Finance Leaders Survey 2021 – 2022

Seeding the Superbloom
How the finance team nurtures business growth

soldo

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Introduction
Welcome from our President

European business has come through an extraordinary period. Businesses retreated to address the unprecedented challenges that arose from the pandemic. This is thankfully changing. We sit on the cusp of a new year and new promises for businesses of all shapes and sizes. Finance teams have been transformed by these past two years – not just by the pandemic, but also fast-moving advances in technology and automation.

They are now agents of change themselves, driving agility and innovation throughout the business. They are smarter, more empowered, and better equipped with access to insightful information.

In this report, we share what we learned from a study we conducted with hundreds of professionals with financial responsibility for small and medium-sized businesses in Europe. We also spoke to two dozen people in the field, probing the reasons behind these changing attitudes, and asked what this meant for growth-minded businesses in the year ahead.

What this report will show is how – through dynamic processes, better collaboration, and forecasting – businesses are preparing for growth, no matter what challenges lie beyond the horizon. We invite you to learn and see how the data can empower your own business.

We at Soldo would be honoured to partner with you on that journey. If you recognise changes that need implementation in your business and seek assistance, please get in touch.

Mariano Dima
President & Board Director, Soldo

A note on methodology

Soldo commissioned research from Coleman Parkes Research, an independent consultancy. The firm surveyed 900 respondents in September 2021. All respondents were from businesses with 1,000 employees or fewer from the United Kingdom, Ireland, Belgium, Luxembourg, the Netherlands, Italy, Germany and France. All respondents were decision makers responsible for finance automation and technology solutions and/or had approvals and oversight of financial supervision and business spending. This includes executives with responsibility for the entire business, including CEOs. The results were divided into two categories – 1 to 50 employees and 50 to 1,000 employees, which are cited in the report.

Soldo and its representatives also spoke with more than two dozen finance or business decision-makers mainly from small and medium-sized companies for qualitative interviews. All quotes in the survey come from those conversations, which were conducted in September and October 2021, unless otherwise noted. The qualitative and quantitative survey respondents are not necessarily overlapping, but they have similar job roles.

Preface
The superbloom approaches

There's a natural phenomenon that only occurs in the rarest circumstances. In desert landscapes, thousands of seeds lie dormant for months, sometimes years, at a time. Then, in a wildfire, their waxy coatings are melted by the heat, allowing for oxygenation. After the next rainy season, these seeds all germinate at the same time. The result is a flourish of wildflowers, an explosion of colour in environments recently stricken by disaster. It's called a superbloom.

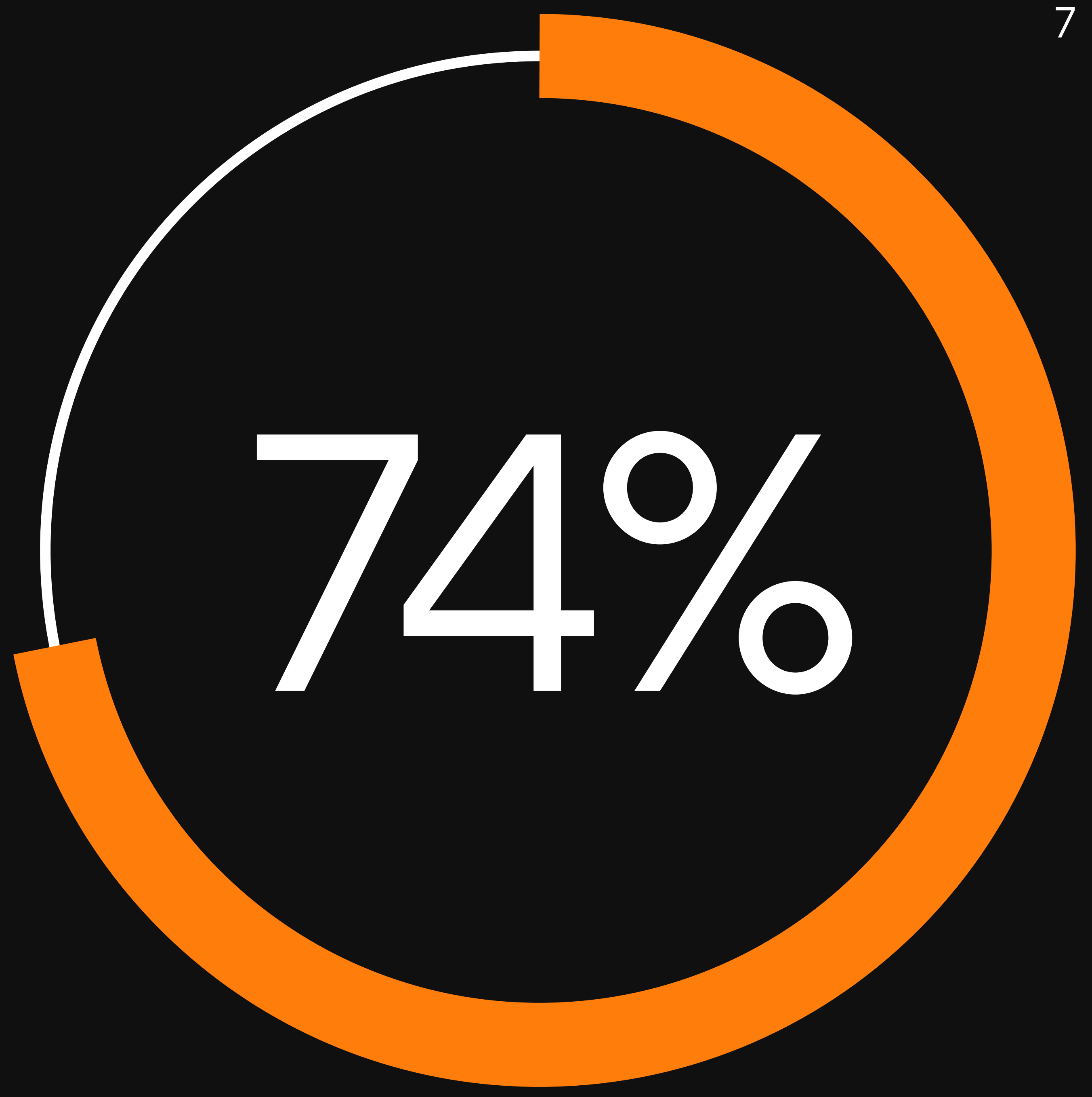
There are parallels between the business environment in the autumn of 2021 – as this report is being written – and these barren landscapes newly quenched by rainfall. Potential energy that's lain idle is now bubbling to the surface, as businesses of all shapes and sizes move away from the survival mentality that governed the last two years. But, as in nature, only the ideal conditions will inspire sustainable growth.

Part 1: The business outlook for growth is trending upwards

The business outlook for growth is trending upwards

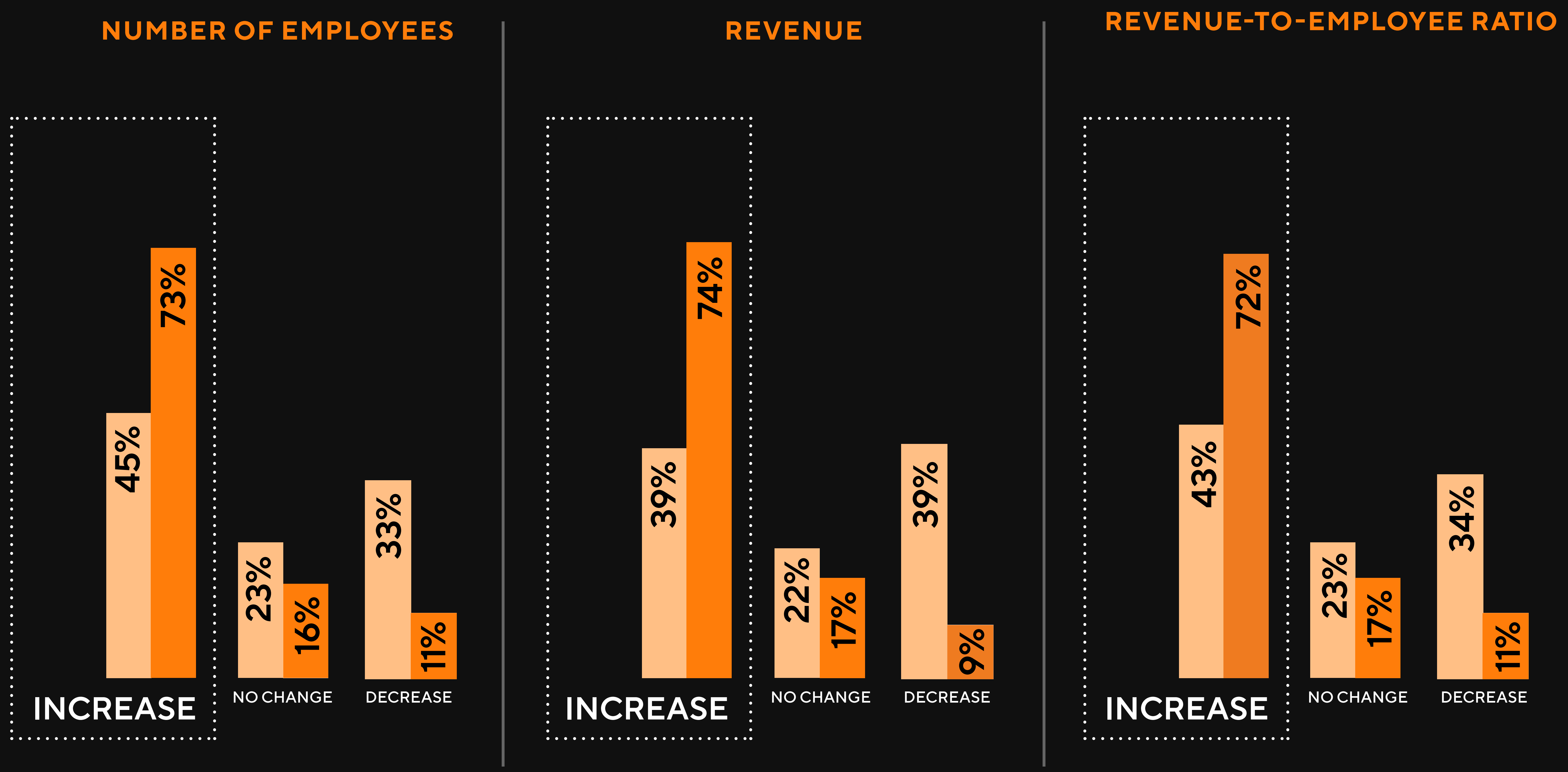
Businesses are entering the 2022 planning cycle with a renewed sense of optimism, as years of cuts are giving way to an emphasis on growth. They have successfully navigated an extremely difficult period filled with turbulent market conditions and subsequent lockdowns that rolled across the continent. That optimism has as yet not been dampened by the new concerns around supply chain delivery and inflationary pressures for goods and services. This trend is consistent across all sectors and geographies covered by the Soldo survey, including the United Kingdom, Ireland, France, Germany, Italy, Belgium, Luxembourg and the Netherlands.

74% of businesses are expecting an increase in revenue over the next 12 months, which would represent a sharp reversal of the trend seen over the past two years. Just 52% of businesses reported an increase in turnover in 2019, a proportion that fell to 43% in 2020.



74% of businesses are expecting an **increase in revenue** over the next 12 months, which would represent a sharp reversal of the trend seen over the last two years.

While an important proportion of businesses have experienced decreases in employee numbers and revenue in the past 12 months, around three quarters are optimistic that they will see growth in these areas in the next year.



Employee growth: More than 70% of firms say they are planning to increase headcount, while 11% of firms expect to reduce headcount in the next 12 months.

Revenue: An equal number of companies – 39% – reported increased and decreased revenue in the last 12 months. Looking forward, more than eight times as many firms expect revenue growth (74%) compared to revenue decline (9%).

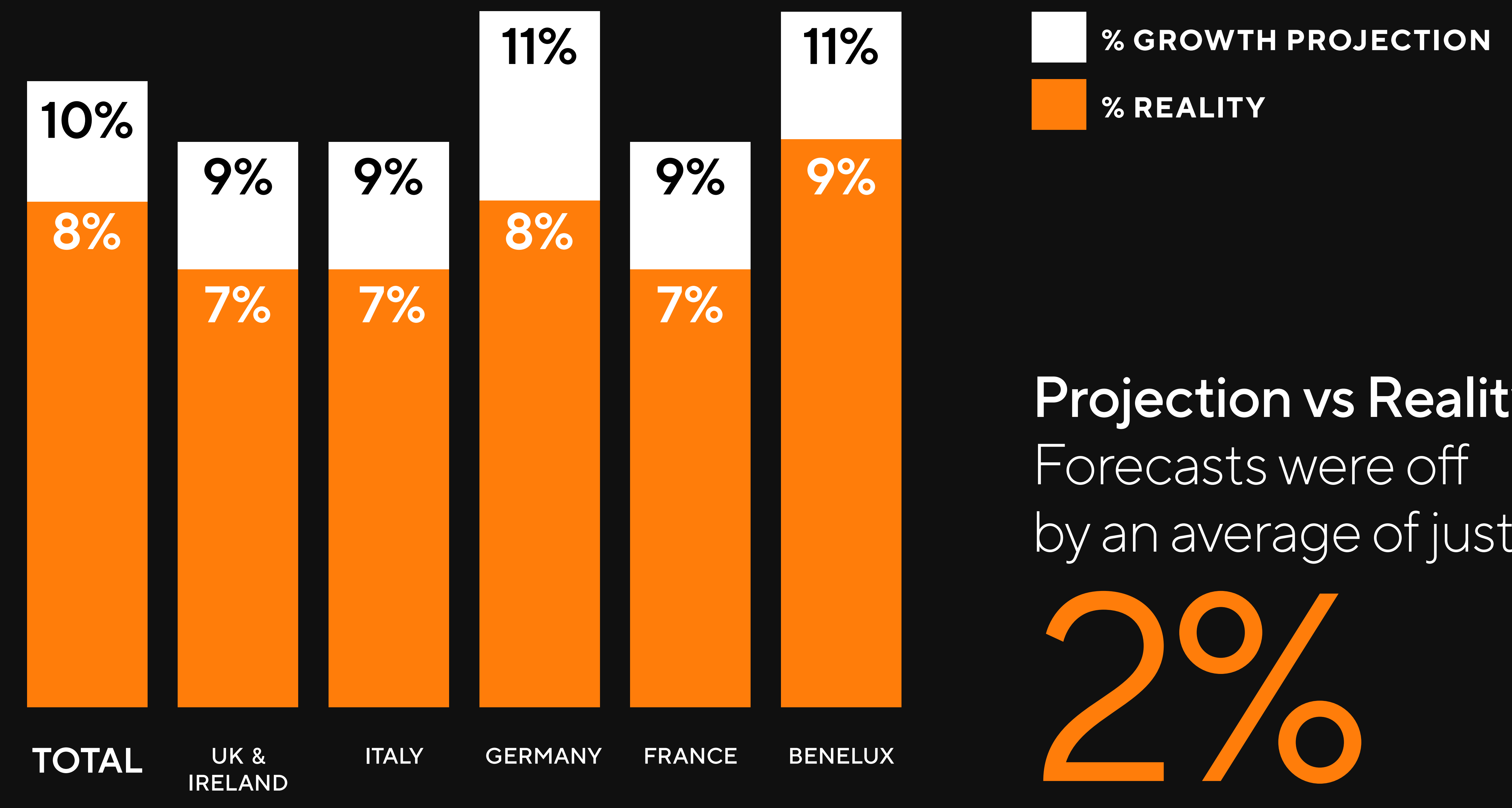
Revenue per employee: 34% of firms saw revenue per employee fall in the last 12 months. Just 11% expect that to continue in the next 12 months, while 72% believe the revenue-to-employee ratio will increase.

PAST 12 MONTHS

NEXT 12 MONTHS

The accuracy of forecasts

There is reason to believe these projections are an accurate representation of what may lie ahead for businesses. When asked to compare their growth projections to actual growth, the difference was small. Businesses reported 8% actual growth compared with 10% predicted a year in advance.



Projection vs Reality:
Forecasts were off by an average of just
2%

Build resilience with customer engagement and product diversification

'The pandemic has proved to be a challenging phase to the transportation industry, particularly those involved with the transportation of passengers rather than freight. Our business is purely focused on carrying passengers in Northern Germany and remaining focused on increasing the service quality for our passengers to keep them the happiest in the country.

Still, we managed to operate even during the difficult times by judiciously following all of the safety protocols that helped us get the permission to operate, and we bounced back quickly once the pandemic curve we were on passed by. This pandemic has taught us that we must have a diverse business portfolio that would help tackle business losses irrespective of our business.'

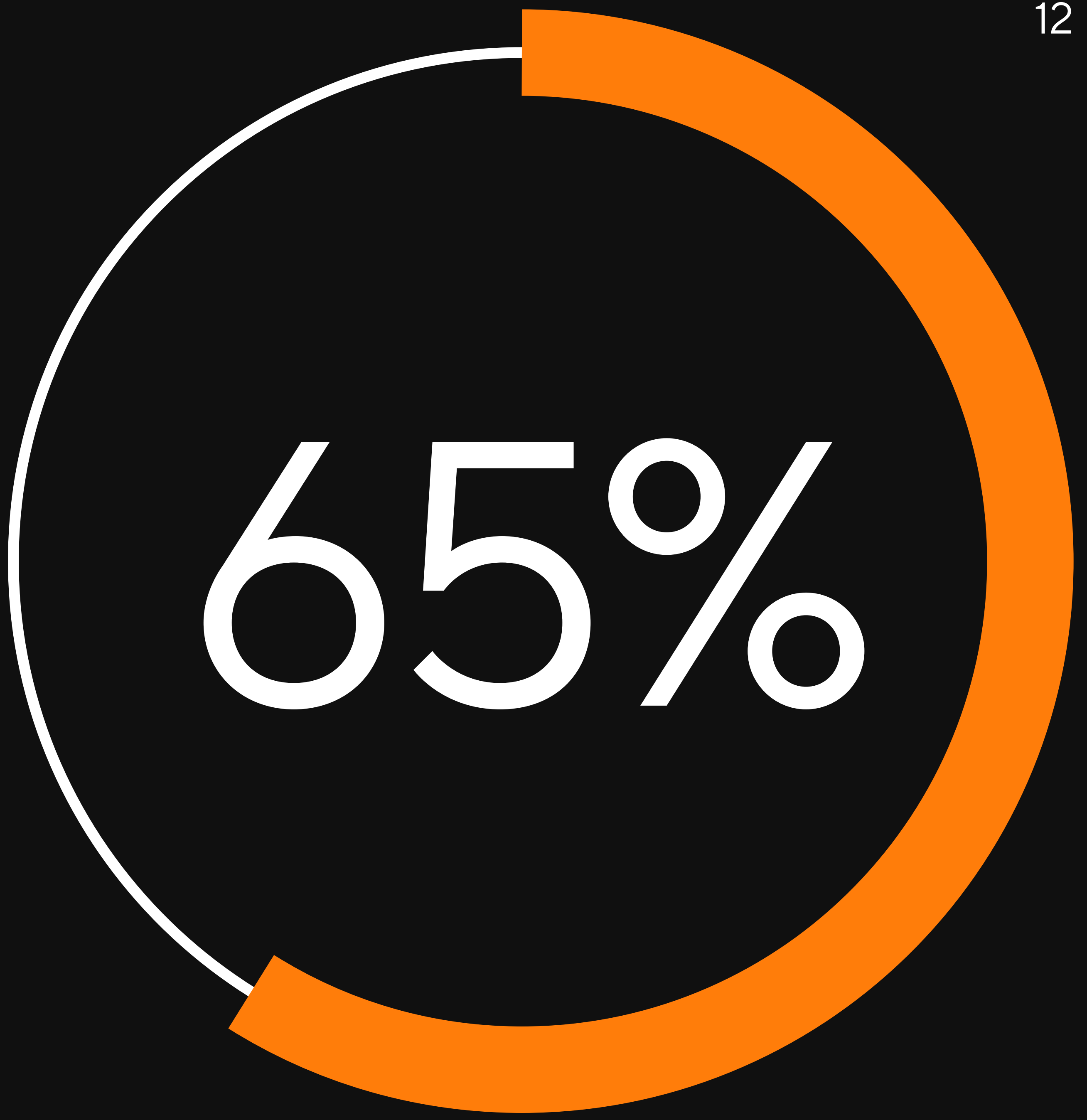
CFO, medium-sized transportation company, Germany

Part 2: No going back – businesses are now investing to grow

No going back – businesses are now investing to grow

With the vast majority of European businesses currently in a growth mindset, the operative question becomes how they can achieve forecasted growth. Firms need to make up for lost time and opportunity for driving revenue but also consider strategically where they are best positioned to capitalise in this new business environment. In other words, how are companies generating sales and positioning themselves to make the most out of this current market situation?

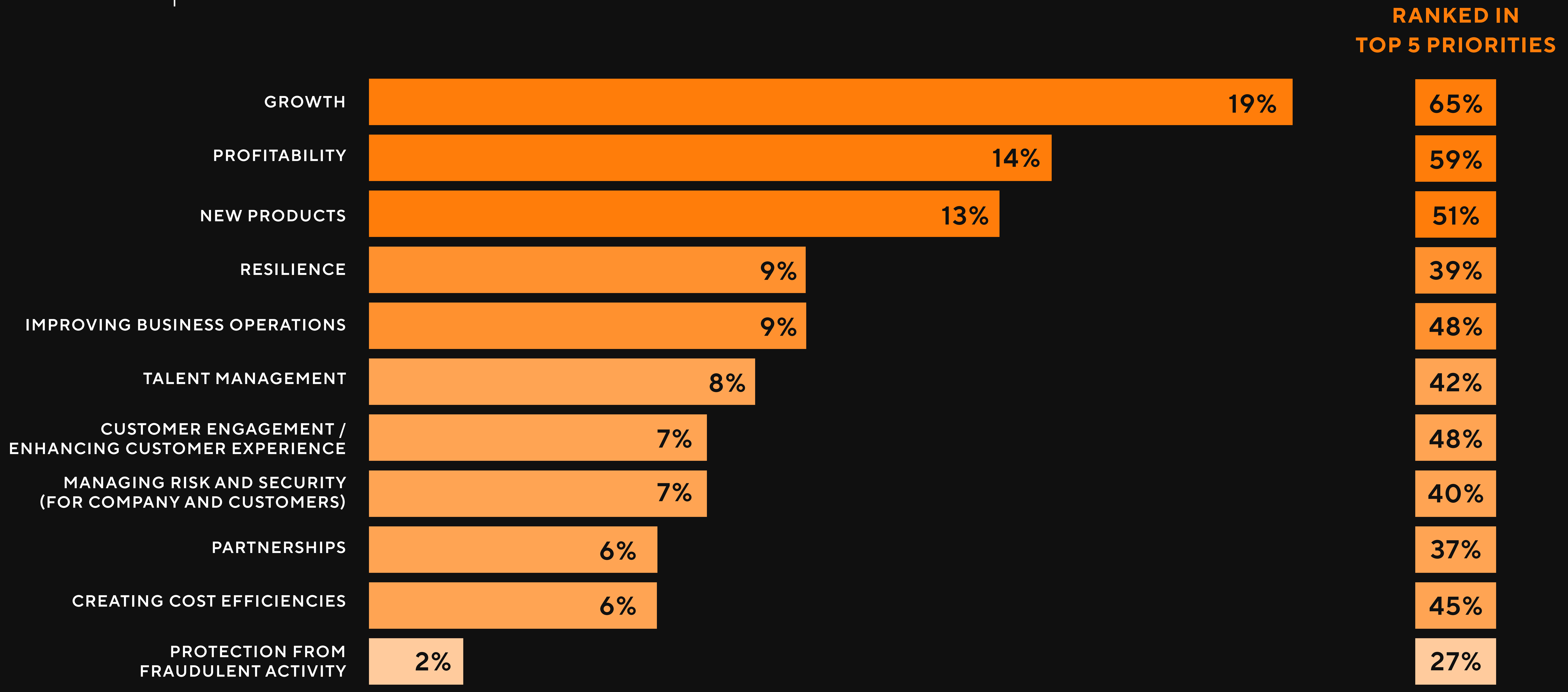
Firms need to consider how they are defining success. The most popular metric is growth in top-line revenue, with 65% of respondents identifying this as a top five core business priority. Right behind growth was profitability at 59% – although this figure rose to 67% for smaller business, who are placing a greater emphasis on staying profitable under pressure to demonstrate value to investors and analysts. The key priorities were similar for larger firms, however a focus on operations, customer engagement, and experience were more equally balanced. Less commonly cited but still important metrics for success include creating cost efficiencies and risk management. Taken together, these represent the ways in which businesses are developing their growth roadmap in 2022 – with careful consideration and a strategic focus ahead of investment.



65% of respondents identify **growth in top-line revenue** as the most popular metric for defining success

Profitability came in at 59% – although this figure rose to 67% for smaller business

Main business priorities over the next 12 months



Set the stage for growth and offset against risk

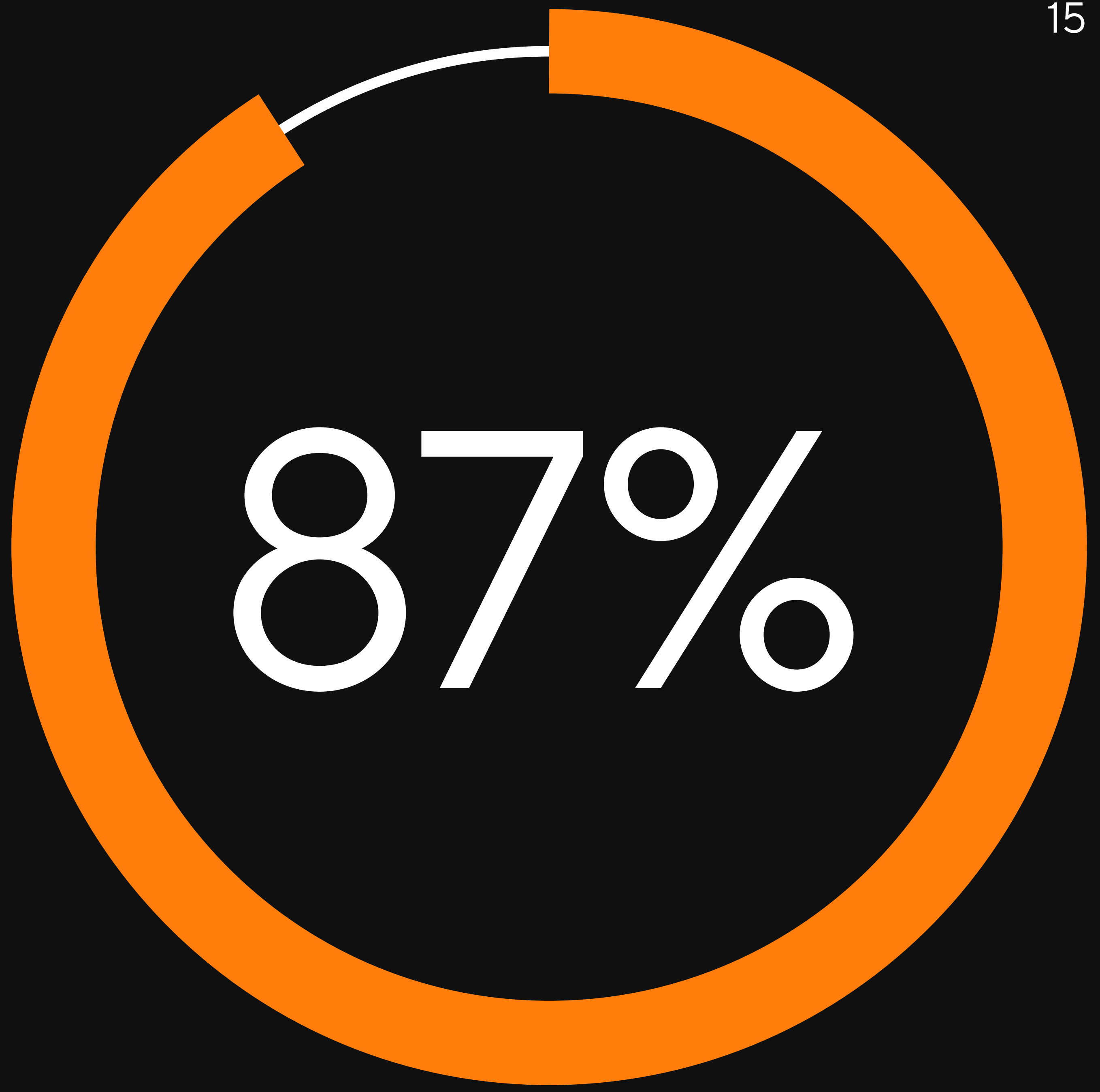
'Our growth drivers are to get to the business as usual and move on the path of recovery to being profitable again. Pandemic not being entirely out of the picture is one scare that still hangs around, and that is keeping our growth in check as our thoughts are constantly in a mix of either go out in full swing or control ourselves to be ready for any further disasters. We might not be prepared for all the challenges we have to face in the future, but it is important to position ourselves to thrive in challenging conditions. As a result of the pandemic, we increased our product portfolio and made certain changes in our facilities, which would be beneficial to us even in the long run.'

CFO, food manufacturing company, France

Step one: build a sustainable strategy for long-term success

As businesses plan for growth, the first question is whether to begin by reversing trims that were made during the pandemic. Cuts in response to the pandemic were widespread across businesses of all sizes and across the continent. The survey found that 87% of businesses reported falling costs due to the pandemic and, of those, 74% had to actively choose to cut costs but those were generally minor cuts. The majority of respondents (9 out of 10) have since reversed those cuts.

Crucially however, most respondents believed that cutting won't be the main driver of growth or profitability for a business. Businesses ultimately are willing to spend both to unlock long-term profitability and in key areas that are necessary for business continuity, with just under three-quarters believing this would influence their spending choices.



87% of businesses reported falling costs due to the pandemic

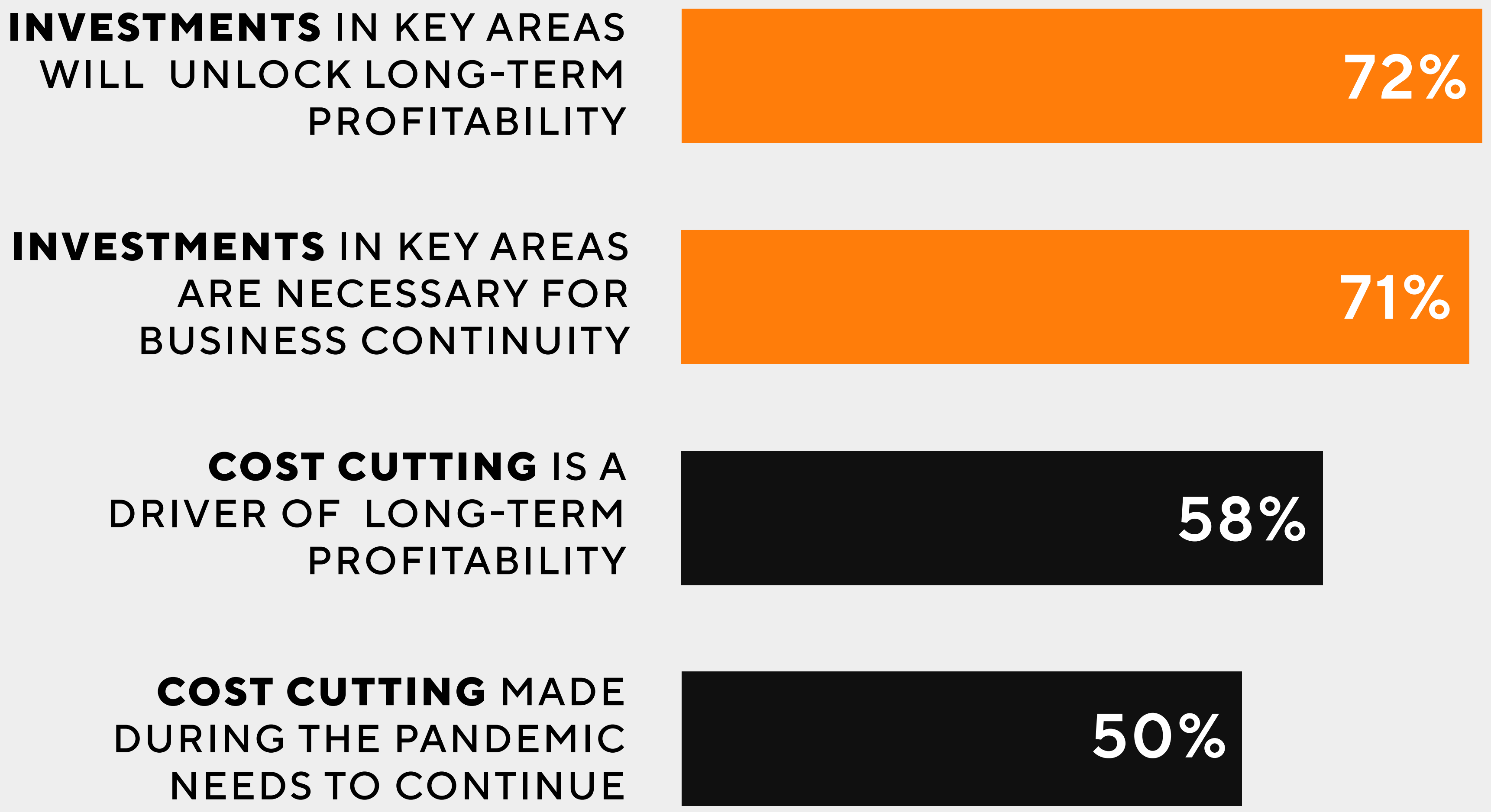
9 out of 10 businesses that made cuts have since reversed them

Balance your spending and **get real about** growth

'I would say that - unless you're very, very wise about where you spend - if you invest a pound more, you shouldn't expect to see more revenue growth coming from that. But at the same time, my view is if you don't invest more then there's going to be a limit to how much more you can achieve. So it's about getting the right balance, really analysing the returns you're getting from your growth, and doing more of what works for you.'

Claire Wain, CFO, Monsoon & Accessorize

Views about business spending over the next 12 months

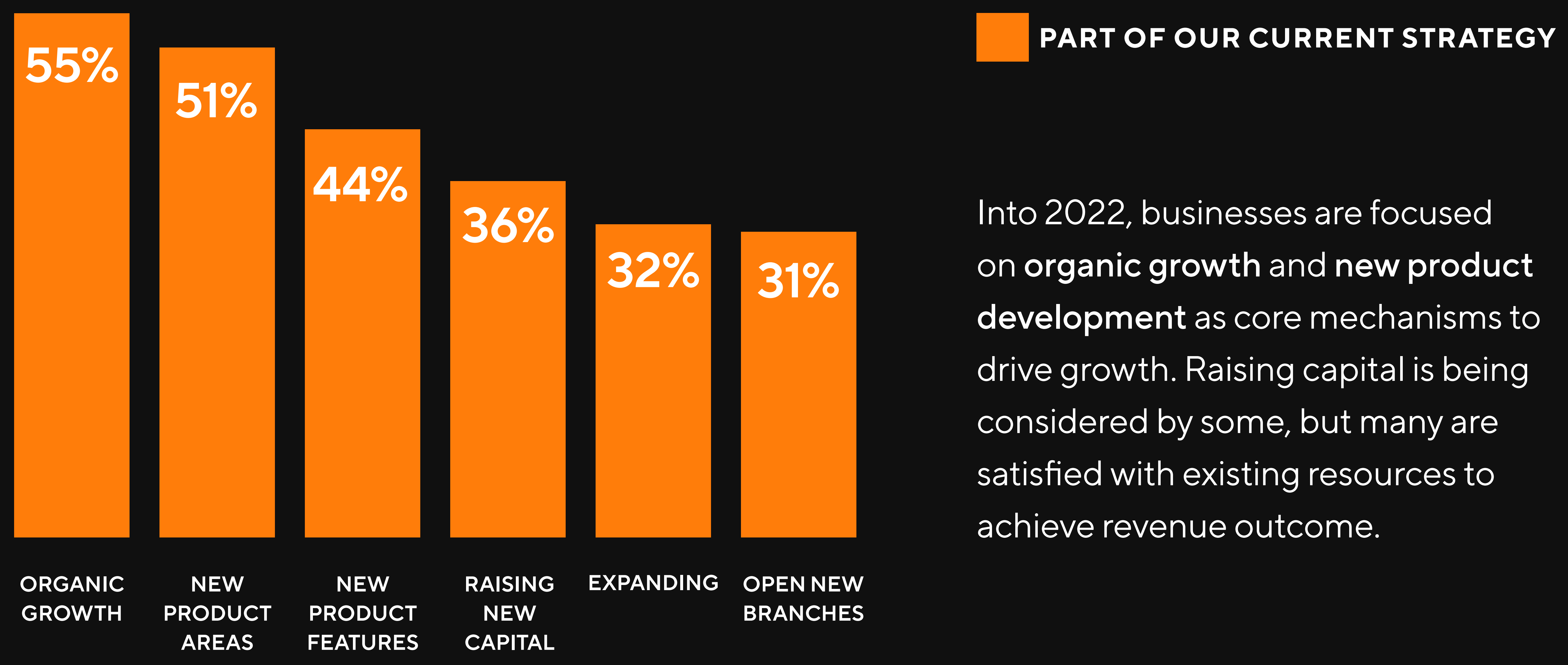


Insight: Into 2022, investment in key areas is more commonly recognised as a driver of long-term profitability than cost cutting. Companies look likely to invest where this will add value – but will reduce unnecessary spends.

Overall, when examining corporate strategies for growth, there is no simple formula. Additional investment does not lead directly to additional success, rather strategic choices matter most when it comes to return on investment.

Step two- reposition for growth with data-driven insight

After much scenario planning and analysis, businesses are now debating where to place scarce resources. The most common means of growth come from organic growth (55% in current plans), launching new product areas (51%), and new product features (44%). Outside capital (36%) and selling pieces of the business were not as seen as broadly popular ways to achieve growth. Tension remains as companies drive productivity, making the most of existing resources while still building future potential with product development to generate new revenue streams.



Into 2022, businesses are focused on **organic growth** and **new product development** as core mechanisms to drive growth. Raising capital is being considered by some, but many are satisfied with existing resources to achieve revenue outcome.

Learn from customer data as the source of truth

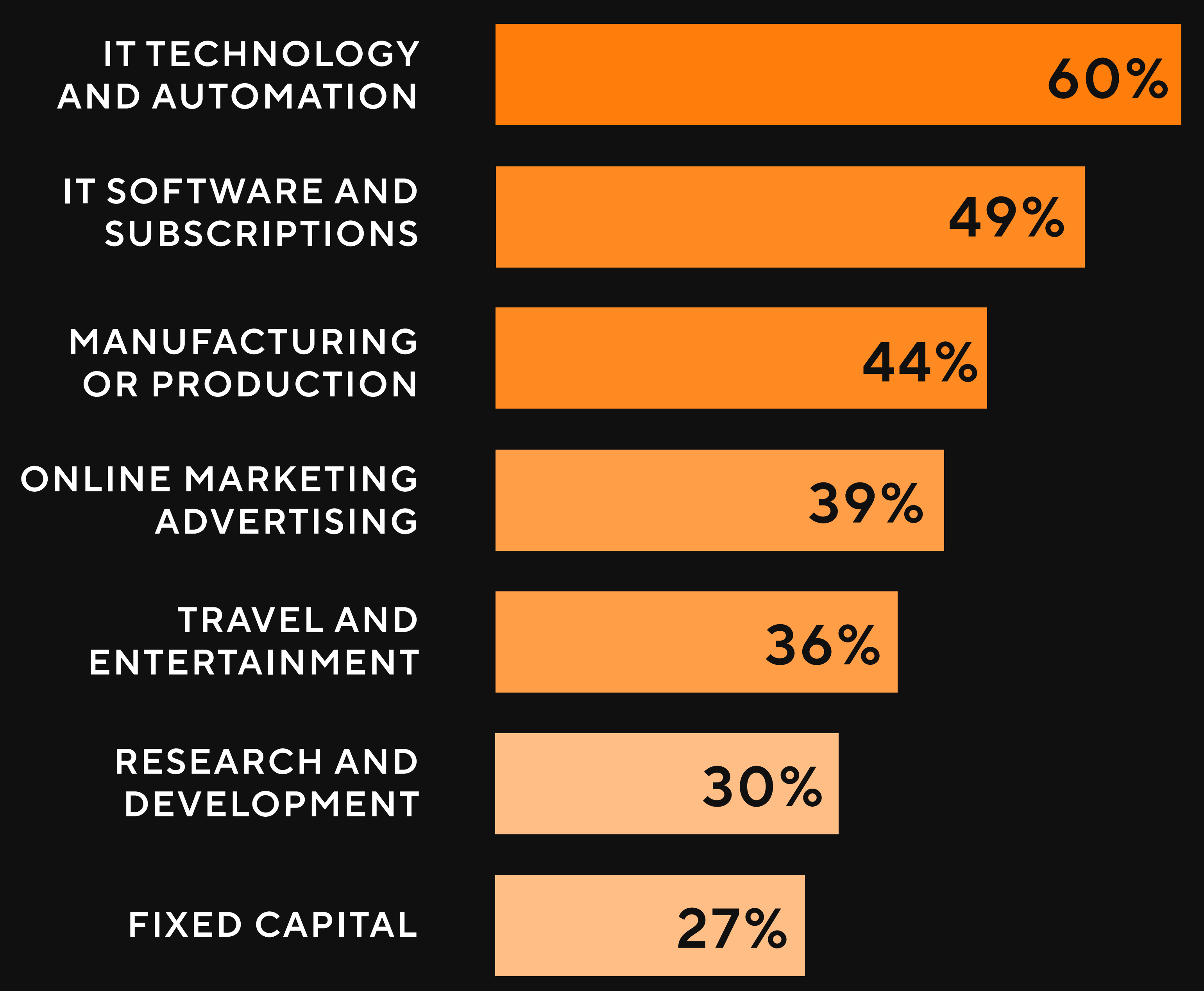
'While we did very successfully grow our online sales from a very low base (by 300-400% some weeks over lockdown), once stores opened up again the customer behavior was very clear and told us that, while we're continuing to invest in social media and growing the brand digitally, transactionally most people come and shop with us still – over 80% of people will come and shop with us in our stores.'

Claire Wain, CFO, Monsoon & Accessorize

Step three - make core investments that impact the bottom-line

Companies are making key investments into specific business areas in the coming year, priming themselves for a busy period of business activity. Costs are justified if value is being created in exchange, and the majority of companies surveyed placed their big bets in technology and automation.

We found the most cited areas for spending and investment to drive profitability to be IT technology and automation (60%) and IT software and subscriptions (49%). Technology, more than any other area such as staff payroll and contractors, is seen as helping businesses get to the next level.



IT technology and automation, followed by IT software and subscriptions were the most common methods of investments to drive profitability .

Invest with a focus on value creation

'A lot of testing is what we did in 2020. We allocated smaller teams to build versions of a product, we tested a bit and then decided which ones we want to invest in, in 2022. If you plan to grow the company by just investing in online marketing, or just simply hiring more people, you might increase the top-line. I don't think your bottom-line will be very healthy.'

Aidana Zhakupbekova, VP Finance, Housing Anywhere

Part 3: Use technology and operational reform to thrive

Use technology and operational reform to thrive

Technology will be an integral part of how finance functions are able to adapt and successfully perform their expanded role. Companies that are looking to grow anticipate the technological and operational challenges and will need increasing amounts of technology and automation to thrive.

For leading companies, technology in the finance function is a way to do more with less. The survey found the most important feature for a financial automation platform is its ease of use followed by its ability to drive cost efficiency and gain new insights from the data.

The most important features for a financial automation platform

NO. 1
EASE OF USE

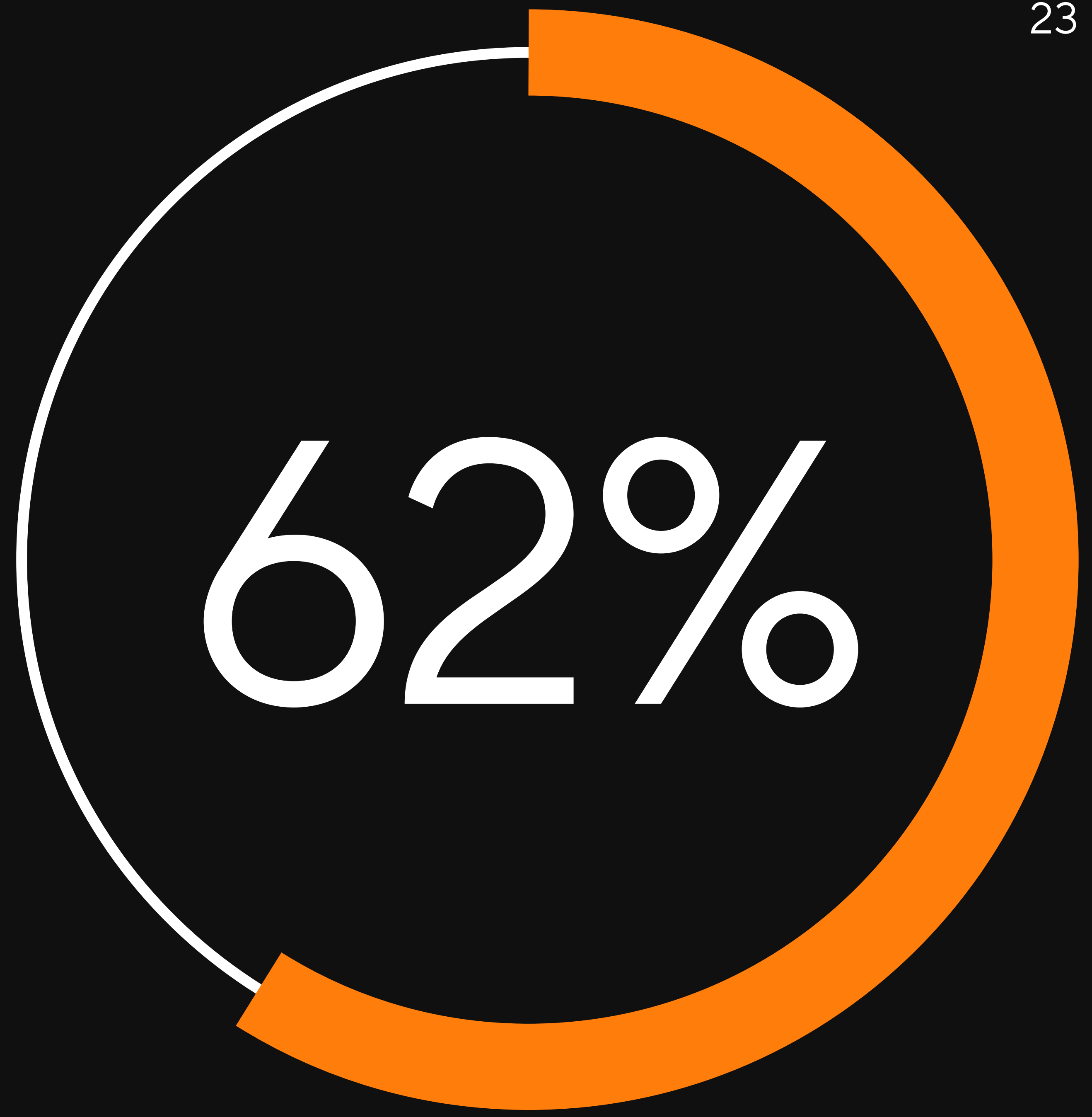
NO. 2
ABILITY TO DRIVE COST EFFICIENCY

NO. 3
ABILITY TO GAIN NEW INSIGHTS FROM DATA

The role of automation

Automation replaces repetitive and time-consuming tasks, so employees can concentrate on growth, operational efficiency, training and development – things that add value to the business.

Most businesses have embarked on a corporate strategy towards digitisation and automation. 62% percent of businesses already use some form of financial automation. For smaller firms, automation can be a way to reduce headcount. For large firms, reducing headcount is also coupled with the integration of artificial intelligence into supply chain management to help manage complexity involved in the processing of greater volumes of data and analytics required to uncover insights.



62% percent of businesses already use some form of financial automation

Use case varies by business size

SMALL BUSINESSES REDUCE HEADCOUNT

LARGE BUSINESSES REDUCE HEADCOUNT & IMPROVE SUPPLY CHAIN MANAGEMENT

Automation empowers finance teams to add value

'We're definitely doing more for less. And I think our output as a team in terms of transaction volumes has probably improved by 30% over the last 18 months. My ambition is really for accounts payable and accounts receivable to become 90% automated, which frees up the teams to be doing more value-added work for the rest of the business.'

Tanbir Jasimuddin, Finance Director, Vargas Law

The shift towards automated spend management

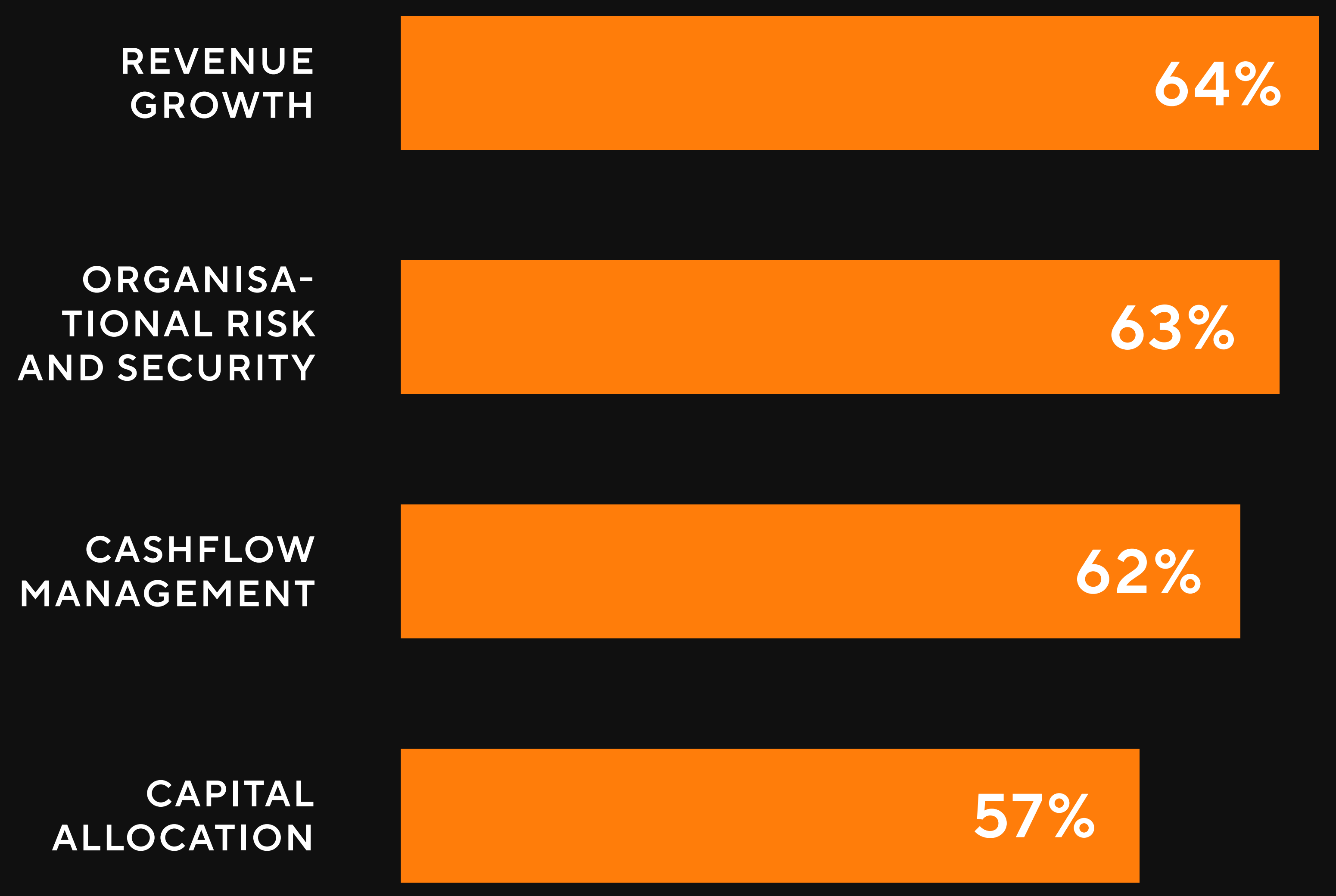
According to our survey, respondents viewed the ability to harness more visibility, control and oversight across business expenditure – as a powerful mechanism to drive revenue growth, mitigate risk, optimise cashflow and capital allocation.

Expense or spend management technology is a nascent area of automation that is growing in popularity, creating positive impact and addressing those needs for businesses large and small. Verifying and paying employee expenses, with receipt chasing and manual checking of data, are frequent and tedious tasks that rob the finance function of time that could be spent influencing strategy. Going paperless and automating administrative tasks helps to modernise expense processes and improves the performance of the team.

What's rated well by finance leaders? Smart cards. Interestingly, these were the least commonly used by businesses – with just 28% of companies having them in place. This was less than half the rate cited for traditional credit cards (64%). But those businesses that did have smart cards in place rated them highly – above credit cards and debit cards for business spending.

Finance directors will continue to explore solutions that unlock extra time and drive productivity, enabling them to perform their expanded roles.

Impact of greater visibility, control, and oversight across expenditure



Insight: 64% believe that having a better view and control of expenses will drive revenue growth

Satisfaction with each area of use

74%
SMART CARDS FOR EXPENSES PAYMENTS

62%
CREDIT CARDS FOR BUSINESS SPENDING

Smart cards yield rewards with multiple advantages

'We're a company where we are internationally on the move all the time. We have 95% of our turnover abroad. We make significant use of Soldo cards on our business trips, in particular in the daily activity of our yards, with cards assigned to specific individuals but also to a specific cost centres. If the purchase department or any other function needs to purchase something on the spot, which is over the established limit of expenses, they can call the treasury department to immediately raise their spending limits. We saw the ability to generate – at any time – account statements of a quality that was better than credit cards, and we have a better and instant control of our costs and expenses. Adopting Soldo payment cards, it is appreciated by everyone. Moving from credit cards for us - this was also a process of cultural transformation.'

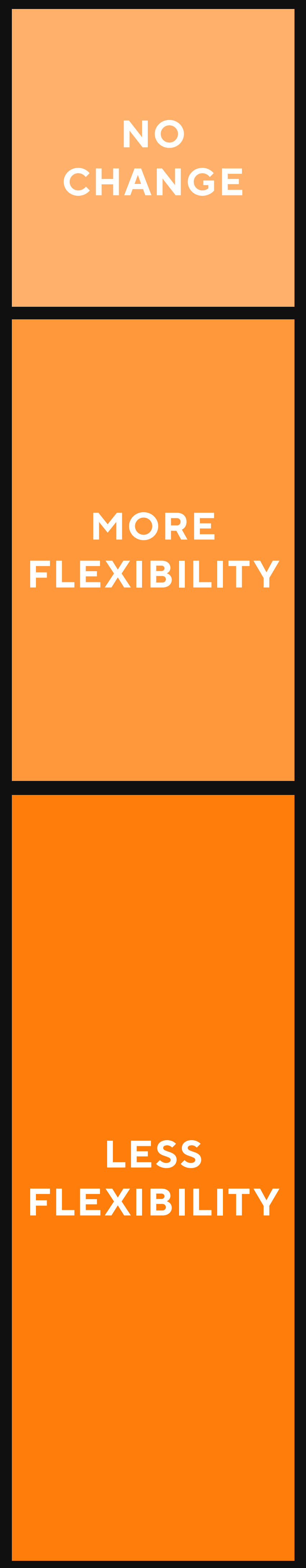
Giovanni Grassi, Corporate Finance & Insurance Manager, Trevi Finanziaria Industriale Spa

What does control mean in spend management?

We asked finance directors if they were planning to give more flexibility to employees around how they spend money for client entertainment, travel, and marketing.

The answer? Broadly no. 52% of companies said they would give less flexibility to employees, while just 30% suggested more flexibility. Companies see greater control as enabling revenue growth, reducing operational risk, bolstering security, and improving capital allocation, which is not realised through more independence.

That said, finance directors personally want more control over spending preferences and patterns, which are in part enabled through digital and automated tools. More detailed rules and policies can cut down on waste and abuse, while providing greater insight around spending.



19% stated that there will be no change

30% suggested more flexibility

52% of companies said they would give less flexibility to employees

Part 4: The evolution of the finance function – from formulae to true business insight

The evolution of the finance function – from formulae to true business insight

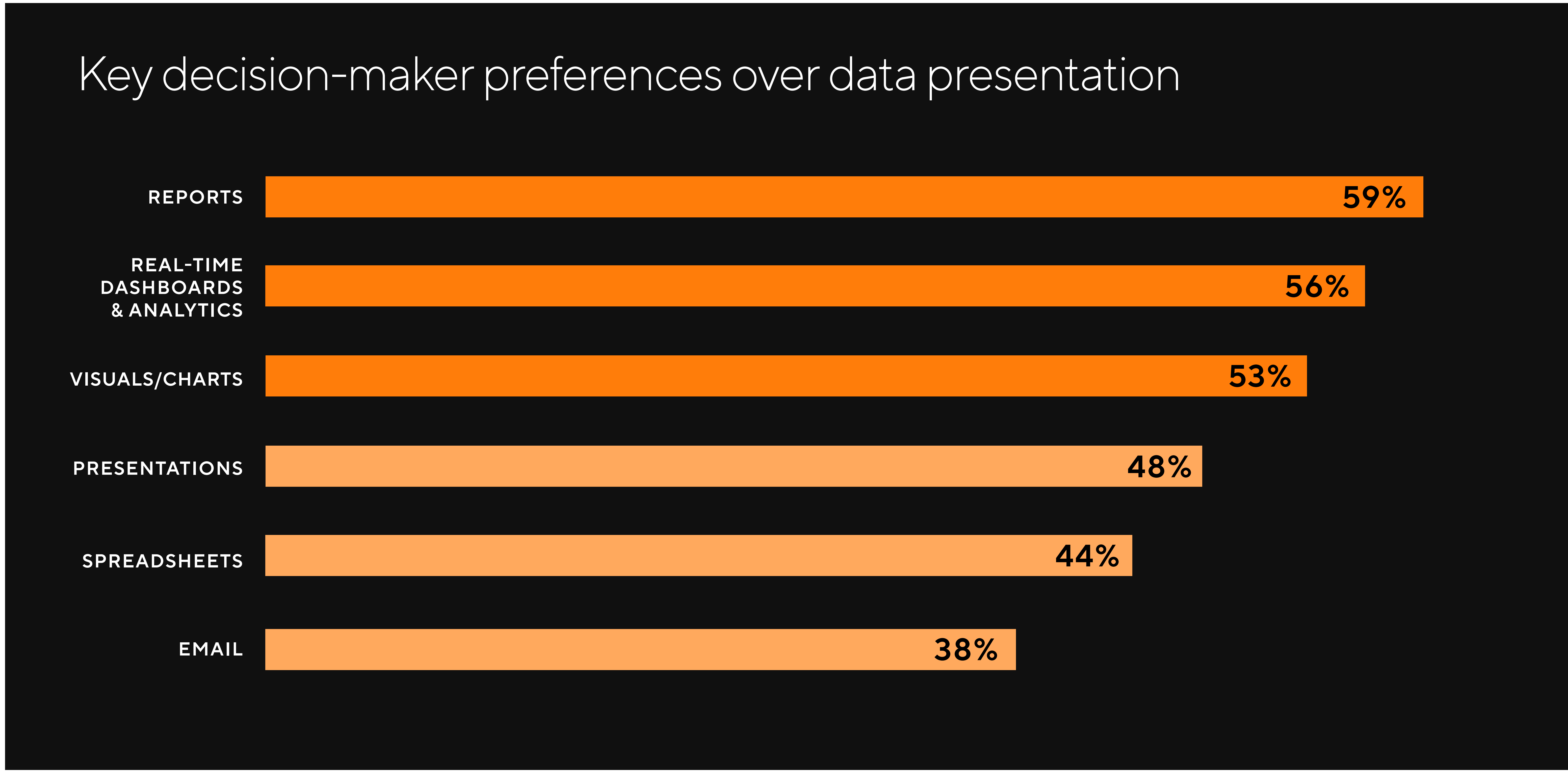
The pandemic tested the robustness of businesses, and the finance function was at the heart of this challenge. Finance teams now must evolve in response to the new challenges and greater expectations of the businesses they serve.

But there are commonalities across these shifts, and a large one is the changing role of data. Data is being used to report on every aspect of a business and becomes increasingly important as a business grows and becomes more complex.

How to present this data inside the organisation is evolving. Larger companies increasingly demand a shift to real-time and granular analytics. 56% cite these as a preferred format when making key decisions.

Reclaim time and solve business pain points with enriched data

Tanbir Jasimuddin, CFO of Vargas, said that the implementation of a real-time sales and finance dashboard in Teams removed a significant time drain from his team. Jasimuddin said: *'I can spend a lot more time making sure I know what's going on in the business. The instant availability of performance metrics allows me to look at data in different ways and understand and explore, and be a bit more diagnostic.'*



Faster and broader planning

Businesses faced a significant shock during the pandemic. Some respondents mentioned that they did forecast for a 'worst case' scenario, but that the pandemic sometimes exceeded even this case or impacted the business in an unexpected way due to the restrictions on travel.

Firms therefore need a greater focus on a wider variety of scenario planning. According to our survey, 64% of organisations said they are choosing to build in more scenarios based on market disruption compared to before the pandemic. A focus on financial planning and analysis – an umbrella term for planning and budgeting, integrated financial planning, management and performance reporting, and forecasting and modelling – ensures the finance team is much more adaptive, and responsive to market and business conditions. This makes the firm more responsive to a wide variety of stakeholders, including customers, suppliers, and partners.

Firms, especially those that are larger in size and complexity, are recognising that to succeed they need to plan more. We found 69% of businesses are planning more frequently than before the pandemic. Some organisations moved from annual reporting to biannual, others even more frequently. Still others supplemented larger forecasting projects with smaller comparisons against a rolling forecast. This may have started in the pandemic, but the trend looks to continue.

69%
PLAN MORE FREQUENTLY

66%
FORWARD LOOKING IN REPORTING

64%
BUILD MORE SCENARIOS

61%
SHORTER PLANNING TIME HORIZON

Drive growth by putting performance under the microscope

'We are having to be more robust in the way that we measure what we're doing, to try and isolate where the performance is coming from... We're having to forecast much more regularly to keep on top of that performance, and try and isolate where the benefits are coming from.'

Claire Wain, CFO, Monsoon and Accessorize

From resilience to a broader mandate

The finance department was at the forefront of both understanding and then responding to the changes brought on by the pandemic. Finance departments have had to make one of the largest transformations. According to finance leaders we've spoken to, the finance department is one of the most adaptive, taking a more active and strategic role in the business rather than simply being a support function.

Finance managers said they saw this shift as one that would not fall away when the crisis ends, but rather represents a permanent transformation.

67% of survey respondents agreed that the finance function and executive function should drive towards aligned goals

Move from typecast, and triumph as strategic players

'Given the role that the finance function played during the peak of the pandemic, we were able to provide assurance and comfort to our people because we were on top of those details. As an agile organisation, we could promptly revise our budgets to reflect reality and put certain trackers in place, showing them we are planning to grow and that they should not worry nor be scared of losing their job. The next big role that the finance team played is the advisory function. Rather than looking at the finance team as people who simply record things and report things, our people started turning more towards my team members for advice, rather than just me, talking to the senior leadership for advisory purposes.'

Aidana Zhakupbekova, VP Finance, Housing Anywhere

Conclusion

The pandemic has changed the way we live and operate as a society, including how we conduct business. It's now clear many of those changes will be permanent, presenting finance leaders with new challenges.
Finance leaders will need to carefully balance what's required for short-term growth – meeting performance goals – and building a sustainable business for the longer term.

Caution is warranted. Just as too much precipitation can wash away budding sprouts, so too can hypergrowth scupper the green shoots of recovery in an economic superbloom. In this new and fragile business reality, corporate strategies for growth and success will depend on the team driving it.

European finance managers at small and medium-sized businesses are responding decisively to constant challenges faced in pandemic recovery. This report has shown the impressive resourcefulness of leaders as they adapt and set their businesses up to thrive. As they become further enmeshed in their roles as strategic developers of the business, an attitude of continual improvement is vital.

With this in mind, we offer five insights that came out of this research report, as well as advice on inspiring sustainable growth in 2022 and beyond. Taken together, these learnings help businesses to unleash even more latent potential and see their businesses thrive into the future.

Dynshaw Italia,
CFO, Soldo

Sowing the seeds:

five takeaways to help you nurture growth

1 More frequent forecasting is better forecasting

What to do about it:

Our research underlined the importance of forecasting – with 69% of respondents reporting increased forecasting during the pandemic. But, as our qualitative research showed, agility is key in risk mitigation. So, for a clearer view of the future, businesses are adopting more dynamic methods to compensate for fast-changing economic and political environments.

2 Businesses need to prepare themselves for success in uncertain times

What to do about it:

Concerns about inflation and energy prices dominate headlines. The end of the pandemic will not be the end of uncertainty. Businesses need to assume there will be disruption and take an agile approach that can see success no matter the outside environment.

3 The role of the finance team is changing

What to do about it:

Embrace the opportunity. Finance executives should no longer expect to focus on results but be a key driver of business strategy. This means embracing more forward-looking analytics and participating in strategic planning discussions.

4 Automation will be a key driver of value

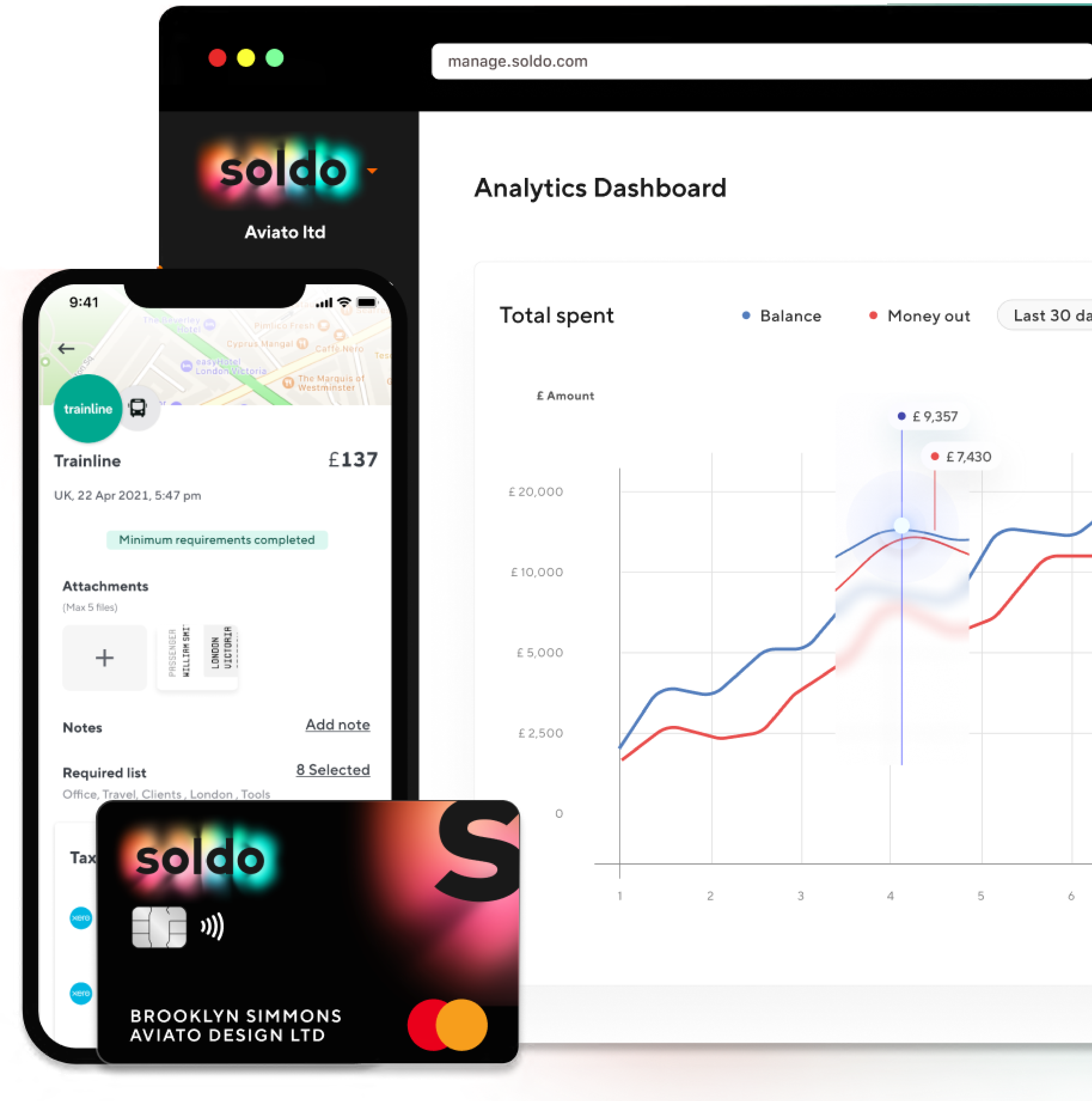
What to do about it:

Focus on parts of business that will unlock growth and demonstrate that value to internal stakeholders. Build on successful technology deployments and show how new advancement can increase revenue per employee while also adding new insights.

5 Control will be key

What to do about it:

Don't accept current uncertainties around how employees are spending their money. Automated, intelligent tools can future-proof the business and provide greater clarity, even for businesses on a growth trajectory.



We're here to help you spend the brighter way

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From software subscriptions to online advertising, fuel to employee travel and expenses – you can manage all business spending with Soldo.

Get absolute visibility of spending in real time and complete control of budgets for everyone and every team. And cut hours of financial admin, so you can concentrate on growing your business in 2022 and beyond.

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