Deloitte CFO survey:
The CFO’s guide in dynamic and turbulent times
Economy, Sustainability & Digitalisation

Fall FY24| Dutch Perspective from the European CFO Survey

Introduction

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The Dutch CFO Program aims to help CFOs stay ahead in an increasingly complex business environment. Among other initiatives, we aim to reach this goal by analysing the sentiment of Netherlands-based Chief Financial Officers. We are pleased to present you the fall 2023 edition of the Deloitte CFO Survey.

Our bi-annual CFO survey collects inputs from over 1,100 Chief Financial Officers across Europe. This report provides an overview of the Netherlands-based CFOs' financial outlook, as well as their views on critical business risks, inflation, strategic priorities, funding and other factors they currently consider to be vital for success. Many CFOs—from private and public organisations—contributed to this Netherlands-specific report, sharing insights about a diverse number of Industries. To get an in-depth understanding of CFOs' current priorities and concerns, we divided our report into three sections: economy, sustainability and digitalisation.

To deepen our understanding about how the economy develops and how organizations foresee to manoeuvre this landscape, the first section, economy, explores how CFOs perceive their environment and the positioning of their organisation herein. On the macroeconomic aspect we focused our attention on CFOs' sentiment, their view on the development of inflation rates and CFOs confidence of operating in a tough economic landscape. Subsequently we zoomed in on the specific strategies CFOs will employ going forward. The degree to which CFOs will seek risk and how they will go about managing their supply chains are important topics in this regard. In this edition, we also zoomed in on how CFOs experience the current political landscape within the Netherlands and how it affects their decision making and investments.

The second section is focused on sustainability. We asked CFOs to what extent they prioritise sustainability on the CFO agenda, whether they do so from a value or compliance perspective, and what role finance is expected to have in the sustainability transition. Additionally, we asked specific questions about whether CFOs track capital expenditures that are emission-free and whether they think they are ready for the impact of more severe sustainability regulations, such as CSRD, EU taxonomy, etc.,

Our final section relates to digitalisation. Technologies develop extremely fast, and CFOs need to incorporate this development in the finance function. To gain more insight, CFOs were asked to reflect on the level of digital maturity of their organisation, the role of artificial intelligence in their decision-making and the extent to which they have already adopted next-gen ERP.

In addition to the survey results, in this edition, we had the opportunity to speak to an amazing group of external and internal experts. Special thanks to Bastiaan Postma, CFO at DNB, Ritchy Drost, CFO at VodafoneZiggo, Chiel Rietvelt, TotalEnergies – Corbion, and Prof. dr. Bert de Groot, Executive Professor at Erasmus School of Economics. Their insights enrich and contextualize the findings of our survey.

We hope that the findings, which you can find in more detail in the report, bring an interesting dynamic to your internal conversations. If you wish to discuss any specific aspects of the report, please feel free to contact me or one of our other Deloitte leaders.

Results: Economy

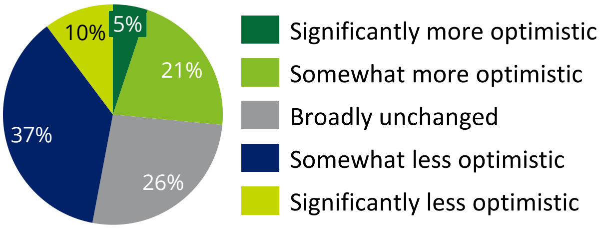
Uncertain climate, pessimistic CFOs and conservative strategies

1. CFO general outlook on the economy

Despite the absence of a true economic crisis in Netherlands, CFOs are still pessimistic about firm's financial prospects

Although the last few months did not see any true economic crisis materialize, this has not led to an increase in optimism among CFOs. The Dutch economy does not appear to be out of the mud just yet. In fact, since the Spring publication of this report, the optimism surrounding firms' economic and financial prospects has spiraled down: 47% of CFOs are perceiving the current climate as less favorable than the previous semester (see chart 1).

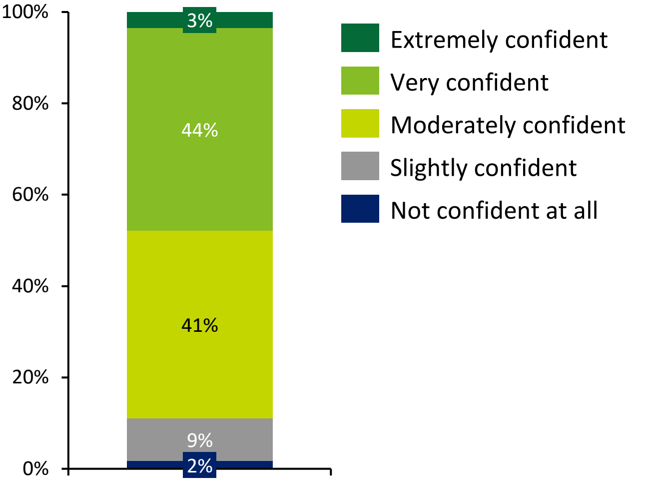
Chart 1. CFOs' sentiment on firm's financial prospects compared to last semester



Interestingly, this pessimistic outlook is least present among firms that are backed by venture Capital or those that are under Private Equity ownership. These firms appear to be more recession-resistant than others for two reasons: their ability to utilize their funds' managerial expertise and easier access to capital markets. Moreover, three sectors' results stand out for their optimism. First there is the energy sector, which likely relates to a continuation of higher energy prices due to the ongoing geopolitical unrest as well as the widespread push for renewable energy, reflected in, for instance, the REpowerEU. Second, the construction industry, which appears to have a buoyant outlook in a post-Covid-19 landscape. Third, the Automotive sector, due to profit margins on EVs improving and supply-chain bottlenecks being broken.

An interesting observation, compared to the previous edition, is that financial services industry has moved from being highly positive to being among the bottom four industries in the current climate, together with Raw Materials, Tech, the Public Sector and Industrials.

Chart 2. CFOs' confidence in ability to operate successfully in a high interest rate climate



Despite the pessimistic outlook, CFOs' confidence in their ability to operate successfully in today's climate remains high, even among the least optimistic industries.

Ritchy Drost| CFO VodafoneZiggo

The world has become incredibly turbulent in recent times. Predictability is decreasing and every time things appear to be stabilizing, there is a new shock. Look at the recent developments in the Middle East for instance. I do not rule out that the recent developments have a negative impact on the global economy broadly. Uncertainty is never a good 'ingredient' for decision making. At VodafoneZiggo we are optimistic by nature, which also means we remain confident in our ability to create long term value in our business during any part of the economic cycle and do not immediately worry if short term performance is impacted by macro economic factors. An example of this is our 2023 financial guidance: we told the market that for this calendar year our EBITDA performance would be negative solely due to inflationary pressure on specific parts of our cost base, only partially offset by an improved revenue profile. As we knew this only came from higher energy cost and wage cost inflation, we purposely did not cost cut ourselves back to growth for this year but remained focused on our strategic agenda.

2. Navigating in an environment with high interest rates

Despite the overall pessimistic outlook on the economy, CFOs remain confident in their ability to cope with a high interest rate climate

CFOs' confidence in their ability to operate successfully in today's climate remains high, even among the least optimistic industries.

To better understand the market CFOs operate in, they were asked to indicate their expectations on the inflation in Netherlands. CFOs expect inflation levels to rise up to 3,6%. Compared to the previous edition (Spring 2023), expectations seem brighter. The underlying assumption seems to be related to the new interest rate regime. In fact, CFOs are predicting that the ECB's key interest rate will remain elevated at 3,8%. However, this does not appear to have changed CFO preferences on debt maturity or rate regime.

Overall, CFOs remain cautious on their firms' ability to financially perform within the current volatile environment.

Jur van Ingen | Partner Business Finance

Next to supply volatility, global inflation and interest rates place extra pressure on the bottom-line profitability. How do you create the right insights, so that you can recover increased product costs in a timely manner? Or so that you (shift) focus to parts of the world with better returns? On top of that, there may be large sustainability expectations and ambitions while end markets – for instance sustainable fuel, circular rubber for car tires or solar and wind parks – are more unchartered territories. So, all in all, I am not hearing pessimism per se, but these are definitely times for even more conscious decisions.

One of the elements that can explain CFOs' confidence in being able to perform despite these expected high interest rates is the fact that they still believe that they can access different sources of funding.

Similarly, to the last survey results and considering the current level of interest rate on debt, CFOs indicated their least preferred source of funding: corporate debt and Internal financing. The latter being either considered extremely positively or extremely unfavorably. Such a result is likely if seen as the cheapest source of funding a firm can use as well as its reserve function that decreases risk within the firm. However, if we consider the dependence from fundings, internal financing and corporate debt are last. Equity places second behind bank loans, indicating that although valuations and IPOs are down, equity financing might be cheaper than financing via the corporate bond market.

Chart 4. Preferred financing source vs dependence

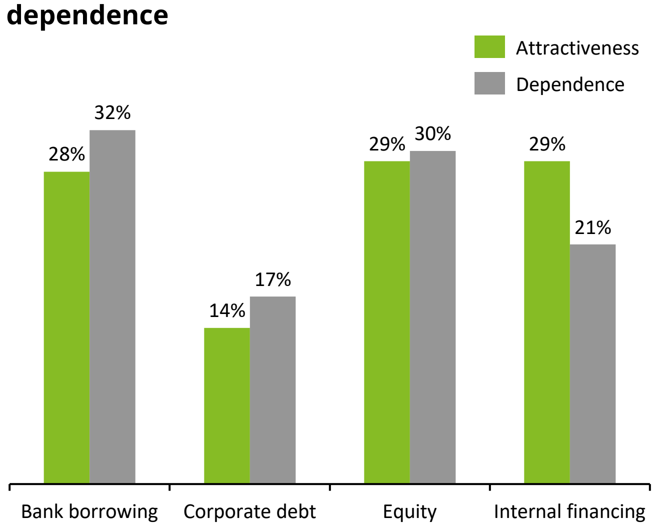
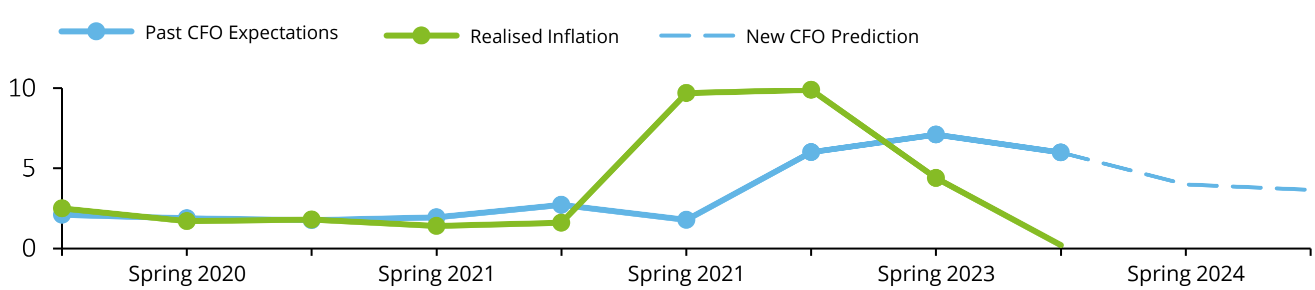


Chart 3. Forward looking inflation expectations vs past expectations and realised inflation (in %)



3. Different priorities for organisations

Organic Growth, Sustainability and OPEX reduction are the main priorities for CFOs. However, shortage of skilled professionals and cyber risks might compromise a sustainable growth and investments in Europe

We will now take a look at what organizations are prioritizing given the perception on the economy.

CFOs believe that, despite the depressed economic outlook, they will be increasing the number of employees (Chart 5). Noteworthy is that this positive sentiment is mainly found among multinational firms, with 47% of CFOs of Dutch companies actually expecting to decrease their labour force.

Overall, the main functional areas in which firms are looking to increase their labour force are IT, sales, and finance. Additionally, the most sought after skills within the workforce are leadership, critical thinking skills, and digital literacy.

CFOs assessment of their strategic risks revealed that the shortage of skilled professionals and cyber risks represents a substantial risks for their organisations. Probably due to the current digital innovations and niche skill-set required for certain sectors. However, they seem to be least worried about decreasing profit margins, reductions in demand and shortage of capital. Furthermore, as shown in chart 5, the majority of CFOs indicated that organic growth, decreasing OPEX and sustainability will have highest priority going forward. Expanding into new markets will be preferred to expanding by acquisition or to introducing new P&S in the market.

Chart 5. CFOs' expectation on change of number of employees in their organisation

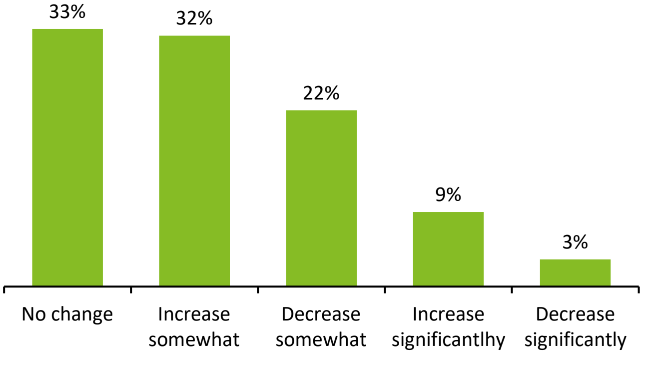
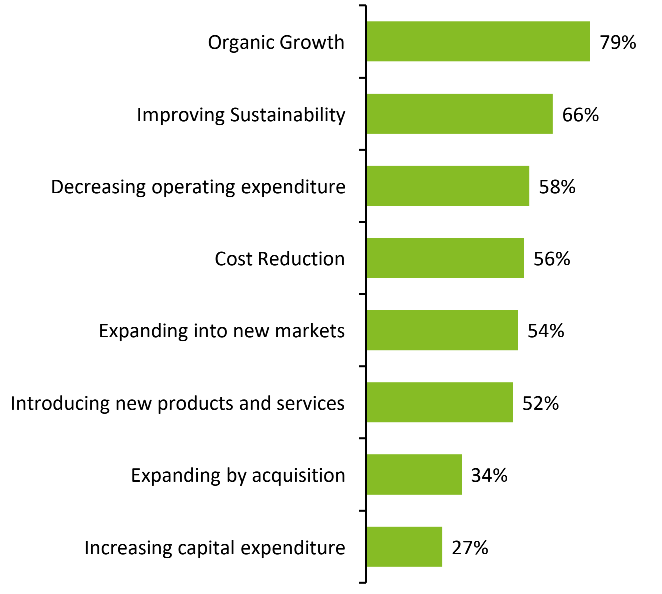


Chart 6. Insight on % of CFOs that consider these topics as more important than last year



In general, organizations are expecting the economy to be less favourable in the upcoming period. CFOs are looking inwards rather than aiming to expand outside of the organization. This translates into focusing on making sure that their workforce is equipped with the right set of skills. When it comes to growth, investment focus is on organic growth and less on expanding to new markets. Additionally, protecting their systems is key.

CFOs are playing in "defence mode" to ensure that the core of the organization is robust to face what will come next.

Chiel Rietvelt | CFO TotalEnergies-Corbion

Looking at my own organization, whereby the sales are geographically spread but where the Asian markets form a large contribution, I find that I have optimism but that this is very much regionally dependent. . If I look at Europe, the investment climate is much more challenging after the Covid-19 period. Additionally, the prices of shipping containers has fallen back to pre-Covid-19 levels, which means that global production has become economic viable again.

4. Uncertainty, geopolitical tensions and risk mitigation

Supply chain is highly affected by geopolitical developments: tooling and suppliers collaborations are currently being prioritised by CFOs

Over the past two years, CFOs indicated that supply chain topics are highly relevant considering their vulnerability to geopolitical developments. In fact, as shown in Chart 7, the main supply chain priorities are the increased use of digital (planning) tools and the increased collaboration with suppliers (over 50% of respondents indicated that these topics are a 50+ priority on a rank from 0 to 100). On the other hand, offshoring or increasing parts and supply inventories are not a priority for most organization (under 15% of respondents indicated that these topics are a 50+ priority on a rank from 0 to 100).

Dutch elections

The upcoming November elections in the Netherlands do not seem to be a stress-point for Dutch CFOs. Overall, over 50% of respondents stated that their decision-making will not be affected in any way regardless of the election outcome. Moreover, many hot-button topics such as immigration and asylum policies are expected to not cause any changes to Dutch companies.

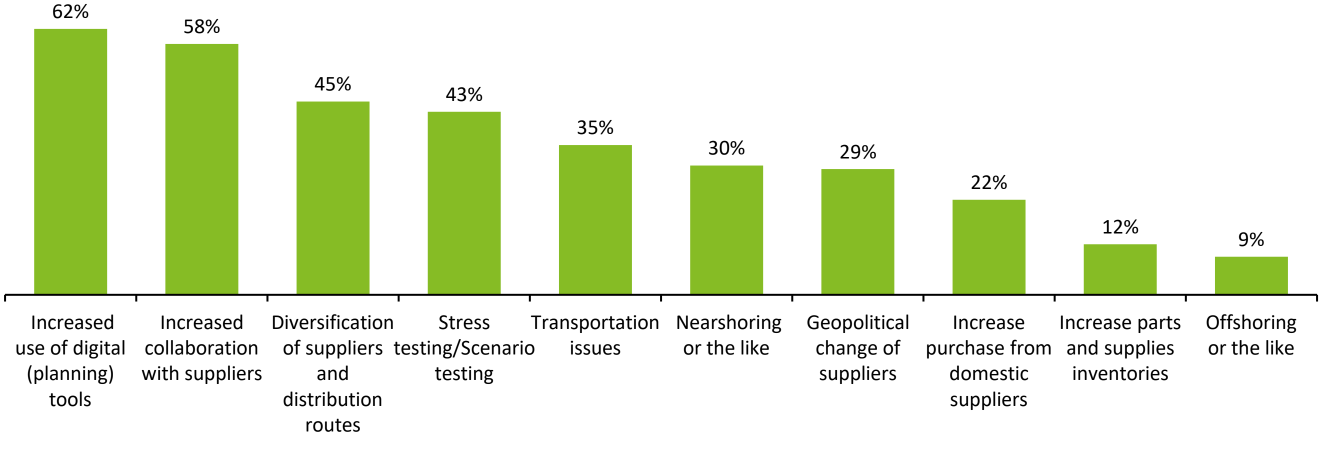
Nevertheless, there are areas in which respondents do see a growing concern. CFOs fear that a higher tax burden will fall on their shoulders following the results in November.

A similar sentiment is shared in the other hot-button topic of this election: Nitrogen emissions and sustainability. Though covered in length in the following section, Dutch CFOs are weary of potential Nitrogen and CO2 emission regulations becoming more stringent. In turn this has led over 40% of respondents stating that they are increasing their current investment in sustainability as a direct response to the political climate in the Netherlands.

Jur van Ingen| Partner Business Finance

I do think most CFOs see significant volatility ahead, both in demand as well as supply. As realization that they have an important role in helping their company navigate through that volatility. For instance, for CFOs of industrial products companies or in the chemicals industry, who's business are highly dependent on availability and prices of feedstock, conflicts and geopolitical unrest can have a significant impact on their production and profitability too, especially when supply of raw materials is already tight. Indicators show that some markets are softening and order volumes are down. How do you now secure financing for new projects, especially considering this was more difficult for these companies already? The CFO is well positioned to provide insights and support in making decisions.

Chart 7. Topics considered a "high priority" regarding the supply chain



Expert views on the economy

Bert de Groot
Executive Professor
Erasmus University

The economy is experiencing a lot of stress right now: We have seen this coming for over a year now. I publish on it regularly. Germany is already finding itself in a recession and the Netherlands is too, Europe will follow. From this perspective, I'm not surprised that you found such pessimistic outlook. Additionally, the CFO confidence that is found is potentially also the usual business hubris: CFOs are supposed to manage these conditions and you only lose confidence once it is too late.

Banks are also decreasing the liquidity in the system and capital has become vastly more expensive and less available. I'm glad to see such confidence, as it likely means most companies expect they have enough liquidity in their treasury to cover the coming year. However, from what I see, I'm not sure they have enough to cover the period after, so that might change their confidence a bit and they pay more.

I'm a bit surprised by the revenue increase aspect of this. It was the case that firms were able to push-through the elevated costs that they experienced on to consumers. However, these consumer prices appear to have steadied again. The problem these firms experience comes from the fact that their inputs' prices are still rising at elevated levels and until this process is stopped, margins will decrease.

The finding of a key interest rate that is equal to the inflation rate is very interesting. When looking at the last 120 year in the USA, we see that on average the level of inflation and Interest have both been around 3,5%. (taken into account the peak of 22% daily interest, the effective rate, in 1980). This survey finding is fully in line with this historical trend; it does make you think of the effect that a higher interest rate is having on fighting inflation, if both are expected to be at the same level, meaning that real price increases are zero. Does high interest rates then have a lowering effect on inflation is my question to the central bankers.

Hayat Douich
Partner Financial Services

While there is a lot of turbulence, banks and insurance firms are experiencing the opposite side of the coin. Their margins are actually going up with the increase in interest. What makes these times interesting is that there is a lot of uncertainty, which differs from the global financial crisis that everyone knew was just bad. It is not the worst of times or the best of times. In banking, revenues are in fact growing due to the significant increase in interest rates. With an increased cost of borrowing, we do see an impact in terms of the way firms look at funding opportunities and those are really dependent on firm specific situations. High liquidity leads to more internal financing. If you have the possibility of looking at scenarios, it is best to look at the cost effectiveness of those factors.

Banks are looking broadly at decreasing their Opex and Capex. The interesting thing about uncertain times is that, even though cost reduction is high on the agenda, it is not cost reduction to meet a bottom line target. Rather, it is cost reduction that takes into account future ambitions.

Given that we are in more turbulent economic times, I would say there is still scarcity in the specialist jobs in finance—quants, IT architects—which has not changed. Still, there are stricter budget discussions taking place. Another interest thing is that the type of profile is changing. You see more econometrics and legal backgrounds as well as an increasing ask for data scientists. This variety in skillsets asked has changed. I see an increased appetite for leaderships skills as well. Employees want to be inspired and this requires more than just an understanding of the P&L. Cyber security has absolutely been a top three issue for financial services providers and it requires a continuous focus. Skill scarcity is also something found in the top 5.

Results: Sustainability
A challenging top priority

1. Motivation and prioritization of sustainability

Most CFOs indicate value is driving their sustainability strategy; however, upcoming elections and potential stricter regulations add pressure to accelerate on their strategy

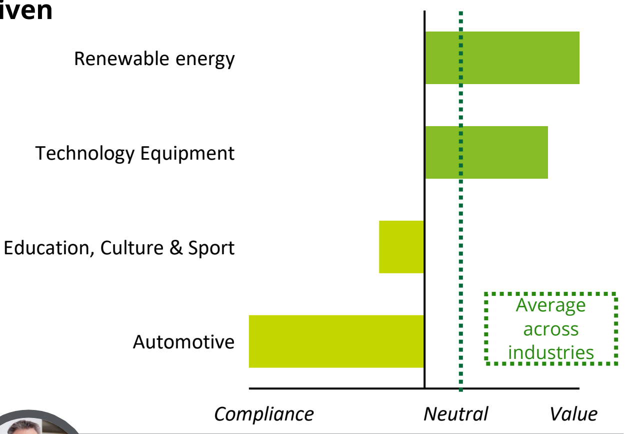
Similarly, to what we had observed in the Spring 2023 edition, value seems to be more of a driver for sustainability than compliance. Results confirm this by showing that 59% of CFOs approach is more value driven that regulatory compliance driven.

In chart 8, by having a more detailed insight on the industries where sustainability is more value driven, we observe that Renewable energy and Technology equipment are way above average. On the other hand, the most compliance driven sectors are Automotive and Education, Culture & Sport.

In line with the political influence on ecology and sustainability, 40% of CFOs consider sustainability to be a top priority in their list. Furthermore, they expect that following the elections there will be stricter regulations that will have impact on their business and the finance function. In fact, 47% of respondents expect that CO_2 and nitrogen regulations will have negative impact on their business and only 20% of CFOs expect these regulations to help improve their operations.

On an industry level, what is interesting to see is that the more value driven companies see these regulations having a highly negative impact on their business and vice versa for compliance-driven companies. Hence, it seems that for value-driven companies, there's not necessarily a full alignment between the companies' sustainability priorities and those of the regulators.

Chart 8. Industries' approach on sustainability: top 2 most compliance and top 2 most value driven

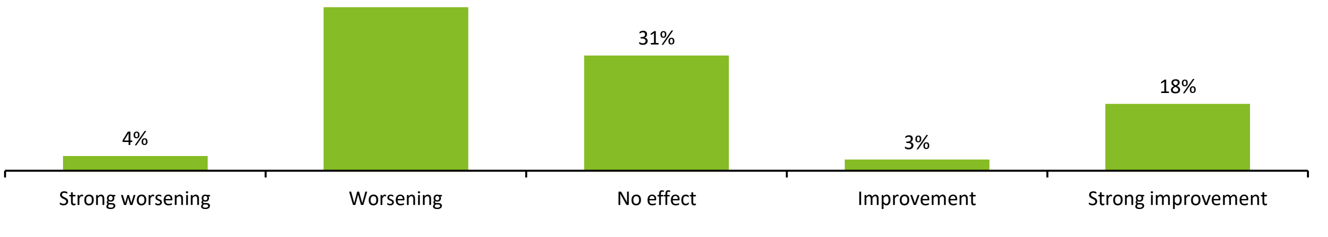


Ritchy Drost| CFO VodafoneZiggo

I think that I have been lucky to be operating in an industry that has received a lot of regulatory and political attention over the past decades. This means that the political landscape has had a major impact on our business over the years. Political decisions have significant effects and can be capital intensive. Within such a landscape, we have learned to remain vigilant not just on the politics, but also on subjects such as sustainability.

This pushed us to already begin publishing reports on our sustainability impact, even though it is only required to begin doing so by 2025. We fully embrace the issue and do not view it as regulatory driven. So, we turn it into an opportunity and a topic we intrinsically see as a key priority for our organization. In fact, it is part of our five strategic pillars—Progress for everyone—which means inclusion in the broadest sense from diversity to sustainability.

Chart 9. CFO's view on how CO_2 and nitrogen regulations will impact their business



2. Regulatory readiness and the role of Finance

Organization are not fully prepared for imposed regulations on sustainability goals disclosure and current quantitative metrics. Finance will need to step up to tackle this challenge

Regulatory readiness

Similarly, to what we observed when looking at companies' apprehension when it comes to potential stricter regulations after the elections, we can see that most organizations are not really prepared from a regulatory perspective.

Indeed, half of the respondents have indicated that they are not at all or only slightly ready for the impact that upcoming sustainability regulations will have on their organization (e.g., CSRD, Eu Taxonomy).

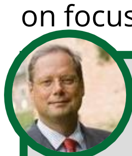
When we compare the results to the ones from the last survey, the answers are a lot more scattered (see graph 10). We can observe a slight increase for those company that seem to be extremely ready but on average, the responses indicate that companies are only slightly ready to face upcoming sustainability regulations.

Compared to the last edition of the survey, the answers are a bit more scattered and more polarized. This could potentially reflect the idea that sustainability is meant to be a top priority in the agenda of CFOs, but more work on their strategy is needed by having an in-depth view on their level of regulatory readiness. This translates into less "middle responses", that might come from a lack of clarity on where their company stands.

The role of Finance

Although sustainability is a topic that organizations need to tackle holistically with all functions, CFOs believe that Finance plays a key role in helping the organization moving forward with its sustainable strategy. Respondents indicated that the 2 main domains where Finance has the most important role are on "Sustainability reporting" and "Other non-financial disclosures". Compared to the answers obtained from the Spring edition 2023, the level of responsibility of Finance seems to be the same except the topic of "Climate reporting". In fact, in the previous survey 57% of CFOs indicated that Finance is either "Primarily responsible" or a "Major contributor" to climate reporting whereas that number has now gone down to 44%.

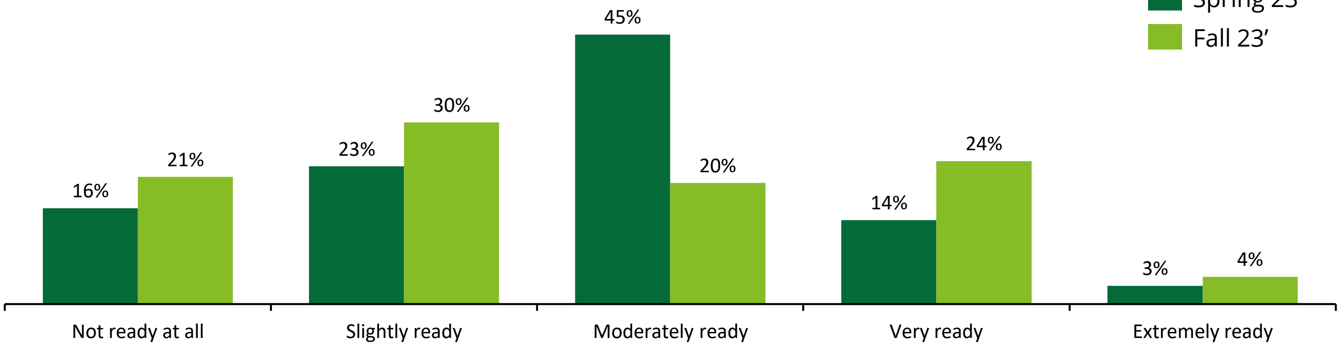
In appears that Finance is responsible for tracking ESG performance as a whole and less on focusing on climate reporting specifically.



Bert de Groot | Executive Professor Erasmus University

I do think that the work on sustainability is currently being easily brought to the CFO as nobody else within the firm has any ownership on data collection. My advice is for finance to involve a non-finance project leader to manage the task, this ongoing project, the ongoing process, with the knowledge that people are completely underprepared to understand the emissions in their supply chain. Undoubtedly, it takes time and people in the various parts of the organization. Smart CFOs will look at this topic from a value driven perspective; they view themselves as part of the business and this gives them the opportunity to create an early warning system, control system, etc., that will service the firm.

Chart 10. CFO's perspective on their readiness for sustainability regulations



Expert views on sustainability

Chiel Rietvelt
CFO TotalEnergies-Corbion

We begin every meeting with one of our Core values—Safety, Integrity, We enable others to do good, or Ambition to continuously maintain our culture and the people that work for us often feel a personal purpose for sustainability. We aim to support our employees with many educational opportunities to truly foster their development while they are supporting our growth journey.

Right now, we are focused on further developing our product portfolio. To do so, we are in more and more conversations with brand owners, who are all looking towards customers' demands on sustainability combined with internal and external targets in terms of sustainability. This combination of market pull, unmet needs from customers and innovative solutions is opening new commercial doors for us. Still, you have to keep in mind that the customer will make their own price vs value-add trade-off.

We do not see ourselves as a polymer producer but as a solution provider. We are a sustainability company with an eye for the future. This allows us to double underwrite our deals and gain benefits to team up with service and supply chain partners who are aligned to our purpose and want to identify themselves with us in their portfolio.

Currently, we find ourselves in a situation in which a number of important drivers have turned into a more challenging market situation. Within today's climate, many countries are struggling to balance their regulatory and economic framework to prefer new sustainable technologies. This balancing uncertainty leads our clients to also pace their investments in sustainable solutions and await regulatory guidance. This slows down the overall transformation to a more sustainable environment with less CO2 emissions.

Vanessa Otto-Mentz
Partner Sustainability

Many leaders are more mature, and for these generations sustainability and stakeholder engagements, dependence on the environment, double materiality etc. was not part of their education.

The older you get the more experience you have. However, your unconscious competence and incompetence also increases. Because you are working from experience and maybe not as aware about what you know and or not know because of this"

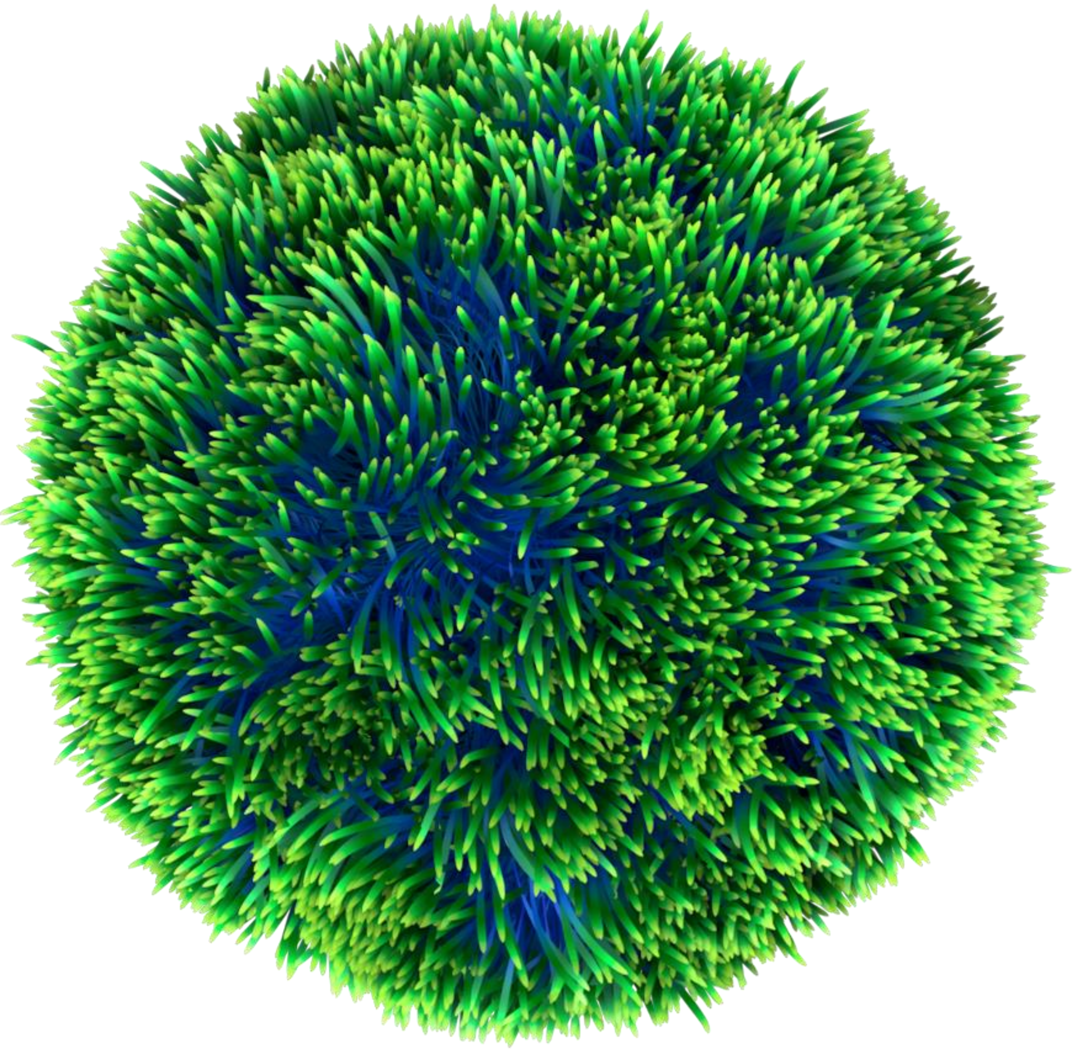
"If there wasn't financial regulation and reporting standards, people would not be reporting financial results the way they are doing. And would financial markets in that case work the way they do now? Would there be as much trust in the financial data? I think not. Regulators are trying to trigger this same rigour for sustainability performance.

If you are not secure about reporting your most important sustainability KPIs, what does it tell us about a corporate's sustainability performance?

The reality is that old saying – what gets measured gets managed … and we are not yet measuring our material market externalities - as we are yet to fully integrate these data points into our business-as-usual or even long term corporate strategic decision making processes.

If more CFOs looked at regulatory requirements: CSRD, taxonomy as a performance management journey over time – they would see that there is a lot of freedom in how to approach it. Taking time to do the strategic and business model work will guide them in what is needed to steer their organizations in these turbulent times. The future winners will be those who invested the time in doing this work.

Change is systemic – slow at first but then it picks up speed – and being future fit and ready for the big shifts is essential to long term value creation.



Results: Digitalisation
Moderately mature, but developing fast

1. Digitalisation: despite AI attention, moderate maturity

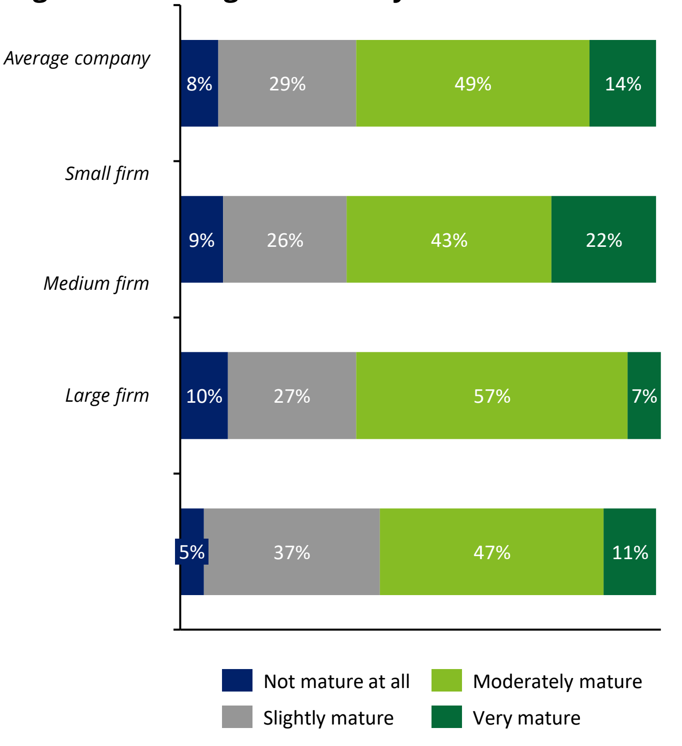
While nowadays ground-breaking AI developments are often spoken about in the news, most CFOs currently view their organisation as only moderately digitally mature

Digitalization is a quasi-inseparable part of the idea that people have about modern well functioning organizations. However, most companies still believe that they fall short of this ideal and are only moderately digitally mature. Interestingly, smaller firms appear to leapfrog more established firms on the issue, with 22% of them indicating that they are very digitally mature, more than double the percentage of large firms that share a similar sentiment.

The highest levels of digital maturity were recorded by our survey to be in the fields of healthcare, the public sector, and the business and professional services industry. On the opposite side of the maturity spectrum were the construction industry as well as the manufacturers of industrial products. Quite surprising is that the financial services sector recorded low levels of digitalization as well, which amplifies the level of push towards innovation that FinTech will likely have on the sector.

Against this current state of affairs, the importance of digitalization appears to become ever more important. Not only have did we find that it is seen as vital for gaining insights that will reduce supply chain risks, as could be seen in chart 7, but cyber risk is also recorded as one of the two most pressing risks on the agenda of the CFO. Therefore, it should not be surprising that digital literacy is the most important hard skill that companies are currently looking for in their recruitment.

Chart 13: CFOs perspectives on their organisation's digital maturity



AI could be the biggest technological development of our time. However, CFOs are currently only using AI for, on average, 16% of their decisions (chart 14). This number jumps a lot higher when only looking at younger and start-ups where approximately 30% of strategic decisions are informed by AI. Moreover, the survey finds that especially renewable energy companies and the aerospace & defence industry utilize AI more often than their peers in other sectors.

Vanessa Otto-Mentz| Partner Sustainability

AI has the potential to play a significant positive role in sustainability. AI and digital innovation can improve the steering of sustainability performance as our climate, nature and social challenges are partly data problems. AI and digital innovation can help solve inefficiencies, speed up change and scale impacts.

Hayat Douich| Partner Financial Services

Organizations in financial services are time crunched due to increasing regulatory standards. Every time you think you have implemented the change to be compliant, the next one begins. They come so fast after each other and you cannot pick and choose when to begin and combine that with data availability and data readiness and there is even more pressure.

2. Digitalisation: the future of AI tools in decision-making

Smaller companies and Start-ups are implementing AI solutions two times more than bigger organisations. However, all CFOs are increasingly starting to recognise the importance of technological developments in decision making processes

On average, 16% of CFO's budget goes to AI. However, there's a difference between smaller vs larger companies. In fact, companies with a turnover of over 1 billion euros have a budget of 7.6% for AI whereas that number jumps to 20.9% for companies with a turnover up to 100 million euros.

CFOs do believe that AI will bring a competitive advantage. Nevertheless, only 4% of CFOs highly rely on AI for strategic decision making (to make at least half of their decisions) but CFOs expect that number to jump to 57% in the next 5 years.

Looking at how AI is utilized, CFOs state that currently they focus on efficiency gains, rather than benefitting from AI in terms of acquiring new capabilities. Something that will need to change if CFOs want to get the most out of what AI has to offer. An important point in this regard is also the extent to which CFOs have already uncovered how AI can be utilized within their organization to go beyond efficiency gains. Especially given that AI adoption is currently driven by a fear of falling behind rather than to disrupt competitors.

However, in order to benefit from AI, among other things, one requires a good foundation that generates real-time business insights. Interestingly, our survey finds that a vast majority of CFOs has started their journey towards a Next-Gen ERP system, with a quarter already having implemented it.

The problem as it stands, is to fully gain the value-add that such a transformation could offer. Of the CFOs that have already switched, 50% indicate that they saw a rise in their Finance Technology costs. Therefore, it becomes understandable that within the current economic context, 38% of CFOs that have not yet switched indicate that they have not sone so due to it being too costly. Additionally, the complexity that comes with such a transition is also creating a barrier. In fact, 32%of CFOs state this convolution as the stumbling block in their transition to Next-Gen with an additional 22% not even being able to see the value from the move at all.

Chart 14. Average percentage of strategic decisions that are reliant on AI by company age

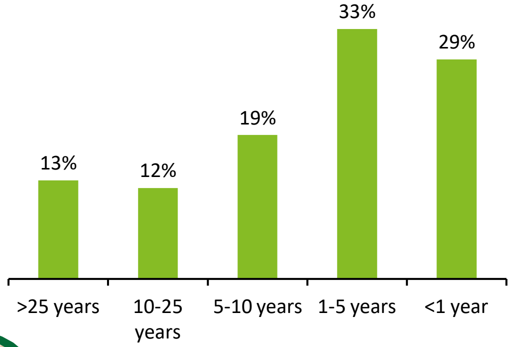
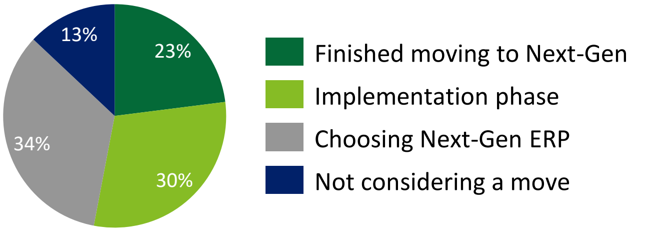


Chart 15. distribution of CFOs within the journey towards Next-Gen ERP



Bert de Groot | Executive Professor Erasmus University

It's an easy thing to say that CFOs should be using more AI as it is such a popular topic. However, don't forget that AI still needs to prove itself. AI will be taking a specific function within a business function, not all. Eventually, CFOs will find uses for the technology that deliver the proper value add. They have to take care at the same time that they keep the data and outcomes safe and secure.

Chiel Rietvelt | CFO TotalEnergies-Corbion

In order to effectively use AI in any area, it requires a clean and well-maintained data source that monitors your entire supply chain in real time. Although AI might sound fun, we as a firm are still operating on an older ERP system and therefore would get a bigger value for the capital spend by improving our current forecast ability and supply chain management. I don't see that you necessarily need AI to gain the benefits in these areas.

Expert views on the digitalization

Ritchy Drost
CFO VodafoneZiggo

VodafoneZiggo is a firm that still has legacy in its systems and employees which has many advantages: not everything needs to be reinvented. At the same timer, increasing digitalization gives us the ability to make better decisions faster and to make us more horizontal in our hierarchical structure. We trust that what we have built as a company over the last decades within our industry will function as the perfect foundation to continue our growth journey from. My personal challenge is to improve and facilitate our choices. Our customers do not think along the lines of our org charts but instead make choices that touch the entire organization in a more end to end way. The challenge is in how the various business units can organize themselves more effectively to allow for faster and better decision-making allowing us to go full speed with our strategy which is all about excellent customer experience.

We utilize AI and view it as an extension of our digitalization journey. It also gives you new insights that allow you to rethink the way you are currently deploying assets. We are heavily betting on AI and as a company created a team that works on this topic daily. We believe that through AI, we will gain benefits not only in terms of efficiency, but also will open up new decision-making routes, develop new products, and discover a new way of delivering our services. Needless to say, AI should be seen as an opportunity and not as a threat, which is also the way we talk about it internally to our people.

Personally, I believe that AI will allow us to service our customers in a more personal way that will make them feel more recognized. No answer will be generic and all our recommendations will be tailored to the client. We aim to give all our agents the same tools which will in the future include a type of digital assistant.

Jur van Ingen
Partner Business Finance

I do agree AI is applied by CFOs in different domains of finance and to a different extent. There are, however, sufficient examples of artificial intelligence successfully supporting finance functions, for instance by improving accounts receivable efforts and enriching supplier invoice data or having algorithms perform accurate revenue and margin forecasts. Perhaps AI is indeed not as commonly used as other innovations, but adoption can be expected to pick up in the near future – certainly in the finance function

If you ask me, we are now at a tipping point where a few pioneers have even deployed AI in their decision-making processes – for instance in their FP&A cycles – while others are waiting to see tangible examples first. When these two worlds meet, we could see the use of AI in finance go much faster. Still, CFOs will need to ensure the finance function understands where AI can be of most value and knows how it actually works, in order to create trust around the outcomes and actually start using AI to its advantage

In the AI use cases I have seen, the company's ERP is actually quite the enabler. Not only because AI greatly benefits from rich data sets (which ERP can provide a part of), but also in allowing companies to globally scale AI solutions from a concept to a capability.

The process standardization brought by a new ERP can enable operating model changes that lower the run rate of finance or allow you to renegotiate outsourcing contracts. A strong ERP foundation also makes introducing new point solutions or other process innovations less cumbersome and more cost-efficient, while also generating new insights and aiding decision making. So, the value case for ERP can be much larger than lower total cost of ownership or making other technologies obsolete.

Outside Experts: Interviews

A changing role of finance and the need for more flexible organisations

Expert Interview Bastiaan Postma | DNB

“Steep price increases and decreases should be avoided to preserve our prosperity. So, price stability is the main goal of DNB's monetary policy.”

For this interview, we spoke with Bastiaan Postma about his view as the CFO of DNB on the economy, sustainability and digitalization. We start this interview with a conversation about the labour market.

In line with the Suvey outcomes, leadership, decision-making and digitalisation skills are also high on DNB's list. Although project management and data skills scored relatively lower in the survey, we see that these are currently considered very important at DNB. DNB has solid digital ambitions and a corresponding change agenda, which is why there is a lot of focus on project management skills.

Steep price increases and decreases should be avoided to preserve our prosperity. So, price stability is the main goal of DNB's monetary policy. Core inflation levels have started to decline since the high inflation peak last autumn, but they are expected to remain above 2% for some time. That’s why central banks have tightened monetary policy further over the past year. Over the past 14 months, for instance, the ECB has raised policy rates from -0.5% to 4.0% in several steps, which is historically a fast pace. Rising interest rates have made it more expensive for households and businesses in the Netherlands to borrow money. These tighter financial conditions are becoming increasingly evident in the economy. However, they are necessary to bring the high inflation levels back in line with our 2% inflation target.

For DNB’s role as an independent economic advisor, we look at socio-economic developments in our country such as the labour market. There have never been so many people working and we are currently facing a tight labour market. This puts pressure on wages to rise, which risks further fuelling inflation. So, wage increases should be controlled. Also, they will vary by sector. Labour market tightness is structural and op top of an ageing labour market, greening also plays a role.

Ultimately these trends will be reversed. Higher wages, as we are now seeing, can be a corrective mechanism, meaning that it makes labour-saving technologies more attractive. But this will only have an impact in the slightly longer term. DNB is also struggling with labour market tightness and has a hard time finding the right people, especially in specific areas. We are now hiring juniors more often and offer them in-house training.

In this context, it is important to step up labour productivity. It will be interesting to see what opportunities digitalisation offers to further boost this productivity, for instance through AI. Various parties are already investing a lot in this and I am curious to see how this will develop. Whether AI will become a silver bullet remains to be proven.

Housing market developments are also an important factor in our economy and addressing the housing shortage is high on the social agenda. There are several housing market issues, including how to make this market more accessible and balanced. Part of the solution is to build a lot of new housing in the coming years. But that requires solving the nitrogen problem first.

The Netherlands has a history of being big on innovation but there is some pressure on that now. In recent years, we have focused very much on ourselves and have paid a little less attention to the big picture. The government could take more control to steer investments in the desired directions.

Sustainability is high on the agenda in the Netherlands, and rightly so. At DNB, too, sustainability is considered very important and we have made it part our strategy. For instance, we have already taken quite a few steps to raise awareness of the importance of sustainability in the financial sector and we are integrating sustainability

Expert Interview Bastiaan Postma (continued)

risks faced by this sector in our supervision methodology. For our own organisation, we include sustainability aspects in both our own investment policy and in the renovation of our building in Amsterdam.

From my role as CFO, I see that there are more and more reporting requirements, such as the recent CSRD. Although DNB does not officially have to comply with it, we do look at our own ambitions. If you propagate that sustainability and corporate social responsibility are important, you have to implement these aspects in a way that suits the organisation. Which is actually quite inspiring, because our own organisation has not yet been looked at in that way. We are now exploring together how this works. Given the opportunities digitalisation offers for our organisation, we started enthusiastically a few years back. We first had to get our basics in order. We have taken considerable steps in that direction and now we are working on digitising the processes in our core tasks, such as supervision and monetary affairs. This also means that we are improving the link to the outside world. The aim here, for instance, is to make it easier for the financial sector to submit supervisory information to us.

From our role as supervisor, we also look at the potential risks associated with digitalisation, such as cyber security. AI is an interesting new example in this context and is becoming increasingly prominent. Interestingly, as an organisation we are both supervisors of the use of AI by the financial sector, but we are also looking at how we can use AI ourselves.

Digitally transforming your organisation requires an integrated approach. It is important to make well considered decisions and not to go full throttle on the first trend. We need to be selective and properly deliberate on whether we want something or not. This also means taking the space to think things over.

Several aspects can be identified if we look specifically at the characteristic elements that finance functions need to work on. Proper cooperation between finance and IT is essential, with the finance function taking the reins on accountability and control. Crucially, all the right information for making decisions should be readily available

Furthermore, the finance function must look both forward and outward. It should join in the deliberation process in its facilitating role while providing counter-arguments in its critical role. The finance function has to be connecting in a positive way, out of good intentions. Opposition and alternative views should serve to improve the decision-making process.

At DNB we see up close how society is evolving. Our pursuit of sustainable prosperity for all means we play a great role in society, which also brings challenges. Keeping an open eye to developments in society is essential. In recent years, DNB has turned into an organisation that is increasingly in dialogue with society, increasing its focus on the world outside.

"Digitally transforming your organisation requires an integrated approach. It is important to make well considered decisions and not to go full throttle on the first trend. We need to be selective and properly deliberate on whether we want something or not. This also means taking the space to think things over."

In order to properly fulfil our role in society, we need to be an organisation recognisable to all. This means, for instance, that we need to take further steps when it comes to increasing our diversity and inclusiveness. And that as an institution we also dare to look in the mirror and acknowledge what has not gone well in the past. A very concrete example, of course, is the historical investigation into our history of slavery and the apologies we subsequently made for it. And the commitment we made to structurally contribute to projects in this field. I am quite proud of DNB for taking these steps.

But obviously, we are not there yet. Striving for sustainable prosperity for all and financial stability is an ongoing task. It's nice to see people working at DNB who are truly inspired by this and it is down to all levels of the organisation. It ensures that we as an organisation are really committed to society. A very nice assignment.

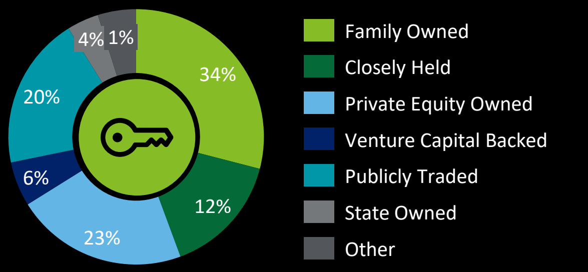
CFO Survey Sample Background

An overview of the survey's sample composition by industry, ownership type, and annual revenue size

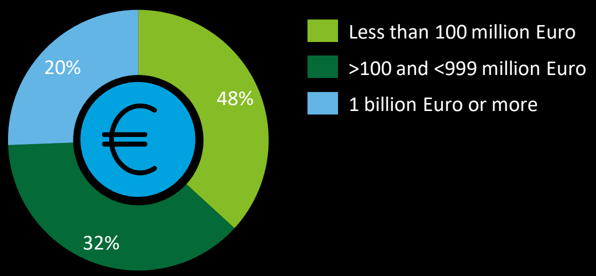
1. Composition by industry

Aerospace & Defence	5.9%
Agriculture	4.8%
Automotive	1.2%
Business & Professional Services	8.3%
Communication Services	3,6%
Construction	3.6%
Education, Culture & Sport	3.6%
Energy (Non-renewable)	3.6%
Finance	6.0%
Healthcare	4.7%
Industrial Products & Services	15.5%
Raw Materials	1.2%
Public Sector	1.2%
Real Estate	1.2%
Renewable Energy	4,7%
Retail & Consumer Goods	9.5%
Technology Equipment	2.4%
Transport & Logistics	6.0%
Other	13.1%

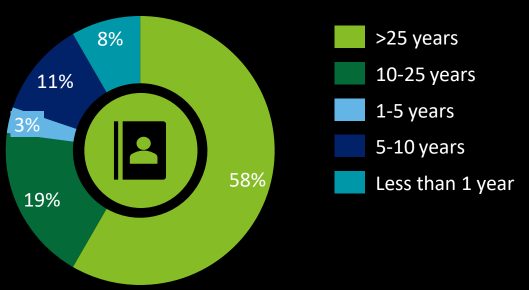
2. Composition by ownership structure



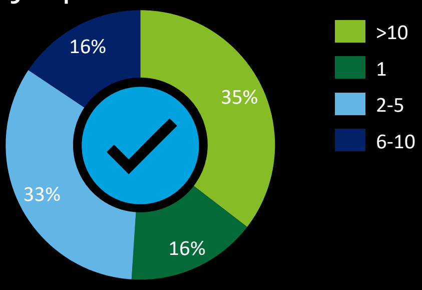
3. Composition by revenue size



4. Composition by age



5. Composition by # of countries they operate in



Outside Experts

The team would like to give special thank you to all the outside experts whose views were incorporated in this edition.

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Ritchy Drost | CFO - VodafoneZiggo

Chiel Rietvelt | CFO – TotalEnergies-Corbion

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