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2023 CFO Spring Survey

Green Shoots

Introduction

What a difference six months makes: optimism among finance leaders is starting to reappear, with growing numbers of Irish and European CFOs beginning to see green shoots in their business. One in three (33%) of Irish CFOs polled for the Deloitte 2023 Spring CFO survey describe themselves as “optimistic” or “significantly optimistic” about their company’s financial prospects – up considerably from 12% in our previous survey in Autumn 2022. This improved trend closely mirrors the results coming from Europe, where 34% of CFOs feel optimistic or significantly optimistic – up from 13% six months ago.

Some CFOs are responding to these positive signs by taking greater risk on their balance sheets. In the Spring survey, 15% said they are preparing to do so – a noticeable rise from only 5% last Autumn. This sense of renewal is also reflected in growth expectations: 57% of finance leaders believe revenue will increase in the next 12 months and 33% expect operating margin to improve. Some of this optimism may be driven by expectations that inflation rates will decline.

Even when it comes to tracking the top risks facing CFOs (see panel), it is worth noting that sentiment has improved against six out of the eight most important categories.

Economic growth concerns are unchanged since last year, and although it remains the second highest ranked risk, this is not stopping some CFOs from looking to the future with more optimism. Only climate change – understandably – is the sole risk that CFOs rated higher than they did six months ago.

It’s too soon to tell whether the positive sentiment in our Spring survey will endure; what is clear is that CFOs must cultivate the right conditions to give these initial green shoots the best chance of flourishing. In this report, we focus on three areas where CFOs should spend time laying the groundwork, and list recommended actions to take. The first area is retaining and attracting talent – the bedrock of any finance function that can support the business in a rapidly changing world. Next, in light of the shift in thinking around sustainability, we look at what’s set to be one of the top challenges for finance leaders in the months and years ahead. Thirdly, we take a deep dive into supply chain issues. In our previous Autumn survey, CFOs identified supply chain efficiencies as one of the top strategic priorities, and this trend continued in our latest survey, so it bears closer examination. Lastly, we round out this report with a look at CFOs’ strategic intentions for the year ahead.

CFO Challenge #1: Digital Finance Transformation

Irish finance leaders and their European counterparts see increased use of digital tools as a strategic enabler in the immediate term (71% and 50% respectively), helping them to provide the business with the strategic insights needed to maintain a competitive advantage. These insights underscore the need to retain and attract skilled talent: although CFOs are 9% less concerned about this than they were six months ago, it's still their number one risk over the next six months.

Irish CFOs identified workforce skills and capabilities as the main obstacle hindering their organisation's progress toward finance transformation (67%), followed by mindset and cultural shift (51%). Interestingly, the appetite for transformation is not the issue: fewer than one in four CFOs said securing funding for digital transformation would be an issue for them.

At a glance: Key digital finance transformation challenges facing CFOs

In a newly digitalised organisation, taking time to understand and respond to capability needs is essential. This includes helping legacy talent to understand how their roles have changed. To unlock the capability challenge and successfully manage digital transformation,CFOs should:

01 **Build capabilities with, not for, employees.**

02 **Engage in continuous talent development.**

03 **Hire for design (better user interfaces can drive greater engagement with digital technologies).**

XIOMARA SANCHEZ

Digital Finance Lead

“CFOs are increasingly recognising the importance of digital transformation for their organisations. By investing in digital competencies and capabilities, they can harness the potential of digital tools for both Finance and the broader organisation. This will maximise the return on investment and ensure the organisation remains competitive in the digital era.”

CFO Challenge #2: Sustainability and Climate

Although Irish CFOs see climate change as a lower risk than other factors (it ranked 7th in our survey), we expect this to grow considerably if organisations don't develop their organisation's ESG endeavours. Organisations will come under increasing external and regulatory pressure to set, and commit to, ESG targets and to demonstrate progress through transparent reporting. This challenge links back to the talent question: one of the biggest challenges facing Irish CFOs when it comes to ESG reporting is the lack of in-house capability required for enablement. 52% of Irish CFOs see this as their top challenge to unlocking their ESG reporting strategy – again highlighting that retaining and attracting skilled talent and qualified employees is the number one risk for CFOs over the next 12 months.

A closely related challenge (at 48%), is that CFOs believe that the absence of a global standard for ESG reporting acts as a barrier to unlocking their organisation's ESG reporting strategy. We expect further developments in this space with the finalisation of the ISSB standards and the level of interoperability between global requirements such as CSRD and SEC requirements, which are expected to become clearer over the next year or so.

Take action on: Sustainability reporting

To build capability for reporting against ESG targets, CFOs should:

1. **Prepare to report under multiple frameworks and prioritise the must-haves**
2. **Focus on transparency, reliability and comparability**
3. **Develop a single source of truth for ESG data**
4. **Embrace technology to deliver accurate and auditable reporting**
5. **Put finance in the driving seat**

Click here to read the full article: **Why quality data and reliable reporting are crucial to managing your sustainability strategy**

At a glance: Key challenges to unlocking ESG reporting

- Limited in-house knowledge/skills — **52%**
- Data availability for regulatory compliance — **41%**
- Lack of automated enterprise data platform to collect sustainability data — **35%**
- Absence of global reporting standards — **48%**
- Absence of porting solutions to produce auditable records — **39%**
- Lack of consistent, investor-grade data across the enterprise — **32%**

ORLA DUNBAR
Sustainability Data & Technology Lead

> “**Finance can use its existing skills and systems** in areas such as internal and external reporting, cross-functional collaboration, financial management, governance and risk management, and investor relations, **to spearhead the organisation’s ESG endeavours**.”

Beyond data and reporting challenges

Spotlight on tax control frameworks to manage ESG risk

With ESG concerns driving a rise in demand for transparency and accountability, we introduced two new questions in the Spring survey, and 29% of CFOs say they are developing tax control frameworks to manage tax risk. In addition, 55% are taking a more proactive approach to Revenue compliance checks and audits; although this was a new question for the latest survey, it demonstrates the increasing focus which CFOs are giving to various risk factors impacting on their organisation.

GLENN GILLARD
Sustainability Market Offering Lead

"It is worth noting that in Ireland, there is a growing recognition that nature-related risks can affect long-term enterprise value, and that managing those risks is essential to build resilient businesses and societies. Nature and biodiversity loss are linked to climate change. **We expect to see more of a focus on wider environmental matters, particularly with the finalisation of the Taskforce of Nature Related Disclosures (TNFD) in Autumn 2023.**"

CFO Challenge #3: Supply Chain Efficiencies

In our previous Autumn survey, CFOs ranked supply chain efficiencies as their third highest priority behind growth and decreasing opex. For our Spring survey, it's now the second highest priority. It deserves a closer look because it's so heavily impacted by the macro environment. Over the last two years, manufacturers have faced an unprecedented variety of challenges from supply-side delays to cyber-attacks. Supply chain shocks caused by events such as Brexit, Covid-19 and the Ukraine war have placed huge strain on organisations to sustain operations, secure production and ensure order fulfilment. With considerable geopolitical, financial and climate risks still at play, businesses are responding by improving supply chain visibility and enhancing their supply chain resilience to navigate through these challenging times. Not surprisingly, reviewing supply chain efficiencies remains a very high priority for CFOs (79%), while 60% of CFOs see mitigating supply chain risks as their second highest strategic action.

Take action on: Security of Supply | To make their supply chains resilient, CFOs will:

#1
Increase use of digital (planning) tools (71%)

#2
Increased collaboration with suppliers (60%)

#3
Stress test/ scenario test (49%)

#4
Increase purchase from domestic suppliers (41%)

#5
Diversify suppliers and distribution routes (36%)

#6
Increase parts and supplies inventories (27%)

With 71% of CFOs looking to increase their use of digital (planning) tools, they recognise that investment in this area will enable organisations to build more visible, integrated and responsive supply chains. These technologies enable organisations to better stress-test their supply chains, optimise supply chain flows, and realise benefits across customer service, inventory and total delivered cost. To enhance resilience, organisations are now looking to their procurement functions to better understand and mitigate supply chain risks. We are seeing this in our engagements with our clients, with organisations collaborating with their direct suppliers to understand all tiers of the supply chain (from raw materials to final product) to identify risks and take action to minimise disruption.

At a glance: Supply chain challenges facing CFOs

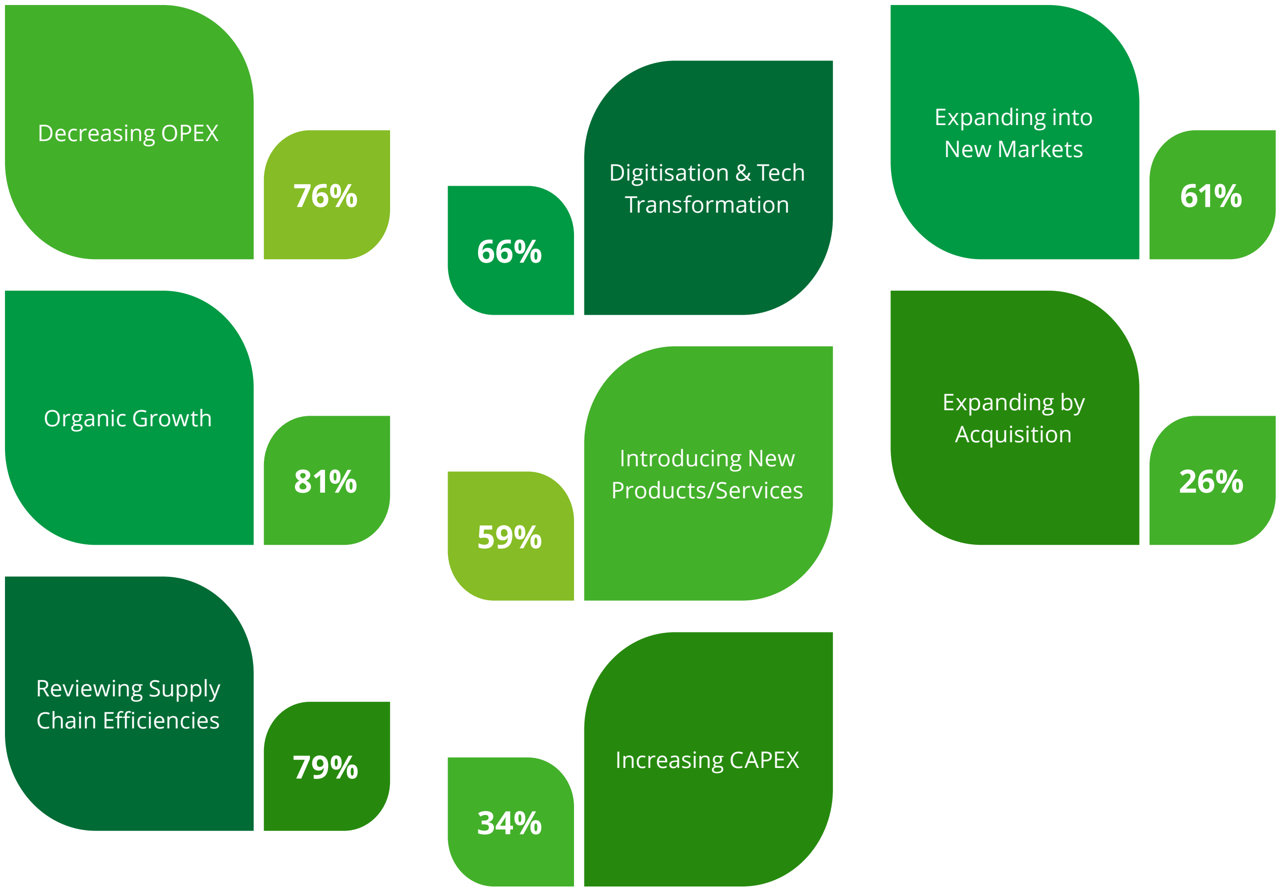
MICHAEL O'SHEA
Supply Chain Director

> "**On-going disruption to supply chains** is forcing companies to rethink their efficiency-first strategy. Organisations are **investing in digital solutions to improve end-to-end visibility** of their supply chains which allows them to uncover weak links and take action."

Strategic goals for the next 12 months

The challenging headwinds outlined in our Autumn CFO survey have given way to encouraging signs of green shoots that emerged from our Spring CFO survey. This sense of revival carried through to finance leaders' strategic priorities for the coming year. The largest shifts in focus for Irish finance leaders compared to the previous survey were: organic growth (81%, up from 73%); introducing new products and services (59%, up from 49%), and expansion into new markets (61% from 30%).

Green shoots flourish with strong roots. At Deloitte, we believe CFOs should focus on maximising core functions such as digitisation and tech transformation along with identifying supply chain efficiencies. By unlocking their challenges to ESG reporting, CFOs will also be better placed to mitigate the pressures such reporting will cause their organisations in the immediate future – enabling them to continue tending the green shoots in the business.



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How we carried out the survey Deloitte has conducted the European CFO Survey since 2015, asking finance leaders to share their views on a range of themes relevant to their roles, including the economy, business strategy, and technology adoption. This latest survey sought the opinions of more than 1,366 CFOs in 16 countries across Europe. For the Irish results, Deloitte engaged with 75 senior finance executives across many sectors ranging from tourism, construction, and retail to manufacturing, healthcare, and transport. They represent a mix of family-owned businesses, private equity owned entities, publicly listed companies or firms with a small group of shareholders.

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