The Role of Controlling in Business Development

Tatiana Ye. Viktoruk*
Siberian State Technological University
82 Mira st., Krasnoyarsk, 660049 Russia

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The article is devoted to the close connection of the market economy in today’s Russia with entrepreneurial activities. The escalating competition at the domestic and foreign markets encourages the search of new forms and methods of management. One of the main directions in the company’s management system refining is a development and implementation of the controlling concept.

Keywords: management, controlling, innovations, industrial enterprises, meta-system management, enterprises of timber complex.

The transition of the Russian economy to the market economy has led to the drastic changes in planning, accounting, and control of the production and economic activities. The goals of entrepreneurship and the markets competitive conditions have become entirely different. This trend has shown up in most at the enterprises of the timber industry, which are usually the most subject to the impacts of the extremely unstable, barely predictable conditions of the modern Russian market functions.

The increasing competition at the domestic and foreign markets, the entry of new innovations oriented competitors, who offer a wide range of products and services, the dynamism of the market relations, the uncertain growth of the company’s external activities, – all this requires the search of new more efficient mechanisms and tools to manage the entrepreneurial activities in the timber industry. The management which is based on the old methods of planning, analysis and accounting systems, is becoming inefficient and requires modernization. The mentioned aspects determine the timber complexes interest towards the problems of the management efficiency improvement and a provision of a long term production and financial growth, the competitive growth of the manufactured products, the transition towards the resource saving and environmentally friendly technologies, the maximum use of the production capacities, technical and intellectual potential.

The absence of the reliable safety factors makes timber industries particularly vulnerable, determining the need in high efficiency management systems, capable of enhancing the company’s competitive positions in this sector of the economy.

The foreign experience shows that one of the most efficient tools of the modern management is
the control system methodology, which is based on the market competitive conditions and takes into account its uncertainties and spontaneous character. But in Russia the control is taking place only at large enterprises and financial institutions. The introduction of the controlling as a system or its individual elements inside of the timber industry enterprises in the Russian theory and practice is progressing extremely slow.

The implementation of the controlling system potential in the entrepreneurial activities of the timber industry to the full extent requires the formation of the controlling mechanism and the search of the most efficient controlling tools. Only on the controlling basis, it will become possible to modernize the planning, accounting, economic activity analysis system in accordance with the modern requirements which are aimed at the future perspectives.

The entrepreneurialism in the Russian economic science, from a scientific point of view, has not yet been developed enough. Therefore alongside with the theoretical principles of the national scientists the achievements of the foreign economic science are largely used.

The concept of “Entrepreneurship” has been in use since ancient times. However, various meanings were put into its content. In the Roman law it was understood as an occupation, activity (especially commercial) and an entrepreneur is a contractor, a person who builds a social system. In the Middle Ages – this was a traveler – tradesman, an organizer of the parades, performances and shows. In the Universal Dictionary of Commerce, published in Paris in 1723, an entrepreneur is a person who is willing to help to launch a new venture or an enterprise and accepts a full responsibility for the outcome. In the foreign economic the science of the entrepreneurialism has developed in several directions. It is rightfully considered, that the father of the entrepreneurialism was Irish-French economist Richard Cantillon (1680-1734). Cantillon’s ideas were not only recognized but were further developed in the works by J. Thunen, F. Knight and others. They drew special attention to the unexpectedness of risks, the uncertainty, unpredictability of business, which, on the one hand, increase the entrepreneur’s responsibility for the risk and for the possibility of unanticipated damages, and on the other hand – may contribute towards gaining higher incomes.

According to A. Smith the entrepreneur is a proprietor who takes economic risks to realize commercial goals and to make a profit. He himself plans and sets up production and controls its results.

All these ideas find support and development in the works of modern foreign and national scientists. Thus, famous American scientists R. Hisrich and M. Peters in their work “Entrepreneurship, or How to set up one’s own business and to succeed” state: «Entrepreneurship is a process of creating something new what possesses a value, and the entrepreneur is a person who spends on this all required time and effort, takes all financial, psychological and social risks, receiving money in reward and the sense of achievement».

A.B. Krutik, a famous Russian scientist, adheres to this idea, and writes, that “Entrepreneurship is a labour – labour constructive, creative and difficult, involves great risks, in addition, creates new incentives for high production activity and forms of the economic motivation».

The further development of the entrepreneurialism is connected with the management activity, constant modernization of the production, implementation of the innovative technologies, marketing method of a job management. The experience of the leading countries with a developed market economy shows that competitiveness of the business entities
depends, to a large extent, on the forecasting of novelties, the velocity of innovations’ introduction, quick reaction to the competitor’s behavior. The famous English economist Alan Hosking whose work “Business Studies”, which is one of Holborn College’s (London) systematic publications and intended for the systematic studies and learning of the modern business fundamentals and rules, writes: “Business is an activity carried out by individuals, enterprises or organizations with the aim to extract free goods, to produce and sell goods, or to provide services in exchange for other goods, services or money for the mutual benefit of the interested parties or organizations”.

This definition can be considered as a classic one. The author describes business entities, the sequence of the economic activities, the end results of the commodity production (goods and services), the types of exchange (C – C; C – M – C), the role of the money, the entrepreneurship goal (mutual benefit). All these generally-theoretical and methodological conclusions must be taken into account when organizing entrepreneurial activities in Russia.

The analyses of the national and foreign scientists’ works on the entrepreneurialism shows its distinctive features which should be considered: firstly – making a profit, its systematic growth; secondly – independence in activities, which means that a business entity has a certain amount of rights and liberties in choosing ways of the economic activities, their planning, access to the resources, their combination, organization, management, and product marketing; thirdly – the presence of the ownership title on the means of production, the product and income; fourthly – market-competitive regime of business; fifthly – economical responsibility for the business results; sixthly – risks of activity, in the course of which the entrepreneur must rely not only on the future success, but on the possibility of failure, the hazard of damages; seventhly – zeal and innovativeness of the entrepreneurial activities.

The goal of the “classical” entrepreneurship is the production of goods and services, and the goal of the modern one is their distribution. For example, when the Russian economy was at its zenith (in 1910 – 1913), the number of manufacturing and “distributing” enterprises was in the ratio of 8,5 to 1,5, and at present time this ratio is diametrically different. With this in mind, the «old» entrepreneurial activity was focused mainly on low income earners, and the «new» one – on the rich. Thus, in the past, the Russian “Third Estate” was indifferent to the political activities. But the modern entrepreneurs lead an active political life, taking an active part in this type of activity.

In the modern challenging environment the entrepreneurial efforts are often spent not on goods production and providing services, i.e. not on the direct performance of their main functions, but on overcoming of various obstacles which are constantly emerging due to an overall social-economic and political situation. All this, indeed, impacts on the dynamics and structure of entrepreneurship, scales, rates and its different forms.

The three stages of the entrepreneurship have been singled out in the development of the Russian economics.

The first one is the “entrepreneurship of Brezhnev’s era” in the former Soviet Union. This period is characterized by the appearance of the alternate economic activities beyond the state planning system. At that period a commercial economy unfolds in its legal and illegal forms (so called “shadow economy”). Later on, this fact served an incentive for passing in 1978 the law “Of the USSR citizens self-employment”, which legalized the sole proprietorship. Such specific soviet enterprises as seasonal construction brigades (so called “Pick-up works”), prospectors’
crews, Komsomol Youth Creativity Centres appeared at that period. They quickly transformed into intermediate business entities.

The second one is the development of cooperation. By the time, when in June of 1988 the law “of the cooperation in the USSR” went into effect, about 200 thousand people had already been doing business under the cover of self-employment. All this was happening under the conditions of partial and one-sided reforms, and the state sector continued to dominate in the Soviet economy and control all the entrepreneurial activities. The RSFSR Law “Of enterprises and entrepreneurial activities“ adopted at the end of 1990, defines the entrepreneurship as a proactive independent activity of citizens and their associations, aimed at making profits. The establishing of various market institutions is a distinctive feature of that period of time: exchanges, holding and investment companies, commercial banks, Antimonopoly Policy State Committee etc.

The third one is the beginning of the post-soviet stage in the development of entrepreneurship. A new period in the development of entrepreneurship which began in the history of the CIS states, was characterized by the rehabilitation of private property and the course to the massive privatization. The adoption of the relevant laws in the Russian Federation was aimed to create private enterprise economy.

When we mention the modern economy, we mean entrepreneurship. In the market economy an entrepreneur, whether it is an individual, a collective or a state, is a main agent of the economic activity. Therefore, it is quite explainable, that the market economy is identified with free enterprise. Individual entrepreneurs enter into the market relations with each other in order to sell goods and services they produced with an aim to make a profit. This aim is achieved in the course of the competitive struggle.

In the course of the reforms’ implementation the business institute has become an inherent part of the country’s social life. In section 2 of the Civil Code of the Russian Federation, the entrepreneurship is characterized as an “independent activity, conducted at one’s own risk, aimed at a systematic profit making from the usage of property, sales of goods, performance of works or providing services by individuals registered as entrepreneurs in accordance with the procedure established by the law».

The development of the entrepreneurship plays an irreplaceable role in achieving the economic advancement of the country, formation and establishment of the main institutions, principles and guidelines of the market economy. The implementation of these principles and institutions will create conditions for a structural reorganization of the entire economy, putting the economy on the way of sustainable development.

A lot of attention should be paid to the fundamental research in the fields of production of new materials, development of the information technologies, flexible processing systems, high-tech productions, possessing a high export potential and having a significant importance for integration of the country’s economy into the world economic relations.

At the present, the advancement of the national economy is characterized by the aggravation of the contradictions, which has manifested itself in the production output drop, the slowdown of the scientific and technical progress and inefficiency of the state regulation. It is well known that the general economic crisis is followed by the “crisis of manageability” which consists in the discrepancy of the existing company management structure with the scale and complexity of the companies’ economic activity, as well as with the external
conditions of carrying it on. In order to survive in this situation, the management stuff of the companies have to be in a constant search of new forms and methods of management, the development and implementation of innovations in this field, to adjust to the uncertainty of the economic conditions. The refining of the management system functions can be assured by providing a systemic approach to the company’s management organization is in place.

Thus, at the present, one of the main directions for the company’s management system refining is a development and implementation of the concept of control. This term is being commonly used by the scientists and practitioners in the fields of economics and management.

In this regard, it is becoming a special interest to study and apply the advanced foreign experience to the extent to which it can be used in the national management practice.

Роль контроллинга
в развитии предпринимательства

Т.Е. Викторук
Сибирский государственный технологический университет
Россия 660049, Красноярск, пр. Мира, 82

В статье автор говорит о тесной связи рыночной экономики с предпринимательской деятельностью в современной России. Усиление конкуренции на внутренних и международных рынках способствует поиску новых форм и методов управления. Одним из главных направлений совершенствования системы управления предприятием является разработка и внедрение концепции контроллинга.

Ключевые слова: управление, контроллинг, инновации, промышленные предприятия, управление метасистемой, предприятия лесного комплекса.