

Financial Decision-Makers Economic Outlook for 2022

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Many organizations are incorporating continued inflation into their plans and strategies for next year.



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The past 18+ months since the COVID-19 pandemic broke out have been challenging for everyone, but especially for global enterprises as they sought to navigate through the initial disruption and economic volatility that has ensued as a result. The world is clearly in a better place in late 2021 compared to where it was in March of 2020, but there's still a lot of uncertainty ahead.

Given that most organizations are now planning for 2022, we thought this would be a good time to survey financial decision-makers to get their outlook on the recovery, impact of inflation, return to the office plans, talent management, ESG programs, and technology investments. A recent survey of Finance decision-makers in North America gathered responses from 249 Finance executives across industries.

Economic Headwinds Take Their Toll

Some organizations have grown since the start of the pandemic, but most have stagnated or shrunk. While four out of ten organizations surveyed indicate they have grown, less than a third (30%) of organizations have shrunk while another third (31%) are still stagnated since COVID 19 struck. Of those growing, almost three quarters (70%) are experiencing growth equivalent to pre pandemic rates. Most of the organization who shrunk or stagnated expect to return to pre COVID growth in 2022 or later.

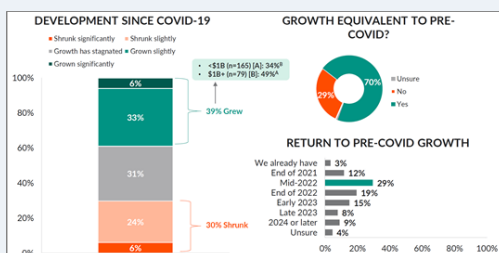


Figure 1 - COVID-19 Impact on Company Growth

According to the survey, COVID 19 resurgence has had a severe impact on businesses, namely higher operating costs, increased dependence on remote work, and delayed return to office (RTO). In fact, three quarters of companies had to delay their RTO plans by a year or less.

Most companies have instituted vaccine tracking (78%) and almost two thirds are mandating vaccines if employees wish to return to the workplace (60%). Financial decision makers do expect some negative outcomes of vaccine tracking/mandates, including employee resignations (46%), feelings of being monitored among employees (43%), and difficulty hiring (41%). However, they also believe this helps make employees feel safer and more likely to return to office.

Focus on Hiring and Retaining Talent

The “Great Resignation” is causing a high level of concern for financial leaders. Many are worried about employee turnover (45%), inability to meet business demands (41%), and difficulty recruiting and retaining technical talent (40%). Training current employees and increasing benefits are the most common steps organizations are taking to address the talent shortage. To address the talent shortage, more than half of organizations surveyed are training current employees and improving benefits.

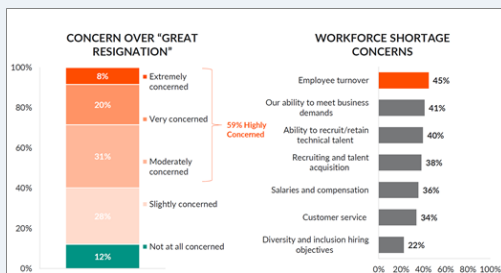


Figure 2 - Talent Management Strategies

Inflation Expected to Continue

Two thirds of financial leaders surveyed agree the inflation rate will increase by the end of 2022. However, they are split on when it will stabilize, with almost half (47%) speculating 2022 and 46% expecting stabilization to come later. A high percentage of financial decision makers are highly concerned about the impact of inflation rate on their operating costs (82%), and revenue (80%). To prepare, 47% said they are increasing prices, 46% are adopting new technologies, 37% are renegotiating supplier contracts and 37% reducing operational costs.

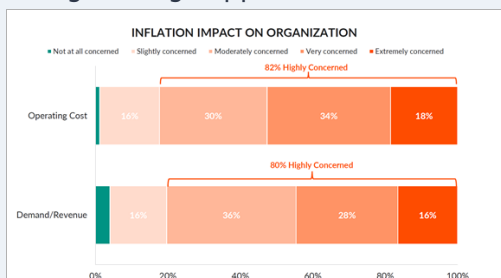


Figure 3 - Inflation Impact on Organizations

Environmental and Social Policies Getting More Attention

Nearly all organizations are working towards integrating environmental, social and governance (ESG) programs into their business strategy. On the social side, 71% of CFOs surveyed place the most importance on improving workplace diversity while 65% are focused on closing the gender gap.

According to finance leaders, two thirds of organizations are at least somewhat prepared for ESG reporting changes. Particularly, 47% said they have raised transparency, 41% implemented new ESG policies, and 38% and increased oversight. Larger companies are significantly more likely to indicate they are somewhat or fully prepared for a potential ESG reporting change. They are also more likely to form ESG teams internally as part of the preparation.

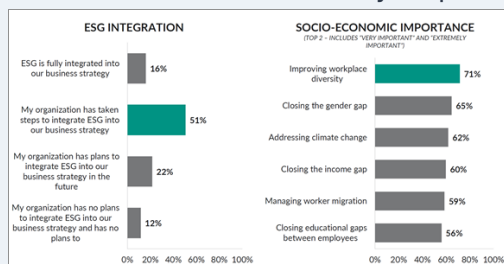


Figure 4 - Response to ESG Mandates

Analytics and Machine Learning to the Rescue

Compared to pre pandemic usage, the majority of companies have increased investment in data analysis tools, most notably machine learning (ML) at 62% and cloud-based planning tools at 63%.

Unsurprisingly, they also used more of these tools during this period.

Nearly all organizations are currently using machine learning or have a plan to do so. Over two thirds of those surveyed report setting aside more than 10% of their IT budget for investment in ML platforms. Three quarters of financial leaders anticipate their company will increase ML usage throughout 2022. Nearly all organizations have already adopted or are planning to investigate an AutoML solution. Intelligent process automation (45%) and data center optimization (44%) are the priority use cases for ML technology.

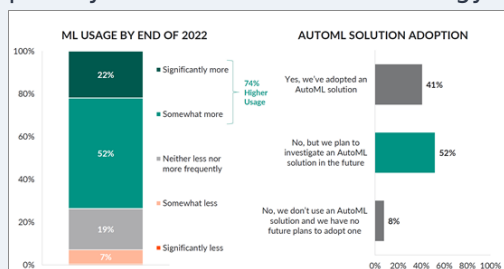


Figure 5 - Machine Learning Usage and Adoption Plans

The survey provided a helpful snapshot of what Finance executives are thinking about and planning

for as they enter 2022. It's encouraging to see the mostly positive economic outlook for 2022, however most organizations are clearly incorporating continued inflation into their plans and strategies for next year.

Attracting and retaining talent as organizations continue to support remote work is clearly a challenge and area of focus, as is implementing more formal ESG programs. And all of the market buzz around analytics and machine learning is clearly coming to fruition in the form of increasing adoption.

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