



International Controller Association

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Dear Readers!

In 2015 the International Controller Association (ICV) celebrated its 40th anniversary. In the jubilee year the ICV brought controllers, CFOs, managers and scientists together, it put in the center experience exchange, networking and future-oriented topics, combined experiences from the practice and new research trends and prepared knowledge for the company practice. The ICV has again made a significant contribution to personal success of its members and to the sustainable performance of companies. In 2016 we also support controllers in their every-day work!

Our biggest event of the year is already behind us and was a great success. The 41st Controller Congress on April 25-26 gathered more than 580 controlling experts from Germany and abroad. The happiest participants were representatives of Covestro Deutschland AG. The Controller Award 2016 donated with 5.000 EUR went to their controlling team for the controlling team of Covestro Deutschland AG. On Monday (April 25) at the 41st Controller Congress in Munich the Award was given for the project "Comprehensive redesign of the entire controlling as a result of the Covestro carve out from the Bayer Group." If you think the controlling solution in your company deserves some recognition, you have still some chance this year: there is Green Controlling Award award offered by the ICV and our Partners. Take the challenge!

For those who couldn't be in Munich, we prepared other events in ICV member countries: in spring we invite you to conferences in Poland, Serbia, Spain and Russia. More information you can always find on ICV Homepage! And regional work groups inform us often about their initiatives. Contact leaders of your work group to know more.

If you want to develop your skills also in other ways, on our Homepage we prepared interesting materials in English. The Dream Factory Expert Work Group has just translated their newest Quarterly: they focus now on Business Analytics and on challenges arising for controllers and finance officers. We're happy for your ideas and

Much pleasure while reading
Yours
ICV Bulletin Team

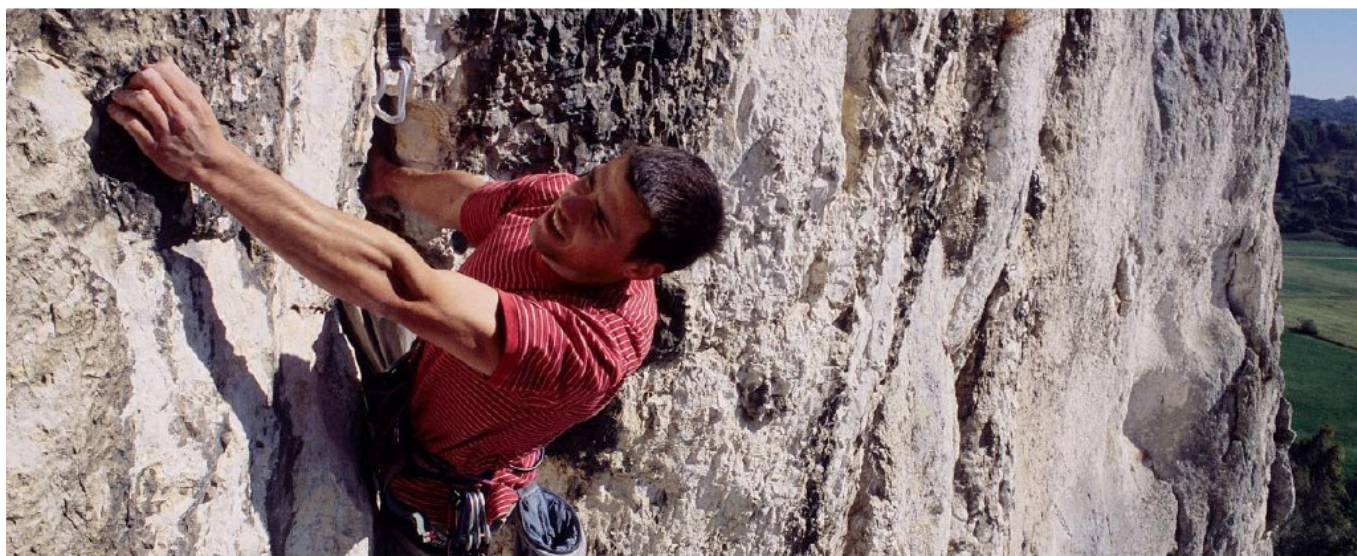
The ICV Chairman on digital transformation: "Controllers must find the new ways"

580 controlling experts – practitioners, researchers and professors discussed in Munich the challenges of digital transformation for controlling. At the largest controlling conference in Europe, 41st Controller Congress under the title "Planning and managing in the time of digital transformation - Change. Impulse. Chances" the welcome speech held the Chairman of the host International Controller Association (ICV), Siegfried Gänßlen. He asked controllers facing the digital transformation, to "re-define a little" their role as business partners of management and to acquire digital skills and competences.

The 41st Controller Congress (April 25-26, Munich) directed the eyes of controlling community to the changes and impacts arising from the digitization and to their influence on corporate management. "Especially in the times of radical changes controlling can prove its strengths" explained the Chairman of the Board of the International Controller Association (ICV) and listed how: "By creating clarity looking at risks, potentials and costs connected to the digital transformation of own added value and own businesses; by supporting the management processes to create a strong, clear and balanced vision of change and to make this vision operationalized; by ensuring the systematic scheduling of measurable milestones in the change process, to either hedge the transformation by "first success stories" or intervene early enough when the goals has not been achieved; by providing comprehensible arguments to make difficult business decisions with painful consequences more plausible".



Risk intelligence is a core skill in an uncertain environment. How can it be improved? By Babette Drewniok



Risk management has been on the corporate agenda for many years, with mixed success. Companies tend to focus on the introduction and development of risk management processes and tools on the organisational level. Meanwhile, the personal risk intelligence¹ of the actors - the decision-maker or the person supporting decision-making processes in the organisation - is receiving less attention. As a result, when decisions are based on the decision-maker's personal willingness to take risks rather than the organisation's risk tolerance, attempts to explain decisions that failed to achieve the desired outcome may fall short of the mark.

Why is risk intelligence important?

We are living in a time characterised by increasing uncertainty.² Navigating successfully in these uncertainties requires a different skill set from managing in a secure and stable environment³ - and risk intelligence is part of this skill set. The psychologist Gerd Gigerenzer phrased this very accurately with respect to school education: "We teach our children the mathematics of certainty - geometry and trigonometry - but not the mathematics of uncertainty: statistical thinking."⁴ Many people associate risk exclusively with events that should be avoided; classic risk management aims to preserve assets and to avoid risks. Yet, the fact that an organisation needs to take risks to ensure its survival and growth in the long-term is often neglected in these considerations. In other words, **sustaining competitiveness and creating enterprise value are invariably connected with taking risks**. The philosopher Ernst Bloch put this very succinctly: "If you don't expose yourself to danger, you'll perish in it." "Version 2.0" of the adage is "**If you don't risk anything, you put everything at stake**". With regard to an organisation, one might say that the biggest risk of all is the risk one fails to take.

What is risk intelligence?

At its very core, risk intelligence is the ability to judge one's knowledge about an issue. This means being able to evaluate the degree of certainty of that knowledge. It may sound trivial, but that doesn't make it wrong; the more uncertain the times, the more important this skill is.⁵ Now, if we look at a continuum, **underconfidence** - and consequently, **risk aversion** - on one end of the scale and **overconfidence** - and therefore **strong risk appetite** - at the other end, then **risk intelligence is the ability to stay in the middle of**

this continuum. Alternatively, one could picture a scale, balancing the two weights *risk appetite* and *risk aversion*, depending on the situation. Given that humans have different dispositions by nature, some will be rather risk averse, while others love taking risks. Thus, the starting point for the journey towards risk competency will differ. Yet, the required skills are identical.

How Can We Become More Risk Intelligent?

There are three starting points to gain or improve risk intelligence:

1. Reflection of your own risk attitude
2. Understanding the psychological aspect of risk
3. Adapting the technical toolbox and applying statistical thought more often

The article aims to present these three issues and offer - where possible - individual approaches to improve them.

How can the risk intelligence be improved?

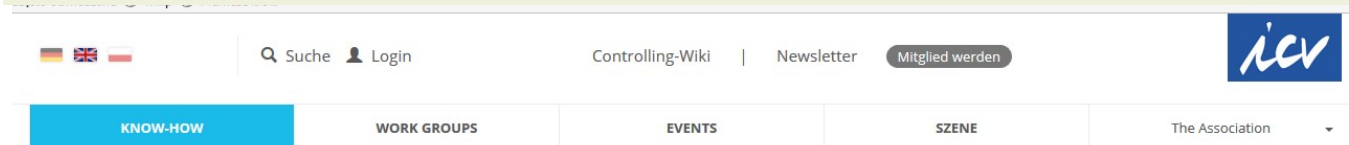
Since it is usually easier to notice other people's inadequacies than your own, it makes sense to **take measures for the improvement of risk intelligence at an organisational level**. The measures described here include both measures aimed at the individual level as well as accompanying measures at an organisational level that aim to compensate individual inadequacies.

One thing needs to be made clear at this point: Searching for more information and facts is not a suitable means to remove uncertainties. In practice, however, it is one of the most common things done. Unfortunately, this frequently has negative consequences. **Studies have shown that too much information results in a lower quality of decisions.**²⁰ A statement of estimates, percentages or value ranges is not a sign of analytical weakness, but one of risk intelligence. **Numerical precision or single point answers, on the other hand, come at the risk of illusive certainty in the decision-making process.**

Read the whole article on <https://www.icv-controlling.com/en/know-how.html>.

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

Controlling Know-How - more articles and ICV statements: <https://www.icv-controlling.com/en/know-how.html>



On our Homepage we publish more and more materials in English. Some of them are free for all controllers, to download others you have to log in as an ICV member.



From isolated reporting to full-fledged steering. Starting points for pragmatic sustainability controlling

The article provides companies with a number of pragmatic recommendations for the development of sustainability controlling and its embedding into the regular finance processes. The objective: Sustainability must be controllable to be considered credible by stakeholders and to generate real and favourable economic effects for the organisation. Sustainability activities should be separated clearly from philanthropy, because their underlying motivation and objectives differ. Not all indicators used in external sustainability reporting should be integrated into sustainability steering. Rather, an effective approach to steering requires the selection of relevant and credible sustainability indicators that are marked by economic relevance and a direct link to the core business. A pilot run with a significantly reduced set of sustainability issues is beneficial in the development stage of sustainability steering, as it allows the realisation of quick wins and thereby increases support through the management. **The steering of sustainability issues requires the planning and regular analysis of measures taken - regular reporting does not suffice.** Existing system and process infrastructures of the Finance department should be utilised. Finally, the existence of effective steering should be openly communicated to stakeholders, together with the key performance indicators used, as well their target and actual values.

Calculations in Strategic Marketing-Controlling

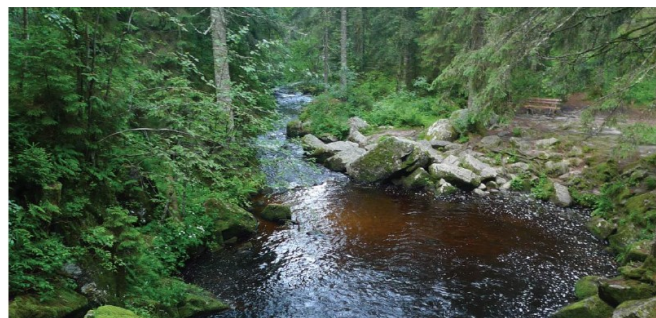


The article proves that there is a real danger in wrong judgments or, as it is often the case, in too good judgments as far as innovations are concerned. The exposed mistakes are related to:

- a) inappropriate logical time registration systems for payments
- b) failure to take into account the precise accrual of the current payments
- c) wrong recording of outlays for investments via depreciation

That is why the approaches were developed by means of which the above mentioned problems can be solved. So the costs and revenues typical for the marketing department can be correctly converted into payments. Innovations that are evaluated on this basis will not "flop", at least not for methodical reasons.

Green Controlling @ Hansgrohe – Sustainability in the spotlight



Environmental protection and resource preservation have long been important issues in corporate management. The following contribution shows how this approach has been developed and implemented through the **Green Controlling solution at Hansgrohe SE**. It highlights the role of Controlling in the planning, steering and control of Green Controlling solutions and the challenges faced by the Controlling function with respect to methodology and role perception.

ICV Statements:

Communication Controlling
Balanced Scorecard
Business Planning
Controllers' Mission Statement
Modern Budgeting
IFRS

