

Günther Pichler

Who plans, wins . . .



Holistic enterprise – Leadership

Guenther Pichler

Who plans, wins ...

Holistic business leadership and management

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Foreword

Dear readers¹,

I am thrilled that you have chosen to read my book

Who plans, wins ...

In this book, I guide you through the world of goal-oriented business leadership and management. Read this book to find out how to achieve greater efficiency and decision-making reliability in the future thanks to the combination of holistic business management and the “activity-based costing method.

The method is an insurance policy for managers since the right decisions can be made on the basis of organisational development, which is carried out when the structures are put into place. Cost transparency in connection with services reassures employees and motivates them. From a business management point of view, this is a “must-have” for pricing, preliminary and final costing and permanent

¹ In order to make the text easier to read, some of the terms, which are used, are worded in a gender-specific manner. However, we do, of course, intend to address both men and women.

profitability investigations. And for monitoring improvements, i.e. CIP (Continuous Improvement Processes).

Pay particular attention to the standardisation of recurring processes, which is clarified in this thorough analysis, and gain more time for innovation, which can also be achieved thanks to motivated employees. This is because the secret of successful companies is always in the level of enthusiasm of the staff. This relates to all stakeholders. I regret having consulted for companies where employees had to find out that the company had gone bankrupt from the newspapers!

Methods such as the activity-based costing method give communication a huge boost at a completely new objective level. Well-managed companies challenge and support their employees. They give employees the space and direction that people need in order to be able to develop independent self-control.

Share the valuable information from the activity-based costing method with your employees. This results in an enormous rethink in terms of cost responsibility. Top management cuts costs in certain areas without specifying exactly how and where these costs are to be cut. This requires discussions with the departments and the departments themselves need to have an understanding of their costs: the Greko method is useful here!

The major advantage of the business leadership and management philosophy according to the activity-based costing method is that the organisation gains a dynamic which steers the employees in a positive direction.

I hope you enjoy reading this book.

Do you have any questions, requests or suggestions?

I look forward to hearing from you!

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1 Hidden inefficiencies

I would like to start by telling you about a very special example from my consulting career. This example tells us why analytical business planning is so important.

The following happened to me during a joint budgeting session with a client a few years ago: when analysing the cost types, we usually work according to the Pareto principle, i.e. 80:20. This means that if we have 100 cost types then 20 of these cost types account for 80% of the costs. For one client, the cost type of “water” was in 18th place. The company's controller had decided not to do anything about the cost type of “water”. He presented the past five balance sheets with the same amounts for water costs. In the context of our analysis, the question arose: “Not where, but *what* did the company need the water for?”

In the course of the analytical planning, we found out that the water cools the machines down. After in-depth research, we were able to establish that, at maximum load and operating performance of the machines, the required water consumption amounted to about half 50% the cost type of “water”.

And then the investigation for the second half of the water consumption began. Within the company we analysed, for example,

water used for cleaning, coffee, washing hands, showers in changing rooms etc.

The analytical search for the second half of the water was not very successful. Therefore, we decided to read the water meter on a Friday after work and then again on Monday morning. It turned out that the meter had been continuing to run even though all the machines were switched off at the weekend. Had someone secretly been stealing the water there?

No, no water had been stolen. The main line had a leak after the meter! So, the water had been dripping out of the tap and seeping away without being used for years!

Over a long period of time, money had been wasted twice unnecessarily because the water costs per cubic metre amount to approx. EUR 1 and the waste water fee is also estimated to be EUR 2 per cubic metre. The company therefore tried to negotiate successfully with the water company or waste water organisation, at least about the waste water fees.

My profile: Thanks to this type of overhead cost planning, I have already been able to show lots of clients cost types which have been wasting huge sums of money year after year.

2 The Greko method

2.1 Current situation in companies

The relationship between growth, profitability, security and full employment has become confused in lots of industries, markets and companies. To make sure that no one misses out on the message: “the times are getting harder” and “the competition is getting tougher”. Those who blame others for their own problems, however, remain unaware that they lose time and money with each decision that they postpone. This means that you have to learn to be better than the competition and not try to blame the “bad times”.

Which factors cause problems with the smooth day-to-day operation of a company?

- More demanding customers
- Inaccurately defined tasks
- Lack of clear communication
- Incorrect information
- Rising costs
- Lack of transparency
- Unmotivated employees

3 Systematic strategy development

In order to inspire all managers and employees who are involved, a strategy roadmap or framework is needed so that everyone knows what challenges and opportunities they will face (see Figure 2 on the next page).

Before you start with the Greko method, please ensure that you put together a budget plan and a financial plan based on this. Financial planning provides you with important information relating to the key aspect of the company,

the “liquidity”.

For planning, you first need the appropriate strategy, i.e. one that can be communicated in a meaningful manner within the company.

Employees have to be proud of the company. They need to believe that they are part of the best company. It is extremely important for each and every one of them to know why they should do their best.

In principle, nothing much will work without an analysis of sales figures, price quality, product and customer contribution margins! Ask yourself:

Cost accounting model for the Glasses Factory Ltd.

In the example of Glasses Factory Ltd., the IT programme Greko was used. To build the structure, you need to understand the flow logic and reconcile the initial account assignment with the cost accounting model.

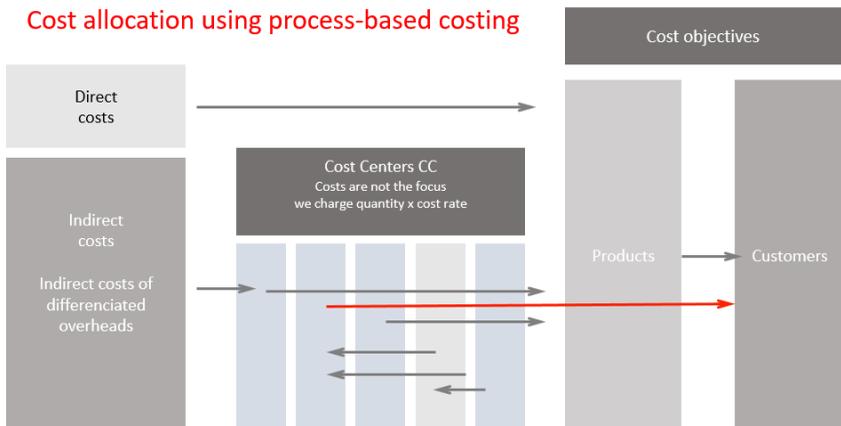


Figure 11 Cost history, Source: apc

Some basic data for the structure is provided below:

- Cost centres
- Personnel capacities
- Cost types
- Activities
- Cost objects
- Customer base
- Orders
- Stock list etc.

4.2.2 Tailored controlling

As a result of the new challenges associated with transformation and digitalisation with regard to the new business models that are key to the survival of the company, the processes and process costs are always a key aspect. At every ICV Controller Congress in Munich, the CFOs of SAP, Siemens, Lufthansa etc. always talk about the importance of process management and process costs.

Get started with process organisation now. Make these concepts as simple as possible so that every employee can orientate themselves again.

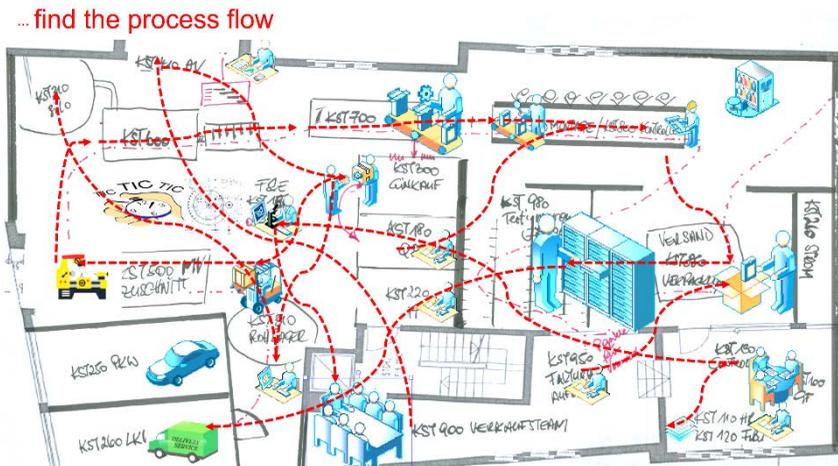
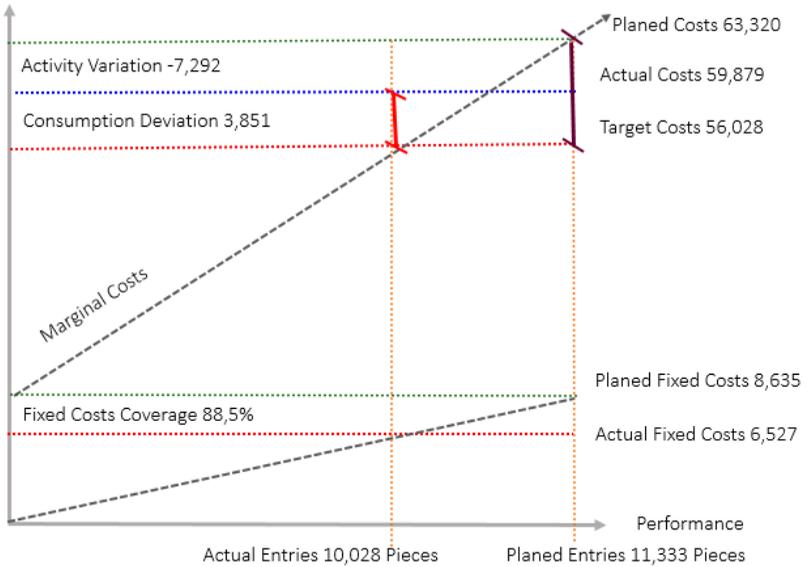


Figure 12 Process organisation, Source: apc

Analysis CC120/1 Bookkeeping Costs



Planned Costs + Activity Variation = Target Costs
 Target Costs + consumption deviation = Actual Costs

Figure 16 TAC target/actual comparison, Source: apc

This enables the teams to plan, control and improve all processes more efficiently whilst taking responsibility for this themselves.

6.3 Information according to Hichert

The large amount of numbers can also be packaged in different ways. Here you can see the IBCS approach according to Hichert, which has already been mentioned, from apc with the Zebra BI technology.

Glasses Factory Ltd.

MRA Management Result Accounting

January to April + Forecast - remaining planning

	PY	YE	DPY	DPY%
revenues	6,263	7,066	804	+12,8
changes in inventories	-120	345	+465	+387,5 →
operating power	6.143	7.411	+1.268	+20,6
use of materials	2.359	2.641	+282	+11,9
External services	2	5	+3	+164,7 →
Direct costs	2.361	2.645	+284	+12,0
Gross profit DB I	3.782	4.766	+984	+26,0
Administrative prop.	209	236	+27	+13,0
Matreial processes prop.	226	186	-40	-17,7
Manufacturing prop.	914	941	+27	+3,0
Sales processes prop.	542	551	+9	+1,7
R & D processes prop.	419	382	-37	-8,9
Proportional costs	2.309	2.295	-14	-0,6
Contribution margin II	1.474	2.472	+998	+67,7
Other costs	1	119	+118	+8071,1 →
Struko fix	593	727	+134	+22,6
Structure costs fixed	595	846	+252	+42,4
Result	879	1.625	+746	+84,9 →

Figure 31 Modern contribution margin accounting, Source: apc/Zebra BI

The management perspective

Management focuses on the agreed objectives of the Balanced Score Card (BSC) as a business management tool. If the deviations are within the agreed range, then the evaluations mentioned above should suffice. If there are larger deviations, further analyses must be carried out to determine the possibilities.

8 Finally, a note on financial planning

“The forgotten bridge in accounting”

The partnership between managers and controllers has a gap ("forgotten bridge") due to the previous job descriptions of the controllers. The calculation of strategic measures, for which the controllers are responsible, mostly ended with the determination of the profitability calculations (e.g. internal interest rate), budget planning and plan management income statement. The transition to financial planning and cash management is missing. There is an excellent tool for this, the Business Planner, which meets all the requirements in terms of visualising a P&L (profit and loss) plan, a plan balance sheet, financial planning and cash flow planning.

In the future, the controllers in the area of financial management will have to think like the managers in order to maintain and expand the partnership.

The statistics show that many managers and controllers see no need to expand the financial management system. These are mostly companies that have a healthy equity base or finance themselves through cash flow. Many entrepreneurs and managers do not regard financial transactions as part of their work, although the Accounting Act shows

About us

advanced profit control - apc consulting GmbH

apc is an independent business consulting company that has established itself as a solid network of independent experts. The full name of my company is “advanced profit control”.

First of all, I would like to make it clear that this does not mean cost cutting. My goal is to uncover inefficiencies in order to free up capacities and time for innovation. We want to support you in making a profit in order to develop the company sustainably. For the benefit of the company, its employees and all stakeholders.

Furthermore, we want to ensure that transparency is created so that the employees themselves, team leaders and owners, as well as management, can see how efficient the employees are.

apc offers consulting services for business management & leadership with a focus on the following areas:

Holistic business management

- Strategic & operational business planning
- Support during implementation

Cost & performance management

- Product process calculation
- Target cost accounting
- Gradual contribution margin accounting
- Sales controlling
- Division accounting etc.

Team leader information

- Transparency of services and costs
- Structure of the company-specific scorecard
- Remuneration systems scorecard

The key difference from other “consultants” is that, in addition to analytical consulting, we also get involved in active implementation and create methodology that makes it possible to measure, control and monitor results in the long term.

Thanks to the combination of team leadership skills and business process modelling in connection with a software tool, apc differs significantly from our valued competitors.

In the following, apc develops and sells software based on a database for process-compliant marginal costing as a decision-making tool for managers.

In this context, apc and its cooperation partners provide consulting services and methodical expertise for the implementation, integration and optimisation of this software for clients.

apc works with network partners in Austria, Hungary, Germany and Switzerland. My clients come from all over the world.

Who plans, wins ...

Holistic enterprise - Leadership

The author describes himself as a hands--agmatist. The book deals with the methods of strategy development (the „what“) and its implementation, up to activity costing (the „how“). The book will not be using theories, but instead practice cases and parts thereof to explain these methods.

Executives want to increase their knowledge and read the maximum amount of books possible. Unfortunately, reading is time-consuming, and many people lack the excess time to do so. Due to this lack of time, only 30% of most books will be read. Speed reading workshops teach people how to find the significant information in the text while skipping over the unnecessary „fluff“. This book attempts to avoid all „fluff“ and only provide readers with useful information.



The Author

Günther Pichler, born in 1962, lives with his family in Vienna. His motto is „live, inspire and win“. To have fun at work, the process knowledge is necessary.



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