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CFO EXCHANGE

Executive Summary – December 4, 2020

Chief financial officers (CFOs) of high-growth technology companies meet virtually in a small-group setting using the Chatham House Rule to exchange learnings and discuss business challenges and industry trends. Participants of this exclusive CFO peer group create the agenda through a series of preinterviews. Protiviti is proud to support and host members of this community.

The topics for the December 4, 2020, meeting included economic outlooks, adjusting to new work environments, the talent market and capital investments.

Key Takeaways

OUTLOOKS AND UPCOMING CHANGES	
01	The CFOs shared their economic outlooks for the new year, and amid the ongoing financial turmoil and uncertainty caused by the pandemic. Many are hopeful that there will be additional government stimulus packages to help lift struggling small businesses; many would have gone out of business without previous stimulus activity. Market volatility could produce acquisition opportunities as some companies may look to sell off before tax-code changes impact the capital gains tax rate.
02	Upcoming leadership changes in Washington have raised the prospect of various legislative reforms. The CFOs shared concerns about the potential in 2021 for increased corporate taxes, which could necessitate an acceleration of capital gains repayment in order to lessen the impacts. Determining what to do with excess cash is also a consideration.

ADJUSTING TO THE NEW WORK ENVIRONMENT	
01	With employees still working outside the office at many organizations, leaders are considering reallocating funds to fit the circumstances (e.g., redirecting funds for holiday parties toward holiday gifts for employees). While such gifts could be considered compensation and have payroll implications, providing the gifts as part of a calendared meeting, such as a happy hour, would help avoid this issue. Additionally, companies are introducing various types of employee assistance programs, including working with third-party vendors to advance paychecks to cash-strapped employees.

02	In the new remote-working environment, firms are finding innovative ways to engage employees during the holidays. At one company, a pop-up online store was created for employees to select from a list of holiday gifts. Another company sent boxes of wines to groups, accompanied with a Zoom meeting featuring a sommelier to walk employees through a tasting session. This was a relatively inexpensive and fun way to make an event out of a gift.
03	Employees at one company asked about organizing outdoor social events to connect with team members, but management has been hesitant to approve this request given health experts' guidance on limiting social gatherings.
04	Stipends to help employees furnish home office setups have been extremely well-received, but some CFOs disagreed on whether those are necessary. Several participants noted that employees are saving money on gas and local taxes, which negates the need for a stipend. One executive provided a $250-stipend for home-office setup but is now considering another more robust stipend because the original amount was based on an assumed three-month time frame for working from home.
05	With or without a stipend, organizations are taking steps to better enable remote work. One organization used this period to transition over to a RingCentral call solution to allow employees to take calls from their desktops at home. The company also offered a cell-based router for employees who can prove that their router or home network is running slowly. Another organization allowed employees to take office equipment (e.g., monitors, chairs, etc.) home.

TALENT MARKET

01	The current climate of remote work has brought both opportunities and challenges to the talent market. As hiring begins to pick up, CFOs are noticing more of their top talent receive solicitations from outside companies for new roles, with talent loss at one organization accelerating dramatically over the last two months. Some fear this trend will increase even more after year-end bonuses are paid. One CFO changed companies himself during the pandemic.
02	Remote work has allowed companies to broaden their talent search geographically. This also means that potential employees now have the option to search for employment outside their own geographic area. In some instances, companies located in areas where the cost of labor is high are choosing to find geographically diverse talent at a lower cost.
03	Some organizations are finding it necessary to take a stance on where employees can work. One CFO has denied claims from employees to move to new locations and claim their original home office as their headquarters going forward. The concern is that this would allow talent who may be considered "nonregrettable attrition" to continue to work with too little oversight.
04	Empty offices have prompted organizations to review their real estate footprints, especially in high cost areas. Several participants are letting leases expire with no intention of seeking other office space. Employees have been offered the option to work remotely or relocate.

CAPITAL INVESTMENTS

01	In March, one organization conducted a series of sensitivity analysis to better understand how the changes in the labor market were affecting its business. The company wanted to be sure it was making the right capital investment decisions so that it would be better positioned when the market recovered. The company expects to continue the sensitivity analysis as it seeks to invest in long-term scalability and go-to-market projects to drive revenue growth.

02	At the start of the pandemic, one CFO elected to reduce employee 401(k) match and executive compensation to free up cash. This was received amicably by employees since the move allowed them to keep their jobs. Since the market bounced back, the organization has been able to reintroduce those benefits.
03	With businesses positioned well for remote work and stay-at-home orders, many CFOs see enormous opportunity for further investments in growth going into 2021. For one CFO, the challenge has been to convince a more conservative board to not inflate EBITDA next year and instead invest aggressively now while the market is favorable.
04	For one software company, which has benefited from increased sales during this remote environment, developing new products has been a significant struggle given the inability of its production team to work in person. As such, the company has shifted its strategy from investing in product development to seeking acquisition targets. The company realizes that saving cash for a better market might be the best approach going forward.

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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 and face the future with confidence.

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