

# BusinessWeek

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## When and How to Hire a CFO

If your business is growing fast and has 30 or more employees, you probably need to find a chief financial officer. Recruiters can help

By [Tom Taulli](#)

When San Francisco e-mail marketer [VerticalResponse](#) grew to \$6 million in revenues and 30 employees last year, company founder and CEO Janine Popick was overwhelmed with budgeting and accounts receivables. Eventually, she hired a chief financial officer to help her resolve the short-term problems, with the long-term goal of setting her company on track for sustainable growth. "I wish I had hired him earlier," says Popick. "He was a life saver." She says the CFO not only helped improve cash management and reporting but also helped deal with investors and HR issues.

A CFO is often an overlooked hire at a new business because of the expense and misunderstanding of the role. Traditionally, a CFO prepares and interprets financial statements; develops financing strategies (with banks and investors); does tax planning; sets internal controls (to help minimize fraud); forecasts budgets, and handles compliance.

### HEFTY SALARY

These tasks can be vital for a company. Yet it's common for founders to neglect them—instead building products and finding customers. If a company wants to grow, there needs to be a solid foundation, which is what a good CFO will provide. In fact, in today's rough economic environment, a CFO may be even more critical for a company's success.

Before starting the selection process, a small business owner should keep in mind that it can easily take six months to hire a CFO and could potentially require a large salary—say \$150,000 to \$250,000—including stock options (which may represent 1% to 3% of the company's outstanding shares). Given the time and cost, you're already probably wondering, when do you need a CFO? There is no definitive answer. But there are some guidelines:

- The company's revenues are growing quickly (30% or more per year).
- The company has received venture capital.
- There are more than 30 employees.

In some cases, your company may reach those levels. What do you do in the meantime?

One strategy is to retain a part-time CFO. He or she will have a solid background—and may have been a former CFO—but will devote a couple days of week to your company. Examples of part-time CFO advisory firms include [Tatum](#) and [B2B CFO](#). A part-time CFO can help build financial systems and even help with some of the long-range strategies. More important, the part-time CFO can help provide a transition to a full-time CFO.

So, how do you find a top-notch CFO? Of course, the most common approach is to hire a recruiter. While the fees can be high—about a third of the CFO's salary—the service can be invaluable.

A recruiter is more than just a talent finder. Some of the other services include reference checks, interviews, and strategic planning. And the best firms understand how to get a sense of the cultural fit. Most recruiters work on either a contingency basis, meaning they will get paid only if someone is hired, or on a retainer, meaning the recruiter gets an up-front fee and then is paid over time.

### **CONFIDANT OF THE BOSS**

Given the importance of the CFO spot, it often makes sense to use a retainer recruiter. Such a person will be highly motivated to focus on your company's needs. It is also often the case that the recruiter will find another candidate—for free—if the current one leaves within a year or so.

At the same time, you should leverage your own network to find candidates. This means talking to your board and investors. Trade associations are another good source, such as the [Association for Corporate Growth](#) and [Financial Executives International](#). There are also helpful networks and marketplaces, such as [LinkedIn](#) and [BountyJobs](#).

Regardless of how you eventually find a CFO, bear in mind that this person should act as a partner and confidant of the CEO. There is usually daily involvement and discussion on many strategic issues. While the cost of recruiting and hiring a CFO may be high, so are the potential rewards. It's one of those positions that take lots of homework before you can make a decision—and can be a key to the success or failure of your company.

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