

Think Ahead

ACCA

Ready for Growth?
A checklist for CFOs
of high-potential
businesses

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This report examines the finance function of high-growth businesses and how this has evolved, providing practical guidance to high-potential businesses on how to harness the full potential of the finance function.

Background to the report

This report examines the finance function of high-growth businesses and how this has evolved alongside the growth of such businesses. The report also provides practical guidance to high-potential businesses forecasting or entering high-growth stages on how to harness the full potential of the finance function, seeing this not only as a support and processing function but as a potential key business partner, informing strategic and operational aspects.

The research for this report was drawn from ACCA's longstanding expertise in the remit of the finance function in high-potential businesses, as well as from eight in-depth case studies of businesses that have experienced periods of high growth. The key aspects that were explored were:

- characteristics of the finance function in high-growth businesses
- events in the lifetime of the business that prompted the founder/directors to build in additional financial capability
- the symbiosis between a company's high growth and its finance function
- how business planning works in a high-growth environment and the role of the finance team in this
- the particular skill sets and support required for senior management and the finance function in responding to and managing growth, and
- the challenges presented by both obstacles to growth and 'growing pains'.

The chapters that follow examine each of these in turn, providing guidance and recommendations to high-potential businesses as to how best to tailor and adapt their finance function to help their company grow, and manage high growth when it occurs.

METHODOLOGY

The eight case studies were constructed following in-depth telephone interviews with the CFOs and financial controllers of eight businesses worldwide that had experienced periods of high growth. These were drawn partly from ACCA's Global Economic Conditions Survey (GECS), filtered by the question asking businesses whether they had experienced high growth. For the purposes of this research, 'high growth' was defined as over 70% growth during a period of three consecutive years (a derivative of the OECD definition of high-growth firms). Participants were also sourced via ACCA's network of national offices.

Although this report has integrated the learning emerging from all the high-growth businesses studied, some of these could not be showcased owing to commercial sensitivity, and so have been anonymised. The remainder are presented as case studies throughout this guide.

PARTICIPATING HIGH-GROWTH BUSINESSES

The eight participating businesses manufacture products and provide a broad range of services in international as well as domestic markets, being based in Taiwan, China, Vietnam, the US, Trinidad and Tobago, and China. The sectors in which they operate include communications and technology, real estate, education, logistics and supply chain services, construction, and green environmental technology. Their business models are largely service based, although some also had significant manufacturing activities, and most had diversified income streams related to the original sector in which they had been founded. Examples of the products and services they offer include: internet and application services, recruiting students in local markets for overseas educational institutions, construction projects such as hotels and car parks, development of real estate, designing sensor technology, building wind turbines, and providing procurement services in retail, health care and agriculture supply chains.

Several of these high-growth businesses are Asia-based subsidiaries of larger holding companies, located mainly in Europe, while one had been created following the merging of several companies. The majority operate across international markets, especially Asia, the US and Europe, with a few having numerous offices located across continents, although most work from one office and are driven by smaller projects. Most were founded between 40 and 20 years ago (the 1970s through to the 1990s), with a minority being founded in the 2000s. Their employee numbers ranged from 40 to 1000, and turnovers ranging from \$5million to \$2bn. Most were founded by family members setting up the business together, and continue to be family owned (including those owned by holding companies), with a minority having opened up to external shareholders.

In most cases their finance functions had evolved significantly alongside the growth, diversification and internal changes/restructuring of the business, and their role and strategic importance had changed since the early stages of the business.

This guide was written with a two-fold function:

- to examine real-life examples of how the finance function in high-growth businesses has evolved, using eight case studies, and taking key learning from them
- to translate that learning into useful points of consideration and guidance that high-potential businesses, both SMEs and larger companies, can implement in harnessing the full potential of their own finance function.

The term 'finance function' in ACCA's usage refers to the broader application of this function within a business, shifting from purely being a book keeping and processing service to a role more akin to that of a business adviser and, indeed, a key partner to the business as a whole. The case study companies' conceptual understandings of the finance function were found to vary with the different stages of their life cycles. In most cases, the finance function initially fulfilled its traditional accounting role and its basic processes, but over time it evolved to play a more strategic role as each business grew and diversified. This evolution varied between the companies, in some cases occurring organically as a reaction to high growth, and in others being planned and directed in anticipation of growth, indicating that there is no one-size-fits-all way in which the finance function can be understood and has adapted over time – this very much depends on the nature of the business, and the way in which the remit of the business itself evolves and diversifies over time.

The case study businesses' trajectories underscore the vital role of the CFO and, in particular, that this role can best be harnessed to its full potential if other teams across the company recognise its value, and are educated in integrating aspects of the finance function into their day-to-day work.

At some point in their lifecycle, all the businesses featured in this guide demonstrated the 'innovative turn' involved in high growth, driven by strategic internal decisions to enter new markets, acquiring technical expertise that enabled the development of new products, or responding directly to external stimuli such as consumer demand for new technologies. Often, this

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expansion entailed diversifying into new products and/or services, which carried with it certain risks. These included insufficient staff capacity to respond to new workloads; increased processes and business 'traffic' such as simultaneous deals; entering new, very competitive and/or politically unstable markets; and being very reactive operationally, meaning that processes were not as smooth as previously.

Key lessons for mitigating these risks and managing high growth included investing in new talent to meet the challenges of the new markets and diversified business streams; implementing new methodologies for managing change proactively; closely monitoring growth and developing robust systems of control to ensure that it did not spiral beyond the company's capacity; and harnessing the capacity of the finance function not only to manage cash flows and create a safety net to boost the business's reserves, but also to analyse and plan future trends to maintain growth.

The case studies demonstrate a clear symbiosis between business growth and the evolution of the finance function. The remit of the latter was almost always found to extend beyond operational tasks and processes during – and especially after – periods of high growth, often becoming a strategic business partner in itself driving this growth. In fact, the finance function and business growth could symbiotically support each other, accelerating growth while developing the role of the finance function. To enable the finance

function to initiate, enable and manage high growth optimally, learning from the case studies suggests that having the right people and leadership in place is key, such as investing in creating a CFO role if one were not in place before the growth. If the growth threatens to be overwhelming, the finance function can be used to keep the supply chain alive by giving finance the authority to slow down new business where necessary, as determined by its knowledge of the cash flow and projections. The finance function is also vital for regularly collecting and analysing how the business is 'trending' in real time, presenting this data in an easily digestible format to management.

The alignment of the finance function leadership with that of other parts of the company also proved crucial, especially for filling key skills gaps that impeded keeping up with the company's growth, such as a lack of effective reactive support to the multi-challenge nature of high growth, and difficulty with communicating financial information in an easily digestible format. In response, the case study CFOs and financial controllers often instigated coaching programmes for staff and management, both to boost vital skills and to adapt to new, more efficient ways of undertaking and managing finance tasks. This also involved careful attention to performance management and, where necessary, making a strong business case for the implementation of new systems.

As part of its evolution to a key business partner in most of the high-growth businesses studied, the finance function played a central role in the business planning of most of these companies. In most cases, CFOs fed directly into business plans, providing key information on current and future financial risks and opportunities, which ultimately determined the strategic decisions taken, such as whether or not to proceed with a particular acquisition or diversify into a new market.

In summary, the case study high-growth businesses clearly indicate that the finance function sits at the heart of a truly evolving, dynamic business. To enable this function to reach its full potential, it is vital to implement strong financial management, with a comprehensive bird's eye view over how the finance function interacts with operations and informs strategy.

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Technically, the term 'finance function' defines the processes of identifying, acquiring, managing and using the funds of a business, which, in practice, are processes administered by a finance person or team responsible for accounting systems and processes, controlling financial resources, and other technical or support aspects. The term has, however, evolved to be used in a broader way, an evolution underpinning ACCA's fundamental aim of shifting the perception (and reality) of the purpose and value of accountants as providing traditional book-keeping services to that of a role more akin to a business adviser. As will become clear over the course of this guide, existing SMEs have likewise begun to explore the broader scope of financial professionals within their strategic remits, integrating them increasingly as business partners. This section examines the eight case study SMEs' understanding of the purpose and remit of the finance function in their business, and how this has evolved over time. It then provides a guide to help SMEs conceptually and operationally unravel the specific responsibilities of their finance function, and how it should optimally be structured in the future.

CONCEPTUAL UNDERSTANDING OF THE FINANCE FUNCTION

The CFOs and financial controllers interviewed for this research indicated three broad levels on which the finance function in their business was understood. Firstly, it was seen as a traditional accounting and treasury remit, a 'full service function' as one person phrased it, rather than a strategic one. As another interviewee commented, the finance function is something 'traditional and conventional', consisting largely of 'pure accounting tasks', such as handling the accounts payable, cash management and reporting, as well as producing reports for budget forecasting. These services were seen as particularly important in markets where bank finance was less readily available (such as Vietnam and Mauritius), meaning that the finance function absorbed numerous compliance issues such as taxes, custom duties, VAT and so on.

Secondly, several interviewees acknowledged these traditional roots of the finance function in their business, but indicated that the boundaries were beginning to blur and that the function was steadily evolving into a strategic role alongside that of core operational processing. For example, one CFO stated that, while the finance function in their SME was primarily about 'traditional financial reporting, global treasury and risk management, along with a less traditional

component of more general data quality, IT/financial management and asset management', this also definitely informed the strategic side of the business, e.g. when analysing the feasibility of opening new offices in new locations, country-level risk, and capital funding requirements. In another case, finance was also understood largely in terms of its traditional functions, but also as an element responsible for budgeting, forecasting, multi-management reporting, cost centre management, and HR control. In this way, as another interviewee commented, the finance function could be seen as 'the business partner of the other functions in supporting business operations.'

Finally, it was clear in the case of two businesses that their finance function was integral to the business itself: part of its nature and growth, rather than an auxiliary aspect of these. In one case, the CFO's understanding of the finance function was one of 'transactional processing expertise, with key roles related to treasury and risk management', but, crucially, a more significant portion of the finance function also dealt with analysis, evaluating current and future deals, and tracking ROI. Considering the function's integration with the business itself, therefore, as the CFO stated: 'it is the business, primarily because we're an investment company'. Likewise, in the other business there was a constant need for awareness of 'what's going on with technology internationally, so it's the role of the finance function to search the markets to see the latest trends and where they are going', as the financial controller made clear. In this context, the finance function is a key strategic partner in the business as it helps to determine where the company's investment goes.

EVOLUTION OF THE FINANCE FUNCTION OVER TIME

Among the majority of the SMEs studied, the finance function had been fulfilled by the owner/founder at inception, rather than having a fully financially trained member of staff in post from the start. Most typically, the owner tended to oversee finance and often used external agencies for additional support, subsequently hiring basic administrative, payroll and tax in-house support. Two companies did have a professional finance post embedded from the start, as this was 'deemed important and a matter of course', in establishing any new business, as one CFO commented, while the other emphasised that this first finance professional was solely responsible for book keeping rather than any strategic aspects.

In all cases, the businesses took on one or more professional finance employees and a managing CFO/director/controller once they had reached a steady stage of growth (though not necessarily high growth, as previously defined). Often, this was a somewhat reactive development; for example, in one case the founding member took the role of the finance function wholly upon himself until demand/volume grew so high that he had to employ a CFO to help manage the strategic demands of finance alongside the processing ones. He had not planned this in advance. Another interviewee commented that the first financially trained member of staff (acting as financial controller and accountant) was hired because the company lacked the quality staff to take this development fully forward.

In another case, before the appointment of the current finance and treasury manager, who was interviewed for this research, there was no one in this post. The role was created to fill a need on the global treasury side, following a major acquisition that almost doubled the firm's staff and led to the opening of 26 more offices. In this case, it was decided at this later stage that it was vital to have a well-coordinated finance and treasury function: 'someone to sit in headquarters' and oversee the function.

Conversely, some SMEs had hired their first CFO/director more proactively at the onset of a period of high growth, 'to help keep a bird's eye view over everything', and instigate 'new thinking' about the potential strategic and forward-forecasting role that the finance function could play. Likewise, another CFO who was interviewed and who was the first in this post in the SME, had constructed new guidelines for the financial systems, roles and business development input, thus providing a crucial strategic boost for the finance function in advance of the need to manage high growth.

The use of external support for the finance function had also evolved over time. Most of the SMEs had, in their earliest days, relied to a significant extent on outsourced assistance in an advisory as well as processing capacity. In the cases of subsidiaries, they had a consistent blueprint or guide as to how, broadly, to establish and enact the finance function, but with flexibility. Over time, the use of external agencies in this context had significantly

decreased, with all the SMEs currently undertaking most or all of their financial work in-house. The exception to this is the continued use of external agencies for legal, tax and other compliance issues, especially if they are working in overseas markets and may not have specialist local knowledge in-house. Some have also sporadically used external support to help bridge periods of high growth. Some previously outsourced roles did not have a direct connection with high growth. A key reason for moving these in-house was to anticipate and so plan carefully for growth, and to have a more cohesive overview of what was happening financially 'on the ground'. This enhanced managers' ability to monitor and control financial operations and processes, especially if revenue streams had diversified and become more complex as the number and geographical distribution of clients increased.

Overall, as is evident from the case studies, the finance function can be seen as highly dynamic, evolving from being largely a book keeping service in the start-up and early stages of a business, to a much more strategic level as the business develops, diversifies and expands. 'As the business grows, so does the scale and complexity of financial management' (ACCA 2013: 10), and the need for greater sophistication within this remit. This evolution, however, takes different forms, in some cases occurring organically and reacting to high growth, and in other cases being planned and directed in anticipation of growth.

CRITICALLY UNDERSTANDING AND MAPPING THE FINANCE FUNCTION

The case studies have shown that there is no one-size-fits-all way in which the finance function can be understood and adapted over time – this very much depends on the nature of the business, and the way in which the remit of the business itself evolves and diversifies over time.

Given the importance of the CFO's role in shaping and managing a business's finance function, the following guidance provides some key points for how this role can be understood, the responsibilities it holds, and a checklist of useful questions to ask to ensure that the role is being enacted to fulfil its best potential for the business.

THE CFO'S ROLE

'Move from bean-counter to bean-grower.'

**Gary Cokins, Founder,
Analytics-Based Performance
Management LLC**

The chief financial officer (or finance director) of a high-potential business is at the heart of the company's strategy, operations and performance. It is recognised that the CFO's role is integral to corporate success to the extent that it is not, in reality, a separate function from the rest of the business. The phrase commonly used is that the CFO is 'a partner to the business'.

This means that the CFO works closely with the chief executive and the senior management team, helping to construct a cohesive business development strategy, maintaining a forward-looking and proactive stance, and being connected with every part of the business. This may be seen as a demanding list of attributes, not least because they typically involve role requirements that are in opposition to each other:

- The CFO has to look to future opportunities while being responsible for accurate and informative financial reporting of the past.
- The CFO has to drive the business forward while being the person most heavily involved in assessing risk.
- The CFO is ideally placed to see the bigger picture – the trends and game-changers taking place at a macro level in the business's sector and in the economy, which other people in the company may miss in their day-to-day lives – and yet must always pay close attention to detail.
- The CFO needs to help push the business towards its revenue objectives, while at the same time keeping very tight control over costs and cash.
- The CFO has a role to play in making it possible for everyone in the business to achieve the company's objectives, while at the same time having the controls in place that enable him or her to play the role of corporate watchdog.

- The CFO is ultimately responsible to the business owners, who are looking for profitable growth, while at the same time being accountable for ensuring regulatory and tax compliance.

'In our natural accountant psyche we are trained to look at the details and the precision. The problem is, sometimes we are looking at every single tree in the forest and we fail to see the forest – and we fail to see the development around the forest. When your competitors are growing or when the products are changing, the CFO plays a very vital role to be able to interpret the big numbers and the trends in the market'

Gabriel Low, CFO GEA Westfalia Separator / GEA Mechanical Equipment

These conflicting demands on a CFO's time and effort can be reconciled by thinking of the role as that of a lens that focuses corporate energy in the direction required, rather than allowing it to dissipate in numerous directions.

Producing accurate, timely and relevant management information (ACCA 2013: 6) is often regarded as the CFO's first duty. It is essential that this information can be digested and understood by the management team so that they can take action accordingly, whether that be corrective action or to capitalise on opportunities. A recommended course of action here would be for the CFO to consider investing some time in training non-financial members of the management team, to increase their understanding of the finance function and how financial information is reported to them, thus deriving more value from this information and ultimately equipping them to make better decisions.

Rapidly growing businesses sometimes get carried away with spending money to fuel expansion. As a way of mitigating this, the CFO needs to keep control of spending but without reducing the business's potential. To maintain this balance, the CFO should conduct regular reviews of how company money is being spent, and how that expenditure will add value to the business and assist in its growth plans. Such reviews will then help both the person/department making the expenditure and the CFO to make the right decisions together.

The CFO needs a full understanding of the profitability of the various products or business units within a high-growth business. CFOs often direct their attention to business lines that are underperforming or in financial difficulty. While that is understandable and, indeed, unavoidable, the CFO also needs to make sure that business units that are performing well are, in fact, performing to their full potential. This, in turn, requires CFOs to have excellent commercial skills: they need to understand the business fully, as well as the industry and market in which it operates.

'Accountants are called bean counters: so go and find where those beans are grown. Get out into the business, attend team meetings of different departments so you can understand their issues and what's going on and how it's working. Read relevant trade journals, attend conferences – whatever it takes to really get under the skin of the business rather than just produce the numbers. It will really help you bring the numbers to life. It will tell the story'

Andi Lonnen, Managing Director, Finance Training Academy

When a business is in a high-growth stage and developments are progressing fast, it is easy to make mistakes. CFOs need to understand that people can be very wary of the CFO's controllership role and, consequently, reluctant to share bad news or concerns. By appreciating that perspective and fostering an environment oriented towards finding solutions and not scapegoats, the CFO will be better placed to encourage greater openness, which will in turn allow the business to address emerging problems more quickly.

The CFO needs to be 'future ready' so that the necessary knowledge and skills are already in place when, for example, the business is ready to start exporting or entering markets that have different business models.

The full potential of the CFO's role can be harnessed if other people and teams in the company recognise the value that the CFO and the finance function as a whole bring to the business. It may be, for example, that an unasked-for analysis of customer profitability conducted by the CFO and their team reveals useful information that can be acted on by sales teams. Similarly, 'financial data and analysis can support other areas of the business: for example, helping marketing staff assess the impact of different pricing options on sales and profits' (ACCA 2013: 8). Likewise, teams responsible for operations may be unaware of the tax benefits of buying more expensive but energy-efficient equipment; the CFO and finance team can also inform them about this. The more the CFO can demonstrate how the finance function can add value, the more likely it is that people in the business will approach the CFO when considering decisions rather than after having made them, thus making the strategic approach at all levels more proactive rather than reactive.

Among today's high-growth businesses, the rate of product and service innovation is accelerating but this, in turn, shortens product life cycles and service relevance.

Among today's high-growth businesses, the rate of product and service innovation is accelerating but this, in turn, shortens product life cycles and service relevance. No matter how good a product or service may be, if a rival develops something better in a few months, then customers – who are showing ever-decreasing brand loyalty – will shift their allegiance. Businesses thus have smaller windows in which to exploit their competitive advantage before their output becomes outdated.

High-potential businesses, however, can see beyond these barriers to a world of opportunity where they can achieve 'outrageous success':

'Think about what "outrageous success" would look like for your business – and obviously tie that to the targets of all the people that need to work at this in your business'

Andi Lonnen,
Managing Director,
Finance Training Academy

While there is no shortage of businesses prepared to take on that challenge, this requires a certain type of culture, which must permeate the entire business.

'There needs to be a culture of innovation. Growth does not come from cost-cutting and downsizing. Never, ever forget innovation because if you encourage this kind of culture within the organisation then it puts you in a better position for the future'

Gabriel Low, CFO GEA Westfalia Separator / GEA Mechanical Equipment

Businesses should try to identify the bottlenecks that prevent them from achieving their full potential. These bottlenecks may include the limiting nature of the business's strategy, a lack of necessary skillsets among the people employed, systems and processes that are not scalable but instead rely too much on the knowledge of a small number of people, and financial restrictions, among other factors.

'Serving customers and paying bills and just delivering your current value proposition, in the mid-term and in the long-term, is what causes the paralysis in the business and its inability to continue on growing'

Fernando Sepulveda, Founder and CEO, Impulsa Business Accelerator

HIGH-GROWTH BUSINESSES

All the case study high-growth businesses featured in this guide demonstrated the 'innovative turn' at some point in their lifecycle. This then led to periods of high growth (usually not in the early stages), driven by strategic internal decisions to enter new markets, or technical expertise that enabled the development of new products, or was directly in response to external stimuli such as consumer demand for new technologies. For example, one manufacturer of green energy technology experienced key episodes of high growth in 2008–9 and then in 2012, in both cases driven both politically by an upturn in the international market for that particular technology, and internally by new technology developments.

Innovative product development was often complemented by a high-quality sales and management strategy, and these were both seen to be driving high growth. Specific strategies here for businesses that had expanded their operations included good research into and sourcing of key partners and profitable local sites for subsidiaries and/or the acquisition of new offices.

Often, this expansion entailed diversifying into new products and/or services, which also, of course carried with it certain levels of risk. This then raised the need to build in a careful balance between flexibility to adapt to new market demands reactively, and proactive planning in advance to ensure that changes and new revenue streams were adequately positioned within the company's infrastructure. This was particularly the case when the external environment was less favourable to growth or even survival. As one CFO explained, it was particularly important for their high-potential business to take a careful, conservative approach to risk and planning which, crucially, included

not doing deals in times of recession when the availability of capital was low. Likewise, the firm's high growth was increased further by an economic upsurge and management's willingness to take new risks with the renewed availability of capital. The point was also made that, with high-risk businesses, growth is inevitably 'both planned and never anticipated', given the potential volatility of the industries and markets that they serve.

Diversification into new markets was seen as a key way of both enabling and 'riding the wave' of high growth. One financial manager emphasised that their company's diversified revenue stream meant that it was able to outlast and survive other competitors in the market: 'we probably came out of the downturn a lot stronger than many others'. Interestingly, alongside this the firm had not taken many material risks, instead adopting a 'slow and intentional' approach towards opening new offices, with most of its growth being carefully planned and anticipated.

Building a good reputation was also seen as something that could facilitate high growth, albeit not always in an anticipated manner. One business, for example, had experienced high growth after winning two major projects as the firm had previously built up a name in the local market, meaning that this growth was not anticipated as it was 'a question of invitation, being asked to tender'.

Some of the businesses had also experienced high growth owing to the market conditions in which they found themselves, such as having access to cheap labour. In addition, those high-potential businesses that had been established by a holding company based in a high-income country, but that themselves operated in a low-income country, were able to operate at much lower margins than their high-income country counterparts, while maintaining the quality seal of the holding company. One company that had itself been sold to a much larger holding company was also able to benefit from the consequent capital infused into the organisation, which enabled it to pursue additional acquisitions and diversify its products again.

Finally, in some cases being an agile, flexible SME, rather than a larger company, was also seen as an enabler of high growth. The following case study illustrates this by charting one high-growth SME's trajectory, and key episodes of growth.

CASE STUDY 1: ISP TRINIDAD, TRINIDAD & TOBAGO

Business background

ISP Trinidad is a communications and technology company, focusing on broadband and wireless, providing internet services for a number of companies (specifically corporate customers and some individuals linked to a corporate body), in the Trinidad and Tobago area (mainly Trinidad). The company is also diversifying into a range of apps. Its business model is primarily service based. The company is 100% owned by one person, the managing director, with a flat structure where 'all department heads interact'. There is no board of directors so the firm does not have a classic structure; most finance is in the form of bank loans. ISP Trinidad was founded in 1992 and currently has 35–40 employees, with a turnover of TTD37.3m (or approximately £3.7m).

Evolution of the finance function

The company was initially – and continues to be – financed largely by banks, although there was also some personal capital invested at the start. The first financially trained member of staff (acting as financial controller and accountant) was hired around 1997/8, prompted by the company's very fast growth (in the paging market), because it lacked the quality staff to take this development forward. Before this person was hired, the owner himself oversaw the finance processing. Later, the current CFO was hired on the understanding that he would be the 'financial director without the title', as the directorship of the company is composed of family members who prefer not to have a rigid vertical structure in their leading of different parts of the company.

Today, there are eight members of staff in the finance team, using systems such as an off-the-shelf package for accounting purposes, and an internal software package specifically geared to database customers and process their information. The team also has a collections department, which the CFO emphasised was key to its operations. Everyone on the team is responsible for trends analysis, with the overall team effort driven by the managing director (ie company owner). ISP Trinidad has never outsourced its finance function to any external agencies, always having kept this in-house.

Business growth

ISP Trinidad has grown significantly since its inception, diversifying into managed data and apps as well as wireless services. Paging was its original business, so it has evolved quite significantly. The skill of the company's finance function meant that, as the paging business started to die, the company was able to retain enough savings to finance its entry into new markets.

The company's initial growth was triggered by falling paging incomes, which led to the move to develop mobile technology. Together with the rest of the company, the finance function undertook research and recognised that the internet market was growing, and that the internet could be used as a strategic tool to help the company survive and grow. So the company diversified into wireless services and, in 2004/5, saw its biggest period of growth. This was helped by the big telecoms players at the time, which launched their own advertising campaigns for the relatively new internet market. This meant that ISP Trinidad did not need to invest heavily in 'getting the word out'.

The finance function proved key to this episode of high growth as the CFO and managing director together negotiated crucial credit facilities with the banks in proactive anticipation of the high growth, which meant that the company was very well placed to manage it when it occurred. During this time, the finance function also needed to adapt reactively, in the sense that it had to create new ways of tracking the sources of income. So they created new imports within the finance function, liaising directly with the IT department to track, from a sales perspective, both the income from new broadband services, and targeted corporate customers.

Thus the company's high growth was enabled both by the internal, strategic decision to take the risk/new investment involved in diversifying away from the dying paging market and into internet services, and by factors in the external environment on which the company could 'piggyback', ie new marketing efforts to educate the public on why they needed to pay money for the internet. The flexibility and agility conferred by being a small company also helped to enable high growth.



Overall, the finance function was key to the high growth as, given that the company had an existing customer base from the paging business, the finance department was able to harness that same software for new customers, and smoothly implement new collections and financial controls. Moreover, by analysing customer data, the collections department also determined whether the company could then market new services to a particular customer. In this way, the capacity of the company's finance function to anticipate moments of transition and growth was significantly boosted.

The CFO commented that probably about 60–70% of the company's high growth had been anticipated. Once the national telecoms companies started to pump money into the area, they would flood the market so ISP Trinidad had to recognise that particular opportunity as a smaller company, and was able to seize it in a much quicker, more agile way than a large national firm.

Managing high growth

In order to manage the high growth in 2004/5, the finance function operated a very tight budget, ensuring that any excess cash was transferred on a monthly basis to the company's safety net in order to boost savings. This then meant that the company had the option of re-investing if necessary, both to manage its services better and to expand into international 'voice' apps markets. Ultimately, the finance function's management of the high growth enabled the company's eventual diversification. The CFO commented that the finance function had 'good foresight to put away that money, especially when the big players came in that big corporate customers would go over to'.

The latter was a key challenge that the high growth – and the new market itself that partly enabled this – threw up. While, on one hand, ISP Trinidad benefited from major companies' advertising efforts in promoting internet services, it also lost customers to them.

THE RISKS AND CHALLENGES OF HIGH GROWTH

Clearly, high business growth does not come without its challenges. Among the businesses studied for this guide, key challenges included (in order of significance):

- insufficient staff capacity to respond to new demands/additional workloads
- an increased number of processes and business 'traffic' such as simultaneous deals, tasks and pots of money to move around
- needing to 'grow with the business' – greater pressure to recover customers' payments and then pay suppliers, need for increased loans, etc
- entering very competitive new markets
- entering new, unstable markets with fraud, corruption and political volatility
- being a smaller SME in the face of established 'big players' vying for the same customers
- being very reactive operationally so processes were not as smooth
- lack of capacity to understand data about new business segments to indicate in real time where the business is going, while also managing growth operationally.

Most of these challenges had been readily met by the high-growth businesses with a variety of strategies to help them manage their growth and maintain it in the future. These lessons are presented here, along with specific strategies and objectives to aid companies with their business planning for growth.

KEY LESSONS FOR MANAGING HIGH GROWTH

1. Do not be afraid to invest in new people and new talent to meet the challenges of the new markets and diversified business streams you are entering; ensuring that you have the capacity to manage high growth, as well as being prepared for it in the future, is the priority.
2. Innovate and implement new methodologies for managing change: this may require an adaptation of your existing business planning methods, as well as of other processes, systems and management methods. Although change is best done proactively, reactive change will also aid in mitigating some of the risks of high growth.
3. Harness the capacity of the finance function for careful analysis and planning of current and future trends based on past and current high growth, and so understand where there may be gaps in investment and cash management.
4. Closely monitor growth and develop robust systems of control to ensure that it does not spiral beyond the company's capacity. This may involve using the reporting skills of the finance function to design a 'best reporting' template for management progress across operations.
5. If operating in a very competitive market, ensure that you have in place very competent project managers who can properly interpret project contracts and accurately assess technical and commercial risks.
6. Use the finance function's dexterity in managing cash flows and new equity/bank finance, creating a 'safety net' to boost the reserves of the high-growth business and provide the option of re-investing if necessary, both to manage services better and aid/continue expansion. This is especially important in competitive markets with 'big players' who may take away new customers.

Clearly, the finance function can play a crucial role in helping to mitigate some of the challenges of high growth. The following chapters present some of these specific lessons.

3. How does the finance function relate to business growth?

It is clear from the experiences of the case study high-growth businesses that a strong finance function is strongly correlated with business growth, but how, exactly, does this play out in practice?

It is clear from the experiences of the case study high-growth businesses that a strong finance function is strongly correlated with business growth, but how, exactly, does this play out in practice? And to what extent does the finance function itself drive this growth rather than just being an auxiliary to it and/or helping to maintain it? Looking at the case studies from this perspective can provide some fresh insights into what, effectively, emerges as a symbiosis between the evolution of the finance function and business growth – they are both integral to each other.

SYMBIOSIS BETWEEN THE FINANCE FUNCTION AND BUSINESS GROWTH

Recalling the episodes of high growth that the case study companies experienced, a key feature to note is that, very often, these initial episodes were what precipitated the need for a more strategic as well as cohesive finance function, with a CFO often being brought in at this point (rather than proactively, beforehand). In several cases, this served to shift the finance function from being a purely administrative process to being a 'finance partner', becoming responsible for strategic and risk analysis, and directly feeding into the business planning for the first time in the company's existence. If the high-growth business subsequently experienced a second, and later, episodes of high growth, by this point the finance function had already evolved into an integral part of business, driving as well as supporting it, advising on financial feasibility (especially of high-risk projects), and with a much greater proactive (rather than reactive) capacity than before to anticipate growth and change.

In addition, during high growth the finance function was often called upon by other departments to be not only a processing support, but also a key strategic one. For example, in one business, the sales department required the finance team to be more supportive and understand more about the challenges that sales staff were facing in the market during an episode of high growth. In response, the finance team altered the way they looked at the numbers, reconfiguring these in such a way that the sales team could use them immediately to create a business plan, as well as to see and highlight any weaknesses following the analysis.

Ultimately, this changed the finance role into one of business partner/development, really helping the management and sales teams to strategise efficiently in the face of high growth, and supporting them by speeding up credit control processes.

In a smaller number of cases, the high growth itself was directly propelled by the finance function's analysis, including that of cash flow estimates, local tax regimes, probable consumer volume, and finally the key decision – driven by finance – as to how much capital to inject into new market development, which in turn influenced the management decision to enter these new markets. For example, one high-growth business based in the construction sector had a key high-growth project driven and fundamentally aided (rather than created) by the finance function, as the whole team moved to the construction site to oversee the work, thus taking on a control/monitoring function. The finance team's subsequent responsiveness on site also played a key role in maintaining and even accelerating the growth itself, as without this responsiveness – to the thousands of new contracts, payments, etc that needed to be monitored – the growth would not have been facilitated. This highlights one way in which the finance function can be crucial to business growth even if it does not play a strategic role in this.

A couple of CFOs who were interviewed also emphasised that the finance team served a very important cautionary function in the case of high-risk businesses, where finance was integral to recognising feasibility and forecasting outcomes. In recognising and dealing with this, alongside the key processing aspects, the finance function overall expanded in capacity and complexity. Indeed, several interviewees commented that before the episodes of high growth, the finance function had been 'much more rudimentary' and dedicated to 'fire fighting' rather than planning procedures and analysing in advance. Following the episodes of high growth, nearly all interviewees were in agreement that the finance function had greater capacity to absorb new large-scale projects. The following case studies of high-growth businesses operating in different sectors and geographies illustrate this.

CASE STUDY 2: A RENOWNED CONSTRUCTION COMPANY IN MAURITIUS

Business background

The core business of this company, founded in the 1970s, is construction. Over the past few years the company has also diversified into the hotel industry, engaging both in hotel building and providing due diligence to produce the architectural planning. The company's key markets are Mauritius and the state of Gujarat in India. It is a wholly family-owned business, with the directors being the only shareholders. Currently, for certain small projects, the company is bringing in external funding, such as local investors (who are acting as venture specialists) for a Mauritius car park project. The company employs 500 staff and has a project-based turnover of 500m Mauritian rupees (MUR) (£9m).

Evolution of the finance function

The business was initially financed by the founders' personal capital, and then by taking advance payments for projects. Over time, this has evolved alongside the development of credit facilities by the Mauritian banking sector. The company hired its first financially trained member of staff 15–20 years ago when it had many projects. At that time the accounting function was being outsourced to accounting firms and the company wanted to move it in-house in order to have a more cohesive overview of what was happening financially on the ground. This earliest role was primarily concerned with processing payments, statutory returns, etc., as well as collating data for external auditors and compliance purposes.

There is no financial director (FD) in the company, with the FC being the first ACCA member to work for the company. He explained that, as it is a family business and private company, it does not need to comply with certain corporate regulations (such as having an FD) as required by, for example, participation on the stock exchange. He emphasised that the primary evolution of the company's finance function over the years has been the move from using outsourced financial services to

having these wholly in-house, making them 'more effective' as there are so many internal reports to be produced on individual projects and in-house members of the team have insight into these.

Today, there are 15 people on the finance team, supported by accounting software such as SUN SYSTEM. As the business is project based, if it wins a building construction contract, costs must be processed and forecast to show how much working capital to inject from reserves into the new project. As 75% of the company's working capital is financed by bank overdrafts, the financial controller and his team process and facilitate that, providing accurate cash flow forecasts for banks in order to obtain the necessary credit.

Symbiosis between the finance function and business growth

Overall, the company has had a good track record in construction work and has continued to tender for small to medium-sized projects. It has also developed a good local network of clients as Mauritius provides a suitable niche sector. The finance function evolved greatly when the company won two big projects and experienced attendant periods of high growth.

The first of these occurred in 2006, when it won a contract to build two hotels. One of the main reasons that this induced a period of high growth was that it was paid on a cost-plus basis, meaning that the company was paid directly for whatever it spent on the project. At this stage, which was also when it hired a financial controller for the first time, the finance function needed to get involved more than usual in the actual project work in order to exert very tight control over the finances and ensure that the company recovered its costs. So during this period the company actually re-located the finance department to the new construction site itself, with five members of the finance people 'being involved on the spot'. Previously that had been engaged only in conventional accounting, reporting and cash flow forecasting. The move was necessary given the thousands of new construction employees on the site

and the high expense involved in buying materials, meaning that the payroll and other outgoings would be more complex than usual. Therefore, the finance function became very important during that period, and had to evolve and adapt rapidly, taking on a control/monitoring function as well as payment processing.

The company's second major project took place between 2008 and 2012, and this enabled it to secure a significant amount of finance at an agreed rate from the bank, which was then repaid on a monthly basis by the client. For this, the company needed to hire more people and obtain more resources to boost capacity.

Following these two projects, the financial controller concluded that the finance function had greater capacity to absorb new large-scale projects. He also deemed the finance function to have played a key role in accelerating the growth itself, given its responsiveness when the team moved to the 2006 site, without which the growth would not have been facilitated. Nonetheless, he also acknowledged that the company's high growth was primarily due to winning those two major projects, meaning that the growth was not anticipated as it was 'a question of invitation, being asked to tender'.

Managing high growth

In order to manage the high growth, especially the first episode in 2006, the key strategy used centred on the finance function and moving this physically to the site of the project itself. The company as a whole also hired more people to boost capacity. Indeed, capacity was also an issue for the finance team during this time as they were significantly more strained by the workload, with more pressure to recover client payments in order to pay back the bank loans they had secured to facilitate the projects (especially the 2008–12 one). So a key challenge of the high growth was the pressure on cash flow and the need for the finance team's dexterity in helping the company manage this, which they did successfully, with some help from the board of directors.

CASE STUDY 3: CLARK INVESTMENT GROUP, USA

Business background

Clark Investment Group (CIG) is a 100% family-owned holding company that was founded in the 1970s and invests primarily in real-estate-based companies. The Group's ultimate goal is to grow its network in both real estate and other, diversified business streams. CIG's business model is 100% service-based, comprising largely real estate development with significant activity in self-storage, mixed-use warehouse centres, and recent acquisition of some troubled debt and car washes. The key markets are those in the US. The company undertakes some joint ventures with local companies. While CIG initially gets involved on a non-shareholder basis, with a local investor providing labour in exchange for equity and CIG acting as the main investor, both parties eventually become joint shareholders, aiming for a nearly 50–50 split. Currently, CIG's headquarters employs 14 members of staff, with the Group's latest annual investment reaching \$200m.

Evolution of the finance function

CIG began when the owner, who was then still at college, invested a small amount of personal capital, with the remainder coming from bank financing. As far as the CFO is aware, the business probably used an external certified public accountant (CPA) to coordinate the finance function in its early days. Following this, the first financially trained member of staff was hired 20–25 years ago, this being an office manager who oversaw the payroll, taxes and office supplies, and probably came from an accounting firm. This person was hired primarily for administrative purposes, to help keep track of the growing business and is still with CIG today, emphasising its family nature. The first finance director was hired in the last 15–20 years; the president of the company was the first CFO, followed by the current interviewee.

Currently, CIG is wholly equity-funded, with no external debt. Today, its finance function comprises staff who are mainly transactional processing experts, with key roles related to treasury and risk management. A significant portion of the finance function they enact is deal analysis, ie evaluating current and future deals, and tracking return on investment (ROI). The finance team currently does not have any particular systems in place, apart from an accounting package; this is not intended to drive processes but is seen more as simply a tool.

The company does use some external agencies within the broad remit of its finance function, particularly in the area of compliance, which the CFO finds to be very effective. This is because it provides a boost to the existing in-house capacity, which

then frees up the in-house team to have a more strategic focus. They also use external agencies – notably finance tax attorneys – in an advisory as well as processing capacity when in the development stages of new estate planning. The company's local investors are not involved in any way in the company's finance function, apart from due diligence exchange of financial information.

Symbiosis between the finance function and business growth

Since its inception, CIG has expanded and contracted in line with the economy. For example, during the economic crisis of 2008–9, it was inactive, with no new deals but with some debt in place to handle growth and investment at that time. In 2009/10, the situation turned around and it experienced improving returns.

The business has also experienced some key episodes of high growth, notably in the 1990s and then later in 2012. In the 1990s, growth was linked mainly to external factors, such as the economy and the strength of the self-storage industry in the US. At the time, CIG also had a very active partner in sourcing the most profitable sites, as well as the capital to fund the expansion, resulting in the addition of up to five new locations to its portfolio at a time. Before this episode, the finance function of the company had focused only on book keeping.

When the sharp growth began in the 1990s, the first CFO was brought on board and instigated a more strategic dimension to the function, notably that deals should be financially evaluated before going ahead, including by evaluating projections, comparing with external data such as geopolitical information (eg income in different neighbourhoods), and generally modelling the finance thinking to consider internal rates of return and cash flows. In this way, the finance function evolved from a purely administrative aspect to a finance partner. Nonetheless, this was not an entirely smooth transition, as the finance function had to adapt to a very sudden change in its nature and role in the organisation. In practical terms, this meant enlarging the staff body, with the hiring of more 'transactional people' to handle the accounts payable, where previously there had been just one bookkeeper. The individual team members became evermore specialised.

The company's second key episode of high growth occurred in 2012. In 2010–11, as the market started to come out of the global financial crisis, new deal partners and bank funding became available once again. In this sense, the economy again had a huge impact on CIG's growth, because of the sudden availability of good capital. By this point, the finance function had already evolved and become an integral strategic part of the business.

Overall, the CFO accounted for the company's periods of high growth and change as being due to internal factors, alongside the

significant economic shifts; namely, the owner's careful and conservative approach to risk: 'he has always chosen deals carefully and had very few losses to walk away from or absorb, which is partly why we don't do deals when [the] economy is bad'. The introduction of the CFO role in the 1990s was also crucial to this, as it entailed 'a much more strategic approach to finance than the previous "seat-of-our-pants" approach'. Since then, therefore, around 80% of the company's growth has been carefully planned, notwithstanding the big 'economy factor'. As the CFO summed up, 'the company internally controlled the throttle.'

In this context, the capacity of the finance function to anticipate moments of transition and/or growth is significantly greater today, as the team are increasingly trying to incorporate more external metrics and forward-looking information, as opposed to purely historical information, into their analyses. Importantly, the finance function itself has directly informed these moments of growth.

Managing high growth

The centrality of the finance function in this is mirrored in the strategies used to manage the high rates of growth in those two periods (the mid-1990s and 2012), when treasury management was key. As the CFO emphasises, during these periods the company typically had several partnerships and ventures simultaneously under way, and needed to manage multiple bank accounts and frequently move money around. Having one person dedicated to this, with peripheral support from other members of the finance team, proved effective for projecting forward cash needs and sources; these episodes, then, helped the finance function to become forward-looking even in its approach to treasury.

The finance function also helped to manage this high growth – and in the process stimulated its own evolution – by moving away from a cash-dispersed, de-centralised approach, towards pooling resources in a central manner and then transferring these as needed, understanding that there may not have been enough cash to handle the needs of a particular project if this were to be dispersed without a 'bird's eye view'.

As implied, this high growth threw up several challenges: 'everything from just trying to manage construction projects to issues with the capacity of the finance function, in terms of opening up myriad bank accounts, adding new systems and payables'. These resources, in turn, were constrained by the lower number of people employed during the first sharp growth spurt in the 1990s, in response to which CIG employed more staff and ultimately boosted the finance function.

Ensure that the finance function has adequate capacity and strong leadership to respond to the challenges of high growth; if possible, invest in creating a managerial role/directorship if one is not in place already before the growth.

As these case studies and the other high-growth businesses' experiences demonstrate, the finance function almost always extends its remit beyond operational tasks and processes during – and especially after – periods of high growth. As the finance function becomes a strategic business partner in itself, it often drives this growth, or otherwise reciprocally feeds and accelerates it. The following are recommendations drawn from these experiences for enabling the finance function to be harnessed to initiate, enable and maintain/manage episodes of high growth.

- Ensure that the finance function has adequate capacity and strong leadership to respond to the challenges of high growth; if possible, invest in creating a managerial role/directorship if one is not in place already before the growth.
- If the business growth involves acquiring new offices and additional staff, clearly map out and make use of the new finance talent recruited to boost existing finance capacity and implement new strategies for efficiency and development.
- Ensure that the finance systems and software used are the most efficient and up to date possible, e.g. if using 'pen and paper' methods or old software, consider moving to electronic and automated means.
- If entering very competitive new markets, harness the finance function to assess immediate risks from competitors, building in regular reporting on this analysis and placing due importance on it when taking action.
- If the growth threatens to be overwhelming and to make the business implode (eg by being unable to keep up with demand/volume at a time when new clients may be lagging with payments), use the finance function to keep the supply chain alive by giving it the authority to slow down new business where necessary in line with its knowledge of the cash flow and projections.
- Appreciate the versatility of the finance function and evolve the roles within the team accordingly, to adapt as well as possible to high growth, eg by allocating hands-on monitoring and control roles over operations as well as behind-the-scenes support.
- Ensure that data relating to the company's growth and immediate trends is regularly collected and analysed by the finance team, in order to keep track of how the business is 'trending' in real time. This reporting should be presented in an easily digestible format for ease and efficiency of understanding and acting upon by management and other departments.

Initiating, managing, maintaining and accelerating high growth among the SMEs in the case studies involved a common factor: strong leadership, in particular that overseeing the finance function.

Initiating, managing, maintaining and accelerating high growth among the SMEs in the case studies involved a common factor: strong leadership, in particular that overseeing the finance function. The alignment of this leadership with that of other levels of the company also proved crucial. This became evident when the CFOs and financial controllers/managers interviewed when preparing this guide pinpointed key skills gaps encountered during the high-growth episodes, and how these were resolved, often by themselves. Table 4.1 presents these gaps and their corresponding mitigation strategies.

As data from the case studies indicates, significant leadership was shown by CFOs, finance controllers and managers in boosting the capacity of their in-house finance teams, particularly through the use of external training such as coaching and other skills-development programmes.

The key gaps also seemed to affect capacity and knowledge more than skills per se, especially as some CFOs also had recourse to external support to help them navigate the financial and legal systems of the new market/s they were entering, particularly local lawyers and accountants when entering a new country market. Others sought external help in the form of contracted legal services related to acquisition, and some IT consulting. Where skills gaps did exist, notably in language and specialist financial qualifications, CFOs and financial

controllers/managers were quick to bring in training and support for these.

Most CFOs and managers commented that in the areas in which staff on the finance team were confident, experienced, 'and willing to reach out', they demonstrated good leadership. Several also commented that staff really 'stepped up' to previously unexpected aspects of their role, such as in the SME (Case study 2) that moved its finance team to the actual construction site where the team needed to monitor operations as well as process them. Another CFO emphasised that the finance staff, especially at the controller and assistant controller level, showed marked leadership, 'diving in' to the new, inevitably more complex, global reporting standards required by new acquisitions.

Despite these accolades for their staff, most interviewees nonetheless indicated that the burden of leadership fell on themselves, unsurprisingly given their roles and, in some cases, the small and centralised nature of the finance team. Some commented that this burden was also due to the time saved by their undertaking more strategic tasks themselves rather than delegating, especially if they had a young team who were 'still learning'.

The following case study presents a set of problems of skills gaps and leadership in the context of the finance function during high growth, in particular indicating the importance of taking into account the local culture when making hiring and leadership decisions.

Table 4.1: Skills gaps and mitigation strategies

Skills gap	Mitigation strategy
Lack of effective reactive support to the multi-challenging nature of high growth; need for new, more efficient ways of managing finance.	Need for acceptance and adaptability to new ways of doing things, assisted by a coaching programme instigated by the CFO.
Gaps in understanding between strategic partners and operational processes, eg difficulty presenting financial information in an easily digestible format.	External support sought in the form of HR and developing people on the finance team to boost these skills.
Lack of time and capacity in the finance team to enable them to perform their vital role.	Communication, coaching and problem-solving methodologies are important in filling these gaps, as well as external training for staff, as instigated by the CFO.

CASE STUDY 4: SAScoat VIETNAM

Business background

Special Adhesive Specialties Coat (SAScoat) produces pressure-sensitive adhesives (PSAs) for products most commonly known as label-stock and/or stickers, with the aim of becoming the largest coating facility in Asia Pacific. All the company's revenues come from business clients, mainly converters who then cut the stickers and print them. Key markets include Europe, the Middle East, Africa and Asia Pacific, specifically Japan, Australia and New Zealand. SAScoat is a private limited company, 100% owned by institutional shareholders. It is a brainchild of a holding company based in Europe, which also owns a substantial amount of shares. SAScoat Vietnam was founded in 2007. It currently has 140 employees, with annual turnover in the tens of millions of dollars.

Evolution of the finance function

SAScoat Vietnam was initially financed with equity capital from the holding company, as well as a local bank loan. The current CFO is the first to hold this post, which was created as the company experienced growth of almost 200% in 2011/12, and the pattern continued into 2013, so someone was needed to oversee the finance function as well as to deal with suppliers and customers. In the early years, the finance function was managed by the then managing director with the help of the chief accountant, and later a finance director joined the company.

Today, there is no finance manager in place as the actual processes are very straightforward, mainly focusing on checking compliance; the CFO and his assistant process the accounting. There are 12 people in the finance team, an overly high number, the CFO believes, resulting from the structure of Vietnamese organisations, in which the import/export department often sits in accounting, whereas in other countries it sits in logistics. The finance function has never used any external agencies, keeping everything in-house and maintaining a good relationship with customs officials, as the company is located in a small province where there is a high degree of familiarity between businesses and officials.

The holding company in Europe has certain guidelines for general reporting on the finance function, in line with European regulations, but the CFO has written most of the policies specific to SAScoat Vietnam. He commented that, overall, the finance function has evolved from 'infancy to, right

now, being a toddler'. For example, he has moved the management of stock controls and the costing function, once done largely by pen and paper, into an electronic facility. In addition, previously no one from finance talked to customers about getting better rates, meeting customers and suppliers, asking them to pay on time, etc, which he has ensured happens now.

Symbiosis between the finance function and business growth

SAScoat Vietnam enjoyed tremendous growth in its first two years; currently the economic situation is less stable (eg given the unstable euro), and banks have also tightened loan conditions in Vietnam, with most businesses suffering. Key years of high growth were 2011, 2012 and 2013, triggered mainly by the PSA market, which is controlled by two large players globally. As SAScoat has technical expertise, with state-of-the-art machinery, and access to cheap labour in Vietnam (importing material from Europe and then shipping the finished product back there), it is able to operate at much lower margins than its European counterparts in order to break even, while maintaining the European quality seal. All these factors came together in those three years to trigger the high growth; as the CFO recounted, 'everything was in the right place.'

Before this high growth, as indicated by the CFO, the finance function had been 'much more rudimentary'. When the high growth began, the company brought in industry experts to help harness the growing opportunities and, indeed, it hired the CFO. From a capital perspective, the company moved closer to the equity finance option rather than relying too heavily on debt finance, to which it did not have easy access. The finance function came into play particularly in the area of compliance; as the CFO commented: 'in the past it was much more about firefighting; now we have daily reports and procedures.'

The CFO made it clear that the finance function grew reactively in response to the high growth, and that he himself would not be there had the growth not necessitated the capacity and management he brings. Today, the finance function has much greater capacity to anticipate growth: 'if we have 200% growth again, we would be capable of handling it, although staff would need much mentoring.' He stated that he has been mentoring staff to that end.

Overall, he emphasised that the quality of the company's product and favourable labour conditions are responsible for its

high growth. The business model has also contributed to this, in that the company has developed a network of distributors and sales agents to sell on to customers, meaning that it can make sales in bulk without dealing with many individual customers. Initially, the management expected to achieve 40–45% growth, so the growth of 2011–13 'massively exceeded expectations'. The finance function has evolved alongside this by going from the rudimentary 'pen-paper aspect' to the point where it has accelerated the use of computer software and electronic systems.

Finance function and leadership

When the CFO joined the company, most of the staff spoke no English, so that was a major skills gap. The rural nature of the location and difficulty in finding qualified staff who also speak the requisite level of English are both key challenges.

In response, he worked on developing their language skills by hiring a Vietnamese English teacher who gave them weekly lectures in English, so now almost everybody can speak basic English. The CFO himself is also a major source of support in filling skills gaps, by sitting with finance team members individually and giving them the guidance they need; this includes ACCA expertise, as he has taught this since 1995. Given his professional and mentoring qualifications, he did not experience any need to source external support to help fill in the skills gaps.

The CFO himself worked on instigating key new developments to ensure that the finance function could keep pace with growth, including enhanced reporting, better compliance, and tighter controls over the cash and treasury functions.

Ultimately, it is vital to ensure that any skills gaps among teams are adequately filled in order for the high-potential business to achieve its objectives. In recruiting people as it grows, a challenge that a high-potential business may meet is maintaining the essence of the business – its cultural DNA – as it grows in employee numbers beyond its historical scale. Often overlooked is the fact that the people recruited into finance need to be business-oriented people, not people for whom finance and accounting processes are ends in themselves.

As part of this, it is also important that staff are capable of performing at the right level. The following section discusses this.

PEOPLE, STRUCTURE AND PERFORMANCE MANAGEMENT

‘Executives are quite good at formulating strategy. Their big frustration has been the failure to successfully implement the strategy.’

**Gary Cokins, Founder,
Analytics-Based Performance
Management LLC**

During periods of high growth and internal change, performance management is key to ensuring that processes are running smoothly, the people and outcomes are growing with the business, and that if they are not, corrective action can be taken while there is still time to get the business back on track towards its goals. Beyond that, however, good performance management helps to drive behaviour towards actions that will result in achieving the company’s goals.

In the finance function, as in any other department, performance management has to be about more than simply identifying what is happening and what decisions should

be taken as a result. It has to focus on what the impact of those decisions will be. That makes it a more forward-looking discipline rather than one concerned simply with reporting historical fact.

In light of this, it follows that measuring and reporting are only half the job: people in the business need to be held accountable for the results they achieve. Most people embrace accountability when it works both ways, recognising successful efforts as well as addressing underperformance, and building that sense of ownership and belonging to the business that inspires a good work ethic. Clear communication of key performance indicators (KPIs) and corporate goals can help to equip and encourage people to think like the senior management team, and to make relevant decisions in a timely manner and with full accountability.

Likewise, the structure of the finance team and other areas in a high-potential business with an active finance function has to help engender a culture of accountability. All staff objectives need to be clearly explained and agreed with them, and these objectives then linked with the business plan to ensure that the strategy is achieved.

Most people embrace accountability when it works both ways, recognising successful efforts as well as addressing underperformance, and building that sense of ownership and belonging to the business that inspires a good work ethic.

5. Business planning and the finance function

As has been seen throughout this guide, the finance function can play an important strategic role in both initiating and enabling business growth.

As has been seen throughout this guide, the finance function can play an important strategic role in both initiating and enabling business growth. This section focuses specifically on this 'initiating' potential, by considering the extent to which the finance function and the team that carry it out feed directly into the business plans of the case study high-growth businesses.

In a minority of cases, the finance function had always played an integral role in the company's business planning and entrance into new markets. As one CFO emphasised, it has provided 'management with a conscience – the numbers would stop them in their tracks and make them think', thus being a key cautionary measure as well as enabling entry into the new market. Today, that CFO's company's finance function continues to have a clear strategic role, with the CFO having direct input into and consistently updating the business plan. The finance function was here seen as very much aligned with the company vision, 'despite occasional healthy disagreements,' which also help the company to manage risk.

In fact, it was among only a minority of these businesses that the whole finance team could input to and feed back on the final business plan: this was specific to the smaller SMEs whose directors and board members were still the founders and/or related family members. In one of these, the finance function was seen as very integrated with the strategic planning as all the directors work closely together and rely on the historic market information provided by the finance team, as with this they can forecast trends for future planning.

In most cases, however, the finance function had not always had this strategic role, and nor had the finance team had input at the highest levels of planning. As one CFO described, in the past there had been 'no formalised integration' between the finance team and the business planning level, but now, 'finance is a key business planning partner,' especially when it comes to future forecasting as well as understanding the implications of existing and historical data. Although not all staff in the finance team are

currently equally involved in contributing to this, the future aim is for them to be more involved as the business better defines and standardises the feedback loop and business planning process. Overall, the finance team is very much aligned with the company vision, seeking a balance between adapting to new strategic and operational modes, and planning ahead for them.

Most other interviewees described a similar trajectory, with the finance function having grown in strategic weight over the years and the CFO and managers having most input to planning, while other members of the finance team play a more supportive role and are not directly involved in business planning discussions.

The companies surveyed were broadly divided between those where the finance function's concrete feed into business planning occurred as and when required, and those where the function had a fixed input at set times. For example, one CFO explained that he had input into the business plan at least at the beginning and end of every year, as well as 'at any time [that] the business planning needs to be reviewed, so overall it's very responsive'. This created a good alignment between the finance team and the company vision, especially in times of high growth, when 'there will be many requests that try to bypass controls, and these are the things that finance are the gatekeepers for in terms of compliance – there are certain lines you cannot cross, which are planned and mapped out in advance'. Overall, therefore, despite the adaptive capacity to contribute whenever required, he prefers a managed rather than reactive approach to managing high growth.

Others CFOs explained how they constructed the budget in advance, eg for the next ten years or so, and decided along with the CEO and board members where the company would be going, indicating a vital role for the finance function in the company's business planning. One commented that the finance function is a major source of information for the business plan in that the sales function provides finance with the sales figures and, on the basis of these, everything thereafter is

controlled by the finance function, including monthly and yearly planning.

Interestingly, despite this structured approach, this high-growth business needs to build a significant degree of flexibility into the planning process owing to the country in which it is based, where unforeseen circumstances such as legislative changes affecting access to cash are common, and need to be responded to quickly. One other CFO also commented that the input of the finance function is dependent on external circumstances, although in this case market-based rather than political ones, as it is working in a constantly changing and evolving market rather than a 'standard' one, so flexibility and adaptability are essential.

In one case, it was stated that the finance function, even though well aligned with the company's vision and able to make important recommendations, did not have much first-hand input into the business planning. Rather, it served the overall business development of the company by acting as an enabler in both securing and maintaining credit. The more strategic project elements tended to be dealt with largely by the board and CEO, who then provide the FC with financial information, rather than having a direct contribution from the finance team to high-level business planning.

Overall, however, the finance function has become – or is on its way to becoming – a key business partner in these high-growth businesses' strategies, as well as in their operations. One finance manager described both these roles and how they integrated: the finance function acted as an internal tax adviser on new revenue streams and business, and as an overall risk and treasury adviser for new offices or global expansion, synthesised large amounts of data into a digestible form for the CEO and executives – which is vital to efficient business planning – and worked strategically with operational staff to help them produce better quality data, and design and enact smoother procedures, thus boosting the capacity of the company as a whole. The following case study provides an example of the extent to which the finance function of one company has fed directly into business planning, and the impact this has had.

CASE STUDY 5: OIA GLOBAL, USA

Business background

Founded in 1988, OIA Global is an integrated logistics and supply chain provider, integrating the best-in-class supply chain technologies with best-in-class freight and logistics solutions. It has a mixed business model, in that one part of the company is responsible for direct material procurement for various supply chains, focusing on retail apparel and health care, as well as agricultural and industrial products. The other part of the business is more service oriented, being concerned with more traditional freight forwarding. The business model in general is asset light and more concerned with sourcing services, although the company does occasionally hold some inventory. OIA's key markets are very international: it works in 30 countries, on all continents except Africa and Antarctica. The company is owned by a family-owned holding company, based in the Midwest of the US. The subsidiary currently has 1,000 employees, with a turnover of \$996m.

Evolution of the finance function

The holding company purchased OIA Global in 2011, before which the latter had been in sole proprietorship since 1988, financed by the capital of the original business owner/founder. The company had hired its first financially trained member of staff in 1991, prompted by the expansion of the business, because tax and financial reporting were becoming more complicated. This employee's role certainly involved driving the company's expansion, analysing the potential for new revenue streams, opening new offices, and managing connected risk. Before hiring this member of staff, the CEO/president (ie the initial owner) undertook these tasks. The first CFO was hired in 1990/91.

Today, in the treasury and finance team there are a manager, a senior analyst and an analyst team who conduct the day-to-day operations: in all approximately six to eight people in the team. The main reporting system used is Oracle. The analyst team also handle a lot of company reconciliation and tracking, credit/cash management, and day-to-day treasury functions. OIA does not outsource the finance function to external agencies, keeping it mostly in-house, although there is some external audit and tax analysis. There are no external funders involved in the finance function, which consists mostly of internal staff.

Symbiosis between the finance function and business growth

Since its founding, the business has grown quite significantly. It was originally founded to fill a gap in the air freight forwarding market in the US West Coast and, since then, has grown with various clients to become more of an integrated supply-chain provider, diversifying away from just air freight to all freight forwarding, as well as to packaging and retail design, and then also to direct material procurement and management. In 2014 growth was 36%, so it is still in a period of high growth.

The finance and treasury manager attributed this high growth to various factors. Firstly, there was the commercialisation of the company's integrated service provider model, from air freight and packaging/material procurement, through to new markets resulting from the acquisition of other organisations 'that have their integrations too': integration is OIA Global's USP. Secondly, OIA's diversified revenue stream meant that it was able to outlast other competitors in its market: 'we probably came out of the downturn a lot stronger than many others'. The manager commented that the company had not taken many material risks: 'it's been very slow and intentional in terms of opening new offices, on the risk side', with most growth being carefully planned and anticipated.

The first key episode triggering high growth occurred in the mid-1990s, when the relationship with a key client in the footwear industry started to grow, and the company began to pick up lots of new revenue streams and business segments. By 2001/2, OIA had become the exclusive provider for all the footwear client's retail packaging, which entailed huge commercial growth and also triggered the first transition from growth to diversification.

During this growth, it was the finance function's ability to produce accounting documents and pro formas, and certainly its budgeting skills that allowed the company to pursue those key business opportunities. The finance function also arranged the capital needed: 'really understanding the overall risk of the pursuit'. The finance function was also key to understanding the feasibility of those opportunities and the economics of the company's current relationship with the footwear provider, and how the finance

team could come in and help to change those economics. So, conceptually, finance was crucial to making the business model financially viable for the client. The finance team reacted with more professionalisation, making sure the capacity was there in the department and that staff had the appropriate skills to handle all the opportunities. They also needed to make sure that the data that operations and executives needed would be available to them in a readily consumable format.

The next key episode that triggered both growth and change was the sale of the company to the holding company in 2011, which infused a significant amount of capital into the organisation and enabled it to pursue additional acquisitions and further diversify its products.

Another key development occurred in 2013, following three major office acquisitions, including one of 26 new offices across Europe and South America and a doubling of staff size. The finance function was very involved with this as the team undertook all the due diligence and merger and acquisition (M&A) work, being dedicated to this for 18 months and working both with family members who owned the company and external consultants. This made it: 'really important for the finance function to move those [acquisitions] along and ensure [that] the risk was analysed and the documents were being processed'. The finance function also served as a more general business adviser on the cultural fit of the acquisitions, as often the finance team would be the first to 'get the books on the ground in those offices prior to integration', so they had a chance to understand more about the actual culture of the new organisations while undertaking the due diligence work. In other words, the finance function had the power to recommend or oppose acquiring certain

offices. Importantly, the finance team responded to the corporate expansion with a major re-structuring, creating the finance and treasury manager role in recognition of a global need and the fact that the company was not going to slow down its acquisitions.

The finance and treasury manager believed that the finance function had adapted very reactively to the first 2013 acquisition as the team had not yet understood the full breadth of the work, especially as there was an outside firm involved with its own dedicated resources. After that, the company ensured that there was capacity in the finance function to handle the M&A work, with capacity for restructuring afterwards to ensure a smooth/seamless integration. Overall, the finance function became much more strategic, with much higher acumen and capacity to support the business. It had definitely professionalised in tandem with the high growth: 'capabilities have expanded, with more diversified resources in terms of accounting acumen, risk-management acumen, and legal capacity'. The finance function also became more integrated with the operations side of the business, becoming valued also as a business partner and adviser rather than just a reporting and documentation department. In addition, via its acquisitions, the company had also been able to integrate talent from new European and other offices to boost the overall capacity of the finance function.

Integration between business planning and the finance function

The holding company requires monthly financial statement reporting and some ad hoc data analysis and questions, which the finance function provides. The finance function is involved in the business planning to the extent that it holds significant weight in its role as internal tax adviser on new revenue streams and

business, and as an overall risk and treasury adviser for new offices or global expansion.

Effectively, the finance function acts as a mergers and acquisitions adviser. It also produces advisory reports and consumes large amounts of data, synthesising it into a digestible form for the CEO and executives, which is vital to efficient business planning. As part of this, the finance function also works strategically with operational staff to help them produce better-quality data and enact smoother procedures, thus boosting the capacity of the company as a whole.

The finance and treasury manager and his team have direct input into the business plan, especially in looking at new opportunities, new areas/office expansion, new customers or new revenue streams. All the pricing comes through their department before it goes out externally, so they understand the overhead structure of the business and can make those segment prices and reports accessible, taking them down to 'an even level for everyone to understand'. The finance function has, therefore, become a business partner in the company. Overall, the finance function is very well aligned with the company's vision, certainly given the amount of input and direction it gives. As the Finance and Treasury Manager asserted, 'it's difficult to de-couple finance from strategy, so finance is really at the helm of pushing the ship in the right direction'.

In managing the finance function alongside the high growth, structured planning has been important in ensuring adaptability. The business has been very dynamic, with new countries and revenue streams coming on routinely, so managers want to ensure that talent and acumen in the finance team is available to adapt to those needs. In the Finance and Treasury Manager's words: 'it's a process of constant improvement.'

6. Managing the finance function for optimum growth

The growth trajectories of the high-growth businesses in this study have, to a greater or lesser extent, involved the evolution of the finance function, with this sometimes changing its form significantly over time.

The growth trajectories of the high-growth businesses in this study have, to a greater or lesser extent, involved the evolution of the finance function, with this sometimes changing its form significantly over time. All interviewees confirmed that they would be revising their finance function over the months and years to come, so that it could keep up with existing growth, be ready for new periods of high growth and, where possible, act as a strategic instigator of this growth. This chapter presents the key ways in which these businesses are planning to adapt and continue to build their finance function.

A major transition planned by the high-growth businesses that have not already done this is to move the finance function's emphasis away from purely transactional systems to include reporting systems, evolving from providing historical financial statements to focusing on forward planning. This, it is hoped, will generate overall improved reporting and better succession planning.

As businesses grow, another key element common to many is to boost the finance function by attracting new talent, in some cases ACCA trained, so that they can standardise their operations and improve conceptualisations of the finance function. In all cases, those aiming to hire new staff highlighted the merits of people with an international background and familiarity with international business, given that most of these companies are working in international markets.

To boost the capabilities of existing staff who carry out the finance function, several of the businesses were introducing coaching programmes so that staff could understand why there is a need to move away 'from being the traditional finance person, to a person closer to being a partner to the business,' and could begin to accumulate this new expertise.

As part of this, a few CFOs were introducing ACCA and other qualifications as part of staff professional development. As one financial controller explained, the business's main plans for the finance function involved educating the company and staff who joined in the previous year and a half about the full potential of this function, and especially about foreign investment, because the business planned to expand. There were certain skills sets they would need to maintain and build up, notably 'adapting to a corporate environment, tax experience, what not to spend on, and encouraging staff to ask questions'.

Financial systems are another aspect that several of the high-growth businesses aim to evolve, with the CFO of one company stating that it would be expanding its systems and electronic capacity, and another aiming to 'go completely paperless in the next five years'. This and other bureaucratic aspects – and how best to navigate them internally in the context of growth – are discussed below in more detail.

One finance manager also highlighted plans for the finance function in their company to become more diverse and far-reaching across the organisation, 'acting as more of an internal customer service department to respond to other departments' needs, also enabling a reduction in the amount of overall external advising the business needs, such as taking over some of the legal work, IT and data management'. This indicates, again, a move towards integrating the finance function operationally, as well as strategically as previously discussed.

The following case study charts another development path for a high-growth business, demonstrating how the finance function has served to enable its growth, and how this has been managed to maintain growth.

CASE STUDY 6: UKEAS, TAIWAN

Business background

UKEAS is an education consultancy founded in 1993 in Taiwan to help recruit students wanting to attend overseas universities, mostly in the UK (90–95% of the business), along with the US, Australia and a few other smaller markets. UKEAS has also set up in China, Vietnam, the Philippines, and more recently outside Asia Pacific, with offices in Nigeria and Ghana, and a small base in the UK. The business model is 100% service based, as the focus is on placing students with appropriate institutions, depending on each student's needs, education background and English language ability. The company is then paid commission by the receiving institutions.

UKEAS was initially owned by two brothers from the UK, who set it up in Taiwan. Although they are still the main shareholders, the company has also taken on additional shareholders, eg local partners. The company currently has 200 members of staff across seven countries and 28 offices, with further aspirations to enter new markets.

Evolution of the finance function

UKEAS was initially organically financed from the founders' own resources and then grew very slowly, taking on no external financing or loans, just some equity financing during its development. Throughout, the company's local partners (subsidiaries and joint ventures) have fed into the financing processes, with headquarters then providing a central report and feeding back to local firms, ensuring that a feedback loop is in place. One of the founding members is a member of ACCA and so was able to maintain the books as well as oversee the strategic aspects of financial analysis until the current CFO was hired (three years ago), in response to overwhelming demand and the need for additional capacity.

Symbiosis between the finance function and business growth

Overall, UKEAS has grown steadily over the past 20 years, working with most

higher education institutions in the UK and over time building a very close working relationship with them. The company's key reasons for expansion have been its own decisions to enter new markets. For example, it grew particularly rapidly in the last five years after deciding to extend beyond Asia Pacific and enter the African student market (Nigeria to begin with). The instigator was one of its university partners, which recommended this new market, and wanted UKEAS to be its new agent there. The CFO commented that 'we were very lucky to be able place strong talent in a key position there [Nigeria] – we had the right person in the right place at the right time, and that triggered the growth'.

This new market entrance caused significant changes to occur in the company's finance department. The expanded volume and scope of the new regions and student numbers involved meant that the company needed to increase the number of staff in its finance team, as well as to improve and upgrade systems to adapt to the higher complexity of having several new business streams. This largely occurred reactively rather than being anticipated, but when the company initially made the decision to enter the market, it needed to prepare cash flow estimates and an analysis of local tax regimes, estimate student recruitment numbers, and finally make the key decision as to how much capital to inject into the new market development. The existing finance function was key to all these processes. Today, following the steady growth over the years, the CFO commented that the finance team are 'pretty well geared towards change and entering new markets', having become highly adaptable as well as able to apply to new situations the model that has served them so well.

The CFO stated that the major accelerators for the business' growth were the internal initiative to enter new markets and, importantly, the concerted marketing efforts that went alongside that. All this growth was, at the same time, 'planned and none anticipated', as UKEAS's is a high-risk

business. In recognising and dealing with this, alongside the key procedural aspects, the finance function overall has expanded in capacity and complexity.

Managing high growth

Once UKEAS had gained momentum in its new African markets, the challenge was to maintain that without sacrificing quality as the volume grew. Therefore, in order to manage the high growth, the company was open to bringing in additional resources if needed, and closely monitored growth to ensure that it would not 'get out of hand' – a strategy which applies across the whole company, including the finance team.

A major challenge encountered was Nigeria's domestic situation, which included high rates of fraud, corruption and political volatility. UKEAS needed to take into account that all these problems were likely to affect its business in many ways. For instance, university partners need to visit students there, hold fairs/open days, interview candidates, etc, and there is also difficulty in securing student visas for the UK. Having addressed these challenges, UKEAS has developed a very robust system to help mitigate risk, and is now able to apply the same business model wherever it sets up. The finance function has been involved in part of this development, although the system extends company-wide.

Integration between business planning and the finance function

Finance has always played an integral role in the company planning and the finance function into new markets. As the CFO emphasised, it has essentially provided 'management with a conscience - the numbers would stop them in their tracks and make them consider possible implications', thus providing a key cautionary measure as well as enabling entry into the new market. Today, UKEAS's finance function continues to have a clear strategic role and is very closely involved in updating the business plan.

Overall, the CFO commented that UKEAS's clear strategic role and is very



closely involved in upda vision. This has also entailed building a careful equilibrium between adaptability and structured planning where the finance function is concerned, particularly in moments of growth: 'we are adaptable but thereuilding a careful equilibrium between adaptabance team to do what's needed; management is very understanding about the need for flexibility in reporting deadlines.'

Managing the finance function for optimum growth

Current plans for UKEAS's finance function include attracting new talent, especially as the business grows, ideally looking for people with an international background and familiarity with international business. As part of this, and throughout the evolution of the finance function, UKEAS has outsourced the financial function of local office sites, which has proved essential because local agencies are familiar with local regulations and legal aspects.

The CFO's top three tips for a growing business in the international education sector are:

- love your finance team – 'a good team can provide all the essential analysis and information to identify where strategies could work, and what could be the fastest way to grow profits'
- invest in marketing – this is essential not only for the actual services/products on offer, but also in order to locate the right talent to fill key positions.
- ensure that your reputation survives your growth strategy, ie do not sacrifice quality.

With this last point in mind, it can be said that the finance function has provided the backbone to UKEAS's efforts to initiate, enter and establish new markets, and so grow steadily over the years.

ADVICE FOR HIGH-POTENTIAL BUSINESSES FROM INTERVIEWEES WHO HAVE ACHIEVED HIGH GROWTH

In light of their experiences, interviewees were asked to provide their top tips to guide the finance function in the best ways to evolve to facilitate and enable growth, and these are listed below.

1. Remember that the finance function is at the heart of everything. Finance is 'not just sitting and doing balance sheets but much more involved in bringing a broader input into the company'.
2. Implement strong financial management: having a comprehensive bird's eye view of how the finance function reaches into operations and informs strategy is crucial, especially in times of high growth and/or acute transition.
3. In times of high growth, 'put away some money! Most spend it all, but you need to know you'll hit ups and downs, so put away something for the downs'.
4. Understand the financial data throughout the organisation, making this easily digestible and accessible to relevant departments according to the nature of the data. In addition, ensure that all teams that need to refer to this data are adequately trained in how to read and apply it to their work.

Cash and finance

As one CFO in this study put it, 'cash is king and you have to be able to move when the opportunity faces you'. Clearly, having a finance function optimally geared towards growth and managing high growth necessitates a good understanding of how to distribute, re-invest and save business revenue. This section provides some key pointers.

However well a business may be performing in its revenue growth or profitability, if it encounters a lack of cash it may experience serious problems – a situation that is just as likely to occur when a business is doing well as when it is performing poorly. In order to grow, a business may need to buy materials, take on employees, or even undertake significant capital expenditure. Depending on product or project lead times, however, it may take a significant time before the customers who are driving this growth are required to pay. The business, meanwhile, still needs to pay its suppliers and manage other costs.

An issue may arise if other members of staff across the company apart from the CFO and finance team do not understand this

dichotomy. The CFO, therefore, needs to ensure that other teams are educated about this, and that the business as a whole remains focused on cash. For example, sales people have a role to play in assessing the credit-worthiness of their prospective customers.

The following points provide CFOs in high-growth businesses with further guidance for the strategic management of cash flow.

- The CFO needs to take full responsibility for producing a regular and frequent cash forecast – perhaps as often as daily, depending on the business. This helps to identify upcoming gaps in cash flow before they arrive, thus allowing the business sufficient time to take action.
- The CFO is also responsible for finding appropriate sources of finance, and so needs to be aware of the range of options available, such as whether to secure day-to-day working capital or expansion capital.
- Poor working-capital management is a common reason why businesses get into financial trouble. For example, payables and inventories may mount up while customers are allowed to pay late. It is important here to remember that the most important source of cash is a business's own customers. CFOs need to manage their debtors and ensure that they pay on time. Adopting good credit management techniques is key, such as calling creditors shortly before payment is due to check that they have all the information they need, that they are satisfied the invoice is in order and the goods are satisfactory, and that they will make the payment by the due date.
- Businesses need to consider whether they are taking on excessive credit default risk if they continue to supply a customer who is increasingly behind with payment. CFOs should ensure that credit reports are not only checked when a new client is signed up, but that they are regularly updated and monitored.
- Businesses could consider whether they can ask customers for a sizeable deposit or even payment in full up front, to keep the cash flow healthy.
- It is important to manage stock levels so that inventories of unsold goods do not mount up, draining the business of cash and increasing the risk that the goods will become outmoded or even obsolete before being converted into cash.

- CFOs should insist on paying creditors on time, although there is no need to pay them early. A track record for being a late payer will ultimately increase a company's costs and may lead to a refusal of credit. A good track record of paying on time is part of a company's good name and reputation, and will ultimately aid in enabling high growth.
- Working capital tools such as factoring, invoice discounting or supply chain finance can turn invoices into cash that can be particularly useful to pay for the staff, purchases or other resources needed to finance growth. Interim invoices, such as for staged or interim payments, can generally also be discounted for cash.

Systems and processes

Without the proper systems in place, a fast-growing business – no matter how agile, innovative and competitive – would risk internal disarray that could affect market performance. For example, it would be difficult to tell in such a case how quickly the business was growing, whether it was growing profitably, and where any performance problems might be that need to be addressed. In addition, it would be particularly difficult to obtain information quickly enough to allow swift action to be taken in a fast-moving environment.

Good systems, therefore, can add value to a high-growth business if they are robust but not restrictive. The following points explore this in further detail.

- Having efficient systems in a fast-growing enterprise can enable it to be truly scalable and to achieve its full potential. When considering how to approach the task of designing system requirements, it is important to consider this question: 'How would this system help us move beyond being an organisation that is dependent on the expertise of the business owner and a few other people? How would this process make us scalable by leveraging the knowledge that we have?'
- One practical difficulty for businesses is knowing when to invest in bigger, better systems. Since running a fast-growing business on inadequate systems can be a false economy, it is preferable to invest in systems that the business can grow into. CFOs should consider whether there are suitable systems that can be easily upgraded and upscaled as the business

grows, and which can grow in a modular fashion as the requirements change. It makes sense for fast-growing businesses to invest in systems that will be able to accommodate that trajectory of system requirements.

“The phrase “volume-ready processes” means that you should always plan for the future without over-investing in processes. If you are growing without this in place then you face a lot of problems later along the way”

Gabriel Low, CFO GEA Westfalia Separator / GEA Mechanical Equipment

- High growth businesses need to define 'transformation points', i.e. the points in a business's growth at which new tools are likely to be needed. For example, system tools for human resources processes, procurement or warehousing may not be needed in the early stages of a business's development. Nonetheless, the CFO should anticipate and identify the stage at which those types of functionality or tool would suit the business.
- Good systems, controls and processes are fundamental to protecting a business from fraud and from error. The key reconciliations should be in place as well as the appropriate authorisations for signing off expenditure, payments, contracts, and so on.
- A high-growth business should never discount the possibility of fraud, even if it is a small operation where everyone knows everyone else. Businesses that are growing quickly but chaotically are ripe for fraudulent activity. Fraud can also be a serious risk if the business encounters financial difficulties and is in danger of breaching performance targets or covenants mandated by external providers of finance. This is the point at which 'performance-related stress' can induce senior managers to take unethical or fraudulent shortcuts to disguise the true performance and financial position of the business. Robust systems can prevent this.
- Innocent mistakes can also be damaging if they result in incorrect data being inputted into systems or if reports are incorrectly

compiled. Either way, management action based on wrong information will result in bad decision-making. The true profitability of various product lines may be misunderstood or the amount of cash available may be seriously misjudged.

- It is not always easy to make a business case for investment in better systems. Nonetheless, if systems are difficult to use or extracting useful data from them is time-consuming, then they are a drain on the company's resources. That fact alone helps to underpin the building of a business case for better systems by showing a real return on investment from releasing staff resources and redirecting them back towards more profitable endeavours.
- In practice, the returns generated by better systems are not always directly measurable. The problem is that 'reduced risk' and 'better-quality information' may seem like ephemeral promises when resources are stretched and the senior management team are reluctant to spend scarce money on what looks like more administration. It may be possible, however, to perform a few laborious calculations more quickly via improved systems, such as assessing the true profitability of various product lines or the finance cost benefits from tighter cash flow management. Calculations such as these can generate real returns because they produce results that are actionable.
- One of the most important reasons for any high-growth business to have robust systems and controls in place is compliance. Whether for regulatory reporting or tax filing, good systems are widely regarded as non-negotiable by governments and tax authorities. The cost of compliance, however, is not only measured in the value of regulatory fines and penalties avoided but, in the case of tax, the value of the real cash benefits derived from being able to ensure that all legitimate deductions and allowances have been claimed.

Ultimately, 'effective systems make it easy to share information with colleagues or transfer data' (ACCA 2013: 4). Such systems can not only make financial management in times of high growth proactive rather than reactive (ACCA 2013: 6), but can also significantly bolster the finance function's capacity to be a business partner to other departments.

This guide has endeavoured to show that the finance function can extend beyond its traditionally perceived auxiliary role to one of a strategic business partner that drives growth as well as enabling it.

In exploring the role and significance of the finance function in eight high-growth businesses worldwide, and collating the experience of their CFOs and financial managers together with ACCA's earlier research, this guide has endeavoured to show that this function can extend beyond its traditionally perceived auxiliary role to one of a strategic business partner that drives growth as well as enabling it.

The majority of CFOs and financial managers interviewed as part of this research asserted that the finance function in their organisations has, indeed, been integral to enabling the business to achieve its growth. Specifically, it has proved central to efforts to initiate, enter and establish new markets; it has acted as a partner to the business development team and other departments; and it has ensured financial health and discipline so that in each case the company could continue growing.

In exploring these key elements of the finance function, this guide has provided points of consideration for executives and CFOs of high-potential businesses, showing how they can fully understand and harness

the potential of the finance function, and how this can be managed to facilitate and maintain high growth, describing the role of the finance function in business planning, and emphasising the importance of having the right skill sets and leadership in place to enable these benefits.

Crucially, this guide has demonstrated that the finance function needs to work in tandem with or, even more powerfully, become integrated across other key business development departments in order to prepare carefully for, and plan, new growth. Alongside this, in order to fully contribute to the business development as well as operational processes, the finance function has a key role to play in monitoring and controlling high growth as it unfolds, as well as forecasting future trends and possible new directions for the business, on the basis of present and historical financial data. By holding these key responsibilities, the finance function extends well beyond the traditional accountancy and processing role, becoming a central rather than auxiliary presence, and an essential element in the strategic decision-making of a high-growth business.

ACCA (2013) *Building your Financial Capabilities: A Guide for Growing Businesses*, ACCA Global. [Online] Available from: <<http://www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/pol-afb-bfc.pdf>> [Accessed 23rd June 2015].

EA-READY-FOR-GROWTH