Change dynamics exert more impact in all sorts of professional and private fields. Changes take place ever faster and more intensely. That is why it is important for companies to shape and control these change processes. Otherwise, they will face the danger of undesirable development, friction losses or reform backlog.

Controllers see themselves as "business partners". This role explicitly involves participating in business development and in modifying it. The question that arises here concerns the controller's role and his or her function in change management. The following interview deals with that question.

**Biel:** Great, Prof. Dr. Sandt that we can undertake something together again. Journalistic principles and the ethic code of the German Association of Specialized Journalists oblige me to inform our readers that we have known each other for many years and have exchanged experiences for over 15 years now. This relationship started during the period of your scientific work at the chair of Prof. Dr. Dr. h. c. Jürgen Weber. I provide this piece of information with much pleasure as I can recall many of our inspiring and exiting discussions from that time. You worked in 2010 together with Weber at the subject "Tasks of the Controller in the Change Processes" and you published jointly with Weber the volume "Controlling and Change Management" in the series Advanced Controlling. Please, let me ask you some questions for the Controller Magazine.

**Sandt:** Sure, with pleasure

**Biel:** I would like to start with the fundamental question. One glance at discussion, studies and publications and you see that the controller's tasks and roles have undergone with time considerable changes. We are not talking here only about changing, but also about extending their tasks and roles. The "Controller as a Change Agent" is an additional aspect of this growing number of tasks and responsibilities. But to what extent is it realistic? In how far can controllers do justice to these expectations in practice? Is it wishful thinking or something closer to reality?

**Sandt:** You have raised a very important point. Indeed controllers face an increasing number of tasks. Let's take, for example, additional controller's tasks caused by the necessity to comply with the IFRS accounting standards. Controllers are now also, for example, information providers for accountants as far as legally specified accounting is concerned, e.g. while conducting impairment tests in accordance with IAS 36. Moreover, all data are supposed to comply with standards and this adds also to the controllers workload. And then also change management tasks? It seems to be very much, too much.

**Biel:** Why is this aspect of controllers, which we are discussing here, in a wider spectrum still an important subject?

**Sandt:** Particularly CM tasks (CM = change management) support controllers' central aim of being a business partner or becoming one. It does not mean that any new tasks are to be undertaken. Joining other management instruments and integration with other departments itself can be very effective. It's not so to speak about an additional "full-time job", but rather about a stronger network, a strong involvement and cooperation with change management.

**Biel:** Can you provide any positive examples of that?

**Sandt:** Sure, let's take the example from the book you mentioned about how financial controllers and Six Sigma managers work together in the Starwood group. An additional example is the organizational unit OPEX - operational excellence at Evonik Degussa. It has become in the meantime a "transmission belt" between the group's controlling department and its operative units.

**Biel:** How do controllers themselves see the strong integration which is expected from them? What is your experience?

**Sandt:** Controllers and controller departments have positioned themselves as business partners in their corporate image. This is a very ambitious goal - and it has its consequences. Controllers should self-critically face the question to what extent they do justice to this corporate image. Do they take this goal seriously, do they take into account the proactive support of change processes!

**Biel:** How do companies deal with this issue? Could you please describe the practical implementation?

**Sandt:** BASF for example integrated it explicitly in its understanding of the controller's role as a business partner - "initiate & drive change". The first necessary step for successful controller's work is to create transparency. But if the controller only informs the operative managers that the "traffic lights" remain yellow or red, it leads in the medium-term to frustration on both sides. An additional step could be to show how to turn the traffic light back to green or how to achieve concrete target-value. In order to do that controllers do not need necessarily to undertake completely new tasks. However, at least one connection with other management instruments and departments has to be guaran-teed. For example, a controller who has identified a problem with the receivables portfolio in an organizational unit can implement an improvement workshop with a continuous improvement process (CIP), e.g. Six Sigma. The controller passes then the baton to the Six Sigma manager. He deals with the problem identified by the controller with a very structured problem solving method.

**Biel:** Change Management is in principle actually nothing new, but the word is taking on new meaning and its priority seems to be on the rise. What is new, what has changed?
**Sandt:** Nothing is more constant than change - for this sentence one would have to pay €5 into the Phrasenschwein (from a German popular TV program in which commentators have to pay €5 for using nothing saying phrases, such as: after the match is for the match), had it been in another round of talks. However, what becomes ever more prominent is the fact that because of the global and networked (business) world the number of so-called disruptive changes has increased. It means that an existing technology, an existing product or an existing service may be completely cornered by the global competition. Consider the results of the nuclear catastrophe in Japan for German companies or the changes on the computer and mobile phone markets triggered by Apple’s product innovations.

**Biel:** In case of such a dynamic it is indeed vitally important to successfully implement the necessary change processes - without burdening the running production. How can it succeed? Do companies in dynamic change processes need also a certain level of stability? How can stability and change be balanced out?

**Sandt:** Yes, balance and its management are important in organizational economics there is the term “ambidextrous” organization for that - the balance between “exploitation” and “exploration” or between efficiency of existing business models and innovation. To create this balance is all but easy, but as all managers tend to say : if it were easy, everybody would be able to do it.

**Biel:** Is there a methodology that would be helpful and useful here?

**Sandt:** In order to engage employees into changes, you need a simple phase model. It was developed by Kurt Lewin already at the end of the 1940s: Unfreeze - move (change) - refreeze. In the first stage “unfreeze” the existing thinking and acting patterns are broken down and the need for changes worked out. In the second stage “move/change” the actual change or implementation takes place. The focus of the third phase “refreeze” is to stabilize changes and institutionalize them. Returning back to old routines should be prevented.

That means that before you make - above all radical - changes, the employees should be appropriately prepared. Later the changes are supposed to be institutionalized or - as you called it - stabilized. There are derivatives from this generic three-phase-model, which I do not want to discuss for lack of time. The three-phase-model is simple, but here applies the rule (unfortunately): “Common sense” is not “common practice”.

**Biel:** What does your work experience say?

**Sandt:** Lately I have again experienced in a MDAX group that first after the reorganization had been conducted, workshops were organized to cushion the displeasure of employees. The “unfreeze” phase should be systematically taken into account in bigger change processes. After each change the modified process must be also stabilized. Some people ask the question: Can there exist an organization which is “chronically unfrozen”? Probably there are people who like and make it right. But do they belong to the majority? According to my experience not necessarily. Especially in times of constant changes employees need a stable anchor - both in private and professional lives. A coherent model with clearly practiced values - through the management - can contribute to the required stability. In addition, change processes are to be to some extent - if they are constant, that is recurrent - structured and standardized - there are many examples of that, e.g. the CAP - change accelerating process at General Electric, DP DHL calls it ACT - accelerating change technique. Therefore some companies have not only structured and standardized these methods and procedures, but also created an organizational unity. It should guarantee the implementation of structures and standards. One example of that are the highly structured continuous improvement processes Six Sigma, which require full time specialists, so-called Black Belts and Master Black Belts. They control the methods and use them with deputies of specialized departments for (by controllers) identified groups of problems. An additional example is OPEX at Evonik Degussa, introduced to facilitate operative excellence in all locations of the group in over 100 countries. An organizational unit originally planned as temporary became, thanks to its success, a permanent one. By the way: in OPEX team also controllers (fully-aware) are represented. OPEX serves among others as an intermediary between finance-oriented group of controllers and the operative decentralized units. It provides operative units with practical help to turn the traffic lights to green.

**Biel:** It is advisable to define Six Sigma on that occasion.

**Sandt:** Six Sigma serves to achieve a goal of statistical quality and at the same time a method of quality management or a highly structured continuous improvement process. To its core elements belong description, measurement, analysis, improvement and monitoring business procedures by means of numerous and varied methods. The goals are set according to financially important ratios and according to the needs of customers. In that respect it is also similar to the methods used by controllers.

**Biel:** Well managed change processes are obviously a crucial lever for the success of a company. Therefore let us at that point address the kinds of changes according to range and trigger. Is there any practical categorization which could be useful here?

**Sandt:** Let me try with key terms:
- Revolutionary, radical versus evolutionary, incremental i.e. a fundamental or gradually and by stages developing change. The former are top-down, the latter bottom-up.
- Proactively as well as reactively initiated changes are possible. A situation can be triggered or controlled if you instead of reacting on something that happened, determine the development of an event by means of differentiated forward planning and targeted actions. However, there may appear a need to react backward, subsequently.

**Biel:** These changes are certainly different not only with regards to their effects, but also in respective approaches to them. What should controllers know and consider?

**Sandt:** Yes, the requirements and the starting point are different.
- With radical changes it’s first of all about the right analysis and solution and then about a careful implementation.
- With incremental changes it comes down on the other hand to mobilizing management and employees. Possible not only through an appropriate culture, but through structures and systems fostering this culture - in short: are we dealing with a culture of relying only on our expectation and vain hope, or is the management actually doing something to activate its employees.
Biel: Let's come back to the staring point. We hold this discussion especially for women and men working as controllers. Please, give us some examples of controllers' tasks in change projects or change processes. How can the roles and tasks of controllers be outlined?

Sandt: The mentioned division into radical and incremental change processes may come in handy here. Analysis is most meaningful with radical changes: Let's say a radical change is necessary - best before a profit or even cash crisis. Controllers can make here valuable contributions with their knowledge of figures and competences in available methods. And again at this point the topic of cooperation is of importance - involvement into company development or cooperation with strategic department. This requires controllers not only to cope with financial figures, but to also understand the operative business - for a business partner it goes without saying.

Biel: How can a controller promote and support the first phase, the "unfreeze" phase?

Sandt: A controller can indeed in the unfreeze phase offer support: to convince colleagues that a radical change is absolutely necessary. In other words: The rule "business as usual" does not apply anymore. This is especially hard in the proactive mode. In the reactive mode, e.g. we have already to do with a gain or even liquidity crisis, this part-step is even simpler. But such situations should be of course forestalled. Here is a controller with the "flip chart under his arm" helpful: to explain the employees that the operative profit (e.g. EBITDA) is positive, but it's not enough to cover depreciation and capital costs. That is the first thing that the employees must understand. This certainly requires controllers to be able to communicate with specific target groups. During such discussions technical jargon should be omitted and communicated information kept simple.

Biel: And in the phases move and refreeze?

Sandt: In the move and refreeze phase controllers can provide the usual support and show with their reports, if the change implementation runs according to the plan and if it remains stable. A good example of that is the change process in Schering, now integrated into Bayer Health Care. There was a controlling leader from the start taken on board. It's important with incremental changes to create proactive structures so that management and employees themselves can apply their creativity efficiently. The so-called idea management - in old German: managerial suggestion schemes (Betriebliches Vorschlagswesen) - is such a structure. It is without a doubt aimed at ideas of individuals. A team and workshop-based approach with quality circles can be further structured - with the help of specially qualified moderators. In this case, we can talk about CIPs - continuous improvement programs or processes. The difference is as a rule in how strongly they are structured according to the method and according to their role.

Biel: Would you like to come back to Six Sigma?

Sandt: Six Sigma be can perceived as a very strongly structured CIP. Improvement workshops are structured by means of the DMAIC cycle.

- define: In this phase the process to be improved is identified, documented and the problem is described by means of this process.
- measure: This phase serves to determine on the basis of data and facts how well the process really fulfills the existing customer requirements.
- analyze: The aim of the analysis phase is to find out the reasons why the process still does not fulfill the customer requirements on the expected scale.
- improve: Now is the improvement planned, tested and finally implemented.
- control: The new process is supervised with the data and indexes identified in phase two and due to that secured.

As a result in the process of generating the idea the problem is clearly defined, or if necessary defined are the customer's requirements concerning a given problem. That involves understanding the problem...
and process on the basis of reliable data and facts. Only then - with a comprehensive understanding of the problem - starts the phase in which ideas are collected.

**Biel:** What does it mean for the mentioned possibilities to cooperate?

**Sandt:** With the help of the DMAIC procedure we can easily show the cooperation possibilities with (financial) controllers. They can make sure that the improvement workshops are focused on problems having a high impact on the income statement. Furthermore, they can guarantee in the measure phase the relation to the income statement as well as financial ratios. In that way employees orient themselves according to financial aims. In the control phase the collaboration with controllers goes without saying.

**Biel:** Could you please give here again a practical and illustrative example?

**Sandt:** Six Sigma guarantees also presently contribution of “financial experts”, recommended as a so-called money belt - in other words: the controller's role in the project. In Starwood, which has implemented Six Sigma in 2001, the cooperation between Six Sigma managers and controllers functions very well. Counter-examples: A subsidiary of a German DAX concern has implemented Six Sigma. The responsible Six Sigma manager wanted to take controllers on board. They said: “figures which they use in analysis are not contained in the SAP and therefore not suitable.” Another negative example: In a medium-sized car subcontractors the Six Sigma manager couldn’t call by name the leader of the controlling department - that is far from being cooperation.

**Biel:** Do economic theories deal also with these issues?

**Sandt:** Yes, absolutely. This is also an issue in controlling research under the heading “Management Control Systems as a Package” - methods of joining and integrating management systems play a crucial role in understanding these systems. Renown Finnish researcher Teemu Malmi made it the key note of his speech at this year's ACMAR (the Annual Conference for Management Accounting and Control) at WHU in Vallendar.

**Biel:** What is more important during change processes, the management or structures?

**Sandt:** The management - leadership is indispensable. Methods and structures are necessary, but sufficient.

**Biel:** The ControllerPrize 2011 bestowed at the 36th Controller Congress was markedly awarded for accompanying a project for many years by means of controlling. The company awarded was McDonald's Deutschland Inc. for the project "Initiative Controlling McCafé". "The core features of the awarded project are on the one hand being consequent in accompanying and supporting the development of a business field from the first idea to the successful implementation and further development throughout many years. On the other hand, the development of controllers itself - from pure figure providers to business partners - is to be emphasized. Both features contribute to a worthy winner of this year's Controllerprize", as presiding juror Jürgen Weber explained. Is it a future model for controllers? Do controllers want and can they perform such demanding tasks - and should they from the management point of view?

**Sandt:** Reliable examples show that controllers undertake in company practice increasingly the role of change agents and put it successfully into practice. In so far we discuss by all means a "trend issue".

**Biel:** A change agent is an innovator, an operator of the change. He contributes to the development process and influences it by pushing it forward, controlling and supporting. Can you motivate controllers to undertake this task, in the sense: "changes proactively supported by controllers", as "so to speak, a subtle and quality mark of business change measures?"

**Sandt:** Controller should ask themselves: What is my value contribution? It's a hard question for a staff department. Which (operational) changes have you provoked? You should make sure that operational management understands finance and accounting. And be able to take on a different perspective - next to others - and to see clearer also from the respective customers point of view. How does integration with other staff departments look like? A strategy that can be considered is as follows: Better matching the organizational development or CIP with controlling, making it more universal and networking it together. When there is, for example, no CIP available, a (lean) CIP should be started and structured. - if necessary with a (former) controller as leader - a wonderful personal development for the person in question.

**Biel:** We have already at the beginning talked about the hardship and problems of controllers. Our discussion is coming to an end, thus the question, isn’t change management also a chance for controllers?

**Sandt:** Yes, sure! Controllers have the chance to further develop themselves as change agents. It helps not only their company, but often also themselves and their personal careers. Consequently, I can only encourage our readers to consider this chance in more detail. I wish them much success!

**Biel:** Controllers define themselves through management support and like to see themselves as rationality providers. However, the more controllers expend their role, become themselves more actively involved, take part e.g. in change management, the harder it is for them to appear as independent navigators and economic conscious. And finally the growing complexity of controller activities is also reflected in their newly acquired attributes and in characterizing them qualities. This way a far-reaching consensus exists about controllers sharing responsibility. In recent literature there has already been talk about "co-managing." Do not those additional tasks create a dilemma with regard to their function and their self-image.

**Sandt:** You hit the nail on the head: Yes, there is the following role conflict: The role of a business partner requires "involvement, active participation, taking part in sth." - the role of the critical counterpart and sparing partner requires, on the other hand, "independence." But we should differentiate: Already Sathe pointed in 1982 this role conflict out - he demanded a "strong controller": With early, proactive involvement controllers can already take actions "before the fact ("proactive action may stop developments before they occur"), guaranteeing rational approach - according to Sathe with necessary skills (and persons) available, there is no place for a role conflict. Early enough involvement can take place e.g. while choosing topics for improvement workshops. The questions dealt here with are: where? and
when? - both being decisive and much revealing.

**Biel:** Can you also here tell an inside story ...

**Sandt:** Of course: I have experienced that in an organization in which some employees have dealt several weeks with reducing external cleaning costs; though they constituted only a small portion of the entire costs - a false focus. Here the controllers can guarantee that the resources are used at the right, that is effective, levers. This example shows that controllers have to contribute strongly to making business understanding of operative management and employees more efficient. Then they can themselves be proactive and use their resources in a more targeted way. Dr. Dr. h. c. Albrecht Deyhle, whom we both hold in high esteem - as certainly many people working as controllers do - uses the following image: "With the flipchart under the arm." In my opinion controllers can do here much and indeed reach the following: Now and then explaining at the flipchart the elements of the income statement or (financial) management report. I have already several times met in companies operative management who had already years ago implemented controlling systems without understanding why the minimum rates - in finance jargon called WACC (Weighted Average Cost Of Capital) - are, for example, at the level of 9% (before taxes). They see it as too high because they very often compare it to the current interest rates of their deposit accounts. They understand perhaps an EBITDA or EBITDA margin, if necessary also the EBIT. But why an EBIT of x million is still not enough to create value? Why an EBITDA margin of 20% is not enough? First, we need to create an understanding here.

**Biel:** Do not other occupational groups have role conflicts to cope with? There are a few in my journalist's role that come to my mind ...

**Sandt:** ... I - as a high school teacher - could also give a few examples ...

**Biel:** ... both men and women working as controllers are deeply engaged and can work under pressure, so they can certainly successfully deal with additional roles.

**Biel:** Dear Professor Sandt, it is a matter of particular concern for me to thank you for this interview and for our overall pleasant cooperation both before and after this discussion. The venue, surroundings and atmosphere of your high school has made a great impression on me. That includes the friendliness of your colleagues and students. Many thanks from the publisher and editors, and especially from our readers.

Please, let me name the main thoughts of our discussion:

- It's not enough to show that the traffic lights at set to yellow. It's also necessary to help to turn them back to green.
- On the way to becoming business partner the proactive support of change processes offers a high potential for controllers.
- You are not able to do everything on your own. But you can build a good network in the company and join some methods and systems with other areas.
- Early sings and warnings protect us from later conflicts, including role conflicts.

**Footnotes:**