

The Role of the Controller in the Affiliates of the Saudi Basic Industries Corporation

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Abstract. The Controller in Saudi Basic Industries Corporation (SABIC), is an integral part of the management team. He prepares and interprets relevant and sufficient information helping line managers to make intelligent decisions. This study reveals that the controller is strongly involved in managerial functions, in addition to his traditional financial duties. This broadened responsibility of the controller requires special qualifications and characteristics. He must be well-trained in financial and managerial accounting, finance, computer science, management and humanities. Also, he should possess a number of personal characteristics including integrity, and professional commitment, analytical skill, and ability to communicate and work in harmony with team members.

Introduction

This paper presents the findings of an empirical study which investigated the role of the controller in the affiliates of the Saudi Basic Industries Corporation (SABIC) located in Al-Jubail area. SABIC, a Saudi joint stock company, with a capital of 10 billion Saudi Riyals⁽¹⁾, was incorporated in 1976 under the Royal Decree No. M/66. Its purpose has been to establish large-scale, capital-intensive, foundry industries which utilize the Kingdom's hydrocarbon resources, particularly natural gas and natural gas liquids, and provide intermediate industrial products for the secondary industries in the private sector. When completed, the capital investments of SABIC will reach 54 billion Saudi Riyals.

SABIC operates primarily through joint venture partnerships established in participation with a number of leading multinational industrial corporation such as

⁽¹⁾The SR (Saudi Riyal) is the monetary unit of Saudi Arabia, having a par exchange value of \$0.266 in the United States Currency or \$1 = 3.75 SR.

Mitsubishi Gas Company, Celanese Corporation, Texas Eastern Corporation, Exxon Chemical Company, Shell Oil Company, Taiwan Fertilizer Company, and others [1, p.9].

Literature Review

The controller is the organization's chief financial officer who is responsible for financial accounting and management accounting. As a staff manager, he aids management decision making in analysis, planning, implementation and control activities.

Garrison [2, p.10] stated that even though the controller does not have line authority, he is in a special position to exercise control through reporting and interpreting data needed in decision making.

Tipgos, Holmes and Lander [3] concluded that the role of the controller in helping top management make strategic decisions is quite extensive. 68% of the respondents (presidents and executive vice presidents of Fortune 500 companies) reported that they relied heavily on the controller for advice in making strategic decisions. Most importantly, 37% of the respondents indicated that they could not make strategic decisions without consulting the controller.

The role of the controller has expanded in recent years. Boyd and Fleming [4] stated that more progressive firms have redefined the controller's duties to include planning, interpreting, evaluating, consulting, and appraising of economic activities. They said that the advent of the computer has revolutionized the controller's role. His role has changed from a generator of data to an interpreter of information.

Williams [5] conducted a study on the role of the controller in the Minnesota Mining and Manufacturing Company (3M). He reported that the controller of the 3M company described his role as: "to provide an independent and objective assessment of the financial performance of 3M's various organizations." He also added, "our controllers view their role as not to always challenge management, but as being cooperative in an effort to develop a better business". The study also discovered that the 3M controllers are involved in budgeting, forecasting, and analysis for new equipment, capital expenditures, and development of new products. Also, the controllers prepared financial statements and allocated costs to operating units.

In addition, William's study established that the division controllers in 3M are viewed as business advisors and financial consultants who are part of the operating/ decision making team. Division general managers and their controllers work together in harmony since these controllers have been able to support the 3M's

strategic objectives, while keeping management focused on operational objectives. With these variations of the controllers' duties, the author considered the 3M as a model for management accounting excellence.

Sathe [6, p.100] conducted an empirical study on the role of the controller's function in large (sales of 300 million dollars or more) multidivisional US corporations. The study emphasized the controller involvement in managerial functions. This role required a broad insight into various functions of the management and a detailed knowledge of the accounting and financial analysis. Boyd and Fleming [4] reported that present day controllers needed to be familiar with concepts from humanities, management, computer science, economics, and general business practices in order to be able to exercise their broadened responsibilities.

Frishkoff [7] indicated that the controller is an integral and vital part of the management team. Therefore, he should be viewed as a team player, good listener, and be willing to weigh reasonable arguments. Moreover, the controller must have personal integrity and be trusted by all levels of employees and the public.

Horngrén and Sundem [8, pp. 12-13] stated that in General Electric, the controller is a key executive who aids managerial planning and control in over 160 company subdivisions. The controller does control by reporting and interpreting relevant data, the controller exerts a force or influence or projects an attitude that impels management toward logical decisions that are consistent with objectives.

Purpose of the Study

The purpose of this study is to investigate the controllers' roles in the affiliates of the Saudi Basic Industries Corporation, and to determine their involvement in providing managers with information for planning, controlling, and decision making. Also, this study examines the organizational status of the controller, the organizational structure of the controller's department, and the personal characteristics and qualifications of the controllers.

The findings of the study shall be used as guidelines to:

- * Identify the changes in the controller's functions and the expansion of his role in the organization.
- * Determine the degree of involvement of the controller in managerial functions.
- * Examine the difficulties facing the controller in providing managers with their information requirements.
- * Find out the characteristics for development of strong controllers.

Research Methodology

The financial executives of the industries established by SABIC were asked to respond to a questionnaire survey. Since SABIC operates in participation with multinational corporations, the questionnaire was designed in English to enable foreign financial executives who work in SABIC to answer the questionnaire (see Appendix I). The questionnaire is divided into the following five sections:

- 1) **Organization Status of the controller.** This section includes questions on the position of the controller's department in the organization chart, the role of the controller in the management team, and the importance and the prestige of the controller in the organization.
- 2) **Organizational structure of the controller's department.** This section includes questions on how the controller's office is organized, and an open-ended question on the controller's administrative responsibility for electronic data processing operations.
- 3) **Functions of the controller.** The financial executives were asked to show the degree of involvement of the controller in managerial functions. The degree of involvement is divided into five intervals which ranged from "no involvement" to "very strong involvement". The managerial functions [9, p.8; 10, p.98] included in this study are shown in Table 1.
- 4) **Characteristics of the information provided by the controller.** This section includes questions on the relevancy and sufficiency of the information prepared by the controller, and its value to the managerial decisions. Also, this section includes an open-ended question on the major difficulties which might face the controller in supplying managers with their information requirements.
- 5) **Characteristics of strong controllers.** The financial executives were asked to rate the characteristics of strong controllers with regard to their importance. The importance of these characteristics were explored on a four-point scale which ranged from "not important" to "very important". The characteristics included in this study are shown in Table 2. Some of these characteristics are taken from Sathe [6, pp. 141-143]. He has enumerated the characteristics of strong controllers without attempting to rank them according to their importance as done in this study.

The SABIC affiliates that participated in this study were:

- 1) Saudi European Petrochemical Co.
- 2) Saudi Iron & Steel Co.
- 3) Al-Jubail Fertilizer Co.
- 4) Arabian Petrochemical Co.

Table 1. Degree of Involvement of the Controllers in SABIC Affiliates in Managerial Functions

Functions of the controller	No involvement	Low involvement	Average involvement	Strong involvement	Very strong involvement
1. Preparing & interpreting the financial statements & reports of the company	–	8%	16%	25%	51%
2. Participating in forecasting of sales, net income, capital expenditures and cash flow.	–	–	34%	50%	16%
3. Preparation in conjunction with other officers and department heads of an annual budget covering all activities of the company for submission to top management prior to the beginning of fiscal year.	–	–	–	42%	58%
4. Accumulating and analyzing actual costs.	–	8%	25%	42%	25%
5. Preparing and analyzing performance reports (comparison of actual and budget data).	–	–	16%	34%	50%
6. Consulting with management as to the meaning of cost information.	–	–	–	42%	58%
7. Participating in the control of cost through the means of reports analyzing the causes of variances between actual and standard costs.	–	–	25%	33%	42%
8. Providing information for special decisions (such as the deletion or addition of a product line and manufacture or purchase of component parts).	–	–	25%	33%	42%
9. Designing, installing and maintaining computer-based information systems.	–	16%	25%	59%	–
10. Prepare, analyze, and interpret financial results for utilization by management in the decision making process.	–	–	8%	59%	33%
11. Prepare and file external reports as required to satisfy government regulatory bodies, stockholders and financial institutions.	–	8%	34%	25%	33%
12. Providing advice to management on financial implications of decisions under consideration.	–	–	–	34%	66%

Table 2. Characteristics of strong controllers rated in regard to their importance

Characteristics of a strong controller	Average ratings	Rank
• Personal integrity and professional commitment	2.75	1
• Ability of judge what is important to management and make recommendations.	2.66	2
• Personal energy and motivation.	2.58	3
• Demonstrate a high degree of initiative.	2.58	3
• Understanding of what management needs to run the business effectively	2.50	5
• Ability to translate facts and statistics into trends and relationships	2.42	6
• Accuracy in findings and reporting.	2.42	6
• Developing and providing information as quickly as possible	2.42	6
• Accounting knowledge.	2.42	6
• Ability to express ideas clearly in writing or in making information presentations.	2.42	6
• Understanding of the company, including its technologies, products, policies, objectives, organization and environment.	2.33	11
• knowledge of planning.	2.33	11
• Analytical skill.	2.50	13
• Gain the confidence of the other executives by providing accurate and timely information with an attitude of wanting to help and not be perceived as threatening.	2.20	14
• Building relationships and developing influence.	1.83	15

5) National Plastic Co.

6) National Industrial Gases Co.

7) Eastern Petrochemical Co.

8) Saudi Petrochemical Co.

9) National Methanol Co.

10) Saudi Methanol Co.

The questionnaires were delivered and collected personally thus requiring much effort and time. As a result of this personal effort, financial executives from the ten companies involved in the survey completed their questionnaires. These respondents included finance managers, cost control and budgeting managers, and vice-

presidents for finance and administration. The researcher focuses on the answers provided by the financial executives who are well acquainted with the role of the controllers. Therefore, all findings of this study are based on the responses of those executives. The sample size is representative because the respondents represent ten different SABIC companies out of the twelve located in the Al-Jubail area. Also, the questions were answered by responsible and authorized people in the accounting and finance departments. This makes the results of the study more reliable.

Analysis of the Results

A) Organization Status of the Controller

One important finding of this study is that the controller in SABIC industries is an important and integral part of the management team. For example, 50% of the respondents indicated that the position of the controller's department is at the top of the organization chart; 57% stated that the controller is an executive officer at the policy making level; 75% said that the controller reports directly to the president of the company or to the board of directors; and 95% considered the controller as an integral part of the management team.

B) Organization Structure of the Controller's Department

The study also reveals that about 75% of the respondents reported having organization charts for the controller's department. The main functions of this department are given to be general accounting, cost accounting, and financial planning and control. Moreover, 75% of the sample reported that the internal auditors are independent and they do not report to the controller. They report either to the finance and administrative general manager or directly to the president of the company. Also, 85% of the respondents indicated that the controllers do not have direct administrative responsibility for Electronic Data Processing (EDP) operations.

These respondents gave the following reasons:

- 1) EDP involve non-financial operations.
- 2) As it serves the whole company, EDP should have total responsibility of automation and systems integration.
- 3) Many jobs are accomplished by EDP that the controller has no access to.
- 4) EDP is also serving many departments such as production, maintenance, and materials.

C) Functions of the Controller

Traditionally, the controller is concerned with financial functions. However, the study reveals that the functions of the controllers in SABIC industries are not

restricted to financial matters. Table 1 shows that the controllers of SABIC companies are strongly involved in a number of managerial functions. For example, all of the respondents indicated that the controllers are strongly involved in preparing annual budgets and in providing advice to management on the meaning of cost information and the financial implications of decisions under consideration. In addition, 84% reported that the controllers are strongly involved in preparing and analyzing performance reports, and 75% said that the controllers are strongly involved in providing information for special decisions.

The respondents provided a strong evidence that the controllers in SABIC industries play an important role in cost saving. The policies and procedures followed to achieve this function are summarized by the respondents as follows:

- 1) Combining the functions of two or more departments in one department.
- 2) Hiring qualified personnel for the controller's department to help increase productivity.
- 3) Analysis of project costs to find out inefficiencies in material, machinery and manpower costs.
- 4) Reviewing with the department heads any deviations of actual against planned expenditures to provide manager with advice to make corrective actions.

D) Characteristics of the Information Provided by the Controller

Another important finding of this study is that the controllers in SABIC industries are able to provide department managers with valuable information. One indication of this finding is that 85% of the respondents believe that the decisions of these managers have improved as a result of using the information submitted to them by the controllers. Nevertheless, the respondents indicated that the controllers face difficulties in meeting managers' information requirements.

The respondents gave the following difficulties:

- 1) Lack of manager's knowledge of financial accounting, finance, budgeting & cost control techniques.
- 2) Defining the real information needs of the managers.
- 3) Substantial effort and time that is needed for designing a computer system to collect information and to present it in different reporting formats.

E) Characteristics & Qualifications of Strong Controllers

The characteristics of the strong controllers, shown in Table 2, were explored on a four-point rating scale which ranged from "not important" which is assigned a zero to "very important" which is assigned a three. All respondents agreed that the characteristics presented in Table 2 are important for developing strong controllers. However, the characteristics are not all of equal importance.

Table 2 shows the ratings provided by the respondents regarding the importance of the characteristics of strong controllers. These ratings were converted to average ratings as reflected in Table 2. This table points out that any competent controller should not only have knowledge in accounting, but he should also possess a number of characteristics including personal integrity, professional commitment, and ability of judge what is important to management and make recommendations.

Conclusions

The controllers in SABIC affiliates are financial executives who provide managers with sufficient and relevant information to make decisions. This study indicates that 85% of respondents believe that the decisions of those managers are improved as a result of using the information submitted to them by the controllers. However, the controllers face difficulties in providing managers with their information requirements due to the unclear definition of the managers' real needs.

The study reveals that the controllers in SABIC affiliates are strongly involved in managerial functions such as participating in preparing annual budgets, preparing and analyzing performance reports, and providing advice to management on financial implications of decisions under consideration. Moreover, the controllers play a vital role in control and rationalization of costs. This function is implemented by drawing management attention to inefficiencies and by reporting the causes of variances between actual and budgeted costs.

The study also identified the most important characteristics for developing strong controllers. These are personal integrity, ability to judge what is important to management, demonstrate a high degree of initiative, ability to translate facts into trends and relationships, gain the confidence of the executives by providing accurate and timely information, and accounting knowledge.

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Appendix I

Questionnaire

Dear Respondent

Please find attached a questionnaire on the Controller's functions, his new role in the organization, the characteristics of the information prepared and interpreted by the controller, and the characteristics and qualifications of strong controllers.

The purpose of this questionnaire is to study the controller's functions in the Subsidiaries of the Saudi Basic Industries Corporation, and to determine his role in providing managers with relevant information for planning, controlling and decision making. Also, this study will examine the organizational status of the controller, the organization structure of the controller's department, and the characteristics and qualifications of strong controllers.

I appreciate it very much if you answer this questionnaire and return it as soon as possible.

Thank you very much for your cooperation.

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Name of Company:

Title of Position:

I. Organization Status of the Controller

- 1) The position of the Controller’s Department is at the top level of the organization chart of your company.
- 2) The controller of your company is an executive officer at the policy making level.
- 3) The controller of your company reports directly to the president or to the chief executive officer.
- 4) The controller is an integral part of management team.

II. Organization Structure of the Controllers Department

- 5) Do you have an organization chart for the controller’s department?
- 6) Do you believe that the controller should have direct administrative responsibility for Electronic Data Process Operations – if the answer is NO, please state the reasons.

III. Functions of the Controller

- 7) What is the degree of involvement of the controller in the following functions? Check the appropriate answer which corresponds to your choice.
(The functions are listed in Table 1 of this study).
- 8) Are the functions of the controller restricted to financial accounting matters?
If the answer to this question is NO, what are the other functions?
- 9) Do you believe that the controller plays a role in rationalization of costs.?
If the answer to this question is YES, state the possible ways to achieve cost rationalization.

Yes	No

IV. Characteristics of the Information Provided by the Controller

- 10) Does the controller provides manager with:
 * too much information
 * little information
 * sufficient and relevant information

If the answer to this question is “too much information”,
 Explain Why?

- 11) Do you believe that the managers of your company use all the information submitted to them by the controller?
 12) Do you believe that the decisions of managers are improved as a result of the information submitted to them by the controller?
 13) List of major difficulties which might face the controller in providing managers with their information requirements.

V. Personal Characteristics & Qualifications of Strong Controllers

- 14) Please rate the following characteristics of a strong controller by checking the appropriate answer which corresponds to your choice. These characteristics with their rating are presented as follows:

Yes	No

Characteristics of the controller	Not important (0)	Less important (1)	Important (2)	Very important (3)
1. Personal energy and motivation				
2. Personal integrity and professional commitment				
3. Demonstrate a high degree of initiative.				
4. Ability to translate facts & statistics into trends and relationships.				
5. Accuracy in findings and reporting.				
6. Developing and providing information as quickly as possible.				
7. Accounting knowledge.				

Characteristics of the Controller	Not important (0)	Less important (1)	Impor- tant (2)	Very important (3)
8. Knowledge of planning, organizing and control.				
9. Ability to express ideas clearly in writing or in making information presentation.				
10. Understanding of the company, including its technologies, objectives, organization and environment.				
11. Analytical skill.				
12. Understanding of what management needs to run the business effectively.				
13. Ability to judge what is important to management and make recommendations.				
14. Building relationships and developing influence.				
15. Gain the confidence of the other executives by providing accurate and timely information with an attitude of wanting to help and not to be perceived as threatening.				

دور المراقب المالي في الشركات التابعة للشركة السعودية للصناعات الأساسية سليمان عطية

أستاذ مشارك، قسم المحاسبة، جامعة الملك فهد للبترول والمعادن،
الظهران ٣١٢٦١، المملكة العربية السعودية

ملخص البحث. تهدف هذه الدراسة إلى التعرف على دور المراقب المالي في الشركات التابعة للشركة السعودية للصناعات الأساسية (سابق) من النواحي التالية: مكانة ووضع المراقب المالي، تنظيم قسم المراقب المالي، وظائف ومسؤوليات المراقب المالي ودرجة مساهمته في اتخاذ القرارات الإدارية، ومزايا ومؤهلات المراقب المالي الناجح، وقد تم تجميع معلومات عن العناصر السابقة بموجب استبيان وزع على المديرين الماليين في شركات سابق في منطقة الجبيل الصناعية بالمملكة العربية السعودية - وقد أظهرت الدراسة النتائج التالية:

* إن قسم المراقب المالي في شركات سابق من أقسام الإدارة العليا في التنظيم الإداري حيث أقر ٩٥٪ من المشاركين في الاستبيان على أن المراقب المالي هو أحد الأفراد البارزين في فريق المديرين التنفيذيين، كما أظهرت الدراسة على أنه يوجد خريطة تنظيمية لقسم المراقب المالي في شركات سابق ويتبع لهذا القسم المحاسبة العامة ومحاسبة التكاليف والتخطيط والرقابة، ويتمتع المراقب المالي بسلطة تنفيذية على الأقسام التابعة له وبسلطة استشارية على مستوى الشركة، وأجاب ٧٥٪ من المشاركين في الاستبيان على أن المراجع الداخلي لا يتبع إدارياً للمراقب المالي، وكذلك ليس للمراقب المالي أية سلطة إدارية على مركز المعلومات الإلكترونية.

* إن المراقب المالي في شركات سابق قد نجح في تقديم معلومات ملائمة مما أدى إلى تحسين قدرة المديرين التنفيذيين في اتخاذ القرارات الناجحة.

* أظهرت هذه الدراسة أن المراقب المالي في شركات سابق يقوم بالوظائف المالية التقليدية كالمحاسبة العامة وإعداد الميزانية العمومية وقائمة الدخل وقوائم التكاليف الفعلية، بالإضافة إلى ذلك فإن المراقب المالي يشارك في الوظائف الإدارية عن طريق إعداد التقارير وتفسير البيانات الملائمة لاتخاذ القرارات

الإدارية، فقد أجمع المشاركون في الاستبيان على أن المراقب المالي يشارك في إعداد الموازنات التقديرية، كما أنه يقوم بإعداد تقارير الأداء ويحلل الانحرافات بين الأداء الفعلي والأداء المقدر في الموازنة وكذلك يقوم بإعداد تقارير الرقابة على التكلفة وتحليل الانحرافات، وبذلك أكدت هذه الدراسة على أن وظائف المراقب المالي في شركات سابق تسير المفهوم الحديث لوظائف المراقب المالي، إذ لم تعد هذه الوظائف مقصورة على الوظائف المالية فقط وإنما تعدت ذلك لتشمل التخطيط والرقابة والتفسير والتقويم والاستشارة. ونتيجة للتوسع في استخدام الحاسب الآلي فقد تغير دور المراقب المالي من إعداد وتجميع للمعلومات إلى دور تحليل وتفسير هذه المعلومات.

* بينت هذه الدراسة المزايا والمؤهلات التي يجب توافرها في المراقب المالي الناجح ورتبت هذه المزايا والمؤهلات حسب أهميتها بناء على إجابات المشاركين في الاستبيان وأهم هذه المزايا: المؤهلات، الأمانة الشخصية والمسئولية المهنية، القدرة على معرفة حاجة المديرين التنفيذيين من المعلومات وإمدادهم بها بالسرعة الممكنة، وجود الدوافع الشخصية للعمل الجاد والمتقن، القدرة على التحليل والابتكار، المعرفة بالحاسبة المالية والتكاليف والتمويل واستخدام الأساليب الكمية، والقدرة على كسب ثقة مديري الشركة وإقناعهم بأهمية المعلومات التي يقدمها لهم.