

# Evaluating Whether it Makes Sense for Your Company



**2021**  
Comprehensive Guide  
to Financial Services  
Outsourcing



## White Paper Breakdown

Small- and medium-sized businesses can find a faster and more efficient path to profitability by enlisting help from outsourced financial services experts. These professionals can help map out a path to profitability, and can assist you in setting your company up properly based on your future goals, whether they involve growing, going public or selling the firm.

Escalon's Financial Services White Paper is here to provide you with a deep dive into how these professionals can help your business thrive. We've organized the information into the following areas:

- Introduction
- When Do Outsourced Financial Services Help You?
- What Can Financial Services Outsourcing Do for You?
- 3 Examples of How Outsourcing Can Help Businesses
- Check These Outsourcing FAQs
- How to Find the Right Outsourcing Firm for Your Business
- Conclusion



## Introduction

Every entrepreneur starts their company with a goal: To build their own enterprise, and to scale it so the maximum number of people can benefit from it. Naturally, they want to make a profit along the way, but not every business owner has the time, the knowledge or the ability to reach their growth and financial goals.



And even if you do have knowledge of the finance world, your expertise may need to go beyond that to successfully scale a company. According to Korn Ferry's 2020 CFO Pulse Survey, half of the respondents said the most critical capabilities to their financial future were operational information like analytics/reporting and strategy enablement.

This means that CFOs need to have skills that transcend financial prowess, requiring a 360-degree view of the business. Although this can be a great asset to a firm, it can be expensive and time-consuming to find someone to fill this role.

That's where outsourcing can help. Businesses can scale faster if they have a clear map of what steps they need to take to reach profitability, and by tapping the expertise of financial services experts, they can get those projections.

Although there are myriad services you can tap into by working with an outsourced partner, in this white paper we'll be discussing the following two areas in depth:

### 1. CFO Services

An outsourced CFO is a financial expert that you engage as a consultant for your company, and who is available as a part-time resource, or on a full-time (or even on a "whole team" basis), depending on your needs. They provide financial strategy services, help make big strategic decisions and work within your budget.

## 2. Outsourced Accounting

While the CFO looks at the big picture to help you create a growth strategy, the accountant can handle your day-to-day financials. Outsourcing your accounting and bookkeeping services provides you with access to a team of highly qualified and trained professionals, who use the latest technology and tools to ensure that your data is accurate and secure. Outsourcing accounting can be a critical asset for forecasting and budgeting through every stage of your business. It can make your business more profitable in the long run by reducing overhead costs and improving your cash flow.

Accounting services can help small businesses find new benefits and strengths while ensuring that they complete the revenue-generating responsibilities like sales, marketing and partnerships that are necessary to keep your company growing. In addition, you can consider outsourcing your accounts receivable services to make sure that others are paying you on time.

## When Do Outsourced Financial Services Help You?

You can benefit from the help of an outsourced financial services firm in a wide variety of scenarios. These may include the following, among others:

### 1. As a Bridge Before You Hire Someone Permanent:

Even if your ultimate plan is to hire a financial services team in-house, you may not have the resources to bring on an in-house team right away after launching your company. In these cases, you can have an outsourced team that helps you set up programs and processes that your permanent team will eventually take over.



### 2. During Ramp-up:

If your business is small, you (the entrepreneur) may want to handle financial services on your own, but perhaps you need an expert to put the framework in place. An outsourced company can create templates for financial reports, they can help you map out the steps you should take to reach your goals, and they can develop a reporting schedule to ensure that you're compliant with all reporting benchmarks and dates.

### 3. As a Fill-in for Someone on Leave:

Even if you have a strong finance team in place, you might benefit from developing a relationship with an outsourced financial services firm.

If you have an employee who needs to take medical leave, an extended vacation, a maternity leave, a sabbatical or any other time off, then you can have an outsourced team come in and seamlessly take over your finance function until that staff member returns.

#### 4. As a Permanent Alternative to Hiring In-House:

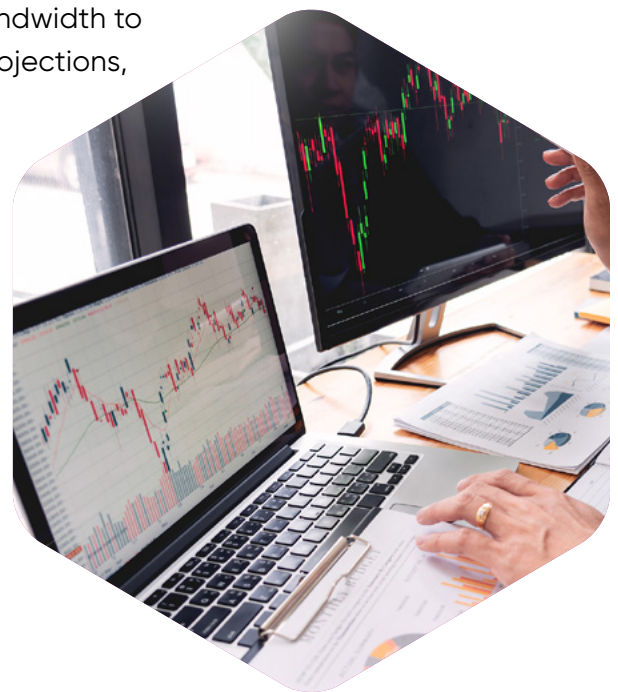
Many companies find that they don't want to hire an in-house financial team, which can happen for a wide variety of reasons. In some cases, they want to keep the company small and don't have the capacity to handle payroll or buy office equipment for staff members. In other situations, the company only needs a few hours a week from an accounting or CFO expert, and they can outsource for just the hours you need rather than having someone on your payroll for 40 hours each week.

#### 5. If You Have a Special Project:

Even if your in-house financial team can handle your day-to-day responsibilities, you may have special projects come up that your staff members don't have the bandwidth to take on. This may involve end-of-year reporting, new year projections, preparation for an acquisition, going public or another similar topic.

#### 6. When You're Scaling up or Down Quickly:

Every company has growth spurts, and some businesses also have periods where things slow down. Take, for instance, the pandemic of 2020 prompted by the COVID-19 virus. Some businesses (such as grocery stores) saw growth skyrocket, while others (like restaurants) experienced a lull. In these cases, you'd have to quickly hire (or let go) staff members if you have an internal finance team. But an outsourced financial services group can scale up or down on a moment's notice, ensuring that you're covered when you need to be and that you can hit pause when necessary.



## What Can Financial Services Outsourcing Do for You?

Whether you're new to the business world or you have an area of expertise that doesn't involve finance, you may be unclear on what an outsourced financial services group can do for you. To clarify the benefits they can provide, we've got a list of the responsibilities they can handle on your behalf to boost the success and financial standing of your company:

- Forecasting and planning
- Management reporting
- Board presentations
- Strategic initiative support



- Strategic analysis
- Financial analysis
- Budgeting
- Senior management analysis
- M & A preparations
- Going public
- Planning for exits
- Fundraising
- Tax planning
- Accounts payable
- Accounts receivable
- Statutory compliance
- Audit support
- Controller services
- Bank reconciliation
- Payroll assistance
- Employee compensation reviews
- Debt strategy
- Board appointments and reporting
- Risk management
- Cash flow projections
- Organizational and operational planning



## 3 Examples of How Outsourcing Can Help Businesses

Even though you may be familiar with outsourcing, perhaps you aren't aware of all the ways it can help your business thrive. Therefore, we're sharing three case studies of real-life scenarios where outsourced partners helped a company succeed. Check out these examples to determine whether they're applicable to your business.

### 1. Expert Catches Financial Reporting Error

Picture this:

A mid-sized SaaS company was preparing to acquire a big company that would allow the firm to double in size, and the CEO completed all of the financial paperwork on his own. Everything looked copacetic on his end, but the attorneys said the numbers weren't adding up on their side and suggested they might have to call off or postpone the deal unless the company disclosed the issue. Although the CEO reviewed all of the financial analyses, projections and reports multiple times, he still couldn't see anything wrong.



He called in an outsourced CFO, who spent a day crunching the numbers, only to find that the entrepreneur had carried over income from the prior year onto this year's financial statements, making it look like the company income was \$120,000 higher than it actually was. He disclosed the error to the attorneys, they approved the paperwork, and the deal went through.

**Takeaway:**

By bringing on an outsourced CFO who was able to see a clear picture of the company's strengths and weaknesses, the business was able to pivot and focus on the fastest path to profitability.

## 2. Company Saves Five Figures During Pandemic

**Picture this:**

A small N.J.-based catering business grew by 5,000 percent in 2019, prompting them to hire a full-time CFO at a \$110,000 annual salary, which is a deal by most CFO income standards. The company provided the CFO with a cell phone, a computer and a subscription to several high-level software packages, in addition to employee benefits. Overall, the cost of the CFO to the organization exceeded \$200,000.

When the pandemic hit in March 2020, the catering business lost all of its contracts, shrinking it down to the bare bones. The owner asked the CFO to find a way to boost cash flow while also saving money, but the CFO was unable to find a route to profitability.



The entrepreneur continued losing money through July, at which point he had to let the CFO and most of the other staff members go. He was unable to see a path to profitability and thought he might lose the company.



At that point, the entrepreneur brought on an outsourced CFO firm that analyzed the records and found that the one line of business that was still turning a profit was its lunch delivery service, so the CFO helped the company map out a plan to boost lunch delivery, adding a digital pre-ordering service and contactless delivery, and ultimately brought the firm back to profitability by October.

**Takeaway:**  
By bringing on an outsourced CFO who was able to see a clear picture of the company's strengths and weaknesses, the business was able to pivot and focus on the fastest path to profitability.

### 3. Outsourced Accountant Catches Regulatory Issue

Picture this:

A franchise organization had three locations of a shipping store, but all of the office responsibilities were handled by the owner and his wife. As the business grew, the couple struggled to keep up with changing regulations, and missed a payroll tax filing deadline that had previously been extended. They were not notified of the issue and forgot about it, continuing to file their other required documents but falling behind on the payroll tax requirement.

When the end of the year arrived, they realized their year-end books were too complicated to do on their own, so they brought in an outsourced accountant to handle the end-of-year reconciliations.





While going through the documents, the accountant discovered the absence of a required payroll tax payment and immediately helped the business owners take care of it in a timely manner. They had to pay a penalty to the government for missing the payroll tax deposit, but it wasn't nearly as severe as it would have been if they'd let it go any longer.

**Takeaway:**

A specialized accounting outsourcing company is on top of the latest regulatory rules and requirements, ensuring that every business can stay on top of the regulations.

## Check These Outsourcing FAQs

Intrigued by the idea of outsourcing, but you have questions? Consider these FAQs to help you understand more about the services outsourced financial companies offer.

**Question 1: Aren't we too small to bring on an outsourced finance team?**

Answer: Needless to say, Apple, Microsoft and Salesforce were once small, but the goal was to grow and they succeeded. What's important is that you have the right financial framework and strategy in place so you can grow, and you need a team that can grow with you. An outsourced partner can add or remove services as your businesses changes size, so you don't have to stay small forever.

**Question 2: How do I know my information is protected and secure?**

Answer: Most outsourcing companies use advanced technologies and encryption software to keep your data secure. They also have tech in place to help you mitigate the risk of an internal data breach, identity theft or embezzlement. Therefore, they can spot and alert clients to various types of payroll fraud, such as payment manipulation.

You must back up your payroll and accounting data regularly. With an in-house software program, there is always the risk of the computer crashing and data loss. An outsourcing firm can store and back up your data on multiple server locations or highly secure cloud-based servers. They can save your data in a safe and secure place without taking up your valuable internal server space.

**Question 3: What if I need access to my financial documents in the middle of the night?**

Answer: Your outsourcing partner can provide you with 24/7 access to your financial documents at the click of a button, thanks to cloud computing software. This isn't always the case with in-house staff members – in fact, if just one person is handling your finances, you may lose access to your information if that person is out sick or on leave. By keeping your private information protected and safe on a shared server, anyone who needs access can get it (but no one outside of that group can).

**Question 4: If I am dealing with a large team, how will I know who is handling my financials?**

Answer: You should choose to partner with a financial services outsourcing company that gives you one key point of contact for all of your needs. That way, rather than calling an 800 number and getting a random customer service associate on the line, you'll instead be able to contact your account director for everything you need. That person can help you at any time with all your needs.

**Question 5: How do we know the cost will be offset by the benefit we get?**

Answer: This is a common entrepreneurial question, because no business owner wants to spend money that won't give them a positive return on investment. However, you'll want to look at the relationship in terms of the value you'll get over time. The money you spend now that allows you to get the right financial framework and plan in place can help you bring in more cash in the future.

## **How to Find the Right Outsourcing Firm for Your Business**

If you make the determination that an outsourced financial services firm might benefit your company, your next step is to figure out which company would best suit your needs. Here are three steps that you can follow to find and vet potential CFO candidates before bringing them on:

**Step 1: Identify business goals.**

To employ the right person for the job, you need to figure out where you want your company to go. While some entrepreneurs want to earn significant income every year, others wish to sell their businesses for, say, five times the revenue. Whatever the goal may be, it needs to be defined clearly.



**Step 2: Determine what needs to be accomplished:**

Next, you must decide the end goal of hiring an outsourced CFO. Is it assistance you are looking for in understanding financial statements? Do you need help with managing your cash flow? Do you want the CFO to handle all strategic financial analyses?

Answering these questions and mapping out what is expected from the outsourced CFO service will help you make a better decision on who to hire.

**Step 3: Check for qualifications and experience:**

No one wants to hand their financial services off to just anyone – they want to make sure that the people taking care of their balance sheets are industry experts. Therefore, as a business owner, you must check the credentials of the outsourcing firm and their team members to ensure that they have all appropriate certifications and licenses, that they are up to date on all laws and compliance issues and that they have handled the finance or accounting services for businesses your size in the past.

You must also confirm that there will be a fixed point of contact rather than just dialing an 800 number and getting CFO advice from whomever answers the phone. You must speak directly with the person who will be your main contact and ensure that your communication styles are in sync so you can be sure you will have a synergistic relationship if you do choose to sign with that company.



In addition, ask for references of companies similar to yours and call those businesses for references. Ask pointed questions rather than just “How were they?” so you can get the most detailed review possible.



## How to Find the Right Outsourcing Partner



Check the credentials of the team members to ensure that:

- They have appropriate certifications and licenses.
- They are up to date on all laws and compliance issues.
- They have handled the accounting for similar businesses in the past.

Step  
**01**

Step  
**02**

Confirm that you'll have a fixed point of contact (POC) for every need and 24/7 access to your records.



Ensure that data is well protected and encrypted.

Step  
**03**

Step  
**04**

Determine whether the company will provide you with a reporting schedule on a particular timeline.



Ask the company for references and contact their previous clients to get feedback.

Step  
**05**

Step  
**06**

Ask the questions that are most important to you as the business owner, such as the firm's typical turnaround times.



Get price estimates from a few different organizations and compare the services they offer with the prices they're quoting you. And ask the firm to sign a non-disclosure agreement to protect your intellectual property.

Step  
**07**

## In Conclusion

While every business has unique needs and goals, growth is typically at the top of the list for the majority of entrepreneurs. Because no enterprise can scale without a sound financial structure in place and a firm map of the future, establishing a strong financial footing is one of the highest priorities for burgeoning companies. By outsourcing your financial services, you can get in position for swift growth while still finding time to handle the responsibilities that allow your business to keep revenue flowing, like sales and product development.

## About Escalon Services

Since 2006, Escalon has shepherded over 4,000 companies across many verticals and in 22 countries. We have helped companies grow from one person in the garage to IPO and beyond, and we have been named to Inc. Magazine's Inc. 5000 list three times over the past four years. We provide a one-stop shop for the integrated solutions we call Essential Business Services. (EBS). EBS gives clients a seamless, audit-ready solution for Financial Ops, People Ops and Risk.

Our financial services for small businesses & startups include:



"Escalon is my single point of contact for all my accounting, invoicing and taxes. My business has grown significantly in the last few years and I appreciate having someone I can trust advise me on tax and other issues."

Riaz Taplin  
Artthaus | Owner

Schedule a call