

Outsourced CFO Services for Startups: What to Consider and Avoid

Outsourced CFO services provide the same benefits as an in-house CFO but on an as-needed basis, which is ideal for early-stage firms.

LONG BEACH, CA, UNITED STATES, May 25, 2022 /EINPresswire.com/ -- [Outsourced CFO](#) services for startups vary, making it important to know which functions should be outsourced.



The short answer is that the majority of operations that need a CFO's sophisticated finance expertise and business acumen can be successfully outsourced. However, certain functions are not suited for outsourcing. Read on to understand the functions of [outsourced CFO services](#) and which ones to opt for.

Top Outsourced CFO Services for Startups

An outsourced CFO is a financial specialist who works on an hourly, part-time, or contracted basis as a strategic financial adviser for organizations. Generally, they have experience across senior financial positions in private and/or public organizations at all phases of growth and work with businesses to ensure effective scenario modeling, strategic planning, financial forecasting, and more.

Choosing the right external CFO can help a business reach new heights of success. □Here are 10 outsourced CFO services for startups that should be considered.

1. Financial Projections

An outsourced CFO will analyze prior financial outcomes to forecast how the business will perform in the coming months and years. An outsourced CFO may forecast expenses and revenues across all critical verticals, estimating how sales expenses will rise and estimating the number of salespeople required to accomplish revenue targets.

Financial projections also demonstrate a business's income potential and assist in attracting investors. They serve as the foundation for the budget, indicating the amount of investment required for the firm. An outsourced CFO can help extend and sustain current financial projections.

2. Expert Guidance for Startups

An outsourced CFO with years of experience can guide through processes such as staffing up and researching finance possibilities, as well as point out nuances that someone with less specialized knowledge could overlook. □

3. Unit Economics

Outsourced CFO services can assist in establishing and tracking the unit economics of a business model. This often entails examining SaaS organizations' average revenue and cost per customer. The CFO will likely monitor the client lifetime value (LTV) to customer acquisition cost (CAC) ratio to determine the sustainability of the firm and to identify opportunities to increase profitability.

4. Scenario Modeling

Planning for different eventualities in a business is vital, yet time-intensive. Therefore, outsourcing this process can help save time. Scenario modeling entails developing alternate projections that illustrate how a business would likely perform under a variety of different scenarios. The modeling would forecast the impact of each scenario on financial results such as revenue and costs. Current circumstances may potentially necessitate a COVID-19 effect scenario in which monthly growth declines.

5. Liaison with the Legal Team

To create accurate financial statements, a CFO must have a comprehensive understanding of the company's contracts and legal obligations—something that can only be accomplished through close collaboration with the legal team. Additionally, such relationships enable them to analyze legal documents to determine whether they are in the firm's best interests. Considering legal matters through the lens of a CFO ensures awareness of the financial implications before committing.

6. Financial Presentation & Reporting

Certain outsourced CFOs offer the service of attending board meetings and facilitating financial conversations and interpretations. Outsourced CFOs can field queries, delving into financial projections in detail, presenting financial models, and explaining the theory underlying the projections' assumptions.

Even if an outsourced CFO is not scheduled to appear at meetings, they can assist the team by providing reports, slides, and figures for delivery. This service is especially beneficial when preparing for investor meetings. Additionally, outsourced CFOs will analyze and certify the integrity of the company's critical monthly financial statements.

7. Budgeted vs. Actual Financial Data

The budget establishes monthly benchmarks for how the startup should operate to attain the projected results. The outsourced CFO will compare real financial data to the budget and report on the results to determine if the business is on track or falling short of expectations. Calculating the difference between budgeted and actual financial data identifies where one may need to change strategy or reassess the budget's feasibility.

8. Strategic Planning

Entrepreneurs unfamiliar with the startup sector may make strategic decisions that negatively impact the company's spending or revenue development. An experienced outsourced CFO can assist in avoiding these types of errors by advising on financial and business strategies that succeed.

9. Contractual Reviews

An outsourced CFO can assist business owners in negotiating more profitable contracts with consumers. The CFO can detect potential risks and ensure that contracts are legally binding from a financial standpoint. They can determine whether the contract terms are beneficial to the company and offer strategies to improve their profitability.

10. Human Resources Supervision

An outsourced CFO can work with the human resources manager to monitor how changes to the team affect the capacity to meet budgeted figures and, if necessary, provide recommendations for cost-cutting measures in the area of staffing. Additionally, they can provide guidance on creating a competitive compensation package that is enticing for the employees yet cost-effective for the organization.

Outsourced CFO Services that Startups Should Avoid

Although an outsourced CFO can add significant value to a team, if relied on for the wrong kind of services, the full benefits of their engagement will be elusive. There are two primary errors that founders frequently make in this area: Attempting to outsource functions reliant on long-term relationships and utilizing high-priced CFOs to do routine tasks that should be delegated to lower-level staff.

For example, many people who hire an outsourced CFO request that they handle their business's day-to-day bookkeeping and accounting. Because CFOs typically charge a premium for their time, utilizing them for routine accounting chores may be an expensive and inefficient use of their skills. Instead, it is preferable to transfer day-to-day finance responsibilities to a bookkeeper or accountant, freeing up the CFO to engage in more strategic projects.

Getting Help Outsourcing Your Startup's CFO

Consider providers that specialize in [outsourced accounting services](#), with dedicated resources to manage financial tasks cost-effectively and efficiently.

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