



Outsourced CFO Services: By Any Other Name

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More Los Angeles and Southern California business leaders today are turning to providers of outsourced CFO services to help them improve financial management, boost profitability and increase shareholder value. Many of these companies lack the requisite financial expertise in-house to achieve important goals like these, and hiring an outsourced CFO services provider often enables them to reach the next level of growth.

What's In a Name?

If you Google “outsourced CFO services,” you’ll see that they are offered under a variety of different names: part-time CFO, temporary CFO, contract CFO, virtual CFO, CFO for hire, etc. So you might be wondering what’s the difference between a “part-time CFO,” a “contract CFO” and a “CFO for hire”? The answer: Basically nothing.

These are all mostly interchangeable terms used to describe firms or individuals who provide outsourced financial expertise to businesses on a contract basis. These providers typically offer one of three different types of outsourced services:

- 1. Interim CFO services** — Businesses may hire an outsourced CFO services provider to replace a departing CFO until a new permanent CFO is hired. The services provider can also provide assistance in recruiting the new permanent CFO by helping with defining the position, advertising and interviewing.
- 2. Part-time CFO services** — Many businesses can’t afford (and don’t need) a full-time CFO on staff. Such businesses can hire an outsourced CFO services provider to work with them for a few days a month or a few days a week, depending on their needs and budget.
- 3. Project- or transaction-based CFO services** — Here, the services provider is brought in to work on a pre-defined and specific financial assignment. Preparation for an audit, assisting with M&A integration, handling financial restatements, and dealing with revenue recognition problems are a few examples.

It’s important to keep in mind, however, that while the terms used to describe outsourced CFO services are mostly interchangeable, there are very real differences between the many types of firms that say they offer high-level outsourced strategic consulting services. In particular, many accounting firms today are branding themselves as providers of outsourced CFO services under one of these monikers.

If you are considering hiring and working with an outsourced CFO services provider, you should take the time to carefully investigate the credentials of any firm that labels itself as such a provider. There are several things you should look for when hiring an outsourced CFO services provider, but the most important one is this: Does the firm employ *actual* formerly seated CFOs? If not, you probably aren’t receiving the highest level of strategic financial consulting available.

What You Should Look For

In addition to ensuring that an outsourced CFO services provider employs formerly-seated CFOs with experience in high-level activity that improved financial performance and growth, here are five other criteria and capabilities you should look for:

- 1. Strong general financial expertise** — An outsourced CFO services provider should have hands-on financial expertise in both corporate financial strategy/planning and non-financial operations design, deployment and management.
- 2. Business and operations experience** — A services provider should bring a holistic approach to your business that will help optimize efficiency in non-accounting and non-financial areas of your business, as well as in accounting and financial areas. This may include human resources, legal, IT, banking, insurance, real estate and more.
- 3. Expertise in your industry sector and/or related sectors** — In addition, the provider should be able to bring industry best practices into your business. Ideally, the formerly-seated CFO you work with will have real-world experience working at a business (or businesses) similar to yours.
- 4. Strong management experience** — Outsourced CFO services providers are often called on to help build and strengthen internal department relationships and cooperation. Strong management experience is required in order to work with sales, operations and management/ownership to show how the accounting and finance function can help everyone work together better.
- 5. The ability to make valuable business, industry and networking connections** — Connecting with others in your industry may open doors of opportunity for new sales and services, or in the case of new vendors, for reducing costs or expanding your options. Making networking connections with professionals outside of your industry (such as attorneys, commercial bankers, insurance professionals, equity firms and investors) can also be useful by helping you build new relationships and get your foot in the door.

Concluding Thoughts

Los Angeles and Southern California business leaders and executives may be able to reap big benefits by hiring and working with an outsourced CFOs services provider. But not every firm that calls itself such a provider — whether using the term contract CFO, virtual CFO or something else — is able to deliver the highest level of strategic financial consulting. Take the time to carefully investigate the credentials of any firm you're considering hiring as an outsourced CFO services provider. Most importantly, make sure the firm employs actual formerly seated CFOs in this role.

For more details on this topic, please see our complimentary white paper:

Outsourced CFO Services: When Do They Make Sense for Your Business?

www.cfoedge.com/resources/white-papers/outsourced-cfo-services-white-paper.asp

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 or call 626.683.8840.

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