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For a few weeks, a few months, or a few years

When Is Your Controller Not Your Controller?

This is not a trick question; it's an all-too-common management challenge. Let me explain.

First, let's consider what a controller should be. They should be/do all these things reasonably well:

- **Produce monthly financial reports** that are suitably *Accurate, Relevant* to your needs, and *Timely* enough to be useful in managing the business – AR-Tistic, if you will.
- **Manage your budget process**, especially analysis of budget variances and determination of why variances occurred and what should be done about the negative ones, ideally in a monthly memo that accompanies your financial reports.
- **Effectively communicates** what the financial data says about your company – to you, your management team, and your banker.
- **Supervises your accounting staff**, ensuring they are doing their work properly, helping them grow through training and performance evaluation, while ensuring that the right people are in the right jobs.
- **Is your go-to person** when you need someone to look at financial information differently to decide, for example, what your planned new product will actually cost to produce.

"what you should have… what to do if you don't"

Then, if that all makes sense, *your controller is not your controller when:*

- Your financial **reports are consistently late**, often with errors, and only in the canned format that the software produces, without supporting information or explanations.
- **You have to personally manage** your budget, and get answers to budget variances by asking your operating managers directly.
- The only information you get from your controller is answers to questions you or your managers think to ask. Worse, when **no one will talk to your controller** because they don't get answers *or* they don't get answers they find helpful *or* they get static for even asking.
- Your **accounting staff is always behind** in meeting delivery targets, yet are all out the door at 4:55 pm. AND performance evaluations are either not done at all, or all indicate everyone is doing a really good job.
- **Requests** for financial analysis **have to be accompanied by a description** of what it would look like, and you have to check in repeatedly to see when it's going to be done.

Yikes, that couldn't happen to your company, could it? Well, maybe, since it happens a lot, especially to companies at the lower end of the middle market. Here are some signs that you made a mistake:

- You had a **small budget** for that position, but you needed to fill it, and you intended to hire someone who would work within your budget even though the best qualified candidates wanted more money. After all, accounting doesn't make money for the company, does it?
- You favored a candidate who you **liked personally**, deciding that such a good person must also have the skills you need (maybe because their resume said so?).
- Your check on the candidate's **technical qualifications** consisted of a short phone interview with your CPA, who only prepares your company's tax returns.
- Your current employee never actually held a controller position, or had the title in their last job for about 11 months, you decided that was not a **red flag**.

OK, if this rings a bell, it's because either (a) you're contemplating a hire and the 3rd set of bullets sounds painfully similar to your current hiring plan, or (b) you've already hired someone, they've been there a few months, and the issues in the 2nd set of bullets are beginning to emerge. One thing you know: the cost and pain of terminating an underperforming employee is only second to the cost and pain of doing it again because nothing was done differently from the first time around. So, what should you do now?

For the "controller" already in place in your company:

- Consciously **decide to lower your standards**. Accept what you can get from this person and hope it all works out. *(You may have heard the expression "Hope is not a strategy." I suggest you go to the next bullet.)*
- **Develop a list of things that need to change**, then have a meeting with your controller and your HR person to determine (a) if your controller is even willing to come up to your expectations, (b) what they will do differently beginning

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Gene Siciliano is the founder and president of Western Management Associates, source of *Your CFO for Rent*® services for over 25 years. The firm provides interim and part-time CFO/Controller services, executive coaching and assistance in operational finance and exit strategy. Gene and his team of seasoned CFOs and controllers have a clear mission in their work with CEOs and owner/operators of privately owned companies. Their value proposition:

- Increase the company's net worth and profitability by improving the management team's financial proficiency and bottom line results, and
- Develop and execute strategies that will make your company more appealing to a buyer or investor, if and when the time comes for an ownership transition.

Not Your Controller

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immediately, and (c) the timetable when you both agree results will be produced or you will help them find their way to the door. *Document the meeting for their personnel file and you both sign the document.*

- **Stick to the agreement** reached, and act accordingly.

Kudos if it works out and regrets if it doesn't. *Do not go back to status quo because you're too busy doing things you'd rather do.*

> *"In every business, in every industry, management does matter".*
> —MICHAEL EISNER

<u>If you're in the hiring mode</u> and have not yet committed to hire someone:

- Stop all hiring activity. Develop a **written job description** that states the performance and credentials you expect from the person in that job. Download a template from the Internet if needed, and work with your CPA and management team to tailor it to your company.
- Have HR **check current market rates** for this job description, using at least 2 sources. Sources can include local employment agencies, Salary.com, Indeed.com, ZipRecruiter.com, or any other qualified source. *Expect that the result will be higher than you wanted to pay.* Aim for the midpoint of the range indicated by the research.
- **Interview and hire** based on the job description and the target salary, and make it clear there is a 90-day period when performance must substantially match the job description. *Do not discard the resumes of the other candidates until this works out as planned.*

If all else fails, call us and we'll help you put all this in place, and provide an interim controller to fill the void if needed, *for a few weeks, a few months, or a few years.*

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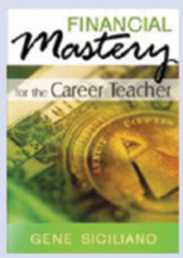

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