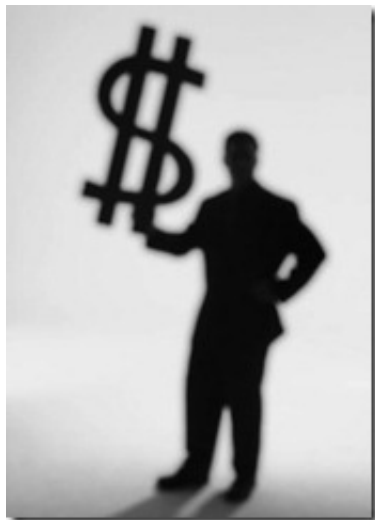


Why It Makes Sense for Start-ups To Hire an Interim CFO



We have worked with a number of small to mid-sized Bay Area companies over the last decade, and we have seen them come in all shapes and sizes, from the mom-and-pop shops to fledgling start-ups that are clearly on their way to success and profitability. What we have observed is that in almost all these cases they often start to commit valuable cash and resources to staff the back office before they really need to.

Many start-ups begin by recruiting a CFO to help them navigate the fiscal requirements. Business owners want to get the CFO in place early to provide strategic financial insight, projection, budgets, and cash flow forecasts. In the case of start-ups, sometimes the CFO is recommended by board members. Other times he or she is chosen by the investors.

And in many cases the CFO may not a good fit for any number of reasons: The company may be still refining its course so it's too soon to call in a financial helmsman. Or the objectives of a recommended CFO candidate may not align with the entrepreneurs who started the company. Remember that an executive search for the right CFO candidate can take six months or more. You can't put your operation on hold while waiting to find the right financial executive.

It's a Catch 22 – you want “parental supervision” of your finances and someone to impose fiscal responsibility from the outset, but you also want to find a seasoned CFO who can grow with the company and who will tolerate the uncertainty of the start-up environment.

So if you can't hire the right candidate, rent one!

The advantage of hiring an [interim CFO](#) is you get someone with the experience and expertise to help you get the company organized and poised for success. [Interim CFOs](#) are motivated by doing the heavy lifting of laying the company's fiscal foundation one brick at a time. You need someone

who is trained in designing accounting systems and implementing managerial reporting systems that can help owners and managers stay on track. They know what to put in place, and what the owners need to make sure they understand the regulations, follow standard GAAP best practices, and have all the right policies and procedures in place from the outset. And an interim CFO can help set the initial course of the company by looking through the financial crystal ball to set plans for the future.

[CFOs for hire](#) are also much less expensive than hiring the wrong candidate. You don't have to pay a full-time salary, or worry about stock options or other perks to keep a seasoned CFO interested. The interim CFO likes the role of the hired gun. He comes in, does his job, and when the time comes, rides off into the sunset.

Of course, using an interim CFO can have some [drawbacks](#). The [temporary chief financial officer](#) may not have the authority required to do the job at times. He may be perceived as a short-timer (which he is) and therefore less effective (which may not be the case). And the owners may be reluctant to share company strategies and goals to someone who is not on the payroll. (Well isn't that why they invented employment contracts and NDAs?)

There are pros and cons to any temporary executive hire. But the biggest advantage is that it buys you time to make the right hiring decision. Think of it as taking the CFO test drive. You can see how your temporary CFO performs in the short term to see if they have what you want to go the distance. Some interim CFOs turn into full-time financial executives. Others get company in motion until you can find the right candidate to take the reins. It will be less risky and less costly in the long-run to rent the expertise you need until you are sure what kind of CFO will be best for your operation.