



## How to Maximize the Value of Your Finance & Accounting Department

Arthur F. Rothberg, Managing Director, CFO Edge, LLC

If you own or operate a small or mid-sized business, then you probably have an in-house finance and accounting department. But many Los Angeles and Southern California business owners and entrepreneurs don't know how to best utilize their finance and accounting departments in order to maximize the return of this valuable resource.

For example, you may have heard that finance and accounting is supposed to “keep score” for your business. But keep score of what, exactly? And who specifically is supposed to be keeping this score? Following is a broad overview of several things to keep in mind as you plan for how you can maximize the value of your finance and accounting department to your overall business enterprise.

### Set the Right Expectations

The first step is to define the specific role of your finance and accounting department. This will enable you to set the right expectations for what the department can (and can't) accomplish for your business. Common roles for most finance and accounting departments include:

- 1. Overall cash management** — Managing cash efficiently is usually the most important role for the finance and accounting department. The financial health of your company is contingent on strong cash flow and having enough available cash to meet your company's daily working capital needs.
- 2. Budgeting and strategic planning** — This is another critical role of the finance and accounting department. Depending on your company's size and sophistication level, you might need more or less input from finance and accounting when it comes to overall strategic planning.
- 3. Managing banking relationships** — It's critical that your bank understands your company's big-picture business and strategic plans, especially with regard to future growth and expansion. It is up to finance and accounting to communicate this to your bank. Also, it's important that the appropriate point person in finance and accounting make sure the bank is getting the financial information they need from your business on a regular and consistent basis.
- 4. Managing vendor relationships** — Someone in finance and accounting should be the point person for communicating with vendors about the financial aspects of contracts, including payment terms and cycles and negotiation of contracts, if appropriate.

### Staff the Department Appropriately

With finance and accounting's role and expectations clearly defined, you can take a fresh look at your current finance and accounting staff in light of whether or not you have the right people in the right finance and accounting jobs that maximize their talents, skills and contributions to your organization.

Meanwhile, if you are building a new finance and accounting department from scratch, you need to decide which positions to hire first — for example, a bookkeeper, accountant or department head — when to hire these positions, and which finance and accounting functions will be handled in-house vs. outsourced.

### **Decide What Types of Financial Reporting the Department Will Deliver**

At a minimum, your finance and accounting department should deliver a package of basic financial statements consisting of a balance sheet, statement of cash flow and profit and loss statement (or P&L), as well as a budget. It may also deliver supplemental reports such as department, product line and other custom reports. You must decide who will receive these reports and what your reporting timelines will be (e.g., daily, weekly, or monthly).

Depending on your company's size and specific needs, you might also want finance and accounting to provide more advanced analytics, like trend or variable analysis or specific measurements of the key performance indicators (KPIs) that are most important to the company.

### **Define the Department's Communication Role**

You need to decide how finance and accounting will communicate with the CEO, board of directors and other senior managers and executives, as well as who in the department will be responsible for this communication. For example, will the finance and accounting point person communicate directly with department heads, or will communication flow through the CEO and down to department leaders?

Also think about the role of finance and accounting in customer communications. This may include collection efforts, payment plans, and other customer financial accommodations, as well as goodwill communications with customers.

### **Concluding Thoughts**

Your finance and accounting department can be a valuable corporate asset if you are taking the time to make sure it is being run and managed properly. This starts with defining its role and setting the right expectations for the department. Failure to do so will result in your finance and accounting department not delivering value or a high return on investment for your company. An outsourced CFO services provider can help you analyze each of these areas in order to maximize the value and ROI of your finance and accounting department to your organization.

### **About CFO Edge**

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit [www.cfoedge.com](http://www.cfoedge.com) or call 800.276.1750 Ext 101.

This publication has been prepared for general information on matters of interest only, and does not constitute professional advice on facts and circumstances specific to any person or entity. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. The information contained in this material was not intended or written to be used, and cannot be used, for purposes of avoiding penalties or sanctions imposed by any government or other regulatory body. CFO Edge, LLC, its members, employees and agents shall not be responsible for any loss sustained by any person or entity who relies on this publication.