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THE CFO'S PLAYBOOK FOR 2024

Discover the state of spending *in an increasingly* automated *and* digitised financial world

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Foreword

In last year's The CFO's playbook for 2023, we wrote that "businesses around the globe are dealing with a multitude of issues stemming from an economic retraction". But for a lot of businesses in 2024, they might not notice the difference – with an energy crisis, talent shortages, supply chain disruptions and inflation all stubbornly sticking around.

But if we are to find a silver lining here, then it's that businesses seem to be acclimating to their challenging circumstances and becoming increasingly resilient. And one of the key ways they're doing this is through technology. From management platforms that encourage collaboration and communication, to systems and tooling that improves efficiency and productivity, to generative AI.

This is why, for The CFO's playbook for 2024, we've chosen to dive into the world of digital transformation to see how it's impacting the state of spending and the lives of CFOs and their wider finance teams. To do this, we've compiled not just one, but two sets of data – exploring the current state of play for businesses across the UK, Germany, Spain, France, Denmark, Sweden and the Netherlands.

Let's dig in:

Key insights from the UK

☛ *KEY BUSINESS PRIORITY* – 71% of senior decision-makers said 'growing revenue' was a key priority within the workplace at the beginning of 2024

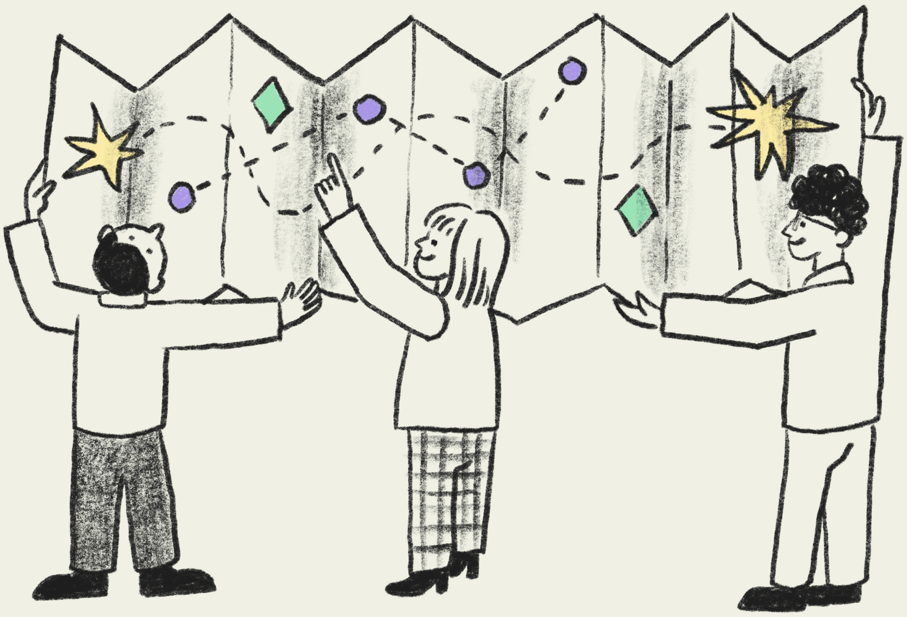
☛ *DIGITAL TRANSFORMATION STATE OF PLAY* – 68% of senior decision-makers said they are currently undertaking some form of digital transformation and 49% somewhat agree it has had a positive impact on the workplace

☛ *REASONS BEHIND DIGITAL TRANSFORMATION* – 74% of senior decision-makers said 'improved efficiency' was a driver of digital transformation, 40% said competitive advantage and 36% said improvement of customer relations

☛ *CFO'S COMPREHENSION OF AI* – 34% of SMB financial decision-makers disagreed with the statement that they expect CFOs and finance teams to have a comprehensive understanding of AI (generative and otherwise) so that it can be implemented into finance operations

☛ *TOOLS FOR BUSINESS SPEND AND EXPENSES* – 19% of SMB financial decision-makers agree that having two or more different platforms for business spend and business expenses works and integrates well together

☛ *E-INVOICING ON THE HORIZON* – Although e-invoicing laws are not mandatory in the UK right now, this will likely come into play at some point given they are rolling out across Europe, and getting a head start might not be a bad thing. Especially when thinking about future-proofing your business/tech stack



Chapter One

Unpacking the digital transformation conundrum

2023 was a big year for digital transformation. In fact, in last year's State of Spending report, global businesses predicted as much.

Looking back, this trend could have something to do with businesses remaining on the upward tech curve that started with the pandemic. Or it could, oh we don't know, have something to do with the unstoppable rise of AI. However you spin it, last year saw another significant shift in how technologies are impacting the workplace. But when technologies are constantly evolving, how can CFOs, and other business leaders, keep up? Is it ever 'job done', when the technology never is? And does the dawn of generative AI mean that digital transformation is now as easy as your ABCs – or should that be GPTs? Let's see what the data can tell us about this digital transformation conundrum.

1. Businesses must think harder about their digital transformation endgame

Unsurprisingly, most businesses are undertaking digital transformation in some way. In Spain for instance, 90% of financial decision-makers (FDMs) and 80% of senior decision-makers (SDMs) said their organisations had got the ball rolling, with Denmark (73%) not far behind. But however digitally transformed companies find themselves, most know what they want – across all regions, the primary reason for digital transformation initiatives was 'improved efficiency', with as many as 74% of UK businesses in agreement.

When it comes to how this is tracking against their ambitions, the majority of businesses agree that their digital transformation is having a positive impact on the workplace. This figure was as high as 80% for FDMs in Spain and 75% in the UK. In fact, it didn't drop below 50% in any region.

However, when we look into how many respondents said they 'strongly agreed' versus 'somewhat agreed' with a positive impact, there is still some work to be done. For instance, only 17% of French SDMs and 18% of businesses in Germany said they 'strongly agreed' – the only respondent groups below 20%. To make this positivity more blatant, businesses need to react to a bumper year for digital transformation and new technologies by continuing to ask themselves what their endgame is and what shape improving efficiencies will take.

How Vistair modernised the aviation game

Aviation is one industry that is often resistant when it comes to change. As Vistair CFO, Johnny Bray says: "Aviation is really, really conservative. They don't want to be taking pilots out of planes, they don't want to be taking humans out of their systems."

But this didn't stop Johnny from getting Vistair's digital transformation underway – especially when it came to their finance function. Relying on spreadsheets, printouts and signatures, it was a process Johnny called "very very slow and painful". But with Pleo, Vistair brought this process into the 21st century, introducing automation and spending visibility.

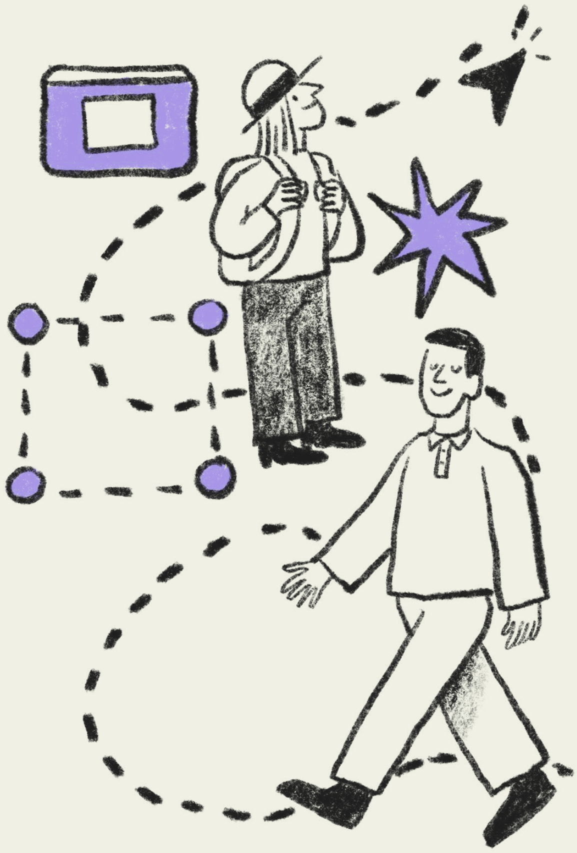
"Technology is moving so fast – all of us need to be open to change and looking for changes, and looking to the next change after that."

2. Lots of businesses have some catching up to do

One thing that could be a blocker to workplaces being in strong agreement with the positive impact of digital transformation is the ambiguity around how advanced their journey is. Most businesses across Europe consider their digital transformation at the right level and evolving at the right pace, with French SDMs most in agreement (75%) and the UK not far behind (69%). However, only 52% of Danish businesses and 46% of SDMs in Spain agreed. This contradicts the fact that 21% of Danish businesses say their journey is well advanced. While only 6% of the UK say the same – with 13% saying they were in the early stages. This points towards a misalignment on what "the right pace" constitutes, with Danish businesses not content with being well advanced, and the UK content with just getting started.

21% of Danish businesses say their digital transformation is advanced

13% of UK businesses say theirs is in its early stages



Arguably, a business's digital transformation is never complete. With new game-changing technologies released every day, constant adaptation is required. But this doesn't mean businesses, when given a scale of 1–5, shouldn't always be answering 5 – a number that should come from readiness, adaptability, openness to implementation and ambition. Because when it comes to technology, the businesses that act fast (in the right way), win first.

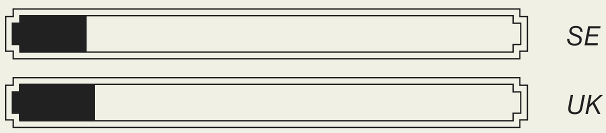
3. Less can be more

We get it – if you were going to pick two words to grab someone's attention, they probably wouldn't be tech and consolidation. But that doesn't mean it's not important, especially as since 2020, everyone's taskbars (and brains) have become overburdened with apps – with the average worker using 8.8 apps a day.

But when asked what their big ambition for 2024 was, consolidating platforms and software was by far the least popular answer – given by a measly 15% in Sweden and 16% in the UK. While answers from SDMs in France (12%) and Spain (11%) were both similarly low.

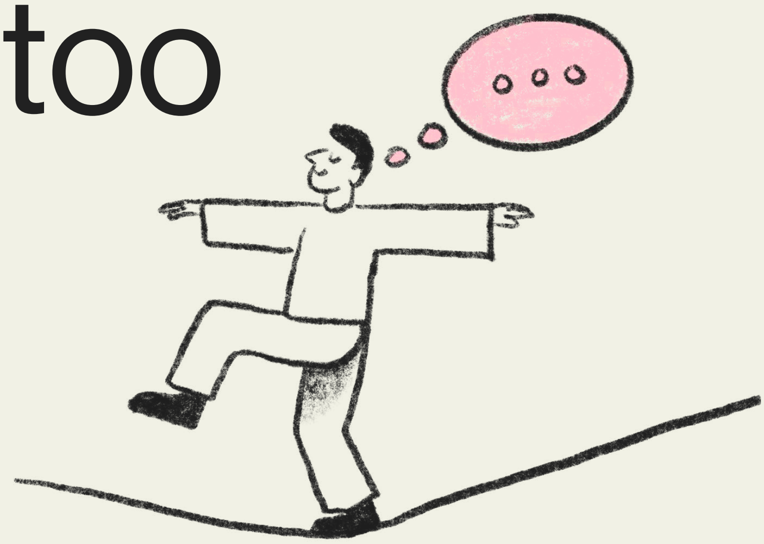
As the stats have shown – digital transformation is well underway for many businesses, but so many remain lukewarm about the positivity it brings. This could point towards app overload, which is not only a concern for the workforce and productivity, but budget too – with costly subscriptions needing to show some serious ROI to keep their place in the tech stack. Tech consolidation is something all CFOs should address if they are to squeeze every drop from their tech investments. And while change management might seem laborious, the juice is worth the squeeze if it means you go through 2024 with a leaner, more productive and cost-effective business.

☛ Only 15 % of businesses in Sweden and 16% in the UK are focused on tech consolidation

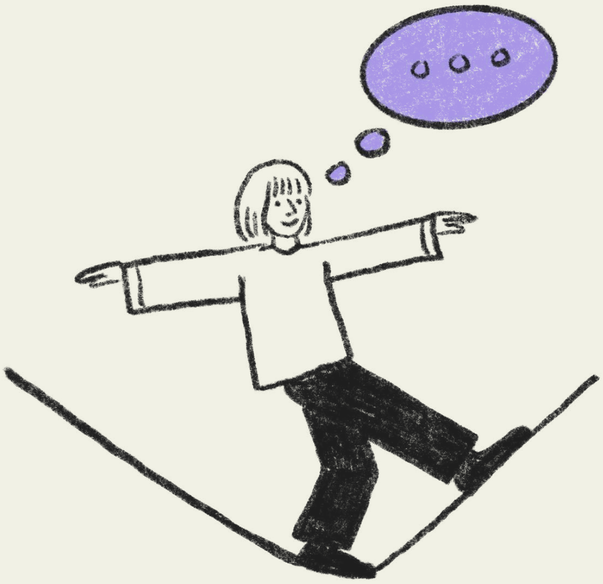


Chapter Two

Why financial growth is about balance too



When asked what would most impact their business performance in 2023, businesses agreed that a hit to the wallet hurt most. Cash flow, inflation and the high cost of goods, materials and services were the most frequently given answers.



While these challenges haven't gone away, businesses aren't prepared to rein in their ambitions just yet. It seems that despite the business environment remaining a challenging one since what feels like forever, it's increasingly becoming the new normal – and business leaders have taken up the call to turn these challenges into opportunities. But the key to this sort of resilience is a balancing act where growth is targeted, but with stability at its core. But, when it comes to the finance team, what does this growth look like? Do CFOs and business leaders need to switch up their thinking? And what is at risk by inaction?

1. Business spending will be make or break

When asked what they think will negatively impact their business performance in 2024, all regions apart from Spain (who said high talent attrition), gave answers relating to spending. A quarter (25%) of respondents in the UK said it would be high energy bills, while in France, the same percentage said high transportation costs – with 22% of those in Germany going even further and saying the high cost of business travel.

Despite this variety of answers, the common thread is that in 2024 businesses need comprehensive spending oversight across multiple departments and activities. If businesses are going to focus on filling their pockets in the next months – they first need to check there aren't any holes in them.

2. A digital finance team is a stable finance team

According to our research, financial stability is high on the agenda for most regions, with French SDMs (81%), Spanish SDMs (76%) and businesses in the UK (74%) top. But a worry for CFOs is that, when it comes to priorities, there is a low level of priority for digital transformation and better cash flow management in 2024.

Considering both digital transformation and cash flow management hold the key to financial stability, something must change if businesses are to tighten up those purse strings and keep better track of what's going in and coming out. But, unfortunately, bad news comes in threes, and for CFOs, they should be concerned about the low level of investment in business finance functions in 2024 – with IT operations still drawing the bulk of investment, and only the Netherlands (49%) and Sweden (29%) putting finance at the top.

The most negative* business impacts across all regions: 2023 vs. 2024

2023

- Cash flow
- Inflation
- High cost of goods, materials and services

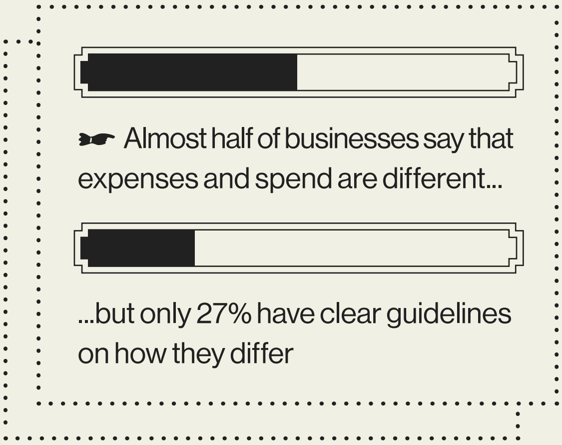
2024

- High transportation costs
- High energy bills
- Inflation

*When we say most negative impacts, we have defined this as being in the top 3 of respondents' priorities

3. A long overdue financial re-think

One thing that can help turn the tables for CFOs, beyond a big fat injection of digital transformation moola, is rethinking how we define expenses. When there is such pressure on financial stability, businesses can no longer afford to silo their outgoings into expenses (typically thought of as low-cost items such as coffees, lunches, subscriptions.) and spend (things such as LinkedIn ads, business travel, office rent). One might cost £10, the other £1,000, but CFOs are needlessly putting blinkers on and only getting half the spend management picture in the process.



When asked, almost half of companies (46%) disagree that small item business expenses and large item business spend are the same thing – rising to 49% in France and 47% in Spain. But only 27% have clear guidelines on this definition (falling as low as 22% in France and 24% in the UK).

This means that finance teams are currently leaving what is and isn't recorded in terms of business spending to chance. When asked whether having two or more different platforms to handle business spend and business expenses works and integrates well together, only 19% of SMB decision-makers agreed while 46% disagreed. The solution then is bringing everything onto one platform, where visibility and accountability are paramount – whatever the amount.

How 3Shape manages their global business spending under one roof

3Shape, an R&D company specialising in 3D scanners and CAD/CAM software for the dentistry industry, with over 2,000 employees spread out across the globe, knows a thing or two about the hassle of cross-border spending. And keeping a real-time overview of it all.

To get comprehensive spending oversight, Filip Birch Lindevall, Finance Manager, uses Pleo's Analytics dashboard. It helps him "highlight what we're spending money on – is it advertising? Meals with customers?" Whether they want to see the bulk of where money is going or which team is the biggest spender, with Pleo it's all there at his fingertips.

Chapter Three

E-invoicing has arrived

The new regulations around e-invoicing will come as a wake-up call for many businesses across Europe.

What's the deal with e-invoicing?

WHAT IS IT?

The proposal is aimed at recovering more than €11 billion in VAT per year by dispensing with paper-based records, promoting digital signatures and, in doing so, eliminating occurrences of tax evasion and fraud.

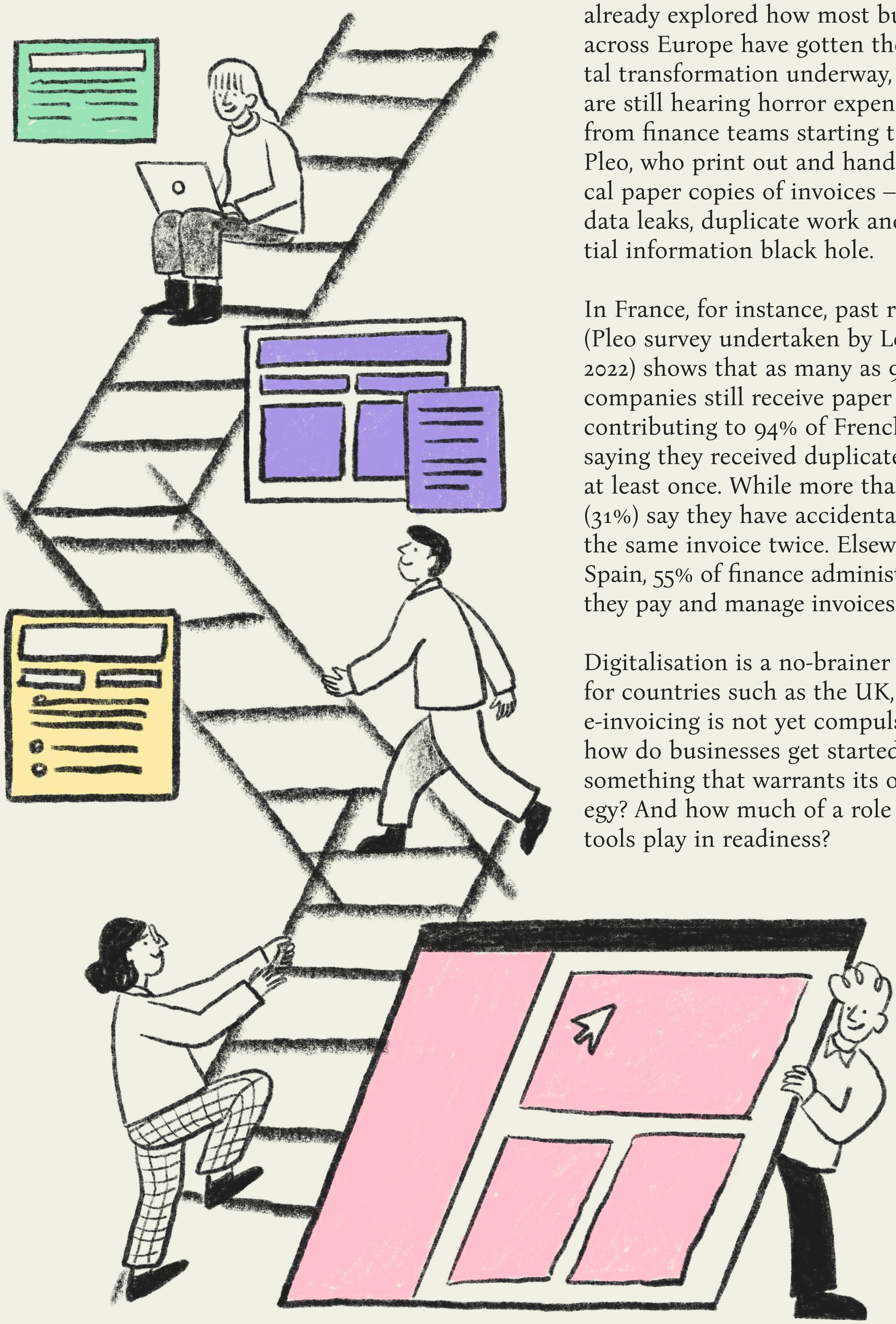
WHERE IS IT MANDATORY?

E-invoicing regulations are in place across much of mainland Europe.

But the details vary! To find out the regulations specific to you, head to our blog.

WHAT STEPS ARE NEEDED?

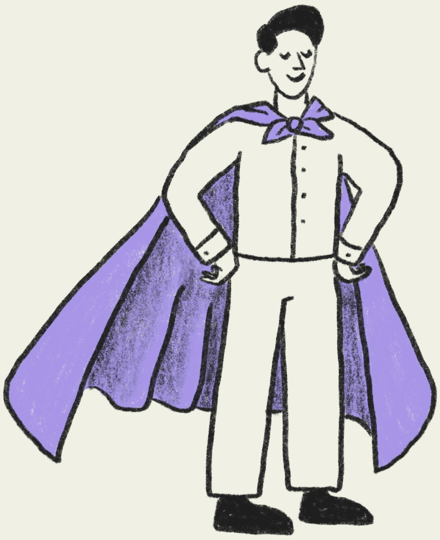
A solid digital foundation will be the ideal springboard for companies to do their own homework and assess current processes. But they must also collaborate with partners and suppliers to settle on a system that works for everyone and doesn't endanger compliance or slow the supply chain down. Leaders shouldn't forget their teams either, with their employees requiring training on new regulations and any e-invoicing software they'll need. What's more, countries are gradually phasing in regulations, so ensure your team is set up to keep its ear to the ground and pivot when needed.



While done for the right reasons, the regulations are putting a lot of pressure on the need to digitise. We've already explored how most businesses across Europe have gotten their digital transformation underway, yet we are still hearing horror expense stories from finance teams starting to explore Pleo, who print out and handle practical paper copies of invoices – risking data leaks, duplicate work and a potential information black hole.

In France, for instance, past research (Pleo survey undertaken by Losam in 2022) shows that as many as 92% of companies still receive paper invoices, contributing to 94% of French CFOs saying they received duplicate invoices at least once. While more than 3 in 10 (31%) say they have accidentally paid the same invoice twice. Elsewhere in Spain, 55% of finance administrators say they pay and manage invoices manually!

Digitalisation is a no-brainer – even for countries such as the UK, where e-invoicing is not yet compulsory. But how do businesses get started? Is it something that warrants its own strategy? And how much of a role do digital tools play in readiness?



1. CFOs need to be e-invoicing champions

When it comes to FDMs in France and Spain, the sentiment around e-invoicing regulations is high. With 63% in France and 70% in Spain believing it is an important step for the digital transformation of their businesses. While 57% of French SDMs and 68% of Spanish FDMs agree that this form of digitalisation will help optimise resources, time and budget.

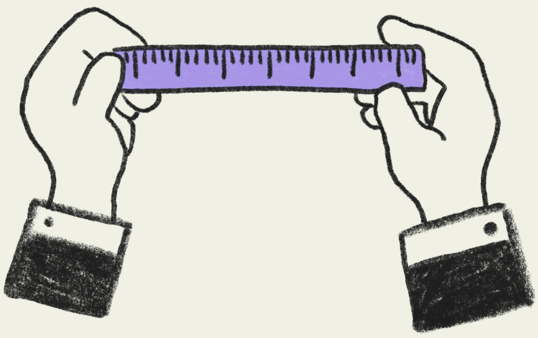
Worryingly though, 34% of FDMs in France and 32% in Spain say they don't fully understand the benefits of e-invoicing, with 42% in both countries saying they do not have the right level of information to comply with e-invoicing laws. For instance, we've found that anecdotally, some businesses think that attaching a PDF invoice to an email is enough to be compliant with new e-invoicing regulations. Something that is not only confusing, but potentially has costly repercussions.

The challenge for CFOs then is to get to grips with the laws and regulations and become in-house champions for why the momentum needs to pick up.

2. Take stock and strategise

A huge amount (92%) of French businesses still receive paper invoices, highlighting a real need for them to move to a system that will enable them to continue to trade within the law. So how do CFOs even start to tackle this? The starting point is to take stock of the current situation – measure how digitised your invoice set-up is, and hone in on the pain points. Then, once you know what problems to solve, build your roadmap.

However, e-invoicing isn't just about meeting regulations – it also offers us the opportunity to streamline factors such as resources, time and budget. This can be anything from reducing human errors to cutting back on the cost of physically printing everything out. For the 'glass half full' crowd out there, e-invoicing could be seen as a chance to upgrade their digital transformation and bring efficiencies into their finance team, instead of simply following regulations and requirements. This is especially true for businesses in the UK, where the laws aren't in place (yet, anyway). With the law expected to be compulsory for all of Europe eventually, the sooner businesses are ready, the better, and thinking ahead in terms of your tech stack means you can future-proof effectively.



3. Address your team's skill sets

We know that it's difficult for CFOs and other senior finance managers to find the right talent for their teams. The finance team is one that needs to continually operate at peak performance, and taking time outs to search for candidates, hire and onboard isn't ideal. But what's further complicating matters is the evolving expectations of what a finance team is.

Take e-invoicing for instance. One of the biggest concerns businesses have relates to the new skills this fresh financial curveball would require. With almost half (44%) of French FDMs concerned about the level of training needed – rising to 49% for Spanish FDMs.

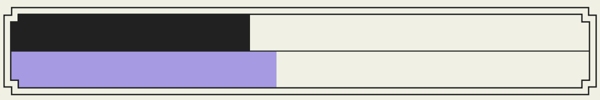
Yet when asked whether preparing for these new regulations was a priority, most countries agreed it was not.

Perhaps explained by the fact that it's not mandatory, only 14% in the UK said e-invoicing was on their list of priorities, yet only 17% of SDMs in France said the same. However, given this rose to 28% for French FDMs – it's clear that there's a lopsided under standing of the urgency of the new regulations. Most worryingly though – as many as 18% of French SDMs said they were not even aware of the law.

Yikes.

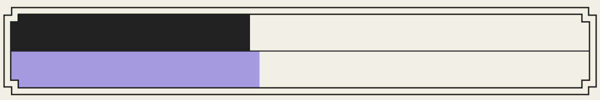
What do you see as the benefits of e-invoicing in general?

ELIMINATES PRINTING AND MAILING OF COSTS



- 41% of French FDMs agree
- 47% of Spanish FDMs agree

TRACEABILITY AND TRANSPARENCY



- 41% of French FDMs agree
- 43% of Spanish FDMs agree

Chapter Four

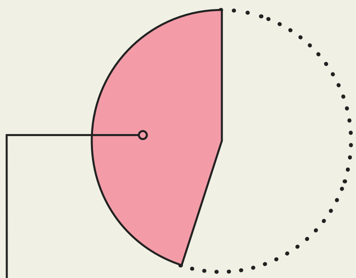
The ongoing evolution of the finance team

When it comes to financial stability, all signs point towards digital transformation. But where do businesses start? As touched upon earlier, the first step is assessment. Only through this can CFOs get to grips with where their teams currently are. Then comes the small task of outlining where you want your finance team to be in 12 months.

Throughout this process, CFOs should remember one thing – their finance teams don't have to be what they've always been. Much like the technology they should be looking to implement, their evolution is an ongoing one. So how can CFOs unbridle their thinking when it comes to their teams and even themselves? Is it about using fewer tools? Or about using smarter ones like AI? And what does the role of CFO look like at the year's end?

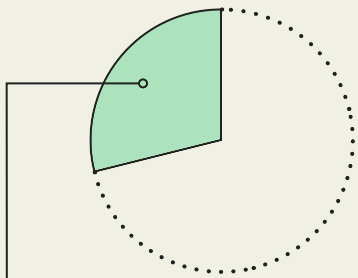
Financial resilience is getting worse, not better

2023



45% of business decision-makers say they currently have strong visibility of financial health and performance

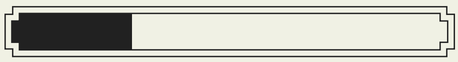
2024



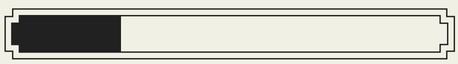
29% of business decision-makers say they currently have strong visibility of financial health and performance

1. Generative AI has a role to play in finance too

When it comes to the specific technology companies are planning to implement as part of their digital transformation, there isn't one country where the majority of respondents say AI. This is not necessarily down to the effectiveness of the tool, but whether people are fully aware of its potential. With so many headlines (both good and bad) around AI eclipsing practical hands-on experience, businesses are unsure whether it might actually work for them.



☛ Only 27% of businesses agreed that they are confident about the introduction of AI (generative and otherwise) into finance...



...sinking to as low as 25% in Germany

For some, AI is still a tech boogeyman. This could be why, when asked whether they are confident about the introduction of AI into finance, only 27% agreed and 40% disagreed. This varies across Europe, with Germany more likely (44%) and the UK and Spain less likely (36%) to disagree. It's disappointing, but maybe not too surprising, to see such conservatism in the finance space.

What's needed is to demystify AI and look beyond the headlines to try and decipher what value it can practically deliver. Trepidant CFOs should start using AI in their own time and open their minds up to the possibilities of the technology for their teams. For instance, how it can automate data entry, easily translate finance talk for broader audiences, and help bring finance strategies to life on the page. For cost-saving companies, AI is an affordable and constantly evolving technology that's setting workplaces alight globally.

2. CFOs and AI could be a winning partnership

According to the State of Spending report for 2023, 98% of businesses said that the role of their CFO has changed. A true collaborator, the remit of today's CFO spills over into marketing, compliance, operations and even technology innovation. But technology investment, especially in AI, can have a profound impact on the finance team – liberating CFOs from the day-to-day and becoming a platform for junior team members to deliver high strategy work.

However, when asked if they were confident about the introduction of AI into their finance operations, 40% of businesses disagreed and only 27% agreed. This could point towards a lack of awareness, or even scepticism, around the technology and its opportunities. For instance, AI can play a major role in taking CFO and finance team's time off admin jobs and returning it to more high-level and strategic tasks. Yet only 29% believe this is a role AI can play – a figure that only climbs marginally higher in Germany (31%) and in the UK (30%).

Regions also disagreed that their CFO and finance team should have a comprehensive understanding of AI – 38% on average across regions, rising as high as 46% in France. Yet having a team that is not just competent with AI, but with digital tools and fields such as data science, business analytics and coding, can help the evolution of the role. Whether this comes down to recruitment or upskilling.

This can in turn drive confidence up as digital technologies become more visible benefits to workplace finance. The alternative is that with AI and digital technologies in general advancing more and more every day, those businesses with plodding attitudes, as well as strategies, will stand to lose out on stronger interpretations of data and AI-proficient talent.

3. Non-financial reporting is on the horizon

It's hard to think about finance leaders without thinking about finance, but there's every chance that the role of the CFO will move beyond this type of reporting in the near future. Yes, you heard that right. Non-financial reporting is gaining more traction than ever, especially with the arrival of the EU's Corporate Sustainability Reporting Directive (CSRD). This new set of regulations calls on large companies to publish information related to environmental matters, social matters and treatment of employees, respect for human rights, diversity, anti-corruption and more.

Coming into effect in April this year, the new rules will change how businesses conceive of their performance. Data that is reliable and traceable will no longer be reserved for finances only, but for a business's impact on the environment and more besides. This new set of rules is undoubtedly another thing for business and finance leaders to think about, but the similarity between financial and non-financial reporting plays to the strengths of CFOs and therein lies an opportunity to take their role even further.

According to a 2022 survey from Deloitte, 99% of CFOs anticipated investing in ESG reporting, technologies and tools by 2023. And this is the key to not overburdening CFOs despite their ever-expanding list of duties. While finance leaders are best placed to ensure the right data is up to scratch and auditable, they should not have to spend their days manually crunching it. This is the function of technology, and as expectations grow it becomes even more of a non-negotiable for CFOs everywhere.

When will businesses take the handbrake off their CFOs?

Jeppe Rindom, CEO and Co-Founder, Pleo

“Before starting Pleo with my co-founder Nicco, I worked as a CFO for a fintech start-up. So when I say that I understand the frustrations CFOs face when it comes to receipts and manual, outdated processes – I mean it. Pleo is the result of our wish to not only improve the existing financial system for businesses but to rewrite it from the ground up. This philosophy isn’t just about the tech you use, but the way you run your team.

None of us would turn down financial stability and oversight that evolved with the climate, so why, according to the research, are we so determined to hold our finance teams and CFOs back? In 2023, our State of Spending survey highlighted the worrying fact that only 25% of businesses saw their CFO become a more strategic partner. And according to our latest research, attitudes aren’t much better. Especially when it comes to the ability of AI to liberate CFOs and finance teams from admin and restore their focus to more high-impact and strategic work.

If what businesses want in 2024 is revenue growth, not to mention stability, then something has to give. And they need to acknowledge that their CFOs must be freed up to deliver the true value they’re capable of.”

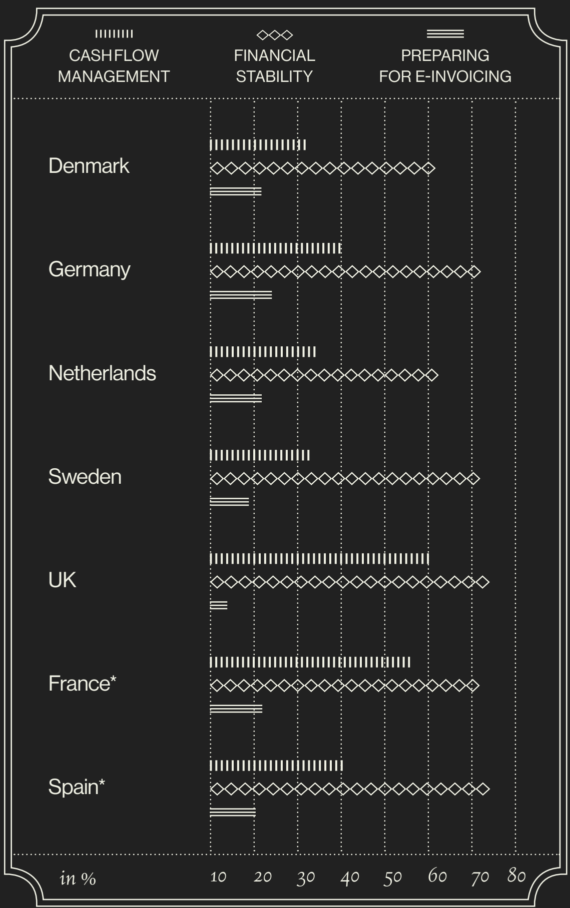
Conclusion

2024 is set to be the year of...

When it comes to the biggest ambition for the workplace in 2024, the most popular answer across regions was to 'grow revenue'. And when it comes to current business priorities, 'financial stability' comes out on top.

THOSE FOCUSED ON REVENUE GROWTH IN 2024:

BUSINESS PRIORITIES IN 2024:



*These percentages are the averages of combined French/Spanish FDMs and SDMs

At a glance, this might contradict what respondents to last year's State of Spending report told us that 2023 would be known for:

- Teamwork
- Inflation and supply chain security
- Digital transformation

But each of the 2023 answers is essential to ensuring businesses develop a strong financial foundation formed of transparency, trust and accountability, and that they have the means to grow revenue efficiently and effectively.

In terms of whether the experience of 2023 changed business expectations for what 2024 would be like, almost half (47%) expect 2024 to be easier. While this proportion varied across regions, one thing that businesses could all agree on is that this year would not be the same as last.

It's therefore key that CFOs prepare for the unexpected. There are many ways businesses can do this. But what's certain is that cash flow management, financial stability and preparation for e-invoicing regulations all need to rise up the agenda first so they can eliminate any blind spots.

But, instead of interpreting this as pressure, CFOs should see 2024 as a year filled with opportunities, and think of it as theirs for the taking.

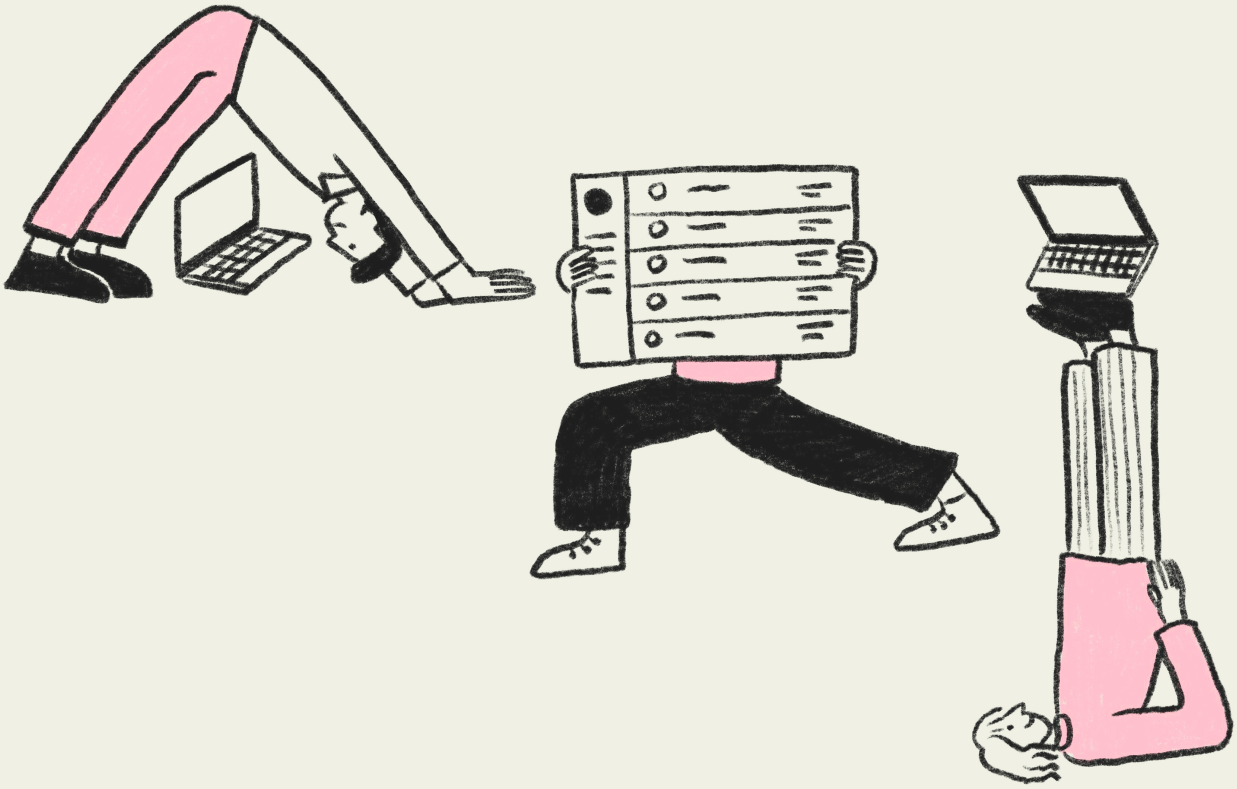
Methodology & Sources

DIGITAL TRANSFORMATION RESEARCH

This research was fielded and administered by GWI and, aimed at understanding general perceptions of digitalisation in the workplace in Europe. This wave was conducted from 3rd – 20th November 2023 among 2,888 senior decision-makers in Denmark (506), the UK (514), the Netherlands (502), Sweden (500), Germany (504), France (362) and Spain (355), as well as 598 Financial decision-makers in France (291) and Spain (307). Senior decision-makers were defined as those who are management and above and are responsible for some decision making in the workplace. Financial decision-makers were defined as those who are project managers and above and are responsible for any financial decisions in the workplace. Decision-makers must also work in small enterprises (less than 1,000 employees).

SMB RESEARCH

The research was conducted by Opinion Matters, among a sample of 2,015 SMB (50-499 employees) financial decision-makers across the UK, France, Spain, and Germany (aged 18+). The data was collected between 21st - 28th of November 2023. Opinion Matters abides by and employs members of the Market Research Society and follows the MRS code of conduct which is based on the ESOMAR principles.



About Pleo

Pleo is Europe's leading spend management solution that enables companies to run their finances efficiently to promote business success. From expenses to reimbursements to invoices and subscriptions – all your company spend in one place. Making spend management surprisingly effective, and letting you go beyond the books.

Over 30,000 customers have saved up to 138 hours a year on administrative tasks, with 99% feeling their company money is more secure by switching to Pleo's digital finance platform. Helping businesses of all sizes stay on track and meet their financial goals at every stage of their journey.

Founded in 2015 in Copenhagen, Pleo powers billions of euros of purchases each year.

Curious how Pleo can help your business in 2024?

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