

Characteristics of Controlling in Small and Medium-sized Enterprises in Germany – An Empirical Study

Prof. Dr. Walter Ruda, Bernhard Dackiw M. A.

Kaiserslautern University of Applied Sciences, Campus Zweibruecken
German Center of Entrepreneurship
Amerikastraße 1, D-66482 Zweibruecken, Germany
Tel. +49-631-3724-5245
E-Mail: walter.ruda@fh-kl.de, bernhard.dackiw@fh-kl.de

Abstract: This study examines the characteristics of controlling in German small and medium-sized enterprises (SMEs), also known as “German Mittelstand”. By the use of a concise explication of differences but also similarities between the characteristics in SMEs and large companies, a framework concerning different spheres of the job needs depending on the company size can be created.

Independently from the companies’ size similarities can be found in the role-models and images of the controllers. Considerable differences can be demonstrated regarding the task fields and the organizational structure of controlling divisions. For some more reasons the study proves that the controlling in SMEs differs in some fields significantly from that in large-scale enterprises. Possible implications like for university teachings are discussed and some new ideas for further even deeper research are given. The study started questioning controllers in German enterprises in 2003 and is still ongoing, after a study redesign in 2008 without changing the core questions.

Keywords: Controlling, Controllanship, German Mittelstand, small and medium-sized enterprises, job description, image, task fields, future research, organizational structure.

1 Introduction

In the course of globalisation and modernisation the demands in controlling have changed rapidly. The impact of globalized markets isn’t just a challenge for large companies but also affects more and more small and medium-sized enterprises (SMEs). The current economic crisis has prompted great interest in controlling systems and pointed out the necessity for its further development and greater applying. The economic crisis starting in 2008 showed many companies, that their controlling system could be improved to overcome future crises in a much better and faster way. So the companies are confronted with manifold new and old tasks

and requirements. Therefore they are demanding an integrated controlling system to remain successful with sustainability. In the uncertain market situation, the controlling has undergone a lot of different development processes in the last years. Beside basic tasks, like information retrieval and processing to support the management efficiently (strategic and operational) planning and monitoring, the safeguarding of rationality in management is of high significance, functioning in the manner of a counterweight to decisions made by intuition and instinctive feeling. Nonetheless, social competencies (soft skills) of the controller are valued as important as professional skills, because of the required cooperation with other departments and divisions.

Although it is known much about different controlling topics, the controlling in SMEs respectively the controller and the controllership in SMEs has been slightly neglected. Therefore it isn't astonishing that an even more specific topic, like his job description hasn't been in the focus of empirical research. The present study concentrates on the characterization of the job description of controllers in German SMEs observing images, roles and task fields, as well as personality traits.

Results of this study were presented on the MEB conference in 2008 in Budapest for the first time analyzing data from 2003 to 2006. With an analysis of these and the questionnaires surveyed from 2007 to 2012 the study delivers an approximate description of the essential characteristics of such a controller type. The expectations were and still are the gathering of new empirical data, its statistical analysis and finally the delivery of new statistically proved input to the research and teaching community as well as to the companies.

2 Methodology: Sample and Data Analysis

The job profile depends on many influencing aspects like the company's size. In addition to this aspect the controlling/company philosophy, embedding the controlling division into the company (organisation), the tasks and activities, the image of a controller and its personality traits are also very important. The study examines these aspects using specific questions merged in a comprehensive questionnaire. The respondents of the enquiry were the participants of the RKW Baden-Wuerttemberg Controlling Workshops from 2003 to 2012 representing the controller department of their company. A total of 150 controllers participated in this study. The participants were requested to fill in the questionnaire immediately and to give it back to the moderator. In getting the respondents to participate they were assured of confidentiality and that participation was voluntary.

The responses were processed using an electronic database in Microsoft Excel and various statistical software, e. g. SPSS. There was a redesign of the questionnaire

in 2008, some questions were added, some were removed, especially some of the open questions. The main questions haven't been changed.

The questionnaire consists of two different parts. The first part collects general data of the companies involved like turnover or number of employees. These figures are used to classify the companies into three groups, small, medium and large enterprises. This classification is based on the turnover figures and number of employees from the German code of commerce.¹ In addition to this the companies should also self-evaluate their size. Figure 12 shows that from this sample more than 50% of the participating companies are medium-sized, but almost 80% of the companies evaluate themselves as medium-sized. One reason for this fact could be the owner structure. Many family-owned companies don't differentiate between SMEs and "German Mittelstand". For further purposes of the data analysis the groups of the small and the medium-sized companies are merged to the group of SMEs. The second part of the questionnaire surveys the aspects mentioned in the previous passage and will be presented in chapter 3.

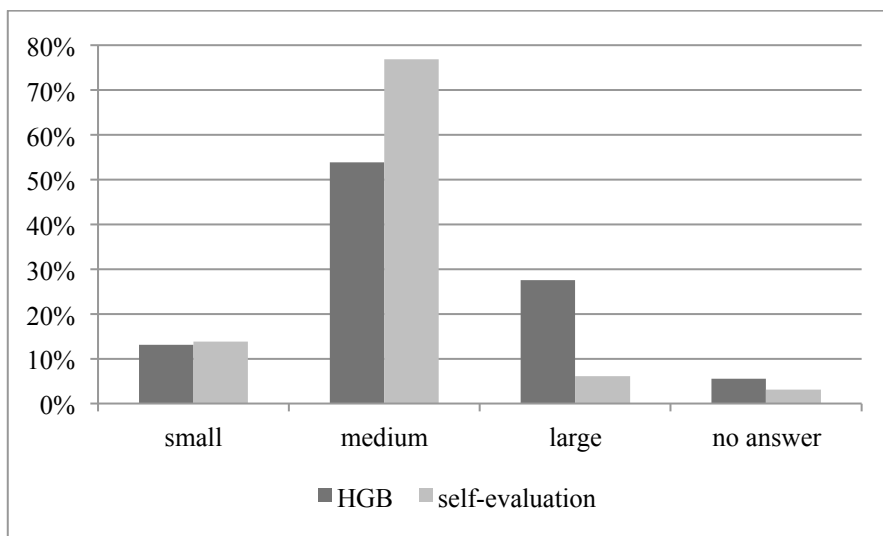


Figure 1

Sizes of the companies surveyed 2003-2012

¹ German Code of Commerce (HGB, § 267), turnover of less than 9.68 million € and number of employees less than 50 = small, turnover of less than 38.5 million € and number of employees less than 250 = medium.

² The figures in the following text show the results for all participating companies. The figures given in the text differ from these because they differentiate between SMEs and large scale companies.

3 Results and Discussion

3.1 Images of the controller

The survey respondents should estimate how their own role is perceived by their colleagues outside the controlling department. Theoretically, there could arise a discrepancy between their declaration of their own image and the real perception of their colleagues. Because the questionnaire hasn't been handed-out to their colleagues there's no proof for this conjecture.

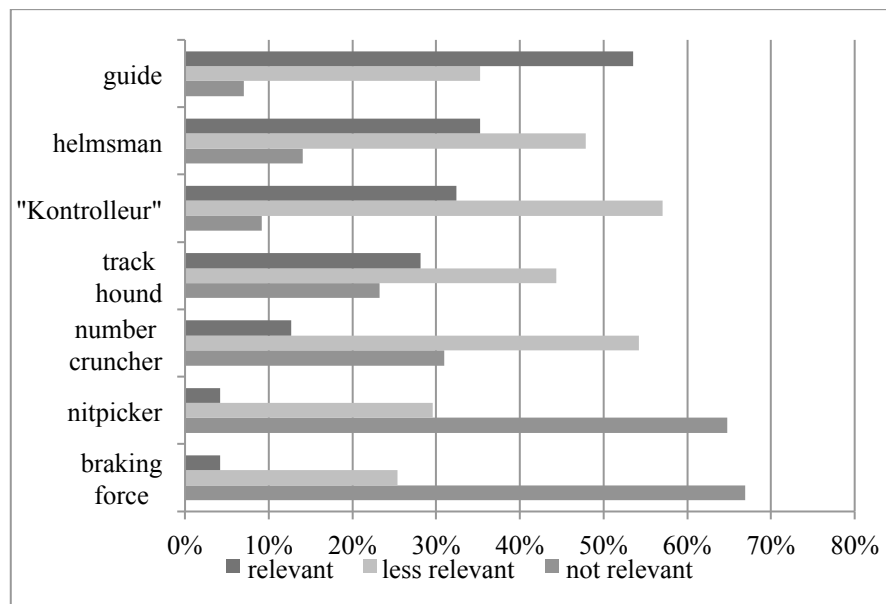


Figure 2

Images of the controller 2003-2012

In SMEs the controller is seen as guide or helmsman in most cases (very relevant: 57.6%). This is one of the main differences between SMEs and large companies. The other significant difference is that controllers from large companies chose more often the image "Kontrollleur" as very relevant (SMEs: 26.8%, large companies: 40.0%).

One more interesting question was asked in 2008 for the first time. The controllers should choose their preferred image of the 7 images given. The results are not surprisingly. The negative images (braking force, number cruncher, nitpicker) were not popular among the controllers, they want to be regarded as guide or helmsman (relevant: 93.6%/82.3%). Only minor differences could be observed comparing the results of SMEs and large companies.

3.2 Roles of the controller

Controllers take different roles in their companies. There's a big range of different studies surveying the roles of controllers regarding large enterprises. These studies have already proven the existence of several classical types of controllers:

- Consultant/coach,
- change agent,
- service provider,
- "Kontrollleur" (German, similar to supervisor),
- driving force.

These roles cannot only be found in large enterprises, they also exist in SMEs. Figure 3 shows how often the five roles mentioned above can be found in all participating companies independently from their size.

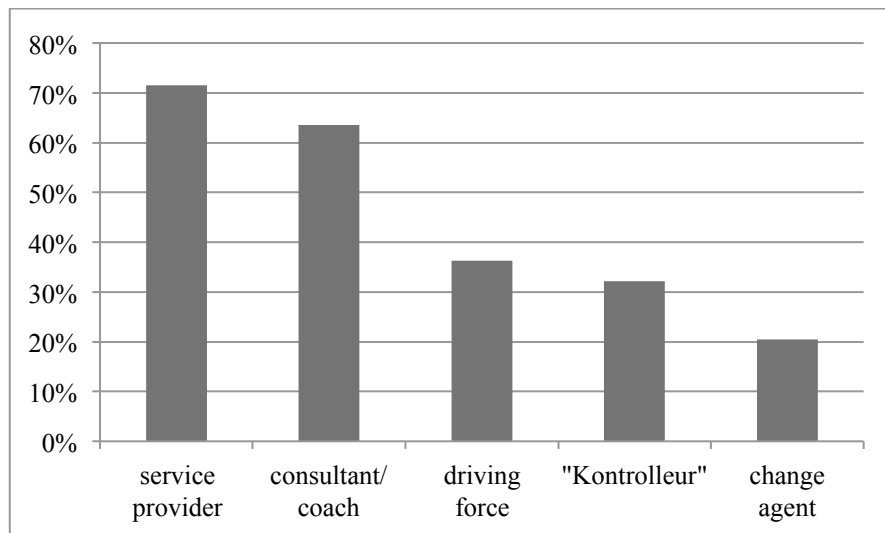


Figure 3

Roles of the controller 2003-2012

There are some differences comparing SMEs and large enterprises. In the large enterprises the service provider role is dominating (82.5%), in SMEs the roles of consultant/coach (69.1%) and service provider (67.0%). The often as negative designated role "Kontrollleur" can be observed more often in large enterprises (37.5%) than in SMEs (29.9%).

By means of these comparisons, a discrepancy between SMEs and larger enterprises can be shown. In SMEs there doesn't exist the same accurate distinction of roles that are attributed to the controller or that are not attributed to

him or her. Vice versa, large companies tend to distinguish more the roles which are assigned or are not assigned to their controllers.

In 2008 a further question on the roles was added to the survey. The participants should answer the question “Is there a possibility to change your role by yourself?” The possibility of changing the role completely or predominantly is hardly found in SMEs (2.9%). Controllers of large scaled companies have this chance much more often (23.1%).

3.3 Task fields of the controller

Controllers are responsible for various task fields in their company. There’s no consistent set of tasks for every controller. In SMEs there should be a much wider range of tasks a controller has to deal with then in large scale enterprises because of the lower specialisation of each employee.

The respondents could assess the given task fields with the statements “very strong distinct”, “less distinct” and “not applicable”. Figure 4 shows the task fields and their importance to the controllers in SMEs and large companies.

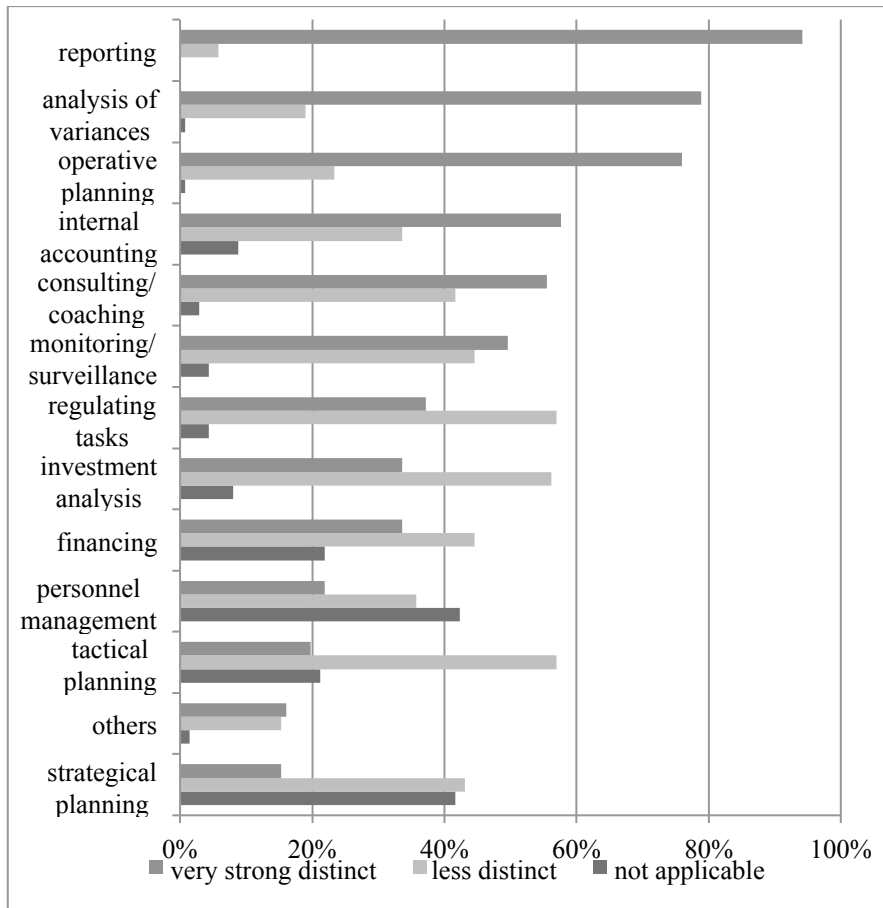


Figure 4

Task fields of the controller 2003-2012

The assumption mentioned above, that controllers in SMEs should have a wider range of tasks is documented with the results of the data analysis. Some of the task fields have a very low impact on large scale company controllers, e. g. financing, strategic/tactical planning and investment analysis. This fact shows the much higher specialisation in large companies where, of course, the named tasks exist, but will be done by other departments than controlling. The importance of tasks like reporting, analysis of variances and operative planning is almost identical.

3.4 Personality traits of the controller

Certain personality traits are very important to controllers. For that reason the respondents were asked to declare which of them are appropriate for their job. 12

traits have been given to them. The personality traits are often almost identical comparing SMEs and large companies, but there are some differences. Analytical thinking, the ability to manage conflicts, the ability of moderation and communication and the ability to assert oneself is needed independently from the company's size very often. Contrary to these traits controllers in SME's need more power of persuasion (80.4% in SME's, 67.5% large scale companies). Also more knowledge about individual behaviour (47.4/25.0%) and more knowledge about pronounced treatment of customers and suppliers is needed (45.4/32.5%). These different results also can be interpreted as proof for the much wider task fields as described in the previous section. Especially the pronounced treatment of customers and suppliers shows this, because in large companies controllers won't have much contact to these two groups of stakeholders.

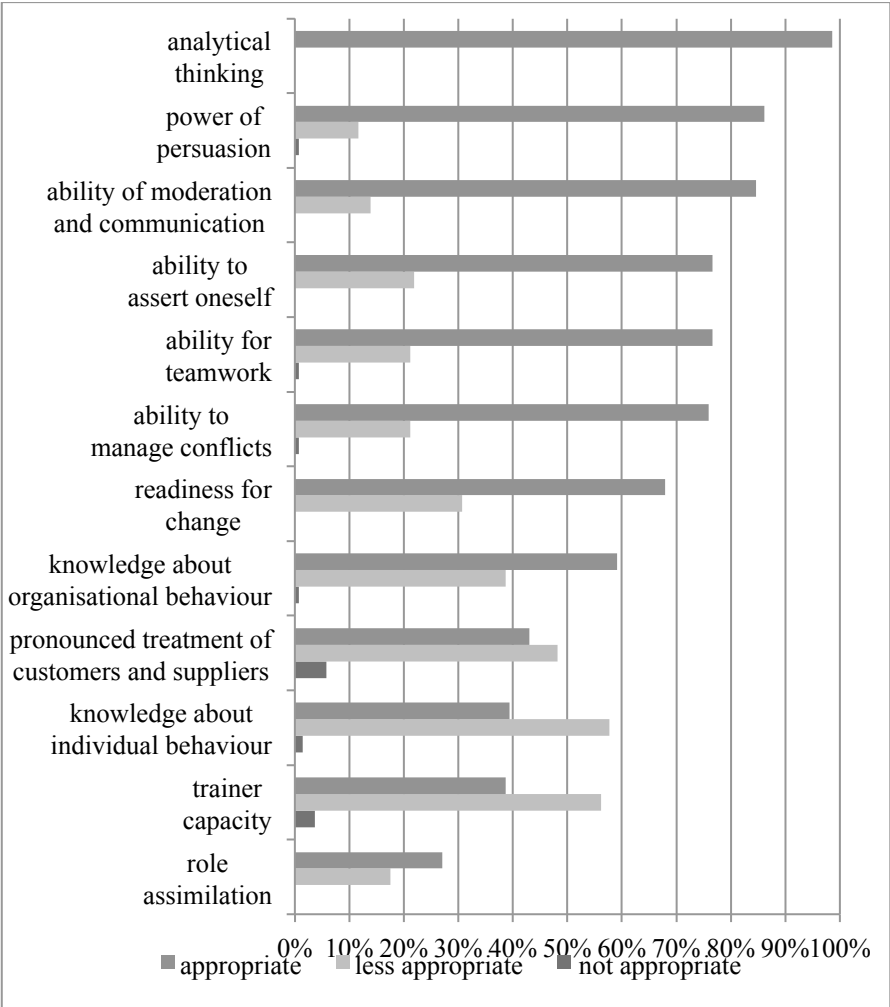


Figure 5

Personality traits of the controller 2003-2012

4 Conclusions and Recommendation

The study was started to deliver empirical data in order to define a preliminary job description of controllers working in SMEs. Distinguishing between the analytical results found in SMEs and large enterprises, differences and similarities were obtained.

- Distinctly reactive images of controllership like braking force, number cruncher or nitpicker could be found seldomly in SMEs and large companies. The images guide and helmsman are dominating in both company sizes.
- The role of the “kontrolleur” has lost a lot of his former spreading in the last years but is still relevant. Most frequently can be found the roles of the “service provider” and “consultant/coach” in SMEs. This is also appropriate for large scale companies.
- Reporting, variance analysis and operative planning have always to be done by the controller in every company no matter which size it has. Some task fields are due to the higher specialisation in larger companies less important than in SMEs. It can be stated, that controllers in SMEs have more tasks fields. Tasks like financing and investment analysis are done by different departments in large scale companies. There’s a less clear separation of tasks in SME’s, also the tasks and activities of the controller in SMEs has, in comparison to a large-scale enterprise, a less deep scope. So the label “generalist” can be attributed to the SME controller and the term “specialist” to the large company controller. These findings are in concordance with the appropriate theoretical SMEs business literature.
- Analytical thinking, power of persuasion, the ability to assert oneself and the ability of moderation and communication are the most relevant personality traits for the controller in the SMEs but also for large companies. Some differences can be found regarding the personality traits power of persuasion, knowledge about individual behaviour and knowledge about pronounced treatment of customers and suppliers is needed.
- SMEs are demonstrating mainly central organized controlling divisions (not discussed in this paper but statistically proven by data of this study). This is in accordance with theoretical expectations.

Comparing these results with the business literature, the results of this study show that the job description of the controllership in German SMEs is quite similar to the one in the US-American controllership. Differing in several points from the profile in large scale companies, especially the range of tasks, the controller’s job profile in German SMEs represents a challenging and interesting occupation that needs an specific educational foundation on university level. Regarding the results

of the study, universities and other educational institutions should continue specializing their curriculae and teachings, in order to deliver well-educated generalist or specialist-controllers for the job market of small and large companies.

There are some limitations of this study that should be mentioned. One of the methodological limitations of the analysis lies in the size of the sample. For further purposes of this study the sample should be increased, particularly more small or very small and large or very large enterprises should be included. Methodically important is the matter of fact, that the data about the controller image has been gained out of the controllers own perspective and not by questioning other employees. This would be very challenging, but there's also a big chance to gain much more meaningful data about the controller. Forthcoming researches have to regard these limitations of the present study. Besides these improvements there's the possibility to expand the questionnaire without changing it completely to get constant data. A comparative study analyzing the results of this study and the expectations of students is also possible. A data set of a survey among students is still available.

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