

CONTROLLING, IN FUNCTION OF ENSURING BUSINESS CONTINUITY OF A COMPANY, UNDER CRISIS CONDITIONS

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ABSTRACT

The research, within this work, offers the answers to the questions like – in which situations do the managers of small and middle companies from the furniture industry in Bosnia and Herzegovina, use mechanisms of the controlling function, i.e. do they use controlling for conducting of business in general, or only certain mechanisms of controlling and only in a crisis period, for the purpose of overcoming the business crisis which has already befell a company.

Key words: controlling, business continuity, crisis management, early warning

1. INTRODUCTION

The work is based on a broad research of the authors, elaborating on the issues concerning the role of the controlling in managing and leading Bosnian small and middle companies from the furniture industry, in the period of a pre-crisis, crisis and post-crisis¹. The starting hypothesis is that the effective and efficacious managing requires a spectrum of the most various capacities and knowledge, including also a properly established function of controlling, as well as efficient and educated experts. The work aims at the examination of managers' conscience in terms of potential possibilities of controlling, and at their attitude towards the organization and establishment of this function in the process of overcoming a crisis and maintaining business continuity. So, the emphasis here is on the interaction between the controlling function and a crisis management, which should ensure business continuity of a company in different forms of a crisis situation. The starting point is the fact that a management, supported by controlling, is able to respond to the latent forms of a crisis, i.e. to recognize the weak signals and to determine courses of further operating. *In order to ensure business continuity, there is a high level of awareness about the importance of the controlling function.* Moreover, the controlling can be the principal support for a crisis management in its efforts to ensure business continuity under the conditions of reactive handling of a business crisis. The controlling actually represents a specific kind of "conscience" of a company [1].

¹ The subject under discussion is the unpublished master's thesis: Omerčević S.: The crisis management in function of ensuring business continuity of a company, Faculty of Economics at the University of Tuzla, 2012

2. THE ROLE AND RESPONSIBILITY OF THE CONTROLLING IN THE PROCESS OF ENSURING BUSINESS CONTINUITY IN DIFFERENT STAGES OF A CRISIS OF A COMPANY

The controlling represents the main principle of solving the increasing problems of coordination and integration, which emerge due to the enhanced environmental dynamics, stagnating markets, rapid technological changes and increasingly shorter lifespan [2]. That is a function within a management system, which increases its efficacy and efficiency, as well as its ability to adapt to the changes within and outside the company [3]. The controlling also increases the vitality of a company and its acceptability at the market. A management encourages the activities which lead to achieving goals and purposes, and obstructs those activities which do not contribute to the process of reaching the objectives mentioned. In order to ensure business continuity and continual improvements of all the processes, a management needs a controlling function. Furthermore, a management and controlling have the same objectives, established through the use of the present and creating of the future potentials for success, only having different ways of accomplishing those goals. The controllers, actually, represent internal consultants of all the decision makers, and act like navigators for reaching the objectives [2]. With the help of controlling, a top management is in a position to modify current business activities, strongly emphasizing the attempts to avoid a crisis, which means that it has a chance to continually, using the system for early warning, make an adequate planning and to take adequate and opportune measures for ensuring business continuity. Moreover, **the controlling is a conception offering a wide backing and support to a management** in conceptual, functional and institutional terms [4].

In order to maintain business continuity, the overriding goal of a management is vitality as a central feature, including: active and reactive adjustments to the environmental changes, as well as keeping and developing the identity, using experience, doctrines and advantages of maturity. “The needs of the management include having at its disposal pieces of useful information, so that a business could be conducted efficiently, and that is the point from which the tasks of controlling can be derived: to ensure business indicators to signalize in time the unwanted departing from the plan, and to point at the reasons as well, so that managers would be able to intervene with adequate business decisions, in due course” [5]. In that terms, a special importance is placed on the controlling which “produces” information, essential for making decisions. That is why a model of controlling should be drafted in such a way that a management has at its disposal all the pieces of information needed, and in time, so that based on those pieces of information, the operating decisions could be made [6].

Managing a company in crisis is closely related to the function of controlling. During a crisis, the controlling has a chance to completely prove its point. Those companies, which have controlling organized, also have a certain advantage in relation to the companies that do not have it. For that reason, companies which do not have an organized function of controlling, now need to look for an answer to the question: how to get to grips with the crisis? Relative to this, the main role of controlling is exactly revealing many pieces of unknown information, and by that putting the stress on the managing a company, which results in making more proper decisions and in creating a continuity of successful conducting a business. The controlling is actually a partner to a management on its way to accomplish business success for a company, and in that partnership, it can improve the preserved condition and eventual increasing the value of existing business. The role of controlling is tied to identifying early signals through the support given to a management, and to making plans and procedures related to responding to those signals. It often happens that companies which have established systems for early warning about the coming of a crisis, and which do not have the controlling function, usually do not know how to respond to the first symptoms and they allow the crisis to develop to more observable and distinct form. Unfortunately, at that stage, it is usually concluded that the crisis has grown to such extent that the company’s survival as well as business continuity are noticeably jeopardized.

Certain subsystems of a management represent the controlling systems at the same time. Those common systems, through which the functions of the management are supplemented by the controlling, are: (1) value system, (2) plan system, (3) control system, (4) information system, (5) organization system and (6) human resources management system. Since these systems are considered

to be management subsystems as well, the implication is that the task of controlling is a mutual integration and coordination of efficacy and efficiency of a management functioning. In that way, the controlling contributes to a company's better and faster adjustment to the constant environmental changes and its own configuration, and by doing that, it represents a great help in determining the crisis indicators and in planning a strategy of actions as a respond to the warning symptoms [7].

3. THE RESEARCH RESULTS PRESENTATION

The broad research, on which this work is based, was conducted on a representative pattern of 195 small and middle companies from the furniture industry branch in Bosnia and Herzegovina. For the needs of research, a questionnaire named "how to handle a crisis" was created, consisting of five chapters and containing 69 questions. The questions were in closed format, with an answer offered, and based on a 1-5 intensity of importance scale. The aim was to find out the needed facts about the condition of companies from this branch, as well as to determine their level of awareness about a very business crisis phenomenon, how managers perceive a crisis and how they behave in its various stages. During the process of research, the primary data were collected through a direct (personal) interview and questionnaires filled out by a top management of the companies surveyed.

After the research was carried out, the analysis of the collected data followed. The testing results are shown through category, ordinal and sustained values, and depending on their distribution, they are introduced as a median with inter-quarter range (asymmetrical distribution) or arithmetic mean \pm standard deviation (normal distribution). For testing the significance of the differences in statistical terms, parametric and non-parametric tests were used, taking into consideration preliminary estimate of the normality of variables' distribution. The analysis of data was done by means of statistical software SPSS 17.0 for Windows.

The obtained answers, concerning the questions related to the controlling and business continuity, were used for testing the hypothesis established at the beginning of this work. The first section of the questions was related to the role, i.e. to the importance of controlling during the period of overcoming a crisis.

Table 1. Important role during the crisis

| | | Frequen cy | % | Cumulative % |
|-------------------|------------------------------|---------------|-------|-----------------|
| Departme nt of | Controlling | 22 | 32.8 | 32.8 |
| | The crisis managem ent | 20 | 29.9 | 62.7 |
| | Accounting | 11 | 16.4 | 79.1 |
| | Other | 14 | 20.9 | 100.0 |
| | Total | 67 | 100.0 | |

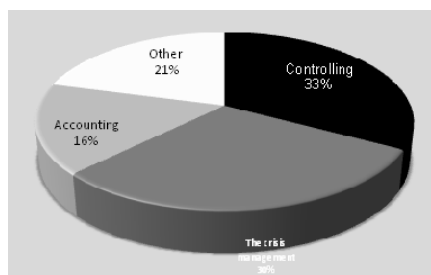


Figure 1. Important role during a crisis

The results presented show that 32.8% of the companies consider the controlling department to be of the greatest importance in that process, 29.9% opt for a crisis management, while 20.9% choose other departments. Based on these data, a conclusion can be drawn, which is that managers recognize the need for the controlling function during a crisis period. Consequently, the controlling function takes up the primary position when it comes to its role during a period of handling crisis situations. Based on this assessment, another research was conducted and the managers were asked in which situations they need the controlling function. The research results are summarized in the following table.

Table 2. Important role during the crisis

| | | Frequen cy | % | Cumulative % |
|---------------|----------------------------------------|---------------|-------|-----------------|
| Situa tion | Total business operations | 43 | 61.4 | 61.4 |
| | Only when a crisis situation occur | 9 | 12.9 | 74.3 |
| | In order to continually run a business | 18 | 25.7 | 100.0 |
| | Total | 70 | 100.0 | |

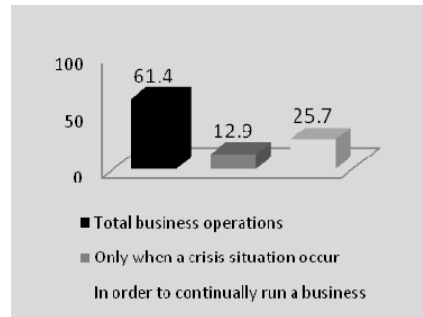


Figure 2. Controlling in different situations

It is obvious that 61.4% of the companies tested, consider the controlling function needed in total business operations, 12.9% consider that it is needed only in crisis situations, while 25.7% believe that the controlling is necessary for running a business continually. It follows that fully 87.1% of the companies surveyed, consider the need for the controlling function more than obvious. Thus, the starting hypothesis is confirmed, and there is a high level of management awareness about the significance of the controlling function for ensuring business continuity.

4. CONCLUSION

Through conducting the research, it was proven that there is a high level of management awareness about the necessity for the controlling function in the furniture industry in Bosnia and Herzegovina. However, such a level of awareness is not accompanied by practical application under all the conditions of running a business, so it is only put to use in situations when a crisis in a company develops to a certain extent. A properly established controlling function “produces” information, necessary for making the operating decisions, which is *conditio sine qua non* for a good managing, especially at certain stages of a business crisis in a company. That is why it is necessary to create and establish an adequate model of controlling, which will bring to a management the possibility of checking the past and present managing, but also an assessment of the future business in dynamic and complex environment.

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