Coronavirus crisis: controllers´ time to shine!

By Utz Schäffer and Jürgen Weber

Every crisis has its opportunities and risks, its winners and losers. Controllers have the potential to be among the winners by using the crisis to further consolidate their role within the company. This was the case during the financial and economic crisis just over a decade ago, and it applies again now. To put it bluntly: if you can't be seen as a worthy **business partner** for management in a situation like this, then you never will!

Why is that? Because **controllers' core competencies** really come into play during a crisis:

- In their reporting, they give a prompt assessment of how the crisis is impacting profit and cash flow and also identify the wider implications, including critical trends.
- Through effective cash management, they ensure that the company has sufficient liquidity.
- With their in-depth knowledge of cost structures, they pinpoint potential savings and identify which investments can most easily be put on the back burner.
- Last but not least: they keep management focused on the essentials!

What's more, while most people have other things to think about in stressful times like these, a crisis is actually an opportunity to strengthen existing tools, for example to stop them being used merely as alibis for preconceived ideas. It also provides a chance to introduce new methods, such as systematic cash management or simulations. In all these ways, the controller can be a valuable adviser to management during the crisis and – vitally – a key member of the crisis response team.

But controllers can get things badly wrong too: in a situation like the present, continuing to devote a lot of time and energy to comparing actual figures with outdated forecasts will make it difficult to step up to the plate as an effective business partner. When you hit the choppy waters of a crisis, the first thing to do is put aside old projections and forecasts and take each day as it comes, using the most up-to-date data to steer the business. It also usually makes sense to review, and where necessary drastically reduce, the granularity of reports and forecasts.

Another very important point from our perspective is that controllers should not only be looking at negative developments and problems but also identifying crisis-related opportunities and ensuring that steps are taken to harness those opportunities. The good news is that this does appear to be happening. Around half of the controllers and CFOs polled for the latest WHU Controller Panel survey on the coronavirus crisis see the current situation as opening up opportunities for their company.

So in all these ways, controllers can use the current circumstances to further enhance their status. But it doesn't have to end there. The post-corona era will also represent a **major opportunity for our profession**. For example, the present situation is likely to make companies more willing to invest in measures that will better prepare them for future crises. Here too, controllers will be in demand! And if not, they must fight to ensure that crisis preparedness is accorded the priority it deserves. A finding from the recent **WHU Controller Panel survey** encapsulates the argument: companies with effective crisis management are both more focused on seizing opportunities *during* the crisis and better prepared *for* the crisis. This insight was not completely lost during the long boom years, but it often failed to receive the attention it merited on a day-to-day level. In this respect, controllers can bring a lot to the party, for example when it comes to boosting company resilience and recalibrating the balance between short-term efficiency, flexibility, and digital transformation.

Resilience requires a fit body, but this shouldn't be confused with maximizing efficiency or – to use the same image – minimizing body weight. Rather, what matters is striking the right balance and ensuring that there is enough **slack** to get through a lean period without recourse to outside assistance. Production and supply chains need to develop parallel structures so that they can cope with the loss of individual links in the chain, even if this means sacrificing short-term efficiency. A company must not find itself dependent on particular suppliers or production facilities come what may. But what is all this going to cost? How much parallel structure and safety stock can I afford? Once again, controllers and their analyses have the answer!

Resilience demands not only suitable slack and structural flexibility in the production and supply chain but also effective risk management. Too often, **risk management** is pared down to risk reporting and compliance and treated as a routine, box-ticking exercise, which tends to be delegated to risk managers and receives only limited attention from senior management. The management of strategic risks, i.e. risks arising directly from the business model, is frequently neglected, and preparedness for external shocks like the coronavirus and the associated systemic risks, even more so. Here too, controllers could contribute a lot through their expertise, for example by ensuring that **scenario analyses and stress tests** worthy of the name are given sufficient priority.

Often, a necessary preliminary step will be to clear up misconceptions surrounding these analyses. They are not intended to predict exactly what will happen in the future and therefore what action will need to be taken. Nor are they about supporting an upcoming business decision by providing additional input on best and worst case scenarios. Rather, the aim of the exercise is to train people in how to deal with unlikely circumstances and/or system interruptions and how to draw up the necessary emergency plans. Management should learn to consciously question apparently self-evident relationships and not get caught up in the false sense of security regularly provided by planning and forecasting. This is no easy task and, even for many controllers, dealing with such strategic issues may be uncharted territory. However, there is always an opportunity here for the controller as a business partner.

One final issue may be worth mentioning. Resilience requires slack, production and supply chain flexibility, early detection, and risk management, but it is important not to lose sight of the fact that flexibility in management and in the interaction between management and controlling is also essential. This will not succeed without a **culture** geared towards transparency, open exchange of information, goal orientation, individual accountability, and, last but not least, the power of the better argument. Without the right culture, any attempt to boost an organization's long-term flexibility will ultimately fail. And this is where controllers need to play their part in crisis prevention, by exemplifying and promoting a culture that is – or should be – tailor-made for them. In a firm but friendly way. Day in, day out.

Authors

Prof. Dr. Utz Schäffer

Director of the Institute of Management Accounting and Control (IMC) of WHU – Otto Beisheim School of Management, Campus Vallendar, Burgplatz 2, D-56179 Vallendar. He is a member of the International Controller Association´s (ICV) Board of Trustees.

E-Mail: utz.schaeffer@whu.edu www.whu.edu/controlling

Prof. Dr. Dr. h.c. Jürgen Weber

Director of the Institute of Management Accounting and Control (IMC) of WHU – Otto Beisheim School of Management, Campus Vallendar, Burgplatz 2, D-56179 Vallendar. He is chairman of the International Controller Association´s (ICV) Board of Trustees.

E-Mail: juergen.weber@whu.edu

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