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ПЕРЕСТРАХОВОЧНАЯ УСЛУГА И ЕЕ ЭКОНОМИЧЕСКАЯ ПРИРОДА

Предложены новые подходы к толкованию перестраховочной услуги как доминанты, которая обуславливает формирование рынка перестрахования и является важным фактором функционирования и саморазвития рыночной среды, объединяет интересы носителей спроса и предложения и влияет на качественные характеристики рынка, определяя тенденции его дальнейшего развития. Уточнено смысл понятий "спрос на перестраховочную услугу" и "предложение на перестраховочную услугу".

Ключевые слова: перестрахование, перестраховочная услуга, спрос на перестраховочную услугу, предложение на перестраховочную услугу.

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THE MEASURABILITY OF CONTROLLING PERFORMANCE

The urge to increase the performance of company processes is ongoing. Surveys indicate however, that many companies do not measure the controlling performance with a defined set of key performance indicators. This paper will analyze three categories of controlling key performance indicators based on their degree of measurability and their impact on the financial performance of a company. Potential measures to optimize the performance of the controlling department will be outlined and put in a logical order. The aligning of the controlling activity with the respective management expectation will be discussed as a key success factor of this improvement project.

Keywords: controlling; management accounting, controlling performance indicators, controlling role model.

Introduction. The urge to increase the performance of company processes is ongoing. While the need to measure and increase the performance of output orientated departments such as production is obvious, surveys indicate, that the performance of indirect functions like the controlling are in contrary rarely tracked. Considering the increasing over-

head in many companies, the following article describes how to measure and increase the value added of the controlling function. Based on a survey from [1], the performance of the controlling function is measured in only a minority of companies:

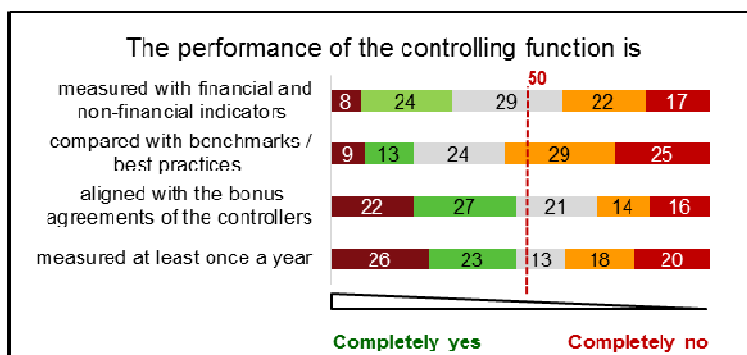


Fig. 1. Measuring the performance

Source: Author's processing modifying [1]

The survey is remarkable as it indicates that most companies do measure the performance of the controlling function at least once a year and align it with bonus agreements. Compared with the percentage of companies who measure, the percentage of companies who have defined financial or non-financial indicators or use benchmarks is however significantly lower. In other words, a significant percentage of companies seem to measure controlling performance without using defined financial or nonfinancial KPI.

Identifying relevant KPI. A basic role metaphor that is used in literature to describe controlling is to portray the manager as the captain of a ship (company) and the controller as the navigator. While the captain is responsible for the entire ship, the navigator suggests the right course used to reach the set goal [2], [3], [4]. Controlling can support management by identifying, planning and steering decisions that contribute to the added value of the company [24]. The controlling function will add to the company's performance, if the

value creation of the decision support outweighs the costs of the controlling function:

$$\begin{aligned}
 & \text{Value creation by management support} \\
 - & \text{Value consumption by controlling costs} \\
 = & \text{Value added of the controlling function}
 \end{aligned}$$

Literature has established a broad number of definitions to measure value. The purpose of these indicators is to express complex situations in an easy figure and therefore give the management an aggregated and fast overview [5], [6]. Out of the financial value definitions, the EBIT and the Free Cash Flow are very common financial value definition [7]. In general, companies combine the advantages of multiple value figures in their reporting system [8]. The logic and methodology described in this article to improve the value added of the controlling function is however not specific for a

particular financial value definition so that in the following the genuine term performance indicator is used.

Independent from the specific financial value definition the performance of controlling can be measured using three categories of indicators. Input indicators relate to the input allocated to the controlling function such as money or

headcount. Process indicators can help to evaluate the efficiency of controlling processes. The third category of indicators are output indicators which relate to the quality and relevance of the controlling output, in general controlling analysis and reports [9]:

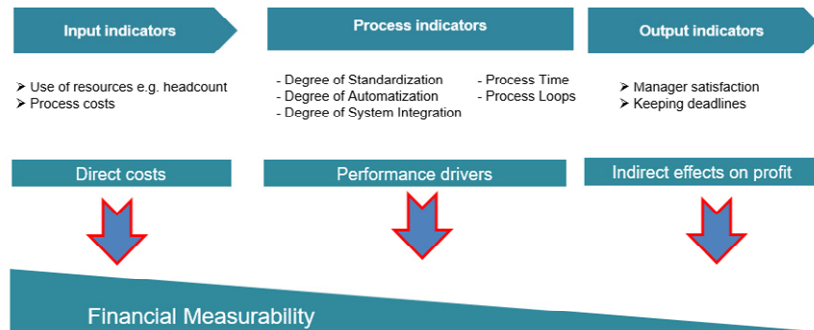


Fig. 2. The measurability of controlling performance

Source: Author's processing based on [9]

Input indicators represent the costs paid by the company to maintain the controlling function. This costs are mainly payroll costs cost and process costs to maintain IT and other infrastructure used by controlling. A smaller portion of costs relate to travel and training costs.

Process indicators relate to the degree of automatization, system integration and standardization of processes and the process time needed. Also, the number of process loops needed to finalize a controlling process is an important process indicator. An example for process loops is the number of budget rounds needed to finalize a budget.

Output indicators measure, to what extent controlling delivers relevant information to the management to support their decisions. The controlling function can influence the behavior of decision makers towards effectiveness and efficiency [10] and can give support to prepare decisions and support their execution [11]. Higher decision usefulness of analysis and reports provided by controlling can contribute indirectly to the financial performance of the company by contributing to better decision making by the

management. As the controller is not responsible for executing managerial decisions, the contribution of supporting functions like controlling to the financial performance of a company is hardly measurable directly [12]. Although a change in the satisfaction of management with controlling can be measured, the impact of good or bad controlling analysis on corporate financial results can hardly be solely allocated to the controlling function. A satisfaction survey with the management to identify the subjective decision usefulness of reporting is therefore only a measurable "substitute indicator" [6].

The impact on financial performance and the degree of measurability differs between the introduced categories of controlling indicators. While the financial impact of input indicators is directly reflected as cost savings, the impact of improved output indicators such as better management reports on the financial performance is indirect. The following graph illustrates the impact of controlling KPI on the financial performance of a company:

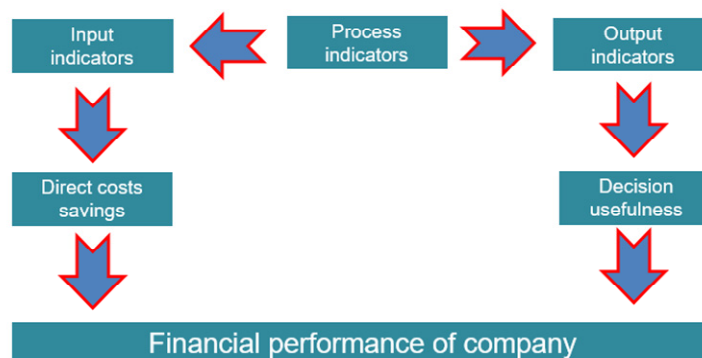


Fig. 3. The controlling impact on financial performance

Source: Author's own processing

The graph illustrates the central role of process indicators and outlines a remarkable interaction between the three indicator categories. The indicators that directly influence the financial performance of a company such as input indicators and output indicators are difficult to influence directly. In contrary process, indicators can be influenced

directly but will increase the financial performance only indirectly by changing related input- or output indicators.

The following example shall illustrate this interaction. A high degree of system integration for example does not directly increase the financial performance of a company but it can influence the amount of manpower needed to prepare financial

reports and hereby lead to cost savings for this process. The high degree of system integration can also increase the process speed and accuracy of the report and hereby increase the decision usefulness of management reports.

Process indicators are in other words indicators that can be directly influenced during an improvement project. Common targets of optimization projects are to increase the amount of automatization and system integration in order to reduce process time and increase process performance. Successful projects to improve a cost structure normally do not target to cut costs directly but target to influence performance drivers to increase cost efficiency and hereby reduce costs as consequence.

A change in process indicators can be translated to cost savings using assumptions regarding the relation between certain process indicators and costs. For example, a budgeting process with a high number of budget loops will consume more headcount and manpower and hereby impose higher costs than an efficient budgeting process with a low number of budget loops. These relations between process indicators and costs can be quantified by analyzing past data or benchmarking.

All indicators should be measured continuously to improve the controlling function. The result of this measuring should be compared with benchmarks or best practices to estimate how the controlling function is positioned within its peer group. If the measuring and benchmarking systematic is established, it is recommended to reflect this systematic in the target setting respectively the bonus regulation of the controllers.

Improving the relevant KPI. As introduced above the performance of the controlling can be measured using three categories of indicators. For a structured improvement project of the controlling function respectively their described KPI, it is helpful to understand in which aspects and dimensions such improvement might take place and in which logical order the process should be structured.

When reviewing the performance of a controlling organization there are two questions in focus: 1. whether controlling produces analysis and reports that have a significant impact on the decision making process and 2. whether the production of those reports is as efficiently organized as possible [13]. Optimizing processes within controlling contributes to increase the efficiency of the controlling work. The progress in system integration can lead to an increased efficiency in generating various kinds of reports and numbers but might hereby generate an "ocean of data and options" [14]. By creating all those reports without customer or strategy orientation, the effectiveness of the reports can vanish. This phenomenon is also referred to as "effectiveness trap" [15], [16]. The effectiveness should, in other words, be optimized before addressing the efficiency [16].

Increasing effectiveness means to align and synchronize the controlling activities with the management approach and expectations [13]. For this to be achieved, the "products" of controlling and the underlying controlling processes should be evaluated by the customers eg. the management, to what extent this products match their requirements and if they are in line with the strategic challenges and questions of the company [15, 17]. Increasing the customer orientation and satisfaction will increase the extent to which controlling products are considered in the decision process of the management [18].

The services provided by the controlling department can include various degrees of managerial activities. In the beginning of any improvement project, it is therefore vital, that the management evaluates its demand for different services of the controlling function and which importance it assigns to them. The controlling role models can be a basis to elaborate what kind of controlling services the management is willing to appreciate and accept [16]. The general trend is a decreasing importance of data and report generation and an increasing importance of analysis and consulting [19].

After the controlling activities have been synchronized with the management expectations, the efficiency of the controlling process can be addressed. [20] introduced three key measures to increase efficiency in the controlling field, also referred to as the "industrialization in controlling": (1) standardization and simplification of processes for forecast, planning and reporting; (2) improving efficiency by using shared service solutions with two subcategories "center of scale" and "center of excellence"; (3) improving IT infrastructure. This approach was followed by [18] who added (4) simplifying and shortening the reporting material.

The described measures impose a different level of organizational change effort. To avoid resistance in organizations towards the improvement project, it is recommendable to address the measures one by one, starting with the measure, which requires the smallest organizational changes. Systematically, the improvement project can be extended to measures that involve a higher degree of organizational change effort [21, 22].

Conclusion and outlook. The controlling function will add to the company's value, if the value creation of the decision support outweighs the costs of the controlling function.

Management expectations towards the effectiveness and efficiency of the controlling functions are increasing. Following recent surveys, the focus of the activities within the controlling function is expected to further shift from passive roles such as data preparation to more active roles, such as advising management and initiating change processes [16]. The controlling department should further streamline its standard reporting activities on the one side and increase its management support to prepare business decisions on the other side.

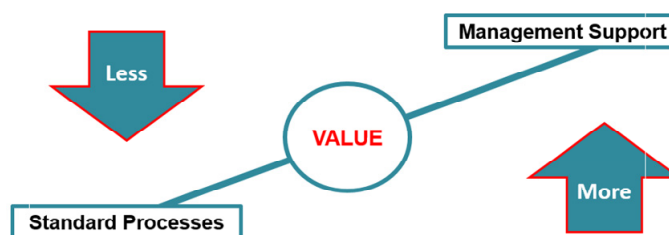


Fig. 4. How to influence the added value of controlling

Source: Author's own processing

Based on the above research, it can be recommended to improve management support by aligning the controlling activity with the management approach and expectations. Besides reviewing the existing reports for their effectiveness, controlling should identify business-partnering projects to improve the value it adds beyond providing standardized management reports. The necessary resources for such business-partnering projects can be gained by shifting the resources from the unneeded tasks to the uncovered needs. To get the support for this business-partnering role of controlling, some sample projects should be agreed upon with the top management. Those projects can be first set up on the central level as pilot projects, which can be later rolled out through the organization. The required learning and training activities should be provided closely to the projects instead of focusing on formal trainings.

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ВИМІРНІСТЬ УПРАВЛІННЯ ПРОДУКТИВНІСТЮ

Прагнення підвищити продуктивність процесів компанії триває. Дослідження показують, однак, що багато компаній не вимірюють контролюючу роботу з певним переліком ключових показників ефективності. У статті проаналізовані три категорії контролю ключових показників ефективності залежно від їх ступеня вимірності та їхній вплив на фінансові показники компанії. Потенційні заходи з оптимізації продуктивності контрольного відділу викладені і поставлені в логічному порядку. Вирівнюючи контролюючу діяльність із відповідним очікуванням управління, як один із ключових чинників успіху цього проекту, обговорено удосконалення.

Ключові слова: контроль, управлінський облік, контрольні показники ефективності, контроль ролі моделі.

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ИЗМЕРЯЕМОСТЬ УПРАВЛЕНИЯ ПРОИЗВОДИТЕЛЬНОСТЬЮ

Стремление повысить производительность процессов компании продолжается. Исследования показывают, однако, что многие компании не измеряют контролирующую работу с определенным набором ключевых показателей эффективности. В статье проанализированы три категории контроля ключевых показателей эффективности в зависимости от их степени измеряемости и их влияние на финансовые показатели компании. Потенциальные меры по оптимизации производительности контрольного отдела изложены и поставлены в логическом порядке. Выравнивая контролирующую деятельность с соответствующим ожиданиями управления, в качестве одного из ключевых факторов успеха этого проекта, обсуждались усовершенствования.

Ключевые слова: контроль, управленческий учет, контрольные показатели эффективности, контроль роли модели.

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