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Financial management of the company. Are there differences of opinion between owners and managers in the SME segment?

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ABSTRACT

Research background: Financial management of small and medium-sized enterprises is an important area of corporate governance. The quality of financial management has a significant impact on the sustainability and development of these enterprises. In this context, there is a scientific interest to investigate how aspects of financial management are perceived by business owners and how they are considered by business managers.

Purpose of the article: The aim of the article is to define and quantify the important attitudes in the field of financial management and to make a comparison of the attitudes of owners and managers of SMEs in this area.

Methods: In order to achieve this objective, an empirical research was conducted to investigate the attitudes of small and medium-sized firms in the area of financial management, was conducted in June 2022 in the Czech Republic and Slovakia. In the Czech Republic, the total number of respondents was 347, of which 170 (49.0%) were owners and 177 (51.0%) were managers in senior management positions. In the Slovak Republic, the total number of respondents was 322, of which 179 were owners and 143 were managers.

Findings & Value added: The attitudes of owners and managers in understanding the most important aspects of financial management are relatively high in both countries, and these attitudes were similar. Perceptons of financial risk differ between owners and managers in the Czech Republic. Financial risk is better perceived in the category of managers than in the category of SMEs owners. The correct perception of financial risk in Slovakia is at a slightly higher level than in the Czech Republic, while the perception of owners and managers is very similar. Business owners in both countries confirmed that they are better able to manage financial risks in the firm than managers (however, these differences were not statistically significant). Managers in Czech firms were more positive about financial performance compared to owners (statistically significant difference). Similarly in Slovakia (however, this was a statistically insignificant difference). These findings may be inspiring for the scientific field and also for economic policy in these countries.

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INTRODUCTION

Financial management is a system of purposeful activities of corporate managers through which they manage the financial objectives, financial operations and processes of the firm. The most important activities in the field of financial management are the provision of financial resources for the company's activities, optimization of their structure and their effective use in terms of corporate objectives. Financial management consists of financial performance management and financial risk management (Belas et al., 2016).

The quality of financial management significantly affects the future of the firm, which is very important in the segment of small and medium-sized enterprises (SMEs), where due to their specific characteristics, it can be assumed that they have less knowledge of the financial aspects of the business compared to large firms, where, as a rule, there are specialized organizational units of financial management. In this context, Ravselj & Aristovnik (2018) report that SMEs often have poorer performance, which is reflected in lower profitability, higher employee turnover, and lower survival rates. According to Nikolic et al. (2019), the individual characteristics of the entrepreneur, along with non-individual internal characteristics and non-individual external characteristics of the environment in which the SME operates, contribute to SME failure. Avadi et al. (2021) argue that firm size, profitability, liquidity and inflation rate have a positive impact on firm survival. High financial leverage and negative interest rate changes have a negative impact on firm survival.

The prevailing view in economic theory is that the objectives of owners in this area are different from those of managers. While owners are interested in the long-term growth of firm value while taking minimum risk, on the other hand, managers are more likely to prefer the operational performance of the firm due to their profit seeing mindset

In this paper, we examine the differences in the attitudes of SME owners and managers towards financial management in Slovakia and the Czech Republic. The originality and excellence of this research lies in the fact that we use the results of robust empirical research to achieve the main objective of the paper.

The structure of the paper is as follows. In the first section, the basic theoretical knowledge in the field of financial management of the firm are analysed. In the next section, the objective of the research, the research methodology and the data used in this research are defined in an exact manner. This is followed by the results of the empirical research and a brief discussion. Finally, the main research findings are formulated.

THEORETICAL BACKGROUND

Financial management is focused on the selection of the optimal variant of obtaining external and internal sources of financing and their use in terms of the basic financial objectives of the business and taking into account the various limiting conditions.

According to Belas et al. (2018), the basic or prerequisite for the fulfilment of the firm's top objectives is the achievement of adequate profits, because without achieving profits, the firm cannot increase its value.

The final decision regarding the mix of financial levers is one of the main responsibilities of the company's managers. The optimality of financial leverage is of great importance because optimal financial leverage can bring maximum value to shareholders. The short-sightedness of managers (they prefer short-term goals and profits of the firm over long-term planning) has an adverse effect on the speed of convergence of financial leverage in the optimal level (Rostami et al., 2022). The amount of equity is a limiting factor for firm growth. Liquidity and financial leverage have a negative impact on sustainable growth, while profitability has a positive impact on sustainable growth (Vukovic et al., 2022).

Wall (2021) states that differentiated corporate strategy and a comprehensive innovation process mediate the improvement of financial performance of SMEs.

An important part of financial management in a firm is financial decision-making, which is usually made by owners/managers under conditions of uncertainty and risk, so the financial management of a firm is a complex management process. Owners/managers need to ensure that the firm's liquidity is managed; assets and liabilities are managed; and financial risks are managed.

SMEs bring innovative ideas but do not have enough money to finance their projects (Saci & Mansour, 2023). In this context, the importance of commercial banks needs to be highlighted, as many authors point out that SMEs often have difficulty in accessing bank financing (Rahman et al., 2017; Kotaskova et al., 2020; Belas et al., 2017). Banks play a significant role in the process of external financing of SMEs. Diversifying financial risk mitigates the reluctance of banks to increase financing for SMEs and improves their risk management systems (Saci & Mansour, 2023).

In this context, Saci & Mansour (2023) highlight the need for the use of credit guarantees by the government to facilitate SMEs' access to finance. In this way, they want to promote the growth and survival of SMEs in the market. Credit guarantees mitigate the reluctance of financial intermediaries to provide finance to SMEs. Durst & Gerstlberger (2021) highlight the need for financial support programmes for responsible SMEs by governments. Related to this issue, Cehajic & Kosak (2021) examine the impact of macroprudential policies on SMEs' access to bank financing. According to the authors, there is a need to increase the resilience of the banking sector to external shocks, which could result in easier access for SMEs to bank financing. Owusu et al. (2021) highlight the need for SMEs to create internal sources of finance and build a suitable financial base for their business activities. Stoiljkovic et al. (2021) emphasise the importance of internal sources of finance as too much debt increases the risk of default, which may ultimately threaten the very existence of the firm. Wall (2021) also highlights the need for SMEs to mobilise internal resources.

Several scientific studies examine the impact of applying the Corporate social responsibility (CSR) concept on a firm's financial performance. Many of them highlight the fact that CSR increases costs for firms. Other authors try to show that CSR can increase firm performance. CSR incorporates social and environmental considerations in business operations. SMEs can benefit from CSR by improving their financial performance (Bahta et al., 2021; Oduro et al., 2021; Castro-González et al., 2021). CSR has the potential to enhance the competitiveness of SMEs (Apospori, 2018; Wentzel et al., 2023; Rashiti & Skenderi, 2023). Social responsibility leads SMEs to decide to generate profits in such a way that they cause the least harm to society (Coppa and Sriramesh, 2013).

Financial risk management is the second important area of financial management. Napp (2011) states that financial risk exists in different forms. On the one hand, there are external forms of financial risk that are related to changes in financial markets and, on the other hand, the sources of financial risk stem from the internal environment of the firm: financing risk, insolvency risk and liquidity risk. Belas et al. (2018) define financial risk as the probability that a firm's financial performance will decline as a result of a variety of external and internal factors.

Financial risks are complex in nature and can be classified into the following basic groups. Financing risk represents the possibility that an enterprise will not be able to finance its strategic objectives. This risk may manifest itself as an inability to obtain the necessary amount of funds at a given time, either from internal resources or from external sources. Liquidity risk represents the situation where an undertaking will not have sufficient funds to repay its liabilities and may be exposed to various financial penalties as a result. The risk of changes in interest rates may adversely affect the financial position of the firm due to changes in the prices of receivables and payables. Currency risk arises as a result of changes in the foreign exchange rate and can negatively affect the firm's future earnings or asset valuation (Belas et al., 2018).

Several authors state that the level of risk management in the SME segment is not sufficient. SMEs have relatively little adoption of enterprise risk management approaches (Syrova & Špička, 2023), adopt inadequate and ineffective risk management practices (Chakabva et al., 2021), risk is not formalized and structured through standards, which increases their vulnerability in the business environment (Krüger & Meyer, 2021).

The factors that hinder effective risk management in SMEs are numerous and varied. They include lack of intangible resources (knowledge, experience, absence of risk management frameworks, inadequate record keeping, employee rejection, etc.) as well as tangible resources such as capital and cash (Chakabva et al., 2021).

According to Syrova & Špička (2023), there is a link between good enterprise risk management and the financial performance of SMEs. Organizational culture and strategic risk management are positive mediators in this process between enterprise risk management and financial performance. However, they point out that the implementation of enterprise risk management must be based on an appropriate organizational culture and monitoring of strategic risks in the context of financial performance. In this context, Al-Nimer et al. (2021) state that risk management has a significant impact on the innovation of effective business models, through which it enhances the financial performance of the firm.

A recent study by Chakava & Tengeh (2023) shows that owner and manager personal characteristics differences significantly affect the risk management strategies for the SMEs in South Africa. They have used a sample of three hundred twenty SMEs from Cape town, South Africa. The survey shows that 25% of the SMEs are managed by their owners, 35% of the SMEs are managed by their managers, and 40% of the owners have dual roles as managers. The study has found that the managers are more actively involved in finding ways to manage risks in SMEs than the owners. It was also found that the mangers with more years of experience are better in managing financial risk, whereas the owners have no proper financial risk management strategies, rather they just try to avoid any risk-taking activities. A further deep analysis shows that, usually managers are professionally employed in SMEs with better educational background and hence the managers educational background helps to mitigate financial risk.

Similar research by Serrasueiro & Macas (2008) found that effective financial management has a positive effect on firm performance for SMEs in Portugal. The research shows that a better debt management can increase firm efficiency in fund management, and that helps to increase financial performance. The study shows that the owners are less aware of the financial risk for the SMEs in comparison with the managers. They showed that managers are more involved in the day-to-day operations of the businesses and hence they are better able to manage the financial risk of the SMEs. It was also found that managers with previous management experience are actively able to manage financial risk for Portuguese SMEs.

The area of financial risk is particularly important to SMEs because all business risks are concentrated in financial risk, which determines the financial situation of the firm. The negative impacts of financial risks can be very significant for a firm as they can threaten its short-term or long-term existence. For this reason, financial risk management is an important area of corporate management.

AIM, METHODOLOGY AND DATA

The aim of this paper is to define and quantify the significant attitudes in the area of financial management and to make a comparison of the attitudes of owners and managers of SMEs in this area.

In order to achieve this objective, an empirical research was carried out in June 2022 in the Czech Republic and Slovakia to investigate the attitudes of SMEs in the area of financial management.

Data collection was carried out by a reputable external firm MNFORCE using "Computer Assisted Web Interviewing" (CAWI Research Method) according to a questionnaire developed by the research team. The questionnaire could be filled out by the owner or top manager of SMEs. The selection of respondents was done by the random sampling method.

In this research, we investigated the differences in the statements of owners and managers of firms in the area of financial management. These statements were:

- ST1: I understand the most important aspects of financial management of the firm.
- ST2: I consider financial risk as part of the daily life of the firm.
- ST3: I can appropriately manage financial risks in our firm.
- ST4: I have a positive view of our firm's financial performance.

The following scientific hypotheses were defined:

- H1: There are no statistically significant differences between the attitudes of SMEs owners and managers in ST1.
- H2: There are no statistically significant differences between the attitudes of SMEs owners and managers in ST2.
- H3: There are no statistically significant differences between the attitudes of SMEs owners and managers in ST3.
- H4: There are no statistically significant differences between the attitudes of SMEs owners and managers in ST4.

Statistical hypotheses were verified through descriptive statistics, chi-square, and Z-score at a significance level of $\alpha = 5\%$. If the p-value is lower than 0.05, the hypothesis will be rejected. If the p-value is higher than 0.05, the hypothesis will be accepted. The calculations were performed using free software available on the Internet (Chi-Square Test Calculator, Z Score Calculator for 2 Population Proportions).

RESULTS AND DISCUSSION

In the Czech Republic, the total number of respondents was 347, of which 170 (49.0%) were owners and 177 (51.0%) were managers in senior management positions. The structure of respondents in terms of company size was as follows: 157 micro enterprises, 107 small enterprises and 83 medium enterprises. In terms of length of business, the structure was as follows: 71 up to three years, 108 more than 3 years and up to 10 years and 168 respondents have been in business for more than 10 years. Of the total Czech respondents, 47.3% were women and 52.7% were men. Educational level of respondents: 63 respondents reported primary or secondary education without a high school diploma, 181 respondents reported secondary education with a high school diploma, and 103 respondents reported higher education.

In the Slovak Republic, the total number of respondents was 322, of which 179 (55.6%) were owners and 143 (44.4%) were managers in senior management positions. The structure of respondents in terms of company size was as follows: 167 micro enterprises, 86 small enterprises and 69 medium enterprises. In terms of length of business, the structure was as follows: 79 up to three years, 137 more than 3 years and up to 10 years and 106 respondents have been in business for more than 10 years. Of the total Slovak respondents, 52.8% were women and 47.2% were men. Educational level of respondents: 30 respondents reported primary or secondary education without matriculation, 164 respondents with completed secondary education with matriculation, and 128 had university education.

The following tables present the results of the empirical research.

Table 1 presents the results of the empirical research on the understanding of the most important aspects of financial management in the SMEs segment.

The results of the research in Table 1 showed that there are statistically significant differences in the overall pattern of responses in the conditions of the Czech Republic (p-value of chi-square = 0.0191). No statistically significant differences in the overall response structure were found in Slovakia (p-value = 0.9367).

Based on the values of the Z-score p-value test criterion, it can be concluded that there are no statistically significant differences in the positive answers of the respondents in both analysed countries (0.2627/0.5823). This fact can be interpreted as follows: owners and managers in SMEs are at the same level of understanding the most important aspects of financial management in the firm. The level of understanding is slightly lower in the Czech Republic compared to Slovakia. In the Czech Republic, 76% of owners and 81% of managers declared that they understood the most important aspects of financial management, while in Slovakia it was 89% and 87% respectively.

H1 was confirmed.

The results showed in Table 2 confirmed that there were no statistically significant differences in the overall structure of responses in the Czech Republic (p-value of chi-squared = 0.1237) and in the Slovak Republic (p-value = 0.3001).

Based on the values of the test criterion p-value of Z score, it can be concluded that there are statistically significant differences in the positive answers of the respondents in the Czech Republic (p-value Z score = 0.0226). In Slovakia, no statistically significant differences were found in the positive answers of the

Table 1: Assessment of ST1 in Czech Republic and Slovakia

ST1: I understand the most important aspects of financial management of the firm.	Czech Republic n = 347 owners / managers n = 170 / 177	Slovak Republic n = 322 owners / managers n = 179 / 143	Z-score p-value CR / SR
1. Strongly agree	63 / 43	70 / 58	-1.1162 / 0.2627
2. Agree	67 / 101	90 / 67	0.5516 / 0.5823
Total 1+2	130 / 144	160 / 125	
3. Neither agree nor disagree	33 / 29	16 / 16	
4. Disagree	6 / 4	3 / 2	
5. Strongly disagree	1 / 0	0 / 0	
Chi-square / p-value:	11.7762 / 0.0191	0.8131 / 0.9367	
Percentage of agreement with the statement	76 / 81	89 / 87	

Source: own research

Table 2: Assessment of ST2 in Czech Republic and Slovakia

ST2: I consider financial risk as part of the daily life of the firm.	Czech Republic n = 347 owners / managers n = 170 / 177	Slovak Republic n = 322 owners / managers n = 179 / 143	Z-score p-value CR / SR
1. Strongly agree	45 / 49	65 / 44	-2.2763 / 0.0226
2. Agree	79 / 98	96 / 78	1.2651 / 0.2041
Total 1+2	124 / 147	161 / 122	
3. Neither agree nor disagree	34 / 26	18 / 14	
4. Disagree	10 / 4	0 / 4	
5. Strongly disagree	2 / 0	0 / 3	
Chi-square p-value:	7.2407 / 0.1237	4.8774 / 0.3001	
Percentage of agreement with the statement	73 / 83	90 / 85	

Source: own research

respondents (p-value Z score = 0.2041). Thus, it can be concluded that the perception of financial risk is different between owners and managers in the Czech Republic. The correct perception of financial risk is better in the category of managers than in the category of owners of SMEs. The correct perception of financial risk in Slovakia is at a slightly higher level than in the Czech Republic while the perception of owners and managers is very similar.

H2 was partially confirmed.

In Table 3, the results of the research confirmed that there are no statistically significant differences in the overall structure of responses in the Czech Republic and in the Slovak Republic.

Based on the values of the p-value of Z-score test criterion, it can be concluded that there are no statistically significant differences in the structure of positive answers in the Czech Republic and Slovakia. Business owners in both countries confirmed that they are better able to manage financial risks in the firm than managers (however, these were not statistically significant differences).

H3 was confirmed.

The results in Table 4 confirmed that there are no statistically significant differences in the overall structure of responses in the Czech Republic and the Slovak Republic.

Based on the values of the p-value of Z score test criterion, it can be concluded that there are statistically significant differences in the positive answers of the respondents in the Czech Republic (p-value Z score = 0.0104). In Slovakia, no statistically significant differences were found in the positive answers of the respondents (p-value of Z score = 0.2187). Managers in Czech SMEs were more positive about the financial performance of firms compared to firm owners (statistically significant difference). Similar was the case in Slovakia (statistically insignificant difference).

H4 was partially confirmed.

The research was aimed at quantifying the attitudes of owners and managers of SMEs in the field of financial management.

Table 3: Assessment of ST3 in Czech Republic and Slovakia

ST3: I can appropriately manage financial risks in our firm.	Czech Republic (CR) n = 347 owners / managers n = 170 / 177	Slovak Republic (SR) n = 322 owners / managers n = 179 / 143	Z-score p-value CR / SR
1. Strongly agree	39 / 38	48 / 36	0.8975 / 0.3681
2. Agree	92 / 91	102 / 78	0.9463 / 0.3421
Total 1+2	131 / 129	150 / 114	
3. Neither agree nor disagree	32 / 42	25 / 22	
4. Disagree	6 / 6	3 / 6	
5. Strongly disagree	1 / 0	1 / 1	
Chi-square p-value:	1.3200 / 0.8580	3.8153/0.4316	
Percentage of agreement with the statement	77 / 73	84/80	

Source: own research

Table 4: Assessment of ST4 in Czech Republic and Slovakia

ST4: I have a positive view of our firm's financial performance.	Czech Republic n = 347 owners / managers n = 170/177	Slovak Republic n = 322 owners / managers n = 179/143	Z-score p-value CR / SR
1. Strongly agree	37 / 41	37 / 38	-2.5569 / 0.0104
2. Agree	79 / 101	98 / 78	-1.2258 / 0.2187
Total 1+2	116 / 142	135 / 116	
3. Neither agree nor disagree	39 / 24	34 / 18	
4. Disagree	13 / 11	9 / 7	
5. Strongly disagree	2 / 0	1 / 2	
Chi-square p-value:	7.0517 / 0.1331	3.8153 / 0.4316	
Percentage of agreement with the statement	68 / 80	75 / 81	

Source: own research

The results confirmed that the level of understanding of the most important aspects of financial management is relatively high in both countries, and these attitudes were similar in the group of owners and in the group of managers, as it ranges from 76% to 87%. The perception of financial risk is different between owners and managers in the Czech Republic. Financial risk is better perceived in the category of managers than in the category of owners of SMEs. The correct perception of financial risk in Slovakia is at a slightly higher level than in the Czech Republic, while the perception of owners and managers is very similar. Business owners in both countries confirmed that they are slightly better able to manage financial risks in the firm than managers. Managers in Czech firms rated financial performance more positively compared to owners. The same was the case in Slovakia.

On the one hand, the research results are not compatible with the views of some experts who strongly point out the low level of risk management in the SME segment (Syrová & Špička, 2023; Chakabva et al., 2021; Krüger & Meyer, 2021; and others). On the other hand, these results extend the findings presented in other research such as Owusu et al. (2021), Stoiljkovic et al. (2021), and Wall (2021).

This research builds on our previous research. In our 2015 research, we found that three-quarters of entrepreneurs in the SME segment in the Czech Republic experience intense exposure to financial risk. At the same time, we found that the ability to properly manage financial risks in the SME segment is not at an appropriate level. It is obvious that this is a rather challenging and dynamic area of management, but at the same time very important in terms of the future survival of the company. The importance of financial risk has increased during the crisis, which is reflected in the difficult access to external financing for these firms. In our research we found that the creation of financial reserves does not have a significant weight in the business sector, as the number of entrepreneurs who presented this approach was relatively low. As part of the research, we compared access to the important drivers of financial risk by gender and education of entrepreneurs and by firm size and age. We found that larger firms perceive the actual importance of financial risk more intensely compared to micro firms. Similarly, firms that have been in business for a longer period of time perceived this more intensely compared to younger firms (Belas et al., 2018).

Hudáková & Masár (2018) analysed entrepreneurial risks in the Visegrad Four countries. SMEs in the V4 countries evaluated market risks as the biggest threat, which are mainly related to the positioning of goods and services in domestic and foreign markets. Financial, personnel and economic risks were identified as the second, third and fourth most serious risks. The ranking of these risks varied only slightly from country to country.

The results of the current research have shown that certain financial management factors also have a significant impact on shaping SMEs' attitudes towards business ethics. The knowledge of the most important aspects of the financial management of the firm represents the most important factor influencing the application of ethical aspects in the management process of SMEs, followed by the ability to appropriately managing financial risks in the firm and the entrepreneurial optimism of SMEs. Thus, entrepreneurs' belief that their firm will survive in the medium term has a significant impact on the area of business ethics.

Interesting results in this context are reported by Zvarikova et al. (2023). According to the authors, who conducted empirical research in the V4 countries (Czech Republic, Slovakia, Poland and Hungary), entrepreneurs in these countries demonstrated a relatively high sense of applying business ethics. As many as 92.25% of entrepreneurs consider business ethics to be important and up to 90% of entrepreneurs confirmed that they apply the ethical implications of their decisions when managing their businesses. Entrepreneurs confirmed the interesting fact that they are also influenced by emotions, as they feel good when they behave ethically.

Enterprises that systematically manage key risks are able to eliminate these risks with significantly higher success rates than enterprises that do not have defined rules and a structured approach to risk management. These risks are most effectively managed by enterprises with a comprehensive enterprise risk management system, which is particularly typical of large and medium-sized enterprises. A less systematic ad-hoc approach is common for small businesses, most of which perform below average (Belás et al., 2018). Businesses that not only manage risk but also regularly evaluate the success of their risk management have better performance. While the management of financial risks (e.g. exchange rate and interest rate risks) and risks related to customer default is common, enterprises pay considerably less attention to other types of risks related to business partners, such as supplier risks or the risk of loss of reputation in the market (Risk Management, 2013).

There could be many ways on how to minimise the financial risk in a company and which can depend on the nature and structure of the firms. A firm may define an acceptable level of risk (that is, a level of risk that is acceptable, does not threaten the firm, and the firm's management does not take risk management measures), undertake risk avoidance and risk diversification procedures (spreading risk through existing instruments), or transfer risk to other entities (banks, insurance companies, suppliers, leasing companies, other partners). An important form of protection is the creation of financial reserves within the firm (Belas et al., 2018).

CONCLUSION

The aim of this paper is to define and quantify the significant attitudes in the area of financial management and to make a comparison of the attitudes of owners and managers of SMEs.

First, the attitudes of owners and managers in understanding the most important aspects of financial management were investigated. The results confirmed that the level of understanding was relatively high in both countries, and these attitudes were similar.

Perceptions of financial risk differ between owners and managers in the Czech Republic. Financial risk is better perceived in the category of managers than in the category of SMEs owners. The correct perception of financial risk in Slovakia is at a slightly higher level than in the Czech Republic, while the perception of owners and managers is very similar.

Business owners in both countries confirmed that they are better able to manage financial risks in the firm than managers (however, these differences were not statistically significant).

Managers in Czech firms were more positive about financial performance compared to owners (statistically significant difference). The same was true in Slovakia (however, the difference was statistically insignificant).

This research has a regional limitation because it examines the situation in the Czech Republic and Slovakia in a certain economic and political situation. In the future, we expect to verify the research results in other economic and political conditions and in a broader regional setting.

The research results can be an inspiring base for further scientific research in the SMEs segment. These results may also be stimulating for economic policy makers in both countries under study.

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