



## Measuring the Success of an Outsourced CFO

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In our last article, we talked about how to measure the success of a chief financial officer. The role and responsibilities of the CFO have increased dramatically in recent years, which has made it more difficult to measure CFO success.

As the CFO's responsibilities have grown, many companies have turned to outsourced CFO services providers to help them improve financial management and profitability, as well as increase shareholder value. Outsourced CFOs provide support to companies by delivering high-level financial expertise within a flexible framework and environment.

In the same way that it's important to measure the success of a staff CFO, it's also critical to gauge the success of an outsourced CFO services provider. In some ways, this is even more important, since your company will likely make a significant investment of both time and money into the services of an outsourced CFO.

### What Are Your Goals and Outcomes?

The first step in gauging an outsourced CFO services provider's success is to define the outcomes you expect to receive from the engagement with the outsourced CFO. Without specific, agreed-upon goals and outcomes, you'll have nothing to base your success measurements upon. Here are five potential outcomes that companies typically expect from an outsourced CFO services provider engagement:

**1. Higher levels of productivity** — One of the key areas where an outsourced CFO services provider can add value is by helping spot inefficiencies in your business. This includes not only financial inefficiencies, but inefficiencies across your entire spectrum of operations, including human resources and all of your core business processes.

***Question to ask:** Has the engagement increased our company's efficiency in tangible and measurable ways?*

**2. Improved profit margins** — If the answer to this question is yes, you should be able to see a corresponding improvement in your company's gross and net profit margins. One thing to look at is whether your average overhead costs are trending up or down in relation to your sales.

***Question to ask:** Have our gross and net margins improved measurably due to the efforts of the outsourced CFO? If so, by how much?*

**3. Lower costs and expenses** — Cost reduction and cost controls are another key area where an outsourced CFO should be able to add value to your company. The outsourced CFO brings the objective perspective that can best be provided by someone from outside your firm, which often makes it easier to

spot areas of waste and potential savings. These may be in the areas of overhead, materials, supplies, inventory or human resources.

**Question to ask:** *Is the cost and expenses side of our balance sheet lower now than it was before we engaged the outsourced CFO?*

**4. Better internal controls** — Companies often find that their internal financial controls have grown lax, resulting in waste and potential exposure to fraud. An outsourced CFO can spot areas where internal controls need tightening and suggest and implement improvements.

**Question to ask:** *Has the outsourced CFO helped us spot lax internal controls and suggested and implemented steps for tightening our controls to reduce waste and limit our exposure to fraud?*

**5. New marketplace opportunities** — With the objective viewpoint of an outsider, an outsourced CFO should be able to help you not only spot new marketplace opportunities, but also be prepared to take advantage of them. This, in turn, should enable your company to embark upon new growth initiatives.

**Question to ask:** *Are we embarking upon growth initiatives in new markets and segments as a result of the work the outsourced CFO has done for us?*

Less measurable but just as important to gauging the success of an outsourced CFO services firm is the peace of mind that should come with the assurance that your company is operating at peak efficiency. In addition, the outsourced CFO should help improve your company's focus on its core competencies and other strategic areas of importance.

### **Concluding Thoughts**

By considering all of the above factors, Los Angeles and Southern California CEOs and CFOs should be able to gauge whether or not an outsourced CFO services engagement has been successful or not. These factors include qualitative measures like productivity, margins, expenses and controls, as well as more quantitative factors like peace of mind and a sharper strategic focus.

### **About CFO Edge**

CFO Edge, LLC is a leading Southern California provider of outsourced CFO services. Based in Los Angeles, we are a group of experienced chief financial officers who engage with CEOs and CFOs on demand to address strategic planning, business management, and day-to-day financial operations challenges. Our seasoned professionals deliver services as interim CFOs, part-time CFOs, project-based CFOs, recruitment-to-permanent CFOs and interim-to-permanent CFOs. 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 626.683.8840.

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