

## COMPARISON OF CONTROLLING TOOLS OF DIFFERENT SALES STRUCTURES: CASE STUDIES

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**Abstract:** This paper describes and analyses the importance and usefulness of different controlling tools, which are used by two companies of the case studies. The organizational structure of the companies and their main key parameters are shown and analysed.

The paper focuses only on the sales activities and sales structures of these companies and brings up working solutions for some commonly occurring problems in business operations. The two companies of the case studies strongly differ from each other in many aspects and we can notice that they use different controlling tools for the same problems and challenges they have to face.

**Key words:** controlling tools, management.

### Introduction

A company's business environment, partnerships and opportunities are constantly changing. If the company is not able to quickly adapt to changing environment and challenges, then its competitiveness deteriorates and necessary conditions for a successful operation can not be ensured, which is resulting in business profits getting reduced, in market position weakening, and eventually it could even cease its business activity in the worst case. Even if the company's current situation is stable and indicates a successful operation, the management task is evaluate business processes and events, as well as an ongoing research of points where the operation can be improved. The management must prepare the company and find solutions for the expected and unpredictable changes that could occur in the future. In many cases, evaluating an operation of a business process can be a problem. Sometimes, the manager, who would be able to implement the necessary changes, is not aware, that the process which is considered appropriate is far from optimal level. The mistakes are coming from measuring and evaluating the situation and business processes based on improper or incomplete information. The internal and external processes included in the company's activities are so complex and diverse, that one person is unable to clearly grasp the full depth of them; therefore, the manager is able to get only partial information from the company's different units through indirect channels for example, through reports, IT systems, partners and sub-conductors.

An important task of the manager is to build up and implement automatic mechanisms, cycles, control points into the company's operation, which indicate if there is a problem or a disorder with a unit of the company structure, and provide

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accurate data about necessary areas – because only this way the manager will be able to take the appropriate decisions and to implement necessary changes which maintain the company’s competitiveness in a changing environment.

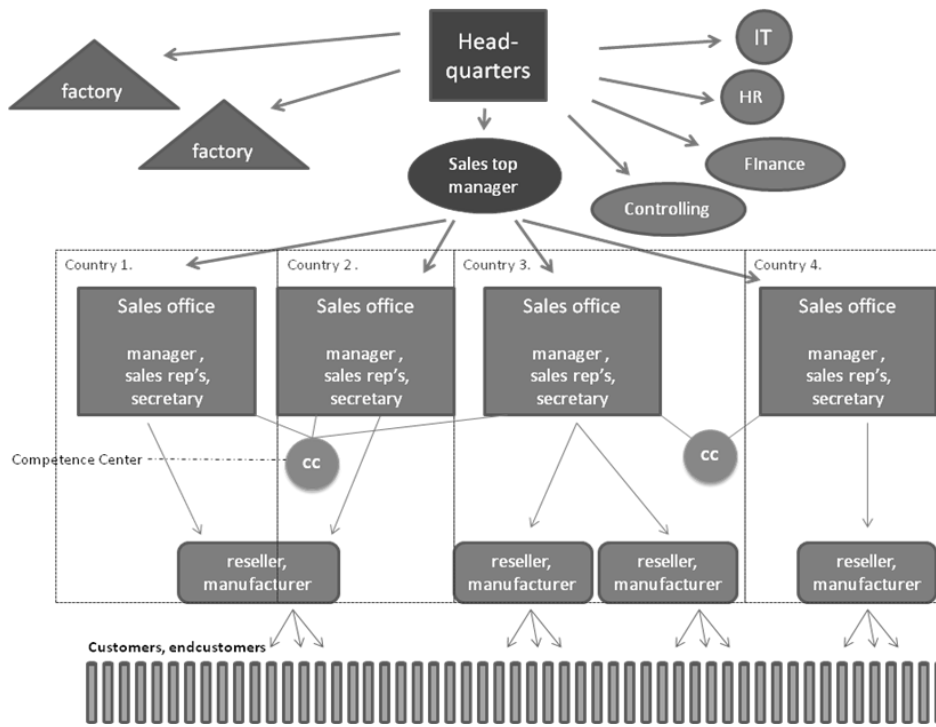
In this paper, two totally different sized companies are presented, which differ in history, financial background, in market position and selling activity, and also differ in using different tools and strategies to fight the challenges. In the following, we describe and analyse some of the different managing tools and controlling practice used by the two companies of the case study.

**Presentation of companies**

Organization structures

One of the presented companies belongs to the heavy-industry, and it is a leading multinational company with a long and successful history. The company is selling its own production in high volume to manufacturers or resellers ( B2B - business to business).

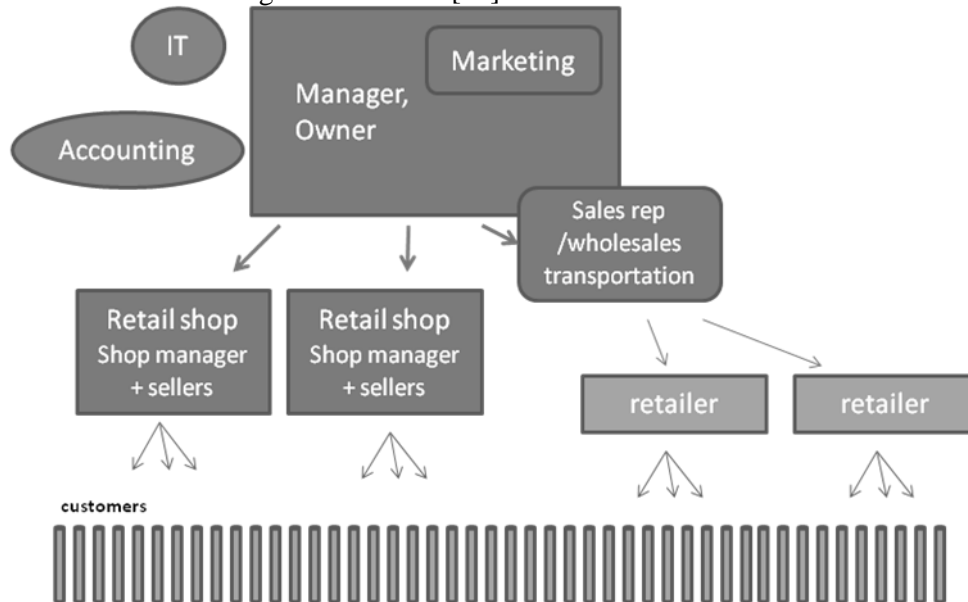
Thus, the sales work of the company is supported by only sales offices, with a low number of employees per office per country: manager, sales rep’s and secretary [9]. The structure of this company is presented in Figure 1.



**Figure 1. Example of sales structure of multinational company**

*Source: own editing based on information provided by [9]*

The other company presented in this paper belongs to the S&M sector, is mainly active in the domestic market, where is selling to his customers through it's own retail shops and besides, also selling to his wholesale partners – to the other retailers, as it is shown in Figure 2. This company is also employing a small number of workers: owner as manager, one sales rep, shop manager's and sellers, the IT and Accounting is outsourced. [10].



**Figure 2. Example for sales structure of small sized company**

*Source: own editing based on information provided by [10]*

#### General characteristics of companies

Main parameters of the analysed multinational company [9]:

- decades of experience and know how
- solid and strong financial and banking background
- more than 17.000 employees and international presence – large distance between the upper management and lower level
- the top available human and material resources used for the most effective functionality and operation
- mid term planning and long term strategy
- inflexibility
- matrix organization structure
- large international experience source from its own daughter companies and units, information from many situations and locations
- large in company size and also in geographical and cultural distance between the corporation's units
- low (unit) costs compared to the volume of sales

- strong trust in the corporation on the market, strong social capital
- state support in some countries.

Main parameters of the analysed small sized company [10,2]:

- less experience, young history
- small number of employees, between 10-15 persons
- risk avoidance
- short term plans and mid term strategy
- flexibility, personality
- no levels between management and lower level, quick reactions
- uncertain financial background
- weak social capital
- low financial reserves, weak banking background
- the owner and the manager is the same person.

### **Structure and process of sales chain**

The sales process of the multinational company is very complex and complicated. Sales processes are supported by the help of the company's sales offices located in the different countries. Sales offices are the communication bridge between headquarters, production plants and customers, and they are the implementers of selling activities. Residential employees of the local sales office understand better the local culture and can easier create a personal and closer relationship with the customers than the foreigners. In some cases, so called competence centers are established to concentrate the knowledge and know how in the sales in order to improve efficiency. The competence center – the entitled sales representative – is specialized in and focus on only one product or on one product group – even across more countries, where geographic distance allows it. One barrier of the efficiency and the possibility for operating competence center is the lack of common language knowledge between the competence center and the partners' purchasing department's. Sometimes the help of interpreter helps the situation but also can bring misunderstandings and can harm the business.

The company's products and services can be classified into several product categories and units. A functional hierarchical structure is built up from these units (business segments, business units [9]). This functional organizational structure overrides the legal hierarchical structure determined by the local corporate law. The sales reps' tasks are mainly determined by these functional units (business segment, business unit), but their responsibilities are divided – firstly they report to the manager of the sales office but also they have to report to the superiors of the functional units [9].

The small businesses situation from our example is much simpler, because the owner is functioning as manager and therefore responsible for himself and risks his own investments. The goods which are sold by the company are imported from one supplier, the range of products are not so wide. The manager takes many

of responsibility and tasks including ordering, marketing, HR etc. One sales rep is responsible for the wholesales, and sales persons are selling the goods in the retail shops for the retail customers.

### **Management solutions and control tools**

The companies previously presented use various solutions and tools to manage and control business areas. In the following, we analyse some of the commonly occurring problems at different corporate functions and the management solutions used by the two companies. In the chapters below, we use “large corporation” and “small company” expressions for the two companies presented in this case study.

#### *HUMAN RESOURCES [9,10]*

##### Employees work adequacy control

At great successes, failures and problems related to the employee’s activities, it is easier to judge the quality of the work, but in some cases the problems are not so obvious or visible, especially when the relation is not direct or the distance is larger between leader and employee. The employee may intentionally cover up his mistakes, but outstanding good work and commitment can remain also hidden from the manager.

*Large Corporation:* the company’s superior management or the HR department use questionnaires or other communication channels (phone, email, personal visits) to get an objective and direct information from the business partners about their judgment and satisfaction towards the workers of the company. This way the superior management gain information about their employees’ skills and competency annually or even more frequently.

*Small Company:* the manager is in permanent and direct contact with his staff, this way he can control and judge the quality of their professional work easier. It is important that the manager has personal relationship with his partners and customers. The test consumer system is a useful tool for testing the quality level of the service of the shop sellers in the retail shops.

##### Keeping employees, motivation, team

There could be different reasons behind, when an employee is not motivated and therefore not doing his work with maximum commitment. It is possible that the given tasks and position is beyond the worker’s skills and competencies, which can demotivate and frustrate him, but it is possible that the same person in a different position or area would be successful and show acceptable performance.

There could be problems also in private life behind the bad performance. There can be a situation, when the employee carries out excellent work, but the company’s compensation doesn’t feel satisfying and sufficient. If the employee is unable to communicate this problem to the management and there will be no change in the compensation, the work commitment will be reduced or the employee will even

resign. Personal conflicts within the company can also lead here. The task is measuring employees' satisfaction, exploring conflicts and contradictions [11].

*Large Corporation:* tests, questionnaires, personal interviews carried out and analyzed by outer specialists and by inners as HR department or by managers who work at different company units can bring out objective information about the workers – which information might stay hidden otherwise. Cross Check System is also used. – Test have to be filled out with certain regularity, in which the company units have to classify and evaluate each other units' work with which they have any cooperation. Employees tend to avoid giving bad evaluations even if the critics are right, because they don't want the relationships to be ruined and they are afraid of the consequences. It usually helps this problem, if it is compulsory to give bad or negative ratings to a for example at least 10 % of the colleagues or units asked about in the questioners or give at least a defined number of bad ratings in the questioner. This system provides also information about the efficiency of teamwork, about adequacy of team composition, and with the possession of these information, the teams can be reorganized if it is required.

*Small Company:* these problems emerge easier as the manager is in direct contact with the employees. However, efforts should be made to give employees the opportunity to share their opinion, ideas and feelings.

#### *MARKETING AND PR [9,10]*

Basic elements of the business success are the appropriate marketing and PR activities. However it is not always possible to clearly define and measure the actions' and projects' impacts on the business processes, therefore, the company often spends the resources allocated for marketing and PR inefficiently. It is difficult to measure and separate the effects of campaigns and actions when at the same time several PR activities and advertisings are active on different mediums and forums. In order to be able to measure the effectiveness of an action, a virtual "sticker" should be added to the campaign or advertisement with which the sale or interest can be assigned to the action, such as giving the customer discount coupons, flyers or discount codes. When the customer enters the shop or contacts the company and refers to the coupon or discount, then this customer can be assigned to the specific marketing action where the coupon or the discount was advertised and offered. By analysing the number of customers and sales affected by the marketing action, the effectiveness can be measured of the campaign. Monitoring the company's or products webpage's visits gives also prompt and accurate information about customer reactions. With the result known, the campaign can be modified, extended or stopped [12].

*Large Corporation:* the marketing department and advertising agencies monitor the impact of promotions and advertising, and analyse the results. A multinational corporation can use the experiences and results gained in other countries, and can apply the same marketing and PR tools more targeted and more effectively. In general PR and marketing activities can also serve long-term strategies to reach

the desired goals, such as image improvement, introduction of a new product to the market, or brand awareness for example. Even at high costs they are able to invest and plan for the long term.

*Small Company:* in contrast with large corporations, there are no financial resources to engage in a costly and risky marketing action and can not finance activities of which costs can only recover in long-terms through the sales. Small company can only finance campaigns on the long run, if the results bring revenue already in the short term, from which the campaign can be financed and continued. The most important tool for small businesses is testing. Before higher cost and risky actions, smaller “pilot” actions have to be launched where the immediate effects are clearly measurable, and knowing the results the further actions can be defined. In this way, the most effective creative graphic design, advertisement and medium can be selected. Based on the pilot actions’ results, the impact of an extended and costly campaign can be estimated, this way the company can reduce the risk and uncertainty and reach and activate its target group more effectively.

#### *IT SUPPORT* [9,10]

##### Quick and prompt information flow

In a rapidly changing business environment it is very important that the company immediately responds to the actual market situation. Accurate, proper and real time information required by the management about sales, orders, inventories of raw materials, products, costs, receivables and liabilities, etc. This information flow can only be provided with strong IT support [6].

*Large Corporation:* generally they select for use the safest, the most developed software, which can support and can handle all the corporate and business processes, like SAP. The license fee, the operating, maintaining, customizing and developing cost is extremely high, however only a sophisticated management information system can organize and handle the different corporate units and processes. The integrated management information system collects the data from all of the business units and business segments, then filters, structures and provides the required information for the managers. The rapid and real time flow of information is partially able to compensate for inflexibility of a large sized company.

*Small Company:* is not able to finance the best available costly software and the necessary IT background. Simpler, but less expensive or even free solutions can immediately provide real time and exact information on sales statistics, like using Google Documents and Google Forms. When the product is sold, the sellers immediately enter the data about the purchase into the Google Form in the retail shop. The data from the filled out forms are stored on the Google spreadsheet, which is accessible by the manager at anytime. The server provides the summed actual sales data and statistics for the manager in real time from the retail shops. One of the drawbacks of the cheaper solutions is that the data protection is not

satisfying and the softwares are not customized for the company's needs, but due to the weak financial situation of the small company, this is not priority.

#### *SALES – PRODUCTS [9,10]*

Sales data is one of the most important information about the company's whole operation. Analysing the sales data, the management is able to make conclusions about the effectiveness of several processes and units of the company and thus make decisions for the necessary changes. By noticing someone's outstanding selling performance, the factors of success can be defined and then implemented to other units and employees. The planning of the sales then the realization of it will define the company's financial planning and the cash flow, and determines the planning of purchasing and production capacity.

At large corporations the decision-makers are physically far away from their markets, they get only indirect information about the sales process, and therefore they have to rely on reports made by the sales organization. Adequate decisions can only be made based on adequate information that is why it is essential to define the elements of the report and the quality and quantity of the information.

At small companies, the manager can directly get information from the wholesale partners and from the retail customers about the sales however it is not possible to monitor all the whole process. Therefore the manager has to create and implement such mechanisms, which will provide him the necessary information from all areas of the sales.

#### *Low sales volume*

For the financial year the company's management determines the plan figures for sales by products, product groups, countries or projects. The sales plans are broken down into month or week figures. The realized sales volume will be compared with the planned figures, and then the company's current status can be evaluated the forecast for the remaining financial year can be updated more precisely - compared to the original plan figures. If the realized sales figure happens to be below the planned figure by a certain level, then it means an alarm for the management, that immediate action is required to determine the causes and set up an action plan to overcome the problems. The decreased volume of sales can be caused by different reasons, but the reasons and their contribution to the decreasing usually can not be defined clearly.

#### *Products sold by sales reps and sellers do not meet the maximum requirements of the consumers*

It is a fact that marketable goods have to be put out for selling, but it is not always easy to determine that a product or a product portfolio meet the maximum requirement of the customers. In case of relative high volume of sales of a product, the manager does not turn enough attention to undiscovered potential - it is possible, that this product could be sold in more number or at higher price with a small and costless change in design for example. For the improvement,



the consumer needs and requirements have to be properly defined as well as their willingness to pay.

*Large Corporation:* the company goal is carrying out market-driven innovation in product developments, in order to be able to manufacture marketable product and not to develop items which may be high-tech, but does not meet the requirements of the consumers. Therefore, production has to be based on the present and the imagined future market needs, and not on the innovations and the ideas of the researchers and engineers, if their not based on real sales potential. Information from the partners and potential buyers should be collected regularly and directly, for instance by asking to fill out a questionnaire about their opinion and evaluation about the product parameters and send the results back via email. Sales reps are also questioned about the market reactions, about competitors and about the information from the partners. At international sales meetings with the other sales reps and factory representatives exchange experiences and information, seeking to identify the advantages and disadvantages of the products and discuss and analyse their customers' preferences. The results obtained from the questionnaires and sales reps are to be connected back to the production and marketing.

*Small Company:* it's useful to provide a survey for customers in the retail stores and at the company's web page so they can express their opinion and share their experience's. Before ordering large quantities, customer reactions can be tested in advance on samples. Based on the customer reactions to the samples, the larger quantity order can be optimally compiled. Exhibitions where products can be presented to many potential customers, is a good way to test the consumer reactions towards the presented products.

#### *Pricing*

Besides the quality of the product and the market needs, the price of the product is also important. If the price/value ratio is not appropriate or the competitor's substitute product is coming to the market at a lower price/value ratio, then the sales will be decreased.

#### *Large corporation:*

The development of a product and the setting up of the production line is a major investment; therefore a long term plan is required for the sales and for the product lifetime. Because of the strategy, even short term losses are financed until the product is presented to and accepted by the market. The pricing strategy is a part of the company strategy and goals and can serve different purposes. The prices can be dramatically lowered if the goal is to weaken the competitor or the prices can be set to high level if that corresponds to the company's image and the high volume sale quantity has less importance. Thus the company determines its short term, but besides also long-term strategic goals, which is not linked only to the sales volume and revenue, and then these goals are compared with the realized sales results. Due to the company's long-term partnership contracts and mass production and great sales volume, the pricing of a product or product

group does not change in the short term. The information from the partners, from the marketing department and from the sales rep's about the acceptance and success of the price level by the market are reviewed annually, which then are set against to the current and expected future costs of the production and to the strategic goals of the company. The new price level is set based on the results. [5]. *Small Company* requires the income from the sold goods already in the short term because of the weak financial background. With constant monitoring of the sale trends, competitor actions and prices of the substitute products and customer reactions, the products are priced to provide the largest margin from sales already in short-term for the company. In case the realized sales figure of a product is below plan, the manager might decide about price reduction – maybe in accordance to a marketing action. But when starting price reduction, the manager has to be aware the effect of the price reduction for the image of the brand and the interest of the wholesaler partners to avoid price competition and avoid harming the partners' businesses. For products where the realized sales volume remains low or the stock is short and therefore it is not sufficient to satisfy customer needs, the company can get rid of these items quickly with greater price discounts and realize the turnover from the sales. From this income, the company is then able to finance the purchasing the new products which will satisfy the customers' needs better and which can be sold at regular price level with higher margin.

#### *FINANCE, CONTROLLING* [9,10]

##### Planning

Financial planning is essential for a company to operate safely and optimal. Even a successful large corporation with great history can end its activity and close down, if it gets into a financial problem, which disables the company to keep up financing its operation even only for a short term. The financial planning has to optimize the spending of resources and allocate them to the different business areas and projects. The local goals and local optimums which are coming in from the different units of the corporation to the top management, the corporate optimums are defined in between the boundaries of the financial possibilities, from which the local tasks and actions will be set for the local managers for execution.

*Large corporation:* the financial department based on the data gathered from business units, sales offices and accounting determines the company's financial position and creates forecasts for the management. The management defines the tasks and plans for each company units with a budget assigned from which these tasks, processes and projects have to be carried out from. If the budget is exceeded in other words the costs are above plan, the responsible immediately have to report it to the superiors and if in case the problem is significant then the financial department makes an analyse and send the results to the top management.

*Small Company:* the financial planning is made by the manager. The financial balance is very sensitive, and the company's cash flow can easily become negative. For small companies there are no substantial credit facilities, which can help

to survive through short-term funding problems, therefore the manager must be aware at all times of the company's current and expected financial situation and risks.

The company must follow a risk avoiding behavior when investing, when ordering goods, and with wholesales where payment delays or even nonpayment could occur. From the real time sales statistics, from the available financial sources and collectible debts, the manager defines the company's financial limits and allocates resources to the different company activities. It helps the manager in making right decisions with lower risks, if all the realized sales and costs can be easily viewed in real time and in an appropriate structure by him. To achieve this, the employees have to enter all costs and disbursements to a Google Documents' Form just like the sales data, so the manager can follow the real time financial status of the company.

*Stocks, tangible and financial assets protection*

Even with the greatest trust and confidence, the managers have to prepare for the possibility of the inner or outer theft or loss of items or valuables. If the security system is properly designed and operated, then this uncomfortable issue will not arise, but the manager has to plan with this scenario, therefore the security system should be developed and well managed.

*Large corporation:* In the sales offices, the manager and his assistant keep count of the financial and tangible assets and control the inventory and the staff's cash and credit card spending are monitored. In every month, the sales office sends the data and documents the accounting department in the structure and in the form which is required. The sales office must also provide the necessary information for the local tax authority according to the local law. The report for the tax office is prepared by the local bookkeeper but the report is also sent to the company's accounting department. This way the accounting department and the company internal audit receive data from the sales office operation from more sources at the same time. Every sales office faces a full inspection by the internal audit. The date of the audit is usually randomly chosen, but it has to happen at least once in every 5 years. During the inspection, the sales office's complete operation and all the documents and books, but also the quality of the sales office's staff's order management, customer contact management, and administration are reviewed. In the case of large corporations a potential threat source is represented by the possibility of building up a corrupt cooperation between business partners and the company's employees.

At large companies, the purchasing department carries the greatest risk, therefore, the key persons of this department are generally often changed, rotated within the company, thus trying to hinder the development of building out friendly relationships between the suppliers' sales reps and the company's purchasing.

*Small Company:* the purchasing, buying functions are in the manager – owner's responsibility and he is in direct contact with the suppliers. He also has a personal

close relationship with the important whole sales partners. Therefore strong controlling is not necessary in this area at the presented company of the case study. At small companies, the employees' working time records, inventory, company expenses, the daily revenue amount the cash register has to be strictly monitored and checked. The highest risk is carried in the high value product stock at the company in the warehouses and in the retail stores. The manager makes and orders systematic and random inventory checks in the retail stores and in the warehouse, and the checked and collected inventory data is compared then with the records of the inventory management software's data. When checking the inventory with one of the seller of the shop, the manager always involves either the sales rep or the other retail shop's seller into the work, because this way the inventory check will be carried out by two independent persons at the same time. Having some losses in the inventory can be accepted, it can occur time to time, but if the security system is working effectively, then the loss can not grow above to a certain level, because the problem becomes visible for the manager, and the reasons can be identified and the solution can be worked out.

### **Summary**

The science of management is art, where the manager has to make right decisions on having insufficient information only. The company is operating and working by these decisions. In case of a one person company, the manager makes all the decisions himself and his is aware of all information related to his company operation. As the company grows in size and its working area widening in space, and the number of employees, the quantity and complexity of the tasks are increasing, less and less information are reaching the manager from the different areas of the company. If we supposed an ideal and never existing situation where we could hire managers to lead and control the different company areas and these managers would show always maximum commitment and they all would be in possession of the highest professional skills needed for their work – then this company could probably work in the most optimal way and would be very successful. However we can not create such situation, therefore the company can work at its best, if we can build up and implement such an effective company organizational and management structure, which can effectively control the operation of the company and can limit and correct the effects of bad decisions or bad process.

Using control tools we can set up automated mechanisms built into the company's operation, which will give signals and information about the human mistakes, outstanding results and performances, and about optimal operations for the managers, who can react in time and can make proper decisions in the possession of this information.

To find out and define which are the right structure and the right tools for a specific company, what will help and support its operation the best – that is already art.

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### PORÓWNANIE NARZĘDZI KONTROLI RÓŻNYCH STRUKTUR SPRZEDAŻY: STUDIUM PRZYPADKU

**Streszczenie:** W niniejszym artykule opisano i przeanalizowano ważność i przydatność różnych narzędzi kontroli, które są wykorzystywane przez dwa przedsiębiorstwa zaprezentowane w studium przypadku. Ponadto została przedstawiona i przeanalizowana struktura organizacyjna przedsiębiorstw oraz kluczowe parametry.

W artykule skupiono się na operacjach związanych ze sprzedażą, na strukturze sprzedaży badanych przedsiębiorstw oraz zaprezentowano rozwiązania ułatwiające pracę dla najczęściej pojawiających się problemów podczas prowadzenia biznesu. Dwa przedsiębiorstwa przedstawione w studium przypadku znacznie różnią się od siebie pod wieloma aspektami. Można ponadto zauważyć, że korzystają z różnych narzędzi kontroli do radzenia sobie z tymi samymi problemami.

#### 不同销售结构控制工具的对比：案例分析

**摘要：**本文对于两个公司案例分析的两种不同的控制工具进行了重要性和适用性的分析和描述。文中我们提出了上述公司组织架构的关键参数和分析。本文对于销售活动和公司销售结构，并且对于商业运作中的共性问题提出了一些解决方案。