

The Controlling Function in Management: Importance, Challenges, and Mitigation Strategies in Contemporary Organizations

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Introduction

Management is the backbone of any successful organization. In today's highly competitive and fast-changing world, businesses cannot survive on good ideas alone; they need structure, direction, and constant oversight. At its core, management is the process of setting goals, gathering the right resources, and guiding people to achieve those goals effectively. Njeru (2025) describes management as a practical framework that brings together human, financial, and physical resources to reach defined targets. Without strong management, even a company with endless funding and talent will eventually fail. Modern organizations face complex pressures. They must deal with rapid digital transformation, global competition, and the growing demand for ethical and sustainable business practices. To survive and thrive in this environment, managers must understand and apply fundamental management principles. The most widely accepted framework for this is the four core functions of management: planning, organizing, leading, and controlling. This essay therefore explores these four functions, with a specific and critical focus on the controlling function. Controlling is often misunderstood simply as a tool for punishment or micromanagement. However, it is the vital function responsible for monitoring performance, comparing it against goals, and making corrections before small mistakes turn into disasters. This essay will evaluate why controlling is absolutely essential, discuss the significant major challenges it creates, and suggest practical ways managers can overcome these issues. To ground this analysis in reality, the essay will follow a single, in-depth business case study throughout: the banking giant **Wells Fargo**, illustrating the good, the bad, and the reformed sides of managerial control.

To understand controlling fully, it is first necessary to consider the broader picture of what managers do in practice. The foundation of modern management theory is the POLC framework, which stands for Planning, Organizing, Leading, and Controlling. Originally associated with Henri Fayol's early management thinking, these four functions remain widely recognised as the core duties of managers in both small firms and large global organisations (Merchant and Van der Stede, 2017). Planning is the starting point. It involves looking ahead, setting organisational goals, and determining the best strategy to achieve them. Organizing comes next. Once the plan is established, resources must be arranged by assigning tasks, creating departments, allocating budgets, and building the structure needed to implement the plan. Leading is the human element. A plan and a structure are ineffective if employees are not motivated to perform their roles. Leading therefore involves communication, motivation, conflict resolution, and direction. Finally, there is controlling. Controlling is the safety net of the organisation. Merchant and Van der Stede (2017) point out that control systems run through all the other functions to ensure that the organisation remains on track. Controlling generally happens in three stages: feedforward control (preventing problems before they happen by setting clear standards), concurrent control (monitoring activities while they happen), and feedback control (reviewing results afterwards to improve future performance).

These four functions do not happen in a straight line; they operate in a continuous loop. Management first plans, then organizes and leads, and finally controls performance to determine whether the plan has worked. If the controlling phase shows that targets were missed, managers use that information to return to the planning stage and adjust strategy. Mahamoud Hasan et al. (2025) note that organisational performance, especially during periods of change, depends heavily on how effectively these functions work together. Among them, controlling acts as the mechanism

that keeps the entire process connected. Without it, management is reduced to assumption rather than evidence.

Therefore, controlling is not an optional extra; it is a fundamental requirement for survival in any sector, whether public, private, large, or small. Essentially, controlling connects organisational strategy to day-to-day execution (Merchant and Van der Stede, 2017). A company may have a strong business plan, but without control mechanisms managers cannot know whether that plan is working until problems become serious. The first major reason controlling is essential is that it protects the organisation from uncertainty and builds resilience. Weber et al. (2024) emphasize that strong management control systems help companies respond quickly to unexpected disruptions. When managers regularly monitor performance metrics, they can spot a small problem, such as a sudden drop in sales or a supply chain delay, and address it before it damages annual performance. Furthermore, controlling drives organisational learning. It is no longer simply about surveillance; it is also about generating information on what works and what does not. Frare et al. (2023) highlight that administrative control tools help organisations adapt to unpredictable environments.

When a company launches a new product, the control function measures its success. If the product fails, feedback control helps management identify the likely causes, such as pricing problems or poor market targeting. This allows better planning in the next cycle. Without control, organisations may repeat the same mistakes. In addition, controlling improves accountability because it clarifies expected standards and makes it easier to identify where performance gaps emerge (Augustito Fachrudin et al., 2024). It also supports better decision-making by providing managers with reliable performance information across financial and non-financial areas, rather than leaving decisions to intuition alone (Gomez-Conde et al., 2022). A practical example can be seen at Toyota, where strong operational controls, standardised procedures, and continuous performance monitoring have long supported consistent product quality and process improvement; this illustrates how effective control can strengthen both efficiency and customer trust (Merchant and Van der Stede, 2017). Another clear example is Wells Fargo, where weaknesses in control design had the opposite effect and contributed to serious misconduct, demonstrating that the quality of control systems matters as much as their existence.

To understand how essential controlling is, Wells Fargo provides a useful case. In the banking industry, controlling is not only about measuring profits; it is also central to regulatory compliance, risk reduction, and customer trust (Tayan, 2019). Banks deal with billions of dollars of customer funds. Therefore, they rely heavily on concurrent and feedback controls, such as daily financial audits, strict risk-management assessments, and compliance checks. For a bank like Wells Fargo, controlling is the mechanism that helps ensure that employees in local branches follow legal and procedural requirements when processing loans and opening accounts. Without these control systems, employees could make reckless decisions, leading to major financial losses and regulatory breaches. Control mechanisms such as software that flags unusual transactions or limits on the movement of funds help protect banks from both error and fraud. In such a highly regulated sector, effective controlling is a basic condition of continued operation.

While the theory of controlling appears straightforward, implementing it in practice is far more difficult. Because control systems involve both complex data and human behaviour, managers frequently face significant obstacles that can undermine the entire system (Augustito Fachrudin et al., 2024; Siriwardana et al., 2025). If controls are designed poorly, they may cause more harm than benefit.

The most dangerous challenge managers face is employee resistance and the manipulation of metrics. Nobody likes to feel micromanaged. When control systems are designed poorly and focus only on strict numerical targets, employees face intense pressure. This often leads to “gaming the system”, where workers do whatever is necessary to hit the target on paper even if it harms the company or the customer in the long run (Merchant and Van der Stede, 2017). This challenge is clearly visible in the Wells Fargo cross-selling scandal of 2016. Executive management implemented a rigid control system built around an aggressive goal that each customer should hold multiple financial products with the bank. The system was heavily results-oriented, and branch managers monitored sales performance closely while pressuring employees to meet quotas (Tayan, 2019; Wells Fargo, 2017). The result was disastrous. Under pressure, employees opened millions of unauthorised accounts and credit cards in customers’ names simply to meet targets. On paper, the performance metrics appeared strong. In reality, the control system was rewarding misconduct. This demonstrates how a system that measures numbers without sufficient attention to ethics can create a toxic culture, major financial penalties, and long-term reputational damage.

A second major challenge is the **agency problem**. This happens when the interests of the managers (the agents) do not align with the interests of the owners or shareholders (the principals). Khandelwal et al. (2023) note that this misalignment can ruin governance. At Wells Fargo, top executives received massive bonuses tied to the inflated sales numbers. Because the control system rewarded them personally for these fake numbers, they ignored the warning signs and whistleblower complaints for years. When those in charge of the control system benefit from its flaws, the entire organization is at risk. Another modern challenge is the **sheer complexity of data and cybersecurity**. Today, companies use digital software to track everything. Siriwardana et al. (2025) point out that managers are often overwhelmed by this data and struggle to figure out what is actually important. Furthermore, if a control system relies on digital data, it is vulnerable to hackers. Clark and Mujey (2025) note that if a hacker alters a company’s performance tracking data, the manager makes decisions based on lies, making the entire control system useless. Finally, control systems can create **organizational rigidity**. Okoli et al. (2025) observe that in fast-moving environments, strict controls can slow a company down. If employees spend more time filling out compliance forms than talking to customers, the business will suffer. Finding the perfect balance between staying in control and staying flexible is a constant struggle for managers.

Despite these serious challenges, controlling remains necessary for continuous success within organisations. The key is for managers to design control systems that are smart, adaptable, and human-centred rather than rigid and punitive (Augustito Fachrudin et al., 2024). To address metric manipulation and employee pressure, managers should move beyond purely results-based controls toward behavioural and cultural controls. Measuring what employees achieve is important, but management must also examine how those outcomes are achieved.

Returning to the Wells Fargo case, the bank’s response after the scandal shows how mitigation can be built into a revised control system. To correct the toxic culture created by the previous approach, Wells Fargo overhauled the way employee performance was measured. In 2017, the bank removed product sales goals for retail bankers. Instead of controlling employees through quotas for credit cards and other products, the revised system focused more on customer service, teamwork, and customer retention (Wells Fargo, 2017; Clements, 2020). By changing the metrics, the bank reduced the pressure that had encouraged employees to manipulate outcomes. This demonstrates

that effective control should measure long-term organisational health and customer value, rather than narrow short-term sales figures alone.

To fix the agency problem and ensure executives do not ignore bad behavior, organizations must **realign incentives**. Khandelwal et al. (2023) suggest that executive compensation should be tied to long-term value and ethics, rather than quarterly profits. Hammad et al. (2025) add that integrating Environmental, Social, and Governance (ESG) criteria into the control framework forces managers to look at the big picture. As part of its mitigation strategy, Wells Fargo started linking executive pay directly to risk management and compliance goals. If the bank fails an ethical audit, the executives lose their bonuses. This ensures that the leaders actually care about enforcing good controls.

Moreover, to handle the complexity of modern data, managers should **embrace a Balanced Scorecard approach supported by AI**. Ajirotutu et al. (2024) highlight that AI can process massive amounts of operational data to provide real-time alerts. However, managers must ensure they are tracking a mix of metrics looking at finance, customer satisfaction, internal processes, and employee learning rather than trying to monitor every single piece of data blindly (Gomez-Conde et al., 2022). A balanced system gives managers a clear, manageable view of the company without overwhelming them. In addition, to protect against data manipulation and cyber threats, **strong data governance** is the primary mitigation strategy. As Clark and Mujeye (2025) recommend, companies must formalize their IT policies and invest heavily in cybersecurity training. A control system is only as good as the data feeding it; therefore, regular, independent audits of the IT infrastructure are non-negotiable to ensure the numbers managers see are real and secure.

Therefore, controlling is deeply embedded in the fabric of management, regardless of the type of organisation. It acts as the link that ensures the effort invested in planning, organizing, and leading produces the intended results. Whether the purpose is to maintain profitability or protect an organisation from sudden disruption, controlling keeps operations aligned with strategic goals. However, as this essay has shown, controlling is also a delicate behavioural and structural process. If designed poorly, it can produce serious harm. Overly rigid, numbers-driven control systems may trigger employee resistance, unethical behaviour, and systemic misconduct, as demonstrated by the Wells Fargo cross-selling scandal. Modern managers must also deal with large volumes of digital data and the continuing threat of cyber-attacks that can distort reporting and weaken decision-making. Despite these difficulties, effective control remains achievable when it is used as a tool for guidance, learning, and adaptation rather than punishment. By adopting balanced performance measures, removing toxic quotas, aligning executive incentives with ethical outcomes, and protecting data integrity, organisations can reduce the risks associated with control and support long-term sustainable success.

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