

The future is no longer quite so gloomy

Quick simulation of scenarios helps with business planning

*Translation of "Die Zukunft ist nicht mehr gar so dunkel",
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HANS ESCHBACH, HANDELSBLATT, 13.02.2004

"For businesses it's all about winning the competition for money", predicts René Scharn. The assistant to the management board of a mechanical engineering firm knows the growing difficulties which a small or medium-sized firm has in obtaining money from banks if investments have to be financed in advance.

How even critical lenders are to be convinced is something which Scharn wants to present to the annual conference of the International Controller Verein (Controller Club) at the beginning of May: A "dynamic rendering of accounts", through simulation of future scenarios, shows whether a planned investment leads to crisis or to hoped-for success.

"Good simulators make good decisions", confirms Johanna Joppe, senior consultant specializing in controlling questions with the business consultants Memconsult. In the current upswing, for example, there would be a great danger for many managers in taking on too much business through which the "healthily downsized" firms are overburdened - with the risk of failure. This can be prevented through simulation programs which, in minutes, calculate the effects of individual decisions on the available resources up to preparing balance sheets and statements of loss and gain: "A classical profit and loss forecast no longer suffices".

René Scharn uses, for this purpose, programs from Asrap Software in Bergisch Gladbach. "With these I can easily run through 60 variables thoroughly", he says enthusiastically. Of innovative value would be the combining of balance sheets, statements of profit and loss and also the flow of capital. In this way "complete scenarios" would be possible: "If I have planned a turnover of 100 million and achieve only 80: how long can I afford this?"

While Scharn calculates his simulations for a business with 400 employees then Stefan Bauer (Name altered) thinks in completely different dimensions: the value manager uses the Bergisch Gladbach software to help a Dax-30 business which, in this sensitive planning question does not wish to be named, to look into the future. Here one is concerned with restructuring and acquisitions: "One can forecast where one lands up with one's figures". This can concern the effect of an action on the relation of own capital and outside capital as equally as the pre-calculation of the dividend payment.

Should the results of the preview fall under the heading "unpleasant" the figures naturally also make possible a timely correction with business procedures whereby these measures can in turn be checked by simulation - only, "for this we must now no longer carry out calculations over two weeks as previously".

Such praise is grist to the mill for Friedrich Dauner and Mathias Lörcher, the two managing directors of Asrap Software. For their product they claim that, with this, one can "collect experience in advance" - from the loss of the main client with a slump in turnover of 29 percent up to the development of businesses to be eliminated for which comparative values are still not available.

A great future is promised by Dauner and Lörcher from impairment tests recently laid down through the International Accounting Standards: whether a firm's value is depreciated has to be re-established annually. With this, the expected capital flow plays a large role - a case for simulation calculations.

A further advantage of the new software is pointed out by Prof. Robert Rieg of the Aalen Technical University: "Using this program it is possible to proceed from target values and assign other values accordingly." Whosoever is seeking a turnover margin of 50 percent can, in the comparison of different simulated scenarios, read off which control values he has to modify in order to achieve the objective.

The new possibilities for the rapid calculation of many independent variables for the different scenarios also create new temptations to try out a lot of things: "If I select a large number of variables then an awful chaos ensues" warns Rieg. This can bring about confusion and trigger new discussions: "For which scenario do we decide on now?".

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