RENOIR CONSULTING

PRIMING BUSINESS PROCESSES FOR EXCELLENCE

DIGITISING MANAGEMENT CONTROL SYSTEMS

REAL OUTCOMES, SUSTAINABLE CHANGE.

March 2021

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EXECUTIVE SUMMARY

Are your processes and workflows delivering expected outcomes?

At Renoir, we answer that question by looking at the organisation's Management Control Systems (MCS). An MCS is comprised of various tools and methods used to ensure that processes perform as expected.

What we've found is that most companies don't have a well-defined MCS nor do they manage it in a systematic way. These companies often end up struggling to manage and coordinate their processes.

In the age of disruptions and accelerating change, this is a dangerous place to be.

This paper will provide the framework and best practices to help you build and digitise your MCS. You will learn:

THE ADVANTAGES OF HAVING A WELL-DESIGNED MCS

HOW TO SET UP AN MCS THAT PRODUCES RESULTS

THE BEST PRACTICES OF DIGITISING AN MCS

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BRINGING CONTROL TO INEFFICIENCY

According to market research firm IDC, inefficiencies cost companies 20 to 30% of revenues each year[1]. Many businesses have siloed, complex or badly defined processes.

In our experience, we find that many companies lack the tools and methods to ensure that their processes are performing as expected. At Renoir, we call these "tools and methods" the "Management Control System" (MCS).

Today, it is more important than ever for a company to have well-designed MCSs:

RISE OF REMOTE WORKING
An MCS helps govern workflows and value chains. Without it, remote working can be a messy, chaotic affair.

DEFINE THE DIGITAL WAY OF WORKING
As processes are digitised, there is still a need for human intelligence to understand why there are gaps in performance and implement actions accordingly. These required routines are prescribed by the MCS.

RESOURCES ARE INCREASINGLY SCARCE
A well-defined MCS that is understood by everyone in the organisation can ensure that resources, be it cash, workers or raw materials, are used in an optimal way.

BUSINESS-ENDING DISRUPTIONS ARE ON THE HORIZON
In a world where companies are forced to work remotely or disruptions can force a business to pivot quickly, the ability to understand performance and quickly react to change is crucial to remain relevant.

An MCS will improve a company's productivity and efficiency. A digitised one will give companies a competitive edge in an ever-shifting marketplace.

In the following pages we explain what an MCS is, how you can build one that delivers real results and how to digitise it effectively.

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MANAGEMENT CONTROL SYSTEMS 101

A good way of describing an MCS is that it is the dashboard for a process. The MCS incorporates the various methods used to set the expectations for performance, describes the way things should be done, monitors how well things are being executed, measures results, analyses gaps, and improves future performance.

Every process has an MCS. Unfortunately, many of them are informal or not well thought out.

MCSs are rarely consciously created. Instead, they are informally evolved by individuals in isolation of other functions and levels of hierarchy, and this may not align with the company's goals and strategy. As a result, there are many inefficiencies. And because they are informal, the controls may end up disappearing when an individual leaves only to be replaced by another management system based on the new individual's personal history and preferences.

CHARACTERISTICS OF A GOOD MANAGEMENT CONTROL SYSTEM

FORMAL

Documented, signed off by leadership and easily accessible.

CLEARLY DOCUMENTED

Contains clear ways of working, meeting structures, dashboards, guidelines and plans relating to managerial responsibilities.

ALIGNED TO COMPANY GOALS

Steers managers and employees to focus on their behaviours, which will align their personal goals to the company's direction.

MISSION FOCUSED

Employees will know what their mission is each day and how it contributes to the organisation's goals.

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THE BENEFITS

Organisations that have well-defined MCSs stand to gain a competitive edge in the market. Here is what they bring:

1

CONNECT STRATEGY TO REALITY
A key component of MCS deployment is to cascade company goals throughout the organisation in terms of performance metrics as well as planning activities.

2

PROVIDE A STRUCTURED AND DELIBERATE APPROACH TO MANAGING
Managers are able to focus on where they're going to get the biggest business improvements.

3

PROMOTE SEAMLESS KNOWLEDGE SHARING
Data is not siloed but streamlined, ensuring that information flows freely and smoothly to stakeholders.
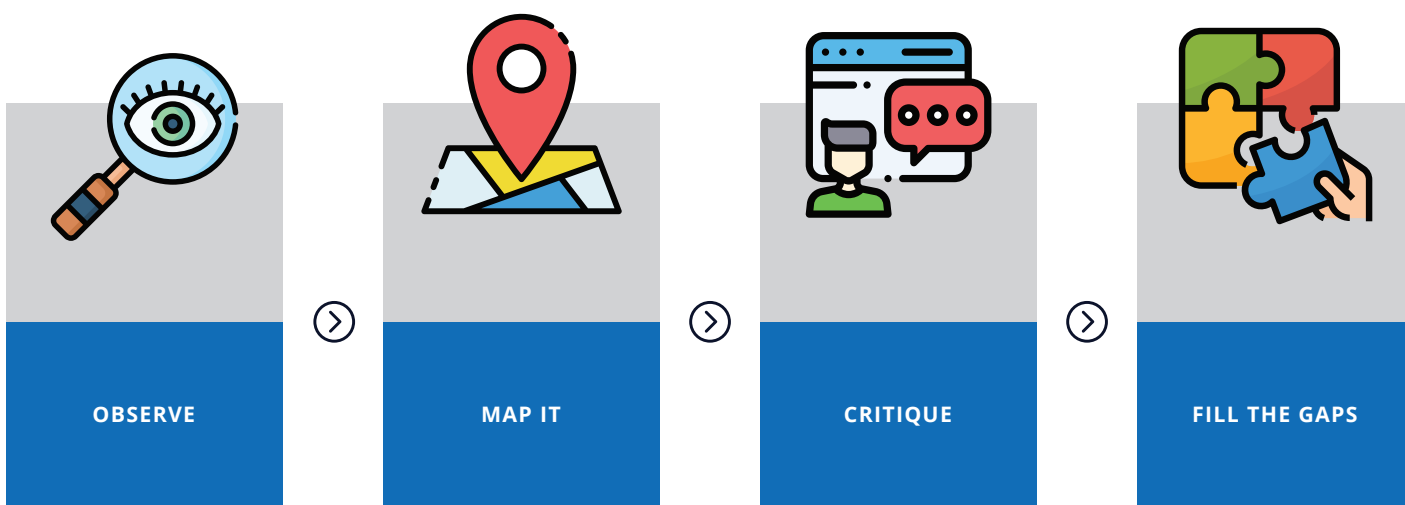
4

FACILITATE AGILE MANAGEMENT
The MCS provides management with the right data and information at the right time to make right decisions.
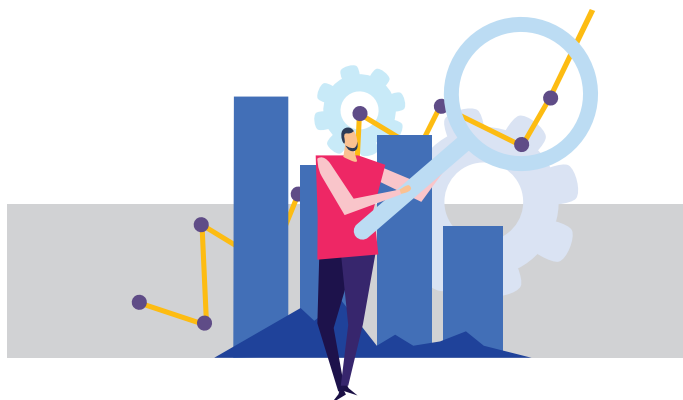
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SETTING UP THE SYSTEM

The key to fixing broken and inefficient MCSs is to make them visible. Here is Renoir's tried and tested process:

| OBSERVE | MAP IT | CRITIQUE | FILL THE GAPS |

THE FOUR STEPS TO DEVELOPING A WELL-OILED MANAGEMENT CONTROL SYSTEM

STEP 1: OBSERVE

Always observe even for established management systems. That means holding interviews, following processes, reviewing reports and sitting in the meetings yourself. Build the system around the actual way of working that is observed rather than from people's perception.

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STEP 2: MAP IT OUT

What does your current system look like? The answer: Map it out.

At Renoir, we often build a visual representation of a company's processes by collating life-sized copies of documents and key interface screens, sticking them on a huge sheet of brown paper and physically seeing how well everything flows together. It is low-tech, but it works. We do, of course, also use digital scans and digital canvasses, but it's extremely important to interrogate the details of every method and tool in use.

STEP 3: CRITIQUE

Bring in different levels of employees to critique the current MCS. They will provide insights into different parts of the processes. Some useful questions to ask:

- Where are the failings of the current process or MCS?
- Does the forecast roll down to the plan level?
- How do we control the process?
- At what points in the process and at what frequency should we be checking?
- Are there too many controls?
- Are there too many meetings?
- Do we have the right meetings?
- Do we have information at the meetings that we need to make decisions?

STEP 4: FILL THE GAPS

The critiquing session will reveal gaps and inefficiencies in the process and MCS, and will create buy-in from the employees who were involved in the exercise.

The next question to ask is: How do we resolve these gaps and inefficiencies?

For example, you may discover that executives lack necessary data to make decisions during meetings, which causes delays, unnecessary costs and waste. The solution could be building a dashboard that automatically updates the executives with the necessary data.

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GOING DIGITAL

Digitising management control systems is the new frontier. There's much work to be done, especially since COVID-19 has kicked digital transformation into high gear.

However, don't rush to find digital solutions.

We often find clients hastily implementing digital transformations, only to end up with tools that do not meet their business needs. Often, these digital solutions are slapped over inefficient processes – many of which lack an MCS.

The company may end up spending millions to customise the digital solution to fit their broken processes.

Here are our best practices in ensuring that the digitisation efforts bring results:

STEP 1: UNDERSTAND YOUR DATA NEEDS NOW AND IN THE FUTURE

Too often, companies collect a slew of data which fails to drive significant change.

Digitising KPIs that aren't well designed will cause problems and confuse employees.

Therefore, it's important to understand how you will leverage data to improve your business.

Be clear on the end result you hope to obtain and what it means to employees.

STEP 2: SET UP YOUR MANAGEMENT CONTROL SYSTEM

Using the practices on page 7 and 8, build the MCS.

Make sure that it is aligned to bring value to your shareholders and/or help meet your leadership's objectives and goals.

STEP 3: MAKE SURE THE MANAGEMENT CONTROL SYSTEM IS RUNNING WELL

Implement using behavioural change management methods, such as Situational Leadership, to ensure full adoption by the workforce.

Make certain that your MCS is working smoothly and delivering the right results.

STEP 4: ENHANCE WITH SOFTWARE

With proof that the changes work, now is the time to digitise. When effective processes and MCSs are digitised, they are more likely to be sustained.

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HOW AN OIL AND GAS COMPANY SAVED $75 MILLION BY INSTALLING AN MCS

CASE STUDY

An oil and gas drilling company in the United States engaged us to uncover why rig manager workloads had increased dramatically. We soon discovered that the company lacked a systematic MCS that enabled them to monitor remote sites adequately and funnel issues through the districts in a timely fashion.

The company had about half a dozen operating districts within the country. Each district Vice President ran it based on what he or she valued and wanted.

This caused several problems:

- Districts were not aligned or unified to a single purpose. With each district having different KPIs, the company was not working towards the same goal.
- Higher costs to onboard employees. As employees shifted from district to district, they had to take in new operating systems, structures and information.
- Uneven distribution of resources. Districts that screamed the loudest received the most resources.
- Confused customers would say that district to district, "You don't even seem like the same company."

The company essentially had half a dozen different companies within it, all pulling in different directions trying to reach different goals.

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THE SOLUTION

For four years, we went department by department, district by district to build and install a standard MCS. With a consistent MCS built, we were able to improve the work and efficiency of rig-based management and operations.

"Renoir assisted us in establishing consistency and transparency in our processes as well as identifying processes that were of little or no value to us," said a Health, Safety and Environment manager.

Besides building a process for real-time monitoring, we also created a digital enterprise dashboard which allowed managers to get a quick overview of how the company was operating. Managers were now able to monitor how superintendents were managing the rigs and if they were managing their cost appropriately. This enabled the company to make faster decisions and move much quicker than their competitors.

$75 **MILLION IN SAVINGS**
After installing a consistent management control system

RESULTS

The company was able to reduce rig-based injury risk significantly. Spending on drilling operations materials and supplies went down by over 20%. Overall, the company saved over $75 million.

Also, 300 employees were trained to be "change champions". This effectively installed a culture of continuous improvement in the company.

At the end of four years, the company experienced a complete cultural overhaul – they now have a culture that is efficient, data-driven, and intentionally managed. This positioned them to effectively respond to the rapidly changing nature of the oil and gas industry.

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CONCLUSION

Companies with well-designed, digitised MCSs are able to ensure that the employees are aligned with the company's goals, be that increasing revenue, improving efficiency or reducing costs.

Management Control Systems are essential for all companies and are especially important for organisations that have a large geographical spread or have a large customer base and diverse product offerings.

However, the right implementation approach is crucial. Successful digitisation initiatives must first consider whether the processes are fit for purpose and if supporting MCSs are in place. This need to correctly configure the procedural environment before digitisation can't be understated. Second, when it comes to going live, the human factor is placed centre stage – all users are extensively coached through the learning curve.

You can learn more in our white paper, Powering Successful Digital Transformation.

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THE RENOIR ADVANTAGE

A business transformation partner like Renoir will enable companies to accelerate transformation and build a well-designed MCS that produces results. Here's why:

WIDE KNOWLEDGE BASE

Renoir has built and installed MCSs across all industries, all over the globe. We have built a wealth of knowledge and best practices to build an MCS that produces guaranteed results.

DIGITAL TRANSFORMATION EXPERIENCE

We are experienced in transforming an MCS into the digital world that will put companies on the cutting edge.

GUARANTEED RESULTS IN A SHORT TIME

We've gone through the trials and errors and have refined our methodology. This means we can build a world-class MCS within a very short time frame.

BESPOKE SOLUTIONS

We are aware that every business is different. That is why our solutions are tailored to your business needs and goals.

If you're ready for the next step, connect with us at **connect@renoirgroup.com** or visit **https://www.renoirgroup.com** for more information.

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REFERENCES

01   Candito, Nick, "How Inefficient Processes Are Hurting Your Company," Entrepreneur, 8 December 2016
     (https://www.entrepreneur.com/article/286084)

ABOUT RENOIR

For 25 years, Renoir Consulting has been the trusted business transformation partner for companies globally. We have partnered with clients from diverse industries in more than 50 countries to co-create bespoke solutions that produce real outcomes and sustainable change. Our boutique approach means that our clients receive the highest level of professionalism, expertise and leadership ownership.

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ABOUT THE EXPERT

David Ruiz is Renoir Consulting's Managing Director (North America Oil and Gas). He has extensive experience assisting clients developing operational effectiveness and efficiency, manage change and adopt a culture that values data-driven decisions. He has worked with clients across several industries including healthcare, oil and gas, mining, port operations and manufacturing.

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