

Business Owners Guide to Virtual FDs

What's different to a permanent FD/CFO?

FD/CFO?

For the sake of simplicity we're taking Finance Director 'FD' and Chief Financial Officer 'CFO' to be interchangeable titles.

Here are the key similarities and differences:

What	Same	Permanent FD	Virtual FD
Qualifications	✓	Qualified accountant	Qualified accountant
Experience	✓	Broad range of experience	Broad range of experience
Full time	✗	Full-time	Part-time
Employee	✗	Permanent employee	External resource
Location	✗	Office based	'Virtual' so delivered remotely but can be on site
Cost	✗	Full salary, bonus + other benefits	Day rate or agreed price by deliverable. Essentially a fraction of a full time salary
Speed of recruitment	✗	Up to 7 months	1 week plus
Flexibility	✗	Full time on the business	Whatever time is agreed

When would you need a Virtual FD

There's no one size fits all but there are a number of stages in a company's evolution where there's a need for particular, and usually advanced, financial skills. If those skills are not there within the company's own Finance team then that's the time to look for external help.

- You need investment:** Financial modelling, business plans, pitch decks, investor relations, EIS/SEIS
- You have investment:** Develop management reporting, mentor Finance team, systems implementation
- You're growing:** Full range of services to support growth
- Your growth has stalled:** Full range of services to develop and implement strategy
- You have a problem:** Across a range of issues an FD can help
- You have an opportunity:** Investment appraisal, due diligence, M&A
- You want to exit:** Develop and implement strategy to maximise value of company

The question then is whether that help comes in the form of a permanent or a Virtual FD. That's usually answered by the **size of the company**; those not at a scale yet to make the investment in a full time FD will look for a Virtual FD. So that could be a pre-revenue or early stage startup, and companies with turnover from approx. £500k upwards, who are facing one of the 7 scenarios above. The ceiling is hard to define, but once beyond £4m - £5m

turnover companies will often have a more developed Finance team and the resources to support a permanent FD.

What does a Virtual FD do?

Essentially there's a range of things a Virtual FD can offer you, summarized below:

Drive performance

Financial modelling
Business planning and budgets
Cash flow forecasting
Management and Board reporting
Dashboard reporting and variance analysis
Explore and implement cost control
Working capital management

Reduce risk

Tax optimization
Implement risk management framework
Regulatory compliance and reporting
Strategy development

Develop a framework for growth

Implement Board/corporate governance
Develop organisation structure
Develop systems, controls and procedures
Develop and embed company values
Funding – debt and equity
Investment appraisal

How much does a Virtual FD cost?

The key dependencies are

- The FD you engage:** Level of Finance experience, sector experience, track record of success
- Type of work:** You can engage an FD for any/all of the deliverables shown above. Some are obviously simpler than others. That would be a point of negotiation.
- Type of engagement:** You can book a block of time e.g. 1 day per week, which would be charged on a day rate, or to achieve a specific objective e.g. build a financial model, which could be on a fixed fee basis

As a guide Virtual FDs normally work on a day rate and that can be from £500 to £2,000.

Expect to pay from £700 - £1,100 for an FD with good SME experience who can handle all the different deliverables shown above.

In the end it comes down to return on investment. If the value generated far exceeds the cost then the investment in a Virtual FD is worth it.

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Paul has worked in Finance for over 30 years across a variety of companies including Deutsche Bank, RBS, Cofunds, Watchstone Group plc, and more recently for a start-ups in the Financial Services, Fintech and Agritech sectors.

CAB digital accountants provide Virtual FD services.

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