



Seven Ways a First Full-Time CFO Could Help Your Business

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

Owners of small and mid-sized businesses in Los Angeles and Southern California face many proverbial forks in the road throughout the lives of their companies. One of these is the decision about whether they should hire a full-time chief financial officer and, if so, when is the right time to do this?

There is no one-size-fits-all answer to this question — it depends on many different factors and will vary from one company to the next. But there are a few general guidelines you can follow to help you make the right decision for your company.

Controller vs. CFO: What's the Difference?

It's important to first understand the difference between a controller and a CFO. In short, a controller is primarily responsible for managing the day-to-day financial affairs of a business — things like maintaining the general ledger, manage the banking relationship and preparing financial statements according to GAAP.

A CFO, on the other hand, should be able to bring a higher set of analytical and strategic skills to the position that go beyond just number crunching. CFOs are generally expected to provide strategic financial direction for the company, often serving as the “right-hand” person for the owner or CEO. CFOs should be able to look at the business holistically in order to help the owner or CEO improve planning, modeling and forecasting and, thus, make better business decisions.

Here's another way to look at the difference between a controller and a CFO: In their role of financial reporting, controllers are usually looking backward as they work on closing the books for the prior period. A CFO, in contrast, should always be looking *forward* in helping strategically plan for the company's future profitability, performance and growth.

Areas where a CFO Can Make a Difference

A few of the areas where a CFO can provide strategic assistance include:

- 1. Understanding the drivers of business performance.** What are the factors that truly drive success in your business? And just as importantly, where are the potholes that could possibly trip up your business and cause you to fail to reach your strategic goals?
- 2. Making decisions about expansion and growth.** Where do the best growth opportunities lie for your business? Should you focus on organic growth or growth by acquisition? If by acquisition, should it be vertical or horizontal? What M&A targets should you be focusing on? And are the company's books prepared to withstand the M&A due diligence process?
- 3. Making investments in new products and services.** When does it make sense to invest resources (both time and money) in new products and services? How do you decide what kinds of products and services to invest in? And are there existing products and services that you should pull the plug on because they are not generating sufficient gross profit?

4. Maximizing the use of technology. Today's modern financial department should be taking maximum advantage of technology tools that integrate systems and ensure that adequate internal control measures are in place to allow for timely reporting and deterrence of financial fraud.

5. Securing debt and/or raising investment capital. Making sure that your company has access to financing, whether via debt or equity, is one of a CFO's most important tasks, as financing is often the key to meeting growth objectives.

6. Dealing with investors. If your company takes on outside investors via a private placement or initial public offering, your CFO will serve as your primary liaison with them. It's important that investors have confidence in your company's financial management team, and it's the CFO's job to convey the team's financial competence and strength to them.

7. Performing competitive market analysis. All of these decisions should be made within the context of your competitive environment, and a CFO should be able to provide valuable insights into your company's strengths and weaknesses in relation to your key competitors.

While the size of a company isn't the most important factor in the decision about hiring a CFO, companies usually need to reach a certain size threshold before making such a hire is feasible. A well-qualified CFO will likely command a six-figure salary and attractive benefits package, so you need to have the financial resources to accommodate this. For many companies, this translates into annual revenue of between \$10 million and \$20 million.

Concluding Thoughts

Los Angeles and Southern California business leaders and financial executives who reach a certain point in their company's life cycle may be faced with a decision about hiring a full-time CFO. Making such a hire is a big step in a company's growth and development and should be done weighing the potential benefits against the costs, in terms of both the money required to hire a well-qualified CFO and the time required to make sure he or she adds maximum value to the business. An outsourced CFO services provider can help you analyze all the factors involved in this decision, as well as interview and vet potential candidates.

You may also be interested in our complimentary white paper that addresses this topic in greater detail:



White Paper
CFO or Controller
What's Right for Your Business?

Explore business drivers needing resolution when deciding on hiring a first full-time CFO or controller.

Also reviewed are solution options including the non-traditional option of bringing in a part-time CFO.

[Click here](#) to download the white paper.

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.

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.