

Dysfunctions revealing hidden costs-performance in SMEs: Review of the literature



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ABSTRACT: In the new context of globalization, Moroccan companies are increasingly faced with margin pressure. They are challenged to review their strategies and evolve their management tools. In this respect, the issue of hidden costs is becoming increasingly important for any company seeking to control its performance, both as a source of qualitative and quantitative improvement of processes in terms of measuring hidden costs-performance. Thus, the main objective of this article is to detect the dysfunctions revealing the hidden costs-performances within small and medium-sized companies. To do this, a review of the articles dealing with this concept was carried out in order to come up with a state-of-the-art of the academic production on the subject and to draw conclusions on the various dysfunctions which cause its birth.

KEYWORDS: SME, Management, Malfunction, hidden costs, performance

I. INTRODUCTION

The current economic environment is changing rapidly. SME suffer from a double problematic; the first one is about management style, the second one is about performance management. Faced with these different changes, the dimension of invisible costs is not taken into consideration. Authors in the field of management have pointed out, on the one hand, the existence of predefined costs that are identified in the accounting plan, and on the other hand, the emergence of costs that are not taken into account by accounting.

Indeed, performance is the major stake and objective of any SME. This performance is influenced by problems of application of procedures and management standards. In this respect, we found out the existence of charges that are sources of dysfunctions, which disrupt the process of improving performance. According to (Henri Savall and Véronique Zardet, 2010), there is a double dysfunction, one qualified as economic type, the other considered as behavioral type. This new vision is based on the work of (Anthony, 1965). This approach aims to improve the so-called socio-economic performance.

To this observation, this work aims to define the sources of hidden costs within Moroccan SMEs. Its SMEs represent 95% of the economic fabric of the country. These hidden costs impact the managerial decisions and the performance of SMEs. Indeed, to face the various dysfunctions, it is necessary to look for the source and the results, in order to think of improvements promoting the continuity of exploitation of the SME. This improvement is explained by the evolution in economic profitability. In the current trend, the strategic diagnosis (internal and external) presents an interesting phase for the SME. It also constitutes an ideal source for improvement (L. ELKTIRI et al, 2020).

In the title of this article, the problematic formulated is as follows: "To what extent do hidden costs impact the performance of Moroccan SMEs?" This research question focuses on the importance of dysfunctions that create hidden costs. This work is divided into three main axes, the first relating to the key concepts of the problematic, the second will relate to the methodological framework and the third will be reserved for a synthesis of the empirical work in relation to our research topic.

II. THEORETICAL FRAMEWORK OF THE RESEARCH

From the above, this axis is reserved for the definition of the different key notions of the theme of this research.

A. General information on small and medium-sized enterprises (SMEs)

The SME

Literally speaking, the SME is defined on the basis of several dimensions, namely, the number of employees, the level of turnover and the amount of assets. These criteria are used to define the SME are discussed by authors in the field of management.

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According to (Nobre, 2001), by retaining that the SME is characterized by a staff, not exceeding 500 employees. According to (Julien, 1987), the SME: small size, centralization, low specialization, less formalized strategy, less complex and organized information system (ZAWADZKI, 2009). In the context of our research work, it is essential to specify the characteristics of the SME in Morocco.

The Moroccan SME

The SMEs cover a large part of the economic fabric of Morocco. They contribute positively to economic growth, job creation and regional development. The SME is an enterprise managed and/or administered directly by the physical persons who are its owners, co-owners or shareholders and which is not held at more than 25% of the capital or voting rights by an enterprise, or jointly by several enterprises, not corresponding to the definition of the SME? Furthermore, SMEs must meet the following two conditions:

- Have a permanent workforce not exceeding 200 people,
- To have accomplished, during the last two financial years, either a turnover excluding taxes lower than 75 million DH, or a total balance sheet lower than 50 million DH.

This same charter also proposes specific criteria for newly created companies: what is considered as SME the companies having engaged an initial investment program lower than 25 million DH and respecting a ratio of investment by employment lower than 250 000 DH. According to this definition of the SME charter in Morocco, we draw up a diagram illustrating this definition (Figure N° 1) as follows:

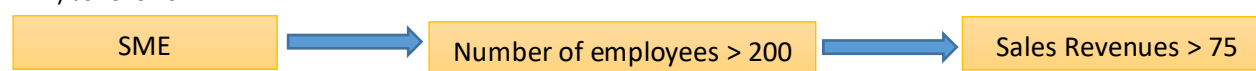


Figure N° 1: SME according to the charter

Source: Authors

In the era of the current environmental trend, characterized by the health crisis that has become a systemic crisis, SMEs suffer from dysfunctions at both the strategic and operational levels.

B. Malfunctions

A dysfunction according to the French dictionary gives meaning to an anomaly or a lack in the application of the standards to a bad working condition and to the non-observance of the procedure's manual. This meaning can also be attached to a machine. Therefore, we can emphasize that the malfunction means a lack in the process and a problem of operation in the realization of an assignment. The observation of anomalies during the execution of the work indicates a failure to use the resources. According to (Savall Henri ; Zardet Vironique, 1995) a socio-economic approach is developed which is based on "the quality of work during the handling of missions so that one can speak in good faith of the use of resources. This socio-economic analysis is therefore devoted to identifying and evaluating the invisible costs revealed by dysfunctions".

C. Hidden costs

Within any SME, the expenses incurred throughout a current and non-current activity are predefined in the accounts and identified by codes mentioned in the general chart of accounts. The accounting system contains standards that allow the classification and identification of visible expenses. In the production approach of a product, the accumulation of expenses is expressed by a cost (example: purchase cost) (L. ELKTIRI et al, 2020). Other definitions are in line with this, including that of (Boivert Hugues, Laurin Claude, 2007), which defines cost as the sum of expenses incurred in return for a good/service. The company incurs expenses throughout the production phases of a good or service until the finished product is obtained, and these expenses are evaluated by a cost (Gouget C, 2003).

In other words, there are invisible costs that are not taken into account in accounting and are not identified by the accounting plan. In this sense, the existence of hidden costs within the SME leads us to a double thought, the first is related to the research and identification of the dysfunction's sources of these costs, the second is related to the impact of these costs on the performance. According to (Savall Henri; Zardet Vironique, 1995) founder and president of ISEOR, the research undertaken by his group has led to the conclusion that there is an accumulation of operating problems throughout the life of the company. The objective of this approach developed in 1974 is to improve the performance of the organization. He structured the hidden costs as follows:

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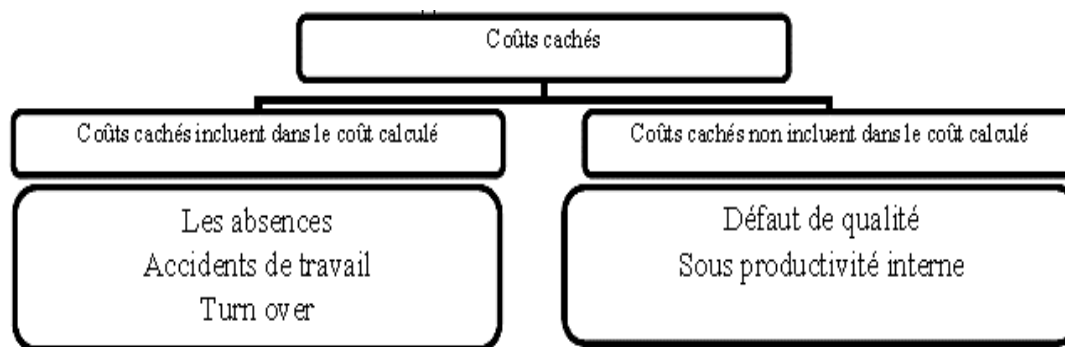


Figure N° 2: Hidden costs
 Source: (H. Savall et al., 1995)

Type of hidden costs

According to H. Savall et al. (2010), hidden costs have a structural and behavioral source. This view is in line with the socio-economic approach of management control, from which hidden costs are classified as follows according to (Henri Savall; Vironique Zardet, 2003) cited by (Sara DEHBI; Khadija ANGADE, 2019):

- Overtime
- Overconsumption
- Overpayment
- Non-production
- Non-creation of potential
- Risks

In fact, these different hidden costs identified by the socio-economic approach are linked to measurement indicators.

Hidden cost indicators

Scientific work has been carried out in this area of indicators to measure hidden costs. According to D. Dumas et al, (2008), we distinguish several dimensions according to the table (table n° 1) :

Table N° 1: Dimensions of measurement of hidden costs

Source	Dimensions
Absenteeism	Absence rate Source of absence Resolution of the source
Non-quality Defect rate	Rate of customer complaints Company image Under-production Equivalence of salary to task
More time on a task	Overconsumption Less productivity Low margin
Turn over Employee	turnover rate Instability rate Expenses to recruit new employees Expenditure on training employees

Source : (D. Dumas et al., 2008) quoted by (L. ELKTIRI et al, 2020)

From the above, it appears that these different hidden costs constitute a disruption of performance management. This summary of hidden cost indicators shows that controlling them is a transformation from hidden to visible performance.

D. The Concept of Performance

Performance is a concept that has been the subject of several scientific research studies in management sciences. It means the ability of the company to follow the trend of the environment, to achieve the objectives and succeed in the strategy. According to (Bouamama, 2015 ; Bourguignon A., 1995), performance is related to three variables action, result and success (A. ABBASSI & A. OURIQUA, 2018). This concept touches several meanings, namely, the social, financial, environmental and economic aspect. It highlights the consistency between the results achieved in relation to the predefined strategic objectives. The concept of

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performance is defined by three key words: Relevance, efficiency and effectiveness (De La Villarmois, 1996). We present in the following table definitions of performance according to several theoretical contributions:

Table N° 2: Concept of performance according to different theoretical contributions

Authors	Definition of performance
A. Bourguignon (2000)	« Performance is defined as "the achievement of organizational objectives, regardless of the nature and variety of these objectives. This achievement can be understood in the strict sense (result, outcome) or in the broad sense of the process that leads to the result (action)... »
Baret (2006)	« The aggregation of economic, environmental and social performance ».
Kalika (1985)	- The respect of the formal structure, The relationships between the components of the organization (organizational integration logic), The quality of the flow of information and The flexibility of the structure.
Pfeffer J. et Salancik G. R (2003)	« Capacity of the entity to generate actions and achievements acceptable for all individuals, groups or organizations on which it depends and the evaluation, of this organizational effectiveness supposes a value judgment on the activities, the results which are the products or the effects of the organization in its environment ».
Marchesnay M. (1991)	The analysis of the goals brings out three measures of performance: - Effectiveness: the achievement obtained in relation to the objective set. - Efficiency: the achievement obtained in relation to the resources used. - Effectiveness: the level of satisfaction obtained in relation to the achievements.

Source: Authors

III. SYNTHESIS OF PREVIOUS WORK

This research on the impact of invisible costs on the performance of companies is the subject of several research works. With this in mind, we summarize the various previous works in the following table.

Table N° 3: Summary of previous works

Authors	Title	Context and research problem	Methodology adopted	Results obtained
(Sara DEHBI ; Khadija ANGADE, 2019)	Control and analysis of hidden costs-performances linked to dysfunctions within hospitals: case of the Moroccan Regional Hospital	Hôpital Régional marocain - Identification of the impact of dysfunctions on performance ?	Exploratory study (semi-directive interviews)	- Dysfunctions (working conditions) => hidden costs (non-quality and absenteeism) - Dysfunctions (poor distribution of missions which is the source of transfers and resignations) => hidden costs (Turn Over, non-quality service and absences) - Malfunctions (delays and absences without justification) => hidden costs (absences) - Dysfunctions (non-existence of communication and lack of coordination) => hidden costs (unsatisfactory productivity) - Dysfunctions (lack of training and gap between results and objectives) => hidden cost (non-quality of services)
(Bampoky, 2012)	Dysfunctions revealing hidden costs in senegalese firms Senegalese firms: what prospects for maximizing value?	- Senegalese firms What are the dysfunctions that reveal hidden costs in Senegalese firms?	Mixed study (qualitative and quantitative)	Company 1 : Dysfunctions (Turn Over, tasks are not respected) Company 2 : Dysfunctions (work schedules are not respected, problems with the execution of missions, poor coordination, absences) Company 3 : dysfunctions (manual of procedures not respected, lack of supervision, poorly structured internal management, unsatisfactory objectives obtained, absenteeism and inconsistency in the distribution of tasks), which implies a decrease in performance.

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				<p>Company 4 : dysfunctions (lack of compliance with the recommendations of the procedures manual, delays, difficulty in scheduling and carrying out tasks, means of travel)</p> <p>Company 5 : dysfunctions (lack of understanding of procedures, limitations of the IS and evolution of customer complaints)</p> <p>Company 6 : dysfunctions (absence of management planning and control allowing for employee motivation)</p> <p>Company 7 : dysfunctions (lack of respect for work schedules, irregularities in work, delays and unjustified absences)</p>
(Moisson-Duthoit, 2009)	Stress: between financial overhead and human distress	- France (639 establishments) Identifying the cost of stress?	Quantitative study	<ul style="list-style-type: none"> - Too much distance from patients - Employees do not feel that they are taken into consideration by management - Lack of recognition of employees - Lack of development - A lot of pressure and surveillance - Modern slavery - Lack of social support

Source : Authors

IV. RESEARCH METHODOLOGY

To begin each research work, it is necessary to draw up an adequate research protocol. This research work presents a summary of the literature dealing with the influence of invisible costs on performance in Moroccan SMEs. This review is based on studies that have been carried out in this sense, which has led us to draw up a theoretical conceptual model for research.

Any scientific research work must identify the epistemological and methodological framework of research. According to the nature of the concepts and the characteristics of our research context. Our epistemological positioning tends towards a positivist paradigm. The latter will be initiated by a deductive approach following a hypothetical-deductive approach. A mixed research method is aimed at, first, an exploratory study in order to contextualize the model deduced from the theory, and second, a confirmatory study in order to test the model and carry out the hypothesis test.

This protocol will be the subject of a second scientific production completing this article of which we limit ourselves only to a presentation of the theoretical contributions treating this topic.

V. RESULTS AND DISCUSSION

This research is interested in studying the relationship between hidden costs and performance. At the end of the literature review, we were able to note that there are invisible costs affecting the performance of the company. The hidden costs identified by authors say that there are dysfunctions that constitute a main source of these costs. While analyzing the results of previous studies, it appears that some dysfunctions are of behavioral origin or human nature. Other dysfunctions are of economic origin.

According to the previous studies, several dysfunctions are identified, in this case, working conditions, scheduling of tasks, time management and coordination), these different problems of functioning are derived as a source of costs not taken by the accounting such as non-quality, absences, overpayment, unsatisfactory productivity, evolution of customer complaints, staff turnover and voluntary departures. These different disruptions generate non-visible costs that influence the evolution of the organization, Sara DEHBI et al (2019).

Authors having predefined that these dysfunctions can be classified in two categories namely: dysfunctions of structural type and others of behavioral type.

The regulation and correction of the said dysfunctions are the source of certain hidden charges which impact the management mode within the SME and thus a hidden performance (Henri Savall and Véronique Zardet, 2010; L. ELKTIRI et al, 2020).

The different works synthesized allow us to conclude the existence of dysfunctions creating hidden costs. This conclusion of the common points between the different works will be presented in the following table:

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Table 4: Synthesis of malfunctions creating hidden costs

Dysfunctions	Hidden costs
Working conditions	Non-quality
Absenteeism	Unsatisfactory productivity
Coordination	Salary
Communication	Overconsumption
Training	
Staff turnover	

Source: Authors

With regard to this theoretical conception, we could draw up a theoretical model of research to begin the empirical study within the Moroccan SME of which we specify thereafter the area on which the study will be carried out. The theoretical model can be drawn up as follows (figure N° 3) :

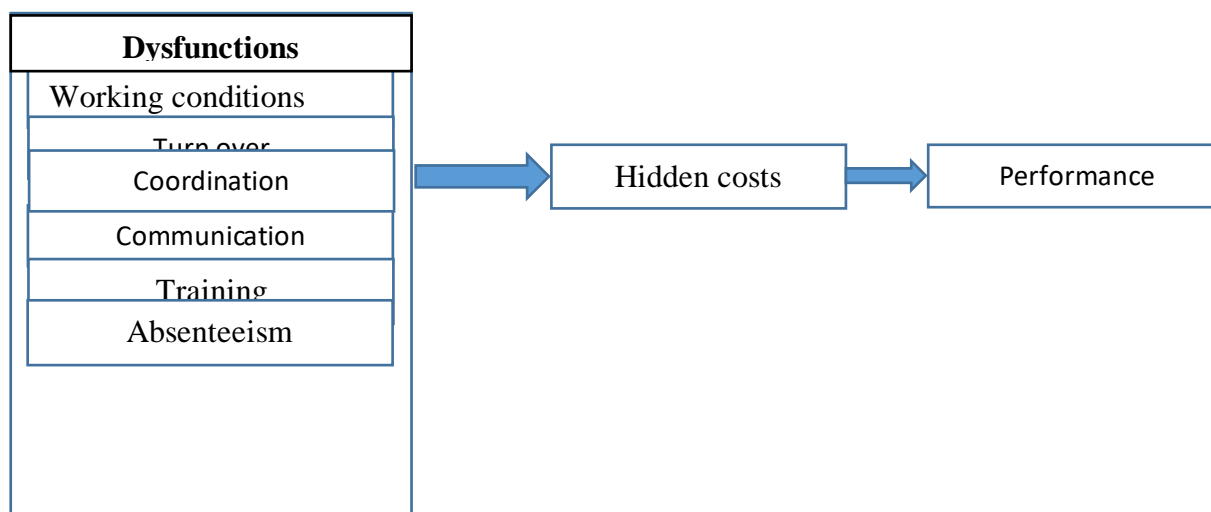


Figure N° 3: Theoretical model

This theoretical model illustrates that the detection of dysfunctions is an important step within the company. This detection presents a control of the invisible costs and a transformation of the hidden performance to a visible performance.

CONCLUSIONS

Our research article deals with the problem of the impact of hidden costs on the performance of Moroccan SMEs. These costs are defined through theories by several indicators of measurement and that these costs are derived from the problems of execution of tasks or procedures within an economic entity. In the operating activity the company incurs expenses. These different expenses are identified in the accounting. Of course, the company incurs other expenses that are not taken into account. They are not mentioned in the accounting standards. This leads to the conclusion that these expenses are not taken into account when calculating the result.

From the results of previous studies, it can be summarized that hidden costs are influenced by malfunctions. Our research work provides a theoretical foundation. It gives an overview of the dysfunctions that reveal hidden costs.

Thus, the development of a conceptual framework of the impact of hidden costs on performance. The development of a conceptual framework.

This vision will be the main focus of our empirical study within Moroccan SMEs. This work also presents a perspective for researchers based on a specified dimension of performance. This perspective can be expressed by the following research question: "To what extent do hidden costs impact financial performance ? Another perspective is in line with this question : "The contribution of management control in the evaluation and control of hidden costs".

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