Deloitte.

Modernizing your fintech organization to support growth

Learn leading practices from peer fintech organizations

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Contents

01

Overview

Overview

Deloitte's Fintech Industry Benchmark Survey provides fintech leaders with vital insights that can be used to determine if they are positioned to support growth. The survey results identify leading practices for managing headcount, structuring departments, and outsourcing in a strategic manner. With unique details on a range of topics, including maximizing outsourcing ratios, formalizing audit functions, upgrading enterprise resource planning (ERP) systems, and establishing a robust governance structure, the Deloitte Fintech Industry Benchmark Survey could be a needed guide for financial leaders in fintech organizations to help keep pace in a constantly changing and competitive landscape.

Deloitte conducted a survey of 100 fintech companies to reveal leading practices in Finance & Accounting (F&A) and related topics throughout various growth stages. Our Fintech Benchmark Survey serves as an important guide, packed with valuable data for industry leaders to measure their organization against peers, and be more confident they have strong talent and systems at each step. Unlock insights to help chart your path forward with our comprehensive survey findings.

Overview

Preparing for the future: Fintech industry growth cycle

Fintech leaders should evaluate their F&A systems, technologies, processes, resources, and investments to bridge existing gaps and prepare for future growth.

Here are key topics to consider as you evolve. Click each icon to jump to a specific section.

Structuring F&A departments to boost effectiveness
Scaling up or down the right way

Outsourcing strategies
Automation and growth stage needs

Internal audit and audit readiness
Prepare for future requirements from stakeholders

Upgrading ERP systems
Use the most effective system for your company's size

Board of directors composition and meeting frequency
A well-structured strategy can improve governance

02

Structuring F&A departments to boost effectiveness

Structuring F&A departments to boost effectiveness

Optimizing department structure is important at all stages. Cost management is a significant priority, with efficient structuring playing a key role. Younger organizations often have versatile personnel wearing multiple hats. But, as they grow—particularly from Series B onward—there's a notable increase in headcount with roles filled by specialists, which could lead to better financial and accounting decisions, whether in the areas of cash management or operations planning and budgeting.

As illustrated in figures 1 and 2, our survey indicates that early-stage companies need both accounting and financial planning and analysis (FP&A) functions to scale with organizational needs. However, extremes in headcount can lead to inefficiencies. **Leaders must ensure their departments neither fall behind due to cost-saving measures nor become inefficient due to excessive staffing.**

Figure 1: Headcount of financial reporting and accounting department based on last round of funding

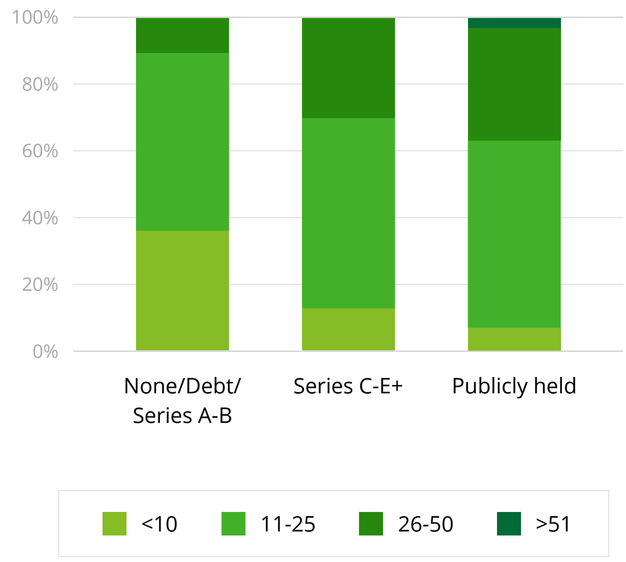
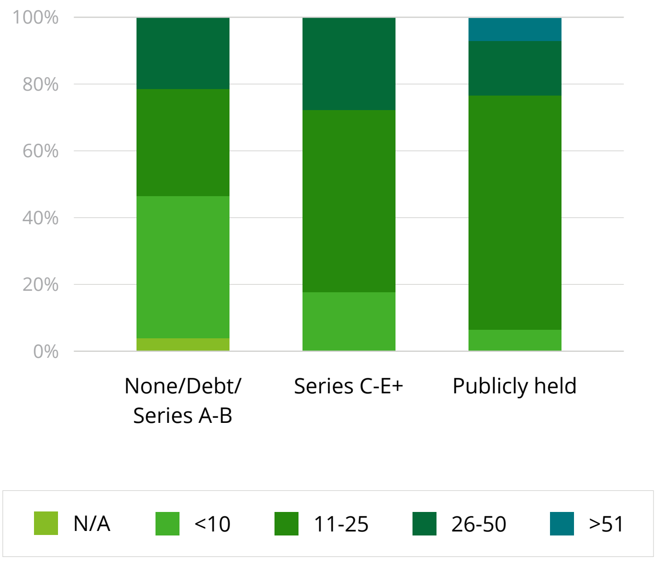


Figure 2: Headcount of FP&A department based on last round of funding



KEY TAKEAWAY: *Department structure will likely evolve as the company grows. It's important to maintain an efficient headcount pertinent to each growth stage and bring on specialized talent as more opportunities arise.*

03

Outsourcing strategies

Outsourcing strategies

Planning for growth over the next one to five years requires understanding that headcount typically grows with each organizational stage. However, 2023 Global Human Capital Trends report[1] reveals that institutions anticipate a shortage of critical workers in finance and accounting over the next two years. If increasing headcount is essential for growth but critical worker shortages exist, what's the leading strategy? **Outsourcing or specialized technology like Generative Artificial Intelligence (GenAI) can potentially address immediate capability needs.**

Most common organization size for each stage of funding	
Series A	1-49 employees
Series B	50-99 employees
Series C	100-249 employees
Series D	250-499 employees
Series E+ and post-IPO stage	More than 1,000 employees

Outsourcing strategies

As shown in figure 3 and 4, nearly all respondents outsource up to a quarter of their accounting and finance functions, with outsourcing increasing alongside company growth. The 2023 Deloitte Outsourcing Survey[2] highlighted that finance is the most frequently outsourced function, particularly in areas like accounts payable, accounts receivable, and fixed asset accounting. Implementing AI and other digital technologies can further enhance these functions, allowing employees to focus on higher-value activities.

Figure 3: Companies that outsource the financial reporting and accounting department based on last round of funding

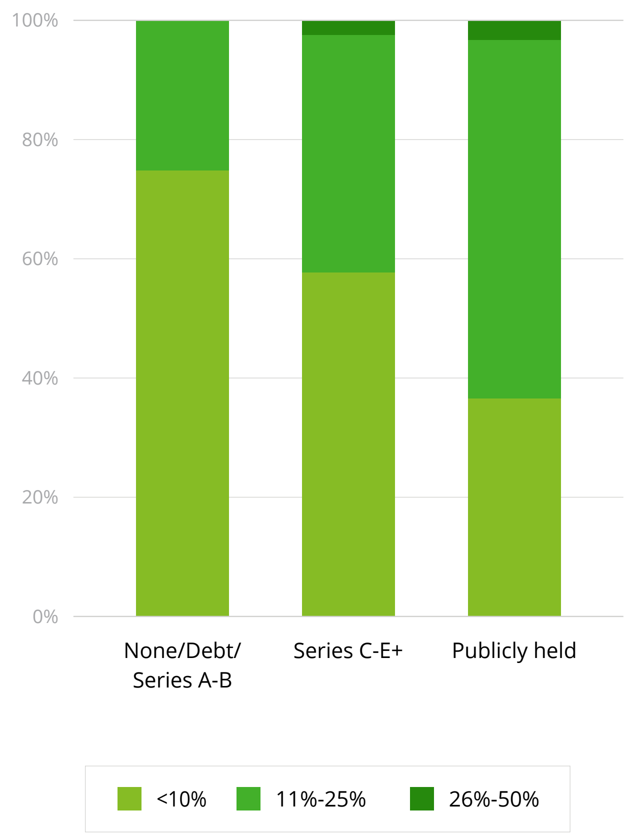
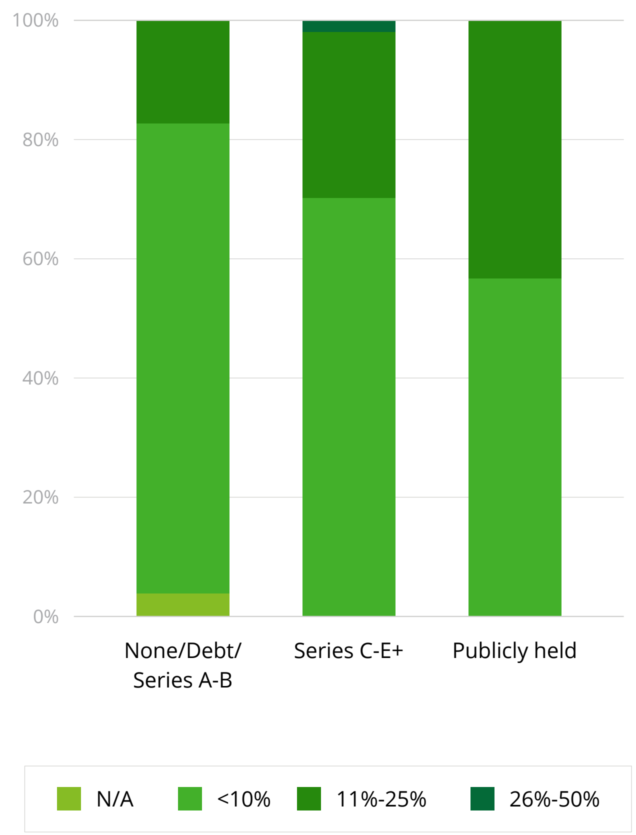


Figure 4: Companies that outsource the FP&A department based on last round of funding



Outsourcing strategies

Outsourcing has been used to help organizations manage costs. As organizations grow, the extent of work they outsource increases, often focusing on capabilities requiring less institutional knowledge. According to our Fintech Industry Benchmark Survey, public companies outsource at a much higher percentage than early-stage organizations. However, outsourcing can also be used to harness new technologies that continue to disrupt many industries.

Depending on the subjectivity of the outsourced work, it is important for companies to review and/or interpret the information provided by the service centers.

When deciding the optimal mix of outsourcing versus in-house, it's important to consider the following questions:

i) Is there a specific problem you're trying to solve?

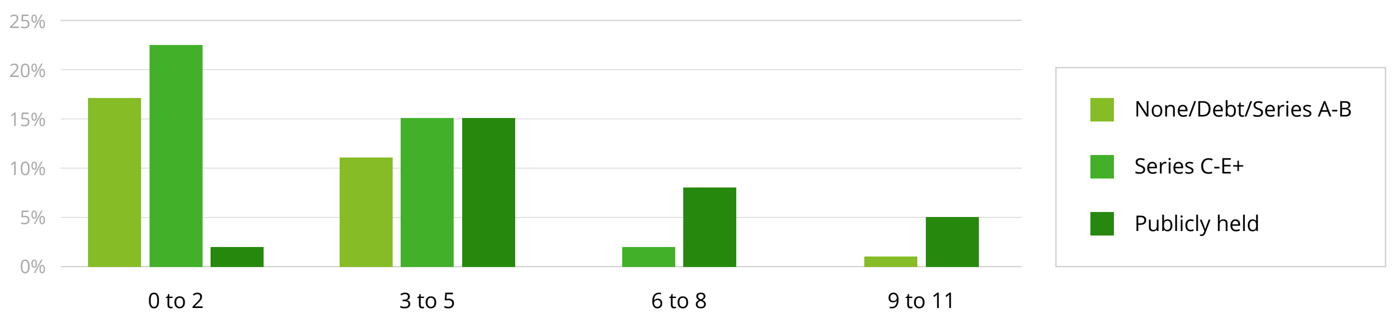
ii) Should you outsource 100% of these functions?

Outsourcing strategies

Another factor to consider is how many different third-party entities would be ideal to increase the organization's headcount. With increased outsourcing of functions and availability of third-party solutions, companies should invest time to ensure they are identifying the leading solutions that match their business and stage of growth needs. Regardless of their stage, figure 5 reveals that most companies use no more than five third-party firms, since costs may outweigh the benefits as more firms are introduced to augment headcount. Areas where headcount is commonly supplemented include accounting, IT, engineering, tax, and internal audit (IA). It's important to remember that engaging third-party firms carries an added level of risk related to the sharing of internal knowledge and data. Companies should first evaluate if they are willing to accept the risk before outsourcing.

This data is also in line with a few of our previous reports about automation goals. In the Deloitte CFO Signals™ Q4 2023 Survey[3], results revealed that 65% of CFOs surveyed "somewhat agree" or "strongly agree" that their organizations will deploy digital technology to automate certain jobs previously performed by humans, and 81% "somewhat agree" or "strongly agree" that their organizations will use automation to free people up for higher-value activities.

Figure 5:
How many different third-party firms do you engage to collectively augment your headcount?



KEY TAKEAWAY: *Organizations planning for growth should strategically use outsourcing and GenAI to address any talent shortages and areas where specialized skills are needed.*

04

Internal audit and audit readiness

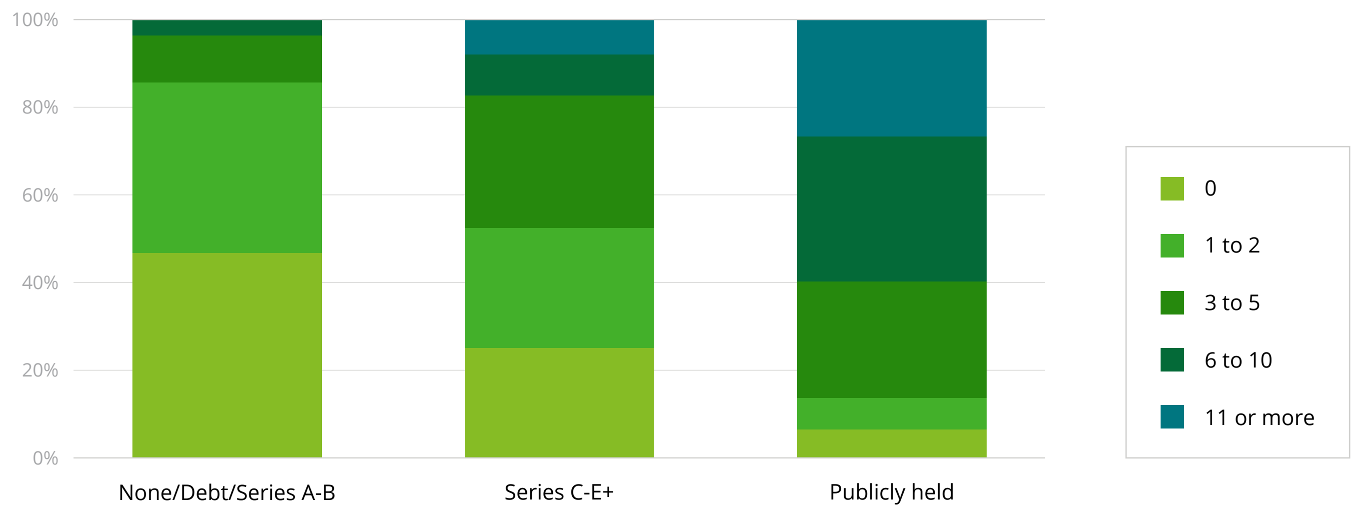
01
02
03
04
05
06
07
08
09

Internal audit and audit readiness

An IA function isn't typically required for early-stage companies unless they are regulated or preparing to go public. However, IA can significantly enhance governance, risk management, and operational efficiency. For example, IA can identify and anticipate potential risks that could affect the ability of an organization to reach its goals. An effective IA department can also review the systems and processes in place and provide recommendations to streamline processes and reduce waste.

Figure 6 shows that 46% of early-stage companies lack an IA function and 50% of early-stage companies that have an IA function feature five employees or fewer. Medium-stage companies show growth in this area, reflecting maturation and preparation for going public.

Figure 6: Headcount of internal audit department based on last round of funding



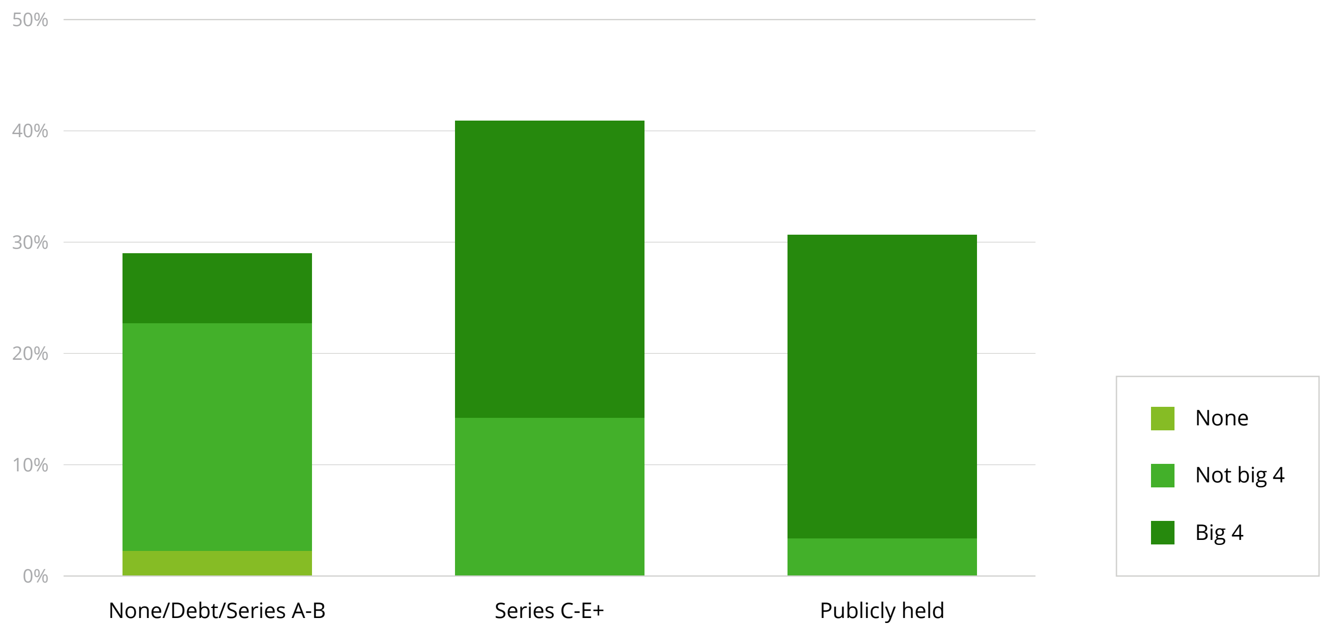
Audit readiness becomes crucial as organizations seek additional investment. This includes ensuring all documentation supporting the financial statements is organized and ready for review through procedures such as account reconciliation preparation, accounting policies documentation, controls documentation, etc. Through this exercise, organizations can also identify potential areas for improvement in internal controls and financial processes, which can lead to more accurate financial reporting as desired by all stakeholders.

Internal audit and audit readiness

Choosing an auditor is an important decision and, as demonstrated by our survey, is considered by many in the early stages. We have observed companies at an earlier stage seek an audit for various reasons, including requests from investors, regulators, and lenders. As shown in figure 7, 98% of respondents engaged with a public accounting firm, regardless of the organization's size. Furthermore, 21% of early-stage companies have hired a Big Four auditor. This number grows to 65% for middle-stage companies and 90% for public companies The change in auditor during the life cycle of a company is likely to address continued growth and complexity.

Performing audit readiness in advance of conducting the first audit helps assess preparedness for financial statement audits, which can lead to improved internal controls and financial reporting.

Figure 7: Who is your company's financial statement auditor?



KEY TAKEAWAY: *Adopting audit readiness can help a company prepare for the next growth stage they face. There's no such thing as being too prepared.*

05

Upgrading ERP systems

01
02
03
04
05
06
07
08
09

Upgrading ERP systems

Selecting an ERP system that is tailored to organizational needs is critical. Our survey indicated organizations use a range of ERP systems, such as the those supporting comprehensive needs to Sage Intacct, Microsoft Dynamics, and Quickbooks. Early-stage companies often use less costly ERP systems. As companies grow, increasing transaction volume, decentralization of departments, and complexity of accounting entries make the need for a more robust ERP system apparent.

Questions that you might ask yourself as you determine the leading ERP system for your organization include:

- How many transactions does your organization process a day?
- Are the types of transactions your organization processes simple or complex?
- How many subsidiaries and revenue streams does your organization have?
- How many geographies does your organization operate in?
- Do you have a desire to manage your HR using your ERP system?
- Do you want your ERP system to integrate with your other vendors?

KEY TAKEAWAY: *Choosing the right ERP system can depend on company size. Be ready to pivot into new systems when your organization's size dictates that need.*

06

Board of directors composition and meeting frequency

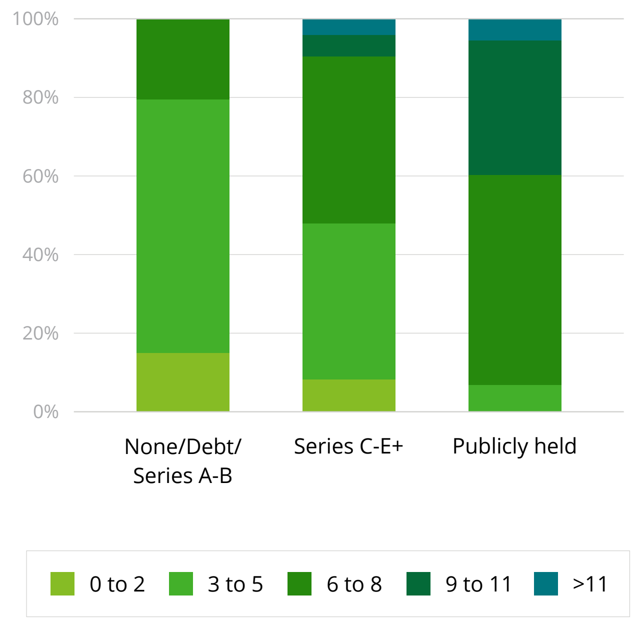
Board of directors composition and meeting frequency

Not only is the evolution of accounting and finance important to a maturing organization, but governance structure and processes will likely also evolve as an organization matures. Having a well-structured board of directors is important for good governance. Our survey (figure 8) showed that most Series C+ companies have a board composed of three to five directors, expanding with organizational growth.

Board member numbers will also change as companies add more external and independent board members (i.e., not management or investors). A large board provides the benefit of different backgrounds and a broad range of capabilities and opinions, thus allowing the organization to have better governance and access to a wider professional network. On the other hand, a large board can slow down the decision-making process and potentially waste organization resources.

As shown in figure 8, 87% of public company respondents have a board of directors composed of six to 11 members, which provides for enough directors to sit on committees without being too top-heavy. When companies grow and form committees to have more formalized oversight and structured decision-making, the board can grow contemporaneously.

Figure 8: How many directors sit on your company's board?



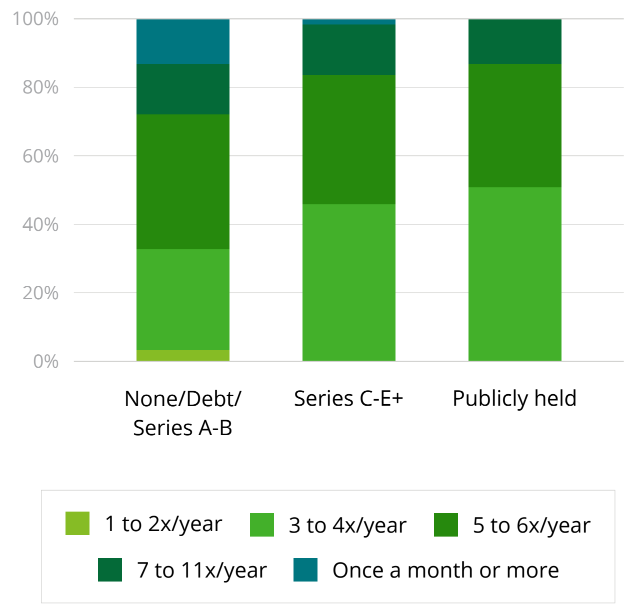
01
02
03
04
05
06
07
08
09

Board of directors composition and meeting frequency

The cadence of meetings will vary depending on the needs of the organization. As shown in figure 9, for Series A-B companies, boards were most likely to meet three to six times per year, which is consistent with publicly held companies. However, companies that were meeting as often as monthly and those that were meeting less frequently, such as annually, saw the meeting cadence merge, which is consistent with that of a public company as they continue to mature in their life cycle. There is time and cost that go into preparing for a board meeting, which should be considered when determining the frequency of board meetings and when evaluating if that time could be better spent on running the business. For organizations that are focused on growth, board meetings that are too frequent may cause an undue burden on management that could be avoided. The optimal frequency matches the needs of decision-makers and those charged with governance when faced with reasons to grow and advance the organization.

Similarly, the formation, size, and frequency of meetings for supporting committees will vary depending on the maturity and the needs of the organization, as well as regulatory requirements.

Figure 9: How frequently does your company's board meet?



KEY TAKEAWAY: *An appropriately scaled board is important for governance. Meeting frequency varies with company maturity, and it is important to establish a frequency that can balance good governance and operational needs.*

Conclusion

To prepare for future growth, you should periodically and timely evaluate your finance and accounting functions and address other essential related topics based on your organization's needs, utilizing this survey data as a guide for how the industry is behaving. We recommend implementing these strategies to modernize and innovate your organization.

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Endnotes

1 Deloitte 2023 Global Human Capital Trends

2 2023 Global Shared Services and Outsourcing Survey

3 CFO Signals™ 4Q23 Survey

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