

Key factors for Model of Enterprise specification

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1. Introduction

For research in management control area it is necessary to define an Enterprise model, which is the subject of research work (consideration and argumentation) on management control functions. Each enterprise is characterized by many tens of parameters. But which are the few key features (parameters) really determining the behaviour of an enterprise? The following brief specification tries to answer this difficult question. The suggestion of the list of the key enterprise features, with short justification, is in next text. The specification is done with emphasize on the critical factors

A model enterprise specification based on the critical factors is essential for choosing suitable managerial tools which will possibly be further integrated.

The critical key factors have to be perceived as a complex – it is not possible to be focusing only on quantification of one particular key factor without considering its connection with other key factors.

2. Critical factors

The following key factors are crucial for a model enterprise specification in terms of managerial tools determination:

- 2.1 Sphere of activity and type of enterprise in terms of production and business orientation**
- 2.2 Number of employees**
- 2.3 Turnover, proportion of export and added value in the turnover**
- 2.4 Net income**
- 2.5 Property characteristics**
- 2.6 Customer segments**
- 2.7 Production technology specification**
- 2.8 Input materials**
- 2.9 Enquiry processing system**
- 2.10 Standard order processing**
- 2.11 Quality system**
- 2.12 Type of planning**

2.13 Costing

2.14 Work productivity monitoring (= wage bonus component)

2.1 Sphere of activity and type of enterprise in terms of production and business orientation

These are important factors for economic and sales matters (currency, transport costs, traditions, etc.). The type of enterprise stands for the fact whether the enterprise develops its own products that are consequently sold, whether a cooperative enterprise is considered, etc. This fact naturally influences the whole enterprise organization structure which needs to be created on the basis of previous enterprise activities analysis (section and process point of view), taking into account mutual integration links.

2.2 Number of employees

This key factor is crucial for determination of economic and production indicators. It is necessary to determine the number of overhead employees who do not create the value in the production process itself, thus so-called overhead workers belong there, too. Words such as direct and indirect costs, relating to this key factor, create relevant terminology. Next important terms concerning this key factor are exterior capacities eliminating seasonal and unexpected economic fluctuation in particular customer sectors.

2.3 Turnover, proportion of export and added value in the turnover

Accounting turnover – representing financial value created and received by the enterprise in a particular period including semi-finished products and finished stock room - is considered. The proportion of export in the turnover is crucial for the company characterization in terms of regional influence, exchange rate risks, etc. The proportion of added value enables the idea of productivity of labour and is crucial for enterprise specification in terms of business or production orientation.

2.4 Net income

This is a very important key factor which needs to be correctly presented. Most frequently enterprises account net incomes are presented, which takes risks and involves deeper analysis. Supplies, volume of semi-finished and finished products analysis are necessary.

2.5 Property characteristics

This factor is related to property structure transparency particularly in connection with the extent of decision-making and investment competence of the enterprise executive management. Information about property structure give evidence of the fact whether the enterprise is owned by one or more subjects and also of the property and financial characteristics of these subjects. Information about number of persons competent to influence the decision making in the enterprises and information about property conditions (owned, leased, hired..) are considered. In general, it is possible to say that the less number of property owners, the higher degree of liberty delegated to executive management as for decision making.

2.6 Customer segments

This factor represents the fact to what degree the enterprise is dependent on individual industries (automotive, heating, power industry etc.). This influences the degree of dependence upon seasonal and also global variations in demand. Within the context of this

key factor not only the product definition of the final customer segment is necessary, but also the definition of this segment characteristics from the market environment point of view. It means to describe the situation on the market connected to the number of players on the market on the basis of the key market factors – e.g.: few big customers (monopoly, oligopoly, ...) influencing the product characteristics, high number of customers(retailers) or big influencing customers (e.g. chains) and retailers.

2.7 Production technology specification

The factor stands for the complexity of production demands in terms of technology dependence on exterior suppliers as well as for the proportion of competitive advantage in case of the enterprise high quality production equipment for possible products with high quality and technology needs (=high added value). Planned machinery investments (new technologies, current production equipment adjustment) have to be included in the key factor description. Planned and goal seeking increase in automation and usage of robots which lead to human labor (erroneous element) elimination in production process constitute a separate issue.

2.8 Input materials and services

This factor gives answer to the following question: “What materials and services enter the production process, what is the availability, durability, etc. of these materials, including delivery dates?” All this significantly influences flexibility, needs of supplies and planning in the enterprise, which means that particularly overhead costs are influenced.

2.9 Enquiry processing system

The following process is considered:

Sales department: Receipt of enquiry by email/fax, reply to a customer within 24 hours – information concerning the date and terms of the offer, filing in the sales department information system.

Technical preparation of production: price calculation.

Sales department: price offer, successfulness evaluation (proportion of obtained orders to the overall number of offers).

It is necessary to specify possible differences in the system.

Empirical evaluation of how gaining new orders/customers is successful, including customers satisfaction evaluation which is an integral part of ISO directives, has to be a part of this key factor description. Software applications serve for this purpose nowadays. It leads to implementation of a working feedback for increases in successfulness at gaining new orders/customers or more precisely, customers satisfaction (CRM, Value chain, etc.).

2.10 Standard order processing

The following process is considered:

Sales department: Receipt of an order (fax, email, internet customer planned demand), filing into the system (appropriateness control – price, date, etc.)

Technical preparation of production department: Making the order available for production, technology procedure

Production department/Production planning: Starting of production, progressive processing (productivity and quality monitoring)

Warehouse/Sales department: Dispatch (EXW/DDU)

Sales department: Invoicing

It is necessary to specify possible differences in the system.

2.11 Quality system

The certification type of an enterprise represents not only the (supposed) standard of quality but it also represents the process control degree. The quality system influences all the processes in the enterprise – labour productivity is highly increased by the right use of the system. Quality system implementation is important for basic processes standardization and should do away with a lot of redundant steps. Enterprise quality system grade requirements (ISO, TS, etc.) constitute one of the basic factors as for price negotiating with a customer, which is often left out of consideration. In many enterprises quality system has been ceasing to serve as an effective tool of process and quality control and rather leads to increases in redundant administration, which is a disagreeable fact coming from quality requirements of some customers.

2.12 Type of planning

The factor covers the description of operational and strategic planning. It is necessary to specify which areas do particular planning types refer to and with what time outlook the plans are created. The factor also covers the description of so called feedback, which means continuous evaluation with relevant possible interventions.

2.13 Costing

Calculation of costs per a production unit or a performance volume, most frequently depending upon a time unit, stands for costing. Sales and in-house output price in the structure of individual price constituents of a calculation unit is the basic subject of costing. The factor defines the way costing is calculated for particular sections, departments, etc. – it means the price of work per person, time unit, product etc. Empirical evaluation of so called feedback – most often the pre-calculation compared to the final price calculation of a product – has to be a part of this critical factor description. Mistakes made in calculation formulas can be fatal for the whole enterprise.

2.14 Work productivity monitoring (= wage bonus component)

Labour productivity signifies work efficiency in creation of utility value. Labour productivity monitoring represents a necessary tool for its increase (e.g. learning curve application). The factor should describe how the labour productivity and the follow-up wage motivation is measured in particular sections and departments. As for this factor it is necessary to mention the implementation of so called learning curve which enables increases in work productivity on the basis of a practically mastered work operation. A very frequent mistake made by executive managers is the fact that as for increases in work productivity, it is implemented particularly in the production departments where the implementation is the easiest for standardized technological procedures reasons, etc. Increases in work productivity always have to involve all the enterprise departments.

3. Summary

The key factors are possible to be understood as a set of measurable quantities while each of them should always be an integral part of an enterprise reporting structure. This paper serves for basic outline of the key factors of a model of enterprise, considering the fact that particular details are different in every enterprise. It is necessary to emphasize reciprocal integrating relations while defining, measuring and evaluating the key factors. This link has to be

considered in final conclusions so that subsequent managerial decision making is maximum complex and working.

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