

CONTROLLER VERSUS BUSINESS MANAGER

CONTROLLER VS. BUSINESS MANAGER

The purpose of this book is to illustrate the evolution of a controller to a business manager (partner). This chapter will define the business manager role, discuss servant leadership, and contrast the differences between leadership and management. Let us begin with examining the purpose of each role.

The Role of Controller

A controller is a person who has the responsibility for all accounting-related activities within a firm. In most organisations, the controller is the top managerial and financial accountant. The controller supervises the accounting department and assists management in interpreting and utilising managerial accounting information. The firm's chief financial officer (CFO) may distribute some of the financial management duties between the controller and a treasurer. Functions of the controller include:

- Financial accounting—the preparation of financial statements
- Cost accounting—the preparation of the firm's operating budgets
- Taxes—the preparation of reports that the firm must file with various local, state, and federal agencies
- Data processing—of corporate accounting and payroll activities. Also called “comptroller”¹

The Role of Business Manager

A business manager is a person who drives the work of others in order to run a business efficiently and make a profit. He or she should have working knowledge of the following areas, and may be a specialist in one or more: sales, marketing, and public relations; research, operations analysis, data processing, mathematics, statistics, and economics; production; finance; accounting, auditing, tax, and budgeting; purchasing; and personnel. Other technical areas in which a business manager may have expertise are: law, science, and computer programming.

The role of business manager may grow out of the business owner's desire to delegate non-strategic tasks. For a time, the business manager may share duties with the owner. As the owner gains trust in the business manager,

additional delegation will occur. Ideally, the business manager and the owner work synergistically to ensure that the operations of the business run successfully. In time, the owner may migrate from operational areas to strategic areas of the business.²

CONTRAST CONTROLLER WITH BUSINESS MANAGER

Box 1-1 contrasts the two roles. Note that the descriptions align with our chart in the introduction. The business manager will operate at a higher strategic level. This necessitates that the successful controller understands the demands of being a business manager and the increased overall strategic, managerial, and technical knowledge, is required.

Box 1-2 contrasts the roles in relation to the Planning Continuum which is presented in the subsequent chapter in figure 2-2.

Box 1-1: Responsibilities

RESPONSIBILITIES AND DUTIES	CONTROLLER	BUSINESS MANAGER
Goals	Setting, monitoring, reporting financial goals for the organisation (could be charged with specific departmental goals)	Setting, achieving, monitoring strategic goals (which could include financial goals)
Operations	Support servant to operational leaders	Responsible for operation results
Industry Knowledge—including competitor knowledge	May possess	Must possess
Sales support	Support servant to sales and marketing	May be leading sales and marketing functions
Ancillary functions—IT, HR, facilities	May oversee functions	Will include these functions and additional operation departments
Internal controls	Create, implement, monitor	Oversight, endorse, support
Manage individuals	Like minded financial employees	Larger employee base and typically more diverse with different needs
Train individuals	Typically financial/process training	Increased number of training skillsets to be addressed

Box 1-2: Descriptions

DESCRIPTION	TRANSACTIONAL	FINANCIAL CONTROLLER	BUSINESS MANAGER
Dreams	No role	Provide financial impacts based on questions asked	Active participant in brainstorming and critical discussions about future directions
Vision/Mission	No role	Creates Accounting Department mission statement	Has input
Business Plan	No role	Provides financial impacts based on questions asked	Active participant in brainstorming and critical discussions about future directions
Strategic Plan	No role	Provides data on established goals	Participates in creation, monitoring, evaluation, and course correction of strategic goals
Marketing	No role	Reacts to requests from Marketing	Utilises servant leadership and considered proactive resource for Marketing
Product/service development	No role	Reacts to requests from Marketing	Utilises servant leadership and considered proactive resource for Marketing
Sales	Sales reporting/taxes	Reacts to requests from Sales	Utilises servant leadership and considered proactive resource for Sales. Invests time to learn sales proces—even rides with Sales staff—may also be charged with overall Sales leadership

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DESCRIPTION	TRANSACTIONAL	FINANCIAL CONTROLLER	BUSINESS MANAGER
Operations	Inventory/Production reports	Analysis as requested from operational staff	Utilises servant leadership and is considered proactive resource for Operations. Invests time to learn operations. Occasionally works in plant or specific services. May also be charged with overall leadership of Operations.
Administration			
Accounting	Transaction creation	Financial reports, compliance, controls	All of the financial controller duties, but brings meaning to numbers. Predictive, future-oriented.
HR	Payroll transactions/benefits	Analysis of benefit plan costs	Strategic HR that complements
IT	Simple use of spreadsheets. Input to financial software	Create of spreadsheets and understanding of financial software	Understands that IT is a tool for strategic, transactional and innovative procedures
Contingency	No role other than recordkeeper	Concerned with backup of financial systems	Concerned with overall risks to entire organisation including operations, tragedies, or loss of customers.
Succession	No role	Concerned with crosstraining	Concerned with all key levels—recruitment, retention, and development
Traditional Risk Management	Transactions and recordkeeping	Understands and recommends traditional internal controls. Reliance on external experts to help evaluate other insurance needs	Includes financial controller tasks, but also utilises “form over substance” for effective risk management.

SERVANT LEADERSHIP

The success of any controller or business manager will depend on the individual's use of servant leadership techniques.

When controllers only think in terms of financial results, they set themselves up for disappointment and frustration. They see the world through balance sheets, income statements, and cashflow statements. They have difficulty understanding why sales or operational staff can't see the same picture. It is even possible that the controller has more education and business acumen than either the operations or sales staff. As a result, the controller is confused when he or she is not included in strategic discussions about the organisation. The answer is simple, although many refuse to accept it. The controller must become a "servant" of operations (sales, marketing, R&D, and other key areas.), and seek to meet the needs of others. When operations (such as sales) needs are met, the following occur:

- The controller is seen as a business manager.
- Operations invites the controller and his or her support staff into the decision process and seeks their counsel.
- Senior management sees the value in the controller's input; therefore, the controller is invited into the decision making process.
- Controller requests for additional resources (equipment and staff) are accepted more readily as operations now views the controller (and respective staff) as a contributing and important part of the process.

There is an important insight to this section as it is applied to other service departments, specifically Human Resources (HR) and Information Technology (IT). HR and IT professionals struggle with the lack of input that they have in the strategic direction of the company. Their argument often goes something like this: "Our area (HR or IT) is so important to the business that they must include us in the strategic planning efforts". Unfortunately, their departments are often omitted. Why? It is because they have not learned the secret of servant leadership. To modify a famous quote first written by St. Francis and then modified by Stephen Covey, "Seek first to be a servant, then the leadership will follow".

The phrase "servant leadership" was coined by Robert K. Greenleaf in "The Servant as Leader", an essay that he first published in 1970. In that essay, he said:

The servant-leader is servant first... It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead. That person is sharply different from one who is leader first; perhaps because of the need to assuage an unusual power drive or to acquire material possessions... The leader-first and the servant-first are two extreme types. Between them, there are shadings and blends that are part of the infinite variety of human nature.

The difference manifests itself in the care taken by the servant - first to ensure that other people's highest priority needs are being served. The best test, and difficult to administer, is: Do those served grow as persons? Do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And, what is the effect on the least privileged in society? Will they benefit or at least not be further deprived?³

Principles of Servant Leadership

To become successful in practising servant leadership, where should a controller begin? The following list of principles has been adapted from Greenleaf's original writings by Larry Spears, CEO of the Greenleaf Center.⁴ Greenleaf views these characteristics as being critical to the development of servant-leaders.

1. *Listening.* Traditionally, leaders have been valued for their communication and decision making skills. Servant-leaders must reinforce these important skills by making a deep commitment to listening intently to others. Servant-leaders seek to identify and clarify the will of the group. They seek to listen receptively to what is being said (and not said). Listening also encompasses getting in touch with one's inner voice, and seeking to understand what one's body, spirit, and mind is communicating.
2. *Empathy.* Servant-leaders strive to understand and empathise with others. People need to be accepted and recognised for their special and unique spirits. One must assume the good intentions of co-workers and not reject them as people, even when forced to reject their behaviour or performance.
3. *Healing.* Learning to heal is a powerful force for transformation and integration. One of the great strengths of servant-leadership is the potential for healing oneself and others. In "The Servant as Leader", Greenleaf writes, "There is something subtle communicated to one who is being served and led if implicit in the compact is the understanding that the search for wholeness is something that they have".
4. *Awareness.* General awareness, and especially self-awareness, strengthens the servant-leader. Making a commitment to foster awareness can be scary—one never knows what one may discover! As Greenleaf observed, "Awareness is not a giver of solace—it's just the opposite. They are not seekers of solace. They have their own inner security".
5. *Persuasion.* Servant-leaders rely on persuasion, rather than positional authority in making decisions. Servant-leaders seek to convince others, rather than coerce compliance. This particular element offers one of the clearest distinctions between the traditional authoritarian model and that of servant-leadership. The servant-leader is effective at building consensus within groups.
6. *Conceptualisation.* Servant-leaders seek to nurture their abilities to "dream great dreams". The ability to look at a problem (or an organisation) from a conceptualising perspective means that one must think beyond day-to-day realities. Servant-leaders must seek a delicate balance between conceptualisation and day-to-day focus.
7. *Foresight.* Foresight is a characteristic that enables servant-leaders to understand lessons from the past, the realities of the present, and the likely consequence of a decision in the future. It is deeply rooted in the intuitive mind.
8. *Stewardship.* Robert Greenleaf's view of all institutions was one in which CEOs, staff, directors, and trustees all play significant roles in holding their institutions in trust for the great good of society.
9. *Commitment to the Growth of People.* Servant-leaders believe that people have an intrinsic value beyond their tangible contributions as workers. As such, servant-leaders are deeply committed to the personal, professional, and spiritual growth of every person within the organisation.
10. *Building Community.* Servant-leaders are aware that the shift from local communities to large institutions as the primary shaper of human lives has changed our perceptions and caused a sense of loss. Servant-leaders seek to identify a means for building community amongst those who work within a given institution.

Consider your organisation. Which support department leaders are entrusted with additional responsibilities? Do they demonstrate the principles of servant leadership even if they are unaware of the concept? Consider support department leaders who are not involved with the strategic planning efforts of the organisation. Do they demonstrate characteristics that are not in harmony with servant leadership principles? Finally, consider your performance and interactions with other key departments (such as operations or sales). Do those leaders seek you out and ask for your counsel?

Brewer wrote the following poem on Servant Leadership. Consider your role. Which lines represent behaviours you demonstrate? Which lines point out behaviours that you can improve?

The Paradoxes of Being a “Servant-Leader” Poems⁵

Strong enough to be weak
Successful enough to fail
Busy enough to make time
Wise enough to say “I don’t know”
Serious enough to laugh
Rich enough to be poor
Right enough to say “I’m wrong”
Compassionate enough to discipline
Mature enough to be childlike
Important enough to be last
Planned enough to be spontaneous
Controlled enough to be flexible
Free enough to endure captivity
Knowledgeable enough to ask questions
Loving enough to be angry
Great enough to be anonymous
Responsible enough to play
Assured enough to be rejected
Victorious enough to lose
Industrious enough to relax
Leading enough to serve

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MANAGING VERSUS LEADING

The last section of this chapter will examine management versus leadership. Many traditional controller functions can be described as management processes. When the controller moves farther out on the Expanding Controller Value diagram as described in the Introduction, he or she also moves from management to leadership endeavours. Consider the following comparison as shown in box 1-3.

Box 1-3: Leadership Versus Management

LEADERSHIP PRODUCES CHANGE AND MOVEMENT	MANAGEMENT PRODUCES ORDER AND CONSISTENCY
<ol style="list-style-type: none"> 1. Establishes direction <ul style="list-style-type: none"> • Creates a vision • Clarifies the big picture • Sets strategies 2. Aligns people <ul style="list-style-type: none"> • Communicates goals • Seeks commitment • Builds teams, coalitions, and alliances 3. Motivates and inspires <ul style="list-style-type: none"> • Energises • Empowers subordinates and colleagues • Satisfies unmet needs 	<ol style="list-style-type: none"> 1. Planning and budgeting <ul style="list-style-type: none"> • Establishes agendas • Sets timetables • Allocates resources 2. Organising and staffing <ul style="list-style-type: none"> • Provides structure • Makes job placements • Establishes rules and procedures 3. Controlling and problem solving <ul style="list-style-type: none"> • Develops incentives • Generates creative solutions • Takes corrective action

Source: Peter G. Northouse, *Leadership: Theory and Practice*. Fourth Edition. Thousand Oaks, CA: SAGE publications, 2007, p. 10.

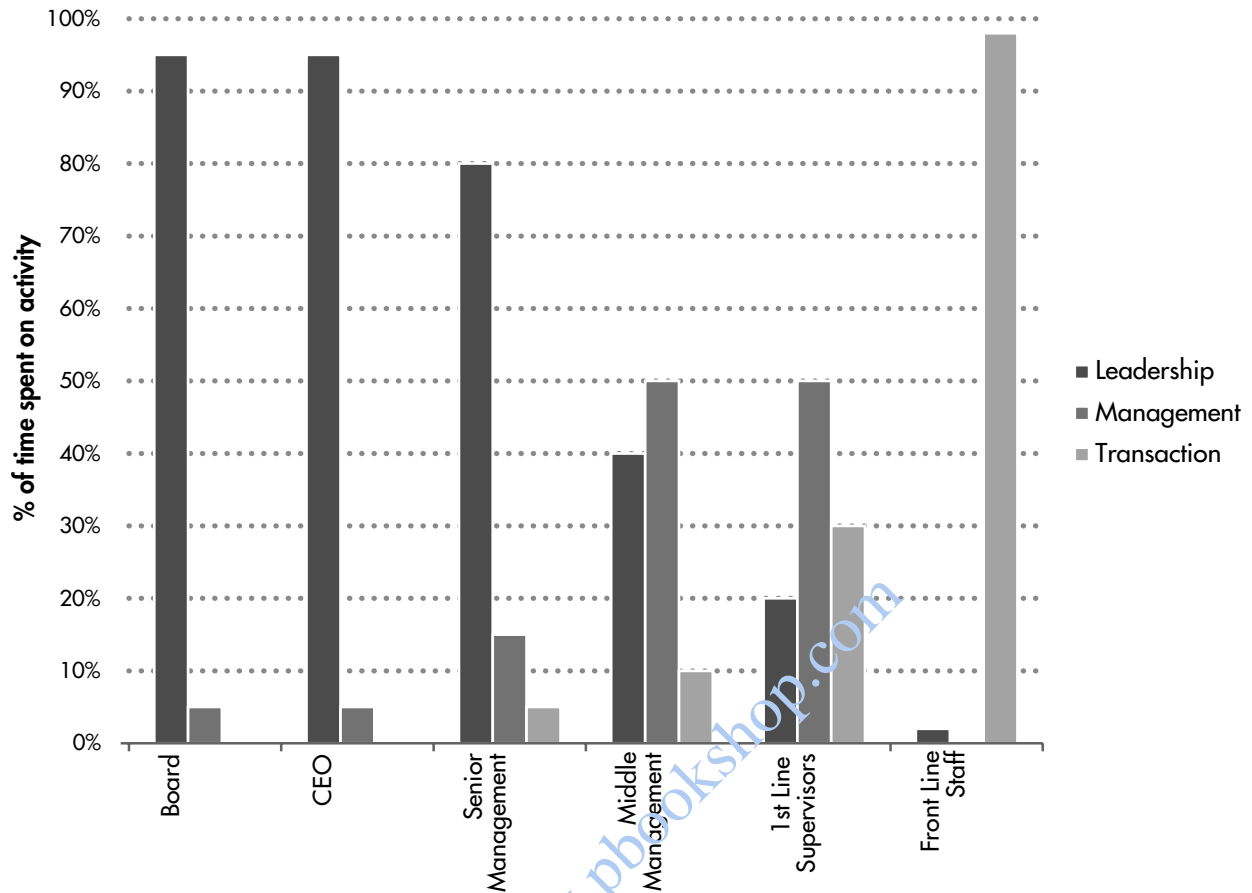
The main aspects of leadership deal with the direction of the organisation. Establishing the direction is the primary job of leadership. We shall examine the planning and vision process in a subsequent chapter. After the direction is established, everyone must be united to “pull” in the same direction, striving toward the alignment of people, resources, and direction. Finally, leadership must inspire the workforce to move down the directed path in harmony.

Management, on the other hand, takes the established direction and allocates resources to achieve the strategy. It is responsible for making sure that the proper people are in place. It also monitors the activity of the resources and makes daily corrections.

It is relatively easy for the controller to understand if he or she is operating in a managing or leading role. The descriptions given earlier are also generalised. There could be times when a manager is acting as a leader or a leader is acting as a manager. A good example of this concept would be when the controller recommends that the business purchase a new ERP system (leadership). The implementation of the system would be managing. On the other hand, if the CEO wants a new ERP system (leadership) and instructs the controller to research, then the controller is managing.

Another characteristic of leadership is the time spent on the visioning phase. Examine figure 1-1; note that it illustrates the allocation of time spent in 1) leadership activities and management activities or 2) transactional type activities for major categories of employees or stakeholders.

Figure 1-1: Recommended Time Allocations by Category for Employee Category



It is easy to see that the higher up a person is in the organisation, there is an increase in the amount of time the person must devote to leadership (or as it implies, strategic responsibilities). Moving from the top level to a lower level, the amount of time spent on leadership drops drastically. Some people will question why frontline staff could even have two percent of their time attributable to leadership areas. Frontline staff will become involved when top leadership invites them into strategic areas. For example, all levels of the business can provide input into the strategic planning process, which can be done in a variety of ways without spending a lot of time. However, the inclusion of the frontline staff in the planning process can be helpful for them to accept more ownership in the strategic plan. As noted earlier, the major difference between leading and managing is that leaders establish the direction of the business and managers allocate resources to accomplish the strategic direction that has been dictated to them. Keep in mind that leaders will almost always have some component of managing. So although managers should always have a component of their job that relates to leadership, it may be impossible to achieve if the manager cannot move beyond day-to-day activities of the organisation.

Box 1-4 demonstrates how various positions can impact leadership, management or transactional situations. The illustration displays example comments that the respective person in the accounting department could make during a conversation about changing the existing accounting system.

Box 1-4: Example of Leadership, Management and Transactions Comments

TYPE	POSITION	COMMENT
Leadership	CFO	"We need a new accounting system. Please research how many systems we should consider".
Management	Controller	"I researched the universe and there are eight potential systems to look at".
Leadership	Controller	"However, there are some tweaks we could make to our current system to make it meet our needs".
Leadership	CFO	"Thanks, but let us move away from the current system to a more flexible system".
Management	Controller	"Accounting supervisor, please request information on these eight systems".
Transaction	Accounting Supervisor	"Providers, please send me more information".
Management	Controller	"Accounting staff, please list the feature that you would like to see in a new system".
Leadership	Accounting Staff	"This would be a great time to create an e-commerce system!"
Management	CFO	"Good suggestion, let's build that into the requirements analysis".
Leadership	CFO	"I want the new system implemented by the beginning of next year".
Management	Controller	"I will put together a Gant chart".

Note that the first comment from the CFO depicts the visionary statement of needing a new system. The controller comments on potential systems based on the CFO's directive. Note that the controller also enters a leadership level when he or she suggests that there is an alternative to selecting a new system. The act of suggesting a different vision is a leadership role. Next the CFO politely refuses to change the vision, and the controller switches back to the managerial role by beginning the process to select a new system. Also note farther down in the box, the accounting staff suggests integrating the e-commerce opportunity with the new system. This suggestion is welcomed, and the project has a new requirement. The suggestion of including the e-commerce component also is indicative of the accounting staff's leadership role as the suggestion alters the original vision. Therefore, it is fairly easy to determine the level at which the employee is functioning. If the function creates, modifies or alters the vision, it is leadership. If the function allocates, manages or monitors resources, it is management. If the function deals with transactions or detail, then it is transactional. All levels are necessary for the proper measure.

Position does not necessarily indicate the level at which a person is working. However, if the person is not astute to understand the implications, he or she can spend too much time working in areas that are not part of his or her responsibility. This behaviour results in micromanagement when leaders do not let their managers

discharge their specific managerial duties. It affects managers and supervisors in the same fashion when they accept upward delegation and complete the work of their clerks or front line staff.

(Author's note—as evidenced in many AICPA seminars, CPAs typically have difficulty with delegating work to subordinates. In the same manner, CPAs are all too willing to accept work delegated “up” the hierarchy. Unknowingly, the CPA completes the task in an inefficient manner because he or she is unwilling to invest the time to instruct staff so they can complete the work themselves.)

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Endnotes

- 1 “Controller”. *Investopedia*. Accessed January 19, 2014. www.investopedia.com/terms/c/controller.asp.
- 2 “Business Manager”. *Wikipedia*. Accessed January 19, 2014. en.wikipedia.org/wiki/Business_manager.
- 3 Greenleaf, Robert. “What Is Servant Leadership?” *Greenleaf Center for Servant Leadership*. Accessed January 19, 2014. <https://greenleaf.org/what-is-servant-leadership/>.
- 4 Spears, Larry C. “Practicing Servant-Leadership”. *Leader to Leader*. 34 (Fall 2004) 7-11.
- 5 Poem by Brewer as cited in Hansel, Tim. *Holy Sweat!* Dallas, TX: W Publishing Group, 1989, p. 29.

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