

The Benefits of Outsourcing your Chief Financial Officer

Every business, no matter how small, can benefit from skilled financial planning. However, most small business owners are not financial planners. You might be very good at designing and selling widgets, but unless you also have a strong background in finances, you need help in determining whether your company is financially healthy and what decisions you need to be making around your financing.

Even if you have a knack for financial analysis, where is your time better spent: sifting through numbers or running your business? You need to focus on running the business, and unless you have the resources to hire a full-time Chief Financial Officer (CFO), outsourcing the financial management duties to a professional financial planning company can be a wise decision.

The best CFOs spend years in school and the business world gaining experience in financial matters. Their whole focus is examining numbers and looking for possible problems or opportunities and making recommendations so management can act before it is too late. When looking for a company to outsource your CFO duties to, make sure it is staffed by knowledgeable and experienced in financial planning and accounting.

Each financial planning company has its own procedures, but the principles are the same. Generally, the first step in outsourcing your financial management to an external CFO is to give them all of your financial records so they can get to know your business. By understanding your company's strengths, weaknesses and future goals, your CFO can help you determine the next steps your company needs to take to reach those goals.

Be prepared to provide financial documents dating as far back as five years. This will give your CFO a comprehensive view of the history of your company, including how your historical trends compare to similar companies in your industry.

Your outsourced CFO can then do forecasts and hypothetical scenarios to give you some control over your future. While it is impossible to know exactly what will happen in the marketplace, having a plan in place for every foreseeable change will put you in a much better position than if you continue stumbling blindly on.

Hypothetical scenarios are not just used to stave off disaster. They can also be used to plan and maintain sustainable growth. Using these scenarios, your financial planner can help you make decisions on when to borrow money, expand your business, change your prices or any of dozens of other decisions that can help your company grow.

No matter what kind of business you are in or the size of your company, your finances need careful management to help you survive. For most small businesses, outsourcing the CFO duties to a professional financial management firm is the most practical way to achieve and maintain financial health.