COVID-19 SENTIMENT AND REACTIONS AMONG FINANCIAL DECISION-MAKERS IN EUROPE

OneStream Software, LLC

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HANOVER
RESEARCH

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EXECUTIVE SUMMARY

STUDY OVERVIEW

KEY OBJECTIVES

- ✓ How have financial decision-makers responded to financial challenges with the COVID-19 Pandemic? What changes have they made?
- ✓ How are financial decision-makers currently tracking financial recovery? What tools are they using?
- ✓ What is the future outlook of the financial landscape among decision-makers and what steps are they taking? What tools do they plan on adopting, if any?

SURVEY ADMINISTRATION & SURVEY SAMPLE

- The survey was administered online, and respondents were recruited via a third-party panel.
- The analysis includes a total of 278 respondents following data cleaning and quality control.

RESPONDENT QUALIFICATIONS

- Age 18+
- Employed full-time
- Currently resides in France, Germany, Italy, Spain, or the United Kingdom
- Currently holds a management position (C-level executive (CFO), VP, Director, Controller) in finance
- A primary or shared decision-maker in their company's finances

KEY SEGMENTATIONS

KEY SEGMENTATIONS

This analysis includes questions segmented by country. Statistically significant differences are calculated at the 95% confidence level and are denoted by superscript letters (e.g., [A], [B], [C]) but due to the small sample size, all results should be interpreted directionally. Corresponding letters indicate significant differences between groups.

COUNTRY

France (n=52)	**19%**
Germany (n=55)	**20%**
Italy (n=51)	**18%**
Spain (n=54)	**19%**
United Kingdom (n=66)	**24%**

KEY FINDINGS – COVID-19 RESPONSE & RECOVERY

- **COVID-19's impact is most acutely felt in hiring.** A plurality of companies (44%) have reduced hiring as a result of pandemic-related financial challenges. Temporary/contract staff reductions (38%) and staff layoffs/furloughs (29%) are also common.
  - New technology adoption (42%) is the second most common response, likely reflecting the large number of companies that are investing in remote work adaptations.
- **Companies are investing in and prioritizing their IT/Cybersecurity.** This department received more remote work-related upskilling/training (55%) and is the top priority in near future hiring (60%).
  - When it comes to 2021 budgets, similar shares of financial decision-makers expect IT budget decreases (40%) and increases (37%).
- **Companies are most closely tracking sales/revenue and consumer spending as indicators of financial recovery.** The former serves as a measure of company-level recovery while the latter is an indicator of the state of the macroeconomic environment.
  - Many companies (42%) are also likely to defer investments and business plans, particularly new product launches (39%) and global market expansion (39%), until after the 2020 U.S. elections.
- **Looking to the future, companies expect day-to-day spending to decrease but are split on capital investments.** Slightly more expect capital investments to decrease (33%) rather than increase (26%), but a plurality expect no change (41%).
  - Financial decision-makers are slightly more pessimistic (45%) than optimistic (32%) when it comes to their current read of the near future economic and regulatory atmosphere and anticipated budget changes.

KEY FINDINGS – DECISION-MAKING TOOLS

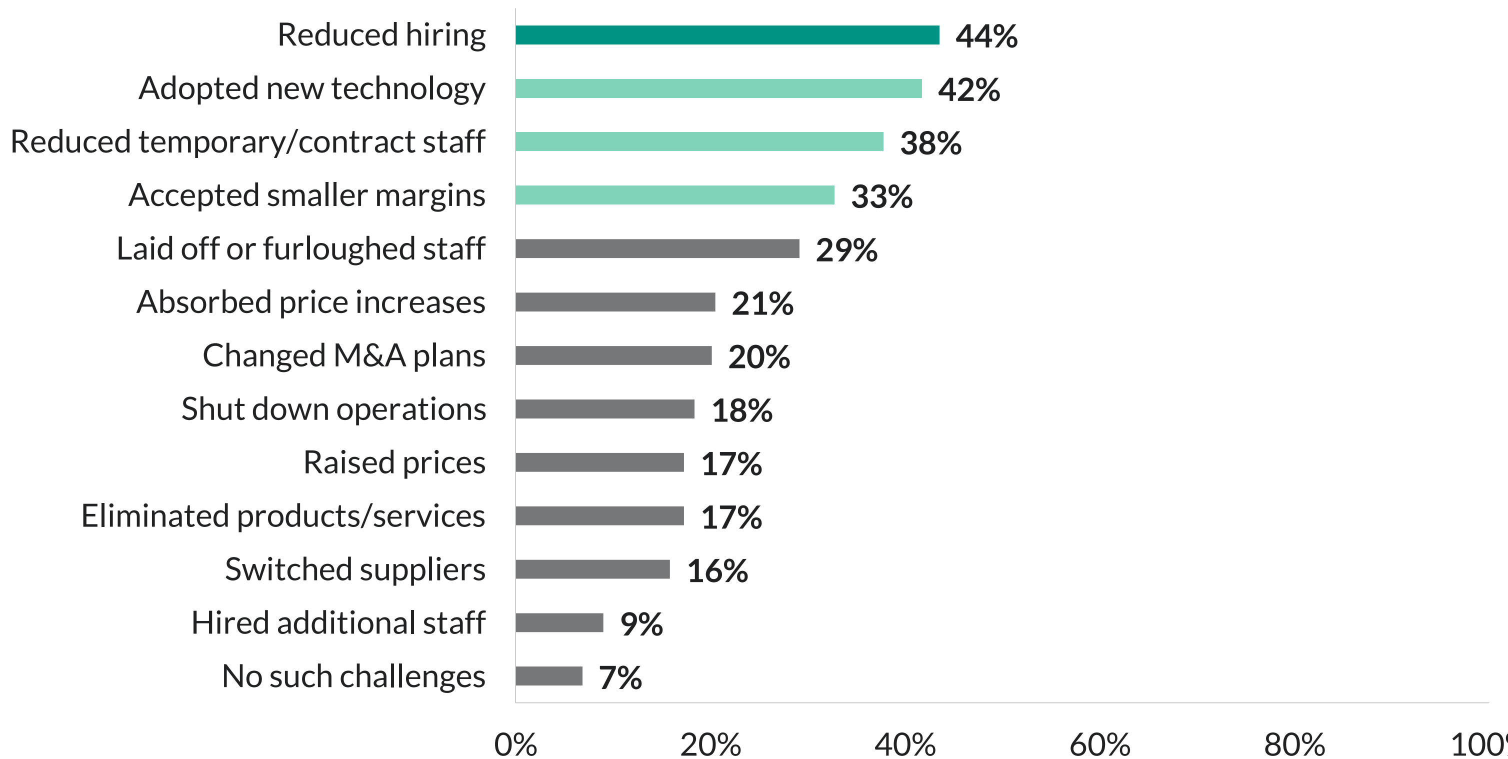
- **Cloud-based planning and reporting solutions are the most widely and regularly utilized tool by most companies. More than half of companies use them at least occasionally (56%),** most commonly for planning/forecasting (45%) and reporting/analysis (42%). These are also the most expected future use cases for these solutions.
- **Predictive analytics are slightly less common, seeing at least occasional use in about half (49%) of companies.** Planning/forecasting (38%) is the most common application among current users. One in five companies (20%) plan on investing in this tool by 2021; these companies also expect to use the tool for planning/forecasting (50%) as well as reporting/analysis (41%).
- **Machine learning and artificial intelligence are comparatively less common, seeing occasional use among fewer than half of companies (43% and 38%, respectively).** Again, planning/forecasting (38% and 41%) is the most common current application for both tools. Looking to the future, many companies (20% and 25%, respectively) have plans to invest in these tools by 2021. These future users also intend to use them for planning/forecasting (46% and 42%). Reporting/analysis (38%) is another anticipated use case among future artificial intelligence users.

COVID-19 RESPONSE & RECOVERY

HIRING REDUCTIONS & NEW TECHNOLOGY ADOPTION ARE THE MOST COMMON RESPONSES TO COVID-19

- Staffing changes extend beyond hiring reductions; many companies have reduced their temporary/contract staff headcounts (38%) and implemented layoffs or furloughs (29%).
- COVID-19 also has a direct impact on companies' financials; many report accepting smaller margins (33%), absorbing price increases (21%), and raising prices (17%).
- Fewer European companies (44%) are reducing hiring than their American peers (57%) in the previous version of this survey.

RESPONSES TAKEN TO COVID-19-RELATED FINANCIAL CHALLENGES



Q: Which of the following best describes how your company responded to financial challenges caused by the COVID-19 pandemic? Please select all actions that you have taken in the first half of the year. (n=278)

HIRING REDUCTIONS ARE MOST PREVALENT IN THE U.K. WHILE ITALIAN COMPANIES ARE MOST LIKELY TO ADOPT NEW TECHNOLOGY

- At the country level, hiring reductions have been most widespread in the U.K. (56%) and Italy (47%). When it comes to layoffs and furloughs, however, the U.K. (45%) leads while Italy (14%) places last. About half of companies in Spain have adopted new technology (50%) while also accepting smaller margins (48%).

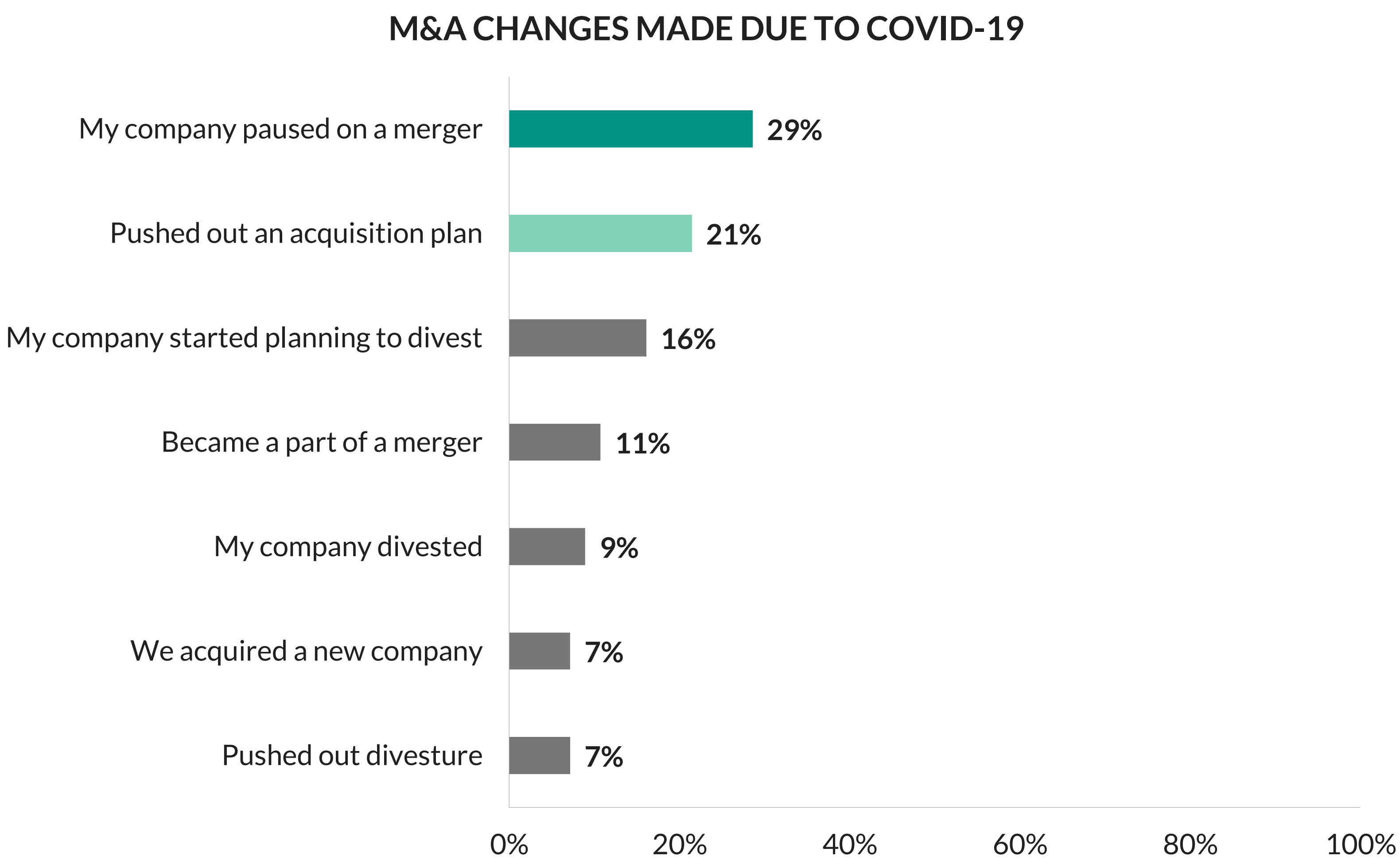
RESPONSES TAKEN TO COVID-19-RELATED FINANCIAL CHALLENGES BY COUNTRY

	France (n=52) [A]	Germany (n=55) [B]	Italy (n=51) [C]	Spain (n=54) [D]	United Kingdom (n=66) [E]
Reduced hiring	37%[E]	38%[E]	47%	37%[E]	56%[A,B,D]
Adopted new technology	27%[C,D]	40%	57%[A,E]	50%[A]	36%[C]
Reduced temporary/contract staff	42%[B]	22%[A,D,E]	39%	46%[B]	39%[B]
Accepted smaller margins	21%[C,D]	31%	43%[A,E]	48%[A,E]	23%[C,D]
Laid off or furloughed staff	29%	16%[D,E]	14%[D,E]	37%[B,C]	45%[B,C]
Absorbed price increases	12%[C]	20%	29%[A]	17%	24%
Changed M&A plans	15%	20%	29%	20%	17%
Shut down operations	15%	9%[D,E]	20%	24%[B]	23%[B]
Raised prices	19%	20%	8%	15%	23%
Eliminated products/services	13%[D]	11%[D]	22%	30%[A,B,E]	12%[D]
Switched suppliers	21%	22%	14%	6%	17%
Hired additional staff	8%	13%	6%	9%	9%
My company has not experienced any financial challenges	15%	11%	4%	0%	5%

Q: Which of the following best describes how your company responded to financial challenges caused by the COVID-19 pandemic? Please select all actions that you have taken in the first half of the year. (n varies by country)

DELAYS ARE THE MOST COMMON M&A-RELATED COVID-19 IMPACT

- Both mergers (29%) and acquisitions (21%) have been subject to delays.

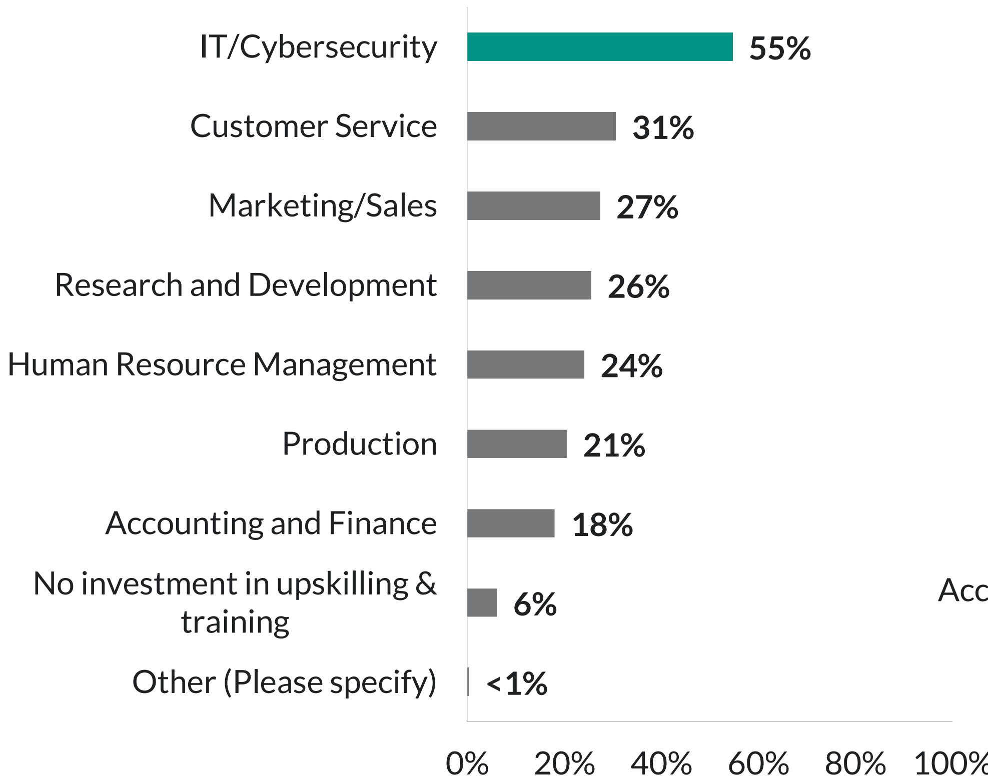


Q: You mentioned that your company changed their M&A plans due to the COVID-19 pandemic. Which of the following best describes how your company changed their M&A plans? (n=56)

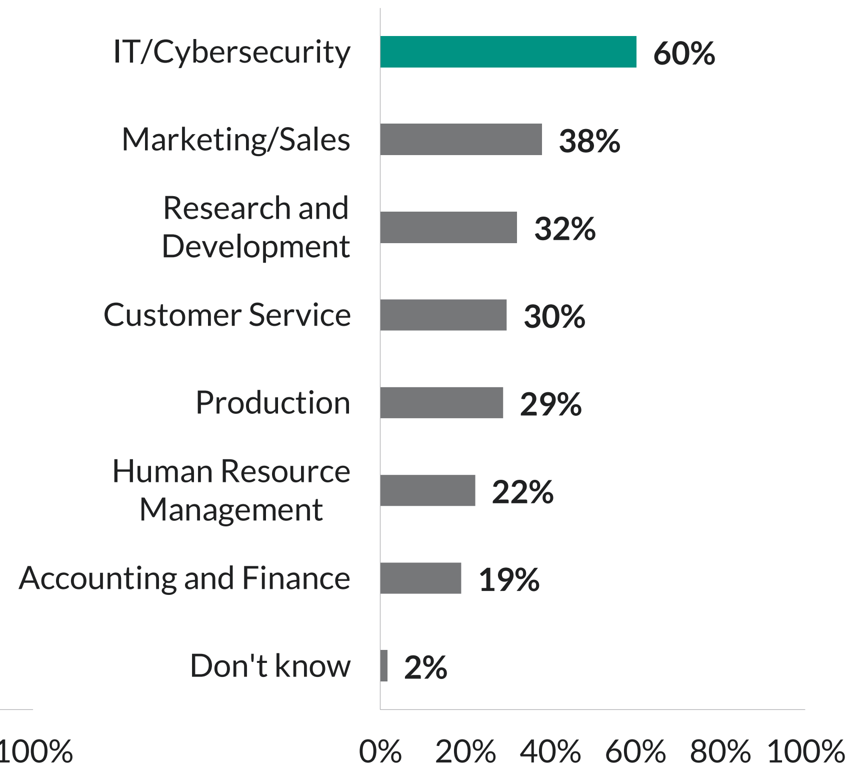
IT/CYBERSECURITY IS THE TOP PRIORITY FOR TRAINING AND HIRING

- A majority of companies have both made recent investments in IT/Cybersecurity upskilling and training (55%) and plan to prioritize the department for hiring through 2021 (60%).
- While American companies have invested and prioritized hiring in Accounting and Finance departments nearly as much as in IT/Cybersecurity, European companies have not invested or prioritized similarly.

DEPARTMENTS RECEIVING UPSKILL/TRAINING INVESTMENT



HIRING PRIORITIES FOR NEXT 18 MONTHS BY DEPARTMENT

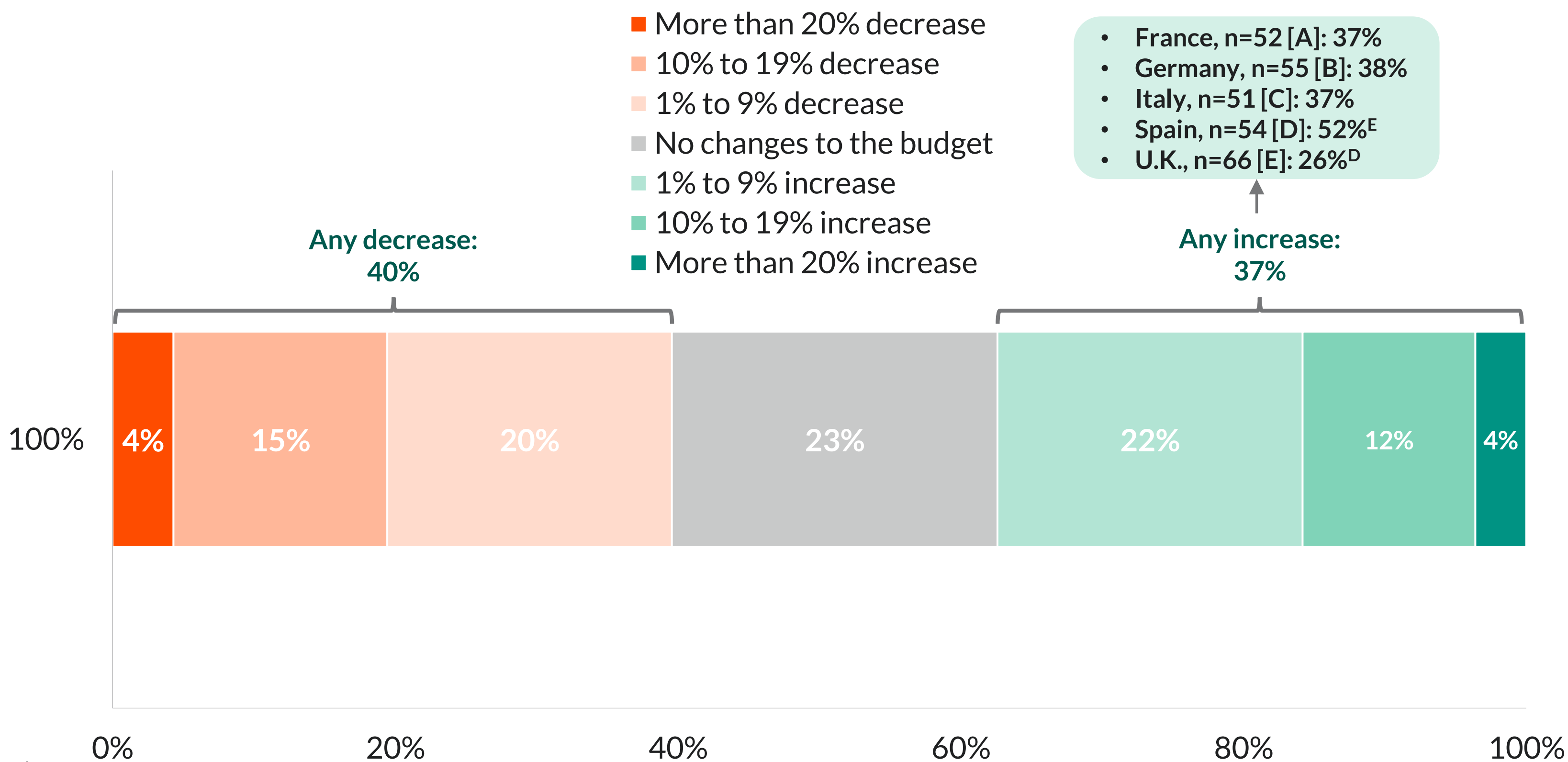


Q: In which of the following departments has you company invested in for upskilling and training to support new remote capabilities and job functions? Please select all that apply. (n=278)
Q: Given your Q2 financial performance, which departments are you prioritizing for hiring in the second half of 2020 and 2021? Please select your top 3. (n=121)

FINANCIAL DECISION-MAKERS SPLIT EVENLY ON 2021 IT BUDGET FORECASTS

- About two-in-five companies expect decreases (40%) or increases (37%) in their company's IT budget for remote work enablement.
- This represents a divergence from the previous iteration of this survey, where American financial decision-makers projecting IT budget increases (56%) more than doubled those projecting a decrease (24%). This could be the result of timing, with US decision-makers judging 2021 changes relative to a 2020 budget that had not yet made substantial IT investments. It could also reflect true variance in the shift to remote work.

CHANGE IN IT BUDGET FOR REMOTE WORK ENABLEMENT

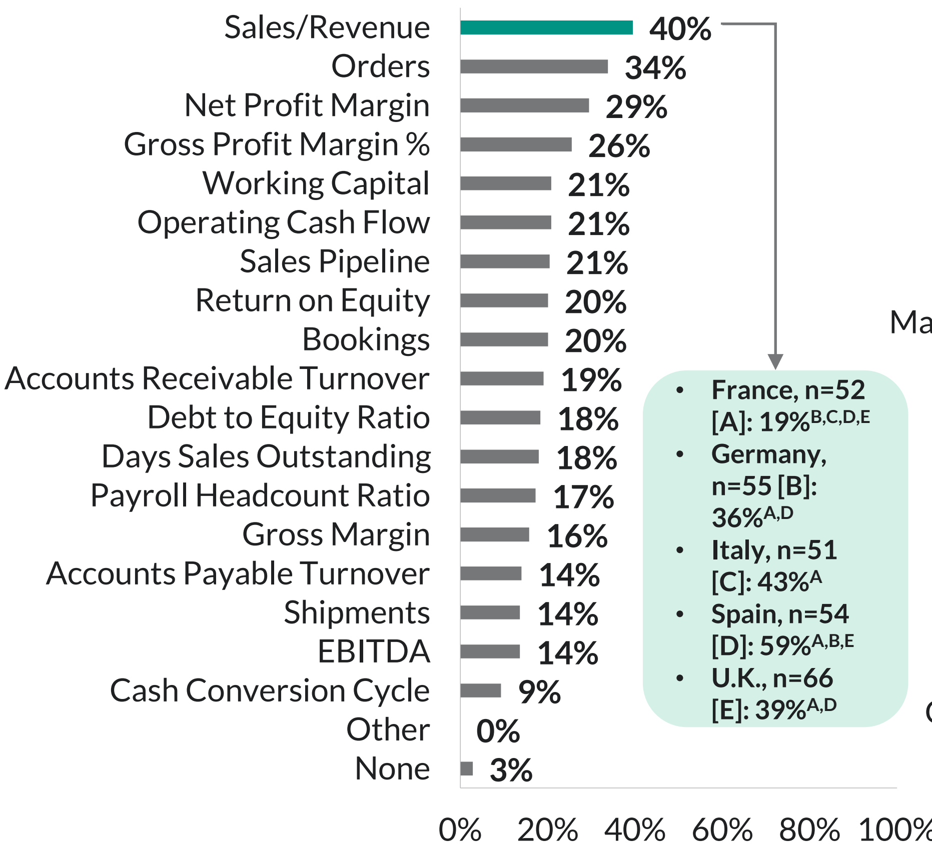


Q: Which of the following best describes how your company's IT budget for remote work enablement will change in 2021? (n=278)

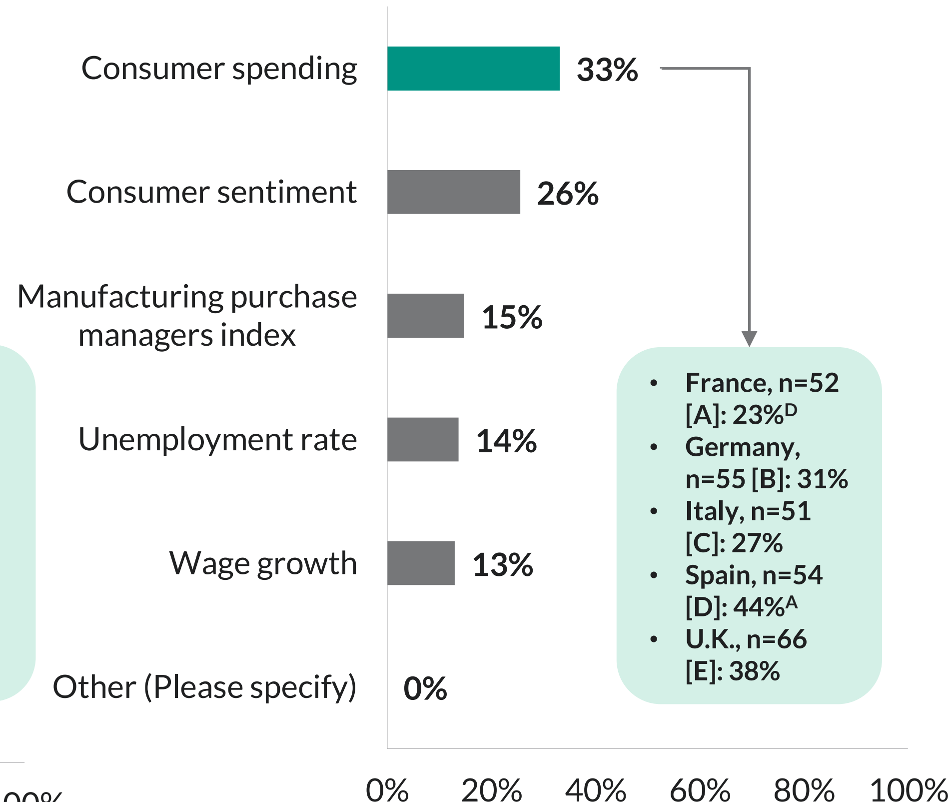
COMPANIES LOOK TO THEIR OWN TOPLINES AND CONSUMER SPENDING TO TRACK THE ECONOMIC RECOVERY

- Order volume (34%) and consumer sentiment (26%) are the next leading company-specific and economy-wide indicators of financial recovery, respectively.

MOST CLOSELY TRACKED FINANCIAL RECOVERY METRICS



BIGGEST INDICATORS OF FINANCIAL RECOVERY

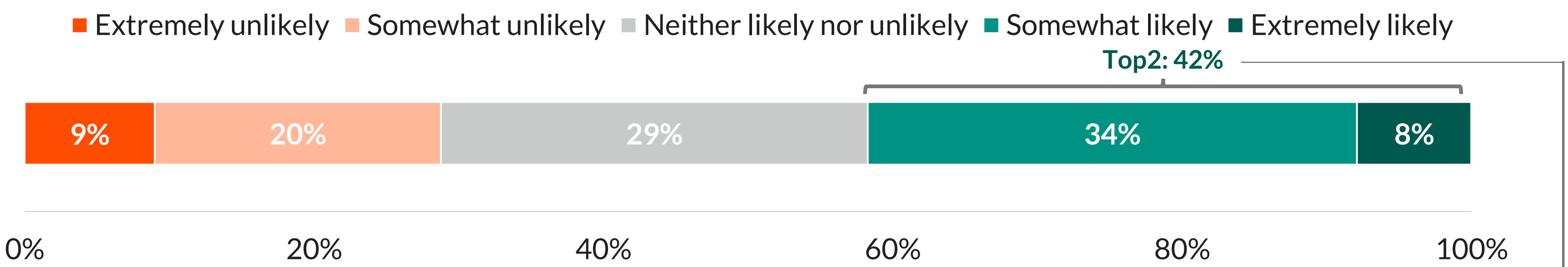


Q: Given the impact of COVID-19, which of the following metrics is your company most closely tracking as indicators of financial recovery? Please select your top 5. (n=278)
Q: Which of the following metrics does your company consider to be the biggest indicator of financial recovery for the overall economy? (n=278)

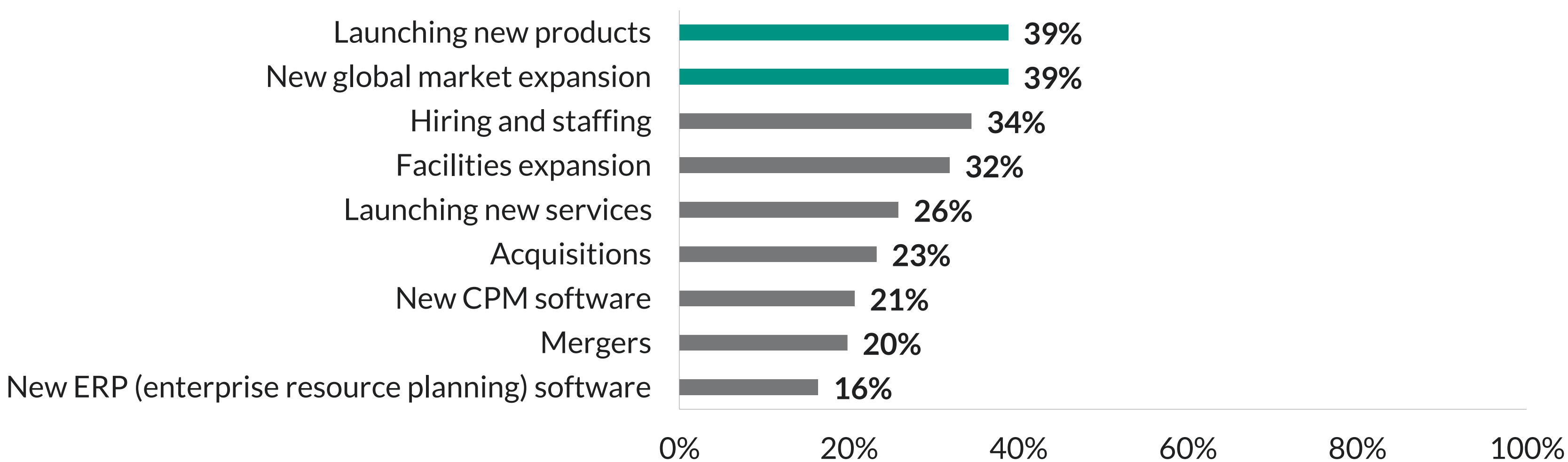
LESS THAN HALF OF COMPANIES ARE LIKELY TO DEFER INVESTMENT DECISIONS UNTIL AFTER THE 2020 U.S. ELECTIONS

- Among these, launching new products (39%) and new global market expansions (39%) are the investments that are being deferred until after the elections.
- Unsurprisingly, fewer European companies (42%) are making such deferrals than are their American peers (61%).

LIKELIHOOD TO DEFER INVESTMENTS/DECISIONS AFTER 2020 ELECTIONS



INVESTMENTS DEFERRED AFTER 2020 ELECTIONS



CORPORATE

Q: Considering the current state of economy, how likely is your company to defer investment or business plans after the 2020 U.S. Presidential election? (n=278)
Q: What types of investments are you deferring until after the U.S. Presidential election? Please select all that apply. (n=116)

COMPANIES EXPECT DAY-TO-DAY EXPENSES TO GO DOWN AND ARE SPLIT ON CAPITAL INVESTMENT CHANGES

- Nearly half of companies (46%) anticipate day-to-day expense decreases in 2021. This result aligns with the finding that hiring reductions and staff reductions are among the most common financial responses to COVID-19 and is also broadly in line with the results from the previous iteration of this survey among American financial decision-makers.
- With respect to capital investment, companies are divided relatively evenly across those that expect an increase (26%), no change (41%), or a decrease (33%).

COMPANIES' PLAN FOR CAPITAL INVESTMENT PLANS AND DAY-TO-DAY EXPENSES FOR 2021

Maintain 2020 capital investments, decrease day-to-day operating expenses	25%
Increase day-to-day operating expenses, decrease capital investments	17%
Increase capital investments, decrease day-to-day operating expenses	13%
Maintain 2020 capital investments, increase day-to-day operating expenses	11%
Maintain 2020 day-to-day operating expenses, increase capital investments	9%
Decrease both capital investments and day-to-day operating expenses	8%
Maintain 2020 day-to-day operating expenses, decrease capital investments	8%
My company does not plan on any changes for 2021	5%
Increase both capital investments and day-to-day operating expenses	4%

COMPANIES' PLAN FOR CAPITAL INVESTMENT PLANS AND DAY-TO-DAY EXPENSES FOR 2021 (REGROUPED ANSWERS)

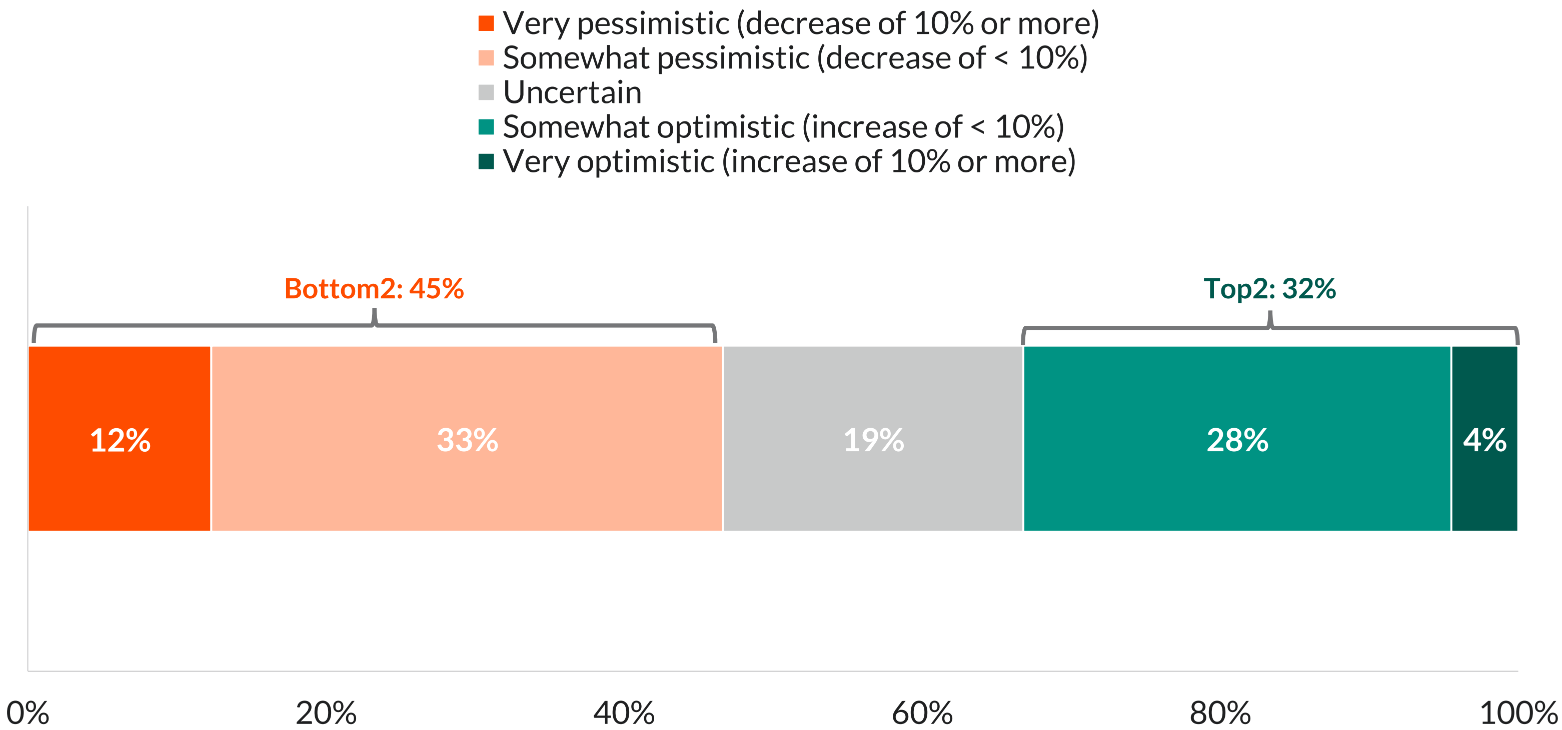
	Capital Investment	Day-to-day
Up	26%	32%
No change	41%	22%
Down	33%	46%

Q: Given the impact of the pandemic and your Q2 performance, which of the following best describes your company's plan for capital investment plans and day-to-day expenses for 2021? (n=278)

PESSIMISTIC FINANCIAL DECISION-MAKERS MAKING BUDGET DECREASES SLIGHTLY OUTNUMBER OPTIMISTS' MAKING INCREASES

- The number that describe their outlook as somewhat pessimistic (33%) and somewhat optimistic (28%) are similar, but the share that are very pessimistic (12%) is triple the share that are very optimistic (4%).
- Again, this result diverges from American financial decision-makers' outlook as measured in the previous iteration of this survey, when the share of optimists (43%) exceeded the share of pessimists (38%).

DECISION-MAKERS' ECONOMIC AND REGULATORY CONFIDENCE AND BUDGET IMPLICATION



Q: How does your current level of confidence in the economy and regulatory environment impact your budgetary decision-making for 2021? Your answer should reflect budgetary decision-making across the entire company, not just your department. (n=268)
Note: Respondents that indicate their level of confidence has no impact on budgets (n=10, 4% of total) are omitted from this graph.

DECISION TOOLS USAGE

JUST OVER HALF OF COMPANIES USE CLOUD-BASED PLANNING AND REPORTING TOOLS AT LEAST OCCASIONALLY

- Slightly fewer (49%) make regular use of predictive analytics.
- A quarter of companies (25%) plans on investing in artificial intelligence.

CURRENT TOOL USAGE

	Cloud-based planning and reporting solutions	Predictive analytics	Machine learning	Artificial intelligence
We constantly use this tool	27%	21%	20%	15%
We occasionally use this tool	29%	28%	23%	23%
We rarely use this tool	17%	18%	17%	18%
We plan on investing in this tool	14%	20%	20%	25%
We currently do not use this tool	13%	13%	20%	19%

- France, n=52 [A]: 10%[C,D,E]
- Germany, n=55 [B]: 18%[C]
- Italy, n=51 [C]: 45%[A,B]
- Spain, n=54 [D]: 33%[A]
- U.K., n=66 [E]: 29%[A]

Q: Which of the following best describes your company's usage of the following data tools? (n=278)

LITTLE DIFFERENCE IN RECENT INVESTMENT TIMING ACROSS TOOLS

- Among current users, fewer machine learning (34%) and artificial intelligence (33%) investments occurred more than 6 months ago relative to investments in cloud-based planning and reporting (40%) or predictive analytics (41%).
- Among those planning to invest in the future, machine learning and artificial intelligence investments are less immediate than cloud-based planning and reporting or predictive analytics.

TOOL INVESTMENT TIMING AMONG CURRENT USERS (TOP) AND NON-USERS PLANNING FUTURE INVESTMENTS (BOTTOM)

	Cloud-based planning and reporting solutions (n=205)	Predictive analytics (n=185)	Machine learning (n=167)	Artificial intelligence (n=157)
Less than 3 months ago (e.g., during the COVID-19 pandemic)	22%	16%	19%	22%
Between 3 and 6 months ago	38%	43%	48%	45%
More than 6 months ago	40%	41%	34%	33%

	Cloud-based planning and reporting solutions (n=38)	Predictive analytics (n=56)	Machine learning (n=56)	Artificial intelligence (n=69)
Plan to invest in Q3 2020	32%	23%	18%	20%
Plan to invest in Q4 2020	37%	45%	32%	30%
Plan to invest in 2021	32%	32%	50%	49%

Q: Which of the following best describes when your company invested in the following data tools? (n varies based on tool usage)
Q: Which of the following best describes when your company plans on investing in the following tools? (n varies based on investment plans)

PLANNING/FORECASTING IS THE TOP USE CASE FOR ALL TOOLS

- Across all tools and across both current users and non-users with plans to invest, financial decision-makers seek to use these tools for a wide set of use cases, led by planning/forecasting.

TOOL USE CASES - CURRENT (TOP) AND FUTURE (BOTTOM)

	Cloud-based planning and reporting solutions (n=205)	Predictive analytics (n=185)	Machine learning (n=167)	Artificial intelligence (n=157)
Financial close and consolidation	24%	30%	26%	22%
Planning/forecasting	45%	38%	38%	41%
Reporting/analysis	42%	33%	31%	36%
Account reconciliation	25%	27%	32%	27%
Compliance/regulatory needs	37%	33%	32%	32%
Other	1%	3%	2%	5%

	Cloud-based planning and reporting solutions (n=38)	Predictive analytics (n=56)	Machine learning (n=56)	Artificial intelligence (n=69)
Financial close and consolidation	21%	16%	18%	29%
Planning/forecasting	37%	50%	46%	42%
Reporting/analysis	37%	41%	29%	38%
Account reconciliation	37%	18%	29%	17%
Compliance/regulatory needs	18%	23%	20%	30%
Other	0%	0%	2%	3%

Q: Which of the following best describes how your company is currently using the following tools? Please select all that apply. (n varies based on tool usage)
Q: Which of the following best describes how your company plans on using the following tools? Please select all that apply. (n varies based on investment plans)

RESPONDENT CHARACTERISTICS

RESPONDENT CHARACTERISTICS (1/2)

Age (n=278)

18 to 24	4%
25 to 34	27%
35 to 44	40%
45 to 54	21%
55 to 64	8%
65 or older	<1%

Job Role (n=278)

Manager/Sr. Manager	50%
Director	25%
Vice President/Sr. Vice President	6%
C-Suite Executive	12%
President/CEO	6%
Owner	2%

Country (n=278)

France	19%
Germany	20%
Italy	18%
Spain	19%
United Kingdom	24%

Role in Financial Decision-Making (n=278)

Primary decision-maker	68%
Share authority	32%
Give input, no authority	0%
Do not participate	0%

RESPONDENT CHARACTERISTICS (2/2)

Industry (n=278)

Accommodation and Food Services	2%
Agriculture, Forestry, Fishing and Hunting	2%
Arts, Entertainment, and Recreation	1%
Automotive	5%
Construction/Architecture	5%
Education	5%
Finance and Insurance	14%
Healthcare/Medical	4%
Information Technology	14%
Manufacturing	11%
Mining & Quarrying	1%
Professional/Technical Services	6%
Public Administration/Government/ Defense	1%
Real Estate	3%
Retail	10%
Telecommunications	4%
Transportation and Warehousing	6%
Utilities	2%
Other	3%

Organization Headcount (n=278)

Fewer than 250 employees	20%
250 to 499 employees	21%
500 to 999 employees	18%
1,000 to 4,999 employees	25%
5,000 to 19,999 employees	9%
20,000 employees or more	7%
Don't know / Prefer not to respond	0%

Organization Revenue (n=278)

Under $100M	27%
$100M to $499M	19%
$500M or $999M	20%
$1B to $4.99B	18%
$5B to $10B	6%
Over $10B	10%
I don’t know / Prefer not to respond	1%

Thank you.

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