

# Controlling system within unilever commerce essay



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BUSTER**

Unilever has an immovable control experience, which is agreed and frequently reviewed by the Boards. This incorporates risk management, internal control procedures and operations control which are planned to provide rational, but not complete, security that assets are refreshed, the risks facing the business are being addressed and all information required to be released is reported to the Group's senior management, including where appropriate the Group Chief Executive and Chief Financial Officer, within the required timeframe.

## **RISK MANAGEMENT:**

Unilever manages a variety of marketplace risks, including the effects of fluctuations in foreign exchange rates, interest rates, and liquidity. It deals with the following risks:

### **Treasury Risks**

### **Commodity Risks**

### **Procedure Risks**

### **Customer Relationship Risks**

### **Systems and information Risks**

### **External Risks**

## **TREASURY RISKS:**

Unilever has an interest rate management policy designed at enhancing net interest cost and decreasing instability. This is accomplished by adjusting the interest rate analysis of debt and cash places over the practice of interest rate switches.

Fixed rate investments and borrowings give growth to a rational value interest rate risk. The fluctuating amounts give growth to a cash flow interest rates.

Because of Unilever's wide operational reach, it is subject to risks from changes in foreign currency values that could move incomes. It is not possible to fully border these fluctuations. Unilever does have a foreign exchange policy that needs operating companies to manage tradeoff and economic foreign exchange contacts within given limits. This is attained mostly through the use of forward foreign exchange contracts. Regional groups monitor compliance with this policy. Unilever objects to decrease its foreign exchange contact in operating companies by borrowing in the local currency, except where introverted by local guidelines, shortage of local liquidity or local market conditions. In order to decrease the risk, Unilever border such investments and from time to time they reevaluate the currency.

## **COMMODITY RISKS:**

Unilever sees risk where there is the potential for price instability in respect to the distinct commodities used in the production of the ultimate product.

Commodity is the term used to describe a type of good which, while in demand, has no different variances when related to a rival's offering.

Unilever feels that compelling a goods-based supply-chain perception helps to manage contact. In accumulation to the commodity risk focus, Unilever also borders risk by "locking down contracts" and using results.

**PROCEDURE RISKS:**

Procedure risk involves that there's a lack of formal procedures and lack of quality control system. Unilever always check their procedures and policies and they do have a check and balance over their control system.

**CUSTOMER RELATIONSHIP RISKS:**

To know the needs and taste of customer and building strong relationship is also a risk factor for Unilever because of the continuous innovations and developments the needs and taste of the customers are changing frequently. In order to know the needs of customer Unilever has set its customers sales and design outlets which enables them to find the new ways to satisfy customer needs. They monitor the progress on a regular basis.

**SYSTEMS AND INFORMATION RISKS:**

Unilever use IT systems to interact with their customers but on the other hand they have a threat of the misuse of their personal and sensitive information through unauthorized access. In order to prevent this risk they maintain the control system check the security settings on a regular basis.

**EXTERNAL RISKS:**

The external factors such as economic and political indicators and natural disasters can create a great amount of risk for Unilever. They regularly update themselves from the current business results and cash flows. They have been continuously designing plans for crisis management in the event of economic, political and natural disasters.

## **INTERNAL CONTROL AND PROCEDURES:**

Unilever control framework is supported through a code of Business Principles which set values of efficiency. It needs that senior manager's in each department controls the value of internal control because they are a key to huge risk factors. The Boards have individually all the responsibility for establishing procedure to check the effectiveness of internal control and reviewing and reevaluating them their effectiveness. There is a day- to- day review of effectiveness of internal control system and Unilever monitor its risks with ongoing basis.

## **OPERATIONS CONTROLS:**

Operations Controls is the control in which you make sure that operations activities are carried out as they were planned. Operations Controls include following controls:

**Financial Control**

**Budget Control**

**Inventory Control**

**Maintenance Control**

**Cost Control**

## **FINANCIAL CONTROL:**

Managers at Unilever put financial controls in order to trace performance and evaluate the performance to the attainment of financial goals. Unilever managers develop strategies to line the risk in a structured way. They follow a financial assessment process through which they evaluate that at what pace they are reaching their strategic financial goals. This assessment

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process requires the senior manager in each business unit to check effectiveness of financial controls.

### **BUDGET CONTROL:**

Managers at Unilever put budget control in order to track that whether their income and expenditures are planned or not. They have a comprehensive budget system which is approved by all the stakeholders and board of directors, which is revised and restructured on a regular basis. The performances against the budget of Unilever are monitored through monthly and quarterly reporting routines. Then the updated report is distributed among the stakeholders.

### **INVENTORY CONTROL:**

Unilever has a very proper system through which they control their inventory.

They produce the goods according to the demands and tastes of their customers. A unique supply chain and warehouse capacity is bigger challenge for them. They had a very strong inventory control at their different distribution centers, where they control the supply and demand of their products. Unilever has also a proper warehouse management system in which they capacitated their inventories.

### **MAINTENANCE CONTROL:**

Unilever has a proper maintenance control system. The maintenance manager at Unilever individually monitors the equipment on daily basis. After monitoring, they create a report on the history of this monitoring for

future examination. Furthermore, they have a warning system alerts on their equipment's which makes their controlling system more effective and efficient.

### **COST CONTROL:**

COST control is the process of controlling cost and checking whether the costs are with the accordance to the budgeted cost. In Unilever cost control is an essential part because it determines business stability. Unilever controls cost to create more profit. They have a proper check and balance over the wastages of raw materials so that they might eliminate those raw materials which are inadequate for their production process.

### **INSPECTION:**

Unilever has also an inspection system in which they hire inspectors. They check quality of products, machines and equipment's, raw materials used for the production of goods, site inspection and location inspection where they conduct their research work.

### **AUDIT AT UNILEVER:**

Unilever's internal audit plays an important role in the assurance of the value of risk management and other related control operations to both operations management and the Board. Unilever has an independent audit committee which is entirely composed of Non-Executive Directors. This Committee meets Chief Auditor and external auditors on a regular basis.

## **INFORMATION TECHNOLOGY:**

Unilever uses Information technology to provide managers with information which they need in their decision making. Unilever uses SAP software to monitor and control its business, which now used globally. The ERP system produces annual sustainability reports. SAP is working more with the business leadership and process leaders; it develops and support business strategy. The SAP system values it customers, meet its customers, started to listen its customer and take corrective actions for the needs of its customers.

Mistakes can be controlled by SAP and they are rectified at the time they are detected by SAP.

## **SAP:**

SAP stands for Systems Application and Products in Data Processing. It was developed by IBM engineers in 1970's as standard based software. SAP is used by organizations to manage their enterprise. This includes managing their day-to-day operations, inbound and outbound logistics, finances, HR etc.

## **ERP:**

ERP stands for Enterprise Resource Planning. It is implemented by various organizations to centralize the database systems and functions of every department in a single system. ERP is used by Unilever which helps them to decrease their losses and increase their profit.