protiviti®
Global Business Consulting

CFO EXCHANGE

Software Company CFOs Discuss Risks, Budgeting and Talent Issues

Chief financial officers (CFOs) of high-growth software organizations met virtually to discuss topics of mutual interest, including top risks, leading industry practices and trends. The agenda for this small-group meeting, conducted under Chatham House Rule, was created through a series of pre-interviews. Protiviti managing directors Scot Glover and Noah Kessler, hosted the exchange. Comments from participating CFOs are summarized below.

Key Takeaways

RISK LANDSCAPE	
01	Scot Glover and Noah Kessler opened the conversation by sharing some of the results of Protiviti's latest technology-industry top risks survey for 2023. The volatility of the past couple of years was reflected in the survey, showing both a strong demand on the technology sector and major issues around maintaining a robust workforce. With many workers relegated to remote work as a result of the COVID-19 pandemic, security and broader regulatory compliance issues have become hot-button concerns in the increasingly digital business landscape. Some companies have experienced pushback against certain post-pandemic practices, and cultural resistance to those changes are an area of risk that business leaders will look to address in the new year. There is also collective anxiety around building resilience as the current geopolitical realm continues to trend to extremes.

BUDGETING APPROACHES	
01	With budget practices at the forefront of everyone's schedules as they move to close out Q4, the group members shared approaches to introducing more agility to their budgeting processes to create a more continuous planning cycle. The shorter quarterly planning cycle gave business leaders a chance to better align their business strategies with their long-term forecasts. The traditional annual budgeting process feels a little antiquated by comparison, as models are usually unusable that far out.

02	One executive warned against going too granular on budget planning, as monthly forecasts will begin to overlap and become redundant. Another company has started holding quarterly strategic meetings that include financial forecasting aspects. The CFO has found breaking the year into different planning sessions has helped in keeping a close eye on the budget. During the spring sessions, the company analyzes its financial assumption models and adjusts accordingly for the upcoming year. This gives the company a preliminary view of the upcoming budget, allowing the company to get a look at the revenue and expenses to set against its spending.
03	Another CFO said his company held a three-day budgeting marathon for different department heads to come together to create a budget forecast they all agreed upon. The marathon approach helped provide some background into where the budget goes, which other departments would not have the chance to see otherwise. This helped mitigate budget complaints down the road.
CAPITAL MARKETS	
01	Tough economic conditions are giving some CFOs pause as they consider whether or not to attempt to raise capital. CFOs are weighing current debt structures against opportunities, all against a backdrop of rate fluctuations that make long-term debt at current rates unappealing to some. There is similar skittishness on the side of investors, but finding cash is still possible. One CFO said his organization was able to complete a round of funding in August, which in turn helped the company refinance.
02	Having completed a major refinancing in 2021, another company is now in the enviable position of being cash-flow-positive. The firm is inclined to make strategic investments with its excess cash, but it is also feeling pressure to return that money to shareholders through dividends or share repurchases. The firm is also considering paying down some debt, something that analysts now seem less opposed to.
03	Decisions on what to do with excess cash should be driven by costs of debt service, cost of equity and business opportunities. Given current market conditions and rising rates, simply sitting on the cash and waiting for opportunities may be a good option. Investing and hedging are also strategies that CFOs are using in a volatile market.
TALENT CHALLENGES	
01	There are some concerns about talent acquisition and retention, given the high demand in the industry and high burnout among talent. Given the current climate, there are some companies that plan to enter the new year a little conservatively, and several CFOs have already implemented hiring freezes for their organizations. However, with so many layoffs happening around the tech world, there is an underlying assumption that right now would likely be the best time for landing top talent.
02	Much of the grumbling about talent retention stems from work-from-home arrangements making for vacant office spaces. With companies only seeing a 20% return on people coming back to the office, many business leaders are having to consider closing branch locations or taking on subleases. Without strong mandates forcing people back into the office, there is little evidence suggesting any organic return to the office will occur, so organizations will likely have to continue to wrestle with these choices on how to manage properties going forward.

Protiviti: A Trusted Partner for All Stages of a Tech Company's Life Cycle

Whether you are an emerging or well-established company in the TMT industry, Protiviti offers technology and business solutions to help you rethink how you drive innovation with responsibility and talent. For those critical points in your company's life cycle — starting up, scaling up, looking to grow or working to increase efficiencies — Protiviti can develop custom solutions and provide a multidisciplinary team suited to your company's unique culture to help you achieve your operational targets.

Contacts

Scot Glover
Managing Director
+1.415.402.6413
scot.glover@protiviti.com

Noah Kessler
Managing Director
+1.646.428.8211
noah.kessler@protiviti.com

Gordon Tucker
Managing Director
+1.415.402.3670
gordon.tucker@protiviti.com

protiviti®