

Proposal of Controlling Implementation in a Romanian Company

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Abstract. *This paper exposes a model of controlling implementation – into a Romanian commercial society. After the present situation of the firm is analyzed the phases of controlling implementation are elaborated and then they are ready to be put in application.*

Key words: controller; manager; controlling reports; planning; implementation.

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1. Introduction

Controlling is an instrument of the modern management, used on high scale in different countries from the EU, because of the certain advantages brought in order to achieve the organization's objectives.

It is time to recognize the right place that controlling occupies in our country as well, and this mostly because the manager's work is extremely pretentious. Their attention should concentrate as well on the factors, processes which take place in the organization as on the elements from the environment, which through their influences may determine the need of implementing some changes.

The managers from Romania must supervise the competition, identifying new opportunities, avoiding threatening crisis and the high technology will be given them an interactive connection in real time with the market economy. They will live in present, learning to deal with the uncertainty. All of these must be taken in consideration by the managers. In this way they can be helped successfully by controlling.

2. Theoretical fundaments

The objectives of the controlling represent the implementation basis of this system in an organization as well as its functions.

Controlling has not only direct objectives, which refers to the assurance of the capacity of anticipation, adaptation, reaction and coordination in an organization but also an indirect objective, and that is participating to the maintenance of the equilibrium between the interests of

the assets holders, employees and environment.

The functions of the controlling are being realised not only by participating to the management process but also through applying services to the management. The controller's tasks consist mainly of participating to the planification as well as making comparisons Plan – Realised, analysing the deviations which have resulted and the corrective measures proposal.

Each company applies its own controlling model, and they are doing the implementation taking in consideration their own needs.

3. Methods and results

We will present a proposal of controlling implementation in a Romanian company in the following paper.

3.1. The presentation of the actual situation of SC Victoria SRL from Timisoara

SC Victoria SRL is a Romanian company, which has its headquarters situated in Timisoara and its object of activity is retail trade.

The company has four stores and each of them are being structured in four departments. The products that are being trade are:

- basic food products;
- confectionary, pastry products;
- alcoholic and nonalcoholic drinks;
- non - food products: cosmetics, detergents etc.

It's activity is being coordinated by the general manager, the commercial manager and the economic manager.

The job of the Research and Development Department is to introduce a soft system in the financial administration of the inn's and outs of the goods in the store.

The Marketing Department's job is to:

- supply and sell goods;
- analyze the competition;
- prospect an entry with a new product on the market.

The Logistic Department coordinates the supply of the other stores with goods, depending on the fluctuation of the sells.

The Financial Department is doing all the financial operation from the company: the suppliers payments, the cashing, salaries and other operations.

The Human Resources Department is dealing with planning, recruiting, selection, hiring the staff, the motivation of the employees, the evaluation of the performance.

The Technical Department is dealing with the maintenance of the equipments.

The Security Department has to oversee the stores and the staff.

The development of the activity:

There are three sources of provisioning: suppliers, Metro, producers.

The next step after the source has been chosen is to order the goods and then to buy them.

The suppliers bring the goods at Victoria SRL with their own means of transport based on the invoice.

At the store the goods are being taken over by the store manager which has to check the goods, and to notice if the quality and the quantity is the right one. After the goods are being checked, they are registered. After the reception has taken place the products are being labeled. The labels contain the next information: product, assortment, quantity, the entering date, the provisioning price, the selling price and the bar code that is being scanned in the system. The labels are put on the product (the minimum unit that can be packed: piece, box).

Our presentation is concentrated mostly on one of the stores.

The acceptance of certain supplier is made only after a strict analysis of the comparison of all offers: suppliers, Metro, Selgros, producers.

Each store has its own autonomy when it comes to supplying which means that the store managers can decide what quantity of goods is necessary. The soft system weights a lot when it comes to decisions because it can suggest the level of the order, but still the final decision is made by the manager. Each store has employees that are dealing with one group of suppliers.

As prices are concern, the negotiations and the term of payment is being realized by the company's management for all the stores. The arrangement on the shelf for every product is also made by the top-management but only after the advice of the store manager.

Every department has its own analysis file where are the best selling products. The evolution of the selling is not linear. The fluctuation of the sells is distinct not only at different hours, days, months but also at different locations of the stores.

The soft program can offer diverse information: the name of the product, the inn's and outs, the commercial addition, the selling on categories, days, the lists of suppliers, the supply movement. The information can be seen by all the stores: every store can send or receive information that are needed.

The stocks of goods are made only in concordance with the market needs; in that way it can eliminate the problems dealing with high speed rotation stocks. Even though the provisioning is well controlled, the work with the suppliers is not as easy as it seems. The rhythm of supplying is different form product to product.

The store's supply is made quite often: for the fresh products is made even three times per day. The order is usually made the day before by telephone for the products as: bread, cookies, fruits, vegetables, sausages, and at 6 o'clock for dairy produce and eggs.

The supply is made by the 5 cars owned by the company which are doing the transfer from store to store, form the suppliers of the vegetables, from markets (Pencoop) and from supermarkets: Metro Cash & Carry, Selgros, Euro.

The stores work with approximately 230 suppliers. In order to find out all of them, the employees bought products form supermarkets/markets to identify their suppliers.

Analyzing their product the suppliers are invited to present their offer. In the beginning a new product is tested 3 times in a small quantity and if it's a success the order will increase.

The supply of the new products is decided by the central management. Merchandising is accepted only if the producers have their own stall (stand); it's made only by employees not suppliers in order to not favor other suppliers products.

The company's marketing is based on constitutive qualities that no other firm has. The studies of the market are made to respond the needs and expectations of the customers and these are the firm's strengths.

The commercial addition is 10-15% at basic products, and 20-30 % at the rest of the products depending on the speed of rotation. The study of the competition is very important for Victoria SRL. Here, the level of prices and the quality of the services are always studied.

Conclusion:

The strengths are:

- there is a form of controlling at SC Victoria SRL. This can be seen in the way of thinking at the top management, at the positive attitude towards discipline, order, the attention that is showed to the customers, the competitors, the suppliers;
- there is a philosophy of the management oriented on controlling. There is an orientation towards objectives and towards the future;
- the company is opened to changes in order to achieve the established targets and that is done with a selling planning.

The weaknesses are:

- the activity is difficult, many variations of the inventory;
- the activity is not structured in profit levels or cost levels so it cannot be exactly known what products are worth and what products are not;
- inadequate planning of the order's taking over.

The manager wants:

- to decide in time in order to prevent the unpleasant evolution of the company;
- the optimization of the entire activity's results;
- the supervision of the critical products form stores and where the material, financial and human efforts should focus on;
- to know from where the order is and what price it has and what orders can be refused;
- to know in time if everything is as planned;
- to have his work more facile;
- to know the state of the firm;
- to know the reason of the state;
- to know what can be done to achieve the target.

Controlling makes this possible! SC Victoria SRL needs controlling! But it is necessary the convergent action of different factors:

- the ability of the management;
- the acceptance of controlling into the company;
- the opening of a new view for the employees and changing their mentality.

The stages in implementation of the controlling to SC Victoria SRL will be presented next; stages that we find very necessary.

3.2. The stages of controlling implementation

After the existent situation analysis in the society, we consider that the necessary stages of the controlling implementation are:

A. The pre stage

- the working team is elaborated, formed of the manager, the chief store and a specialist in the domain;
- the exact situation in which the organization founds itself at a certain moment is being analysed;
- establishing what it is likely to be realised using controlling and finding after that the right methods to get there;
- finding various options of implementation (the structure is made by a certain criteria).

B. The stage of introduction

- choosing the optimal variant;
- hire the right controller;
- creating the necessary premises for the implementation, including the employees preparing(training);
- establishing the controller's tasks, which are:
 - elaborating the global plan on subdivisions and periods;
 - establishing the controlling's reports and specifying the mode in which they have been realised;
 - comparisons Plan - Realised;
 - the deviation's analysis;

- researching for the causes;
- the proposal of corrective measures.

C. The stage of estimating and perfecting the new implemented system

- estimating the new system;
- introducing corrective measures;
- the learning process for a new cycle.

3.3. The operationalysing of the controlling implementation stages

The operationalysing of the controlling implementation stages goes like this:

A. The pre stage

- the implementation has started on 1 march 2005, building the working team formed from the general manager of the society, chief store and the controlling specialist (three years of activity in a branch from Timisoara);
- the exact situation in which the society has found itself at a certain moment has been analysed, resulting that the implementation of the controlling is necessary;
- the decision of the general manager for controlling implementation;
- the manager decides what he wants to achieve using controlling:
 - the maximizing of the profit by reducing the costs and increasing the stocks rotation velocity;
 - to know the profit which has been generated by the goods from the store as well general as by each product;
 - the weekly reporting;
 - to know the top of best sold products;
 - a better control of the sales;
 - optimizing the order.
- adapting the structure of SC Victoria SRL to the controlling requests – creating the profit centres – structure by products. There are created the following profit centres:
 - Profit centre 1: chicken;
 - Profit centre 2: bread;
 - Profit centre 3: sugar, rice, oil, flour;
 - Profit centre 4: eggs;
 - Profit centre 5: sausages.

B. The introduction stage

- Chosing the optimal variant:

These profit centres have been build because it is likely to be seen the flow of the best selling products. These products must be not missing out of anykind of analysis because they represent the basis of the sales. The structure from above has at its basis the idea that the profit appears first of all through sales maximization and after that because of the difference between sales price and the buying one.

An analysis can be made starting from the commercial addition resulting an another structure of the profit centre, but because the market segment to which SC Victoria SRL adresses consists of basic products consumers, we will choose the structure criteria which has been already presented.

- The hire of the controller and his position in the structure of the organization: the chief store will be chosen to be the controller whom will be direct subordinated to the general manager, his role will be the one of supervisor and consultant (fig-

ure1). As a department of major state, the controller will assist the manager, involving in taking decision, without power of decision. The adequate working space for the controller is created.

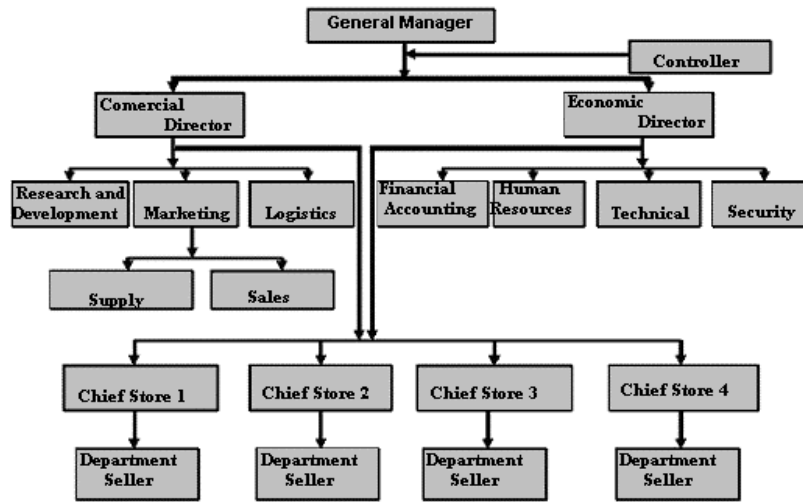


Figure 1. The specific organization of SC Victoria SRL

- Creating the necessary premises for the implementation including the training of the employees.

Necessary premisses:

- a) The computer network and the necessary soft

The soft is an informatical program in which all the financial accounting informations of the firm are stored.

This program is used for keeping the:

- orders evidence for each product. The program recieves the information about the selling goods, substrating afterwards, the volume of the sold goods from the stock;
- the good's stock evidence;
- launching the orders to the supplier, for the goods which are to be decreased;
- the sales evidence.

The material and financial flows are reflected in the system, in such a way that the present situation could be visualised in every moment.

Periodicaly, a comparison between the effective sales and the sales from the system is performed to discover the possible errors.

- b) The establishment of the informational flow and the employer's training for helping them adapting to the working style. This means transmitting the information to the controller and decoding the information from the controller.

It is necessary for the controller to be accepted in the SC Victoria SRL and to have his right of supervising the activity and consulting the manager, recognised.

- Establishing the controller's tasks:

1. The elaboration of the global plan, in subdivisions and periods. A weekly supplying selling plan is established (figure 2).

This plan is being drawn out at a weekly level because the sales are stable only on short term; the seasonal fluctuations and modifications are caused by different events that need to be analysed separately.

		25 th. week								Total sales
Measuring unit		Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday		
Chicken	Supply plan	20 km	21 km	22 km	23 km	24 km	25 km	26 km		
	Supplied	200				150			350	
		180							180	
	Planned	Pieces	20	20	20	20	20	20	20	315
		5	5	5	5	5	5	5		
		7				0			74	
	Sold	Total plan	25	50	50	50	50	55	35	
		Total sales	74	0	0	0	0	0	0	
		Difference	18	50	50	50	50	55	35	

Figure 2. Supplying and selling plan

This plan is drawn out for a working week, in general and for each profit centre. The deviations are an essential element in controlling. Their research helps to identify different causes which lead to the failure of reaching the target's proposal of corrective measures.

2. Establishing controlling reports and specifying the ways of their elaborations.

The controller will elaborate the following reports:

- I. The suppliers report (figure 3).
- II. The order report (figure 4).
- III. The sales report (figure 5).

I. The supplier's report contains an analysis of criterias that influence the cooperation with the centre supplier:

- sale price;
- delivery term;
- volume discount;

- other supplying cost (transport, manipulations);
- the previous colaboration network analysis, if there was one.

The controller analysis the selection files for each supplier and centralizes these dates obtaining a suppliers scale taking in consideration these criterias.

Supplier Selection File							
Product		AVICOLA BACAU CHICKEN					
Price selling competition							
		Contestant 1	Ebla	85500	kg		
		Contestant 2	Profi	83000			
		Contestant 3					
		Contestant 4					
		Supplier's Price (/Kg)	Volume Discount	Delivery Term	Other Supplying Costs	Activity Calificative	
Supplier 1	Metro	74200	10%/1000 Kg	Daily	Transport	300000	b
Supplier 2	Selleiros	74000	0%	Daily	Transport	200000	b
Supplier 3	Deposit X	78000	12%/1000 Kg	2 Days		0	c
Supplier 4							

Figure 3. The supplier selection report

II. Report regarding the situation of orders

The controller is supervising all the orders that are handed over to the suppliers and permanently keeps in touch with them, solving any divergence that might appear.

Regarding the supplying order, we mention that:

In the same time with the merchandise's sell, the merchandises stocks decrease and a new purveyance must be done. In these moments the store manager looks for the supplier's address and phone number and gives a new supplying order. In some situations it's hard to accomplish what we said before because:

- it requires a close oversight over the product diversified stocks;
- the supplying order can be usually issued in those few moments of spare time and usually this happens at the end of a day, for the next one;
- the centralization of the supplying orders so they can be compared with the facture and the accompanying letter of advice might take too much time.

All these issues and many more can be solved by using the supplying automatic orders. They bring in the follow-

ing advantages:

- they automaticly launch at a stock's low level by taking over on themselves the informations regarding the supplier's dates, array, quantity;
- cost-deduction: because it leads to saving time for sending the order;
- alleviating the merchandise supply because there's no need for a repeated stocks checking.

This automatic system informs the store manager about the necessity of a supplying order, by proposing him in the same time a quantity based on the sales plan or on the average sales of the last period. The manager analyses the order and it approves it or modifies it.

The order is automatically send to the supplier through e-mail wich will send back a confirmation for the order. This confirmation, having also an electronic format, can warn the store manager if the approved quantity is sufficient or not for the predicted sales level. In case the supplying order is not complete it can be used a different supplier to complete the difference.

Order Report								
No. Order	Establishing date order	Supplier	Supplier Adress	Product	Quantity	Mesuring Unit	Order State	Delivering Date Order
Nova-Tim 1255	19.03.2005	Codrina	Timisoara	Rumbaba	65	Pieces	Received	20.03.2005
Nova-Tim 1256	20.03.2005	Bega Pam	Timisoara	Bread	500	Pieces	Launched	.
Nova-Tim 1257	20.03.2005	Prod Lact	Lugoj	Cheese	50	Kg	Holding	.
Nova-Tim 1258	20.03.2005	Rodipet	Timisoara	Publittim	200	Pieces	Confirmed	.

Figure 4. The state orders report

III. The sales report

This report is weekly made by the controller and presented in a meeting to the manager. It contains an analysis of the causes which have led to the accomplishment or the failure of the plan.

As we notice, after the reports elaboration the following tasks will be completed:

- Plan – Realised comparisons;
- deviation analysis;

- causes research;
- proposal of corrective measures.

The controller takes part to these meetings, where he presents the reports. The conclusions of the discussions consist of the controller proposal of different measures, situation simu-

lations even, but the one person who will have the final word is the general manager. Actually, the general manager is the “captain of its ship” and the controller is responsible for delivering the genuine information at the right time.

Report based on the situation of the sells							
The analyse of week 12							
Products	Unit of measurement	Planned sells	Commercial addition	Sells	Profit	Deviation	Causes
Chicken	pieces	350	20%	320	4480000	-30	delay of the delivery order
Bread	pieces	1500	20%	1350	18900000	-150	new product
Sugar	kg	200	20%	200	2800000	0	
Rice	kg	170	20%	180	2520000	10	
Oil	l	250	20%	251	3514000	1	
Flour	kg	100	20%	75	1050000	-25	
Eggs	pieces	2500	20%	2650	37100000	150	the change of the supplier
Sausages	kg	100	20%	115	1610000	15	

Figure 5. The Report based on the situation of the sells

C. The evaluation and perfection stage of the new implemented system

This stage contains:

- the evaluation of the new system;
- the introduction of the corrective measures;
- the learning process for a new stage.

The evaluation of the implemented new controlling system will be estimated after minimum 6 months, at the beginning of September 2005, with the purpose to enrich the process if mistakes occur, the corrective measures will be brought in and a new stage will be started. Practice helps learning.

4. Conclusions

As controlling is considered to be the fusion between controller and manager, we can only conclude that the controlling system can have a double relation with the organization management and can take part in the management system, it can also offer different services.

Now, the controlling is more proper placed as managing tool instead of being a function of the management system.

Some advices for a good controller: a specialist in this field should be able to assure the success at the firm and to advice the manager; to be a connection between the departments and the manager. There is no standard model to implementing control-

ling in a company but it has to take in consideration the real conditions in the firm, the targets and the ability of the team. It is important that the implemented system solve all the demands and help the manager to achieve objectives.

Controlling is worth to be applied because of its advantages:

- the optimization of the entire activity;
- the supervision of the “bad” products in the stores and where the material, financial and human efforts have to be focused;
- it can be exactly known where and what price the order will have and what order can be refused;
- it can be known in time if everything is as planned;
- the manager’s work will be easier because:
 - he will know the state of the firm;
 - he can overcome any situation;
 - he will be able to action in order to achieve the target.

A Romanian company needs creativity in the implementation process because there is no model to follow and controlling is developing every other month becoming in a few years a strategic controlling.

We hope that our model will function and will conform to the company’s needs and using controlling, the controller will improve himself and the manager will understand that the activity will be simplified more and more and the result will be the profit rise. The controlling system applied at SC Victoria SRL can be easily named „the management tool”.

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