

# CONTROLLING IN QUALITY ASSURANCE AND INTERNAL COORDINATION OF ENTREPRENEURSHIP ACTIVITY

**Evgenij Moskvitin, Don State Technical University**

**Valentyn Vlasenko, Higher Educational Establishment of Ukoopspilka  
Poltava University of Economics and Trade**

**Oksana Shved, Ivano-Frankivsk National Technical University of Oil and  
Gas**

**Victoria Ryzhova, International Technological University «Mykolayiv  
Polytechnics, Ukraine**

**Olga Goncharenko, Don State Technical University**

## ABSTRACT

*The article conceptually defines the need to use controlling to ensure the quality and internal coordination of entrepreneurship activity. A definition of controlling as a modern concept of providing effective support for entrepreneurship activity, as well as recommendations that would improve the controlling system in entrepreneurship have been proposed. It has been proved that the controlling system should be adapted to specific factors, in particular: the business environment and the internal environment (production program, product manufacturing technology, business size, leadership style, etc.). In order to achieve the set goals, it is proposed to single out strategic and operational controlling. Strategic controlling fulfills the function of implementing entrepreneurship plans and goals. Therewith, the main task is to coordinate strategic planning and control, as well as to provide information that is important for strategic decision making. Operating controlling contributes to current planning, with the main focus on short-term market trends, information on which is expressed in the form of income and expenses. The attention of operational controlling is focused on the internal environment of the subject entrepreneurship activity and is focused on its current commercial activity.*

*It is proved that the main purpose of controlling is related to the entrepreneur's orientation toward achieving the goals set. It is a complex system, the economic essence of which lies in the dynamic process of transforming and integrating existing tools into a single system for obtaining, processing information to make management decisions based on it, aimed at achieving all the tasks that are formed by the entrepreneur itself.*

**Keywords:** Business Entity, Strategic And Operational Controlling, Entrepreneurship External And Internal Environment, Information System, Process Approach.

**JEL Classifications:** D04, D61, M11.

## INTRODUCTION

One way of effectively solving economic problems for business entities may be an introduction of a conceptual framework of controlling, which is based on the solution of problems related to the coordination of management activities in order to achieve business goals; information and advisory support in making effective management decisions; creation

and maintenance of functioning of the general information system of providing business activity; ensuring the rationality of the management process; introduction of systems of planning, control, and analysis of activity; providing staff motivation to increase the efficiency of business entities.

Solving the above problems at the expense of the potential controlling opportunities will provide positive dynamics of economic development, and therefore has theoretical and practical significance. For management science and practice, particular attention should be paid to improving the quality of the management system through the controlling process in order to provide the preconditions for the efficient and long-term functioning of business structures. It is this provision that determines the relevance of the study.

## **THE ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS**

Today, research on this topic is being actively pursued and implemented in the business world. It should be noted that some researchers compare the importance of controlling with management accounting, while others consider it to be innovative but closely related to management and financial accounting and aimed at analyzing future events (Keyhani et al. 2015; Weetman, 2010). The basic provisions of the concept of controlling have been reflected in the work of such researchers as (Abernethy & Brownell, 1997; Hewege, 2012; Okoli & Pawlowski, 2004), and in recent years - in publications of systematic direction and entrepreneurship development (Brownell, 2006; Liard- Muriente, 2007; Rigg, 2005). Although recently researchers have begun to pay some attention to the conceptual basis of controlling and the possibility of applying some of its elements to Ukrainian business entities, the problem of improving the quality of management through the controlling process has not been fully explored and some theoretical developments are rather fragmentary.

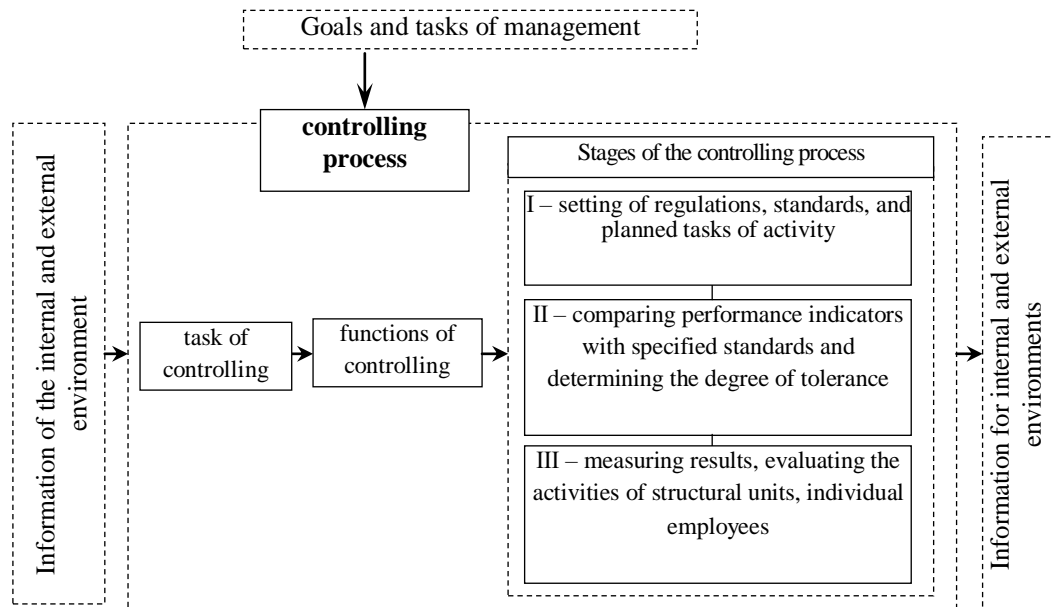
## **METHODOLOGY**

The set of theoretical and methodological prerequisites that determine this scientific study determines the essence of controlling as a process. The essence of controlling as a process in management consists of the presentation of methods of prospective planning of business entities (definition of goals), assessment of the current state of business entities (situation analysis), development of targeted corrective influence as an effective formalized methodological management system. It is obvious that the purpose of controlling is to use scientific management tools based, as a rule, on the achievements of research of operations to improve the quality of the management system. The process approach based on the integration of management activities into a small number of categories has been applied in the study, which now is widely used in business practice research.

## **RESULTS AND DISCUSSIONS**

Thus, it should be noted that controlling is the process of effective support of entrepreneurship activity to ensure its long-term functioning in the conditions of the national market. This process can clearly define the goals of business entities, management principles, and ways of their implementation. It is also evident that the controlling process is aimed at eliminating “*Bottlenecks*” in the work of business entities, orientation towards the future, achieving specific results of the work of these entities in accordance with the goals of business entities (Malmi & Brown, 2008 ). In the author’s view, new to controlling is that it provides a combination of traditionally isolated aspects of business support, taking into account their relationships.

The process of strategic control and quality assurance of the management system of business entities through this process are of particular interest, and they need to be discussed in more detail. Because of the above arguments, in the authors' opinion, this is characteristic of the management of business entities, which in turn involves the controlling process. Figure 1 illustrates the controlling process in an entrepreneurship environment.



**FIGURE 1**  
**CONTROLLING PROCESS IN AN ENTREPRENEURSHIP ENVIRONMENT**

As can be seen from the data in Figure 1, the role of the controlling process in managing business entities is identical to the value of controlling in the overall management system. That is, in the process of planning the goals of business entities, the role of controlling is to coordinate various plans and develop a consolidated plan as a whole; development of planning methods; development of a timetable for making plans; provision of information for planning, as well as checking plans drawn up for business development.

When organizing entrepreneurship activity, accounting and control of costs and results in units are carried out with the help of controlling. When stimulating the fulfillment of plans of business entities, controlling is characterized by stimulation of fulfillment of plans (Otley, 2003). When monitoring and regulating activities, the role of controlling is determined by comparing planned and actual values for measuring and evaluating the achievement of the goal; establishing acceptable limits for deviations from the plan; analysis of deviations, finding out the reasons for deviations of the plan from the fact and development of proposals to reduce them.

Carrying out the process of analyzing information flows in entrepreneurship activity using the controlling process, the structure of the management information system is being developed; the most relevant data for management decisions is being collected; consultation on the selection of corrective actions and management decisions is being performed; tools for planning, monitoring, and making business decisions are being developed.

The controlling process in entrepreneurship activity can only be effective provided that reliable and timely information on the state of management is received and used, management is carried out in accordance with the intended goals and principles, received orders and instructions of the management, acting on the basis of laws (Mitchelmore & Rowley, 2010).

Thus, controlling allows not only to identify deviations from the adopted and approved rules, procedures, and regulations but also to assess the causes of these deviations and specify them by the degree of participation of officials in them whose activities are subject to verification.

The controlling process in entrepreneurship activity also involves a three-stage implementation procedure: at the first stage, it is necessary to establish regulations, standards, and planned tasks of the activity; at the second stage, it is necessary to compare the performance indicators with the given standards and determine the degree of permissible deviations; at the third stage, the results should be measured, the performance of structural units and individual employees should be evaluated (Langevin & Mendoza, 2013).

If we consider the concept of "*Management*" in a general sense, then this is a purposeful, systematic effect on the staff in the process of its activities. Management is primarily "influence", which emphasizes the authoritative nature of this type of activity. The definition of "target-oriented" emphasizes the task of management – to ensure the achievement of goals set for the team by identifying the final results of their actions in advance and developing work plans to achieve them. Thus, target management is an approach to management that requires defining tasks, ways of fulfilling the intended tasks, deadlines, amount of funds, which are necessary for the implementation of tasks, parameters of the final satisfactory result, and possible corrective actions.

Given the foregoing, it should be noted that target management can be fully implemented through the application of the controlling process. One cannot disagree with the fact that the target management is focused on the final result, which is accompanied by certain difficulties in the application of the controlling process (Giraoud et al., 2011; Drobyazko et al., 2019). The authors are convinced that the most important function of a modern leader in the controlling process is the ability not only to professionally solve urgent problems but also the ability to prevent the occurrence of problem situations.

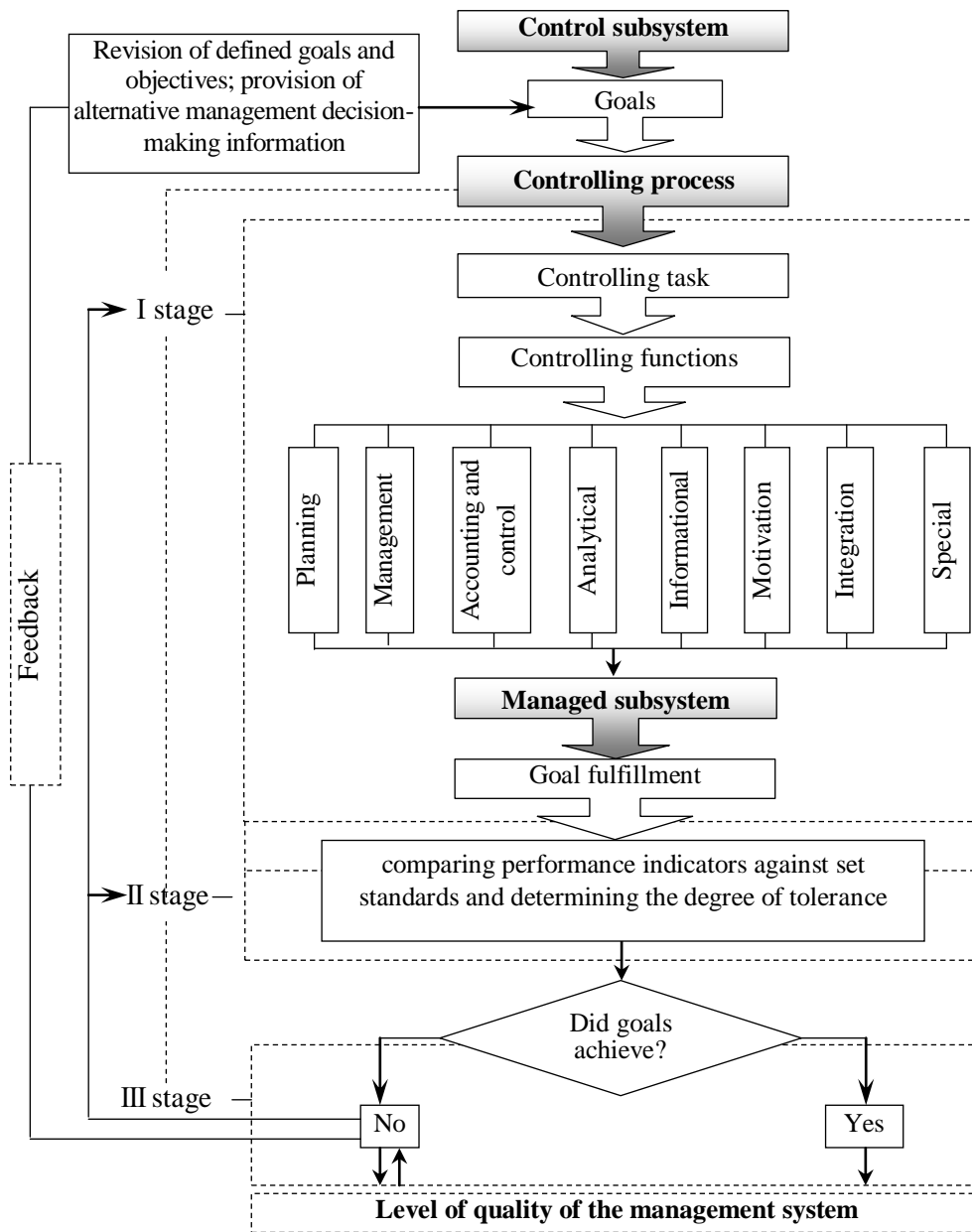
Therefore, to improve the quality of entrepreneurship activity support, it is necessary to create an effective system of planned performance indicators for all its business units based on an approach using the principles and methods of operational controlling. We believe that the development of a clear hierarchy of goals in the controlling process will create the necessary prerequisites for improving the quality of management of business entities with a corresponding change in the rights and functions of business units.

Thus, the problem of improving the quality of management of business entities can be solved if it is constantly improved because this process requires the introduction of the latest management methods. The author considers it appropriate to focus on expanding and deepening activities related to the quality of management, as well as on the introduction of synthesized analysis methods to obtain more accurate management results based on the application of the controlling process (Acs, 2010).

When further improving the quality of entrepreneurship activity support, the following should be taken into account: in the general entrepreneurship activity support, it is necessary to create a complex of interdependent subsystems that would ensure the application of the principles of control and find their place in the overall quality model.

Improving the quality of management can be achieved by combining different measures, methods, and ways of introducing controlling for business entities, although it is a rather complicated process. That is, one should abandon the individual disparate controls and begin to implement a comprehensive system of interdependent consistent measures that will facilitate the effective conduct of business (Makedon et al., 2019). The next important step in this process should be a thorough revision and improvement of the scientific and technical level of existing management standards, as standards play a significant role in improving the quality of entrepreneurship. A graphical representation of the structural-logical model of

quality assurance of entrepreneurship activity support through the controlling process is shown in Figure 2.



**FIGURE 2**  
**STRUCTURAL-LOGICAL MODEL OF QUALITY ASSURANCE OF ENTREPRENEURSHIP**  
**ACTIVITY THROUGH CONTROLLING**

As can be seen from Figure 2, for the controlling process, the above arguments are an additional confirmation of its basic principles. The essence of these principles is the positive provision of autonomous and effective controlling, aimed at developing standards, principles, and management methods that contribute to the prevention of changes in the level of quality of entrepreneurship activity support.

The main function of controlling is coordination. It covers the structures of all management subsystems, all the processes of consistency between them, as well as coordination within the systems themselves. But these concepts for the designated tasks of controlling have certain differences and disadvantages, which are formalized in Table 1.

<b>Table 1 ANALYTICAL CHARACTERISTICS OF CONTROLLING CONCEPTS IN ENTREPRENEURSHIP ACTIVITY</b>			
<b>Concept</b>	<b>Characteristics</b>	<b>Differences</b>	<b>Disadvantages</b>
1. Accounting-oriented	-Oriented to the realization of information goals with the help of accounting data (ie indicators of success in monetary terms)	-Are based only on accounting data; - Controlling according to this point of view refers primarily to the operational level and only partially to the strategic one when it comes to the potential for success	- limiting only by monetary indicators is a too narrow approach
2. Information-oriented	- coordination of the receipt and preparation of information as needed	- cover the whole system of business entities, not limited to monetary values; - considerable in volume and quality information is used, its source is directly the economic spheres of the business entities;	- attracting large volumes of information flows into the economic structure of the business entities is a big problem; - if the whole sphere of information economy is a function of controlling, then its inclusion in the company-wide field of action becomes uncertain since information needs are very multi-aspect and insufficiently specified
3. Coordination-oriented	- is based on the differences between the management system and the execution system	- are characterized by a wider range of tasks than approaches with information orientation; - covers the structures of all management subsystems, all processes of coherence between them, as well as coordination within the systems	-Is associated with numerous difficulties in distinguishing it with the concept of "entrepreneurship activity support", as well as with management functions.

Thus, the analysis of the three conceptual approaches allows arguing that they do not exclude each other in substantiating the nature of controlling and allow deepening the understanding of this concept.

### **RECOMMENDATIONS**

The logical continuation of the above arguments is that the controlling process can help to improve the quality of entrepreneurship activity and can be oriented towards the long-term development of the business of certain entities of entrepreneurship activity, the main purpose of which is to orient the management process towards ensuring profitability and efficient use of resources. However, the scientific substantiation of the problem of improving the quality of the entrepreneurship activity support system still requires further research from the perspective of a systematic approach to the whole complex of the most important problems that are included in the concept of controlling as a process of ensuring the quality of the entrepreneurship activity.

## CONCLUSIONS

A comparative analysis of these approaches allows concluding that it is advisable to develop an integrated approach to justifying the feasibility of the introduction of controlling in entrepreneurship activity, which should be based on the principles of a comprehensive assessment of the possible effects and acceptability of its application. The methodological basis of this approach should be the main provisions of the modern theory of management (system and situational analysis, targeted and innovative approach to management, theory of self-organization of complex systems, theory of rational decision-making, theory of automated control, etc.).

The important role of the controlling process in creating and providing quality entrepreneurship activity support is also identified. In this regard, it should be noted that a clear distribution of tasks or improving the quality between units of business entities and performers, as well as their coordination are the core of any well-organized controlling process and therefore require special consistent efforts and attention from entrepreneurs. The widespread introduction of a high-quality management system in entrepreneurship activity will enable managers to achieve stable and efficient functioning of business entities. If the entrepreneur ignores the introduction of such a system, then the business activity will be formal in nature and will not bring positive results.

## REFERENCES

- Abernethy, M.A., & Brownell, P. (1997). Management control systems in research and development organizations: the role of accounting, behavior and personnel controls. *Accounting, Organizations and Society*, 22, 233-248.
- Acs, Z.J., (2010). Entrepreneurship and economic development: The valley of backwardness. *Annals of Innovation & Entrepreneurship*, 1(1), 5641.
- Brownell, J. (2006). Meeting the competency needs of global leaders: A partnership approach. *Human Resource Management*, 45(3), 309-333.
- Giraoud, F., Zarlowski, P., Saulpic, O., Lorain, M., Fourcade, F., & Morales, J. (2011). Fundamentals of management control, Pearson Education France.
- Drobnyazko, S., Blahuta, R., Gurkovskiy, V., Marchenko, Y., & Shevchenko, L. (2019). Peculiarities of the legal control of cryptocurrency circulation in Ukraine. *Journal of Legal, Ethical and Regulatory Issues*, 22(6). URL: <https://www.abacademies.org/articles/peculiarities-of-the-legal-control-of-cryptocurrency-circulation-in-ukraine-8813.html>
- Hewege, C.R. (2012). A Critique of the Mainstream Management Control Theory and the Way Forward, Sage Open, 1-11.
- Keyhani, M., Lévesque, M., & Madhok, A. (2015). Toward a theory of entrepreneurial rents: A simulation of the market process. *Strategic Management Journal*, 36(1), 76-96.
- Langevin, P., & Mendoza, C. (2013). How Can Management Control System Fairness Reduce Manager,s Unethical Behaviours?. *European Management Journal*, 31, 209-222.
- Liard-Muriente, C.F., (2007). Capital control: Theory and practice. *Journal of Business and Public Affairs*, 1(1), 1-8.
- Malmi, T., & Brown, D. (2008). Management Control Systems as a Package-Opportunities, Challenges and Research Directions. *Management Accounting Research*, 19, 287-300.
- Makedon, V., Drobnyazko, S., Shevtsova, H., Maslosh, O., & Kasatkina, M. (2019). Providing security for the development of high-technology organizations. *Journal of Security and Sustainability Issues*, 8(4), 1313-1331.
- Mitchelmore, S., & Rowley, J. (2010). Entrepreneurial competencies. A literature review and development agenda. *International Journal of Entrepreneurial Behaviour and Research*, 16, 92-111.
- Okoli, C., & Pawlowski, S. D. (2004). The delphi method as a research tool: An example, design considerations and applications. *Information & Management*, 42(1), 15-29.
- Otley, D. (2003). Management Control and Performance Management: Whence and whither? *The British Accounting Review*, 35, 309-326.
- Rigg, C (2005). It's in the way they talk". A discourse analysis of managing in two small businesses". *International Journal of Entrepreneurial Behaviour and Research*, 11, 58-75.
- Weetman, P. (2010). Management Accounting, Prentice Hall.