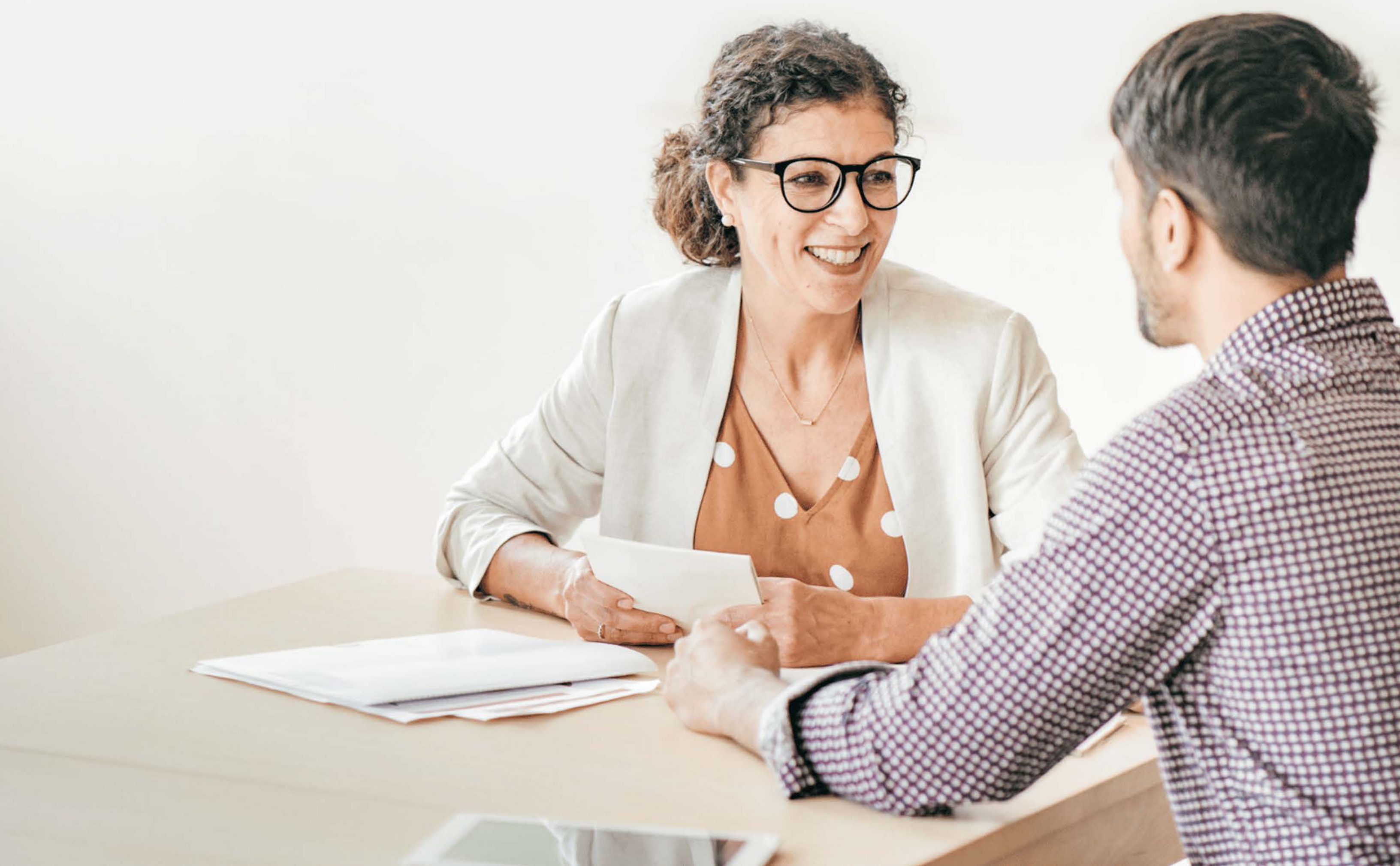
Maximize Your Agency's Financial Success with a **Fractional Financial Team**

Discover how a fractional financial team can help your agency or consultancy save time, money, and resources



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Introduction

As the global marketplace continues to evolve, so does the structure of many agencies and consultancies. In years past, organizations all conformed to the same hierarchy. To succeed, it was thought that you had to model your organization after other successful businesses. Your organization had to have, at the very least, an accounting and payroll department, if not a Chief Financial Officer (CFO). But as the market changes, the former may be too little and the latter too much to properly support your organization's needs and financial growth.

All organizations need a systematic, thorough team in place to help them maximize their profits while fully understanding their financial landscape. The question is how to find what works best for your organization. If your business does over $50MM in revenue, having an in-house CFO may make the most sense. Conversely, if you do under $1MM in revenue, a CPA and payroll department could be exactly what you need to be successful.

If you have an agency or consultancy generating between $1MM and $50MM in revenue, you know you have a team of go-getters that are dedicated to your company's success. However, your team doesn't necessarily have the time or the skill set to deal with your administrative and financial tasks. That is why an outsourced fractional financial team may suit your organization perfectly.

1 Understanding the Importance of Executive-Level Financial Guidance

The role of fractional CFOs in strategic financial leadership

To fully understand what may work best for your organization, let's examine the various roles we've talked about.

CPAs can help you manage your financial risk by focusing on tax laws and compliance. They will prepare your taxes, file your revenue or profits, and generally manage your organization's payroll. However, this role looks retrospectively at past revenue and expenses and is largely reactionary. While CPAs can make estimates based on past performance, this provides limited insight into the future.

CFOs are the financial leaders in the traditional C-suite team. These executives manage a full range of financial responsibilities for your organization, from overseeing compliance with financial regulations to projecting budgets for the future.

Given that a CFO's ultimate goal is to preserve and strengthen the company's financial health based on the growth goals of the company, hiring one seems like a smart move. But a substantial investment in a CFO brings around a variety of issues:

> **High Cost**: A full-time CFO is a salaried employee, entitled to the same benefits, health packages, and financial incentives as other employees within your organization. The average CFO salary is between $318,590 and $535,464 a year according to Salary.com. The costs of this one employee can outpace spending for equipment, staff, and overhead, especially if you have a small and growing business.

Limited Knowledge and Experience of One Person: Bringing a single CFO to the helm of your business can be perilous if you're unprepared for the risks. After all, there is no guarantee that any CFO in your area is the right fit for your company's niche, size, and unique profile. CFOs with sufficient experience [may not be a good fit for your culture], and CFOs that feels like a perfect fit for the leadership team may not understand your company's growth goals well enough to bring them to fruition. Finding the perfect fit is challenging, and staking those hundreds of thousands of dollars on hiring the right one is a gamble.

Turnover: When you first hire a full-time CFO, expect a lot of costs and drag on productivity during training and onboarding. Eventually, you'll need to repeat those efforts for a replacement CFO. If you decide to terminate a CFO, you may also need to pay unemployment in the meantime. There is also some risk that legacy knowledge will be lost when your CFO leaves.

If your business falls between that $1MM and $50MM revenue threshold, hiring a fractional CFO firm may help your organization leverage all the positives of having a CFO without any of the pitfalls.

[A fractional CFO] operates more like a consultant than a traditional employee. These executives offer financial advice, expertise, and management to different companies; they may even work with more than one company at the same time. Companies can contract fractional CFO services for a set period at a predetermined hourly or monthly rate based on the organization's unique needs and goals.

How do these benefit agencies and consultancies? In short, fractional CFO solutions possess deep experience working across a variety of niches and sizes. Having a fractional financial team work with your agency means tapping into their knowledge and ability to know what may work—and what won't. Predetermined rates also mean that you can marry your need for financial help with a price point that works best for your organization, ensuring there are no surprises or unexpected costs.

Below, we break down three core benefits of a fractional CFO solution:

> **Expertise of Multiple Financial Executives**: Strong financial teams are made up of multiple different roles. While a good fractional CFO takes the lead in a business's comprehensive financial strategy, they also have the resources to equip agencies and consultancies with certified financial experts, so every responsibility is covered.

> **Cost Savings**: When you hire fractional CFOs, you don't incur the costs of traditional employment, such as salaries, health insurance, benefits, and others. Instead, you can find a "part-time" CFO that can fill the gaps in your organization without outstripping your budget. Hiring a fractional CFO is also a controllable expense, so you don't have to worry about the fixed cost putting your cash flow at risk.

> **Leadership Where You Need It Most**: Great CFOs are financial leaders who can offer advice, guidance, and processes built to strengthen your business long-term. Whether you want a short-term CFO to set your company on the right path or a long-term CFO to be with your company during stages of growth, fractional CFOs provide that leadership where you need it the most.

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2 Exploring Future-Forward Financial Strategies

Unlock financial maturity with fractional CFO-level solutions

Consider if fractional CFO services are suitable for your agency or consultancy by assessing your business needs. Evaluate the following indicators to determine if hiring fractional support is necessary or beneficial for your organization:

Your company has disparate financial and sales data, making it hard to choose the right financial path forward.

Your consultancy business is growing, but your business infrastructure isn't big enough to meet your growing needs.
Your agency organization is undergoing an audit, so you require tools and systems to keep records accurate and documented.
Your leadership team or financial team had a sudden bout of turnover, and you need a new financial leader at the helm as soon as possible.

Your business is experiencing low gross margins, and you need new pricing strategies to strengthen your numbers.
Your business is navigating a complex financial landscape, and you need specific guidance to realize financial goals.

Fractional financial firms are particularly important in organizations to overcome some of the financial hurdles above. The purview of their services can problem-solve many of their challenges including:

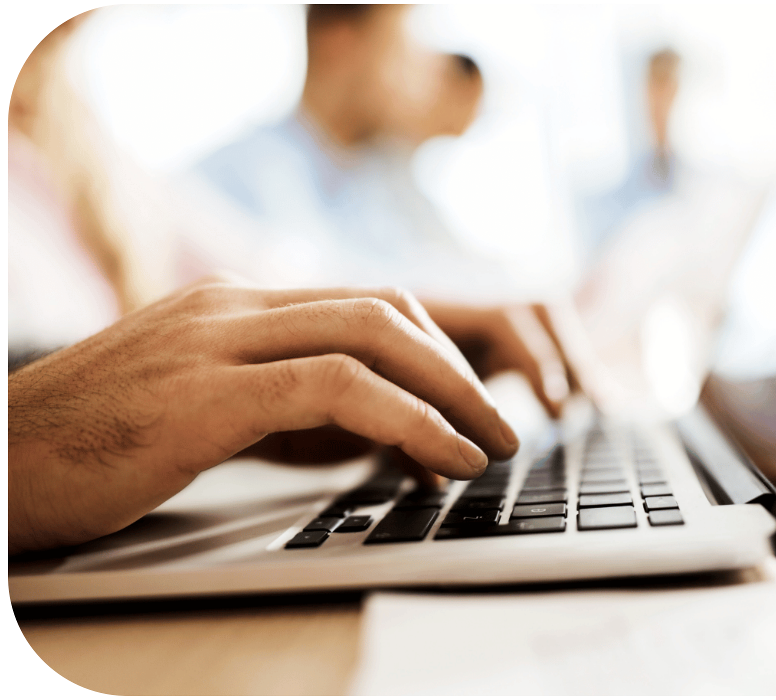
> **Performance Management**: If your business has jumbled data or you don't have the mechanisms in place to collect and analyze data, your fractional CFO can help. By leveraging data about past performance, overhead needs, and developing economic and regulatory

trends, you can start to make business decisions powered by financial modeling. This limits the risk of uncontrolled growth or spending while minimizing the risk of missed opportunities.

Interpret Financial Results on a Regular Basis: You'll have trained financial experts overseeing and interpreting your financial data and results on a regular basis. There will be no fourth quarter or tax time panic because you'll know exactly where your organization stands.

Automation and Financial Technology Implementation: One of the best things a fractional CFO can do is to share and train your team on the technology best suited for your business. Tools such as automated financial software, accounting software, secure communication platforms, and more are crucial for speeding up transactions and keeping comprehensive records of your business activities. These tools save you time, reduce the risk of business errors, and make regulatory compliance easier than ever.

Cash Management and Planning: Knowing, down to the penny, what your cash flow looks like is imperative for a thriving business. Your fractional CFO will get a clear understanding of all your expenditures, put in place the budgeting tools needed, and ensure your organization's cash flow is optimized.



Strategic Planning and Leadership: A fractional CFO team will work with your leadership team to create short and long-term plans for your organization. Whether it's optimizing cash flow, figuring out how and where to grow or even how to position your organization to sell for a high price, your fractional CFO will partner with you to help you meet your consultancy goals.

3 Evaluating a Fractional CFO Solutions Provider

What to look out for when assessing an outsourced CFO services firm

When assessing an outsourced CFO services firm, you want to ensure your agency or consultancy hires the absolute best. To begin, you first need to ensure you have a full understanding of what your business needs are. Ask yourself:

- *What is my current financial picture?* What data do I have now to draw from? What data would be helpful to dig deeper into? What historical data can I share with whoever is hired?

- *What does my current financial team need to succeed?* No one knows your finances like the people currently handling your payroll and accounting. Take the time to chat with them to see what's working and what's missing in order to get a robust understanding of your organization's financial standing and future projections.

- *What is your long-term plan?* Clearly you want your organization to be successful, but what does that mean in concrete terms? What are your sales goals? What are your revenue goals? Where would you like to see your organization in 6 months? 2 years? 5 years? Being able to articulate these goals will help you create milestones everyone can move towards.

Having a firm understand your organization's financial status and goals will give you a starting point when talking to any fractional CFO firm you speak with. Once you have that information, it's time to start looking for the right fractional CFO. As with most things in business, it's always a good idea to talk to your network. See who others recommend and have used in the past. Find out what they've liked and didn't like. If no one in your network has any recommendations, you can also tap into industry associations to see who may work best for you.

Regardless of how you get the name of a fractional CFO firm, you'll want to meet with them to make sure they meet your needs. Approach hiring a firm just like you would an employee and ask to see who they've worked with and get a list of references. Any firm you work with should be transparent and open about their experience as a firm in general, and the individual background of the people who may be working with you. Ask if they have worked with any organizations like yours.

Once you have the references, use them. Make the calls and ask the questions you need to feel comfortable in your decision-making process. Find out how the firm's team has meshed with other organizations, determine what value they brought to the table, and make sure clients have felt the service was worth the price.

If you're happy with the answers you've received in talking to a firm's references, ask for a consultation with the fractional CFO firm. This is your time to delve into the details of not only how your teams can work together, but how well your teams will work together.

- **Ensure that your organization's cultures mix well**. The fractional CFO will be there to help your organization thrive, and that requires a close working relationship.

- **Determine your service level agreement**. A fractional CFO is not a full-time employee, but expectations should be set so both organizations have a clear understanding of what's expected, what a normal response time is, and who will be involved in your business.

- **Set benchmarks**. Determine what success looks like to your organization, and make sure you set up reviews to see how you're working towards that goal. These goals will shift over time, but having data and metrics to measure against will ensure everyone is on the

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4 Setting Expectations with a Fractional Accounting Team

Your roadmap to a successful financial engagement

Once you make a commitment to a fractional CFO firm, it's helpful to understand the implementation process. Knowing what to expect when working with fractional team members can mean the difference between a proactive relationship and a rocky journey.

Some of the key stakeholders involved in the onboarding period will differ depending on the fractional firm. Savvy fractional CFO firms equip businesses with long-term strategic capabilities of different financial executives. At Dillon Business Advisors, we have a core group of financial advisors among a world-class team that makes getting started seamless and easy.

You can expect a:

- **A Fractional CFO**: Your fractional CFO is your main point of contact for general business strategy as well as tax strategy. The CFO reviews your monthly financial statements, looks at your tax returns and provides support to both the CSM and the Controller.
- **A Fractional Controller**: Your fractional controller is your main point of contact for questions regarding your monthly financial statements and tax strategy. The Controller reviews your monthly accounting, prepares your monthly management use financial statements, and provides the monthly financial statements with commentary.
- **A Fractional Client Service Manager (CSM)**: Your fractional CSM will be your main point of contact for accounting, payroll, sales tax, and all things financial tools. The CSM is responsible for accepting and coding business bank and

credit card transactions, reconciling your accounts, processing payroll, and general questions related to monthly accounting.

Want to learn more about our implementation process? Check out our Welcome Guide.

Here are some activities that are often completed during a 90-day roadmap:

> **Goal Setting**: Goal setting is an important first step in the process. A fractional CFO firm will work with the company to identify specific financial goals, such as increasing revenue, reducing costs, or improving cash flow. These goals will be used to guide the development of the financial plan and to measure progress over time.

> **Performance Markers**: Performance markers, such as key performance indicators (KPIs) and financial metrics, are established to track the company's progress in achieving its goals. This includes financial ratios, cash flow analysis, balance sheet analysis, income statement analysis, and many other financial performance indicators to evaluate the company's financial performance.

> **Technology Recommendations**: Technology recommendations may also be made as part of the roadmap. The fractional CFO firm may recommend new accounting software, budgeting tools, or other technology solutions to improve financial management and reporting.

> **New processes**: New processes may also be implemented to improve financial performance. This may include changes to accounting procedures, budgeting processes, and financial reporting processes to ensure accurate and timely financial information. The fractional CFO firm will work closely with the company to develop and implement these new processes, and to provide training to employees as needed.

Overall, a fractional CFO firm will focus on developing a comprehensive financial plan, implementing new strategies and technologies, and monitoring progress to ensure that the company's financial performance improves over time.

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5 Charting Your Financial Freedom with Dillon Business Advisors

A proactive financial approach for businesses to drive value

A fractional CFO firm may be exactly what your agency or consultancy needs to thrive today while planning for tomorrow:

At Dillon Business Advisors, we specialize in providing professional services businesses with fractional CFOs, Controllers, and Client Service Managers to help your businesses thrive. We have been successfully helping our clients for over 10 years, and our team of 15+ advisors has decades of collective experience from professional service and family businesses to healthcare and consultancy firms. Our team excels at creating sound financial strategies for businesses that need help with the complex financial commitments of business ownership.

We have a multitude of plans that can be tailored to your specific needs. From a fractional CFO who helps your organization monthly to tax, payroll, and sales services, we have the right team for you. We'd love to learn more about your specific needs, share how we can help, and start a free consultation. Reach out to us today to get started.

GET STARTED