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Outsourced CFO services fill niche in uncertain times

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When Jody Bryson took over as president and CEO of the S.C. Technology and Aviation Center two years ago, he quickly realized the small management team for the industrial park could use an upgrade in its accounting and financial planning. “We had some very old business processes here,” he said.

But rather than hire a full-time chief financial officer, he contracted with Jill Vales, president of JMV Management Services, to provide part-time CFO services. The result, Bryson said, has been access to the latest skills, procedures and software; a professional advisor on strategic planning; and at a cost that is 20%-30% less than the cost of hiring a full-time employee. “She has made us much leaner and more efficient,” Bryson said. “Outsourcing has been an attractive option. We’ve been very pleased.”

JMV Management Services fits into a growing niche of financial service providers who offer outsourced skills that can adapt to rapidly changing corporate needs. They say the current recession has not hurt their businesses, and in some cases such as restructuring and bankruptcy has increased demand for their services.

Demand from small firms

Vales said she sometimes has as many as 10 clients, and focuses on small companies with \$5 million or less in annual revenues. She has five employees including CPAs who provide support, and she can also call upon contractors. JMV Management Services is in its third year of operations in Greenville.

“I think there’s more demand with small companies,” she said. “They may see that they can’t afford full-time accountants.”

Outsourced CFO services can “bring a higher level of sophistication to these companies, and provide a sounding board for strategic planning at companies that previously were just getting their tax returns out,” Vales said.

“We’ve been busy,” she said. “I’ve found that Greenville is very supportive of small businesses.”

Vales does not often get clients who are in financial trouble. More likely her clients might need an accounting upgrade.

Hiring such a firm “is something small companies should consider, even if for only a year,” she said. “They may be overlooking things to help them be more efficient.”

These CFOs on demand come in two varieties: companies like JMV Management Services that provide part-time, but ongoing services; and interim CFOs who may come into a troubled company full time, but for a finite period.

Bob DeGarmo, managing partner of Entrepreneurial Resources LLC of Greenville, typically serves companies with \$150 million of revenue or less and may be in a transitional phase of their development.

“We try to do what’s most effective for the customer,” DeGarmo said.

“Companies get to levels sometimes where they have a hard time breaking through to the next level,” DeGarmo said. His company, which has a dozen partners with CFO or CEO experience, can bring fresh perspective to such a company, and help them envision their next expansion strategy. Sometimes, such a company may think it cannot afford to hire a high-level chief financial officer, DeGarmo said. With the outsourced help and guidance, the company may find it cannot afford to be without such leadership.

“To build a great company, you must have great people,” DeGarmo said, saying that’s an area on which he and his partners focus.

Economy impacts demand

DeGarmo agrees the demand for outsourced financial and executive leadership is growing, and the cause of that demand varies with the state of the economy. During a recession, it may be necessary to restructure a company. At other times, it may just be a natural transition between corporate leaders, or a desire to grow.

DeGarmo came to Greenville to work for Daniel Construction Co. in 1975. He ended his tenure there with its successor company, Fluor Corp., in the 1980s when he was a senior vice president. He said he spent a lot of time in those days in California, where Fluor was based. But his heart stayed in Greenville. So he created Entrepreneurial Resources to allow him to live here. He believes the large population of corporate hired guns who are based here stay for the same reason.

He and his partners take interim assignments, but those can develop into relationships with companies that last for years. They offer their services on a very flexible basis, to meet the needs of the client. Work schedules can range from several days a week, to once or twice a month.

Part of the reason for greater demand for interim or part-time CFO services may be found in a study by KPMG, the international provider of professional services. In a report released last month – “Understanding CFO Turnover” – KPMG found companies are changing CFOs with growing frequency; 20% of Fortune 1000 CFOs were replaced in the year that ended last June 30, KPMG said. In a nutshell, KPMG said a higher turnover rate often reflected changes to realign senior management with shifts in company strategies.

The KPMG study listed the top three categories of CFO types as internal growth leaders (39%); cost-cutters (23%); and external growth leaders (20%).

A flexible lifestyle

Like DeGarmo, becoming a consulting CFO offered Bill Johnson an opportunity to continue living in Greenville instead of taking another corporate relocation. He came here as CFO for W.R. Grace Logistics. After seven years, the division was sold. He did some consulting on his own for a while, until he learned about his current firm, Tatum LLC.

Atlanta-based Tatum comprises more than 1,000 experienced corporate leaders – half of them CFOs – who live throughout the nation and take interim assignments.

“We’re seeing a particular increase in demand for our restructuring and bankruptcy business,” Johnson said.

Reasons for assignments are as different as routine transitions when a CFO leaves a company; financial guidance for a company experiencing dramatic growth; or initial public offerings.

“They need someone who has been there and done that,” Johnson said. “We try to match CFO skills with the needs of the company.”

Johnson said his life can alternate from intense periods of interim assignments that involve 14-hour days, to taking a month or two off between assignments.