

4th Sino-German Controlling Forum

Date: Friday, September 9, 2016 8:30 AM

Venue: Pan Pacific Suzhou

Key Notes: **Mr. Francesco Ingarsia** | CFO, Schaeffler Holding (China) Co., Ltd.
Mr. Marc von Busse | Managing Director Administration, E.G.O. Components (China) Co., Ltd.
Dr. Gerd Moehrke | Principal Shanghai Operations, Strategy&

Workshops: **Mr. Peter Richter** | Head of China Controlling, Wacker Chemicals (China) Co., Ltd.
Ms. Cherrie Cen | Director Central Controlling, Continental Automotive Holding Co., Ltd.
Mr. Jo Santens | General Manager, United Grinding (Shanghai) Ltd.
Dr. James Zhao | Partner, Deloitte, Shanghai, China
Mr. Victor Zhang | Senior Manager, Tax – Transfer Pricing, Deloitte, Shanghai, China
Dr. Helmut Schoeneberger | Managing Director Operations, E.G.O., Components (China) Co., Ltd.
Dr. Hans-Henning Toepper | Senior Director of Logistics, United Automotive Electronic Systems Co., Ltd.

Moderators: **Dr. Zhen Huang** | Managing Partner, Shanghai De Chen Enterprise Management Consulting
Mr. Alexander Prautzsch | Director, Tax Services – China Tax & Business Advisory Services, PwC
Mr. Lukasz Mehl | Manager, Tax Services – China Tax & Business Advisory Services, PwC

Workshop (A): Fast Track Reporting for HQ and Local Management

Mr. Peter Richter | Head of China Controlling, Wacker Chemicals (China) Co., Ltd.,

The workshop given by Mr. Peter Richter, Head of China Controlling, Wacker Chemicals (China) Co., Ltd., was focused on how to be more successful in fast track reporting and what and how to do it effectively. Mr. Richter was very clear in presenting the information. Even though the presentation was short, the speaker held a group-discussion according to a list of questions to entice an interactive Q&A exchange with the audience. Mr. Richter elaborated on the multiple phases of the controlling practice that usually start with sales controlling. International companies implement global as well as local controlling policies which can differ from each other. The headquarters' controlling policy is often in the lead and is used by the management for reporting purposes. However, it is questionable whether the headquarters' controlling method is suitable for the operations in China. Clarity and common understanding of the meaning and purpose of corporate information across global and local standards is crucial. Controlling needs local focus in China due to the different scale and diversity of information.

Answering the question whether he sees any improvements in Wacker's currently used SAP based controlling model, Mr. Richter emphasized the importance of clear communication and clear definition for reporting purposes. Also Mr. Richter pointed out that not every company or even every division within the company has to use the same controlling system. He concluded that controlling systems need continuous re-assessment and development in order to enable an enterprise to respond to changes in the business environment. Furthermore, Mr. Richter pointed out that reporting programs lack reliability. Fast track reporting is beneficial because it gives the management good information without distortion by prior analysis, so that changes can be spotted quickly.

Workshop (B): Forecast and Planning in Volatile Business Environment

Ms. Cherrie Cen | Director Central Controlling, Continental Automotive Holding Co., Ltd.

The second workshop about preparing and forecasting the unexpected was given by Ms. Cherrie Cen, Director Central Controlling, Continental Automotive Holding Co., Ltd.. Full of enthusiasm Ms. Cherrie Cen gave an explanation about Continental's business structure and corporate strategy. Creating an understanding for the company's situation with this introduction, she explained how Continental is practicing forecasting and planning the future. She elaborated on why and what methods Continental uses. Giving an example of the automotive industry in 2015, Ms. Chen acknowledged the difficulties for forecasting and controlling in times of market instability. Companies should involve every manager in the decision making process, especially when it comes to changes that arise from market fluctuations.

In order to react quickly to the volatile market, she pointed out that it is advisable to carry out cross-departmental performance review at shorter time intervals, such as weekly. In addition, the flexibility of resource allocation in the operational business should be increased, for example by using variable labor force. She also took a brief look at the increasing exchange rate risk in China. During the Q&A session, the participants of the workshop had discussion about several relevant issues, such as the need for new forecasting methods (e.g. rolling forecast), the possibilities and restrictions for flexible resource allocation (e. g. of labor force) in the Chinese environment, as well as concrete approaches to managing exchange rate risks in China.

Workshop (C): Sales Controlling for Maintaining Healthy Growth

Mr. Jo Santens | General Manager, United Grinding (Shanghai) Ltd.

In his workshop, Mr. Jo Santens, General Manager at United Grinding (Shanghai) Ltd. was able to create a vivid exchange with audience with his energy and enthusiasm. First Mr. Santens provided the audience with information about his company United Grinding before diving into what sales controlling means according to his understanding and how to organize and develop it within your company. Mr. Santens asked the audience questions about the ways they use for collecting, storing and analyzing sales data and especially what problems they suffer. Participants actively shared their major problems when implementing a sales controlling system in their company. Leveraging his experience, Mr. Santens gave advice and shared good examples how to solve those problems and prevent them from arising in the first place. He shared that he lost 20% (8 out of 40) of his sales people due to their unwillingness to change their ways of working to a newer and more innovative way beneficial for the company. Answering a question about how to build a successful bonus-system, he explained the three layer bonus-system implemented at United Grinding that assesses company performance, department performance and individual performance which on itself is 75% of the bonus. This system serves to make account managers a-la-carte and to push them in certain directions beneficial for the company, or to praise their current work and expertise. At last, Mr. Jo Santens advised an attendee whose company struggles with their niche market becoming smaller and smaller, to remind their costumers of the company's USPs, i.e. to explain why they are unique. Furthermore, he recommended that in order to start sales controlling, companies should first discover their weak points and then work on improving them. On the other hand, he advised that sometimes - if the market conditions are not working out well - it might be better to let an opportunity go and search for another market.

Workshop (D): Transfer Pricing and Controlling

Dr. James Zhao | Partner, Deloitte, Shanghai, China

Mr. Victor Zhang | Senior Manager, Tax – Transfer Pricing, Deloitte, Shanghai, China

In their workshop Mr. Victor Zhang and Dr. James Zhao used case studies based on real-life situations and reoccurring problems for companies when it comes to tax and transfer pricing. The participants took the opportunity during the Q&A to ask specific questions that addressed their own or their company's individual situation. Discussing the question on how to monitor profit best, a participant advised to forecast the financial situation several times a year, in order to keep track of the progress and be able to react quickly if the development is not going according to plan. Furthermore, a question was asked if it is possible for the headquarter in Germany to allocate their key expenses to China. The speakers explained that it is possible but different kinds of additional charges could apply, so it is recommendable to first discuss it with the tax authority in Germany.

Workshop (E): Lean Management & Controlling

Dr. Helmut Schoeneberger | Managing Director Operations, E.G.O., Components (China) Co., Ltd.

Dr. Helmut Schoeneberger, Managing Director Operations, E.G.O., Components (China) Co., Ltd., started his workshop by explaining his understanding and definition of what "lean management" really means, which toolboxes are available for lean management in local businesses and what financial impact lean management can have on local businesses. The main part of this workshop was about how to introduce and implement lean management practice into a local organization and what the success factors and pitfalls are according to his point of view and expertise. He gave clear insights into different concepts and tools of modern manufacturing systems, such as the lean approach, 5S and Kaizen, and focused on the question of how to continuously reduce/avoid wastes, improve and standardize business activities or processes. Dr. Schoeneberger emphasized the importance of these basic models for successfully

controlling not only manufacturing but also non-manufacturing processes, e.g. in the areas of R&D and administration. He explained where those models come from, what all the pros and cons are and why and how to use them. The core take-away was that there is always room for optimization, no matter how well existing practices might seem. A company should continuously search for improvement points and adjust this philosophy to every corner in the company. Due to the multitude of topics / tools of lean management and controlling, only a small selection of topics could be discussed in detail in the workshop. 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. They pointed out that a controller can make a significant contribution to the success of the lean projects, for example via performance / KPI measurement. Participation in a lean project, however, also requires higher competence of the controller for communication and cross-departmental teamwork.

Workshop (F): Supply Chain Integration & Inventory Controlling

Dr. Hans-Henning Toepper | Senior Director of Logistics, United Automotive Electronic Systems Co., Ltd.

Dr. Hans-Henning Toepper, Senior Director of Logistics at UAES started his workshop by explaining what UAES is and what it stands for and the challenges his company faces in the Chinese automotive market. After the introduction, he gave a brief overview on financial optimization. He continued by diving into the topic of inventory control and its improvement and shared real-life insights about how to approach it successfully.

During the Q&A questions were raised about how to use logistics for a better forecast. Furthermore, participants were interested in how he reacts to price fluctuations raising the example of a low steel price: Would he use this opportunity to buy larger quantities? How would he play with this situation?. Dr. Toepper's answer to this was a clear and simple "no". He explained that UAES tries to cover costs as written in its business plan, and is not chasing short-term gains such as buying unneeded larger quantities of a resource. Decisions and actions are driven by scenario planning and forecasting. Elaborating on his philosophy and the philosophy of UAES, he stated that money is NOT important. UAES does not perceive logistics to be a value-added business. UAES changed its point of view and is now approaching logistics as a satisfaction creator rather than a profit center. Dr. Toepper ended the workshop with a counter question to the participants: "How much are you willing to spend on creating more satisfaction?".