

Importance of Management Function Control in Slovak Companies



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Abstract In management theory, the control function is considered the terminal function in management. Also due to its status as the last step of the management process, it is the least researched function. Another approach states that control accompanies the other functions, and one of its tasks is to influence them to work more efficiently and effectively. Based on our questionnaire survey, we analyze the perceived importance of controlling in companies operating in the Slovak Republic on various aspects such as the size of the enterprise, the level of the respondent's management, or the subject of business activity. The overwhelming majority of respondents consider controlling important or very important. The larger the company, the more important is the control function perceived. In addition, the higher the manager is situated in company's hierarchy, the more important controlling is considered. An interesting exception is micro-entrepreneurs.

Keywords Organizational control · Management function · Controlling · Planning · Organizing · Staffing · Leading

1 Introduction¹

Control is a word that, from a psychological point of view, can cause very negative feelings due to the expectation of negative consequences. It accompanies us all our life and we can rarely avoid it. Each of us encounters many of controls in his or her

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life. These controls examine a certain aspect of his or her condition or progress. Whether our doctors, teachers, employers, accidental or deliberate police officers are controlling us, control is part of our existence. Although we feel mostly bad being controlled, many of us know that control helps us grow, learn from our own mistakes, or provides us with a safety net to avoid real losses.

According to Tsoukas (1994), there are four different perspectives on management: (a) management functions with three schools (classical, systems approach, and historical approach school); Whitley's (1987, 1989) management task characteristics; (c) Mintzberg's (1973, 1975) management roles; and (d) management control perspective, which is taking the institutional context by virtue of which management is made possible into account. Even, there are several conceptualizations of managerial work, yet "the classical functions still represent the most useful way of conceptualizing the manager's job, especially for management education" (Carroll and Gillen 1987). There are many differences in content and the subject of managerial functions among theoretical authors (i.e., staffing is not included; leading is called directing or substituted with influencing; coordinating or regulating as separate functions). Nowadays, management functions are—in one of the concepts—divided into two groups: sequential functions (planning, organizing, staffing, leading, controlling) and parallel functions (analyzing, decision-making, implementing). While the former follow on each other, the latter are accompanying them most of the time.

"The managerial function of control comes at the end of a chain of the other major functions (. . .). That is why a chapter on control is almost always found toward the end of most management textbooks" (Hitt et al. 2012, p. 387). It focuses on determining whether the set targets have been achieved and, if not, it provides the tools to achieve them. Controlling is important because it complements other management functions (Medina 2006).

During our research of management control function, we have discovered significant differences between the eastern and western theory. This has motivated us to examine the importance of control as one of the aspects of management control by different characteristics. This chapter contributes to the theory with a view on control from a country that historically placed great emphasis on formal control.

The chapter has the following structure: in the theoretical part we describe the basic aspects of control, the relation of this function of management to other functions and the fundamental differences between the eastern and the western control theory. In the methodology section, we are focusing on the research methods used and the description of the research sample. In the research results we analyze the results of the questionnaire survey according to the individual characteristics of the research sample. In conclusion, we summarize the most important findings, present additional research opportunities, and our expectations of further development.

2 Theoretical Background

2.1 *Control Function of Management*

“Any meaningful human activity needs a certain degree of control if it is to achieve what it intended” (Misun 2017, p. 206). From time to time, a human being verifies where he/she is in relation to his/her goal. The sooner he/she does, the more he/she will be sure he/she is on the right track. Frequent verification can ensure that redirecting to the right course prevents the loss of resources and efforts (Boddy 2008; Misun 2017).

“Controlling is a fundamental aspect of an organization that has been largely neglected by scientists for several decades” (Misun 2017, p. 206). Through control systems, managers are trying to reconcile employees’ abilities, activities and performance with the goals and aspirations of their organization. Despite the fundamental nature of this phenomenon, its importance and some significant progress, this scientific area is still neglected. Specifically, control is poorly captured in its constructs, determinants, and effects (Sitkin et al. 2010; Misun 2017). It should be clear that, with its primary characteristics, which are feedback and corrective action, control is an essential and integral part of the role of management. Without control, there can be no management (Eilon 1971; Misun 2017).

Controlling plays an important role in management of a company, but unlike machines, equipment, finances, or people, its role is often hidden from the sight of others (Misun 2017). When we look at the organizational structure, we see it as a scheme of organization. Unfortunately, there is nothing to help us visualize the organization’s control system (Flamholtz 1996; Misun 2017). Controlling is a constantly ongoing process of designing standards, measuring performance, comparing the performance with standards, and implementing corrective actions to ensure effective and efficient running of the organization’s activities. Through controlling, every manager aims to increase the predictability of future developments and results. While the post-bureaucratic organizational world is built on trust and empowerment, McKenna et al. (2010) doubt that management is really possible without control, since there are new fears of losing control.

There are six major purposes of controls (they make plans effective; they make sure that organizational activities are consistent; they make organizations effective; they make organizations efficient; they provide feedback on project status; they aid in decision-making (Benowitz 2001) and four critical dimension of control (it is oriented to goals; it relates to a lack of goal congruence; it refers to a process; and it is probabilistic (Flamholtz 1996).

Very important terms in control are efficiency and effectiveness, through which managers are trying to achieve their goals. Effectiveness is interested in achieving goals; that means the action is effective to the extent if the intended was achieved. Efficiency is interested in achieving the result with minimal use of resources (Emmanuel et al. 1990; Misun 2017).

The theory of control can be divided into four periods: prehistory of control theory (before 1868); primitive period (between 1868 and the early twentieth century); classic period (the early twentieth century to 1960); and the modern period of control theory (from 1960 to the present) (Lewis 1992). During these periods, our society went through periods of agriculture, mechanics, steam engines, electrification, booming of electronics, and the penetration of computer systems into ordinary people's lives (Wang and Liu 2008).

The managerial role of controlling has often been mistakenly considered to be synonymous with financial control. Being equated with budgets and financial ratios, controlling has been "frequently regarded as the sole domain of the accountant or comptroller" (Gigliani and Bedeian 1974). Forty years later we still find traces of such misinterpretation. According to our research, dozens of Central and Eastern European authors assume that the controller's work can be simply referred as controlling in English. Notwithstanding the dozens of high-cited basic management textbooks, which label one of the basic management functions with controlling. An example of such misinterpretation is: "In a time of global recession, controlling, as an expert and neutral support to managers when making decisions and managing businesses, is finally recognized as an area which deserves attention" (Pološki Vokić 2012).

In further development in control theory we are looking in the near or far future forward to control systems that are able to cope and maintain acceptable performance levels under significant unanticipated uncertainties and failures; systems that exhibit considerable degrees of autonomy; autonomous underwater, land, air, and space vehicles; highly automated manufacturing; intelligent robots; highly efficient and fault-tolerant voice and data networks; reliable electric power generation and distribution; seismically tolerant structures; and highly efficient fuel control for a cleaner environment (Department of Electrical Engineering 2014).

2.2 Controlling and Other Management Functions

Controlling has numerous interactions with all managerial functions, both sequential and parallel. In all cases, these relationships are reciprocal, i.e., controlling affects other managerial functions, and these in turn affect controlling and its quality. Controlling has an important and special position among all managerial functions. Without it a business would not work efficiently, it would not improve or move forward (Kracmar et al. 2013).

All management functions are interconnected and dependent on each other. Much of the controlling is based on planning, but this does not mean that other management functions play no role in the control system of an organization. In fact, planning and control are two ends of an integrated management system. In the control system, information and activities are key aspects. Information is a guide and activity is the essence of control. Other management functions help in various ways of gathering information and performing activities (Rudani 2013).

If major problems exist in other managerial functions, almost no amount of attention to controlling is likely to work very well. Therefore, controlling depends heavily on the other functions, which precede it and need to work well, so controlling can work properly (Hitt et al. 2012).

“Control can also be thought of as an independent or causal, variable because the results of control efforts improve the planning process of the organization. Control is thus part of a feedback loop into planning and organizing that can help adapt to changing circumstances and conditions” (Bagad 2009, pp. 5–8).

In some cases, controlling is also referred to as a terminal managerial function because it takes place after the other functions have been completed. Controlling helps to evaluate how well these functions have been done. At the same time it also evaluates the effectiveness of the organization’s control system. It is important because it helps managers to evaluate whether all the key management functions have been implemented (Dubrin 2012).

Controlling may appear to be the last phase of the management process, but it does not correspond to reality. It is a truly dynamic function and is closely related to the other functions. Its corrective actions may include a review of objectives, strategies, procedures, plans, organizational structure, etc. This aspect of controlling establishes the interaction relationship between it and other management functions. Planning, organizing, staffing, and leadership aim to perform certain activities. Vice versa, controlling is intended to ensure that the activities are carried out as managers want. Organizing, staffing, and leading “provide resources, facilities, environment and mechanism for the implementation of plans, and achievement of the desired objectives. “Controls ensure that plans are being implemented and goals achieved effectively and efficiently” (Agarwal 1982, pp. 245–246). “Even though control is merely one element in a management system, (. . .) it is the one that most significantly contributes to improving organizational performance” (Carenys 2010, pp. 41–42).

2.3 Western and Eastern Approach to Controlling

“Although the current management theory may appear to be globally identical, there are large differences in the control function” (Misun 2017, p. 208). (The differences between the Western and Eastern approaches to controlling are more detailed described in our second chapter entitled “The right dealing with power—being the one who controls”.)

Probably the biggest difference between the Western and Eastern approach to control can be found in the concept of internal and external control. The same meaning, both in Western and Eastern approach, has the concept of internal and external audit. For an external audit, the subject and object do not come from the same system and are independent of each other. However, internal control in Western approach is strongly influenced by internal auditing, while in the Eastern Bloc, the audit did not began to actually develop until the early 1990s.

In the Western approach, an extensive body of research surrounding the central construct of locus of control has developed, since Rotter (1954) first introduced his theory of social learning. While the perceived internal locus of control believes one's personal belief has influence over outcomes through his skills, abilities, and efforts; the external locus of control believes that external forces can control outcomes (Kaufmann et al. 1995). In the Eastern approach, "control can be classified as external control and internal control from the perspective of control subject" (Zhang 2014, p. 45). External control means that the controllers are from the outer environment of the organization (subject and object come from different organizations). Examples include controls from government sector, financial control, taxation control, government audit control, etc.

3 Methodology

Our presented research results are coming from a questionnaire survey, which collected data at the turn of 2016 and 2017. Questionnaire's emphasis was on new trends in organizational control, as it represented the first questionnaire, the results of which should serve the needs of such a newly approved research project.

Overall, 395 completed questionnaires were received, of which 376 were further processed. Nineteen questionnaires were excluded for various reasons. The sample does not represent statistical representativeness for the Slovak Republic but is compatible with its parameters.

Since several respondents from the same company were allowed for the purpose of the research project, further selection is needed for the purposes of this chapter. In order to exclude questionnaires from the same companies, we always chose the highest ranked manager in the hierarchy for whom we expect the best knowledge of our subject. Subsequently, 331 questionnaires were left for further processing.

Our research sample has the following characteristics ($n = 331$):

- Size of company (employees in 2015): 115 micro-enterprises, 90 small, 56 medium-large, 70 large companies.
- Management level of the respondent: 120 top management, 52 middle, 116 lower management level, 43 informed employees (Although they do not hold a managerial position, "informed employees" represent an important part of our research sample as they have access to rare business information. Included are accounting officers, economists and employees directly responsible for the control function (without being managers)).
- Most frequently represented sections according to the SK-NACE classification: 69 industrial production, 66 wholesale and retail trade and repair of motor vehicles and motorcycles, 46 professional scientific and technical activities, 25 information and communication, 21 accommodation and catering services.

- Higher territorial unit of Slovak Republic: 174 Bratislava (capital city and surrounding districts), 33 Trnava, 24 Nitra, 23 Trenčín, 30 Žilina, 17 Banská Bystrica, 22 Prešov, 8 Košice.
- Legal form: 222 private limited liability companies, 66 joint-stock companies, 30 self-employed individuals, 5 branches of a foreign enterprise, 4 cooperatives, 4 other legal forms.
- Economic result in 2015: 254 profit, 52 loss, 20 balanced economic result, 3 companies founded in 2016, 2 n/a.
- Sales in 2015: 164 ≤ 2 M Euro, 43 $2 \text{ M} \leq 10 \text{ M}$ Euro, 60 $10 \text{ M} \leq 50 \text{ M}$ Euro, 50 $\geq 50 \text{ M}$ Euro, 14 n/a (Misun 2017).

Besides various other question, using a scale of five possible levels, respondents had to evaluate the importance of the managerial function controlling in their company. We also asked the respondents for a short justification. The scale consisted of the following possible answers: 1—absolutely unimportant, 2—little important, 3—present, 4—important, 5—very important. All 331 respondents answered this specific scale, and only in 17 cases the respondents did not stated a justification for their choice. These justifications (in various questions) also helped us to resolve questionnaires from inadequately competent respondents. We used standard scientific methods in evaluating and interpreting the results of our questionnaire surveys.

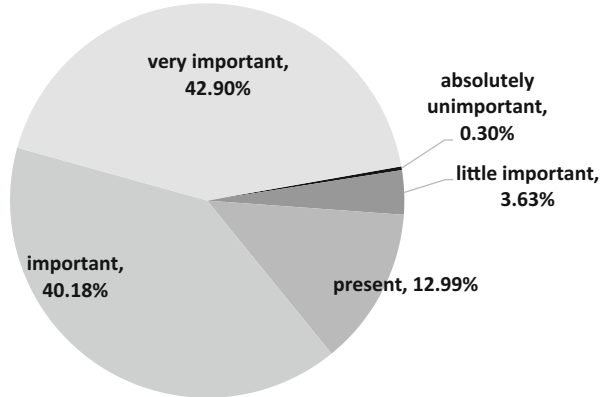
4 Research Results

First, we present the overall results of the importance of controlling for the whole sample of the questionnaire survey. The largest group, 142 respondents, stated the managerial function of control is “very important” for their business. The second most numerous group of respondents (133) considers controlling as “important” in their business. The neutral group, which perceives controlling in their business as “present,” had 43 members in our sample. “Little important” was controlling according to our respondents in 12 companies and only one respondent stated that controlling is in his enterprise “absolutely unimportant.” If we change the verbal rating to a scale of one (absolutely unimportant) to five (very important), the average value reached 4.21, the mode value 5, and the median value 4. The percentage expression of individual responses is shown in Fig. 1.

In this chapter, we will not pay much attention to respondents or companies who have stated that the managerial function of control is “very important” or “important” in their business. Examples of justifications with respondents’ descriptions for the two highest answers are listed in Table 1 in rows 1–9.

We would like to focus our attention on the single answer, where the respondent said that control in his company is “absolutely unimportant” (Table 1, row 15). The respondent justifies his choice mainly by the size of the business. However, in the next sentences he admits that the director, as well as himself—his deputy, are paying enough attention to controlling to ensure satisfying results. In addition, it is clear that

Fig. 1 Importance of management function control in Slovak companies. Source: own work



neither of them is relying on output control. They use concurrent control that ensures loss reduction, as the process is monitored, not just the result.

If we use other question from our questionnaire, we obtain more insight. This respondent has a neutral attitude to exercising control: “Although I do not like to control and reproach the mistakes people responsible for the products, I know that this is essential for product quality and for maintaining quality and, ultimately, for the good name of the company.” In addition, he has a positive attitude, when he is exposed to control: “I am glad to know where I make mistakes, because thanks to that I can move forward as well as the whole company.” No new tools, methods, or techniques of control have been introduced in his company, since “management control procedures in our company are working well; we have no reason to introduce new tools, methods or procedures.” In addition, there was no need to increase his control efforts in this company: “Until now, the management has not seen the need to increase the quality control, has not received complaints from suppliers, customers, and has also not noticed a reduction of quality of our products.”

All of these answers not only assure us that this respondent is a competent manager, but also that the importance of controlling in his company is greater than he can admit himself.

The next group for a deeper analysis is the “little important” group which consists of 12 respondents. The most important characteristic of this group is that it consists mainly of micro-enterprises (8) and small enterprises (3). Ten companies fall under the category of limited liability companies, nine were profitable in 2015 and most of the respondents in this group have a neutral attitude to exercising control (9) and to being exposed to control (9). In five of the companies we see a rise of importance of controlling in the near future, since there have been changes in controlling in the past year. Moreover, three companies of this group implemented a new tool, method, or technique in control. Six out of 12 respondents had to increase intensity of their control efforts, and 6 others were exposed to increased control by a higher-level subject. The most frequent justification concerned a small enterprise size (6), two justifications expect a separate controller job to increase the importance of control, and two other refer to concurrent control in the company.

Table 1 Examples of justifications in importance of controlling in Slovak companies

	Importance	Justification	Respondent description
1.	Very important	The manager is responsible for delivering the required services and the operation of the individual elements in the building. From this point of view, the control of the manager is necessary in order to avoid any technical shortcomings or failures, to prove the elimination of the problem, in the ideal case preventative measures prevent a deficiency (compliance control of planned maintenance)	Area Facility Manager of a small reality office from Bratislava
2.	Very important	Our company has a strict hierarchy of relationships, many processes that follow and their amount is really big, so it is very important to check every part of the company	Head of the department store of a large retail company from Bratislava
3.	Very important	Without control everyone is doing what he wants, workers need to be aware that they are constantly controlled. This increases their performance	Service manager of a large wholesale company from Žilina unit
4.	Very important	In our industry, the implementation of the ISO control system is very important. Practically, an uncertified company has little chance of succeeding in the market. As a result, the quality management function is very important and the system is also required	Quality Manager of a medium-sized manufacturer of plastic products from Bratislava
5.	Very important	Although we are a small company, we are shipping material for large construction projects where accuracy is very important. There is no possibility for a driver to arrive later or to bring in another material, or in a different amount. If an enterprise wants to work on a long-term basis, it must have effective control	Owner of a small wholesale company from Trnava unit
6.	Very important	In the food industry, timely control of all processes, both manufacturing and decision-making, is important, since the object of the activity is the processing of fast-moving and fast-breaking raw material, where an untimely and inadequate control process can have a negative impact on the company's performance	Purchasing and controlling manager of a medium-sized agrifood company from Trnava unit

(continued)

Table 1 (continued)

	Importance	Justification	Respondent description
7.	Important	Controlling the whole activity of employees or production is very important in every direction. It is not right to be directive, but control is needed. How else can shortcomings be found?	Superior manager of a large electronics manufacturer from Žilina unit
8.	Important	Control is of particular importance to us in the entry and exit of production, the production process and the management of employees is less important due to self-control	Owner of a small installation company from Trenčín unit
9.	Important	The control in the case of the performance of economic services and connoisseur activities is always to be addressed. In particular because of possible sanctions in case of errors and inaccuracies	Executive of an accounting micro-enterprise from Bratislava
10.	Present	Our company works internally on the basis of trust and therefore controls are not our priority	Executive of a medium-sized casting company from Trenčín unit
11.	Little important	We do not have such a function in the company. It is done by several managers along with their other functions	Commercial manager of a medium-sized wholesale company from Nitra unit
12.	Little important	The managerial function of control is of little importance in the company, which is also evidenced by the fact that it is not separately allocated, but it is exercised, as well as other managerial functions, directly by the directors of the company	Executive of a small wood processing company from Prešov unit
13.	Little important	Control does not reveal all working processes—it is not possible to measure everything within the time horizon	Chief accountant of an accounting micro-enterprise from Trnava unit
14.	Little important	My work position is only formal. My role in the company is to control and compare the performance of our company with the competition and market development, but thanks to teamwork, other employees also do this. Our positions in the company differ only by specifying specific skills in the field in which we work	Unspecified manager of a retail micro-enterprise from Bratislava
15.	Absolutely unimportant	We are a small family business, so we do not have such a position at all and we consider it as unnecessary. All problems and errors in production are solved by the Director and myself as Deputy Director	Deputy director of a plastic parts producing micro-enterprise from Trnava unit

Source: own work

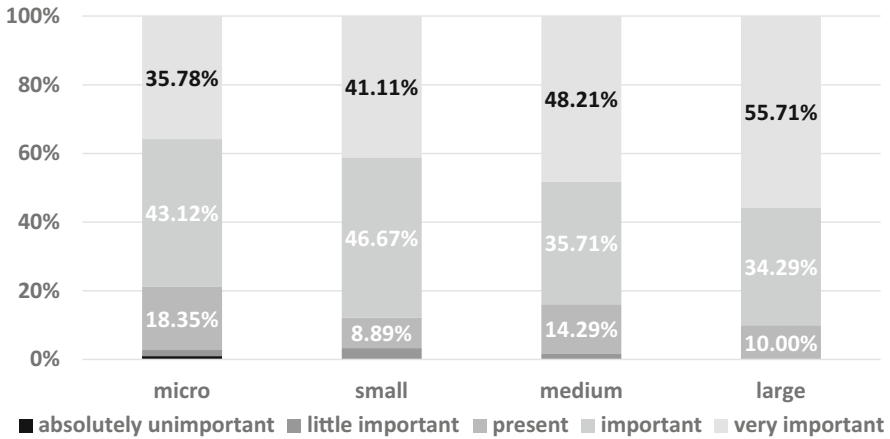


Fig. 2 Importance of controlling in companies (size of enterprise). Source: own work

In this respect, it is good to look closer at the results according to size of the business. Is the assumption right that the larger the enterprise, the more important it is to control? Our results respond this question with a yes. As can be seen in Fig. 2, the larger the enterprise, the more significant is the share of replies “very important.” With each higher category, the importance of controlling increases.

Especially interesting is the category of large enterprises (with more than 250 employees), where the share of answers “very important” and “important” reached exact 90% and no respondent answered the question with “little important” or “absolutely unimportant.”

The result that controlling is more important in small businesses than in medium-sized enterprises may be caused by their lower representation in the sample (56 versus 90).

These results could lead us to the conclusion that the higher the level of management, the more controlling in an enterprise must be perceived important. In our case, however, it does not apply (Fig. 3). The reason is not the respondents’ statements, but the composition of the individual groups of the research sample. As we look at all enterprise sizes, classifying respondents into management levels is not easy. Executives of micro-enterprises must be included in the top-management group, which causes a certain distortion of the results, as many of them have no subordinates and therefore perceive controlling as little important.

If we omit all micro-entrepreneurs (up to nine employees) the results seriously change. In this new category (top management in companies with more than ten employees; $n = 50$) the response “very important” has a share of 54% and “important” 32%.

Another interesting comparison is the importance of controlling in the business and its economic outcomes. Does a stronger controlling have impact on whether a business is profitable or has a loss? According to the results of our survey, yes.

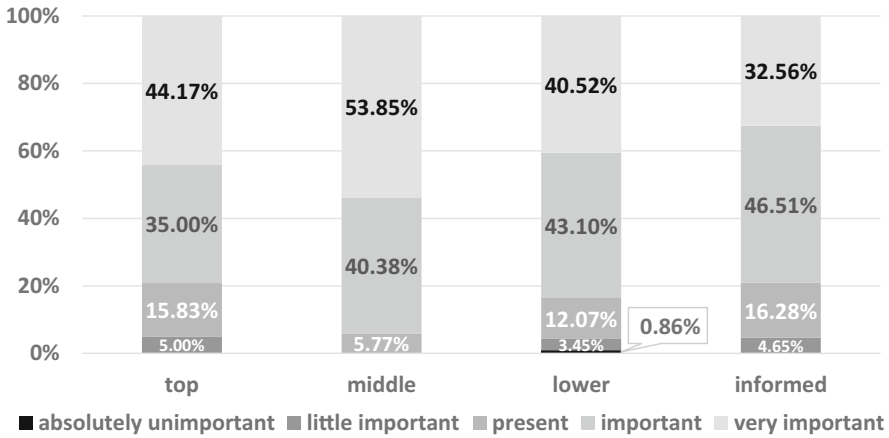


Fig. 3 Importance of controlling in companies (respondents’ management level). Source: own work

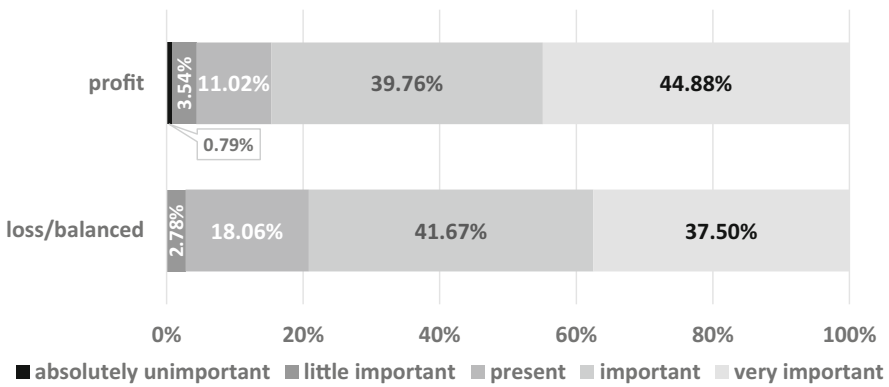


Fig. 4 Importance of controlling in companies (profit and loss/balanced result). Source: own work

Profitable companies state that controlling is “very important” in more than 45% of them and “important” in almost 40% (Fig. 4).

Among the most represented subjects of business activity according to SK-NACE-classification, we see the highest importance of controlling in industrial producers, with more than 90% responses higher than “important” (Fig. 5). The category wholesale and retail trade and repair of motor vehicles and motorcycles has the largest share of “important” responses. The category “Professional scientific and technical services” is particularly interesting because it also includes accounting firms.

Lastly, we compare the results of the importance of control with the attitude of the respondent in the role of object of control. From Fig. 6, it is clear that respondents

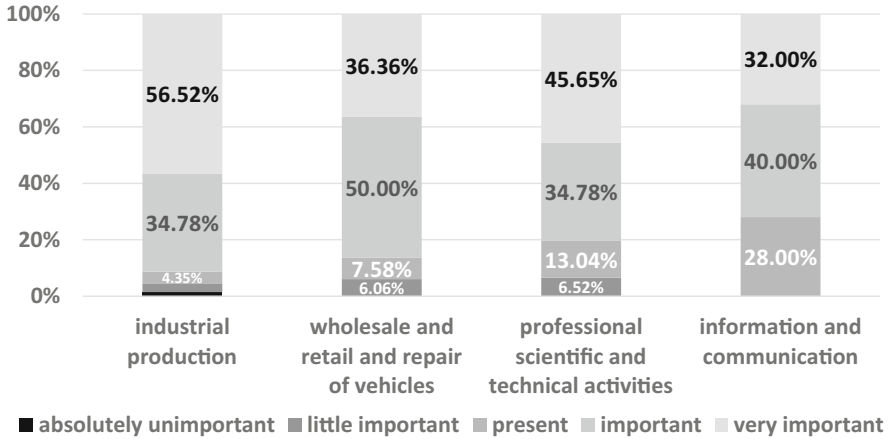


Fig. 5 Importance of controlling in companies (subjects of business activity). Source: own work

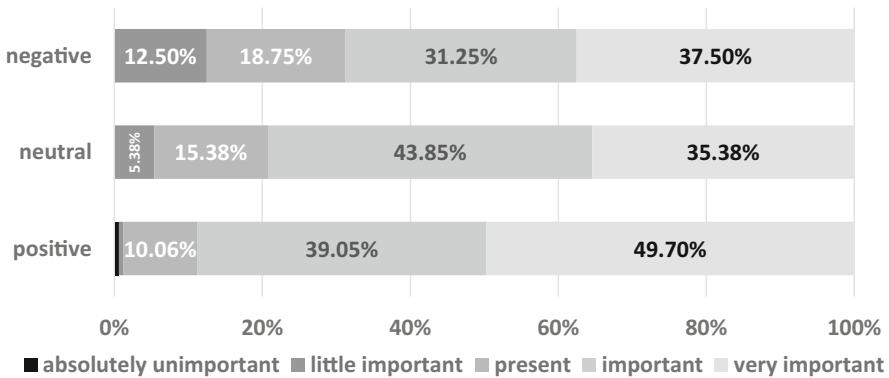


Fig. 6 Importance of controlling in companies (attitude as an object of control). Source: own work

who have positive attitudes to controlling also consider it “very important” (almost half) or “important” (more than 39%) in their companies.

5 Conclusion

Controlling as a separate management function has more than a very long history. While in Western countries the own responsibility of employees came to the forefront during the development, in the Eastern countries, due to another political regime, attention has still focused on formal control. While the Western approach expects man’s motivation to achieve the best performance, many people in the Eastern countries require the certainty of supervision to ensure that they do not

make a mistake. However, it is very important not to take the Eastern approach as something obsolete, overwhelmed, and very wrong.

Our results show that the overwhelming majority of respondents from companies operating in the Slovak republic consider controlling important or very important. The results also show that the larger the enterprise, the higher the importance of the management control function. In addition, the higher the manager is situated in company's organizational structure (hierarchy), the more important controlling is considered. An exception to this rule is micro-entrepreneurs.

While small businesses (micro-enterprises and small businesses) are able to exercise a large degree of direct control, with the increasing size of the business, this possibility is lost. Instead of directly supervising employees, managers of larger businesses must rely heavily on different reports or statistics. Direct supervision gives the impression of lesser control. In fact, this should not reduce the importance, because control is still practiced, only in another way. When something can cause such a reduction of importance, it is trust in subordinates, their high self-discipline, and responsible self-control. Automated control is another option as it makes manager's work easier and, as time goes on, employees perceive it as a regular part of their work.

Interestingly, many respondents believe that controlling may be very important only if there is a separate job position of the controller. The concept of the controller has expanded strongly lately. His role is to provide information based on financial and managerial accounting, which can help managers to decide better. Unfortunately, such opinions may result to a so-called professional understanding of controlling. This, in turn, causes that managers inadequately exercise their control functions, as they may assume that another body has to control. In addition, controllers process very well quantitative data. Due to the nature of their work, they mostly do not receive qualitative data at all. A missing combination of these two kinds of data may result in an incorrect manager's decision.

We evaluate the results for the category "Professional scientific and technical activities" a little bit surprisingly, since this category also includes accounting firms. There has to be a very high accuracy of operations. The share of "little important" and "present" responses is therefore suspicious for us. The weaker results in the "Information and communication" category of businesses may be due the strong representation of automatic control. While it is responsible for a number of control activities, managers can engage in other activities. Over time, such controls become invisible as they correct deviations independently without the need for a manager to intervene. It becomes visible again only for very serious deviations, such as virus occurrence, or hacking of system.

We see further research opportunities in the area of micro-enterprises, as external control in Slovakia is increasing. It can force entrepreneurs to change their minds for internal control. Another important area of controlling is automation, digitization, and artificial intelligence. The next upsurge in the importance of control can be caused by a possible financial or economic crisis.

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