CPA
Practice Advisor

while nearly two-thirds (65%) said they needed to raise capital within the next 12 months.

Isaac M. O'Bannon • Jan. 22, 2024

A new survey from Grant Thornton LLP, one of America's largest providers of audit and assurance, tax and advisory services, revealed how chief financial officers (CFOs) at technology companies plan to achieve growth amidst fierce competition and a slew of other challenges.

The firm's Tech CFO survey, which polled 150 senior finance executives in the technology industry, also gauged sentiment on major topics like artificial intelligence (AI), cybersecurity and the technology workforce. One of the survey's key

The technology industry isn't alone in its preparations for higher costs. Grant Thornton's Q3 CFO survey, which engaged finance leaders across multiple industries, revealed that 58% of CFOs expect to increase their spending on IT/digital transformation. That figure was the highest percentage in its category since the first quarter of 2021.

These cost expectations align with what technology CFOs describe as their biggest challenges over the next six months. Specifically, 56% of technology CFOs said their greatest challenge will be technology upgrades, while 51% said their greatest challenge will be cybersecurity.

"When I take a step back, what technology companies are trying to do is control costs and measure growth," said Andrea Schulz, Grant Thornton's national managing partner for Technology. "A lot of what I'm hearing in the market is about increasing the margin on existing product and service offerings, getting net income up to either breakeven or beyond and making sure that companies are showing profitability and growth."

According to the survey, private equity might provide that pathway to growth: More than 90% of survey respondents said they are seeking private equity investment. In turn, private equity firms are open to either investment or acquisition — if the technology company meets a strategic need.

"Capital-intensive" strategies

An influx of capital will also propel the strategies technology CFOs have in mind.

When asked what moves they will make to enable growth in the next one to three years, more than one-third (35%) said they plan to merge or acquire other companies. But, according to the survey data, several strategies will be more popular than mergers and acquisitions.

Fifty-nine percent of technology CFOs said they plan to launch new products or

you might need to step back and understand whether you have the customer base. It's potentially a startup phase product line. It might not manifest the growth that you were envisioning in year one to three."

A focus on retention

When asked how they expect the economy to impact their workforce in the next six months, nearly two-thirds (65%) of survey respondents said a slower economy will lead to high retention rates. However, half (50%) of respondents said they expect continued difficulties in attracting and retaining the right talent, and nearly one-third (31%) said the state of the economy could lead to layoffs.

Still, survey respondents are clearly making moves to keep their people. Over half (53%) of survey respondents said attracting and retaining key talent was their top workforce priority, and nearly half (47%) said they will prioritize employee work/life balance issues. The survey also revealed a clear focus on culture: 45% of respondents said maintaining or improving their organization's culture will be a key priority over the next 12 months, while the same percentage said managing a hybrid workforce will be a major focus.

According to Schulz, a "salary reset" is in the works in the technology industry.

"Technology companies are searching for top talent at a reasonable price," she said. "Revenue per head is now also a very popular metric to help rationalize labor costs and show that companies are not overinflated on the labor costs that they have."

Investment in AI

Part of a technology CFO's strategy is, of course, investing in the right technology. In terms of which technology these CFOs plan to invest in, there's a clear frontrunner: artificial intelligence (AI).

In fact, 61% of survey respondents said their companies will invest in AI in 2024, and

"There is an opportunity for companies to transform and look more streamlined, but that might be years out," she said. "Many people are running too far ahead of where AI currently is, in its practical deployment. They're envisioning what it could be."

To see additional findings from Grant Thornton's Tech CFO survey, visit https://www.grantthornton.com/insights/survey-reports/cfo-survey/2023/tech-cfo-survey.

Accounting