

# **Requirements on controllers and managerial accountants in the Czech Republic: An Empirical Study**



**Bohumil Král**  
**Management Accounting Department**  
**Faculty of Finance and Accounting**  
**University of Economics, Prague**  
**kral@vse.cz**

**Workshop „Sustainability Reporting“**

**Prague, November 28, 2014**

# Presentation Outline

- **Preface**
- **General project grounds**
- **Empirical part of project**
- **Structure of the questionnaire**
- **Research results**
  - Xxx
  - Xxx
  - Xxx
  - Xxx
- **Conclusions**

## Preface

**The paper comes from the pre-condition that substantial changes of the business environment and – consequently – in the companies' management have also impact on the work of controllers and managerial accountants.**

**One of the ways how to increase quality of their work is**

- To develop a framework for more precise specification of requirements for their
  - 🕒 Education, skills and experience,
  - 🕒 Professional approaches, values and attitudes.
- To define quality standards for their work.

## General project grounds

The project was initiated by International Group of Controlling; nevertheless, it was recommended to realise it on national bases.

The Czech version of the project has been solving on the ground of the Management Accounting Department of the University of Economics, Prague.

It follows two principle lines:

- the development of the **project's general framework** which comes from literature sources and from the requirements of professional bodies; and
- **empirically oriented research** whose aim is to map the principle requirements for the professional competence of controllers/managerial accountants.

## General Project grounds – cont.

**This empirically oriented research maps the principle requirements of the professional competence of controllers and managerial accountants from two angles:**

- From the view-point of experts who are responsible for the controllers'/managerial accountants professional competence development in the pre-qualification stage – during their stay at universities and in the framework of professional education and certification programmes;
- From the view-point of managers and controllers/managerial accountants operating in business as experts who perceive the needs for their professional competence development to be “in touch with business reality”.

# **Empirical part of the project**

**The aim of this paper is to acquaint you with the results of empirical research.**

**The aim of this phase of research is to map how the tendencies defined in general framework manifest themselves in the recent requirements of professional competence of controllers/management accountants.**

**The research should give a comprehensive answer to the question to what extent the changing requirements of the professional competence of these experts are**

- **reflected by institutions which are responsible for the controllers' universal competence development, and**
- **perceived and respected in practice.**

## **Empirical part of the project – cont.**

**With regard to this aim the questionnaire was developed in two versions:**

- **a version concisely titled “A controller/management accountant should be...”, designated for the first group of experts; and**
- **a version concisely titled “A controller/management accountant is...”, designated for the second group.**

**The intention of the research team is to work with the questionnaire in two stages:**

- **the aim of the first stage was to verify the questionnaire’s understandability and completeness in individual interviews with 20 – 30 representatives of both groups of respondents; and**
- **on the basis of this phase, the aim of the second stage is to formulate and structure the questionnaires so that they are appropriate for their electronic distribution and assessment.**

# Structure of the questionnaire

**A relatively broadly focused questionnaire is based mostly on questions, which require answers on a scale from 1 (strong disagreement) to 5 (strong agreement). It investigates the experts' opinions in the following problem areas:**

- **the position of controllers/management accountants in the companies' organizational charts;**
- **the structure of departments of controllership/management accounting;**
- **the relationship of these departments to accounting, tax and other departments which, from different view-points, are interested in the company's financial management;**
- **the general content of the controllers'/management accountants' activities;**
- **.....**



## Structure of the questionnaire – cont.

- .....
- areas and extent of the controllers' authority and responsibility;
- the specific content of the controllers'/management accountants' activities;
- requirements for education;
- requirements for professional skills and practical experience;
- controllers'/management accountants' role in ethical aspects of undertaking;
- the selection of potential candidates for a controller / management accountant positions;
- quality assurance of the controllers'/management accountants' work.

# Research Results

**The research is in the stage in which:**

- **27 interviews with experts of the first group were conducted and evaluated; 21 of them participated in the first stage (they also judged the understandability and completeness of the questionnaire) and responded to the questions of “A controller/managerial accountant should be ...” questionnaire; and**
- **74 interviews with experts of the second group were conducted and evaluated; 5 of them participated in the first stage (they also judged the understandability and completeness of the questionnaire) and responded to the questions of “A controller/managerial accountant is ...” questionnaire.**

**The evaluation of the questionnaires brought the following results:**

# **1. Controllers' position in the companies' organizational charts**

- **The present research did not produce any unified response regarding questions of controllers' position in companies' organizational charts, desired structure of the departments assuring controllers' functions, or their relations to accounting, tax and other departments engaged in various aspects of companies' financial management.**
- **Different Anglophone and Germanic approaches to these questions which are applied in the Czech business environment can be the main reasons for this ambiguity.**
- **Nevertheless, most respondents of both groups supported a solution in which controllers or managerial accountants act under the supervision of the chief financial officer and stressed that these experts should not have straight-line authority and responsibility, so that they can act more like “the company's economic conscience”.**

## 2. General content of the controllers' activities

- **Both groups of respondents were almost unanimous regarding the desired content of the controllers'/managerial accountants' work.**
  - The correctness of data which are processed subsequently into the output information used in the managerial control; and
  - the successive quality, availability and transparency of the information rendered to company management**belong into the responsibility of these experts.**
- **Both groups of respondents also agreed that a controller/management accountant should not bear primary responsibility for the company's financial results; nevertheless, we can notice slightly higher level of average and mode of responses provided by the group of managers and controllers.**
- **The outcomes of the investigation are stated in Table 1.**

## Table 1 - General content of the controllers' activities

	“Should be”		“Is”	
	Average	Mode	Average	Mode
Correctness of data processed subsequently into the output information used in managerial control	3.92	5	4.46	5
Quality of information rendered to company management	4.46	5	4.26	5
Availability of information for company management	4.13	5	3.94	5
Transparency of information rendered to company management	4.54	5	4.12	4
<b>Financial results</b>	<b>2.0</b>	<b>1</b>	<b>2.69</b>	<b>2</b>

### **3. Areas of the controllers' authority and responsibility**

**Controller should be equipped with an adequate level of authority and responsibility in the areas in which he/she serves as:**

- **coordinator of activities connected with the company's aims fulfilment;**
- **expert preparing scenarios of future solutions for management;**
- **a methodist who is responsible for company directives on pricing, costing, budgeting and management accounting development adherence;**
- **an expert facilitating and supporting communication between departments;**
- **a communicator who is responsible for transferring reached results to the relevant management levels; and partly also**
- **an expert who should participate substantially in the regulations of a company financial management development including the system of remuneration and motivation.**

## Table 2 - Areas of authority and responsibility

	“Should be”		“Is”	
	Average	Mode	Average	Mode
Coordination of activities connected with the company aims and means of their fulfilment formulation	4.29	5	3.03	3
Preparation of scenarios of future solutions	4.21	5	3.28	3
Development of an information system or its parts	3.67	4	3.13	3
Development of company directives on pricing, costing, budgeting and management accounting development and examination of their adherence	3.91	5	3.74	4
Communication of results reached to relevant management levels	4.33	5	4.21	5
Explanation and interpretation of rendered information to managers	4.54	5	4.37	5
Facilitation and support of communication between departments	3.54	5	3.24	3
Decision on resource allocation	1.79	1	2.19	1
Participation in the regulations of a company’s financial management development including the system of remuneration and motivation	3.42	4	2.81	3

## **4. Specific content of the controllers' activities**

- **Research has acknowledged the quite crucial role of controllers in ensuring the aims of target information i.e. in planning and budgeting on the strategic, tactical and operational levels.**
- **The respondents' answers also stressed the importance of “traditional controllers' task” – adequate information support in assuring business factors and phases.**
- **Surprisingly, substantially lower agreement exists regarding controllers' participation in the management accounting system and connected internal reporting system development.**
- **The respondents also did not find strong agreement in response to question “To what extent should controllers bear responsibility for the quality of company project management and risk identification and management?”**

**The results of this part of the investigation are stated in Table 3.**



## Table 3 - Specific content of the controllers' activities

	“Should be”		“Is”	
	Average	Mode	Average	Mode
Strategic planning and budgeting	4.29	5	4.13	5
Tactical planning and budgeting	4.21	5	4.12	5
Operational planning and budgeting	4.04	4	4.07	5
Expectations and forecasts development	4.29	5	4.46	5
Communication of results reached to relevant management levels	4.33	5	4.12	5
Participation in the development of management accounting and internal reporting systems	4.00	4	4.12	5
Participation in the development of the project management system	3.54	3	2.57	3
Participation in the development of the risk identification and management system	3.33	3	2.79	4
Information support of business factors and phases management (research and development, purchasing, production, logistics, sale, human resources management etc.)	4.17	5	3.44	2
The development and enhancement of organization structures and including connecting activities	2.88	3	2.33	1

## 5. Requirements for education

- Questionnaire came from the structure of knowledge defined by the IFAC International Education Standards as well as the UNCTAD Revised Model Accounting Curriculum;
- Also the initial programmes of CACR, Union of Accountants and ACCA, as well as the syllabuses of the specializations of Accounting and Company Financial Management taught at the UEP were taken into the consideration.
- Both groups of respondents highlight the requirement of financial accounting and reporting, management accounting and corporate finance knowledge.
- According to both groups of respondents, other areas of controllers' knowledge relevant to their work are taxation, internal control systems, business administration and information and communication technology.
- On the other hand, knowledge of law, auditing, marketing and international aspects of business have low importance for the controllers' activities, according to both groups of respondents.

## Table 4 - Requirements for education

Controller has been has been able to use knowledge from the following areas:	“Should be”		“Is”	
	Average	Mode	Average	Mode
<b>Financial accounting and reporting</b>	<b>4.71</b>	<b>5</b>	<b>4.59</b>	<b>5</b>
<b>Management accounting</b>	<b>4.92</b>	<b>5</b>	<b>4.49</b>	<b>5</b>
<b>Corporate finance</b>	<b>4.63</b>	<b>5</b>	<b>4.20</b>	<b>5</b>
Taxation	3.79	4	3.06	3
Business law	3.17	3	2.46	2
Labour Law	2.83	3	2.25	2
Social and health insurance Law	2.75	3	2.33	2
Auditing	3.42	4	3.03	3
<b>Internal control systems</b>	<b>3.96</b>	<b>5</b>	<b>3.53</b>	<b>4</b>
Economics	3.25	3	3.74	4
Management	3.75	3	3.26	4
<b>Business administration</b>	<b>4.21</b>	<b>5</b>	<b>4.00</b>	<b>5</b>
Marketing	2.79	3	2.16	2
Quantitative Methods (Mathematics, Statistics)	3.58	4	3.21	3
International aspects of business	2.88	3	2.73	3
Information and communication technology (ICT)	3.75	3	3.27	3

## 6. Requirements for ICT competencies

- Generally, the responses of both groups acknowledged the fact that the development of ICT has changed the substance of controllers' work and – conversely – controllers are required to participate actively in the development of the ICT system.
- Regarding more specific areas of investigation, the questionnaire tried to ascertain the role of controllers in the area of ICT, especially whether they act as users of ICT only or whether they also participate actively in ICT development.
- According to both groups, controllers are considered mainly as ICT users rather than originators and verifiers of processing and user quality.
- Not very surprisingly for us, both groups also agreed with the statement that controllers should not serve as managers of ICT projects.
- The results of this part of investigation are stated in Table 5.

## Table 5 - ICT competencies

In the area of ICT controller acts especially as	“Should be”		“Is”	
	Average	Mode	Average	Mode
<b>User (with stress on areas he/she uses)</b>	<b>4.26</b>	<b>5</b>	<b>4.48</b>	<b>5</b>
Creator (with stress on areas he/she uses)	3.30	4	3.25	4
Originator or verifier of processing quality	3.70	3	3.13	3
Originator or verifier of user quality	3.91	4	3.51	4
Manager of ICT projects or their parts	2.71	2	2.91	3

## **7. Requirements for professional skills and practical experience**

- **The research also focused on the relation between requirements for education (analysed in Table 4) and soft skills (professional skills and practical experience).**
- **The structure of soft skills has been derived from the overview that is mentioned especially in IFAC International Education Standard 3 – Professional skills.**
- **Both groups of respondents consider soft skills to be important for controllers' activities; nevertheless, technical skills have slightly higher values.**
- **Respondents of the first group consider soft skills to be more relevant in comparison with managers'/controllers' responses. In our opinion, the principle reason for this is the fact that, recently, the soft skills of controllers do not reach required level yet in the Czech Republic. Moreover, “practice” is still not convinced about their importance.**

## Table 6 - Requirements for professional skills and practical experience

It is important for a controller to develop especially	“Should be”		“Is”	
	Average	Mode	Average	Mode
<b>Communication skills</b>	<b>4.38</b>	<b>5</b>	<b>4.10</b>	<b>4</b>
<b>Abilities to act with people and enforce his/her opinions</b>	<b>4.46</b>	<b>5</b>	<b>4.06</b>	<b>4</b>
<b>Presentation skills</b>	<b>4.58</b>	<b>5</b>	<b>4.22</b>	<b>4</b>
Managerial and organizational skills	3.63	3	3.79	3
Language knowledge including ability to use it	3.57	3	3.63	4

## **8. Controllers' role in ethical aspects of business**

- **Both groups of respondents agree with the necessity to define, enhance, support and communicate ethical principles and rules of their fulfilment.**
- **On the other hand, the research confirms quite a poor level of application of ethical principles and rules in business. This fact is apparent from the comparison of responses to the third question, stated in Table 7: according to the first group, it is very important to incorporate these standards into company standards, codes and guidelines. However, this importance is not followed by the recent situation declared by second group of respondents.**
- **What is quite un-satisfactory, is the role of controllers in the process of ethical aspects of undertaking enforcement . While first group of respondents (and also all generally accepted standards and guidelines interested in ethical aspects of professional accountants' activities) evaluate this section of controllers' work as quite important, according to the second group of respondents, recent stage in companies shows great possibilities for improvement in the future.**



## Table 7 - Controllers' role in ethical aspects of undertaking fulfilment

	“Should be”		“Is”	
	Average	Mode	Average	Mode
It is important for a company to define, enhance, support and communicate effectively the ethical principles and rules of business	4.58	5	4.13	5
These principles and rules are explicitly incorporated into company standards, codes and guidelines	4.50	5	3.90	5
<b>Controller participates in the development of ethical company standards, codes and guidelines</b>	<b>3.63</b>	<b>4</b>	<b>2.49</b>	<b>3</b>
In the scope of his/her authorities and responsibilities, the controller participates in the inspection of these standards, codes and guidelines fulfilment	3.38	3	3.16	4
<b>Controller serves as an informal authority in the fulfilment of these standards, codes and guidelines – in internal company environment as well as externally</b>	<b>3.38</b>	<b>5</b>	<b>2.68</b>	<b>1</b>

## 9. Human resource management

The section is concentrated in two basic problem areas:

- **The selection of potential candidates for a controller position;** and
- the attention which is devoted to their continuing professional development.

The questions relating to the selection of potential candidates for a controller position provide especially interesting outcomes.

- **First:** education and practical experience are considered to be more important than personal features and communications skills; nevertheless, the difference is small and confirms the high importance of these skills.
- **Second:** relatively high importance is also given to language knowledge; to some extent, the mode given by the group of managers is 5. The reason is given by the fact that a lot of companies in the sample belong to multinational corporations, and effective communication with higher corporate levels and other network members has a great importance.

## Table 8 - Selection of potential candidates for a controller position

In the process of potential controller selection it is important to take into consideration	“Should be”		“Is”	
	Average	Mode	Average	Mode
Previous education	4.17	5	4.03	4
Present practical experience	4.38	5	4.50	5
<b>Ability to act with people and personality profile</b>	<b>4.08</b>	<b>4</b>	<b>4.06</b>	<b>4</b>
<b>Communication abilities and skills</b>	<b>4.33</b>	<b>5</b>	<b>4.04</b>	<b>4</b>
ICT competencies	3.67	3	3.75	4
<b>Language knowledge</b>	<b>3.57</b>	<b>3</b>	<b>3.44</b>	<b>4</b>

## **10. Continuing professional development**

- **Analysis of the area devoted to controllers' continuing professional development confirms that both groups of respondents consider professional development quite crucial for the quality of controllers' work.**
- **Management enables the continuing professional development of its controllers to some extent, especially if the company controllers are actively searching for such opportunities.**
- **However, according to the second group of respondents, company management does not pay adequate attention to whether controllers enhance their professional competence – especially if these controllers are passive in this regard.**
- **Both groups agree it is more convenient if controlling departments consist of a stable team of experts, one which does not change very much.**
- **Regarding remuneration of controllers, it seems to be slightly higher than the average companies' level .**

## Table 9 - Controllers' professional development

	“Should be”		“Is”	
	Average	Mode	Average	Mode
Strategic planning and budgeting	4.29	5	4.13	5
Tactical planning and budgeting	4.21	5	4.12	5
Operational planning and budgeting	4.04	4	4.07	5
Expectations and forecasts development	4.29	5	4.46	5
Communication of results reached to relevant management levels	4.33	5	4.12	5
Participation in the development of management accounting and internal reporting systems	4.00	4	4.12	5
Participation in the development of the project management system	3.54	3	2.57	3
Participation in the development of the risk identification and management system	3.33	3	2.79	4
Information support of business factors and phases management (research and development, purchasing, production, logistics, sale, human resources management etc.)	4.17	5	3.44	2
The development and enhancement of organization structures and including connecting activities	2.88	3	2.33	1

## **11. Quality assurance of the controllers' work**

- **Data gained from the part of questionnaire devoted to this section confirm the necessity of regular evaluation of controllers' work.**
- **On the other hand, answers to the open question “How is the controllers' work evaluated?” were very general, for example through annual or regular interviews or, in multinational corporations, by the vague explanation “the evaluation is realised on a mother company level”.**
- **In this regard, it seems to us that development of quality standards could enhance the general awareness of how to assure the future quality of the profession.**
- **The results of this part of investigation are stated in Table 10.**

## Table 10 - Quality assurance of the controllers' work

	“Should be”		“Is”	
	Average	Mode	Average	Mode
Controllers' work quality is regularly checked and evaluated	4.48	5	3.85	5
<b>Controllers' work quality assurance includes</b>				
Correctness of entering data	4	5	4.04	4
Information relevance	4.67	5	3.87	4
Timeliness of rendered information	4.52	5	3.54	4
Formal level of rendered information	4.17	4	3.69	4
Neutrality and objectivity of information	4.71	5	3.71	4
Information flexibility	4.09	5	4.15	5
Information comparability and consistency	4.67	5	4.04	4

# Conclusions

- **Controllers are required to be responsible primarily for the information availability and transparency; on the other hand they should not be responsible primarily for the company's financial results;**
- **In the area of requirements for education, both groups of respondents strongly highlight the knowledge of financial accounting and reporting, management accounting and corporate finance; on the other hand, knowledge of law, auditing, marketing and international aspects of business are considered to have lower importance;**
- **In the ICT area, the controller is considered to be mainly a user rather than an originator and verifier of processing and user quality;**
- **In the area of requirements for professional skills and practical experience, both groups of respondents consider soft skills to be important; nevertheless, they perceive technical skills and previous education even more relevant for the controllers' professional competence.**



## **Conclusions – cont.**

- **According to the research, however, the recent situation is worse in the area of soft skills as company managers are not convinced about their importance;**
- **The research also confirms how important is to define, enhance, support and communicate ethical principles and rules; on the other hand, it also confirms poor level of application of ethical principles and rules in practice; this is the reason why this aspect should be incorporated into the quality standards as a very important one;**
- **Both groups of respondents consider professional development to be quite crucial for the quality of the controllers' work; in this regard, managers more enables than require or support company controllers to continue in their professional development; nevertheless, they do not always verify whether controllers enhance their professional competence;**
- **The research confirms the necessity of evaluating controllers' work. On the other hand, answers to open questions such as “How is the controllers' work evaluated?” remained of a very general level.**

**Dear ladies and gentlemen,  
thank you very much for your attention!**

**Detailed information on:**

**<http://kmu.vse.cz/>**