



Company Size Thresholds Impact Hiring a Full-Time CFO & An Alternative

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There is often confusion and uncertainty among Los Angeles and Southern California business owners and entrepreneurs when it comes to determining whether they need the skills of a controller or a CFO — or both of these positions, for that matter. These are critical, high-level financial positions in a small or mid-sized business, so it's important to make the right decisions about these resources, and the ensuing decision to hire.

Reaching Certain Size Thresholds

The decision about hiring a high-level financial professional hinges on many different factors and varies from one company to the next — there is no one-size-fits-all answer. In general, though, companies need to reach certain size thresholds before it's financially feasible to make such a hire. A well-qualified CFO, for example, will likely command a six-figure salary and attractive benefits package, so you need to have the financial resources to accommodate this. This often translates into annual revenue of \$50 million or more.

A CFO will bring a high set of analytical and strategic skills to the position that go beyond just number crunching. CFOs will provide strategic financial direction for the company, often serving as the “right-hand” to the CEO, in addition to providing performance measurement reporting that helps the CEO run the business more effectively. CFOs look at the business holistically in order to help CEOs improve planning, modeling, risk management and forecasting and, thus, make better business decisions and manage resources better. A CFO also maintains and develops critical relationships with existing and prospective investors and lenders.

A controller, on the other hand, generally brings a much higher skill set than a bookkeeper. The controller is primarily responsible for managing the day-to-day financial affairs of the business — things like maintaining internal controls, maintaining the general ledger, managing the day-to-day banking relationship and preparing financial statements according to GAAP. A lower size threshold is usually required in order to hire a controller — perhaps between \$10 million and \$20 million in annual sales. A controller, however, generally has no experience in the financial markets and may have minimal experience with cash management and forecasting, so in addition to not having the time available to provide CFO expertise because of his/her daily duties, frequently also does not have the training or experience to provide it.

Hiring a full-time controller or CFO before your company has the volume of work and/or the resources to support the position can end up being a very costly proposition. Not only will it be a waste of money and a drag on the bottom line, but the controller or CFO will likely become bored quickly and probably leave the company, which can be very disruptive to everyone.

An Alternative: Hiring an Outsourced CFO Services Provider

If you're not sure your company is ready to hire a full-time person, one alternative to hiring a full-time controller or CFO is an outsourced CFO services provider who can work with your existing financial staff on a part-time basis. For example, an outsourced CFO can work closely with your bookkeeper to provide

oversight of the accounting function; evaluation and initiation of internal controls; risk management guidance; and strategic expertise. He or she can work in the same capacity with your controller if you decide that you are ready to hire a controller, but not a full-time CFO. This can be a very cost-effective solution in the right circumstances. Another alternative below a certain size is to have an outsourced CFO services provider provide your entire accounting department, bringing outsourced bookkeeping and controller expertise in addition to their CFO skills.

One of the benefits of this approach is that you will gain the expertise of a seated CFO — including his or her high-level, strategic financial and operational expertise — without having to pay a CFO's high full-time salary, benefits and other overhead. You also avoid the costs and headaches of employees while having the depth of back up the outsourced bookkeeping service provides. An outsourced CFO can add tremendous value to your company by delivering financial consulting on costs, profits and other high-level strategic financial analysis, as well as guidance to help drive growth, profitability and shareholder value. He or she can partner with the CEO to tackle forward-looking strategic issues and help execute the company's vision, while also communicating effectively with investors, lenders and other external stakeholders.

This approach can offer you the best of both worlds:

- You retain your controller without burdening him or her to perform duties he or she isn't qualified for — and is getting burned out trying to accomplish.
- You gain the expertise of an experienced CFO on an as-needed basis, which is much more cost-effective than hiring a CFO on a full-time basis.
- Your internal management reporting is improved, which will help grow your profits.
- You acquire a strategic, on-call partner who can advise and collaborate with you on future decisions about running, funding and growing the business.

Concluding Thoughts

The decision about hiring a high-level financial professional will hinge on many different factors and will vary from one company to the next. But hiring a full-time controller or CFO before your company has the volume of work and/or the resources to support the position can end up being a very costly proposition. One alternative is to hire an outsourced CFO services provider who can work with your existing financial staff on a part-time basis. With this approach, you will gain the expertise of an experienced CFO without having to pay a full-time CFO's costs.

You may also be interested in our complimentary white paper that looks at this topic in greater detail:



White Paper
CFO or Controller
What's Right for Your Business?

Explore business drivers needing resolution when deciding on hiring a first full-time CFO or controller.

Also reviewed are solution options including the non-traditional option of bringing in a part-time CFO.

[Click here](#) to download the white paper.

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