



## International Observatory of Management Control

2014 Results (4<sup>th</sup> edition)

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CEO and founder of Decision Performance Conseil  
Chairman of DFCG Management Control Committee

VP DFCG International

- 1 Introduction to the International Observatory (IOMC)
- 2 Activities
- 3 Processes
- 4 Methodology
- 5 Management Information System
- 6 Efficiency profile and Typology of controlling practices
- 7 Conclusion



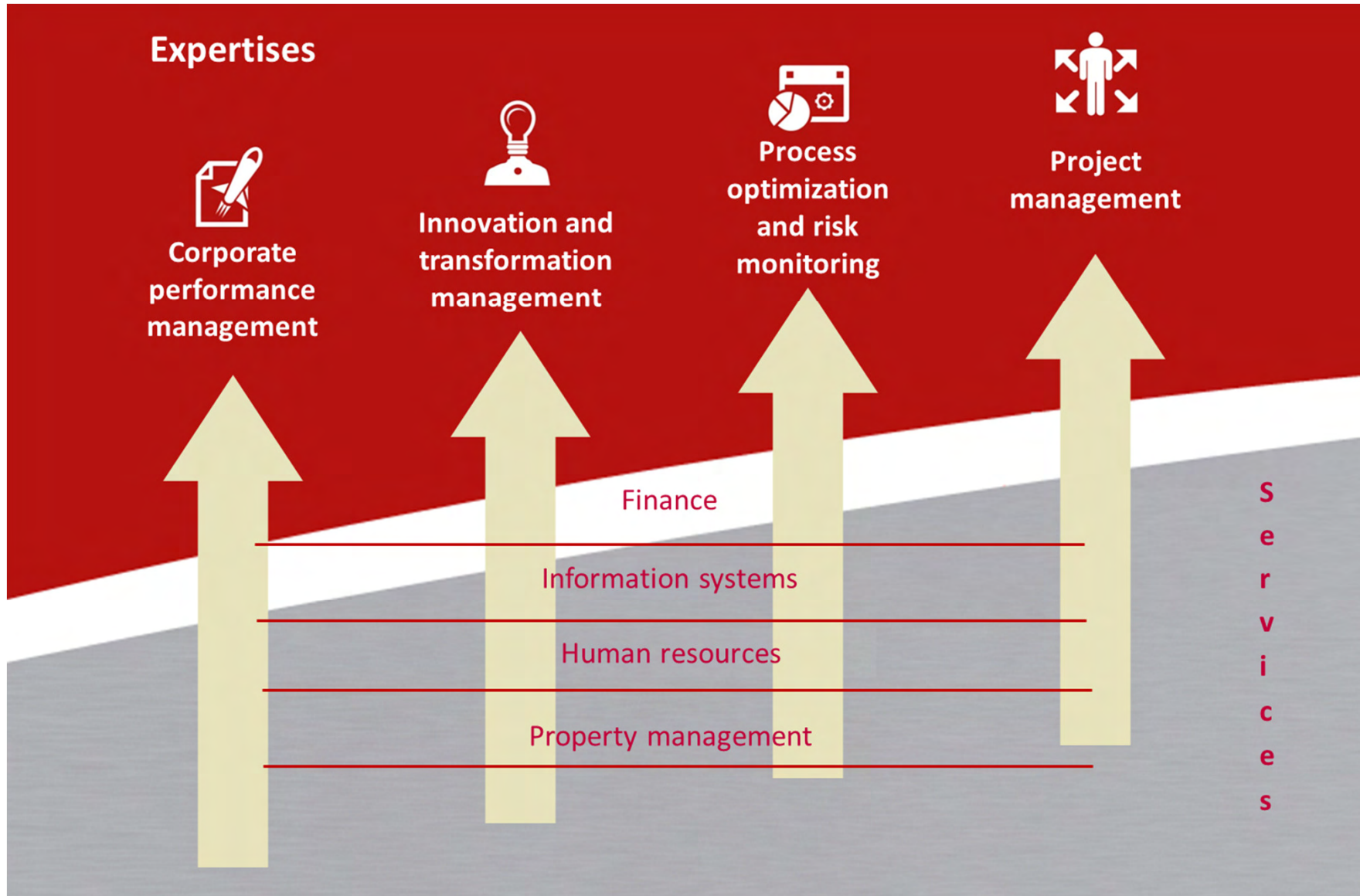
**Chairman:**  
**Frederic DOCHE**

**Liaison Officer:**  
Armand ANGELI

### Members:

- ❖ Armand KAÁLI-NAGY – *Austria (OPWZ)*
- ❖ Peter Llewellyn-DAVIES – *Germany (GEFIU)*
- ❖ Gustavo TROISI – *Italy (ANDAF)*
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- ❖ Roman SLOVINEC – *Slovakia (CFO Club Slovakia)*
- ❖ Natalya RUKINA – *Russia (Russian Club of Fin Dir)*
- ❖ Anastassios RODOPOULOS – *Greece (IHM)*
- ❖ Nikolaas Van Wyk – *South Africa (SAIBA)*





Our Clients

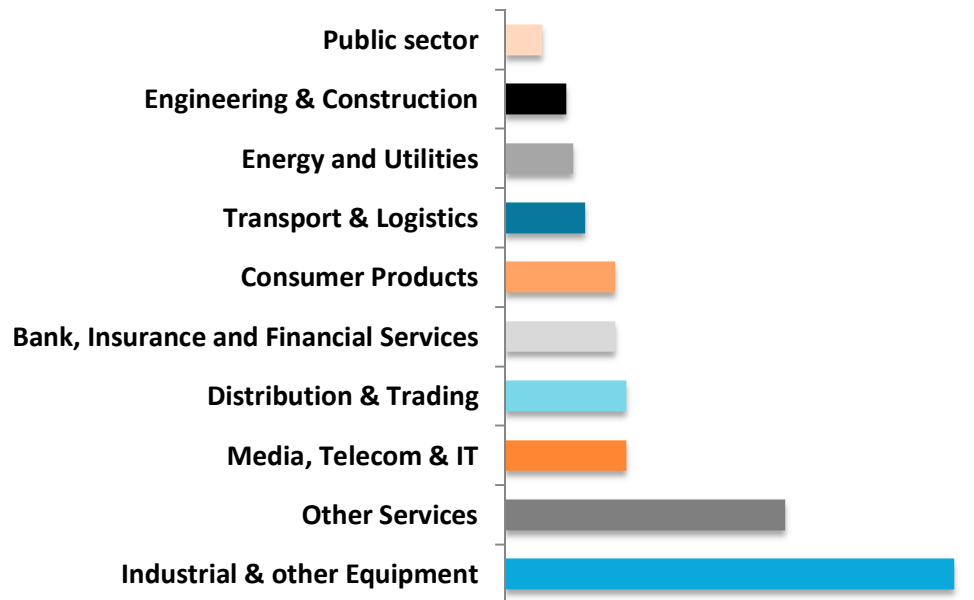


## International partners from 31 countries

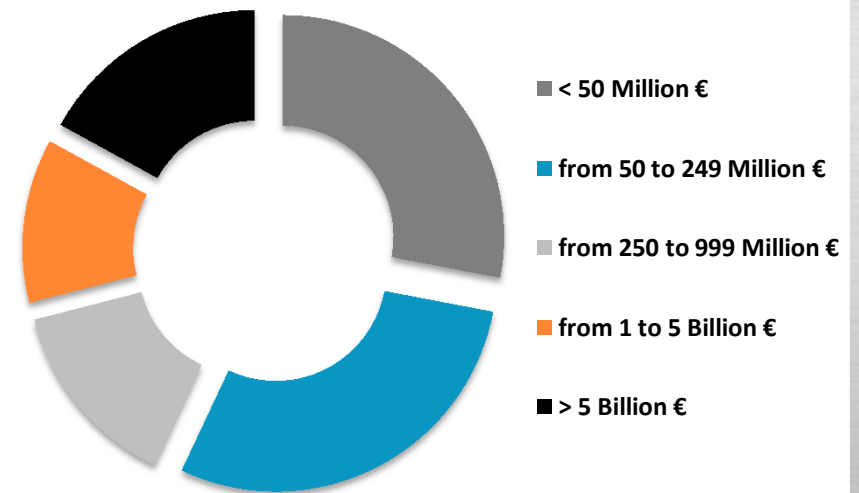


A representative panel of companies

## All business sectors



## All sizes (by turnover)



## PANEL PROFILE

### Respondents background



**>10 years**

Experience in financial  
management among  
65% respondents



**70%**

Controllers in Asia and Africa  
have academic background  
in Accounting/Audit  
(Compared to 33% in Europe)



**+8 % points**

More women work in  
management control  
(30% vs 22% in 2013)





## KEY FIGURES (Comparison Year to Year)

**+38%** simplified indicators in reporting

**+5%** in the use of BSC (Balanced Scorecard)

**x 2** companies publish their reports within 5 days after closing date

**72%** of the companies use Benchmarking

**60%** use of cash flow indicators in the budget and forecast processes

**x 2** ZBB users on a recurrent basis (yearly)

**48%** of the companies are not satisfied with their current MIS

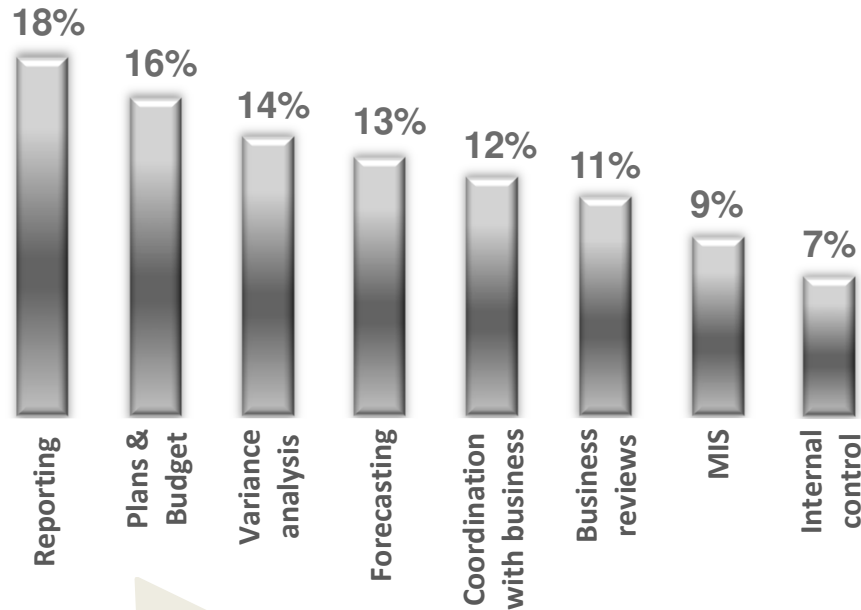
**+9%** of respondents have implemented Rolling Forecast



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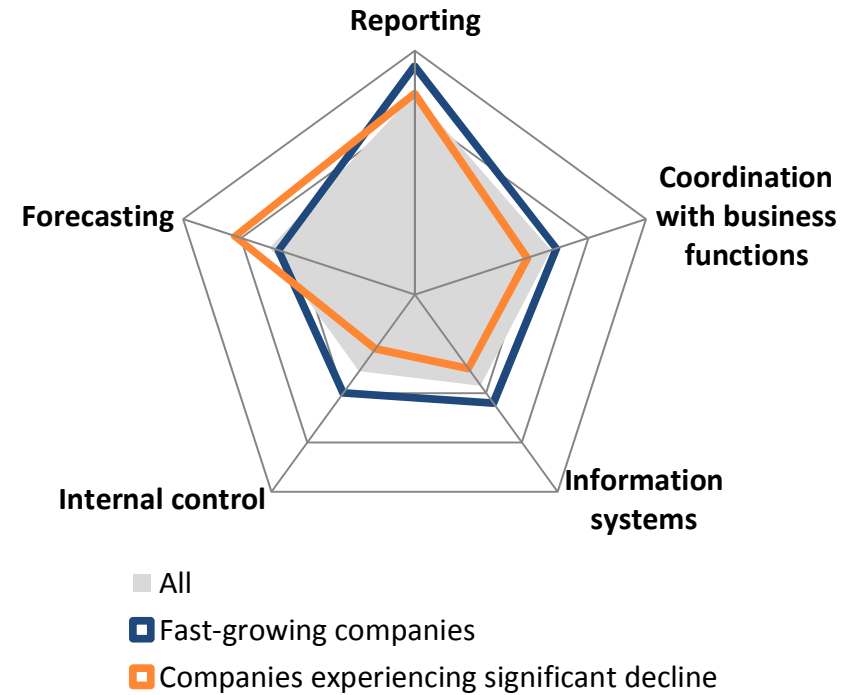


## Time by activities



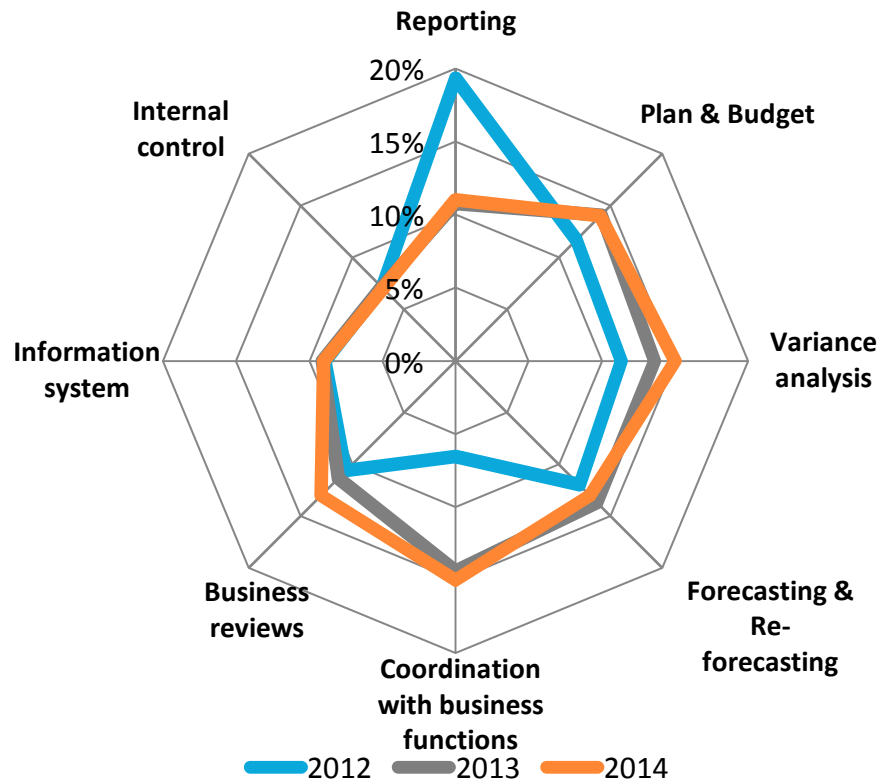
- **Predominant activities : Reporting, Plan and Budget, variance analysis**
- **Coordination with business leaders still important but not increasing**

## Activities & Economic context



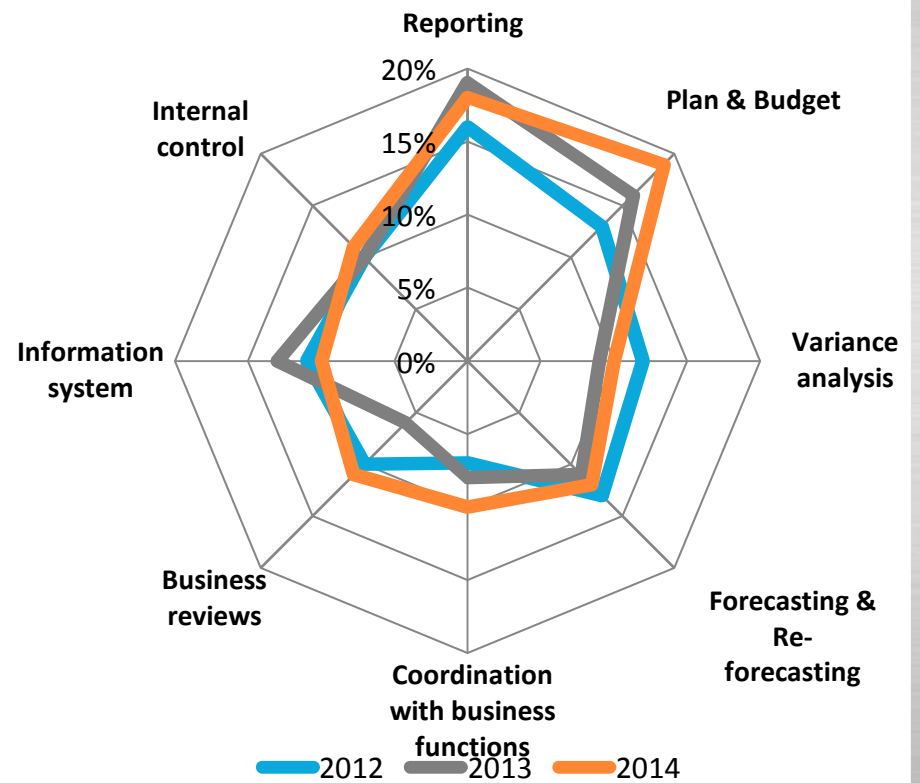
- **Declining companies: lack of coordination with business functions, IS and internal control weaknesses**

## Added Value by activity



- More added value on coordination with the business and on Business Review

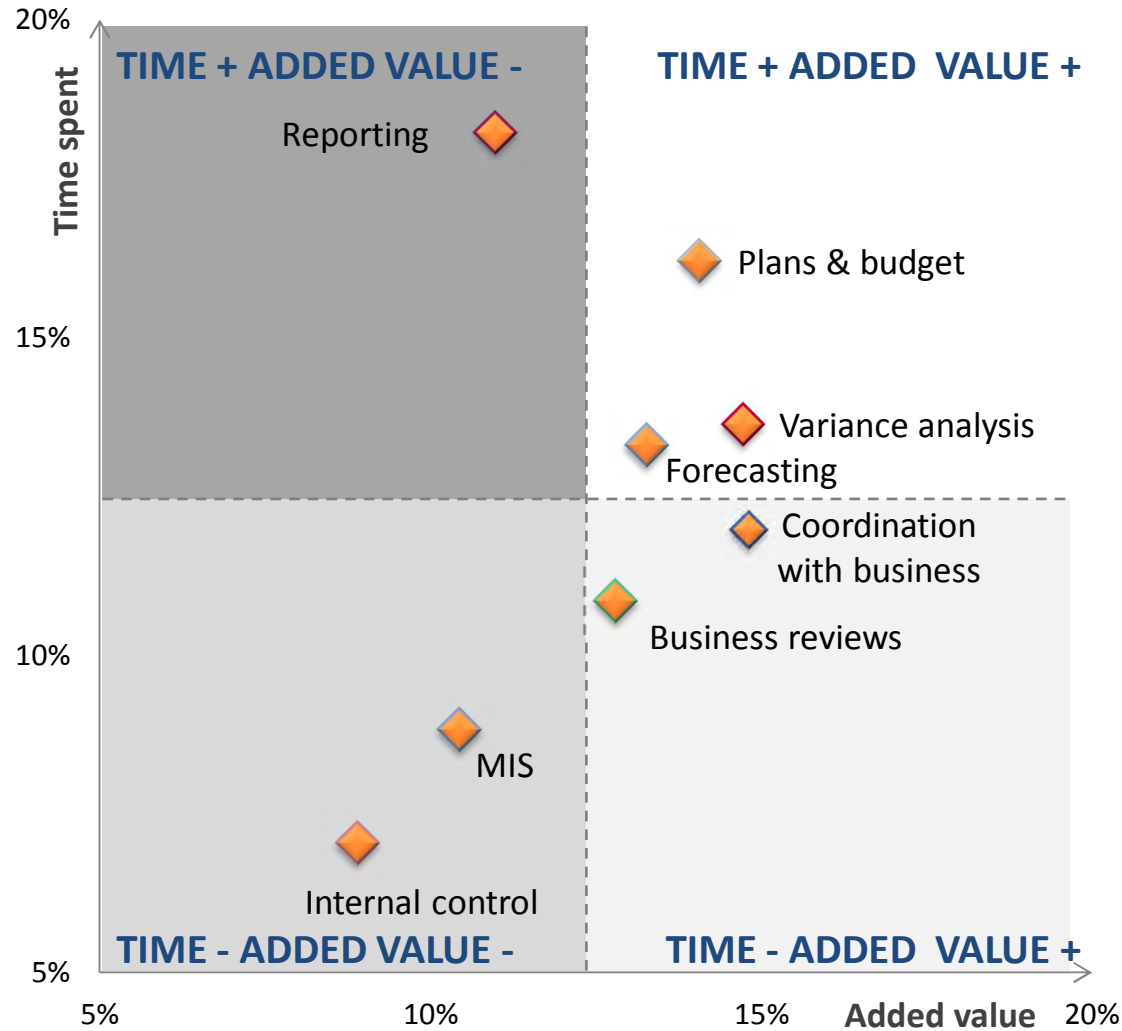
## Time Consuming for limited Added value



- Reporting and Plan & Budget : lot of time spent for limited added value



## Time and Added Value



- Too much time spent on reporting for limited added value
- Not enough time spent on the interaction with business functions
- MIS not understood as bringing so much added value



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## STRATEGIC PLAN



**81% of use**  
(- 7% points)

**Long term plan**  
(60% : 3 to 5 years)

**Elaboration < 3 months**  
(74%)

## OPERATIONAL PLAN



**78% of use**  
(- 6% points)

**Short term plan**  
(79% < 3 years)

**Elaboration < 3 months**  
(84%)

## BUDGET



**78% of use**  
(- 6% points)

**Less detailed**

**Elaboration < 3 months**  
(73%)

## FORECASTING



**78% of use**  
(- 6% points)

**Less frequent**

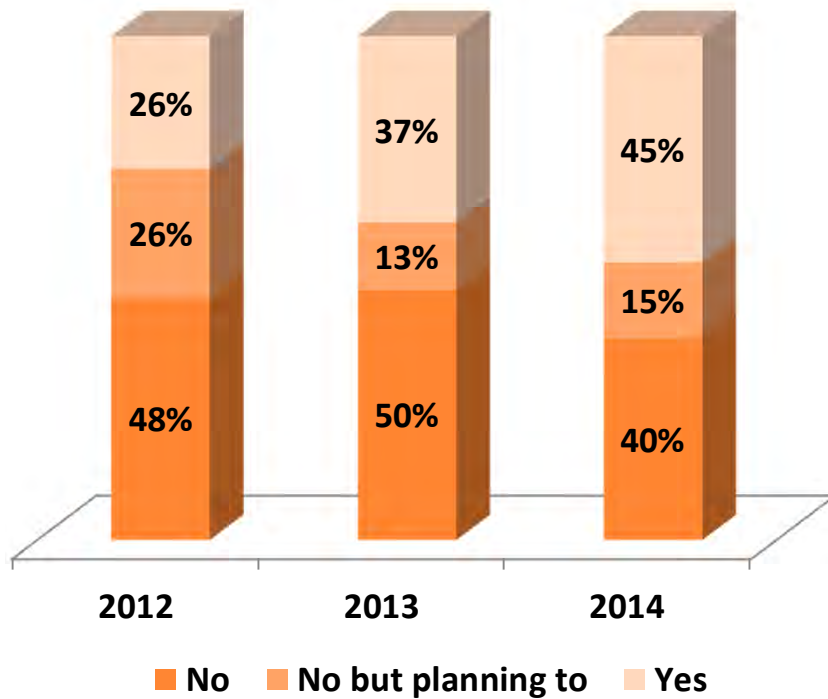
**Elaboration < 2 weeks**  
(70%)



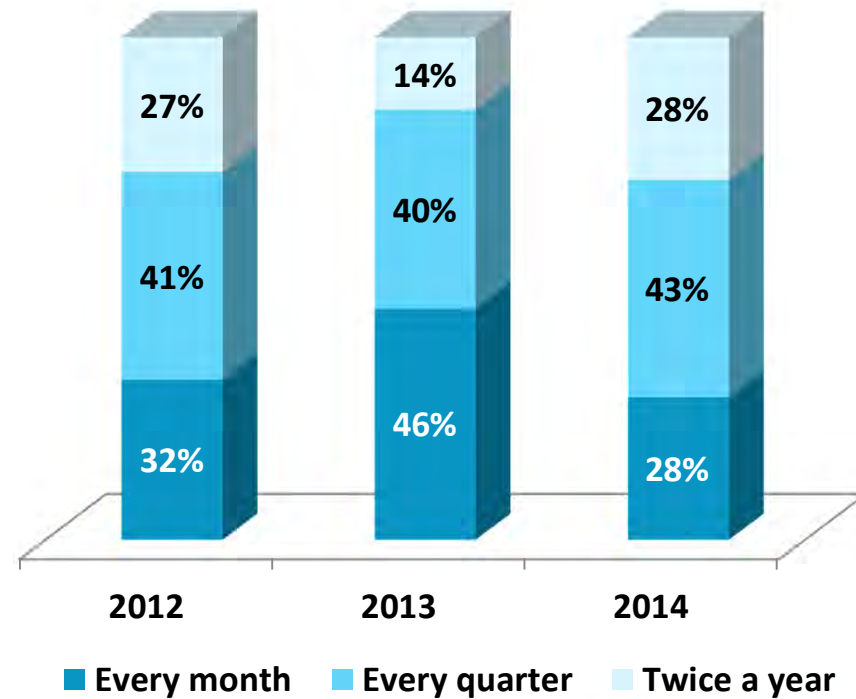
- Increase in the implementation of Rolling Forecast (+19% in 2 years), mainly for SME (67%)

- Less frequent forecasting globally
- By geography : 50% of monthly forecast versus 42% of quarterly forecast in Europe

### Use of Rolling Forecast

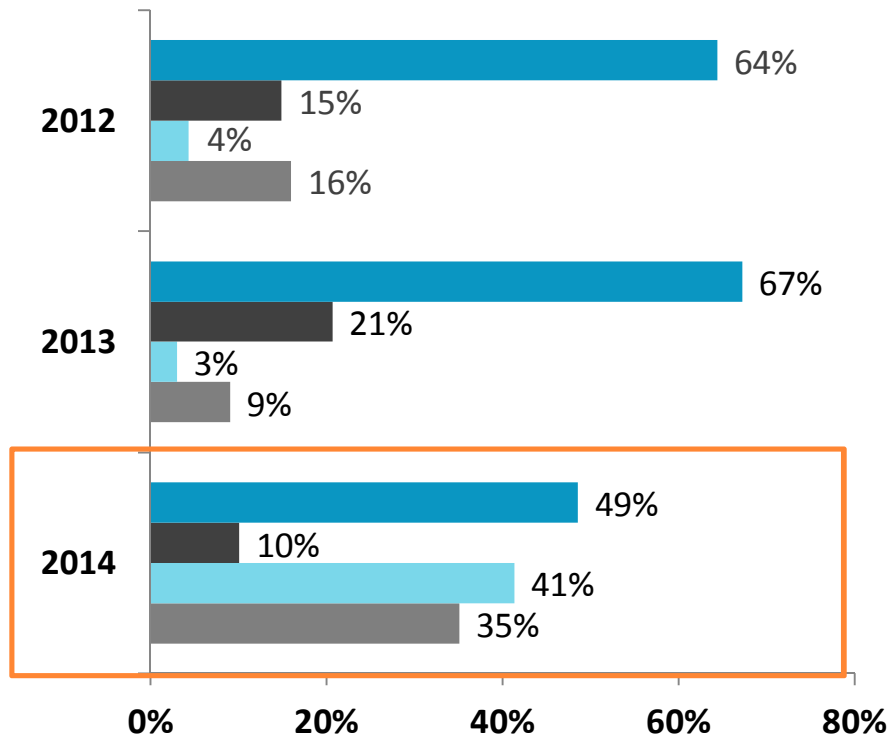


### Forecast frequency



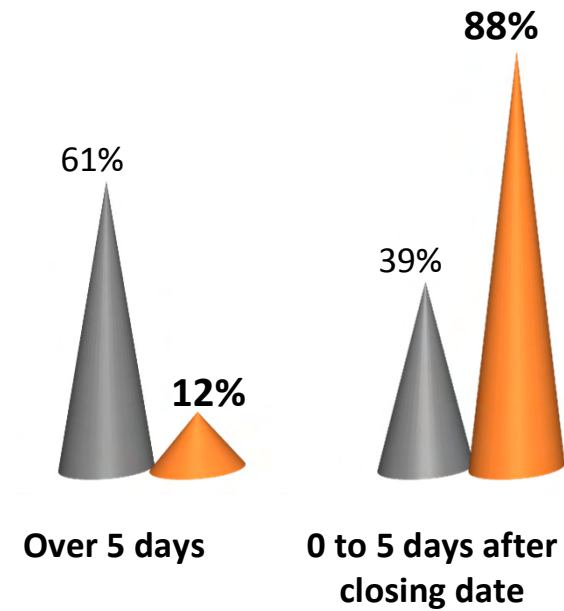


■ Simplified range of indicators



■ Increased ■ Replaced ■ Reduced ■ Unchanged

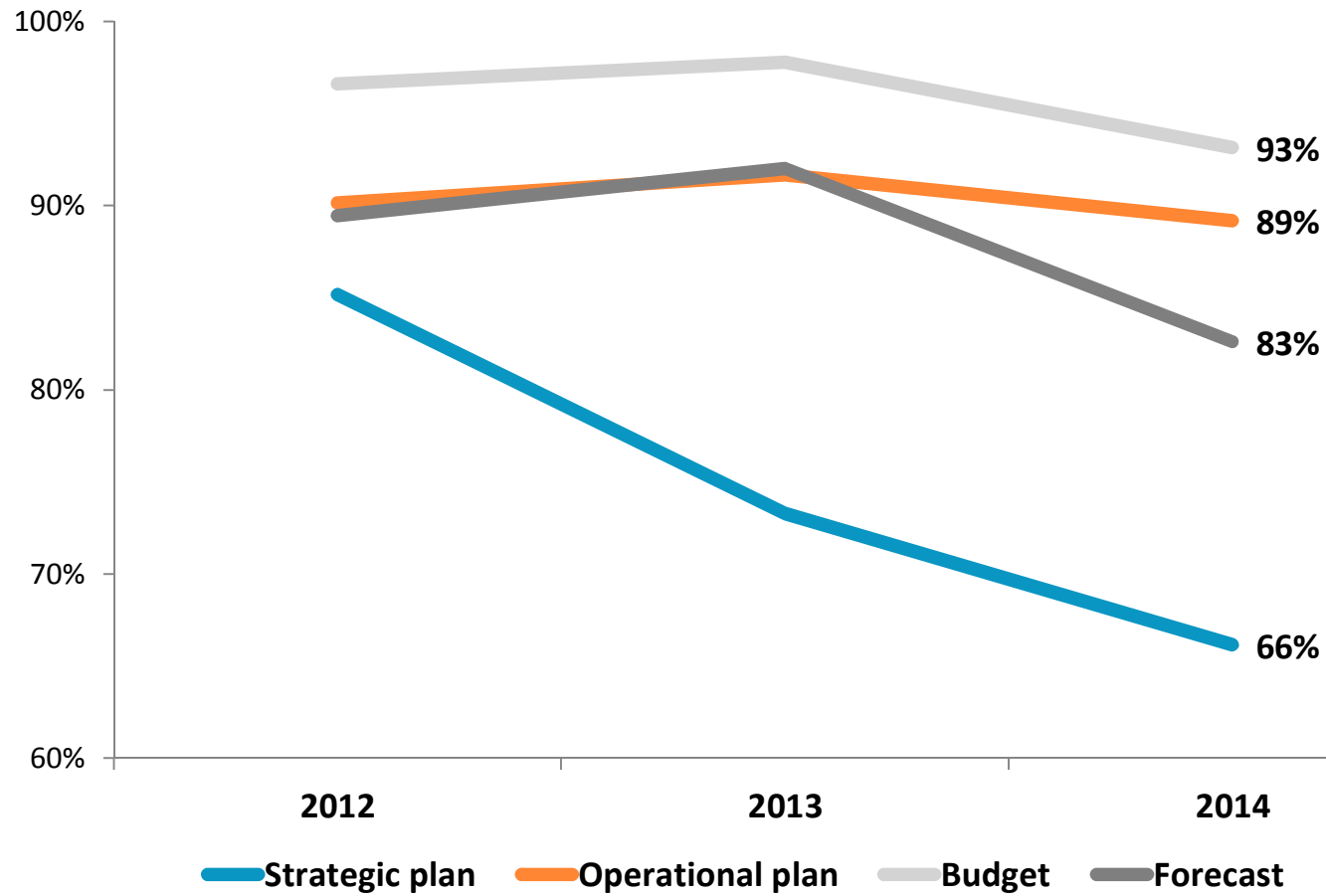
■ Faster reporting publication



■ 2013 ■ 2014

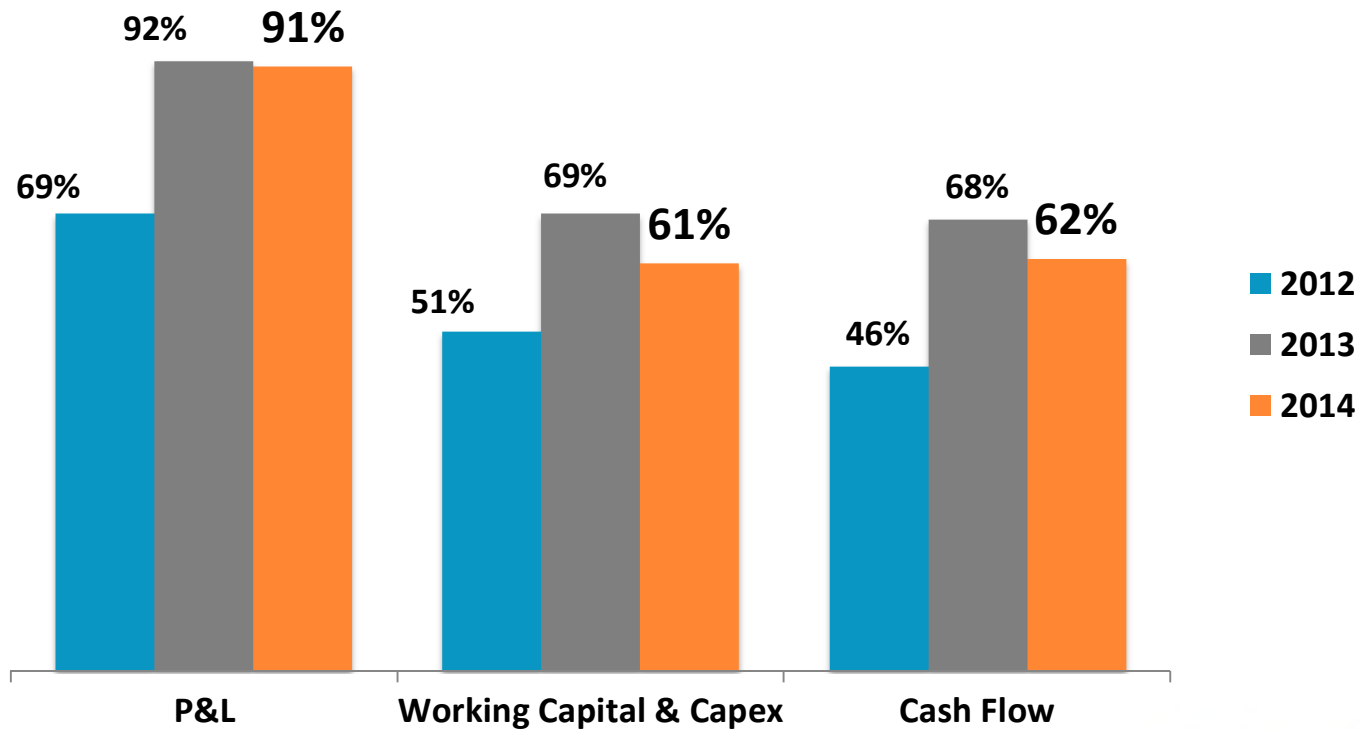


## ■ Decreasing involvement of operational in all processes



- Slight decrease of cash flow indicators in the budget
- P&L remains the most frequently used financial indicator for all activities

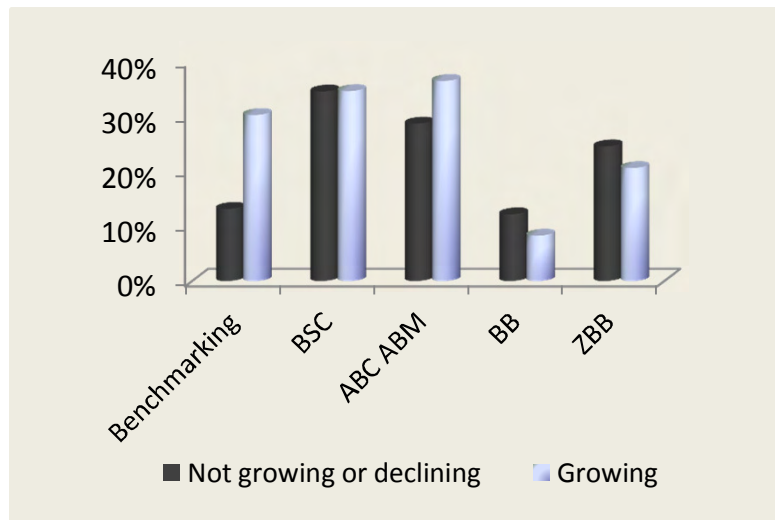
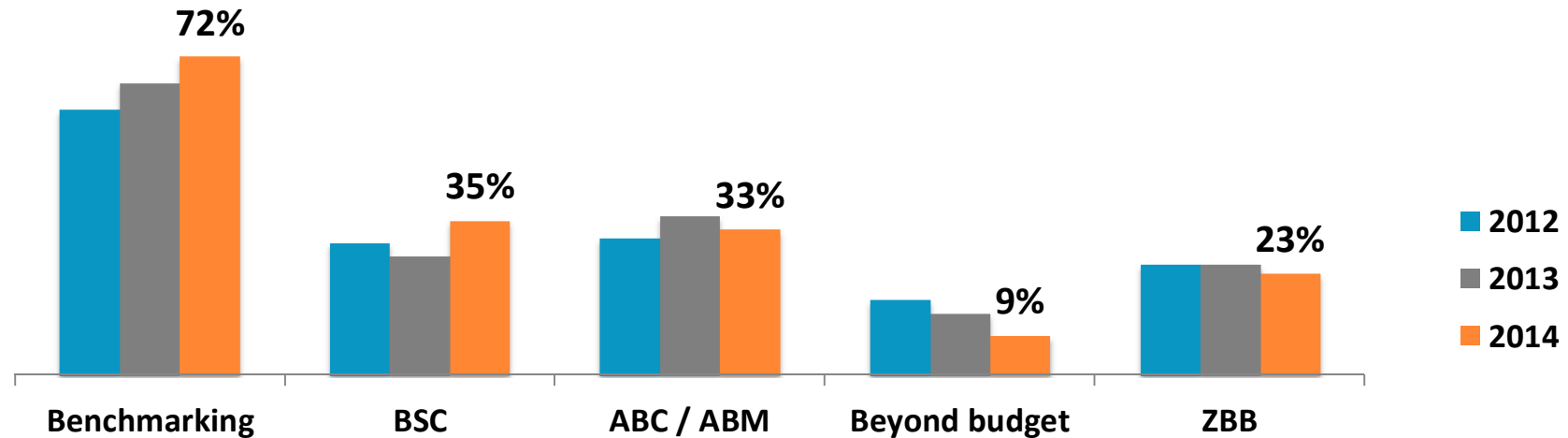
## Indicators used in the budget



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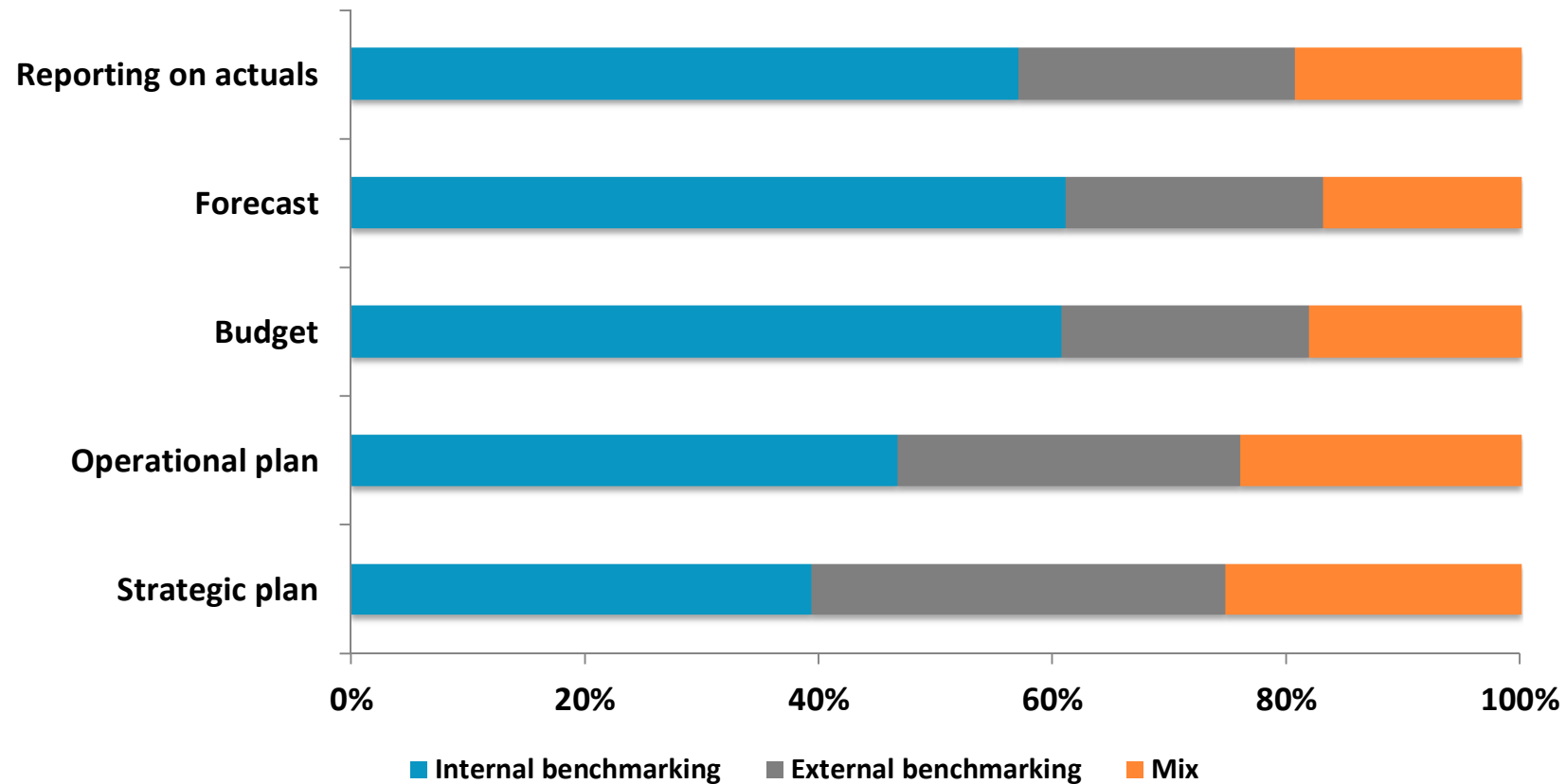
## ■ Global increase of methodology adoption



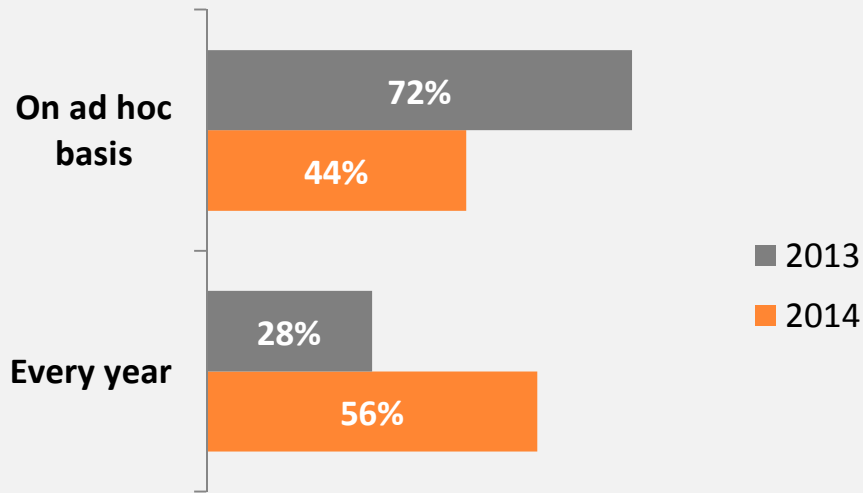
- Benchmarking and ABC/ABM favored by growing companies.
- ZBB more used by companies experiencing decline and by European companies
- Benchmarking more used by Asian companies



- Internal benchmarking more widely used, especially in budget and forecast
- External benchmark more frequently used in strategic and operational plan

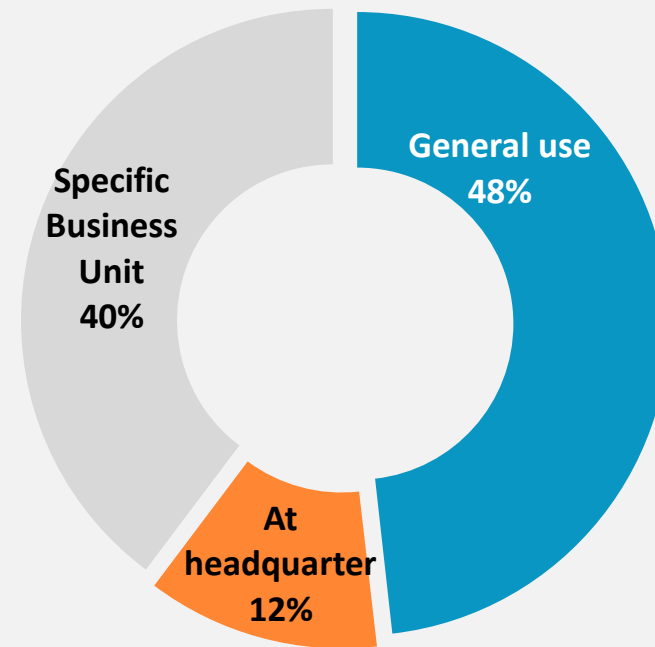


## ZBB- Frequency of use



- Increase of recurrent use of ZBB
- ZBB used by nearly 40% of the Retail companies

## ZBB- Scope of use

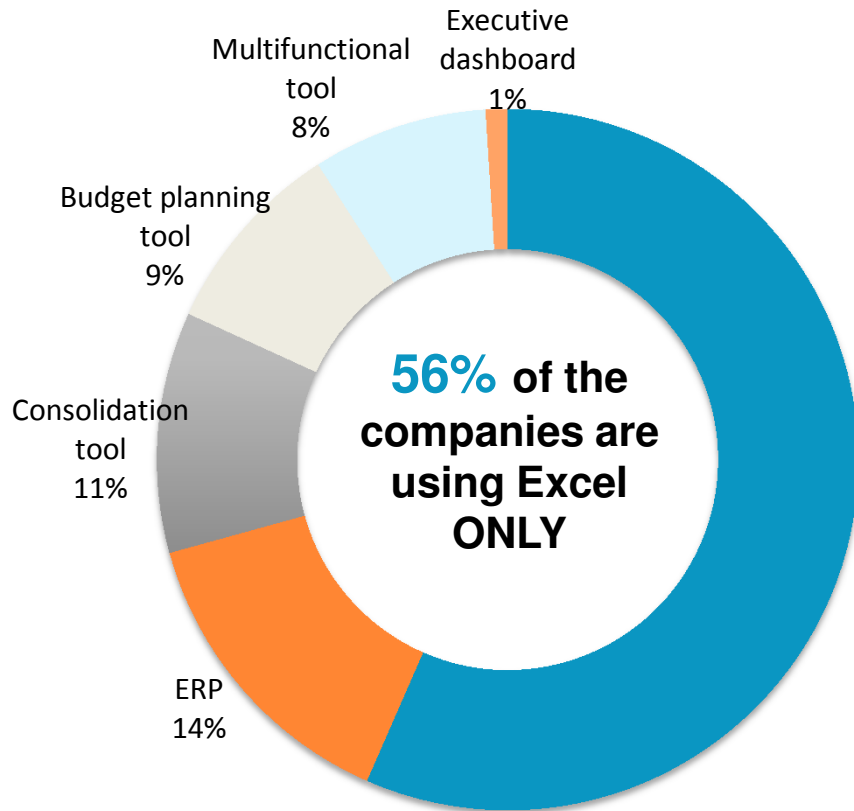


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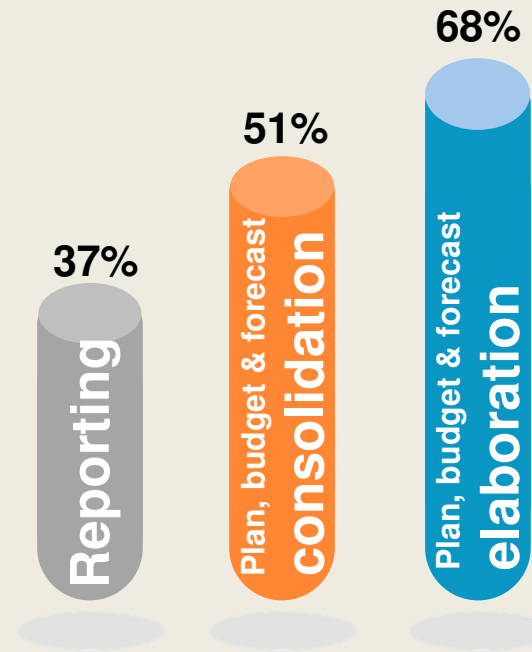




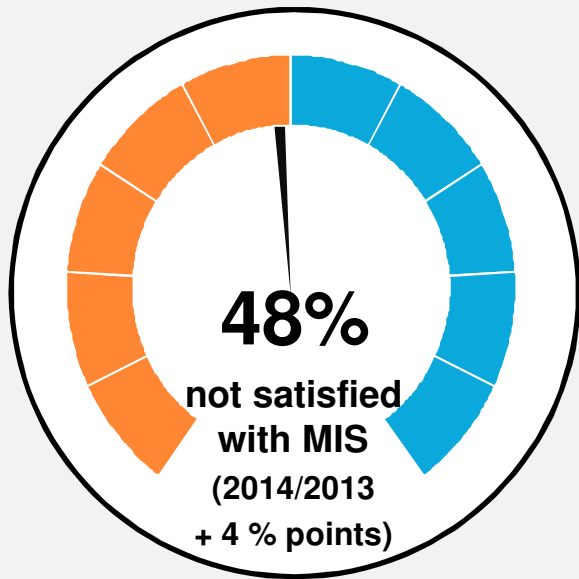
## ■ Predominant tool : Excel



## Weight of « Excel only » per activity

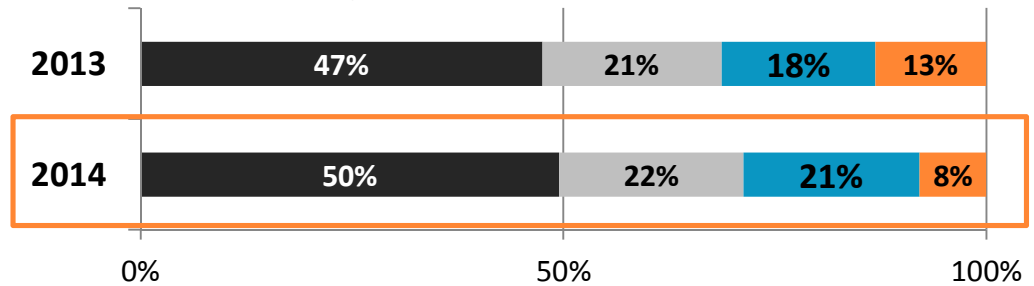


## GROWING DISSATISFACTION ON MIS

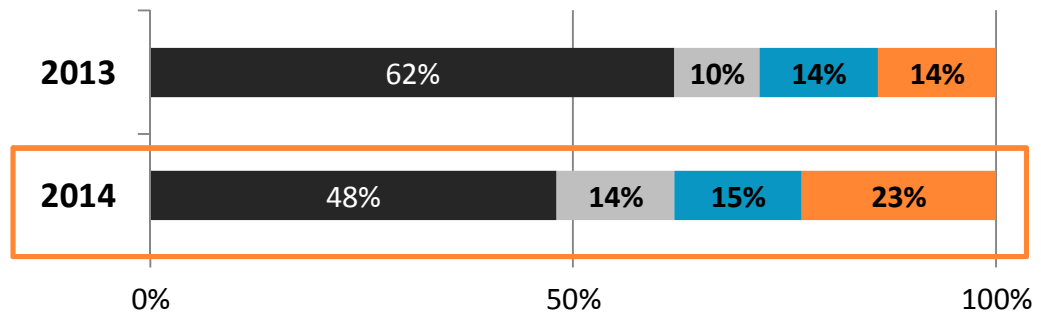


- A need for more efficient MIS ...
- Still lack of MIS Improvement projects, but an increase YoY of Redesign projects (+ 14 % points)

### IMPROVEMENT Projects



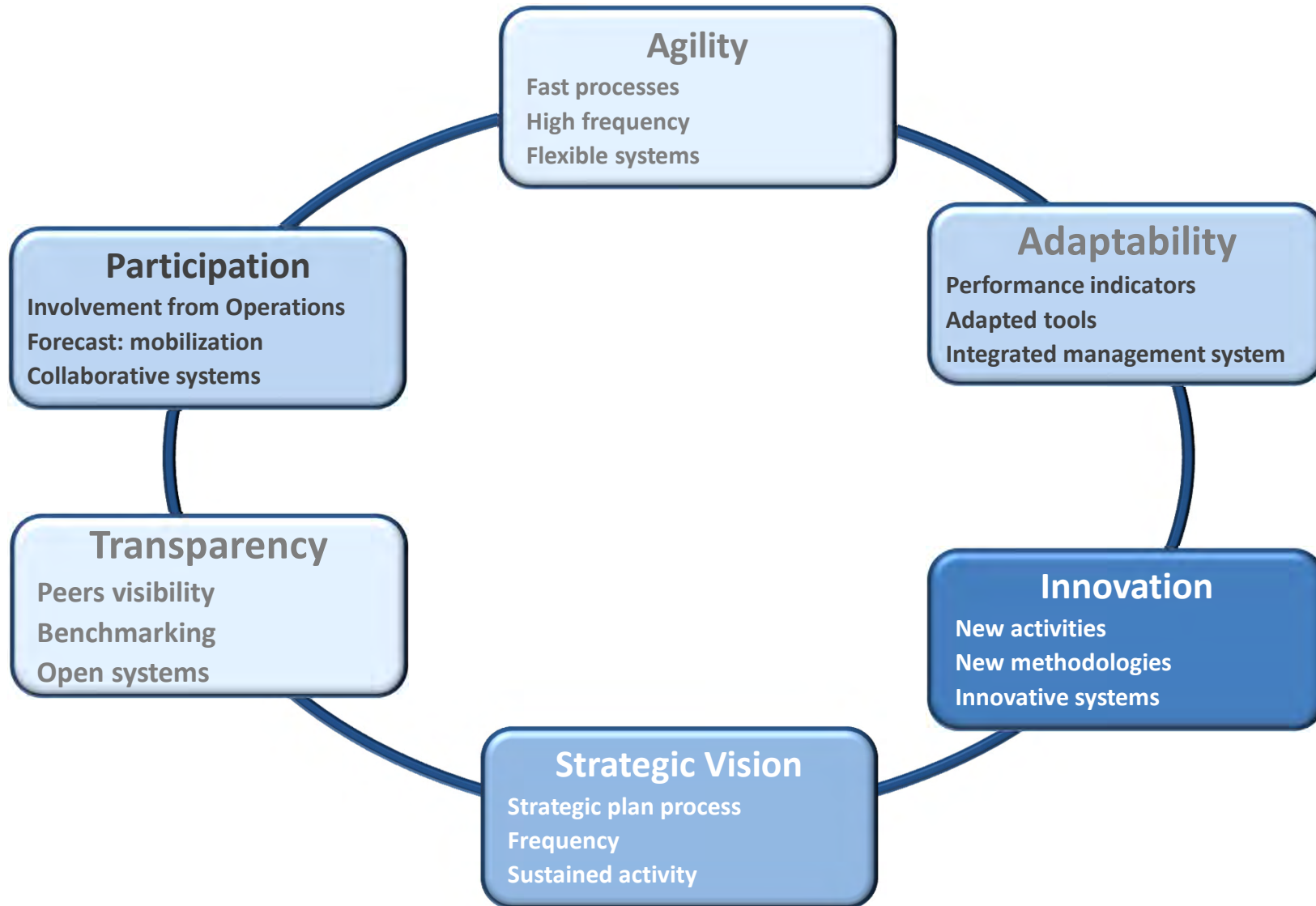
### REDESIGN Projects



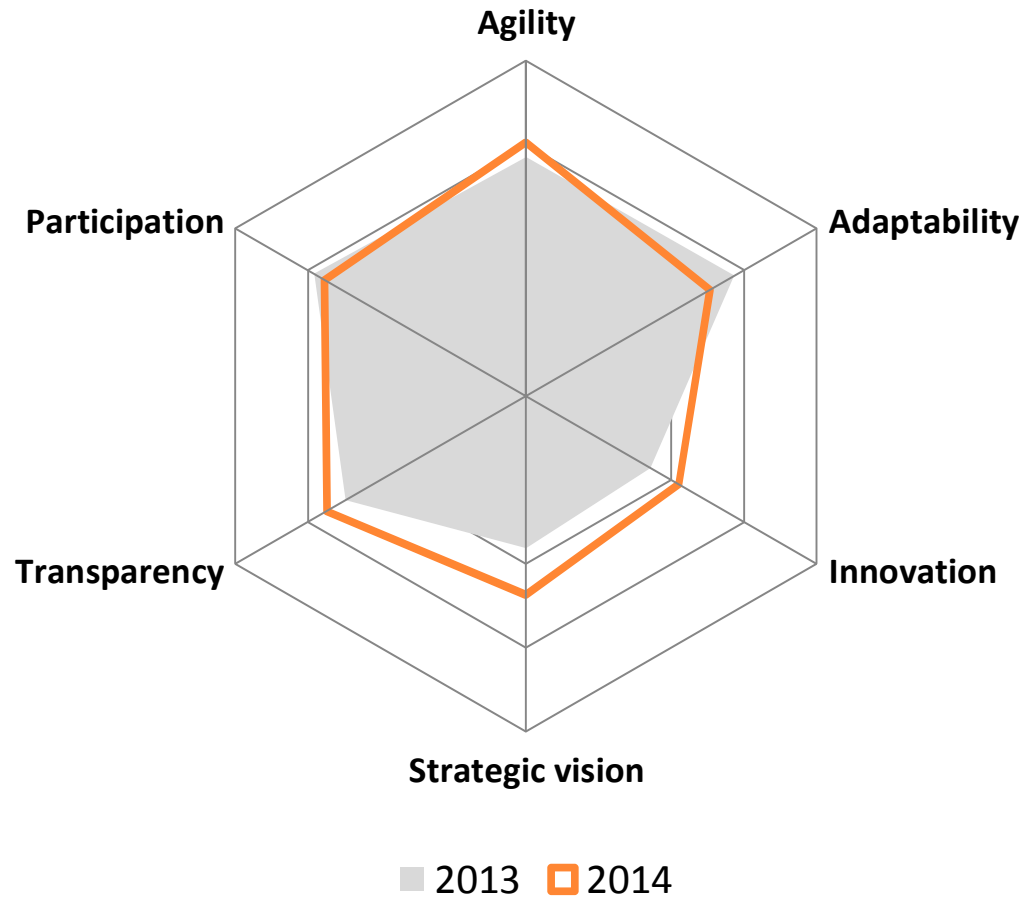
■ No ■ 6 months ■ 1 year ■ 2 years

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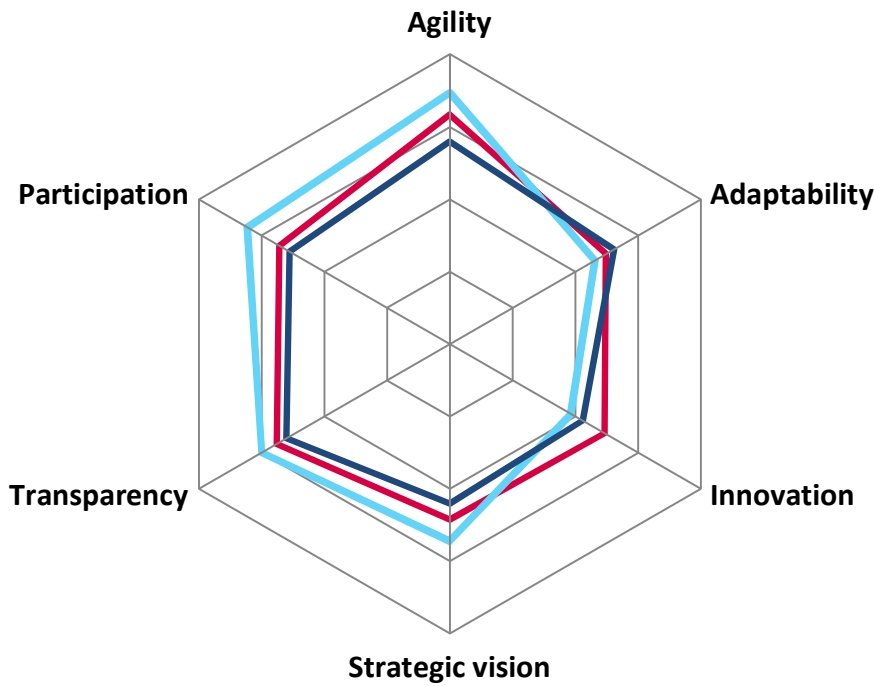


## ■ Companies more agile in 2014. Weaknesses in innovation

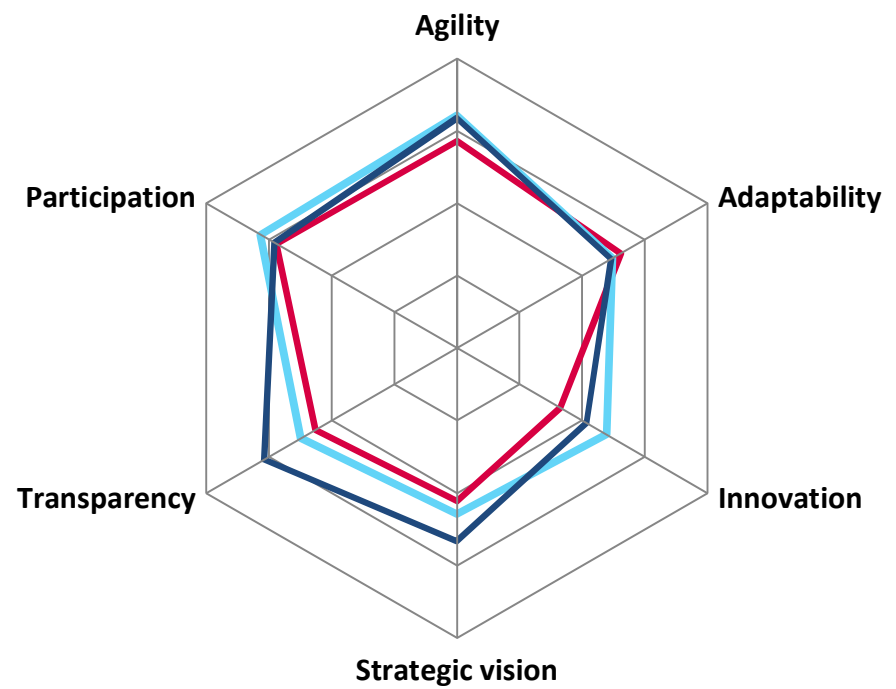


■ USA : new champion of good practices

■ The most efficient sector : consumer goods

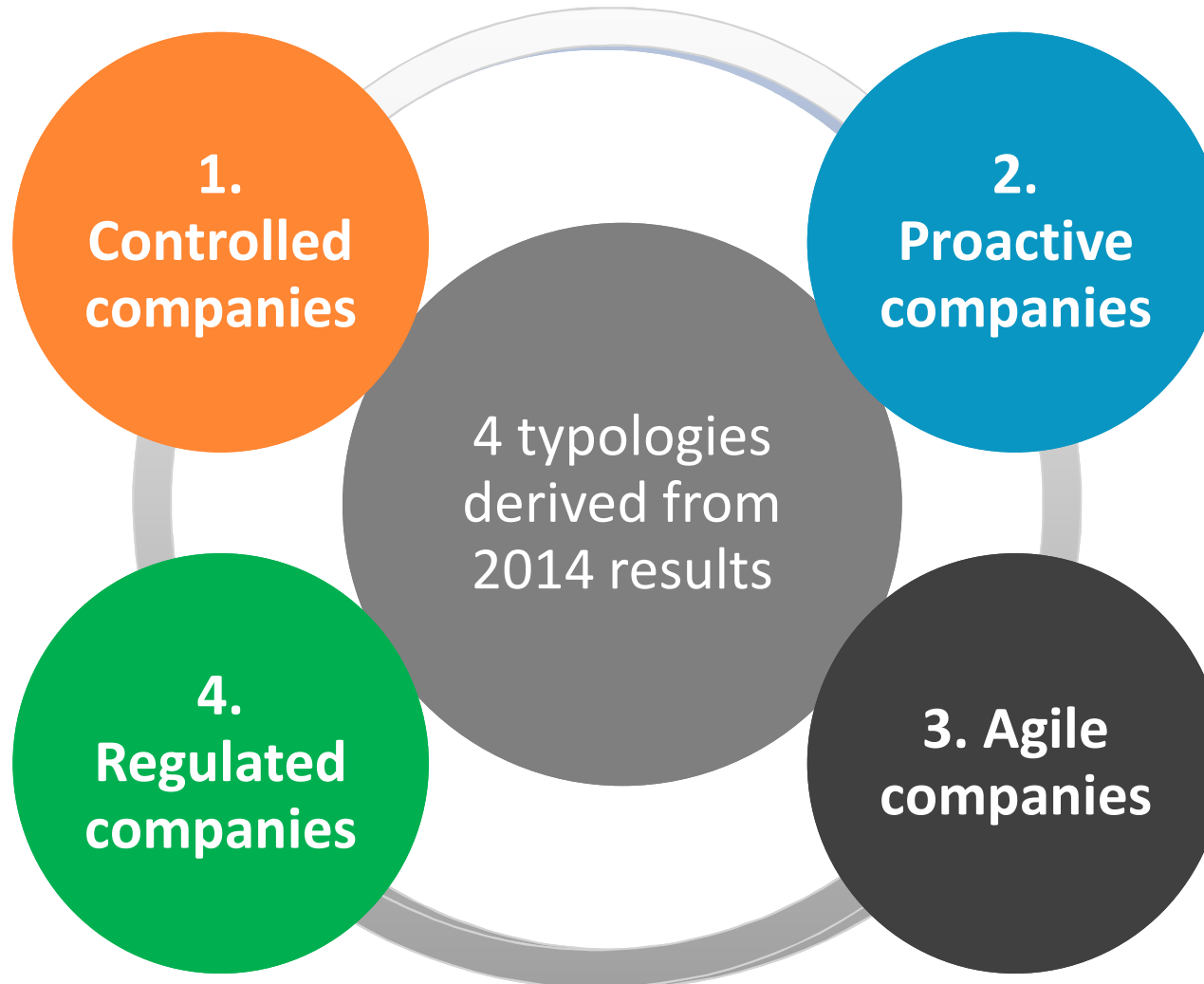


■ USA ■ Asia ■ Europe



■ Engineering & construction  
■ Energies and utilities  
■ Consumer goods





# TYOLOGY OF CONTROLLING PRACTICES

Business sector	<b>1</b> Controlled companies (28%)	<b>2</b> Proactive companies (24%)	<b>3</b> Agile companies (23%)	<b>4</b> Regulated Companies (25%)
<b>Strength</b>	<ul style="list-style-type: none"> <li>- Controlling and risk management</li> <li>- Cash management</li> <li>- Transparency</li> <li>- Managers' involvement in operational plan</li> </ul>	<ul style="list-style-type: none"> <li>- Plan and budget</li> <li>- Finance function - sales management interaction</li> <li>- Project management control</li> <li>- Managers' involvement in budget</li> </ul>	<ul style="list-style-type: none"> <li>- Finance function – IS function interaction</li> <li>- Strategic and operational plan process time</li> <li>- Re-forecasts: frequency and process time, managers' involvement</li> </ul>	<ul style="list-style-type: none"> <li>- Plan and budget</li> <li>- Finance function - internal audit interaction</li> <li>- Transparency</li> <li>- Diversity of indicators</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>- Budget process time</li> <li>- Managers' involvement in strategic plan and re-forecasts</li> </ul>	<ul style="list-style-type: none"> <li>- Internal control and risk management</li> </ul>	<ul style="list-style-type: none"> <li>- Managers' involvement in strategic plan</li> </ul>	<ul style="list-style-type: none"> <li>- Working with operational departments</li> <li>- Strategic plan frequency and process time</li> </ul>
<b>Size</b>	Small and medium sized companies	Big firms	Medium sized companies and big firms	Medium sized companies and big firms
<b>Growth</b>	Weak growth	Weak decrease => weak growth	Weak decrease => strong growth	Weak decrease => strong growth





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- Increased youth and female representation in management control
- Reporting / Budget : Time consuming for limited added value
- Interaction with business functions : Not enough time devoted
- More simplified range of indicators
- Faster reporting publication
- More Benchmarking (internal/external)
- ZBB used as a recurrent method
- Excel remains the predominant tool
- Inadequacy of MIS to management controller's needs
- Still few MIS projects planned but a rise of MIS redesign projects





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- Complete results on IAFEI site in December
- Email me if you want this presentation or the Observatory detailed results

