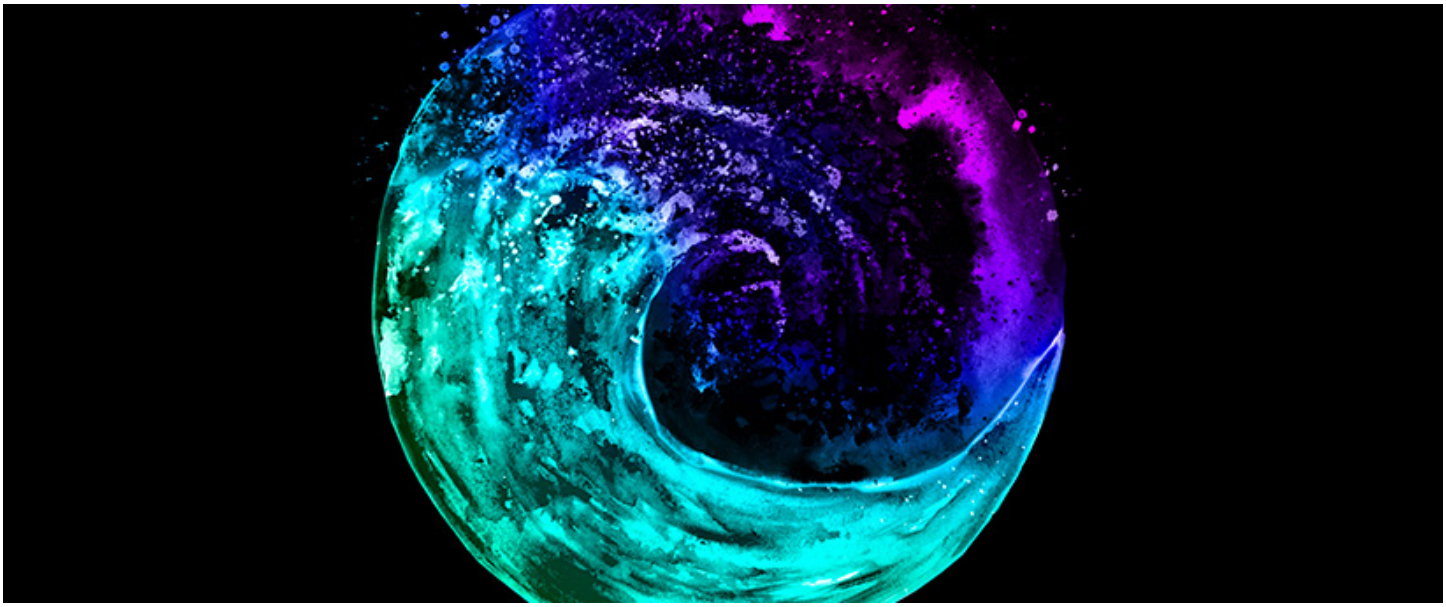


Resilient podcast series

The controller's AI readiness playbook: centralize, standardize, and automate

Host:
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Guest:
Lisa Hofstatter, Senior Vice President, Controller and Chief Accounting Officer, Bank of Montreal

Katie Glynn: Hello, resilient leaders. I'm Katie Glynn, and I'm thrilled to welcome you to a special edition of "The Resilient Controller" podcast. Thank you for tuning in and being a part of this community. Today, we're coming to you from Deloitte University, where we're hosting our annual Deloitte's Controllership Summit, a gathering of some of the most talented finance and accounting leaders in the country.

In this special series, we're sitting down with five controllers and chief accounting officers from across industries to explore what resilience really looks like at the top of the accounting function. From navigating complex regulatory environments and major acquisitions to leading teams through technology transformation in an ever-evolving AI landscape, these leaders are doing it all.

And critically, we'll be asking each of them what is most top of mind and most relevant for them right now. The real challenges, priorities and opportunities that they are navigating today. We're on a quest, as always, to uncover the real, candid stories behind resilient leadership, the kind that fuels inspiration and reminds us why this work matters.

So let's dive in.

Today we welcome Lisa Hofstatter, an SVP controller and chief accountant at one of North America's largest banks where she has built her entire 30-year career spanning investor relations, US chief accountant, and now enterprise controller and chief accountant.

Lisa Hofstatter: I think what we need to do is we need to adapt and we need to reskill ourselves because there's still going to be humans in the loop. The machine's not going to do the whole close, make all the judgments, do all the technical accounting, do all the governance and control work. No, they're tools that will help us.

Katie Glynn: Lisa, thank you for joining us. We're so glad to have you here.

Lisa Hofstatter: Thank you for having me.

Katie Glynn: Absolutely. There's lots for us to talk about today. Now, when I think about the role of controller, chief accountant, I like to break this down into really kind of two different areas. I think about the fundamentals. The role that the controller has historically played that hasn't changed, the ability to close the books accurately, timely, and I would say even faster and faster.

Lisa Hofstatter: Faster and faster. Yes.

Katie Glynn: Even faster. Report the numbers accurately.

Lisa Hofstatter: Mm-hmm.

Katie Glynn: Getting insights out faster and faster, all of these things, as well as just maintaining a risk-controlled and compliant environment where our financials are being produced. Now, all of that still being the case, we like to call it the role of the modern controller because now we're also being asked to be sitting at the table on the strategic decisions; leading AI finance and the evolution of AI in our finance organizations; looking at different operating models of our teams and organizations, and hybrid, and agents, and all of the things that that comes with.

So, there's quite a bit happening. I'm curious for you, I know that you've been kind of in your current role just the last two years, the role that you're in now, I'm curious about what's top of mind for you and what have you been experiencing and seeing that you can share a little background with us?

Lisa Hofstatter: Sure. So, I hear a lot about AI.

Katie Glynn: Yes. Yes.

Lisa Hofstatter: And I think a lot about AI as it impacts the controllership world. I've heard some people say that it will have more impact on controllership than other areas in finance potentially; more quickly.

I think it's going to take some time to see some real impact of AI because what you quickly learn is, you know, certain prompts are easy to do, like "update me on what's happening with the bank in the news today." You know, that's okay, but when you start asking it more detailed questions and difficult questions, sometimes it doesn't give you what you need.

Katie Glynn: Right.

Lisa Hofstatter: So, it's all about the prompts and how you actually use it. And so, I don't see a situation where we're going to have agents come into the bank, AI agents, and take over jobs.

Katie Glynn: Right.

Lisa Hofstatter: And so, one of the initiatives that I started when I assumed the role of controller, I was chief accountant for five years, and then as part of some reorganization due to retirements, I assumed the controller hat, and that was a world that I hadn't really lived in. I'm more of a technical accountant, advisory, and did some investor relations, but booking journal entries is not what I have done in my history.

And so, as I took on my broader group and started meeting with them and understanding what their concerns were, what they needed from me—because that's what I can help with my team, is help with strategy and get them resources. What I quickly learned as an outsider, say, to those teams, was everybody does things a little bit differently. So, if I have different teams that support different business segments, the way they close the books, the way they present results, the way they do their work differs.

It differs because, you know, there were different CFOs in those groups. There were different people that needed information. And so, the table stakes things are in there for everybody, but then there's a little bit more, and it depends on what we're comparing the actuals to. And so, I stood back and said, "We're not going to move into the 22nd century, unless we standardize. We need to start doing things the same way." And so, one of the journeys that we just are finishing is a ledger conversion.

Katie Glynn: Okay.

Lisa Hofstatter: We had seven separate ledgers, and now we're on a unified ledger.

Katie Glynn: That's a large transformation.

Lisa Hofstatter: That was a huge transformation, which I only helped at the end. It was not my project, but it impacted my team significantly. We're working on the consolidation piece, but before when we were all on different ledgers, it's hard to have consistency. And depending on what group you support, you might have used a single ledger or a couple of ledgers. And so now we're all on one ledger, and we're getting, you know, it's more ripe now for automation and improvement.

And so, my mantra when I held some off-sites with my new teams to say, "I want to hear from you, what do you need? Tell me what your issues are. Let me learn and understand so that I can help." And so, I quickly coined the phrase "centralize, standardize and automate."

Katie Glynn: I love it.

Lisa Hofstatter: So having people doing different work in different groups or having people on islands didn't really make sense. Like we should be doing the same types of work together, and I'm still working on doing that. I just created a new team for intercompany clearing. You suspect with a large bank with many different legal entities and groups, there's a lot of intercompany. It's difficult. And so we just centralized the managing of that, and we're working through it. But I think there's a lot of work to get ready for AI.

Katie Glynn: I love the mantra. But without those first two pieces, the return on the investment of AI doesn't exist, or the return is minimal.

Lisa Hofstatter: That's right.

Katie Glynn: How has it been received by your cross-functional stakeholders with the move to centralize? Has there been adoption of that? Any advice or feedback on that transition?

Lisa Hofstatter: What I find generally is people want to be open to change, but when it actually, rubber hits the road, sometimes it's a little trickier for people.

Katie Glynn: Right.

Lisa Hofstatter: And I think generally in the AI space, people are a bit nervous. "If I automate this, am I working myself out of a job?" I think what we need to do is we need to adapt, and we need to reskill ourselves because there's still going to be humans in the loop. The machine's not going to do the whole close, make all the judgements, do all the technical accounting, do all the governance and control work. No, they're tools that will help us. And if I think about, you know, before the computer and after the computer, well, if you fought the computer—like it's happening.

Katie Glynn: Right.

Lisa Hofstatter: It's coming.

Katie Glynn: That's right. We've been here before.

Lisa Hofstatter: It's going to be a big change, but I do think we need to tread carefully. I also worry about people running off and using AI, and it's not in a controlled manner. And then all of a sudden, you have problems with your control. So, we're trying to navigate how do we move forward in a controlled way because we are controllers, and we do need to make sure that everything's reconciled and tied out and we're good. It's still murky.

Katie Glynn: You talk about the risk piece, and it's absolutely resonates because we're introducing a lot of AI solutions to our professionals. We have a lot of confidentiality requirements on our teams. And finding that balance of being able to have the right governance in place, to provide the oversight and also the education of what is acceptable and what is not.

Lisa Hofstatter: Right.

Katie Glynn: So, I am curious, I'm starting to see organizations standing up AI groups or AI governance type of groups. Are you on that same path? Or curious how you're addressing that.

Lisa Hofstatter: Yes, we do have a couple of AI governance type groups that are starting to form within my teams. My team in total right now is probably about 300.

Katie Glynn: Okay.

Lisa Hofstatter: We just added a group to my team, so it's not like there's one central one per se. And I do have as part of the transformation team that works beside us and supports us, there is somebody who is a champion for AI, not an accountant.

Katie Glynn: Yeah. Yeah. Yes.

Lisa Hofstatter: You know, the right people doing AI. And so, we're working with them on some use cases. But again, it's tricky. And I brought with me to read, and I haven't read it yet, COSO's reaction to AI, to just see how to think about it that way.

I see more benefit in the short term with working to standardize. I have more work to do on that. I'm not done. You know, not everybody wants to change to the other person's way, right? So, who does it the right way? Everybody wants to just keep doing what they're doing because they're comfortable and it works, but it's not going to work when we start to really transform.

Katie Glynn: Right. I think there was a rush to getting AI tools to the hands of the people that need them. And now we're seeing this pullback of "let us look at the process and the process steps and challenge why are we doing this, should we be doing it this way?" To your point, we have two, three, four, five different ways of doing this today. Which of these or which blend of these is correct?

Lisa Hofstatter: That's right.

Katie Glynn: And we're starting to see some new tools pop onto the market as well that are helping with the process mapping, which are pretty savvy. Ones that we see you can even just talk about what your process is, and the audio is picking you up, and it's process flowing out.

You know, a lot of these are newer to market. But, it does seem your mantra of centralize, standardize, automate, the centralization piece and the standardization has to happen before we can do anything else. I'm curious when you get into these battles around standardization—and quite frankly, like we could standardize for years given all of the acquisitions and the different business models that are out there—I guess, how are you approaching that? Or what is your resolution model to getting to a place of standardization?

Lisa Hofstatter: So, I've engaged help from within the company, but outside of my team to say, "Let's objectively process map the different flows." And, you know, there's probably 70% overlap between people's processes. Like, they're not completely different, but, you can't automate something that's a little bit different from everything else. What I don't want to do is take a bad process and automate it.

So, what is the best way to do it versus let's not automate the way we used to do it. You know? I don't feel incented to be first in the game. You know, you can do a fast follow. You can watch others. You can wait for some of the big giants to create agents that are helpful to us, as opposed to us trying to build things ourselves. Because our things shouldn't be so bespoke that then you're stuck taking care of this really complicated little logic that you own. I want to be more standard.

Katie Glynn: Well and because it's moving so fast and changing so quickly that, yeah, if you have something bespoke, then you have the maintenance responsibilities of keeping at pace. Most tech, the big ERP systems, the point solution, the edge systems, they're all also building at rapid speed agents and AI solutions embedded in their tools. Are you finding that some of those are accessible to some of your controller processes?

Lisa Hofstatter: We're starting to have conversations, but I haven't seen anything that would be plug and play yet, but I do see that happening at some point.

Katie Glynn: I would think so.

Lisa Hofstatter: Right.

Katie Glynn: But I think it is a balance of the right process risk controlled.

Lisa Hofstatter: Exactly, yes process. Exactly. But the big change, I think, will come later. But we need to be standardized, and we need good data.

Katie Glynn: It all goes back to data.

Lisa Hofstatter: Always comes back to data.

Katie Glynn: Yeah, always back to data. It's interesting as I talk to clients and talk to others, hearing the different data journeys. You talked about, your ledger journey and now moving into consolidations. It's interesting finding both financial and non-financial data that needs to come together. And I would imagine in your business, there's got to be a lot of nonfinancial data attributes that would unlock some of the AI solutions that we'd be looking for.

Lisa Hofstatter: Potentially, yes.

Katie Glynn: Yeah.

Lisa Hofstatter: Because some of the source systems that you have, you know, they were not built five years ago, and so the level of data that they needed at the time that they were built was commensurate with what we needed at the time.

Katie Glynn: Right.

Lisa Hofstatter: But the world keeps changing.

Katie Glynn: What we're also seeing is some of our source systems have transactional-level data that we're rolling up to getting a summarized or aggregated level, and maybe we're going to roll it up one more time. And, and that second roll up is the information, the source of truth that most are using, but to get to AI we're really needing to be back down at that level, which I think creates large, large data challenges for a lot of organizations. I would imagine, if I think about seven ledgers down to one, the transactions behind all of that, I can imagine the data power that you have in your organization.

Lisa Hofstatter: We still need some more power.

Katie Glynn: Yeah, I bet. Just in your industry, with the amount of regulation and the amount of oversight, are there some of these larger regulatory impacts that you're seeing now?

Lisa Hofstatter: No.

Katie Glynn: No.

Lisa Hofstatter: No. And absolutely they're interested in what AI we're using, what sort of applications. And they've been tracking with us on our transformation journey from the ledgers to the ledgers and then some other management reporting system changes. So, they've been tracking all of that.

Katie Glynn: So, let's talk a little bit, you mentioned the business partnership, and you talked about a team of 300, the different controllers within the different businesses. Talk a little bit about building those business partnering relationships.

Lisa Hofstatter: So I think one of the benefits of being where I have been for 29, I'm in my 30th year as you said, is developing your networks and developing relationships with people, and understanding context and where you're coming from. I think that's really important in order to get buy-in.

And when we look at some of the things that we've been able to do as a company that I'm really proud of, you need regulators to be approving different things, and you need to be a good citizen. So, the money that I take in my team, we need that in order to be lower risk from a financial reporting perspective.

Katie Glynn: One thing that I haven't asked you about, and I am curious, with a team of 300 that you're overseeing, and I think about upskilling, and you've touched a little bit about making sure that our teams are kind of ready for what's coming, and …

Lisa Hofstatter: We need to reskill ourselves.

Katie Glynn: And how are you approaching that? Are there formal programs? We're hearing a lot of organizations doing hackathons. We're hearing very hands-on, moving away from virtual trainings. How are you approaching that?

Lisa Hofstatter: So, I'm not leading that work, for my team because I do have an AI team that is in a sister team.

Katie Glynn: Okay.

Lisa Hofstatter: But we do have a lot of what we'll call lunch and learns, so people can dial in and have their lunch, and they'll talk about prompting. We just did a senior executive session from finance where we did prompts and learned a little bit of prompting. Still lots to learn.

What I don't have yet and what I'm thinking about is how do we help push that down to more people? Because it was really eye-opening. So we, we definitely don't have it figured out, but it's on my mind.

Katie Glynn: One final question. So banking, one of the most complex and scrutinized accounting environments in the world. What's the one thing you wish more controllership leaders understood about what it takes to maintain integrity and excellence in financial reporting at that level of scale?

Lisa Hofstatter: That's a big question.

Katie Glynn: It is a big question.

Lisa Hofstatter: You need to have strong processes, and I have to trust the process, and I have to trust my leaders that report to me.

Katie Glynn: Right. Right.

Lisa Hofstatter: You need a level of trust, and you need to surround yourself with good people. And because of that, I can sleep at night. There are the things where you stretch and grow. But having people that you trust reporting to you, they have people reporting to them that they trust. And if you have a strong, good culture and strong processes and people aren't afraid to speak up, I think that's the magic sauce.

Katie Glynn: Well very good. Well, thank you for being here today.

Lisa Hofstatter: You're very welcome.

Katie Glynn: It's been a delight to have you.

Lisa Hofstatter: Thank you.

Katie Glynn: That's a wrap on today's episode of our special Controllership Summit series here at Deloitte University. Conversations like this one remind us that great controllership is as much about leadership and judgment as it is about technical rigor, and that the best finance leaders are constantly pushing the function forward from navigating complex regulatory environments and major strategic shifts, to reimagining what AI and technology mean for the close process and those teams behind it.

Thank you for joining us on this journey of discovery and resilience. If today's conversation resonated with you, we'd love for you to subscribe to "The Resilient Controller" podcast wherever you listen and share it with a colleague who needs to hear it. Until next time, the best controllers never stop asking what's next, and neither should you.

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