



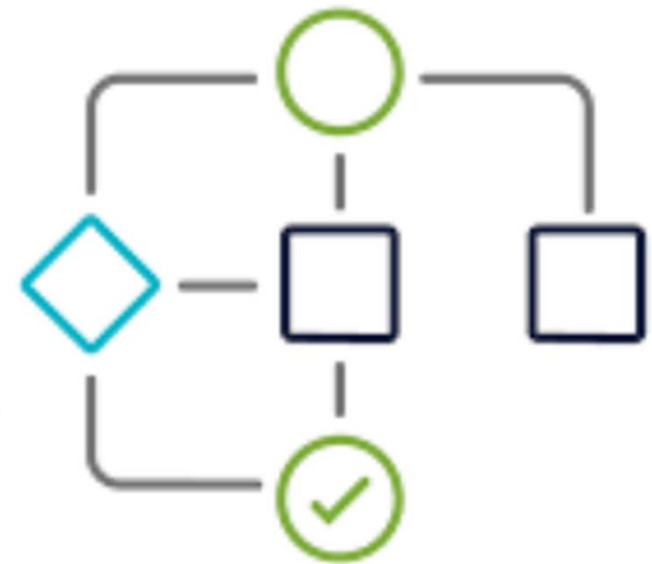
## Controlling in the Heart of the Brand

Dr. Nicholas Matten | 7th International Congress of Controllers | 15th November 2019 | Zagreb

**STIEBEL ELTRON**  
Technik zum Wohlfühlen

## Key points

- My experience with Controllers!
- Stiebel Eltron - Company / Business models / Controlling requirements
- Controlling in the company - redefined
- Controlling in the heart of the brand
- Controlling on the Move – what do I need from my Controllers



### Bean Counter – not Business Enabler



"Joe White, American, 40 years old"

- Numbers affinity, numbers driven.
- Brilliant memory for details, but:
  - No connection to the operational business;
  - Lack of social competence;
  - Lack of emotional intelligence.

**„Numbers, not business driven!“**

Conclusion: Not a business partner for the operational management!  
More annoying than useful.

### Controlling at Hansgrohe



- Very good reporting system, focus on deviations, forward looking.
- Fast reactions.
- High degree of IT support, e.g. automated reports.
- Controllers go into the markets!
- Controllers support the operative business.
- Managers are enabled, "self-service controlling".

**„Business driven, not numbers driven“**

The result of my previous experience....

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Non Financial Manager with a pronounced controlling half-knowledge!





In Short:

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I am the worst thing that can happen to a Controller!



## Heritage vs. Vision - what do we really do?

That's what we're known for.



Market leader



In the TOP 3 for heating heat pumps in Europe



## Stiebel Eltron - Company



Founded 1924 - 2018: Numbers, data, facts

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**Owners:** 50% Dr. Ulrich Stiebel  
(via a family foundation)  
50% Frank Stiebel (US Citizen)

**Employees 2018:** 3,800

**Revenue 2018:** 550 Mio. € (net)

**Production Sites:** DE (2x), SK, SE  
CN, Thailand

**Profitability:** „Sort of okay..."...

**Subsidiaries:**  
26 in 23 countries

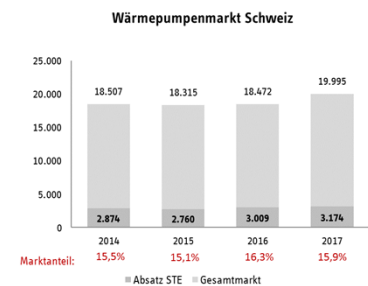
**Capex:** approx. € 25 million

**Depreciation:** approx. € 17 million



## (Historic) Reporting Requirements for the Supervisory Board

- Sales (by product group, by region).
- Personnel and material costs, especially the development of cost ratios.
- EBITDA, EBIT and EBT.
- Investment budget (total) and larger individual investments.
- Development of market shares (very important!).



No special requirements:

- Working Capital Management
- Portfolio development (DII)
- Gross Profit development

### AUFSICHTSRATSBERICHT GRUPPE Januar 2018

(MMEUR)				Kommentare	
GuV	IST kum	Abw. Plan	Abw. VJ		
Bruttoumsatz	47,2	2,3%	3,6%	✓	<b>Bruttoumsatz +2,3% (+1,0MM) vs. Plan:</b> +1,0MM Deutschland, -0,3MM Europa, -2MM Asien/Afrika, +0,1MM OEM, +0,4MM USA, -0,1MM Indien
Nettoumsatz	41,5	1,4%	1,4%	✓	<b>Nettoumsatz +1,4% (+0,6MM) vs. Plan:</b> Der Schwerpunkt der Mehrumsätze liegt in Deutschland (+1,6MM) und zieht höhere Erlösschmälerungen nach sich
Rohertrag	30,0	6,1%	4,8%	✓	<b>Rohertrag +6,1% vs. Plan; +4,8% vs. VJ:</b> Im Wesentlichen wirkt eine positive Mengenabweichung vs. Plan +0,8MM sowie niedrigere Einkaufspreise -2,5% (0,2MM) Die Mengenabweichung gegenüber VJ beträgt +0,7MM, gegenläufig wirken höhere Einkaufspreise mit +1,0 %
in % Nettoumsatz	72,3%	3,2%pt	2,4%pt		
Personalkosten	-15,3	1,7%	12,7%	✓	<b>Personalkosten 1,7% (+0,3MM) vs. Plan:</b> Gegenüber Plan wirkt leistungsbedingt im Durchschnitt ein um 77 MA höherer Personalstand bei eigenen Direkten Mitarbeitern
Sachkosten	-9,0	0,0%	5,0%	✓	<b>Sachkosten +/-0,0% (+/-0,0MM) vs. Plan:</b> alle Kosten im Bereich der Budgetansätze
Sonstige Erträge	0,4	117,1%	659,6%	✓	<b>Zinsergebnis:</b> 0,7MM Aufwand aus Aufzinsung der langfristigen Rückstellungen (überwiegend Pensionen) ist dem Zinsergebnis zugeordnet. Der Zinsaufwand und -ertrag für Kredite liegt auf Planansatz
Betriebsergebnis	6,1	38,4%	-6,8%	✓	<b>EBT +45,7%pt (+1,7 MM) vs. Plan:</b> +1,7MM Rohertrag, +/-0,0MM Kosten, neutrales Ergebnis und Zinsen
in % Nettoumsatz	14,6%	3,9%pt	-1,3%pt	✓	<b>Standardbeschäftigte:</b> -124 MA vs. Plan, leistungsbedingter Mehrbedarf eigene Direkte +77MA, Leiharbeiter -79MA, Indirekte -122MA
Zinsergebnis	-0,7	-2,1%	3,7%	✓	<b>Forderungen L&amp;L:</b> alle Werte im Bereich der Planung
Neutrales Erg.	-0,1	180,4%	20,4%	✓	<b>Lagerbestände:</b> leistungsbedingt
EBT	5,3	45,7%	-8,4%		
in % Nettoumsatz	12,7%	3,9%pt	-1,4%pt		
Standardbeschäftigte (Stichtag)	3.268	-3,7%	7,7%		
Forderungen L&L RW in Tagen	36	-5,6Tg	-2,3Tg		
Lagerbestände RW in Tagen	89	-6,2Tg	-4,1Tg		
MM = Millionen Bt = Prozentpunkte					

"Commodity business" vs. Efficient Heating Systems (Renewables)

**„Commodities“**

- Standard items (catalogue items): electric storage water heaters, electric panel heaters, electric instantaneous water heaters.
- Low pre-sales efforts, distribution via wholesale.
- Fairly even annual sales pattern
- Success factors:
  - Assortment (adapted to local needs)
  - Availability at POS
  - Margin for the distributor
- Cyclical business, mainly depending on construction industry performance (new build) and renovation cycles.

**„Renewables“**

- Mainly standardized items besides a significant percentage of engineered solutions: heating heat pumps, central ventilation units.
- High level of pre-sales efforts, planning required
- Strong seasonality (75% of EBIT generated in 3 months).
- Success factors:
  - Good product (efficiency, noise)
  - Services
- Highly dependent on government policies related to cost of electricity vs. fossil fuels.

Complex, often unsteady set of rules ("election campaign polemics")

### Examples of national regulations

- EEG-surcharge on price of electricity (currently 7ct/kWh).
- Grid tariffs for excess solar energy (from 0,94 € down to 0,12€ in 8 years).
- MAP: Market incentive program heat pumps, up to 9.000,-€ subsidy.
- EnEV 2016: Building Efficiency code, specifies maximum heat load per m<sup>2</sup>.
- Possible CO<sub>2</sub>-Tax or extension of ETS to buildings, subsidy for replacing old heating systems.



### Examples of EU regulations

- Determination of primary energy factor.
- ErP-Label: Ecodesign Directive for electrical appliances (finalized only six months before legal implementation).
- F-Gases phase-down: artificial shortage of refrigerants (2017: 1.100% increase in price!)



## Controlling must have a view to the future

### Conclusions:

- Running two different businesses in one company , with very different demands.
- One forecasting model doesn't work.

### Impact on Controlling:

- Historical data is becoming less and less meaningful.
- Seasonal curves change (also due to weather conditions).
- Strong focus on the future, „forget“ the past.
- Create fast reaction possibilities.

„I need an early warning system, not somebody telling me what went wrong yesterday!“



### What did I find?

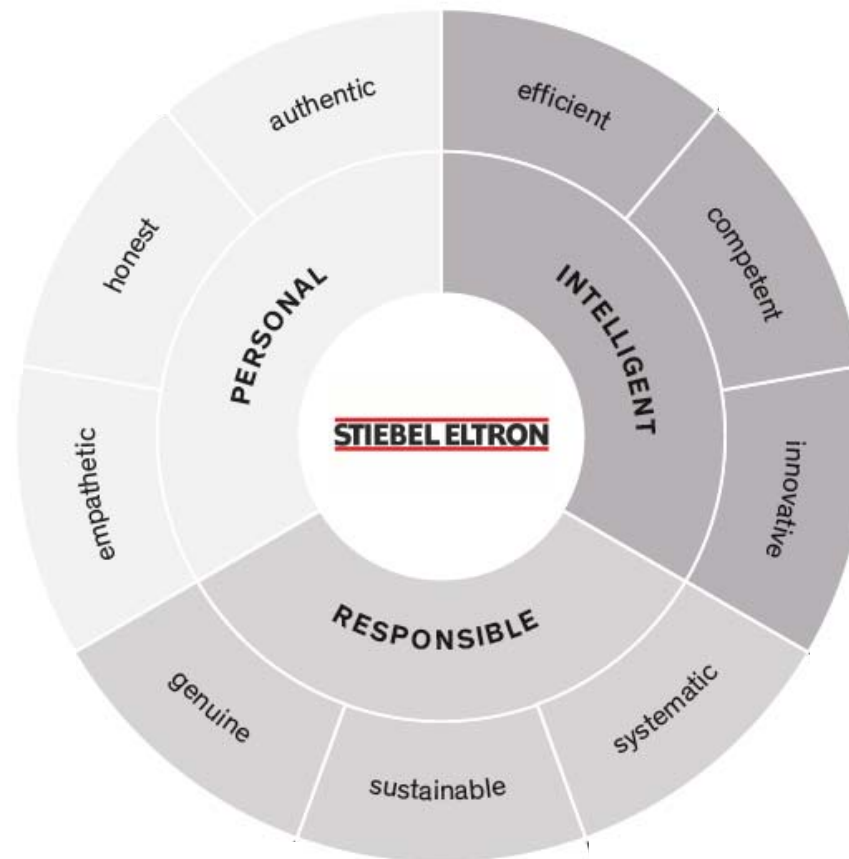
- Company still strongly influenced by restructuring measures 2014/15.  
Reasons for the restructuring:
  - Change of the subsidy policy (incentives from the state)!
  - Changes in the market not recognized!
  - Too high fixed costs (personnel)!
- A lot of reports, a lot of detail.
- Controlling fractals, lack of consistency.
- No sales controls, inconsistent approach in the countries.
- Significant risks due to lack of strategic pricing and revenue controlling.
- No business plan, no medium-term planning with implementation measures.
- **Controlling not sufficiently supported (and appreciated) by top management.**





## Controlling in the Heart of the Brand

A Brand is a promise with a personality



If Controlling was a product, what would it look like?

Translating the brand attributes into controlling needs

Attributes	Where are we?
Efficient	Lack of sorting what matters from the rest, often lost in details
Competent	Okay for managing the "status quo", not ready for the future
Innovative	Afraid of change
Systematic	Complex, often inconsistent
Sustainable	Work overload, leading to major variances in quality of work
Genuine	Not always the case...
Empathetic	Too much excusing under-performance
Honest	Afraid of conflicts
Authentic	Sometimes pretending to be something else

#### Important product features:

- Must have quality → reports must be correct!
- Must be easy to use, easy to find and read → reports online (self-service for managers)!
- Must be fast → digitization and workflows wherever possible.
- Must be fun to use → limited to the essentials.
- Must be economical → check with each process / report whether the benefit is higher than the use of resources (also think about how much time is used up by reading reports;  
**(number of recipients x read time = loss of productivity)**!)

**Goal: To make the "product" controlling a best-selling SKU within the company.**

### Quick Wins - and Flops!

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#### **TOPS**

- New tools (rolling forecast, rolling view of sales and incoming orders over 365 days);
- Standardized control via "Operational Reviews"; standardized reporting;
- "Subsidiary Letter" as a standardised, largely automated report.;
- Medium-term planning introduced;
- Speed Budgeting

#### **FLOPS**

- We are still not faster than before;
- The required efforts remain extremely high, hardly any capacities for new things;
- Old habits still there, the new tools are not yet used in everyday life.



### Work packages, partly still "Work in Progress"

1. "Speed Budgeting": from a detailed bottom-up process to a BI-supported Top Down Tool. Estimated time saving of five days per subsidiary.
2. "Lifetime" for reports set to two years; if at the end no one screams → bin it!
3. Limiting the number of reports created / used (e.g. sales subsidiary) to a maximum of 10 reports).
4. Better forecasting system, based on rolling 365-day revenue and order intake and simple updating of the main cost elements. Don't get lost in complexity, sales is wrong in predicting their business anyway.
5. Profit Center Light: Addition of direct cost elements in individual organizational units, without allocations etc., to create a direct cost awareness (without discussions).



## Necessary framework conditions for success

### Learnings: digitisation as a prerequisite

1. Consistent use of SAP in all companies (currently all production sites and 93% of global sales in SAP).
2. Automate repetitive activities continuously.
3. One „data lake“ with qualified content as the „single source of truth“.
4. „Eliminate Excel“, go for cloud-based tools with live data access.

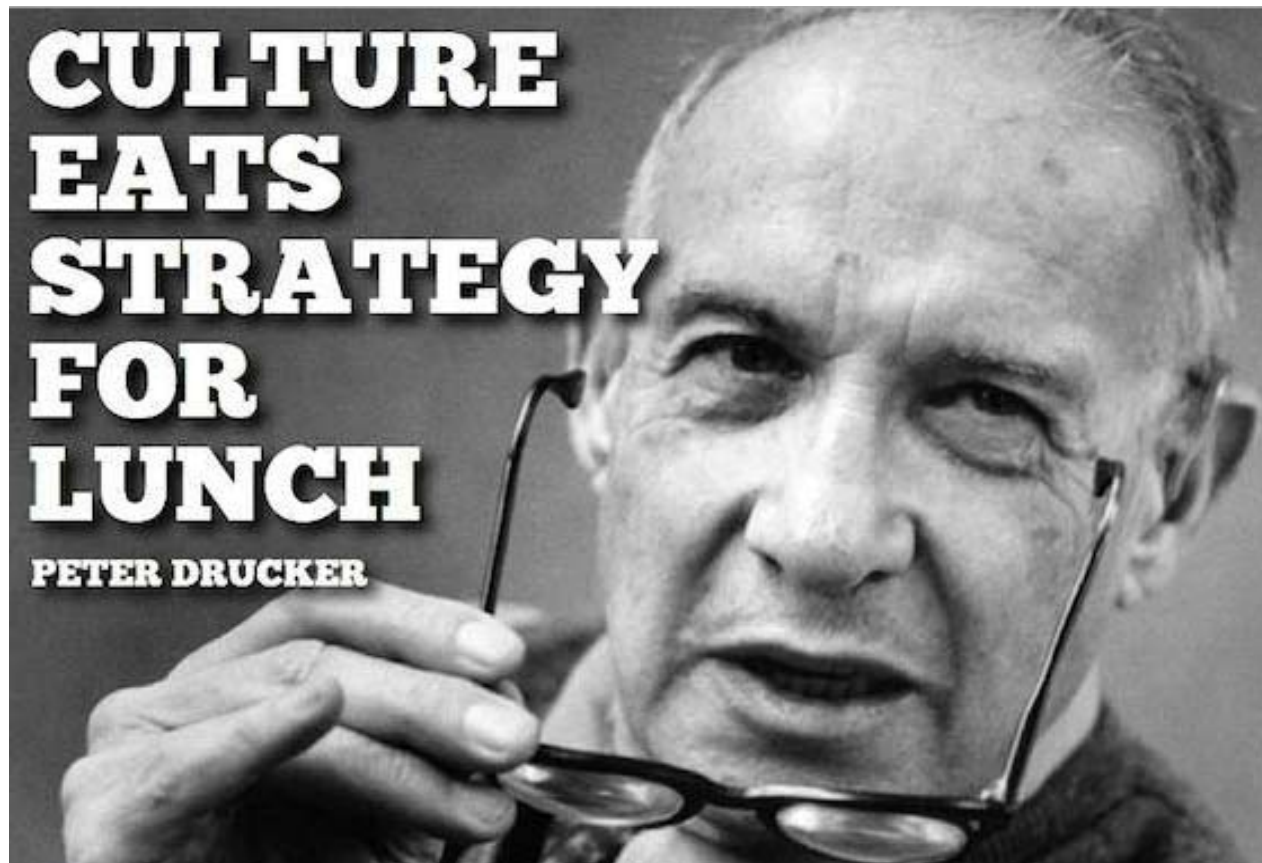


**Controlling must be the main co-driver of digitization!**

Controlling on the Move!

**STIEBEL ELTRON**

Learnings: without cultural change - no chance



# Controlling on the Move!

Learnings: new soft skills required

**SPEED:** From "Risk Preventor" to personal risk taker!

In conflict with Controlling DNA?



**FOKUS:** Business Enabler instead of hiding behind budgets.

Controlling must not be restricted by budget restrictions or restrict development themselves. Think ahead!



**Communicate:** Good Controlling needs a good story behind it.  
Controllers need to be story-tellers.

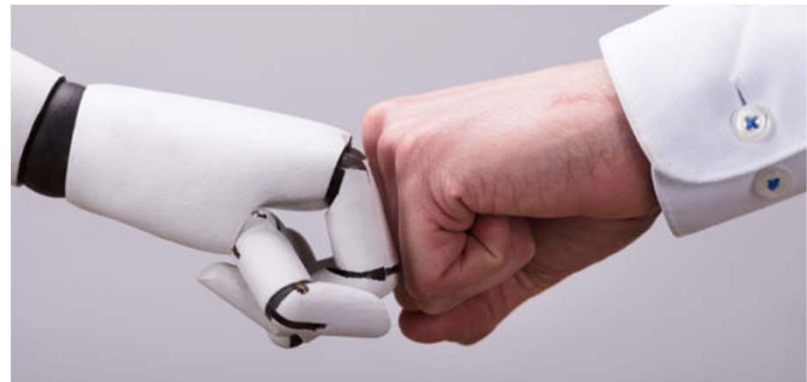
**Controlling should not monitor change - it must drive change.**

**Controlling must be ahead of the company and be an innovator.**

Which Direction do we need to go?

What comes next?

1. Introducing RPA for standard routine tasks (first pilot project started).
2. Introducing LEAN-Management techniques.
3. Testing SCRUM and SPRINT methods in controlling.
4. Redefine the roles of accounting and controlling (getting ready for S/4).





## Controlling on the Move

### Controller as pilot



A ship is never fully safe at sea - but it was not made to stay in the harbour.  
Go out there and help navigate towards the next harbour!