

THEORETICAL INSIGHTS INTO OPTIMIZING EMPLOYEE PERFORMANCE THROUGH THE FUNCTIONALITY OF TIGHT MANAGEMENT CONTROL SYSTEMS**Wibisono WIBISONO***Universitas Sumatera Utara, Medan, Indonesia
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gabriela.cosmulese@usm.ro***Abstract**

This study uses a qualitative descriptive methodology using literature reviews and theoretical investigations. It looks at how tightening control systems (TCS) and management control systems (MCS) affect worker performance. In order to reach findings and offer comprehensive insights, the study gathers and examines hypotheses and prior research from recognized publications, summarizing and connecting them. Research papers, books, and journals are examples of theoretical sources. The study compares theory with empirical results in order to demonstrate how MCS and TCS work. For businesses to succeed, effective human resource management is crucial, and the more stringent the controls, the more likely the outcome will be. Employee performance is evaluated, challenges are noted, and goal accomplishment is measured, with deviations for improvement highlighted. Strict results control requires regular, in-depth monitoring, and success is contingent on incentives, performance metrics, and well-defined intended outcomes. Businesses can improve performance and accomplish organizational goals by comprehending these dynamics.

Keywords: *Management control system function, control system tightness, employee performance*

JEL Classification: *M12, M21, M40*

INTRODUCTION

As the economy enters the era of globalization, both domestic and foreign issues have a significant impact on corporate survival. Businesses today, particularly those in the service industry that cater to thousands of customers, need to think carefully about their objectives and the steps they need to take to stay afloat in the very competitive market. Developing a plan is the first stage in accomplishing business objectives (Manik, 2021). Making a strategy for what will be done next to accomplish that goal is the following stage after completing that. When doing management tasks, planning and control work together. A control system is required to help the business reach its objectives. This system must have the ability to control and control all company operations (Nurlina et al., 2023). The system in question is a system that is responsible for management. A solid control system is inextricably linked to good employee performance. Positive affection will result from the implementation of a management control system that complies with the regulations. to ensure that workers feel safe and at ease in the workplace, which will obviously affect the company's ambitions in reaching well-executed objectives (Mulawarman et al., 2023).

The purpose of this paper is to use a qualitative descriptive technique in this setting through literature reviews and theoretical investigations. It looks at how tightening control systems (TCS) and management control systems (MCS) affect worker performance. The following goals have been established in order to accomplish this goal: *Objective 1:* Conduct a literature research and theoretical analysis to determine how tight control systems (TCS) and management control systems (MCS) affect worker performance. *Objective 2:* To establish how control mechanisms affect the accomplishment of organizational objectives by establishing connections between HR control theories and empirical data. *Objective 3:* Examine how performance reviews and careful observation, which quantify outcomes and spot deviations for development, enhance organizational efficacy.

Slow market growth, high market penetration, and changes in consumer tastes are some of the causes that might lead to intense competition in the retail sector. Furthermore, a company's reputation and customer satisfaction may be significantly impacted by subpar customer service. Retail businesses must act strategically if they want to remain relevant in this rapidly evolving market. The secret to outperforming the competition and gaining enduring client loyalty may lie in investing in staff training, modernizing technological systems, enhancing customer support, and concentrating on product excellence and customer experience. Willingness to innovate and respond to market changes is the key to success in facing the challenges of high competition and poor-quality customer service (Natalia et al., 2024). Chandra (2017) asserts that a management control system is employed to ensure that tactics align with the original goals. To properly handle it, professional management is required. Without control, management—as it is commonly called—cannot function effectively. Control is a crucial component in bolstering the performance of a service-oriented business. Management system control is the process of making sure that technology, human, and physical resources are distributed holistically to meet corporate objectives.

A management control system is crucial for employees to develop and carry out strategies for a number of reasons. In and of itself, the management control system serves as a tool to facilitate employees' utilization of all available resources, both material and intangible, to gain a competitive edge and perform better. As a result, every employee works to ensure that the management control system, a crucial organizational function, reflects performance orientation and business strategy. Achieving a reasonable amount of profit is every company's short-term objective, while the long-term objective is more focused on the company's continued survival. The business needs a strong management control system in order to meet its objectives (Mahdini, 2019). The corporation takes this action in order to facilitate the evaluation of employee performance. Since people are the company's core and play a crucial part in accomplishing its objectives, evaluating employee performance allows you to determine what areas the organization should focus on more (Grosu et al., 2021).

Compared to businesses without sufficient management control, those with strong management control will have an easier time achieving both short- and long-term objectives. Due to the importance of management control, it is typically implemented using a system to ensure a seamless implementation. A key component of the formal control and feedback system, the management control system (SPM) is designed to track organizational outcomes and adjust standard deviations from previously established performance. Increasing economic pressures, an unpredictable industrial environment, economic crises, and other external environmental conditions like consumers, levels of competition, markets, suppliers, distributors, as well as public attitudes and government policies have made management control one of the key areas of organizational behavior research (Heliani, 2019).

It is appropriate for a corporation to establish a management control system as soon as feasible in order to effectively plan, carry out, and monitor staff performance activities. Management must first comprehend the control system in order for it to assist management in making decisions and function in compliance with defined standards (Brian, 2020; Dragomir, 2017). In order to help management in an organization or business accomplish strategic goals effectively and efficiently, a management control system is made up of interconnected subsystems, specifically programming, budgeting, accountability reporting, and performance, as well as a system of authority delegation.

I. LITERATURE REVIEW

1.1. Management Control System

A company's organized work practices in compliance with applicable standards will be made possible by a strong management control system, creating a mutually supportive control environment across the board (Socoliuc et al., 2020). Process of the Management Control System The primary components of the management control system make up its structure and procedure. The authors previously covered the fundamentals of system structure, such as the many kinds of responsibility centers and the corresponding techniques for organizing and managing each responsibility center's operations. Four steps make up the system control management process (see Figure 1):

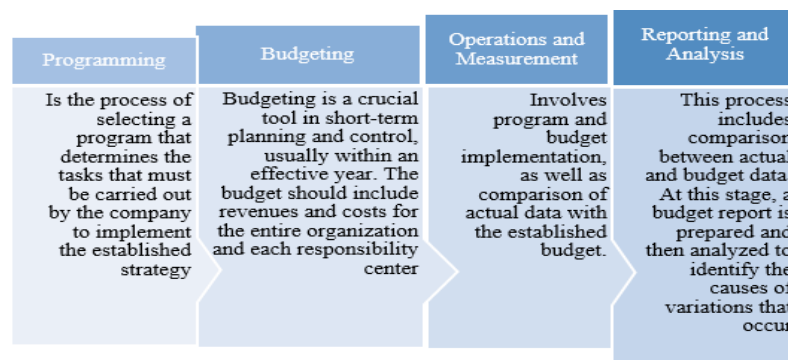


Figure 1. Steps in the System Control Management Process

Source: Adapted after Merchant & Stede, 2014

Components of the Control System Diverting a set of variables toward preset goals is the foundation of management control system operations. To achieve these goals, it is essential to lead, motivate, and guide members of the organization effectively. A management control system typically comprises four main components (Natalia et al., 2024): Tracker (Detector) or Sensor: A mechanism designed to observe and monitor activities, as well as measure and indicate those that require control. Assessor: A tool used to compare activity outcomes against predefined standards and identify instances where control is lacking. Effector: Elements that facilitate behavioral adjustments to improve performance when needed. Communication Network: A framework that supports the exchange of information among relevant stakeholders.

1.2. Control Tightness

Control tightness, which means that a high degree of employee certainty may be attained with behavior that is in line with the company's wishes, is something that is regarded as positive by Merchant & Stede (2014). Increasing the probability that a company's goals can be accomplished in comparison to expectations in the absence of the management control system is the benefit of any management control system. These advantages can be attributed to the degree of control, as the more stringent the control, the more likely it is that employees would behave in a way that aligns with the company's expectations. The implementation of the management control system as a tightness control system for employee performance can be further optimized by utilizing tools for hierarchical security modeling, as highlighted in eLearning & Software for Education, to enhance the structured monitoring and secure management of performance data within organizations (Dragomir et al., 2019).

Management decides how strict or flexible the controls should be. It is possible to apply the idea of stringent control to result controls. There are numerous approaches to influence rigorous management control, such as applying stringent results control to significant performances through in-depth budget assessments (line by line) conducted on a monthly basis. Theoretically, putting in place stringent, efficient controls necessitates sufficient management understanding of the relationship between the control object (activity, result, or personnel/cultural controls) and overarching organizational objectives (Masitoh et al., 2017).

II. METHOD

Through theoretical investigations and examinations of prior material, this study employs a qualitative descriptive methodology. The function of management control systems and tightness control systems on employee performance is discussed and reviewed in this study. The researcher gathers and analyzes prior research and theory, then synthesizes and connects the findings with in-depth studies and conclusions. Books, journals, and research through reputable journal websites are all sources of theoretical information. Using theory, this study will give a summary of the tightness control and management control systems' operations and compare them to earlier studies. The researcher conducts discussions and draws conclusions through theoretical analysis and research findings that support the acquisition of theoretical research findings related to the themes discussed. The research methodology is solely based on the analysis of existing literature and theoretical studies pertaining to the topics discussed in the research. in the study.

III. RESULTS AND DISCUSSION

3.1. Using management control system features to improve employee outcomes

The management control system's function has evolved into a standard for enhancing business or governmental performance. Good human resources are the foundation of every effective management control system; only dependable and productive resources can give an organization a competitive edge (Cosmulese, 2019). In order for managers to successfully and efficiently improve employee performance inside the firm, a management control system is required. The organization will be able to advance in promoting productivity by putting in place a management control system. (Pangaribuan et al., 2020).

In order for the management control system to be implemented in compliance with the defined standards and support management's decision-making, management must be aware of and understand the control system. By concentrating on the objectives that the business must meet and the intended conduct of participants, the Management Control System is a process that is formally structured to create conditions that might improve possibilities, achieve expectations, and acquire desired results (output) (Ulhaq, 2021). A company's established strategies can become more effective by putting in place a control system. A manager must be able to successfully and efficiently manage and distribute each company's financial resources, which requires interpersonal interaction, in order to establish a management control system. In order for the company's control system to be effectively executed, it is desired that each person's objectives will align with those of the business (Sihotang et al., 2022). The implementation of the management control system as a tightness control system for employee performance can be enhanced by integrating artificial intelligence techniques, which not only improve the precision of performance monitoring but also strengthen cybersecurity measures,

ensuring data integrity and secure management processes (Dragomir, 2017). The following are the functions of implementing a management control system which is carried out through the following stages (Wibisono et al., 2024).

1. Goal Determination

Hinaya (2018) defines a management control system as a system of organizing and regulating activities within an organization that falls between two activities: task control by lower/operational level management and strategy formulation by upper management. Determining company goals can be accomplished by putting specific targets into place to increase their market share both nationally and regionally. The goal of putting in place a management control system is to increase the level of competition in the business world by increasing market share and company development by improving employee performance. In line with its short- and long-term objectives, the organization establishes goals and targets for implementing work plans. By establishing the original plan and objectives, the business will have aims that are in line with those of its employees (Natalia et al., 2024).

2. Behavioral Emphasis

The company's behavior should be highlighted in order to avoid unfavorable outcomes. Employees contribute more to the performance of the organization in circumstances such as these. Without a doubt, reaching major objectives will come at a high cost. To boost output and job happiness, staff members must exhibit a strong focus on the wants and preferences of customers, comprehend the product as a whole, and promote productive teamwork. They have to force themselves to be accountable as well. When it comes to managing duties and allocating tasks to meet company goals, the business can assign workers in a way that maximizes efficiency and productivity in each division's work. The business establishes roles and duties early on, assigns tasks efficiently, keeps in touch with the team, and always remembers to work with goals in mind and make use of the resources at hand in order to guarantee that the plan can be carried out successfully (Sihotang et al., 2022).

When creating the corporate budget, management policy might include projections and assumptions that are relevant to the state of the national and international economies. It is considered that the stability of the business's operational activities is well maintained by creating this budget. Next, company executives create a one-year budget. The directors have decided on the RKAP (Company Work Plan and Budget), which is implemented at the start of each yearly budget and concludes at the end of each fiscal year (Chandra, 2017). According to conditions, prior experience, and management intuition, the budget system developed by the organization is periodically evaluated as part of the research budget preparation process (Musa, 2013). Each division submits a budget for the financial administration section to issue. Each company's budget system is implemented independently for each division. The authorized budget will then be utilized as a tool to regulate the manager's production operations and will serve as the basis for evaluation and analysis. Since the finance department handles all of the company's funding, collaboration with them is essential when implementing financing for each division (Natalia et al., 2024).

3. Implementation and Measurement

In order to accomplish company objectives and guarantee the effective and efficient use of company resources, management control is a crucial procedure. To sustain performance and operational continuity, the business also needs a strong management control system. The execution of business plans and objectives must be supported by the organizational structure. All organizational levels must have a clear understanding of the authority and responsibility distribution. Management information systems and periodic reporting can be used to carry out daily monitoring through the implementation of stringent operational processes and rules. Businesses can leverage the newest technologies to enhance employee performance practices and intense competition in order to boost business performance. To evaluate the company's financial performance, the financial management procedure needs to be open and compliant with relevant accounting standards. Increased oversight of financial reports and budgets is also necessary. Every budget and work plan that has been created will be tracked. A report will be prepared in conjunction with each monitoring procedure. Thus, the financial administration division will create a report about the execution of scheduled activities and the amount of the budget that has been spent after keeping an eye on activities and budget expenditures.

4. Evaluation and Projections

The organization can demonstrate its commitment to executing evaluations at the departmental and overall levels by hosting a forum during the assessment and projection stage where subordinates can offer thoughts or proposals for improvements. The purpose of evaluation activities is to determine where employee performance has been attained, whether issues or barriers have arisen during the goal-achieving process, and where employee performance has been attained. This supports the assertion made by Mahulette et al. (2020) that evaluation can be used to assess the performance outcomes of businesses, organizations, groups, or individuals. The evaluation will determine the extent to which the organization's goals and objectives have been met, and if there are any deviations, the reasons for them must be identified and an attempt made to address them later. Businesses may swiftly and precisely track their performance using monitoring and evaluation. When market conditions change significantly, businesses must update their plans and strategies and develop new ones in order to overcome obstacles or seize new possibilities. A management control system (MCS) assists companies in adapting by enabling performance monitoring, strategy adjustment, employee training to enhance skills, and effective information sharing to support organizational goals (Peljhan & Tekavčić, 2008).

3.2. Implementation of the Tightness Control System on Employee Performance

A company's ability to manage its people resources is essential to ensuring its existence and enabling it to accomplish its goals (Sihotang et al., 2022). A management control system is required because corporate management must be able to guarantee that its workers are working in accordance with company objectives. Lack of direction, lack of desire, and personal limitations are the three categories into which Merchant & Stede (2014) divide the reasons why management control is required in businesses. The degree to which controls are put in place inside the organization determines the percentage increase in the likelihood of reaching company objectives. The likelihood of reaching company goals increases with tighter control; on the other hand, the likelihood of reaching company goals decreases with looser control (Merchant & Stede, 2014). The primary management of the organization decides how strictly or loosely the control system is implemented. Management must comprehend how the firm's controls—whether they be activity, outcomes, or people controls, or a combination of these—help the company achieve its objectives in order for stringent controls to be implemented effectively (Merchant & Stede, 2014).

More frequent and in-depth control is required for strict results control. The qualities of the performance metrics, the specification of the target result regions, and the quantity of incentives offered determine whether strict results control is achieved (see Table 1:

Table 1. Requirements for strict results control in management systems

Requirement	Definition	Key Considerations
Congruence	Guarantees that performance metrics and business objectives are in line. To determine pertinent performance characteristics, managers must have a thorough understanding of the company's goals.	Misalignment can occur if managers misunderstand company goals or choose dimensions that do not reflect actual objectives.
Specificity	Performance targets should be clearly described, sorted, and quantifiable.	Example: Sales employees in a car dealership must sell 10 cars per month.
Communication and Internalization	Performance targets must be effectively communicated and internalized by employees, ensuring clarity and motivation toward achieving the goals.	Factors include employee qualifications, controllability of result areas, reasonable achievability, and the number of employees involved in achieving the goals.
Completeness	Result areas must comprehensively cover all aspects required for good performance, with a significant positive impact from employees.	If results control is inadequate, other control types (e.g., action control, people control) should supplement deficiencies.
Performance Measures	The effectiveness of strict results control depends on the quality of performance measures. High-quality performance measures are essential to eliminate behavioral problems.	If employees fail to meet high-quality measures, results control cannot be considered strict.
Incentives Provided	Direct and explicit rewards connected to goal fulfillment reinforce strict results control.	Example: A salesperson achieving a target of 10 car sales in a month must receive the promised bonus, with no tolerance for withholding the reward.

Source: Adapted after: Merchant & Stede, 2014

According to Sihotang et al.'s research findings from 2021, a firm management control system that clearly assigns power and duty to each employee can enhance worker performance and productivity within the organization. In order to accomplish organizational goals, managers might utilize a management control system to persuade staff members or other firm members to use organizational strategies and policies in an effective and efficient manner. Management uses this management control system as a tool to enhance managerial performance inside the organization (Sari et al., 2022). The management control system is an important aspect of business operations. Planning and control go hand in hand since they are both essential to the performance of management tasks. The goal of the management control system is to plan, assess, and make decisions that will help the business grow and survive (Natalia et al., 2024).

IV. CONCLUSION

According to the analysis of the previous studies, it emerges that strict control systems and managers both have a significant impact on worker performance. Through an examination of the literature, pertinent theories were found that show how stricter control can improve the chances of success, but only if well-defined outcomes and well-structured performance indicators are used. The study's findings demonstrated that HR control theory and empirical data were in agreement. The use of MCS and TCS enables ongoing evaluation of worker performance, providing businesses with the chance to spot and address issues that could be impeding goal attainment. By emphasizing that success depends on having clear objectives, measuring results precisely, and offering suitable rewards, the goal of highlighting the significance of

frequent evaluation and close monitoring was accomplished. These procedures greatly increase organizational efficacy and lower performance variances from expectations.

The study does have certain shortcomings, though, such as being primarily theoretical in nature, which could need to be confirmed by more thorough empirical research. Additionally, the findings' application may differ based on the sectoral and cultural distinctiveness of the organizations under study. Its value, however, resides in offering a solid conceptual framework that may direct businesses in putting in place efficient control systems that can be tailored to their unique situation.

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