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4 Signs You Need a CFO

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Many business owners and entrepreneurs struggle to find the right time, both financially and operationally, to hire key executives and managers in their organizations. Hiring too early can waste company resources and leave the new hire bored or stuck doing mundane and low-level tasks. Hiring too late can result in undue pressure on the other members of your team and could cost the company money in terms of hard costs and missed opportunities.

In addition to trying to find the right time to create these new positions in your company, the accounting and finance tasks are sometimes the most confusing and least understood by business owners. Why? Because business owners have never worked in those types of jobs and they are usually focused on making and then keeping promises made to their customers.

Using a Chief Financial Officer, or CFO, is one of the most important decisions a CEO or business owner can make. The CFO usually becomes one of their most trusted advisors and plays a critical role in the success of the firm. Knowing when to engage a CFO can be a challenge, but here are a few signs that you need to bring a finance executive on board, even if it is on a part-time or contract basis.

1. You can't sleep at night.

I know a lot of entrepreneurs and business owners, and I have found one common theme for them losing sleep: the anxiety that comes from not knowing. One of these business owners saw his bank account declining, but he did not understand why. He experienced great anxiety over not knowing what the real problem was so that he could fix it. When he learned that several of his customers were delinquent with payment, he started making phone calls and turned the cash situation around within a few short days.

Even if entrepreneurs have problems, they can usually still sleep. They always lose sleep when they experience anxiety over the unknown in their business. A CFO will become the champion for measuring every critical element of a business, and they will work with the CEO or business owner to solve problems as they arise.

2. You are confused by mixed signals about performance.

Have you ever thought your accountant, who just told you that you lost \$20,000 last month, was crazy? After all, you checked your bank account this morning and it had balance of \$50,000. If these or other indicators of your business performance conflict, it may be time to hire a finance executive to put all of this information into context, analyze it, and summarize the financial position of the company in terms of the past, present, and future. A CFO will understand all aspects of your business — not just the numbers. The CFO is usually one of the leaders in any company that breaks-down organizational silos and operates from a holistic and results-based perspective.

3. You realize the accounting and finance functions needs to be a competitive advantage, not a necessary evil, of your business.

Accounting and finance are an overhead expense that does not add revenue or profit to the company, right? After all, the only reason you bother to track this information is so that you don't get in trouble with the IRS, right? Business owners and entrepreneurs frequently feel this way, but nothing could be further from the truth. When structured and functioning correctly this area of the business can be one of the firm's greatest competitive advantages.

For example, empowered with the right data, an entrepreneur recently made a very wise business move that went against the grain of accepted management practices for his industry. The result — he saved his company a lot of time, resources, and, most importantly, cash flow because he used the information from his accounting and finance department to make the right strategic decision. Many of his competitors, however, did not know their numbers and they have suffered significantly from their poor decisions.

4. You struggle to understand and plan for the future.

CFOs are focused on planning, modeling, forecasting, and preparing for the future. Sure, a good CFO understands the past and the present, but those are only tools to steer the company in the best direction moving forward. If you ever plan to ask a bank or an investor for money, these parties will expect you to project your profit and loss, balance sheet, and statement of cash flows into the future to determine how much cash you will need from them, what it will be used for, and when they might anticipate getting their money (and hopefully a nice return) back. Your CFO should anticipate this and help you guide your business in the best direction possible.

With the option for start-up and small business businesses to hire a part-time CFO, having a CFO has become more realistic for most businesses. Bringing the right CFO into your business will likely be one of the best decisions you make.

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