

## REPORTING VERSUS COST CONTROLLING IN METALLURGICAL ENVIRONMENT

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### Abstract

In practice reporting is very often confused with and called controlling. Controllers do very demanding administrative job and do not have real time for management of costs, they generally are reporters of data. Why the controlling activities are starting and ending on the reporting sheets? The reason is an increasing demand for information, shortening time for management decisions, complicated structure of big corporation, administration and loss of Top managers who are in touch with reality and problems of production plants. Why do they need to know on line the development of plants in daily, weekly, monthly reports and due to this information to arrange so many conference and video calls? Is it a rule that bigger the group the more complicated reporting is? Is it really necessary to do it for an efficient management? Where is the limit of an effective reporting? Many administrative controlling is inefficient at the moment when controllers lose the physical contact with plants, communication and spend more time by reporting than by supporting the local management. Among those activities is necessary to ensure a balance otherwise reporting loses efficiency as a management tool. The paper presents main conceptual outputs obtained in the company Maxion Wheels Czech Republic on the basis of the analysis of balance of Controlling and Reporting activities.

**Keywords:** Effective, frequent, reporting, balance, tool

### 1. INTRODUCTION

Globalization, ongoing recession and growing competition increase demands for speed, accuracy and timeliness on process of reporting. Complicated structure of business group has bigger requirements for reporting of data. The paper presents main conceptual outputs obtained in the company Maxion Wheels Czech Republic on the basis of the analysis of balance of Controlling and Reporting activities. This company is a part of Brazilian group lochpe Maxion, the biggest producer of Aluminum and Steel wheels for automotive industry.

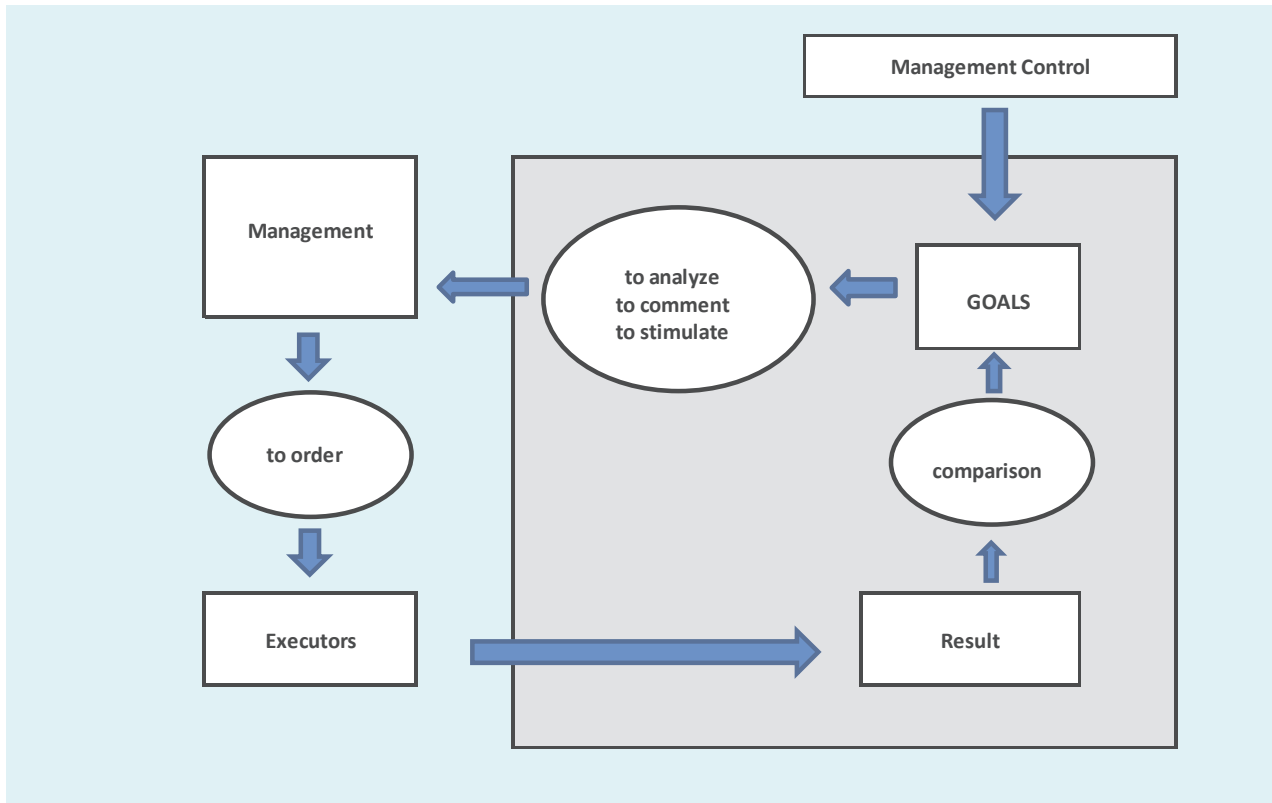
### 2. BALANCE OF CONTROLLING ACTIVITIES

The main aim of management is keeping viability and flexibility and the role of Controlling is supporting management for permanent direction toward the aim (see **Fig. 1**). Such support of Controlling could look like:

- Capability of anticipation - Controlling takes care of providing actual, understandable and timely information about future external changes.
- Capability of adaptation - Controlling takes care of actual and appropriate information about already made changes outside or inside of company.
- Capability of coordination - Controlling takes care of gradual approval and negotiation at subsystems of company.
- Capability of feasibility to achieve aims - Controlling takes care of enforcement of strategic and operating goals within company as was originally planned

Controlling should bring performance or effect of all provided, it should act effectively.

Effectiveness is a rate between striving performance and actually achieved performance (outcome), it neglects the grade of achieving goals. The effect, against effectiveness, is rate between output and input, which needs to be evaluated on the basis of predefined quality of planned and actual costs, and which is scale of economy.



**Fig. 1** Controlling as a process of regulation

After decades of use of Controlling, Controlling exists in many forms in practice and has various functions; the content of the concept is significantly unified in theory and practice. However there does not exist any uniform definition of Controlling.

Particularly the dependency on environment affects the way controlling works and the effect of work. The controller as a registrar is enough only for stable environment, in a dynamic environment the controller has to be as a navigator and an innovator. And from those conditions of environment results a balance of all Controlling activities towards the support of achieving the objectives.

### 3. ACTUAL IMBALANCE OF CONTROLLING ACTIVITIES DUE TO EXAGGERATED REPORTING

In a global company the demands for finance and production reporting provided by Controlling are very sophisticatedly elaborated, systemically linked and supported by global SW, integrated from Corporate across whole group. Those activities include global reporting of data, global system of calculation, automatic system of workflow the key activities as CAPEX, IT competency, Corporate instructions, global evidence of personal development Availability of all data is easily accessible for every manager and outcome is an early information for TOP managers all over the world, as well as for managers of groups, states or companies.

The outcome of such global reporting is a global presentation monthly shared by video conference call. All analyze such deeply processed by local controllers are utilized for global outcome which provides an overview of financial data to the largest details.

Ostensibly easy integrated system, but not fully supported by local systems, places great emphasis to Controllers, creates additional pressure on more information and shortening of time for Reporting (deadlines).

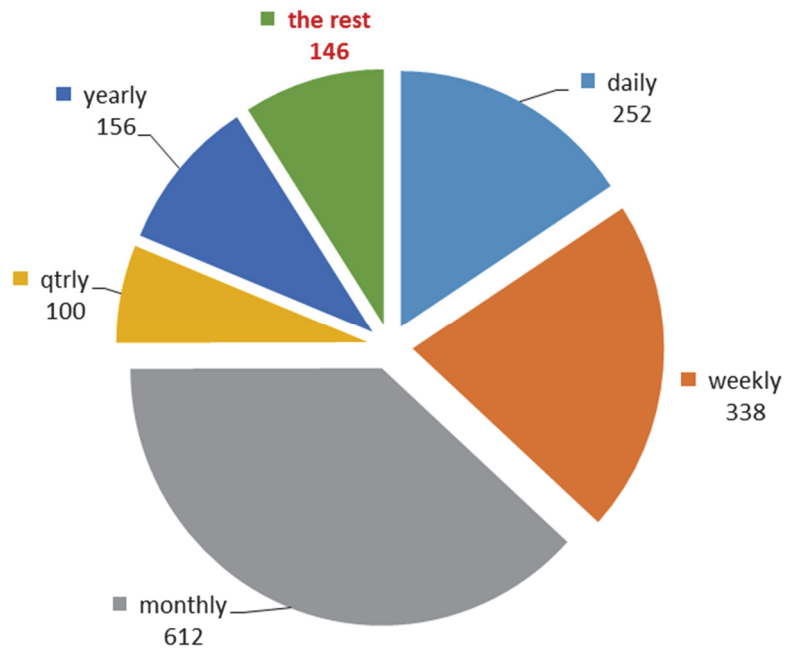
In the **Fig. 2** you can find an overview of minimum time for elaboration of basic reporting and their frequency, which does not include losses from changes of setting, (methodical, procedural, accounting, systemic) or any other issues of global on-line system.

Daily	hours	Weekly	hours	Monthly	hours	Qtrly	hours	Yearly	hours
daily report	1	Flash report - finance + operative	5	Flash - finance + operative	6	Actual Finance package	6	Budgeting (since August)	144
		cash flow report	1,5	Actual - finance	15	Actual Tax package	5	Additional report for the year closing	4
				Bridge, comments, schedules	4	Actual - consolidation	5	Actual calculation of assortment - basement for Audit	8
				Actual - consolidation	7,5	IT audit users	2		
				FCST (Act YTD + FCST the rest of year)	15	Profitability of wheels	7		
				Working capital	2				
				Internal audit - track	1,5				
<b>Year - frequency</b>	<b>252</b>		<b>52</b>		<b>12</b>		<b>4</b>		<b>1</b>
<b>TOTAL / hours</b>	<b>252</b>		<b>338</b>		<b>612</b>		<b>100</b>		<b>156</b>

**Fig. 2** Overview of time for processing of regular reporting

This overview does not include processing of other management requirements which is not regular, such as:

- Calculation for new quotation
- Application of actions after Actual and FCST
- Controlling of costs analysis
- Internal communication of plant
- Costs of quality (ISO)
- Development and focus on internal processes
- Maintain CO module in SAP
- Calculation of CAPEX request
- Tracking Research & Development costs
- Internal support of management
- Maintain local finance instructions
- Profitability of assortments (analysis of actual)
- Material and energetic balance
- Other support (Kaizen, M2S, 5S, OPEX....)



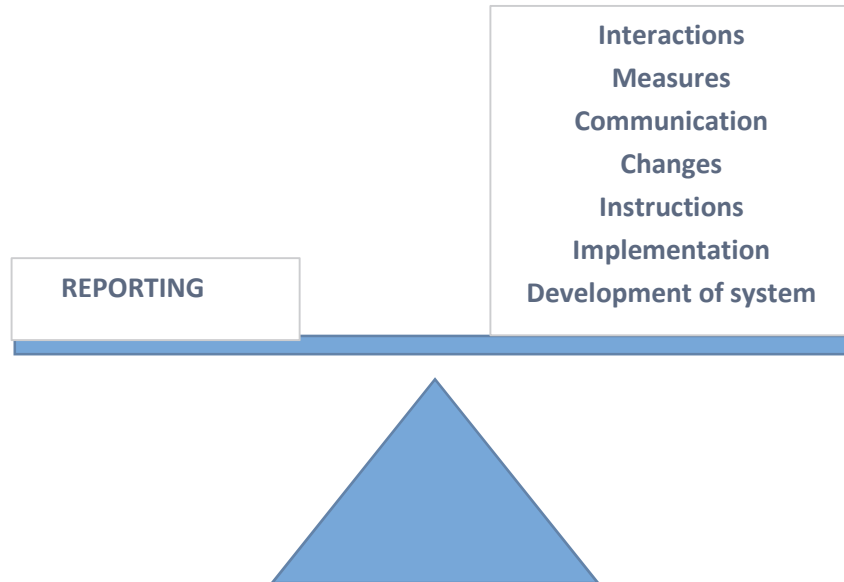
**Fig. 3** Diagram of reporting rate and the rate of the rest time for Controlling activities (working hours/year)

Sophisticated reporting arises the imbalance for other activities including personal development of controllers who are hardworking mainly overtime hours which causes also imbalance in personal life (see **Fig. 3**).

This clearly defined result shows a big gap between strength of Rreporting on the one hand and lack of time for the remaining activities of Controlling on the other hand.

## CONCLUSION

The larger group and the more sophisticated system of reporting, the greater imbalance of Controlling activities (see **Fig. 4**). This imbalance increases shortage of time for analysis and other activities of Controllers, which brings inefficiency. It means that the more activities provided for reporting the less interaction ensured, which is very important for improvement.



**Fig. 4** Balance of Controlling activities

The corporate department responsible for global reporting should check actual status of reporting before increasing next demands for reporting and should recommend the cancellation of some reporting activities. Otherwise such decision could create a RISK of incapability of Controllers to provide correct data on time, the loss of potential for improvement - inefficiency, wrong management decisions, fluctuation of Controlling staff, additional costs.

Nowadays strong competitiveness of globally changing market which is pushing companies to more and more costs reducing doesn't allow supporting of Controlling activities by additional headcounts. The global management including next demands has to provide a balance of controlling activities by canceling the next reporting or by investing in the more effective system for cutting working hours of controllers.

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