

# OWK

OST-WEST-KOLLEG >>>>>>  
JG. XVII (2013/14), BEITRAG 1



**ASMATI GULORDAVA**  
**CONTROLLING AS A**  
**MANAGEMENT FUNCTION IN THE**  
**THEATRE**

HRSG.: MATTHIAS THEODOR VOGT  
HOCHSCHULE ZITTAU/GÖRLITZ | INSTITUT FÜR KULTURELLE INFRASTRUKTUR SACHSEN  
E-MAIL: INSTITUT@KULTUR.ORG | WWW.KULTUR.ORG

## **Controlling as a management function in the theatre**

It is hard to imagine any type of an organization (and the nonprofit organizations are not the exceptions) without management system. NPOs, including the cultural institutions, have more complexity in implementing controlling, than for-profit organizations do. The management system in the organization coordinates the efforts of people to accomplish aim and goals, using the necessary resources efficiently and effectively. It is important to admit that every organization, regardless of size, has developed and implemented its own management concepts in order to run it smoothly and accomplish the vision, goals and objectives it has set forth. The basic functions of management, broken down into different directions, allow for it to handle the view, strategic, tactical and operational decisions and the development for the whole organization.

Henry Fayol was one of Europe's leading thinkers on management theories and was one of the most influential contributors to modern concepts of management.<sup>1</sup> He considers management to consist of six functions that focused on the key relationships between personnel and its management, these are:

1. Forecasting
2. Planning,
3. Organizing
4. Commanding
5. Coordinating
6. Controlling<sup>2</sup>

I will not define all the above-mentioned functions; the most interesting for me and the most important in the management system of any kind of organization is controlling.

Controlling is the last of the six functions of management. The controlling function of management is useful for ensuring the manager that all other functions of the organization are in place and are operating like a house on fire, and they are making a progress. Controlling involves establishing the performance tasks, standards and monitoring by step the output of employees to ensure each employee's performance meets the requested standards and tasks. The controlling process often leads to the identification of situations and problems that need to be addressed by creating new performance standards. The level of performance affects the success of all aspects of the organization, which involves establishing performance tasks, standards based on the company's objectives, and evaluating, reporting actual job performance. When management system has done both of above mentioned things, it should compare to determine any necessary corrective or preventive action. The control process, as with the others, is ongoing.

---

<sup>1</sup> <http://www.ukessays.com/essays/management/management-fayol-organization.php>

<sup>2</sup> <https://www.boundless.com/management/introduction-to-management/principles-of-management/defining-management/>

Through controlling, management is able to identify: first of all the potential problems in the organization; and then the developing problems, the above-mentioned need to be addressed through corrective action and take the necessary preventive measures.

In order to be considered successful in management, the manager must attain the goals and objectives of the organization. This requires creative problem solving in each of the six functions of management. More so, success and successful governance requires that management be both effective and efficient. Therefore, it needs to not only accomplish those goals and objectives, but do it in a way that the cost of accomplishment is viable for the organization.

As I found out from the interviews with managers of cultural institutions the common process of controlling in management system of nonprofit organizations includes the following steps: actual performance is compared with planned performance, the difference between the two is measured, causes contributing to the difference must be identified, and corrective action must be taken to eliminate or minimize the existing difference.

The Gerhardt Hauptmann Theater (GZ) is not the exception from the rule. The Gerhardt Hauptmann Theater (GZ) has its own goals, visions, missions, or targets in different organizational level. Grossly all these above-mentioned words can be expressed in one single term – heading toward the destination of the Gerhardt Hauptmann Theater (GZ). When the theatre thinks about destination, then definitely there should be a time frame, which of course might be continuous, infinite, configured by week, month or year. So it comes out that within these timeframes the theater wants to reach its desired destination. All the actions and the activities endowed to pursue the theatres destinations must be controlled or monitored, in order to know whether these are in appropriate way.

The management system of the Gerhardt Hauptmann theatre composes the controlling process. According to Anthony & Young (1999), all organizations have management control function, more specifically in large organizations management control tends to be formal; in smaller ones it is often informal. In our case it is suitable to say that the management control in the Gerhardt Hauptmann Theater (GZ) is of course informal, than formal.

The Gerhardt Hauptmann Theater's (GZ) control system considers organizational resources e.g. physical, human, information/report and financial resources. Donnelly et al. (1995) identified three different types of control: preliminary control, concurrent control and feedback control. The preliminary control procedures include the managerial efforts to decrease the gap between actual results and planned results in the activity of the theater. The next one, the concurrent control consists primarily of actions of supervisors who direct the work of the theater's subordinates. The last one – feedback control focuses first of all on old or historical outcomes from the theatres activity as the basis of correcting future actions.

According to Horngren et al. (2005), controlling as a management function is an integrated technique for collecting and using information to motivate employee behavior and to evaluate performance. The practice of management control of the Gerhardt Hauptmann Theater (GZ) draws upon a number of disciplines:

Controlling as a management function	
Resource allocation	Communication, coordination
Managerial economics	Motivation/organizational behavior.

There is no doubt that the output of nonprofit organizations and in our case it is theatre are more difficult to measure than for example mobile phones or cars manufacturers. In this regard, Herzlinger and Nitterhouse (2004) viewed that the service of cultural institutions are difficult to measure because they gradually vanish at the point of production. So, it comes out that most NPOs do not have a corresponding means of evaluation that is as uniform or measurable.

In the Gerhardt Hauptmann Theater (GZ) the controlling process consist of two reports, which are prepared by the administration of the theatre. The first one is the official report, which is made as usual 4 times per year and the report is specially prepared for "Rathaus Gorlitz", in order to make it clear for representatives of local government what has been done and what has not been done by the theatre. The purpose of this report is to define the activity of the theatre and estimate the work of the organization. The third report out of these four, which is done for summer period (July, August, September) is not really effective for the theatre, because this time is not so productive for the theatre activity, it is so called big break before the new season. Another one is the internal report for controlling the theatre working process. This report is prepared specially for the director of the theatre and it is done once for a month. But in case if the director wants to control the theatre's activity more often it is also possible to make the report every day. This report perfectly shows, for example what is the difference between planned income and real one, costs, the audience, the events, the calculations of income for ticket sales, purchasing and accounting processes, " so called "Balance Sheet" and other necessary data about theater. Sometimes it is also happens that the representative from "Rathaus Gorlitz" comes to theatre and makes the controlling by his own in the interested question.

The keys of successful and productive management control in cultural organizations are: proper training and motivation of employees to achieve goals congruence and effort, followed by consistent monitoring of objectives set in accordance with critical and positive processes and success factors. According the Horngren et al (2005), control systems in nonprofit organizations probably will never be as highly developed as are those in profit-seeking organizations because:

- a) Organizational tolls and objectives are less clear and they are often multiple, requiring difficult trade-offs;
- b) Professionals like teachers, attorneys, physicians, scientists, economists tend to dominate nonprofit organizations, due to their perceived professional status, they are often less receptive to the installation or improvement of formal control systems.

- c) Measurements are more difficult due to absence of profit measure and heavy amounts of discretionary fixed costs, which make the relationships of inputs to outputs difficult to specify and measure;
- d) Less competitive pressure from other organizations or from board to improve management control systems;
- e) The role of budgeting, instead of being rigorous planning process, is often more matter of playing bargaining games with sources of funding to get the largest possible authorization;
- f) Motivation and incentives of individuals may differ from those in for profit organizations.<sup>3</sup>

It is said that the perfect managerial control system is notable mostly for its absence. Its shortfall is not surprising; it is difficult to implement, requiring substantial time and effort. Nonprofit organizations, such as theatres have another distinctive feature that it generates revenue from donor or sponsor rather than from customers.

In conclusion, it is important to notice that nonprofit organizations, the theaters in our case, skipped "the spectators", the single most vital and powerful element of management control system which is also a market signal of success or failure.

## Literature

- 1) Anthony, R. and Young, D., 1999. Management Control in nonprofit organizations, Boston, Irwin McGraw-Hill.
- 2) Fayol, H., 1916, Administration industrielle et générale; prévoyance, organisation, commandement, coordination, controle, Paris.
- 3) Herzlinger, L., and Nitterhouse, D., 1994. Financial Accounting and Managerial Control for Nonprofit organizations, Ohio: south, western Pub.
- 4) Horngren, C., Sundem, G. and Stratton, W., 2005. Introduction to management Accounting, New Jersey, Pearson.
- 5) <http://www.ukessays.com/essays/management/management-fayol-organization.php>
- 6) <https://www.boundless.com/management/introduction-to-management/principles-of-management/defining-management/>

---

<sup>3</sup> Horngren, C., Sundem, G. and Stratton, W., 2005. Introduction to management Accounting, New Jersey, Pearson, 404

**Autorin:**

Asmati Gulordava is PhD candidate at Ivane Javakhishvili Tbilisi State University, Faculty of Economics and Business, and DAAD guest researcher at the Hochschule Zittau/Görlitz in the winter term 10/2013 – 02/2014.

**Veranstalter:**

Institut für kulturelle Infrastruktur Sachsen und Hochschule Zittau/Görlitz,  
Fachbereich Wirtschaftswissenschaften, Studiengang Kultur und Management  
in Zusammenarbeit mit dem Centre International de Formation Européenne, Nizza

Das Ost-West-Kolleg wird von der Europäischen Union finanziell unterstützt.  
Die Verantwortung für den Inhalt trägt allein der Herausgeber. Die vertretenen Meinungen  
sind nicht notwendigerweise die der Europäischen Kommission.

**Verlag und Copyright:**

Institut für kulturelle Infrastruktur Sachsen, Klingewalde 40, D-02828 Görlitz,  
Tel. +49/3581/42094.21, Fax: .28, <institut@kultur.org>, <www.kultur.org>