SURVEY

The Future of Finance

90% of CFOs will use automation, AI and fintech by 2024

ORACLE NETSUITE

azdan

Introduction

Largely as a result of the pandemic, reliance on and comfort with technology as a business differentiator has progressed in the past two years at pace that would otherwise have taken a decade or more to reach. Customers are rapidly shifting their buying to ecommerce. Supply chains are better managed with strong technology. Staffing woes can often be addressed with automation, and the list goes on.

Way back in October of 2020, McKinsey called out a “quantum leap” in tech adoption. The Harvard Business Review last September said AI adoption had “skyrocketed.” The World Economic Forum says the interest in and use of cloud technology by small and midsize enterprises more than doubled from 2019 to 2021 and that interest in and use of AI tripled over the same period.

The goals of this massive technology adoption are clear: Meet customers where they are, make it as easy as possible for them to buy from you, improve instantaneous visibility and understanding of business operations, improve efficiency and bolster trust and confidence in business decisions through data analysis.

Finance teams now sit at the center of the digitalization movement, swiftly adopting technology for the team’s own use and helping to establish tech priorities and ROIs for teams throughout the company. Even as economic conditions roil, most companies say they’re expecting to grow this year, and they’re planning to bring in even more technology, in many cases.

Key Findings

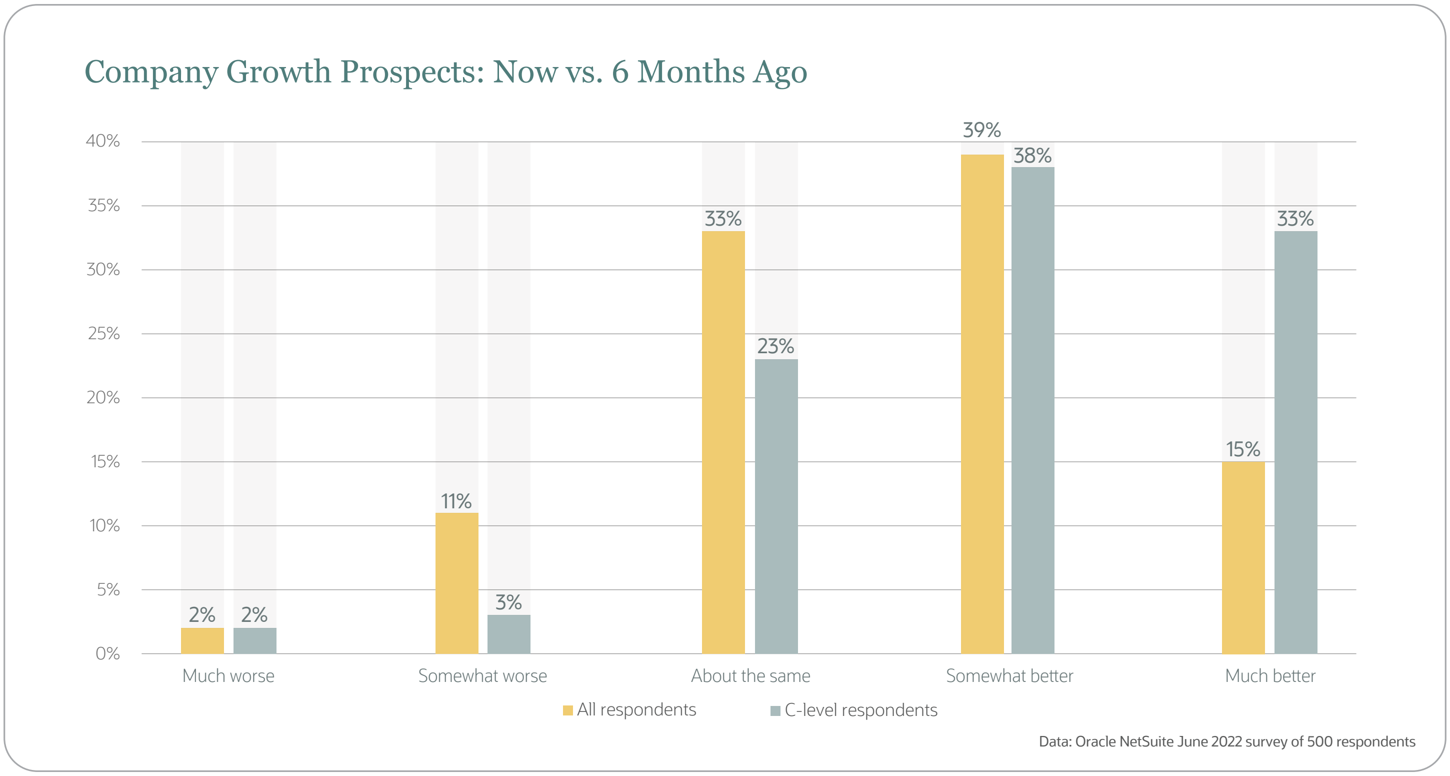
- Despite a convoluted economic environment, 71% of C-level execs say company growth prospects are better now than they were six months ago.
- According to 36% of managers, inflation has prompted leadership to ask them to improve efficiency amongst teams.
- 41% of the C-suite strongly agrees that their company adopts technology as soon as it’s advantageous, but only 18% of VPs and directors say the same.

The data presented in these charts comes from an early June poll of 500 executives and managers in companies with under $250 million in annual revenue. Half of the respondents were from companies with less than $50 million in annual revenue. Half work in finance, and half are executives. The result is a 360-degree view of business challenges and solutions as well as manager reactions to executive actions.

Leaders Share Outlooks and Spending Plans

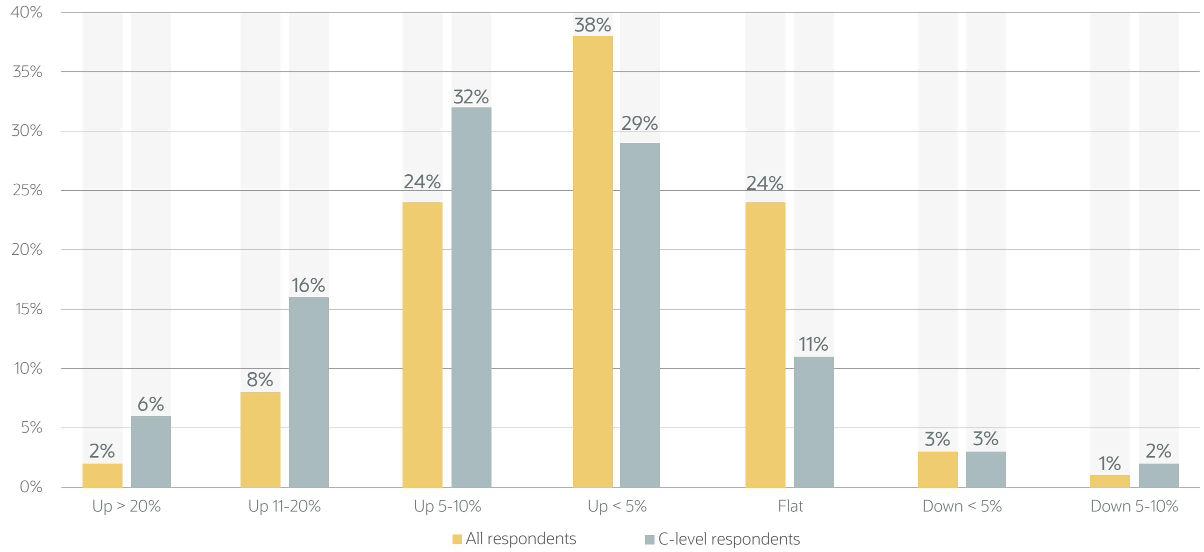
For those who thought the economic environment couldn't get more convoluted after 2021, 2022 is turning out to be a "hold my beer" moment. Soaring energy, food and housing costs have consumers on edge and are vexing many business sectors. And yet those factors aren't necessarily negatively affecting all businesses, or at least they feel manageable. In our survey, 71% of C-level respondents said that growth prospects now are better than they were six months ago, and just 5% said they are worse. Taken as a whole, respondents were a bit less positive than the C-level alone, but still, just 13% said things are worse now.

This stands in sharp contrast to how leaders view the economy as a whole. The **Richmond Fed conducts a survey** of CFOs each quarter. There, the Fed asks CFOs about their optimism regarding their company and the economy as a whole. CFOs' mean optimism for their company was a 68 on the Fed's 0-100 scale, down 1.8 points from the previous quarter. Their optimism for the economy as a whole was just 50.7, down 4.1 points from last quarter.



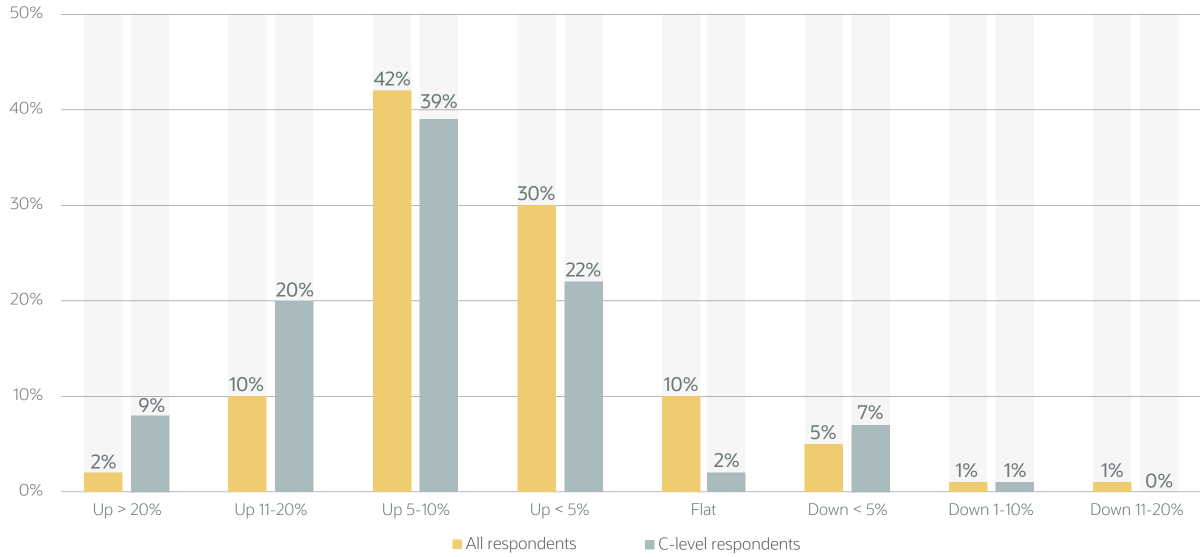
The C-suite respondents are similarly positive about revenue and earnings growth for their own companies. Just 8% see revenue decreasing versus 2021, and only 5% believe this year's profits will be lower. Compare that with 22% who think profits will be up more than 10%, and it's clear that business leaders expect to do well through 2022. The Richmond Fed survey found similar numbers: 2022 mean revenue growth expectations were up 9.3%. However, expectations for 2023 growth came in at 6.7%.

Company Profit: Now vs. 2021



Data: Oracle NetSuite June 2022 survey of 500 respondents

Company Revenue: Now vs. 2021



Data: Oracle NetSuite June 2022 survey of 500 respondents

Regarding what to do with those increased earnings, the current economic environment matters. Seventy-two percent of C-level executives expect better profits this year than last. In more certain times, this would call for a healthy increase in business reinvestment to keep that momentum going. However, with interest rates rising, the Fed working to cool the economy and a more dour outlook for the broad economy, some of those new earnings are being banked.

It's not that businesses aren't planning to invest, but they're doing so at a lower level than just three months ago. The chart below shows executive spending plans in eight areas tracked since December 2019. Last October, it looked like spending plans were heading back to 2019 norms — meaning spending increases in the 5%-10% range for most of the areas listed. That's changed, with the average spending increase at or below 5% in each area.

Evolving Spending Plans: 2020–Present

This chart is a weighted average of responses. The scale ranges from +2 (all respondents increasing budget more than 10%) to -2 (all respondents decreasing budget more than 10%). Zero implies flat budgets on average.

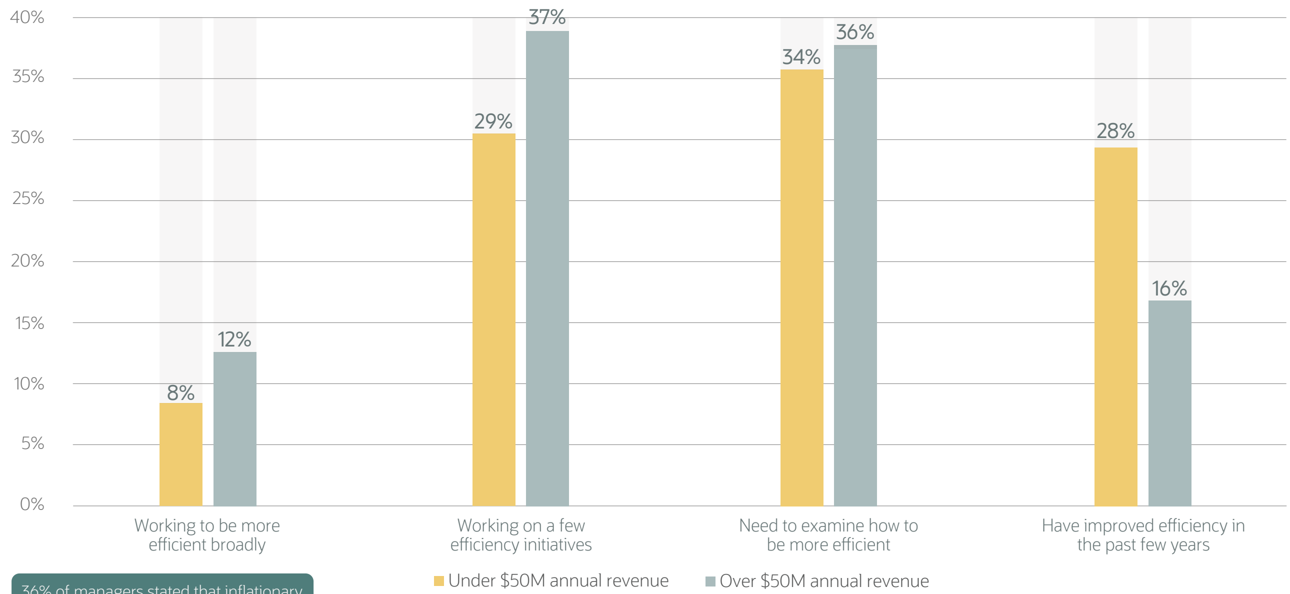
In most cases, finance and non-finance executives are aligned on spending increases, as are larger and smaller businesses. However, spending on non-IT, non-production operations is an exception. In that area, 19% of finance executives are looking to increase spending by 10% or more versus 5% of their non-finance counterparts. Two likely drivers there are resources for finance itself and office reworking to accommodate return-to-office requirements.

Finance Steps Up in the Quest for Productivity and Efficiency

Almost half of companies with revenue over $50 million have efficiency initiatives ongoing, as do 27% of companies with less than $50 million. Of the rest, most recognize that they need to improve efficiency, even if they aren't actively working on it now.

Thirty-six percent of managers report they've been asked to improve efficiency because of inflation. Finance execs were more likely to ask for efficiency gains than their peers.

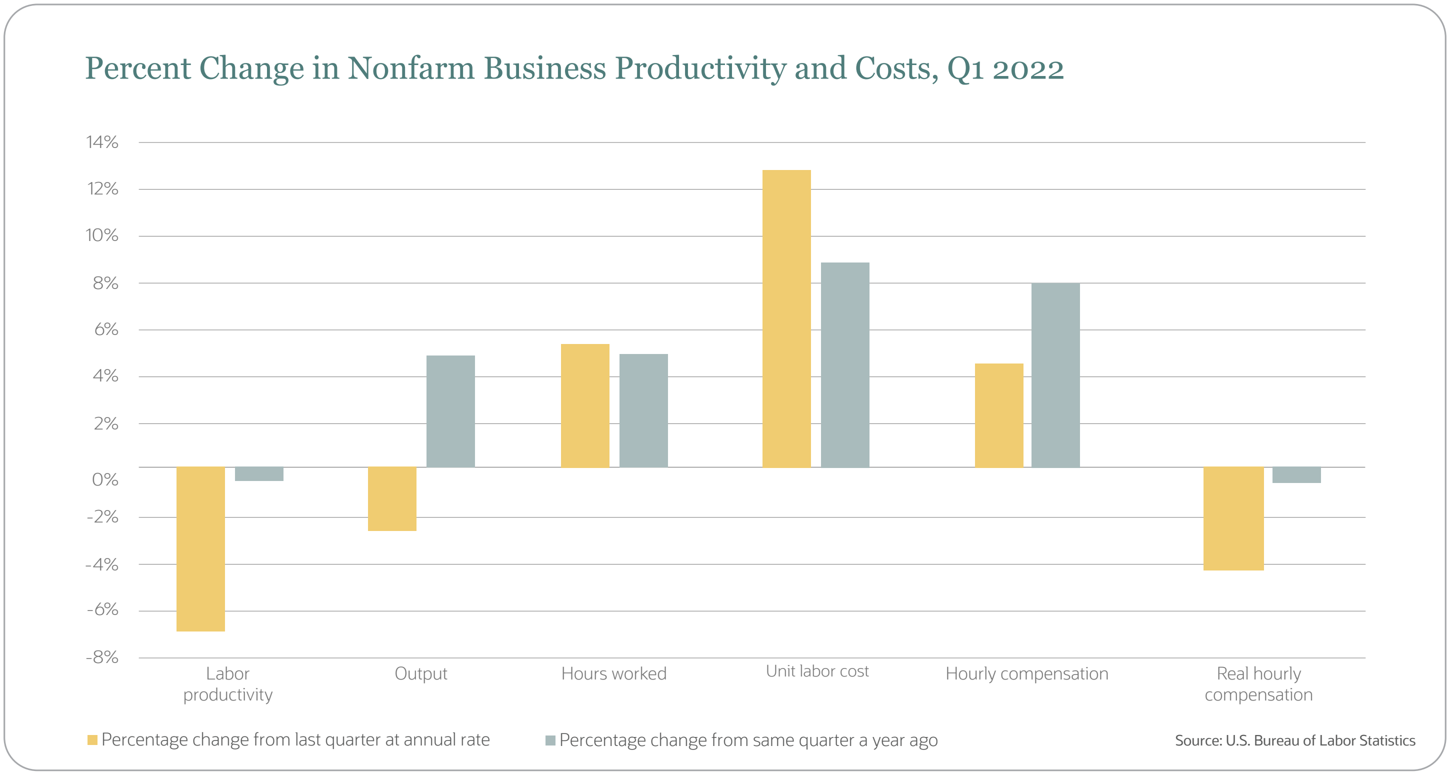
Company Approach to Efficiency



36% of managers stated that inflationary pressures have prompted leadership to ask for efficiency improvements.

Data: Oracle NetSuite June 2022 survey of 500 respondents

While there's a semantic difference between productivity and efficiency, the two get at the same goal of producing more without necessarily increasing input costs at the same rate. The Bureau of Labor Statistics (BLS) tracks worker productivity and unit labor costs on a quarterly basis: Q1 saw a double whammy of lower productivity and higher hourly compensation, which combined to drive up unit labor costs by over 12% quarter-over-quarter and over 8% year-over-year.

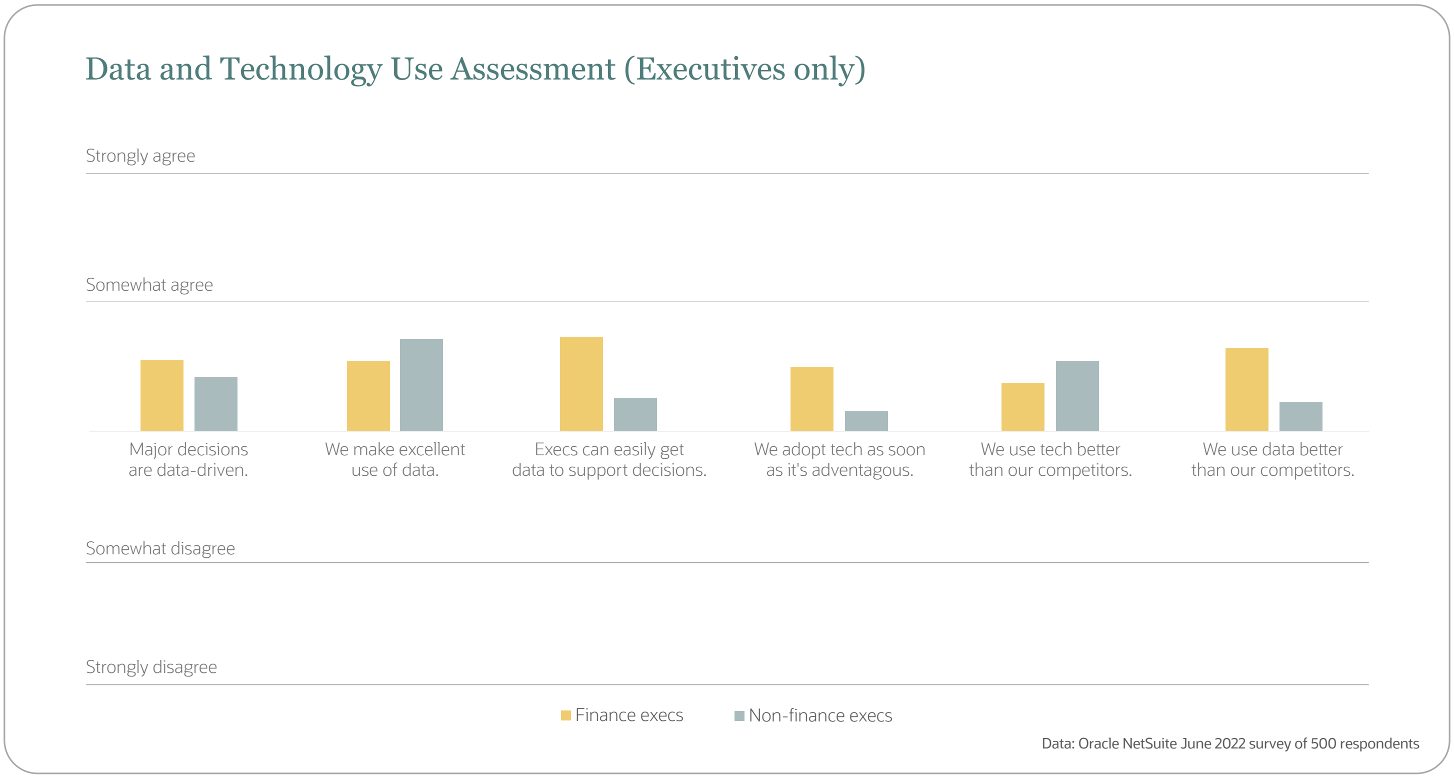


While the BLS reports that companies are paying workers more, workers are seeing a cut in real hourly compensation. That's needed to manage inflation — but it won't leave workers happy, and unhappiness contributes to lower productivity. Whacky supply chains present another challenge to productivity, because workers can't be productive if they don't have the right materials at the right time to do their jobs.

So, whether you look at worker output from a productivity or efficiency point of view, you're likely to find challenges. Longer-term improvements usually come from better tools and automation — both of which imply capital spending, which may explain why capital spending is still on the increase. Finance has an increasingly large role to play in such technology acquisition. While business leaders will be able to see the advantage of any particular technology, they'll have a harder time assessing the likely ROI of implementing it as well as the risk that the ROI won't fully materialize. Finance has always had a role here. But with inflation, recession threat and changing customer desires in play, it'll be harder to get ROI right, and therefore the process demands more of the finance team's focus.

New Technologies Find Exec Support—But Which Are Most Practical?

Perhaps the biggest challenge for finance leaders through the pandemic period has been providing good data to support decisions. Changes in supplies, workforce availability and demand have been for the most part unpredictable, and yet finance teams need to try and find meaningful data to support decisions. It's no surprise, then, that executives outside of finance aren't fully happy with the data available to them. The chart below shows that there's plenty of work to do in using data and technology effectively, but that's not solely a pandemic artifact. In 2019, "using data effectively" was most commonly cited as one of the finance team's top four priorities, regardless of the respondent's role, position or company size. Back then, more than 60% of both finance and non-finance executives included it in their top four annual goals for the finance team.



Now, the lack of reliable data with which to support decisions is even more of a challenge. In 2020, consumers worried about finding a roll of toilet paper; today they worry about finding a seat on a plane. The swing between product demand and service demand might have been predictable, but the magnitude of the swings caught most everyone by surprise. Add in shipping snafus and fuel costs, and demand planning devolves to scenario planning for many companies. That's a complicated job for finance teams, as it now requires closer coordination and monitoring of sales pipeline, operations and service/product delivery than at any time in the recent past.

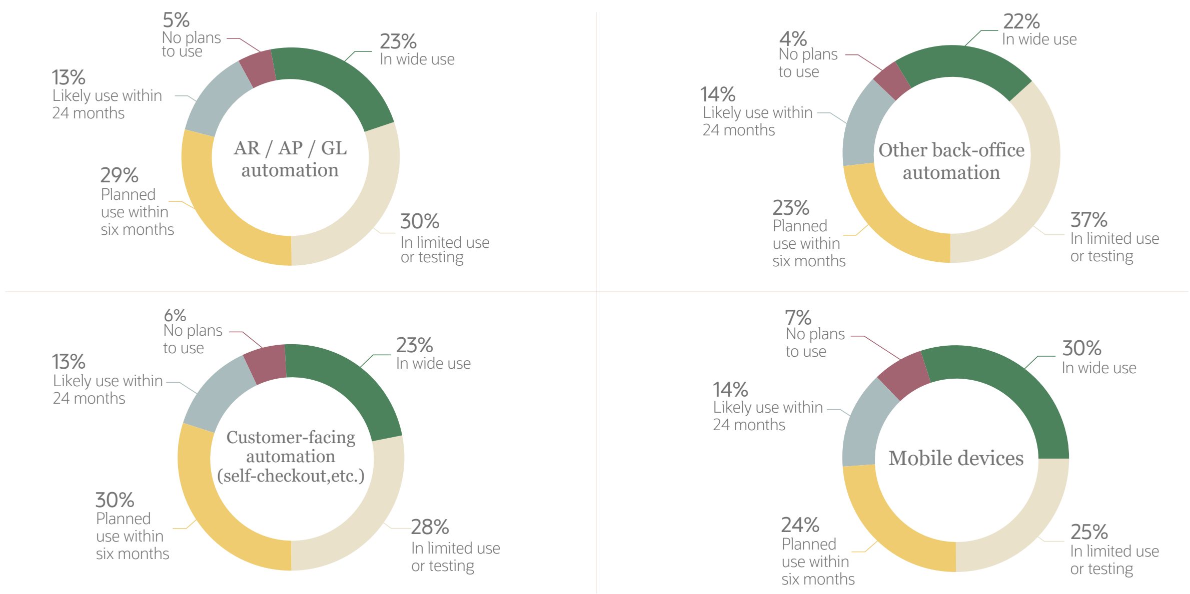
It's heartening that non-finance executives are most likely to say they're able to make excellent use of data, even if they don't feel that they easily get all the data they'd like. They seem to recognize that while data could be better, it's still pretty good — and that's an acknowledgement of the work finance teams and their leaders have done through the pandemic.

Non-finance executives are, on average, ambivalent about their company's technology adoption. However, there's a big disparity between how C-level executives feel about tech use versus their VPs and directors. Forty-one percent of the C-suite strongly agrees that their company adopts technology as soon as it's advantageous, but only 18% of VPs and directors strongly agree. There's likely a difference of opinion about when a technology becomes advantageous, and the executives who make final approval of the purchase are logically more likely to think they've approved it at the right time.

At the pandemic's outset, technology adoption and spending was a priority for many companies. Work-from-home tools and ecommerce became must-haves for many, which opened the door to broader consideration and adoption of technology. In this survey, we asked about 10 newer technologies spanning three business areas. At least half of executives said that all 10 would be adopted within the next six months.

Automation saw the greatest interest, with at least 80% saying they already have or will implement automation for functions like accounting, sales, ecommerce, payroll and customer-facing functions like self-checkout within six months. Mobile devices are widely used in 30% of companies, and another half of executive respondents say they'll use them within six months. For finance teams, automation is a godsend for productivity, governance, efficiency and accuracy. In turn, that tends to free up the resources to improve strategic functions related to data analysis and FP&A. So, as these technologies become the norm, lacking them will become a strategic disadvantage.

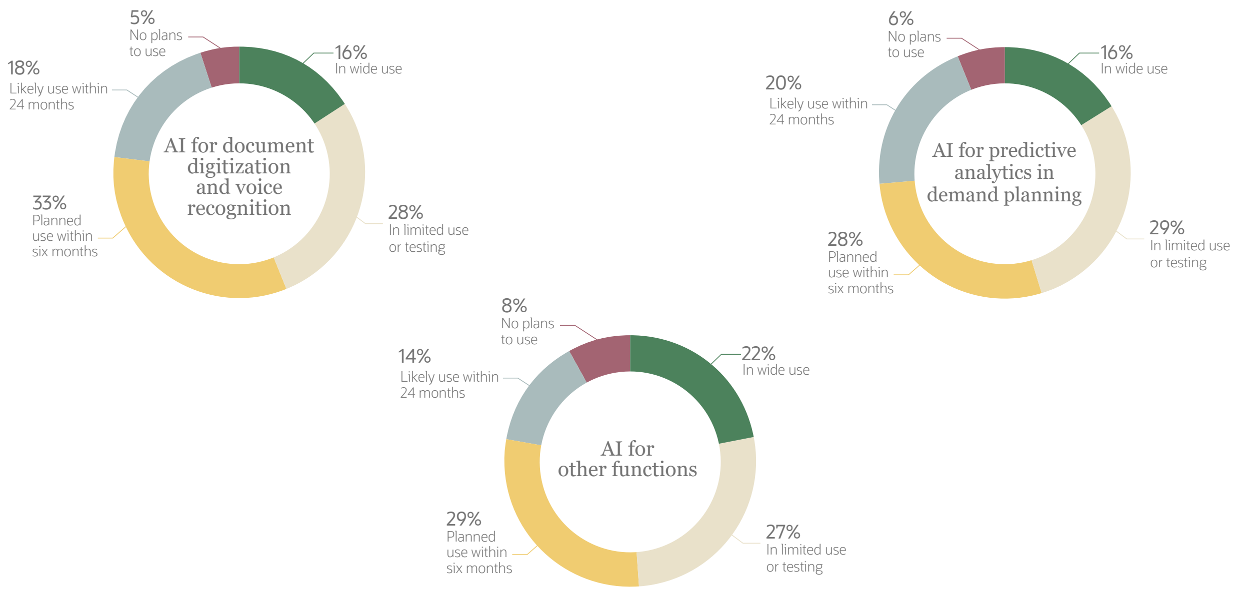
Use of Mobile Devices and Automation



Data: Oracle NetSuite June 2022 survey of 500 respondents

About one-sixth of respondents are widely using AI and machine learning, and almost 30% more are testing these technologies. It's surprising that using AI for analytics is just as common as using it for voice/language recognition and document digitization. The latter is common in chatbots, document processing and automated call attendants. AI for analytics is found in some business intelligence and dedicated analysis applications — but these tools require lots of data in order to be productive. Even thousands of data points won't be enough for a true AI system to provide insights. Predictive analytics do a better job when there's too much data for human brains but not enough for artificial ones. When datasets run in the millions of data points with lots of new data regularly added, then AI will be the way to go. Note that not all BI systems use AI, and depending on the application, it may not be desirable for them to do so. Applying artificial intelligence and machine learning to small data sets is the subject of research now, but it's not a commercial reality at this time. Still, the promise of AI and ML for business is unmistakable when conditions are right. For finance teams, it'll be important to understand the applicability of these technologies to their needs.

Use of Artificial Intelligence and Machine Learning

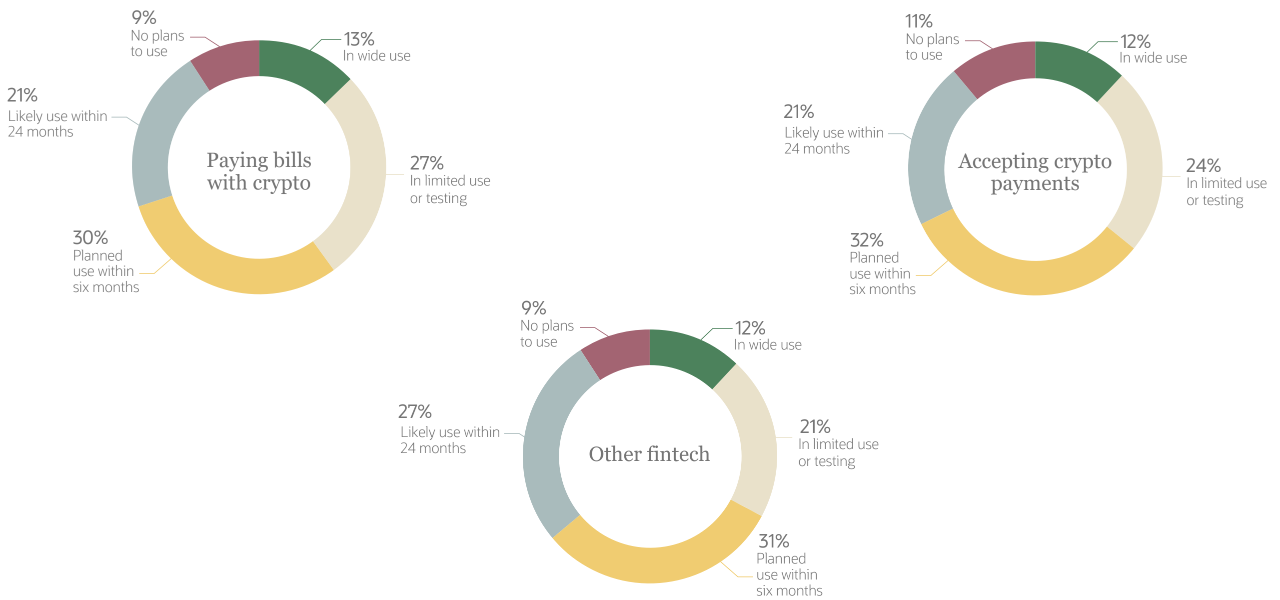


Data: Oracle NetSuite June 2022 survey of 500 respondents

About one in eight respondent companies are currently using cryptocurrency and other fintech applications. About one in four are in limited testing, with bill payment as the more common use. There are two worlds for fintech and cryptocurrency: payments and investment. The latter is too volatile for business applications and probably personal applications, too.

So, we'll stick to discussing fintech and crypto's advantages for payment purposes. In case you haven't been watching CryptoTanks, if you had purchased $100 in bitcoin in November 2021, you'd have about $20.50 now. By contrast, had you put the $100 in S&P 500, you'd have about $80 now.

Use of Cryptocurrency and Other Fintech



Data: Oracle NetSuite June 2022 survey of 500 respondents

The blockchain technology behind cryptocurrencies addresses many of the shortcomings of payment systems in current use. Blockchain's distributed public ledgers mean transactions are easily verified, non-repudiable and fast — and they should be cheap, as there aren't any clearinghouse fees. At the moment, the big challenges are the volatility mentioned above and the challenge of moving money into and out of crypto quickly. Solve the volatility problem, and you've got a better payment system, which is why many central banks are exploring how to get in the game.

Finance teams should be watching and testing these systems. It's likely that someday, crypto will be the way we pay for things, and making it an option for accounts payable and receivable will make your company easier to do business with. However, it seems pretty unlikely that 90% of businesses will be using these technologies within two years. **Janet Yellen spoke about digital currencies** earlier this year. Her bottom line: interesting, but the United States isn't going there with a fiat currency yet.

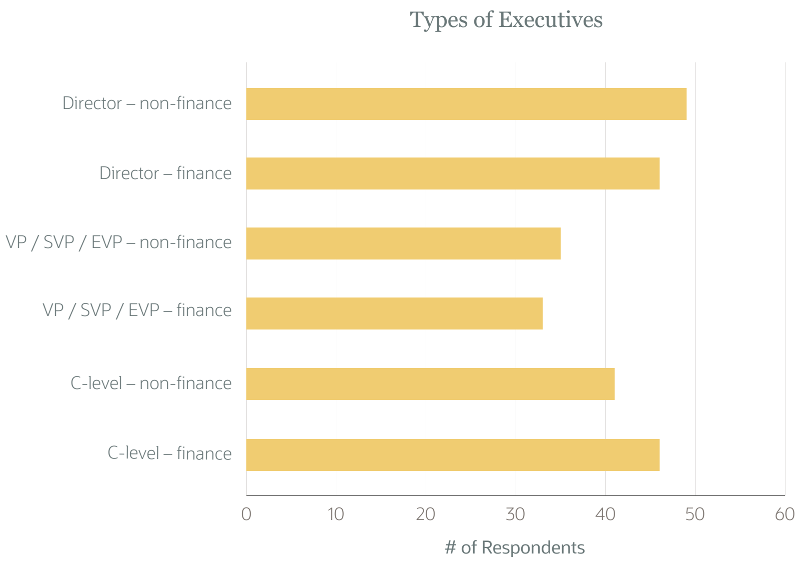
The Bottom Line

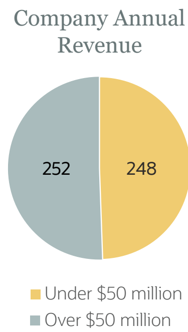
Technology is now table stakes in business, and the advanced technologies discussed here can spell a competitive advantage. We're entering a time when there simply aren't as many workers as there are job openings, so profitable growth will mean automating tasks. Automation also comes with better, more reliable data both in finance and other departments. The inherent timeliness and accuracy of that data is exactly what finance teams and business leaders need to make better decisions in a rough economy.

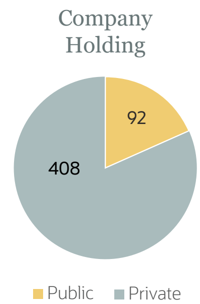
In terms of spending priorities, leaders are tapping the brakes as they watch the economy for signs of slowing and a possible recession. However, in terms of adopting technology and building it in to improve processes and collect better data, they're looking to move full speed ahead. There's a balance to strike, and those who get it right will be well-positioned for growth as the economy moves toward more stable times.

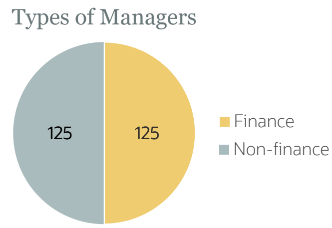
Appendix

Survey Respondent Demographics









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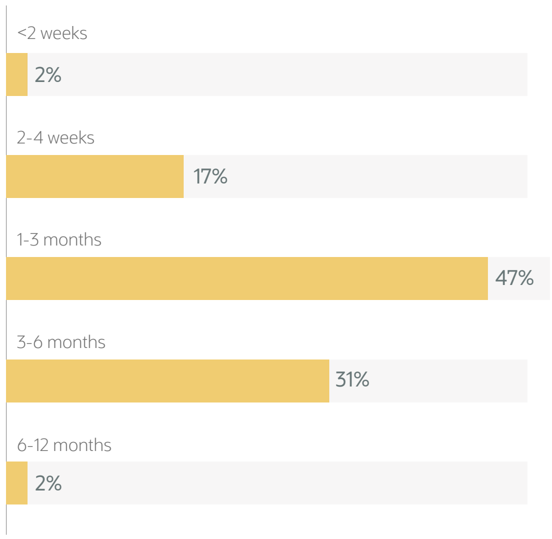
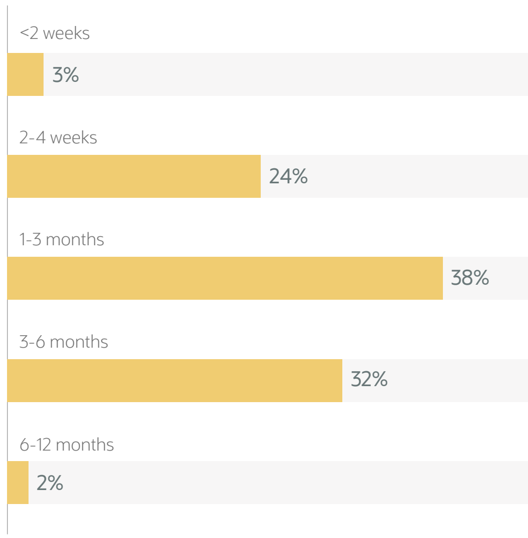
Time for a New Hire to Become Fully Productive



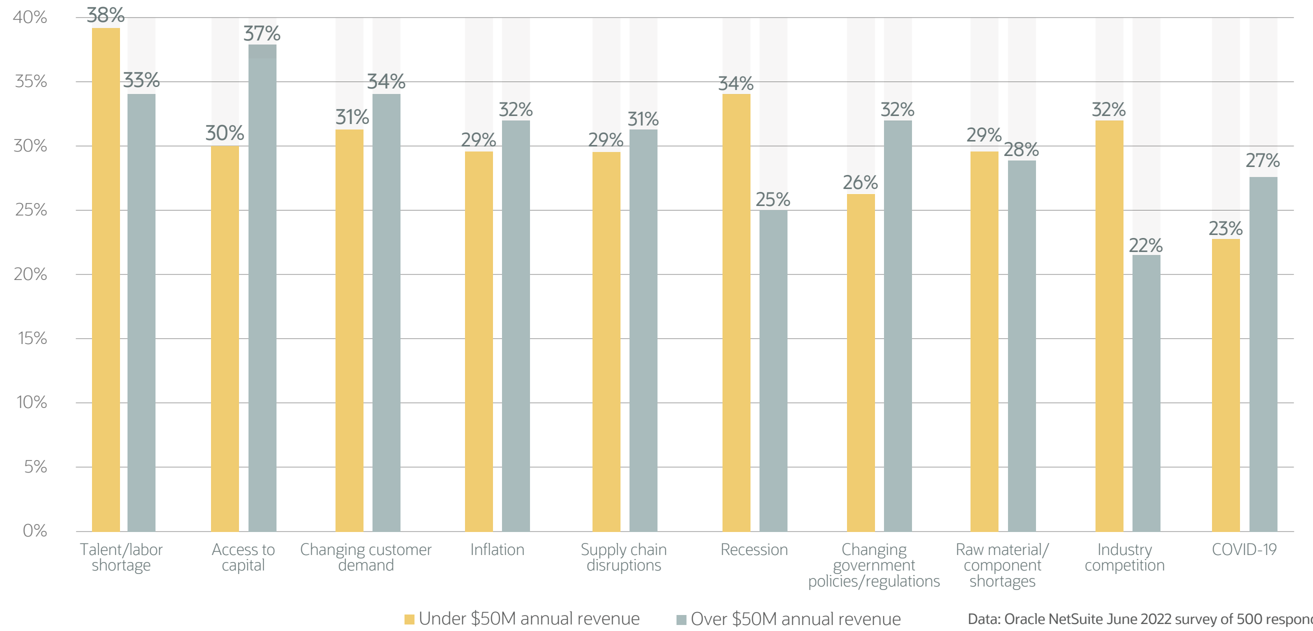
Time to Fill an Opening



Managers

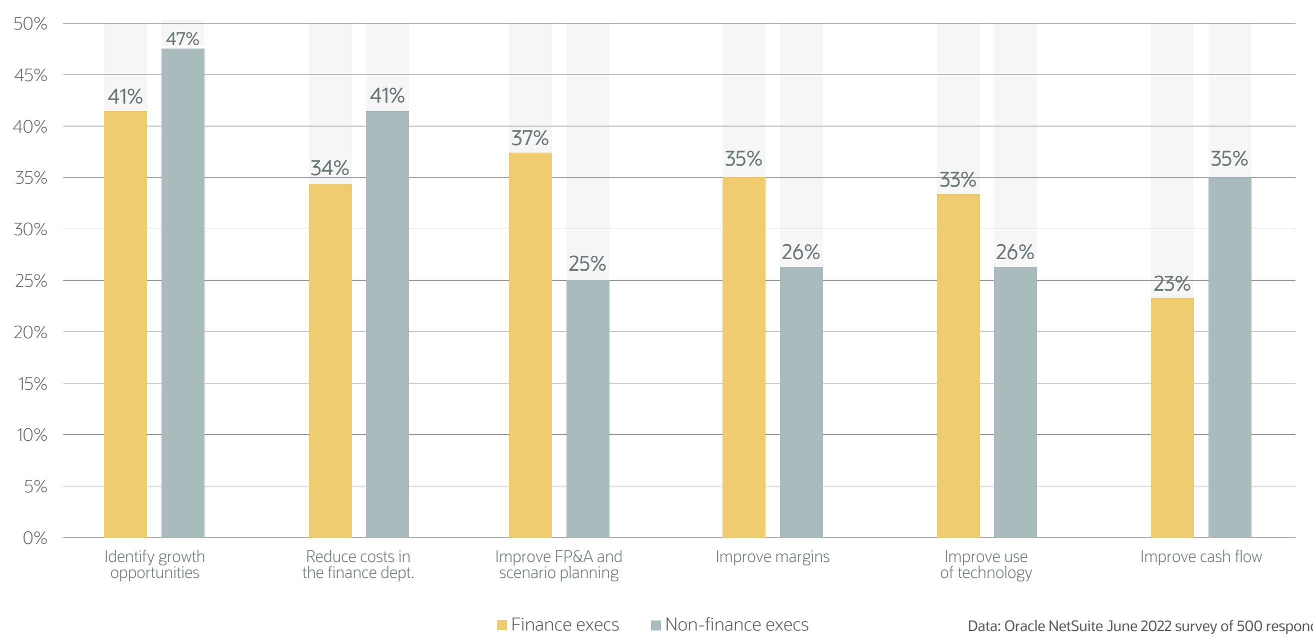
Data: Oracle NetSuite June 2022 survey of 500 respondents

Top 3 Business Concerns



Data: Oracle NetSuite June 2022 survey of 500 respondents

Top Priorities for the Finance Department



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