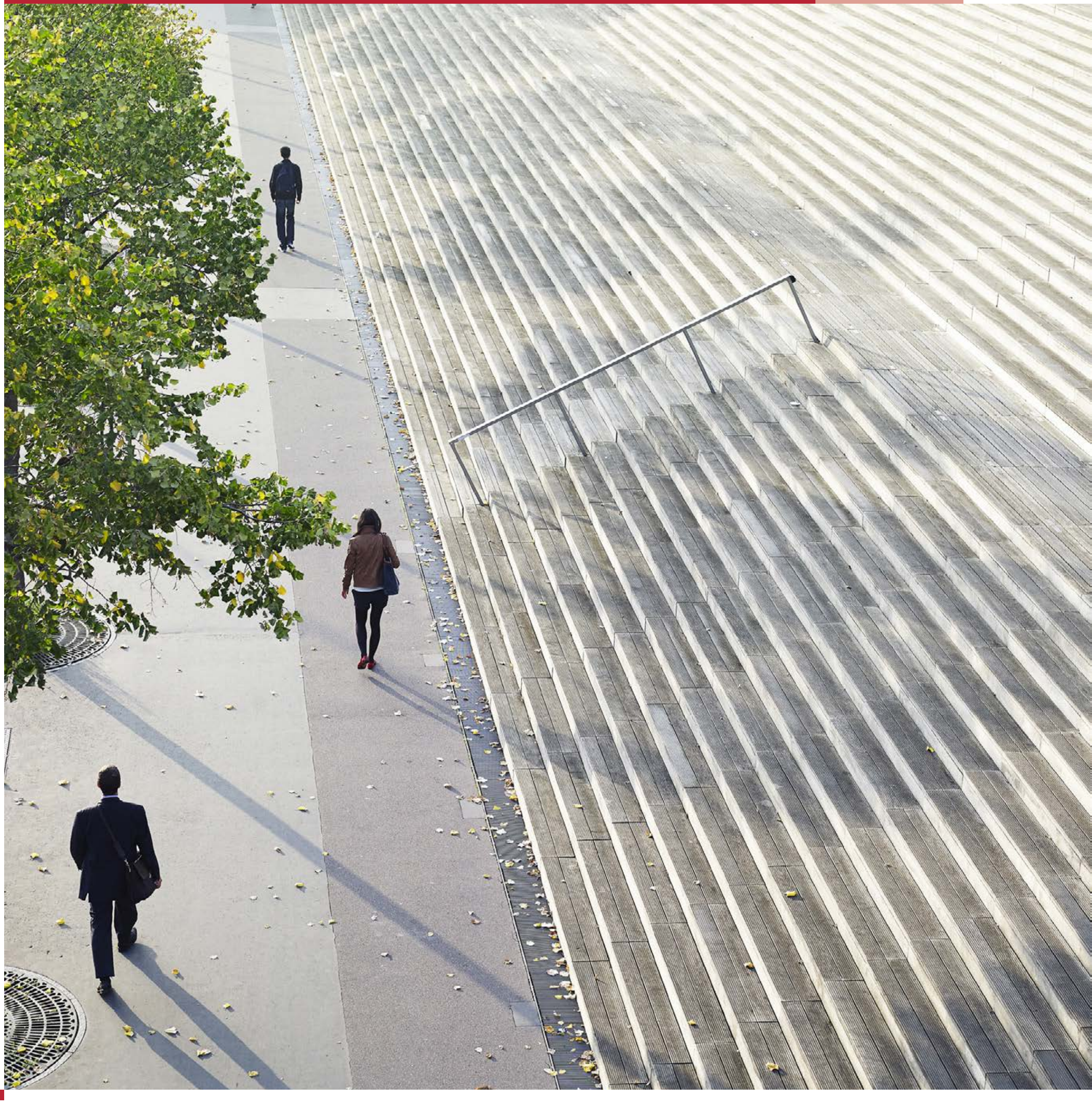
Operational controllership
The quiet evolution

February 2014

An open discussion of the challenges, changes and future direction of operational controllership



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The heart of the matter

A changing landscape

PwC recently hosted a number of senior executives from leading global companies (including The Dow Chemical Company, General Electric, Pfizer Inc. and The Procter & Gamble Company), to participate in a roundtable discussion on what operational controllership means today, and what it encompasses in contrast to technical controllership and reporting.

The topics included:

- how operational controllership is organized within their companies,
- how talent is recruited and the available career paths for their development,
- the major focus areas for operational controllership, and
- how the function will look in five years.

The roundtable represented an open discussion on a range of changes, challenges, and future direction of the operational controllership function across each company, which resonated with the entire group. The roundtable participants were able to share global and industry leading practices as well as educate themselves by comparing and contrasting approaches and experiences.

Operational controllership functions today are not consistently defined so they can encompass a variety of roles, including but not limited to technical accounting and financial reporting support, implementation of new accounting standards, simplification, process improvement, internal controls, and finance initiatives—all with a critical focus of managing risk.

Today the landscape is changing, as the operational controllership function is less about technical accounting and financial reporting support (handled by specialist technical teams) and more about creating value for the company while managing risk. The operational controller roles across the companies have evolved into new focus areas, such as reducing legal entities or improving shared services or working proactively with deal and commercial teams—all designed to drive more simplification, standardization, cost savings or revenue growth.

This evolution of the operational controllership function presents opportunities for companies to better leverage and enhance talent by providing controllers with cross-disciplinary experiences that allow them to work more effectively and bridge gaps across commercial, finance, operational and systems initiatives. With these opportunities come challenges of where to effectively position the operational controllership function within the organization, what cultural changes may be needed and how to create a career path to attract and retain these controllers as they take on more strategic roles across companies.

We want to thank our participants for sharing their knowledge, insights and experiences with us. We believe you will find this roundtable discussion enlightening and useful.

PwC is assisting our clients around the world in their efforts to create the most efficient and effective finance organizations for their businesses and to position the controllership organization to be strategic and global partners with their businesses.

John J. Klee

John Klee
Management Consulting Partner

Farhad Zaman
Deals Partner

An in-depth discussion

The quiet evolution

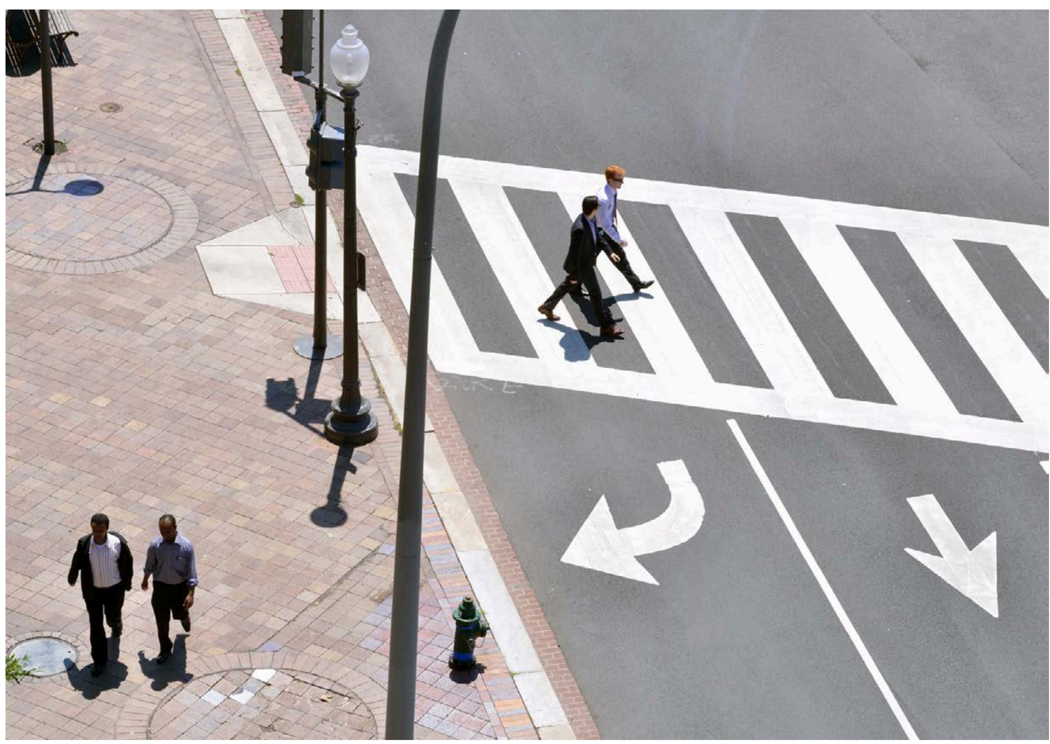
Summary

An open discussion of the challenges, changes and future direction of operational controllership

PwC recently hosted a number of senior executives from leading global companies to participate in a roundtable discussion on what operational controllership means today. The operational controllership roundtable discussion surfaced a wide range of challenges which these executives have tackled as they helped create, oversee, and interact with other finance executives and business units around the world. Key among these challenges are authority within the organization; clarity of borders with other functions, such as technical accounting controllers and financial planning and analysis (FP&A); resources and career paths; cultural factors affecting employee "buy in" for necessary change; and the five-year vision. A summary of the discussion is provided below, followed by more detailed commentary from the roundtable.

Operational controllership is not a new concept—the function varies from organization to organization from supporting technical accounting and financial reporting matters to managing operational and compliance risks across the business, to supporting the finance teams on special projects. However, today that landscape is changing into a more dynamic one where the operational controller is taking on more strategic roles to drive global process excellence, simplification and standardization efforts, becoming more of a business partner with commercial teams to enable growth while still managing risk.

These days it seems to be less about the technical accounting and financial reporting support (which is being handled by specialist technical controllers or accounting policy team), and more about how to drive a company's top and bottom lines, which is creating greater opportunities and challenges for operational controllership. Operational controllers are bridging the gaps between and crossing over into commercial, finance, process excellence, and systems initiatives.



Companies are starting to evolve various organizational structures and roles to get the maximum leverage from these deep and broad skills as they are transferable to other cross-functional business initiatives.

The operational controller function has evolved quietly into new focus areas such as reducing legal entities, or improving shared services, or running enterprise resource planning (ERP) integrations after an acquisition—all designed to drive more simplification, standardization, cost savings or revenue growth across the company.

With this evolution of the controllership function come challenges to navigate (and possibly change) existing organizational structures, corporate cultures and career paths to achieve success and be recognized as a corporate leader.

Organizing operational controllership

Operational controllership functions today are not consistently defined, so they can encompass a variety of roles, including but not limited to technical accounting and financial reporting support, implementation of new accounting standards, simplification, process improvement, internal controls, and finance initiatives—all with a critical focus on managing risk. As a result, it was agreed that operational controllers must possess both deep and broad skills in technical accounting; project management; transactional and process standards; internal controls and procedures; metrics and reporting; and risk monitoring. Companies are starting to evolve various organizational structures and roles to get the maximum leverage from these deep and broad skills as they are transferable to other cross-functional business initiatives. Various organizational models exist today but it's difficult to identify which model is paving the way for the future as each company defines the operational controller function or role somewhat differently. In some companies the business or divisional controllers take on the operational controllership function in addition to technical controllership and report in to the corporate controller. In other companies, the operational and technical controller roles are separate with both roles reporting into a corporate controller. Finance leaders may have the responsibility for planning and stewardship in accounting in some businesses, but will consult with controllership teams embedded in regions at the corporate level. In another model, business finance directors/business unit CFOs may in fact function as controllers with cost accountants aligned to them.

Cultural challenges to changing the focus of controllership in organizations. While operational controllership responsibilities expand to engage with more functions, new systems and structures are being created to support those functions. Often they require significant cultural changes that may be challenging to achieve for those who are comfortable in the old ways. "We've always done it this way" can be a tough obstacle for controllers to overcome as they attempt to drive change across their organizations. And many employees may have judged their own value in terms of the amount of data they could find and report on, causing them to feel threatened by new systems which provide this data. Turf battles between businesses and functions may develop, and issues of trust can emerge. At times, pilot programs may be challenged before they have had sufficient time to get up and running. Particularly in a matrix organization, duplication of effort and prioritization of competing initiatives become a challenge, further exacerbating issues of trust and reliability. And traditional training, focused on making individuals be owners (rather than trusting the team to own and deliver), may no longer be adequate.

The importance of the CFO. In most companies, controller functions—as well as shared services—ultimately report to the CFO. For enterprise-wide undertakings, the CFO is always engaged. Challenges that the CFO must meet in overseeing controller operations include their scope, span

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of control, efficiency, and cost. The major challenge is to establish who has ultimate responsibility for any function or operation within the business. Often it will be the CFO who holds the teams accountable even if some other organization, e.g., shared services, may be managing/performing their activities. The CFO's influence can have a direct impact on the operational controller's experiences and their propensity for success in terms of navigating conflicting goals between finance and controllership. Seemingly, the driver of controllership careers is more often the finance organization under the CFO, rather than the business unit or corporate group to which the controller is attached.

Career paths and recruiting talent

Typically, those who choose a controller's career may find after a number of years that they must decide between staying on that path or going into business finance. Another alternative may be to seek a corporate leadership position. For leadership roles, the controller must demonstrate relevant business and operational experience beyond simply being a technical accountant or a process or project manager, and in certain cases, may have to pass rigorous accreditation exams in a number of topics such as finance, IT, budgeting, people management and accounting. Companies are looking for talent that possesses finance, process and systems skills, and will hire from the outside when they are unable to find it in house. Controllers are expected to understand when there's an accounting risk, but now they are asked to quickly learn the business and manage the risk through a "commercial lens." Instead of encouraging employees to become specialists, as most companies have done historically, some are now encouraging them to become generalists. As an example, shared service center jobs have become more attractive for finance people and controllers as they let them leverage finance and accounting skills while demonstrating that they can build, lead and manage teams and/or an operation—similar to running a business unit. This increased prominence of such roles to drive bottom-line savings, combined with the operational skills and management credentials gained by running a shared services center, is providing more high-profile opportunities to controllers and further opening the doors for controllers to obtain leadership roles.

Focus areas for controllers

The focus of operational controllership is on managing and monitoring risks in the business, whether in compliance, with simplification or standardization, or in integration and acquisition and divestiture situations. The following areas are receiving increasing attention from operational controllers as companies focus on greater efficiency and cost savings:

M&A integration. Clearly, harmonizing acquisitions consumes much time, depending on the size and scale of the deals. For instance, one participant's company "had so many acquisitions that we ended up with too many cultures. People were working in silos, preventing the implementation of a common ERP and our risk strategies."

Companies are trying to leverage operational controllers to help drive synergies and also to take on deal integration issues such as systems/ERP migration, chart of accounts alignment or process standardization with a longer term view. Companies often lose momentum shortly after the closing of the transaction as the deal and initial integration teams move on to the next transaction.

Leveraging shared services. The use of shared services continues to evolve given new tools, changing cost profiles, and the best utilization of talent in organizations. Three key questions must be addressed when considering any shared services organization: i) what functions will it contain? ii) will it be operated by in-house employees or third parties; and iii) what will be the cost profile for performance?

Common functions found in shared services organizations include order-to-cash, purchase-to-pay, and general ledger accounting. The degree of standardization is a consideration that can determine whether service centers are likely to produce savings. Issues affecting both talent availability and organizational culture arise from any decision to use shared services—whether in-house or third-party—because accountability may be separated from performance. The criteria the companies use to make the shared service decisions are, in the first case, risk-focused and cost is secondary. And the greater risk the process holds, the more likely it will be kept in-house. In any event, the ownership of the activities needs to be monitored with clear accountability for the processes and service level arrangements. Clearly, operational controllership plays a key role in managing and monitoring shared services transaction risks.

Reducing legal entities. As a result of global partnerships being established through acquisitions or other means, companies have experienced a marked increase in the number of legal entities. To address this complexity, some companies have created legal entity reduction programs (LERP). Functional members of LERP teams are often from tax, legal, treasury, finance, and accounting, as well as operational controllership. Some have created legal entity stewards who do nothing but structure and guide LERPs. Whether such actions are necessary or even productive may depend on what systems are currently involved. The group agreed that being on a single system or common platform before any legal entity reduction program gets implemented is one of the keys to success.

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Operational controllership in the next five years

There was also general agreement that today's fundamentals of the operational controllership role will not change dramatically over the next five years. The primary responsibility will remain to identify, monitor and manage risks in the business and in reporting. The group did, however, believe that controllers will continue to become more strategic partners with the businesses they serve. As new opportunities emerge for growth, efficiencies and cost savings, controllers will be needed to help drive those benefits and monitor the potentially increased risk profile. Emerging markets—like the MINT (Mexico, Indonesia, Nigeria and Turkey) countries—as an example will become increasingly important for growth initiatives over the next five years but also increase risk. Shared services will continue to be a driver of change in the companies, and there will be more instances of controllership owning the work that is done by others e.g., outsourcers. Lastly, regulation will be a growing concern too and controllers will be expected to be aware of financial statement, operational and reputational risks in all areas.

The roundtable discussion

Organizing operational controllership

“When I entered an operational controllership role,” said a participant, “I saw that this had a lot more to do with simplification, process improvement, systems, and internal controls than it does with traditional accounting.” Each business in his company has a technical controllership role as well as an operational controllership role, with the latter focusing on internal controls and simplification.

“At my company it is our finance leaders in the various businesses who are responsible not only for the planning, but also for good stewardship in accounting. But they can consult with operational controllership teams that we have in each region at the corporate level. They take advantage of that consultation relationship.”

Another participant reported that his company created an operational controllership role several years ago “to meet the areas of emerging risks that were bubbling up.” The company now has a corporate controller, a technical accounting reporting group, an external reporting group, and divisional controllers who are embedded in the commercial and finance organizations. The technical and external reporting groups focus on the very technical accounting and reporting issues in external disclosures, and preparation of external reports. Divisional controllers have a broad range of responsibilities spanning controls, daily accounting issues, accounting guidance, as well as specific reviews of issues such as impairments and reserve restructurings.

“I work to help the company understand day-to-day accounting risk, net reserves, budgets, and how business deals are being transacted,” he said. The divisional controllers report to the controller, who reports to the CFO.

“Our situation is unusual when it comes to contrasting operational controllership with FP&A,” said a participant.

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“My company is somewhat similar,” said another participant. “We have a global controller with a staff of just less than ten people. Geographic or functional area leadership reports up within those teams. Our global business finance directors are, in effect, controllers, and they may have cost accountants aligned to them. We all comply with the same standards across all our work centers.” The corporate controller has key process leaders on staff and reports to the CFO.

Standardization, however, can present its own challenges. “When so much is standardized,” she continued, “and everyone is working within those standards, things can become a little ‘robotic.’ That is, people may be functioning without clearly understanding why the controls with which they are ensuring compliance were created in the first place—or what policies they were designed to support.” The company tries to minimize that through constant education.

“One of the biggest issues when using new systems is that they require cultural change as well as structural change,” commented a participant. Such change is often difficult because it involves challenging fundament assumptions about the work process which may not even be consciously realized by the employees. If “we’ve always done it this way” is the case, doing it some other way may never before have been considered.

That was the challenge one participant faced in reinventing his company's business planning process. Five years earlier, their bottom-up forecast cycle time was twelve to thirteen weeks. By the time they got to the end of that process, the data were obsolete. Now, however, this process takes only four weeks. "An essential part of that achievement was getting people to think differently about the process, and consequently do things differently," he said. "What made that such a big challenge was that we mainly promote from within, so people were used to doing things a certain way. But in planning for the new cycle, we included educating our people not just about how these processes would work, but also why they must work. They understood it, so we got the buy-in we needed."

"Our biggest cultural challenge," said another participant, "has been that we have had so many acquisitions that we ended up with simply too many cultures. People were working in silos, but we had to change that because it was preventing the successful implementation of ERP and our risk management strategies—two examples of what we had to deal with. Now it's all under shared services, and we have a common reconciliation system that works very well." A group of controllers who are part of the finance teams and are embedded in each business unit specialize in continual monitoring. Every month they examine a selection of reconciliations. "It's working well, but frankly I'm concerned about that 'robotic' threat mentioned earlier: do people actually understand those reconciliations, or are they just checking the right box?"

"Now the culture requires that new hires learn Excel and Workflow for fundamental financial tasks that we will teach them," she added.

"But a common argument against service centers is that if you replace them with new people through centralization, you will not have employees as well educated in finance. The response needs to be that service center employees will still learn finance, but in a different way. They will cut their teeth on finance by going into a shared services organization to learn a standard operation that cuts across several disciplines, rather than a manual process in a particular business."

"One cultural change that we are sorting through results from having implemented a standard reporting system two years ago with key measures for the business that you can drill down in," said a participant. "Historically, our finance people have

judged their ability to influence as a function of the amount of data that they could find, and then report on the Excel spreadsheets. But now our CFOs have told them that's no longer the case; that activity doesn't add value since the information is being delivered automatically. Those people need to realize they can add more value by taking that data now provided by the new system, analyzing it, and then using it to make better decisions for the business."

In matrixed organizations, duplication of effort is a big challenge, creating issues of trust and reliability. "There has always been an overlap issue between market development and the global business units," said one participant. "The market development people receive the plans from the global business units, and wonder if they can trust those plans, since they did not create them. So it becomes a serious issue in matrixed organizations. You have to trust that people will do a good job."

"My CEO often says, 'Play your position,' said a participant, "meaning be a good teammate, do your job and trust that your co-workers will also do theirs. But it's tough because we train our people to be owners."

The participants agreed that being a good teammate can be interpreted in different ways. "In my company," said one, "where the businesses are not responsible for the type of work and compliance activity that we controllers do, if we come into a business to examine something, e.g., inventory re-measurement, and our opinion differs from theirs in a negative direction, they will complain that we are preventing them from making their numbers. We're not considered good teammates. I call it 'the victimization game'."

"That problem goes back to the pros and cons of the functional vs. business ownership," responded another participant. "We have spent a lot of time trying to get our CFOs to own the accounting, and to treat their controller the same way they would their FP&A leader—including giving them a seat at the table. But we have to deal with the mentality of 'I run the business, and you just account for it.'"

Pilots are one way companies are achieving successful change. "We created a pilot when we transferred some financial processes," said a participant. "Making a change in one business unit where it has some receptivity and a higher probability of success makes a lot of sense. It's much better than tackling everything at once."

"The challenge with pilots," answered a participant, "is that you have to let them run for a while. You can't stop it just because you get a couple of bad results. For example, we ran one that people wanted an update on after just three months, but we hadn't enough experience to justify the pilot at that time."

For each company, shared services as well as most controller functions are led by the CFO. "In terms of how my company is structured," said a participant, "for big initiatives—like an ERP implementation—the Corporate CFO has the lead. IT reports directly there, and so do the finance lead and the controller. All of our shared services report there too. So for any big initiative, you're going to have a cross-functional set of teams working with the CFO."

"What should the CFO be worrying about?" asked one participant. "Our business finance people are responsible for working with the businesses for profitability purposes and to ensure stewardship around the operational aspects. Is that what a CFO should be focusing on? The controllers group, on the other hand, is providing a service by doing all of the compliance-related or accounting-related tasks."

"It's difficult in a matrixed organization," said another participant. "When we look at our finance CFOs, their main jobs are with the commercial people in the brands. What we need is information on the commercial teams. The biggest risk we focus on is whether finance is tuned in on what's happening in the businesses."

"Finance is finance," said a participant, "whether you're in business finance or in a controllership function. Finance is usually driving their careers, not the business. And finance people tend to stay in that function."

Career paths and recruiting the talent they demand

"In my company someone may begin on a controller path, but usually after ten years or so will have to make a choice between staying on that path or going into business finance," said a participant. "The model varies, however; we've had controllers move into business finance just for a couple of years before moving back. To move ahead, it's important to get some business experience at a higher level than being just a cost accountant."

"At my company," said another participant, "we have two basic career paths. Everyone comes in through Finance and Development. You can stay on that long term, and end up a group manager. Or you can aspire to the senior leadership path. That's available to those who have been identified as having the highest potential. Certain skills are required to advance on that path. For example, no one can achieve the highest band without having been certified in accounting skills by our internal board. Within corporate accounting and tax, however, we have not been able to get the talent we need through our normal recruiting, so we hire outside people—often from the Big Four public accounting firms."

"In my company someone may begin on a controller path, but usually after ten years or so will have to make a choice between staying on that path or going into business finance."

"We find ourselves in a different situation," said a participant, "after our post-SOX hiring campaign, which brought in a lot more CPAs. Now we're looking for process and systems experience, and have few blended skill sets in-house." The company is struggling to find an appropriate balance between promoting talent within because of their familiarity with the corporate culture, and going outside to acquire some fresh thinking and that blended process/systems experience.

"We've done some of both," said another participant. "Our shared services organization has been in place since 2000, and the capability of those people has grown a lot, for example in systems implementation and project management. But we still supplement those skills by our third-party providers."

"While technical controllership is supposedly becoming more technical, and operational controllership is becoming broader—with controllers trying to be business partners—where will the talent be found for each role?" asked a participant.

"I have a need," answered one participant, "for people with a blend of finance, systems, and process. I don't have that among my own people now, and I don't need a CPA for that. I want a project manager who can communicate and who understands the systems implications and can help drive the finance side of systems. That's where I want to create a career path. They are not just finance nor are they solely IT. In five years you can't be a CFO if you haven't implemented ERP, and you really can't implement it on the IT side if you don't understand finance. That's a skill set that we're looking for, and then weave it into our company culture."

"When we're looking for controllership skills, we want someone who is well-rounded, who understands that there are business and financial risks."

"For years, we've been coaching people at my company not to be generalists. 'Find a specialty,' we've been telling them. But now we're looking for broader talent, like how to implement a cash-flow process," a participant added. "Public accounting firms are not preparing people for operational controllership. The audit experience their people have is very valuable, but it needs to be mixed with systems, process, and communication."

"At my company," said another participant, "it's a pretty standard rotation to go through an internal audit role, which is about a three-year commitment. That's one of the few really cross-functional finance development roles that we have. It's important that those people not only be able to work with the system, but understand as well where the process came from."

Service center jobs are growing in attractiveness. "The two highest levels of management in the service centers now are coveted roles in my company," said a participant. "Two of our largest service centers are run by finance people. The role isn't purely financial, but rather operational, and it requires verification of thirteen skills—seven in finance, six in general business."

Focus areas for controllers

The companies populated their various shared services organizations in different ways. "In our financial shared services," said a participant, "we have order-to-cash processes, purchase to pay, payroll, cost accounting, and general ledger responsibility for the entire company. Our businesses don't do accounting journal entries since shared services—as well as corporate accounting—can do them. We have 7,000 people in all of shared services."

The companies also differed in the degree to which their service centers were outsourced to third-party providers. "The phrase 'shared service' can have a variety of meanings," said one participant. "For example, the leader of payable shared services is from controllers, and we also have responsibility for financial accounting as well as part of the invoicing and accounts receivable. Although we are a shared support to the businesses, part of what we do is either fully in-house or is supported in the service center models in China and India. Some in those service centers are our own people, but in others are third parties."

"Although we did not move financial services to a third party, we did outsource most of our IT," responded a participant. "On the contrary," said another participant, "most of our IT remains in-house as well as our shared services."

"At my company we ask three questions about everything we do. First, what is the business reason for doing it? Second, what risk is there if we do it? Third, what is the optimality in cost structures for doing the work? That's how we look at a shared services decision."

"I have a number of shared service responsibilities," reported another participant. "We've been working for the last year to move back-office processes to shared services. Then we will get into updating our legacy systems structures for those activities left within the business."

"The challenge with outsourced shared services," said a participant, "is finding a location where the cost will stay low long enough. In Shanghai, where we have in-house employees, the cost has risen very high. And the same is true in India now."

Shared services organizations are usually justified by their cost savings. Often that is seemingly the most important—if not the only—criterion. "How much investment did you need to get the cost savings you expect from consolidation?" asked one participant. "Did you have trouble selling that to upper management?"

"The biggest responsibility I see is to make sure that you have the right monitoring controls downstream for any outsourced service. A business leader, for example, may notice a big swing in a receivable account that doesn't look right, and the work reflecting it would be downstream, so the control must be there too."

"My company had to integrate a large acquisition. We declared as soon as the acquisition was complete that we would have common systems. And we were helped by the acquired company's culture of executing a decision once it is made, rather than continuing to debate it. As a result, eighteen months later we were able to get on a 'common order pad,' allowing us to approach customers as a single company globally."

"We definitely had to sell our initial implementation of SAP," said a participant. "It went all the way up to the CEO and the audit committee. But more recent transformations have been done in an environment where people already believed that you had to invest in systems to automate and then achieve greater productivity. The culture changed."

Having an effective shared services operation often depends on the cultures of the businesses staffing it. “Historically, we have always had very strong businesses, and very independent from each other,” said a participant. “As we move toward shared services, we need more coordination among them, and we need a cultural change to get there.”

“We’ve been using shared services for a long time,” said one participant. “ERP and shared services were enterprise-wide decisions, and they were driven by anticipated efficiencies and cost savings. When we needed to know what the control risks were, we involved the controllers.”

“We are very risk-conscious at my company,” responded another participant, “but we don’t seem to focus much on what the benefits could be from shared services. I agree, we need to prove that it works. But we first have to realize that it can work.”

“I think there are important benefits other than cost—qualitative benefits. But they are harder to sell to upper management simply because they are not quantitative,” said another participant.

“Our tendency is to bring more scope into the shared service center for the obvious benefits.”

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One goal all the companies shared was the need to reduce legal entities. For some, however, the pressures of other priorities have prevented them from aligning the necessary resources. “We are targeting about 200 entity reductions,” said one participant, “but we still have a lot of reviews before that can take place. And people are not excited about doing this.”

Another company, with over 400 legal entities, created a legal entity reduction program (LERP) several years ago which has achieved a 35 percent reduction. “We have legal entity stewards across the world,” said a participant who had a hand in the reduction. “Most of those entities we got through acquisitions. The Corporate Finance Committee organized the reduction process, coming up with all the steps we needed to take. Then the whole thing was driven by Tax and co-led with the accounting people.”

Each business area in my company has a LERP team with key functional members from Tax, Legal, Treasury, Accounting and Finance,” said another participant. “Their work will also impact Supply Chain and Human Resources, so those operations will have representatives too. Together they target the LERPs and then Tax ensures that we don't create any negative impacts from the activity."

"The decision to reduce a particular legal entity should be reviewed in the context of the systems it's running on," observed one participant. "It may be that those systems are creating complexity, and not that there are too many legal entities."

"I agree," responded another participant. "We knew we would have a lot of duplication after we got a new acquisition, so we waited until we got everyone up on the same system before we started our LERP actions."

Operational controllership in the next five years

"Certainly emerging markets will have an effect on controllership, as the companies look for growth opportunities and cost efficiencies in emerging markets beyond the BRICs (Brazil, Russia, India, China). China, for example, has wage inflation and the so-called 'Post-China 16' countries have lower wages and, together, can undercut China, making them increasingly attractive to companies," said a participant.

"We all expected IFRS to qualify as a macro-trend," another said. "We were told it would take us three years to get ready for it. We are trying to get our general policy practice and ledger use ready for those countries that will be required by statute to use IFRS. We realize that each country will interpret certain aspects of it differently, but we can still create a framework. So IFRS work continues, but more quietly than a few years ago."

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"At my company," said a participant, "we have already done our planning for IFRS. The biggest change that will occur in our financial leadership over the next five years will involve more decision support activity, possibly moving into shared services centers." Some of the higher value functions may have transactional components that are repeatable tasks which could be run out of a services center. The company has already centralized several. "These activities were not very glamorous, and weren't staffed with the best people. But we brought them together, scaled it, developed standardized work processes and within 18 months brought the headcount down 30 percent with a better service product. I see more of that in the future." There may be trade-offs in centralization and outsourcing. "You may be getting savings from a centralized service, yet part of your savings may be disappearing because of internal people who are now required to spend more of their time training the services center people," claimed a participant.

"Although that can happen," responded another, "you need to have a defined time frame for your service center activities. If the internal training continued beyond that time frame then you got the scope of the project wrong."

Not everyone foresaw major changes in the immediate future. "From an operational controllership perspective, I don't see the fundamentals changing over the next five years," said a participant. "My company, for example, will be focused on reacting to the risks our businesses will face. The internal risk is that we are going through an entire segment reorganization, so from an operational controllership perspective the issue is how we should evolve with that reorganization. If we reduce our segments, and therefore move products into new segments, how might that affect us? The external risk is regulation. We must make sure that our people understand their financial statement risk in all these areas within the next three or four years. So while I don't think the fundamentals will change much for the business over the next five years, the focus areas are changing."

Another participant believes the impact of shared services will be a main driver of change in the future. "Right now," she said, "operational controllers are spending a lot of time on accounting activities that are shareable, e.g., account reconciliations. Shared services can take care of that. The result will be that controllers in five years will be more focused on the right governance, better handoffs among organizational units, and developing better controllers."

"In five years you'll see more controllers functioning as strategic partners to the business," said another participant.

"We have a clear technical and operational controllership model which works for us," said one participant. It removes all the transactional activity and places it within shared services. That frees operational controllers to become the contact point, not only with shared services, but also with policy creation, technical development, supply chain, and commercial support.

"The operational team is fundamental in two ways: one is making connections in process, governance, and metrics. The other is a new role they can play in underdeveloped markets, e.g., Africa, where we have statutory and compliance issues, and in connecting regional controllers to our business line controllers. And as we start selling more things in sub-Saharan Africa, there's an operational controllership risk function that needs to ensure that we're getting connected to deals in other high growth regions, e.g., the Middle East. The result is that there will be a value-added role of controllership that is much more elevated that what they are doing today. We have a real opportunity to leverage operational controllership."

"Over the next five years," said another participant, "there will be increasing examples of organizations owning work which in fact others will do. Those resources freed up, therefore, will have new opportunities to add value."

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What this means for your business

Improving the effectiveness and efficiency of your operational controllership organization

The evolution of the operational controllership presents opportunities for companies to create more effective organizations that can better leverage and enhance talent allowing operational controllers to play more strategically across commercial, finance, operational, and systems initiatives. How can you improve the effectiveness and efficiency of your operational controllership organizations? Consider these questions which will help you think about how best to develop and leverage the operational controllership.

Build the most effective organization

Given the broad variety of roles that operational controllers play today, it is important to create organizations that both focus their skills on their most productive uses, and also provide institutional leverage to magnify their effects. Ask yourself:

- As operational controllership responsibilities expand to engage with more functions, are we creating new systems and structures to support those functions?
- Are there any cultural challenges to changing the focus of controllership in our organizations?
- How actively involved is the CFO with operational controllership functions, including their scope, span of control, efficiency and cost?

Find and develop the talent you need

Companies are looking for operational controllership talent that possesses finance, process and systems skills, coupled with strong business acumen. Questions to ask:

- Do our operational controllers understand our businesses such that they can evaluate the accounting and financial risks through a "commercial lens"?
- How are we recruiting, retaining and developing this cross functional skill set across our controllers?
- Are we developing leadership opportunities (such as shared service center roles) where operational controllers can leverage finance and accounting skills while demonstrating that they can build, lead and manage teams?

Focus areas for controllers

Several areas are receiving increasing attention from operational controllers as companies seek greater efficiency and cost savings. To determine how your team is doing in those key areas, ask the following:

- Are we leveraging operational controllers to help challenge and monitor synergies in M&A integration and to help resolve deal integration issues such as systems/ERP migration, chart of accounts alignment, and process standardization?
- How involved is our controllership team in setting up shared services centers, in evaluating what functions are best performed by these centers, and monitoring downstream risks?
- How focused are we at driving simplification efforts by reducing legal entities?

Operational controllership in the next five years

The primary responsibility will remain to identify, monitor and manage risks in the business and in reporting. However, controllers will become more strategic partners with the businesses they serve. To prepare for that future, ask:

- Is our organization training our operational controllers to become more strategic partners with the businesses they serve?
- As new opportunities for growth emerge, and with them greater risks to our business, will our controllers be prepared to drive those benefits and monitor those risk profiles?
- As shared services continue to expand, is our organization ready for controllership assuming ownership for the work that is done by others?

Operational controllers are taking on more strategic roles across companies. As new opportunities emerge for growth efficiencies and cost savings, operational controllers will become more critical to help drive those benefits and monitor the potentially increased risk profile.

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To have a deeper conversation about how this subject may affect your business, please contact:

John Klee
Management Consulting Partner
PwC
(646) 471-2828
john.klee@us.pwc.com

Farhad Zaman
Deals Partner
PwC
(646) 471-5376
farhad.zaman@us.pwc.com