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ACCOUNTING

The Outsourced CFO: Five Ways to Add Value

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Bill Slaughter • Jul. 13, 2020



The chief financial officer (CFO) is responsible for managing all aspects of an organization's finance function to ensure that it has the resources necessary to achieve its current year goals and long-term mission. Successful CFOs generally have significant experience in accounting, finance, economics or business administration and the social intelligence skills that enable them to build relationships and influence others inside and outside of the organization. Experienced CFOs are often difficult or expensive to hire and retain, especially for small and medium sized enterprises (SMEs) or those on the lower levels of effective governance maturity models.

Simply put, there is an increasing demand for financial acumen and socially intelligent leaders, so it may take some time for your clients to fill their new or vacant CFO positions. As CPAs whose roles have expanded beyond their traditional boundaries, we have the requisite knowledge of accounting and experience with our clients' organizations and operations to perform the CFO role on an outsourced basis. Consider the following five valuable benefits you can provide to your clients as an outsourced CFO; they are especially important during these uncertain times.

Professional Competence

Most of our clients know “the way we do it here”—their ways and means for processing transactions with customers, vendors, government agencies, employees, and shareholders and accounting for operating activities. Unfortunately, if these processes are not effectively designed and managed, they will generate financial information that is inaccurate, inconsistent, insufficient, irrelevant, or cannot be produced in a timely or cost-effective manner. I've seen income statements that presented “unearned fees” as the primary component of revenue and balance sheets that included significant negative cash balances for bank accounts that had actually been closed for six months—they're not pretty.

As an outsourced CFO you can provide the professional competence necessary to ensure “the way we do it here” produces reliable financial statements for management and lenders, facilitates regulatory compliance and provides effective internal controls over financial reporting, including the mitigation of fraud risks. The adoption of accrual basis accounting and generally accepted accounting principles provides the fundamental accuracy, consistency and comparability that management and external financial statement users need to evaluate an organization's financial health and the effectiveness of its use of resources. Professional competence is a prerequisite to delivering financial information that informs investment decisions, limits surprises and ensures access to capital.

Strategic/Financial Planning Perspective

Influential CFOs have an important seat at the strategy table, helping to ensure that the strategy development process is robust and linked to their organization's unique and valuable position, core competencies and activities. If your clients do not have a comprehensive strategic/financial planning process, you can introduce the idea and begin to create one as an outsourced CFO.

For example, many SMEs have not consistently measured the profitability of their customers and products over time. They do not look at their performance over a multi-year planning horizon or measure the impact of new products on revenue growth. Doing so challenges the organization to validate its assumptions regarding product and service offerings, pricing, promotions, product costs, overhead allocations and sales compensation strategies. The COVID-19 pandemic and responses to it remind us that the economy is dynamic. A robust, multi-year, strategic/financial planning process will prepare the enterprise for an intentional future while raising awareness of certain risks inherent in the economy, industry, enterprise and strategy. Your independent perspective is valuable.

Better Information by Design

As an outsourced CFO, you offer your clients an opportunity to leverage the insights you've gleaned by serving clients in different industries or that vary in terms of complexity or sophistication. Chances are you've seen certain management practices, business processes or financial metrics that are particularly useful, due in part to their innovative application or design. As an outsourced CFO you have an opportunity to adapt and apply these insights to improve your clients' operating performance in a way that is unique and valuable.

Continuity

Change is good, but it must be managed. You can solve your clients' C-suite turnover problems and bring continuity and focus to the organization as an outsourced CFO. Efforts to improve the quality and availability of financial information often require a dedication of time, energy and attention ranging from 6 to 24 months. As an independent professional, you have a vested interest in staying engaged in the significant projects that will impact your clients' people, processes and technology over the next decade. Without such continuity, significant investments in information technology may not be completed, or may be completed later or at a higher cost than originally planned.

An Expanded Network

As a practicing CPA, you and other members of your firm have a myriad of professional relationships and referral sources that can benefit your clients who engage you as an outsourced CFO. Your network likely includes lawyers, lenders, staffing agencies, HR and payroll service providers, information technology experts and marketing and public relations professionals. Providing your clients with credible referrals is a valuable service; you'll score points with your clients and network, and perhaps receive some additional referrals in the future yourself.

The benefits described above are compelling reasons for your clients to consider outsourcing their open CFO positions to you, the professional CPA. As the demand for experienced finance leaders increases, outsourcing the CFO role will continue to gain acceptance as a practical way to bring effective leadership and continuity to the finance function while managing costs.

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Bill Slaughter is a CPA and Consultant with [UHY Advisors](#) in St. Louis, Mo. Bill helps his clients grow profitably by improving their strategic financial planning, accounting, and reporting processes.

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