

## **The Rise of the Virtual Financial Director**

**A significant trend that can pay outsized benefits to cost-conscious law firms.**

***By Tony Bash***

I am finding more small- to medium-sized firms talking to me about the role of a 'virtual' Finance Director. This may be a UK phenomenon caused by worries over the new mandatory position of a Compliance Officer for Finance and Administration (COFA). Firms of this size just don't have the internal resource or expertise to handle this on their own. And they certainly don't have the financial muscle to recruit someone, at least not in these challenging times.

Someone who can go in and help them for even two or three days a month is an ideal win-win situation. For the firm they get some independent perspective on all manner of financial issues. For the virtual FD it makes perfect sense because they can often have two or three clients that they act for in this capacity which allows them the time to service all their clients effectively.

The virtual FD will often chair the board meetings and may even become a non-executive director. They will often have on-line access to the firm's practice management system to allow them to look at data and ask pertinent questions whenever they need to. They will produce the monthly management pack and business intelligence as this is usually outside the skill set of the Chief Cashier who quite rightly is focused on the day to day cashing and compliance issues.

Another area that the virtual FD gets involved in is as almost a 'Systems Accountant', so the middle person between the firm and the practice management system (PMS) vendor. Often issues with reporting from the PMS are best dealt with by the virtual FD who is best placed to know what the issues are with the reporting and how to get them fixed in conjunction with the vendor.

Clearly the upcoming COFA role referred to above is an area where the virtual FD is ideally placed to add real value. Some firms are considering having the virtual FD actually be the COFA, albeit on a temporary basis. This may indeed be possible if there is some kind of employment contract in place. But I think more commonly the COFA will be either a senior partner or Chief Cashier but they will lean heavily on the virtual FD for day to day help.

It is vital that the FD has the support of the managing partner who has to sell the person to the other partners and business as a whole. It is perhaps more important still that the FD has a great working relationship with the firm's Chief Cashier. This person will often use the virtual FD as a sounding board for day to day issues. The virtual FD will also inevitably act as the 'helpline' when the Chief Cashier is away from the office.

I think for all the reasons above, particularly around the new compliance issues, we will see more and more virtual FDs working for small to medium sized firms. Just think of the Professional Indemnity saving when the insurer sees that the firm has a qualified accountant involved with the firm advising them on day to day issues, many of which will have a risk factor of some degree.

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