



THE POSSIBILITY OF INTRODUCING CONTROLLING IN THE TRANSPORT AND LOGISTICS COMPANY

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Abstract: Currently, businesses are exposed to a large number of influences such as competition, inflation, changes in the business life cycle and economic cycle, etc. Companies can flexibly react to these changes by introducing the controlling department within the company as one of the options that can provide long-term prosperity to the company. In the case of quality controlling, the top management receives the clear and up-to-date information in the form of feedback. Using these obtained information a company can effectively evaluate own economic results, which affect the short-term as well as the long-term direction of the company. The outputs of the controlling enable that the companies can quick and effective react in real time. The aim of this paper is to point out the possibility of introducing controlling in the transport and logistics company.

Key words: controlling, controlling logistic, logistic costs, organizational structure, selfcontrolling, external controller

1 INTRODUCTION

Nowadays the market mechanism provides a number of advantages on the one hand, and some continual problems on the other. The number of different businesses in the market is every year higher and the problems are becoming more and more difficult to manage by conventional means. The success of the company depends on its ability to establish itself in a competitive environment, it means to meet the needs and requirements of the customers.

The companies under the influence of these factors have to continually improve the business processes and systems, use new forms of managing and react to the progressive conditions that occur in a market economy. The company can flexibly react and adapt to the continual changes in the economic environment, inflation, competition, changes in business life cycle as well as changes in the economic cycle, by implementing progressive methods of managing as for example controlling.

More and more companies pay attention to the controlling, which role is increasingly more important. In the case of quality controlling, the top management receives the clear and up-to-date information in the form of feedback. Using these obtained information a company can effectively evaluate own economic results, which affect the short-term as well as the long-term direction of the company. The outputs of the controlling enable that the companies can quick and effective react in real time. This is the reason, why the controlling is important for large as well as small or medium companies.

2 DEFINITION OF THE CONTROLLING

The term of controlling came into European terminology from the USA. Because of many different possibilities of the correct form of translation, in the English-non-speaking countries isn't this term translated.

The base of the term controlling consists of the word *control* or *to control*, which is possible to understand not only as a control, but and above all, as management, regulation, control or supervision. In the specialised literature are different definitions of the controlling. The definition depends on the concrete author, who was influenced by factors, such as: year, the country in which the author lived, but mainly the economic area or his/her function.

By the author Mikovcová (2004) the controlling means a modern, functional model of the management, which existence in the company will ensure an early reaction again the emerging problems even before an existential crisis will be arised. The application of the controlling has to necessarily lead to a positive influence of the performance and also to long-term successful existence of the company. [7]

By Freiberg (1996) the term of controlling described a specific concept of business management, which is based on the full information and organization connections between the control and the planning process. This meaning of the controlling is based on:

- application of the controlling tools, techniques and methods of analysis,
- regular setting up of the controlling information systems,
- regular communication between departments,
- transformation of the way of thinking and attitudes. [5]

„Controlling is a set of rules which helps to achieve the business goals, to prevent the surprises and in the case of the threats, which require to take effective action in the management to eliminate these threats, in time to “light the red “.

Controlling is the subsystem of the management system, which has functional cross-cutting nature and as a management tool supports the business decision-making and business management.“ [1, 17]

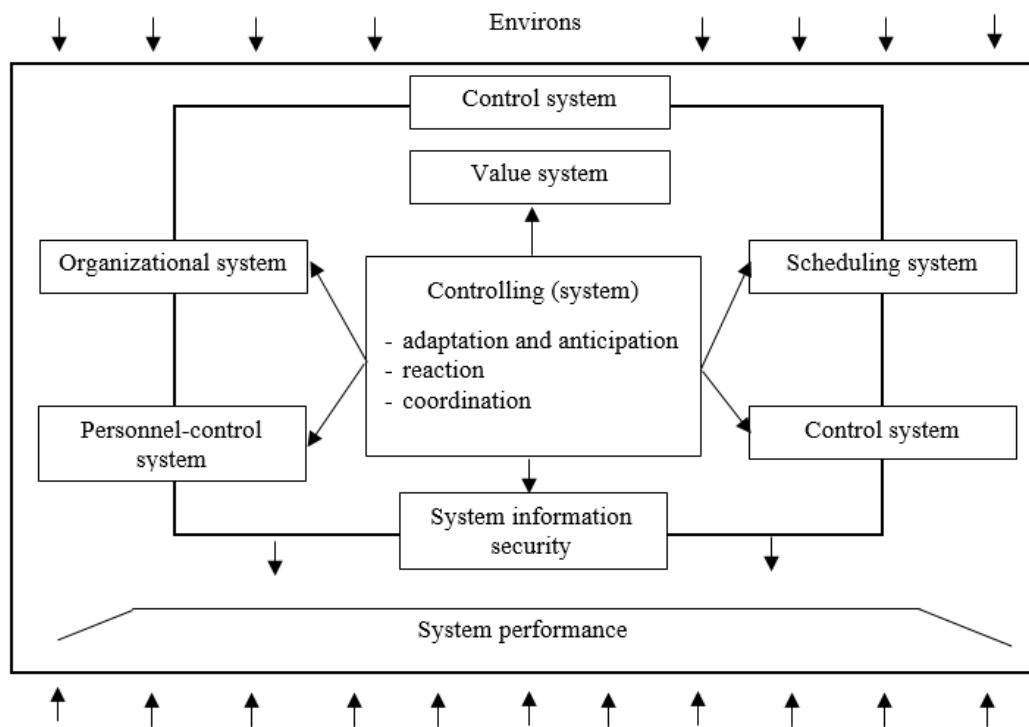


Fig. 1 Controlling in the system of management company

Source: [1, 18]

The authors Eschenbach et al. (2004) characterize the controlling as: „The original purpose of the controlling is the coordination of the management system to ensure internal and external harmonization and to obtain information. Controlling complements and integrates the management as in the conceptual, functional and institutional sense as well as in the personal sense (to create their own job positions- controller). A philosophy of the controlling (software) and an infrastructure of the controlling (hardware) are pillars that complete business management. With their help can be possible brought under the control the complexity of the business management.“ [3, 123]

The authors Foltínová and Kalafutová (1998) describe controlling like „Generally is the controlling characterized as a system whose purpose is the upgrading of the management of the company, what is based on the objective evidence and evaluation of all economic events in the company. It is an effective work with the information, with their collection, sorting, processing and distribution. Controlling should prepare these information to solve the planning, decision-making, implementation and control tasks. [4, 8]

Sládek and Valenteová (2006) report "Controlling is an indispensable management tool of company, which is used for the analysis of the internal events and processes and external business environment, to uncover the reserves, to measure future effects of actions, which with the lowest material, labor and financial costs to ensure the target, to achieve in the specified term the strategic goals of the business development." [8, 16]

Controlling is a management approach, which is focused on the result. It is the interconnection of information flows, planning and control. Controlling is a broader term than the control in general, but the information within are used for an effective planning. We can say that it is an "economic conscience" of the company. [6]

All definitions of the controlling are the same in the following points and features:

- it is a modern, specific management system, that supports decision-making and corporate governance,

- it prevents the surprises and in time draw attention to emerging problems,
- the application will positively affect performance and uncover the corporate reserves,
- ensure the achievement of the stated objective in the specified term,
- interconnects information flows, planning and control.

3 CONTROLLING IN LOGISTICS

We can view to controlling from more perspectives, for example: time point of view (operative and strategic controlling), from the perspective of the object of the management (internal controlling, financial, investment, ...) but also in terms of the particular problems of the specific departments, for example: controlling marketing, production, human resources or controlling of logistics (fig. 2). [4]

Under the term controlling of logistics we can understand the security of the controlling tasks in logistics. Under the tasks of controlling we mean the information security (collecting, creating, editing and providing of effective information) and coordination (harmonization of management actions implemented in the division of labor) to reach the logistical goals. It is in particular the planning, the analysis and the control, the reporting of the management information, the monitoring of the logistics costs and management of the logistics processes.

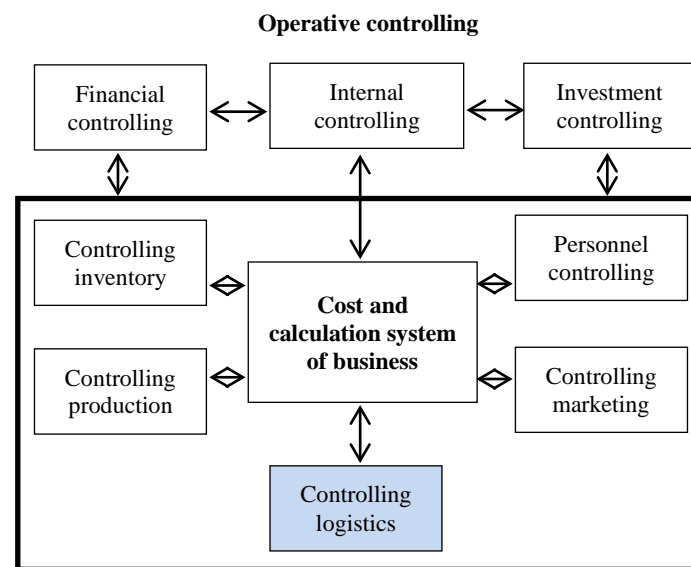


Fig. 2 Structure of company controlling

Source: [4, 35]

The logistics costs are reported as expenses that are expended on the logistics chain or the costs to ordering, storage, material handling, packaging, transportation within the chain, also cross-cutting within the company. These costs can be expressed in absolute amount or they are related to a logistics unit of the output, to contract, to product etc. The aim of the company is the effective use of the business assets, but mainly the maximization of the long-term profitability. One of the possible way, how to achieve the set targets, is to examine the links between the alternatives and thereby to reduce the total costs of all activities within the system. To ensure effective management of the logistics process is an important concept of total cost. [9]

The main role of the controlling of logistics is a regular check of the efficiency with the help of the comparison of the plan and actually realized activities, and consequential

determination of the abnormalities. After determination of variances are defined measures for their removal. These measures enable timely to react to the possible negative events within the company.

4 IMPLEMENTATION OF THE CONTROLLING IN THE COMPANY

There is no precise instruction which position should have controlling in the company, but it doesn't recommend, that the controlling will become a part of the senior management. However at the same time it should be in the organization high enough that its suggestions and opinions will be taken seriously. For the small companies it is recommended, that the controlling should become a part of the accounting department. Experience has shown, that the department of the controlling should be a cross-cutting department, which is responsible for the management system and based on the planning it is empowered to issue the regulation. [4]

The position of the controlling depends on the understanding of its role in the management. The controllers don't replace the executive managers but their task is to prepare the necessary information for a decision making. The integration of the controller to the company is influenced by the fact, if the controller is able to effectively perform the assigned tasks. Each company is unique, that's why every company solve the integration of the controlling according their specific characteristics. The controlling could be provided by an individual or group of individuals, who have the ability of synthetic and analytical thinking, high sense of leadership, an ability to communicate with managers of various professional specifications. [1]

The role of the controlling can be also taken over by some already existing organizational units (for example management unit or accounting department) that have also other tasks. However, as far as possible, in larger companies it is recommended to implement a separated controlling department that assures better coordination within the company.

Controlling can be integrated into the organizational structure in several ways:

- controlling staff inclusion,
- controlling liner inclusion,
- principle „dotted-line“,
- selfcontrolling,
- external controller.

In the case of staff inclusion is controlling directly responsible to the leadership of the company, so it is placed high in a hierarchical structure (fig. 3). This method of integration is not suitable for the small and medium companies, because this unit of the controlling has only an advisory role and doesn't have any decision-making power. The advantages of this position are: the independence of the other line departments, an uniform approach, the emphasis on the aspect of the coordination and a speed in the promoting new concepts. The disadvantages are isolation of the controller, his low acceptance, an information blockade of the line and the controllers' impossibility of attending the decision-making.

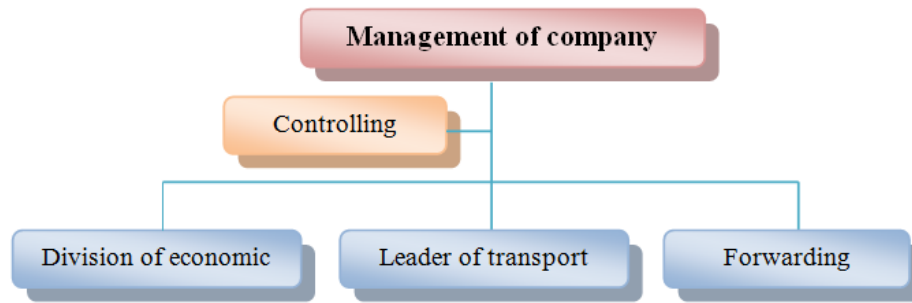


Fig. 3 Controlling staff inclusion

Source: by author

The experience has shown that in the case of the creation, control and management it is more effective when the controlling has within the company a **line position** (fig. 4). The controller should be at the same level as the leader of the economic department, the leader of transport and the leader of forwarding, because of the fact, that the controller needs a lot of information from this area and has to establish himself with the leaders of the departments. The advantages of this classification are: good coordination and better acceptance of the line leader, good access to the information and adaptation to the line department. However, the disadvantages include: neglecting of the concept of controlling, insufficient distance of the controller and a lack of comprehensive view on the line.

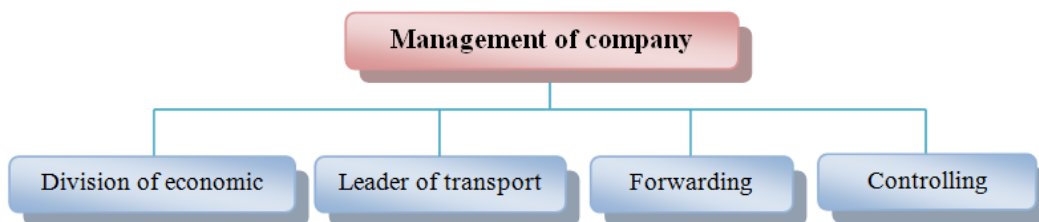


Fig. 4 Controlling liner inclusion

Source: by author

Company can include department of controlling also at the principle of **dotted line** (fig. 5). The principle is in the disciplinary subordination of controller to the department manager, from who the controller receives instructions to the fulfilling of the tasks. The professional tasks to do the controlling correctly, receives the controller from the main controller. Another advantage is a compromise between the two extremes, flexible impact of the controller and connectivity between the line requirements and recommendations of a draft of controlling. The negatives are a double subordination, conflict of interests between the instructions from the leader and from the main controller and also the objectivity and neutrality isn't always guaranteed. [6]

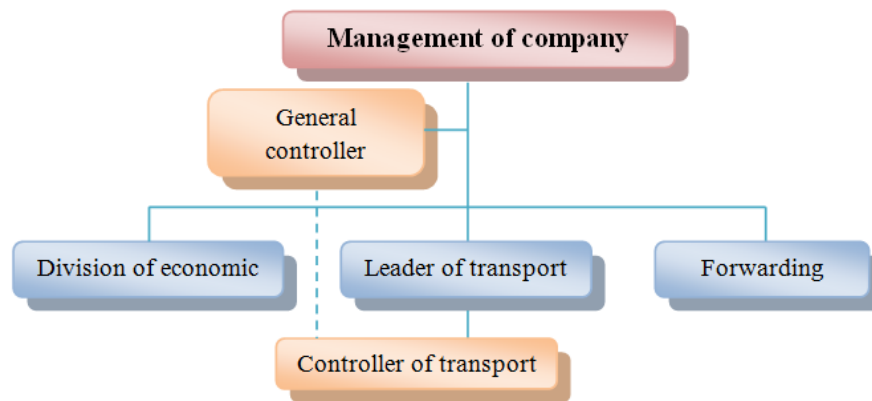


Fig. 5 Principle dotted-line in organizational structure

Source: by author

In the previous sections we integrated controlling to the organizational structure, which allowed to relieve management and senior executives from some tasks. However, it can happen, that the management can't make decisions in a time, because of the loss of some powers. It leads to a return of some powers again back to the managers. In this case it is the **selfcontrolling**. The role of the controller is to assure that the managers of the transport properly use the tools to analyse the information and to support him in the interpretation of the results. Selfcontrolling will be successful, if the controller and managers have exactly-defined tasks. The controller is focused on the moderation, the transfer of the skills, the training of the managers, the distribution of the progressive ideas and practices of controlling. Although the selfcontrolling is continually growing, it is not appropriate, that the management takes over all tasks of the controlling. [6]

The existence of a controller in a company is not necessary, whether it is economic disadvantage or a lack of qualifications of the employees. In the most small and medium companies can keep the function of the controller also an **external controller**. He is an objective and independent consultant, who introduces the elements of the controlling into the company. The benefits are enormous experience of the controller, no conflicts with the top executives/senior managers and the fast and effective decision-making. On the other side, the cons are weaker knowledge of the production process and general business practices. [2]

5 CONCLUSIONS

The emphasis is based on the developing of a corporate conception/philosophy which wouldn't include only the definition of the objectives and representation of the real opportunities of the company but also an effectively functioning feedback system will be its part. It is an implementation of the controlling system into the business, which would in the right time uncover the weak point and provide clear and up-dated information to deal with the actual situation. Controlling is an element which improves the management of the company through the recording, analysing and evaluating of all its economic activities.

Controlling can be implemented into the company of transport and logistics through an external controller, selfcontrolling or controlling can be incorporated into the some of the different types of organizational structures. Controlling in the small companies should closely cooperate with the management or should be a part of the accounting department. According the different studies is the incorporation of the controlling within the competence of the top management and it can't be generally incorporated. It is important to point out, that the controller shouldn't replace the head of the company (planners, strategists, analysts ...), but

the role of the controller is to prepare quality information to decision making. To avoid the one-way furthering the interests, it is recommended to avoid becoming the controlling a part of the management of the company. The controller should be subsidiary of the management of the company so that his/her suggestion and attitudes will be taken seriously.

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