

BUSINESS GUIDE

# Ring the Bell at Lightning Speed: How Cloud ERP Helps Speed Up IPO Readiness



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# Ringing the Bell at Lightning Speed: How Cloud ERP Helps Speed Up IPO Readiness



*Timing is critical when you're taking a company public. Here's how NetSuite and Connor Group work together to support a fast, cost-conscious and successful path to IPO readiness.*

Preparing for an initial public offering (IPO) is complicated, expensive and time-consuming. The payoff is often extremely rewarding for high-growth companies thanks to new capital and the validation of their visions in the public domain. To get there, organizations have to make IPO readiness (i.e. getting prepared for life as a public company) a priority or risk wasting millions of dollars in the process.

The typical IPO takes about six to 12 months to complete and each month often represents millions of dollars. Fast growing companies will pay high fees and costs to go public (typical ranges can be as high as \$5-10 million+ including legal, accounting, investor relations, printing, etc.). Unprepared organization run the risk of having their valuation impacted depending on market conditions and whether they catch the IPO window when it's "open."

In most cases, accounting is the main driver of the IPO timeline and also the cause of many delayed IPOs. Once accounting processes are in place,

the need for additional management, attorney and banker input only further increases the total IPO costs. Even if companies enter into the IPO window at the right time, accounting continues to play a critical role in their success as public companies. Unfortunately, many companies miss Wall Street earnings estimates in their initial periods following an IPO, which can have major negative repercussions to market valuations.

These financial "misses" can erode investor confidence, depress market value and increase risk of litigation. Companies that put the right systems, processes and controls in place early can avoid these missteps, shorten the path to IPO readiness and begin realizing the many benefits of operating as public entities.

This business guide explores the critical importance of speed when preparing for an IPO and explores why basic systems can't adequately prepare organizations for the process. It explains how a unified cloud Enterprise Resource Planning (ERP) platform plus a specialized professional services firm with extensive IPO experience work together to shorten the path to, and decrease the cost of, going public.

## Striking While the Iron Is Hot

Today, companies are taking advantage of a hot IPO market. Low interest rates combined with pent-up demand—some of which accumulated during the early stages of the global pandemic in 2020—has created a favorable environment for up-and-coming public entities. For the first half of 2021, [U.S. initial public offerings totaled \\$171 billion](#), surpassing the 2020 record of \$168 billion.

“Driving the IPO rush are sky-high corporate valuations in the stock market, inflated by the Federal Reserve’s low-interest rates and monetary stimulus in the wake of the COVID-19 pandemic,” [Reuters reports](#). “This has fueled a wave of speculative frenzy that benefits not just traditional companies going public, but also special purpose acquisition companies (SPACs) formed strictly to raise money through IPOs.”

Cashing in on this frenzy isn’t as easy as it seems. Companies have to be IPO ready before they make the leap, with the preliminary work taking anywhere from six months to one year to complete. Once the

decision is made, corporate financials go under a microscope, accounting transactions are scrutinized at a granular level and adherence to new regulations must be followed. All of this takes place at lightning speed and with little room for error.

For the private organization that’s been running on basic systems like QuickBooks, the pressures can mount pretty quickly. Even those using on-premises, homegrown enterprise systems or less robust cloud systems run into challenges when their accounting and financial activities grow in complexity and are assessed down to the finest detail.

“Many high-growth private companies rely on homegrown software that wasn’t architected to support financial reporting, accounting and operations,” said Jason Pikoos, Lead Partner, Finance Operations at Connor Group, a NetSuite Alliance Partner. “Up to the point where they decided to go public, they were focused on creating products that customers wanted to buy, and not on how they were going to report financial results and manage their key performance indicators (KPIs).”



“Functioning as a public company means handling new requirements, not to mention facing increased scrutiny from multiple entities and doing all of this faster and with little room or tolerance for errors.” **Jason Pikoos, Lead Partner, Finance Operations, Connor Group**

Others use no systems at all, preferring to use Excel spreadsheets as their main piece of “technology” to manage everything from sales to customer service to supply chain. “Everything is basically living in monster-sized Excel files,” said Pikoos, “which is quite frankly a complete train wreck.”

### **No Room for Error**

Companies going public need accounting processes and systems that can handle a growing volume of transactions and greater accounting complexities. According to Connor Group, the main issues impacting IPO readiness are the inability to close the financial books within five to 10 days, ineffective processes like order-to-cash and equity (including stock compensation), a poor or undefined control environment, too many manual processes and a lack of process consistency across global operations.

Knowing this, Connor Group helps high-growth companies achieve their IPO readiness goals while also preparing them for success as public companies. As a NetSuite Partner, it supports a fast, cost-conscious and successful path to going public from the first detailed IPO readiness evaluation through the implementation of NetSuite to the stock’s first trading day. It helps companies put the right management infrastructure in place, develop accurate forecasts, create budgets and develop the metrics needed to keep a pulse on the business. Housed in a single unified ERP, these financial measures and metrics help companies manage their business and avoid falling into the group of entities that miss their targets as young public companies.

“With the right data, information and systems in place, companies can proactively manage their businesses versus waiting until the end of the quarter to find out whether they hit their targets,” said Pikoos. Those systems also support the public company financial reporting cycle—which requires all quarterly results be reported within 45 days or less of the period end—in a controlled and predictable manner.

### **You Shouldn’t Go Public on QuickBooks**

As the dominant ERP platform used by the majority of Connor Group’s high-growth clients, NetSuite provides a strong foundation for organizations that are preparing for their IPOs and then scales to meet the needs of public companies as they grow. Those that attempt IPOs using their basic systems and spreadsheets generally face steep struggles right out of the gate.

“You shouldn’t go public on a system like QuickBooks. It doesn’t have the controls and integration capabilities you need,” said Pikoos “and it doesn’t have the functionality to support a public company, especially not a sizeable, revenue-generating company.”

Where NetSuite provides robust transactional and reporting capabilities, for example, a company using QuickBooks will be forced to rely on a lot of manual processes and spreadsheets. These add costs, effort and risk both for companies on the IPO path and those that are already public.

NetSuite also embeds extensive controls into a company's overall operations and includes a powerful workflow engine for journal entries, accounts payable approvals, vendor setup approvals, order approvals and other processes. The ERP system integrates directly with many of the outside applications that high-growth companies are already using, including Coupa for spend management and Salesforce for customer relationship management (CRM).

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“NetSuite provides the infrastructure for putting appropriate controls in place, and helps companies shorten their IPO readiness timelines with accurate financials that can stand up to the additional scrutiny. And because the ERP system supports the compliance requirements that come along with operating as a public company, there's no need to switch out or upgrade software systems as the entity grows and prospers. It's all in place, ready to use.”

**Jason Pikoos, Lead Partner, Finance Operations,  
Connor Group**

“High-growth companies preparing for IPOs can create a ‘seamless’ technology landscape that enables broader automation, with NetSuite sitting in the middle and integrating with various other applications,” said Pikoos. That broader automation is not only a time-saver that can scale but also helps establish the very controls that auditors, bankers and investors expect from public entities.

“Implementing NetSuite sooner rather than later gives companies the optionality to move quickly when the time comes to file for an IPO,” Pikoos added. “Those that wait too long to make the move may risk their entire IPO timeline and add more cost and time to the process.”

### **Act Now, Not Later**

Any company considering an IPO within the next one to two years should carefully consider its existing enterprise software and explore options like NetSuite. Those that ignore the need until the last minute, or that attempt to go public using QuickBooks and spreadsheets, could wind up wasting an inordinate amount of money and time on the path to going public. Once they are public, those organizations will face even steeper challenges like missed Wall Street estimates and lowered market capitalizations.

Having helped many companies implement NetSuite and prepare for successful IPOs, Connor Group's key takeaway is to “start early and don't delay.” You have more time now than you will when the company is trading as a public entity, so assess where you stand, develop plans to fix your processes, systems and controls and start building a team now that's ready to tackle the trials and tribulations of functioning as a successful public company.



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