

**IMPLEMENTATION OF RESULT CONTROL AND ACTION CONTROL TO
IMPROVE COMPANY PERFORMANCE****Selvy De BALQIS**

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alexandru.nedelea@usm.ro**Abstract**

The purpose of this article is to discuss and analyze the role and application of Result Control and Action Control in companies and their impact on improving company performance. Researchers conducted theoretical studies and previous literature reviews. In this research, we will also examine previous research which provides an overview regarding the implementation of Result Control and Action Control in companies and their impact on improving company performance. This research uses a qualitative descriptive approach by conducting theoretical studies and literature reviews by conducting literature studies and collecting journals via websites and the internet, then researchers conduct discussions and provide conclusions through theoretical analysis and research results that support to obtain good theoretical research results. related to the themes discussed in the research. Through the results of theoretical studies and literature reviews, results were found with the conclusion that a good Management Control System will be obtained if the company is able to carry out the four existing types of management control, namely action control, result control, personnel control, and cultural control. Result control (RC) has a significant influence on company performance, if the company's efforts in evaluating the quality of products and services that will be provided to consumers are optimal. Through the implementation of action control, companies can control and influence the attitudes and behavior of employees to be responsible for existing work, monitoring actions that should not be carried out so that employees do not deviate from the established rules.

Keywords: Result Control, Action Control, Improve Company Performance.**JEL Classification:** M41**I. INTRODUCTION**

In the evolution of this era of globalization, business competition is significantly increasing through the modernization within companies. Competition in the business world is also getting tighter, companies are starting to enter a different business environment, as the market is not only being entered by domestic competitors but also by various foreign ones. Apart from the positive impacts brought by this era of globalization, there are also negative impacts that affect companies. In this era of globalization, companies that do not have a management control system will be unable to compete with the ones that have a good management control system. Therefore, companies are constrained to have a management control system, so that they are not left behind (Hasibuan, 2022).

In the business world, management control systems play an important part in keeping things running in this uncertain climate. Management control is used to collect and use data to assess the performance of existing resources, such as humans, finance, and machines. In this interconnected world of small and large businesses, it is necessary to implement a management control system, as it stimulates individuals in the organization and promotes its goals. The HR (Human Resources) of a company have a very important role, being the basic foundation for a company. If a company cannot handle its human resources well, then the company cannot stand firmly and will easily fall (Agustin et al., 2021).

To maintain the company's sustainability in the future, it is necessary to have the right strategy and to position the company in good business competition. However, just relying on a good strategy alone is not sufficient to obtain success for the company if it is not balanced with a good implementation. In implementing a business

strategy, the company must pay attention to the performance of its employees and they must have a good understanding of the strategy so that it will be well implemented and the company's goals will be achieved.

Therefore, guidance and control is needed from the manager for each employee not only in providing strategies but also in designing and implementing them, as the company must exercise control and understand the key variables needed to maintain and ensure the success of the strategy. In order for this to happen, it is necessary to implement a good management control system and also have appropriate human resources (Djasmin, 2019).

In an effort to maintain the quality of human resources, the company needs to carry out good management control, that will influence the quality of performance that the company will achieve. Sandanafu and Tjokro (2017) revealed in their research that the implementation of a management control system can influence company performance. The results of this research indicate that the better the implementation of the management control system, the better the company's performance.

The management control system is a tool for managers in order to build the company's vision and mission and can also be used to control the behavior of managers and employees so that they remain focused and consistent with the organizational strategy and goals that have been set at the beginning. The management control system (tools of control) has four components including results, action, personnel, and cultural control (Merchant & Stede, 2014). In the theory of Merchant and Stede (2014), result control is a control system that focuses on the results achieved by employees in sustaining organizational goals. Results control involves rewarding employees who have good results by providing incentives for their performance. However, in reality, results control cannot always be used effectively by companies.

According to Merchant and Stede (2014), three factors sustain effective result control, namely the company must set targets to be achieved, employees must be responsible for the specified targets, and the company must be able to measure the achievement of the targets that have been established. The practice of results control consists of four stages, namely first, the company must be able to determine the results clearly so that employee work becomes more focused. Second, there are standards for evaluating employee performance.

Result control has an effect in line with company performance. This indicates that result control is effective in improving performance. However, the results of this research are not in line with those obtained by Sani and Novita (2018), which found that the result control does not affect the company's performance. This is because employees still cannot experience the implementation of results control carried out by the company to improve its performance. Thirdly, setting the right goals or targets, so that employees have a reference in providing results that are in line with company goals.

Fourth, giving rewards through a reward and punishment system is a positive form of reinforcement and punishment is a negative form of reinforcement to produce output. Employees are expected to be able to develop and encourage their potential to be able to behave in such a way as to avoid situations that are not by the company's expectations (Santy & Novita, 2020).

II. LITERATURE REVIEW

Management Control System

The management control system is broadly defined as everything that managers must do to help ensure that all organizational strategies and plans can be implemented properly. The management control system is very important in an organization because if there is a failure in management control it will have a bad impact, namely large financial losses, damage to reputation, and may even bring failure to the organization (Merchant & Stede 2014). In implementing the management control system, managers need several approaches that aim to monitor results to ensure achievement (Su et al., 2017). According to Anthony and Govindarajan, management control is a process carried out by managers to influence members of the organization to implement existing strategies (Puspitasari & Rachmawati, 2018). If the organization has a control system, then its strategy can be implemented following the organization's goals. This management control system functions to help managers run the organization in accordance with predetermined strategies and goals.

The management control system can solve three main problems for members of a business entity, namely: lack of direction, motivational problems, and personal limitations. Lack of direction occurs when employees do not know what the company expects them to do, therefore, they cannot contribute properly to meeting the business goals. The second problem, namely motivational problems or unwillingness arises when employees understand what they are expected to do from the company but their goals are not aligned so the employee acts according to his wishes and ignores the interests of the business entity. The final problem is personal limitations or inability, which occurs when employees know and understand the goals of the business entity but are not able to implement them because several other limitations do not support optimal performance (Agustin et al. 2021).

Forms of Management Control Systems

According to Wahyuningtyas et al. (2021), the elements of a management control system are divided into four, namely:

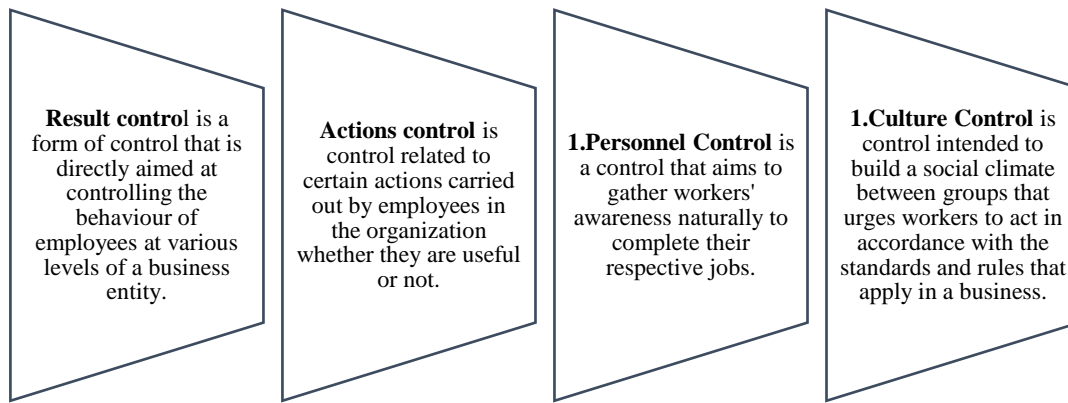


Figure 1. The elements of a management control system

Source: Processing after Wahyuningtiyas et al. (2021)

Action Control

Action control is a form of direct management control system because it is oriented to the actions carried out by a person. This control aims to ensure that the actions taken by employees follow the interests and objectives of the business entity. In general, action control is used and considered beneficial for the business entity if superiors or leaders know what actions profitable and what actions are unprofitable for the business (Merchant & Stede in Djasmin, 2019). According to Merchant & Stede (2014), action control is carried out from the beginning to the end of a process in an organization's activities, so that the ongoing activities comply with the established rules or regulations. Action control has four basic forms, namely behavioural constraints, preaction review, action accountability and redundancy.

Results Control

Result control is a control whose main focus is on the final results that a company wants to achieve and is considered the most effective in overcoming employee motivation problems. This control can also be interpreted as the expected results from employees or can be said to be a measurement of performance. Employee behavior can be controlled by providing rewards for employees who can produce results as expected, and providing sanctions for employees who cannot achieve them (Merchant & Stede in Djasmin, 2019).

Result control focuses on the results obtained from actions taken by employees at various levels of the organization (Lasakar, 2013). Result control is an indirect form of control because it does not explicitly focus on employee actions. The system used in result control is usually called pay for performance, namely giving rewards to employees for good performance or sanctions for those with poor performance.

According to Agustin et al. (2021), the implementation of result control in an organization has 4 stages: defining the dimensions of the results that are desired (defining performance dimensions), assessing performance (measuring performance) to be able to evaluate result control, arranging the performance that workers must achieve (setting standards for each performance target), and providing rewards and punishment.

III. RESEARCH METHODOLOGY

This research uses a qualitative descriptive approach by conducting theoretical studies and previous literature reviews. It discusses and examines previous literature regarding the application of Result Control and Action Control in companies and their impact on improving company performance. Previous theories and research are collected and analyzed, and then the researchers summarize and link previous theories and research with conclusions and in-depth studies.

Theoretical sources are obtained from journals, books and research papers through accredited websites. This research will provide an overview of how to implement Result Control and Action Control through theory and compare it with previous research. The research methodology is purely through analysis of existing literature and theoretical studies related to the topics discussed in the paper. In the end, the researchers conduct discussions and provide conclusions through theoretical analysis and research results that support those aspects discussed in the paper.

IV. RESULTS AND DISCUSSIONS

Role of Result Control Implementation in Improving Company Performance

According to Merchant & Stede in Kurniawan (2021), there are three categories of problems in a management control system, namely:

- Lack of direction is when workers do not understand what they are supposed to do and are not given sufficient direction.
- Motivational problems, when workers have different interests between company goals and workers' personal goals.
- Personal limitations are when the workers cannot do a given job.

Merchant & Stede (2014) present general problems that often occur in a management control system and state that to be able to control employee performance, the system needs to support the company's goals. The management control system is a series of actions and activities that occur in all organizational activities and run continuously.

A good management control system will be obtained if the company can carry out the four existing types of management control, namely action control, result control, personnel control and cultural control. These four types are complementary parts to create the conditions the company desires. The management control system can also be carried out by controlling results with the established goals. If employees carry out their work and achieve the targets, they will receive rewards, and if they don't, they will be subject to sanctions (Djasmin, 2019).

The implementation of result control in an organization can be effective in improving company performance and can be carried out for employees in the following stages (Agustin et al., 2021):

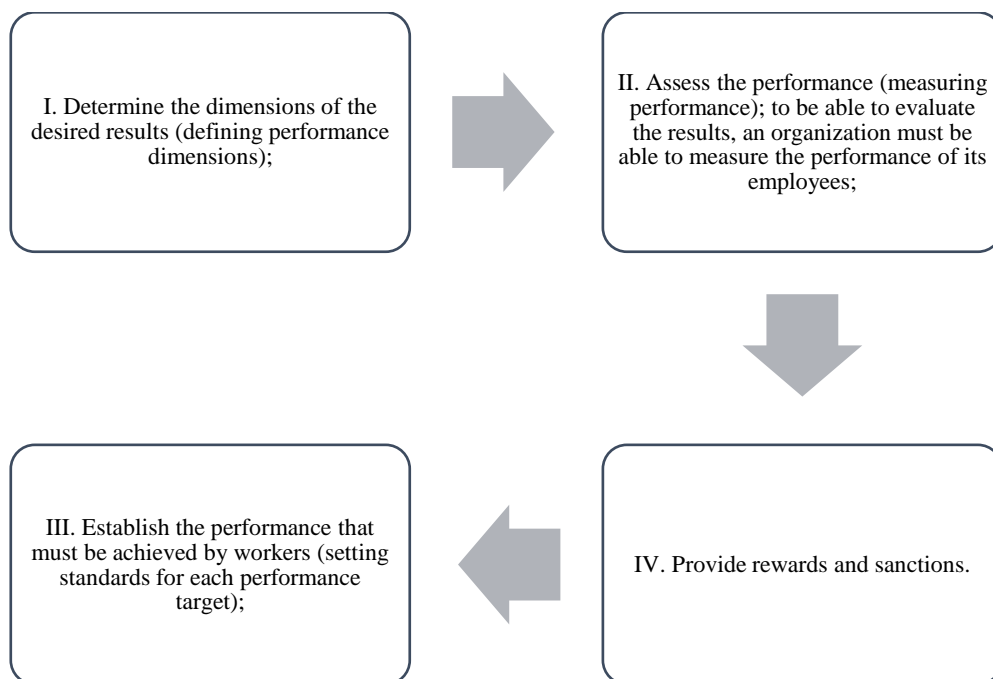


Figure 2. Steps to Implementing the result control in an organization

Source: Processing after Agustin et al., (2021)

In a company, the involvement of production employees in producing products plays a significant role in creating a relationship between employees and the company. Therefore, good action control is needed to regulate the actions taken by production employees so that they do not have a direct negative impact on customer satisfaction.

To implement good control in a company, result control is a factor that can influence a company to achieve common goals (Djasmin, 2019). Also, Tjiang (2017) said that result control is effective in influencing employee performance because having appropriate rewards can motivate employees to complete their tasks.

According to research conducted by Kolk et al. (2018), a management control system based on results control has a good impact on intrinsic and extrinsic motivation and using results-based management control has a positive impact on performance. This study provides evidence about the importance of personnel control and culture for employee performance, especially in the public sector, towards intrinsic motivation. Personnel controls allow employees to cultivate competence and autonomy, while cultural controls produce more feelings of attachment (Kurniawan, 2021). In the same time, based on the research results of Santy & Novita (2020), result control has a significant influence on company performance, if the company's efforts in evaluating the quality of products and services that will be provided to consumers are optimal. If there is a comprehensive evaluation that is well conducted, the results of the products or services to be marketed can minimize the possibility of costs incurred by the company as a result of production failures and increase customer loyalty, which will influence the company's performance.

Implementation of Action Control to Improve Company Performance

Furthermore, to overcome problems that often occur in the management control system process, companies can carry out or implement action control. Action control is defined as a direct form of management control which ensures that employees act in accordance with the company's expectations. Action control has four basic components, namely behaviour restrictions, pre-action assessment, action accountability, and redundancy. Merchant & Stede (2014) state that action control (AC) can have a significant effect on company performance through the fourth stage of action control, including (1) behaviour restrictions, (2) pre-action assessment, (3) action accountability, and (4) redundancy.

Administrative restrictions are carried out by creating an organizational structure and job descriptions that contain responsibilities according to employee functions, divisions and positions. Meanwhile, regarding the physical restrictions, companies can limit employee access to important confidential information by using fingerprints online and offline to control employee attendance and providing passwords for each computer and software that contains important files/data belonging to the company.

This is done to prevent information leaks which could allow misuse by irresponsible parties so that the company does not suffer losses. Companies also carry out pre-action assessments by making plans or budgets for each work program and by communicating these plans to the executives or managers concerned (Santy & Novita, 2020).

Action control can be effective in improving company performance and can be carried out on employees in the following stages (Agustin et al., 2021):

1. Behavioural Constraints are divided into two forms, namely physical and administrative. Physical constraints are used to prevent employees from committing fraud or actions that will cause physical harm to the business entity (Hasibuan, 2020). The administrative constraints aim to limit employees' ability to carry out all or only part of certain tasks or actions so that they do not take actions that could harm the business entity.
2. Preaction Reviews are a review of a plan before it begins to be implemented. This control requires two-way communication between superiors and their subordinates. Every time an activity is carried out, the superiors will monitor what is being done and provide input if something is missing.
3. Action Accountability is to make an agreement or rule within the organization that someone must be responsible for things that have been determined. This is done by those who are responsible for certain functions and ensure that the processes carried out run as expected. The steps taken to implement this control are:
 - a. Clearly define which actions are acceptable and which are unacceptable for the company.
 - b. Communicate this to all elements of the company.
 - c. Observation or tracking of what happens.
 - d. Providing rewards for good actions carried out by employees and sanctions for incorrect employee actions.

The research results of Sani and Novita (2018) prove that action control has an influence on company performance. This shows that employees feel the implementation of action control. The research of Santy and Novita (2020) concluded that the existence of action control can overcome employee motivational problems by providing limitations to employees to support the fulfillment of hygiene factors. In their research, Agustin et al. (2021) also stated that action control is effective in controlling and monitoring employees so that they work following the procedures set by the company (Djasmin, 2019). Through the implementation of action control, the company can control and influence the attitudes and behaviour of employees so that they are responsible for their work and do not deviate from the rules that have been set.

V. CONCLUSION

A good management control system will be obtained if the company can carry out the four existing types of management control, namely action control, result control, personnel control and cultural control. These four types are complementary parts to create the conditions the company desires. Result control (RC) has a significant influence on company performance if the company's efforts to evaluate the quality of products and services that will be provided to consumers are optimal. If a comprehensive evaluation is well carried out, the results of the products or services that will be marketed can minimize the possibility of costs incurred by the company as a result of production failures and increase customer loyalty, which will influence the company's performance. Through the implementation of action control, the company can control and influence the attitudes and behaviour of employees to be responsible for their work, so that they do not deviate from the rules that have been set.

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