The SaaS FinOps Tech Stack Efficiency Survey Report

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Content

The benchmarks: **effective measures built by your peers**

Sage Intacct, The SaaS CFO, and RevOps Squared conducted research throughout July and August 2021 to benchmark how recurring revenue companies managed the financial reporting process.

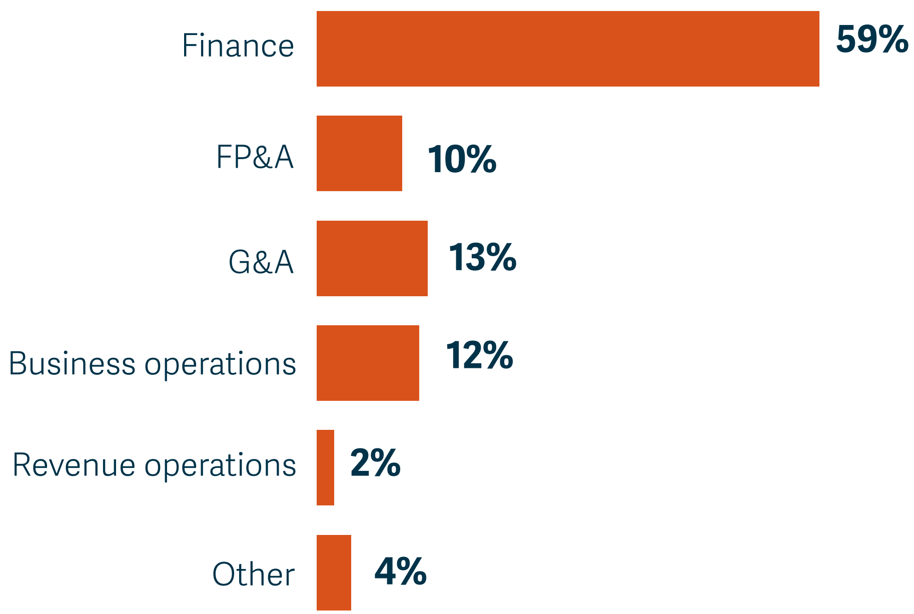
Over 250 companies participated across a wide spectrum of company size, annual contract value, industry segments and geographic location. Participants profiles included C-Level executives, senior vice presidents, vice presidents, and Director level roles across core finance department functions.

The research covered a wide variety of financial process responsibilities and activities including reporting, financial close, performance metrics calculations, and their related resource utilization—primarily time based.

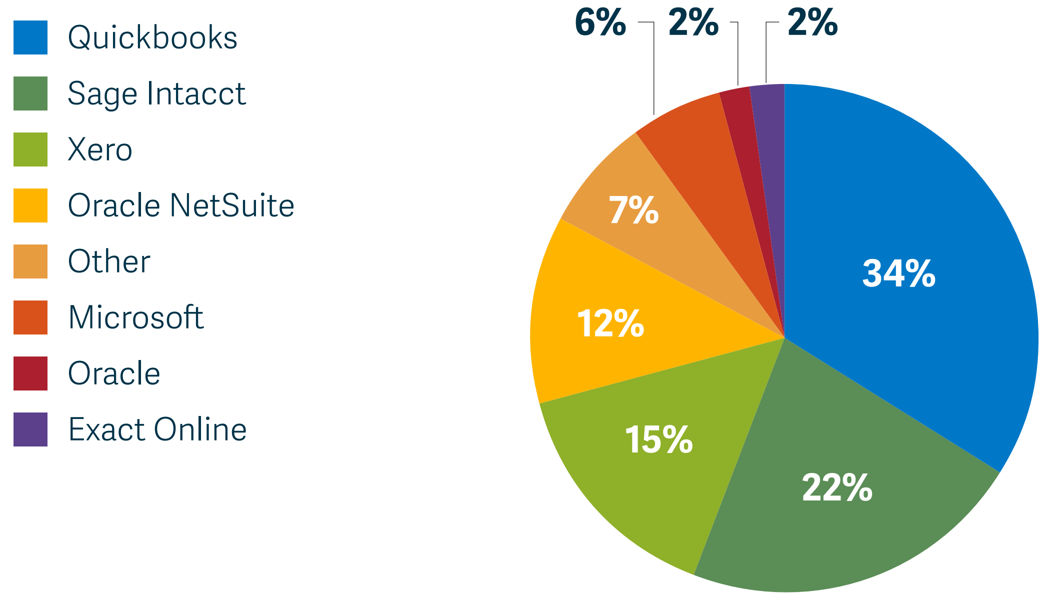
The goal was to identify process optimization and associated development representative productivity enhancement opportunities.

Take the benchmark survey to see how you compare.

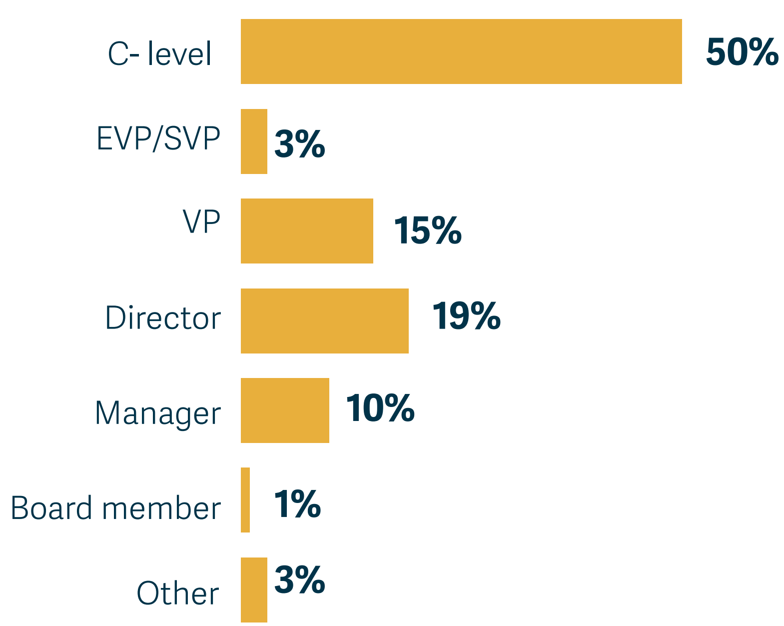
Job function



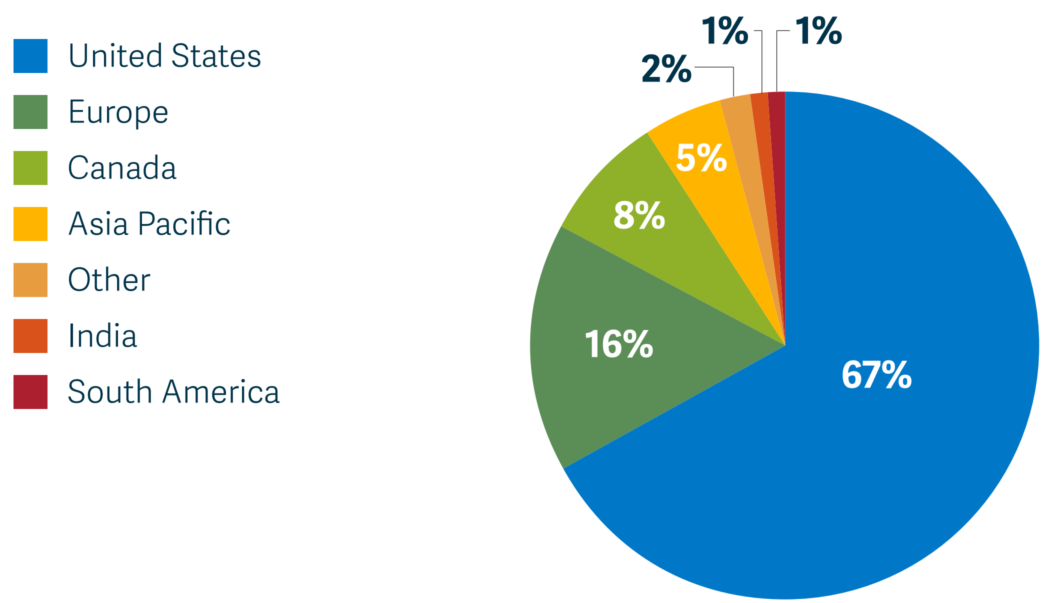
Financial management platform



Title level



Region



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The summary: **at a glance**

Regardless of your growth stage or business needs, the key to being insanely efficient is minimizing unproductive processes and leveraging the relevant technology that saves you and your team time and money. Drawing from the insights from this benchmark study, these are our recommendations to set your organization up to be most successful with the ideal FinOps tech stack tailored to your business needs:

Automate financial processes early

Identify what metrics you need by stage processes early

Eliminate process challenges delaying your close

Build your FinOps tech components in one stack

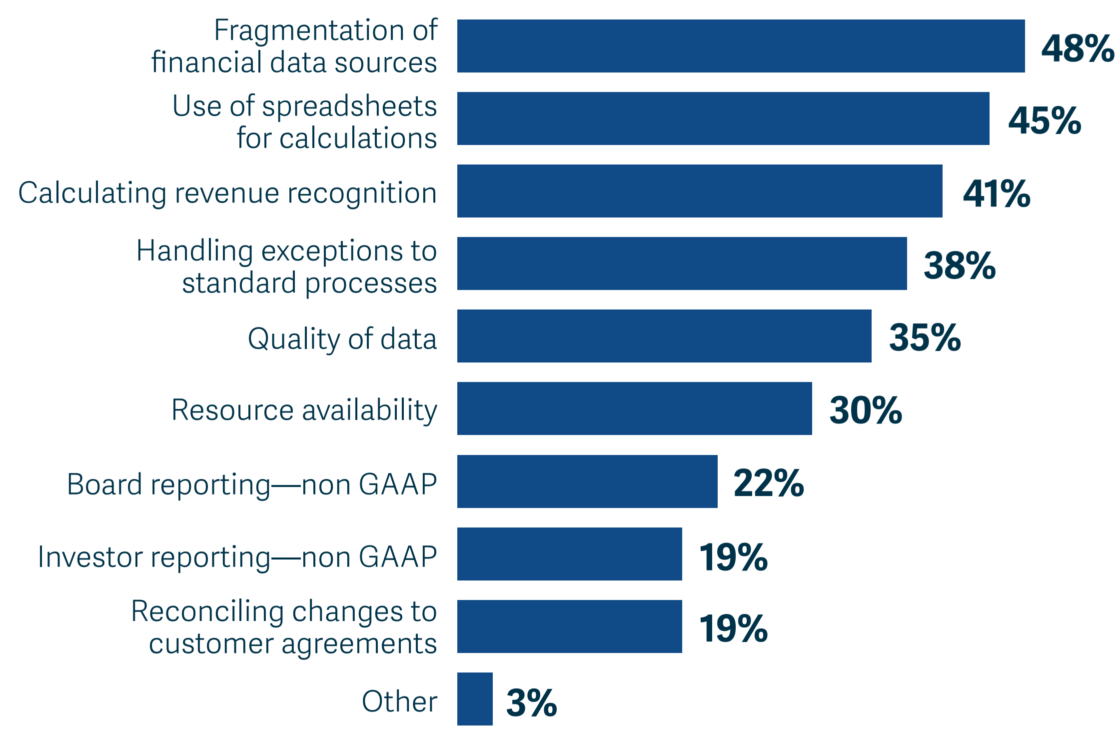
1. Automate financial processes early

Goodbye manual operations, hello intuitive automation. Per the graph to the right, budget vs actuals, performance metrics, forecast, and cash flow are 4 financial management reports. However, they are calculated manually 38-48% of the time. This graphic below shows the timing of what metrics and processes to automate by stage.

2. Identify what metrics you need by stage processes early

As your business continues to grow, having real time visibility of the finances becomes critical to scaling effectively. Identify what metrics you need (see the "Key Measure" column below) throughout your growth process and prioritize the metrics that are most insightful in the decision-making process and investor relations.

Financial close process is highly manual



What metrics and processes to automate by stage

Stage	Use of funds	What to accomplish	Financial processes	Key measure
Sale or IPO	Expand product line, go global, acquisitions	Take what works and move to adjacent markets and new geographies	Acquisitions International expansion Compliance	Net profit
Series C-F	Grow to $100M in gross profit	Growing @ 40%+ with repeatable product development, sales and customer success processes	FP&A Gross margin analysis	Gross profit
Series B	Prove net expansion revenue model	Growing 50%+ Customers buying 2nd and 3rd time	Track upsells, renewals & cancellations ASC 606 compliance Forecast revenue billing cash cut the close	CMRR per customer
Series A	Prove revenue model	Growing 100% 75% of sales meeting quota	Automate subscription billing AP & AR	Unit economics
Seed	Product market fit	10 ecstatic customers	Manage cash & payroll	Cash

3. Eliminate process challenges delaying your close

For many years, the financial close process remains one of the top pain points that finance professionals have to deal with consistently. The struggle doesn't only come from the amount of time invested in the process, it also comes from monotonous manual data entry, errors that cost time and money, missing invoices, absence of real time data, and so much more. As your business grows and scales, it is critical to have the ideal FinOps tech stack to set you up for success. Go to page 22 for the SaaS FinOps Tech Stack Checklist, built from 200+ customer interviews with a similar experience that have now successfully reduced their close days down to less than a week.

4. Build your FinOps tech components in one stack

The ideal FinOps tech stack is one stack. Why? Because your operations are more efficient when your systems integrate seamlessly together. Build your finance tech components in one stack, we go deeper on this in the next section.

Two big themes: **tactical insights from the survey**

Survey results show that FinOps teams in fast growth SaaS companies need a comprehensive view on billing, cash-flow, and forecasting. Many obstacles lie in their way, from centralizing the data and accessing current data, to getting a quick close. Here are the 2 crucial insights revealed through 4 findings each from the survey result.

Insight 1:

Reporting requirements should drive process and technology stack

Insight 2:

Develop a roadmap for your tech stack

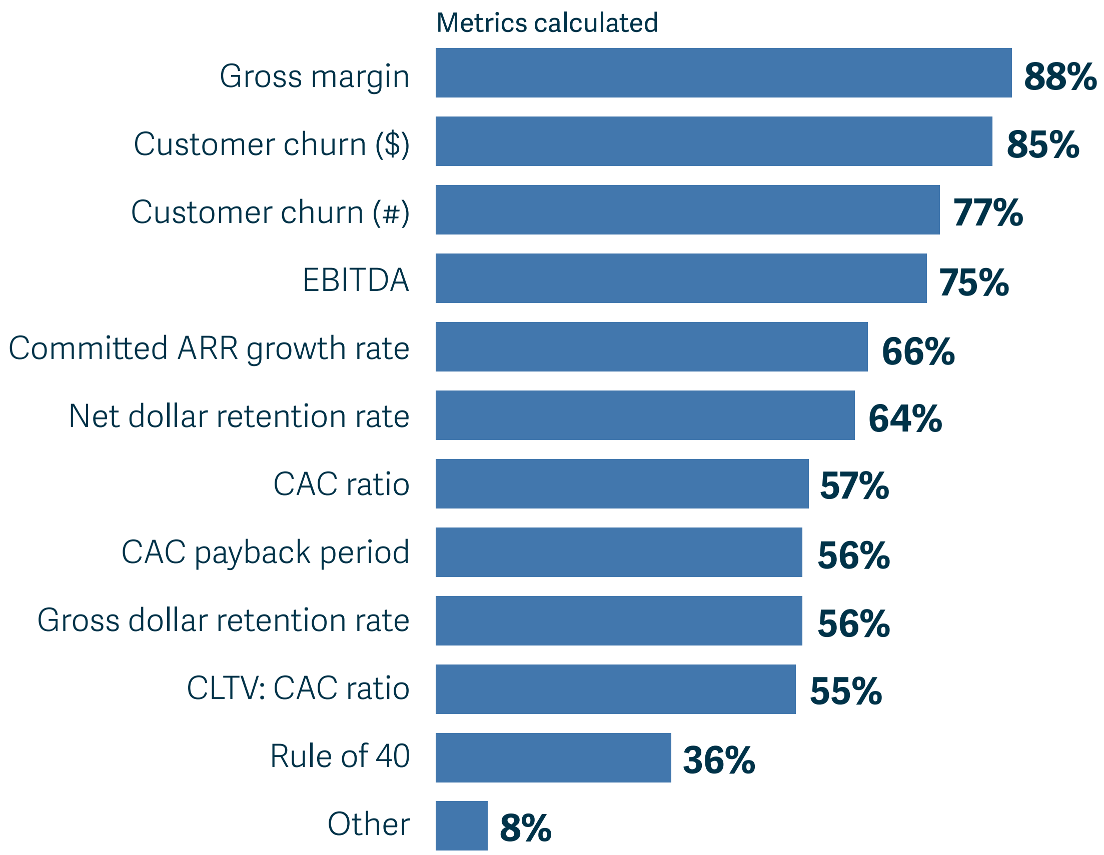
Insight 1:

Reporting requirements should drive process and technology stack

Finding 1: **SaaS metrics calculated inconsistently**

Many of the top enterprise value impacting metrics, including net dollar retention, CAC payback period and CLTV: CAC ratio are only calculated 50% to 75% of the time. Nearly 20% of the entire group calculate their metrics four times or less each year.

With 65% of companies either having or planning usage based pricing, having a tightly integrated billing platform and financial platform will become table stakes for financial process management and reporting.



Additional details:

- Top recurring revenue metrics only calculated 50% to 75% of the time
  - Committed ARR growth rate
  - Gross and net dollar retention
  - CAC payback period
  - Rule of 40
  - Customer lifetime value; CAC ratio
- Basic Financial Statement Metrics not being calculated consistenly
  - EBITDA
  - Gross margin
- Difficult to make decisions without timely, high integrity performance metrics
- Difficulty increases over time with growth and complexity

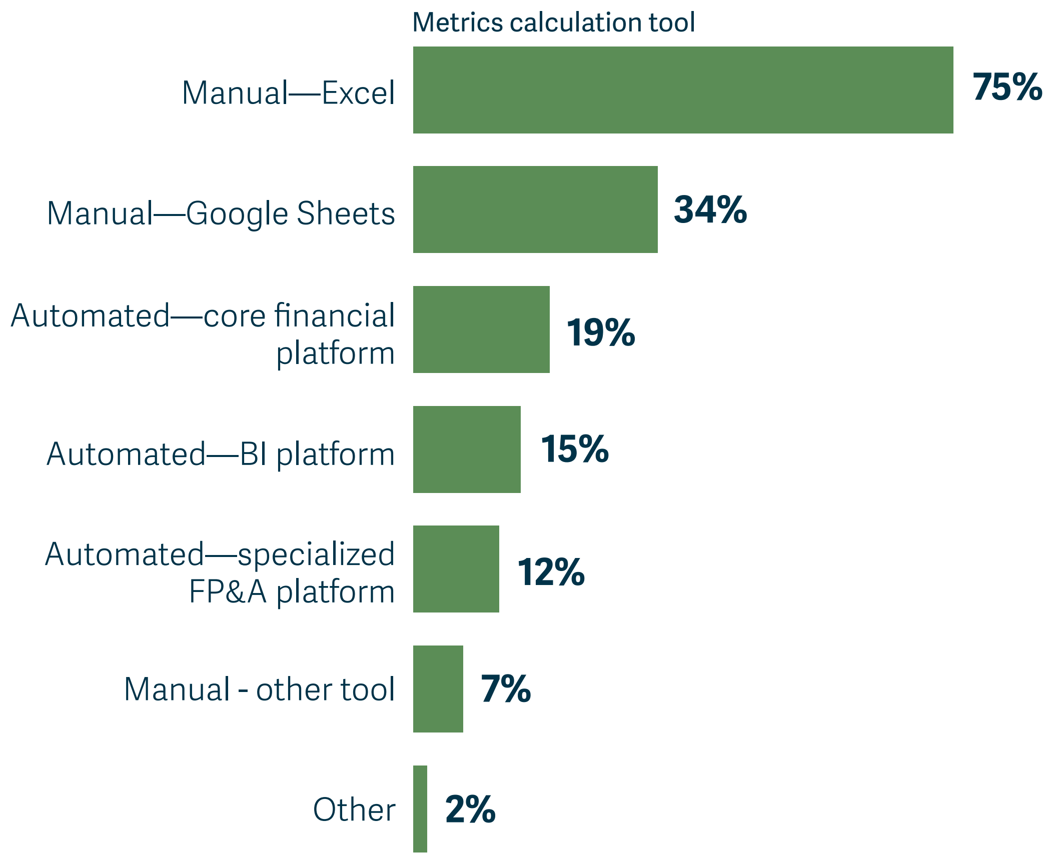
Insight 1:

Reporting requirements should drive process and technology stack

Finding 2: **performance metrics calculation is primarily a manual process***

75% of participants identified a manual process using spreadsheets was a primary source of performance metrics calculations.

When factoring in fragmentation of source data as a top challenge for SaaS metrics calculations, deploying an integrated, centralized environment is imperative.



*Particularly with contract amendments

Additional details:

- 75% of participants use a manual process for metrics calculation
  - Committed ARR growth rate
  - Gross and net dollar retention
  - CAC payback period
  - Rule of 40
  - Customer lifetime value: CAC ratio
- Fragmentation of source data exacerbates the manual efforts and risks
- Having an automated and integrated process + platform will greatly reduce time and risk and increase accuracy and data credibility

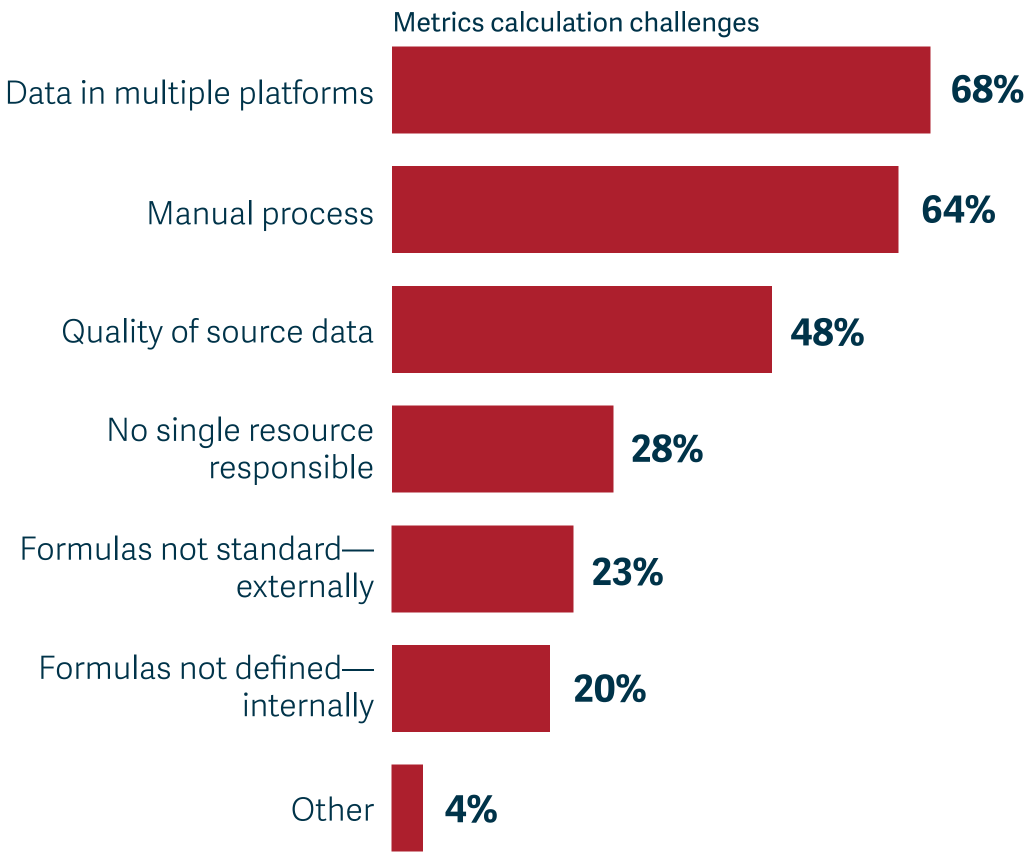
Insight 1:

Reporting requirements should drive process and technology stack

Finding 3: **fragmented data sources create process challenges**

The largest financial close process challenge was the fragmentation of data sources required for financial reporting. This, coupled with the dominance of manual processes for financial reporting, creates significant risk and lost productivity.

Deploying an integrated, centralized data source for all source data required for financial reporting will dramatically increase productivity and integrity of reporting.



Additional details:

- 68% of companies report fragmentation of source data is a top challenge to financial reporting and performance metrics calculation
- Fragmentation + quality of data sources are top challenge to metrics calculation
- Manual process represents risk and lost productivity
- Defining and deploying an integrated and automated approach to performance metrics reporting will materially increase the impact of decision making

Insight 1:

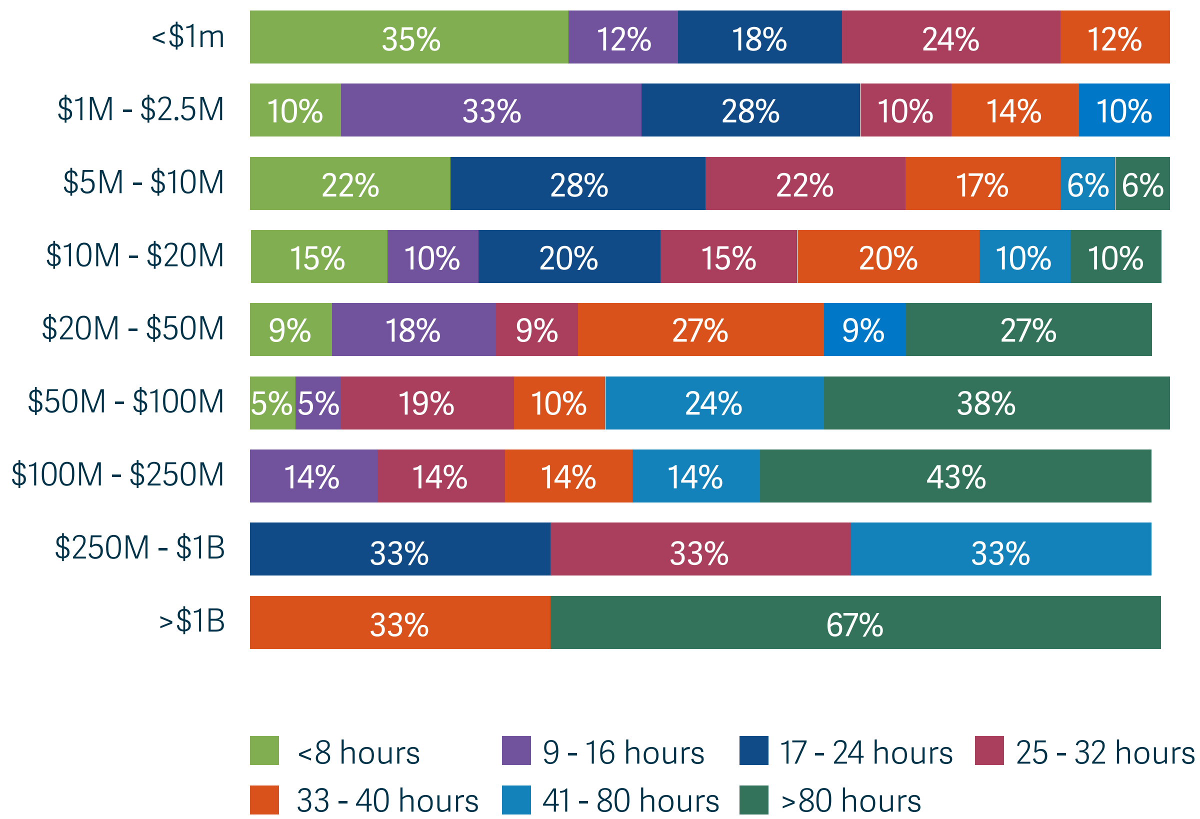
Reporting requirements should drive process and technology stack

Finding 4: **company size impacts financial process productivity**

As revenue reaches the $20M level, the amount of companies spending > 80 hours to close the books doubles and continues to increase by double digit percentages up to $100M.

The "wait until we are bigger" syndrome appears to directly impact financial process management performance across multiple segments of company size.

Hours to financial close—monthly (by ARR)



Additional details:

- $5M ARR is the key inflection point for # hours required
- Every subsequent level of growth exacerbates the time issue
  - Time equals resources and associated G&A costs
- $20M ARR almost triples the percentage of companies requiring 80+ hours for the financial close process
- Every incremental stage of growth impacts the number of resources and time required to report on the same basis financial attributes
  - Primary difference is the non-linear scaling of manual processes
- Planning for the next stage of growth should be a forward looking versus reactive, rearview mirror progress

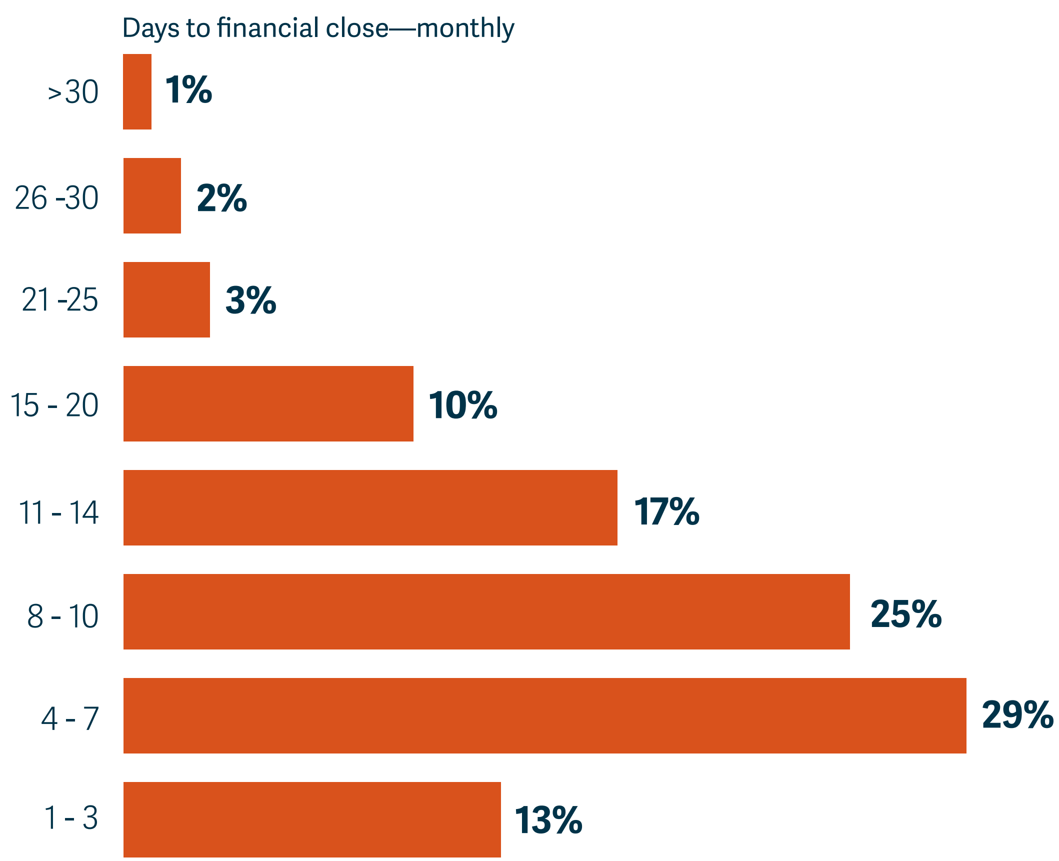
Insight 2:

Develop a roadmap for your tech stack

Finding 5: **financial close process times vary considerably**

Time required for monthly financial closing is highly variable—with between 8 to 20 days representing 52% of respondents. Roughly 16% of respondents take over half of the month to close their monthly period. As companies scale to $10M and above, both calendar days and hours required increases and does not begin to reduce until they scale greater than $100M.

Laying in the financial management infrastructure beginning in the $2.5M to $5M range will directly improve productivity and financial reporting integrity. Many recommend putting your financial house in order prior to trying to scale decision making.



Additional details:

- 67% of companies report a monthly close in less than 10 days
- Percent of companies taking greater than 10 days to monthly close dramatic increases starting at $20M ARR
- Deploying an automated and integrated financial technology stack early will dramatically increase productivity today—but even more tomorrow

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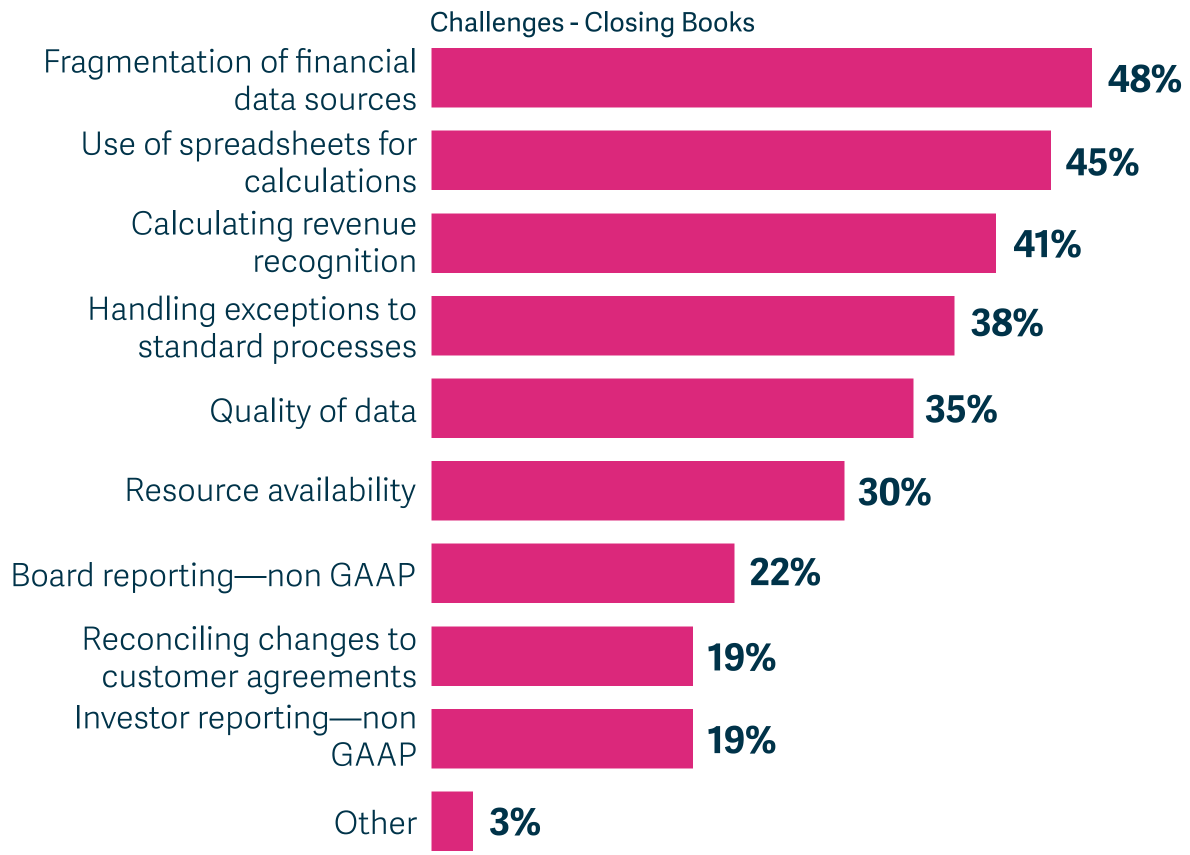
Insight 2:

Develop a roadmap for your tech stack

Finding 6: **financial processes are overwhelmingly manual**

Four of the top five financial management reports are primarily created using manual, spread sheet-based processes.

These include budget vs actuals, performance metrics, forecast, and cash flow. The current use of spreadsheets is identified top 3 challenge to the financial close process.



Additional details:

- 48% of companies report fragmentation of source data is largest challenge to closing books
  - This is aligned with the largest challenge to performance metrics
- 45% of companies report use of spreadsheets for some financial statement calculations
  - This leads to increased risk of errors
- 41% of companies report calculating revenue recognition a top challenge
  - This introduces heightened risk for investors and auditors
- Exceptions are the rule and represents 38% of challenges
- Developing an integrated, systems approach to financial reporting will provide a high level of short and long term benefits

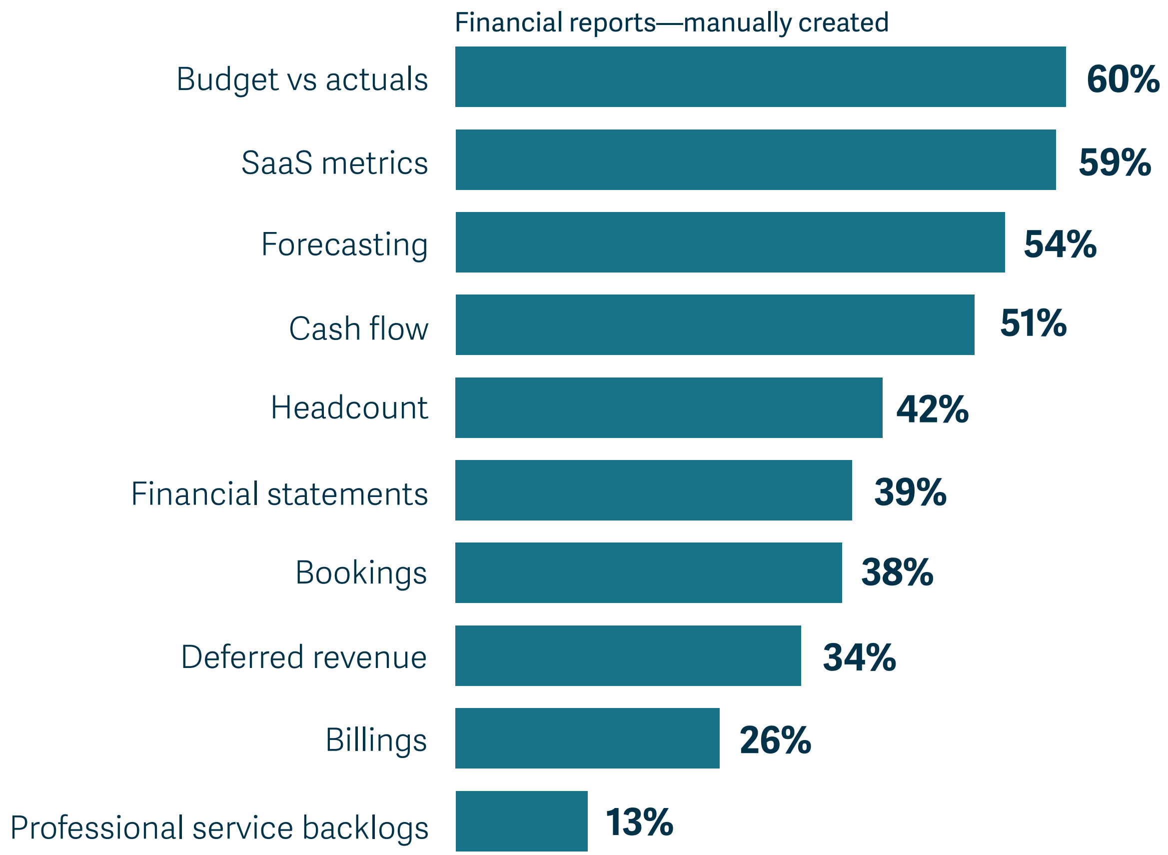
Insight 2:

Develop a roadmap for your tech stack

Finding 7: **manual processes add time and risk to financial close**

Manual process are identified as the number two challenge to both the financial close (45%) and metrics calculation (64%). In addition, forecasting which is primarily owned by finance, uses a manual process in spreadsheets 78% of the time.

Investing in a system that brings financial and operational data together for one system of record across the customer lifecycle is critical to minimizing the increased need for resources time to manage the financial process as companies scale to greater than $10M.



Additional details:

- 60% of companies use manual process to report budget vs actuals
- 54% of companies use a manual process to forecast financial performance
- 51% use manual processes to forecast the engine of growth—cash
- Exceptions are the rule and represents 38% of challenges
- Manual processes introduc risk and time while impacting financial reporting credibility
- Designing an automation and technology roadmap to reduce dependancies on manual processes is key to gaining productivity and credibility

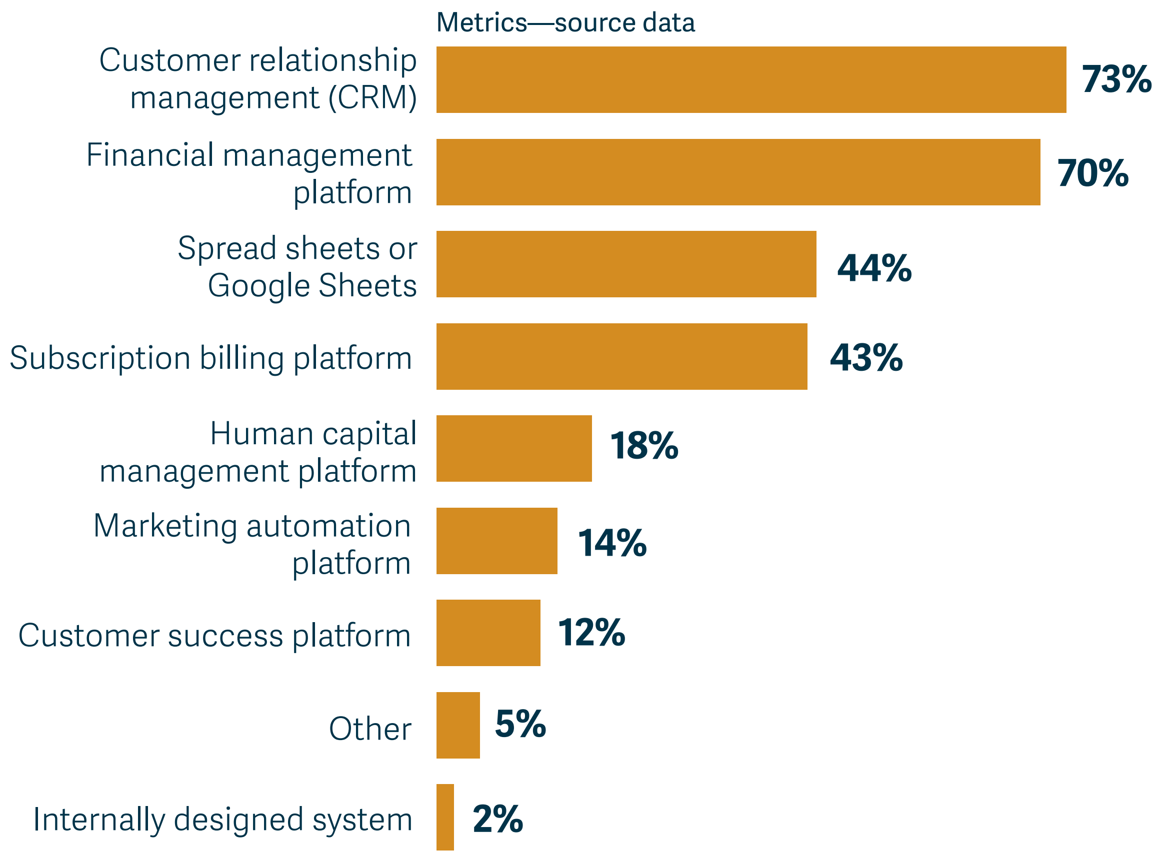
Insight 2:

Develop a roadmap for your tech stack

Finding 8: **CRM platform is critical point of integration**

The Customer Relationship Management (CRM) platform was identified as the number one source of data required for financial performance metrics calculation (73%) and was also highlighted as a key location for tracking agreement changes.

Of respondents, 20% described changes of more than twice each year. Of respondents, 20% described changes of more than twice each year. This can negatively impact customer lifetime values both from a churn rate and the inability to see upsell and cross sell opportunities.



Additional details:

- 73% of companies report CRM as a key data source for reporting metrics
  - New vs expansion ARR
  - Gross dollar and net dollar retention
  - CAC payback period
- Majority of performance metrics require data from 2+ source systems
  - CAC payback period
  - Customer lifetime value
  - CARR growth
  - Churn rate or gross dollar retention rate
- Subscription billing platform integration is critical when using multiple solutions
- Having an automated and integrated process + platform will greatly reduce time, risk and increase accuracy and data credibility

The recommendation: **here are the key takeaways from the survey**

- **Incorporate automation into your financial process**
- **Calculate metrics that matter**
- **Eliminate process challenges delaying your close**
- **Choose the best-in-class FinOps tech stack**

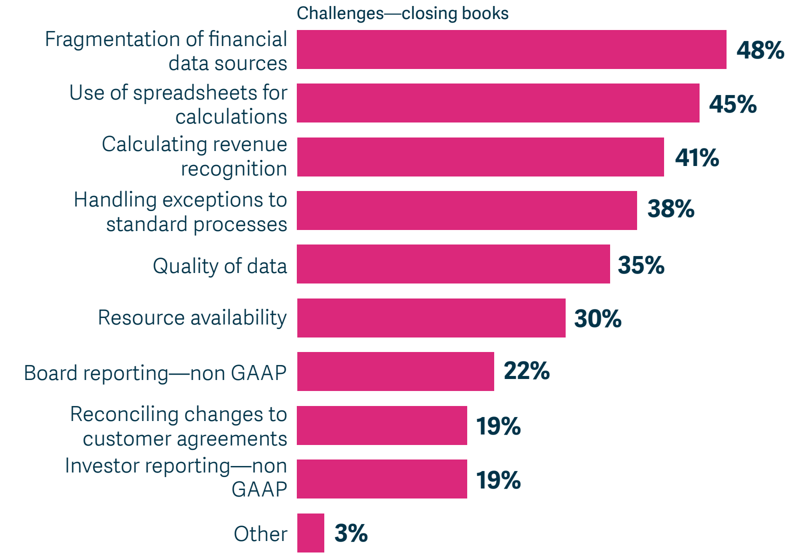
The recommendation: **goodbye manual operations, hello intuitive automation**

Managing manual processes can be time-consuming for finance teams, especially with the need to issue and process invoices, keep track of budgets, create finance reports, and more. Survey results show that 4 of the top 5 financial management reports are primarily created using manual, spread sheet-based processes. Bob Monio, commercial product management director at Kofax, a US-based process automation software provider, says, "No matter how skilled an accounting department may be, any system that relies on manually inputting data from paper is slow and subject to human error.

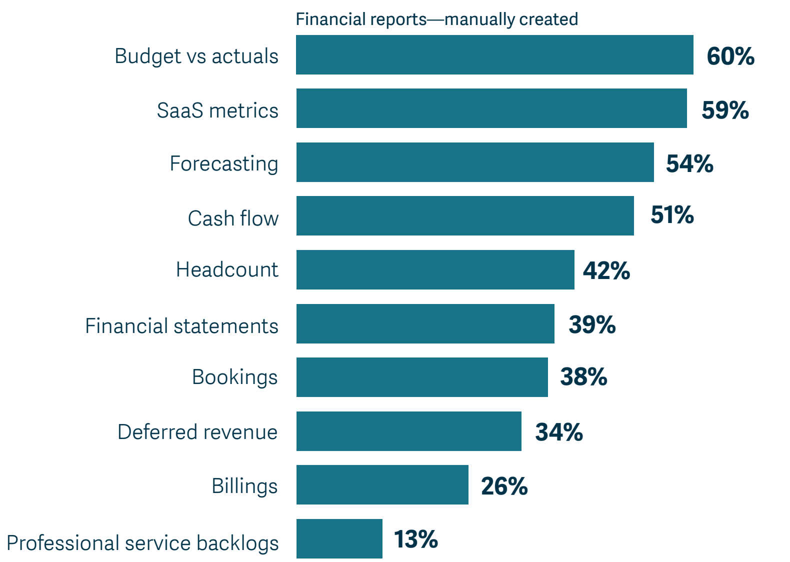
"Every time a piece of paper changes hands, the opportunity to misread, misplace or misunderstand something is introduced. For a company that handles tens of thousands of invoices per month, even a small margin of error can result in huge losses." He adds, "Manual processing also leads to a lack of control and visibility to management, leaving them unable to make informed decisions to effectively lead their team, as well as creating an environment vulnerable to fraud."

From the survey, manual process is identified as the number two challenge to both the financial close (45%) and metrics calculation (64%). By incorporating automation into your financial processes, you are able to significantly reduce close days, increase agility, lower costs, improve productivity, reduce delays, minimize errors, and ultimately give your team more time to focus on strategy and business growth. Improve the productivity of your financial team by eliminating manual processes through automation.

Financial processes are highly manual



Manual processes add time to financial close



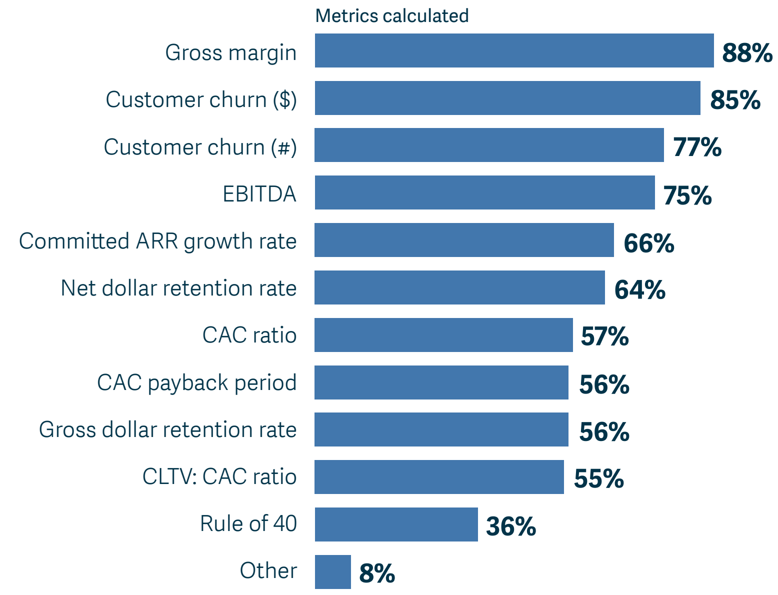
The recommendation: **calculating metrics that matter**

As a growing business, tracking your financial key performance indicators is critical to ensuring the long-term sustainability of your company's operating model. Calculating metrics that matter will help you evaluate the financial health of your business, measure the effectiveness of your efforts and implement changes to correct processes that may be costing you time, resources and money.

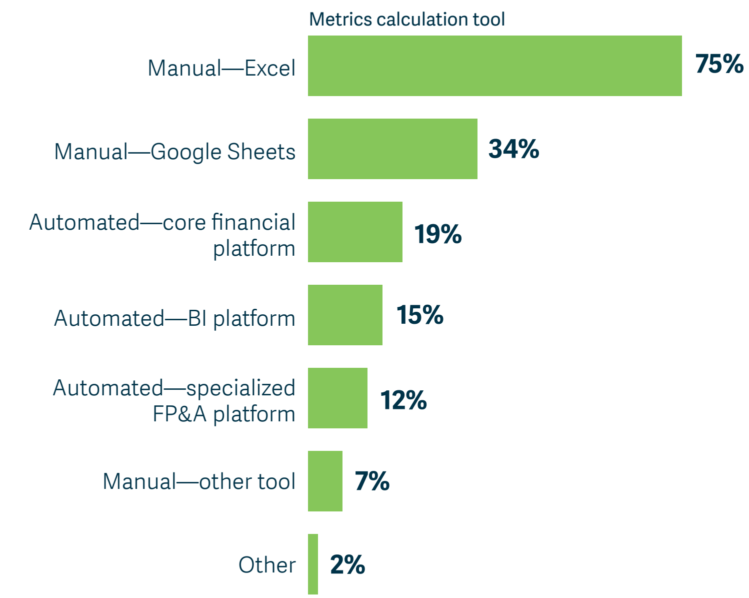
The 6 Cs of SaaS Finance by one of the top SaaS/Cloud investors in the world, Byron Deeter of Bessemer Venture Partners, is a set of measurements that can guide you on what to manage against as you grow your business. While different weights apply to different businesses, these metrics provide accurate "headlights for your business."

Survey results show that many of the top enterprise value impacting metrics, including net dollar retention, CAC payback period, and CLTV: CAC ratio are only calculated 50% to 75% of the time. Other, financial statement critical measurements, including EBITDA and gross margin are only being calculated 75% to 88% of the time. According to Byron, "the 6 C's of SaaS finance is a great long-term indicator of overall cash efficiency and business mindset for teams and companies. In today's volatility, CFOs are trying to find ways to unlock capital and create more enterprise value in the long term. By calculating the CLTV/CAC equation, you can see if your customers produce a long-term profit multiple that exceeds the cost to acquire them. It needs to be a meaningful multiple because your cost of capital as a private company or a young public company tends to be very high." He adds, "If you haven't calculated your CAC Payback yet, it's something to focus on now. You want to know the health of your business against the most current lagging and leading indicators."

Recurring revenue metrics calculated inconsistently



Calculating recurring revenue metrics is manual*



*Particularly with contract amendments

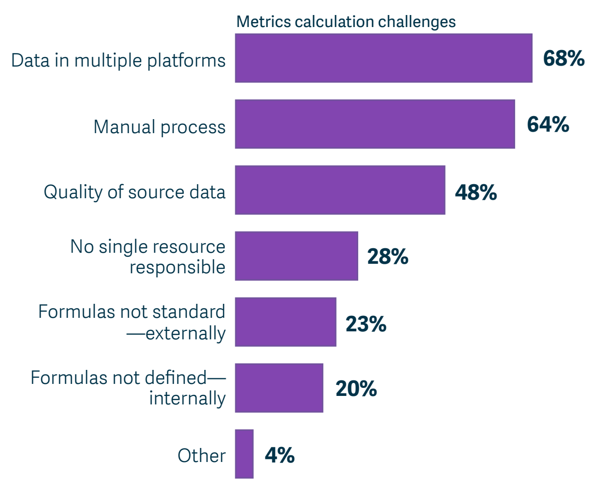
The recommendation: **eliminating process challenges delaying your close**

Long, onerous close processes not only dampen team morale, but impede the organization's decision-making when they don't have current, accurate information when it matters. Having the right technology in place enables finance and accounting teams to evolve from being historians to visionary business leaders.

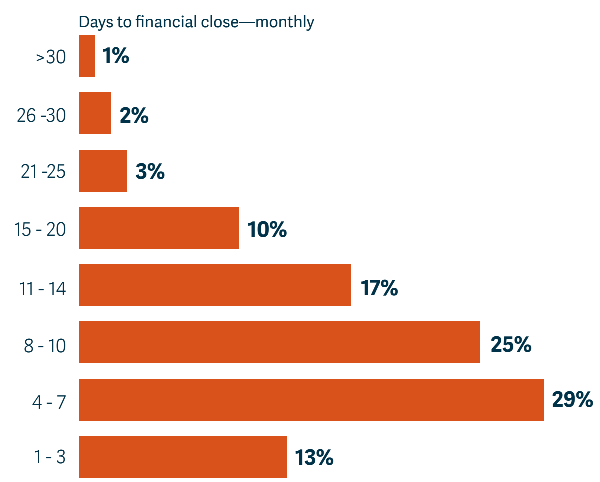
Nevertheless, many organizations continue to experience delayed close due to the complexities around time consuming manual processes, data across multiple platforms, decentralized payables, etc. The largest financial close process challenge revealed from the survey result was the fragmentation of data sources required for financial reporting. Survey results show that as revenue reaches the $20M level, the amount of companies spending more than 80 hours to close the books doubles and continues to increase by double digit percentages up to $100M. By automating more of the close process, finance leaders are able to free up their teams to spend less time putting together the numbers and more time on analysis and strategy.

In our experience, we have seen organizations with the right systems and automations in place, reduce their close from 14 days down to 5 days or less, replace manual order entry with automated invoicing to process over 500 invoices per month, calculate ASC606/IFRS 15 revenue recognition at the push of a button. Take advantage of the SaaS FinOps Tech Stack Checklist, built from 200+ customer interviews with a similar experiences that have now successfully reduced their close days down to less than a week.

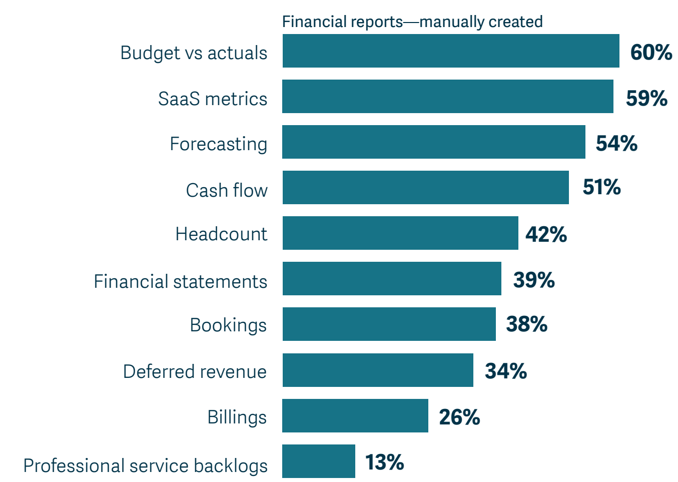
Fragmented data sources create challenges



Days to financial close monthly



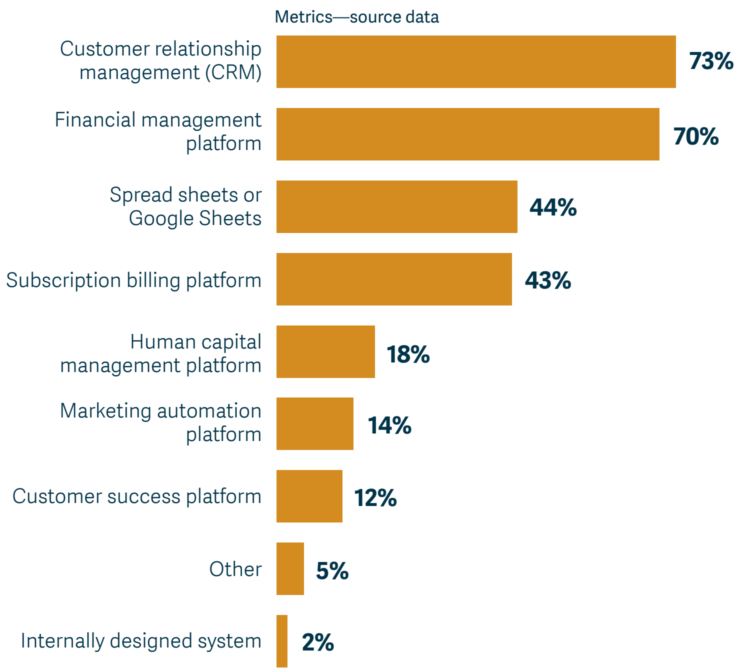
Manual process adds time and risk to financial close



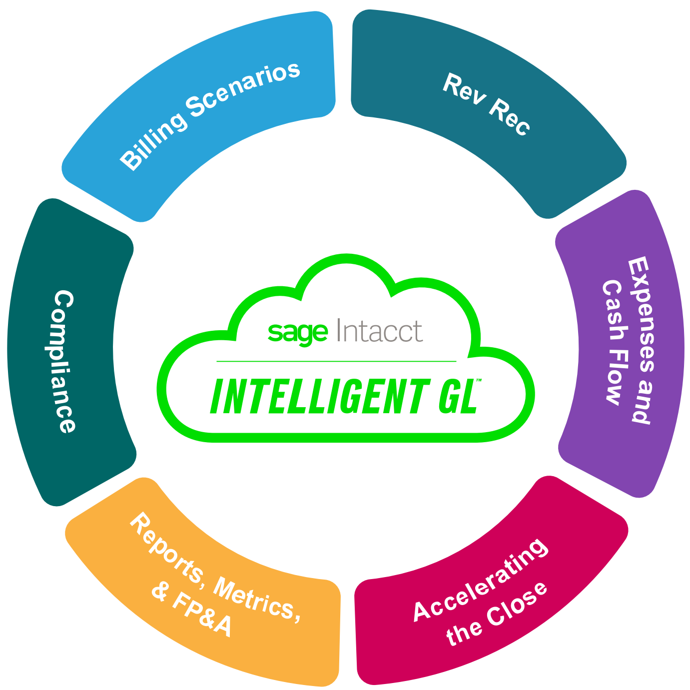
The recommendation: **choosing a best-in-class FinOps tech stack**

Building the ideal FinOps tech stack for a growing SaaS business is a marathon not a sprint. Hidden barriers and missteps can lead to messy integrations that delay closing the books and complicate reporting that guide informed business decisions. When you build your finance tech components in one stack, your operations are more efficient, and your systems integrate seamlessly together to help minimize human errors and make better financial forecasts. Integration that provides real-time data flow from the CRM to the accounting or financial management system is key to fulfilling customer-centricity goals and keeping Sales and Finance teams aligned.

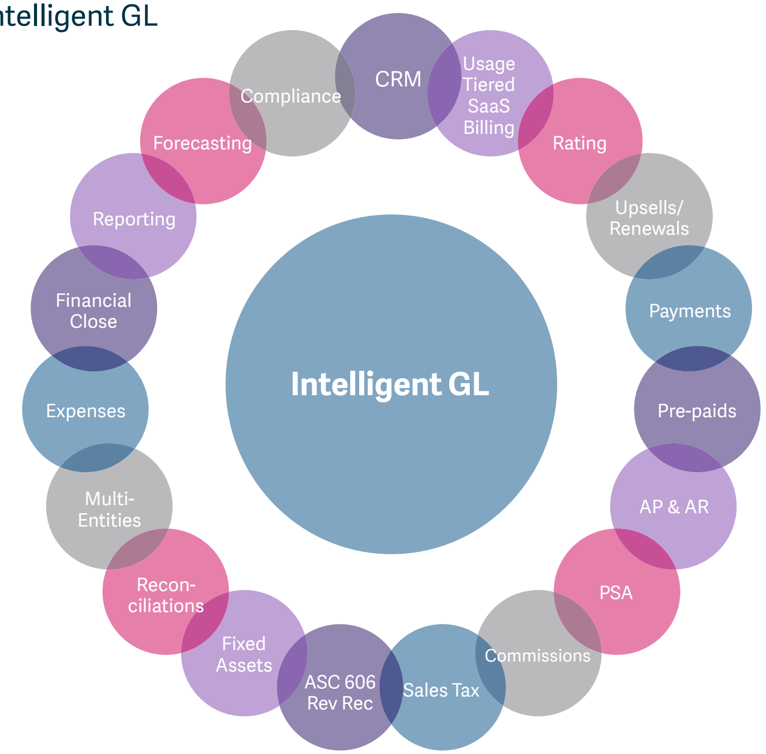
CRM platform is a critical point of integration



The ideal finance tech stack: prospect-to-disclosure

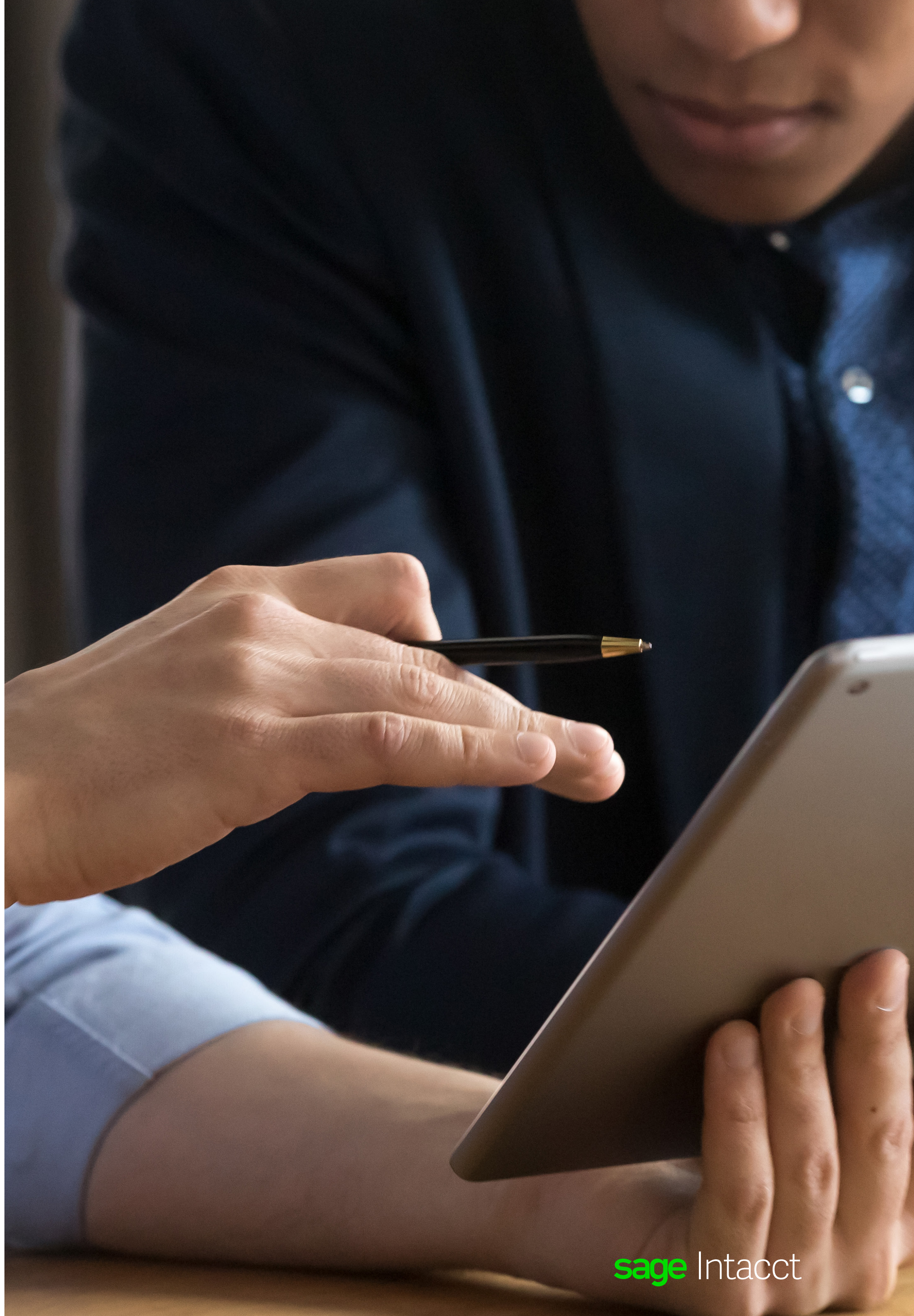


Intelligent GL



The roadmap: **action items in a 10-step checklist**

1. Compare yourself against the benchmarks in the FinOps Tech Stack Benchmark Survey
2. Prioritize which of these 8 findings to start upon, based on your Survey results
3. Automate the manual processes that are the most time-consuming (list on page 14 and in your Survey results)
4. Identify metrics that matter and set clear goals to achieve them
5. Set up your foundation: Build your GL and chart of accounts
6. Know your billing use case by working with Sales Ops and Product
7. Know your revenue recognition scenario, by working with your auditor
8. Identify where your data is coming from, for your reporting
9. Anticipate exceptions in the selling process
10. Plan to be compliant with ASC 606 and SOX with your controls now



Thank you to our additional contributors:

Ray Rike, Founder and CEO, RevOps Squared

Ray has over 30 years of experience in subscription-based software, service, and SaaS companies. His passion for data-driven, metrics informed decision making started with his selection to the GE Executive Management Development program and was subsequently enhanced by his experiences across five successful SaaS and software company exits.

These experiences, coupled with his innate analytical orientation provides the foundation for our mission to enable companies to embrace a data-driven, KPI informed decision making approach to accelerate revenue performance.

Ben Murray, Founder, TheSaaSCFO and TheSaaSAcademy

Corporate finance executive and MBA/CPA with over 20 years of progressive experience in finance and operational management within small technology firms to global multi-billion dollar organizations. Demonstrated ability to link the key metrics between finance and operations that drive corporate transparency and real time fact-based decision making. Strong background in developing financial infrastructures necessary to support organizations and management teams.

Build your ideal tech stack today

Visit http://sageintacct.com/EasyClimb to get started