



Connection Between Controlling Department and Management – Premise for Achieving Organizational Objectives

*Univ. Prof. Ovidiu Constantin BUNGET, Ph. D.,
West Univeristy of Timisoara, Faculty of Economics and
Business Administration,
e-mail: ovidiu.bunget@e-uvt.ro*

*Anca Ioana BRÎNDUȘE, Ph. D. Student,
West University of Timisoara, Faculty of Economics and
Business Administration,
e-mail: anca.brinduse93@e-uvt.ro*

Abstract

The purpose of this article is to emphasize the strong connection between managers and controllers, as well as some of the benefits of their relationship. The complexity of the operations within a company, as well as the dynamic environment have led to the development of the controlling department. Due to the changes that the controller profession has undertaken, it was considered necessary to carefully analyze the literature that puts into discussion this subject. Moreover, the information discovered within the literature will be correlated with the ones from the companies which have controlling departments, in order to ensure the relevance of the study.

Keywords: *controlling, manager, organizational objectives*

JEL Classification: *M10, M41*

To cite this article:

Bunget, O. C., Brîndușe, A. I. (2019), Connection Between Controlling Department and Management – Premise for Achieving Organizational Objectives, *Audit Financiar*, vol. XVII, no. 4(156)/2019, pp. 680-688, DOI: 10.20869/AUDITF/2019/156/027

To link this article:

<http://dx.doi.org/10.20869/AUDITF/2019/156/027>
Received: 3.08.2019
Revised: 20.08.2019
Accepted: 25.09.2019

Introduction

The role of the controller has undertaken serious changes, starting from simple accounting operations to the dissemination of relevant information to the managers. The role of the controller started to shape since 1965, but it was not clearly defined, as Anthony (1965) was mentioning: the ones whom are called *controllers* are people who do activities a little more complicated than basic accounting, and they end up by undertaking activities which are related to the executive management. Nowadays, the main role of the controller is to support the management in order to achieve the organizational objectives, by providing the necessary and relevant information. Therefore, the necessity of a good relationship between the manager and controller can be already distinguished. Thus, the first research question is *How can we define the notion of controller?* After having a definition of this concept, by taking into consideration also the evolution in time of this profession, there will be examples of the *responsibilities, but also the qualities and skills a controller must have*. Eventually, the article will focus on the way managers and controllers collaborate and how this collaboration can contribute to achieving the organizational objectives. The relevance of this article consists in clarifying the term of controller and will bring together both theoretical and practical concepts in order to ensure a good application of the theory within the companies which have a controlling department.

This article has the following structure: introduction, which defined the objectives and the importance of the paper, followed by literature review. Furthermore, the research design will be described and the research results will be presented as well as the conclusions.

1. Research method

The main focus of the article is defining the notion of *controller*, with the help of the literature. In order to collect all the necessary information, a theoretical research will be used. The main resources used are articles, books and conference publications. In order to identify the responsibilities, but also the necessary skills of a controller, a research will be undertaken both within

the relevant literature, but also within the companies that have controlling departments.

2. Literature review

2.1. Evolution of the concept of *controlling*

One of the main reasons that led to the development of the controlling department, was decentralization, as a result of the development of the small and medium enterprises into big corporations, spread worldwide (Pavlovská & Kuzmina-Merlino, 2013). The concept of *controlling* started from an accounting approach and it was defined as a process through which managers should allocate efficiently and effectively the available resources, in order to achieve the organizational objectives (Anthony, 1965). The following approaches continued to emphasize the importance of cost calculation and budgeting, even though it started to become clear that the main purpose of controlling was achieving the desired objectives (Kloot, 1997). In the next years, the area of controlling kept expanding by adopting new type of activities. Nowadays, beside the activities of developing budgets and forecasts, controlling has become a planning and control instrument, which illustrates the differences between actual and budgeted figures, along with the relevant explanations (Eschenbach & Siller, 2014).

Taking into consideration that the responsibilities of the management accountant are the foundation of the ones of a controller, it was considered relevant to expose the evolution of the management accounting. This evolution should support the reader in understanding how this profession was formed in time. The evolution of management accounting can be divided in four phases, as it was presented by the International Federation of Accountants (1998), in **Table no. 1**: cost determination and financial control, information for management planning and control, reduction of waste of business resources and creation of value through effective use of resources. Although each phase focuses on different topics, it should be understood that a new phase does not exclude the previous one. Each new phase continues the previous approach and it adds new concepts and ideas.

Table no. 1. Characteristics of management accounting through its four phases

	Period	Responsibilities	Main purpose
Phase 1: Cost determination and financial control	Before 1950	Technical and repetitive tasks in order to ensure the continuity of the activity of the companies	Determination of costs and control over their evolution
Phase 2: Information for Management Planning and Control	1950 – 1964	Providing relevant information for the line management	Providing information relevant in planning, control and decision making
Phase 3: Reduction of waste of business resources	1965 – 1984	A better management of the available resources (including information) in order to increase the profit of the company by reducing the resources allocated	Reduction of consumption and losses by a thorough analysis of the production processes and a better management of the costs
Phase 4: Creation of value through effective use of resources	1985 – present	Improving results and creation of value through an effective and efficient allocation of resources	Value creation by using the available resources effectively which should create added value for the customers and stakeholders.

Source: International Federation of Accountants, 1998

Phase 1: Cost determination and financial control

This phase is well known as a technical and repetitive one, but very necessary in achieving the organizational objectives. The main focus during this phase was the correct determination of the production cost. Taking into consideration that the manufacturing processes were simple, costs with direct materials were easily determined and they were directly correlated with the manufacturing time. Therefore, manufacturing hours were the main key of allocation of indirect costs. Moreover, during this phase were developed the main methods of evaluation: FIFO (First In First Out) and LIFO (Last In First Out) (Prakash, 2013).

Budgeting process and financial control were activities which supported these calculations. Even though all this information was available, managers did not use it enough in the decisional process. Their main concern was the capacity of the production lines and how it could be expanded, and they were not analysing the costs of these activities (Abdel-Kader & Luther, 2006). This attitude can be explained by the lack of competition. There were not so many companies as nowadays and there was no competition regarding price or quality. Moreover, the production process was well defined and known, with little innovation or modernization of the products or processes.

Phase 2: Information for Management Planning and Control

As is can be concluded from its title, this phase shifted its focus from cost calculation to providing information to the management which should be used in planning and control activities (Kamal, 2015). A change in attitude and behaviour was needed both from managers, but also from controllers in order to adapt to this new way of working. Although there is a shift in the mindset of the managers, their focus is still oriented only inside their company, without paying attention to the environment or defining a future strategy.

Phase 3: Reduction of waste of business resources

The manufacturing process began to change due to the technological development, which determined a dynamic business environment with strong competitors (Abdel-Kader & Luther, 2006). For example, the use of robots and computerized technologies led to improved quality of the products, but also to cost reduction. Furthermore, the use of technology gave the manager the opportunity to access relevant information in real time (Waweru, 2010). New methods used in management accounting were developed, for example JIT (Just in Time) and ABC (Activity Based Costing) (Prakash, 2013).

The main challenge of this phase was keeping up with competitors worldwide, and not only at national level, as

before. In order to survive on the market, companies had to be flexible and to use new methods in terms of management. They also had to optimize costs as much as possible by reducing the consumption of resources in order to remain competitive (Abdel-Kader & Luther, 2006). This change was only possible by a serious involvement of the employees, because they provided the information needed at all hierarchical levels. Information became a powerful tool in a business environment which started to be more and more dynamic.

Phase 4: Creation of value through effective use of resources

Starting with the '90s, organizations worldwide were challenged due to the technological progress, which caused the development of the online shopping (Hopper et. al, 1995). In order to face the strong competition, controllers extended their field of expertise and they began to create value for stakeholders by an efficient use of resources. In order to do this, new methods were developed, methods which should identify those specific activities that create value for clients, suppliers, employees, investors or shareholders. Moreover, innovation was starting to become more and more necessary in the companies (Kamal, 2015). The most famous methods developed in this period were TQM (Total Quality Management) and ABM (Activity-Based Management).

It can be easily noticed that during the evolution of controlling, effective allocation of resources along with creation of value slowly became more important than providing information to the management. However, this does not mean that relevant information is no longer a priority in managing a company, just the approach has changed. During the changes that the business environment has undertaken, information has become a resource and should be perceived like this. What should be clearly understood is that controllers still have to provide relevant information to the management, but their responsibilities now are more complex than that. Nowadays, controlling has become a part of the management area and its main objective is to create value for the stakeholders.

2.2. Conceptual delimitations of the controller profession

The ambiguity of the terminology used in this field represents a real challenge. While the literature talks about *management accountant*, the business

environment uses the term *controller*, which has its origins in German language. Due to this confusion, in practice, there are different job titles, such as: controller, financial controller, financial analyst, management accountant or expert in planning and analysis (Szychta & Dobroszek, 2017).

As it was already mentioned above, the term of *controlling* was introduced in the German speaking countries, having its origins in management accounting and control. In the latest theories, this role has exceeded the operational level, and even the strategic one, and it represents now a complex managerial coordination which integrates management control, planning and analysis systems and the organizational structure (Schaffer & Binder, 2008). Eschenbach & Siller (2014) explain the fact that a controller can be perceived as a pilot, doctor, copilot or economical consciousness. He or she must understand the economical process within the company, but also the strategy in order to fully support the management.

In a study regarding the perception of the managers of universities on the term of *controlling*, most of the times they agreed with the definition from the International Group of Controlling (IGC): "Controlling is an activity specific to management. It is a field focused on the organizational objectives and all its activities are oriented in this direction. Therefore, cost calculation, planning, but also control and monitorization represent a priority. These activities refer both to the decisions of managers at different levels, but also to the decisions of the general management" (ICV&IGC, 2012).

2.3. The role of a controller in Romania, as well as its connection with the financial auditor

As previously stated, a controller has multiple and various roles and works closely with people who have management responsibilities. Due to the fact that in the official classification from Romania, the role of controller does not exist, it is presented as *specialist in planning, control and reporting of economic performance* (Minister of Labour and Social Justice). Analysing this title, one can understand that a good controller should be a specialist in the economic and financial fields, but, at the same time, he or she should possess analytical, presentation and communication skills. This role appeared in Romania due to the development of the multinational companies, but also because of the dynamical business environment. Remus Laes, partner in an advisory firm says that "a company should be able

to take quick decisions, based on relevant facts, it should be flexible and not very complex. This should be the contribution of the controller”. Furthermore, in a qualitative study realised by Contrast Management Consulting and Controller Institut Romania, it was demonstrated that only 13 from a total of 38 companies which took part in the study, have implemented an advanced controlling system. Moreover, 40% of the companies have a basic controlling system and 26% only a minimal one. Taking these facts into consideration, it can be concluded that the controller profession is no longer in its incipient phase and that more and more companies choose to use the specific instruments of controlling.

A controller can be perceived as an interface between management and the other departments of a company. He or she provides relevant information to the managers and after that, verifies that the directions established by the management are followed by the employees. In order to ensure the efficiency and effectiveness of the activities presented above, more and more companies that are present on the Romanian market focus on the digitalization of the services that are offered by the controlling department. As per Horvath & Partners (2019), “in the Central and East European countries, two thirds of the companies focus their efforts towards increasing digitalization in the financial departments.” “When the financial department uses wisely the new methods and instruments in terms of digitalization, the

result is a more effective and proactive controlling department.” (Kurt Weber, 2019).

An efficient controlling system within the company offers the financial auditor a higher level of security while he conducts the audit mission. The main role of an auditor is to offer a reasonable assurance regarding the financial statements of the company (IAASB). The audit opinion relies mostly on the quality of the information the auditors have at their disposal. When there is a well-organized controlling department, auditors can use several reports and additional information that in a company without a controlling department do not exist. They can use this type of data in order to compare it with the data from financial accounting. For an auditor, the data gathered from a controller represents an additional assurance regarding the information that he collects in order to express the audit opinion (Georgescu, et al., 2006), (Ahid & Augustine, 2012). Therefore, a strong collaboration between auditors and controllers is beneficial for an effective and successful audit mission.

2.4. Skills necessary for a controller

Taking into consideration the complexity of the activities undertaken by the controllers, it is clearly that their role requires expertise in the field, but also communication skills and team spirit. Eschenbach & Siller (2014) have realised the profile of a controller in terms of the necessary skills he or she must possess. These skills have been illustrated in **Table no. 2**.

Table no. 2. Profile of a controller	
Skills and competencies	Personal skills: <ul style="list-style-type: none"> • Ethics • Analytical thinking • Rational attitude • Proactive attitude • Precision • Creativity • Flexibility
	Communication skills: <ul style="list-style-type: none"> • Communication skills • Team spirit • Capacity to inform its peers • Gaining trust
	Methodical skills
	Expertise in the field
	Specific skills

Source: Eschenbach & Siller, 2014

In order to compare the skills identified at theoretical level with the ones from the business environment, we presented the abilities requested by the biggest companies in Europe. They were selected taking into consideration the level of sales from 2018. This comparative analysis was meant to show how a

controller should be, taking into consideration both theoretical data, but also empirical data. Therefore, we tried to understand to each extent are the competencies listed above relevant to the business environment. The selected companies for the study were illustrated in **Table no. 3**.

Table no. 3. The biggest companies in Europe based on the revenues from 2018

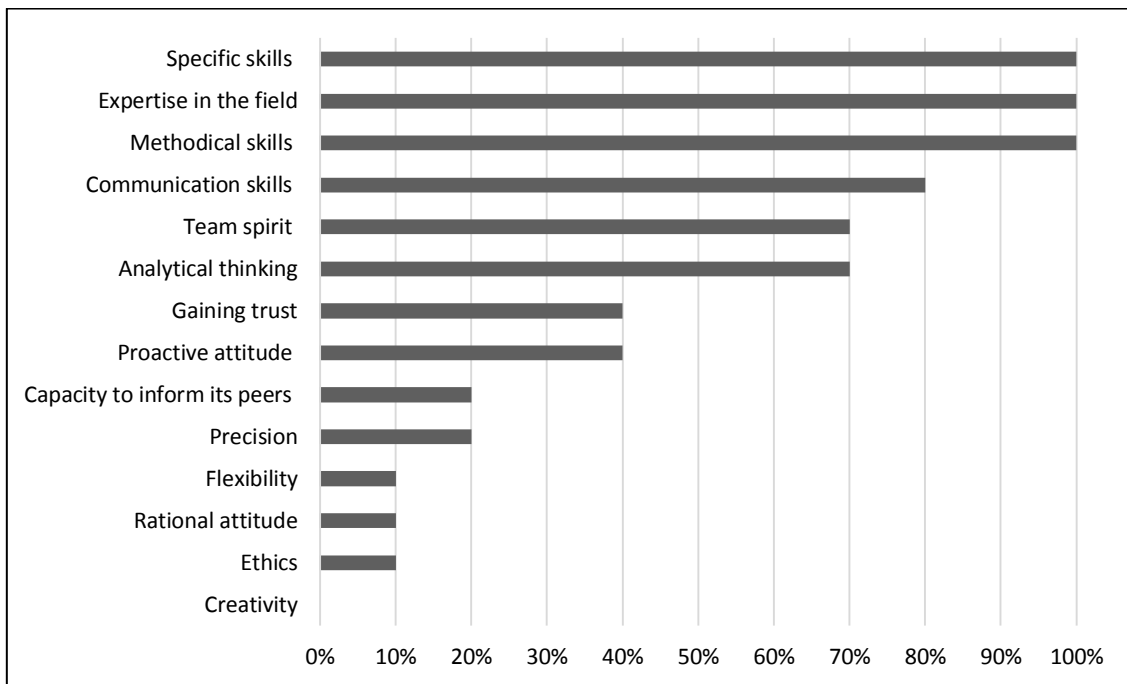
Company	Revenues in 2018 (USD)
1. Royal Dutch Shell	311.9 bn
2. Volkswagen	260 bn
3. British Petroleum	244.6 bn
4. Glencore	205.5 bn
5. Daimler	185.2 bn
6. AXA	149.5 bn
7. Total	149.1 bn
8. Allianz	123.5 bn
9. BNP Paris	117.4 bn
10. Gazprom	111.9 bn

Source: <https://www.globaldatabase.com/top-50-companies-in-europe-by-revenue-in-2018>

After analysing the requirements for the controller position within these companies, they were compared

with the skills identified by Eschenbach & Siller, (2014). The results are illustrated in **Figure no. 1**.

Figure no. 1. Frequency of the skills identified in the literature within the biggest companies



Source: Projection of the authors

As it can already be observed from the figure above, expertise in the field as well as the specific skills are wanted within all the companies from the selection. Furthermore, methodical skills are essential. Along with these competencies, both oral and writing communication skills are highly appreciated. This is due to the fact that people from the controlling department are working closely with people from various departments and also with the management, and the ability to communicate effectively is fundamental for a fruitful collaboration. Team spirit as well as analytical thinking are the next most appreciated skills, as 70% of the job descriptions indicate them. Gaining trust and proactive attitude are mentioned by 40% of the companies analysed. The remaining skills are considered important by less than 30% of the companies from the selection and creativity is not a necessary skill at all. Although, some companies mention the ability to make presentations, where the controller could use his creativity. Moreover, it is possible that companies consider some of the skills already acknowledged and do not feel the need to express them. For example, professional ethics is mandatory in all type of professions. Beside the skills mentioned, some of the companies have also other requirements. For example, they mention goal-oriented attitude, motivation, or planning and negotiating skills.

In conclusion, skills and competencies mentioned in theoretical studies are also desired by the employers to a large extent (48%). But they also have their own requirements, tailored to the industry or to the organizational culture.

2.5. Responsibilities of a controller and its collaboration with management

In order to determine how managers and controller collaborate with each other, the segregation of their responsibilities within the company is needed. While the main role of the managers is to achieve the organizational objectives, controllers should ensure the transparency regarding strategy, processes, budgets and results (ICG, 2006). Moreover, the main activities of the controlling departments are closely connected with the following topics: cost calculation, budgeting, providing support in the decisional process, performance evaluation and reporting (Gnawali, 2017). Although controlling is mainly known for its main activities, cost calculation and budgeting, it has become a complex

field, being directly connected with the management of the company. Moreover, controllers provide relevant information to be used in the decisional process, which represents a challenge in the dynamic and highly competitive business environment (Wu et. al, 2015). In other words, controllers support the company in achieving its organizational objectives by making sure that all the efforts and resources are focused and allocated accordingly. Also, the controller should try to reduce as much as possible all the deviations that might appear during this process.

The responsibilities of the management accountant represent the base for understanding the role of the controller. He or she should be perceived as the main source of providing relevant information to be used in the decisional process. Although this was the main responsibility of the management accountant, the role has developed and now the controller is considered to be a business partner of the managers (Szychta & Dobroszek, 2017). A professional controller will gather all the information he has available and will synthesize them so he incorporates in the presentation to the manager only the relevant information, in order to simplify the decisional process. On the other hand, the manager will explain the way and the frequency he wants the data to be available. If the management has the required and correct information, he can take the necessary measures towards achieving the organizational goals. At the same time, if the controller is aware of the manager's needs and intentions, he will be able to provide all the information needed. Therefore, a close collaboration between managers and controllers will increase the probability that the organizational objectives will be achieved because managers focus all their action towards this direction and controllers are monitoring the enforcement of these activities and report to the management in case of any deviations.

3. Conclusions

Taking into consideration the ambiguity of the term *controller*, the current study has brought some clarifications regarding the definition of this notion. Therefore, a controller should have a good understanding of the processes within a company, but also of the strategy of the company, so he can support the manager. The main goal of a controller is to provide support to the management in order to achieve the organizational objectives. Furthermore, this paper identified the main skills and competencies that a

controller should have. By analysing both the theoretical literature, but also the requirements from the business environment, some common skills were identified, such as: expertise in the field, communication skills, team spirit or analytical thinking. However, it was observable that the business environment does not appreciate in particular proactive attitude, capacity to inform his peers, gaining trust, rational thinking or creativity. As it was already mentioned before, it is highly probable that some companies do not ask for these skills because they are considered already acknowledged.

In the final part of the article, the main responsibilities of the controller were illustrated,

as well as his connection with the management. Controllers should ensure the transparency regarding strategy, processes, budgets and results and to provide the relevant information for the decisional process. Taking into consideration that the main role of the managers is to achieve the organizational objectives, they should work closely with the controllers in order to have all the needed information and to lead the activities in the right direction. Therefore, a good collaboration between managers and controllers could positively influence the extent to which the organizational objectives are achieved.

REFERENCES

1. Abdel-Kader, M., and Luther, R., 2006. IFAC's Conception of the Evolution of Management Accounting: A Research Note. *Advances in Management Accounting*, 15, pp. 229-247.
2. Ahid, M., and Augustine, A., 2012. The Roles and Responsibilities of Management Accountants in the Era of Globalization. *Global Journal of Management and Business Research*, 12(15), pp. 42 -53
3. Anthony, R., 1965. Planning and Control Systems. A Framework for Analysis. Boston: *Harvard Business Review Press*.
4. Eschenbach, R., and Siller, H., 2014. Controlling profesional: concepte și instrumente. *Editura Economică, București*
5. Georgescu, I., Betianu, L., and Macovei, C., 2006. The Role of the Management Accounting in Financial Auditing Quality Enhancement. *Second International Conference on Business, Management and Economics*. Available at <http://dx.doi.org/10.2139/ssrn.924337>
6. Gnawali, A., 2017. Management Accounting Systems and Organizational Performance of Nepalese Commercial Banks. *The Journal of Nepalese Business Studies*, 10(1), pp. 8-19.
7. Hopper, T., Ashton, D., and Scapens, R., 1995. The Changing Nature of Issues in Management Accounting. In *Issues in Management Accounting*. Hemel Hempstead: Prentice Hall.
8. Kamal, S., 2015. Historical Evolution of Management Accounting. *The Cost and Management*, 43(4), pp. 12-19.
9. Kloot, L., 1997. Organisational learning and management control systems: responding to environmental change. *Management Accounting Research*, 7, pp. 47-73.
10. Pavlovska, O., and Kuzmina-Merlino, I., 2013. Evolution of Management Controlling Framework: Literature Review. *Procedia – Social and Behavioral Sciences*, 99 (6), pp. 1044-1053.
11. ICV, IGC, 2012, Perspective of the International Controller Association ICV and the International Group of Controlling IGC, available at: https://www.igccontrolling.org/fileadmin/pdf/grundsatzposition_e.pdf accesat la: 24.06.2019
12. Prakash, M., 2013. Evolution and Changes in Management Accounting Practices. *International Research Journal of Management Science and Technology*, 4(2), pp. 506-512.
13. Schaffer, U., and Binder, C., 2008. Controlling as an Academic Discipline: the Development of Management Accounting and Management Control Research in German-Speaking Countries between 1970 and 2003. *Accounting History*, 13(1), pp. 33-74.
14. Szychta, A., and Dobroszek, J., 2017. Academic Aspects of Management Accounting and Controlling in Poland since the 1990s. *Theoretical Journal of Accounting*, 93, pp. 175-209.
15. Waweru, N., 2010. The Origin and Evolution of Management Accounting: a Review of the Theoretical Framework. *Problems and Perspectives in Management*, 8(3), pp. 165-182.

16. Wu, D., Olson, D., and Dolgui, A., 2015. Decision making in enterprise risk management: A review and introduction to special issue. *The International Journal of Management Science*, 57, pp. 1-4.
17. Clasificarea Ocupațiilor din România, <http://www.mmuncii.ro/j33/index.php/ro/2014-domenii/munca/c-o-r>
18. <https://doingbusiness.ro/articol/digitalizarea-impulsioneaza-piata-serviciilor-de-controlling-din-romania-situata-in-prezent-la-circa-80-milioane-euro-4371>
19. <http://www.controller-institut.ro/ro/noutati/primul-manual-de-controlling-profesional-in-limba-romana-4633/>
20. <https://www.iaasb.org/>