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Effect of Controlling on SME Performance

Vliv controllingu na výkonnost malých a středních firem

Влияние контроллинга на эффективность работы малых и средних фирм

25.04.2014

University of Finance and Administration



Objectives

1. Present the model of business management process
2. Demonstrate relation between management accounting and controlling
3. Identify the key financial indicators of operational and strategic controlling
4. Present the consequences of the failure of controlling on SME performance



Specifics of SME's



A different system of relations with the owners
(Owners involved in the operational management)

A different process management system
(Universal staff – overlapping/mixing activities)

A different financing system
(Balance sheet – intuitive management of fin.sources)

A different system of managing financial results
(Optimization)

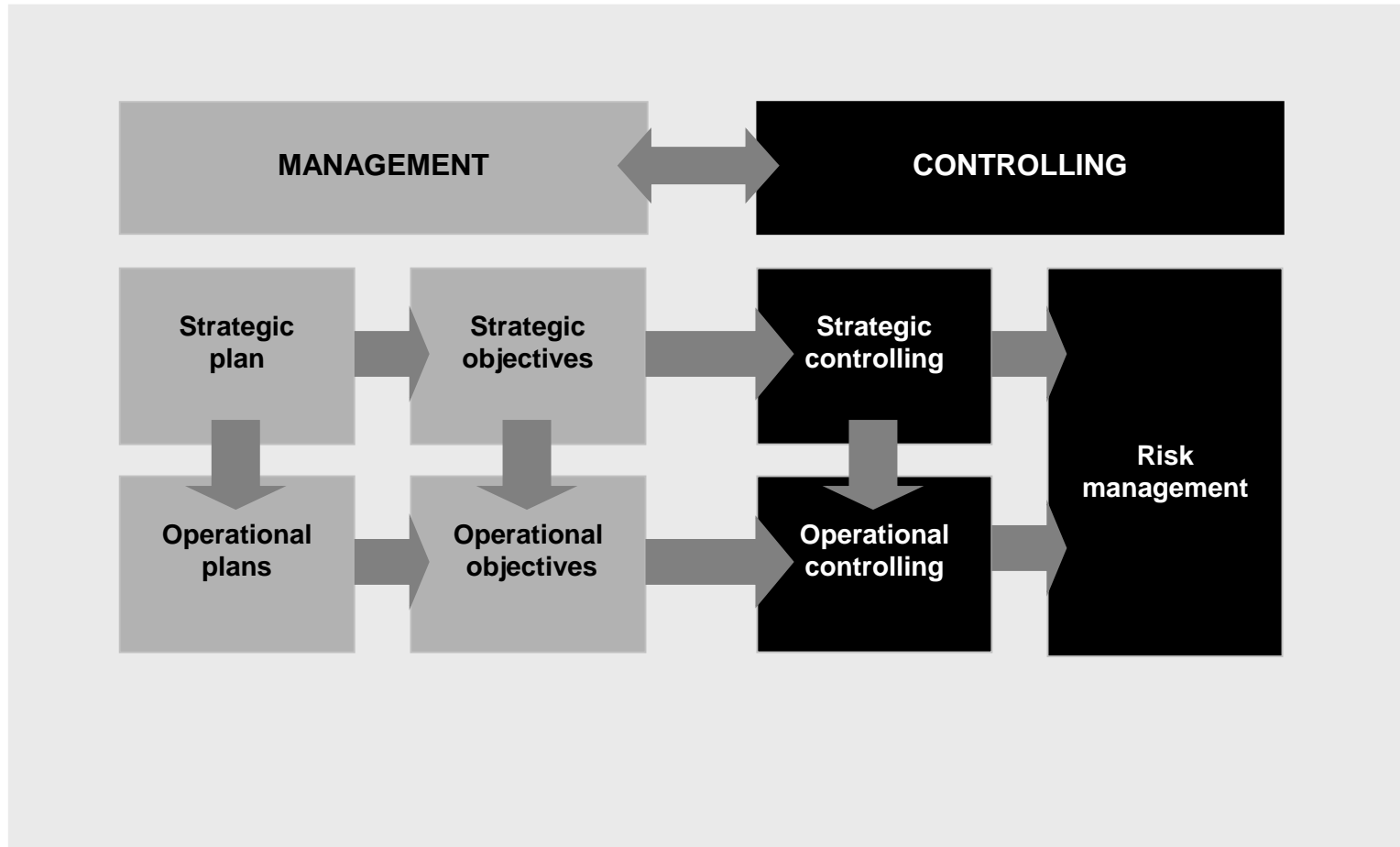
A different system of financial planning
(P/L, C/F)

Source: AMSP CZ research (2010-2014): 10 000 companies



M-C model

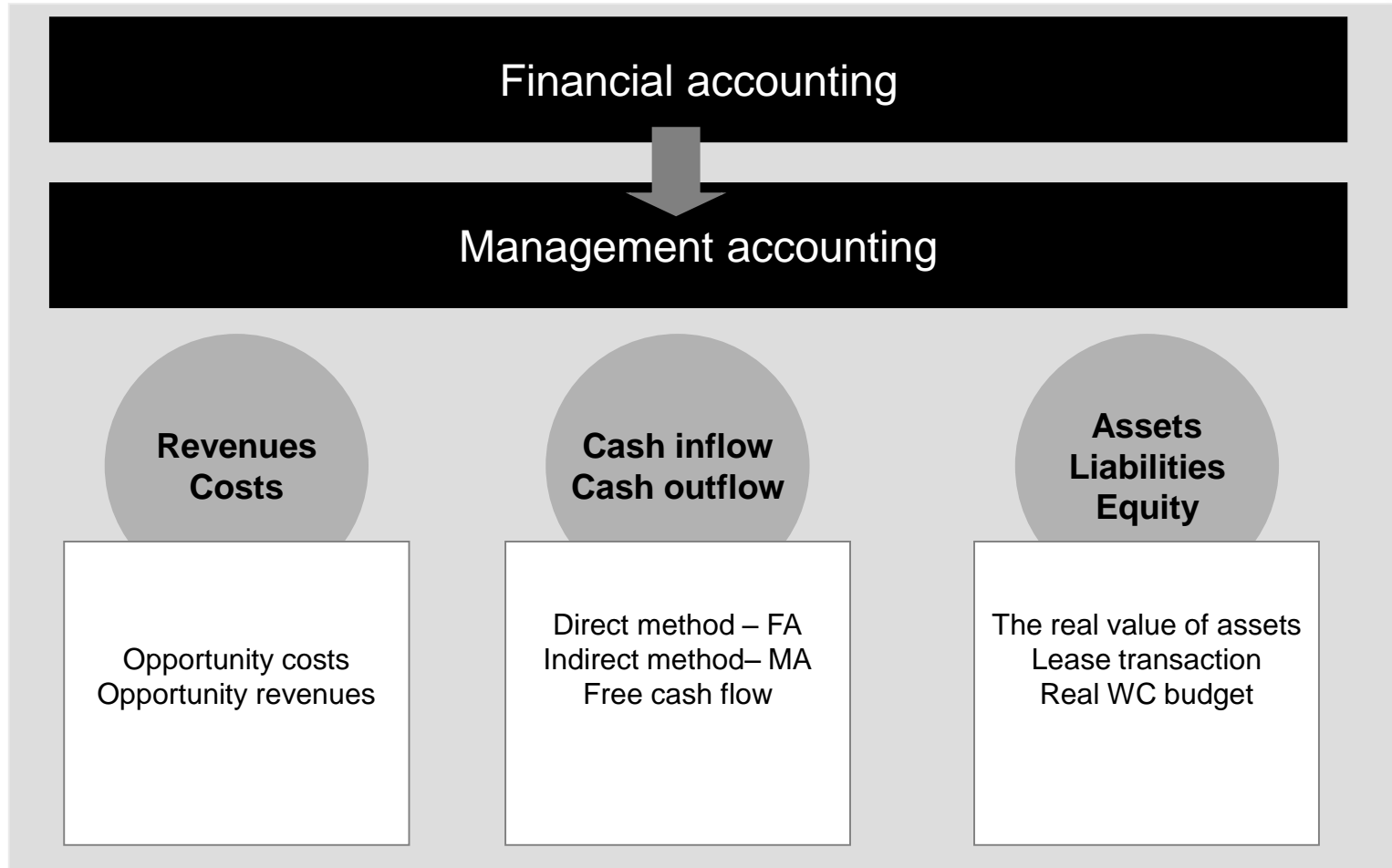
Model of business management process



Source: Havlíček, K., 2007.



Controlling & management accounting



Source:

HAVLÍČEK, K. *Kontroling a management accounting in small and medium enterprises. Moscow, Economic analysis: theory and practice, 2013.*

Key ratios of strategic controlling



Controlling balance sheet optimisation

Balance rules

Controlling of ownerships ratios

ROE, ROI, ROS, ROA, EVA

Controlling of debt optimisation

Key indicators of indebtedness
(Times interest earned ratio)

Controlling of investment decisions

Method of evaluating investments

Controlling of company value

Evaluating and forecasting
of the company value

Source: HAVLÍČEK, K. *Роль контроллинга в малых и средних фирмах*. Moskva, Управленческий учет, 2013.

Key ratios of operational controlling



Controlling of free cash flow

Evaluation and forecasting of future value of FCF

Controlling of operational ratios

Liquidity ratios, activity ratios

Controlling of short-term debts and relationships with financial institutions

Balance sheet optimisation (short-term debts/current assets), diversification of risks

Controlling of calculations

Setting, evaluating and arrangement of calculation methods

Controlling of direct financial risks

Evaluation and management of currency, interest, share, commodity and credit risks

Source: HAVLÍČEK, K. *Роль контроллинга в малых и средних фирмах*. Moskva, Управленческий учет, 2013.

Failure of controlling in SMEs



SC

Long-term performance failure **Corporate crisis**

Stages of crisis:

Strategy crisis

Profitability crisis

Liquidity crisis

Loss of confidence

**Threat in the form
of crediting fixed assets**

1. Operational restructuring
2. Financial restructuring

OC

Immediate performance failure **Operational crisis**

Stages of crisis:

Failure of operational activities

Defects in WS management

Threats of solvency

**Threat in the form
of crediting current assets**

Operational restructuring

Source:

HAVLÍČEK, K. *Restructuring of small and medium enterprises*. Kiev: Actual Problems of Economics, Editorial Office, 2013.

Conclusion

Absence of controlling has a major impact on long-term and short-term performance of SMEs

Interdisciplinary approach based on Management - Controlling

The basis of controlling in SMEs is management accounting

Controller = Coordinator in business process management

Controlling application strengthens the credibility of SMEs



Literature

