What's the Difference Between a Financial Controller and a CFO?

5 min read

Outsourcing non-core competencies continues to make waves in the business world. And it's not slowing down anytime soon.

Key Takeaways

- **How Virtual Accounting Creates Competitive Advantage:** At a fraction of the cost of an in-house employee, outsourcing gains you access to a team of management accounting experts, effectively purchasing you more leverage for less money.
- **See the Difference in Your Bottom Line:** Financial insights that allow business leaders to make data-driven decisions can help you grow your business's profit margins.
- **The Great Resignation, Rising Turnover Costs, and Your Business:** This year has been coined the year of the Great Resignation because, across the country and

around the world, workers are resigning from their jobs in unprecedented numbers.

In fact, the business process outsourcing market is on track to hit $620 billion by 2032. In comparison, in 2021 it was valued at $232.3 billion. [1]

When most leaders picture outsourcing, they immediately think overseas. That is no longer the case. There are now a handful of U.S based solutions, particularly within the accounting industry. When it comes to data tracking, metric measurement, and management accounting, many market leaders leverage outsourced accounting services to gain a strategic, competitive advantage.

How Virtual Accounting Creates Competitive Advantage

In small and medium-sized businesses it's very rare to find savvy financial management systems designers, sophisticated financial insights, and people who know how to read and interpret financial analytics that help business leaders make data-driven decisions.

Why? Because high-level, in-house accounting professionals come at a great cost.

Yes, SMB owners can hire a full-time controller or create a CFO position, but these high-level positions and the high-caliber kind of people you need to fill them come at an exorbitant cost in terms of salary and benefits.

Plus, the truth is that, until a business exceeds $10 million in revenue, there likely is not really a need for a full-time controller or CFO – unless you're in the process of raising money. These businesses end up taking on high labor costs to fill one or two full-time accounting positions and a large portion of those costs generate no return on investment because there simply are not enough tasks available to fill a full-time controller's or CFO's daily schedule.

3 Quick Outsourcing Stats: [2]

- **24%** of small businesses outsource to **increase efficiency levels**. Many small organizations also utilize outsourcing to access industry-specialist skills.

- **45%** of companies have planned to **increase their outsourcing** since the pandemic, often focusing on finding skillsets they can't access in-house.

- **59%** of companies cited **cost saving** as their reason for outsourcing. Cost-cutting is the #1 reason that makes organizations turn to outsourcing.

This doesn't mean that you have to choose between wasting money or hiring the full-time employee to implement management accounting, financial insights, and the ability to make data-driven decisions; there's another option that provides SMBs with the management accounting systems and tools they need at a much lower cost, and that's outsourcing.

By hiring a remote controller or virtual CFO, you can leverage the advantages of a full-service bookkeeping, accounting, and finance department without having to pay the exorbitant cost of high-level, full-time, in-house employees. At a fraction of the cost of an in-house employee, outsourcing gains you access to a team of management accounting experts, effectively purchasing you more leverage for less money.

To determine what your company's accounting personnel needs truly are, we recommend using scenario planning to forecast and predict your needs over a specific timeline and the associated costs to see how various hiring vs. outsourcing options will affect your bottom line.

Read More: Revealing the Trends of Your Business Profitability

Accounting Outsourcing ROI: See the Difference in Your Bottom Line

Financial insights that allow business leaders to make data-driven decisions can help you grow your business's profit margins. Improving profit margins, even slightly, can have a profound impact on your bottom line.

Why Driving Revenue Should Not Be Your First Priority

More revenue is wonderful, as long your profit margins are solid and shielded. If you focus solely on adding sales (i.e. increasing revenue), only a small portion of those sales ends up on the bottom line because it costs money to generate revenue.

Additionally, it's actually possible to lose money on revenue when your services are not priced to cover their share of your overhead costs. In this type of scenario, selling more would mean incurring greater losses and further weakening your profit margins and profits.

When your prices, sales strategies, and operations aren't optimized to cover overhead costs and protect your profit margins, you simply cannot sell your way out of a crisis, nor can you sell your way to a better bottom line. In these cases, every sale actually weakens your company's financial standing.

Strengthening Your Bottom Line by Focusing on Profit Margins, Instead of Sales

However, when you increase profit margins by cutting costs, optimizing your pricing, and perfecting your sales models and strategies, you'll directly affect the bottom line (in a positive way). Those types of decisions put money directly in the bank.

If you have an accounting department equipped to provide you with actionable financial intelligence designed to support data-driven decision-making about pricing, sales strategies, and profit margins, you can do wonders.

With a strong accounting system, you can optimize pricing models by identifying rising labor costs and uncovering time leakage (time you've paid your employees for but for which you're not getting paid because you're not including it in your prices). Your accounting systems can help you mindfully increase your prices.

The Great Resignation, Rising Turnover Costs, and Your Business

This year has been coined the year of the Great Resignation because, across the country and around the world, workers are resigning from their jobs in unprecedented numbers. This wave of resignations is not only logistically difficult for business leaders to navigate, but it's also dauntingly expensive because the cost of employee turnover is exorbitant.

Read More: More Than You Think: The Cost of Employee Turnover

On average it costs about 50% of a person's salary to replace a low-level or unskilled employee. Replacing a high-level, skilled employee costs about 150% of the employee's salary. Additionally, when you replace an employee with someone from outside your company, on average, it costs you 14% more than if you promoted someone from within. [3]

With a robust accounting department, you can track your labor costs, your turnover rates, and the impact that the Great Resignation is having on your profit margins. You can then identify strategic ways to increase your gross profit margin by making data-driven decisions around pricing that can easily be explained and justified to your clients. With a smart back office, you'll be able to demonstrate why your company and services are worth more money.

Even a small increase in your profit margin goes straight to the bottom line. One-hundred percent of profit margin increases go directly to the bank.

Increase Profitability and Boost Your ROI With Outsourced Accounting

By increasing profitability, a strong accounting department demonstrates and generates a return on investment in three significant ways:

1. Identifying the Most Profitable Clients

A good accounting department increases ROI by using unit economics and profit and loss by class to identify your most profitable clients, those that generate the strongest profit margins. As a result, you can focus your sales efforts and strategies on learning how to gain leads and sell to high-profit clients.

If you don't focus on your high-profit clients, then you're going to continue selling to low-profit clients, continue weakening your profits, and ultimately, you'll make your problem worse.

2. Identifying the Most Profitable Sales Representatives

A good accounting department will help you identify your sales representatives who are most successful in terms of profits and selling value.

Most business owners base sales performance solely on volume. However, high-volume reps often make more sales by offering discounts, which reduce your profit margins, and lead to cash flow problems. Those 10% discounts come straight out of your profits, your bank account, and your bottom line, reducing your cash flow and harming your financial health.

Read More: Want To Increase Your Profit Margins? Use This Sales Commission Model

Instead, you can identify the members of your sales team who know how to sell value and generate high margins. Then you can adjust your training and sales strategies based on their performance.

3. Lowering Overhead by Automating the Back Office

In bookkeeping and accounting, manual processes are slow, expensive, and unreliable. Automating your back office with easily integrated tools like the technology provided by

Bill.com will help you reduce overhead costs in your back office as well as in other areas of your business by identifying inefficient operations.

With an automated back office, you can more easily compare your current profits with previous profits and implement forecasting to predict an increase in future profits that you'll enjoy after implementing a better back office.

Increase Gross Profit Margins With a Better Back Office

How does a good accounting department help you increase your gross profit margin? By helping you figure out whether or not you're pricing your jobs right. If your labor costs are going up right now, we strongly encourage you to consider bolstering your back office with outsourced accounting services.

Management accounting experts can help you determine whether your labor costs are increasing, identify pricing problems, and help you optimize your pricing and operations to generate stronger, crisis-proof profit margins.

[1] https://findstack.com/outsourcing-statistics/

[2] https://teamstage.io/outsourcing-statistics/

[3]
https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2017-Human-Capital-Benchmarking.pdf