



## **Getting the Most from an Outsourced CFO Services Provider**

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Outsourcing is a cost-effective way to access the qualified executive expertise needed for an organization to perform at a consistently high level. There are professional service providers in virtually all areas of executive purview including financial services, human resources, marketing, strategic planning, special project implementation, information technology and more. When engaging an executive service provider—such as a contracted chief financial officer—it is critical to ensure that the relationship has a firm foundation based on mutual trust, shared understanding of the business challenges the firm faces, and targeted, clearly defined objectives.

A trained, experienced chief financial officer who understands how to run a business in today's economic environment is a great asset to any business. Typically a CFO is expected to oversee a diverse and varied portfolio of financial functions such as tax planning, budgeting, financial forecasting, reporting systems and processes, and financial records management.

A key member of the company's executive management team, the CFO also provides input and guidance on strategic initiatives such as M&A, expansion strategies and succession planning. Additionally a seasoned CFO is a trusted resource who provides essential expertise on matters such as financial restatements, SOX compliance, raising capital, and incorporating risk factors into strategic planning.

It is the responsibility of the organization's CEO and other executive officers to ensure that the relationship between senior staff and the professional service provider is positive and productive. At the outset, the executive team, in collaboration with the provider, should develop a set of measurable objectives and an execution path to achieve them. Roles, responsibilities and expectations should be spelled out and measured regularly against benchmarks.

Both parties must be committed to collaborating in an atmosphere of openness and transparency with clear communication channels, delineated feedback mechanisms and well defined means of issue resolution. Both must also establish and maintain an atmosphere of professional respect that allows for candor, intellectual dialogue and intelligent debate on substantive issues.

### **Outcome-based focus**

It is important that frank discussion take place at a conceptual, macro level as well as at a micro level of detail, as both are necessary in order to truly align projects and initiatives with overall corporate strategies and goals. Company executives need to be open to input and new ideas, as well as respect the financial professional's ability to bring fresh perspectives and thought leadership characterized by up-to-date principles and best practices. To make the relationship work optimally, it may be necessary to rework some of the internal processes that surround and support it. While new methods, new approaches and changes may be uncomfortable in the short term, the adjustments are underpinned by consensus on strategic goals and an outcome-based focus on factors such as pricing, margin, profit and shareholder value.

## **Two to tango**

For his/her part, the financial professional must be willing to make a full-on commitment to the organization and contribute value in the form of knowledge, thought leadership and tactical skill. An experienced professional CFO can often find numerous ways to cut costs, enhance cash flow, gain synergies, and improve systems and processes. Areas for shared focus include the following:

### **Tax savings**

A qualified CFO possesses knowledge, training and experience in tax planning and tax strategies and can provide guidance to reduce tax obligations.

### **Improved profitability**

A seasoned CFO can recommend ways to improve cash flow through better management of inventories, payables and receivables.

### **Expert business advice**

A CFO with knowledge of best practices and business conventions across a spectrum of industries is a source of quality professional advice and business solutions.

### **Compliance and governance**

A good CFO will be familiar with legislation affecting specific verticals and will ensure compliance with legal requirements in an appropriate, timely and efficient way.

As a member of the executive team, the CFO is also fully invested in the company's overall success and its reputation for excellence, quality and integrity.

## **Investing in a professional CFO**

There are essentially three types of CFO services providers. At one end of the provider spectrum are large, national companies which operate in one of two general ways. Under a partnership model, the CFOs are partners in the company and share in fees earned. Under a temporary staffing model, the CFO is placed at a client company and earns a salary. Both types have substantial overhead structures and can charge higher fees. At the other extreme are sole practitioners who operate smaller localized practices, often functioning exclusively within a specific domain or vertical. As solopreneurs, these providers have less backup depth and less access to shared accounting resource material.

Occupying the middle ground are CFO services providers such as CFO Edge. Using a hybrid structure, a group of seasoned CFOs form a partnership. A client receives much more value than just the presence of the CFO at the company site. The partners in this model can turn to each other for support, and they all bring access to proprietary tools and an online knowledgebase. Generally, fees are more value-based than with the national firms.

Generally speaking, the following three components characterize the search for and working relationship with an outsourced CFO:

- A formerly-seated chief financial officer can be a valuable financial resource for high-level initiatives, and success is directly proportional to sharing objectives and the execution plan.
- The working relationship should be characterized by the highest possible levels of peer-to-peer openness with provisions built in for debate, feedback and issue resolution.

- Companies considering bringing in an outsourced CFO services provider should weigh factors like size, business model, expertise, bench depth and pricing to determine the type of firm that is the best fit.

Engaging a professional CFO gives firms an opportunity to access high-level professional financial expertise quickly and to derive a clear and immediate ROI. Thereafter, it is an investment they recoup many times over.

### **About CFO Edge**

CFO Edge 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.