

**Dear Readers,**

In the last few newsletters we provided you with many insights into the topic we are currently investigating. The work on the corresponding Dream Car Report **“Digital Business Model Innovations | Controlling in Digital Transformation”** is now nearly complete.

In this newsletter we would first like to report about the Green Controlling Prize 2017, which has its roots in the work of the Dream Factory on the topic of Green Controlling. Then, we take a closer look at the main factors which influence the success of digital transformation. Finally, we present the core questions controllers should ask themselves during the process of digital transformation.

We hope you enjoy reading this issue of the Dream Factory Quarterly, wish you a merry festive season and a good start to 2018.

Best regards,

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*Chairman of the ICV board*

Prof. Dr. Heimo Losbichler  
*Deputy Chairman of the ICV board*

Prof. Dr. Ronald Gleich  
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Stefan Tobias  
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**Suggested Reading**

The book **“Understanding Digital Business Models Properly”** by Christian Hoffmeister provides an insight



into the business models of leading digital companies and creates transparency concerning the underlying economic models. Not only does the author critically examine existing concepts and the success they promise, he also offers a hands-on, practical orientation for the successful selection and implementation of digital strategies.

In his book **“The Successful Application of Design Thinking”**, Daniel Schallmo

presents the eponymous approach model for developing customer-centric products and services. He uses seven phases to provide a detailed explanation of how to design the development process. This book is aimed at practitioners who operate in the fields of innovation management, product management, service management and business development.



The complete Dream Car Report **“Digital Business Model Innovations | Controlling in Digital Transformation”** will be published shortly, after which it will be available for free download on our website:

[www.icv-controlling.com/de/arbeitskreise/ideenwerkstatt](http://www.icv-controlling.com/de/arbeitskreise/ideenwerkstatt)

## 31<sup>st</sup> Stuttgart Controlling & Management Forum | The Green Controlling Prize

As part of the 31<sup>st</sup> Stuttgart Controlling & Management Forum, on September 20, 2017, the award ceremony for the Green Controlling Prize of the Péter Horváth Foundation took place. The award comes with a €10.000 endowment and it is given in cooperation with the International Association of Controllers in recognition of innovative and effective “green” controlling solutions which focus on implementing ecological strategies, programs and projects. The Green Controlling Prize has its roots in the work of the Dream Factory on the topic of Green Controlling. This year, the Green Controlling Prize went to Porsche AG. Richard Mager (Head of Product Controlling at Porsche AG) received the prize from Prof. Dr. Dr. h.c. mult. Péter Horváth (Founding Member and President of the Jury) and Siegfried Gänßlen (Chairman of the ICV board).

In his laudation, Prof. Dr. Dr. h.c. mult. Péter Horváth first explained that the Green Controlling Prize has been awarded since 2011 to recognize solutions from controller teams which have been proven to make a contribution to “using green topics to record figures in the black”. According to Professor Horváth, the award-winning solution in 2017 “is the heart of a strategy-based overall system for supporting management on the road to a green company”. Richard Mager accepted the Green Controlling Prize and presented the award-winning green controlling solution. The idea underlying the green controlling solution stemmed from the Porsche Strategy 2025, which has sustainability firmly anchored in it. In this context, increasing regulation is a major field of action for fleet emissions. According to Mager, in addition to the implemented and planned consumption optimizations, further measures will be necessary to hit future CO2 targets. He provided insights into how Porsche

manages CO2 target achievement both in corporate planning and in vehicle project management. In corporate planning, the main aspect is incorporating CO2 effects and measures as early as possible and assessing shortfalls in CO2 target achievement as they are recognized. The aim is to establish financial reserves in corporate planning for possible measures. This CO2 reserve is subjected to a value-based assessment and considered in the cash flow plan and in the earnings plan with typical annual distributions. In vehicle project management, the costs necessary for hitting the CO2 targets for specific projects – alongside other targets (“integrated target system”) – are considered in the target catalog for the vehicle project. The impact on earnings of CO2 target under- or overruns is assessed in the project status. A standardized CO2 indicator provides support in the commercial prioritization of possible CO2 measures.



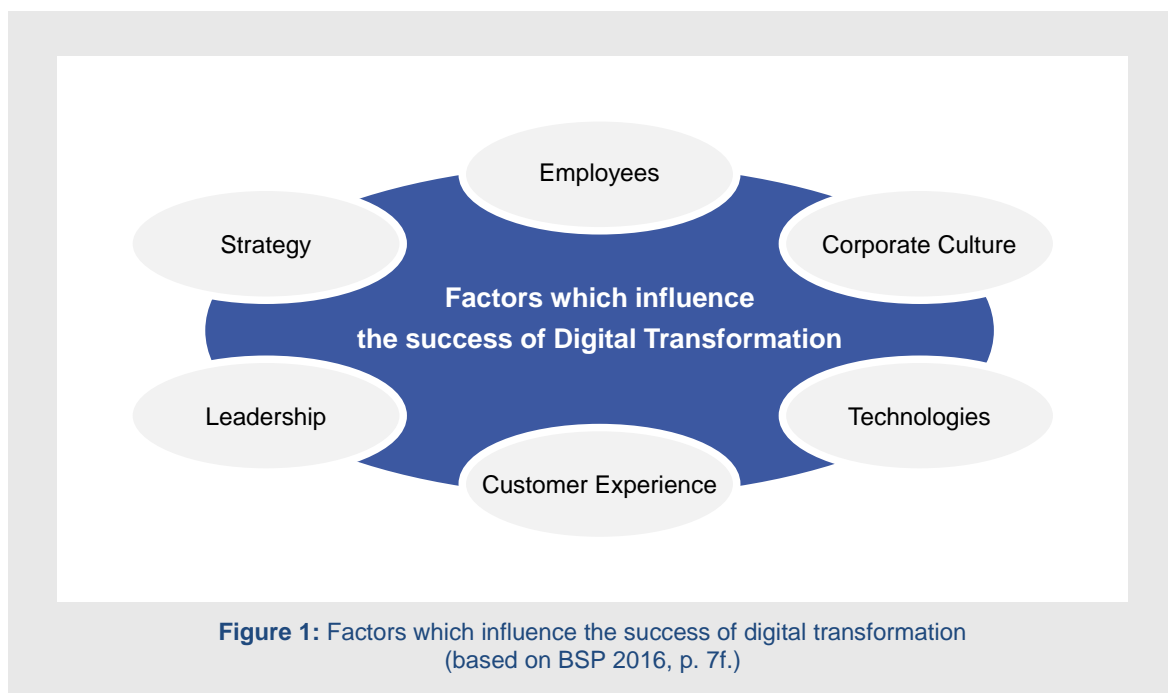
From left to right: **Prof. Dr. Dr. h.c. mult. Péter Horváth**, Founding Member and President of the Jury; **Richard Mager**, Head of Product Controlling at Porsche AG; **Siegfried Gänßlen**, Chairman of the ICV board.

## Successful Digital Transformation of Business Models | Main influencing factors

Technological and financial resources are not the only decisive factors for the successful implementation of digital business models. Nokia is a good example of this: Nokia was seen as the leading provider of cell phones, yet it missed out on the smartphone boom which was triggered by Apple's iPhone with its touchscreen and its apps. In the context of expanding its own corporate strategy, Nokia recognized the potential of apps too late. As a consequence of its heavy-footed and innovation-averse corporate strategy, Nokia suffered a massive decline in revenues and eventually lost its position as market leader on the cell phone market. When looking at this example of how not to act, we need to ask what are the crucial prerequisites for the successful digital transformation of business models. We have compiled a list of six main factors influencing factors (see figure 1).

The first crucial factor is the **employees**. The success for failure of the digital transformation of business models lies above all at the feet of the people who work in the company. Alongside professional expertise, from the employee perspective creativity and the ability to take the initiative are particularly important. Moreover, employees (managers included) are an important part of **corporate culture**. Corporate culture is the convictions which shape the way in which people work, think and act within a company. It is especially in times of digital change that the company needs an open corporate culture and teams which are increasingly agile and can coordinate themselves. A further critical aspect is that the company uses digital **technologies** to foster both corporate objectives and the bottom line. Here, the focus is on competences and infrastructures which already exist within the company or which still must be built up and which enable the company to assess, establish and deploy digital technologies. These technologies must be seen as the core enablers of digital transformation. Additionally, digital

transformation is accompanied by changing customer, supplier and other partner relationships. Based on increased levels of networking, the aim here is to generate relevant information about business partners and customers and to use web and social media analyses or CRM modules to offer individually tailored **customer experiences**. In the context of digital **leadership**, the focus lies mainly on management level executives who, on the one hand actively foster the company-wide digitization process and on the other hand convince their employees of the importance and necessity of the digital transformation through their positive attitude. Finally, a **strategy** which works for all business fields and activities of the company lays the foundation for a successful digital transformation. Here it is incredibly important that such a digital strategy is developed, lived and communicated at the highest levels of the company. It is vital to check the extent to which the digital strategy has been implemented on a regular basis and to continue to expedite it with appropriate measures (cf. BSP 2016, p. 7f.).



## Digital Transformation of Controlling | Questions controllers should ask themselves

The digital transformation of business models must inevitable be accompanied by the digital transformation of Controlling as, in their role of business partner, controllers must be able to provide adequate decision-making support for management. In our last newsletter we showed you how a workshop format for the digital transformation of controlling could be designed. Now we would like to take a more concrete look at the core questions controllers should ask themselves when they are deriving suitable performance management systems (= digital cockpit) for digital business models and defining their roles and activities in the context of a digital business model (= digital controller).

### Check List 1: Digital Cockpit

- What are the key dimensions for successful digitization?
- Which digital performance indicators are common in our industry?
- Which performance indicators must we communicate in order to engender trust in our abilities as digital transformers?
- Which performance indicators can we generate ourselves and which must be generated by external partners?
- Do we have the statistical analysis capabilities in-house to properly evaluate large amounts of data (big data)?
- What is interesting and how / what is purchased (customer journey)?
- Which controlling instruments are needed to measure the value contribution of digital products and services?
- How are one-time and ongoing internal and external costs calculated (business case)?
- How can we shape a target process with performance indicators?
- Can we introduce a uniform (sub-) reporting system for different business models?
- How can we consolidate performance indicators across different business models and units?

### Check List 2: Digital Controller

- Do we need a "Chief Digital Performance Officer" instead of a controller for our digital business?
- What motivates employees in the digital business fields?
- How can I get feedback on the performance indicators from the digital business areas?
- How can I use scrum and other agile project management methods to implement an uninhibited performance culture in start-ups?
- How can I use the implementation of a digital cockpit to show correlations in the creation of services, receive regular feedback on KPIs, and create a performance culture?
- How do I deal with colleagues who do not fit in the new digital performance culture?
- How do I manage semi-autonomous start-ups which constitute an important element of the digitization strategy?
- What constitutes a suitable incentives system which will focus all parties on our goals and targets?
- How can controllers train themselves to cope with the new challenges they face?

Figure 2: Core questions in the digital transformation of Controlling (source: Schönbohm/Egle 2016, p. 6f.)

### References

BSP, Mittelstand im Wandel – Wie ein Unternehmen seinen digitalen Reifegrad ermitteln kann, Berlin, 2016.

Schönbohm, A., Egle, U., Der Controller als Navigator durch die digitale Transformation, in: Controller Magazin, 41, 2016, 6, p. 4-8.

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