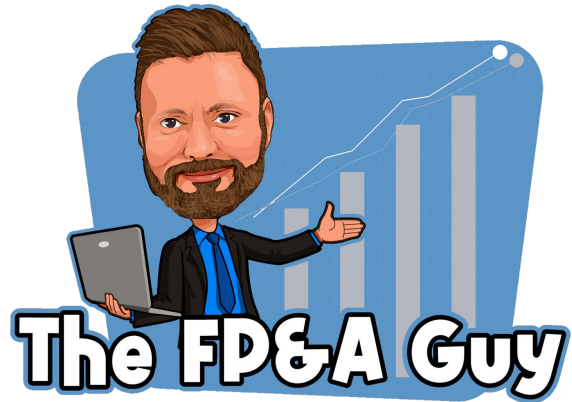




# **Building an FP&A Function**

**Paul Barnhurst**

# My experience in FP&A



**digicert**<sup>®</sup>

 **SOLERA**

**The FP&A  
Market Guide  
A guide to 3rd  
Generation  
FP&A Tools**

**AMERICAN  
EXPRESS**

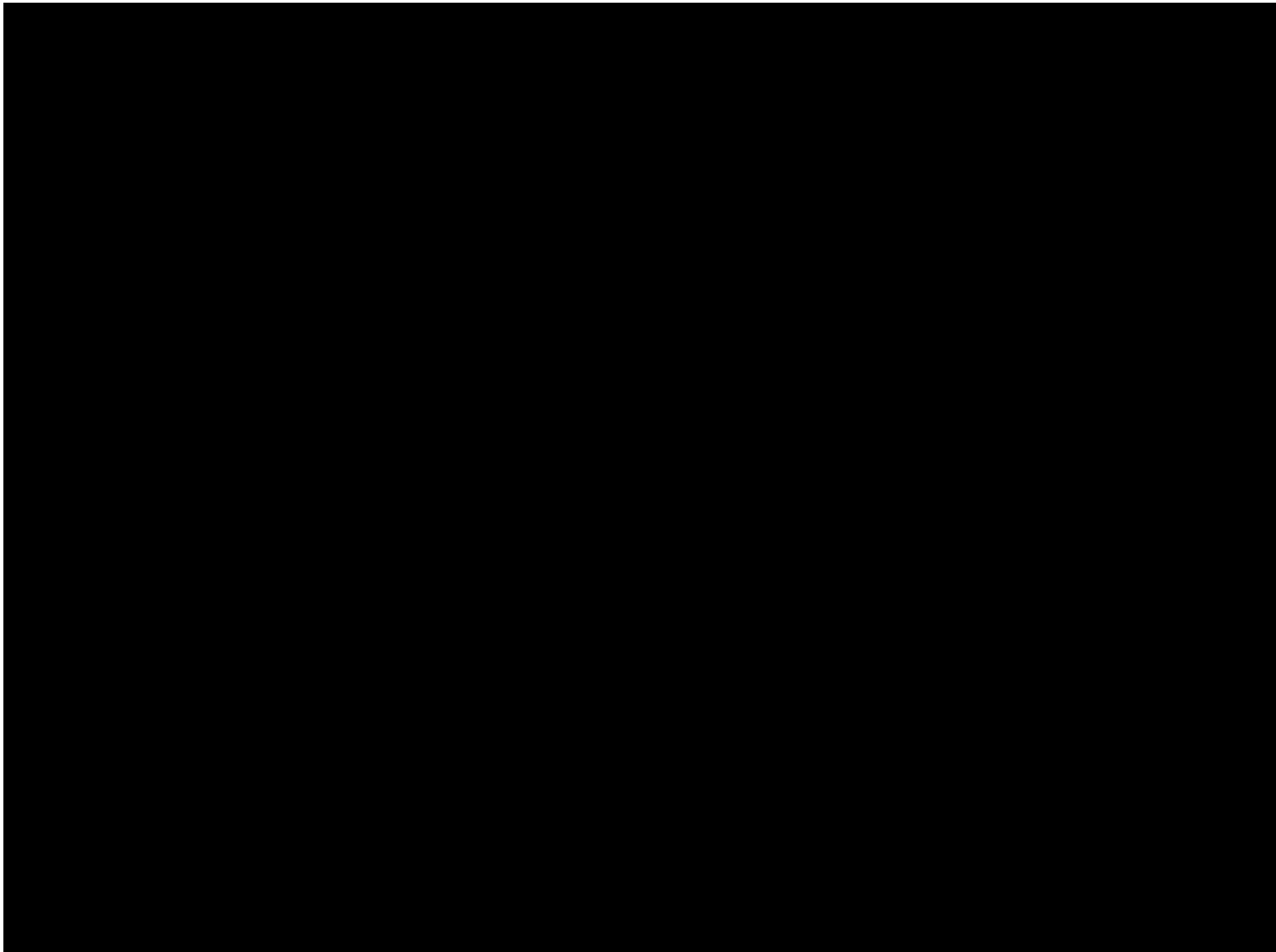
# What is FP&A and how does it differ from accounting?



**FP&A informs future decisions**



**Accounting provides the historical financial records**



# What are the key responsibilities of an FP&A function?



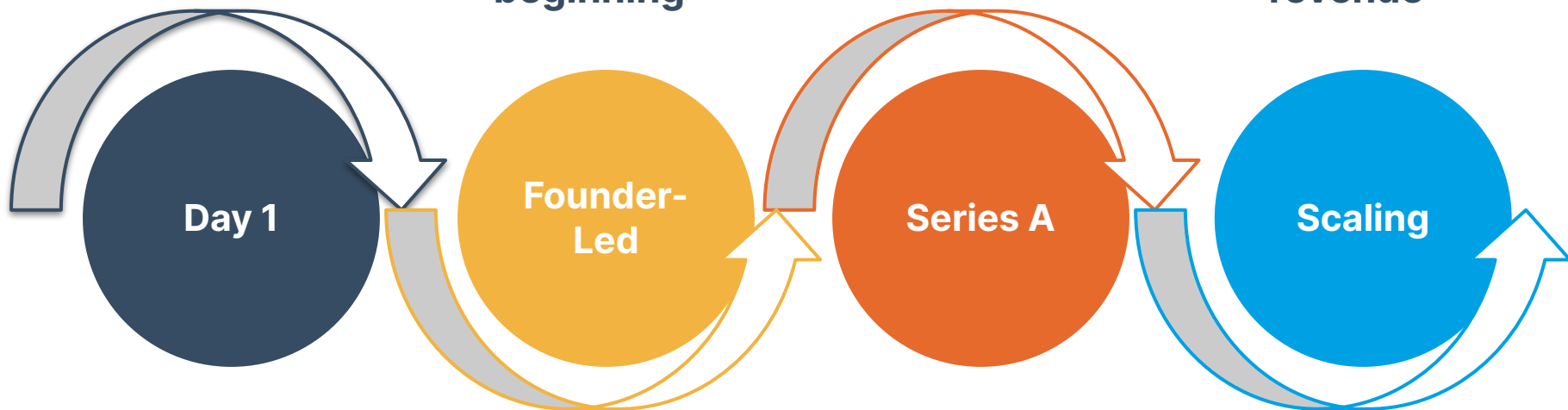
# How does FP&A provide decision support? What type of analysis should they conduct?



# How does FP&A evolve as the company grows?

Founders often handle budgeting & forecasting from the beginning

You often hire your first dedicated FP&A person somewhere between \$5-50M in revenue



Laying the foundation for FP&A starts from the very first actuals

Formal FP&A often starts around Series A

# How does FP&A change as your organization matures?

Stage	FP&A Activities	FP&A Team	Tools
<b>Seed (\$&lt;1M), Founder-led</b>	<ul style="list-style-type: none"> <li>• Building the budget</li> <li>• Basic forecasting</li> <li>• Business plan for investors</li> </ul>	<ul style="list-style-type: none"> <li>• Founder running simple models</li> <li>• Some companies may have fractional advisory services</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting tool (QuickBooks, Xero, Sage)</li> <li>• Excel</li> <li>• Basic BI</li> </ul>
<b>\$1M-\$10M, Finance-led</b>	<ul style="list-style-type: none"> <li>• Finance hire takes over budgeting and forecasting</li> </ul>	<ul style="list-style-type: none"> <li>• First Full-time Finance (Accounting/Finance) employee and/or fractional CFO</li> </ul>	<ul style="list-style-type: none"> <li>• Still on QuickBooks</li> <li>• Start considering adding an FP&amp;A tool</li> </ul>
<b>\$10M to \$50M FTE-led</b>	<ul style="list-style-type: none"> <li>• Mature forecasting, budgeting, and planning</li> </ul>	<ul style="list-style-type: none"> <li>• CFO or VP of Finance</li> <li>• Dedicated FP&amp;A analyst</li> </ul>	<ul style="list-style-type: none"> <li>• Start to look at more mature ERP</li> </ul>
<b>\$50M+</b>	<ul style="list-style-type: none"> <li>• Put the tools and processes in place for IPO</li> </ul>	<ul style="list-style-type: none"> <li>• In house finance team, potentially with 2 FP&amp;A FTEs</li> </ul>	<ul style="list-style-type: none"> <li>• Scaling of your CFO Tech toolset</li> </ul>



# What type of reporting does FP&A produce regularly?

## Annual / Quarterly

### Annual Budget

A comprehensive budget for the next 12 months  
*(as you move past \$10M, this process can take 60 days)*

### Board Reporting

FP&A typically coordinates board decks with CFO  
*(each board deck usually takes a couple weeks)*

## Quarterly / Monthly

### Forecasts

As you move through the year, update your forecasts with actuals

### Variance reporting

Budget vs. actuals

### Flash reporting

Before the month is over, forecast where the month will end

### Finance reports

Provide monthly reporting packages

# What types of tools are available?

ERP and accounting system



Spreadsheets



= Equals



FP&A Planning



Spend Management



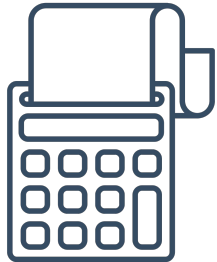
Business Intelligence



# How should you collect and manage the data necessary for your FP&A function? What kind of data should you collect?

*First in-house accounting/finance hire will often need to clean up data*

Many FP&A Planning tools connect to these data sources



**Accounting System**



**CRM System**



**HR System**



**Billing System**

Data often linked to a BI tool, data warehouse and operational data

# How do you evaluate whether FP&A is doing a good job?

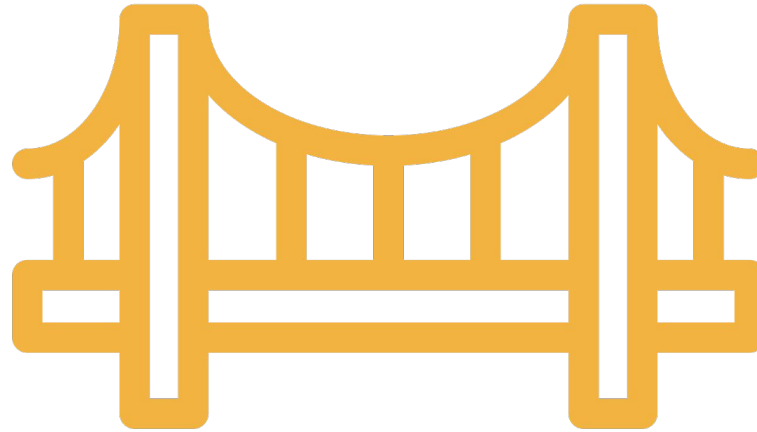
## Oursource CFO/FP&A:

- ✓ Are you getting advisory services?
- ✓ Are they giving you value-add insight into the business?
- ✓ Assisting with fundraising and investment decisions

## For in-house FP&A:

- ✓ Are they giving you value-add insights into the business?
- ✓ Are the budget and forecasts done on time?
- ✓ Are the business partners getting timely reporting?

# What are common pitfalls?



**Trying to bridge the gap between  
the forecast and the CEO's hopes**



# Questions