

# STRATEGIC CONTROLLING TOOLS IN THE MANAGEMENT OF UKRAINIAN AGRICULTURAL COMPANIES

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**Abstract.** The *subject of the study* is the system of strategic control in an organisation, which is necessary for agri-food companies in the context of implementing the principles of sustainable development. *Methodology.* The following economic research methods were used in the study: monographic method (when studying scientific sources and reviewing thematic literature; studying the directions of sustainable development of business entities in the agri-food sector of Ukraine); scientific abstraction and generalisation (when studying various methodological approaches to determining the content of controlling); abstract and logical method (when determining the role and place of strategic controlling in the management system of agri-food companies, formulating conclusions based on the results of the study); methods of analysis and synthesis (when substantiating a set of tools for strategic controlling by elements of its system). The *aim of the study* is to supplement the methodological framework of the strategic controlling system for managing companies in the agri-food sector. *Results.* Controlling is an important management function, and its effectiveness determines the success of an organisation in achieving its goals and objectives. In modern conditions, strategic controlling can be combined with two main approaches – as a management philosophy and as a management function and mechanism. The system of strategic controlling is determined by a set of complex factors of the external and internal environment that determine the possibility of achieving the long-term goals and objectives. The implementation of sustainable development goals and objectives by agri-food companies creates new requirements for the strategic controlling system, the main of which are transparency, flexibility, inclusiveness, openness and efficiency. In order to successfully achieve the planned targets of sustainable development, the strategic controlling system should use a set of tools that is determined by the nature and effect of the relevant elements. It is proposed to use benchmarking, ABC-analysis, SWOT-analysis, PESTEL-analysis, methods of expert evaluation, CVP-analysis, financial analysis, network graphs and methods of expert forecasting as the main tools for strategic controlling of agri-food companies.

**Keywords:** controlling, management, agri-food companies, sustainable development, tools, strategic goals.

**JEL Classification:** M10

## 1. Introduction

The successful operation of business units in the long term requires well-founded objectives and management strategies, as well as the assessment of their effectiveness and achievement, which is carried out with the help of the controlling system. When making strategic decisions, managers model business processes, the implementation of which involves the time, financial resources and management procedures necessary to achieve the set planned tasks. Evaluation of the effectiveness of management procedures,

business operations and personnel is possible under effective mechanisms and tools for controlling the organisation, which is the initial and final stage of the management process. In the current conditions of volatility of business environment factors, challenges and threats, complexity of economic management processes at all levels and increasing influence of factors of vital importance for society on business, the issue of building an effective controlling system acquires a fundamentally new meaning. New business conditions, strategic guidelines that should be

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taken into account by the management system of companies, goals, priorities and values that are radically adjusted to the principles of sustainable development, require the addition of modern tools and procedures for strategic control of business entities and organisations. Ukraine's economy has traditionally had a food-oriented development vector, and the industries that make up the agri-food sector have always been vital to the country's existence. In the context of the military conflict in Ukraine, the agri-food sector remains almost the only type of economic activity that demonstrates signs of sustainability and creates the preconditions for the national economy to further recover from the crisis. Improving the efficiency of management of business entities in the agri-food sector is a priority for ensuring the livelihoods of the Ukrainian population and improving their quality of life. Controlling, as the main function of management, should ensure that this task is fulfilled both in the short and long term.

## 2. Theoretical and Methodological Bases of Using Strategic Control Instruments in the Management of Agricultural Companies in Ukraine

The management system works by implementing several essential functions: planning, organising, coordinating, regulating, motivating and controlling. The control function is the last in the sequence of management functions, but plays an exclusive role in ensuring the actions of all the previous functions. Control ensures the integration of all the other management functions, contributes to the coordination of the management system and signals the degree of achievement of the objectives set.

Control is that part of an organisation's internal activities that ensures that the organisation's development is consistent with plans, policies and objectives (Child, 1973). Whitley (1990), Spekle (2001) and Gani and Jeremias (2012) also consider control functions in the context of a single internal organisational system.

Controlling as a modern form of management is manifested in the system of complex management actions aimed at achieving goals and objectives. Scholars from different methodological positions have studied the nature and content of controlling. Dayle (2001) gives the traditional definition of controlling: "... the process of comparing planned and actual indicators in the system of economic activity of the enterprise".

The approach of interpreting the essence of controlling from the point of view of managing the financial result (profit) is widely used in the scientific literature (Miner, 2004).

Mayer (1993) defines controlling as a set of actions and activities that an organisation undertakes today with a long-term perspective. The vision of controlling as a component of project management methodology is relevant (Nosach, et al., 2023).

Chun-Ping Yeh et al. (2021) consider controlling from the point of view of social development and ensuring the fulfilment of the social function of management systems. Social controlling in the company is focused on personnel recruited from abroad and is designed to increase the efficiency of employee interaction and the effectiveness of the organisation through the effect of PCN expatriation.

The global setting of sustainable development goals has led to the need to adapt and improve existing control systems at all levels of management. Controlling the status and degree of achievement of planned sustainable development indicators is one of its most complex forms and management functions. Such control should include a comprehensive set of indicators, an effective system for monitoring their actual status, and a flexible system for assessing risks and threats associated with the implementation of the organisation's sustainable development goals (Lyytimäki et al., 2020).

Scheufele and Krause (2019) also point to the high complexity of the organisation of information flows, the need for their completeness and efficiency, and significant changes in the company's reporting system, which is the basis for the structure of modern sustainability controlling systems.

An extremely important aspect in the present and future conditions is the construction of such components of controlling as monitoring and evaluation of the state of progress in achieving the goals of sustainable development. They should form a subsystem of support for sustainable development management and provide procedural chains of the organisation's controlling system (Smilka, 2019, Polyakova et al., 2023).

As Allen et al. (2020) point out, controlling for sustainability should start with setting the company's performance targets and displaying them digitally. Holden et al. (2017) add that a modern controlling system should take into account the norms of sustainable development, which should be quantified, a set of moral and ethical imperatives of economic and social development, and environmental constraints. At the same time, most scientists agree that the controlling system should have an adequate information and analytical basis to assess the state of progress in achieving the goals of sustainable development of the organisation (Fukuda-Parr & McNeill, 2019, Pylypenko, 2023, Malyarets et al., 2017).

Saner et al. (2020) note that in modern conditions, the organisation of control of companies and organisations should adhere to the principles of

inclusiveness, transparency, optimisation of the scale of data analytics, openness and usefulness for public needs.

The transition to sustainable development in most developed countries has objectively created the need to improve the controlling system to achieve its key results. This has led to new types of controlling in theory and practice that focus not only on financial priorities and management objectives. Nuwan Gunarathne and Ki-Hoon Lee (2020) are among the proponents of such modern controlling. Eco-controlling is characterised as an integrated management approach to sustainable business development. The significant impact of environmental controlling on the achievement of the company's goals and development strategies has also been demonstrated in the scientific works of (Journeault, 2016).

A significant part of the authors advocated an effective management system through the prism of instrumentation, which will increase competitiveness at both micro and macro levels (Irtysheva, 2022; Kramarenko, 2022).

Prioritisation of social, environmental and economic interests of society in the business management system has contributed to the emergence of new forms and types of controlling, such as social controlling, green controlling, and controlling the effectiveness of sustainable development of organisations. Szóka (2022) suggests using a balanced scorecard for this type of controlling, complemented by indicators of ESG management practices and critical indicators of sustainable development.

The purpose of the article is to supplement the methodological foundations of strategic controlling in the system of management of agri-food enterprises. The main objectives of the research are as follows:

- 1) Study of the essence and role of strategic controlling in the management system;
- 2) systematisation of tools for strategic controlling of agri-food companies in the context of sustainable development;
- 3) determination of the basic principles and requirements to the company's strategic controlling system in the context of implementation of the principles of sustainable development.

The following economic research methods were used in the study: monographic method (when studying scientific sources and reviewing thematic literature; studying the directions of sustainable development of business entities in the agri-food sector of Ukraine); scientific abstraction and generalisation (when studying various methodological approaches to determining the content of controlling); abstract and logical method (when determining the role and place of strategic controlling in the management system of agri-food companies,

formulating conclusions based on the results of the study); methods of analysis and synthesis (when substantiating a set of tools for strategic controlling by elements of its system).

### **3. Formation of Tools of the Strategic Controlling System for Achieving Sustainable Development Goals of an Agri-Food Company**

Studies have shown that controlling is mostly considered by scientists in the context of economic activity of business entities and is strategically oriented towards improving their final financial results. Quite often, controlling is associated with the accounting and analytical subsystem of strategic management support and is considered its main structural element.

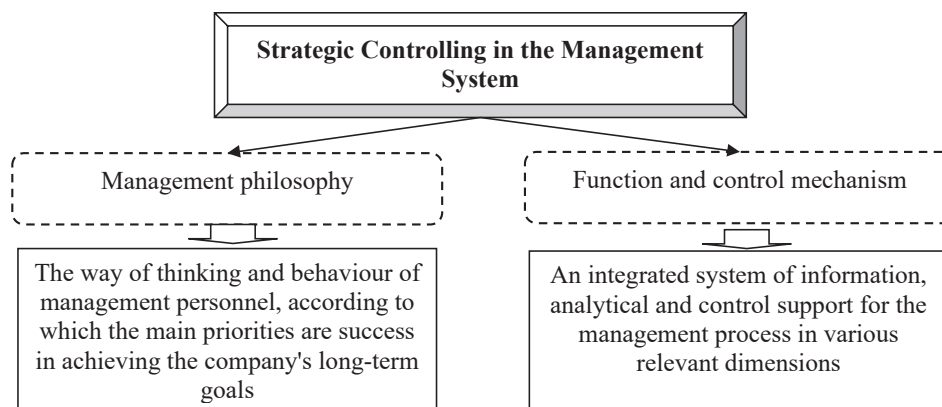
The elaboration of different views and methodological approaches to the definition of the nature, role and significance of the control of the company's activity management system allowed the separation of two main levels of its manifestation: as a philosophy of management and as a structural element of information and analytical support of management (Figure 1).

A modern system of strategic controlling at an enterprise (institution, organisation) should be built taking into account several factors that have a significant impact on ensuring its successful development in the long term. Among the main ones are the following:

- 1) The need and availability of tools for flexible adaptation of company goals and strategies to business environment factors;
- 2) ensuring that the strategic guidelines are closely linked to the company's medium- and short-term goals and objectives;
- 3) increasing the level of openness, transparency and completeness of information and analytical support with a rapid transition to digital mechanisms;
- 4) organising an operational system for monitoring the company's performance and comparing the planned indicators with the actual ones to identify areas for further management improvement.

The establishment and implementation of sustainable development objectives of business entities pose new challenges for a modern controlling system, which should ensure their successful achievement and the creation of strategic competitive advantages of the company in the market.

Sustainable development objectives in companies and organisations are fast becoming one of the most complex management issues. However, modern realities convincingly prove that they will be a source of strategic advantages for business and social development. The inevitability of implementing sustainable development tasks requires the



**Figure 1. Place and role of strategic controlling in the organisation's management system**

Source: authors' development

construction of a new control system at all levels of economic management, especially at the level of a business entity. The new strategic guidelines require the search for practical tools to achieve them and assess progress in fulfilling this task. In such circumstances, the role of controlling becomes crucial and should facilitate the implementation of sustainability goals and priorities in the practical activities of companies.

From the point of view of ensuring the achievement of the company's sustainable development goals, strategic controlling should include the following key components:

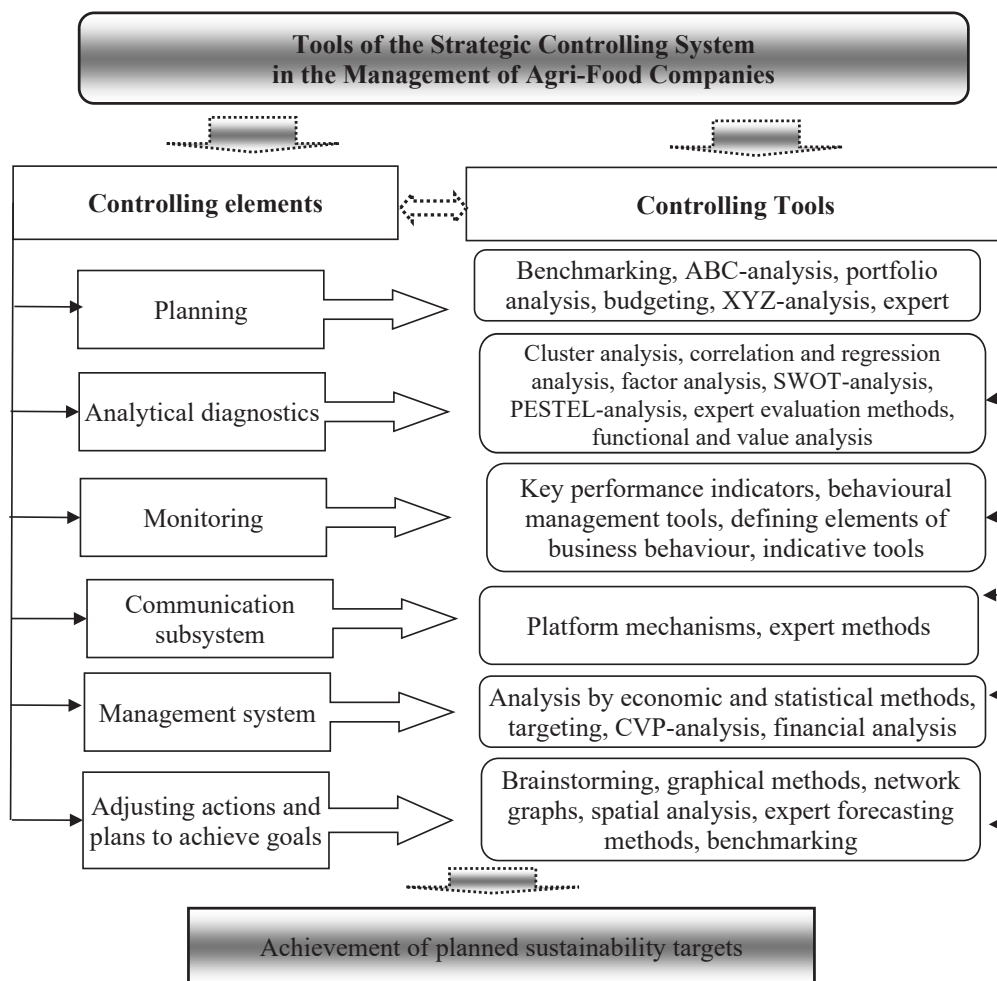
- 1) Identification of key benchmarks for sustainable development, which are expressed in a system of plans and forecasts for the enterprise's development;
- 2) detailing and specifying sustainable development plans in a system of quantitative and qualitative indicators, identifying and communicating them to the structural units responsible for their achievement;
- 3) integration with the accounting and analytical management support subsystem, supplementing it with information flows containing data on the status of achieving the goals and objectives of sustainable development;
- 4) comparison of the system of actual data with the planned indicators of sustainable development (immediate stage and control function in the management system);
- 5) analysis of deviations and detailing further directions of the company's activities to achieve sustainable development goals.

In addition to its main function of ensuring the achievement of the company's development goals, strategic controlling in the context of implementing sustainable development benchmarks should ensure the following objectives: increasing the level of transparency of the organisation's management and activities for numerous stakeholders (both internal and external); provision of complete, reliable and

factual information on the results and nature of the company's activities in terms of progress towards achieving sustainable development goals; reformation and strategic reorientation of business interests and values to align them with the interests of communities, society, present and future generations; promotion of a better governance system based on the principles of fairness, inclusiveness, openness, and achieving a balance of interests of all stakeholders; formation of an effective governance mechanism that would meet the long-term needs of both business and society; facilitating the transformational transition from short-term management to strategic large-scale management; creating preconditions for assessing the degree of progress and achievement of sustainable development goals not only at the business level, but also at the level of management of territories, regions, countries and their associations.

In the context of intensive digitalisation of social life processes, including management, these control tools are actively supplemented by digital tools, such as real-time and virtual data monitoring and analytics, cloud platform tools, and artificial intelligence. All of them contribute to the operation of central control procedures and increase the analytical quality, reliability, completeness and transparency of their results.

The agri-food sector of social production is the leading sector of the Ukrainian economy and is extremely important from the point of view of achieving the Sustainable Development Goals. In the context of Ukraine's integration into the practical implementation of the Sustainable Development Goals, the further development of the agri-food sector is closely linked to the achievement of the following Sustainable Development Goals: poverty eradication, hunger eradication, health, decent work and economic growth, reduction of inequalities, sustainable development of cities and communities (17 Sustainable Development Goals: Ukraine).



**Figure 2. Tools of the strategic controlling system for achieving the company's sustainable development goals in the agri-food sector**

Source: authors' development

Today, the management strategy of the largest agri-food companies in Ukraine embodies the main tasks and priorities of sustainable development. These include: agribusiness as a responsible employer, social investment and leadership, support for the development of rural territorial communities, reliability of partnership and sustainable relations with stakeholders, care for people and the environment, innovative development, preservation of biodiversity, safe and high-quality food. The practical implementation of these areas of sustainable development has strong financial backing from agri-food businesses and provides an integrated, controlling system for their use and effectiveness. In their conceptual basis, the goals and objectives of sustainable development are based on long-term public interests. One of the critical tasks of management is to find mechanisms and ways to combine them with the interests and goals of the business to achieve a common synergistic effect. This implies the need for continuous monitoring of

the degree of achievement of sustainable development objectives of agri-food business entities, their effectiveness for society, territories and business, and the assessment of the effectiveness of the costs of sustainable development programmes and projects.

Getting acquainted with the practice of controlling agri-food enterprises in Ukraine has shown that non-financial reporting is the most important controlling tool for achieving sustainable development goals. In Ukraine, non-financial reporting by companies is not mandatory and, unlike financial statements, is not regulated by national rules and regulations. At the same time, companies have long been preparing and publishing such reports on a voluntary basis, based on international standards and recommendations. Examples of such reports include social reports, sustainability reports, environmental reports, etc. An examination of their content and structure showed that they significantly exceed the financial statements of agri-food companies in terms of

content and scope and mostly comply with the principles of openness, transparency and completeness of data. The information presented in the sustainability reports is the result of the controlling system and, in turn, becomes the basis for further adjustments to the activities of agri-food companies to improve the strategic management system.

Simultaneously, the management system of sustainable development of business entities in the agri-food sector in Ukraine is at the stage of its formation and, accordingly, requires further improvement of all its main components and functions. Improvement of the control subsystem today requires concretisation and unification of indicators of sustainable development, search for new tools and mechanisms for their achievement, increase of transparency and flexibility of monitoring and analytical support systems. This will allow agri-food companies to develop common approaches to management and evaluation of its effectiveness, which will help consolidate the efforts of all participants in the agri-food sector to achieve sustainable development goals and create conditions for improving the quality of life of the country's population.

#### 4. Conclusions

The studies carried out allowed to establish that controlling is an essential function of the management system, the effectiveness of which mediates the effectiveness of the performance of all its other functions. Strategic controlling in the

implementation of sustainable development in the management practice of agri-food companies is one of the most perfect management philosophies and an exceptional management function. The agri-food sector should comply with the principles of flexibility, correlation with business objectives, transparency, inclusiveness, openness and completeness of the information and analysis base, and efficiency. The construction of a strategic controlling system in the management system of agri-food companies should take into account a set of the following elements: planning, analytical diagnostics, monitoring, communication subsystem, control subsystem, adjustment of actions and plans of the company's activities. Each element of the strategic controlling system has a set of tools, among which the following are of particular importance: benchmarking, ABC-analysis, SWOT-analysis, PESTEL-analysis, expert evaluation methods, CVP-analysis, financial analysis, network graphs, and expert forecasting. With the active digitalisation of management processes, cloud platform tools and artificial intelligence are becoming promising. Ukrainian agri-food companies are actively involved in achieving sustainable development goals, which improve the system of strategic control in management. The main method of strategic control of enterprises today is voluntary non-financial reporting. It forms the information and analytical basis for the mechanisms and procedures of strategic controlling and contributes to the achievement of the goals and objectives of sustainable development of Ukrainian business and society.

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