



The **Untapped** Role of the Finance Function in Advancing Business Financial Maturity

INTRODUCTION TO THE STUDY

We surveyed 500 U.S. senior finance executives in order to gain insights into the challenges their businesses face at each stage of financial maturity.

Based on the study results, we advise how business leaders can more effectively engage finance to prepare for their next stage of growth.



Senior Finance Executives Agree: The Finance Function is **Essential** to Business Growth

Across all stages of financial maturity, finance and accounting are considered key growth partners:

93% of all finance executives surveyed agree that investing in finance and accounting functions is essential for sustaining growth. Respondents reported finance (52%) and accounting (46%) as their number one and number three functions where they had the greatest opportunity to build core competencies.

Senior Finance
Executives Reported:

69%

use at least some fractional
resources

36%

use all fractional resources

Businesses are open to increasing headcount to meet growth demands.

When it comes to taking advantage of surges or expanding current solution offerings, **79% of businesses are open to increasing their headcount**, and 56% of businesses are very open. However, **only 16% of businesses are currently doing this**—which means that businesses may need to find justifiable, cost-effective methods for hiring talent.

Fractional talent creates efficiency for internal teams.

Businesses are already tapping into flexible talent resourcing to overcome challenges and increase capacity. A majority of senior finance executives report using fractional talent on their finance and accounting teams, regardless of their current growth stage.

The Stages of Financial Maturity

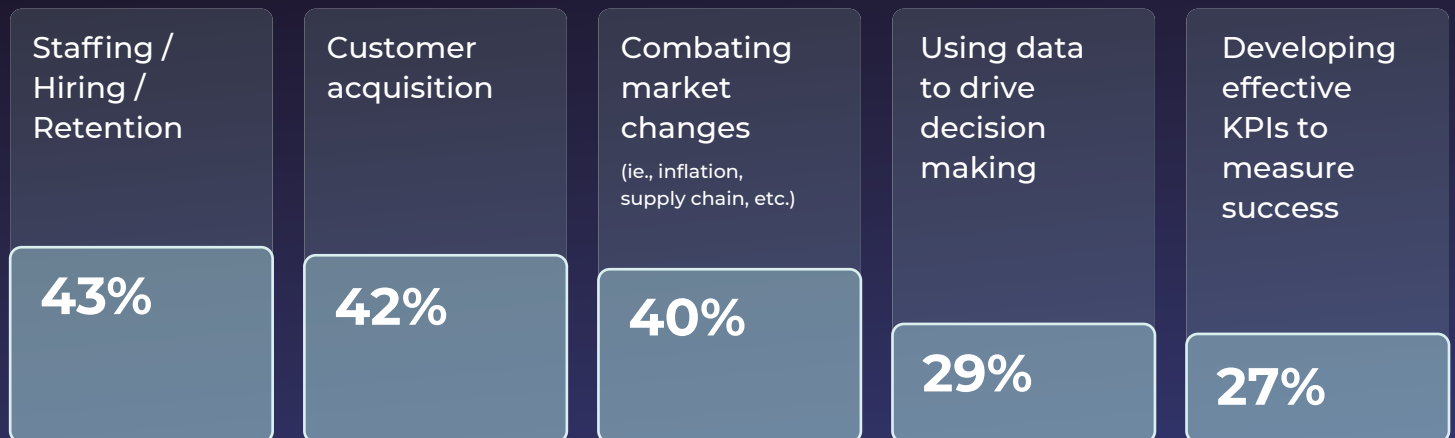
Based on their challenges and characteristics, we've categorized common traits among study respondents into three main levels of business financial maturity: Prove It, Grow It and Expand It.

PROVE IT: BUILDING A FOUNDATION

Businesses at **\$1M-\$10M in annual revenue tend toward lower financial maturity** with smaller finance and accounting teams of fewer than 10 people. Senior finance executives at this stage are focusing on proving their model and building a foundation to scale their business (39%).

The top challenge in growing the business at this stage is staffing, hiring and retention, with customer acquisition and market changes following closely behind. Within their own role, 37% of finance executives are especially focused on addressing unexpected turnover and staffing issues.

When asked what main obstacles, if any, does your company face in growing the business, executives at the Prove It stage responded:



For the finance and accounting team, half of executives cite an inability to make quantitative business cases for new initiatives. Though fewer executives say that using data to drive decisions (29%) or developing effective KPIs (27%) are among their top three challenges, these concerns increase substantially at the next stage of financial maturity.

A lack of technical systems acumen is cited by 45% of executives at this stage—a clear issue for finance. Nearly 45% report that financial and accounting processes are completed manually, with 47% using spreadsheets. This group is the most likely to use QuickBooks (64%) and the least likely to use an integrated ERP system (26%).

GROW IT: GAINING TRACTION

Businesses in both the **\$11M-\$25M and \$26M-\$50M annual revenue bands are less focused on building a foundation** (34% and 32% respectively). However, they're not yet expanding or differentiating their business. They are investing in the continued growth of their business and increasing market demand.

Unlike the preceding maturity level, data-driven decision making is a core obstacle to growth across this stage, hovering at just under 45% of businesses. But as the business gets closer to fully scaling and expanding, strategic planning also becomes a top concern, with 40% of businesses with \$26-\$50M annual revenue citing it as a top three challenge compared to 32% of businesses with \$11M-\$25M annual revenue.

Within their own role, senior finance executives report responding to investor demands (40% at \$11M-\$25M and 38% at \$26M-\$50M) as one of their top challenges. By contrast, executives are not as concerned with preparing to fundraise (just 26% at business with \$26M-\$50M) or a lack of strategic advisory (31%), though both become leading challenges at the next level of maturity.

With more sophisticated tools, better data analysis—especially forecasting—becomes a greater opportunity. Half of executives at businesses with \$11M-\$25M annual revenue and 46% of those at \$26M-\$50M annual revenue businesses report forecasting as a performance capability in which they can improve.

TOOLS USED AS REVENUE INCREASES WITHIN GROW IT STAGE

As finances become more complex, businesses move from manual, standardized processes to **automated, standardized processes**—shifting from basic software to automated, integrated tools:

| TOOL | \$11M-\$25M | → | \$26M-\$50M |
|-----------------------|-------------|-------|-------------|
| PAYROLL SOFTWARE | 62% | ----- | 60% |
| QUICKBOOKS | 59% | ----- | 50% |
| SPREADSHEETS | 49% | ----- | 34% |
| ERP | 37% | ----- | 51% |
| AUTOMATED AP/AR TOOLS | 24% | ----- | 46% |



EXPAND IT: SCALING & CREATING DIFFERENTIATION

Senior finance executives at businesses with **\$51M-\$100M annual revenue are looking to expand their model** and build operational efficiency to keep pace with growth. This group is most likely to be scaling and experiencing rapid growth (41%).

Within their role at the Expand It stage, senior finance executives are challenged with:

42%



A lack of bandwidth to pursue new opportunities

41%



A lack of strategic advisory for decision making

39%



Fundraising preparation

Companies at the Expand It stage of financial maturity are looking to bring their digital infrastructure up to speed to pace with growth and enhance business processes. At 47%, digital transformation is the most prominent challenge, followed by customer acquisition (41%), combating market changes (39%) and using data to drive decision making (38%).

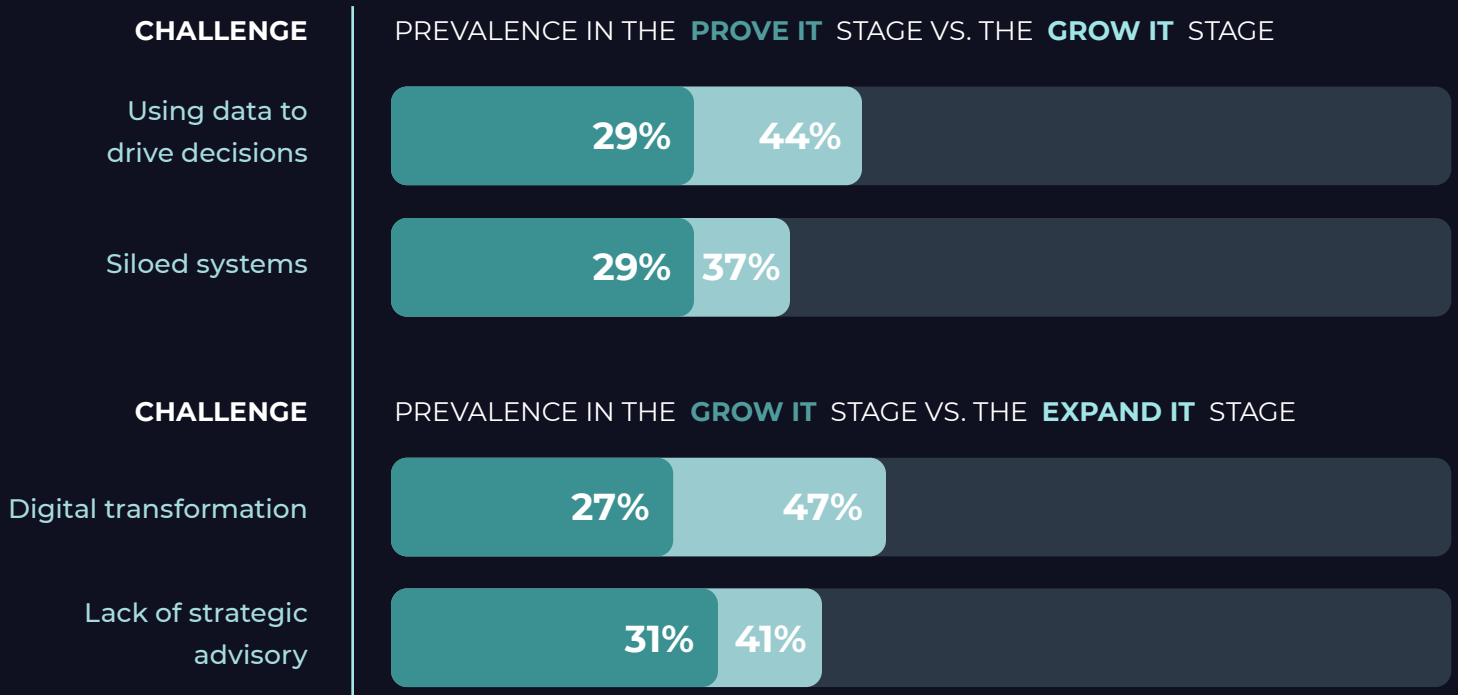
Of all stages of business financial maturity, this group is most likely to have compliance challenges as financial reporting becomes more complex. Half of executives say that inaccurate reporting is the greatest finance and accounting obstacle for businesses with \$51M-\$100M in annual revenue.

To address reporting needs, businesses are automating and standardizing their financial processes. These larger teams of 10 to 24 employees are using payroll software, automated AR and AP tools and inventory management systems.

However, despite using more sophisticated tools, there is a lack of technical understanding. Though 60% currently use an ERP system, only 36% say their team fully understands these systems. Similarly, 53% of executives say forecasting is essential to growth, but only 48% report that their team fully understands forecasting tools.

How to Move to the Next Stage of Financial Maturity

Companies should proactively adapt their current processes to prepare for the common challenges they'll face in the next growth stage. These challenges become more prevalent as a company grows:



At the core, businesses must be able to use data and build forward-looking strategies. For a business to have success at higher financial maturity, they must have:

- Greater visibility**
 into accurate numbers & metrics
- Faster reporting & data insights**
 for decision making & compliance
- Strategic analysis**
 to create an efficient growth roadmap
- Digital & financial tools**
 to increase bandwidth & operational efficiency



INVEST IN FINANCE TO DRIVE GROWTH

Though the majority of executives believe that finance and accounting is essential for growth, few are currently using their finance function in this way.

Thirty-eight percent of businesses invest in finance and accounting to increase efficiency and 33% invest in this function when they need to raise capital. Only 24% of businesses increase resources in finance and accounting to drive growth.

Companies choose to invest in this function when they need greater efficiency. However, businesses should invest in finance and accounting resources as a key growth lever.

Senior finance executives agree that lack of strategic advisory is a top challenge within their own role. This is one area businesses can focus on in order to effectively plan for growth.

Specific competencies to build include:

- 1 KPI development:** Identifying where your business has the greatest risks and opportunities can accelerate growth.
- 2 Forecasting:** Estimate future financial outcomes for the company, create predictability and enable more agile decision making.
- 3 Data strategy:** Effectively use and manage data to enable proactive decision making for the future.

These can all be accomplished through flexible resourcing. Fractional experts provide years of

industry expertise and strategic insights at a fraction of full-time costs. Their specialized skill sets and niche experience can be used to augment in-house knowledge in times of unprecedented change or new business frontiers, such as a system implementation or advanced forecasting.

Businesses are already using flexible resources at all stages of financial maturity, but using them to their full potential—as advisors and true experts—will empower businesses to reach their next stage of growth.

Find your solution today.

Unlock sustainable business growth through on-demand access to flexible finance solutions.

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METHODOLOGY

The 2022 Paro Financial Maturity Study was conducted by Wakefield Research (www.wakefieldresearch.com) among 500 U.S. Senior Finance Executives between June 6th and June 15th, 2022, using an email invitation and an online survey.

ABOUT PARO

Paro is an AI-powered marketplace that delivers finance and accounting solutions to businesses through a combination of expert fractional talent, data-driven tools and guiding insights.

By harnessing the power of people and technology, our growth platform provides flexible options, ranging from transaction processing support to corporate development and financing strategy, to solve core business challenges and drive growth. The result enables businesses and experts to go beyond even their loftiest goals.

