

Biotech Financial Management Part 4: Streamline business processes



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Essential Financial Management Practices of Biotech Companies – A 5-Part Series

Article 4 – Streamline business processes to ensure compliance, accuracy of information and insight

It can be a long and challenging path from drug design to marketing products; from proof of concept to scale-up to market. With the many uncontrollable factors that play a role in your project lifecycle, it's important to control what you can.

You can mitigate risk by streamlining business processes with today's technology to ensure compliance when you: systemize processes; support consistent documentation; and ensure consistency through expansion.

But the other key benefit of using technology to automate and streamline processes is that CFOs can spend more time communicating and advising stakeholders (CEO, R&D teams, investors, etc.) on the many decisions they need to make and the actions they take – from pre-revenue, through funding milestones and on to IPO or acquisition.

Up-to-date but always looking ahead

There are unique accounting challenges and pressures for Biotech CFOs.

As Thomas H. Fagley, Partner at Hughes Pittman & Gupton, LLP explains, “Biotech CFOs have to communicate and manage relationships. It's important to have a good relationship with the board and investors, as well as your CEO and R&D Team, communicating financial information to them on a timely basis, keeping them up-to-date on the financial status of research and development programs and identifying budget variances in a timely manner.”

“The Biotech CFO needs to make sure that the cash forecast sufficiently addresses the short-term and long-term funds necessary to get the project to the next financial milestone or development milestone that may potentially trigger additional investment,” notes Fagley.

Questions from stakeholders need to be answered quickly with accurate information. “A delay of even a day or two can have serious implications on the forecast and project momentum,” notes Philip Massey, CPA and founder of Massey Consulting. “In order to have meaningful communication with stakeholders, a CFO must be armed with real-time, accurate data.”

If questions arise surrounding the data (and they usually do), the CFO must be able to quickly drill down to the details to find the answers. “If a CFO doesn’t have the right ERP system, has information stored in discrete system silos, and must answer stakeholder questions with ‘I’ll have to get back to you’ – it means that time, and possibly funding, is being squandered,” says Massey.

Timing and funding – striking the crucial balance

As the CFO and stakeholders review forecasts and the progress of research and development, the need for additional funding can arise. The stakeholders then need to determine what kind of funding would be preferable for both short-term and long-term goals.

“They may determine that they’d like to take non-diluted funding in the form of a government grant or the licensing of some of their technology,” says Fagley. “There are pros and cons that have to be considered with an eye toward maximizing the investor’s return on investment.”

“Not only does the CFO have a unique counseling role, but he or she will also be responsible for tracking and reporting on each funding source,” explains Massey. “Suddenly it becomes clear how necessary an ERP Accounting solution is when it excels in project accounting, can track multiple sources of funding to the satisfaction of the funders, will facilitate online approval processes, and automate repetitive accounting processes.”

It all circles back to access to timely accurate data as the foundation of success.

“If you have a timing delay,” warns Fagley, “usually it means the development is going to cost more. Being able to have information quickly and being able to effectively communicate that to the board and investors, is key for Biotech companies.”

Look to automation to keep administration costs lean

Prudent use of funds is paramount throughout the stages of development.

Administrative functions like accounting are not desirable places to make a significant investment in personnel – most biotech would prefer to funnel funds into researchers and clinicians in the pre-revenue phase, and marketing and sales after the IPO.

“For that reason, investing in financial accounting software has a better ROI than bringing additional administrative headcount on board,” says Massey.

Full speed ahead

As more employees and investment partners join the organization to support growth, biotech companies need to formalize business processes to ensure consistency. Without a unified platform to coordinate activities across the organization, the effort is piecemeal with critical steps left to chance.

With modern, integrated business management systems, you can connect new users, new locations, and new lines of business to support growth. Drive consistent processes across business units and locations to promote compliance and profitability.

This concludes “Streamline business processes to ensure compliance, the accuracy of information and insight,” part 4 of the *Essential Financial Management Practices of Biotech Companies* series.

Click on the links below to read other parts of the *Essential Financial Management Practices of Biotech Companies* series:

[Part 1: Track Costs with Project Accounting](#)

[Part 2: Automate Batch/Lot Tracking to Ensure Traceability](#)

[Part 3: Support Flexible Reporting, Forecasts, and Budgeting](#)

Part 5: Prepare to Scale with Cloud Technology