Management control and budgetary control: Instruments for enhancing organizational performance

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Abstract: *As public institutions operate in low-efficiency zones, financial planning becomes essential for determining the need for financial resources in the future. This process is carried out through the elaboration of income and expenditure budgets. The public budget represents a crucial management tool for programming and control, providing financial sizing objectives, identifying costs and actions funded from anticipated revenues, as well as evaluating results and economic efficiency. Budgeting is not limited to the preparation of financial documents but also involves establishing the connection between the allocation of financial resources and the objectives and goals set by the management and accounting team. This requires a detailed and comprehensive analysis of the current situation and future forecasts.Management control is an information system that collects and manages information for the evaluation and management of organizational performance. Management control, alongside budgeting, cost calculation, and steering, constitutes an important management tool. Management control aspects are currently essential, being present in all social and economic domains.Through control, managers ensure access to dynamic, real, and preventive information, which improves the quality of decisions and results without compromising the efficient operation of businesses.*

Keywords: *Management control, accounting, budgeting, tools, decision-making, revenues, expenses, strategic planning, performance*

JEL Classification: *M41*

Introduction

Due to major changes that occurred at the end of the 20th century and the beginning of the 21st century, the requirements and demands of current times, characterized by the globalization of the economy and the necessity of forming a universal accounting professional with an increased role in the efficient management of entities, have increased the importance of producing and reporting accounting information for the substantiation of appropriate managerial decisions.

Management control is a field in continuous evolution, with varied definitions depending on authors and periods, as knowledge, techniques, and practices advance. This discipline has gone through three epochs to date: cost control and analytical accounting, performance management, and digital management control.

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Management control involves verifying if everything is proceeding according to the adopted plans, instructions issued, and principles established by the General Management and Financial Direction. Its main purpose is to identify weaknesses and errors. The management control process involves comparing the actual situation with the expected one, highlighting any deviations if they exist.

Management control has been and remains one of the most researched fields. Some researchers consider it as a management or finance element, while others try to maintain its accounting nature. In seeking solutions to these issues, we have examined control through the prism of its historical evolution, although the nature of the research directs us towards its accounting aspects.

Martendell Jackson (1950, cited by Dunlevy, 1965, p.18), recognized as a prominent English speaker, describes management control as follows: *"I will not speak of control because that is all; I will speak of measurement. The notion of control has an ambiguous meaning... Objectives are the basis of control, first and foremost, but they should not become the basis of control, secondly. In this case, the intended purpose is not achieved. Indeed, one of the major contributions of objective-based management is not to allow the substitution of self-control management with domination-based management."*

In a slightly distinct approach from other researchers, Grenier C. (1990) states: *"Management control seeks to develop and implement information tools for management to achieve global economic coherence of objectives, means, and results. It can be considered as a useful information system in monitoring the enterprise, as effective and efficient control of actions and means contributes to achieving objectives"* (Boisselier P., 2013, p. 11).

In other words, the management control process aims to confirm if everything is proceeding according to plan and, consequently, to influence events to conform to it.

We can affirm that management control has a future orientation because it aims to identify any deviations from the plan in order to implement corrective actions.

Management control presents several key characteristics that define and differentiate it. Here are some of them:

Strategic orientation: Management control is oriented towards achieving the organization's strategic objectives. By monitoring performance and aligning activities with the overall strategy, management control ensures that all efforts contribute to realizing the organization's vision and mission.

Planning and budgeting: An essential characteristic of management control is involvement in the planning and budgeting process. It helps establish financial objectives and allocate resources in accordance with these objectives, thereby facilitating tracking and evaluating performance.

Monitoring and control: Management control involves continuous monitoring of organizational performance against established objectives. It uses key performance indicators (KPIs) to assess results and identify any deviations from the initial plans, facilitating corrective interventions or adjustments.

Reporting and analysis: Management control provides periodic reports and analyses of organizational performance to management and other stakeholders. These reports offer a detailed perspective on results and trends, aiding informed decision-making and improving processes and strategies.

Flexibility and adaptability: Management control must be flexible and adaptable to changes in the organization's internal and external environment. It must be able to adjust plans and respond quickly to new opportunities or threats to ensure continued organizational success.

These are just some of the key characteristics of management control, and their efficient implementation can significantly contribute to improving performance and achieving organizational objectives.

Initially, control was intended for accounting, with the task of tracking the achievement of its goals, and following the historical evolution of accounting, it becomes a valuable element of management activity, fig. 1.

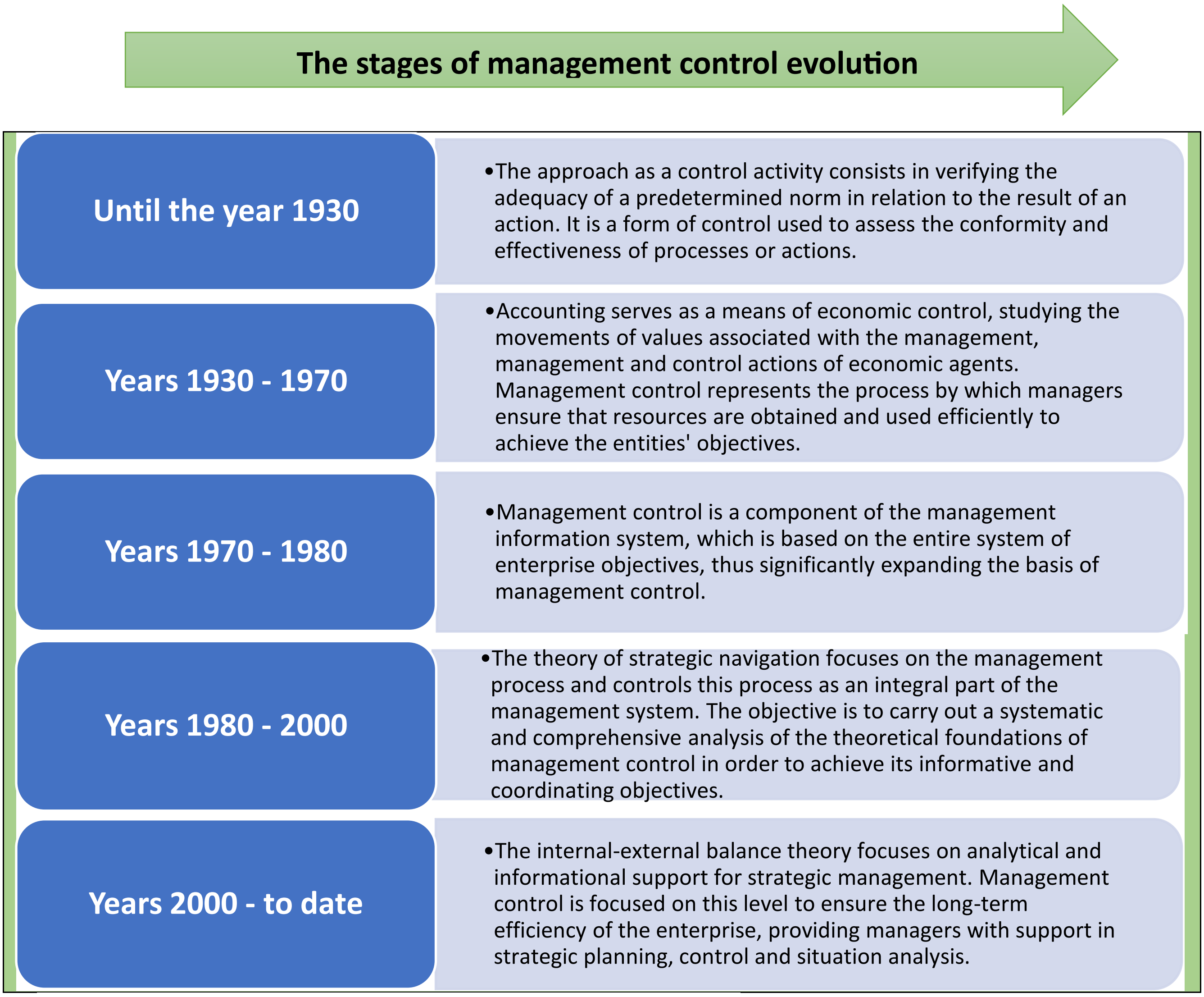
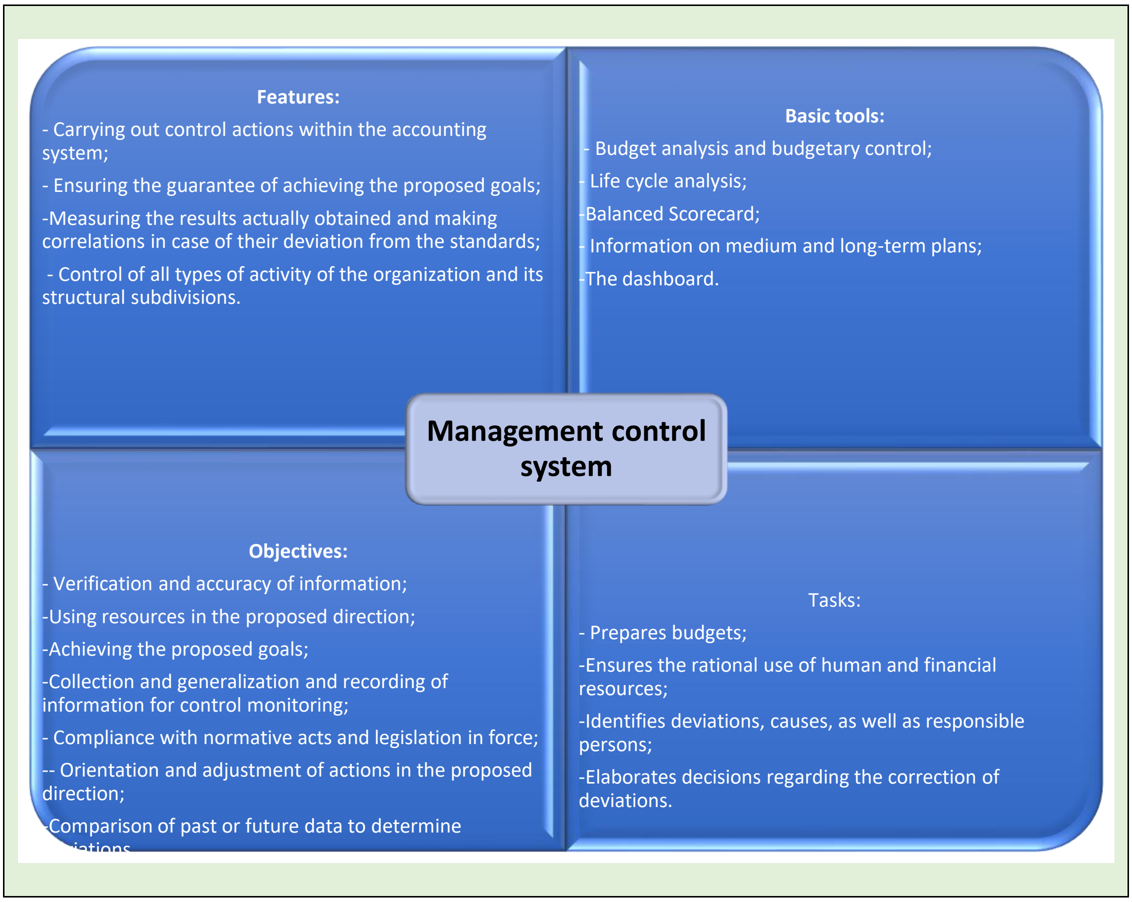


Fig.no.1. Development stages of management control (own source)

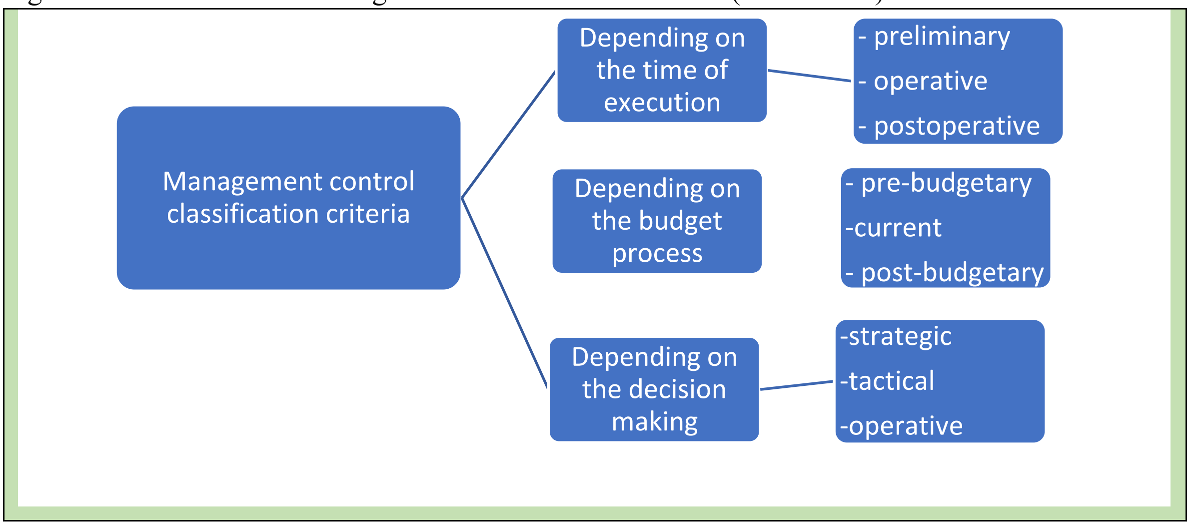
Management control can be described as a system consisting of functions, objectives, tools and tasks (fig. 2)

Fig.no.2 The elements of management control (own source)



Management control can be classified in various ways, according to criteria such as period, term or associated type of action, each present within the economic entity (fig. 3).

Fig.no.3 Classification of management control within entities (own source)



It is often rightly said that there can be planning without management control, but there cannot be management control without planning. Indeed, we can compare actual performance with the strategic plan or budget to determine any deviations.

The budget is a financial instrument that presents estimates of an organization's or entity's revenues and expenses for a specific future period, usually a fiscal year. It is a detailed financial plan that reflects the priorities, objectives, and available resources of the organization and serves as a financial management tool.

The main aspects of a budget include:

Revenues: This includes estimates and projections of the organization's anticipated revenues from various sources such as sales, taxes, grants, etc. Revenue estimates are crucial for determining the organization's ability to finance planned expenses.

Expenses: This includes details about the organization's anticipated expenses for various activities and programs. Expenses can be categorized into areas such as salaries and benefits, operational costs, capital investments, etc.

Difference (surplus or deficit): The difference between estimated revenues and anticipated expenses represents the budget surplus or deficit. A surplus indicates that revenues exceed expenses, while a deficit indicates the opposite. Managing this difference is essential for maintaining the financial health of the organization.

Budgets can be developed at the organizational or departmental level and can cover different time periods, such as a fiscal year, quarter, or calendar year. They serve as planning and control tools, helping the organization to secure the necessary resources to achieve its objectives and to monitor and evaluate its financial performance over time.

The budget is an essential aspect of financial management and is used in a variety of contexts, from businesses and non-profit organizations to governments and other public entities.

The concept of budgeting refers to the planning and estimation of an organization's or entity's revenues and expenses for a specific future period. It is an essential financial management tool that helps set priorities, allocate resources, and monitor financial performance to achieve organizational objectives. Therefore, the budget serves as a financial roadmap that guides the organization's activities and ensures the efficient use of available resources.

The fundamental principles of budgeting include:

Principle of planning: The budget serves as a planning tool that helps the organization set financial objectives and identify the resources needed to achieve them. Budget planning involves estimating future revenues and expenses in line with the organization's strategy and objectives.

Principle of priority: The budget reflects the organization's priorities by allocating resources according to the importance and necessity of different activities and projects. This involves identifying and primarily funding actions and initiatives that support the organization's strategic objectives.

Principle of flexibility: The budget must be flexible to respond to changes in the business environment and to adjust plans and priorities based on new circumstances. Flexibility involves the ability to revise and adapt the budget during the budget period to account for unforeseen changes.

Principle of responsibility: The budget involves assigning responsibilities and financial objectives to different departments or organizational units. This principle encourages taking responsibility for managing resources and achieving the established objectives within the organization.

The principle of control: The budget serves as a tool for monitoring financial performance, allowing for comparison between actual results and initial estimates. This principle entails regular monitoring of expenses and revenues to identify deviations and take corrective or improvement measures.

These principles form the basis of the budgeting process and ensure that the budget serves as an effective financial management tool, oriented towards achieving organizational objectives and supporting the long-term success of the organization.

Management control and budgetary control are two important aspects of an organization's financial management process, but they have distinct purposes and characteristics:

Management control:

Management control is a continuous and integrated process within organizational management, focusing on monitoring and evaluating the organization's overall performance.

The purpose of management control is to ensure that the organization's strategic objectives are achieved through the efficient monitoring and management of resources and activities.

It involves using key performance indicators (KPIs) to evaluate the organization's results against established objectives and to identify any deviations or opportunities for improvement. Management control covers a wide range of activities, including planning and budgeting, analyzing and interpreting financial and operational data, making strategic and operational decisions based on available information.

Budgetary control:

Budgetary control is a specific component of management control that focuses on monitoring and evaluating the organization's performance against the established budget.

The purpose of budgetary control is to ensure that the organization's revenues and expenses are in line with the plans and objectives set out in the budget.

It involves regularly comparing actual financial results with budget estimates and identifying any deviations or deviations from the initial plans.

Budgetary control usually includes budget preparation, monitoring and reporting of financial performance, identification and analysis of variations, as well as taking corrective or improvement measures where necessary.

In conclusion, *management control* is a broader process that involves monitoring and evaluating the organization's overall performance, while budgetary control is a specific component of it, focusing on monitoring and evaluating financial performance against the established budget. Both are essential for efficient resource management and achieving organizational objectives.

The dashboard is an essential tool in management control and budgetary control, providing a synthetic and graphical view of the organization's performance against objectives and the established budget. It provides relevant and easily understandable information for managers and other stakeholders, allowing them to quickly monitor and evaluate performance and make informed decisions.

Here are the main characteristics of the dashboard in the context of management control and budgetary control:

Key Performance Indicators (KPIs): The dashboard includes a series of relevant KPIs for management control and budgetary control, selected based on the organization's objectives and priorities. These indicators may include, for example, revenue, profit margin, average cost per unit, collection rate, or resource utilization level.

Real-time Monitoring: The dashboard provides an updated, real-time view of the organization's performance, allowing managers to quickly observe trends and identify deviations or deviations from established objectives and budgets. This facilitates quick and corrective decision-making to optimize performance.

Graphical Visualization: Information presented in the dashboard is displayed graphically and is easy to understand, using charts, diagrams, and other visual elements. This makes it easier to understand and interpret data and allows managers to quickly identify key trends and patterns.

Customization and Adaptability: The dashboard can be customized to fit the individual needs and preferences of users. It may include filtering and sorting functions, allowing users to view and analyze data based on specific criteria or generate customized reports for their different needs.

Accessibility and Mobility: The dashboard can be accessed and used anywhere and anytime, using mobile devices or internet connections. This allows managers to monitor performance and make real-time decisions regardless of their physical location.

These features are essential for an efficient and useful dashboard in organizational management, facilitating informed decision-making and improving performance and operational efficiency.

In conclusion, the dashboard is a powerful and versatile tool in management control and budgetary control, providing a comprehensive and intuitive view of the organization's performance and facilitating informed and proactive decision-making. By integrating it into financial management processes, organizations can optimize performance and achieve their objectives more efficiently and effectively.

Advantages of using the dashboard in management control and budgetary control:

Synthetic Data Visualization: The dashboard provides a synthetic and graphical presentation of relevant financial and operational information, allowing managers to quickly and easily understand the current situation and identify key trends.

Real-time Monitoring: The dashboard provides access to real-time updated data, allowing managers to monitor organizational performance and respond promptly to changes and challenges in the business environment.

Identification of Deviations and Variances: By comparing actual results with set targets and budgets, the dashboard allows for the rapid identification of deviations and variances and the taking of appropriate corrective measures to address these issues.

Informed Decision-making: The dashboard provides relevant and updated information to managers, allowing them to make more informed and efficient decisions regarding resource allocation and operational priorities.

Improving Transparency and Communication: By providing a clear and transparent view of organizational performance, the dashboard improves communication between different teams and departments and promotes alignment with organizational goals and strategies.

Customization and Adaptability: The dashboard can be customized to fit the individual needs and preferences of users, allowing them to focus on relevant information for their specific roles and responsibilities.

Operational Efficiency: Using a digital dashboard can contribute to streamlining operational processes and reducing the time and effort required for data management and analysis.

Overall, using the dashboard in management control and budgetary control brings numerous benefits, including better monitoring of organizational performance, faster and more informed decision-making, and improved operational efficiency. This tool is essential for efficient resource management and achieving organizational objectives.

Management control is an essential area of management that focuses on monitoring and evaluating organizational performance to ensure the achievement of established objectives. It involves using specific tools and techniques to plan, track, and control the activities and resources of the organization in the desired direction. Here is a more detailed analysis of the concept and trends in management control:

Concept of Management Control:

Management control is a continuous and integrated process within organizational management, involving monitoring and evaluating performance in relation to established objectives. It covers a wide range of activities, including planning and budgeting, analyzing and interpreting financial and operational data, and making strategic and operational decisions based on available information.

Trends in Management Control:

Digitalization and Automation: The use of digital technologies and advanced information systems for data collection, analysis, and reporting, improving the efficiency and accuracy of management control processes.

Focus on Data Analysis: Increasing emphasis on data analysis for identifying trends, patterns, and opportunities for improving organizational performance.

Innovation and Adaptation to Change: Management control needs to be innovative and responsive to changes in the business environment, adapting its processes and tools to address new challenges and opportunities.

Sustainability and Social Responsibility: Integrating sustainability and social responsibility aspects into management control processes, reflecting organizations' growing concerns about their impact on the environment and society.

These trends reflect the continuous evolution of management control in an increasingly complex and dynamic business environment, moving towards a more integrated, data-driven approach, and tailored to contemporary changes and challenges.

Digital management control represents an evolution of the management control process through the use of digital technologies and information solutions for data collection, analysis, and reporting. This involves using software tools and online platforms to automate and optimize management control processes, facilitating informed decision-making and improving the efficiency and effectiveness of financial management activities.

Digital management control and digital budgetary control are two essential components of financial management that benefit from the integration of digital technology into their processes. Here are some key aspects of digital management control:

Automation of the Budgeting Process: Using specialized software solutions allows the automation of the budgeting process, facilitating data collection, information analysis, and report generation. This reduces the time and effort required for budget preparation and allows for faster and more frequent updates based on changes in the business environment.

Real-time Monitoring and Reporting: Digital platforms allow real-time monitoring and reporting of financial performance, providing access to updated data and key performance indicators at any time. This facilitates quick and informed decision-making and allows for the rapid identification of deviations or potential issues.

Advanced Data Analysis: Digital management control and budgetary control allow for the use of advanced data analysis techniques, such as predictive analysis and business analytics, to identify trends, patterns, and opportunities for improving organizational performance. This enables more efficient anticipation and management of risks and opportunities.

Advanced Data Analysis: Using digital platforms for management control and budgetary control facilitates collaboration and communication among different teams and departments within the organization. This ensures alignment and coherence in the decision-making process and enhances transparency and accountability regarding financial management.

Advanced Data Analysis: Digital solutions enable access to financial and budgetary information from anywhere and at any time, using mobile devices or internet connections. This facilitates on-the-go financial monitoring and management and enables managers to make real-time decisions regardless of their physical location.

In conclusion, the integration of digital technology into management control and budgetary control brings numerous benefits, including increased efficiency, more informed decision-making, and adaptability to changes in the business environment. This transforms financial processes and contributes to the long-term performance improvement of the organization.

In the era of digitalization, data has become one of the most valuable resources for educational institutions. In the past, information was collected, processed, and stored manually, but now, a vast amount of data is managed and stored digitally, especially within multinational companies. With the advent of the internet and technological advancements, information systems have become essential in all fields, including accounting and management. As a result, various types of information systems have evolved, each with its distinct role in institutions, depending on their needs.

In Romania, one of the most important tools is the management information system, which offers reliability, accessibility, and easily understandable information in a timely manner for users. Its purpose is to provide managers with accurate, relevant, and comprehensive information to improve organizational performance in educational institutions.

The need for an integrated system, such as SIIIR - the Integrated Information System of Romanian Education, arose from the lack of integration of a set of information, a database, and primary analysis and control tools. This system provides comprehensive management and accounting services within the pre-university education system, covering operational, technical, administrative, and essential aspects. From an accounting perspective, SIIIR meets the needs of users both at the central level and the needs identified at the local level (within educational institutions).

The Integrated Information System of Romanian Education (SIIIR) was financially supported by the Operational Program of the European Social Fund for Administrative Capacity Development in the period 2007-2013. It was included in a project called "Integrated Information System for Education in Romania."

The Integrated Information System of Romanian Education (SIIIR) is a digital platform developed for managing and monitoring activities in the field of education in Romania.
In fig. 4 we have the presentation of accessing the SIIIR platform - the Integrated Information System of Romanian Education

Fig.no. 4. Accessing the platform SIIIR[4]

[4] https://www.siiir.edu.ro/siiir/login.jsp

Within this system, both management control and budgetary control can benefit from the integration and use of information technology to streamline processes and ensure better management of financial and operational resources.

Here are some ways in which SIIIR can contribute to management control and budgetary control in the field of education:

Human resource management: SIIIR can be used to manage human resources in the education system, including teaching and non-teaching staff records, salary and benefits management, and monitoring absenteeism and staff performance.

Financial monitoring and reporting: SIIIR can provide tools for tracking and reporting education income and expenditure, including budgets allocated to schools and educational institutions, as well as detailed reports on the use of these funds.

Planning and budgeting: The platform can facilitate the planning and budgeting process, allowing educational institutions to develop and monitor annual budgets, identify financial needs and allocate resources appropriately according to established objectives and priorities.

Institutional Performance Monitoring: SIIIR can provide tools for institutional performance monitoring, including educational and operational performance indicators, assessment of student academic outcomes, and analysis of the effectiveness of educational programs and projects.

Automating administrative processes: Using SIIIR can help automate and optimize administrative processes, reducing the time and effort needed to manage data and documents, as well as generate reports and analyses.

By using SIIIR for management control and budgetary control in the field of education, educational institutions can benefit from better transparency, efficiency and accountability in the management of resources and in the fulfillment of educational objectives. This can contribute to improving the quality of education and optimizing the use of available resources. "The SIIIR platform offers numerous useful functions to institutions within the education system, including the accounting department, as follows:

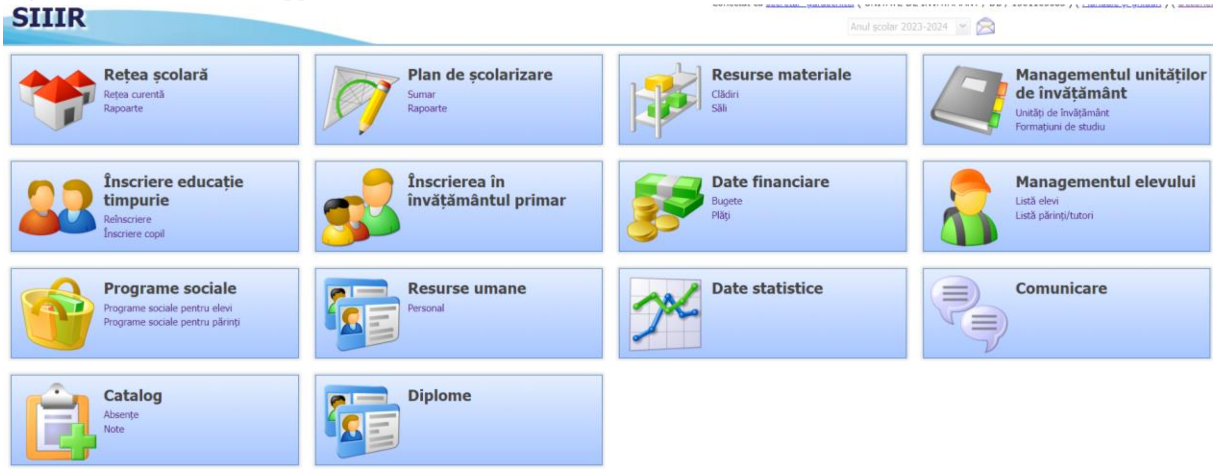
- ✓ Administration of users, roles and permissions within SIIIR;
- ✓ Administration of nomenclature;
- ✓ Managing information about the school network;
- ✓ Management of the necessary information for the schooling plan;
- ✓ Registration of the necessary information for enrollment in primary education;
- ✓ Registration of the necessary information for enrollment in preschool education;
- ✓ Management of information about students enrolled in educational institutions;
- ✓ Operation and generation of statistical situations;
- ✓ Management of the necessary data to determine the standard cost per student;
- ✓ Management of information about the material resources of educational units;
- ✓ Management of information about human resources;
- ✓ Financial data management;
- ✓ Managing information about extracurricular activities."

"After accessing the platform, numerous modules are displayed, shown in figure 5, depending on the data to be entered or depending on the information/data required as follows:
the school network:

- ✓ schooling plan;
- ✓ material resources;

- ✓ management of educational units;
- ✓ enrollment in kindergarten;
- ✓ enrollment in primary education;
- ✓ financial data;
- ✓ student management;
- ✓ social programs;
- ✓ human resources;
- ✓ statistical data;
- ✓ communication;
- ✓ catalog;
- ✓ diplomas."[5]

Fig.no.5. Presentation of application modules SIIIR[6]



For the elaboration of the report regarding the state of financing in pre-university education, it is essential to evaluate the allocation, management, and execution of budgets allocated per student for the previous year. Additionally, it is necessary to update or recalculate the standard costs used for formulating per-student funding at the pre-university education system level, including the development of new differentiation and correction coefficients for the basic funding of educational units.

Within the "Financial Data" module of the SIIIR application, there are sub-modules such as "Budget" and "Payments," where the corresponding information for the concluded financial year is entered. This includes data related to the initial budget, the final budget, and payments made in that year, both for basic funding and complementary funding.

All amounts related to budgets and payments for state education will be recorded, covering both basic funding and complementary and additional funding. The "Financial Data" module included in SIIIR for pre-university education activities will manage this information, both regarding the management of data necessary for determining the standard cost per student and for overall financial data management.

[5] Isabela Stancu, Anda Ileana Necula, *Accounting Approach Through the Integrated Information System of Romanian Education (SIIIR),* Hyperion Economic Journal, Vol. 8, Issue 3, 2021, ISSN 2343-7995 (online)

[6] https://www.siiir.edu.ro/siiir/home/index.html

The impact of digital technologies on management control and budgetary control processes can be significant and beneficial in several ways:

Automation and process efficiency: Digital technologies, such as organizational performance management software and planning and budgeting platforms, can automate many of the manual and repetitive processes associated with management control and budgetary control. This can lead to increased operational efficiency, reduced human errors, and savings in time and resources.

Real-time data access: Using digital technologies allows access to financial and operational data in real-time, enabling managers to monitor and evaluate organizational performance in real-time. This facilitates quick and informed decision-making and enables proactive management of problematic situations or opportunities.

Advanced data analysis: Digital technologies provide advanced data analysis capabilities, including predictive analysis and business analytics, which can provide valuable insights for decision-makin.

These techniques enable the identification of trends, patterns and opportunities to improve organizational performance.

Enhanced visualization and reporting: Digital technologies allow data to be presented in a visual and interactive way using graphs, charts and other visual elements. This makes it easier to understand and interpret the data and allows managers to quickly identify key trends and patterns.

Security and privacy: Digital technologies provide increased security for data and financial information, allowing it to be protected against unauthorized access or use. This can contribute to improving the security and confidentiality of information in the management control and budget control processes.

Conclusions

Management controllers must consider the long-term viability of an entity and, implicitly, its digital strategy. This strategy utilizes digital technologies to provide direction, allowing leaders to drive digital initiatives, assess progress, and adjust efforts as needed. It is important for controllers to play an active role in addressing digital opportunities and corresponding changes in organizational models and strategies, with multiple implications. They must not only develop and adapt new key performance indicators but also implement flexible management approaches, such as the key objectives and results system and new portfolio techniques, by integrating traditional business models with digital ones.

Moreover, traditional approaches to capital budgeting or investment control may no longer be suitable in the context of exponential growth fueled by digital products, platform strategies, and network economies.

In conclusion, digital technologies can have a significant and positive impact on management control and budgetary control processes, facilitating process automation, real-time data access, advanced data analysis, and improving the security and confidentiality of information. These technologies can contribute to optimizing organizational performance and making decisions more informed and efficient.

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