



Do I need a CFO or a Controller?

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January, 2009

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It's a given that growing companies need competent professionals to attend to the accounting and financial issues of the firm. The accounting and finance department provides services, infrastructure and information that are vital to keeping the CEO and the Board of Directors informed about the status of the company.

Frequently, confusion can exist about the roles of a Chief Financial Officer ("CFO") and a Controller—i.e. what skills are needed and when? The CFO and the Controller play very important, yet different roles within growing companies. The CFO typically serves as a strategic partner for the CEO and the Controller is more focused on day-to-day tactical accounting matters. The question is what level of service do you need and at what cost?

The Controller serves as the company's "go-to" person for all things accounting-related.

The Controller

A Controller is the company's chief operational accounting expert. The Controller serves as the company's "go-to" person for all things accounting-related. Regardless of the size of company, the Controller's role is generally similar but may have limited ability to make key or critical decisions. The Controller could report directly to the CEO in early stage organizations, or to the CFO or another officer in later stages. Specifically, the Controller is expected to:

- Implement and/or create fundamental accounting policies and procedures
- Manage day-to-day accounting and cash flow maintenance (including payroll processing, accounts receivable and collections, and accounts payable distributions)
- Implement accounting software and establish chart of accounts
- Update financial models and analyze budget to actual activity
- Prepare financial management reports in a timely manner for use by the management team and the Board to run the business
- Handle basic Human Resource tasks such as maintaining employee files, generating offer letters, researching benefit questions, processing 401K activities, etc.
- Help recruit, build and manage the accounting and finance department
- Manage annual audit preparation and process
- Act as the historian with respect to accounting matters

The CFO is a key member of the senior management team and is the "right hand" of the CEO.

The CFO

The CFO has primary fiduciary and financial responsibility for the entity. In fact, the CFO should be hired by and report to the Audit Committee of the Board, although the CFO must take day-to-day direction from the CEO. The CFO's specific duties will vary with the size of the company and where it is in its growth path. For example, in an early stage start-up, the CFO is primarily concerned with making sure there is adequate capital (early stage seed) for growth, and can always forecast when the current round of cash will run out.

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As the organization continues to grow, the CFO will assume greater responsibilities and begin to shed much of the detailed efforts to other employees and focus more on becoming a strategic business partner to the CEO. So what exactly is a CFO expected to do at an early to middle-stage company? The following list is obviously not all encompassing, but highlights the major functions that a CFO should be focused on.

- Be intimately involved with the CEO and Board on strategic planning matters,
- effectively serving as the “right hand” to the CEO
- Assure adequate capital or growth by assisting with financings, including preparation and presentation for Angel or Venture Investors
- Manage cash flow and provide timely communications regarding the future cash projections and needs
- Function as the “Vice President of all other”—i.e. any function not directly involved in designing, manufacturing, selling or supporting the product
- Direct or implement accounting systems, policies and procedures
- Facilitate the development of annual strategic operating plans
- Create and implement forecasting tools to measure the business
- Administer stock option issuance and tracking
- Manage the human resources function, including obtaining and administering employee benefits
- In cooperation with the CEO and the Board, locate and negotiate facilities and fixed asset acquisitions
- Initiate and retain outside relationships with independent accounting, tax and legal advisors
- Work with the sales department to establish pricing policies
- Hire and staff the finance and accounting department
- Oversee risk management, including adequate insurance coverage

Summary

The CFO is a strategist, a key member of the senior management team and the “right hand” of the CEO. The CFO has primary fiduciary and financial responsibility for the entity. The Controller is a tactician who is primarily concerned with ensuring smooth day-to-day accounting and financial operations.

The determination of what level of skills is needed should be based on the state of the company, and where it expects to be in the near term. The Controller can cover the fundamentals and ‘hold the fort down’ over a period of time, while the company focuses on other critical issues. But with that comes the limitations of a not having a participative and strategic leader with a strong financial background. Many times, a very hands-on CFO can cover the activities of a Controller.

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If a dynamic organization is ready for growth, the investment in hiring a CFO will benefit the company, not only in completing the tasks of the Controller, but in providing the additional foundation and leadership needed to take the organization to the next level. With years of experience, networks and skills, comes a notable increase in cost. An organization can best determine if it needs a CFO or a Controller by understanding the skills needed, the momentum of the company and the associated costs.

Interim CFO and/or Controller solutions can offer the right skills at the right time, and may be a lower cost solution for a growing company. Interim executives can be part of a company's management team from as little as several hours a week to as much as full time—and only when needed.

This white paper looks to detail the many factors that CEOs and Boards should consider when determining which executive is best for their company at that particular period in the company's growth path.