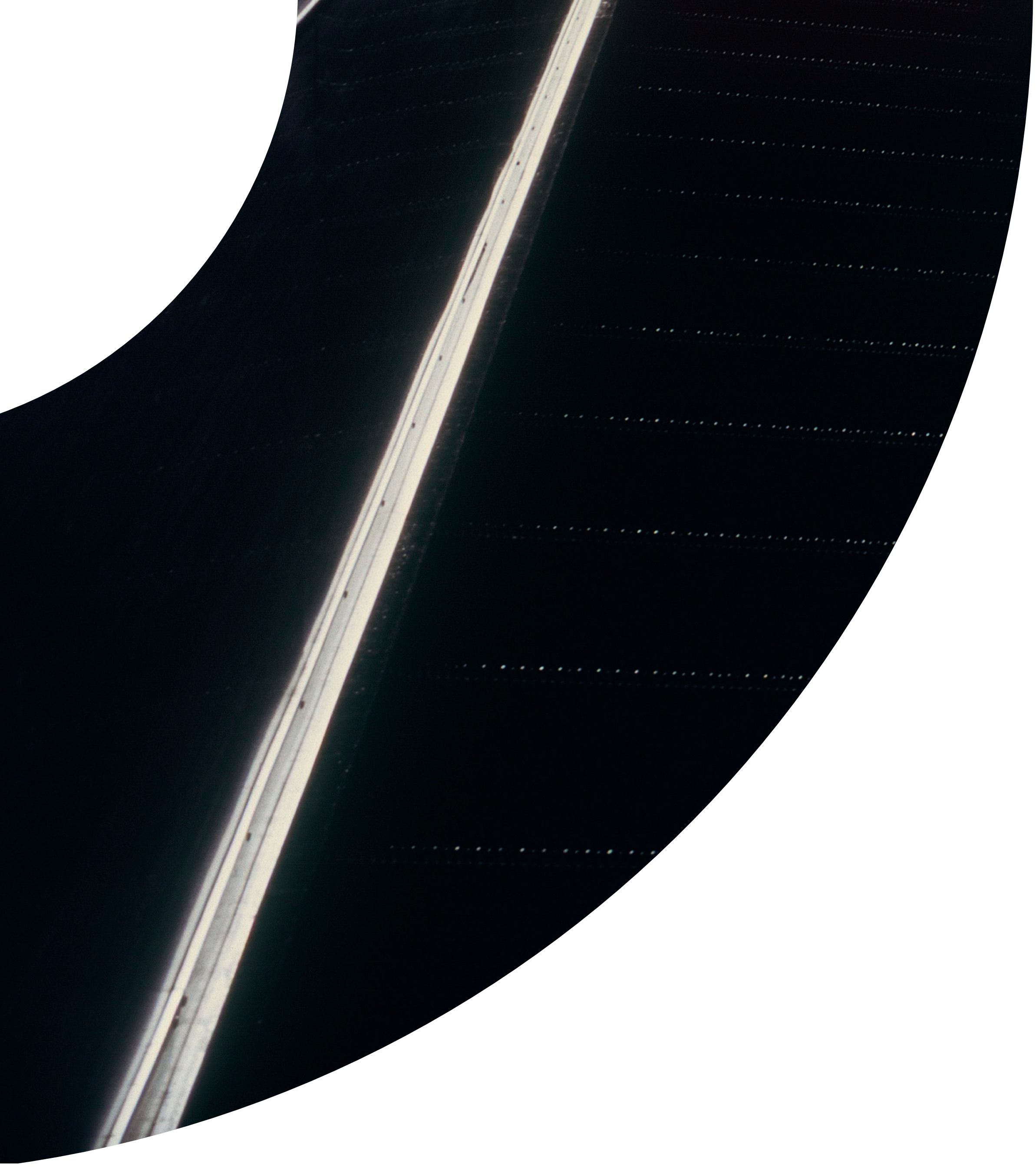
CFOs aren't waiting for normal. They're ready now.

CFOs leveraging pandemic lessons and blazing new paths to growth



After a year of crisis and chaos, CFOs are ready to grow, but they aren't looking to return to pre-pandemic practices. They're looking to leverage the lessons of the past year into new paths forward. That's the overarching sentiment of findings from a Grant Thornton survey of more than 250 CFOs and senior finance executives at companies ranging in size from $100 million to more than $1 billion in annual revenues. The survey was conducted in February 2021.

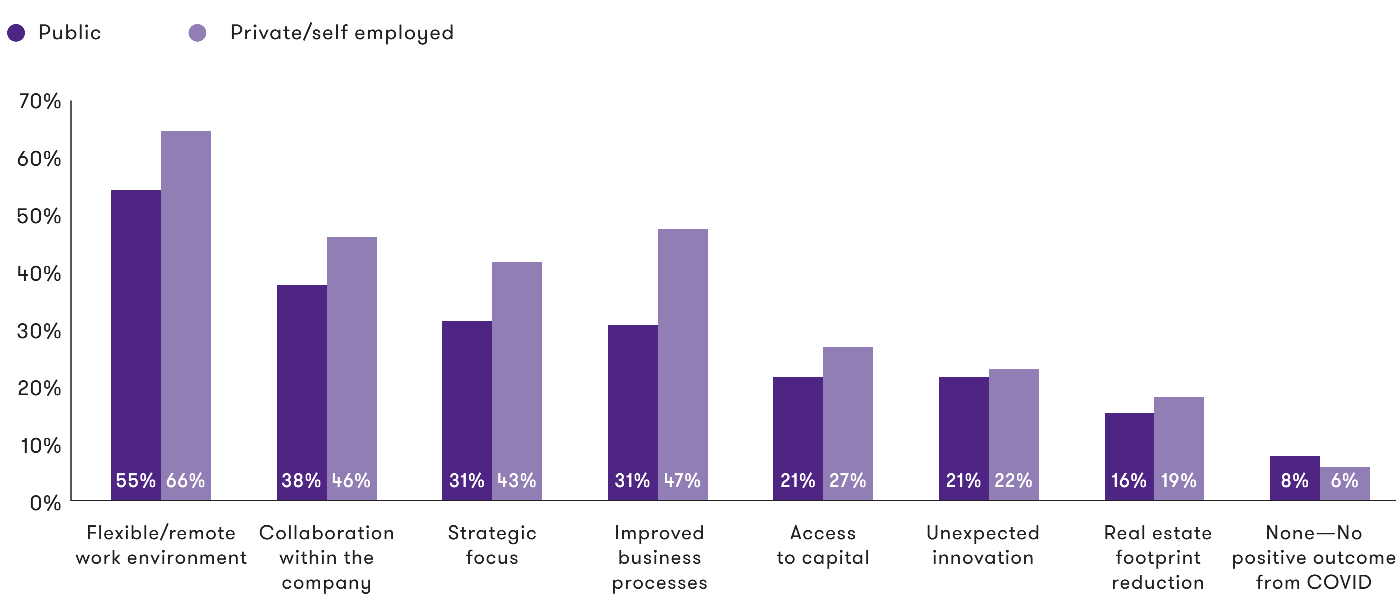
Never waste a crisis: Leveraging the lessons from a pandemic to move on from it

The cost of COVID-19, from lost lives to forced business closures, has been well documented. We asked CFOs if there were any unexpected benefits to the pandemic. The results were both predictable and surprising. Predictably, more than 60% of respondents pointed to improved flexible and remote work environments. Surprisingly, in a year when face-to-face interactions have been severely curtailed, more than 40% reported improved collaboration within the company. Nearly 40% of respondents also noted improved business processes and better strategic focus as silver linings to the pandemic. In all cases, private companies were more likely than their public counterparts to report these benefits.

Survey questions around expense planning also reinforce that CFOs aren't planning to return to old business models. Travel and real estate/facilities remain targeted for cuts by a significant number of respondents both in the coming year and permanently. It seems at least some of the shift to remote and virtual work environments is here to stay.

"A year ago, CFOs were scrambling just to survive, but sometimes a crisis can accelerate positive change," said Chris Schenkenberg, national managing partner of Grant Thornton's M&A Tax Services. "It's clear that, especially among private companies, finance leaders haven't settled for going back to the past. They've asked what's possible, not just what's wrong, and found new ways to push their organizations forward."

CFOs leverage COVID lessons: Areas of improvement during the pandemic
Positive unexpected COVID crisis outcomes by public/private companies



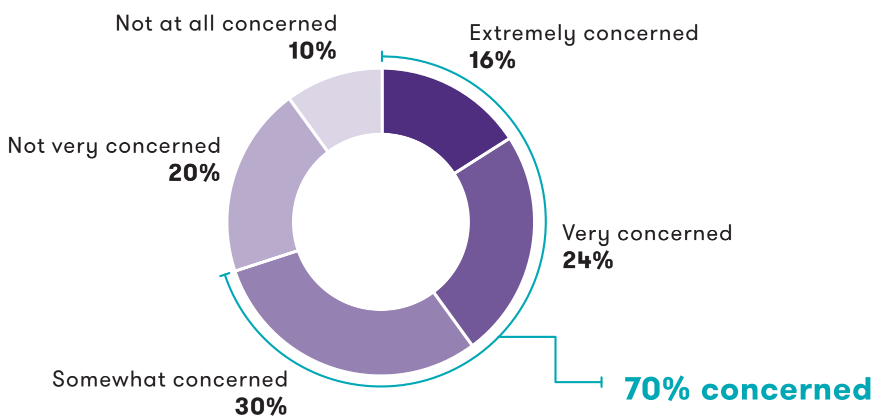
CFOs see benefits to a Biden administration, but worry about taxes

When asked about a variety of issues likely to be affected by the change of administrations, CFOs were more positive than negative on everything but taxes — even being largely receptive to potential increases in environmental, labor and financial regulations. While they were more negative than positive on taxes by 39% to 34%, larger companies were far more concerned than smaller ones. Among companies over $1 billion in revenue, 55% expected tax changes to have a negative impact, while only 29% of companies with revenues of between $101 and $500 million felt the same.

However, almost 70% of respondents felt that lack of policy consistency in Washington will at least somewhat negatively affect their ability to plan future investments. That sentiment was especially pronounced among manufacturing and technology/telecom companies, as 83% of respondents in both groups expressed that concern.

“Stability and predictability matter,” said Schenkenberg. “Most businesses are open to reasonable regulation if they can count on a steady hand on the tiller. They’re tired of chaos.”

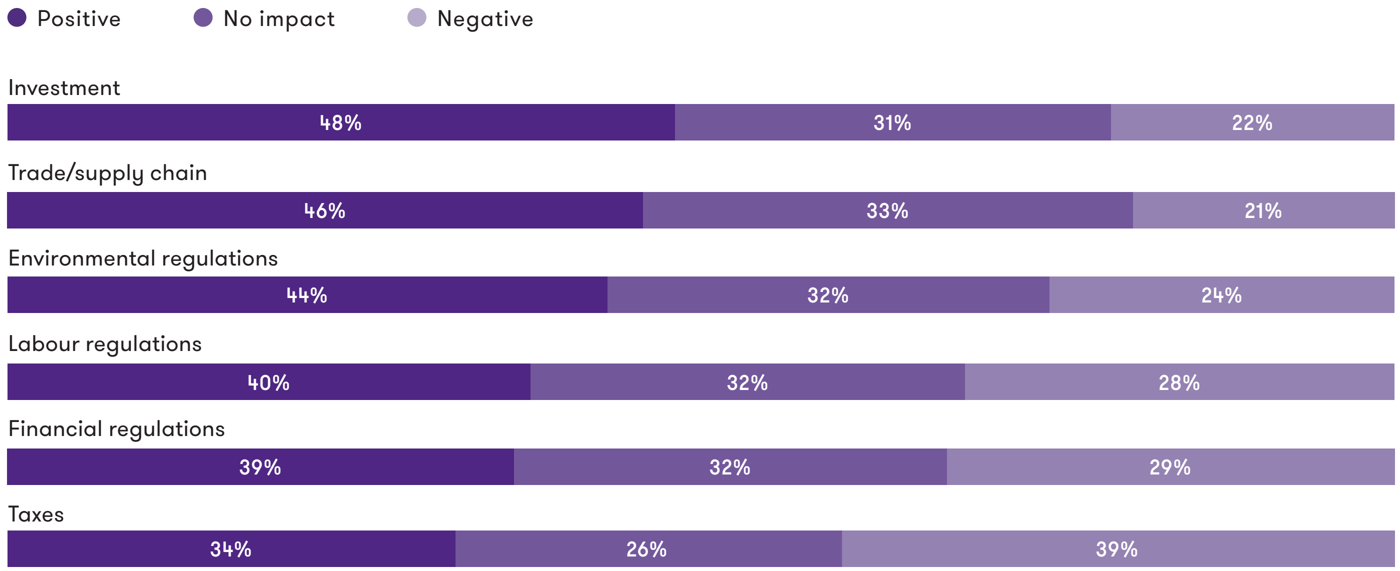
CFOs worry policy uncertainty will interfere with investment planning
Q. Using the scale below, to what degree do you believe policies in Washington will interfere with your ability to plan investment?



Total sample: N=259

CFOs see positives to Biden administration, but worry about taxes

Q. Based on the list below, please rate how the following Biden administration's plans may impact your business, if at all



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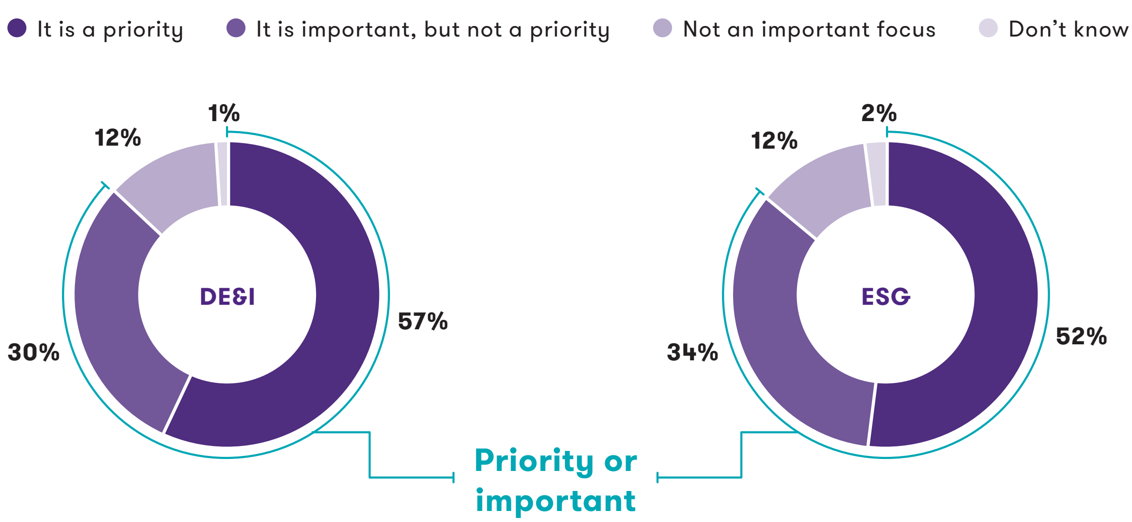
DE&I and ESG are priorities, not just PR

COVID-19 wasn't the only crisis in 2020. Racial unrest across the country turned the spotlight on DE&I (diversity, equity and inclusion). Companies are facing mounting societal pressure concerning environmental and other social issues, and the Biden administration has promised heightened attention on those areas, making ESG (environmental, social and governance) matters a top focus for businesses. More than 75% of respondents reported DE&I and ESG as being either priorities or important within their organizations, with more than half planning to increase investment in these areas. CFOs plan to track the success of their DE&I investments through employee satisfaction tools and recruiting efforts, and their ESG efforts through software. But anecdotal responses to these survey questions indicate that CFOs are searching for more effective ways to measure outcomes in both areas.

There's no going back on diversity, inclusion, the environment or other social issues. Consumers and employees alike are demanding increased action and increased transparency on these issues. And the potential damage to your brand and your bottom line for getting them wrong is huge. It's vital to effectively target those investments, and that means learning how best to measure returns on them.

CFOs see DE&I and ESG playing important roles

Q. Which best describes your view about the role of Diversity, Equity and Inclusion (DE&I) and Environmental, Social, and Governance (ESG) in your organization?



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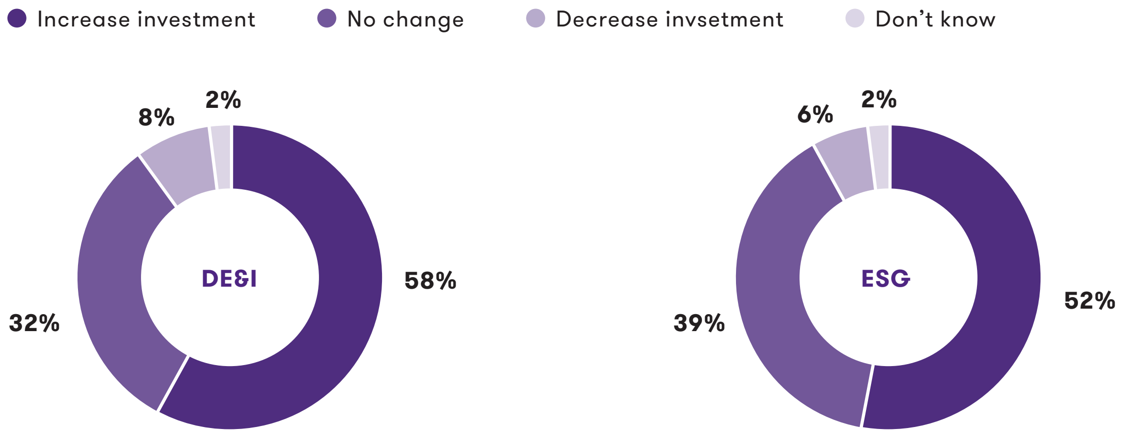
Majority plan to increase investment in DE&I and ESG
Q. What are your investment expectations for DE&I and ESG?



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CFOs and technology: Balancing immediate needs and long-term transformational change

Investment in long-term foundational technology infrastructure was prioritized over technology to address immediate business needs by 53% to 47% overall, but private companies showed a preference for solving immediate needs while public companies strongly favored longer-term investments.

When asked about current and expected investment in various automation technologies and about when various functions within the finance area will make use of them, respondents said that advanced analytics was the most commonly used. Accounts payable, financial reporting, and financial planning and analysis were the functions most likely to regularly make use of automation.

Advanced analytics is leading automation option for finance departments

Q. When, if ever, do you expect your finance function to implement each of the following automation technologies?

	Currently implemented	Within 12 months	Within 2 years	Within 5 years	Never	Don't know
Advanced analytics	40%	29%	13%	12%	2%	3%
Optical Character Recognition (OCR)	31%	24%	15%	9%	10%	12%
Machine Learning	26%	25%	18%	12%	9%	9%
Artificial Intelligence (AI)	29%	19%	19%	15%	8%	10%
Robotic Process Automation (RPA)	20%	26%	16%	12%	14%	11%
Distributed Ledger Technology (DLT)	24%	22%	15%	10%	10%	20%
Drones/robots	20%	15%	11%	11%	27%	15%

Total sample: N=259

Automation of finance functions is increasing rapidly

Q. When, if ever, do you expect each of the following areas in your finance function to regularly make use of automation technology?

	Currently implemented	Within 12 months	Within 2 years	Within 5 years	Never	Don't know
Accounts payable/ receivable	49%	24%	15%	3%	4%	5%
Financial reporting	50%	19%	16%	9%	2%	3%
Finacial planning & analysis	45%	22%	19%	7%	3%	5%
Budgeting and forecasting	40%	25%	20%	8%	2%	5%
Tax and compliance	38%	25%	14%	9%	5%	9%
Control testing	32%	29%	14%	8%	5%	13%
Treasury/working capital management	36%	24%	18%	10%	4%	8%
Corporate development/ strategic planning	31%	27%	16%	9%	9%	8%
Risk management	42%	16%	20%	9%	3%	10%

Total sample: N=259

Given the explosion of remote work arrangements over the past year and the vast expansion that has created for most companies' digital footprints, it's not surprising that cyber-risk and -security is an area where 61% of companies expect to increase investment both in the next year and in the long term, followed closely, at 60%, by digital transformation. When asked to name the three biggest challenges facing their companies, 46% indicated cybersecurity risks, and 46% chose technology upgrades.

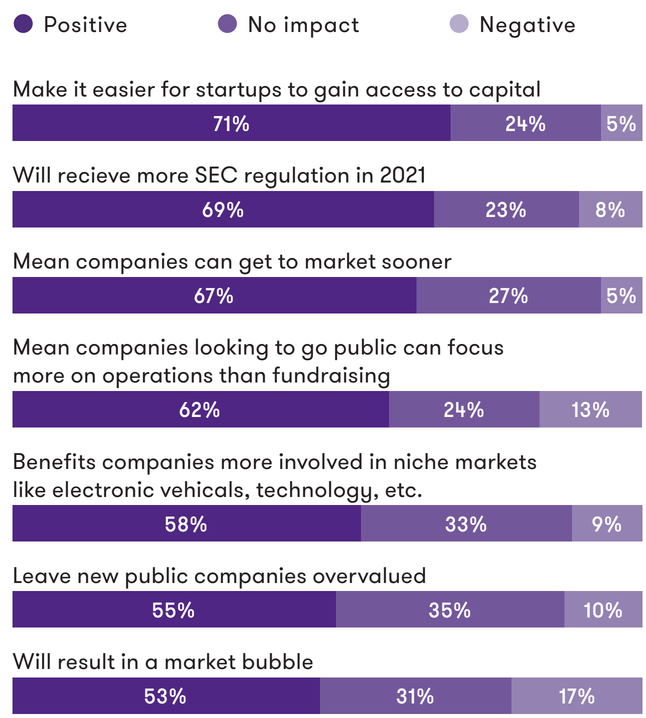
"Striking a balance between solving immediate needs and longer-term technology investment that can transform a company is a critical challenge," said Enzo Santilli, national managing partner and leader of Transformation at Grant Thornton. "Finding an iterative approach that delivers immediate solutions while still driving transformative change is the elusive North Star for most companies."

SPACs driving interest in IPOs for private companies

In 2010, SPACs (special purpose acquisition companies) accounted for less than 5% of IPOs. In 2020, they accounted for almost half. Not surprisingly, 84% of private company respondents indicate that SPACs have increased their interest in going public. When asked whether a SPAC or a traditional IPO would be their choice, respondents were almost equally split, with 49% choosing a SPAC and 51% choosing an IPO. CFOs see both potential pros and cons. More than 70% believe SPACs improve access to capital for start-ups, and 67% believe a SPAC helps get an IPO to market sooner. Conversely, 69% expect increased SPAC regulation from the SEC in 2021, 55% believe SPACs leave new public companies overvalued, and 53% think SPACs could create a market bubble.

“SPACs offer an exciting option for companies considering going public,” said Sean Denham, leader of Grant Thornton’s Global Services industry. “But CFOs have reasonable concerns about potential regulatory attention, valuations and the possibility of a bubble.”

Broad interest in, some concerns about SPACs
Q. Using the scale below, how much do you agree or disagree with the following statements about SPACs?



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CFOs are ready now

For CFOs, 2021 will be a year of transition from crisis management to growth. But normal is a thing of the past, and CFOs aren't looking for a new one. Instead, they are shaping a unique future honed by hard lessons and real possibilities. The challenges of the pandemic are not yet fully behind us. When asked about their top three challenges for 2021, cyber and technology concerns dominated. But 30% cited dealing with a remote workforce, and 24% pointed to supply chain issues and customer retention — all of which were significant concerns over the past year that remain very much on a CFO's radar. And, when asked how they were defining growth for 2021, answers varied widely from survival to double-digit expansion. What's clear is that no one expects a return to what used to be. Instead, CFOs are blazing their own paths forward. Watch for our second quarter survey to see where they are headed next.

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