

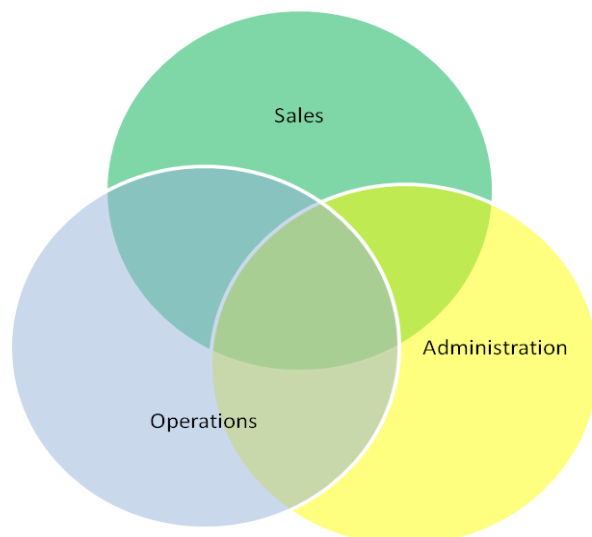
## Controller: The Other Accounting Profession

The profession of Controller is one of the least understood functions within any organization. Too often, the title is interpreted as Accountant. The role encompasses much more than only the preparation and delivery of the periodic financial statements and the role of financial administration. Therefore, what differentiates a true Controller from the rest of the accounting profession? It is a different yet overlapping set of skill sets to the archetypical accountant. The key differences are a matter of focus. The Controller focuses on more than the financial statements, not that they are unimportant. These reports are not an end unto themselves; they are a means to understanding the results of the various operations and a means to understanding what changes need to be made. The profession of Controller, while part of the overall accounting profession, is sometimes referred to as the third accounting profession. To understand the difference, please step back to understand what accounting is.

Accounting summarizes in a logical manner all of the financial transactions that occur in a business in a period of time and the balances at the end of that period of time. The logical manner with which they are compiled is governed by a set of rules known as GAAP, Generally Accepted Accounting Principals. These rules are designed so that financial statements from different companies can be compared with one another. This of course is important for the investing stakeholders of the company. This is the first piece of the accounting profession as a whole.

The second piece of the accounting profession takes the above mentioned summary of financial transactions and connects that to the rules of taxation as defined by the various governments of the land. This sub group will recommend ways of ordering your financial affairs to lessen the tax burden, legally of course, that these governments impose.

The Controller as a profession is in part both of these and much more. Remember, the financial statements are the compilation, in numerical terms of the activities of an entity. The Controller looks to define the connection or driver from the activity to its dollar impact. The Controller looks to affect the controls with which money and transactions are handled to ensure that the controls are as efficient and even more importantly as effective as possible. A Controller is the person who ensures that the various systems of the company work together.



One of the keys to understanding the role of the Controller is as shown in the attached Venn diagram. In any entity, there are three primary functional areas: Sales, Operations and Administration. There may be many subgroups however these are the primary three. Each functional area has systems, processes and procedures that focus on what is important for that area. However, each functional area has information which is vital for the other functional area to operate effectively. The Controller is the individual who ensures that this interchange is

optimized.

One of the key skill sets of a Controller is project management. While not a core competency exclusive to the accounting profession, it is critical to the Controller. Project management is key as much of the Controller's role is involvement in the various projects, some initiated by the Controller to improve the procedures of the entity. As Controllers are often known for their organizational ability, they often are managing the various projects within the entity. Of course, monthly and quarterly financial statements, audit reports and corporate tax returns are ongoing projects that the Controller is critically involved with.

Most importantly, the Controller is a key component of the management team of an entity. Charged with safeguarding the company's assets, this person, with their knowledge of the systems will work with their teammates to enable them to make the best decisions possible.

Many a wise general manager or CEO has realized the strength a good Controller lends to an organization. Usually, the Controller will know as much about the company and have the same vision as the general manager. Remember, every activity within an entity has a financial implication, even doing nothing. There is still an opportunity cost which is wasted or idle time. As the Controller is the one with knowledge of the finances, this person will understand all the activities and the levers needed to affect a change.

So, what differentiates a Controller from the rest of the pack? The Controller firstly cares about the activities behind the numbers and not just on the integrity of the reporting system. Secondly, the good Controllers are not satisfied with status quo. If status quo is not the best it could be, then changes need to be made.

That is not to say that to a Controller the composition of a number is unimportant. Conversely, it is even more so. For with that information one can answer why the results are what they are. This leads to another trait – organization. The good Controllers of the world like order and need well developed support. This is not the end in itself; it is a way of structuring the data in order to quickly ascertain causes. It means less time is wasted searching for information. Remembering time is money therefore, being effective means providing the required information in a format from which the decision maker is able to quickly make the best decision possible, given the quantity and quality of information at hand. As an example from a colleague of the author, a client after receiving a revamped set of financial statements commented that in a minute he was able to understand the results versus his previous three hours spent to understand the statements. Executives are decision makers. They need information and time wasted on research is a dead loss to the entity.

The author needs to differentiate between efficient and effective. To be efficient means to perform a certain task with the least amount of waste possible. To be effective is to be doing the right task in the most efficient manner. If the Controller's staff are focused on organizing the filing system, that is all well and good. However, if the Controller needs the month end closed, updating the filing system is not being effective as it is not what is needed at that point in time.

It is also important to understand the difference between data and information. Data are facts. Information is a fact or set of facts from which one can make a decision. That it is 25° Celsius outside is a fact. It only becomes information when determining what is the appropriate attire when going out of doors.

The Controller is always in learning mode. The accounting world is not static; however, the Controller looks beyond just accounting to other areas of management. One of the hallmarks of a good Controller is the range of their base of knowledge. Those of us who are practitioners refer to the profession as being specialists at being generalists.

Finally, a good Controller will realize their limitations. Part of this is the knowledge of when to call for assistance from outside specialists. The other part is to admit mistakes when they happen and seek to remediate

the effects. That is all part of the learning process. The Controller will learn early on when to delegate. Without that piece of knowledge, the workload will become overwhelming.

In summation, a good Controller is professional. Seeking continuous improvement not only for their own functional area but also for the entire entity is a key hallmark of this individual. The main driver is a desire to understand the activities behind the numbers in order to seek changes. For it is as a change agent that a Controller has their greatest effect on an entity.

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