



When Do Outsourced CFO Services Makes Sense?

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Businesses that lack a high level of financial expertise and sophistication sometimes turn to an outsourced CFO services firm to help them improve financial management. Such providers support CEOs and CFOs by delivering high-level financial capabilities to businesses that need them in order to achieve the key goals of improving profitability and increasing shareholder value.

At the same time, hiring an outsourced CFO provides businesses with a tremendous amount of flexibility compared to the time and expense required to hire a full-time CFO. An outsourced CFO services provider can be especially helpful during periods of rapid business expansion and during transition periods between full-time CFOs, as well as to work on special projects and provide strategic planning and direction.

There are many different scenarios where it may make sense to bring an outsourced CFO services provider into your firm. These scenarios can be grouped into three broad categories, based on the role to be assumed by the CFO services provider.

Interim CFO

In this scenario, the interim chief financial officer may be hired to replace a departing CFO until a permanent CFO is hired. The interim CFO becomes a member of the executive management team and provides high-level financial expertise and guidance in areas like the following:

- Accounting System Design
- Audit Preparation & Annual Audit
- Budgets & Financial Plans
- Capital Requests
- Cash Flow Assumptions
- Corporate Governance
- Debt Strategy
- Executive Management Reports
- Financial Statements
- Financial Strategy
- Growth Strategy
- Internal Controls
- IPO, Acquisition and Divestiture Strategy
- Key Performance Indicators
- Policies & Procedures
- Profitability Strategy
- Risk Management Strategy
- Tax Strategy

The interim CFO can also help with the following:

- Defining the permanent CFO position.
- Recruiting candidates for the position.
- Interviewing candidates.
- Participating in the hiring decision.

Part-time CFO

In this scenario, the services provider can work with businesses that can't afford or don't need a full-time CFO. Areas of responsibility are the same as described in the preceding section.

This includes companies that:

- Realize that not having access to a CFO's level of financial expertise is holding the company back.
- Have a full-time CFO, but he or she doesn't have the time or resources required to take the company to the next level.
- Have a financial staff that is operational, but not strategic, and need some high-level strategic planning insight and direction.
- Are concerned that their financial staff and key managers suffer from "tunnel vision" and want to bring in an objective outsider who can offer a fresh perspective on business and financial challenges and opportunities.

Project-based CFO

In this scenario, the services provider is brought in to work on a pre-defined financial assignment. These may include:

1. A specific financial transaction (such as a financial restatement or revenue recognition) for which integration assistance is required.
2. The integration of a recently completed merger or acquisition in order to meet the 70-day public filing deadline.
3. A specific financial project that requires focused, project-based engagement, but for which the staff doesn't have the time or resources to devote to it.
4. A specific business process that is not working as well as it should and that an objective outsider's perspective could help improve.
5. Upgrading or improvement of existing procedures and/or systems that the company has outgrown.
6. The capture of key business metrics and key performance indicators (KPIs) from systems and software in order to better manage a growing enterprise.
7. An upcoming audit (from which the CPA must remain independent) for which the business needs help preparing (including the preparation of financial statements).
8. Implementing a new accounting rule for which staff doesn't have the time or expertise required.
9. Professionalizing and updating of planning, accounting and administrative systems and procedures to avoid unpleasant "surprises."
10. Assistance in ensuring that policies currently in place are in compliance with state and federal laws.
11. Assistance in creating proper internal controls to deter internal fraud and embezzlement.

Concluding Thoughts

In all of these scenarios and more, outsourced CFO services can provide the expertise business owners need to help them analyze their current situation and then develop and implement a plan for the company's benefit. Using a provider of outsourced CFO services is an affordable and efficient way for Los Angeles businesses to gain high-level financial expertise, which can help drive profitability, growth and shareholder value.

In the third article in the series, The Business Case for Engaging with a CFO Services Firm, we'll take a close look at potential lost opportunity costs of not utilizing outsourced CFO services and where the return on investment in hiring such services may come from.

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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