



## Management-Summary expert group event, May 10<sup>th</sup>, 2022

by Marina Hein, active expert group DCC member

### A sophisticated RISK MANAGEMENT SYSTEM linked to financial planning

#### 1. These experts gave lectures on the subject of risk management systems:

**Uwe Seidel**, professor for business administration at the OTH Regensburg and active expert group Digital Controlling Competence member

**Pascal Speicher**, expert group member Digital Controlling Competence, 20 years of experience in controlling with professional positions at Thyssen Krupp and Villeroy & Boch. Since April 2022 Country Manager Germany at smartPM.solutions

## 2. What the expert group DCC was all about on May 10<sup>th</sup>, 2022...

### 2.1 „...risk management is the controller's very own job ... but whether it is actually practiced that way...?“

In his lecture, Uwe Seidel puts a finger in the wound and cites a few studies and models in which the topic of risk management is or should be a fixed part of the controller's activity. After all, risk management and controlling is in the top 10 of the current WHU study. So it is one of the core controlling processes, but does everyone know that?

From the ICV definition of the controller profile through to controlling roles – **risk controlling can be found everywhere as the controller's very own job**<sup>1</sup>. Uwe Seidel shows numerous sources of literature and studies<sup>2</sup> on the relevance of risk management<sup>3</sup> and then asks the participants of the expert group event: "What risks are you currently recording". Even in a small group, you can see that **risk management is currently not top-of-mind** among controllers, unless it is required by law.

**When it comes to risk management, listed companies are bound by legal requirements.** The structures and standards of the risk management system are usually aligned with the auditing standards of the auditors. But even then, there is often **a lack of networking with financial planning** and it does not help much with agile corporate management. In order to create this integration, a modern **controlling technology - a CPM / BI tool - is necessary** to seamlessly link all departments and data.

(The video recording and slides of Uwe Seidel's lecture are available exclusively for members of the expert group on the ICV DCC knowledge platform - the link will be released after registration for the expert group after each expert event)

<sup>1</sup> Quellen: International Group of Controlling (IGC und ICV) (2013) Controller-Leitbild; Seufert, Kruk, (2019) Digitale Transformation und Controlling, Haufe Finance Office

<sup>2</sup> Quellen: Reimer, Schäffer, Weber (2020), 4. WHU-Zukunftsstudie; Reimer, Schäffer, Weber (2020), WHU-Studie Risiken erfolgreich managen; Deloitte, Benchmarkstudie Risikomanagement, 2020; Inverto, Risikomanagement Studie, 2022

<sup>3</sup> Quelle: International Group of Controlling (2017) Prozessmodell 2.0



Figure 1: In his lecture, Uwe Seidel provokes – do controllers know that risk management is part of the job profile, and do they recognize the business benefits of a professional risk management system even without legal requirements (as with listed companies)?

In the risk management system, **risks - but also opportunities - are not only recorded, evaluated and monitored, but also their influence on the income statement, balance sheet and cash flow is determined.** This is done in **scenario analyzes** that allow **agile and secure corporate management.** Risk management should therefore be a mandatory task, including internal and external reporting, and at least once a year.

A study by Deloitte shows that 67% of the companies surveyed have already implemented risk management. However, a look at the sample shows that the majority of these are large, listed companies. For smaller companies and above all medium-sized companies, it is an estimated 30% - the participants at the expert group meeting also agree on this.

### **2.1.1 Risks are part of the corporate strategy (SWOT) – aren't they?**

"Aren't risks also part of strategic planning and don't they have to be specifically formulated in order to transfer them to a risk management system?" Uwe Seidel rightly asks. He estimates the proportion of inefficient risk definitions in the SWOT analysis to be around 75%. Among other things, because **risks are not quantified and weighted in the context of the SWOT analysis.** The risks **are not taken into account in top-down planning** because there is no interlinking. But the risks are also not considered **bottom-up** and are often only recorded within departments or not at all.

The **recommendation: Promote a risk culture** in the company and **connect the risk management system with financial planning - a completely integrated system.** With **risk aggregation,** the influence of the entire risk package on a company can then be recorded. In addition, the integration of different

risk levels is an issue - from the project level through the company to the group level. A benchmark study by Deloitte shows the maturity level of risk management, where acute need for action is rarely seen, but there is potential for optimization in almost all areas.

### **And who in the company monitors risk management?**

Here the circle closes again – **risk management should be part of controlling**. But a study by the WHU shows that just over half of the companies are organized accordingly. **The pressure on listed companies to set up a professional risk management system is great. But is the economic benefit of such an RMS recognized without pressure?**

## **2.2 „In the last two years we have set up a risk management system at V&B for the entire group...“**

As a **listed company**, Villeroy & Boch must have a risk management system that meets the standards of the auditors. In the last two years, Pascal Speicher and his colleague have set up this risk management system in the software technology Unit4 FP&A (prevero) and acquired a lot of knowledge. Pascal Speicher has been enriching the smartPM.solutions team since April 2022 and is taking his knowledge in this area with him. His new mission: he wants to support other companies in digitalization in controlling. Based on the "Integrated Risk Management System" from smartPM.solutions, Pascal Speicher leads through the presentation and shows a mature, standardized and integrated risk management system that can be flexibly adapted. Including seamless integration with the integrated financial planning.

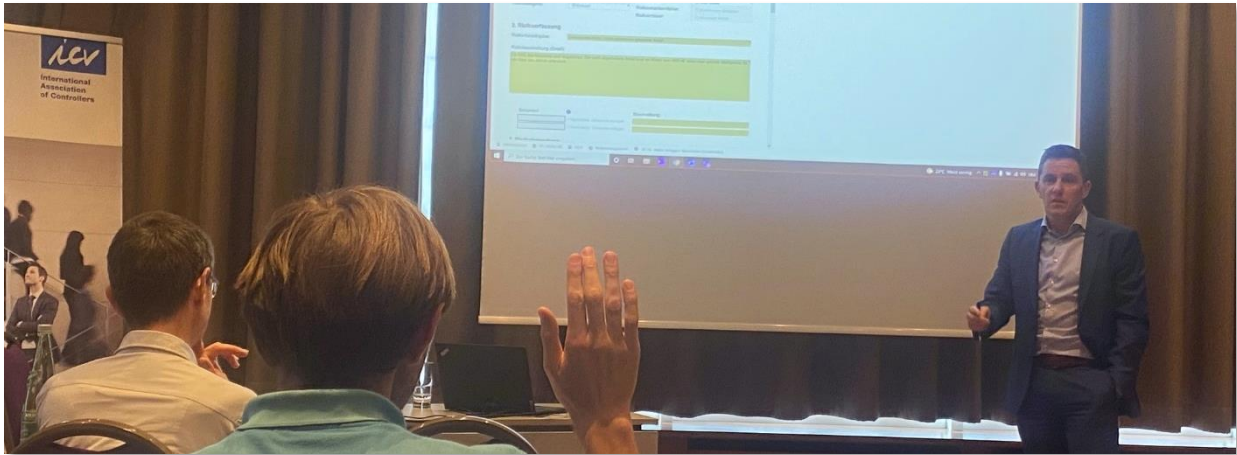


Figure 3: Pascal Speicher, controller at Villeroy & Boch until April 2022, showed the risk management system including connection to the integrated financial planning - this is what digitization in risk management looks like

In summary, the **risk management workflow in Figure 4** is used for Pascal Speicher's presentation. The integrated system that Uwe Seidel calls for in his first presentation will be demonstrated directly in the software by Pascal Speicher. **A living risk management system in practice. Integrated into the risk management system shown are:**

- Checklists, questionnaires, an identification matrix and the SWOT analysis as an aid to risk identification (in the specialist department)
- Risk recording, analysis and evaluation for the standardized recording of risks and their quantification
- Risk assessment and approval by those responsible. Role concepts are taken into account in this workflow.
- Risk overview, monitoring and dependencies are shown in risk dashboards (see Figure 5) Risk aggregation with drill-down options for individual risks.
- Standardized risk reporting with different reporting levels



Pascal Speicher has documented the detailed description of the risk management system in a white paper, including numerous screenshots. The [Whitepaper can be downloaded here.](#)

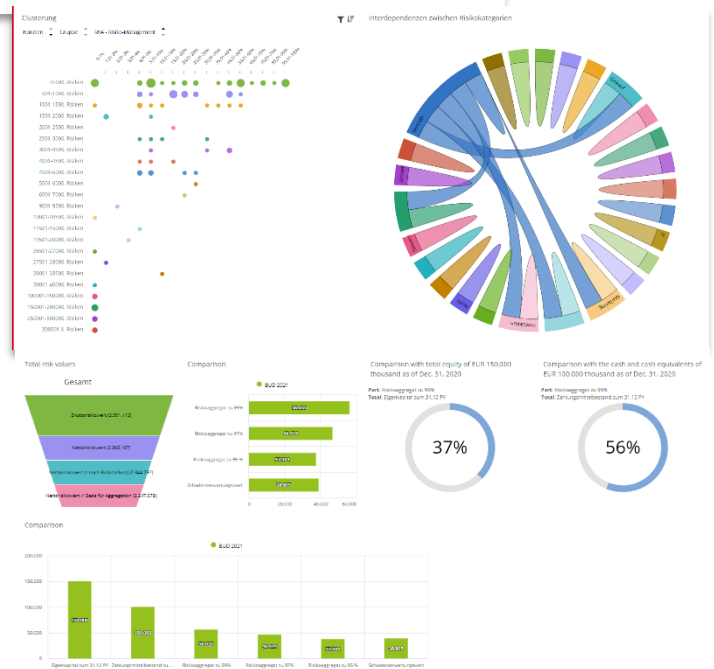


Figure 5: Risk management dashboard, excerpt from the risk management system from smartPM.solutions



### **2.3 CONCLUSION of the expert group DCC on May 10th, 2022 - a digital, efficient & fully integrated risk management system with connection to the integrated financial planning**

Seamlessly linked processes and agile corporate management are desirable for all controllers, and many participants in the expert group meeting see themselves on the way there. The participants at the expert group DCC are often surprised at the possibilities that professional controlling tools open up. This also encourages many people to think this time about risk management in their own company and whether or how this is implemented or can be improved in the future.

When it comes to risk management, everyone has to be brought on board, and this requires, above all, the **establishment or development of a risk culture in the company**. However, risk identification can be **supported** by tools in the digital **risk management system** shown, such as checklists or questionnaires.

**In any case, opportunity and risk management is an intrinsic function of the controller<sup>4</sup>** and is also defined in the profile description. Risk management is also found in the 4th WHU Future Study in 10th place among the **top digitization topics<sup>5</sup>**. **Risk management should also be located in the controlling department** in order to be able to record the impact of the aggregated risks on the company's results and to be able to make the right decisions based on this. This enables prudent, agile corporate management. When selecting a supporting controlling tool, this requires a provider who covers both financial planning and risk management with correspondingly high standards and know-how.

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<sup>4</sup> International Group of Controlling (IGC), 2013

<sup>5</sup> Quelle: Reimer, Schäffer, Weber (2020), 4. WHU-Zukunftsstudie, S. 5

### 3. Thanks to all participants for their input - that's what makes the expert group come alive!

Our goal? Bringing controllers closer to digital technologies in order to relieve them and free them for value-adding tasks. [Registration for the next event on October 14, 2-6 p.m. is just starting](#). This time it's about **investment controlling** as part of **project controlling** or **construction cost controlling** in connection with **integrated financial planning**. The exact agenda will follow. Until then! We see each other again in the 3D world. We are looking forward!

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**All videos, presentations and reports on the expert group events are exclusively accessible to members of the expert group** after registration and admission to the expert group on the **Digital Controlling Competence knowledge platform**. After each event, a link will be sent to the members of the expert group and participants in the ICV DCC event.

**More information** about the expert group and registration is available on the ICV website:: <https://www.icv-controlling.com/en/work-groups/translate-to-english-dcc-digital-controlling-competence.html>

## Thanks to the active participants for their commitment to the expert group event!

*Yours Alexander Hein, expert group leader*

*Christian Bramkamp, expert group leader deputy*

*& the whole expert group team*