CFO EXCHANGE

Executive Summary – April 8, 2020

Chief financial officers (CFOs) of high-growth software companies meet virtually in a small-group setting to exchange learnings and discuss business challenges and industry trends. The agenda is created by participants of this exclusive CFO peer group through a series of pre-interviews. Protiviti is proud to support and host members of this community.

The topic for the meeting on April 8, 2020, **"Managing Business Challenges During a Pandemic,"** included discussion on operations planning and COVID-19 impacts, internal and external communications, and lessons learned from the transition to remote work. For additional insights and coverage of COVID-19, visit Protiviti.com/COVID-19.

Key Takeaways

OPERATIONS PLANNING AND COVID-19 IMPACTS
01 High-growth software companies have felt the impact of COVID-19 to varying degrees within their operations. When the pandemic hit, companies were forced to operate based on the assumption that the existing plan would have to go, but the goal to break even would remain intact. While most companies in the software sector are in cost-cutting mode, they continue to look for ways to avoid employee layoffs. Although not an issue for subscription- or SaaS-model companies, those with direct sales models have found it challenging to build the pipeline without face-to-face interaction. In addition, moving from term-based subscriptions to SaaS or subscription-based models is being considered.
02 In the near term, international business operations will likely be more affected than domestic ones, and this will vary further based on verticals and geographies. For example, with significant changes to currency values caused by the pandemic, international partners have asked for fixed exchange rates in order to survive during the crisis. CFOs have seen requests for extended payment terms and noted that companies with international exposure may find it more difficult to get paid. Similarly, renewal issues and attempts to get out of contracts are coming from travel, leisure, airlines and retail customers. Instead of viewing international partners as a liability, it is recommended that software companies continue to deliver value to customers while remaining cost-efficient and investing in lower-cost regions.
03 Regarding renewals and cancellations of contracts, CFOs shared approaches to negotiate with struggling partners. While the plan is to maintain annual recurring revenue for the long term, it is recommended that CFOs follow a playbook with companies that can't fulfill contracts by offering new payment terms and continuing to work with them or offering a grace period and extending the contract (e.g., delay payment for three months, but extend the contract three months.

04	The shift to remote work also has impacted providers' ability to meet service-level agreements. For example, government contracts have been affected because working from home is a non-starter for any classified programs. Software companies should focus on reworking key milestone and payment schedules.
05	As working from home becomes more of a mainstay, facilitating remote capabilities continues to be a priority. The pandemic has forced companies to rethink the onboarding process of new hires and move expediently on securing technology assets and providing communication and collaboration tools for employees. Tools such as Amazon WorkSpaces have the potential to help companies defray costs and allow employees to use the public cloud to turn personal computers into company workstations.
06	If the coronavirus comes in waves of outbreaks and remissions, the business cycle may follow in waves as well. CFOs agreed that planning for such a cycle is extremely difficult. Approaches to tackling this type of planning that were shared include planning for the current quarter, plus one, while another was making as few changes to the existing plan as possible and absorbing the hit to operating income.

INTERNAL AND EXTERNAL COMMUNICATIONS	
01	For internal communications, software companies have seen success in moving to a virtual environment while maintaining the same work cadence. Companies are experimenting with virtual gatherings such as all-hands meetings and leadership and management team happy hours (or breakfast, lunch or dinners), which have contributed to collaboration and a continued social energy.
02	If there was any initial skepticism about online social events involving 40 or more people, it has dissipated, as the connected experiences have created broadened views into employees' lives and their home environments, complete with children and pets. Maintaining communication through increased cadence of one-on-ones and group meetings has been valued by employees and leadership alike. Further, companies have worked with their human resources team to create a "pulse survey" that can serve as a regular check-in rather than an annual survey.
03	External communications have been just as important for software organizations adjusting to COVID-19. Companies have issued statements to customer and partner bases around technology, infrastructure and the operating plan in the new environment. The purpose was to give partners comfort around the company's stability and to share the contingency plan for continued service.
04	Technology such as BlueJeans, Google Hangouts, Cisco WebEx and Zoom have catapulted organizations' abilities to communicate and remain in contact with employees and customers during these times. With such a rise also came news about security flaws that have led some large enterprises to ban specific platforms entirely.

LESSONS LEARNED FROM TRANSITION TO REMOTE WORK

01 CFOs at software companies shared lessons learned over the past few weeks, noting that organizations were relying on the strength of their extended leadership team instead of executing a playbook. The priority has always been to put employee health and safety first. For software companies, the early adoption and transition to remote work has been the right move, even if it has been difficult for functions like field sales.

02 Although in-person sales will still be useful for relationship building, the pandemic may permanently change expectations for in-person interactions. Given that we are in this together, sales prospects have been receptive to engaging and transacting business virtually as well.

03 For newer employees who have experienced only success on the sales growth graph, the pandemic has been a teaching opportunity. Many people in management remember past events like the dot-com bubble, 9/11, and the 2008-2009 recession, so the current crisis is an opportunity to get candid and establish mentoring relationships.

04 The external jolt has been a good reminder of the importance of leadership and resiliency. For tech companies in an emerging or more mature state in their lifecycle, the crisis has shown that people can adapt and accept change better than expected, which bodes well for software companies in the long term and may enable bolder decisions.

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