

Promote the bookkeeper?

SIGNS YOUR FINANCIAL GROWTH IS OUTPACING YOUR INTERNAL STAFF

By Carol L. Coughlin

As a company grows, one of the first hires is the bookkeeper. This person will ensure invoices are accurate and bills are paid – critical tasks for any company, to be sure – but then the company grows even more.

Soon, bookkeeping is only a part of the puzzle, and the CEO realizes it's time to take the company's financials to the next level. He or she sees the fantastic job the bookkeeper is doing and thinks, "Why not 'promote' my bookkeeper to controller? After all, I already trust her. Maybe she'll even become CFO!"

The problem is that the bookkeeper isn't a controller – and definitely not a CFO. Rather than expanding unqualified employees' responsibilities, smart CEOs build a strong financial team by adding new financial positions and filling them with qualified personnel. For a company that's reached this point, two questions loom: What's the difference between a controller and a CFO? Can a controller be groomed to become CFO?

A controller manages and reports on a company's financial picture. A CFO develops and directs the company's financial strategy. To understand the differences better, as well as determine if your controller can become your CFO, let's look at two real-life examples:

Tale of two controllers

I was asked to assess whether a company's controller could move up to CFO. The controller (let's call him Pat) seemed capable but didn't have a degree and wasn't a CPA. I discovered

Pat had a strong understanding of the business, good accounting skills and was smart. He was clearly capable of doing his job. I interviewed Pat's co-workers and learned they relied on him for accurate information but that he didn't participate in meetings, lacked leadership and provided loads of information but no synthesis. Pat's monthly financials were so voluminous that the CEO couldn't read them. Pat felt he produced the required information and didn't understand why the CEO didn't use it.

What did management need? In a phrase: timely analysis. Metrics, high points, comparisons, emerging trends – but by the time Pat compiled his encyclopedia, the financials were often stale.

Could Pat be CFO? Pat found it difficult to step above the details. He also found it tough to develop relationships that would help him learn what was really going on at the company. These activities were "fluff" to Pat. He couldn't see them as job critical. It was clear Pat would never have the skills to become CFO. He would top out as controller – and that was fine with him!

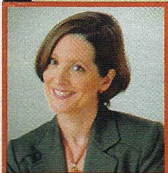
In contrast, at another growing company, there was Jennifer. Jennifer was sharp and had her CPA and MBA. As controller, she closed the books in two days, produced high-level metrics and was engaged in the business and with peers. Jennifer was also a leader, astute at managing her team, had strong financial management practices and had a handle on historical results and trends. She identified trouble spots and stayed on top of them.

The CFO position at her company was open, and Jennifer was being considered. In fact, she was already serving as interim CFO. However, the parent company wasn't sure she had what it would take to lead the company through the sale it was planning.

After evaluating Jennifer, it was clear she was capable of being CFO. She simply lacked confidence. Despite her skills, she was affected by the message that ownership wasn't sure she was qualified – even though she had already assumed the position. I coached Jennifer and her boss, and soon she became the "rock star" CFO she was meant to be, leading the company through a successful sale and integration.

What's the difference between Pat and Jennifer? Controllers and CFOs are equally smart. What makes one controller a better CFO are the soft skills – assertiveness, intellectual curiosity, ability to develop relationships and the passion and fortitude to be a change agent. To build a strong financial team, rather than fitting square pegs into round holes, CEOs need to accurately assess their financial teams before making promotion or hiring decisions. Each position on the team is critical, and each needs the right person in it. In other words, don't sacrifice your exceptional controller just to get a mediocre CFO. Keep your bookkeeper, keep your controller, hire a brilliant CFO, and everyone on your team will be a rock star.

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