

FINANCIAL CONTROLLER VS. FINANCIAL DIRECTOR

Most organisations will have at least one individual responsible for the financial management of that organisation. In order to determine the level of financial leadership your business requires we must consider the needs of your business and the difference in financial roles.

This article focuses on the subtle differences between a Financial Controller ("FC") and a Financial Director ("FD"). Put quite simply, an FC is focused primarily on historical financial information while an FD's role is often considered to be more forward looking, strategic in nature and outward looking.

While both roles are extremely important (and there is often considerable overlap) one can always remember an FD "directs" and the FC "controls".

While today we focus on FCs and FDs, we have also provided an overview of other senior financial roles to provide additional context.

Financial controller (FC)

The FC is often charged with the direct management of a firm's accounting department, maintaining and operating financial records of the business and meeting legal requirements. For a large entity, a Controller will also maintain standard operating procedures for all accounting and bookkeeping functions.

Finance manager (FM)

FMs generally sit between both functions in larger organisations that have a larger corporate structure and assist FDs with specific areas of a finance department e.g. management or statutory accounting or financial analysis.

Finance director (FD)

An FD is responsible for the entire finance function and is more focused on financial strategy and ensuring financial data is suitable to inform strategy and measure the financial health and strategic objectives of an organisation. Responsibility will also include financial and variance analysis, tax planning and external relationships.

Chief financial officer (CFO)

The CFO role is often interchangeable with an FD and is usually found only in large organisations. The main points of differentiation between an FD and a CFO is that a CFO will also hold significant administrative, treasury and risk management responsibilities.

Financial controller (FC)

The financial controller is responsible for the financial department's operations and should report directly to the CFO or CEO on all financial and accounting matters. For this reason, the FC is often thought of (erroneously) as the head of the accounting department.

Main responsibilities include:

- Interim and annual statutory accounts
- Interim and annual management information to identify results, trends and forecasts
- Manage and forecast cash flow
- Supervise and manage financial department staff (accountants and bookkeepers)
- Monitor accounting systems, including payroll and invoicing functions
- Assist in the development of operation budgets and financial plans
- Create systems to prevent errors in data collection and calculations

Financial director (FD)

The FD is responsible for both an organisation's finance department and providing financial advice and support to senior executives. This includes cash management, budgeting, compliance, internal controls, corporate credit and collection, audit, financial planning and strategic planning.

A part time or **interim FD** who can function on an “as-needed basis” can become a trusted advisor to the MD, offering key business, financial and operational insights needed to control and shape the direction of the organisation.

Main responsibilities include:

- Develop and monitor budgets for each business department
- Assist in company-wide budgetary planning
- Maintain a company-wide ERM system and minimise financial risk
- Ensure all financial practices are in line with statutory regulations and legislation
- Support the creation of strategic business and financial plans
- Interpret complex financial information
- Monitor cash flow, accounts and other financial transactions
- Contract auditing services to ensure financial monitoring is up-to-date
- Oversee treasury function
- Responsible for maintaining relationships with external financial service providers (banks, auditors, consultants)
- Update and implement financial policies and procedures

Business growth

Now that we have established the difference in responsibilities, we shall turn our attention to when businesses need such skill sets.

As above, there are no fixed rules, in fact service providers such as **Broadoak Consulting** can provide a part-time FD or an Interim FD, which our clients find to be a more cost-effective short-term option. This allows Broadoak to up-skill and introduce new more robust financial systems into your business without the need for additional permanent staff.

Although there are no hard and fast rules (manufacturing businesses tend to be less financially complex), so service-based companies often need financial experience at a relatively earlier stage in their life cycle.

Start-up / Early Stage

When raising funds the advice of experienced corporate accountants, such as **Broadoak Consulting**, should be used to prepare a Prospectus or a Request for Financing proposal and provide support to the business' in house accountant or Owner.

Less than £10m revenue

- Full-time management accountant/bookkeeper overseen by a Financial Controller

Over £10m revenue

- Full-time bookkeeper and management accountant overseen by a Financial Director