

CFO Perspective on the 2022 CEO Survey

By Matthew Mowrey

CFO Perspective on the 2022 CEO Survey: Digital Transformation Still a Key Priority

By Analyst: Matthew Mowrey

Growth, digital technology transformation, inflation and corporate culture are high on the CFO's agenda according to our 2022 CEO and Senior Business Executive Survey. CFOs should use these findings to update and align their plans with the most pressing 2022 CEO priorities.

Overview

Key Findings

- Growth is higher on the CFO's priority list than the CEO's in 2022, suggesting that CEOs have allocated more responsibility for this priority to CFOs (and other C-suite leaders) to focus more on rising critical priorities such as talent retention, hiring and DEI.
- Digital transformation objectives remain high on the CFO priority list, with 94% of respondents reporting the need to maintain or accelerate the already-intense pace of transformation incited by the pandemic.
- Inflation is a growing concern, with 52% of CFOs citing a persistent and sustained rise over the next couple of years and 30% predicting a significant transitory rise.
- Corporate culture concerns are of critical importance to both CEOs and CFOs given the rise in remote work and challenges to employee morale.

Survey Objective

Our annual Gartner CEO and Senior Business Executive Survey is a global assessment of business leaders' priorities and technology-related thinking. It investigates the views of CEOs from end-user industries outside the tech sector. It surveys commercial, revenue-pursuing organizations, but not government. Details of the survey method and respondent demographics are provided in the Evidence section.

Data Insights

While the insights presented in this paper are based on the responses of CFOs, the data comes from a larger survey that focuses on CEOs. Given the importance of the CEO/CFO relationship, and the need for harmony between the most senior leaders of an organization, it is important CFOs understand the themes of our CEO respondents. Within each major topic of this report, we cite how the CEO and CFO mindsets are similar and different, with an ultimate goal of gaining closer alignment.

The CEO's Mindset

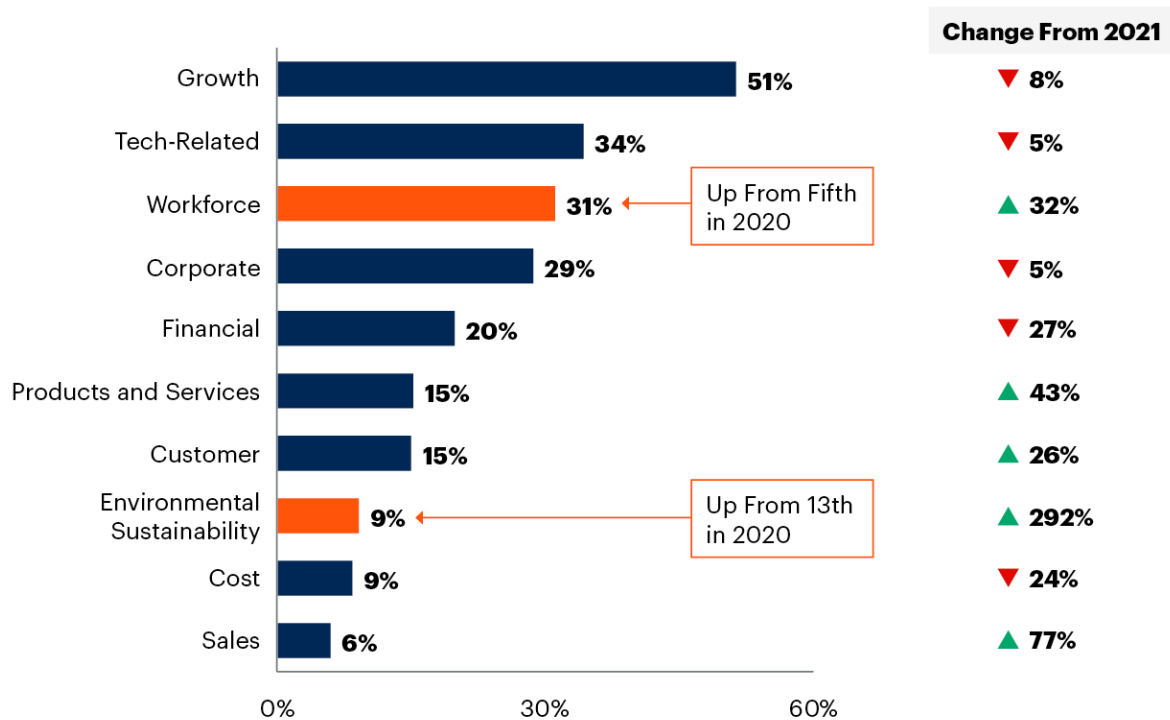
Every year, we ask survey respondents for their top five strategic business priorities as an open question. This method preserves their naturally arising thoughts and choice of words. We categorize the answers in a structure that has been evolved from this data over a decade. That consistent longitudinal research history enables us to see significant changes clearly and to separate long-term shifts from economic cycle effects.

This year, two important changes stand out (see Figure 1).

Figure 1. CEOs' Top 10 Strategic Business Priority Areas for 2022-2023

CEOs' Top 10 Strategic Business Priority Areas for 2022-2023

Summary Top Three Mentions, Coded Responses



n = 410, all respondents

Q: Please tell us about your organization's top five strategic business priorities for the next two years (2022-2023).

Source: 2022 Gartner CEO and Senior Business Executive Survey

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First, workforce priorities (such as talent retention, hiring, and diversity, equity and inclusion [DEI]) have risen substantially for the second year in a row. They are now in third place, only a little behind technology-related issues such as digitalization, e-commerce and cybersecurity, and significantly ahead of financial issues such as profitability, cash flow and capital funding.

Undoubtedly, the combination of societal trends around DEI, followed by the social-attitude effects of the pandemic (like “The Great Resignation”), have led to an array of workforce issues important enough to warrant substantial CEO attention. That is to be expected. When things are relatively stable in an area, CEOs are happy to fully delegate to the specialist executive role. However, when disruptive change is underway, CEOs get directly involved. Right now, CEOs and CHROs need to work closely to ensure they quickly address workforce issues. And CEOs are, as they should be, leading this communication, conveying to employees that workforce issues are being addressed at the very top of the organization.

Second, environmental issues have entered the top 10 for the first time in the history of the survey. Do not be misled by the seemingly low absolute position – the rate of change is very significant. To put it in context, the environmental response category was in 14th place in 2019 and 20th in 2015, using the same question and survey method. Some leading organizations treat the needed changes as opportunities to drive business efficiency and revenue growth, but most organizations lag woefully behind. Generating momentum on environmental priorities requires CEOs (and CFOs) to take a much stronger leadership role, hence the dramatic increase in relative priority.

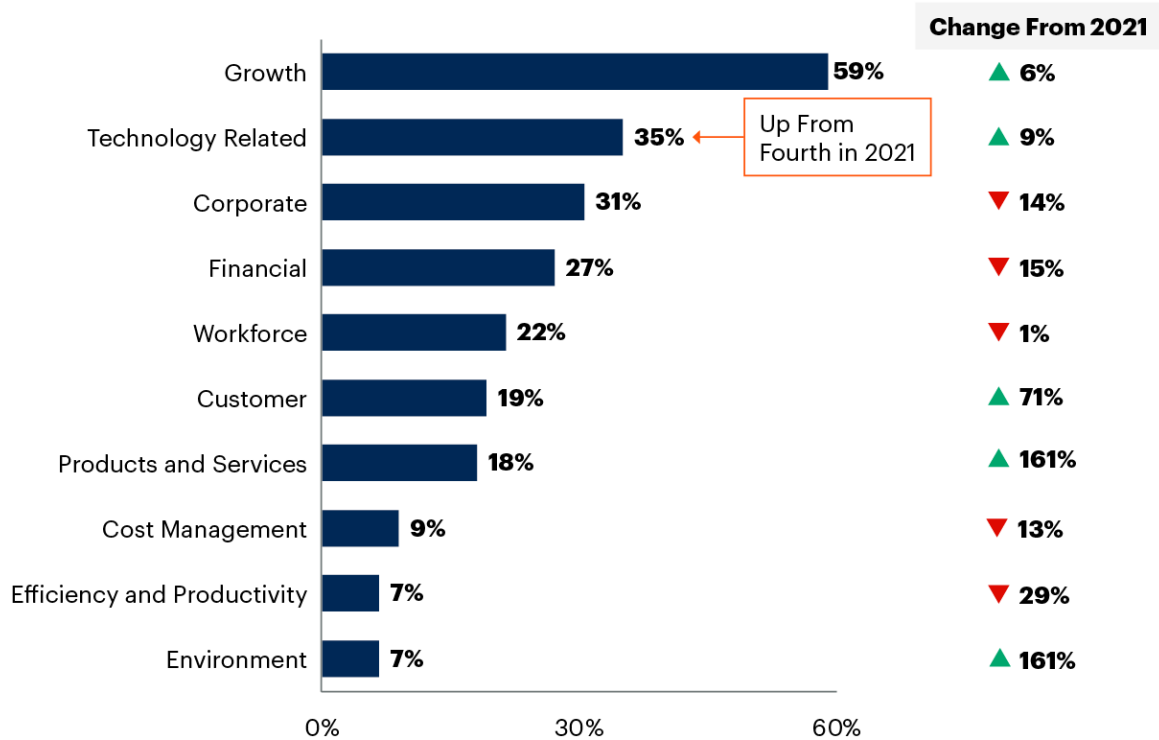
How the CFO’s Mindset Compares With the CEO’s

The top CFO business priority areas are in Figure 2. Growth, while always a top priority, has faded this year for the CEO but has gained some ground for the CFO. The CEO and CFO seem to be aligned overall (albeit with some noted differences) on technology (digital transformation), financial (inflation) and workforce (corporate culture) in a postpandemic world. We’ll take a deeper look into these trends and the unique perspective of the CFO.

Figure 2. CFO's Top 10 Business Priority Areas 2022-2023

CFO's Top 10 Business Priority Areas 2022-2023

Summary Top Three Mentions, Coded Responses



n = 88 CFO respondents

Q. To start, please tell us about your organization's top five strategic business priorities for the next two years (2022/2023).

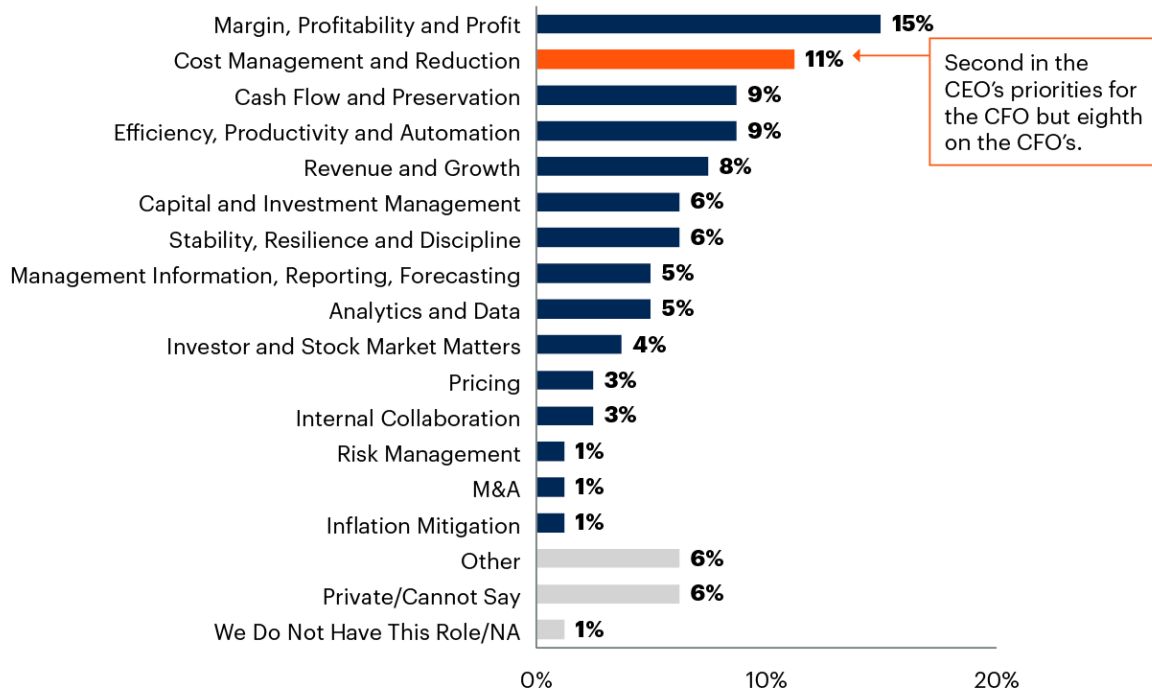
Source: 2022 Gartner CEO and Senior Business Executive Survey

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We also noted a potentially problematic misalignment between CFOs and CEOs with respect to cost management. While CFOs do not see it as a major priority over the next two years, CEOs see it as a major CFO priority in the next 12 months (see Figure 3). It's possible that this points to a short-term objective to stabilize profitability levels given supply chain challenges and inflation, but until we can see these two issues play out, we recommend senior leaders clearly align both short- and long-term cost objectives.

Figure 3. CFO Priorities – CEO View

CFO Priorities – CEO View
Coded Responses



n = 80 CFO respondents

Q. In the next 6 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: 2022 Gartner CEO and Senior Business Executive Survey

Note: Numbers may not total 100% due to rounding.

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Growth Has Modestly Strengthened in CFO Respondents, But Faded for CEOs

Fifty-nine percent of CFOs indicate growth will be one of their top business priorities in 2022 and 2023, up from 56% last year.

Growth is always the top priority – it has faded for the CEO but modestly strengthened in CFO respondents. We suspect its fading importance for CEOs is due to the relative increase in workforce issues (see below for more analysis on this issue) and the impact of supply chain problems. This dynamic may indicate CFOs are taking more of a leadership role in growth initiatives because of their background in mergers and acquisitions (M&A), data and digitalization. New markets were indicated as a primary growth focus, using M&A and data and digitalization as primary methods to either “buy” growth or obtain it with organic and inorganic expansion of the customer base.

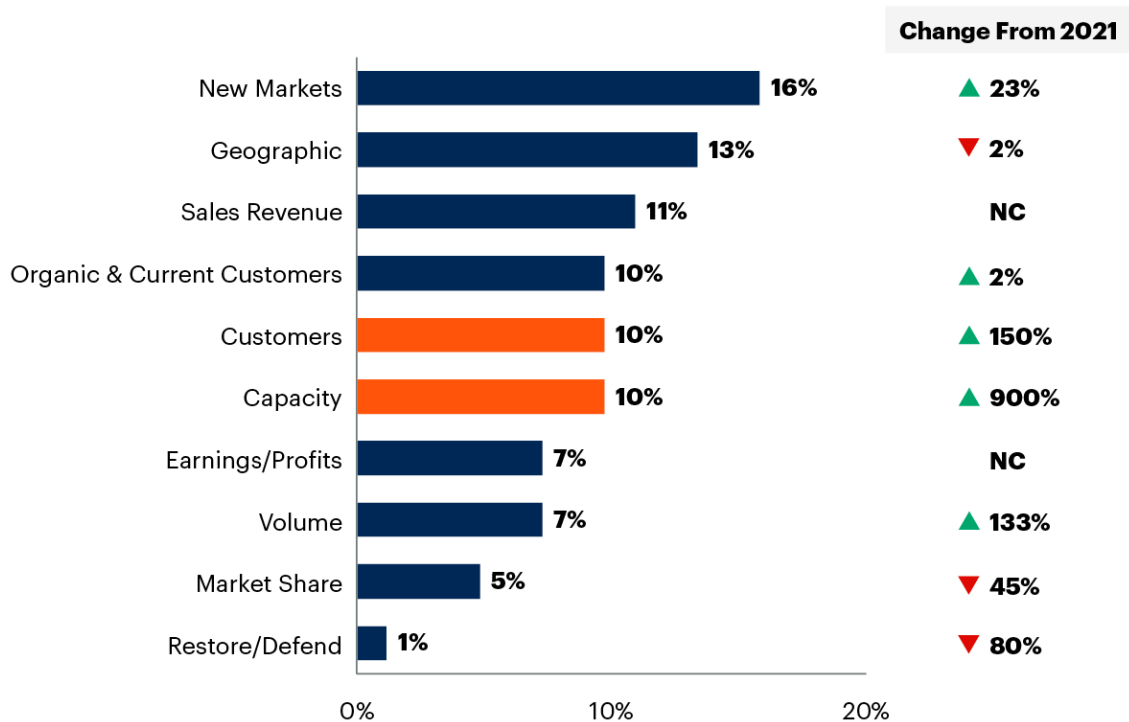
What is interesting about the two major year-over-year shifts on customer and capacity (see Figure 4) is the natural language respondents used to reply. Both areas share common threads: technology and analytics. Respondents believe they need to increase the use of technology and analytics to improve customer retention and acquisition, increase operational capacity, and direct employee effort and organizational resources to where they will be most useful.

For the CFO, a major stakeholder in the company’s data and planning capabilities, there is opportunity to contribute to these goals. For example, they can do so by assessing and forecasting current customer and market performance. They can also strengthen the financial aspects of workforce planning in light of the talent retention, hiring and DEI concerns of the CEO. Relying more on sound analytics can help reduce human bias in these areas.

Figure 4. CFO Business Priorities 2022-2023 – Growth

CFO Business Priorities 2022-2023 – Growth

Percentage of Mentions Within Category – Top Five Priorities



n varies, all CFO respondents

Q. To start, please tell us about your organization’s top five strategic business priorities for the next two years (2022/2023).

Source: 2022 Gartner CEO and Senior Business Executive Survey

NC = No Change

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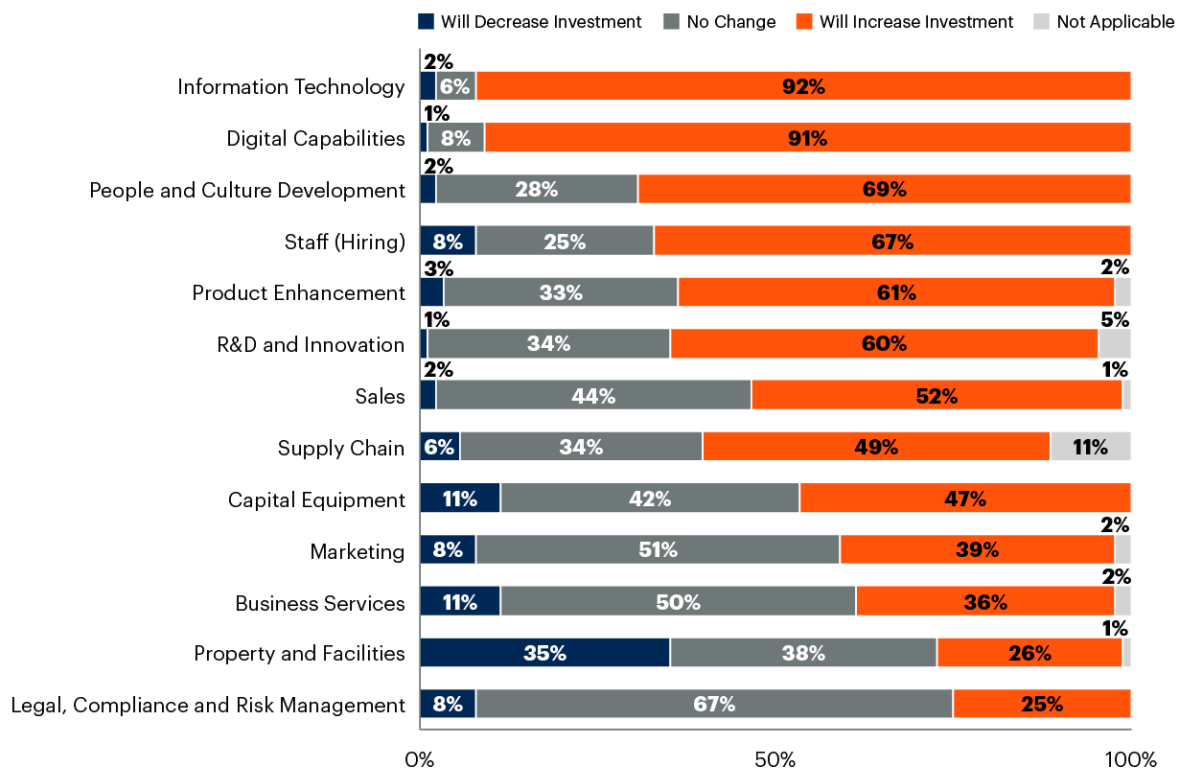
Finance Digital Transformation Ambitions Remain Strong

Ninety-two percent of CFOs indicate they plan to increase investment in information technology, up from 70% last year.

A commitment to increase investment in digital and IT areas is up significantly since the previous CEO survey (see Figure 5). Last year, 70% of CFOs reported increased information technology investments. In this year's survey, over 92% of CFOs plan to increase such investments. This is largely driven by the continued shift to cloud-based architecture, the drive to increase automation and hyperautomation, and the building of advanced analytics, including AI/ML, capabilities.

Figure 5. Investment Change in Fiscal Year 2022 Compared to Fiscal Year 2021

Investment Change in Fiscal Year 2022 Compared to Fiscal Year 2021



n = 88 CFO respondents

Q. Compared to fiscal year 2021, how will your organization's investments in the following business areas change in fiscal year 2022?

Source: 2022 Gartner CEO and Senior Business Executive Survey

Note: Numbers may not total 100% due to rounding.

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Correspondingly, CFOs report an increased investment in digital capabilities, rising from 82% in the previous CEO survey to 92% this year. CFOs are not only investing in key finance technology areas but also in the people and skills to support them.

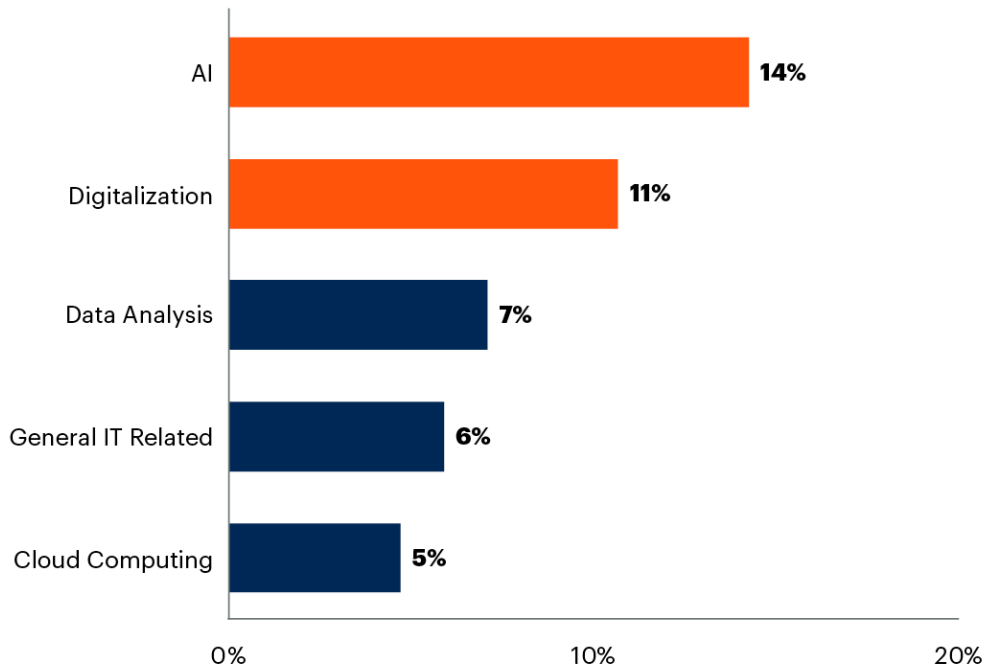
Last year, CFOs' intended digital investments were scattered across a range of different priorities including e-commerce, efficiency, data and analytics, customer experience, remote/contactless working, and customer interaction tools. This year, the data suggests CFOs have coalesced around AI, digitalization and analytics (see Figure 6), but our 2022 Gartner Future of Finance Study found nearly two-thirds have no end-to-end digital strategy. This may explain why automation is still at the bottom of the list with no significant change YoY. To capitalize on the technology benefits available to the business or to functional leaders, it is critical that the CFO, CEO and other C-suite executives have a clear, agreed-upon digital strategy.

So what do AI, digitalization, analytics and automation actually mean? Though CFOs have agreed on these broader topics, the specific meaning and use cases of these terms vary wildly, likely due to the lack of an end-to-end strategy. Each of these topics/technologies is a component of hyperautomation of the back, front and middle offices. In 4Q21, we conducted an extensive research study on these and other emerging technology topics, which are included in our 2022 Finance Technology Bullseye Report (available to Gartner for Finance clients).

Figure 6. Top 5 New Technology That CFOs Believe Will Most Significantly Impact Their Industries Over the Next Three Years

Top 5 New Technology That CFOs Believe Will Most Significantly Impact Their Industries Over the Next Three Years

Coded Responses



n = 84 CFO respondents

Q. Compared to fiscal year 2021, how will your organization's investments in the following business areas change in fiscal year 2022?

Source: 2022 Gartner CEO and Senior Business Executive Survey

Note: Showing top five technologies; excludes NA/none/don't know.

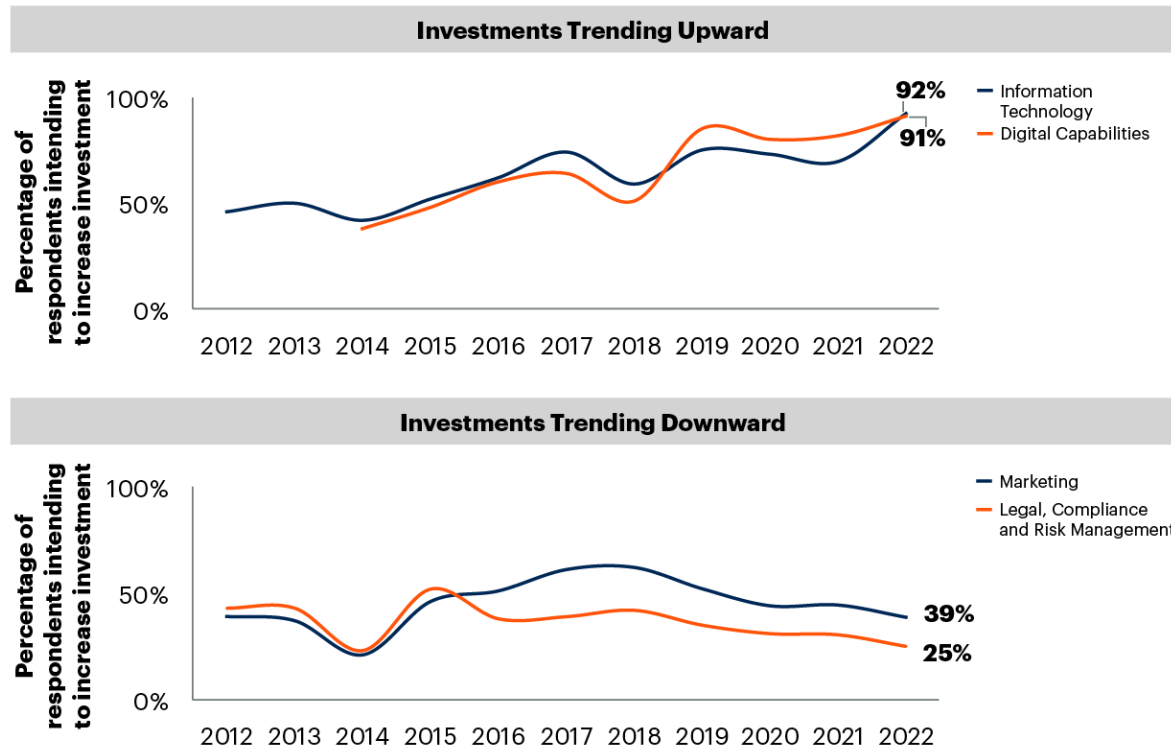
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Nevertheless, technology investments continue to increase, a trend we have observed since 2012. Our CEO survey data shows CFOs have consistently invested more in digital capabilities and information technology. This is in stark contrast to investment intentions in marketing, legal and compliance and risk management, which have steadily declined over the past nine years (see Figure 7). CFOs have largely viewed technology as a competitive differentiator that can widen the performance gap between their businesses and those of their peers.

Figure 7. 2022 Investment Increase/Decrease Intention – Change Year Over Year

2022 Investment Increase/Decrease Intention – Change Year Over Year



n = 88 CFO respondents

Q. Compared to fiscal year 2021, how will your organization’s investments in the following business areas change in fiscal year 2022?

Source: 2022 Gartner CEO and Senior Business Executive Survey

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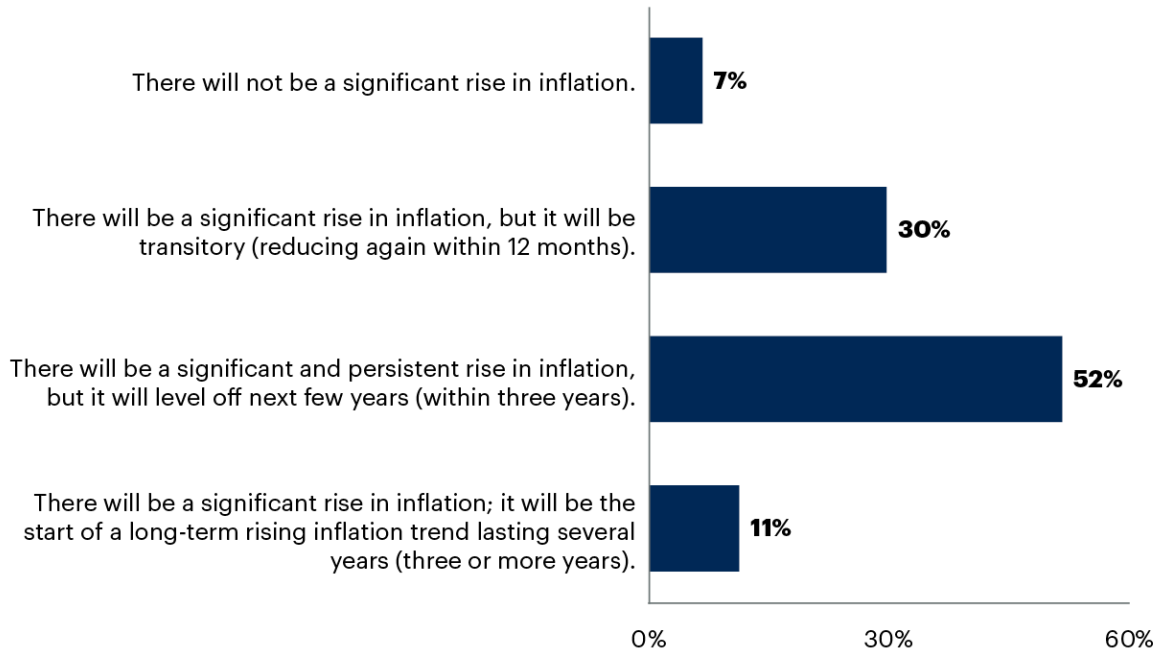
Inflation Is an Increasing Threat

Inflation is a CFO concern, with 52% citing a persistent and sustained rise over the next couple of years and 30% predicting a significant transitory rise.

Figure 8 shows that already by 4Q21, 52% of CFOs expected inflation to be a persistent or long-term issue. Higher inflation was triggered by a combination of pandemic-induced supply chain shortages and government stimulus to support the economy through the pandemic disruptions. Additionally, work-life attitude changes caused labor and talent challenges that were partly responded to by investing more in hiring – inevitably leading to wage increases.

Figure 8. View on the Scenario for General Price Inflation in 2022 and Beyond

View on the Scenario for General Price Inflation in 2022 and Beyond



n = 87 CFO respondents

Q. What is your view on the likely scenario for general price inflation in your largest geographic market in 2022 and beyond?

Source: 2022 Gartner CEO and Senior Business Executive Survey

Note: Excludes don't know

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Sixty-five percent of CFOs (compared to 52% of CEOs) plan to respond to rising inflation by simply passing costs on to their customers as prices rise. Passing on costs works for the short run, but the market will only support so many price hikes. Eventually, demand destruction kicks in and, depending on the shape of the specific market price elasticity curve, total revenue can start to shrink. CFOs' second thought is of cost optimization. However, most of the low-hanging, cost-cutting fruit were harvested during the pandemic. What concerns us most is the low showing of productivity efficiency and automation – especially as a first-choice answer.

Technology has always been applied to productivity, but in recent years much digital effort has tended to be invested in marketing, selling and in product and customer experience innovation, rather than core internal operating efficiency gains. We believe a new tech focus on breakthrough – not just incremental – productivity is likely needed to thwart worker shortages and inflation later in 2022, and in 2023 and beyond.

CFOs Share the CEO View on Workforce: Maintaining Corporate Culture

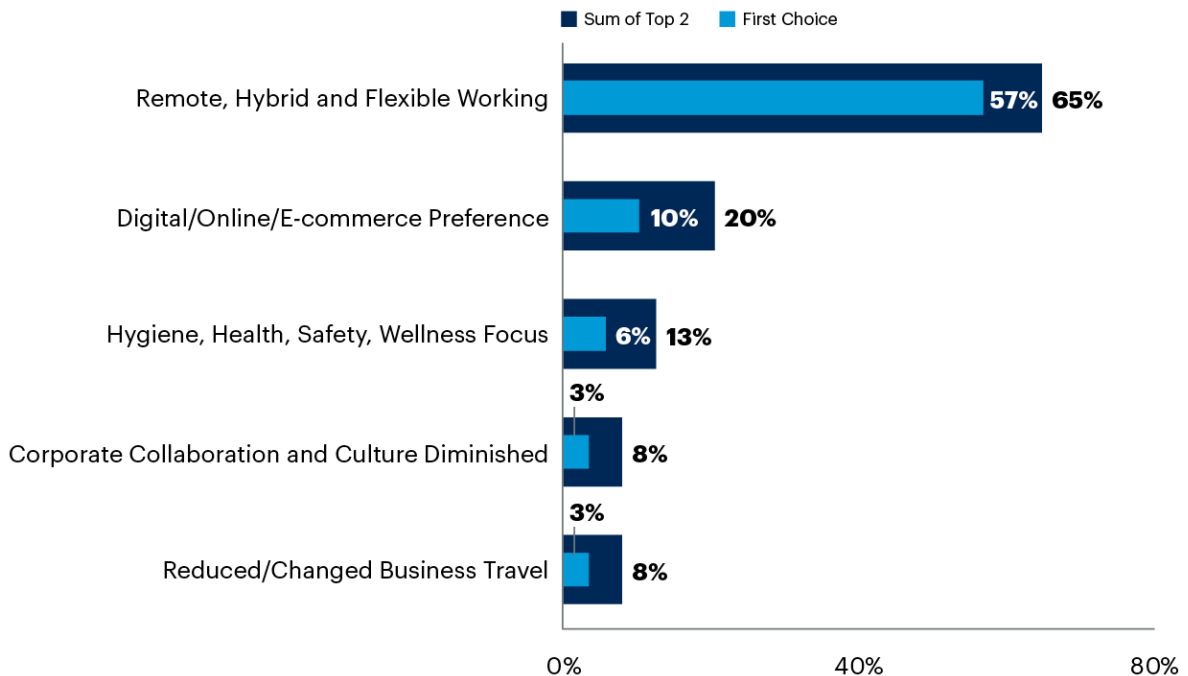
Sixty-five percent of CFOs say hybrid and remote work is the biggest postpandemic social behavior change.

On a day-to-day basis, customers and employees are more important than regulators and investors in shaping CEO thinking, and in normal times we would expect customers to be the higher focus. However, the COVID-19 pandemic has brought a lot of employee-related issues to a head and workforce is a clear concern to CFOs (see Figure 9).

Figure 9. Top Five Enduring Changes of Individual and Social Behaviors

Top Five Enduring Changes of Individual and Social Behaviors

Summary Top Two Mentions, Coded Responses



n = 88 CFO respondents

Q. What are the top two enduring changes of individual and social behaviors that will have an impact on your company in 2022 and beyond?

Source: 2022 Gartner CEO and Senior Business Executive Survey

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Our interviews with CEOs reveal they are hesitant and concerned about how these new remote and working arrangements will play out in practice. It may have been a short-term necessity during the pandemic, but some are reluctant to make it a permanent feature. Figure 10 shows CFOs' biggest concerns.

Figure 10. Concerns About Working From Home

Concerns About Working From Home
Coded Responses



n = 80 CFO respondents

Q. In a few words, what is the biggest concern about your company's office and home working policy for knowledge workers in late 2021 and through 2022?

Source: 2022 Gartner CEO and Senior Business Executive Survey

Note: Excludes none/don't know.

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However, we believe too much reliance on intuitive judgment could cost the company dearly in the competition for talent. This is a key area for fact-based, management science experiments. Many leadership teams profess they intend to be more data-driven. If ever there was a test case for data-driven decision making, this is it.

CFOs are in possession of valuable data, forecasting models and analytical talent that can be significant contributions to understanding the impacts of new and remote working arrangements. Finance, in partnership with HR, can support these critical priorities by developing new metrics and KPIs to tie in with the overall human-centric approach. Reverting to old patterns of 20th century nine-to-five received wisdom on working is unlikely to serve companies well in the midterm.

Evidence

2022 Gartner CEO and Senior Business Executive Survey

This survey was conducted to examine CEO and senior business executive views on current business issues and some areas of technology agenda impact. The survey was conducted from July 2021 through December 2021 with questions about the period from 2021 through 2023.

One-quarter of the survey sample was collected in July and August 2021, and three-quarters was collected in October through December 2021. In total, 410 actively employed CEOs, and other senior executive business leaders qualified and participated. The research was collected via 382 online surveys and 28 telephone interviews.

The sample mix by role was

CEOs (n = 253)

CFOs (n = 88)

COOs or other C-level executives (n = 19)

Chairs, presidents or board directors (n = 50)

The sample mix by location was:

North America (n = 176)

Europe (n = 97)

Asia/Pacific (n = 86)

Latin America (n = 40)

Middle East (n = 4)

South Africa (n = 7)

The sample mix by size was:

\$50 million to less than \$250 million (n = 58)

\$250 million to less than \$1 billion (n = 81)

\$1 billion to less than \$10 billion (n = 212)

\$10 billion or more (n = 59)

The survey was developed collaboratively by a team of Gartner analysts and Gartner's Research Data, Analytics and Tools team.

Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

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