

k³Advantage 

Why Data is critical to SMEs in 2025

Discussing and analysing responses of a financial survey from 250 SMEs in January 2025.

Whitepaper in conjunction with:



firstlight

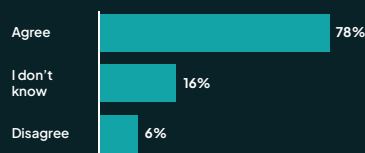
Success in Uncertain Times

The UK SME landscape is navigating a period of significant economic uncertainty. A confluence of factors, including rising inflation, supply chain disruptions, increased competition, and changing consumer behavior, has created a challenging environment for businesses of all sizes. We partnered with Opinium research and Firstlight PR to understand the issues businesses face, their outlook for 2025 and what part data analytics plays in their business.

While companies demonstrate resilience and confidence in overcoming challenges, the need for strategic decision-making has never been greater. In this context, a significant portion of SMEs are actively considering a sale, exit, or refinancing. This strategic pivot is driven by a variety of factors, including owner burnout, retirement, the desire to capitalize on current valuations, or the need to secure funding in a tightening credit market. As SMEs contemplate these significant transitions, access to and utilisation of data insights emerges as a critical factor for success.

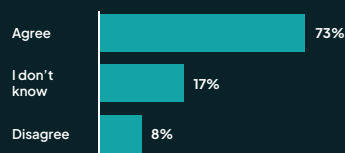
The Uncertain Economic Climate

The continues to be volatility and uncertainty in the economic context



Persistent Volatility: 78% of SME leaders acknowledge ongoing economic volatility and uncertainty. This creates a challenging environment where companies must be agile and adaptable. To thrive in this environment, SMEs need to be able to quickly identify and respond to changing market conditions.

Running a business is harder today than it has ever been



Increased Difficulty: 73% of SME owners believe running a business is harder than ever. This underscores the pressures faced due to factors like rising costs, competition, and market dynamics. Challenges such as retaining talent, supply chain disruptions, regulatory burdens and evolving customer expectations have impacted SMEs.

As a business, we are reducing operating costs and budgets in 2025.



Cost Reduction Strategies: Two-fifths of UK SMEs are responding to economic volatility by reducing costs and operating budgets. This highlights the need for efficient operations and resource allocation, where data insights can play a crucial role.

Increased Consideration of Sale, Exit, and Refinancing.

Significant Trend

41% of SMEs are more likely to consider a sale, exit, or refinancing in the next 12 months compared to the previous 12 months. This indicates a significant portion of business owners are evaluating their options.

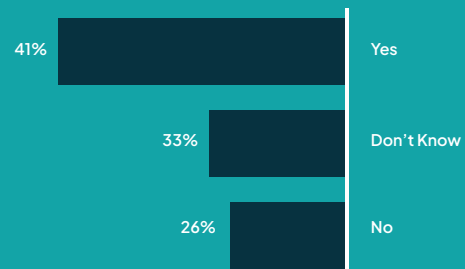
Increasing Interest

The number of businesses exploring an exit is projected to increase from 11% in 2024 to 14% in 2025, a 27% rise. This further emphasises the growing trend of companies considering a transition.

Confidence and Attractiveness:

A significant portion of SMEs remain optimistic about their future. 75% of SME leaders express confidence in their ability to overcome the challenges they face, highlighting their resilience and determination. This confidence is further bolstered by their belief in their business's attractiveness to potential buyers. Over half (52%) of SME owners consider their company to be a compelling sale prospect, suggesting that they believe their businesses have strong fundamentals and offer significant value to potential acquirers.

We're considering a sale, exit, refinancing or new investment in 2025



The critical role of data insight.



SMEs need to be able to make data-driven decisions that can help them improve efficiency, reduce costs, and enhance customer satisfaction.

In this environment, robust data insights are more important than ever for several reasons: data can be used to reduce operational costs, streamline resources and their performance, and identify new or emerging trends. Additionally, data insights can help SMEs grow new revenue opportunities and improve pricing strategies. But what is truly critical, is that having clear, deep, decisive data insight allows companies to portray the right narrative when approaching a major transaction.

Informed
strategic
decisions

Improved
Financial
Performance

Enhanced
valuation for
Sale/ Exit

Securing
funding/
Refinancing

Compelling
Business
Narrative

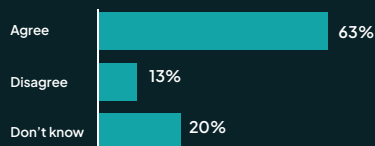
Businesses recognise the value of their data

In an environment marked by economic volatility, where 78% of SME leaders acknowledge ongoing uncertainty, data offers a crucial edge. It provides the insights needed to understand customer behavior, optimize operations, and identify emerging trends, all while two-fifths of UK SMEs are responding to this volatility by reducing costs.

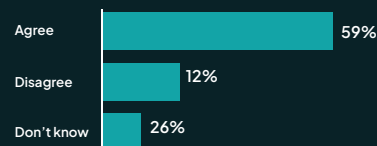
For SMEs, especially the 41% considering a sale, exit, or refinancing in the next 12 months, robust data becomes even more critical. It underpins informed decision-making, strengthens financial performance, and enhances business valuation, which is key considering the increasing trend of SMEs exploring exits, projected to rise 27% from 2024 to 2025. Critically, businesses recognise the importance of data insights, with **63% of companies** believing that data insights have become more important in the current environment.

Demonstrating a clear understanding of key performance indicators, revenue recognition, and future forecasts through data-driven reporting builds trust with potential buyers, investors, and lenders. Ultimately, businesses recognize that their data is a powerful tool for driving growth, securing funding, and achieving a successful transition in an increasingly challenging economic climate.

Data Insights have become even more important in the current environment



Our operational data is designed primarily to support day-to-day business operations



The data paradox

During analysis of the survey data, we discovered a fascinating, yet concerning, paradox within the SME landscape.

While business owners express confidence about their business and future prospects, a deeper dive into their data practices reveals significant contradictions that highlight a vulnerability for SMEs, particularly those considering a sale, exit, or refinancing.

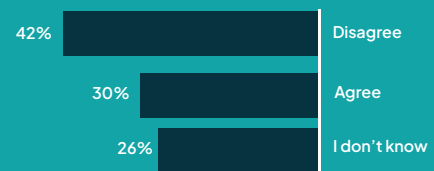
One of the most striking contradictions is regarding SMEs' understanding of their business performance. **40% of business owners** admit that their "gut feeling" about business performance sometimes contradicts their financial data. This reliance on intuition, rather than concrete data insights, raises questions about the accuracy of their assessments and strategic decisions, further underscored by the fact that **less than half** (45%) of business owners feel they have a good grasp on their commercial performance and operational data, with only 42% expressing confidence in the reliability of their data for decision-making.



My personal 'gut feeling' or sense of how the business is doing is sometimes contradicted by our data



We lack access to data to help make meaningful decisions

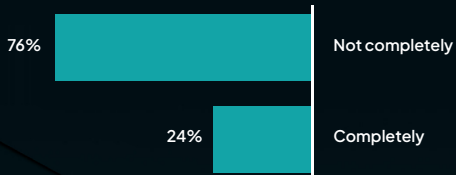


Financial software identifies discrepancies

This lack of confidence in data is particularly alarming considering the reported availability of management accounts. A high percentage (79%) of respondents confirmed they have management accounts covering the past three years. However, this data richness is undermined by the fact that a staggering **76% do not have a 3-5 year forecast model**, 63% lack a 13-week cash flow forecast, and 70% wouldn't be able to produce KPI reports on demand.

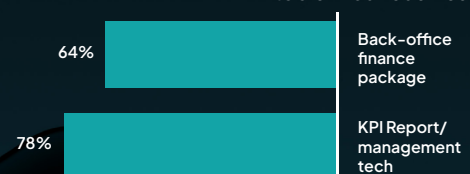
This suggests that while some basic financial data may be available, **many SMEs lack the tools, skills, or processes to transform that raw data into actionable insights**. The management accounts exist, but they aren't being used effectively for strategic planning or forecasting. They are a resource that is not being exploited.

Do you have a completely integrated 3-5 year forecast model?



The survey also reveals a concerning lack of adoption of basic financial software and reporting tools. **64% of respondents do not use a financial software package**, and only 22% have access to KPI reports. This deficiency in fundamental data infrastructure further explains the inability to generate meaningful insights and underscores the data gap within the SME sector. Without these essential tools, SMEs are severely limited in their ability to analyze performance, identify trends, and make informed decisions.

We currently do not have access to these tools in our business



Data isn't an option, it's a necessity.

In today's challenging economic environment, data insights are no longer optional, but essential for SME success – especially for those considering a sale, exit, or refinancing.

Bridging the data gap and empowering SMEs with the tools and knowledge to leverage data will be crucial for their growth, and successful transactions.

The findings of this survey reveal a serious concern: while many SME owners express confidence, a significant data gap exists, hindering their ability to translate intuition into informed, strategic action. The prevalence of "gut feeling" decision-making, often contradicted by available data, underscores this disconnect.

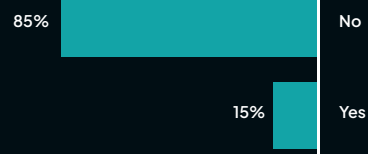
While some basic financial information may be present, a lack of sophisticated tools, skills, and processes prevent SMEs from extracting meaningful insights and developing robust forecasts. This deficiency is further compounded by the limited adoption of financial software and reporting tools.

These contradictions and inconsistencies pose a "colossal risk," as highlighted by K3 Advantage, leaving businesses unable to maximise operational and transactional value, particularly during critical activities like sales, exits, or refinancing. K3 Advantage have found that businesses that invest in analytical services, software and resources have a higher rate of success approaching a transaction. Bridging this gap through improved access to affordable data analytics solutions, comprehensive training programs, and expert guidance is paramount for SMEs approaching a transaction.

Empowering SMEs to harness the true potential of their data will not only enable them to navigate the well documented economic uncertainty with greater confidence but also position them for sustained growth, successful transitions, and a more secure future. It is no longer enough to simply have data; SMEs must be equipped to use it effectively to create value within their business – and beyond.



Do you have a centralised data cube to analyse your data?



Elevate your finances with K3 Advantage.

Data and strategic financial services provide the critical building blocks to accelerate market expansion, profit enhancement and critically, lead you to make better business decisions.

K3 Advantage elevate your financial approach by reinforcing your core fundamentals whilst augmenting your financial data.

SMEs looking to support your growth potential can benefit from our elevate services – our data-driven solutions designed to optimise and supercharge your financial capabilities.

Deal Preparation

Benefit from a structured KPI model to measure and quantify performance. Our deep sector expertise and on-hand support will upskill your finance team.

Financial Data Analytics

Leverage data-driven technology to analyse sales, operations and performance, highlight business and market patterns to reduce costs & improve efficiency.

Financial Outsourcing

Unlock capacity with experienced C-level support and outsource finance functions. Apply advanced tactics whilst hand holding your team through critical transaction periods.