Keeping a Lid on Startup Tech Costs

A CFO's Guide

Seeto

Introduction

Technology is one of those business tools that can propel you to the next stage of growth.

But, it can also become a massive financial drain if you've invested in technology that isn't quite the right fit or if your technology simply isn't working efficiently.

We know that CFOs are often the ones who wrestle with the necessity to spend money on tech and the sensible grasp on the purse strings to make sure the investment isn't frivolous.

We've put together this guide to help you make fruitful choices on where to invest your tech budget. We've got some practical tips for you and some lessons from our own mistakes.

If you're the CFO of a start-up or scale-up, we hope this guide will bring some clarity to your decision-making on tech.

Seeto

Expert insight into this guide

We've gathered insights from a number of CFOs who work for start-ups and scale-ups and pulled together their pearls of wisdom in this guide.

We'd like to thank everyone who contributed to our roundtable event to discuss this topic and those who answered the survey we sent. We're grateful to all of our contributors.

Seeto

Common
Problems

Many of the CFOs we spoke to were experiencing the same issues with the management of the IT systems in a start-up or scale-up.

In short, those issues are:

1. Wasted costs
2. Visibility on spend
3. Confusion around choosing the most efficient tech stack for the business

Let's have a look at each of those issues in a bit more detail.

Wasted costs

Did you know, the average organisation wastes 30% of its tech spend?*

That's a stat that stops most CFOs in their tracks, particularly in a world where technology is expensive, and businesses are feeling the pinch.

Start-ups can't afford to waste this level of cost. They have limited cash, which must be deployed in the optimal way.

Visibility on spend

"It's about having the visibility as to how you can influence that cost"

CFOs reported a haphazard approach to tech purchases. For example, employees bought 'work' laptops from Curry's and John Lewis with no uniformity or security.

Many found that the business had bought multiple licences for a software subscription it already had. Particularly in start-ups, many people sign up for software when the need arises.

This initial level of autonomy in the spending means it's hard for the CFO to keep track and maintain their overall visibility.

Common
Problems

63% of respondents identified scaling as a challenge that could be addressed through IT outsourcing.

Source: Seeto Report 2025 - 'Finance Leaders' views on technology'

Confusion around choosing the most efficient tech stack

Let's be honest, 'technology' covers a vast range of systems, processes, and functionalities.

- How are you supposed to know which technology to invest in?
- How do you get the right tech stack in place in the most effective and efficient way?

While CFOs are comfortable spending money, they also have one eye on the return on investment of each decision. It's a bit of a journey to finding the right tech that makes the business more effective and efficient. At the end of the day, you want to spend money in line with commercial logic.

Seeto

Practical
Tips

Practically, then, what do you need to consider with your IT systems, and what's the best practice to maximise your investment?

Focus on the processes that are already working.
Then, find technology.

"CEOs are putting technology in the bits that are holding them back, and it's highly complex, and it's burning through cash."

In a start-up, everything can happen at 100mph, and some founders rush into buying tech to solve a problem.

But it's worth taking a breath and nailing down the process first. Get a solid process in place for things like closing a month's end or doing the stock check. Make sure the people involved have a firm grasp of what's involved in the process.

Then you can look at the technology out there to help scale these processes for you to work more quickly.

You need to find out where the business is most effective and where it is generating the cash it needs. That's where you should be driving your technology. If you make that really efficient, it frees up capacity for other areas that are not as efficient or not returning.

Throwing technology at a process that has not yet properly evolved can sometimes just compound the issues.

You're not going to get the return from technology in the first instance until you've thought about its effectiveness and what's right for your business.

Seeto

Practical
Tips

Limit your spend in the experimentation phase.

"It's essential to define goals and objectives everyone agrees on. Then, drill down into the specific processes and systems needed to achieve those goals. Be honest to say what you expect this technology to be able to do."

Naturally, there will be an experimentation phase to see if the chosen package solves the problem you want it to. You might also consider it a probation period or a proof-of-concept phase.

It's important to set some parameters in this phase so you don't end up burning through money. Clearly set out your expectations of what you need the tech to achieve and set parameters on what you don't think it can achieve.

Then, stagger the spending and put it in envelopes. You can tell the founder, *"I'll give you £300,000, but the first envelope is £150,000."* If it achieves pre-set outcomes, you open the second envelope to scale it. If it doesn't meet your expectations, you either nip it in the bud or find funding from another source.

Utilise existing systems first

It may sound obvious, but businesses often forget to assess whether they are maximising the potential of what they already have. If not, it's time to consider improvements.

It's all about ensuring that investments are well justified and that you're not only using a fraction of the capabilities of existing systems. You can have an all-singing, all-dancing system, but if you only use 10% of it, you don't get the full benefit.

Seeto

Practical
Tips

Regularly audit and review your historic costs on tech

With a tendency for employees to sign up for software ad hoc in start-ups, it's easy to lose track of what the business has bought and who is actually using it.

How many licences are you paying for? And who requires it to do their job? Reviewing historic costs, such as subscription services, is essential to keep track.

Regular reviews help you to identify those inefficiencies. You could explore whether you can amalgamate or streamline some services for a more efficient, multi-pronged approach.

Ask suppliers for the features that you need

It can feel challenging to ask one supplier, especially the bigger players, for the features that you need. But if a certain feature will add value to your business, that's great feedback for them. They will listen. If you need a specific functionality for your next growth stage, ask the supplier and see what they can do for you.

> *Ask suppliers if the technology has the features you need. A start-up will change as it goes, and therefore, the technology will have to change as well. Be acutely aware when you're doing an assessment: the technology might be right for you now, but don't assume it'll be right for you in your next stage.*

Seeto

Budgeting
Tips

"Allocate a part of your budget at a tech level that is a bit more risky, because you need to do that in the world we live in today."

So, what does all of this mean for your budget? Some common themes that came out of our conversations were:

· Manage any risks
· Budget for remote working
· Check that the tech will scale with the business

When taking risks on new tech, you'll probably have to experiment with different technologies at different price points. Avoid the stress of going over budget here and anticipate it by allocating some of your budgets, to begin with, but within a proof-of-concept phase – only releasing more money when you're confident it works for you.

Only **50%** *of respondents consolidate tools and services to reduce duplication.*

If you've got a high percentage of your employees working remotely, you need to budget appropriately from a risk perspective. You need all the safeguards in place saying that if you've got a risk in the office, the home environments are also budgeted for appropriately.

Finally, you need to determine what the tech budget might look like as the business grows. Do the existing systems have the capacity to scale? Or will you need new technology as you expand?

From a CFO's perspective, it's fine to spend money, provided it's done effectively and aligns with commercial logic. There has to be clear alignment between the rationale for major expenditures and the broader strategy.

Seeto

Lessons
Learned

The CFOs we spoke to shared some of the lessons they've learned in finding the right technology:

Accept an element of trial and error

Some businesses try three or four technology pieces in the right environment. They're mindful that some won't work, but it's worth the time and money to contrast and compare and find the best fit.

It doesn't all need to be bespoke

Sometimes, bespoke systems will be an efficient way to solve a problem. But in the early days of a start-up, this might be prohibitive. Equally, the business may be too young to have clear, settled systems, so the bespoke (and expensive) tech could quickly become redundant. If an out-of-the-box system already exists, give that a go first.

Continual training for employees

Employees are usually given all the information they need at the onboarding stage. But usually, there's a sense of information overload here, and certain key messages will be forgotten. Messages about the risks of working from home, particularly cybersecurity-related, must be reiterated regularly.

"What I've seen some businesses get wrong is that they chop and change their technology over time and that costs a lot of money from downtime."

Is outsourcing IT right for you?

As we've seen, there are a number of challenges to finding the right tech stack for a start-up or scale-up.

Is it worth outsourcing your IT management to get some support here?
In many cases, it depends on the size of your business. Smaller businesses outsource IT to save costs and achieve the flexibility they need in the early days. Bigger businesses that are stable and established can afford to have a dedicated in-house team.

Reasons to outsource

Expertise without the overhead

Instead of paying a full salary to a dedicated employee or team, you get top experts at a fraction of the price. Simply sign up for a retainer or a pay-as-you-go service, and you know you have the expertise on hand when needed.

With the changes to employers' National Insurance coming into force in the UK, outsourcing is more attractive to businesses. Unfortunately, having fewer employees is a more viable way forward for many companies.

Only
35.5%

of respondents utilise outsourcing to support their IT needs, despite 62.5% of respondents highlighting that it would benefit their businesses productivity.

Seeto

Is outsourcing IT right for you?

Flexibility to change direction

In a start-up, the focus and direction can change frequently. It's harder to change direction when an employee is set up to run with something. Instead, an outsourced team can be much more agile and adapt as you evolve.

A fresh perspective to improve efficiency

Fresh eyes on your systems (from people in the know) will help you spot where you can simplify processes, consolidate tools, and tackle the tech challenges holding you back.

Stay on top of your cybersecurity

Your outsourced IT team is better positioned to stay on top of evolving threats. They're alive to threats that other businesses are facing and can take a proactive approach to any new tactics from the hackers.

Free up your time to focus on strategy

If the CFO is continually involved in IT decisions, their time is less available for strategy and growth.

Of course, you may want an IT person sitting next to you in the office so you can move quickly on tech decisions.

Nowadays, many outsourced IT teams have instant communication, such as Slack channels, to ensure you get the speed, support, and communication you need.

It is much easier for your business to change when outsourcing is set up than when you have an employee set up to run something. Outsourcing gives you flexibility.

Seeto

Seeto

About us:

At Seeto, we're a team of IT management specialists, and we work with start-ups and scale-ups to find the right tech stack for you. Then we're on hand with human support when you need us.

We make sure that your workplace technology tools are optimised, integrated, and secure. If any of your digital tools are a hidden obstacle to growth, we fix the issues to give you a scalable solution.

Our support services come in three packages:

- **Concierge**
For rapidly growing businesses (20+ employees)

- **Support+**
For seed and early-stage start-ups (5-19 employees)

- **Flex**
Pay-as-you-go support

For more info, take a look at our website, www.seeto.co.uk, give us a follow on <u>LinkedIn</u> or email us at hello@seeto.co.uk.

Thank You