Perspective

of the International Controller Association (ICV)
and the International Group of Controlling (IGC)

The essence of Controlling –
The perspective of ICV and IGC

Motivation for the paper

Controlling is a key success factor for good corporate management. At the same time, however, there are often uncertainties about what the essence of Controlling actually is. This paper therefore aims to provide an updated understanding of the term "Controlling" and the role of the controller by formulating the Perspective of the International Association of Controllers (Internationaler Controller Verein, ICV) and the International Group of Controlling (IGC).

Our starting point is the understanding of Controlling developed by Albrecht Deyhle more than fifty years ago. This understanding is characterised by three features: objective-oriented management control; controllers and managers performing Controlling as a team; and interaction of analytics and soft factors. The practical application of Controlling has spread rapidly since Albrecht Deyhle's initial formulation of these core ideas. At the same time, it has changed and been enhanced, including during the past ten years since the publication of the first version of this paper. New developments have taken place in particular in the scope of activities (digitalisation, sustainability, strategy, transformation), the future orientation and adaptability (e.g. early warning, resilience, agility), and in the increasing differentiation of role models. In addition, controllers as a group (the "controller community") – at least in large companies – are playing an essential role today.

This paper therefore takes up Albrecht Deyhle's basic ideas again and updates them to reflect the aforementioned developments and the extensive scholarly debate on the concept of Controlling.
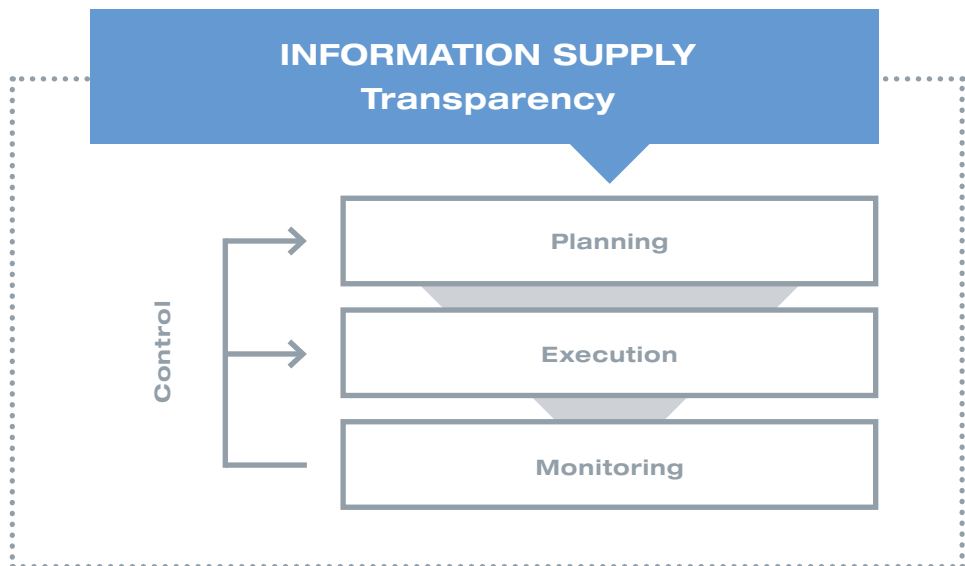
Controlling

Controlling is a management activity. It means being objective-driven and directing all decisions towards achieving this end.

Planning and calculative practices, as well as monitoring and management control, are therefore crucially important activities. This applies to each individual management decision as well as to the management of the company as a whole. It is also independent of whether the respective organisation is coordinated predominantly through plans or instead follows agile organisational forms. In all of these cases, it is important to assure that the processes of information provision, decision-making and management control are closely interrelated:

1) The provision of relevant financial and non-financial information forms the basis for a self-contained control cycle consisting of decision-making, implementation and control.

2) The decision-making process conducted when developing the strategy and the operational plans defines the objectives and the means to accomplish them. The associated preoccupation with the future also leads to a better ability to master situations when plans are not achieved.

3) Control involves monitoring whether objectives will be achieved and, if not, to identify why this is the case. The insights gained from this monitoring should be applied as early as possible to take countermeasures and improve implementation and planning.

4) Planning and control together set limits on individuals in the company; at the same time, however, it is precisely this combination that enables managerial discretion and decentralized initiative.

Corporate management has been characterized in recent years by high volatility, uncertainty, complexity and ambiguity (VUCA). It therefore appears essential to make the feedback between control, decision-making and implementation more timely and flexible than is the case in a purely plan-coordinated context. In addition, Controlling must be anchored not only in the relevant processes and tools, but also in everyone's minds as a specific way of thinking ("convince and inspire employees to join in").
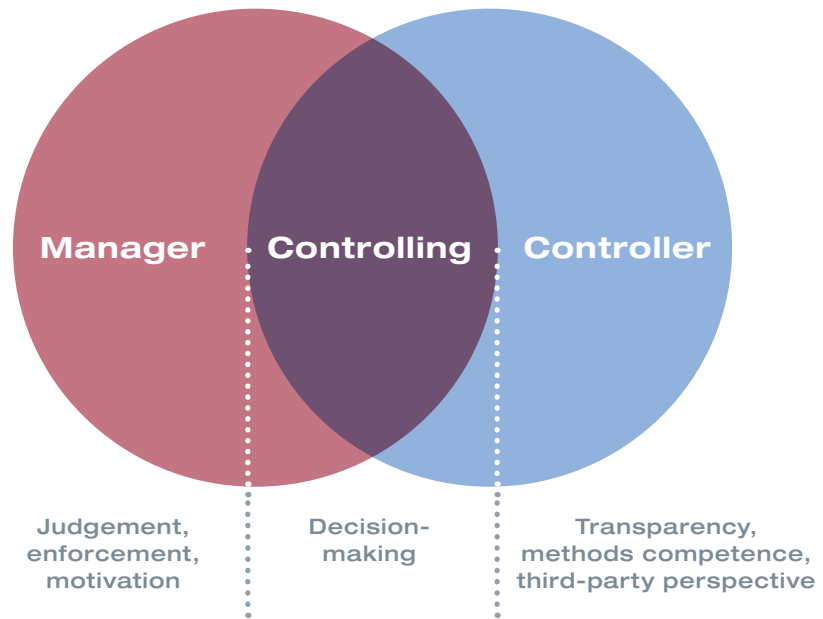
Figure 1:
The management
control cycle

Controlling should therefore take place wherever there are objectives that must be attained. Controlling is thus relevant not only for profit-oriented companies, but also for not-for-profit entities and public-sector organizations. In addition, Controlling is not limited to a context of dominant plan coordination, rather it should play a central role in teams and networking structures too. Controlling characteristics in these different areas of application are therefore specific.

In all of these areas, however, "thinking from the perspective of the objective", i.e. the approach on which Controlling is based, includes a long-term and holistic perspective focused on the sustainability of objective achievement. Great importance is accordingly attached not only to financial but also to non-financial aspects and, at the same time, to all relevant stakeholders of corporate management commensurate with their part in ensuring long-term performance. Thinking in terms of objectives and basing all decisions on their performance consequences form the core of rational corporate management and are an indispensable task for each individual manager. Controlling is therefore not an activity that should be limited to controllers or any other management support function. Instead, as it is also so important and complex, it makes sense to support managers and other actors in cross-functional teams. Controllers largely provide this support. Controlling therefore constitutes the interaction between managers and controllers, as Albrecht Deyhle shows in his "classic" set diagram of intersection. Although not all managers and actors in team structures conform to the dominant intuitive decision-making entrepreneur implied by Albrecht Deyhle, they can still benefit from a controller as a counterpart who focuses on their specific strengths and weaknesses.

Figure 2:
Set diagram of intersection adapted from Albrecht Deyhle

Manager · **Controlling** · **Controller**

Judgement, enforcement, motivation

Decision-making

Transparency, methods competence, third-party perspective

Management support by controllers

Controllers support managers and cross-functional teams in a variety of ways. They unburden these actors by taking over specific tasks, such as organizing planning activities as well as providing and preparing information. They complement managers and cross-functional teams by performing their tasks as business partners. And they constrain these actors from making inefficient decisions that are based on divisional and personal interest. When rendering this

support, the controller's various bundles of tasks are interdependent, as the controller cannot fulfil the constraining and complementing tasks in an effective manner without the insights from the other task areas. The three bundles of tasks together thus contribute to ensuring the rationality of corporate management.

In our view, an important insight is that not every controller must do everything. Instead, a distinction should be made between different roles. In addition to the role of the business partner, who advises, questions critically and proactively points out opportunities, there are also these important bundles of tasks and roles:
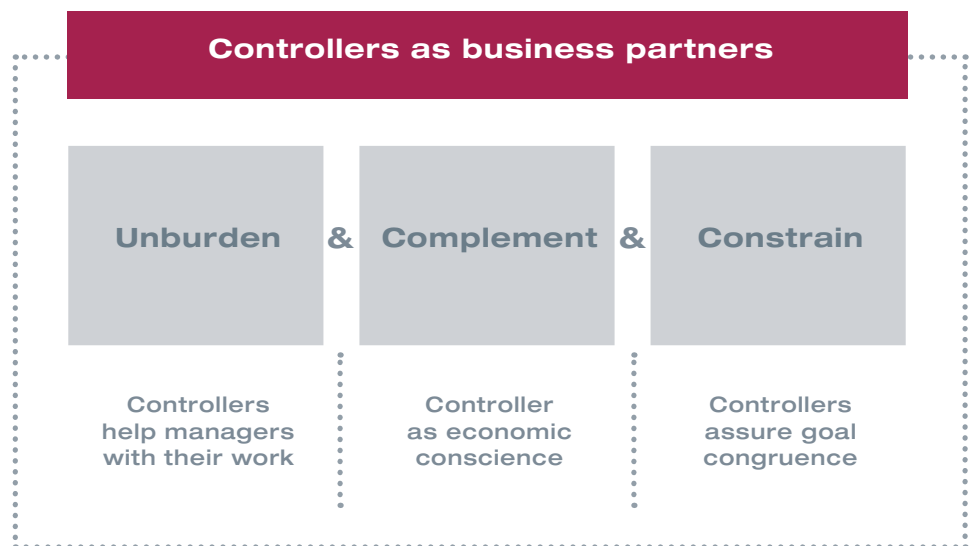
1) The traditional analyst or Scorekeeper performs routine tasks in operational controlling processes.

2) The focus of the Service Expert is on the implementation, coordination and continuous improvement of operational controlling processes.

3) The Data Engineer ensures data quality and appropriate data governance. This role develops and implements solutions for reporting, analytics and planning.

4) The Functional Expert defines and communicates controlling strategies and guidelines. This role provides methodological and functional expertise.

5) The Guardian monitors the achievement of financial objectives and keeps an eye on opportunities and risks. This type of controller ensures adherence to guidelines.

6) The Data Scientist analyses big data. This role develops and maintains statistical models and machine learning solutions.

7) The Decision Scientist ensures that relevant questions are addressed using data science, and that the results of these analyses are rendered into initiatives.

8) The Change or Transformation Agent drives forward change processes, promotes the use of new technologies and fosters the development of new, including digital, business models.

These nine roles, which were identified in a Delphi Study by the WHU – Otto Beisheim School of Management, represent potential bundles of unburdening, complementing and constraining tasks, which are assigned to separate actors, but do not have to be. Instead, controllers and other management service providers often perform several of these bundles of tasks at the same time.

Controllers support managers or cross-functional teams in an individual manner. "Off-the-peg" services usually do not meet individual actors' requirements, as each has different management skills, preferences and experience. Controllers must adapt their approach accordingly.

In addition, controllers must provide comprehensive support. Their interaction with managers and other team members generally covers the full spectrum of managerial responsibility. All management activities have an economic impact. It would not make sense to exclude some activities, i.e. to accept "blind spots". Controlling therefore extends far beyond numbers. Motivation and incentive systems are just as much a part of Controlling's agenda as strategy, organization and culture. It is precisely this broad range of management support that constitutes the work of controllers, and this range has grown significantly in recent years. The end result is an image of the controller as a comprehensive companion for management, as envisaged by the role as a business partner and, from a dynamic perspective, that of a change or transformation agent.

Figure 3:
Management
support by controllers
according to
Weber / Schäffer

Controllers as business partners

Unburden	&	Complement	&	Constrain
Controllers help managers with their work		Controller as economic conscience		Controllers assure goal congruence

Managers and controllers must collaborate "on an equal footing". Managers admittedly set the direction, but controllers have a joint responsibility for the achievement of the company's objectives. Controllers should therefore not wait passively for instructions and instead act as proactive, complementing partners of management or as an initiative-taking team member. This applies to both routine business activities and to new developments, e.g. digitalization or striving for more sustainability and adaptability in corporate management. A key aspect of a controller's role is to identify and promote such topics as a change or transformation agent. It is increasingly important in this regard that controllers achieve a balance between, on the one hand, their active involvement in the management process and the contribution of their own ideas, and on the other hand, their constraining function as guardian of company interests and critical counterpart or sparring partner ("involvement versus independence"). Controllers must therefore be able to wear two hats.

Main areas of management support

The work of controllers focuses on a variety of topics, most of which are listed in the Controller Mission Statement and the Controlling Process Model 2.0 of the International Group of Controlling (IGC).

Controllers are responsible for assuring economic transparency. To achieve this they must do more than just provide figures; they must also communicate them appropriately. It is usually not sufficient merely to "deliver" figures to management or to participate in the design of an interactive interface to the company's information systems (dashboards). Controllers must instead also ensure that all information relevant for management control and decision-making purposes is understood and used correctly. Controllers are the guardians of business figures (single source of truth), and in this function are also responsible for both the definition and the quality of the relevant financial and non-financial information. In addition, their tasks include ensuring an open communication culture and a good flow of information across functional and hierarchical interfaces.

Controllers are additionally responsible for the adequate design and interaction of all management control tools (management control systems as a package). They also enhance the tools ("controllers develop and maintain the management control systems. They ensure the quality of data and provide decision-relevant information."). These are complex, analytically demanding management tasks, for which management usually lacks the time, interest and professional skills to complete.

Controllers additionally make a significant contribution to objective-oriented, rational corporate management ("Controllers design and accompany the process of defining goals, planning and management control so that every decision maker can act in accordance with agreed objectives."). In the on-going planning process they have two tasks in particular: management of the planning process (from defining the process to documenting the results) and contributing content to the planning (from plan preparation to critical discussion and plan revision). Controllers face a particular challenge in the coordination of the various participating sub-units and their respective managers, on the one hand, and the various planning levels, on the other – from strategic planning to medium-term planning and capital budgeting through to the annual budgeting process ("Controllers integrate an organization's goals and plans into a cohesive whole."). Controllers also perform various tasks as part of their monitoring function. These range from communicating variances to ensuring that an appropriate learning process is in place to enable timely corrective measures.

In addition to these areas of responsibility that must be fulfilled on an ongoing basis, there are finally more and more tasks related to individual management decisions or projects. As many elements of ongoing control are increasingly being automated, these individual decision- or project-related consulting activities are crucially important for the future of Controlling. They differ depending on the situation and address a wide variety of management topics, ranging from market and profitability analyses to supporting the implementation of new business processes. Here, too, controllers are responsible for ensuring business transparency and striving for rational decisions.

The future orientation of actions is essential in all of these areas of management support. Retrospective questions are not helpful. Both planning and control are about knowing what to do in the future. As the future is highly volatile, uncertain, complex and ambiguous (VUCA), controllers as business partners must:

1) align the tools even more closely with an appropriate environment. The factors that then play a particularly important role include financial and non-financial leading indicators, forecast calculations and especially rolling forecasts, simulations and working with ranges, risk cockpits and scenario analyses;

2) keep Controlling and management control very lean and flexible. The granularity of planning and budgeting should be limited, and the key financial and non-financial metrics should be closely aligned with the strategy. Furthermore, agile organizational forms and the principles exemplified in the "Beyond Budgeting" concept for making corporate management more flexible should play a central role; and

3) promote the flexibilization of structural costs and ensure the future viability of the relevant business models.

Demands on controllers

Controllers need a wide spectrum of skills to provide their support. These skills, however, can be reduced to seven core competencies. These are fundamentally already the basis of Albrecht Deyhle's "classic" chart on job requirements, but their details have evolved in the meantime.

Figure 4:
Core competencies
of controllers

1) Controllers need analytical skills. These skills are necessary for converting ideas into numbers, understanding complex plans and projects, and for analyzing the causes of any variances. Analytics are especially important when interacting with intuitive managers who trust their "gut feeling".

2) Controllers must have a command of the full spectrum of measurement and management control tools. This also includes having sufficient skills in project and change management as well as with agile methods. This skill applies not only to each individual tool, but also and in particular to the way in which they interact with each other.

3) Controllers need sufficient expertise in technology and analysis. This expertise is increasingly expanding beyond the tried-and-tested skills in data acquisition, data preparation and data visualization, and now also includes skills in developing and interpreting statistical models, expertise in using BI tools and sufficient knowledge of digital technologies.

4) Anyone who aims to support managers on an equal footing must have a detailed understanding of the company's business model and the underlying value drivers. In addition, controllers must know the market and the respective products, otherwise numbers can easily become meaningless.

5) Controllers must be able to assess managers and recognize the correct way to interact with them. This relates to both their professional skills as well as their attitudes and preferences. Controllers therefore need more than just analytical skills; "logic" and "psycho-logic" are equally required too.

6) Controllers must be able to communicate in an appropriate manner. Storytelling is the order of the day. Controllers who cannot convey their message will fail.

7) Controllers must be steadfast. Despite their role as business partner, controllers must be incorruptible and neutral towards individual managers and also be able to show sufficient "backbone" if conflicts arise. It is important that they demonstrate tolerance for ambiguity, perseverance and tenacity, even in difficult situations.

At this point we would like to emphasize once again that not every individual controller must perform each bundle of tasks. That also means they do not have to master all of the competencies. Instead, it is important to implement role-specific competence profiles for controllers and to collaborate closely with other controllers and other management service providers, for example with IT specialists, accountants, sustainability managers and data scientists not anchored in Controlling. Competitive thinking harms everyone involved. Only cooperation makes controllers successful.

Purpose of Controlling

Our society is facing major challenges. We will be able to overcome these challenges only if companies and large organizations act rationally and adapt quickly to the complex, constantly changing environment. This is precisely why Controlling is needed as a long-term and comprehensive perspective that focuses on the sustainability of objective achievement. Formulated pointedly: Anyone who wants companies to meet the numerous requirements of a volatile, uncertain, complex and highly ambiguous economic environment, anyone who aims to battle irrationality and short-sightedness and therefore advocate for more sustainability, more digitalization, more adaptability and resilience, must translate these topics into sustainable, rational corporate management using in particular the Controlling principles described in this paper. Good, constantly evolving Controlling is more important than ever.

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