Controlling Shared Services – More than central Reporting

Christian Schulz
München, 15.05.2017
Henkel at a glance 2016

- More than **50,000** employees worldwide
- Around **€18.7 bn** sales, +3.1% organic sales growth
- **€3.2 bn** adjusted operating profit (EBIT)

- **42%** of our sales generated in emerging markets
- More than **2,000** social projects supported
- More than **140 years** of success

1 Adjusted for one-time charges/gains and restructuring charges.
### Henkel at a glance
Global leading positions in consumer and industrial businesses

<table>
<thead>
<tr>
<th>Adhesive Technologies</th>
<th>Beauty Care</th>
<th>Laundry &amp; Home Care</th>
</tr>
</thead>
</table>

- **Adhesive Technologies**
  - LOCTITE
  - TECHNO MELT
  - BONDERITE

- **Beauty Care**
  - Schwarzkopf
  - syoss
  - Dial

- **Laundry & Home Care**
  - Persil
  - Purex
  - Pril

*May 15, 2017*
<table>
<thead>
<tr>
<th>Christian Schulz</th>
</tr>
</thead>
</table>

### With Henkel since
- 1995

### Current position
- Head of Shared Service Center Bratislava
- President Henkel Slovensko

### Previous experience
- Head of International Planning & Logistics Steering
  - Laundry & Home Care
- Regional Head of Logistics & Industrial Engineering
  - Central Eastern Europe
  - Laundry & Home Care / Beauty Care

### Nationality
- German
Controlling Shared Services – More than central reporting

Agenda

1. Controlling @ Shared Services – an overview
2. Merging process- & systems expertise
3. Network instead of competition
4. Opportunities and challenges
Controlling Shared Services – More than central reporting

Agenda

1. Controlling @ Shared Services – an overview
2. Merging process- & systems expertise
3. Network instead of competition
4. Opportunities and challenges
Shared Services @ Henkel

**Integrated**
Business Solutions: Shared Services and Information Technologies form one organization

**Global**
process orientation ensuring delivery of standardized services for 75 countries

**Hybrid**
Shared Services with five captive centers and one BPO-center

**Comprehensive**
Service offer to business units and functions covering 20 processes & 66 sub-processes

**End-2-End**
Organization of processes enabling agility & synergies

**Diverse**
organization with 3,000 employees, more than 40 nationalities and > 60% women

May 15, 2017

Shared Service for Controlling – More than central reporting
The Shared Service Centers journey

- Global Footprint
- Integrated Business Solutions
- Hybrid Shared Service Model
- Multi-functional Service Center
- Multi-regional Service Center
- One dimensional Service Center

- Cairo MEA 2014
- Bratislava WE & CEE 2006
- Shanghai Greater China 2014
- Mexico City LATAM 2011
- Bangalore (Accenture) 2012
- Manila APAC & NA 2003
SSC Bratislava
Henkel’s biggest Shared Service Center at a glance

1,400+ employees
whereof
66% women

Ø 31 years

125 people
managers
whereof
63% women

26 languages

35 nationalities

54% direct support
to business units

Shared Service for Controlling – More than central reporting
May 15, 2017
### Service portfolio SSC Bratislava

<table>
<thead>
<tr>
<th>For the functions</th>
<th>For the business units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing</td>
<td>Finance</td>
</tr>
<tr>
<td></td>
<td>Controlling / Reporting</td>
</tr>
<tr>
<td>IT</td>
<td>HR</td>
</tr>
<tr>
<td></td>
<td>Regulatory</td>
</tr>
<tr>
<td></td>
<td>Marketing &amp; Sales</td>
</tr>
<tr>
<td></td>
<td>Master Data Management</td>
</tr>
<tr>
<td></td>
<td>Supply Chain</td>
</tr>
<tr>
<td></td>
<td>Customer &amp; Consumer Services</td>
</tr>
</tbody>
</table>
### Controlling service portfolio SSC Bratislava

#### Scope and stakeholders

<table>
<thead>
<tr>
<th>Finance Operations</th>
<th>Business Controlling</th>
<th>Corporate Functions</th>
<th>BI &amp; Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional</strong></td>
<td><strong>Global &amp; Regional</strong></td>
<td><strong>Global</strong></td>
<td><strong>Global</strong></td>
</tr>
<tr>
<td><strong>Country Controllers</strong></td>
<td><strong>Business Controlling</strong></td>
<td><strong>HQ Functions</strong></td>
<td><strong>Businesses and Functions</strong></td>
</tr>
</tbody>
</table>

Shared Service for Controlling – More than central reporting

May 15, 2017
Controlling Shared Services – More than central reporting

Agenda

1. Controlling @ Shared Services – an overview
2. Merging process- & systems expertise
3. Network instead of competition
4. Opportunities and challenges
### Controlling service portfolio SSC Bratislava

**Process scope**

<table>
<thead>
<tr>
<th>Finance Operations</th>
<th>Business Controlling</th>
<th>Corporate Functions</th>
<th>BI &amp; Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Product costing</td>
<td>▪ Financial reporting &amp; analysis</td>
<td>▪ Group financial controlling</td>
<td>▪ BI Center of Expertise</td>
</tr>
<tr>
<td>▪ Internal reporting (P&amp;L, balance sheet)</td>
<td>▪ Planning &amp; forecast support</td>
<td>▪ Subsidiary controlling</td>
<td>▪ BI transformation projects</td>
</tr>
<tr>
<td>▪ Standard country reports</td>
<td>▪ Ad hoc reporting &amp; analysis</td>
<td>▪ Corporate treasury support</td>
<td>▪ Report development</td>
</tr>
<tr>
<td>▪ Basic analysis</td>
<td></td>
<td>▪ CEO - financial analysis</td>
<td>▪ Administration &amp; user support</td>
</tr>
<tr>
<td>▪ SAP CO module expertise</td>
<td></td>
<td>▪ Internal audit support</td>
<td>▪ System data load &amp; validation</td>
</tr>
</tbody>
</table>

---

Shared Service for Controlling – More than central reporting  
May 15, 2017
Controlling @ SSC Bratislava
Synergies thanks to combined expertise

>700,000 material costed monthly

Month end closing executed for 75 Legal Entities

Month end closing coordinated globally

120 P&L / balance sheet reports automatically generated

Reporting tool user support to >2,000 users globally

10 global applications supported

Shared Service for Controlling – More than central reporting
Example: Advanced dashboards as information hubs
Managed by Shared Service Controlling
Example: Advanced dashboards as information hubs
Managed by Shared Service Controlling

Shared Service responsibility:

- Dashboard design
- Report development, maintenance and update
- Links to all reports & information
- Access rights management
Dashboards based on dynamic reports
Flexible online reporting for many user groups

- Standardized & flexible online reporting
- Access to latest available information
- Fulfill requirements of broad user community
Controlling Shared Services – More than central reporting

Agenda

1. Controlling @ Shared Services – an overview
2. Merging process- & systems expertise
3. Network instead of competition
4. Opportunities and challenges
Network instead of competition
SSC & local Controlling complement one another

<table>
<thead>
<tr>
<th>Local Controlling</th>
<th>Shared Service Controlling</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Content &amp; process expertise</td>
<td>• Process and system expertise</td>
</tr>
<tr>
<td>• Business partnering</td>
<td>• Operations excellence</td>
</tr>
<tr>
<td>• Interpret results &amp; derive actions</td>
<td>• Standardization &amp; scale</td>
</tr>
</tbody>
</table>
Migration of Controlling activities to SSC created win-win
Example – operations & reporting Eastern Europe

<table>
<thead>
<tr>
<th>Scope of transfer</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing and operational Controlling</td>
<td>Automation of closing activities</td>
</tr>
<tr>
<td>▪ 90% of closing activities</td>
<td></td>
</tr>
<tr>
<td>▪ 50% of operational work in SAP</td>
<td></td>
</tr>
<tr>
<td>Reporting</td>
<td>Harmonization across countries and business units</td>
</tr>
<tr>
<td>▪ All standard reports</td>
<td></td>
</tr>
<tr>
<td>▪ 80% of reporting</td>
<td></td>
</tr>
</tbody>
</table>

- **Shared Services**
  - Leverage of BI-Solutions
  - Best practices & knowledge sharing
  - **Local controlling**
    - Increase involvement with businesses
    - More time for content interpretation
Network instead of competition
Example: cooperation during month-end-closing

Local Controlling

- Simulates forecast & follows up with local business managers
- Provides input for accruals posting
- Validates P&L and BS content resulting from closing process
- Analyses results and deviations
- Discusses results with business managers and jointly define follow-up actions

SSC controlling

- Ensures SAP-set-up for closing
- Steers overall closing time table
- Processes inputs from local organization (i.e. accruals)
- Runs P&L/BS transactions
- Ensures process correctness, reconciliation and P&L/BS basic checks
- Delivers final results to global consolidation system
Improvement of closing process
Enabled by centralization at Shared Services

System
Clear escalation path

Process
One Global Closing timetable
Precheck recommendation guide

Organization
Commitment to predefined Milestones

Successfully achieved thanks to close cooperation SSC and country controlling
### Improvement of closing process

Harmonized closing schedule steered by Shared Services

<table>
<thead>
<tr>
<th>Area</th>
<th>Milestones</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO</td>
<td>WV Confirmation</td>
<td>Local FFR</td>
</tr>
<tr>
<td>CO</td>
<td>Last invoice to customer</td>
<td>OTC</td>
</tr>
<tr>
<td>STP</td>
<td>Last bookings in P&amp;L</td>
<td>STP</td>
</tr>
<tr>
<td>CO</td>
<td>Std price confirmation</td>
<td>SC</td>
</tr>
<tr>
<td>CO</td>
<td>Salary posting confirmation</td>
<td>Local FFR</td>
</tr>
<tr>
<td>U-6</td>
<td>Milestones</td>
<td>Who</td>
</tr>
<tr>
<td>U-5</td>
<td>Milestones</td>
<td>Who</td>
</tr>
<tr>
<td>U-4</td>
<td>Milestones</td>
<td>Who</td>
</tr>
<tr>
<td>U-3</td>
<td>Milestones</td>
<td>Who</td>
</tr>
<tr>
<td>U</td>
<td>Milestones</td>
<td>Who</td>
</tr>
<tr>
<td>U+1</td>
<td>Milestones</td>
<td>Who</td>
</tr>
<tr>
<td>U+2</td>
<td>Milestones</td>
<td>Who</td>
</tr>
<tr>
<td>U+3</td>
<td>Milestones</td>
<td>Who</td>
</tr>
</tbody>
</table>

- Duration: U-6 ↔ U+3 (U+7 quarterly closing)
- 8 Shared Service Processes involved
- 160 closing steps / transactions

>70% of Milestones
Controlling Shared Services – More than central reporting

Agenda

1. Controlling @ Shared Services – an overview
2. Merging process- & systems expertise
3. Network instead of competition
4. Opportunities and challenges
## Specific challenges of Shared Services Centers

### Remote collaboration
- Avoid “us“ & “them“
- Create virtual teams

### Personnel changes
- Internal rotations
- Maternity leaves
- Employee turnover

### Capacity management
- Manage peaks
- Support projects
### Specific SSC-challenges managed systematically

**Focus on onboarding, planning, documentation & retention**

<table>
<thead>
<tr>
<th>Remote Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Introduction visits to local entities</td>
</tr>
<tr>
<td>▪ Regular video conferences / phone calls</td>
</tr>
<tr>
<td>▪ Periodically F2F meetings</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Employee retention program</td>
</tr>
<tr>
<td>▪ Comprehensive onboarding program</td>
</tr>
<tr>
<td>▪ Detailed and well-maintained documentation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capacity Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Ticketing-tools</td>
</tr>
<tr>
<td>▪ Capacity tracking</td>
</tr>
<tr>
<td>▪ Back-up planning</td>
</tr>
</tbody>
</table>
Controlling @ Shared Services
Much more than centralized operations

Strengths

- Scale effects & synergies
- Highly skilled employees
- Center of Expertise
- Visibility on process variants

Opportunities

- Agility in transformation projects
- Talent pipeline for local organization
- Incubator for process & system innovations
- Robotic process automation
Opportunity robotic process automation
Leverage process expertise and automation know-how

**System automation**
- Mainly in one application
- Process steps according to rules readable by system
- Programmed with code
- Complex / high costs

**Desktop automation**
- In one application
- Process steps according to rules readable by system
- Programmed using tool kit or coding
- Comparably low cost

**Robotic process automation**
- Across applications
- Executes process steps identically to a human user
- No programming required
- Agile, flexible and at comparably low cost

- IT expertise required
- Standardization by Shared Service is enabler

- Process expertise required
- Strongly driven by Shared Services

- Process expertise required
- Shared Services as CoE
Controlling @ Shared Services
Summary & outlook

- SSC controlling ensures harmonized and faster controlling operations using state-of-the-art technologies
- Intensive collaboration of SSC and local controlling – business partnering remains local
- Combined & centralized process and systems expertise
  - enables integrated solutions
  - supports global transformation projects and
  - is prerequisite to leverage potentials of robotic process automation
Thank you!