



cutting through complexity

Jakarta Business Club Event

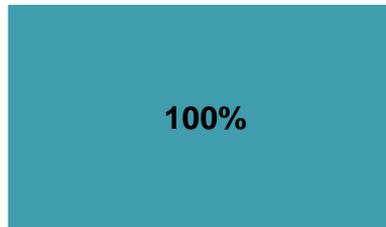
Cost Transparency & Joint Ventures

Survey Results

June 2015



Question 1: Cost management is often seen as the responsibility of the Finance department. However, for cost management to be effective, the mindset should be organisation wide. Would you agree or disagree?



- Agree
- Disagree
- Neither agree nor disagree

As a concept, cost conscious culture is often embraced, in reality it is much more difficult to embed

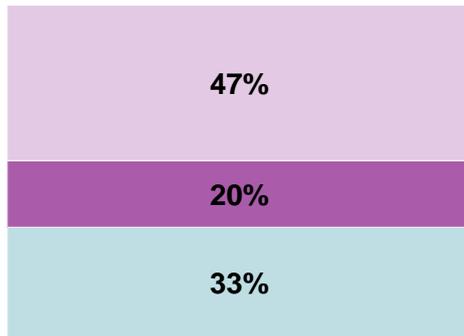
Question 2: In your organisation, do you think that for outside finance, there is a good understanding of what drives costs?



- Yes
- No
- Don't Know

Generally the business understands how costs relate to them but more often than not do not see the whole picture

Question 3: On a scale of 1 to 5, how well do you think your cost centre owners understand the makeup and drivers of all their costs?



- Not at all
- A small proportion do
- About half do
- Most do to a greater extent
- All cost centre owners have full understanding

Not all costs have a dedicated centre and in many cases lack the guidance and controls that be derived from oversight

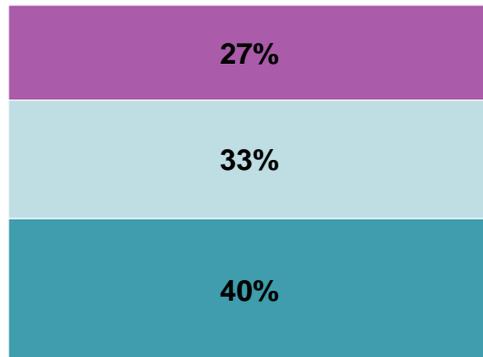
Question 4: When cost management is not widely understood, including cost allocation, it can lead to an organisation “doing business with itself”.



- This statement is true
- This statement is mostly true
- This statement is neither true or false
- This statement is mostly false
- This statement is false

Managing disputes between parties, external and internal often takes up more management time than managing cost incurrence in the first instance

Question 5: How challenging is it for you to measure and manage your cost management initiatives?



- Very
- To a great extent
- Somewhat
- Easy/straightforward

This is not surprising, cost management requires clear categorization and transparency of costs in the areas in which they have been incurred. The discipline of maintaining clean records must be complimented by systems, processes and behaviors that play a supporting role

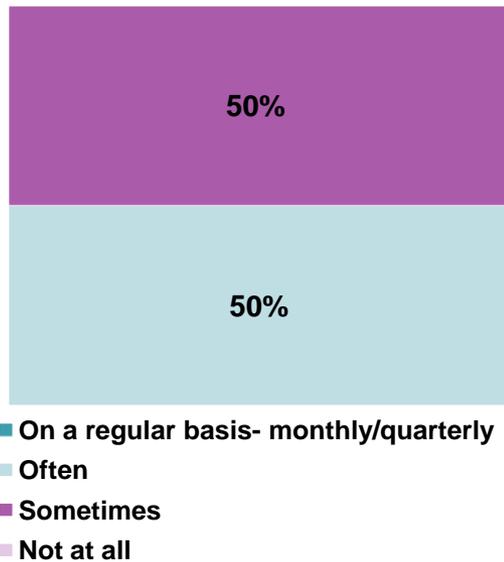
Question 6: KPMG's research shows that organisations struggle to distinguish between good costs and bad costs when trying to implement cost management strategies; that is costs which give a return and those that do not. Would you say this is true of your organisation?



- This statement is true
- This statement is mostly true
- This statement is neither true or false
- This statement is mostly false
- This statement is false

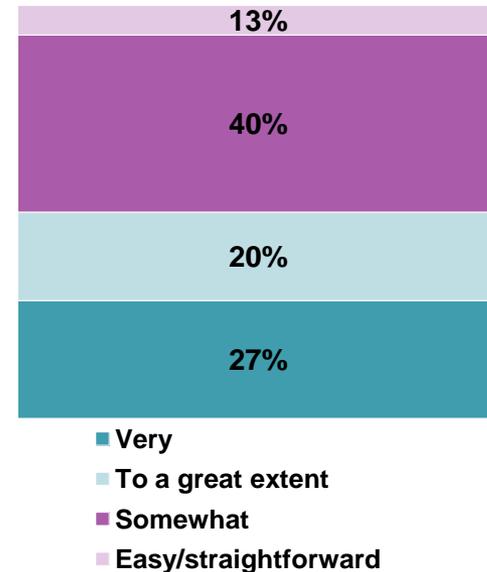
The role of monitoring and controlling often does not extend to a review of what costs add value to the business rather than being incurred as a function of legacy or complacent behavior

Question 7: To what extent do you think that ‘orphaned costs’ occasionally end up on your sole account?



No one wants to account for costs that have not been pre-identified and agreed in advance. Incurring non agreed and non planned costs causes tension between parties and detracts from the spirit of the JV Agreement

Question 8: How challenging is it to understand costs that end up on your sole account (i.e. 100% operator)?



Financial data that is not supported by relevant information and / or categorized in a way that assigns it with a “home” whether in a particular cost centre or otherwise can be very difficult to diagnose

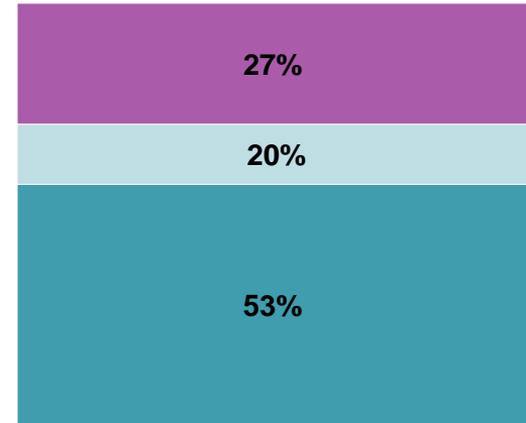
Question 9: How difficult is it to recover costs from your JVP's?



- Very
- To a great extent
- Somewhat
- Easy/straightforward

*This is the human condition. The question is how difficult would it be for your minority JV partners to recover costs from you?
Transparency is the key to managing this*

Question 10: Are the JV Audit requests for cost information increasing or decreasing?



- Increasing
- Decreasing
- About the same

Generally these are increasing both in scope and in frequency. The louder the noise for this "intervention" the higher the perceived tension between partners is