



Managing Through a Finance Department Transition

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Transitions and change are always hard — but never more so than when a finance department leader or executive leaves the company. The challenge becomes especially difficult when the executive leaves or is terminated immediately, or suffers a tragic accident that leads to long-term disability or even death.

In these situations, company management and finance department employees have very little (if any) time to prepare for the transition. Making matters worse, the finance department leader often performs a significant amount of “hands-on” work that is not properly documented — which means only he or she knows about it in any degree of detail.

Potentially Negative Impacts

In a worst-case scenario, the company only finds out that the tasks the departed leader was performing are no longer being performed when an external party notifies them. (For example, “We didn’t receive our royalty check this month — where is it?”) Even with this notification, the departed leader may not have left behind a clear set of procedures to follow so other finance department employees can fulfill these tasks in his or her absence.

Not being prepared for the sudden departure of a finance department leader can result in a number of potentially negative impacts, including the following:

- The company’s books may be materially misstated.
- Other intercompany entities could be affected if there are significant intercompany transfers.
- The approach to accomplishing financial tasks that’s taken by the leader’s replacement may not be consistent with the procedures that were previously followed.
- The delivery of financial results may be delayed.
- Vendors, stakeholders and other important parties may suffer disruptions due to these problems, thus jeopardizing these relationships.

An outsourced CFO services provider can help ease the transition of the sudden departure of a finance department leader. This finance professional will possess the experience and expertise required to help your firm deal with this situation — including forensic accounting skills that are necessary to help finance department employees pick up where the departed leader left off.

More specifically, an outsourced CFO will understand the interdependencies that exist between the finance department and other external organizations (such as intercompany billings) and attempt to use these interdependencies to fill the knowledge gap left behind in the wake of the departed leader. In the case of intercompany transfers, for example, this may mean going to the entity that is the recipient of funds and inquiring about past procedures.

Benefits of Being Proactive

Your company could realize many benefits by being proactive and preparing ahead of time for the transition caused by the sudden departure of a finance department leader, including the following:

- The preservation of key customer, vendor and other third-party relationships.
- Continuity and consistency in the accounting process and financial reporting.
- Properly documented policies and procedures that will help prevent these kinds of disruptions from ever happening again.
- The discovery of inconsistencies in the approach that was previously used, resulting in an overall process improvement.
- Timely production of financial statements and financial information, which is critical in any business, but especially when there is significant business turmoil.

Concluding Thoughts

Change is never easy, but the challenge becomes especially difficult when a finance department leader leaves the company immediately or suffers a tragic accident that leads to long-term disability or death. In these situations, company management and finance department employees have very little (if any) time to prepare for the transition. In a worst-case scenario, the company only finds out that the tasks the departed leader was performing are no longer being performed when an external party notifies them. An outsourced CFO services provider can help ease the transition of the sudden departure of a finance department leader.

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