

Dear Readers,

It's been a little over a year since the first lockdowns in Europe and almost a year since the ICV Board made the decision to postpone the 45th Congress of Controllers 2020. Everything was to be "as always" this year - but the situation is still difficult - for the first time in 45 year the Congress of Controllers takes place ONLINE. What stays "as always" is the highest quality of speeches and organization! Get to know more and register - on the following pages. The Congress language is German. The General Meeting takes place also online, but in June - separately from the Congress.

In a new format works also the International Work Group - instead of meeting in European guest companies, the members meet now online every two weeks, present interesting topics and discuss them. If possible the presentations will be published on the homepage - more in the Bulletin.

In this issue also a Controller Magazin article on rating and insolvency risk in business administration - as the authors write, *they are of fundamental importance in business administration. In the real world there are rating and financing restrictions that lead to insolvency and the probability of such insolvency is essential e.g. for business valuation or financing decisions. Until now, both aspects have received too little attention in business administration, both in theory and in practice.*

The ICV Think Tank published its Quarterly - English translation is also available since January 2021 on the ICV homepage, ready to download for all interested! The Quarterly focuses on the current ICV Think Tank year topic "Servitization & Controlling".

In this difficult year the ICV Croatia celebrates its 10 years anniversary! Congratulations on the good job - and many further successful years to the Work Group Leader Croatia I Jasmina Očko and all the members! In this Bulletin you can read the interview with Jasmina on what has changed since the first meeting.

Much pleasure while reading!

Yours
Bulletin Team

Please note that the **ICV General Meeting** takes place **online** also this year on **June 24** - details soon.



Important topics:

- Insolvency Risk and Rating in Business Administration
- 10 years of the ICV Croatia
- "Servitization & Controlling" - ICV Think Tank Quarterly



In this issue:

45th Congress of Controllers — an online event in German on April 26/27	2
The Blind Spot of Business Administration: Insolvency Risk and Rating are Systematically	3
10 years of the ICV WG Croatia !!	9
International Work Group works despite corona - with new ideas and formats!	11
ICV Think Tank - always ready for the future	12
Who will win this year? 3 nominees for the ICV Controlling Excellence Award	13
Submit for ICV Newcomer Award 2021!	13

45th Congress of Controllers — an online event in German on April 26/27



Only online for the first time!

The Board made the decision to organize the 45th Congress of Controllers in an online format—due to further pandemic restrictions in Germany the hybrid format was no longer possible. More said the ICV Chairman Prof. Dr. Heimo Losbichler and Vice Chairman Matthias von Daacke in the Performance Manager Podcast on the controlling highlights of 2021.

Interviewer Peter Bluhm asked the Board members of the host ICV International Association of Controllers what participants can expect from the online premiere. In the podcast, they leave no doubt that, as usual, the highest quality is guaranteed. The ICV is well equipped and at the same time adheres to the tried and tested basic concept, says Losbichler. Speeches in plenum will be streamed on the mornings of April 26 and April 27, while the Monday afternoon (April 26) will be shaped by three parallel topic clusters. The Association's Board assures that the quality of the online concept will by no means fall short of the face-to-face format.

The Congress motto, "For a better performance", stands for giving the participants tools to help companies survive the crisis, as Heimo Losbichler says, and prepare for the upturn afterwards. When Peter Bluhm asked about the Congress program as a "string of highlights", Heimo Losbichler was extremely satisfied: "We got all the ideal candidates".

The Congress deals with digitization also in 2021. A "long-running topic", says Losbichler. Even if many projects were postponed during the crisis, it still gained in importance. Another hot topic is the future of work. "Future of Work" has come faster than expected, says Losbichler, and "in many areas we will not go back to the old ways".

Three parallel topic clusters deal with a lot of new areas, explains Matthias von Daacke. He refers to the topic cluster "AI in Controlling" with practical reports from BASF and KPMG and with research prospects. Lufthansa, SAP and Fraunhofer provide insights in the "Future of Work" cluster and Marc O'Polo, Zentis and a futurologist in the "Performance Management" cluster. In the interview, the Board Members refer to the new advantages of participating in this year's congress in online format: You can watch "missed" topic clusters also afterwards.

It is impossible to emphasize personal highlights from the Congress program in view of the consistently high quality, but Heimo Losbichler is particularly excited about the live talk by Matthias von Daacke with Univ.-Prof. Dr. Dr. h.c. mult. Péter Horváth, Deputy Chairman of the Supervisory Board, Horváth AG. You cannot miss meeting this "controlling pioneer"!

Another Congress highlight: presenting of the ICV Controlling Excellence Award 2021. Despite the massive workload involved in dealing with the crisis, the ICV Chairmen reveal that the Jury, headed by Prof. Dr. Utz Schäffer, received high quality applications from home and abroad, from large and small companies. Nominated as winners are A1 Telekom Austra, Bosch-Group and KUKA Deutschland.

PLEASE NOTE

The Congress of Controllers 2021 is not simultaneously translated into English. Most speakers present in German.

More: <https://www.icv-controlling.com/en/events/congress-of-controllers-munich-ger.html>

The Blind Spot of Business Administration: Insolvency Risk and Rating are Systematically Ignored

By Werner Gleißner / Ottmar Schneck
From the Controller Magazin | Issue 5/2020

The rating is possibly the most underestimated information in business administration and practical management. One can speak of a "blind spot" of business administration, which can have catastrophic consequences for individual companies and the entire economy, and which can be explained primarily with psychological reasons. Practical business management is just as affected as technical literature, scientific literature, and management training. And despite experiences such as the economic and financial crises of 2008/2009 and 2020, which demonstrated the importance of a good rating and the effects of incorrect rating assessments, little has improved in this area (yet).

Introduction and Formulation of the Problem

It should be noted that, apart from the rating as a whole, the topic of risk and uncertainty still receives little attention in business administration, especially in controlling, which at least helps to explain why the special risk expressed by the rating - the insolvency risk - receives particularly little attention.¹ In this article it is first explained at which points rating and probability of insolvency are important in business administration. Starting from a brief outline of the development of rating as a niche discipline, the reasons for the little attention paid to ratings in business management research and practice, as well as the resulting implications, are outlined.

The Significance of Rating and Insolvency Risk in Business Administration

Why is the rating, or rather the probability of insolvency expressed by a rating grade, perhaps the most important key figure in business management?

First, the probability of insolvency is the strategic indicator that operationalizes the most important goal for most companies, especially family businesses: the survival of the company. The probability of survival is nothing more than one minus the probability of insolvency. Thus, the probability of insolvency belongs in every strategic key figure system (such as a balanced scorecard) as a top indicator.

The German legislature has also de facto set the probability of insolvency as the top indicator for risk management. The Law on Control and Transparency² calls for the early detection of "developments that could jeopardize the company's existence".³ These possible developments that could jeopardize the company's existence generally result from the combination effects of several individual risks, which makes it necessary to aggregate the risks in the context of corporate planning (risk aggregation).⁴ Here, two links to the rating arise: First of all, it is clear that any extremely "favorable"

combination of individual risks can endanger the existence of any company. Companies without any conceivable development that could endanger their existence are therefore impossible (and corresponding statements in the annual reports of some companies are always wrong). In risk management, the probability of such a "development threatening the company's existence" and the "degree of threat to the company's existence" must be considered accordingly. The degree of threat to the continued existence of the company as the top indicator in risk management can of course directly be indicated by the probability of insolvency and thus by the rating. At least since Basel II, it has also become clear that corporate crises and developments threatening the company's continued existence usually do not result from over-indebtedness, but rather from illiquidity. And a (threatening) illiquidity of companies, to which the Insolvency Act refers as well, occurs when, through the effect of risks, (1) minimum rating requirements are violated or (2) credit agreements (covenants) are breached, resulting in the termination of a loan. Thus, in order to be able to identify possible developments that could jeopardize the company's existence in the first place, as required by law, it is necessary to assess the impact of risks and their combination effects on the future corporate rating. Risk management without reference to the rating does not meet the legal requirements and is economically pointless.

The probability of insolvency expressed by the rating as an indicator of the so-called "insolvency risk"⁵ is also a value driver that has been overlooked in company valuation, strategy evaluation and value-oriented management until now. Both in business valuation and value-based management concepts (e.g. based on Economic Value Added, EVA) it is still implicitly assumed that companies will certainly exist forever.

usually listed companies with a value-oriented management understanding, should consider these value drivers in their decision-making calculations accordingly and record them as key controlling figures. However, not (only) the current probability of insolvency is relevant for the valuation, but also a forecast of the future development of the probability of insolvency, depending on (1) the earnings expected in the future according to planning, (2) the risk coverage potential (equity and liquidity) and (3) the aggregated earnings risks.⁶

For the sake of completeness, it should be noted that in a real imperfect market, insolvency risks also influence the standard for the expected return of a company, business unit or project (the cost of capital rate).⁷

In many companies with value-based management, the probability of insolvency expressed by the rating will be significant not only in the assessment of the risk-return-profile of possible courses of action, but also as an "auxiliary condition" (see safety-first-concept⁸). Due to the above-mentioned legal requirements from risk management alone, many company managements will not only want to recognize possible developments that could endanger the company's existence, but also to avoid them. Minimum requirements for the security of the company as a going concern can be formulated as a minimum requirement for the future company rating (even in potential risk-induced stress scenarios), which is covered in the new "risk-bearing capacity concepts".⁹

It is worth mentioning that the consideration of the impact of business decisions - e.g. investments, acquisitions, or changes in strategy - on the future rating, is not only economically reasonable, but also required by law. The so-called "Business Judgement Rule" formulated in Section 93 of the German Stock Corporation Act requires the Executive Board to verifiably obtain



„Risk management without reference to the rating does not meet the legal requirements and is economically pointless.“

However, insolvency statistics and data on the expected life span of companies show that this is frequently not the case. It is therefore often a serious valuation error to unthinkingly assume the eternal existence of a company when determining the company value or other value-oriented key figures (especially when calculating the terminal value of the continuation phase). Although the lifespan of a company is not restricted, it still has a finite expected value. The expected lifetime of a company results directly from the probability of insolvency. The probability of insolvency expressed by the rating determines the expected value of earnings and cashflows required for the valuation, as well as its long-term development over time. In the long term, the probability of insolvency largely has the effect of a "negative growth rate" of the expected earnings or cash flows. Even small changes in the probability of insolvency have a correspondingly major impact on the value of the company as a performance measure and decision-making criterion in value-based management. Even the

"appropriate information" before making a business decision.¹⁰ When a decision is made under risk or uncertainty, this of course means that information on the risks associated with the decision is required in any case. And among this risk information, information on the risk of insolvency - the rating - naturally has a particularly high priority, as is also clarified by case law.

Finally, the rating is also of fundamental importance for a number of other individual operational decisions. As is well known, the rating determines the financing conditions (especially interest rates on borrowed capital and the borrowing costs, which should be distinguished from these¹¹). Accordingly, the e.g. "Principles of Proper Planning" say, that planning the future interest expenses without a forecast of the rating on which they are based is not "proper". The entire financial planning, especially the financial structure planning, is also not reasonably possible without reference to rating (and risk analysis or

risk aggregation). In a real, imperfect capital market with rating and financing restrictions, the well-known Modigliani-Miller-theses do not apply. A company's need for equity - and thus its financing structure - is dependent on (1) the aggregated earnings risk and (2) the planned target rating. Higher corporate risks and higher requirements for the security of the company's existence, i.e. the rating grade, lead to a greater need for equity capital. A sound assessment of the financing structure in the finance departments of companies, without reference to the rating, is correspondingly senseless.

The list of significant issues related to rating could be expanded (consider that e.g. companies with a weak rating become unattractive for employees oriented towards security or customers). But even the core topics summarized here already show that sound business management without concrete measurement of the current rating and the forecast of the future rating - in various future scenarios that are possible depending on the risk - is simply not sensible. The question therefore arises as to why the central key figure of business administration does not enjoy the status it deserves, neither in the practice of business management, nor in literature and education.

The History of the Rating

As shown here, the rating, or the probability of insolvency or default expressed by it, is of great relevance in business management, but it has not been adequately taken into account to date. Of course, ratings still have their significance. However, this is limited to the narrow field of assessing debt capital positions, such as loans or bonds, from the perspective of creditors.¹² Theory, methods and practice of rating have thus, in a sense, developed in a niche of business administration and the link to other subject areas has hardly been established so far. The historical development of rating is briefly outlined below.

It may also be partly explained by the history of rating, that even today, rating and rating methods are usually only marginally considered in business administration and business management, despite the importance outlined here. Ratings and rating methods are not derived from a business theory, but have largely developed "independently".¹³ Although it has always been a concern of creditors to assess whether a lender will repay its liabilities, the origin of today's ratings can be traced back primarily to the 19th century and the USA. With the high financing requirements of the new railroad companies, a large, anonymous, and rather opaque capital market emerged there. To finance the high investment volumes for rail construction, the railroad companies issued shares and bonds. To be able to compare the creditworthiness of the bond issuers and ultimately assess the interest terms of the bonds, ratings were created. A systematic and structured description and assessment of the financial situation of the railroad companies began.¹⁴ The three rating agencies Moodys, Standard & Poor's and Fitch Ratings, which still dominate today, all emerged in the first quarter of the 20th century, and with their ratings contributed to making the loans of companies and other borrowers more comparable and assessable with regard to their default

risk. The quality of the ratings offered was, and is, particularly decisive for the reputation and success of the rating agencies. For this reason, all rating agencies have worked continuously on improving their rating procedures. Of central importance for the granting of loans, also for medium-sized companies, are ratings with the so-called Basel-II-regulations (valid since 01.01.2007). As a measure for the assessment of debt-capital from the perspective of creditors, however, ratings have remained primarily a topic for the debt capital market and the players active in this field (such as credit institutions and the rating agencies).

Why is rating given little attention in practice and research in business studies? Obstacles and implications

As shown above, the rating is highly relevant in many areas of business administration, research, and practice, but is still frequently ignored. One must ask oneself why this is the case. It is certainly not because in the "niche rating" itself no adequate methods and scientifically based concepts have been developed so far. As explained above, rating and insolvency forecasting procedures can look back on a long history, and there is a multitude of powerful methods that allow a forecast of default and insolvency probability.¹⁵ The developed methods, which are used by credit institutions in particular, are subject to constant quality assurance, and since the economic and financial crisis of 2008/2010 rating agencies have regularly requested validation studies of the methods they use. The probability of insolvency and default of a company is therefore an easily measurable variable, that could be used for various business management procedures outlined above. This applies irrespective of the known fact that, from a scientific point of view, the rating procedures used in practice naturally also show further potential for improvement, especially with regard to the recording of the risks to which companies are exposed in the future.¹⁶ The rating procedures, which are primarily based on historical financial figures, and which usually record more qualitative supplemental information, e.g. on the strategic positioning of a company, implicitly take into account those risks that occurred in the last available annual financial statements - but not those risks that will occur in the future. Simulation-based rating procedures based on a Monte-Carlo-simulation of the risks in relation to corporate planning are recommended. Nevertheless, the empirical validation steps regularly show, that the probability of insolvency is a well-founded information available about a company, that can be used for the business management issues outlined here.

So it is certainly not due to a lack of quality of the estimators of the probability of insolvency that this information sees little use in other business management issues.¹⁷ Then which reasons are relevant for the deficits pointed out? Apart from the history, there are probably three main problem areas to be considered here:

1. Much of traditional business administration, including finance and business valuation theory, is based on the neoclassical theory of perfect markets. Well-known is, for example, the Modigliani-Miller-theorem, according to which, if taxes are neglected, the debt ratio of a company is irrelevant. The Capital Asset Pricing Model (CAPM), which is based on the hypothesis of perfect markets, is used to derive the cost of capital and company values.¹⁸ However, it follows from the theory of perfect markets that, in the absence of rating and financing restrictions, insolvencies cannot occur at all and that these at least have no effect on the value of the company.¹⁹ Anyone who believes in the unrealistic theory of perfect markets, without financing restrictions and with information that is widely available free of charge, does of course not need to concern themselves with insolvency risks and insolvency forecasting or rating procedures. Accordingly, the topic is ignored in a considerable part of business management literature, is hardly addressed in business management education, and is thus underestimated in its practical importance. It is only in recent years that the significance of insolvency risk has been addressed, e.g. for business valuation, and thus also for value-oriented corporate management.²⁰

2. Many of the economists working in practice and also in research lack an adequate sound knowledge of rating and insolvency forecasting procedures. This is largely a consequence of 1. Without knowledge of the procedures that can be used to derive the probability of insolvency of a company, insolvency risks, for example, are not adequately considered by valuation experts in the valuation of a company. The insolvency risk is a subject area which, like the overall topic of uncertainty and risk, is neglected in business management training and consequently also in practice.

3. Finally, psychological aspects are also relevant for the explanation. People have great difficulty in adequately dealing with the stochastic concept of "risk". In psychology this is referred to as risk blindness. People tend to focus only on their desired future scenario and to ignore risks that may lead to other developments. It is particularly unpleasant to think about the possible failure of the company, so this possible future scenario is not considered.²¹ People also have great difficulty in adequately assessing risks (distortion of risk perception). Particularly risks with a low probability of occurrence, such as the risk of insolvency, can hardly be grasped intuitively without adequate business-management and statistical methods. They lie outside of the usual personal experience. The third facet of risk blindness is, that people cannot adequately consider risk information in their decisions without business management methods. Accordingly, for example, information about the change in the probability of insolvency, e.g. as a result of an acquisition in a company itself, is intuitively not incorporated in the decision-making process. It is not considered that even a small change in the probability of insolvency per year due to the risks assumed, has a significant impact on the value of the company.

The influence from the neoclassical theory of perfect markets, the deficits in general business education and the pronounced psychological problems of people in

dealing with risks in general and with insolvency risk in particular, explain why rating and insolvency risk receive little attention despite their economic relevance. As shown above, the implications are serious: failure to consider the risk of insolvency ultimately leads to errant business decisions.

This raises the question of what needs to be done to ensure that the subject area of rating and insolvency risk is paid adequate attention in the theory and practice of business administration. Due to these considerations the following starting points appear important:

- 1) The paradigm of market perfection should (finally) be abandoned in business research, especially also in publications in scientific journals. Real rating and financing restrictions should generally be considered in scientific publications, e.g. on business valuation and financing theory. Of course, this is only possible if the editor and reviewer are sensitized to the importance of this topic (to which this article might contribute a little bit).
- 2) For practical implementation, it is vital that the significance of rating and probability of insolvency is anchored in the standards that are essential for practice. This means for example that – the probability of insolvency is anchored in risk management standards as the key indicator of risk management and as a measure of the "degree of threat to the company's continued existence",²² – the necessity of the estimations and consideration of the insolvency probability for an appropriate enterprise evaluation is stressed in standards for the enterprise evaluation, like e.g. the IDW S1,²³ – the "going-concern-premise" relevant to accounting and auditing is clearly linked to the probability of insolvency (up to what probability of insolvency of a company can one assume²⁴ "going-concern"²⁵? and – the probability of insolvency becomes the central parameter for assessing the ability of companies to restructure.²⁶
- 3) Finally there is a need to raise awareness of the importance of rating and the probability of insolvency through more communication. Publications such as this one contribute to this, as does the consideration of the topic as a major special case of the broader subject area of "risk" at conferences (e.g. in Germany at the conference of the Schmalenbach Society, the Controller Congress of the International Association of Controllers (ICV), the annual conference for all valuation professionals of EACVA and the annual conference of the RRMA).

Conclusion

Rating and probability of insolvency are of fundamental importance in business administration. In the real world, there are rating and financing restrictions that lead to insolvency and the probability of such an insolvency is essential e.g. for business valuation or financing decisions. Up to now, both aspects have received too little attention in business administration, both in theory and in practice. The reason for this is, on the one hand, the fact that large parts of today's business administration are based on the neoclassical paradigm of perfect markets, which does not know any rating and

financing restrictions and thus no insolvencies. Rating theory and rating methods, which have developed in a niche of lending decisions, are accordingly insufficiently linked with other areas of business administration. This is certainly also because people tend to dismiss risks in general, and the insolvency risk in particular. A sensitization for the importance of the probability of insolvency, especially in "entrepreneurial decisions" (§ 93 AktG), is necessary. In order to do justice to the importance of the topic in business management practice, the topic should be given consistent attention in scientific literature (a publication based on the hypothesis that financial resources are simply available without restriction and that insolvencies cannot occur is unrealistic). This, in turn, is an important basis for ensuring that the topics of rating and the probability of insolvency are adequately considered in business management education and in degree programs.

Footnotes

- ¹ See an overview from Gleißner et al., 2020.
- ² See Füsler et al., 1999; Gleißner, 2017b and 2018.
- ³ And this applies both to public limited companies and to the "spillover effect" of other corporations as explained in the explanatory memorandum.
- ⁴ See Gleißner, 2017a und 2017b.
- ⁵ See Gleißner, 2010, 2017c and 2019; Franken et al., 2020; Knabe, 2012.
- ⁶ See Gleißner, 2002.
- ⁷ For the dependence of the cost of capital on earnings risk, specifically the concept of "rating-dependent" cost of equity, see Gleißner, 2006a, 2011 and Dorfleitner/Gleißner, 2018.
- ⁸ Gleißner, 2006b.
- ⁹ The risk-bearing capacity concepts required by e.g. IDW PS 340 (2020) and DIIR RS No. 2 (2018) indicate the "distance" between the current situation of the company and a possible "development threatening its continued existence" by means of suitable key figures. A second key figure indicates the probability that the risk-bearing capacity will fall below zero, i.e. that a "development threatening the existence of the company" will occur (see Gleißner, 2017d).
- ¹⁰ See Gleißner, 2015 and RMA, 2019.
- ¹¹ Regarding the decision see e.g. Gleißner, 2017c; Cooper/Davydenko, 2001 and Baule, 2019.
- ¹² See sources for this, Büschgen/Everling, 2007.
- ¹³ For basic principles see also Everling/Schneck, 2004; Büschgen/Everling, 2007 as well as Füsler/Gleißner, 2005.
- ¹⁴ Such a summary has first been created in 1860 by Henry V. Poor.

- ¹⁵ For a summary see Weber at al., 1998; Schneck, 2008; Bemann, 2007; Gleißner/Wingenroth, 2015a and 2015b.
- ¹⁶ See Blum et al., 2005; Gleißner/Wingenroth 2015a and 2015b.
- ¹⁷ For example, a backtesting of ratings is common, whereas a comparable quality assurance of company valuation reports is unheard of.
- ¹⁸ For critique and empirical studies see e.g. Dempsey, 2013a and 2013b; Fernández, 2017; Gleißner, 2014; Rossi, 2016.
- ¹⁹ See e.g. Kruschwitz et al., 2005 and Essler et al., 2005.
- ²⁰ See Gleißner, 2010; Knabe, 2012; Saha/Malkiel, 2012; Friedrich, 2015; Lahmann et al., 2018; Schüler/Schwetzer, 2019; Franken et al., 2020.
- ²¹ On the non-observance of the insolvency risk in corporate planning, see Behringer/Gleißner, 2018.
- ²² This has already been implemented in e.g. IDW PS 340; in DIIR RS Nr. 2
- ²³ See Franken et al., 2020.
- ²⁴ See Adam, 2007 and also Coenenberg, 2016.
- ²⁵ See Gleißner/Haarmeyer, 2019.
- ²⁶ See, for e.g. the requirements and standards for going-concern prognoses, Nickert et al., 2019 and Gleißner/ Haarmeyer, 2019.



Prof. Dr. Werner Gleißner Is a member of the executive board of the FutureValue Group AG in Leinfelden-Echterdingen and a honorary professor of Business Administration, esp. Risk Management at the TU Dresden. He is a member of The International Association of Controllers (ICV) and of the advisory board of the Risk Management & Rating Association e. V. w.gleissner@futurevalue.de



Prof. Dr. Ottmar Schneck Is the rector and managing director of the SRH Fernhochschule The Mobile University, Riedingen and a member of the advisory board of the Risk Management & Rating Association e. V. He is a foundation board member of non-profit foundations, writer of textbooks like the bestseller Lexikon der BWL, speaker and coach in companies, developer of simulation games and an expert on bank regulation in national and international organizations. ottmar.schneck@mobile-university.de

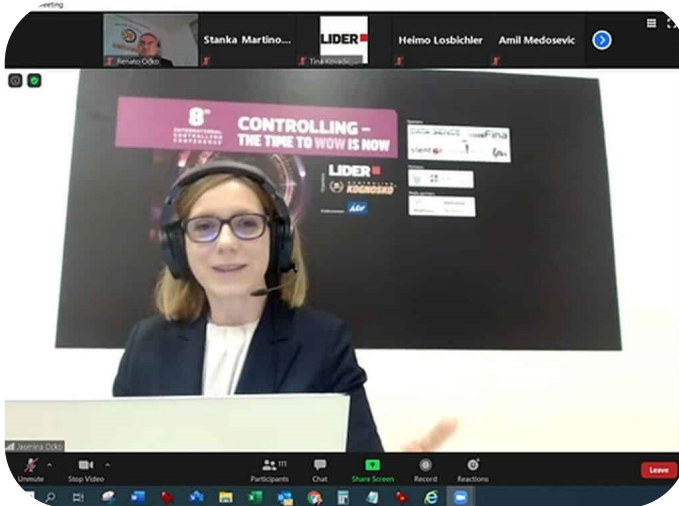
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10 years of the ICV Croatia!

It's been ten years since the first meeting of the work group Croatia I - congratulations to the WG leader and all members!

On this occasion, **Jasmina Očko**, consultant for controlling at **Kontroling Kognosko** and work group leader Croatia I answered some questions about the past and the future.



The ICV in Croatia is ten years old. Do you still remember the first workgroup meeting? How did it all start?

Of course, I remember! We were very excited. We started something completely new, but we firmly believed it would be a great adventure. There were no such associations or groups in Croatia, although we had many controllers at that time. We can say that this was the beginning of great networking that is developing continuously to this day. Considering that the first training center for controllers in Croatia was set in our company in those years, ICV has had its natural habitat.

Why did you decide to coordinate ICV in Croatia, and what does this role give you?

I have been involved in controlling my entire professional career. For the first ten years, I worked as a controller in a large international company. In 2005, I founded the company Kognosko (today called Kontroling Kognosko d.o.o.) for consulting and education in controlling. Lifelong learning was my commitment. While attending the CA Controller Akademie in Munich, I was introduced to the benefits provided by the ICV, and realized that it offers excellent opportunities for anyone involved in controlling. For that reason, I presented the ICV to my fellow controllers and managers in Croatia.

My involvement in the ICV has helped me make the story about what controlling is and how to implement it properly touch everyone interested in it. It is excellent that there is a lot of literature, publications, conferences, education, and accumulated knowledge to maintain a high level of professionalism. Otherwise, everyone could invent their own version of what controlling really is - which, unfortunately, I still often see in our practice.

How has the WG Croatia I changed for these ten years?

About 300 controllers, managers, accountants, financiers, IT specialists, business owners passed through our work group. Some come, some leave, but we have between 80 and 100 regular members all the time. But the principle of our work is the same - every year we arrange the dates of the workshops in advance, and together we choose the topics we want to deal with.

From the 32 workshops held so far, the most topics were processed and prepared by the members themselves, and they directly transferred their experiences to others. But sometimes we invite experts from specific fields for which we do not have our knowledge. This is especially true for transfer pricing, IFRS, consolidation, taxes or communication skills, and psychology. We also had the opportunity to host foreign guests - such as Dietmar Pascher or Herwig Friedag. Since many of our members also attended the Controller Akademie, it is easy for us to communicate; we have a common language. We are a very homogeneous team of controlling enthusiasts.





You follow ICV news from other countries – in your opinion, what are the differences between e.g. German or Swiss and Croatian controlling?

Controlling is controlling, but this comparison is almost impossible because the context and duration in which controlling develops in mentioned countries are significantly different.

It is only essential to emphasize that the number of controllers in Croatia will continue to grow rapidly for a long time to come. We rightly consider it one of the most attractive jobs of the future.

2020 brought some challenges for the ICV Croatia also including a new form of the Congress. How did you manage it?

Thanks to the Zoom and Teams platform, we did not miss a single ICV workshop, and our ICC International Controlling Conference in Croatia experienced some news - we went for two days for the first time, we had 15 lecturers and participants from all over Europe and beyond. It was a completely new situation from which we emerged enriched by a unique experience. But I'm sure - the next time we all meet in live, it will be a truly wonderful day.

How do you see ICV Croatia in the next ten years?

I believe that, in general, specific professional associations will intensify even more. I would like the different ICV work groups to be more connected, which can now be done very easily. Maybe the current form of workshops will change, the topics we will deal with will turn to new ones related to digitalization, data analytics, etc. This will attract the younger generation to our work group.

But I am sure that learning and sharing new knowledge and skills will be more important than ever. Therefore, the best years for the ICV are probably yet to come.

More about the ICV Croatia I: <https://www.icv-controlling.com/de/arbeitskreise/croatia-i.html>



And how has Croatian controlling changed?

I can say - a lot. There are several reasons for this. Many companies are experiencing the transfer of management to young successors who do not have much experience and rely much more on quality information. Another reason is the new era of digitalization, which does not exist without controlling. The third reason is that obtaining financial resources from EU funds or banks is no longer possible without proof of the system's orderliness, and this is again impossible without controlling.

And of course, a new significant shift in the development of controlling was brought by the Covid 19 pandemic. In general, every crisis in our country is a big push for more intensive dealing with the development of controlling.

What can you say about the pandemic changing the business in Croatia? Has the controller's role changed?

In good times, managers often ignore early warnings from controlling. Today, that is no longer the case. On the contrary, controlling is now in the spotlight. But on the other hand, this is a big test for controllers - now is the time to show what they can and do know. Companies that have invested in the knowledge and development of controlling are now at a huge advantage.



International Work Group works despite corona - with new ideas and formats!



The ICV International Work Group has build an international, English speaking community that is open to experienced controllers and consultants from all countries. Target members are ICV members (exclusively) with at least 5 years of professional experience as controllers, and consultants, as both groups are seen as (internal) advisers in the company. Controllers should increasingly work as internal consultants in the company. This is to be professionalised in the work group.

Due to corona times the Group had / will have no chance to meet with one of the possible partners, in Serbia, in Bosnia or.... So it had to delay the decision about the target company for 2022 to the meeting in September 2021 in Zagreb!

If you want to join please send a short mail to the Head of the Work Group Dragana Mujanović:
dragana.mujanovic.co@gmail.com!

What's the plan for 2021?

Every month the members of the International Work Group will have two video seminars, always at the third Thursday of a month. Then the Group plans to meet on September 24 / 25 in Zagreb. The presentations will be published if possible on the homepage.

Agenda:

April 15, 2021. 18:00 hrs - 20:00 hrs moderator: Roger Maurer:

- Inventory Replenishment Policies - How much to order and when to minimize costs? (Luiza Arcab)
- Working Capital Management (Anna Wieloch)

May 20, 2021. 18:00 hrs - 20:00 hrs moderator: Jana Štelcer:

- Using AI (artificial intelligence) algorithm to find potential customer (Peter Janžekovič)
- Controlling in SME (small medium enterprises); How to find the right informations? How to deal with informations...as a controller (Mariusz Rzeznikiewicz)

June 17, 2021. 18:00 hrs - 20:00 hrs moderator: Johannes Vollmer:

- How to automate work with excel - Macros for beginners (Borut Kadunc)
- Sales Controlling (Jasmina Očko)

Join the Group! More: <https://www.icv-controlling.com/de/arbeitskreise/international-work-group.html>

ICV Think Tank - always ready for the future

The ICV Think Tank published its Quarterly - English translation is also available since January 2021. The Quarterly focuses on the current ICV Think Tank year topic "Servitization & Controlling".

From the editorial:

Dear readers

At the end of 2020 the crisis is still not over in many industries. The topic that we addressed this year (Crisis & Controlling) – which we actually commenced prior to the outbreak of the Covid-19 pandemic, but which is more relevant than ever due to the crisis that continues to plague us all – has now been concluded with a publication that the publisher Haufe-Verlag release in February 2021.

*One topic that companies must address after overcoming a crisis is the realignment of their business model. We have therefore chosen service-based business models as our next thematic focal point. While such models are still rarely ad-dressed from the perspective of controlling, they are becoming increasingly important as digitisation becomes more wide-spread. In this quarterly we would like to give you a first insight into the ICV Think Tank's new thematic focal point: Servitization & Controlling.
[...]*

Prof. Dr. Heimo Losbichler
Chairman of the ICV Board of Managing Directors

Prof. Dr. Ronald Gleich
Head of the Think Tank in the ICV

Stefan Tobias
Head of the Think Tank in the ICV

You can download the Quarterly here: <https://www.icv-controlling.com/en/work-groups/think-tank/think-tank-quarterly.html>

What is the ICV Think Tank?

Under the leadership of Prof. Dr. Dr. h.c. mult. Péter Horváth and Dr. Uwe Michel the new Think Tank of the ICV started in November 2009, supported by a high-caliber team of scientists and representatives of the controlling practice. Since autumn 2016, Prof. Dr. Ronald Gleich and Stefan Tobias lead the Think Tank. With our work we would like to generate new ideas for the further development of controlling and inform you regularly about trends and new developments. We are looking forward to cooperation full of ideas with all members of the ICV and controlling-interested parties.

Mission of the ICV Think Tank

The Think Tank systematically monitors the controlling-relevant environment in order to identify important trends at an early stage. This is how the Think Tank develops the "Dream Cars" of the ICV and thereby makes a significant contribution to positioning the ICV as a leader in the financial and controller community. As an expert spearhead, the Think Tank takes over the role of the innovator in the ICV, whose ideas and / or results are transferred into concrete professional products in the expert work groups or other project groups.

In addition to the diverse expert and regional work groups, we would like to take an "outside-in" perspective in the Think Tank. This means that we want to analyze changes and developments in the entire environment of controlling, to examine their relevance for the design of the tasks and the instruments of the controlling, to generate new ideas and thus to create awareness of these changes in practice. In the form of a "controlling radar", we want to analyze the controlling and company environment regularly and systematically.





Submit for ICV Newcomer Award 2021!

Dear professors,

The (ICV and the Region Germany East of the ICV, are inviting submissions for the "ICV Newcomer Award".

The objectives of the ICV Newcomer Award are the promotion of young academics in the field of Management Accounting and the transfer of innovative and practicable ideas from the university environment to the active practice of Management Accounting where they can be applied by a huge number of professional Management Accountants.

Prizes are awarded for three master theses or exceptional bachelor theses that discuss Management Accounting innovations or the practical application of classical Management Accounting issues. A further wish is, that the applicant critical discusses the guidelines of the ICV. Papers submitted at any European University after April 30, 2019 are accepted for this award. Professors acting as a supervisor for the relevant theses may submit proposals for the ICV Newcomer Award 2021. [...]The deadline for submissions is **May 15, 2021**. We welcome the submission of theses from any aspect of Management Accounting in either German or English.

The jury consists of Management Accounting practitioners and university representatives and its final decision will be based on a combination of scientific value, degree of innovation and the deductibility of implications for the practice of Management Accounting.

The total award of the ICV Newcomer Award is **EUR 4,000**, sponsored by **Haufe** and the **Haufe Akademie**. In addition, all prize winners will receive a personalized digital badge for individual use and one year's free membership with the ICV which also includes a subscription to the Controller Magazin (delivery only in german-speaking areas).

The ICV Newcomer Award is planned to be awarded on an ICV event in September / October 2021. [...] We expect award winners to present their work to a broad audience, ideally with the support of their supervising professor.

[...] We're looking forward to your participation and are excited about reviewing the innovative and practicable Management Accounting ideas developed under your supervision. Let's work together to promote young talent!

With kind regards,

Prof. Dr. Nicole Jekel
Chairman of the Jury

Fabian Walther
Organisation

More: <https://www.icv-controlling.com/en/association/awards/icv-newcomer-award.html>

Who will win this year? 3 nominees for the ICV Controlling Excellence Award 2021

The ICV International Association of Controllers has nominated three companies for this year's prestigious ICV Controlling Excellence Award: **A1 Telekom Austria, Bosch-Group and KUKA Deutschland GmbH.**

A1 applied with the "Finance Analytics @A1 Austria" project, a process for introducing advanced analytics, the Bosch Group with a solution for deriving and introducing new controller roles entitled "Controller of the Future - People make the Difference!", and KUKA with the solution "Introduction of a Product Lifecycle Controlling in the KUKA Robotics Segment".

The Award will be presented on April 26 at Europe's leading controlling conference, the 45th Congress of Controllers. Every year, the ICV honors exemplary, practical controlling solutions with the renowned award. The expert Jury, which consists of practitioners and professors alike, is headed by the Chairman of the ICV Board of Trustees, Prof. Dr. Utz Schäffer, from the WHU Otto Beisheim School of Management, Institute for Management and Controlling, Vallendar.

The winner presents the winning solution on Monday, April 26 - see the entire agenda here: <https://www.icv-controlling.com/en/events/congress-of-controllers-munich-ger/agenda.html>

And here you can register for the event (online, in German): <https://www.icv-controlling.com/en/events/congress-of-controllers-munich-ger/registration.html>

Non-German speaking work groups



International
Association
of Controllers

Bosna and Hercegovina
Slavko Simić, bono@blic.net

Bulgaria
Denko Yamboliev, denko@excite.com

China East
Francesco Ingarsia, ingarfan@schaeffler.com

Croatia
Croatia I
Jasmina Očko, jasmina.ocko@kognosko.hr

Croatian Adriatic Region
Dr. Mladen Meter, mladen.meter@businesseffectiveness.eu

Estonia
Prof. Toomas Haldma, toomas.haldma@ut.ee

Hungary
István Radó, istvan.rado@horvath-partners.com

Poland
Białystok
Anna Woźniak, annaw8@poczta.onet.pl

Dolny Śląsk
Dariusz Okniński, dariusz.okninski@ccc.eu

Lublin
Katarzyna Żuławska, kasia.zulawska@gmail.com

Pomorze
Bartłomiej Szymaniak, icvpomorze@gmail.com

Poznań
Maciej Czosnowski, maciej.czosnowski@amica.com.pl

Szczecin
Damian Przybylski, damian.przybylski@ramirent.pl

Toruń
Andrzej Derkowski, andrzej.derkowski@gmail.com

Warszawa
Karol Sikora, karol.sikora@icv.pl

Romania
Dragica Erčulj, dragica.erculj@gmail.com

Russia
Moscow
Dr. Georg Schneider, georg.schneider@swilar.de

Kaliningrad
Valentin Usenkov, valentin@usenkov.pro

Serbia
Novi Sad
Prof. Dr. Veselin Perovic, icvwgnovisad@gmail.com

Slovenia
Dragica Erčulj, dragica.erculj@gmail.com

Spain
Axel Ehberger, axel.e@elexa-controlling.com

International Work Group
Dragana Mujanović,
dragana.mujanovic.co@gmail.com

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Here we present newest know-how as well as current events and news.

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International Association of Controllers
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Editing:
Hans-Peter Sander, presse@icv-controlling.com
Anna Włodarczyk

International Association of Controllers (ICV)
Münchener Straße 8
D-82237 Würthsee
Germany

ICV Office:
verein@icv-controlling.com
Phone +49 (0) 8153 88 974 - 20



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ICV social media:

