use the accounting management system (AMS) to support the implementation of organizational strategies (Dent 1990; Kaplan and Norton 1996; Simons 1995, 2000). However, despite considerable research effort and significant practical and academic interest in implementing strategies found throughout the literature (eg, Mintzberg 1994; Mintzberg et al. 1998; Braganza and Ward 2001), it is relatively unknown which aspects of AMS are effective antecedents of achieving specific strategic objectives in the tourism industry. First, AMS studies have usually emphasized the adequacy between AMS and the organization strategy formulation, (Gerdin and Greve 2004), as it is increasingly important to understand the role of managers' use of AMS in implementing strategies. (Marginson 2002). As the tourism market allows companies access to similar resources, and while competition in this sector is constantly increasing, it makes business processes focus on similar standards, decision making remains a crucial link in the value chain, bringing in a higher revenue. For example, research in the field has shown that there is a correlation of more than 70% between the performing businesses in tourism and the improvement of its financial functions.

One of the main reasons for the emergence of management control, which underlies the concept of controlling, was the decentralization, as a result of the development of small enterprises in large corporations, with geographically dispersed locations (Pavlovska & Kuzmina- Merlin, 2013). The concept of controlling started from an accounting approach, being defined as a process by which managers must ensure the efficient and effective allocation of resources in order to meet organizational objectives (Anthony, 1965). Subsequent approaches continued to focus on costing and budgeting, even though it was understood that the purpose of controlling was to achieve organizational goals (Kloot, 1997). In the following years, controlling continued to expand its scope by adopting new activities. Today, in addition to carrying out budgeting and financial forecasting activities, it has become a planning and control tool, showing deviations between actual and budgeted results, accompanied by eloquent explanations (Eschenbach & Siller, 2014).

Controlling is an auxiliary management system; which delivers to the manager the figures (and non-quantifiable information) that the manager needs to make the decision. The whole complexity of the controlling system comes from the methods the system uses to take over the numbers and then process them to deliver synthetic information to management; based on this synthetic information, management can make the right decision (this is often the case). Controlling is not a punitive system: it does not aim to control the activity itself (who did their job and who did not). It does not impose sanctions and does not have to decide on the quality of work. (Alin Ivan Follow, 2018)

Our starting point in this research is the perspective on the term "Controlling" developed by Albrecht Deyhle. It is characterized by three dimensions: goal-oriented control, the cohesion between controllers and managers, and the correlation of analytical factors with the soft ones. With the formulation of Albrech Deyhle's basic concepts, the practical application of Controlling spread rapidly. At the same time, it has undergone a process of change and continuous development. The concept has evolved especially in terms of the purpose of activities (strategy, risk, sustainability), future orientation (eg. forecasts) and the role of the controller (proactive, equally responsible with the manager). In addition, especially in large companies, controllers as a group (the community of controllers) play a key role today.

Controlling is a specific activity for management. It is an area aimed at achieving the objectives and directs all actions to this purpose. Therefore, calculation, planning, but also monitoring and control play central roles. These activities refer both to the decisions of managers at different hierarchical levels, but also to the management of the entire company. (ICV, IGC, 2012)

II.RESEARCH METHODOLOGY

The present research aims first of all to explain the term controller, having as main source the specialized literature. Within the methodology, we started from a theoretical research of specialized articles and publications.The research strategy used in this article follows process staging in the approach and includes methodological elements specific to the respective phases of the research, namely: searching and collecting data (scientific observation: methods, techniques and tools for observing and investigating reality), procedures for constructing the statements and solutions, provisionally, to be verified); constructive; generalization and theoretical construction (concluding part of the research): methods and techniques of synthesis and generalization, principles and rules of theoretical and applied construction.

III. STRATEGIC MANAGEMENT AND STRATEGIC CONTROLLING

It is up to the quality of the information how the quality of current and long-term decisions, and, implicitly, the expected results of the entity evolve. The managerial decision must be based on relevant costs (costs that allow the best measures to be taken for the management of the enterprise), recognized by their predictive characteristics which also record hidden or opportunity costs, social costs and external costs. As the decisions concern future activities, the management requests detailed information on future costs, some of which are not included in the accounting data collection system. (Boghean F., 2010)

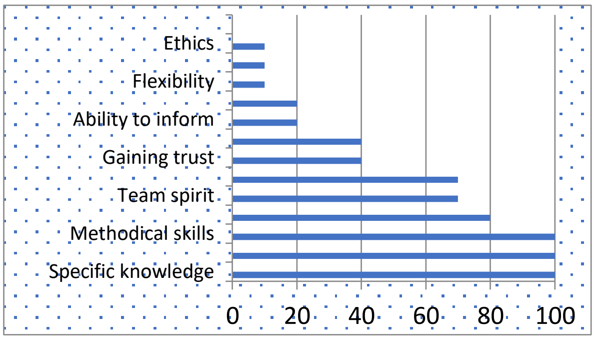


Chart nr. 1 Frequency of existing skills at the level of large companies

Source: Bonget O. & al., 2019

The graph above shows that the complexity of economic activities in conditions of competition imposed by the market economy determines the increase of the role of economic - financial information in decision making. It can be seen that the skills and competencies mentioned in theoretical studies are found to a large extent (48%) among those desired by large employers. However, they have their own requirements, adapted to the specifics of the industry or to the organizational culture.

The most commonly used typology (especially Anthony, 1965) in substantiating decisions is based on a classification of three levels of decision and actions that intervene in the enterprise: strategy, tactics, from which it distances itself in a limited universe and in a given perimeter, current tasks and operations. The management process is applied in three phases, to each of the three levels.

In order to support the mission of the managers, to guide the behaviors of the "intermediate" managers, in charge of applying the policies of the general management, support devices (control devices) of the activity of the three decision levels must be built:

• strategic control,
• management Control,
• operational or execution control.

Execution control consists of processes and systems designed to guarantee those responsible that their repetitive actions arising from their authority will be, are and have been applied in accordance with the entrusted purposes, exempting those responsible from directing these actions directly.

The repetitive tasks subject to execution control are very numerous: accounting records, settlement of an invoice received, organization of tourist circuits, opening of bank accounts, inventory management, elaboration of statistics on the number of overnight stays, starting from the notification of certain codes.

Management control must ensure that current decisions are consistent with the strategy. The purpose of management control is not to define the strategy, but to allow its application in time and space. It's about:

• to ensure that managers direct their actions in accordance with the tasks entrusted to them by the strategy;

• to ensure that in this way the execution control organizes the critical tasks for the proper application of the strategy in a manner consistent with it.

For example. In hotels, the occupancy rate of the rooms and the average recipe per occupied room will be monitored, including operating costs and customer reviews. Cost analysis is one of the fundamental aspects of management control.

Strategic control consists of processes and systems that allow management to decide and adjust strategies.

The subject of the managerial activity consists in the exploitation and financial activity of the economic entity as a whole as well as the activities of its functional and technical-organizational subdivisions during the cycles of exploitation, financing and investments. The information released by the managerial accounting on the financing cost or the investment cost, respectively the result of financing or investment is an important element in assisting the decision-making process in the field of financial operations.

IV. CONTROLING - EFFICIENT RISK MANAGEMENT SYSTEM

The ability to define what may happen in the future and to choose from several alternatives is a central principle of contemporary society. Risk management helps us navigate a wide range of decision-making processes, from allocating capital to starting a family, from the market for insurance premiums to wearing a seat belt. People's accomplishments have changed their attitude toward risk, and their passion for gambling and betting has shifted to economic growth, improved quality of life, and technological advancement.

Analyzing the literature we found that the matter of risks is deeply subjective and that the professional possibilities based on understanding the activity and its consequences, recorded in accounting and appreciated by the auditor, are essential for identifying and assessing specific risks.

All economic entities operating in the business environment, regardless of the field of activity (tourism, services, etc.) are concerned about the cost elements generated by carrying out their activities. However, the way in which these cost elements could be classified differs depending on the sector of activity to which they belong. According to Garrison et al. (2006) they could be classified into three broad categories: manufacturing entities; merchandising entities; service entities.

The main components embedded in the cost structure of a good or service are given by:

• material expenses;

• living expenses (salaries and other associated salary elements);

• the general cost generated by other expenses such as: rent, instalments, maintenance bills (gas, electricity, water, etc.), depreciation.

Complete cost = $\sum$ *production costs* + $\sum$ *non-production costs*

A relevant cost concept in the practice of economic entities is the full cost, which represents that specific cost that incorporates all the consumptions generated by obtaining and selling a product (cost object), including in its structure both the production cost and the non-production cost.

The cost behavior is how they would react to a possible change in the business volume. Thus, while some costs remain fixed, regardless of changes in the volume of activity, others vary in proportion to these changes in the volume of production activity. Management decision-making is often based on how costs and revenues could evolve into different options or action plans. Such possible decisions are given by finding answers to such questions:

- *What should be the occupancy rate in the next period to achieve a certain level of profit?*
- *Is there necessary a reduction in the selling price to sell more rooms?*
- *Is it necessary to create a product component within the entity or is it more profitable to purchase it from outside the entity?*

The performance of the entity can be defined as a state of competitiveness of the entity, achieved through a level of efficiency and productivity that ensures a sustainable presence on the market. From a financial point of view, the indicators that support managers in assessing performance refer to: information such as turnover, cost or result (obtained based on the profit and loss account); information about the entity's liquidity and solvency (obtained on the basis of the balance sheet); treasury and liquidity analysis; information on lucrativeness and profitability.

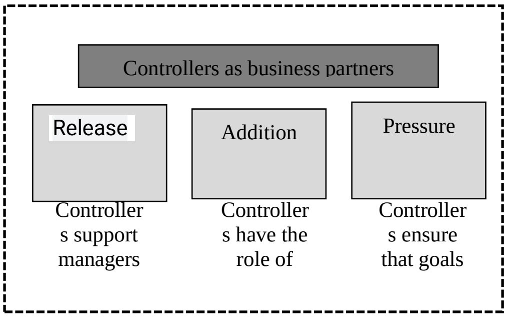


Figure no. 1. The managerial support provided by the controller, according to him Weber / Schäffer

Within the companies in the hospitality industry, the main controlling techniques that are suitable are:

a) modern techniques:

- investment efficiency rates;
- the organization of accounting (cost / restaurant centers, revenue centers / sales / reception department, responsibility center), human resources accounting (degree of training, managerial style, training, replacement cost);
- management audit / performance audit;
- Network analysis: PERT, CPM
- information system architecture;;

b) traditional techniques:

- personal observation;
- statistical reports;
- analysis of profitability thresholds;
- budget control.

Controlling is an activity in which management ensures that actual activities confirm planned activities and involves three steps: setting standards and comparing results with standards and taking corrective action if necessary to measure progress, detect deviations, and indicate correction. .

The performance audit focuses on the results obtained by the entity, by examining the following aspects:

• economy, which consists in minimizing the cost of resources allocated to achieve the estimated results of an activity while maintaining the appropriate quality of these results;

• efficiency, which consists in maximizing the results of an activity in relation to the resources used;

• effectiveness, which represents the degree of fulfillment of the objectives programmed for each activity and the ratio between the projected effect and the actual result of the activity.

It is important to understand the distinction between the notion of efficient and effective. Efficiency means doing things in the right way and being effective means doing the things that are right. From this perspective, an effective cost is that cost explicitly stated in the "recipe" of a product and an effective cost is that cost that adds value to the finite product.

The need to implement a model in which responsibilities in terms of risk management are clearly defined and properly implemented have led to the emergence of the model of the three lines of defense. The primary responsibility for managing risks lies with the business departments, where these risks are generated, and which is the first line of defense. It is essential for the business to be aware of the risks involved in its day-to-day operations and to take the necessary steps to manage them.

The business function known as the first line of defense has the following responsibilities:

- identification, evaluation, administration and mitigation of all risks arising from the activities of business units;
- providing and implementing effective governance and control frameworks to ensure that appropriate controls are in place;
- performing daily control activities, testing and monitoring the efficiency of control and compliance with the policies and standards provided, including tracking data on losses and incidents;
- providing information on risk management to the relevant management committees, including reports on the risk profile at business level and the effectiveness of governance and control;
- forming an open and fair risk culture;
- ensuring the development of activities in accordance with the laws as well as the assessment of the main impact regarding the proposed regulatory changes;

The first line of defense is operational management and internal control.

Risk management function - the second line of defense. Risk management is a central function of the enterprise that provides independent oversight of risk decisions made by management. The risk management function can be considered as the main function when it comes to making credit risk decisions. Its main responsibilities are:

- facilitates the identification of high risks of the enterprise;
- designs, develops and maintains policies, standards, methodologies, frameworks and risk strategies;
- supervises, provokes and monitors the business risk assessment of the first line of defense;
- formulates and recommends the risk appetite to the board of directors;
- reports to the Executive Director and committees on the effectiveness of controls;
- provides advice on risks and possible changes in business units;
- ensures the risk at the level of the company by reporting to the board of directors and the executive directors;

- oversees the reporting and presentation of external information.

Internal audit - the third line of defense. Internal audit provides independent, objective assurance and consulting that is designed to add value to the business and improve risk management at the enterprise level. It helps the company to achieve its objectives through a systematic and organized approach in assessing and improving the efficiency of risk management, control and corporate governance. Its main responsibilities are:

- independence from the first and second line of defense;
- managerial assistance provided to the board of directors and executive directors in protecting the company's assets, reputation and for the sustainable growth of the company;
- assessment of the identification and proper reporting of all significant risks to the board of directors and executives;
- evaluation on the effectiveness of risk mitigation;
- the challenge for executives to improve the efficiency of corporate governance, risk management and internal controls;
- maintaining a systematic and organized approach to assessing and improving the efficiency of risk management, control and governance, including establishing and opening the risk appetite and risk culture at the enterprise level;
- the evaluation of the credit risk management efficiency performed by the risk management function.

In an increasingly changing environment, the preparation of the strategic mission of the organization operates with two extremes:

- the available information is rich enough to allow precise strategic actions;
- the most common attitude is to wait until net trends are identified.

The company in this situation faces the following dilemmas:

- if it expects certainty to increase, it risks being caught in a crisis;
- if satisfied with the available information, it is too vague to trigger defined strategic maneuvers.

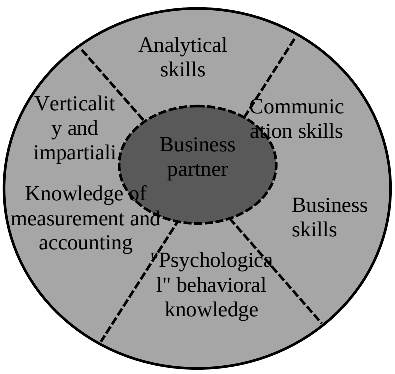
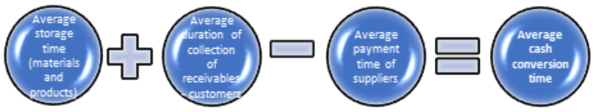


Figure no 2. Basic Competences of Controllers

Certainty becomes more dangerous as the flow of change visibly increases (Poeter M. E., 1990).

The fragility or stability of an entity depends on three factors:

- stocks and their storage interval;
- customers and their collection period,
- suppliers and their payment range.



Taking into consideration these requirements of the optimization of the profitability-risk relationship, concretely, the management of the operating cycle includes two complementary fields of activity:

- determining the need for current assets (stocks, receivables and cash)
- determining the way of financing the necessary current assets (of FR; of operating debts: suppliers, creditors, etc .; of bank loans: treasury, discount, etc.)

CONCLUSION

Controlling does not refer to the characteristics of the product, but to the concordance between the planned activities and the progress of their implementation, using as metrics the financial and accounting support of the organization. Although it is essentially a control process, its focus is on other targets than the classic managerial control, and its pragmatic support comes from another area of the organization.

In a small or medium company, the controlling tasks are performed by those who are responsible for major decisions. In a large company, the controlling tasks can be concentrated in a specialized entity at the level of top management. He has the function of supporting the management of the company by coordinating the activities of planning, information, analysis and control.

The success of controlling depends on the ability of the information system to adequately reflect the tangible and intangible processes in the company, as well as their representation in the cash flows with which financial management operates, so as to obtain a more accurate dynamic picture of planned differences or anticipated and what was actually achieved.

The efficiency of the decision-making process is directly proportional to the nature, quality, quantity, periodicity and volume of information that the decision-maker has at his disposal. The elaboration of a correct and complete decision supposes the accomplishment of certain stages, between which there is a certain interdependence, supposes the accomplishment of several activities that are constituted in a decisional process.

The decision-making process involves a large consumption of time, during which information is collected and analyzed, people are consulted in order to outline the decision-making situation. The decision-making process and its quality is also influenced by the skills, preparation and involvement of the decision maker.

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