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2021 Gartner CEO Survey: The CFO Perspective

Overview

In our 2021 CEO and Senior Business Executive Survey, CFO respondents report a shift from value protection to value creation and a prioritization of digital initiatives and investments. CFOs can use this report to benchmark their expectations for growth and approaches to finance digitalization.

Key Findings

- CFOs are shifting their attention from value protection (i.e., cost, efficiency and productivity, risk management) to value creation (i.e., revenue and margin growth).
- CFO respondents mentioned growth more frequently than any other priority: 56% indicated growth will be one of their top three business priorities for 2021 and 2022.
- CFOs see the new postpandemic normal as an opportunity: 64% indicate they will use the COVID-19 and economic crisis as an opportunity to focus on redesigning the business.
- CFOs indicate digitalization is a priority and are increasing their investments accordingly: 82% and 70% of CFOs said they will increase investments in digital capabilities and information technology, respectively.

Survey Objective

The 2021 Gartner CEO and Senior Business Executive Survey is part of our research into CEO and C-level business concerns, priorities and attitudes toward technology-related issues.

The purpose of this survey was to:

- Examine the current major business concerns and priorities of large-company CEOs and other C-level executives.
- Track variation of business leaders' priorities.
- Understand executive attitudes toward the importance and challenges of IT and digital.

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Data Insights

The 2021 Gartner CEO and Senior Business Executive Survey is part of our research into CEO and C-level business concerns, priorities and attitudes toward technology-related issues. For this annual survey, we interviewed 115 CFOs of companies with $50 million or more in annual revenue. CFO respondents reported a shift from value protection to value creation and a prioritization of digital initiatives and investments.

CFO Are Shifting Their Attention to Growth

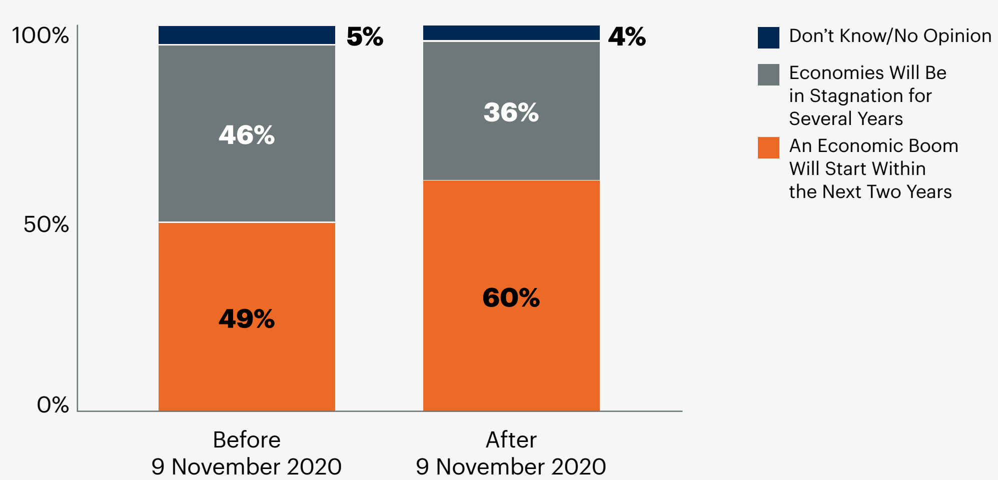
Fifty-six percent of CFOs indicated that growth will be one of their top 3 business priorities across 2021 and 2022.

For the majority of CEOs, 2021 will be a recovery year: 60% of surveyed CEOs indicated they expect an economic boom to start in the next two years. The number of CEOs predicting this boom has increased since the first vaccine was announced in November 2020, indicating CEOs are increasingly confident about their near-term economic prospects (see Figure 1).

According to our “2021 Gartner CEO Survey: The Year of Rebuilding,” the way CEOs will play the aftermath of this crisis is unlike their elongated period of caution after the banking financial crisis of 2009. This time, the majority are anticipating a fast, sharp recovery and are already making moves to take advantage. Though some might crave a quiet period in which to catch their breath, executive leaders should instead brace themselves for a slew of new initiatives and fast-paced drive.

Figure 1. Improvement in CEOs’ Economic Outlook

Percentage of Respondents



n = 354 respondents

Q: Which of the two opposing viewpoints most closely represents your view?

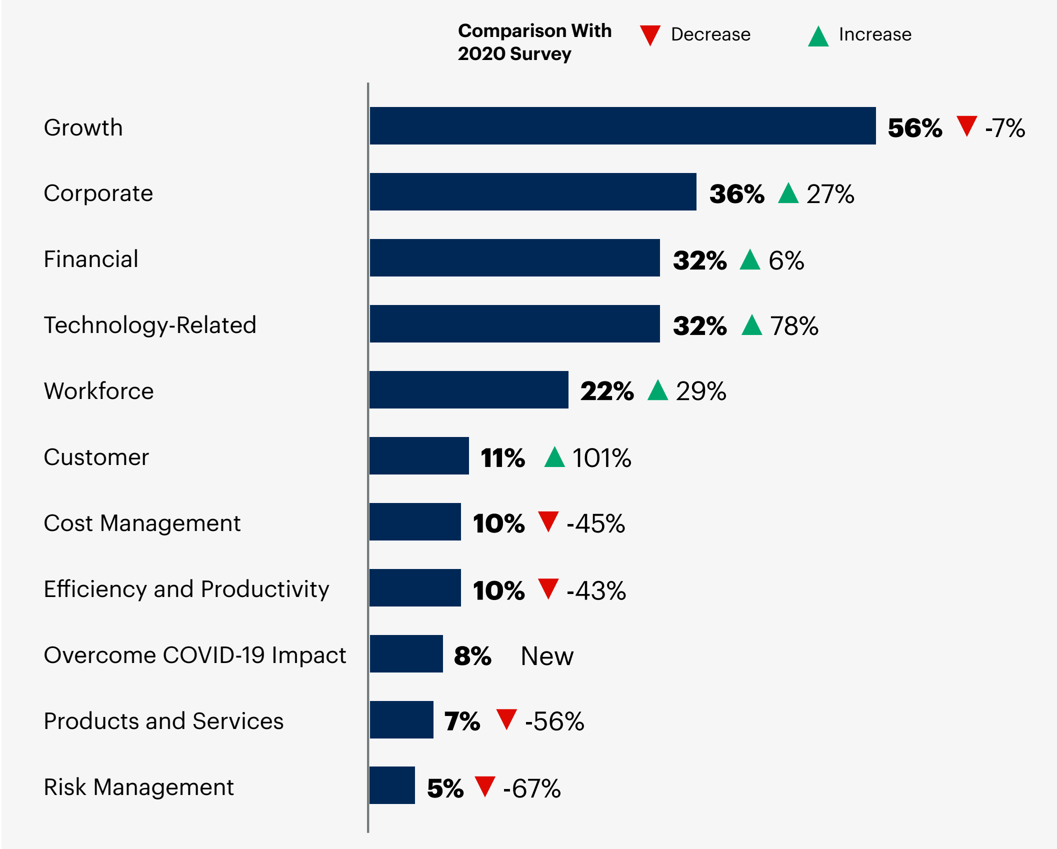
Source: 2021 Gartner CEO and Senior Business Executive Survey

In line with CEOs' expectations, the majority of CFOs we surveyed (62%) anticipate returning to or exceeding 2019 revenue levels by 2021. With this in mind, CFOs indicate they are focusing on driving growth in the next couple of years. In fact, CFO respondents mentioned growth more frequently than any other priority, with 56% indicating growth will be one of their top three business priorities for 2021 and 2022 (see Figure 2).

In contrast, only 10% of CFOs mentioned cost management and efficiency/productivity as one of their top three priorities for 2021 and 2022, and a mere 5% mentioned risk management. While the percentage of CFOs mentioning growth as a priority has decreased by 7% from 2020 to 2021, the change in CFOs focusing on cost, efficiency and productivity, and risk management is much sharper: a 45%, 43% and 67% decline, respectively. These numbers indicate a shift in attention from value creation (i.e., growth) over value protection (i.e., cost, efficiency and productivity, risk management).

Figure 2. Top 11 CFO Business Priorities in 2021 and 2022

Coded Responses



n = 115 CFO respondents
Q: What are your organization's top 5 strategic business priorities for the next two years (2021 and 2022)?
Source: 2021 Gartner CEO and Senior Business Executive Survey

In terms of expectations regarding growth, our survey indicates that CFOs expect their businesses' growth to be both organic and inorganic, driven by demand acceleration and M&A activity.

CFOs Expect Demand Acceleration to Fuel Growth

A majority of CFOs expect the recovery will be driven by demand acceleration: 83% expect it to have a moderate to strong effect on their businesses. This is in line with reports of consumers being ready to spend the excess savings they accumulated during the pandemic.[1] Consumers were not able to spend across 2020; now, they are confident about the future and ready to spend. According to The Conference Board Global Consumer Confidence Survey, consumer confidence soared to record heights in the first quarter of 2021 as vaccination campaigns broadened, travel restrictions loosened, and governments and central banks continued to provide economic stimulus.[2] Business confidence is also strong: In the U.S., the ISM Manufacturing PMI has been above 60 from February to April of 2021,[3] while in the U.K., it has been increasing since January and is now above 60.[4] Robust savings and confidence validate CFOs' expectations for growth.

CFOs Are Increasingly Focused on M&A

The number of CFOs focused on M&A has more than doubled in the past year, indicating CFOs will not simply rely on an increase in demand to drive growth. Within their corporate strategic priorities, while 16% of CFOs mentioned M&A as one of their top priorities for 2020, 35% mentioned it as a priority for 2021. This increase reflects not only a slowdown of transactions during the pandemic but also a refocus on inorganic growth in 2021. Indeed, M&A activity in 1Q21 broke all M&A volume records and saw the highest volume of cross-border M&A deals for any first quarter since 2007.[5]

The CEO Ask: Make Growth Efficient

Our survey indicates CEOs want CFOs to focus on profitability as well as cash flow and preservation (see Figure 3). In other words, they want their CFOs to help their organizations drive efficient growth.

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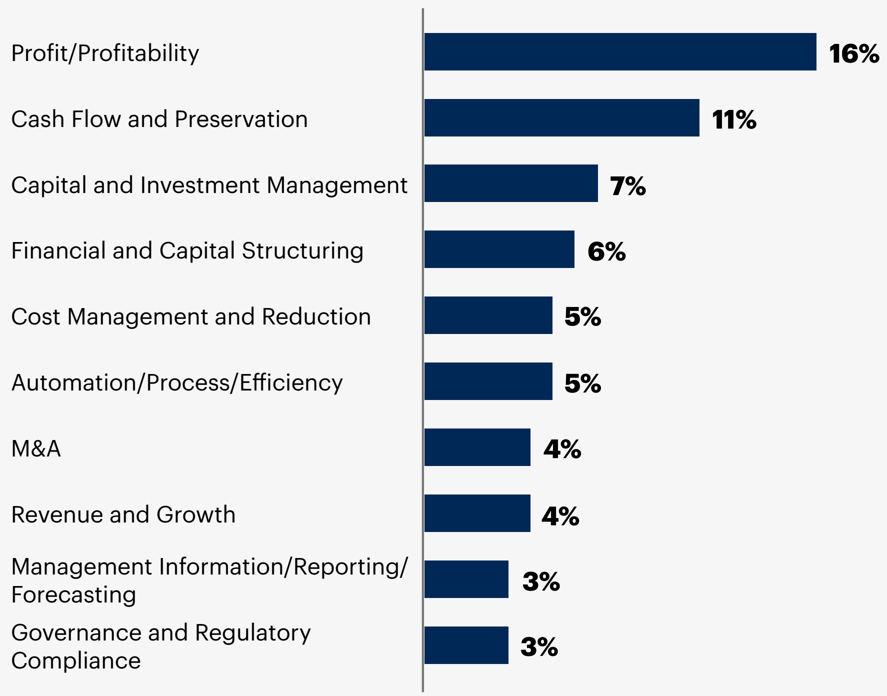
Figure 3. CEO Perspective of Top 10 CFO Priorities

Coded Responses



n = 115 CFO respondents
Q: In the next six to 12 months, what is the No. 1 issue you or your CEO is pushing each of your executives to focus on, within their respective functional specialism?
Source: 2021 Gartner CEO and Senior Business Executive Survey
Note: Numbers may not total 100% due to rounding.

1. Bulletproof your forecasting processes. Given the high expectations for demand acceleration, it is critical that CFOs maintain strong forecasting processes to avoid inventory and supply chain issues as well as overwhelmed sales teams and processes. To improve business-level forecast accuracy, most finance teams pursue accuracy-focused actions, but to no avail. Leading finance functions seek to improve the credibility of business-level forecast submissions, which is significantly more effective at reducing forecast variance than directly focusing on accuracy. As you assess business-level forecasting, consider the type of forecasting method that is most relevant for your organization.

2. Adjust your M&A processes to the new environment. The majority of companies have held corporate development staffing flat or decreased it since the Great Recession. Dealmakers today are under pressure to adapt their M&A playbooks for different-in-kind deals (e.g., technology-related deals) while coping with an increasingly lean staff.

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3. **Remove growth anchors and preserve growth ladders.** Our research on efficient growth indicates efficient growth leaders consistently make bigger, riskier growth bets to deliver outsized growth in the long run. Efficient growth leaders:
   - Pursue larger M&A deals as a percentage of revenue.
   - Weight their R&D portfolios more toward transformational innovation (while not spending more on R&D overall).
   - Reintroduce capital expenditures faster after a recession than their control peers.
4. **Focus on building scale, not scope, in the cost structure.** Most companies are inadvertently scope-additive in pursuing growth, creating complexity that inflates cost structures and weakens competitive positions. Conversely, concentrating spending in scale-building investments enables efficient growth companies to achieve 10-percentage-point higher operating cost productivity and sustain cost reduction periods for almost 40% longer than peer companies. They do this by competing in 20% fewer industries, concentrating 20% more revenue in their largest geographic segment and consolidating their products and services into 24% fewer lines of business than peers'.

CFOs Are Focusing on (and Investing in) Digitalization

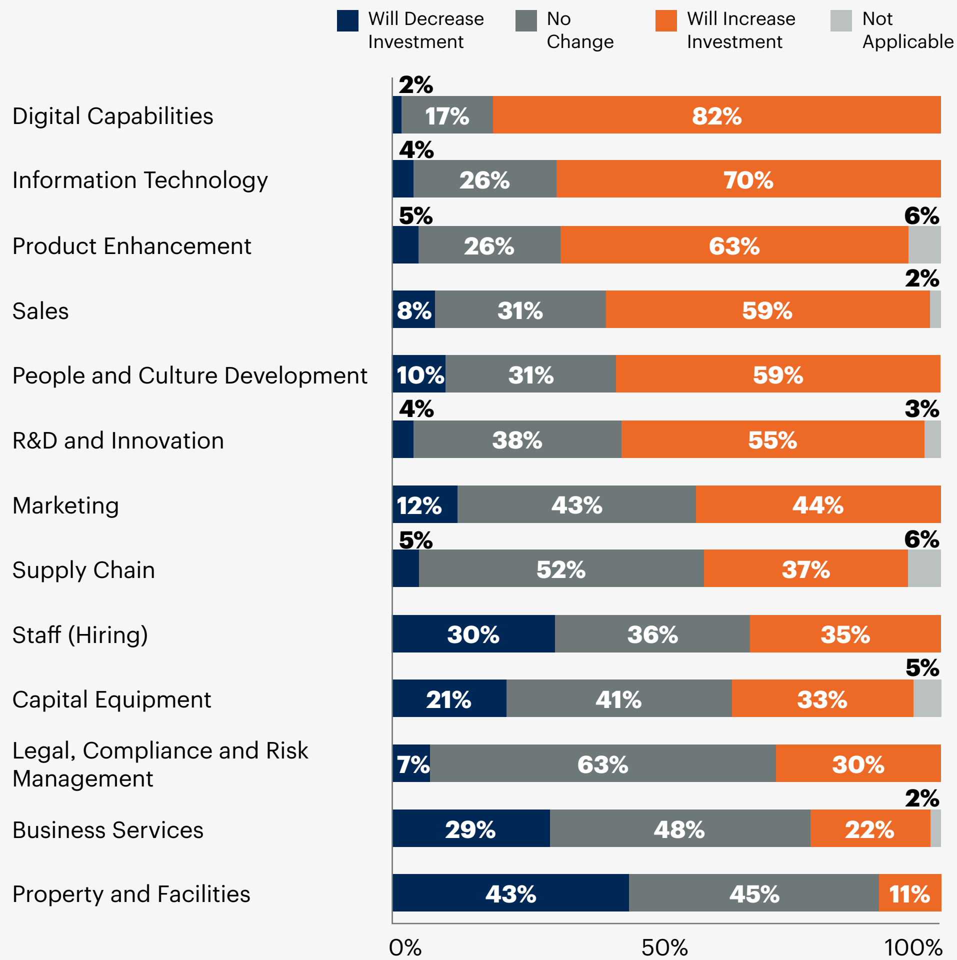
To say that 2020 had profound consequences would be an understatement. While forcing most finance employees to work from home, the pandemic also forced the acceleration of digitalization. As lockdowns were imposed, most organizations digitized processes that could be rapidly digitized and moved to a virtual work environment as much as possible.

CFOs recognize their organizations will continue to operate under a new postpandemic normal and see this as an opportunity: 64% of CFOs indicate they will use the COVID-19 and economic crisis as an opportunity to focus on redesigning the business. While this desire to transform is not new, its focus is, as finance teams are using new technologies such as robotic process automation (RPA) and artificial intelligence (AI) to transform how finance creates value.

The current wave of transformation is largely fueled by the rise in emerging technology and service models driving efficiency and intelligence for key finance processes. While 18% of CFOs mentioned technology-related priorities among their top five strategic business priorities for 2020, 32% mentioned it as a priority for 2021 — a 79% increase.

And CFOs are not simply saying technology is a priority; they are walking the talk by increasing their investments in technology. Eighty-two percent and 70% of CFOs who responded to our survey said they will increase investments in digital capabilities and information technology, respectively (see Figure 4).

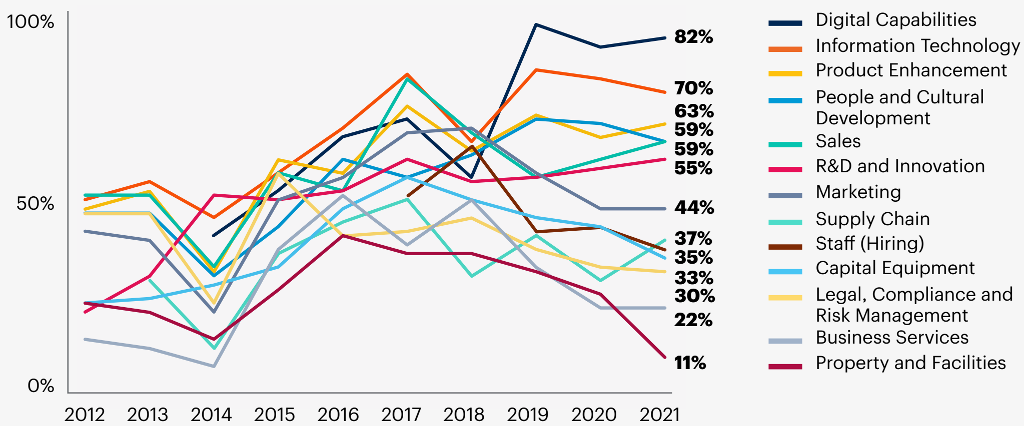
Figure 4. Investment Change in FY21 Versus FY20



n = 115, All CFO respondents
Q: Compared to fiscal year 2020, how will your organization's investments in the following business areas change in fiscal year 2021?
Source: 2021 Gartner CEO and Senior Business Executive Survey
Note: Percentages may not add up to 100% because of rounding.

This increase in technology investment continues a trend we have observed since 2012. Our CEO survey data shows CFOs have consistently increased their investments in digital capabilities and information technology. This is in stark contrast to investments in property and facilities, business services and legal, and compliance and risk management, which have steadily decreased over the past nine years (see Figure 5). CFOs have largely viewed technology as a competitive differentiator that can widen the performance gap between their businesses and those of their peers.

Figure 5. Year-Over-Year Investment Change From 2012 to 2021



n = 115, all CFO respondents
Q: Compared to fiscal year 2020, how will your organization's investments in the following business areas change in fiscal year 2021?
Source: 2021 Gartner CEO and Senior Business Executive Survey
New category in 2017 survey

While CFOs are confident technology should be a priority and they should increase their digital investments, they are less clear on what digital business means and the technologies with the most significant impact on their businesses. When asked to define digital business, CFOs' answers varied, including:

- 18% talked about e-commerce and e-business
- 16% about efficiency, process and effectiveness
- 11% about data and analytics
- 11% about customer experience
- 11% about remote/contactless working
- 9% about customer interaction

In terms of the technologies that will have the most impact over the next three years, CFOs again provided many different responses, including 10% referring to AI and 9% to digitalization and e-commerce (see Figure 6).

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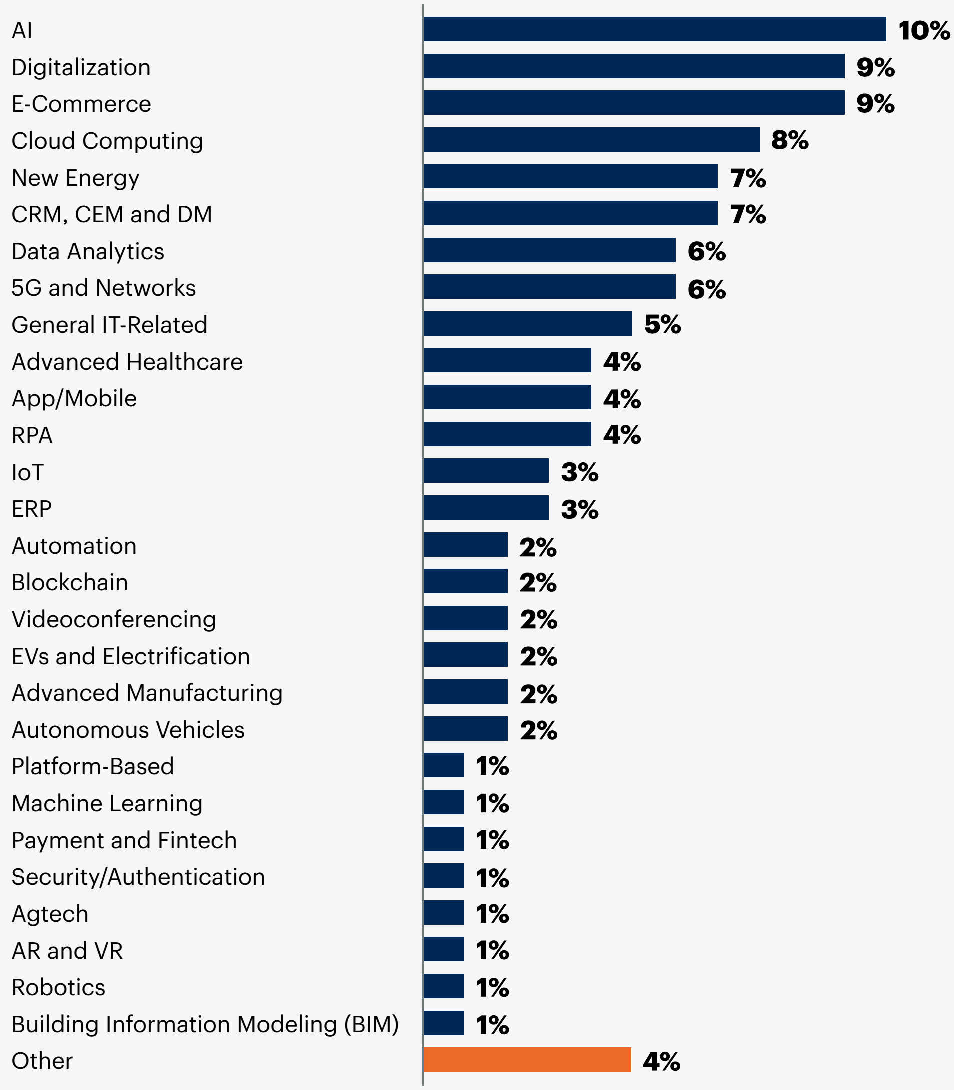
Figure 6. CFOs' View of the Most Impactful Technology Over the Next Three Years
Coded Responses



n = 113 CFO respondents, excluding n/a, none, don't know
Q: The new technology that will most significantly impact our industry over the next three years is ...
Source: 2021 Gartner CEO and Senior Business Executive Survey
Note: Numbers may not total 100% due to rounding.

Lack of clarity on what digitalization really means and the key technologies to focus on can hold back digital efforts. CFOs need to foster a clear digitalization language and vision to ensure their teams and stakeholders align. CFOs who have a clear digitalization language and vision can focus their teams on the key investments and initiatives required to accelerate transformation and make coherent technology investments that enhance one another.

Recommendations

1. **Identify value-adding technology investments.** CFOs must assess the value and risk drivers associated with technology opportunities to prioritize them based on net business value. They must create a technology portfolio that balances opportunities that can yield long-term business value with low-effort, low-complexity technology solutions (such as piecemeal automations) with shorter payback periods.

2. **Select technologies based on finance's needs.** Instead of selecting technologies based on hype and market trends, CFOs should carefully review finance and strategic business objectives to prioritize the right technologies for investment.

3. **Involve cross-functional stakeholders early to identify technology opportunities in silos.** Limited visibility into the organization's other IT efforts can lead to overlaps and conflicts among different finance teams or with central IT. Instead, CFOs should consult, collaborate and coordinate with the other finance teams and central IT team to understand their perspectives at each step of the roadmap process. This also facilitates buy-in for technology selection at a later stage.

Evidence

Research Methodology

Gartner conducted this survey from July 2020 through December 2020 with questions about the period from 2020 to 2023. One-quarter of the sample was collected in July and August, and three-quarters from October through December.

The survey was developed collaboratively by a team of Gartner analysts that examines technology-related strategic business change. It was reviewed, tested and administered by Gartner's Research Data and Analytics (RDA) team. The results of this study are representative of the respondent base and not necessarily the business as a whole.

Survey Demographics

In total, 465 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 390 online surveys and 75 telephone interviews. All consumer manufacturing and retail respondents were screened for active employment in organizations with greater than $50 million in annual revenue.

By job role, the sample mix was:

- 287 CEOs
- 115 CFOs
- 29 COOs or other C-level members
- 34 chairpersons, presidents and board directors

By geographic region, the sample mix was:

- 183 North America
- 109 Europe
- 97 China, Japan, Australia and other APAC
- 56 Brazil, Mexico and other Latin America
- 13 Middle East
- 7 South Africa

By enterprise revenue, the sample mix was:

- 46 $50 million to under $250 million
- 122 $250 million to under $1 billion
- 226 $1 billion to under $10 billion
- 71 $10 billion or more

Notes

[1] Global Savers' $5.4tn Stockpile Offers Hope for Post-COVID-19 Spending, Financial Times.

[2] Global Consumer Confidence Hits Record High, The Conference Board.

[3] United States ISM Purchasing Managers Index (PMI), Trading Economics.

[4] United Kingdom Manufacturing PMI, Trading Economics.

[5] Analysis: Cross-Border M&A Defied the Pandemic in a Record Q1, Bloomberg Law.

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Lead your finance function into a digital future

At Gartner for Finance, our purpose is simple — to help finance leaders like you excel against your critical priorities.

This includes reducing costs, making better growth investment decisions, and implementing them to ensure organizations invest in and protect value sources and minimize cost structure changes.

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- Review the top 10 CFO opportunities to accelerate digital transformation in 2021: https://www.gartner.com/en/finance/trends/digital-future-of-finance
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