

Hey! What's New? 2024-87

Despite Cost and Hiring Challenges, CFOs Reach Highest Level of Optimism in Nearly Three Years

A new survey from Grant Thornton reveals that chief financial officers (CFOs) are optimistic about the U.S. economy. In fact, at 58%, this is the highest level of optimism since the third quarter of 2021. Grant Thornton's *Q2 2024 CFO survey* of more than 225 senior financial leaders revealed several other positive indicators.

The data showed that 63% of respondents are confident in their organization's ability to meet increased demand — a record high in the history of the CFO survey. Respondents are also feeling confident about meeting supply chain needs (62%), growth projections (56%), cost control goals (55%) and labor needs (55%).

Additionally, 75% of CFOs expect their net profit to grow over the next 12 months, while 69% expect their revenue to increase — a positive sign, since more than two-thirds (67%) expect their expenses to increase.

Still, the survey found, CFOs believe the cost of capital remains high, as 57% of respondents said cost optimization remains their top area of focus this quarter.

In Q2, the portion of respondents who either are using generative artificial intelligence (AI) or are exploring potential uses rose to an all-time high of 94%. Additionally, deployment of generative AI to assist with numerous tasks — especially cybersecurity and risk management — grew substantially compared to Q1.

According to the research, as CFOs work to take advantage of these emerging capabilities and mitigate their associated risks, it's no surprise that they rate technology upgrades (39%) as their biggest challenge, followed by cybersecurity (37%).

Aligned with these challenges, the Q2 survey's top two areas for expense increases for the next 12 months are IT/digital transformation (64%) and cyber risk/security (62%). In the history of the survey, these two percentages have never been higher.

The survey also found that inflation and the need for digitalization are among the most significant burdens that CFOs are facing as they attempt to keep costs under control. According to the Q2 survey results, over one-third of finance leaders (37%) identified materials costs as an area for potential cuts — perhaps showing optimism that inflation may finally subside in the coming months.

Finance leaders also cited human capital expenses related to employee headcount and compensation levels as the top area for potential cost cuts. Meanwhile, 47% of CFOs identified workforce rationalization as a top-three area of focus for the next six months — an increase of 14 percentage points over the previous quarter.

"Across the board, general and administrative costs are under a microscope," the survey found. "Accounting and finance teams are focused on maintaining appropriate levels of talent while using technology to optimize processes."

After the post-pandemic talent shortages of the past few years, CFOs understand the importance of maintaining staffing levels that will enable them to deliver on their strategic goals. Fifty-eight percent of finance leaders said attracting and retaining key talent is a human capital priority for the next 12 months.

Finance leaders also said, however, that their top challenge for bringing in talent is budget limitations. When the talent pool is limited, it often takes a bigger financial commitment to recruit the right people.

On the other hand, CFOs seem overwhelmingly satisfied with the performance of their human resource functions. “Ninety-one percent of finance leaders said their organization has a solid talent strategy in place to deliver on business goals, and 89% said their technology platforms allow employees to maximize their output and efficiency.”

“People are trying to do more with less,” said Jim Wittmer, the managing principal of Grant Thornton’s Atlantic Coast region. “There’s a willingness to spend on technology because it can lead to greater efficiency down the line, but there’s definitely a cost rationalization element in the market right now.”

Get the survey at www.grantthornton.com/insights/survey-reports/cfo-survey/2024/cfos-juggle-costs-they-maintain-confidence.