

# CONTROLLING IN LOGISTICS

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The article is defining the status and the roles of controlling in logistics. It also describes the process of controlling in logistics and its evaluation.

**Key words:** controlling in logistics, roles of controlling in logistics, liquidity, course of controlling, indicators of logistics, evaluation of indicators in logistics.

## 1 INTRODUCTION

High complexity of logistical systems and rising costs of logistical output call for the need of systematic monitoring and evaluation of costs and revenues in logistics. The very need is satisfied in via the introduction of **controlling** into logistics i.e. planning, control and coordination of the individual sections of logistics. In view of the efficient control one is to ensure planning, control and coordination of all partial segments of the controlling process. The requirement is met with controlling of logistics, which in general is to facilitate permanent control of efficiency by way of permanent checks of efficiency, comparing planned and reality of costs and revenues as well as obtaining and processing information needed to control logistical processes.

## 2 CONTROLLING

The simple translation of the English word of controlling, the basis for the Slovak term of „kontroling“: performing checks. However, it is not a common system of control. Generally, it can be characterized as an information and control subsystem which forms one of the basic functions of company management. It is a system of rules that helps achieve company goals, preventing surprises to take place by switching on the red „warning lights in the time threat. Once identified, proper measures are to be taken by the management. It is a project that serves to maintain the required status, a plan which is regularly compared

with the actual status achieved for us to know to take actions or not in order to achieve or maintain the required level. The required status can be found in company plans whereas the actual status from reports. The very act of comparing planned status with reality is the „heart of controlling“.

**Controlling** in logistics is performed to ensure:

- Permanent checks for economy,
- Comparison of planned versus actual costs and revenues,
- Collection, processing and providing the necessary logistical information
- Control and Decision-making processes.

In modern sense, controlling is to be understood as a logical stage in the development of controlling progressive firms.

The goal of controlling is to:

- Identify potential risks and opportunities,
- Define variants to decisions and activities,
- Keep management informed on the results achieved.

## 3 ROLE OF CONTROLLING

The role of controlling consists in the optimization of keeping the management informed, all that by thoroughly combining the need to be informed, demand, with its supply. Controlling is fulfilling its role by offering the top management high-quality information on management oriented on the results. Then the management is to decide, taking the responsibility. On the contrary, controlling is inspiring,

evaluating, analysing, controlling and giving recommendations. The relation between the

management and the service of controlling is well illustrated in Fig. 1:

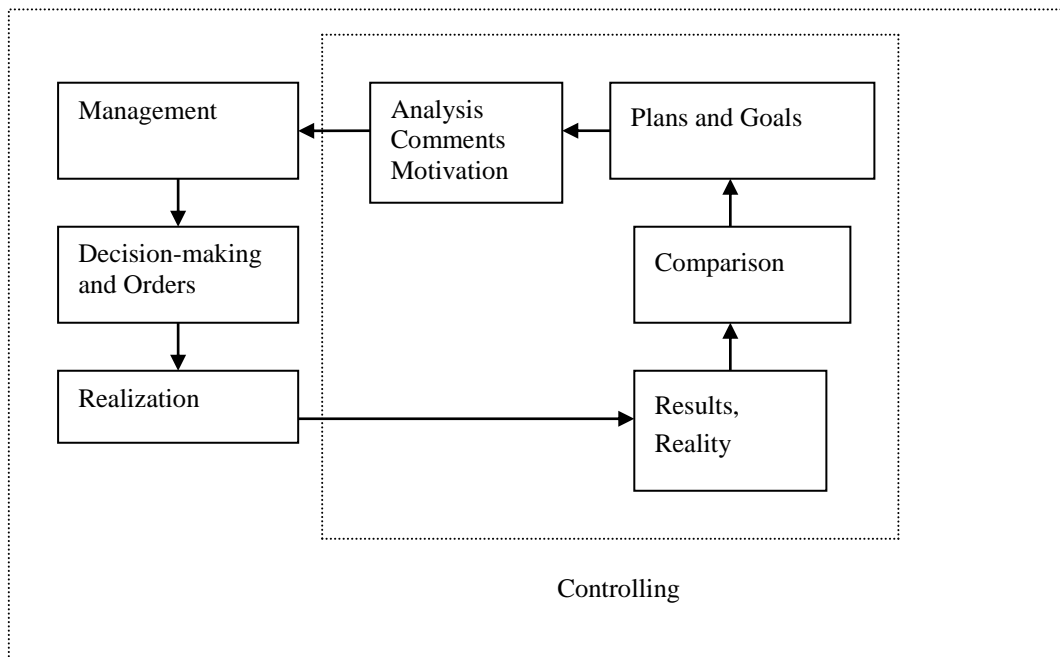


Fig. 1 Management and Controlling

**Roles of controlling in logistics can be summed up as follows:**

1. Establishment of information management of logistics:

- Developing and projecting a logistical information system,
- Analysing and interpreting the existing information in the light of logistic goals,
- Coordinating the needs for information and their use in logistics,
- Mediating information to functional places of logistics and other departments within the company as well as for external users,

2. Cooperation in logistical planning:

- Setting up a unified, formalized system of logistical planning,
- Processing of the results to formulate the goals of logistics,
- Verifying the basic characteristics of the plan in view of matching it with its goals,
- Developing optimal logistical plans,
- Developing and progressing in the methodology of logistical planning particularly the one supported by computer and modern communication aids and technology.

3. Conduct of control of logistics:

- Defining the actual status of indicators,

- Determining the level of goals achieved by comparing plan and reality, links of the logistical chain and the time lines,
- Analyzing the causes of variations,
- Developing suggestions for corrective actions,
- Performing comparison of indicators of one's own company with those of external firms.

#### 4 COURSE OF CONTROLLING IN LOGISTICS

From general point of view, a market oriented company management is required [4] to define a minimum of three areas for controlling:

1. Net profit or loss as the result of demand on company products or services over the period of a year
2. Cost-efficiency shows the company's ability to effectively allocate factors of production within the company or its segments for the period of year
3. Liquidity, is the capability of paying short-term liabilities from short-term assets available, usually for a period of month, quarterly or year.

Such an approach ensures application of the time factor when evaluating company performance in terms of decisive financial management indicators.

The process of **controlling in logistics** takes place in six steps:

1. Defining goals,
2. Determining current status,
3. Analysing variations,
4. Planning of measures,
5. Establishment of new planning values – realization of the planned measures,
6. Reporting – information on the results achieved.

## 5 SYSTEM OF INDICATORS IN LOGISTICS

Within the framework of company logistics, or company controlling, a **system of indicators** should be established to ensure interim evaluation. Each segments of logistics has its own specific indicators that can be divided into:

- structural and framework,
- productivity,
- cost effectiveness,
- indicator of quality.

### 5.1 Indicators in logistics

Examples of indicators in logistics of purchase and transportation::

#### **Structural and framework indicators:**

Purchase – number of places of purchase, orders, suppliers, ....

Transport – capacity of vehicles, costs of transport, number of repairs, .....

#### **Indicators of productivity:**

Purchase – number of deliveries per employee, time of good's arrival ...

Transport – transport performance, lines run, per employee, ...

#### **Indicators of cost-effectiveness:**

Purchase – costs per order, costs of acquisition, ...

Transport – proportion of cost per transport and manufacturing...

#### **Indicators of quality:**

Purchase – number of faulty, held-back, delayed deliveries,...

Transport-occurrence of damages, service level, accident rate...

### 5.2 Evaluation of logistical indicators

Evaluation of logistical indicators can be made in various ways, for example:

- **Oral** (spoken) evaluation,
- **Written** (textual) evaluation,
- **Tabular** evaluation,
- **Graphical** evaluation (*circular and bar graphs, curves and other*),
- **Combined** evaluation (*combination of the previous ones*).

## 6 CONCLUSION

Controlling in logistics is required to perform interim evaluation of selected indicators as well as the total costs and revenues of logistics.

In case of variations from the goals a set of corrective actions are to be taken. It is important, however, [5] that the measures to be adopted be approved by company management and appropriate competent staff and implemented.

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