



Deutsche Bahn's finance function and its contribution to the overall management of the group

Digital, forward-looking, standardized

by Richard Lutz



Deutsche Bahn is on the way to becoming a key player in networked mobility. The finance function and the FINANCE4DB group program play a central role in managing this transformation. Dr Richard Lutz, Chief Executive Officer of Deutsche Bahn AG, describes what characterises this modern approach to controlling.

Deutsche Bahn is a company in transition. The rapidly growing importance of mobility and logistics is creating new demands and opportunities for our group. Keeping pace with this development and continually enhancing the group's offerings is one of our primary challenges. Smart integration of mobility services, expanding our

product and performance quality, and digitizing our infrastructure are just three of the major projects that are driving us at Deutsche Bahn, prompting us to continuously enhance the tight and extensive management of the group.

Overview of the DB Group and the organisation of the finance function

The complexity of the Deutsche Bahn organizational structure illustrates the importance of comprehensive controlling processes. Deutsche Bahn has been organised as an integrated group since the reform of Germany's railway industry in 1994, with passenger traffic, freight traffic, and infrastructure forming the backbone

of rail in Germany. Added to this are the passenger transport services run by DB Arriva in other European countries, and DB Schenker's global logistics services. With its eight business areas in total, each of which is assigned to one member of the Group Board of Management, Deutsche Bahn therefore operates in all segments of the transport market. The chief executive officer is responsible for central functions such as strategy, communications, investment management and, of course, the overall management of the group.

This management requires an efficient, value-adding finance function that provides the respective managers with the timely and relevant information they need to make ongoing business decisions. Our FINANCE4DB group-wide

program aims to accomplish exactly that: to create an effective and fully digitized finance function that meets the needs of a complex corporate group operating in a dynamic environment. Details about this program and its importance for controlling throughout the group are explained below.

Current strategic challenges facing the DB Group

Our group's priority areas of action are also relevant for the issues facing corporate controlling. Quality is our number one priority: we want to delight our customers with convincing quality in order to achieve commercial success and boost competitiveness. In addition, we aim to expand the acceptance of our offerings by exploiting an ecological advantage. Finally, we also want to be attractive for the labor market and be seen as a top employer.

This first point about quality is crucial. Here we aim to establish a culture of quality in which the customer is the focal point of every activity, and

operational excellence is a matter of course. That explicitly also includes the transformation of internal processes, something which is currently a major focus of our attention. Freed of ballast and equipped with the right resources and clearly defined responsibilities, we aim to establish a contemporary and forward-looking basis for the way we collaborate internally within DB and how we provide services for our customers. When doing so, it is important that we are able to monitor and control the quality of central processes across business areas.

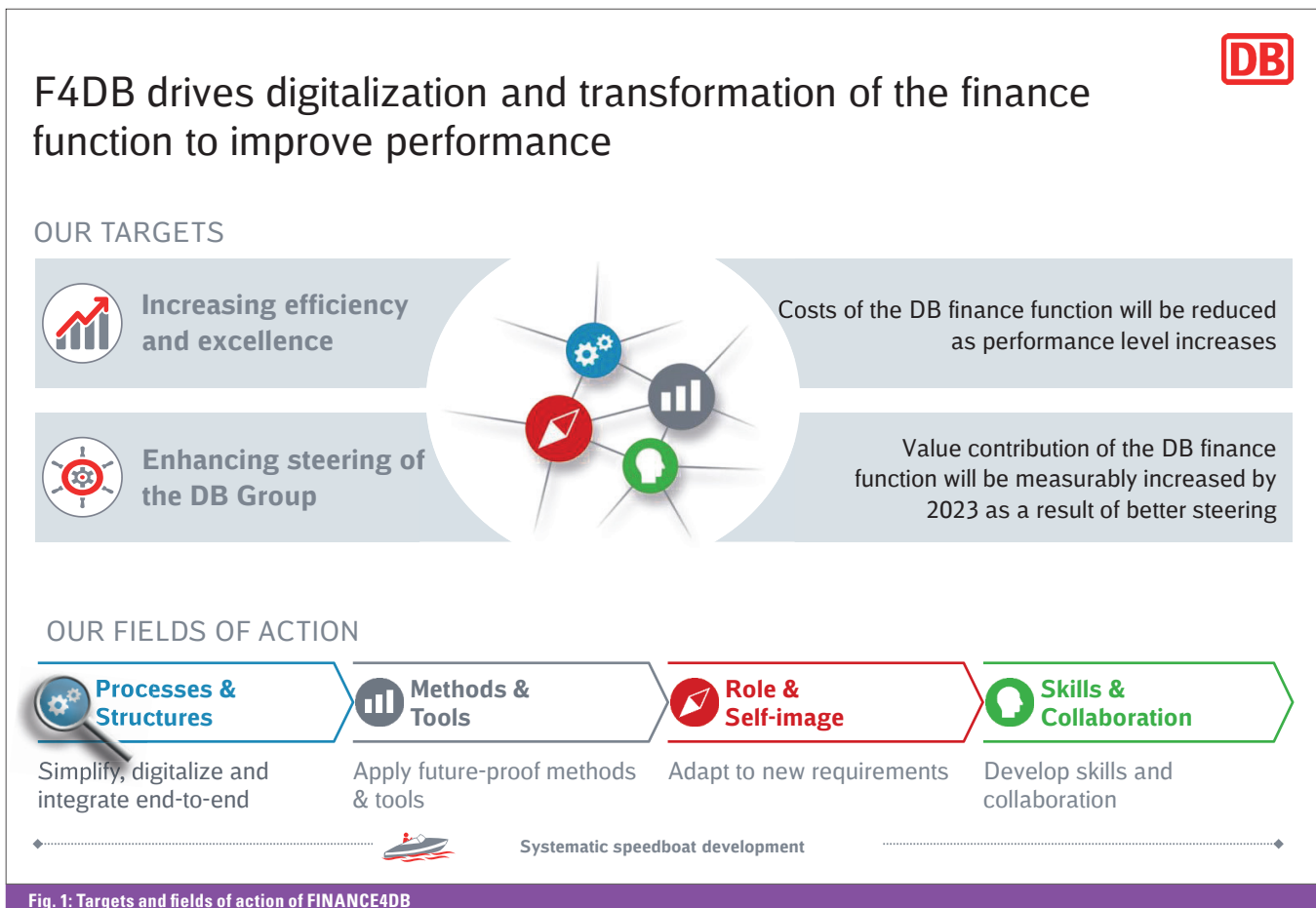
The group's controlling requirements

Meeting the controlling requirements placed by the group on the finance function also involves a paradigm shift. Pro-active, forward-looking controlling is replacing reactive, analytical approaches. Forecasts prepared in the traditional manner are gradually being replaced by automated ones, supported by Big Data and quantitative, Predictive-Analytics models. The role of employees will change

too, from correcting and validating routines towards an activity in which the results from analyses and scenarios are transformed into suitable controlling measures and information for decision-support. Another aspect is the standardization and harmonization of controlling processes based on an end-to-end orientation (for example, with our cross-functional "from plan-to-control" process). A high degree of harmonization and standardization creates, first, a significant amount of potential to boost effectiveness and efficiency. In addition, it provides the necessary basis for scalable automation solutions.

Redefining controlling

This means we must reconsider what controlling is: with the help of new driver models we can make controlling more efficient and effective. In addition, the finance function is able to carry out suitable scenario planning using dynamic business models. The resulting transparency helps to depict commercial relationships more clearly so that decisions can be made



based on an objective, quantitative, and nuanced basis of data. To do that, the controlling function uses larger volumes of data that include both financial and non-financial data and are supplemented with unstructured external data. Our controlling function integrates these newly obtained data into its own internal processes. This creates a more quantitative basis of information for corporate controlling.

All these activities are coordinated and driven holistically under the FINANCE4DB corporate program, which was launched in the middle of 2017. Under this initiative we are pursuing two objectives:

1. We aim to increase significantly the efficiency and excellence of financial processes. We consider simplification, standardization, and automation/digitization to be levers to implement end-to-end processes.
2. Our clear intention is to achieve sustained controlling excellence in order to improve the management of Deutsche Bahn. That means, specifically, that we aim to realise a measurable increase in the value that the finance function contributes to the DB Group.

Establishing management requirements in the finance function

In order to anchor these management requirements permanently in the organisation, we have established a new controlling model. It involves consolidating the KPIs and objectives of Deut-

sche Bahn's different business areas. The Group Board of Management conducts monthly performance review meetings in which we address the most important key figures from our core business. Our aim is to establish an integrated data platform so that in the future all managers, from the Board of Management down to operational managers, will have access to data that is relevant for their management purposes. This will ultimately enable a change in the controller's current role, transforming it increasingly into the role of an advisor and sparring partner.

This also means that repetitive activities must be automated, and that planning and reporting processes need to be streamlined. Going forward, we will generate automated reports for financial reporting purposes in particular, although financial planning will be impacted too. Modern database systems will also be important in this context. They will make it possible for us to consolidate controlling-relevant financial data and operating metrics.

Apart from automation issues, it is just as important that we standardize and harmonize the different subplanning processes by applying an end-to-end orientation. A driver logic is helpful in this regard. This approach involves developing driver trees based on financial and non-financial key figures in order to evaluate the effects of individual parameters on the plan figures. These models can be used to simulate different scenarios and impacts, which in turn can be incorporated as plan scenarios.

Implementation requirements

In order to achieve the results described above, the necessary prerequisites must be created in four areas. Specifically, we must:

1. Enhance our role and self-image

The role and self-image of the finance function must change significantly. The basis for our considerations is the mission statement of the DB finance function. It specifies our internal ambitions that we strive to have a broad business understanding, create transparency, and act in a market and future-oriented manner. This is the context in which we also consider the new tasks related to group-wide governance of standardization and automation (including transparent data structures and a harmonized system landscape). In addition, we also discuss the drivers of efficiency enhancement and digital transformation, the provision of user-oriented and management-relevant data, and how to practice new ways of working.

2. Align processes and structures

In order to establish sustained process and controlling excellence, it is necessary to change processes and structures. We know that digitization enables process automation through standardization and automation. But to do that, important prerequisites must first be created, because "blindly" automating existing processes often does not achieve the ultimate objective. In addition to the process steps, we are also considering a redesign of DB's functional structures. We want to accelerate noticeably the organization's response times. The assignment of process responsibility and task allocation to central and decentralized organizational units is being reviewed too. This analysis must naturally include not only existing organizational forms of shared services, but also the organizational anchoring of digital competences, for example in lab structures or in centres of excellence (e.g. a data science centre).

3. Improve our methods and tools

Going forward, we aim to make the finance function's digital applications easy and intuitive to use. Innovative methods and technologies, such as Advanced Analytics, Blockchain or Artificial Intelligence, offer additional potential in

Autor



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born on May 6, 1964, is the son of a railwayman. After graduating with a degree in business administration, he initially worked as an academic assistant for the Department of Business Administration at the University of Kaiserslautern, where he earned his doctorate in 1998.

Richard Lutz began his career at Deutsche Bahn AG in 1994. In the years that followed, he held various management positions and strategic project roles in the Finance/Controlling division.

In 2003, he assumed responsibility for Group Controlling and was appointed to the Board of Management on April 1, 2010, with responsibility for Finance and Controlling.

Richard Lutz has been Chief Executive Officer of DB AG since March 22, 2017 – until the end of 2018 with a responsibility for the Finance/Controlling division, too.

Lutz is married and has three adult children.

Richard Lutz also serves in an honorary function as the Deputy Chairman of the Board of Trustees of the International Controller Association (ICV).

combination with modern databases. This potential enables the enhancement of controlling at Deutsche Bahn, not only in terms of content but also methodologically and technologically. Data governance is particularly important in this regard; as the degree of digitization increases, requirements for data provision and quality mount. Governance in this context is the “responsibility for the single source of truth”, data quality, data availability, and data definitions. This also applies in particular against the backdrop of the finance function’s responsibility for controlling performance, and thus for providing a meaningful and decision-supporting combination of financial data and key performance indicators from the operating business. Today Deutsche Bahn is already taking this trend into account by performing regular Performance Review Meetings (PRMs) with the participation of the Group Board of Management. The data underlying these PRMs are already being provided by the finance function.

4. Expand capabilities and collaboration

Changes succeed only in collaboration with employees. Deutsche Bahn recognized early on that the qualification, motivation and mobi-

lization of its employees are prerequisites for achieving the goals mentioned at the beginning of this article. We are implementing multiple formats to convey knowledge, teach skills and practice new forms of collaboration. Managers are expected to actively drive digitization in their areas of responsibility and lead by example. The group supports them with appropriate training courses, so that they are able to operationalize digital objectives for their area of responsibility and create suitable framework conditions.

Conclusion and outlook

The program to transform the processes of our finance function has focused right from the start on the goals of achieving “qualitatively better business controlling” and “increasing the function’s efficiency and effectiveness”. The changes required to realize these goals create opportunities for all employees. Enhancing our role and self-image can help with the positioning of the finance function within DB, and the support, communication, and training offerings we are planning should enable employees in

the finance function to develop their own capabilities and practice new forms of collaboration. We aim to create the additional free capacity required for this purpose by eliminating manual and repetitive activities.

Such fundamental processes of change always create uncertainties and resistance. With that in mind, we want to provide reassurance by showing how DB’s finance function can develop further using the possibilities of digitization, position itself sustainably in a positive way, and become even more effective. Success depends on each individual’s willingness to change and on the overarching collaboration of all. The transformation process being implemented is both an obligation and an opportunity – for qualitatively better controlling of the business, for an increase in our own efficiency and excellence, and ultimately for the value we contribute to Deutsche Bahn’s success. ■