



Controller as Business Partner: Transition or Coexistence?

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Bean Counters No More!

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Source: Strategic Finance May 2014, p.27

Research on Controller as Business Partner so far

- Several studies showed that controllers see themselves more as **business partners** (Friedman/Lyne 1997, Xydias-Lobo et al 2004, Samtleben/Hess 2007, Rambusch/Sill 2007, Ernst et al. 2008, Weißenberger et al 2012)
- Also managers like to seem in that role (Johnston et al 2002, Pierce/O'Dea 2003)
- Nearly all studies rely on self-assessment of respondents
=> self-serving bias?
- Only a small number of studies analyse what controllers do and construct a role accordingly (Verstegen et al 2007, Rouwelaar/Bots 2008, Loo et al 2011)
like in this study

What do Controllers really do?

Measuring via tasks

Task	How often?	Prepare and analyze	Report	Discuss	Take part in decision
Strategic planning					
Strategic control					
Take part in risk management					
Mergers & Acquisitions					
Budgeting					
Operative planning					
Operative control, variance analyses					
Capital budgeting appraisal and control					
Supporting financial accounting					
Reporting					
Cost accounting					
Other business-related support activities					

With whom do Controllers work with? Measuring via interaction with managers

- By definition: business partnering means interacting with managers outside of accounting!
 - How often do you interact with such managers?
 - How often do managers ask you for recommendation before they decide?
 - How often do managers follow your recommendation?

Traditional Controller vs Business Partner

- Specific tasks and high interaction to Business Partner Score
 - Tasks: strategic planning and control, risk management, M&A
 - Scoring high on interaction
 - BP Score: high internal reliability
(Cronbach's Alpha = 0.857, 11 items)
- Specific tasks and low interaction to Traditional Controller Score
 - Tasks: budgeting, operational planning and control, reporting, cost accounting, support financial accounting
 - Scoring low on interaction
 - TC Score: sufficient internal reliability
(Cronbach's Alpha = 0.700, 17 items)
- Assuming: Controllers can have it both ways

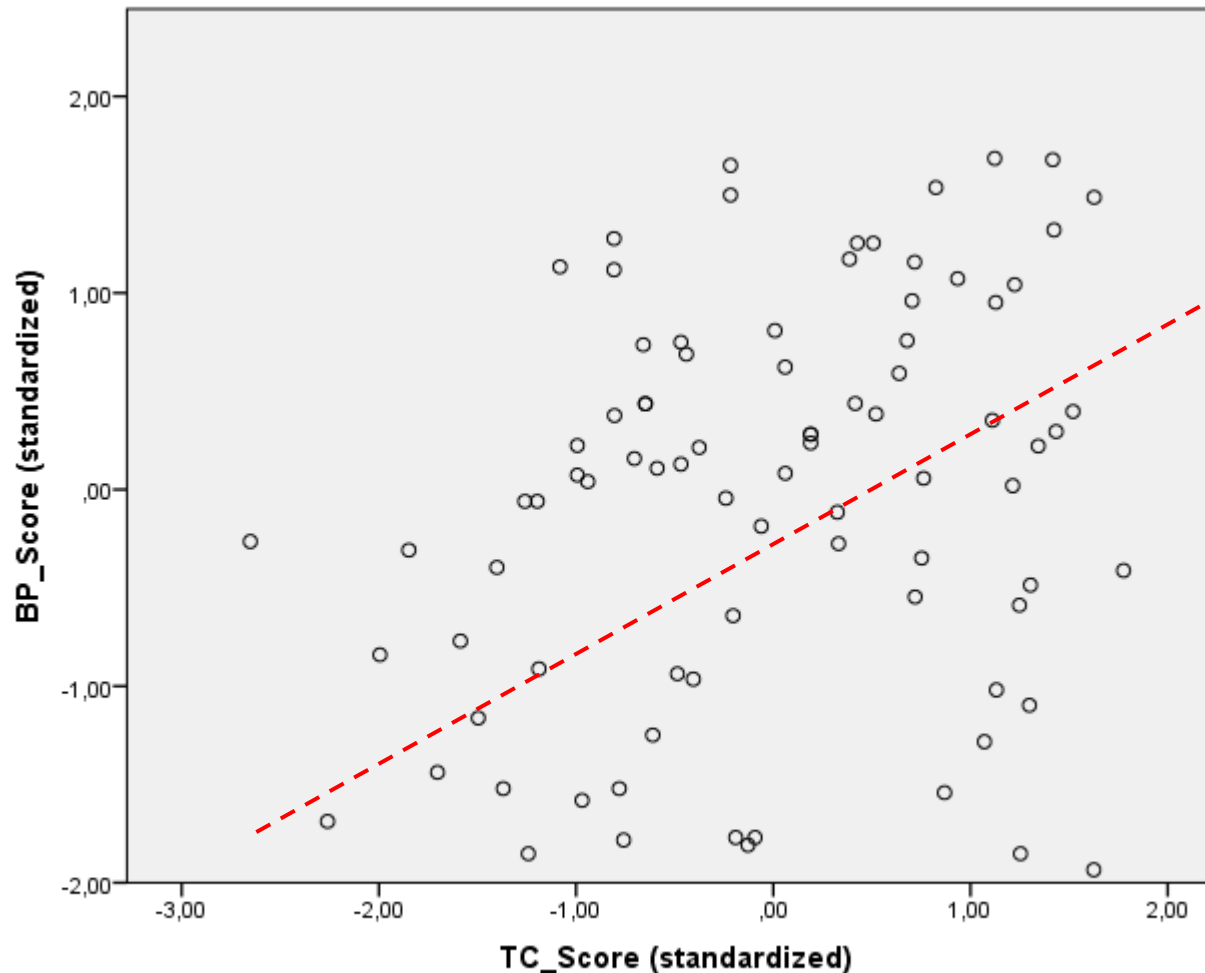
Determinants of roles

- Contingent factors:
 - Position of controller: clerk vs manager
 - Hierarchical level of controller function: plant, division, group ...
 - Qualification of controller
 - Firm size
 - Group affiliation
 - Capital market orientation
 - Ownership (no. of owners, owner as managers)

Survey on German controllers in 2014

Position of controller (n = 176)	management	55%	Firm size (employees) (n = 176)	< 50	10%
	clerk level	37%		>50 and <250	16%
	not assigned	8%		>250 and <500	14%
Level of management accounting function (n = 276, multiple answers)	group controlling	16%		>500 and <1,000	13%
	top level controlling	23%		>1,000 and <3,000	14%
	business unit controlling	22%		>3,000	34%
	functional controlling	5%		"In my firm, owners are also managers" (n = 174)	1 = do not agree
other	1%	2	6%		
Highest formal qualifi- cation of respondent (n = 177)	vocational education	8%	3		4%
	bachelor degree	37%	4	6%	
	master degree	51%	5	3%	
	PhD degree	1%	6	6%	
	other	2%	7 = do fully agree	41%	
group affiliation of firm (n = 177)	yes	68%			
	no	32%			
capital market orientation of firm (n = 176)	yes	27%			
	no	73%			
"My firm has only a few owners (< 4)" (n = 173)	1 = do not agree	33%			
	2	3%			
	3	3%			
	4	6%			
	5	6%			
	6	6%			
	7 = do fully agree	42%			

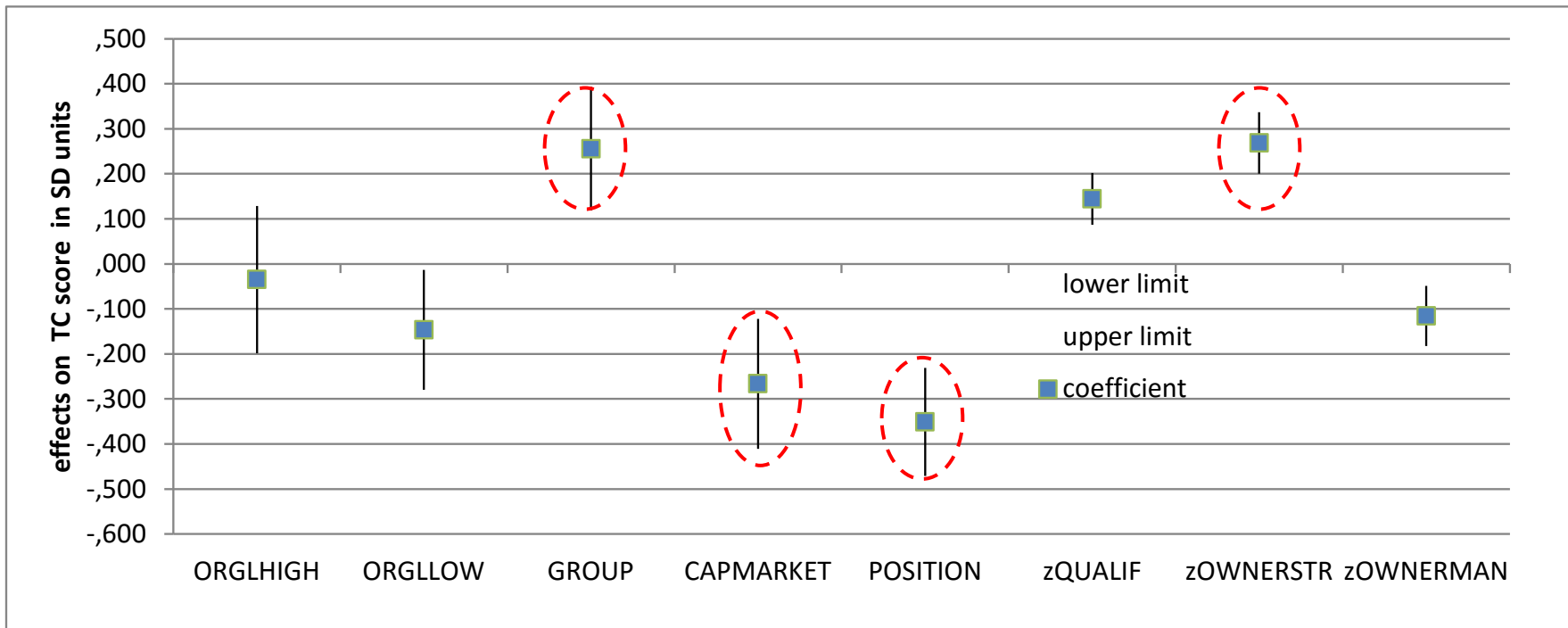
Is there really a Transition? If so, then BP score and TC Score should be negatively correlated



- But it is not!
- Pearson correlation coefficient $r=+0.247$

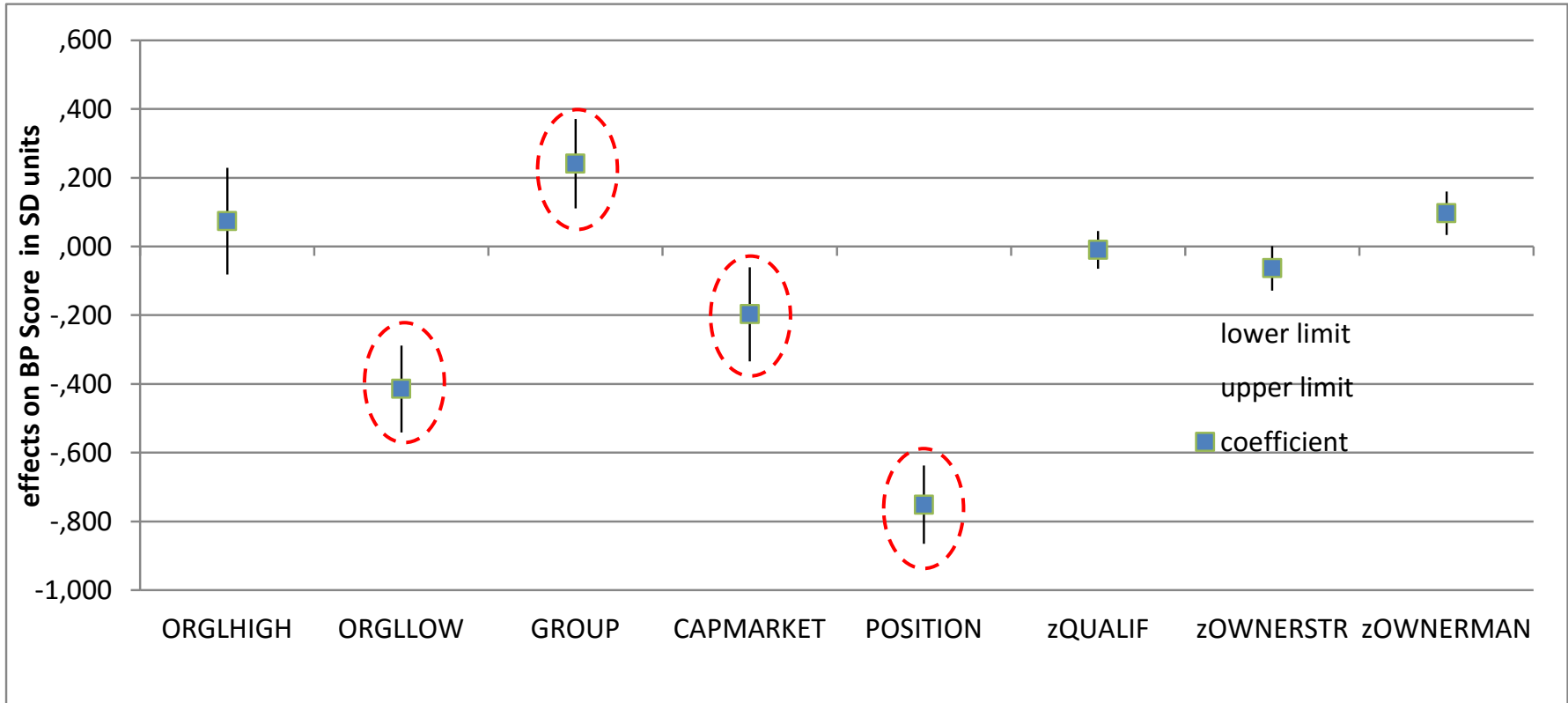
95% confidence interval [.052; .459] with bootstrapping

Impact of contingent factors on Traditional Controller Score



- Significant effects from
 - Group affiliation (+) ➡ result not expected
 - Capital market orientation (-) ➡ expected
 - Management position of controller (-) ➡ expected
 - Small number of owners of firm (+) ➡ expected

Impact of contingent factors on Business Partner Score

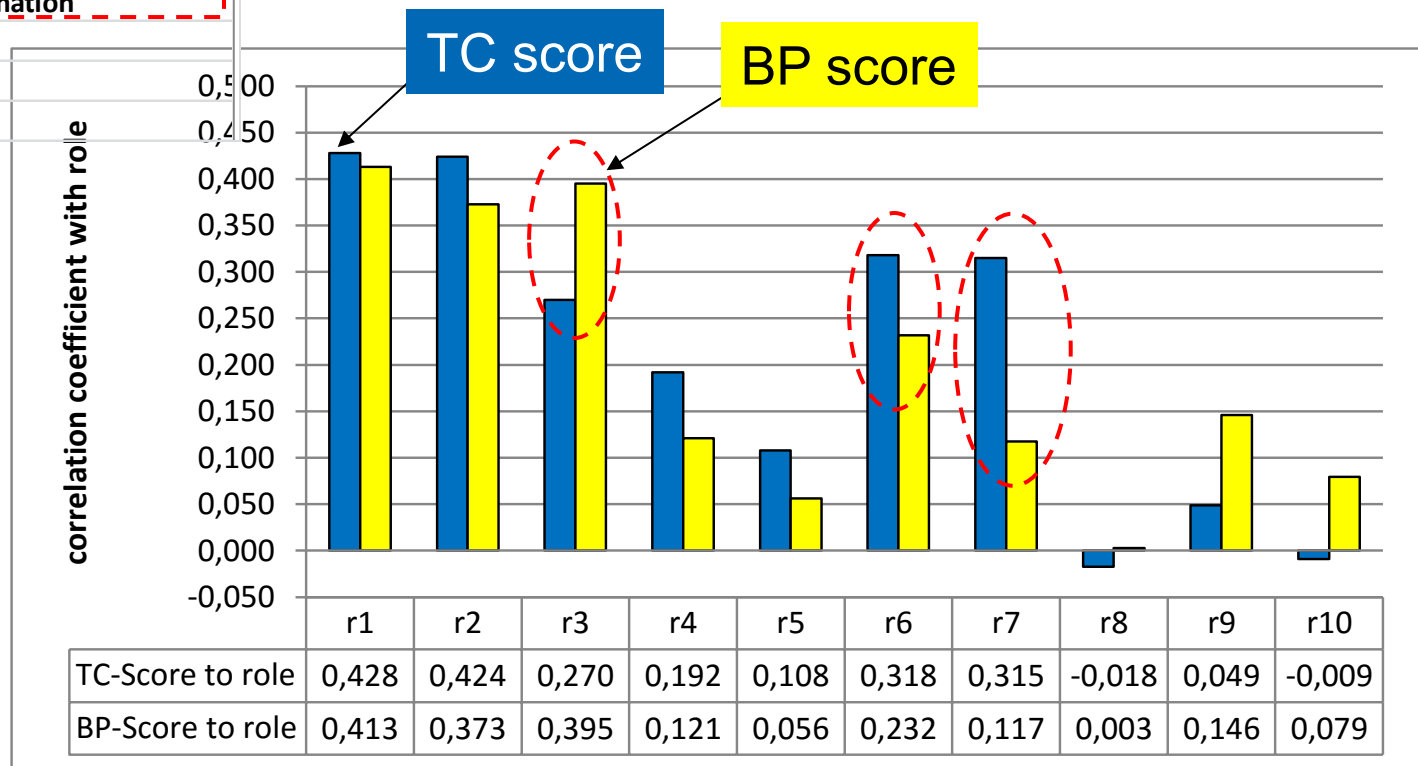


- Significant effects from
 - Low org hierarchy of controlling function (-) → result expected
 - Group affiliation (+) → result expected
 - Capital market orientation (-) → not expected
 - Management position of controller (-) → not expected

Do Controllers see themselves as Business Partner?

Perceived roles	
roles	label
r1	internal consultant
r2	counterpart of management
r3	strategic partner of management
r4	strategist
r5	innovator
r6	navigator
r7	supplier of information
r8	control role
r9	bean counter
r10	number cruncher

Even traditional controllers do not want to seem themselves as „bean counters“ or „number crunchers“



What we know so far: on the one hand a sort of selling a new identity ...

- Business partnering may be a promotional tool for managers and professional bodies of controllers alike (Ndiweni/Verhoeven 2014)
- It is per se not clear what „Business Partner“ means:
 - So everyone can read in it what he or she wants?
 - It sounds more positive than counting things

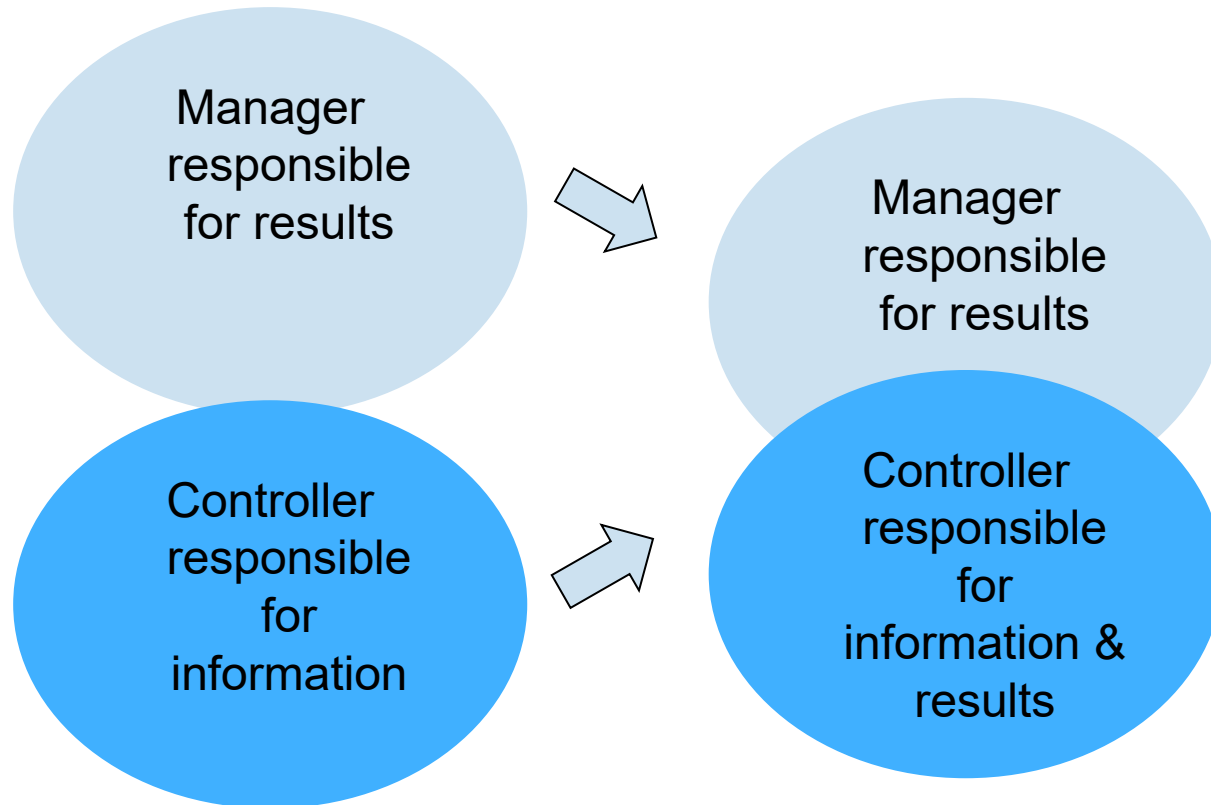
What we know so far: on the other hand a role change did happen sometimes for some controllers ...

- Business partner role is driven by IT and changing business environment
 - More knowledge needed of what happens in and with the firm
- It is more a coexistence than a total transition: tasks and responsibilities expand (Loo et al 2011, Cooper/Dart 2013)
 - Several determinants/impact factors are apparent
 - It may be less relevant for small firms with owner-manager or family-firms
- It is dynamic: roles and tasks change over time
 - A new career path: from traditional controller to business partner to manager? (Goretzki et.al. 2013)

Remaining questions (1): Controller and Manager as Equals?

Controller as counting things ...

Manager & Controller
as Partners?



- Pay differences: do you earn what you should as partner?
- Do your responsibilities and tasks match?
- Controller as responsible for outcome beyond his/her realm?
- Is the managers' goal = the controllers' goal?
- Do managers like it?
- Loosing own „turf“?
- Loosing independence (no longer counter-part)?

Remaining questions (2):

Can and do Controllers and Managers cooperate?

- Cooperation is not self-evident, but it is the default value for most of us
- It depends on interaction/behavior of others over time (e.g. leading by example vs selfish managers)
- It is typically limited, it tends to decline over time (Gächter 2007)

		Manager		
		dominantly altruistic	conditionally cooperative	dominantly selfish
Controller	dominantly altruistic	realistic?	OK, possibly exploitive	exploitive, unstable
	conditionally cooperative	realistic? exploitive?	OK, win-win	unstable, deteriorates
	dominantly selfish	realistic? possibly exploitive	unstable, deteriorates	meeting one's match

Is it always good to be a Business Partner or is it sometimes better to live as bean-counter?



Source: <http://www.actioncoach.com/Do-You-Really-Want-a-Business-Partner?pressid=1275>