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SPECIAL ISSUE
MANAGEMENT CONTROL
INTERNATIONAL OBSERVATORY 2016



IAFEI Quarterly

Special Issue Management Control



International Observatory of Management Control

2016 Results

How digital transformation impacts the environment of Management Control

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Foreword

DFCG is proud to share with you the fifth edition of the International Observatory of Management Control in collaboration with the consulting firm Decision Performance Conseil. Increasingly extensive and encouraging feedback confirms the mounting interest in this field and promotes the influence of our institution. Also used as a teaching aid in the classrooms of our prestigious management schools, the Observatory provides much more than the state of play of the profession; it helps understand the issues and the importance given to management control in the digital era.

This study is now expected by the profession. We saw it especially at the conference organized by the DFCG-themed "Management controller of tomorrow: who is he? Many answers have been made through testimonials and expert reports. This business is changing. The controller skills evolve as its role within the company.

Finally, beyond the fundamentals of the trade, the 2016 edition highlights the improvement opportunities that will bring even more value to all the controllers' activities. The details provided by the Observatory provide the opportunity to take stock of the developments of the function through its various aspects and understand the challenges of management control in tomorrow's world.

I am very grateful to the Working Group and its Chairman Frédéric DOCHE, president of the Management Control Committee of DFCG, and to all the people who contributed to this Observatory.

Through this Observatory, DFCG contributes significantly to IAFEI to unite finance and management leaders worldwide.

Thank you all for this fifth edition; we hope you will find the report interesting reading.

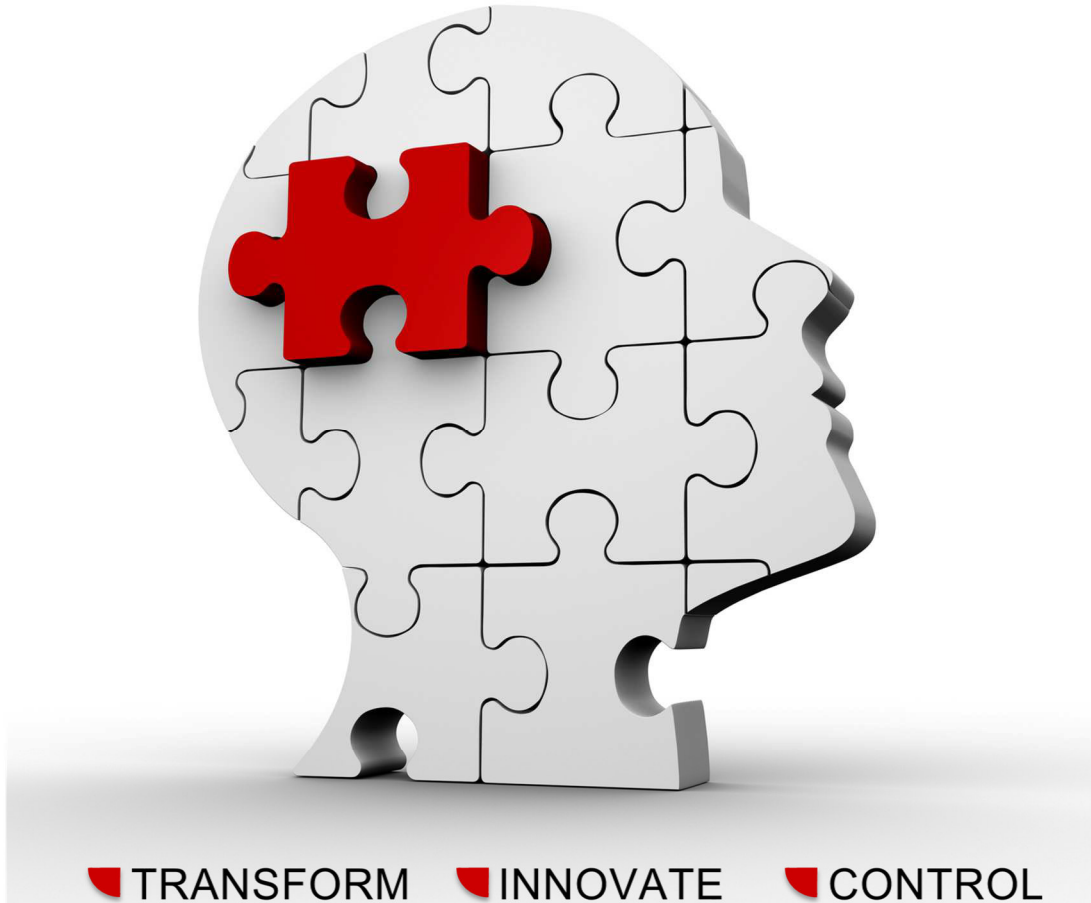
Sincerely,

Philippe AUDOUIN
Chairman of DFCG

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PRESENTATION OF THE INTERNATIONAL OBSERVATORY OF MANAGEMENT CONTROL AND SUMMARY OF RESULTS

PRESENTATION OF THE INTERNATIONAL OBSERVATORY OF MANAGEMENT CONTROL

GENERAL PRESENTATION

The « International Observatory of Management Control » (IOMC) was launched in 2010 by the DFCG (French Association of CFOs and Financial Controllers) under the initiative of Frédéric Doche, in partnership with the consultancy Décision Performance Conseil.

The aim of this observatory is to better understand the different activities of the financial controller, the processes and methods they use, together with the tools now used by the finance world in this age of digital transformation.

Indeed, because of these new digital tools, the controlling function is mutating as well; its role has evolved from only producing data to that of being a « Business Partner » for the General Management at decision-making level.

Thus, because of these new challenges and the emergence of Big Data, the 6th issue of the IOMC has evolved considerably, both at form and at content level. Indeed, this year, the emphasis has been put on the impact of the digital approach on Management Control, together with the evolution expected by the profession. As a consequence, the survey has been modified; in particular, the main part discussing the methods, the processes and activities of Management Control has been reduced in order to leave more room for the questions relating to the digital aspects and the future ambition of the controlling function.

The working group, chaired by Frédéric Doche, President of the « Management Control » Group of the DFCG, and founder of the consultancy Décision Performance Conseil, wishes again this year to illustrate its different analyses through the testimonies made by finance professionals. We thank all the people who have agreed to be interviewed for their time and contribution to the 2016 issue – an issue enriched and more dynamic than ever.

There has been a huge interest in the results of the previous issues which have been presented and published formerly a few times. The conclusions of the 2016 issue are

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scheduled to be presented at the end of this year at the International Congress held by the IAFEI in South Africa and at the Congress Financium organized by the DFCG.

The partnering associations are:

ANDAF (Italy)

CFO Club (Slovakia)

COGEREF (Tunisia)

FEI (USA)

FINEX (Philippines)

FINEXA (Poland)

IAFEI (Global)

IHM (Greece)

IMA (USA)

IMEF (Mexico)

OPWZ (Austria)

PAFE (Portugal)

Russian Club of Financial Directors (Russia)

SAIBA (South Africa)

And of course DFCG in France



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SUMMARY OF RESULTS

The « International Observatory of Management Control » produced by the DFCG, in partnership with Décision Performance Conseil, is very pleased to present the results of its yearly survey for the 6th year in a row.

Again, this year, we acknowledge a strong international participation as 35 countries are represented by 15 professional associations. A few newcomers like Russia and South

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Africa which have strongly participated this year are now represented. Companies showing various profiles in terms of size and turnover are once more represented. In fact, this year, the panel is characterized by the increased participation of small, unlisted companies in comparison to the previous year. From the responses, we can note a trend of rejuvenation of the financial function. This year, the analysis underlines the need for financial professionals to evolve in response to the digital transformation.

The 2016 study of the International Observatory of Management Control provides two main observations: First, there are companies implementing or not implementing projects dedicated to the digital transformation; on the other hand, there are finance professionals who are seen to be either more or less familiar with the concepts of digital world and Big Data, while having a role to play in this transformation. As they have to face a major increase in available data in a quasi-immediate way (Big Data), and today often-shared (Open Data), then the financial controllers are required to own key competencies in terms of reliability of the data, performance modelling, benchmarking, anticipation and presentation of key data. Are these competencies in use today?

The results of the survey held in 2016 answer this question only partially, and this even if the digital transformation is considered as an inescapable phenomenon by the majority of the respondents. Actually, although the role of Controlling as a function begins to take a stand as a contributor and maybe even a leader, this trend is not as strong in all countries and sectors.

We have found that the need to adjust competencies is generally recognized and the digital transformation is happening on three fronts: tools, controlling processes and capabilities in terms of strategical alignment.

Key figures:

- 25% of the companies are organized as Shared Service Center (SSC),
- 91% of the companies require the operational staff to take part in the budgetary process,
- 60% of the respondents claim that the financial controlling has a role to play in the digital transformation of their companies,
- According to 73% of those interviewed, the improvement of the analytical capability is the main expectation.

CHAPTER 1: COMPANY PROFILE

2016: Participants are more international (38 countries) & more experienced (66% of the participants having more than 10 years' experience in Controlling)

Still high & stable participation of professional associations: 35 countries & 15 associations are represented in 2016

69% of the participants are members of professional associations

The time dedicated to Reporting activity is still decreasing this year (-1.5 pts) with now more focus on Planning / Budgeting

Only 25% of a company's Management Control belongs to a Shared Service Center (+3 pts vs last year)

50% of Re-forecasting is achieved in less than a week; trend decreasing each year

91% of the companies offer to their operational employee's participation in the budgetary process; decreasing trend vs. previous years

31% of the companies combine the methods of Benchmark, ABC, BBZ, and BSC, while favoring the Benchmark method

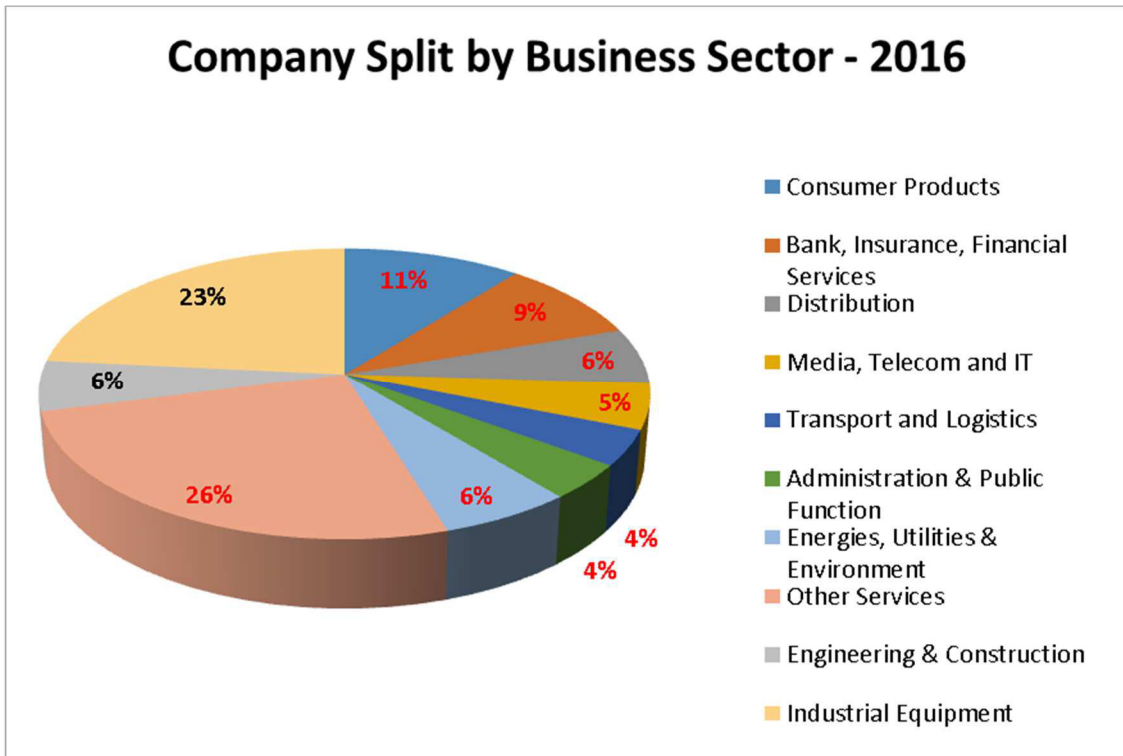
Benchmark still predominant, BBZ increasing slowly, BSC is more applied in large companies

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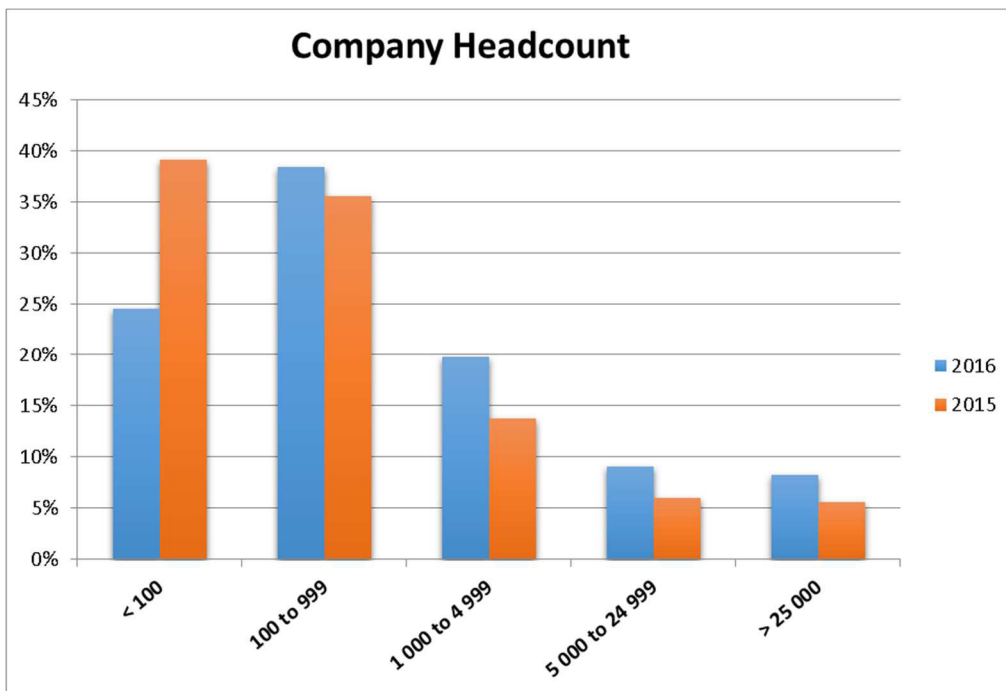
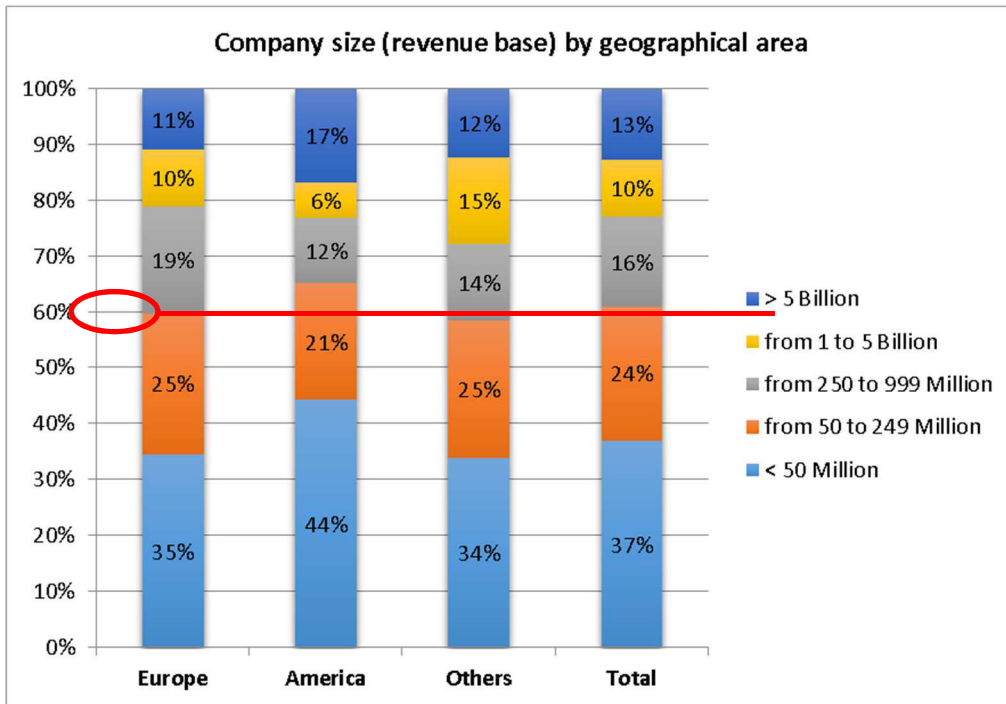
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A PANEL REPRESENTING ALL BUSINESS SECTORS

The Service companies (percentages are highlighted in red) account for 70% of the sample. This is a recurrent trend similar to 2015. On the other hand, we notice a strong reduction in the Banking Sector.



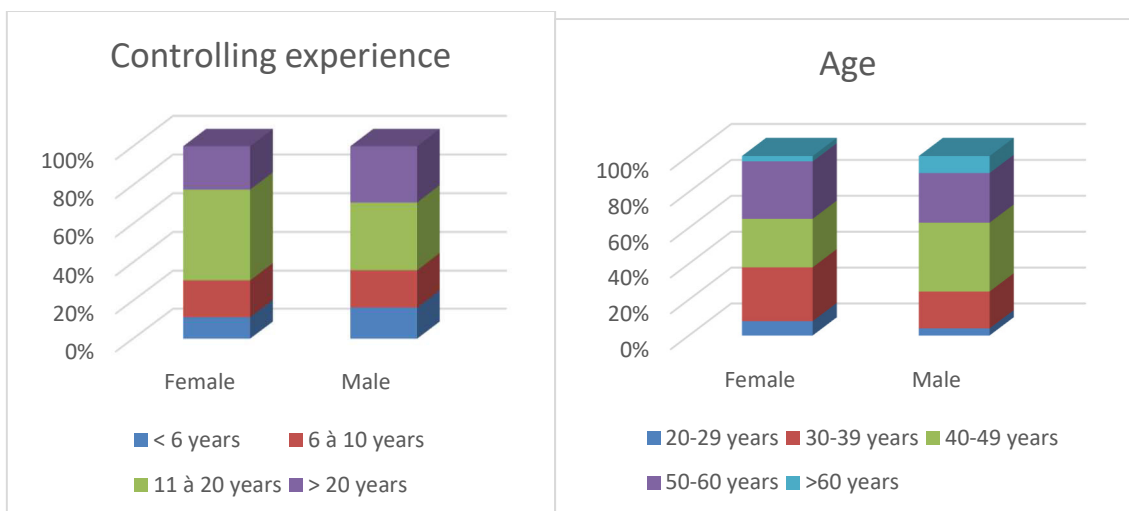
Companies with revenue below \$250 million represent 61% of the sample; this statement is true for all geographical areas. The same proportion (63%) is also noted for those enterprises with less than 1000 employees. However, we observe a significant reduction, versus the prior year, of small companies (turnover <\$50 million). The panel gathers average size companies and logically 75% are not quoted on any stock exchange.



RESPONDENT PROFILE

RESPONDENTS ARE MAINLY EXPERIENCED AND BELOW 50 YEARS OLD

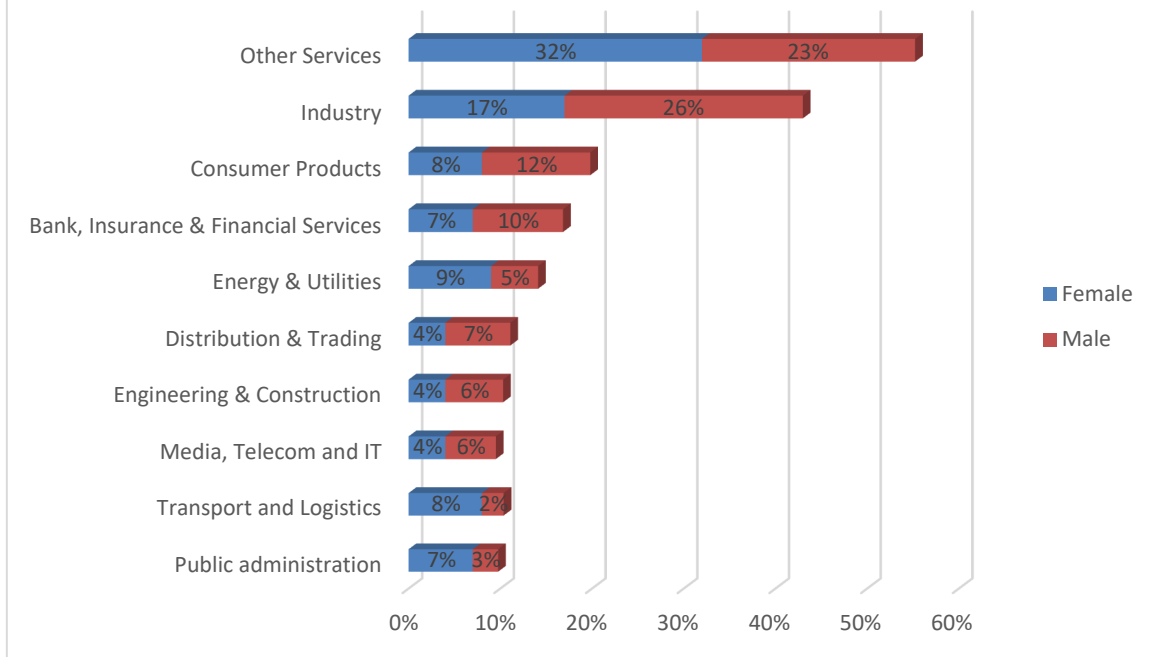
2016 respondents are more internationally represented than previously with 38 countries involved (compared to 28 in 2015) and more experienced as 66% of them have more than 10 years' experience (compared to 52% last year).



The proportion of women has slightly decreased to 28% this year, back to a standard participation level of 28%-30%. This compares with 36% last year which was exceptional. They are proportionally more-represented in the Americas than men (who are represented more numerically in Europe and Asia).

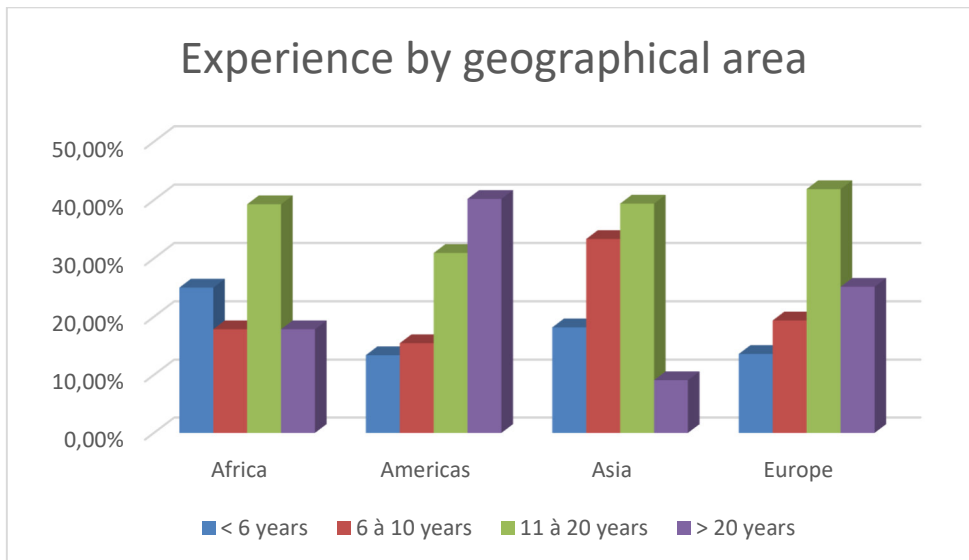
The age breakdown of women is more homogeneous than for men, with the exception of the proportion of women older than 60. This is very low at only 3%, the same as last year.

Female/Male by market segment



Women respondents are represented in all market segments, mostly in Other Services (32%) and Industry (17%). Noticeable however, men are more represented in Industry at a level of 26% (increasing trend compared to 2015).

Experience by geographical area

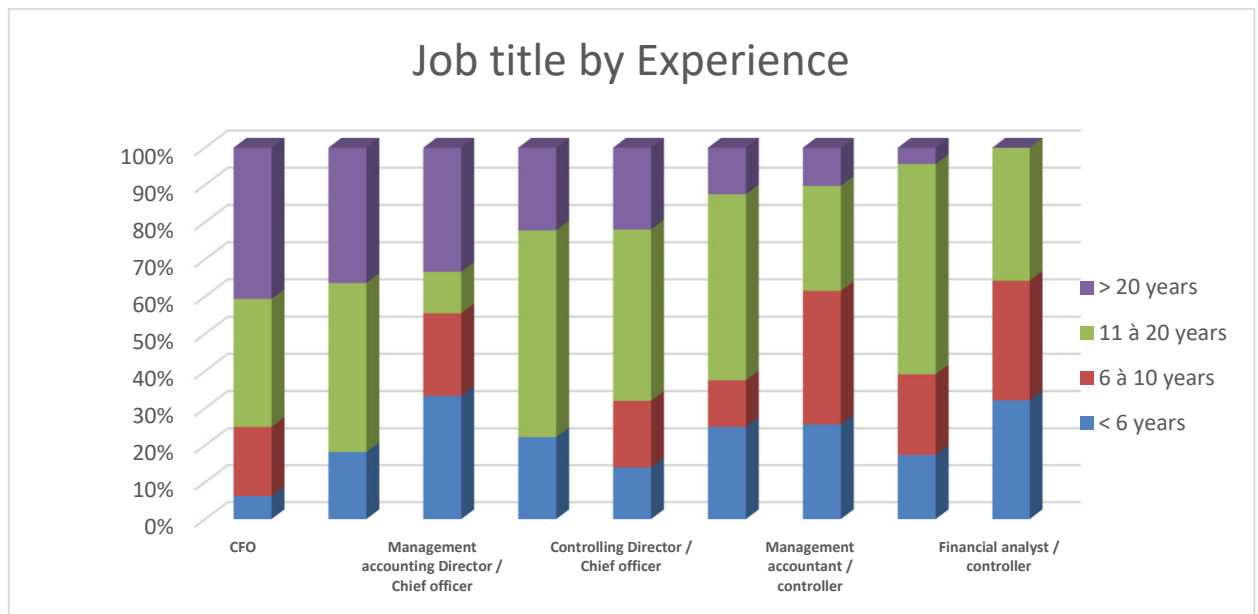


Respondents are shown to have less experience in Africa and Asia compared to Europe and the Americas. Indeed, in these two areas (EU/Americas), most of the respondents are very experienced (around 78% having more than 10 years' experience), probably as the majority of global headquarters are located in these areas.

DIVERSITY OF THE RESPONDENTS IN THE FINANCE FUNCTION

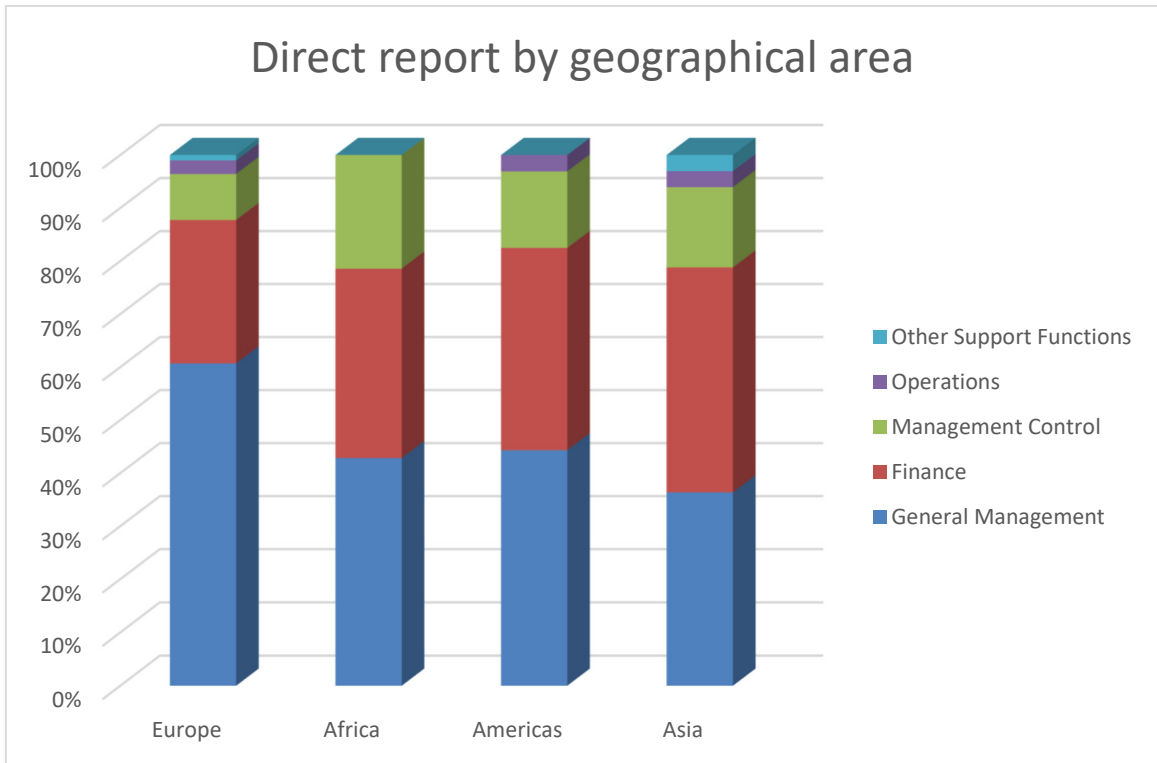
Globally, most of the job titles of the participants are related to the terminology « Controller ».

33% of the respondents are currently CFO (Chief Financial Officer) compared to 25% in 2015. This function is strongly linked to work experience with 74% of them having more than 10 years' experience in Controlling. Unlike a CFO, the position of Analyst is related to a younger profile, as 68% of them have reported less than 10 years' experience.



53% OF THE RESPONDENTS REPORT TO THE GENERAL MANAGEMENT

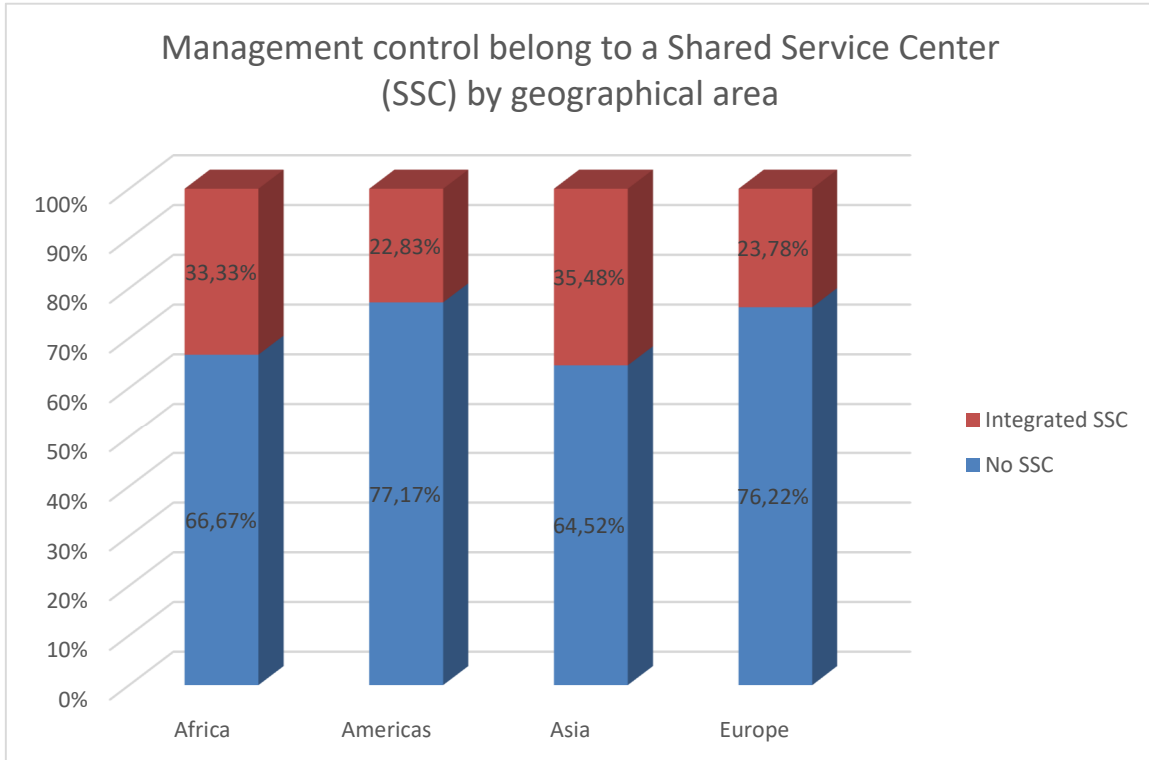
53% of the respondents report « hierarchically » to the General Management, compared to 47% in 2015. This is mainly the case in European organizations at almost 61%, whereas it is more balanced in the other geographical areas with around 40% reporting to the General Management and 40% to Finance.



THE MANAGEMENT CONTROL IS MOSTLY NOT ORGANIZED AS A SHARED SERVICE CENTER (SSC)

Almost 75% of the respondent companies have not implemented a Shared Service Center within their management control organization. Nevertheless, SSC is this year 23.5% compared to 20.5% last year, thus showing an increasing trend.

We may distinguish two groups: Europe and the Americas are similar (77% have no SSC), whereas Africa & Asia are more organized as SSC (around 34% of respondents; trend confirmed from 2013).



70% OF THE RESPONDENTS ARE MEMBERS OF PROFESSIONAL ASSOCIATIONS

The professional association participation is stable with 35 countries and 15 associations involved this year, compared to 29 countries and 19 associations in 2015. The membership of professional associations is represented at a level of 69% in 2016 compared to 70% in 2015.

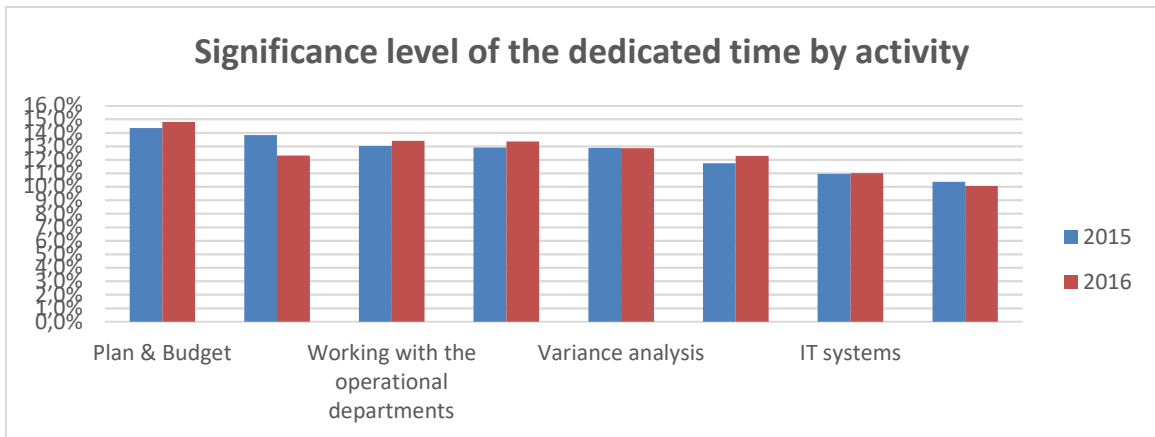
THE CONTROLLING ACTIVITIES

The considered activities in this survey are: Planning & Budgeting, Production Reporting, working in conjunction with the operational departments, Forecasting and Re-forecasting, Variance Analysis, Business Reviews, IT systems, Internal Audit / Risk management.

Dedicated time

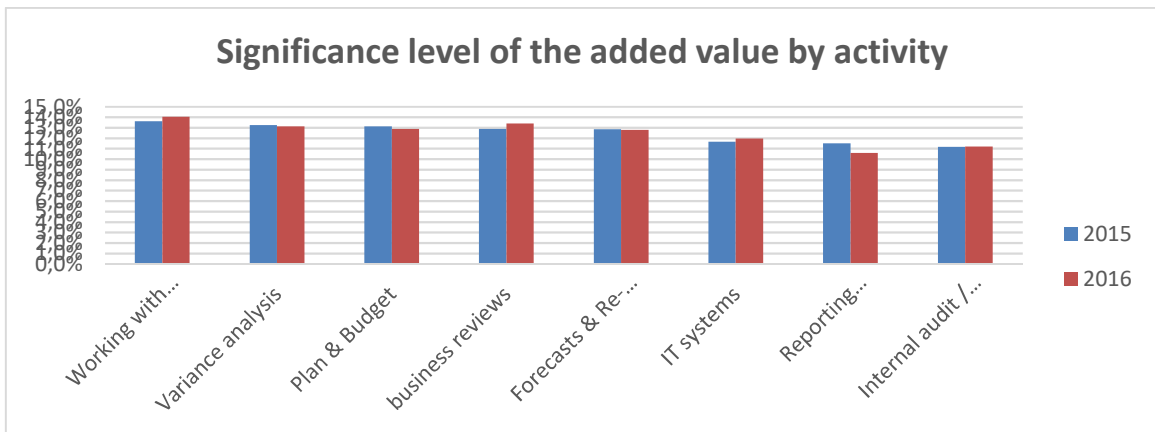
Controllers spend more and more time on Forecasts (28% of their time is dedicated to this activity compared to 27% in 2015) at the expense of the Reporting Activity (12% in 2016 compared to 13.5% last year). Internal Audit is stable compared to 2015 (with a significant increase that year).

The main activity of Controllers has been to make Plan and Budget (as in 2015), then Forecast and Re-Forecast (related to Budget), and working with the operational departments. These represent the core tasks of the Controller position. However, they spend less time on IT systems and Internal Audit activities, which is similar trend to 2015.



Value-added

The main Value-added of the Controllers is to work with the operational departments. This trend has been stable over several years with an increase of +0.4 pts compared to 2015, thus showing controllers are more and more in the field. Then, Business Reviews also show an increasing trend. On the contrary, Production Reporting is obviously the activity having the lowest Value-added; trend confirmed with a -0.9 pts compared to last year.



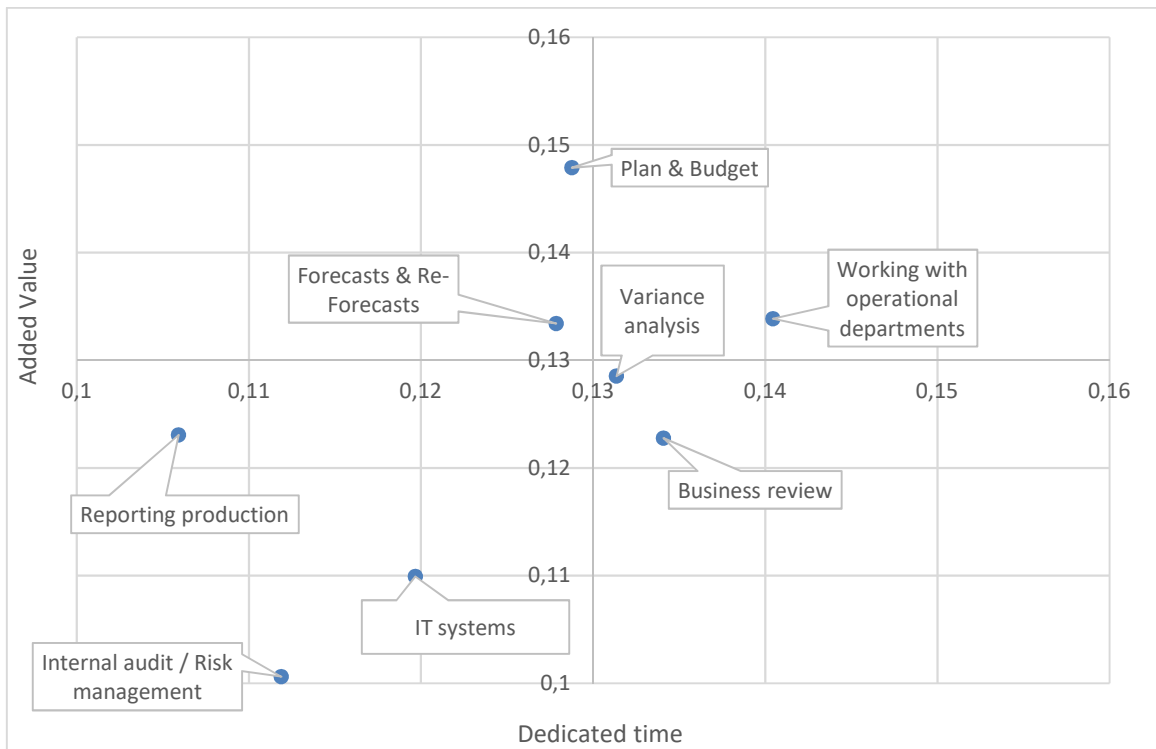
With regard to the cross-tabulated result (dedicated Time/Added value), we can observe that these two activities are globally well correlated, meaning that Controllers adequately allocate

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their working time according to their Value-added perception; there are however some exceptions (See graph below).

- Planning and Budgeting activity can be observed to have an average Value-added OR added value, involving a lot of time (increase by +0.5 pts vs 2015)
- Working with the operational departments is the activity showing the highest Value-added (increase by +0.4 pts Vs 2015) but needing an average time
- Forecasting, Variance Analysis and Business Reviews are well balanced and are thus positioned in the middle of the graph
- Production Reporting seems to be unbalanced as its Value-added OR Added value is low but the dedicated time is average, implying a lack of automatic process i.e. tasks are quite manual
- Internal Audit / Risk Management seems to be the new challenge as its Value Added value is higher than the dedicated time. This task seems undeveloped and Controllers may have to spend time on this topic in the future. There is a similar situation concerning IT systems thanks to the deployment of Big Data



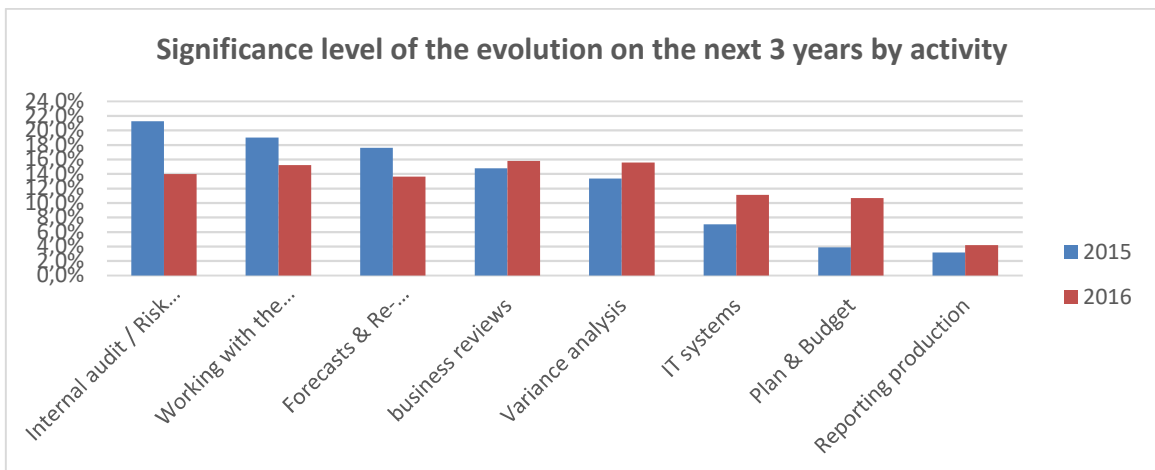
“We try to spend less time on the Production Reporting, but we always have more and more various requests and subjects to cover”.

Pascal ANTOINE, Controller - Zodiac Aerospace

Evolution during the next three years

Based on the above bivariate analysis (Dedicated Time / Value-added), it is interesting to compare these results with feelings experienced by the controllers regarding the evolution of their projected activities for the next 3 years. There seem to be some discrepancies:

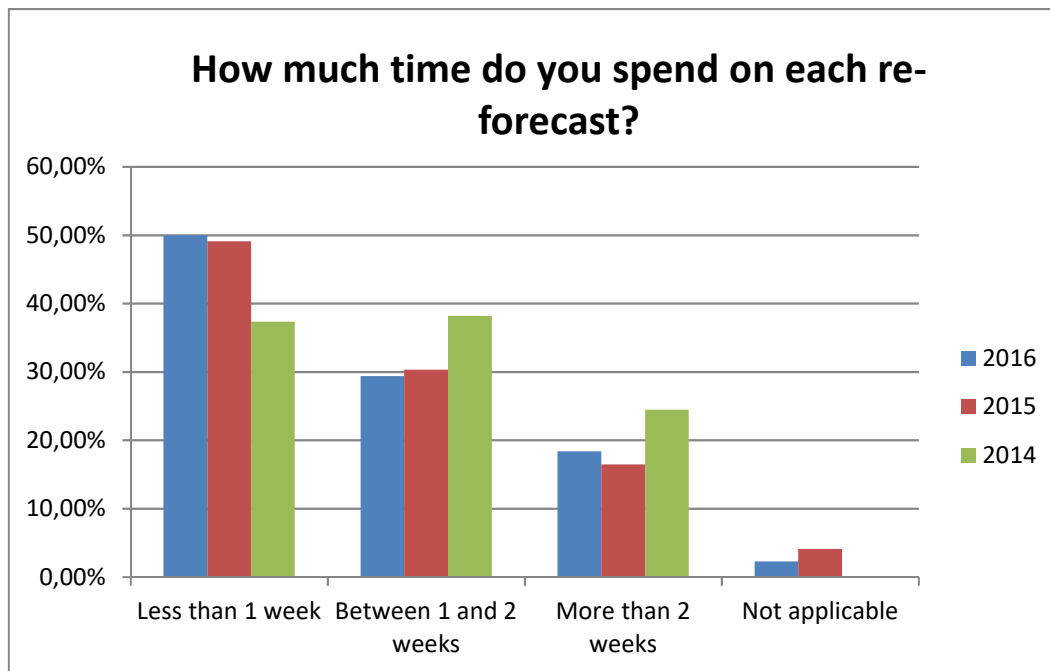
- Even if working with the operational departments is the highest Value-added activity, respondents anticipate a decline of this activity in the next years (-4 pts compared to last year). However, this activity still remains, along with Business Reviews and Variance Analysis, as one of the activities with a potential of development
- Internal Audit / Risk management has strongly decreased with -7 pts compared to 2015, meaning which leads us to deduce that this significant topic will be losing importance in the future when all control policies will be in place
- IT systems confirm their growing key role with +4 pts compared to last year, related to the Big Data deployment
- Planning and Budgeting is back in force in 2016 with +7 pts compared to 2015 confirming its correlation with increase of Dedicated Time. This shows the current preoccupation for a Middle-Term Plan improvement in this period of unstable economic situation and low growth



The main processes (Strategic Planning, Budgeting, Re-forecasting and Reporting) reveal the practices of the companies.

Culture and geography as well as the size of the companies might influence these practices significantly. Generally, we note a continuity in the trends of the various processes of the respondents.

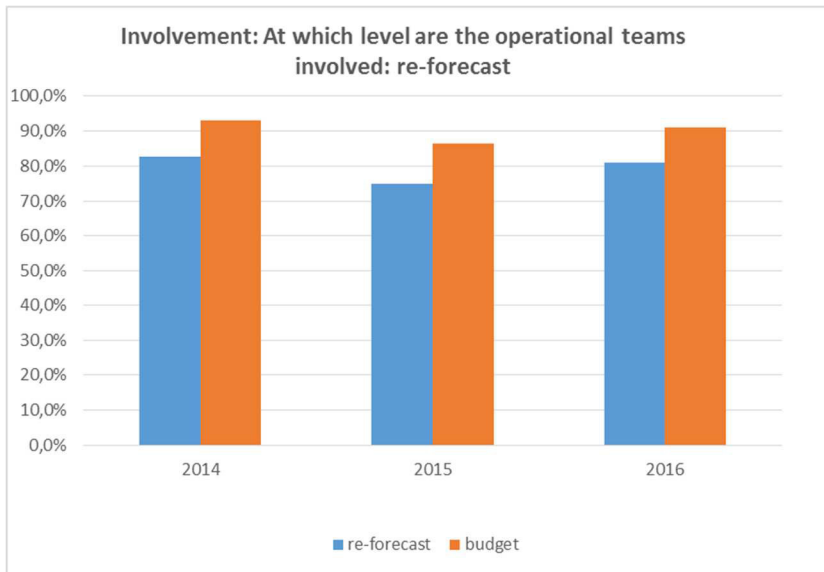
RE-FORECAST DONE MORE QUICKLY THAN LAST YEARS



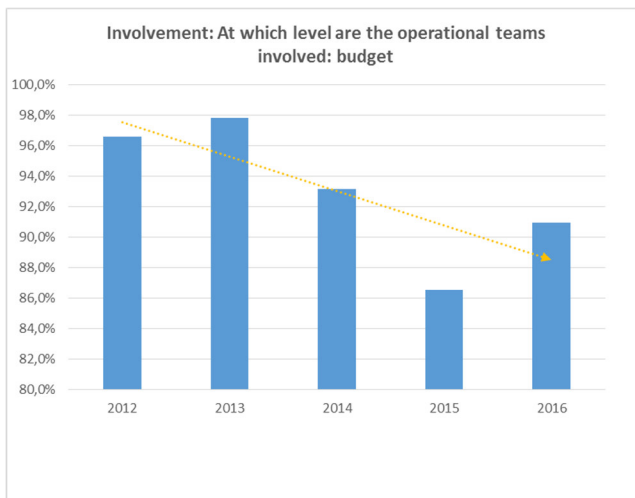
For the 3rd consecutive year, we note a fall of the time dedicated to the re-forecasts. The respondents dealing with re-forecast in less than one week increased significantly from 37% in 2014 to 50% in 2016. A special mention of this weekly duration goes to the Asian and Anglo-Saxon countries with respectively 64% and 60% of the respondents whereas on average it is hardly more than 50%. 43.5% of the respondents carry out a forecast on a quarterly basis. This frequency is higher in the Anglo-Saxon countries (with 34% of monthly re-forecast, and 39% quarterly).

As a result, the workshops dedicated to shorten the lead times and to lighten the processes have become a higher priority than previously (31.6% of the priorities in 2016 vs 26.1% in 2015)

INVOLVEMENT OF THE OPERATIONAL TEAMS IN THE PROCESSES



The participation of the operational teams is approximately 10% higher in the Budgetary Process (91%) than in the Re-forecast Process (81%). The budget generates a stronger commitment for the teams whereas the re-forecast gives a trend of the **landing of the results** at the end of the fiscal year. Moreover, the frequency of the budget is annual whereas re-forecasts are mainly carried out quarterly or sometimes more frequently. This is the reason why the financial teams request less involvement of the operational teams for Re-forecasting.



However, a fall can be seen in the involvement of operational teams since 2015 in the Budgetary Process. In the years 2012 to 2014 the rate of involvement was higher than 95%. We may explain this trend by the will to reduce the lead times of the budget and by the use of analytical tools, thus requiring less involvement by the operational teams.

“Spending too much time in building up the budget, means eventually leading to too many details”

Xavier Duchaine, CFO, Charabot

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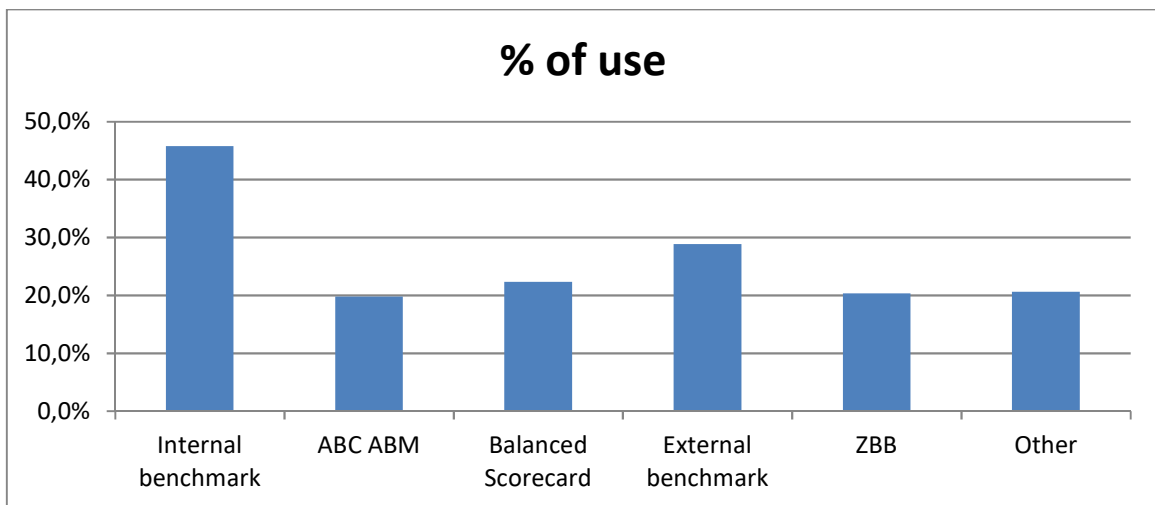


METHODOLOGY

In line with the previous year approach, we asked Financial Directors about methods used for their Management Control. We selected the following methods:

- **Benchmark:** we can compare the company's performance with those of similar companies
- **Balanced scoreboard:** in an uncertain environment, prospective dashboards may anticipate predictable evolution. They track the company's performance beyond pure financial performance.
- **Activity Based Costing/Activity Based Management:** as a result of the increasing portion of indirect cost in total cost, we have recourse to alternative cost allocation method. The ABC/ABM method is a solution for improving the understanding of **creation cost mechanisms**.
- **Zero Based Budget:** under this method, the baseline is not automatically approved year after year. Every expense must be justified. We focus on those expenses creating value.

BENCHMARK REMAINS PREDOMINANT, THE BBZ IS PROGRESSING SLOWLY, THE BSC IS MAINLY EMPLOYED BY LARGE ORGANIZATIONS



Observations carried out during the previous IOMC reports remain unchanged: Benchmark is still the preferred method for putting into perspective the company's performance. The overall rate of utilization of the Benchmark method (when combining internal and external approach)

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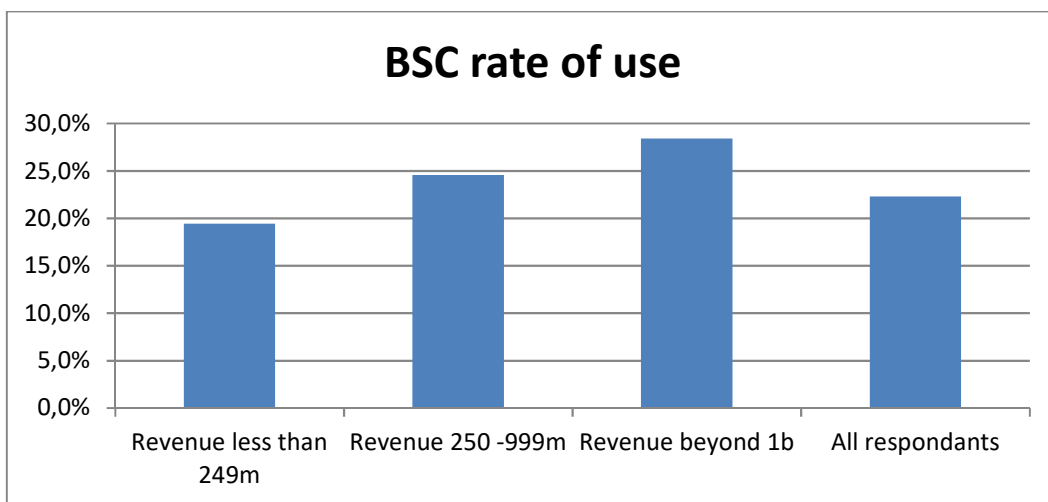
amounts to 57%. When a company uses a single method, it is using Benchmark in 63% of the cases. When they are jointly using two methods, the rate of utilization of Benchmark reaches 85%. This suggests that the Benchmark is usually the first tool used before being complemented by an additional tool.

"Instead of thinking in terms of changes compared to previous year, we use Zero-Based Budgeting for the engineering activity"

Guillaume DAISSON

We observe that 31% of the respondents use at least two methods. The multi-criteria approach remains low. We may deduce this is the result of two phenomena: i) the time devoted to Production Reporting is shortening and accordingly we cannot multiply the methodology tools ii) the costs of implementation of these methods.

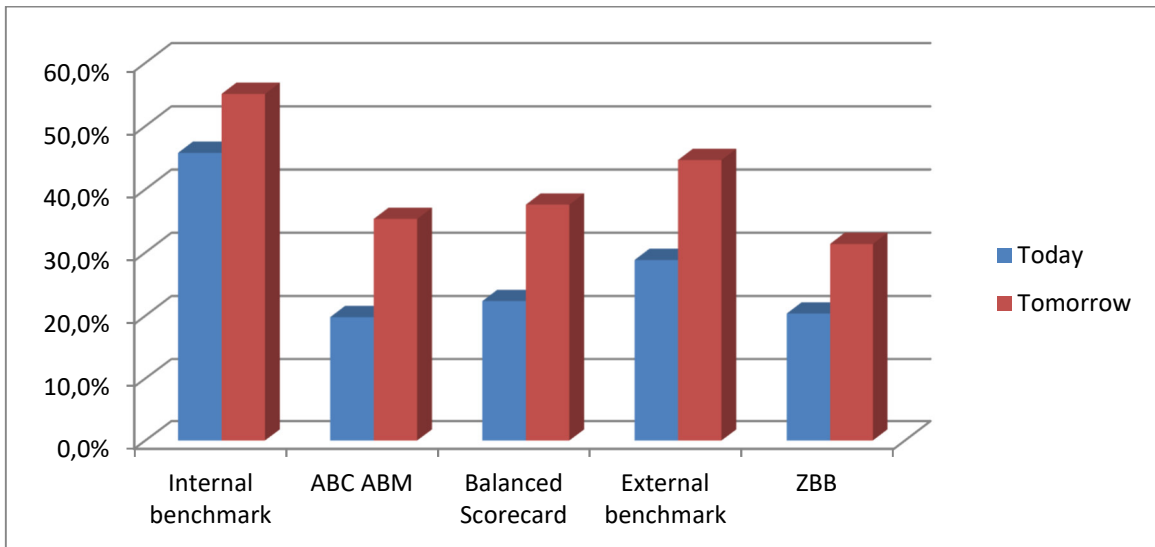
About 20% do not use traditional methods proposed in the survey. This figure remains at high levels as in previous editions of the IOMC.



We noticed a relationship between the size of the entity and the use of the BSC tool. This observation probably has an historical origin. The BSC was originally designed for large companies in order to align the organization with the company's strategy. In a midcap company's environment, the proximity of the General Management with the Operational Management enables rapid dissemination of the strategy mitigating the interest in sophisticated tools such as BSC.

We can also underline the cost factor and the complexity of the BSC approach. Accordingly, it is easier to implement this tool in large entities.

THE EXPECTED GROWTH OF THE ZBB METHOD WILL BE LOWER THAN THAT OF OTHER METHODS



There are obviously many projects in progress.

According to our respondents, we are expecting limited increase of the internal Benchmark rate in the future although it is already widely used. The expected rise in rate of utilization of other methods is about 15% with the exception of BBZ (BBZ increase only 11%). These expected increases are similar when comparing continental Europe and the Anglo-Saxon world. After a renewed use of BBZ since 2012, have we reached a peak of the method?

CHAPTER 2: IMPACT OF BIG DATA AND DIGITAL TRANSFORMATION ON MANAGEMENT CONTROL

What is the role of Management Control in the digital transformation?

60 % of the respondents say that the Management Controller is active as a Leader (19%) or as a Contributor (41 %).

The awareness of the need for change is widespread (70% of respondents), but the transformation of competencies still needs to be pursued.

Which breakthroughs are expected from new technologies?

Improvement in analytical capability (73%), particularly in real time (46%), remains the main expectation.

Digital transformation is happening on three fronts: tools (57%), processes (53%) and capability in terms of strategical alignment (52%).

Management Controllers, are you familiar with Big Data?

Yes, clearly for 31%, moderately for 42% and not at all for 27% of the respondents. Financial sector respondents are most familiar with this concept (yes, 63%), but it is in the Media, Telecoms and IT sector that Controllers are the most likely to have carried out projects in this area (44%).

Big Data, a topic on the agenda of the companies?

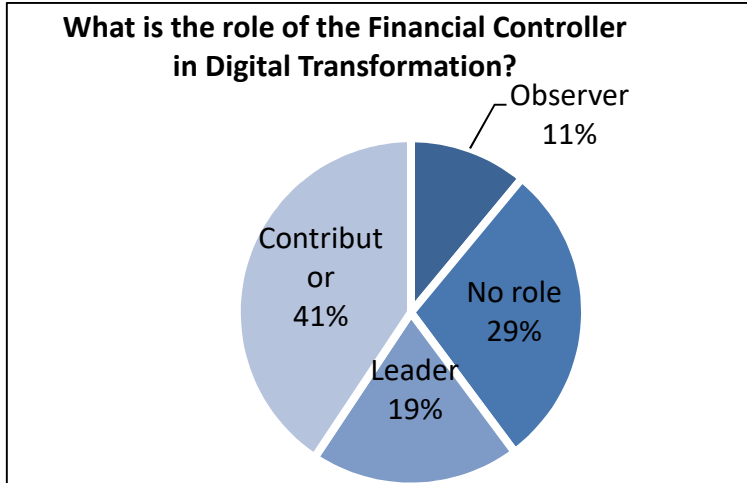
Yes for 58 % of the responding companies, and 80% for the companies with more than 5000 employees.

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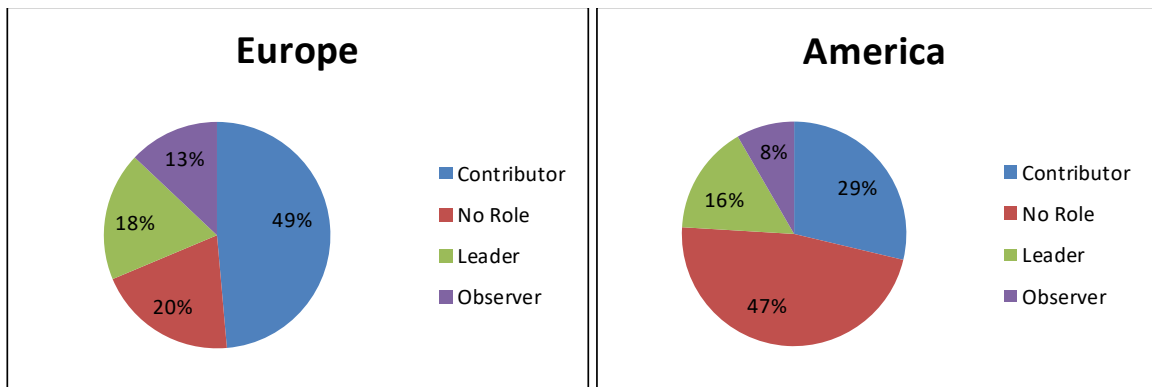
MANAGEMENT CONTROLLERS ACTIVE IN DIGITAL TRANSFORMATION PROJECTS, BUT MORE AS A CONTRIBUTOR THAN AS A LEADER

60 % of the respondents declare that the Financial Controller is either active as a Leader (19%) or as a Contributor (41%).



The Financial Controller is mainly involved in Digital Transformation projects in the sector of Media, Telecom and IT; 94% of the respondents belonging to this sector declare being active. But for a large majority, this remains limited to a Contributor role (72%). On the other hand, the Public Sector is shown to be giving a lot more responsibilities to the Financial Controllers; 43% declare being Leaders in the Public Sector vs only 19% on average in all the other sectors.

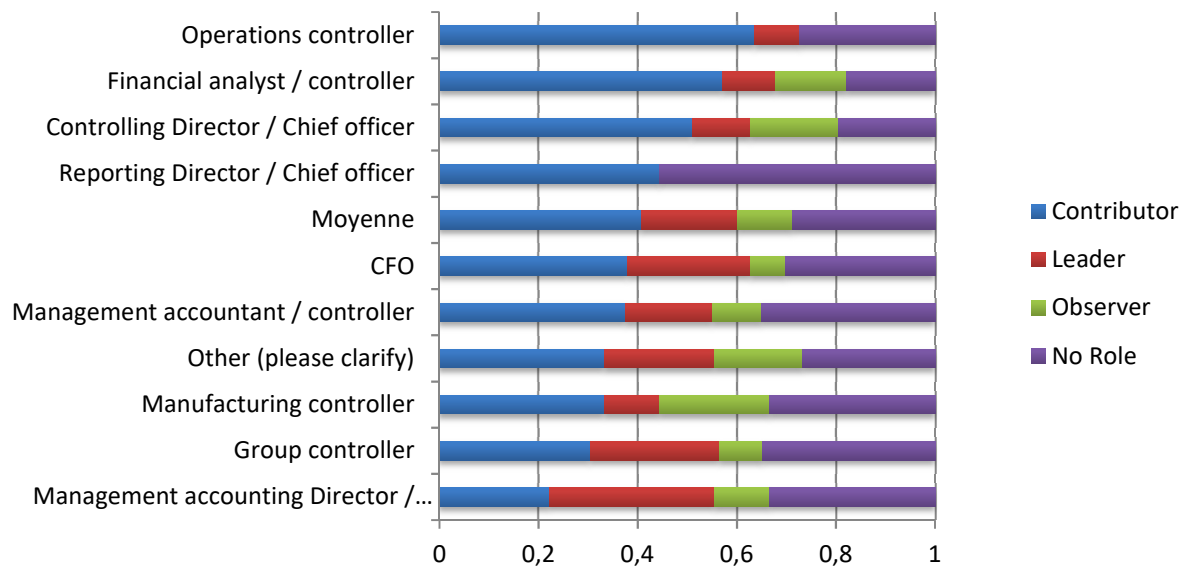
From a regional point of view, results show major difference in the role given to the Financial Controller: while being positioned as a Contributor in Europe (41%), the Controller has very little activity at this level in the USA and Japan (respectively 60% and 55%).



If we take into account the number of employees as a criterion, the Financial Controllers in companies with less than 100 employees seem less involved: 41% of the respondents have no role compared to an average of 25% for larger companies. This observation is confirmed when we consider the turnover as a criterion; 37% of the respondents of companies below \$50 million turnover claim having no role to play in these projects.

In larger companies, the Financial Controller is indeed more involved but he mainly remains a Contributor (45% for companies with a turnover above \$50 million). In companies with a turnover above \$5 billion, the Financial Controller will be less involved as a Leader (9%) vs an average of 19% for all companies.

In terms of function, the Financial Analysts are those mainly involved in such projects with 82% of them having some kind of role and amongst those, 57% act as a Contributor. On the other hand, only 44% of the Reporting Directors are involved. Operational Controllers are more Contributors (64%) and are rarely positioned as Leaders (only 9%). The involvement of CFOs remains within the average (70% vs 71% for all combined functions) and the CFOs act more as Leaders (25% vs 19% on average) than as Observers (7% against 11% on average).



« Digital transformation has allowed dissemination and sharing of knowledge with the Financial Controlling team worldwide. It has also allowed the easy sharing of

information with the Operational team while involving them in the process.”

Brice Gaillardet, CFO/CIO, DECATHLON

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REAL TIME ANALYSIS REMAINS THE FIRST EXPECTATION FOR 46%

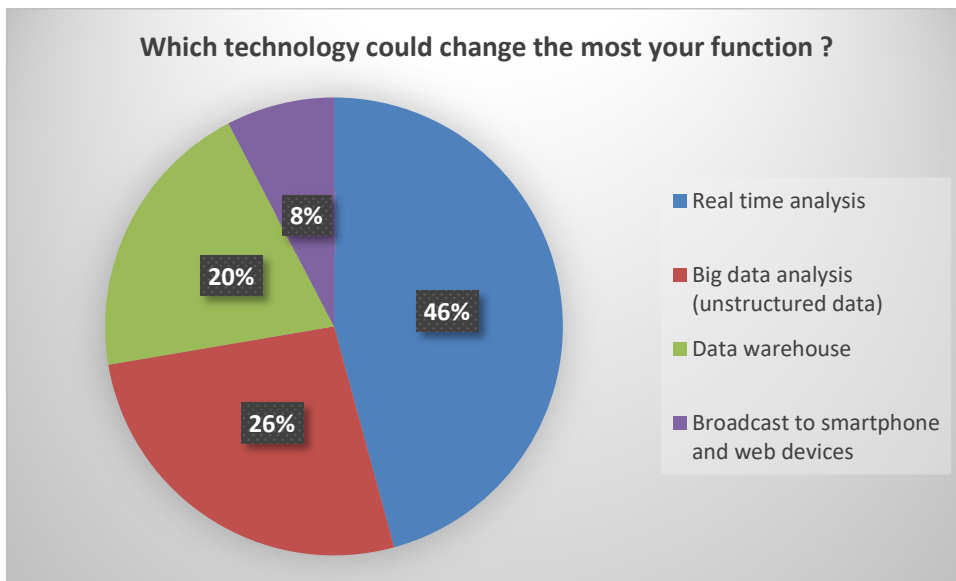
WHICH BREAKTHROUGHS ARE EXPECTED FROM NEW TECHNOLOGIES?

Improved analytical capability (73%), particularly in real time (46%) remains the main expectation.

In 2015, Controllers were already placing Real-time Analysis at the forefront of major breakthroughs brought about by new technologies, with a strong impact on the evolution of their tasks as Management Controllers. Then, followed by Big Data technologies. The same is true in 2016 where the search for improved analytical capability remains the priority.

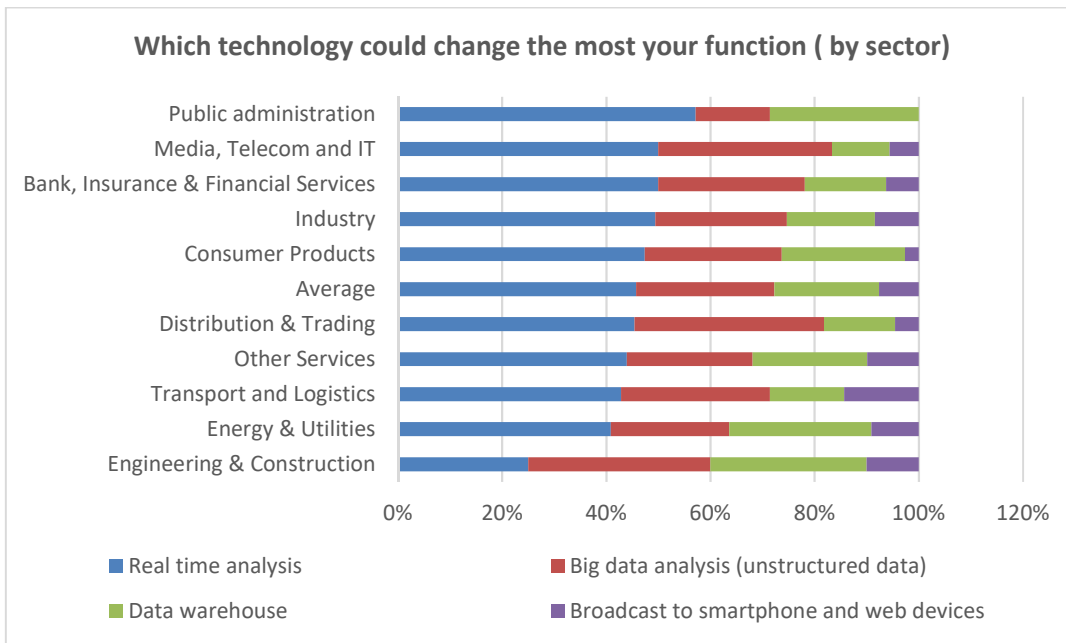
Indeed, the subjects mainly to be addressed (for more than 30% of respondents) are Customer Data Management and Performance Management; 50% of companies working on Performance also work on Customer Data.

More specifically, the real time analysis dimension is by far the most popular choice for nearly 50% of respondents:



On the other hand, the Broadcast to smartphone and web devices function is judged to have less impact (8% only); 26% of respondents (taking all sectors into consideration) also refer to Big Data as a factor that could change the role of the Management Controller.

As far as Real Time Analysis is concerned, the sectors the most represented are the Public Sector (Administration and Civil Service, 57%), followed by Banking, Insurance and Financial Services sectors, then by Media / Telecom / IT and Industry (Industrial equipment).



TOOLS ARE STILL THE PRIORITY, EVEN IN THE FIELD OF CHANGE MANAGEMENT

The sectors showing the highest interest in Big Data (around 35% of the responses) are Media / Telecommunications / IT, Distribution and Construction / Engineering. As for Broadcast to smartphone and web devices, the sector most aware of its importance is Transport and Logistics with 14% of responses.

The Real Time Analysis dimension is emphasized mainly in Portugal and the USA at 57% and in France at 43%. Big Data is a major issue for German respondents (50%), South Africa (41%) and France (34%). The Data Warehouse is judged as a breakthrough in Japan and Italy (respectively

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55% and 50%). Broadcast to smartphone and web devices are considered as having more significance by German Management Controllers (21%).

In conclusion, the Real Time Analysis dimension is perceived as the highest expected technological breakthrough in medium and unlisted companies: it is a priority for 37% of companies with turnover of less than \$50 million and for 75% of unlisted companies. On the other hand, only 13% of companies with more than \$5 billion in sales and only 25% of listed companies consider Real Time Analysis to be the cause of major breakthroughs in Management Control.

"I noticed that Digital Transformation is well known by all Controllers, but remains somewhat vaguely understood. It provides tools and data, but a fear is held by them of being overloaded with data, without being able to correctly use it. "

Tristan Tammi, Financial Controller, MIELE

A TRANSFORMATION OF COMPETENCIES WELL ENGAGED

In this changing economic world, the adaptation of working methods and competencies, whatever the modality, is obvious: for 70% of the respondents, this change is either planned, in progress or finalized.

When analyzing at sectoral level, the eight competence dimensions affected a priori by this transformation, the need for change is actively felt in Industry (25%) and Other Services (27%), with reported actions in progress or finalized. On the other hand, the Public Sector, the Media / Telecommunications / IT and the Transport Sector are far behind (<10%).

The most important changes underway, in progress or finalized, have a similar level reported for tools, processes and the capacity for ensuring overall consistency (respectively, 57%, 53% and 52% of the respondents).

In the groups active at the Change Management level, the size of the company (around 5000 employees) or the turnover (around \$1 billion in sales) is insignificant: each accounts for 70% to 80% of activity in this area (with 25% of changes finalized and 50% in progress). However, projects are slightly more advanced in companies of less than \$1 billion in sales.

Discrepancies can be noted in the changes made in tools and processes according to the respondents' company turnover. But logically, it would be expected that any change in tools would lead to a corresponding change in processes, so that all the operational and analytical activities of the Controller would be rationalized. Respondents from companies with less than \$1

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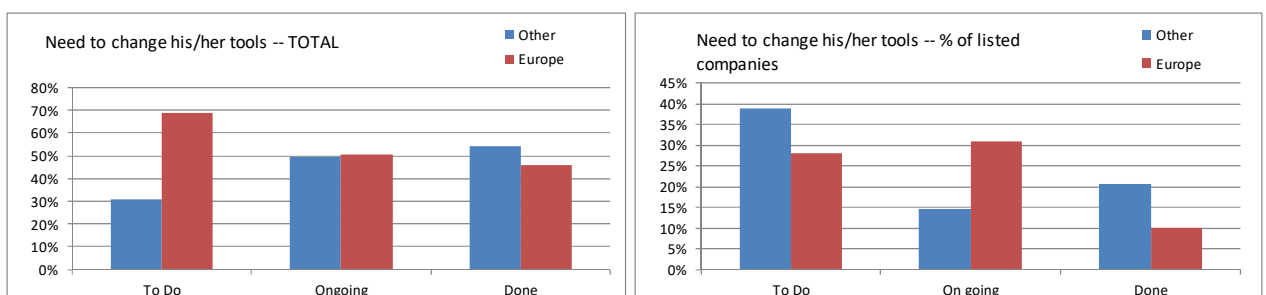
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billion in sales have made more changes to tools than processes, unlike companies with more than \$1 billion in sales. These larger groups, where change is more time consuming and where investments in tools carry a higher cost, evidently express a more pressing need to change processes in order to gain in-house agility, while planning or managing projects dedicated to tools over a longer period. Unexpected increased competition could occur from smaller players who are more agile and ahead in updating their tools, thus improving the quality of their service rendered to internal and external customers.

Taking a geographical point of view, we find that Europe shows a delay in changing tools and this is even more marked in listed companies (25%). Stock market listing shows its influence; in the USA, 30% of respondents who finalized the change of tools are listed on the stock exchange, compared with 10% in Europe. This is proof that the market demand for increased profitability deeply affects the functioning of companies and Management Control. Nevertheless, Europe, with a significantly higher rate of projects in progress, probably intends to catch up.

"One of the Big Data's challenges is to find employees who are able to make the data speak: they need to understand the business well enough to extract relevant information without an a priori research axis"

Evelyne Mercier, CFO, Manutan



Concerning the evolution of the capability of ensuring "consistency" (vision of the whole company), the level of the changes undertaken is similar regardless of the companies' turnover. Stock exchange listing, on the other hand, has a real impact: for 40% of American respondents (USA) belonging to listed companies, the change in competencies related to "consistency" has already taken place. Undoubtedly this is a strong influence of the "Business Partner" concept, considering that the Management Controller must understand the functioning of the company as a whole in order to accompany the business in a changing economic and financial environment.

Logically, there is a need for change of personal competencies (ranked 4th in the adaptations being considered; 48% of the changes in progress or finalized). Leading the change of tools,

processes or capability of ensuring “consistency” requires introspection, a great deal of open-mindedness and a lot of creativity in the search for adapted solutions. This is in order to provide the operational teams, who are often the first to implement changes in business models or production processes, with a maximized support.

Finally, one last surprising finding: for 30% of respondents, the Controller has no need to change competencies. 50% of these respondents are in Europe, 80% of which are companies with less than 1 000 employees, and 50% are in the “Other Services” sector. It is difficult today to identify the real reasons for such lack of mobility, except for the case of **newly created service companies** which potentially already lead in the possession of required competencies in the eight studied areas. Among the responses from American Controllers (USA), 40% stem from companies that remain unconvinced of the need for change; around 30% of these companies belong to the sector of Other Services, demonstrating a sectoral similarity with Europe.

WHO KNOWS MOST ABOUT BIG DATA?

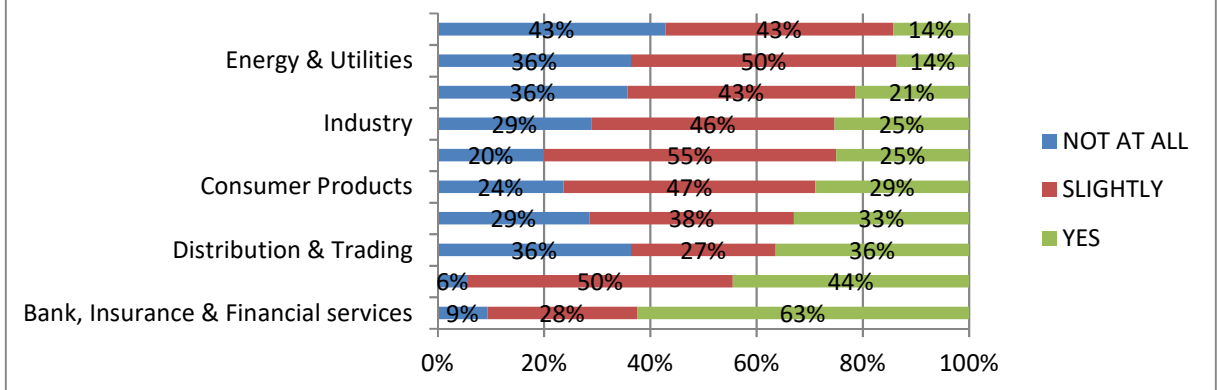
CONTROLLERS FROM THE FINANCIAL SECTOR (63%)

MANAGEMENT CONTROLLERS, ARE YOU FAMILIAR WITH BIG DATA?

This topic is more and more in the controllers’ mind. In the previous 2015 study, 49% of the respondents said that they had never heard of this subject in their company. In 2016, only 27% of them gave such an answer.

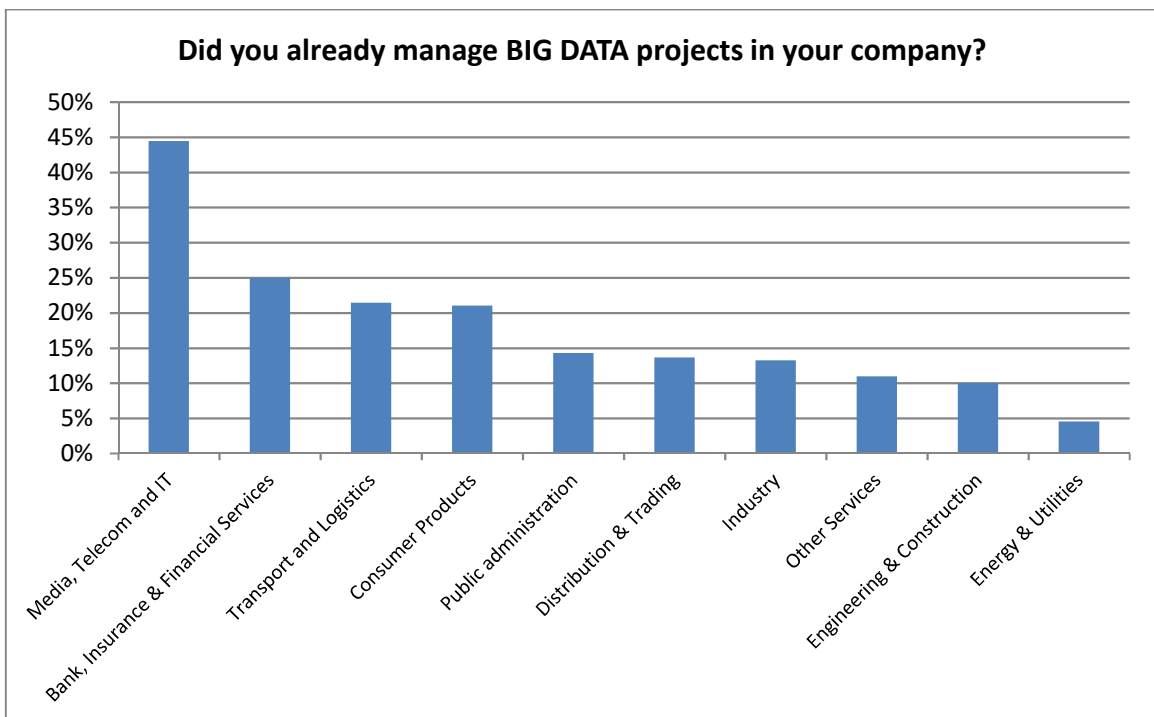
Even 31% of them firmly know the concept (“Yes”) and 42% of them say that they are moderately familiar with this notion (“Slightly”). The knowledge level of Big Data is not linked with the age of the respondent, neither with his/her years of professional experience, nor with gender, but it is correlated with the economic sector and the size of the company of the respondent.

Are you familiar with the concept of Big Data? (Breakdown by economic sector)



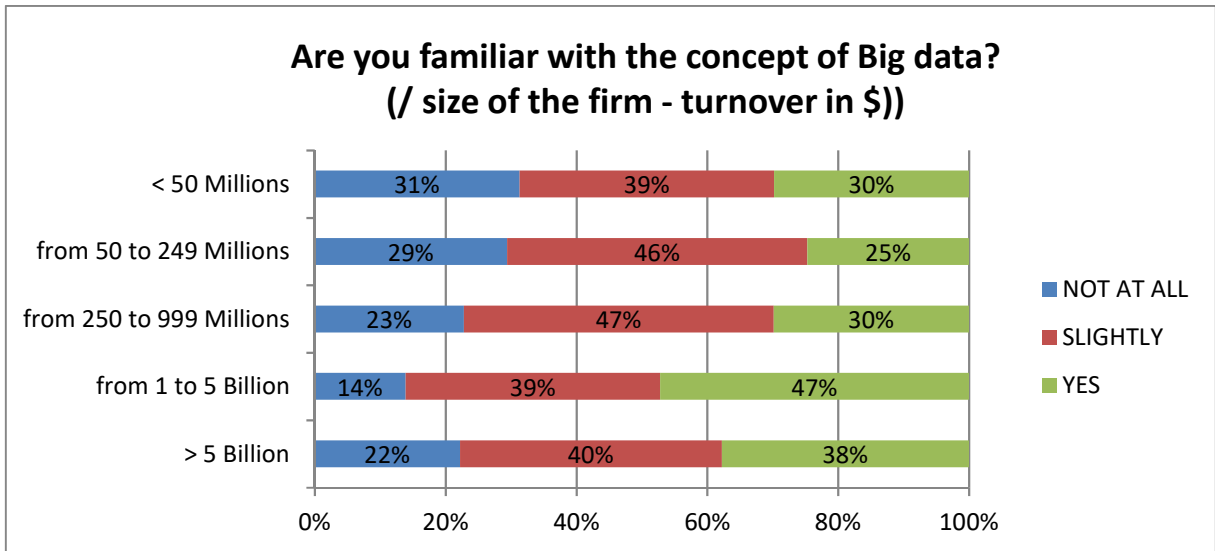
Financial Sector respondents (Banking, Insurance and Financial Services) are the most familiar with Big Data (noticeably 63%), followed by Management Controllers in the Media, Telecommunications and IT Sectors (44%). But it is in this latter sector that Management Controllers are the most numerous in having carried out Big Data projects (44%, and only 25% for the Financial Sector). The average involvement in Big Data project management for the whole population of the respondents remains at a low level: 16% of the respondents globally managed Big Data projects.

Did you already manage BIG DATA projects in your company?



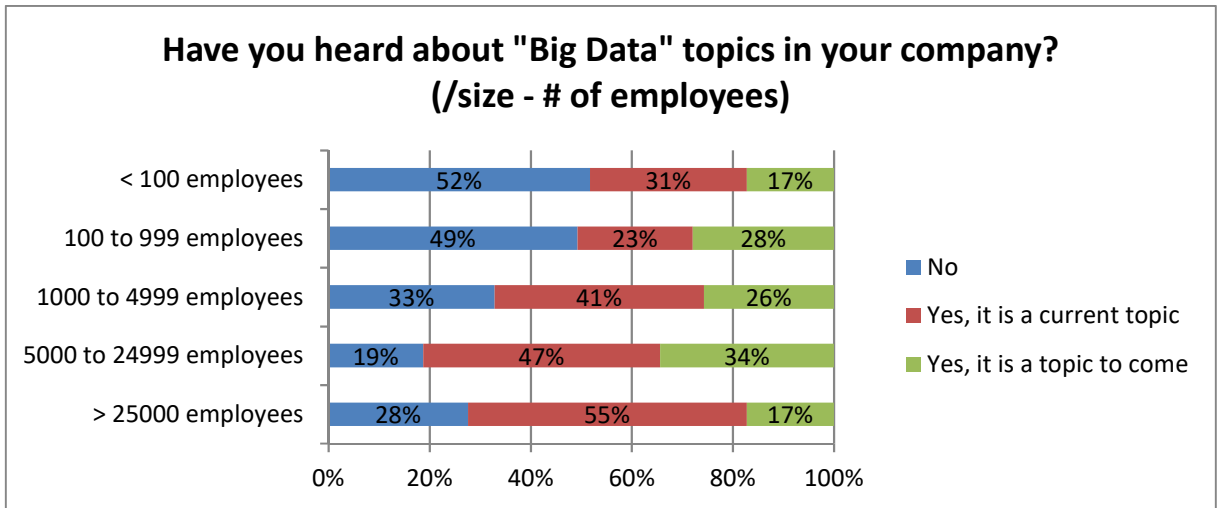
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As the previous year, the size of the company remains a major factor. Among the participants who work in companies with more than \$1 billion in sales, 42% answer « Yes » to the question « Are you familiar with the concept of Big Data? ». In comparison, the average rate of the answers is 31%. Those most familiar with the concept are precisely the Controllers of the companies whose turnover is between \$1 and 5 billion (47% of answers "Yes"). Of these, listed companies are more particularly represented: 44% of the Controllers from listed companies and only 27% of the respondents from unlisted companies clearly state that they know the concept.

Nevertheless a more nuanced finding must be expressed. Indeed, the less familiar Management Controllers belong to small companies (from \$50 to 249 million of turnover) – only 25% of them firmly know the concept); however 30% of the Management Controllers of the very small companies and middle sized companies (respectively, turnover < \$50 million, turnover between \$250 and 999 million) say that they are familiar with the Big Data topic. This figure is very near the overall average percentage (31%).



As can be expected, the knowledge of the subject Big Data by the Controllers surveyed is aligned with the stated registration of projects within the corresponding companies. Big Data is indeed on the agenda (current and future) of the companies of the respondents for 58%; moreover, it is a present topic for 55% of large companies with more than 25,000 employees. Such planning and associated projects is the subject of a more precise analysis in the following paragraph.

The analysis around geographical areas shows some slight differences. 83% of the respondents are Europeans and Americans in 2016. We have observed previously that 73% of the total respondents confirm that they are familiar with the Big Data concept (42% + 31%). The European panel is aligned with this average percentage (73.5%) but the American respondents seem a bit less familiar (71% "Yes" and "Slightly" answers). In fact, it is the level of knowledge of the topic which is different. The American respondents seem more familiar than their European peers (See following table).

Are you familiar with the Big Data concept?	Slightly	Yes
European respondents	48%	25%
American respondents	36%	35%

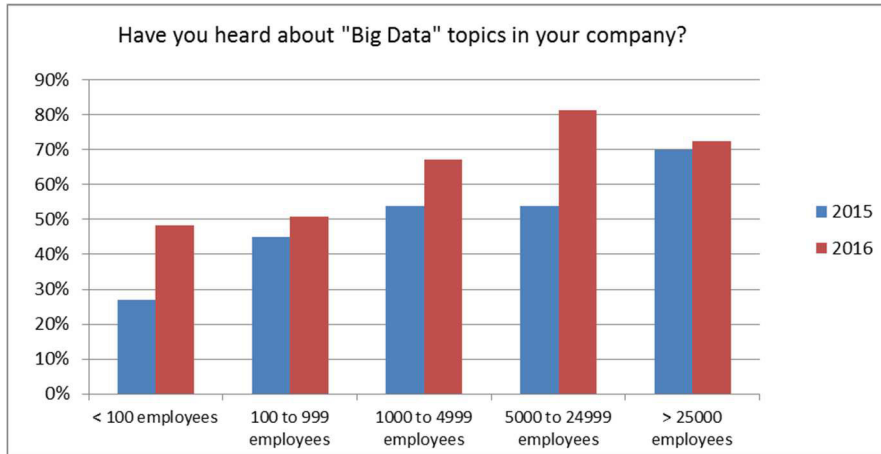
The respondents from the other geographical areas, especially from Africa and Asia/Pacific area, represent 17% of our panel and are particularly aware of the Big Data topic: 77% of them assert that they are familiar with the concept (34% "Slightly" and 43% "Yes").

**80% OF THE COMPANIES WITH MORE THAN 5000 EMPLOYEES
HAVE PUT BIG DATA ON THEIR AGENDA**

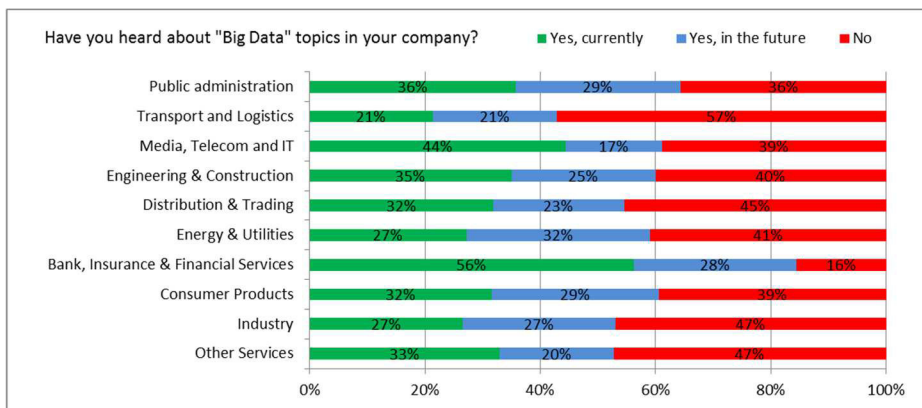
BIG DATA, A SUBJECT ON THE AGENDA OF ENTERPRISES?

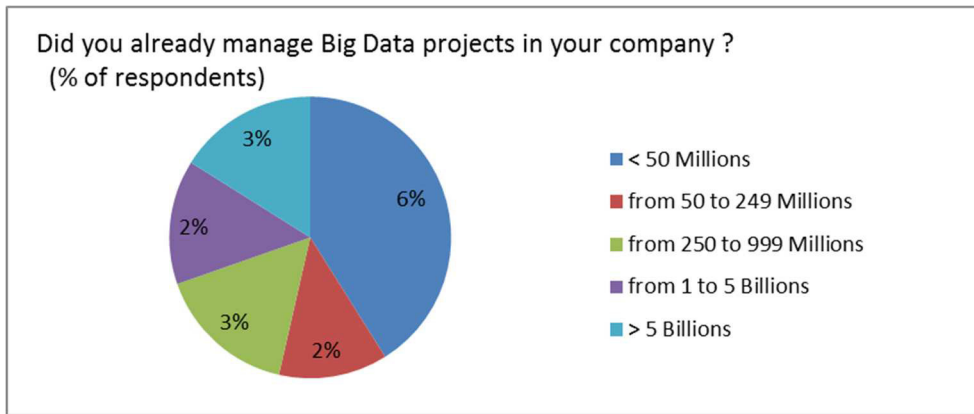
In 2015, the IOMC emphasized that globally "Big Data was becoming the news but not yet the reality", with only 20% of respondents confirming to place Big Data on their list of priorities.

In 2016, we note that there is progress here, even if it happens little by little: the subject is on the agenda for 58% of all companies (33% in progress, 25% planned for the future), and even as high as 80% for companies with more than 5000 employees.



The trend is particularly strong in large companies. In 2015, companies with more than 5000 employees already confirmed that more than 80% of them had Big Data on their active radar screen. However, in 84% of the cases the respondents' companies had not yet conducted a Big Data project. In 2016, projects are clearly on the agenda, especially in companies with more than \$1 billion turnover (50%); projects are actually being effectively carried out in companies of less than \$50 million turnover (40%) and more than \$1 billion in sales (30%).



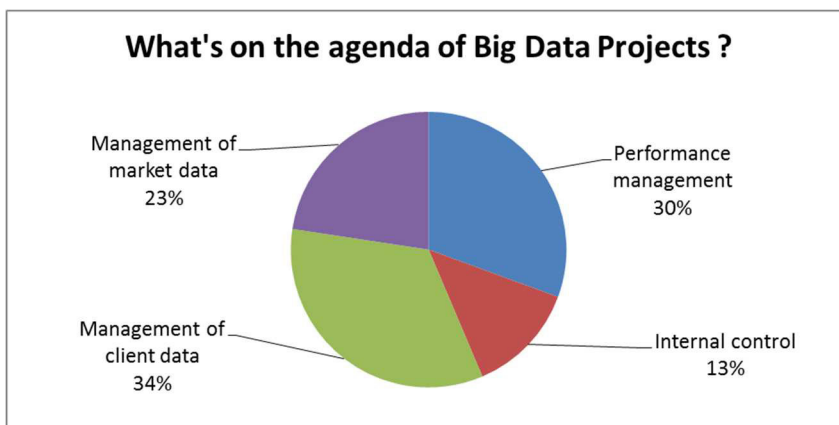


On a sector-by-sector basis, the Banking, Insurance and Financial Service Sector rank first among the sectors with Big Data in their business news, with a stated 84% (56% as current subject and 28% as a future topic). This is far ahead of the Media, Telecommunications and IT sectors (61%). In the era of very low interest rates, tight financial markets and constant pressure from regulators, banks and insurers must invent a cheaper economic model that is more aligned with their customers' needs. The latter are demanding innovative services, and these are now part of an "online" dynamic, and are therefore digital. Moreover, this sector, traditionally, thanks to its fundamental activity, has large data capacity, processing capacity and statistical and econometric know-how.

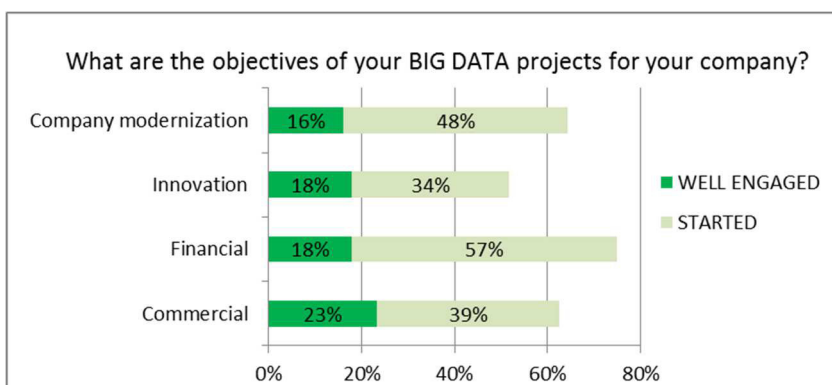
The analysis of the results by geographical area suggests that the phenomenon Big Data is definitely global. Asia and Africa take the lead with 50% of respondents having Big Data projects on the agenda of their companies, followed by the USA, Europe and Other Countries (respectively 31%, 30% and 25%). Surprisingly, American respondents stood out from their counterparts in other geographical areas by stating that 50% of their companies do not have Big Data projects on the agenda.

Big Data projects on the agenda, but for which purpose?

Among the reasons that encourage companies to set up Big Data projects, the major target is Customer Data Management, followed by Performance Management. Not surprisingly, 50% of companies working on Performance Management are also working to improve Customer Data Management by using Big Data.



Looking more closely at the announced targets of Big Data projects currently carried out, four dimensions stand out: Commercial, Financial, Innovation and Modernization of the company.



The highest proportion of well engaged projects is observed at Commercial level, which is consistent with the aforementioned agenda, including a clear target of efficient management of Customer Data. This dynamic is mostly observed in the USA, with more than 70% of the respondents, followed by Asia (60%) and Europe (50%). At the global level, Industry, which represents 20% of the sample of companies reporting ongoing projects, is the sector that is commencing projects in 2016. However, it is the Media, Telecommunications and IT sector which displays projects that are already well underway (50%). Companies with less than \$250 million in sales are the most represented in having projects with a Commercial target (77%), while companies with a turnover of more than \$1 billion show some delay. Only 41% of them announce the launch of projects in this area in 2016.

Performance Management has come second in terms of target, and this performance seems to be clearly financial. Big Data projects with a financial target are more numerous, and are also globally more recent, since 57% have only just started. The USA are clearly leaders with 95% of projects well committed and started, compared to 55% in Europe. Contrary to our expectations,

more than 75% of these projects with "financial" targets are carried out in unlisted companies, an observation also made for the other three focus topics. Does the fact that the company is stock-listed or not have a significant influence? This may be the case, as 32% of companies undertaking projects with an initial financial target have, simultaneously, a determined goal of modernizing the company.

Finally, for the Management Controller, the objectives of the use of Big Data are clear: the priority is to have more analysis capability. This will enable the Operational Managers to adapt the business model to the changes while optimizing processes and cost levels. Of lesser significance in this study, but noteworthy, Big Data will also activate the fight against fraud, a not insignificant point in the race to limit the waste of resources.

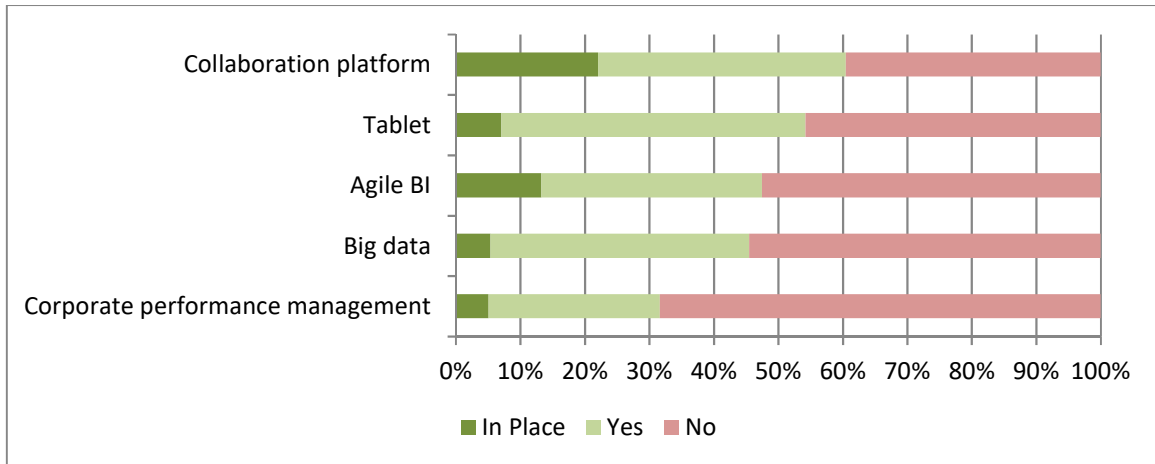
What would be/is the use of big data in your job?	
Improve analysis capabilities	79%
Adapt model to Market	63%
Optimise process & cost levels	55%
Improve financial results	54%
Growth Opportunities	52%
Alignment of company with markets	46%
Adapt Products/Services to market needs	46%
Enable Fraud Risk management	30%
Align Organisational Design	20%

"We have Big Data projects serving the Financial Department, in particular in the fields of Risk Management and Fraud control"

Brice Gaillardet, CFO/IS, DECATHLON

BIG DATA? YES! BUT WHAT FOR?

Do you plan to implement the following tools in the next 3 years?

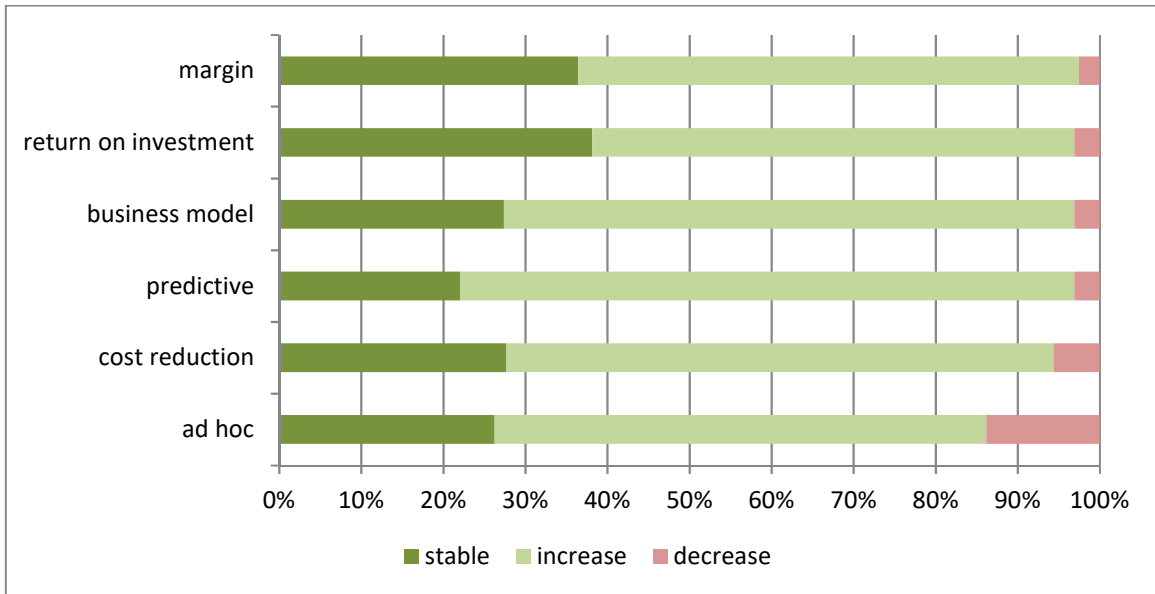


Currently and in the future, Collaboration tools are the most used and this is true globally. The size of the company relates to the use of this tool (obviously more used in large companies).

If we compare the number of companies that plan to implement a given tool with the number of companies that already use that same tool, Big Data has certainly the highest growth rate but use seems to be capped at 45%: indeed, opportunities offered by Big Data are still perceived vaguely. Also, adoption would remain limited to a minority, even among those who, for instance, consider that the need for predictive analysis will grow....

Conservatism or realism? In any case, in line with the general pattern from previous years regarding information systems, the majority of Management Controllers do not intend to adopt iconic digitalization tools. Confining themselves to Financial Reporting tools and to spreadsheet, what could be their Value-added for the decision-making team?

Do you anticipate changes in the next 2 to 3 years regarding requests for the following type of analysis?



Predictive type of analysis is the one that should produce the greatest growth over the next 2 to 3 years. Furthermore, volatility in economy accelerates the obsolescence of companies' value chain: therefore, Business model Analysis will expand. Management Control, in charge of Scoreboard is now expected as a sideline coach, and perhaps in the field, setting up the goal. The challenge is to confirm whether the Controller is in position to access the behavioral competencies and the technical expertise required to meet that expectation.

“As analysis of actuals has matured, requests for simulation grow. This is where Controllers can show their Value-added but also their limits.”

Aline Hadjidakis, Financial Planning & Analysis, Senior Manager, United Monolithic Semi Conductors SAS (Thales Group)

CHAPTER 3: EVOLUTION OF MANAGEMENT CONTROL

Concretely, Digitalization means first adopting new collaborating tools

The emergence of Big Data questions the role and positioning of the Controller

The competencies expected from the Management Controller are now based on their capacity to be predictive and to communicate efficiently

Management Controllers wish to achieve a higher participation on the management side

39% of Management Controllers conclude they have to develop their competencies in Change Management and Company transformation

Introduction

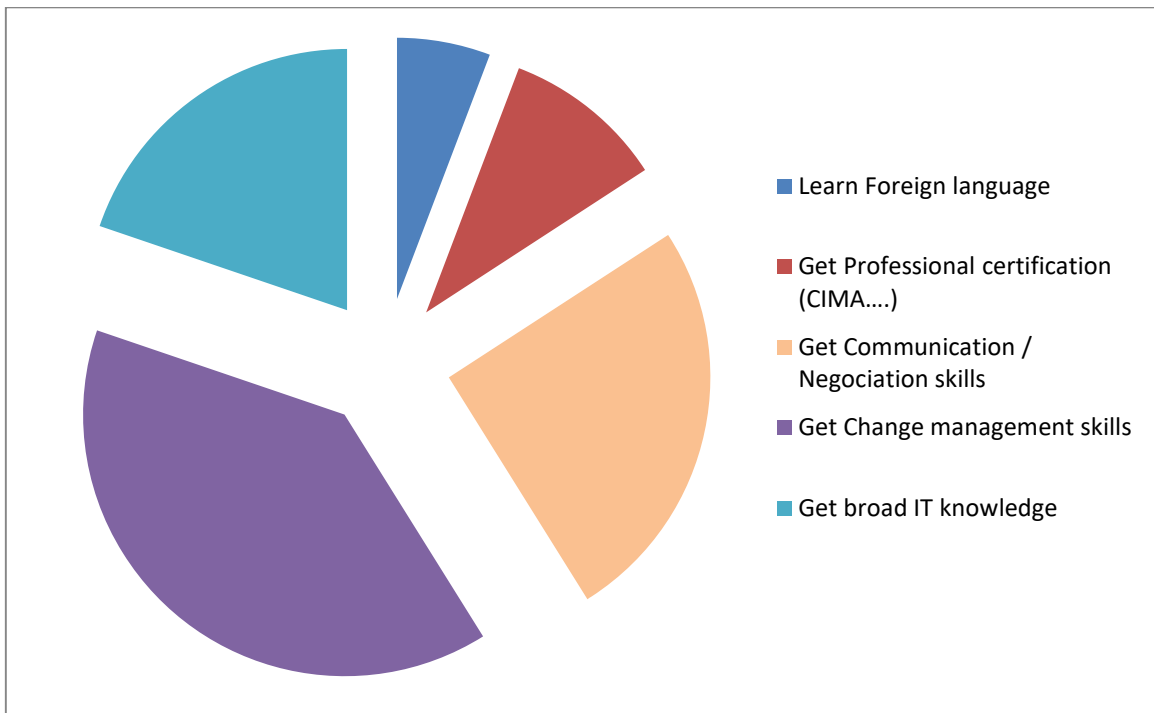
This part aims to understand the current evolution of controlling function, notably in terms of activities and competencies. Taking into account for instance the Digitalization and Big Data, at a time when technology enables quasi-immediate analysis in real time, what impact does this have on the financial function? How is adjustment to be made with regard to these new tools or systems? What are the expectations in terms of competencies and professional qualities? What are the methods and organizational levers enabling the Controller to be more efficient? Then, in order to come to a conclusion, we offer a retrospective analysis of the past six years based on the data produced by the IOMC since 2010-2011.

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THE COMPETENCIES NEEDED BY THE FUTURE FINANCIAL CONTROLLER FOR GREATER EFFICIENCY

Change Manager?



Like the technical and/or organizational means (tools, data growth, **cross-cutting**, working in project mode, etc. ...), the competencies needed for a Financial Controller will no longer be the same as today. In fact, "making numbers speak," being a "project manager", communicating, persuading, negotiating: these are all competencies that the Management Control function will have to learn.

Specifically, the Management Controller must upgrade his/her simple role of guarantor of the accuracy of financial information (which remains essential, however) to a broader role as a "Change Manager". Now supporting the Directors in the development of a more predictive business vision implies learning to work increasingly on the basis of "a priori"; although so far Management Control has been more used to dealing with current and historical accounting data.

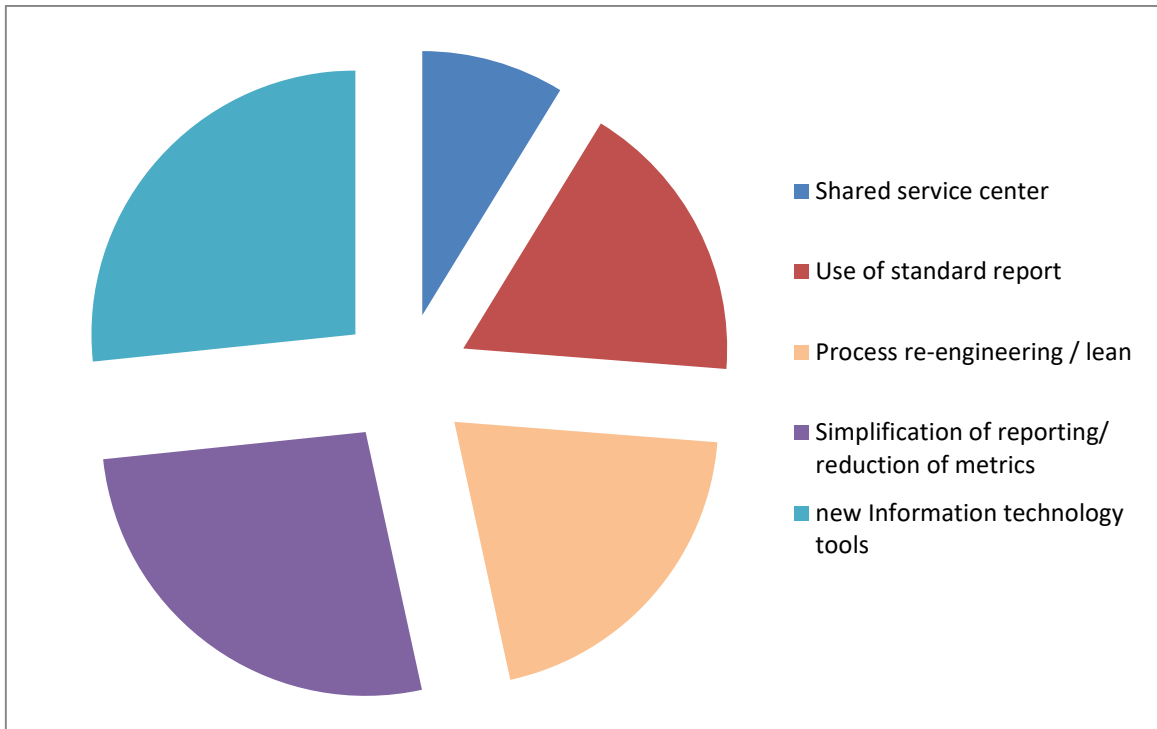
In this context, it seems logical that maintaining the control function competencies remains ensured (e.g. nowadays, the mastery of a foreign language or the acquisition of certificates are taken for granted). IT control and negotiation techniques (including skill of persuasion) will have to be part of the toolkit of the Financial Controller to allow her/him to be relevant both technically and in the field of communication. For Controllers, the need to strengthen listening competencies, as well as synthesis and analysis is reported, so that they are ready to deal with the evolution that awaits them in the coming years. Thus, they could become a key player in supporting change.

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So we may question the organizational conditions and/or methodologies in place in the companies that are available to assist more efficiently the Financial Control function in its role; e.g., could the acceleration or simplification of Data Processing perhaps allow them to increase the Management dimension of their work?

What levers of action for tomorrow?



According to the Financial Controller, Shared Service Centers (SSC) are not a lever contributing to the efficiency of its function. Probably because it is inconceivable that some parts of the strategy implementation - including Financial Control - can be outsourced. We can also wonder if, in fact, the Financial Controller is the best judge of SSC and its consequences: this mode of organization can potentially lead to a loss of influence by Management Control on the Leadership.

However, Management Methods or Optimized Management Processes, such as the Standardization of Reporting or Lean Management, may help the Financial Control function to be more efficient. Less occupied by only producing activity figures and Reporting, the Controller is then able to focus on higher value-added missions.

In conclusion, to be more efficient, the Financial Controller will have to work at rationalizing and simplifying Reporting and Management Indicators. Moreover, the Controller should make efficient use of available IT tools, in order to avoid being swamped with information otherwise Value-added may be at risk. With these new competencies and equipped with more sophisticated

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tools, the Controller has appropriate resources to become the first officer of the company's performance.

TOPICS CONSIDERED IMPORTANT IN THE NEXT 3-4 YEARS

In terms of topics dealt with by Management Control, improved Organizational Efficiency and Process remains, of course, a central issue. But the Management Control function should strengthen its involvement as a “Business Partner”: traditionally supporting the operational departments (Reporting, Forecasting, work with the Operational Teams); It seems Management Control is struggling to take any substantial partnership and consulting role. Increasingly, this role should be supporting the implementation of strategic decisions made by the Management of the company (ad hoc studies, specific dashboards ...). Finally, in a complex environment, the issues related to Cash and Financing will be a priori topics that remain important over time for the majority of respondents.

WHAT ROLE OR POSTURE IN THE FUTURE FOR MANAGEMENT CONTROL?

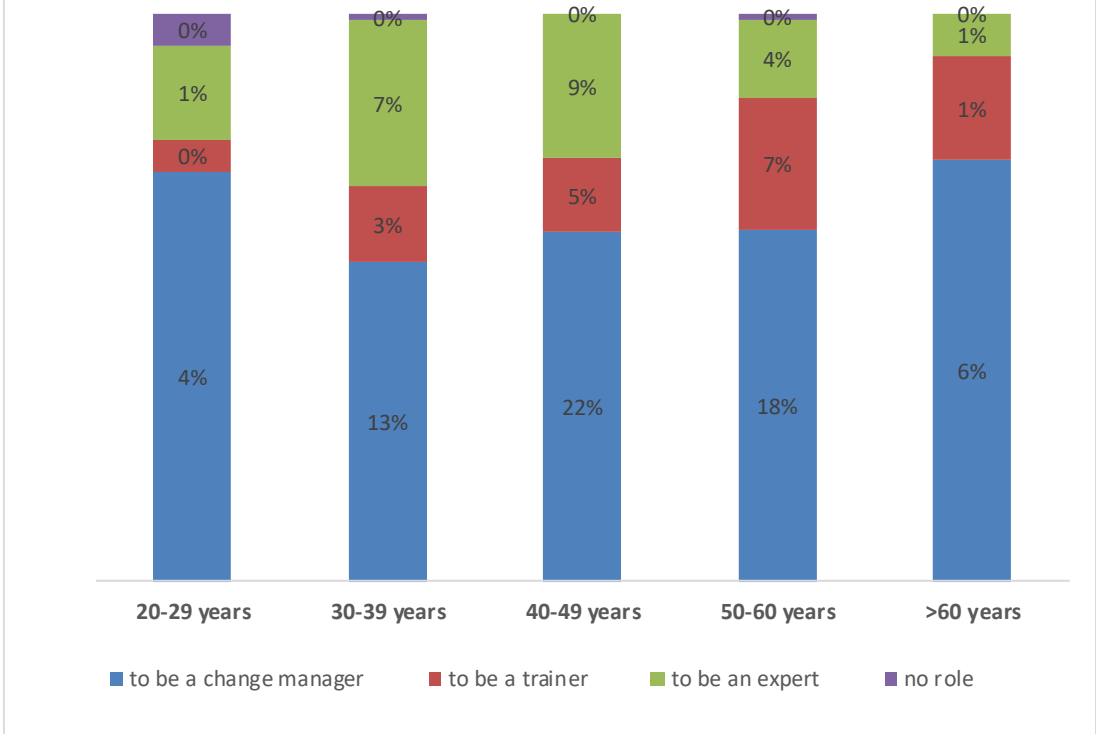
The majority of the respondents consider themselves as Leaders in Change Management. It is a trend observed in all age groups. For the group of 20-29 years, in particular, their function is projected to be at the level of "Business Performance Management": in other words, beyond the financial and technical dimension, the projected function will focus on achieving the targets set up by the upper Management. This internal advisory function then can grow in opportunity and meaning. It is the same for the 60 year-old range participants, and this is consistent since they are more experienced and have a good understanding of the organization; they can be key actors in the Change Management.

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Role or position of the management controller in the coming years, depending on age



SUMMARY AND COMPARISON WITH PREVIOUS ISSUES

This new issue of the IOMC provides us with the opportunity to summarize all the results we have obtained since 2010-2011 about the evolution of Management Control all over the world. The following three axes have been analyzed: the **most important activities** of Management Control, the **competencies required** to be a Management Controller; the **organizational levers**, helping or of no assistance to Management Control in being efficient. This retrospective (See further below), which has never been made before, is all the more interesting in that it offers a six-year comparative study.

Here are the key points of our analysis:

The significance of the topics dealt with and the activities carried out by Management Control

- Some activities of Management Control remain essential over the years, particularly Reporting, Planning and Budgeting. This observation is a constant whatever the reference year. Internal Reporting, in particular, remains essential.
- The role of Partner of Management Control has been recognized for a long time but depends on the year and the economic context. In other words, this role seems to be an “adjustment variable”. Furthermore, although the “Business Partner” approach is supported generally, it is not always a reality.
- For two years, the Management Control has focused more on Cash and Financing. But is this really the core business of the Management Controller?

The expected competencies of Management Control

- The number of years’ experience, which has been fundamental for a very long time, is not so important anymore. Nowadays, what is expected is versatility but also the ability of Management Control to understand various and complex issues.
- Financial competencies are requested in accordance with the increased financial orientation of the Management Control activities.
- The managerial role of Management Controller is gradually confirmed and also his/her ability in negotiation.

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Organizational levers helping Management Control to be more efficient

- The surveys we have been analyzing since 2010-2011 tend to show that Management Control is more effective and efficient mainly in dynamic environments (i.e. companies having introduced advanced tools) and/or in an environment of economic growth.

- However, Organizational Levers (size, number of employees, style of management...) are not significant, i.e. there is no typical context in which Management Control would be more efficient.

- According to respondents, the digital wave should lead to a more efficient Management Control. But, in reality, we are still unable to assess all the effects of Digitalization on Management Control.

As a conclusion, this six-year comparison underlines the fact that working as a Management Controller is increasingly demanding in terms of tasks required, and in competencies to be owned.

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