

# APPLICATION OF STRATEGIC AND OPERATIONAL CONTROLLING INSTRUMENTS IN ENTERPRISES IN BOSNIA AND HERZEGOVINA

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## ABSTRACT

This research paper examines controlling instruments and its necessity in the modern enterprise management. Research was conducted in small, medium and large companies in Bosnia and Herzegovina. Goal of this research is multifaceted. It emphasizes importance of strategic and operational controlling instruments in companies and shows its contribution to company's business success. Conducted research supports hypothesis. Analysis results show that companies in Bosnia and Herzegovina use relevant strategic and operational controlling instruments successfully and controlling function largely contributes to successful business performance of Bosnian-Herzegovinian companies.

## JEL CLASSIFICATION & KEYWORDS

■ M21 ■ CONTROLLING ■ INSTRUMENTS ■ STRATEGIC  
■ OPERATIONAL ■ ORGANIZATIONS

## INTRODUCTION

The concept of controlling in the western European countries and the United States is well known for hundreds of years, and through its historical development in various forms of support companies in their business activities. Since the chartered institutes and professional journals for controlling (in the U.S., Germany, Austria and other European countries) it is no longer an integral part of economic literature in Bosnian-Herzegovinian companies, but in practice is increasingly seen as indispensable and irreplaceable support management in the management of enterprise. It was created thanks to the needs and characteristics of the practice of business management, and today controlling is one of the most important functions in solving problems of internal and external adaptation companies coming changes. Adequate use of strategic and operational instruments of controlling in the company is possible to thoroughly review the current way of doing business in the optimal way to direct future business activities. Theory and practice of controlling up lately is developing, so is the aim of this paper is to point entrepreneurs in new and modern concepts of management companies and their importance in the introduction to business practice.

## Aims and Hypothesis

This research aims to determine the relevant strategic and operational instruments of controlling in the Bosnian-Herzegovinian companies. On the basis of this goal, paper starts from the main hypotheses:

H1: Small, medium and large companies in Bosnia and Herzegovina use the relevant strategic and operational instruments of controlling for successful management companies in practice.

H2: Controlling contributes to development and success of the business enterprise.

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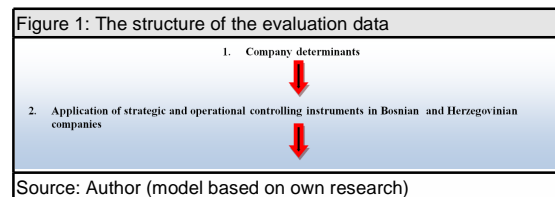
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## Methodology of research

This research has an empirical character, in accordance with modern methods and methodology techniques of scientific-research work: analysis of relevant national and international literature using the latest available information and resources from the Internet. Primary research was conducted by questionnaires with closed and open and intensity questions. The questionnaire is in most cases submitted by e-mail and fax, but in some cases was necessary to delivery in person. The sample of selection is always a problem of scientific research, so small, medium and large companies in Bosnia and Herzegovina (BIH) were carefully selected, assuming to that in its organizational structure they may have the function of controlling. Testing these two hypotheses I have interviewed 92 small, medium and large companies in Bosnia and Herzegovina. In processing and analysis of data, following statistical methods were used: descriptive statistics to describe the data, cross tabulation and frequency distribution.

Quantitative and qualitative analysis was done in statistical software package IBM SPSS Statistics 20. Processed data and results are presented graphically and in tabular form.

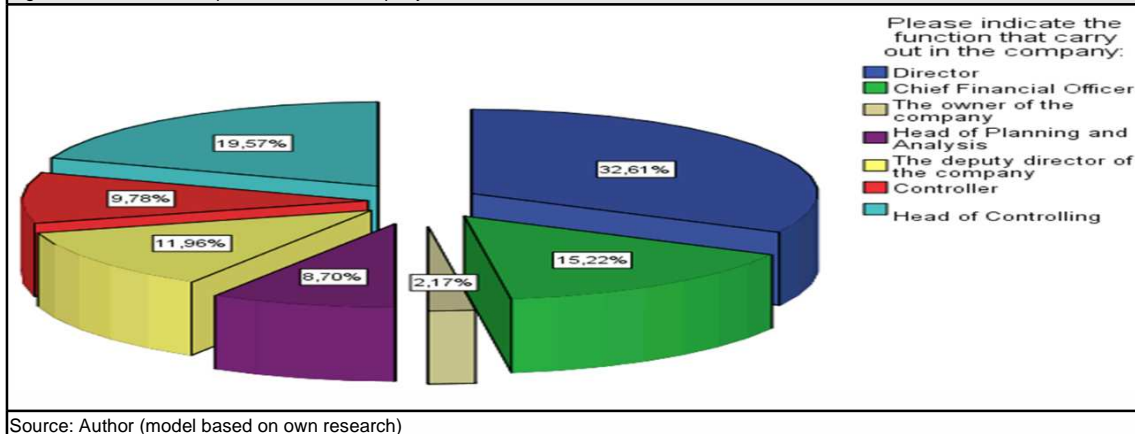
Evaluation of the data obtained from the research shall apply displayed structure (figure 1), where determinants of enterprise the first one analyzed, then the application of strategic and operational controlling instruments, and on the end the contribution of controlling work in Bosnian and Herzegovinian companies.



## Controlling

The modern, turbulent and volatile business conditions, have created new problems for management so that are necessary modern tools and concepts for effective functioning of companies. In particular, small and medium enterprises (SMEs) in Bosnia and Herzegovina are daily affected by exceptionally large number of complex factors. Today's business conditions of BIH companies are extremely complex. An increasing competitive pressure from the hyper offering all kinds of goods and services, accelerating the pace of social, economic and political processes, as well as the recessionary impact have a big influence on management of companies. Some of the indicators which show that something is happening in the market are: the withdrawal of buyers from the market, tightening of lending by financial institutions, loan

Figure 2: Positions of respondents in the company



Source: Author (model based on own research)

cancellations and increasing interest rates, due to the dangers of business concerned suppliers suspended their deliveries, and when all this happening are made a large pressures on sustainable business. For these reasons it is necessary without delay to find new opportunities to preserve existing and create new value in the business. In fact, one of the indispensable features is certainly more important application of controlling the business enterprise, with its range of operational and strategic management tools helps in quality control management, a way to bring timely and correct business decisions (Peemoler, 2005).

What is controlling?

Controlling is not control. Controlling the term is derived from the root word control, which is thought to have more than 50 different interpretations: to manage, direct, regulate, examine, verify, and so on. It is important to distinguish the controlling of control, because, unlike the controls, controlling is the modern concept of management in a company that aims to support professional management, which increases the efficiency and effectiveness in its work, increasing the ability to adapt to the company internal and external changes, increases the vitality of the company and its market acceptance. Controlling is seen as an instrument of the target company management (Deyhle, 1993). Controlling is a sparring partner to manager, it means that the controller supports management in the execution of tasks related to defining and achieving goals, and only then the manager and the controller start playing together as a team we can talk about controlling (ICV, 2015). Although no single definition, all existing defined common elements controlling: a comparison of planned and existing situation, planning and control (called the "PuK" by Horvath) and as the effect of treatment (Eschenbach & Niedermayr, 1996). The function of controlling the alignment of planning, information, organization, human resources management and control (Horvath, 2003).

Controlling area should be sensitive to the overall organization of the system. The function of all assistance and support management task is the central area of controlling.

### Results of research

Based on collected and analyzed data in the questionnaire we see (figure 2) the respondent's position in the company. With this first question related to the respondent's position in the company the competency of people who gave

answers to the questions in the questionnaire was determined. In 32.61% cases respondents were directors of the companies in BiH, while in 19.57% cases were respondents from head of controlling department, in 15.22% were financial managers, in 11.96% were deputies of director in the companies, in 9.78% cases were the people that are working on controller position, and in the remaining cases they were business planners, analysts and business owners.

Only in such structure (figure 2) is given the opportunity to evaluate according to research goal, because all of these leadership positions possess the necessary knowledge of the events in the company relevant to the controlling.

Below are the results (table 1) of the examined first hypothesis that the relevant strategic and operational instruments of controlling for successful management companies face frequent use in practice in small, medium and large companies in Bosnia and Herzegovina:

The main difference between operative and strategic controlling instruments is that the operational controlling instruments are based on quantitative key sizes, so the figures are from the past or present. Controlling operating primarily used inside information from the company (taking into account financial indicators), and the main task is to help increase business efficiency. While, strategic controlling instruments aimed at controlling the obligation to provide professional support to the management to increase the effectiveness of operations, providing real things (products and services) at the right time in order to meet market needs. Strategic controlling instruments recognizes and creates the potential for future success (taking into account the entrepreneurial environment, and is responsible for long-term planning) of companies, and its preparation for the rapid changes in the market, increased business efficiency.

Exploring controlling instruments in this research. I conclude that the respondents in small medium and large enterprises evaluated the offered instruments (table 1) in a manner to be among the first seven instruments (1. Analysis of Variance, 2. SWOT analysis, 3. BEP - Breakeven Point Analysis, 4. Measuring Customer Satisfaction, 5. Cash Flow Analysis, 6. Short-term Calculation of Business Success, 7. Calculate the Justification of Investment) found even five operational instruments (Analysis of Variance, BEP- Breakeven Point Analysis, Cash Flow Analysis, Short-term Calculation of

Table 1: Summarized of application of controlling instruments in BIH companies

| Management system<br>Instruments | Values that the Company Strives to | Planning Function                          | No. of cases | Value | Control Function       | Information Function   | Human Resource Management Function | Organization Function        |  |
|----------------------------------|------------------------------------|--|--------------|-------|------------------------|--|------------------------------------|------------------------------|--|
| Strategic                        | Vision and mission in organization | SWOT analysis                              | 46           | 2     | Quality control        | Early Systems Warnings   | Structuring Work                   | Organization manuals         |  |
|                                  |                                    | BCG-portfolio matrix                       | 43           | 18    |                        |  |                                    |                              |  |
|                                  |                                    | The curve of experience                    | 16           | 23    | Analysis of Deviations | Strategic Radar  | Systems to Motivate                | The structure of the process |  |
|                                  |                                    | Scenario technique                         | 44           | 10    |                        |  |                                    |                              |  |
|                                  |                                    | PLC- Product Life Cycle Analysis           | 42           | 13    | Analysis of Causes     |  | Systematic Development Associates  | Division of labor            |  |
|                                  |                                    | Calculate the Justification of Investments | 51           | 7     |                        |  |                                    |                              |  |
|                                  |                                    | Analysis of the Bottleneck                 | 47           | 16    |                        |  |                                    |                              |  |
|                                  |                                    | BSC-Balanced Scorecard                     | 45           | 17    |                        |  |                                    |                              |  |
|                                  |                                    | Benchmarking                               | 44           | 9     |                        |  |                                    |                              |  |
|                                  |                                    | Data Base                                  | 50           | 15    |                        |  |                                    |                              |  |
|                                  |                                    | Measuring Customer Satisfaction            | 49           | 4     |                        |  |                                    |                              |  |
|                                  |                                    | Gap Analysis (GEP)                         | 47           | 8     |                        |  |                                    |                              |  |
|                                  |                                    | Quality Management(TQM)                    | 47           | 11    |                        |  | Shaping Careers                    |                              |  |
|                                  |                                    |  |              |       |                        |  |                                    |                              |  |
| Operating                        | Goals in the Organization          | Cost Comparison                            | 47           | 14    |                        | ABC analysis   | The Basis for Payment of Employees | Personal Instruction         |  |
|                                  |                                    | Contribution of Cover                      | 47           | 12    |                        |  |                                    | Only alignment               |  |
|                                  |                                    | Fix Cost                                   |              |       |                        |  | Systems of Motivation              | Plans                        |  |
|                                  |                                    | Scoring                                    | 42           | 3     |                        | BEP- Breakeven Point Analysis  |                                    | Programs                     |  |
|                                  |                                    | Investment Budget                          |              |       |                        |  | Bonus Systems                      | Organizational plan          |  |
|                                  |                                    | Accrual rates                              | 46           | 12    |                        |  |                                    | Plan                         |  |
|                                  |                                    | Budget                                     | 48           | 1     | Analysis of Variance   |  |                                    | Scheduling                   |  |
|                                  |                                    |  | 47           | 6     |                        | Short-term Calculation of Business Success   |                                    | Job description              |  |
|                                  |                                    |  | 49           | 5     | Cash Flow Analysis     |  |                                    | Description of powers        |  |
|                                  |                                    |  | 43           | 21    |                        | Make or Buy Decision   |                                    | Ordinances guidelines        |  |
|                                  |                                    |  |              |       |                        | - Indicators   |                                    |                              |  |
|                                  |                                    |  | 47           | 6     |                        | Balance Sheet Early Systems Warnings   |                                    |                              |  |
|                                  |                                    |  | 16           | 22    |                        | The Instrument of Cognition Weaknesses Company   |                                    |                              |  |
|                                  |                                    |  |              |       |                        | Reporting Costing:<br>- Full<br>- Partial<br>- Planned<br>- Individual<br>- Process<br>- Target<br>- Life Time |                                    |                              |  |
|                                  |                                    |  |              |       |                        |  |                                    |                              |  |
|                                  |                                    |  |              |       |                        |  |                                    |                              |  |

Source: Author (model based on own research)

Table 2: Controlling contributes to successful business in companies

|  |             | Do you think that controlling contributes to the success of the operation of your business? |    | Total |
|--|-------------|---|----|-------|
|  |             | Yes   | No |       |
| Is there Controlling department in your company? | Yes         | 39  | 2  | 41    |
|  | In progress | 18  | 2  | 20    |
| Total  |             | 57  | 4  | 61    |

Source: Author (model based on own research)

Business Success, Calculate the Justification of Investment). We can recognize the increased use of operating in relation to the strategic controlling instruments in BIH companies. It is evident that strategic instruments grow in significance until later so they are evaluated in this study. Of course, this result in the application of instruments reflects the further affirmation of operating and controlling the significant expansion of the strategic dimension in subsequent evaluations by the respondents.

These research results confirm first hypothesis that the relevant strategic and operational instruments of controlling for successful management companies face frequent use in practice in small, medium and large companies in Bosnia and Herzegovina.

Testing second hypothesis in this research was done by question regarding controlling contribution work to the success of companies (table 2).

Analysis of the results showed (table 2) that in 39 companies controlling is institutionalized, and in 18 is under the process of its introducing. We see that 57 respondents indicated that controlling contributes to success in the work of their company and only 4 companies deny it. We can conclude that these research results suggest strengthening the independence of controlling in 57 BIH companies, but in a way, we see that we still have 4 companies that are narrowing its working independence.

These research results given here clearly confirm second hypothesis that controlling contributes to development and success of the business enterprise.

## CONCLUSION

In particular, small, medium and large enterprises in Bosnia and Herzegovina are daily affected by exceptionally large number of complex factors. In order to successfully master that complex factors in the enterprise there are a host of contemporary business functions, and one of them is the controlling function. Controlling with its set of operational and strategic instrument provides the enterprise management support in the process of achieving market competitiveness.

This conducted research supports these two hypothesis in the study. Analysis results show that companies in Bosnia and Herzegovina use relevant strategic and operational controlling instruments successfully and controlling function largely contributes to successful business performance of Bosnian-Herzegovinian companies.

We can expect further development and progress of controlling instruments and their applications in Bosnian and Herzegovinian companies. Regardless of the size and organization of all companies will try to stay in business, so they will not hesitate to have to analyze possibilities to preserve existing and create new value in the business, and one of the indispensable features is certainly more important application of controlling the operations of enterprises. This will surely succeed only to those who work to increase their

own viability, as the basis of their ability to achieve lasting business success. Vital company will quickly adapt to change, so will the concept of controlling the application of proven in practice, as a way of solving the problems of coordination and integration, will become inevitable in the enterprise business. It is expected that the number of companies that apply controlling increase in the future, and that the greater improvement of framework conditions and the modernization of education.

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