



## Controllers as change agents are more in demand than ever

Sustainability, digitization, agility and servitization reach the practice of corporate management and become ICV topics of the year.

**Challenging times in a field of tension full of order books, empty supply chains, geopolitical and pandemic-related uncertainties – ICV Chairman Prof. Dr. Heimo Losbichler summarizes the current economic situation. The ICV as a controlling competence address in Europe offers support: With its topics of the year, it gives controllers security in uncertain times and answers to burning questions in corporate management.**

For more than a decade, the ICV has worked intensively on a topic that is now also given top priority at the level of economic policy: sustainability. Together with the topics of digitization and agility, which have also been in the spotlight for many years, the ICV is therefore making sustainability the topic of the year for 2022, expanded to include another megatrend for which the ICV Think Tank would like to sensitize controllers: Servitization.

Providing regular information about new trends and developments and thus providing impetus for the further development of controlling - this is the task of the ICV Think Tank. The top-class team of scientists and representatives of controlling practice is always ahead of its time when it comes to choosing its focal points. "Necessity and importance of green controlling" was already a focal point in 2010/2011 with subsequent publications such as the Dream Car report "Green Controlling" and the ICV Green Controlling Study.

### **Role of controlling in the implementation of the European Green Deal as a white paper**

Following, the ICV Expert Work Group "Green Controlling for Responsible Business" published the "Guideline Green Controlling" in 2014, application-oriented solutions - a publication of the ICV publication series that is still in demand today. The latest publication from the Expert Work Group is called "EU Taxonomy for Sustainable Finance - The Role of Green Controlling in the Implementation of the European Green Deal". The controller, as a supporter of the transformation, has the task of designing an integrated corporate management

system that includes social and ecological corporate goals in addition to the traditional economic ones and thus pursues clearly verifiable ESG-compliant strategies. Ultimately, entrepreneurial activities are only considered to be ecologically sustainable if they meet the standards of the taxonomy as a classification system and, based on this, companies can clearly evaluate their actions and their effects and report transparently.

## Voluntariness is increasingly being followed by regulatory requirements

The focus on sustainability is driven by social, corporate and political developments. This is accompanied by more or less mandatory sets of rules. In the Value Balancing Alliance, for example, companies such as BASF, Bosch and Deutsche Bank voluntarily joined forces in 2019 with the aim of defining a standardized method within the framework of business accounting in order to evaluate social and ecological value contributions. At the same time, the regulatory requirements have also increased on the part of politicians and legislators. While the 17 sustainability goals of the UN, formulated in 2020 as Sustainable Development Goals (SDGs), and the European Green Deal of the European Commission, presented in 2019, formulated goals and fields of action in a more general way, the EU Taxonomy for Sustainable Finance from 2021 is an approach for the operational implementation. The Taxonomy is also mentioned as a mandatory basis for reporting in companies with more than 250 employees as part of the Corporate Sustainability Reporting Directive (CSRD).

## "Controllers will increasingly deal with the taxonomy"

"Controllers will increasingly deal with the taxonomy," concludes Dr. Marco Möhrer, controller at Robert Bosch GmbH and Head of the ICV Expert Work Group Green Controlling. In their White Paper on taxonomy, together with other authors, he clarifies central questions in order to give controllers a handout for understanding, practical application and the added value of these specifications. The definition of relevant terms and the presentation of specific KPIs are just as much a part of this as the answer to the question of what contribution controlling can make to the integration of the taxonomy into holistic corporate management. Using the example of Deutsche Post DHL (DPDHL), the reader learns more about opportunities, challenges and stumbling blocks, but also about task packages and process phases of implementing the taxonomy in practice.



*The Sustainable Development Goals of the UN have an effect on corporate management. They are foundation for operational guidelines such as the EU taxonomy for sustainable finance, the controllers in particular employed. Image: German Society for the United Nations eV <https://dgvn.de/>*

## Generating benefits in the value chain

Since controllers are close to corporate management and management, they are well prepared to integrate sustainability into their area of responsibility, believes Claudia Maron, ICV Board

Member and Head of Digital and Sustainable Economy at DATEV eG: "A planning or reporting process does not differ in that, in addition to the financials, non-financials are also included". Rather, controlling can generate benefits in the value chain by linking non-financial information with the financial world, pouring it into data models and evaluating it with AI or business analytics. "For this, controllers are required as change agents and partners of the management," Maron summarizes the expanded, upgraded area of responsibility of the controllers.

### **Challenge: Merge different systems and integrate planning**

Nevertheless, she concedes that the major challenge is to merge the different ecological and social information systems with the established financial information and to cover short-, medium- and long-term planning. It is also important to examine the company's strategic goals, for example for CO2 emissions, in the long term. In the medium term, for Maron, sustainable management means moving away from focusing solely on shareholder value in favor of strengthening stakeholder value: Investors, financiers and rating agencies are increasingly orienting themselves towards the ecological and social footprint of a brand or a company. The pressure on the capital market is also growing. Financial products with a focus on environmental, social and governance are enjoying increasing demand from companies that can build and expand their sustainability initiatives with ESG financing. Financial advisors across the EU are obliged to inform customers about sustainability criteria for investments and, from August, to ask them about their sustainability preferences: Awareness of "sustainable" financing is increasing, as is the demand for green bonds, social bonds and sustainability bonds. According to its own statements, KfW alone placed 37 green bond issues on the market last year.

### **Pioneering for controlling: the sustainable and digital CFO agenda**

For Claudia Maron it is clear: sustainable values must become part of the corporate culture. This can only succeed with a commitment from the management and anchoring it in the corporate strategy. The ICV recommends medium-sized companies to anchor the economic pillar of the triple bottom line in controlling. In addition, the departments responsible for social and ecological matters in the company should be integrated into corporate management. "The sustainable and digital CFO and controlling agenda - both topics are future-oriented. As change agents, controllers are required to actively help shape change processes," emphasizes ICV Board Member Maron.



### **Megatrend servitization: realign business model after the crisis**

While digitization has occupied companies for many years and sustainability has now arrived in practice, the realignment of the business model remains a less transparent task for those responsible. Especially from the perspective of controlling, service-based business models are still not very tangible, although they are gaining in importance with increasing digitization, according to the assessment of the members of the ICV Think Tank. As early as 2020, the Think Tank specifically took on the identified megatrend of servitization in controlling. Since then, the Think Tank Quarterly has devoted numerous articles to all aspects, including detailed success stories, of successful transformations. This is how the Haufe Group has mastered the transition from a publisher to a digital company, and SARTORIUS AG has developed from a supplier of products and services to a solution provider.

ICV corporate member Kärcher has also adapted controlling with a flexible management model to new business models in the areas of products and services - and incidentally also won the German Sustainability Award 2021, Europe's largest award for ecological and social commitment, for exemplary resource conservation.

### **The publication "Servitization" will appear in May for the 46th Congress of Controllers**

The ICV Think Tank summarizes its extensive know-how in a publication entitled "Servitization" as part of the ICV publication series. It will be published in May 2022, just in time for the largest meeting of the European controlling community, the ICV Congress of Controllers on May 9 and 10, 2022 in Munich, and will then be available directly in the ICV Online Shop.

### **About the ICV**

The International Association of Controllers (ICV) has set standards for controlling and controllers alike for more than 40 years and is now the address for controlling competence in Europe. The approximately 6,000 members - more than 200 corporate members - benefit from a wide network, central contacts, top-class specialist events, awards for excellent work and more than 60 work groups. These are regionally oriented, dedicated to specific industries or specialist topics. The Association brings together theory and practice, trends and proven, specialist know-how and skills and thus offers a complete range of services for controllers, CFOs and everyone who focuses on controlling and corporate management.

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