

# Startup SaaS Company Leverages Fractional CFO To Navigate Financial Crisis

A fast-growing SaaS startup catering to global hotel chains faced a significant leadership vacuum when its CFO unexpectedly resigned during a critical financial period. With depleted funds, an ongoing year-end process, and an urgent need for a fundraise, the company sought SmartFin's expertise for a timely and effective solution.

## Engagement



### Company profile

·SaaS provider for global hotel chains with headquarters in Singapore and subsidiaries in UAE, USA, and India (2 entities)



### Period

·May 2023 to December 2023



### Genesis of the Engagement

Unexpected exit of their CFO during the critical phase of year-end activities, financial stress, and accounting inefficiencies



### Model

·Predominantly remote with occasional onsite visits for management or team meetings



### Requirement

The company urgently required a skilled interim CFO to ensure continuity in financial oversight and strategic initiatives.



### Existing Accounting Process

Book-keeping and MIS was done by outsourced accounting firm on ZohoBooks



### Role

SmartFin Partner stepped in as Fractional CFO for the company

# Key Challenges



## Weak internal team

The in-house accounting team was weak and lacked capability to do month close activities or accrual accounting



## Wrong partner

Outsourced accounting firm was taking the client for granted and not delivering agreed outcomes and was non-responsive to requests



## Cash crunch

Fund reserves were nearly exhausted, and the company was behind on payments for several months



## Data gaps

Crucial financial information were like shareholders agreement, valuation reports, related-party payments, etc were withheld and not readily available



## Audit backlog

Prior-year's audit remained incomplete and the information and analysis for audit was not available



## Operational inefficiency

Delivery was weak, and the company was behind in its client deliverables and hence was unable to commit or predict go-live of properties



## Leadership Distrust

The CEO's past experiences resulted in micromanagement and reluctance to delegate authority



## Company Culture

Company had cultural issues due to friends and family in key positions most of whom lacked capability and were also engaged in other activities, leading to inefficiency and lack of accountability



## Lack of professional leadership

Due to the leadership distrust and unprofessional culture

# Transformation of Finance Function Before SmartFin Engagement

1

SaaS & implementation revenue were booked in lumpsum in one period and not distributed across relevant periods

2

Discrepancies in revenue between books and reported figures

3

Invoicing done at month-end together, though properties went live on various days during the month

4

Bank reconciliation (BRS) conducted only once a month process

5

Payments accounted at the time of BRS

6

Expenses recorded when payments are accounted

7

Non-standardized and non-centralized procurement process

8

Lack of any financial forecast

9

No accurate track of burn rate or cash runway

# After SmartFin Engagement

1

SaaS and implementation revenue distributed across the respective license period and implementation periods

2

Revenue in books matched to reported numbers, with rectification done over few months to avoid one-time impact

3

1.Real-time invoicing introduced as and when properties went live

4

Fixed recurring expenses were accrued every month even when invoice is not received, and all other expenses were recorded immediately when invoice is received

5

Weekly BRS was implemented

6

Payments were accounted real-time and not at the time of BRS

7

Procurement process implemented with mandatory Purchase Order (PO) for all purchases

8

Completed audit of all 5 entities (India 2, Singapore, UAE, USA) after much struggle. Learnings were documented and corrective measures implemented for improvements.

9

Burn rate and runway tracked and updated on a monthly basis

10

Three-year financial forecast was created that was used to raise funds

11

Supported raising of \$4.5 million from existing investors (F&F round)

12

Helped hire a permanent Controller post-funding and successfully transitioned responsibilities

13

Recommended and created the plan for relocating headquarters to USA from Singapore to attract future investors

14

Payments accounted at the time of BRS

## **Outcome**

Crisis management during distress and fund raising leading to seamless transition to permanent leadership

## **Cost Savings**

Transitioned accounting in-house, reducing cost and reliance on external firms

## **Foundation for Growth**

Corrected accounting practices, establishing a robust financial model to support the successful \$4.5 million fundraise

## **Milestones**

Shifted the company's headquarters to the USA, enhancing investor appeal, and introduced an employee-friendly ESOP plan

## **Leadership Continuity**

Identified and transitioned responsibilities to a permanent Finance Head, ensuring stability of operations