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CFOEXCHANGE

Tech CFOs Discuss Banking Market Disruption and People Problems

Chief financial officers (CFOs) in the technology sector met to discuss leading industry practices, trends and other topics of mutual interest in a virtual roundtable conducted under the Chatham House Rule. The agenda for this virtual exchange, hosted by Protiviti Managing Directors Gordon Tucker, Christopher Wright and Fran Maxwell, was created through a series of pre-interviews. Comments from the participating CFOs are summarized below.

KEY TAKEAWAYS

IMMEDIATE FALLOUT FROM REGIONAL BANK COLLAPSES	
01	The recent disruptions in the banking sector and the possible impacts on businesses in the technology sector were top of mind among the participants. Several participating organizations disclosed that they did business with one of the banks that had abruptly gone into FDIC receivership. The CFOs, however, took various actions to avoid direct impacts, including promptly transferring funds out of troubled banks and setting up new accounts with institutions equipped to handle payroll integration quickly.
02	Going forward, the finance leaders are taking additional steps to secure their cash and loan arrangements with banks. These include opting for account structures that provide stronger fund protection, such as sweep accounts, diversifying banking relationships, revising loan agreements and purchasing products at the $250,000 insured cash deposit threshold at multiple banks.

POTENTIAL IMPACTS OF BANKING MARKET DISRUPTIONS	
01	According to one CFO, the prioritization of VC interests caused some banks to accept higher risk, which in turn led to portfolio companies' rapid violation of credit lines as market conditions worsened. Emerging tech companies are working to mitigate these issues, but some CFOs expect the effects of the banking market disruption to linger for the next several months. VC-heavy boards of directors are being proactive, directing finance leaders to take a more cautious approach with budgeting and investment. In at least one case, the board is recommending headcount reductions.
02	Interaction with auditors was discussed, given that several organizations have recently completed year-end audits or have imminent audit deadlines. For some companies, auditors have requested additional disclosures on risk exposure to address future situations. Some audit teams have informed company leaders that additional, specific subsequent event disclosures are still being considered.
03	Some organizations are being asked to demonstrate corporate resilience to their auditors, which could have a positive impact on evaluation. Rather than wait for inbound questioning, officers should be prepared to provide an outbound message about their organizations' resilience capabilities.

ADDRESSING THE PEOPLE PROBLEM	
01	In times like now, finance leaders should communicate with their employees effectively. During a recent tumultuous weekend of bank closures, one CFO said promptly issued companywide memos helped reassure employees that payroll would not be affected. The finance team provided department managers timely information in response to employee concerns. Several CFOs said that the proactive communication effort proved to be more impactful than managing the banking disruption matters themselves.
02	Many emerging tech companies are dealing with high turnover as a result of the increased cost of recruitment and onboarding, as well as erosion of institutional knowledge bases. A company in the artificial intelligence space is providing new opportunities for key employees based on market analysis, according to its CFO. Others have imposed hiring freezes, avoiding backfill for the time being.

03	Job security has become a higher priority in the talent market since Q3 2022. Larger organizations with cashflow-positive operations appeal to employees who want stability. As this change has occurred, companies have eliminated several retention benefits and emphasizing fiscal responsibility.
04	When considering talent demographics, some leaders have seen younger talent prioritize a holistic employee experience over specific compensation structures or benefits. Transparent and authentic communications are highly valued by early-career talent, as well as a meaningful company purpose. Strong relationships with direct managers are another crucial factor; one leader suggested that attrition below the managerial level is a sign that management talent is ineffective.
05	The transition to remote and hybrid working models has left many companies with excess real estate. While some companies are reducing office footprints, others are finding creative ways to repurpose and capitalize on available space. Shared insights from the group indicate that finding opportunities for collaboration has been a priority, as remote options have been minimally effective in this regard. Many organizations have opted to renegotiate and/or sublease their real estate. One organization has reduced its footprint drastically, consolidating to a single 20-desk location due to the remote-first approach. Regional considerations are driving some of these decisions. For example, in markets like San Francisco where real estate is expensive, some are opting to leave offices empty, while in places like London, firms struggle to acquire office space.

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