

# THE TRANSFORMATIVE CONTROLLER

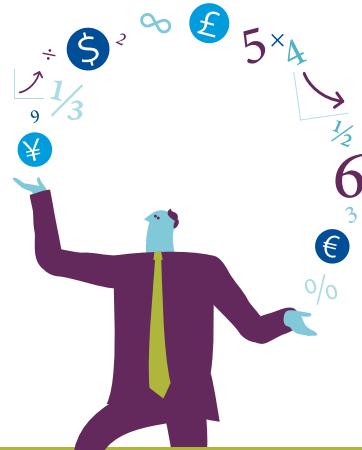
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# FOREWORD

The corporate controller's role continues to transform. Driven primarily by advances in technology and the need for organizations to capture, manage and leverage data to enhance an organization's performance, the controller is at the center of the corporate universe. Increasingly, companies are expecting the controller's office to be a central resource for critical business information that informs the decisions from the C-suite and across all important operations. Highly effective controllers no longer simply provide a rearview-mirror look at company financial data but offer a window into the future.

**A**s you will see in this report, controllers at companies of all sizes are harnessing technology to play a more transformative role in their organizations. And because of this mind-set and experience, they expect external audits to also be technology-enabled and to do more—from providing greater insights about their industry, to identifying issues and trends that can impact their business, their processes and their controls in the future.

At KPMG, we continuously focus not only on how data and analytics and new technologies are transforming the financial audit, but also on how they can improve quality and increase value. In collaboration with leading technology companies, we are fostering technological innovations that we believe will impact the audit, our clients and the capital markets. For example, we are making significant investments in audit innovation through the utilization of new technologies, such as cognitive intelligence and data and analytics applications. These capabilities, especially cognitive technology, will help harness immense processing power and learning capacity to aid our professionals in gathering and analyzing vast amounts of both structured and unstructured data in support of the audit. Using this technology will also enable our auditors to move more quickly and comprehensively through an audit, while advancing improvements in audit quality and enhancing the value we can provide.

We hope you find this *Forbes Insights* survey, sponsored by KPMG, informative and thought provoking—helping you better understand how the role of the “transformative controller” can be a rich resource for C-suite executives, operating managers, sales and marketing and many other functional areas of a business. I believe this trend will continue as the impact of these high-performing controllers grows and takes on greater significance.



**Scott Marcello**  
U.S. Vice Chair, Audit  
KPMG LLP

# INTRODUCTION

Today the corporate controller's role goes well beyond reporting and compliance. In organizations of all sizes across all industries, management is looking to the controller's office to add value and insight to the business at a new level. Increasingly, companies are looking to today's controller to see and interpret an uncertain future, expecting him or her to help bridge the gap between historical data and forward-looking insights to help keep the enterprise at the top of its game.

**A**t the same time, the external audit has never been more rigorous, and the expectation for a high-quality audit has never been higher. Many company executives say that the external audit can and must do more—and do it more effectively.

At the intersection of these two trends is, of course, technology. Harnessing new technologies is key to helping controllers perform their traditional jobs better while also expanding their impact. These expectations and needs are requiring controllers to expand their roles and provide greater value to their organizations.

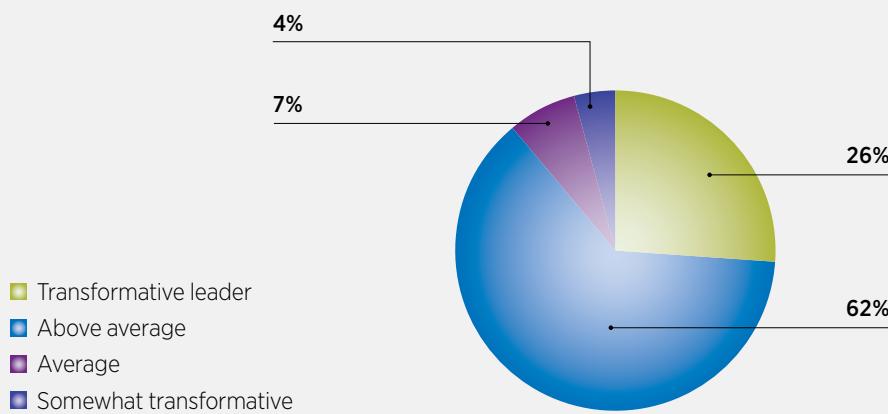
This paper highlights the results of a survey of 202 controllers—along with one-on-one interviews with several public and private company controllers—to find out how they and the companies they work for are increasingly viewing the controller's office as an asset to the entire enterprise. No longer simply a repository for historical data, the controller's office has become a place to turn to for mission-critical information and insights that can help senior executives and operations managers make more-informed decisions about their business strategies, the marketplace and the competition.



KEY FINDINGS

# THE TRANSFORMATIVE CONTROLLER

## Controllers' view of their place on the continuum of transformative controllers



## Characteristics of a transformative controller

Understands the goals of larger organization

49%

Committed to adding value to operations and the organization as a whole

44%

Empowered by CFO and CEO to adopt new technologies and initiatives to help the business

43%

Able to access and leverage information for the benefit of the organization

41%

Knows how his/her department intersects with operations

34%

Multiple responses allowed



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### Top reasons controllers are able to play a transformative role

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Multiple responses allowed

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### Current transformative responsibilities

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Multiple responses allowed

# MOST CONTROLLERS ARE LOOKING AT THEIR ROLES DIFFERENTLY

The vast majority of financial controllers are looking at their roles differently. They are using new technologies to expand their roles from reporting and compliance to becoming a central resource for their company, providing key data and insights to help operations produce better outcomes and stay ahead of the competition.

**W**hile the characteristics of a transformative controller may vary somewhat from organization to organization, survey respondents were in broad agreement in several areas. Specifically, when asked to describe the key characteristics of a transformative controller, the number one response was “understanding the goals of the larger organization.” This was followed by “committed to adding value to operations and the organization as a whole,” “being empowered by the CFO and CEO to adopt new technologies to help the business,” “the ability to access and leverage information for the benefit of the organization” and “knowing how his/her department intersects with operations.”

Angie Sanders, senior vice president and controller of Principal Financial, touches on the essence of our study when she says, “I think a big part of the foundational aspect of what we do as accountants is to create a bridge between historical reporting—which is still very important to our external stakeholders—and what it can tell us about the future. I think we can be effective in both worlds and create a good bridge between the two.”



WHEN ASKED TO DESCRIBE THE KEY CHARACTERISTICS OF A TRANSFORMATIVE CONTROLLER, THE NUMBER ONE RESPONSE WAS “UNDERSTANDING THE GOALS OF THE LARGER ORGANIZATION.”

# A MORE COLLABORATIVE APPROACH

Controllers today are playing a much more collaborative role within companies. Because they enjoy the support of the CEO and CFO, they have a clear understanding of the goals of the organization and greater access to information across the enterprise. This allows them to work closely with operating managers to, among other things, flag problems and help develop solutions to support business objectives.

Allen Shenkman, CFO of SAP North America, sums up the role of today's controller, saying, "I think business itself is transforming, and finance is part of that collaborative approach. So when I look at what our controllers do here at SAP, it's much different than 10 years ago. Ten years ago you were much more prone to go to your controller and ask, 'Am I in compliance with my expenses, or how much do I have left in my marketing budget?'"

He continues, "Today, the world is much more collaborative. That's driven partially by technology and partially by culture. People look to their business team—whether it's their controller or their in-house lawyer or their marketing executive—to be part of a team and collaborate. Controlling is helping to drive the numbers and helping to make business decisions, and it is a very valuable resource for any business unit or business leader. They are part of the team, and at SAP they are very much integrated with what's happening on a day-to-day basis, helping the business decide what they're going to drive, where they're going to make investments, and helping them understand how economics play into that."

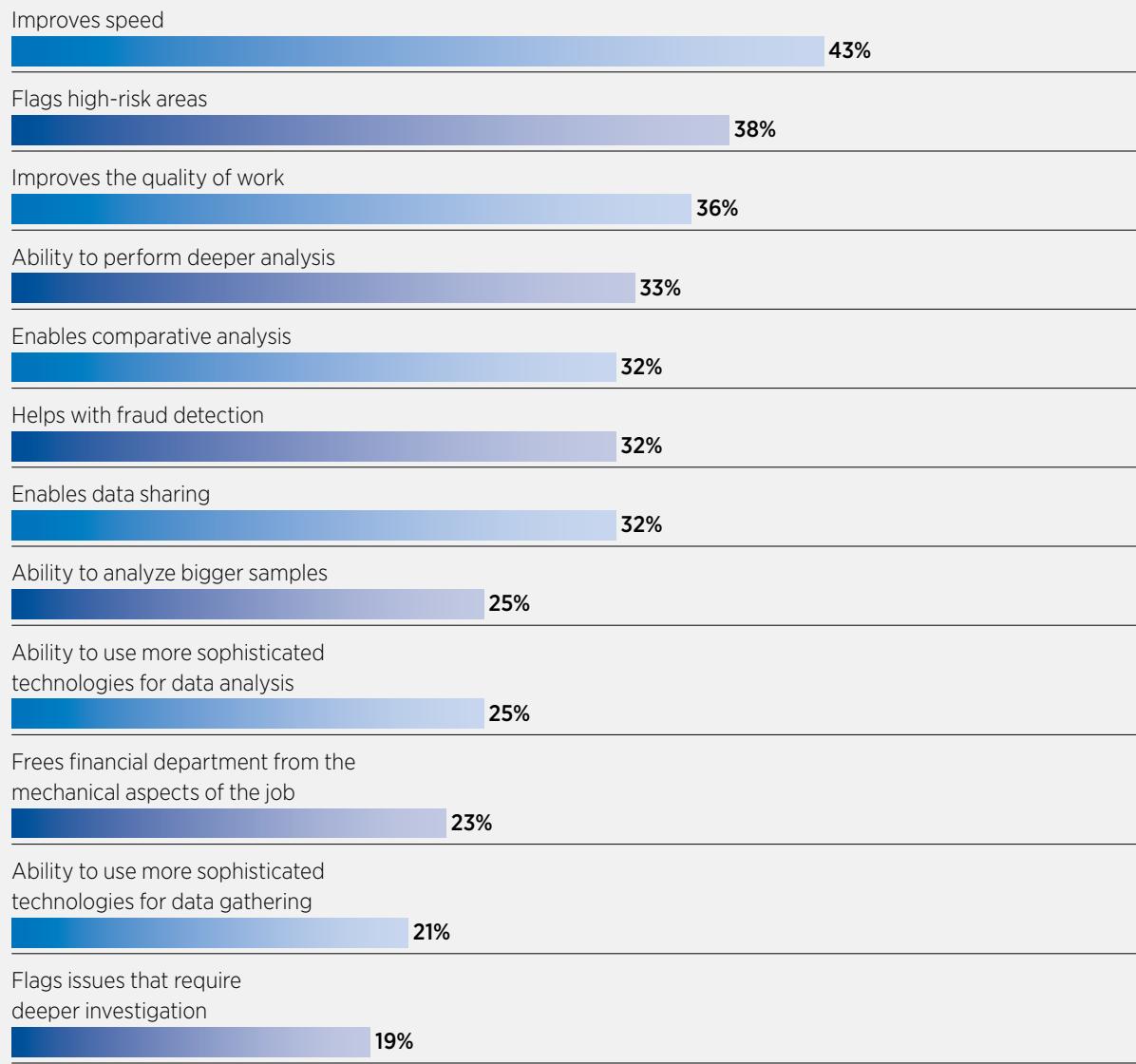
TODAY, MORE OPERATING  
MANAGERS LOOK TO THE  
CONTROLLER AS A BUSINESS  
PARTNER WHO CAN NOT ONLY  
BRING HARD DATA TO THE  
TABLE, BUT WHO CAN ALSO  
BRING A DIFFERENT  
PERSPECTIVE ON CHALLENGES  
AND OPPORTUNITIES FACING  
THE BUSINESS.

As Shenkman notes, corporate culture also matters. While the survey found support from the top is key, a culture that embraces an expanded role for the controller opens doors and encourages collaboration. Today, more operating managers look to the controller as a business partner who can not only bring hard data to the table, but who can also bring a different perspective on challenges and opportunities facing the business.

**KEY FINDINGS**

# TECHNOLOGY-DRIVEN EXTERNAL AUDIT

## Top benefits of technology-driven external audit



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## Key insights from technology-driven external audit

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A more holistic view of the state and prospects of the company

**38%**

A forward-trending view of risks

**38%**

Industry knowledge of a market sector

**37%**

Insights leading to proactive quality assurance  
and regulatory compliance

**36%**

A forward-trending view of data

**32%**

Help assessing risks and risk management practices

**29%**

Ability to capture and explore  
data interdependencies

**27%**

Ability to gather real-time data

**27%**

Ability to employ data and analytics

**26%**

Multiple responses allowed

# TECHNOLOGY-DRIVEN EXTERNAL AUDIT ENHANCES PERFORMANCE ANALYSIS AND INDUSTRY COMPARISONS

Although the financial audit's primary function is to verify company information for stakeholders and regulators, with a focus on supporting the capital markets, many controllers report that they have gained insights from technology-driven audits that have provided a wide range of benefits at the enterprise level.

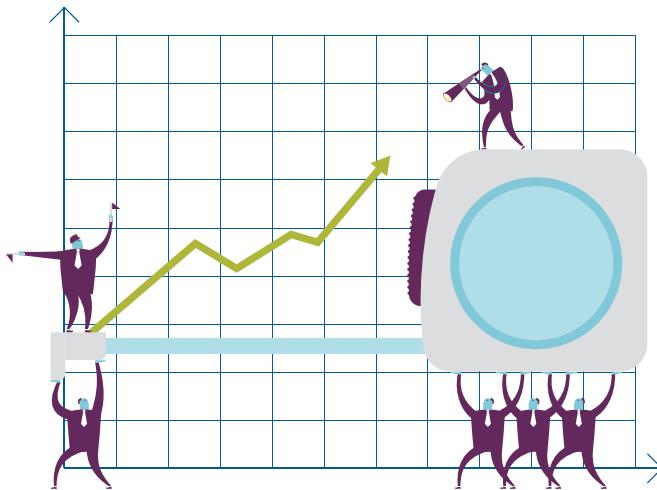
**M**ore than 70% of the controllers surveyed, for example, say that a technology-driven external audit provides insights into the industry that help them compare their company's performance with other companies. Additionally, a third or more of respondents say a technology-driven external audit improves speed, flags high-risk areas, improves quality of work and allows the auditor to perform deeper analysis. Other

benefits cited include fraud detection and data sharing as well as the ability to analyze bigger data samples and use more-sophisticated technologies for data gathering and analysis.

The top insights controllers gained from a technology-driven external audit were a more holistic view of the company's prospects, a forward-trending view of risks, greater industry knowledge, information to improve quality assurance and regulatory compliance, and help in assessing risk and risk management practices.

Says Principal's Sanders, "It is imperative that our auditor conducts a high-quality audit in an efficient manner. That's just a given. But they are also using data analysis, common sense and whatever else it takes to observe, inquire and understand how our business changes and how those changes will manifest themselves in the financials. While I would never rely on my auditor to help run my business or be my advisor, I certainly look to them to provide another perspective on how we look at things and what we should focus on going forward."

For small- to medium-size companies, the insights gained from the external audit may be even more important, providing data and intelligence that companies are unable to develop on their own.





Thomas Swietek, controller at IXP Corporation, a Princeton, N.J.-based public safety firm that provides consulting and managed services for 911 dispatch centers nationally, explains, "Being a small- to medium-size company, we rely on our auditors more for information about our industry and as a second set of eyes. I try to stay on top of things, but we don't have the resources to do extensive industry research. Our auditors can tell us things about industry trends and best practices that you can't find in magazines or newspapers."

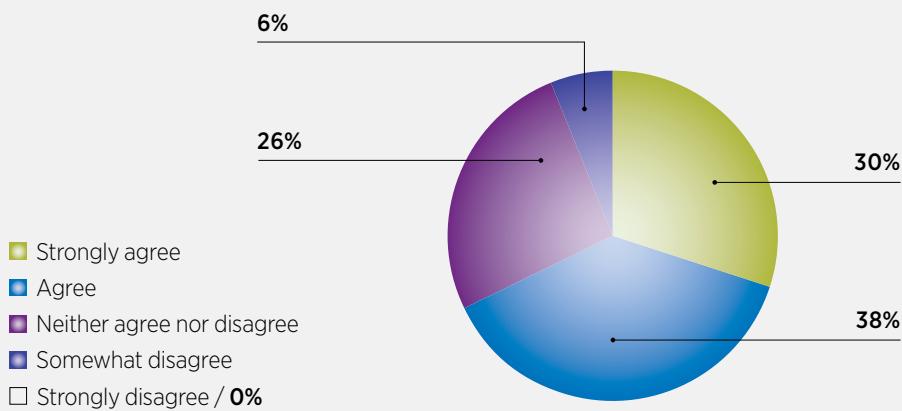
He adds, "Because of the size of the companies they are dealing with, they are able to build a database of similar size companies and provide us with benchmarks for things like turnover and profitability as well as insights into industry trends, both nationally and regionally. Of course, they don't share names, but they give you a very good picture of what companies similar to IXP are doing. I get a lot of value from that."

FOR SMALL- TO MEDIUM-SIZE COMPANIES, THE INSIGHTS GAINED FROM THE EXTERNAL AUDIT MAY BE EVEN MORE IMPORTANT, PROVIDING DATA AND INTELLIGENCE THAT COMPANIES ARE UNABLE TO DEVELOP ON THEIR OWN.

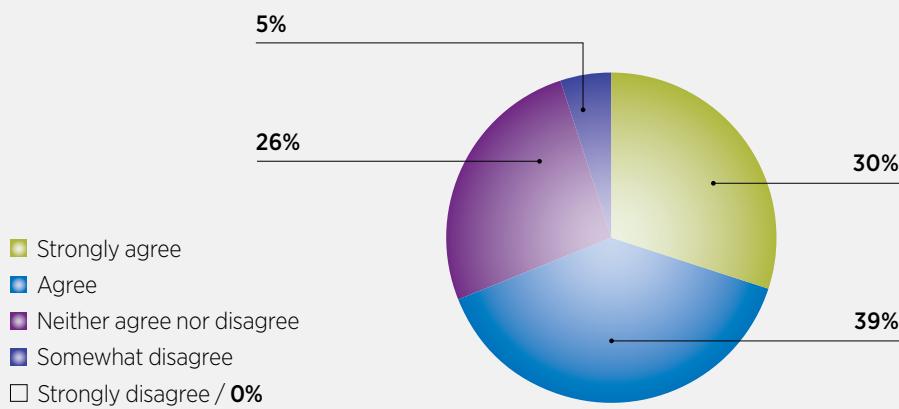
KEY FINDINGS

# ROLE TECHNOLOGY PLAYS IN ENHANCING REGULATORY REPORTING PROCESS

Improved audit technologies can enhance quality, transparency and accuracy of reporting process



Improved technologies can enhance audit quality and provide more comprehensive view of key data



# TECHNOLOGY-DRIVEN EXTERNAL AUDITS ENHANCE QUALITY, TRANSPARENCY AND ACCURACY OF REPORTING PROCESS

More than two-thirds of the controllers surveyed agreed that improved audit technologies enhance the quality, transparency and accuracy of the compliance and reporting process. They also reported that technology-driven external audits improve the quality of the audit, provide a more comprehensive view of key data and free up staff time from tasks that were previously performed manually.

**A**ccording to most, the external audit is providing more value than at any time in the past, and this appears largely to be because external auditors have adopted new technologies and harnessed them to provide both higher-quality audits and a better view of issues and trends that may impact a company's future.

However, controllers cannot rely solely on external auditors for bringing new technologies to the table. Those in the controller's department must be technology advocates within their organizations and continually evaluate new processes and systems that will not only make their key processes more effective and efficient but also help keep their companies at the leading edge.

Paul Stephens, AT&T's controller at the time we spoke, explains: "Controllers must be advocates for new technologies, processes and systems that can help business leaders and operating executives make more thoughtful and knowledgeable decisions. It's also vital that controllers provide leadership for reporting to shareholders—especially defining key information and metrics and clearly linking these to operations."

Stephens, who is now in another role with the company, adds, "At AT&T, we launched something called 'Program Alliance,' a collaborative effort between the controller, business unit, finance and technology development teams, to build a robust data warehouse to provide key metrics and detailed sales volume, revenue and expense information. The initiative not only helps my team do its job better from a compliance and regulatory reporting standpoint, but it also provides ready access to data and analysis for operations executives across the company."

KEY FINDINGS

# CHALLENGES AND COMFORT LEVEL

## Top challenges that technology poses for the finance department

Silos between finance and IT

52%

Lack of tech-savvy people

41%

Increased demands for more data and analysis

38%

Lack of executive buy-in

36%

Lack of training

35%

Budgetary constraints

34%

No vision on how to translate  
technology into business benefits

20%

Culture

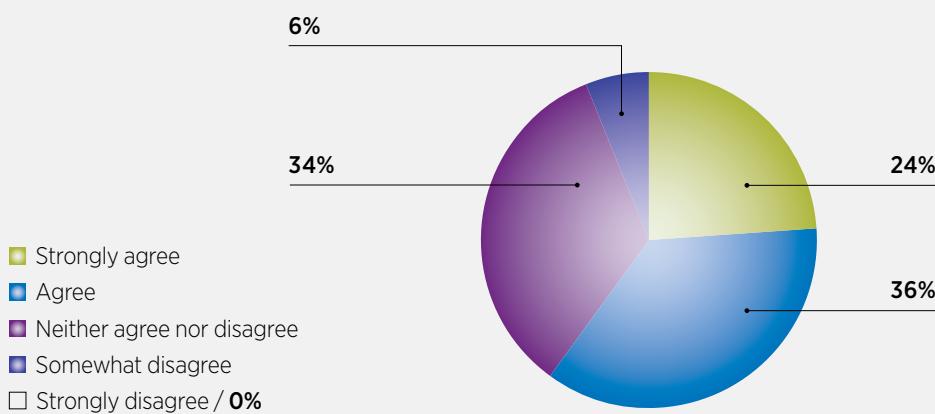
14%

Multiple responses allowed

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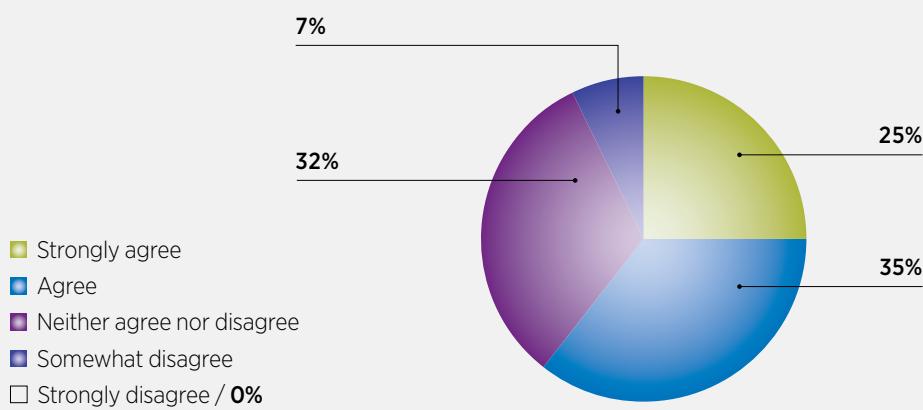
### Engagement with external auditors has advanced my use of technology

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### Use of new technologies in the audit has improved the quality of my external audit

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Note: Does not equal 100% due to rounding.

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# SILOS AND OTHER CHALLENGES STILL EXIST, BUT MOST CONTROLLERS ARE AT THE FOREFRONT OF TECHNOLOGICAL CHANGE

Despite progress in many companies, more than half of all respondents said that silos still exist in their organizations and this is a major barrier for controllers who want to move beyond their traditional role to provide greater value to their companies. Other leading challenges include the lack of tech-savvy people, lack of executive buy-in, lack of training and budgetary constraints.

Yet, through their work with external auditors, most controllers are making real progress on the technology front. Nearly two-thirds of respondents reported that their engagement with external auditors has advanced their use of technology and that new technologies have improved the quality of their external audits.



Controllers understand that technology is a game-changer for most businesses, whether it is for sales and marketing, operations, customer relationship management or the controller's office. What's more, transformative controllers are always on the lookout for new technological advances, such as cognitive computing systems, to help them discover new insights and more innovative ways to do their jobs. Cognitive systems represent an entirely new era and are poised to bring unprecedented levels of automation and productivity to an enterprise, including functions traditionally driven by human judgment and experience.

Bronson Reed, senior vice president and global controller of Harman, explains, "I think the drive for seeking out new technologies comes from a focus on quality, cost and productivity. If there is a way we can get better data cheaper, that's the way we're going to go—whether it's with our external auditors or if it's internally through our data analytics capabilities."

He adds, "To get better data in a more timely way, we are rolling out a management dashboard with real-time data in it. Most of it is data we already have, but we want to consolidate it and make it more accessible. It's a continuous improvement kind of culture that drives this."



To Bryan Proctor, senior client partner and global financial officer practice leader at Korn Ferry, bringing about technological change is all about leadership. Even if there are silos and other barriers, transformative controllers must take the lead and bring new technologies to the attention of their organizations.

“The number one thing we focus on for our clients is leadership—even in technical roles or what once were seen as purely financial roles, such as controllers and CFOs,” Proctor says. “It’s the number one thing that will trump one candidate over another. Smart technical skills are critical, but true leaders will always win the race because they’re able to mobilize the efforts of the finance organization, whether the efforts are reporting and compliance or more broadly business oriented.”

TRANSFORMATIVE  
CONTROLLERS ARE ALWAYS  
ON THE LOOKOUT FOR NEW  
TECHNOLOGICAL ADVANCES,  
SUCH AS COGNITIVE  
COMPUTING SYSTEMS, TO HELP  
THEM DISCOVER NEW INSIGHTS  
AND MORE INNOVATIVE WAYS  
TO DO THEIR JOBS.

# MOVING FORWARD

The survey clearly shows that companies and organizations that embrace the transformative controller have an edge in virtually every aspect of their business. The controller's office can be a rich resource for C-suite executives, operating managers, sales and marketing and many other functional areas of a business. And this trend will continue.

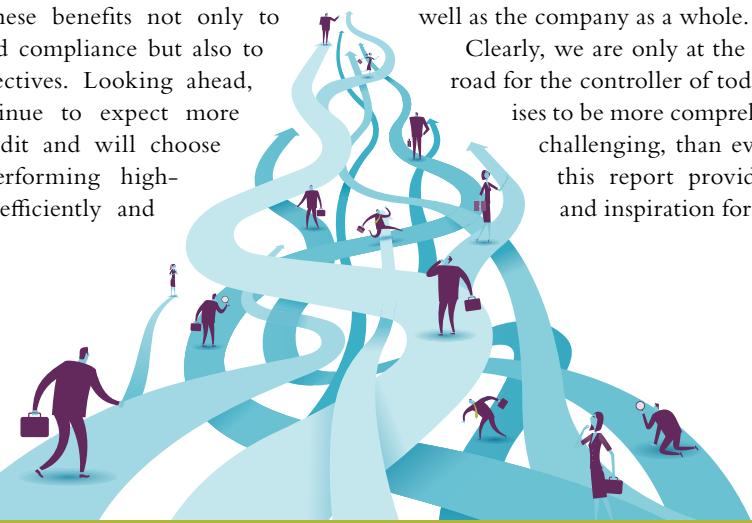
**F**or companies that are at the higher end of the transformative continuum, this can only mean good news. However, companies and organizations that find themselves at the lower end of the continuum should take note—and more crucially, take action—or risk falling behind their competitors.

The survey also found that technology-driven external audits are providing more benefits than they have in the past, and transformative controllers are leveraging these benefits not only to improve reporting and compliance but also to advance business objectives. Looking ahead, controllers will continue to expect more from the external audit and will choose auditors that are performing high-quality audits more efficiently and

effectively—something that will be enabled by leading-edge technology.

Technology, however, is only a means to an end. To make the most of what it has to offer requires vision, leadership, critical thinking and collaboration across the enterprise. While support from the C-suite is key, there must be buy-in at all levels of an organization to successfully develop and implement new technologies, systems and processes. This usually means demonstrating how new initiatives will benefit all stakeholders as well as the company as a whole.

Clearly, we are only at the beginning of a new road for the controller of today—one that promises to be more comprehensive, and perhaps challenging, than ever before. We hope this report provides ample evidence and inspiration for moving forward.



CLEARLY, WE ARE ONLY AT THE BEGINNING OF A NEW ROAD FOR THE CONTROLLER OF TODAY—ONE THAT PROMISES TO BE MORE COMPREHENSIVE, AND PERHAPS CHALLENGING, THAN EVER BEFORE.

# METHODOLOGY

The data in this report is derived from a survey of 202 global corporate finance executives, who were based in the U.S. and had controller responsibilities, including CFOs, controllers, vice presidents of finance and finance directors. Completed in December 2015, the survey included 125 respondents from companies with \$1 billion to \$4.9 billion in revenues and 77 respondents from companies with \$5 billion or more in revenues. They represented such sectors as automotive, manufacturing, retail/consumer markets, technology, healthcare, insurance, banking, media and entertainment, real estate, and energy and utilities.

## ACKNOWLEDGMENTS

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- **Bronson Reed**, Senior Vice President and Global Controller, Harman
- **Angie Sanders**, Senior Vice President and Controller, Principal Financial
- **Arlen Shenkman**, CFO, SAP North America
- **Paul Stephens**, Previous Controller, AT&T
- **Thomas Swietek**, Controller, IXP Corporation

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# Forbes

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## INSIGHTS

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