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acquire. The F&A experts said businesses that have a management team in place are much more attractive to buyers than owner-dependent companies.

**John Warrillow** • Sep. 03, 2013



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marketing. Interestingly, in the eyes of M&A professionals, recruiting a Chief Financial Officer (CFO) was the *least* important role to have on staff.

### **The CFO: a liability, not an asset**

Given that business owners often have a weak spot around financial reporting, the recommendation not to hire a CFO may come as a bit of a surprise. The explanation can be found in analyzing what happens to a business when it is *acquired*. Typically, the finance department is the first functional area to be integrated into the acquiring company, and therefore the CFO is often the first C-level executive to be made redundant in the aftermath of an acquisition.

In an acquirer's eyes, the CFO may be nothing more than a large severance check waiting to be written.

The opportunity for accountants serving small to mid-sized companies is to offer a *virtual* CFO service. You can provide CFO-level advice to the owner on a monthly retainer basis. The owner gets your brains and experience as they grow toward an exit with none of the liabilities associated with a traditional CFO. Here are five ways to play the role of a virtual CFO:

#### **1. Attend management meetings**

Just because you're not on the payroll as a full time employee, it doesn't mean you shouldn't be at the table for regular management team meetings. By being involved as a regular, you can provide a financial point of view on strategic decisions the team is considering.

#### **2. Advocate with the bank**

Get permission from the owner to be the primary point of contact with the bank. Provide a regular stream of communication to and from your client's financial institution and ensure the banking fees and rates are reasonable. Often you can

make up a portion of your virtual CFO advisory fees by finding and negotiating for

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include verifying a bookkeeper's day-to-day work, providing first level support for their questions, and/or being the mentor figure for the financial people on the payroll.

## 5. Plan for an exit

Business owners preparing to sell their business often need help to get their business exit-ready without notifying their full time staff that the company is about to be put up for sale. By discreetly looking at the business through the lens of a potential sale, you can quietly coach the owner on how their decisions will affect the company's "sellability" – without risking the potential chaos triggered by notifying full-time employees that the company is on the block.

Smallish businesses often can't afford a CFO. And if they're planning to sell, a full time CFO may actually be more of a liability than an asset. Offering your clients virtual CFO services can provide a baggage-free way to get the expertise they need to grow and sell a valuable business.

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*John Warrillow is the founder of "[The Sellability Score](#)", a tool used by accountants to start the succession planning conversation with their clients. He is also the author of "Built to Sell: Creating a Business That Can Thrive Without You."*

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