**11.11.2024**

**CONTEMPORARY ROLE AND IMPORTANCE OF THE CONTROLLING FOR SUCCESSFUL MODERN BUSINESS PROCESSES IN TOURISM AND HOSPITALITY**

**Abstract**

Controlling as a complex concept and process, is highly important management function. The process of implementing controlling principles involves all managers in the organization structure, from the lowest to the highest levels. Contemporary working is under big pressing for business transformation, developing new business models which will be based on establishing a new organizational structure with new teams of employees who possess appropriate multifunctional knowledge and are equipped to use modern digital intelligence tools. Modern organizations need to adapt to changes and continuously upgrade themselves. Transformation is a process that requires rapid change in organizational, technological, financial, and environmental aspects. In tourism and hospitality, Controlling is crutial with the aim of successfully executing the legal processes.The authors in this chapter explores the contemporary role of Controlling, general as management function and process, and in tourism and hospitality , in the era of complex business, societal, and environmental changes.

***Key words***: Controlling, Business transformation, Business processes, Success, Tourism and Hospitality, Digitalization

1. INTRODUCTION

Controlling is one of the core functions of management, specifically the management of business processes within an enterprise. In management theory, a narrower concept of management functions includes planning, organizing, and controlling, while a broader concept encompasses planning, organizing, staffing (recently also called motivating), leading or coordinating, and controlling. Controlling as a management function "includes all activities that a manager undertakes to ensure results that are as close as possible to the plan"(**Avelini H. Ivanka, 1998** p. 2).

Controlling is a complex concept and process. It does not merely imply control, as control is only a subsystem of it. Under modern conditions, controlling has become a proven system for practically solving issues of coordination and integration in the management process within a company. In developed market economies, especially within large enterprises, many employees work specifically in the controlling sector. The most commonly mentioned concepts include the following: (Osmanagi, Bedenik Dr,.1996 p781-792)

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* The **accounting-oriented concept**, aimed at preparing information for management purposes. In essence, this concept aligns more with management accounting than with controlling.
* The **information-oriented concept**, focused on the coordination of gathering and using information, particularly significant for forming specific information subsystems in the information system for informational purposes.
* The **management-oriented concept**, aimed at coordinating subsystems within the management system of the enterprise.
* The **principle-based practical concept**, aimed directly at the business goals of the enterprise.

In practice, the management-oriented concept is rightly accepted as the most comprehensive and mature. According to this concept, controlling is defined as a coordinating and integrative function within the system of management functions in the enterprise. Several key concepts are highlighted in controlling: "business result, plan, standard, information on deviation, indicator system, corrective decisions" (**Avelini H. Ivanka, 1998** p. 6)

In scope and results, controlling is broader than the classical concept of control.**Differences between control and controlling** are huge, but most people identify these two concepts with each other. The reason for this is the fact that the concept of controlling, in the first years of its existence, was only understood in sense of control. It is necessary to remember, that the concept of controlling is broader than control. Moreover, the control is one of the components of controlling and is oriented on the past (controlling is future-oriented). (Horváth & Partner (2019 p.6).

Even encompasses planning, analyzing, and expressing deviations (planned vs. achieved or standard vs. achieved), as well as evaluating these deviations, identifying their causes, and proposing corrective measures to adapt the enterprise to changing conditions and maintain its vitality. Controlling achieves these activities through a thorough analysis of the enterprise’s performance, using all methods inherent to this analysis. The analysis of enterprise performance essentially represents a fundamental function of controlling. Controlling enables the realization of the enterprise’s plans and objectives. Therefore, managers need controlling, which is why it is often called management control or managerial control. According to this understanding, "Controlling is an efficient, modern concept of managing the business outcome of the enterprise, encompassing coordination and connection between planning and information, as well as analysis and control of human, material, financial, and informational resources to achieve goals efficiently. It is a management tool that supports decision-making processes" (**Avelini H. Ivanka, 1998** p.4). MCS are a group of formal routines and protocols focusing on financial and non-financial parts of a business that are designed to motivate, monitor, and measure the behavior of business executives, as well as guide them in decision making. (R,ChenHall et all, 2015 p. Especially in tourism and hospitality sector, controlling is an essential component. Controlling need to be involved to components monitoring and evaluating. By these components the business performance ensure the position and ensure that they work on a track to achieve the goals. Controling is future oriented.

The main authors aim of this chapter is to stress the significant importancy of reorganizaning the Organizational chrts in modern enterprises in all sectors, in Torism as well. Having long-term expirince in this field The authores put the main hipoteses as:

h1: *Sucessfill business operations in modern hotels enterprices are in direct correlation with the modern bissines organizational charts and the Controlling as a major management function and process.*

2. LITERATURE REVEW AND MAJOR CONCEPTUAL FRAMEWORK - CONTROLLING AS A ESSENTIAL MANAGaRIAL PROCESS FOR SUCCESSFUl BUSINESS

Management is a process consisting of multiple functions performed by one or more individuals, depending on the size of the enterprise, with the aim of achieving the company’s objectives. Management, or the management process, covers all operations of the enterprise and its various components, encompassing three main tasks: Managing work and organization, Managing production and operations, and Managing people.

Management, as a complex process, is realized through the following processes: Planning, Organizing, Motivating (staff management), Leading, Controlling.

Controlling indeed is a process: involves measuring and correcting the work of individuals and organizational units within the enterprise to ensure activities proceed according to the company’s plan. This requires measuring performance in line with goals and plans, identifying deviations from planned values, and assisting in correcting those deviations. In short, controlling facilitates the achievement of plans. Although planning precedes controlling, plans can not fulfill themselves. Managers use resources according to plans to achieve set goals, and completed activities are reviewed to verify their alignment with the planning. Thus, controlling, as one of the management processes, includes all activities that managers undertake to ensure results are as close as possible to the planned outcomes.

"Management control is a process by which managers influence other members of the organization to implement the organization’s strategies" (AnthonyN.A,Govindarajanv,2007,p60)   The main purpose of this influence is to minimize errors in the **organization** and **use** the set standards for the proper working of the **organization** to achieve strateging and operational goals.

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For this purpose, management control or controlling involves several activities:

* Analyzing planned performance in the organization from all perspectives,
* Comparing actual performance with planned performance,
* Coordinating the activities of various parts of the enterprise,
* Assessing situations and communicating information,
* Accounting activities,
* Taking action and making decisions on necessary steps if needed,
* Influencing people, in the sense of motivating them to change their behavior if deemed necessary.

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***Figure 1.*** *Usual control process*

 Source: (Robert N. Anthony, 2000 p.66)

The person responsible for managing the controlling process is known as the **controller**, which translates to "work analyst" or "management controller." The controlling (management control) process consists of the following steps:

* Determining the areas to be controlled,
* Setting standards for desired results,
* Establishing how events in the enterprise will be measured, along with the method for sending information about these events to the control unit, followed by measuring the achievements,
* The control unit compares the information on performance against the standards and conducts an analysis,
* If actual results deviate from the standards, the control unit takes corrective action and sends the order for those measures to the appropriate place for correction.

From the plan as a benchmark for controlling, planned values or standards emerge that should be achieved. Controlling compares actual results with planned results, identifying positive or negative deviations, and then follows with corrective actions or reward decisions for positive achievements.

In addition to planned values, another standard used by the controller or analyst in controlling is the standard itself. The standard is also a set goal that the enterprise (hotel, insurance company, or another organization) aims to achieve. From the perspective of outputs (products and services), the standard prescribes how something should look and what it should contain, that is, a specification of characteristics that a material, product, or service should have or meet. The standard is defined quality. From the consumer’s perspective, the standard is defined quite simply: "A standard is what the consumer (the guest, the insured, etc.) wants, needs, and expects" (Avelini H. Ivanka, p. 63). As such, it serves as a criterion for comparing future, present, and past activities within the enterprise. Management control is a very important and complex function of management. In the process of implementing management control, all managers in the organization are involved, from the lowest to the highest levels of the management structure.

**2.1 Controlling vS Planning**

**Planning** is the initial function in the management process. In fact, the management process begins with planning. "In the planning process, managers outline the steps that need to be taken to guide the company toward its set goals" (**Garrison H. Ray, et al.,2008** p.4). The outcome of planning is a set of decisions that define future activities and the expected results from those activities. Decisions also determine the measures needed to carry out those activities and achieve the desired results, all to prevent chaos in operations. The basic elements of planning are goals, policies, strategies, programs, and plans.

When examining the relationship between planning, plans, and controlling, it is essential to recognize their close connection. Planning and the plan, as elements directly linked to execution, are critical instruments of controlling. Whenever the concept and content of controlling are explained, it is impossible not to mention the plan and planning. Controlling is meant to ensure that actual results are close to the planned ones or to signal and promptly inform about issues arising in the implementation of plans, suggesting corrective measures. Controlling constantly monitors the execution of the plan. This means that within controlling, there is a continuous analysis of plan execution to identify and measure deviations from the plan and to inform the responsible manager about them. The responsible manager then takes corrective actions, which may include:

* Adjusting or rebalancing the plan, and
* Adjusting or rebalancing the activities to implement the revised plan.

To rebalance the plan, deviations must exceed certain tolerance limits. For annual plans, the tolerance limit is **1–5%,** for tactical plans **5–20%,** and for strategic plans **20–30%.** At the core of controlling lies the feedbackloop (Figure 2). The feedback loop is key to successful management in any organization. The feedback received by managers may lead to revisions or rebalancing of existing plans, the creation of new strategies, changes in organizational structure, and other corrective actions to maintain the stability and vitality of the enterprise, in response to new conditions in the environment and within the company itself.

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| Comparison of Corrective Actions |  | Program of corrective activities |  | analysis of the reasons for the deviation |  |  |
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***Figure 2.*** *Feed back in controlling*

Source: (Heinz Weihrich, Harvard Koontz 1994 p 5)

The management control system should help managers guide the organization towards achieving the set goals with the strategies. Primarily, management control focuses on the realization, or implementation, of strategies (**Anthony N.A, Govindarajan V.,2007).**To accomplish this, management control, through its control systems, must monitor the achievement of tactical and operational goals, which are concrete goals based on which the plans for the organization are made. In the last three decades of 20 Century and from the beaganing of 21, developing new business strategies have had a central significance in modern management of the organization.

This is exactly why management control is focused on the implementation of strategies. From this perspective, it is important to consider the differences between the strategy formulation process and the management control process. "Strategy formulation is the process of deciding the goals of the organization and the strategies to achieve those goals. Strategy formulation is the process of deciding on new strategies; management control is the process of implementing those strategies"( Petkovic Mr.Mladen 1996 p273-280) By defining the essence of these two processes, we can identify and differentiate between them because they arise precisely from their essence. The first difference is found in the way each of these systems is designed. Specifically, the strategy formulation system is essentially an unsystematic process. Hazards, risks, opportunities, and new ideas do not occur in regular, pre-defined intervals, so strategies can be formulated at any time. In contrast, the management control process consists of a series of steps that occur in pre-anticipated time intervals, more or less determined or fixed. The second difference refers to the analysis related to strategies and the analysis in the management control system. Strategic analysis often involves rough estimates and judgments, while in management control, real and precise estimates are involved. The analysis of proposed strategies includes a small number of employees, the idea provider, and higher-level managers, while the management control system involves all managers and their staff at all decision-making levels.

**2.2. CONTROLLING AS STRATEGIC AND OPERATIONAL MANAGAMENT PROCESSS**

From the perspective of coordination and adaptation orientation, as well as from the perspective of goal achievement, controlling is divided into: Strategic Controlling, and Operational Controlling. **Strategic controlling** focuses on the long-term existential goals of the company and is oriented towards adapting the company to changes in the environment. It aims to ensure that the organization remains in line with external changes and adjusts accordingly. Strategic controlling, with appropriate tools, should ensure effective communication between the company and its external environment. The central task of strategic controlling is to provide the information foundation for defining long-term goals that ensure the company's survival, while also considering potential opportunities and risks in the future.The areas of strategic controlling are: (*Mayor, E. Hers,1993 p 18)*

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| Areas of Activity  | Areas of Activity  |
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| 1. | Setting the Goal:  | Ensuring the organization's survival. |
| 2. | Planning:  | Eliminating potential bottlenecks. |
| 3. | Control and Analysis of Deviations:  | Aligning strategic and operational planning. |
| 4. | Alignment and Coordination:  | Adapting operational goals to the strategically available resources. |
| 5. | Information:  | Strategic reporting, awareness-building. |
| 6. | Bottlenecks:  | The obstacles that hinder growth and development. |
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**In the framework of strategic controlling, the following activities are carried out:**

1. **Defining Strategic Directions and Choosing Optimal Strategies:** Developing strategic plans and following their implementation.
2. **Environmental Analysis:** Special focus is placed on analyzing the market, economic and social trends, potential development opportunities, as well as weaknesses, opportunities, and resources of the company. For this purpose, the SWOT analysis model is used.
3. **Ensuring Long-Term Success:** Strategic controlling aims to ensure continuous and lasting success in the organization’s operations.

**Operational controlling** is focused on short-term goals, typically defined within a one-year timeframe, and is linked to the direct management of business processes and current financial results. The goal of operational controlling is to ensure the immediate success of the organization's operations. To achieve this, operational controlling produces a series of reports that provide management with the information needed to make business decisions in the short-term.Key tools used in operational controlling include:Plans, Budgets, Standards and Norms, and Normatives.Using these tools, performance is measured and business results are controlled, deviations are identified, and the deviations are analyzed. The outcome of this analysis provides the information needed for operational reporting to managers, enabling them to make tactical, operational, and corrective decisions.The areas of activity in operational controlling include the following (Petkovik Mr. Mladen 1996 p 273-280).

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| Areas of Activity  | Goal of Activity |
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| 1. | Setting the Goal:  | Achieving profit. |
| 2. | Planning:  | Revenues, costs, contribution margin ratio. |
| 3. | Control and Analysis of Deviations:  | Comparing planned results with actual outcomes. |
| 4. | Alignment and Coordination:  | Achieving the function of the goal, managing the business result. |
| 5. | Information:  | Reporting, processing, and implementing measures. |
| 6. | Bottlenecks:  | The constraints that limit the achievement of profit. |
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The regular tasks of controlling include: Ongoing Comparison of Planned vs. Actual Results (usually on a monthly basis), Comparison of Various Indicators, Internal Control, Reporting, Break-even Point Analysis, Profitability Analysis of Investments, Cost Analysis and Rationalization, Financial Condition Analysis, Measurement and Evaluation of Business Performance, Analysis and Evaluation of Human Resources, Management Efficiency Analysis.

All of these analyses in operational controlling provide valuable information, which is then presented in specific reports. For example, from the experience of developed tourist countries, operational controlling in a hospitality-tourism company prepares and presents the following types of reports:

* Daily Report for Managers
* Profit Report
* Accommodation Service Performance Report
* Food and Beverage Department Report (F&B Controlling)
* Other Hotel Activities Report
* Separate Reports for Managers of Responsibility Centers
* Investment Reports
* Purchases and Suppliers Report
* External Users Reports
* Comprehensive Results Reports (based on balance sheet analysis and profit and loss statement—income statement)
* Reports from Internal Control Execution and Other Reports

**2.3. tasks of controlling**

As mentioned, controlling is an effective modern concept for managing the business results of an organization, encompassing coordination and linkage between planning and reporting, as well as the analysis and control of human, material, financial, and informational resources in order to achieve the company's goals in an efficient manner. It is a management tool and provides crucial support to managers in the decision-making process. The main tasks that controlling performs to achieve its objectives are: Coordination of All Management Activities, Preparation of Information for Decision-Making, Monitoring and Controlling the Implementation of Decisions ,Improvement of Information Systems, Enabling Real-Time Management, Permanent Advice and Motivation both horizontally and vertically, in the organizational structure.

**3.Controlling in the Hotel organiztioanl structure – new approach**

The previously outlined definitions and tasks of controlling indicate that they closely align with the definitions and tasks of the organizational function traditionally referred to as "planning and analysis" in our theory and practice. Based on this, it can be concluded that there is already an existing foundation or base within the organizational structure of companies, which will serve as a foundation for organizing the controlling function. Modern management concepts, which have emerged in recent years as a result of changes in the environment, have highlighted the need for a reorganization of the existing organizational structure in companies, including the "planning and analysis" sector. This sector should be reorganized into a "Controlling" sector, as a more modern and efficient organizational form, which will enable better coordination between set goals (the plan), material and human resources, and the business results.

However, there is no universally accepted rule regarding the place of controlling within the organizational structure of a company. The size of the company and the complexity of its operations determine how the controlling function is organized and its position within the structure. In larger and medium-sized companies, it will be necessary to form a separate "Controlling" department, which can either be linked to the highest decision-making level or to lower levels of decision-making (such as procurement, sales, human resources, development, accounting, etc.). In smaller companies, controlling activities can be carried out by a single individual known as a work analyst or controller. According to the experience of large companies in developed market economies, a combined centralized-decentralized model is used for organizing the controlling function. In this model, strategic controlling activities are carried out centrally, while operational controlling activities are decentralized. This makes sense when considering the nature and objectives of strategic versus operational controlling.

One possible way of organizing controlling within companies generally, and then within an small hotel as well in hotel chain is illustrated in the following figures:

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 **Legenda:**

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***Slika 3. Modern Company Controlling organization for hotels ( authors proposal)***

1. **PRINCIPLES OF AN EFFECTIVE MODERN MANAGEMENT CONTROL SYSTEM**

**In literature often colds as characeristics of MCS, our opinion is that they are main controlling princoples.** Controlling - Management Control Systems (MCS) are crucial tools that help organizations achieve their objectives efficiently. In order to achive tis compex aim the following principles have to be conduct in the process of building the MCS in tourism sector, as well in others sectors of economy and society an general:

* ***Precision and Accuracy:*** MCS relies on accurate data and information. It emphasizes the need for precise measurements and reliable data sources to make informed decisions. Precision ensures that the control system provides a clear picture of performance.
* ***Flexibility:***Flexibility in operations is a characteristic of a company operating in modern, turbulent business conditions. Flexibility, in addition to being essential for the company as a whole, should also be inherent in management control systems. These systems should be designed to quickly measure and analyze changes and prepare new information and reports on time.In a dynamic business environment, adaptability is crucial. Management Control Systems should be flexible enough to accommodate changes in goals, strategies, and external factors. This adaptability enables organizations to stay responsive and agile.
* ***Timeliness:*** The management control system must be designed to provide information on the status of the company’s production processes within specific time periods. For instance, information on specific activities may be prepared monthly, weekly, or daily, depending on the managerial level it pertains to (low, middle, or high decision-making level) Timely information is essential for effective control. MCS ensures that information reaches decision-makers promptly, enabling them to take corrective actions in real-time when deviat ions from standards occur.
* ***Integration:*** Integration of various components within an organization is a fundamental characteristic of MCS. It aligns the efforts of different departments and functions toward common goals. This cohesion is vital for achieving overall success.
* ***Selectivity:*** Not every aspect of an organization requires the same level of control. MCS prioritizes control over critical areas that significantly impact organizational performance, allowing for efficient resource allocation.(Kosarkoska Desa, 2008)
* ***Forward-looking (Focus on the Future):***While MCS analyzes past performance, it also emphasizes forward-looking control. It involves setting future objectives and monitoring progress toward achieving them, ensuring long-term sustainability. A management control system will be effective as long as it is established in a way that enables the regulation of future activities, rather than focusing on those that have already occurred. A well-designed control system provides managers with information to achieve the set goals, identifies areas where corrective actions are needed, and where unplanned issues might arise.
* ***Strategic Alignme:*** Management Control Systems align with the organization’s strategic objectives. They help ensure that every action taken within the organization contributes to achieving these goals.
* ***Ethical Considerations business practices:*** Ethical conduct is a cornerstone of MCS. It ensures that control measures adhere toethical standards, promoting responsible and sustainable.(**Yvonne Wicke,2023).**

Other important MCS principles are:

* ***Multidimensionality:*** In most cases, the management control system must encompass all relevant factors that affect the controlled activity. A company will likely face difficulties if attention is focused solely on the quantity of production, without considering quality, costs, efficiency, waste percentage, etc.
* ***Economy:*** The benefits of establishing the management control system should outweigh the costs of its implementation within the company.
* ***Realism and Objectivity:*** The management control system must set realistic expectations for what should be achieved. If expectations are unrealistic, employees may view the system as irrational and sabotage it.
* ***Monitorability:*** Control systems should be designed in a way that allows them to be monitored to see if they are functioning as expected.
* ***Acceptance by Employees:*** Management control is applied to specific activities and individuals performing those activities within the company. Effective management control will be the one that is accepted by those involved and aligned with the company’s objectives. It should provide useful information at different levels, offer fair and accurate data on employee performance, and focus on improving work and results rather than on reprimanding or punishing employees.(Desa Kosarkoska, 2008)
1. **FUTURE RESEARCH DIRECTIONS**

The key goal of controlling in the future should be based on transformation. It is necessary to transform entire teams from a traditional to a modern approach in managerial organization and operation. Within a relatively short period, boundaries need to be pushed, and significant developmental steps taken. A specific sustainability strategy should be applied, along with new operational models, to completely improve relationships and establish a transformed, modern organization.Three (3) main futire research direction aouthors of this chapter will go to stress, according our previos researchers:

 1) ***The Digital Transformation, DT, as a future research direction,*** could be understood and seen in two independent parallel tracks through which changes occur simultaneously in the company and the environment (**Yvonne Wicke, 2023**):

* + The DT in the narrower sense, which includes achieving operational excellence of company performance, more precisely business operations;

## The DT in a broader sense, which implies rapid business innovation, most often associated with a change in the business model by which the company operates.

***2) IT systems and software*** have become increasingly important in controlling in recent years. They support the controlling departments in processing, analyzing and presenting data more effectively and efficiently. This section presents various IT systems and software solutions that can be used in controlling.Cocernig this matter, new approachtoward modern conceptual framework for modern role and content of Accounting have been developed.( Desa Kosarkoska, Irina Jpldeska 2024 p.299-313)The same trends have been developing in the Controlling and his management systems.

**2) *Business intelligence (BI) and data analytics role for Controling are others future research direction.*** //www.trusteddecisions.com/en/blog/controlling-thee\\\\\\\

\\Business intelligence and data analytics refer to technologies and methods for collecting, analyzing and presenting data in order to support decision-making. They enable controlling to collect and analyze large volumes of data from various sources in order to identify trends and correlations. The knowledge gained can be used for the planning, management and control of company processes.

BI systems offer controlling various tools for collecting, structuring and processing data. The systems can also generate user-defined dashboards and reports to visualize the most important data and key figures. The use of BI systems enables controlling to make decisions on the basis of sound data and thus increase the efficiency and effectiveness of the company.

Data analytics, on the other hand, refers to the use of statistical methods and algorithms to gain insights from large volumes of data. Processes such as data mining or machine learning are used for this purpose. The use of data analytics enables controlling to identify correlations and patterns in the data and to create forecasts on this Careful selection and implementation of controlling tools and methods as well as IT systems and software solutions is essential. “Consider the collapse of companies such as Tyco, Global Crossing, WorldCom, and Enron. Part of the reason for their demise was the lapse in controls. CEO and top management compensation in these companies was so heavily tied to stock options that executives were motivated to manipulate financials to buoy the short-term stock price. Consider world-class companies such as Emerson Electric, Lincoln Electric, New York Times, Worthington Industries, 3M Corporation, Nucor Corporation, Dell Computer, WalMart, Southwest Airlines, Cisco Systems, Corning, Hasbro, and Analog Devices. Their longterm success is not just because they have developed good strategies; more importantly, they have designed systems and processes that energize their employees to execute those strategies effectively.” (**Anthony N. Robert,** Vijay Govindarajan 2007 p.12).

**Conclusion**

Management Control Systems (MCS) are essential for any organization determined to thrive in the dynamic world of business. These systems embody adaptability, precision, and forward-thinking, ensuring their relevance in today's fast-paced environment. By embracing and implementing these traits, organizations can tap into the full potential of MCS to achieve their aspirations.

Controlling is a vital part of corporate management, focused on planning, managing, and steering corporate processes. It includes various tools and methods designed to facilitate impactful and efficient management.

A cornerstone of this process is Key Performance Indicators (KPIs), which measure and evaluate a company's performance. This focus is crucial for modern organizations across all sectors, including tourism and hospitality. These metrics empower the controlling department to make informed, data-driven decisions that enhance overall efficiency and effectiveness.

The concept of controlling spans different areas where it plays a pivotal role. Furthermore, IT systems and software solutions increasingly enhance the ability to process and analyze data effectively.

In essence, professional and targeted controlling can elevate company performance and pave the way for lasting success.

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