THE WAY FORWARD

How SAAS Companies Harness IT To Manage Their Own Growth

A conversation with

Richard Sawney, Consulting Chief Financial Officer
Beaufort Consulting Solutions

Extract from a report commissioned by:

iplicit

Powerful Accounting Software

Introduction

Leading Edge - Bleeding Edge - Unicorn

- whatever the description of a fast-track growth company, its focus tends to be four-square on the envelope bursting, disruptive 'product'.

But what are the particular management issues which have to be addressed with rapid expansion in order for a business to realise potential and meet expectations?

Is there a risk, for example, that for a technology company, its own IT infrastructure can become the equivalent of cobbler's shoes?

Especially when, as one CEO put it, managing the growth trajectory is like constantly pressing on the fast-forward button on the television remote and trying to make sense of what you're watching on the screen.

In a report commissioned by iplicit, the cloud accounting software company, to be prepared and published by DECISION magazine later this year, the chief executives and chief financial officers of SAAS companies will be revealing what they consider to be the key metrics and why, how best to address the challenges that such rapid growth can present, both in terms of operational execution and controlling costs, and whether IT can facilitate stability. What is a necessity to maintain momentum?

This is one of the interviews to be included.

Crucial to navigate three key stages

"On the one hand, the most important attribute of a technology company with fast-track growth prospects is its founder. On the other, says consultant chief financial officer Richard Sawney, "we could have also identified its biggest impediment.

"Obviously cash, being able to generate sales, and the development of the technology are challenges, but the biggest can be the founder themselves," he suggests. "Often it's the mindset of the owner, whether they realise to what degree they have the ability to take the business through what are three key stages, which is crucial.

"The first is getting to a £1million turnover, with the owner-manager probably still dealing with sales, customer success and driving the technology, with the momentum coming from a start-up mentality. The second stage is taking turnover up to say £3million. That requires having structures in place to manage the actual growth, which means the owner-manager needs to start giving people responsibility for a number of tasks. Letting go - that can be a struggle.

Richard Sawney

“One thing I’ve always said is that the founder of a business should always employ someone who is better for a role than they are, because then at least they know the job will get done.

“The value the founder brings is often technology led, so they need to partner with or bring on board sales and marketing ability to translate the purpose and benefits into the language of the customer.

"Then for the next step, from £3million, the company really needs an executive board which will formally make decisions, and that is another step change for an owner-manager who can feel they are handing over complete control of key elements of the business and its direction.

"Typically those funding rounds can be 'seed' at £1million, VC at £3million, and private equity at £10million.

"The step changes matter because as the company grows the areas which will be weak are those where the owner-manager doesn't have a particular interest in those particular tasks - and if that isn't addressed, it just increases vulnerability as the company grows at a pace.

"Another issue at this stage can be that people who have been with the business the longest get promoted for that very reason, or someone is appointed from outside but finds that members of the team still report directly to the founder informally, which can cause conflict."

"What makes a difference to the timing of the introduction of processes, of a more professional approach to the operation of the business and its ability to cope with growth is the arrival of venture capital," says Sawney.

"Because for their own governance, they will require a company they are investing in to have proper board meetings and reporting.

"So the drive to have processes in place as a priority tends to come from outside sources.

"It's a question of being operationally ahead of the growth curve. Suddenly a company finds itself raising 4000 invoices a month instead of 100, with the additional demands on credit control. At this point, managing cash flow is as important as the technology the company has developed, and to maintain growth the company needs IT which will provide real-time information at its fingertips. That information will be granular, such as reports on routes to market, defining how well and where the marketing spend is delivering, and what needs to be adjusted.

"When a business is fast growing it needs to have accurate data about where its sales leads are coming from. It needs to be able to visualise its cost per enquiry, the cost per customer gain. If the target is thirty sales of a particular value, it needs to know how many leads are required to achieve that.

"And it also needs information to prevent churn. I quite like applying a traffic lights system to a customer list because by being able to identify which are in amber or even red, you have the potential to save them. Without that ability, the likelihood is a higher rate of churn and that's a disaster for a SAAS business which doesn't readily know the reasons why.

"For an SAAS business to maintain fast-track growth, a key consideration is the ease with which it can on-board the customer, automating the process in a way so that going live happens as quickly as possible. The longer it takes, the less happy the customer is going to be because it's eating into their time and resource.

"This all needs to be addressed, otherwise in effect you could argue that a fast-growth company should be building firefighting into its business plan."

According to Sawney, "a potential problem with continual product-led growth is that when a company starts introducing numerous add-ons there can be a lack of clarity as to what the lead in actually is, which will confuse the message to the potential customer. Fast-track growth comes from a focused sale quickly executed."

"And there comes a point," he says, "when a fast-track growth technology business needs to somehow take a step back and re-evaluate what it is delivering. That requires having granular data which can be presented in a way which gives people a clear understanding of the figures and what's behind them, not just in headline terms of sales and costs."

Richard Sawney is a consultant chief financial officer to technology companies who helped Info-Assure from loss-making to a sale process to BSI in under two years, and who bought and sold ConsultCRM in under fourteen months. He was previously CFO at Feefo, one of the world's fastest growing internet based review companies.

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About iplicit

Providing a cloud-based finance and management software solution that allows fast-track growth technology companies to focus on what really matters. Tailored for those frustrated by on-premise legacy software, iplicit provides greater flexibility and enhanced levels of reporting, integrating with other cloud applications for a seamless migration path from a user's existing system, enabling organisations to 'step up' to next generation finance software without losing the functionality they currently enjoy. iplicit received the Accounting Excellence award for mid-market and enterprise software of the year in 2020, and the top product for enterprise accounting/ERP in the Accounting Web software awards, 2021.

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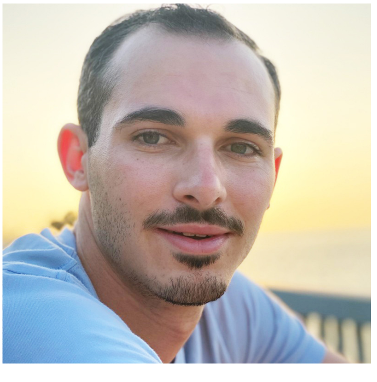

The interview with Richard Sawney was undertaken with Tim Coles, specialist at iplicit in working with technology companies.

About DECISION magazine

First published in 1988, DECISION magazine reflects the business lifestyle, the trials and tribulations, the hopes and aspirations of directors and managing partners responsible for businesses with a turnover of £5million and above.

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