



## **So Does Your Business Need a CFO?**

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The reality is that every business need a chief financial person – whether it is you, your accountant, your spouse or (yikes) your yearend auditor that you see once a year.

What is a CFO – that is a Chief Financial Officer – and as the name applies it is the senior financial in an organization. While every business may have a slightly different job description, our sources at [www.investopedia.com](http://www.investopedia.com), provided a good breakdown:

1. Controllership duties - These make up the backward looking part of a CFO's job. Controllership duties hold the CFO responsible for presenting and reporting accurate and timely historical financial information of the company. [CUT HERE]
2. Treasury duties – The CFO is also responsible for the company's present financial condition, so he or she must decide how to invest the company's money, taking into consideration liquidity and risk factors. A good CFO also oversees the capital structure of the company, determining the best mix of debt, equity and use of internal cash flows. The issues surrounding capital structure is one of the most important duties of a CFO.
3. Economic strategy and forecasting - Not only is a CFO responsible for a company's past and present financial situation; they are also an integral part of a company's financial future. A CFO should also be able to identify and report what areas of a company are most efficient and how this information can best be used to improve the company in the future. This aspect of a CFO's duties also includes economic forecasting and modeling - in other words, trying to predict (given multiple scenarios) the best way to ensure the company's success in the future.

Every stakeholder in the company - including shareholders, analysts, creditors, banks, financial institutions, governments, employees and other members of management - relies on the accuracy and timeliness of financial information. It is important that the information reported by the CFO is accurate, timely and produced effectively as many decisions are based on it. Perhaps the most important part is the blending of the appropriate past information with future opportunities to predict and forecast future successes.

While these predictions are often 'wrong' that does not mean that they do not have value as they help the company benchmark and learn. A wait and see and fly by your pants is not recommended – whether you are running a local coffee shop or a large multinational media company.

You need to develop the tools and methods to understand what your current customers want, so that you can better predict their future needs and desires.

In North America affluent society very little of our consumption is driven by what we need, as opposed to what we desire.

So why is the CFO role not more common? Cost is a factor. An average CFO in the USA makes over \$300,000 per year (source [www.salary.com](http://www.salary.com)). Over 80% make between 175K to 450K. Sure it can vary greatly from one city to another; and from one town to another but good ones will often be given interesting incentives to move to where the demand is.

So what is an owner operated business (OOB) to do?

Here are some suggestions:

- Learn some of the CFO's controller, treasury and forecasting functions so that you can supervise and feel comfortable. It being your business gives you a big edge in experience
- Build a team of people that you can go to for parts of the role when you need them For instance, our friends at Andion, provide a VP Finance service that can help you for special projects, develop a capital structure plan or monitor your business on a regular weekly, monthly or quarterly basis.
- Build trust – in you systems, your people and your business relationships

Remember that hiring the right professional can be expensive; hiring the wrong amateur can be disastrous.

Experience in the financial world does not always make a good CFO. Good CFO have to acquire skills in various areas that someone coming directly out of school, whether an MBA or a Professional Accounting designation will rarely have the wisdom to go with the knowledge to do the job right. It is that blend of knowledge, technical proficiency and understanding of your business that you should be looking for.

So which business needs a CFO – our answer is every business, but it may not have to be a full time one.

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From the desk of Andre M.

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