

Should I Use an Outsourced CFO?



By Ken Weil

Consider these scenarios:

- A. Your business needs an independent advisor, free of internal politics and biases, to recommend and implement policy, procedure, and system changes for the betterment of the entire organization.
- B. Your internal accountant/bookkeeper requires advice and guidance on an on-going basis.
- C. You don't have enough work to keep a CFO/Controller employed full-time, or you can't afford one.

What does each of these scenarios have in common? A common solution. That solution is an outsourced CFO or controller who can work at your location once a week or more, once a month, or even quarterly.

When/why do I need an Outsourced CFO/Controller?

No matter how great your product or service, if your financial house is not in order, then you will not achieve your goals. Worse yet, you just might go out of business. That's why CFO services are integral to success at every stage of the business cycle, from startup, through the end stages of succession or divestiture of the business.

In the earliest stages, an outsourced CFO or controller can assist with finance-department structure, accurate accounting and reporting, business-plan development, assistance with obtaining financing, treasury management, profitability enhancement, and budgeting. By establishing a strong financial foundation, future re-engineering costs and audit costs will be reduced, and internal controls will be improved.

As the new company matures, an outsourced CFO/Controller can assist the owner in many ways through analysis and implementation/oversight. Analysis services might include: 1) analyzing current cost structure and recommending savings initiatives; 2) analyzing current processes to improve efficiencies, thereby reducing administrative costs and

improving financial reporting accuracy and timeliness; and 3) evaluating acquisition opportunities. Typical oversight/implementation activities include: 1) serving as a sounding board for key strategy decisions; 2) recommending and implementing internal control procedures; 3) selecting an accounting system once Quickbooks reaches its limits; 4) helping interview Finance department personnel; 5) managing the audit preparation work to minimize audit fees and reduce comments; 6) handling the accounting transition of a newly-acquired entity, merged entity, or the winding down of an entity; 7) conducting cost/benefit analyses for capital decisions; and 8) improving the billing cycle, collections and ultimately, the cash-flow to grow the business.

How do I locate an Outsourced CFO & what makes a good fit?

Without question, referrals are the best way to find an outsourced CFO or Controller. If other business owners in your industry are willing to refer their consultant to you, you will ensure that you hire an outsourced CFO with detailed knowledge of your industry. Ide-

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ally, your consultant will have industry knowledge from another market where you are not competing.

Chambers of commerce and other networking organizations are also great referral sources, and accounting firms provide some of the best referrals. In fact, most CPA firms, even those who offer business advisory services, will recommend outside help for CFO services in order to maintain their truly independent roles. Indeed, your CPA will know good CFO work when he sees it and will know the reputation of many of the available CFOs in the area. It also makes good sense to include your CPA in the process, because

he or she will interact with your outsourced CFO throughout their tenure.

As you evaluate consultants, review their resumes to determine if they have deep and diverse backgrounds in managing corporate accounting departments. In addition, it is important that the CFO/Controller has the qualifications to roll-up their sleeves and jump in to analyze, recommend, and implement solutions. If the Outsourced CFO/Controller is required for a specific task (i.e. accounting system selection, merger, acquisition or sale, etc.) make sure they have the qualifications and specific experience with that function.

Because their role should be to challenge the status quo and assist in shaping the organization, ensure that their personality is a good fit with the company leaders and that they can command the requisite level of respect without being overbearing. Finally, if you need an Outsourced CFO/Controller on an on-going basis, be wary of recently unemployed CFOs, because they might view the assignment as a stepping stone to another full-time position. If that happens, you'll be starting the process over again.

Ken Weil, MBA is the founder and president of Consult Your CFO. He can be reached at 410-371-0821 or KenWeil@ConsultYourCFO.com.