

## **IM&C: IT Support for Tax Efficient Supply Chain Management (TESCM)**

### **“Don’t leave it to the accountants”**

**Megatrends like globalization and collaboration are shifting their attention from performance and sustainability of individual companies to value chains. Despite the fact that it is already common practice for companies to consider customer and supplier integration, multinationals using a production network to manufacture their products often find it extremely difficult to show and analyze their intra-group quantity flows and value flows clearly. IM&C provides a remedy for this with a fully integrated SAP-based solution, the Group Costing & Profitability Engine, and was nominated by the jury of the state government of Baden-Württemberg, Germany, for an award in the “Hidden Champion” category during the Global Connect trade fair in Stuttgart.**

**Mr Wurm, first of all, congratulations on your nomination! How did you feel when you received the good news?**

I was on holiday in Tuscany when I received the news. I was absolutely speechless. After working amongst the big players like SAP, Oracle or Microsoft for so many years to build a distinctive profile, this recognition makes me feel rather proud.

**So what were the reasons for your nomination?**

The unique and innovative nature of our product, the GCP (Group Costing and Profitability) Engine, convinced the jury: As an SAP add-on, the software maps the entire value creation chain of the international production network of a group and provides decision makers with the detailed information they need to control the company. No other standard software on the market is capable of transcending system and country boundaries in this way.

**You mentioned software houses like SAP in whose environment you are positioning your product. What exactly does the segment in which you operate look like?**

SAP and its standard software dominates the market of multinational companies who want to achieve a greater reuse of parts, such as the automotive industry, and who are continuing to optimize their value chains as far as globalization and specialization are concerned. These megatrends are increasingly affecting small and medium-sized businesses too. SAP has provided answers to global networking and collaboration with APO (Advanced Planning and Optimization) and will continue working to improve “Business beyond Boundaries” in its solution portfolio. We are operating in a niche market in this segment with the GCP Engine: We connect the cross-company supply chain and value chain. SAP invented this type of integration and the company is a living example of it. This means that costs are rolled up along the entire value chain, from the purchase of the raw materials to the sale of the finished product to the end customer. At Infineon, somebody once showed me a small chip and remarked that the parts would travel three times around the world before the chip would eventually be used by the customer.

## **Your product is called Group Costing and Profitability (GCP) Engine – What does this mean?**

Multinationals are changing their organizational structure and moving away from local responsibility towards global responsibility (think global, act local). The key figures by which senior managers and product line managers are measured are changing accordingly. Their main focus lies on the global profits of the product line and how their products are distributed with regard to these key figures. They therefore need to have an integrated view of the entire value chain and group contribution margin accounting, which requires parallel accounting processes in addition to local accounting processes. This parallel accounting can only succeed, however, if the global value chain is transparent. The GCP Engine maps precisely these functions and unites SAP's company-related islands of value creation to form a global value chain.

## **Who benefits from using the GCP Engine in an international group?**

It is primarily the board of directors, in particular the CFO and the departments that report to him, who benefit. They want to use the GCP Engine to improve the way in which they plan, control and monitor the organization of the international value chain and the related costs and revenues. Using plan, target and actual comparisons of costs, revenues and profitability, value chains can be selected that show larger deviations before their causes are identified in certain countries. The software consolidates all the product processes, e.g. purchasing data, sales data and production data. It enables customers to analyze product groups, product families and product hierarchies as well as customers, customer groups, countries and markets. Thanks to the integration of the production process, customers can identify cause and effect relationships and run simulations for worst-case or best-case scenarios. GCP brings together all those responsible for the supply chain and value chain. As GCP follows a product-related approach, and not an accounts-based one, everybody involved speaks the same language. The departments for transfer prices and taxes benefit from reporting such as the intercompany matrix and third party comparisons. In addition, GCP enables companies to determine when it is particularly advisable to document transfer prices within the group.

## **What has the GCP Engine got to do with taxes?**

Multinationals can make excellent use of the various tax legislations in different countries. In doing so, however, they have to take many things into account, not just the arm's length principle. TESCO (Tax Effective Supply Chain Management) is a top priority for the four large accountancy and tax auditing firms. In the course of globalization and other processes of change, these companies advise businesses not to ignore tax matters. And for good reason, since profits can only be shifted into so-called "principal companies" if the corresponding added value is also generated there. SAP is the world champion in making the complex business processes needed for this as straightforward as possible for groups. As a result, the value chain becomes even more complex than it already is. In the end, companies lack transparency and have no clear overview of their costs and revenues in the entire value creation process. This transparency is achieved by GCP. After all, the global profit margin is **not** simply the sum of all local profit margins!

**Mr Wurm, I am beginning to understand why IM&C was nominated as a “Hidden Champion”. Why then have you yet not been a huge success in your market?**

For many people, the integration of the supply chain, costs, freight, customs duties, and not least taxes, is a vision of the future. They are still not clear about the benefits of an integrated approach. Time and again, we witness the “aha phenomenon” during customer presentations, often even during the implementation phase. Added to this is the fact that both employees and management often shy away from the risk of recommending and tackling such a complex matter. Most customers, however, simply do not know about the standard software; they don’t expect it to exist and get involved with costly individual solutions with consulting firms. With approximately 20 employees, we already have a small number of successful installations under our belt in the automobile, chemical, milling, mechanical engineering, and pharmaceutical industries.

However, I am sure that if more people knew about us, our product, and the quality of our product and our service, we would be bombarded with work!

**How do you see the future for your company?**

We are currently sailing towards new horizons. The product is ready and the figures are being worked out. Now it is time to present these figures professionally. In addition, we have already created a content to supply the data to an SAP BW system or to another BI system. The software is paid for in full, the company has no debts and no external investors. The next step is to up the tempo, to further automate the implementation of the software, and to expand our customer base through the sale of our product. Of course, the growth we strive for must be accompanied by the expansion of our experienced team and by taking on corporate responsibility. We therefore intend to strengthen our team over the next few years by attracting highly qualified specialists and managers.