

## **SURVEY: HOW MUCH COVID-19 SHIFTED FINANCE LEADERS' PRIORITIES**

- 30% say preserving working capital will now be their top priority for investment over the coming year
- Payment delays are finance leaders' most pressing concern, with 65% of them being impacted
- 21% advocate for investing in digital technologies which remains key but conditional on protecting the business from risk

**Paris, 21st July 2020** – A new report from Euler Hermes examines how much the Covid-19 crisis shifted European financial leaders<sup>1</sup> confidence and priorities for 2020. Carried out before and during the Covid-19 crisis in the UK, France, Germany, and Italy, the survey found financial leaders being cautiously optimistic coming into the year but the pandemic brought about increased levels of stress and exacerbated worries around late payments. Moving forward, despite a shift in business priorities technology remains a key focus for CFOs, but this must be conditional on protecting the business from risk.

### **The Covid-19 crisis has changed financial decision-makers' expectations for the coming year**

Before the crisis, financial leaders were predicting better financial performance despite the threat of high political risk, the rise of protectionism and climate change. The two most cited reasons for optimism were growing sales and profits, driven by an improving European economic situation and the adoption of new technologies. Since the outbreak, their sense of optimism dropped significantly; with the percentage saying they felt 'confident' about the coming year falling from 50% to 36% and those reporting feelings of stress nearly doubled from 19% to 32% and the number saying they felt 'scared' nearly tripled from 9% to 23%.

### **Preserving working capital is now the top priority for investment during the crisis**

Prior to the pandemic, digital technology was the highest priority for investment. Since then, the way financial leaders view their priorities has changed and investment in new technologies is now overshadowed by working capital. The proportion of finance leaders seeing short-term debt, day-to-day operating expenses and management of large inventories as their main preoccupation increased from 17% to 30%. Preserving working capital is now their top priority.

Despite a potential temporary delay of investments in new assets in the short term, technology maintains a significant weight amongst finance leaders' priorities, with 21% of surveyed people advocating for investing in digital technologies in May, compared to 22% before the outbreak. Participants continued to rank the need to understand technology highly as a key skill of a CFO

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<sup>1</sup> Survey of financial decision-makers in both finance and leadership roles at businesses in the UK, France, Germany, and Italy in February and May 2020

(49%) after financial planning (67%), strategic decision-making (56%), and business plan development (53%).

### **Payment delays are finance leaders most pressing concern**

Even prior to the Covid-19 outbreak, risks around payment delays and client insolvencies were prevalent – affecting respectively 47% and 32% of businesses over the previous year. Since the crisis, things have escalated further – with 65% saying payment delays had affected them in the past two months when asked in May.

On top of this, prior to the outbreak only 44% of businesses said they felt ‘fully prepared’ to deal with payment incidents and only 40% said the same for ‘client insolvencies’. Since the crisis, these figures dropped to 31% and 35% respectively, while global insolvencies are expected to increase by at least 35% at the horizon of end-2021.

### **Businesses that are well prepared to manage risks will emerge strongly**

Ultimately, the interviews conducted show that CFOs predict the current crisis may cause a polarisation of the business landscape. Businesses that are tech-savvy, who can adapt the quickest and who have robust risk-mitigation strategies in place, will survive.

Loeiz Limon-Duparcmeur, Group Chief Financial Officer and Member of the Board of Management, Euler Hermes *“Like many of the respondents to this report, I was positive that we would achieve our growth ambitions in 2020. Now we are in a different world. I strongly believe that every crisis represents a key turning point for finance leaders. Having some margin to maneuver during a crisis is crucial and requires a much more forward-looking view. For this, new technologies are fundamental so that the focus is on the content and not wasted on spreadsheets.”*

Get a copy of the report: [https://www.eulerhermes.com/en\\_global/dna-of-a-cfo/the-finance-leader-of-tomorrow-challenges-and-opportunities.html](https://www.eulerhermes.com/en_global/dna-of-a-cfo/the-finance-leader-of-tomorrow-challenges-and-opportunities.html)

### **Methodology**

This Euler Hermes survey is based on three phases of research:

1. Phase one: an online survey, conducted in February 2020 of 847 financial decision-makers in the UK, France, Germany, and Italy, sourced via an online panel
2. Phase two: a series of telephone interviews with senior financial decision-makers across the same four markets
3. Phase three: re-fielding the phase one quantitative survey to measure in what ways and to what extent the opinions of financial decision-makers had been impacted by Covid-19. A total of 222 respondents were surveyed.

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