
THE IMPORTANCE OF A FIRST-CLASS CFO WHEN LOOKING TO SECURE VENTURE CAPITAL FUNDING

It's fair to say that 2015 has been a successful year when it comes to capital investment in London's Technology companies.

*'London-based tech companies have raised \$1.6 billion so far this year, eclipsing the \$1.3 billion for the total amount raised in 2014' *1*

Figures like this make it difficult to comprehend the levels of investment we are likely to see in 2016.

The launch of Tech City in 2010 has no doubt impacted on the steep increase in Technology Businesses based in London and ultimately the level of funding that the Capital is seeing secured by them. Oxford Economics suggest that by 2025 there will be 51,500 London based Technology Businesses. This surely then poses the question around competing with other companies when trying to secure funding.

Whilst having a compelling, entrepreneurial idea is the start of any great business, there are many other factors that need to be considered when trying to secure funding – an idea alone is simply not enough.

CREATE BUSINESS INTELLIGENCE FOUNDATIONS

Whilst initially you don't need a team that is all singing all dancing, what you do need is the ability to attract talent. If you are unable to convince people to join you on your journey, it is unlikely that you will be able to attract investors, or customers for that matter. Use the same passion and drive that you demonstrated when coming up with your business idea, coupled with credibility, and you will be on your way to attracting world class talent who share your vision.

TARGET MARKET

It sounds simple enough, but target a market that is not over-crowded, a market where there is a significant problem that can be solved or an opportunity that isn't already exploited. This will be made all the more harder when we have a market of over 50,000 Technology Businesses in

London alone. It is better to target a market where you can create value, not a market where large value has already been created.

STAY AHEAD OF THE GAME

The biggest challenge in the Technology Industry is staying ahead of the competition. Having the Technological advantage right now doesn't mean you will have it in 5 years, or even 5 months. By building a talented team you are more likely to assure investors that you will maintain a competitive edge with your technology.

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CONSIDER THE COMPETITION

This isn't just about considering your direct competition, it's also about understanding who else is in the market that offers a 'good enough solution' at a potentially lower price. If you create a successful business, competitors will of course try and copy or create something similar in order to repeat your success. You need to be able to constantly identify and adapt your USP's in order to reach your target market before a competitor beats you to it.

UNDERSTAND THE FINANCES

Far too often in Technology Businesses the importance of a strong finance function is over-looked. A successful entrepreneur understands their finances as well as their product. A strongly created set of financials show your investors what drives growth & profit and how your company will evolve and remain successful.

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DOES IT OR WILL IT WORK?

Credibility and customer traction are two of the biggest factors that will influence whether your business idea will work and whether you will be successful in securing funding. How do you know your product will sell? Do you have a customer base already? Are you the only expert in your business or are there other people you can pull expertise from? The better credibility and customer traction you have the more investors will be interested.

Why is the Recruitment of a First-Class CFO Important When Looking to Secure Venture Capital Funding?

CFO's are a crucial element when considering the relationship between your company and a VC firm. Over the last few years it has become apparent that a key task for a CFO is to secure funding. But the benefits that a first-class CFO bring are visible well before the funding stages.

A first-class CFO goes above and beyond being responsible for the finances. They understand your market, potential growth opportunities and 'what good looks like' – perhaps business strategist is a more reflective term. A first-class CFO will help you:

CREATE BUSINESS INTELLIGENCE FOUNDATIONS

The recruitment of a first-class CFO should be treated as business critical. This is your opportunity to demonstrate to the VC firm that you are serious about developing a true partnership with them. It will also impact on your ability to create a team that genuinely consists of talent. A first-class CFO will only join a business they see potential in. If your CFO sees the potential in your business so will the talent you are looking to attract.

TARGET YOUR MARKET

A first-class CFO will understand the scope and size of the market you are entering, they will identify potential growth opportunities. By working closely with your CFO you will develop a real understanding of what your target market opportunity looks like from a financial perspective.

CONSIDER THE COMPETITION

Creating a pricing model that truly reflects the quality of your product, whilst remaining competitive is crucial to ensuring you are the standout performer in your market. Understanding what costs are fixed, what costs are variable and ultimately what affects the bottom line is only achievable when you are partnering with a strong finance professional.

UNDERSTAND THE FINANCES

Of course a good CFO will understand the finances, but there is so much more to finance than just creating accounts. A first-class CFO will understand the financial models behind what will make your business successful. It may be that as a start-up business you initially offer a 'freemium' model, then as your product gains traction, you move to a subscription model.

It is clear that the addition of a first-class CFO to your business will have a positive impact when it comes to securing funding. A strong CFO & Founder/CEO partnership will make both considering and more importantly actioning the above points much easier than trying to go it alone. As we enter into a world that is becoming increasingly saturated by Technology Businesses it is essential that when you are looking to secure funding, you not only get it right, but get it right the first time. A first-class CFO will make sure you do this.

To discuss further how a CFO can support your business through its next stage of growth, please contact Lisa Bird on 0203 178 4996 or lbird@partnerfinancial.co.uk

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