

The Controller Holds the Key to Your Profitability

As we noted in our last blog entry, the role of the CFO and the controller are very different in today's business operations. While the CFO is responsible for more strategic counsel and overseeing your company's fiscal performance as it relates to the market at large, the controller is responsible for guiding operations on a day-to-day basis and keeping the corporate ship running through effective cash management and operations oversight.

Traditionally, the controller's role is to manage transactions related to cash flow:

- Processing customer billings
- Processing supplier invoices
- Tracking corporate assets related to movement of cash, inventory, and assets
- Tracking debt levels and making payments to reduce debt

The controller is responsible for all accounting functions, including internal audits, although the audit function also should report to the board of directors as well. In smaller organizations, the IT function usually falls under the controller's umbrella as well.

Senior management relies on the controller for analytical insight into how to improve operations, improve cash flow, and cut the fat out of business systems. For example, by preparing a one-page grid showing mapping sales volume to profitability for each customer, the controller can identify those customers with low volume and low margins (which are typically one-third of accounts) and raise overall profitability in the process.

The accounting functions for the controller are varied, but there are a number of essential functions:

- Financial planning and budget management.
- Oversee daily financial operations.
- Maintaining benchmarks for financial and operational performance for various departments.
- Monitor and analyze monthly fiscal results and operational costs against budget.
- Preparation of financial forecasts.
- Preparation of financial analysis for contract negotiations and investment decisions.
- Working with department managers to develop five and 10-year business plans.
- Establish short-term and long-range departmental goals, objectives, and policies and procedures, including staffing and maintaining organization structure.
- Directing financial audits and offering suggestions for improvement.
- Performing analyses and interpretation of fiscal and accounting data to assess profitability, performance against budget, etc.
- Preparation of the budget and financial forecasts.
- Tax planning and compliance with federal, state, and local payroll, and applicable taxes.

- Recommendations for insurance coverage to protect from loss or liability.

So if we were to use a nautical analogy, where the CFO sets the course, it's up to the controller to keep the ship on course and on schedule. No matter how good your business strategy or operations, without an effective controller at the helm, you can't meet your business goals.