

Do You Need a CFO?

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INTRODUCTION

As businesses grow, so do their financial complexities. Many small and medium-sized business (SMB) owners initially hire an accounting manager or a controller to manage their accounting and HR functions. However, as the business scales, they often face more intricate financial challenges, which begs the question: **When is it time to hire a Chief Financial Officer (CFO)?**

For many SMBs, a full-time CFO may not be feasible. However, a modern and highly effective solution is the **fractional CFO**—an experienced CFO who works with your company on a part-time or project basis.

This white paper explores when you might need a CFO, the benefits of a fractional CFO, and the signs that indicate it's time to bring one on board.

75% OF ALL SMALL AND MEDIUM SIZED BUSINESSES NEED FINANCIAL EXPERTISE THROUGHOUT THE YEAR

Why Every Business Needs Financial Expertise

According to Janine Popick, founder and CEO of VerticalResponse, “Company founders and CEOs are rarely equipped to handle financing strategies, budgets, and dealing with investors. Bringing on a CFO is not cheap, but if your company’s revenue is growing quickly, you have new investors, or you’ve received venture capital, it could be time.”

This holds true across industries. Whether a business is growing or shrinking, it faces financial problems that require forward-thinking solutions. Without the right financial expertise, these issues can stagnate growth or even lead to the company's downfall.

What Does a CFO Do?

A CFO is more than just a high-level accountant. They are responsible for the **strategic financial management** of the company, ensuring that the business has the financial data, planning, and structure to grow sustainably.

Key responsibilities include:

- **Managing financial risk**
- **Strategic and financial planning**
- **Financial reporting**
- **Capital structure management**
- **Controllershship oversight**
- **Mergers and acquisitions (M&A)**
- **Managing large projects**

CFOs are financial leaders who not only analyze past financial performance but also develop strategies to improve future financial results. However, not all businesses need or can afford a full-time CFO—this is where fractional CFOs come into play.

Four Signs You Need a CFO

1. **You Lack Detailed Financial Data for Decision-Making** A company lives or dies on its flow of information. Owners and managers need accurate data about cash flow, working capital, and financial performance to make timely decisions. If your business isn't getting the financial data it needs, a CFO can help. They'll implement systems that collect, analyze, and report essential information, allowing you to focus on running the business instead of trying to interpret incomplete data.
2. **No One is Watching Your Costs Closely** Every dollar saved directly supports your bottom line. A CFO brings top-level talent focused on cost management, from strategic staffing decisions to lease-versus-buy analysis and vendor negotiations. Their proactive planning helps you avoid costly mistakes and keep your business lean.
3. **External Stakeholders Are Demanding Financial Clarity** Bankers, suppliers, shareholders, M&A partners, and even customers may require sophisticated financial information that only a CFO can provide. A CFO is critical in managing relationships with investors, evaluating M&A offers, and ensuring regulatory compliance, all of which contribute to your company's growth potential.
4. **Your Business is Outgrowing Its Financial System** As your company grows, so does the complexity of your finances. Handling more capital, larger data sets, and increased financial risk requires a higher level of financial oversight. A CFO can install systems to manage this growth effectively, ensuring your company's financial systems are built to scale.

Fractional CFO: A Cost-Effective Solution

For many SMBs, the cost of hiring a full-time CFO is prohibitive. However, a fractional CFO offers the expertise of a seasoned financial executive at a fraction of the cost. Fractional CFOs typically work part-time (10–20 hours per week) or on a project basis, providing financial oversight and strategic guidance without the need for a full-time salary.

Benefits of a Fractional CFO:

- **Cost-effective:** Gain the financial leadership you need without the expense of a full-time hire.
- **Strategic guidance:** Fractional CFOs offer valuable insights on improving cash flow, profitability, and long-term financial health.
- **Flexibility:** Work with a fractional CFO on your terms, scaling their involvement as your needs change.

What Happens Without a CFO?

Without the financial expertise of a CFO, your business may struggle with:

- **Lack of informed decision-making:** Poor financial insights can lead to missed opportunities and costly mistakes.
- **Difficulty raising capital:** A CFO's strategic input can be critical in securing funding and managing investor relationships.
- **Weak financial management:** Without strong financial systems in place, you may experience inefficiencies and lost revenue opportunities.

When to Consider a CFO

If your business is growing or you're facing any of the financial challenges outlined above, it's time to consider a CFO. Fractional CFOs can provide the expertise you need to scale your business, manage risks, and optimize financial performance—all at a cost that fits your budget.

ABOUT THE AUTHOR

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