

中国内部控制研究中心

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第2辑

# 会计与控制评论

刘永泽 主编

## REVIEW OF ACCOUNTING AND CONTROL

Utz Schäffer

Controlling Development and State of the Art in  
German-speaking Countries

林 斌 周美华

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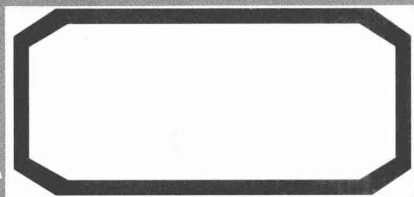
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# Controlling Development and State of the Art in German-speaking Countries

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**Abstract** This paper aims to improve the basic understanding of controlling in German-speaking countries by discussing the following four topics: the emergence of controlling in practice and as an academic discipline, the different conceptions of controlling (the practice-based conception from the International Controllers Association and conceptions in the German literature) and the tasks and roles of controllers. Empirical studies from the WHU Controller Panel illustrate the tasks and roles of German controllers.

**Keywords** Controlling Controller Emergence Conception Tasks  
Roles Germany

## Emergence of Controlling in Practice

The first controllers worked in the public sector in England and in the USA. As early as the 15th century, the job title “controller” was used for the role of keeping records about incoming and outgoing funds and goods at the royal court in England. Similarly, a “comptroller” was responsible for monitoring the balance between the national budget and expenditure in the USA since 1778. These origins in the areas of accounting and supervision correspond to two responsibilities of controllers whose crucial importance has not changed to the present day, as we will show later. Controller positions only became widespread much later, however, namely from the 1920s onwards. The increased importance of controlling and the institutional upgrading of the role of controllers was a consequence of the changing economic circumstances in the USA in the 1920s:

The number of large corporations grew, but they were confronted with increasing problems in terms of internal communication and coordination.

As production plants became more productive because of technological

innovation, the share of fixed costs increased and thereby limited entrepreneurial flexibility.

Innovative management tools rarely used in practice and not widely known became available at the same time as the need for them increased because of the prevailing economic turbulence.

In this context, the typical tasks of controllers also changed: whereas their responsibilities as chief accountants, auditors or treasurers previously consisted of tracking transactions that had already taken place, they now also had to introduce planning procedures based on accounting language, coordinate and analyse budget-related data. By switching its focus to the user-customized collection and processing of information by controllers, accounting evolved from being a pure recording and monitoring tool to being an instrument for dealing with the future. The increasing uncertainty inherent in the company's environment required explicit planning: simply extrapolating historical data was no longer helpful in these dynamic times. The planning process and the plans resulting from it were seen to be the appropriate tool for ensuring that companies remained manageable. Newly created controller positions thereby became responsible for developing a concept for results-oriented planning, creating the required processes and providing support to management in the operation of the planning process.

In Germany, the expression "controller" remained unknown for a long time. Even early contributions to the debate in the 1950s and the resulting trips by German academics to the USA did nothing to change this (Auffermann, 1952). The dominant attitudes in Germany were rejection and a lack of understanding (Goossens, 1959). Even at the end of the 1960s, controllers were usually only found in German subsidiaries of US companies. Then, suddenly, things seemed to change. According to an often-cited study by McKinsey of 30 German companies with sales greater than 1 billion German Marks, 90 percent had controller positions by 1974, even if these were not always thus named (Henzler, 1974). The general validity of this finding—which at first glance seems excessively high—was confirmed in the following years by other empirical surveys.

The development was clarified in the 1990s by an analysis of job advertisements in the *Frankfurter Allgemeine Zeitung*, a major German newspaper, for the period 1949 to 1994 (Weber & Schäffer, 1998). In order to depict the way the expression might have changed over time job advertisements for positions similar to that of controller were also included in the analysis. In accordance with the functions and roles typically covered by controllers, these included all advertisements mentioning the areas of business administration, accounting and planning. Concerning the

quantitative development of the job advertisements, the survey provided three key findings:

The first advertisement for a controller was published in 1954.

As was assumed in the relevant literature, the controller positions were initially mainly offered by local subsidiaries of US parent companies.

The number of controller positions developed exponentially; but only in the 1980s did it exceed the number of positions similar to that of controller.

From a task-related perspective, job advertisements for controllers were characterized by the simultaneous listing of budgeting and budgetary monitoring, planned vs. actual comparisons, variance analyses and cost monitoring. This combination of aspects differentiated them in a statistically significant way from positions similar to those of controller (Weber & Bültel, 1992). The analysis by Weber and Schäffer (1998) further shows a clear change of individual tasks over time (e. g. towards integrating controllers more strongly into strategic management issues), although there was no change in the fundamental bundle of tasks.

## Tasks of Controllers

The specific combination of tasks is crucial to understanding the function of controlling/controllers in the company and the practical meaning of controlling. The simultaneous responsibility for information, planning and monitoring related tasks is characteristic of the controller's job role, independent of the size of the company or the industry sector. However, whereas there is consistency regarding the diversity of tasks, the specific characteristics of the tasks and the amount of time dedicated to them vary significantly. In this section, we will have a detailed look at the tasks of controllers using several empirical findings.

One of the first studies on the tasks of controllers in Germany was conducted by von Landsberg and Mayer (1988). Among other things, controllers were asked the degree of importance they placed on specific tasks and how much effort they invested in them. The result confirmed the findings of the analysis of job advertisements: controllers are inextricably linked to the ongoing operational planning of companies (budgeting, investment and planning). They design and manage the planning process and they are involved in defining goals. They report on whether the objectives of the firm have been achieved, they are responsible for the ongoing monitoring of planned values and they feedback the results to management. In addition, they provide management support in the form of comprehensive information services and they are responsible for building and maintaining the required systems. They act as

coaches, consultants and counterparts to managers on all issues related to business administration. In a typically German fashion, other financial functions are carried out by other departments. For example, controllers do not see themselves as being responsible for balance sheets, taxes, finances and insurance—at least, this was the case in 1988. Nevertheless, the overall impression was that the job role had a broad spectrum of tasks with a solid core, but rather unclear boundaries.

Stoffel (1995) compared the tasks of controllers in Germany, the US and France found considerable differences. The bundling of planning, monitoring and information supply tasks in controller positions differed significantly from country to country. The large accounting share in the USA results in a focus dominated by financial figures. In France, controllers usually also report to the finance department, but are only at the third management level (at most) and, therefore, have relatively little influence. Where planning, monitoring and information supply tasks tend to be seen as being of equal importance, as is the case in Germany, a significant part of controllers' tasks consists of influencing and accompanying the planning processes themselves. Correspondingly, controllers are ranked at a higher level in the company's organizational structure. As a result, controllership becomes a phenomenon that is determined greatly by context and culture.

The range of tasks for which controllers are responsible was also highlighted in a recent empirical study conducted by the WHU Controller Panel in 2008. Study participants were asked how much time they spend on various tasks. Figure 1 shows the task areas provided and the corresponding percentage of working time allocated. Below is a summary of the main results:

Supplying management with information continues to be a core element of controllers' activities. The largest percentage of a controller's resources is needed for ongoing reporting, followed by budgeting and control. Even though controlling is no longer a pure supplier of information and other tasks are considered to be of greater importance, reporting and the corresponding regular information updates to management continue to be the task areas that take up the greatest amount of a controller's time. Moreover, there continues to be a considerable gap between the management of information and the next highest entry, budget planning and monitoring. Although the workload caused by this task fluctuates, controllers dedicate the equivalent of almost a day per week to it.

Consulting and project-related tasks are increasing in importance. Management consulting and collaborating on specific projects jointly fill up another working day each week. These tasks now occupy a growing share of a controller's time, mainly at the expense of cost accounting. Performing these two tasks provides controllers with

the opportunity to establish close contact with management and to influence decisions actively. It is thus not surprising to find out that controllers who also see themselves as crucial counterparts to management perform these tasks at a higher level of intensity. In spite of this development, cost accounting with a slight lag—continues to occupy the fifth position in the ranking of task areas.

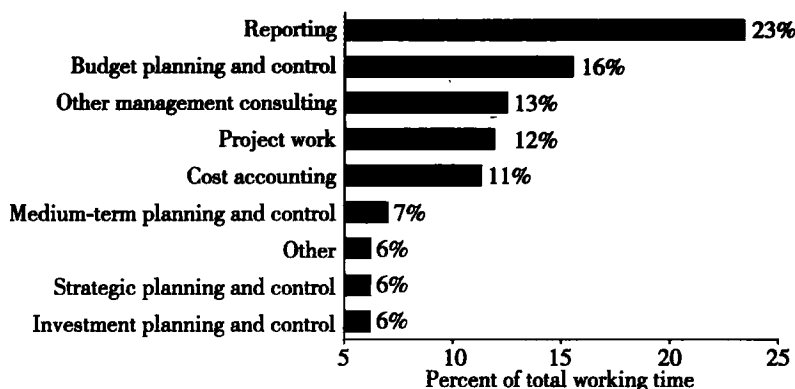


Figure 1 Segmentation of A Controller's Working Time According to The Range of Activities

## Development of Controlling as an Academic Discipline

In parallel with its impressive development in practice, controlling has become a recognized discipline in German academia as well—in spite of some reservations (Küpper & Wagenhofer, 2002). According to a study by Binder and Schäffer (2005), there were no fewer than 72 chairs explicitly carrying the label “controlling” at the 92 business administration faculties of German language universities and business schools in 2004. Furthermore, some aspects of controlling as a subject are often covered by other chairs that do not explicitly use the expression controlling as part of their names. A closer analysis of the chairs’ labels shows that only 15 percent of the 72 chairs are “pure” controlling chairs. The remaining 85 percent of chairs are linked to other subjects. This diversity of combinations clearly shows that controlling can be linked to very different aspects—and thereby represents a classical cross-sectional function. Combinations with accounting (36 percent) and auditing (13 percent) head the list. According to Hirsch (2003), “the combination of controlling and accounting in a chair’s name is an indication of the great closeness of these two disciplines”. (p. 225) Nevertheless, 36 percent of chairs are characterized by other combinations (see Figure 2).

The institutional development of German language controlling at universities and

business schools began in 1973, when Péter Horváth was offered the newly created chair of controlling at the Darmstadt Technical University. After that, progress was slow until the end of the 1980s. In 1989, just 17 of today's 72 controlling chairs existed. Then, things started speeding up. In just a few years, 14 controlling chairs were established in the former East Germany, while the number grew by 41 in the former West Germany. This rapid institutionalisation of controlling can be traced back mainly to changes in business practice. The expansion of university capacity in the field of controlling also led to a clear increase in publications relevant to controlling in the academic journals of German-speaking regions. Whereas the share of articles on controlling hovered between 4 and 6 percent in the 1970s and 1980s, that figure doubled to an average of about 12 percent at the beginning of the 1990s.

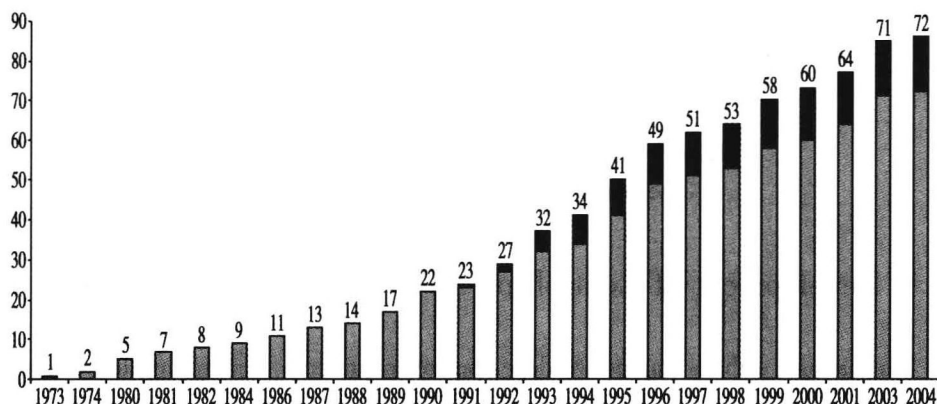


Figure 2 The Development of Controlling Chairs

Source Binder & Schäffer, 2005a, p. 102.

## Controlling Conceptions

There are many different controlling conceptions in the relevant German-language literature and there is no such thing as a unified understanding of controlling, much less a “generally accepted controlling principle” (Küpper, Weber, & Zünd, 1990, p. 282). The structure shown in the following, therefore, cannot claim to be representative.

### Controlling as an Information Supply Function

Early controlling conceptions usually focused on information supply as the essence of controlling. Such an understanding is shown in the following two

statements, for instance: controlling as “management support through information” (Hoffmann, 1972, p. 85) or controlling as “obtaining, preparing and coordinating information to be used by management in directing business to achieve certain goals” (Heigl, 1989, p. 3) .

The point of reference is usually accounting, although in contrasting forms. Some authors have equated controlling with an American type of accounting, there by including areas such as statistics, budgeting, taxes and internal auditing within the ambit of controlling. Other authors have viewed the idea of controlling as not so much a functional expansion of accounting but rather as a material change to it. Their point of reference is a technocratic understanding of accounting.

This becomes particularly clear in Bannow’s (1983) statement, who sees “the responsibility of a head of accounting as lying essentially in capturing and recording the information (figures) underlying the business processes of a company in accordance with accepted accounting principles to enable the accounts to be drawn up at a later stage so that management can be granted discharge at the end of defined periods (financial year)” (p. 20) . Apart from mixing an institutional and a functional perspective, such statements negate the control function that has been inherent in accounting since its origins (Schneider, 1992b) as well as the evolution of cost accounting into a management tool. From a theoretical perspective, it makes little sense to relabel the established concept of decision-oriented accounting controlling.

This criticism applies in a similar way to approaches that try to derive the essence of accounting as controlling from an intensive analysis of information use, i. e. the recipients of the financial data. The image of “customer-unfriendly” accounting that underlies such a definition is relevant in practice. In theory, however, the question of how the “proper” financial information should be shown to different information recipients in the company has already been assigned to an area of research, namely the different types of behavioural research that deal with this issue (Schweitzer & Küpper, 2003) .

The attempt to define controlling as a “central unit of company information systems” (Müller, 1974, p. 683) is also problematic. According to this and similar conceptions, controlling is associated with a set of tasks ranging from determining information requirements in cooperation with those who need them, to information acquisition, to preparing information in a manner that addresses the problems and recipients, to explaining the information. Sometimes controlling is limited to an “essentially information-related dimension” in the hopes that the “appearance of omnipotence” (Link, 1982) can thereby be effectively counteracted. However, there are good reasons for doubting that this is a sensible way of addressing the

question of demarcation. The approach essentially offers nothing more than relabeling a field of research (information systems and management) that has long been studied. This is not really convincing, particularly if one considers that the responsibilities of controllers go far beyond pure information tasks in practice.

### Controlling As Results-oriented Control

The second type of early controlling conceptions emphasise controlling as a subarea of corporate management that is tasked with results-oriented control or with consistently aligning the company with its goals. Mann (1973, p. 13), for instance, explicitly described controlling as “profit control”.

In this generalised form, however, the approach is not helpful. It is not only controlling, but also the entire management of a for-profit company that directs all its energies towards making a profit. It also remains unclear whether the exclusive reference to the profit goal purposefully excludes other company goals or stands for an abbreviated representation. Such a limitation oriented towards the profit goal makes little sense. It implies that non-profit organizations such as state hospitals, would by definition not be able to use controlling. It is hard to see a sufficient reason for this. However, if one extends “profit-oriented” to “results-oriented”, the added value of the explanation is, in practical terms, equal to zero.

A possible meaningful interpretation of this controlling conception does not address profit orientation itself, but rather the way in which it is realised. This becomes clear from Hahn's (1987) definition: “The way in which controlling works as a management philosophy includes ... results-oriented planning, and supervision by means of target agreements ... and analyses of goal achievement ... using the figures provided by accounting and finance” (p. 3). This conception is based on a view of management that describes it in terms of a control cycle, as shown below.

The starting point lies in defining the objectives that the company and its units want to achieve. These are generated in a planning process and provided to the respective managers at various levels in the company in the form of plans. The managers try to achieve their objectives through their daily management activities. The extent to which they succeed in their efforts is recorded, for instance, through cost accounting as a means of measuring outputs. The values thus identified then form the basis for comparing planned with actual values. If any deviations are found, the information can be fed in two directions: the newly gained knowledge can be used in a feedback loop to modify execution in such a way that the goals are achieved after all or in the case of feed-forward loop, the deviation data is used to question the validity or achievability of the plans.

Viewing controlling as such a control cycle converts it into a synonym for “managing by plans”, which at the same time creates strong links to the roots of controllership. Controller positions were introduced when entrepreneurs had to change their management behaviour for reasons of size and dynamics, namely when plans started replacing (or at least accompanying) personal instruction. Management that focuses heavily on individuals, as is typically the case in medium-sized companies, or bureaucratic, rule-based management structures, as found in the public sector, are marked other “management philosophies”. Controlling would thereby have to be defined as a specific form or philosophy of management. A large part of the management literature already deals with “plan-based” management, however.

A further potentially sustainable delimitation is provided by Krüger's (1979) definition: “Controlling is a system of coordinated measures, principles, goals, methods and techniques used for system-internal, results-related control and monitoring” (p. 158). Siegwart (1986) similarly equated controlling with “profit-oriented control and monitoring” (p. 109). Such definitions prove to be useful when a further management function is identified in addition to control/steering and monitoring/supervision, namely goal-setting or decision making. Such a differentiation is by no means uncommon in the literature; it is, in fact, widely known. However, the innovative contribution of such a controlling definition would only consist in the shared perspective on existing management elements, especially monitoring (of results) and parts of planning (e. g. the relationships between planning levels).

#### Controlling As A Coordination Function

The controlling conceptions in this, the third group, see the central task of controlling as lying in the coordination between different subsystems of management. This perspective, in which controlling is linked exclusively to a coordination function, was to a large degree formed by Horváth (1978) and Küpper (1987). Horváth argued for a systems-based approach by differentiating a company's management system into a planning and monitoring system on the one hand and an information (supply) system on the other hand. This differentiation generates a need for coordination, which is covered by controlling. It thus becomes the third management subsystem. Horváth saw the task of coordination as not being limited to relationships between systems (e. g. matching planning and monitoring information), but that it also included coordination within the planning and monitoring system as well as within the information supply system as part of the responsibility of the controlling function (e. g. coordinating strategic with operational planning). Schmidt

(1986) extended Horváth's approach by focusing not on coordination itself, but rather on the objects of coordination: "The coordination function of controlling relates to the management system and to the phases of the management process. Its activities aim primarily at the company-wide internal coordination and integrative linking of the information, goal, planning and monitoring and organization systems" (p. 73). This structural approach was adopted—with slight modifications—by Küpper (1987). The benefit of such greater differentiation is that it uncovers additional coordination problems waiting to be solved. By taking on such a coordination task, controlling aims to achieve exactly the same with regard to management as management does with regard to execution. Controlling deals with efficiency (achieving an objective with the least inputs) and effectiveness (using inputs to achieve objectives that provide the highest utility). Coordination deficits within the management system lower both. For instance, if a new remuneration system is introduced without first ensuring that the required information is available in the necessary quality, demotivation, performance drops and management opportunism result. The coordination task reaches its limits when it becomes too expensive to carry out or when the knowledge needed to execute it adequately is lacking.

If controlling is defined in this way, it enters into any form of the management of a (productive) institution. The existence of the function (coordination) is at its core influenced neither by the concrete objective nor by specific leadership styles or models. Consequently, controlling has to exist in "classical", bureaucratically organised public administrations as much as in medium-sized companies managed personally by the head of the company. Under such a broad perspective, the range of tasks related to coordination in the management system is very wide.

However, coordinating management in "normal" large companies—with the concomitant importance of systematic, results-oriented planning and monitoring—is subject to requirements completely distinct from those in a bureaucracy or a typical medium-sized company. The concept of controlling then only matches the limited way it is understood in practice. In classical bureaucracies, one finds neither controlling as a concept nor people whose job title is controller.

Weber (1992) thus proposed that the coordination task of controlling should be limited to management systems where the planning system is of exceptional importance, in other words where operations are mainly coordinated through plans. In this case, the coordination tasks of controlling are concentrated on the planning system. The monitoring system, human resources management system and organizational and information systems are primarily coordinated towards the planning

system and the need to coordinate direct interdependencies between the other management subsystems becomes less pronounced.

The coordination-based perspective on controlling is—independent of the definition used in each case—not undisputed in the current debate. The criticism starts with the systems-based perspective, which is considered to provide descriptive rather than explanatory value. A further criticism addresses the fact that there are usually no clear statements about where the exact boundaries of the subsystems lie and how these are formed (or should be formed) (Weber & Schäffer, 2000). In this way, both Küpper (2005) and Horváth (2006) defined the set of subsystems over time in different ways. Furthermore, in the practical reality of companies, there are already problems with separating management from operational systems (e. g. in modern group concepts in production). The lacking theoretical attention dedicated to defining system boundaries denies an answer to the question of the completeness as well as the meaningfulness of the differentiation. Furthermore, the coordination-based controlling approach is also not immune to overlaps with traditional subdisciplines of business administration. Instead, if taken to its logical conclusion, it leads to a counterintuitive separation from management, allocating to controlling the entire task of management design (meta-management) (Weber, 1997; Zenz, 1999). Finally, the coordination-based approach—especially in its interpretation by Küpper—is far removed from the focus of controllers' activities (Weber et al., 2006) and thereby from the empirical roots of controlling (Schneider, 1992; Schäffer, 1996; Kappler & Scheytt, 1999; Wall, 2000; Becker, 2003).

#### Controlling As Assuring the Rationality of Management

Based on a critical discourse around the coordination approach (Weber & Schäffer, 2000), a new approach has been developed according to which controlling deals with assuring the rationality of management (Weber & Schäffer, 1999; Schäffer & Weber, 2004). A specific management perspective forms the basis of this view. Management is performed by economic actors (especially managers) who strive to achieve individual goals and who are endowed with cognitive abilities. These are subject to individual limitations. Deficits of rationality may result from a manager's limited abilities (skill) and motivation (will). Starting from these inherent deficits, assuring rationality means acting to increase the likelihood that the execution of management actions corresponds to the anticipated means-end relationship regardless. To this end, the function deals with how to recognise rationality deficits and how to reduce or eliminate them. This understanding of controlling also corresponds to a large degree with the "classical" definition of