

# BUSINESS IN SERBIA as CFOs view it 2021

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In September 2020 TPA Serbia became full member of Baker Tilly International. Thanks to the cooperation between the TPA Group and the Baker Tilly International network, 12 countries of the independent TPA Group are connected globally, and we are able to provide quality services in all major business centers and regions worldwide.

The Baker Tilly International network is active in 146 countries, has over 36,000 employees in 742 offices and is ranked among the TOP 10 in the world in the field of business consulting and auditing.

## RESEARCH GOAL

The research aims to obtain information about market trends in the real sector, including the plans for reorganizing legal entities from the perspective of Chief Financial Officers (CFOs). A special aspect is dedicated to the challenges in the financial sector of global and domestic companies, with the purpose of sharing experiences that can be helpful to financial directors and other managers in improving the quality of planning and decision-making processes.

## RESEARCH RESPONDENTS

The research included 60 respondents, heads of financial departments of medium and large legal entities, both global and local.



## RESEARCH AREAS

Dynamic market circumstances in the Republic of Serbia raise a number of questions:

- What are the most significant economic trends?
- What are the strategic priorities in the business of legal entities?
- What are the predictions regarding the change in the total number of employees in 2022 compared to 2021?
- In addition to traditional roles, which role should the CFO pay more attention to?
- What are the biggest risks from managers perspectives?
- Which role should the CFO pay more attention to?
- What are the biggest challenges in terms of people management?

The research results will provide a roadmap for improving the planning process with an aim of establishing an optimal management of the companies' resources and making the right decisions.



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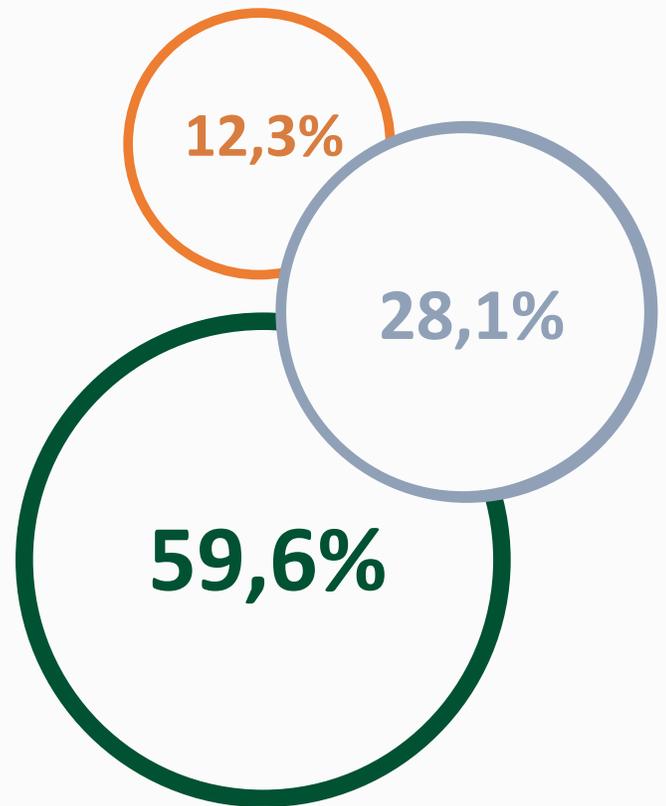
Based on the official financial statements of legal entities in which the respondents are employed, it can be concluded that the majority of legal entities (59.6%) recorded an increase in operating income. On the other hand, 28.1% recorded a decline in revenue, and 12.3% had stagnation in business.

These results indicate positive trends in the economy regardless of complicated social circumstances. This showed the flexibility and resilience of our economy to the general decline in economic activity at the global level. Such positive characteristics were certainly not typical for our economy in previous years.

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**Nemanja Šljivar**  
*Senior Manager ,  
Business Advisory Department  
TPA Serbia*

According to your financial statements, did your business record an increase or decrease in revenue during 2020?



**59,6%** of surveyed companies records growth

**28,1%** of surveyed companies records decline

**12,3%** surveyed companies records stagnation



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In the context of the most dominant trends in the economy, as many as 43.9% of respondents expect an increase in corporate borrowing, 35.1% expect an intensification of M&A transactions, and only 5.3% expect a downward trend in corporate borrowing.

The stated forecasts regarding borrowing can be related to the growth of income among the respondents. Namely, the natural consequence of the growth of business activity is borrowing. On the other hand, high expectations from M&A activities indicate the development of the domestic capital market. This suggests that Serbian companies are finally recognizing the significant role of M&A activities in financing and accelerating further growth.

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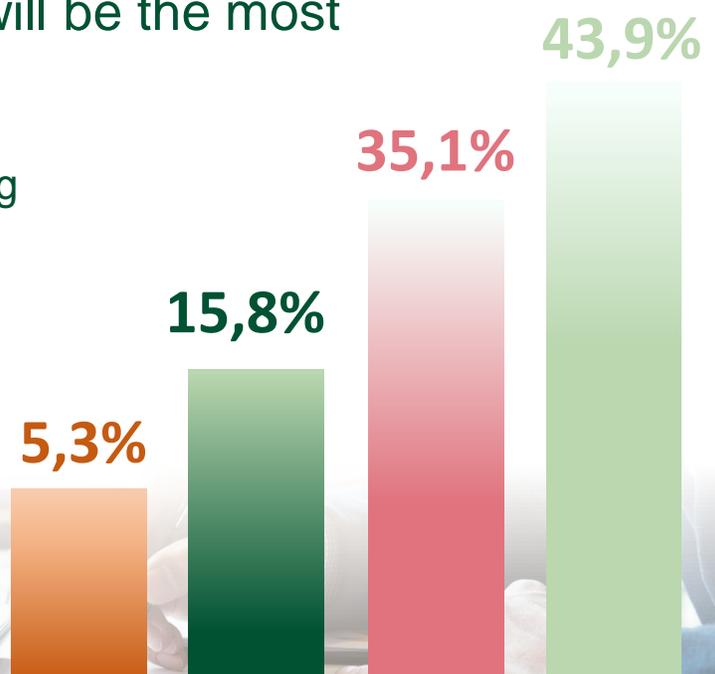
**Nemanja Šljivar**  
Senior Manager,  
Business Advisory  
Department  
TPA Serbia



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From the aspect of economic trends during next year, which trend do you think will be the most dominant?

- 43,9%** - increasing corporate borrowing
- 35,1%** - intensifying M&A transactions
- 15,8%** - others
- 5,3%** - reducing corporate borrowing





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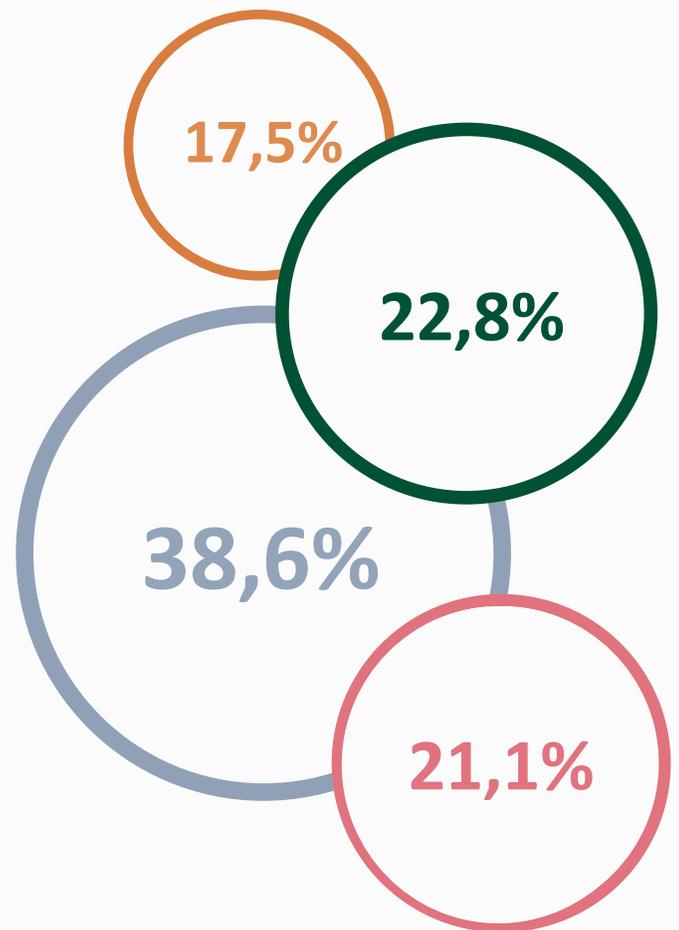
As strategic priorities in business, the largest number of respondents (38.6%) point to growth in the domestic market, 22.8% state the introduction of new products, 21.1% expansion to foreign markets, and 17.5% of respondents state that priorities are a decrease costs.

With the above in mind, it is clear that the participants in the survey, i.e. their companies, are strategically oriented towards growth. It is especially encouraging that a large number of respondents (21.1%) answered that their priority is expansion into foreign markets, which is an additional signal of strengthening the domestic economy (compared to others).

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**Bojan Žepinić**  
Managing Partner,  
TPA Serbia

## What are your strategic business priorities?



**38,6%** - growth in the domestic market

**22,8%** - introduction of new products / services

**21,1 %** - expansion into a foreign market

**17,5%** - reduction of costs



“ The trend of revenue growth is mainly reflected in the growth of the number of employees. This is supported by the results that 52.7% of companies plan to increase the number of employees in 2022, 35.1% do not expect significant changes, while only 10.5% plan to reduce the number of employees.

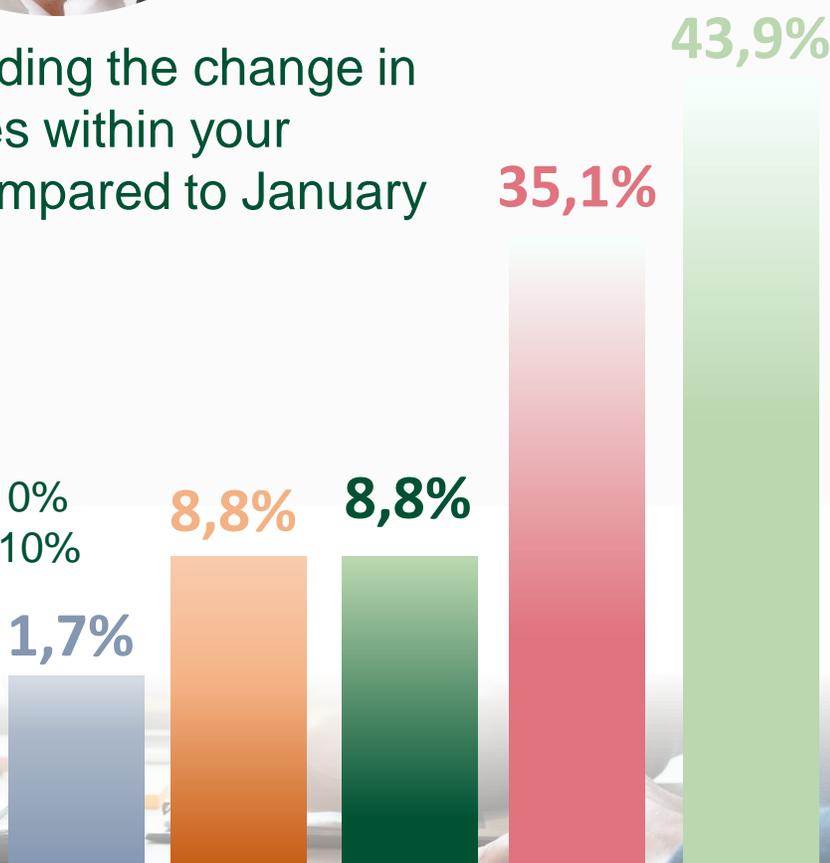
This data is particularly encouraging given that, according to official data, unemployment has been rising slightly in 2021 compared to 2020. What must also be taken into account when budgeting for future periods is the salaries increase of existing employees and other costs related to employees and their satisfaction with the current job. This trend has existed for about 10 years or more in the countries of Central and Eastern Europe, and I can only predict its further strengthening in Serbia.

**Bojan Žepinić**  
Managing Partner,  
TPA Serbia



What is your prediction regarding the change in the total number of employees within your company in January 2022 compared to January 2021?

- 43,9% - will increase by 10%
- 35,1% - there will be no change
- 8,8% - will decrease by 5-10%
- 8,8% - will increase by more than 10%
- 1,7% - will decrease by more than 10%





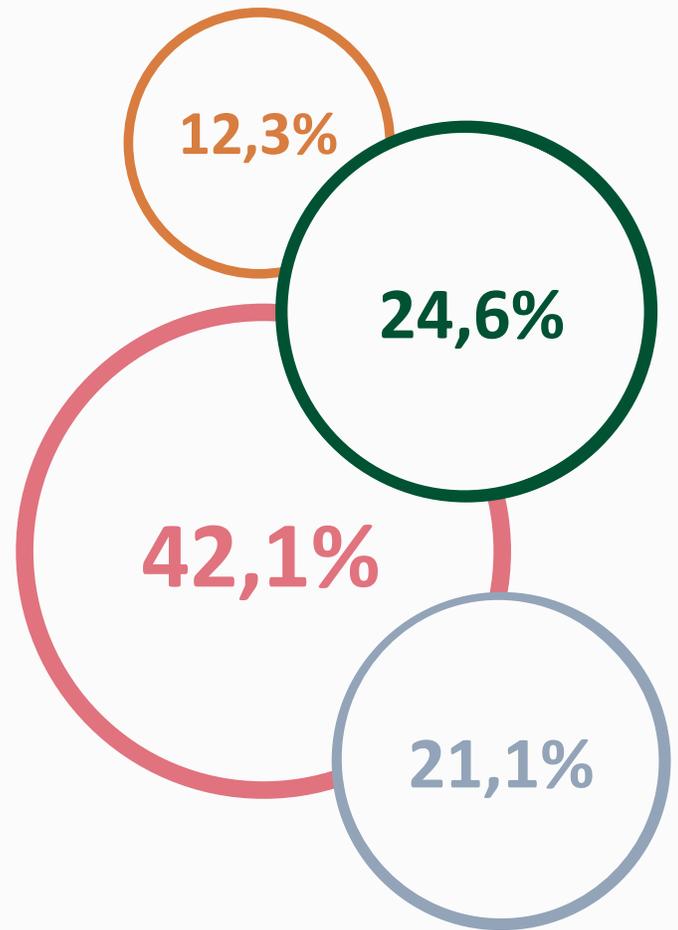
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The evolution of the function of financial director has already surpassed traditional functions. The largest number of respondents believe that the financial manager should strengthen digital literacy (42.1%), 24.6% think that more attention should be paid to big data and analysis, 21.1% to greater market orientation, while 12.3% think that talent management is an important role. Due to digitalization, changes in the economy are numerous and financial managers are not in a different position compared to other managers. In that sense, financial managers must research what these changes mean for their company and team and how to adapt to them, to analyze what the possible benefits of applying new technologies are; what the new division of roles is; how these changes will contribute to the company's success.

**Lana Vuković**  
Financial Director,  
DXC

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In addition to the traditional / standard roles, which of the following roles should the CFO pay more attention to?



- 42,1% - strengthening digital literacy
- 24,6% - big data and analysis
- 21,1% - higher market orientation
- 12,3% - talent management



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Digital transformation is a market trend that all companies with a sustainable development plan, in every segment of their business, strive for. The research clearly shows that most companies have recognized the importance of this investment, and the speed and amount of investment in digital transformation will depend on the financial possibilities, the nature of the industry and company vision and strategy.

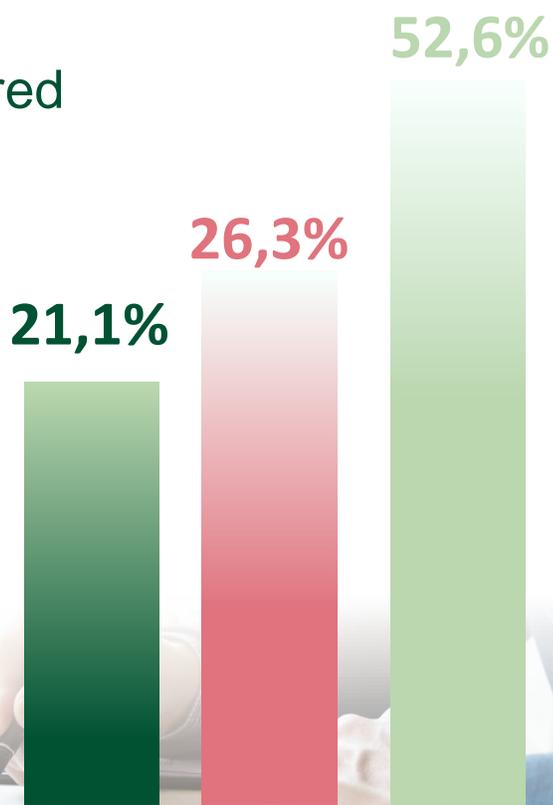
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**Ana Arnaut Vučenović**  
*Finance and Administration  
Manager,  
TX Services  
Belgrade*



Did you allocate more resources to digital transformation in 2021 compared to 2020?

**52,6%** of respondents said they did  
**26,3%** of respondents said they allocated a similar amount as in 2020  
**21,1%** of respondents said they did not





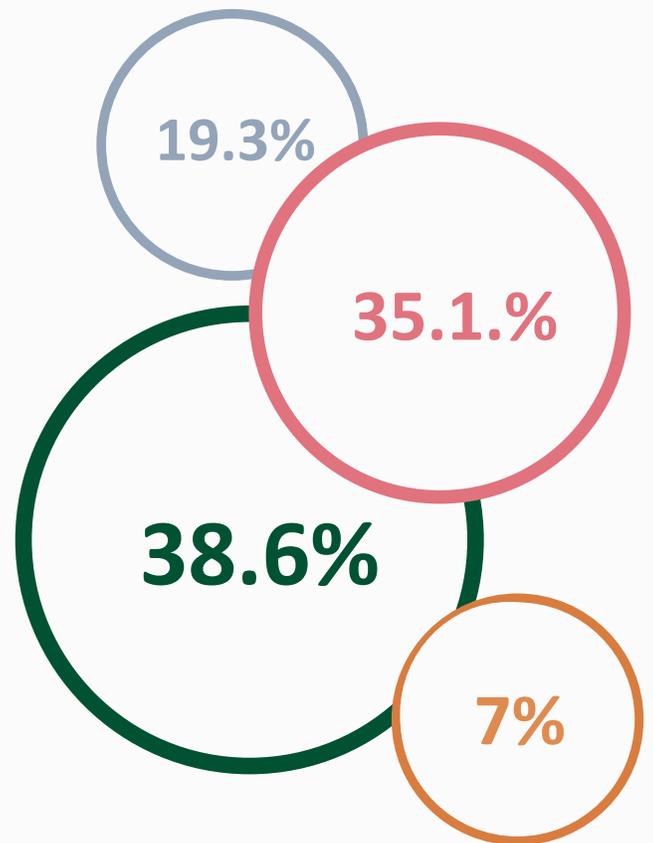
Considering the dynamic market circumstances, as a team leader, what is your biggest challenge when managing people?

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For the two biggest challenges in managing team members, CFOs point out: motivation of team members (38.6%) and efficient internal communication (35.1%). The results of the survey show that employee motivation is key to ensuring the sustainability of any company. Motivated staff essentially helps the organization to achieve its goals. Every employee has a different motivation for why they work. Therefore, it is an essential duty for the manager and a real challenge to identify the factors that motivate employees the most. Their motivation further affects their productivity. With a dynamic environment and partly work from home, the channels of internal communication are becoming more and more complex. In this situation, people do not have the opportunity to bond with their team and their managers.

”

**Monika Andrić**  
Partner, TPA Serbia



**38,6%** - motivation of team members  
**35,1%** - efficient internal communication  
**19,3%** - productivity of members  
**7%** - retention of team members



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For the biggest risks for business, the respondents stated - lack of skilled labor force (45.6%), reduced demand (31.6%) and challenges with the continuity of the supply chain (17.5%), while as the lowest risks they mentioned cyber risks (3.4%) and exchange rate change (1.7%). The lack of skilled labor force is the main obstacle to the further development of the domestic economy. We are now where Poland, the Czech Republic and Hungary were 4 years ago. We quickly went from a problematic unemployment rate to a chronic shortage of labor force, caused primarily by people moving abroad. Without significant changes in the educational and, after that, business environment, we are creating an increasing gap between supply and demand in the workforce, which is disastrous for further growth and development.

The problem of continuity of the supply chain is not so accented, our economy has shown a high level of flexibility and adapted to the challenges, changed the approach to consumers and found secure supply ch

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**Jelena Hadžić**  
Audit Manager,  
TPA Serbia



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Which of the following factors pose the greatest risks to your business?

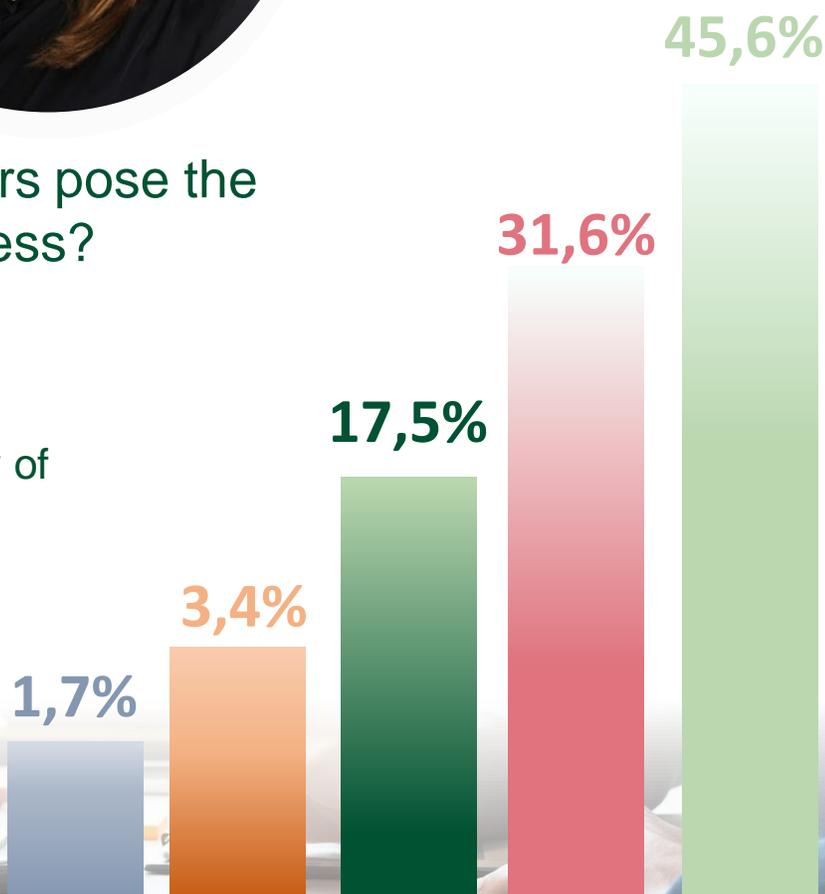
**45,6%** - lack of skilled labor force

**31,6%** - reduction in demand

**17,5%** - challenges with continuity of supply chain

**3,4%** - cyber risks

**1,7%** - exchange rate change



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The largest number of respondents see Serbia as the most attractive investment destination in the region (44.8%), followed by Croatia, Romania, Bulgaria and Albania.

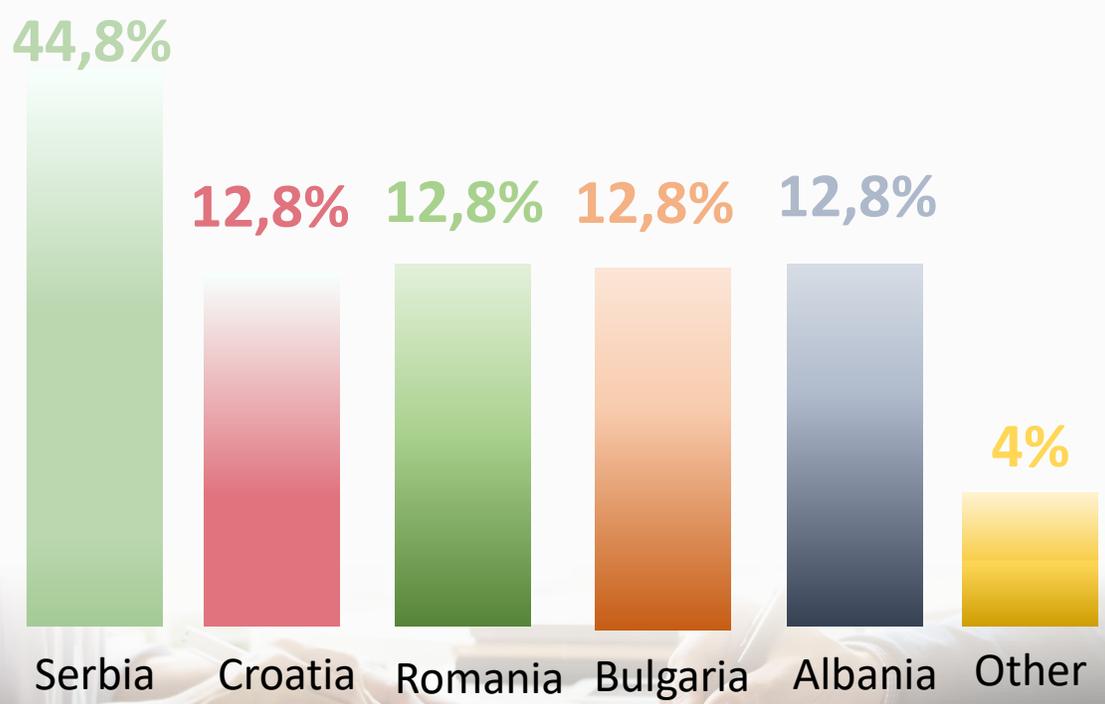
According to this survey, but also according to official data, Serbia is very successful in attracting foreign direct investments. What will be interesting to see in the coming period is change the structure of these investments towards the production of higher degree of processing or the provision of high-tech services. Also, it is expected that, with the increase in the number of multinational companies in Serbia, the trend of positioning Serbia as a regional center of those companies. It would have multiple benefits for the employees of those companies, but also for the entire country.

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**Bojan Žepinić**  
Managing Partner,  
TPA Serbia



Which country in the region (including Serbia) do you see as the most attractive investment destination in the next five years?





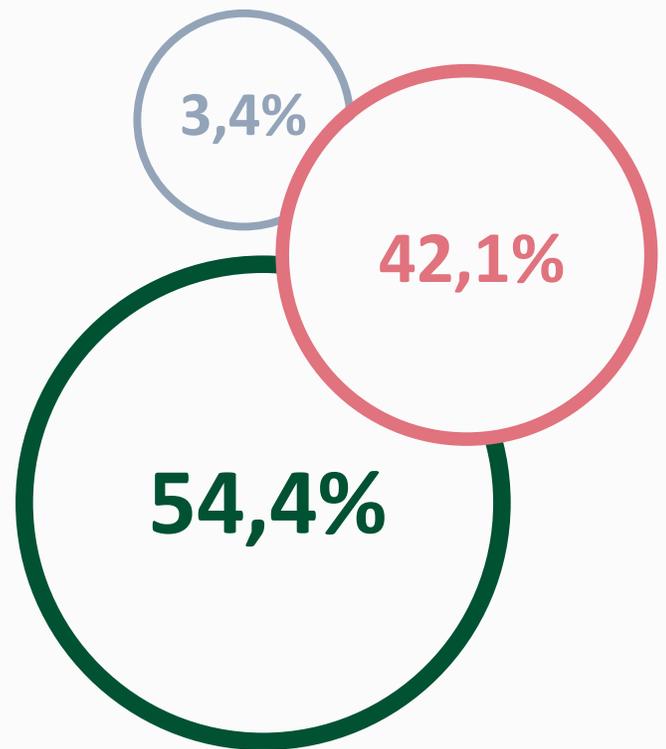
How do you plan to organize work of your financial function (team) in the next year?

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Most companies plan to organize a hybrid model (54.4%) or return to work from the office (42.1%). Only 3.4% of companies stated that they continue to work from home. The entire DXC finance team is moving to a hybrid model of work. This model has already been forcibly tested during the pandemic, so we have already suffered from "children's diseases" and we are ready for a new way of working. With the introduction of electronic documents, and especially electronic archiving of documents, the hybrid way of working in finance will prevail. Of course, it is necessary to adapt this way of working to the other services that cooperate with the financial service, above all internal and external controls and auditors.

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**Lana Vuković**  
Financial director,  
DXC



54,4% - hybrid model  
42,1% - work from the office  
3,4% - work from home



“

The largest number of respondents are familiar with SAP (42.1%), while 15.8% with Navision, 7% with ABSOft, while other respondents mentioned other programs. This result shows that there are more and more companies in our market that invest a lot in their ERP system, relying on well-known systems. More and more companies, with domestic or foreign capital, have realized the importance of a good ERP system and the advantage of process automation that allows them to manage their resources wisely and achieve their goals in a more efficient and effective way.

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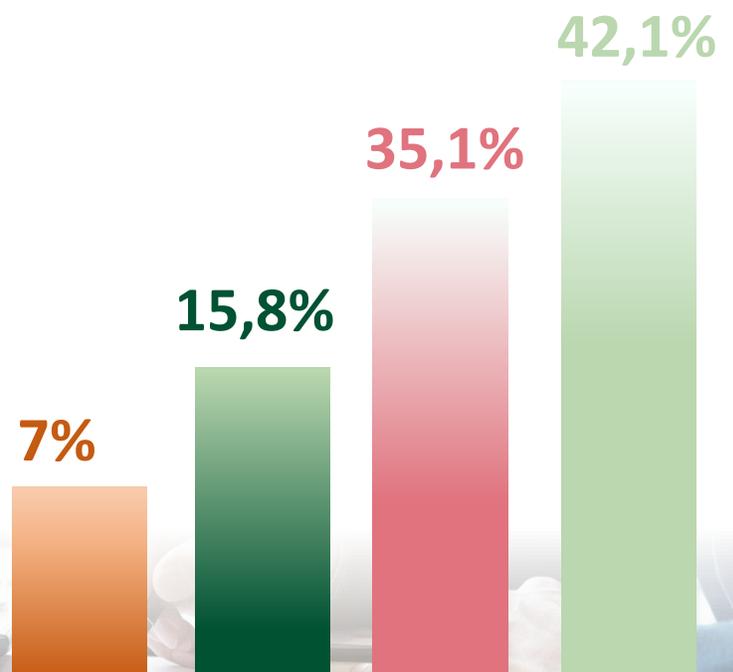
**Monika Andrić**  
Partner,  
TPA Serbia



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Which accounting program are you familiar with?

**42,1%** - SAP  
**35,1%** - others  
**15,8%** - Navision  
**7%** - ABSOft





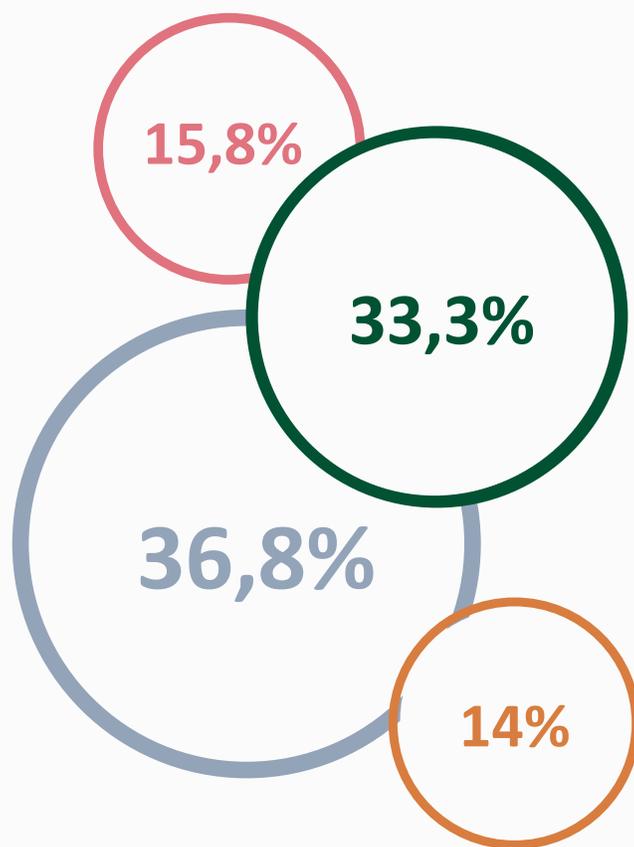
For you, as a senior financial professional, what would be desirable further development path?

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According to business operations, CFO is familiar with almost every segment of the company's business, which indicates a logical step in which the vast majority decides to continue their career in the position of CEO. On the other hand, a large number of CFOs want to remain focused on the financial aspect of the company's development, taking the role of regional CFO. In addition to personal affinities, this decision is also influenced by the company's structure, challenges and the experience that the position brings.

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**Ana Arnaut Vučenović**  
*Finance and Administration  
Manager,  
TX Services Belgrade*



36,8% - Regional CFO  
33,3% - Chief Executive Officer  
15,8% - Others  
14% - Chief Operation Officer



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**Bojan Žepinić** has been the Managing Partner of TPA Serbia since 2010 and is responsible for the entire business operations of the company. Since 2020, he has been the Chairman of the Management Board of the TPA Group.

Bojan is also a visiting lecturer and an expert author in the field of taxes and M&A.



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