REPORT

The Future of Business

How Finance is Becoming a Catalyst For Change

brainyard

About the Author

Art Wittmann is editor of Brainyard. He previously led content strategy across Informa USA tech brands, including Channel Partners, Channel Futures, Data Center Knowledge, Container World, Data Center World, IT Pro Today, IT Dev Connections, IoTi and IoT World Series Events, and was director of InformationWeek Reports and editor-in-chief of Network Computing.

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Executive Summary

130 executives completed the full Brainyard Summer 2020 Finance Priorities Survey. Of these leaders, 56% hold finance titles, while 44% are in non-finance roles. Thirty-one percent are CFOs, and an additional 15% are C-suite execs, other than the CFO; 29% are manager/director or VP level. Forty-five percent hail from companies with $10 million or less in revenue; 35% posted between $11 million and $50 million, while 20% earned between $51 million and $500 million.

Survey Goals

Our Summer 2020 Finance Priorities Survey is dedicated to understanding how the role of finance teams has changed since the pandemic began and how these professionals are contributing to their organizations' recovery efforts.

We also repeated two questions asked in the two previous quarters to understand how priorities have changed since December 2019.

Summary of Findings

- 42% say the finance team is firing on all cylinders, providing all the service the business both needs and desires. Just 14% have a negative view of service levels.
- 45% say the role/influence of the finance department has grown either slightly (26%) or substantially (19%).
- 81% says operating cash flow is the top KPI being regularly updated; it was ranked No. 1 among 13 options.

Other Key Findings

- Across eight areas, spending remains down. The notable exception is technology, likely a result of near-universal work from home orders and the rise in the use of ecommerce by many businesses.
- COVID-19 has had minimal effect on expected debt capacity, with just 17% planning a significant increase (9%) or decrease (8%).

Previous Surveys

April 2020
Outlook Survey

Winter 2020
Outlook Survey

Hold On, Curves Ahead

2020's been a rollercoaster. While we're not even close to the end of the ride, we saw the "trough of anxiety" bottom out in April. Respondents now seem surer of how they can be successful over the coming months.

Our second top-line conclusion is that our survey reveals a level of determination and positivity that's underlined by grim uncertainty on the part of many. That's revealed mostly in the free-form commentary we received.

Responses like this one from a CFO at a wholesale distributor were common: "We have identified some weaknesses in our team that need to be addressed, but overall I have good confidence in our team's ability to meet the needs of the company."

A non-finance VP at a larger retailer/distributor put it this way: "We're adding headcount but should be fine."

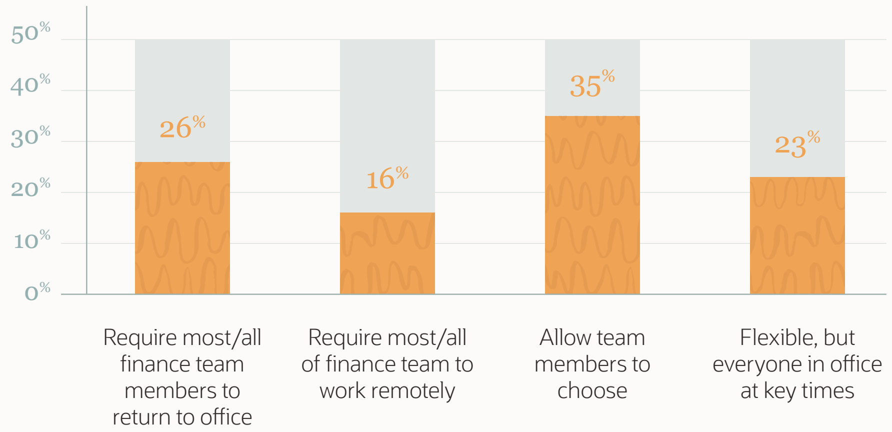
While the majority of commenters indicated that they've adjusted to current conditions, a number of respondents chose words like "overwhelmed" to describe the effects of the pandemic on their organizations. These respondents were typically from hard-hit industries like hospitality that are **scrambling to adapt.** One CEO from a retail company had this to say: "Accounting and finance are overwhelmed due to the increased needs driven by growth in the ecommerce sector. Every area—HR, AP, cost accounting and purchasing—are struggling to keep up."

For others, it's a matter of culture. From a CFO at a wholesale distributor: "Remote work is a challenge and has impacted productivity and efficiency. We have a capable team, but more in-person interaction is needed to maintain productivity."

This executive was one of the few respondents who anticipated requiring his team to fully return to in-office work. Only 16% chose that response. An additional 23% said they'd be flexible, but would want their teams in the office for the **month-end close**. The remainder either anticipate continuing to require work from home (26%) or will allow team members to decide for themselves (35%).

Approach to Remote Work

As states pull back on stay-at-home orders, what will be your approach to remote work for the finance team?



Data: Brainyard Summer 2020 Finance Priorities Survey – Respondents: 130

Hold On, Curves Ahead

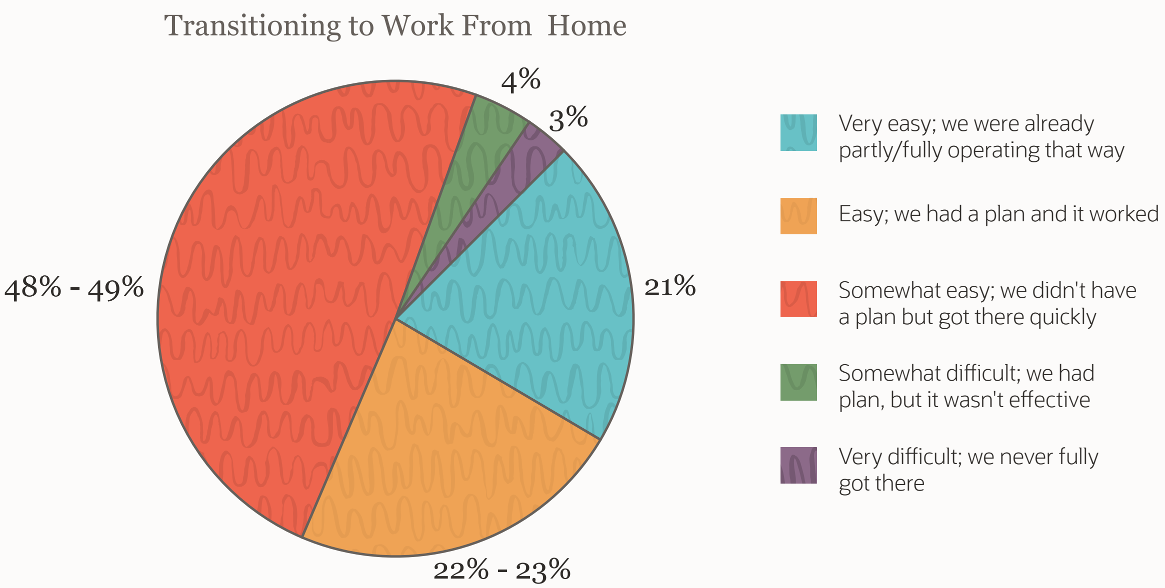
The main predictor of remote-work success during lockdown: culture. Some 43% were either already allowing remote work to some degree (21%) before the pandemic or had a plan in place (22%). Half didn't have a plan but managed to make the transition without difficulty. The remaining 7% had a tough time, with 3% reporting they never fully got there. The top three impediments for those who faltered: culture, lack of supporting technology and office-bound critical documentation.

What's clear is that an inability to move to effective working from home was often a sign of challenged organizations: These companies are much more likely to be cutting spending across the board and to say their companies will reduce the number of products and services they offer—**which may not in itself be such a bad idea**.

They also struggle with scenario planning and **managing cash flow** more than their peers.

Ease of Transition

How was your transition to remote operations as a result of stay-at-home directives?



Data: Brainyard Summer 2020 Finance Priorities Survey – Respondents: 130

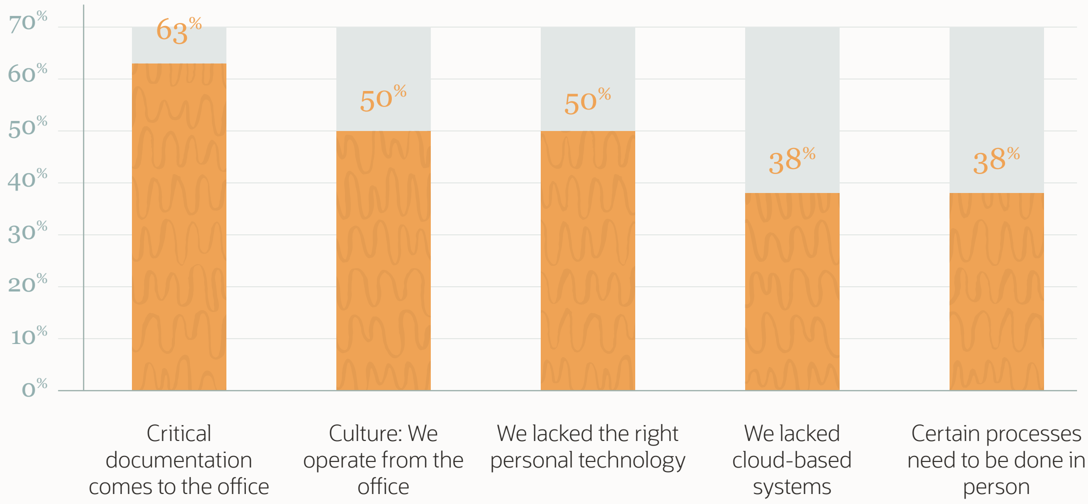
43%

were already allowing remote work to some degree.

Hold On, Curves Ahead

Work From Home Holdups

For respondents who had difficulty, what was the cause? *Small sample size*



Data: Brainyard Summer 2020 Finance Priorities Survey – Respondents: 20

Culture

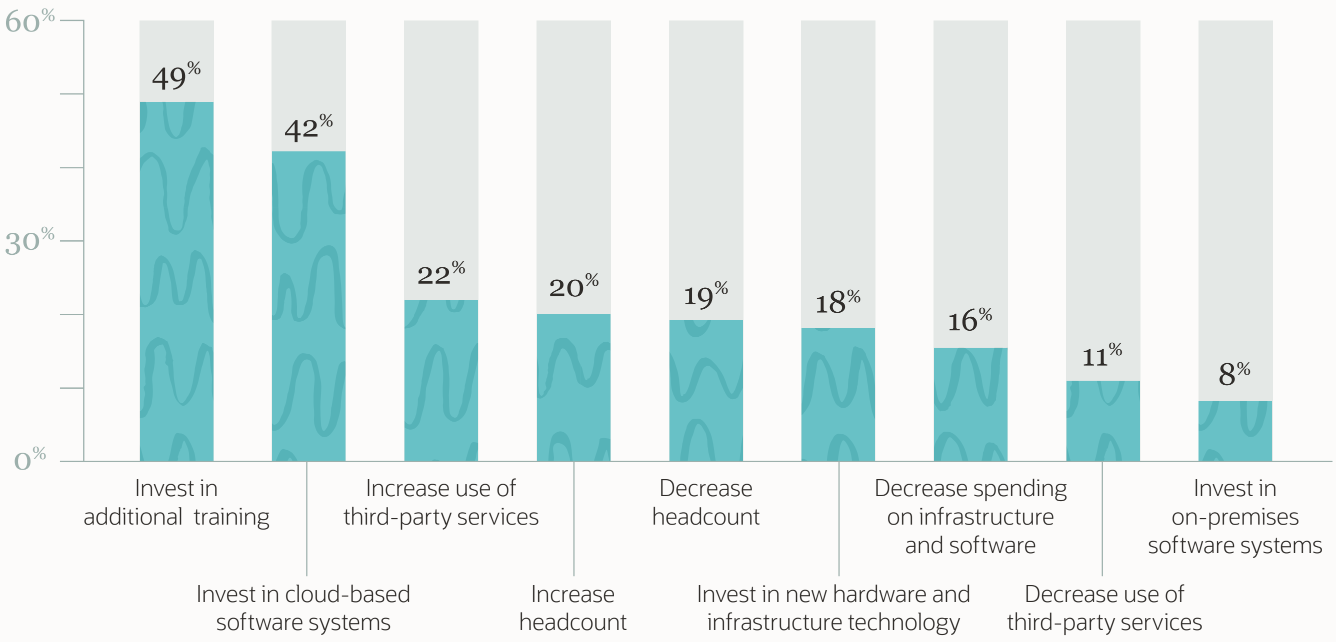
The main predictor of remote-work success during lockdown.

Keep Calm and Train Your Team

Can-do attitudes are the norm for respondents, but they come with a nod to the reality of the moment; true certainty is rare. The rapid move to remote work was jarring for many finance teams. That has led to half (49%) of respondents prioritizing new training for their staffs, while 42% are now looking to upgrade their toolsets to cloud-based systems. Contrast that with just 8% who are looking to invest in upgrading on-premises systems.

Interestingly, those who say a culture that insists on in-person work kept them from creating successful work-from-home environments were just as likely to prioritize cloud-based technology, and almost as likely to be looking to improve training.

COVID-19 Driven Actions In Finance Departments



Data: Brainyard Summer 2020 Finance Priorities Survey – Respondents: 130

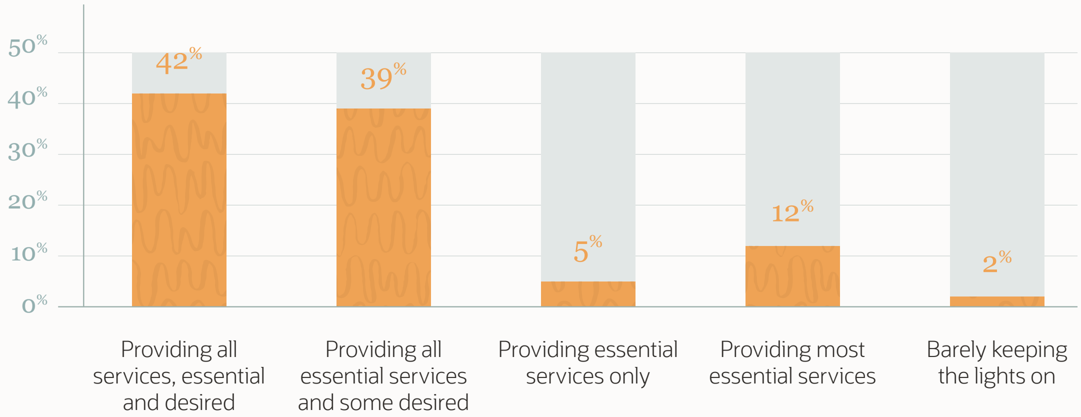
Still, finance teams have stepped up. Most respondents, 81%, say the finance department is providing the essential services that their companies need, and the vast majority of those say they're going beyond the essentials to provide at least some desired services to their organizations.

Generally, line-of-business respondents agree that their finance colleagues are getting the job done, with 78% reporting that all essential needs are being met. The biggest discrepancy is among those who say finance is meeting every need, both desired and essential: Some 33% of non-finance managers say that's the case versus 47% of finance managers.

Keep Calm and Train Your Team

Finance Team Performance

How would you describe the current performance of your company's finance team?



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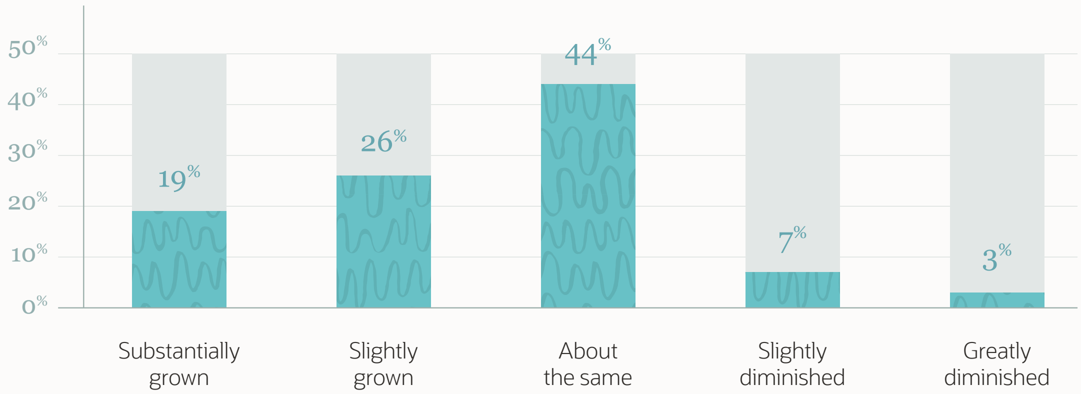
The same dichotomy is in place for the perceived influence of the finance team: 55% of finance team managers say their influence has grown since January compared with 42% of non-finance managers who say the same.

Given the current state of the economy, it's hard to imagine finance not taking a greater role for most businesses. Whether their peers perceive that as reality is another matter.

Finance's Influence

Since January, how has the role/influence of the finance department changed?



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Keep Calm and Train Your Team

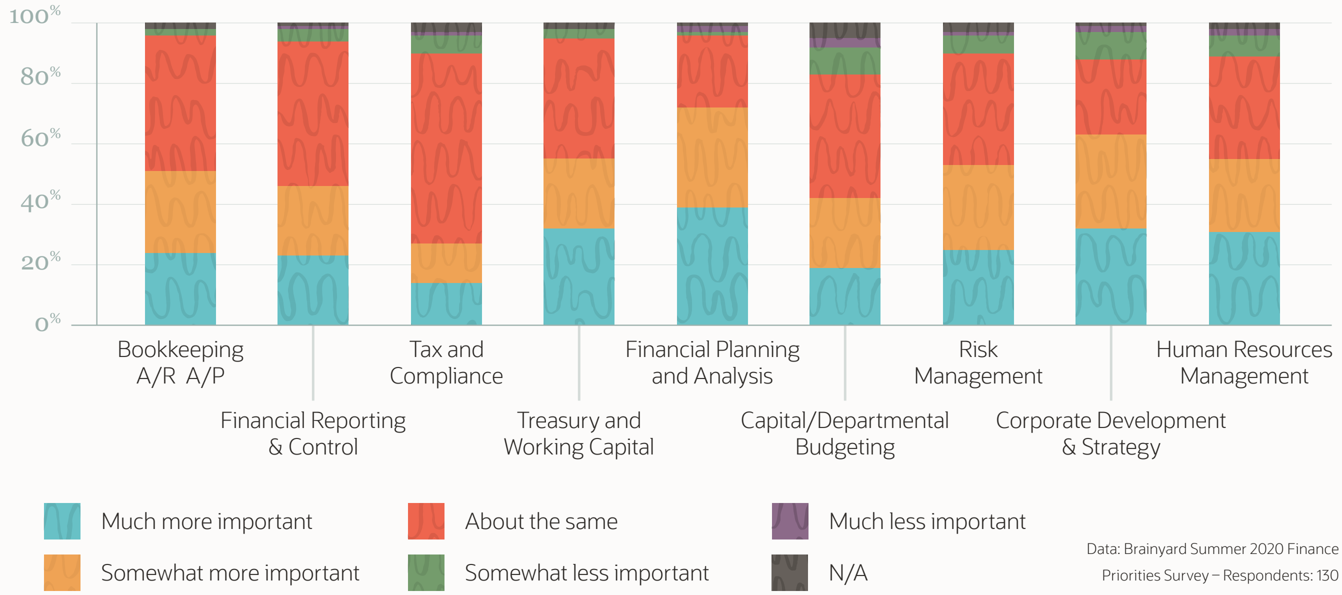
This was borne out when we asked about relative changes in the importance of specific functions within finance now versus January. Only tax and compliance were rated “about the same” by a majority of respondents (63%). Compare that with FP&A, which was seen as somewhat more important by 33% and much more important by 39%. In fact, we asked about nine critical finance functions, and six of them rated as more important now than in January.

Besides tax and compliance, only capital and departmental budgeting and financial reporting were not seen as having a higher criticality by a majority of respondents.

At this point in the year, capital spending projects have likely already been determined, and in many cases (55%) those plans have been trimmed back. However, taxation is a critical topic for any company that accepted government assistance. CFOs must determine whether to classify the aid **on financial statements as a loan or as a grant** and understand that **tax implications vary** based on the type of business.

Finance Functions: Changing Priorities

How have the following functions changed in importance/focus since January?



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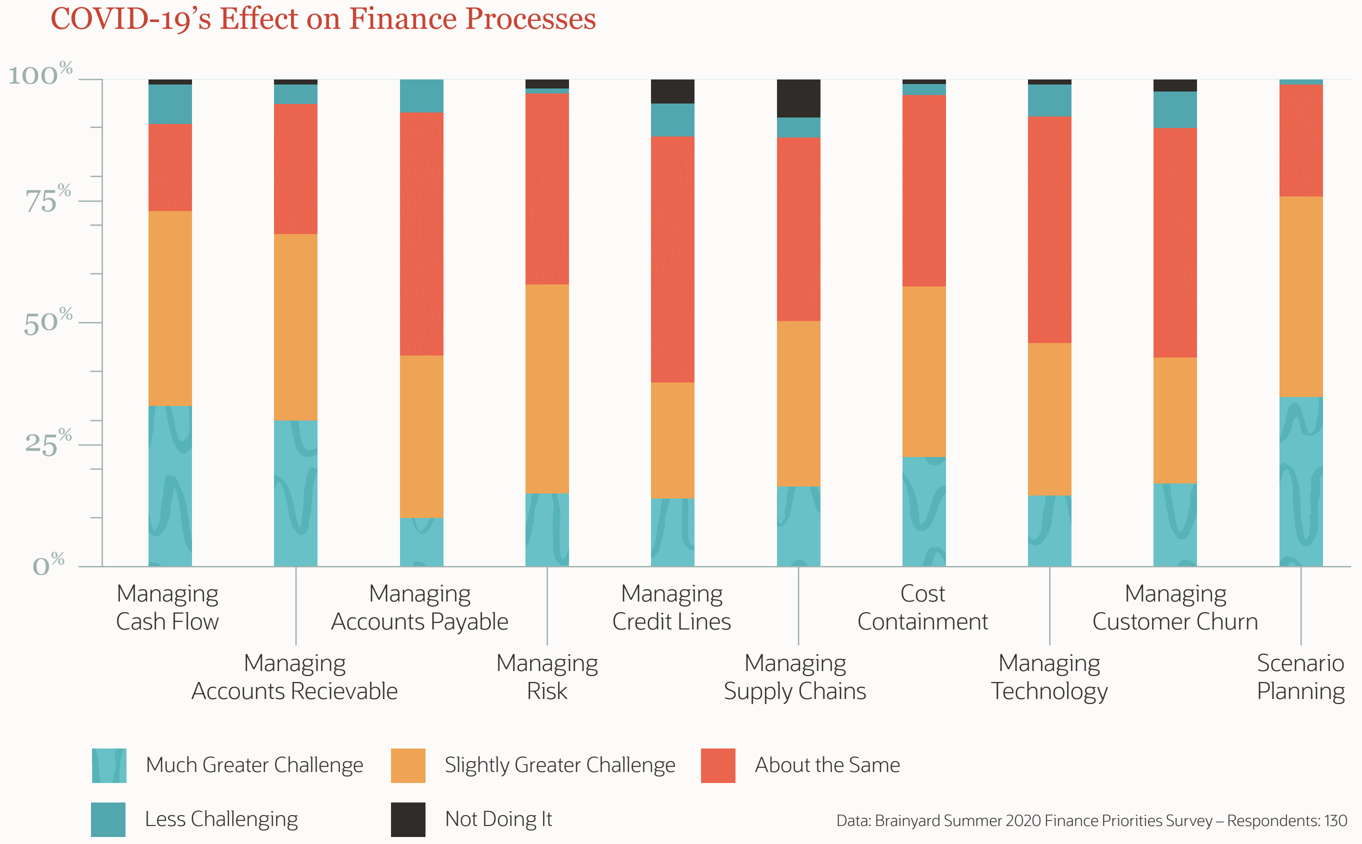
The functions that are most important now also tend to be the most challenging. **Scenario planning** and managing cash flow and **accounts receivable** were seen as more difficult now by a substantial majority, with scenario planning rated the most challenging process for finance.

Certainly the recent surge in COVID-19 cases and the reaction to it in many hotspots have foiled a lot of well-laid plans. Layoffs aren’t helping. A CFO at a manufacturing firm had this to say: “Leaders will take on desk activities and tasks now with reductions in staff required for cash conservation. Level of analysis will decrease some as a trade-off. We’re focused on only key business metrics for the near term.”

Keep Calm and Train Your Team



For others, work from home was an easy transition that allowed finance teams to get the job done. A CFO from a B2B retailer: "Fortunate to work with a stellar team of professionals, who without any question, successfully transitioned from 100% working in the office, to a full 100% WFH scenario. This without ANY interruption on any of the finance deadlines; KPIs reflect this."

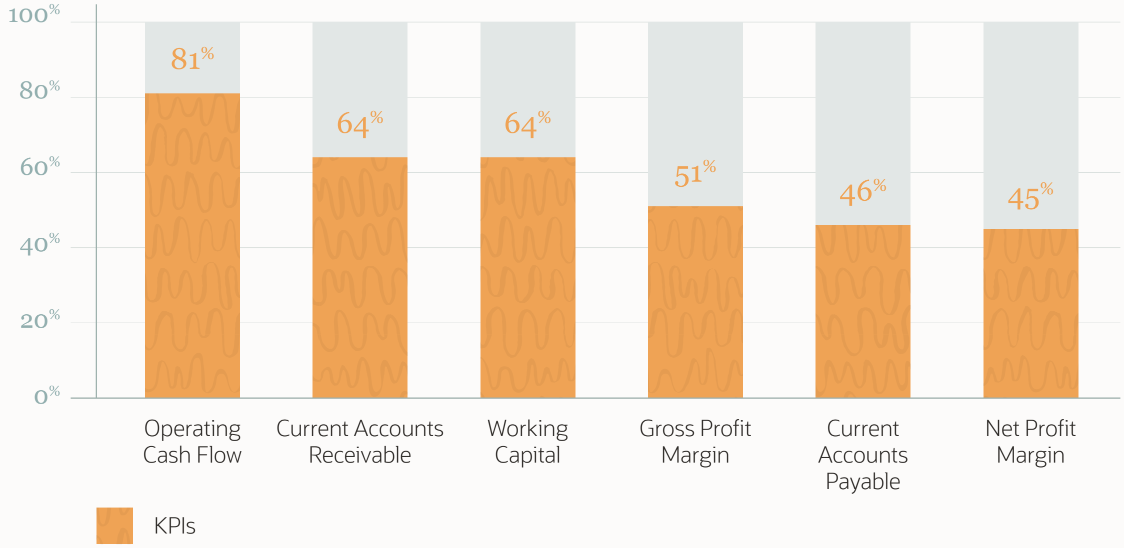
Not surprisingly, the top KPI to monitor, by far, was **operating cash flow**, with 81% placing it in the Top 5 of the 13 choices we offered. Also not a shock was current accounts receivable landing in second place, selected by 64%. Working capital and gross profit margin were the only other two choices to net more than 50%.

In better times, revenue and margin metrics tend to dominate the top spots, but we can't argue with the sense of watching cash flow and A/R closely given that the magnitude and nature of the pandemic's effect on the economy seems to change almost daily.

Keep Calm and Train Your Team

Top 5 KPIs

Of 13 options, what are the Top 5 KPIs your management team currently wants to see regularly updated?



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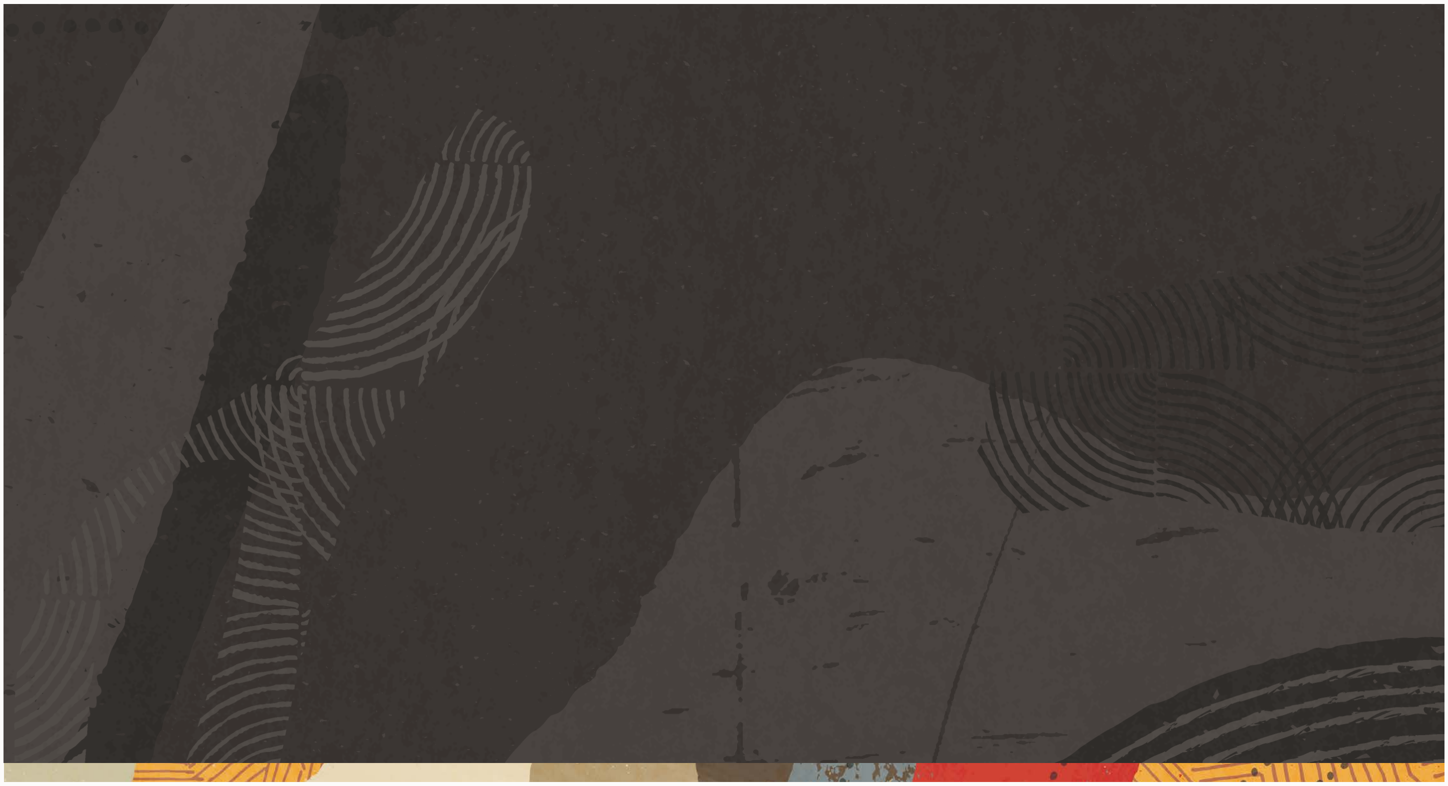


Scoring the Optimism

While our survey commenters indicate more optimism **than we found in April**, spending plans may be a better gauge of true confidence.

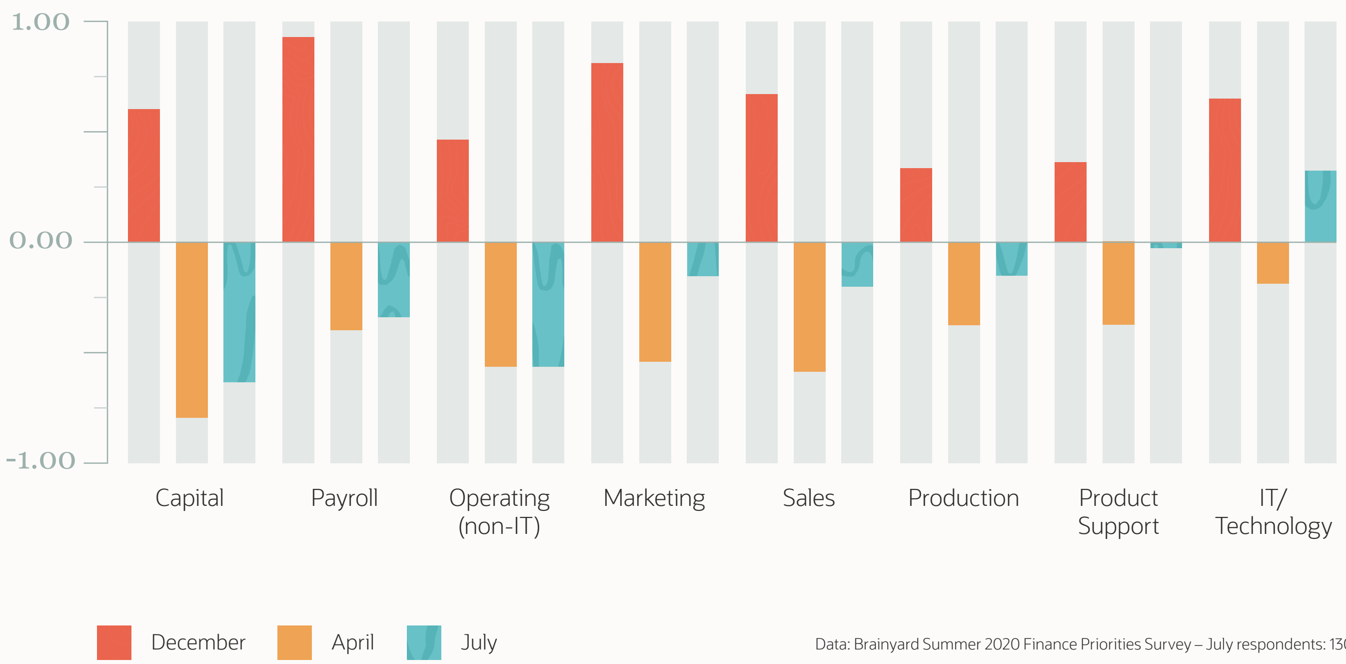
Overall, there are still a lot of cost reductions planned, with the finance team more likely to report cuts in the offing than the rest of the C-suite. While the numbers are small, there's a clear trend among the C-suite to want to spend slightly more on marketing, sales and production, with bigger increases eyed for product support than their CFO counterparts.

Meanwhile, respondents from the finance department generally anticipate additional outlays only for technology, and there they want to spend more than their non-finance colleagues. Most finance executives call for production and product support spending to be flat and all other spending to see cuts.

Who's right? We're betting on CFOs. But the real story here is technology spending. In April, finance executives envisioned cuts for tech right along with everything else. Now, only 10% want to reduce spending on technology. The rest see it holding steady (43%) or increasing (47%).

There's no doubt that after four months of work from home, a desire for the better visibility and automation that IT brings, and the value of an ecommerce presence during a pandemic have combined to recommend spending in a way that wasn't clear in April.

Spending Plans: December vs. April vs. July



Data: Brainyard Summer 2020 Finance Priorities Survey – July respondents: 130

Warning Signs Continue

The fact that capital, payroll and non-IT operating expenses will see cuts pretty much as anticipated in April is not a good sign for the economic recovery.

We certainly see the sense in putting off capital spending; forgoing raises and hires; and looking for savings in travel and entertainment, **and possibly office space**. But when everyone pulls back at once, it's a recipe for a slowing recovery. Recent comments from the largest financial institutions support that notion, as all of the **big banks set aside an additional $28 billion** in anticipation of loan defaults.

That macro picture doesn't tell the whole story, of course. When it comes to capital and marketing spend, "no change" is a fairly uncommon answer.

Just 29% said they'd hold capital outlays constant, while 18% expect to increase spending. Marketing too saw just 29% holding constant versus 33% looking to increase spending and 38% looking to decrease it.

The numbers tell the tale of why: Marketing and technology are paths to future success for those who can manage to increase investments now.

To put it another way, the fraction of respondents who say they'll spend more on capital, payroll, sales, production and production support are remarkably similar: All range from 17% to 21%. But the number who say they're increasing marketing and tech spending is significantly higher, 34% and 44%, respectively.

If you're wondering how the pandemic's winners expect to keep winning, our data indicates it's through improved marketing and technology use.

That product support spending has recovered since April further indicates that customer happiness is on the minds of business leaders. Winning new customers, upselling and cross-selling are important, but so is a happy base.

One area going without increases: sales. As we've discussed, however, **that doesn't mean the sales team should be hovering under the radar**. They should be on the phone doing some good old-fashioned connecting with customers, asking about plans, thinking about ways to help and working on up-to-date projections.

COVID-19 has had minimal effect on expected debt capacity, with just 17% planning a significant increase (9%) or decrease (8%).

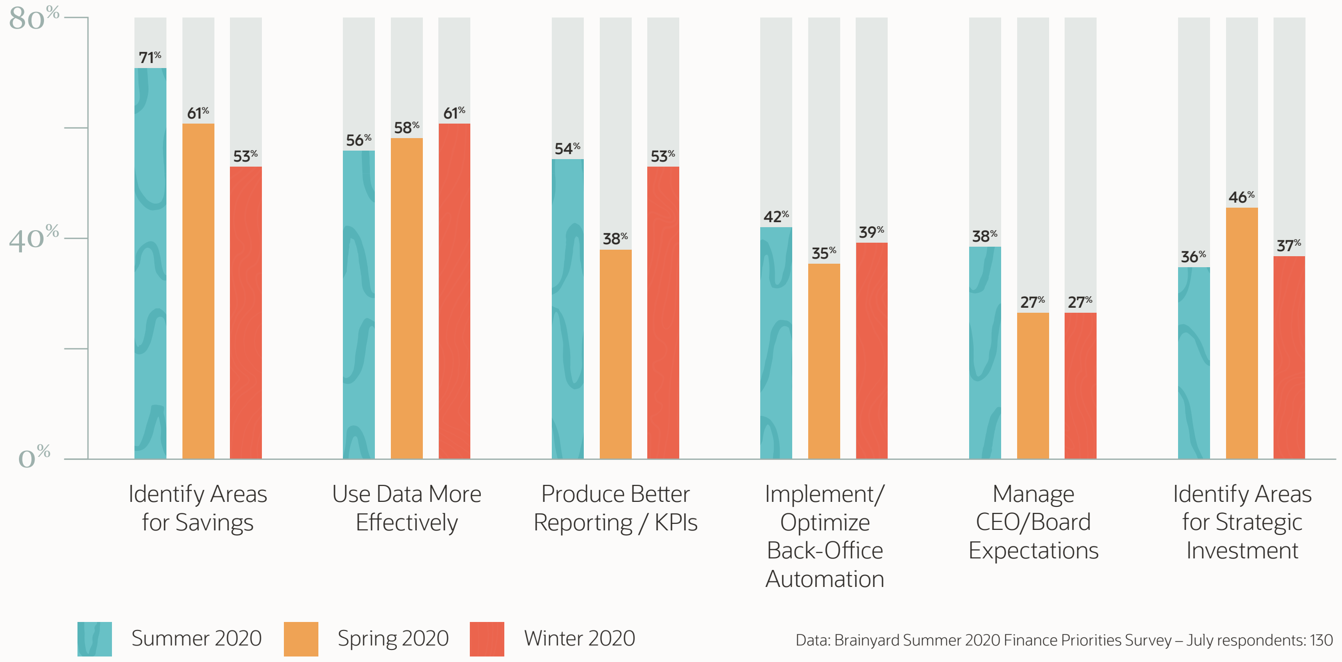
Savings Prioritized

The search for savings is actually a higher priority now than it was in April. For the past three quarters' surveys, we've asked the same question about priorities for the finance team. In April, it was no surprise to see an eight point increase in the number prioritizing the finance team's effort to identify savings. This time around, fully 71% said finding saving was a priority, making it the clear top job.

Most other priorities identified now are about back to **where they were in December**, except for the emphasis on savings (up 34% since December) and managing CEO and **board of director expectations** (up 41%).

Scrutiny of finances is understandably up as well, and a few strategies are becoming clear. First, 46% report a desire to increase cash on hand (26% significantly, 20% slightly). The thing companies aren't doing, for the most part, is increasing debt capacity. Just 24% said they'd look to more borrowing (9% significantly, 15% slightly). About the same number will seek to take on less debt.

Top Priority for The Finance Team



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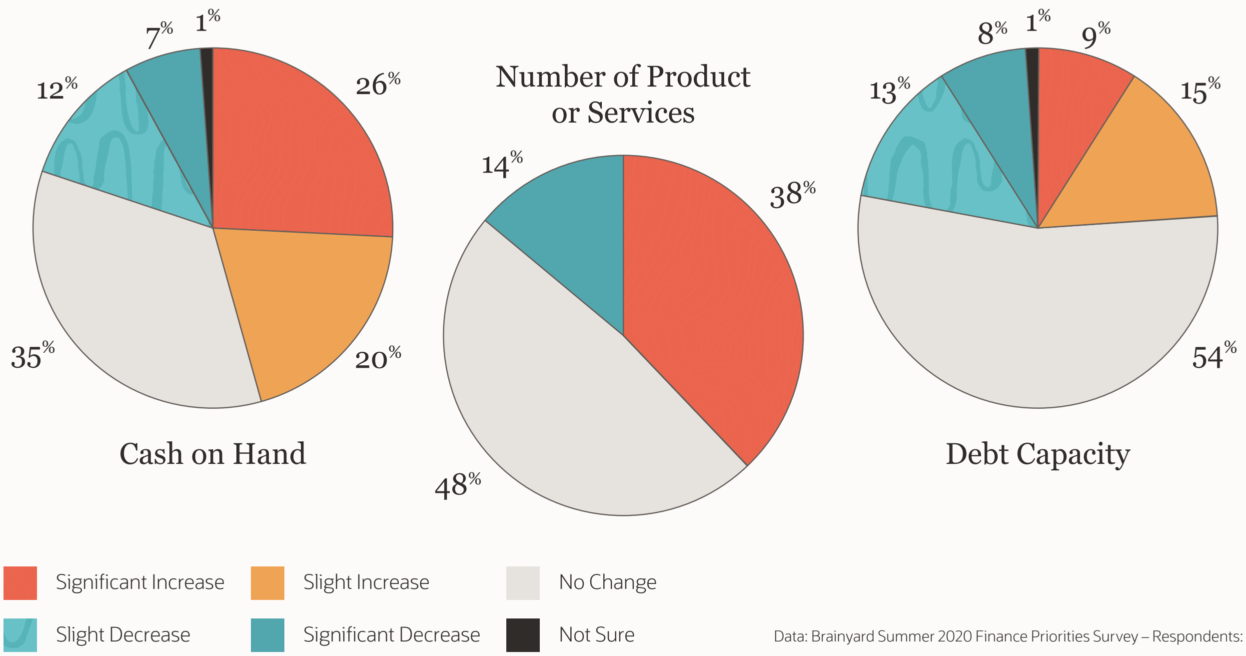
Savings Prioritized

We were surprised to see that 38% of respondents plan to increase the number of products or services they sell as they evolve their business strategies. Many of those firms likely have no choice but to offer new or modified products and services as customer needs shift, but we assumed that would be accompanied by abandoning or pausing products that no longer make money.

At the very least, **make sure what you're offering is profitable**. CFOs need to ask: Have recent changes to staffing, raw material pricing, supply chains, our underlying business model or other factors affected margins, positively or negatively, in a way that will have implications next year and beyond?

COVID-19 Effect on Business Strategy

Which statement best describes the impact that COVID-19 has had on your future approach to cash on hand, debt capacity and the product or service set your company offers?



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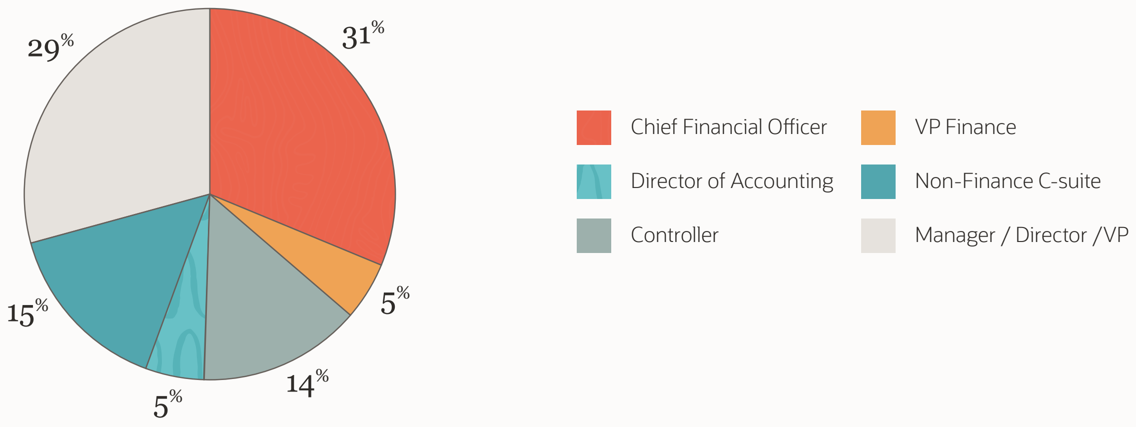
Appendix

Respondent Titles



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Respondent Demographics

Industries			
6.0% - Advertising & Digital Marketing	**1.2%** - Ag, Forestry, Fishing, Hunting	**1.2%** - Apparel, Footwear, Accessories	**3.6%** - Construction
7.2% - Consulting Services	**2.4%** - Education	**3.6%** - Energy	**8.4%** - Financial Services
1.2% - Food and Beverage	**1.2%** - Health and Beauty	**4.8%** - Healthcare	**1.2%** - Hospitality
1.2% - IT Services	**9.6%** - Manufacturing	**1.2%** - Media and Publishing	**0.0%** - Mining/Drilling
13.3% - NonProfit	**4.8%** - Professional Services	**1.2%** - Real Estate and Rental/Leasing	**0.0%** - Restaurants
6.0% - Retail	**3.6%** - Software/Internet	**2.4%** - Transportation and Logistics	**15%** - Wholesale Distribution
0.0% - Utilities			

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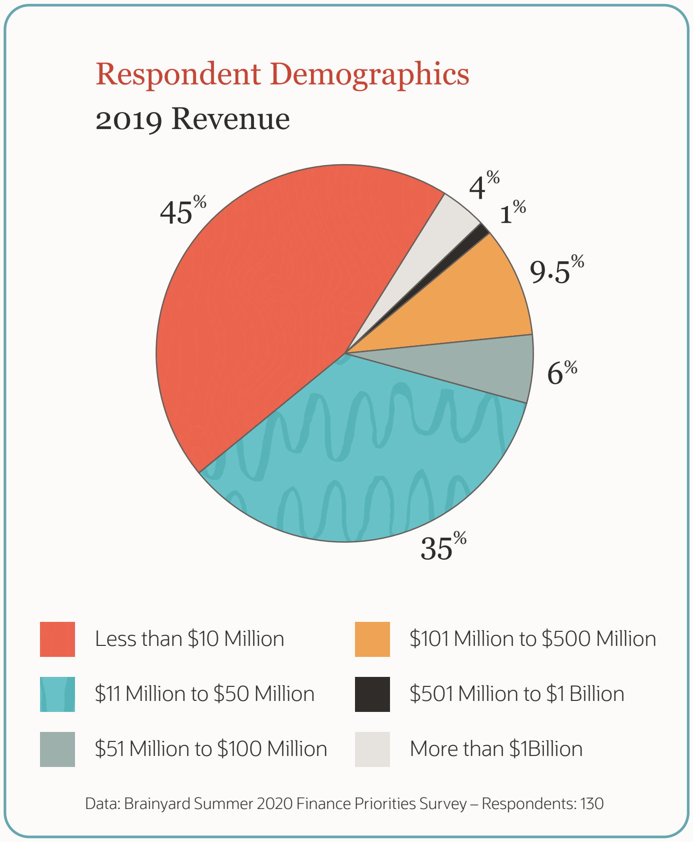
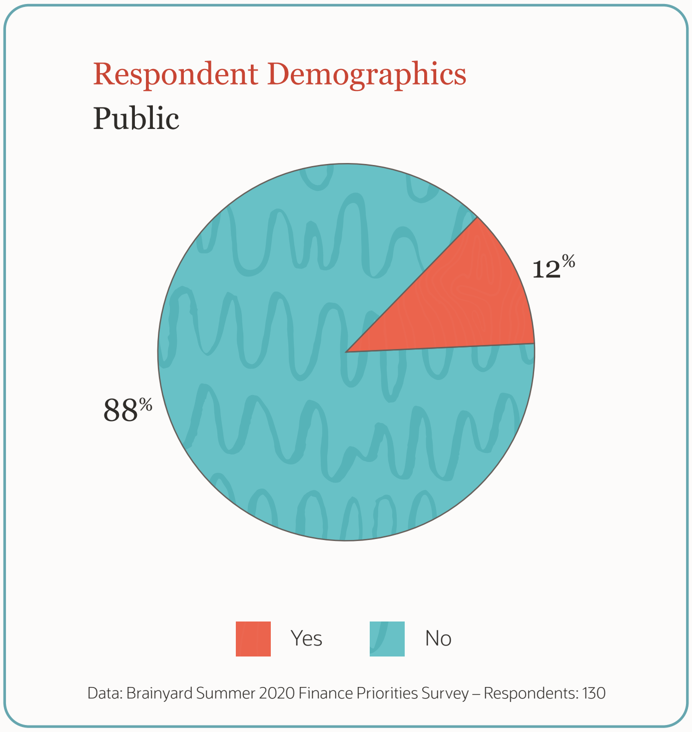
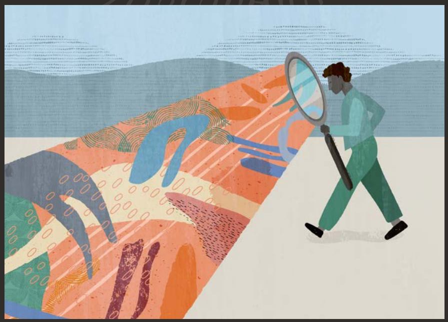
Appendix





Summary

We recognize that every organization is asking itself a common set of questions. Having a checklist ensures that you don't overlook some of the critical actions that will be required as your business responds to a reopened economy. We'll continue to talk to customers and assess the successful strategies they put in place as the next few months unfold, and we'll share those learnings and their stories on our **Business Now Resource Guide.**



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