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Setting up a finance team for success – from a fintech founder

In early-stage startups, finance teams can be make or break. Done right, and they’re the beating heart of the business. But often they’re overlooked and under-resourced, making them a roadblock to explosive growth.

Getting strong financial infrastructure in place is critical from the start. Here’s a step-by-step guide, drawn from my experience as a fintech founder as well as hundreds of conversations with startup CFOs.

Early-stage

Take pressure off the founders

In the early days, financial tasks like administering payroll, tax and investor relations often fall to the founders. The tools they use act as a mini finance department. For example, accounting software *Xero* is a common solution.

Once things are off the ground, an early hire is often a head of operations or finance. Before thinking about growth or investment, that person’s first job is to inject process and take on administrative financial tasks that eat into a founder’s precious time.

This forms the first building block of a company’s finance function. Get it right, and you’ll set a positive tone for the CEO-CFO relationship and pave the way for growth.

Lay down foundations early

As their team expands, the CFO can delegate the administrative tasks and focus on building a finance operation that can handle rapid growth. This means adopting a range of tools that perform key processes and can scale with your business.

Some services that we’ve found particularly useful include *ChargeBee* to automate invoices and billing for subscriptions, *Metabase* for data analytics and visualisation, *Bamboo HR* for all things people, and our own platform, *Cledara*, to manage all our SaaS subscriptions in one place.

Nothing takes the place of thinking ahead. Everything you do at this stage will pay dividends as you grow and scale – when things get much harder to implement.

Mid stage

Insource to attract investment

As your company grows, you can focus on hiring, increasing sales, and expanding into new markets.

This requires investment, which comes with a whole new level of financial scrutiny. Investor reports demand in-depth qualitative and quantitative insights from across the business, including easy access to accurate revenue, expenses, and sales figures.

At this stage, finance teams should scale back on contractors and look for permanent hires to bring tasks like payroll and accounting in-house. Other new team members should focus on financial planning to provide additional oversight.

However, any tax-related issues are best handled by an external consultant at this stage given the complexity in topics and variations across jurisdictions.

Find a tool to manage equity

Offering equity to attract and retain top talent is a must for most early stage companies. Failure to manage stock options correctly can have huge consequences for both shareholders and the company, draining resources and creating internal bottlenecks.

To avoid this, we recommend platforms like *Capdesk* and *Carta* to manage cap tables, shareholder registers, and employee shares. Don't bet on a messy spreadsheet and hope for the best. Your time, equity, and staff are too valuable.

Sometimes, manual steps still have a place

Unfortunately an elegant tool doesn't exist for every single process. This means your finance team will have to get creative and use their skills to button things up.

Our head of finance, Elizabeth Bliss, uses several of her own Excel models to crunch numbers and answer the tough questions. For example, as well as subscriptions revenue, Cledara also processes interchange revenue for software charged to our *virtual debit cards*. Our accounting software doesn't have the ability to calculate this figure, so Elizabeth uses one of her own models to predict and reconcile revenue and then update our financials.

Scaleup

Allow the CEO to step back from finances

To scale effectively, financial decisions need to be made swiftly.

If bottlenecks form, they can create financial catastrophes: investment offers pulled, international expansions postponed, or a key hire lost to a competitor. Despite our best intentions, we founders are usually the bottleneck as scale happens.

At the scaleup stage, the CFO should sign off on important financial decisions, but it takes a lot for a CEO to relinquish that control. To get there, finance heads must dedicate time to fostering a healthy, transparent working relationship with leadership to build trust.

Don't just present the numbers. Go for a coffee, check in with each other, ask how the family is doing. Take the time to build a solid foundation of trust and mutual respect which is essential for when you're in the trenches, scaling the business. Your CEO needs you to step up and take key responsibilities off their shoulders…and they may need a little persuading and encouragement to get there.

Pick an accountant that can scale with you

At a certain point, certain financial aspects of the business will become complex enough to require specific expertise. Case in point: fundraising.

It's important to find an accountant who can do more than close the books each month. You'll want a firm that can support planning and pitching, act as a sounding board for funding strategies, and provide bulletproof technical knowledge.

Hack the system

There may come a point when you outgrow a particular tool, but upgrading to something more robust isn't in the cards just yet. For example, Xero is an incredibly powerful accounting platform for startups, but after a couple of thousand transactions, growing pains emerge.

The next step up is typically Netsuite, which can cost over £100,000 to install, and requires the whole finance team to learn a new way of working during a key growth period.

So you might need to find ways to optimise what you have. By crowdsourcing different tactics, Cledara's finance team has found ways to expand Xero's capacity to process more transactions with a little creativity on our side.

With the right approach, your financial infrastructure can be installed at the outset. For us – and, I'd argue, for any fast-growth, early-stage company – this is absolutely key. Trying to reactively amend processes and systems is doing things the wrong way around. Set yourself up as you mean to go on.

And of course, be sure to ask for help from other CFOs and finance leads. I've always found them a friendly bunch!

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