



What's top of mind for today's CFO?

Steve Gallucci, National Managing Partner of Deloitte's U.S. and Global CFO Program

March 17, 2023

Agenda

- What's top of mind for today's CFO
 - Deloitte's CFO Program
 - *CFO Signals™*
 - The CFO Agenda

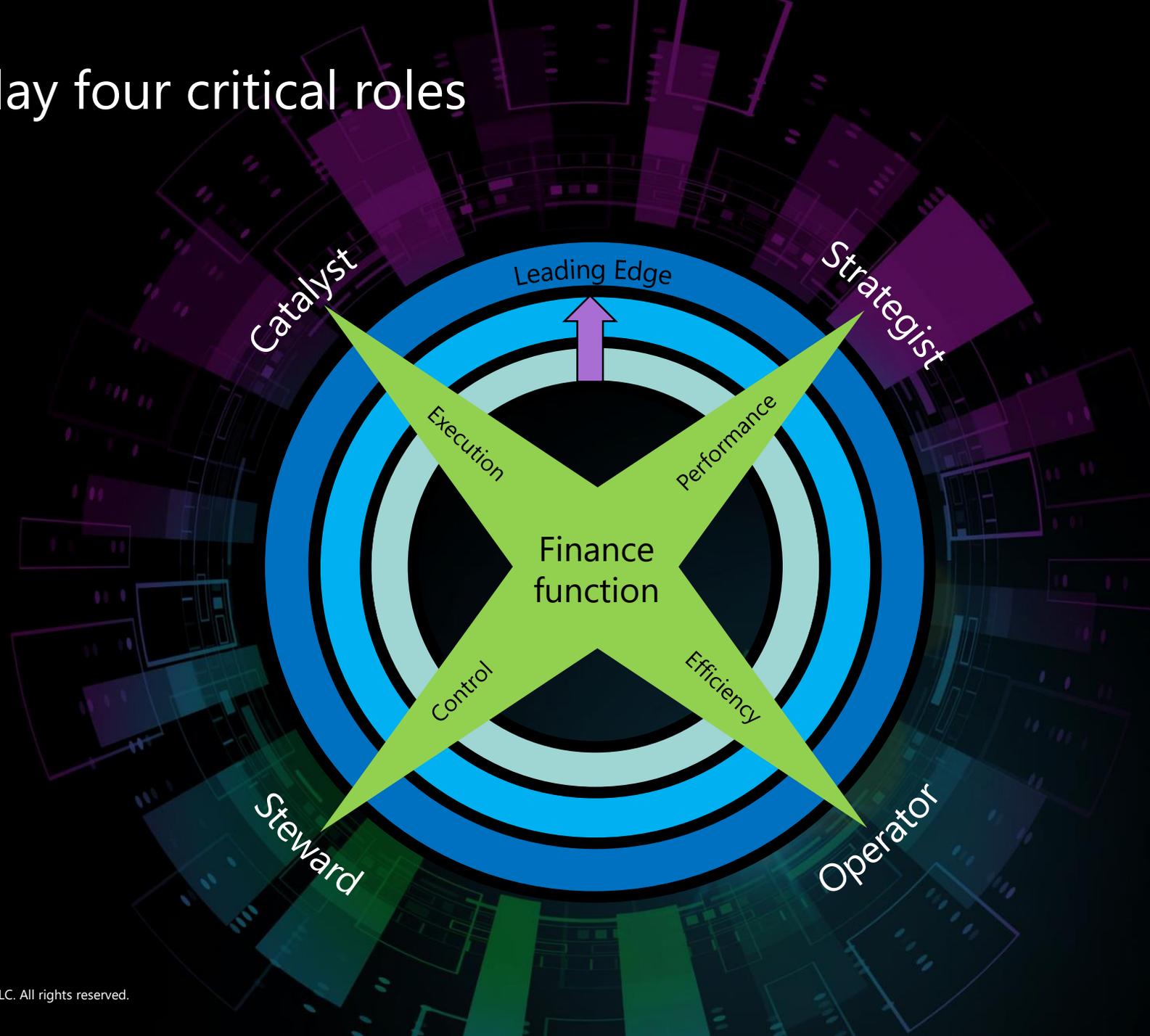


Our commitment to CFOs

The CFO Program brings together a multidisciplinary team of Deloitte leaders and subject matter specialists to help CFOs stay ahead in the face of growing challenges and demands.



CFOs play four critical roles



What's top of mind for today's CFO?

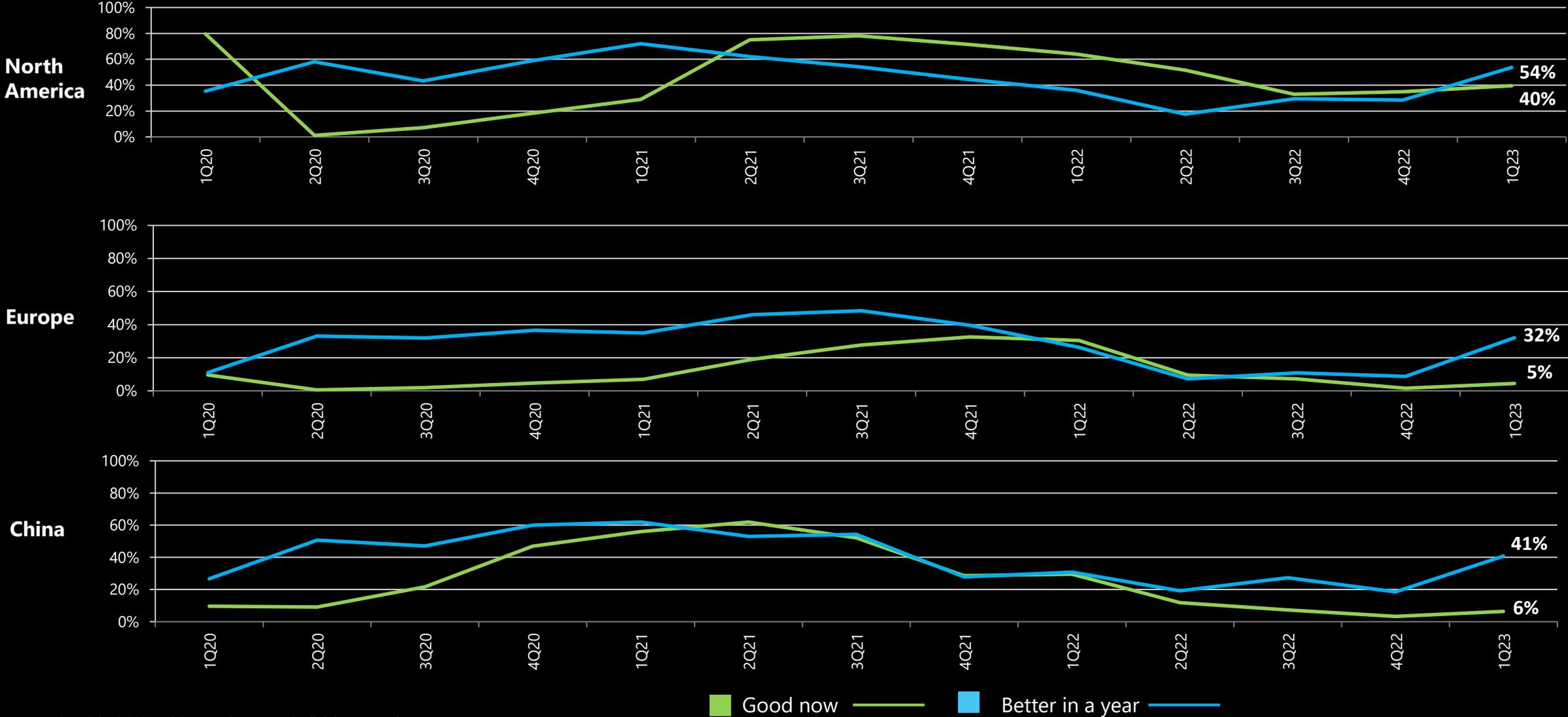
*CFO Signals*TM

1Q23 Survey Results



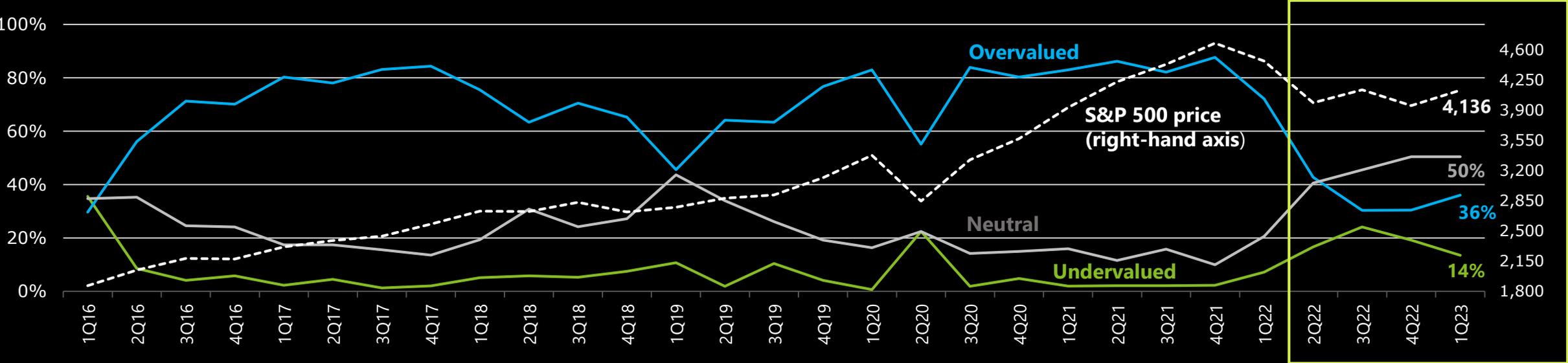
Assessments: Regional economies

How do you regard the current and future status of the following economies?

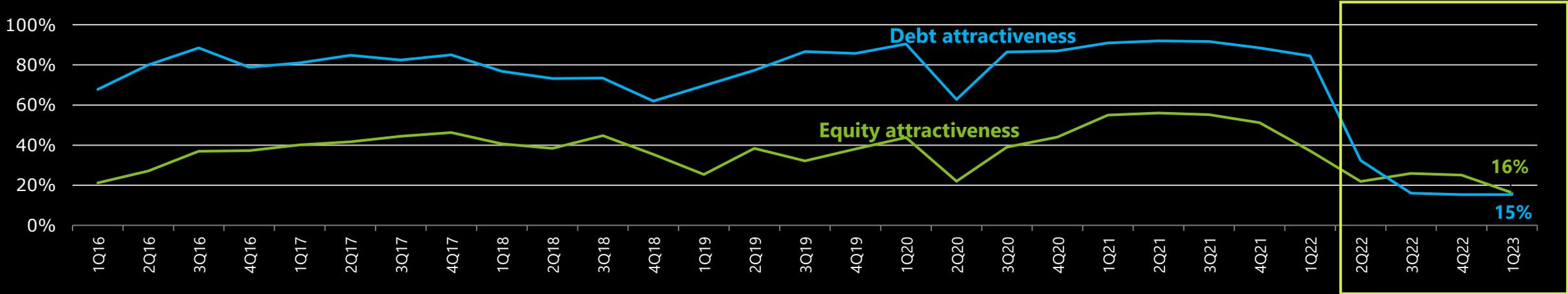


Assessments: Capital markets and financing

How do you regard US equity markets valuations? (N=111)

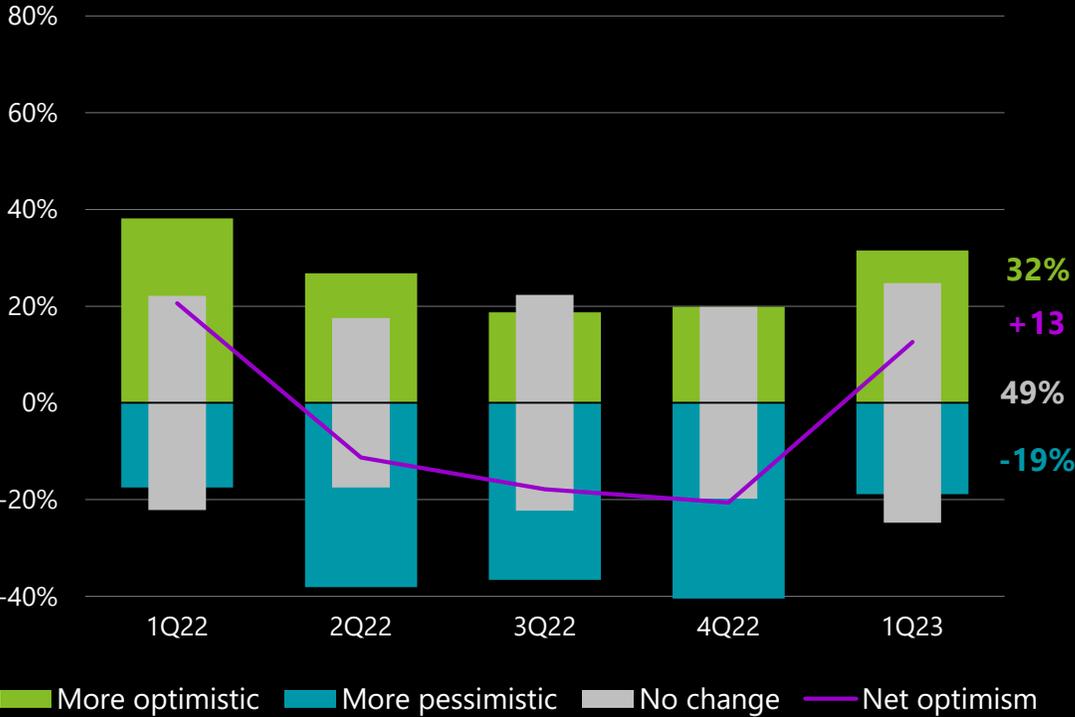


How do you regard debt/equity financing attractiveness? (N=111)

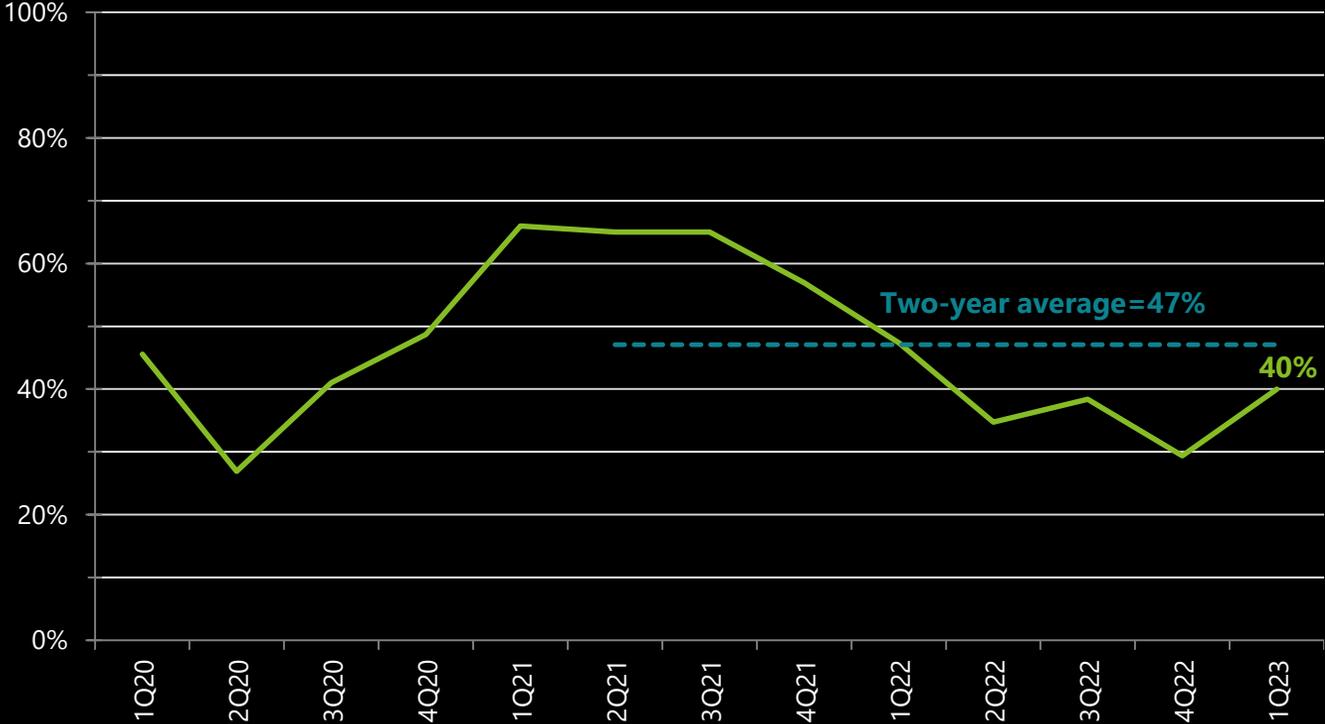


Own-company financial prospects and risk appetite

Compared to three months ago, how do you feel now about the financial prospects for your company? (N=111)



Risk appetite: Is this a good time to be taking greater risks? (N=111)
Percent of CFOs saying it is a good time to be taking greater risks



Drivers of the CFO agenda



Talent

Redefining work, workforces, and workplaces



Performance & Growth

Allocating capital to fund the future



Climate, Sustainability & Purpose

Putting stakeholder capitalism into practice



Enterprise Risk & Regulation

Transparency amid growing global complexities



Data & Cybersecurity

Zeroing in on data to inform decisions and protect network security



Innovation

Leveraging digitization to drive value



Agility

Developing a dynamic finance capability

Talent

Redefining work, workforces, and workplaces

Is your finance team prepared for a technology-driven “Future of Work”?

Do we really understand what skills—both soft and hard—finance talent will need in the next two-to-five years, and can we start hiring and developing that workforce now?

In a hotly competitive labor market, do we have an intentional and structured approach to recruiting the best talent?

Are finance teams being trained in technology and new processes to help them adapt to the accelerating use of automation?

Have we built a purpose-driven culture that prioritizes employee well-being and resilience?



Talent

Redefining work, workforces, and workplaces

- To win the competition for talent, CFOs must shift from managing to coaching employees on how to refine and apply their skills to create value, and influence strategy
- Close understanding of the commercial aspects of the business is critical, including how technology can be used to boost efficiencies, drive growth, and support strategic goals
- CFOs need to be at the forefront in devising a new talent model, one that puts a premium on the ability to access and interpret data, not just collect and report on it
- The talent model should also include short- and long-term incentives and ongoing, active feedback to support engagement, satisfaction, and well-being

CFO Signals™ survey 1Q 2023:

What internal risks worry you most?

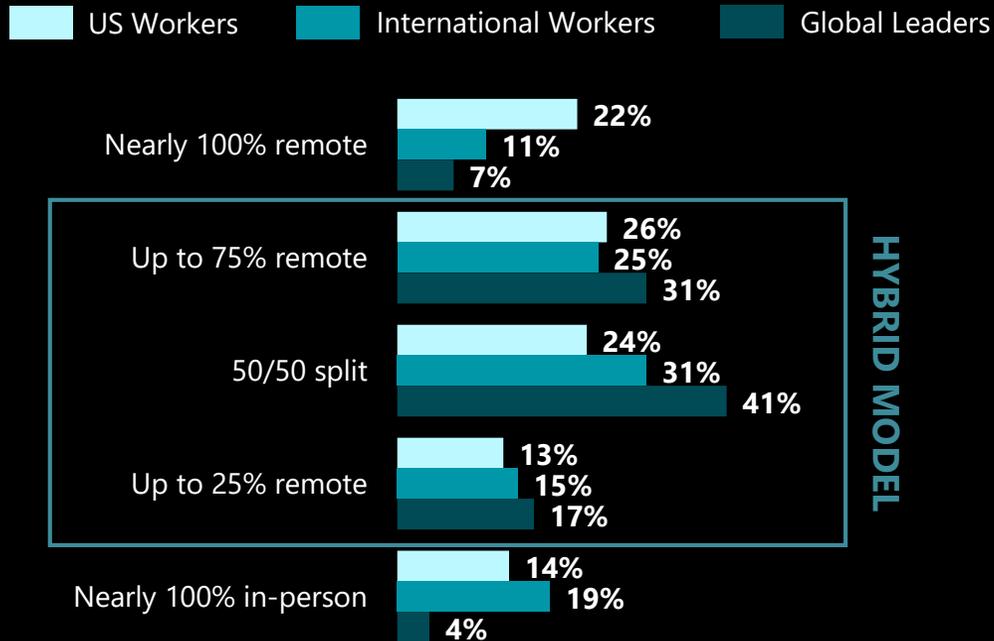


Talent

Redefining work, workforces, and workplaces

When it comes to Workplace, most Global Finance Workers & Leaders agree that **a hybrid model** will be best for their organization

WHERE ORGANIZATIONS SHOULD OPERATE

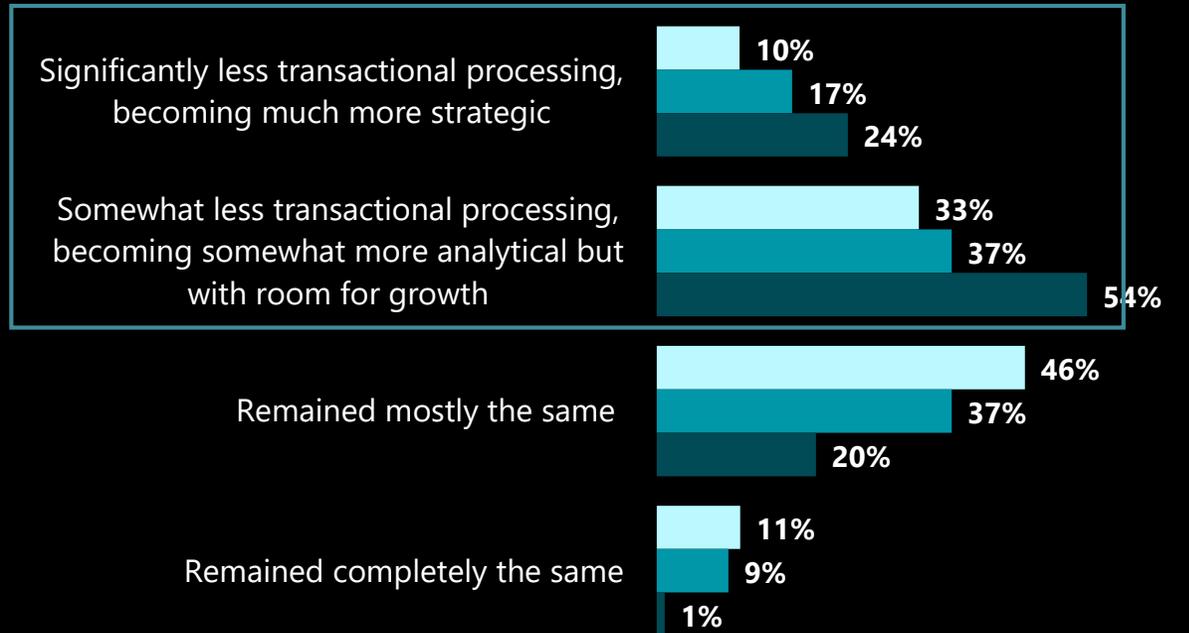


CHANGES TO FINANCE WORK

Over the past 18 months, how has the type of work within finance changed?

US Workers International Workers Global Leaders

LESS TRANSACTIONAL, MORE STRATEGIC



LEADERS VS. WORKERS

Leaders perceived a more significant shift toward strategic work than Workers. According to 24% of Leaders, work has become "much more strategic."

Source: Crunch Time for CFOs: Future of Finance Workforce & Workplace, March 2022, Deloitte & Pixel Insights.

Performance & Growth

Allocating capital to fund the future

Do you have both the foresight and skills to lead finance as a strategic advisor?

What parts of the business are underperforming and should be divested?

Where can we invest our cash?

Are there emerging value-creating strategies we're missing?

Can we get ahead of opportunities before competitors beat us to the punch?

How can we make ourselves a trusted business partner across the entire org chart?



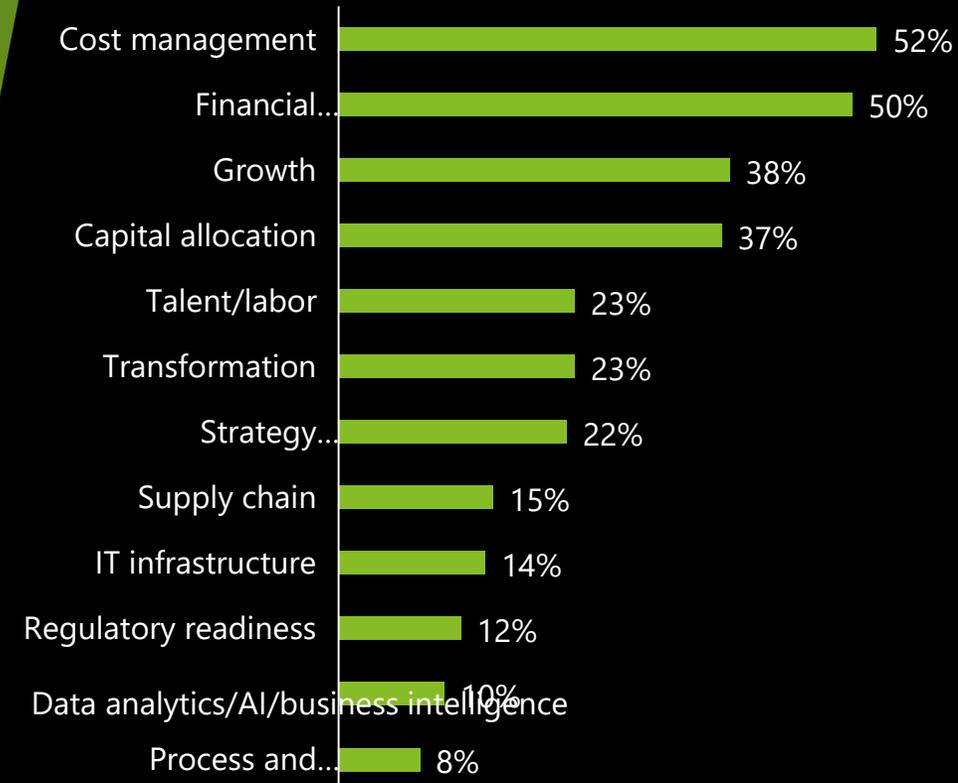
Performance & Growth

Allocating capital to fund the future

- It's not enough for CFOs to understand the business needs now; they have to determine what will drive growth in the coming years
- The CFO's core goal is to serve as a trusted advisor not only to the CEO and the board but to other C-suite executives—and all stakeholders must operate toward common goals, as one team
- By applying a lens that is both forward-looking and commercially minded, CFOs can better identify and understand the levers they can use
- To help drive strategy, CFOs need to deepen their understanding of the business and bring a customer-service mentality to their work

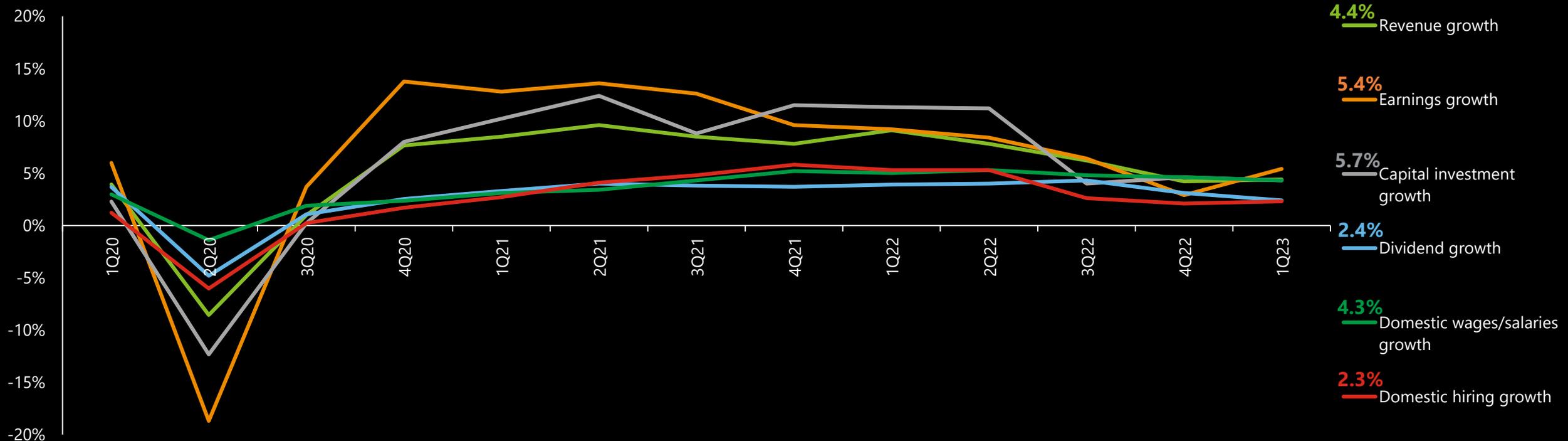
CFO Signals™ survey 4Q 2022:

As CFO, what are your top priorities for 2023?



Expectations: Growth in key metrics

Compared to the past 12 months, how do you expect key metrics to change over the next 12 months?



↑ Revenue growth increased to 4.4% from 4.2% in 4Q22

↑ Earnings growth jumped to 5.4% from 2.9% in 4Q22

↑ Capital investment growth increased to 5.7% from 4.0% in 4Q22

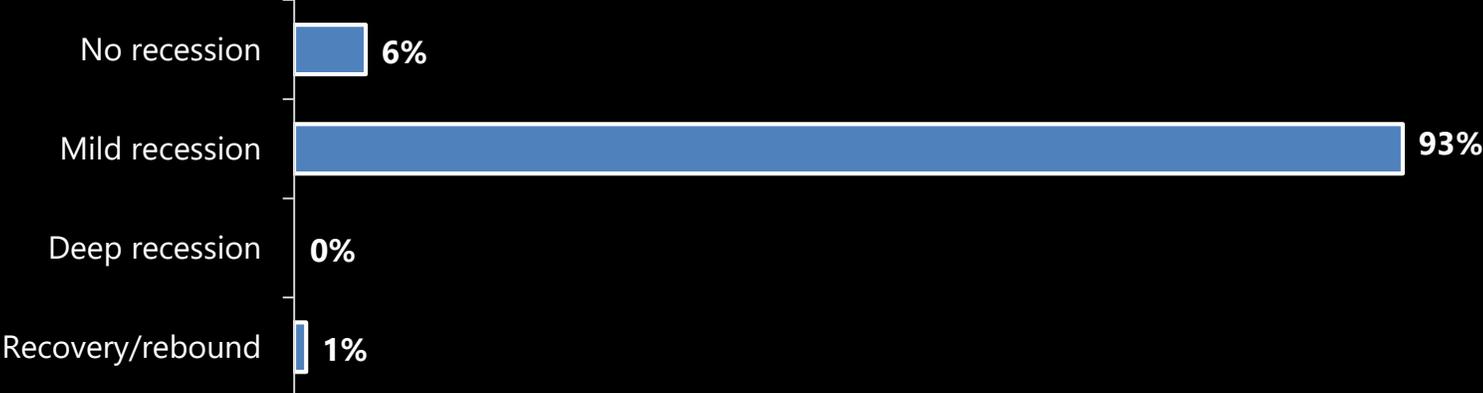
↓ Dividend growth fell to 2.4% from 3.1% in 4Q22

↓ Domestic wages/salaries dipped to 4.3% from 4.6% in 4Q22

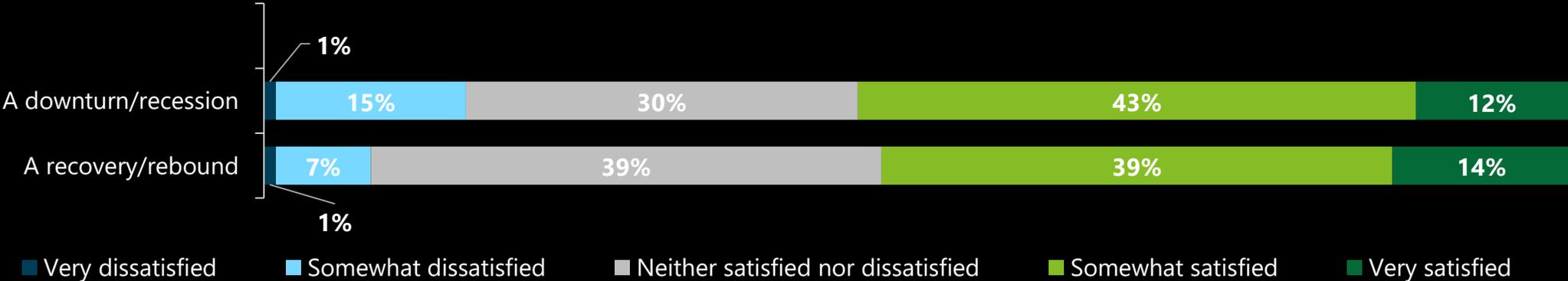
↑ Domestic hiring increased to 2.3%, from 2.1% in 4Q22

Recession planning

In 2023, my finance organization in North America is primarily focused on planning for the following: No recession, mild recession, deep recession, or recovery/rebound. (N=110)

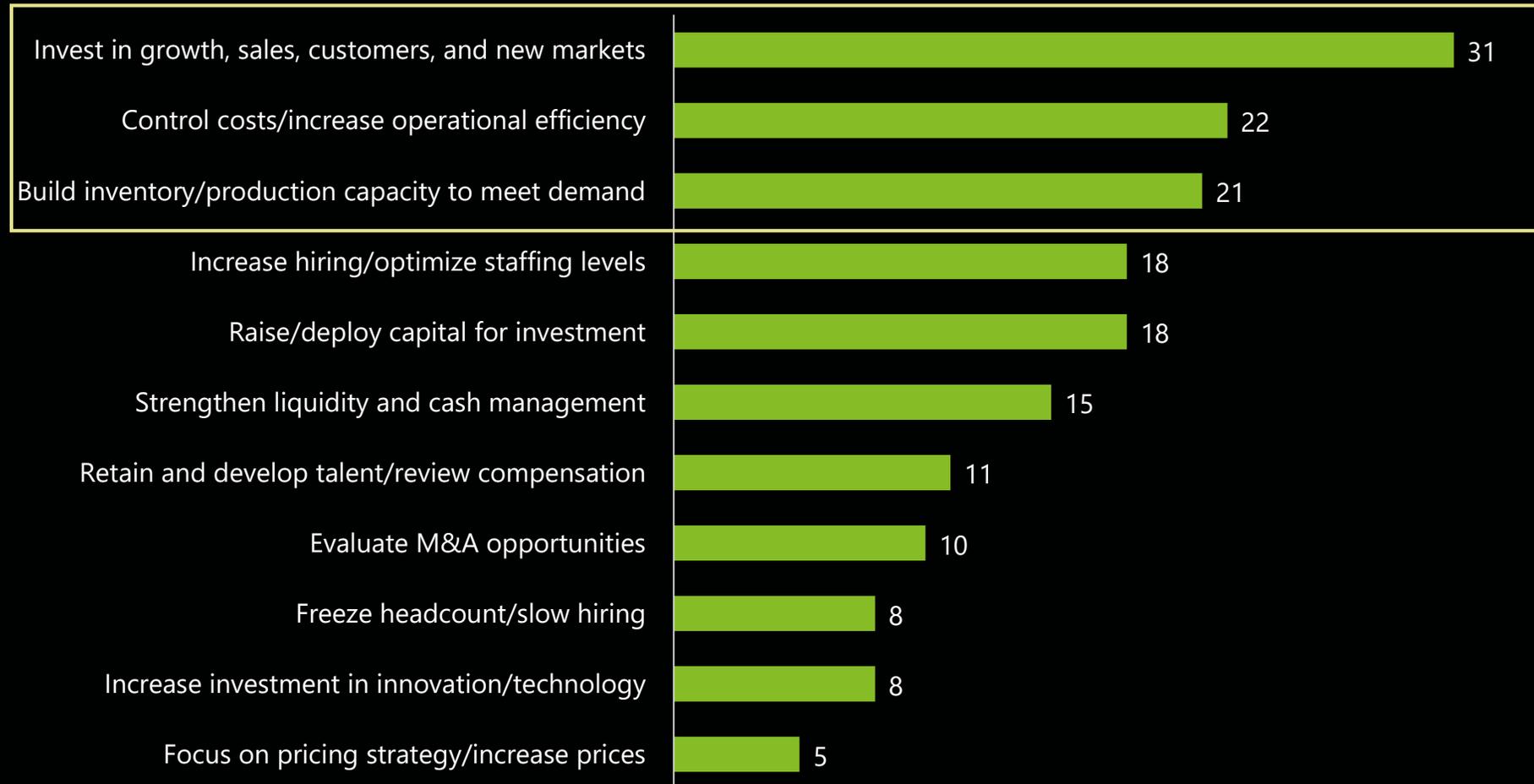


How satisfied are you with your company's decision-making to plan for a downturn/recession and a recovery/rebound: (N=110)



Actions CFOs are taking to prepare for a recovery/rebound

If you think there will be an economic recovery or rebound, what top three actions are you taking to prepare for it? (N=78)



Climate, Sustainability & Purpose

Putting stakeholder capitalism into practice

Do stakeholders look skeptical when you bring up ESG, or do they want to know more?

Does our sustainability statement go far enough to outline a broader sense of value?

How is financial reporting expected to be reshaped by new regulatory requirements two-to-five years from now, and do we have the processes in place to comply?

Will the company reach its stated goal of net-zero emissions by 2030—and if so how?

Closer to home, have our finance recruiting policies shown solid, quantifiable progress toward our diversity, equity, and inclusion goals in recent years?



Climate, Sustainability & Purpose

Putting stakeholder capitalism into practice

- Defining purpose, its contribution to value, and making it tangible for stakeholders is becoming increasingly important
- By weighing the impact of ESG-related challenges on investments, CFOs can help align business strategy with broader societal values
- Many CFOs have a view into unexpected opportunities—especially those who are measuring, reporting, and monitoring the impact of ESG risk, as well as the progress of social and diversity initiatives
- Finance will be central to the ESG discussion from a planning and operational standpoint, not simply reporting

*Deloitte's 2023 CxO Sustainability Report,
January 2023:*

Businesses are starting to see some results from environment, social, and governance investments



52%

Positive impact on revenue from new and longstanding businesses



42%

Positive impact on employee morale and well-being



44%

Positive impact on customer satisfaction

Climate, Sustainability & Purpose

Putting stakeholder capitalism into practice

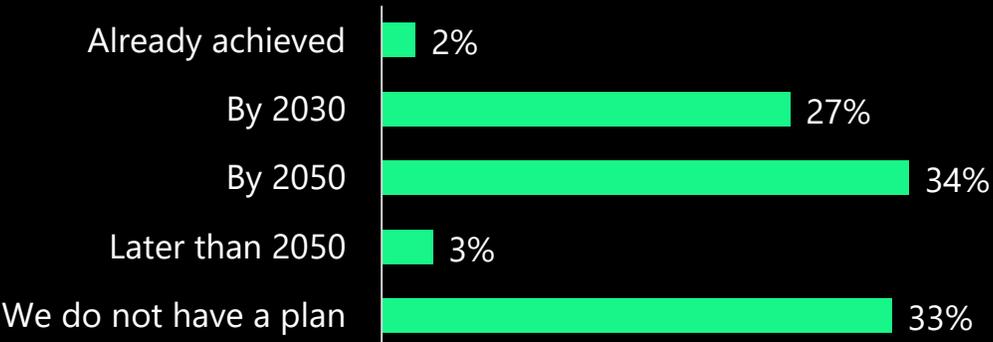
CFO Signals: 2Q 2022:

How many hours per month do you anticipate spending on decarbonization efforts next year?

(N=90; N=83)



When do you expect your organization to reach net-zero carbon emissions? (N=90)



What are the biggest challenges your enterprise/ organization faces in developing and executing a decarbonization strategy?

(N=81)



Enterprise Risk & Regulation

Transparency amid growing global complexities

Is finance doing all it can to prepare the organization for geopolitical risk, new regulatory demands, and investor expectations?

Are we prepared to fend off a host of risks in our own surroundings and around the world?

Is our assurance over ESG disclosure strong enough, and how can it be better?

Do we have a framework for the systems and processes needed to report on climate impacts when new regulations emerge?

How can our tax and compliance teams develop a comprehensive grasp of changing regulatory requirements across the U.S. and around the world?



Enterprise Risk & Regulation Transparency amid growing global complexities

- Managing top- and bottom-line risks resulting from China's growing economic dominance, trade tensions, supply chain challenges, and developments in Ukraine, will require finance teams to be agile
- No organization can stay still amid growing demands for reporting—and finance will need to be at the center of any new action plans
- In anticipation of new tax regulations, fresh operating models and technologies are helping companies plug the gaps and create efficiencies
- Increasing in importance is the need for the right skillsets to manage changing conditions and provide strategic input for any transaction or change in strategy

CFO Signals™ survey 1Q 2023:

Which external risk worries you most?

Policies & regulations

Consumer spending & behavior

Supply chain

Capital availability & costs

Talent

Macroeconomics

Geopolitics/instability

Recession

Competition & market constraints

COVID-19

Inflation

Energy & commodity pricing

Cybersecurity

Interest rates/impact

Data & Cybersecurity

Zeroing in on data to inform decisions and protect network security

Is your organization adequately protecting the enterprise-wide systems that help drive growth and maintain operations?

What processes and governance should we adopt to help us mine more data and turn it into a competitive advantage?

Is the finance function working with other departments to safeguard critical information systems?



Data & Cybersecurity

Zeroing in on data to inform decisions and protect network security

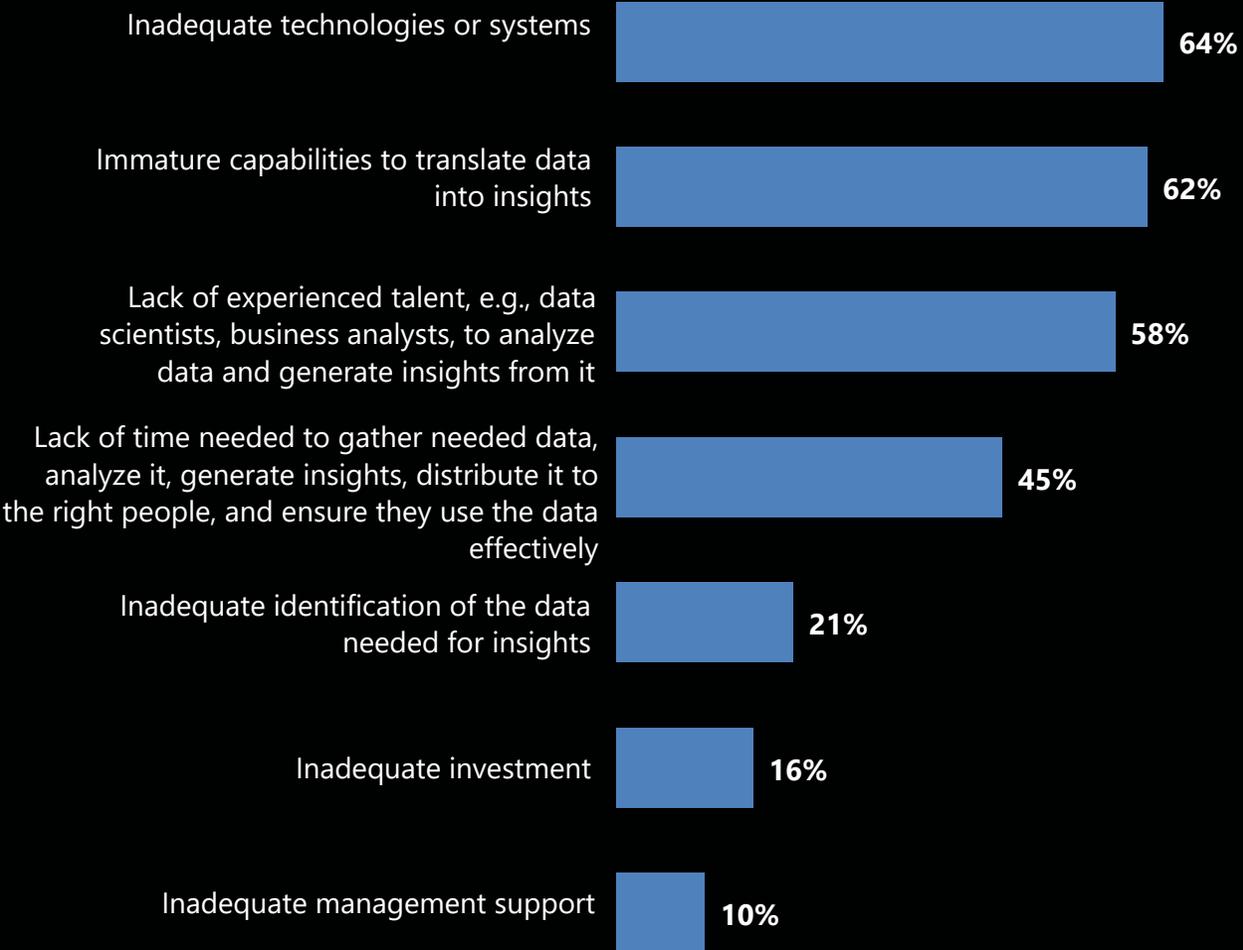
- CFOs need to know what data they have, whether it's the right data, and how they can access it
- The lack of effective data management is the biggest limitation on growth
- CFOs are beginning to embrace new forms of AI and machine learning
- CFOs are ramping up the use of scenario planning and modeling to predict potential shocks that could disrupt business
- The availability of real-time information enables the finance function to deliver against its priorities

"Data is an asset. Acquiring it and managing it carries costs. You should expect a return on that investment—and no investment produces a return if you take it for granted. Data is a resource you need to take control of and put to work."

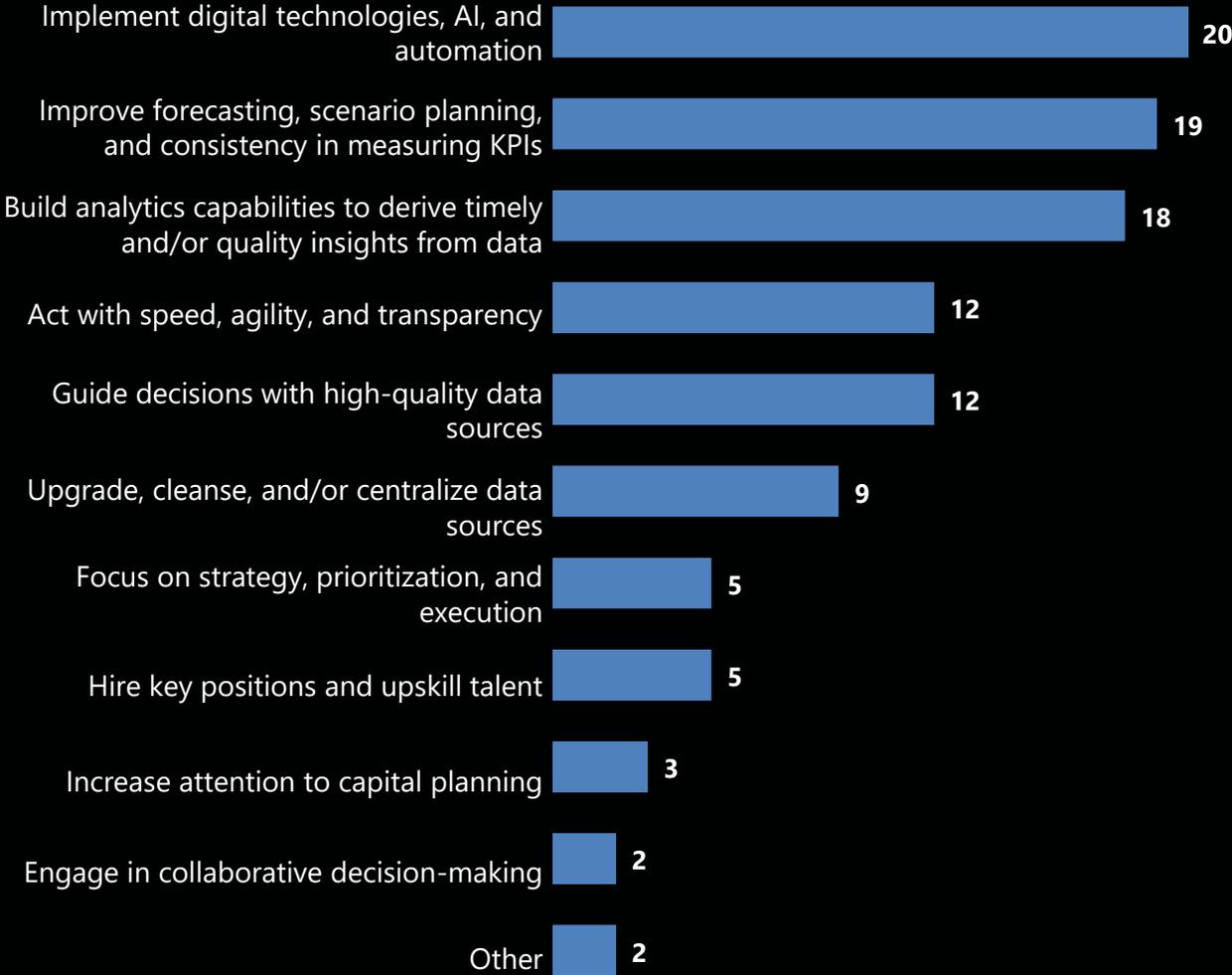
-Crunch time series: It's time to get serious about data (2023)

Data and insights for decision making

As you plan for the remainder of 2023 and 2024, what are your three greatest challenges to driving *data to insights*? (N=107)



As CFO what improvements, if any, would you suggest to enhance your company's decision-making in planning for the remainder of 2023 and 2024? (N=82)



Innovation

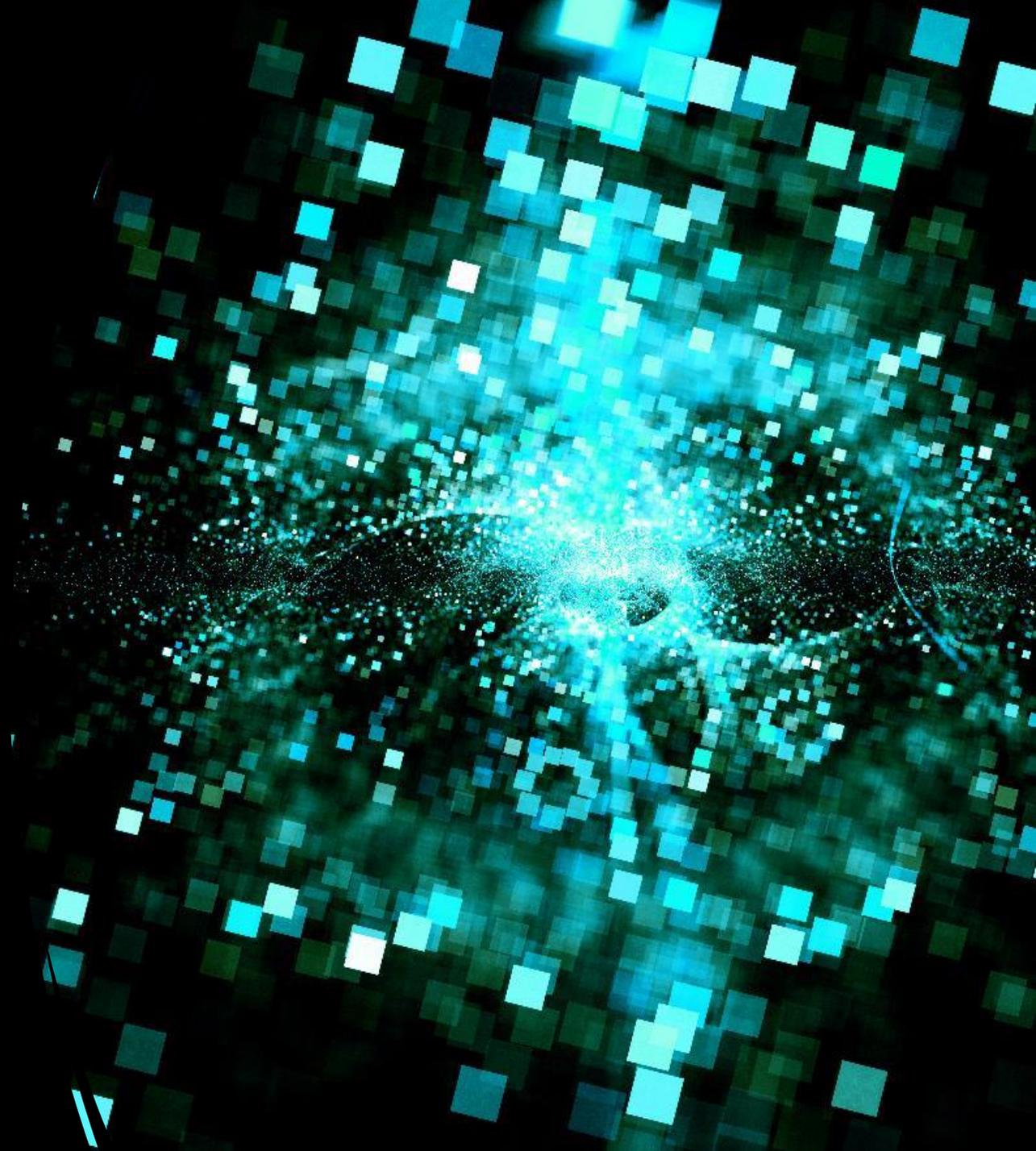
Leveraging digitization to drive value

Does your finance organization have the capabilities to help your business disrupt the market?

Do we know where all our data resides?

If so, have we deployed AI and machine learning programs to sift through the data, providing actionable insights and fueling predictive analysis?

Are we getting the operational side of the business the data it needs?



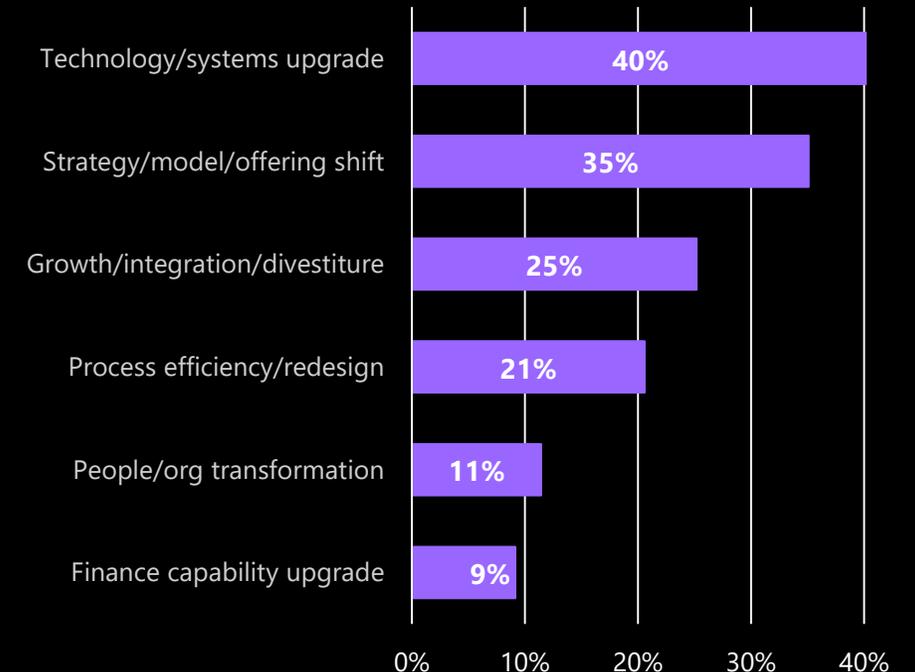
Innovation

Leveraging digitization to drive value

- Data is being consumed faster than CFOs can supply it
- Companies that are building direct-to-consumer capabilities are able to measure new touchpoints—but effectively managing them requires data and insights
- Upgrading technology/systems may be the most important enterprise transformation project CFOs will undertake.
- As companies rethink internal and external processes, finance can be presented with simple but difficult task: do more with fewer people

CFO Signals™ survey 2Q 2021:

What is the most important enterprise transformation your company is undertaking or plans to undertake?

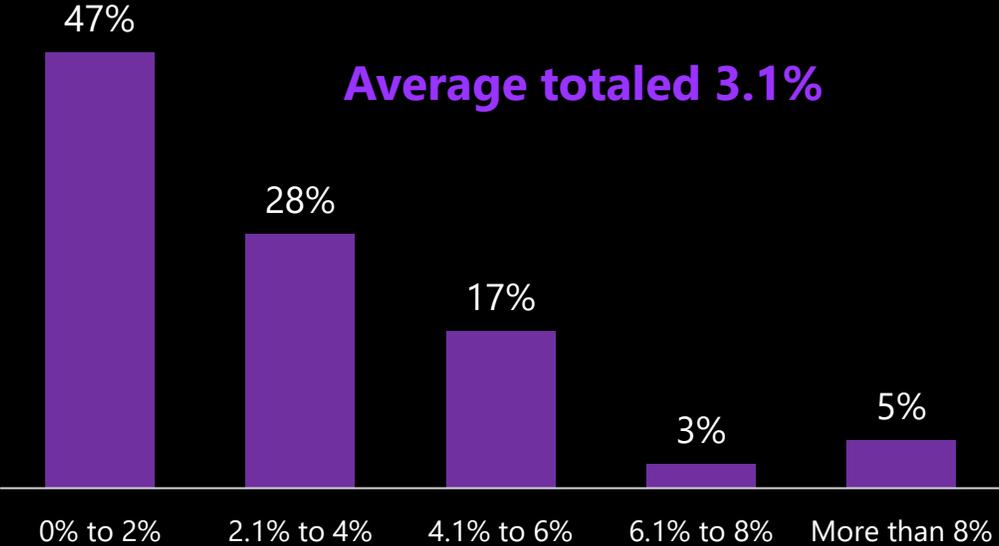


Innovation

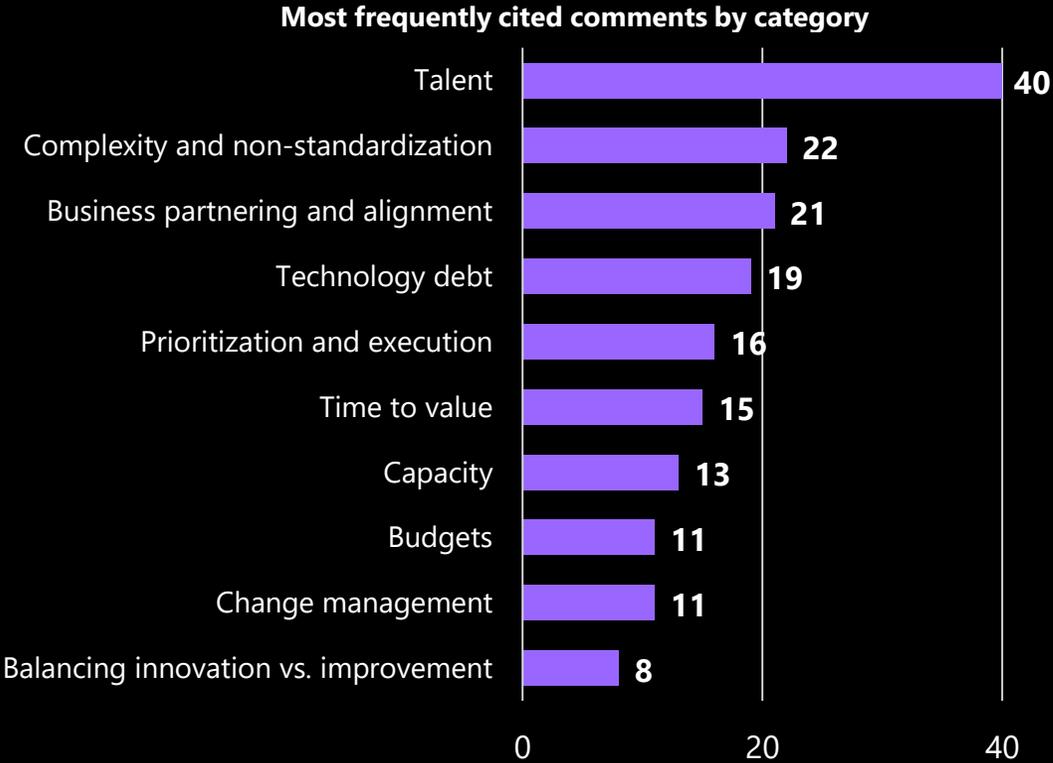
Leveraging digitization to drive value

CFOs managing the IT function

What is your estimate of overall information technology spend as a percentage of annual revenue? (N=76)



What are the top three challenges to realizing value from your information technology function? (N=63)



Agility

Developing a dynamic finance capability

Are you transforming the finance function fast enough to help shorten time to value?

Do we have the people, skillsets, and technologies to make finance transformation a reality?

Do we have enough capability in finance to support maximum agility in our transformation approach?

Have you defined what the future of finance looks like?



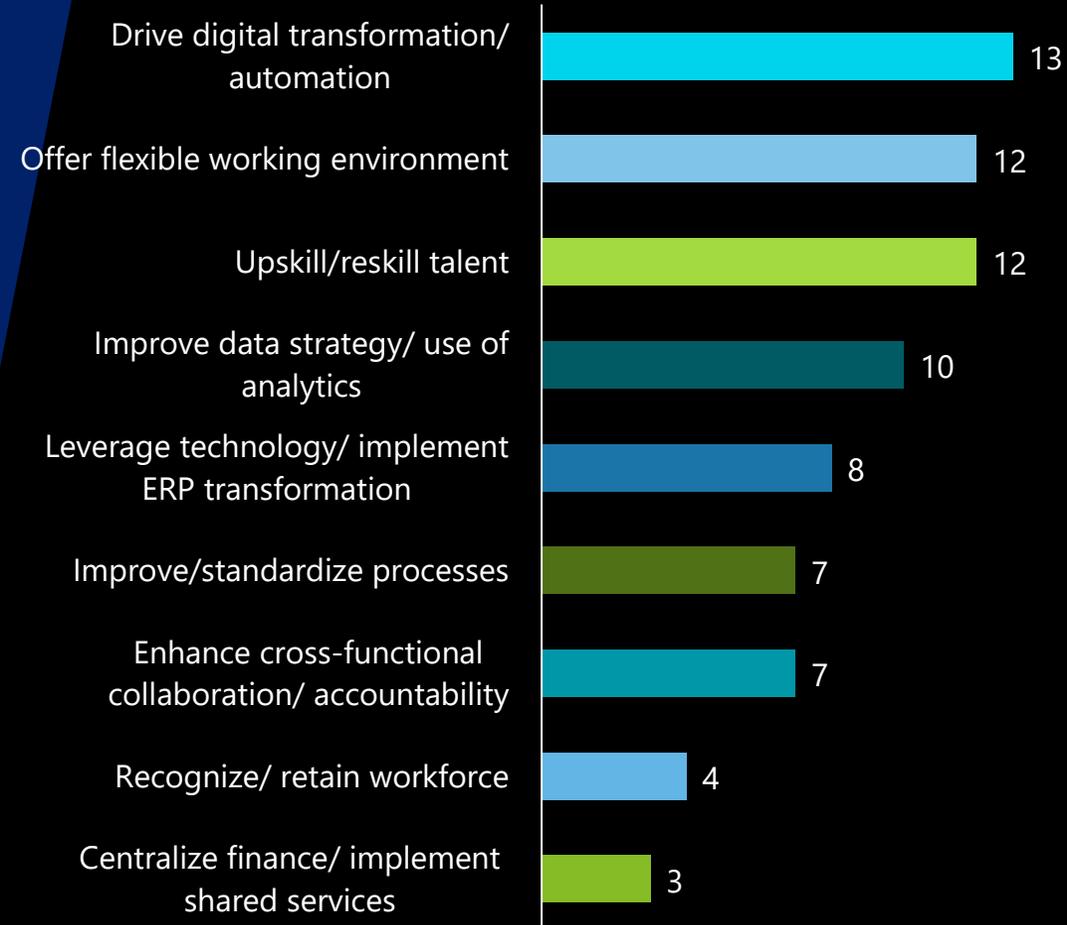
Agility

Developing a dynamic finance capability

- Many CFOs are rethinking the role of the corporate finance function
- The need for speed—to provide insights and reduce cycle times—is now a top priority
- The inability to provide relevant data in a timely fashion slows the entire process
- Agility is a means of getting to outcomes faster
- As new business models and technologies emerge CFOs must respond quickly
- CFOs need to experiment, test hypotheses, scale up/down, plan scenarios, and enable strategy

CFO Signals™ survey 3Q 2022:

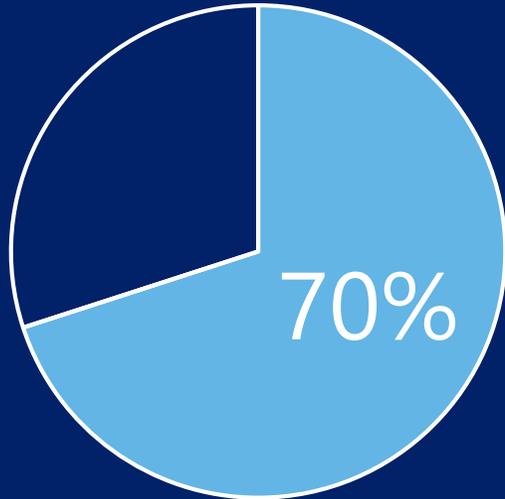
What one change, if any, would you make to your finance workforce model to increase its effectiveness?



Agility

Developing a dynamic finance capability

Ability to pivot and adapt



In a 2021 survey, **seventy percent** of CxOs said they are not confident in their organization's ability to pivot and adapt to disruptive events.

Source: Deloitte Insights, 2021 Deloitte Global Resilience Report: Building the resilient organization, 2021. Survey included 2,260 private- and public-sector CxOs in 21 countries.

Why dynamic finance, and why now?

Environment



Ninety-six percent of Global CFOs surveyed believe that climate change will impact their company's strategy and operations over the next three years.

Workforce



The Great Resignation continues, as 44% of surveyed workers look for a new job.

Inflation



Among the United States, the euro area, and other advanced economies, 60% of the countries have annual inflation rates over 5%.

Q&A



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The CFO Program