

# How to Know When to Hire a CFO



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Learn about the various factors to consider when thinking about hiring a CFO and why you need one.

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# Introduction

Many entrepreneurs and small business owners are embarrassed that they don't know how to read their financials and convert them into actionable decisions without the fear of making the wrong decisions.

Hiring a CFO (from a couple hours a month up to full-time) as your sage advisor can give you the reassurance that you're making the right decisions by helping you focus on what's important. This guide will help you to understand the many factors to consider when deciding if now is the right time to hire a CFO for your business. Because size isn't the only thing that matters.

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The Mindful CFO

[www.MindfulCFO.com](http://www.MindfulCFO.com)



CHAPTER 1

Most important factors in deciding  
whether you need a CFO



# Projected growth of the company

The planned growth rate of your company can determine when you need a CFO to help lay the foundation for growth.

A high level of growth creates a higher need for professional team members. Expedited growth comes with its own set of issues. An experienced CFO will know what to look out for and how to prepare the company.

If you have no revenue now and are planning for ~\$5 million in revenue in the next three years, hiring a CFO on a part-time or fractional basis can help you build a solid foundation and ensure that you're focusing on key aspects of your business that many entrepreneurs overlook.

With ~\$1 million in revenue and steady and predictable growth every year, a part-time CFO can be a valuable business advisor as you navigate a variety of business challenges. Because they've been there before, they can help you make the right decisions for you and your business.

At ~\$5 million in sales and planning for \$10 million to \$50 million in the next five years, you will definitely need a CFO part-time at first and full-time around the \$10 million mark.



# Understand the steps of growth

Every company experiences similar growing pains as it reaches certain milestones. An experienced CFO understands this and can help you navigate the changes.

Faster growth can be more difficult to manage. There is a “step” pattern to growth that can create difficulties for entrepreneurs. Sales can grow steadily, but “how things get done” changes in steps. A good CFO can help with managing through these steps by providing long-term strategic thinking, laying a solid foundation for the future and knowing where to focus along the way.

By creating efficiencies with improved processes and technology, assembling the right team members and implementing the right level of internal controls, the work of the owner and entrepreneur is reduced allowing you to focus on the future and not the minutia of the day.



# Complexity of the company and its operations

The complexity of the business in terms of customer needs and products and services can dictate the need for professional assistance.

A more straightforward business with few products, few customers and little customization of products and services may grow larger without the need for a CFO. In this case, a higher level bookkeeper or CPA may suffice.

A company with multiple products or product lines, operations involved in complex markets, or contracts with customers for more complex products or services would have a need for professional guidance with more nuanced strategies.



# Level of involvement with outside financing sources

The more sophisticated the investors in your company (banks, venture capital investors, private equity investors, individuals, etc.), the higher the need for professional management (i.e. a CFO).

If you're bootstrapping your company with no outside investors, your needs for a CFO will likely be less as you won't have outsiders to report to. Although you may want to hire a part-time CFO to ensure that you're focusing on the right things and have a solid sounding board to work through strategies and issues.

More sophisticated investors require more sophisticated financial and operational reporting so they can be assured that their investment is moving in the right direction. Often, entrepreneurs aren't sure how to read and interpret their own financials and understand the impacts of financial, operational and market trends. This is where a CFO can add more value by turning those pages of numbers into a story for you and your investors. A good CFO can also help you create the forecasts that investors often require and make decisions that support your long- and short-term goals.

While a simple bank loan may only require that you send your quarterly or annual financials to your banker, more complex equity structures with sophisticated investors will require more expertise to establish and maintain. Private equity (PE) and venture capital (VC) investors often require more involvement and control in ongoing operations. Sometimes these types of investors will bring in their own CFO to ensure they get the information and advice they expect.

While outside investors may seem enticing with their large investments to get your business moving forward quickly, be sure that you fully understand the costs that come with those big checks. A CFO can help you make the right choice for you and your business.





## CHAPTER 2

# Difference between a CFO, CPA and bookkeeper



# Bookkeepers and CPA's

Many entrepreneurs don't think they need a CFO because they already have a bookkeeper or CPA. Understanding the difference can prevent you from making costly mistakes.

As with most advisors and contractors, you get what you pay for.

A bookkeeper's job is to simply record and reconcile transactions or "keep the books." While they should know how to generate financial statements from your accounting software, they may or may not know how to read financial statements or know if they're recording everything correctly. They see things in black and white.

A CPA is the next step up and can offer tax and other financial advice. Depending on the CPA's years of experience and background, they may only do bookkeeping with some tax preparation or they may be able to offer more strategic advice and planning. In some cases, a CPA can offer the same services as a part-time CFO.



# Chief Financial Officers

A CFO is an important member of your team who offers high-level financial strategy and solutions to help you overcome challenges, accelerate growth, prepare for transactions, increase shareholder value, and achieve goals.

A CFO takes the financials and analytics prepared by bookkeepers and CPA's and turns them into tools for decision making. He or she looks at the big picture to support you with your long-term strategic thinking and planning to help lay the foundation for solid growth.

The CFO uses financial statements to tell a story and help you focus on what's important without getting lost in the numbers.

He or she is an advisor who can help with:

- Cash flow management (critical to startup's)
- Creating operational efficiencies
- Preparing for transactions
- Managing investor expectations
- Compliance with employment laws
- Creating administrative efficiencies and the right level of internal controls to handle exponential growth.





## CHAPTER 3

# What are your CFO needs?



# What are your CFO needs?

To ensure that you hire the right CFO at the right time and for the right amount of time, it's important to fully understand your needs.

## **Occasional advisor (monthly or quarterly):**

- Planning to remain in the \$1 million to \$5 million range
- Slow, steady growth up to \$5 million to \$10 million with little complexity and hands-off investors
- Develop and maintain projections and business plan for investors and future planning

## **Part-time advisor (weekly):**

- Rapid growth above \$5 million
- More hands-on investors
- Planning for future rapid growth

## **Full-time investment (employee):**

- PE/VC-backed, planning for exponential growth
- Over \$10 million in revenues with operational complexities
- Need for turnaround assistance

Don't skimp or wait too long thinking that you'll be saving money. Getting sage advice upfront from a seasoned professional will pay dividends in the future and help you avoid costly mistakes. Only pay for what you need with a fractional CFO while planning for your future.

You will also want to consider your company's culture and ensure that you find a CFO that understands and fits with your culture.

There is a broad spectrum of CFO types available from "bean counters" to strategic operational partners. You'll want to ensure that the CFO's background and experience is a good fit for your industry, funding needs, turnaround and mergers and acquisitions requirements.

[Click here to find out what the Mindful CFO can do for you](#)

# About The Author

Paige Oldham has over 30 years of experience as a strategic, operational leader working effectively with C-level teams and investors to elevate companies to the next stages of growth.



She specializes in successfully moving companies from startup to \$50 million in revenues through hockey-stick growth.

She is a creative, analytical, resourceful problem solver adept at identifying and implementing solutions through improved systems, controls and infrastructure necessary for rapid and sustainable growth.

She is a dynamic leader with proven strengths in improving internal and external relationships and morale, guiding teams to deliver dramatic increases in efficiencies, revenues, and customer satisfaction. She is technically savvy.

She has served as a senior financial executive for a variety of public and private companies from startup to \$90 million in revenues. She has seven years of experience with a Big 4 audit and consulting firm.

"By getting clear about what matters, I have helped owners make better decisions, scale their businesses more rapidly and with greater confidence, and better understand their long-term financial outlook."

~Paige Oldham, The Mindful CFO



## Book a Free Consultation

Discover how partnering with a fractional CFO can help you overcome obstacles, plan for the future of your business, and support you in making the right decisions.

[Click here to book your FREE consultation NOW!](#)