Charting a new course for controllers in the post-pandemic world

Over the past year, many CFOs have had to deal with higher demands and expanded responsibilities thanks to the COVID-19 pandemic. Across industries, those expanded duties have included leading transformation efforts—both within finance and the overall organization—as well as driving enterprise growth as companies seek to capitalize on post-pandemic opportunities.

That doesn't mean the job of managing finance has become less important or less time consuming. Instead, as CFOs shift more of their attention to enterprise-wide performance, growth, and business transformation, they are increasingly asking their controllers to elevate their own roles to improve finance operations and deliver timelier information, insights, and automation.

This shift has, in turn, expanded the controller's agenda and reallocated more of their attention from the traditional operator and steward faces of the role toward the strategist and catalyst faces (see "Four faces of controllership"; Figure 1). And in this issue of *CFO Insights*, we'll explore some of the items on the controller's emerging agenda for 2021 and beyond and how controllers can deliver more value to the CFO and the enterprise.

Seven opportunities to increase value

Traditionally, controllers have been focused on compliance, managing risk, and reporting accurate financial statements and disclosures. These roles generally fall into the steward and operator faces of the controller, and such responsibilities typically had clear monthly, quarterly, and annual timelines. The COVID-19 crisis, however, dramatically shortened timelines for providing critical information for management decision-making. At some companies, the pandemic even brought to a halt the issuance of earnings guidance.

While the demands on controllers have been rising for some time, this new environment has dramatically increased the calls for controllers to add more value—from transforming the finance organization to deepening the insights provided internally and externally. Moreover, the changes expected in the finance department going forward will likely only increase the demands on controllers.

Consider, for example, how quickly routine accounting and finance work is being automated and access to data is increasingly self-service (see *CFO Insights*: Finance 2025. Are you ready?). The greater use of technology demands higher-end judgment and data analytics skills to effectively partner with the business—skills squarely housed in the controller function. At the same time, routine work is increasingly being outsourced, often to shared service centers in lower-cost locations. In fact, in our Q1 2021 *CFO Signals*™ survey, 76% of responding CFOs expect more of their finance work to be completed remotely post-pandemic compared to pre-pandemic levels, and 21% expect more outsourced finance services.

These trends clearly have implications for the controller's future agenda. And whether the pandemic crisis abates or is resolved, CFOs clearly have targeted controllership as an area ripe for change. In fact, in the Q1 2021 *CFO Signals* report, some 25% named it as one of the areas they would most like to improve (see Figure 2). In response, here are several areas for controllers to consider in their go-forward efforts to extend the value they provide to CFOs and the enterprise:

- Reporting critical metrics and value drivers of the business in near real time;
- Rethinking disclosures to support investor decision-making;
- Improving capital allocation decisions and investment performance;
- Driving information and data governance and systems initiatives;
- Enhancing resiliency and risk management;
- Driving finance transformation and efficiency;
- Developing talent throughout the finance organization.

Reporting critical metrics and value drivers

Controller organizations typically provide extensive reporting on key accounting information to the businesses on a regular basis and key disclosures to investors, primarily quarterly. As the COVID-19 crisis unfolded, however, so did the need to understand business performance and new value drivers in real time, given rapidly changing market, supplier, and financial conditions. In turn, the need for more and different information in a far more condensed time frame created demands beyond traditional outcome measures at a regular frequency.

While in some organizations, providing such management reporting and predictive insights is traditionally the province of FP&A, these boundaries may blur if critical data for these insights comes from accounting systems in the controller's organization and other sources within and outside the company. Since the onset of the pandemic, we have seen controllers in our Transition Labs work more closely with FP&A leaders and often take the lead in defining the key value drivers, metrics, and reporting to support management decision-making. As a result, controller functions are assuming a greater role in enabling predictive insights and scenario planning.

Rethinking disclosures

The COVID-19 crisis has led to substantial changes in many businesses and in some cases, even their business models. Those, in turn, have driven the reconsideration of disclosures.

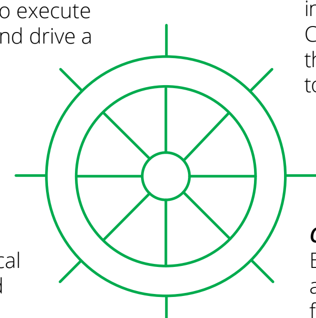
For example, many retailers moved substantial parts of their businesses online; some shifted their sources of supply; and others introduced online subscription models. As investors seek reliable predictors for future performance, the metrics typically provided—such as same-store sales—may no longer be relevant. Instead, retailers may have to provide indicators, such as subscriber growth or unique website visits. At the same time, companies in other industries are being pressed by regulators, consumers, and investors for additional disclosures related to sustainability and corporate responsibility.

Controllers can add strategic value by working with business leaders, including the CFO, to reassess disclosures and report on accounting treatments, as well as other metrics that matter to investors, to best unlock or convey the value of the company. Beyond disclosures' content, controllers driving finance transformation through automation and process improvements can increase the speed at which critical information can be made available to investor relations. Another question controllers may be able to answer: does consolidated reporting help investors better understand the company's value and potential future growth? Although there may be benefits to consolidated reporting, sometimes greater segment-level disclosures can highlight promising growth areas that could drive higher multiples.

Figure 1: Four faces of controllership

Catalyst
Provide timely information and insights that enable the organization to execute strategic business initiatives and drive a risk intelligent culture.

Strategist
Provide financial and management information and analysis that enable the CFO and other stakeholders to shape the strategic direction of the organization to improve shareholder value.



Steward
Protect and preserve the critical assets of the organization and accurately report on financial position and operations to internal and external stakeholders.

Operator
Balance capabilities, talent, costs, and service levels to fulfill the financial organization's controllership responsibilities efficiently.

Improving capital allocation decision-making

In many organizations, CFOs are grappling with how to improve the capital allocation process and ensure funds support high-value opportunities. One key issue: once a capital allocation decision is made, teams often go into execution mode and tend not to reevaluate the critical assumptions underlying certain decisions, if and when circumstances change.

Controllers, as independent observers, are in an ideal position to bring more structure and discipline into decision-making processes, ensuring value is realized from capital allocation. They can review the efficacy of past business decisions that relied on assumptions that may no longer be valid, and help develop a disciplined, yet agile, process for adjusting future capital allocations. Ensuring there is an evaluation and feedback loop for decisions in the event conditions or facts have changed, as well as a process to course-correct, falls squarely in the controller's domain. In fact, this responsibility is something the controllership should own as an unbiased, independent arbitrator of the decision-making process in the organization.

Driving information and data governance and systems initiatives

The aforementioned opportunities for controllers to add value, whether in the areas of metrics and drivers, disclosures, or capital allocation, are predicated on the availability of better information and insights. Indeed, finance, including the controllership function, is central to the flow of financial information in a company and to identifying trends and developing insights from a vast number of data points.

In the absence of a chief data officer, the controller is strategically positioned to oversee the collection, organization, analysis, and governance of financial data to provide the information needed to support critical decisions. In fact, enterprise data governance is an area where the controller function can play an increasingly significant role. While controllers have historically been responsible for overseeing data governance over financial reporting information, they may also be well positioned to oversee the integrity of the financial and driver data used to develop business metrics.

Enhancing resiliency and risk management

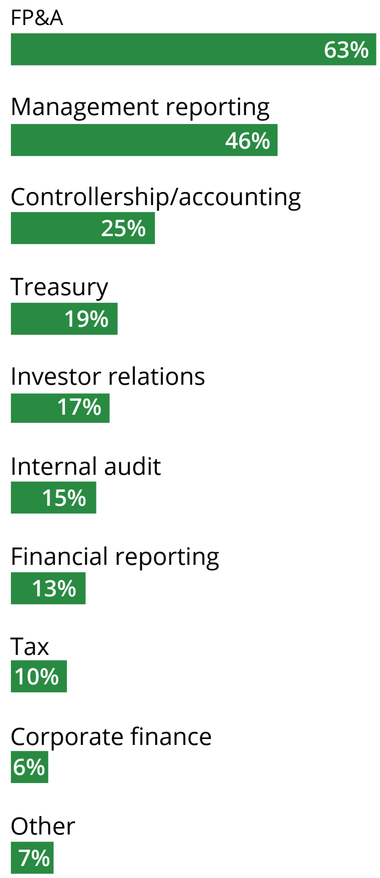
The pandemic has made clear that resiliency—the ability to bounce back after an adverse event—is as important as risk management. Consider, for example, how the pandemic forced many finance organizations to radically change the way they work (think virtual) at the same time other risk events, such as cyberthreats and ransomware attacks, continued to rise.

While controllers will continue to play a critical role in identifying potential areas of financial and enterprise risk, the pandemic highlighted the importance of resiliency and determining the ability of the enterprise to respond to, and navigate, a risk event. For example, if the supply chain for a critical semi-conductor part in a company's automobile production is disrupted, how quickly can it adapt to—and overcome—the constraint? When optimizing costs, are CFOs and controllers undertaking a risk-adjusted cost optimization, where they ask what could go wrong with the cost reduction strategy? And how quickly can the company bounce back under different

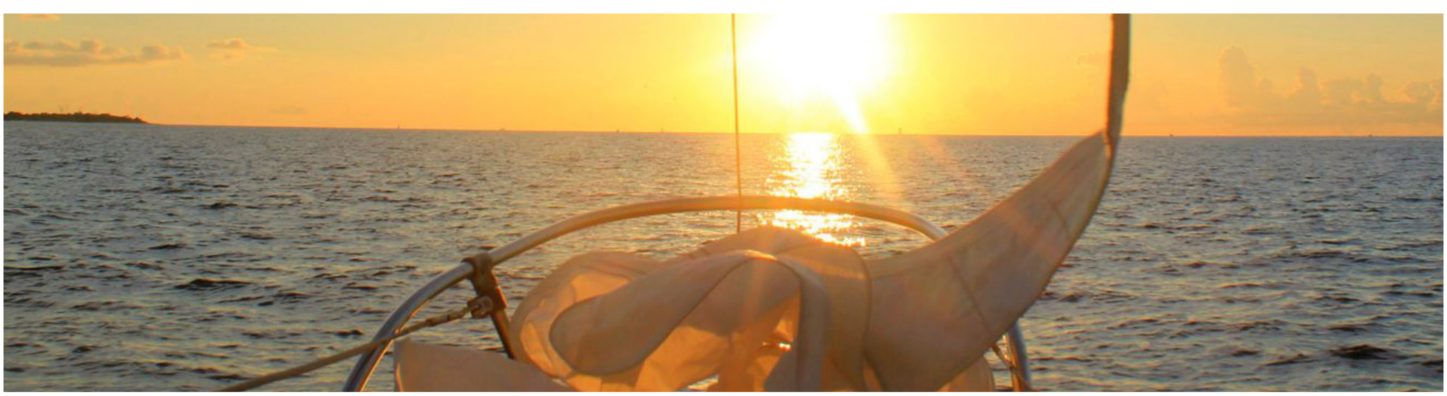
Figure 2: Tightening the core

Which functions in core finance would you most like to improve?

(Percent of CFOs selecting each finance function; respondents could select up to three, so percentages do not add up to 100%.)



Source: *CFO Signals*, Q1 2021, CFO Program, Deloitte LLP



adverse scenarios, and what must be in place to enable resiliency? The pandemic has likely challenged the traditional conversations on risk and increased management's expectations of controllers and CFOs to build resilience and navigate risk events.

Driving finance transformation

When we asked CFOs in the Q1 2020 *CFO Signals* survey about their organizations' transformation efforts, 49% of respondents reported serving as co-leaders for business transformation. Their most reported transformations involved changes to business strategies/models and upgrades to core business processes.

As CFOs turn their attention to these enterprise-level and business model transformations, they often rely more on their controllers to drive finance transformation. Why? Controllers are critical to the three outcomes finance transformation seeks to deliver: enhanced information for decision-making and resource allocation; increased speed in reporting critical information to decision-makers; and increased productivity, cost efficiency, and capabilities of the finance organization.

Since the role of the controller in the first two outcomes has been discussed in previous sections, let's focus on the third—finance transformation:

Achieving greater productivity and enhancing finance capabilities usually require what is broadly termed "finance transformation"—the leveraging of technology to automate work and productively enhance capabilities while rethinking the function's work, workforce, and workplace. Given controllers' knowledge of key finance and accounting processes and their mindset for detail combined with experience in project management, they are well suited to lead this effort. However, they will have to reimagine the underlying foundations of the future work of finance and navigate their organizations toward that future.

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Developing finance talent

The overwhelming priority of CFOs in our Transition Labs is to improve the talent and capabilities of their finance organization. Finance transformation has only further driven the need to reimagine talent and demand new skills and career paths for high-performing staff. At times, however, human resources alone may not be able to effectively support these efforts. As leaders of generally the largest part of a finance organization, controllers can play a key role in developing and upgrading finance talent across the function. From implementing rotation and training programs to enhancing performance management and progression plans, talent development is a key area where controllers can step up and assist.

Stepping forward to the future

How can CFOs and controllers step forward to the future? CFOs should lean in on their controllers as they focus on enterprise-wide transformation; controllers should embrace a broader agenda, such as the one described above. From observations gleaned from our many Transition Labs, we believe the following steps can help these two executives move ahead on both fronts:

1. **Controllers should develop a future-oriented agile mindset.** In many Labs, we hear frustration about controller organizations that spend endless hours chasing data or analyzing history versus truly understanding and shaping the drivers of future outcomes. CFOs typically want one truth about the past and greater support managing through uncertainty. This requires controllers to provide that truth about the past, as well as insight into the likely drivers and ranges of future outcomes. Such insights may require embracing "agile" approaches to program execution, and even budgeting and capital allocation. In such approaches, change efforts may be broken down into short sprints, and based on the outcome of each, there may be significant course-corrections.
2. **Controllers should build transformation muscles.** Most likely, this will require reallocating more of their time to the catalyst/strategist roles in the four faces framework. It also means building up hybrid "agile" project management capabilities, change-management skills, and disciplines to reduce execution risks.
3. **Controllers should become more knowledgeable about financial and related systems—and underlying data management.** Information systems will continue to become core to finance transformation. High-potential finance talent should be exposed to systems development and data design and management early in their careers.
4. **CFOs should support their controllers' journeys by freeing up their time to address a broader agenda.** One approach is to consider bifurcating the controllership function, with one person reporting to the controller for accounting, reporting, and compliance and another in the primary controller role to drive finance transformation, as well as data and systems modernization.

As the scope of the CFO role increases (to the "chief everything officer," as one colleague puts it), the controller role will have to simultaneously expand. The effort will require controllers to both adopt the mindset and acquire the skills to execute the emerging controller agenda. That won't happen overnight, but with strong support from CFOs, controllers can become more valuable to the broader enterprise and move into the catalyst and strategist roles they so often seek.

Authors

Ajit Kambil
Global Research Director,
CFO Program
Deloitte LLP
akambil@deloitte.com

David Cutbill
Advisory Principal;
Leader, Controllership Eminence
Deloitte & Touche LLP
dcutbill@deloitte.com

Patricia Brown
Global Deputy Research Director,
CFO Program
Deloitte LLP
pabrown@deloitte.com

Beth Kaplan
Advisory Managing Director,
Center for Controllership™
Deloitte & Touche LLP
bkaplan@deloitte.com

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