

# CONTROLLER<sup>®</sup>

Magazin

spezial

# THINKING FORWARD

# AS BUSINESS PARTNERS

## Controlling International

Prof. Dr. Heimo Losbichler, Chairman of the IGC:  
**Executives need controllers as strong and independent  
business partners**

Spain: **Children's shoes in size XXL**  
Slovenia: **See the people behind the figures**  
China: **Sweet-sour controlling**



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**Dear reader,**

We owe this fourth edition of “Controlling International” to great support from authors from ICV working groups in eight non-German speaking countries as well as guest authors from China, Germany and Russia. As Press Officer of the International Controller Association, ICV, I thank you all for your collaboration.

In previous years we reported essentially on how controlling has established itself in Central and Eastern Europe and how it has gained in importance during the economic crisis; we now devote ourselves to reporting current topics of practical work. I think you will agree on this: as often as not, regardless of the country, we are faced with the same or similar challenges – controllers have to think ahead and view themselves as the management’s business partner! This year’s “Controlling International” outlines how our controller colleagues must successfully adapt structures and instruments of management control in their countries to constantly changing dynamic situations.

In this way, an international network, such as the International Controller Association ICV, offers an enormous potential for knowledge sharing and knowledge transfer. In an increasing number of European countries these offers have found favour and approbation. Indeed, the authors have reported the special interest they have for the ICV. Over the last year the ICV has established several new networks and we can now look forward to the first reports coming from the new working groups in Croatia and Spain.

I hope this booklet helps to deepen mutual understanding within the Controlling Community and to inspire more controllers to contribute to the International Controller Association ICV.

*H.-P. Sander*

Hans-Peter Sander  
ICV Press Officer



# Executives need a strong and independent business partner – a controller



**Prof. Dr. Heimo Losbichler**  
Chairman of the Managing Committee of the International Group of Controlling IGC

Deputy Chairman of the Managing Committee of the International Controller Association ICV



**Prof. Dr. Heimo Losbichler was just elected as Chairman of the Managing Committee of the International Group of Controlling IGC. He followed Dr. Wolfgang Berger-Vogel, Linz, Austria. The committee consists also of the following members: Dr. Rita Niedermayr-Kruse (Vice-Chairman), Vienna, Austria; Prof. Dr. Martin Hauser, Gauting, Germany; István Radó, Budapest, Hungary; Dr. Lukas Rieder (Vice-Chairman), St. Gallen, Switzerland. On the occasion of the election we spoke to Heimo Losbichler.**

**Is it exaggerated to say that you are joined with Dr. Wolfgang Berger-Vogel both in friendship and professionally for many years?**

Indeed, we have a long-lasting friendship. He was my first boss when I started my career in 1990 in Vienna. He deeply impressed me by being the type of controller I wanted to become. He was exactly what we claim today: a business partner who has a strong character and excellent analytical skills, a business partner who is close to the business and is able to provide economic insights. He promoted and supported me in becoming a controller. We left the company at the same time in different directions and made our way in large public Austrian companies. Wolfgang as a CFO of a large brewery group and I as the vice president of controlling in the headquarter of a large

**“A business partner who has a strong character and excellent analytical skills”**

construction company. Five years later we were working together again. This time in ICV. He was the new chairman of ICV and invited me to manage the Austrian working groups. In 2005 he asked me if I would like to join the managing board of ICV and finally I followed him as the chairman of IGC. We have very similar values and a deep regard for each other.

**What are the most important results of the IGC since its start in 1995?** IGC had several breakthrough achievements since its establishment in 1995. First of all, IGC established a common understanding of controlling and the controllers' function. Remarkable are the controller mission statement and the controller dictionary. The mission statement is

currently available in nine languages and more than 30,000 copies of the dictionary have been sold. Secondly the IGC quality label was introduced in 2003. The quality label established standards for high-quality controlling education. The leading institutions for controlling education are certified today. The latest remarkable achievements are the DIN-SPEC 1086 "Quality Standards for Controlling" in 2009 and the controlling process model in 2010. This model provides a great guideline for organising controlling the right way.

### **What are the next issues to be solved by the IGC?**

Currently IGC is developing metrics to measure the efficiency and effectiveness of all controlling processes incorporated in the 2010 process model. The products listed above are pillars of good controlling practice and cornerstones of a common understanding. However, we want to spread the "German controlling" around the world.

Thus, we focus on large scale, long-term international activities. On the one hand we are working with IMA (Institute of Management Accountants ) and IFAC (International Federation of Accountants) on a common statement to establish globally accepted standards of controlling and the controller's work. These standards should help companies in our global economy to align their controlling activities from the global headquarters to local subsidiaries effectively and thus maximize the outcome of the controller function.

Furthermore they should sharpen the image of controllers and the understanding of the controller's role as a business partner. Finally the standards should be the foundation of the state-of-the-art in controlling education addressing the needs of both controllers and institutions of controlling education. The latest project we are working on is the individual certification of controllers as the next level of our IGC quality label. Currently we are evaluating the value of an individual certification. We see significant differences among countries. While an individual certification provides value to controllers in the US, UK, and Anglo-American dominated countries, they have had little value in most European countries. However, we have not decided yet to enter the market but we want to be prepared for the future if the HR landscape is changing.

### **Why is it so important, that the controlling approach around the world (the Anglo-Saxon coun-**

### **tries included) is coming closer to the controlling model promoted by the IGC?**

In the pre-financial crisis era many experts promised that the "German controlling" approach is going to vanish and being replaced by the Anglo-American model. We always knew that our understanding of controlling is superior. The financial crisis proved that very much and finally IMA adapted its mission statement. The new IMA mission statement is so much closer to the IGC mission statement. We really appreciate that move. However, IFAC still has a different approach. We strongly believe that companies need a strong and independent business partner who is able to provide economic insights and ensure rational economic decisions. For the long-term financial success of a company this role is far more important than external financial reporting and taxation, which are key responsibilities in the Anglo-American model. Anyway, the German approach requires a different skill set of controllers and an integrated management control

process starting at the company's long-term strategy and aligning capital allocation and operating activities, and sound financial budgets and metrics to the strategy. The IGC's approach is very comprehensive and sustainable. In a global economy it would be very difficult for companies to practice different approaches in different countries. If headquarters have to make a choice, they should pick the German model. Thus, we have to communicate and promote our approach worldwide.

**"The IGC's approach is very comprehensive and sustainable."**

### **With the next challenges in mind: what are the strengths of the IGC and what about its backlog demand?**

We have a distinctive model and we have excellent tools (e. g. German cost accounting, etc.) but we do not have global recognition. Hence, our key challenge is to publish and communicate what we have. The common statement with IMA and IFAC would be a good start.

### **What are the benefits of an IGC membership for institutions operating in the field of further education, research and development in controlling?**

Members of IGC have access to the latest developments in the field of controlling/management accounting and the education of this subject. It is an unparalleled opportunity to meet representatives of the leading institutions of controlling education and thought leaders of controlling face to face.

# Any colour you want except black



*"The life of lean is experiments" J. Womack, "Gemba Walks" (2011)*

**Ever-changing conditions on financial markets, in customer demand and countries' economies increase complexity in and pressure on controlling in Bulgaria, as in the past different customer needs raised variety of cars and initiated optimisation of manufacturing processes.**



**Aneta Ianeva-Thiart**  
Financial controller at  
Lufthansa Technik Sofia  
Press Officer of ICV  
Working Group Bulgaria

## Main principles of lean

In contrast to Taylor's concept of mass production, lean was developed in the beginning of the 1950s by Toyota in the time of increasing variety of vehicles in low volumes. The major objectives of lean are to avoid waste (*muda*) and create customer value at the place where work takes place (*gemba*), so that a company can earn more profit by employing fewer resources. In the course of time lean spreads over from the shop floor to the back office. Ever since, lean is being used as a designer tool to restructure processes and departments, up to the hierarchy of whole corporations. In the bestseller "Lean Thinking", J. Womack and D. Jones identify five main principles of lean: define customer value, describe value streams, create flow, produce on demand, and continuously improve business (*kaizen*).

Working lean, as in Toyota's culture, leaders follow three behaviours: go see, ask why and show respect. First, senior staff spend time on the shop floor (*go see*). Second, managers question the facts which they observe (*ask why*). Third, they respect the employees who do the work and create value (*show respect*). All conditions and processes which consume resources but create no value are eliminated, such as defects, over-production and over-processing, excessive inventories, unnecessary movement of people or products, and unnecessary waiting. In that way lean companies meet customers' exact needs and utilize valuable resources such as human effort, equipment, facility space, time and capital.

## Lean ideas in controlling

The increasing complexity in controlling makes it even more important to concentrate on the most essential in the controlling work. The purpose of lean controlling, as defined by the Management Circle AG in 2004, is to create and sustain efficient and focused controlling. Following lean principles, responsibility and resources in controlling are placed where they are needed, measured and best utilized. Financial managers optimise processes and workflow interfaces. Controlling services are customer-oriented; controlling tools – tailor-made. At the same time controlling tasks which do not create any value are eliminated. Using lean ideas CFOs and controllers approach their work in a more structured way, reduce complexity of planning, bundle standard controlling tasks, streamline communication and optimise reporting. Controlling mentality among non-financial departments is strengthened to perform "self-controlling", empowering employees and managers with controlling abilities at the place where work is done. Thus advanced lean thinking in controlling requires much interface optimisation, involving business in the controlling process.

## Current practice in Bulgarian companies

So far a rich palette of controlling solutions has been implemented in Bulgaria. Bulgarian controllers have established themselves as "The Brain of the Company", supporting top managers in operational and strategic decisions, as acknowledged by Manager Magazine Bulgaria in 2011. They

dare to be obstreperous (in German, „aufmüpfig“) and stand their professional ground – as controllers should do, as Herwig Friedag, a BSC expert and Chief of ICV PR commission, said earlier this year in an interview for Forbes Bulgaria.

Bulgarian CFOs, as J. Womack would say, take “gemba walks” and spend time on the shop floor, studying operations. They focus on end-to-end processes, initiate projects and cross-functional teams to streamline information flow and optimise operational interfaces. Controlling tasks are reorganised according to defined value streams; similar processes and responsibilities are bundled; standardisation, when appropriate, established; redundancies – ruled out. Controlling services are brought in line with companies’ needs; reporting tools are being constantly improved; web-based IT applications upgraded.

CFOs in Bulgaria try to secure a long-term quality of controlling. They focus a lot on restructuring, stretch out for growth projects, increase efficiency of daily work. According to the findings of a joint study by Roland Berger and ICV, published on the website of the association, these are the same actions which their international counterparts in Germany have lately taken on the course of growth after the economic crash. Other similar practices are: the definition of clear and measurable targets, the use of performance management and internal benchmarking, the regular team and management meetings, and the setting of clear budget and goal-reaching requirements. In addition to that, other widely spread patterns in Bulgarian companies include strict project controlling and close cash-flow monitoring, upgraded to ongoing rolling forecasting and scenario modeling.

Controlling tools and management reports are kept lean with simple structure and cockpit visualisation, and concentrate on the most important KPIs. Further, Bulgarian CFOs increase transparency and efficiency of controlling services, organising their departments as shared service centers.

Controllers, especially those involved in the activities of ICV Working Group Bulgaria, make use of Balanced Score Card, Project Controlling and Beyond Budgeting concepts; follow strategies to maintain profitability; learn what is to be on a different key position in a company; apply Risk Management and lead by Value Management. Those best practices, currently in use in controlling, disclose also lean ideas in their core, even though they are not formally aligned to lean management.



Picture from the 8th meeting of ICV Working Group Bulgaria, 15. – 17. April 2011

## Future trends

As already communicated in previous editions of Controlling International, the need and desire to learn among controllers in Bulgaria is enormous. In the last few years, however, a lot of learning by doing has taken place already. With kaizen mentality inherent to controllers, they detect inefficiencies and propose improvements on a daily basis.

What Bulgarian controllers need more to enfold their potential is an environment which encourages proactive actions; culture which does not condemn making mistakes; companies which respect their employees; and entrepreneurial spirit allowing for more experiments.

Bulgarian companies who already practice lean controlling will not only reduce waste and cost; they will preserve and increase value for their customers, will improve production efficiency and utilise their innovation potential at the most. Until that goal has been reached, controllers still have homework to do in order to be ready for the future – whatever colour it might be.

# Croatian managers and controllers must seize every opportunity to learn!



The first Croatian ICV working group was “born” in November 2010, and has actively “lived” and worked ever since – we have met three times already. Considering that I have been working as a controlling consultant for a number of years not only in Croatia, I had the opportunity to meet and get to know a wide circle of both controllers and managers, some of whom immediately became active members, and it is a pleasure to see them participate in the ICV workshops.



**Jasmina Ocko**  
Controlling Consultant,  
Kognosko, Croatia  
Head of ICV Working Group  
Croatia

The associates volunteer to help organise and prepare each workshop. They work on their part diligently, at the beginning of which they usually first describe the way in which the specific area of business they will be presenting is organised in their company. Hearing the participants’ diverse experiences and their for-and-against comments is fascinating. The second part of the workshop is always reserved for problem-solving tasks done in groups, at the end of which each group presents their results. This is always the most creative part of the workshops. Personally, this is my favourite part since it is absolutely amazing to see the excellent ideas that brainstorming can birth.

## Planning is still not dead

Each workshop topic is decided on jointly and is always interesting. The first workshop topic was “Is Classical Budgeting History?”, and the workshop conclusion was that, regardless of all the possible objections, planning is still not dead. On the contrary, it seems that our awareness of its necessity has been increasing, but perhaps in a somewhat more

modern fashion. The second workshop focused on “The One-Page-Only Report”. The creativity of controllers to present all the most important overall business indicators on one page only is tremendous. The conclusion was that writing a one-page-only report is perhaps one of the most complex controlling tasks as such.

“Quality Cost Structuring” was the third workshop topic, and it opened up a Pandora’s box of different cost theories that interlace in the business processes of each company. In any case, the workshop provided an opportunity for discussion, an exchange of ideas and a debate with plenty of diametrically opposed arguments. And that is what we like most!

Yet, regardless of all the enthusiasm, developing the group will neither be rapid nor easy. Croatian companies have only now started to understand the benefits of the culture of lifelong learning and further education. This type of professional networking of controllers did not exist until recently, and a number of controllers in Croatian companies have not be-

come fully aware that they should continually further their knowledge and that routine is not good for either them or the companies they work for. Many controllers still believe that reporting is the only segment necessary and aspire to nothing greater ...

Classic controllers in Croatian companies do many jobs that have nothing to do with controlling whatsoever, and at the same time they frequently do not carry out basic controlling tasks. Accordingly, we can find controllers who do the tasks of internal auditing, while they do not have any key performance indicators worked out. Generally, both managers and controllers in Croatia have far too little concrete knowledge which is needed for them to understand how to manage well with the help of controlling. This is why every opportunity to learn must be seized!

Owing to the bad experience resulting from the crisis that the Croatian economy fell into during 2009 and 2010, managers today know that they can no longer either manage the processes or run their business without information which is well mined, just right and immediate. On the other hand, the competition arriving not just from Europe but the whole world has been compelling Croatian companies to start aiming for maximal effectiveness and efficiency. But that requires a lot of knowledge. Including controlling.

The prerequisite for the development of Croatian controlling is, of course, educating and training controllers of high quality, i.e. controlling managers. However, when a Croatian company decides to set up a controlling department, it is immediately faced with a challenge – where to look for an educated and truly professional controller? Until very recently almost no training in the field of controlling existed in Croatia. Moreover, many companies in search of professional controllers often find a semi-solution; more specifically, they hire mostly accountants and financiers as controllers because as far as their expertise is concerned they are at the same time closest to, yet far from controlling. The strange way of thinking that anybody can, in fact, be a controller has been around in Croatia for a very long time. This is a grave mistake that significantly impedes the development of controlling.

It is absolutely certain that in the future Croatian controllers will have to devote themselves even more intensively to the question of their own training, fur-

ther education and expanding their experience that they draw on in their daily practice. The ICV workshops are one such place that gives them the enormous opportunity to share and exchange their experience with others.

A few years ago I myself attended the CA – Controller Akademie in Munich. One of the most important lessons I learned there is that, in order to achieve quality results in controlling, one must – much like in accounting – aim at standardising procedures and methods. One must find procedures based on good practice, procedures that have the best chance of turning the desire for controlling into a reality.

This is why in my practice I now always insist on the processes of creating a proper organisation structure adjusted to controlling, of identifying key strategic goals and key indicators that will demonstrate the achievement of these goals, of planning operative steps towards achieving strategic goals, on a quality analysis of what has been achieved, and lastly on ascribing responsibility for the results achieved deservedly. This is the very essence of controlling, and this is what I, as the leader of the Croatian ICV working group, have been trying to convey to my associates.



Classic controllers in Croatian companies do many jobs that have nothing to do with controlling whatsoever, and at the same time they frequently do not carry out basic controlling tasks.

I, therefore, consider the ICV workshops to be an invaluable source of knowledge for Croatian controlling and for all who wish to know more. It is most certainly a brilliant way to actively gather like-minded professionals who look to expand and share their knowledge, and to communicate their experience to others. I strongly believe that this will most certainly leave a mark in the long run, facilitating a better and more expeditious development of Croatian controlling as a whole.

# Corporate social responsibility, social accounting & social auditing



The business impact to society has increased because of growing globalisation and advanced technology. Customers are increasingly more interested in the quality of products and the environment. Large companies are driven to act ethically and socially in order to diminish negative effects of their activities. Such an increase in consumer pressure led to the development of corporate social responsibility and social accounting approaches. Primarily the question arises of what the interaction among corporate social responsibility, social accounting and social auditing is.



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The conception of corporate social responsibility (CSR) is not a new one. There are four main issues of CSR that are of interest to stakeholders: human rights and human resources, product design and development, environmental protection and community. The company should integrate CSR philosophy into all activities in order for the system to be effective. This is the reasonable argument why many companies use CSR disclosure just as an additional instrument for advertising. Usually it is just stated that if a company prepares social responsibility reports, it means that it is socially responsible.

The social accounting approach analyzes to what extent the information on a company's situation should be disclosed to satisfy the goals of the stakeholders concerned. It is even possible to say that the product of the social accounting process is social (social responsibility) reports. Thus the main goal of social reporting is to create both a social transparency system for responsible decision-making and company communication with the groups concerned. Actually not only the fact of disclosing information about a company's environmental and social activity is important, but also the assessment of such activity by the groups concerned, i.e. if they consider the company as socially responsible. This depends on the level of information disclosure and measures of social performance.

## Six characteristics of social audits

The purpose and content of the social audit vary depending on the particular approach. Generally, the social audit has the following six characteristics:

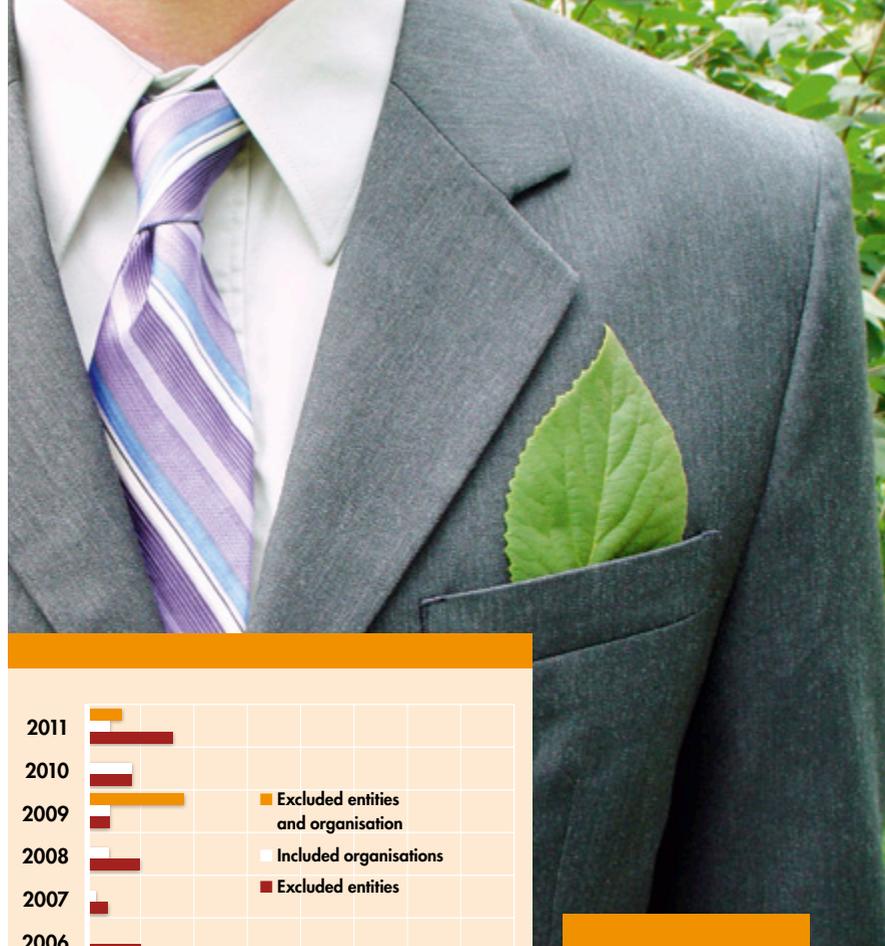
- Different perspectives: it aims to reflect the views of all the stakeholders involved with or affected by the organisation.
- Comparative: it provides a means whereby the organisation can compare its own social performance year to year and against appropriate external norms or benchmarks.
- Comprehensive: it aims to report on all material aspects of the organisation's social performance.
- Regular: it aims to produce social accounts on a regular basis such that the concept and practice become embedded in the culture of the organisation.
- Verified: it ensures that the social accounts are audited by a qualified social auditor independent from management and with no interests in the outcome of the audit.
- Disclosed: it ensures that the audited accounts are disclosed to stakeholders.

It is possible to assert that CSR is confirmed by implemented standards, the most important of which are AA1000 and SA8000, denoting a socially responsible business development. Social auditing also refers to these standards.

Lithuania, which became an EU member and contributed to the Lisbon strategy, formulated the goal of creating a competitive and dynamic knowledge-based economy based on sustainable economic development, harmonious relations between business, government and civil society representatives on the implementation of CSR and has been approved by the development of vision and its implementation in priority areas. However, the legal presumption of CSR initiatives was created in Lithuania's accession to the EU. On 11 September 2001, the Lithuanian government approved the National Strategy for Sustainable Development. Under this strategy and other CSR initiatives in promoting the legal acts, Lithuanian companies on their willingness to assume additional responsibilities to improve business practices, introduce modern human resource management technologies, implement natural resource-efficient technologies, manufacturing processes used for human health-friendly materials, creating strategic business plans for possible negative effects of natural and social environment, harmonizing labor relations and actively participating in social dialogue. Empirical research related to the research of social responsibility and social accounting in Lithuanian companies is sporadic and fragmented. The major part of research is of an educative and incentive nature and has been initiated and implemented by national institutions. The biggest voluntary initiative of CSR worldwide is Global Compact. Since 2005, there is the National Network of Responsible Business operating as part of the Global Compact initiative in Lithuania. Lithuania has a relatively recent development of socially responsible business. So far, however, a socially responsible business is still more an incentive.

### Lithuanian National Responsible Business Network

Companies that join the Global Compact declare that they apply 10 principles of social responsibility, disclosing in annual social reports for stakeholders. Dissemination and promotion of CSR initiatives in the network is expanding every year. The fastest connection become apparent when 10 new companies joined the network between January and April 2011. Companies are removed from the National Network in cases of interruption of business collaboration and the absence of obligatory social responsibility reports within a certain period.



\* data as of July 1, 2011

### Dynamics of Lithuanian National Responsible Business

The Lithuanian National Responsible Business Network had united 54 Lithuanian companies and 13 organisations as of July 1, 2011. Among the members of the Network are business companies (both domestic and international) in finance, insurance, telecommunications, petrochemical and other industries, consultancy services and other sectors of business and professional associations, trade associations, academic institutions, NGOs and international organisations.

The major part of Lithuanian companies is oriented towards compulsory presentation of financial reports and financial information disclosure on requisition. It shows the lack of culture in understanding the real impact of socially responsible business. Although the National Network in Lithuania is expanding, it was noted that members are often delayed in reporting or as a whole do not. Thus the level of social accounting and social auditing is low in Lithuanian companies.

**“Controlling im Baltikum – CiBaltikum 2011” 4th Controlling Congress of the Baltic States**

**“PROCESS CONTROLLING- ARE WE FLEXIBLE OR EFFECTIVE?”**

21th October 2011, Kaunas, Hotel “Daugirdas”

# 5th International Congress of Controllers in Poland



The annual Congress of the International Controller Association in Poland “Fast forward – progress through controlling” was held on May 26–27. After the economic drawback it is vital for every company to find new ways for the development of their potential. That is why on the basis of merit, discussions were based on how to improve organisations. The key aspects connected with the subject were emphasised not only by Polish but also by foreign speakers.



**Dr. Adrianna Lewandowska**  
Business Discovery,  
Poznan/PL,  
ICV board member

**Day one:** Mr. Maciej Dziudzik, Plan & Controlling Office Director in Polish Airlines PLL LOT S.A., showed us how to work on the improvement of the entire company’s effectiveness, while navigating above the volcanic clouds in the most uncertain and weather-dependable atmospheric conditions. The lecture was relating to the necessity of defining goals and priorities in a quality approach and to the optimisation in a cost approach.

Dr. Maciej Gawlik from the Santander Consumer Bank on the other hand showed in a very interesting way what a difficult art of profitability management in a financial corporation is all about. Particular attention was directed toward the organisational management of cost information and about the different approach to their allocation. Furthermore, Dr. Gawlik explained how control and SOX procedures influence management reporting and a company’s profitability.

The role of special guest of the entire Congress was taken by the Director of the Institute of Management Accounting and Control, a world-class business specialist in the field of management and controlling, Prof. Utz Schaeffer, who in Poland shared a conception of company sustainability. He emphasised the value of interaction between the particular elements of sustainability in practice. Furthermore, Professor Schaeffer presented the process of measurement and analysis of the indicators of sustainability as well as the overview of the

measurement techniques which for sure have been a valuable workshop to all dealing with these subjects.

After a very interesting presentation of the main financial relations in the medical branch, Tomasz Wrobel, CFO at the Aesculap-Chifa Sp.z o.o. (BRAUN Group), inspired the participants to think with a different mind.

Head of the Controlling department at the Vector Company, Robert Panufnik presented the key factors of a successful implementation and development of a controlling unit in a company. He bracketed a financial awareness of various groups, organisation’s actual goals, superior’s aid and also capable decision making.

Another foreign guest, an ICV Chairman Dr. Walter Schmidt, addressed the sense of responsibility of the participants. He named five levels of awareness and co-responsibility of a controller: the very first of them pertains to building up and keeping a compact data base, the second to planning a realisation and analysis of the system, the third to a connection of strategic and operational matters, fourth to the realisation of the sustainability through steering groups and the final fifth to the creation of an effective controlling understood as a service to business.

Dr. Herwig Friedag summed up the first day and was later followed by the ICV Leader of the Poznan

Working Group, who invited the congress' participants for an evening integration meeting, which allowed them a further exchange of thoughts in less formal conditions.

**Day Two:** The first guest of day two was the CEO of the Strategy Group, Mr. Wojciech Krynski. He pointed out the direction where the financial accountancy should be heading to and also what the consequences of MSR and MSSF are. He also took notice of the increasing value of the information quality in management accountancy.

Next, the Managing Director of Development Dimensions International, Wolfgang Doerfler, shared his thoughts on successful talent management. According to him, one of the common mistakes connected with the measurement of the intellectual capital is the measurement of the development processes instead of the results or measuring them too quickly or too late. He proposed methods commonly used at DDI, which consists of scaling from tactics to strategies, constant measurement and creating a logical path of personal development.

The purpose of the presentation given by Lukasz Cyfert and Anatol Skitek, managers from Grant Thornton, was to emphasise the correlation between controlling and risk management. This particular subject is not only current but also very relevant. When it is well done, risk is no longer a cost for a company, but a source of value added since it impacts things such as an identification of key dangers, spotting opportunities to improve the organisation's value and reducing losses, as well as supporting communication inside the company.

Commercial Plant Manager Volker Schiek from Robert Bosch presented a rather interesting concept of controlling for production in the automotive industry. According to this concept, a team's efforts within a company are concentrated on improving profitability, low costs discipline of external financing, and mapping the process of value creation in order to improve the effectiveness of decisions.

Lead specialist to controlling at Hochtief S.A., Dr. Eryk Glodzinski talked about project controlling as an element of company controlling. During a rather fiery lecture, he presented to everyone the impact of MSR and MSSF on a long-term effectiveness analysis. Aiding himself with a practical example,



he showed some tools used in a particular company's controlling.

Malgorzata Malecka and Malgorzata Gorska, managers from PriceWaterhouseCoopers, in an exceptionally unique way presented some info on fraud risk and its prevention and detection. The thesis according to some research that men lie twice as much as women brought a lot of emotional commentary and discussions. However if one would conclude that lying initiates many different kinds of fraud, then their consequences can lead to financial loss, which in global companies revolves around 5% of income. Both of these managers took a shot at defining factors why one would forge the financial records. Participants of the congress, richer with this kind of knowledge, now can surely work on more and more reliable reports.

Flawless conduct of this Congress is in no small part thanks to its moderators: Dr. Adrianna Lewandowska (ICV Chairman), Dr. Herwig Friedag (Chief of the ICV PR commission) and Edyta Szarska (ICV Delegate for Poland).

Participants of this year's Congress said that once again they came for loads of practical knowledge and answers for some notorious questions and they leave with a huge dose of inspiration, thanks to which they will be able to use the newly gained knowledge in their everyday work.

**Next ICV Congress in Poland will take place on April 26-27, 2012. You are cordially invited!**

During the first day there was a very special event: VW Poznan – as the first company from a non-German-speaking country – officially joined the ranks of ICV as an entire company. Mr. Szymon Trzebiatowski signed the membership documents on behalf of VW Poznan, Dr. Adrianna Lewandowska on behalf of ICV.



From left to right:  
Björn Baltzer,  
Sofya Malikova,  
Liudmila Häusser,  
Wolfgang Becker  
(missing: Sergej Falko)

## Controlling education at Russian universities – results from a survey



**Just like in other European countries, there is an ever-growing need for well trained controllers in Russia. A recent study analyzed how Russian universities approach to meet this demand.**

Over the last two decades, Russia has become a highly attractive market for companies from Germany and from many other countries. Not only is Germany Russia's third most important trade partner (eleventh rank conversely), but there are also currently more than 6100 subsidiaries of German enterprises operating in Russia. While it is common practice to delegate top-level managers from the business's country of origin to its subsidiaries abroad, there is a great necessity for well-trained local controllers to provide adequate management support.

Therefore, the question of how controllers are trained in universities is not purely of academic interest, but of equally high importance for business practice. However, in contrast to the situation in Germany, there is currently no so far no empirical evidence concerning controlling education at Russian universities.

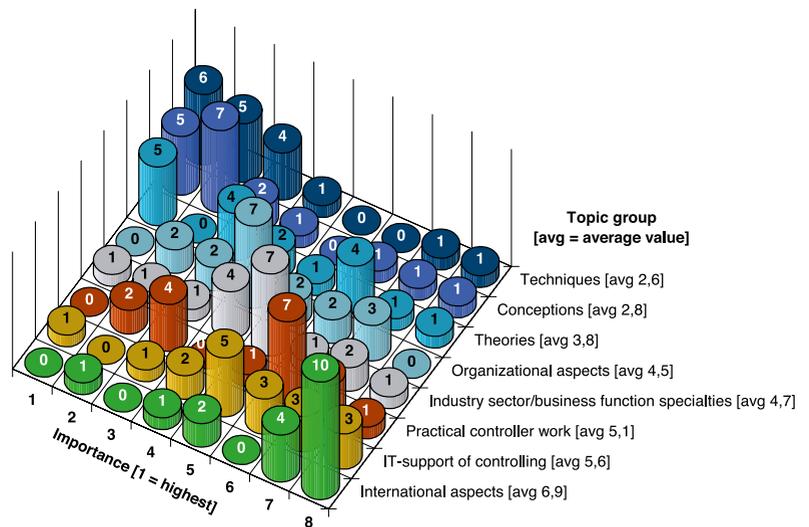
For this reason, the Chair of Management and Controlling at the University of Bamberg (Germany) and the Chair of Business and Operations Organisation at Bauman Moscow State Technical University (Russia) carried out a cooperative research project in the spring of 2011. The empirical study aimed at analyzing the contents, methods and significance of controlling education at Russian universities. While there are in total more than 1300 universities in Russia, many of them specialise in certain courses of study. After doing some investigation, we sent out our questionnaire to 48 recipients from universities across Russia which we expected to offer controlling classes. Thus, our survey is more explorative than representative in nature. In total, thirty addressees replied, but ten of them declared that they were not engaged in controlling education. So 20 professors and lecturers – all coming from public universities – stated that they offered at least one controlling course and

returned our questionnaire. In the following, we will present some selected results from our survey, which comprised 36 questions in total. The complete research report can be downloaded in German and Russian languages from the website [www.uni-bamberg.de/ufc](http://www.uni-bamberg.de/ufc).

The majority of respondents declared that at their universities, controlling classes were offered for the first time from the year 2000 on or later. Only one respondent answered that controlling courses were offered as early as before 1995. Concerning the contents of controlling education, several questions covered different topic groups in detail. In addition, a summary question aimed to identify the relative importance of those topic groups. The respondents were therefore asked to rank eight different topic groups from 1 (= highest) to 8 (= lowest).

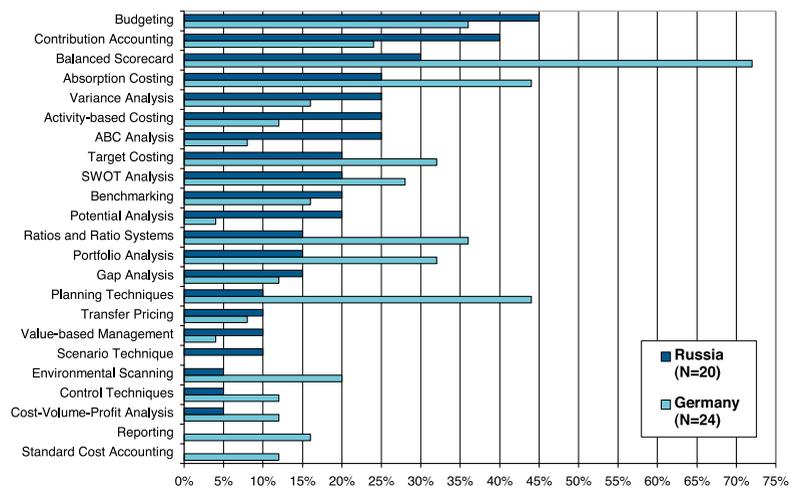
Most of the professors and lecturers that responded to our survey have some kind of practical experience, mainly as employees, entrepreneurs or consultants. It does not come as a surprise then that most of them attach a high importance to discussing current developments in business practice in their classes. Besides integrating practical topics in their curricula, many respondents assign practical theses to students, invite practitioners to class and do business games. When asked what kind of practical skills they try to teach their students, the respondents ranked problem solving and creativity techniques highest, followed by presentation techniques and working in teams. Very little importance is attached to intercultural and ethical questions. Half of the respondents declared that their students are obliged to take at least one controlling class throughout the course of their studies. In one-third of the cases, the obligation to take a controlling class depends on the specialisation chosen by the students.

Currently, Russian universities are faced with several changes. To keep up with international standards and competition, Russia is starting to implement the two-stage system of studies with bachelor and master degrees according to the Bologna process. Moreover, in the light of the high number of specialised universities, some universities are merged and "elite universities" have been designated. These and other developments will also have an impact on controlling education, so that further research will be needed in the future.



**Figure 1**

As can be seen from Figure 1, the highest importance in controlling courses is placed on the presentation of controlling techniques, followed by the discussion of the many differing controlling conceptions. By far the lowest importance is assigned to the discussion of controlling in an international setting. Given this outcome, it is interesting to see the respondents' answers to the open question for the five most important controlling techniques that are presented in class. The results (given by percentage of respondents) and a comparison to Germany can be seen in Figure 2.



**Figure 2**

With the exception of the Balanced Scorecard, the most frequently mentioned techniques by Russian professors can be classified as operational, such as budgeting and different costing methods. Consequently, among the less often mentioned techniques, you can find many strategic techniques such as portfolio analysis, gap analysis, scenario technique and environmental scanning. Apart from that, a great number of techniques were mentioned once each (not displayed in Figure 2). The comparison to the results from a similar survey we carried out in Germany recently (24 respondents) reveals that – abstracting from different percentages of mentions – there is a high accordance between the techniques covered in German and Russian controlling classes.



**Organisers and ICV speakers of the Kaliningrad Conference 2011** (from left): Robert Panufnik, Krzysztof Januszek (both Working Group Gdansk/PL), Galina Usenkova (President Controller's Club Kaliningrad), Matthias von Daacke (Head of Working Group Rhein-Neckar/Germany), Hans-Peter Sander (ICV Press Officer), Valentin Usenkov (Controller's Club Kaliningrad, ICV member).

# Inspiration by "Stanislavsky System"



**Valentin Usenkov**  
ICV member Kaliningrad

## Principles of the Stanislavsky System:

The truth of life principle requires searching for the veritable causes of gained results.

The principle of the super-task encourages setting ambitious goals and striving to achieve them. It's necessary to be active (active actions principle) while solving this supertask. Correctly built business processes will help in it (principle of organic). The last principle is the principle of reincarnation, which means conquering new heights and continuing growth and development while remaining yourself.

**4**th International Controlling Conference "Controlling According to Stanislavsky System" was held on the June 3, 2011 in Kaliningrad, Russia. It was organized by the Club of Managerial and Financial Controllers with the support of the Baltic Business Club and the International Controller Association ICV. There were over 50 participants, most of whom were company owners and top managers operating in various spheres. Speakers represented Germany, Poland and Russia.

The name of the conference was inspired by the philosophy of the famous Russian theater director. The main idea of his system (Stanislavsky System) is examining the causes of a particular outcome, but not the outcome itself. He claimed finding the cause of a successful/unsuccessful play to be crucial and said "I don't believe it!" every time he wasn't satisfied with an actor's performance. Determining the real reason for the problem or gained result causes taking effective solution, and vice versa. Following Stanislavsky's idea, controllers are expected to treat the company's performance partially in order to keep the chosen path.

The first speaker, head of the controlling department at the German company "Blanco GmbH & Co.", Matthias von Daacke, reported about the philosophy of controlling developed by the ICV. It was emphasised that controlling will yield results if the controller and manager work as business partners. In the second part of his report Matthias von Daacke told about controlling practice in the Russian branch of the company, "Blanco Rus", specifying financial accounting and sales reports standards and its special features.

Russian speakers shared their experience in building managerial accounting and analysis systems using Microsoft Excel. Vladimir Larin ("Western

Technical Completion") presented an example of the owner who makes management reports and analyzes results himself. He showed how it helped him and his staff to go from emotions to facts in decision making. Chief accountant of the entertainment complex "Planeta", Svetlana Kharcheno, shared her experience in the implementing of a management accounting system built in Excel into the accounting program "1C".

The ICV PR advisor Hans-Peter Sander spoke (in Russian) about the new working group "Communication controlling". He paid attention to the problem of communication management shortage, announced the concept of communication controlling and identified future directions and goals of the group. Joint report of Polish speakers: practicing controller of "Vector" Robert Panufnik and a board member of "W-TECH", Krzysztof Januszek, caused huge interest. Their question was whether production process controlling is ballast or support for the company. It was two visions of the process from different sides – controller and manager. Finding the answer to the question posed was left for participants. Spokesmen from two major Kaliningrad retail companies presented their reports. The issue of interaction between the owner, acting as a controller in the company, and the manager was touched upon by Maxim Ulyanov ("Vester" group). Member of the Board of "Victoria" group Nikolay Vlasenko spoke about the actions undertaken for improving management during recovery process after the crisis.

The conference showed that in Russian companies in most cases the controller is the owner, who like Stanislavsky says "I don't believe it!" to results and looks for reasons. European colleagues' experience helps to look at the controlling process from the other side and find something useful.

# Controlling can be so simple!



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# See the people behind the figures



**Focusing primarily on the financial situation requires more effort by all involved. Companies are forced to search for reserves and lower their costs on the one hand, and to increase efficiency and adapt the supply on the other hand. When we talk about reducing costs, we cannot deal with different kinds of costs in the same way. Labor costs are the most sensitive; they cannot be reduced as easily as, for example, telephone costs or magazine subscription costs.**

Let me begin with a question: two people go on a trip from Ljubljana to Paris, they both start at the same time, neither of them is familiar with the route and they both drive the same type of car. Which of them will arrive at the destination first? One of them uses an ordinary map to find his way and the other uses a GPS device which is connected to the traffic system, alerting the driver about traffic congestion and guiding him through diversion routes. The answer is quite simple – you’ve probably guessed that the person who is technologically better equipped will arrive at the destination first. The same applies to companies that are presently operating under these increasingly unpredictable circumstances. What they need is a system of comprehensive business management, controlling and technical support – Business Intelligence (BI)

## **Controlling – a company’s navigational activity**

Controlling is the navigational activity of a company whose aim is to realise its planned profit and the controller is the navigator who is helping the manager “sail” to the destination without any deviations. The controller’s task is to coordinate all the company’s business operations; if any discrepancies are found, it is the controller’s job to propose which measures should be taken in order to bring the business operations back into the envisaged framework, in line with the targets set. The field of controlling and the controller’s responsibilities involve recognising market signals, finding new purchasing opportunities, management of business processes, pointing out opportunities and possible threats – all the necessary steps to make sure the company is always ahead of the competition. A competent controller looks at the business operations as a whole, using numbers to support

or refute the manager's hunches, and suggests which measures to take. The controller's task is to constantly alert the company; it is his duty to give advice without being asked. A number of problems may arise during the performing of controlling, the most dangerous of which is certainly poor communication between the manager and controller.

In Slovenian companies, controlling is accepted in different ways, yet they are becoming more and more aware that this is a function which can greatly contribute to the company's success and the transparency of its business operations.

### **BI – technology, resistant to the economic crisis**

During this period of high growth, it may seem easier to our achieve goals through large-scale investments; however, harsher financial conditions require more effort from everyone in the company. It is necessary to look for reserves and reduce costs, to search for new purchasing opportunities and re-examine the business processes. In line with the proverb "measure three times before you cut once", it is very important to make sure we have the right and timely information, which is enriched by suggestions and proposals from competent consultants or controllers, before we make decisions.

BI has an even more important role since analysts have discovered that technology has two faces (Janus-faced technology). If the economy is doing well, then BI helps companies optimize their operations and grasp new and lucrative business opportunities before their competitors do. And if the economy isn't doing so well then BI becomes an effective cost-saving tool, allowing companies to squeeze greater cost efficiencies from their existing processes and resources, and identify and mitigate business risk.

### **Proactive role of controlling with the aid of BI**

In contemporary companies, BI systems are used as a basis for taking action and are being increasingly incorporated into their operating activities. The latest data is always needed by the leadership as a basis to make business decisions, to see an actual picture of their business operations and future prospects. The signaling function of in-

dicators is especially important for business decisions. Spreadsheet-based tools are no longer sufficient; contemporary systems need to be able to deliver a comprehensive set of functionality:

- Business planning;
- Monitoring and analysis;
- Reporting;
- Long-term business analysis;
- Master data management (MDM).

Thus, the term BI does not only mean analysis, but it is used in a broader sense and more comprehensively. Comprehensive systems include a data warehouse, data integration tools, code management tools, business planning tools and business analysis tools. Unfortunately, there is no single system or tool that could offer all of these functionality features listed; various tools are selected and connected together into an efficient system. Such decisions require serious deliberation by the user. Contemporary business operations require a setup of mechanisms to monitor the operations and the environment. The controlling department and IT play a key role in the company: controllers master the classic controlling tools that provide information concerning the essence of the problem and help find answers to the complex issue of how to do "the right things in the right way." Today, it is no longer enough for managers to be warned in time about what changes in business operations can be expected in the following days, months or years. It is the controller's job to help managers find ways to avoid potential threats and to recognize and take advantage of opportunities! BI technology helps in an effective way. When doing so, we must not forget to maintain proper communication and trust between everyone involved in the company – this is a necessary condition!

**11th controllers meeting in Slovenia is organized as an Adriatic Controller Conference. This year's motto is Controlling – a tool of business excellence.**

Language: English  
Location: Grand Hotel Metropol,  
Portorož (on the Slovenian coast)  
Date: October 27–28, 2011



**Dragica Erčulj**  
Leader ICV Working Group  
Slovenia,  
Head of CRMT Institute

# Working Group Spain: Children's shoes in size XXL



Although only a few months old, there is a lot of knowledge and experience in the ICV Working Group Spain. Under the leadership of Dietmar Pascher from the Controller Akademie, Munich, a Kick-Off Seminar about Management Reporting was held on September 15, 2010 in Barcelona.



## Ulrich Müller Bosom

Leader ICV Working Group Spain, knows both Spain and Germany and he is able to speak German, Spanish and Catalan as mother tongues. Born in 1965 in Barcelona he studied Economics with main subjects Finance and Controlling at the University of Erlangen-Nuremberg in Germany. He works as Finance and Controlling Manager in an international automotive company.

Fifteen participants from Spanish and German companies were present. The leadership of the ICV Working Group Spain is under the head of Ulrich Müller Bosom. We talked to him about his new role, which is not really new for him at all.

## Was there a reason for founding the Working Group Spain?

The starting point was the Circulo Controller, which was founded in 2003 as an initiative of the German Chamber of Commerce in Barcelona in cooperation with Horváth & Partners. I have been an active member there since 2005. The reason for the founding of the ICV Working Group was the desire to form a controller network which should support the exchange of experiences, the organisation of events and controlling seminars, and promote networking.

## Why did you become Head of the ICV Working Group Spain, what was your personal motivation?

I became Head of the ICV Working Group Spain because I wanted to spread the ICV controlling philosophy in Spain. Controlling is now widespread here, but there is still a great lack of knowledge about the functions and duties. With the ICV Spain one gets the chance to be a member of Europe's largest controller association and this will help us to gain access to know-how and trends in controlling.

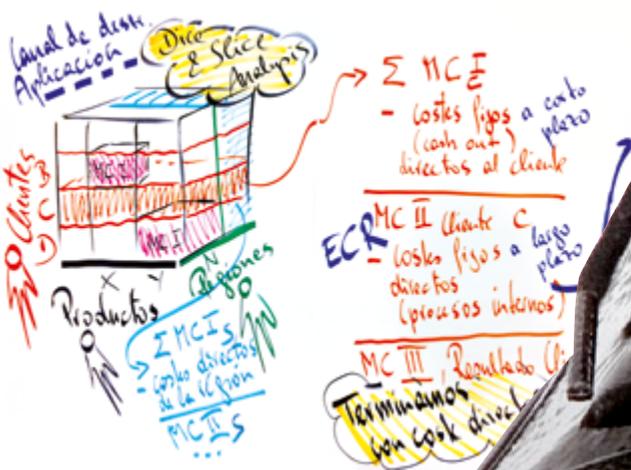
## What about the current situation in Spain, especially for controllers?

Spain has been hit very strong by the financial crisis due to the real-estate bubble which existed at that time. The main topics of the Spanish controller are therefore in the cost area to become competitive and coming out of the crisis. Also the finance controller has become more important due to the liquidity shortage and the high insolvency cases mainly in small and medium-sized companies. In the finance departments of the companies the controller is a basic profile and their functions are different: cost control in industrial areas, the study of profitability of products and customers and the payment risk assessment in the area of collection management. In this sense, the figure of the controller is the financial profile that is even more relevant, from being a watchdog of the budget to becoming a true business analyst and therefore essential to any strategic decisions. Before, the controller had an analyst passive role and was seen in a not very positive way, like a controlling person of the work of other departments, similar to an internal auditor and not as a colleague who can help them to make decisions. His image was basically that of a data collector and their functions were the consolidation of these data and sending a monthly report to the general manager or to the headquarters. Recently in Spain the companies are beginning to recognize the value of the task performed by the controller, something that has happened in other European countries for much longer. This is the main reason why in Spanish companies you can find controllers in large organisations and not in small ones.

## What are your experiences particularly as a member of the Circulo Controller?

After many years as an active member of the Circulo Controller in Barcelona I have also been its president for the last three years. The Controlling Working Group of the German Chamber of Commerce in Spain is now besides in Barcelona also in Madrid. Main meeting is the monthly „Stammtisch“ in the Hotel Regina in Barcelona, where we make a half-hour presentation about some current financial and controlling topics and then open the discussion, exchange of ideas and network in a relaxed atmosphere. Invited is everyone who is interested in controlling and finance issues. Other activities of the Circulo Controller are the events on a current topic, e.g. controlling in the automotive sector, the breakfast meetings in cooperation with Ernst & Young and the controlling seminars with the Controller Akademie.

With the Working Group in Spain I want to achieve that the understanding of controlling philosophy is spread in Spain, as it has already been done with the Circulo Controller but now with the professional support of the ICV and its international orientation.



# Controllers as strategic partners



The company with the fastest closing in the world and acquisitions by the second biggest pharmaceutical company of Hungary – just two interesting topics of Budapest Management and Controlling Forum organized by IFUA Horváth & Partners in June.



## “Growing volatility is the biggest challenge for controllers”

**S**tated Prof. Dr. Dr. h. c. mult. Péter Horváth, founder of Horváth & Partners Management Consultants in his presentation at the Budapest Management and Controlling Forum (BMCF) on June 9, 2011. He illustrated his statement with the example of the airline industry having ten-year cycles in the past: the sector either made profit or the contrary, lost considerable amounts of money.

Besides volatility, controllers have to deal with the wishes of the customers and with analyzing market forces in order to build a good strategy. “Controllers possess the appropriate tool kit to do this. We only have to use them in order to be quicker than our competitors” said the professor. He presented tools of handling volatility. It’s important to build up

early forecasting systems, to apply scenario techniques and simulation, and to make planning flexible. “When talking about controlling we don’t mean only accounting techniques any more but also alternatives and this is strategy” he added. That’s why he believes controllers have become strategic business partners.

No doubt controllers are strategic partners at Alcoa, one of the world’s leading aluminum companies. “Alcoa is a benchmark not only in the aluminum industry but also in fast close” said István Katus, director of the Center for European Financial and Administrative Services of Alcoa. The explanation: they complete closing by 6 p.m. on the first workday of every month. “We don’t always manage to finish work by 6, but we always finish it on the first workday” added Mr. Katus. As a result Al-

coa, a company active in 31 countries, is always the first to publish its consolidated quarterly report on the New York Stock Exchange (NYSE). This means that on the 5th or 6th workday after the end of the quarter the consolidated report is already available.

How can they do it? The first trick is they do everything as soon as possible. They don't wait until the first workday of the month to record certain transactions. The module of tangible assets is closed 4 or 5 days before the end of the month, and all the other modules (inventories, accounts receivable and accounts payable) are closed on the last day of the month. Closing starts at 5 p.m. so they can finish their task by 8 p.m. The most important reconciliations are performed on the first workday parallel with the closing process. As there are entries which are posted manually, locations have to point out for the shared service center (SSC) whether the entries with significant values are correct or not. All processes are standardized so that everybody knows what they have to do and when. Alcoa introduced a "help chain" to assist bookkeepers during closing. Every bookkeeper knows whom to turn to when he or she doesn't find a solution to a problem. Last but not least the SSC communicates with the locations and with the central consolidations team in the US continuously during the closing process.

It took a long time to achieve the "one-day" goal. In 1993 it took 7 workdays to close the ledger. By the time István Katus joined Alcoa in 1998 the duration had already come down to 2 days. Back then he himself didn't believe it either that it could be reduced to as short a period as one day. After all in 2001 they closed within one workday but sometimes around 4 a.m. "I remember the head of the shared service center went home to take a shower and came back without having any sleep. Fortunately that time I worked with Alcoa Wheel and Transportation Products, not with the SSC" he smiled. In 2010 they closed at 8 p.m. the latest, and even that instance had a good reason. "We have a location in Iceland and there it is only 6 o'clock when in Hungary it's already 8. But last month Iceland closed at 4 o'clock, and we could finish at around 6 p.m." he added.

Controllers are strategic business partners at Gedeon Richter as well, which is the second biggest pharmaceutical company in Hungary. The compa-

ny had a lot of acquisitions during recent years and the controlling department played an important role in these. They bought firms in Romania, Poland, Germany and Switzerland, had a greenfield investment in Russia and founded a joint venture in India. It is the job of the business development team together with the medical department to look for a target, the controlling steps in the process of preparing a non-bidding offer. The controlling takes part in deciding about the model of the valuation (usually project-based or company-based) and about the method (DCF, risk-weighted DCF, net asset value or similar transactions). "It's very important to obtain the needed inputs in good quality and in time" emphasised Ferenc Hiripi, chief controller of Gedeon Richter.

In view of the value they decide whether to make a bidding offer or not. If they make an offer the controlling plays an important role in this process. They examine the business reports of the previous 3 to 5 years and are interested in the forecasts. By clarifying the financial conditions the controlling participates in preparing the contract as well. When integrating the acquired company the first task of the controlling is to compile a business plan together with the experts of the target company. More and more functional units join them. It's most important to have the right people in the governing bodies so that they can decide about the changes. Richter forms task forces, among them a financial one in which the controlling has a lead. They prepare a mid-term business plan and take part in implementing the integration, which usually lasts 6 to 18 months, sometimes even longer. They build up the controlling system along every functional line. Their goal is to fit the company in the consolidation process and also in the controlling process, allowing analytical work. Last but not least they estimate the cash-flow demand.



**Dr. Katalin Domány Vranncsi**  
Head of Communications  
IFUA Horváth & Partners



# Sweet-sour controlling – Whether and how controlling can work in China



**For many German firms, China has become almost the synonym for large market with huge growth potential. To have their own footprint in China, many have set up Joint Ventures (JVs) with local partners. However, not all JVs ran or are running well.**

**E**specially in the so-called “Chinese dominated” JVs in which the German partner does not have the majority share, one can always see some dissatisfied German board members. Many of them might feel somehow familiar with the following scenes. The Chinese partner presents a “business plan” at the board meeting at the beginning of the year. The so-called “business plan” has only two pages with a very simplified profit & loss calculation and a few notes. In the first moment, the German partner thinks that he has received the very top-line management summary of the planning work done by his Chinese partner. After a few research works later on, however, he finds out that the “business plan” has been developed by the Chinese “big boss” and his financial manager more or less in private, without much bottom-up involvement, and without the “backup” Excel sheets and consolidation tables which many German managers might normally expect at this point.

During the same board meeting, the German partner also notices that the sales and earning curves planned by the Chinese partner for the next years

are going straight up. While the Chinese partner continues to explain the local market dynamics and his ambitious growth strategy enthusiastically, the German partner only sees many “joysticks” on the beamer screen and hears the alarm bells ringing all the time.

The German partner becomes even more restless during the year, as first reports come which show negative deviations between the actual and planned figures. Detailed analysis of the causes and concrete measures for improvement cannot be found in the reports, because the Chinese partner is not familiar with the “four-windows principle” (“Vier-Fenster-Prinzip”) of management reporting. Neither has he advanced controlling instruments in use, such as multidimensional sales controlling or multilevel contribution margin analysis. The restless German partner becomes desperate in the middle of the year, as the Chinese partner presents him with an “updated business plan” with new targets for the actual year. The Chinese partner justifies the update with the need for “fast reaction to the changing business environment”.

By the end of the year, the Chinese partner has already “updated” his planned figures several times. The German partner has become more and more suspicious of what the Chinese side is doing. In the board meeting at the end of the year, the unsatisfied German partner blocks the Chinese proposal for additional investments. The frustrated Chinese side complains about the “lack of trust” and the lack of readiness on the German side to support the JV. Finally, a political power struggle breaks out which will last years, and which will bring the JV more harm than help ...

The above-mentioned scenes are based on personal experience and observations of the author in some Chinese-German JVs. It is certainly not fair to argue that such scenes might be the “normal case” in the JVs. However, they illustrate a real existing problem in many JVs: the lack or the poor quality of controlling.

Can controlling “in the German style” be practiced in China without any problem? Some doubt and argue that adaptation of the German controlling system in China without reflection to the Chinese culture would fail<sup>1)</sup>. According to personal observations of the author, some “cultural differences” could indeed have an impact on the controlling practice in China.

Given that more and more Chinese firms have been adapting western management approaches and a new generation of Chinese entrepreneurs and managers has been emerging in recent decades, the author does not believe that “cultural differences” might have the decisive impact on the controlling practice in China.

More important might be the fact that there is a significant lack of controlling knowledge and know-how.



**Dr. Zhen Huang** is management consultant and trainer with controlling as one of his competence fields. In cooperation with the Controller Akademie in Germany, he offers in-house and public controlling training in Chinese to German-invested firms in China.

E-mail: zhenhuang@corporateperformance.de  
Office phone: +49 (0) 89/62000392

| In China  | In Germany   |
|---|--|
| <p>Relatively strong sense of hierarchical thinking, relatively high prevalence of authoritarian leadership style, more vertical communication (between superiors and subordinates)</p> <p><i>“My boss plans and decides”. “I am (as head of department of finance) only an employee. I deliver what my boss would like to have from me”.</i></p>                     | <p>Relatively strong sense of individualism, more decision participation and democratic leadership style, more horizontal communication (between departments at the same hierarchical level)</p> <p><i>“Bottom up &amp; top down”, “Controller is the coordinator and navigator”. “Controller is the conscience of the company’s business and delivers the second opinion to management”</i></p> |
| <p>Relatively strong tendency to particularism, more emphasis on personal relations, important is the “spirit” of the agreement and not the agreement itself</p> <p><i>Planning is seen more as forecast than binding agreement on objectives. “Moving targets” are tolerable and expression of fast adaptation to the rapidly changing business environment.</i></p> | <p>Relatively strong tendency to universalism, more emphasis on rules and regulations, once agreed rules/contracts are sacrosanct (“black and white”)</p> <p><i>Planning is seen as binding agreement on objectives. Negative deviation between actual and planned value must be adjusted. “Moving targets” are taboo and not tolerable.</i></p>   |
| <p>Relatively strong tendency for inaccurate description of a situation rather than accurate specification, quantification is seen as an attempt to approximate rather than bar for measurement</p> <p><i>Rudimentary planning work, planned figures are seen as approximates and must not always be binding.</i></p>   | <p>Relatively strong tendency to accurate specification of a situation (“planning is like an engineering practice”), strong emphasis on quantification for making performance measurable</p> <p><i>Sophisticated planning work, planned figures are seen as binding agreement, not meeting the plan = poor performance</i></p>   |

Source: Personal observations and judgment of the author; Trompenaasr/Hampden-Turner 1998<sup>2)</sup>.



Even if the Chinese “big boss” would like to introduce a professional controlling system, he may face a serious problem: he has no local subordinates who can deliver the job.

This is not because the local employees in the finance functions have not been educated well. On the contrary: most of them know the Chinese financial accounting standards and practice well. Many of them can be called “masters” when it comes to creative financial accounting. However, in the field of modern business controlling, most of them do not have sufficient knowledge and practical experience.

In contrast to Germany, where controlling has been established as one of the major study fields at the universities, China is still in a phase of development in which even some local professors are not familiar with the somehow foreign term “controlling”. Because of this, young talents who know both the Chinese financial accounting system and the modern business controlling concepts well are still rare in the local labor market.



German firms attempting to solve the controlling problem in their JVs in China are not hopelessly lost. Many JVs, especially those with the majority share owned by German firms, have been able to build up a professional local controlling system. In the opinion of the author, the following two steps might be helpful:

### Step one: Organising help for fast track improvement

If the Chinese partner failed to deliver a good controlling job, it should be the time for the German partner to have more engagement. Experienced controllers from German headquarters, external consultants or even interim managers could fly in to provide urgently needed local support. They could help the Chinese partner to fix the big-

gest and most urgent problems in his local “business navigation system”, and to make a first knowledge transfer to the local team.

### Step two: Developing local controllers for sustainable problem-solving

Through a well-designed local staff development program, one could help local controllers to build up knowledge and to gain practical experience. In-house or public controlling training do help, as well as internships for local controllers in the German headquarters or a bi-directional controlling staff exchange. Implementing these two steps in a “Chinese-dominated” JV, the German partner might need to achieve consensus with the local Chinese partner in advance. Most Chinese entrepreneurs would not say “No” if they could be convinced that the measures proposed by the German partner would help to improve the financial return to both parties.

Both steps would also require certain investment (e. g. expenses for consultants/trainers, internal expenses). This investment will definitely pay off when one takes into account how many millions RMB Yuan or Euro earnings in China could be protected or be increased by with the help of a well-functioning local controlling system.

For many German firms, no other country market is currently as interesting as China. However, before one could enjoy the sweet fruit of growth in China, one might have to put one eye on many critical issues such as controlling in which some investment might still be necessary. This is like attending a party banquet. To avoid stomach pain later on, one should avoid eating too much, or should think about swallowing the pill in advance.

#### Notes:

1) Wang, XuZi/Chu, Hui,  
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2) Trompenaars, Fons/Hampden-Turner, Charles,  
**Riding the Waves of Culture**, *Understanding Cultural Diversity in Business*, 2nd Edition,  
Nicholas Brearely Publishing, London 1998.

# Rooting the ICV controlling philosophy in Europe

Controlling as known in German-speaking regions was definitively influenced by Albrecht Deyhle and the International Controller Association ICV. The ICV's internationalization strategy is aimed at rooting this controlling philosophy in neighboring countries. The International Controller Association is meanwhile represented in 13 European countries.



The ICV offers the opportunity to exchange ideas both within these countries and across borders. The association translates its most important publications for controllers in these countries into English or, in some cases, the relevant national language. In doing so, the ICV supports international groups with their expansion into

Europe and the development of the local controlling expertise this entails. Thanks to its members in those countries the ICV can draw on an excellent network of specialists who are familiar with general local economic and intercultural conditions. The ICV is able to establish contacts locally, which can also be used in recruitment assignments.

## The ICV working groups outside of the German-speaking countries:

### Member benefits

- Access to controller know-how at international level
- Contacts to controllers and CFOs in Europe
- Working group meetings as practically focused, free further education
- Co-authorship of future-focused controlling concepts and tools

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