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# CF0 4.0 – Digital transformation in the financial function

Enhancing financial planning and forecasting  
at Starkstrom-Gerätebau GmbH, Regensburg  
[part of SGB-SMIT Group]



## CFO 4.0

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Today's CFO function has to play an active role in reshaping organizations as they prepare for a digital and sustainable future. To this end a holistic, cross-functional approach paired with a real aspiration to drive the digital transformation is key. Following this agenda, d-fine developed a digital 'CFO-cockpit' for financial planning and forecasting.

The CFO function today should be enabled to drive digital transformation and actively contribute to reshaping organizations by improving their way of working through process streamlining and automation, providing financial transparency for developing the business and re-inventing value chains, supporting, and driving the transformation.

## 1.

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### Get in front of digital finance

The digital transformation is one of the central topics for the upcoming years in the corporate and financial sector. However, studies show that the current levels of digital maturity remain underdeveloped in the major big economies. CFOs still spend less time on digital trends than they do on traditional finance activities. Ideally, the CFO function should be flexible, service-oriented, and focused on supporting and working closely with other business functions.

Things are rather different with Starkstrom-Gerätebau GmbH (SGB) in Regensburg who have taken up an open stance in digitising their CFO function and represent the opinion that the performance of the CFO function could be improved if employees are willing to experiment, take risks, and work in distributed teams. As a pure-play transformer specialist from Europe with the highest customer dedication, SGB is one of nine manufacturing sites of SGB-SMIT Group that operates branches in ten countries. Transmission network operators, utility companies and industrial corporates all over the world rely on the products of SGB-SMIT.

Deliana Teneva, CFO of SGB is aware that the digital transformation in finance has the potential to trigger a real paradigm shift in corporate planning and forecasting, financial teams are believed to play a vital role in unlocking the power of data and technology to drive efficiency and growth. She therefore asked d-fine as the partner of choice to develop a modern and flexible IT solution to enhance all financial planning and forecasting activities.

d-fine is a European consulting firm which, by means of scientifically minded employees, provides innovative and future-proof solutions through sustainable technological implementation. The typical integrated d-fine approach – design and implementation under one roof – is a core component of the project work.

The developed 'CFO-cockpit' reveals a modular structure based on state-of-the art technologies.

## Design components used at SGB

- **Data visualisation:** User-friendly dashboards and dynamic graphics tailored to SGB needs.
- **Advanced analytics:** Break-down and comparison between actual and forecast values and detailed explanation of deviations to continuously optimize forecast quality.
- **Statistics:** An ever-growing data set serves as a basis for time series analysis on historical data and future roll-out of selected machine learning use cases.

Within the project d-fine was in charge of re-designing and implementing the surrounding processes in light of this technological change, including the automation of data gathering workflows, integration with the SAP landscape, data analysis frameworks, and development of the software solution as such. In doing so, an agile project setting was adopted.

## 2.

## Digitisation project for financial forecast

### 2.1

### Starting point

The focus of the project was the '3-month financial forecast' for the power transformer business. In the legacy setting P&L and balance sheet forecasts were prepared on a monthly basis using a sophisticated Excel spreadsheet which required a high manual effort.

Following IFRS 15 revenues from contracts with customers are to be recognized over a period of time based on an POC approach (POC - percentage of completion). This method recognizes revenues and expenses in proportion to the completeness of the contracted project. As part of the planning process the resulting current income and expense figures are compared with the total estimated costs or costs incurred.

In the difference, the CCM method (CCM - completed contract method) allows companies to postpone the reporting of income and expenses until after a contract is completed.

#### Customer feedback

"Our newly developed planning and forecasting solution greatly enhances our steering abilities. d-fine helped us in taking a big step forward in our digital journey. The agile project setting allowed us to deliver a fully integrated software solution in time and budget."

Tilo Dorn, CEO, SGB GmbH

## Process improvement needed

Besides requiring high manual efforts in creating reports, the legacy Excel solution was limited with respect to forecast quality and extensibility. In addition, drill-downs into different P&L categories were hard to achieve.

The ultimate motivation for building a modern planning software from scratch was the need for flexible, robust and easy to use tool providing SGB's C-level with three month's revenue and expense figure forecasts in a timely fashion.

In detail, the project had the following improvement aims:

- Improvement of revenue, cost and profit forecast quality due to the use of a greater data depth
- Better insights from data maintained in SAP and optimised internal planning processes
- Digital boardroom ability by obtaining better data-driven control options for SGB's C-level
- Digital forecasting ability allowing for drilldowns into single P&L position and P&L explainability
- Integration into existing IT landscape and higher degree of automation
- Increase efficiency and improve collaboration between different teams within the organization

## Development and current situation

After a short design thinking phase with the C-level, d-fine started to develop the forecast framework together with SGB's key stakeholders bearing in mind, that the CFO and her team act as gatekeepers for all critical data required to generating forecasts and supporting the Group's strategic plans and decisions.

During the subsequent four months a team of two d-fine experts developed the 'CFO cockpit' application implementing the percentage of completion method (POC) for revenue, cost and profit forecasts. The architecture employs a state-of-the-art technology stack capable of processing sales, order fulfilment, production planning and supply chain inputs, figures that are all maintained in dedicated SAP systems.

### Technology stack at SGB

The tech stack comprised

- MS SQLServer as a central data base backend,
- C# built-ins for data import and computation core, and
- MS PowerBI as analytics frontend.

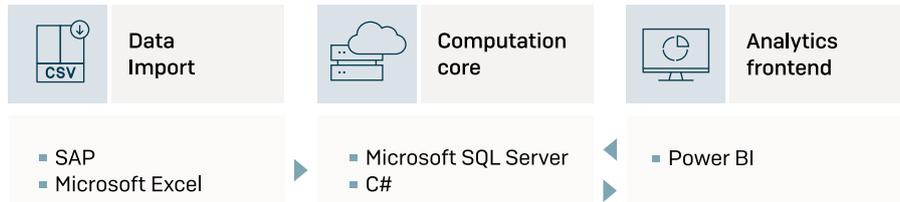


Figure 1: IT architecture

The implemented planning and forecasting logic was closely aligned with SGB's financial and management accounting teams. The custom-fit tool lives up to the promise of improving accuracy and traceability within SGB's financial planning forecasting framework.

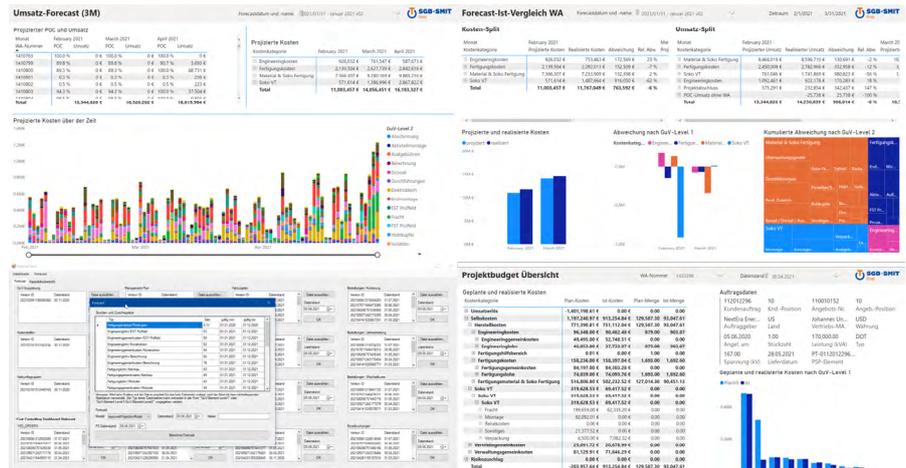


Figure 2: Tool & Dashboards

### 3.

## Summary

Over the last four months d-fine helped SGB to enhance their financial planning and forecasting abilities with a focus on revenue, cost and profit figures. To this end, a flexible planning and forecasting software solution was developed together with surrounding processes and workflows. This newly devised 'CFO cockpit' is now ready to be rolled-out to all international production sites across SGB-SMIT Group.

With their ambitious digitisation agenda, the CEO and CFO of SGB embrace a pioneering role within the SGB-SMIT Group. The approach is built on the insight that highly adapted, yet flexible structures and processes are just as key for a digital CFO function as the use of well-designed software solutions employing modern technologies

As companies move towards a digital and sustainable future, CFO functions have to transform themselves into truly digital corporate units that are able to offer cross-functional digital in-house services. This also includes the integration of custom software solutions with ERP eco systems such as SAP.

## Customer feedback

“Given the excellent professional and technical qualifications of our partner d-fine, we were able to implement a tailor-made solution that will create higher efficiencies, deeper insights, and sustained long-term value for our business.”

Deliana Teneva, CFO, SGB GmbH

The presented project is a good example as to how CFOs can gradually transform their units into truly digital service providers by taking concrete, measurable steps on their digitisation route.



### **Digital transformation in the financial function.**

If you have any questions about d-fine's corporate finance services, please send an email to [DigitalCFO@d-fine.com](mailto:DigitalCFO@d-fine.com).



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