Economic Disruption Hinders Financial Decision Making in 2022

This article first appeared on OneStreamSoftware.com by John O'Rourke

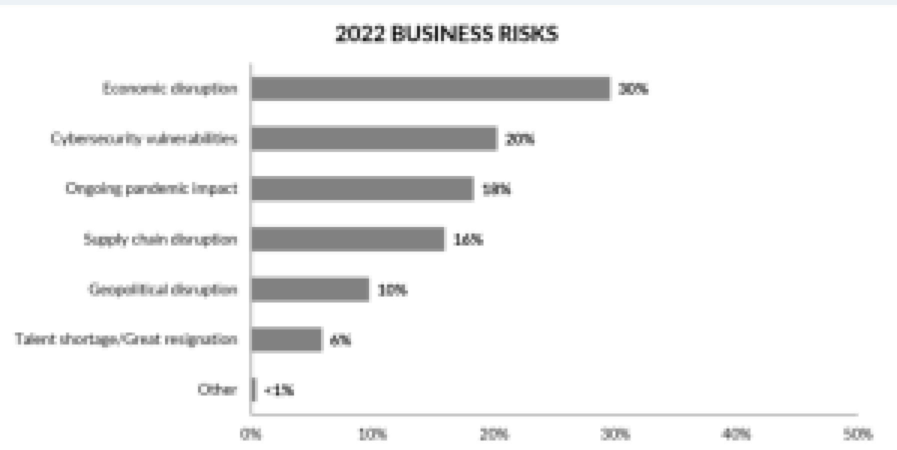
The global economic landscape in 2022 has created challenges for CFOs and Finance teams around the world. Just when we thought we might get a break from the pandemic that has besieged the world since 2020, new variants have emerged and have driven continued surges in the virus in China, Europe, and many parts of the US. Supply chain disruptions that started during the pandemic have continued to plague many industries and have driven inflation to the highest levels in 40 years.

Moreover, the war in Ukraine has created increasing pressure on global oil and natural gas prices, which are rippling through the global economy, impacting individual consumers and enterprises alike. So how are CFOs and other Finance executives planning for the remainder of 2022 and 2023? Read on to learn the results of the May 2022 Financial Decision-Maker Outlook survey, sponsored by OneStream Software.

Getting Inside the Heads of Finance Executives

For the past few years, OneStream Software has sponsored surveys of Finance executives to gain a better understanding of how they are helping their organizations navigate the complexities of today's economic landscape. In the Spring of 2022, Hanover Research surveyed 257 Financial Decision Makers in North America to understand their views on inflation, supply chain disruptions, tax reform, talent management, ESG, and DEI initiatives, and technology investments.

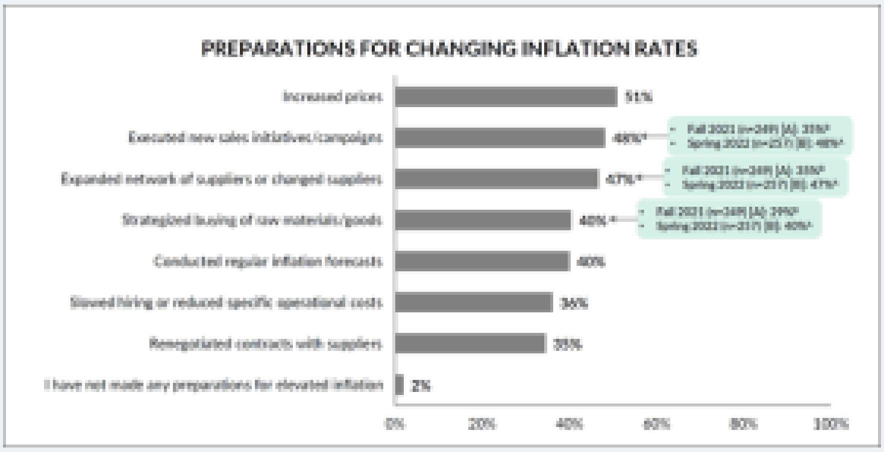
According to the survey, the impact of ongoing global disruption, such as supply chains, inflation, the war on talent, and the Great Resignation, still pose significant challenges. As finance leaders forecast and plan for the future amid this new reality, they must remain agile to survive and thrive. Almost three-quarters of finance leaders expect inflation and supply chain disruption to extend into 2023, with more than half needing to increase prices to offset the impact on their business.



As they continue to navigate the uncertainty of the current economic landscape, 30 percent of finance leaders identified economic disruption as the largest threat to business in 2022. When asked about current business drivers and plans for the coming 12-18 months, CFOs and other financial leaders were heavily focused on economic disruption and other key factors.

Economic Disruption Surpasses Cybersecurity as Largest Threat to Business in 2022

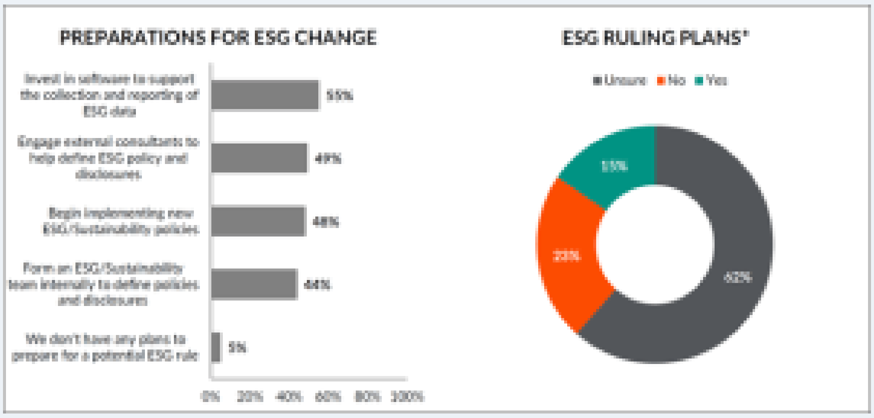
The current financial climate has CFOs and finance leaders predicting inflation and supply chain challenges will extend through mid-2023, forcing organizations to implement new practices to manage the impact on business. About half of respondents polled noted they are increasing prices (51 percent), leveraging new sales initiatives and campaigns (48 percent, a 13 percent increase from the Fall 2021 survey), and expanding their supplier network (47 percent, a 12 percent increase from the Fall 2021 survey) as a result.



Tax reform and planning are on the radar of almost all finance decision-makers as potential new U.S. global tax policies are on the horizon that may impose a minimum tax rate. Half of the organizations polled will need to update their 2022 strategies, including tax planning and provisioning processes (64 percent), and 45 percent said tax changes would significantly alter their 2022 forecasts.

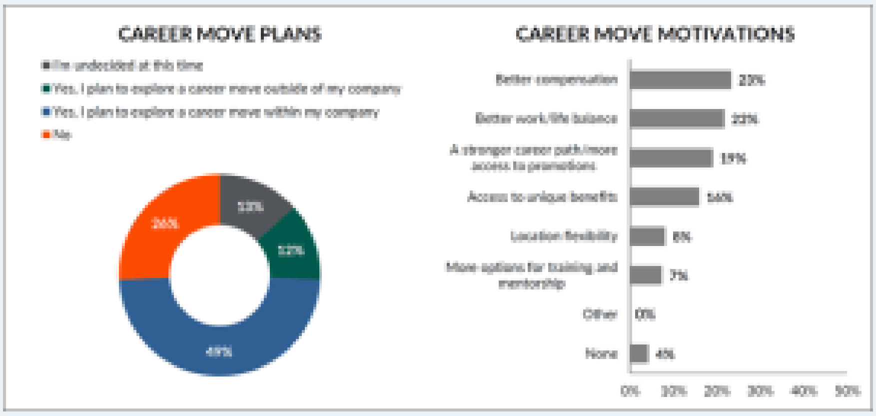
Organizations are Prioritizing DEI Initiatives and ESG Investments

With ESG reporting guidelines converging and new mandatory disclosure requirements being proposed by the US SEC and regulators in other countries, investments in ESG and DEI remain a priority. These findings align closely with the Spring 2021 survey, as 60 percent committed to investing more in DEI and ESG initiatives this year. While two-thirds of respondents report uncertainty around planning for new ESG guidelines and disclosure requirements, almost all (95 percent) are preparing for this change either by implementing new ESG/sustainability policies, engaging consultants, or investing in software to capture and report ESG data.



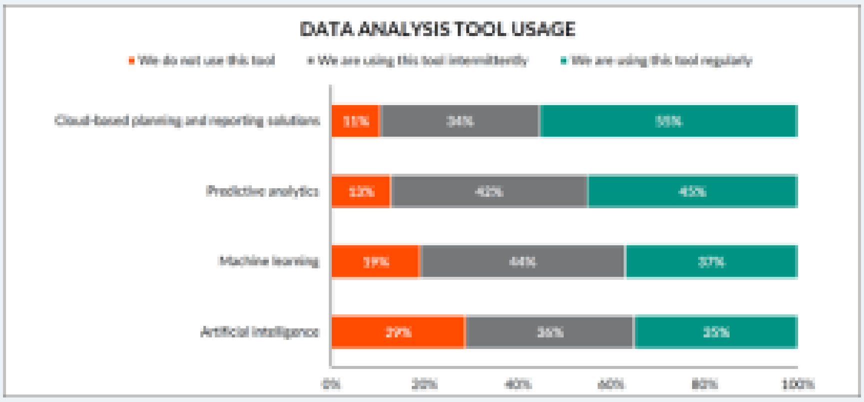
CFOs Target Investment in Talent to Combat Great Resignation

The Great Resignation and war on talent continue to support an employees' market, challenging organizations to revisit their approach to talent acquisition and retention and expand recruitment practices to remain competitive. In the quest for talent, finance leaders are investing in training and employee development (56 percent), improving internal and external workspaces (52 percent), and building company culture (47 percent), among other efforts. When asked if they plan to make a career change of their own this year, almost half confirmed yes, but within their existing organization.



Increased Investments in Predictive Technology, Especially Machine Learning (ML)

With almost half (47 percent) of organizations planning to increase investment in ML this year, and the majority (63 percent) already seeing a return on their investment, it's clear this technology is serving finance leaders and their teams well. In fact, 87 percent of respondents have either adopted, or are in the process of adopting, an [AutoML solution] to support intelligent process automation, data center optimization, customer service, and sales/marketing optimizations, among other use cases.



Cloud-based solutions and predictive analytics are also popular among the majority of finance leaders, with one-third saying they use the technology regularly. These solutions will receive increased investment in 2022 than in previous years, with 22 percent of respondents planning to invest more in cloud-based software and 21 percent investing more in predictive analytics. When asked about roadblocks to technology investment this year, 42 percent responded that cost was a factor, in addition to cybersecurity concerns (38 percent) and the technical skill gap of employees (38 percent).

Learn More

The results of the Spring 2022 Financial Decision Makers Survey validated what OneStream Software is seeing and hearing from our customers in terms of the business challenges they face. Inflation and supply chain disruption is here to stay in 2022 and most Finance executives expect them to continue into 2023. The mandatory ESG disclosures being proposed by the US SEC are driving many organizations to invest in their ESG processes and software to help not only with reporting compliance but also with planning and managing ESG and DEI initiatives.

The good news is that today's cloud-based analytical software technologies are proving their worth in helping organizations plan and navigate a volatile economic landscape and increase their agility to respond. Other surveys show Finance departments lagging other parts of the enterprise in the adoption of AI and ML tools, but as these capabilities are embedded into modern planning, reporting, and analytical software applications, Finance adoption is poised to expand rapidly.

To learn more, download a copy of the May 2022 Financial Decision Makers Survey and contact OneStream if your organization needs help conquering the complexities of today's economic landscape

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