

## **Issues and Prospects of Implementing Controlling at Russian Gas-Transportation Companies**

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**Abstract:** The article addresses the need to apply effective solutions in the area of systemic support for management in present economic conditions. The author examines controlling as one of such systems. In the context of gas-transportation companies, the author accentuates the expediency of implementing an applied form of controlling - costs controlling. The author points out the importance of studying the experience of implementing controlling at companies from other sectors of the economy, as well as getting familiar with typical issues that accompany such changes in the management system. The author examines the most common mistakes in implementing controlling: mistakes in apprehending the gist and objectives of controlling, excessive concentration on one particular function of controlling, having excessive or insufficient amounts of information and other mistakes. The author systematizes historical, psychological and organizational-methodological issues of implementing controlling at Russian companies. The author delineates and expands on potential causes of resistance to changes on the part of a gas-transportation company's senior management, which are differentiated by sources into individual and organizational. The author adduces the findings of a number of studies into major obstacles preventing successful implementation of controlling at companies, conducted by the Balanced Scorecard Collaborative lab. The author analyzes the various stages in the formation of the legal and regulatory framework for controlling and exposes its shortcomings. The author delineates the prospects of development of costs controlling at a gas-transportation company and process changes to management which are necessary for the implementation.

**Key words:** Controlling • Gas-transportation company • Legal and regulatory framework for controlling

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### **INTRODUCTION**

There is hardly any doubt that in present economic conditions companies won't be able to get by without looking for some new unordinary solutions in the area of management and production [1]. Company executives should adequately react to heady changes taking place in the external and internal economic environment. Most companies keep to the reactive form of management, whereby managerial decisions are made as a reaction to problems arising. This form of management doesn't satisfy the conditions of the highly dynamic competitive market which requires flexible and swift reacting, while there is also the need to work concurrently on the formation of long-run competitive policy. In this regard, special attention goes to effective solutions in the area of systemic support for management. One such system intended for boosting the effectiveness of management is

controlling, which is a relatively new scientific notion in the theory and practice of financial-economic activity management [2,3].

The need for implementing controlling at companies within the gas-transportation industry is there due to the fact that current problems on the gas market call for radical changes to the information-analytical component in company management, which would make it possible to forecast upcoming changes in internal and external processes, take corresponding measures and prepare the company for the possible consequences of a particular happening. Of major topicality is the issue of implementing costs controlling at gas-transportation companies, for they are in need of integrated mechanisms for managing costs, instruments and methods for optimizing costs, whose action is not isolated and one-off but integrated, systematic and regular.

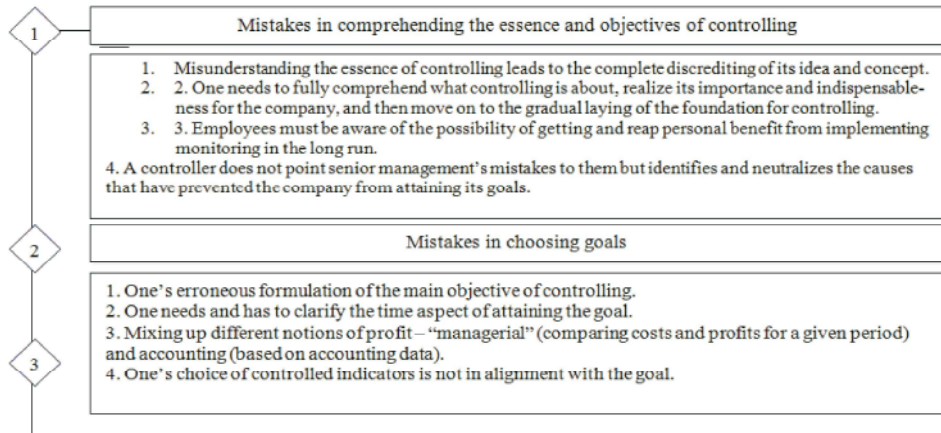


Fig. 1: Common mistakes in implementing controlling at a company (Part 1)

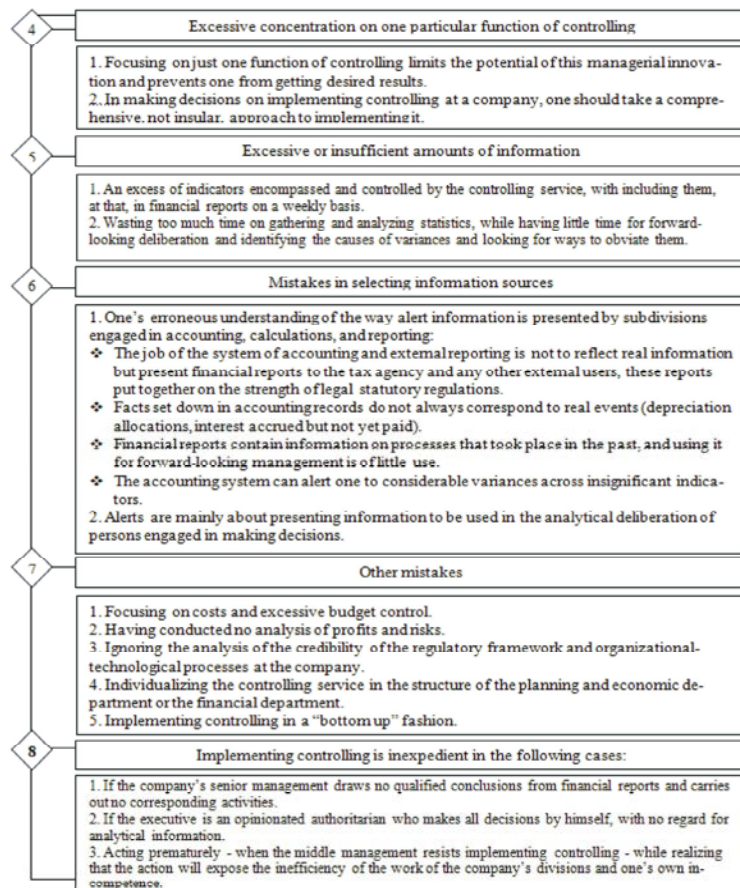


Fig. 1: Common mistakes in implementing controlling at a company (Part 2)

In implementing costs controlling at a gas-transportation company, it's important to have studied the experience of implementing this system at companies representing other sectors of the economy, take heed of typical mistakes and issues as part of putting such activities into action. A review of literary sources has

revealed that many obstacles often arise through the fault of the very person in charge who, trying to implement changes to the company's management system, attempts to put together and implement controlling. Typical mistakes in implementing controlling are provided in Figure 1 [4].

Table 1: Problems in implementing costs controlling at national companies

Problem category	Problem title	Problem content
Historical	A large number of holding structures	Requirements for knowledge of the specifics of several types of economic activity and taking account of them in forming the controlling system
	The absence of formalized and well-ordered organizational structures and business processes	The beginning state of many companies, their organizational structure “erratic” and business processes not fully up and running
	The absence of effective communicative channels	Information must be credible, accurate, timely, comprehensive and topical
Psychological	The impact of one’s incredulous attitude towards Western management standards	Difficulties in adapting Western management instruments and methods to the conditions of functioning of Russian companies, as well as reluctance on the part of executives to use them
	The resistance of executives and subordinates to any changes	The resistance of employees to changes in customary management systems, corporate culture and behavior models
Organizational -methodological	The mismatch between Russian and Western norms of accounting and differences in dealing with accruals	Insufficient intercrossing between accounting and managerial reporting
	Labor intensity	The need for improving labor discipline, ensuring well-ordered document control, timely collection and provision of information to employees and entering such data into the system
	Resource intensity	The idea of having to allocate considerable funds for the implementation of controlling repulses many Russian companies
	Misunderstanding the essence of controlling and lack of systematized knowledge in this area	There being little to no training for executives and employees in the way of learning the methods and planning and reporting technologies to be implemented, including the philosophy of controlling

Table 2: Potential causes of resistance to change at a gas-transportation company

Content of the causes of resistance	Gist of the problem of resistance	Consequences
Individual sources		
Encroachment upon one’s habits, traditions, values	One’s lack of knowledge on the benefits to be reaped as a result of the innovations, which are deemed to encroach upon one’s established traditions	The consequences can be obviated through communication
One’s self-interest	One’s fear of personal losses as a result of the changes	A low level of danger
Different attitudes towards innovations	The absence of credible information; one’s perception of the changes is inadequate	The team’s open disagreement expressed, in particular, through the labor union organization
One’s loss of prestige	One’s worries about keeping one’s competences	Can be obviated through communication and involvement in decision making
One’s mistrust towards the change implementation technology	One’s doubts as to the competence level of the change initiators	Can be obviated through attracting highly competent specialists
One’s desire to keep good relations, which can be affected directly by the changes, with another party intact	One’s allegiance to an informal group	Can be well obviated through communication
Organizational sources		
Group inertness	Group norms act as inhibitors, despite the consent of some of the employees	Active interaction with the labor union organization and communication will help obviate negative consequences
The threat of changes to established relations of subordination	Any redistribution of authority as a result of decisions made	Can be obviated through co-optation. Co-optation is providing one of the leaders of a group with the desired role in planning and implementing changes
One’s fear of changes to the established framework of resource distribution	Groups engaged in resource distribution perceive the changes as a threat to the existing state of affairs	Can be obviated through the co-optation of the team

N. N. Zhilina and T. S. Zagidullina subsume problems arising during the implementation of controlling at a company into three categories: historical, psychological and organizational-methodological (Table 1) [1].

To get a better idea of the issue of the company personnel's resistance to the implementation of a new system of planning and reporting at the company, we'll turn to Y.V. Frank's resistance mitigation methodology whereby, apart from taking measures on mitigating resistance, the author addresses potential causes behind such resistance and classifies their sources (Table 2) [5].

In addition to the above measures aimed at mitigating resistance to changes, the author points up such measures as wide support for the agents of changes charted, rewarding people's readiness for change, as well as creating a teachable organization concerned with adapting to the changing conditions of the environment. Many authors believe that national company executives oftentimes just misunderstand the use of controlling, for the major methodologies of controlling have come from foreign literature - hence differences in interpretations within the applied categorical apparatus [6]. In conjunction with this, it has been impossible to formulate a sufficiently clear-cut concept and form the traditions of using it in management [7,8]. And despite that controlling is every institution's private business, the need for structuring the discordant theory's fragmented corpus becomes obvious when it comes to simplifying the application of the toolkit of controlling in practice [1].

As a result, the labor market is overfilled with accountants, economists and financial experts, who consider themselves to be controllers, although most representatives of these professions end up having quite a shallow idea of controlling at large, its missions and objectives and, finally, of the philosophy of controlling, in particular. Such misunderstanding of the gist of controlling, its place and role in the management system does plague executives too, including those who already show some signs of beginning to perceive controlling as an instrument of management [9,10].

As a result, there arise all the more obstacles in implementing new changes at the company. Studies conducted by *Fortune* magazine revealed that less than 10% of formulated innovations and special activities were successfully implemented at American and Western European companies; the same magazine found that in 70% of cases of failure the main problem was not about the quality and gist of innovations getting implemented but actually the implementation part itself.

Researchers at the *Balanced Scorecard Collaborative* (BSC) laboratory have identified several major obstacles preventing successful application of new systems at a company (Figure 2) [6].

Generally speaking, controlling is one of the most hotly-debated categories of the day, since the system does not fall within the ambit of areas regulated by the government and there's no single clear-cut approach to studying the essence of this system [6,11].

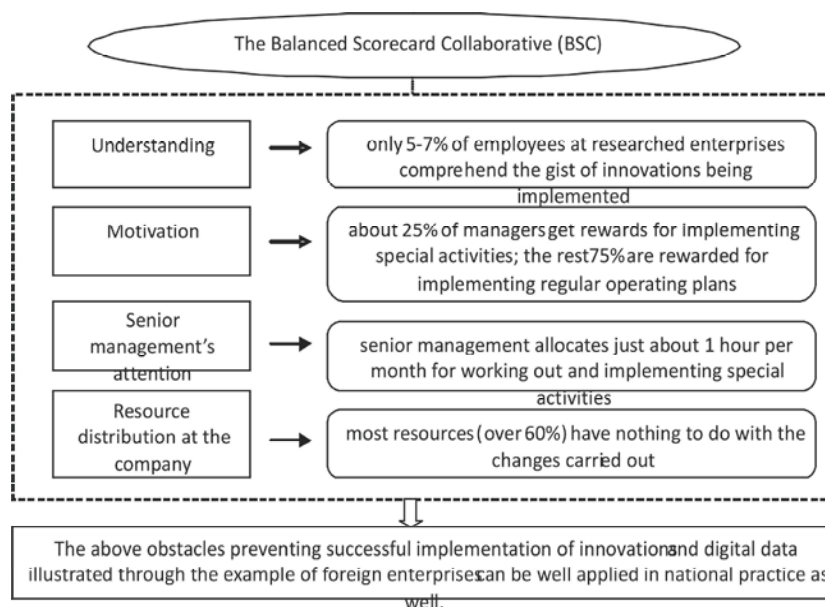


Fig. 2: Major obstacles in the way of successful implementation of con-trolling at a company

Table 3: Process changes in management as a result of implementing costs controlling at gas-transportation companies

Functional area of management 1	Process change 2	Costs of implementing innovation 3	Outcomes of implementation 4	Cost assessment of change 5
Planning	A rise in the quantity and quality of prognostic changes and factors influencing the economic situation and taken into consideration in planning	Time expenditures for informing controllers of a larger number of factors of the economic situation	The formation of a planning system that most objectively reflects the future state of the situation on the market; reduction of variances; a more accurate execution of the plan; ensuring through planning the covering of probable losses, as well as the covering of a deficit of funds over the following periods	Raising payment discipline - reducing loan debts, striving for faster turnover times, boosting funds turnover, profiting from freed financial resources, profiting from economy as a result of a cutback on the irrational use of funds
Record keeping	A worked out managerial reporting system; taking account of unobvious factors and reasons behind the changes in the economic situation	Expenditures for purchasing equipment, attracting highly qualified specialists, maintaining the system	Keeping record of missed profit amounts, imputed costs, liabilities before the budget and non-budget funds	The cost of preventing probable losses and the irrational and ineffective use of funds; creation of reserve funds
Analysis	The comprehensive revelation of the causes of variances and the influence of different factors on the economic situation; a greater opportunity for assessing the degrees of risk and reserves; analysis of the future (target) state	Time expenditures for controllers' exploration of a larger number of factors affecting the economic situation	Identifying the company's economic reserves	Additional revenue; the cost of reducing negative variances
Control	More opportunities for comparing indicators by various factors		Comprehensive control at the company	Economy thanks to avoiding fines; reducing operating costs and expenditures for audit
Monitoring	More opportunities for tracing information-material flows at the company		Identifying the company's reserves and hidden resources	Additional revenue; the cost of reducing negative variances
Integration	The forming of a single information space at the company and thereby the subsequent streamlining of the interaction between subdivisions	The costs of arranging document control between different divisions; time expenditures for controllers' getting	Reducing time spent on implementing managerial decisions; boosting labor productivity; arranging information-material flows	The cost of financial, labor, etc. resources freed as a result of labor productivity going up
Coordination	Boosting the company's interdivisional interdependence and coordination in the course of implementing managerial decisions	knowledge of new resources of information exchange between services, departments and levels of senior management	Reducing time spent on implementing managerial decisions; boosting labor productivity	
Consulting	Boosting the quality of the information basis of managerial decision making	Time expenditures for getting information to senior management for decisions to be taken on the strength of that information; time expenditures for senior management's picking up the economic situation	Reducing the risks of decisions made	The cost of reducing the risk of the advent of negative consequences
Information support	More opportunities for getting necessary relevant information forming in all the areas of the company's activity	Expenditures for purchasing equipment, attracting highly qualified specialists, maintaining the system	Getting a single formed information system at the company	Implicitly reflecting all of the above costs

In the light of Russia's integration into the global economy and the flow of foreign capital into the country, the issue of a need for laying the legal groundwork for controlling has become more topical than ever. Over the period of its formation, the regulatory and statutory framework for controlling has gone through several stages, with major regulatory documents worked

out in the process to regulate controlling activity (Figure 3) [12].

The regulatory and statutory framework for controlling activity requires streamlining, which should be effected in the context of forming a single framework of acts regulating the market of controlling services with a view to developing the given trade.

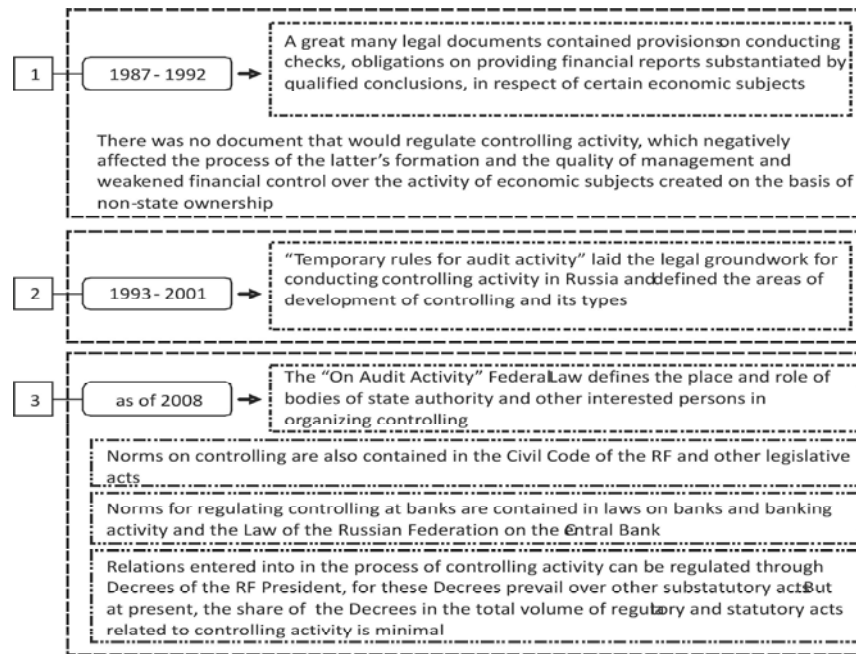


Fig. 3: The regulatory and statutory framework for controlling at industrial enterprises

As for the prospects of implementing controlling at gas-transportation companies, we can point up the following process changes for such companies (Table 3) [9].

Thus, having analyzed the various issues associated with implementing costs controlling at a gas-transportation company, one can proceed to working out an algorithm for implementing this management innovation, selecting its methodological toolkit and examining different ways of individualizing the controlling service within the company's organizational structure.

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