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INTERNATIONAL OBSERVATORY 2013



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Special Issue Management Control

International Observatory of Management Control

2013 Results

Which activities ? Which processes ?

Which methods ? Which systems ?



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The International Observatory of Management Control, introduced by DFCG in 2010 in partnership with the University of Paris-Dauphine and *Décision Performance Conseil*, presents a relevant analysis of the management control practices through the results of the 2013 international survey covering 27 countries and a variety of sectors (industry, consumer goods but also utilities and finance activities).

This third publication, achieved with the cooperation of ESSCA – School of Management, was presented in preview during the 43rd Congress of the International Association of Financial Executive Institutes (IAFEI) in Warsaw on October 17th, 2013. It illustrates precisely the stakes in the jobs relative to control of firms' performance worldwide around **8 dimensions of efficiency of the management control practices**: agility, innovation, global perspective, involvement, transparency, continuous improvement, strategic vision and suitable organization.

Frédéric DOCHE (Founder-chairman of *Décision Performance Conseil*, co-chairman of the DFCG and IAFEI Management Controller Commission) and Cécile FALCHIER (CFO EMEA, Teleperformance Group) already presented the results of this investigation still characterized by an economic environment in recession and struggling companies. In this context firms preferred to focus on management control activities

In this particular context, most firms improved control activities by strengthening the double functional link – CFO and executive direction – which required the management controller to work closer to the managers' needs and double the time spent with them.

This trend forces management controllers to adapt their own operating modes what which explains a more and more important resort to formalized strategic plans and business review in addition to more traditional activities (reporting, plan and budget, analysis, forecast and forecast updates, cost accounting and other more cross-functional domains such as information system implementation, internal control process or more specific activities as social responsibility, human resources, social management control, tax...). Even if most companies devote too much time to reporting, the management controller as business partner confirms his legitimacy through his availability and his expertise. And Excel remains the reference tool.

Among the changes I would like to underline, there is on one hand the contribution of external indicators (market and competition strategic indicators), which will allow benchmarking of

the company's performance, and on the other hand non-financial indicators such as operational or Corporate Social Responsibility (CSR) indicators.

Strategic plans, business reviews... all these activities are leading towards an in-depth analysis of companies' performance which is combining short / medium-term views and short-term action plans.

Moreover, the Observatory is highlighting a very sharp increase in the use of fundamentals like WCR, cash flow and income statement to ensure a better understanding of the balance sheet and income cash flows. Should we understand this as a sign of the management control's contribution in the performance evaluation of the company as well as in its medium-term analysis? Indeed, these two components are now included in the work to be performed to produce annual accounts (international impairment test rules).

As far as business practices are concerned, the 2013 Observatory is providing three additional dimensions to the five improvement dimensions previously identified. Therefore, eight dimensions are now providing a different and complementary perspective on the notion of open practices of management control: agility, innovation, completeness, participation, transparency, continuous improvement, strategic vision and suitable organization which are based on a reliable IS seeking for more and more integrated available information.

Finally, as in previous years, a cluster analysis of surveyed companies helped to draw up a list of four main profiles for 2013: "the experts", "the participative firms", "the controlled firms" and "the pragmatic firms".

Each reader would be able to benchmark its own company with this panel to draw conclusions and prepare action plans.

The current economic context, which is uncertain and highly volatile, encourages us to challenge the status quo and to continually transform ourselves with agility, innovation and curiosity to grab each opportunity. Management control is not getting away from this.

We hope this 2013 edition will provide you with some additional context around the necessary transformation of the management control function.

On behalf of the DFCG, I would like to thank the working group chaired by Frédéric Doche for its involvement in this Observatory.

Thierry LUTHI,
Chairman, DFCG

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I. INTRODUCTION TO THE INTERNATIONAL OBSERVATORY AND MANAGEMENT SUMMARY

1. *Introduction to the International Observatory of Management Control*

General introduction

The International Observatory of Management Control was formed at the end of 2010 by the DFCG (*Association nationale des Directeurs Financiers et de Contrôle de Gestion*, the French Financial Association) in partnership with the consulting firm *Décision Performance Conseil*.

The purpose of this observatory is to get a better understanding of the activities, processes and methods used by management controllers all over the world.

In the current crisis environment, management controllers are facing new challenges. They have to cope with increasingly volatile markets, to measure changeable activities and unpredictable performance, and to respond to the General Management expectations.

Management control is becoming more central to the company: it is expected to make the link between operational management and the company performance, to improve the company's flexibility in an ever-changing environment, and to support innovation in fast-moving markets.

The results of the 2011 and 2012 editions have been presented many times and published on the IAFEI website (International Association of Financial Institutes).

It seemed important to Frederic DOCHE, co-chairman of DFCG "Management control and decision-making" committee, and chairman and founder of *Décision Performance Conseil*, to refine the analysis and to compare results between three consecutive years.

The partnership between DFCG and *Décision Performance Conseil* therefore continued and produced the 2013 results of International Observatory of Management Control that you currently hold. The partnership with Paris-Dauphine University has been reinforced with ESSCA – Ecole de Management.

A presentation of the results was given during the 2013 IAFEI in Poland in October. They will also be presented during the Financium congress in December.

In this document you will find an analysis of the 2013 results completed by an analysis of efficiency profiles (Chapter 8) as well as a cluster analysis of management control practices (Chapter 8).

International partners

As in 2011 and 2012, the 2013 Observatory web survey was distributed in 27 countries, In each country, it has been forwarded by the following financial associations:

AEEF (Spain)

ANDAF (Italy)

CFO-FORUM (Israel)

FEI (United States)

FINEX (Philippines)

FINEXA (Poland)

GEFIU (Germany)

IAFEI (World Wide)

IMA (United States)

IMEF (Mexico)

And of course DFCG in France.

We would like to thank all the local representatives for distributing the survey.

2. *Management summary*

The DFCG International Observatory of Management Control (IOMC), in partnership with the consulting company *Décision Performance Conseil* and the management school ESSCA, are presenting the results of their study for the third year running.

In this 2013 edition, we wanted to undertake further analysis, to confirm the trends that we noticed in 2011 and 2012, and to identify new trends.

The 2013 sample of 27 countries strengthens the international coverage of the study. Companies of all sizes are represented: small, medium and large companies participated in the survey in more homogeneous proportions. These companies are mainly growing. However, the part of growing companies is decreasing and confirms the fact that the economic context is still tough in 2013.

As we noticed last year, respondents are qualified and experienced. However, they are working less independently. We also notice a wider range of job titles. Should we promote a unique job title in order to clarify the perimeter of the Management Control activity?

In 2013, the management controller devotes his time to plans and budget, and less to reporting. Such analysis is confirmed by the answers collected during the processes part, which reveal a strong rise of both operational and strategic plans. Time spent with business functions is increasing and strengthens the operational profile of the management controller who is seen as a real partner of the operational managers

The number of indicators is increasing as new ones are added and former ones remain used. The use of methods is still increasing this year, including Benchmarking which remains the most widely used method. Zero Base Budget use rate is steady and proves that companies are still looking for optimization strategies.

Respondents are quite unsatisfied with their information system. Systems are not integrated and drill-down capacities are limited. And yet, very few companies have planned re-design or improvements projects. Here we see that the management controller could spur the improvement of the company's information system.

The observation we made on management control activities, processes, methods and systems can be completed by transversal analysis.

The efficiency of management control practices has been analyzed throughout eight dimensions:

- Agility,
- Innovation,
- Completeness,
- Participation,
- Transparency,
- Continuous improvement,
- Strategic vision,
- Suitable organization.

We have studied the efficiency profiles by size, sector and geographical area of each company. In general, we identified that the efficiency of management control practices among companies surveyed in 2013 relies, above all, on agile practices – which improved this year – and on transparent practices, as well as on an appropriate organization. However, innovation (lower than last year), continuous improvement and strategic vision still require improvements in the coming years.

Through the typological analysis of management control practices, we were able to identify four different types of companies among the 2013 respondents:

- The expert firms,
- The participative firms,
- The controlled firms,
- The pragmatic firms.

We identified that organizations which best weather the weak economic conditions are the ones using management tools in line with their requirements and which promote proximity with operational teams. The best performing firms tend to keep and reinforce their controlling activities while the companies in trouble try to adopt new management tools that they were not using until now

Some key figures

27 countries answered the survey

+25 points increase in the use of operational and strategic plans

67% of surveyed companies are using new indicators

+6 points increase in the use of Benchmarking

25% of surveyed companies are using Zero Base Budget (ZBB)

x 2 number of respondents spending time with business functions.

56% of companies need a more integrated MIS

47 % of respondents do not forecast any enhancement or redesign of their MIS within the next two years.

II. SOME INFORMATION ABOUT THE RESPONDENTS

1. Companies in 2013 : always an international scope, more services and finance and more large firms

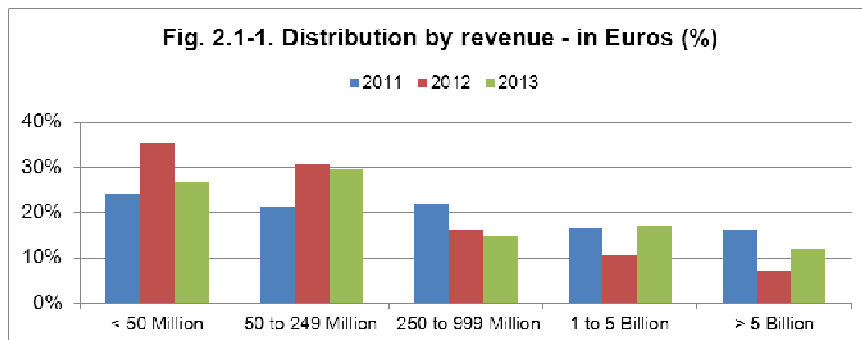
The 2013 study remains international: companies from 27 countries answered the questionnaire. European firms from 11 countries are still present and the number of the implied North-American companies has regularly been in progress from 2011 but the part of the firms from Central America decreased.

Rebalancing the sample: more large companies and less small ones in 2013 than in 2012

The distribution of the respondents according to the revenue is more balanced than last year. The part of the very large companies (more than 1 billion euro or more than 5000 employees) becomes more important (+12 points / 2012), and the part of the middle firms has gradually decreased from 2011 to 2013 (Fig. 2.1-1).

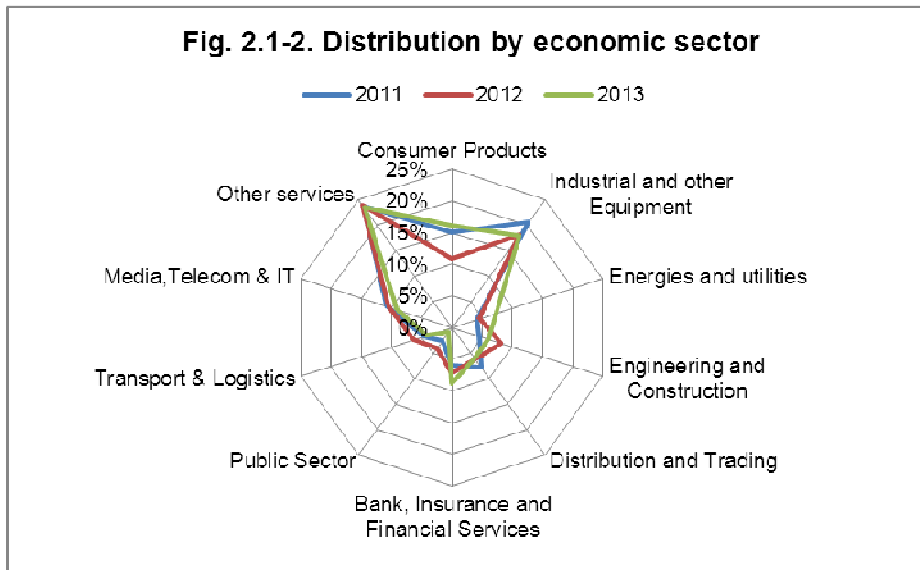
The sample turns into a more homogeneous group.

Logically the proportion of listed companies grows up (31% of the 2013 group against 21% during the last two years).



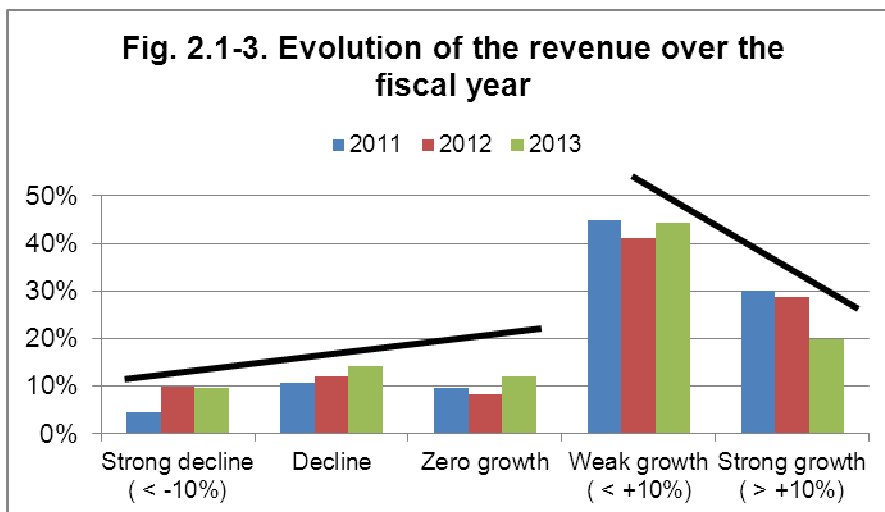
Main economic sectors in presence : industry, consumer products but also other services and finance

Industrial Equipment, Services and Consumer products still remain the main economic sectors of our respondents. They strengthen their importance to the group, and the Energies & utilities and Bank, Insurance & Financial sectors progress (Fig. 2.1-2).



2011/2013 : a harder economic context

As in the last two years, the majority of the firms post their good economic health (65% of them have an increasing revenue in 2013 compared with 2012). But this share of dynamic firms gradually decreases and the growth, when it exists, is less important (Fig. 2.1-3).



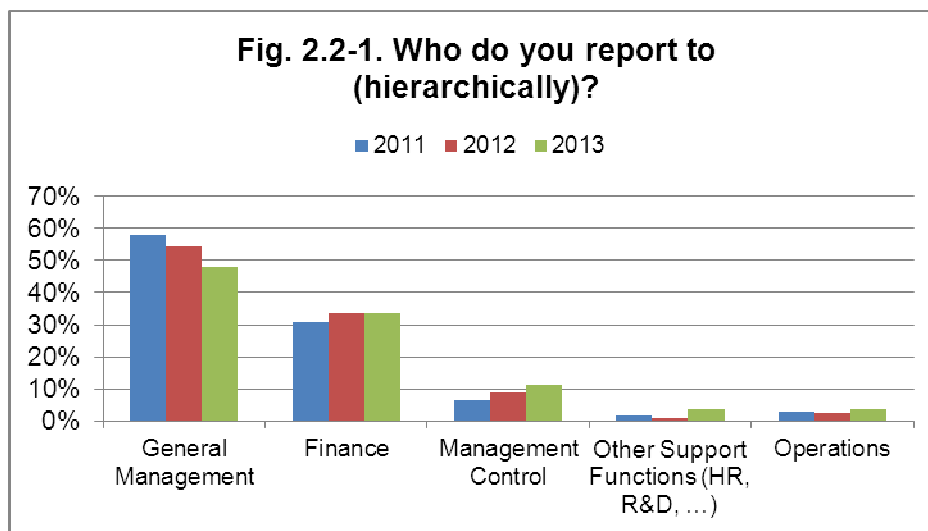
2. The profile of the respondents : still experienced, high qualified but showing a great diversity of their job titles and less autonomy in their work

In 2013 the respondents' experience in management control is absolutely the same as in 2011 and 2012. 61% of the respondents have more than 11 years of experience in the management control function. People who are more than 40 years old still are in the majority (68% in 2013). The respondents' qualification is completely identical to the previous two years. The

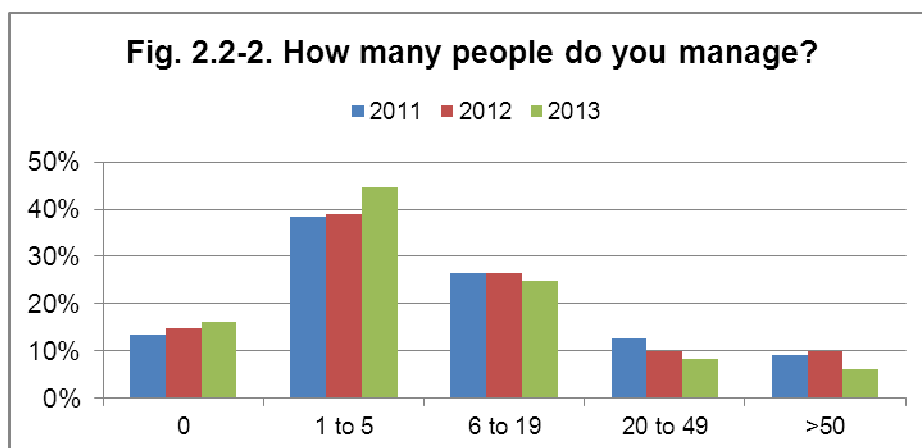
Master level is confirmed by 83% of the respondents. As in 2012 and 2013, few of them own a specific diploma in order to work as management controller (less than 15%, even if the 2012 study showed an increase in this field) and about a quarter of them got an accounting diploma (CPA or « French *expertise comptable* »). Last and like the two previous years, men are more represented than women in the management control function (74%).

The respondents are mainly in the Finance functions. But in comparison with 2011 and 2012, there are less people who directly report to the General Management, and more people who are directly hierarchically linked to the Management Control Function or to the Operations (Fig. 2.2-1).

In parallel Finance strengthens its functional role.



In 2013 the size of the management control teams decreases (Fig. 2.2-2.): 61% of the respondents are responsible for less than 5 people. All respondents who supervise more than 50 people are CFO and members of the board of small or large firms.



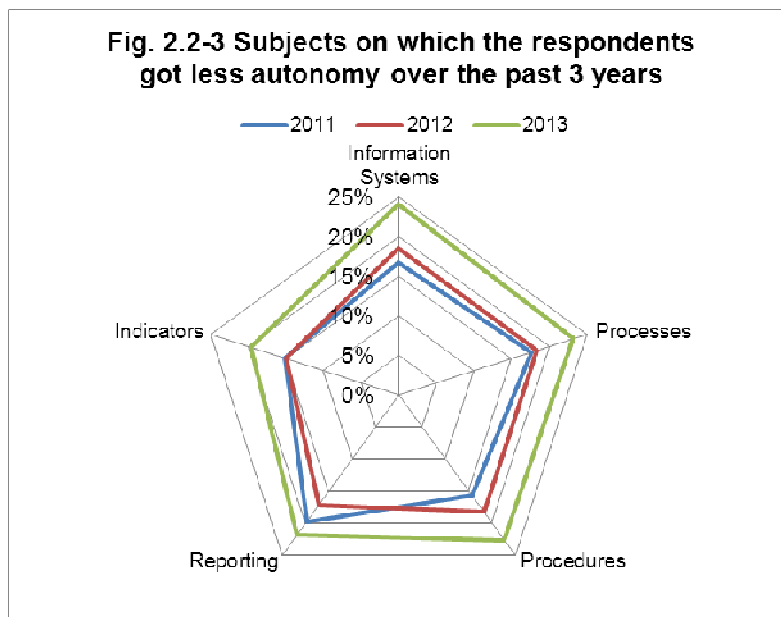
Respondents who manage from 1 to 5 people mainly belong to the very small firms (less than 250 Million euro in revenue) -67% of them. This group of small team managers, whatever the size of the firm may be, is mainly named CFO or Management Control Director (63% of this group).

So what's new in 2013?

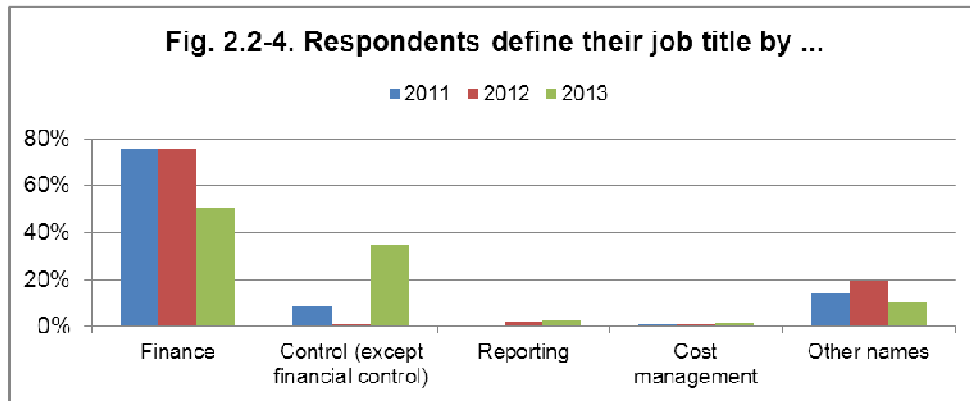
Less autonomy than in 2012 and a great diversity of the job titles

Unlike in 2012, the share of the respondents who get more autonomy than the previous year strongly decreases and again reaches the same level as in 2011.

And in parallel the share of the management controllers who claim that they are less autonomous is more important: from 20% to 25% of the respondents for all the teams that they manage – Fig. 2.2-3.



If the majority of the respondents recognizes the financial scope of their job this year again (only 51% of them against 76% in 2011 and 2012) as the name of their job tends to prove it (CFO, Financial Controller, Reporting...), many of them present their responsibilities as “management control” and not “financial control”– Fig. 2.2-4.



And, above all, the 2011- 2013 studies show a gradual scattering of the respondents' job titles even if all declare to have management control activities. This year, we can count 53 different job titles.

In 2011, more than 86% of the respondents gathered around 8 titles : CFO (45%), FP&A Manager (23%), Management controller(9%), Group financial controller (8%), Reporting Manager (1%), *Management Accountant* (1%), *Finance Controller* and *Business Analyst* (less than 1%).

Unlike the Accounting function for example, the Management Control Function is not similar because performance stakes are different according to the firms and their strategies and because different actors of the firm, not only a “management controller”, can manage levers of control.

But the great diversity of the names of the respondents' job leads to several remarks:

- First, an observation: for our respondents, the management control activities are linked to three managerial fields, general or strategic management (board: 6%), finance (55%) or “control” in itself through the analysis and the short or long-term planning (not strictly financial activities) -39%.
- Second, a question: is this diversity the sign of :
 - a dilution of the function (in financial or operational departments for example)?
 - a greater specialization or division of labor (for example according to the tasks that compose the control processes – costing, planning, budgeting, forecasting ... or to the geographical perimeters of responsibility, or to the structure of the business units...). This segmentation reveals the structural choices of the worthy “controlled objects”: centers, poles, regions, group, operational divisions. In some companies, the controllers even become “developers”, “business developers” or “performance managers”. With such titles, their proactive role in terms of influence on the business is put forward.

But does this relevant and legitimate adaptation of the job names to the steering dimensions (responsibility centers, regions, businesses ...) paradoxically make the management control function less visible, though this profession owns specific competencies and skills, a great know-how in terms of economic and financial forecasting and planning and surely shared values? Can we imagine that the standardization of a denomination (for example "Performance Manager") may help to the definition of shared methods and perimeter, and, hence, to a better understanding of the Management Control profession?

III. ACTIVITIES

Activities covered by our multi countries panel are:

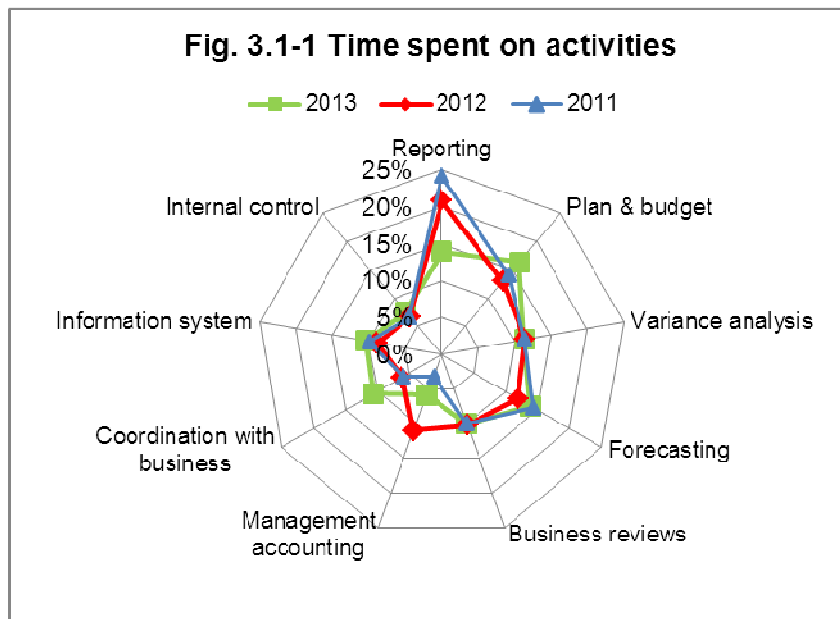
- reports,
- plans & budgets,
- variance analyses,
- forecasting,
- business reviews,
- management accounting,
- coordination with business functions,
- information systems
- internal control,
- and involvement in other specific activities : CSR reports, HR reports, transfer pricing, projects, accrual calculation, cash reports, new information systems.

The international observatory of management control has been analyzing, activities repartition, added value or feeling of the controller on his work, differentiation of his environment in regards to his company profile for 3 years now.

Controller's scope of activities is well defined but we have observed discrepancies and evolutions between years, economic environments, regions and countries.

1. Plan and budget : the main activity

Plans, budgets, reports, forecasting remain the core business of management controllers on average. They dedicate half of their time to it.



More time spent on plan and budget...

The weight of plan and budget has been reinforced in 2013 and has pushed it to first place (16% of the time). On the contrary, time spent on reports dropped from 25% in 2012 to 15% in 2013). The predominance disappears and gives place to a more balanced repartition. Production of reports is in third place in 2013, behind plan and budget and forecasting.

Time spent in coordination with business functions has nearly doubled

The second key fact is that time spent in coordination with business managers has doubled from 2012 to 2013 and reached the fourth place close to a stable group: variance analysis, internal control, information system and business review.

Business controllers spent less time on internal control and management accounting.

The new shared time gives the controller a new role more focused on the role of a business partner close to operations and supplier of the general management.

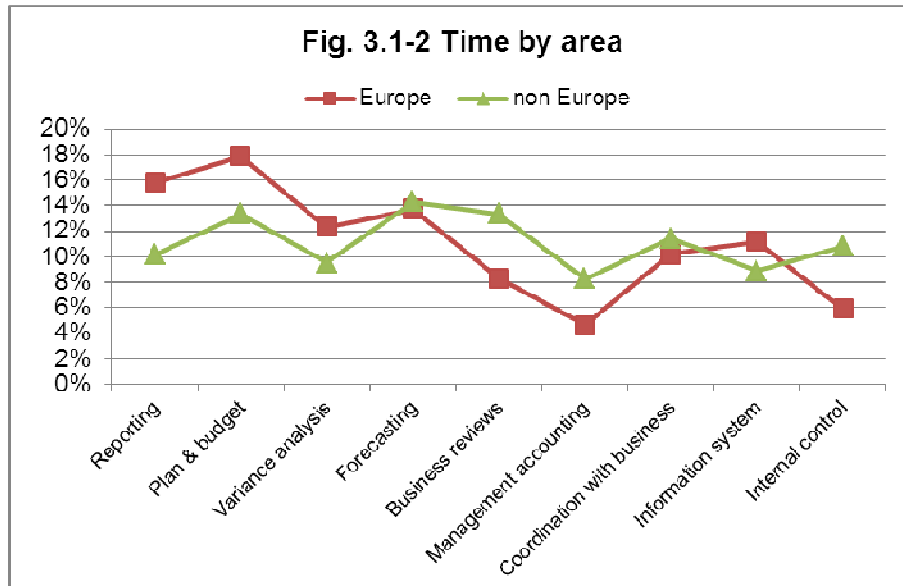
A more global role in small organizations

Large companies with a big organization chart calls for more forecasting duties for business controllers (for the biggest companies with a revenue over 5 bn €), while business review is the leading activity in the second biggest companies (revenue between 1 and 5 bn €). These differences are marked by the size of the controlling teams.

Within small organizations (revenue less than 250 M€), the activity is multitasking, better spread and includes reports, coordination with business functions and management accounting (this is more important within the smallest companies).

Trend to reports in Europe, business review in the other areas

Despite the fact that the activities and orientations previously described above are common for most countries, some differences should be taken into consideration.

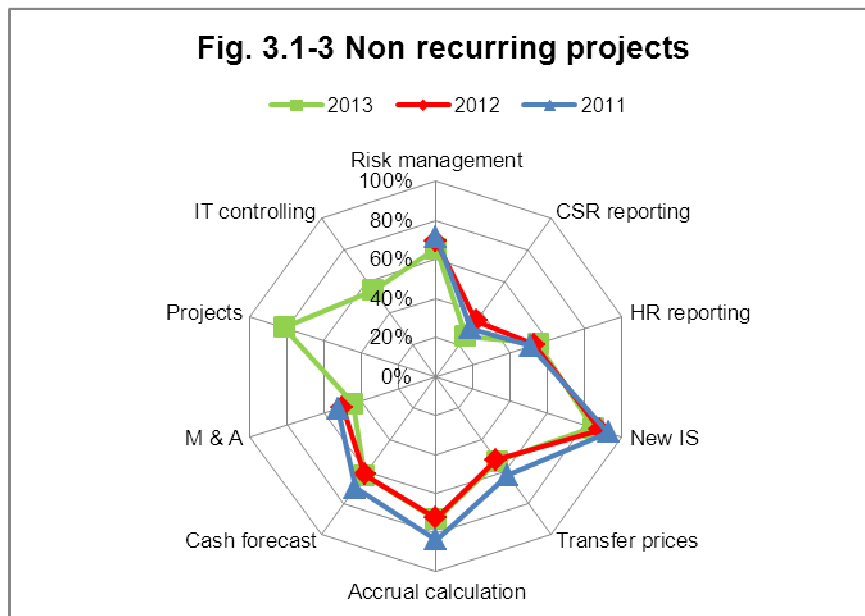


In european countries, reporting still represents a big portion of their time spent, with a peak for for planning and budget. On the contrary, time allocated to business reviews and coordination with business functions stays weak.

On the other hand, for the rest of the world, in 2013 and 2012, most time was spent on business reviews, forecasting and internal control, whereas less time was available on management accounting.

Multi competency is still relevant

After a decrease in 2012, involvement of controllers on secondary activities remains at the same level.



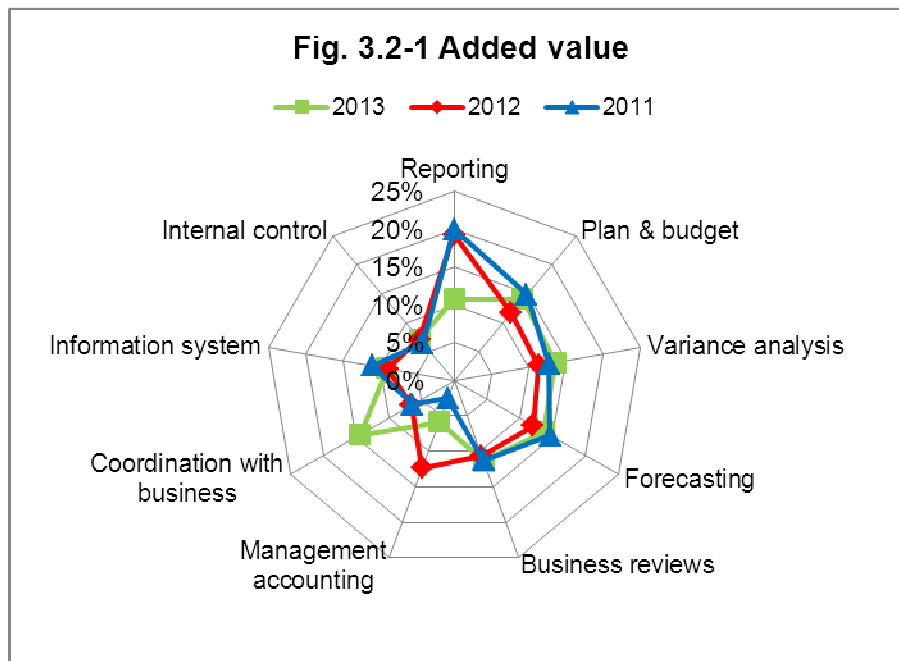
Involvement is strong in the implementation and evolution of information systems, non recurrent projects and risk management. CSR reports stay at a very low level without any increase.

First observed in 2012, the decrease of time spent on other activities (M&A, cash management...) continues.

While proximity with business managers increases, main activities remain the same during the last 3 years. On the other hand, added value varies a lot during the same period.

2. Added value: coordination with business functions

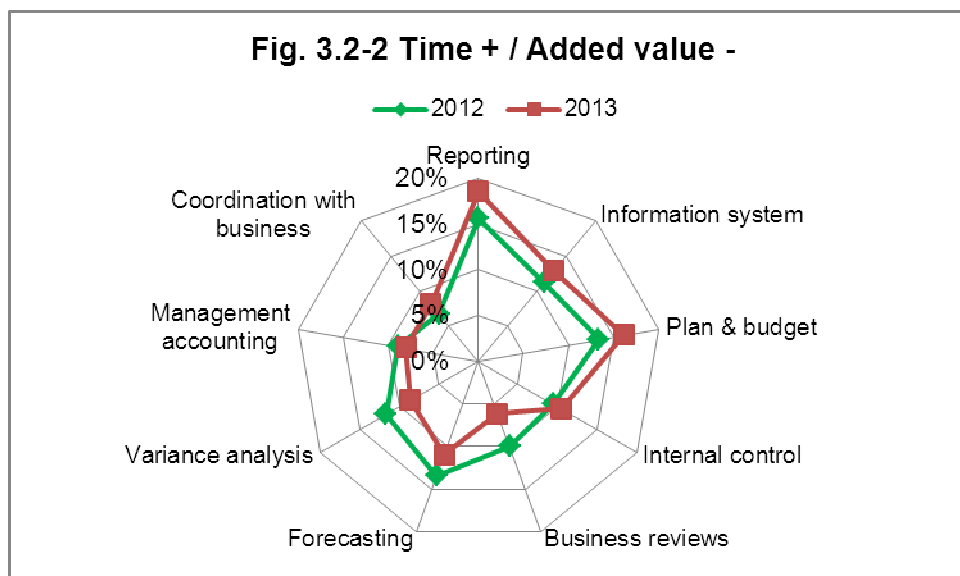
After having been limited to reports and forecasting, business controllers are now positioned as agents of the strategy of a company. Coordination with business managers is positioned at the top of added value in 2013. .



Correlation between time spent and added value improves in comparison with previous years.

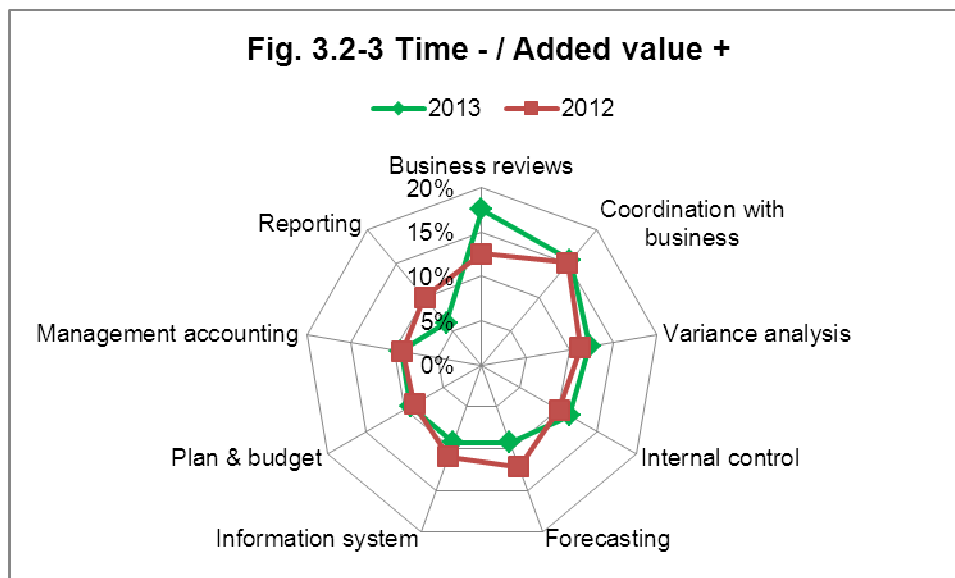
Balance between time spent and added value improves for « *business review* » and « *variance analysis* » activities.

The role of the controller is better harmonized every year. Efforts concentrate on core activities: plan and budget... where the controller brings added value for the company.



However, the time dedicated to reports stays very long for a limited added value. Those spent on coordination with business functions is still too short.

- Those who announce having more time for reports with few added value work in companies with a slight growth in all fields.
- Those who announce having more time for reports with high added value work in companies with a weak or slight growth in all fields ; 40% with a revenue higher than 250 M€
- Those who announce having less time with business functions with high added value work in companies with a revenue higher than 250 M€ for 38%, in all sectors
- Those who announce having less time with business functions with low added value work in companies with a revenue higher than 250 M€ for 65%, in all sectors.



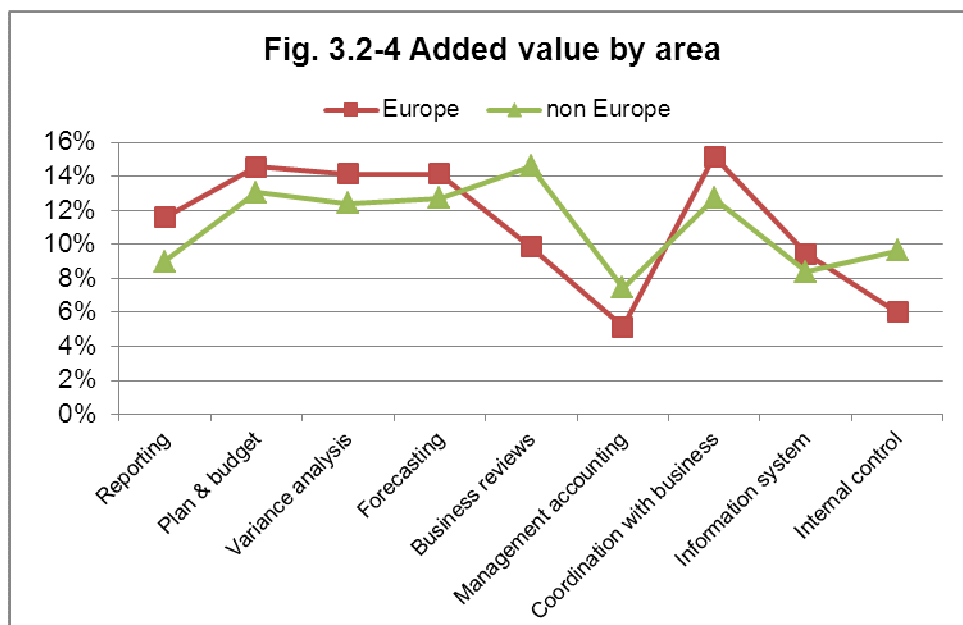
We can see a difference in the perception of time spent/added value according to the size of a company: the larger the company is large the more the controller is involved in business reviews and remains concentrated in the forecasting.

Added value on coordination with business managers is more important in small and middle size companies.

Activities according to the size
<p>Big company</p> <p>Time spent on forecasting and coordination with business Less time on management accounting and internal control evolution towards more time on forecasting and coordination with business</p>
<p>Middle size company</p> <p>Large repartition of tasks Large repartition of added value</p>
<p>Small company</p> <p>Less time on reports, plans and budgets Time on management accounting and business evolution towards more time on management accounting (except for managing functions)</p>

Perception varies according to the size and the location of the company. In fact, controllers' activity is more oriented on management accounting in small organisations and less business review and internal control in the big ones (dedicated service in large companies).

Here again, some differences are due to locations, Europe is more oriented towards reports, plans and budgets, coordination with business, whereas the rest of the world shows more interest on business reviews and internal control. These contrasted situations are based on high growth companies outside of Europe.



3. Controller's function in the company

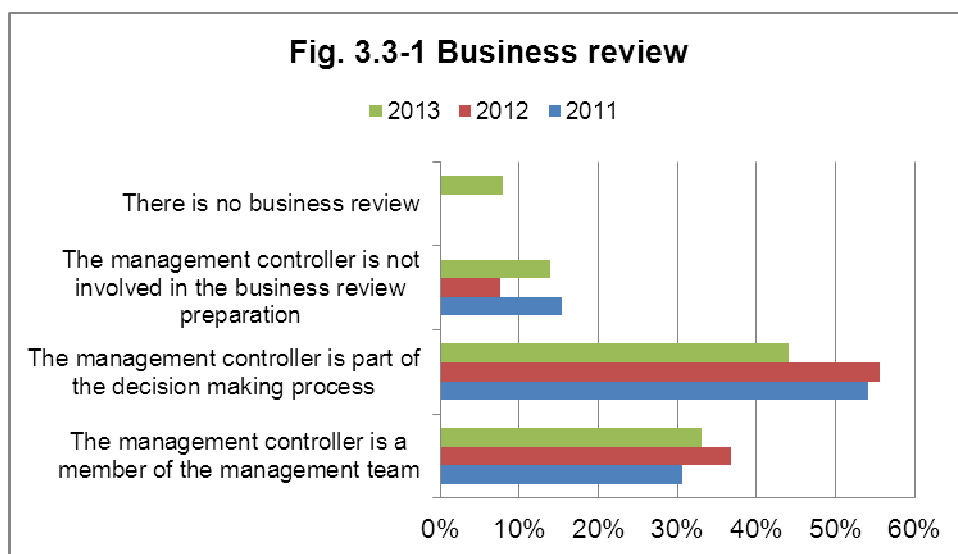
Operational or business review ?

We have noticed an increase in controllers' activity in relation to business functions. This coordination with business functions is the surprise of this observatory.

For the last 3 years, we have observed that the role of the business controller is too often focused on reports (often issued for the management), plan and budget and forecasting and presentation of these results to business reviews.

This year, the highlighted trend of spending more time with the operational managers will have to be confirmed in the coming years.

We think, in fact, that managers rely more easily on controllers in order to get more efficient results or a better understanding of financial issues.



Involvement in business reviews has weakened in the last 3 years. We see that the business controllers are often present in business reviews: 44% of respondents are participating in business reviews. Nevertheless, the rate has decreased rapidly from 56% in 2012 to 44% in 2013.

4. Supremacy of financial indicators

We have regrouped 4 main types of indicators: market and strategic competition, financial, operational, sustainability or environmental, social responsibility and HR.

We have tried to find out the use of indicators in reports, analyses and forecasts.

Without surprise we have noticed supremacy of all financial indicators (100% on reports, 94% on analyses or 92% on forecasts).

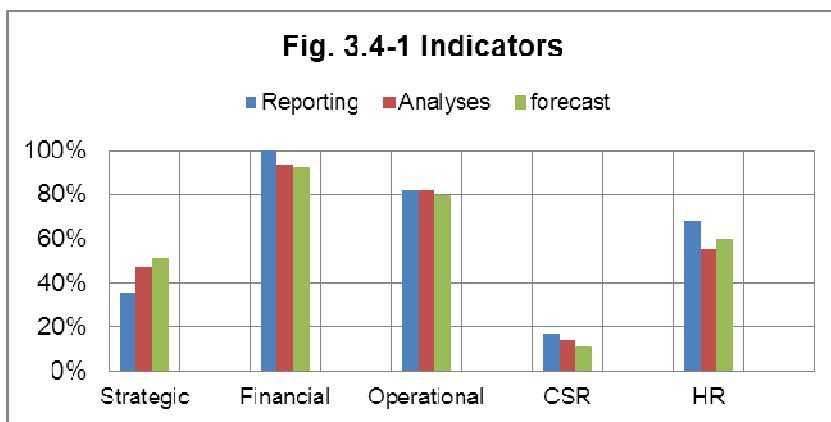
Strategic indicators increase regularly over the last 3 years.

Market indicators are mainly used in forecasting, a good indicator for competitors comparison to evaluate future performance in a given market.

Operational indicators are used in all surveys (on average 82%).

We note a low number of indicators of sustainability, CRS is not yet on the spot.

On the contrary, the number of HR indicators stays significant, growing from 2012 to 2013.

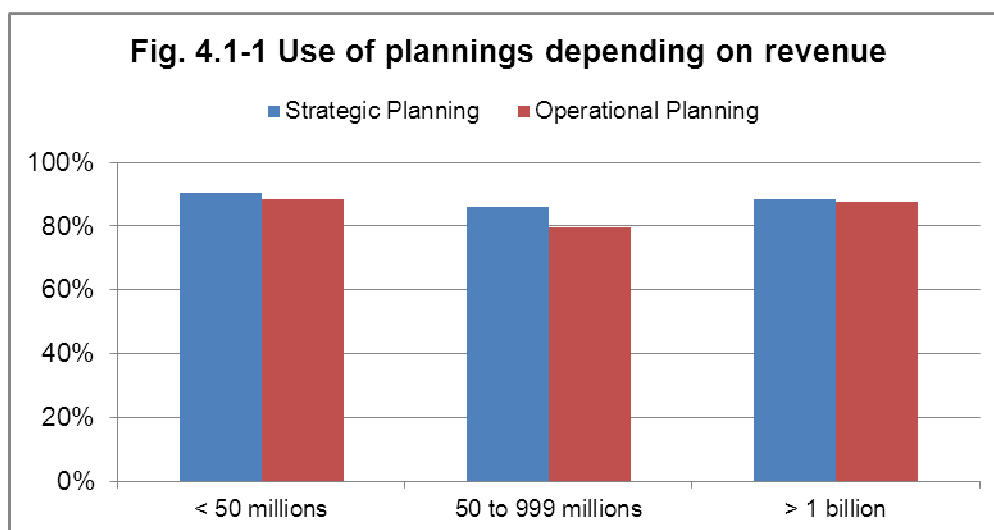


IV. MANAGEMENT CONTROL PROCESSES

The major trends coming from this study can be summarized in 4 points:

- **Significant increase in the use of Strategic planning** (+ 23% Vs 2012, +25% Vs 2011) and of operational plan (+25% Vs 2012, +33% Vs 2011). Budget and forecasting are back to their 2011 level (respectively 97% and 96% usage). These changes show a strong trend for planning that could be coming from a higher willingness to master the future given the current economic background that is sluggish & hardly predictable.
- **Low disparity in the use of processes** (strategic & operational planning, budgeting) whatever the size of the companies.
- **A greater consistency in the use of the various plans**, strategic planning being used for mid and long term projections and operational planning being used for short term projections (71% on less than 2 years Vs 24% and 32% in 2011 and 2012).
- **A stronger use of reporting tools** (P&L, balance sheet, cash-flow statement) during budget preparation, which can be explained by a willingness to manage the current period better to plan the future better.

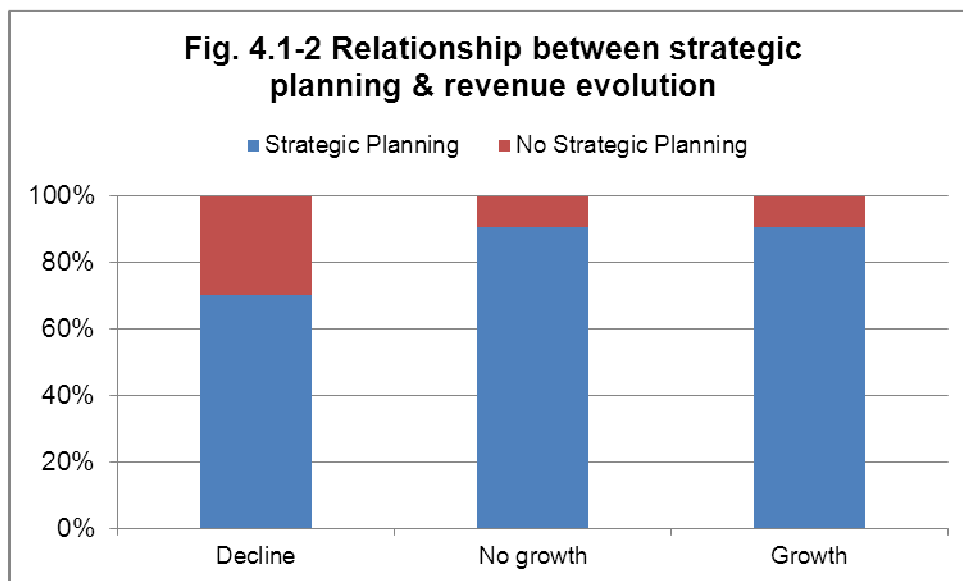
1. Strategic planning, operational planning, growth and revenue



Strategic & operational plans are prepared respectively by 88% and 84% of respondents.

This willingness for planning concerns all companies whatever their size.

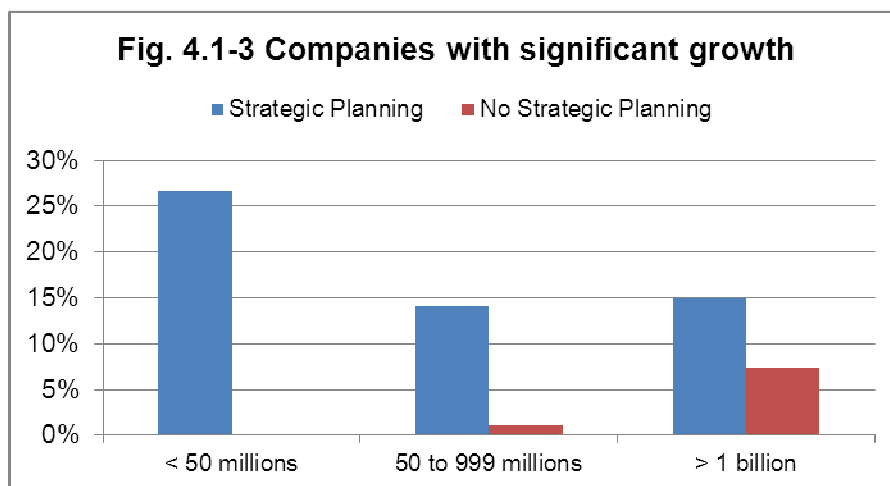
This trend has no geographical limit, **the increase in the use of strategic and operational planning concerns all countries.** However, one should not that in latin america, the use of strategic plan was already very widespread in 2012 (85% of respondents were using it Vs 92% in 2013), contrary to other economical areas where an average of 62% used it in 2012 Vs 87% in 2013. The same is applicable to operational planning. Similarly, the use of these plans is extended to all areas.



Strategic planning plays a major role in a company's performance nowadays.

It can be seen that 24% of French respondents that did not prepare a strategic plan have faced a declining situation vs 12% of those who did. This is also valid for the operational plan. However, we are not in a position to state that the use of planning improves the growth potential of a company, or that growing companies have more means to build up a plan.

Strategic planning can be **seen as a helpful tool for sound management**, its role being to serve as a guiding principle in time for the company's strategy.



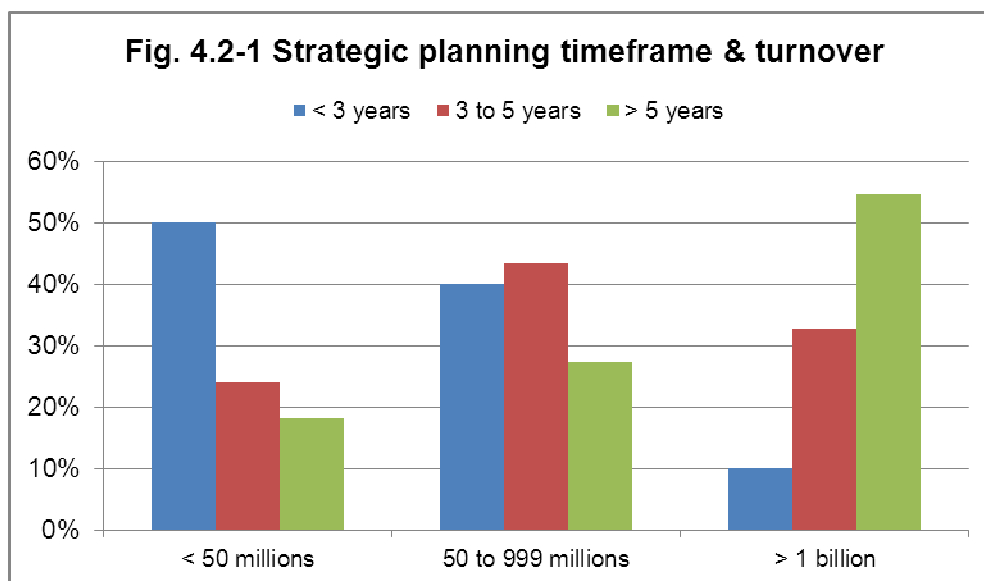
What is noticeable is that companies who saw a significant growth in 2012 are mainly small companies which had prepared a strategic plan.

The revenue evolution for large companies using a strategic plan remained stable.

2. *Timeframe and results*

Overall, **most common durations in the set-up of a strategic plan are 3 and 5 years** (both represent over 70% of timeframe chosen).

None of the companies who picked a very long term (> 5 years) have faced decline.



Revenue is a discriminating factor in the choice of the timeframe of the strategic plan.

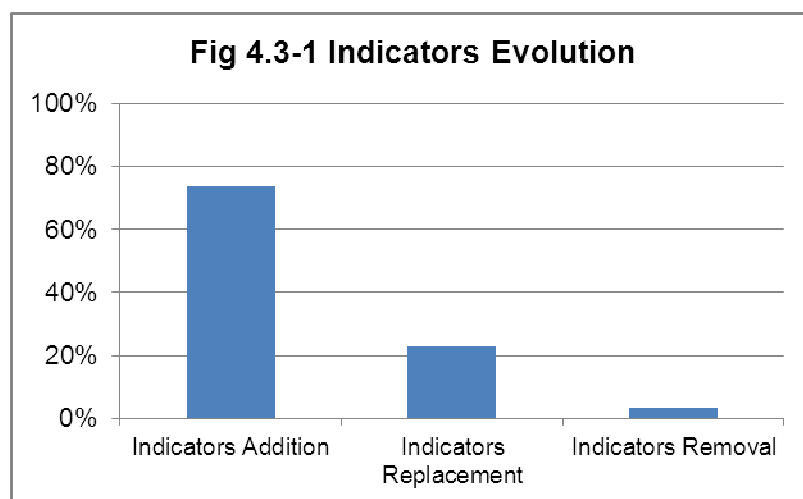
Short & medium term timeframes are more commonly chosen by small companies while long term timeframes are preferred by large companies (54% of the strategic plans over 5 years are done by them).

This difference in timeframe is less obvious on operational plans: 1 year plans (65% of respondents) and 3 years plans (19% of respondents) appear to be the norm.

These comments are valid whatever the country.

3. Indicators

Companies tend to add indicators (74% of respondents), a trend following from 2012 (in particular companies facing a decline (84% of them) or growth (78% of them). Also, part of the no-growth companies rather tends to replace indicators.



There is **few correlation between activity sector and the management of indicators**, all sectors tending to add more. Also, there are **few differences in the handling of indicators depending on the countries**: indicators usage is a worldwide trend.

In strategic planning, the main indicators used are P&L statements (73.1%), market data (60.7%) and balance sheet indicators (58.4%).

More than one out of 2 companies (53.4%) also include cash flow in some way. Operational indicators (42.9%) are less systematic, while sustainable development & Corporate Social Responsibility (CSR) indicators are not popular (17.4%).

Focusing on operational planning, 2/3 of respondents are using Profit & Loss Account (75.9%) and this time, operational indicators become essential (74.1%).

The Balance Sheet (57.5%) and cash-flow statements (52.8%) appear in proportions close to those in strategic planning.

Market data is becoming less essential (37.7%) while sustainable development & CSR are identified even less often (15.6%).

When talking about budgeting, P&L statements become almost systematic (92%), while the concepts of operational indicators (74%), the balance sheet (69%) and cash-flow statements (68%) are very popular. Market (33%) and sustainable development/ CSR (13%) are quoted less often.

As far as forecasting is concerned, one can find indicators comparable to budgeting, with a large preponderance of P&L (93.5%), followed by operational indicators (83%), the balance sheet (83%) and cash-flow statements (81.7%). By contrast, market trends are followed more (59.1%).

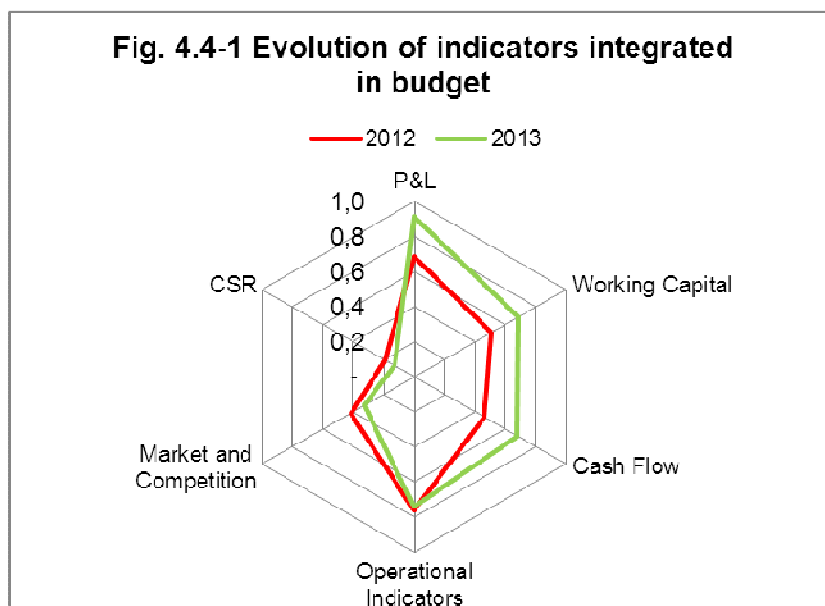
In terms of forecasting, a rolling forecast is adopted in circum 1/3 of the cases with a stronger use for cash-flow follow up (40.4% of respondents).

As far as reporting frequency is concerned, P&L statements(73.4%) & operational indicators (72.5%) are overwhelmingly followed on a monthly basis. Cash-flow statements (58.5%) and the balance sheet (48.7%) are elements that are reviewed on a monthly basis.

When it comes to market data or sustainable development/CSR, the frequency of follow up becomes annual with respectively 37.2% and 59.4% of respondents following it at this frequency.

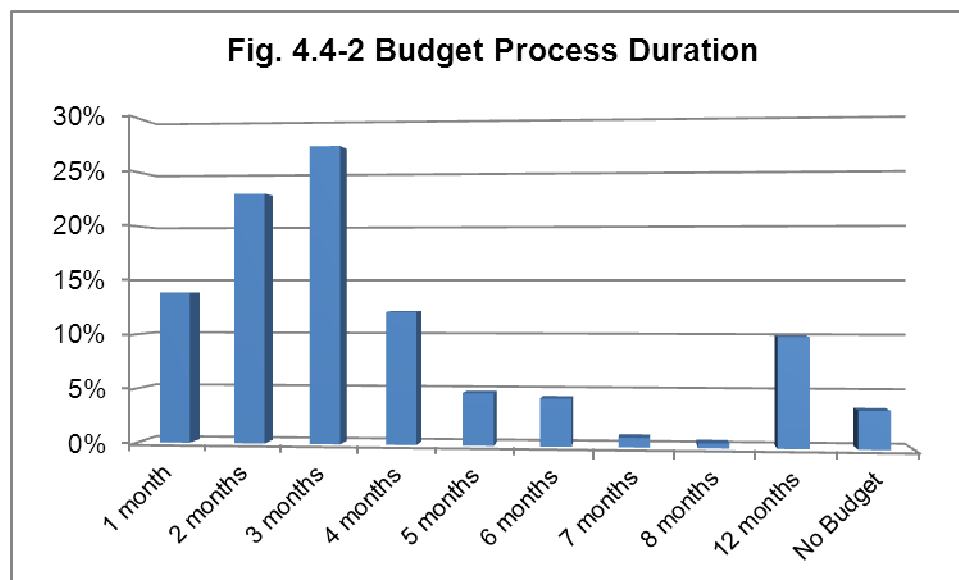
In 2013, companies seem to speed up the publication of their reporting : 27% indicate that they publish it before closing day vs 17% in 2012. The share of companies publishing between closing date and D+5 remains rather stable (44% Vs 46% in 2012). Late reporting (>5 days) is less frequent (29% of respondents Vs 37% in 2012).

4. Organisation

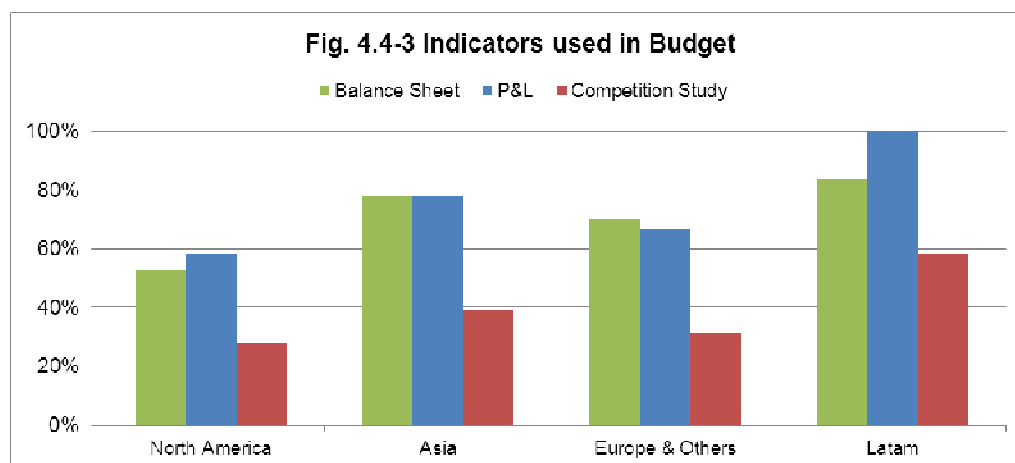


By comparing to last year, we can see a **very clear increase in the usage of basic methods** such as working capital, cash-flow and P&L. The use of market studies and competition studies remains on the sidelines. This comes back to the idea that companies need to have a better control of the short term to project the future better.

Like in the past years, CSR indicators remain rarely used in budget.



We see **similarities in the duration of the budgeting process in Europe and North America**, the average duration being around 3 months. By contrast, Asia and Latin America act in a different way, as in these regions over 1/3 of the budget processes are spread on a 12 months period (38% of asia's respondents, 33% of latin america's respondents).

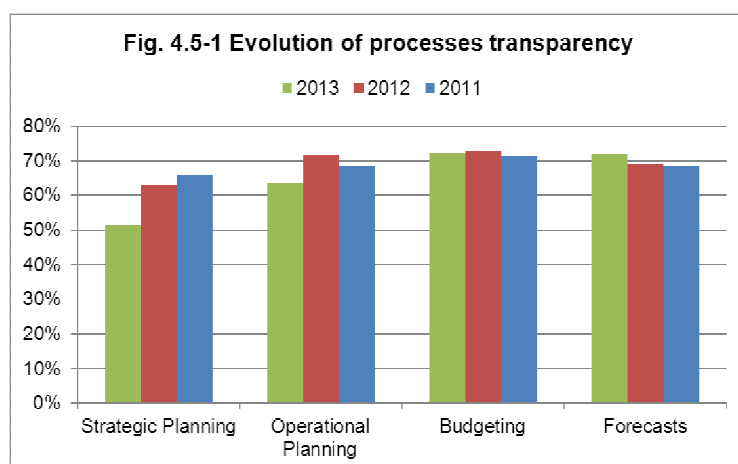


Although P&L is used in a similar way in all countries (92%) as well as operational indicators (77% in Europe, 75% in other countries), **we see a difference in the attention paid to the balance sheet, the cashflow & competition studies depending on the company's origin.**

The US seem to pay less attention to the balance sheet (52% of respondents Vs 70% in Europe, 77% in Asia and 83% in Latin America), whereas Latin America seem to place emphasis on cash management (100% of respondents use Cash-Flow indicators).

We also see that the elements used in the budgeting vary depending on the activity sector : capital intensive business (construction, industrial equipment...) and stock consuming businesses (consumer goods) will be more focused on the balance sheet (88% of respondents working in industrial equipment are using it), whereas in sectors that are more intangible, companies will focus on operational indicators (more than 80% of respondents in bank & distribution are using them).

5. *Transparency and involvement*



Transparency is evaluated on the criteria of visibility given to managers on planning, budgeting & forecasting of their peers.

Already noticed in 2012, the gap in transparency between Plans & Budget in the broad sense is increasing in 2013, reflecting **the deeper involvement of managers as a result of the monitoring and measurement of performances.**

Therefore, even though the transparency level of Budget & Forecasting remains at its level of 2011 and 2012 (72% for Budget and 72% on forecast), it shows a strong decrease of Strategic Planning (51,5% in 2013 vs 63% in 2012) and on Operational Planning (63,5% in 2013 vs 72% in 2012).

This reduction in the transparency level of strategic & operational planning can be seen in all activity sectors with the exception of energy & environment. The decline is particularly significant in the banking sector and in media/telecoms (-20% in average Vs 2012 in both sectors), together with the industrial equipment and logistics & transport areas (-28% in average vs 2012 in each of these sectors). It is to be noted that less than 50% of respondents have visibility on their peers in banks, industrial equipments, media/telecom & IT.

As far as budgeting and forecasting are concerned, even though the transparency level is stable on a 3 years period, we see a trend of disparity between activity sectors : decrease in banks & industrial equipments, increase in administration & civil services, construction, distribution, medias, energy and environment.

An increased involvement of operationals

Already very strong in 2012 with 92% of respondents in average being involved in the processes of Operational Planning, Budgeting and Forecasting, **the involvement of operationals continues to increase in 2013** to reach 94% of average or strong involvement.

All activities combined it is considered as crucial for 50% of respondents within the framework of Operational Planning and Budget, with a rate above 80% in banking sector.

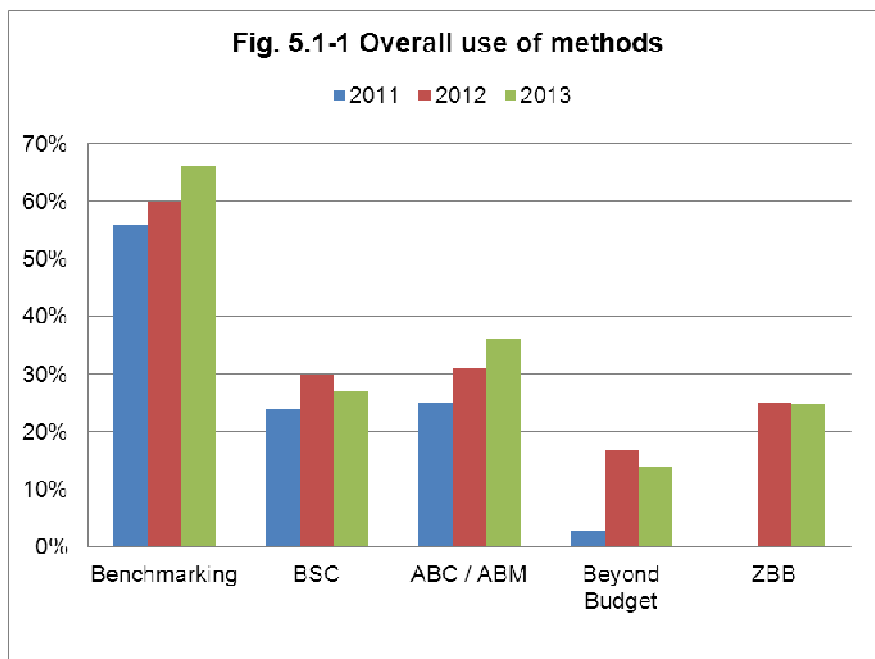
In parallel to this increase, as for transparency, we see a backwards move of operationals involvement in strategic planning, where the share of managers not involved in strategic planning moved from 15% in 2012 to 27% in 2013.

This lack of interest in strategic planning can be noticed in all activity sectors and is more obvious in distribution, construction, other services and industrial equipments where the involvement rate is below 50%.

V. METHODOLOGIES

1. The continuous growing use of methodologies

Trends observed in 2012 are confirmed in our 2013 edition, with 68 % of surveyed firms using one of the five methods below, 63% in 2012.



Benchmarking is the most adopted method. The number of users has been steadily increasing since 2011 to reach 66% in 2013. ABC/ABM come second and shows a 3% year over year increase. In total, 36% of surveyed companies do use ABC/ABM methods.

The implementation of Benchmarking and ABC/ABM is a testimony to performance improvement growing importance. Same explanation goes for the Zero Based Budgeting method (ZBB), that is as popular as last year with a 25% adoption rate. It looks particularly on the hype in the current economic climate.

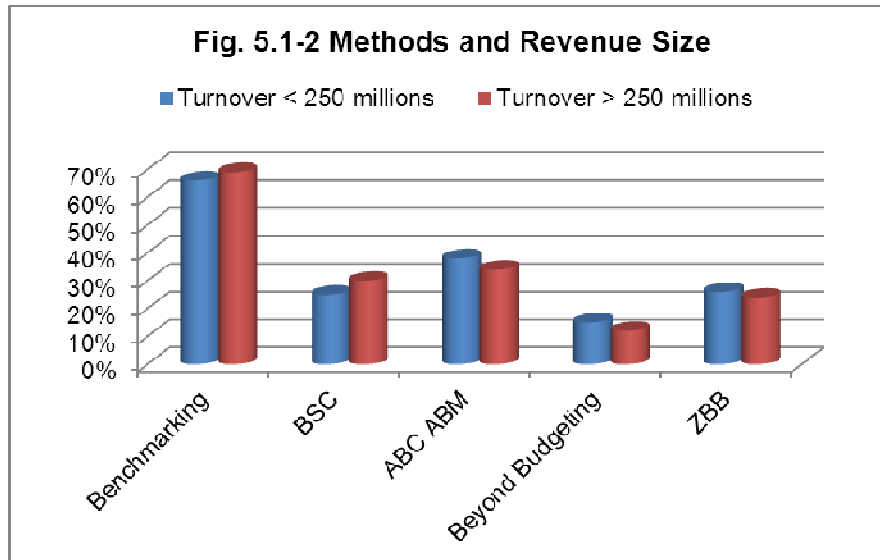
Adversely BSC and Beyond Budgeting methods are slightly coming down to last year.

As for the processes detailed in part IV, the adoption of all four methods is not a function of the company size.

There is no correlation between revenue size and the implementation of one method or another. In Fig. 5.1-2 hereafter, 66 % of small firms, i.e. with an annual revenue under 250

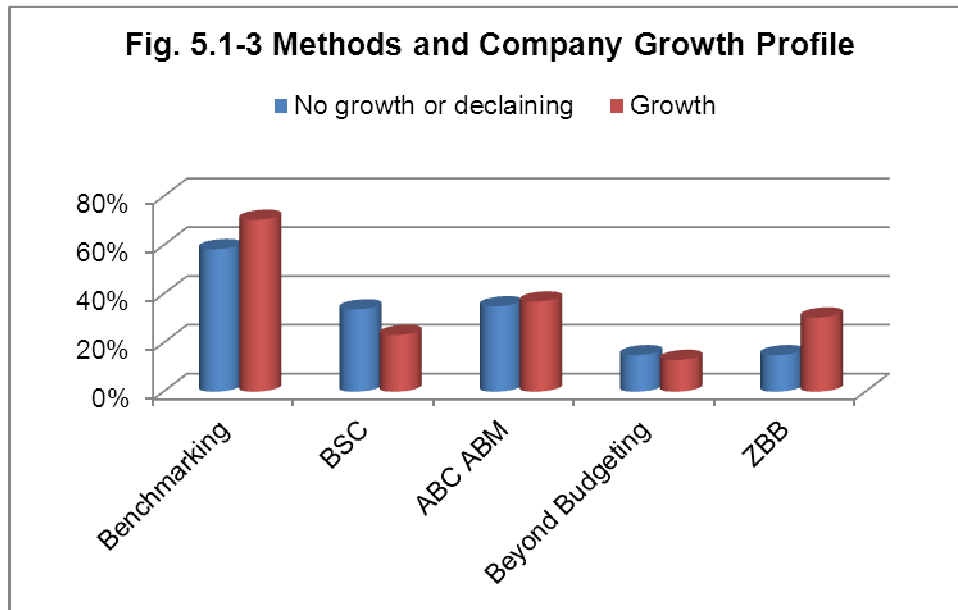
million euros, admit using the Benchmarking method, which compares to 69 % of medium to large firms, i.e. with an annual revenue over 250 million euros.

The same conclusion goes for the use of ABC/ABM, adopted by 38 % of small firms to be compared with 34% for medium to large ones.



The picture is slightly more contrasted when factoring respondent’s growth profile.

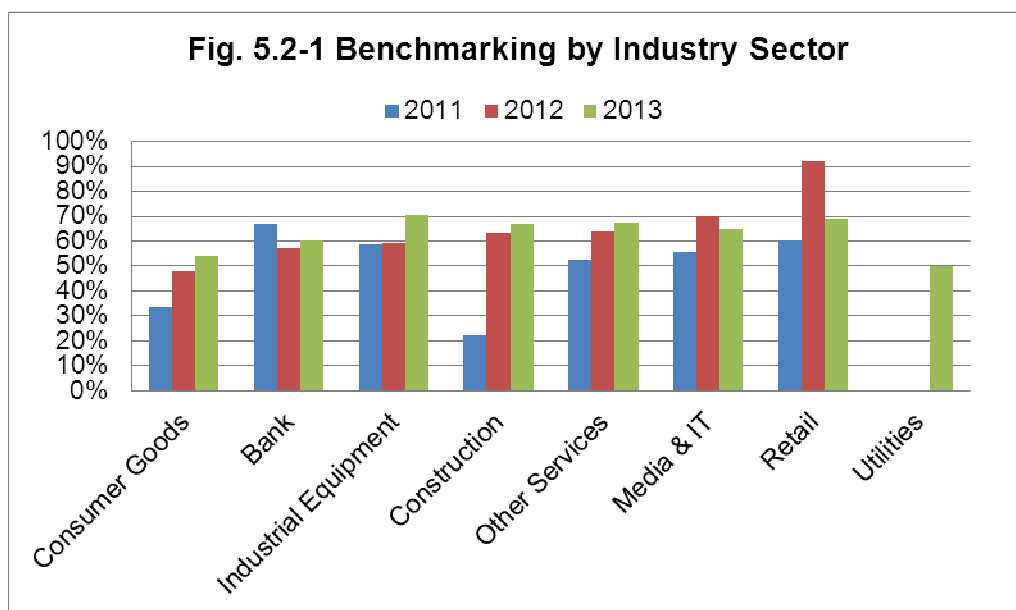
Per Fig. 5.1-3 hereafter , ABC/ABM and Beyond Budgeting are equally used by declining firms and by growing ones. On the other hand, ZBB and Benchmarking methods are more used by growing companies. Thus, 30% of growing companies admit the use of ZBB method, against 15% for stagnant or declining companies. Similarly, 70% of growing companies use Benchmarking method versus 58% for stagnant or declining ones, the results are 34% and 23% for the BSC method.



2. Benchmarking, a reference method in a highly competitive economy

Since 2011, the use of Benchmarking has constantly increased. In 2011, 53 % of the surveyed companies were using it, 60 % in 2012 and 66 % in 2013.

The method consists in comparing the performance of one firm with another from the same industry sector (external benchmark), or a business unit with another business unit from the same company (internal benchmark).



The Benchmark method is used across all industry sectors in 2013. The rate of adoption ranges between 50 and 70 %, depending on the sector. Compared to 2012, there is less

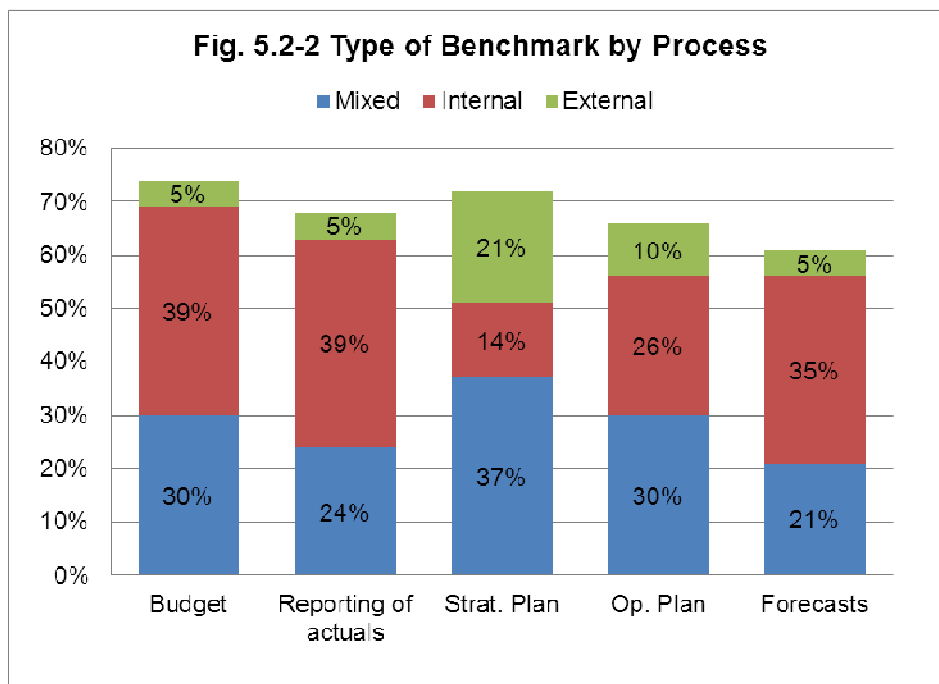
disparity between sectors. The spread in adoption rate (difference between the largest and the lowest value) was 48%¹ in 2012 versus 25%² in 2013.

Focus on the internal benchmark

Most companies use a mix of internal and external benchmark methods.

However, the use of internal benchmark itself has increased from 34% in 2012 to 44% in 2013.

Furthermore, per the graph hereafter, the recourse to external, internal or mixed methods varies vastly by process.



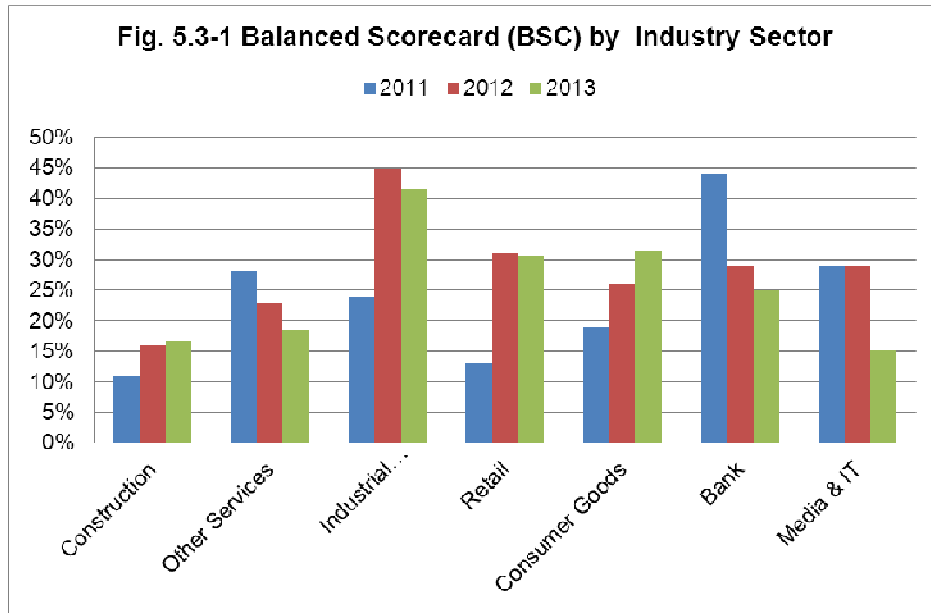
The sole use of external benchmark is not very frequent, except for Strategic Planning. For the latter, external benchmarking is used by 21% of respondents and exceeds the use internal benchmarking, 14% of respondents.

3. *Balanced Score Card (BSC), focusing on core measures*

¹ Construction, 20% - Bank, 68%

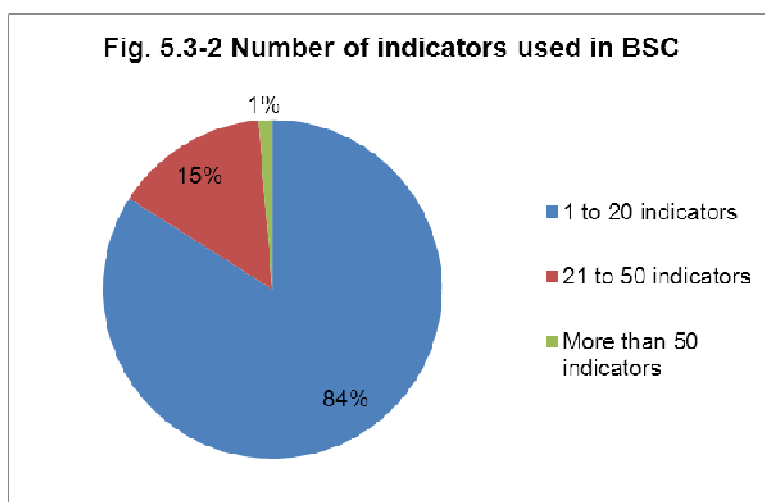
² Consumption goods, 56% - Industrial Equipment, 71%

The BSC method allows operational efficiency measurement versus strategic objectives. Its impact is very significant when it highlights key issues looking at a limited number of key performance indicators (KPIs).



Overall the use of the BSC method is decreasing in 2013, 27 % of respondents versus 30 % in 2012. However, three industry sectors are significant users of BSC: the Industrial Equipment (41 %), Retail and Consumer Goods (31 % each).

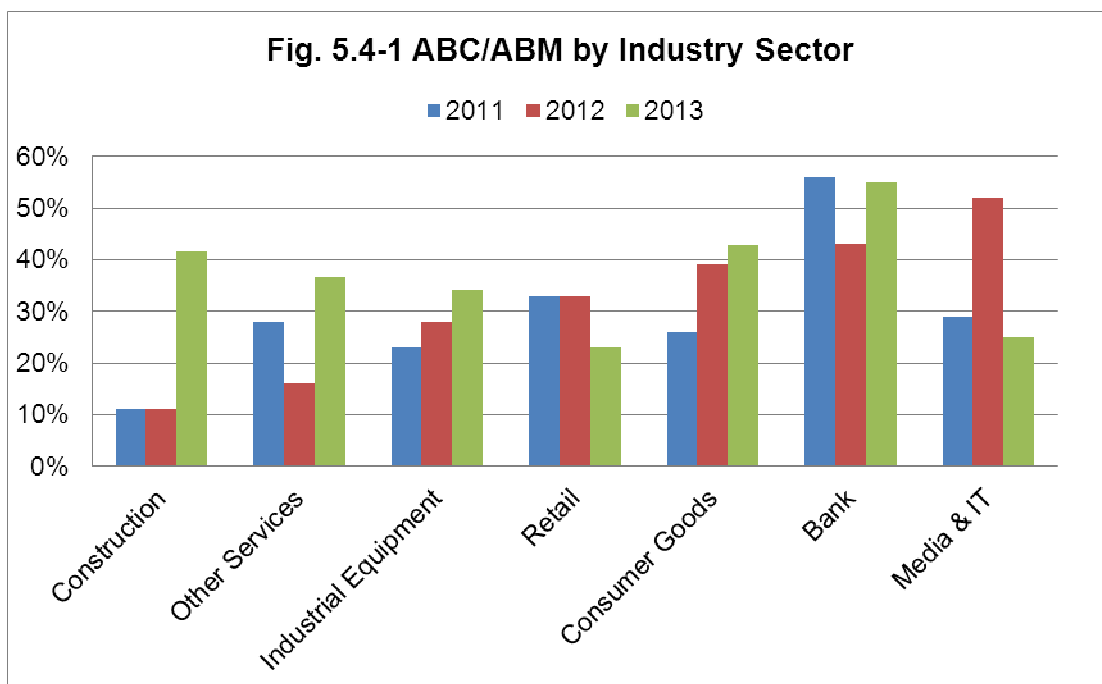
It is worth noting that in the Banking sector, the rate of use has been in constant decline, down to 29 % in 2013.



In 2013, 57 % of users chose a simplified version of the BSC method versus 54 % in 2012. The survey tells us, see Fig. 5.3-2 hereafter, that 84 % of companies implemented less than 20 indicators in 2013, versus 63 % in 2012.

4. ABC/ABM, key methods for companies looking for productivity gains

The adverse economic context constrains companies to focus on their internal organization and to identify the key levers for productivity improvement. In this environment, the use of methods focusing on process and activity analysis, such as ABC/ABM is on the increase.



Similar to Benchmarking, the use of ABC/ABM has been steadily increasing since 2011: year over year increase of 6% in 2012, and 5% in 2013.

36 % of respondents now use the ABC/ABM method.

This trend is common across all industry sectors, with however a surge for Other Services : plus 21% in 2013 (to 2012), and for Industrial Equipment : plus 6 % in 2013 (to 2012).

As for the BSC method, the ABC/ABM method is mainly used in its simplified version by 46 % of users.

5. Beyond Budgeting, an emerging method still marginally used

The *Beyond Budgeting* method is flexible and innovative. The traditional budget process is divided in three distinct processes. The first one, planning, is often based on benchmarking to

set a performance goal. The second, forecasting, is independent of budgetary objectives. The last one, allocating resources is done on continuous-flow basis.

This method emerged in 2012, where it gained 14% compared to 2011. In 2013, despite an overall utilization rate of 14 %, fewer companies admitted using the method, showing a 3% year on year decrease.

6. Zero Based Budgeting, steady trend

25 % of respondents use the method, in line with 2012.

This method consists in assessing all revenues and costs in light of goals and activities involved in the execution of the company's strategy, instead of defining targets in comparison with prior year budget, or actuals.

This approach is implemented by companies deeply looking into their existing processes and using their budget as a lever for this.

It is often used as a one-off : 72% of respondents admit using it one shot versus 28% on a regular basis.

It is likely that the 2013 users, 25% of the sample, are hence not the same users as the 2012 ones.

VI. MANAGEMENT INFORMATION SYSTEMS

In this year's edition, respondents have been surveyed about the Information Systems they use for forecasting (be it for their overall plan or detailed budgets) and for consolidation of their plans or reported actual.

In an environment growing ever more digital, where the information itself is a value source, Finance Directors are looking to help optimising performance, using efficient systems.

Consequently, we had noticed in 2012 an increase in the use of dashboards, multi-dimensional analysis tools, ERP's or Balanced Score Cards.

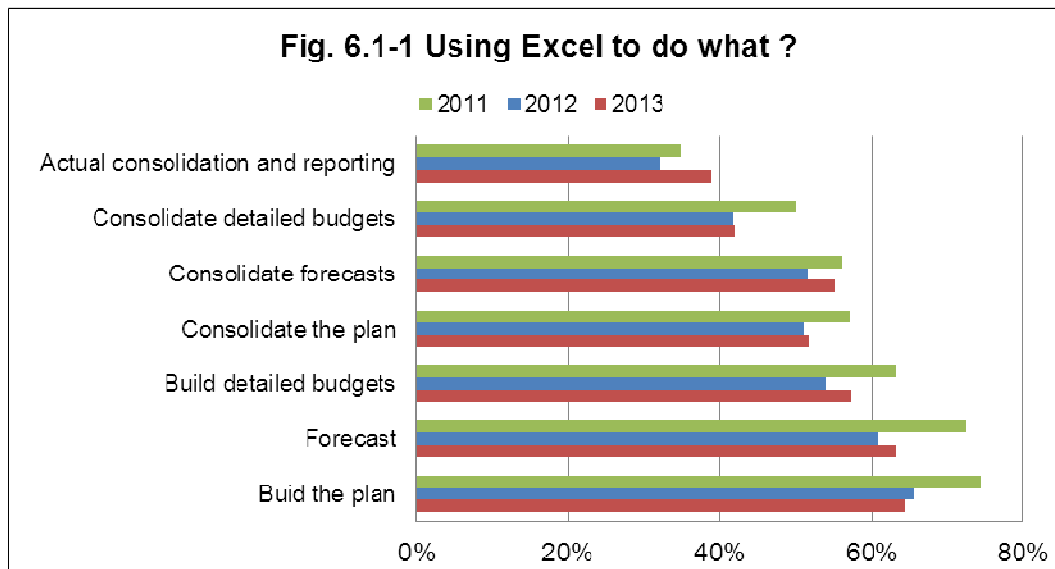
Which begs the question: has this trend remained or even accelerated this year ? Are FD's and Financial Controllers still introducing new value-adding tools this year ?

1. Excel still widely used

As illustrated by figure 6.1.1 hereafter, Financial Controllers are still prone to develop predictive indicators and for this they use predominantly Excel : 63% of them to build up their forecasts, 57% for budgeting and 52% for consolidating.

Most software packages sold by ERP or BI vendors offer excel plug-ins as a standard feature. Whether the solution is hosted on the customer premises or in the Cloud, purchased and installed in house or as a SaaS (Software as a Service), excel is used as the front end tool enabling data extraction, calculation, trending and graphing ...

Since it is so widely used and mastered by Finance users, it remains the main tool used to pull, organize and present data by Financial Controllers : 39% up from 32% of our panelists in 2012.



2. Regional differences

In our 2012 edition, we had witnessed some regional differences in the use of budgeting, reporting and consolidation tools.

This year, the most commonly used tools for reporting and consolidation still are ERP's (21%), consolidation tools (20%) and multi-dimensional tools (10%).

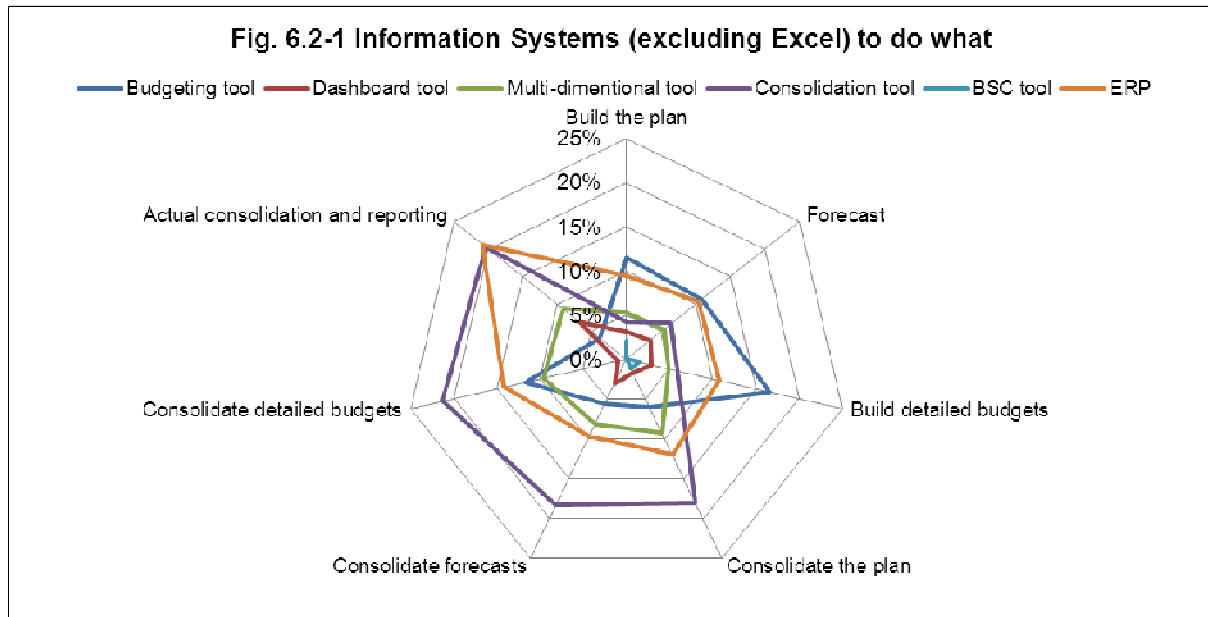
It seems Asia Pacific and US respondents are heavier users of ERP solutions for their consolidated reporting than Europeans: 18%, 8% and 4% respectively.

On the other hand, budgeting tools seems to be predominantly favoured by American and European respondents to increase their efficiency and accuracy, 8% and 7% respectively.

Finally, contrary to our 2012 observation, the use of BSC tools is declining amongst our respondents.

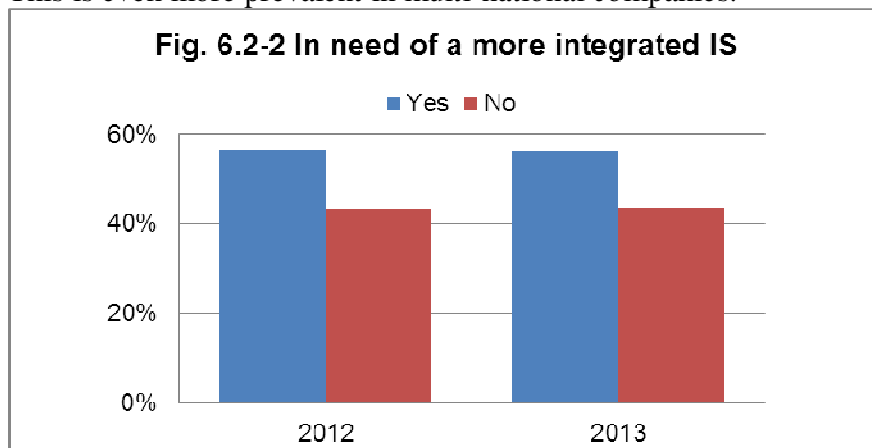
This is in line with the declining interest for the BSC method discussed in the "Methods" chapter.

We will re-assess the above conclusions in next year's edition.



*The growing diversity in Information Systems used is however counter-balanced by the desire to work off an integrated Management Information System, as illustrated in fig. 6.2-2 below.

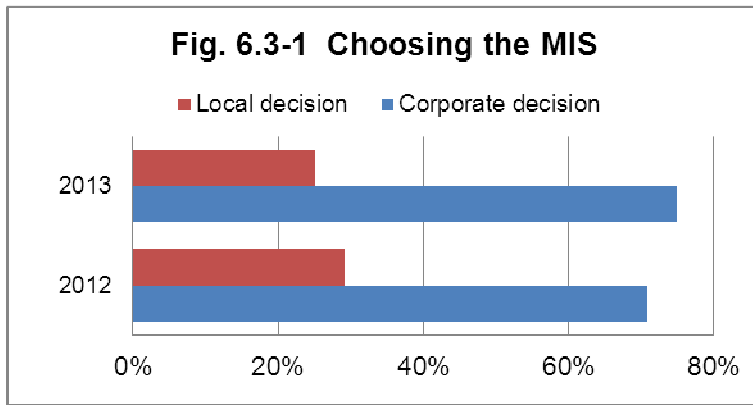
This is even more prevalent in multi-national companies.



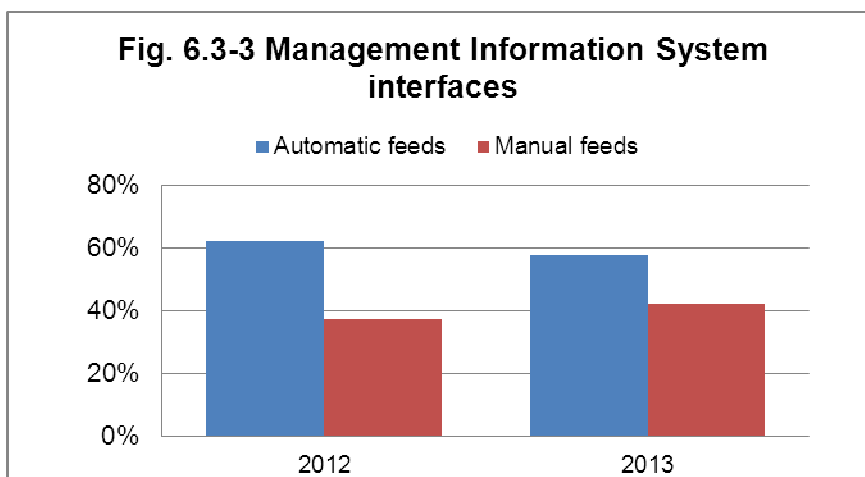
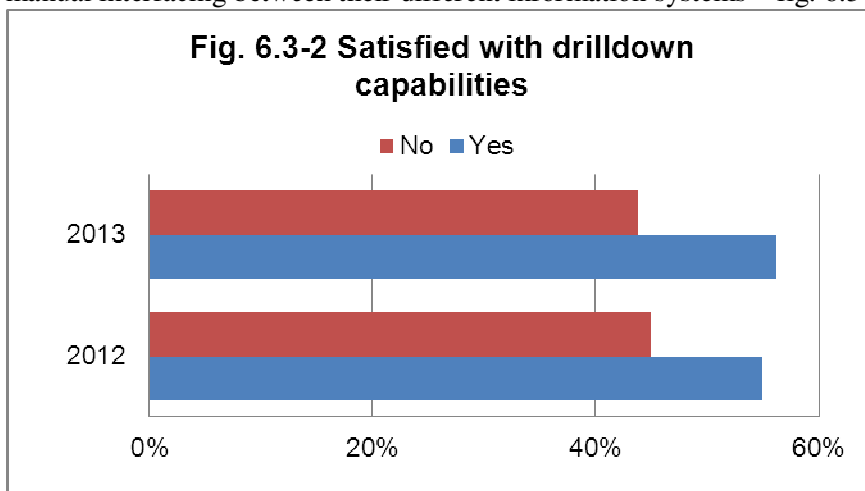
3. Constant support for decision making

In an ever more complex and integrated Information System, the FC is in constant need of fast-produced information, in order to support quick decision making.

However within subsidiaries of MNC's, he hardly has a say in the choice of General Accounting, Management Accounting, Forecasting and Consolidation systems, as illustrated by fig. 6.3-1 hereafter: over 75 % of respondents are following Group directives, most probably for reasons of system harmonisation and economies of scale achieved through a unified MIS.



In this context, 44% of our respondents still admit the need for more integrated tools, and 42% confess manual interfacing between their different information systems – fig. 6.3-2 and 6.3-3 hereafter.



To summarise, a certain frustration seems to emerge : most respondents have no say in the choice, and even in the design of information systems. Most of them are dealing with non integrated systems piled over time on an ad hoc basis. In turn these heterogenous systems

drive the need for interfacing, often manual, which are costly in resource and detrimental to time spent on analysis and recommendation.

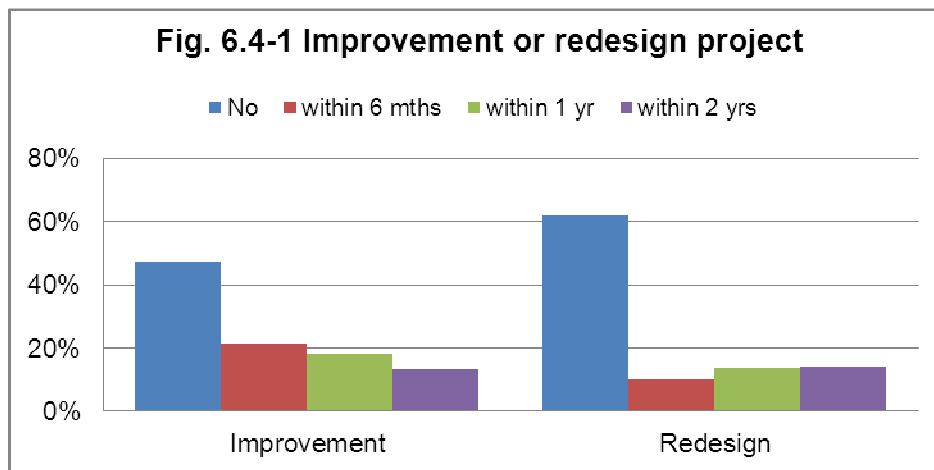
Then are we going to witness a surge in the number of IS redesign projects in the year ahead ?

4. No transformation without redesigning

Figure 6.4-1 below presents our respondents' answers to the existence (or not) of an IS redesign project within a 6 month, 1 year or 2 year window.

The answer is crystal clear: 47 and 62% claim their company has no redesign or improvement project for their Management Information System, whilst 13 and 14 % are forecast to undertake such projects within 2 years.

This is an overwhelming majority of our respondents who having admitted their dissatisfaction with their current Information System, see no light at the end of the tunnel.



5. A lasting contradiction

In an increasingly complex and competitive business environment, where the right information, allowing real-time adequate decisions, is a necessity, there is a contradiction in not upgrading your Management Information System.

In most companies today the information itself is becoming either a “product” that can be monetised, or a value-adding lever. Technologies developed around Hadoop try to identify patterns in the wealth of customer data available in most companies, and it is becoming the FC’s role to not only explain past but predict future performance : What has happened ? Why has it happened ? But more importantly what will happen next are today’s questions for the FC.

This can only be achieved by leveraging a Management Information System that moves away from backward into forward looking, predicting trends and events affecting the company's environment (market, clients, competitors ...). This is the new mantra for BI software editors who operate on a 79 billion USD market, a market poised to double between 2012 and 2016.

Then, what are we waiting for ? When will the FC get the investment he needs to fund the implementation of the tools he needs to run the digital enterprise of the future ?

To conclude, let's highlight three best practices that might help the FC getting on the front foot for these projects :

- Design and implement Management Information System transformation projects using agile and iterative processes (Agile and Scrum methodologies), which enable to lay the foundation for the MIS and then develop its components gradually.
- Constantly demonstrate the added-value of the project, before, during and after implementation.
- The FC needs to be in the driving seat for these projects, in order to influence the choices, in the best interest of his clients.

VII. EFFICIENCY PROFILE OF PERFORMANCE MANAGEMENT PRACTICES AND THEIR EVOLUTION

We have defined eight efficiency dimensions for performance management practices, namely agility, innovation, completeness, participation, transparency, continuous improvement, strategic vision, and suitable organization.

From open efficiency to efficiency in crisis mode

In 2012, we started surveying the efficiency of performance management across five dimensions. For a better understanding of performance management impact on the economic environment of the company, we added three new dimensions in 2013 : continuous improvement, strategic vision, and suitable organization.

We believe these eight dimensions provide an even more comprehensive view of what constitutes smart performance management practices.

AGILITY: to eliminate the rigidity of performance management practices, one should make them more agile. We measure the agility with questions on the length of processes, the cadence and nature of forecasting, reporting deadlines, the application of efficient methodology and the information system flexibility.

INNOVATION: another dimension of efficiency is to shake the process routine with innovation. We measure the innovation with questions on the content of performance management activities, the amount of technology used, the type of information systems used and their maturity.

COMPLETENESS: is the dimension measuring the expansion of performance management beyond pure financial measurement. We have surveyed the business areas covered by performance management, the use of non-financial indicators, and the application of multi-domains methodology such as BSC.

PARTICIPATION: Smartness and efficiency of practices are here studied through the prism of authoritarian and hierarchical management versus participative management. We have asked questions around the level of managers' involvement in processes, the priority given to energy mobilization in forecasting exercises and the collaborative aspect of information systems.

TRANSPARENCY: this dimension is measured with questions around sharing performance between peers, the use of benchmarking techniques and the openness of information systems..

CONTINUOUS IMPROVEMENT: continuous improvement is the ongoing effort to improve a company processes. We have surveyed the intention to improve processes, from a cadence and content point of view.

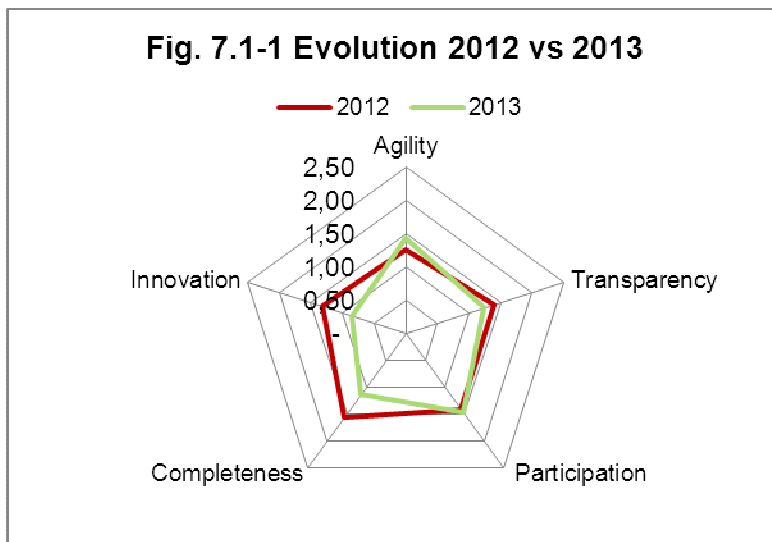
STRATEGIC VISION: we have surveyed this dimension through the company through the existence of a strategic plan, the accuracy of forecasting processes and the long term vision displayed by a company.

SUITABLE ORGANIZATION: The efficient company supported by an appropriate organization. We measure this dimension through the existence of a basic set of indicators, integrated management systems, the leeway left to management and the use of up to date tools.

It is the combination of these 8 dimensions that provides the efficiency profile of performance management for a given company.

1. Evolution 2012 to 2013 : Towards more agility and less openness

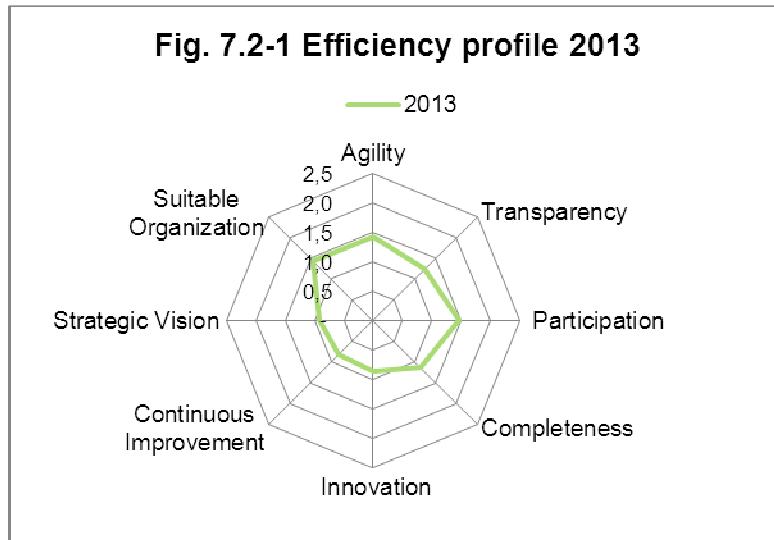
To ensure consistency between 2013 and 2012 surveys, we have compared the average efficiency score obtained against the original five dimensions.



The efficiency profile shown in Fig. 7.1-1 has decreased significantly in 2013. All dimensions display lower scores than in 2012, with the exception of agility. What could look like a shift towards more inner-focused and conservative management practices is probably the consequence of a cautious attitude in the current cyclical and difficult environment.

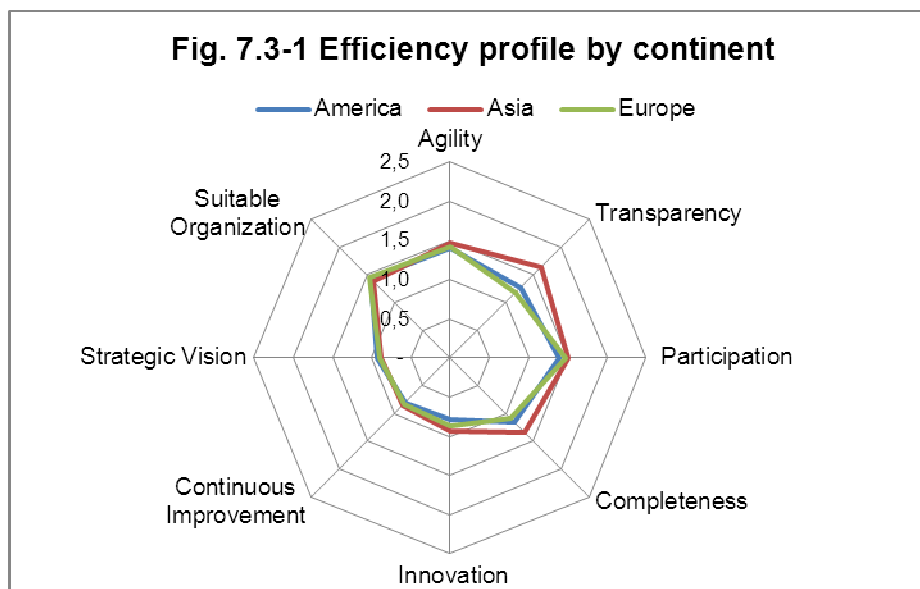
2. Overall efficiency profile 2013

The efficiency profile has been enhanced this year with three additional dimensions : suitable organization, strategic vision, and continuous improvement. The overall efficiency profile across these 8 dimensions looks as follows.



The efficiency of respondent companies is based on primarily agile and transparent practices as well as a suitable organization. By contrast, innovation, continuous improvement and strategic vision constitute their weak points.

3. Efficiency by continent



There seem to be a cultural bias in performance management practices, as illustrated in Fig. 7.3-1 above. In Asia, practices appear particularly transparent, global but also a bit more innovative than in Europe and in the US.

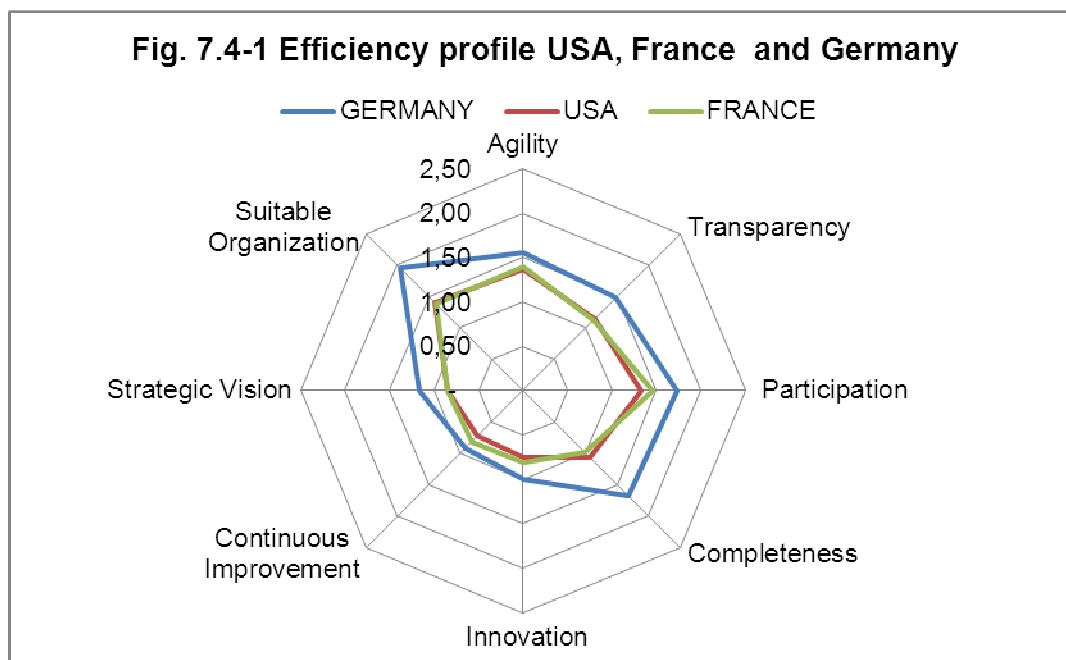
The greater transparency of management practices in Asia is probably due to the implementation of the most up to date managerial principles , such as transparent practices, in order to support growth.

Practices across America and Europe appear fairly aligned across all dimensions of our efficiency profile. America is a little more transparent and global whilst Europe is more agile and innovative.

In summary, prominent dimensions are :

- For Asia: Completeness, Innovation, Transparency.
- Across all three : Agility, Suitable Organization, Continuous Improvement.

4. Efficiency profile USA, France and Germany

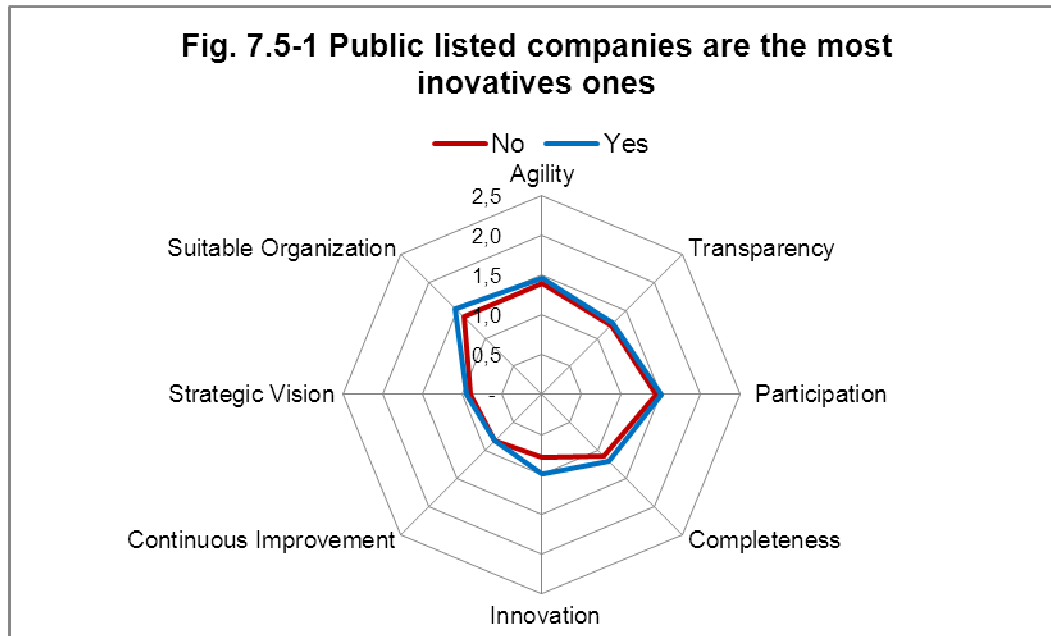


Germany is characterised by performance management practices particularly transparent, complete, and supported by a suitable organization.

- Duration of process and frequency of analysis / rather than short indicators.
- Satisfactory involvement of operational staff.
- Satisfaction with their IT and the use of multiple indicators to build their forecast.
- A strategic vision of their activity.

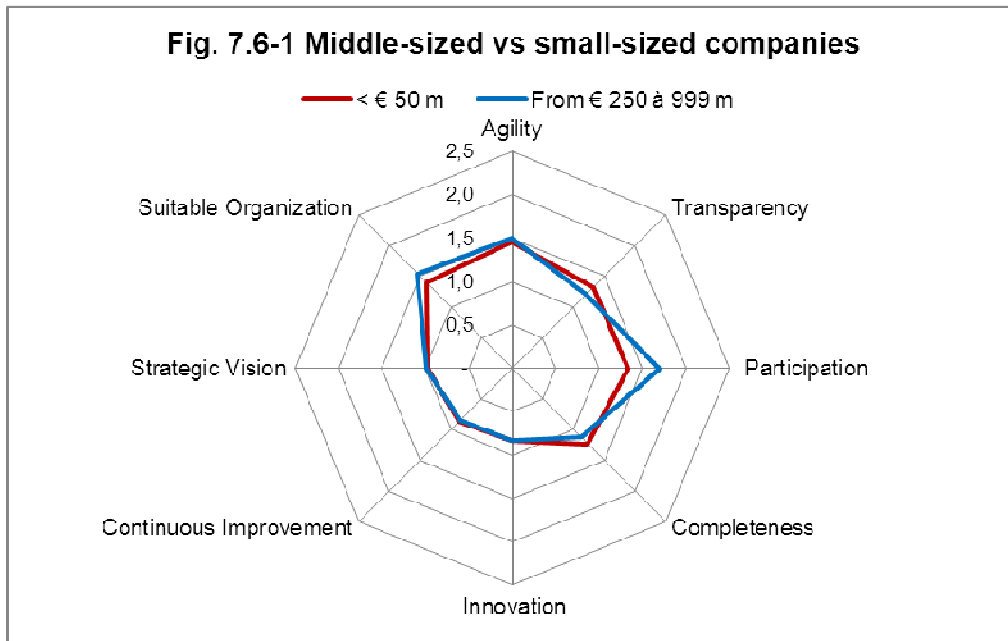
Practices in France and in the US are very close on all dimensions and way below Germany.

5. Publicly listed companies are the most innovative ones



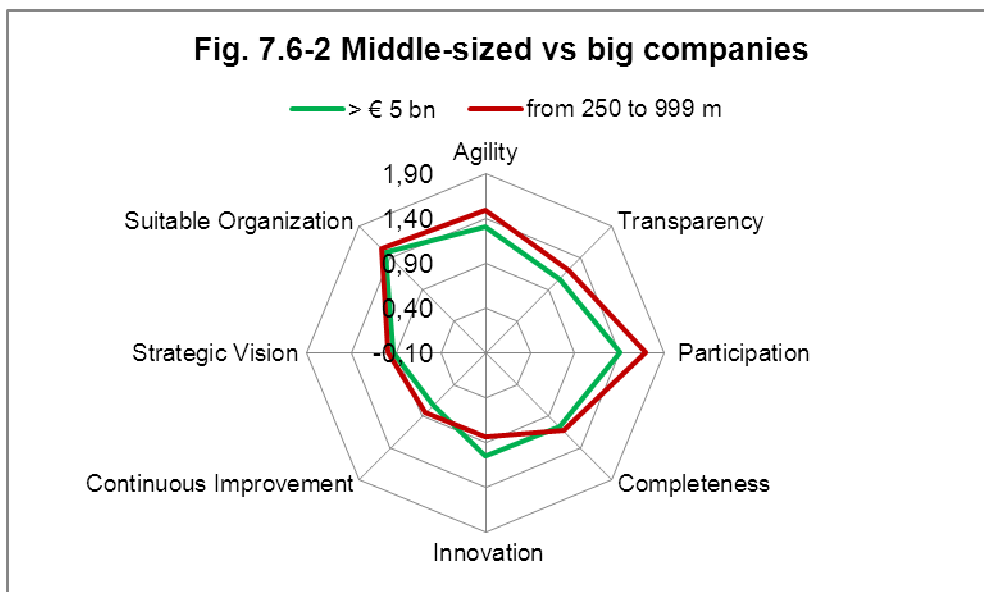
As in 2012, publicly listed companies are developing the most innovative management controlling practices. This is probably fostered by stringent financial communication requirements for the market. Permanent benchmarking of current practices, the introduction of tighter reporting deadlines and the search for operational excellence and an optimal organization constitute common features to these companies.

6. Mid-size companies are the most participative ones



The efficiency profile of performance management practices for mid-size and small-size companies are comparable across agility, innovation, continuous improvement and strategic vision. However, mid-size companies display more collaborative practices and a higher score on the suitable organization dimension. They have been successful in implementing a more structured organization and in involving operational staff in their current controlling practices.

In our 2013 edition, the gap between these two profiles is narrower than in 2012. Small-size companies are displaying a degree of transparency and completeness comparable to mid-size companies. Could one conclude that practices are diffusing from mid-size to small companies?



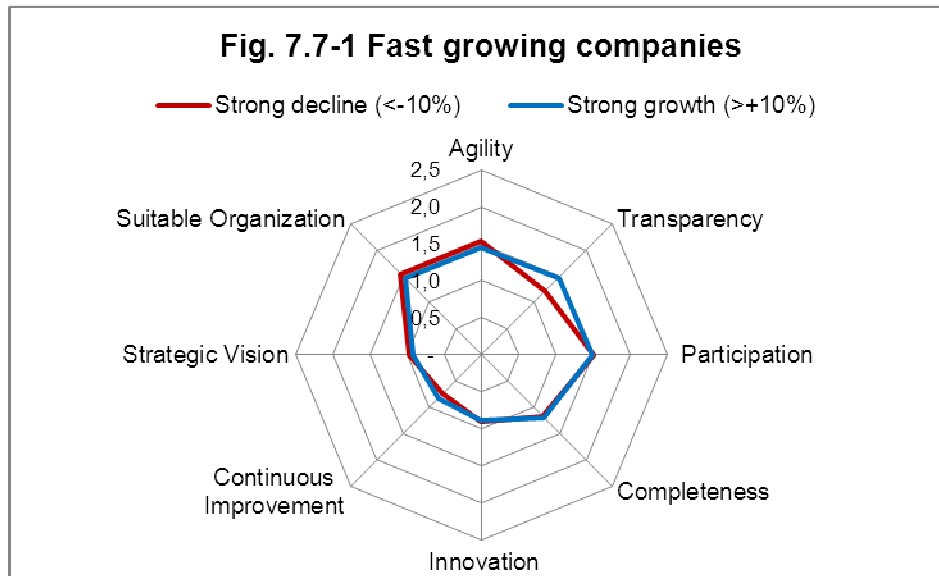
In line with 2012, the profile for mid-size companies is more collaborative, transparent and agile than that of large companies. The latter appear more innovative but less transparent compared to 2012. This could become a challenge for them in the coming years.

Company profiles

This leads us to the following taxonomy based on the company size :

	Strengths	Weaknesses
Large companies	They are being innovative . They constantly look for better performing tools and systems (e.g. ERP system, ...)	Transparency and agility Their internal systems are more complex and rigid. They don't benchmark themselves easily against peers.
Mid-size companies	Participation Mid-size companies have a very distinct feature : they are heavily involving operational staff into their performance management practices.	Transparency & Continuous Improvement They don't benchmark themselves easily against peers. They are not evolving their processes significantly.
Small companies	Completeness & Transparency	Suitable Organization & Participation Small-size companies are not investing enough in basic management performance tools and process improvements.

7. Fast-growing companies are developping the most efficient practices

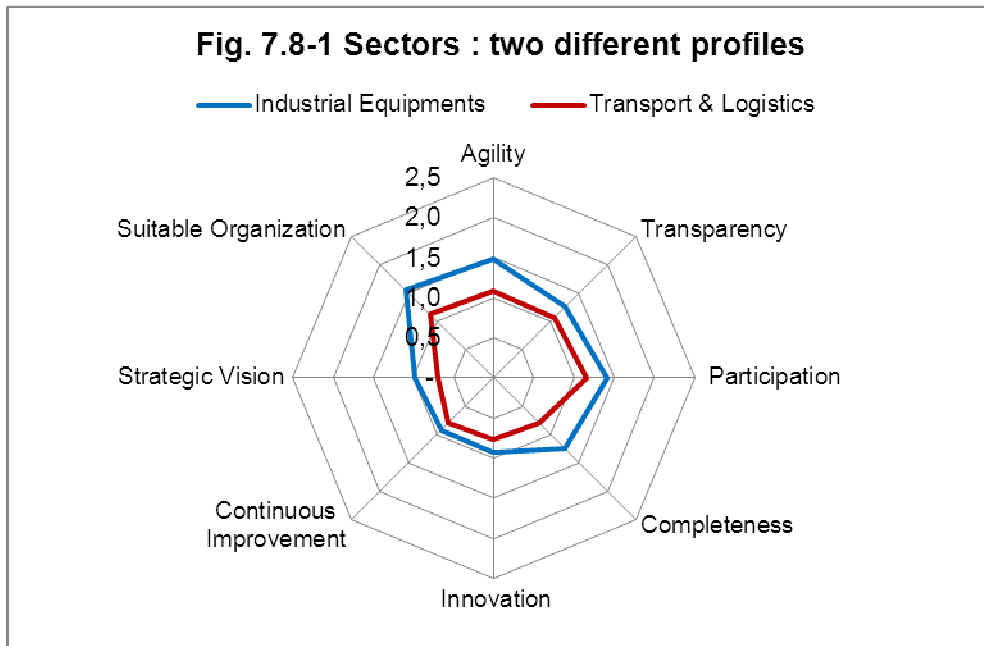


Fast-growing companies but also declining companies (however strange it may appear) are displaying the most efficient performance management practices. At the opposite end of the growth scale (< - 10% and > + 10%) these companies share a common objective, keeping or regaining a significant growth rate, which in turn drives a common approach, implementing the most efficient management control practices.

Fast-growing companies are acting transparently, aiming at constant improvement of their practices. At the other end of the spectrum, companies experiencing a sharp revenue decline are trying to increase their agility and the number of key indicators they use.

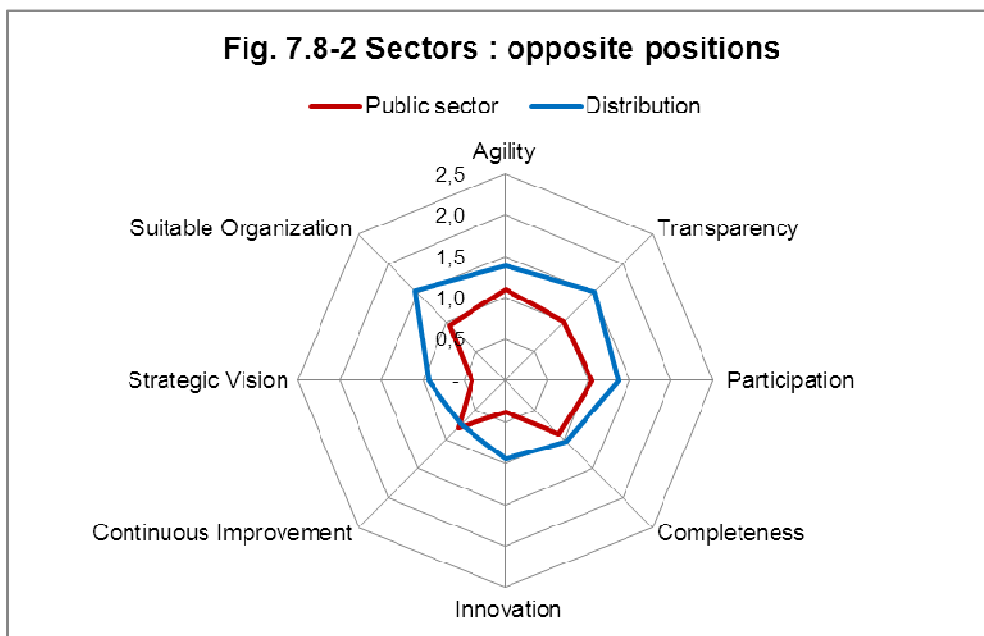
Declining companies are strengthening the control over their activities, while fast-growing companies are trying to optimize further their management control organization.

8. *Efficiency by industry sector*



Of the eight dimensions, performance management practices of the industrial equipment sector are much more efficient than those of transport and logistics sector.

The gap between the two profiles is even more significant when it comes to the number of key indicators used for forecasting purposes (suitable organization) and their diversity (completeness).



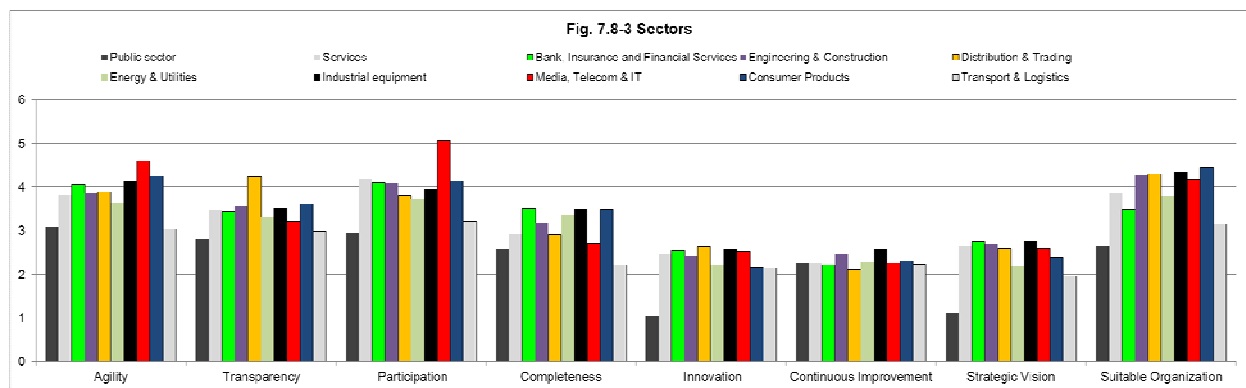
As in our 2012 survey, we have compared Retail and Public Sector practices, the results are similar to last year : the most efficient practices are to be observed in the retail sector, the least efficient in the public sector.

Driven by increased competition and tougher customer requirements some key practices have considerably evolved: tighter reporting frequency and deadlines, transparency, agility and innovation are now more key than ever.

However, it is to be noted that the public sector has improved its relative position on the continuous improvement dimension and is showing significant progress in the introduction of efficient practices.

By industry sector, salient characteristics are :

- The media, telco and IT sectors are highly participative and agile;
- The retail sector shows great transparency and benchmarking against peers;
- The industrial equipment sector is particularly strong on the continuous improvement, suitable organization and completeness dimensions;
- The public sector is particularly weak in both strategic vision and innovation.



VIII. TOWARDS A TYPOLOGY OF CONTROLLING PRACTICES

The most important points to remember:

- . The organizations able to resist to the economic recession use the right management tools and make sure they meet the needs of the market.
- . The most performing firms tend to keep and reinforce their controlling activities while the companies in trouble try to adopt new management tools that they were not using until now.
- . There is a reduction of the gap between the firms that perform well and the firms that suffer from the economic and financial crisis.

1. Description of the methodology

To conclude our investigation, we conducted like previous years a typological analysis on the surveyed population. From a statistical point of view, we selected the same procedure (TWOSTEP CLUSTER), a classification tool which leads to identify natural groups within a set of qualitative data.

Like in 2011 and 2012, this typological analysis enables us to highlight four typical organization profiles according to the characteristics of the companies we got in touch with, the activities of finance – control function or the processes, methodologies and management systems that are used. Then the readers will have the possibility of placing their company in one of the classes so identified.

Of course, these are only models showing the limits of this analysis, for which qualified features are needed. So most organizations we approached do not fully fit in one of those categories but approach them or oscillate probably between the one and the other. Nevertheless, this method is interesting because it gives a rather synthetic vision of management control practices according to the participating countries and enables us to compare to the typology we achieved in 2011 and 2012³.

³ See DOCHE F. & al. (2011), "International Observatory of Management Control - Results 2011 – What activities? What processes? What methodologies? What systems ?", *Echanges Review*, Special issue, number 4, Decembre and DOCHE F. & al. (2012), "Towards a typology of controlling practices", *International Observatory Management Control 2012*, IAFEI Quarterly (*The electronic professional journal of IAFEI*), Special Issue Management Control, December, 19.

The 2013 typology can be compared to our previous typologies in some aspects. More compact and “readable” than in 2011 – from this point of view, the 2013 typology looks like our analysis in 2012 – it highlights however two classes very close to those ones that had appeared two years ago. Nevertheless, and like last year, all the classes we obtained are more homogeneous even if they seem to be less discriminated. Contrary to 2012 data – there was a great difference between performing companies and firms in trouble – 2013 data show a reduction of the gaps: if the healthy firms are always successful, those who were before in a more unstable position probably get better now. In fact, both criteria help companies to improve or maintain their situation: their ability to use the right management tools and their capacity to meet the market’s needs.

Four profiles are clearly indentified: “the Experts” (27%), “the Participative firms” (19%), “the Controlled firms” (40%) and “the Pragmatic firms” (14%). And when it was possible, we have pointed out similarities between these four classes and the classes we already had analysed in our previous surveys.

In 2011 : “the Traditional companies” (53%), “the Dynamic companies” (13%), “the Democratic companies” (10%), “the Controlled companies” (13%) and “the International companies” (11%).

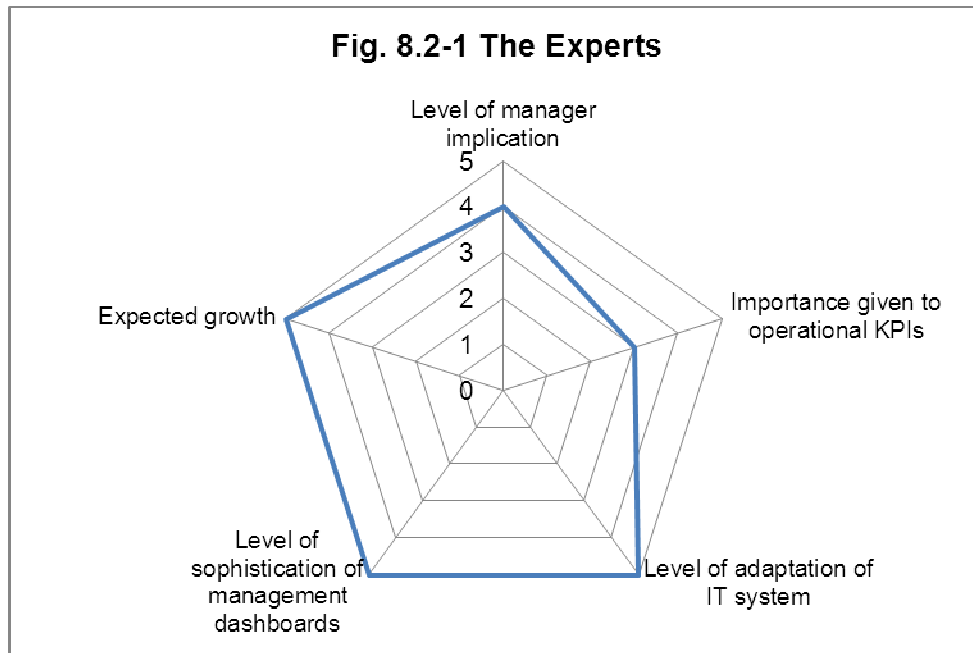
In 2012 : “the social companies” (13%), “the controlled companies” (31%), “the dynamic companies” (35%) and “the companies in trouble” (21%).

2. Description of the different classes⁴

Class #1 – « The EXPERTS » (27%)

In the « Experts » class, the finance function has high technical skills, proposing the more advanced tools to the operational teams: the Balanced Scorecard or internal/external benchmarks are largely used. Moreover, the implication of the finance function in the management of the company is strong. Not only operational managers are involved in the prospective exercises, but in business reviews and recurring strategic plans allowing the financial teams to have a good vision of the business. The culture of financial figures is widely spread.

⁴ Refer to the synthetic boards in appendice.



Main profile: large company, internationalised and growing...

Class #1 is mainly represented by very large firms, with a turn-over topping 5 billion € and up to 25 000 employees. Specialised in manufacturing equipment and other services, these organizations have diverse origins (Europe, USA, Mexico...) and resist strongly to the crisis since their activities are growing from slightly to strongly. Internationalised, these companies take advantage of their opening to the world, with a revenue growth achieved abroad.

Attributes of the finance function: a strong expertise, part of the DNA of the group...

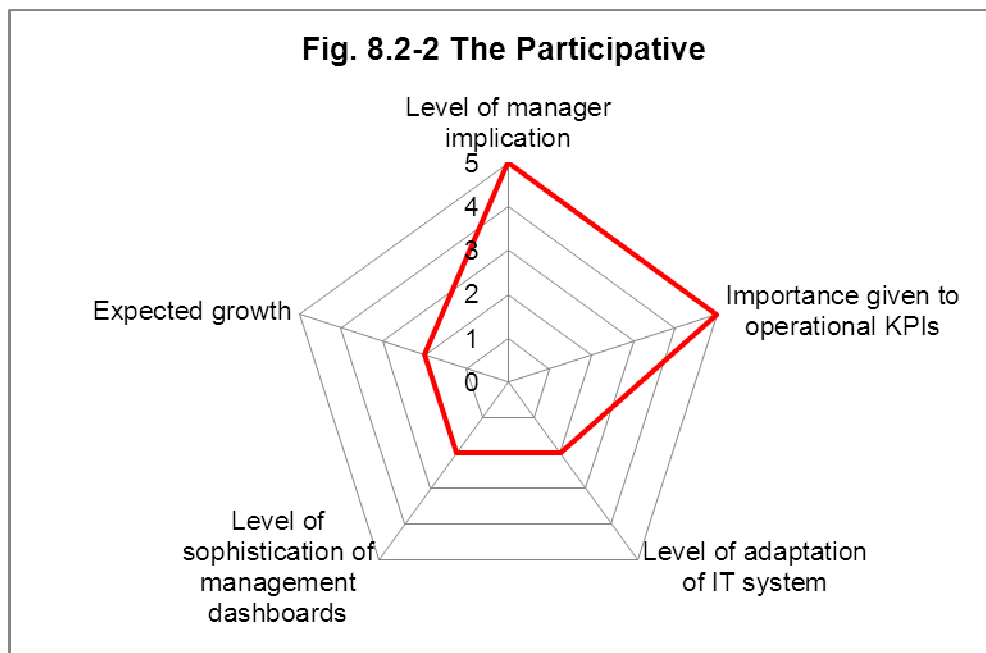
In term of process, this class dedicates most of its time to liaising with operational teams and monitoring the different prospective tools (business review, plans and budgets, reporting and estimate). The main developing activities are the business reviews and the gap analyses. The financial indicators are the more used ones but we can observe that operational indicators are regularly followed. In this class, the implication of managers in the different prospective exercises is quite strong, except for the strategic plan for which their implication is medium. This leads to a real capacity of adaption: in this class the budget process is the shortest (3 months on average) and these companies are able to refresh their budget 6 to 7 times a year.

In term of methodology, as we have seen, the BSC is largely used alongside internal and external benchmarks. Meanwhile, the different indicators are frequently produced thanks to

specific and non-integrated tools that seem to be well adapted to the finance function needs. In accordance with part 7 of this study, the efficiency profile of this class would be both « AGILE » and « INNOVATING ».

Class #2 – « The PARTICIPATIVE FIRMS » (19%)

The « **Participative** » class is mainly defined by a bottom-up approach with a close collaboration between the finance function and the operational teams both in terms of time spent and manager implication in the prospective exercises. The HR and operational indicators are the most important to this class. The internal benchmarking is scarcely used, enhancing the fact that the human dimension is crucial and that the finance is particularly expected on its capacity to focus on qualitative aspects.



Main profile: mid-size companies, European and with a weak growth...

The class #2 mainly comprises of mid-size firms, with a revenue between 50 million to 1 billion € and between 1 000 and 5 000 employees. Specialised in manufacturing equipment, media, telecom and IT, these organisation are mainly European and still impacted by the crisis (**no growth or a limited one**) on their domestic market as well as abroad.

Attributes of the finance function: priority to a participative approach ...

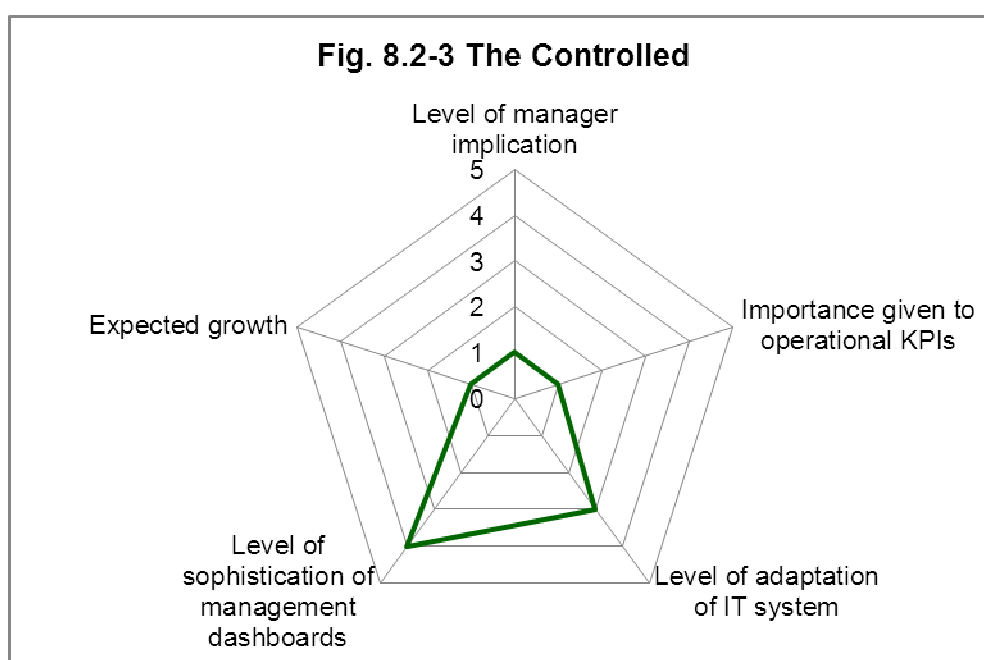
In class #2, the finance function spends most of its time on estimates, on coordinating with the operational teams, on the analytical accounting, on the IT system and on internal control. The

time spent on the latter plus the reports, plans and budget is increasing. However, it is surprising to note that business reviews are hardly used. The indicators that are used to report the group's activity, are operational or HR: the human dimension is clearly taken into account when compared to the other classes.

In terms of process, methodology and IT system, class #2 practices are “classic”: use of budget and estimate, strategic and operational plans generally on a yearly basis; monthly budget follow-up and quarterly estimate. Limited for the strategic plan, the manager's implication is high in the operational plan, the budget and the estimates (which are very specific to this class), hence the name given to this class. These firms who refuse the internal benchmark use the ABC/ABM approach or the Beyond Budgeting one. Even if it is mainly integrated, the IT system seems to be less adapted to the finance function requirement, compared to other classes, this may come from the difficulty to monitor non financial indicators in an ERP. The efficiency profile of this class would be both « PARTICIPATIVE » and « COMPLETE ».

Class #3 – « THE CONTROLLED FIRMS » (40%)

It is in the class #3 that the finance department, by focusing on reporting, plan and budget, is the least involved in the operational management. At the same time managers do not take part in the forecasting activities. The slow growing companies belonging to this class might be penalized by this “top down” approach and the lack of involvement of the finance function.



Main profile: small-sized companies and firms in trouble...

Amounting to 40% of our sample, the class #3 is composed of small-size companies (in comparison with the other classes), whose revenue and employee number does not exceed 249 million € and 999 respectively. Specialized in other services, industrial equipment and consumer goods, these organizations of various origins (Europe and Asia) are those that, within the sample, resisted least to the current crisis (no growth for the majority of them). Furthermore they have not benefited from overseas growth with their international sales also stagnating.

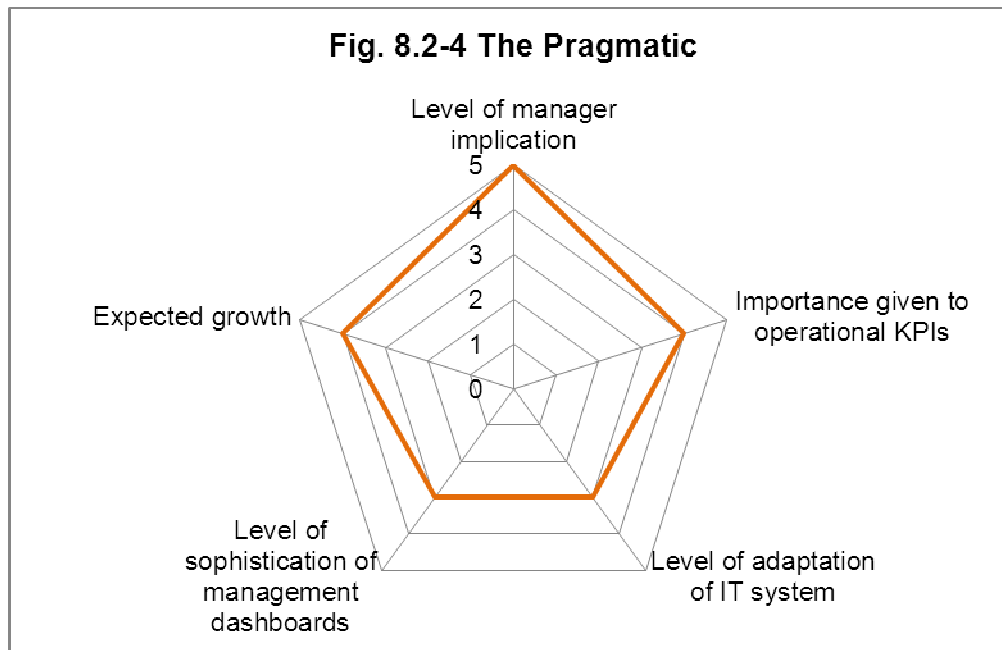
Characteristic of the finance function: focus on controlling and reporting...

In the class #3, the finance function devotes most of its time to reporting, which means that planning is not a priority. Variance analysis, mobilization of operational managers, forecasts and forecasts updates are the three core activities, considered essential in facing their present difficulties. The other activities in which our respondents are involved are the identification and implementation of new systems of management control, calculation and updating of accruals and management control of project. In this category where control over operations is crucial, with an emphasis on cash reporting more than anywhere else, the indicators used are mainly financial.

In terms of process, methodology and systems, business practices of the class #3 may be considered as “rigid”, neither prospective nor innovative: focus on monthly or quarterly budget, strategic and operational plans whose frequency is generally greater than one year, monthly and quarterly forecasts, very low managers’ involvement in the strategic and operational plan, budget and forecasts (which characterizes the members of this class... vertical coordination being probably essentially instrumental); predominance of financial indicators in the overall management process. The companies of this class in which the reporting is one of the main control tool (and it will remain so in the future) do use internal benchmarking, ABC and even ABM. To build up the plan, the budget and forecasts, they use traditional tools such as spreadsheet or budgeting tool. For the reporting, they use traditional tools and ERP’s. Respondents tell us that their information system is not always adequate.

Class #4 – « THE PRAGMATIC FIRMS » (14%)

The “Pragmatic” have many in common with the “Participative” class, both in the prominence of operational indicators and in the strong involvement of managers in forward-looking exercises. Where they differ is in the use of business reviews and internal benchmarks and in the fact that they have information system well taylored to these exercices. These practices ar essential in supporting the growth of their activity.



Main profile: growing mid-size or large-size companies...

As for class #1 and #2, the class #4 is composed of medium-size to large-size companies whose rvenue ranges from 250 to 999 million € and staff between 5,000 and 24,999 employees. Rather less diversified than the other classes, this group includes predominantly utilities and financial services firms; from various parts of the world (Europe, Asia). Contrary to the previous class, they tend to weather the crisis quite well (even showing a slight increase in business) probably owing to their international activities.

Attributes of the finance function: priority to operational activity ...

In the class #4, the finance function devotes most of its time to forecasts, forecasts updates, plans and budgets, business reviews and variance analysis. Other activities in which our respondents are involved are the identification and the implementation of new systems of management control, transfer pricing, calculation and updating of accruals. In this category, the indicators used in monitoring activity are financial and especially operational.

Regarding processes, methodologies and systems, the business practices of class #4 companies are resolutely market-oriented.

Main features of these companies are : a budget that is considered essential (the process ranges from 5 to 6 months); a strategic and an operational plan whose frequency is mostly annual; monthly and quarterly forecasts; a strong involvement of managers both in the strategic plan, in forecasts and in the budget (which could explain the length of the process). Other features include : managers involved in the management system both upstream and downstream; a vertical and horizontal coordination; a skillful combination of balanced distribution of financial and operational indicators for the activity monitoring. These companies, in which the reporting is important without turning to an obsession, also use internal and external benchmarking, ABC and BBZ. As for the plan, budget, forecasts and reporting, they use traditional tools such as the spreadsheet or more sophisticated tools such as an ERP. The information system is adequate, and the respondents are involved in its improvement.

The efficiency profile of this class would rather be **INNOVATIVE and PARTICIPATIVE**.

3. Focus on similar and diverging elements

Beyond a description that is specific to each class, the 2013 typology shows some marked or discriminative families. However we can observe common characteristics whatever the class, the organization or even the geographical area.

Resistance to the economic crisis...

As in 2012, all the firms experienced different consequences to the economic downturn : whilst the firms from class #1 and #4 (« the Experts » and « the Pragmatic ») seem to resist (small to high revenue increase), the class #2 (« the Participative ») and above all the class #3 (« the Controlled ») tend to suffer more from the crisis. Indeed, the latter have not managed to offset their weak activity in Western countries with results from their international operations.

It is not possible to determine whether the size of the company or the business sector determine the capacity to weather the crisis (even if class #2 and #3 are mainly made of small to medium-size companies). However we have noticed that, as in 2012, the more dynamic firms are both the more proactive (estimates and re-estimates, business reviews, upstream involvement of the managers) and the more “globalised” (extensive use of both financial and operational indicators, suitable management tools).

One immediate consequence of the recurring crisis is the development of a consensus concerning **the need to increase the frequency of the reports and their importance to drive the companies**. This phenomenon is common to the different classes. It may come from market uncertainties that require an enhanced capacity to rapidly adapt its offer and to frequently inform the various stakeholders (the shareholders in particular). This desire to increase the analysis frequency was already observed in 2012.

Analysis sophistication: budget is central & BSC requires a real expertise...

Even if it is regularly disregarded, the budget remains the central management tool: part of the strategic process, whether seasoned or not, it is the key management tool for the finance function, even if the degree of staff involvement (managers and operational teams) is fluctuating from one class to another. Therefore, the benefits of keeping the budget (it structures the organization, gives clear targets and deadlines and empowers the managers) outweigh its drawbacks (heavy process and so on...).

However, **the different classes do not all use the same management tools**: the benchmark is either widely developed (class #1) or almost non existent (class #2). As in 2012, the “new” tools of the finance function (BSC, ABC/ABM and BBZ) tend to get more and more adopted, whatever the class. But the BSC used by every class in 2012 seems to be specific to the “Expert” class. Does it prove that most firms came back to a more traditional process, after having tried to innovate in 2012?

The fact that class #1 companies are the most satisfied with their IT systems shows that the **BSC requires specific IT capacities**.

Managers’ involvement and finance function...

As we have outlined in our previous studies, the degree of staff involvement in the process is heterogeneous among the different categories. Whilst the managers are fully included in the strategic plans for the class #4 firms (and it seems to work!), this implication is medium for the class #1 and #2 and almost non existent for the “Controlled” class. Similarly, managers’ involvement in the operational plans and the budget is key for class #2 firms (which is consistent with their social dimension!), strong for class #1, but medium for class #4 and non existent for class #3. Last, the managers are included in the forecast exercises in class #1 and #4, but not in the other two classes.

Depending on the class, the operational stakeholders are included at various level in the management process and it directly impacts the revenue growth. What seems to work best is

when the operational teams are fully embedded in the construction of the strategic plans and estimates. At the other end, the “Controlled”, where a real distance between the finance function and the operational teams prevails, are under performing.

Evolution of the finance function: the need for transformation...

Overall, the activities in which the finance function devotes most of its time are similar for all four classes : plans, budgets and internal reporting. The four families are also heavily involved in the identification and the implementation of new systems of management control; with companies looking eager to adapt their management tools to economic uncertainties and to deal with more qualitative aspects, these are trends already observed in 2010, 2011 and 2012.

To adjust their control system to current economic difficulties, companies in trouble expect in the near future to implement or to strengthen monitoring systems they do not necessarily control today. So, whilst classes #1 and #4, that are growing, want to strengthen their current processes, the finance function of classes #2 and #3, that are not growing, develop new activities: internal control, reporting, plan and budget in class #2; variance analysis, managers’ mobilization, forecasts and forecast updates in class #3. It is however surprising to note that classes #2 and #3 do not try to implement business reviews, plans and budget for class #2, managers’ mobilization and business review for class #3.

Common points between 2012 typology and 2013 typology

Finally, we would like to point out some similarities between the 2012 typology of class and the 2013 one. We have identified five of them : level of growth, managers’ involvement, adaptation of the information system, use of non financial indicators and sophistication of management tools. The “participative firms” are close to the “social companies” except when it comes to growth and information system adaptation. The “2013 controlled firms” look strongly similar to the “2012 controlled firms”, growth excluded

Likewise we the "Experts" and the "2013 Dynamic firms" are close to the “Experts” or “Dynamic firms" of 2012 for these 5 dimensions of analysis.

We think these similarities are a reflection of the year over year consistency of our company profiling, and we note that some practices seem to have a positive impact on profitability and business growth.

Companies' profiles

	Class #1 (27%) "The EXPERTS"	Class #2 (19%) "The PARTICIPATIVE FIRMS"	Class #3 (40%) "The CONTROLLED FIRMS"	Class #4 (14%) "The PRAGMATIC FIRMS"
Revenue	From 250 million to 5 billion € Large firms	From 50 million to 999 million € Medium-sized companies	From 50 to 249 million € Small companies	From 250 to 999 million € From medium-sized companies to large firms
Revenue evolution	From weak growth to strong growth	From zero-growth to weak growth	Zero-growth	Weak growth
Staff	From 1,000 to 24,999 employees	From 1,000 to 4,999 employees	From 0 to 999 employees	From 5,000 to 24,999 employees
Activity sector	Industrial equipment Other services	Industrial equipment Media, telecom and IT	Other services Consumer goods Industrial equipment	Energy, water, environment Bark, insurance and financial services
Geographical area	Europe (Germany), United States Mexico	Europe (France)	Europe (France), China	Europe (France), Asia
Revenue evolution abroad	From weak growth to strong growth	From zero-growth to weak growth	Zero-growth	Weak growth

Activities of finance and management control function (1)

	Class #1 (27%) "The EXPERTS"	Class #2 (19%) "The PARTICIPATIVE FIRMS"	Class #3 (40%) "The CONTROLLED FIRMS"	Class #4 (14%) "The PRAGMATIC FIRMS"
Activities to which management control function devotes most time	Managers' mobilization Business review Plan and budget Reporting and forecasting (-)	forecasting, forecasts updates Management accounting Managers' mobilization Information systems and internal control	Reporting (+) Plan and budget (-)	Forecasting and forecasts updates (+) Plan and budget (+) Variance analysis Business review
Future activities	Business review (+) Variance analysis	Internal control (+) Reporting Plan and budget	Variance analysis (+) Managers' mobilization (+) Forecasting and forecasts updates	Reporting (+) Plan and budget (+) Forecasting and forecasts updates (+) Variance analysis (-)
Other activities in which management control function is heavily involved	Identification and implementation of new controlling information systems Management control of project	Management control of project Identification and implementation of new controlling information systems	Identification and implementation of new controlling information systems Management control of project Calculating and updating provisions	Identification and implementation of new controlling information systems Transfer pricing Calculating and updating provisions
Indicators used in monitoring activity	Financial indicators (reporting, analysis and forecasts) Operational indicators (reporting and forecasts)	Operational indicators (reporting, analysis, forecasts) HR indicators (reporting, forecasts) No sustainable development indicators	Financial indicators (reporting, analysis and forecasts)	Financial indicators (analysis and forecasts) Operational indicators (forecasts) Sustainable development indicators (reporting)

Processes - methodologies and management systems (2)

	Class #1 (27%) "The EXPERTS"	Class #2 (19%) "The PARTICIPATIVE FIRMS"	Class #3 (40%) "The CONTROLLED FIRMS"	Class #4 (14%) "The PRAGMATIC FIRMS"
Forecasting processes	Strategic plan Operational plan Budget	Operational plan Budget	Budget	Budget
Strategic plan: frequency	Annual Less frequent	Annual (+) (majority)	Annual Less frequent	Annual (+) (large majority)
Strategic plan: managers' involvement	Average	Average	Rather weak	Crucial
Strategic plan: indicators used (financial/not financial indicators)	Financial indicators No financial indicators (except sustainable development indicators)	Financial indicators No financial indicators (sustainable development indicators included)	Financial indicators No financial indicators (except market and competitiveness indicators)	Financial indicators No financial indicators: only sustainable development indicators
Operational plan: frequency	Annual Less frequent	Annual (+) (majority)	Annual Less frequent	Annual Less frequent
Operational plan: managers' involvement	Strong enough	Crucial	Very weak	Average
Operational plan: indicators used (financial/not financial indicators)	Financial indicators Not financial indicators	Financial indicators (but limited use of cash-flow indicators) Not financial indicators: mainly operational indicators	Financial indicators: mainly profit and loss account indicators Not financial indicators: mainly operational indicators	Financial indicators: mainly cash-flow indicators Not financial indicators: mainly operational indicators

Processes - methodologies and management systems (3)

	Class #1 (27%) "The EXPERTS"	Class #2 (19%) "The PARTICIPATIVE FIRMS"	Class #3 (40%) "The CONTROLLED FIRMS"	Class #4 (14%) "The PRAGMATIC FIRMS"
Budget: duration of process	A little more than 3 months	A little more than 4 months	A little more than 4 months	Between 5 and 6 months
Budget: number of forecasts updates	Between 6 and 7 times	Between 3 and 4 times	Near 4 times	3 times
Budget: detail and granularity	From month to semester	Month	From month to semester	From month to semester
Budget: staff's involvement	Rather strong	Crucial	Close to zero	Rather strong
Budget: indicators used (financial/not financial indicators)	Financial indicators Not financial indicators (except sustainable development and social responsibility)	Financial indicators Not financial indicators: mainly operational indicators	Financial indicators: mainly profit and loss account indicators Not financial indicators: mainly operational indicators	Financial indicators: mainly profit and loss account indicators and cash-flow indicators Not financial indicators: mainly operational indicators and sustainable development/social responsibility indicators
Forecasts: frequency	Month Quarter	Quarter Month	Month Quarter	Quarter Month
Forecasts: staff's involvement	Rather strong	Average	Weak	Crucial
Forecasting: fix or rolling forecast	Rolling forecast (cash-flow)	Rolling forecast (profit and loss account)	Rolling forecast (cash-flow)	Rolling forecast (operational indicators)

Processes - methodologies and management systems (4)

	Class #1 (27%) "The EXPERTS"	Class #2 (19%) "The PARTICIPATIVE FIRMS"	Class #3 (40%) "The CONTROLLED FIRMS"	Class #4 (14%) "The PRAGMATIC FIRMS"
Reporting: frequency	Between month and quarter except market/competitiveness indicators (between quarter and semester)	Between month and quarter except market/competitiveness indicators (between quarter and semester)	Between month and quarter except balance sheet indicators (quarter) and market/competitiveness indicators (between quarter and semester)	Between quarter and semester
Reporting: evolution of publication frequency	Increasing	Increasing and stabilization	Increasing	Increasing and stabilization
Resort to benchmarking (to assess managers' performance)	Benchmarking internal and external	No benchmarking or internal benchmarking	Rather internal benchmarking	Internal benchmarking External benchmarking
Management tools more used	BSC	ABM Beyond budgeting	ABC BSC (few tools)	ABC BBZ
Using of management tools	. Plan: spreadsheet program, budgeting tool and consolidation tool . Budget: budgeting tool and consolidation tool . Forecasts: spreadsheet program & consolidation tool . Reporting: consolidation tool	. Plan: spreadsheet program and ERP . Budget: spreadsheet program and ERP . Forecasts: spreadsheet program and ERP . Reporting: ERP	. Plan: spreadsheet program . Budget: spreadsheet program and budgeting tool . Forecasts: spreadsheet program . Reporting: spreadsheet program and ERP	. Plan: spreadsheet program and ERP . Budget: spreadsheet program and ERP . Forecasts: spreadsheet program and ERP . Reporting: spreadsheet program and ERP
Degree of adaptation of information system	Rather suitable	Averagely suitable	From averagely suitable to rather suitable	From averagely suitable to rather suitable
"Dominant profile"	AGILE / INNOVATIVE	PARTICIPATIVE / GLOBAL	No matching	INNOVATIVE / PARTICIPATIVE