

INSIGHTS FROM THE BDO FINTECH PRACTICE

5 Key Considerations for Growth-Stage Fintechs

By Anthony Ferguson, Assurance Partner, National Fintech Practice Leader and Bharath Ramachandran, Assurance Partner, Financial Services Assurance Leader



Many fintech companies consider various strategies for accessing start-up capital in a competitive industry environment, with options including bootstrapping, venture capital, series funding and more. Initial challenges may revolve around breaking through the noise to communicate a clear, concise business model or securing partners with impactful name recognition.

Growth can come in fits and starts, which brings a whole new set of hurdles. For growing fintechs who are moving their product or service from concept to marketplace and approaching the scale commercialization ramp, meaningful revenue growth is within reach. However, these exciting changes often bring new growing pains. The solution is foresight; having a plan for how to allocate resources and execute growth strategy can help to leap over these hurdles as quickly as they come.

Below we highlight five key areas for fintechs capitalizing on new growth opportunities.

1. FINANCE AND ACCOUNTING FUNCTION



For companies with new funding coming in, the next question is: what to do with those funds? It's crucial for fintechs at this stage to review the finance team currently in place and consider optimizations that help manage decisions about planning and resource allocation for the expanding organization. For example, would it be more efficient to hire an experienced CFO or a strong controller when looking to grow? Or should finance function responsibilities be delegated among a larger team of accountants? There may also be opportunities to outsource some basic accounting functions. The solution is often tied to multiple complex factors, but taking a strategic approach to finance and accounting decisions is a crucial part of laying the groundwork for long-term success. Internal controls for financial reporting are also necessary to help fintechs address the increased transparency needs that come with growth.

2. TAX FUNCTION



As tax requirements and liabilities grow alongside revenue, it's critical to fully understand the direct and indirect tax impacts of each business decision. Tax professionals should work in close collaboration with finance, human resources and other departments to carefully review legal requirements, as well as potential efficiencies. A well-developed tax strategy can help the company ensure compliance, avoid unnecessary costs and take full advantage of available tax credits. Digital tools can streamline processes and collate real-time information across different business functions to inform strategic decision-making.

3. HUMAN RESOURCES AND ADMINISTRATION



As the workforce expands in line with growth, a calculated approach to human resources and administrative considerations can help fintechs understand the long-term implications. For example, issues related to non-cash compensation such as stock-based compensation, and cash based compensation such as, benefits, retirement contribution matching and paid time off must be navigated carefully. While these perks are necessary for recruiting the right talent, the costs associated with benefits will grow exponentially over time, and the structure of stock-based compensation requires alignment with corporate goals. Similarly, decisions about real estate and facilities management, including leases, utilities and other recurring costs, involve many complex factors during the growth stage. Thus, it is critical for fintechs to grasp both the medium- and long-term impacts of all administrative decisions as part of planning for sustainable growth.

4. DIGITAL MATURITY



During rapid growth, many fintechs hit speedbumps related to IT system optimization and scaling. Information systems need to handle more employees, more customers and more data as growth proceeds. Targeted investments in software can help businesses stay agile while remaining resilient, but it's important to understand total cost of ownership and expected ROI. Fintechs should ensure they have a strong digital foundation to build on, and they should scale technology capabilities proportionally without overestimating their needs.

However, as the tech stack expands, it's vital to prioritize cybersecurity along with IT investments to protect the business from threats. Cyberattacks have grown in number and sophistication, so robust security measures — including recurring risk assessments, incident response planning, continuous threat monitoring and routine training for staff — along with strong data governance are necessary to mitigate risk and support growth.

Your digital expenditures — such as software investments, enterprise business applications and more — should correspond to the business' growth trajectory and unique needs. Connect with a [BDO Digital expert](#) to learn more.

Growing organizations — particularly those in highly regulated industries like financial services — also need to mitigate increased cyber risks for internal IT systems, employees, vendors and clients. Business processes should scale efficiently with growth to ensure that accessibility and functionality are balanced along with robust data protection and cybersecurity measures.

5. BOARD GOVERNANCE AND LEADERSHIP



During rapid growth, it's especially important to have strong governance in place that is aligned with management around key business objectives. Sound leadership can make all the difference in navigating the challenges for growth-stage fintechs. Decisions around who sits on the board should be made with both present and future needs in mind. High-growth companies change rapidly, so it's even more important that teams have the right people in the right roles during these stages. Then leaders can focus on developing and implementing strategy for the business' next steps.

PREPARING FOR WHAT'S AHEAD

In these key areas of consideration, thorough planning and execution require diving deeply into the specific issues facing your company. By examining your unique needs in terms of finance, tax, workforce, technology and governance, you can set the organization on a firm footing for the path to growth.

[BDO's dedicated fintech practice](#) has experienced industry professionals who can help you understand what you actually need in terms of technology, processes and people. Then you can harness the resources needed to further your business and sustain growth with a focus on what comes next. Reach out today to learn more.



CONTACT:



ANTHONY FERGUSON

Assurance Partner, National Fintech Practice Leader
310-557-8258 / aferguson@bdo.com



BHARATH RAMACHANDRAN

Assurance Partner, Financial Services Assurance Leader – Boston
617-239-4161 / bramachadran@bdo.com

ABOUT BDO

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 70 offices and over 750 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of more than 91,000 people working out of more than 1,650 offices across 167 countries and territories.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information please visit: www.bdo.com.

Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2021 BDO USA, LLP. All rights reserved.