

Péter BAJNAI

Faculty of Economics and Business, University of Debrecen, Debrecen, Hungary

THE ENGLISH MANAGEMENT ACCOUNTING AND THE GERMAN CONTROLLING: ARE THEY SYNONYMS OR DIFFERENT CONCEPTS?

Review
Article

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Abstract

As a result of the development of the field of accounting, in the second half of the 20th century an analytical, planning, control and management decision support function was developed, which goes beyond traditional financial accounting and is based on accounting and financial information. The term Management Accounting has spread in Anglophone theory and practice to describe the activity, while the phrase Controlling has spread in German-speaking countries. International literature often refers to the two as synonyms, and an overview of their basic definitions also reveals their similarity. However, their differences have been revealed in several studies. Management Accounting and Controlling can be interpreted as separate concepts, the development of which is based on different economic and cultural peculiarities, and consequently different institutional and educational systems. Management Accounting is a more accounting-focused and practice-oriented profession with its own strong institutions, while Controlling is more of a separate discipline with a serious university background, a broader perspective and a strong strategic focus. Management Accounting is spread in areas related to British and American culture and economy, while Controlling is widespread in European countries with strong German influence. Examining the literature sources, it can be concluded that Management Control Systems can be used as a synonym for Controlling which covers a wider area than Management Accounting. The development of concepts, the strengthening of the strategic approach and new demands on professionals are moving both concepts towards Business Partnering, a term used by both “cultural circles”.

INTRODUCTION

From the smallest family business to giant multinational companies spanning over continents, every business organization is common in one aspect: it is essential for them to quantify their activities and then accurately record and track the numbers. The collection, recording and systematisation of economic events affecting assets and profit, i.e., accounting work, is a legal obligation for all businesses, but if it were not, it would still be key: without accounting records, businesses would not see the monetary consequences of their own activities.

The double-entry bookkeeping activity known today began to develop in Italy in the 15th and 16th centuries and became "mature" in capitalist economies of the 19th and 20th centuries. Accounting work was basically characterized by an administrative and retrospective nature, focusing on numerical accuracy, reliability, informing the stakeholders of the company, and compliance with legal obligations. With the growth of companies, the increasing complexity of business processes, the spread of globalization and the intensification of competition, there has been a demand for the "development" of accounting. It has been expected that professionals working at the company support managerial decision-making based on accounting and financial data (Fenyves & Tarnóczy, 2019). Their priority tasks include analysis, planning, the provision of relevant information, and goal- and future-oriented decision support.

Examining the international literature sources related to the topic, it may become apparent that the definition of the above described phenomenon is not uniform. Readers and researchers may also come across the terms "Management Accounting" and "Controlling". The same is true in practice, while one company has a "Controlling" department, the other has a unit called "Management accounting" that performs similar tasks. This paper seeks to answer the following questions based on an examination of the related literature and related organizations: What is the origin of this dual name, how to tell which of them to use, and is there any difference between the two concepts at all?

DEFINING THE CONCEPTS

As the sources discussed below show, there is an *Anglophone-Continental*, a *British/American-German* "conflict" behind the differences in these phrases. However, "conflict" is not the best formulation of this duality: it is simply the case that, as in many other respects, due to the different socio-economic development histories and

characteristics of the two Western cultural circles, the field under study has developed differently. In countries associated with the Anglophone culture, the term "*Management Accounting*" (and the Management Accountant performing the activity) became widespread, while in German-speaking countries and more closely related areas, the term "*Controlling*" (and Controller) has been commonly accepted. At this point, it is important to note that the term used by the Germans also comes from the English word (to control), but in its professional use since the 1950s, this word got stripped of its original meaning of control and it represents more, as is presented below (Jacobs & Heracleous, 2001). Before understanding the difference, it is worth taking a few glances at the definitions of the two terms, mostly from writings that do not address the British/American-German difference.

According to the American Institute of Management Accountants (IMA, 2008), "Management Accounting" (MA) as a field of expertise includes management support in decision-making, the design and operation of planning and performance evaluation systems, and the financial reporting and control facilitating the implementation of an organization's strategy. According to the UK Chartered Institute of Management Accountants (CIMA, 2015), the role of MA is to analyze information in a way that helps "achieve strategy and sustainable business success". According to Burns, Quinn, Warren & Oliveira (2013), the aim of MA is to provide the management with financial and non-financial information to support decision-making. In addition, Verstegen, De Loo, Mol, Slagter & Geerkens (2007), based on previous literature (Anthony & Young, 2004; Atkinson, Kaplan & Young, 2004), defined the concept as follows: The purpose of MA is to support and advise the leaders of the organization in achieving their economic and financial goals. The main element of support is the maintenance of the management control and accounting system and the collection and distribution of information.

The following conceptual definitions try to capture the "Controlling" area. According to the definition of "Controlling Dictionary" published by the International Group of Controlling (IGC, 2010) launched from German-speaking countries, controlling means the cooperation between the management and the controller. Controlling encompasses the entire process of goal setting, planning, and control for the activity and business processes. It includes activities such as decision making, interpretation, and regulation. According to Horváth (1997), "controlling - from a functional point of view - is a subsystem of management that coordinates planning, control and information provision". According to a later definition, controlling is a functional management tool with the central objective to coordinate planning, control

and information provision (Horváth & Partners, 2009).

According to Spremann and Zur (1992), while management is responsible for the outturn, controlling is responsible for the transparency provided by information and decision support services. In addition, in Mann and Mayer's (1993) work, a strategic, future-oriented approach emerges: "controlling helps to achieve corporate goals, avoid surprises, and turn on the red light in time when threats arise."

Based on the above definitions, it can even be concluded that the two terms appearing in the two cultural circles mean essentially the same, the two disciplines performing the same functions. In both formulations, analysis, planning, information provision, managerial decision support, as well as future orientation and strategic approach appear. Authors who treat the two terms as synonyms, i.e. they discuss the handling of the two phrases as synonyms, also appear in the literature processed during the present research. Becker and Messner (2005) state that Controlling is the German name for MA, and hereafter the two terms are used synonymously. Luther, Jones & Saxl (2009) also note that the word Controlling is often translated into English as MA. De Loo, Versteegen & Swagerman (2010), who work at Dutch universities, also state that it is common in Europe to call management accountants controllers, but make no distinction between the two terms. Chenhall (2003) also states that the terms MA and Controlling are sometimes used interchangeably in theory and practice, but also note that it is worth distinguishing between the two. Similarly, Wadan (2020) arrived at similar conclusions, according to whom Controlling from the German-speaking world covers a wider range of tasks in comparison with the Anglophone phrase MA, even though the technical literature often treats them as synonymous.

Examining the conceptual frameworks and some literature sources, one can indeed conclude that Controlling and MA are synonymous with each other, however, as seen above, some authors note that it is important to differentiate because the two areas do not completely overlap.

DIFFERENCES BETWEEN CONCEPTS

As a matter of course, the differences between Controlling and MA are not new, and research on the subject has already taken place accordingly. The next part of the article is intended to summarize the results of related research.

The wide range of researchers on the topic is shown by Heinzelmann's (2016) work a few years ago, according to which, the differences between the accounting world of German-speaking and

Anglophone culture (such as the different social status, institutionalism, system, and practices of accounting) have been established by Armstrong (1987), Ahrens and Chapman (2000), Luther et al. (2009), Becker and Messner (2005) and Schäffer and Binder (2008). Cultures, including the professional atmosphere and framework related to accounting, also have an impact on Controlling, which is widespread in German-speaking areas, and on the Anglophone term MA.

The most frequently mentioned factors mentioned by the researchers, which have influenced and still influence the difference in the development of the two areas, are the institutional background and the closely related training system and process. According to Sheridan (1995), MA can be considered more of a profession in this respect, with a corresponding structure, while the German Controlling is more of a discipline that is more closely linked to the academic world. This finding seems to be supported by Ahrens and Chapman's (2000) interview research, in which 34 professionals working at 17 German companies and 30 professionals working at 12 British companies were interviewed, and participants were asked about their qualifications and career paths. Based on the obtained results, the German system was not characterized by a strong professional-institutional background, such as that of the American Institute of Management Accounting or the British Chartered Institute of Management Accounting. In the Anglophone system, professionals usually obtain their qualifications from the above-mentioned organizations while already working in the field of accounting, while in fields related to German culture, controllers usually come to the profession with a university degree. Controlling is thus strongly connected to the - typically state-maintained - university system. It belongs to the "Betriebswirtschaftlehre" area, which is the German scientific equivalent of business administration. Luther et al. (2009) also describe the same institutional, educational differences, highlighting that German Controlling has historically been better supported and backed by economic theory (by Schmalenbach, Plaut, Kilger, Riebel, and Horváth, among others). Controlling has a strong university root, its development has been driven by "Controlling research and education" since the 1970s, and Controlling departments can be found in most universities and business schools in German-speaking countries (Schäffer & Binder, 2008). Hoffjan (2004) concludes that MA is more closely related to accounting and practical work, and Controlling, which has a deeper theoretical background, is closer to management, thus having a broader role in practice. Sheridan (1995) is also of the opinion that MA is very closely related to "pure accounting", but in continental practice Controlling is often not

even classified in the world of accounting - it is common that controllers are not accounting professionals or accountants.

Based on the above description, both MA and Controlling have institutional and training characteristics that indicate differences in their concepts. The discrepancy was examined from a different, but perhaps even stronger perspective by Hoffjan and Wömpener (2006), who performed content analysis using the 20 most important MA and Controlling textbooks written in German and English language areas. Germany, Austria, and Switzerland were considered as one cultural area, and the United States, the United Kingdom, and Australia as the other (Hofstede, 2001). In fact, the focus of their content analysis was on "strategy", and their aim was to determine whether any of the concepts are more closely related to strategic planning and management. According to their results, the German "Controlling implies a more thorough strategic emphasis than does MA in U.S. textbooks". The phenomenon revealed was found to be stable and unchanged, as an earlier textbook-based analysis arrived at the same conclusion (Franzen, 1987). The English-language literature was found to be more cost-oriented, emphasizing the operational nature of MA - the concept of strategy planning is not included in American MA textbooks. Based on these observations, the authors concluded that Controlling and MA are not interchangeable terms - Controlling covers a wider, heterogeneous range of activities, while MA is more homogeneous and less strategy-oriented.

THE PROLIFERATION OF CONTROLLING AND MA

For this reason, the interpretation and development of the examined corporate area has become twofold in the German-speaking continental countries and the Anglophone states, but this does not mean that these are the only areas characterized by the Controlling or MA concept. These developed countries with a high population and high economic power have had a great influence on other countries in many respects. As a consequence, the Controlling concept has spread in areas economically and culturally closer to Germany, while MA has a greater tradition in countries more closely linked to the UK and the US.

Examples of a stronger continental presence of Controlling are also provided in the technical literature. Sheridan (1995) describes that in Dutch companies, instead of the MA department, there are "Planning and Control" units led by a controller who is at the same hierarchical level as the CFO. In the Scandinavian countries, the same concept is present as in German-speaking regions, with the

dominance of the university "sector" in terms of training, and this is especially true for Norway (Heinzelmann, 2016). According to Granlund and Lukka (1998), Controlling, which is characteristic of the German concept, is widespread also in Finland, with a prominent role of consultants and decision supporters, as opposed to MA in the USA. Germany and Austria have historically had a great influence on the countries of Central Europe, therefore, as a matter of course, their economic and business theories and practices have spread easily in the region. The German model has had and still has a strong influence on the development of financial and corporate culture in the Czech Republic, Slovakia, Hungary, Poland, and Slovenia (Sheridan, 1995). Nowadays, a lot is done to spread the concept of Controlling (mostly in Central and Eastern Europe) by organizations founded in different German-speaking countries, such as the Austrian ÖCI (Österreichisches Controllerinstitut), the Swiss VEB (Schweizer Verband für Rechnungslegung und Controlling) or the German-based international organization IGC (International Group of Controlling) (Guenther, 2013). The latter identified its mission as "to develop, coordinate, and disseminate the Controlling concept and terminology, as well as the role and profession of a controller, as a management partner" (<https://www.igc-controlling.org/>). The IGC has member organizations linked to the Controlling concept in 15 countries (Figure 1), including universities (such as the Corvinus University of Budapest), professional associations (such as the Controller Association Russia) and even a large state-owned company (Deutsche Bahn AG).

In countries where the English language and British and American influence have a greater past, the concept of MA has spread. Institutions also played a major role in this respect, i.e. the work of the previously mentioned IMA (Institute of Management Accounting) and CIMA (Chartered Institute of Management Accounting), which, according to the literature explored above, also play a key role in the training of management accountants. The scope of MA well by taking a look at the international offices listed on the CIMA website (<https://www.cimaglobal.com/>): Australia, Bangladesh, Botswana, China, Ghana, Hong Kong, India, Ireland, Malaysia, Nigeria, Pakistan, Poland, Russia, Singapore, South Africa, Sri Lanka, the United Arab Emirates, Zambia and Zimbabwe.

It may be interesting to note that Poland appears on both lists: the country also has a CIMA office and an IGC member organization. Polish researchers Szychta and Dobroszek (2017) found in a literature analysis and a questionnaire survey of higher education leaders that Polish theory and practice are more dominated by the Anglophone MA, using this concept at the university level, however, Controlling courses also appear in some places.

The Polish example shows that no sharp line can be drawn between countries, German or Anglophone “spheres of influence”, as MA and Controlling may appear in the same country at the same time.

POSSIBLE RESOLUTION OF THE DIFFERENCE

Examining the two terms and concepts, one can also come across a third phenomenon, the so-called “Management Control Systems” (hereinafter: MCS). Hoffjan (2004) notes that in English literature the closest equivalent to ‘Controlling’ is not MA, but “management control” or MCS. MCS is a function and system covering a wider range of corporate responsibilities, with greater responsibility and greater corporate influence than MA. Similarly, according to Chenhall (2003), MCS covers a wider area, also including MA. The definition of MSC is linked to the name of Anthony and Govindarajan (2007), who argued that MCS is a process in which managers influence members of an organization to implement strategic goals. Accordingly, MCS performs management activities, the goal of which is to connect the individual areas with the achievement of the company's goals. If we accept that Controlling is closer to MCS, which in turn goes beyond the MA concept, it can be stated that Controlling indeed cannot be synonymous with MA. If one really wants to look for terms with similar meanings in Anglophone and German theory and practice, it is better to mention Controlling and MCS side by side.

When reviewing the technical literature, one may often come across the terms “Business Partner” or “Business Partnering”. There is a consensus among the authors, whether in connection with the MA or Controlling function, that the work of management accountants and controllers is moving towards the Business Partner role. The literature on the development of Controlling in this direction, expert interviews and corporate studies show the strengthening of strategic vision, becoming an integral part of the management team, the importance of communication and analytical skills, and even more shifting from accounting orientation to decision orientation (Möller, Seefried & Wirnsperger, 2017; Nobach & Immel, 2017; Knobel, 2013; Schäffer & Erhart, 2013; Weißenberger, Wolf, Neumann-Giesen & Elbers, 2012; Controlling & Management, 2012).

The Business Partner also appears as a professional development direction in publications that use the term and concept of MA. These papers emphasize the importance of corporate strategy, change and risk management, systems development, customer relations, communication and analytical skills (Jakobsen, Mitchell, Nørreklit & Trenca, 2019;

Burns, Warren & Oliveira, 2014; Bhimani & Bromwich, 2009; Järvenpää, 2007; Pierce, 2002). The aims of this article do not include a detailed presentation and analysis of the Business Partner as a corporate role and function - it was mentioned for the reason to show that the MA and Controlling literature raises Business Partner / Partnering as a direction of development, i.e. the term appears as a possible future common name in both concepts.

CONCLUSIONS

This paper presents the corporate function based on accounting and financial information, analysis, planning, and support of management decisions, which appears in the international literature and practice under different names. MA is more common in companies with a stronger connection to the Anglophone culture, while Controlling is more common in companies closer to the German-speaking world. It is common for these two terms to be used as synonyms, as fully interchangeable names, and to have similar concepts when defined. However, research that seeks to explore the differences between MA and Controlling reveals that it can be misleading to use these terms as synonyms.

The two concepts were created and developed in different economic and cultural contexts, have different institutional and educational backgrounds, and their territorial distribution is still separate (although a completely sharp geographical boundary may not be drawn, there may be overlaps). This paper concludes that Controlling is a function and system with broader responsibilities, with a greater emphasis on strategy, closer to management, while MA is more closely related to accounting, operational activities, but is equally characterized by future and decision orientation. In the literature of both studied areas, the term Business Partner appears as a development direction, which is a multidisciplinary concept that pays special attention to strategic goals and pays special attention to the company's stakeholders.

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Figure 1

International network of the IGC

Source: <https://www.igc-controlling.org/about-us/our-international-network.html>