

CONTROLLING TODAY VIEWS MANAGEMENT through the prism of three inseparable factors – a clear strategy, a long-term viability plan and risk assessment. Growth, development and profit are three conditions that must work in synergy because, should any of the three falter within a longer period of time, companies lose strength. Only in the short run may companies waive profit while aiming at growth, forego growth while aiming at development, or renounce development while aiming at maximising profit. However, in the long run, companies can function only if the three are in perfect balance. And this is the responsibility of controlling. It focuses on the future, or early warning signs, its role is proactive, and its task is to promote changes.

Every manager should be his/her own controller; controlling is the function that facilitates the transparency of information and provides economic advice. In collaboration with management, controllers participate in the setting of targets that must be clearly defined in order to minimise risks. The fact that controlling is orientated towards the future makes it easier to deal with the present or variances.

Risks are an integral part of running a business, and one of the main areas tackled by controlling. A great deal of volatility and rapid changes in the business environment pose the greatest threat to companies becoming increasingly exposed to risks. And the good news is that this state of affairs applies to all. Globally and generally, business risks today are greater than ever before. So what is important is for companies to know how to protect themselves well.



>>> **JASMINA OČKO**

report

CONTROLLING TODAY - PARTNERING MANAGEMENT AND GUARDING THE ECONOMIC INTERESTS OF A COMPANY

By Jasmina Očko, M.Econ., Kontroling Kognosko d.o.o.

Businesses exist to create value for their owners. This is the responsibility of management who must decide just how much uncertainty their company can handle in creating this value. Completely eliminating all risk is neither profitable nor possible. If management wanted to achieve this, it would be so expensive that, in the end, not one single product would be competitive. This would, in itself, be the greatest risk ever. What is invested in risk management instruments must be significantly less than what is salvaged through risk management. In other words, management must make a decision with regard to the way in which they will create portfolios of risks which companies can and which companies cannot handle. And this is always a matter of compromise.

Controlling has an important function in this – first and foremost in risk recognition, and then in risk measurement and risk management. It must be made absolutely clear which risks companies cannot accept (e.g., the lowering of quality due to increases in raw

material prices), which risks come with new initiatives (e.g., creating and launching an entirely new product), and which risks companies will accept (e.g., a decline in profits due to the growth of market share).

Each and every employee can contribute to risk reduction. For example, if a company, wanting to reduce delivery costs, decides to outsource delivery to a specialist delivery company although it has its own delivery fleet, the complaints department employees can quickly identify whether the company is exposed to the risk of customer service declining in the field of delivery and shipping. The question is whether this risk is recognised in advance and processed by employees, or whether it is discussed openly only when customer dissatisfaction results in a drop in revenues. A modern approach to risk management is most certainly proactive.

The greatest risk for Croatian businesses is the risk of illiquidity. The most effective instrument of illiquidity management is an organised and structured sales system supervised by controlling,

which prevents business relationships with risky customers. Companies that adhere to such rules must, however, accept another risk (at least if they operate only on the Croatian market) – the risk of weaker growth because, in practice, it is usually impossible to choose only non-risk customers and achieve rapid growth (management must opt for quality sales at the expense of growth).

The other most likely risks are: changes in raw material prices, in interest rates and in tax regulations, the introduction of new business models, a loss of reputation, the introduction of radical requirements concerning, for instance, environmental protection, mergers and acquisitions, a further deepening of the recession, etc.

Controllers are the economic conscience of companies. They prevent managers from making far too risky and inefficient business decisions, or those that are based on personal interests. But we must never lose sight of another important fact – controllers ought to support managers even on a personal level, and must take into account the fact that every manager possesses different skills, personality traits, preferences and experiences.

Today's business practice in the developed countries of Europe (particularly in Germany, Switzerland, Austria, and more recently Poland) assigns controlling a very important role and controllers the role of management business partner. Together, they share responsibility – managers for the decisions made, and controllers for the transparency of information on which the decisions have been made. Managers and controllers set company targets together. The role of controllers in this is very active, because their position gives them the best panoramic view of all business segments. No one in a company has the opportunity to see the "big picture" so well and so clearly, and this fact should most certainly be taken advantage of.

The central role of controlling can be a little confusing – on the one hand, controllers must be the keepers of the general interests of companies, and on the other, they need to be proactive and participate in the introduction of positive changes, all the while proposing their own ideas. In other words, in their daily work, it seems that the principle of independence collides with the principle of inclusion. In addition, they are both management partners and management critics. This is no easy role and should, accordingly, be performed by a highly skilled and experienced individual.

The communication of information to all managerial levels cannot at all be routine work. Merely providing managers with information is insufficient. Information must be well understood – where it comes from, what it tells us, and which is the right way to use it. Companies need to develop a good relationship to controlling as "the only source of truth", which significantly improves the communication system as a whole – everybody knows who is responsible for the quality of information, and who for the quality of decisions.

In today's business world, controlling is an unavoidable link in the chain of activities ranging from defining processes to the publication of results, from the coordination of the planning system to critical discussions of the results. The task of controllers is to keep track of the company as a whole orientated towards the future as the business partners of managers at all levels of hierarchy. Controlling is today indispensable in each and every company that wants to grow, develop and survive in the long run.

KONTROLING KOGNOSKO

2014 CALENDAR OF EVENTS

FEBRUARY 2014

07 February 11th ICV workshop on the topic of "Inventory Management"; intended for all ICV members and all potential members

19-22 February 1st module of Controlling Akademie seminar, 2nd generation

MARCH 2014

06 March Dietmar Pascher, "The Best of Controlling", a one-day seminar Publication of "IFRS for Controllers and Managers" by author Hendrik Vater in translation into Croatian Publication of "Controlling and the Controller" by authors Alfred Blazek, Albrecht Deyhle and Klaus Eiselmayr in translation into Croatian

APRIL 2014

Start of training programme: "IFRS for controllers and managers", 70 classes

MAY 2014

7-10 May 2nd module of Controlling Akademie seminar, 2nd generation

26 May 12th ICV workshop on the topic of "BSC"; the workshop will host Mr. Herwig Friedag, a Balanced Scorecard consultant from Friedag Consult consultancy firm, Germany; intended for all ICV members and all potential members

JUNE 2014

12 June Dietmar Pascher, "Sales Controlling", a one-day seminar

SEPTEMBER 2014

24-27 September 3rd module of Controlling Akademie seminar, 2nd generation Start of training programme: "English for Controllers and Managers", 70 classes

OCTOBER 2014

13th ICV workshop; intended for all ICV members and all potential members

NOVEMBER 2014

05 November 2nd International Controlling Conference in Croatia (2nd ICC)

All relevant information and details are available at: www.kognosko.hr
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