

CONTROL AS AN IMPORTANT FACTOR IN RESOLVING CRISIS SITUATIONS IN THE ORGANIZATION

Ivan Dudas., Jasmina Postin., Jovanka Popovic¹

Abstract: A crisis situation is difficult to recognize and even more difficult to predict completely. The de facto is that it is somehow always present in some segments, and that it leaves different consequences on the business organization, especially if its importance is recognized or predicted late. Crisis indicators can only be identified by persons trained to recognize its symptoms and manifestations in a business organization.

We live in a turbulent time, caused by various crisis factors, which shake all segments of society. Society and organizations face uncertainty and risks, to which they should be able to respond quickly and efficiently, through sufficient information, which is complete and final. It is necessary to understand how the escalating crisis process intertwines with political and social reasoning processes, through the necessary control function, which holds the key to success in overcoming crisis processes.

Key words: control, crisis, management, external control, internal control

Introduction

Crisis situations in organizations are by themselves specific and partly mysterious. They can be sudden with small or permanent consequences for the management as well as the business organization itself, but they can also be smoldering, which in the final phase have an escalation of all problems that were viewed as a passive factor with a degree of realization in the near future, as well as the very belief that in the internal and external sphere the things are under control. From the management's point of view, in the turbulent times we live in, every crisis should be perceived from every angle, its problem should be approached extremely seriously, and models of solutions should be found, because a once small problem, which is currently classified as a micro problem, due to not addressing it, in the near future can change its status to a macro one.

When a crisis hits an organization, managers are asked uncomfortable questions such as:

- Why did it happen?
- Did we predict that?
- If not, why not?
- Did we have a plan to prevent it?
- When we became aware of the problem, were our actions adequate and timely?
- Do we have recovery plans?
- Have we done everything to protect the value and reputation of the company? (Ogustin, 2008)

Business organizations are often exposed to turbulent and rapidly advancing changes that constantly take place both in the external and internal environment of the business organization. These changes can easily become a threat to individual businesses. Basically, any significant changes in the external environment

¹ **Ivan Dudas**, Faculty of Management, PHD student, **Jasmina Postin**, Faculty of Management, PHD student, **Jovanka Popovic**, Faculty of Management, Assistant professor

✉ ivan.dudas@famns.edu.rs;

✉ jasmina.postin@famns.edu.rs; jovanka.popovic@famns.edu.rs

of the company can become a possibility for the outbreak of a crisis. Some of the causes of the crisis may be:

- currency exchange rate change,
- measures in the field of social policy,
- measures in the field of environmental protection,
- measures in the field of tax policy,
- measures in the field of market saturation,
- measures in the field of subsidy policy,
- major accidents for companies,
- natural disasters,
- wars,
- strikes.

Technological changes, changes in the structure of the market and competition, as well as the occurrence of a long-term recession, which have an international character, essentially represent the most serious growing dangers that companies must reckon with (Bedenik, 2010).

The consequences of changes in the economic environment can be divided into two categories:

- recession, and
- branch crisis.

Recession and industry crisis have different effects on the company. These differences should be kept in mind when efforts are made to find the ways and means to identify dangers as soon as possible, that is, to face them.

Sources and origin of the crisis

The essence of the crisis implies that the normal process in the given social system is disrupted. The most acceptable division is to external and internal causes.

The external causes of the crisis arise in the environment of the organization and it has no significant influence on them. External causes can be:

- global economic crisis,
- political changes,
- legislative changes,
- natural disasters, etc. (Krstic and Krstic, 2016).

The internal causes of the crisis are often found in the organization itself, and can be:

- incompetence of management,
- unrealistic goals,
- inadequate training,
- poor organization, etc. (Krstic, and Krstic, 2016).

Most crisis researchers share the opinion that today's crises cannot be explained monocausally, nor by citing a few easily identifiable factors. Research into the causes of crises has become an interdisciplinary attempt to pave the way for a multi-layered approach, which allows the analysis of the origin of each crisis.

Micro level: the approach focuses on the role of individuals. At the root of most, if not all of crises, is human error. Research focuses on how and why people make mistakes.

Middle (mezzo) level: the focus of interest is on organizational factors and processes that can play a role in causing crises. The key question is whether the organization can compensate for human limitations and environmental factors that facilitate the emergence of a crisis.

Macro level: theorists' analyses list the possible causes that make crises more or less inevitable in modern society. Large technical systems will sooner or later produce disaster as a combined result of dangerous potential, technical complexity and tight connectivity. Most crises stem from a unique combination of individual mistakes, organizational failures, and environmental influences. Analysing each individual crisis can help understand how human error, organizational pathology, and environmental influences are combined into processes that cause system disruption. However, one cannot know why and where some tensions, problems and aggravating circumstances are defined by the term "disaster". It is necessary to understand how the escalating crisis process intertwines with political and social reasoning processes, through the necessary control function, which holds the key to success in overcoming crisis processes.

The control function as the key to success in overcoming crisis processes

The necessity of control in the company, as a complex organizational system, arose from the fact that the conditions in which the company operates are very complex, variable and uncertain. By implementing the control function, the company tries to reduce the uncertainty of its business thanks to the information it receives in this way. Thanks to the given information, the company takes appropriate actions that can influence changes in the environment or adapt to them, thus transforming risks into chances for success.

Control in the company is necessary for several reasons:

- Changes in the environment (customers, competition, state and other regulations) impose the need for corrections to existing business standards in order to ensure the appropriate efficiency and effectiveness.
- Any work that is not controlled tends to increase the entropy of its functioning. That is why control is necessary at all levels of society, companies and their parts. Everyone has their own controller, which means that there is no system that is not more or less controlled by "natural or artificial controllers".
- Control in management gains importance because it is found in every element of management; but it is itself a system in relation to its parts. It also has subsystems in its structure such as: control planning, control organization, control management, control coordination and control of the control. (Stavric et al., 2005).

Control function and way of organization

For the effective functioning of the control system, it is important that it is organized throughout the company, at all levels and with the involvement of all managers. In order for the control process to be efficient and effective, it is necessary to meet certain requirements that can be defined as control principles:

- Basis on goals and plans - as a requirement that control is performed on the basis of the company's planned strategy,
- Accuracy and objectivity - as a requirement that the measured performance values correspond to their real values. A special problem is represented by effects that are difficult to measure appropriately, such as, for example, the work of managers. In that case, methods based on intuition, experience, assessment, etc. are applied.
- Controlling timeliness - is the requirement that all necessary activities are performed on time, so that the necessary corrective activities are also performed in a timely manner, i.e. when they are achievable and useful.
- Intelligibility - is the requirement that all presented data are clear and easily applicable so that deviations can be easily observed and eliminated. Intelligibility has a significant impact on the effectiveness of control.
- Flexibility - represents the requirement that the control system adequately follows the changes that occur in the company and the environment.
- Economy of control - is a requirement that the costs of performing the control process is as low as possible in relation to the set goal. It is particularly important that the costs of control are lower than the benefits realized by its application.
- Location of control at all strategic points - is a requirement that control is performed at all places that have vital importance for the company's operations. (Stavric et al., 2005).

This principle indicates that it is not possible, nor profitable, for a company to control all its activities, so it should concentrate only on the most important:

- Connection with managerial levels - is a requirement that control is differentiated depending on which managerial position is in question;
- Adaptation to the organizational model of the company, represents their requirement that control instruments and methods correspond to the mutual relations of managers in the company and to provide the key for the location of responsibility centers in it. In this case, the control reports will also be sent to those managers who are responsible for the actual situation and who are authorized to take appropriate corrective actions. The place of control in the organizational structure of the company significantly affects its objectivity. Namely, it is necessary that control has an equal and independent status in relation to other organizational parts of the company. Control managers must be independent in relation to managers of other organizational units whose operations they control, in order for the control to be objective;

- Compliance of control objectives with the objectives of the company - represents the requirement that the control ensures the realization of the set objectives of the company. Therefore, it is necessary to match the control system with the goals of the company.

A good control system implies a fast feedback in order to eliminate deviations from the set standards as soon as possible. The feedback itself must be constructive, which means that it enables the identification of a pattern of problems, as well as ensuring effective action to achieve the set goals (Weber, Schäffer, 2006).

The success of the control system largely depends on its fairness and acceptance by all employees, and this is possible if the standards are set and the control organization is adequately designed.

Control as the main component of crisis management

As it can be concluded, control is a component without which crisis management cannot be imagined. Crisis management is an important feature of the company's behavior in crisis conditions. Crises are an increasingly common phenomenon in the world, due to the variety of markets and the variety of conditions in which certain companies operate.

Control is the one that should determine: why, how and why a crisis situation arose and represents the basic phase of this type of management. It precedes taking place of various moves in order to determine and remove the crisis situation or only alleviate it if the conditions in which the business organization is situated allow it. (Dostic, 2002).

Based on the aforementioned, it can be concluded that without control there would be no management as a discipline and science, but also that crisis management cannot give certain signs of success without control as its basic function.

External and internal control

Influences on the company can occur both internally and externally. Companies with their operations also affect the internal and external environment. Thus, in order to observe the positive and negative sides of business, events in the environment, and to achieve adequate feedback, which will affect positive changes in business in the future, control must be carried out both inside and outside the company.

Internal control represents the basic and most important form of control in the company. It is equally important for managers of business systems and audit authorities, so both rely on it when performing business tasks (Skrbic, 2014).

It is known that almost all business decisions made by the business system manager are based on statistical, marketing, accounting and other data. Internal control provides management assurance regarding the reliability of certain data used in making management decisions.

Internal control has two essential characteristics:

- It is included in certain parts of the work i.e. business process with which it represents an organic unity. It is performed through the work process itself. That is why it is essentially a preliminary, i.e. control during work;
- This control, through the appropriate system of the organization, is performed exclusively by workers or authorities who work in a certain business system and who at the same time perform certain activities, which is why it has an internal character. (Stavric et al., 2005).

The company's internal control system is established in different ways, but two are dominant, namely:

- By employees.
- By professional internal control.

The system of internal control through employees is established in different ways, namely:

- Division of work within internal organization and systematization,
- Various general acts, work instructions, orders, decisions, etc.,
- Automatic control using various computer devices and other computer aids,
- Account plan and instructions for entries. (Stavric et al., 2005).

When it comes to the organization and systematization of jobs and tasks, the most important principle when establishing internal controls is to precisely divide functions and tasks, i.e. duties and responsibilities. At the same time, it is very important that the organization and systematization is established so that one executor, e.g. in the field of material and financial operations, cannot carry out one business change from beginning to end.

It is desirable that more people participate in the work of sensitive jobs, in order to avoid risks and control the jobs better.

Controls performed by employees at their workplaces consist of comparison, subsequent calculation, recalculation and evaluation of certain processes, conditions and relationships.

Internal control is effectively achieved by organizing a professional service whose sole job is to deal with control.

There are two basic ways of organizing control: centralized and decentralized. A combined way of structuring control is derived from them. The status of control, i.e. its connection with top management or individual functional managements, also depends on the way of organization.

In using the advantages of the centralized, and eliminating the weaknesses of the decentralized way of organizing control and internal audit, a combined way of their organization is applied. The essence is that at the highest level, i.e. at the level of top management, a special organizational unit is organized with functional management for control and internal audit, and at the level of decentralized parts, an

operational service to act within the framework of a unique program setting, but respecting the specifics of each region or group of products when performing control.

The most acceptable solution is for the control service or department to be under the responsibility of the general manager. The head of this department or service would be in direct contact with the general manager, and the decentralized (operational) parts of control would be under his authority.

External control means the type of control performed by external, independent bodies and persons who are not employed in companies or other organizations in which control is performed. This control is not burdened by internal, i.e. current business problems, which enables it to have a higher level of objectivity (Skrbic, 2014).

It is the result of economic development and the creation of large transnational and multinational companies. In such a situation, internal control increasingly loses its power and is unable to objectively control all events in the company. Thus, there was a need for an external body to periodically audit or control the internal control in order to ensure its proper functioning.

External control can be performed at the invitation of the management of the business system, or be sent by various professional institutions, or on the basis of the order of the appropriate external control body authorized by legal regulations.

This control, unlike the internal one, does not cover the entire business process and does not have the character of an ongoing control. This type of control is performed by inspection services or other state authorities. Inspection bodies as a form of external control have an important control function in society.

Management is oriented towards numerous inspection bodies during the planning and construction of facilities, their internal and external setup, equipment and provision of the necessary conditions for transport, storage of products in circulation.

The most important inspection authorities are: market, sanitary, construction, communal and other inspection authorities.

The market inspection controls the execution of legal regulations that regulate the market, the circulation of goods and the provision of services. In this sense, market inspectors are authorized to exercise control over economic systems that deal with activities from the circulation of goods and services.

The sanitary inspection controls the application of sanitary and hygienic regulations in busy systems, supervises hygiene and health protection in industry, trades, controls facilities where trade in life products is carried out, as well as persons who carry out such trade, inspection of life products, etc.

The construction inspection controls the construction of facilities, within which it performs: technical inspections of investment objects, control of manufacturers of construction materials, control of the work of construction companies. In addition to the above, foreign exchange, communal, veterinary, labor inspection, etc. may appear as external control factors.

External audit as a form of external control in developed management is increasingly becoming an unavoidable factor. Top management in a corporate organization is often distant from the ongoing operations of its parts and branches, so it often has to rely on reliable and verified accounting statements

and other economic data. Such controlled documentation provides a reliable basis for making appropriate decisions. (Stavric et al., 2005).

Of the other forms of external control, the one performed by creditors, and above all, commercial banks, should be highlighted. The control function of a commercial bank, as a credit provider, is primarily focused on examining creditworthiness and controlling the intended use of credit by the business system.

In this sense, the relevant bodies of the commercial bank, based on legal regulations, as well as on the basis of the loan agreement, have the right to control the operation of the business system, especially in terms of:

- Ways of using credit, i.e. whether the client complies with the contractual obligations regarding the purpose of the loan or uses those funds for other purposes,
- Do the clients repay their loans regularly and on time,
- What kind of business results they have achieved, which will be determined by reviewing periodic calculations and final accounts as well as other calculations, and in the case of investment loans, by checking the entire documentation with the investment program,
- Neatness and up-to-date accounting (Skrbic, 2014).

These forms of control can also be performed by specialized organizations, trained for certain areas such as: quality assessment, capital value assessment, etc.

Conclusion

In carrying out their business activities, companies are constantly exposed to risk. One of the important mechanisms for risk reduction is internal and external control, as a set of policies and procedures established by the management in order to realize the company's goals.

Adequately designed and implemented risk-based internal control system serves the purpose of achieving goals related to the effectiveness and efficiency of the company's operations, the reliability of financial reporting and compliance with the appropriate normative regulation.

Control is not only necessary but also beneficial, both for the organization and for the workers. Control is not an end in itself, it is a means to organize more successful business and the achievement of set goals.

In order to be in the function of effective management, it must be controlled. Any neglect of control basically leads to deviation, i.e. passivization of control, which means that the management of the company takes place without control as its essential element. The reasons for the passivation of control are most often in the top management, who either do not want control, or marginalize it.

Modern management is focused on controlling the control, so that it is in the function of achieving greater success of the company. At the same time, standards are often established in evaluating the effectiveness of control. If the business results are satisfactory and in accordance with the planned, then it can be concluded with high probability that the control, as well as other elements of management, is satisfactory. (Babic et al., 1997).

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