# UNIVERSITA' DEGLI STUDI DI PADOVA

**DIPARTIMENTO DI SCIENZE ECONOMICHE ED AZIENDALI "M.FANNO"**

**CORSO DI LAUREA MAGISTRALE IN BUSINESS ADMINISTRATION**

**TESI DI LAUREA**

**"THE CONTROLLER: ROLE, EVOLUTION AND ITALIAN PERSPECTIVE"**

**RELATORE:**

**CH.MO PROF. ANTONELLA CUGINI**

**LAUREANDA: MARIA CHIARA MENEGHIN**

**MATRICOLA N. 1105873**

**ANNO ACCADEMICO 2016 – 2017**

Il candidato dichiara che il presente lavoro è originale e non è già stato sottoposto, in tutto o in parte, per il conseguimento di un  titolo accademico in altre Università italiane o straniere.
Il candidato dichiara altresì che tutti i materiali utilizzati durante la preparazione dell'elaborato sono stati indicati nel testo e nella sezione "Riferimenti bibliografici" e che le eventuali citazioni testuali sono individuabili attraverso l'esplicito richiamo alla pubblicazione originale.

Firma dello studente

# INDEX

# INTRODUCTION

Purpose of this thesis is clarifying what is the role of the controller within companies, given the confusion surrounding this kind of position. The theoretical part aims to make aware of this confusion, as well as to find some reasons explaining the different existing interpretations. The second part of the thesis, namely the empirical part, will try to delineate the controller's profiles in some Italian companies through questionnaires delivered to individuals working as controllers. Final purpose is to find out which are the main characteristics of the position, as well as try to give recommendations in order to better outline this professional figure.

We will always present all the materials with an eye to the underlying evolution affecting this business profile: scholars are used to present him as a 'business partner' for the organization, less focused on the 'numbers', in favour of a greater emphasis on his capacity to assist top managers in decision making activities. Empirical evidence will show whether this is confirmed in the Italian reality.

Our approach to the topic will start in chapter 1 with a general presentation about the historic origin of the position, an overview of the existing definitions and related developments, and the different types of role assigned to the controller in literature. Then we will present the Italian contemporary context around the topic, in particular the definitions of controller from an institutional and academic point of view in our country. The next part of this work aims to explain in detail the activities that tend to be attributed to the controller position, so to let non-experts as well to understand. Chapter 1 will complete controller's job description making an overview about the skills and competencies required, along with education, future career paths and issues emerging in these fields.

Chapter 2 focuses on the most critical issue about controllers' role, namely the activities that should characterize the job. First, the chapter tries to specifies which ones are assigned to the different types of controller (characterized according to the business function in which they work). Then we will report those sources that compare the figure of controller to other business profiles, especially the one of the CFO and the Italian *Direttore amministrativo*. Finally, we will make a definitive analysis about the opinions of practitioners, academics, and institutions about the activities that are supposed to be entrusted to controllers, finding out similarities and differences among the various descriptions, as well as nature and causes of such differences.

Chapter 3 will present data and information we collected in our survey, through questionnaires delivered to Italian controllers. Information obtained regards the profiles of surveyed controllers and the characteristics of firms in which they work; the relationships between controllers and the other professional figures in the organization, including the reporting relationships with CFO, CEO, *Direttore amministrativo* and other upper managers; the activities performed by controllers interviewed and the skills necessary to run this job. In some cases, respondents were also asked to express their opinions, for example regarding the way in which the controller's role is conceived in different firms, the differences between CFO, controller and *Direttore amministrativo*, or the evolution to which this figure is subject. We will accompany the elaboration of the results with analyses, discussions, and references to the findings of previous studies. Final part of the chapter presents two interviews, conducted in order to get a more profound understanding of certain aspects discussed in the theoretical part and certain results emerged from the survey. We decided to interview a CFO and a professional who is also professor of economics, in order to represent a practitioner's point of view and an academic point of view.

# CHAPTER 1: THE CONTROLLER

## 1.1 Overview about the topic

There are several definitions of ‘controller’ in economic literature. Furthermore numerous titles are applied to such a position, like “management accountant”, or “Chief Accounting Officer” (CAO); however the most common used in Italy is controller, especially in larger organizations, where there is much more roles specialization. This figure does not have a precise and consistent definition among all scholars: this fact is explained by the wide variety of tasks entrusted to the controller, based on his powers, on company size, or on management accounting system. As Wilson & Colford (1991) state in their article “*the new controller – with five redefined chores”*: “one of the more frequent requests is for a clear description of the job of the controller, maybe because the controller can wear so many hats, depending on the size of the company and the attitude of the person in the controller seat”. In addition, a survey run from 2013 to 2015 by Fondazione CUOA, with the support of Dr. Marco Ciabattoni, highlighted how the role of the controller is still partly unclear or perceived by the companies as not having always a clear position within the organization. It is easy to understand why the term controller is often subject to confusion or, at least, to improper use, even by the so-called "insiders" such as Head Hunters and HR Recruiters.

To better understand the nature of the problem we seek to study, in this part of the thesis the concept of controller is presented along with an historic and contemporary background.

### 1.1.1 Historic evolution

Linhardt & Sunqvist (2004) reports that Källström (1990) maintained that the concept ‘controller’ originated in England, in the $18^{th}$ century; more precisely at that time the term used was ‘comptroller’. According to Anthony & Govindarayan (2001), that spelling was the result of an error in translating the word “counter-roullour” from French to English in the $18^{th}$ century. The term comptroller appeared in America when, in 1778, a ‘comptroller’ was appointed at the continental congress. Only the year after the Washington financial department hired their own comptroller, and from that moment onwards, it became a very common role within U.S. public service. The term appeared in corporations when the American railroad companies started to use it in the $19^{th}$ century; the concept was at first used to define a job entrusted with accounting duties and asset responsibilities. Now the word “comptroller” survives only in non-profit and governmental organizations.

In Frenckner's opinion (1970, in Linhardt & Sundqvist) the founding of *controller's institute of America* (CIA) in 1930 caused a relevant change in the controller function, as it was conceived at that time. In addition, the consequences of the 1929 financial market crash in the U.S. (and then spreaded in Europe) made the stakeholders involved with large corporations eager for more accurate financial information. The effect of those changes in the controller's job was a shift from a passive accounting role towards a more thorough role.

We cannot exactly trace back when the term appeared in Italy. What we know is that it was not until the late 1970's that the concept of controller became a more widespread concept in the whole Europe (Källström, 1990); for sure the openness of the Italian market to the global economy and the adoption of foreign business models by our local firms contributed to the diffusion of the figure. Nevertheless, it is not obvious that an alien term in Italy has the same meaning as in the corresponding foreign culture. Moreover, Mattsson (1987) asserts that the American definition of the concept seems to emphasize the control function only, in comparison with the real tasks of the role; this has increased the level of uncertainty surrounding the position, which remains at a high level even nowadays.

What is emerging from literature and academic articles is that the figure of the controller is in continuous evolution. Already in 1978 Lionel N. Sterling claimed the need for an upgrade in controller's duties; he wrote in his article "*The controller: New game New rules*": "Rapid and dramatic changes in business during the last decade has made the scorekeeper role of the controller inadequate. Inflation, dropping profit margins and soaring capital costs have caused companies to place greater emphasis to the quality of earnings and returns than on growth per se. The present business climate calls for anticipatory management, flexibility and risk evaluation".

Dan Hrisak in 1996 described the changing in the controller position that 18 years before according to Sterling was only at the beginning: "Controllers are breaking out of the traditional accountant role as the 'numbers crunchers' and are crossing functional lines to reduce costs and improve efficiency, adding value to their organizations".

This transformation keeps evolving even nowadays, as noticed by Zoni & Merchant in their *empirical study of controller involvement in management* (2007) and by Mike Sbrocco in his article *"bean counters no longer: how controllers are elevating their game"* (2015). All of them highlight how the 'rigidly scheduled', 'time consuming' and 'inherently conservative' role of the controller (viewed as a 'score-keeper', 'book-keeper', 'green eyeshade', even 'bean counter' or 'number cruncher') has become a thing of the past, in favour of a shift to more strategic responsibilities in management decision making processes.

Because of all these changes that are still taking place, the Institute of Management Accountants (IMA) argued in *Statements of Managements Accounting* of 2008 that "many definitions and descriptions used in practice today regarding the role of the management accountant do not reflect the move to strategic business partner that is underway. Many definitions explain the role of the management accountant as an information provider, one who gathers, summarizes, analyzes, and reports information to management decision makers—a role that has largely been usurped by technology, e.g., highly integrated ERP systems.". If according to IMA this is true for the most of the management accountants worldwide, can we say the same for the Italian controller? Are there any differences in the Italian concept of controller? Are these differences true for all types of firms? These are some kinds of questions to which this work will try to answer.

### 1.1.2 Existing definitions and related developments

In 1978, Sterling described the controller as a figure who influenced major decisions by supplying planning, control, data and performance monitoring. His objective analyses served as important basis for management decisions; anyway, he was not responsible for corporate plans, mergers or the like.

Sathe in 1982 confirmed the increasing degree of controller's involvement in management. He conducted a survey among 24 large US corporations in ten basic industries through interviews and questionnaires. His findings pointed out that in the typical large, multidivisional corporation, controllers are usually considered part of the management team.

Wilson & Colford (1991) admitted that the scope of the position varies from company to company, but they found some common characteristics. In their opinion, although the controller is still the Chief Accountant who supervises and maintains the corporate financial records, he or she is expected to 'extend the accounting function to its management applications'; in other words he or she is expected to 'vitalize financial information' retrieved from general accounting, cost accounting or auditing, by applying it to future company activities. Put simply the controller viewpoint should be 'forward looking'.

So it seems that it is not rare for management accountants to nowadays be 'proactively involved' in such areas as strategy, information systems, implementation and change management—activities that, ten years ago, were unheard for the vast majority of them. (Burns & Vaivio, 2001). This is possible also because the routine accounting tasks and reporting requirements by now heavily rely on technology: IT improvements permit management accountants to focus on their role as ‘business strategists’ (Hrisak, 1996) or as ‘internal business consultants’ (Burns and Baldvinsdottir, 2001).

This is not the only trend behind the controller’s evolution. According to M. Sbrocco (vice-president of Junxure and previously Controller for Isobar North America) while it has never been unusual for controllers to be promoted within their finance departments, until the 1990s there were few crossovers between finance and other areas of the company. This pattern shifted when top employees at audit firms began to be asked to face more advanced problems for their clients. Thanks to the knowledge and capabilities acquired during that experience, when these individuals left their audit firms and were engaged elsewhere, they were able to make significant contributions to their organizations. This helps understanding why business professionals like controllers, when can rely on a sound background, are now occupying elevated executive positions within the companies, both inside and outside the finance department.

Also changes in the competitive environment played an important role in redesigning the position of the controller: as a matter of fact such changes triggered a greater demand for more accurate cost and performance information about the organization’s activities, processes, products, services and customers (Kaplan, 1995), and as Borthick asserted in 1996, managers need controllers to the extent that they can obtain information from disparate sources and analyse it in useful ways; as a consequence their function within the organization comes out heightened of relevance. Some years later Linhardt and Sundqvist (2004) agreed that controllers’ functions have being undergone further dynamic changes during the last years, and to underline this they reported a sentence from the University of Minnesota: “Changes in reporting requirements, personal liabilities, long-term impact of capital expenditures, and sources of funding are redefining the role of the Controller. Controllers are being called upon to become proactive team players and active corporate decision-makers”.

As already said not all the existing definitions and presentations of the controller’s role are consistent with the perception that professionals have today. First of all, it is interesting to notice that many authors use the terms ‘controller’ and ‘management accountant’ interchangeably. However, it is necessary to specify that in IMA website these two concepts are presented not as strict synonymous. Instead, according to IMA association what we call ‘controller’ is *one type* of management accountant, a category that encompasses financial analysts, accounting managers, chief financial officers, *and* controllers. Anyway the new definition of management accounting that IMA developed in order to better represent the role of the management accountant in today’s organizations is very useful for us. The first Statement of Management

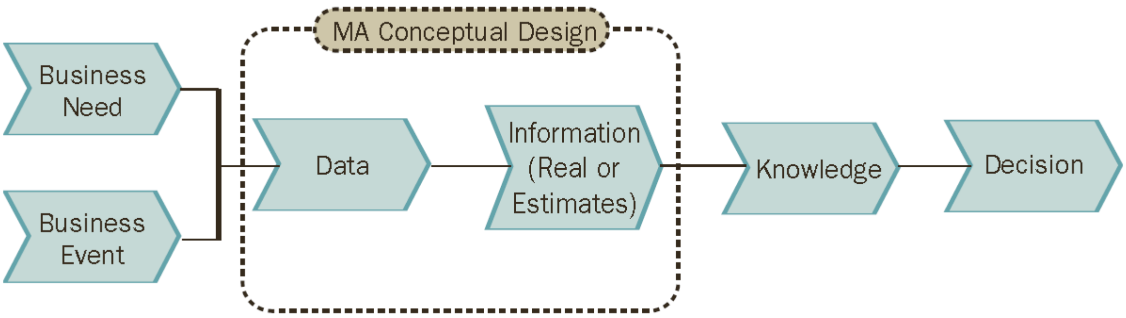
Accounting issued in 1981 by IMA (at that time the National Association of Accountants) defined the function as:

> "...the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control an organization and to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities".

According to IMA's Foundation for Applied Research (FAR)[1] that definition did not consider three important components:

- Every management accountant contributes to the organization success by formulating and implementing the business strategy. This is an essential component of management accounting;
- The point above involves the participation of management accountants to management teams at all levels of the information value chain, while so far they were regarded just as information provider, i.e. centred at the lower end of the value chain (fig. 1);
- The choice of the competencies to be included in the definition in order to differentiate management accountants from other professionals in the entity is such as to make sure that the description is 'succinct, global, timeless, inclusive and forward looking'.

Fig. 1: Information Value Chain




Source: IMA, Statements of Management Accounting, 2008

This rationale leaded to the formulation of the new definition of Management Accounting, presented to the IMA's National Board at its annual meeting in June 2008:

[1] FAR is a separate non-profit tax exempted entity from the IMA with a mission to develop and disseminate *timely* management accounting research findings that can be applied to current and emerging issues. It was formed in 1994 in recognition of the strategic importance of IMA's research role.

> "Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy".

This emphasis on management issues represent a common trend among professional accounting bodies—for instance, also the International Federation of Accountants (IFAC[2], based in USA) in a 2001 publication[3] focuses heavily on how its members feel the need to put the 'management back into accounting'.

We start to understand how much a controller is crucial within an organization. That is why giving an exhaustive presentation of his broad role is not so automatic, especially in the light of the continuous developments to which this figure is subject.

### 1.1.3 Controller's role within the organization

Horngren, Sundem & Stratton (1999) argued that in some firms the controller simply compiles data, primarily for external reporting purposes; in other firms the controller is a key executive who fulfils managerial planning and control tasks throughout the corporation subdivisions; most of the times controllers has an intermediate status between these 2 extremes.

Zimmerman's definition of controller (2005) considers it as the person in charge of both management accounting and financial accounting, and usually he is referred to as the chief accountant. As Merchant & Van der Stede (2003) highlight in the handbook *Management Control Systems*, the controller operates in the finance and accounting department (managed by the CFO), where he or she plays a key role in line management and in the design and operation of a management control system. They go on asserting that controllers not only are the financial measurement experts within their firm (or their business unit), but as key members of the management team they are involved in "preparing plans and budgets, challenging operating managers' plans and actions, and participating in a broad range of strategic decisions, including allocating resources, pricing, setting policies regarding receivables and payables, making acquisitions and divestments, and raising money" (in the lack of a treasurer who handle this). It seems that although highly involved in management decision making controllers remain also the entity's chief accountant, fulfilling those tasks more linked to the traditional "scorekeeping"

[2] IFAC is the global organization for the accountancy profession dedicated to serve the public interest by strengthening the profession and contributing to the development of strong international economies. It was founded on October 7, 1977, in Munich, Germany, at the 11th World Congress of Accountants.

[3] Discussed by Burns & Vaivio in *Management Accounting Change,* 2001

or "bookkeeping" role. As such, they are supposed to prepare, along with their staff, performance reports and to perform financial, tax, and government reporting obligations; they are supposed to establish and maintain internal control systems and if necessary, they may supervise the internal audit and management information system functions.

Rouwelaar (2007), elaborating Sathe's academic work of 1982, made an interesting distinction regarding the roles a controller can fulfil in business life: the support role and the control role. What we indicated so far as controller's involvement in managerial decision making is associated with the *support role*; the supply of reliable and timely financial accounting reports, the compliance of the financial function with all the relevant regulation and the responsibility of management accounting control systems fall within the *control role*. Other researchers distinguish between the *management service role* (similar to the support role) and the *oversight role*, the responsibility to ensure that the actions of everyone within the entity are legal, ethical, and in the best interests of the organization and its owners (Merchant & Van der Stede, 2003).

In 2008, Rouwelaar & Bots gave another definition of the controller's right to influence management decisions: they call that *act before the fact*, in contrast with the so called *after-the-fact reporting*, which refers to the responsibility of financial reporting accuracy and of the integrity of internal control.

IMA association shares this duality: in its official website the controller is defined as the individual in the organization who manages a staff responsible for financial reporting and accounting operations; he deals with internal and external financial statements and regulatory reporting requirements; he implements internal control systems, evaluates the effectiveness of accounting systems, and monitors business performance metrics. At the same time, he supports decision making by using analysis of management accounting and finance information. The most peculiar stages of his activity are "participating in strategic cost management to achieve long-term goals and objectives; planning and decision making for internal cost activity; management and operational control for performance measurement". The preparation of financial statements supports these three roles[4].

Ross[5], Hawley[6] and DePersio[7] agree in stating that controllers handle the entire accounting system, along with the accounting personnel. In particular, in smaller companies this means setting up the accounting infrastructure and performing the bookkeeping, as well as planning

---

[4] Brands k. (2015), *Business analytics: transforming the role of management accountants*, Management accounting quarterly, Vol. 16 No 3

[5] Ross S. (2015), *Career advice: accountant vs controller*, www.investopedia.com
Ross S. (2016), *Controller: career path and qualifications*, www.investopedia.com

[6] Hawley J. (2015), *Common interview questions for controllers,* www.investopedia.com

[7] DePersio G. (2016), *Controller: Job description & average salary*, www.investopedia.com

and managing the financial aspects and reports of the business. In larger companies, the duties of the controller are often more specialised, with certain financial decision shifted to other executives, like the CFO. He may also apply his expertise on investments, risk management, tax management, creditor relationships, budgeting, corporate governance or other areas. Finally, they agree in saying that as member of the management team the controller helps to forecast future business activities based on past and present operations; moreover, the interpretation of financial data allows him to anticipate coming issues.

Heckert & Willson (1952, in Rouwelaar 2007) for their part, use an interesting metaphor to explain a controller's role: "The controller is not the commander of the ship – that is the task of the chief executive – but he may be likened to the navigator, the one who keeps the charts. He must keep the commander informed as to how far he has come, where he is, what speed he is making, resistance encountered, variations from the course, dangerous reefs which lie ahead, and where the charts indicate he should go next in order to reach the port in safety".

### 1.1.4 The Italian context

Now let's try to understand how the controller figure is conceived in Italy.

In Italian management accounting literature a widely used definition is the following: the controller is the corporate actor who designs, builds and manages the management accounting system, choosing the most suitable tools for this purpose; he interprets data from performance measurements in order to provide feedback to management as a basis for decisions (Brunetti, 1989).

From an academic point of view we can find a more precise definition: for example Bocconi University refers that the Controller is a professional who prepares the budget for an enterprise, verifies that costs and revenues are in compliance with forecasts, and in case he proposes to management corrective solutions or improvement actions. His main tasks are:

- studying the company's analytical accounting
- preparing the annual report
- analysing documents and accounting reports
- monitoring the achievement of business objectives (identifying any deviations)
- identifying areas for improvement
- ensuring the consistency of the expenditure with the provisions in the corporate budget
- participating in the definition of policies in the accountancy field
- checking revenue goals.

He is an internal consultant who intervenes to support the different business functions, in order to allow a real control of the performance. In small enterprises, he usually reports to the *Direttore Amministrativo* and deals only with the industrial accounting. In the larger ones, the typical placement of this profile is within the staff of general direction. Possibly this professional is a self-employer, who works for example in auditing companies.[8]

The need to give a common accepted definition of the controller's role from an institutional point of view was expressed in Italy by an association called AssoController. AssoController was born spontaneously 16 years ago with the aim to gather management accounting professionals who want a greater recognition for their roles and a point of reference in order to share professional information. Notably, this association aims at affirming the controller's position within companies and as an internal consultant, by defining a code of ethics and some 'best practices' for the profession. In the light of the results obtained from a survey run in 2011, AssoController requested UNI[9] to draft a new standard that allowed the controller to be recognised by the requirements of the law 4/2013, a law that regulates the unorganized occupations. The result of the negotiations is the following definition, included in the standard UNI 11618:2016 (point 3.9):

> "The controller is the professional who carries out, organizes and supports, the process/es necessary to run a business, at all of its levels. It follows that the controllers are configured as partners of an organization, contributing, in the logic of quality management (ISO 9000 series) to the enduring success of the same. In this sense, the controller's skills are not purely 'economistic' and their acquisition typically involves formal learning paths."[10]

Again the controller is viewed as a 'partner' of the organization, more than an employee.

The standard goes on listing, in point 4, the seven fundamental tasks of a controller: "

- preparing the information architecture
- managing the internal audit
- coordinating and supporting the activities of managerial accounting
- coordinating and supporting a specific training
- measuring system's performance
- supporting strategic planning activities

[8] Definition found in an article by A. Musso, *riflessioni sul ruolo del controller*, on *Strategia, Finanza e Controllo,* 2015

[9] UNI (Ente Nazionale Italiano di Unificazione) is the Italian national body that performs its own regulatory activity in all sectors of industry, commercial and service sectors, except for the electrical and electro-technical area.

[10] Translation from an article by Giorgio Cinciripini, president of AssoController, included in the magazine *Unione&Certificazione*, 2016

- supporting managers leadership"[11]

According to the information retrieved from ISFOL[12] website the controller is allocated in the company accounting area, and he operates primarily in the cost accounting processes, informing about the financial and economic status of the company, on the base of interpretations and assessments on business and management reporting. He or she is present in companies of all sizes, both industrial and service company, but usually in the small ones there is no specific office and the same tasks are performed by the *Direttore amministrativo*. Sometimes he is actually responsible only for the industrial accounting, therefore he does not cover the typical functions of the controller, and both the level of autonomy and the level of responsibility are reduced.

Anyway in recent years the attention paid by Italian firms to this figure is rising, since the management accounting function is acquiring more and more importance. From 2000 onwards, three important circumstances have created problems for small/medium Italian firms (Conte, 2015):

- Because of the adoption of the Euro by the major CEE countries, Italy is no longer able to use competitive devaluations in order to increase sales volume;
- The race to 'relocate' stages of production in those countries where processing prices are lower (East countries and emerging countries such as the BRICS), has not benefited the Italian firms who decided to stay in homeland.
- The appreciation of the Euro with respect to foreign currencies have made exportations less competitive.

Consequently, Italian firms who were no longer competitive have tried to recover margins through cost containment lever. Management accounting, by focusing on cost reduction and on finding the business units most profitable can contribute to the improvement of the liquidity. This is one of the leading reason why Italian firms search for professionals in this field, i.e. controllers.

Marco Cella, Group controller at Candy and then Group business controller at Safilo, is like-minded: in an interview with 'Repubblica.it' argued that "in times of economic crisis there is a profession that above each other plays an essential role within the organization of a company: the controller". In his opinion this figure, better than others, know deeply the 'health' and the

[11] "Predisporre l'architettura informativa; auditing interno; coordinare e supportare le attività di controllo di gestione; comunicare e supportare la formazione specifica; misurare le prestazioni di sistema; supportare le attività di pianificazione strategica; supportare le leadership dei manager".

[12]ISFOL: *Istituto per lo sviluppo della formazione professionale dei lavoratori* (Italian institution for the development of workers professional training). The Institute works in the field of training, employment and social policies, in order to contribute to employment growth, improvement of human resources, social inclusion and local development.

profitability of the entity (as well as the various business units, divisions, markets and product segments), since he is in contact with all the necessary 'numbers' that can help top managements to make the right decisions. His knowledge comes from budgeting, reporting and planning processes, of which he is some kind of 'conductor'.

After having discussed how is thought the figure of controller among scholars and sector experts, and which are the main trends behind the expansion of the role, the next step is a more accurate presentation of the activities usually attributed to the word 'controller'.

## 1.2 Descriptions of functions usually attributed to a 'controller'

Controller's duties may vary depending upon different variables, such as the corporation size or the degree of power decentralization within the organization. For example, if a company is small and there are only few other managers who handle related functions, the controller may end up with a long list of tasks on the job description. While in a bigger company, the role becomes more finite. In addition, as we anticipated before, the descriptions of what a controller is supposed to do has changed over the years.

Linhardt & Sunqvist (2004) capture the undergoing change, since they put under our attention different descriptions of what the same controller is supposed to do from different times. According to Flemming, in 1984 some of the most important duties of a controller were:

1. Design, installation, and operation of accounting systems;
2. Preparation of financial statements, tax returns and financial reports
3. Design, installation and operation of programming and budgeting systems
4. Preparation and analysis of performance reports

Some years later Wilson & Colford (1991) simply gave a more basic picture of the tasks:

1. Planning
2. Reporting
3. Control
4. Accounting
5. Managing other primary responsibilities.

Then in 1999, Horngren & al. claimed that the duties with which controllers are entrusted are:

1. Planning
2. Reporting and interpreting
3. Evaluating and consulting
4. Tax administration

5. Government reporting
6. Protection of assets
7. Economic appraisal

As we can see quite clearly the classification of controller's functions have been subject to some changes.

In 2011 in his handbook *the controller's functions: the work of the managerial accountant* Steven Bragg listed the main job functions as follows:

1. Planning
2. Organizing
3. Directing
4. Measuring
5. Financial analysis
6. Process analysis

However, just the year after in *the essential controller* he preferred adopting a job functions list more similar to the one illustrated by Wilson & Colford.

The difficulty to identify exactly which are the controller's functions lies in the fact that such a figure is called controller in some academic works, as well as management accountant, but in other works these two terms do not refer to the same position within the corporation. Furthermore the term controller sometimes refers to a financial controller, a business controller, or even a Business Unit controller and many other qualifications; roles that do not always fulfil the same jobs.

Here the purpose is not to give an exact job description of the controller's figure. Trough review of literature, educational textbooks and academic articles, in these paragraphs we want just to better understand what we are talking about, giving an overall explanation of all responsibilities mentioned by the various authors. We will categorize these functions in five subsets partially derived from Wilson & Colford original classification: accounting; planning, budgeting and forecasting; performance measurement and internal control, reporting and interpreting, other activities.

### 1.2.1 Accounting

Traditionally the responsibility of a controller was limited to the collection and supplying of accounting information to the managerial staff, rather than being involved in the analysis of such information (Linhardt & Sundqvist). That is why he was known as 'number cruncher' or 'bean counter'. As a matter of fact, the controller is often viewed as the responsible for the accounting processes and for the direction of the accounting system; the professional who manages the accounting staff that provides managerial accounting information used for internal decision making, financial accounting information for external reporting purposes[13], and tax accounting information to meet tax filing requirements (Heisinger, 2009). According to Wilson & Colford, under this function the controller has the responsibility to:

> "Design, establish, and maintain general and cost accounting systems at all company levels, including corporate, divisional, plant, and unit to properly record all financial transactions in the books of accounts and records in accordance with sound accounting principles with adequate internal control".

In other words, he is expected to apply sound accounting principles and practices in the preparation of all periodic financial statements, as well as their accompanying footnotes. Under this function, his duty is to ensure that they are issued on time, in compliance with generally accepted accounting principles (GAAP), and that they fairly and accurately reflect the company's current financial position. As chief accountant he should have the final say on how these records are kept and where they are stored; he should oversee all employees involved in the accounting process; finally if a company has subsidiaries he should make sure that their accounting operations are proper too[14]. In smaller companies, the controller may also perform cash management functions and oversees accounts payable, accounts receivable, cash disbursements, payroll and bank reconciliation activities[15]. Because of the close relationship with the accounting records, the tax function may fall under controller's supervision: matters relating to corporate taxation include the timely preparation and filing of tax returns, as well as the conduction of an effective tax management program, and both the provision and enforcement of policies related to the compliance of all corporate personnel with applicable laws, rules and regulations pertaining to taxes (Bragg 2011).

Even though the periodic recording of financial transactions is often regarded as the principal function of a controller, it is not the most important. Not only financial accounting draw upon data from an organization's basic accounting system (i.e. the system of procedures, personnel, and computers used to accumulate and store financial data, Hilton, 2002), but so do managerial accounting. Besides, both managerial and financial accounting use cost data accumulated in the cost accounting system, that is one part of the overall accounting system (fig 2). For example, cost information in financial accounting are used in the periodic compilation and evaluation of inventory costs on a manufacturer's balance sheet. However, production cost data are useful

---

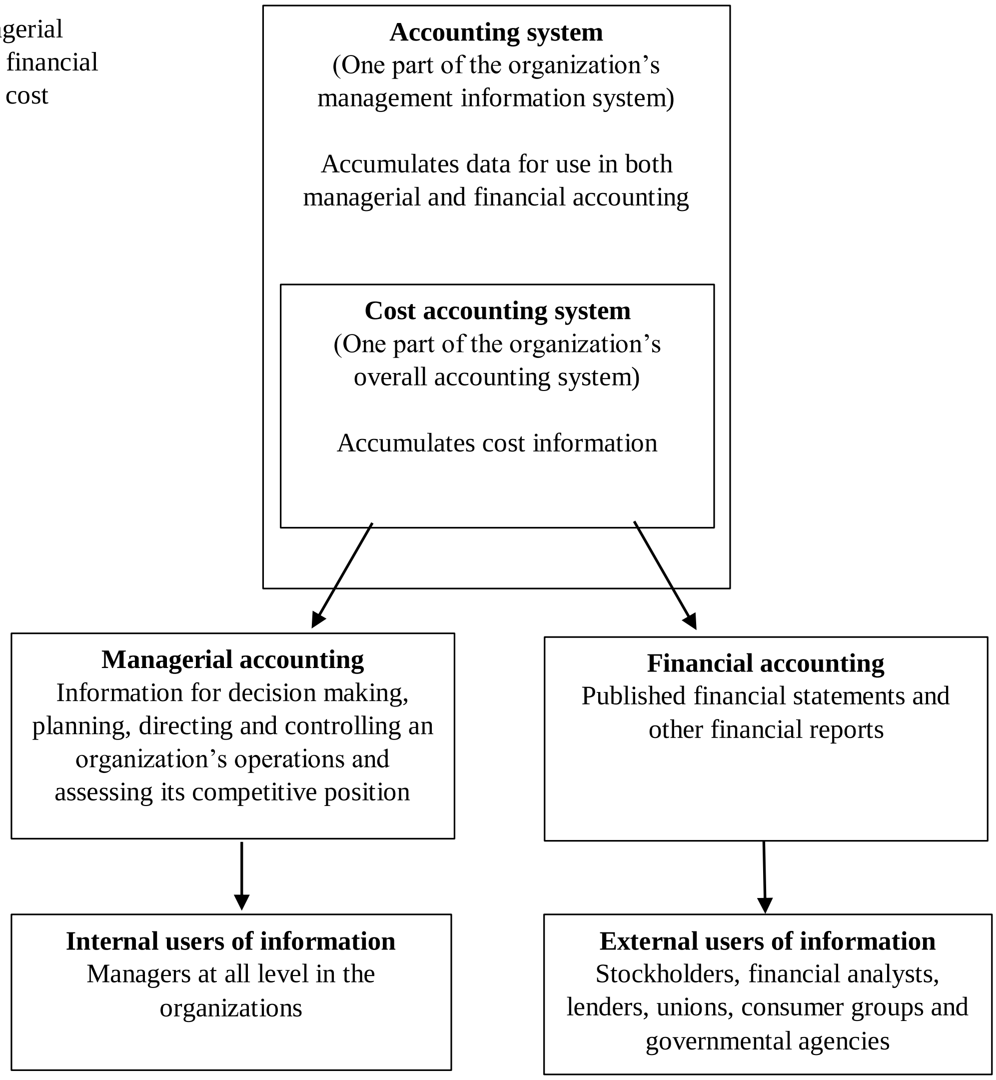
[13] i.e. providing financial statements and other financial reports for external interested parties such as stockholders, financial analysts, lenders, unions, consumer groups, and governmental agencies.

[14] DePersio G. (2016), *Controller: job description & average salary*, www.investopedia.com

[15] Dorward L., *Responsibility of a financial controller*, www.smallbusiness.chron.com

also in managerial accounting applications, for example in helping managers set prices, in the cost review of products currently under development using a tool called target costing, in the periodic analysis and allocation of costs to each business segment through activity based costing principles and in the budgeting process.

Fig 2: managerial accounting, financial accounting, cost accounting




Source: Hilton R.W. (2010), *Managerial Accounting: creating value in a dynamic business environment*

In some organisations, the cost and management accounting function may be organised as a functional section or department. Nevertheless, since today more than ever controllers are asked to extend their analytical and business skills outside the finance and accounting area, to provide and use both financial and non-financial data in support of management decisions, it has become common to include them within cross-functional teams, or to assign them to work with non-accounting functions[16]. Following this direction, the set of activities presented in the next paragraphs well explain the tasks of an individual who deals with management accounting.

## 1.2.2 Planning, budgeting and forecasting

Working side by side with managers a controller can be in charge of two important functions: planning and control. The organization and maintenance of an integrated plan of operation is the primary function to be implemented if an entity wants to reach its business targets and goals, both short and long term. In this context, the controller is supposed to act as a coordinator, who has to ensure that the plan is supported by all levels of management. The controller formalizes the organization plans by creating a budget, which is a management accounting tool that usually projects costs for various levels of production and sales activity (Atkinson, et al., 2012). However, a budget can take a variety of forms: for instance, a budgeted income statement indicates a profit plan for the future; a capital budget shows the long-term investments estimates for the future; a cash flow budget outlines future cash inflows and outflows (Heisinger). Therefore, a budget may be defined as a business plan for short time horizon, typically expressed in financial terms. Note that a budget is a plan not a forecast: they are distinctly different. Nevertheless, budgeting and forecasting are two processes intrinsically related: Atkinson et al. state that "budgets provide the basis for earnings forecasts that senior executives issue to the stock market"; and at the same time other experts claim that "drawing up a budget that allocates expenses in the most auspicious manner requires having an accurate projection of how much money is coming in during the same period" (DePersio, 2016).

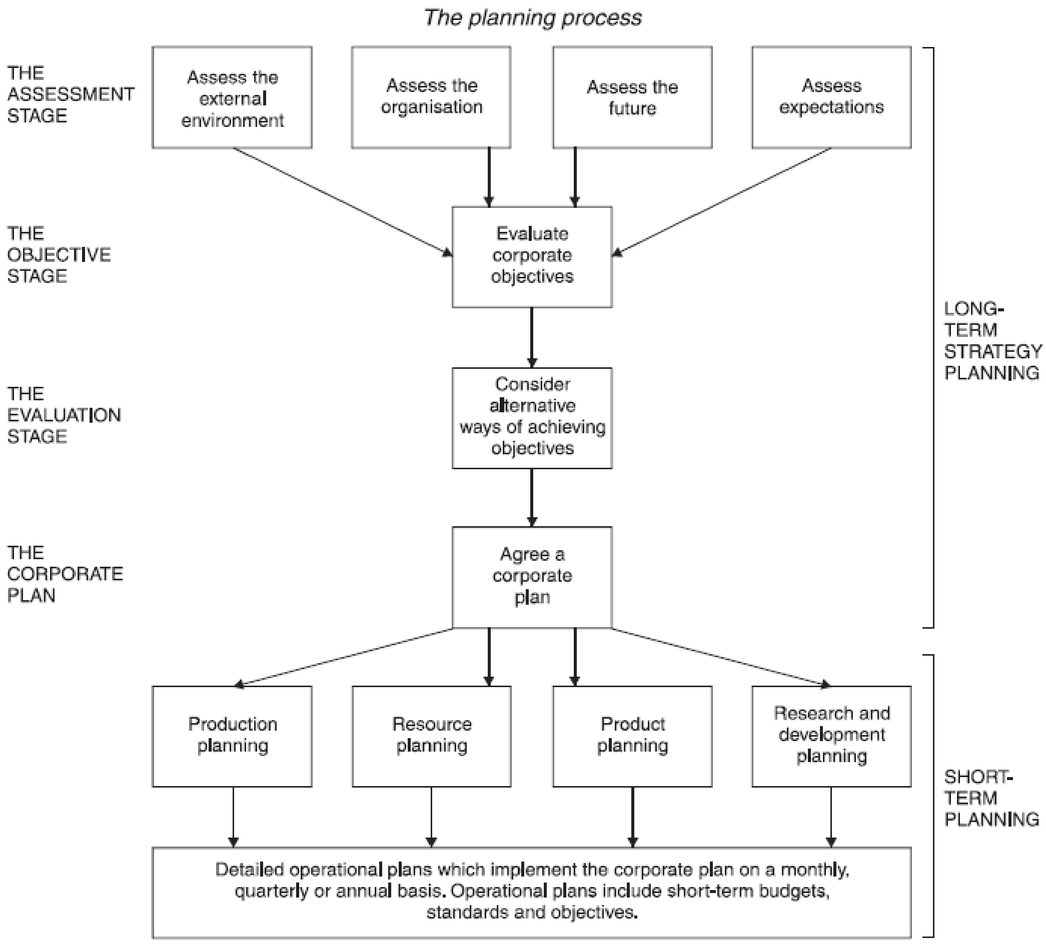
Merchant & Van der Stede in *Management Control Systems* describe three planning cycles: strategic planning, capital budgeting and operational budgeting. Strategic planning involves thinking about the organization's mission, objectives, and the means by which they can best be achieved (strategies). It includes both analysis of the past (data on known quantities, costs, and revenues) and forecasts of the future, as well as the creation of hypothesis about how the firm and each of its businesses will perform within an uncertain competitive environment. Capital budgeting is a more practical phase since it involves the identification of specific action programs or projects, consistent with the strategic planning procedures, to be implemented over the next 1-5 years. Operational budgeting covers the short term, with the preparation of a financial plan on an annual basis. Although planning and budgeting are universally adopted processes, the situation varies somewhat in smaller firms: particularly, one or more of these

[16] CPA Australia (2012), *Management Accounting, study manual*, BPP Learning Media Ltd

cycles are usually relatively informal, and sometimes two or all of these cycles are combined as part of one planning or budgeting process, typically performed annually.

On the other hand, the study manual of CPA Australia (one of the world's largest professional accounting bodies that provides a service of training and education to its members) distinguishes between long term strategic planning and short term tactical planning. The long term planning or corporate planning is made of four basic steps: an assessment level concerning the organisation, its external environment and future expectations; a stage to determine the corporate objectives; then an evaluation level concerning the strategies for achieving these objectives; finally management accounting integrates these steps into the creation of a corporate plan. For operational purposes, the corporate plan has to be converted into a series of short-term operational plans, usually on a monthly, quarterly or annual basis and related to business units, functions or departments (fig 3). The contribution of management accounting can be for example providing information for setting targets and standards, and helping to establish the assumptions on which the short-term plan is based, such as growth rates, costs, savings, and so on. Then it's up to top management to give the final approval on the business plan.

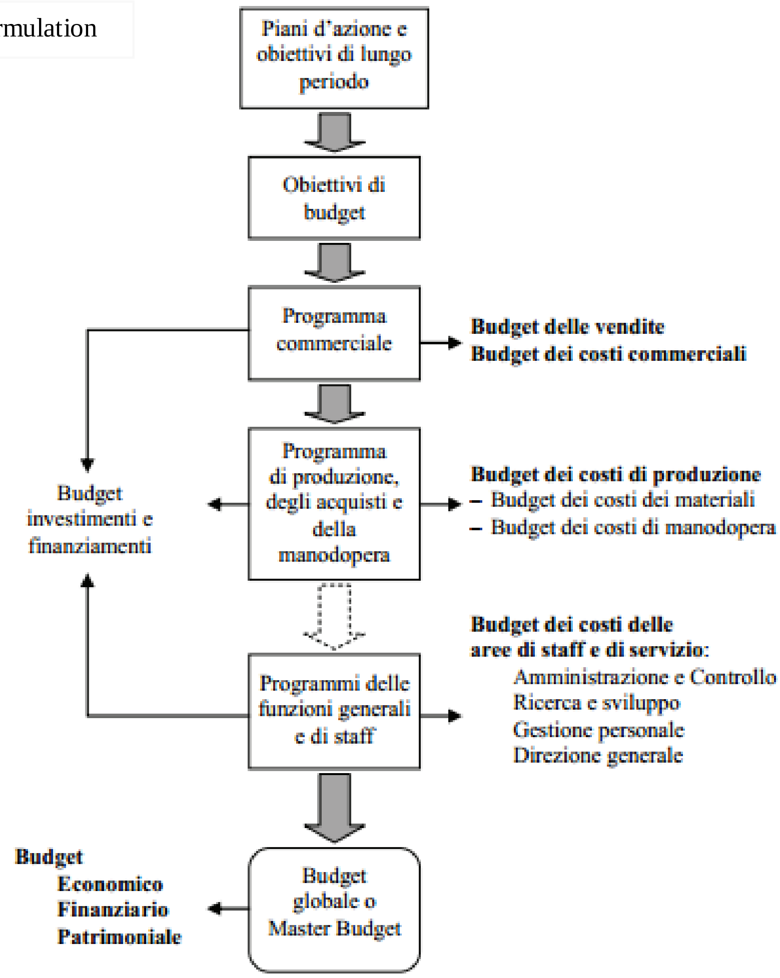
Fig 3: The planning process




Source: CPA Australia (2012), *Management Accounting study manual*

As we already said, a business plan for the short term is a budget. Cantino et al. (2015) exposes the budgeting process: the starting point are the action plans and long-term goals; these are declined in budget objectives, and then translated into "operative programs" through the formulation of commercial budgets (e.g. revenues budget, commercial costs budgets, etc), production budgets (e.g. production costs budget, labor costs budget, etc), general functions and staff budgets (R & D budget, HR budget, etc). For each area, the budget quantifies the resources needed to implement the operational programs; consolidating these sector budgets leads to the establishment of the master budget, articulated in economic, financial, and capital budget (fig 4). Sometimes we can talk about budgeted income statement, budgeted balance sheet and perhaps a summarized cash budget (Atrill & McLaney, 2009).

Fig 4: Budget formulation




Cantino v., De Bernardi P. & De Valle A. (2015), *Sistemi di misurazione e rilevazione delle performance aziendali*

According to Bragg in *the essential controller*, controller's key tasks with respect to a plan can be summarized as follows:

- verifying that the revenue plan is realistic, whether it is consistent with corporate policies and can be achieved given the constraint represented by the productivity of the sales staff, the presence of any bottlenecks within the company, the impact of product life cycles and so on;
- ascertaining that the production plan is within facility capabilities and whether it supports the sales program by comparing the amount projected to be sold to the amount to be produced;
- verifying that the expense level is proper and the funding level is sufficient for the projected activity;
- Finally, before reporting to the chief executive officer, he should check the adequacy and the plausibility of the plan, and above all, whether it meets the profitability requirements.

### 1.2.3 Performance measurement and internal control

Although planning is important, plans are effective only if implemented properly. The process of evaluating whether the organization's plans were implemented effectively, with consequent recommendations for the future, falls within the control function. Put simply controlling means comparing actual results with the initial plan (or budget) to evaluate performance of employees, departments or the entire organization (Heisinger); this has to be made on a regular and continuous basis and usually business sectors covered are:

- The commercial area, as regards the assessment of sales trends;
- The production area, for the periodic check of costs and processing times;
- The area of purchases, for the verification of market prices of purchased goods and services;
- The area of personnel, with regard to the total costs related to employees and collaborators;
- The quality area, as regards the analysis of optimal production parameters and quality targets.

Under this function, controller's purpose is to maximize profitability by optimizing resources: to this aim he first collects data and elaborates information from the different sectors. In case actual results are not compliant with agreed standards (for example costs are too high or revenues are too low with respect to the budgets), the controller investigates the causes of such deviations; once understood why imbalances occurred, the controller provides guidance and assistance to other members of management as regards appropriate corrective actions to be taken. If necessary, the plan and the parameters on which the plan is based are modified, in order to assess whether the objectives can this way be achieved.

Therefore the controller is many times presented as involved in the process of setting benchmarks for control and KPIs for financial analysis; measuring actual performance; developing trends and relationships to assist the operating executives; and detecting, through constant review, whether the systems and procedures are providing the "required, most helpful data on the most practical and economic basis" (Wilson & Colford).

We can talk about control and performance measurement from a financial and non-financial point of view: in fact, for evaluation purposes, financial measures are very important, but many organizations use a mix of financial and non-financial indicators. One of the most effective attempt to integrate both has been developed by Robert Kaplan and David Norton: it is the balanced scorecard, a tool largely used by management accounting experts. The balanced scorecard is a balanced set of indicators that may be particularly useful for performance measurement in those organisations unable to use simple profit as a performance measure. The balanced scorecard approach involves setting objectives and developing appropriate measures and targets in four main areas:

- **Financial**. This area includes financial measures helpful to appraise value created for shareholders, such as return on capital employed, operating profit margin, revenue growth, and so on.
- **Internal business process**. This area includes measures that controllers use to evaluate efficiency of existing business processes. Typical measures are capacity utilization, percentage of sales from new products, new product development time, product cycle times, and speed of response to customer complaints.
- **Learning and growth**. This area specifies measures used to evaluate the business' capacity to maintain a competitive position through an effective employee training. Examples of measures may include hours of employee training, employee motivation and satisfaction, employee turnover and number of employee accidents.
- **Customer**. This area encompasses measures necessary to appraise value created for new and existing customers: customer satisfaction, new customer growth levels, number of customer complaints, market share and so on.

The scorecard is 'balanced' in the sense that managers are required to think in terms of all four perspectives. Notably, according to Kaplan and Norton this technique aims to find a balance between external measures (relating to customers and shareholders), and internal measures (relating to business process, learning and growth); between measures that reflect outcomes and measures that help predict future performance; finally between hard financial measures and soft non-financial measures. (Atrill & Mclaney, 2009)

Technically appropriate control systems apply to every activity of the enterprise. In fact, some authors when talking about the control function refer to *internal control*, whose administration may fall within controller duties. The internal control system is a broad set of policies, processes, and procedures used to monitor the recording of transactions and helps ensure the reliability of financial reporting, the effectiveness and efficiency of operations, the compliance with laws and regulations, and the safeguarding of the company's assets. Internal controls are relevant for both managerial and financial accounting since both managers inside the company and stakeholders outside the organization have an interest in accounting information. Internal control procedures are designed to prevent fraud, financial misrepresentation, corruption and unauthorized actions.

The internal control system include a wide array of tasks to be fulfilled. A few examples could be the following:

- Physical control over raw-materials, work-in-process, and finished-goods inventories to prevent loss due to theft.
- Maintenance of adequate cost records to justify inventory valuations.
- Limitations on who is authorized to make purchases of various types and value.
- Requirement that two individuals sign checks to reduce the possibility of fraudulent expenditures.[17]

The proper establishment and maintenance of an internal control system is of a particular importance if the company's books are audited, because external auditors take into consideration the system of controls already in place when designing their testing procedures. A controller is supposed to review periodically the existing control structure to ensure that it is operating as planned and reflects eventual changes in the business operations. He is supposed to evaluate costs and benefits of maintaining each control and eliminate which one become redundant. Finally, he could add new controls to cover potential risks arising of new business situations: for example, in case of a company acquisition, the controller should assess the control systems of the acquired business and integrate them into those of the parent company (Bragg, 2012).

[17] Hilton R.W. (2010), *Managerial Accounting: creating value in a dynamic business environment,* McGraw Hill/Irwin, New York

## 1.2.4 Reporting and interpreting

Directly linked to the planning and control function is the reporting function, to the extent that it is necessary to make planning and control effective. As Wilson & Colford suggest, the reporting function encompasses all the tasks necessary to "prepare, analyze, and interpret financial results for utilization by management in the decision-making process; evaluate the data with reference to company and unit objectives; prepare and file external reports as required to satisfy government regulatory bodies, shareholders, financial institutions, customers, and the general public."

It should not be regarded as a simple activity of delivery and presentation of tabulations. In their reporting activity controllers must be able to manage the systematic collection of data, define the most effective tools for their detection and procedures for their inclusion on databases; all this by working with managers of the business units that generates information to be processed. Moreover in order to keep management adequately informed, periodic statements are not sufficient, regardless of how well designed they may be: the reporting function involves also the *interpretation* of the figures in the most clear manner possible, as to make sure that management actually understands what is being presented. The cleverness of a controller stays in bringing to the attention significant changes occurred during the reporting period, relevant events that are expected to occur in the near future and other particularly important issues.

The reporting is delivered usually monthly but some summaries may be necessary at different intervals or for particular maturities (e.g.: shareholders' meeting, auditors' visits, financial statements closing). The reporting system is crucial because thanks to these documents the controller can base his activity of control.

As a part of this function the controller is called on to provide financial and statistical data to outside groups, such as shareholders, creditors, the general public, state and local government and their agencies. This requires excellent communication skills (written and oral).

In order to reach operational efficiency and effectiveness and to provide management with feedbacks in the most economical and feasible manner possible, today the controller is also expected to keep abreast of the technological advances.

## 1.2.5 Other activities

So far, the jobs list may appear very long; however this does not mean that this person must actually perform all such activities. As we previously said, our purpose here was to explain which are *potentially* the tasks entrusted to a controller. For example, some authors specify that in large corporations the controller coordinates and supervises his staff, determining who does the work and what work has to be done, along with the timing of work completion; in particular, a controller can rely on the services of assistant controllers who are responsible for smaller portions of his department.

However, it is also true that in smaller companies this position may include even a number of additional tasks besides those already present in the mentioned sections. The assignment of additional tasks is explained by the fact that a small entity cannot afford to also hire a CFO, an office manager, an information technology manager or a human resource director, consequently all of these functions may fall on the controller. In any case, even in larger companies this figure may have a broadened jobs list, depending on the decisions of the chief executives and the CFO. Most of the times these additional tasks refer to jobs normally handled by the CFO, for instance instituting insurance programs (along with risk assessment and management), conducting public offerings, investing pension funds and surplus funds. Moreover, he could deal with financial public relations, in particular he could be asked to maintain relationships with investors and lenders. With respect to audit activities, the controller may supervise and participate in the internal audit and can assemble a group of external auditors.

Given the fact that the controller is often the largest user of information technology systems, he or she can assume responsibility for this function: this includes for example backing up data on the computer system, ensuring that it is repaired promptly, that the system is expanded as the situation requires, and that new software is implemented in an efficient manner. (Bragg 2011)

According to Bragg, another function that many times falls within the controller responsibility is Human resources: small companies cannot afford to have a separate department, so the controller may administer employee bonus plans and pension plans, conducting recruiting and safety training, processing workers compensation claims and so on.

## 1.3 The controller: skills, education, and future career paths

This chapter will complete the description of controller’s figure making an overview about the skills and competencies required, along with education, future career paths and issues emerging in these fields.

### 1.3.1 Skills, competencies and capabilities

Which are the qualifications of an effective controller, including both technical competencies and soft skills? Every controller job is unique, but there are universal skills and qualifications that any serious candidate should possess. Wilson and Colford tried to give an answer yet in

1991. In their opinion a good controller needs first of all an excellent technical background in accounting and finance with an understanding and thorough knowledge of accounting principles; He also needs a basic understanding of the principles of planning, organizing, and control and of functional problems related to engineering, production, procurement, industrial relations, and marketing. To this purpose, a controller has to know and understand deeply the company technologies, products, policies, objectives, as well as history and organization. It is also necessary a general understanding of the environment and the industry in which the company works, with the social, economic, and political forces involved.

As in any executive position, the controller must be able to work with people at all levels, have respect for the ideas and opinions of others, have the ability to motivate them, and have the resourcefulness to meet all challenges. In communicating with management a controller should also possess the ability to express ideas clearly in writing or in making informative presentations. The dynamic business world makes it essential that the controller keep current on all aspects of the business. This can be accomplished through courses at various colleges and universities and membership in trade associations or professional societies: most of the organizations in fact provide literature or specific seminars analysing current issues and problems in the profession.

Bragg (2012) recognizes the job requires today much more managerial skills, as well as a general idea of bodies of knowledge such as taxation, business process improvement, outsourcing, and information technology; this calls for a wide skill set. Bragg also maintains that the controller of the future will come from a different experience background: most companies looking for a controller, currently consider individuals who have worked for the "Big four" auditing firms, and many auditors enter the Big Four on the assumption that they will eventually be hired by their clients into that role; however auditing firms no longer provides practitioners with the required set of skills for that role. This occurs because auditors are only trained in the area of accounting standards, they have expertise in verifying the accuracy of financial statements, and reviewing underlying accounting processes to ensure that they function correctly. These tasks could be still part of the controller's job description, but an increasing proportion of the controller's job are including in addition tasks for which an auditor is not prepared, such as for example computer systems implementation and management, cycle time reduction, benchmarking and process reengineering. Because of these new tasks, company management will find that it can fill the position with qualified personnel from other sources than auditing firms.

Therefore, technical accounting expertise is one of the most important skills, but being an analytical position, in general companies favour individuals with strong numerical proficiency, organization, good problem-solving skills and excellent use of logic. For example, considering that a large part of any controller's job is reconciling the company's budget with realistic outcomes, he should acquire the necessary competencies and develop the right capabilities useful to explain how processes work and numbers are calculated. Besides, since a large part of the job is delegating tasks to subordinates and then aggregating their work to make final decisions, a controller must also possess excellent communication and leadership skills, a big-picture method to approaching tasks, and must be able to organize, motivate and garner respect from staff. Interested students who approach this kind of career should consider courses in managerial finance, behavioural studies and business leadership, while current professionals who want to improve their skills can seek out mentors or take individual courses in effective leadership. Other important capabilities include interpersonal skills, time management, personal efficiency, and the ability to hire workers and monitor their effectiveness[18].

In the Italian environment, especially for the small/medium size enterprises, the figure of the controller represent a resource which, put simply, could request for 1/3 skills in accounting, financial management and control, 1/3 in Information Technology, and 1/3 in operations. Moving to more structured realities the mixing of such ingredients necessarily changes, either on the basis of the firm technological content, either on the basis of the amount of work[19]. According to Randstad[20] experts the ideal candidate has an economic education (engineers for instance have a good technical preparation but do not know other business areas that also serve to every company); he knows how to use Excel in its most advanced features, and has a good ability to develop and to present financial and operational data through presentation tools (like Power Point). Because of periods of high work intensity, the candidate should be able to comply with deadlines. The constant relationship with other corporate functions requires good interpersonal skills and excellent English knowledge, especially in international companies[21].

ISFOL website makes available a collection of factsheets about various professional figures, including a section dedicated to specialists of management accounting, which gives a detailed list of abilities and competencies a controller should possess, associated with his main tasks. In order to prepare the information architecture of the management accounting system, which means designing a data acquisition plan, defining the operating procedures of cost accounting and implementing related management software, a controller must know and be able to apply:

---

[18] Information obtained from:
Depersio G. (2016), *Controller: job description & average salary*, www.investopedia.com
Ross S. (2016), *Controller: career path and qualifications*, www.investopedia.com
[19] Musso a. (2015), *Riflessioni sul ruolo del controller*, Strategia Finanza & Controllo No 5
[20] Randstad Holding NV is a Dutch multinational human resource consulting firm.
[21] Curiat A. (2014), *è caccia ai controller di gestione*, Il Sole 24 Ore 16/6/2014

- ERP systems supporting accounting and financial procedures
- Data warehousing and Business Intelligence
- Elements of business administration
- Organizational analysis tools
- Data statistical analysis techniques
- Business organization
- Technical data graphing
- Methods for organizing a chart of accounts
- Business information systems
- Paradigms for managing quality according to ISO 9000 family and to ISO 10014[22]
- Decision making techniques
- Production data analysis procedures
- Business processes analysis and control techniques
- Analytical techniques of administrative processes

In order to implement the traditional management accounting activities, such as communicating the values detected through indicators analysis, preparing the budget estimate, performing analysis of budget variances and formulating corrective proposals, a controller must know and be able to apply:

- Methods of asset valuation, income valuation and financial valuation
- Financial statements analysis techniques
- Elements of Statistics
- Principles and methods of management accounting
- prospective analysis of market trends
- industrial accounting items
- financial analysis indicators
- Balance sheet ratios calculation
- Consolidated financial statements
- international accounting standards
- budgeting
- General accounting principles

[22] ISO 9000 family is a set of standards enacted by the International organization for standardization (ISO). The standards provide guidance and tools for companies and organizations who want to ensure that their products and services consistently meet customer's requirements, and that quality is consistently improved. ISO 10014 provides guidelines for realizing financial and economic benefits from the application of the ISO 9000 quality management principles. (www.iso.org)

- Techniques for valuation of investments
- ERP and spreadsheet software
- Production data analysis procedures
- KPI analysis techniques
- cost analysis techniques
- methods for calculating the break-even point
- profitability analysis techniques

The weight and the importance of all this individual skills (technical and specialized skills in the field of management accounting, information technology skills, soft skills) in the ideal controller profile should be measured in the light of the evolution of management accounting, more precisely in a perspective of organizational innovation within companies. This was the purpose of the CUOA meeting about the role of the controller, which takes place on March 15th 2014. The reflections emerged and reported by Francesco Gatto (responsible for CUOA finance) in the CUOA corporate blog, suggest that in a developed company with a matrix structure and present in more foreign countries, the so called soft skills (interpersonal and diplomatic skills) are extremely important and absolutely crucial for the success of the role. The typical technical and specialized skills linked to management accounting are alike important, while information technology skills appear less relevant. On the contrary, in a company not much structured the weight of the IT component increases, since the controller will directly manage certain organizational processes, which involve an understanding of the variables related to the information technology dimension**.**

### 1.3.2 The education issue

Those who are interested in becoming a controller should earn at least a bachelor's degree in business administration, accounting, finance or management; in addition, for individuals seeking career advancement a master's degree can be very helpful. Even though it is not a requirement for most controllers positions, to increase job opportunities students can study for a Master of Business Administration (MBA): an MBA program covers various areas of business (each student chooses in which particular area concentrating his studies) and has strict academic requirements for acceptance, including the Graduate Management Admission Test (GMAT) and work experience. To improve career advancement, potential aspiring controllers who complete a degree program can earn a professional certification. In the United States, the IMA administers the Certified Management Accountant (CMA) program. In Canada, the Society of Management Accountants of Canada may certify a managerial accountant as a Registered

Industrial Accountant (RIA). Many other countries also have certification programs for their managerial accountants issued by professional organizations: for example, Great Britain's main professional organization is the Institute of Chartered Management Accountants, and Australia's organization is the Institute of Chartered Accountants in Australia. In all, over 75 countries have professional organizations for their practicing accountants. Controllers can also take exams to become a Certified Public Accountant (CPA) or a Chartered Financial Analyst (CFA). In order to maintain certification, it is often required that professionals take continuing education courses and training programs, usually offered by businesses and educational organizations.

Despite the wide availability of specialized courses for the profession, a troubling pattern seems to emerge. A number of recent research studies have examined the skills and competencies that management accounting students will need when they enter the workplace: many researchers believe that accounting curricula does not reflect the actual role played by management accountants in organizations. Hawkes, Fowler & Tan in 2003, have examined the possible existence of a 'gap' in management accounting between theory and practice. They proved that practitioners perceive a significant distance between what is important to study for academics and what instead has a real application in practice. The authors reported a series of examples. For instance according to Scapens (1983) the gap between theory and practice in management accounting derives from the sophisticated mathematical techniques appearing in textbooks that have limited adoption in practice. Similarly, Kaplan in 1984 argues that reliance by management accounting academics on findings based on economic models rather than examples from 'real' organizations has contributed to this gap. Edwards & Emmanuel as well concluded in 1990 that academic research should be more relevant to practice. Again, the main reason behind this gap seems lying in the different importance attributed to management accounting techniques. Szendi & Elmore (1993), showed that despite academics were critic about traditional techniques, more than 80% of the practitioners interviewed used to adopt traditional techniques such as standard costing and contribution margin analysis. In the United Kingdom (UK), Dugdale (1993) surveyed Bristol Chartered Institute of Management Accountants (CIMA) and the results of the study indicated spreadsheeting and budgeting as the most important techniques, whereas newer techniques such as activity-based costing (ABC) and activity-based management (ABM) were not rated high by practitioners. For Dugdale it is evident that academics need to understand why some techniques are not used widely in practice; on the contrary it appears that academics tend to cover topics that they find interesting rather than what managers in industry find important (Boer, 2000).

Hawkes, Fowler & Tan (2003) argue that the shift of management accountants from 'information provider' to 'internal business consultant' or 'business partner' will require a change in the focus of education for management accountants "from a calculation based to a more interpretative approach". They go on saying that traditional topics such as budgeting will always form part of a management accounting course and evidence suggests that this is true (Birnberg, 2000); however combining traditional topics with recent advancements constitutes a challenge in designing the management accounting curricula (Brewer, 2000).

Hawkes, Fawler & Tan decided to conduct a survey in order to confirm or disprove all these studies. Results from their research showed that practitioners preferred traditional over contemporary management accounting techniques for use in their organization and for educating students, while academics preferred contemporary techniques[23], confirming previous studies. In addition, it should not be surprising that practitioners required graduates to have a good understanding of management accounting techniques and to develop models of these on spreadsheets. Practitioners and academics agreed on skills and characteristics graduates should get: thinking, problem solving and listening skills are all present in the top three of skills requirements; whereas in the top three of the most important characteristics we find, for both practitioners and academics, common sense and professional attitude. The results prove that academics and practitioners placed a high emphasis on problem solving abilities, but practitioners complained a lack of 'real world' experience by graduates. This may reflect the view that study programs in many institutions, primarily universities, does not provide sufficient practical applications of techniques and knowledge. The authors suggest a closer liaison with practitioners, which "may provide not only experience for graduates, but also allow academics to be exposed to industry". In addition, communication skills, which are commonly taught as part of a business degree, did not completely satisfy some practitioners.

Nas Ahadiat in his work *In Search of Practiced-Based Topics for Management Accounting Education*[24] (2008), surveyed practitioners who were members of the Institute of Management Accountants (IMA) and the American Institute of Certified Public Accountants (AICPA) about the topics they say are most important for entry-level and senior-level management accountants. Ahadiat concluded that accounting faculties tended to emphasize topics that are not necessarily important to contemporary business, making accounting graduates not appropriately prepared

[23] When asked to select ten management accounting techniques as important for education, practitioners chose, among the others, six traditional techniques (cashflow management, operational budgeting, variance analysis, capital budgeting, product costing and CVP). In contrast, in top ten important topics for academics there are six contemporary techniques (behavioural implications, ABC, ABM, strategic management accounting, customer profitability and costs of quality).

[24] Management Accounting Quarterly, Summer 2008

for the workplace. Roberta J. Cable, professor of accounting in the Lubin School of Business Administration at Pace University in Pleasantville, Patricia Healy, associate professor of accounting in the Lubin School of Business at Pace University in Pleasantville, and Emil Mathew, consultant at Merrill Lynch/Bank of America, used the results of Ahadiat's survey to determine the extent of coverage of specific management accounting topics (that practitioners feel are most important to professionals) in cost accounting courses[25]. Ahadiat in fact asked practitioners who participated to his survey to rank the importance of 86 practice-based topics for staff and senior accountants: the three authors examined popular cost accounting textbooks[26] on the basis of their coverage of 15 of the highest-ranked practiced-based topics in Ahadiat's study. The 15 highest-ranked practice-based topics for management accounting education from the Ahadiat study were the following (in order of importance):

- ethics and fraud;
- operating budgets;
- financial budgets;
- overhead allocation;
- cost-volume-profit analysis;
- variance analysis;
- break-even analysis;
- revenue allocation/profit analysis;
- master budgets;
- make, buy or lease;
- capital budgeting;
- working capital management;
- continuous improvement (Kaizen);
- inventories control;

[25] *Teaching future management accountants*, management accounting quarterly summer 2009

[26] Texbooks examined: Edward J. Blocher, David E. Stout, Gary Cokins, and Kung H. Chen, *Cost Management: Strategic Emphasis (Fourth Edition)*, McGraw-Hill Irwin, 2008
Horace R. Brock, Linda Herrington, and La Vonda G. Ramey, *Cost Accounting: Principles and Applications (Seventh Edition)*, McGraw-Hill Irwin, 2007
Don R. Hansen, Maryanne M. Mowen, and Liming Guan, *Cost Management: Accounting & Control (Sixth Edition)*, South-Western Cengage Learning, 2009
Ronald W. Hilton, Michael W. Maher, and Frank H. Selto, *Cost Management: Strategies for Business Decisions (Fourth Edition)*, McGraw-Hill Irwin, 2008
Charles T. Horngren, Srikant M. Datar, George Foster, Madhav V. Rajan, and Christopher Ittner, *Cost Accounting: A Managerial Emphasis (Thirteenth Edition)*, Pearson Prentice Hall, 2009
Michael R. Kinney and Cecily A. Raiborn, *Cost Accounting: Foundations and Evolutions (Seventh Edition)*, Thomson South Western, 2009
William N. Lanen, Shannon W. Anderson, and Michael W. Maher, *Fundamentals of Cost Accounting (Second Edition)*, McGraw-Hill Irwin, 2008

- Support department allocation.

The average percentage of total pages of coverage for the 15 topics found in all textbooks is only 25%. They found the same average percentage for the number of problems and exercises devoted to all 15 topics for each textbook. This means that approximately 75% of these textbooks were devoted to other topics considered of less importance to practitioners: again, we can find a gap between practitioners and management accounting education concerning the current needs of the profession. The authors also obtained cost accounting syllabi from 20 universities/colleges[27]; it appears that some faculties have supplemented their courses with additional materials; however textbooks should be considered the main point of reference to faculty and students, and as such, they should be written to better reflect knowledge needs of future management staff and senior accountants. The authors conclude by saying that the resources provided by faculties are not proper to "prepare management accounting graduates for their changing roles and challenges in the workplace"; especially accounting textbooks need to be revised to "increase their usefulness in the accounting curriculum".

At distance of seven years from Cable, Healy and Mathew analysis, Jeff Thomson, CEO of the Institute of Management Accountants, notice that despite the Bureau of Labor Statistics expects management accountants to experience double-digit growth through 2024, the accounting curricula are still not consistent with the broad knowledge required for the profession. "Students at many U.S. colleges and universities are largely preparing for entry-level audit and compliance work," he writes "but not for long-term careers in our rapidly growing field. The skills needed to succeed in management accounting extend well beyond audit, compliance and reporting to include financial planning and analysis, merger and acquisition activity, strategic cost management and more". By referring to a study published by the Institute of Management Accountants (IMA) and the American Productivity & Quality Center (APQC), he states that 90 percent of organizations struggle to hire the right management accounting talent. The lacks that today businesses find on entry-level employees concern many necessary skills, primarily leadership (that is the most needed but least possessed competency) but also planning, budgeting, forecasting, strategic thinking and execution. Thomson identifies a "multilateral" solution, which involves the education side, the corporations' side, and the individual side. First, accounting education must equip their student with capabilities in coping not just with their first job in accounting, but also with a long-term career in both financial accounting and management accounting. It is essential that also companies help educate the next generation of leaders, for example providing programs for training. Individuals, in turn, have a responsibility

[27] Selected because their accounting departments were accredited by the AACSB and had a high number of successful Certified Management Accountant (CMA) candidates.

to conduct a self-assessment of their skills to identify gaps in their knowledge and obtain any necessary training and certification.

### 1.3.3 Factors driving changes in management accounting practices and in controllers' role

Many scholars and practitioners in the last decades agree in saying that the controller should act as a 'business partner' within the organizations: while 30 years ago this transformation was only suggested or auspicated by some authors (see Sterling's article *The controller: New game New rules*, 1978), nowadays it is a current topic commonly discussed. The causes are different and varied: according to the study published by the institute of management accountants *Counting more, counting less: the 1999 practice analysis of management accounting* the change is driven by technology, the need for more rapid information, globalization, and the increasingly competitive environment. Dyer (1999, in Hawkes, Fawler & Tan, 2003) for example believed that the increasing impact of technology on management accounting has moved the focus from data gathering to analysis and interpretation, favoring creative thinking, oral and written communication skills than technical content skills. This shift, he argues, has led to the term 'business partner' being used to describe the function of management accountants. Other causes are highlighted in the CUOA meeting of 15th March 2014: it emerged that in a context in which the organization of the companies appears more and more complex and the classic functional structure tends to mix with the presence of varied business units (characterized by geography, rather than the responsibility of the product/service/channel), the controller interfaces simultaneously with different profiles. More precisely, he does not relate only with his own CFO, but he builds a network of relationships with other types of managers, such as the Region Managers, the Channel Managers or the Brand Managers. With respect to these figures, the controller must act as a Business Partner. In playing this role, he should pursue the objective of raising awareness and attention to the risk: Andrea Busato from Safilo said that "The proximity to the business carries a greater confrontation with the commercial and other functions, on issues such as credit control and risk control". For the participants of the meeting, being a Business Partner means also that the controller will have to necessarily deal not only with traditional tasks like reporting, budgeting, productivity analysis, variance analysis, costs control and so on; but he will have to deal also with activities related to a strategic dimension. Ivan Benetti from Marzotto specified that the strategic activities of the controller include: the implementation of investments' plan and payback; support for the preparation of the Business

Plan; analysis of competitors; support for acquisitions and restructurings; strategic control; verification if behaviours and actions are in line with the strategy.

In this perspective, the controller is viewed as an essential figure for the life of an organization, especially considered the economic crisis we are living today. As Marco Ciabattoni and Francesco Gatto report in Cuoa corporate blog (*Il processo di pianificazione e controllo e il ruolo del Controller: logiche funzionali e commento degli esiti della survey svolta su un campione di imprese del corso CUOA "Il controller",* 2015), in times of great uncertainty, like the one we are experiencing, companies are forced to deal with rapid changes of their business model; such a redefinition project necessarily requires a strong contribution of the planning and control function and its referent (the controller), which thanks to the extensive knowledge of the company and of all business processes, can provide significant added value. So the controller in this context must be familiar with numbers and must be able to translate numbers into actions; he must also possess a great knowledge of the market, the industry, the company's production; he must continuously be in touch with top management, the CFO and with managers of other corporate functions.

A research run in 2003 and replicated in 2012 by Douglas Clinton and Larry White among IMA members operating primarily in senior-level financial executive roles points out how management accountants are clearly valuable strategic partners, and how management accounting profession is experiencing some significant shifts. For instance generating relevant and actionable cost information for senior management to use for decision-making was considered the most important priority for respondents in 2003, whereas in 2012 the most important priority was cost reduction and driving efficiency. Respondents also feel that the continued economic downturn and the value placed on transparency in today's financial reporting environment have increased the demand for accuracy/transparency in costing and cost information in general. Again, the new economic climate seems to have an impact on management accounting function. The results of the study reveal also that traditional management accounting tools are favored over new tools. 62% to 78% of all relatively new tools (such as theory of constraints, throughput accounting, target costing, value engineering, Kaizen costing, multidimensional costing and life-cycle costing) were considered "not relevant" by the respondents. Traditional tools used extensively include quantitative techniques, product-costing analysis, overhead allocation, benchmarking, and operations budgeting.

Another survey run in 2013 by Christina Sunarni and published on the peer reviewed academic journal RIBER (Review of Integrative Business and Economics Research) confirms that advanced management accounting tools (e.g. activity based costing, balance scorecard, cost driver analysis, value added analysis and target costing) are not considered as important tools in managing the corporation by the sample companies. The results show that management accountant's work still rely on traditional accounting tools. In particular, since almost all sample companies consider budgeting the most vital management accounting task, management accountant's work is still dependent from the use of a traditional tool like the budget. Only 'profit improvement' is considered a management accounting task more important than budgeting (and this applies just for medium-scale companies), followed by financial/cost control. This study also shows that, although in theory management accountants' role is evolving towards a 'business partner' role, in practice sample companies still consider them more as cost controllers and budget preparers (more than 90% of all firms), or even as bean counters (66,7% of medium-scale companies). The results reveal that only 26,1% of medium-scale and 23.3% of big-scale companies treat management accountants as business partners. This can be interpreted as an evidence that many management accountants does not know yet how to make the shift to this new role (see next paragraph). The paper concludes by saying that for the respondents it is the "Information Technology, the accounting software development and the quality oriented market" that drives changes in management accounting practices and in management accountants' role.

Interesting results about the future evolutions of management accountants are highlighted in a survey run in 2013 by Forsaith, Tilt & Xydias-Lobo among CPA Australia members who are either working in, or have a professional interest in, management accounting. 36% of the respondents (that is 58 respondents) indicates strategy, decision making, forecasting and planning as the future functions of management accounting, followed by reporting and information provision at 32.3% (52 respondents). Seven respondents (4.3%) also mentioned performance measurement. More than half of the respondents consider that management accounting is currently "in a state of change, has changed significantly over the past five years and will continue to change". The role of the management accountant as well is perceived as a changing one: the change now passes through a greater involvement into organizational decisions; tomorrow, according to respondents, management accountants will became strategy formulators and consultants. The results of this study show that the change is mainly in the tasks that management accountants must undertake: this means more involvement in the design of information systems, and in the design and control of performance measurement systems; but also much more emphasis on strategy and decision-making roles, rather than the more traditional areas of costing and financial analysis. The one traditional area to remain high on the list of important areas for management accounting is budgeting, as it emerged in Sunarni's research. It is also interesting to notice that, in accordance with the results of previous surveys, the respondents to this study did not see many of the various contemporary techniques that "have been developed in response to the changing requirements of management accounting" as being particularly useful. Tools like Activity Based Costing, Balanced Scorecard, Economic Value Added, and Benchmarking were all cited as "not currently used and unlikely to be used in the future". Performance Indicators was one of the few techniques respondents felt might be useful. Finally, the results are in line with most practitioners' ideas, in suggesting that "more emphasis needs to be placed on developing the personal skills rather than technical skills". In other words, management accountants need more skills in "communication, analysis, creativity and adaptability". The conclusions of the study underline a need for more emphasis on the 'management' than the 'accounting', which is exactly the thought expressed by Sandy Wong, Senior Management Accountant at Nestlé Hong Kong: "Most professional accountants working in management accounting perceive that their roles are changing. They have a stronger need for management skills than accounting skills". Moreover, she agrees with the idea that globally, management accountants believe themselves to be more involved with forecasting, strategy and operations; a trend that is reflected by the fact that "more management accountants are working under the titles of financial planner or analyst," says Wong[28]. Russell (2014) links this greater emphasis on analytical skills to the increase in the amount of data available due to technology. For this reason Dickson Leung, Senior Partner of the LehmanBrown accounting firm in Beijing, forecasts that "The management accountant of the future will spend less time preparing information and more time reviewing information".

In conclusion we can say that management accounting experts are perceived as experiencing significant changes of role and tasks. Globalization, intense competition, economic and financial crisis, innovation in technology and other business environment changes have a great impact on corporations. Therefore, to be competent and reliable in an organization, controllers are expected to provide for accurate information, especially cost information, to develop more analytical and strategic abilities along with interpersonal and communication skills, and to be able to work closely with all managers in the operation and top level, including giving assistance in decision making and problem solving. The challenge for the accounting profession are to find ways of developing such characteristics.

[28] Russell G.W. , (2014), *Management accountants day in the sun*, A Plus, issue 6 Vol. 10

### 1.3.4 Career paths: being prepared for advanced roles

The most common path to controller position includes a multiyear period as a junior controller or assistant controller. Previous experience in auditing firms or as an accountant surely help to obtain the job, but given the wide array of different competencies required today to a controller, the background must not necessarily be related to accounting, and sometimes an experience in operations area is useful. After working as a controller you can aspire to became CFO or *direttore amministrazione finanza e controllo*. However an Ernst & Young's research conducted in 2007[29] tested whether controllers want to be CFO and the results show that, although many controllers were striving to CFO, half of them were comfortable to stay where they were: the reason is that many find their current role satisfying and challenging enough or alternatively they see the next step as becoming a divisional finance director. Whatever their individual ambitions, if a controller wants to develop his career there are a number of actions he can consider taking.

As the meeting point of operational and financial information, being a controller is not only an excellent springboard to other opportunities, yet controllers are in an ideal position to become true strategic business partners for their companies. Most controllers are aware of this, but many are not sure exactly what this means in practice, or precisely how to make the shift. Many experts have identified some concrete steps that controllers can take to advance their role in the organization; here we will make an overview of the advices each author gives thereupon, particularly those of Lawson R., Sbrocco M., Stanciu M., Amato N., Kuttner M., and of Ernst & Young researchers[30].

#### 1.3.4.1 Opportunities to enhance the role

IMA's research *Evolving role of the controller* shows that controllers are requested to provide increasingly more information, both financial and non-financial. The type of data being requested extends beyond traditional financial and budget data to include operational data (for more than 60% of controllers), key performance indicators (KPIs) (for more than half the respondents), and customer data (for almost 40%). Requests for sustainability metrics also are

[29] For more details see next chapter.

[30] See:

Lawson R. (2016), *How controllers become business partners*, IMA's online magazine *Strategic Finance*, July 2016

Sbrocco M. (2015), *Bean counters no longer: how controllers are elevating their game*, controller's report Vol. 2015 issue 1

Stanciu M. (2015), *Five ways controllers can be stronger business partner*, Vol. 2015 Issue 8

Amato N. (2016), *Controller to CFO: not a straight simple path*, Journal of Accountancy, Vol. 221 Issue 3

Kuttner M. (1993), *How to turn a controller into a manager*, Journal of Accountancy, Vol. 175 Issue 5

Ernst & Young (2008), *The changing role of the financial controller*, Research report on the rise. The need to provide increased information, data access and business insight creates new challenges and gives the opportunity to controllers to enhance their strategic business role by doing several things:

- **Identifying data requirements and learning to master information technology tools.** To produce data as relevant as possible, controllers need to rearticulate their information requirements, discern which information is relevant for the business and which is not, and know how to interpret them. This means getting information on both external and internal data sources, analysing financial and broader business information, and working with both structured and unstructured data. To this purpose mastering business intelligence tools is essential. This qualifies controllers to become key resources, able to make accurate business recommendations, and therefore more involved in the strategic decision-making process.
- **Pushing for technology systems simplification and costing system improvement.** Many management accountants still use spreadsheet-based tools to support performance management activities, particularly the activities of planning and budgeting, business intelligence and analysis. IMA's *Enterprise Performance Management: Management Accountants' Perceptions* found that even though the use of spreadsheets is widespread, satisfaction with these systems is well below that of ERP, cloud ERP, and applications developed in-house. The point here is that, where possible, controllers should manage to simplify the finance technology landscape; the solution typically comes from newer technologies, such as software as a service (SaaS) and cloud systems. Likewise, numerous studies[31] show that most companies are dissatisfied with their costing systems, yet they are reluctant to change them; having a suited costing system is essential for controllers to deliver effective business insights and so enhance their role: therefore, they should manage to improve the accuracy of costing methodologies.
- **Measuring what matters.** *Financial Insight: Challenges and Opportunities*, a recent study by IMA and ACCA (Association of Chartered Certified Accountants), indicates that most organizations continue to report on too many metrics. A good controller should conduct a root-cause analysis of the drivers that create value for the enterprise in order to better understand where business resources can be deployed most effectively. This new approach to reporting and KPI identification emerged also in the 2014 CUOA meeting about the role of the controller: Massimo Tezza, corporate controlling manager

[31] see, for example, B. Douglas Clinton and Larry White's *Management Accounting Quarterly* article, *The Role of the Management Accountant*

at Stevanato Group for 3 years and Andrea Busato, head of global sales operations at Safilo and previously Controller at Salvatore Ferragamo, confirm that an effective reporting model addressed to top management should give priority to a few key data (four or five), also qualitative. Once critical success factors are identified, understanding the development trend of the business is supposed to be easier and more direct.

#### 1.3.4.2 Advices to gain visibility within the organization

To fill the possible lack of understanding by other areas as to their strategic contribution, a controller should take many initiatives. Controllers can demonstrate their leadership by influencing and guiding other individuals to make wiser and more productive decisions. Here are some strategies they can implement to gain visibility within their organizations:

- **Staying in dialog with corporate leaders to discuss their needs and goals.** To be strategic partners, controllers need to fully understand senior management's mission, and identify what will help them make better decisions. This will ensure clarity and a greater certainty that each group does not inadvertently impede the other's actions. This increases the likelihood of synergies creation and makes easier for leaders to support each others. Controllers' commitment is to prove to their principals that the investment in business partnering is worthwhile, pointing out where partnering activities are generating value. At the same time, being aligned with upper executives perspective means also focusing more on long term goals and less on short-term results; this implies that sometimes one year's profitability may need to be sacrificed to achieve a five-year strategic business plan.
- **Becoming a source of (comprehensible) information.** In order to be a key resource in the organization controllers must help their management colleagues in operations understanding the implications of their decisions, by showing them the facts behind the numbers and the correlation between them. As Stanciu suggests doing this requires three actions to be made. First controllers could teach others in the company about how having more financial information will help them make sounder business decisions. Second controllers must adapt technical financial language to non-finance people to enhance understanding: this is confirmed by Ricky Wong[32] when he says "one important soft skill [necessary for] a management accountant is to be able to present accounting information to anyone with no knowledge of accounting"[33]. Third, the controller should provide follow-up in order to help the business in tracking the progress

[32]Manager at Hutchison Whampoa

[33] Russell G.W. , (2014), *Management accountants day in the sun*, A Plus, issue 6 Vol. 10

of their actions. Depending on the results, the controller should again act as a business partner and advise a change of course as needed.

#### 1.3.4.2 Other actions to grow the career

In order to grow their career and expand their leadership role, controllers can undertake many other actions. For example:

- **Proactively seeking to take on additional responsibilities, stretching themselves, leaving the desk.** Controllers should not wait until they are asked to take on more responsibilities. They should take the initiative to get involved in outside projects, other areas of the organization, and get operational experience whenever possible. They should volunteer to help areas ready for change to make improvements; they should ask to be included in task forces, committees, and other initiatives to tackle various challenges. Getting diverse experience in the business, for example experience in sales strategy or investor relations constitutes a good advantage if a controller wants to move up his career. Likewise leaving the desk to move around units, know divisions and other departments, enables controllers to have a deep knowledge of the overall business needs; Stanciu in his article also suggests to visit the production facilities where company's products are made and the stores where they are sold to get greater insights into these aspects of the business. In addition, according to data from *Fortune* 500 companies reported in Amato's article *Controller or cfo: not a straight simple path*, obtaining operational experience is growing in importance for future CFOs. There are many opportunities to make useful experiences, but these take time and effort: for this reason, Ernst & Young suggests to delegate lower level technical accounting to a safe pair of hands.
- **Focusing on soft skills training.** Controllers should emphasize communication, influencing, leadership and networking capabilities. According to the Ernst & Young Research, these are among the skills with the largest gap reported between their high importance and current skill set. In particular, it appears very important to develop communication and relationship skills given the high level of interaction between the controller and all major area of the organization. IMA's *Evolving Role of the Controller*, for example, found that controllers are likely to have full partner relationships with information technology (44% of the respondents say that), internal audit (43%) and also a fewer level of information sharing with compliance, HR, sales, and operations. Already in 1993, Kuttner specified that controllers often are the only executives in an organization who are in touch with every line officer. "Train yourself to become a strong

communicator" is also the advice given by Amato for those controllers who want to candidate for CFO jobs. Increasingly valuable traits are also the confidence to challenge the business with authority (this comes partly from "having confidence in the numbers", Lawson 2016), the capacity to be comfortable with uncertainty, the desire to make the difference and the willingness to have a real impact on corporate performance.

- **Strengthening strategic planning skills.** Both the organization and the controller can benefit when controllers are significant contributors to strategic planning efforts. Lawson's article reports that "controllers should learn about strategic planning methodologies successfully applied at other companies. Then they need to take the information that makes the most sense for their team and their company and put it to use. Next, they should educate staff to understand these methods and to think strategically". Developing strategic planning skills necessarily implies becoming expert in using analysis and goal-setting tools. For instance, a SWOT (strengths, weaknesses, opportunities, risks) risk/opportunity analysis and the SMART (specific, measurable, achievable, relevant, time-bound) method of setting goals can both be useful. Finally, controllers could benefit if they learn to look at issues in a very forward thinking way (that means imaging how a situation in the present could be forward in the time).
- **Embrace continuous learning, investing in themselves**. In order to be prepared for increased responsibilities that involve other areas in the company, controllers should obtain a certification, study for an advanced degree, or take courses in such areas as leadership, engineering, and new information technologies. An additional help comes from education online webinars. Ernst & Young experts also suggest controllers to plan their career by writing a personal development plan, and discuss it with a mentor or coach: he will help them to develop their thinking and open up opportunities.

By applying the recommendations presented here, controllers can move confidently into increased roles from which every organization can benefit.

# CHAPTER 2: FOCUS ON WHAT CONTROLLERS ARE SUPPOSED TO DO

## 2.1 Comparison and relationships with other similar business profiles

In economic literature, the job title of controller is associated to a financial officer, but there are actually different jobs that can bear the name. These positions are similar in some fundamental ways (for instance all of them usually involve budgeting, analysis and reporting of financial data) but they differ in others. Having a look to the various job offers on Linkedin we can identify a lot of categories and subcategories (sales and distribution controller, supply chain controller, cost controller, retail controller and so on) according to the structure and the needs of the firm or the economic sector in general. Here we will try to make a clarification around the main types of controller job titles; later on, in the chapter, we will deal with the relationship between the controller and other financial officers (more in depth a comparison with the CFO and the Italian *responsabile amministrativo*). It is necessary to remark that the descriptions we will try to offer are subject to many variations depending on the characteristics of each firm. This work's method will be to find as many similarities as possible among the different sources as well as the most reasonable explanations for possible discrepancies: all this in order to reach our primary objective, which is the formulation of a single and coherent outlook.

### 2.1.1 Different types of 'controller'

Let's start with the most mentioned type of controller, the **financial controller**. A. Musso, financial manager at Lasergi srl, in his article *Riflessioni sul ruolo del controller* state the financial controller is a figure with an accounting background, whose focus is on aspects at greater financial content: from the analysis of the cash flows to the formulation of economic, financial and capital budgets; from participation in financial statement drafting, to the related fiscal aspects. The author goes on saying that, although it would be certainly useful if he had accounting skills such as IFRS or US GAAP, or knowledge of tax laws such to draw up a Tax Package, it would be exaggerated saying that he *must* possess them. We are talking about specialized skills, therefore reference should be made to other professionals such as the Tax Manager. Probably, this does not apply also to American and Anglo-Saxon realities, since many times in foreign economic literature or in researchers' studies we find that Financial controllers must have knowledge of accounting principles in order to draft financial statements.

A. Musso opposes the financial controller to the **industrial controller**: this one focuses on aspects with more 'productive' content, for instance the analysis of inventories, the preparation of the Bill of Materials[34], and the assessments of estimate, actual and standard costs. He keeps under control expenses, product development and logistics; he deals with product income statements, department income statements or plant income statements. Skills like knowledge of technical drawing or of certain industrial processes could be useful for the role.

Another category of controllers is the one known as **business controllers**. As the name suggests, a Business Controller has a business and commercial orientation. He cooperates with other functions outside of finance, such as logistics or production and sales, with the aim to build business plans and define ways to identify gaps and opportunities. His focus is on performance measurement in order to really know what drives the business, so to this purpose he designs and analyses key performance indicators, both financial and operational. A business controller is also supposed to think of ways to identify cost saving opportunities and efficiency gains. While a financial controller deals with the balance sheet items more than with the profit & loss items, a business controller on the contrary will deal with the income statement items much more than with the Balance Sheet ones. Because of his role, a business controller tends to be more 'aggressive', in contrast with a financial controller attitude which on the contrary will be more 'reactive' as he has little exposure to external factors. A Financial controller has a central, 'corporate' view of the business, while a BC tend to have more a 'market unit' role; by using a metaphor a FC is some kind of a little "CFO", as opposed to the BC which is some kind of a little "CEO"[35].

Sometimes we can find comparisons between the financial controller and the **operational controller**[36]. The operational controller is described as part of an operations leadership team rather than the finance leadership team, providing operational productivity support, such as materials purchasing or labour payroll. However, the role has still accountabilities in financial reporting and budgeting, planning and even supervising, although all these competencies do not refer to the entire company, as often in the case of a financial controller, yet refer to a particular

---

[34] A Bill of Materials (sometimes BOM, or product structure, or associated list) is a list of the raw materials, sub-assemblies, intermediate assemblies, sub-components, parts and the related quantities needed to manufacture an end product. A BOM can define products as they are designed (engineering bill of materials), as they are ordered (sales bill of materials), as they are built (manufacturing bill of materials), or as they are maintained (service bill of materials or pseudo bill of material). (www.wikipedia.com)

[35] *The difference between a Business Controller and a Financial Controller, and their typical job description*, (2012), www.curiousmanager.wordpress.com

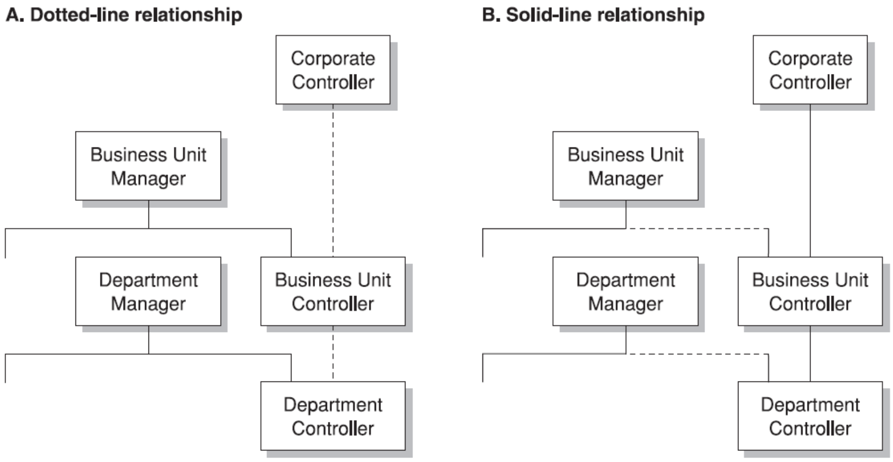
[36] Strauss E., *Operational controller Vs Financial controller*, work.chron.com

unit of the larger company. This could mean working for a company division, a particular market or a certain facility, and possibly ultimately reporting to the financial controller. Because of the specialized nature of the job, he may also ensure compliance, not just with financial rules but with certain operational rules.

We could also list the commercial controller, sales and distribution controller, supply chain controller, cost controller, retail controller and so on, but there are so many classifications and so slight differences with the ones already presented that it seems to be unnecessary lingering on all of them. Put simply certain types are in charge of a particular process or set of operations (e.g. sales and distribution controller, supply chain controller or more generally process controller); others are in charge of a particular function (e.g. sales & marketing controller, commercial controller, cost controller), a particular division (e.g. business unit controller, retail controller) or a project (e.g. project controller). The main common characteristic is that they tend to work for a particular part of the company, so their duties vary from business to business maybe even much more than a financial controller duties; this last instead is often presented as a sort of *corporate controller* with respect to the other types, and to which they often reports. This does not prevent that in an organization there could be also financial controllers who work for particular divisions or business units and who report to a superior corporate controller.

Having both BU controllers and corporate controllers imply that organizations have to manage a "dual responsibility" problem; in fact Anthony and Govindarajan (2001) claim that the loyalties of the BU controller are inevitably divided between the corporate controller, who is responsible for the overall operation of the control system, and the BU managers, for whom they provide staff assistance. In some corporations, the BU controller reports to the BU manager and has what is called "a dotted line relationship" with the corporate controller, namely an informal communication line. In other corporations BU controllers report directly to the corporate controller, creating a "solid line relationship" (fig. 5). According to Merchant & Van der Stede (2007) some firms have found that solid-line reporting between business-unit controllers and the corporate controller (or a higher-level business unit or group controller) is effective for monitoring business-unit controllers' activities, because it is the corporate controller, not the business-unit managers, who defines the business-unit controllers' tasks and evaluates their performances,. Solid-line reporting has the benefit of emphasizing the controller's independency by reducing the emotional attachment between the business unit controller and the operating unit to which he is assigned. However, the authors signal that solid-line reporting brings a significant cost: solid-line Business-unit controllers can be viewed as outcasts, as "corporate spies", and will be then excluded from sensitive information of the business unit.

Fig. 5: Possible reporting relationships in the controller's organization




Source: Merchant K.A. & Van der Stede W.J. (2007), *Management control systems: performance measurement, evaluation and incentives*, Prentice Hall

## 2.1.2 Controller Vs CFO

The fact that both the controller and the Chief Financial Officer play important parts in ensuring the financial health of businesses can lead to a certain confusion between the two profiles. In addition, many times small/medium size firms do not have a specific distinction between CFO and controller, but have instead a position that encompasses the duties of both jobs.

The overlapping between the two roles is evident in some managerial accounting textbooks: for example Ronald W. Hilton[37] uses the two terms as synonymous, sustaining that both indicate the top managerial *and* financial accountant, with the only difference that chief financial officer (CFO) is the designation given by some organizations, while controller is the name used in other organizations. Hilton argues that the CFO or controller usually supervises the personnel in the accounting department, and he is responsible for the preparation of information and reports used both in managerial and financial accounting. He is also the organization's chief managerial accountant, and as such, he often interprets accounting information for line managers. Hilton goes on saying that as members of the management team most controllers are involved in planning and decision making activities and because of this broad role many of them has been able to rise to the top of the management positions.

However most experts tend to separate the figure of the CFO from that of the controller (basing on the assumption that controllers are lower-level executives with respect to CFOs). Nevertheless, the separation between their duties is sometimes blurred and it appears that

[37] Author of *Managerial accounting: creating value in a dynamic business environment*, 2002

increasingly often the tasks of a CFO are shifting to controllers, especially financial controllers. A research conducted by IMA association in September 2013 highlights in fact that the major part of the organizations (61%) have a CFO or finance director[38], but more than 30% of the controllers interviewed indicate that their role encompasses the responsibilities of a CFO. As we might expect this happens especially in smaller organizations: 80% of the firms where the controller assumes CFO responsibilities have less than 200 employees.

In brief, economic literature present both the CFO and the financial controller as two types of financial leadership roles in a business; it is true that some companies combine the two, but it is necessary to keep them distinct for those companies which have a significant size or are planning to grow, and so need both. Many practitioners who follow this line tend to leave to the controller position few or none value-added responsibilities, assigning the bulk of them to the Chief Financial Officer.

For example Ben Paramore (CFO at a mid-market retail finance company in Alabama) makes a comparison between the two figures[39] and what emerges is that, among other things, the activities of analysis, forecasting and planning belong to the CFO, while to the controller (who is a step higher than a simple accountant but a step lower than the CFO) belong the activities of accounting, reporting, budgeting and compliance (fig. 6). In addition, the CFO must have a deep knowledge and understanding of how the financial system interrelates with business operations; he has to deal with capital structures, business funding and cash management; he has to understand financial and non-financial business risk and how to mitigate it; he has to be able to implement strategy, make decisions and solve problems. In Paramore's opinion while the CFO is future oriented, the controller is somewhat anchored to the existing status of the business, with a focus on "here and now".

Erin Milam, CFO of HighGrove Partners in Austell, in his article *Controller or CFO: What's the difference*[40] states that the first difference between the two roles are their functions with respect to the financial statements. Preparing the financial statements each month, reconciling all the underlying data, making sure all controls are in place and the data contained within the financials maintains integrity are duties that pertain to the controller. It is CFO's duty interpreting the financials, performing variance analysis, underlying issues to determine why anything differs from the budget, providing internal and external end users a clear understanding of the actual results, as well as projecting an accurate picture of future results. According to Milam, controller's functions are accounting in nature (fig. 7), he is a backward-

[38] To which the controller almost always report (81% of the cases)

[39] Paramore B. (2013), *Difference between CFO and controller*, www.proformative.com

[40] Milam E. (2013), *Controller or CFO: What's the difference?*, Landscape Management, Vol. 52 Issue 11

looking individual, detail oriented, in contrast with the CFO who is strategic and forward-thinking, and to whom belong the major financial decisions.

Fig. 6: A CFO and controller comparison

| CFO | Controller |
|---|---|
| Analysis and solutions | Accurate reporting |
| Financing and forecasting | Accounting and reporting |
| Critical key indicators | Standard format |
| New views | Existing status |
| Planning and implementing | Budgeting |
| Big picture future vision | Reporting here and now |
| Functional focus | Financial focus |
| Compatibility | Compliance |
| Strategy | Tactics |
| Coach to functional managers | Reporter |
| What if... | What is.. |

Source: Paramore B. (2013), *Difference between CFO and controller*, www.proformative.com

Fig. 7: Duties and overlap of a CFO and Controller

| Responsibility | CFO | Controller |
|---|---|---|
| **Accounting** | | |
| Assist with the annual audit | ✓ | ✓ |
| Accounts payable | | ✓ |
| Accounts receivable | | ✓ |
| Issue billings promptly | | ✓ |
| Calculate job costs | | ✓ |
| Complete bank reconciliations | | ✓ |
| Issue management reports | ✓ | ✓ |
| Prepare financial statements | | ✓ |
| Interpret financial statements | ✓ | |
| Maintain policies and procedures | | ✓ |
| Maintain the chart of accounts | | ✓ |
| Manage the accounting staff | | ✓ |
| Manage the budgeting process | ✓ | ✓ |
| Review capital requests | ✓ | |
| Process payoff | | ✓ |
| Implement operational best practices | ✓ | ✓ |
| Provide financial analysis | ✓ | ✓ |
| Develop performance measurements | ✓ | |
| Maintain performance measurements | | ✓ |
| Review control weaknesses | ✓ | ✓ |
| | | |
| **Finance** | | |
| Formulate financial strategy | ✓ | |
| Formulate tax strategy | ✓ | |
| Formulate risk management strategy | ✓ | |

| | | |
|---|---|---|
| Negotiate acquisitions | ✓ | |
| Maintain banking relations | ✓ | |
| Arrange for debt financing | ✓ | |
| Invest funds | ✓ | |
| Issue credit to customers | | ✓ |
| Maintain insurance coverage | ✓ | |
| Monitor cash balances | ✓ | ✓ |

Source: Milam E. (2013), *Controller or CFO: What's the difference?*, Landscape Management, Vol. 52 Issue 11

We have taken into consideration also information from websites of companies that offer part-time CFOs and controllers services, like CFO edge, Strategic CFO, CFO enterprise and Opus Consulting Group.

CFO Edge[41], states that duties like performance measurement reporting, planning and forecasting, guiding the business to the improvement of efficiencies, profitability and productivity, pertain to the CFO, along with maintaining and developing critical relationships with existing and prospective investors and lenders. A controller instead is responsible of managing day-to-day financial affairs, which usually include maintaining the books and general ledger, preparing the financial statements in accordance with GAAP, managing the day to day banking relationship, reporting historical data for the CEO's analysis and interpretation, maintaining compliance with controls and processes for accounting functions. In their description, controller's role is to provide financial statements showing a 5% decline in gross profit; it's up to the CFO evaluating and explaining the causes behind the decline, as well as recommending corrective actions. In shorts the Chief Financial Officer is presented as the mind who *develops* management reports, policies & procedures, budgets & financial plans, cash flow assumptions, performance measures, internal controls, capital expenditure requests; the controller is the one who *prepares* and *maintains* them (fig. 8). In other words, all responsibilities in Executive & Strategic Management, and in Finance essentially belongs to the CFO. As to the Accounting areas, the CFO primarily focuses on planning, implementing, and overseeing initiatives that require higher-level skill sets. By contrast, controller participation is characterized by preparing reports, maintaining processes, and following up on initiatives implemented by the CFO. To the CFO is also attributed the responsibility to plan the annual audit: this is another controversial topic since in many sources of different types we can find that this is a duty that falls under controller's accountabilities.

[41] See CFO Edge (2014), *CFO or controller: what's right for your business*, paper available on www.cfoedge.com

Fig. 8: duties of CFOs and controllers

| Executive & Strategic Management | CFO | Controller |
|---|---|---|
| Member of Executive Management Team | ✓ | |
| Plan & Implement Growth Strategy | ✓ | |
| Plan & Implement IPO & Acquisitions | ✓ | |
| Plan & Implement Profitability Strategy | ✓ | |
| Participate in Corporate Governance | ✓ | |
| Oversee Major Business Unit Purchases | ✓ | |
| Oversee IT Function | ✓ | |
| Oversee HR Function | ✓ | |
| Oversee Outsourced Legal Function | ✓ | |

| Finance | CFO | Controller |
|---|---|---|
| Analyze Financial Data | ✓ | |
| Formulate Financial Strategy | ✓ | |
| Formulate Tax Strategy | ✓ | |
| Formulate Risk Management Strategy | ✓ | |
| Raise Capital | ✓ | |
| Communicate with Stakeholders | ✓ | |
| Negotiate Financial Covenants | ✓ | |
| Maintain Covenant Compliance | | ✓ |

| Accounting | CFO | Controller |
|---|---|---|
| Plan & Oversee Annual Audit | ✓ | |
| Prepare Financial Statements | | ✓ |
| Develop Management Reports | ✓ | |
| Prepare Management Reports | | ✓ |
| Develop Policies & Procedures | ✓ | |
| Maintain Policies & Procedures | | ✓ |
| Develop Budgets & Financial Plans | ✓ | |
| Prepare Budgets & Financial Plans | | ✓ |
| Develop Cash Flow Assumptions | ✓ | |
| Prepare Cash Flow Projections | | ✓ |
| Develop Capital Expenditure Requests | ✓ | |
| Process Capital Expenditure Requests | | ✓ |
| Develop Performance Measures | ✓ | |
| Maintain Performance Measures | | ✓ |
| Develop Internal Controls | ✓ | |
| Maintain Internal Controls | | ✓ |
| Develop Record Retention Policies | ✓ | |
| Maintain Record Retention Policies | | ✓ |
| Recommend & Implement Software | ✓ | |
| Maintain Software | ✓ | ✓ |

Source: CFO Edge (2014), *CFO or controller: what's right for your business*, www.cfoedge.com

Strategic CFO describes the controller as a senior position within an organization which, among the other things, is asked to provide company financial information to internal management personnel and often comparative analysis and interpretation of financial statements and reports for making executives in the position to take informed decisions. However his primary responsibilities include also financial reporting to outside agencies, management of accounting functions and internal controls, overseeing of payrolls and the compilation of weekly job reports. Besides, as well as CFO edge attributes activities of finance nature such as the management of banking relationship, strategic CFO adds to controller job list also the maintenance of bank accounts, cash balances and the management of cash flows, which may be more easily reconnected to the treasurer position. CFOs instead have a much larger role in an organization than does a financial controller. While the controller is described as the head of the accounting area in a company, the CFO is responsible for and has to observe every financial and operative function in the organization; he develops and implements the financial strategy of the company and must be able to identify heavy business risks and make appropriate business decisions regarding those risks. To put it quite simply, the controller is the one who merely reports the expenses within the company, the CFO is the one who drives the expenses by taking financial decisions and measuring the risks involved.

According to CFO Enterprise again the controller leads the accounting department and delivers to the CFO financial statements in addition to financial reports; all information that CFO uses to analyze how business is performing and to create forecasts and financial plans. The CFO oversees the financial, accounting, payroll and tax sectors of a business and should have an understanding of both the operational and financial aspects of a business in order to assess its financial state. In short, here the CFO focuses on finance and projections, while the controller actually focuses on accounting and bookkeeping.

Opus consulting group recognizes that the controller creates financial reports to meet the specific needs of the business and helps to keep costs under control. However he can also have tasks closely related to finance (he can take over the basic cash flow management of the business) and he can perform all of the functions of a bookkeeper or supervise the staff that does (keeping accurate records of financial transactions, create basic financial statements, make sure bills get paid, send out invoices and so on). Planning, projecting, measuring and tracking financial and operational progress fall under the CFO's scope.

To sum up, it appears that CFOs and companies providing financial assistance delineate a significant strategic and tactical difference between the value a CFO brings to the business and that of a controller, whose contribution to the management team seems to be limited to the provision of financial reporting. In this perspective analytical tools and methods associated with management accounting practices that are useful to monitor business performance are expected to be used by the CFO rather than the controller.

### 2.1.3 New challenges for CFOs and controllers

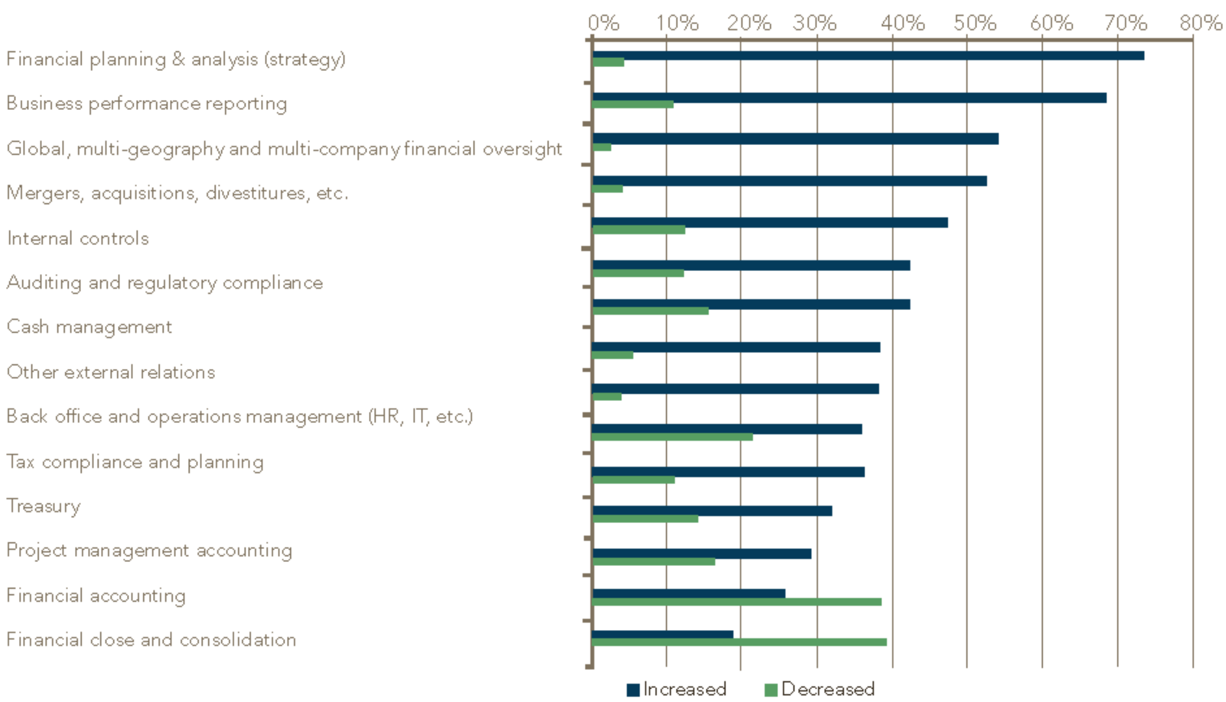
The representation made by Milam, Paramore, and companies providing CFOs and controllers in outsourcing do not capture the changes felt by many financial controllers and proven by more than one research. Both the CFO profile and the financial controller are changing in ways that reflects those of the finance area. IMA's report recognizes that the finance function is becoming more of a strategic business partner within the organization, moving from the delivery of data and results to the interpretation of information helpful to decision making processes. The CFOs are responding to these trends by placing a greater emphasis on adding value to their organizations, namely assuming more strategic responsibilities, away from day-to-day operational ones, and contributing more to the overall direction. It is natural that, since according to IMA's survey more than 30% of controllers are performing the tasks of a CFO within their organizations, some of these value-added responsibilities fall to the controller—the CFO's "right-hand person".

What does this on-going transformation imply? 73% of respondents to IMA's survey reported that, from 2010 to 2013, the CFO's time spent in strategic financial planning & analysis increased; 69% reported a rise in time demand for business performance reporting; 54% says there has been a greater demand for global, multi-geography, and multi company financial oversight; and another 53% cite more time required on mergers, acquisitions, and divestitures. Many times the assumption of these empowered functions comes at the expense of CFO's time commitment on his traditional role, that is supporting financial accounting and financial close and consolidation (fig. 9).

As regards controllers, nearly 80% noted, from 2010 to 2013, more demand to apply strategic, forward-thinking skills; 75% have been asked to provide more strategic analysis of reports; three-quarters have been asked more often to leverage their experience and skills to help the business; and again three-quarters spend more time driving productivity improvements. In addition, 70% thought they are spending more time providing other departments with direct access to their performance results and assessing their information needs through the collaboration with senior team members (fig. 10).

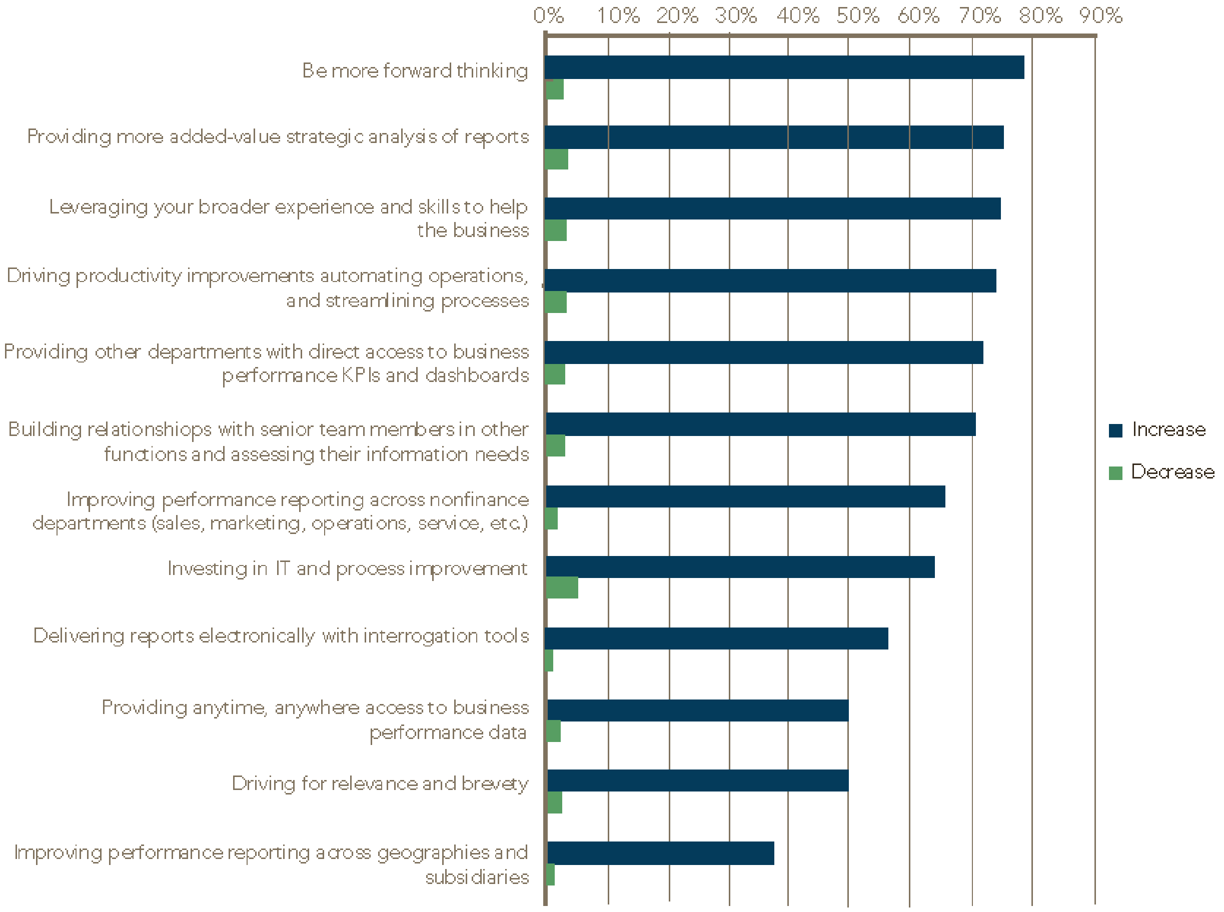
Anyway, while senior finance professionals believe that the finance function adds a great deal of value to the organization, at the same time only the 22% of them are convinced that those outside of finance understand the potential contribution controllers and other financial managers in general can make. This discrepancy could be caused by the need for finance to more efficiently communicate its contributions to others, or a corporate culture that does not enable finance to contribute to the entity as sufficiently as it should be.

fig. 9: How CFO time spent changed from 2010 to 2013




Source: IMA (2013), *The evolving role of the controller*, www.imanet.org

Fig. 10: How controller time spent changed from 2010 to 2013




Source: IMA (2013), *The evolving role of the controller*, www.imanet.org

Similar results have emerged in a survey carried out by Ernst & Young in 2007 conducted among financial controllers and other finance professionals. Again, the report emphasizes that "Finance is becoming a business partner at the heart of the organization": in this context 82% of financial controllers believe that in the last years they are facing more challenges, including a greater pressure to deliver higher quality management information and a greater commitment on high level work passed by the CFO. In fact, according to the report, the focus of the CFO has shifted towards investor and other external relations, delegating more difficult but stimulating work to the financial controller. Alternatively, the controller may help the CFO in dealing with investor relations.

The Research reports that regulatory change, economic instability, the credit crunch has had a large impact on the finance function, in particular on the role of the CFO: executive managers increasingly require him to dedicate more to annual budgeting, outlook forecasting and risk management. This in turn broadens the financial controller role, providing opportunities as well as implications on individual skills, resources and priorities. This broadening implies that a financial controller can simultaneously play more than one role:

- scorekeeper, focused on bookkeeping, processing transactions, reconciling balances;
- custodian, focused on governance, compliance and controls, safeguarding of assets and value protection;
- commentator, focused on explaining the numbers, variance analysis and management reports;
- business partner, focused on value creation, acting as business advisor and integrator, providing insight and robust challenge to support decision making.

While traditionally the financial controller has operated within the scorekeeper role, today his responsibilities are varied and challenging; however, it is important to make sure that the scorekeeper and custodian roles are robustly fulfilled before moving to more value-added skills. We can say that we are in the presence of a CFO rather than a controller -and vice versa- relying also on the attitudinal skills: although some tasks may overlaps, a CFO for instance is not and will never be "an accountant, a bean counter, a number cruncher"; yet he should be a "strategic, a leader, an advisor" (Dergel, 2014). According to a study run in 2007[42] the average CFO was found to be multi-focused and social, always soliciting others to share ideas and participate to brainstorming. Controllers, on the other hand, were found to be task-oriented, focused on the present rather than the future, on who is going to do what. In general, controllers are more likely to present ideas to other people and expect other people to provide logical information. This makes them uni-focused rather than multi focused.

### 2.1.4 What about Italy?

It is undisputed that in the Anglo-Saxon literature the CFO is the one who oversees the accounting and finance departments, including the management accounting area, even though his job description may vary depending on the companies for which he works. Conversely, in Italy, researches show that the "English" CFO is not so common. Andrea Dossi, associate professor at Bocconi University, in an interview given in 2008[43] tried to find a reason: in his opinion, on the one hand, it is difficult to find a figure who has a so thorough vision of finance, accounting and management accounting, on the other hand there are few companies that require it. This likely is because in Italy there are less important financial markets with respect to Britain; in addition, we used to think that in small firms a figure like the CFO is less necessary. Finally, there exists a cultural problem, namely the consensus is that the economic-financial culture in Italy is not as rewarding as the engineering-commercial one.

[42] Mitra S. (2007) *why Controllers aren't CFO,* www.aicpastore.com
[43] Ferretti A. (2008), *CFO, in Italia è un ruolo ancora tutto da scoprire*, www.business&gentlemen.it

Furthermore, the Anglo-Saxon model cannot be entirely exportable in Italy because of the difference between the 'Common law' that characterizes Britain and 'Civil law' that constitutes the basis of the economy in our country. For example, in USA and England the Board of directors has a different value and the management has a greater responsibility in terms of corporate governance and control. Besides, Italian corporations' size is not comparable to the one of USA and other European corporations. Another difference is that organizational models in Italy are based on the historical separation between *amministrazione, finanza e controllo* (AFC competencies, namely accounting, financial management and control). Note also that in the Anglo-Saxon world the figure of *direttore generale* ("general manager") is almost never provided, which also explains the major powers delegated to the CFO.

Today we do not have data around the diffusion of the CFO figure in our country. However, we can say that it is more likely to find it in listed companies or in general, where there exists a high level of business complexity (such as corporate groups). Many times, we can find the so called *Direttore amministrativo e finanziario* (DAF), the head of the AFC area, who is the closest profile to the CFO; in all other cases the role of the CFO is divided between different managers. We usually distinguish between '*direttore finanziario'* and '*direttore amministrativo'*, but many times, we will identify just a '*direttore amministrativo'*.

#### 2.1.4.1 Direttore amministrativo Vs Controller

Who is the *direttore amministrativo* and what does he do? This position can be translated as 'head of the accounting department': his primary task is overseeing the accounting process and the management of all the documentation concerning the relationship between the company and third parties, the drafting of the financial statements according to the right standards and the related statutory and tax compliance. Directly linked to the recordkeeping is the monitoring of the accounts receivables and payables, i.e. the assurance that accounts receivables are regularly collected and accounts payable are regularly paid. This figure possibly is responsible for the treasury and the relations with the banks (Amigoni, Caglio 2012). In multinational companies, he is also in charge of the drafting of consolidated financial statements. Maybe we can say that in Italy the *direttore amministrativo* is the closest figure to the concept of financial controller of US and Anglo-Saxon realities.

On the contrary, what in Italy is known simply as 'controller' is a distinct job, although he has an accounting background, because he still deals with costs, revenues and financial statements, even if in a very different perspective. In smaller firms the *direttore amministrativo* can take over the preparation of periodic reports (e.g. reports about sales trends), which enable the entrepreneur to have an insight on the business health; however, when you want to introduce a separate management accounting function in a business, you have to identify someone else who oversees the budget process, the reporting process, and who helps in the analysis of the performance results. This is because neither the *direttore amministrativo*, neither other line managers can take on the commitment to meet with colleagues in order to plan, produce, or analyze reports used by different business functions rather than by them directly. This is the work required to a controller, for which the monitoring of the business performance and the implementation of the required management procedures are prevailing with respect to the application of accounting duties and charges, both statutory and fiscal: otherwise, we are still in presence of a *responsabile amministrativo*. Therefore, in some firms it is normal to have a management accounting function in charge with budgeting formulation, planning processes, and business reporting preparation, often based on an analytical accounting not strictly related to the general accounting. We are talking about a department separated from the financial accounting one (and the finance one as well), and equally important since it depends directly on the general management. The controller become thus the highest authority in this area; it is in this case, when he is entrusted primarily with management accounting functions, that the title 'controller' may be interchanged with the title 'management accountant'.

Why this clear separation between the three functions and in particular between management accounting and financial accounting (*controllo di gestione e amministrazione*)? According to Amigoni & Caglio (2012) a *direttore amministrativo* requires a completely different profile with respect to the one of the controller. The former is a function traditionally far away from the operative ones, focused on the rules, the standards, the precision of the data and pays more attention to the 'form' rather that the 'substance'. The latter has an overall view about the connections between the various functions, since he meets with the different line managers in order to understand their perspective with respect to an issue. He analyses in deep the numbers with the aim to catch the financial-economic effects of line managers' actions. He is expected to be an individual with high analytical skills and strong relationship skills, in order to interact with management in a way that best develop his support role. In short, the two functions require individuals with very different attitudinal skills.

#### 2.1.4.2 CFOs and controllers in Italian firms

As an effect of globalization and of practices brought by multinational companies, in the last decades Italian enterprises have started to embrace the Anglo-Saxon model, gathering the AFC competencies in one single person, the CFO or, as we said before, DAF (*direttore amministrativo e finanziario*). How has this figure evolved over the years, to the point of including all these functions?

First of all it was not until the 70's that in Italy the managerial accounting function gained importance within organizations, as a logical development of the 'industrial accountability' systems already in place (it is in this framework that the figure of the controller appears, in addition to the existing *reponsabile amministrativo*). Then, from the 80's onwards, thanks to the expansion and globalisation of financial markets, the so called operations on "extraordinary finance" (i.e. acquisitions, mergers, separation of assets, restructuring of debt and capital) have started to assume a growing relevance, creating a context in which the *direttore finanziario* became a necessary position. On the other hand, there have been cases of unexpected bankruptcy, not foreseeable from the analysis of financial statements, and often caused by fraudulent actions; therefore, stakeholders wanted an individual in the organizations who was able to ensure that CEO's actions were addressed to the creation of value in the long term (Amigoni & Caglio, 2012). This was possible only by entrusting one single individual with the control over the finance function, the planning and reporting function, and the economic-financial communications to the markets (which, since it should be based on the financial statements, requires the supervision of the financial accounting function). This last step definitely oriented our larger businesses towards the Anglo-Saxon model, which provides the figure of the CFO. As we said, in addition to finance, his role encompasses responsibility over management accounting and financial accounting as well, and often auditing and risk management; he supports the CEO in strategic planning, maintains relationships with investors and all the stakeholders.

Another factor that plays a critical role in supporting this process of integration is the evolvement of the Information Technology. Years ago each function used to use an *ad hoc* software, which from one side were able to solve specific problems, but from the other side made integration difficult. From the mid-90s the informative integration granted by the use of ERP systems (Enterprise Resource planning) and then the use of BI (Business Intelligence) has facilitated the necessary collaboration between functions.

The results of a survey conducted by ANDAF[44] in collaboration with the University of Pisa in 2006 highlights the need to define which tasks fall under the responsibility of a CFO (intended in is broad meaning, i.e. encompassing the figure of *Direttore Amministrazione, Finanza e Controllo* and *Direttore Amministrazione e Finanza*). The findings show that a CFO deals also with "cross-functional" areas, such as auditing, company and legal affairs, business planning, risk management, information systems, investor relations. In some cases he is required to take

[44] *Associazione Nazionale Direttori Amministrativi e Finanziari*. It is an association founded in 1968 with the goal to promote the exchange of experiences and information between the Italian officers in charge of accounting, finance, management control, planning and internal auditing. In particular, ANDAF national and international initiatives aim to represent the needs and experiences of its members in institutional settings.

over areas traditionally out of his scope, like human resources management, general services and purchases (it happens in some small companies, where there are not officers dedicated to this functions) (fig. 11).

Fig. 10: Functions assigned to CFO

| Functions/Activities | % Firms |
| --- | --- |
| finanza | 79% |
| Contabilità e bilancio | 71% |
| Affari tributari e fiscali | 67% |
| Controllo di gestione | 60% |
| Pianificazione | 54% |
| Affari societari | 54% |
| Auditing | 50% |
| Affari legali | 41% |
| Bilancio sociale | 36% |
| Risk management | 32% |
| Sistemi informativi | 29% |
| Servizi generali | 29% |
| Acquisti | 24% |
| Gestione risorse umane | 22% |
| Investor relations | 13% |

Source: ANDAF (2006), *Il CFO italiano: funzioni assegnate e posizionamento organizzativo. Un'indagine empirica*, dossier of ANDAF Magazine No 1

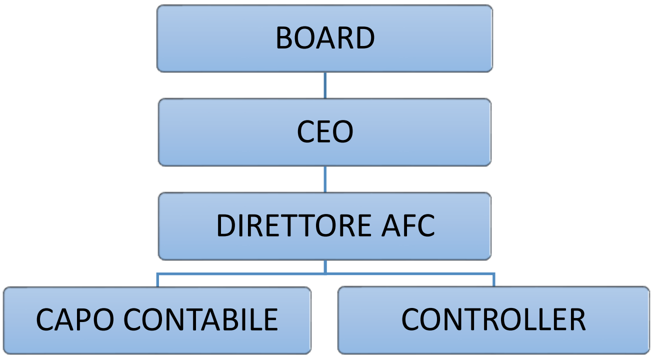
These results prove how also in Italy the CFO is moving towards a "business integrator" profile, who is no longer limited to support the CEO (in Italy most known as *Amministratore delegato*) providing information for decision making, but he assists him and in certain cases he replace him in the monitoring of different functions.

Two points deserve some remarks: first, from the table above we can see that in 60% of the cases the CFO deals with management accounting. This occurs when the controller role is not provided; in big corporations, public companies or corporate groups it is the controller who has the necessary specialization to manage this activity. However, also in this case, if the controller reports to the CFO, this last is likely to take responsibility over this function: this is the ratio behind this high percentage.

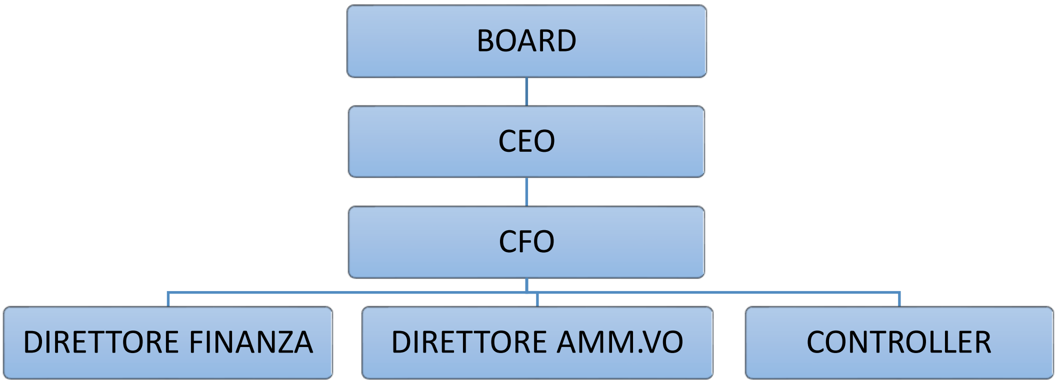
Second, it is also interesting to notice CFO's involvement in planning activity, which is the one with the highest strategic content: according to ANDAF survey, this activity is the one that the CFO is more likely to delegate to the controller when this figure is present. It is remarkable because it seems confirming the moving towards strategic tasks which involves the controller figure.

After having discussed around the relationship between the controller and other main managers, a clarification about where the controller is placed in the hierarchical structure is necessary to draw conclusions. To this purpose, again ANDAF survey is very helpful. Four kinds of organization charts have been identified among the businesses examined:

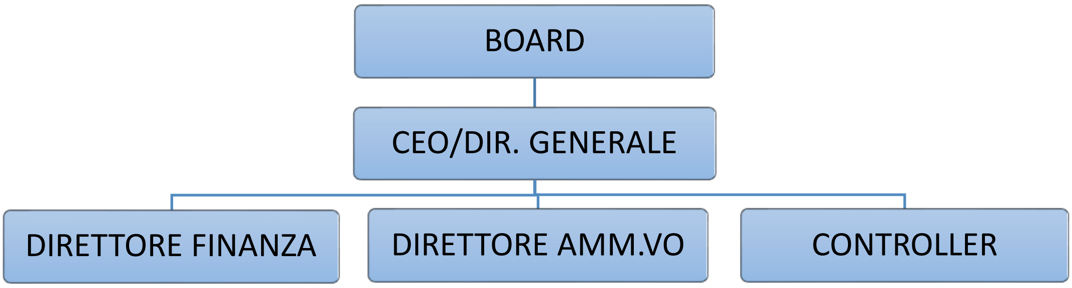
1. In the first chart the controller, along with a *capo contabile* (*responsabile amministrativo)* reports directly to the *direttore AFC* (expressly mentioned by 40% of the entities), which in turn reports to the CEO;



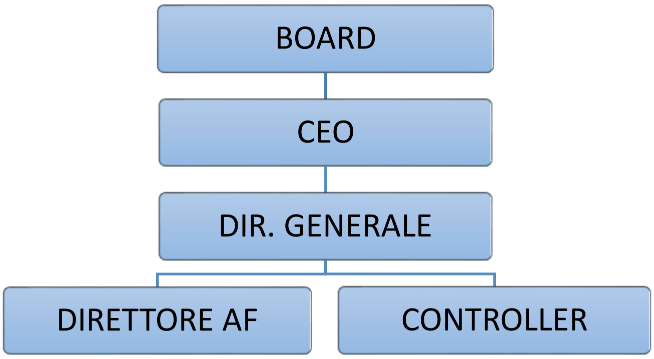

2. the second one contemplates the presence of the CFO (expressly mentioned by 27% of the entities) to which the controller reports, along with a *direttore amministrativo* and a *direttore finanza*; the CFO in turn reports to the CEO;




3. in the third type of structure the controller, as well as the *direttore amministrativo* and the *direttore finanza*, depends directly from the CEO: there is no CFO/ *direttore AFC*/ *direttore AF* (18% of the cases);




4. in the last one (15% of the cases) both the controller and the *direttore AF* are monitored by a *direttore generale* (or sometimes directly by the CEO). There exists nor *direttore amministrativo*, nor *direttore finanza*.




### 2.1.5 Comparison with other finance positions

As we have seen so far the financial controller is presented as an officer who oversees the finance/accounting functions. Actually many educational textbooks analysed maintain that, in larger firms, the controller shares these functions with a **treasurer**: an overview of what a treasurer is supposed to do helps us not only to better understand *what a controller is*, but primarily *what a controller is not*. Some authors report that a controller may perform certain treasury tasks, and that in smaller firms these two roles may be combined. However, A. Musso asserts that we cannot for example expect that the controller relates with the banks especially for bank charges rather than for business plans: instead we are entitled to expect this from a treasurer.

According to Hilton (2010) The **treasurer** should be responsible for raising capital and safeguarding the organization's assets. In addition, the treasurer is responsible for the management of investments, credit policy, and insurance coverage.

Merchant & Van der Stede (2007) made a more precise distinction between the duties pertaining to a controller and the ones pertaining to a treasurer (fig. 11). For the authors, while the controller can be called to deal primarily with financial record keeping, reporting, and control, the treasurer function deals primarily with raising and managing capital. The treasury function is generally highly centralized, while a controller's function may be both centralized and decentralized, in case a divisionalized corporation need controllers also in their profit centers or cost centers. Differently from Hilton, we can see that the safeguarding of the organization's asset, fall under a controller's responsibility: we can say that this happen when the controller is in charge of the internal control system.

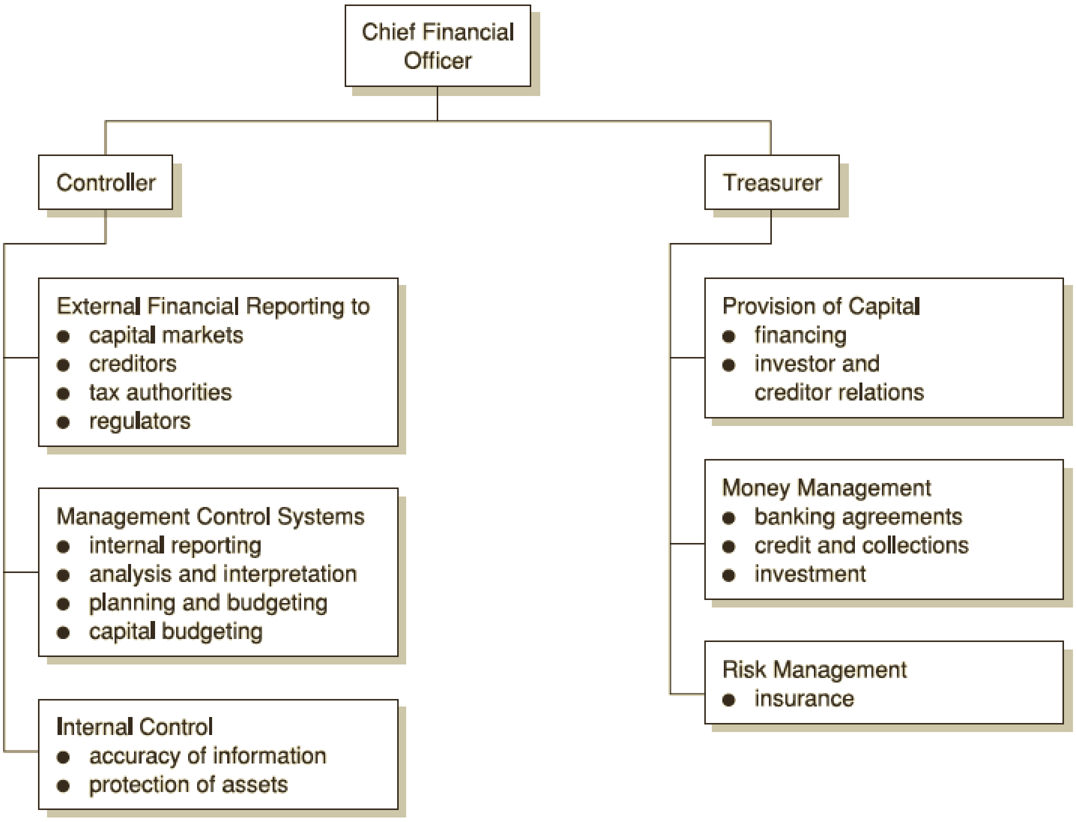
The financial executive institute, an association of treasurers and controllers, made a very similar representation to the one in fig. 11, and it distinguishes the controllership and treasury functions as follows (in Horngren, Sundem & Stratton, 2002):

| CONTROLLERSHIP | TREASURERSHIP |
|---|---|
| Planning for control | Provision of capital |
| Reporting and interpreting | Investor relations |
| Evaluating and consulting | Short term financing |
| Tax administration | Banking and custody |
| Government reporting | Credits collection |
| Protection of assets | Investments |
| Economic appraisal | Risk management (insurance) |

Van Horne & Wachoviz (2008) as well, split the financial operations overseen by the CFO into two branches, with one headed by a treasurer and the other by a controller. In their representation, the controller is entrusted with cost accounting, budgets and forecasts, but he can also provide financial reporting for external consumption. They assign to the treasurer's responsibilities the decision areas most commonly associated with financial management: "investment (capital budgeting, pension management), financing (commercial banking and investment banking relationships, investor relations, dividend disbursement), and asset management (cash management, credit management)".

In other words, even though the exact division of tasks between controller and treasurer depends to a great extent from the organization, a controller appears to be more focused on the internal working of the organization, while the treasurer, in running his job, focuses outward, looking for loans and credits from outside sources, interacting with bankers, shareholders, current and potential investors, and maintaining with them healthy business relationships.

Fig. 11: Differences between controllers and treasurers




Source: Merchant K.A. & Van der Stede W.A. (2007), *Management control systems: performance measurement, evaluation and incentives,* Prentice Hall

There is another role that is control-related and requires financial measurement expertise like a financial controller role: it is the **internal auditor**. According to Merchant & Van der Stede, both the financial controller and the internal auditor works for assuring the compliance of accounting procedures to the related standards and the effectiveness of the internal control and accounting systems. In addition, those serving in these roles struggle with an inherent conflict of interest: "they are asked to service their organization and its management while at the same time providing a management oversight role on behalf of the organization's owners and other stakeholders". Nevertheless, unlike a financial controller, an internal auditor specializes primarily in assessing and monitoring organizational risk and controls, in the compliance of information with laws and standards, providing the board, the audit committee and executive management assurance that risks are mitigated and that the organization's corporate governance is strong and effective; when there is room for improvement they make recommendations for enhancing processes and policies. (Institute of Internal auditors, IIA)

We can often find comparisons between the role of a financial controller and the role of a **finance manager**. In this case, there are no true differences between the two: since a financial controller is often considered a sort of finance manager. However when in an organization both are present, common opinion tend to assign just accounting-related duties to the financial controller, such as the preparation of financial reports that summarizes an organization financial position, the implementation of internal control and the preparation of special reports for any relevant regulatory agency. A finance manager, on the other side, is supposed to be responsible for the financial planning and the achievement of financial goals, the management of company investments and the overseeing of the decisions taken by the finance section, with the aim to lower the risk.

## 2.2 Recap: summary and remarks about controller's descriptions

This paragraph will make a definitive analysis about the opinions of practitioners, academics, and institutions about the activities that are supposed to be entrusted to controllers, finding out similarities and differences among the various descriptions, as well as nature and causes of such differences.

### 2.2.1 Sources of the existing confusion: Linkedin job descriptions and economic literature

As we already said, the purpose of this thesis is clarifying what is the role of the controller within companies, given the confusion surrounding this kind of position. Indeed, controller job descriptions in job offers are often very different, and finding a tasks list that is commonly accepted for this role is not so immediate.

Searching for controller job offers on linkedin we find in fact a broad gamut of business profiles. Almost all of them require a figure who has to prepare the annual budget and accurate financial forecasts, highlighting deviations of "actual" results from budget projections; most times, he has also to suggest corrective actions to be taken to align the economic performance with budget projections. Common request is also the ability to define, measure and interpret the main business indicators with the aim to optimize performances and processes; he is often asked to build and design timely reports and ad-hoc analysis and he is often involved in cost controlling and other costing activities. Nevertheless, sometimes companies ask for resources that need knowledge and skills that goes beyond the planning function or management accounting function. In controller's job descriptions examined, we can also read that sometimes he is supposed to know national and international accounting principles in order to keep the records and participate to the activities of accounting closures and financial statements drafting. He is sometimes supposed to manage all the accounting operations including billing, analysis of inventories and of sales and to keep all the documentation for the statutory and fiscal compliance. Certain companies require also IT competencies in implementing platform computer support for the recognition and systematization of business information and evaluating the adoption of new technologies. Other times instead the controller is supposed to focus his analysis outside the corporation, helping the managers in discovering new business opportunities, analysing market share and checking commercial conditions of clients. He could also be asked to deal with the annual audit as well as cooperate with marketing function in the preparation of sales price lists. Clearly, job descriptions identify a figure not so strictly defined. From a theoretical point of view as well, we encountered some obstacles in understanding what a controller is actually supposed to do since there is no universal term to define the role: some authors use the terms ‘controller’ and ‘management accountant’ or ‘managerial accountant’ interchangeably, since a controller is supposed to be in charge of management accounting, while information from other sources implies that the two titles identify distinct positions. Other times the controller is akin to a Chief Accounting Officer (CAO), to a financial manager or we can find even an overlapping with the figure of the CFO. We tried to find out similarities of what a controller is and what is supposed to do, as well as differences and nature of these differences among the various sources examined which include academic information, information from practitioners, and institutional information.

### 2.2.2 Controller: management accountant or financial manager?

Let’s start from the assumption that we do not absolutely know what a controller is and what is supposed to do. First of all, we read in certain sources that a controller is a managerial (or management) accountant: for example Steven Bragg, author of more than 100 business books and courses, in 2011 published a manual called *The controller’s functions: the work of the managerial accountant* in which he explains that a controller, in the accounting department is responsible for the annual budgeting process, the management of cost accounting (allocation of costs and evaluation of inventory costs), the creation and maintenance of policies related to the control of company assets and the proper collection of financial transactions. He is described as a figure who manages the record keeping of accounting documents, the internal auditing procedures and the timely completion of all accounting transactions. He is in charge of the preparation and interpretation of financial statements and related tax requirements; he issues management reports; finally he performs financial analysis (reviewing, interpreting and generating recommendations related to corporate financial performance by comparing actual to budgeted results) and process analysis (reviewing and evaluating performance of processes). Just one year after in a new manual the same author identifies the controller as a finance manager (*The essential controller: an introduction to what every financial manager must know*) in which his functions are in brief again preparing master budgets and plans, supervising accounting functions and recording accounting transactions, reporting and interpreting results to help management take decisions.

Rouwelaar & Bots, researchers of Nyenrode research group, in their work *Business unit controller involvement in management* use the term controller to identify both management accountants and financial managers.

From an institutional point of view IMA association in its website explains the link between the two terms by saying that the controller is one type of *management accountant*[45] where management accountant is a *financial professional* since this kind of figure uses financial expertise to provide relevant information to management. The website reports that the controller manages a staff responsible for financial reporting and accounting operations. He is responsible for internal and external financial statements and regulatory reporting requirements. He implements internal control systems, evaluates the effectiveness of accounting systems, and monitors business performance metrics.

### 2.2.3 What management accounting should not deal with

However having a look to management accounting manuals, we can note that management accounting activities can include the functions just listed except for transaction recording and preparation of financial statements to external users. This is usually a field of competence of financial accounting, to which are associated skills and competencies different from the ones required to management accounting pactitioners, such as the knowledge of GAAP and/or IFRS. For example, *Management accounting for decision makers* by Atrill & Mclaney (2009) reports that "management accounting seeks to meet the needs of businesses' managers, and financial accounting seeks to meet the needs of the other user groups. These two strands differ in terms of the types of reports produced, the level of reporting detail, the time horizon, the degree of standardization and the range and quality of information provided". In particular, according to

[45] The concept that controller is one type of management accountant seems to be shared by some practitioners, like Sandy Wong, Senior Management Accountant at Nestlé Hong Kong when she says that in addition to forecasting and analysis at her company management accountants are assigned to each business unit as individual controllers (who control spending and improve spending efficiency). (Russell G.W., 2014, *management accountants day in the sun*, A Plus, issue 6 volume 10)

the authors management accounting information aids managers in the following areas: developing objectives and plans, performance evaluation and control, allocating resources, determining costs and benefits. As R. W. Hilton argues in *Managerial accounting: creating value in a dynamic business environment*, although similarities do exist between managerial and financial accounting, the differences are even greater. In the preparation of financial statements to outside interested parties (such as Stockholders, financial analysts, lenders, unions, consumer groups, and governmental agencies), accountants are expected to conform, as already said, to accounting principles required by law. They retrieve primarily financial data from the organization's basic accounting system; finally, their reports' focus is on the enterprise in its entirety and, almost exclusively, on historical transaction data. On the contrary preparing reports for internal managers use (with the aim to help in decision making, planning, directing, and controlling an organization's operations, as well as assessing its competitive position), implies drawing data not only from an organization's basic accounting system, but also from other kind of non-financial sources (e.g. "rates of defective products manufactured, physical quantities of material and labor used in production, etc.). No strict rules or legal requirements govern the way they are prepared or presented; in addition this kind of reports has a higher level of detail, since they often focus on subunits within the organization, such as departments, divisions, geographical regions, or product lines. Most of all reports to managers not only present an historic picture of past performance, yet they are based on a combination of historical data, estimates, and projections of future events. All the managerial accounting manuals examined share this representation of management accounting and financial accounting differences.

As a managerial accountant, intended as an individual in charge of management accounting, a controller should take the responsibility to design and manage the planning and control system, in order to: help management in making strategic and operating decisions and planning for the future; monitor the performance of the business, including managers and other employees, with the aim to gear towards organizational objectives; measure profits and put a value on inventory; implement processes that enable an efficient use of resources; assess the organization's competitive position. In this context the role of the management accountant is more concerned with providing complex analysis and information to support business management than with providing routine reports, since much routine work is now computerized[46]: for instance management accountants typically deals not just with the budgeting process, but also with costs analysis, break even analysis, "what if" analysis, differential analysis, economic convenience

[46] CPA Australia (2012), *Management accounting, study manual*, BPP Learning Media Ltd

analysis, and variance analysis[47]. We can say that in Italy this vision of controller role within organizations is adopted both from an academic point of view (see Bocconi definition of controller's tasks paragraph 1.1.4) and from an institutional point of view (see text of standard UNI 11618:2016 paragraph 1.1.4). The text of UNI standard, among the activities of the controller includes also the management of internal audit. Internal audit does not sit within the function but management accounting makes a significant contribution to the system of controls that is tested by internal auditors[48]. However to give auditors more independence sometimes companies decide to remove internal auditing from the controller's office[49].

### 2.2.4 Many different points of views

The picture that emerges from other textbooks is somewhat varied. Sometimes the controller is a figure who shares the finance and accounting functions with the treasurer and reports to the CFO as regards budgeting, forecasting, external financial reporting (to shareholders, banks and government regulatory agencies), tax administration and internal control. *Managerial accounting* (Ricketts & Gray, 1988) assigns to the controller also the task of monitoring, analyzing and reporting the results of operations in performance reports. In *Management control systems* the activity of planning as well belongs to the controller, while financial management manuals[50] attribute to the controller additional responsibilities in cost accounting, production of financial statements, general ledger, internal control and data processing for the firm's economic appraisal, whereas the activity of financial planning belongs to the treasurer. However, the authors specify that the exact division of accounting and financial duties between treasurer and controller varies from company to company, and in small entities, the same person may be both treasurer and controller.

The Financial executive institute, an association of controllers and treasurers, presents another kind of task division between controllership and treasurership, which maybe have more in common with the one presented in *management control system*. In fact according to the institute a controller's functions could be summarized as follows[51]: planning for control, reporting and interpreting, evaluating and consulting, tax administration, protection of assets, economic

[47] Cantino V., De Bernardi P., De Valle A. (2015), *Sistemi di misurazione e rilevazione delle performance aziendali*, G. Giappichelli Editore, Torino
[48] CGMA, (2014), *How management accounting drives sustainable success*, CGMA report
[49] Ricketts D. Gray J. (1988), *Managerial accounting*, Houghton Mifflin Co. , Boston
[50] Van Horne J. C. , Wachovicz J. M. Jr. (2008), *Fundamentals of financial management*, Prentice Hall
Keown A. J., Martin J. W., Petty W. D., Scott D.F. (2001), *Financial management principles and applications*, Prentice hall
[51] see Horngren C. T., Sundem G. L., Stratton W. O. (2002) *Introduction to management accounting*, Prentice Hall, New Jersey

appraisal; notably management accounting is the means of implementing the first three functions[52].

In other sources, like in *The practical guide to Finance and Accounting*[53] the controller is simply described as an accounting professional, usually a certified public accountant or a certified management accountant, who is responsible for all financial statements. It is interesting to notice that more than a practitioner associates the title controller to a figure more similar to an accounting officer rather than a finance manager. This can be detected particularly when they are asked to provide a comparison with the role of the CFO. For example Erin Milam, CFO of HighGrove Partners in Austell, argues that the controller is entrusted with the preparation of financial statements each month and the reconciliation of all the underlying data; he or she is responsible for making sure all controls are in place and the data contained within the financials maintains integrity. It is the CFO who interprets the financials, perform variance analysis to determine why anything differ from the budget, provide internal and external end users a clear understanding of the results and project accurate pictures of future results. Ben Paramore as well, CFO at a mid-market retail finance company in Alabama, highlights that a controller essentially supervises the accounting function and is responsible for financial reporting and budgeting processes. In his opinion, analytical tools and methods associated with management accounting practices that are useful to monitor business performance are expected to be used by the CFO rather than the controller[54].

We have also taken into consideration information from websites of companies that offer part-time CFOs and controllers services, like CFO edge, Strategic CFO, CFO enterprise and Opus Consulting Group. To sum up, it appears that CFOs and companies providing financial assistance delineate a significant strategic and tactical difference between the value a CFO brings to the business and that of a controller. This last is supposed to possess skills that go from financial accounting to financial management, and his contribution to the management team seems to be limited to the provision of financial reporting.

In contrast, two surveys by Ernst & Young and the Institute of management accountants, run respectively in 2007 and from 2010 to 2013, highlight how nowadays controllers are facing increasingly more challenges, and their role is expanding to include more forward thinking skills, and more strategic analysis of reports (see paragraph 2.1.3). Accordingly, Ricky Wong, Manager at Hutchison Whampoa, welcomes the chartered Institute of global management accountants to provide professionals with more management-accounting training: he says that

[52] See also paragraph 2.1.5.
[53] Drake S.M. & Dingler R.G., (2001), *The practical guide to finance and accounting,* CCH Inc.
[54] See also paragrapg 2.1.2.

for management accountants technical skills associated with financial accounting are important, but it is necessary to possess the analytical skills to understand the underlying business principles associated with accounting standards and data[55].

### 2.2.5 Reasons and interpretations

In conclusion, we can notice that there exists no clear perspective about the key tasks a controller is supposed to perform. Neither academic sources nor practitioners seems to follow a unique line of thought. Controllers are not always regarded as officers exclusively in charge of activities closely related to planning and control, as we often do in Italy. Almost all sources agree in stating that controllers are in charge of preparing financial reports, evaluate performance of the company, set accounting policies and procedures, and are involved in the budgeting process. However, it is also true that many authors assign to the controller the responsibility of financial statements production, the recording of accounting transactions, the maintenance of internal control and the production of financial reporting addressed not only to internal managers but also to external users. Activities like financial planning and forecasting, costs control, variance analysis, evaluation of investing decisions are less common, and often attributed to the CFO: this last, being more aware of all business operations can play a more strategic and analytical role in the success of the entity. Furthermore, in controllers' job descriptions we can also find risk management, cash flow management and other banking and financial activities. Several interpretations could be applied to explain this variety of tasks assigned to the figure of controller:

- For the vast majority of authors the word controller indicates the chief of the accounting department, or Chief Accounting Officer (CAO). As such, he is in charge of *both management accounting and financial accounting*: in fact, despite the differences between management accounting and financial accounting, most organizations (especially in U.S.A.) prefer a general-purpose accounting system that meets the needs of both internal managers and external parties such as investors and government authorities (Horngren, Sundem & Stratton, 2002). For those scholars who embrace this description (such as Zimmermann, 2005[56]), it is normal that for example a controller supervises the financial accounting for the production of financial statements and related tax requirements, and the management accounting for the production of reports useful for management decision making. In addition, Anglo-Saxon and American corporate

[55] Russell G.W., (2014), *Management accountants' day in the sun,* A Plus, issue 6 volume 10
[56] Zimmerman, J.L. (2005). *Accounting for Decision Making and Control*, McGraw-Hill Higher Education.

culture do not have the figure of *Direttore amministrativo*, who deals just with financial accounting: it appears that the figure of the financial controller covers his responsibilities. Furthermore according to Richardson's study (2017) *The Relationship between Management and Financial Accounting as Professions and Technologies of Practice,* the independence of management accounting from financial accounting is illusory "…because of: (1) the use of financial accounting criteria to judge the quality of management accounting systems, (2) the assignment of management accountants to subordinate positions in organizational units whose primary purpose was financial accounting, (3) the dominance of financial accounting in the market for educational materials, (4) the judgment of the labor market that a financial accountant could replace a management accountant (but not vice versa)"

- Another explanation is certainly related to the size of the company. If a company is small, the controller may be entrusted with many functions. Therefore, it could happen that in a small firm a management accountant is called to participate in strategic cost management to achieve long-term goals and objectives, implement planning and decision making for internal cost activity, perform management and operational control for performance measurement, and at the same time prepare financial statements to support the first three roles[57]. In small firms, there is no high specialization and high distinction between roles as in larger firms, so we could find that the role of the controller and the CFO overlaps, or that the controller is in charge of treasury functions such as cash flow management or investing decisions. When the company grows two scenarios are possible: the controller merely focuses on provision of financial and accounting information leaving the activity of financial analysis, planning & forecasting, budgeting projections, economic appraisal and other value added functions and management accounting activities to the CFO; or he is in the position to delegate the more routine accounting tasks to an adequate staff, so that to be more involved with strategic planning, and to be able to aid in the decision making process.
- Regardless of the size of the firm, the jobs assignment to a controller may depend upon corporate culture; in other words, it may depend on how top management interprets controllers' role. As Horngren, Sundem & Stratton state in *Introduction to Management accounting* (1999), "the controller position varies in stature and duties from company to company. In some firms, the controller is confined to compiling data, primarily for external reporting purposes. In others, […] the controller is a key executive who aids

[57] Brands K. (2015), *Business analytics: transforming the role of management accountants,* Management accounting quarterly, Vol. 16 No 3

managerial planning and control throughout the company's subdivisions. In most firms controllers have a status somewhere between these two extremes".

- Those controller's descriptions still anchored and limited to the overseeing of accounting operations and financial reporting, maybe have not captured the ongoing transformation occurring, and still associates the title controller to the old perception of the management accountant's role. In fact, management accountants are historically referred to as bean counters, score keepers, or bookkeepers, to underline how their duties were restricted to keeping track of a company's financial transactions. Today the management accountant's role has transformed, moving beyond traditional transaction based accounting to analytics (Brands, 2015), combining financial expertise and business acumen[58]. IMA association in 1999[59] stated: "The management accountant's role in many organizations has transformed from 'controller' *or* 'score-keeper' to 'business support' or 'internal business consultant'", suggesting that the term controller can be used to identify someone like a 'score-keeper'. Similarly, Burns et al. (1999) refer that in some businesses, corporate controllers are changing their job titles in 'business analysts' (for more information about controllers evolution paths see paragraph 1.3). In like manner, to distance themselves from the definition of scorekeepers, management accountants prefer saying they work in finance rather than accounting: Siegel and Sorensen (1999) sustain this is due to the positive connotations they have of finance and the negative connotations they have of accounting. "Finance is forward-looking, while accounting is backward looking. Finance is all-inclusive. Accounting refers to debits and credits. Accountants are number crunchers".
- Management accounting field is less sharply defined than financial accounting (Horngren, Sundem & Stratton, 2002). CPAs as well feel that management accounting field is characterized by a lack of a coherent structure, compared with the rigorous standards applied more or less globally to auditing and financial reporting (Russel, 2015). Since needs of top management differs from company to company, the activities that a controller is called to perform may vary a lot. Management accounting textbooks give a representation of management accounting activities that is pretty the same, and broadly include: costing and costs analysis, capital budgeting, operating and financial budgeting, performance measurement and evaluation, variance analysis, cost-volume-profit analysis, make-or-buy decisions, internal reporting. But for example according to

[58] CGMA, (2014), *How management accounting drives sustainable success*, CGMA report

[59] IMA, 1999. *Counting More, Counting Less: Transformation in the Management Accounting Profession*, Montvale, NJ, IMA.

CGMA (Chartered Global Management Accountants[60]) paper, *How management accounting drives sustainable success*, the management accounting function include a wide range of key activities that we cannot trace in management accounting manuals, such as external reporting, financial strategy, price discount and product decision, risk management, treasury and cash management, strategic cash management.

- Controllers' action field varies in accordance with the different declinations of this role. *Financial controller* is the most commonly used in the sources we examined; his focus is on activities at greater financial content. However, controllers' job descriptions may refer to *business controllers*, *industrial controllers*, *commercial controllers* and so on. The differences lie for example in the fact that they recover information from other sources rather than a basic accounting system, in the level of detail of their reports (corporate Vs business unit), in the tools used for analysis, or in the competencies required (see paragraph 2.1.1).

These are the main reasons explaining the differences in controller's role descriptions from a theoretical point of view. The third chapter of the thesis, namely the empirical part, will try to delineate the controller's profiles in some Italian companies through questionnaires delivered to individuals working as controllers. Final purpose is to find out which are the main characteristics of the position, as well as try to give recommendations in order to better outline this professional figure.

[60] Joint venture formed by CIMA, the Chartered Institute of Management Accountants and AICPA, the American Institute of Certified Public Accountants, two of the world's most prestigious accounting bodies.

# CHAPTER 3: THE SURVEY

## 3.1 Presentation of the survey

The purpose of our research is outlining the profile of the Italian controller, in relation with the characteristics of the firms in which they work. We try to understand what are the main tasks entrusted to controllers, along with their relationship with other professional figures. The opinions of the respondents are very useful to find out which are the challenges of the role, the most important skills required and the changes felt about the position. We will make reflections about the results, evaluating whether they confirm previous studies or they add new interesting key findings. Possibly, we will try to give some recommendations in order to better define the scope of action of Italian controllers.

Since our goal is to make generalizations on the problem we have chosen to study, we selected the method of the survey and the tool used to collect data was that of the questionnaire. In order to enhance the validity of the conclusions from our survey, we also undertook two personal interviews, about which we will discuss later on.

Our study have collected both qualitatively and quantitatively data. The major part of the questions are open-ended; those questions more structured require to answer "yes" or "no", to give a score from one to five to some predetermined characteristics or situations, or to quantify by means of a percentage the time spent on certain predetermined activities in a year. We preferred to limit the use of fixed answering alternatives in order to capture further shades of the issue we are studying.

When we use the instrument of the questionnaire, it is also important to motivate the recipients to take the time required to answer, thus minimizing the decline: to avoid that the probability of answers will diminish considerably, the questionnaire must not be too much extensive and the structure must be clear. For this reason, our questionnaire does not exceed two pages of length and it is divided into five parts (plus an open space that the respondent can fulfil with comments and other remarks). First part contains data about the firm for which he or she works. The second part contains information about the interviewee. Third part wants to highlight the relationship between the controller and the firm, while Fourth part wants to highlight the relationship with the other business functions. Last part focuses on the activities performed by controllers interviewed and the skills necessary to run this job, along with some interviewees' personal considerations.

Our survey contains sensitive data, therefore to protect the privacy of controllers interviewed we cannot mention in the text neither their name, neither the name of the company for which they work. It is important also to specify that the questionnaire has been submitted in Italian language so as not to preclude the response of those who does not speak English: this added a problem of translation, since it was essential to translate as exactly as possible what the respondents had wrote in Italian language.

In order to keep track of people to whom we have sent the questionnaire, of those who have responded, and to order the amount of information obtained, we used Excel spreadsheets. We will present the results according to their categorization in the questionnaire, namely maintaining the division into five parts. They will be primarily presented in aggregated form, when appropriate through graphics or tables; open answers will be sum up and compared in order to find similarities and differences. Whenever possible we will make references to the findings of the theoretical part, in order to explain whether our survey confirms previous studies.

## 3.2 Results and comments

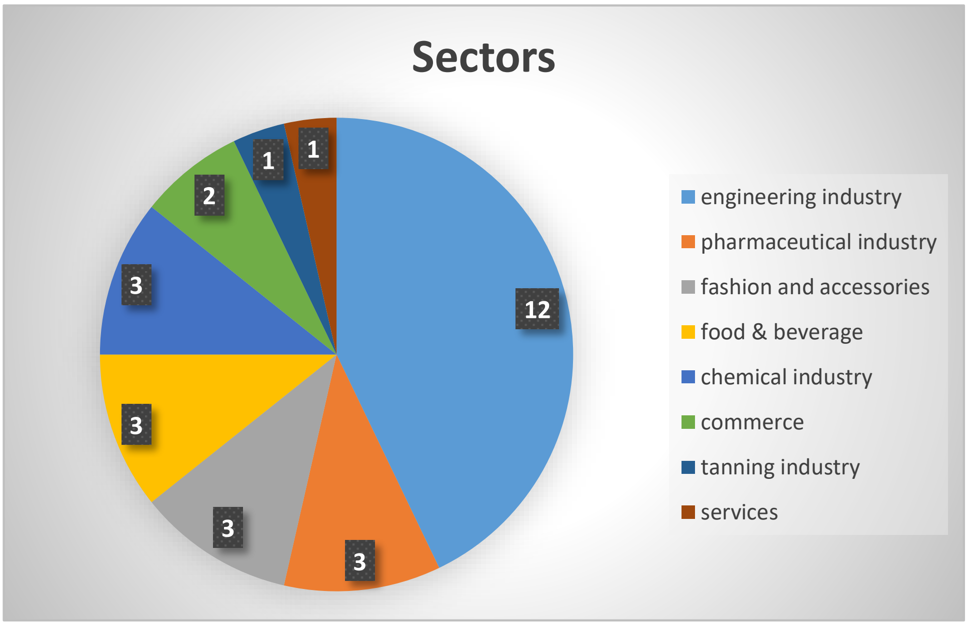
We forwarded 134 questionnaires. 28 controllers accepted to compile the questionnaire, with a rate of response of about 21%.

### 3.2.1 Profiles of surveyed firms

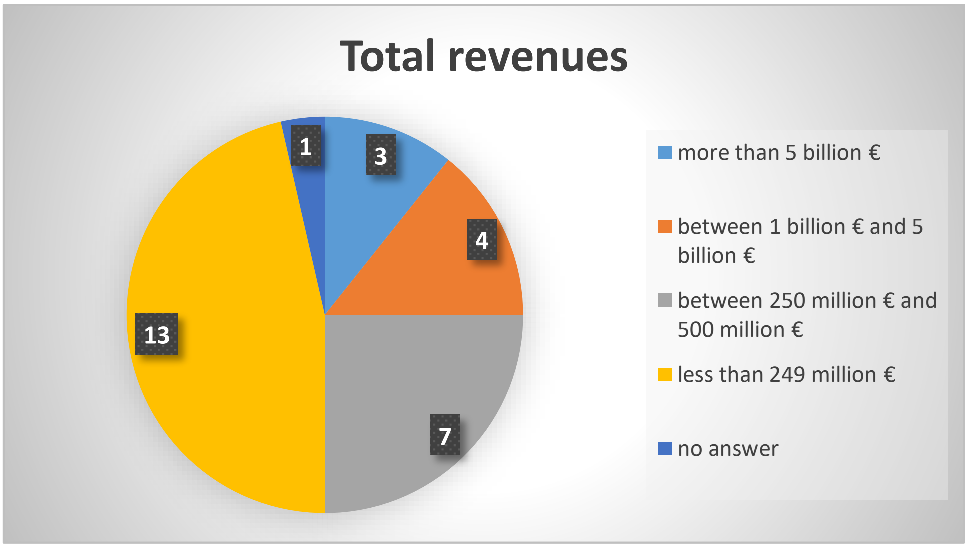
Surveyed controllers work for firms with very different characteristics. They are part of the following sectors:

- Engineering industry (12)
- Pharmaceutical industry (3)
- Fashion and accessories (3)
- Food & beverage (3)
- Chemical industry (3)
- Commerce (2)
- Tanning industry (1)
- Services (1)

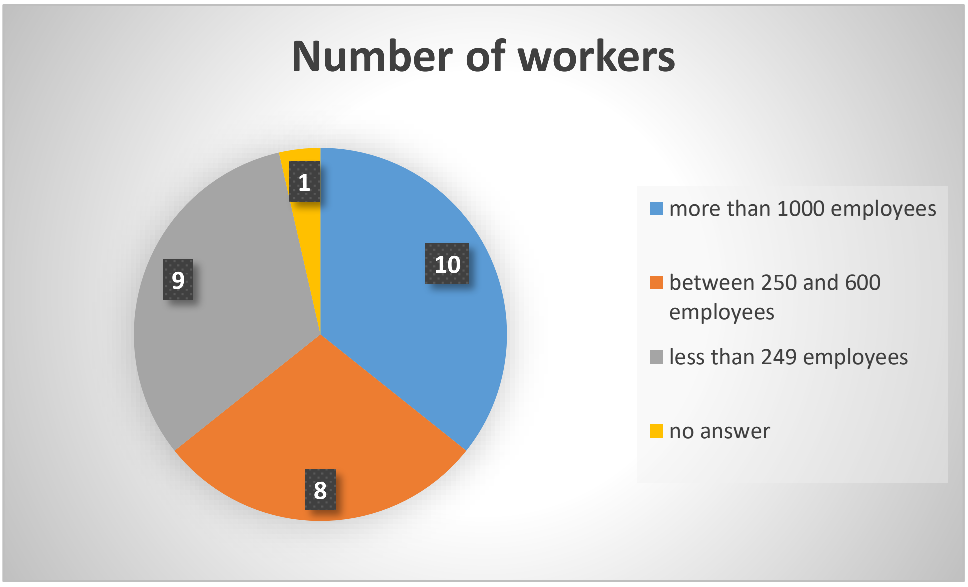
The majority of firms examined comes from the engineering industry.



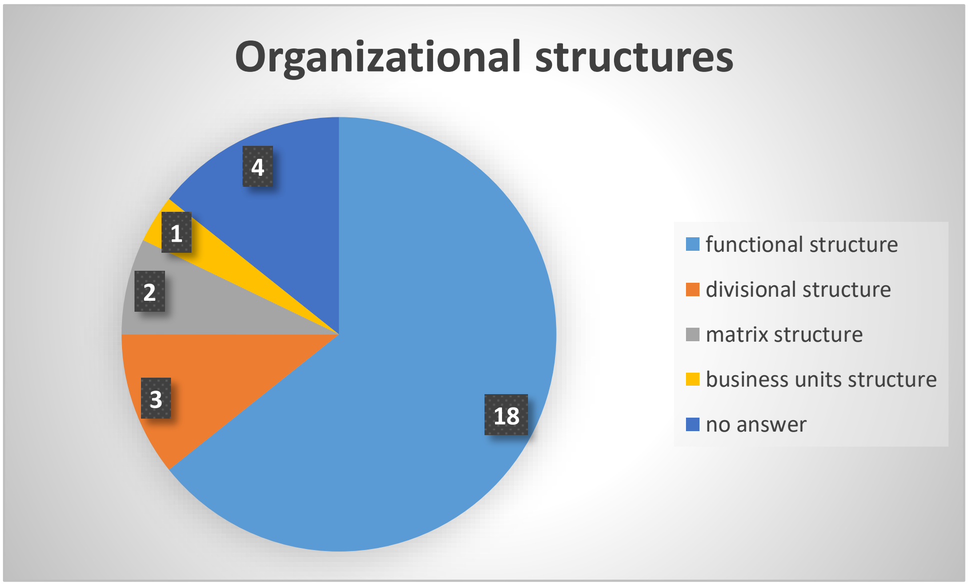

Most of them (19) are part of a Group or part of a Multinational company. Total revenue of firms examined varies from 15 million € to 10 billion €. The greatest part of the firms (20) has an amount of total revenue lower than 500 million €. The rest of the firms has an amount of total revenue greater than 1 billion €. One respondent preferred not to answer.



10 firms have more than 1000 workers. The rest of the firms has a number of workers varying from 21 to 600. 1 person did not answer. The average percentage of *impiegati amministrativi* on the total number of workers is 13,12%.




18 firms have a functional structure, 3 firms have a divisional structure, 2 firms have a matrix structure, 1 firm has a Business Units structure. 4 respondents did not answer.
7 firms are also listed.



### 3.2.2 Profiles of surveyed controllers

Controllers surveyed are on average about 34 years old; the youngest is 26, the eldest 51. They are all graduated, with the following titles[61] (except for 5 who did not answer):

- master's degree in *economia e direzione aziendale* (4)
- bachelor's degree in *ingegneria gestionale* (3)
- master's degree in *amministrazione, finanza e controllo* (2)
- bachelor's degree in *economia aziendale* (2)
- bachelor's degree in *economia e commercio* (2)
- master's degree in *economia aziendale* (1)
- master's degree in *economia e finanza internazionale* (1)
- master's degree in business administration (1)
- master in business administration (1)
- master's degree in *economia e diritto* (1)
- bachelor's degree in *economia dei sistemi produttivi* (1)
- bachelor's degree in *scienze statistiche ed economiche* (1)
- master in finance (1)
- master in *programmazione e controllo di gestione* (1)
- Diploma in *ragioneria* (1)
- no answer (5)

As we can see, at least a degree in economics is mandatory. Just one individual is not graduated. A degree in *Ingegneria gestionale* constitutes a good preparation as well. Perhaps the most appropriate study qualification is a master's degree in *Economia e direzione aziendale* or Business administration.

One individual has 23 years of experience as controllers, but the others are much younger and they have on average 6,6 years of experience as controllers, of which 4,2 working for the current firm. They typically have worked as controllers just for the current firm. Their positions within the organization are the following:

- *Controller aziendale* (8)
- Group controller (5)
- Divisional controller (4)
- Subsidiaries controller (2)

[61] We considered just the last study qualification obtained.

- Financial controller (2)
- Business Unit controller (2)
- Corporate controller (1)
- Senior controller (1)
- Industrial controller (1)
- Plant controller (1)
- *Responsabile pianificazione e controllo di gestione* (1)

Their job classifications are:

- *Impiegato* (19)
- *Quadro* (7)
- No answer (2)

19 of them have not always worked as controllers. They have previously worked as:

- Auditor (6)
- Accountant (5)
- Budget specialist (1)
- Plant director (1)
- ERP application consultant (1)
- Buyer (1)
- Equity analyst (1)
- Commercial Employee (1)
- Bank employee (1)
- Operations manager (1)

6 of them have previously worked as auditors, and 5 of them as accountants: in line with what we said in the theoretical part, previous experience in auditing or as an accountant is a valid background if you want to obtain the job. In fact as M. Sbrocco said, if you have worked in auditing, thanks to the knowledge and capabilities acquired, companies think you are able to make significant contributions to the organizations. However, it is useful to remember what Bragg stated: now auditing firms no longer provides the required set of skills for the evolved controller's role. In point of fact, 8 of them come from very different business functions.

Controllers surveyed were asked to refer if any difference exists in the way the profession of controller is conceived in different firms. 16 respondents have answered "yes"; 2 respondents think there are no relevant differences, while the others did not answer, primarily because they have not maturated the necessary experience to answer the question. Those who answered “yes”, report the following opinions:

- In some cases controllers are just “statistics provider”; other times they are considered as problem solvers; for someone else they are instead simply data providers, or the ones responsible for costs and prices.
- Controllers’ job varies depending on the type of the firm (industrial Vs commercial).
- In businesses characterized by restrained margins the analytical dimension of controllers’ job is more developed.
- One respondent states that in the company in which he previously worked the controller was an “informative support” to decision making; in the company in which he is currently working he plays a more proactive role.
- One respondent says that in the firm in which he is currently working, the management accounting function combines with the financial accounting function.
- Another respondent adds that in the firm in which he previously worked the controller did not deal with purely accounting activities.
- In more structured firms, the controller acquires greater recognition, also because the different departments are aware it is a figure able to help them in solving certain problems. The situation changes in less structured companies, where “less structured companies” does not necessarily implies “smaller companies”.
- There are two different visions of management accounting: 1) sometimes, it is viewed as a support to management for strategic decisions; 2) other times it is viewed as a “business database”, the department that provides all useful data.
- The largest the firm, the narrowest the elbow room for controllers.
- In some sectors, the controller’s function is just reporting. In other sectors, he is more involved in decisions and analyses.
- The role of the controller depends from managers’ needs; software at disposal; corporate culture; firm’s sector, and so on.
- Sometimes the controller is considered as an accountant, even if he is not.
- Someone considers controllers as auditors, someone considers them as responsible for monthly closures, and someone else considers these figures in more complete manner, namely as internal consultants.
- In some realities controllers do not enjoys the right consideration.

Most answers recall what we exposed in the theoretical part, particularly what Horngren, Sundem & Stratton stated in *Introduction to Management accounting* (1999), that is: “the controller position varies in stature and duties from company to company. In some firms, the controller is confined to compiling data […]. In others, […] the controller is a key executive who aids managerial planning and control throughout the company’s subdivisions. In most firms controller have a status somewhere between these two extremes”. The fifth and sixth points imply that in some firms, management accounting and financial accounting functions can be “mixed”, or even organized as a unique department. Notably, the firm in which “the management accounting function combines with the financial accounting function” is the firm with the one of the lowest number of employees (50), confirming that the size of the company may affect controller’s role. However the seventh point underlines that the controller’s role could be not much defined and recognized even in larger companies, depending on the organization’s structure, because “less structured companies” does not necessarily coincides with “smaller companies”. The second and third points introduce new possible interpretations: is the analytical dimension of controller’s role more emphasized in such businesses presenting low margins? Are there substantial differences between controllers who work for industrial companies and those who work for commercial companies? Deepening further these points of view could be interesting. Finally, last three points highlight the existence in some companies of a low consideration and a low comprehension about controllers’ contribution to the organization.

Respondents are also asked to refer if any difference exists in the way the profession of controller is conceived abroad. No one worked abroad, except for one respondent who had a work experience in France: he asserted that there are no relevant differences. In contrast, 4 people had the possibility to interface with foreign colleagues, and they think that:

- In general, foreign organizations tend to focus more on “numbers”, whereas in Italy there is a “sound understanding of the phenomena behind the numbers analysed”.
- Abroad, particularly in Germany, management accounting plays a more important role in organizations, and extreme attention is paid to all data and numbers.
- In foreign countries, management accounting function is oriented to the precision of calculations; in Italy we focus more on the analysis of the results.
- Abroad the focus of management accounting is on reporting. Less attention is paid to the knowledge of the business.

Again we could add a new point of view: perhaps Italian firms have a different “management accounting culture” with respect to foreign organizations. 4 out of 5 people who answered this question think so; if what they said can be generalised, it seems that even though management accounting abroad may play a more important role, the focus is merely on reporting numbers; perhaps the activity of analysis is left to the CFO. Unfortunately, in this context we do not have enough information and instruments to verify these hypotheses.

### 3.2.3 The controller within the organization

Respondents are asked to refer how many controllers there are in the firms in which they work. They report that in their organizations there are:

- 1 controller (6 cases)
- 2 controllers (4 cases) organized in the following ways:
  - 1 senior and 1 junior (2 cases)
  - 2 seniors (2 cases)
- 3 controllers (in 4 cases) organized in the following ways:
  - 2 junior and 1 senior (2 cases)
  - 2 seniors and 1 junior
  - 1 junior, 1 senior, 1 business controller
- 4 controllers (in 7 cases) organized in the following ways:
  - 1 junior, 2 senior, 1 manager (3 cases)
  - 3 seniors and 1 manager
  - 2 juniors and 2 seniors
  - 4 seniors
  - 3 seniors and 1 junior
- 6 controller (1 case) organized in the following way:
  - 2 seniors and 4 juniors
- 7 controllers (2 cases) organized in the following ways:
  - 4 seniors and 3 juniors
  - 7 seniors
- 10 controllers (1 case) organized in the following way:
  - 8 seniors and 2 juniors
- More than 10 controllers (2 cases)
- No answer (1)

Contrarily of what one could think, the firm with more controllers is not the one with the highest number of workers (it is the one with 400 workers). However normally the number of controllers increase with the number of employees. As we can see, typically junior controllers support senior controllers, and sometimes the latter are coordinated by a controlling manager. The majority of firms examined present a number of controllers equal or lower than 4.

Respondents were asked to say to which controllers report in the hierarchical chart. These are the answers:

- To the CFO or finance director (12 cases)
- To the CEO (*amministratore delegato*) (5 cases)
- To the group controller or to the controlling manager (5 cases)
- Formally to the *Direttore amministrativo*, actually to the CEO (1 case)
- To the *direttore amministrativo* (1 case)
- To CdA (Board of directors) (1 case)
- Different situations (2 cases):
  - Senior controller reports to group controller, junior controller to financial controller, Business controller to sales manager.
  - The Financial controller reports to the CFO, the industrial controller to the head of project managers.
- No answer (1 case)

To sum up what we said so far, in the vast majority of cases it is normal to find controllers divided between juniors and seniors, sometimes reporting to an upper controlling manager or group controller, most times reporting directly to the CFO, in a few cases to the CEO.

When asked to whom in their opinion controllers should report, the answers given by respondents are not always in line with the actual hierarchical organization of the firms in which they work. In particular in 3 cases in which controllers actually depends from the CFO, respondents refer that they should report to the CEO (*amministratore delegato*) or to the General manager. In 1 case in which the controllers depend from the CFO the respondent would prefer a dependence from a group controller. In the case in which the controllers report to *direttore amministrativo* the respondent would prefer a dependence from the CFO. In the situation in which the senior controller reports to the Group controller, the junior controller to the Financial controller, and the Business controller to the Sales manager, the respondent auspicates a dependence from the CEO or from the CFO. In the situation in which the controller reports to the Board of directors the respondent would prefer a dependence from the CEO. A respondent instead specify that it is not an automatic answer, yet it depends upon the size of the entity. In none cases a controller is supposed to report to the *direttore amministrativo*.

Next question of the survey takes into consideration the relationship among controllers of different Business Units. For those realities being part of a Group, the answers reported are the following:

- BU controllers prepare standard reports used for analysis at group level.
- BU controllers take advantage of a continuous exchange of information and data, sharing common issues, and helping to solve problems.
- There is a direct collaboration between BU controllers.
- There is a round table meeting each month between controllers of the Group.
- All BU controllers situates on the same level; there is no hierarchy as they operate on different geographical areas or businesses.
- All BU controllers report to the CFO
- Each unit has a structure in which controllers depend from the CFO or from the general manager. Then they all functionally report to worldwide controlling director/CFO.
- Company's controllers carry out their activities under the directives issued at group level. There are constant interactions with controllers of the parent company, who verify data they receives.
- BU controllers participate to conferences to discuss about economic results of the group.
- BU controllers report hierarchically to the subsidiary managing director, functionally to the CFO.
- Controllers of commercial subsidiaries report to sales control, controllers of production subsidiaries report to industrial control.
- BU controllers report to Group controllers/Divisional controllers.

The rest of the individuals surveyed did not answer. 5 respondents emphasize the fact that controllers have a direct collaboration, that could be informal ("continuous exchange of information and data, sharing common issues, and helping to solve problems", "constant interactions with controllers of the parent company") or formal ("round table meeting each month between controllers of the Group", "BU controllers participate to conferences to discuss about economic results of the group"). 3 respondents seems emphasizing the autonomy of each unit, in which: "BU controllers situates on the same level", "they depend from the CFO or from the general manager of their unit and then they all functionally report to worldwide controlling director/CFO" (perhaps we can talk about dotted-line relationship, see paragraph 2.1.1), "they prepare standard reports used for analysis at group level". 4 of them highlight the reporting relationships ("BU controllers report to the CFO", "BU controllers report hierarchically to the subsidiary managing director, functionally to the CFO", "Controllers of commercial subsidiaries report to sales control, controllers of production subsidiaries report to industrial control", "BU controllers report to Group controllers/Divisional controllers").

Next questions concern the distinction between the figures of controller, CFO and *direttore amministrativo*. Except for one respondent, they all agree in saying that these are different figures; the differences perceived can be summarized as follows:

- The controller is responsible for all the aspects related to costs management; the *direttore amministrativo* controls the aspects concerning the operations of the company and is responsible for the preparation of financial reporting in compliance with fiscal and statutory standards. The CFO has to report economic results, using them as a basis for strategic planning, both present and future.
- Financial statement reporting, competence of the *direttore amministrativo*, and performance measurement, competence of the controller have necessarily different objectives, focuses and interlocutors. In larger companies, keeping these roles separated results to be more effective.
- The controller focuses on economic analysis; the *direttore amministrativo* focuses on aspects at accounting-operating content; the CFO has a strategic vision of the business.
- They have different views and different objectives. The *Direttore amministrativo* takes care of the relationship between the company and external actors; CFO and controllers have a sort of "analytical view" and they use data to take care of business management and the relationships between internal actors.
- The controller deals with operating activities; the *Direttore amministrativo* deals with financial statements; the CFO receives data from the *Direttore amministrativo* but he does not "explore the details".
- CFO ensures the financial equilibrium, the *Direttore amministrativo* ensures statutory compliance, the controller explains financial statements and business trends.
- Broadly speaking, CFO, *Direttore amministrativo* and controller supervise different activities that require different competencies. They should work closely, but as long as it is possible it is more efficient to keep them separate.
- The *Direttore amministrativo* takes care of financial statements, the CFO takes care of cash flows, and the controller links the two figures.
- The controller is a figure "super partes" with respect to *Direttore amministrativo* and CFO. The controller supports managers in strategic decisions.

To sum up we can make the following scheme:

| Direttore amministrativo | Controller | CFO |
|---|---|---|
| Accounting and financial reporting | Economic analysis | Financial strategy |
| Financial statements | Performance measurement | Financial equilibrium |
| Relationships with external actors | Relationships with internal actors | Overall view of the business |
| Compliance to fiscal and statutory standards | No compliance to fiscal and statutory standards | No compliance to fiscal and statutory standards |

However, it emerges that 7 out of 28 firms do not keep them perfectly separate; in one case, the CFO is also responsible for management accounting, and in another case the respondent asserts that these figures perform different but complementary functions. 4 respondents think that it is not necessary a perfect distinction between them: for example one person says the CFO is actor and supervisor of the overall *AFC area;* one thinks that the three figures should be interchangeable since they have the same basic skills; another one thinks CFO and *direttore amministrativo* can overlap.

In addition 10 respondents believe that in general firms do not keep these three figures perfectly distinct, and 8 think that this happens only under certain conditions, for example it happens in such firms that are more structured, possess "culture of controlling (*cultura del controlling*)", or that are part of a multinational group. 1 respondent reports that this separation started to occur only during last years.

### 3.2.4 Controllers and other professional figures

Respondents were asked to express, in a range from 1 to 5, how much consideration controllers enjoyed within the organization. On average the level reported was 3,75. More precisely:

- 2 people report a level of 2
- 7 people report a level of 3
- 4 people report a level between 3 and 4 (proxied with 3,5)
- 9 people report a level of 4
- 6 people report a level of 5.

We can say that the controller enjoys of good consideration, even though it is not a maximum level, suggesting there could be margin of improvement. Already in paragraph 1.3.4 we discussed about the possible lack of understanding by other areas in the organizations as to controller’s importance (along with some strategies to gain visibility within organizations): the fact that so many people indicate a level below 5 may prove that.

As regards professional figures with whom the relationship is hardest respondents report:

- Commercial employees (15 cases) because of:
    - Divergent interests. In particular their objective is to decrease prices in order to increase sales volume, while those who control costs (controllers) wants to increase prices in order to increase marginality;
    - Less inclination to financial/economic aspects;
    - Difficulty to traduce in numbers feelings and expectations of the market;
    - Divergent perceptions of what is good for the business;
    - Poor attention paid to precision of measurements.
    - They consider controllers as accountants.
- R & D function (2 cases) because of:
    - Lack of standards to collect data, and therefore difficulty to analyse them.
    - Difficulty to make aware these figures as to needs of management accounting.
- Logistics functions (2 cases) because:
    - They consider controllers as accountants.
- Production (1 case) because of:
    - Lack of standards to collect data, and therefore difficulty to analyse them.
- Project managers (1 case) because of:
    - Difficulty to make aware these figures as to needs of management accounting.
- HR office (1 case) because of:
    - Low willingness to share data about labour cost
- Accountants (1 case)
- Purchases function (1 case)
- General managers (1 case)
- Staff management (1 case)
- IT function (1 case)
- None function in particular, except for those who have divergent deadlines, objectives or point of views (3 cases)
- None function (3 case)

Given the high number of respondents mentioning commercial personnel as those with whom relationships are the hardest, it is possible to take it as a general trend. Elaborating and implementing strategies to make communication and collaboration with them easier would be a useful object of study.

As Kuttner remarked the controller is in touch with every line officer; also from the CUOA meeting of 15th March 2014 it emerged that the controller is supposed to interface not only with his own CFO, but simultaneously with different profiles, acting as a Business Partner with them. The frequency with which controllers relate with accounting personnel (financial accounting function, fiscal function, etc.) is:

- Daily (16 cases)
- Weekly (3 cases)
- Monthly (4 cases)
- No exact specification (5 cases)

The frequency with which controllers relates with other professional figures (production, commercials, etc.) is:

- Daily (15 cases)
- Weekly (6 case)
- No exact specification (5 cases)
- 2 group controllers report a situation in which they do not have relations with production, commercials, etc, because it is a job for divisional controllers.
- One controller did not report the frequency but he specifies that he relates with other professional figures just for budgets/forecasts.

Controllers surveyed state that they receive more support in running their job from the following functions:

- Financial Accounting function (mentioned in 15 cases) for:
  - Better understanding some records
  - Correcting some records
  - Support in balances closures
  - Analysis of historical data
  - Help in reporting
  - Help in allocating items to the right unit cost.
- *Direttore amministrativo* (mentioned in 4 cases) for:
  - Costs analysis
  - Help in understanding accounting records

- Other types of controllers (3 cases): Plant controllers, BU or subsidiaries controllers
- Business analysts (3 cases)
- Production department (2 case) for:
    - Help in analytical and industrial accounting
- Purchase department (2 case) for:
    - Help in analytical and industrial accounting
- Treasurer (1 case) for liquidity and credit situation
- Project management (1 case) for quotation and modification of products
- IT office (1 case)
- More or less all functions (mentioned in 2 cases)

As to the last point, one respondent in particular gave an interesting answer that can well summarize the situation. He stated that a controller is a cross-function figure (*figura trasversale*) who receives and exchanges information with all the functions in a company. For example, from the purchasing department he knows the cost of raw materials; from the commercial department he receives information for the preparation of budget; from the technical department he receives information in order to know products and cost them; he cooperates with the financial accounting department for comparisons between accounting transactions and related business events, and so on. Similarly, in paragraph 1.3 we said that the controller is the meeting point of operational and financial information, and nowadays he is requested to provide increasingly more information to managers.

The main beneficiaries of controllers' support are:

- Commercial department (mentioned in 9 cases) for performance measurement, monitoring expenses and investments, profitability analysis, or sales analysis;
- Heads of various departments, managers, CFO and CEO (7);
- Production department (7), for information about KPIs, assets, costs or sales prices;
- Operations department (3) for instance for performance measurement;
- Financial accounting (3);
- Purchase department (3) for instance for costs analysis;
- Controllers of other units (2), for example in order to agree on standardization of procedures;
- Project managers (2) for instance for information about orders;
- Logistics (2);
- Sales managers (1) for ad hoc statistics;

- More or less all functions (1)
- No answer (4)

As we can see, the beneficiaries of controller’s work are not only top management and CFO, but also managers of other corporate functions, commercial and production departments in particular. We know in fact from paragraph 1.3 that controllers are in a perfect position to help their colleagues understanding the implications of their activities and their decisions, by showing them the facts behind the numbers and the correlation between them. Hence the importance of adapting financial and accounting language to anyone with no knowledge of finance and accounting.

### 3.2.5 Characteristics and competencies of controllers

The questionnaire presented a table in which the respondents had to indicate which of the reported activities they used to perform and how often (time percentage of their total working time).

Here we present the activities (see first column) in descending order, according to the number of times they have been mentioned (see second column). Third column indicates the percentage of time spent in a year on that activity, from the lowest percentage reported to the highest. Last column indicates the average time spent performing that activity:

| **Activities** | **n.** | **percentage** | **mean** |
|---|---|---|---|
| Indicatori economici e/o Kpi | 22 | 1% - 40% | 9,74% |
| Budget | 21 | 5% – 70% | 15,81% |
| Rispondere alle domande/richieste dei manager | 18 | 2% - 99% | 13,33% |
| Analisi scostamenti e azioni correttive | 18 | 2% - 30% | 9,95% |
| Contabilità analitica e costing | 18 | 5% - 80% | 24,16% |
| Conti economici di prodotto, cliente, area geografica, etc. | 15 | 1% - 40% | 11.95% |
| Produttività di reparto/stabilimento | 15 | 1% - 15% | 7,13% |
| Profittabilità dei prodotti | 15 | 5% - 70% | 18,4% |
| Supporto ai processi decisionali dei manager | 15 | 2% - 99% | 14,74% |
| Costi standard e scostamenti industriali | 14 | 5% - 70% | 17,71% |
| Pianificazione aziendale | 13 | 2% - 30% | 8,08% |
| Contabilità generale e bilancio civilistico | 13 | 3% - 80% | 14,46% |
| Valutazioni di convenienza economica “spot” | 12 | 1% - 90% | 14,17% |
| Reporting casa madre | 11 | 2% - 25% | 9,39% |

| | | | |
|---|---|---|---|
| Analisi costo del lavoro | 10 | 1% - 10% | 4,3% |
| Valutazione delle performance commerciali | 9 | 3% - 90% | 18,47% |
| Acquisizione nuove aziende/business | 9 | 1% - 10% | 5,44% |
| Supporto alle decisioni di pricing | 9 | 2% - 70% | 19,12% |
| Valorizzazione distinte basi | 8 | 2% - 70% | 13,5% |
| Analisi flussi di cassa | 8 | 1% - 20% | 8,12% |
| Opportunità e minacce ambientali | 7 | 0,5% - 30% | 7,07% |
| Analisi situazione competitiva | 7 | 1% - 70% | 12,71% |
| MBO e assegnazione di obiettivi economici | 6 | 2% - 20% | 8,68% |
| Revisione contabile | 6 | 5% | 5% |
| Gestione ciclo passivo | 5 | 10% | 4,8% |
| Gestione ciclo attivo | 5 | 1% - 5% | 3% |
| Sistemi incentivanti e valutazione del personale | 4 | 1% - 10% | 4,53% |
| Fiscalità | 3 | 2% - 5% | 4% |
| Risk management | 3 | 2% - 10% | 5,67% |
| Investor relations | 3 | 3% - 5% | 3,77% |
| Benchmarking | 3 | 1% - 5% | 3,1% |
| Gestione del credito verso clienti | 3 | 1% - 3% | 1,66% |
| Relazioni con gli istituti di credito | 1 | 2% | 2% |
| Gestione relazioni sindacali | 1 | 0,5% | 0,5% |
| Relazioni con i fornitori | 1 | 3% | 3% |
| Altre attività: transfer pricing | 1 | 20% | 20% |
| Altre attività: valutazione investimenti | 1 | 2% | 2% |
| Controllo qualità | 0 | 0 | 0 |

It is necessary to specify that 3 people preferred to indicate the percentage of time spent on the category in which we classified the activities rather than on each activity in particular (*analisi strategica e di business; attività amministrative in senso stretto; controllo di gestione, reporting e performance; pianificazione e programmazione; valutazioni economiche*). We did not consider them for our calculations because their answers were not detailed enough. Accordingly, we consider 25 as the total number of respondents to this question.

Although controllers who responded our questionnaire have different job titles that imply different job tasks, we can notice some recurrent activities. We underlined in the table those mentioned by more than half respondents; we can assume that those tasks are the ones that most characterize controllers' job. In particular, the most mentioned activities are analysis of key performance indicators (22), budgeting (21), responding to managers' requests (18), variance analysis and corrective actions (18), analytical accounting and costing (18). Many controllers perform also product/client/geographic area income statements (15), department/plant productivity analysis (15), products profitability analysis (15), they give support in management decision-making (15), and they deal with standard costing and industrial deviations analysis (14). Approximately half respondents are involved in business planning (13), and general accounting and statutory financial statements (13).

Although 'general accounting and statutory financial statements' should be competence of accountants under the control of the *direttore amministrativo*, even 13 respondents mentioned it as part of their annual job activities, occupying on average 14,46% of their time, with the highest percentage even touching 80%[62]. This seems confirming the confusion around controller's role: at least in Italy a controller should not be requested to possess the competencies required to deal with general accounting and statutory financial statements. Fortunately, the vast majority of financial accounting activities presented in the table has been mentioned by a very low number of respondents, suggesting that, broadly speaking, this function remains the one covered to the least extent by controllers' responsibility. However, although the low number, this proves that there are still controllers dealing with financial accounting activities.

Among the most mentioned activities, the one in which controllers spend, on average, the majority of their time is "analytical accounting and costing" (24,16%). This means that controllers spend almost 1/4 of their working time on this activity. Key performance Indicators analysis instead, although it is performed by almost all controllers surveyed, covers just 9,74% of their working time, with a maximum of 40%. This is also the case of "Variance analysis and corrective actions", mentioned by 18 surveyed controllers but covering 9,95% of their working time with a maximum of 30%. Also "department/plant productivity analysis", indicated by the majority of respondents, does not occupy a meaningful percentage of their time: just 7,13%, with a maximum of 15%. On the contrary "Budgeting", mentioned by 21 respondents, cover 15% of their working time, with a maximum of 70%: this activity remains one of the most important management accountants' job tasks, confirming previous studies. We can also see relevant percentages for "products profitability analysis" (18,4%), "support to management decision making" (14,74%), "standard costing and industrial variances analysis (17,71%). Little more than half respondents mentioned them, but they spend on these activities a great part of their time. We do not have enough data to say if there exists significant correlations between

[62] Reported, not surprisingly, by a financial controller.

these high percentages and the type of controller/firm; however, given the large amount of time dedicated, we cannot exclude them from the set of activities that characterizes the job. Approximately half controllers surveyed are involved also in business planning, although the percentage of time dedicated is not so high with respect to other kind of activities.

Since less than half respondents performs the remaining tasks listed in the questionnaires, we assume them as not characterizing features of the job. Notably less than ¼ of the interviewees indicated the following activities: accounts payable management (5), accounts receivable management (5), incentive systems and personnel evaluation (4), taxation (3), risk management (3), investor relations (3), benchmarking (3), clients' relationships (3), banks' relationships (1), suppliers relationships (1), quality control (0). Two people added further activities: transfer pricing and investments evaluations.

It is interesting to notice also that even if some activities are mentioned by less than half respondents, they tend to cover an important part of their working time. Other activities mentioned by a relative low number of respondents but reporting meaningful percentages are: short-term decisions (mentioned 12 times, time percentage of 14,17%), commercial performance measurement (mentioned 9 times, time percentage of 18,47%), supporting pricing decisions (mentioned 9 times, time percentage of 19,12%). Maybe further data could associate the large amount of time dedicated on them to particular features of firms/controllers.

The category "strategic analysis"[63] deserves a remark: even though it does not characterize controller's job description, it is notable that many controllers are involved in those kind of activities. 7 controllers reported they contribute to assess economic opportunities and threats with an average time percentage of 7,07%; 7 controllers assess the enterprise's competitive position (average time percentage of 12,71%): 9 controllers deal with new businesses acquisitions (average time percentage of 5,44%). Perhaps, this proves the validity of previous studies' results, namely EY, IMA and CUOA surveys, which observed an increasing involvement in strategic activities by controllers.

When asked which activities they wish to perform more frequently or more intensively, 8 people did not give a preference, but the remaining ones indicated they wish to perform more activities at analytical content, or activities directly supporting top management such as:

- Strategic analysis (4)
- Profitability analysis (3)
- KPIs analysis (3)

[63] Economic opportunities and threats assessment, enterprise's competitive position assessment, new businesses acquisitions, risk management.

- Planning and forecasting (3)
- Business trend analysis (2)
- Deviation analysis (2)
- Individuation of corrective actions (2)
- Performance analysis (2)
- Support to decision making (1)
- Financial analysis (1)
- Involvement in decision making (1)

But also:

- Analytical accounting (2)
- Budgeting (1)
- Reporting (1)
- Risk management (1)
- Cash flow management (1)
- Investor relations (1)
- More relations with line managers (1)
- Income statements per product (1)
- Costing (1)

The willingness to perform more activities of analysis may suggest that organizations do not fully exploit the potential usefulness of this professional figure, or, worst, they have not fully understood the potential benefits this professional figure can bring to the business.

Respondents were also asked to give a score to a list of soft skills and capabilities (from 1, not important or not necessary, to 5, very important or essential), according to their relevance with respect to controllers' job. The skills listed in the questionnaire along with their average score are reported below in descending order:

| | |
|---|---|
| abilità analitiche | 4,71 |
| Orientamento alla visione d'insieme | 4,57 |
| Problem solving | 4,35 |
| Team work | 4,29 |
| Spirito d'iniziativa | 4,25 |
| lungimiranza | 4,21 |
| Abilità comunicative | 4,11 |

| | |
|---|---|
| Abilità relazionali | 4,04 |
| Abilità organizzative | 4 |
| Leadership | 3,71 |
| Orientamento al dettaglio | 3,68 |
| Creatività | 3,5 |
| Abilità di negoziazione | 3,25 |
| Capacità di persuasione | 3,21 |

According to respondents, “analytical skills” is certainly the most important skill to possess, and it reports a score very close to 5. Other abilities that enter in the top 5 of the most important skills are (in descending order): big picture orientation, problem solving skills, team work, initiative. Differently from what emerged in paragraph 1.3, communication and relationship skills here assume a relatively medium importance, just like ‘forward-thinking’. In addition, on average a controller is not supposed to be detail oriented or to possess great leadership skills. Organization abilities as well are not considered so important, with respect to the other abilities presented. Skills rated the lowest are creativity, negotiating skills, persuasion ability.

Next question of the questionnaire requires respondents to think about three aspects they like the most and three aspects they do not like in this profession. In describing the favourite aspects of this profession, answers were quite homogenous (except for two people who did not answer); it emerges in fact that what controllers like the most in this job are:

- Having an “overall view” of the business (mentioned 13 times)
- Supporting management decision making (13)
- Being a cross-functional figure, in relation with all other professional figures (12)
- Possibility to tackle tasks of different nature (6)
- Deep understanding of the “health” of the business through access to many information (5)
- Analytical dimension (5)
- Autonomy and Freedom of initiative (3)
- Working with professional figures having greater experience (2)
- Guiding the entity towards the realization of objectives set in budgets and plans (2)
- Possibility to correct errors and solve problems (2)
- Creativity (1)
- Gaining the trust of people (1)
- Sharing information (1)

- Working with numbers (1)
- Stimulating work (1)
- Being a strategic role (1)
- Enjoying great consideration when the importance of the role is understood (1)

In describing what they do not like, controllers surveyed tended to be quite unclear, maybe their answers have to be more contextualized in the reality of each firm. However, some answers deserve to be reported:

- High level of stress due to the large amount of work or due to the continuous deadlines (mentioned 11 times)
- Low level of understanding by other professional figures about the importance of this job (6)
- Sometimes there is too much routine work (5)
- Sometimes people do not recognize the effort behind the fulfilment of certain tasks (3)
- Difficulty to deal with some professional figures (2)
- Gaining trust of people (2)
- Being often relegated to correct errors (1)
- Being considered "data provider" (1)
- Being a staff member reporting to the CFO and not to the CEO (1)
- Inadequate working instrument/tools (1)
- Paying constant attention (1)
- Doing "time consuming" activities rather than value-added activities (1)

People who "do not recognize the effort behind the fulfilment of certain tasks", "being often relegated to correct errors", "being considered 'data provider'", "gaining trust of people", "doing 'time consuming' activities rather than value-added activities" are complaints that we can link to the "low level of understanding by other professional figures about the importance of this job". Accordingly, it results that 14 controllers perceive their role as not fully understood or recognized. This shows how in Italy there is still long road before we get to the full comprehension and affirmation of this role.

To the question "Do you think controller's role has changed over the years?" 17 of 28 people answered "yes", 1 answered "no", 3 answered they are too much young in order to be able to express such an opinion, 4 said "I don't know", and 3 did not answer. Those who answered "yes" added diversified reasons:

- Controller's focus has moved from "*controllo consuntivo*" to "*controllo previsionale*".

- Now the controller pay more attention to the financial dimension of business management.
- He is increasingly regarded as a business partner and his area of competence has expanded (no more focus just on P&L)
- The purpose of the role and its tasks have remained the same, but knowledge has evolved and new needs have emerged for companies; this happens also because of information technologies development, that has allowed a faster and more detailed business analysis. Now it is important to foresee the future.
- So far, controllers have analysed costs and margins in a purely "abstract" way (namely not applicable to decision making processes); now they have an analytical role more suitable to inform about the business trend: a fundamental basis for corporate governance.
- Thanks to IT development, collecting information (that is the basis for any activity of analysis) has become easier: this has changed controller's role.
- In more evolved realities, the role has changed because people has recognized its importance in business management, not only for historical analysis of data but also for "future-oriented" analysis.
- The controller provides more and more value-added information. His role in supporting managers' decision making has heightened of importance.
- While in the past management accounting was an extension of financial accounting function, now it has a distinct identity.
- Controller's role has started to be more appreciated.
- Competencies and specializations of the role have increased. However, it remains a figure that does not have a precise identity, linked to precise competencies.
- With new technologies, the traditional function of the controller (reporting) has no longer sense to exist: a computer (big data, business intelligence, etc) can do this work.
- Now controllers are the right hand of top management for the assessment of risks and opportunities and they help in strategic decisions.
- Now controllers are management consultants.
- In small/medium enterprises this role have gained a little more consideration.

2 respondents who answered "yes" did not added any reason; one of them just specify that controller's role is changing too slowly. The one who thinks controller's role has not changed over the years, refers that controllers have too little relevance in Italian *PMIs* (small/medium enterprises) to experience any kind of change. Most respondents recognize that this figure has

somehow changed; in particular, 3 of them think that IT development has facilitated the activity of analysis. Already in chapter 1 we discussed how “IT improvements permit management accountants to focus on their role as business strategist or as internal business consultant”. Remember also Dyer’s opinion, who believes that the increasing impact of technology on management accounting has moved the focus from data gathering to analysis and interpretation. Respondents recognize that business analysis is increasingly moving to the future, namely from “historical analysis of data” to analysis in a forward optic, and it is increasing its usefulness for managers’ decision-making. IMA’s *The evolving role of the controller* as well report that nearly 80% of controllers surveyed noted, from 2010 to 2013, more demand to apply forward-thinking skills, and 75% have been asked to provide more strategic analysis of reports. Above all, it is remarkable that one of the respondents is aware of controller’s evolution towards a business partner role, even if it is a concept still quite distant from the Italian reality. However, it seems that some progresses in this sense are occurring: 3 interviewees have noticed that the role has started to be more appreciated, as well as to assume its distinct identity.

13 respondents think controller’s role has changed in their firms too; 8 people did not answer, and 4 do not have any opinion. The individual who has answered “no” to the previous question, asserts that also in his firm controller’s role has not changed; 2 individuals who answered “I don’t know” to the previous question, said controller’s role has not changed in his firm. Respondents who answered “yes” state that in their firms:

- Controller’s role has evolved in response to the particular time of economic crisis: companies need to be particularly competitive, so instead of “producing and selling as much as possible”, now the strategy consists in analysing costs, processes and optimizing the internal structure.
- The controller is now required to perform more strategic activities, assigning some “purely numerical” analysis to other business figures.
- The controller has become a fundamental role for monitoring key performance indicators and developing prospective scenarios.
- Now the controller pays more attention to the operating dimension rather than on numbers per se.
- Controller’s role has become clearer: when hired for the very first time, it was something new and nobody seemed to understand his usefulness.
- While in the past management accounting was an extension of financial accounting function, now it has a distinct identity.

- Controller's role start to be more appreciated.
- Controllers have grown with the businesses. In particular, with more efficient IT systems they can deepen their degree of analysis.
- With new technologies, the traditional function of the controller (reporting) has no longer sense to exist: a computer (big data, business intelligence, etc) can do this work.

Just one person reported a negative change: over the years, the parent company is reducing elbow room for the controlled company, and this is traducing in more "preset reports". The first point confirms what we said in the theoretical part: the controller, better than other figures, play an essential role to survive the economic downturn. In fact according to Conte (see chapter 1) Italian firms to stay competitive have tried to recover margins through cost containment lever; management accounting, by focusing on cost reduction and on finding the business units most profitable can contribute to the improvement of liquidity. Here the conclusion is very similar: analysing costs, processes and optimizing the internal structure the controller guides the business to remain competitive. It is common opinion that in time of economic crisis the controller can provide significant benefit, thanks to the extensive knowledge of the company, their business processes (M. Ciabattoni, F. Gatto, 2015) and all the necessary 'numbers' that can help top managements to make the right decisions (M. Cella, 2003). The second and third point suggest a greater involvement of controllers in strategic activities of the management team, as Sathe anticipated in 1982, ("The controller is now required to perform more strategic activities, assigning some 'purely numerical' analysis to other professional figures") and his key role in the forecasting process (i.e. "construction of prospective scenarios"). Last points recall what we said in the comments of the previous question.

### 3.2.6 Additional considerations by respondents

The questionnaire left a part in blank for any comment respondents wanted to express. Many of them reported interesting considerations that deserve a mention:

- The controller of the future will become a core figure inside those companies that want to stay competitive. In particular, his support to strategic decisions will be crucial given the vision he possesses, combining costs analysis, past and future sales analysis, process optimization, financial and cash analysis and so on. Those companies who give up all this will get in trouble.
- Controller's role depends largely on the size of the corporation: in small companies, you have a deeper vision of the business, but you also have to deal with accounting and operating activities; in larger companies, you have an "overall view" of the business.

- The controller is not just an information provider who analyses results, but he is the one who, through his analyses, prevent risks as well and guides towards objectives.
- Management accounting can be structured in many ways and be more or less closely connected to the business. However, in order to be effective in the most important task for a controller (namely driving the decision makers in the company), one thing is important to know: this job must be "dynamic". In other words, you should not run this job mostly behind a computer, but in contact with the heart of the company: departments, heads of department or business unit, directors and administrators.
- In the future, this job will gain more acknowledgement and more space in all businesses.
- It would be useful having a sort of register for the profession instead of many associations dedicated.

The first point underlines again the crucial role of the controller for the "organization's health" in time of economic crisis, derived from his "cross-functional position" with respect to the different areas of the business. The second point confirms that the set of responsibilities entrusted to a controller can be linked to the size of the entity: in larger corporations, the role is much more specialized than in small/medium ones. The third point may remind us Heckert & Willson metaphor: "The controller is not the commander of the ship – that is the task of the chief executive – but he may be likened to the navigator, the one who keeps the charts. He must keep the commander informed as to how far he has come, where he is, what speed he is making, resistance encountered, variations from the course, dangerous reefs which lie ahead, and where the charts indicate he should go next in order to reach the port in safety". The fourth point confirms what we said in paragraph 1.3.4: in order to have a deep knowledge of the overall business needs, a good controller should leave the desk to move around units, know divisions and other departments. The Fifth point expresses the usual idea that controllers have not reached the complete consideration they deserve yet: in order to obtain that, a register for this professional figures could be useful, as last point suggests.

## 3.3 In depth interviews

We conducted two interviews to get a more profound understanding of certain aspects discussed in the theoretical part and certain results emerged from the survey. We decided to interview a CFO and a professional who is also professor of economics, in order to represent a practitioner's point of view and an academic point of view. We designed an interview guide that is almost the same in both cases: no major deviations were made from the interview guide during the interviews. We made questions in the following areas:

- The existence of any differences in the way the controller is conceived in different kind of firms;
- The existence of any differences between the figure of the controller in Italy and the figure of the controller abroad;
- Differences and similarities between the various types of controllers (financial controller, business controller, industrial controller, commercial controller, etc.);
- To whom the controller reports;
- Differences and relationship between controller, CFO and *direttore amministrativo*;
- Activities that a controller must certainly perform and activities he must not certainly perform;
- Skills and capabilities a controller must possess;
- To whom the controller give greater support and from which he receives greater support;
- Whether academic education provide students with the necessary knowledge for a career in management accounting;
- The interviewee's opinion on the following finding emerged from the survey: low understanding by some figures, of the importance of controller's role within the organization;
- The interviewee's opinion on controller's changes over the years and in particular on the following finding emerged from previous studies: evolution of controller towards a business partner role;
- The interviewee's opinion as to whether the figure of controller will become essential for those firms that want to stay competitive and survive.

### 3.3.1 Interview to Dr Cristian Filocamo

The first interviewee is Dr Cristian Filocamo, currently Group CFO at Iperal S.p.a. and previously Controller for 10 years. He worked as controller for three different firms, in different sectors, and even abroad: for this reason, he was able to answer to the first two questions by reporting his personal experience. In his opinion what affects the most the profession of controller is the distinction between commercial firms and industrial firms. In other words, in industrial businesses, controllers typically focuses the most for instance on analytical accounting and production processes, while in commercial businesses the controller focuses on marketing and promotional expenses, sales analysis, profitability of products, and so on. The point is that firms with different priorities requires controllers with different competencies.

As to whether there exists any difference between the figure of the controller in Italy and the figure of the controller abroad, Dr Filocamo states that there are no real differences between nationalities; the figure of the controller changes according to the position within Multinational groups: Headquarters or Business Unit/Single Country. If the controller works at Headquarter level needs to consolidate information, he usually analyses and reports macro-data, and his referents are the Board and other steering committee; if he works at a Country level his prospective necessarily changes, namely he focuses more on the business.

Dr Filocamo describes the differences and similarities between the various types of controllers (financial controller, business controller, industrial controller, commercial controller, etc.) in the following way: all of them need to possess planning skills, synthesis skills, they must be able to analyse numbers and economic events behind numbers as well, and they must be able to suggest the right corrective actions in each kind of situation. On the other hand, what differentiates them is the object of their study: they may be asked to plan sales rather than costs, to possess different levels of technical knowledge and so on.

To the question to whom within the organization the controller should report, Dr Filocamo answers that the controller should report to the CFO, because they share similar objectives, skills, and the same overall view of the business. On the contrary, he should not report to the *Direttore amministrativo*, since he is a figure with other kind of priorities and objectives (for instance, the *Direttore amministativo* must be detail-oriented rather than synthetic as the controller should be). Reporting to the CEO (or *amministratore delegato*) is not wrong, but if the controller needs to constantly ask for advices, it would be better if his referent were the CFO.

According to Dr Filocamo, Controller, CFO and *Direttore amministrativo* have different competencies, characteristics and objectives; therefore, they must be necessarily separate. The CFO can be interpreted as a sum of different figures, since he oversee many functions, such as management and financial accounting, treasury, internal auditing, legal affairs. The *direttore amministrativo* and the controller both report to the CFO, but while the first deals with *procedures*, the second deals with *processes*. In addition, differently from the controller, the *direttore amministrativo* must comply with rules, laws and statutory standards. General accounting, treasury, relations with clients and suppliers, constitute his area of competence, so they should not be included in controllers' job tasks. A controller should relate with managers, production officers, department officers; in other words, he should know well the firm in order to deeply understand the economic implication of any corrective action he suggests. This is not something a *direttore amministrativo* must deal with.

As a consequence, in Dr Filocamo's opinion a good controller must be a quick learner, empathic, he must possess relationship abilities and listening abilities since he is supposed to interface with many people in different functions, and he must be a practical person, able to "translate numbers into actions" and foresee coming issues.

On the question to whom the controller gives greater support and from which he receives greater support, Dr Filocamo confirm that, being a cross-functional figure, the controller gives support to and receives support from almost all the collaborators in the organizations. Clearly, his hierarchical reference is the CFO, but his inputs come from many other managers.

Dr Filocamo believes also that the academic education provide the necessary knowledge and tools to start a career in management accounting (for example you learn how to manage budget processes, costs, analytical accounting, etc.), but what makes the difference are the right soft skills. Academic education cannot teach them, but perhaps it can "make them emerge". The point is that a firm cannot live without a *responsabile amministrativo* who drafts the financial statements, while a controller is not mandatory: for this reason a good controller should be able to prove that his contribution to the organization improves the business health, and to this purpose soft skills are essentials. This concept directly links with the answer to the next question: Dr Filocamo is convinced that if there is low understanding by some professional figures, about the importance of controller's role within the organization, and consequently a low consideration of controller's role, the fault may lies in controllers themselves. In short, it is controller's duty proving his job benefits the organization, and in doing so, he must show initiative. Maybe management accounting students should be made aware of this.

Dr Filocamo does not completely agree with previous studies saying that the controller is evolving towards a business partner role. The fact that many controllers surveyed complain of a low level of consideration by other professional figures, can be interpreted as evidence of that: if a controller were really a business partner, he would not be supposed to struggle to be appreciated. This "business partner concept" has been repeated many times throughout the years, but it needs to be better clarified.

He agrees instead with those sustaining that the figure of controller will become essential for such firms that want to stay competitive and survive the economic crisis. It is something the Dr Filocamo has always claimed: the controller is the figure that will develop the most in next years, especially in the Italian environment. The Italian reality is characterized by small/medium enterprises, and if these enterprises want to face the increasingly tough competition, the margins reduction, and other problems brought by the economic downturn, they need to look for the appropriate business profile: the one of the controller.

### 3.3.2 Interview to Dr Emilio Pagani

The second interviewee is Dr Emilio Pagani, professor of "*Principi contabili internazionali e bilancio consolidato*" at *Università di Udine* and assistant at *Università di Ferrara* in the course "*Creazione di valore aziendale e Risk Management*". He is currently President of ANDAF Nordest (*Associazione Nazionale Direttori Amministrativi e Finanziari*, and Treasurer of IAFEI (International Association of Financial Executive Institute). During his career, he has been CFO of four different companies: in his opinion, there were slightly differences in the way the controller was conceived. The controller used to be CFO's right-hand person; he used to analyse and interpret a large amount of data, formulating hypotheses to be submitted to top management.

As to the second question, Dr Pagani argues that, differently from Italy, the controller in foreign countries is a very important professional figure, and he enjoys of greater consideration.

To the question about the differences and similarities existing between the various types of controllers, Dr Pagani describes the tasks assigned to some of the main controller job titles. For instance, the industrial controller should deal with production data, with analysis of actual product costs, standard costs, variances etc. The business controller is supposed to monitor all business areas, such as sales, human resources, production. The financial controller is more similar to a vice-CFO. The commercial controller is supposed to monitor sales costs and prices, to analyse sales volumes, discount policy, profitability of sales channels, etc.

According to Dr Pagani the controller has to report to the CFO; business unit controllers could hierarchically depends from the head of their division, but functionally they always have to report to the CFO. In addition, in Dr Pagani's opinion CFO, *direttore amministrativo* and controller have not to be necessarily separate: it depends upon the structure and the size of the firm. Sometimes a CFO needs the support of a *direttore amministrativo,* a *direttore finanziario*, and a controller; however, because of his experience in family businesses, he state that this strictly separation in such small firms is not always necessary.

Thanks to his long career, Dr Pagani is able to maintain that a controller has to perform analytical and industrial accounting, allocating costs and revenues to the right division/segment/product family in order to estimate profitability of each one. This process helps him to evaluate also inventories and selling prices. A controller can be certainly asked to perform variance analysis, comparing actual results to budget, and identifying causes of negative variances. For sure, he must not be entrusted with general accounting, fiscal requirements, and finance affairs. Broadly speaking, a controller is involved in operating activities, what in Italy is known as "*gestione caratteristica del business*".

Dr Pagani says also that good controllers should have a sound accounting background, and a deep knowledge of the corporate culture: a degree in Economics and Management allows them to earn that. They should possess diplomatic and relationship skills in order to interface with those professionals in the company who provide them information; they should act as internal consultants and problem solvers, and to this purpose, an empathic attitude is essential; finally they should possess strong analytical skills.

The controller relates often with the IT function to get data and other information; however to understand information he must interact with his "internal customers", primarily production and commercial department. In fact, it is true that a controller has to analyse data, but he should also be in constant touch with the rest of the organization, especially to understand actual problems. According to Dr Pagani, a good controller is such if he spends at least 30% of his time outside of his office. In the end, the main beneficiary of the output of controller's work is the CFO.

As to the validity of academic education for a career in management accounting, Dr Pagani thinks there could be margins of improvement. In brief, he thinks that Universities provide students with the necessary conceptual instruments, but not the capacity of operating immediately within a company. That is why internships in management accounting are useful to get an initial understanding of the function; it is also important students take advantage of this opportunity to show initiative and good willingness.

Dr Pagani agrees with the perception that the figure of the controller in Italy enjoys of low consideration; as he has previously stated, the importance attributed to this figure is higher abroad. The reason is that the controller has less space in small/medium enterprises, and unfortunately, these types of entities dominates the vast majority of the Italian production scene. He does not completely agree instead with previous studies saying that the controller is evolving towards a business partner role. In his opinion, this is a concept that can more appropriately apply to the figure of the CFO. It is the CFO who reasons in a prospective and strategic way, while the controller remains in a position of support. Nonetheless, he is essential to survive the economic crisis. In fact, firms have understood that, if they cannot change the external adverse conditions, they will change their internal responses: in other words they response to adverse conditions by affecting their cost management; and that is exactly field of action of the controller.

### 3.3.3 Key findings

Dr Filocamo and Dr Pagani could represent two points of views: the one of practitioners and the one of academics: here are the main findings emerged from the comparison between the two.

Dr Filocamo identifies a factor that can affect the way the profession of controller is conceived in different companies: it is the distinction between industrial and commercial firms. This is not a new concept since one of the respondents of our survey reported the same opinion as well. On the contrary, Dr Pagani says that in his career he saw no relevant differences in the way the controller used to be conceived.

As to the differences between Italian controllers and controllers abroad, they report two different points of views. Dr Filocamo states that the differences do not lie on the nationalities, yet on controller's position within Multinational groups (Headquarters Vs Business Unit/Single Country). Dr Pagani instead detects that one difference exists: in foreign countries, the controller enjoys greater consideration. Again, this is an opinion reported also by some controllers surveyed.

From their descriptions of the different types of controllers, it emerges that capabilities required are always the same, what changes is their object of study. Using Dr Filocamo's words, all of them need to possess planning skills, synthesis skills, they must be able to analyse numbers and economic events behind numbers as well, and they must be able to suggest the right corrective actions in each kind of situation. However, as Dr Pagani says, the industrial controller for example should deal with production data; the business controller is supposed to monitor all business areas; the financial controller is more similar to a vice-CFO; the commercial controller is supposed to monitor sales costs and prices, sales volumes, etc.

They both think that the controller should report to the CFO. Instead, their answers to the question about the separation between CFO, *direttore amministrativo* and controller are in disagreement. In point of fact, this is a topic that divided also controllers in our survey. According to Dr Filocamo, Controller, CFO and *Direttore amministrativo* have different competencies, characteristics and objectives; therefore, they must be necessarily separate; in Dr Pagani's opinion, CFO, *direttore amministrativo* and controller have not to be necessarily separate: it depends upon the structure and the size of the firm.

They both state that for sure a controller must not be entrusted with general accounting, fiscal requirements, treasury and finance affairs, relations with clients and suppliers and he must not comply with rules, laws and statutory standards: this constitutes area of competence of the *direttore amministrativo*. According to Dr Filocamo the *direttore amministrativo* deals with *procedures*, while the controller deals with *processes*. Dr Pagani instead uses the following expression: the controller is involved in what in Italy is known as "*gestione caratteristica del business*".

Dr Filocamo underlines that controller's objective is to know well the firm, and to this purpose he has to relate with managers, production officers, department officers. Dr Pagani specifies the activities that a controller has to perform: analytical and industrial accounting, costs allocation, profitability analysis, inventories analysis, prices evaluation, variance analysis, individuation of corrective actions, etc.

They both agree in saying that, in running his job, a controller should be in constant touch with the rest of the organization, as it emerges from the survey. Dr Filocamo highlights that, being a cross-functional figure, the controller gives support to and receives support from almost all the collaborators in the organizations. This was indicated by respondents of our survey as one of the things they like the most in this job. For Dr Pagani, controller's most important "internal customers", intended as the ones who help him in understanding information, are production and commercial departments.

It is interesting to notice they both sustain that an empathic attitude in this job is essential to understand and solve problems. They also both suggest that a controller should show initiative and should possess diplomatic, relationship and listening abilities, as well as analytical and practical skills. Neither mention leadership capabilities: in accordance with the results of the survey, they seems not so relevant, differently from what previous researches found. In addition, Dr Pagani emphasizes the importance of a sound accounting background, while Dr Filocamo stresses the usefulness of soft skills to increase the value-added of this role. That is why he believes that academic education, along with providing students with conceptual instruments, should outline the importance of developing the right soft skills for a controller career. On the other hand, Dr Pagani complains that academic education do not provide enough practical experience for students, who are usually not immediately prepared for working in management accounting. In other words, from the two interviews it emerges an opposition between the importance of soft skills and the importance of technical preparation.

We can say that another contrast exists in the way they explain the low consideration perceived by many controllers in Italian firms. Dr Pagani outlines this is because the controller has less space in small/medium enterprises, and unfortunately these types of entities dominates the vast majority of the Italian production scene. As evidence of that, he says that in foreign countries controllers have greater importance. Dr Filocamo brings another point of view: it is controller's duty proving his job benefits the organization. If a controller were good at his job, there would be no lack of understanding by other professional figures about his contribution to the organization. Therefore, it is possible to see an opposition between external causes (Italian production scene dominated by small/medium enterprises) and internal causes (inability of controllers to prove their role benefits the organization).

They both disagree on the evolution towards a Business partner role described by many scholars: Dr Filocamo says that, by now, this is an "inflated" slogan, which does not apply to the Italian reality; Dr Pagani believes this is a feature more appropriate for a CFO.

Finally, they are both firmly convinced that controller's role is extremely useful to stay competitive during the economic downturn, thanks to his knowledge and his competencies in costs management.

# CONCLUSIONS

Purpose of this thesis is clarifying what is the role of the controller within companies, given the confusion surrounding this kind of position. We took into consideration information from management accounting textbooks, financial management textbooks, scholars' manuals, studies conducted by accounting associations and researchers in this field, interviews to Business experts and data from professional websites.

The titles we encountered for the controller's profile are:

- Chief Accounting Officer
- Management accountant
- Financial manager

Especially literature in this sense is sometimes misleading. As we know, it is not obvious that an alien term in Italy has the same meaning as in the corresponding foreign culture. In our case, the word controller sometimes seems emphasizing the control function only.

The most crucial point emerged from the definitions of controller we examined is that "Controller" has not always the same meaning it has in Italy. Almost all sources agree in stating that controllers are in charge of preparing financial reports, evaluate performance of the company, set accounting policies and procedures, and are involved in the budgeting process. However, it is also true that many authors assign to the controller the responsibility of "financial statements production, the recording of accounting transactions, the maintenance of internal control and the production of financial reporting addressed not only to internal managers but also to external users"; sometimes also fiscal responsibilities. Activities like financial planning and forecasting, costs control, variance analysis, evaluation of investing decisions are sometimes attributed just to the CFO. Furthermore, in controllers' job descriptions we can also find treasury responsibilities: in fact, often English textbooks state that the controller shares the finance & accounting function with the treasurer.

Several interpretations could be applied to explain these different perceptions about what a controller is supposed to do:

- Organizational models in Italy are based on the historical separation between *amministrazione, finanza e controllo* (AFC competencies, namely accounting, financial management and control). Most organizations abroad instead (especially in U.S.A.) prefer a general-purpose accounting system that meets the needs of both internal managers and external parties such as investors and government authorities. For those scholars who embrace this description the word controller indicates the chief of the accounting department, or Chief Accounting Officer (CAO). As such, he is in charge of *both management accounting and financial accounting.*

- Another explanation is certainly related to the size of the company. If a company is small, the controller may be entrusted with many functions, as, for example, financial accounting.
- Regardless of the size of the firm, the tasks assignment to a controller may depend upon corporate culture; in other words, it may depend on how top management interprets controllers' role.
- Those controller's descriptions that include the overseeing of accounting operations and financial statement reporting, maybe still associates the title controller to the old perception of the management accountant's role. In fact, management accountants were historically referred to as "bean counters", "score keepers", or "bookkeepers", to underline how their duties were restricted to keeping track of a company's financial transactions. Now, to distance themselves from the definition of scorekeeper, corporate controllers are changing their job titles.
- Management accounting field is less sharply defined than financial accounting: the activities that a controller is called to perform may vary a lot for this reason as well.
- Controllers' action field varies in accordance with the different declinations of his role. We can find f*inancial controllers*, *business controllers*, *industrial controllers*, *commercial controllers* and so on. Capabilities required are always the same, but their object of study changes.

Controllers' profile that emerged from our survey can be summarized as follows: they are professionals who are on average 33 years old, having 6,6 years of experience as controllers; they usually earned a master's degree in Economics; they are employees; if they have not always worked as controllers, they have worked as auditors or accountants.

Interviewees have noticed differences in the way controller's role is conceived in different firms, varying from data gathering to support for strategic decision making, from mixing with the financial accounting function to the acquisition of a more distinct identity. Variables affecting controller's role are managers' needs, software at disposal, corporate culture, firm's sector (in particular industry Vs commerce), position in the organization (group level Vs Business Unit/single Country level), size and structure of the firm. In addition, those who had the possibility to interface with foreign colleagues said that abroad management accounting plays a more important role, even if the focus is on the precision of numbers rather than the comprehension of phenomena behind numbers as well.

It appears that the major part of the firms have from 1 to 4 controllers, divided among juniors and seniors, sometimes monitored by an upper controlling manager or group controller. It emerges that first reference for controllers should be the CFO. Business unit controllers could hierarchically depend from the head of their division, but functionally they report to the CFO. When appropriate, controllers can report directly to the CEO. On the contrary reporting to the *direttore amministrativo* would be wrong because the latter is a figure who is required to possess an attitude, skills and competencies too much different from those required to a controller.

Although all interviewees think CFO, *Direttore amministrativo,* and controller are different figures, many of them believe that in general, firms do not keep these three figures perfectly separated, and as a matter of fact not all the firms examined keep them perfectly distinct, especially when we talk about CFO and *direttore amministrativo*. However, for our part, we recommend to keep the identities of these roles separated, in order to run the business in the most efficient and effective way[64]:

| **Direttore amministrativo** | **Controller** | **CFO** |
|---|---|---|
| Accounting and financial reporting | Economic Analysis | Financial Strategy |
| Financial statements | Performance measurement | Financial equilibrium |
| Relationships with external actors | Relationships with internal actors | Overall view of the business |
| Compliance to fiscal and statutory standards | No compliance to fiscal and statutory standards | No compliance to fiscal and statutory standards |
| Procedures | Processes | Overseeing |

Our empirical evidence highlights the cross-function role of the controller inside the organization, who receives and exchanges information with all the functions. He relates daily with many different professional figures; in particular, he receives more support from the financial accounting function, and he provides information not only to CFO, CEO or other upper managers, but also to organization’s departments, especially commercial and production

[64] The following terms and concepts derived from controllers’ and interviewees’ opinions of our survey.

departments. The major part of controllers surveyed indicates commercial employees as the professional figures with whom the relationship is hardest.

We assume activities performed by more than half respondents of our survey as characterizing the job. These activities are:

- analysis of key performance indicators
- budget
- responding to managers' requests
- variance analysis and corrective actions
- analytical accounting and costing
- income statements per product/client/geographic area
- department/plant productivity analysis
- products profitability analysis
- support in management decision-making
- standard costing and industrial deviations

Some controllers fulfil also financial accounting functions, in particular half respondents deals with general accounting and statutory financial statements drafting. Our recommendation is to limit the involvement of controllers into these functions since they are not supposed to possess the required competencies. We can find maybe too much low involvement in business planning: organizations should leverage more controller's contribution in this area. A good trend is instead the involvement of 9 respondents in at least one "strategic activity" we provided in the questionnaire.

From previous studies, skills most appreciated in the controller's profile are: communication and interpersonal skills, diplomatic skills, problem solving skills, analytical skills, leadership and organizational skills, ability to approach tasks with a "big-picture method". Other competencies required are numerical proficiency, use of logic, forecasting and strategic thinking, creativity and adaptability. IT competencies, time management, and knowledge of analysis and evaluation techniques complete the profile. Other than accounting, knowledge in operations is useful. Researches run in the last decade report that differently from the past, today management accounting practitioners tend to assign increasingly more importance to managerial skills rather than technical accounting knowledge, although still important. Besides, personal skills are presented as essential to affirm the role. Top 5 soft skills emerging from our survey are: analytical skills, big picture orientation, problem solving, team work, initiative.

According to controllers who responded our questionnaire, top 3 aspects most appreciated in this job are:

- Having an "overall view" of the business;
- Supporting management decision making;
- Being a cross-functional figure, in relation with all other professional figures.

However, respondents complain:

- High level of stress due to the large amount of work or due to the continuous deadlines;
- Low level of understanding by other professional figures about the importance of this job;
- Too much routine work.

The second point directly links to next topic.

Scholars used to describe controller's role as in continuous evolution: particularly he is perceived as evolving from 'bean counter' to 'business partner'. Other characteristics attributed by scholars to the evolving controller are: proactive team player, strategic partner, internal consultant; according to the authors he is also increasingly involved in management team, with the consequence to be no longer just an information provider. Our survey however highlighted that not all these definitions are consistent with ideas controllers have today, at least in Italy. In fact, it emerged that many times controller's role enjoys still too much low consideration, deriving from misperceptions about his usefulness inside the organization.

What our empirical evidence confirms is the fact that IT improvements have affected controllers' activities: in particular, thanks to technologies advancements data collection is easier, and this facilitates analysis. Therefore, controller's focus can move from data gathering to additional analysis and interpretations, maybe creating in the future more room for controller's contribution to the organization's strategy. In addition, many controllers interviewed recognized they are asked to apply more forward thinking skills, in line with previous studies reported in the theoretical part. Others have seen an increased appreciation of the role with respect to the past, even if the road to the complete affirmation of the figure is still long.

As regards management accounting education, it emerges from previous researches that there exists a gap between what is important to study for academics and what has real application according to management accounting practitioners. In particular, in practitioners' opinion, modern and sophisticated management accounting techniques, usually contained in textbooks, have limited adoption in practice. They also complain that graduates are not properly prepared for their roles in the workplace, because of a lack of real world experience during the studies. Our empirical evidence (interviews) confirms the last point and underlines the importance to make students in the condition to develop the right soft skills for a controller career: a good controller should be able to prove that his contribution to the organization improves the business health, and to this purpose soft skills are essentials.

Researchers and many respondents of our survey believe that the role of the controller is essential to survive the economic crisis: notably his competencies in cost management contribute to increase profitability and stay competitive. This will surely help to better define controller's role within the organization, leading to a greater consideration in Italian firms. According to scholars, the controller of the future will spend less time in preparing information, and more time in reviewing information.

These are the main findings of this thesis. We are confident controllers will gain more and more importance and their role will be increasingly recognized; everything is possible because, as we already said, "management accounting is currently in a state of change and will continue to change".

# REFERENCES

## MANUALS

**ACARI A.M.** (2010), *Programmazione e controllo*, McGraw-Hill, Milano

**AMIGONI F. & CAGLIO A.** (2012), *Budget*, Egea, Milano

**ANTHONY R.N. & GOVINDARAJAN V.** (2001), *Management control systems*, McGraw Hill, New York

**ATKINSON A.A., KAPLAN R.S., MATSUMURA E.M., YOUNG S.M.** (2012), *Management Accounting: information for decision making and strategy execution*, Pearson, New Jersey

**ATRILL P. & MCLANEY E.** (2009), *Management accounting for Decision Makers*, Prentice Hall, Harlow

**BRAGG S. M.** (2011), *The controller's Function: the work of the Managerial Accountant*, John Wiley & Sons Inc., New Jersey

**BRAGG S. M.** (2012), *The essential controller: an introduction to what every financial manager must know*, John Wiley & Sons Inc., New Jersey

**BRUNETTI G.** (1989). *Il controllo di gestione in condizioni ambientali perturbate*, Franco Angeli, Milano

**CANTINO V., DE BERNARDI P. & DE VALLE A.** (2015), *Sistemi di misurazione e rilevazione delle performance aziendali*, G. Giappichelli, Torino

**CONTE C.** (2015), *Piccole imprese in classe A: il recupero finanziario per dipendere meno dalle banche*, Ed. Il Torchio, Padova

**CPA AUSTRALIA** (2012), *Management accounting, study manual*, BPP Learning Media Ltd

**DRAKE S.M. & DINGLER R.G.,** (2001), *The practical guide to finance and accounting,* CCH Inc., New York

**ELLIOTT B. & ELLIOTT J.** (2011), *Financial accounting and reporting*, Prentice-Hall, Harlow

**FERRARIS FRANCESCHI R**., a cura di. (2010), *Sistemi di pianificazione e controllo*, G. Giappichelli, Torino

**FLEMMING M.K.** (1984), *Managerial accounting and control techniques for the non accountant*, Van Nostrand Reinhold Company Inc., New York

**GAPENSKY L.C. & BRIGHAM E.F**. (1996) *Financial management: Theory and Practice*, Harcourt Brace College Publishers, Orlando

**HEISINGER K.** (2009), *Essentials of Managerial Accounting*, South Western Cengage Learning, Mason

**HILTON R.W.** (2010), *Managerial Accounting: creating value in a dynamic business environment*, McGraw Hill/Irwin, New York

**HORNGREN C.T., SUNDEM G.L. & STRATTON W.L.** (1999), *Introduction to management accounting*, Prentice Hall, New Jersey

**HORNGREN C.T., SUNDEM G.L., STRATTON W.O.** (2002) *Introduction to management accounting*, Prentice Hall, New Jersey

**KEOWN A.J., MARTIN J.W., PETTY W.D., SCOTT D.F.** (2001), *Financial management principles and applications*, Prentice hall, New Jersey

**MERCHANT K.A. & VAN DER STEDE W.J.** (2007), *Management control systems: performance measurement, evaluation and incentives*, Prentice Hall, New Jersey

**RICKETTS D. & GRAY J.** (1988), *Managerial accounting*, Houghton Mifflin Co., Boston

**SATHE V.** (1982), *Controller involvement in management*, Englewood cliffs, Prentice Hall, New Jersey

**VAN HORNE J.C. & WACHOVICZ J.M. JR.** (2008), *Fundamentals of financial management*, Prentice Hall, New Jersey

**WEYGANDT J.J., KIESO D.E. & KIMMEL P.D.** (1999), *Managerial accounting: Tools for business decision making*, John Wiley & Sons Inc., New Jersey

**ZAVANI M.** (2012), *Le connotazioni del controllo di gestione e le sue applicazioni nella comunicazione interna e esterna*, G. Giappichelli editore, Torino

**ZIMMERMAN, J.L.** (2005). *Accounting for Decision Making and Control*, McGraw-Hill Higher Education, New York

## PAPERS

**ANDAF, COMITATO TECNICO PER LO STUDIO DEI PRINCIPI CONTABILI**, a cura di, (2006), *Il CFO Italiano: funzioni assegnate e posizionamento organizzativo. Un'indagine empirica*, dossier of Andaf Magazine No 1

**BERTOLI P**. a cura di, (2009), *La figura del CFO come gestore della complessità*, Dossier of Andaf Magazine No 2

**BURNS, J. & BALDVINSDOTTIR, G.,** (2001) *Changing roles: 'Hybrid' accountants in a UK pharmaceuticals company*, working paper, University of Manchester.

**CGMA**, (2014), *How management accounting drives sustainable success*, CGMA report

**CFO EDGE** (2014), *CFO or controller: what's right for your business*, www.cfoedge.com

**DESROCHES D.** (2014), *Enterprise performance management: management accountants' perceptions*, IMA Research Report

**ERNST & YOUNG** (2008), *The changing role of the financial controller*, Research report

**FORSAITH T., TILT C. & XYDIAS-LOBO M.** (2013), *The future of management accounting: a South-Australian perspective*, School of Commerce, Research paper series: 03_2

**HAWKES L.C., FOWLER M. & TAN L.M.** (2015), *Management accounting education: is there a gap between academia and practitioners perceptions?* Massey University Discussion paper series 215

**IMA** (1999), *Counting More, Counting Less: Transformation in the Management Accounting Profession*, Montvale, NJ, IMA.

**IMA** (2008), *Definition of management accounting*, Statements on management accounting, www.imanet.org

**IMA** (2013), *Evolving role of the controller*, IMA research Report, www.imanet.org

**IMA & ACCA** (2014), *Financial Insight: Challenges and opportunities*, IMA Research Report, www.imanet.org

**LINHARDT M. & SUNDQVIST S**. (2004), *The Role of the Controller*, Master Thesis, Lulea University of Technology

**RICHARDSON A.J.** (2017). *The Relationship between Management and Financial Accounting as Professions and Technologies of Practice*, Chapter C3 in "The Role of the

Management Accountant – Local Variations and Global Influences (Routledge Studies in Accounting)"

**ROUWELAAR H. & BOTS J**. (2008), *Business unit controller involvement in management: an empirical study in the Netherlands*, NRG working paper series No 08-07

**ROUWELAAR H.** (2007), *Theoretical review and framework: the roles of controllers*, NRG working papers series No 07-02

**SIEGEL G. & SORENSEN J.E.** (1999), *Counting More, Counting Less: Transformations in the Management Accounting Profession.* The 1999 Practice Analysis of Management Accounting – Executive Summary, Institute of Management Accountants, USA.

**ZAINUDDIN Z.L. & SULAIMAN S.** (2016), *Challenges faced by management accountants in the 21st century*, open-access article published by Elsevier B.V.

# ARTICLES

**AMATO N.** (2016), *Controller to CFO: not a straight simple path*, Journal of Accountancy, Vol. 221 Issue 3

**BORTHICK A.F.** (1996), *Helping Accountants Learn to Get the Information Managers Want: The Role of the Accounting Information Systems Course*, Journal of Information Systems, 10, no. 2

**BRANDS K.** (2015), *Business analytics: transforming the role of management accountants*, Management accounting quarterly, Vol. 16 No 3

**BURNS J., EZZAMEL M. & SCAPENS R.** (1999), *Management Accounting Change in the UK*, Management Accounting, March

**BURNS J. & VAIVIO J.** (2001), *Management accounting change*, Management Accounting Research Vol. 12

**CABLE J.L., HEALY P. & MATHEW E.** (2009), *Teaching future management accountants*, Management accounting quarterly, Vol. 10 No. 4

**CINCIRIPINI G.** (2016), *La figura professionale del controller e la UNI 11618:2016*, Unione & Certificazione No 8

**CLINTON D. & WHITE L.R.** (2012), *The role of the management accountant: 2003-2012*, Management accounting quarterly, Fall 2012 Vol. 14 No. 1

**CURIAT A.** (2014), *E' caccia ai controller di gestione*, il Sole 24 Ore, 16/6/2014

**DERGEL S.** (2014), *Profile of the successful CFO*, Financial Executive, Vol. 30 Issue 3

**HRISAK D.** (1996), *The Controller as business strategist*, Management accounting: official magazine of institute of management accountants, Vol. 78

**KAPLAN, R.S.** (1995), *New Roles for Management Accountants*, Journal of Cost Management, 9 (4)

**KUTTNER M.** (1993), *How to turn a controller into a manager*, Journal of Accountancy, Vol. 175 Issue 5

**LAWSON R.** (2016), *How controllers become business partners*, IMA's online magazine Strategic Finance, July 2016

**MAAS V.S. & MATEJKA M.** (2009) *Balancing the dual responsibilities of business unit controllers: field and survey evidence*, The accounting Review, Vol 84 No 9

**MILAM E.** (2013), *Controller or CFO: What's the difference?*, Landscape Management, Vol. 52 Issue 11

**MUSSO A.** (2015), *Riflessioni sul ruolo del controller*, Strategia Finanza & Controllo No 5

**RUSSELL G.W.** (2014), *Management accountants day in the sun*, A Plus, issue 6 Vol. 10

**SATHE V.** (1983), *The controller's role in management*, Organizational Dynamics Vol. 11

**SBROCCO M.** (2015), *Bean counters no longer: how controllers are elevating their game*, controller's report Vol. 2015 issue 1

**STANCIU M.** (2015), *Five ways controllers can be stronger business partner*, Vol. 2015 Issue 8

**STERLING L.** (1978), *The controller: new game new rules*, Management Review Vol. 67

**SUNARNI C.W.** (2013), *Management accounting practices and the role of the management accountant: evidence from manufacturing companies throughout Yogyakarta, Indonesia*, Review of Integrative Business and Economic Research, Vol.2

**WILSON J.D. & COLFORD J.P.** (1991), *The new controller – with five redefined chores*, Financial Executive Vol. 7

**ZONI L. & MERCHANT K. A.** (2007), *Controller involvement in management: an empirical study in large Italian corporations*, Journal of accounting and organizational change, Vol. 3 No 1

# WEB ARTICLES

**DEPERSIO G.** (2016), *Controller: job description & average salary*, www.investopedia.com (http://www.investopedia.com/articles/professionals/011416/controller-job-description-average-salary.asp), 20/10/2016

**DORWARD L**., *Responsibility of a financial controller*, www.smallbusiness.chron.com (http://smallbusiness.chron.com/responsibility-financial-controller-47296.html), 20/10/2016

**FERRETTI A.** (2008), *CFO, in Italia è un ruolo ancora tutto da scoprire*, Business & Gentlemen n. 3, settembre-novembre 2008. www.business&gentlemen.it (http://www.businessgentlemen.it/2008/11/cfo-in-italia-e-un-ruolo-ancora-tutto-da-scoprire/), 20/11/2016

**GATTO F.** (2014), *Prospettive organizzative nel ruolo del controller*, www.cuoaspace.it (http://www.cuoaspace.it/2014/06/prospettive-organizzative-nellevoluzione-del-ruolo-del-controller.html) 19/12/2016

**GATTO F. & CIABATTONI M.** (2015), *Il processo di pianificazione e controllo e il ruolo del controller: logiche funzionali e commento degli esiti della survey svolta su un campione di imprese del corso CUOA "il controller"*, www.cuoaspace.it (http://www.cuoaspace.it/2015/10/il-processo-di-pianificazione-e-controllo-e-il-ruolo-del-controller-logiche-funzionali-e-commento-degli-esiti-della-survey-svolta-su-un-campione-di-imprese-del-corso-cuoa-il-controller.html) 19/12/2016

**HAWLEY J.** (2015), *Common interview questions for controllers*, www.investopedia.com (http://www.investopedia.com/articles/professionals/120215/common-interview-questions-controllers.asp), 3/11/2016

**MITRA S.** (2007) *why Controllers aren't CFO*, www.aicpastore.com (https://www.aicpastore.com/Content/media/PRODUCER_CONTENT/Newsletters/Articles_2007/CorpFin/Material.jsp), 20/11/2016

**PARAMORE B**. (2013), *Difference between CFO and controller*, www.proformative.com (https://www.proformative.com/blogs/ben-paramore/2013/09/06/difference-between-cfo-controller), 20/11/2016

**ROSS S.** (2015), *Career advice: accountant Vs controller*, www.investopedia.com (http://www.investopedia.com/articles/professionals/100115/career-advice-accountant-vs-controller.asp), 3/11/2016

**ROSS S.** (2016), *Controller: career path and qualifications*, www.investopedia.com (http://www.investopedia.com/articles/professionals/011316/controller-career-path-qualifications.asp), 3/11/2016

**THOMSON J.** (2016), *The management accounting profession will double by 2024 - are we prepared?* www.accountingtoday.com (http://www.accountingtoday.com/news/audit-accounting/management-accounting-profession-double-77986-1.html) 30/12/2016

**ROTHBERG A.F.** (2011), *CFO Vs controller: understanding the differences*, www.cfoedge.com (http://www.cfoedge.com/resources/articles/CFO-Edge-CFO-vs-Controller.pdf), 20/11/2016

**WILKINSON J.** (2013), *Controllers Vs CFO*, www.strategiccfo.com (https://strategiccfo.com/controller-vs-cfo/)

# WEBPAGES

**www.assocontroller.it**

**www.cfoenterprise.com**
(http://www.cfoenterprise.com/news-articles/the-difference-between-cfos-and-controllers/), 20/11/2016

**www.cpaaustralia.com.au**

**www.imanet.org**

**www.isfol.it**
(http://nrpitalia.isfol.it/sito_standard/sito_demo/dettaglio_profilo.php?id_profilo=6290) 19/12/2016

**www.iso.org**

**www.opuscg.com**
(http://opuscg.com/what-is-the-difference-between-a-bookkeeper-controller-and-cfo/), 20/11/2016

**www.repubblica.it**
(http://www.repubblica.it/economia/miojob/lavoro/2003/12/17/news/controller_il_mestiere_della_crisi-140903252/), 11/10 2016

**www.theiia.com**
(http://www.theiia.org/guidance/standards-and-guidance/ippf/definition-of-internal-auditing/?search%C2%BCdefinition) 5/10/2017

**work.chron.com**
(http://work.chron.com/operational-controller-vs-financial-controller-3833.html), 20/11/2016

# QUESTIONARIO: IL RUOLO DEL CONTROLLER NELLE AZIENDE ITALIANE

**1. Dati relativi all'Azienda** (da qui in poi con il termine 'Azienda' si fa riferimento all'azienda nella quale lavora attualmente):
Nome dell'Azienda: ____________________________________ Settore:______________________________________
Fatturato (circa): ____________________________N^ Dipendenti (circa):_________, di cui amministrativi (circa):_______
Struttura organizzativa (funzionale, divisionale, matrice,altro) ________________________________________________
E' quotata? ________________ Appartiene ad un gruppo? Quale? ___________________________________________

**2. Dati relativi all'intervistato**: Nome, cognome, anno di nascita, tipo di laurea/diploma:
__________________________
____________________________________________________________________________________________________
Da quanti anni è un controller? __________ e da quanti in Azienda? ___________; Posizione attuale (controller aziendale, di business unit, di divisione, di gruppo)? ________________________________________Inquadramento lavorativo (impiegato, quadro, etc.)? _______________________________________________ Precedentemente ha lavorato in altre aziende come controller? quali? ___________________________________________________________________________________
Ha riscontrato delle differenze nel modo in cui è concepita la professione del controller? _________________________
____________________________________________________________________________________________________
____________________________________________________________________________________________________
____________________________________________________________________________________________________
____________________________________________________________________________________________________

Ha lavorato all'estero come controller? Ha riscontrato differenze con la realtà italiana? ___________________________
____________________________________________________________________________________________________
____________________________________________________________________________________________________
____________________________________________________________________________________________________
Ha ricoperto altri ruoli oltre a quello di controller? quali? ____________________________________________________

**3. Controller in azienda**: Quanti controller ci sono in Azienda? _________ Quanti junior, senior, etc: ______________
____________________________________________; da chi dipendono gerarchicamente? (CFO, direttore amministrativo, controller di gruppo, CEO, etc) _____________________________________________________________________________
Secondo lei, il controller da chi dovrebbe dipendere gerarchicamente? ________________________________________
Se l'Azienda fa parte di un gruppo, come sono organizzati i rapporti tra i controller delle diverse aziende/business units del gruppo? ______________________________________________________________________________________
____________________________________________________________________________________________________
Secondo lei il controller, il CFO e il direttore amministrativo sono figure professionali diverse?___________________
In Azienda sono distinte? (si/no) ________; Secondo lei un'azienda dovrebbe sempre tenere distinti questi ruoli? Perché?
____________________________________________________________________________________________________
____________________________________________________________________________________________________
____________________________________________________________________________________________________

Secondo la sua percezione, le aziende tendono a riconoscerle come figure distinte? (si/no) ________________________

**4. Controller e le altre figure professionali**:

In Azienda, di quanta considerazione gode il controller da parte delle altre figure professionali? (1 min-5 max)_________
Con quali figure professionali il rapporto è più difficile? (commerciali, direttori, etc.) _______
____________________________________________________________________________________________________
Perché? ____________________________________________________________________________________________
Con quale frequenza si relaziona con gli amministrativi? (cotà generale, fiscale, etc.) ___________________________________
da chi riceve il maggior supporto e per quali mansioni? _________________________________________________
____________________________________________________________________________________________________
____________________________________________________________________________________________________
Con quale frequenza si relaziona con le altre figure professionali (produzione, commerciali,etc.)?_________________________
A chi fornisce maggior supporto e per quali mansioni?__________________________________________________
____________________________________________________________________________________________________;

**5. Caratteristiche e competenze del controller**:

Considerato il suo tempo lavorativo annuo (= 100%), quanto tempo (in %) dedica alle attività elencate?

| | | | |
|---|---|---|---|
| **Analisi strategica e di business:** | | **Reporting e performance**: | |
| Opportunità e minacce ambientali | | Indicatori economici e/o KPI | |
| Analisi situazione competitiva | | Conti economici di prodotto,cliente,area geogr.,etc | |
| Acquisizione nuove aziende/business | | Valutazione delle performance commerciali | |
| Risk management | | Reporting casa madre | |
| **Attività amministrative in senso stretto:** | | Investor relations | |
| Contabilità generale e bilancio civilistico | | Benchmarking | |
| Revisione contabile | | **Pianificazione & programmazione** | |
| Fiscalità | | Pianificazione aziendale | |
| Analisi del costo del lavoro | | Budget | |
| Analisi dei flussi di cassa | | Analisi scostamenti e azioni correttive | |
| Relazioni con gli istituti di credito | | MBO e assegnazione di obiettivi economici | |
| Gestione ciclo attivo | | Sistemi incentivanti e valutazione del personale | |
| Gestione del credito verso clienti | | **Valutazioni economiche** | |
| Gestione relazioni sindacali | | Valutazioni di convenienza economica ‘spot’ | |
| Gestione ciclo passivo | | Rispondere alle domande/richieste dei manager | |
| Relazioni con i fornitori | | Supporto alle decisioni di pricing | |
| **Controllo di gestione:** | | Controllo qualità | |
| Contabilità analitica e costing | | Supporto ai processi decisionali dei manager | |
| Produttività di reparto/stabilimento | | **Altre attività:** | |
| Valorizzazione distinte basi | | | |
| Costi standard e scostamenti industriali | | | |
| Profittabilità dei prodotti | | | |

Quali attività vorrebbe svolgere con maggiore frequenza e/o intensità? ________________________________________

________________________________________________________________________________

Quali sono secondo lei le **abilità/attitudini/skills** che dovrebbe avere un controller? (da 1= poco importanti o non necessarie a 5 molto importanti/ fondamentali):

| | | | |
|---|---|---|---|
| Problem solving | | leadership | |
| abilità comunicative | | Creatività | |
| Abilità organizzative | | Spirito d’iniziativa | |
| Abilità relazionali | | Orientamento al “dettaglio” | |
| abilità di negoziazione | | Orientamento alla “visione d’insieme” | |
| Capacità di persuasione | | Lungimiranza | |
| abilità analitiche | | …..... | |
| teamwork | | ……… | |

Può elencare almeno tre aspetti che le piacciono e tre che non le piacciono di questa professione? _________________

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

Secondo lei è cambiato negli anni il ruolo del controller? ________________________________________________

________________________________________________________________________________

________________________________________________________________________________

E nell’Azienda? ________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________

Spazio per commenti e considerazioni

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________