

Summary of the Dissertation:

“Business Unit Controller Involvement in Management”

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This dissertation focuses one of the roles of management accountants (controllers), namely the support role. This role is also sometimes called the ‘business partner’ role. In practice, the extent to which controllers are involved in management-decision making differs among controllers. In recent years, this support role is become more and more important. In the literature (e.g. Sathe, 1982), this role is often associated with the term: Controller Involvement in Management (CIM). The aim of this study is to contribute to the existing literature and to build on the studies of Sathe (1982) and Zoni and Merchant (2007), by exploring which factors explain the extent of CIM at business unit (BU) level.

There are discussions in the literature about whether CIM contributes to realising the goals of the organization or not. The literature warns that a high level of CIM could harm the degree of independence of controllers in making budgets and reports, and that consequently the risk of manipulation of performance measurement systems might increase (Maas, 2006). Other studies try to show that more involvement of controllers would lead to better decisions-making by the management (Weißberger and Angelkort, 2011).

Using these studies, I formulate two research questions, which form the basis for this study:

1. What kinds of situational factors (personal characteristics of the BU controller, characteristics of BU managers, and organizational characteristics) are related to the degree of Controller Involvement in Management (CIM)?
2. Is Controller Involvement in Management (CIM) effective?

I develop three sub-studies that aim to identify and operationalize determinants, which might explain the level of CIM at BU level. In doing so, I formulate and statistically test various hypotheses. During this research, these three sub-studies grew in dimension and scale, and also became interconnected, giving my results greater depth and strength.

In two sub-studies (in Chapter 4 and 5) factors might explain the degree of CIM at business unit (BU) level are investigated, using survey-based research. I explore the relevance of the following three categories: (a) factors related to the personality of the BU controller, (b) factors related to the BU manager, and (c) factors related to the organization or its environment. In the third sub-study (in Chapter 6) I investigate if the degree of CIM contributes to realizing the goals of institutions in the healthcare sector.

One of the remarkable results of the first two sub-studies is that, according to controllers, CIM can be split into two dimensions: involvement in operational decisions (internal processes, human resources, performance measurement and incentives) and involvement in more strategic decision-making (strategy, investments and marketing).

The extent of involvement in operational decisions seems to increase if the BU controller is less agreeable. As a financial expert, controllers are said to be suited to critically contribute to operational decision-making. Moreover, controllers with good conceptual and good communicative skills may be better able to explain all the operational information. In addition, the results show a positive relationship between operational CIM and the extent to which BU managers allow their BU controllers to be involved in operational decision-making, the economic well-being of the BU and the (long lasting) relationship between the BU manager and BU controller, which may perhaps lead to a sort of mutual trust. Apparently, BU managers will leave operational issues to their BU controllers when they have sufficient confidence that things are going well. It seems to be useful if BU managers have some knowledge of financial issues.

The degree of involvement in strategic decision-making, seems to be less dependent on the BU manager, but more dependent on the personal characteristics of the BU controller. BU controllers can increase their involvement in strategic decision-making if they are more extravert and more rational, rather than being critical. In addition, the research results show positive relationships between strategic CIM and the degree of decentralization of decision-making to the BU, the economic health of the BU and the size of the BU. Based on these results, I conclude that BU controllers are always involved in operational issues but that they are only involved in strategic issues only if some criteria are satisfied (e.g., having desirable personal characteristics, such as high extraversion and high emotional stability and/or that the BU manager has sufficient authority and control over strategic decisions).

The results of the third sub-study in Chapter 6 do not show two dimensions of CIM in the healthcare sector. A possible explanation for this remarkable result is that controllers in the healthcare sector are more focused on operational CIM than strategic CIM. Controllers are perhaps less involved in strategic decisions, because the market in healthcare in the Netherlands is heavily regulated (at least it was at the time of this research). Government influence on the strategic decisions in this specific market may be so extensive that it makes strategic CIM irrelevant. Future research might investigate if there are one or two dimensions of CIM in the healthcare sector. In addition, the results show that there is a strong positive relationship between the level of (operational) CIM and the degree of effectiveness, indicating that more CIM is effective for a healthcare institution. Good conceptual, inter personal and technical skills seem to be essential for controllers to work effectively in the healthcare sector.

A better understanding of the support role of BU controllers and the factors that are related to the degree of CIM will help organizations as they want to (re)structure or (re)design the functions of their BU controllers. Having insights into the results of these three sub-studies might help organizations with their recruitment processes, coaching programmes, and appraisal interviews or development processes for more involved BU controllers. It might also stimulate students to see which personal skills, characteristics and tools may be helpful in becoming a more successful, more involved, and more effective BU controller in practice.