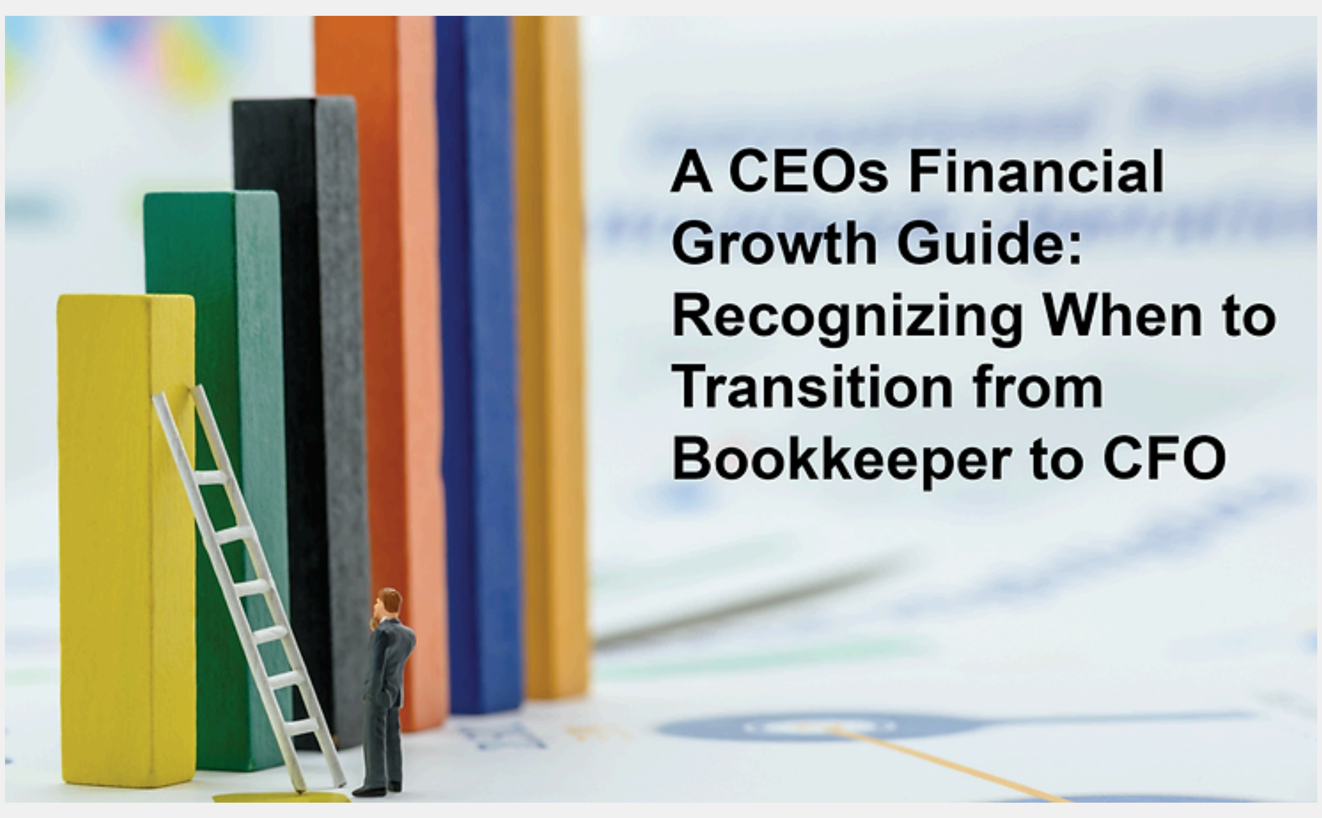
Hal Shelton · May 15 · 3 min read

A CEO's Financial Growth Guide: Recognizing When to Transition from Bookkeeper to CFO

As a startup company matures and faces increased finance and accounting activity and complexity, it needs to evolve from having the founder(s) do these tasks to engaging professional assistance. This article provides guidance on when early-stage companies should hire a Bookkeeper, Controller, Fractional CFO, and Full-time CFO to enhance their financial operations and position the company for continued growth and profitability.



Earliest Days
When entrepreneurs start their company, they may operate alone, with a co-founder, or with a small part-time team. Financial transactions are usually limited during this nascent business state as the founders focus on refining the business concept and early MVPs. In this environment, the founder usually performs the limited finance & accounting activities manually or on an Excel spreadsheet. These duties involve paying bills, managing expenses, and providing information to their CPA for filing the tax return.

Bookkeeper
As the business grows, the number of transactions increases, pulling time from the founder's key focus of improving the product/service and gaining customers. In these situations, errors or inconsistencies in the company's financial records occur more frequently. At this stage, it is time to engage a bookkeeper or office manager. Their primary tasks are maintaining accurate financial records, managing invoices, reconciling accounts, and implementing commercially available accounting/financial reporting software. The Bookkeeper can start as a part-time employee or contractor, depending on the activity level. In an age of remote work, these tasks can be performed away from the office using shared software. At this stage, the founder often retains control of the checkbook and bank account.

Controller
As the business expands, so does the volume and complexity of transactions. If there are early investors and/or bank loans, accurate reports on a fixed schedule are usually required. Behind the scenes, the establishment or reinforcement of internal controls is imperative. Many questions arise, such as: who can approve and pay vendor invoices up to what amounts? Who can authorize the use of credit cards? Who approves the founder's expense report or the payroll? Does the person reconciling the monthly bank statement receive such statements directly from the bank? Etc.

This pivotal moment should signal the need to hire a controller. This individual typically has an accounting background with experience "closing the books," providing reports to management and any early investors, and is knowledgeable of accounting rules in the Company's industry.

Additional benefits of having a Controller include managing more robust financial processes and controls to support scalability, which is usually required by most third-party financing. It also provides management with more insightful data analysis to assist in growing the business.

Fractional CFO
Fractional, as used here, means part-time and a contractor. This approach is often selected when the level of work does not require full-time engagement and the budget cannot afford a full-time CFO. The value added from having the fractional CFO is providing financial modeling, valuation, and fundraising support. Also, the scope of work increases from accounting and reporting to managing banking, insurance, and tax planning.

This position demonstrates to potential investors and lenders that the company takes its financial responsibilities seriously and that the funding received will be in "good hands."

Full-Time CFO
Hiring a full-time CFO becomes essential as startups mature and reach a stage where financial strategy and leadership are critical for sustained growth. Full-time CFOs lead financial operations (accounting, financial reporting and analysis, Tax, Treasury/Banking relationships, Insurance, and Investor Relations), strategic planning and budgeting, and contribute to overall business strategy.

Significantly, a Company CFO can enhance credibility with stakeholders, including investors, lenders, and board members.

Reality Check
To check these ideas and suggestions, I surveyed a large part of my venture group's (Blu Ventures Investors https://www.bluventureinvestors.com) current portfolio of startup companies. These are primarily technology companies in cybersecurity, health tech, B2B SaaS, IOT, etc. verticals. They range in annual revenues from $1 to $130 million, with an average of $11 million and a median revenue value of $3.3 million. All the companies are privately held and funded by the Company's leadership team, Angel groups, Venture Capital, Growth Equity, and Venture Debt firms. Revenues are GAAP (generally accepted accounting principles), ARR (annual reoccurring revenue), and, in one case, GMV (Gross Merchandise Value).

A general review of the information indicates the following revenue thresholds for engaging the various financial professionals. The revenue ranges shown are the "sweet spots" where most companies are—there are some outliers, as every company and situation is different.

Finance Position responsible for financial/accounting activities	Annual Revenues $M
Full-Time CFO	>$4.5
Fractional CFO	$2 to $4
Controller	$1 to $2
CEO or Bookkeeper	$2<

Conclusion
The decision to engage financial professionals—bookkeepers, controllers, fractional, or full-time CFOs—depends on the startup's maturity, financial activity levels, and strategic objectives. By understanding the roles and benefits of each financial position and recognizing the signs that indicate when to engage them, startups can effectively manage their financial operations and position themselves for long-term success.