ACCOUNTING & AUDIT

The baggage-free CFO: 5 ways to profit

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John Warrillow • Sep. 03, 2013

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We went further and asked the M&A pros what roles were most important to have filled on a management team. They said recruiting a second-in-command is the key hire for any business looking to sell, followed by someone in charge of sales & 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 savings with your client's business bank.
3. **Model the future**
   Many owners run their business by intuition, making reactive decisions based on one crisis or another without thinking about the long term. By modeling the financial impact of key decisions, you can be the ballast that steadies the boat and shows how decisions made now could impact the company's business over the long term.
4. **Oversee the bookkeeper**
   You can add value by offering to oversee the in-house financial team. This could 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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