



BUSINESS CONTROLLING

Focus shift

From pure internal and operational focus to external and strategic focus



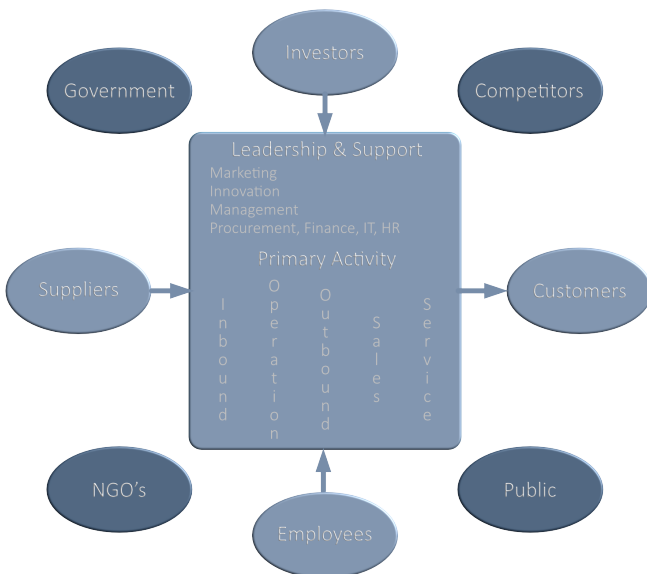
While accounting is increasingly automated and reporting systems can be more efficient, business controlling standard tasks become less time consuming.

The question is what to do with the time gained.
Save costs or increase potentials?

I plead for the second.

A POINT OF VIEW

Microeconomy



In theory Business Controlling (Micro view) is about planning, monitoring and support steering an enterprise embedded in its economic environment.

In practice Business Controlling is often geared towards an internal view on the measuring system and internal coordination, whereas the Manager is geared towards the Market.

I hammer the hypothesis against the wall that economists & controllers should spent more effort into the Market and Innovation perspectives than today and the Return on Time invested will be higher for the enterprise than if he drives the accuracy of the measurement system from 95% to 97%.

On the Market & Sales perspective many measurement are possible and should be taken. E.g. does your enterprise maintain a CRM system ? If not, get started or do you have the accounting system only because it is a legal requirement and one says you need also a controller? Or do you have these instruments in order to control your financial position and financial flows? Thus if you want some of the measurements which indicate what happens in the market a CRM-system is a fine start.

Do you need a “number cruncher”?

In mid-size and larger companies unfortunately yes, because the



financial reporting systems without continuous monitoring and maintenance are not stable nor precise. However you could benefit more from entrepreneurial thinkers with the economic glasses on, who are not focusing only on cost controlling & cost cutting but also on Business Development. For me that means focusing on Innovation and the Market.

Another phenomenon is that many finance organizations are captured still in basics problems like reporting quality is weak, the chart of accounts does not fit the business well, financial structures lag behind current organization (after the x. Reorganization), product cost calculation is not working or is quite poorly calibrated, being occupied with the budgets over 6 months, the list goes on and therefore have no time left to serve other purposes like analyzing and improving Innovation performance or finding market niches where sales might be easily increased.

That is not only because of the finance function itself but often due to managers who demand finance to search for the last minuscule variances instead of focusing on potentials which are thousand or million times larger.

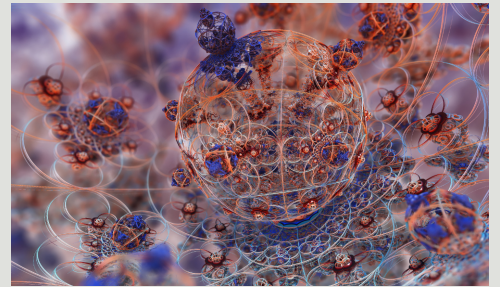
Sometimes these deep dives into the very detail result in insight but most often the value is more like zero.

More than zero will result from activities in direction Market & Sales or Innovation be it establishing metrics, analyzing these metrics or do specific research.

Normally metrics such as Revenue per account” are readily available, but already Net profitability per account might be a challenge. Further measurement like sales channels diversity, leads to opportunity ratio, opportunity to customer/sales ratio, sales cycle time & its sub components, customer attrition rates, sales team activity, market shares per segment and

per product group are not available at all or not analyzed well. So spent some time there!

Measuring the Innovation process with output oriented metrics like: Revenue from new products / R&D expense and Gross Margin of new products / R&D expense plus a comparison to competitors (if quoted, most often such metrics are reported). Best for both metrics is to take a moving average across 3 to 5 years reflecting the cycle time of innovations in the corresponding business / industry. Recommendable is to add some input oriented metrics such as R&D expense / sales or number of innovations projects.



Business has only two functions — marketing and innovation.

Peter Drucker

In any case all these metrics will generate insight and management action, but often more valuable is to go one level deeper and analyze the data records. That is where you might get a really inspiring idea or a very effective action proposal.

Business controllers are often primarily dedicated to financial reports. In my opinion they should review all relevant enterprise data and embed any recommendations for action based on a balanced analysis of all these measurement instruments.

RE - THINK / - POSITION CONTROLLING

With making use of the new instruments like Robot Process Automation and Data Science the finance function can develop further into modern finance, which delivers more value-add to the company and more support to management adding a complementary perspective.

CEO's and CFO's are invited to reconsider the role of Controlling in their companies.

I promote to spend more time on the Market and on Innovation and save time by automating the measurement system as much as reasonable.

Instead of heading for commoditizing Accounting / Reporting & Controlling and ignite the race to the bottom, think about up scaling the capabilities within finance and strive for more performance from the finance function in regards to improving the business.

Think about it and have a Nice Day!