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Five finance objectives every startup must prioritise in 2021

It’s typical for startups to create their finance processes on the fly. You likely have no CFO or Head of Finance, and building a customer base feels more important than having sound internal policies.

But whether or not you have a dedicated finance team, you still have financial responsibilities. And startups, scaleups, and seasoned enterprises all have similar concerns. It’s really just a matter of scale.

The new year is always a good time to reflect. So no matter the size or structure of your finance function, here are five clear objectives to achieve this year.

1. Create a clear cash management plan

Last year proved that we can’t always rely on the same predictable revenue streams. Circumstances change quickly, and startups need to be ready to manage cash reserves carefully – both for investors and overall company health.

Which is why a solid cash management plan is a good place to start. How will you monitor, analyse, and improve the way revenue flows in and out of the business?

As a few goalposts, you should ensure you can:

- Accurately state the company’s cash position in real time. If you can’t access a report in under an hour, that’s an issue.
- Track money coming in and out of the business as it happens. If you have to wait until end-of-month closing to see how much you’ve spent, that’s another issue.
- Manage budgets at the team level, again with reports ready to go.

You’ll also want a precise company expense policy, clearly communicated to the whole team. Because good cash management relies on everyone acting responsibly.

2. Go fully digital

This should be music to most founders’ ears. Startups spring up specifically to replace the slow, outdated processes from previous generations.

But many of these same companies still rely on paper receipts, invoices, and expense claims to get anything done. These can be completely digitised – legally – in 2021. There’s no bureaucratic reason for paper files anymore, and the downsides are many and obvious.

Chief benefits of going digital include:

- Fewer errors. Filling forms by hand and then manually entering data both lead to human errors.
- Serious time savings. Since you’ll want digital files anyway, removing paper from the equation cuts out purely wasted time.
- Less training required. Digital tools walk employees through processes. And you’ll have fewer questions to answer as a result.
- Increased access. You can find documents easily – from anywhere – and are always ready for audit.

Digitisation is also a prerequisite for companies that want more automation. Which leads us to point three.

3. Increase automation

Once documents and processes are digitised, the world is your oyster. You'll save time and reduce headaches, and you don't have to do any coding at all.

But while automation is a core practice in most modern startups, this doesn't always extend to the finance functions. Many still rely on poorly built Excel sheets, or have no clear workflows at all.

For example, here are three processes that can be automated, but often aren't:

> Payroll and leave balances. Simply put, there's no reason to send out physical payslips or have wall calendars for absent team members. Platforms like Payfit and Personio let employees check payslips and leave balances on their own.
>
> Expense claims. Employees occasionally pay for work expenses out of pocket. And rather than paper expense reports (or messy email chains), we now have mobile apps (like Spendesk) that let them file, receive approval, and get reimbursed by the company in one task.
>
> Account reconciliation. You have a legal responsibility to ensure that the payments you record did in fact happen. Today, accounting tools like Xero or Quickbooks will check for errors and duplicates in your general ledger, so you don't have to.

Automation is valuable for virtually any task that involves tracking numbers and moving data from one source to another. Which describes a lot of core finance jobs.

4. Reduce friction between roles

Finance is often seen as the *bad cop* of the office – handing down rules and saying "no" to requests. But with more remote teams and asynchronous work styles, you can't rely on being physically present to ensure the rules are followed.

> *Besides, this is a terrible waste of time, and can put finance team members at odds with their*

colleagues.

But you do still need to have ways to mitigate risk and keep the company legally compliant. Here are a few starting points:

- Create clear policies that team members can pick up and run with. You shouldn’t need a sit-down meeting for every new onboardee to teach them to file a claim or check their leave balance.

- Communicate clearly, without overdoing it. State plainly the aims of the finance team, and then make all critical information logical and easy to find.

- Put teammates in a position to succeed, and give them autonomy to do their best work. They shouldn’t have to check in for every little thing – they just need clear boundaries. In other words, try to remove roadblocks wherever possible.

When the rest of the company understands *why* you have financial rules in place, the better they can help you stay on track financially.

5. Keep the planning in check

One muscle that went into overdrive in 2020 was forecasting. It’s natural – with industries on edge, founders and investors always want to see more plans and projections.

But this has diminishing returns. And constantly updating targets and budgets has a negative impact on those around you. You *do* need financial forecasting – it’s just a question of how often, and how detailed.

Here’s how to approach forecasting in 2021:

- Focus on your core growth levers. A lot will change in the next 12 months, so what are the revenue streams and costs that will have the biggest impact?

- Set a steady rhythm. Companies definitely need to re-forecast more at present, but once a month is probably fine. New forecasts every week don’t really help.

- Stick to the most likely outcomes. It’s tempting to provide forecasts for every conceivable industry shift. But you're going to change them in a month anyway, so set out the most obvious and reliable outcomes for *your* business.

You can easily become obsessed with trying to predict the future for your startup. A little foresight is important, but you should be more focused on the present.

Conclusion

Coming off a rollercoaster 2020, most startups are just hoping for a more predictable 2021. And we may have to wait a little longer than we'd hoped for the dust to settle.

Still, there are positive actions you can take to improve finance processes right now. They'll help you grow quickly and remain agile today, and will be just as valuable when it comes time to scale and expand.

The five objectives above are as close as you'll get to no-brainers. Now it's time to get to work.

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