CFO INNOVATION INSIGHT SURVEY

Cash, Borrow or Pass:

Spending on IT Innovation in Volatile Times

EXECUTIVE SUMMARY

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Various studies have shown that the judicious use of technology enhances productivity – and thus helps companies grow and become more profitable. Yet all too often, the finance department's kneejerk reaction to uncertain times is to cut spending on everything, including technology.

So it is heartening to find, in this survey of 160 CFOs and finance executives in ASEAN with responsibility for Malaysia, Philippines, Singapore and Thailand, that only very few – 5% -- say they will postpone technology investments in 2016.

Interest in flexible payment options is increasing, perhaps because of rising interest in sophisticated big-ticket technologies that benefit from flexible payment solutions. "There has been a rise in the interest for financing to support both cost savings and new growth initiatives in Information Technology," affirms this study's knowledge partner, IBM Global Financing.

Indeed, when asked what they would do differently if they could revisit a past technology implementation, 47% of respondents referenced exploring financing options. "I would have done a proper ring-fencing of IT projects, including utilizing a technology financier that is brand-agnostic, to provide better ROI measurement," answered the director, finance strategy and investments, of a shipping line in Singapore.

This study finds that larger companies – those with annual revenues of more than US$500 million – are particularly focused on financial management applications and related software, mobile and telecom infrastructure, Big Data and analytics, and in-memory computing.

A perennial question that every finance executive must ask each time an investment decision is made is whether tapping existing cash is the best idea, or whether it makes more sense to use financing, especially given today's historically low interest rates.

It would be a smart cash flow management decision if the capital that would have been used to fund IT innovation is utilized instead for business expansion and other productive purposes.

KEY TAKEAWAYS

Despite the volatility and uncertainty in the global economy, companies in Asia are not delaying spending on technology. Only 5% of respondent say their company will postpone the purchase or upgrade of technology solutions and services.

A large majority (84%) will utilize internal funds. But a sizeable 41% of companies intend as well to leverage financial instruments to fund their technology innovation.

Larger companies are increasingly focused on financial management software, Big Data and analytics, and in-memory computing. Four out of ten respondents say they are receiving requests for spending on IT infrastructure like data centers, servers and networks (43%) and IT hardware like PCs and laptops (41%).

Interest in financing is on the rise. When asked what they would do differently if they could revisit past technology investments, the CFOs' top answers relate to the idea of exploring financing options (47%), followed by exerting more effort to lower the cost of the technology solution or service (25%).

"I would do a comprehensive study and analysis on technology financing before making a decision on whether to purchase via conventional means, that is, utilization of our own cash flow," said the finance director of an office equipment and consumer electronics company in Malaysia.

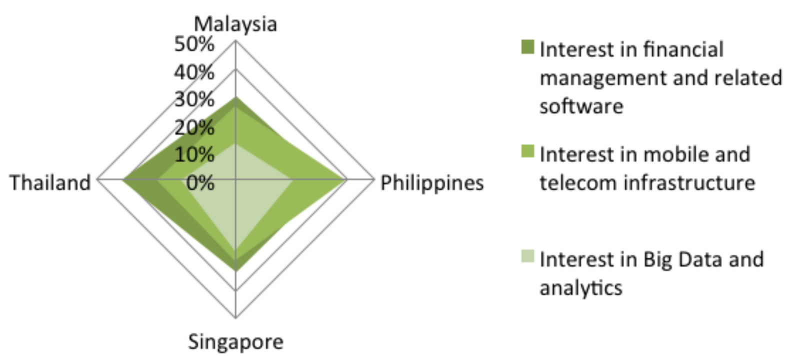
A number of executives floated the intriguing idea of pricing for performance. "I would link the purchasing and financing terms to the effectiveness of the tool," said the finance director of a healthcare company in Singapore. The other open-ended responses relate to exerting more effort to lower the cost of acquiring technology (25%) and studying the technology better and the projected ROI (both 13%). Smaller companies are more focused on lowering cost (27% vs. 23%), while larger enterprises are keener on mastering ROI (18% vs. 10%).)

The intention to work harder to lower acquisition costs may be a function of the commoditization of IT hardware such as laptops and smart phones, and the rise of cloud-based Software-as-a-Service enterprise applications.

Different markets have different priorities in technology spending. Cross-tabbing the findings according to country of responsibility reveals some interesting insights.

- More CFOs in Singapore are receiving requests to fund Big Data and analytics projects (25%) compared with counterparts in Malaysia (13%). Interest in analytics appears to be relatively high as well in the Philippines (21%) and Thailand (20%).

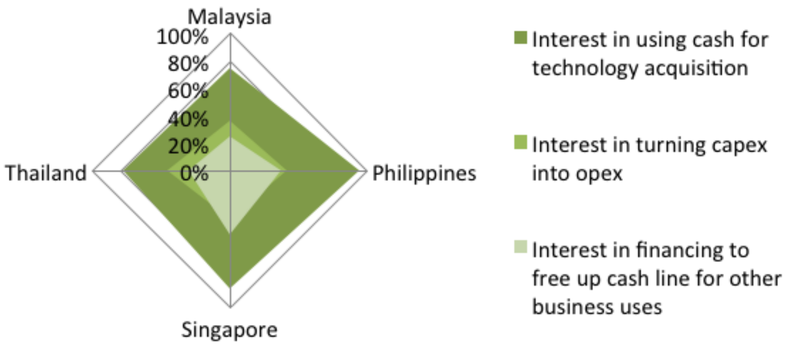
Technology acquisition



N = 60 (respondents with responsibility for Malaysia); 53 (Philippines); 51 (Singapore) and 46 (Thailand). Some respondents are responsible for two or more markets.

- Companies in the Philippines are more likely to use internal cash to fund technology purchases or upgrades (94%) than those in Malaysia (75%) and in Thailand (78%).
- Comparing banking finance usage across countries, CFOs with responsibility for the Philippines (25%) rely much more on banks than those responsible for Thailand (7%), Malaysia and Singapore (both 12%).
- The ability of a financing entity to free up cash for other business uses is a key motivator in Singapore (47%) and to a lesser extent in the Philippines (38%), but comparatively less so in Thailand (30%) and Malaysia (25%).

Mode of funding



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