



The Association of
Accountants and
Financial Professionals
in Business



Evolving Role of the Controller





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Evolving Role of the Controller

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Introduction

This is the third report in the IMA® (Institute of Management Accountants) Rising to the Challenge research series, which was created to help accounting and finance leaders better understand business obstacles and ways that companies are overcoming them to elevate the role of finance. In 2012, IMA's research study "Productivity in Accounting and Finance Organizations" identified and explored the most critical challenges facing accounting and finance teams: streamlining processes and improving productivity. In 2013, "Achieving Real-time Visibility across the Organization" focused on another pressing area facing finance executives: improving the management reporting cycle and achieving real-time visibility across the organization.

The 2014 report, based on research conducted by IMA in September 2013, aims to better understand the changing role and expectations of today's financial professional, specifically that of the financial controller.

Prior studies have shown that the finance function is rapidly evolving, and the financial controller plays a critical role on this team. This study was conducted to better understand the impact of these changes on the controller's role.

Executive Summary

The role of the financial controller is changing in ways that mirror those of the broader finance function. Controllers increasingly:

- Participate in the analysis and formulation of solutions to more strategically oriented issues,
- Provide and share financial and nonfinancial data to operational areas, and
- Assist operational users with tools that enable self-service access to informational sources.

The increased involvement in strategic support is raising the financial controller's profile within the organization, and the expanding interaction with nonfinancial functions is creating broader orga-

nization reliance and an enhanced perception of the value of the controller's organization. But this has introduced concerns around how the finance areas will support this increasing demand for elevated skills to support a wider set of consumers of their expertise.

Organizations will need to be aware of the changing role of senior finance professionals, the increasing demand for their time and services, the skill set they must possess, and how to fill the gap when that skill set is not present.

Key Findings

Organizational Structure

Financial controllers are likely to hold relatively senior positions in their organizations: most (81%) report to either the president, owner, or a C-level executive, such as a CFO (see Exhibit 1). Of the "Others," 21% report to the vice president.

Exhibit 1 – To Whom Do Controllers Report?

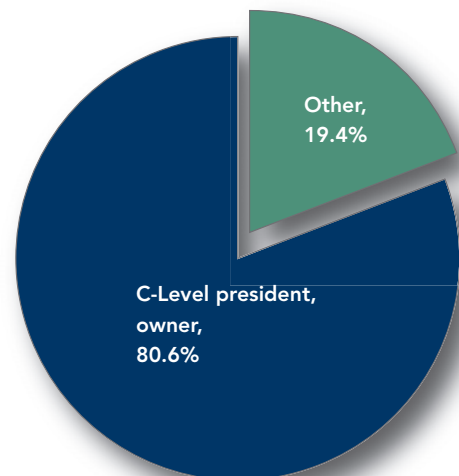
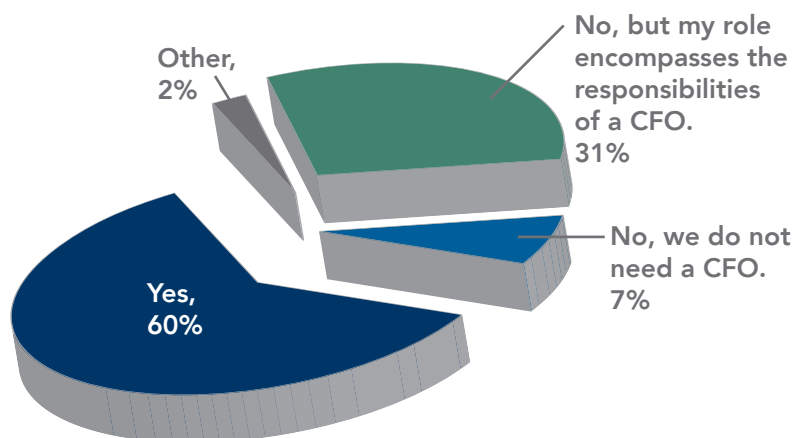


Exhibit 2 – Does Your Company have a CFO/Finance Director?



Many financial controllers are assuming higher levels of responsibility within their organizations. As shown in Exhibit 2, most organizations (60%) have a CFO or finance director, but more than 30% of the controllers indicate that their role encompasses the responsibilities of a CFO.

The controller is most likely to assume the CFO responsibilities in smaller organizations—80% of the organizations where the controller encompasses CFO responsibilities have fewer than 200 employees.

Organizational Value and the Finance Function

A long stream of research sponsored by IMA has documented an on-going transformation that shows the finance function becoming more of a strategic business partner within their organizations. Professionals in the finance function are providing more value-added activities, moving from the delivery of data and results to the interpretation of information and

contributing to decision-making activities. Controllers are responding to the changing expectation by placing a greater emphasis on adding value to their organizations. Adding value to their organization is a high priority to more than three-quarters of our survey respondents (see Exhibit 3).

Yet while controllers are striving to add value to their organizations, many others in the organization have yet to understand the potential contribution controllers and other financial professionals can make.

Exhibit 4 shows that while nearly 80% of our survey respondents believe that the finance function adds a great deal of value to the organization, they were less likely (22%) to believe that those outside of finance saw their role as adding a great deal of value. Potential causes for this discrepancy might include a lack of understanding by others as to the contribution of the finance function, the need for finance to better communicate its contributions to others, or a corporate culture that does not enable finance to sufficiently contribute to the organization.

Exhibit 3 —To What Extent Is Adding Value to Your Organization a Priority?

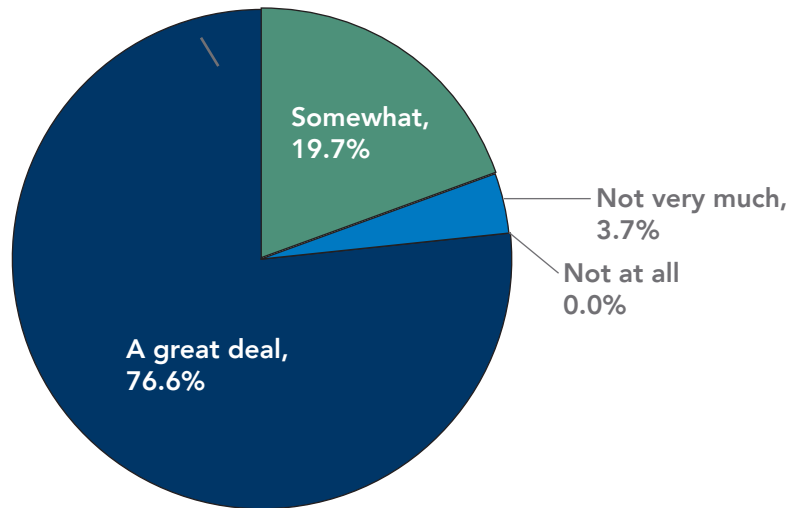
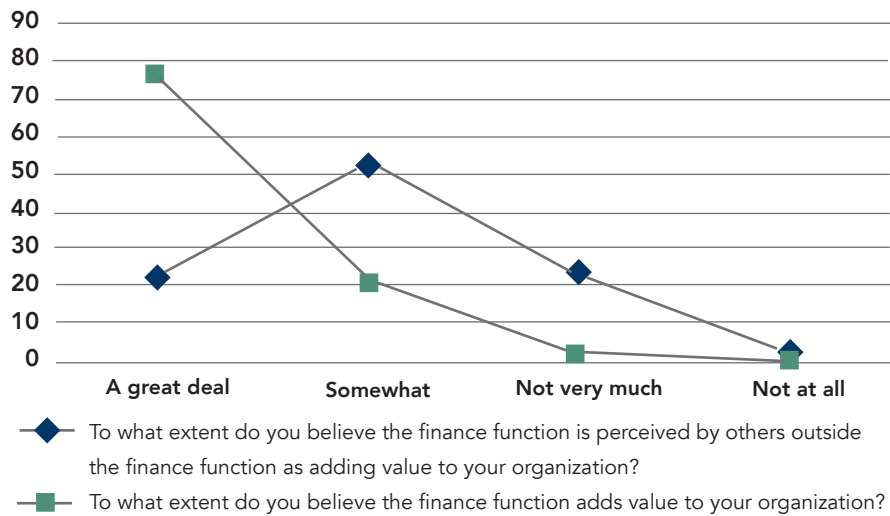


Exhibit 4—Extent that Finance Function Adds Value to the Organization



The Changing Role of the Senior Financial Professional

Given the increased emphasis on adding value to their organizations, how do senior financial professionals—more specifically, controllers—perceive their role changing?

Our survey results confirm the shift in the role of the senior financial professional to assuming more strategic responsibilities and contributing more to the overall direction of the organization. As shown in Exhibit 5, nearly 80% of respondents indicate that the senior financial professional has been assuming more direct involvement in the strategic analysis and decision making.

streamline processes and improve productivity, often with the adoption of new tools and technology. Without improvements in tools and technology, in order for finance professionals to attend to the new strategy-focused job requirements, they would need to support day-to-day finance activities either by working longer hours or by adding resources.

The finance function and, along with it, the role of the CFO are becoming more strategically oriented, with a shift to higher value-added, strategic activities and away from lower value-added, day-to-day operational ones. Exhibit 6 illustrates the change in emphasis of CFO duties that has taken place over the past three years.

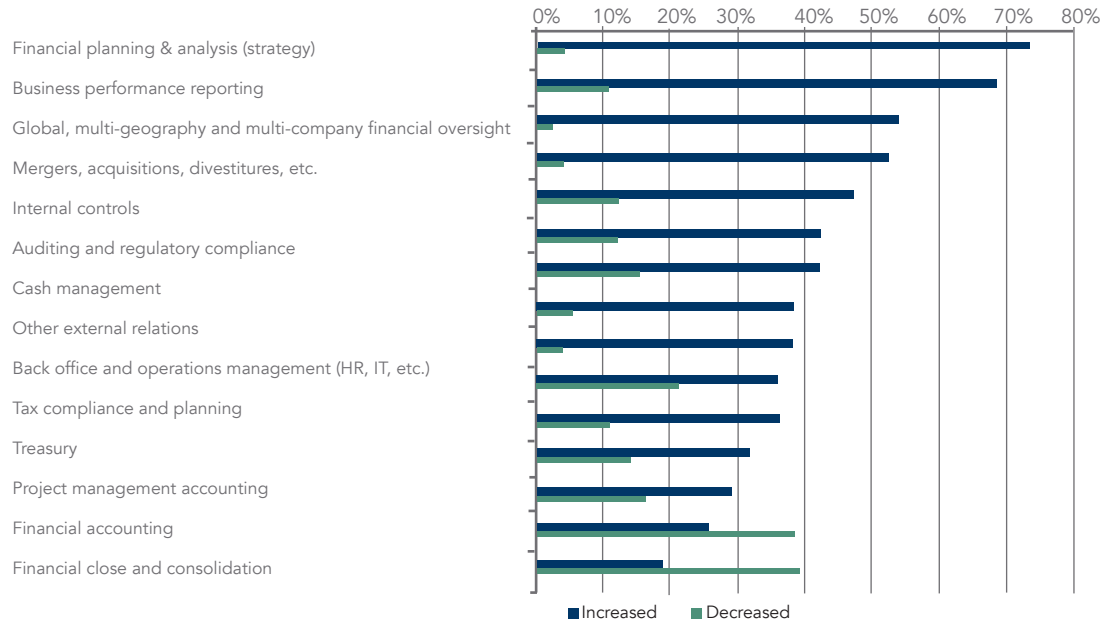
Exhibit 5 - How has the Role of Senior Finance Professional in Your Organization Changed in the Past Three Years?

The role entails more responsibility than it used to—senior finance professionals are more directly involved in strategic decision making and analysis in addition to day-to-day finance execution and other responsibilities.	52.9%
The role has become more about strategic decision-making analysis, while senior finance professionals' direct role in day-to-day finance execution has been reduced.	26.9%
The role has become less strategic and more about day-to-day finance execution.	8.5%
The role has changed very little or not at all.	11.8%

For a majority of these senior finance professionals, the assumption of this new role is undertaken in addition to their traditional responsibilities of financial reporting and controllership. It introduces new challenges to meet this increased responsibility. This is reinforced by the findings of the first research study in this series, which found that the top priorities of finance professionals were to

A majority of respondents reported significant increases in demand for the CFO to support strategic activities—73% report that, over the past three years, the CFO role includes increased time spent in strategic financial planning & analysis; 69% report increased demand around business performance reporting; 54% say time demand has increased for global, multi-geography, and multi-

Exhibit 6 - How CFO Time Spent has Changed in the Past Three Years



company financial oversight; and another 53% cite more time required on mergers, acquisitions, and divestitures.

Exhibit 6 also confirms the shift in CFOs’ time commitment away from their traditional role of supporting financial accounting and financial close and consolidation. While still important, more CFOs are decreasing than increasing the amount of time they spend on these activities, thus freeing themselves for more strategic, higher value-added activities.

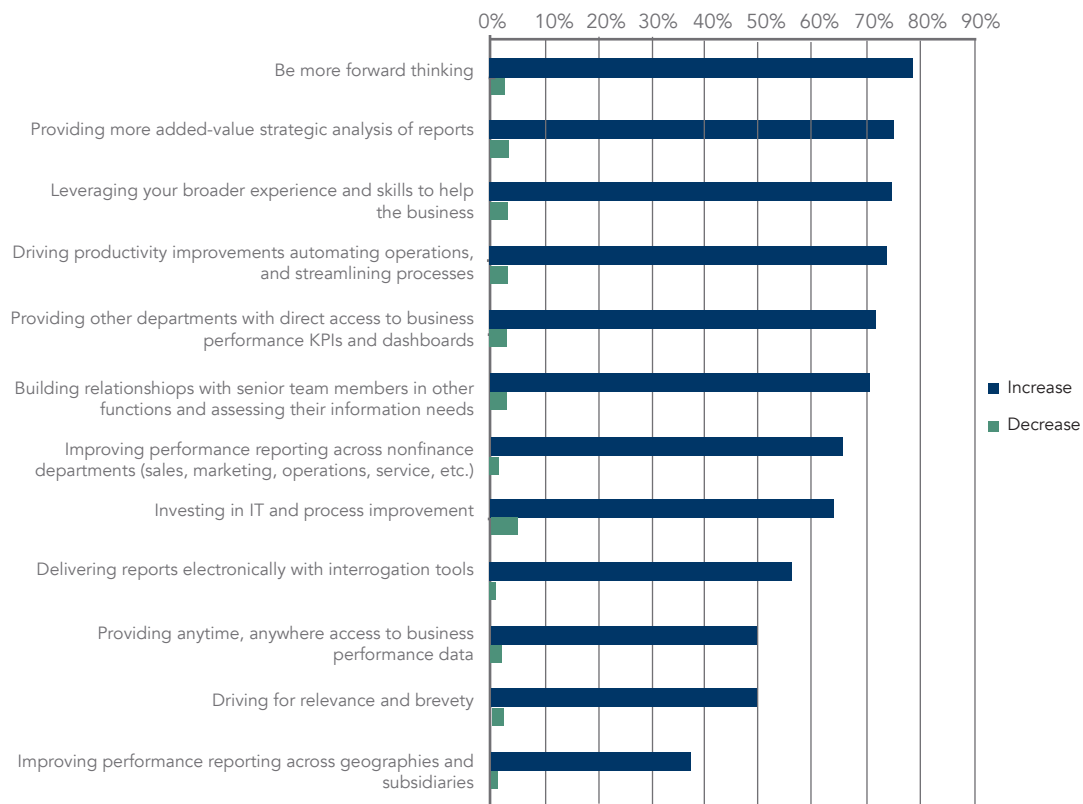
Overall, it appears that the demand for the CFO’s time is increasing. This result echoes findings presented in the study “The Changing Role of the CFO,” which states: “This brings the question of how CFOs can best allocate their resources and time in the face of the huge and increasing responsibilities. The challenges include prioritisation and balancing short-term/long-term trade offs as businesses seek to reduce cost but also plan for growth longer term. This future environment presents enormous challenges for CFOs, but it also provides a great opportunity for ambi-

tious finance professionals seeking a rewarding and enriching career.”¹

The Changing Role of the Controller

Like that of the CFO, the role of the financial controller is evolving to include higher value-added activities and the support of a more strategic outlook. Exhibit 7 illustrates how controllers who responded to our survey see the changes in how they spend their time over the past three years. Of greatest significance, nearly 80% are seeing more demand to apply strategic, forward-thinking skills; three-quarters are providing more strategic analysis of reports; three-quarters are using their experience and skills more often to help the business; and three-quarters spend more time driving productivity improvements. Furthermore, 70% are spending more time helping other departments access their performance results, and 70% find themselves increasingly helping other functional areas to assess their informational needs.

Exhibit 7 - How Controller Time Spent has Changed in the Past Three Years



It should not be a surprise that controllers are assuming these higher value-added, strategy-focused activities. In Exhibit 2, we pointed out that more than 30% of controllers are performing the tasks of a CFO within their organizations. Also, with more organizations experiencing an evolution in the CFO role to encompass these higher value-added activities and to provide a more strategic outlook, it is natural for some of these responsibilities to fall to the controllers—the CFO’s “right-hand person.”

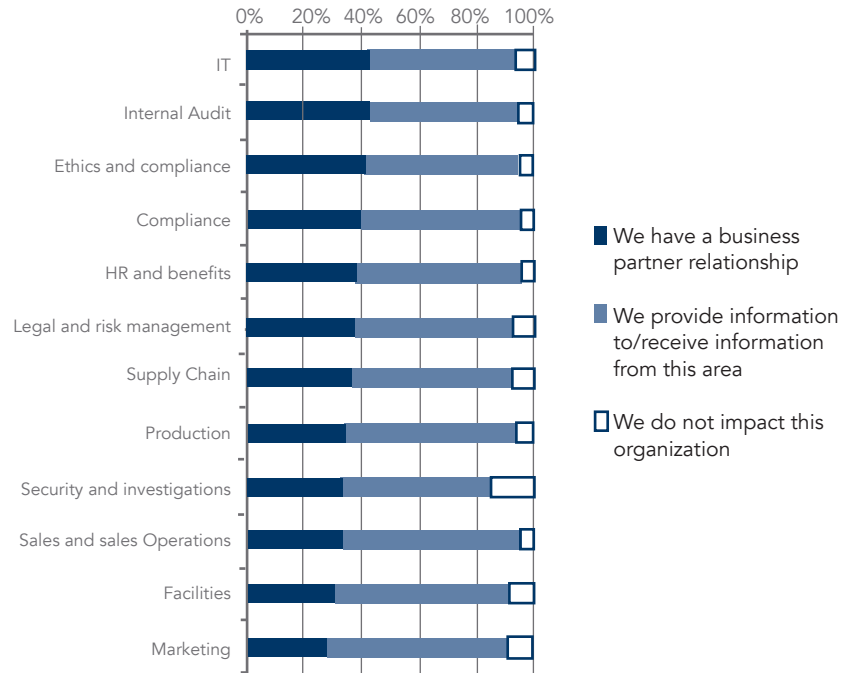
Certainly, organizations are benefiting from the value added by senior finance professionals, including CFOs and controllers: these finance professionals are applying their analytical business skills to make positive and significant contributions to the improvement of organizational performance.

But how are controllers interacting with other business areas, and how are these areas relying on the controllers?

Interactions between Controllers and Other Parts of the Organization

Responses to the survey question, “What is your relationship with other areas of the organization?” reveal a great deal of interaction between the controller and all major areas of the organization. Exhibit 8 shows that controllers are more likely to see full partner relationships with information technology (IT, 44%) and internal audit (43%) and to most likely have some level of information sharing with compliance, HR, and sales and sales operations (each for more than 95% of controllers).

Exhibit 8 – Controller’s Relationship with Other Departments



Whether for information exchange or a full business relationship, these relationships expose the value that other functional areas find provided by the controller’s area.

The Controller as Information Provider

The traditional role of the financial controller involves transaction process and financial reporting but is now changing. Our survey results show that volume for information requests—of both financial and nonfinancial data—is increasing. Three-quarters of controllers indicated that they are asked more often to provide data and information to nonfinancial managers (see Exhibit 9).

As noted in Exhibit 10, the type of data being requested extends beyond traditional financial and budget data to include operational data (more than 60% of controllers), key performance

indicators (KPIs, more than 50%), and customer data (nearly 40%).

It should not be a surprise that demand for financial and budget data from the financial professional is increasing, but it appears that, in many organizations, the financial office is becoming the de facto link to data beyond the traditional financial information. Exhibit 11 shows that more than 90% of controllers are increasingly being called upon to provide operational data, and more than 80% are increasingly being used to source business performance and customer data. The controller’s staff is also increasingly being used to assist with self-service tools—both as a supplier of technical assistance and as a source for internal education.

Exhibit 9 – Information Requests to the Controller

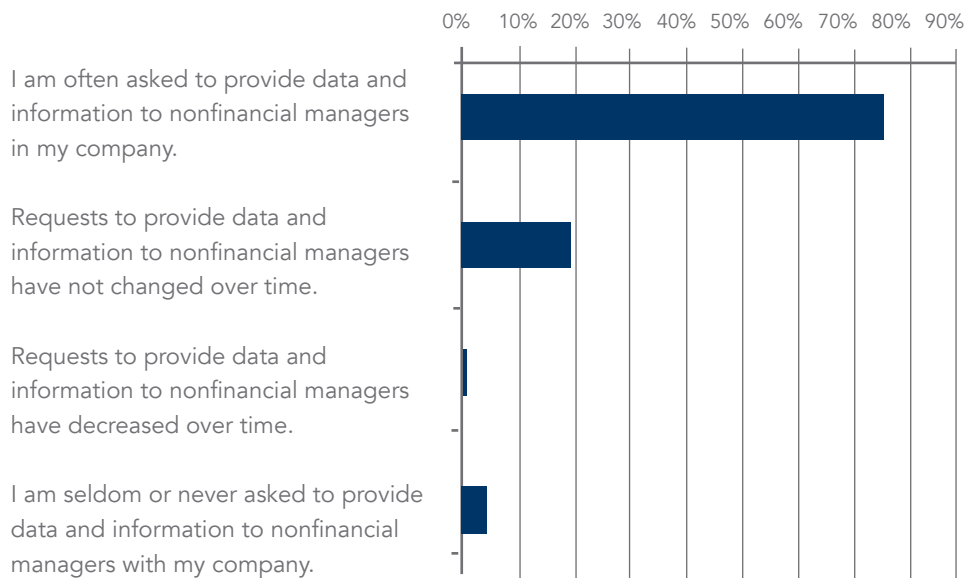


Exhibit 10 – Types of Information Requested by Nonfinancial Managers for the Controller

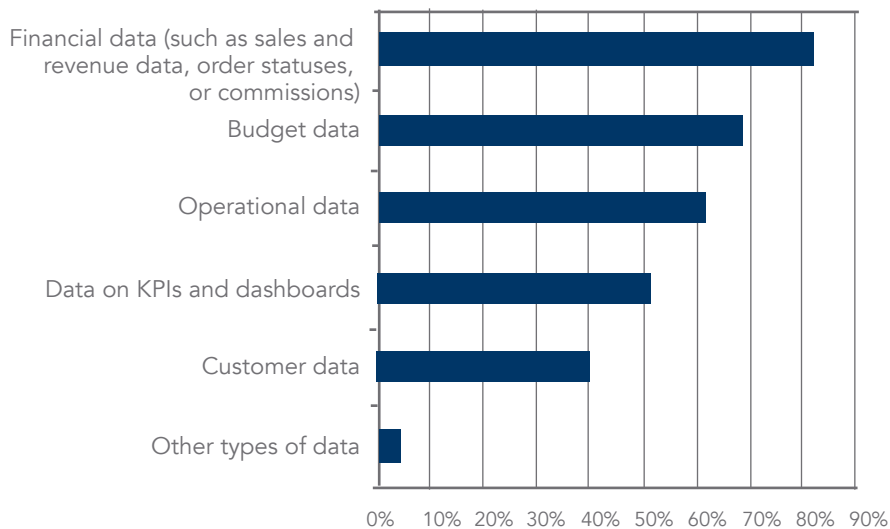
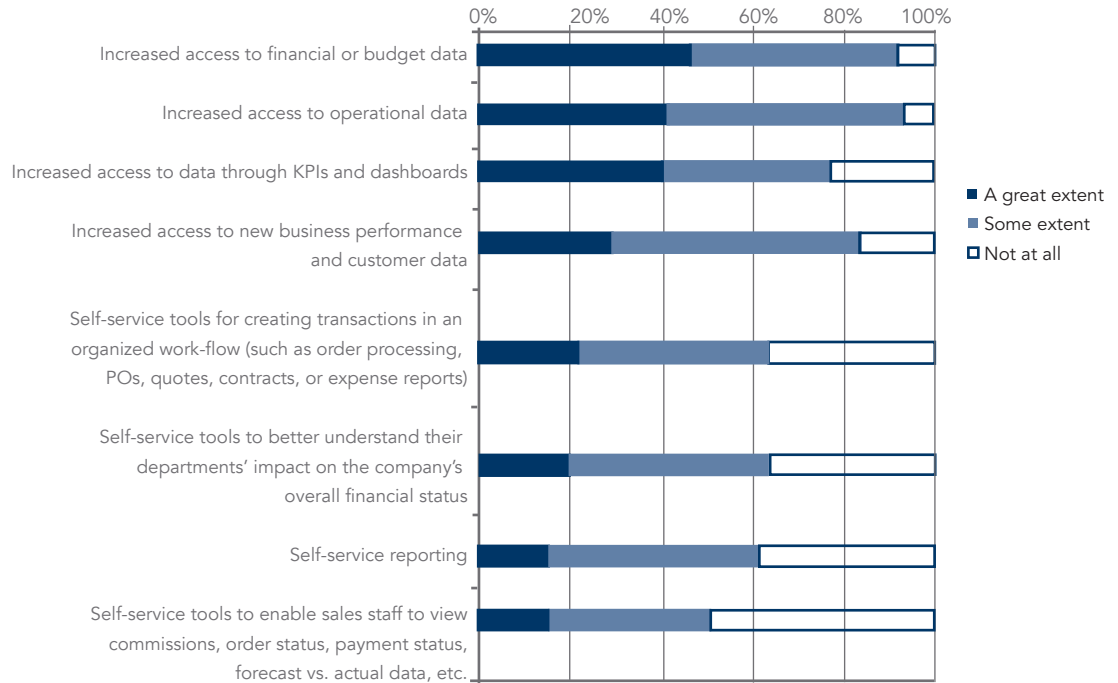


Exhibit 11 – Change in Support Requested in the Past Three Years



Increased Information/Access Challenges

The requirement to provide increased information and data access exposes new challenges. The most often cited concerns (see Exhibit 12) focus on technology, including limits on reporting capabilities, limits on real-time access to data, and limits on information system capacity. Another significant concern is the proliferation of data across multiple departments and divisions, which causes organizational confusion around whose data more accurately represents the truth.

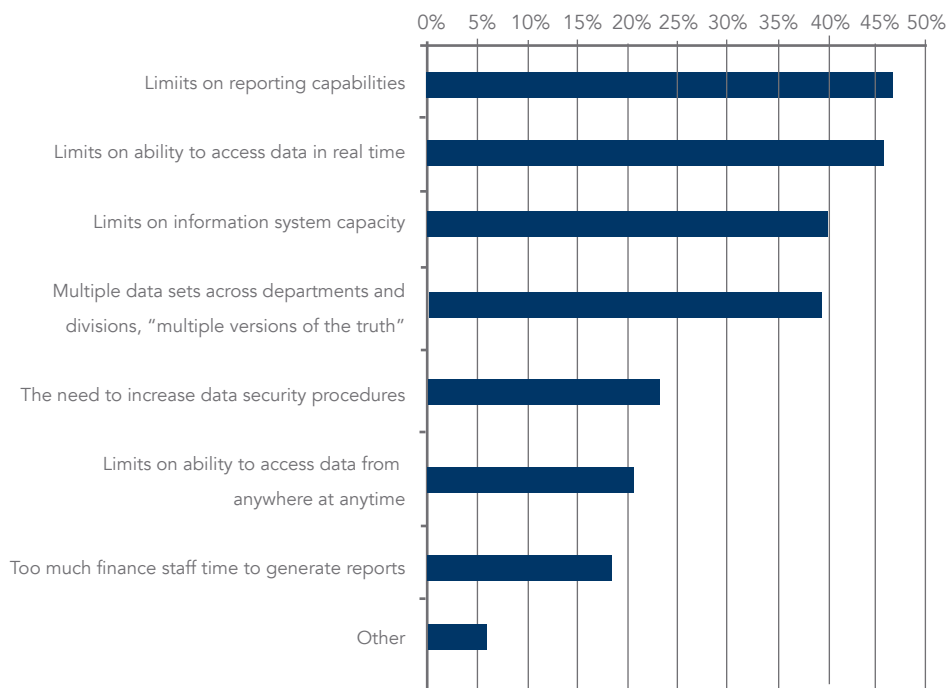
Conclusions

The role of the finance professional is evolving. Senior financial professionals (e.g., CFOs and financial controllers) are called upon more often to apply their analytical and business skills to more strategically oriented organizational issues, increasing the value that they provide to their organizations.

Controllers are increasingly forming business partner relationships with operational areas to provide and use both financial and nonfinancial data to make better business decisions and to assist these areas to use self-service tools to access informational sources directly. This underscores the increasing organizational value provided by financial controllers.

All in all, controllers (and other senior financial professionals) are assuming higher profile responsibility and providing increased value-added service to a wider organizational audience. These added responsibilities point to a vibrant future for current and upcoming financial controllers seeking business opportunities that will allow them to apply their advanced business application and analysis skills.

Exhibit 12 – Controller Challenges in Providing Increased Information/Data Access to Other Functions



Respondent Demographics

In September 2013, IMA sent a survey to 6,531 members identified with a job title related to financial controller. A total of 567 (8.7%) responses were received. Figures 13, 14, 15, 16, and 17 provide some demographic characteristics of the respondents.

Exhibit 13 – Respondent Job Titles

Controller, financial controller, comptroller	81.69%
Finance or accounting manager	7.00%
Finance director	5.39%
CFO	0.36%
COO	0.36%
Other	5.21%

Exhibit 14 – Respondent Industries

Manufacturing	40.0%
Services	15.3%
Wholesale/distribution	7.5%
Finance	6.1%
Construction and contracting	5.9%
Retail/e-commerce	4.6%
Healthcare	4.6%
High tech/software	4.2%
Education	3.6%
Nonprofit	3.1%
Energy	2.5%
Government	1.0%
Telecommunications	1.0%
Media/publishing	0.6%
Advertising/creative services	0.2%

Exhibit 15 – Location of Primary Business Unit

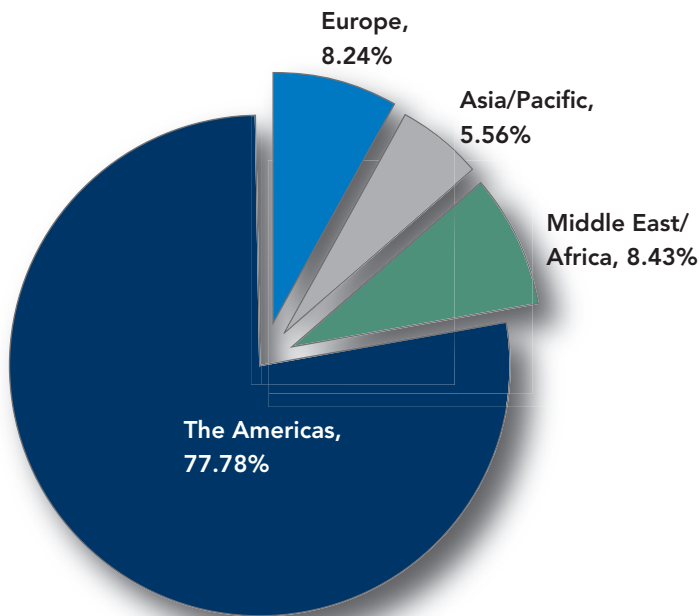


Exhibit 16 – Annual Revenues

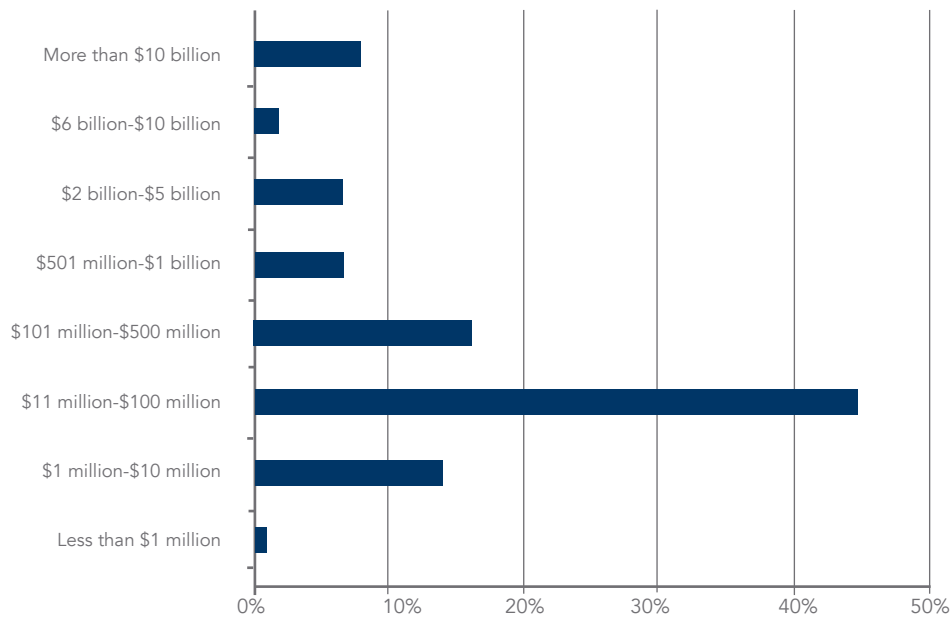
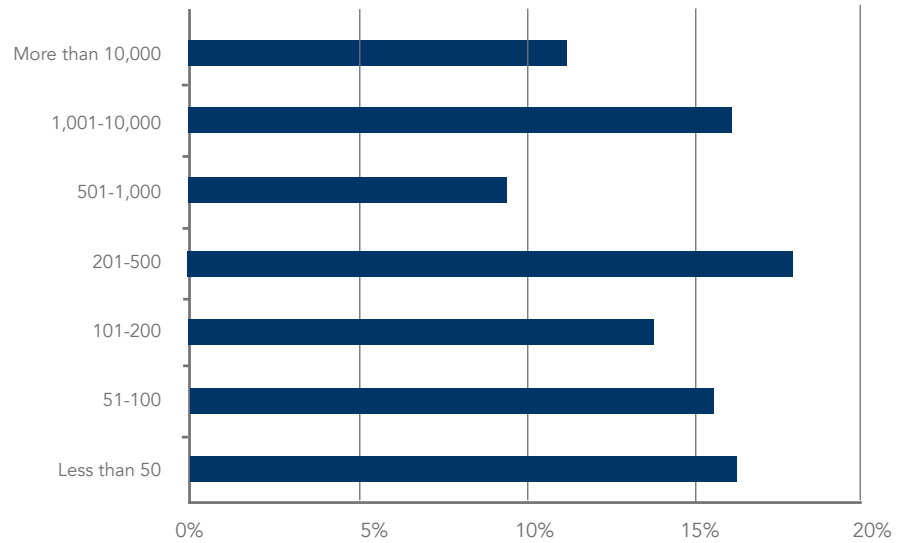


Exhibit 17 – Number of Employees



- 1 IMA and ACCA (the Association of Chartered Certified Accountants), "The Changing Role of the CFO," September 2012, www.accaglobal.com/content/dam/acca/global/PDF-technical/finance-transformation/pol-afb-croc.pdf.