

VIII CONGRÉS ACCID-IQS



International
Association
of Controllers

Integrated Thinking



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Controlling – Creating the future

International Association of Controllers

Internationaler Controller Verein eV



<https://www.icv-controlling.com/en.html>

Expert Group Controlling & Quality Management

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Internationaler Controller Verein eV

- 1975: Founded by graduates of the CA controller akademie
- Today:
 - > 6,000 individual members in more than 30th countries, > 180 corporate memberships
 - > 60 working groups in various European countries
 - > 14 expert groups with leading practitioners, consultants and researchers striving for new and practicable Controlling solutions for current issues
 - Dream factory as a Controlling think tank
 - Controller Congress: The largest congress with around 600 participants
 - International congresses totalling approx. 1,500 participants
 - Website, publications, ...

Traditional Business Controlling is based on some deep beliefs and rules

- Risks can always be identified and
- Reaction to deviations can always be defined



- There is one best target
- The target is definable for all stakeholders
- The way to the target is plannable
- Planning and doing are separated

- There is always a KPI for every target
- The impact on the KPI/target is measurable
- All processes can be calculated

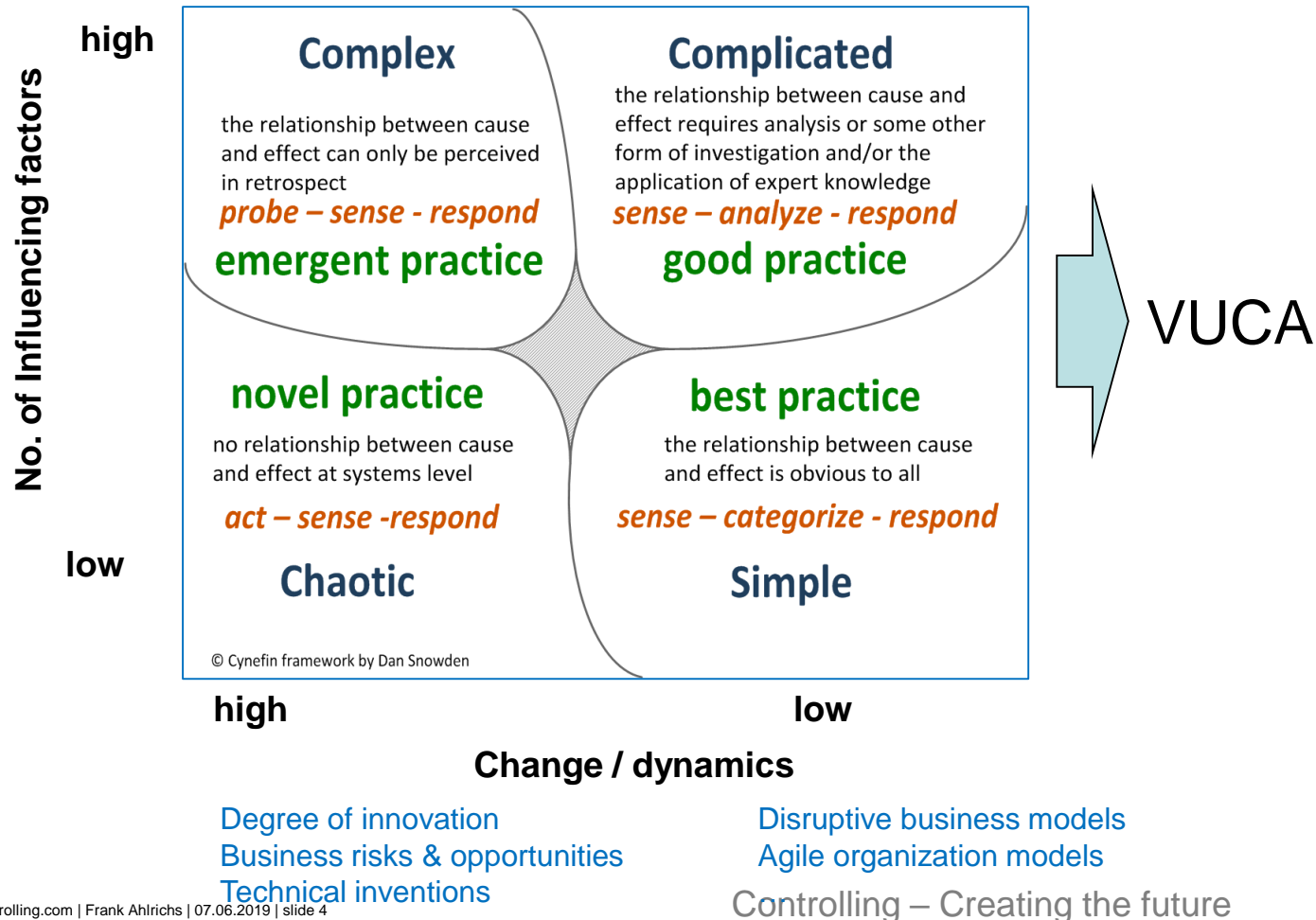
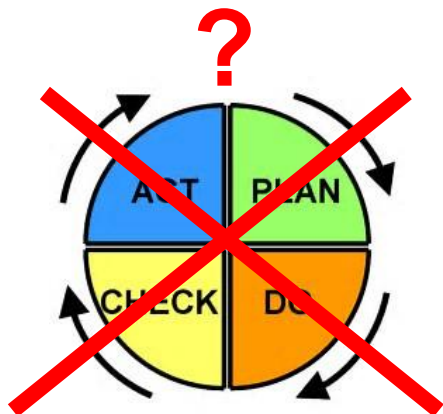
- Actions have a causal impact on the target resp. on the relevant KPIs
- Managers have the overview, what measures/actions are required to reach the target
- People need to be incentivised to work properly

Complexity cannot be directly controlled.

The Cynefin model

Clear targets, clear actions, clear cause-and-effect relations cannot be assured in every case. Linear relations become cause-and-effect networks (n : m).

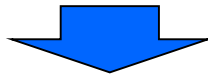
- Digitization
- Artificial Intelligence
- Integration (IoT)
- Generation Y / Z
- Sustainability
- New business models
- ...



Automation will change the game of Business Controlling fundamentally

Business Processes can be automated,

- if it can be **clearly defined** (standardized),
- if it can be **measured** in all relevant indicators and
- if it can be **controlled** in a kybernetic steering cycle.



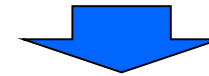
Everything, that can be automated, will be automated!

- Efficiency
- Reliability, ...



What remains are pure **human activities**:

- Creativity (Innovations, Marketing)
- Care for other people (Colleagues, Customers)
- Strategic thinking
- Art
- ...



Empathy is a core value and requirement for the new (business) world!

- Diversity
- Communication, collaboration even beyond company boundaries



Controlling – Creating the future

Organization needs to be more flexible but needs a reliable foundation at the same time

- New dynamics and speed in markets, societies, customer demands, ... require new ways of value creation and collaboration
- This new way of work creates challenges for Business Controlling and requires at least some reliable basics

Agile Organization

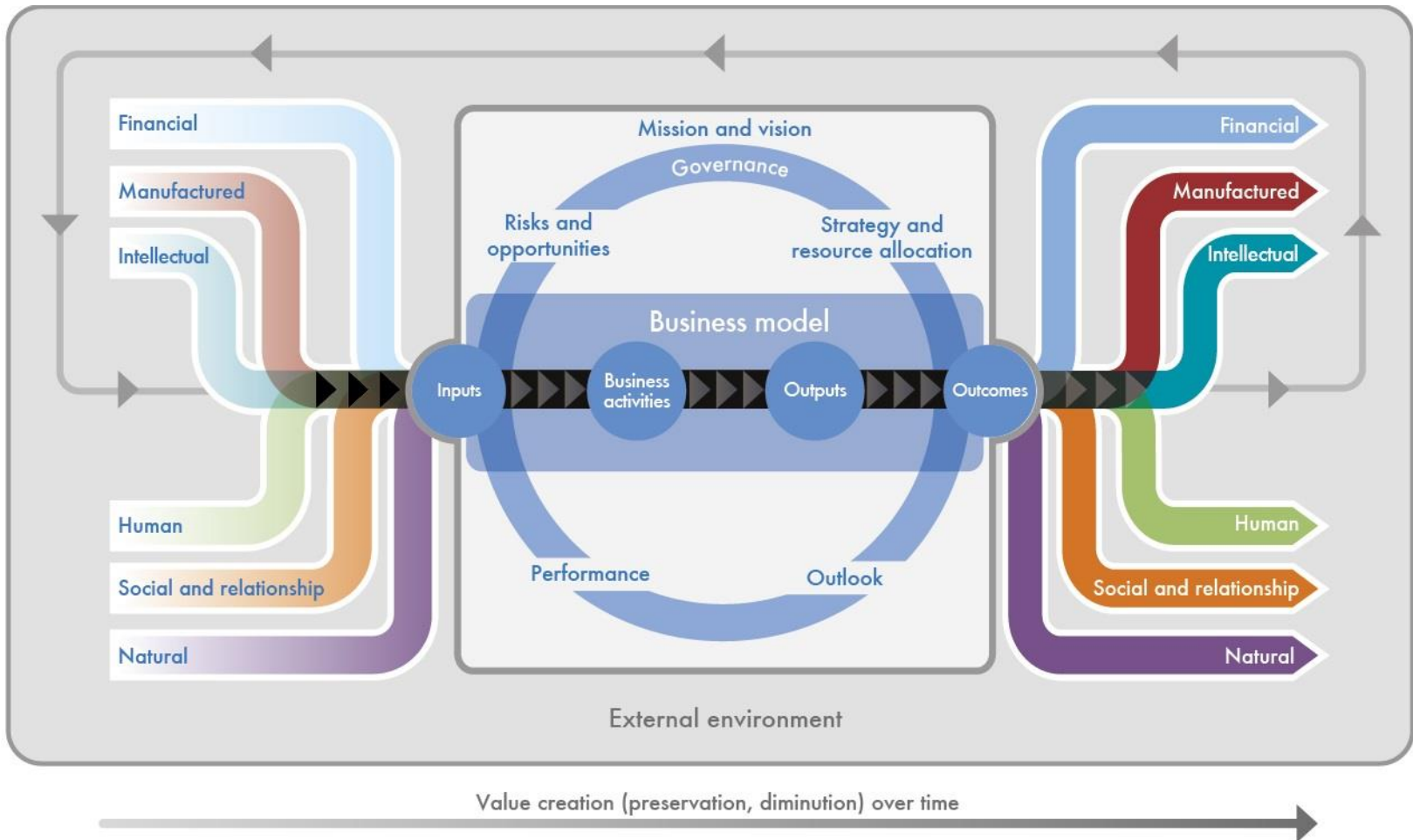
- self-organized teams instead of hierarchical directives
- Risk & opportunity management instead of detailed planning
- Solution development (design thinking, SAFe, co-creation, ...)
- Customer (stakeholder) communication

Stable foundation

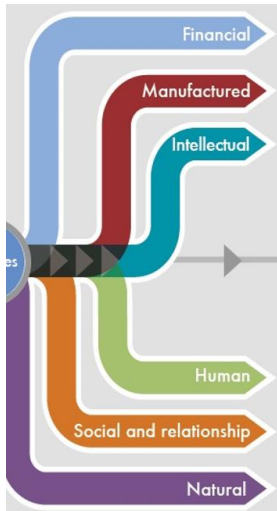
- Single source of truth (data & definitions)
- Core values (company DNA)
- Corporate identity (e.g. process cornerstones, public relations / CI)
- USP related issues

The Integrated Reporting framework provides a sustainable business approach

- Management **decisions** have to consider all capitals.
 - (Sustainable) **Value Creation** over the whole chain has to be documented transparently
- Aim: Create **Trust** with all stakeholders



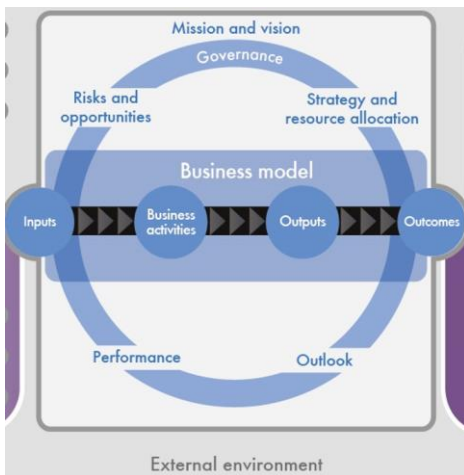
Integrated Thinking is the management behaviour behind the reporting



Evaluated and booked

Non-financial potentials

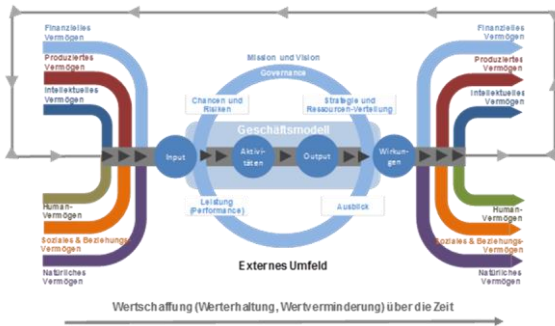
- Capitals are invested to achieve the strategic targets and create income for the stakeholders
- Risks are considered to avoid existential problems
- Potentials are considered to create value over time for the stakeholders in all 'capitals'



- All stakeholders should be considered equally (balanced) and the management decisions are stakeholder-oriented
- All 'capitals' are considered in management decisions
- Management decisions are made transparently and always oriented on clear customer value

The impact of Integrated Thinking on Business Controlling

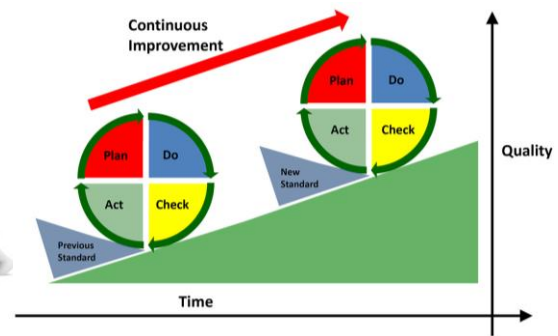
Integrated Thinking



Development of the Organization



PDCA



Controlling of the 'capitals'

- ➔ Measuring and steering of soft factors and potentials
- ➔ Performance Measurement VUCA

Principles of Integrated Thinking

Culture (Agility, Maturity levels)

Decisions and decision support

- ➔ Empowerment of employees
- ➔ Transparency as a main requirement

Ensure business excellence

Adapt the organization (processes and structure), e.g. with SAFe (scaled agile framework)

Rationalization

- ➔ Automation
- ➔ Lean approach: Eliminating waste (mainly social waste)

Target setting and planning

- ➔ More short-term targets, long-term values
- ➔ Risk and opportunity management

Data measuring and Reporting

- ➔ Big data analyses, real-time transparency

Forecasting

- ➔ Predictive Analysis

Controlling / Steering

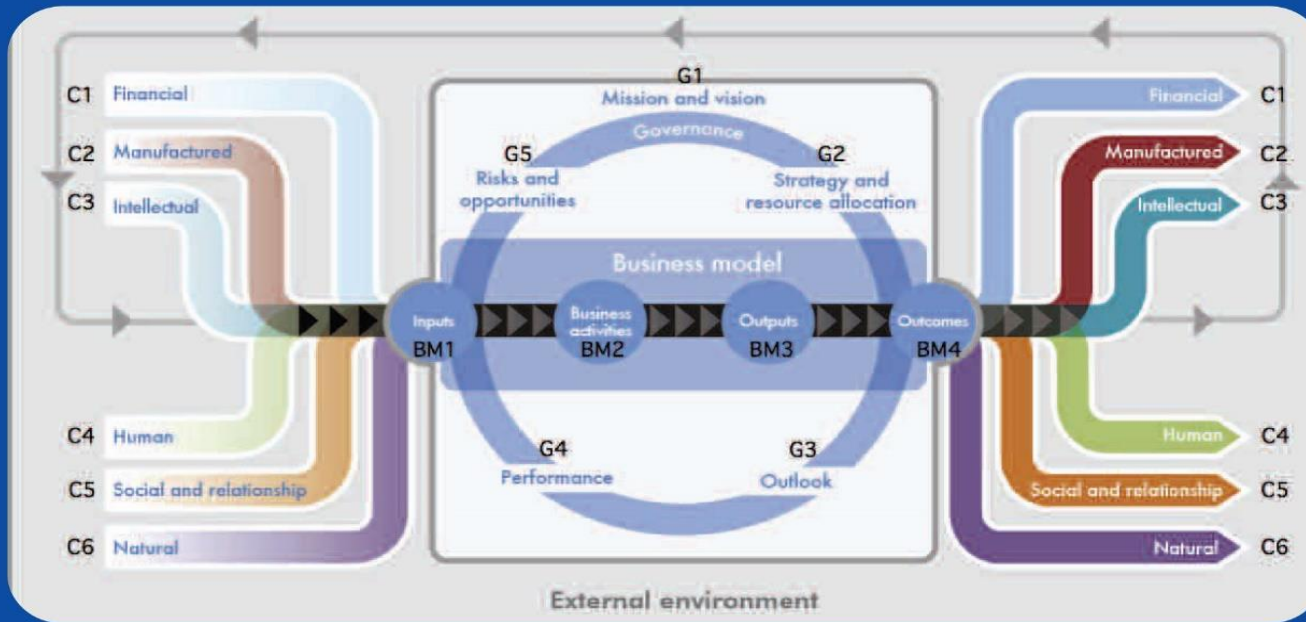
- ➔ Risk and opportunity management

New instruments / methods

- ➔ OKR (Objectives & Key Result)
- ➔ Customer Journey Analysis
- ➔ ...

Role definition of Controllers and Quality Managers

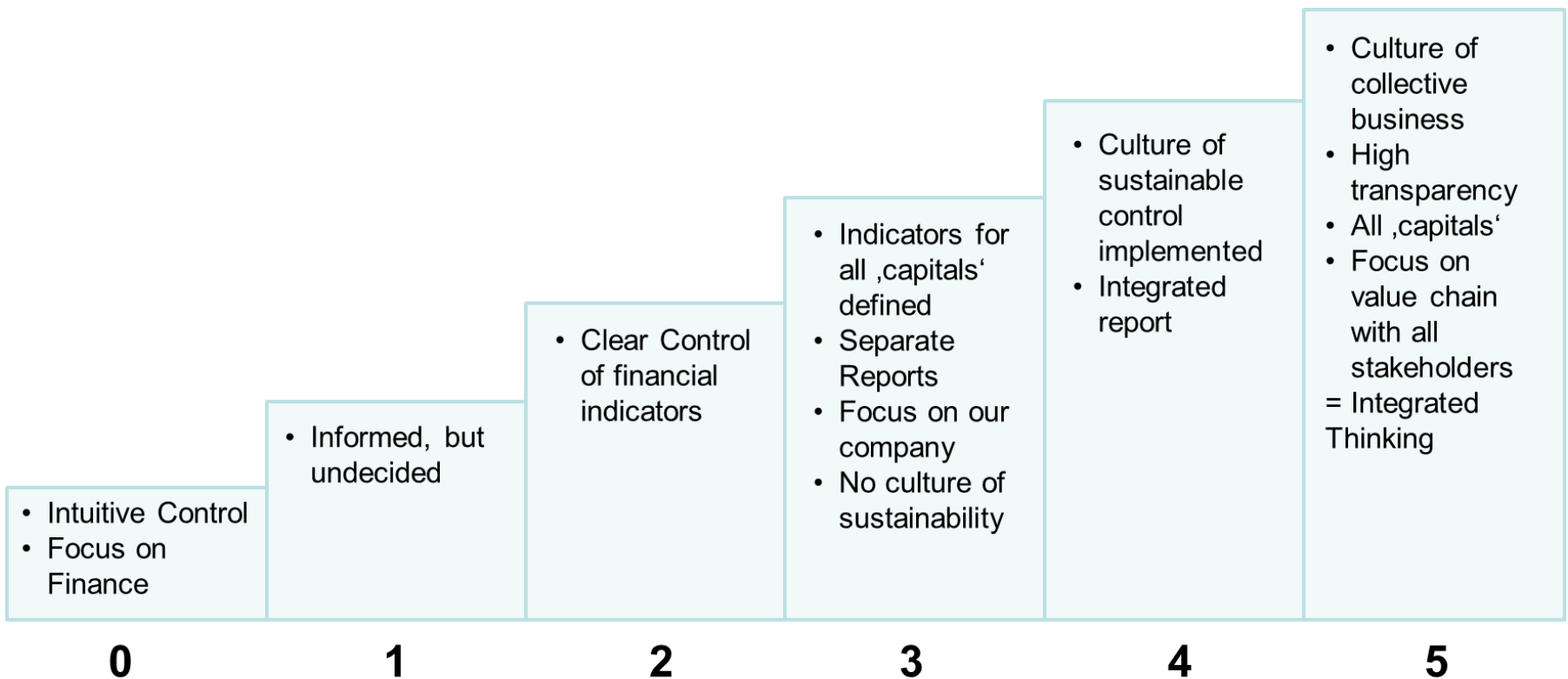
Methods of Controlling around the <IR>



This annotated version of the IR Framework illustrates its redeployment as a schematic model for an integrated Information Management (IIM) system. Each component is listed on the left side of the following table, and its schematic IIM annotation is listed in the right.

| IR Framework | IIM System | IR Framework | IIM System | IR Framework | IIM System |
|--------------------------|-----------------------|--------------------------------------|-------------------------------|-----------------------------|-------------------------------|
| Business Model | Operations | Governance | Strategy | Capitals | Funding requirements |
| BM1: Inputs | Supply chain analysis | G1: Mission and vision | Balanced scorecard | C1: Financial | Working capital |
| BM2: Business activities | Process flow analysis | G2: Strategy and resource allocation | Activity based costing | C2: Manufactured | Capital expenditures |
| BM3: Outputs | Sales analysis | G3: Outlook | Flexible budget | C3: Intellectual | Research & development |
| BM4: Outcomes | Variance analysis | G4: Performance | Total quality management | C4: Human | Employee training |
| | | G5: Risks and opportunities | Internal control (ERM) system | C5: Social and relationship | Public relations and lobbying |
| | | | | C6: Natural | Architectural design |

A maturity model for implementing the integrated thinking was developed



The skills of a Business Controller will change

That remains

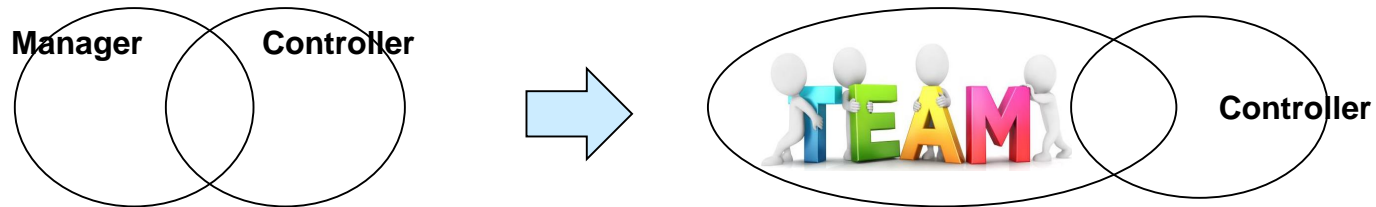
- **Deep understanding** of the business model
- Deep knowledge of the **value creating processes**
- **Entrepreneurial thinking**
- Define and **follow-up actions**
- **Identify trends** as early as possible

That's new

- **Ensuring market positioning** becomes more important than detailed cost optimization.
- Develop a „**Digital Mindset**“
- Method overview and understanding of **advanced analytics** and statistics
- Have more **knowledge about the strategy** of your company
- Consider the potentials of the **Integrated Reporting** framework
- Steering of the **value chain**

What will change for a Controller in this environment?

Role:



Result Steering:

Budget Control
Profit Orientation

Liquidity
Risks & Opportunities

Different Indicators which are understandable for all people involved (,ROCE'?)

More Future Orientation (Rolling Forecast, Story Points) as data of the past have less influence on future development

Total P&L combined of several business units (agile / non-agile)

¡ Gracias por la atención!

Guiding principles of Integrated Reporting

Strategic focus and future orientation : An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals

Connectivity of information : An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time

Stakeholder relationships : An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests

Materiality : An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term

Conciseness : An integrated report should be concise

Reliability and completeness : An integrated report should include all material matters, both positive and negative, in a balanced way and without material error

Consistency and comparability : The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.



Content elements of an Integrated Report

Organizational overview and external environment : What does the organization do and what are the circumstances under which it operates?

Governance : How does the organization's governance structure support its ability to create value in the short, medium and long term?

Business model : What is the organization's business model?

Risks and opportunities : What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?

Strategy and resource allocation : Where does the organization want to go and how does it intend to get there?

Performance : To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?

Outlook : What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

Basis of presentation : How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

