

TRADITIONAL MANAGEMENT ACCOUNTANTS ARE NOT DEAD. ACTIVITIES AND CHARACTERISTICS OF ITALIAN CONTROLLERS WORKING IN SMES

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Abstract

The role of the management accountant or controller¹ in small and medium-sized companies is a topic under researched. Thus, the aim of this paper is to analyze his/her role in Italian small and medium-sized companies through a quantitative study. A questionnaire was distributed in order to understand if controllers are more similar to the traditional bean counter profile or the business partner role. The considered variables are: 1.) activities or management accounting practices performed, 2.) main recipients of the produced information, 3.) the controllers' organizational position, 4.) personal characteristics, 5) professional skills and 6) educational qualification. Moreover, the study analyzes the influence of situational variables, such as company size, tension for growth and the presence of structured advanced control systems.

Keywords: Management accountant, controller, advisor, management accounting, small and medium-sized enterprises, Italy

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¹ (In Italy, the occupational label of controller indicates the same set of accounting work that a management accountant in the UK, USA or Australia is expected to do. Coherently, this study largely recurs to international literature on management accountants and considers the terms controller and management accountant interchangeable. Like in the Netherlands and Germany, there is no certification for management accountant in Italy that can be obtained after a CIMA exam or similar examinations. In these countries, the title of controller represents the mainstream (Preis, 2012; Bots *et al.*, 2009). In Italy, professional qualifications are only in place for Certified Public Accountants who have to complete a career similar to those of their Anglo-Saxon colleagues (BA and Master, two years training and a national exam) and who usually work as independent professionals.)

1. INTRODUCTION

Research on the role of management accountants (MAs) has been described as fragmented and residual when compared to studies regarding accounting control systems used to monitor and guide organizations (Mariott and Mariott, 1999; Mitchell and Reid, 2000; Byrne and Pierce, 2007). Scarce is the attention given to the person or the organizational unit that is in charge of collecting, elaborating, divulging and explaining data to top and medium-level managers. Moreover, the theoretical underpinnings concerning the change towards a stronger business orientation that is occurring to the management accounting function is quite underdeveloped and anecdotal (Järvenpää, 2007).

Even more difficult to find are studies about MAs in small and medium-sized enterprises (Turner, 1997; Kirby and King, 1997; Marriott and Marriott, 2000; Mitchell and Reid, 2000), although these entities would need accountants' advice on cost reduction, financial planning, succession planning and pricing decisions (Ciccotosto *et al.*, 2008). Investigations on the role of professional accountants supporting the operations of small and medium-sized enterprises (SMEs) are almost non-existent with the exception of few studies such as those of Kirby and King (1997), Nandan (2010) and Marriott and Marriott (2000), who focus on external practitioners.

One might argue that the topic is under researched because these companies do not need neither employ personnel to run control systems due to their flat hierarchical structure and limited internal complexity (Turner, 1997; Collier, 2005). SMEs' owner-entrepreneurs or owner-managers seem to prefer a direct personal control on personnel's behaviours without recurring to delegation, professionals and formal systems based on accounting data, especially in Italy (Marchini 1995; Branciari, 1996; Lombardi Stocchetti, 1996).

On the contrary, the author believes that this picture is old-fashioned. Highly competitive environments, continuous innovation and the recent worldwide financial crisis have required many SMEs to improve the entrepreneur's decision-making and learning (Aureli, 2014; Cosenz and Noto, 2015) and to recur to more sophisticated systems to better manage scarce resources, collaborate with other businesses and enhance customer value (Nandan, 2010; Aureli *et al.*, 2014; Aureli and Del Baldo, 2016; Aureli *et al.*, 2016)

Aiming to reduce this gap in the literature, the present research investigates the contemporary role of MAs in SMEs by addressing the following question: (RQ1) Are Italian MAs working in SMEs traditional "watchdogs" of financial targets or do they have a role of "business partners" supporting company top and middle managers? Answer to the research question will be provided through the

examination of the following aspects: type of managerial accounting work performed, main recipients of the information produced, organizational position occupied, professional skills, personal characteristics and educational qualifications owned.

In addition, the present research aims to answer to the following question: (RQ2) Are differences in MA's role related to the presence of specific circumstances? Academic research is still investigating the organizational and environmental factors that may lead to changes in the management accountant's role (Sulaiman and Nurshazana Zainuddin, 2016). Drawing from contingency theory (Otley, 1990; Chenhall, 2003), hypothesis will be formulated and then tested with statistical instruments to check if size, company's tension for growth and the presence of formal advanced control system are related to the MA's role.

The novelty of this contribution is its focus on SMEs while past studies have mainly analysed accounting professionals working in large organizations or eventually in medium-sized businesses (Emsley, 2005; Byrne and Pierce, 2007). Secondly, it examines the role played by the person(s) - called controller(s) - that SMEs usually employ to design and operate the cost accounting information system, but who can also perform other tasks related to management accounting or even financial accounting.

While it is out of the scope of this article to investigate the role played by external accounting practitioners or independent professionals that provide accounting and fiscal services to SMEs, attention is directed to "in house accountants" enrolled as controllers regardless of whether they have a professional qualification or not.

The remainder of the paper is structured as follows. The next section presents the literature review informing the study. It describes the role and evolution of management accountants, their main activities, and the skills and personal characteristics required to perform this role properly. Then, the research method is described, followed by the results of the survey, the discussion and concluding comments.

2. THE EVOLUTION OF THE MANAGEMENT ACCOUNTANT FROM BEAN COUNTER TO BUSINESS PARTNER

The work of the management accountant has historically been related to the collection and reporting of financial data based on double-entry bookkeeping, the construction of budgets, and the calculation of production costs and contribution margins. However, in 1980s, the introduction of information technology (IT) on a large scale has allowed MAs to delegate routine tasks such transaction processing to database technology, while having more time to generate value-added data to face increasing complexity and environmental uncertainties (Burns and Yazdifar, 2001; Emsley, 2005).

From that period and during the 1990s, MAs evolved from bean counters akin to a watchdog role (Grandlund and Lukka, 1998) to business partners capable of providing richer data and forward-looking information for both operational and strategic

decisions (Kaplan, 1995; Burns *et al.*, 1996; Friedmdman and Lyne, 1997; Colton, 2001). According to Siegel *et al.* (2003a) and Vaivio and Kokko (2006) MA's role changed from simply being a provider of data (also called number cruncher) and supervisor of personnel's activities (like an inspector) to becoming a managers' partner capable of identifying business opportunities and supporting them in achieving strategic goals. More recently, Weber (2011) and Goretzki (2013) state that controllers now play a critical role in challenging and criticising managers' decisions. They are expected to have an advising role, directly helping to formulate strategic proposals and shape the strategic framework (Annuar and Ismail, 2014; Ramli *et al.*, 2013).

Certainly, not all countries and type of companies may have witnessed this change. For example, in Muslim countries the role of the accountant is still subjugated to the role of bookkeeper and he/she is not so often included in the decision making process (El-Halaby and Hussainey, 2015). Moreover, multiple roles can exist simultaneously. Already in 1954, Simons described three types of accountants working in the controllership function, defined in terms of scorekeeping, attention directing and problem solving roles. More recently, Lambert and Sponem (2012) identified four distinct styles of management accounting in large multinationals (discrete control of managerial behaviour, socialisation of managers, facilitation of decision-making, and centralisation of power), which correspond to four roles that this function and its members can play: the discrete, the safeguarding, the partner and the omnipotent.

The cited transformation of MAs into supporting partners of executive managers has implied some important changes that help to detect the new role.

First of all, MAs becoming business partners are asked to perform new tasks and activities. They should no longer focus only on collecting and reporting historical cost information. To become business partners, these professional should mainly provide relevant and predictive information for decision-making and long-term strategic planning (Deyhle, 1994; Colton, 2001; Burns and Yazdifar, 2001). This means dealing with non-financial (qualitative) data and participating in the definition of quality systems and controls (Siegel *et al.*, 2003b).

Secondly, to act as business partners, MAs should address their reporting activity to both the Board and the business units and/or functional managers (which MAs should work closely with). Management accountants should contribute to relevant information-sharing among all operational managers and be able to educate managers about the financial implications of company actions. Coherently, MAs should develop a sort of managers' orientation, which promotes the development of informational reports and services tailored for managers (Emsley, 2005).

Thirdly, this change requires MAs to move to a new location within the organization. In fact, to be a business partner, MAs can not sit in the typical Accounting or Administrative Department, centralized at the corporate level, where financial accounting and external reporting represents the most important work (Burns *et al.*, 1996). Hopper

(1980) states that the new MA role requires these professionals to be independent from the typical financial culture of Administrative Departments (which implies the creation of a separate organizational unit) and be situated closer to departments and functions where middle and low-level managers operate (Vaivio and Kokko, 2006; Sulaiman *et al.*, 2008). This allows MAs to better understand managers' information needs (Evans and Ashworth, 1996) and provide them useful business advice (Pierce and O'Dea, 2003; Siegel *et al.*, 2003a).

Lastly, this role change implies that new professional skills and personal characteristics need to be reached and maintained. While solid cognitive accounting skills are taken for granted for MAs to possess, as are personal characteristics (or attitudes) of precision and orderliness associated with the old image of the bean counter (Friedman and Lyne, 1997), MAs should also:

- possess additional cognitive skills (that MAs can learn at school/university or through continuous practice) like being able to identify the company's core competences and business processes (Kaplan, 1995; Siegel *et al.*, 2003b);
- be comfortable with technology (Griffin and Dempsey, 2010; Pierce and O'Dea, 2003);
- possess communication and team-building skills to be able to resolve conflicts, influence, motivate and negotiate with other people (Siegel *et al.*, 2003a; Vaivio and Kokko, 2006; Griffin and Dempsey, 2010; Burns and Baldvinsdottir, 2005);
- be flexible which means being able to tailor information to meet the particular needs of managers (Pierce and O'Dea, 2003; Byrne and Pierce, 2007; Brusa, 2012) and being able to devise new approaches that might better help top and medium-level managers to identify and solve problems (Kaplan, 1995);
- be proactive, open to advice and sensitive to social and psychological aspects that affect interpersonal relationships (Siegel *et al.*, 2003a; Vaivio and Kokko, 2006).

In synthesis, the literature indicates that multidisciplinary skills are required to be a modern MA. Of course, not all these skills can be or should be possessed by all management accountants from their first day of work. Usually they gain skills as they progress to different levels of professional experience (Birkett, 2002; Bots *et al.*, 2009). They might initially possess technical skills and knowledge, referring to accounting and computer knowledge, to then develop analytical skills such as the ability to analyse information, structure problems and define strategic plans (Harrison and McPeak, 2004). In addition, behavioural skills such as personal (i.e. morality, flexibility), interpersonal (i.e. communication and leadership) and organizational skills become important when MAs should dialogue with functional and operative managers and foster their personal commitment.

Reasons for such a change in MA's role have been explained recurring to different perspectives and theories, like institutional theory (Granlund and Lukka, 1998; Burns and Baldvinsdottir, 2005; Yazdifar and Tsamenyi, 2005; Goretzki *et al.*, 2013), role theory (Byrne and Pierce, 2007) and contingency theory (Otley, 1990; Chenhall, 2003). However, research is inconclusive and there is no general

theory capable to describe the work of management accountants and the motives for role's change.

According to contingency theory, which seems the most used in this field, modifications in accountant's work are due to external drivers such as the increased global competition and environmental complexity (Dent, 1996), the changes occurred in information technology (Burns and Yazdifar, 2001) and the increased business complexity due to external factors (Burns and Baldvinsdottir, 2005). On the contrary, Mourtisen (1996) argue that macro-economic factors are almost irrelevant; MA's role is only related to the organization's size (usually expressed in terms of revenues), its level of internationalization and the business sector. Findings that confute the relevance of external contingent factors are also provided by Byrne and Pierce (2007), who consider internal aspects (e.g. size, organizational structure and corporate culture) and individual aspects (personality, mentality, previous experience and professional qualification of the management account) as better predictors of the MA's role.

A third group of research indicates that business-oriented management accountants emerge when companies shift from traditional management accounting techniques to new ones, such as the balanced scorecard and activity based costing (Kaplan, 1995; Friedman and Lyne, 1997). According to these authors, the adoption of advanced control systems and techniques requires new skills and drive (or offer) the possibility for a role change of MAs (Scapens and Jazayeri, 2003). Similarly, a large group of researchers (Granlund and Malmi, 2002; Caglio, 2003; Dempsey and Vance, 2006; O'Mahony and Doran, 2008) indicate the introduction of ERP systems as one of the major contributors to the change in the role of the management accountant.

Despite this variety of explanations, it seems inevitable for researchers to take into account a wide range of external and internal variables that can affect MAs tasks.

3. RESEARCH DESIGN

3.1. Methodology

Investigations on the role of MAs usually follow sociology-based approaches informed by interpretive and critical perspectives, thus adopting a qualitative methodology and recurring to case studies (Järvenpää, 2007; Goretzki *et al.*, 2013). This is true especially in the case of research referring to the SMEs' domain and focusing on the description of role changes, where the grounded theory approach to research can also be found (Greenhalgh, 2000). Interviews represent the preferred method applied in cases of both cross-sectional field study and a single in-depth case study (Byrne and Pierce, 2007; Marriott and Marriott, 2000).

Nevertheless, the present study follows a functionalist approach and uses a survey to explore MAs' activities and characteristics - which define their role - and identify the variables that can lead firms to enrol business partners instead of traditional accountants. This type of approach has been preferred because the author aimed to depict actual roles - not how possible changes in role evolved in time - and to obtain results that can be

generalized. Moreover, surveys have been already used to explore the roles undertaken by people working in accounting departments (Simon, 1992; Mouritsen, 1996; Yazdifar and Tsamenyi, 2005; Zoni and Merchant, 2007; Ramli *et al.*, 2013). Some of them integrate postal surveys with interviews (Annur and Ismail, 2014; Pierce and O'Dea, 1998), performing mixed-methods research.

Surveys of this type can be particularly problematic because in addition to normal biases of non-respondents, there is the possibility of respondent bias i.e. addressed management accountants may deliberately provide a better picture of the reality. Thus, non-respondent bias was controlled, while respondent bias was limited by focusing questions on objective issues such as the activities concretely performed by management accountants, their organizational position, skills and competencies. Moreover, questions regarding modern accounting techniques, such as throughput accounting or target costing, were limited to avoid the provision of positive responses among management accountants who are not familiar with the concept but provide an answer just because they do not want admit their lack of knowledge.

The questionnaire was pilot tested for logical inconsistencies and questions sequence.

In order to analyze results with statistical techniques, answers have been standardized when feasible. In this way it is possible to organize data on the basis of a classification scheme common to all subjects thus producing matrices that are the basis of all processing statistics.

Population is composed by all Italian small and medium-sized companies providing an e-mail address listed in the Bureau van Dijk's Aida dataset. Aida includes 1 million Italian companies but only SMEs which obey the quantitative criteria defined by the European Commission (2003/361/CE) have been selected. Micro-enterprises have been excluded because issues of delegation and control are insignificant in companies with less than 10 employees: owner-managers are able to carry all the relevant information in their heads (Turner, 1997).

About 9,000 questionnaires have been sent by e-mail, but only 64 have been used for the quantitative analysis. Several returned questionnaires have been discharged because incomplete. No recalls were made. Some questionnaires were excluded because referring to subsidiaries (here defined as companies controlled by another company that owns more than half of the subsidiary's stock). The author aimed to focus on independent companies to avoid possible role differences due to the presence of a head office that may influence accounting practices (Yazdifar and Tsamenyi, 2005). Most of the respondents (44) were medium-sized companies, while small-sized firms have confirmed their notoriety for non-response (Marriott and Marriott, 2000), returning only 20 complete questionnaires. This makes the response rate of medium sized companies 1.37% while smaller organizations boast an even lower rate.

Despite scarce company participation, the sample of respondents can be defined as representative of the entire population included in AIDA dataset. Statistical tests were carried out, with the aim to compare sample's quantitative (turnover, total assets and number of employees) and

qualitative variables (business sector and geographic distribution) with the same characteristics of the population, showing that the sample obtained is representative of the entire population.

The sectorial distribution of the companies analysed is quite similar to the industrial structure of Italian SMEs as reported by the last national census of enterprises of year 2014, based on the European NACE classification of economic activities. In particular, the manufacturing sector is the most popular, while the wholesale and retail trade repair of motor vehicles and motorcycles sector ranks second. Other important sectors are the construction industry, the provision of administrative and support services, transportation, the making of professional, scientific and technical activities and the provision of human health and social work activities.

3.2. The variables investigated to define controller's role

Our first research question regards the identification of actual roles played by controllers in SMEs.

Considering the specific characteristics of these firms and recent research demonstrating that the business partner role is not as commonplace as it is widely believed (Lambert and Sponem, 2012), *our hypothesis is to find mainly scorekeepers in Italian SMEs.*

Because of the sensitive nature of the question, it is not suitable to ask respondents about the role they think to play. This would have constituted a methodological error (Lambert and Sponem, 2012). Thus, the role assigned to controllers has been investigated through a set of six variables translated into questions addressed to controllers (either financial or business controllers) and CFOs. Also some Heads of the Accounting department/office returned the questionnaire (when a specific person or organizational unit committed to management or cost accounting was missing).

These variables have been selected from indications that emerged during the literature review and they should help identify whether the controller maintains its traditional function of bean counter or behaves as a business partner supporting decision making processes at a managerial-level. Attention is not restricted to activities or tasks as suggested by Weber's (2011) model. Analysed variables are:

- management accounting activities/tasks: these are either traditional practices referring to the analysis of historical accounting data or advanced information-based activities devoted to evaluate processes and company performance from multiple perspectives (especially non-financial);

- information's users: information might be intended only for the administrators of the company (i.e. the CEO, owner-entrepreneur or owner-manager) or directed also to middle managers like functional managers, or even to personnel working at lower levels;

- the position held in the company's organizational structure: controllers can belong to a function specifically designed to perform control activities or be just a member of the administrative or accounting function;

- personal characteristics: these are individual attitudes or qualities that a controller should

possess to exercise his/her work (i.e. being a precise, rigorous and methodical accountant or possessing additional characteristics such as flexibility and dynamism);

- professional skills: these are abilities coming from one's knowledge and systematic practice that might be limited to the areas of accounting and legislation or might be enriched with knowledge on information systems, organization and human resource management.

- educational qualification: a university degree might be present or not, together with previous work experience.

It is important to note that respondents have been provided with a list of management accounting practices, which have been selected because of their prominence in management accounting textbooks and previous surveys. However, many accounting practices defined as innovative were omitted from the questionnaire considering the scarce possibility to find them in the smaller companies. In particular, questions about controllers' direct participation in strategy formulation have been excluded (while for example present in Burns and Yazdifar's work of 2001) because previous studies (Marchini, 1995) indicate that controllers are not usually involved in strategic decisions (which are "a private affair" of the owner-entrepreneur and eventually of the family members involved in the management of the company). Thus, a limited list of activities appears as compared, for example, to the works of Chenhall and Langfield-Smith (1998) and Emsley (2005).

Focusing the scope of the questions as explained above helps narrow down situations where the respondents confirm performing a given list of activities that they do not carry out (Vaivio and Kokko, 2006). At the same time, a blank space was always given to allow respondents the opportunity to provide information about the existence of other practices.

Moreover, differently from Mouritsen's research (1996), the author has decided to avoid questions regarding basic albeit necessary data-input activities (i.e. record keeping in the general ledger) as these are routine tasks usually performed by secretaries or low-level employees while the research's focus is on controllers and the provision of information to people/managers with decision-making responsibilities.

Another adaptation inserted into the questionnaire (which was crafted to take into account the peculiarities of SMEs) is in regards to the organizational position occupied by controllers. While academics have emphasized the importance of decentralization and autonomy of modern controllers, questions have been here limited to respondents' relationships (dependent or independent) to the Accounting Department. Actually, a plurality of controllers working in different business units is unlikely in smaller firms characterized by scarce internal resources.

Lastly, in the present study, educational qualification is considered an indicator of the management accountant's role (as it indicates his/her capability to exercise a certain type of work)

and not as an individual antecedent that might influence the MA's role as proposed by Byrne and Pierce (2007).

3.3. Possible explanatory factors

With reference to the second research question, several independent factors have been identified and used in statistical analysis to understand whether specific situational characteristics are associated with controller's role (defined through the six above mentioned aspects).

Since both contingency theory (Otley, 1980) and life-cycle models (Granlund and Taipaleenmaki, 2005) have indicated size as the main factor associated with the adoption of advanced management accounting systems, it is probable that size (in terms of companies' turnover, number of employees and total assets) also influences the controller's role, despite the presence of contradictory results provided by Byrne and Pierce (2007). Coherently we expect that a bigger company dimension is associated to the presence of controllers with an advisory or business partner role.

Similarly, because changes in management accounting processes and control systems have been associated to company's growth (Davila, 2005), (h2) we suppose that SMEs with a steady increase in turnover might be more compelled to enrol a business partner compared to less dynamic organizations. According to Davila's research (2005) middle managers are appointed and tensions towards the adoption of management control systems especially emerge in case of "gazelles".

At the same time, the introduction of sophisticated instruments (i.e. ABC, target costing) has been considered as one of the key factors that can drive controllers to move away from being scorekeepers to becoming active contributors to strategy formulation and process development (Kaplan, 1995; Friedman and Lyne, 1997). Thus, we expect that the business partner role is associated to the presence of contemporary accounting techniques and formal tools.

Other external factors like changes in regulation and environmental turbulence have not been considered in this study because an important stream of past literature indicated that they do not exercise a strong and direct influence on the roles of management accountants (Mouritsen, 1996; Greenhalgh, 2000; Byrne and Pierce, 2007). Nor internal factors that are rare in the domain of SMEs (i.e. the use/introduction of performance measurement systems linked to rewards) have been included.

4. EMPIRICAL RESULTS

Before presenting the questionnaire's results regarding the role of controllers in Italy, some key information about the companies where the respondents are employed are provided in Table 1 and Table 2.

Table 1. Descriptive statistics of SMEs

	<i>Medium</i>			<i>Small</i>		
	<i>Turnover</i>	<i>Number of employees</i>	<i>Total assets</i>	<i>Turnover</i>	<i>Number of employees</i>	<i>Total assets</i>
Mean	25370	92,7727	25020,3	6104	29,7	5941,95
Median	24563,5	81,5	21906	5474	28,5	6397,5
Standard Deviation	12455,3	45,3297	16332,4	2842,95	11,5899	2095,69
Asymmetry	0,84547	1,67065	3,47775	0,9976	0,28801	-0,3410
Kurtosis	0,88736	2,45501	16,3169	0,72561	-1,17055	-1,1059
Coefficient of variation	0,49094	0,48861	0,652766	0,46575	0,39023	0,35269
5% percentile	7534,5	49,25	8242,6	2208,45	14,05	2223,4
95% percentile	50791,8	214,5	42527,2	13470	49	8823,6
Interquartile Range	17087,5	42	15457	3418	20,75	3272,25

Table 2. Characteristics of SMEs

		<i>Medium</i> (N. 44)	<i>Small</i> (N. 20)
<i>Legal form</i>	Partnership	0	0
	Limited company	44	20
<i>Sector</i>	Manufacturing	36	15
	Construction	1	0
	Service	7	5
<i>Ownership</i>	Corporate	9	2
	Individual Owner(s)	22	13
	Mixed	13	5
<i>5 years turnover trend</i> (end 2010-2005)	Growth	27	4
	Decrease or stable	14	13
	Not. applicable	3	3
<i>3 years turnover trend</i> (end 2010-2007)	Growth	17	1
	Decrease or stable	25	17
	Not. applicable	2	2
<i>Geographical area</i>	Northern Italy	33	15
	Central Italy	8	4
	Southern Italy	3	1

4.1. The role of management accountants

As mentioned in the methodology section, six variables have been considered to answer to the first research question.

In reference to the management accounting activities carried out, the results are summarized in Table 3, which displays both traditional control activities performed by accountants (e.g. the reclassification of financial statements, the indicators' calculation, the Cost-Volume-Profit analysis, cost analysis through the identification of cost centres, the implementation of budgets) and the more advanced activities that include the monitoring of other aspects of management. Multiple answers were possible as these activities are not mutually exclusive.

Results clearly show that in medium-sized companies there is the tendency to carry out a greater number of control activities compared to smaller companies. For example only a quarter of small firms have established cost centres. However, in both size categories there is a clear predominance of activities related to cost control, while advanced or innovative activities related to the implementation and functioning of modern models, such as the Balanced Scorecard and/or Activity Based Costing, are only marginally carried out.

The item "Other" identifies the text answers freely provided by respondents. One company affirmed that they perform benchmarking, while two other companies reported more traditional activities like analysis of products' contribution margins and profitability.

Table 3. Management accounting practices performed by controllers

<i>Activities</i>	<i>Medium</i>	<i>Small</i>
Annual reports' reclassification and indexes calculation	56,8%	50,0%
Cost-Volume- Profit (Break Even) Analysis	75,0%	55,0%
Cost Analysis with Cost Centres	61,4%	25,0%
Budgeting/Forecasting and Variance Analysis	63,6%	60,0%
Performance analysis based on indicators	9,0%	40,0%
Innovative Cost Analysis Practices (i.e. ABC)	13,6%	10,0%
Other	9,1%	0%

The second variable refers to the recipients of the information produced by controllers (Tab. 4).

Responses indicate that the main user of information, both in small and medium-sized organizations, is the person who governs the company (the owner-entrepreneur or the CEO). The controller uses information to support first level and

middle managers only to a lesser extent. This phenomenon is more evident among small, probably because the latter tend to have a more complex organizational structure, while small businesses often have a flat organization and are controlled by the owner-entrepreneur who makes all decisions.

Table 4. Information users

<i>Recipients</i>	<i>Medium</i>	<i>Small</i>
CEO and/or owner-entrepreneur	82%	75%
First level managers	50%	35%
Middle Managers	14%	5%
All	2%	15%

The third analysed variable is the position of the controller within the organization.

Answers show that, in most cases, the controller is located within the administrative function (Tab. 5). This phenomenon is more prevalent in small businesses, reflecting the fact that, in line with the results so far received, the controller is still considered to be a role mainly assigned to accomplish administrative aspects of management.

Only 35% of medium-sized firms and 15% of small firms have an internal function whose

personnel is dedicated to management control. The controller is rarely enrolled within the finance function. In this type of organizations, it might be possible that there is no finance function.

In some cases (15% response rate for medium-sized firms and 20% for small firms) respondents indicated that there is no structured function or department devoted to management accounting. One or few people, placed in various business areas, carry out control activities together with other duties.

Table 5. Position of the controller

<i>Organizational Position</i>	<i>Medium</i>	<i>Small</i>
Internal administrative function	46%	60%
Internal finance function	4%	5%
Specialized function for control	35%	15%
One or more people	15%	20%

Looking at the answers given about the characteristics of the controller, different aspects can be analysed: personal characteristics, professional skills and qualifications.

While precision, rigor and logic are usually considered necessary attributes for the controller to perform the traditional controller's activities (those relating to the analysis of accounting data), there are other characteristics to consider. Creativity, relational capabilities, flexibility and dynamism are the most suitable qualities needed to carry out the advanced and innovative activities (such as supporting middle managers in the formulation of

decisions, creating a culture of control, developing problem-solving skills in employees working at various levels of the organization).

Responses (Tab. 6) reveal that traditional characteristics are considered important (being precise is fundamental) both in medium-sized and small enterprises, with rigorosity being less critical when compared to the other traditional qualities. However, great value is also attributed to personal characteristics that are associated to the business partner role, i.e. dynamism and relational capabilities.

Table 6. Personal characteristics or attitudes

<i>Characteristics</i>	<i>Medium</i>	<i>Small</i>
Precise	72,7%	75%
Method	54,5%	70%
Rigorous	45,5%	25%
Creativity	25,0%	20%
Relational capabilities	59,1	45%
Flexible	52,3%	45%
Dynamic	65,9%	60%

Regarding various levels of expertise, it is possible to distinguish between traditional skills, such as accounting and financial reporting skills, knowledge of international accounting standards (IAS-IFRS) and familiarity with civil and tax requirements, and advanced or expert skills, such as knowledge of information technology, knowledge of company's organization and human resource management.

Results (Tab. 7) suggest that both small and medium-sized enterprises desire their controller to possess accounting knowledge and the ability to prepare annual reports. In addition, medium-sized enterprises place strong emphasis on knowledge of the company's organization (its business, processes, products, etc.) and IT skills.

Table 7. Professional skills

<i>Knowledge of</i>	<i>Medium</i>	<i>Small</i>
Accounting and Annual Report	84,1%	85,0%
National accounting standards and IAS-IFRS	20,5%	20,0%
Civil and Fiscal laws	29,5%	30,0%
IT Systems	70,5%	0%
Company's organization	81,8%	25,0%
Human Resource Management	38,6%	60,0%

Finally, responses about the controllers' educational qualifications have been examined. This type of analysis is necessary because in Italy there are no specific professional qualifications as there are in Anglo-Saxon countries. Therefore it is appropriate to examine if earning a degree represents a necessary requirement.

From the data shown in the table below, it is evident that, while in medium-sized companies a bachelor's degree is considered very important, in

small businesses (55% of positive answers) professional experience is considered more important than university degrees.

Then, in medium-sized enterprises the presence of a qualified controller who combines professional experience with an university background prevails; in particular a degree in economics seems to be preferred to a degree in business engineering.

Table 8. Qualification

<i>Educational qualification</i>	<i>Medium</i>	<i>Small</i>
Economic Degree	52%	35%
Engineering Degree	25%	15%
Any type of Degree	2%	0%
Degree & experience	39%	20%
No Degree, but experience	30%	55%
No specific skills	0%	0%

By transforming all aspects investigated into dichotomous variables, it is possible to calculate the matrix of tetrachoric correlations (Table 9), which indicates a positive relationship among almost all observed variables. Thus, when controllers perform advanced management accounting practices (valued as 1) that help denote a business partner role, the presence of functional managers (valued as 1) benefiting from controllers' reports is also high probable. A positive correlation of about 0,5 exists

among the two variables. Similarly, the execution of advanced control activities is moderately correlated to the establishment of an independent control function and to the occurrence of coherent skills, attitudes and educational qualification. Nevertheless, Table 9 also indicates that personal attitudes do not relate as expected to other variables used to define controllers' role. Thus, additional research is needed on this aspect.

Table 9. Correlation Matrix

<i>Matrix of tetrachoric correlations</i>							
<i>Size</i>	<i>Activities</i>	<i>Skills</i>	<i>Attitudes</i>	<i>Position</i>	<i>Users</i>	<i>Qual.</i>	
1	0.0939	0.2218	-0.1824	0.3534	0.2455	0.3874	<i>Size</i>
0.0939	1	0.2902	0.2859	0.3623	0.4976	0.1481	<i>Activities</i>
0.2218	0.2902	1	0.1294	0.2189	0.0872	0.1132	<i>Skills</i>
-0.1824	0.2859	0.1294	1	-0.0801	-0.2859	0.0351	<i>Attitudes</i>
0.3534	0.3623	0.2189	-0.0801	1	0.3989	0.0280	<i>Position</i>
0.2455	0.4976	0.0872	-0.2859	0.3989	1	0.1724	<i>Users</i>
0.3874	0.1481	0.1132	0.0351	0.0280	0.1724	1	<i>Qual.</i>

4.2. Factors associated to the business partner role

With reference to the second research question, Table 9 suggests that size might be a relevant variable. By labelling medium-sized companies as 1 and smaller companies as 0, results indicate that larger companies record the presence of a specialized/independent function for control, controllers with advanced skills and a bachelor's degree, who contribute to support medium and first-level managers. Probably the lack of financial resources and/or the scarce control culture in smaller organizations hinder the appointment of a qualified accountants and the establishment of an independent control function.

However, clearer indications about the possible effect of size and other factors influencing the occurrence of the bean counter or business partner profile are provided by Table 10. A probit model was used to examine whether company dimension (in

terms of turnover, number of employees and total asset), growth in turnover (measured with reference to years 2007-2010 and measured with a dummy variable) and presence of advanced formal control systems (also measured with a dummy variable) have any explanatory power.

The dependent variable (the controller's role) obtained the value of 1 when at least 5 of the 6 elements used to define this figure were classified in line with the business partner typology. On the contrary, a controller's role more close to the traditional figure of the bean counter was indicated with the value of 0.

Ownership has been introduced as a control variable because we wanted to identify the typical Italian SME run by owner-managers by checking for presence/absence of any organization or company in the proprietorship (in other terms all shareholders should be individual owners).

Table 10. Factors influencing the presence of a business partner's role

	<i>Coefficient</i>	<i>Std. Error</i>	<i>p-value</i>
Const	-1,13412	0,393657	0,00396***
N. of employees	-0,00462864	0,00461076	0,31544
Turnover	9,52215e-05	3,20118e-05	0,00293***
Total assets	-3,4926e-05	1,66853e-05	0,03633**
Ownership	0,174434	0,421735	0,67916
Advanced formal systems	1,74202	0,469072	0,00020***
3 years growth	-0,442058	0,515437	0,39109

Results confirm that company's dimension has a relevant explanatory power but only with reference to turnover. In small and medium-sized enterprises, high levels of total assets are not positively associated to the occurrence of advanced management accounting activities, an independent control function and other elements that identify the presence of controllers with a business partner role. Findings do not support the hypothesized impact of company growth on controller's role. The variable with most explanatory power refers to the presence of advanced formal control tools and advanced accounting techniques, which are positively associated with the appointment of controllers characterized by an innovative profile.

In addition, calculations were run for each of the six elements describing the controller's role, using each element as the dependent variable. Results provide additional support for the hypothesis that the implementation of formal control systems devoted to support strategic decision making lead controllers to abandon the traditional bean counter role. In fact, three different aspects (controller's activities, controller's organizational position and type of information users) are associated to the presence of advanced and structured systems.

5. DISCUSSION

Findings indicate that controllers in Italian SMEs tend to be more similar to the bean counter profile than to the business partner role. Defining as business partner the controller holding at least 5 of the 6 elements used to classify this figure, only 19 companies out of the 64 analysed indicate to prefer employees capable to support managers' decision making according to a modern approach.

SMEs' controllers still focus their work on financial data's calculation and hardly evaluate company performance from a multidimensional perspective managing qualitative information or other non financial data related to business aspects which could contribute to generate more value-added data. This is indicated by the scarce presence of advanced management accounting activities - a situation being in line with the limited diffusion of modern activities detected by Byrne and Pierce (2007) and the large use of budgeting discovered by Mouritsen's (1996) survey about Dutch medium-sized companies.

Responses about the use of performance indicators among small firms (with a response rate of 40%) should be considered with caution. They mainly refer to financial indicators extracted from the annual report and do not imply the adoption of a sophisticated multidimensional performance measurement tool. In fact, in another part of the questionnaire emerged that only 3 small firms (15%) implemented a BSC-like instrument, without having in place a structured strategic control system that links strategy with processes and results.

Other investigated variables also indicate the prevalence of bean counter profiles. SMEs' controllers do not seem to have fully embraced the role of advisors for functional and/or operative managers as information reporting is mainly directed to the CEO and/or owner-entrepreneurs. Moreover, their organizational position is inside the

administrative department, a situation that does not favour the development of genuine management accounting practices. Probably bookkeeping and the preparation of financial records represent more important activities. In addition, the irrelevance of holding a degree does not help smaller firms benefit from the contribution of specialized controllers that went through a university coursework including financial management, IT, human resources management and business strategy (in addition to traditional accounting subjects).

However, when looking at professional skills and personal characteristics two promising signals emerge.

First, controllers are widely understood as professionals that should assist management, thus they do not have to be proficient in tax calculation, IAS/IFRS and knowledge of civil laws as usually financial accountants do. Much emphasis is attributed to the knowledge of the organization, human resource management skills and IT skills, especially true in case of medium-sized companies, confirming what emerged in medium and large manufacturing firms observed by Byrne and Pierce (2007). In smaller firms controllers are likely expected to have enough knowledge to give basic advice, while seeking outside support in the event of more complex challenges, as reported by the interviewees of another study (The Economist, 2013).

Second, both small companies and medium-sized ones require controllers to be dynamic, flexible and capable to handle relationships with other people working in the organization. Thus, controllers are not conceived as methodical bookworms. They have to be adaptable to follow changes occurring inside and outside enterprises.

In addition, the present research provides support for some hypothesis on the influence played by contingency factors. In fact, results confirm that a larger company dimension is related to the presence of a business partner role identified through the usage of advanced management accounting practices, the presence of a specialized function devoted to supervise control activities and the existence of middle managers interested in receiving value-add information to improve their decision-making. Also the presence of advanced accounting techniques and formal models is associated to management accountant's advisory role. When complex systems are in place (i.e. BSC, target costing, life cycle costing), controllers perform advanced activities not limited to the analysis of annual reports, prepare value added data for first level and middle level managers and work in a specialized control function. Lastly, data suggest that the geographical location of companies and the possible influence of different socio-institutional settings on controllers is irrelevant. Controllers with a business partner role can be equally found in Northern and Southern regions.

6. CONCLUDING REMARKS

The main contribution of this study is providing a better understanding of the role of "in house accountants" within Italian SMEs. With reference to this, results indicate that in most of the companies analysed the controller has a bean counter role. This

is suggested by the fact that the more widespread activities are traditional management accounting practices, sometimes also called “clerical activities”, as cost-volume-profit analysis, budgeting and variance analysis. Moreover, the main recipients of controllers’ reports are still represented by the owner-entrepreneur or the CEO and an independent function or department specialized in controllership is still rare. Nevertheless, results also entail a positive element as they indicate that smaller firms rely on a person with accounting skills in charge of collecting, handling and conveying relevant data, confuting the idea that in SMEs there are no management accounting activities to research.

In addition, this study contributes to existing literature suggesting that some contingency variables (in particular growth and the number of employees) are less relevant in influencing the controller’s role than what indicated by other studies (Cooper and Dart, 2009). Company turnover and the presence of advanced management control instruments are the elements associated to a more advisory role of SMEs’ controllers.

From a practical point of view, this study provides details about actual practices that might be useful for accounting bodies, university professors and trainers as well as for policymakers that are in charge of tailoring specific support services or promoting initiatives to sustain the development of SMEs. In details, the study suggests that while we can generally agree with the idea that educators should prepare students to become business partners and not mere number crunchers, recommendations like those of Cooper (1996) of decreasing the amount financial accounting requirements in certification programs should be analysed with caution. According to him, university programs have to reduce training in traditional topics in favour of new techniques devoted to cut costs like target and kaizen costing. Similar recommendations are provided by Siegel (2003a), who indicates educators to teach students that they will not sit in an office in front of a computer but in operational departments working with managers. Our results, indeed, suggest that Italian students aiming to find a job in the myriad of local SMEs should still be trained on how to elaborate accounting data, calculate product direct cost and prepare reports for entrepreneurs along with the development of the necessary knowledge, skills and abilities to become business partners.

Another hint emerged from this study is the shift occurring to controllers’ education requirements. This position is no more only occupied by people with an accounting degree or practitioners with experience in managerial accounting tasks. Engineers and computer science graduates represent an alternative for SMEs. As already noted by Burns and Yazdifar (2001), firms may prefer engineers who can easily integrate their core technical knowledge with accounting training courses.

However, the contributions of this study need to be considered in light of its limitations. The first limitation concerns the low number of respondents. Thus, it is desirable to extend the research to a larger sample in order to create a richer database including organizations working in turbulent sectors (i.e. high tech industry and biotechnology), this

would help identify management accountants characterized by different roles and enhance the generalizability of results.

The second limitation refers to the statistical analysis. In fact, there is no control group and collected data do not clearly indicate the direction of causality between variables. Thus, responses do not indicate if controller’s roles have changed over time after and because of the adoption of formal advanced control systems or vice versa the arrival of a new professional accountant has led to a change in the control systems implemented. The correlation matrix indicates that some variables are associated but not which one is the dependent and independent variable. Only the regression model explores causality.

Lastly, further analysis is needed to understand if controllers’ roles are related to companies’ different stages of control system adoption. As suggested by Brunetti (1979), in the case of organizations that have recently introduced first forms of management control, controllers’ activities may be limited to IT system design and data collection (first stage). The controller’s business partner role emerges only after that the accounting system is put in place and its information flow has been approved by the Board (second stage). The third stage is actually when operational managers have developed a control culture and are willing to be involved in performance evaluation. Only longitudinal case study analysis can help observe this type of information.

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