# How to Make It as a Startup CFO

Advice, insights, and strategies from finance leaders at fast-growing startups and scaleups.

CFO.connect
A community by Spendesk

# Introduction

**Dominique Farrar**
Head of Community
at CFO Connect

## The role of startup CFO isn't always easy to pin down.

Unlike the Financial Controller or Chief Accountant, CFOs come from a wide range of backgrounds, with different skillsets and strong suits.

But one thing is clear. The CFO is no longer there simply to guard cash flow and set the rules. While the position has finance at its heart, the most successful CFOs are value creators, helping build dynamic companies.

Today, the best CFOs are Swiss Army knives, in charge of everything from legal and HR teams, fundraising to expense policies. In many growing companies, they literally keep the lights on and the wi-fi flowing. They're multi-disciplined, quick to adapt, and know how the business is run.

As we'll see throughout this book, modern CEOs need a business partner more than anything. Someone who believes in driving growth and taking calculated risks.

The book presents the experiences of real CFOs from startups and scaleups. You'll find their advice on topics from hiring your team to choosing the right software, and making the greatest impact you can.

Most of all, it should inspire you, and help to reaffirm that this is the path you want to take.

**We hope you enjoy it.**

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CFO at Glovo

**David Wieseneck**
VP Finance at Letgo

# The Modern Startup CFO

We begin this book with a seemingly simple question: what makes a successful startup CFO? Not the technical skills and areas of expertise - those are easy to find online, and may also depend on the company. But rather, what do aspiring CFOs need to know before they enter this role?

In this chapter, we'll look at the changing nature of what was once a fairly "traditional" role, and we'll hear from experts about what makes some CFOs more successful than others.

## The experts

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## Evolving expectations

As a CEO himself, Rodolphe has to think carefully about what he expects from any CFO he hires. And even in a relatively short period of time, those expectations have changed.

“In the two companies I worked in before Spendesk, the finance team was really there to be the bad cop, to set up processes everywhere. Playtime is over - it’s time to get serious.

“But I’ve seen a change in this. Now they’re a real part of the business, working with marketing and sales and helping them to see the financial perspective of their plans and projects. Finance teams have analytical skills and knowledge that are valuable and need to be shared.”

Where the CFO was once the financial hawk, closely monitoring every cent in and out of the company, new descriptors are now more common. They’re seen as value creators and close business partners. And more than simply numbers experts, startups need strategists and even visionaries.

Whether the CFO joins the company on day one or several years in, startup CEOs and investors are looking for entrepreneurs - people who understand and care passionately about growth.

Sound fiscal principles are important, but the CFO is expected to impact more than just the books.

## Key traits in a startup CFO

It’s a given that you’ll have significant management experience and mastery of finance fundamentals.

So what are the soft skills and added extras that successful CFOs should be able to demonstrate? Our experts give us some of their biggest value adds.

### Charly: Be a strong communicator

“It’s one thing to understand the numbers. But if you can’t communicate these to employees, executives, and the board, you’re not very good at your job. The only reason I still have a job is that the board feels that I’m relaying information effectively.”

“That’s the biggest difference between a good finance person and a good CFO. It’s that ability to translate the numbers effectively for everyone, to be able to adapt your language depending on who you’re talking to.”

### Leslie: Stand out as a leader

“For any type of executive finance person, the people that stand out have incredible leadership instincts and it comes through when they talk about their own work and their team. They’re able to inspire and build the next generation of finance talent, and you can tell that they don’t feel like they have to do everything themselves.”

"They counterbalance their own weaknesses with the strengths of the people that they put around them."

## Oliver: Fit within the company culture

"As CFO, I feel personally responsible for promoting our non-corporate attitude. Finance teams are often seen as non-creative, or even as police within an organisation. That's not the spirit of the company and I'm passionately in favor of this."

"So I have to foster this within our team, hire people who're entrepreneurial rather than corporate, and support this culture. I intentionally avoid hierarchical processes, for example. And I don't stay hidden in my office - I move around, talk with other teams, and sit wherever feels right on the day."

"These little things keep the company open, transparent, and help us move quickly when challenges come up."

## Charly: Act as a true business partner

"Whatever the role of the finance team member - accounting, treasury, FP&A - they need to deeply understand the problems we're trying to solve in order to be the best business partners they can be."

"We're not just trying to follow process, close the books, and do a forecast. Is what we're doing serving the business and moving the business forward? Do we understand what our company is solving and how we can help?

"We only have a role if there's a business to serve."

## Leslie: Show ability as an outward-facing CFO

"Outward-facing CFOs are typically more strategic. They don't always come up through a traditional internal finance and accounting, CPA, MBA background. A lot of times they come from investment banking or somewhere where they're in a client facing influencing role, but they still have that analytical acumen."

"Inward-facing CFOs are more managing the financial statements, tax, audit, treasury, FP&A, risk. They're more focused on the internal workings of finance, with really accurate financial statements, forecasts, all of the internal mechanics to support that fiduciary responsibility of the company."

"I don't want to belittle inward-facing CFOs, but the ability to be the external face of the company alongside the CEO is very appealing to investors and founders."

## Oliver: Aim for maximum impact

"You'll probably be aware of the 80/20 principle: the last 20% of the job takes 80% of the time. So forget about the 20% for now. Do a rough job of this and make changes if you need to."

"If something isn't essential and is going to take a huge amount of time and effort to implement, get to it later. Scaling up is all about finding big growth drivers - for finance and for the rest of the company."

## Charly: Provide a second opinion for the CEO

“He trusts me to take care of a lot of financial aspects and business operations, and to take a day-to-day view so that he can look forward to the next year and beyond. He can challenge me and I can challenge him. We think very differently which is why it works.”

“So we end up making better decisions together. But it only works because I can stop him and say ‘I don’t understand why we’re doing this now. There’s too much risk. Is this a priority?’ He accepts it and is willing to discuss it with me.”

“And similarly he’ll tell me that I’m being way too conservative and focusing on the wrong things.”

## Oliver: Focus on opportunities more than risk

“At Audibene we don’t worry so much about risk - we focus on opportunities. Due to this approach, we’ve paid penalties and had higher expenses on a few occasions - most notably taxes.”

“But the value we created for our shareholders was significantly higher than these payments along the way. So we tried to stay compliant and would never truly risk the future of the business, but if we had to make these payments along the way they were always worth it.”

## Charly: A confident risk manager

“There are more opportunities for risk now that the business has grown, so I have to spend more time as CFO on information security, legal risks, and compliance than I’d personally like to.”

“The process works by defining key goals within the business units. We’re clear from the beginning of the year about how much money we’re willing to burn on each specific opportunity. In other words, how much risk we’re willing to take for a specific opportunity.”

“We do this up front, based on the information we have, as opposed to figuring it out gradually over time. And we have enough confidence in ourselves to be able to execute.”

# The path to becoming CFO

Many readers will be looking for a clear career path to startup CFO - a five-to ten-year plan, with obvious checkpoints along the way.

But one thing that our CFO Connect experts have made clear is that there’s no one route that suits everyone.

**“I’m not sure that there is a standard path at all,”** says Charly. “I knew pretty early on that I wanted to be a CFO. I started in Paris as a consultant, then became an investment banker, and then did M&A and investor relations for large companies. At this point I was strongly advised to look into becoming a CFO.”

## CPA or MBA?

Does it even particularly matter which qualification you hold, provided you hold something? If Leslie had to pick, "I would probably say an MBA. Last decade I would have said CPA, because of new laws at the time. Before that it was not only an MBA, but it was investment banking."

"But it's not really about any of that, it's actually about how people can impact the business. I don't ever really hear, 'well, we really want an MBA for this role.' Or 'we really want a CPA for fun.' I don't really hear that anymore."

Traditionally, finance leaders come from either a strategic or controlling background. They're often experienced accountants or financial planners, but usually not both.

But as we'll see, one of the first and most important tasks for any CFO is placing a team and tools around themselves. If you don't have an accounting background, a controller or chief accountant may be your first hire. If you're not experienced in planning and forecasts, you'll bring in the help you need.

For this reason, **leadership, communication, and entrepreneurial instincts are primordial.**

Perhaps this is why we do see plenty of consultants in CFO positions. They're used to handling a wide range of different challenges, and they're successful not because they know all the answers, but because they know how to find them.

# Experience vs enthusiasm

The stereotypical startup executive is young, dynamic, but perhaps with more energy than experience. And while in many companies this is true, the 2020 COVID pandemic and ensuing financial crisis may have emphasized how important experience can be.

"Right now, CFOs are under a lot of scrutiny in how they're handling this crisis," says Leslie, a recruiter for startup finance teams. "In the last 10 years, there has been this bias to get young, hungry, upwardly mobile talent who will grow into the role, and almost a slight bias against the grey-haired CFO. And I suspect that appetite might change a little bit."

"For a CFO to have been a sitting CFO in the financial crisis of 2008, that was a huge advantage. Even though this is different, it's still a crisis nevertheless and I think that's a big advantage."

The other key experience is in having scaled a company in the past. "Every leadership search we've working on in the last 10 years, the number one requirement is that someone will have lead their department through growth..."

# Building the Finance Function

As we've just seen, the first job for most startup CFOs is to construct their team around them. And once again, there's no right way to do this.

But there are key functions that virtually every company needs to fulfill. So here are some guidelines and tips from our experts to make this process the best it can be.

## The experts

**Sebastian Bourmer**
CFO at Statista

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# Key functions

The most obvious starting point when hiring a finance team is to look at the responsibilities you're expected to execute. Depending on the size, industry, and business model of your company, there will be some variance here. But for the most part, these are the functions you're going to need to fill.

## Accounting

"Accounting will almost certainly be the first part of the company you need to build," says Julian. "Businesses deal with large numbers of transactions. So you want to make sure that these are dealt with correctly."

This immediately raises one key question: to outsource, or not to outsource?

Generally speaking, our experts agree that outsourcing is a good starting point, especially when the company is small and transaction volumes are low.

Many CFOs will also arrive on day one to a huge pile of unbooked invoices and a messy general ledger. So as a matter of urgency, they'll bring in a contractor or ship the pile off to external advisors just to get back to a clean starting point.

But once you're regularly processing a good volume of transactions, you'll want to have that person in-house. "Outsourcing can be useful," says Mikail, "but it's also a challenge. External accountants can be slow, and don't have the same understanding of your business."

**"Keeping the accounting in-house early on gives you a good grip on your expenses and budgeting."**

"Having accounting within the company means you're always in complete control of your books," adds Florence. "You need to know exactly what accountants do with your data - how, why, and when."

"Plus, it's almost always cheaper to have accounting in-house. Consultants aren't cheap - especially if they're good - and you gain so much freedom and flexibility when that person is in your office."

"In our case," says Julian, "we added a local accountant full-time for each market once the relatively cheap external accountants struggled with the increasing complexity (multiple sites, multiple product lines, more detailed cost center split)."

## Controlling

"Next, we have controllers," says Julian. "They ensure that, once transactions are recorded, everything is complete and accurate. You need to have strict controls around how data is recorded, again in line with both global and/or local rules and regulations."

"And more holistically, your books need to reflect what's actually happening in the company. So this role includes reviewing data and making sure it's accurate, as well as aggregating numbers and identifying pain points, e.g. aged payables or receivables. If you operate in different countries, controllers need to produce consolidated numbers and reports, as this is what your stakeholders care about."

"Really, everything outside of the recording of transactions - everything to do with reporting and making sure that things make sense and the books are right, and tax and other official deadlines are met - are controllership tasks."

Financial controllers are often thought of as the company's chief bookkeeper. When you're booking large numbers of invoices and transactions - often in different countries and currencies - the controllers are there to ensure everything is as it should be.

For Sebastian at Statista, "the biggest challenge is that the company has grown so fast and become so large and international that we're currently revisiting everything. The processes we've had for years now need to be updated."

"We've hired a number of new team members, and we're currently redesigning the entire controlling function. We need to assess service levels, team setup, focus KPIs and goals of the department to evaluate if reports we've used for the last five years are still adequate for a company of our size."

## Financial planning & analysis (FP&A)

If accounting and controlling are one side of the finance coin, the other is FP&A. These teams provide the reports, forecasts, and strategic advice management needs to grow the company. They're less interested in the minutiae and regulations, and tend to look more towards the future.

Of course, different companies use FP&A in different ways. Here are a few specific examples from our experts.

### Oliver Ottens - Audibene

"We have a central FP&A function which is rather small - only three to four people. The main focus for us is on analytics: where do we lose business or are inefficient, where do we gain it, and how do we make our customers happy? On top, they update business plans for the future. Also preparing slides for the CEO and for me as well."

"What's most important here is that we can empower other teams like sales and marketing to own their analytics. Controlling and FP&A can contribute and provide excellent analysis, but ideally other business and functional teams will be partly in charge of their own scope as they are closer to their respective business."

### Julian Lange - Marley Spoon

"We have seven of these people at Marley Spoon analyzing things like food costs (two per region, one in HQ). So they work with menu planners to design a menu that has an efficient cost structure. They work with procurement to help them identify opportunities to spend money more wisely. That's what we call FP&A."

"Costs vary greatly, and we need to understand all this when making decisions. Maybe one site or one product isn't performing. If I want to understand that properly, I can't do it with one FP&A analyst. I need one for each country. Over time, that increased to two for each country."

**Niels Boon - Ada Health**

"Today we have two dedicated FP&A people who establish and analyze the overall budget as well as budgets with all of the department heads. Every department head or team leader meets with the Finance Director and a FP&A Manager. They get the chance to express the tools and talent they need to add, and our FP&A team consolidates this into the company's overall budget.

"Whether you need one, three, or fifteen of these people again depends on your company's stage and the value they can add. At the beginning, our main reporting was to the Board and our investors, which is still one of our core responsibilities today. As your business matures and you have more data to work with, you'll have scope to add more people to the team."

### Finance operations

Finance teams run into a problem familiar to most business units: new tools and technology make your work faster and more effective, but only if you know how to use them properly. And while your finance team may be full of experts in mathematical modelling and accounting minutiae, they're probably not software engineers.

If you have the resources, a dedicated finance ops team can be a lifesaver. As Sebastian Bourmer explains, "we just introduced Microsoft Dynamics as our new accounting software for all legal entities. We're still very early on with a lot of challenges left to overcome. We have to train the team in these new processes to ensure that everything runs smoothly."

And rather than relying on external consultants or hoping that his accountants will just figure it out, Sebastian's ops team implements the tools and creates processes in-house.

"Once the new software is up and running well, we'll start to dig for opportunities to use APIs from other systems, to replace tedious manual work, and to automate or semi-automate as much as possible."

## Principles for a robust finance function

Like any new leader, a CFO is going to be tempted to try to build the perfect finance function on day one. That's both counter-productive, and completely unrealistic.

Instead, here are a few operating principles to help you craft the company finance function.

### 1 - Get the basics right first

When establishing or expanding a finance team, it can be tempting to tackle everything all at once. But it's important to start with the fundamentals.

For Peter, this means ensuring sound accounting practices, dependable data, and solid numbers.

As Peter says: “As you grow, things become more complex. Worry about the fundamentals first, because things will become more complicated later.”

## 2 - Emphasize scalability

“What you need to ask yourself is whether most of the issues you’re facing are rooted in your processes or the tools you’re using,” says Sébastien. For him, a company’s scalability comes down to these two factors, and the resources available.

“It can be hard to adopt new processes when you’ve reached a certain rate of growth. By that point, you’ve had time to let bad habits become ingrained, and information is scattered.”

## 3 - Automate where possible

“One of the first things I did was not hire people, but invest in automation,” says David. “A tech stack that would work together so that I can be as efficient and effective as possible in my finance work. And that helped me have a really good tech stack with automation, allows me to close the books quickly, which means I can report to my co-founders, to my investors, really quickly on the financials.”

Florence Lampe built Campanda’s finance function from scratch. For her, choosing good automation tools was a huge advantage. “There were two keys to setting up this function: hiring people and choosing tools. And the first step to proper controlling was implementing LucaNet. This was a big decision, because it requires a huge amount of effort to get started.”

“But it was absolutely the right call, and I highly recommend this tool to other companies in a similar position. It saves so much time, and probably people power too. You connect it to your bookkeeping tool and then you can build all the reports you need. These are automatically updated thanks to that connection with DATEV. Monthly reporting is essentially done for you.”

“I later implemented automatic cash flow forecasting and cash flow controlling, with different rules for our specific use case. This was one of the major projects that I worked on, and was certainly a success.”

# Hiring Your Dream Finance Team

Leslie Boudreaux helps companies build finance teams for a living. Which gives her a fascinating perspective on what it means to create a finance department.

“Once you have your first employee, you actually do have a company, and then you have a responsibility to build the rest of the company to support that person.”

In this chapter, we’ll explore trends and best practices in hiring people who’ll support you as CFO, as well as the rest of the company. We’ve already looked at the different functions, so this chapter looks more at the personality traits and kinds of people who thrive in startup finance teams.

## The experts

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VP Finance at Letgo

## Hire slowly and deliberately

It's exciting to be able to bring in new people quickly. You have a long list of tasks, and the sooner they start, the sooner they'll be done.

But Niels' advice is: don't rush this. And certainly don't hire people before you need them. "I prefer not to hire people too much in front of the wave. Otherwise, they come in to find out there's not much to do. I prefer that people are 110% busy let's say, because then they need to make smart choices and are forced to prioritize."

"If you're 90% busy you do everything on your plate and then don't know what to do next. Whereas I love it when the team learns to be more and more efficient each month."

## Look for "the startup type"

"To be successful in a startup," says Leslie, "you have to wear a lot of hats. You've really got to understand the business and be able to think like a CEO or COO would. It's about having the ability to connect the business drivers with the finance perspective to support them."

No matter what startup position you're hiring for, the best prospects always bring an entrepreneurial mindset. They don't need to have founded companies, but they should ideally care about why this one was founded, and believe in the mission.

"The person has to understand the underlying business model, the risks and opportunities, and put their mind in that of the customer. The finance and the accounting in a young startup can be relatively simple - that's not where the sophistication is."

"It's more about how we actually approach the market. Do we have product market fit? This is not very hard to see when you're interviewing a candidate - it comes out in the way they talk about the business. Hopefully they immediately talk about something they had to overcome, or how a particular strategy didn't work but they were able to achieve higher margins when they worked this way."

For Oliver, the ideal team members have "an agile, non-corporate mindset. These kinds of people don't only think about what they need to do, but think across boundaries to try to support others. I learned this from my time in business consulting and had seen it work successfully in lots of industries."

## Avoid building around the team you have

Suppose you're not simply building your team from scratch, but are entering a small, existing finance team as CFO. This can be great, if the talent you have fulfils the right needs.

But in Leslie's experience, the most dysfunctional finance structures tend to be "built around the people they have" - rather than hiring talent to fit the structure. "They're good people. But at some point they have to make the tough choices to restructure their department in a way that is actually scalable and can meet the demands of the business."

"Eventually, they can't hire that person with the appropriate title because someone already has it. And they have groups of people reporting to them when they should report to someone else. Most importantly, they can't get what they need from the job market because that exact job doesn't exist."

"Inevitably, you're going to have to let them go, or restructure their job. And that's painful, but it's best for the organization long-term. I think that's also another sign of a really effective leader: if they'll put themselves in pain today for the betterment of both themselves and the company as they build their teams."

# Hire for a remote world

World events in 2020 saw whole companies go remote overnight. This included finance teams - many of which were using old fashioned systems that dealt poorly with the new normal.

Suddenly, CFOs had a new challenge (on top of a global financial crisis). Their finance teams had to be remote-friendly, and ready to execute from anywhere. Which only highlighted the need for the right kinds of finance team members.

### So what does a good remote finance employee look like?

Jimmy's looking for candidates who can work independently. "The qualities are really around somebody who can be self motivated, a self starter, can really get stuff done without too much oversight. But again, in the beginning you've got to establish the rules of engagement, set out exactly what the deliverables are, what the expectation is, so that they know where they stand."

And your interview process might change too. "We've added an additional layer into our process," says Dan, "which is to have them record a brief one minute interview with them answering a few questions. And you'd be surprised how many that actually screens out. Quite a lot of people just don't want to film a video of themselves."

In Jimmy's view, the remote interview structure can put some healthy pressure on interviewers, too. "Now, you really have to make an effort to demonstrate and convince somebody that this is a good place to work. Even that there's sufficient cash flow to enable somebody to pay them. So there are different aspects that you need to articulate and get that candidate comfortable."

"Finally," adds Dan, "it's always incredibly difficult in any hiring process to eliminate unconscious bias, avoid making a decision on someone based on how they look, their body language, their tone of their voice. And doing more through Zoom does reduce the exposure you have to some of these things. And perhaps that's not such a bad thing."

## Consider generalists over specialists

There are two basic schools of thought: you can hire a team full of niche skills where each member has a clearly defined domain. Or you can build an agile team, where members can pick up and do work from one another relatively easily.

"I'm a generalist, a jack of all trades," says David. "So I hired other generalists that could come in and learn lots of different things. Usually processes that I've perfected, I can hand off and feel really comfortable."

"For the most part the team is generalists with some expertise going one way or the other. And that allows us to help each other out, cover for people if they're out of the office or on vacation. And then kind of move people around so that everybody's working on something new and getting new experiences."

CFOs will have their own points of view on this particular topic. But since startups themselves usually aim to be agile, with loosely defined job titles and scopes, their finance teams may benefit from this dynamic too.

# Tools & Processes

Aside from people, your tool stack is the other important consideration when setting up the finance function. Putting the right tools in place saves time, energy, and likely money in the long run. But the wrong tools will cost you in all the same ways.

In this chapter, we look at a few principles for choosing good tools, take a deep dive into ERPs, and highlight many of the tools our experts prefer.

## The experts

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VP Finance at Letgo

# Enterprise resource planning systems (ERPs)

Without fail, the biggest software dilemmas for CFOs come from ERPs. Every CFO wants one, and most CFOs want a different one once they have one.

When they work well, finance teams love them. They quickly become that one source of absolute truth for company performance and financial data.

But for every success story, there's inevitably a time when everything went wrong. Which makes choosing your ERP a decision to make carefully.

## When to get an ERP

One of the most common questions we hear throughout our CFO Connect meetups and webinars is: when's the right time to get an ERP? Finance leaders know how powerful they can be, as well as how scary the process can become.

And the simple answer is: when you really need it. And never before.

ERPs go hand-in-hand with growth. For Raphaël, it's time to take the plunge "when it starts to get messy and account reconciliation becomes a headache!"

At Digimind, once the company had gone as far as it could using Excel, it was time to implement an ERP. "Even though it's great for starting out, Excel's major flaw is data reliability. There's no option to run the numbers in a tangible way. With yearly growth of 20-30% comes a rapid increase in the amount of data to be processed. There's a lot more at stake, which meant it was was no longer an option to continue without an ERP," Raphaël explained.

But ERPs are never a nice to have. They're hard to set up, difficult to integrate with other tools, and can require a dedicated financial ops person to keep them running smoothly.

## What to look for

Once you've decided to take the plunge, there are a few important criteria to look for:

- **An ERP system that works to your specifications.** You don't get the same features across all software tools," Sébastien says. So it's best to do an audit of any software already in place and to note down what features you'll need.

- **A two-way integration**, so you can both send and receive data to and from your other software.

- **A flexible and customisable system**. This lets you configure it yourself and make changes to predefined elements if needs be (e.g. adding modules).

"You need to be able to foresee the future," says Raphaël. "For example, whether you're going to set up subsidiaries. If you want to improve your long-term vision and work out what your future needs will be, it helps to check out more advanced companies."

The most important factor of course is how ERP fits with your existing software. The entire purpose is that this will be your homebase, so if it doesn't connect properly to your other tools, you won't achieve this aim.

### How long to get started?

Allow for two to five months including the time it takes to define specifications. Raphaël's advice is to set aside a specific amount of time (in the summer), once your ERP is in place, to test the two processes together (the old and the new) before migrating fully.

At NUMA they gave themselves a year to make the transition. In terms of setting a timeframe, the idea was to have Netsuite set up by September to be sure to have mastered it in time for the end-of-year rush.

## The tools our experts use

Some experts gave us particular insights into some of the tools they use or have tested. This list is by no means exhaustive, but gives an idea of the range of software finance leaders interact with often.

### ERPs

- **Financial Force:** An ERP that integrates natively with Salesforce. "The advantage is that there's no API to set up," says Sébastien. "Just a few additional accounting fields, but other than that you're looking at the same interface as with Salesforce."

- **NetSuite:** "We ended up opting for Netsuite," says Raphaël, "not just for the price and the interface, but also because it's a suitable option for internationalization. It can interface with Zoho and Lucca. Its operational consolidation is interesting but there's no legal consolidation and one of its weaknesses is deferred revenue management and accounts receivable management."

- **Unit4:** "Very powerful and has a smooth interface," says Raphaël.

- **Lucanet:** Statista uses Lucanet "for consolidation, reconciliation and reporting across the various legal entities and reporting currencies we have."

### Accounting

- **Microsoft Dynamics NAV (now Business Central):** Statista moved from DATEV because "we have far more options for automation and can manage accounting the way we want."

- **Xero:** Letgo uses Xero as its core general ledger. "We can't do everything, but it's pretty amazing. Invoices, bills and journal entries, which helps us. And since we're a global company, everything's in the cloud."

### Spending & accounts payable

- **Spendesk:** "I can't live without Spendesk," says Urszula at Huckletree.

- **ApprovalMax:** Letgo uses this tool to route all of its vendor bills and invoices so that the appropriate manager can approve it.

## Payroll & HR

- **Personio:** Statista uses Personio for all HR related activities. The Finance function also relies on Personio whenever payroll related questions arise.

- **BambooHR:** Similar to Personio, Letgo uses BambooHR to handle everything HR (as the name suggests).

- **Carta:** Letgo also uses Carta for its employee stock options and cap table management. "It also does our option expense reporting, which means that we can get our journal entries for our stock option plan really quickly and efficiently."

## Billing & payments

- **Stripe:** Stripe lets businesses receive payments online. "A good chunk of our payments come via credit card," says Huw at TravelPerk, "so this is crucial."

- **GoCardless:** TravelPerk also uses GoCardless to manage direct debit payments.

# Startup Fundraising

Perhaps the most exhilarating, extraordinary, yet exhausting time in a startup CFO's career is during fundraising season. Many pin their whole careers on it - the ability to take companies from seed to series A, or to raise the the serious scaling rounds to follow, is why certain CFOs are known worldwide.

Endless books and articles are published about the "best" ways to approach fundraising, and how best to deal with investors. In this chapter, we'll share some of our experts' own experiences and give a taste of what CFOs can expect when chasing financing.

## The experts

**Julius Bachmann**
Founder Coach
& Venture Investor at Volate

**Eduard Ros**
CFO at Glovo

**Chris Bourdeu**
CFO at Meero

**Charles Tenot**
CFO at Botify

**Javier Gorena**
Head of Finance
& Administration at Zinklar

**Aaron Townsend**
Financial Controller
at Habito

**Julie Oey**
Finance Director
at WeGift

## The CFO's role in fundraising

Fundraising is usually the most high-profile time for a startup CFO. It's when they shine. So what exactly is required of them?

"In earlier stages, **the CEO will be the one pitching,**" says Eduard. "Then, in the later stages, other members can help to pitch as well, and you can start segmenting your investors. If you have deep pockets in the room, you get the CEO involved. For the smaller investors, you can bring in other members of the team. It's very important to decide where you put the CEO's time."

In essence, fundraising is about telling a great story. So where does the CFO fall into that?

"Normally, the CEO gives the strategy speech, and **when you go into details about KPIs and targets, the CFO takes more of an active role,**" says Eduard. Once you go from term sheet to final deal, the CFO is running the show."

"The CFO has to ensure the numbers are really clear," says Javier. "If you're presenting plans for growth, you have to talk about how all of your teams are going to grow: marketing, sales, everything. The CFO's main role is to ensure everything is coherent, measured, and real."

### Tell the story with data

The classic distinction is that the CEO is the visionary, big picture thinker, while the CFO takes care of the details. And investors want to see that you can prove what the CEO claims with real numbers.

"At the beginning, you're selling a dream," says Eduard. "You need to get your investors on board with that dream. Later on, you can get into the details, and run through the finer points with the VCs."

"You're selling a story about what you want to do in the next two years, but you need to be cautious about what you say, and make sure your statements are backed up by data. They might even ask you for metrics you've never thought about before."

Of course, the more money you're asking for, the more compelling the numbers need to be. And if you're still at the beginning of the journey, you won't have much real evidence to provide.

"In the early stages, you just have to prove that the company is sustainable and scalable," says Javier. "You don't have to drill into a bunch of details on KPIs and graphics. You just have to be objective and trust in your numbers. This will give a picture of future growth."

### The numbers you'll need

To analyze and judge the growth potential of a startup, VCs need KPIs. Some KPIs are specific to business models such as SaaS or marketplace. And most funds will naturally try to categorize startups into these business models as a result.

As Charles explains, "Botify follows the classic SaaS model: our customers commit for a certain number of years, making recurring revenue pretty easy to monitor and predict. Plus, our market is very mature. So we fit perfectly into their categories and VCs were easily able to compare our data to other companies with a similar model."

If the business model is "classic," it's essential to work on those classic KPIs that funds expect to see. But for a new or uncommon business model, it will take extra effort to explain the subtlety.

Chris explains the special circumstances he faced. "In June 2018, Meero raised $45m in a series B fundraising. By the following November, many VCs were approaching us to invest in the company and accelerate our growth. But we had very little data - our largest customers had barely been with us for six months."

"At first, VCs tried to analyze us through KPIs they knew well: cost of customer acquisition, churn rate, average basket, and more. But we knew ourselves that this wasn't the best way to understand and judge Meero. We ended up producing a 90-page pitch deck to help them realize that we couldn't fit in their traditional categories - and in the end, these conversations were much more productive."

## Due diligence

Due diligence is a key step in raising funds. Investors will analyze the accounting and legal aspects of the business, in order to assess its commercial and management potential. And as the detail-oriented executive, this is firmly the responsibility of CFOs.

"The stress of due diligence is natural," says Charles. "As CFO, you don't want to be the first in the history of fundraising to fail due diligence due to a currency error, for instance. But if you can bring your level of attention up to the challenge, you're doing well!"

And most importantly, this is what lawyers are for! Your role is to coordinate and consult with them, and to make sure you understand what you're getting into.

## Ongoing investor relations

Both during and following fundraising, keeping communication channels open can be incredibly valuable. Particularly during times of crisis or uncertainty, being able to talk openly with investors and get their insights helps immensely.

This became especially relevant during the COVID-19 crisis. "VCs have partners of their own that they have to answer to," says Aaron. "And a lot of those partners are getting hammered by the stock market at the moment. If you're over-communicating and talking to the board often, it puts them in a stronger position with their own suppliers."

"We've been sharing notes and having conversations with our board chairman and our lead investor," says Julie. "They've given us updates on the market as they see it, and sharing details from their own forecasts. We've also been talking to new VCs over the past few months. They've been able to give us advice and tell us what they've been seeing in the market, linking us with connections in their portfolio, and other nice things like that. So it's important to keep the relationship going."

## When is the right time to raise?

Our experts have always been consistent that it's not a matter of why raise funds - that's usually obvious - but rather, when to raise. How do you know when the time is right?

In short, the best signs usually come from the business itself, or from the market. For Meero, the urgency was real and it was time to strike.

"Even if photography has been around for a long time, the large-scale market is still very new," says Chris. "We were in a situation where we must not only create a market but also impose ourselves as its leader before competitors appeared with their own technological solutions."

"When we started meeting VCs, we knew immediately that we'd made the right choice. They had the ambition to propel us internationally and pushed us to raise the maximum as fast as possible."

For Charles, the best catalyst is when a company shows that it's ready to grow. "From my experience, when a company seeks to raise money, it's to finance growth and create value - on a large scale - in order to generate ROI for the investors. In our case, the industry wasn't going to let us come in and conquer. The SEO market is very mature.

"As a niche player with great traction, we decided to focus on our consolidation as well as our profitability. So we needed to think about the right amount to raise to reach these objectives."

Look for your company's ability to grow. Is the only thing missing funding? If so, it's time to go and get it. But the timing and context of the market are also crucial considerations.

## Beyond equity: financing options beyond venture capital

In a fiscal sense, equity is the most expensive form of financing. Even though you don't pay interest up front - unlike a loan - you're giving away ownership in part of your company. Which means that the more valuable the company becomes, the more expensive the financing. So while it might get you on TechCrunch, there cheaper options to consider - especially if the amount you're seeking isn't astronomical. Of course, in many cases you will already have secured venture capital in some form. The following options can be used to increase working capital, and avoid diluting your ownership further in the short term.

### Venture debt

Unlike venture capital, **venture debt is still just a loan**. If everything goes smoothly, you use this loan to spur growth over a relatively short period (12-48 months), and make regular payments along the way.

But venture debt lenders take stock warrants - the right to a stake in ownership should you default on your loan.

## Asset-based financing

Asset-based financing is for companies with valuable assets that can be used as collateral against a loan. This functions much like a mortgage: if you fail to make repayments, the bank can take the assets.

## Revenue-based financing

Revenue-based financing is tied directly to marketing or advertising spend, where the company can show a positive return on investment. So if you can show that every euro you invest in advertising brings back two in return, you'll be able to borrow against this return.

## Receivables financing or "factoring"

Factoring uses a similar principle to the asset-based approach above. In this case, the "assets" in question are the outstanding invoices held by a company. If you're a supplier of goods or services and you need short term cash, you can essentially sell your accounts receivable to a third party. You'll have to sell them at a discount to do so, but you'll have access to immediate funds.

## Supply chain financing

Also known as "reverse factoring." Here, you're given more time to pay your suppliers thanks to a loan (usually from a bank). So you'll have more working capital to pay urgent bills or invest in timely campaigns.

## Traditional bank loans

It's may not feel like it in the startup world, but the majority of small businesses still rely on bank loans to get off the ground, rather than huge equity rounds.

# The CFO's Role During a Crisis

We've gone over most of the absolute core subjects that matter to new and aspiring CFOs. But in living through a fresh financial crisis, many CFOs found themselves under increased pressure and needing to step up.

In this final chapter, we'll touch on one key subject that has been particularly of interest in 2020, and likely isn't going away any time soon.

## The experts

**Fabien Dawidowizc**
CFO at Spendesk

**Jana Scharfschwerdt**
CFO-on-demand

**Nicolas Debock**
Managing Director
at Idinvest Partner

**Dominique Vidal**
Business angel (formerly
Partner at Index Ventures)

The COVID-19 crisis in 2020 brought the business world to a halt. Companies everywhere not only went remote overnight, but many were forced to become shells of their former selves.

As a result, CFOs were forced to make hard choices and enact emergency action plans. And those who hadn't been there before likely felt out of their depth.

So how should CFOs respond if this crisis continues, worsens, or if we find ourselves in a similar situation in the future?

## Build an executive action plan

It's not all business as usual in a crisis. Companies need to prepare themselves as early as possible for what's to come, even if that may not be clear right away.

As with all good work, says Fabien, you begin with a plan. "Get your leaders together and share ideas about how to adapt and keep up the pace. We looked at the nitty gritty - would we be able to reach our targets under these new conditions? Would our cash burn rate change, or could we keep this at a reasonable level?"

So what did this exercise reveal? "The biggest, overarching issue was trying to understand the consequences for our revenue. How do we close deals during a lockdown period? What is our cost of acquisition for new clients?"

As Fabien noted, not all of this falls on the CFO's shoulders. But you're one of the key executives in the company - often seen as the most analytical figure. So it's important to be right there at the front during tough times.

## Analyze cash and costs

"Cash is key - everybody knows it," says Fabien. In terms of strictly financial steps to take in a crisis, the most pressing is to figure out your cash flow situation.

"You need to keep a clear balance between revenue and expenses. And then find smart ways to lengthen your runway as much as possible. Obviously, it's probably not the time to think about raising money, because everybody's fighting for their own business. So that runway is more important than ever."

"Depending on your level of cash flow, reforecasts in this period might need to happen at different rhythms. In some cases, it could be day-to-day. For instance, if one or two clients can't pay and that would severely impact your cash. At the very least, this would be a time to talk to your own suppliers to see if you can change your frequency of expense payments."

"If your cash reserves aren't too bad - if you have the famous 18-month runway - twice a month is probably a good rhythm for forecasts."

But the most important takeaway is that you need to have this data available in order to make the right decisions. "My challenge is in finding the right data and key details that will help me understand our situation better."

It's important to be extra-vigilant here, says Jana. "Push hard on your receivables. Then check the ageing list of your receivables every week, and do a little work on invoice and cash collection. Make cash the number one priority."

## Forecast and reforecast often

During a crisis, says Nicolas, "CFOs and VCs spend a lot of their time in emergency board meetings, trying to figure out what's happening. Most companies will miss their budget target. They have to reforecast drastically because of the risk of recession."

So what can you do? According to Dominique, keep your forecasts short, and be ready to update constantly. "Don't try to build too many scenarios at the end of the day, because it doesn't help. You're going to spend a lot of time and energy building scenarios, and in a couple of weeks time you'll have to revisit."

"Try to define the key metrics or what makes sense to help you understand how your business is impacted and how things are evolving. So usually three, four KPIs that you have to follow, and look at the evolution of these KPIs. Try to go to what is really essential and what matters in your business. And try to adjust based on that."

"The difficulty obviously, is even these KPIs may evolve very quickly in the coming weeks because these KPIs are subject to other businesses that are going to be affected. So it's like a chain reaction."

## Open a dialogue with key suppliers

When times are tough, is it a good idea to start delaying payments or find loopholes in your contracts?

"I don't think delaying supplier payments is a good solution," says Fabien. "If you have a good relationship with suppliers, there is probably already some wiggle-room in the timeframe for payments - 30 days is usually not a major issue. But delaying payments hurts everyone. We're all in the same chain here. If we delay payments to our suppliers, and our clients delay payments to us, it's going to hurt all of us eventually."

So what proactive steps can CFOs take if they feel that cashflow is going to be a problem? "What I recommend is to talk to your most important suppliers and find out what they can do in the circumstances. I did this with our landlord, just to see what their expectations were. This lets us explain our own situation to them, and come to an arrangement if we need to."

## Build even stronger relationship with clients

One obvious result of a global financial crisis is that some clients will struggle to pay. Which of course hurts your cash flow. And even if you're an agile, modern business, not all of your clients will be.

"It's our role to help them during this time," says Fabien. "Do what you can for these clients, and open their eyes to the possibilities that come with more modern tech."

And of course as clients struggle, that significantly increases the risk of churn. "It's vital for smart companies to prove their value to clients during times of crisis. But it's a balance. Every customer's inbox will be overflowing, and it's easy to go from helping to hurting."

## Lead by example

The most crucial quality a CFO can provide during a crisis is leadership. You're one of the "grown-ups" in the room, and other employees look to you for reassurance.

"A lot of startups are dealing with young people," says Dominique. "And when you have never faced a big crisis, it's quite difficult to understand what it means. So probably some people with more experience need to share this experience with the younger ones.

Because even when you have a great culture, we're facing something very, very new and hard to comprehend."

**"You need to show direction, a sense that this work is meaningful for the future."**