

Controlling for Local Excellence - 2016 Sino-German Controlling Forum Promotes Exchange of Experience in A Market Environment with Increasing Uncertainty

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More than 120 CFOs, managers and specialists for finance or controlling, as well as other "non-finance" executives from the Sino-German business community took part in the 2016 Sino-German Controlling Forum, which took place on September 9, 2016 in Suzhou near Shanghai.

The forum is currently the largest annual conference in the field of "Controlling & Business Management" for companies with German participation in China. It is in its fourth edition since its first event in October 2013. Since 2014, the forum has been organized by Shanghai De Chen Consulting (-> www.ChinaControlling.com) and AHK Shanghai (-> www.china.ahk.de) in close cooperation. CA Controller Akademie and International Controller Association (in German: Internationaler Controller Verein, ICV) in Germany have supported the forum since the first event.

The motto of this year's event is "**Controlling for Local Excellence**". Economic growth in China has been slowing down considerably. Uncertainties in the real economy as well as in the financial and capital markets are increasing. While only 30% of respondents in 2015 clearly felt the negative economic impact on their business in China, the share rose by 8 percentage points this year. Many companies have initiated or implemented concrete measures to safeguard and enhance business performance, including measures to optimize costs and strengthen the local controlling function (see Fig. 1).

The forum was opened by Mr. Christoph Angerbauer, Managing Director of German Industry & Commerce Shanghai. He pointed out that - against the background of the recent economic development in China - the forum just takes place at the right time. Companies must strengthen the controlling function so that they can meet the ever-increasing challenges, such as the rapid rise in local labor costs and the increasing need to improve efficiency.

The opening speech followed two keynote presentations from the business community:

The first key note speech was from Mr. Francesco Ingarsia, CFO of Schaeffler Holding (China) Co. Ltd. Controlling is the fastest growing team in the finance sector of Schaeffler China, as fast growth and increasing complexity of the local business require more professional controlling on site. Apart from the quantitative expansion of the local organization, the investment in the quality of the local staff is an important success factor. For example, local controllers from

Schaeffler China systematically participate in the "5-Stages" training program of the CA Controller Academy in their mother language Chinese. This is to touch "head and heart" of the local controller better. The holistic concept of personnel development also includes internal training measures, job rotation including change to non-finance departments, international staff exchanges as well as individual career and succession planning. All these measures are to win and retain local talents in the company for the long term.

Fig. 1: Current initiatives for safeguarding and improving business performance in China as stated by survey participants



Source: The 2016 Controlling Survey organized by Shanghai De Chen Consulting & German Chamber Shanghai (total number of respondents: 77)

The second key note speech was held by Mr. Marc von Busse, Managing Director of E. G. O. Components (China) Co. Ltd. He showed the audience the changes faced and successes achieved in finance & controlling by E. G. O. in recent years. With the improvement of the local IT infrastructure, such as successful SAP implementation, and continued process optimization in finance & controlling, he believes that the focus of the local controller's work will be shifted away from the one-sided concentration on the task of reporting for HQ towards more and better support for decision-making in the local business. This is the only way for the controllers to create value for the local business and to better serve their role as a business partner for the local management in the non-finance areas.

For the first time in its history, the forum offers the participants six different theme workshops. Each participant could attend one workshop in the morning and one in the afternoon. Workshop topics included "classical problems" of controlling, such as "Fast Track Reporting for HQ and Local Management" and "Forecast and Planning in Volatile Business Environment". In addition,

"transfer pricing and controlling" as an ever-green topic found the interest of many local financial managers and controllers. Finally, the workshop program was rounded off by topics of functional controlling which are very important in the current market environment in China, such as "Sales Controlling for Maintaining Healthy Growth", "Supply Chain Integration & Inventory Controlling" as well "Lean Management & Controlling".

Fig. 2: Group picture with speakers and moderators of the 4. Sino-German Controlling Forum*



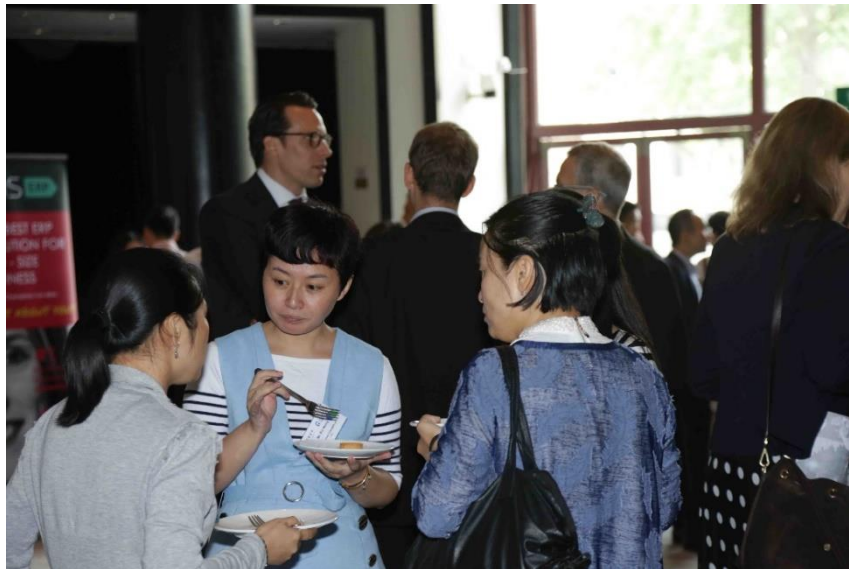
Source: Image archive of the organizers of the 2016 Forum.

* Note of the author: The persons on the picture are – from right to left - Dr. Hans-Henning Toepper (UAES), Mr. Marc von Busse (E.G.O), Dr. Helmut Schoeneberger (E.G.O), Mr. Francesco Ingarsia (Schaeffler), Dr. Zhen Huang (Shanghai De Chen Consulting), Ms. Ruiyan Cen (Continental China), Mr. Christoph Angerbauer (German Industry & Commerce Shanghai), Mr. Jo Santens (United Grinding), Mr. Alexander Prautzsch & Mr. Lukasz Mehl (PWC China). Not on the picture are the following speakers of the Forum: Dr. Gerd Moehrke (PWC Strategy& China), Mr. Peter Richter (Wacker Chemicals China), Mr. Victor Zhang & Mr. James Zhao (Deloitte China).

In the workshop "**Fast-Track Reporting for HQ and Local Management**", Mr. Peter Richter, Head of Controlling at Wacker Chemicals China, introduced the reporting practice of Wacker Chemicals in China to the workshop participants. He firstly addressed the sometime different requirements of HQ and local management in China on reporting. Then he explained the prerequisites for fast, timely, and receiver- and quality-oriented reporting. In his view, both the IT system, such as SAP at Wacker China, as well as the people and clearly defined internal objectives, play a major role for successful reporting. With great interest, the audience followed his explanation of the monthly fast-track reporting at Wacker China. After his presentation, the participants discussed about relevant questions, such as which benefits fast-track reporting brings to a company, and how to ensure data quality for fast-track reporting. Especially smaller companies need to carefully consider the benefits and costs of alternative reporting practices, and carry out recipient-oriented reporting without big IT support.

In the workshop "**Forecast and Planning in Volatile Business Environment**", Ms. Ruiyan Cen, Director Central Controlling at Continental China with special responsibility for automotive and rubber business in the mainland China, presented the practice of her company to the audience. She described the specific problems of forecasting and planning in the volatile market with the latest example from 2015, in which the Chinese automotive industry had to cope with large market fluctuation in both directions within only a few months. For reacting quickly to the volatile market, it is advisable to conduct cross-departmental performance review at shorter intervals, such as weekly. In addition, the flexibility of resource allocation in the operational areas should be increased, for example by using variable personnel. She also took a brief look at the increasing exchange rate risk in China. During and after her presentation, the workshop participants discussed the need for new forecasting methods, such as rolling forecast, the possibilities and restrictions for flexible resource allocation (e.g. flexible labor) in the Chinese environment, as well as concrete approaches to managing exchange rate risks in China.

Fig. 3: Forum participants during the coffee break



Source: Image archive of the organizers of the 2016 Forum.

Transfer pricing has been always a hot topic for companies with business links to the parent company or other affiliated companies. Because it affects not only on internal performance assessment but also on the tax burden and sometimes also customs duties of the company. The "**Transfer Pricing & Controlling**" workshop was therefore one of the workshops with the largest number of participants. Dr. James Zhao and Mr. Victor Zhang, both experts at Deloitte Shanghai with many experiences in this field, explained in their presentation what transfer pricing means, why the issue is important for controllers, what current requirements the Chinese tax authorities have, and how to deal with the issue best. Most time of workshop discussion went to the "how" question. Several participants shared their own practice experiences with the round.

Managers and controllers who are interested in sales management & controlling were given a highly interesting lecture by Mr. Jo Santens, Managing Director of United Grinding (formerly Koerber Schleifring) in the workshop “**Sales Controlling for Maintaining Healthy Growth**”. From the perspective of a "non-finance" manager and based on concrete project examples of his company, he shared with the audience his practical experience in sales management and controlling. For him, sales controlling can only work if the topic is understood and accepted by local sales people. In addition to the acceptance, other critical factors, such as the availability and quality of data, tools and IT system support, also contribute to the success of sales controlling. The long-term objective should be that the sales function could be further developed into a lean organization based on the principle of self-controlling. Controller should therefore not position him-/herself as a machine of control but as a supporter and promoter of the continuous improvement process in sales.

Fig. 4: Snapshot of workshop participants



Source: Image archive of the organizers of the 2016 Forum

In the workshop "**Supply Chain Integration & Inventory Controlling**", Dr. Hans-Henning Toepper, Senior Director of Logistics at United Automotive Electronics System (UAES), a joint venture between Shanghai Automotive Group and Robert Bosch, reported on approaches to supply chain optimization and inventory reduction. Compared to European markets, the Chinese automotive market presents many challenges for supply chain managers: Volatile demand development, great uncertainty in forecasting and planning, local customers' need for shorter response times, sometimes considerable financing requirements for receivables etc. Flexibility is a must in China business. Western companies should not try to transfer established practice from Europe unchanged to China, but try to understand the local market, listen, think and act in a customer-oriented way. With a differentiated methodological approach, which considers the level of maturity of the respective OEM customers, UAES has been trying to create the win-win situation

for all parties involved. For controllers, who are primarily concerned with the financial aspect of working capital management, it is important to understand that an optimized inventory and cost management can only be achieved by optimizing the processes behind the figures.

The presenter of the workshop "**Lean Management & Controlling**" was also a "non-controller". Dr. Helmut Schoenenberger, Managing Director Operations at E. G. O. Components (China), is a highly experienced manager, consultant and trainer specially in the field of lean manufacturing & management. He explained to the audience essential "lean" principles and the historical origin of the concept of "lean". Lean management in the sense of managing business per "lean" principles must be introduced in all areas of the organization, not only in the manufacturing function (lean manufacturing) but also in R & D and/or administration (lean R&D, lean administration). The final objective is to increase the efficiency and effectiveness of all activities in the company on a sustained basis. Due to the multitude of topics / tools of lean management & controlling, the workshop could only deal with a small selection of topics. At the end of the workshop, the controllers from E. G. O. China who were actively involved in the lean project of the company, also commented on the topic. For all workshop participants, it is evident that controllers can make a significant contribution to the success of lean projects, for example via performance / KPI measurement. Participation in a lean project, however, also places higher demands on the abilities of the controller to communicate and to carry out cross-department teamwork.

Fig. 5: Discussion during the workshop



Source: Image archive of the organizers of the 2016 Forum

At the end of the forum came a very hot topic for many controllers and managers in Germany as well as in China: "**Industry 4.0 & Controlling**". In the plenum, Dr. Gerd Moehrke, principal of Strategy & (PWC) Shanghai, presented the latest developments in China based on concrete case studies. In line with the "Made in China 2025" strategy of the Chinese government, more and

more state-owned and privately-owned companies in China are addressing the issue. Some of these have already successfully implemented the first projects, especially in the field of "smart factory solutions". In regards of "Industry 4.0 & Controlling", Dr. Moehrke quoted from the current ICV study on the same topic and pointed out that also the controllers in China should deal with the topic, because controller can make a big contribution to the success, for example in the context of business case analysis, performance assessment, risk management and change management.

Preliminary result of the anonymous feedback survey of the forum shows that all respondents find the forum meeting their expectations, and that nearly 1/6 of the respondents even find the forum outperforming their expectations. Some forum participants even expressed the wish that the Sino-German Controlling Forum - in analogy to the annual "Controller Congress" in Munich - should last two days in the future so that all participants could have more time for discussion and experience sharing. All respondents of the feedback survey are ready to recommend the Forum to their colleagues and friends.

Interested readers can visit the online documentation space of the forum (-> <http://events.chinacontrolling.com>), look at the conference brochure of 2016, and wait for the new announcement of the organizers for the 2017 Forum. You can also get more information about the Forum directly from the author of this report (-> info@chinacontrolling.com).

***** End of the Report *****

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