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MANAGEMENT CONTROL

INTERNATIONAL OBSERVATORY 2011



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(International Association of Financial Executives Institutes)

Letter of the Editor

February 15, 2012

Dear Financial Executive,

You receive the **IAFEI Quarterly, Special Issue, Management Control, International Observatory 2011**

This is another issue of the electronic professional journal of IAFEI, the International Association of Financial Executives Institutes. This journal, other than the IAFEI Website, is the internal ongoing information tool of our association, destined to reach the desk of each financial executive, or reach him, her otherwise, at the discretion of the national IAFEI member institutes.

The Management Control function is essential to the measurement and analysis of the operating performance of every business activity. As such, it is a key part of business management.

The attached study " International Observatory of Management Control 2011 Results" , "aims at providing a vision of the changes in the scope, activities, methods and systems of management controllers worldwide."

This study was lead-managed by the French IAFEI member institute DFCG, in association with Décision Performance Conseil and with DAUPHINE UNIVERSITÉ PARIS.

Management controllers from 14 countries have contributed answers to this study, among them the members of five more other IAFEI member institutes, namely from Germany, Italy, Japan, Mexico, the Philippines. Thereby, IAFEI has significantly contributed to this study.

We wish to make the results available to all IAFEI member institutes, and we do thank the French member institute DFCG and all members of the French Expert Team to give permission for re-issuing this study.

Once again, I conclude with our ongoing invitation to IAFEI member institutes, and to their members, to send us articles for inclusion in future IAFEI Quarterlies, and to also send to us your suggestions for improvements.

With best personal regards Helmut Schnabel

Helmut Schnabel

INTERNATIONAL OBSERVATORY OF MANAGEMENT CONTROL 2011 RESULTS

Which activities? Which processes?
Which methods? Which systems?



DFCG
ASSOCIATION NATIONALE DES DIRECTEURS FINANCIERS ET DE CONTRÔLE DE GESTION

Décision Performance Conseil

DAUPHINE UNIVERSITÉ PARIS

COMPOSITION OF THE WORKING GROUP

Leader :
Frederic DOCHE, Chairman and founder of Decision Performance Conseil
Member of DFCG Scientific Committee
Chairman of DFCG Management Control Committee

Members of the working group:
Francis CUISINIER, Expert in performance management

Katrien DE BLOCK, Financial Planning & Analysis Manager EMEA, Boston Scientific

Catherine DUBAN-DOYARD, Senior Consultant, Cegos

Xavier DURAND, Head of Finance Departement, ESSCA

Catherine KUSZLA, University professor, Université d'Angers et Université Paris-Dauphine

Sylvia PIEL, CFO, Armand Thiery

Nicolas ZANELLI, CFO, Mayence

Many thanks for their contribution and support to :

University of Paris-Dauphine

Décision Performance Conseil

Daniel BACQUEROËT, Chairman, DFCG

Armand ANGELI, DFCG International, IAFEI EMEA

FOREWORD

Why an observatory?

When focusing on the management control function, the first finding is that no regular survey of the function was really available, neither at the national French level, nor with an international coverage. It appears to the DFCG that the creation of such a survey was necessary not only to analyze this profession and its highest professional practices, but also to anticipate changes in structural business management.

Why internationally?

We could limit ourselves to produce this Observatory only at a national level. However after thorough discussions among our members, the comparison of activities and management control methods, between different countries, is often discussed: Do the differences depend on Nationalities or corporate cultures, on the size of groups or their organization, on companies' activities or the use of forecasting tools?

To answer these questions and many others, we decided to launch the International Observatory of Management Control based on the initiative of Frederic DOCHE, in charge of the Management Control committee of the Scientific Committee and founder of Decision Performance Conseil, with the help of the Catherine KUSZLA, Professor at University of Paris Dauphine, and a working group of controllers and financial managers.

I would like to highlight the search for a typology of management controllers. This innovative approach is based on a combination of activities and processes with company profiles and management controllers. This cross-analysis is full of lessons and puts into perspective common and different behaviours... a sound basis for thesis on management control...

I would like to especially thank Frederic Doche and its working group not only for their tenacity to produce this study, but also for their willingness to share their deep knowledge of management control. Whatever the name, Management Accounting, Financial Planning & Analysis or Financial Controller, this function remains essential to the measurement, analysis and improvement of the performance of any activity either in industry or in services.

The rich and inevitably dense results of this observatory in 2011 are presented hereafter, and you will find, I hope, answers to many questions.

I wish long life to our Observatory and I am looking forward the next study in 2012. No doubt we will begin to collect new trends in management control.

Daniel Bacqueroët
DFCG, Chairman

DFCG
ASSOCIATION NATIONALE DES DIRECTEURS FINANCIERS ET DE CONTRÔLE DE GESTION

Décision Performance Conseil

DAUPHINE UNIVERSITÉ PARIS

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1. MANAGEMENT SUMMARY

The International Observatory of Management Control has been launched at the end of 2010 by the DFCG (Association des Directeurs Financiers et de Contrôle de Gestion, the French Financial Association) in partnership with Decision Performance Conseil and University of Paris Dauphine. It aims at providing a vision of the changes in the scope, activities, methods and systems of Management controllers worldwide.

The emergence of a new and more central trend of Management Control is one of the main topics discussed by the International Observatory of Management Control (IOMC). The emergence of this new trend of practices has been identified and measured thanks to the great quality and diversity of respondents (from 14 different countries and 10 industry sectors). The management control new trend is related to the content of the activities of management control, to the increase of transparency process (more visibility for peers), to the involvement of operational resources, and to the benchmarking process.

The sample analysis of responses shows a balance of companies in terms of size, either based on turnover or workforce. All industry sectors are represented, with a predominance of industrial equipment industry, consumer products and other services. Companies in the sample are really dynamic thanks to product innovation for the great majority of them. They also show a strong international presence.

The great majority of respondents has a financial profile with important responsibilities and often has a long career in the management control field. Furthermore, we noticed a significant variety of initial educational background.
They belong for most of them to the Head office of their company or CFOs. What is important to keep in mind is the fact that, even if the decision making process returns generally to the Head office, some management controllers of local entities can be in charge of key management control issues. For instance, their missions could be to develop locally performance indicators or to be in charge of process management.

The most represented management control activities are internal reporting, forecasting and budgeting. A clear separation between general and analytical accounting activities can be noticed. In fact, management controllers spend less time working on analytical accounting issues and consider that it adds less value. For that reason, the survey shows that their activities shift from internal reporting to business reviews and gap analysis, because they think to provide higher added-value with those activities. Finally, the scope of actions of management controllers is larger. It includes projects monitoring (non-recurring activities), and stronger implication in IT decision support projects of the company.

In terms of processes, some factors seem to be essential for the management controller practices such as transparency, involvement of operational resources and taking into account the human factor (team implication). The survey underlines the fact that the processes used by management controllers are numerous and can differ if we take into consideration some characteristics such as: to be listed on the Stock Exchange or not, the industry sector, the turnover and the company growth rate. In a nutshell, the five main processes that emerge from the survey are: strategic and operational planning, budget management, forecasting and reporting of actuals.

- Strategic planning is not only performed in listed companies but is more frequent in large companies with steady growth rate. The horizon is usually three years.

- Overall, operational planning is less used by companies but it remains an important process for many firms especially those who don't often use strategic planning, for instance companies in consumer goods sector. The horizon is usually three years with an yearly revision.

- Budget management is a key element in management controller's activities. It is often part of the long-term plan construction. In general, to elaborate the budget, management controllers use P&L and operational indicators. Sustainable development indicators (social and environmental reporting) are still seldom included.

- As regards to forecasting, it is used by almost all surveyed companies. It is usually quarterly or monthly. We also noticed that forecasting is more detailed in complex structures.

- The content of management reporting changed significantly in recent years both by the indicators presented and by the monitoring of results and their publication. It is usually monthly with a delay of publication of D+5 or D+10 and is usually faster in Anglo-Saxon countries.

In terms of methods used by management controllers, the survey shows that they were more open, due to benchmarking, effective elaboration of new methods and the utilisation of collaborative and more open market solutions:

- The first method used by management control is the Balanced Scorecard (BSC). This method is more often implemented by large company. We also notice that the use of BSC is often linked to the company growth rate. Companies are pragmatic and flexible when they use BSC, firstly because a reasonable number of indicators is used but also because the version of BSC used is adapted to each company.

- The second method used is Activity Based Costing (ABC/ABM). The use of this method depends also on the size of the company and its growth rate. Moreover, this method is mainly used in Europe and less often in Asia and America for instance.

- Benchmarking is a significant breakthrough regarding the relative performance measurement. By this way, it avoids the performance measurement in absolute value which does not fit with changing environments. Benchmarking can be used internally or for external comparison which provides a new perspective on results.

- The Beyond-budgeting method aims at replacing classic budgeting. However this method remains less frequent in comparison with the other methods listed before.

As regards to Information Systems tools, it can be splitted in three categories: Excel spreadsheet, software packages provided by software publishers and specific systems developed internally by the company.

If we consider all the activities, the survey puts the emphasis on the fact that Excel remains the most often used solution in a majority of cases, followed by software packages and finally specific systems. What is important to underline here, is that Excel is only used for some specific activities such as: budgeting or reporting. The other tools as budgeting software packages are in progress in the field.

The results of the International Observatory of Management Control for 2011 sum up with a typology of management control practices. This typology has been identified thanks to an advanced statistical analysis and has discovered 5 main types of management control practices:

- Traditional
- Dynamic
- Participative
- Controlled
- International

As a conclusion, the results of the International Observatory of Management Control for 2011 enable a rich and thorough analysis of management control international practices in terms of activity, process, methods or Information systems.

The results of the next few years will certainly show new trends and further evolutions.

2. INTRODUCTION OF THE INTERNATIONAL OBSERVATORY

2.1 General introduction

The International Observatory of Management Control has been launched at the end of 2010 by the DFCG (Association des Directeurs Financiers et de Contrôle de Gestion, the French Financial Association) in partnership with University of Paris Dauphine and the consulting firm Decision Performance Conseil.

Since several years, the management control has to face a lot of transformation, concerning its perimeter, the activities of the function and the processes, but also the general management expectations.

This function become more and more central in the company, whatsoever making the connection between operational management and company performance, improve agility of the company in a more and more fluctuating environment, or to innovate on changing markets.

The comparison of the management control function in the different countries is recognised as a difficult exercise, sowed of traps or hurried conclusions. First in the terminology, the Anglo-Saxon translation of the French word "contrôleur de gestion" is difficult, whereas the distinction between Management controller and financial planning & Analysis could be hard to explain in French or other languages. Then it could be difficult in the content and the approach, because the borderline between financial accounting and management control is not so easy to clarify.

In this context, Mr Frederic DOCHE, in charge of the DFCG Management control committee, and the CEO of Decision Performance Conseil, thought it was essential to create an observatory that could light these questions, though except some occasional survey, this kind of observatory didn't exist worldwide.

Furthermore, University of Paris Dauphine had already realised in 2007/2008 with the DFCG, a first survey dedicated to strategy and control relation in France and Germany, with the partnership of the German university WHU. An involvement in the international Observatory of management control fits in naturally with the founding Paris dauphine university's project which is to bring professionals and academics together around company's organizational and decisional problems.

That's how the partnership between the DFCG, Decision performance Conseil and University of Paris Dauphine was built.

The observatory ambition is to regularly give a vision of the evolution of the management controller's area, activities, processes, methods and tools through the world.

This special issue introduce you the results of the observatory first edition for 2011.

2.2 International partners

The Observatory was built as a survey, produced on internet and launched in fourteen countries: Germany, Belgium, Ivory Coast, the United States, France, Italy, Monaco, Japan, Morocco, Mexico, The Netherlands, The Philippines, The United Kingdom, and Sweden with the help of the IAFEI (International Association of Financial Executive Institutes).

In each country, it has been relayed by the following financial associations:

- ANDAF (Italy)
- CIMA (The United kingdom)
- FEI (The United-States)
- FINEX (The Philippines)
- GEFIU (Germany)
- IAFEI (International)
- IMEF (Mexico)
- JACFO (Japan)
- Of course DFCG in France.

We would like to thank all the actors at an international level who enable us to realise this survey, and in particular Armand ANGELI, International DFCG CEO, IAFEI EMEA CEO, for their precious helps in setting up relationships with the international associations.

2.3 Some Information about the companies

Good diversity of companies in terms of size and economic sectors, rather growing and with international footprint.

A balanced panel according to the turnover and the headcount

The panel seems balanced. Different sizes of organizations are present in terms of turnover and headcount (Fig. 2.3 – 1 and Fig. 2.3 – 2). More than one third of the respondents' companies are firms with more than 1 billion Euros of turnover and with more than 5000 employees. More than half of these firms present a turnover of above 500 million Euros.

At the same time, 24% of the firms show a less than 50 million Euros turnover and 17% of the respondents employ less than 100 people, so mid and small size companies are well represented.

Fig. 2.3 - 1 - Distribution by turnover (in Euros)

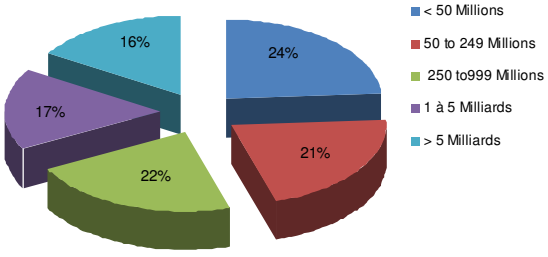
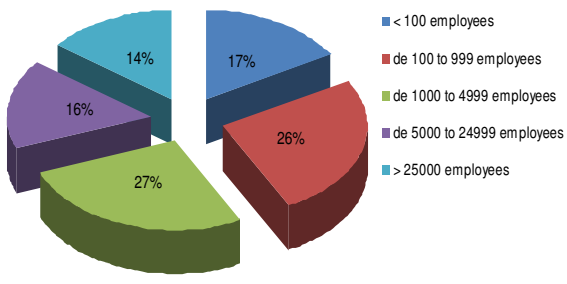


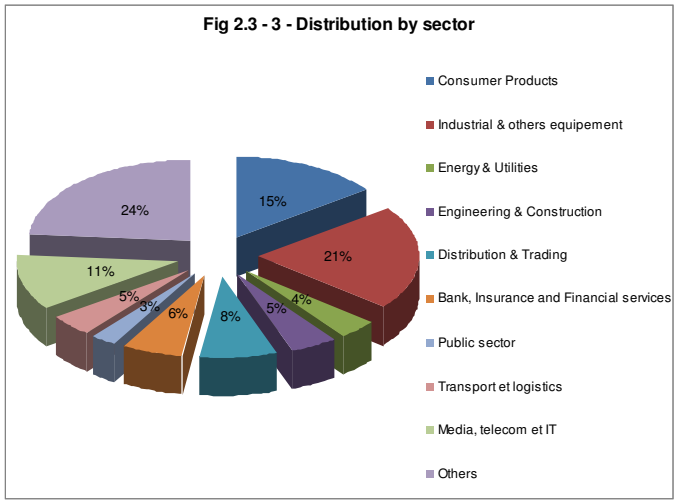
Fig. 2.3 - 2 - Distribution by headcount



The study deals with every economic sector but the industrial & other equipment and the services sectors are dominating

Industry & other equipment and Other Services (respectively 22% and 23 % of the respondents) are at the top of the list. They are followed by three main sectors: Consumer Products (16%), Media/Telecommunication/IT (10%) and Distribution and Trading (8%). Transport/logistics, Bank/Insurance and Financial Services, Engineering/Construction and Public Sector are less present (Fig. 2.3 – 3).

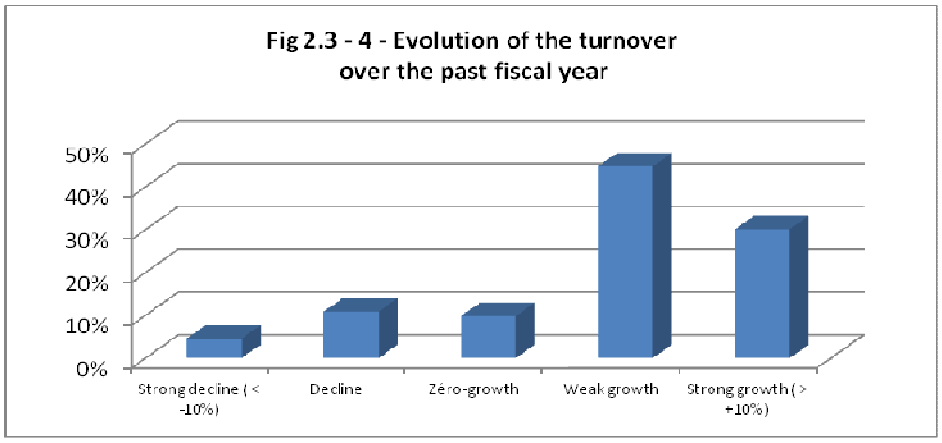
In this study, **US and Japanese firms mainly belong to the Industry and Other Equipment sector.**



The respondent firms, in majority, belong to economic sectors which historically develop management control systems, whereas in contrary the Banking sector and the Energy and Utilities sector are less present.

Economic dynamics and international footprint

On top of the true diversity in terms of economic sectors and sizes, the respondent companies show an economic dynamism and a strong presence on international markets.
In spite of the crisis, 75% of those increased their turnover over the past fiscal year (Fig 2.3 - 4), proving their economic vitality over the period.



- ***The US and Japanese firms' dynamics with a more moderate situation in Europe***

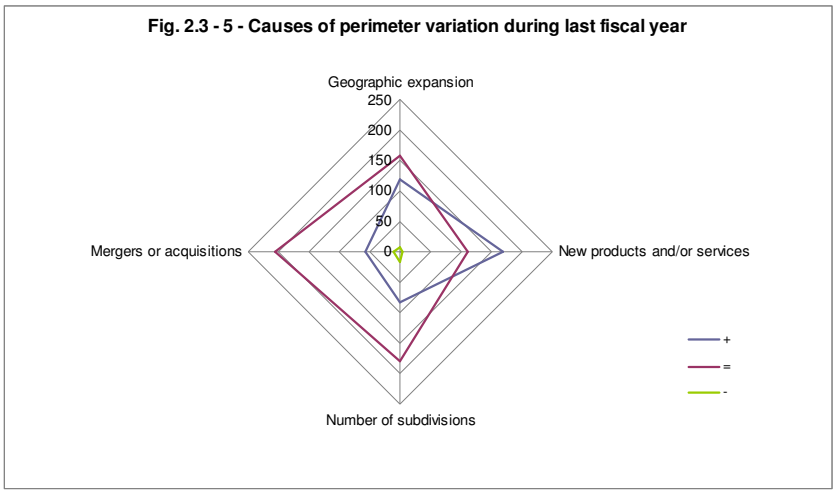
Except for United Kingdom firms which show a decline of their activities in this study, the companies of the other countries grow weakly or even strongly, particularly those in the US and Japan.
The economic situation of the Italian and French firms remains more heterogeneous, still their business reveals a positive growth rate.

Product innovation and geographical expansion: the key of the international business growth as of 2010

The turnover evolution is linked with the turnover development on international markets. 70% of the respondent firms own subsidiaries abroad. And even 71% of them assert that their international turnover weakly or strongly grew over the past fiscal year.
The study explores four reasons of this vitality on the international markets: geographic expansion, new products and/or services development, increase of the number of subsidiaries and mergers and acquisitions.

Respectively 52% and 43 % of the respondents dealt with an expanded products or services portfolio and geographical expansion. This clearly shows the internal innovation and expansion capacity of the respondent firms. Only 34% of them increased their number of subsidiaries and only 23% used mergers and acquisitions, this kind of development tool seems to slow down (Fig. 2.3 – 5).

It can be considered that the firms of this study first developed and efficiently organized their markets (through geographical expansion, mergers & acquisitions & divestitures and the development of subsidiaries) before introducing new products and services that proved their ability to innovate.

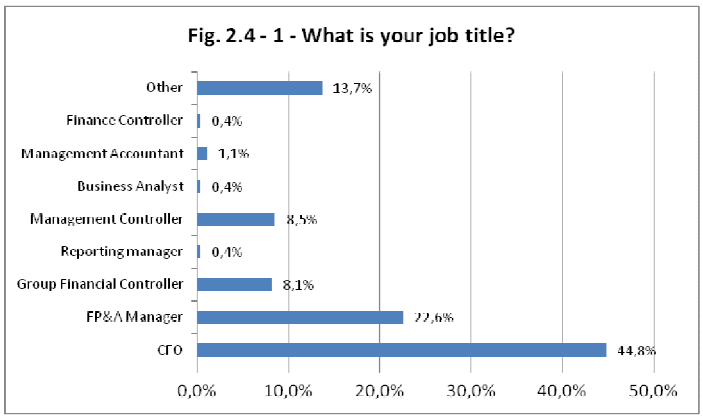


- The international turnover growth is a shared trend across the firms from all the present countries except for Italy (note - 14 nationalities are represented in this study).

2.4 Some information about the companies

Finance professionals with a broad range of responsibilities and a long career in management control

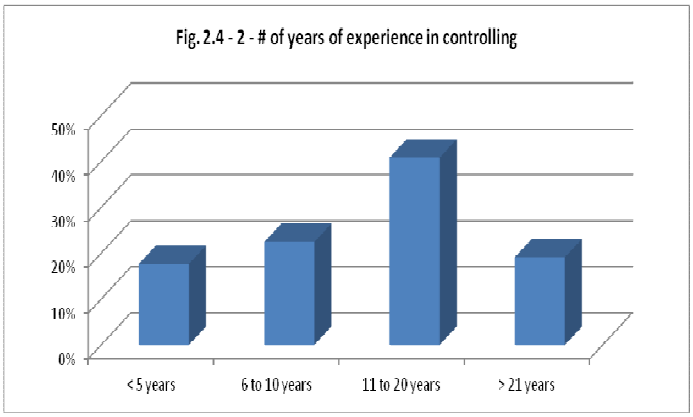
More than 50% of the sample is made up of Chief Financial Officers – CFO and Group Financial Controllers (Fig. 2.4 – 1), meaning that the respondents have a wider profile that management control in the strict sense and that they are responsible of the complete perimeter of their entity. We also note a high proportion of FP&A at 23% (Financial Planning & Analysis).
58% of our sample directly report to the General Management. The study confirms the general use of job titles such as CFO, Management Controller and Financial Controller.
Job titles such as CFO and Group Financial Controller levels mainly appeared in the US and Japanese companies' respondents.



The respondents are experienced men and women

Given the hierarchical level, it is quite natural to observe that 70% of the respondents are more than 40 years old, and even more than 30% of them are more than 50 years old.

78% of the sample is composed with men. The existing women of the study are French in majority, only 30% of them are CFO whereas 45% of all respondents have this title. This result claims for an additional gender study of the management control function.
The seniority of the respondents fits with their perimeter of responsibilities: 60% of them have more than 11 years of experience in controlling (Fig. 2.4 – 2).



- ***A financial profile with some disparity in terms of education levels***

Finance and Management control is the base of their education for 84% of the respondents. Only 21% of them are Certified Accountants, mostly American or French. The education level is quite different according to the countries: for example, 86% of the Japanese respondents have a Bachelor Degree or less, whereas French respondents hold a Master Degree or more.
The education levels of Italian and American respondents are balanced (Bachelor or less versus Master or more).Finally, the PhD level mainly concerns Europe.

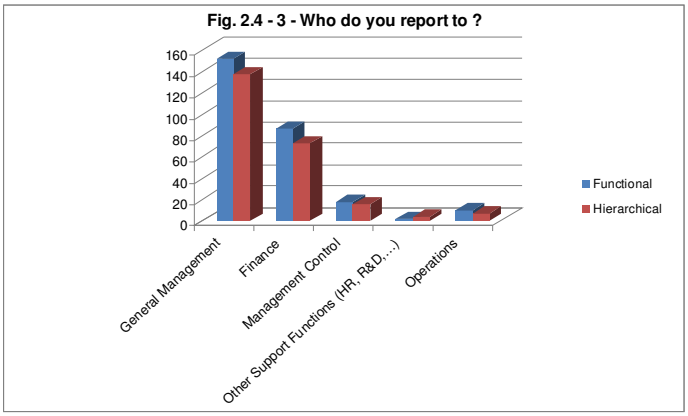
It is important to underline one particular difference of the Japanese respondents: in the sample, their group is composed by older professionals (more than 50 and 60 years old), exclusively men who hold the CFO title but also hold the lower education level.

Broad & group responsibilities and a clear link with General Management

Responsibility perimeters seem very coherent with the respondents' titles. Most of them deal with company-wide issues in several countries or worldwide (55%), even though some 45% still focus on a national perimeter. The majority is in charge of a consolidated business perimeter.

The positioning of the Management Control function is clear and coherent, given the large group of CFO and Group Financial Controllers in the sample (Fig. 2.4 – 3). We found both functional and hierarchical reporting lines to the General Management.

Except the relationship with General Management, the study confirms a clear reporting link to the finance function. When they are not personally CFO, the respondents report directly to the CFO, according to the traditional positioning of the Management Control function. In this study, very few management controllers report to Operations. Maybe the access to this Management controllers' category is more difficult, even for professional associations.

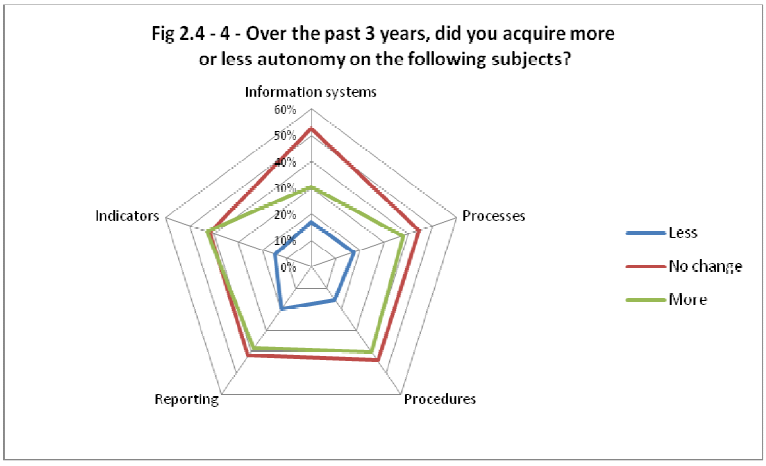


If the headquarters still have the decision power, several key management control subjects are delegated to Management controllers

The last remark concerning the respondents' profile deals with the level of independence they can have with regards to their headquarters and with the actual level of delegation of activities or responsibility.

The results clearly show that the decision power remains at the Headquarters level for the majority of the respondents (65%). But 35% of them, quite a significant part, explain that they acquired more autonomy. And this phenomenon is perceived by both group and subsidiary controllers.

The trend towards giving more autonomy takes different forms. Nearly 40 % of the respondents observe that over the last 3 years they have acquired more independence with regards to their headquarters about management of financial processes, development & choice of indicators, creation of procedures and even design of reporting (Fig. 2.4 – 4).
The same trend is visible for information system development even though only 30% of the respondents observed this evolution.



The main subject of delegation is the development of performance indicators whereas the influence of the headquarters remains very important with regards to reporting.

Companies shows less delegation on reporting are, in the majority of the cases, growing companies and even strongly growing companies in terms of turnover.

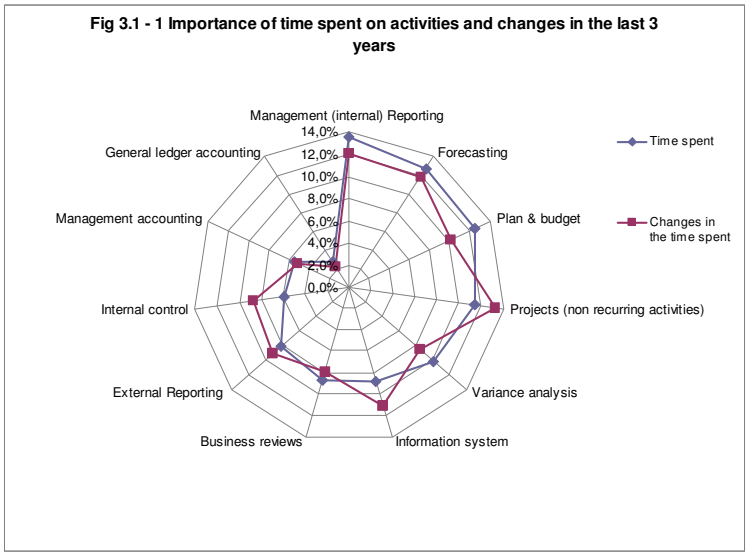
➔ The current study deals with the practices of management control and with their evolution. We need to underline the involvement of many experienced respondents with a high level of responsibility, and with an important financial educational background.
Through their responses, the picture of the management control function remains rather traditional, driven by the link with the Finance function for example. Nevertheless, the analysis of the five delegated subjects shows that new dynamics are created between the group level and the local entities. It is possible to imagine the creation of a progressively more open function, beyond the reporting tasks. The management control function, in the globalized world of our respondents, is clearly showing more interest in interactions between the headquarters and the subsidiaries or the local levels.

3. ACTIVITIES OF THE CONTROLLERS

3.1 Breakdown of Activities

The activities of the respondents cover reporting (internal and external), planning and forecasting, monitoring plans and budgets, involvement in business reviews, monitoring accounting (financial and analytical), MIS, internal control and project management (Figure 3.1 - 1).

Fig 3.1 - 1 Importance of time spent on activities and changes in the last 3 years



Evolution of core activities?

If the internal reporting represents the most important part in terms of time, the other two main activities of the controllers remain forecast and budget.

- It is interesting to note that 78% of companies in Banking / Insurance / Financial Services spend much time in internal reporting, against only 50% of the Public Sector for example.

We have analyzed that controllers now spend 11% of their time to managing projects (non-recurring), followed by variance analysis and MIS integration.

66% of companies with a workforce of less than 100 employees allocate a considerable amount of time to projects, while this proportion drops to 44% for companies with more than 25,000 employees.

- With regards to the analysis by sector, the Services sector spends much time on projects (74%).

- The less represented tasks of controllers are general accounting, cost accounting or internal control. Again, Japan marks its difference with a predominance of cost accounting in terms of time spent.

We interviewed management controllers on the evolution of these activities over the past 3 years: the importance of time spent on projects, whether recurring or not, is growing, as is the involvement on MIS.

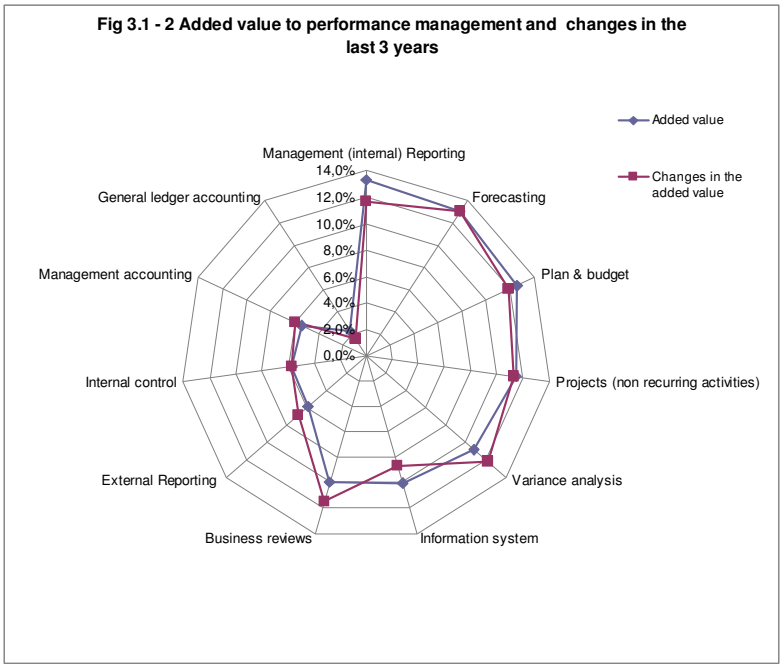
- In the United Kingdom and the United States, controllers increasingly spend time on the project management and forecasts.

A broader scope of activity?

These trends show that beyond the expected activities of the controller (reporting, budget and forecast), the controller spends more time on variance analysis, projects and information systems. This is most probably linked to the growing importance of corporate governance as to closely monitor costs, income creation, financial monitoring of each project or to better understand each gap?

We also asked respondents about the perceived value of each activity (Figure 3.1 - 2).

Fig 3.1 - 2 Added value to performance management and changes in the last 3 years



Overall, the controller's perception is quite well aligned with the time spent: the internal reporting remains the main activity in terms of added value.

Internal reporting: main activity of the Controller

- A general trend emerges in different countries, with the exception of Japan: the time spent by the controller is particularly important, whereas the added value is not necessarily as relevant as the time spent as we will see below.

Internal reporting to business reviews

With regards to the evolution of the value-added activities of the controllers over the last 3 years, there has been a significant shift of his activity from Internal Reporting (considered less interesting) to Business Reviews and Project Management (non recurring).

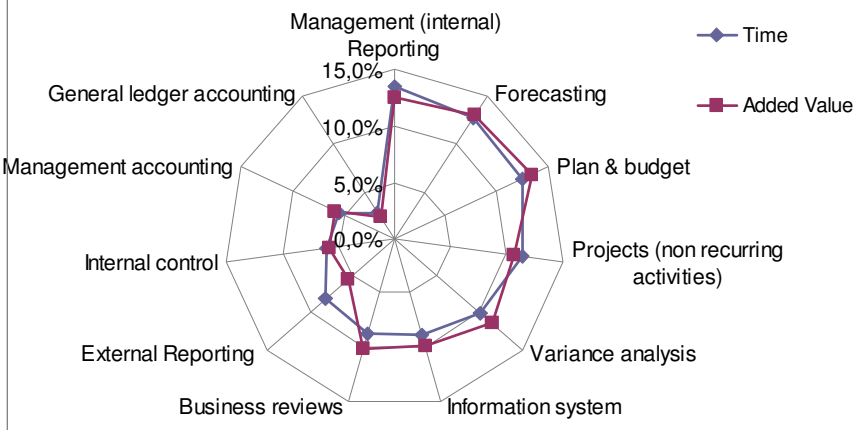
The obvious advantage of these 2 activities is to provide the controller with a true exchange forum with top management and, as a direct consequence, a more positive perception of his involvement in the activity of the company.
The evolution of business reviews in recent years probably leads Controllers to a leading role in the company's activity.
We note that, as a whole, beyond reporting, the other 2 main tasks of the controller in terms of value remain the budget and the forecast. These are increasingly important both in terms of time spent as in the perception of value creation.

The controller and project management

The time spent on project management (non recurring) shows a clear trend and remains to be monitored. Indeed, the time spent on projects becomes more important in the exercise of the function, showing a true added value. Is it related to the changes in the function that is becoming more and more important to the business? This seems reinforced by the strong increase of variance analysis importance.

Now compare the time spent by controllers in their activities and the value they estimate for these activities (Figure 3.1 - 3), then the evolution of these two variables (Figure 3.1 - 4).

Fig 3.1 - 3 Time spent and added value to performance management



According to the respondents, the activities that appear most time-consuming (rated 3 or 4 on a scale of 0 to 4) are: internal reporting (65% of answers), plans and budgets (62%), forecasts (63%) and project management (56%).

- Only 28% of companies with over 25,000 employees spend considerable time on planning and budget, while in companies from 5000 to 24,999 employees, 71% of them spend a lot of time on planning and budget.

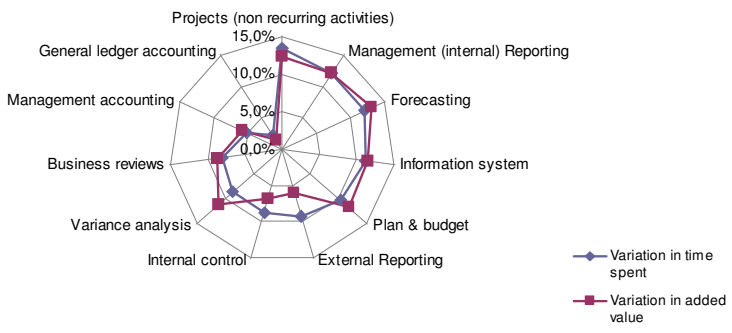
In 76% of companies in the sector of consumer products, planning and budget are important, while only 30% of companies in the Construction and Engineering sector spend a lot of time on planning and budget.

The activities of internal reporting, forecasting, development of information systems and project management are perceived as increasingly time-consuming, unlike the activities related to general accounting that are moderately time-consuming and also lose some of their importance.

To a separation of controlling and accounting?

The contribution of general accounting is not considered as critical to the respondents. Similarly, a certain form of lack of interest to internal control (in terms of time or added value) should be noted, prompting questions about the concept of internal control, which could be understood as the prerogative of audit.
Respondents perceive an important increase of their added value since the last 3 years for the activities of internal reporting, forecasting, planning and budgeting, IT systems and project management.

Fig 3.1 - 4 Variation of time spent and of added value for the controllers

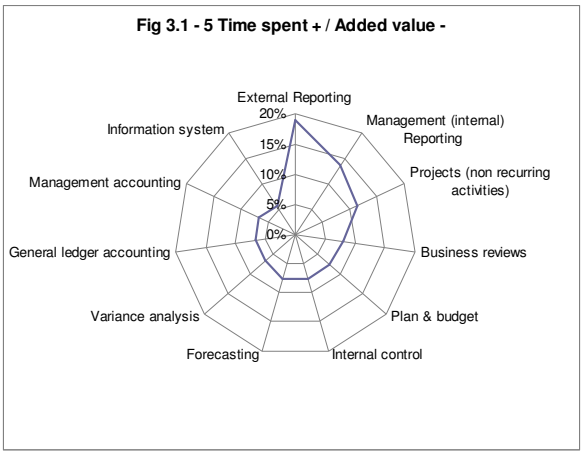


Distortion between time spent and value-added activities

We also conducted two tests with more accuracy:

- Among the time-consuming tasks, but with little added value for controllers, we find first external reporting followed by internal reporting.

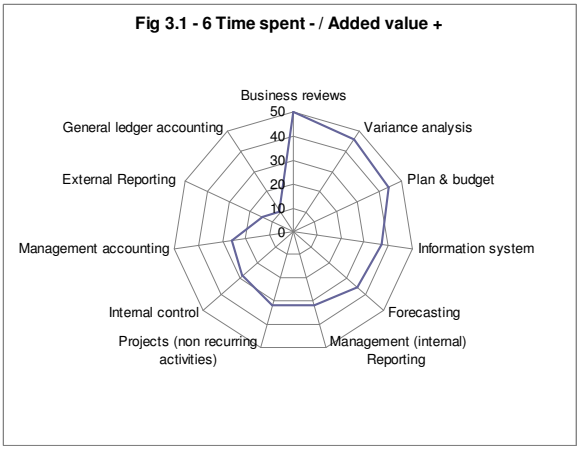
Figure 3.1 - 5 shows time consuming activities with a less important added value perception.



- Among the less time-consuming tasks, which seem to bring much added value, we find first the business reviews.

This confirms the importance for the controllers to interact closely with businesses, and not to be limited to reporting. After reporting, it is followed by variance analysis and budget.

Figure 3.1 - 6 shows less time-consuming activities with more important added value perception.

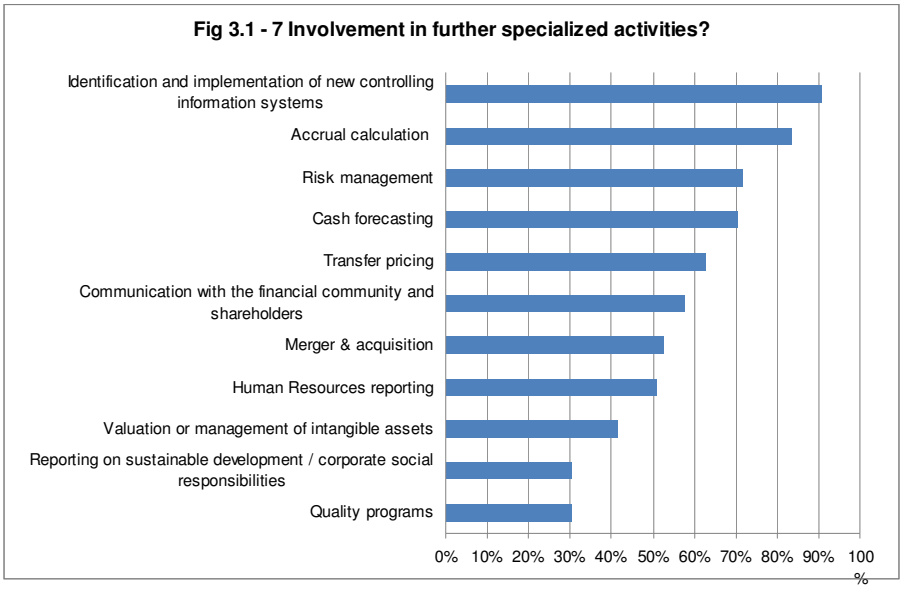


We see that reporting is becoming more and more time consuming along with budgets and variance analysis.

- From a sector perspective, only 17% of companies of the Administration / Public sector devote much time to variance analysis against 60% of companies Media / Telecoms / IT sector that spend considerable time on gap analysis.

Budgets and business reviews are both activities that evolve most favorably in terms of added value over the last 3 years.

We then wanted to know the involvement of the controller in these activities.



A constant change in controlling systems

A number of specialized activities catch our attention because they mobilize a large majority of respondents (over 70% of answers):

- First, 93% of the controllers indicated the identification and implementation of new controlling systems. We also note the priority given by controllers to enhance controlling systems has increased significantly compared to previous years. This is clearly an awareness of the need to further automate the production of reporting, and also to get involved as owner in the evolution of these systems.

- Second, are more typically the calculation and updating of accruals.

- In third place, we find risk management, which involves more than 70% of the controllers. This high % shows an increased understanding of risk management within the scope of controlling, especially compared to previous studies in this area. However, the reconciliation with the answers to the previous question on the time spent on internal control shows that it seems that the subject is not yet mature, and that the relationship between controlling and internal control have yet to be improved.

- A final point mentioned by more than 70% of controllers are the cash flow forecasts, which shows up higher on the agenda of the controller compared to previous years. The crisis and its increased importance of cash management certainly influenced this activity and apparently structurally altered controllers' approaches.

A worldwide global observation: activities remain common

On the other hand, the 3 less time-consuming activities for the controllers:

- The last concern of controllers appears to be related to quality programs and ex aequo reporting on social and environmental sustainable development. This is surprising for quality, as controlling should not be limited to financial aspects, and also surprising for sustainable

development, which shows that this subject has not yet reached the scope of controlling. The removal of the carbon tax would have rendered it less of a financial concern?

- Next comes the assessment or management of intangible assets, which is a true preoccupation for many CFO's, but apparently not for controllers.

- Note that the first 3 time-consuming subjects of controller are the same for all countries, only the order differs. However, the evolution of the time spent remains the same regardless of the geographic area.

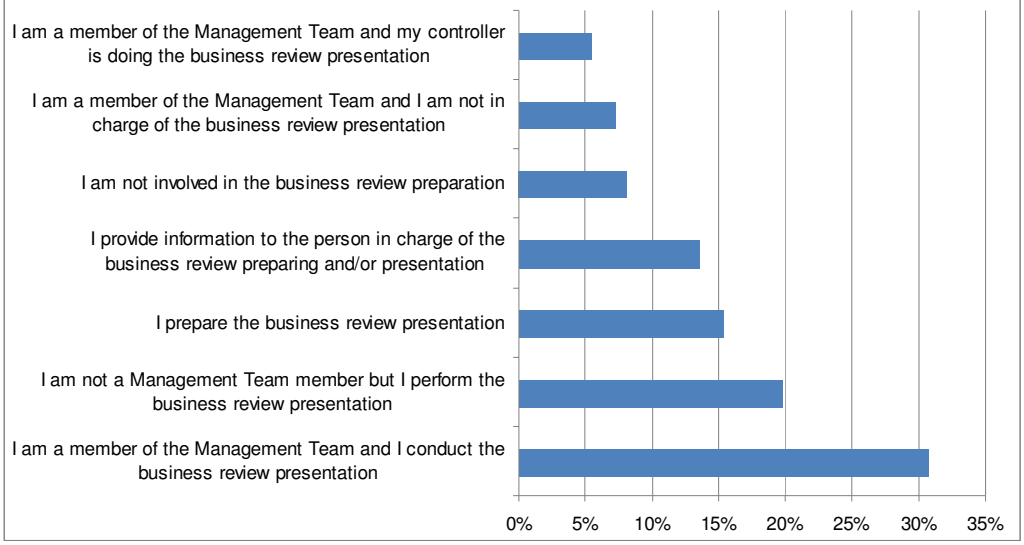
Similar nature and scope of tasks can be found in most countries surveyed, which suggests that the macroeconomic environment is a strong inducer of the development activities of the controller, and, in the end, stronger than the country of ownership.

According to the analyzed perimeters, we find that the activities related to risk management remain second-tier for controllers when the firm size is smaller in terms of turnover, while the study of price transfer is essential for companies with high turnover.

3.2 Participation in Business reviews

The analysis of respondents' participation in business reviews shows that for almost half of the respondents, the respondent is a member of the Executive committee that drives the business review. This proportion is particularly high given the number of CFOs who responded to this question.

Fig 3.2 Contribution to business reviews



By focusing only on the controllers answers, the analysis shows the following:

- In 30% of cases, the controller is a member of the Executive committee that drives the business review, which seems a significant proportion

- Whether a member of the Executive Committee or not, in 50% of cases, the controller is in charge of the financial presentation for the business review, and in 29% of cases, prepares or supplies the financial presentation.

The role of the controller in the business reviews is very important with regards to the content and the role concerning the financial presentation varies from company to company.

- The country analysis gives us the same trends with a higher proportionality of Italy, which has 63% of Executive Committee members (excluding CFO). Only the United States has a different segmentation (50% of respondents prepare the business review presentation but do not present during the meeting).

- Among the companies with sales below 250 million euros, over two third of the controllers are member of the executive committee and drive the business review.

Starting from 250 million euros in turnover, the controllers are often not part of the Executive committee, but still present the financial presentations or participate in their preparation course (60%).

4. MANAGEMENT CONTROL PROCESS

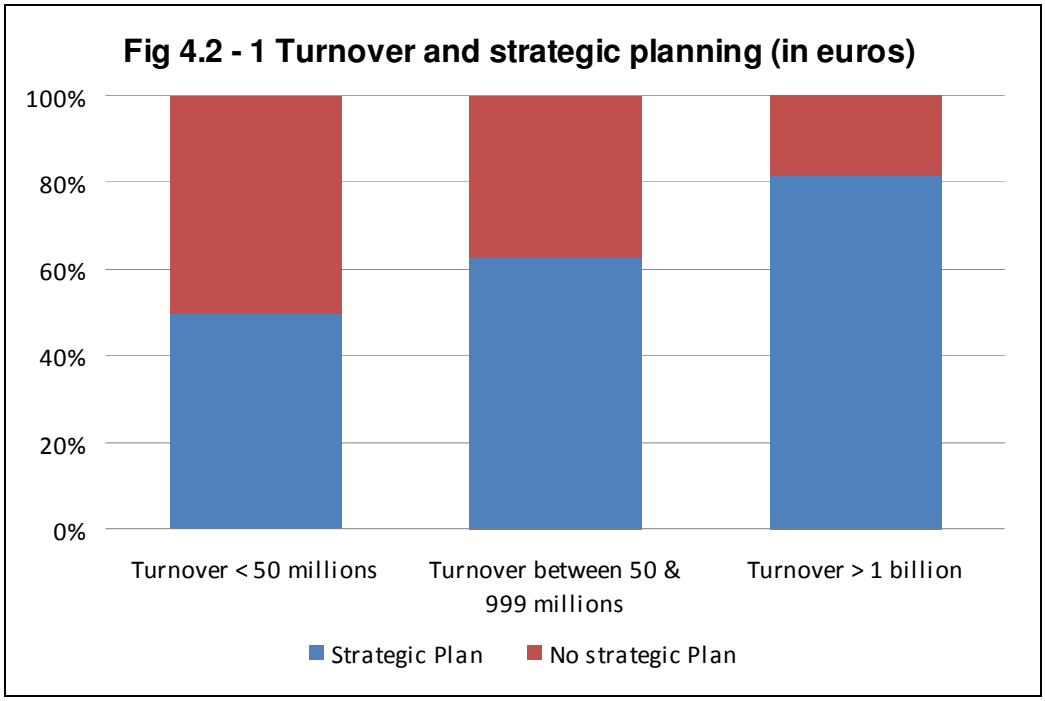
4.1 Main trends of the processes

The fact that the new generation of planning and reporting processes is more open than it was before can be illustrated through the 3 following trends:

- Transparency: 66% of respondents have visibility on data related to the strategic plan prepared by their peers; this % reaches 68% for the operational plan, 71% for the budget and 68% for the forecast
- Strong involvement of operations in planning and reporting processes: 36% of respondents consider that a strong involvement of operations is required in the strategic plan process; this % reaches 44% for the operational plan, 64% for the budget and between 38% and 51% for the forecast
- The focus on the human factor: 50% of respondents consider that the quality and added value of forecasts is more in their impact thru mobilizing the energies of operations than in their accuracy.

4.2 Strategic Planning

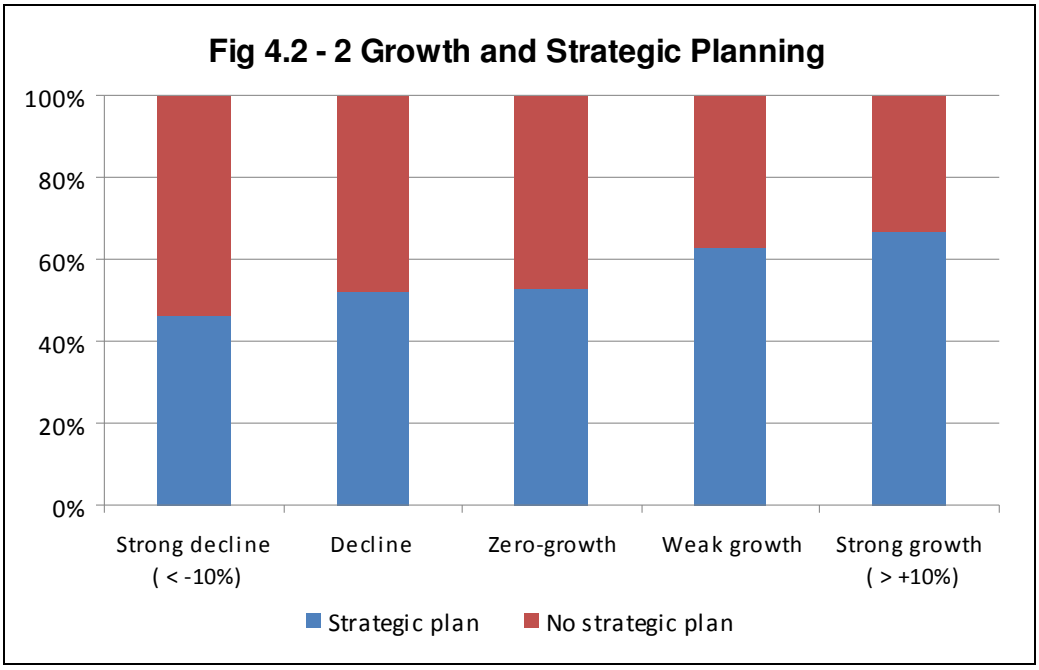
Over 60% of participants develop a strategic plan.



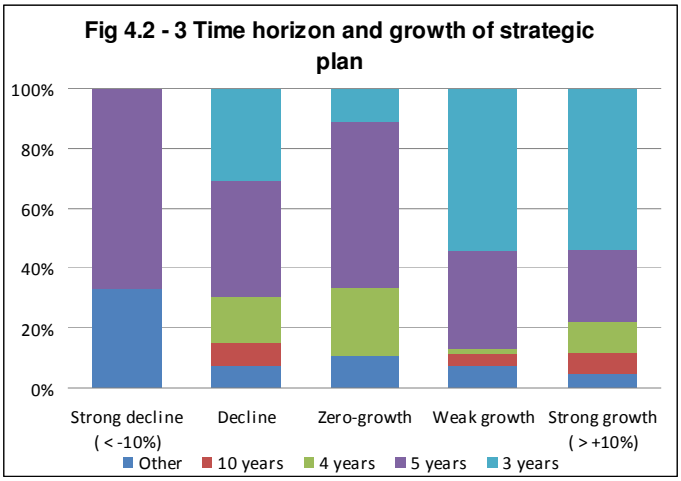
The higher the sales turnover, the greater the proportion of corporations have a strategic plan (81% of participants with a turnover exceeding 1 billion € in their perimeter).

On the other hand, 58% of companies achieving a turnover of less than 50 million € do not develop a strategic plan.

The more companies are growing, the more they are endeavoring to develop a strategic plan.



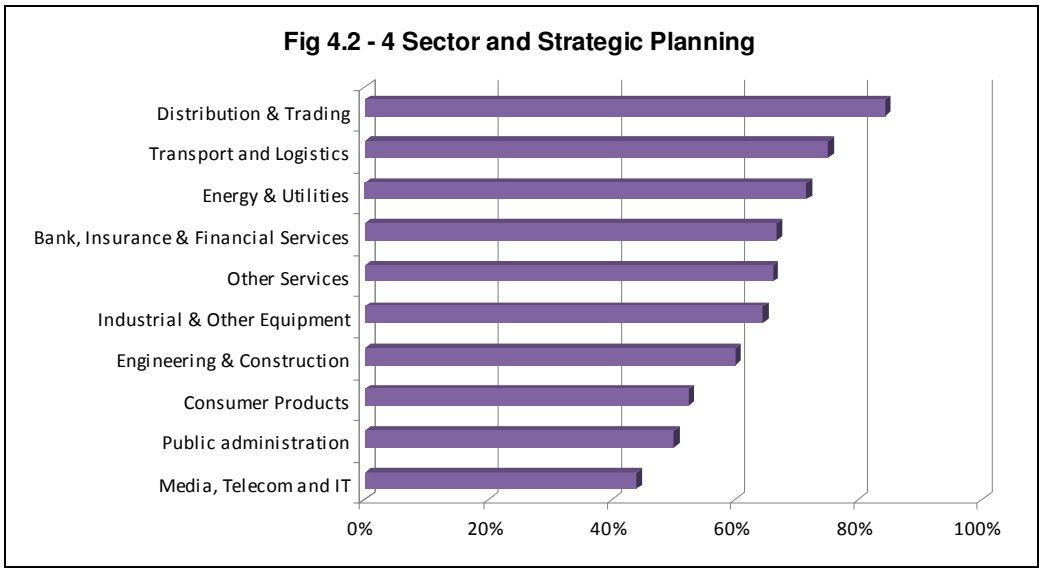
47% of declining firms build a strategic plan, against 65% of growing firms (low or high growth). Do expanding sectors require more strategic planning? Or is the absence of a strategic planning a limitation to growth? Another observation: declining or stable firms rather use a five-year plan while growing companies tend to use a three-year plan.



One could state the hypothesis that stable or declining companies operate in more mature business sectors with a slower evolution, while growing companies often operate in sectors with more rapid change where visibility beyond 3 years is less predictable.
The strategic plan is not limited to listed companies: the respondents work for listed companies for 42% of them, but 62% develop a strategic plan.

- The correlation between the sector and the set up of a strategic plan is not obvious, we can nevertheless notice that 87% of companies in the retail sector develop a strategic

plan, while firms in media/telecom/IT and consumer goods are respectively only 44% and 53% to conduct this exercise.



- Only 45% of US companies establish a strategic plan whereas 72% of Japanese companies.

If a strategic plan is developed, it is done on a yearly basis for 71% of companies and it covers, for 80% of them, a 3 or 5 years period. The review frequency is not related to any sector membership. However, the larger the share of sales made in export, the greater the adoption of the annual frequency. Also, 45% of Japanese companies develop a strategic plan each year whereas more than 70% of French and German companies do.

Window:

The 3-year plan is also preferred to the 5-year plan by the listed companies.

- Most sectors prefer a 3-year planning, however this varies per sector: 71% of businesses in the bank/insurance sector opt for it, 65% in the consumer goods sector and 46% in retail sector.
- Japanese and French companies adopt, mostly, a 3-year plan, while US companies prefer the 5-year plan.

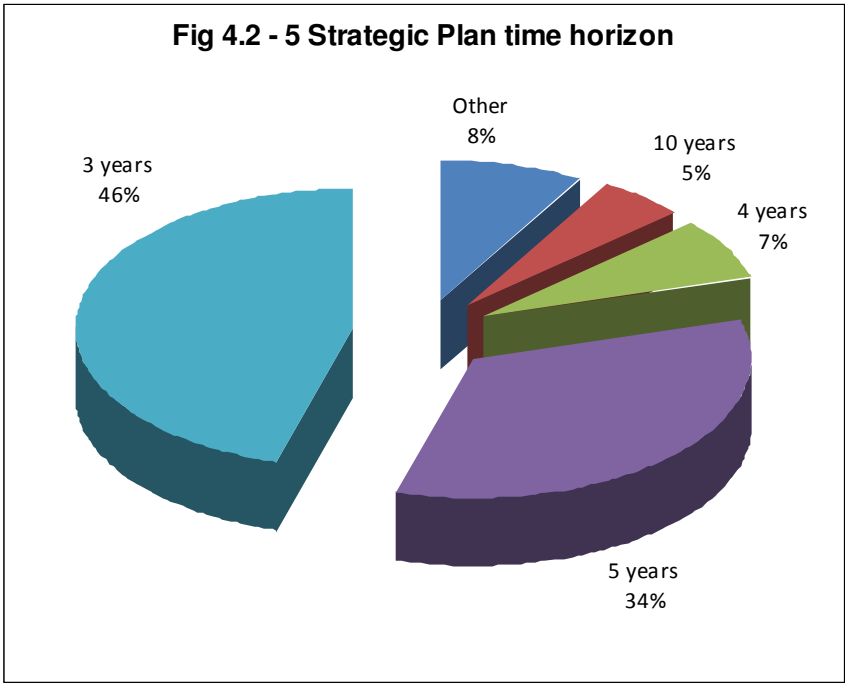
Planning:

The starting date of the strategic plan often varies and is, in 62% of the cases, within the six months preceding the end of the fiscal year (22% starting within 6 months after the ending of the FY). As for the closing date, 41% put an end to the strategic plan after the fiscal year ending.

Involvement and transparency:

The involvement of the business managers is considered as average by 56% of the survey participants and high for 36%. 2/3 of the respondents have access to the strategic plan as

developed by their peers.



Indicators:

51% of companies are using the P&L statement (indicator which is ahead of all other indicators) as a base to develop their long-term strategic plan.
Operational indicators, and information on markets and competitors, are used more than financial indicators, other than P&L statements, although without being incorporated by the majority of participants.

The criteria for corporate social responsibility are ignored by 95% of the participants.
The higher the growth rate, the higher the operational indicators are important in monitoring the strategic plan.

The strategic plans developed on a fast growing perimeter, put greater emphasis on operational indicators than on P&L (in contrast to those made on a declining perimeter), and on market indicators more than on working capital and investment.

- The banking/insurance sector prefers the monitoring of operational indicators (70% of respondents of this sector) rather than results (50%) and monitoring of competition (50%). 63% of retail companies also privilege operational indicators. The transport and logistics sector, allows considerable attention to CSR (30% of companies in this sector).
- The choice of indicators included in the monitoring of the strategic plan does not differ significantly according to the country: the results indicator is used at equal level compared to the operational indicators. German and French companies are the only ones integrating CSR (but for only 6% of them).

4.3 Operational planning

Operational planning is less attractive than strategic planning!

51% of respondents build an operational plan whereas 62% build a strategic plan.
64% of fast-growing companies, and 56% of declining firms, choose to build an operational plan.

- Companies in the retail sector advocating the strategic plan (87%) are only 31% to develop an operational plan, whereas companies in the sector of consumer goods are more inclined to build an operational plan (63% of participants in this sector) than a strategic plan (53%).
- French and Japanese companies prefer the strategic plan to the operational plan, unlike the American and German companies.

Frequency and Window:

The long-term operational plan is mostly reviewed annually and covers a period of one to five years (three, five and one year in order of frequency).

Planning:

The starting and closing dates for the completion of the operational plan vary a lot. 21% of repondents begin and 31% end it after the start of the first year planned.

Involvement and transparency:

Business managers are more involved in the implementation of the operational plan than in the strategic plan (strong involvement for 44% against 36%) with a same degree of transparency regarding the plans of their peers.

Indicators:

The indicators monitored for the long-term operational plan, are first operational indicators and then the P&L (as opposed to the strategic plan). This applies regardless of the turnover evolution (with the exception of companies in sharp decline, where operational indicators are placed at the end of the list).

Full financial indicators are only used by 27% of the survey respondents. Operational indicators are integrated by 39%, market and competitors information by 32% of respondents (less than for the strategic plan).

The social and environmental responsibility criterion achieves a better score but without being highly referenced (8% of participants adopt this criterion against 5% for the strategic plan).

- As for sector differences, the banking/insurance sector advocates monitoring operational indicators (70% of companies in this sector) far ahead of the P&L monitoring (40%).

This difference is not so obvious in other sectors. The areas of construction, industry, media and telecom even encourage the results monitoring (P&L).

- Italian and Japanese companies promote the monitoring of results, while others highlight the operational indicators.

Although the French and the Japanese rank the indicators in the same order of priority as other countries, none of these indicators are fully satisfactory to them (the number of respondents using these indicators is less than 50%).

4.4 Budget Management

Budgeting is not dead! 97% of respondents build a budget.

The budget is part of the long-term plan process for almost two thirds of the respondents. This integration weight increase with the share of export sales and the growth rate of the company.

- The most "integrating" sectors are those of industry and other services, as opposed to those of the energy, retail and consumer goods sector.

- 46% of French companies and 45% of US companies disconnect their budget from the long term plan, against 13% of German and 23% of Japanese companies.

Planning:

60% of respondents start their budget process between three to six months before the end of the fiscal year (82% no later than the last month of the fiscal year) and close no earlier than four months and at the latest the final month of the current fiscal year.

Level of detail:

The budget is split on a monthly basis by 64% of respondents, 20% adopt an annual budget.

- American and French companies build their budget on a monthly basis in most cases (78% and 75%), Japanese companies are only 34% to build their budget with monthly detail (41% develop an annual budget with no monthly phasing).

The budget is generally more detailed than the plan, in terms of entities (54% of respondents) and indicators (61% of respondents), except for businesses achieving a turnover below 50 million euros and with only domestic sales (no international footprint).

- Some sectors such as banking/insurance and the public sector do not build in more detail in their budget than they would in their plan.

The stagnation in terms of geographical footprint and product portfolio do not encourage to detail budget more than the plan is, while variations of activity, whether increasing or decreasing, encourage budget accuracy.

Involvement and transparency:

A majority of the business and operational managers (64%) feel strongly involved in the budget process and have a view on the budget of their peers for 71% of them.

The higher the turnover, the more business and operational managers are involved.

- Business and operational managers in distribution and construction companies are most of the time heavily involved, unlike their peers in public companies.

- German and Japanese managers are more involved than the average (80% and 68%).

Indicators:

The net result is the main criterion of budget monitoring and performance evaluation.
Investments and working capital, cash flow and other financial indicators, seem to be rather ignored in favor of operational indicators.
As for indicators related to social and environmental responsibility, even if they are more taken into account than in the development of strategic and operational plans, they have not yet entered into the "core part" of the budget process.

All the indicators (except the corporate social responsibility measure) contribute to the budget monitoring and to a lesser extent, to the performance evaluation of managers.
Operational and financial performance indicators are sharing an ex-aequo first place. Managers are evaluated more on their results and operational indicators, than on other financial indicators or indicators measuring their competitive position.

Operational indicators are essential in the areas of distribution (94% of respondents), banking/ insurance (89%), transportation and logistics (78%).
The only criterion mainly integrated by the public sector in its budget monitoring is the income statement.

- Italian, American and German companies use, by a vast majority (80% or more), the income statements for budget monitoring, whilst the French are only 66%.

Only 18% of Italians include criteria related to market and competition in their budget monitoring, the average being 35%.
On the other hand, 14% of US companies follow indicators measuring CSR (against 9% of firms, on average).

4.5 Forecasts

95% of companies build forecasts (ie a slightly lower % than for budget).

Forecasts and company profile

- 100% of companies are building forecasts in the following 3 business sectors: bank & insurance, energy & utilities, media & IT. Growth is not a differentiator between companies which build forecasts or companies which do not prepare forecasts.

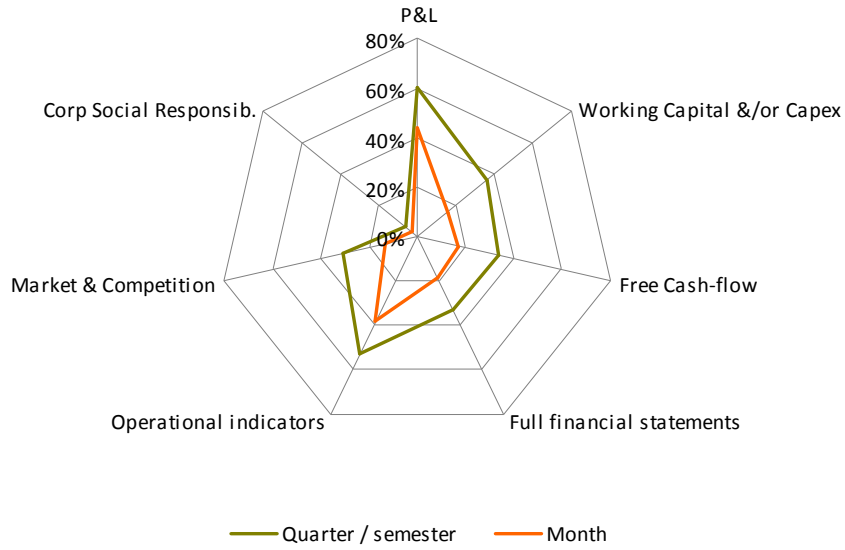
Complexity is a factor which is associated with more active forecasting practices: forecasting is more intensive in companies which have the highest number of subsidiaries and the highest % of business performed abroad.

Indicators used in forecasts

As could be expected, the number of indicators used in monthly forecasts is lower than in quarterly forecasts.
The most popular indicators used in forecasts are the P&L statement (44% of answers for monthly forecast and 60% for quarterly forecast) and operational indicators (respectively 39% and 53%). Full financial statements are required in 18% of companies performing monthly forecast and 33% for quarterly forecast.

Corporate Social Responsibility indicators are currently limited to the reporting of actuals (37% of answers) while forecasting these indicators is limited to a reduced number of companies (9% of answers).

Fig 4.5 - 1 Main indicators use in forecast



Forecasting windows

Forecasting the current fiscal year is the most traditionally used forecasting window. This fixed window approach is used by 47% of companies. **29% of companies are more creative and use a rolling forecast method**. This moving window can correspond to the current quarter and the next 3 quarters.
25% of companies use a mix of fixed and moving window. For instance, forecasts prepared during the first semester are limited to the current year window while forecasts prepared during the second semester are with a moving 4 quarter window. This solution provides a forecasting exercise which fits the business cycle better than with a fixed window while avoiding the burden of forecasting an additional period when preparing each new forecast.
Rolling forecasts are mainly practiced in the following business sectors: media & IT (67% of answers), consumer products (62% of answers) and equipment industry (62%). As we will note in chapter 5, these 3 sectors are also the most innovative in the use of new methodologies and systems.

- On the other hand, the fixed window forecasting is practiced by the following sectors: construction (62% of answers), other services (61%), bank & insurance (56%) and distribution (53%).

Frequency of forecasts

The quarterly update of forecasts is the most widely spread practice (42% of answers) while 39% of companies update their forecast on a monthly basis and 19% on a semester basis.

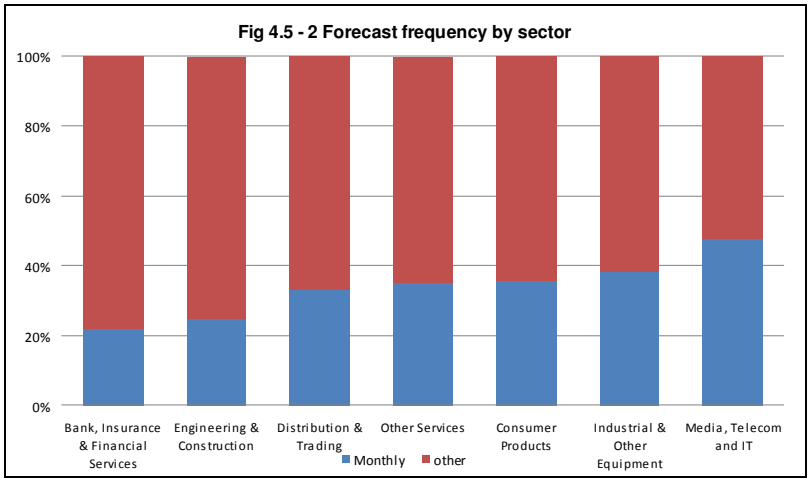
German and Italian companies have a higher quarterly update practice than British and American companies which prefer to update their forecast on a monthly basis.
French companies have a slightly lower frequency than the average with 38% of quarterly update and 23% of update on a semester basis.

The largest companies have the highest frequency of forecast. The monthly forecast update is practiced by 47% of companies with turnover above 5 billion euros and by 33% of companies with turnover below 50 million euros.

- By business sector, quarterly forecast is at its highest in equipment industry (54%) and at its lowest in distribution (33%).

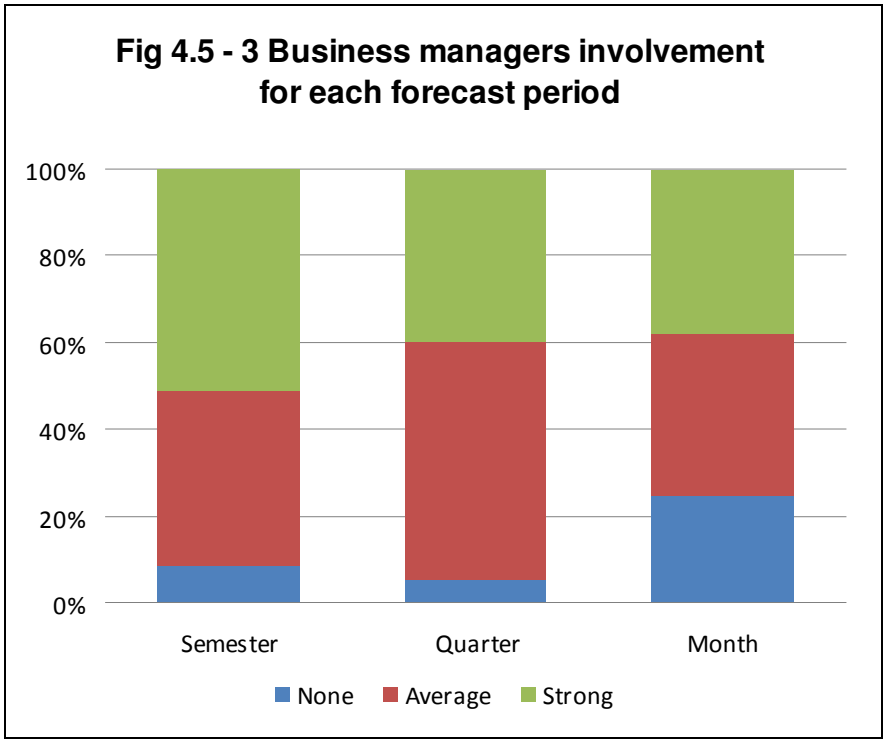
As could be expected**, the frequency of forecast is linked to the length and volatility of business cycles**. Construction and bank & insurance, which are sectors with longer term cycles, update their forecast mainly on a semester basis (respectively 38% and 33% against an average 19%) and less frequently on a monthly basis (respectively 25% and 22% against an average of 39%).

In comparison the media & IT sector which is more volatile and subject to a very fast innovation pressure is the champion of the monthly updating of forecasts (48% against an average of 39%).



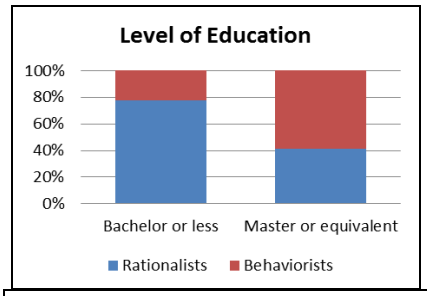
Involvement of business managers (operations)

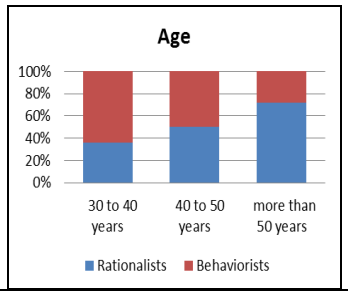
The involvement of operations is higher in quarterly forecasting (95%) than in monthly forecasting (76%). In some instances, monthly forecasts are effectively prepared at headquarter level or by functional staff without any actual bottom-up exercise within the business line of management.

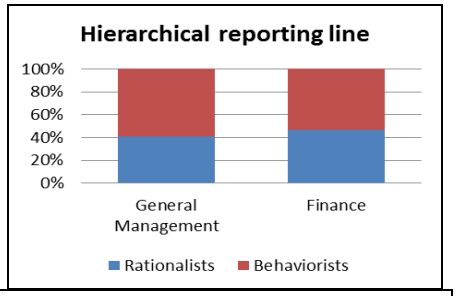


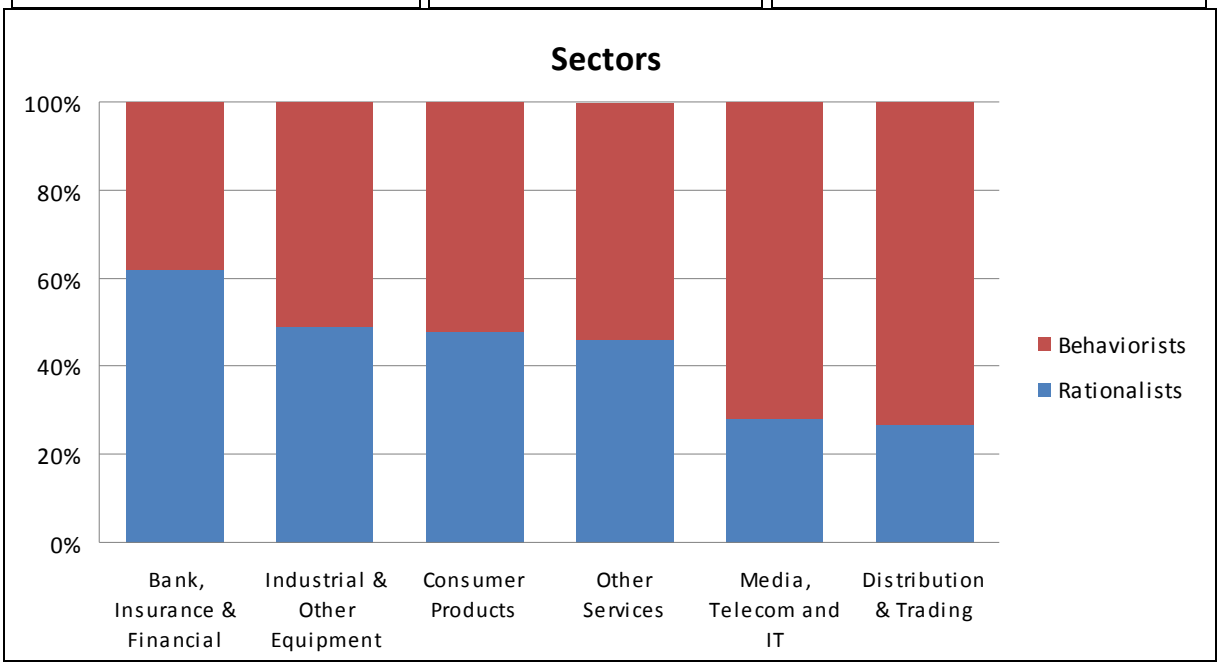
The question was: what represents for you the quality and added value of forecasts: Accuracy (low delta between forecast and actual performance) or Mobilization of operational managers towards a greater performance?

We have "tagged" the people who privilege the accuracy of forecasts as "rationalists" and the ones who focus on the mobilization of operational managers as "behaviorists". As per our survey, 50% of people are rationalists and 50% are behaviorists.









On the basis of nationality, we identified that the rationalist approach is privileged in Japan (87% of answers) while Italian respondents are closer to the behaviorist approach (67% of answers). The higher the education level, the more we observe the behaviorist approach: behaviorists are 22% of people with a bachelor degree level and 59% of people with a master degree level and above.

More experienced professionals privilege the rationalist approach: rationalists represent 72% of people above 50 years, 50% of people between 40 and 50 years and 36% of people between 30 and 40 years of age.

The behaviorist approach is preferred by people reporting to general management (59% of answers) as opposed to people who report to finance management.

The rationalist approach is privileged in the bank & insurance and equipment industry sectors while the behaviorist approach is preferred in the distribution and media & IT sectors.

Answers to this question provide a clear cultural segregation between two types of forecasting approaches. For younger finance people with a higher level of education, the main focus for monitoring and leveraging forecasting is on behavior. Is this an indication that **a new generation of finance people who are more open to the impact of the human factor in performance management** is emerging?

4.6 Reporting of actual

In the recent years, **the reporting has been significantly modified in its substance and in its process for almost 6 respondents out of 10.**

- These changes differ by sector. At one extreme: the Banking/Insurance announces changes for 86% and the energy sector in 75% of cases, while only 53% of companies in the retail sector have changed their reporting process.

- US companies show changes only in less than one out of two whereas German companies have changed their reporting approach for 86% of them.

Indicators:

Indicators are published at D+10, at the latest, for two-thirds of respondents (one third on day 5 or less).
The trend is similar regardless of the indicator, except for market and competitive intelligence for which the deadline is extended by five days.
The results are closed monthly for the vast majority (79%) and published within10 days in 10% of cases (5 days in 47% of cases).

- Firms in the construction industry and media/telecom publish their monthly accounts faster.

- American respondents hold the record for speed on the publication of monthly accounts (76% publish no later than D+5 vs 29% of Japanese).

Italian respondents publish their monthly accounts much later (33% between D+6 and D+10 and 50% between D+11 and D+15).
The monitoring of working capital and investments is less frequent: 54% monthly and quarterly for 28%.

This indicator is followed in various ways according to the sector. Companies in the banking/insurance sector and the public sector rather adopt a quarterly monitoring, while the industrial sector reviews monthly this indicator in 89% of the cases. When this indicator is monitored monthly, it is usually within the same time frame as the monthly accounts.

The larger the share of export turnover is important, the greater the monitoring of working capital and investments are so. As a result, 65% of firms exporting 20% or more of their sales track this indicator on a monthly basis.

Japanese companies rather review working capital and investments on a quarterly basis.
The cash flow monitoring is more related to the sector and nationality of the company than to its size or its turnover evolution.

The cash flow is one of the reporting indicators for 57%, but note that 7% do not include this indicator. When tracked, 62% of respondents do this on a monthly basis and quarterly by 25%.
Companies in the industrial sector include it in their monthly monitoring in 88% of cases, and those in the media/telecom/IT sector in 76% of cases, while firms in the bank/insurance sector include it only in 43% of cases.

As for "national" preference, the US adopt this indicator for 86%, against only 23% of Japanese, who prefer to track it on a quarterly basis (such as working capital and investment).
58% of respondents publish the full financial statements each month (22% quarterly). More than 75% of companies in the retail, media/telecoms/IT and industry sectors publish these statements monthly.

Italian and Japanese prefer to publish on a quarterly basis, while 93% of US companies publish complete financial statements on a monthly basis.

Operational indicators are almost as important as performance monitoring, and publication delay is slightly shorter. 75% are reviewing these on a monthly basis.
The sectors really in favor of operational indicators are the industrial sector (97% of respondents publish a monthly tracking of operational indicators) and the bank/insurance sector (89%).

Only Japanese companies follow these indicators most commonly semi-annually or quarterly.
Competition and market surveillance seems to be for the sole use of the large corporations.

This type of indicator is included, in the reporting for only 36% of answers. It is mostly followed monthly by fast growing companies with turnover exceeding 1 billion euros.
Market and competition surveillance takes place monthly for only for 43% of respondents, 21% do so every six months, 18% quarterly (and same annually).

Transportation and energy sectors attach little value to these indicators, while more than 50% of the Fast Moving Consumer Goods companies include them in their monthly monitoring.
CSR is undoubtedly the least tracked indicator: among those who follow CSR indicators, one third do so every six months, 28% quarterly and only 17% monthly.

Japanese companies have an above average interest for this type of indicators, 36% of respondents in this country track them (and this every six months for 75% of those who do).
The process of management control seems here to be more related to the corporate culture (nationality and sector's culture) than to its size, growth rate or international presence.

5. METHOLOGIES AND SYSTEMS

5.1 More open practices

The opening towards a more wide variety of performance management practices has been illustrated in the first chapters related to respondents' activities and to planning and reporting processes. This opening is also visible in the use of methodologies and systems.

This trend is illustrated through the following examples:

- Opening to the outside world as illustrated with the use of benchmarking: 56% of companies are using benchmarking for performance evaluation. Replacing objectives in absolute value by objectives defined as a comparison with the performance of other business units forces operations to look at the best practices performed by these units.
- Opening to innovation illustrated by the implementation of new methodologies and systems: 23% of companies have implemented the Balanced Scorecard (BSC) and 23% intend to implement it. 25% have implemented the ABC/ABM methodology and 14% intend to implement it.
- "Intelligent" opening to innovation: 85% of companies which have implemented BSC and 84% of the ones which have implemented ABC/ABM have done it by implementing key principles only or by customizing these methodologies. This ability to avoid the dogmatic approach to methodologies is also an indication of intelligence and an open mind.
- Opening generated by the growing use of software packages with business intelligence (BI) architecture which includes collaborative solutions.

5.2 Balanced scorecard (BSC)

24% of companies are using the Balanced Scorecard methodology.

<u>BSC and company size and growth</u>

The use of BSC is **higher in larger companies**. 25% of companies with revenues above 1 billion euros use BSC while 18% of companies with revenues lower than 250 million euros use it.

BSC and growth also seem to be linked: 25% of growing companies use BSC while 14% of companies with declining revenues use it. The question is whether implementing BSC generates growth or if financing the cost of BSC implementation is above what declining businesses can afford.

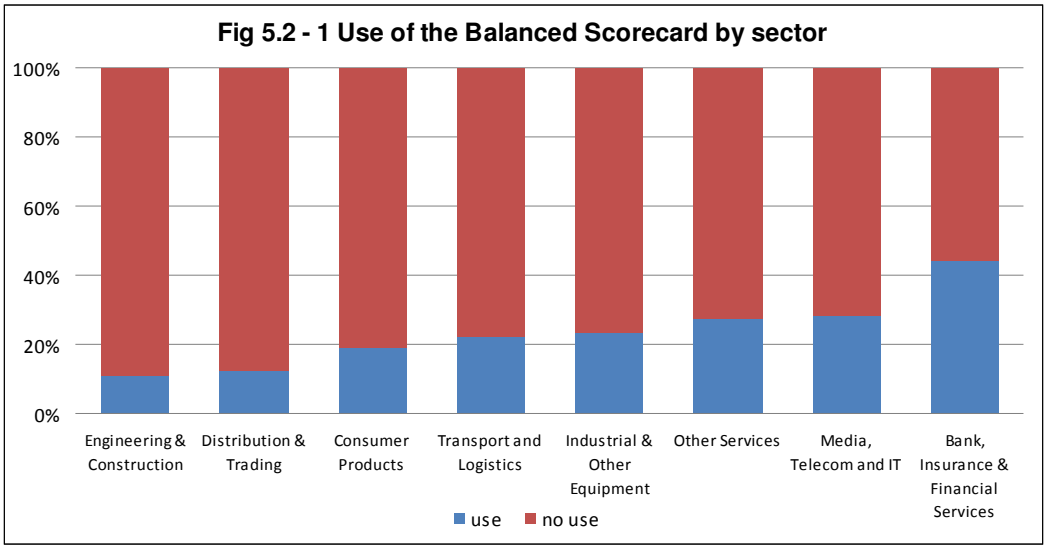
<u>BSC and geographies</u>

We have grouped companies in 3 geographical areas:

- 25% of companies in Continental Europe use BSC. German companies are the highest implementers (36%) and Italy the lowest (20%) while France is slightly below average (23%)
- 25% of US and UK companies use BSC
- 22% of Asian companies use BSC

BSC and business sectors

The 4 sectors which have the highest use of BSC are bank & insurance, other services, equipment industry and media & IT.



Implementation

23% of companies intend to implement BSC and are from the public sector, consumer products and distribution sector.
Companies which implemented BSC have used **a pragmatic approach**:

- 85 % of these companies have used less than 20 indicators
- 66% are using a simplified version of the methodology and 19% a strongly customized version
- 20% of these companies only are using a dedicated system for running their BSC methodology. As it could be expected, this % increases to 40% in the media & IT sector.

5.3 ABC/ABM

25% of companies have implemented the ABC/ABM methodology

ABC/ABM and company size and growth

It is interesting to note that **the largest companies** (ie with revenues above 5 billion euros) **and the smallest companies** (ie with revenues below 50 million euros) have the highest ABC/ABM implementation rate (respectively 38% and 30% of companies)

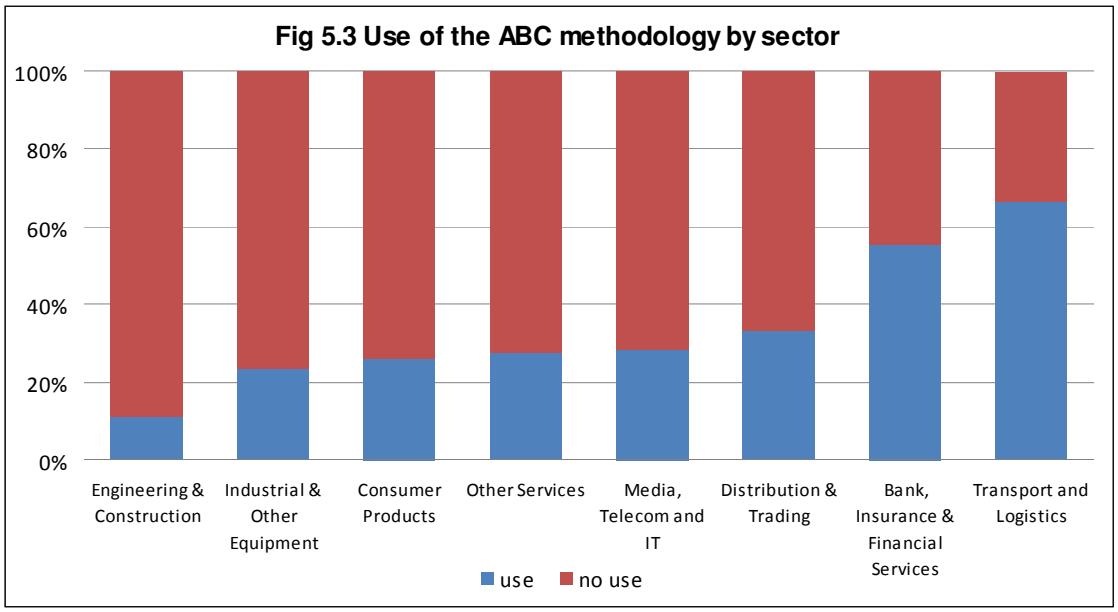
27% of growing companies use ABC/ABM against 17% of companies with declining revenues.

ABC/ABM and geographies

Europe is the highest user of ABC/ABM with an average 30% of users. As for BSC, German companies are the highest users (40%) while France (29%) is close to average and Italy is the lowest (20%). In Asia, 17% of companies use this methodology.
In US and UK, 13% of companies only declare they are using ABC/ABM. However, it is possible that in these countries, some companies have detailed cost accounting approaches associated with business drivers to measure each activity and they do not qualify these practices as ABC/ABM.

ABC/ABM and business sectors

The top 3 ABC/ABM users are transport & logistics, bank & insurance and distribution.



5.4 Benchmarking and beyond budgeting

Benchmarking is now a wide spread practice used by 56% of companies.
Among these users, 55% use internal benchmarking only. Others use either a mix of internal and external benchmarking (33%) or external benchmarking (12%). External benchmarking, which is often based on comparison with competitors or market data, remains limited. This is probably related to the difficulty to obtain external data in a reliable, relevant and timely manner.

Benchmarking and company size and growth

As we identified for the other methodologies, the **largest and fastest growing companies** are heavier users of benchmarking:

- 52% of companies with revenues below one billion euros use benchmarking against 64% for companies with revenues above one billion
- 42% of companies with declining revenues use benchmarking against 57% of growing companies

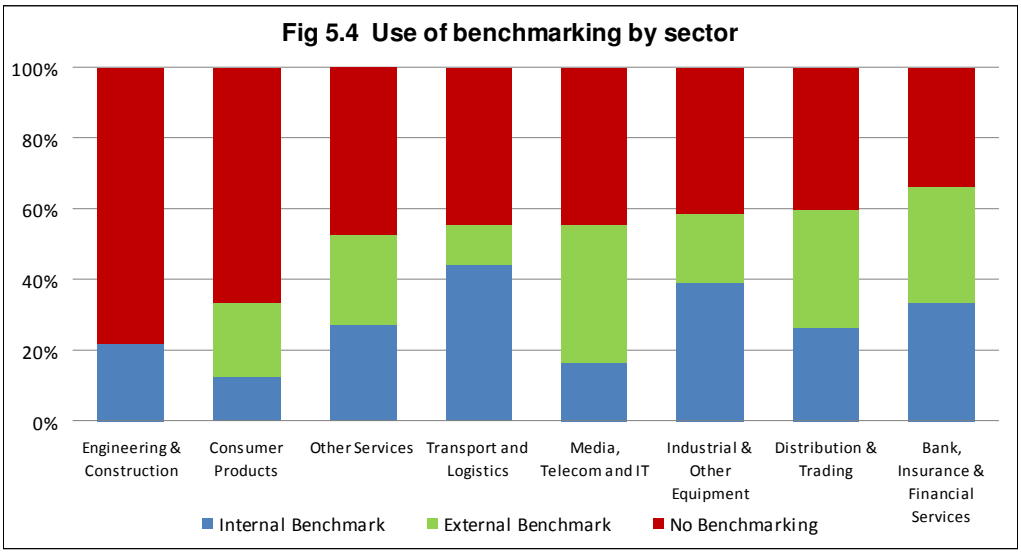
Benchmarking and geographies

74% of Asian companies use benchmarking.
56% of continental European companies use benchmarking; this includes the same difference as we recorded for the other two methodologies: German companies have the highest rate of users (67%) while Italy is the lowest with 50% and France is close to average with 55%.

The relatively low level (29%) of benchmarking users in the US and the UK is more surprising. This is probably linked to the objective of keeping performance measurement simple and efficient. The preference is given to measuring performance based on numbered financial objectives and based on purely financial indicators. This practice however does not allow to gain from the mobilization effect of opening up to the external world, which is a key advantage of benchmarking.

Benchmarking and business sectors

Bank & insurance and distribution sectors are the biggest users of benchmarking.
If we consider the use of external benchmarking only, the biggest users are media & IT, bank & insurance and distribution. Watching the market trend and how competitors are doing are effectively key success factors in these 3 business sectors.



The hidden culture of beyond budgeting

Beyond budgeting is a performance management methodology which introduces flexibility by splitting the traditional budget process into 3 separate processes: goal setting, forecasting and on demand resources allocation.

If 23% of respondents have some knowledge on the beyond budgeting methodology, 3% only have implemented it and 8% are planning to implement it.
We note that companies that have implemented this methodology are **all growing companies and they are all using benchmarking**. The same features apply to the companies which are planning to implement it.

The media & IT sector, where flexibility is a critical success factor, is the sector with the highest level of implementation. It is also the business sector, together with the consumer products and the "other services" sectors, which is planning the highest rate of future implementation.

80% of companies which have implemented beyond budgeting continue to use the equivalent of a budget process for goal setting. This is the confirmation that **beyond budgeting is not does not mean the end of budgeting** as this may sometimes have been stated.
Going beyond budget means more flexibility in goal setting with practices such as the benchmarking, more transparency in forecasting, a more pragmatic allocation of resources and more focus on the human factor in performance management.

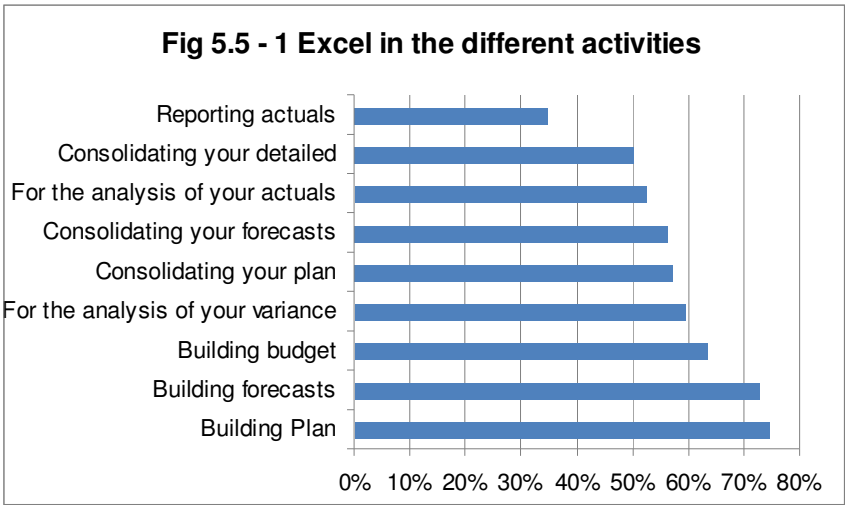
With the 56% of respondents who practice benchmarking and the 50% of respondents who privilege the mobilization of operations in forecasting, **the culture of beyond budgeting is already there even if the implementation of the methodology itself remains limited.**

5.5 Information systems

The questionnaire has focused on the nature of systems which are respectively used for building up plan, budget and forecast, for consolidating these 3 processes, for reporting actuals and for variance analysis.
These systems have been grouped in 3 categories: excel which is used in most processes, off-the-shelf software packages and internally developed systems.
As an average for all processes, the main tool is Excel for 60% of respondents, software package for 27% of respondents and internal systems for 13% of respondents.

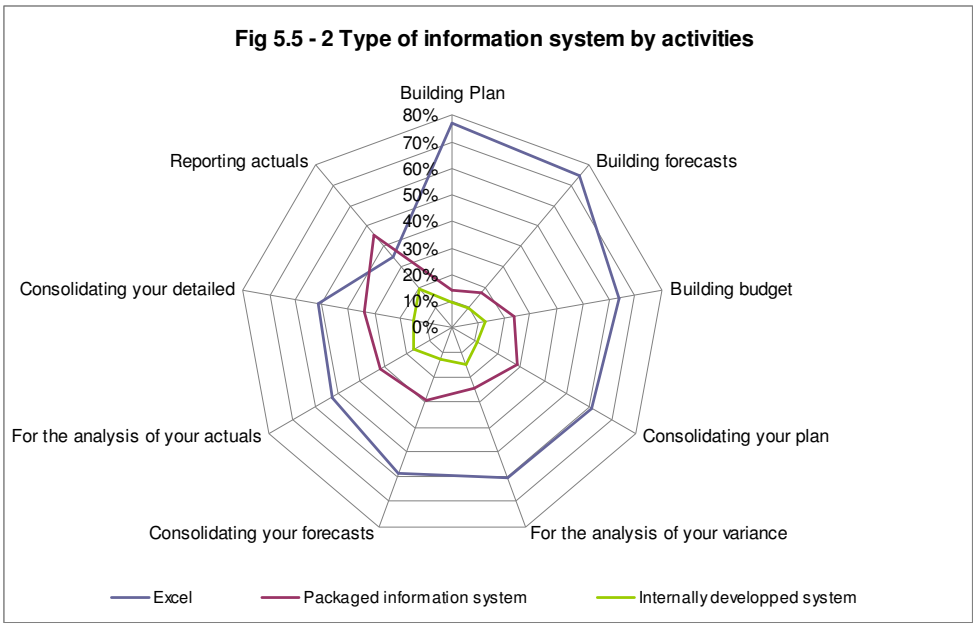
<u>Excel for all purposes</u>

As could be expected, Excel is used in all processes. Excel is the main tool for building plans (74%), forecasts (73%) and budget (63%) and for variance analysis (59%). However its use is more reduced for analyzing actuals (52%), consolidating budget (50%) and reporting actuals (35%).



Benefits and limitations of software packages

Software packages are heavily used for reporting and consolidating actuals and budget. We asume that for these 2 activities, the software package is either a dedicated consolidation and reporting solution for complex and decentralized companies or an ERP in the smaller or centralized organizations.



Analysis is based on drill down capabilities provided by integrated solutions which can be an ERP for the analysis of actuals or a dedicated analytic and consolidation tool for variance analysis. New BI (Business Intelligence) solutions provide broader analytic capabilities provided they are integrated into a coherent architecture.

For building plans and forecasts, software package are not widely spread yet (respectively by 13% and 16% of respondents). **There is thus room for a broader use of planning and budgeting packaged solutions.**

Decrease of internally developed systems

The use of internal systems is limited to the reporting and analysis of actuals. They are disappearing as tools for building plans and forecasts.

In order to understand the trends in terms of systems used for planning, reporting and analysis, we are focusing on 2 very different activities:

- The building up of forecasts which is evolving fast in terms of content and functionalities (addition of simulation capabilities and of collaborative functions such as an integrated process flow for the validation of forecast)
- The reporting of actuals which is a less innovative type of activity

Forecasting systems

The current status of forecasting systems is as follows:

- The largest companies are the heaviest users of packaged systems dedicated to forecasting: companies with revenues above 1 billion euros account for 30% of respondents who use excel for forecasting, 35% of respondents who use internal systems and 58% of respondents who use software packages
- France seems late on the migration from internal systems to software packages: for the building up of forecasts French respondents correspond to 53% of users of internal systems and 38% of users of software packages. This may be linked to the fact that the average size of French companies in the survey is lower than the average size of companies in other countries. In other European countries, and in Germany in particular, as well as in Asia, the use of internal systems for forecasting has more or less disappeared while the use of software packages is the most common practice.
- As could be expected the media & IT sector is the business sector which is the heaviest user of software packages for forecasting. The equipment industry and "other services" sectors are also strong users of software packages. Internally developed forecasting systems remain popular in the distribution and consumer product sectors.

Systems for the reporting of actuals

The current status of actual reporting systems is as follows:

- The largest companies use mainly software packages and rarely Excel. 18% of companies with revenues above 1 billion euros use Excel while 61% of these companies use a software package. 43% of companies with revenues below 1 billion euros use Excel while 38% of these companies use a software package.
- As mentioned before, France seems late in its migration from Excel (43%) and internal systems (21%) towards software packages (36%). Again this is explained by the lower company size of French respondents as compared to the average company size of respondents from other countries. Software packages for reporting actuals are the main solution used by US & UK (63%), Continental Europe other than France (56%) and Asia (55%).
- The choice of packaged software solutions shows the same sector trend for reporting actuals as the one for forecasting (see above).

The migration of planning, analysis and reporting solutions towards software packages contribute to the "opening" of performance management practices.

This trend is illustrated with the implementation of Business Intelligence architectures which are more open to the outside world (as required for instance for supporting the development of external benchmarking) as well as with the development of collaborative functionalities in forecasting and consolidation solutions (for instance with the integration of comments and data within a formalized validation process flow).

6. TOWARDS A TYPOLOGY OF CONTROLLING PRACTICES ACROSS THE WORLD

6.1 Methodology used

To close the results of our survey, it seemed interesting to proceed to a typological analysis on the studied population (293 companies exactly[1]). From a statistical point of view, we opted for TWOSTEP CLUSTER procedure, classification tool which leads to identify natural groups within a set of qualitative data.

This typological analysis allowed us to highlight five typical company profiles, taking into consideration the characteristics of the companies we contacted, the identity of our respondents, the activities of finance – control function or the processes, methodologies and management systems that are used.

Then the reader will have maybe the possibility of placing the company in which he practices in one of the classes so identified. Of course, these are only archetypes showing the limits of this analysis, for which qualified features are needed. So, most of the organizations which we approached do not enter totally into 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 allows us to compare to the typology we achieved in March 2010[2].

6.2 Description of the classes of companies

[1] We had to remove from the sample companies for which we had too many missing data.
[2] See DOCHE F. *and* al. (2010), « The Management Controller Survey – Role ? Competencies ? Trends and Expectations ? A comparative View on International Practices », *E-Technical Paper of DFCG,* with the participation of CEGOS, March.

	Class 1 "The TRADITIONAL COMPANIES"	Class 2 "The DYNAMIC FIRMS"	Class 3 "The DEMOCRATIC COMPANIES"	Class 4 "The CONTROLLED COMPANIES"	Class 5 "The INTERNATIONAL FIRMS"
Turnover	From 50 to 999 millions € or $	From 1 to 5 billion $	From 0 to 249 million €	From 0 to 249 million €	From 0 to more than 5 billion €
Main currency	Euro (€) or Dollar ($)	Dollar ($)	Euro (€) mainly	Euro (€) mainly	Euro (€) mainly
Turnover evolution	From weak growth to strong growth	Strong growth	Weak growth	Weak growth	Weak growth
Staff	From 100 to 999 employees	From 1 000 to 4 999 employees	From 0 to 999 employees	From 100 to 999 employees	From 0 to more than 25 000 employees
Stock echange quotation	Rather No	Yes	Rather No	Rather No	Yes or No
Main activity sector d'activité dominant	Industrial and other equipment Other services Consumer products	Industrial and other equipment Consumer products Other services	Other services Media, telecom and IT Industrial and other equipement Consumer products Bank, insurance and financial services	Other services Consumer products Engineering & construction	Other services Bank, insurance and financial services Energy Distribution and trading
Main geographical area	Europe - America Asia	Asia	Europe	Europe - Africa Asia	Asia - America Europe
Number of subsidiaries abroad	From 0 to more than 100	Between 5 and 99	No subsidiaries or between 5 and 19	No subsidiaries or between 5 and 19	From 0 to more than 100
Part of turnover achieved abroad	From 0 % to more than 50 %	From 1 % to 49 %	From 1% to more than 50 %	From 0% to 49 %	From 1% to 49%
Turnover evolution abroad	From weak growth to strong growth	From weak growth to strong growth	From zero-growth to strong growth	From weak growth to strong growth	Weak growth
New markets	Geographic expansion : stagnation New products/services : increase Number of subsidiaries : stagnation M&A : stagnation	Geographic expansion : increase New products/services : increase Number of subsidiaries : increase M&A : stagnation	Geographic expansion : stagnation New products/services : increase Number of subsidiaries : stagnation M&A : stagnation	Geographic expansion : stagnation New products/services : increase Number of subsidiaries : stagnation M&A : stagnation	Geographic expansion : increase New products/services : increase Number of subsidiaries : stagnation M&A : stagnation
International exposure and growth outside of the country	Exposure as the case may be Weak growth	Strong exposure Perspectives of growth	Medium exposure Rather reduced growth	Medium exposure Rather reduced growth	Exposure as the case may be Very weak growth

Respondent's profile

	Class 1 "The TRADITIONAL COMPANIES"	Class 2 "The DYNAMIC FIRMS"	Class 3 "The DEMOCRATIC COMPANIES"	Class 4 "The CONTROLLED COMPANIES"	Class 5 "The INTERNATIONAL FIRMS"
Function	CFO FP&A manager Group financial controller	CFO General manager	CFO Other	CFO Management controller FP&A manager	CFO - FP&A manager Group financial controller Other
Scope of supervision	Organization : group and subsidiaries Geography : one country Activity : global	Organization : group Geography : worldwide Activity : global and support functions	Organization : group Geography : one country Activity : global	Organization : group Geography : one country Activity : global and support functions	Organization : group Geographic area : one country Activity : global
Experience in controlling	From 11 to 20 years	From 6 to 10 years	From 11 to 20 years	From 11 to 20 years	Less than 5 years From 11 to 20 years
Number of managed people	Functionally : from 6 to 19 Hierarchically : from 6 to 19	From 0 to more than 50 (functionally and hierarchically)	Functionally : from 6 to 19 Hierarchically : from 1 to 5	Functionally : from 6 to 19 Hierarchically : from 1 to 5	Functionally : from 6 to 19 Hierarchically : from 6 to 19
Direct reporting line	Functionally : Finance/management control Hierarchically : Management	Functionally : Management Hierarchically : Management	Functionally : Finance Hierarchically : Management	Functionally : Finance Hierarchically : Management	Functionally : Finance/management control Hierarchically : Management
Level of education	Master or equivalent even CPA or PHD	Bachelor or equivalent	Master or equivalent even PHD	Master or equivalent	Master or equivalent
Specific training in finance	Yes	Not always	Yes	Yes	Yes

Activities of finance and management control function

	Class 1 "The TRADITIONAL COMPANIES"	Class 2 "The DYNAMIC FIRMS"	Class 3 "The DEMOCRATIC COMPANIES"	Class 4 "The CONTROLLED COMPANIES"	Class 5 "The INTERNATIONAL FIRMS"
Activities to which management control function devotes most time	Forecasting Internal reporting - Plan and budget	Plan and budget Internal reporting Forecasting	Forecasting Internal reporting Plan and budget	Internal reporting Forecasting Projects	Forecasting Projects Internal reporting - Plan and budget
Evolution	Forecasting : progress Internal reporting : progress Plan and budget : constancy	Plan and budget : progress Internal reporting : constancy Forecasting : constancy	Forecasting : progress Internal reporting : progress Plan and budget : stagnation	Internal reporting : progress forecasting : progress Projects : progress	Forecasting : rather in progress Projects : rather in progress Internal reporting : constancy Plan and budget : rather in progress
Creating-value activities	Plan and budget Internal reporting Variance analysis - Forecasting	Internal reporting - Plan and budget Forecasting Variance analysis	Forecasting Business review Internal reporting interne - Variance analysis and Information systems	Forecasting - Variance analysis Plan and budget	Forecasting Plan and budget Variance analysis - Internal reporting
Evolution	Plan and budget : constancy Internal reporting : progress Vraiance analysis : progress Forecasting : progress	Internal reporting : contancy Plan and budget : progress Forecasting : little progress Variance analysis : constancy	Forecasting : progress Business review : progress Internal reporting : progress Variance analysis : progress Information : progress	Forecasting : constancy Variance analysis : constancy Plan and budget : progress	Forecasting : progress Plan and budget : stagnation Variance analysis : progress Internal reporting : stagnation
Other activities of management control function	New controlling information systems Accrual calculation Risk management	Cash forecasting New controlling information systems - Accrual calculation Risk management	New controlling information systems Risk management Accrual calculation	New controlling information systems Accrual calculation - Risk management Transfer pricing	Financial communication - Risk management - Accrual calculation

	Class 1 "The TRADITIONAL COMPANIES"	Class 2 "The DYNAMIC FIRMS"	Class 3 "The DEMOCRATIC COMPANIES"	Class 4 "The CONTROLLED COMPANIES"	Class 5 "The INTERNATIONAL FIRMS"
Strategic plan frequency	Annual	Annual and less frequent	Annual	Annual	Annual
Staff's involvement in strategic plan	Rather weak	Weak	Rather strong	Rather weak	Weak
Indicators that are used	P&L indicators Operational indicators	Market and competitiveness indicators P&L indicators	P&L indicators Full financial statements indicators Market and competitiveness indicators	P&L indicators Investissement indicators Operational indicators	P&L indicators Market and competitiveness indicators Investment indicators
Operational plan frequency	Annual	Annual and less frequent	Annual and less frequent	Annual	Annual
Staff's involvement in operational plan	From weak to strong	Weak	From weak to strong	Weak	Weak
Indicators that are used	Operational indicators P&L indicators	P&L indicators Market and competitiveness indicators	Full financial statements indicators - Operational indicators Market and competitiveness indicators CSR indicators	Operational indicators Investissement indicators	P&L indicators Market and competitiveness indicators Investment indicators
Budgetary process	Monthly	Monthly or annual	Monthly or annual	Monthly	Monthly, quarterly or annual
Staff's involvement in budgetary process	Strong	Strong	Strong	Rather weak	Rather weak
Indicators that are used	Content : operational indicators Performance evaluation : P&L indicators	Content : P&L indicators Performance evaluation : P&L indicators	Content : P&L indicators Performance evaluation : operational indicators	Content : P&L indicators Performance evaluation : P&L indicators	Content : P&L and operational indicators Performance evaluation : P&L and operational indicators
Forecasting frequency	Quarterly	Monthly	Quarterly	Quarterly	Quarterly
Staff's involvement in forecasting	Quarter : from weak (+) to strong	Month : from weak to strong	Quarter : from weak (+) to strong	Medium	Quarter : weak
Factor of quality	Mobilization of managers' energies	Accuracy	Mobilization of managers' energies	Mobilization of managers' energies	Accuracy
Indicators that are used	P&L indicators (quarter/semester) P&L indicators (month)	P&L indicators (quarter/semester) P&L indicators (month)	P&L and operational indicators (quarter/semester) Operational indicators (month)	P&L indicators (quarter/semester) P&L indicators (month)	P&L and investment indicators (quarter/semester) P&L and operational indicators (month)
Resort to benchmarking (to assess managers' performance)	Not very favourable	Favourable Especially for internal application	Favourable For internal and external application	Favourable For internal and external application	Not very favourable
Resort to BSC	Potentially favourable Standard application	Not very favourable Specific application	Favourable Standard application	Potentially favourable Standard application	Potentially favourable Standard application
Resort to ABC/ABM	Rather favourable Standard application	Not very favourable Specific application	Favourable Standard and specific application	Not very favourable Standard application	Not favourable Standard application
Resort to EXCEL	Building plan Building budget Forecasting	Forecasting Building plan Consolidating plan	Building plan Building budget Forecasting Consolidating plan	Forecasting Reporting and consolidating	Building plan
Resort to specific tools	Reporting and consolidating Consolidating budget	Forecasting Reporting and consolidating	Reporting and consolidating Consolidating budget	Reporting and consolidating	Consolidating plan Consolidating budget

Class 1 – « THE TRADITIONAL COMPANIES » (53%)

Companies' profile of class 1

Class 1 is certainly the most heterogeneous grouping of the typology although we find relatively "traditional" companies there (this explains the name of the class) both in terms of activity, organization structure and governance. This class contains from « mid-sized » to big companies that have corporate sales between $/€50 million and $/€ 999 million and staff between 100 and 999 employees. Rather specialized in industry and equipment, other services and consumer goods, these firms of diverse origin (Europe, America or Asia) and which deal in € or in $, face or not the economic crisis. These companies, that are not quoted on the stock exchange, are more or less international oriented: the number of their subsidiaries settled abroad can vary from 0 to more than 100 and the part of their turnover from 0% to more than 50%. But one of their common points is that they do not take advantage totally of their international exposure to avoid the economic recession. Most of them certainly develop new products or new services but their geographic expansion, the launching of new subsidiaries or M&A projects are in a process of stagnation.

Respondent's profile

Functionally managed by the financial direction or corporate management control and hierarchically managed by the corporate or business unit management, our respondent, who is CFO, FP&A manager or corporate financial controller and who is between 40 and 50, can have much people management activity (from 6 to 19 employees, functionally or hierarchically managed). With 11 to 20 years of experience in controlling, holder of a Master's degree in finance or equivalent, a CPA or a PHD (this last point is really specific in class 1), he generally supervises the activity of a group or its subsidiaries and in a national scope.

Activities of finance and management control function

In class 1, finance and management control function devotes all its time to quite traditional activities *i.e.* forecasting, internal reporting, plan and budget. If the first activity makes progress, the two other ones are constant. In addition to variance analysis, the activities that our respondent considers as the most value-creating are also the ones they practice most. However we have to precise that internal reporting, forecasting and variance analysis are more and more important compared to plan and budget whose place globally remains the same. To finish, new controlling information systems, accrual calculation and risk management represent domains in which finance and management control function is strongly involved.

Processes, methodologies and management systems

Concerning processes, methodologies and management systems, the firms' profile belonging to class 1 is rather standard. If managers' involvement in annual strategic plan and in quarterly forecasts is quite reduced, their level of contribution to annual operational plan may be both weak and strong but it remains high in monthly budget. More than accuracy, mobilization of operational managers' energies in forecasting is considered as a factor of quality. In every situation, the indicators that are used by our respondents are P&L statement and operational indicators, even for assessing operations and managers' performance. To finish, these companies do not use new tools of management: less inclined to appeal to beyond budgeting or benchmarking to appraise employees' results, they would adopt more easily balanced scorecard or ABC/ABM methodology but in standard version. For plan building, budget and forecasting, they mostly use EXCEL but for reporting and budget consolidation, they have confidence in specific tools.

Class 2 – « THE DYNAMIC FIRMS » (13%)

Companies' profile of class 2

Contrary to class 1, class 2 is certainly the most homogeneous group of our typology; we can find inside Asian companies that are specifically dynamic (what explains the name of this class) and big, whose turnover varies from 1 to 5 billion $ and staff from 1 000 and 4 999 employees. Most of these firms, mainly specialized in industry and other equipment, consumer goods and other services, are growing (what is a characteristic of class 2). These

companies that are quoted on the stock exchange are really international oriented even if the number of their subsidiaries does not go beyond 99 and the part of their turnover generated outside of the country does not exceed 49%. One of their characteristics is that they seem to avoid economic crisis: most of them go on growing geographically speaking, launching new products or services; some of them sometimes create new subsidiaries. However, as for the companies belonging to the other groups, M&A projects are in a process of stagnation.

Respondent's profile

Functionally and hierarchically managed by the corporate management or by business unit management, our respondent, who is CFO or executive manager and who is sometimes more than 60, can have an intensive people management activity (more than 50 employees, functionally or hierarchically managed). Benefiting from a deep experience but not necessarily in management control or internal controlling, holder of a Bachelor's degree but not automatically in management control or in internal control (this last point is really specific in class 2 as well), he generally supervises the corporate activity or the support functions of a group and in an international scope.

Activities of finance and management control function

In class 2, our respondent also devotes all his time to traditional activities, *i.e.* plan and budgets, internal reporting and forecasting. If the first one activity is in progress, the two other activities remain constant. Except for the variance analysis, the activities that our respondents consider as the most value-creating are also the ones they practice most. Both plan and budgets and forecasting play a more and more important role, contrary to internal reporting and variance analysis whose weight does not change. To finish, cash forecasting, new controlling information systems, accrual calculation and risk management represent domains in which finance and the management control function is also deeply involved.

Processes, methodologies and management systems

About processes, methodologies and management systems, the firms' profile belonging to class 2 is more or less different. If managers' involvement in strategic and operational plan (annual and less frequent) is weak, it may be both weak and strong in monthly forecasting and in annual or monthly budget. More than mobilization of managers' energies, forecast accuracy is considered as a factor of quality. In every situation, the indicators that are used by our respondents come from P&L statement (to assess operations and managers' performance as well) but, in terms of strategic and operational plan, these firms also use some indicators linked to market and competitiveness: they are consequently widely internationally oriented, which could explain their dynamism. Unlike the firms of class 1, the companies that belong to class 2 tend to adopt benchmarking to assess executive or operational managers' results. But they do not always opt for balanced scorecard, ABC/ABM or beyond budgeting techniques. They may appeal to EXCEL or specific tools for building forecasts, building and consolidating plan and reporting.

Class 3 – « THE DEMOCRATIC COMPANIES » (10%)

Companies' profile of class 3

Class 3 is characterized by small and mid-sized companies (compared to the global sample) whose turnover does not exceed 249 million € and staff 999 employees. It is a diversified group composed of European companies either specialized in other services, media telecom and IT, industry and other equipment, consumer products or bank, insurance and financial services. These firms which deal in € suffer from the economic crisis (weak growth). Almost none are quoted on the stock exchange, they are more or less international oriented: indeed, if the number of their subsidiaries settled abroad varies from 0 to less than 20, the part of their turnover generated outside of the country may vary from 1% to more than 50%. Some of them are exposed to economic slow-down (geographic stagnation, no subsidiaries launching, M&A stopping) whereas others seem to take advantage from their international situation (strong growth) thanks to the development of new products or new services.

Respondent's profile

Functionally managed by the financial direction or corporate management control and hierarchically managed by the corporate or business unit management, our respondent, 40-50 years-old and who is most often CFO, manages more people functionally (from 6 to 19 employees) than hierarchically (from 1 to 5 people). With 11 to 20 years of experience of controlling, holder of a Master's degree in finance or equivalent, sometimes a PHD (like in class 1), he generally supervises the activity of a group and in a national scope.

Activities of finance and management control function

In class 3, finance and management control function devotes all its time to quite traditional activities *i.e.* forecasting, internal reporting, plan and budget. If the first two activities make progress, the third one is constant. Forecasting, business review, variance analysis and information systems are the activities considered as creating more value by our respondent and whose weight is more and more important. Finally, new controlling information systems, accrual calculation and risk management represent domains in which finance and the management control function is also well involved.

Processes, methodologies and management systems

Concerning processes, methodologies and management systems, the firms' profile belonging to class 3 is characterized by managers' and employees' involvement in plan, budget or forecasting which is generally stronger than in the other groups (what explains the name of class 3). Mobilization of managers' energies, more than forecast accuracy, is logically considered as a factor of quality. In every situation, the indicators that are used by our respondents refer to market and competitiveness (strategic and operational plan) or to P&L statement indicators (budget, forecasts, assessment). Finally, class 3 is composed by firms that most often use advanced tools of management control: opened to internal and external benchmarking to evaluate staff's results, they use in a standard or specific way, BSC or

ABC/ABM methodology. But they do not always appeal to beyond budgeting methods. They resort to EXCEL or specific tools for building forecasts, reporting and consolidating plan.

Class 4 – « THE CONTROLLED COMPANIES » (13%)

Companies' profile of class 4

Like in class 3, we find in class 4 mid-sized companies (compared to the global sample) whose turnover does not exceed 249 million € and staff 999 employees. It is a diversified group composed of European, Asian or African firms, specialized in other services, consumer products or engineering and construction. These organizations, which deal in €, seem to suffer from the economic crisis (weak growth). Almost none quoted on the stock exchange, either they are not at all international (more than firms of class 3) or they are really international oriented: indeed, if the number of their subsidiaries settled abroad can vary from 0 to less than 20, the part of their turnover generated outside of the country can vary from 0% to 49%. Some of them are very exposed to economic slow-down (geographic stagnation, no subsidiaries launching, M&A stopping) whereas others may profit from their international situation (strong growth) thanks to the development of new products or new services.

Respondent's profile

Functionally managed by the financial direction or corporate management control and hierarchically managed by the corporate or business unit management, our respondent, 40-50 years-old and who is most often CFO, management controller or FP&A manager, manages more people functionally (from 6 to 19 employees) than hierarchically (from 1 to 5 people). With 11 to 20 years of controlling experience, holder of a Master's degree in finance or equivalent (but no PHD like in class 1 or 3), he generally supervises the activity of a group or support functions in a national scope.

Activities of finance and management control function

One of the specificities of the companies belonging to class 4 is that they attach more importance to controlling and reporting than the other firms (what explains the name of this class). Finance and management control function devotes all its time to quite traditional activities *i.e.* internal reporting, forecasting and projects as well, activities that make progress. Forecasting, variance analysis, plan and budgets are the activities considered as creating more value by our respondent and whose weight is constant or more and more important. Finally, accrual calculation, new controlling information systems, risk management and transfer pricing represent the domains in which finance and management control function is also well involved.

Processes, methodologies and management systems

About processes, methodologies and management systems, the firms' profile belonging to class 4 lightly differs from the other classes. Managers' involvement in annual strategic and operational plan, monthly budgets or quarterly forecasts is quite weak or, for the best,

medium. However and paradoxically, it is the mobilization of managers' energies, more than forecasts' accuracy, which is considered as a factor of quality. The indicators that are used by our respondents come from P&L statement (budgets and managers' assessment), are operational indicators or relative to investments (plan). Like the firms of class 3, but to a lesser extent, the companies of class 4 use advanced tools of management control: opened to benchmarking methodology to evaluate staff's results and willing to adopt BSC in a standard version, they do not really apply ABC/ABM or beyond budgeting techniques. They may appeal to EXCEL or to specific tools for forecasting, reporting, building and consolidating plan.

Class 5 – « THE INTERNATIONAL FIRMS » (11%)

Profil des entreprises de la classe

With class 1, class 5 is certainly the most heterogeneous grouping of the typology; here we find companies from diverse origin (America, Asia and Europe), small or big firms, whose turnover varies from 0 to 5 billion € and staff from 0 to more 25 000 employees. Mainly specialized in other services, bank/insurance, energy and utilities, distribution and trading, most of these organizations are particularly opened to international trade (what explains the name of class 5). The number of their subsidiaries settled abroad can exceed 100 and the part of their turnover generated outside of the country can reach 50%, which is however not always an advantage. Because if some of them continue to grow geographically and try to launch new products or services, few companies implement new subsidiaries or M&A projects. Suffering from a weak growth, quoted on the stock exchange or not, they are quite exposed to economic crisis (it is probably due to activity sector).

Respondent's profile

Functionally managed by the financial direction or corporate management control and hierarchically managed by the corporate or business unit management, our respondent, who is often more than 50, CFO, management controller or FP&A manager, manages more people hierarchically (from 6 to 19 employees) than functionally (from 1 to 5 people). New to this function or with 11 to 20 years of controlling experience, holder of a Master's degree in finance, he generally supervises the activity of a group in a national scope.

Activities of finance and management control function

In class 5, finance and management control function devotes all its time to forecasting, projects, internal reporting, plan and budget. If the first two activities and the last one make progress, the third one is constant. Except for variance analysis, the activities that our respondents consider as the most value-creating are also the ones they practise most. Forecasting and variance analysis are more and more important contrary to plan, budget and reporting. Finally, financial communication, accrual calculation and risk management represent the domains in which finance and management control function is also well involved. We have to add that, unlike the other classes (our respondent is often member of the

management team and conducts the business review presentation), our respondent is involved in various ways, from providing information to actually conducting the business review.

Processes, methodologies and management systems

About processes, methodologies and management systems, the firms' profile belonging to class 5 is really specific. Managers' involvement in annual strategic and operational plan, monthly, quarterly and annual budget or quarterly forecasts, is rather weak. Like in class 2, it is forecast accuracy more than the mobilization of managers' energies, which is considered as a factor of quality. The indicators that are used by our respondents come from P&L statement, are linked to market and competitiveness or are related to investments (plan and forecasts). To finish, the firms of class 5 do not always use new tools like benchmarking, BSC, ABC/ABM or beyond budgeting techniques. And if they do, they prefer applying a standard version. However they may appeal to EXCEL or to specific tools for building and consolidating plan and budget.

6.3 Focus on common and divergent elements

Beyond the internal analysis of each class, the typology allows to emphasize divergent elements between companies constituting our sample.

- All companies do not face the economic crisis in the same way: if, except for the firms of class 2, most of the organizations that we have contacted suffer from a weak growth of their activity, all firms do not profit from an international exposure which could boost them (thanks to new markets: as it is the case with class 4) or make their situation worse (the firm is much more exposed: it is the case of class 5 which is mainly specialized in trading or banking and financial services).

- In accordance with what we had noticed in our previous survey[3], hierarchical and functional management may vary from one class to the other; in Asia, for instance, a CFO seems to have a hierarchical and functional authority which is much more important than in other countries, according to his status (in our sample, he is mostly deputy CEO) or his age.

- Age and training of our respondents who exercise similar functions can also differ from a geographic area to another one; it seems that "Western" people are younger when taking a financial role and followed specific training courses in finance or management control at a master's degree level (even PHD level). It is not the case of their Asian colleagues who are less qualified (Bachelor level) but maybe more experienced. The employees' progress and their access to the highest functions seem to depend especially in West on the training or the diploma whereas it depends more on the experience in Asia.

[3] See DOCHE F. *and* al. (2010), « The Management Controller Survey – Role ? Competencies ? Trends and Expectations ? A comparative View on International Practices », *E-Technical Paper of DFCG,* with the participation of CEGOS, March.

- If managers' involvement in strategic and operational plan process remains rather weak in every class, it is quite heterogeneous in budget and forecasting process, *i.e.* stronger in classes 1, 2 and 3 (The "Traditional companies", the "Dynamic companies", the "Democratic companies") but sharply reduced in classes 4 and 5 (the "Controlled companies" and the "International firms"): in these classes, the control process, as far as it is probably more centralized, does not allow the managers to take part in it.

- The companies in which the managers take part in the control activities (class 3) seem to be the most inclined to use the most advanced management tools like benchmarking BSC, ABC/ABM techniques or new controlling information systems, accrual calculation and risk management.

It can be also interesting to quote the common elements regardless class, organization, geographic area in which our respondent is located.

- The activities to which the finance and management control function devotes most time are globally similar in the 5 classes, *i.e.* plan and budget, forecasts and internal reporting (even if the respondents of classes 4 and 5 spend more time for projects). This tends to confirm the worldwide standardization of controlling practices, standardization we had already noticed in 2010. Let us note that there is a real consensus as for the evolution of the importance of these activities (in particular forecasts, plans and budgets, reporting, projects) which generally progress when they do not show constancy. So we can conclude that if the companies of our sample do not inevitably resort to more sophisticated tools of management control (see above), they tend, regardless their origin, size or activity, to strengthen their actual management control function by emphasizing the optimization of information systems, modelling or risk management.

- Except for variance analysis and, to a lesser extent, for all that concerns information systems, the tasks that our respondents consider as the most value-creating are also the ones they practice most. Regardless of the country, we quote a general trend of our respondents to justify the legitimacy of their function; respondents are mainly men which is a common characteristic of all the classes: would the finance and management control functions be still closed to the women?

- In spite of the criticisms formulated against it, the budget remains a central tool: integrated into the strategic, monthly, quarterly or annual process, it still keeps a dominating place in the management control process, even if the degree of staff's involvement is fluctuating according to the classes. The advantages relative to its preservation (the budget allows to structure the organization, to delegate or to give managers responsibilities) always get the better of its drawbacks (heaviness of the process, etc.).

- The management indicators used by the companies of our sample (P&L indicators, operational indicators, competitiveness indicators, market indicators, investment indicators) are globally the same, which would probably confirm a worldwide standardization of practices; a standardization relieved by consulting firms or academic and research papers in management sciences; another point that is always surprising is the sub-instrumentation of the firms in terms of management. Most of

them, regardless the class they are belonging to, do not use much the advanced management tools like benchmarking, BSC, ABC/ABM or beyond budgeting techniques. Is it because of the cost or the heaviness of their implementation in practise?

7. GLOSSARY

- Sector Analysis
- Country Analysis

ABC	Activity Based Costing
ABM	Activity Based Management
BSC	Balanced Scorecard
CAPEX	Capital Expenditure of Investment
COMEX	Executive Committee
ERP	Enterprise Resource Planning
IT	Information Technology
FP&A	Financial Planning & Analysis
IOMC	International Observatory of Management control
AV	Added Value