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Why a Cost Controller is not an Accountant: The Right Role and Profile for a Cost Controller in Large, Complex Projects

On Wikipedia, the article 'cost control' is redirected to the article 'cost accounting'. While the two concepts can be assimilated in a manufacturing environment where the future is but an extrapolation of the past, this is a grave mistake in a project environment, particularly for large and complex projects.

Because cost control is related to money, most people believe that it is just a particular specialty of accounting or finance. This misleading view has led to serious project disasters. This paper explains why, and what is the solution for the wise organization.

What is exactly the role of project cost control?

Accounting is turned toward the past – because invoices are only generally a reflection of past activities that have been completed. On the contrary, project cost control is focused on the forecast of the future. This forecast development is fed by an in-depth analysis of the trends from past events, lessons learnt from other similar projects, trends in the commodity markets or any other source of information which might impact the understanding of future events.

This is why, where accounting is focused on actual costs incurred, project cost control is focused on commitments. Traditionally, financial control is only based on accounting records. This is not a sufficient approach for complex projects. The traceability of commitments is key to be fully in control of what is being spent, where, at the present moment or in the future. It is the real lever of the control of money expenditure in a project.

While accounting is often regarded as a back-office administrative task, project cost control is at the core of project execution, understanding fully the drivers of the business and of the project.

Finally, and most importantly, while the accountant is focused on dollars and cents, the project cost controller is focused on orders of magnitude and understanding of the underlying drivers. In a large, complex project of a value of several hundred million dollars, the cost controller is not overly concerned by things that are less than ten thousand dollars – except when there can be many of them, in which case she will make sure there is a proper commitment registration and approval process.

Because in addition to be focused on forecasting the numbers, the project cost controller constantly checks that the ad-hoc project information processes that feed her are accurate, and she acts in case of dysfunction to improve those processes. An accountant merely follows standard, conventional processes that are quite independent of the industry.

What should be the profile of a project cost controller for a complex project?

As described above, the role of a project cost controller requires her to have a much deeper level of understanding of the project and of its drivers. In effect she is a cost engineer. She needs to be able to see the big picture and quickly draw ballpark figures, understand what is going to drive the final cost and not focus on the cents. She needs to have a basic understanding of the contracting principles both with the project's client and the suppliers and subcontractors. She needs to understand what are the activities performed on site to be able to anticipate costs and possibly, propose savings. She needs to be systems and process oriented, to be able to engineer and apply the necessary systems and processes. Moreover, she needs to be able to go and get the information wherever it is: at other people's desks, in systems, or even at the suppliers' offices.

It is very difficult to transform someone who has an accounting background into a project cost controller, in particular if years of experience have ingrained the accounting practices. Accountants are looking after exact additions to the cent; they are not trained to look at the big picture and tend to treat a 100.00\$ cost the same way as a 1,000,000.00\$ cost (by following the same process!). They are focused on the past and have a lot of difficulty to focus on the future forecast, in particular because they often do not understand really what the business drivers are; they rather focus on the correct accounting practice and their evolution over time.

It is not because cost control deals with money that finance or accounting people should be the prime choice. Profiles that have business training and acumen are better suited, like for example estimators. Project Value Delivery's experience is that also, young graduate engineers can also quickly be trained to become excellent cost controllers.

The project cost controller training and development

The candidate cost controller should be a careful and organized person that is sufficiently proficient with numbers, Excel spreadsheets and the like. In addition,

and this is the main difference with an accounting profile, she needs to be able to connect with people easily, because a large part of her task will be to effectively retrieve information from many other project team members. And she needs to be able to understand what the project is about. Financial background is not a prerequisite.

Ideally, a project cost controller training and development should then enclose the following highlights:

- Business skills: basic understanding of contractual arrangements, basic understanding of the project activity;
- Process skills: able to design, implement and improve information gathering processes;
- Technical skills: knowledge of database basics, how to write requests and reports; knowledge of the dedicated cost control tool;
- Basic leadership skills: ability to influence project parties to provide the required information at the right moment

Advanced skills that are needed at a supervisory level are, in addition:

- Business skills: full understanding of project activity (including through site visits);
- Process skills: ability to develop a comprehensive set of information gathering processes covering all the required areas, including their linkages; implement and improve; ability to develop a project Breakdown Structure as appropriate for the control of the costs;
- Technical skills: ability to setup a project in a cost control tool / database, ability to maintain and make the database evolve, and specify the appropriate reports;
- Advanced leadership skills: ability to influence the overall project organization so as to achieve the goal of an accurate and timely cost control.

Why finance and cost control should be neatly separated in the organization

The finance function is required in any organization, should it be only to pay salaries and suppliers. It responds to necessary short term, reactive requirements: payment of invoices, cash flow, treasury etc. It is important to make sure that responsibilities are clearly split between finance and cost control. Failure to do so,

or to man appropriately the finance side, will inevitably lead to cost controllers to be involved in invoice processing and the like, which are short term required activities. In the experience of Project Value Delivery, this unfortunately happens often. The effect of such dysfunction is not visible immediately, because the cost controller role is a longer term anticipation role; however, it will be very painful later during the project when the amount of inaccurate forecast, cost consumption reporting and understanding of the cost drivers will bite back.

The best way to avoid such a dysfunction is to create, from the beginning, a clear distinction between finance and cost control, and make sure that any carry over work, if unavoidable, is limited in scope and time. This means that:

- at the functional level, cost control should not report to the Finance department
- the interfaces between cost control and finance should be clearly defined upfront in terms of responsibility, timing and interface documents or information
- cost controllers should not be involved in invoice processing apart from coding invoices according to the project Breakdown Structure, and defining the project Breakdown Structure
- the necessary reconciliation between cost control systems (commitments) and finance (accounting), and definition of the accruals, need to be lead by one function clearly defined as being in charge
- financial reporting over different legal entities, variable foreign exchange rates, taxes, etc should be exclusively managed by the finance function.

Conclusion

Cost control is a key function in large, complex projects. And it is too important to leave to accountants. The best cost controllers excel in being able to reach for the right information at the right time, identifying the drivers and transforming all this knowledge into a useful forecast. Because at the end, the key decisions of the project leader will be taken on that basis - would you compromise the basis of the project leader's decision making with a poor cost control?



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