

Hiring a CFO: What You Need to Know

Do You Know the Difference Between a CPA and a CFO?

Many of our clients get confused about the difference between a CPA and a CFO. The two roles are very different, but they are not mutually exclusive. You don't need to be a Certified Public Accountant (CPA) to be an effective Chief Financial Officer (CFO), nor do all CPAs need to aspire to managing corporate finances.

Why Use a CPA instead of a CFO?

For moderately sized companies in the \$2 million to \$20 million range, senior management often turn to their CPA for advice about business finances because they don't have a CFO or financial advisor on staff. What they will get from a CPA is a financial opinion informed by the CPA's perspective on taxes and tax law, not necessarily the financial opinion that may be best for a given situation. In many cases, it's best to retain an interim CFO to provide assistance with financial strategies than rely on your CPA for strategic financial advice.

What is a CFO?

A CFO is a member of the C-suite or executive team of a company and is responsible for managing all financial aspects of the business. A good CFO should have a background in corporate finance and understand how to assess financial risk, manage budgets, and develop standards for fiscal performance for the company. He or she also has responsibility for assessing and designing financial systems and ways to chart accounts. Where the CEO provides the leadership for the company, the CFO's role is to advise the CEO and other executives how to align their financial strategy to meet corporate goals. For example, the company strategy may be oriented toward growth, and it may be up to the CFO to assess how the company will invest in its infrastructure to promote long-term growth rather than short-term profits.

How else does a CPA differ from a CFO?

The CPA is in the business of preparing tax returns; that's their business. The CPA should collaborate with the CFO, providing tax insight and advice that will guide financial decisions relative to the goals and objectives of the company. The CPA will provide insight with a strategic viewpoint related to taxes, and not necessarily strategic insight related to the long-term goals of the business. In our consulting practice, we frequently see business owners going to their CPA for strategy business advice about the health and value of their business, when they should be going to someone in the role of CFO instead.

There are some key differences in the role of a CPA versus a CFO in a corporate setting.

1. The CPA tends to look towards the best immediate tax strategy for a company whereas a CFO needs to look much farther forward. A CFO is concerned with the development of an asset and increasing the wealth of the company. The CPA's job is to assess the numbers after the fact, either for tax preparation or for auditing. They advise about the future but typically based on the numbers from the past, and always relative to a tax strategy. The CFO on the other hand needs to look at what are the best ways to meet the strategic goals of the company in the future. His or her job is to plan for growth, or acquisitions and use the performance figures to determine where the company needs to invest or modify its strategy to meet corporate goals.
2. While their educational background and training may be similar, the CPA is primarily focused on the books and taxes, and the CFO is primarily interested in the objectives of the business. The CPA is responsible for making sure that the company maximizes its returns from taxes and the accounts, while the CFO is often involved or needs to understand the day-to-day operations, including marketing, manufacturing, finance, etc.

3. You can hire a CPA or a CFO on a part-time or consulting basis to keep your operation running smoothly, but don't confuse the two, since their job functions are very different. Having a CPA available when you need one can keep you out of trouble with the tax authorities, and a part-time or interim CFO can help put your company on track from a fiscal standpoint and can offer insight into how to help your business grow.

Although the two functions are radically different, they certainly complement one another. There is a common argument that CPAs are “bean counters” and don't play a strategic role, and others will argue that you don't need to have CPA credentials to be a good CFO. A lot of really smart CFOs started out as CPAs and benefit greatly from their accounting background, and combining the two functions certainly helps. According to statistics from [Spenser Stuart, the number of CPA CFOs has risen from 29 percent to 45 percent since 2003.](#)

Whether you want a unified CFO CPA hybrid or not depends largely on the needs of your operation. But whatever you do, don't confuse the skills and expertise of a CFO and a CPA because you may end up putting your financial strategy in peril.

Changing Role of the CFO

Maintaining the fiscal health of your company is a team effort, and with changing technological capabilities and market conditions, the roles of all the executive team members continue to evolve. The CFO and the controller are the principle players who manage day-to-day financial operations; the CFO is responsible for keeping the company on track by aligning internal operations with external market conditions, while the controller manages the daily operations to keep cash moving in and out to fuel operations. For some companies, especially smaller operations, the functions of CFO and controller tend to blur, so in the next two blog posts we want to outline the roles of CFO and controller as they have evolved today.

Traditionally, the CFO has been responsible for providing executive management and the board of directors with financial data gathered from both outside and inside the organization. They were not responsible for strategy as much as they were for directing financial operations as a means to achieve business goals based on financial operations.

With the advent of the Web and more sophisticated computer technology, access to financial information is readily available to all decision-makers, so the role of the CFO has changed. These days, the CFO is still responsible for measuring financial achievements against the plan, but they are more involved in the strategic formulation process, setting goals and objectives as part of the executive team.

Still, there are a number of functions that remain part of the CFO's role, including:

- ◎ Develop, coordinate, and evaluate financial programs and supporting IT systems for budgeting, tax planning, asset conservation, etc.
- ◎ Manage improvements and automation of financial and management information systems.
- ◎ Ensure compliance with local, state, and federal budgetary reporting requirements.
- ◎ Establish major economic objectives and policies for the company, and prepare reports that outline the financial position, i.e. income, expense, and earnings based on past, present, and future operations.
- ◎ Oversee approval of processing of revenue, expenditure, and position control documents, department budgets, mass salary updates, ledger, and account maintenance and data entry.
- ◎ Develop and implement strategic business and/or operational plans, projects, programs, and systems.
- ◎ Develop and implement finance, accounting, billing, and auditing procedures.
- ◎ Coordinate the preparation of financial statements, financial reports, special analyses, and information reports.
- ◎ Analyze cash flow, cost controls, and expenses to guide senior management, including identifying potential weak spots.
- ◎ Provide consultative support to other managers, offering financial and management information analyses, reports, and recommendations.
- ◎ Ensure records systems are maintained in accordance with generally accepted auditing standards.
- ◎ Oversee accounting departments, budget preparation, and audit functions, including meeting with department heads to offer direction.
- ◎ Direct the preparation of all financial reports, including income statements, balance sheets, reports to shareholders, tax returns, and reports for government regulatory agencies.
- ◎ Assist in obtaining the necessary licenses and insurance required to start a business.
- ◎ Monitor long-range economic trends and projects company prospects for future growth in overall sales and market share, as well as opportunities for acquisitions or expansion.

Why It Makes Sense for Start-Ups to Rent Rather than Hire a CFO

We have worked with many small to mid-sized Bay Area companies over the last decade, from struggling 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, including bringing on a full-time CFO or financial manager. Any successful business needs to deal with financial projections, budgets, and cash flow forecasts, but that doesn't mean you need a full-time CFO to handle it.

Most Start-ups Need a CFO Early

Start-ups in particular begin by recruiting a CFO to help them navigate the fiscal requirements of getting their business off the ground. Business owners often 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 be a good fit for a start-up 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 CFO candidate, rent one!

Advantages

The advantage of hiring an interim CFO is getting someone with the experience and expertise you need 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.

Hiring a consulting CFO also has the advantage of bringing in an outside perspective that could be or real value to your executive team. If your start-up needs “parental supervision,” then a CFO for hire can be valuable for providing independent insight based on his or her experience and market conditions, and not colored by stock options, hopes for the future, and the need to kowtow to the VCs. Being an outsider looking in can provide insights you won't find elsewhere.

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.

CFO Job Description Example 1:

Creative Job Title: Chief Financial Officer ~ Construct your Successful Future Today!

Category: Accounting and Finance

Opening message:

As the CFO for [COMPANY_NAME], a successful company that specializes in commercial construction, you will be a key player of the executive team responsible for the strategic financial direction of our organization. You will thrive in a great organizational culture that believes that family comes first in priority and work follows. Enjoy working with a team of dedicated and motivated colleagues while you act autonomously to set into place the financial processes and budgets that will ensure our continued success. For the seasoned senior accounting professional, or a controller who wants to take their career to the next level, step into this newly created CFO position and bring [COMPANY_NAME] and our sister companies to new heights and possibilities, this opportunity is for you.

Roles and qualifications:

As the CFO working in our Fremont, California office, you will be the chief advisor to the President, providing him with all of the financial information needed to successfully run the company. This unique opportunity will allow you to oversee and manage the financial books of three companies - [COMPANY_NAME], [COMPANY_NAME], and [COMPANY_NAME].

CFO Job Description Example 1:

Your skills in implementing new policies and procedures to streamline workflow will enable your finance department to increase productivity and successfully meet all deadlines. A background as a Controller or CFO - preferably in a construction, real estate, or related industry - combined with your strong analytical skills and attention to details will allow you to implement a system of cross checks that will enable you to accurately forecast and report on budgets, P&L, work-in-progress, job costing and sales. Your excellent communication and negotiation skills will enable you to build, negotiate and manage important relationships with our vendors and clients. Experience in optimizing financial processes will help you drive improvements in our AP and AR performance by decreasing our average AR days outstanding and negotiating increased average outstanding AP days acceptable to our suppliers. Your ability to develop positive relationships with existing staff and mentoring them to their full potential will bring the team together as they will look to you for leadership and oversight. If you are a positive, proactive, and solution-oriented individual with a "can do" attitude and a strong work ethic, you will find a welcoming and productive environment with [COMPANY_NAME].

CFO Job Description Example 2:

Creative Job Title: Chief Financial Officer ~ Embedded Software Consulting

Category: Executive and Senior Management

Opening message:

This is an opportunity for an executive-level finance professional to help guide and grow a young company that is already producing exciting and successful embedded software services, with plans for more. [COMPANY_NAME] is a high end solutions sales boutique consulting company and we are experiencing explosive growth! Your experience with financial analysis, budgeting and forecasting, combined with your knowledge of our industry and the local community will give you the background we need to manage our growth profitably and successfully.

Roles and qualifications:

As our Chief Financial Officer, you will be based at our headquarters in San Diego, CA. You will be closely involved with our CEO, planning our future and developing the strategies we will need for the healthy growth and development of our company. You will help set our goals, provide financial analysis for business opportunities, and lead us as we carry them out. A solid understanding of the finance industry and working within a recurring revenue financial model will give you an understanding of how much growth is possible with our services, and help you keep us on track for the future. Your experience with company reporting, budgeting and forecasting and P&L will prepare you for this role. Be ready to wear many hats and exercise strong interpersonal skills, as you monitor and manage the transition plans, handle the outsourced finance partners and resolve other issues that are par for the course with any fast-growing company.

CFO Job Description Example 3:

Creative Job Title: Chief Financial Officer; Roadshow Warrior

Category: Accounting and Finance

Opening message:

IPOs and saving children's lives – how often do CFOs get that combination? Bring your leadership, IPO experience, knowledge of the local VC community, and skill at raising capital to the most exciting new start-up in the valley. If you've "been there and done that" and now want a chance to make a difference, here's your opportunity to help guide and grow a young company that is already producing exciting and successful products and services, with plans for more. Products that have saved lives, rescued children, and returned stolen property. Services that bring loved ones safely home. We are perched on the edge of explosive growth and are looking to prepare for an IPO. Your experience with S1 filings, reporting for a public company, IPOs, VCs, mergers and acquisitions combined with your knowledge of the wireless industry and the local community (locals only please), give you the background we need to manage our growth.

Roles and qualifications:

As our Chief Financial Officer, you will be closely involved with the CEO, planning our future and developing the strategies we will need for the healthy growth and development of our company. You will set our goals and expectations, and lead us as we carry them out! A solid understanding of the Wireless Industry and of working within a recurring revenue financial model will give you an understanding of how much growth is possible with our products and services, and help you to best prepare us for an IPO.

CFO Job Description Example 3:

Be prepared to wear many hats, as you'll need your understanding of HR and benefits, and your great interpersonal skills, to handle the personnel, benefits and other issues that are standard to any fast growing company. Then, make the most of your familiarity with the local VC community and your fundraising savvy to get off to a flying start as you aggressively raise the funds we need to continue the development of planned products and get our company out in the public eye.

Save lives, bring children home, protect property, give peace of mind. Come join us. Make a difference!

Interview Question Examples:

How would the people with whom you work closely describe your personality and management style?

Why are you currently exploring other opportunities?

This is a role where you will have a wide range of responsibilities in a company that is fast-paced and growing. What experiences have prepared you for this type of role?

Please give an overview of your forecasting and planning experience. Have you prepared annual operating plans and / or monthly forecasts? If so, what type?

An important part of this role is improving the operational efficiency across all departments within our organization. Stepping into a new position with a company, how difficult is this task? How would you assess what needs to be improved and what would be the first steps in implementing any necessary changes?

What is your primary motivator and how will this position meet your goals?

Give an example of a situation where you implemented new financial policies and procedures. What was the problem, what were your efforts, and what was the end result?

Professionally, how do you measure your success?

Interview Question Examples:

Please describe your experience working for venture backed, highly leveraged organizations. In what way was your company leveraged? What were you responsible for providing to the VC board?

Please describe a situation where you had to adapt to a changing environment. What was the situation and what steps did you take to successfully adapt?

Please describe your month end close process. How quickly can do you close the month? How do you ensure accurate information? What statements do you provide in what level of detail? Do you provide commentary in your reporting?

Describe your experience in taking a company through an IPO (preferably one in the wireless or related industry). What was your role and what steps did you take in this process? What vertical was this company in?

What is your experience in wearing many hats? Are you comfortable managing HR and benefits among your other duties?

What else do you want to emphasize about your personality or experiences for this position?

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“PCG addressed all of our operations, staffing, contracting, planning, accounting, finance, HR and IT business needs – which allowed our management team to focus on our business growth and client projects delivery. In addition, Crimson gained valuable cost savings, the information needed to better manage the business, and the high quality staffing needed to meet our business objectives. PCG solves your business needs in a highly professional and time effective manner”



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