

Firms prove even the corner office can be outsourced

CFOs-for-hire fill gaps created by downsizing

By **CLAUDE SOLNIK**

Marc Palker has been the CFO at Mr. Bar-B-Q for a year, but it hasn't been a full-time job.

Palker, who has worked full time as a CFO for more than a half-dozen firms, is a director of CFO Consulting Partners, which provides interim and part-time chief financial officers who help with financial reporting and Sarbanes-Oxley compliance, among other duties. He spends one to 1 ½ days a week at Mr. Bar-B-Q and works at other companies on other days.

In what may be outsourcing's newest trend, CFOs increasingly are working part time or an interim basis for small and midsized companies.

"It works well for us because we don't have the need for a full-time person," said a spokesman for Mr. Bar-B-Q, an Old Bethpage distributor of barbecue tools. "He does reports, consulting, gives opinions."

While some firms bring in former CFOs to do work accounting firms – as much as traditional CFOs – might do, CFO outsourcers argue they typically provide a different perspective. CFOs typically help with strategy, deals and sometimes with compliance as well as leading financial operations.

"Everybody in our firm is a former CFO," said Alan Tepper, senior managing director at CFO Consulting Partners. "People at accounting firms never in the shoes of CFOs would provably approach the assignment differently."

Downsizing has both fueled demand for interim CFOs and placed many talented CFOs on the market.

"A lot of people left the traditional work force by choice or not their choice," said Palker, who served as full-time CFOs for Firetector, Pretory USA, Bucknell Industries and as vice president of finance of Windswept Environmental. "They've gone this route. It's rewarding. You get to see different organizations. Different opportunities arise."

In addition to providing access to experienced CFOs, outsourcing the corner office poses potential problems regarding perception, competition and industry expertise.

There's even the question as to whether every company needs a CFO (public firms have them to sign off on financials) and what exactly a CFO does. Tepper said his firm typically places people at firms with up to \$500 million in sales.

"They need one because they have senior accountants handling the day to day, sending out invoices, paying bills," Tepper said of many clients. "But what they're missing is the financial leadership at the senior management level."

Temporary CFOs often bring connections and a familiarity with an industry along with their financial background (many are CPAs as well). But even then, there's the perception problem. Some companies worry banks will look down on companies with part-time CFOs, although **B2B CFO**, a Phoenix, Ariz.-based firm that is among the nation's biggest sources of part-time and interim CFOs, argues experience matters most. "It's not important to the bank that we are your CFO on a part-time basis," B2B CFO said in a written statement.

Even if outsourced CFOs do a great job, there's another big risk: They could wind up working at a competing firm. B2B says it won't place the same part-time CFO at a competitor: "Our business is based upon good relationships with business owners. We would never risk harming our relationship with our clients by associating with one of their competitors."

But others said part-time CFOs, because they specialize, often show up at other firms in the same industry. "We do go to competitive firms," Tepper said. "The firm we left was happy because we did a good job. The firm we go to is happy because we have industry experience."

Palker said agreements don't typically prevent outsourced CFOs from working for



rivals, but confidentiality is standard in all agreements.

“It just makes sense not to work for competitors of the client,” Palker said. “Confidentiality has to be maintained at all times. The standard engagement letter has confidentiality language in it.”

While some firms simply choose part-time or interim CFOs, many turn to them after losing their own CFO, at least until they decide who to hire permanently.

Michael Schwartz, a founding partner at Schwartz & Co., an accounting firm that offers CFO outsourcing services, said a company brought in an interim CFO after the comptroller and CFO left, creating a financial supervision and leadership vacuum.

“There was nothing wrong with the company. They left for a better opportunity,” Schwartz said. “We put together a team of four people. We went in there, spent a bunch of days, so we understood the landscape. We didn’t miss a heartbeat.”

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