

# Keep your finance and administration under control

## Also when you grow FAST

Rapidly growing technology companies are on the product development fast track. This path involves specific challenges and risks when it comes to financial and administrative processes. For the organisation and its teams to retain a streamlined vision, close attention must be paid to financial and business process controls.

Ulrike Debels and Steven Boen from Deloitte Fiduciaire Business Control & IT are members of the 'Business & Process Controller' team. They draw on their practical experiences to explain how stakeholders in a high growth business can remain on the same wave-length.



### From your perspective as a Business & Process Controller, what are the challenges that start-up technology companies must contend with?

**Ulrike Debels:** During the initial stages the focus in technology companies is mainly on the product or solution being developed. During this start-up phase, there's a lot of investment in resources and product alignment. Knowing how far you can go here is by no means straightforward. The driving force behind the innovative idea is usually people from a technical background, who don't tend to have a strong affinity with the business and finance side of the story. The main message at this stage is to avoid losing sight or control of the financial realities of the project and the administrative processes supporting the organisation.

### What can these companies do in order to have financial and business insights?

**Ulrike Debels:** Engaging a controller with an R&D focus should ensure project budgets and actual expenditure are measured. This is the person who keeps an eye on the projected and actual return on investment for the project. By using a specific R&D controlling dashboard, the key business and financial risks and drivers can be monitored. For example, the actual hours performed by the developers, the spent lab and equipment costs will be reported. As well as the progress against the milestones along the way to on-time delivery. Having a good insight into the composition of the product or solution also means having transparent costs and targeted pricing.

In addition to the R&D focus, it is also important to keep an eye on the overall financial situation of the company. Drawing up a challenged business plan at the outset provides a guideline for any investors. Moreover, a business controller can create a periodic Technology Finance Dashboard that keeps shareholders and/or banks in touch with what's happening. This finance dashboard is not a simplified copy of the company accounts. A specifically structured profit and loss account, aligned with a cash flow forecast and a number of key performance indicators can provide management with all the insights it needs. The finance dashboard reflects the past, but also needs to be used proactively, to highlight business areas requiring attention.

### Fast growth implies continuously changing processes. How can companies deal with this?

**Steven Boen:** Within the evolving supporting business processes, flexibility is of big importance. The right focus at the right time is crucial. For example, during the R&D phase, the focus is about planning. Later, when selling the product becomes crucial, the focus will shift to the sales process. During the production or operational phase, time recording is often an important method of control.

You also need to look at what type of support is the most relevant. A structure is created for the short, medium and long term, each taking account of the changeable nature of the various processes. An annual review is then conducted against this plan. It is important to have a road map so that bottlenecks don't occur as the company grows. Without it, opportunities may be lost.

**Ulrike Debels:** We need to ensure that none of the investment required upfront becomes an insurmountable problem. In the early stages of a business, Cloud technology will often help solve the problem of establishing effective processes. Through this, capital investment costs can be converted into operating costs. A price will be established per user, per volume, per function or through some other sort of measurable criterion. It is also important for extensions and changes to be made in a simple manner within the technological setup. Some technologies allow you to work in an agile way, meaning new functions can be added quickly, as required.

**Steven Boen:** More providers of business process outsourcing now offer their services using the cloud technology evolution. Processes that previously could only be monitored on-site are now being handled remotely. An example is Deloitte Cloud Accounting. Parts of the accounting and finance processes can be executed by the Deloitte accountant/ controller/ financial expert from a distance but still in close relationship with the company. This is an option that must be considered for some processes, particularly if the activity has no strategic added value in the long term and outsourcing enables costs to be kept under control.



Steven Boen

### What other pitfalls should fast growing technology companies watch out for?

**Steven Boen:** Once the product has taken shape, it will be produced and taken to market. When the time comes, you must start thinking about the sales process. The level of support will differ depending on the type of business and the sales strategy. Do you work with external partners or with your own sales force? Is it simply a matter of finding new customers or are you also offering after-sales services? Lots of businesses think that they can get by with simple contact management, but are unable to monitor their sales pipeline or check on the actual sales effort. Opportunities are also often lost in the business; good support in this area can bring a genuine competitive edge.

**Ulrike Debels:** All sorts of mistakes can be made around invoicing. Has everything been properly billed? Have the costs been correctly allocated, giving you a clear picture of profitability? Have the hours worked been accurately charged to customers? We often see businesses that think this process is running smoothly, but a check on the quality and completeness of the details tells a different story.

This is just a brief glimpse into some of the issues facing a high-growth start-up company. They are most commonly encountered by those without experience of the many challenges involved with running a business.

**Deloitte Fiduciaire Business Control & IT acts as a Business & Process Controller for fast-growing technology companies. This involves a mixture of different areas of expertise encompassing financial management, business controlling, process optimisation, etc. The emphasis is in step with the evolving pace set by the organisation. Once a given critical volume for a particular activity has been reached, both the responsibilities and a structured process can be transferred in-house. This makes it possible for the company to delay significant overheads until there is sufficient critical mass in place, both in terms of organisation and financial results.**