FIN X FORUM

APRIL 2023

future fit finance

INDUSTRY REPORT

FIN X FORUM

IN PARTNERSHIP WITH

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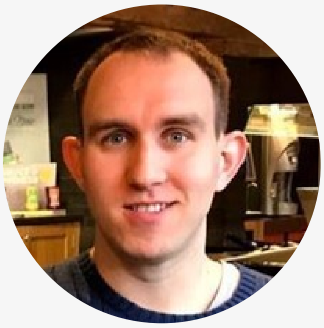

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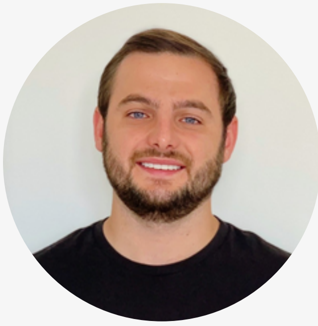

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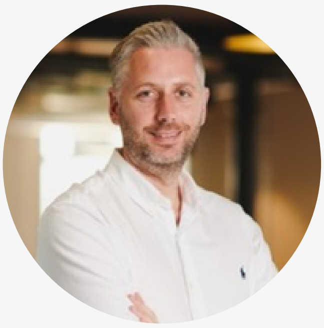

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synopsis.

SUSTAINABLE GROWTH IS ABOUT BUILDING A BUSINESS THAT CAN THRIVE FOR THE LONG-TERM, NOT JUST FOR THE NEXT QUARTER

Fast-growth, funded businesses are running a tightrope. Investment rounds that had a 3-year time horizon are now being extended out, and the “Growth at all costs” mentality has been left in 2022. With 83% of executives currently focusing on longer-term, sustainable growth [PwC, 2023], the winning strategy has changed. And what looked like a sprint, is now a marathon.

To keep up, organisations need to get fit. Fast. And with 89% of C-suite executives agreeing that finance should actively take on the role as the organisation’s strategic backbone [BCG, 2023], the function must aggressively eliminate inefficiencies, automate the mundane and cut away tasks that distract from strategic planning. It’s time to cut the fat or your organisation won’t meet its next milestone.

The finance function of tomorrow will take centre stage and not only guide their organisation through this downturn but set it up for long-term growth. How will you ensure your organisation is future fit?


MINDSETS NEED TO CHANGE FROM “GROWTH FOR FUNDING” TO “GROWTH FOR SUSTAINED SCALE”[FORBES]

growth at all costs?

WHAT ARE THE NEW PRIORITIES FOR EXPANSION?

BUSINESS RESILIENCE AND GROWTH DEMAND THAT YOU INVEST IN DIFFERENTIATORS THAT WILL DRIVE SUCCESS OVER THE LONG TERM

- GARTNER FINANCE

The economic climate is awash with issues, geo-politics is impacting the supply chain and energy costs, while reduced demand and economic slowdowns are stymying organisational growth. SVB, a bank used by many UK-based start-up and scale organisations, recently announced the crash of its UK branch and many more financial institutions are likely to be destabilised by the ongoing chaos.

Given the turbulence, fast growth funded businesses are now changing tack, pivoting their growth strategies to enable expansion over the long haul. The previous “growth at all costs” mentality has significantly shifted - 83% of executives are now focusing on longer term, sustainable growth [PWC, 2022].

50%

50% of respondents are moving away from a "growth at all costs" mentality in 2023

growth at all costs?

FEELING THE SQUEEZE

TRYING TO RAISE MONEY IN THE UK IS MORE DIFFICULT NOW THAN IT EVER USED TO BE

– MACIEJ KUBAT, CHIEF FINANCIAL OFFICER, ENTOCYCLE

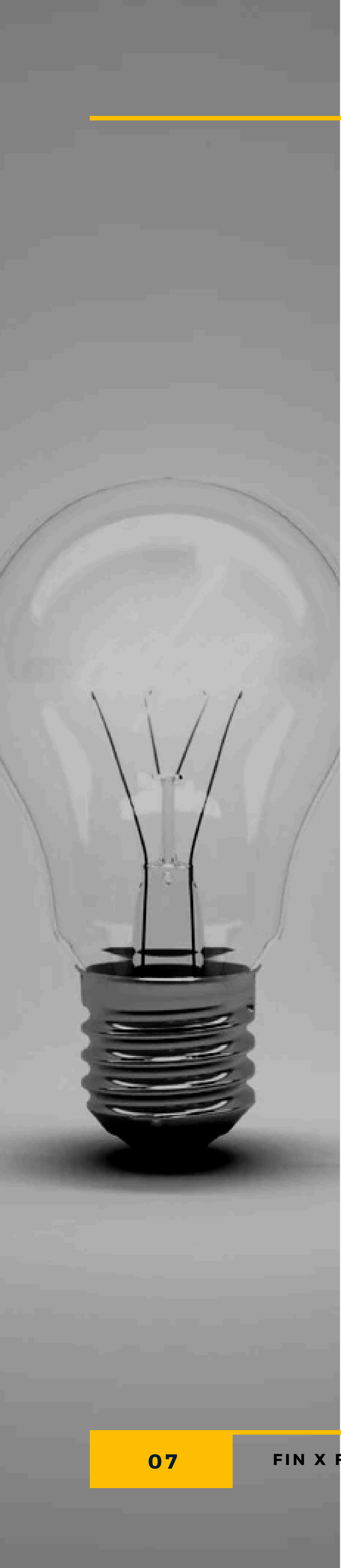
Investment rounds that had a 3-year timescale are being extended out as businesses seek to raise more capital to fund further development. Companies are seeking more sustainable ways to grow and are focused on boosting productivity, improving the CX and generating a steady cash flow. Many are also embarking on cost reduction drives in an effort to trim the fat and free up more of the budget.

TEMPERING GROWTH

BEFORE IT WOULD BE 100% GROWTH YEAR OVER YEAR, AND NOW IT'S MORE LIKE 60% GROWTH YEAR OVER YEAR, STILL AGGRESSIVE, BUT MODERATED

– ROBERT ISRACH, TIPALTI

In the UK, venture capitalists have been historically conservative - but presently they're even more so, not least after the recent comments made by Andrew Bailey, regarding the economic situation. The finance functions of start-up and scale organisations are now pushing for growth strategies that will allow them to achieve sustainable, measured ways to scale up rather than hard and fast expansion.



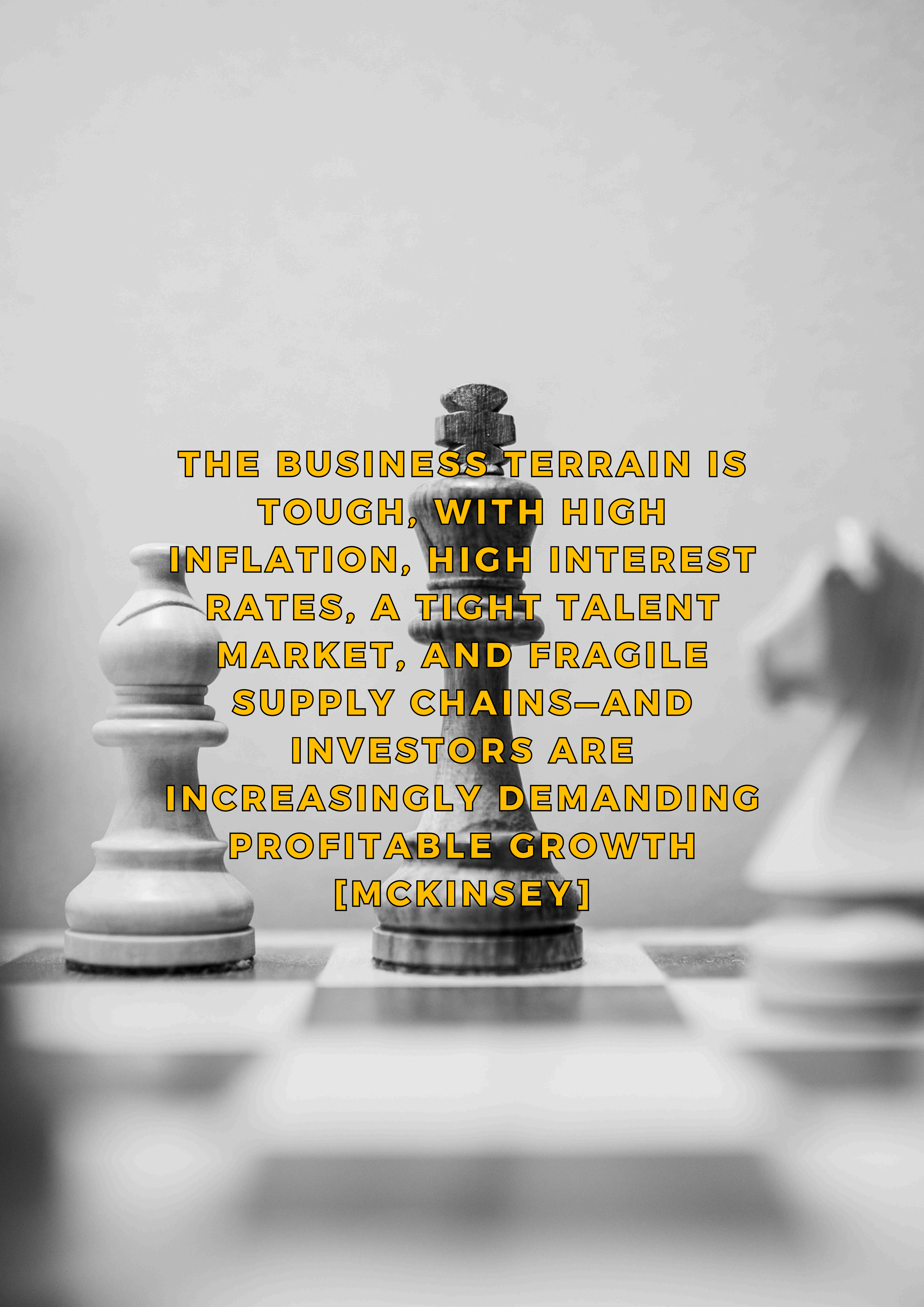
growth at all costs?

WHERE DOES FINANCE GO FROM HERE?

FINANCE NEEDS TO INVEST NOW IN THE TOOLS THAT WILL HELP THE FUNCTION BECOME FUTURE READY

Overhauling finance so that it's fit for future purpose will involve a nuanced, multi-layered approach, as well as solid leadership and digital transformation. Technology will be vital to enabling this transition, as companies can leverage it to improve efficiency, detect data issues and automate time-consuming processes.

Investment in fintech is predicted to reach $174 billion in 2023 with AI, ML and process automation geared to shape finance's future, enabling organisations to revamp their banking, payments, investments and risk management [FORBES, 2023].


THE BUSINESS TERRAIN IS TOUGH, WITH HIGH INFLATION, HIGH INTEREST RATES, A TIGHT TALENT MARKET, AND FRAGILE SUPPLY CHAINS—AND INVESTORS ARE INCREASINGLY DEMANDING PROFITABLE GROWTH [MCKINSEY]

finance as the strategic backbone.

HOW IS THE FUNCTION'S ROLE CHANGING?

WITH PROPER DATA MANAGEMENT, COMPANIES CAN AUTOMATE WORKFLOWS (FOR EXAMPLE, ERP DATA ENTRIES) TO INCREASE EFFICIENCY AND ACCURACY WHILE REDIRECTING EMPLOYEES TO HIGHER-VALUE TASKS

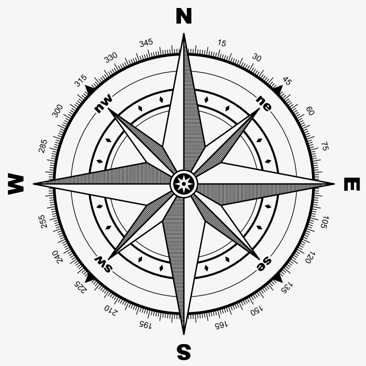
– MCKINSEY, 2023

Communicating the shift that's occurring - from growth at all costs to more sustainable growth - to founders, CEOs and VCs, is proving challenging, as founders and backers are focused on revenue growth and the bottom line. Many CFOS often feel that the rest of the board aren't financially literate enough to understand the necessity of the shift.

VCs are the most difficult to win over - when finance leaders highlight the need for less aggressive, tempered growth, they often face opposition - and a firing line.

finance as the strategic backbone.

BACKING UP



SURE, WE'RE WELL PLACED TO LEAD THE ORGANISATION DURING TIMES OF RECESSION BUT MY HOUSE IS FAR FROM IN ORDER

The finance function is best placed to steer the organisation through recession and ongoing economic chaos to ensure it meets its targets - but before it can do this, it needs the support of the whole organisation. 18% of senior executives feel that the function currently lacks the capabilities to support transformation, yet this crucial period is an opportunity for finance to play a new role and have much more impact [MCKINSEY, 2023].

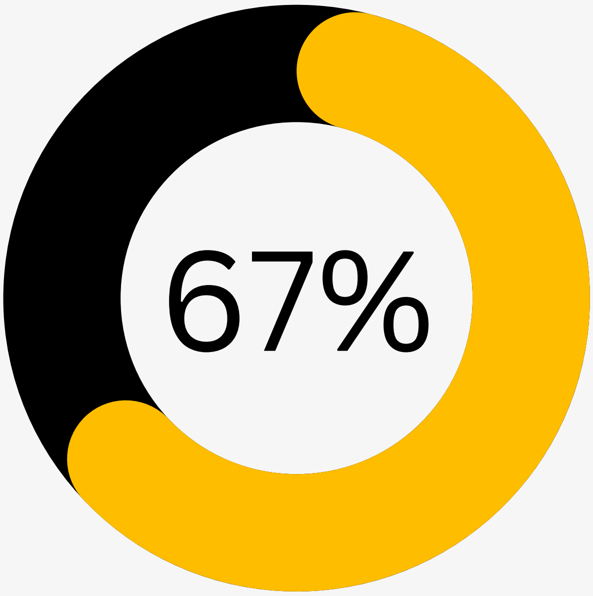
WHO SHOULD LEAD?

IN THE PAST, [INVESTORS] LOOKED PURELY AT HOW MUCH AND HOW FAST YOU CAN GROW

– MACIEJ KUBAT, CHIEF FINANCIAL OFFICER, ENTOCYCLE

Many CEOs and founders are emotionally invested in the business and as a result, can be oversensitive to risk. Data driven decisions will help overcome resistance to change - when there is solid evidence for a shift, it's easier for CFOs to make the case for it. The role of the CFO is transitioning too - they must now be deft change management experts and work in tandem with the CEO and other senior figures, to guide the business through disruption.

finance as the strategic backbone.

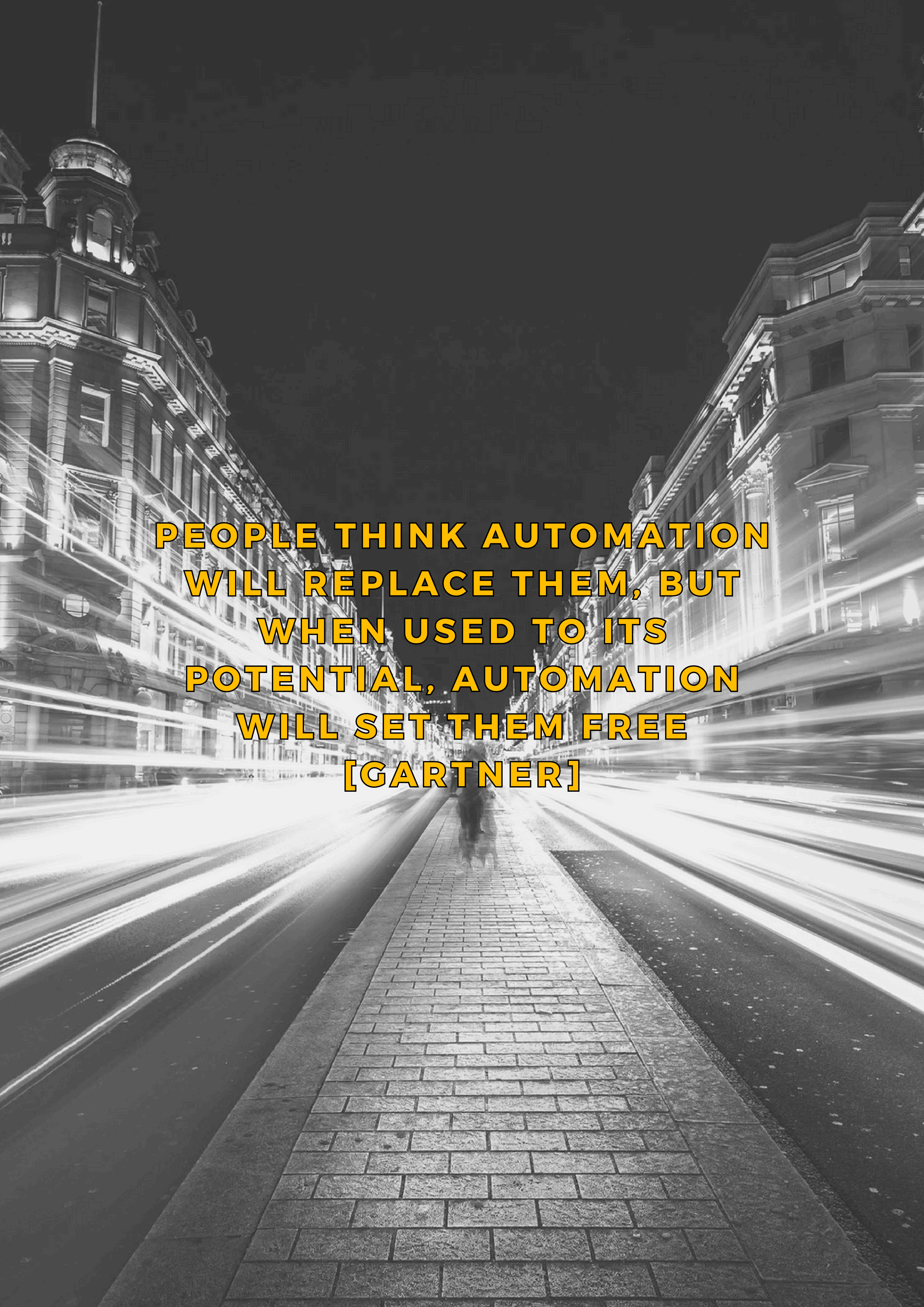


of respondents feel their talent is ready to take on the new role as the strategic backbone of the organisation

NEW METRICS

INVESTORS ARE LOOKING FOR MORE THAN JUST PROJECTIONS, THEY WANT PROVEN USE CASES, WITH DEMONSTRABLE VALUE ADD BEHIND THEM

The metrics of success have shifted - now finance must be able to show why change is needed, so they can be viewed as a solid strategic leader. To enable this capability, finance needs tools to accurately measure and track danger signs ahead, so it can help the business navigate through chaos. CFOs must lead from the front, leveraging data that demonstrates how any planned shift will enable sustainable business growth, to secure better decision enablement.


PEOPLE THINK AUTOMATION WILL REPLACE THEM, BUT WHEN USED TO ITS POTENTIAL, AUTOMATION WILL SET THEM FREE [GARTNER]

automate the mundane.

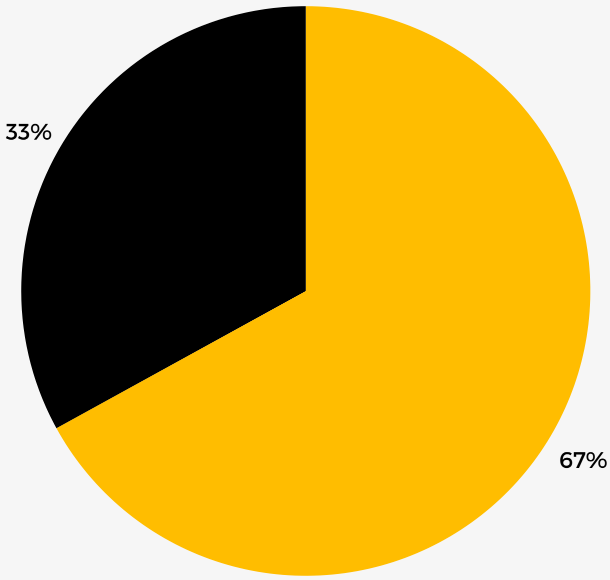
PRIORITISING EFFICIENCY - HOW DO CFOS DETERMINE WHAT NEEDS TO BE DIGITISED?

COUPLING RADICAL EFFICIENCY WITH INNOVATION TO DRIVE BUSINESS RESILIENCE, GROWTH AND PROFITS REQUIRES SHREWD INVESTING IN DIGITAL

- GARTNER, 2023

Technology will play a pivotal role in ensuring that businesses are future ready, with tools and process change enabling the stripping out of any inefficiencies. Now, organisations can create platforms that scale as they grow.

In practice, this is often easier said than done - and when it comes to where the automation focus should fall, companies must consider if there is any low hanging fruit that could provide quick gains, or whether the aim should be to build strategic platforms that yield longer-term returns?



67% of respondents are investing in finance automation

Investing in automation

Not investing in automation

automate the mundane.

WHY WASTE TIME?

WHEN LOOKING BACKWARDS AT ACTUALS, IDEALLY THIS SHOULD ALL BE AUTOMATED INCLUDING REPORTING, ALLOWING FINANCE LEADERS TO FOCUS ON HOW TO ADD VALUE TO THE BUSINESS LOOKING FORWARDS

– JON MAHOOD, FINANCE DIRECTOR, LAUNDRYHEAP

Finance must decide which areas would benefit most from automation - after all, there's no point making something more efficient that doesn't need overhauling in the first place, or that doesn't need doing at all. 26% of companies feel they lack the processes needed to implement fundamental change - leveraging automation is all about prioritisation, working out the areas that don't need people, to free employees up [MCKINSEY, 2023].

Strategic finance leaders will assess the core moving parts of the business to evaluate which processes automation can improve. Automating repetitive manual processes, like payables will add demonstrable value and will enable more focus on the strategic priorities of the organisation.

automate the mundane.

IS IT WORTH IT?

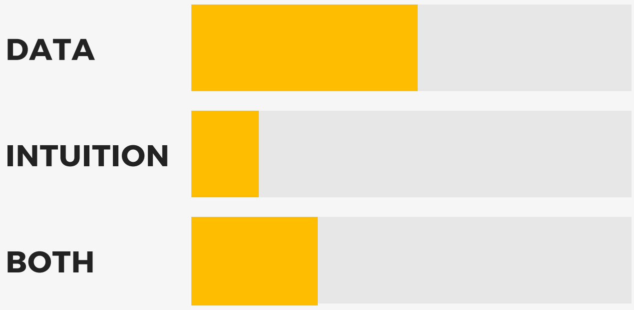
FINDING THE TIME AND THE RESOURCES TO ALLOCATE TO THE IMPLEMENTATION IS CHALLENGING

When it comes to proving the ROI on tech investment, its getting harder to secure funding. The board are more sceptical than ever and ask more questions, so finance must be armed with all the right answers. Research shows that 89% of boards agree that digital should be an essential part of their growth strategy - but 81% say that they've still not progressed toward, or hit, their digital business transformation goals [GARTNER, 2022].

Financial leaders need insight, so they can focus on the most crucial data use cases and identify which solutions will optimise profit. They can then leverage this information to drive the modernisation of the function - as Dheeraj Vijaykumaran from Autolus put it, "how do we provide data to our C suite to support the decisions we're making"?

If CFOs can show that investment will be worthwhile – and will enable the organisation to meet goals set out by VCs, they'll encourage buy-in - but to do this they'll need to quantify how tech solutions will affect a variety of factors, including productivity and the bottom line.

50% of respondents make decisions based on data



What do you base your decisions on?

automate the mundane.

FUTURE FACING

IT'S NOT JUST ABOUT SECURING BUY-IN, THE KEY TO A SUCCESSFUL TRANSFORMATION OF FINANCE WILL LIE IN THE IMPLEMENTATION OF TOOLS AND PROCESSES

Finance is facing several barriers when it comes to getting the function future fit. Before they can increase the level of automation, they need to demonstrate success ahead of making the case to the board for more money. Investors want to see more evidence - and more of the story - so CFOs have to be able to show the bigger picture.

Attempting to implement technology that won't scale, or aren't appropriate to the organisation's current size is counterintuitive. Goals must be tightly identified and the roadmap towards them well structured. And, given the volatility of the current market, companies must be ready to pivot and adapt, quickly.

Time and resources, not budget, are the main factors now and these must be adequately allocated to ensure that new, long-term automation is swiftly rolled out, business-wide, so the process doesn't drag on. As Darren Upson said, "changing ERP is like open heart surgery for organisations" - if it's not given sufficient time and attention at the initial stage, it will have a detrimental impact.

Agile platforms which automate processes, reduce error and provide deeper insight will help finance reduce costs, improve fraud detection and respond to regulatory changes faster - but tools can't take people away from the value add. To unlock all these capabilities, finance needs flexible, multi-cloud solutions that integrate well with the business and can be seamlessly set up in the background.

CONCLUSION

The future of finance has moved away from the mundanely transactional - going forward, the function's role will be strategic and value added. Finance must now be the heart, not just the head of the business and should shift from business partnering into a strategic position of co-operation. This will be challenging, as many modern businesses are still stuck in a transactional model and plenty are struggling to move beyond that.

Making the shift to sustainable growth will be essential, if the business is to meet its next expansion milestones. Growth at all costs isn't feasible in 2023 but many people and departments haven't yet bought into the idea that finance should play a key role in strategic decision making and be at the centre of the organisation. The function has to operate seamlessly to do this - when it does, it's best placed to guide the company through the economic turbulence that VC-backed businesses find themselves in.

Technology will play an important part when it comes to transforming finance, as it will free up team resources and provide real time insight that will boost strategic decision making. But there are significant barriers that will arise when implementing the automation of the mundane and businesses are now at a crucial moment, so they'll need to prioritise.

Taking time to discern the business's pain points will help companies extract greater value from automation in the long run and will let them better deliver on the strategic issues that are priority. If this is done, finance can leverage automated solutions to implement new models of business that will boost cashflow, deepen insight and measurably improve efficiency.

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