SURVEY

CFOs on Profits, Payroll and Peer Expectations

500 Respondents Provide a 360° View of Finance Team Roles and Goals

brainyard

Executive Summary

Respondents

500 respondents — 96 CFOs and VPs of finance and 156 non-finance business executives, 125 non-finance managers and 125 finance managers — completed the full Brainyard CFO & Business Leader Spring 2022 Outlook Survey. Thirty-two percent hail from companies with $25 million or less in annual revenue; 43% posted between $25 million and $100 million, while 25% earned between $100 million and $250 million.

Survey Goals

- Gauge respondents' revenue and profitability expectations for 2022;
- Explore differences in viewpoints based on job function, specifically how non-finance respondents view their finance colleagues' efforts;
- Determine what external factors are affecting respondents' businesses; and
- Discover priorities for finance respondents and how they compare with business strategy and investment priorities for 2022.

Summary of Findings

CFOs are garnering benefits from lessons learned over the past two years: They're more skilled at financial and scenario planning and data analysis. They know where to access financing. And they're starting to temper colleagues' spending exuberance where once they were the voice of, "Don't cut too deep."

Other Key Findings

- **The outlook is bright:** Three-quarters of respondents are optimistic about their organizations' futures.
- **Hiring remains a challenge:** Talent acquisition and retention are of top concern, but CFOs and other executives agree that a wholesale increase in payroll spending won't solve the problem.
- **CFOs also tapping the spending brakes elsewhere:** Finance execs are looking to contain costs more so than others in our survey.
- **Higher profile for finance:** The CFO and finance department are deemed substantially more important than they were in 2019.
- **Spending is up in some areas:** CFOs have invested more in FP&A technology, software integrations, ecommerce and core accounting techs.

Introduction

Each quarter, NetSuite conducts a survey of small to midmarket companies, seeking to understand how finance leaders, their teams and their peers are managing trends in the greater economy. This time around, we're also examining where CFOs are concentrating their time and effort as well as how others view the performance of their finance chiefs.

This is the third time we've fielded a survey that focuses on the CFO. The first, in summer 2019, found CFOs juggling too many responsibilities, worried most about cash flow and concerned over a lack of actionable, real-time data. In fall 2020, too many responsibilities remained the main complaint, followed by cash flow and an inability to create accurate financial forecasts.

Now, in 2022, CFOs seem no less busy, though their reported number of hours worked is down since fall 2020. They say they're much better at financial and scenario planning compared with two years ago, and that's where they spend most of their time. They're more skilled at analyzing data and financing and are looking to improve even more at those practices, particularly financing. Excellence in data analytics remains a top priority, right behind managing costs.

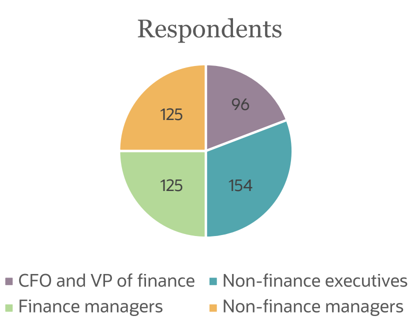
Indeed, we could show the priorities lists from the three surveys side by side and you'd have a hard time knowing which was pre-pandemic, mid-pandemic and current. The overall fundamentals of what the CFO and the finance team do to support the business don't change a lot — but as we'll see, the criticality of various functions does ebb and flow.

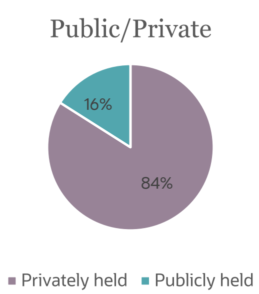
As the importance of CFOs and their teams has risen, so have some non-traditional functions of the finance chief. For example, communication and coaching skills are more valued now as the finance team becomes central to managing uncertainty and risk in a uniquely uncertain time. However, the CFO's peers report that while their top finance executives are doing fine with the traditional tasks associated with the job, communication, coaching and managing the finance team are another matter.

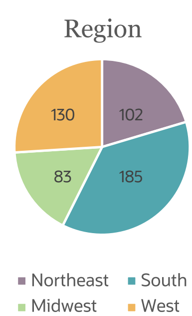
Timing and Demographic Overview

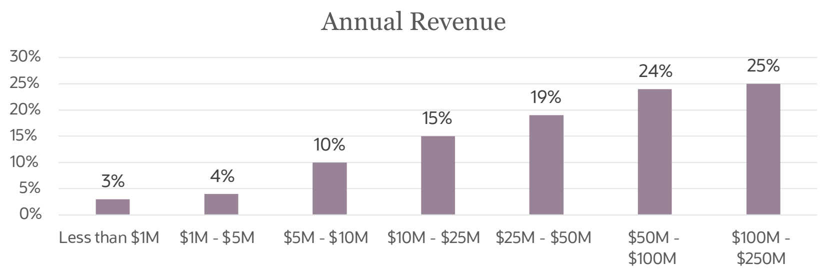
Our survey was in the field between Feb. 15 and Feb. 27, beginning when Russian saber-rattling was reaching its peak and ending as the invasion of Ukraine began. Inflation numbers were showing no signs of abating, and now various economic prognosticators worry about a recession. As such, responses reflect the different ways that leaders incorporate these factors into their calculus for business success.

Respondents are segmented into four categories: finance executives (CFOs and VPs of finance); non-finance executives (CxO, VPs and directors); finance managers; and non-finance managers. We've divided responses this way before and found disagreements over priorities, particularly between executives and managers outside of the finance department. That's still true this quarter, with executives keen on cost management and managers wanting little to do with trimming spending.









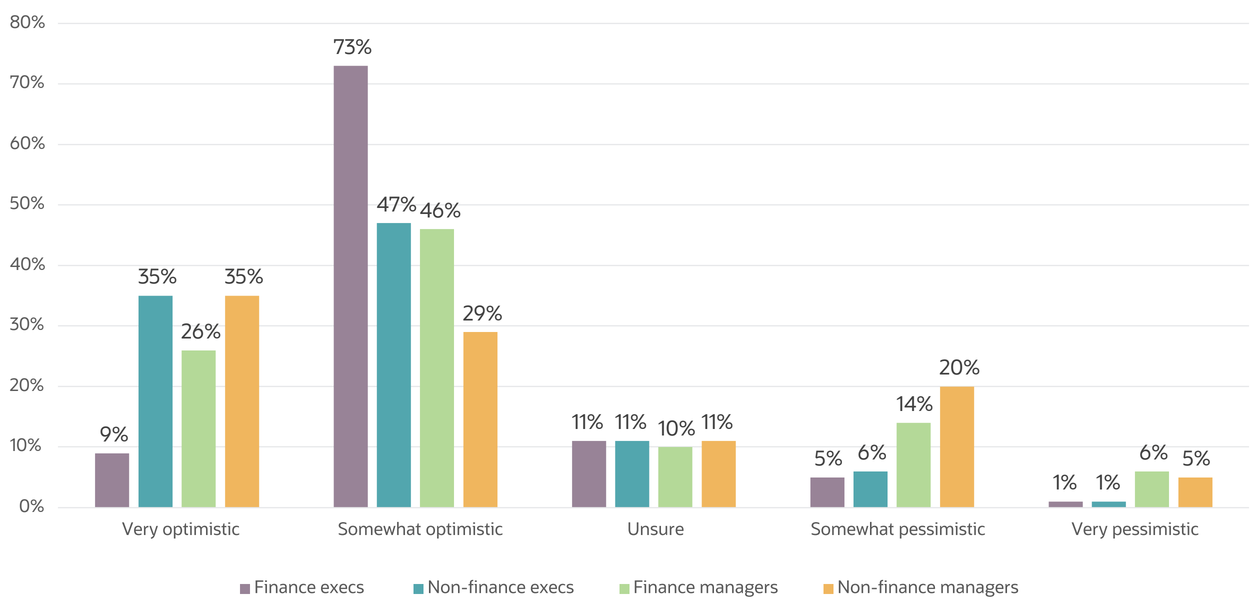
Data: NetSuite Spring 2022 Survey (500 respondents)

Business Leaders Are Optimistic

Despite inflation, supply chain hassles, a labor shortage and war in Europe, our survey finds that about three quarters of both executives and managers are optimistic about their companies' futures, with executives a bit more positive than managers.

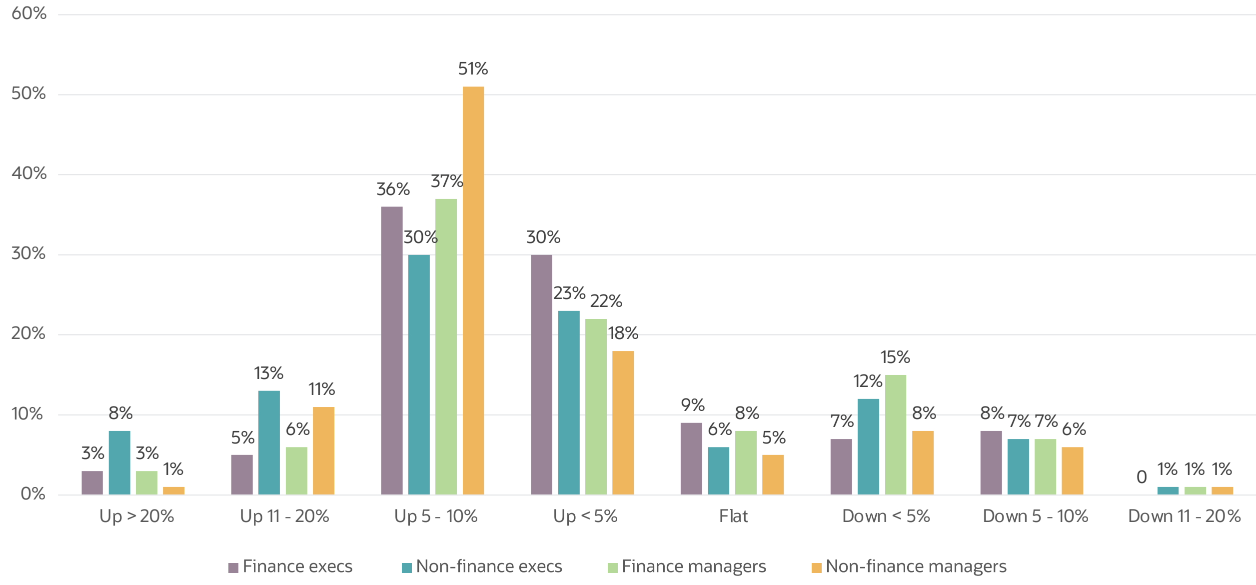
In last quarter's survey, we found that managers were showing signs of burnout, likely caused by executing changes in business models while also dealing with adverse macroeconomic factors. Those negative feelings seem less pervasive now, but still, a quarter of managers are pessimistic about the future of their businesses, and an additional 11% are unsure.

Outlook for the Company's Business Over Next Two Years



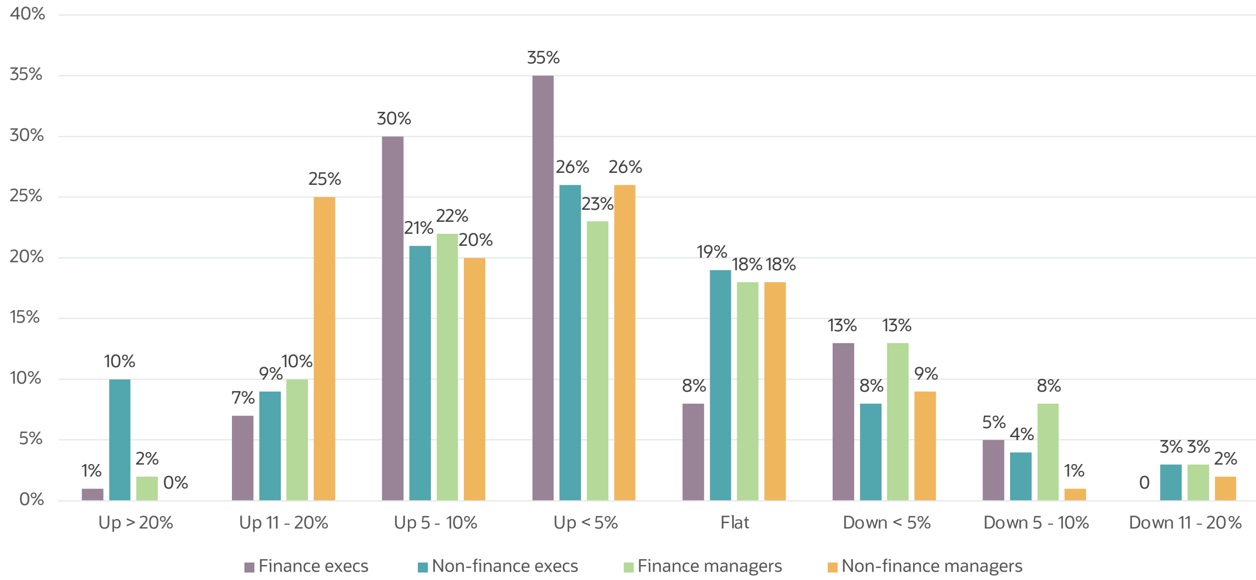
Data: NetSuite Spring 2022 Survey (500 respondents)

Expected Change in Revenue 2022 vs. 2021



Data: NetSuite Spring 2022 Survey (500 respondents)

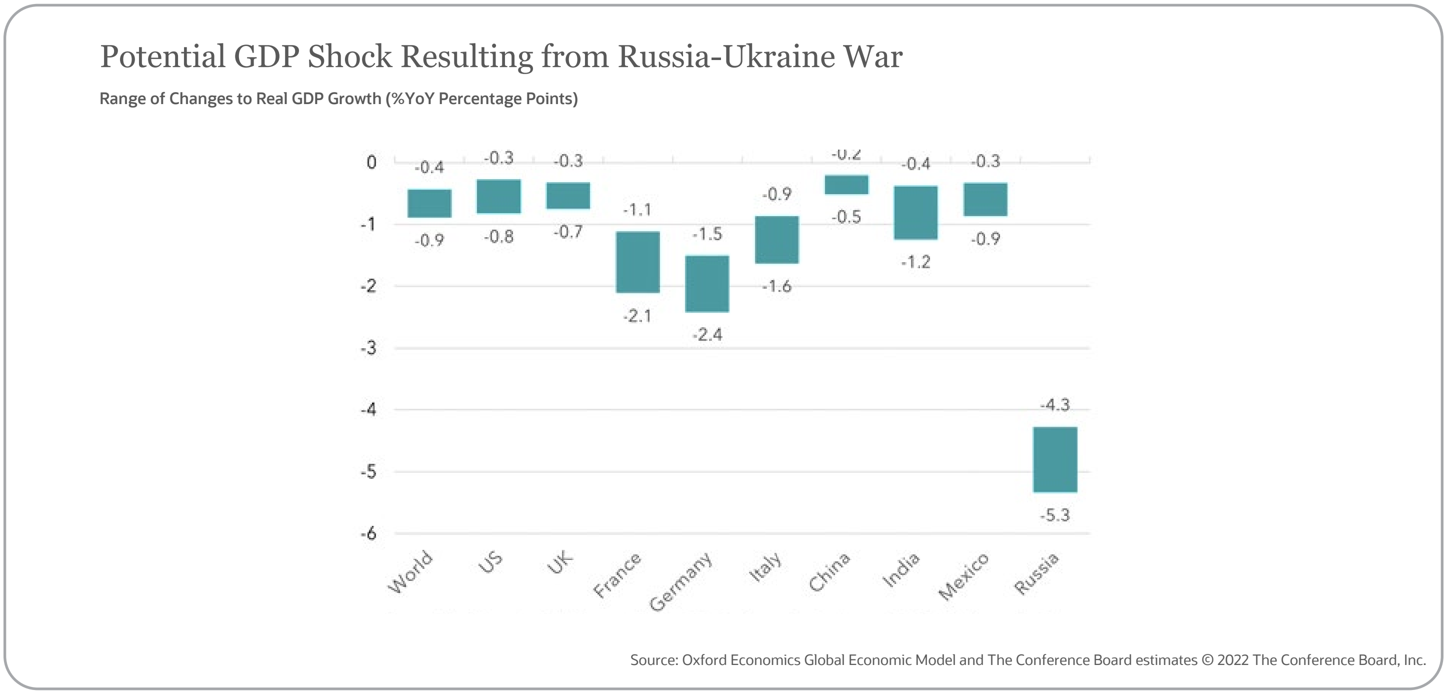
Expected Change in Profits 2022 vs. 2021



Data: NetSuite Spring 2022 Survey (500 respondents)

We also asked about expected changes in both revenue and profits for 2022. We didn't provide guidance on how to account for inflation, so it could be that for some, "up 5% to 10%" is the new "flat." However, the pessimism ranking closely follows responses for lower revenue and profits. That leads us to believe that these are real growth numbers, or close to them.

Those paying close attention to economic forecasts have been hearing a lot about an increasing possibility of recession. At this writing, various prognosticators have pegged the likelihood of a 2022 recession at between 20% and 35%. Those consistently rating recession odds had it at about 15% prior to the Ukraine invasion. The Conference Board developed the chart below indicating how it expects the Ukraine conflict to affect the real GDP of leading economies.



Economic fallout of the Ukraine invasion

Other factors, like inflation and what central banks do about it, supply chain issues, talent shortages and COVID-19, will continue to affect the supply side of major economies. Eventually, inflation and the Fed's moves to staunch it will curb the demand side, but few see that happening this year.

We asked about the external factors that could negatively impact businesses. Executives and managers do not agree on their top concern. Executives are worried most about COVID-19, while managers are more concerned about inflation. The place where they agree is putting the talent shortage as the No. 2 worry.

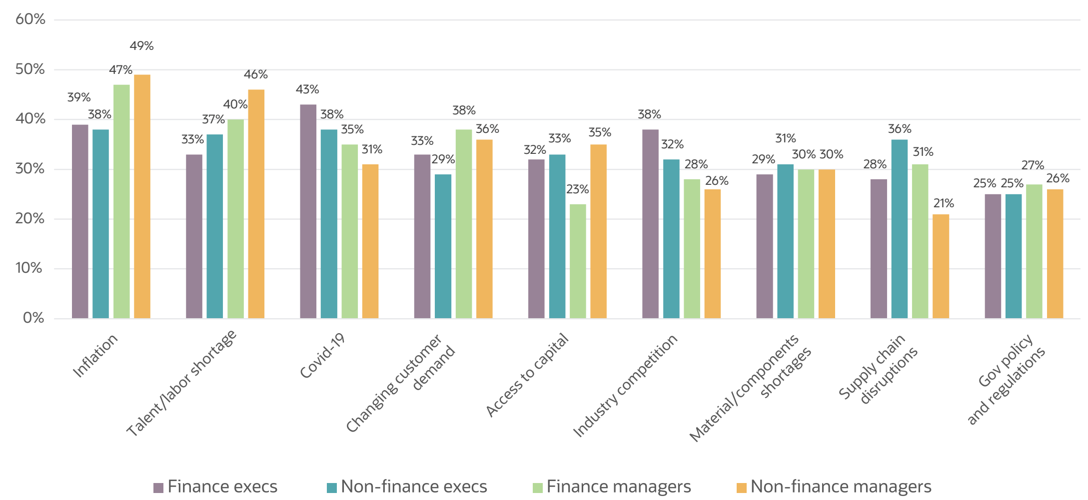
The concerns of non-finance managers bear a look as they truly reflect the reality of their everyday jobs. Unease is greatest over inflation, labor, materials shortages and changing customer demand. At the workplace, managers likely also feel pressure to produce efficiently as input prices rise and decisions to raise prices take some time to implement, causing at least short-term margin pressures.

Concern Over External Factors – Top Response

Data: NetSuite Spring 2022 Survey (500 respondents)

While managing inflation is not the top concern for executives, it is in the top three, ranking behind COVID-19 and on par with industry competition for finance execs and the labor/talent shortage for executives outside of the finance department.

Concern Over External Factors – Top 3 Responses



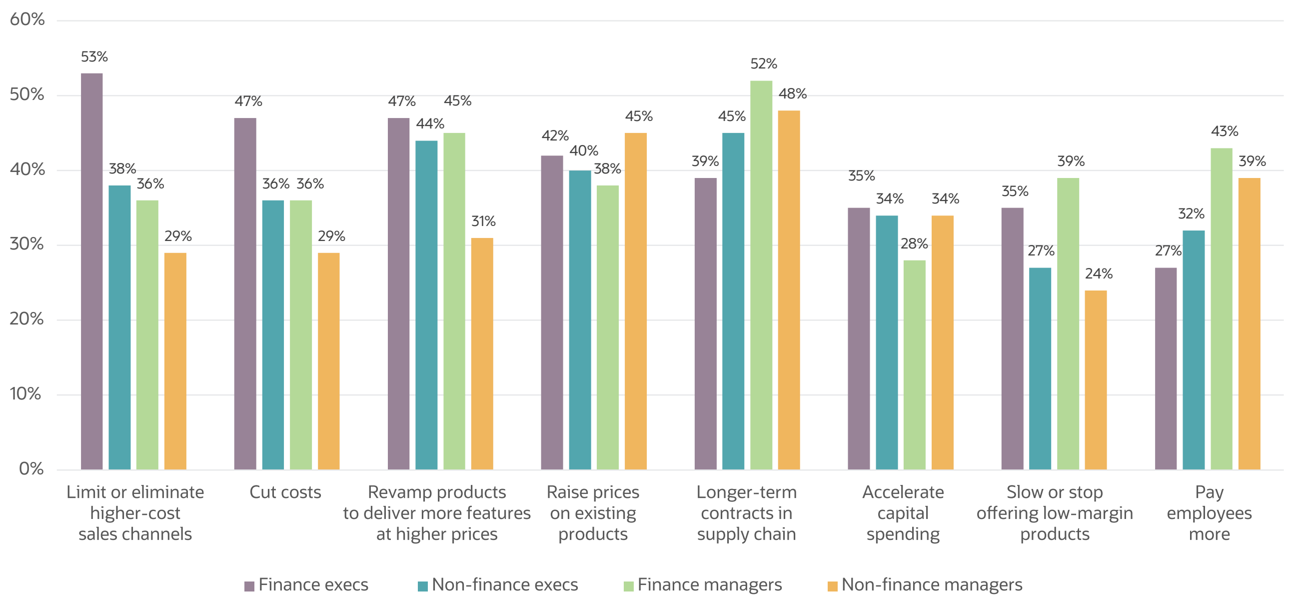
Data: NetSuite Spring 2022 Survey (500 respondents)

There's a fairly sharp disagreement among our four groups on how to manage inflation.

CFOs and VPs of finance want to curtail use of more expensive sales channels, cut costs and revamp product offerings to deliver more features at higher prices. **Non-finance managers** want nothing to do with those priorities. **Non-finance executives** agree on revamping products to offer more features, and they're also more willing to raise prices on existing products and look to create longer-term contracts with suppliers. **Finance team managers** also favored both steps.

While managers would like to see salaries go up to compensate for inflation, it's a low priority for both CFOs and their peer executives. There's a lot of disagreement in this chart, but given that inflation mitigation isn't a high priority for executives, some of these actions may not be taken. Still, it shows the now-prevailing attitude among CFOs: The business needs to cut costs.

Actions to Manage Inflation

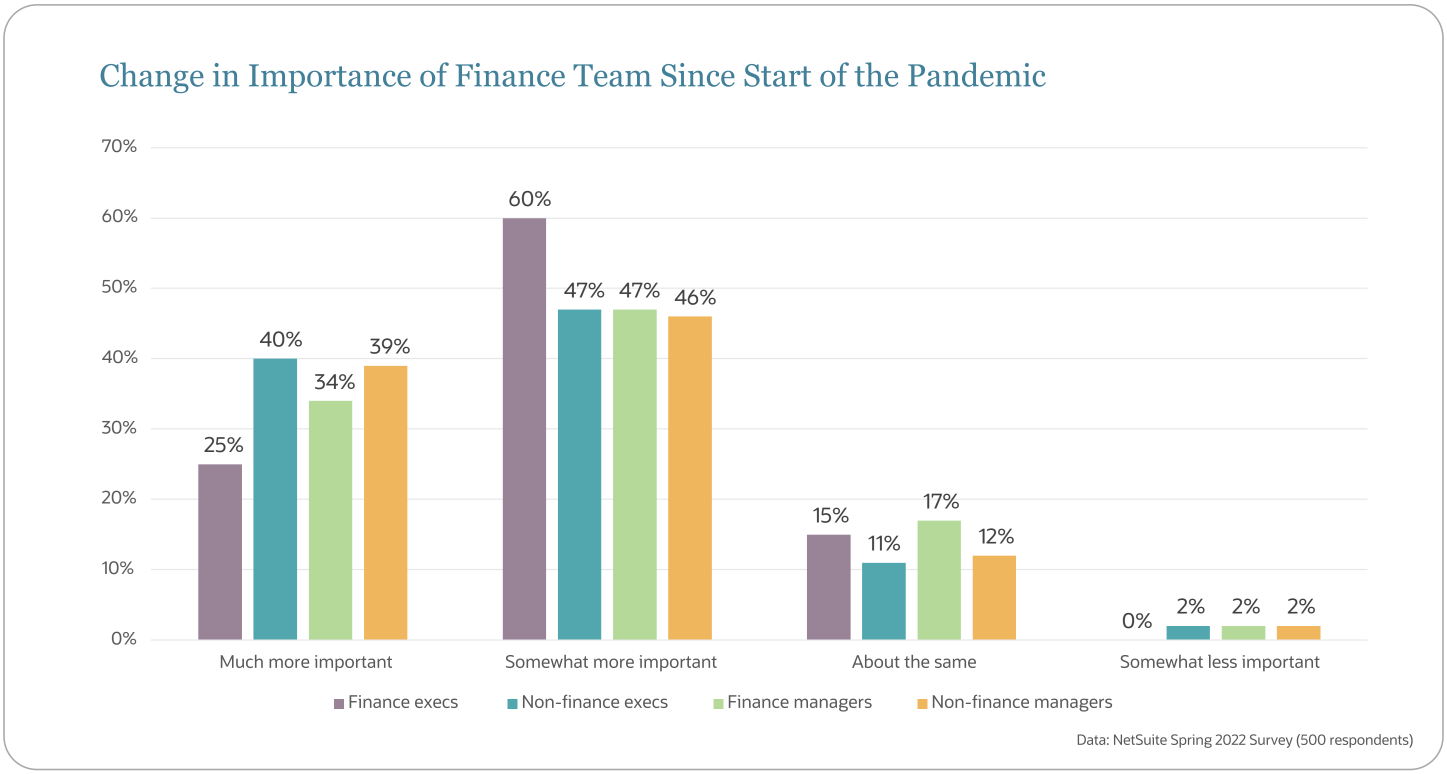


Data: NetSuite Spring 2022 Survey (500 respondents)

The Critical Modern Finance Team

The positivity among our respondents and the end of many COVID-related restrictions lead us to believe that many in our survey are feeling a sense of relief, perhaps even normalcy. We've asked about the change in importance of the finance team before. Appreciation for the team is at an all-time high, with two-fifths of respondents outside of the finance team saying the group is much more important than at the start of the pandemic, and almost half saying the team is somewhat more important. Only 2% found the team to be less important.

Of course, it might be a little early for a victory lap, as the economy will be anything but predictable over the next 18 to 24 months. Still, it's clear that finance is appreciated more now than in the past.



Return of the CFO Spending Hawk

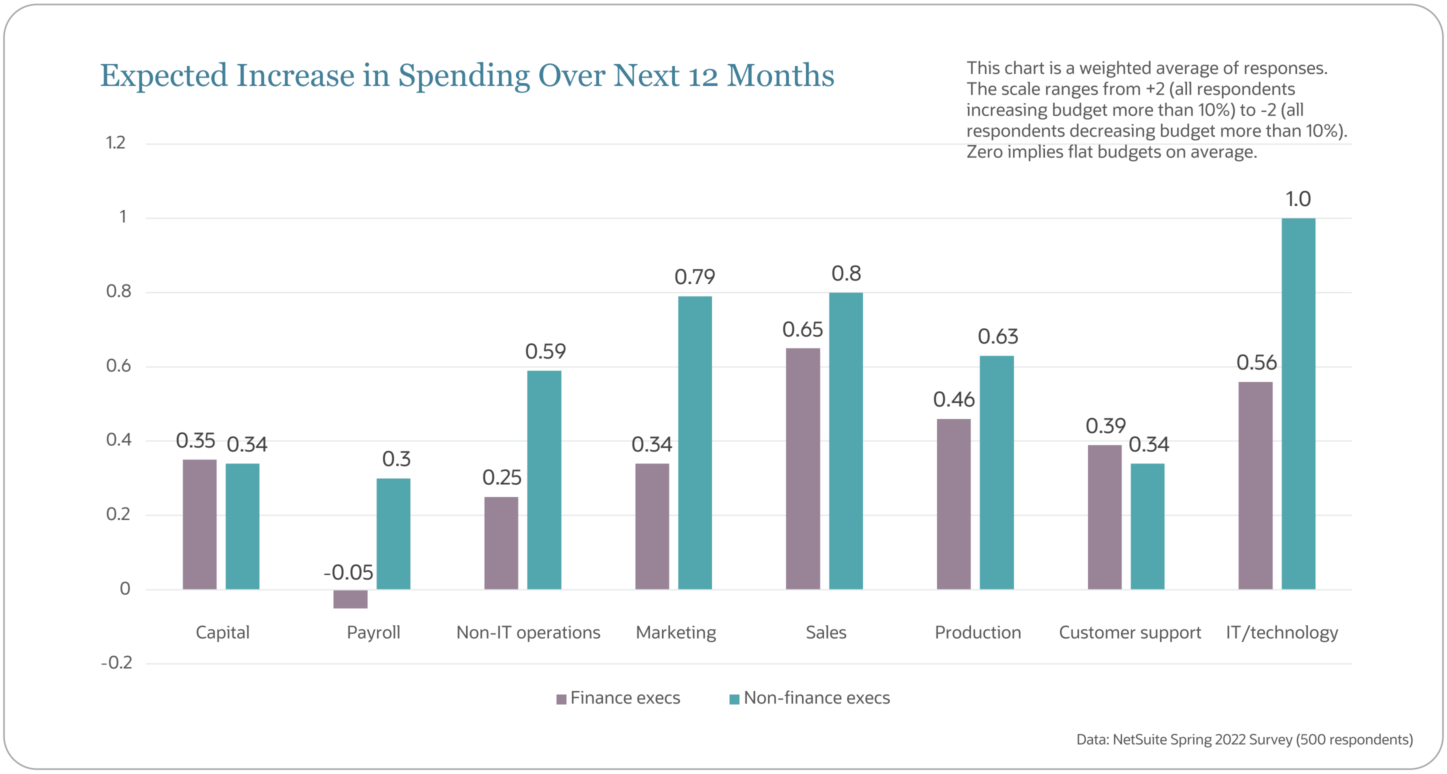
As we've seen regarding inflation, those good feelings don't necessarily mean that finance execs are on the same page as their peers. In fact, when it comes to spending priorities, we've found that over the past two years, a disconnect has emerged.

For instance, our past surveys found that in the initial shock of the pandemic, CFOs wanted to hit the spending brakes hard and fast. Other business leaders were not looking to cut as much, and in some cases simply wanted to moderate the increases they planned in late 2019.

In late 2020, many CFOs realized that for their businesses, demand was rebounding — sometimes quickly — and they were ready to increase spending again. Not so their peers, who largely wanted to continue cutting, though by smaller amounts at that point.

Now, CFOs are looking to make smaller increases than their peers in most spending categories.

The biggest surprise here is that CFOs want to hold payroll essentially flat on average, and it's also the lowest spending priority for their executive peers. February's unemployment rate for the United States stood at 3.8% after a strong month of hiring. But even with some 678,000 hires, the US workforce is still smaller by 2.1 million workers versus its height in February 2020, according to the BLS.



While there's no doubt that the talent shortage is acute, it's also uneven. The BLS further reported that the average hourly wage in February was $31.58. That's up 5.1% over a year ago. Weekly pay over the same period is up 5.4%. Doing the math, BLS data shows the average workweek is now 34.7 hours, up just six minutes from a year ago. That flat workweek implies that while some organizations are hurting for workers and likely running up overtime as a result, many others are not. In some cases, companies may be slowed by supply chain issues — as is the case with the auto industry — while others have simply decided to do without some of their pre-pandemic workforce.

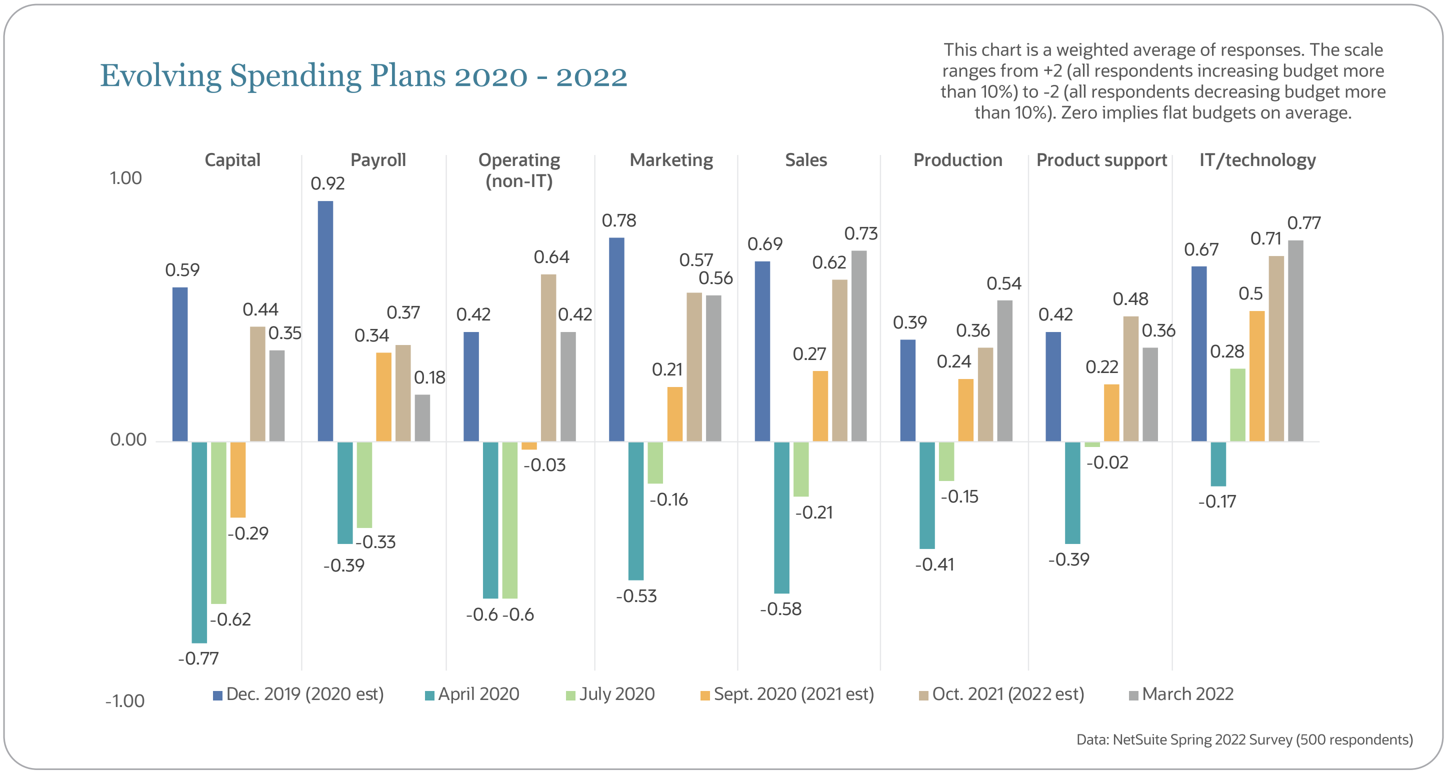
Still, Deloitte predicts that by 2030, US manufacturing alone will be short by over two million workers. The entirety of the Baby Boomer generation will have retired by 2030, implying the overall US workforce will not grow in that time.

It appears that many executives are resigned to making do with fewer employees, but are they also prepared to take steps to compensate, like using more automation?

If Not Payroll, Then What?

That "let's figure out how to make do" mindset may explain why payroll isn't the point of biggest disagreement on spending. Non-finance executives are looking to spend more on operations, marketing and tech than their finance peers. That tech spending is likely to be around automation or supporting automation in the future, as that will be the way to grow business without increasing headcount.

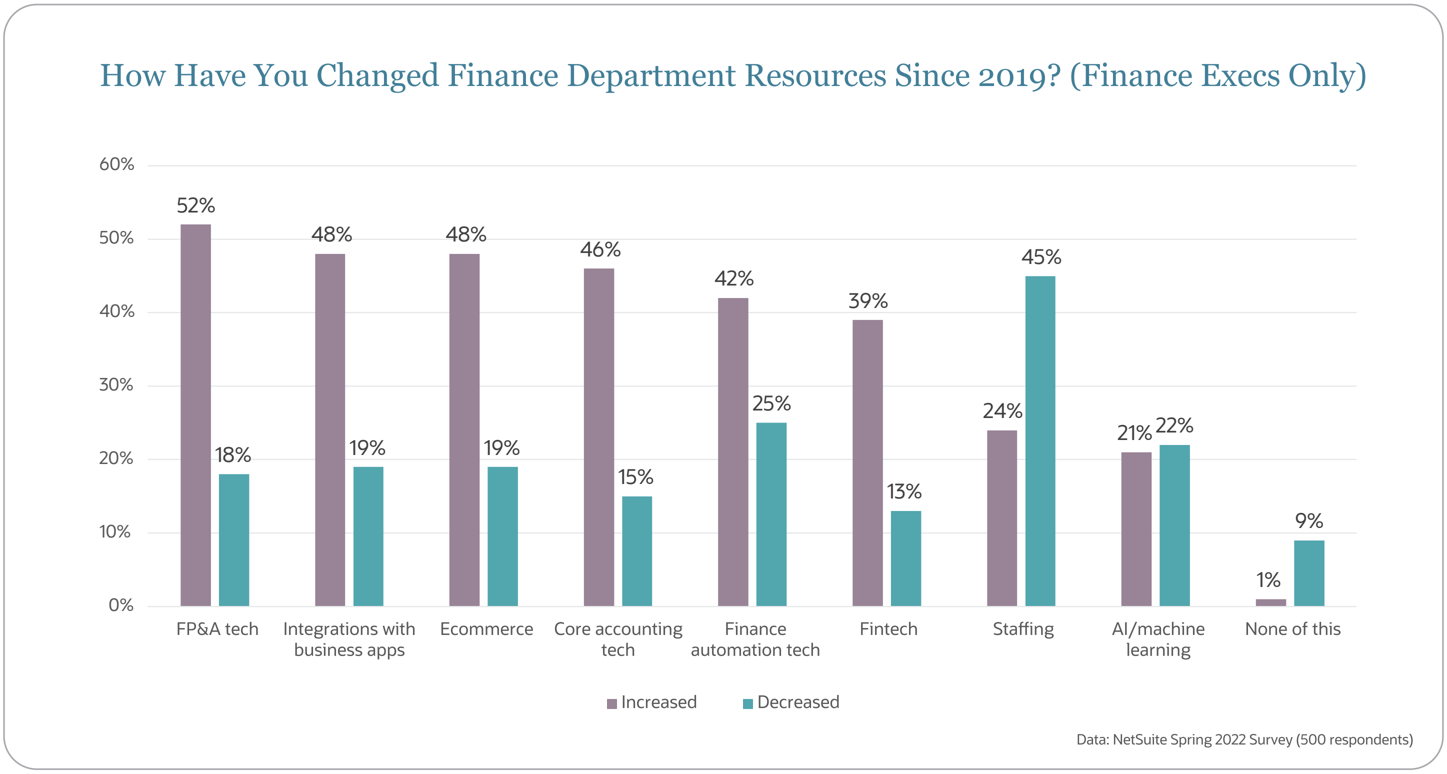
Automation for manufacturing production is going to require capital spending, but for many other parts of the organization and in other industries, automation may simply require new cloud-delivered applications and some process re-engineering.



The above chart shows the same spending question asked since 2019. Technology was the first category to see increases in spending after the initial shock of the pandemic, and it continues to be a place where all executives agree more outlays are needed. The success of tech purchases to support remote work and ecommerce is likely still front of mind, and it appears that the CFO's peers in particular are keen to continue that investment in IT.

Also note that while spending increases now look a lot like they did in 2019, payroll is the lone exception.

The technology-versus-hiring narrative shows more clearly in our question to CFOs about finance department resources. About half of CFOs say they've spent more on everything from FP&A to fintech — only about one fifth have cut in those areas. The exception is staffing. There, the tables flip, with 45% reporting staffing cuts and just a quarter reporting staffing increases.

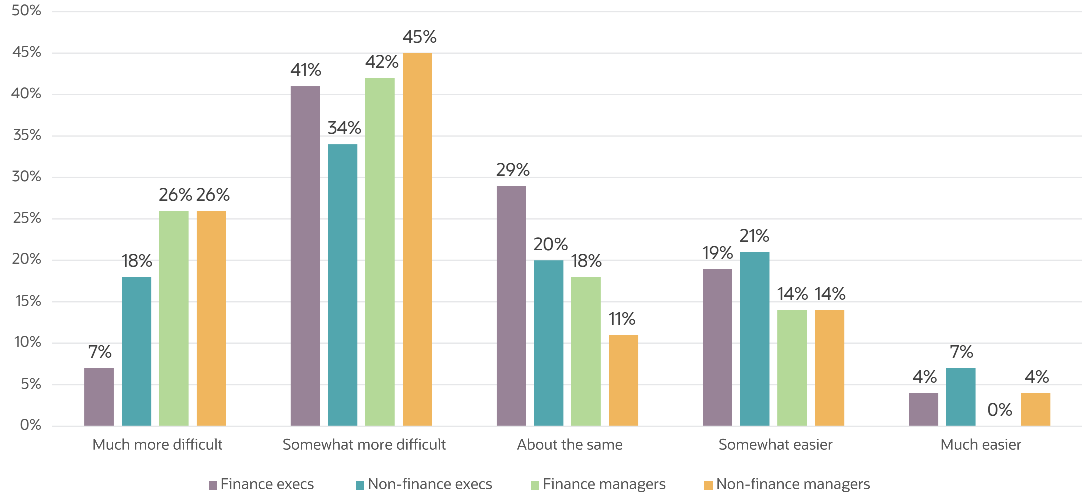


Work Is More Difficult Now

That remarkable move to automate while accepting some staffing losses is pragmatic, but it doesn't necessarily mean that technology makes current staff's jobs easier. Managers in particular have been frustrated by pandemic-related changes to the workplace. While executives made decisions about social distancing and other COVID-related changes, it's managers who've had to deal day to day with everything from workers quitting to supply chain issues to changing customer preferences and more.

As a result, 71% of non-finance managers and 68% of finance managers say their jobs are harder now. That's about 20 points higher than their bosses.

How Has Your Job Changed Since 2019?

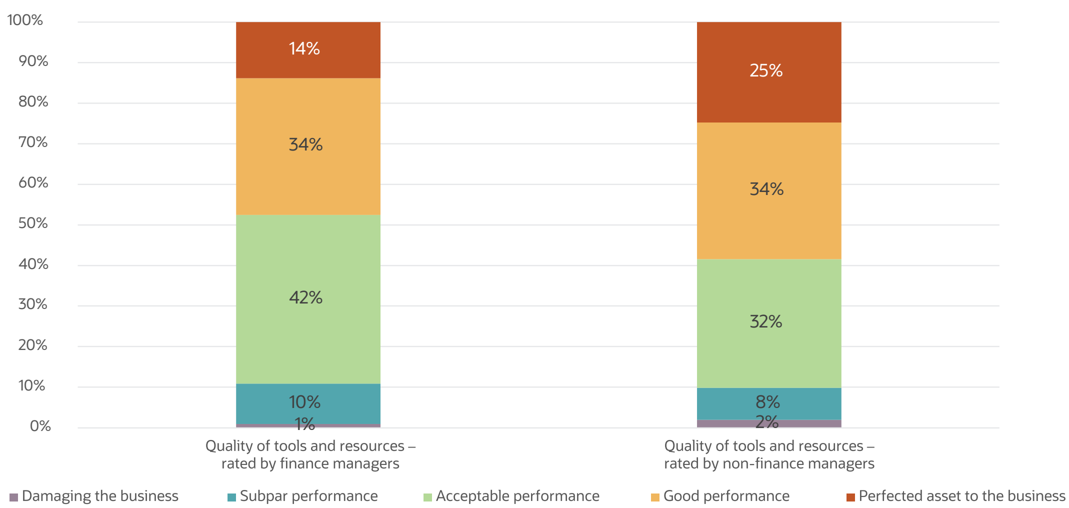


Data: NetSuite Spring 2022 Survey (500 respondents)

CFOs are the most stoic about the uptick in difficulty. Almost four times as many financial managers say their jobs are much harder versus CFOs. Even other executives are two and half times as likely to say their jobs are much more difficult now. Our fall 2020 survey asked the same question of CFOs. Then, 75% were finding their jobs to be more difficult, with 17% saying much more difficult.

With tech spending a priority for the past two years, one might assume that managers would now be more happy with the tools they're provided to do their jobs. That's largely true for managers outside of finance, less true for their peers in the finance department. About 60% of non-finance managers say their tools are good to perfect compared with 48% of finance managers who say the same.

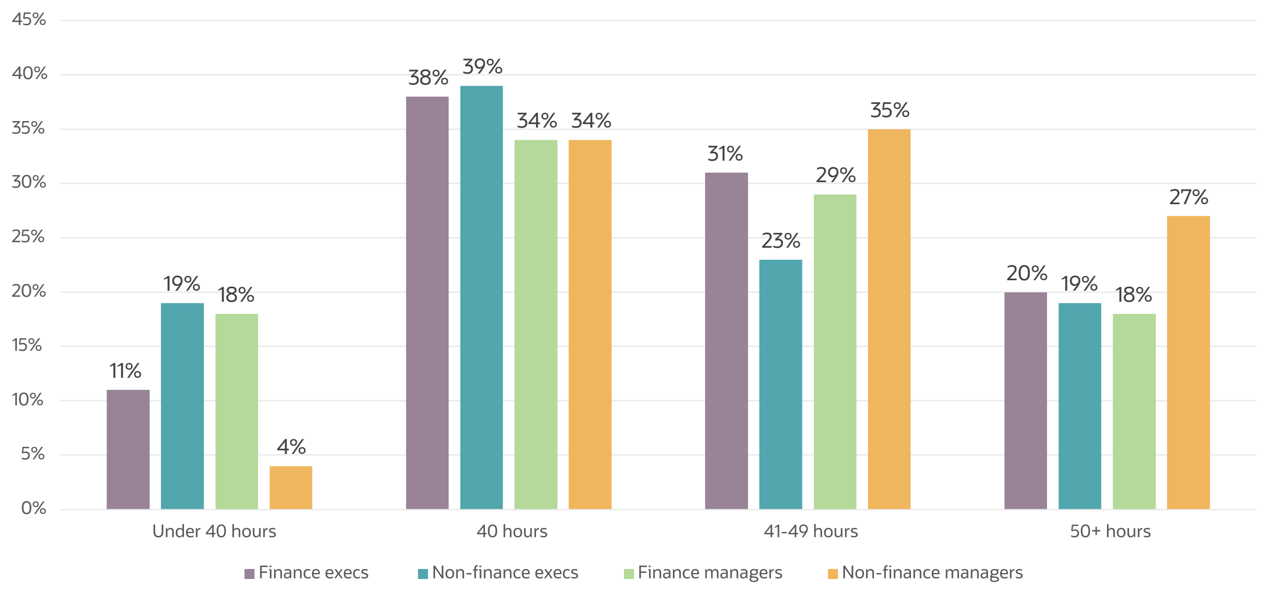
Managers' Assessment of Tools & Resources



Data: NetSuite Spring 2022 Survey (500 respondents)

One measure of the effectiveness of toolsets is the number of hours worked. Job search site Indeed says that managers are currently working 47 hours per week, on average. Our survey put the average at about 43 hours, and the respondents most likely to be clocking longer weeks were managers outside of the finance department.

Hours Per Week Currently Working



Data: NetSuite Spring 2022 Survey (500 respondents)

So how do executives and managers think they should be using their time over the next 18 months?

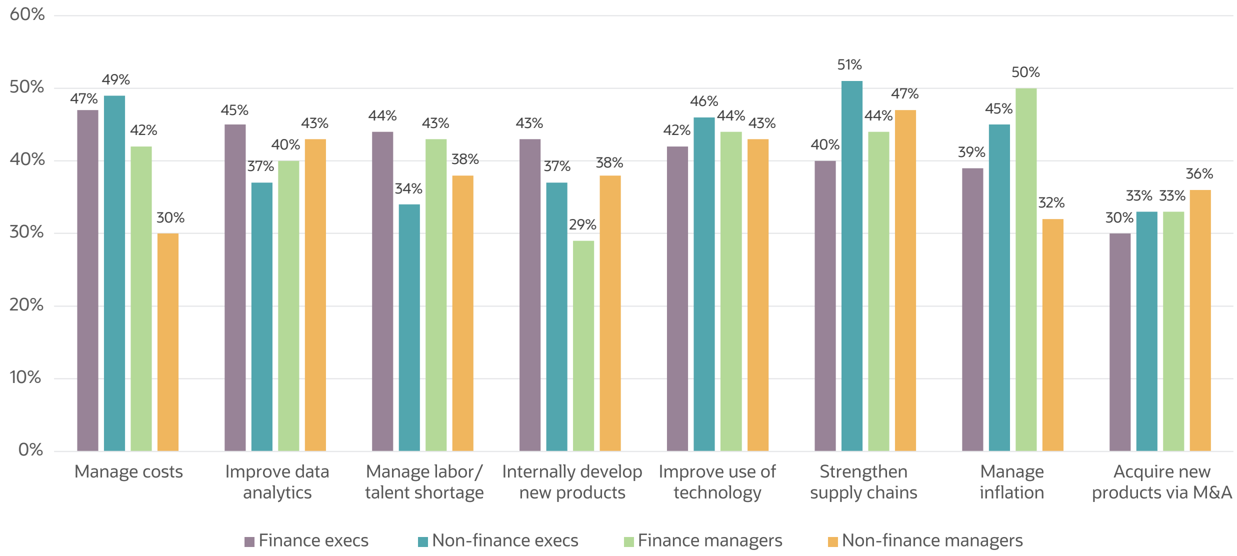
When asked about their priorities, CFOs largely responded "all of the above" with only eight percentage points separating the top response — manage costs, at 47% — from the bottom response — manage inflation, at 39%. That's excluding our option to acquire new products via M&A, which would naturally be a less common top priority.

While CFOs are not keen to increase payroll spending, managing the labor shortage is still their No. 3 priority, with more CFOs citing it than our other categories of respondents. Similarly, managers outside of finance are largely not prioritizing getting a handle on costs or inflation, even though the latter was a top concern.

While other executives agree that managing costs is a high priority — it comes in at No. 2 — they're much bigger advocates of shoring up supply chains. It was 28% more common for other executives to prioritize strengthening supply chains versus CFOs.

"Strengthening" is probably the key word here. CFOs will rightly see that as a new cost, and new costs are a current red flag for CFOs. Certainly most companies are stepping back from just-in-time ordering, but if strengthening means getting materials from higher-cost sources, margins will suffer at a time when managing profits is likely a higher concern than managing revenue.

Besides Improved Revenue and Profit, Choose Top Priorities Over the Next 18 Months

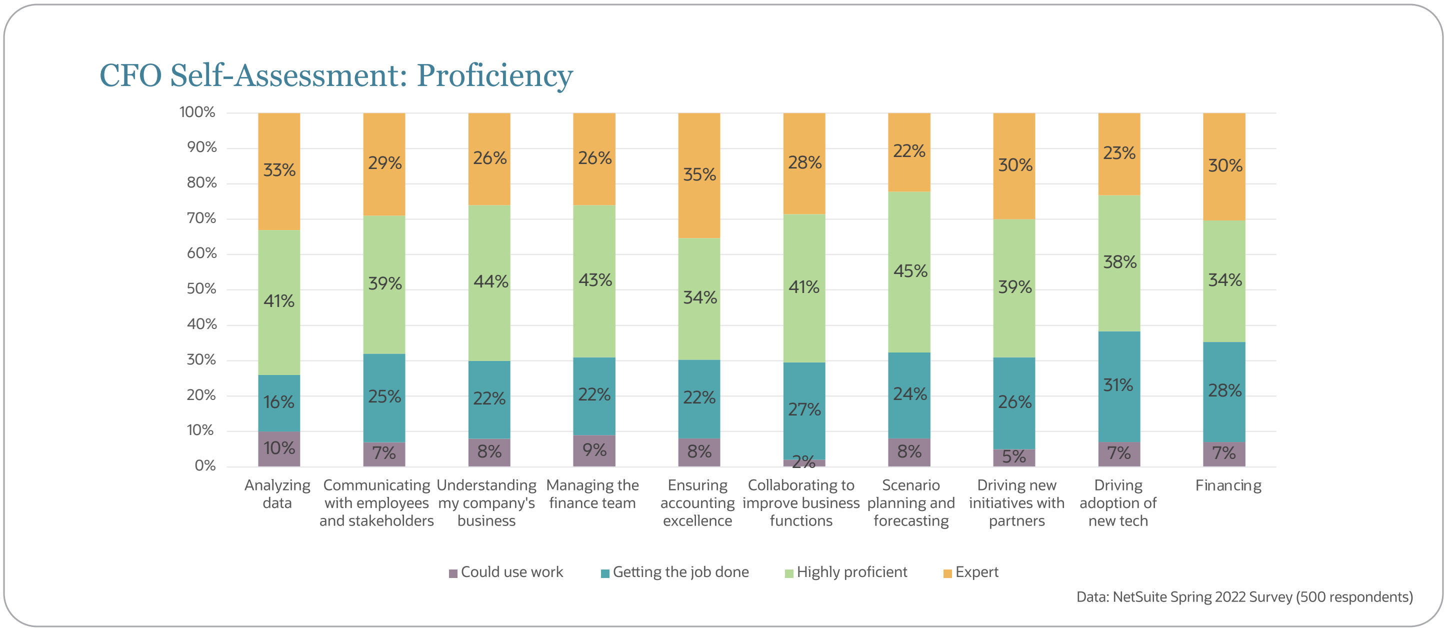


Data: NetSuite Spring 2022 Survey (500 respondents)

CFO Proficiency

As we've seen, CFOs are somewhat less likely than others to say that their jobs have become much more difficult since 2019, but there's no doubt that the role has changed. Whether it's becoming more eagle-eyed on cash management or gaining financial planning and analysis expertise, it's likely that certain skills are now more finely tuned than they were three years ago.

We asked CFOs to rate their proficiency in areas where they are highly involved. On average, CFOs give themselves a solid B to B+ across the board, with about 70% saying they are either expert or highly proficient in the subjects we asked about.

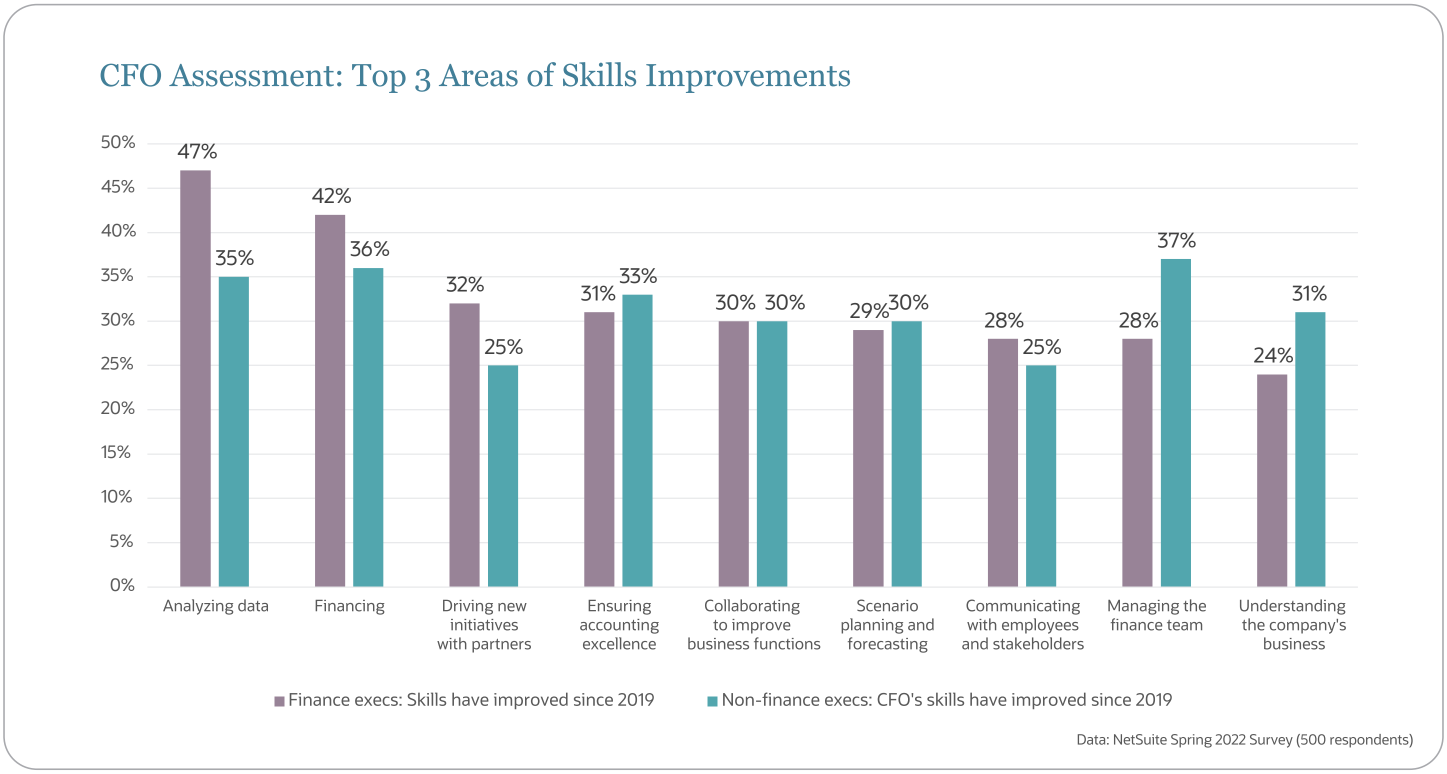


We asked non-finance executives to rate their CFOs on the same subjects, and results came in about a half grade lower but still largely in agreement with finance chiefs' self-evaluations. One exception: Other executives and managers as well rated CFOs as experts at financing; that's about 14% higher than CFOs scored themselves.

On the flip side, other executives and managers were fairly critical of the CFO's communication skills, rating CFOs about 19% lower than they rated themselves. Interestingly, finance managers were more satisfied with the CFO's communication skills and less impressed with their boss's data analysis skills, which the finance managers rated 19% lower than the CFOs rated themselves. Similarly, finance managers were most critical of the CFO's ability to manage the finance team, rating that skill 10% lower than the CFOs' self rating.

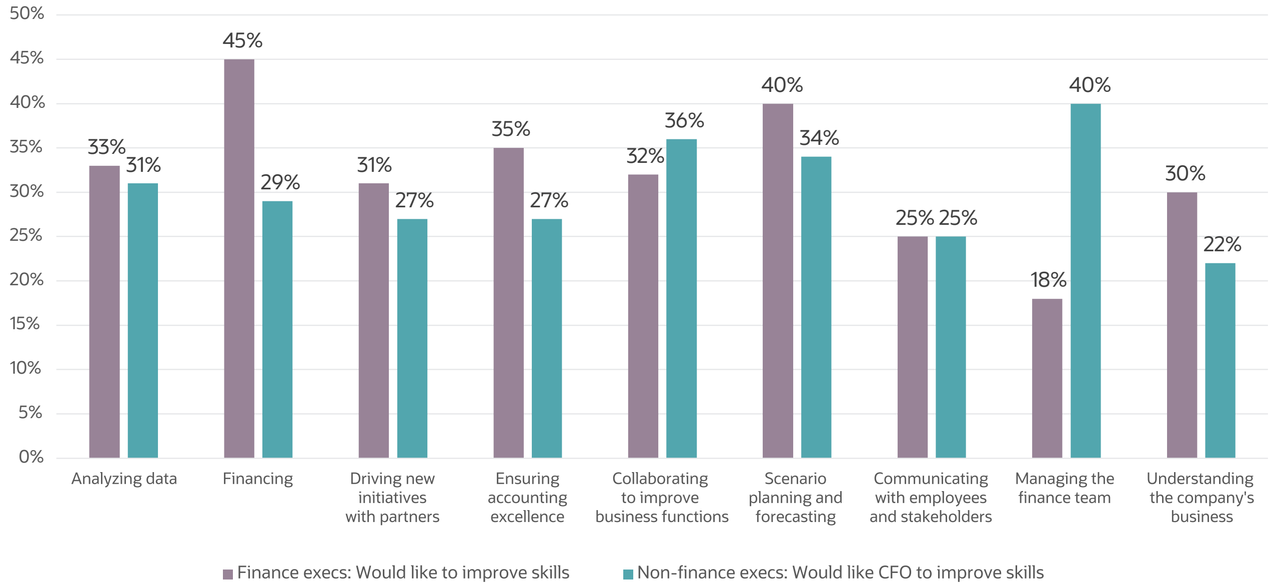
The disparity here may be as much about organizational and interpersonal dynamics as anything else. And, the ratings in the chart above don't get at what finance chiefs have gotten better at over the past three years. Again, we asked both CFOs and their executive peers to pick the top three areas of improvement. In four categories, the two groups substantially agreed. These, however, were not the top areas cited by either group.

CFOs reported improving the most in analyzing data and financing. Other execs gave them good marks there as well, just not as good.



Peer executives were more likely to say that their CFOs had improved in managing their teams and understanding the company's business. That's a solid vote of confidence for the work finance chiefs have done, especially in light of peer assessments on other metrics. Responses here also seem to illustrate what each constituency worries about most, as much as where CFOs improved. That becomes more apparent when considering the following chart, which shows where finance chiefs and their peers think CFOs should work to improve skills.

CFO Assessment: Top 3 Areas to Improve Skills



Data: NetSuite Spring 2022 Survey (500 respondents)

CFOs want to improve their financing and scenario planning and forecasting. Other executives agree on forecasting skills and add collaboration on business improvements and managing the finance team.

These two charts taken together might be perceived as a mixed message: Have CFOs gotten better at managing the finance team, or do they need to improve?

The answer can certainly be "yes" to both, but it seems more likely that we're seeing two different personas among CFOs. Some are more comfortable with focusing on numerical analysis, while others are more eager to deal with team dynamics and communications skills. It's by no means unique to the CFO role that different individuals bring different skills to the job, and it's also not surprising that peer executives want a CFO who's great across the board.

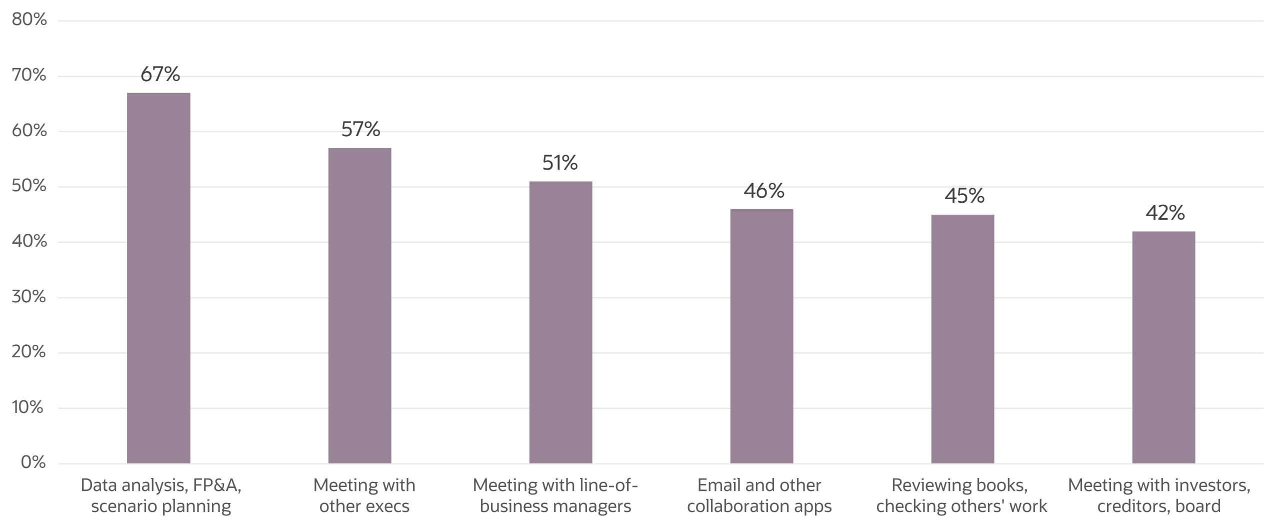
Peer Executives Prize Soft Skills

Historically, CFOs could thrive without being all that good at communication and collaboration. In more even-keeled times, focusing on bookkeeping, reporting and compliance assured that the financial house stayed in order.

In the tumult of the past three years, however, reporting on the recent past has been less important than helping other executives and line-of-business managers understand the financial repercussions of the business moves made in response to pandemic-induced realities. This shows up most clearly in a comparison of the results below with a similar question asked in our fall 2020 survey. Then, 30% of CFOs reported spending significant time with line-of-business managers; now it's 51%. Then, just 18% said they spent significant time with investors, creditors and the board; that's jumped to 42%.

Leading the finance team now means communicating and collaborating up and down the organization in ways that likely weren't necessary before.

CFO Self-Assessment: Where Do You Spend Significant Time?



Data: NetSuite Spring 2022 Survey (500 respondents)

The New CFO

If you accept the notion that the CFO's job has evolved substantially since 2019, then it's reasonable to ask whether CFOs actually like the move toward a more strategic, collaborative and communicative persona.

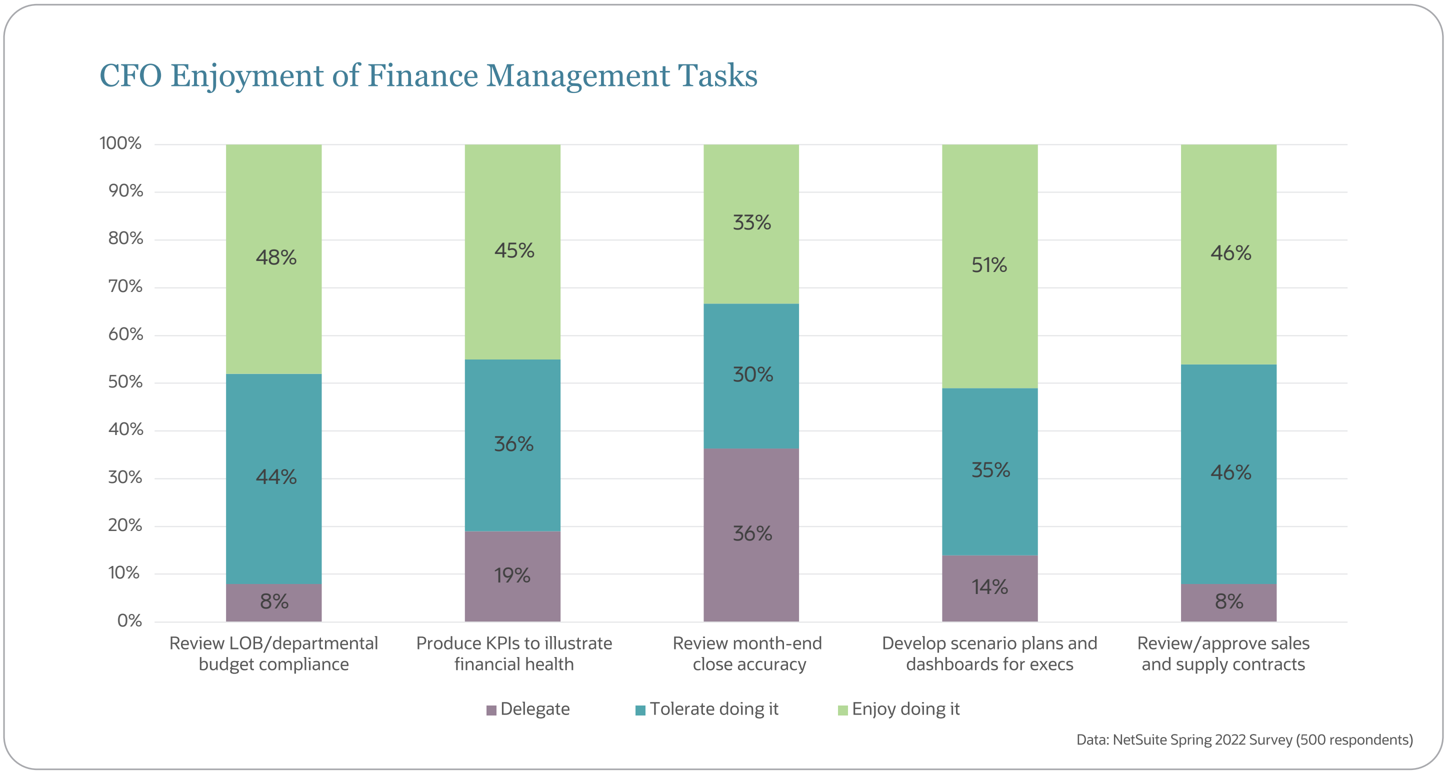
So far, we've established that finance chiefs are relatively comfortable with their skill sets but also recognize room for improvement. That sounds like both a healthy attitude and a likely outcome of the humbling times of the past few years. To determine how CFOs are reacting to the overall set of responsibilities that the job could encompass, we asked about their enjoyment in four areas: financial management, coaching and collaboration, communication and business strategy.

Our chosen categories cover some tasks long associated with the CFO job and some that are more newly a part of the role. By totaling up the numbers, we've developed a composite view of the typical CFO. For each task, we asked if CFOs enjoy the work, tolerate it or delegate it to others.

When creating this survey, we expected that CFOs would delegate some tasks; what we didn't expect was that one-third to one-half of respondents were tolerating the work rather than enjoying it.

Our first category is finance management, by which we mean the historical role of setting budgets and monitoring and reporting on progress throughout the fiscal year. It's not too surprising that the most delegated and least liked task is monitoring the month-end close for accuracy. There are ways around that. A continuous close, for example, might be worth a look, because your staff isn't enjoying closing the books any more than you are.

Half of our respondents like developing scenario plans and dashboards. Of these tasks, it's the newest and certainly a substantial contributor to the elevated importance of the finance team.

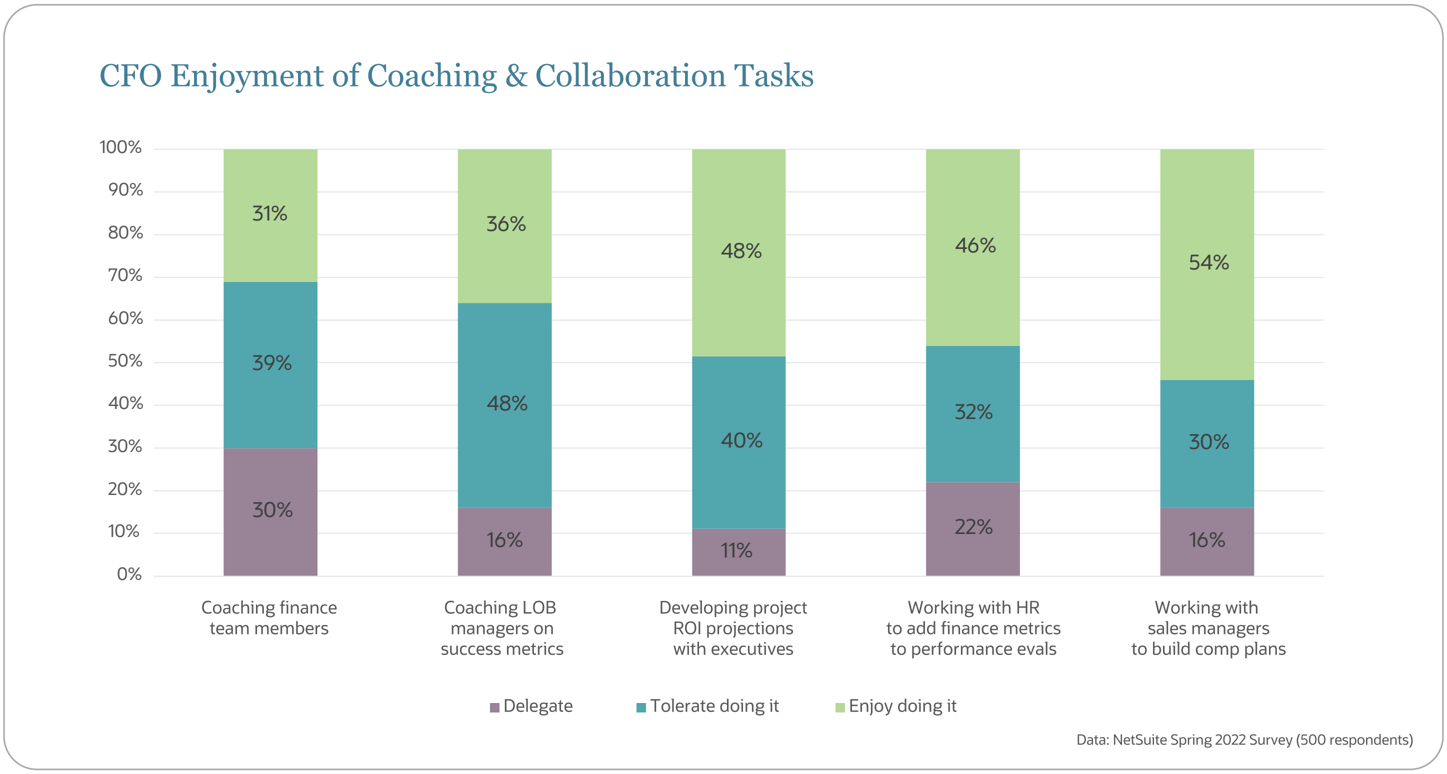


CFOs: I'm Not Your Coach

Coaching and collaboration tasks certainly aren't new to CFOs, but what those involve has changed now that many finance team members and other constituents are working remotely.

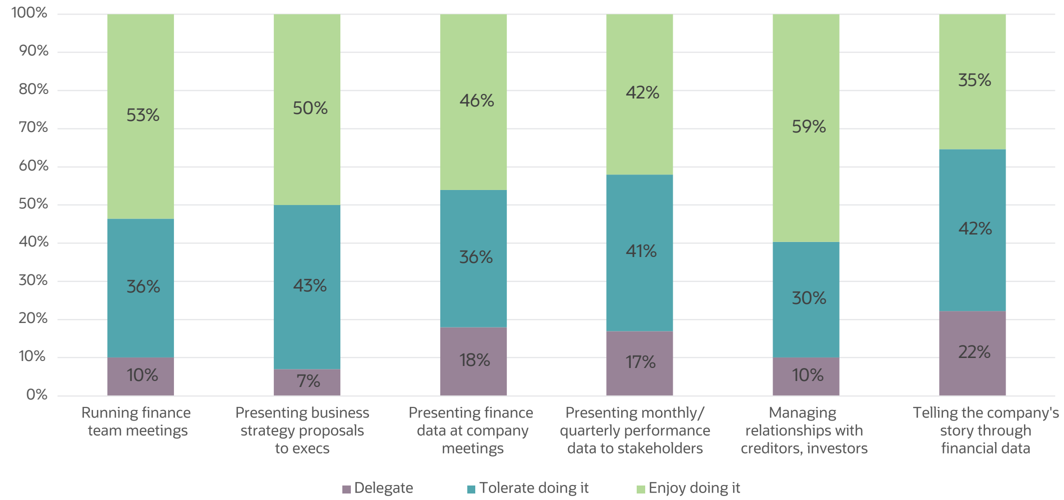
We wouldn't have guessed that coaching finance team members is less enjoyed than reviewing month-end close accuracy, but that's what we found. In general, these are some of the most delegated tasks, but it's clearly coaching team members that CFOs are least likely to enjoy.

This taken with peer executives' strong desire for the CFO to better manage the finance team should serve as a red flag. There's no doubt that the CFO job is a busy one. Many not only have the finance team reporting into them, but possibly operations, HR and IT as well. Slowing down to coach could easily be seen as an annoyance, but it appears that a good many executive peers think professional development is lacking in the finance department.



CFOs aren't typically known as great communicators, but respondents say that's changed. At the very least, finance chiefs like communications as much or slightly more than many of the other tasks we asked about. They're less excited about quarterly presentations to stakeholders and telling the company's story through data. This last may simply be that active storytelling isn't something CFOs think about as they make presentations. They also clearly enjoy, and from their answers to other questions feel responsibility for, managing relationships with investors and creditors.

CFO Enjoyment of Communication Tasks

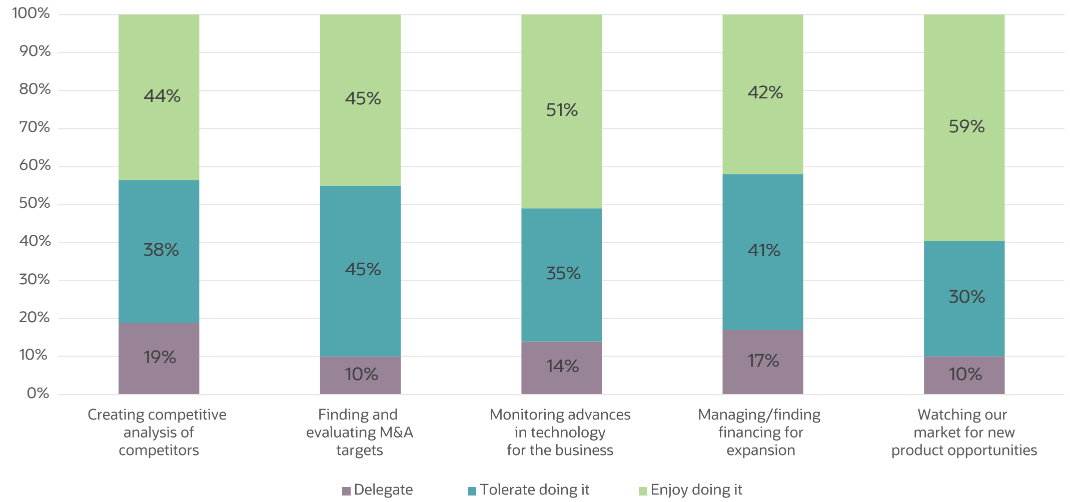


Data: NetSuite Spring 2022 Survey (500 respondents)

Finally, when asked about strategy-related tasks, we were a bit surprised at the mixed bag of responses.

CFOs generally like watching the market for new product opportunities but aren't so excited about finding and managing financing for expansion.

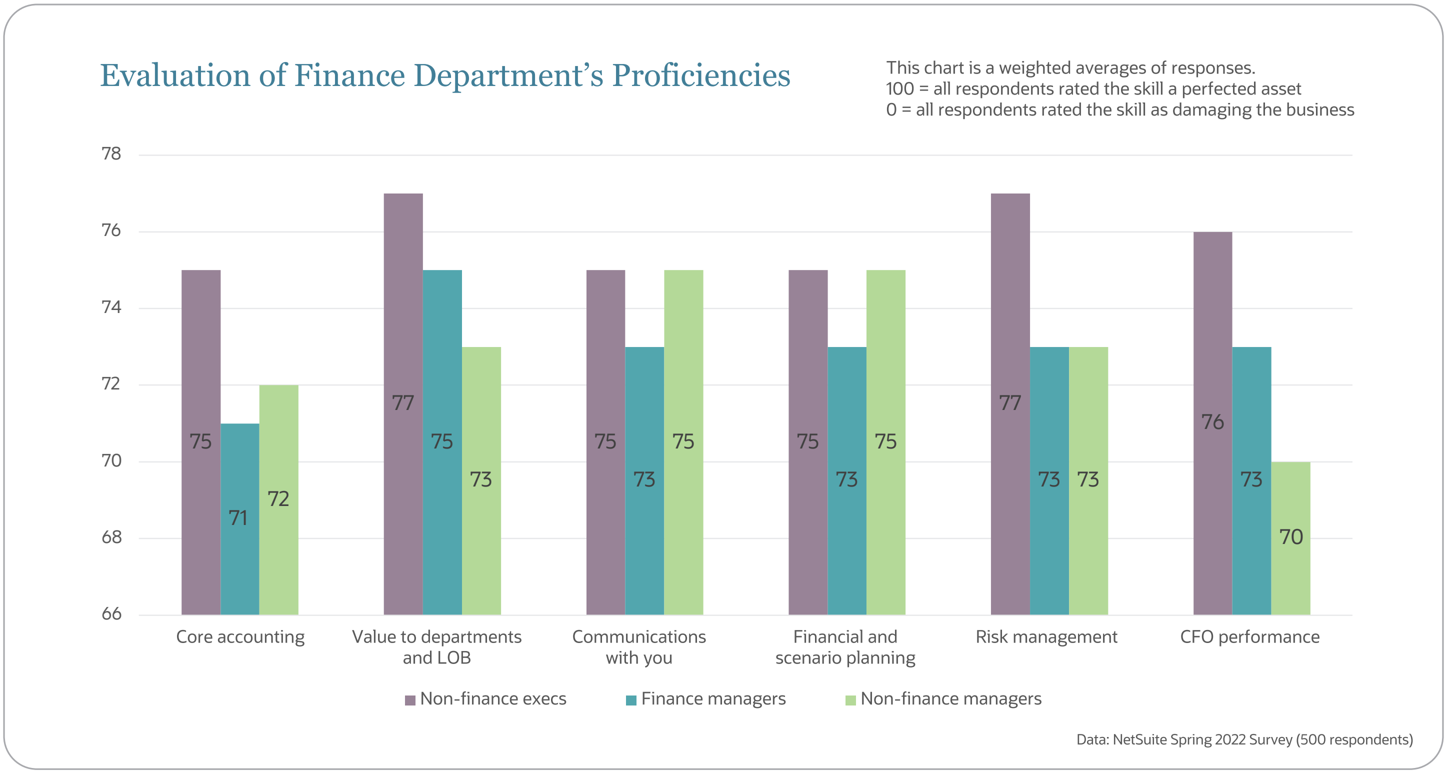
CFO Enjoyment of Strategy-Related Tasks



Data: NetSuite Spring 2022 Survey (500 respondents)

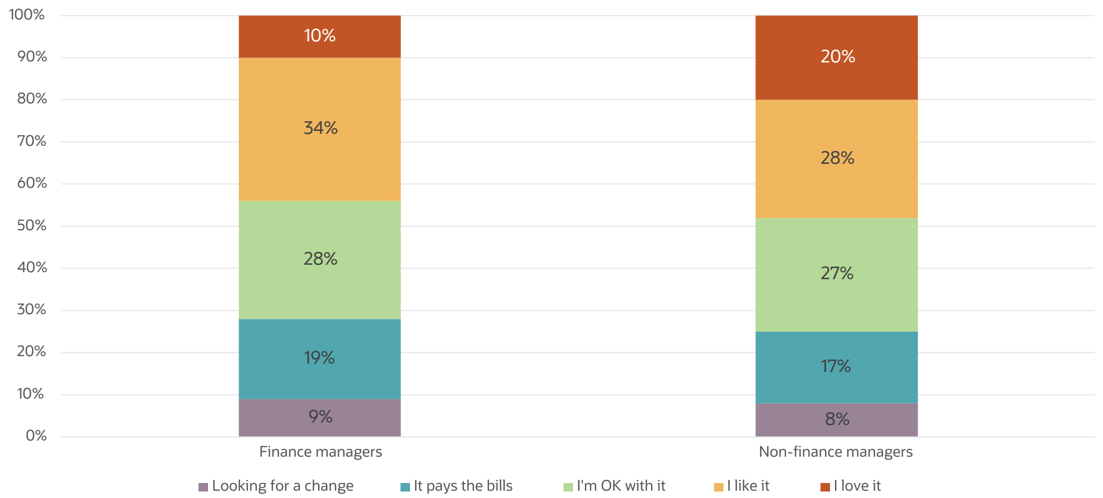
We asked peer executives and managers to assess the finance department on a similar set of functional areas. The hardest graders turned out to be finance managers, while the best marks came from non-finance executives. The executive ratings translate to about a B grade. Non-finance managers are closer to a B-. Finance managers? About a C+.

It's frankly concerning that finance managers give themselves a C in core accounting. It may be indicative of how they feel about their jobs, which we'll discuss. The low grade that non-finance managers give the CFO is indicative of the tension that commonly exists between mid-level managers and finance executives. Managers have lots of ideas about how to improve the work of their teams. CFOs or business managers in the finance department often shoot those ideas down if they don't show a clear ROI — which can be difficult for those middle managers to demonstrate.



Especially in recent years, mandates around dealing with COVID-19 and the increased work required to manage related effects, like supply chain and talent issues, have frustrated managers both inside and outside the finance department. As a result, only about half of managers outside of finance say they like or love their jobs. It's worse in finance, where only 44% like or love their jobs.

Happiness With Your Job

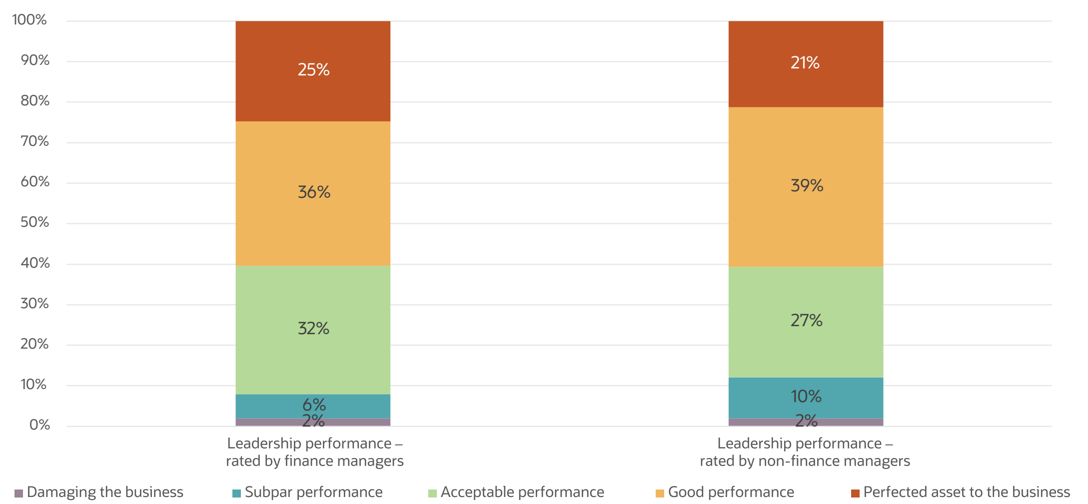


Data: NetSuite Spring 2022 Survey (500 respondents)

That distressing approval rating from finance managers correlates to a low rating of the tools they have available to do their jobs. It's likely also affected by the CFO's unwillingness to be a coach, a lack of investment in staff and the priority that other executives place on the CFO improving management of the finance team.

While there's clear evidence of frustration with their jobs, managers do appreciate leadership from executives. A solid 60% give their leaders high marks for performance, with few rating performance as unacceptable.

Managers' Assessment of Leadership Performance



Data: NetSuite Spring 2022 Survey (500 respondents)

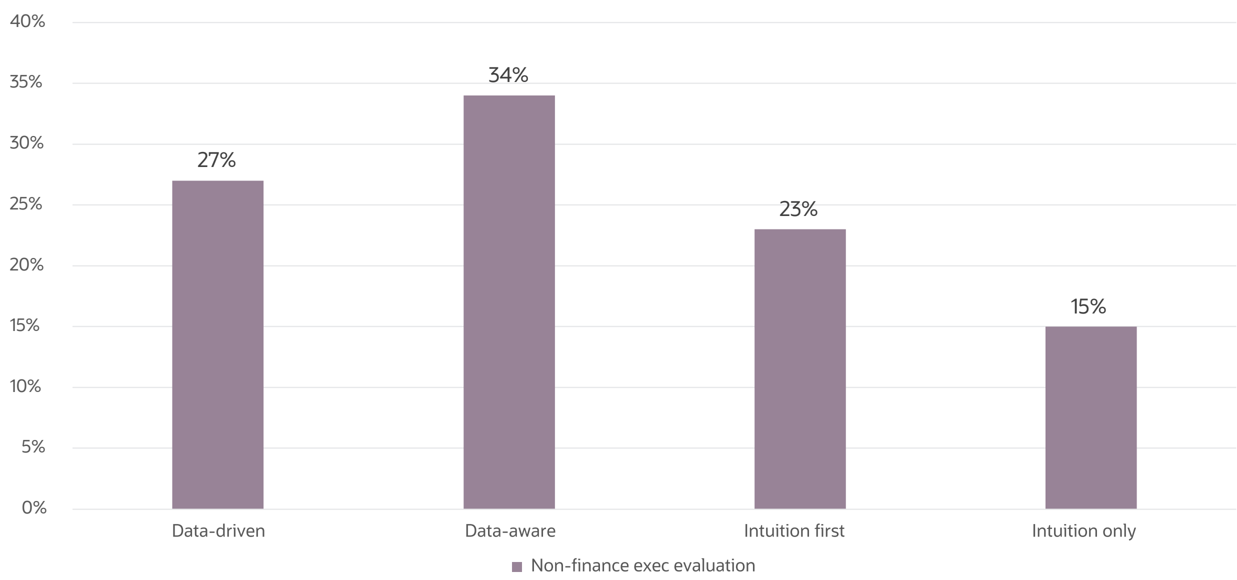
The Bottom Line

As CFOs ponder inflation, stagflation and possibly recession, it's clear that many want to focus on profit and take a hard look at spending, even to the point of dismissing expensive sales channels and products. Their peers and the people they manage aren't yet on the same page.

At the same time, peer executives are encouraging CFOs to be more communicative and collaborative and to mind the store with their own teams. The CFO's job has never been an easy one, and the unique challenges of the past three years have elevated the importance of the finance team. CFOs now need to not only provide data on the performance of the company, but also help everyone understand the ramifications behind the numbers, prognosticate likely future impacts of new market realities and suggest moves the organization might take to come out ahead.

Peer executives admit that they often aren't data-driven. Now, as CFOs work to balance risk, revenue and profits, they have the opportunity to move their organizations toward being proactive and guided by numbers, not gut feelings.

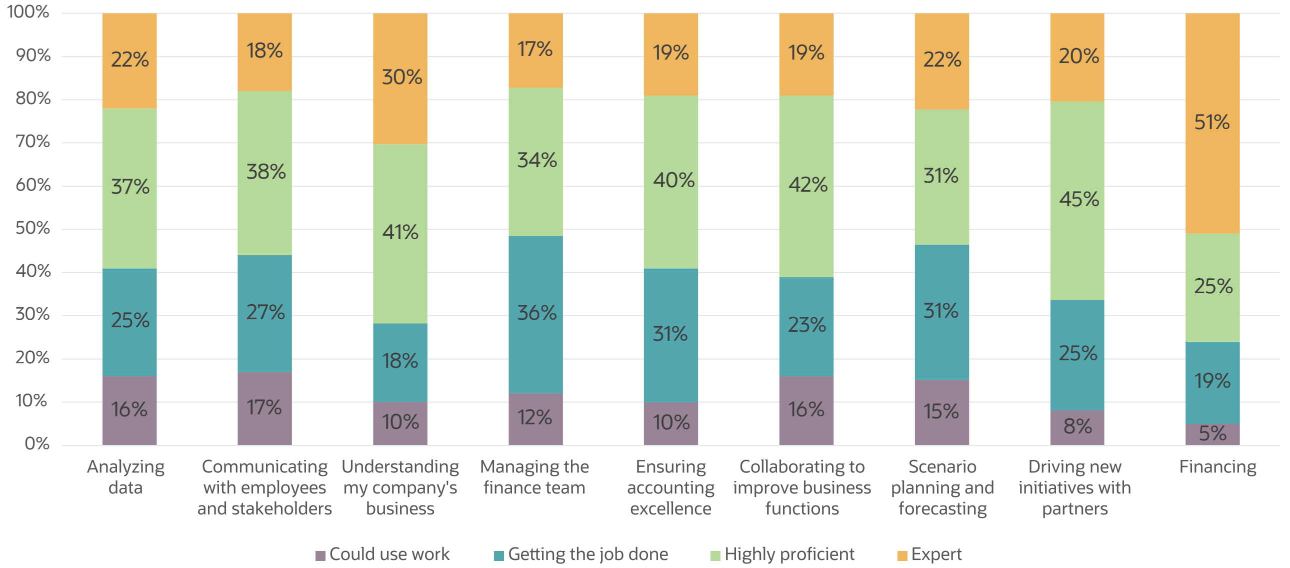
How Data Drives the Company's Decisions



Data: NetSuite Spring 2022 Survey (500 respondents)

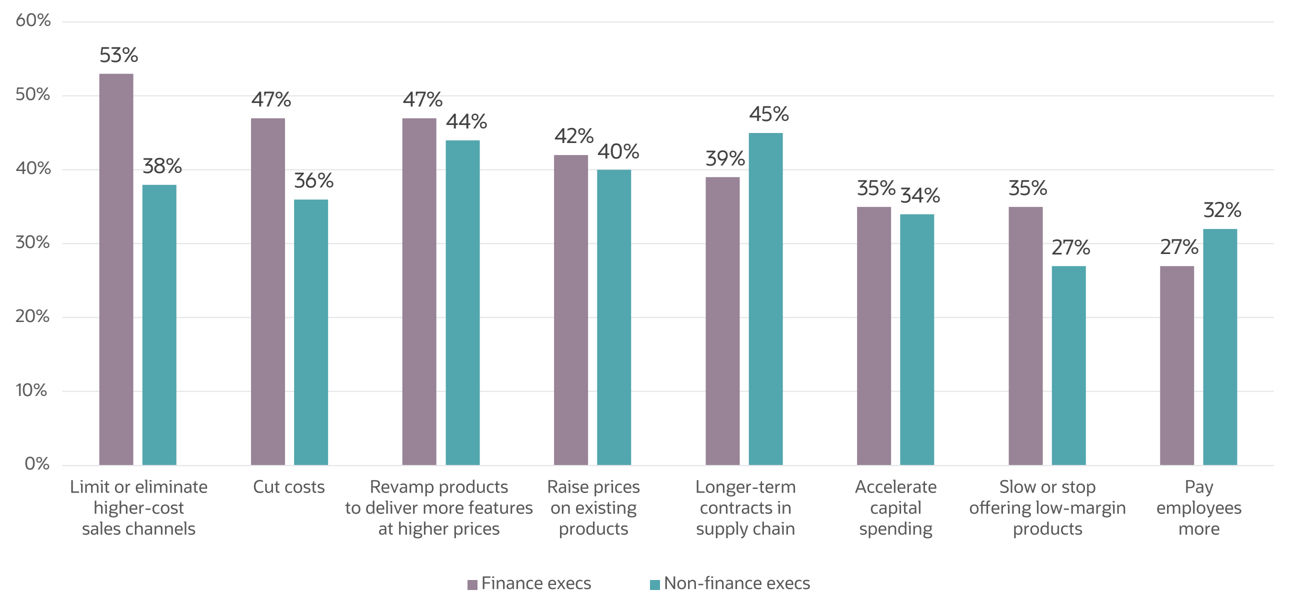
Appendix

CFO Assessment by Other Execs



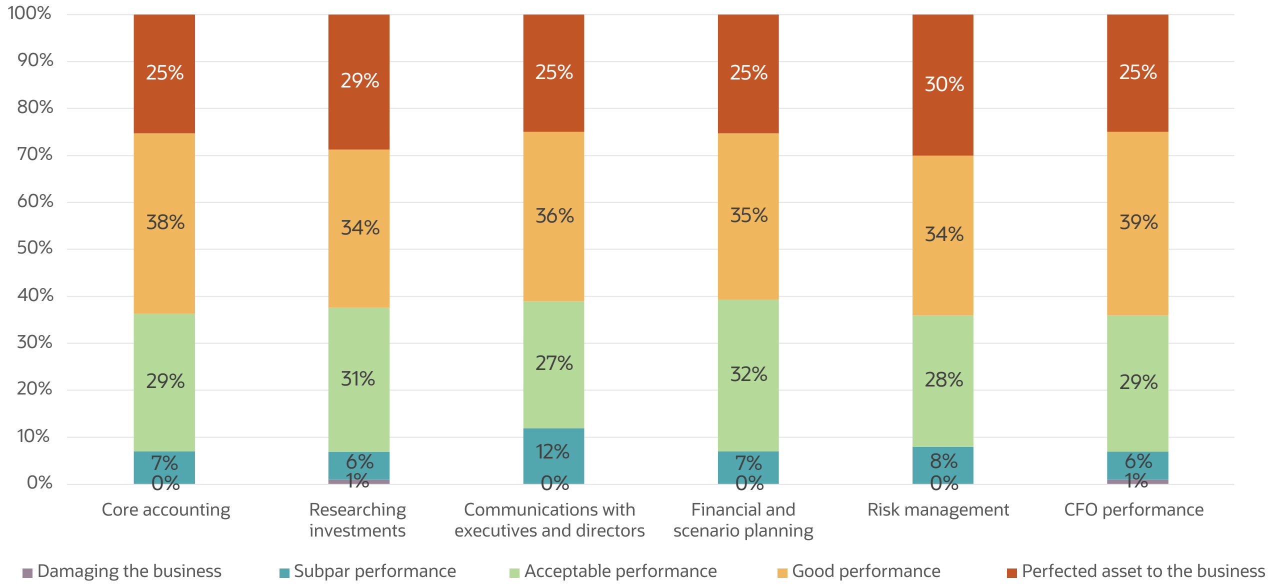
Data: NetSuite Spring 2022 Survey (500 respondents)

Actions to Manage Inflation



Data: NetSuite Spring 2022 Survey (500 respondents)

Non-Finance Executives' Evaluation of Finance Department Proficiency



Data: NetSuite Spring 2022 Survey (500 respondents)

Respondent Demographics by Industry

Advertising and Digital Marketing	1%	Consulting	3%	Education	2%	Energy	2%
Financial Services	15%	Food and Beverage Distribution	3%	Food and Beverage Manufacturing	5%	Health and Beauty	3%
Health Care	5%	Hospitality	6%	IT Services	4%	Manufacturing	11%
Media and Publishing	3%	Mining, Gas and Oil	1%	Nonprofit	>1%	Professional Services	7%
Real Estate and Leasing	2%	Restaurants	3%	Retail	14%	Software/Internet	3%
Transportation and Logistics	3%	Wholesale Distribution	5%	Other	1%		

Data: NetSuite Spring 2022 Survey (500 respondents)

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