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A new survey from Grant Thornton LLP, one of the nation's largest professional-services firms, reveals that many chief financial officers (CFOs) are preparing for a challenging 2022.

Specifically, Grant Thornton's 2021 Q4 CFO Survey revealed a sharp decline in optimism. When asked about the U.S. economy, just 57% of CFOs have a positive outlook for the next six months — a significant drop from 69% in Q3. What's more, net pessimism almost doubled, from 11% in Q3 to 21% this quarter. The firm's latest survey also found 51% of CFOs expect a negative impact from the new COVID-19

2021 and adjusted their plans accordingly," says Enzo Santilli, national managing partner of Transformation at Grant Thornton. "At the same time, CFOs are uniquely positioned to map a successful future for their organizations. It's important for them to realize that many of these challenges are interconnected — then act accordingly."

Inflation is a persistent threat

Fielded in December 2021, Grant Thornton's latest CFO survey found most CFOs no longer see inflation as a short-term reaction to the pandemic. In fact, more than half (53%) expect inflation to continue to impact their business for at least six months, while 33% expect it to persist for more than a year. This concern is especially true for larger companies (respondents with more than $1 billion in revenue): 41% of those CFOs expect inflation to continue for more than 12 months.

Coupled with a decline in optimism, this negative outlook on the impact of inflation is driving significant changes in CFO behavior.

"We're seeing inflation at rates we haven't seen in 40 years," adds Santilli. "Most CFOs have gone their entire careers without having to model the effect of inflation on pricing and profits. Finance leaders will have to help manage cost structures while addressing and communicating potential margin erosion as material and workforce costs skyrocket."

Workforce shortages

After record resignations in November 2021, "the Great Resignation" has shown no signs of slowing down.

In Grant Thornton's Q4 survey, 68% of finance leaders predict their organization will see a shortage of talent in 2022. Another 53% of CFOs believe talent shortages will have a negative impact on their business. Further, 62% of CFOs say talent

(46%) of the CFOs polled are increasing their investment in training, learning and development. Likewise, 44% of CFOs are increasing their investment in recruiting, while another 44% are increasing their investment in diversity, equity and inclusion (DE&I) initiatives.

Angela Nalwa, managing director of Grant Thornton's Human Resources (HR) Transformation practice, says many CFOs are increasing investments in areas they believe will help attract and retain employees.

"In many ways, CFOs hold the key to winning the latest war for talent," Nalwa says. "In concert with HR leaders, CFOs can use data-informed insights to help their fellow executives optimize benefits and make other key investment decisions."

Supply chain challenges

In the final quarter of 2021, supply chain issues reigned supreme and became the number one worry for finance leaders. When asked about the three biggest challenges facing their business, 40% of CFOs included the supply chain in their list. That's a 14% jump from Q3. But supply chain worries didn't stop there: More than half (53%) of the CFOs surveyed believe supply chain disruptions will have a negative impact on their business.

According to Ben YoKell, Grant Thornton's national Sourcing & Supply Chain Transformation practice leader, many organizations are trying new tactics as they grapple with supply chain disruptions.

"A few companies are taking exceptional measures to address supply chain issues, such as buying their own container ships and starting to manufacture their own containers," says YoKell. "But the vast majority of businesses are settling into a new reality that requires some very hard choices."

For instance, some businesses are pushing prices through to customers as

organizations can address the workforce issues plaguing their supply chain.

"Talent shortages contribute to disruptions in supply chains, which, in turn, lead to low supply, high demand and inflation," concludes Santilli. "CFOs need to collaborate with HR leaders and other key executives across their organizations to ensure their businesses weather the storm appropriately. Now is not the time to panic; it's the time to get creative."

To see additional findings from Grant Thornton's 2021 Q4 CFO Survey, visit www.gt.com/q4cfosurvey.

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