



# How Finance Fuels Growth

The role that Finance plays in  
Canada's fastest-growing companies



## About This Report

# 19,311%

**Revenue growth of 19,311%.** That's how fast Intellijoint Surgical, based out of Kitchener, Ontario, grew in revenue over the last four years, clinching the #1 ranking on the 2020 *Deloitte Technology Fast 50™* winners list. Many companies aspire for such tremendous growth. Few companies get there. What is it that causes such breakout growth? And what role does Finance play in this type of success?

To answer these and many other questions about the role of Finance in growth companies, we interviewed and surveyed Founders, investors, CFOs and other leaders with experience in high-growth environments. The results from our research and analysis are included in this report and outline what you need from Finance based on what stage of growth the company is in. We are grateful to everyone who participated with their time and collective wisdom. Our hope is that these insights may be applied to build effective Finance teams and fuel breakout growth.

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Clarity Recruitment is a Finance and Accounting recruitment agency with offices in Toronto and Vancouver offering Permanent, Project & Interim Resourcing and Executive Search for Canada's fastest-growing companies and is an official sponsor of the *Deloitte Technology Fast 50™*.

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# The Journey of A Growth Company

Much has been written about growth companies, from start-ups to scale-ups to enterprises. Less documented, however, is the role that Finance can play to drive growth in each stage. What is needed in a start-up varies drastically from what is needed when a company scales up. This report outlines not only what structure and competencies are needed within each growth stage, but also how Finance can fuel growth or, in some cases, cause friction, thereby slowing down the company's growth potential for months, or even years to come.

## Finance in Start-Ups

Start-ups typically have the following characteristics:

- Pre-revenue or sub-\$5M in revenue
- Founded within the last three years
- Raised seed capital and possibly Series A

Finance is often an afterthought in the race for product-market fit in start-ups. The priority is building a product or service that customers want, along with determining the total addressable market and survival as a company. Early stage start-ups generally require the basics of Finance: effective cash management, proper accounting and enough cash to see tomorrow, or at least the next round of money. These responsibilities may fall internally through the use of a part-time bookkeeper, resourced by an outside accounting firm or even as a founder's "weekend job."

Start-up leaders are quick to point out that urgent Finance needs take precedence over strategic Finance needs in a start-up. In a start-up organization, you don't hire a strategic Finance person. You hire someone to do the books. You hire someone to do the payroll. A Founder comfortable with numbers can manage the basics initially with a spreadsheet and QuickBooks.

**You don't invest heavily in Finance early; you invest in sales and marketing because you have to grow the business.**



**David Dean**  
CFO, Fiix Software



### When should you hire a senior Finance person?

Start-ups tend to seek out a CFO when they reach \$5M+ in revenue. Investors, especially, will start to demand it at this point. If you're sub-\$5M but working towards Series A financing, you will likely need at least a Controller or VP of Finance on board to ensure there is credibility in your numbers.

## Finance in Scale-Ups

Scale-ups typically have the following characteristics:

- \$5-20M+ in revenue
- Goal is to burn capital in order to achieve massive growth
- Build out Minimum Viable Product (MVP) to a fully-supported product
- Typically has undergone a Series B or later round
- Also referred to as a growth company

Once a company achieves product-market fit, it shifts to scale-up mode where the primary goal is achieving massive growth. Sales efficiency and the path to profitability also come into the spotlight as the scale-up attempts to build a repeatable revenue generation engine. It becomes essential to start tracking key metrics to measure the growth of the business, such as Customer Lifetime Value to Customer Acquisition Cost ratio (LTV:CAC), which is a metric often used in software/SaaS companies.

The reporting and operating side of Finance cannot be overlooked and still needs to function correctly. However, the Finance team will need to build forward-looking competencies to understand growth drivers. Key Finance objectives and focus areas in scale-up companies include:

- KPI development, such as CAC, LTV and other ratios
- Financial modelling
- Customer segmentation strategies
- Cash flow management
- Raising and allocating capital
- Cost optimization
- Managing stakeholder relationships

When your company starts to scale, you will need a strategic Finance leader to help you fuel growth. Some companies opt to hire a fractional or interim CFO until a full-time CFO is warranted, while others invest in bringing on a Finance leader in-house who can see the company through the next rounds of fundraising.

High-growth companies without strong financial leadership are likely to face external pressures during the scale-up phase, especially from investors, for more accurate financial reporting, forecasts, metrics and

insights. This prompts the need for a CFO who can clearly articulate the company's financial story.

While scale-ups focus on burning capital to create growth, the successful ones discover the best ways to increase revenue at a faster rate than adding costs. In later-stage scale-ups with \$30-100M in revenue, Finance continues to mature in the areas of budgeting, forecasting and operational reporting. Finance's ability to educate and influence other leaders within the company on financial mandates will encourage better business decisions.

**Together we're going to figure out how much you need to do the right things for the business. My job is to go away and find that money and make it happen. I will move the pieces around so that you can do what it is you need to do.**



**Rebecca Skvorc**  
CFO & Head of Talent,  
Nudge Rewards

# How Much Do Companies Spend on Finance?

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**GROWTH COMPANIES TYPICALLY  
SPEND LESS THAN**

**10%**

**OF THEIR BUDGET ON FINANCE  
AND OPERATIONS COMBINED**

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**40% 50%**

**GOES TO PRODUCT  
AND ENGINEERING**

**GOES TO SALES,  
MARKETING  
AND CUSTOMER  
SUCCESS**

## Finance in Enterprises

Enterprises typically have the following characteristics:

- Predictable revenue streams and costs
- Typically \$100M+ in revenue
- Less focused on fundraising, more on creating shareholder value

Once a company reaches the enterprise stage, it has a clearly defined functional business model with predictable revenue streams and costs. The forecast becomes more reliable and accurate and the primary focus of Finance becomes protecting and growing shareholder value, while still producing timely and accurate accounting and reporting.

As a company matures, so does the Finance function. Specialized skillsets are required in enterprises to enable the company to address their unique challenges:

### Mergers and Acquisitions (M&A)

- Rapid growth through organic means alone is harder to sustain in enterprises. Inorganic growth through M&A allows a company to boost their earnings and instantly increase market share. Corporate development and enterprise strategy teams are assembled to support both organic and inorganic growth.

### Product and Geographic Expansion

- Tax is an area often outsourced until a company reaches the enterprise stage of growth. The tax implications of operating in different geographies can drive the need for internal expertise in the areas of Tax as well as Compliance.
- As the accounting complexity and/or sheer volume of transactions increases, structured processes and automation within the Finance function become essential. Large scale system implementations of Enterprise Resource Planning (ERP) and Corporate Performance Management (CPM) systems will require interim and, at times, full-time resources to support and maintain.

### Ownership Changes

- Evolution to public markets through IPO, SPAC or other means requires new capabilities and functions including:
  - Internal Audit and Internal Control Over Financial Reporting (ICFR)
  - External Reporting
  - Investor Relations

### Large Investments from Private Equity and Later Stage Venture Capital

- Demand for increased Financial Planning and Analysis (FP&A) as well as financial reporting are needed as larger investments increase the number of stakeholders and drive changes at the board level.

Reliability is incredibly important and one of the things that our Finance leaders are measured on is the accuracy of the forecast. It's in the range of plus or minus 3% and ensures the organization has a reliability in what we're committing to deliver.

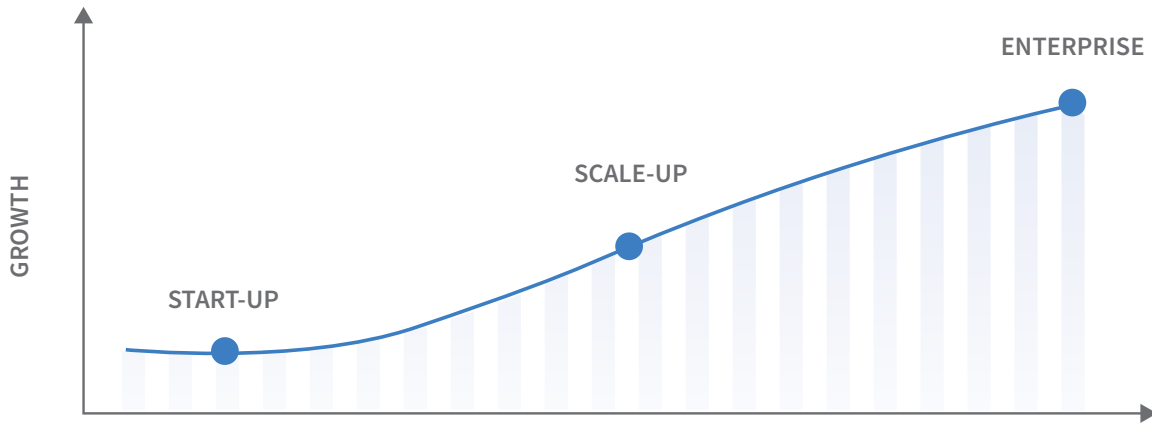


**Todd Skinner**

Regional President for Canada,  
Latin America and Caribbean  
TransUnion

# At A Glance: Finance by Growth Stage

The chart below maps Finance’s key objectives and the skills required in each growth stage.



**Key Finance Objectives**

- Raising capital
- Cash flow management

**Time Spent**

- Tracking for growth
- A/P and A/R
- Building structure and tools

**Skills Required**

- Perseverance and hustle
- Comfort in ambiguity
- Managing vendors for outsourcing

- Raising capital
- Cash flow management
- KPI development
- Develop controls

- Growing team and reporting capabilities, budgeting and forecasting
- Modeling scenario analysis

- Domain knowledge [SaaS Metrics]
- FP&A
- Controls

- Capital optimization, planning, IPO and shareholder development

- Building structures and tools for new customer segments
- Monitor and progress improvements that drive performance

- Business leadership
- Governance and controls

- Protect and grow shareholder value

- Maintain relationships with external shareholders [directors, investors, lenders, bankers, industry analysts and peers]
- Business capitalization

- Strong business acumen
- Focus
- Varied experience

Depending on the Founder backgrounds, especially Technology Founders, you may see a CFO/Head of Finance emerge sooner based on the need to assist in fundraising or strategic financial planning.



**Bryn Knox**  
Vice President Finance, BenchSci

Investing for growth often means investing early, investing aggressively and investing in different products based on decisions backed by the data you have at the time.

**Finance should help the company make the right trade-offs and recommendations for growth.**



**Leen Li**  
CEO Wealhsimple Foundation  
Former CFO, WealthSimple

# When Finance Causes Friction vs. Fuel

How do you know if your current Finance structure and capabilities are sufficient, or if it's time to upgrade or make a change to your talent?

Our experts describe how people, processes and/or systems can cause friction vs. fuel when it comes to growth.

## Key Metrics, Data and Insights

### Friction

“Our Finance function isn't able to deliver the KPIs for us and we are struggling. The board is looking at us to make sure that we know our Customer Acquisition Costs (CAC) properly and we aren't showing that we are getting better.”

**CEO, \$15M Software/SaaS company recruiting VP of Finance**

### Fuel

“We have so much data coming in that can help us make better decisions. The Finance team has helped us determine which data is the most important to track.”

**Justin Thouin, Co-Founder & CEO  
LowestRates.ca**

## Forecasting

### Friction

“We need a forecast that is founded in reality. Have scenarios analyzed that show the different ways that things may develop based on our strategy. We don't have that right now.”

**CEO, hiring CFO**

### Fuel

“Reliability is incredibly important and one of the things that our Finance leaders are measured on is the accuracy of the forecast. It's in the range of plus or minus 3% and ensures the organization has a reliability in what we're committing to deliver.”

**Todd Skinner, Regional President  
TransUnion**

## Leadership Team Meetings

### Friction

“You spend the majority of your meetings trying to figure out what is happening and why instead of trying to figure out what to do about it.”

“As Finance, you have to apologize for not having the information. If the quality and accuracy of the data you have is suspect, everybody loses in that moment.”

### Fuel

“Finance is providing all the relevant information to the business lines before the meetings, so the time spent during the meeting is to distill insights into actionable intelligence.”

**Pankaj Gogia, CEO  
Applied Recognition**

## Board Meetings

### Friction

“Prepping for board meetings is a very expensive process for us right now because we don’t have Finance set up the right way. Ahead of every board meeting we consume the time of our analytics team to create metrics in the right format. That means we have to jump in with our revenue operations team and figure out how to get the information and then put it in the right format and that just burns cycles. It needs to be better than this.”

CEO, \$20M ARR Software/SaaS company recruiting a CFO

### Fuel

“After onboarding our CFO, I realized how much additional work I was doing before as it pertained to activities like raising money and board meetings. I contrast that to now where a week before the board meeting my CFO arrives and says, ‘We’ve got the board deck to 85% of where it needs to be. We’d like your input on these couple of slides to finalize.’”

Derrick Fung, CEO & Co-Founder Drop Technologies

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## Acquisitions

### Friction

“I joined as CFO and quickly realized that we had acquired companies without a playbook. There was no plan to integrate teams, systems or cultures and then conflict develops around all of these. There was a lack of strategic foresight and growth for the sake of growth. We acquired companies with their owners and they were very disgruntled and they left. This begs the question: Should we have acquired them at all?”

“The accounting team doesn’t have a say in potential acquisitions. The dealmakers only look at the positives and get rewarded on dealmaking. They don’t want Finance slowing down the process, adding due diligence and potentially kiboshing the opportunity.”

### Fuel

“Finance quantifies things for you when analyzing a target company. You understand exactly how the company will fit in your organization and how you are going to unlock the value. This allows you to be firmly committed to the acquisition which is vital for it to be successful.”

Rikesh Shah, Vice President Finance OverActive Media Group

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## Systems and Processes

### Friction

“We need a small army to reconcile between our business systems, ERP and Excel reports. We keep patching our systems to get through another quarter, but expensive mistakes are slipping through.”

### Fuel

“We have a modern Finance stack with business intelligence and advanced analytics. We’ve been able to grow our revenue 115% while growing our headcount in Finance by just 15%. Our business leaders can look at data visualizations and variances themselves in real-time. Our ERP has machine-learning capabilities which allows us to reforecast in a matter of minutes, which is something that used to take weeks in the past.”

## Fundraising

## Friction

“It was extremely painful because in order for us to tell our story, it took a significant amount of management time and took people away from the day-to-day to get the data, build the deck and tell the story with the CEO. It was expensive that way.”

“You can’t produce financials on a timely basis or provide guidance to whatever investor model that you’re shopping on the street. It doesn’t lend credibility and what you end up doing is creating fictitious plans that are unattainable.”

## Fuel

“Having financials that are rock solid makes your fundraising process much more painless and can actually impact your valuation because it gives potential buyers incredible confidence.”

**David Dean, CFO, Fiix Software**

An effective Finance function should really help you strategize when you need capital, how much capital you need and what you’re going to do with that capital.



**Dr. Brett Belchetz**  
Co-Founder and CEO, Maple



The first quarter of

**2021**

marked the highest amount of IPOs by Canadian firms since 2006, a value of

**US \$3.26 Billion.**

BNN Bloomberg



**Canada**

is ranked the

**World's 4th Largest**

start-up ecosystem in 2020 behind the US, UK and Israel.

StartupBlink



Unicorns, a tech company with a valuation of more than

**\$1 Billion**

are called

**Narwhals in Canada.**

The Narwhal Project



Canada is home to

**1.72 million**

tech workers and over

**73,000**

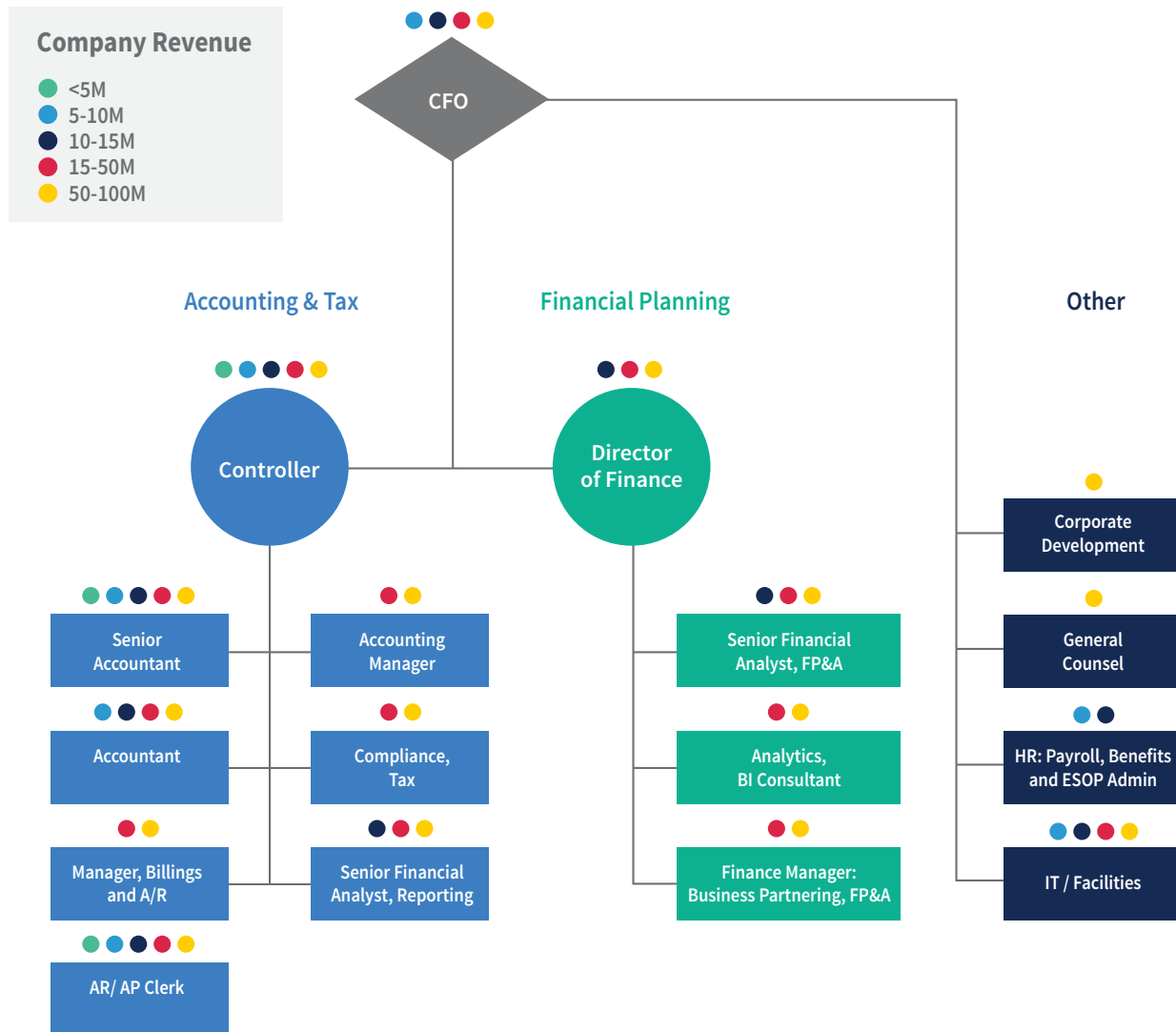
tech businesses across the country.

CompTia

## When and What to Hire

Start-ups thrive with great generalists who can juggle many tasks. When a company grows, so does the need to invest in specialized hires in Finance as well as in other teams. Although every company is different, there is consistency in terms of how the most successful growth companies hire. The scope of roles and sequencing will vary based on your industry, risk, complexity and future goals as a company.

Below is a recommended approach based on company revenue to guide Software/SaaS companies on their Finance hiring strategy and structure.



Contact [Clarity Recruitment](#) for a free consultation on when and what Finance talent to hire at your company!

## In Summary

**Finance, when done well, can accelerate and help you grow faster, like fuel feeding the fire.**

When it isn't working, the friction between Finance and other teams can slow your company down. In the early stages of a start-up, Finance functions behind the scenes, a reliable measure of a company's sound metrics as revenue begins to build. As companies scale up, Finance explores more forward-looking aspects of business: managing capital, financial modelling and fundraising. Protecting and growing shareholder value is paramount in enterprise-level companies with reliable and predictable forecasts. Knowing when and what to hire is key.

Stay tuned for Part 2 of How Finance Fuels Growth which explores key insights from experienced leaders in high-growth environments. The report unveils the specific qualities and characteristics of Finance teams who are the most successful at driving growth within their fast-growing companies.

## About the Authors



### Joe Diubaldo

**President and Founder**  
Clarity Recruitment

Joe helps scaling companies make better hiring decisions and builds Finance teams to fuel breakout growth. He has shaped Finance and technology teams at some of the fastest-growing companies in Canada for more than 20 years.



### Naomi Choi

**Head of Product and Marketing**  
Clarity Recruitment

Naomi oversees Clarity's Marketing division and works on innovating and enhancing the recruitment experience for candidates, clients and recruiters by using technology, data, processes and tools.



### Andrew Seeley

**Head of Client Services and Executive Search**  
Clarity Recruitment

Andrew is a senior member of the leadership team, and works with Clarity's high-growth clients to provide Finance and accounting human capital solutions for their ongoing talent gaps and consulting needs.



### Michael Szego

**Founder and President**  
Third Party

Michael is the Founder and President of Third Party, a marketing consultancy that provides marketing, content and innovation strategy. Third Party helps clients create tangible value to embed brands in the lives of customers.

## Thanks To Our Contributors



### Leen Li

**CEO**  
Wealthsimple Foundation  
Former CFO, Wealthsimple



### Dr. Brett Belchetz

**Co-Founder & CEO**  
Maple



### David Dean

**CFO**  
Flux Software  
Former VP Finance, Intellex



### Bryn Knox

**Vice President, Finance**  
BenchSci



### Todd Skinner

**Regional President, Canada, Latin America & Caribbean**  
TransUnion



### Rebecca Skvorc

**CFO & Head of Talent**  
Nudge Rewards  
Former SVP, Finance, Wave



# Helping Canada's hottest start-ups and scale-ups build finance teams that fuel growth.

We help companies and global investment firms hire CFOs and strategic finance professionals to build and scale at every stage of growth. 80% of our clients are repeat customers because our process works!



Focused support and partnership



Data & behavioural science



Finance & Accounting recruitment expertise

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