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**КЭПТИВ КАК СТРАХОВАЯ ФОРМУЛА ДЛЯ РИСК-МЕНЕДЖМЕНТА: ПРЕИМУЩЕСТВА И НЕДОСТАТКИ**

В статье рассматривается страховой кэптив с учетом того, как он может быть использован в качестве страховой формулы для управления рисками. Кэптив может быть наиболее целесообразной страховой формулой для управления рисками. Однако уровень достигнутого успеха зависит от многих факторов. Страховые кэптивы это субъекты, которые формируются и принадлежат компаниям, в основном для целей страхования своих рисков (чистый кэптив или единичный материнский кэптив). Все чаще кэптивы также создают группы компаний (групповые кэптивы), чтобы застраховать их имущество и обязательства перед третьими лицами.

Кэптив широко используется многими компаниями в настоящее время. Тем не менее, многие из них используются исключительно для целей цедирования риска и передачи премий с тем, чтобы использовать кэптив больше как центр прибыли в стране с низким уровнем налогообложения, а не для целей управления рисками (т. е. более приемлемой ролью для кэптива могла бы быть поддержка их владельцев в сфере управления рисками предприятия).

Эта статья раскрывает, почему кэптивы не используются с учетом их полного потенциала. Это может быть слишком сложно для многих субъектов, принимающих решения, чтобы охватить кэптив как формулу риск-менеджмента и расширить значение кэптива вплоть до использования всех возможных преимуществ, вытекающих из владения кэптивом.

Кэптив может обеспечить управление рисками более комплексно, чем большинство коммерческих страховщиков на рынке. В статье также представлены преимущества и недостатки владения страховым кэптивом.

Ключевые слова: кэптивная страховая компания, групповой кэптив, доминирующий кэптив, риск, управление рисками.

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**REINSURANCE SERVICE AND ITS ECONOMIC NATURE**

At the reinsurance market the object of purchase and sale is a specific product – a reinsurance service. According to several scientists' researches, the definition of a reinsurance service is clarified as a specific service in the form of selling legally formed liabilities concerning redistribution of already insured risk between insurance companies, which has its price, which is influenced by supply and demand. The author has proposed new approaches to the insurance service interpretation as a dominant, which causes the reinsurance market formation. It is shown that being traded in the reinsurance market, a reinsurance service is an important factor in the functioning and self-development of the market environment, it combines the interests of supply and demand holders and directly influences the market quality characteristics, causing trends of its further development. Supply and demand for a reinsurance service are influenced by both external and internal factors, the most important of them are: the capitalization level of insurers, the balance of their insurance portfolios, the condition of the state economy, the level of investment attractiveness, monetary and tax policy. The concepts of "reinsurance service demand" and "reinsurance service supply" have been clarified. Reinsurance service demand is a conscious and financially secured desire to buy reinsurance services. Reinsurance service supply is all services submitted in the reinsurance market.

Keywords: reinsurance; reinsurance service; reinsurance service demand; reinsurance service supply.

**Introduction.** In the process of risk transmission from the reinsured person to the reinsurer on the basis of concluding an agreement between them, the process of buying and selling a service – reinsurance protection takes place, the reasonable cost of such protection is determined, the supply and demand for it are formed.

The purchase and sale of a reinsurance service allows some reinsurance participants (reinsured persons) to obtain additional financial guarantees (the compensation of the part of liability for a risk by the other subject) for the implementation of their own obligations under the insurance contracts, and other participants (reinsurers) – to expand their own portfolio by reinsuring the part of new objects of the insurance field.

According to par. 2 of the Law of Ukraine "On insurance" [1], reinsurance along with insurance and the activity

related to the formation and use of insurance reserves, relates to the direct business of the insurers, namely it is allocated in a separate area of the insurer activity, but there is no definition of the reinsurance service essence in Ukrainian legislation.

In its essence, a reinsurance service is a financial service, as it shows the redistribution of responsibility for the insured financial risk and provides the financial relationship between the reinsured person and the reinsurer.

WTO member states apply the financial services classification according to the GATS (General Agreement on Trade in Services) standards, adopted in 1995, which includes the reinsurance service to the insurance services, which relates to financial services (Table 1).

Table 1. The insurance services classification according to GATS claims

№	Type of insurance services
I	Direct insurance
A)	Life insurance
B)	Non-life insurance
II	Reinsurance and retrocession
III	Insurance intermediation, including brokerage and agency
IV	Auxiliary insurance services

Source: compiled by the author based on [2, 3]

National legislation is harmonized with the European one, because according to the national Classification of Economic Activities (NACE) [4], financial and insurance

activities are referred to a separate section K. It should be noted that reinsurance is submitted as a separate segment of insurance.

Thus, according to European and national legislation, reinsurance is a separate way in insurance, which is characterized by specific relationships between particular subjects (reinsured person and the reinsurer), a (reinsurance) service supply, which is separated from other insurance services, although based on the original (insurance) agreement (can not exist without it). Due to these features a reinsurance service needs the further study of its economic essence.

The *purpose* of the article is to deepen the research of the economic nature of a reinsurance service and clarify its economic content.

The *object* of the research is a reinsurance service.

The *subject* of the research is theoretical and methodological aspects of a reinsurance service, studying the features of its economic nature, considering as a dominant, which causes the reinsurance market formation.

**Literature review.** The issue of the economic substance of a reinsurance service is studied in the works of many native and foreign scientists and practitioners, including V.D. Bazylevych, A.S. Bozhenko, N.M. Vnukova, M.G. Kamynkina, O.V. Kneysler, V.S. Komadovska, O.V. Kozmenko, N.I. Mashina, S.S. Osadets, O.O. Okhrimenko, E.E. Solntseva, T.V. Tatarina, K.E. Turbina, Y.P. Shumelda and others.

However, examining the economic nature of a reinsurance service in the reinsurance market scientists see it in different ways.

In particular, the Ukrainian scientist N.M. Vnukova considers reinsurance services as insurance guarantees for a direct insurer [5, p. 210], revealing their important role – to ensure the financial security of the direct insurer.

N.I. Mashina defines it as "a property situation of the original insurance company, acting as the assignor" [6, p. 156]. We believe that the definition does not disclose the essence and specificity of a service, and shows it as a tool to improve the property situation of the assignor (reinsurer).

According to the scientist O.V. Kozmenko, a reinsurance service is "a new kind of services related to the conclusion of a new agreement – reinsurance" [7, p. 85]. This interpretation indicates a special (new), separated from insurance type of services as well as the need to design relationship between the reinsurance parties.

Ukrainian scientist Y.P. Shumelda defines a reinsurance service as a combination of special and non-insurance elements [8, p. 307]: the participation of several insurers in the distribution of responsibility for the insured risk, determining the direct insurer liable for the insured risk, the distribution of paid insurance premiums between insurers, full payment of insurance compensation by the insurer, the possibility of further division of responsibility for the risk. The author identifies the characteristics of a reinsurance service, without revealing specifics of its implementation, the major participants of buying and selling services in the reinsurance market.

Ukrainian scientist O.V. Kneysler determines the reinsurance service as being the one which "characterizes a set of contractual relationships between the reinsured person and the reinsurer regarding determination of the

terms and rules of reinsurance and their implementation in order to obtain the beneficial effect in the form of a reinsurance protection and meeting the economic interests of both parties" [9, p. 155]. We believe this definition is the most comprehensive and one that reveals the essence of a reinsurance service.

For a more complete disclosure of the economic nature of a reinsurance service, we are going to consider the features of its sales and pricing.

Russian scientist K.E. Turbina notes that "reinsurance as an independent service has an independent price that is formed as a result of supply and demand for certain reinsurance services, depending on the form and type of reinsurance" [10, p. 469]. Indeed, a separate area of the insurer's direct activity is reinsurance, so a reinsurance service can be defined as a specific service, the price for it (the service) is formed depending on the method chosen, the form and type of contract.

Unlike public researchers and practitioners, Ukrainian scientist O.O. Okhrimenko stipulates that the insurance service is "a complex concept and includes the basic insurance product, additional services, the support" [11, p. 153].

Taking the derivative nature of reinsurance from the insurance and many similar traits and characteristics into account, we share and design the view of O.O. Okhrimenko on the complexity of a service on the reinsurance. So, a reinsurance service includes: a basic reinsurance service (the description of the risks that are transferred to reinsurance, determining the limits of the parties' liability, the price of a reinsurance service); supporting services (legal assistance, evaluation of losses, etc.). It describes the reinsurance service as a specific and yet comprehensive service in the market with the appropriate design.

The complexity of a reinsurance service is also determined by V.S. Komadovska [12, p. 10–11], noting the combination of the main reinsurance service and additional services (recommendations for underwriting, product design, loss control, etc.).

**Research methodology.** The theoretical and methodological basis of research has been made by fundamental scientific concepts of Ukrainian and foreign scientists in finance and insurance, which are represented in the works of native and foreign scientists. In the process of the research we have used general scientific and special methods of the scientific knowledge, namely: logical and dialectical method – for the study of contemporary economic and financial theories and works of native and foreign scientists; system analysis and generalization – in determining the economic content of a reinsurance service; abstract logical method – for theoretical generalization and drawing conclusions.

**Main results.** Reinsurance services, despite the legal uncertainty, are financial in nature and in their content relate to financial services and financial infrastructure accordingly [13, p. 274].

As the object of purchase and sale in the market, a reinsurance service has certain characteristics (Fig. 1).

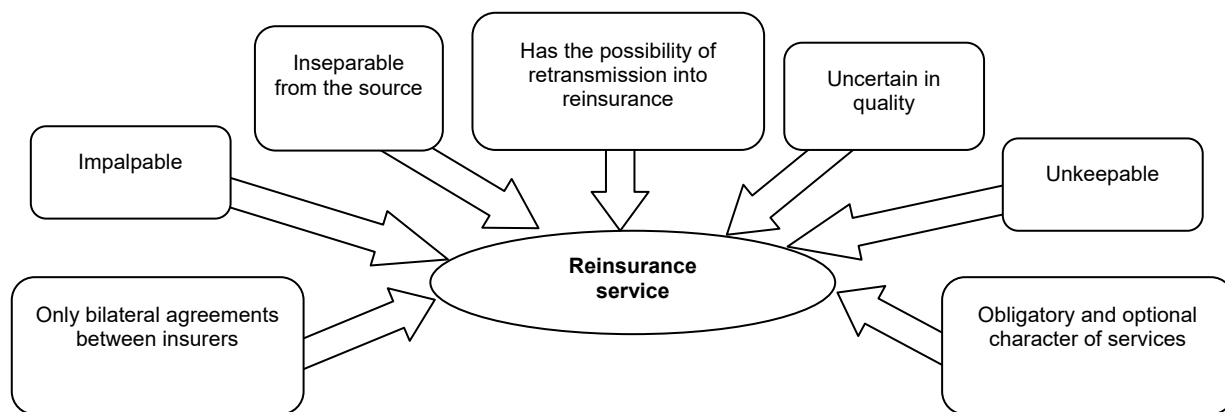


Fig. 1. Features of a reinsurance service

Source: built by the author according to [2, p. 79]

A reinsurance service correlates directly with the insurance one because reinsurance is secondary, derivative of insurance and therefore, as the insurance service, is the financial one. Due to this, features that characterize the insurance service, are also implemented in the reinsurance service.

The key characteristics of a reinsurance service are: intangibility (due to the ability of the insurance cycle inversion a reinsurance service is intangible and imperceptible when the contract is signed, and the mechanism of this service action is shown only when the insured event occurs under the insurance contract); unsafety (a reinsurance service can not be saved and accumulated for subsequent periods); a reinsurance service inseparability from the source (reinsurance company) indicates the inability to delegate or sell the reinsurance service as a franchise to other market entities, including intermediaries; volatility of a reinsurance service in quality reflects the uniqueness of each contract depending on the individuality of the insured objects and the packet of risks.

In addition to features that are common to all services, the important feature of a reinsurance service is its bilateral agreement character exclusively between two insurance companies.

A unique feature of a reinsurance service is the possibility of its retransmission to reinsurance – the division of responsibility between the retroassignor and retroassignee. The number of retrocessions is not legally restricted, which may result in attracting a large circle of reinsurers both within a country and abroad – it is a kind of proof in favour of a reinsurance service internationalization.

Reinsurance may be provided as a service on a regular basis (obligatory reinsurance), and single, individual by separate reinsurance contracts (facultative reinsurance). In addition, there are the following forms of service: the proportional and non-proportional, based on which the specifics of reinsurance contract types and organization of cash settlements between parties of the contract are determined.

A reinsurance service is characterized by a redistributive character, namely it is formed during the second responsibility division for already insured risk between the reinsured person and the reinsurer.

So a reinsurance service reflects the specific relationship between insurance companies over the repeated (secondary) assignment of responsibility for the risk. A reinsurance service is a financial service and is characterized by a number of features that are inherent to it.

A reinsurance service as the object of purchase and sale in the market is characterized by the available supply and demand in the reinsurance market.

A reinsurance service demand is tailored according to the need for repeated redistribution of the insured risk and ensuring the security of the solvency and sustainability of the reinsurer's operations and the capability of performing its obligations to the insured person.

A.S. Bozhenko determines the demand for reinsurance as a process that "is formed by the insurance companies which diversify their risks, thereby avoiding significant financial losses" [14, p. 321]. This definition of the nature of demand for reinsurance should not be considered complete, because the market is also represented by other entities other than insurers-vendors that directly or indirectly influence the formation of a reinsurance service demand.

Taking into account the peculiarities of the need for reinsurance services formation in the insurance market, we are going to determine that a demand is a conscious and financially secured desire to buy reinsurance services.

Indeed, the primary influence on shaping the reinsurance service demand is possessed by the insurance companies that need additional financial security of the accepted risks for insurance. The need for reinsurance support level is embodied in calculating the amount of responsibility for the risk due to another party (the reinsurer).

In addition to the direct participants of reinsurance, the demand creation is indirectly affected by other institutions of the market environment. Among them we should outline the state, which cares about preserving the solvency of insurers by creating the appropriate legislative conditions and thus, facilitates conducting reinsurance transactions with residents and nonresidents with the proper rating stimulating with benefits under the income tax premiums transferred to reinsurance at rates of 0 % and 12 % (unless the reinsurer has a statutory rating).

The next tool of the state influence on the use of reinsurance transactions is to establish a standard for reinsuring the object, for which the sum insured exceeds 10 % of the share capital, insurance and free reserves [1].

The formation of the reinsurance service demand is indirectly affected by the insured persons as well. In accordance with the applicable law, insurers in the insurance contract may not be aware of the possibility of reinsurance operations as an insurer (cedant, reinsured person), who concluded an agreement on reinsurance with the reinsurer, remains liable to the insured person in full accordance with the insurance contract.

Therefore, insurers have no direct impact on creating demand for reinsurance services. However, in some

cases, the agreement to sign an insurance contract by the insured person is his requirement for further risk transfer to a foreign partner of the assignor with high ranking positions in the market. On the other hand, the increase of confidence of people and economic entities to the insurers affects the increase in the number of concluded contracts, the rise of valuation of the objects insured. This leads to the need for risk reinsurance to preserve the financial stability and solvency of insurers. Consequently, the insured persons influence the formation of a reinsurance service demand, but indirectly.

Except the entities that cause the formation of the reinsurance service demand, there are environmental factors, including the following:

- economic stability in the country;

- knowledge and experience in the services offered by reinsurers;
- the service level of reinsurance contracts in the insurance events (flexibility, no slowness in payments);
- confidence to their partners and their underwriting policy;
- the capacity of the domestic insurance market and certain insurers;
- legislative regulation of the reinsurance activity [15, p. 240].

The formation of a reinsurance demand service, in addition to external factors, is influenced by the internal factors (Fig. 2).

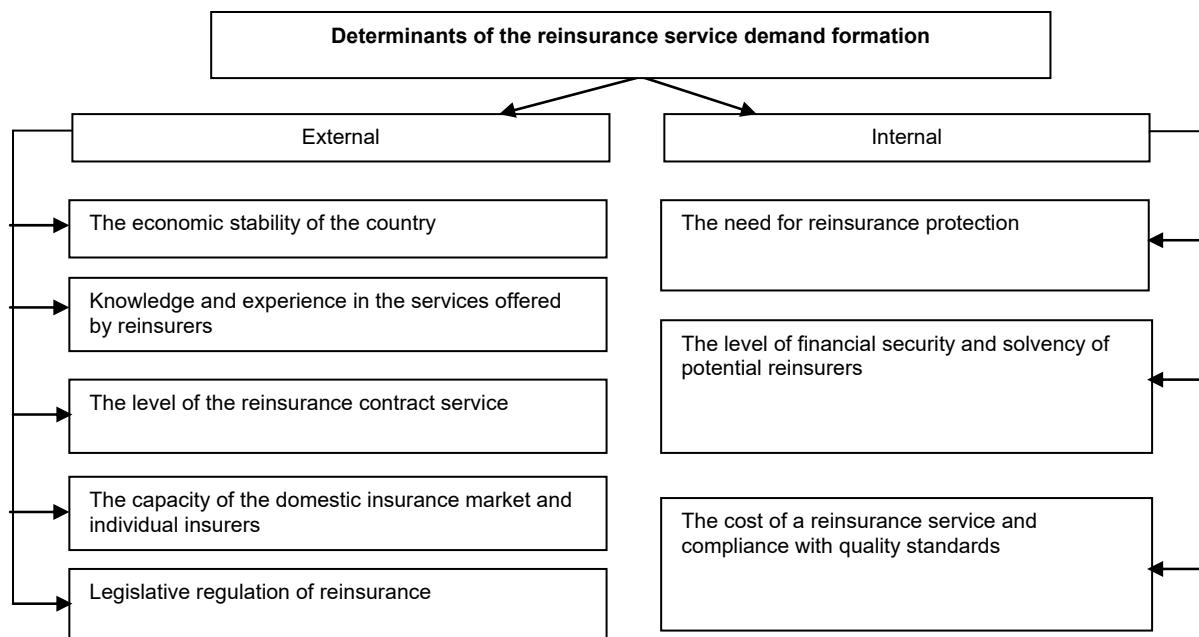


Fig. 2. Determinants of the reinsurance service demand formation

Source: compiled by the author

Regarding internal factors creating demand, a significant share is occupied by the assignors' need for receiving additional financial guarantees of the other insurers concerning maintaining already insured risk.

On the other hand, a reinsurance service demand is affected by the level of the financial support and the potential reinsurer's solvency – the availability of sufficiently large volume of financial resources (insurance reserves, free reserves, retained earnings). Undercapitalized companies with the low level of financial security can not hold themselves cumulative risks or significant risks, which form the need for their reinsurance.

The reinsurance service provided in the market professionally, also identifies efficiently the potential customers wishing to receive such a service and ensure the sustainability of their own reinsurance operations and balance of the insurance portfolio.

In addition to the existing demand, a reinsurance service is characterized by the supply in the market due to the own developed reinsurance programs by public insurers.

The sellers of reinsurance services in the market are the reinsurers.

Consequently, a reinsurance service supply is all services submitted in the reinsurance market.

Both direct insurers and professional reinsurance companies can offer reinsurance services in the insurance market. The consumers of these services are the insurance companies which are interested in receiving additional financial guarantees (reinsurance protection) from domestic or foreign reinsurers for the risks taken by them.

The service supply in the reinsurance market can be affected by numerous factors (Fig. 3).

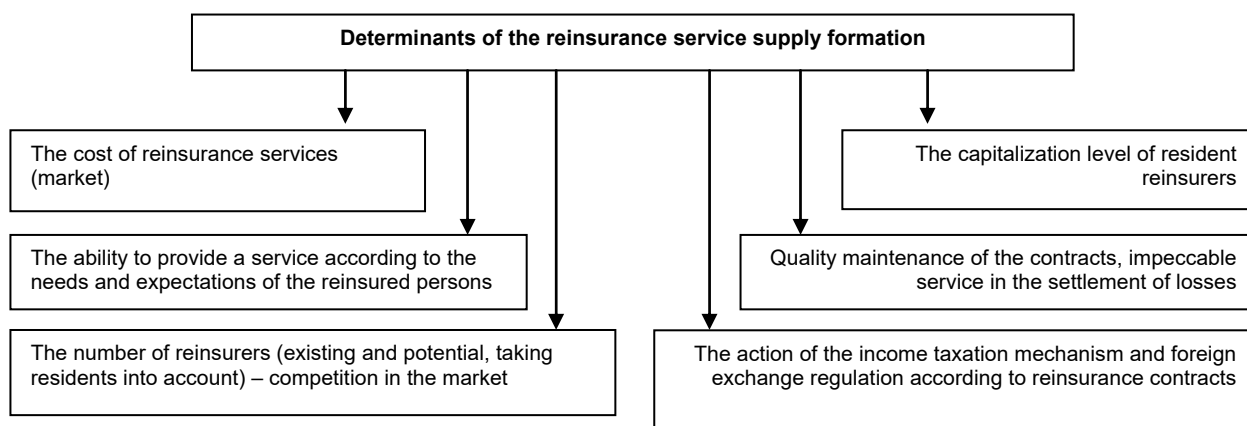


Fig. 3. Determinants of the reinsurance service supply formation

Source: compiled by the author

Setting the market price for a reinsurance service determines the appropriate supply of such services as well, leaving at the market only those reinsurers that can sell the reinsurance protection for a certain price.

The adjustment of a reinsurance service to meet the needs of reinsurers defines the range of those sellers who can cover the risks of a certain volume corresponding to specified conditions.

The current competition in the reinsurance market is also a significant factor that creates a better reinsurance service supply.

As in any market, the supply creation depends on the quality of a service provided. In case of inconsistencies to expectations (needs), reinsured persons reorient to foreign reinsurance markets.

An important factor influencing the formation of a reinsurance service supply is the operating mechanism of income taxation or currency regulation under the reinsurance contracts. Thus, the delay in receipt of the currency for payments between reinsurance participants affect the further relationship between them and the consideration of Ukrainian insurers as partners in the future.

Reinsurance brokers as agents at the reinsurance market also affect the supply and demand for reinsurance services as they help to regulate the relationship between the reinsured persons and reinsurers for the successful implementation of a reinsurance service [15, p. 240].

A reinsurance service, as the insurance one, has a consumer and exchange value. A consumer value appears in determining the reinsured person's need for obtaining additional financial opportunities and ensuring the performance of financial obligations for the insured risk. At the same time, the reinsurer has no less need for a reinsurance service, aiming to expand his own insurance portfolio and increase revenues of reinsurance payments.

Under the influence of supply and demand in the reinsurance market the value for a reinsurance service is formed.

Like any service that serves traded in the market, a reinsurance service is formed based on already incurred seller's costs and future costs related with performing obligations under the contract.

A reinsurance service price lies in the cost of the reinsurance service. When a reinsurance contract is signed, the reinsurer is paid a reinsurance premium, which is based on the rate and expenses related to reinsurance and the reinsurer's profit. Therefore, the pricing of a reinsurance service is influenced by the following factors:

- the loss ratio of the assignor's insurance operations;

- the size of the administrative costs of doing business;
- the effective conduct of the investment activity;
- the expected company's profit;
- payment of insurance contracts.

A reinsurance service price is determined by taking these factors into account depending on the form and type of a reinsurance contract. There are differences in determining a reinsurance premium for proportional and non-proportional reinsurance contracts.

We agree with the statement of scientists M.G. Kamynkina and E.E. Solntseva [16, p. 25] regarding the ambiguity of settlements between the parties of reinsurance operations. By transferring a risk to the reinsurer the assignor distributes a received premium with the assignee, at the same time, receives a commission on the paid premium from the other party.

The commission should cover costs incurred by the insurer relating to concluding insurance contracts. The difficulty here is the separate allocation of administrative costs associated with those contracts that are reinsured in the future. Therefore, the amount of a commission depends on fluctuations in supply and demand correlation in the market.

Scientists M.G. Kamynkina and E.E. Solntseva outline the following types of commissions, which are used in carrying out reinsurance operations [16, p. 22–28].

- the original fee, payable at the first division of the insured risk (assignment) and can be up 20–40 % of the premium;
- the reinsurance commission payable at repeated risk reinsurance (retrocession) and can be up 10–15 % of the premium;
- the brokerage fee – is the cash compensation of a reinsurance intermediary and covers his costs related with concluding a reinsurance contract, as well as the profit, and can make 1,5–15 % of the premium;
- tantiema – is paid to the insurer-assignor by the reinsurer for profit in promising risks, can be up 5–25 % of the profit.

Contracts of proportional reinsurance define "a partial participation of the parties in the distribution of responsibility. According to an agreed stake in the contract, the insurance premiums and losses that are tied to the sum insured are shared between the parties" [17, p.438].

The distinctive type is disproportionate reinsurance contracts, which are characterized by particular approaches in settlements between the parties of the reinsurance contract. "The compensation, which is provided by a reinsurer, is determined only by the size of a loss and is not dependent on the sum insured and therefore, there is no

apportionment of responsibility for a specific risk and an original commission" [17, p. 443].

If an obligatory method is used, according to disproportionate reinsurance contracts, a reinsurance premium is determined not to a separate risk reinsured, but for the entire insurance portfolio, thus one or more types of insurance may incorporate for the year.

The calculation of premiums in disproportionate reinsurance is conducted with regard to the following factors:

- 1) pure risk premium required to cover possible losses;
- 2) guarantee premium to the main reward, since according to disproportionate reinsurance contracts the loss varies considerably each year. The premium size varies depending on: the priority of the assignor, the reinsurer's liability, the insurance type, the insurance portfolio balance, etc.

3) premium to cover the reinsurer's administrative expenses, retrocession profit.

The main objective of the premium calculation in reinsurance on the basis of excess of loss agreement is to determine how often large losses in the homogeneous insurer's portfolio (homogeneous according to risks and insurance amounts) will occur and what the size of these losses will be.

The price of a disproportionate reinsurance coverage is defined as the product of protected premium volume (gross net premium income, GNPI) and XL premium rate (Adjustable Rate, AR).

A reinsurance service price is an important indicator of the reinsurance market development in accordance with the laws of market economy: free competition, supply and demand balance, equilibrium price setting. Domestic insurers are obliged to consider these market laws in determining the reinsurance service price for the creation of an attractive market environment and internationalization of reinsurance.

**Conclusion:** Taking into account the results of studying scientific approaches concerning the nature of a reinsurance service, its distinctive features and pricing, our own definition of a reinsurance service is proposed.

A reinsurance service is a specific service in the form of selling legally formalized liabilities on the redistribution of already insured risk between insurance companies, which has a price, which is influenced by supply and demand.

A reinsurance service has its own special characteristics that distinguish it from other financial services. A reinsurance service is always legally formalized – through concluding a contract. The contract is signed only between two legal entities (insurers). In addition, a reinsurance service as an object of purchase and sale in the reinsurance market has its cost, which is reflected in determining the price of the service and includes both reinsurer's expenses and the profit and the consumer value that defines the incurred reinsurer's costs related to the service implementation. The ability to highlight the value and consumer value of a reinsurance service demonstrates its specific nature at the market along with the insurance service or other financial services. Thus, a reinsurance service is a fundamental factor in the functioning of the market environment, combining the interests of supply and demand holders and directly influencing the quality characteristics of the market,

being its dominant, which causes its development and efficient operation based on market principles.

**Discussion.** The priority task for Ukraine is paying enough attention to the economic content interpretation of a reinsurance service that is the object of purchase and sale in the reinsurance market, which is an important and necessary part of the insurance market, forms its structure and development trends. Particular attention herewith is necessary to the issue of the reinsurance service definition at the legislative level for the possibility to improve the functioning and prospects of further development of the reinsurance market, at which a reinsurance service is the dominant of formation.

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#### ПЕРЕСТРАХОВА ПОСЛУГА ТА ЇЇ ЕКОНОМІЧНА ПРИРОДА

Запропоновано нові підходи до тлумачення перестрахової послуги як домінанти, що обумовлює формування ринку перестраховування та є важливим чинником у функціонуванні та саморозвитку ринкового середовища, поєднує інтереси носіїв попиту і пропозиції та впливає на якісні характеристики ринку, зумовлюючи тенденції його подальшого розвитку. Уточнено зміст понять "попит на перестрахову послугу" та "пропозиція на перестрахову послугу".

Ключові слова: перестраховування, перестрахова послуга, попит на перестрахову послугу, пропозиція на перестрахову послугу.

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**ПЕРЕСТРАХОВОЧНАЯ УСЛУГА И ЕЕ ЭКОНОМИЧЕСКАЯ ПРИРОДА**

Предложены новые подходы к толкованию перестраховочной услуги как доминанты, которая обуславливает формирование рынка перестрахования и является важным фактором функционирования и саморазвития рыночной среды, объединяет интересы носителей спроса и предложения и влияет на качественные характеристики рынка, определяя тенденции его дальнейшего развития. Уточнено смысл понятий "спрос на перестраховочную услугу" и "предложение на перестраховочную услугу".

Ключевые слова: перестрахование, перестраховочная услуга, спрос на перестраховочную услугу, предложение на перестраховочную услугу.

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**THE MEASURABILITY OF CONTROLLING PERFORMANCE**

The urge to increase the performance of company processes is ongoing. Surveys indicate however, that many companies do not measure the controlling performance with a defined set of key performance indicators. This paper will analyze three categories of controlling key performance indicators based on their degree of measurability and their impact on the financial performance of a company. Potential measures to optimize the performance of the controlling department will be outlined and put in a logical order. The aligning of the controlling activity with the respective management expectation will be discussed as a key success factor of this improvement project.

Keywords: controlling; management accounting, controlling performance indicators, controlling role model.

**Introduction.** The urge to increase the performance of company processes is ongoing. While the need to measure and increase the performance of output orientated departments such as production is obvious, surveys indicate, that the performance of indirect functions like the controlling are in contrary rarely tracked. Considering the increasing over-

head in many companies, the following article describes how to measure and increase the value added of the controlling function. Based on a survey from [1], the performance of the controlling function is measured in only a minority of companies:

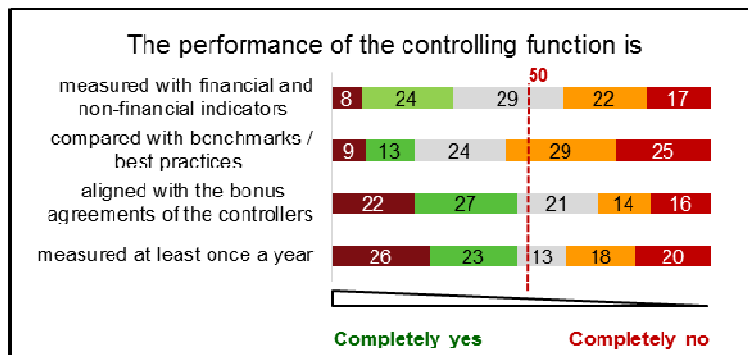


Fig. 1. Measuring the performance

Source: Author's processing modifying [1]

The survey is remarkable as it indicates that most companies do measure the performance of the controlling function at least once a year and align it with bonus agreements. Compared with the percentage of companies who measure, the percentage of companies who have defined financial or non-financial indicators or use benchmarks is however significantly lower. In other words, a significant percentage of companies seem to measure controlling performance without using defined financial or nonfinancial KPI.

**Identifying relevant KPI.** A basic role metaphor that is used in literature to describe controlling is to portray the manager as the captain of a ship (company) and the controller as the navigator. While the captain is responsible for the entire ship, the navigator suggests the right course used to reach the set goal [2], [3], [4]. Controlling can support management by identifying, planning and steering decisions that contribute to the added value of the company [24]. The controlling function will add to the company's performance, if the

value creation of the decision support outweighs the costs of the controlling function:

$$\begin{aligned}
 & \text{Value creation by management support} \\
 - & \text{Value consumption by controlling costs} \\
 = & \text{Value added of the controlling function}
 \end{aligned}$$

Literature has established a broad number of definitions to measure value. The purpose of these indicators is to express complex situations in an easy figure and therefore give the management an aggregated and fast overview [5], [6]. Out of the financial value definitions, the EBIT and the Free Cash Flow are very common financial value definition [7]. In general, companies combine the advantages of multiple value figures in their reporting system [8]. The logic and methodology described in this article to improve the value added of the controlling function is however not specific for a