

s-peers
Success Story





Automation of Extrapolation – Sto is Getting Ready for the Future

Sto SE & Co. KGaA is an internationally leading producer of facade systems (coated, suspended, composite heat insulation) as well as of paints, plasters and lacquers. Together with s-peers AG, the Sto Group has successfully made its Group Reporting even more fit for the future: Via Predictive Controlling, the division responsible is now able to prepare monthly consolidated forecasts in a largely automated way and to efficiently integrate them into the reporting packages. The prepared projections consider all activities relevant to the Financial Statements of the Group.

Precise. Sound. Straightforward.



The Task

The parent company of the Sto Group cooperates closely with the subsidiaries. Simultaneously, the individual business units operate on the market in a largely independent way. In terms of Controlling and especially Reporting, corporate structures of this kind generally require much coordination and manual effort. Sto has already harmonized its Monthly Reporting at Group level (internal and external) successfully in recent years. Now the next optimization step was to be taken in form of automated Predictive Controlling resp. Automated Extrapolation:

The Project

Requirements

The Sto Group's three-time extrapolation should be supplemented with a monthly rolling extrapolation first and then be finally replaced with this new version. One task thereby was to minimize the necessary coordination between the parent company and the subsidiaries – and thus the high manual and time-consuming effort involved. The second aim was to create the possibility of forecasting different developments via the monthly rolling forecast of the Consolidated Income Statement constantly – for the purpose of being able to react to trend deviations promptly.

Solution

The further development of the Consolidation and Reporting system demanded the conception and implementation of new technical requirements. Via Predictive Controlling resp. Automated Extrapolation, the division responsible is now able to prepare monthly consolidated forecasts at Group level in a largely automated way:

The monthly Financial Statements of all individual business units are imported into the forecasting system. Then the rolling extrapolation is prepared for each business unit in its respective local currency and is transferred to the Group Consolidation system SEM-BCS. There all measures relevant to the Financial Statements are then carried out

on a monthly basis in order to integrate the respective reporting events into the monthly reporting efficiently.

The very convincing result of the project is a clearly structured Consolidation process on a monthly basis – including extensive automation in order to reduce coordination effort and potential sources of error.

Highlights

Added together, the introduction of automated Predictive Controlling resp. Automated Extrapolation now provides the Sto Group with the following benefits:

- Regular reporting runs smoothly, uniformly and efficiently.
- Massive increase of information density.
- Optimization of forecast accuracy.
- Substantial reduction of manual workload.
- Effective minimization of error probability.
- Freeing-up of valuable resources for other important tasks.
- Creation of more effective Controlling options via accelerated and standardized reporting.
- Provision of simple and standardized forecast data for all business units.

In a few seconds, monthly forecasts based on algorithms can now be prepared for all locations or individual business units. The automatically generated forecast values can be fed into Planning or Group Consolidation solutions for further processing and meaningful simulation in the future.

From now on, the Sto Group can react to fluctuations in Key Earnings Figures in an even more forward-looking, timely and successful way.

Technologies

- SAP SEM-BCS
- SAP BW
- SAP BW Integrated Planning
- R (for forecast preparation)



“Our goal was to create precise forecasts with a high degree of flexibility and without additional workload in order to be able to react promptly to trends and deviations from expectations. Again together with s-peers AG as our partner, we have accomplished this task successfully by using Predictive Controlling.”

Christian Rühl,
Head of Group Accounting & Reporting
www.sto.de



Questions to Christian Rühl, Head of Group Accounting & Reporting

Do you already recognize concrete benefits? If so – which ones?

“Yes. The Automated Extrapolation enables us to generate monthly forecasts – resulting in a much quicker identification of trends. On the other hand, the algorithm also allows comparisons between automated planning and manual expert planning – and thus highlights critical points precisely.”

Which long-term benefits do you expect from the introduction of Predictive Controlling?

“Already in the medium term, we expect that the already high forecast quality will increase even more with the additional data available to the algorithm – positively accompanied by the significant time savings and the higher forecast frequency.”

How did you experience the cooperation with s-peers AG?

“Again during this project, s-peers proved to be our highly reliable partner. As usual, their experts fully met our requirements in terms of forecasting quality, implementation speed and problem solving. In addition, they provided valuable impulses for quality optimization.”



Predictive Controlling

Forecasting and Planning are elementary aspects of Corporate Management and Controlling activities. However, the respective implementation is often neither characterized by economic efficiency nor by effectiveness. s-peers specifically meets this situation with a predictive approach which offers companies an optimal and efficiently automated forecasting solution.

Predictive Controlling does not only provide individual information for specific purposes (e.g. planning, identification of success or failure factors, 360° views on customers): In contrast to traditional standard reporting, it can also be used as an effective and a highly flexible analysis platform for active troubleshooting.

Idea

- Automated rolling extrapolation of the Profit & Loss account.
- e.g. at individual company level and on a monthly basis.
- Transfer of automatically generated forecast values for certain locations into the planning environment or for individual companies into the Group Consolidation solution – in order to calculate the consolidated extrapolation of the company group on a monthly basis.
- Simulation of the automatically generated extrapolation values – e.g. on-site or at individual company level (EBIT scenario analysis) – in the Value Driver Tree (with subsequent value transfer to the Consolidation solution).
- Integration of the monthly extrapolation values into the monthly reporting.

Benefits

- Multiple use and reusability of the algorithms – e.g. not only for extrapolation but also for planning (budget, five-year planning).
- Early evaluation of performance – e.g. regarding locations, individual companies or regions.
- Large selection of evaluation options in assured quality.
- Reduction of manual workload and throughput times via automation and process optimization.
- Improvement of forecast accuracy plus simultaneous increase of information density due to more detailed data.