Was machen Controller in 10 Jahren?

42. Congress der Controller
München, den 15. Mai 2017
In the last years, controlling has continued to change, but on a rather slow and incremental basis.

### Working time allocated to standard controlling tasks

<table>
<thead>
<tr>
<th>Task</th>
<th>2008</th>
<th>2011</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Project work</td>
<td>12%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Management advisory</td>
<td>13%</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Budgeting and budget control</td>
<td>14%</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Cost accounting</td>
<td>8%</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Medium-term planning and control</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Strategic planning and control</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Investment planning and control</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Others</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Controlling 2027: can we simply extrapolate the past or will things change in a much more fundamental way?
What will change? I.

Reporting as we know it will largely disappear

Trends in information technology

Self-service
- Direct access to data
- Offers a new information channel for management

Mobility
- Data access from mobile devices such as smartphones and tablet PCs
- Increases the flexibility of managers

Real-time data
- Provision of real-time data (no noticeable delay)
- Enables processing of more up-to-date and larger-volume data

Interaction with management
- Access to data independent of formal reports prepared by controllers: “information democracy”
- Controllers in charge of process design & rules of the game (?)

Do you like baseball?
“Things looked bleak for the Angels when they trailed by two runs in the ninth inning, but Los Angeles recovered thanks to a key single from Vladimir Guerrero to pull out a 7-6 victory over the Boston Red Sox at Fenway Park on Sunday. Guerrero drove in two Angels runners. He went 2-4 at the plate. ‘When it comes to honoring Nick Adenhart, and what happened in April in Anaheim, yes, it probably was the biggest hit [of my career],’ Guerrero said. ‘Because I’m dedicating that to a former teammate, a guy that passed away.’ Guerrero has been good at the plate all season, especially in day games. (…) He has hit five home runs and driven in 13 runners in 26 games in day games.”
So what about the task of commenting reports? Wouldn’t that be one of the last tasks to automate?

Source: https://www.narrativescience.com/
What role will digitalized board- and meeting rooms play in the future?

Promises
- Higher transparency and instant information access to answer ad hoc questions
- Greater integration of analysis, forecasting, what-if-simulation and planning into meetings & the management process

Challenges
- Underlying driver based models are complex and time consuming to build!
- And: they do not cope well with novelty and change!
- Is your decision-making culture ready for this?
What will change? II.

Culture and mindset related issues will become more important for controllers.

- Transparency & open information exchange
- Constructive critique and power of the better argument
- Goal orientation and accountability

Source: Schäffer/Weber (2016)
Empirical results suggest that a controlling culture is also the key factor in handling volatility.


Professor Dr. Utz Schäffer
Institute of Management Accounting & Control
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How to develop a controlling culture? RWE set up a project to deal with cognitive biases in decision making

<table>
<thead>
<tr>
<th>Depersonalize the debate!</th>
<th>Think out of the box!</th>
<th>Take different perspectives into account!</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g., secret voting</td>
<td>e.g., zero-based approach</td>
<td>e.g., war-gaming</td>
</tr>
<tr>
<td>Organize dissent!</td>
<td>Focus on failure!</td>
<td>Formalize the decision process!</td>
</tr>
<tr>
<td>e.g., devil’s advocate</td>
<td>e.g., pre-mortem session</td>
<td>e.g., mandatory alternatives</td>
</tr>
</tbody>
</table>

Source: Schäffer/Weber (2016)
What will change? III.

(All) major controlling processes will be largely standardized

Degree of standardization of controlling processes

What will change? IV.

Global standardization continues to enable shared service and outsourcing – the Henkel story

"Good is just good enough."
Kasper Rorsted

Source: Henkel (2015)
It is not entirely for you to decide … efficiency pressure will continue to increase

Trends ranked according to their expected importance in 2019

<table>
<thead>
<tr>
<th>Future trends</th>
<th>Importance 2011</th>
<th>Importance 2019 (E)</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Information systems</td>
<td>5.6</td>
<td>6.1</td>
<td>0.9</td>
</tr>
<tr>
<td>2 Efficiency &amp; Controlling</td>
<td>5.4</td>
<td>5.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Business Partner</td>
<td>4.4</td>
<td>5.7</td>
<td>1.1</td>
</tr>
<tr>
<td>4 Participation in strategic planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Internal communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Next generation of controllers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash orientation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Volatility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Behavioral Controlling</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Schäffer/Weber 2015; SAP Performance Benchmarking

SAP Performance Benchmarking: Finance Cost (% of Revenue)

- Top 25%
- Average
- Bot 25%

+198%
What will change? V.

Predictive analytics will enable the automation of processes beyond the transactional sphere

“Last year, we started using predictive analytics and, already in our first run, we had better forecasts than before. Therefore, we continue and will largely automate the whole process.”

Group Controller, Company A

“We are in the early stages of a project to automate our corporate forecasting process. And, frankly, I do not care if we will have better forecasts. I want to make the process much leaner than it is today!”

Group Controller, Company B

Source: Two group controllers from Dax30 companies
And maybe predictive analytics can even generate actionable recommendations ...

Source: Adapted from Gartner (2016) and Burrow (2014)

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The future of planning will combine much leaner processes with new forms of organizational dialogue.

**Planning in a digital age**

**Planning Function**

- **Target Setting**
  - Top management sets targets based on forecasts, value driver trees and benchmarks
  - New forms of organizational dialogue and learning: campus concepts

- **Coordination**
  - Largely automated breakdown of targets to lower levels, ideally by using driver based models
  - Manual adjustments on a case by case basis
  - Management focuses on developing measures

- **Forecasting**
  - Extensive use of predictive analytics
  - Largely automated and unbiased process
  - Selective use of prescriptive analytics
  - Management involvement triggered by deviations from forecasted corridor

**Effect on Efficiency & Agility**

- Pioneers reduce planning process from several months to 2 or 4 weeks
The analysis of big data will continue to gain importance and controllers need to address the challenge.

<table>
<thead>
<tr>
<th>Type of data</th>
<th>Small Data</th>
<th>Big Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primacy of internal and financial data</td>
<td>Structured: formatted in rows and columns</td>
<td>Unstructured + structured</td>
</tr>
<tr>
<td>Volume of data</td>
<td>Small</td>
<td>Much bigger ... and growing</td>
</tr>
<tr>
<td>Flow of data</td>
<td>Pretty static data pool</td>
<td>Constant flow of data</td>
</tr>
<tr>
<td>Approach</td>
<td>Routine- and/or hypothesis-based</td>
<td>Exploration: asking the right questions!</td>
</tr>
<tr>
<td>Required skills</td>
<td>Accounting, Excel</td>
<td>Statistics, Maths, Programming, IT</td>
</tr>
</tbody>
</table>

Source: Davenport (2014)

Who will be the single source of truth in the future?
So what should you do?

**Agenda for the digital controller**

1. **Invest in data & system quality!**
   - Garbage in, garbage out

2. **Enable management!**
   - Self-service
   - Digitalized boardroom
   - Debiasing

3. **Make steering more agile!**
   - Lean & integrated processes
   - Speed matters
   - Trial & error
   - Campus concepts

4. **Make controlling lean!**
   - Standardization
   - Shared service & outsourcing
   - Automation

5. **Be a business partner!**
   - Co-manage the transformation
   - Challenge business model, resource allocation, incentives, and prevailing culture

6. **Develop analytics!**
   - Big data and new metrics
   - Predictive analytics
   - Simulation and bandwidth forecasts

7. **Develop new skills!**
   - Statistics, information technology, communication and social skills

8. **Challenge established controlling mindset!**
   - Efficiency, accounting and growing concern vs. dealing with high uncertainty, cash-flows, loose control

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May 15th, 2017  |  19
To master the digital transformation of your company’s business models, controllers will need to balance two different mindsets.

<table>
<thead>
<tr>
<th>Old</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-digital business</td>
<td>(Potentially) Digital business</td>
</tr>
<tr>
<td>Efficiency + profitable growth</td>
<td>Disruptive innovation</td>
</tr>
<tr>
<td>Low uncertainty</td>
<td>High uncertainty</td>
</tr>
<tr>
<td>“No failure!” &amp; “No surprises!”</td>
<td>Trial &amp; error</td>
</tr>
<tr>
<td>Going concern</td>
<td>Impatience with the status quo</td>
</tr>
<tr>
<td>Annual and quarterly cycle</td>
<td>Continuous change</td>
</tr>
<tr>
<td>Tight control</td>
<td>Loose control</td>
</tr>
<tr>
<td>Accounting-focus</td>
<td>Cash-focus</td>
</tr>
</tbody>
</table>

Source: Schäffer/Weber (2016); Fitzgerald (1936)

“The test of first-rate intelligence is the ability to hold two opposing ideas in mind at the same time and still retain the ability to function”

(F. Scott Fitzgerald)
So what should you do?

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Professor Dr. Utz Schäffer

Institute of Management Accounting and Control (IMC)
WHU – Otto Beisheim School of Management
Campus Vallendar, Burgplatz 2, 56179 Vallendar, Germany

Tel.: +49 261 6509 700
Fax: +49 261 6509 709
utz.schaeffer@whu.edu
www.whu-on-controlling.com

Visit us on "WHU on Controlling"!