

OPEN TO THE FUTURE

Interview with Richard Mayer, Commercial Director / CFO, PFLEIDERER GmbH

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DIALOG: Mr. Mayer, political, macro-economic and technological conditions nowadays change extremely rapidly, and above all these changes are difficult to predict. Is strategic corporate planning still possible?

RM: Yes. In my view, strategic corporate planning continues to be possible and even essential at a time of rapid change. Firstly, this requires goal-oriented planning and, secondly, the necessary flexibility to adapt defined objectives to new circumstances. My argument in this context is based on the theory of Professor Werner Kirsch. He is responsible for the so-called 'Munich School' of strategic corporate management. When it comes to strategic planning, he expressly recommends being open towards the future and explicitly includes the changes associated with this. The approach turns strategic corporate planning into a very dynamic building block of corporate management, which is something I wholeheartedly follow.

One of the specific things this means for us as the management team is

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thinking very much in terms of future scenarios and measures. Here we count on things like stress tests, early-warning systems and action and emergency plans in our corporate planning to be able to respond rapidly to unforeseen changes.

DIALOG: The maximum possible transparency over business development, processes and the organization provides the basis for robust financial, compliance and risk management. There is a whole arsenal of tried-and-tested tools available in order to achieve this transparency. And yet we have increasingly seen over the last few years how these instruments have failed. Why is that?

RM: There are presumably a number of reasons. In my opinion there is frequently a lack of discipline on the part of those responsible when integrating the instruments systematically into daily business. I also see it as the task of those responsible to constantly question tools and methods and, where necessary, to adapt them flexibly to new conditions. As already discussed, circumstances change very rapidly nowadays and with them also the demands placed on management systems. If adjustment is neglected, we will find ourselves in a new world measuring long-obsolete processes.

Their effective application also requires a willingness among those responsible to disclose the findings. Unfortunately, at least it seems to me,

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they are under such intense pressure to deliver results that transparent reporting suffers. And that leads to the failure of every management instrument.

DIALOG: *Thanks to technological developments like Big Data Analytics, the Internet of Things, AI and Deep Learning we can collect and analyze data in a dimension that was unthinkable just five years ago. Do you have a basic agenda for the deployment of these technologies, and how important are these for you in order to generate greater transparency?*

RM: Topics falling under the headings of the "Internet of Things" and "Industry 4.0" will increasingly find their way onto our agenda. However, what is currently important for our company is to understand the potential that they give rise to and to transfer this to our industry. We do not currently have a specific agenda but we are already looking into the subject.

DIALOG: *Common "transparency indicators" often say very little about the actual state of a company. They are largely based on structured data anchored in the past and regard the company very much from an internal*

viewpoint without any reference to the environment. Are our management systems and the underlying indicators still up to date?

RM: Yes, I think so. At the same time, data focused on the past only provide the basis. In his book, "The Black Swan", Nassim Nicholas Taleb criticizes exactly this human trait. We tend to create a plausible image of the future based exclusively on the past and on events we have experienced. He is concerned with the question as to how we can best prepare ourselves for highly improbable events in the future – so-called "black swans". The aim in all this is to achieve robustness vis-à-vis negative events – the "black swans" – and to better exploit the positive "black swans".

Following this line of thought, I believe that foresight and the inclusion of new external factors are of equal major significance. I talked earlier about our firmly integrated early-warning systems that we also use to observe new external environmental factors. The figures derived from the past are nevertheless a building block that can be used to create robustness with regard to negative events and to better exploit positive events.

DIALOG: *Where do you see the limits to transparency, especially in your role as CFO? When is the point reached where additional data and additional analysis tend to do more harm than good?*

RM: From the management point of view it is always desirable to have a low degree of data granularity. I see no benefit from the point where I am no longer in a position to handle the data and analyses. In this respect I adhere to the maxim of "as detailed as necessary, but not as detailed as possible". Less is sometimes more.



Richard Mayer,
Commercial Director / CFO,
PFLIEDERER GmbH

About the Pfleiderer Group:

Pfleiderer is a Europe-wide leading manufacturer of wood-based panels. Group-wide, the company has around 3,400 employees (as per the end of 2013, incl. trainees) and is divided into the two business units: Core West (Western Europe region) and Core East (Eastern Europe region). Core West consolidates the product ranges of Duropal, wodego and Thermopal under the Pfleiderer umbrella brand and is the partner of industry, commerce, installers, designers and architects. The company has five production locations in Germany. In Eastern Europe, Pfleiderer holds the majority shareholding of the listed Polish subsidiary Pfleiderer Grajewo S.A., which has a strong position in the Polish wood-based panel market.

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