FINANCIAL MANAGEMENT PROJECT:
IMPROVING FINANCIAL AND ACCOUNTING INFORMATION IN SLOVAKIA

ACTIVITY-BASED COSTING AND ACTIVITY-BASED MANAGEMENT
COOPERS & LYBRAND L.L.P.
Contract EPE-I-00-95-00052-00, Task Order #03

FINAL REPORT

Objectives of the project:

The principal objectives of the Financial Management Project (FMP) were:

a) to improve business decision making by enhancing managers' information base by introducing activity-based costing (ABC) and activity-based management (ABM) to Slovakia;

b) to develop capacity in four Slovak accounting / financial consulting firms to enable them to implement ABM systems to restructure operations or business processes;

c) to continue to provide ABC training and develop capacity in two new Slovak accounting / financial consulting firms; and

d) to conduct the training of the partners in ABM through providing technical assistance and hands-on experience in at least 12 enterprises and to conduct hands-on training of the partners in ABC through implementing ABC systems in at least 8 enterprises.

Highlights and accomplishments:

The FMP successfully trained four Slovak consulting firms in ABM. Seminars were conducted to train local consultants in the ABM methodology, its benefits and its usefulness as a management tool. Through hands-on training and under the direction of Coopers & Lybrand personnel, consultants learned to market the concept to client management and implement ABM at client enterprises. These four firms were, FinProfit, Gradient 5, Interaudit Benetip, and Renaudit. Each of these firms were diligent in their efforts to learn about ABM and apply it to their enterprise clients. Although this project is now complete, these local consultants will continue to provide ABC and ABM consulting services to enterprises in Slovakia. These partners have agreed to form an informal association to continue their study, understanding, and dissemination of ABC and ABM.

The FMP successfully trained one additional Slovak consulting firm in ABC. This firm was Interaudit Benetip. Interaudit Benetip was an excellent partner that was able to learn and understand ABC and its implementation, as well as ABM. Interaudit Benetip completed ABC analyses and implementation of ABM at two clients during the project and was beginning at a third when the project ended.

The FMP did provide full training in ABC to another consulting firm, Cassovia BIC, but they had difficulty grasping the basic concepts of ABC and at times did not put forth the necessary effort to learn or establish client contacts to begin work with the project. The FMP made every effort to assist Cassovia BIC in the learning process and to meet the goal of implementing an ABC system at four enterprises. The FMP made almost weekly trips to Kosice during September and October to help them understand ABC and begin work at clients. Although, Cassovia BIC is not considered fully trained in ABC and not able to implement an ABC system, the firm did receive training in ABC and is familiar with the topic and its benefits. Even though Cassovia BIC did not successfully implement ABC systems at enterprises, it along with the FMP was able to meet with the management of six enterprises to present ABC and its potential benefits.

During the course of the project, the Coopers & Lybrand team assembled ABC and ABM toolkits to be used by the partners, other consulting firms, enterprises, and managers. Two versions of each toolkit were completed with different purposes and audiences in mind. One version gives detailed step-by-step information on how to begin an ABC analysis and implement an ABM system. This version is directed towards a consultant who will offer these services to their clients. The other version gives overviews of ABC and ABM and its benefits. This version is directed towards company management who want to learn more about the topic and take the initial steps in completing an ABC analysis and begin an ABM implementation.

The FMP in conjunction with ABC Technologies, Inc. delivered a three-day seminar on ABC and application of the EasyABC Software that was used by the project for all of the FMP consulting partners. Mr. Juha Jolkonnen, ABC Technologies Europe, gave the seminar and delivered the company's standard ABC training course to the participants which included lectures, case studies, and how to market ABC to clients. This course proved valuable to the partners because of the additional training it provided and it allowed them to discuss specific problems they faced with another expert in the field who has many years of experience in ABC and ABM. Mr. Jolkonnen was able give many real-world examples to the partners and how they should address various problems and potential pitfalls. Each partner is now recognized as an official affiliate of ABC Technologies in Slovakia and will receive continuing educational materials on ABC. Each partner has a copy of the software to show clients the benefits of the use of the software.

The FMP trained Milos Tumpach, a professor at the Bratislava Economics University, in ABC and ABM. Professor Tumpach participated in implementations at enterprises and worked with the IESC volunteer in developing course material to introduce ABC and ABM in the management accounting course at the Bratislava Economics University.

In conjunction with the SMTC the Coopers & Lybrand team presented two ABC/ABM seminars to Slovak managers. The seminars were developed and presented by one of the project's IESC volunteers. Partners of the project and Professor Tumpach assisted in the presentation of course materials. The Partners accepted call back cards from those enterprises that were interested in learning more about implementing ABC/ABM at their organizations.

There were approximately 50 attendees and although the target audience was enterprise managers, three local consulting firms also attended. This is an indication of the widespread interest in ABC and ABM that has been created through this project. The SMTC plans to continue to use the materials prepared by the Coopers & Lybrand team in future seminars that it presents. Local Partners will assist with the presentation of the seminars which will also help to generate future leads.

The FMP contributed information to the SBBAC website which serves as an information and marketing tool. The FMP web pages contain brief information on ABC and ABM, abbreviated versions of the toolkits, and information about the partners who successfully completed the training provided by the FMP. This dissemination of information will help continue to stimulate interest in ABC and ABM. The website is located at www.sbbac.sk.

With the prior approval of the COTR, reference books and other training materials used by the Coopers & Lybrand team were donated to the Comanius University Business School. This provides a central location for these materials that are easily accessible by the partners and others interested in ABC and ABM.

Two Slovak consultants who were closely involved with the FMP, Peter Rafaj from Coopers & Lybrand Slovakia and Juaj Lott an assistant with the FMP, joined Renata Kiselicova and her firm, FinProfit. The focus of the new firm is to provide a higher level of ABC and ABM consulting services to current clients and to attract new clients who are interested in enhancing their information base.

Finally, the FMP would not have had the success it had without the assistance of the IESC volunteers who continued to return to Slovakia to work with the project. The IESC volunteers brought their vast knowledge and experience to the project. This experience was vital in accomplishing the project goals of training partners, a local professor and many enterprise

Summary of work performed during project:

Following is a summary of the essential benchmarks and results for the project:

Activity	Status
Four ABM partner accounting/consulting firms identified	Accomplished
Two ABC partner accounting/consulting firms identified	Accomplished
ABC and ABM training program/seminar materials completed	Accomplished
Initial training program/seminar completed	Accomplished
At least four Slovak consulting firms fully trained in ABM	Accomplished
ABM programs implemented in at least 12 firms	11 Accomplished
At least two additional Slovak consulting firms fully trained in ABC	1 Accomplished
ABC structures implemented in at least eight firms	2 Accomplished
At least one Slovak accounting or management professor trained in ABC and ABM	Accomplished
At least two seminars in ABC and two seminars in ABM given through the SMTC	Accomplished
ABC and ABM toolkits completed, delivered and accepted by USAID	Accomplished

The following list shows, for each partner as of the end of the project, the number of enterprises the partner worked with and implemented an ABM system.

Finprofit	4
Gradient 5	2
Interaudit Benetip	2
Renaudit	3

Interaudit Benetip also completed ABC analyses at the two enterprises they worked with.

The Partners had made several other presentations to enterprise managers interested in ABC/ABM by the completion of the project.

Activity contribution to S.O. 1.3, *Accelerated Development and Growth of Private Enterprises (SME):*

Intermediate result: Sources of business training and assistance strengthened.

Indicator: Number of Slovak consulting firms trained and capable of providing management accounting services and ABC.

Targets: 4 (1996)
6 (1997)

In 1996 training was started with five consulting companies and of those five, four are fully capable of delivering management accounting and ABC consulting services to clients. In 1997, training at three more consulting companies was started. Of these three new consulting partners, two are fully capable of delivering management accounting and ABC consulting services to clients. At the conclusion of the project there were 6 firms who are fully trained and capable of delivering ABC consulting services and 4 firms that are fully trained and capable of delivering ABM services. It should also be noted that as the FMP and its legacy continues to heighten the awareness of the need for management accounting, additional consulting firms will develop management accounting skills in order to meet this need. Therefore, the number of firms may increase beyond the target figure. (These skills may be developed by dissemination of the project's technical training materials, networking with the partners of the FMP, or other legacies of the FMP.)

Indicator: Number of companies to which trained consulting firms are able to deliver management accounting services or ABC.

Targets: 150 (1996)
225 (1997)
275 (1998)
325 (1999)
325 (2000)

As it stands now, the total clients base of the consulting partners who were fully trained in 1996 exceeds the target of 150 for 1996. When the client base of the three new consulting partners who are being trained is combined with the four previously trained partners the target established for 1997 is also exceeded. These figures conservatively assume that the number of consulting firms capable of delivering management accounting services will not increase beyond the six or seven partners trained by the FMP. However, there is potential that the actual delivery capacity resulting from the FMP will likely be larger than the amounts given. (See comment to Indicator 1 above.)