



Impact of digital transformation on controlling in BiH

To study how the digital transformation (hereinafter DT) process affects the business function of the controlling framework, will define the scope of the term “digital transformation”, and what role the business controlling functions plays in it. DT is one of the biggest current innovations and is being introduced in virtually all commercial and public systems. This is reflected in the adjustment to the new business environment and the optimal exploitation of the new opportunities provided by market disrupting technologies, such as artificial intelligence (AI), 3D printing, the Internet of Things (IoT), and big data. It is important to point out that due to the nature of the transformation the system cannot be structured in the same manner as previously, nor to the same extent as with popular commonly used technologies with the applied techno-economic business models. With the contextual framework of DT that defines the direction and outcome of the transformation, we arrive at the digital agenda or digital strategy. The DT could be understood and seen in two independent parallel tracks through which changes occur simultaneously in the company and the environment:

1. The DT in the narrower sense, which includes achieving operational excellence of company performance, more precisely business operations;
2. 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.

In which direction the digital transformation process will go in the company is conditioned by the answers to the following questions:

- a. What will happen to the industrial sector that makes up the business environment in which the company operates?
- b. What actions will the company’s management take and at what time?
- c. What short- and long-term measures will be implemented and how will they affect business performance?
- d. What are the desired effects?
- e. How will the company’s management and employees know if and when they succeeded in the DT processes?
- f. How to define success criteria based on the company’s business results?

- g. Who will own the company’s DT process and its respective processes, products, and/or services?
- h. Who, by name, will be responsible and have the authority and skills to effect change, making level-based decisions?
- i. Where will the company invest its funds, under what conditions, whose funds, and which funds?

From the answers to these questions we see that the role of the controller function in defining the strategy is more than obvious, given that the controller defines the scope for the implementation of the DT process (checking the feasibility of the preferred strategy before its execution) through development and verification using scenario modeling. The DT, in simpler terms, can be defined, in order to assess feasibility at the enterprise level, with the following quantitative and qualitative parameters:

- ▶ The company defined with a diagnosis, a strategic ambition, and a unique value proposition for its clients.
- ▶ The market is defined by competitors, supply and market forces.
- ▶ Users of services or products are defined by their number (total number of customers), intentions, and tasks they want to perform using the same products and services.
- ▶ The company’s available resources for the transformation are defined by the available time, staff (but also in other ways available talents), and money.

Illogicality in the formal establishment of the controlling function in companies

Analysis of the research question “Is there an introduced controlling function in the company?” in Bosnia and Herzegovina shows that 83.3% of respondents answered that this function formally exists in their company, while 16.7% of them denied the existence of any form of organized controlling function in the company. All respondents whose replies were positive when asked whether controlling was introduced in the company confirmed that there are individuals within the enterprise who are formally in charge of the controlling function. Only one company, large in size, had a controlling department. Based on this analysis, we concluded that



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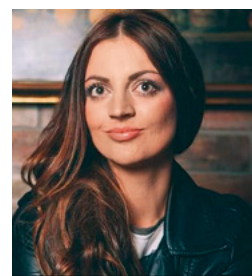
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most respondents, as well as company management, have incorrect paradigms and ideas about what the controlling function in the company is, and what purpose it serves. In the figure below (Figure 1), a distribution plot of frequencies in respect to implementation and application of individual controlling elements is visualized.

Through the empirical research question, "Does the company possess a business information system for data processing and reporting?" the following findings were obtained (Figure 2). Further, the examination and statistical processing of the answer to the question: "Is the company reporting from the existing business software (ERP or second-class software)?" is shown in Figure 3.

The extent of the discrepancy between what is presented in public and the factual situation within the company, whose representatives claim to have an introduced control function, is best shown by the imbalance between the expected and actual results of the research. If we accept the correlative nature of investment management and the future company income, it can be de facto accepted that there is little to no systematic effort being undertaken to understand the future needs and guiding toward future goals. This being the fundamental and basic function of controlling, it raises the question: "How is the controlling function implemented if there was no effort invested into systematically understanding and implementing the basic business functions?"

The analysis shows that both the employees and the management, employed in companies located on the territory of BiH, have different opinions regarding the formal characteristics of the controlling function, and they differ greatly from what the industry normative is. Thus they are consciously and unconsciously misrepresenting the company's current state, and are not reporting the true factual state. This consequently means that there is a lack of institutionally driven and organized systematic consideration for the future of the controlling businesses functions. It is left to the companies and individuals themselves to choose the direction of development, and it is dominated by personal preferences and perspectives of the owners and top management, rather than a group of organized and harmonized business enterprises with a focus on market trends. Since this is the case, we find it necessary to consider a systematic approach by which the management, as well as the owners of capital in BiH, would be able to master the basics in the field of controlling, the world's most commonly used and applied methodology for assessing a business's future, and managing the same. For this task it will be necessary for institutions and companies to invest significant effort on their behalf to train staff in this area. This necessity becomes even more prevalent, not just because it represents a development opportunity for companies and the economy, but due to the recent major economic shifts caused by the COVID-19 pandemic and the survival of the entire Bosnia and Herzegovina economy. ■



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