

The Three Most Important Skills of a Startup CFO

Hiring a Chief Financial Officer (CFO) with the skills to take a startup company to profitability is the most important decision a startup can make. The three most important skills of a startup CFO are calculating your cash burn rate, managing your cash burn rate and achieving profitability in the fastest time possible.

What is Your Cash Burn Rate?

One of the most potent Key Performance Indicators (KPI) for companies in general and startups, in particular, is their “Cash Burn Rate.” This indicator shows how much cash the organization is spending each month. The “Cash Burn Rate” is the underlying component of the company’s “Break Even Point” calculation. This is the point at which the business starts to become profitable.

How Long is Your Cash Runway?

Assuming the Startup has no revenue yet, the “Cash Burn Rate” is calculated by taking the amount of money the business is spending each month for operations by the total amount of cash in the bank. For example, if you spend \$100,000 on operations each month and you have \$500,000 cash in the bank, your “Cash Burn Rate” is twenty percent per month (\$100,000 in cash expenses divided by \$500,000 in cash available). Your “Cash Runway” is five months (\$500,000 in cash divided by \$100,000 in operating costs per month). The business will need to be “Cash Positive” by either increasing revenues or raising new funds within five months or it will have to close its doors.

Managing Your Cash Burn Rate

The “Cash Burn Rate” of a company must be watched very closely by a startup CFO because it indicates when the company can expect to receive a return on its investment. It takes time to build lasting relationships with customers. Most CFOs underestimate the time it takes to build customer loyalty. How can a Startup best reduce its “Cash Burn Rate” to give it more time to become profitable?

Becoming Profitable

There are only three ways to decrease your “Cash Burn Rate.” The business must increase its incoming cash by increasing revenue or raising more funds, decrease its outgoing cash by reducing expenses or both. One of the most powerful ways to become profitable as quickly as possible is to hire an interim CFO who has extensive experience working with startups. [Pacific Crest Group](#) has many resources for you in this area.

How We Can Help You

Pacific Crest Group provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.