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Risks of managerial control at service enterprises

KEYWORDS

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ABSTRACT

With the increase in the number of enterprises in the non-governmental sector of the economy, a characteristic feature of which is the expansion of the boundaries of financial independence and their simultaneous and full responsibility for the results of economic activity, special importance is given to the methods of managerial control in the organization. Competitiveness and financial performance of an enterprise depend on the effective managerial control. At present, when one economic crisis replaces another, questions of the correctness of managerial decisions and the formation of financial indicators of an economic entity are aggravated.

To analyze the essence of managerial control along with the search for information on managerial control at service enterprises, the authors used the method of analysis of scientific and educational literature of Russian and foreign authors who consider managerial control from the point of view of systematic and process approaches, as well as methods of systematization and processing of the obtained information.

The result of the study is the conclusion that the incompetence in making managerial decisions in times of crisis in various sectors of the economy leads to the difficult financial situation of the organization, especially for service enterprises, the activity of which directly depends on the state of the basic sectors of the economy, as well as incomes of the population.

It is proposed to take into account the industry-specific features of the service sector for the competent and efficient management of the enterprise, aimed at achieving high financial results, given that any form of control poses risks that can be represented in three components, containing: inter-company risk, risk during control and risk of not detecting distortion. Each component of the risk has its own significance, while particular attention as part of the overall control risk should be paid to such a component as the risk of not detecting distortions

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INTRODUCTION

Analyzing the approaches to interpreting the essence of managerial control, it should be noted that it is a conceptual system that provides the processes of planning, analysis, control and managerial decision-making with information-analytical and methodological approaches for the competent implementation of the enterprise's goals, implemented in a strategic and operational format.

Managerial control should be considered as a certain form of the forecast system for the future of an enterprise with a set of managerial tools that change in accordance with the size of the enterprise and the characteristics of its strategic prospects.

In the current economic environment for entities operating in Russia with a view to efficient functioning and sustainable development, it is extremely important to skillfully use and apply advanced theories, methods and tools of management, as well as to use the progressive experience of leading world companies in the field of managerial control.

MATERIALS AND METHODS

For a more detailed consideration of the essence of managerial control, the method of analysis of scientific and educational literature on the examined topic was used, in particular the works of Russian and foreign scientists.

The study guides by Kobyak M.V. and Skobkin S.S. [3], Gerasimov B.I., Sizikin A.Yu. and Gerasimova E.B. [6], Zaitsev L.G. and Sokolova M.I. [11] were analyzed, in which the authors consider managerial control in terms of the systematic approach. The theoretical and methodological basis of this study was composed of scientific papers in which managerial control is considered from the point of view of the process approach of such Russian researchers as Paramonova L. [1], Makrinova E.I., Vasilev A.G., Vasileva A.S. [2], Zhukov B.M., Lyausheva S.A. [3], Groshev I.V. [7], Klyuchko V.I., Shumkov E.A., Vlasenko A.V., Karnizyan R.O. [8], Kovalchuk A.P. [9], Deinekin T.V. [10], Plugar E.V., Stakhno N.D. [12], and Moryakova A.V. [15].

The work by Hahn D. was of particular interest [5], in which the author draws attention to national features in ensuring managerial control. The works of foreign authors are also of interest, as in the works [16 and 18] the issues of changes in the structure of managerial control related to the development of a common service center are considered. The work [19] is devoted to the determination of six main goals of managerial decisions in the matters of cloud computing confidentiality. In [20], the author concludes that the competencies and processes of PM (process manager) in managerial control provide a favorable basis for the deployment of any project without compromising its initial characteristics.

The authors used the method of analyzing the main problems that companies interested in servitization strategies should overcome, with special emphasis on the development of managerial control systems, presented in the book by Pistoni A. and Songini L. [17].

RESULTS

Managerial control should be considered as a certain form of the forecast system for the future of an enterprise with a set of managerial tools that change in accordance with the size of an enterprise and the characteristics of its strategic prospects.

For the purposes of managerial control in the service industry, economic and managerial diagnostics are used, diagnostics of the enterprise's development crisis, business diagnostics, diagnostics of the economic system, as well as diagnostics of the problem.

The diagnostic process has the following features:

- 1) the identification of the causes that affect the problem, faced by the enterprise, for which formalized subjective methods of obtaining data are usually used, such as observation, survey, tests, and interviews;
- 2) analysis and assessment of the quality of managerial control is not always possible to carry out with the help of quantitative methods, due to the lack of criteria and a basis for comparison;
- 3) modern economic and mathematical methods are rarely used to build a causal relationship when a problem arises [6, p. 68].

Under such circumstances, it is possible to resolve the question in various ways. In particular, to control deviations at the enterprise, an approach based on leading control can be introduced. It is assumed that the owner of the enterprise seeks to establish the difference between the expected results, which were calculated on the basis of extrapolation, and the actually obtained results of the enterprise's activities [12]. However, for the organization of a certain type of control, corresponding to the principle of enterprise management, there is a need to obtain a significant amount of new information; in the development of innovative methods of measurement and the construction of graphs and procedures for evaluating, processing data; as well as in the active participation and support of all levels of management and control. Particular attention is paid to the long-term planning and forecasting of future events of a service enterprise, the main principle of which is the quantitative determination of the set goals. The most common way of conducting this kind of research can be considered to be an extrapolation of past events, in which changes will be implemented, albeit sequentially, but in an accelerated way [3, p. 51]. And this suggests that a progressive reaction to such changes, given the experience, is excluded.

It should be noted that the most common method for evaluating the managerial control of service enterprises is to diagnose precisely the financial condition. Thus, L. Paramonova [1], evaluating the control of business entities, considers it necessary to determine the level of crisis phenomena occurring in the organization, focusing on the fact that bankruptcy and crisis are synonyms only in case of the financial crisis. In other circumstances, the enterprise's control system may be in economic, innovative, financial, managerial and other crises, while bankruptcy is only the final stage of the financial crisis. However, each crisis phenomenon can

cause the “death” of the enterprise, which simultaneously indicates its possible bankruptcy, and therefore crisis forecasting techniques can be arbitrarily called bankruptcy forecasting techniques. Moreover, studies of domestic [12] and foreign authors [13; 17] confirm the reliability of the fact that almost all methods of forecasting bankruptcy of enterprises that lack internal managerial control are reduced to diagnosing the financial condition of functioning entities. At the same time, the results of monitoring the activities of enterprises in the service industry are reflected in the economic indicators in the form of a quantitative and qualitative assessment of the examined processes.

Recently, taking into account the integration processes that are directly taking place in Russia, the control of enterprises on the basis of entrepreneurial managerial control has been gaining popularity [14].

The essence of this approach is that extrapolation of the current state is complemented by a forecast of positive and negative opportunities with the calculation of a thorough and comprehensive analysis of trends in the external and internal environment. Attention is focused on reformatting the objectives of the studied object, while changing the previous priorities of the company and adding social goals. The uniqueness of this methodology lies in the fact that certain flexibility in control appears exactly for enterprises in the service industry. The control of the entrepreneurial type is based on the fact that future events have no connection with the past of the organization, and given this, methodological approaches to inter-company control are the prevention of undesirable deviations, including the choice of strategic management, accounting for conflicts of interest, the relationship of control with staff motivation, etc. [11, p. 78].

Given the current trends in the development and functioning of service enterprises [20], the use of more modern models of managerial control in an organization is gaining importance. And this, in turn, suggests that at a certain stage in the development cycle of the company, management should select appropriate control measures [19]. Thus, the “unconventional” methodology for monitoring the activities of the enterprise becomes relevant, which does not take into account the experience of the enterprise, but is based on three components of control, in particular: the object of control, the subject of control and control actions [21]. Decisions as a result of control are made by the head of the subject of control or the subject in whose interests this control was conducted. That is, the application of this control technique consists in the fact that the control subject checks how the control object fulfills its orders. However, at this stage, control should not provide only for the implementation of the chain of command, but, first of all, it should be conducted as a process ensuring the achievement of the goals of the enterprise, motivating not only the top management, but also the entire staff of the company.

DISCUSSION OF THE RESULTS

When regulatory authorities inspect the enterprises in the service industry, there is a change in the level of materiality, which can always have a multidirectional effect on the risk of

rejecting the reliability of the financial statements or recognizing such statements, vice versa, as a reliable one, which, in turn, contains significant distortions. Thus, the risk of control is appropriately understood as the risk of recognition of reliable financial statements with significant distortions. Moreover, it is advisable to call such a risk a priority risk of control, since in practice there are less important risks, for example, when reliable reports are rejected in all material respects. Therefore, in conditions of an extremely low level of the materiality of distortions, the inspection body almost always considers the financial statements of the service industry company to be unreliable, indicating a very small risk of control.

It should be noted that the risk arises while implementing any form of control, in particular during the audit, desk or thematic tax audit. Considering that the authorities, when conducting control of enterprises in the service industry, use mainly probabilistic statistical methods, the so-called occupational risk arises, on the level of which not only the material responsibility but also the moral responsibility of the inspector depends. Therefore, if while conducting control, the inspector did not reveal any material distortions in the financial statements, although there were mismanagement, loss and irrational use of material, labor and financial resources at the enterprise, then he or she can be blamed for both unskilled work and incompetence in these matters. Therefore, it is necessary to change approaches to assessing the performance of service enterprises when conducting a certain type of control, and, first of all, it is advisable to determine the materiality threshold.

A number of factors may influence the level of overall control risk, such as those presented in Figure 1.

Figure 1 Factors affecting the level of overall control risk at enterprises of the service industry

Thus, it can be stated that the control risk can be represented in the form of three components containing:

- inter-company risk;
- risk while conducting control;
- risk of not detecting distortions.

Inter-company risk should be understood as the probability of the existence of an error exceeding the permissible value before checking the system of inter-company control.

Moreover, while assessing the internal risk, the inspection body should consider and analyze:

1) the conditions and methods of conducting business activities of a hotel enterprise, in particular the conditions of competition, changes in tax legislation;

2) the location of the examined enterprise, its transportation problems, the volume of sales of services due to the unstable economic situation;

3) staff and organization of activities, for example, managerial reevaluation of the effectiveness of internal control;

4) revenues and operational plans, in particular a decrease in the quantity or quality of the services, as well as significant deviations from the results of the inventory;

5) property, including a significant reduction in its value, maybe one of the signs of the bankruptcy of a service industry enterprise;

6) liquidity and financing, and first of all, this concerns the lack of working capital and unpredictable losses.

When calculating inter-company risk, as a rule, PEST analysis and SWOT analysis are commonly performed.

As for the risk during the control process, while assessing it, the scope of work performed by the inspector and the quality of the audit conducted by the internal control system, as well as the timing of the audit, should be taken into account. The costs of internal control should not be higher than the amount of estimated losses for the same period, which could have been present if internal control had not been conducted.

When assessing this type of risk, one should take into account the main factors influencing it, such as: leadership style; organizational structure of a service industry enterprise; staff policy; correct accounting and financial reporting; timely provision of information to management about the presence of errors and abuses; the existence of procedures for protection against unauthorized access to documents, records, property, as well as the existence of an internal control system.

CONCLUSIONS

It is necessary to pay attention to the fact that the internal control system of service enterprises is analyzed in order to take into account its organizational and managerial structure, to prepare a plan and an inspection program to identify the so-called “bottlenecks”, subject to enhanced control.

Particular attention in the overall control risk should be paid to the risk of not detecting distortions, which is understood as a subjective certain probability that the methods used in the inspection process are not able to identify real violations that have a significant impact both individually and together. The degree of this type of risk is usually affected by the presence of repeated checks, for example, if the inspector checks the activities of the enterprise not for the first time, then he or she already knows the organizational, technological features, as well as the “bottlenecks” at the enterprise. In the case of the initial inspection of the enterprise, the risk of detecting distortions is significantly increased.

The risks of not detecting distortions are divided into two main blocks:

1) analytical risks, that is, the risks of the danger of making errors in the process of applying the methodological techniques of analysis or the use of inaccurate or insufficiently reliable information by the inspector; possible comparison of data without regard to their inconsistency for different reporting periods; the presence of errors in the process of calculating relative values and coefficients, based on which certain conclusions can be drawn; the presence of significant deviations in the values of accounting figures; the degree of misunderstanding of the purpose of the analysis and the capabilities of the selected methods; insufficiency of professional skills of the inspector;

2) statistical risks, that is, risks of the likelihood of detecting significant errors in the process of conducting random inspections, which should certainly reveal:

- a. choice of erroneous methods of sample preparation, for example, instead of selecting objects for sampling according to quantitative indicators, they are selected according to qualitative indicators;
- b. errors in determining the size of the sample and its formation;
- c. the use of inconsistent data in the electoral aggregate;
- d. groundless application of the sample method instead of the continuous one;
- e. discrepancy between the actual amount of the error made in the sample.

In modern business conditions, scientific research regarding methods for assessing the level of control over the activities of service industry enterprises does not have a unique algorithm that would professionally substantiate the level of the control system that takes place in a particular organization. The main attention is focused on the primary link of management – the enterprise, and with the strengthening of the market economy, the role of external control, due to the spread of economic freedom of business entities, is reduced, which provides an impetus to the growth of the importance of internal control in service industry enterprises. Therefore, the combined use of the above-mentioned methods for assessing the level of control at service industry enterprises will help to identify objective results of analyzing the work of a service industry enterprise.

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