Controlling
Herausforderungen und Entwicklungstendenzen in der Praxis

10. Controlling Innovation Berlin

Berlin, 18. September 2010

Dr. Ralf Eberenz
Agenda

- Practical Implementation of a Controlling Approach that matters
- Organizational Development in Controlling
- Effective and efficient Information Management
- New Controlling Areas
- Did the Crisis change anything?
### Three roles of a controller

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>Think visionary, but act entrepreneurial</strong></td>
<td>Implement recommendations proactively</td>
</tr>
<tr>
<td><strong>Project management</strong></td>
<td></td>
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<tr>
<td><strong>We focus on the future business success</strong></td>
<td>Project management</td>
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<tr>
<td><strong>We take care of sound &amp; informed decisions</strong></td>
<td>Combine methodological know-how with business sense</td>
</tr>
<tr>
<td><strong>We provide financial stability &amp; transparency</strong></td>
<td>Standardized financial systems &amp; processes</td>
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<tr>
<td></td>
<td>Few, but reliable, KPI’s &amp; financial instruments</td>
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<tr>
<td></td>
<td>Planning, reporting &amp; forecasting</td>
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</tbody>
</table>

- "We focus on the future business success"
- "We provide financial stability & transparency"
- "We take care of sound & informed decisions"
Three roles of a controller contribute to add value

1. "We focus on the future business success"
   - "Advisor"
2. "We take care of sound & informed decisions"
   - "Controller"
3. "We provide financial stability & transparency"
   - "Accountant"
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Required skill set differs according to the controller’s role.

- **Challenge**
- **Comfortzone**
- **Added value**
  - „Advisor“
  - „Controller“
  - „Accountant“
- **Project & soft skills**
- **Methodical skills**
Increasing demand for project & soft skills

**Project & soft skills**

**Project skills**
- Differentiation project vs. task
- Project management competence
- Act in diverse project roles (esp. project lead & controlling)
- Competence for pragmatic implementation

**Soft skills**
- Targeted & comprehensive communication (across hierarchies, divisions & cultures)
- Creation & use of networks
- Balance between Functional & Controlling perspective
- Achievement of acceptance due to alignment with business processes
- Drive to develop beyond defined objectives & tasks

**Methodical knowledge**
- Controlling concepts & instruments
- Finance & Accounting know how
- IT know how

03.09.2010
How to increase efficiency?
Role Model Orientation might help…

Role Model Oriented Organizations Reflect
Three Controlling Roles: Policy, Consulting and Production

Roles

Consulting
- Decision support
- Sparring, consulting
- Analysis
- Meet business requirements

Policy
- Development and maintenance of
  - Guidelines, policies
  - Methods, standards
  - Tools, templates

Production
- Standardization of data management and routines
  - Standard-reporting
  - Planning
  - Forecasting

Enabling a business partner’s role through clear focus on analysis and decision support

Ensuring consistency through company-wide homogenous standards and guidelines

Enhancing efficiency through a consolidation of resources and standardization of outputs and service provision

Controlling organizations should reflect these roles in their structure
...to capture efficiency potentials

<table>
<thead>
<tr>
<th>Activities</th>
<th>Corporate Controlling</th>
<th>Decentral Controlling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td></td>
<td></td>
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<tr>
<td>Budgeting</td>
<td></td>
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<tr>
<td>Forecasting</td>
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<tr>
<td>Strategic Planning</td>
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<td>KPI</td>
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<td>Portfolio Management</td>
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<td>WoC</td>
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<td>Transfer Pricing</td>
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<td>Subsidiary Controlling</td>
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<tr>
<td>Tools</td>
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<td>Marketing Subs. China</td>
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<tr>
<td>Growth Initiatives</td>
<td></td>
<td></td>
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<tr>
<td>Others</td>
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Policy: ✓ | Consulting: × | Production: ×
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“We provide financial stability & transparency”
Example: Integrated accounting system

- One reporting for external and internal requirements
- One common financial language
- Standard terms: Statement of Income, one sales term and cost of manufacturing
- One IT-System for external and internal requirements
- One organizational unit for Accounting and Controlling on corporate level
“We provide financial stability & transparency”
Example: Identical external and internal accounts

<table>
<thead>
<tr>
<th>Name</th>
<th>Credit</th>
<th>Debit</th>
<th>Cost Element and Name</th>
<th>Cost Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Druckerei Meier GmbH</td>
<td>-2,142.00</td>
<td>1,800.00</td>
<td>10023456 CREDITOR FA. MEIER</td>
<td></td>
</tr>
<tr>
<td>Expenses for Administration</td>
<td></td>
<td>342.00</td>
<td>48900000 ADMINISTRATION</td>
<td>5000</td>
</tr>
<tr>
<td>VAT</td>
<td></td>
<td></td>
<td>19800000 VAT</td>
<td></td>
</tr>
</tbody>
</table>

P&L Statement

Sales
Royalties
Other Income

Material Expenses
Personnel Expenses
Operating Expenses
Depreciation
Marketing Expenses

“Cost origin” “Cost allocation”

Statemt. of Income

Net Sales
- Cost of sales
  = Margin 1
  - Direct Cost of Selling
    - Marketing Budget
  = Margin 2
  - Marketing & Sales
  - FC Distr. & Logistics
  = Margin 3
  - R & D
  - Administration
  + Other Oper. Income
  - Other Oper. Expenses
  = EBIT

SAP FI
SAP CO
SAP SD
SAP MM

Financial Reporting (HGB)

Management Accounting and Group reporting (IFRS)
"We provide financial stability & transparency"

Example: Financial Information System CIS

Corporate Information System (CIS):

- Information system of BDF financial data (affiliate & headquarter data as a basis for internal analyses & external reporting)
- Including balance sheet, statement of income, working capital...
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“We focus on the future business success”
Example: Controlling and Risk Management

Strategic Monitoring

Operative Planning

Standard Reporting & Forecasting

Risk Management

Identify

Evaluate

Steer

Objectives

Net Sale

Growth

on track

Worldwide

market share

Key projects on track

Cornerstone 1: Superior Brands

Brands on track with Brands Portfolio
Launch/Relaunch Projects on track
Number of BNRs

Cornerstone 2: Superior Supply Chain

Working Capital in % of NFG
Supply Chain Costs in % of NFG
Service Level in %

Cornerstone 3: Clear Geographical Focus

Growth in regions on track
W. Europe Growth above Market
Growth in CRBI

Cornerstone 4: Superior Talent in Lean Orga

Admin. Headcount in % of Total
Talent Recruiting/Dev. Rating
Acquisitions

Net Sale acquired

Annual Business Plan (ABP)

Supply Chain Plan (SCP)

Product Marketing Plan (PMP)
Integrated Risk Reporting

Reporting Cycle: Quarter

Board

Corporate Risk Management

„Risikoboard“

„Sitzung Ressortleitung“

„Sitzung Hauptfunktion“

Regional Controlling

Management Units

Regional Controlling

Management Units

*) Integral Part of Standard Report

Risk Report Beiersdorf AG

Risk Report Functions

Risk Report Regions“

Responsible Boardmember
Objective: Integration of growth and profit initiatives and additional strategic plans into comprehensive financial model (2008 – 2015) for the entire BDF Consumer Business
**Project result: Integrated financial model**

Collection of strategic and financial plans for categories and countries

Development of integrated financial model to simulate impact of various initiatives and parameters on an ongoing basis

Integration of strategic plans into comprehensive financial model 2008-2015. Focus: SOI

Strategy assessment and decision support

<table>
<thead>
<tr>
<th>Countries</th>
<th>Net Sales growth</th>
<th>Margin I</th>
</tr>
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<tbody>
<tr>
<td>Face</td>
<td>Body</td>
<td>Men …</td>
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</table>

<table>
<thead>
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<th>Time</th>
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<td>2008-2015</td>
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</table>
BI tool and model characteristics

- Professional BI tool for simulation
- Combination of market data and Beiersdorf data
- Data consistency along parallel hierarchies (e.g. board regions and geographic regions)
- Splashing of e.g. Net Sales to countries and brands
- Exchange rate effects

- > 200 subsidiaries
- > 20 categories
- > 100 brand groups
- Periods: 2006 – 2015
- Domestic, export and total sales
Pressure test Scenarios

- Lower BDF product prices, but constant cost level
- Grow with market
- Grow according to current Country Portfolio
- Strong €
- Weak €
- FC M&S and Admin with 50% instead of 80% of NS growth
- Higher raw material prices

NS & EBIT case
Only EBIT case
Integrated approach for strategic scenario development and financial evaluation

- Scenario simulation based on different parameters
- Overview of financial conflicts/trade-offs between Strategic initiatives or with financial targets
- Potential resolution of conflicts leading to plausible overall strategy
- Business Portfolio

Quantify Strategy

Develop Strategy

Ongoing Business

Reference Case
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Did the Crisis change anything?

- Macroeconomic situation remains difficult
- C+T Market Growth remains slow
- Consumers want more for less (Private Label!)
- Customers continue to adapt structures drastically
- Competition is further increasing
Did the Crisis change anything?

Hopefully!!!