The Journey to Digital World Class Starts Here

The Hackett Group
World Class Defined and Enabled

CFO Key Issues and Priorities

Procurement Executive Advisory Membership Programme

March 2024

Agenda

- **CFO- Overview**
- CFO’s Top Priorities
- CFO Reporting Dashboards
- CFO in Procurement
- CFO Agenda
- Examples of Strategic CFO Dashboard vs Tactical

CFO – Overview

- Financial reporting, statutory compliance, and the company's books and records comprised the three primary responsibilities of the CFO/Chief Financial Officer. However, in recent times, the Chief Financial Officer's (CFO) role has experienced a significant shift.

CFO Roles Transformation :

Minimal financial and Technical focus including:

- Management Reporting
- Ownership and Compliance
- Investor Relations

Business partner with strategic and Operational focus handling:

- Using financial data to provide operational decision making
- Business Transformation
- Incorporate strategic objectives with the financial goal of the business

CFO – Overview (Cont'd)

- The chief financial officer (CFO) of the organization requires fundamental pillars/skills such as :

Leadership

Operations

Controls

Strategy

- The modern CFO needs to possess the requisite communication and leadership abilities to be a productive business partner. They must be a voice of reason as well as advice and counsel.
- They should be well-versed in the business model and sector of the company, and they should be able to use this understanding to challenge the commercial and operations teams in a positive way and offer an unbiased viewpoint, ensuring that decisions made about the business are supported by sound financial criteria.
- The responsibility for ensuring proper risk assessment and mitigation, as well as compliance with relevant regulatory or other legal requirements, frequently falls on the CFO in an increasingly globalized and volatile environment with increased regulatory burdens. Both a financial and a commercial perspective must be used to comprehend risk.
- Setting priorities and making sure the plan can be funded are additional responsibilities of the CFO. Developing predictive models, examining macroeconomic trends, and incorporating non-financial data are all made possible by having a strong foundation in finance.

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Prioritizing to enable business success

At the beginning of 2023, most organizations were still preoccupied with the unprecedented confluence of inflationary price increases, rising interest rates, talent shortages, supply market challenges and geopolitical instability – all while considering the possibility of a recession. As the year progressed, headline inflation levels decelerated and many supply markets stabilized to more pre-pandemic norms. The end of 2023, however, saw a flare up in geopolitical concerns with the outbreak of the Israel-Hamas war.

Entering 2024, the economic outlook remains uncertain, with projections that global economic growth could stall or even slow in 2024. In The Hackett Group's 2024 Key Issues Study, executives across business services functions relayed some big concerns: 62% worry about the impact of interest rates on their ability to invest during 2024, while 57% fear a recession during the year. Nearly one-half – 46% – expect labor and skill shortages to continue.

It is not surprising that margin improvement/protection tops the enterprise priority list for 2024. To address this, businesses will emphasize strategies around process efficiency, process automation, working capital optimization and consolidation to shared services. Significantly, 38% of executives we surveyed said slowing spending or delaying projects is likely should the economic outlook deteriorate.

One area that won't completely be in the crosshairs for spending cuts is technology. We were particularly interested in how organizations are approaching generative artificial intelligence (AI) given its potential transformative impact. While the 2024 Key Issues Study found business functions are in the early stages of exploring generative AI, respondents expect mid-level enterprise funding for generative AI to increase in 2024. A small but notable 16% of executives cited business transformation through generative AI as a high priority for 2024.

Against this backdrop, finance teams – like their selling, general and administrative (SG&A) counterparts – will feel increased pressure as their workload grows to enable the success of business stakeholders. This is why it is so critical for finance leaders to understand the potential impact of AI on the function and assess their readiness – including data, governance and processes – to take advantage of the AI promise.

2024 finance priorities

In the 2024 Key Issues Study, finance executives ranked their priorities for the year (**Fig. 1**).

FIG. 1 2024 priorities*

Rank	Priority	High confidence in ability to meet objective
1	COST MANAGEMENT AND OPTIMIZATION	86%
2	CASH FLOW PERFORMANCE, LIQUIDITY AND WORKING CAPITAL	76%
3	DATA (TIMELINESS, COMPLETENESS, RELIABILITY), INSIGHTS AND ACTIONABLE ANALYTICS	56%
4	PROFITABILITY GOALS, INCLUDING MARGIN EXPANSION	65%
5	DIGITAL TRANSFORMATION, PROCESS IMPROVEMENTS AND TECHNOLOGY MODERNIZATION	54%
6	RELIABLE FORECASTING	50%
7	UPSKILLING OF EXISTING TALENT	56%
8	BUSINESS PARTNERING	74%
9	REGULATORY COMPLIANCE, INCLUDING ESG REPORTING	92%
10	CAPITAL INVESTMENT ALLOCATION AND DEPLOYMENT	91%

*Ranking by weighted average level of importance (i.e., low/moderate/high/critical) for the top 10 finance priorities selected by respondents

Source: Key Issues Study, The Hackett Group, 2024

2024 finance priorities (cont'd)

Traditional finance objectives – cost optimization, cash flow and working capital, profitability, forecasting, regulatory compliance, and capital investment – dominate this year's priority list, with six of the 10 objectives falling in this area. On the other hand, despite persistent labor and talent issues, there is only one talent-related objective in this year's top 10.

Cost containment and cash flow optimization moved from the bottom half of last year's priority list to the top of this year's list – reflective of the current economic climate. Profitability goals/margin expansion also moved into the top five, replacing last year's focus on enabling growth. The ranking also shows escalating attention to improving data and insights in order to inform profitable growth and margin expansion. Data and analytics moved up three places on the list in 2024. Digital transformation dropped from the top spot to No. 5. However, this is likely due to other more immediate concerns than it is to a decline in focus because organizations will continue to advance digital transformation and explore the promise of generative AI.

In most cases, executives are fairly confident in their ability to achieve these objectives. Areas of lowest confidence include forecasting reliability, digital transformation, data enhancement and upskilling talent. In the cases of data and digital transformation, low confidence is likely due to the complex nature and span of effort required to make progress.

Meeting these objectives requires commitment. Last year, we observed some key mismatches – with a relatively low percentage of finance organizations planning major projects to address their top priorities. The same is true this year. At least one-half of finance organizations are supporting cost management and optimization, data enhancement, and digital transformation with major initiatives in 2024. Otherwise, the percentages of organizations with corresponding initiatives are quite low – particularly for business partnering and talent development, which will be essential to successful finance transformation.

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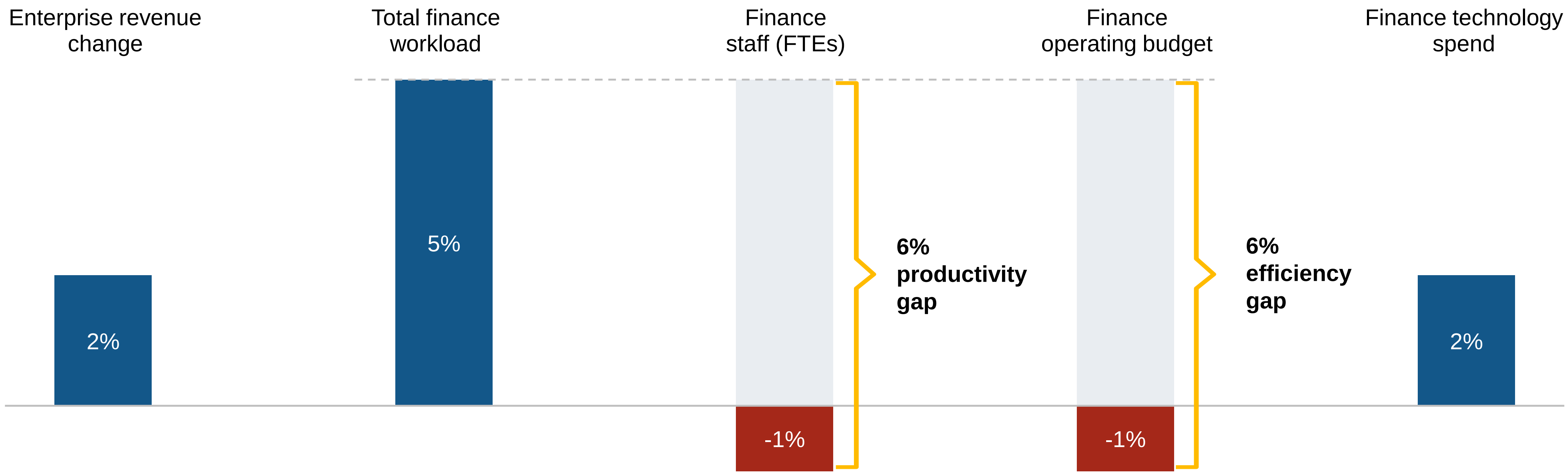
Finance’s increased workload will continue to create productivity and efficiency gaps

Addressing these varied priorities will require resources. The 2024 Key Issues Study confirms and quantifies what finance executives already know: They must find a way to do more with less. In 2024, the finance workload is predicted to increase by 5%, reflecting the broadening of priorities, while head count and operating budget decrease slightly (**Fig. 2** on page 6). This creates productivity and efficiency gaps of 6%. The good news is that these gaps have decreased over the past year – from 9% and 10% respectively in the 2023 study. However, finance executives still have a significant challenge in front of them.

While they are counting on technology to help fill the gaps, spending is expected to increase by only 2% in 2024 – down from last year’s 5% projected increase. Later in this paper, we discuss the higher levels of dissatisfaction with investments in core, emerging and data technologies. Finance organizations have invested heavily in these technologies, but a significant percentage are not necessarily seeing the benefits they expected. A more moderate level of spending may reflect increased enterprise focus on realizing greater value from existing investments – for example, bringing current tools to scale.

FIG. 2 Change in projected finance workload, staffing, budget and technology spend from 2023 to 2024



Source: Key Issues Study, The Hackett Group, 2024

Planned improvement initiatives

Finance executives also outlined the top initiatives they have planned for 2024 **(Fig. 3)**. The clear takeaway here is that organizations are looking to standardize, scale and leverage investments already made since the beginning of the digital transformation journey. Confidence in the ability to deliver does vary. In areas where confidence lags, finance teams may need to reconsider their approaches to ensure success.

FIG. 3 Top 10 initiatives in 2024

Ranking	Initiative	Confidence level that initiative will be successful
1	SIMPLIFY, STANDARDIZE AND AUTOMATE PROCESSES	76%
2	ESTABLISH OR ADVANCE A CENTER OF EXCELLENCE AND/OR GLOBAL BUSINESS SERVICES PORTFOLIO AND LOCATION STRATEGY	68%
3	IMPLEMENT DIGITAL FINANCE TECHNOLOGIES	48%
4	EXPAND USE OF SELF-SERVICE TOOLS	60%
5	IMPROVE ANALYTICAL, MODELING AND REPORTING CAPABILITIES	73%
6	IMPROVE AND EXPAND MASTER DATA MANAGEMENT GOVERNANCE	47%
7	OPTIMIZE THE INTEGRATED PLANNING PROCESS	37%
8	ADOPT A CUSTOMER EXPERIENCE FRAMEWORK APPROACH THAT SUPPORTS BUSINESS PARTNERING WITH OTHER FUNCTIONS	57%
9	OPTIMIZE THE CLOSE AND CONSOLIDATION PROCESSES	69%
10	LAUNCH FORMAL INITIATIVES TO IMPROVE WORKING CAPITAL PERFORMANCE	50%

Source: Key Issues Study, The Hackett Group, 2024

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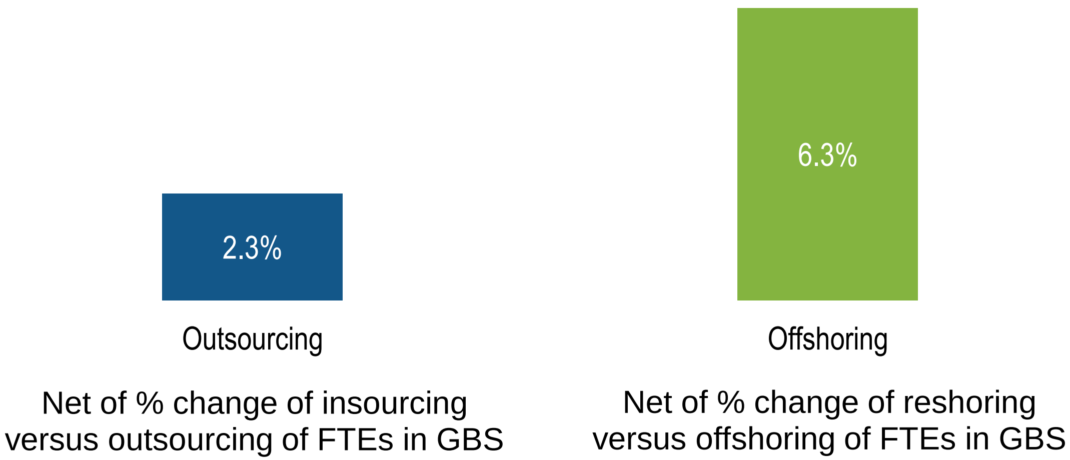
Cost management and optimization

- Cost reduction is a perennial part of the finance priority list, but it does move up and down. Given the current economic mood, it is not surprising to see cost rise from the bottom of last year’s top 10 list to the top of this year’s list. Finance must maintain ongoing financial operating discipline and ensure intelligent cost management – both for the function and enterprise.
- Within the finance function, the cost opportunity continues to grow. Our 2023 analysis of Digital World Class® finance organizations (those in the top quartile in both business value and operational excellence) found that these performance leaders run at a 47% lower cost than the peer group. This represents a $48 million advantage for a typical $10 billion company. One reason for this advantage is that Digital World Class finance organizations automate far more core transactions than the peer group. Accelerating automation not only helps organizations run more efficiently; it is key to counteracting the impact of labor trends.
- Projected increases in outsourcing and offshoring to lower-cost global business services (GBS) centers (**Fig. 4** on page 9) are consistent with the finding on page 6 that finance is prioritizing initiatives to establish or advance centers of excellence (COEs) and/or GBS and location placement. Together, these suggest that labor arbitrage – as a cost-saving strategy – remains foundational to the enterprise value proposition.

FIG. 4 Percentage increase in outsourcing/offshoring



Source: The Hackett Group 2023 Technology Key Issues Study

Finance – like all SG&A functions and the enterprise at large – needs a deliberate, sustainable approach to optimizing costs, rather than one-off belt tightening. Cost optimization is difficult to sustain as demonstrated in The Hackett Group's 2023 North American SG&A Study and Scorecard. After two years of stellar reductions, SG&A costs rose as a percentage of revenue for 42% of the largest companies in North America and outpaced inflation at 14% of all companies. Only 15% were able to cut their absolute SG&A costs in 2022, and only 7% have reduced their SG&A costs year-over-year for six or more years over the past decade.

Finance organizations will be wise to explore generative AI as part of this deliberate and sustainable cost reduction approach. Although adoption is still maturing, generative AI has huge promise. Our recent research1 found that generative AI could yield a 40% reduction in SG&A costs and a 40% reduction in SG&A staff over the next five to seven years. Now is the time to be planting the seeds for this potential paradigm shift in delivery model and cost structure.

[1] Generative AI Could Yield a 40% SG&A Cost Reduction, The Hackett Group, 2023

- 2

Cash flow performance, liquidity and working capital

- The cost of working capital is on the rise, with liquidity coming at a cost premium. The Hackett Group's 2023 Working Capital Survey, which analyzed the performance of the 1,000 largest listed nonfinancial companies with headquarters in the United States, found that cash conversion cycle (CCC) – the composite measure of working capital performance – deteriorated 3% in 2022. Days payable outstanding was the main driver of CCC erosion – a sign that companies have reached a ceiling for supplier payment terms and are starting to lose leverage with suppliers.
- There were several notable developments. In 2022, all three key components of working capital, as well as CCC, moved with greater magnitude than they have in recent years. Furthermore, the gap between top performers and median companies continued to widen – not because the best-in-class companies improved significantly, but because median companies' working capital performance showed notable degradation. Finally, despite improved accounts receivable performance in 2022, excess working capital grew substantially. The top 1,000 companies have nearly $1.9 trillion tied up in working capital – up 12% from the year prior.

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Cash flow performance, liquidity and working capital (cont'd)

- Disruption and uncertainty do not appear to be easing. But the nature of these challenges is evolving. Organizations with strong working capital management capabilities will be best positioned to sense and react to changing demand signals and other sources of instability.
- In response, finance must optimize working capital through continued strengthening of supplier payment terms where possible, inventory management, targeted collections, capabilities for enabling faster and/or easier payments, and more frequent monitoring of the accounts receivable portfolio. In addition to executing specific strategies that drive working capital improvement, optimizing working capital also requires strengthening capabilities for managing it – including elevating awareness and skills, increasing visibility into key indicators, and sharing information better across functions.

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Data, insights and actionable analytics

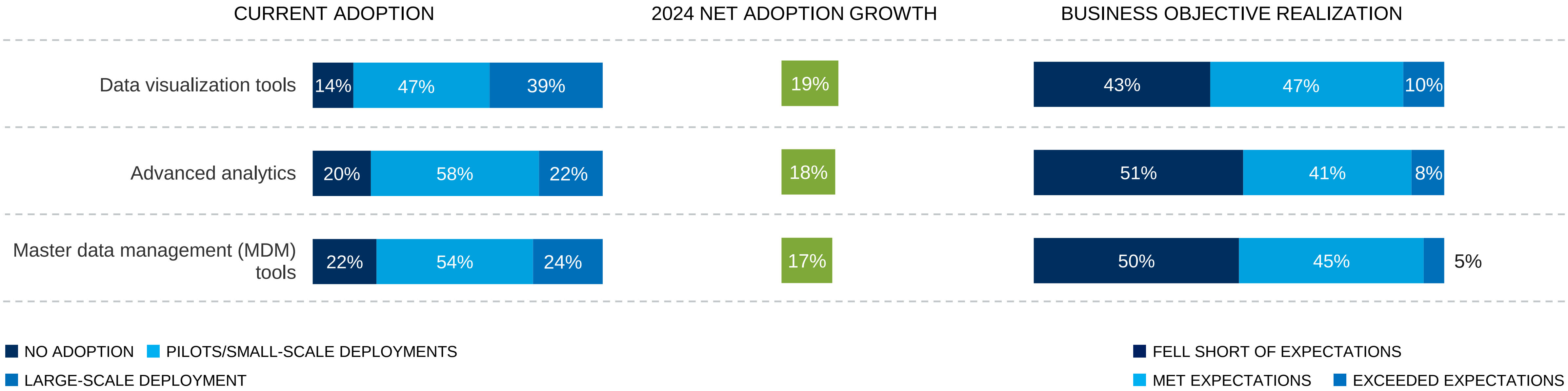
- The ability to master data and turn it into timely, meaningful, and actionable insights is key to achieving many of the finance priorities. Finance executives ranked the actions that they plan to take in 2024 to improve and expand finance's analytics capabilities (**Fig. 5** on page 13). These fall into three primary categories.
- The Key Issues Study revealed significant opportunity for finance organizations to move past the pilot stage or small deployments (**Fig. 6** on page 14). Overall, organizations are not fully deploying data-related technologies that hold potential for significant improvement in actionable insights – limiting benefits to the enterprise. The most notable example is master data management tools, which facilitate the cleaning of datasets and harmonizing of master data hierarchies across a company's application structure. This is a critical prerequisite for enabling effective digital and generative AI transformation. Projected growth in adoption is strong.
- It is notable that these technologies fall short of expectations for many companies. In fact, the percentage of executives who feel these technologies meet or exceed expectations is down relative to last year's study. Effectiveness depends on data quality; however, many organizations have not yet mastered MDM. Additionally, the complexity associated with implementing these technologies prevents some organizations from realizing the benefits they expected to at this point.

FIG. 5 2024 actions for improving and expanding finance analytics capabilities

PEOPLE	PROCESSES	TECHNOLOGY/TOOLS
Train and upskill staff	Define finance data strategy and common data models to support reporting and analytics	Provide greater access to self-service and data-discovery tools
Update competency models and skills requirements	Establish data stewardship and governance	Implement modern data sourcing, integration and/or blending tools
Hire data scientists and/or other data management experts	Evolve and mature information analysis techniques	Invest in new purpose-built enterprise performance management tools (financial planning and forecasting tools)
	Move beyond financial analysis to deliver analytics to other parts of the organization	Implement advanced analytics tools (e.g., AI-enabled analytics automation)
	Establish an analytics/reporting COE	

Source: Key Issues Study, The Hackett Group, 2024

FIG. 6 Technology adoption and business objective realization – finance analytics



Source: Key Issues Study, The Hackett Group, 2024

- 4

Profitability goals, including margin expansion

- Most western economies avoided a recession in 2023, but the baseline forecast for global growth is expected to slow from 3% in 2023 to 2.9% in 2024.[2] In the Key Issues Study, 57% of executives across business functions said they are concerned about a recession in 2024. This sentiment is reflected in finance's shift in focus – from supporting enterprise growth in 2023 to achieving profitability goals in 2024.
- Finance can be a catalyst for achieving both profitability and growth goals by modeling and evaluating portfolio choices, investment opportunities or impacts of pricing strategy, maintaining ongoing financial operating discipline, and ensuring there is financial capacity to fund growth. The ability to achieve other finance objectives, including enhancing data capabilities and business partnering, will be key to delivering on this objective.
- As challenging as the coming year may be, managing through a slowdown is a situation that most companies and leaders have experienced. The best companies look proactively for ways to thrive amid uncertainty and position strategically for capitalizing on growth opportunities, regardless of the volatility they may encounter. Leading finance organizations will partner with the business to model the most likely scenarios around recession, geopolitical realities and inflation, and plan accordingly. This enables the agility and readiness to respond to situations as they unfold.

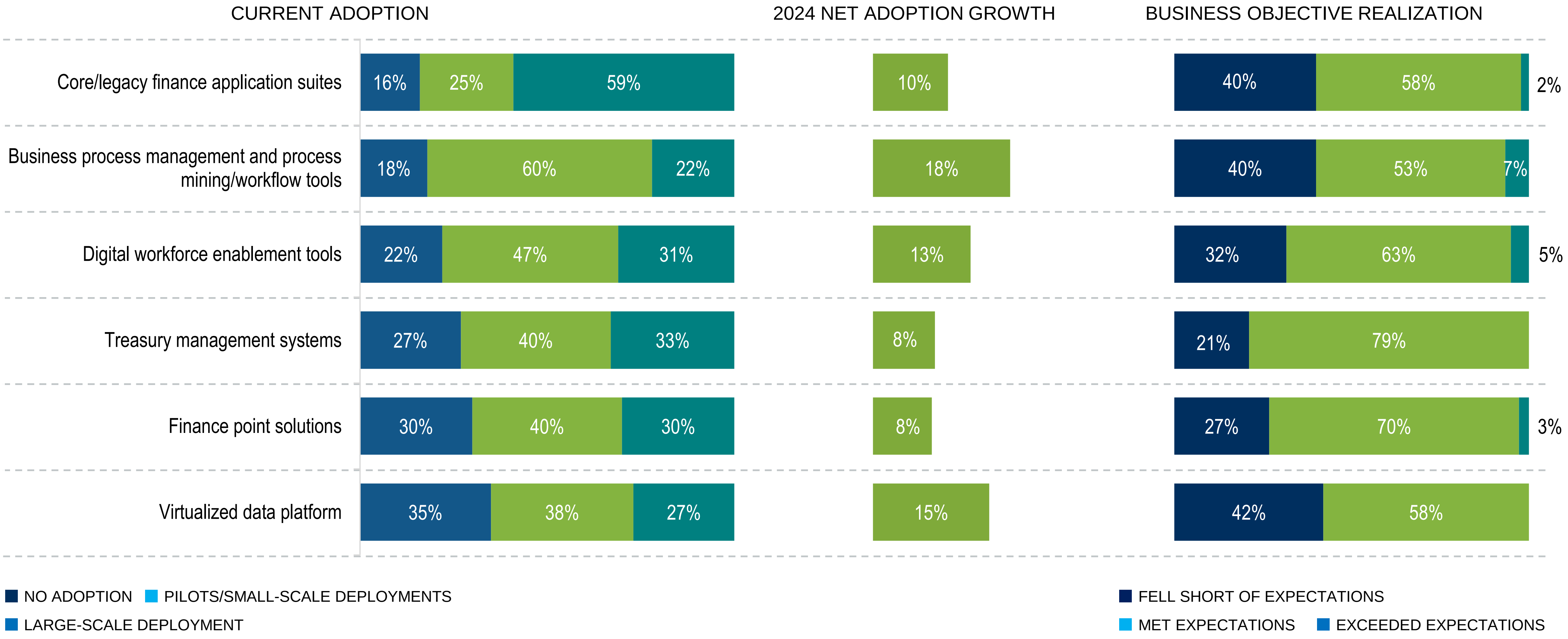
- [2] International Monetary Fund World Economic Outlook Navigating Global Divergence, October 2023

▪ 5

Digital transformation, process improvements and technology modernization

- The current environment is putting more pressure on costs, but finance executives still project spending on technology to increase, albeit by a smaller percentage than last year (see page 6).
- Finance must continue investing in technology to reduce costs and create new capabilities through aggressive adoption of cloud, finance point solutions, generative AI, analytics, and other tools. But they must also optimize the use of technologies already in place.
- As in prior years, the study shows most finance organizations are operating in multiple technology environments simultaneously (**Fig. 7** on page 17). Getting core technologies to scale has a direct impact on process standardization, enterprise capabilities and the ability to better leverage technology, while also reducing reliance on labor.
- As with data-related technologies, there is significant opportunity to expand adoption beyond pilot projects or small-scale adoption. For technologies other than core finance application suites, large-scale adoption remains low – with one-third or fewer organizations at that level.

FIG. 7 Technology adoption and business objective realization – core finance technologies



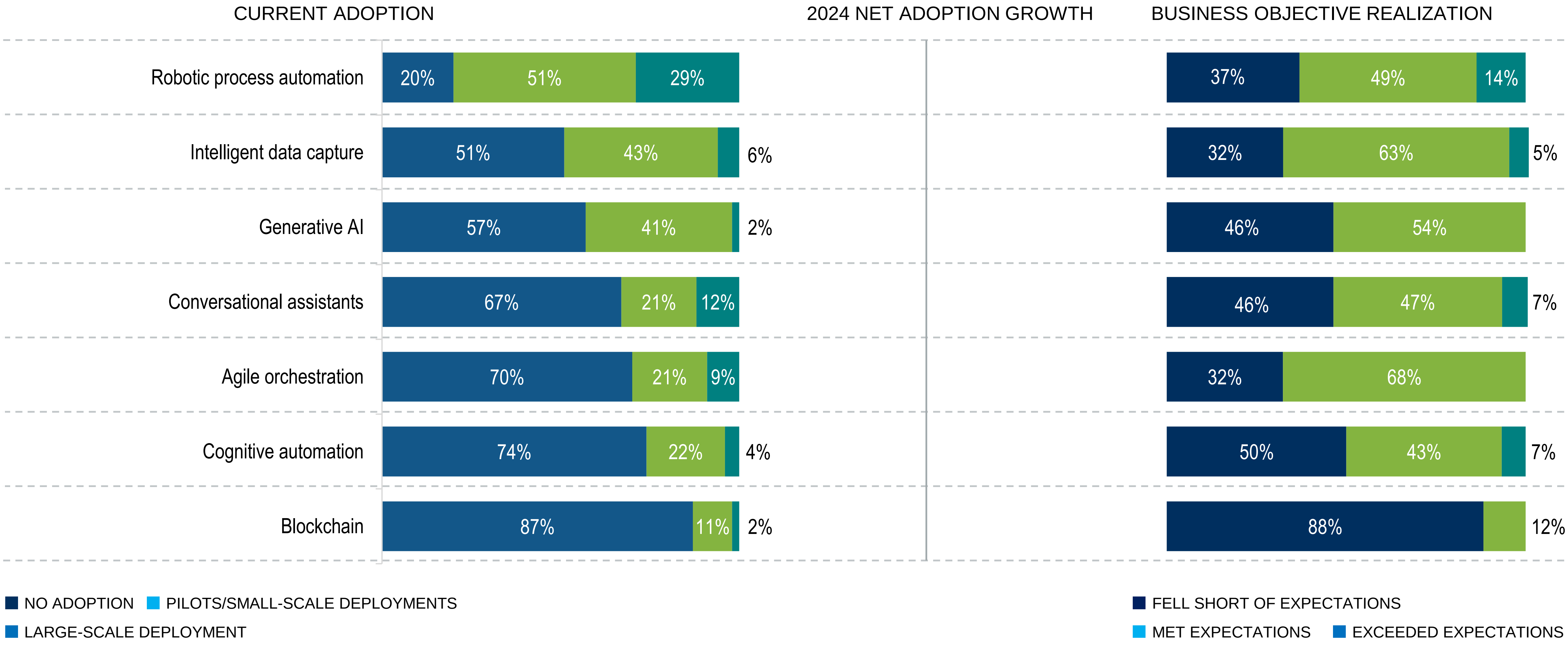
Source: Key Issues Study, The Hackett Group, 2024

▪ 5

Digital transformation (cont'd)

- Projected growth in adoption is moderate across the board, with executives expecting the greatest increases in business process management (BPM) and process mining/workflow tools. This is in line with an emphasis on elevating process efficiency and managing costs.
- Here again, some technologies fall short of expectations for a significant percentage of companies. Lack of mature data and change management capabilities are key factors. Furthermore, it is hard to meet high expectations when adoption remains at a small scale. A prime example is BPM and process mining/workflow tools, which only 22% of finance organizations have adopted on a large scale.
- The story is similar with emerging technologies – but to a greater degree (**Fig. 8** on page 19). More than one-half of finance organizations have not adopted any of these technologies other than robotic process automation (RPA). Only two emerging technologies – RPA and conversational assistants – have large-scale adoption in the double digits. Projections for adoption growth also lag those for other mainstream finance technologies and data tools.
- Emerging technologies fall short of expectations for many. Often, we see these technologies piloted in environments where process redesign and optimization have yet to occur, yet organizations are still evaluating the technological efficacy.

FIG. 8 Technology adoption and business objective realization – emerging finance technologies



Source: Key Issues Study, The Hackett Group, 2024

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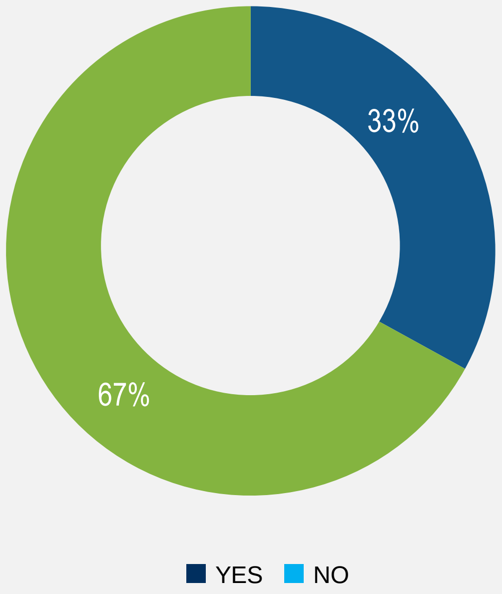
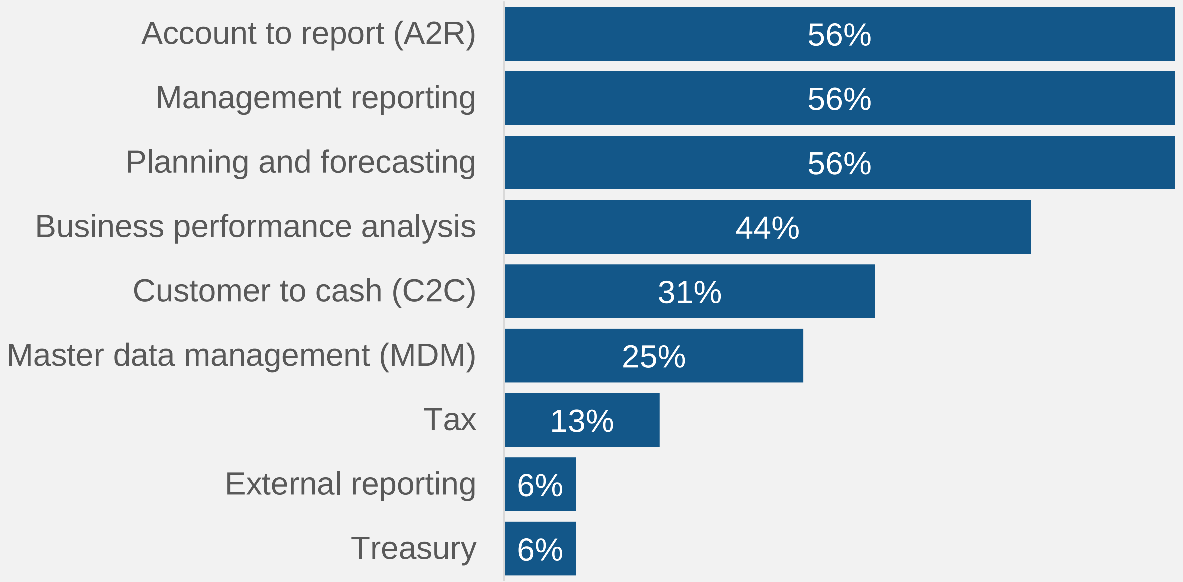
Opportunities for using generative AI in finance

Generative AI is in its early days in finance, with only one-third of finance organizations currently evaluating the technology – however, we do expect more organizations to begin doing so. Those that are evaluating generative AI consider the most promising opportunities to be in account-to-report, management reporting, and planning and forecasting processes – areas where easy access to accurate data can greatly enhance the effectiveness of personnel. Many also see an opportunity for using generative AI in business performance analysis.

Evaluating generative ai in finance



Evaluating generative ai in parts of finance



Source: Key Issues Study, The Hackett Group, 2024

▪ 6

Reliable forecasting

- Effective and meaningful improvements in forecasting are necessary as interest rates rise and geopolitical/economic uncertainties add to the cost of doing business. Finance must identify business risks and environmental shifts in order to properly address them. While new to the top 10 this year, forecasting is similar in theme to last year's priority around accelerating preparedness for uncontrollable issues.
- The Hackett Group's 2023 benchmarking analysis revealed a significant opportunity to improve forecasting. That analysis found that management is 28% more confident in the reliability of annual forecasts produced by Digital World Class® finance organizations (versus forecasts prepared by the peer group). Furthermore, 82% of organizations with Digital World Class finance functions place a high degree of reliability on the annual forecast – up from 74% in 2022. The peer group, on the other hand, backtracked, with a high degree of confidence – dropping six percentage points from 2022. This illustrates the difficulty in handling multiple uncontrollable uncertainties – geopolitical, supply chain, interest rates and inflation – simultaneously.
- Our analysis showed how Digital World Class finance organizations produce more accurate forecasts: They master what they can control. They are more likely to use one version of the truth, generating 61% more business performance reports from a central repository. They are 94% more likely to equip cost center managers to enter budgets online. And they have far less complexity in reporting, with 89% fewer business performance reports per billion of revenue.

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- 7

Upskilling of existing talent

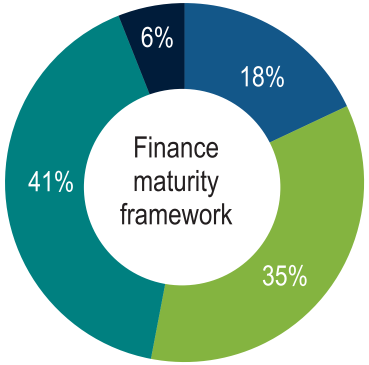
- In the Key Issues Study, nearly one-half of executives across all business functions said they are concerned about skills and worker shortages, but only 41% of companies have a formal mitigation program planned or in place for disruptions due to persistent, structural skills gaps that prevent them from executing on digital transformation. Many respondents believe freezing hiring or reducing staff due to budget pressures is not out of the question. This may be prudent financially but could risk further exacerbating skills gaps.
- Finance executives know people and skills are critical to success – but this is a case where words and action conflict. Only 28% of respondents said they have a major 2024 initiative in place to support this objective. Upskilling is critical if finance organizations want to capture the value of investments in becoming digital. Just as relevant, though, is the set of demographic trends that see many finance staff reaching retirement age and fewer people coming into the profession. This is why the low percentage of organizations committed to addressing this priority is so concerning.

▪ 8

Business partnering

- As finance looks to mature its capabilities and become a more integral source of intelligent influence, the Key Issues Study found that 53% of finance organizations still operate as either an administrator or efficient operator **(Fig. 9)**. Only about one-quarter of finance organizations act as a catalyst for change across the entire organization or as a valued business partner. The ability to elevate stature as a business partner is, to at least some extent, set by the expectations and demands of the C-suite. One way to elevate stature as a valued business partner is to focus on providing meaningful, actionable business insight.

FIG. 9 Finance maturity as a valued business partner and catalyst for enterprise change



- ADMINISTRATOR (LEAST MATURE): Focus on historical financial data, multiple instances of ERP, disaggregated processes and extensive manual work
- EFFICIENT OPERATOR: Standardized, mostly automated processes and optimized operational model (GBS, strong control environment)
- VALUED BUSINESS PARTNER: Embedded business partnership culture, mature digital transformation strategy and finance talent with analytics skills and business acumen
- CATALYST FOR ENTERPRISE CHANGE (MOST MATURE): Focus on enterprise strategy enablement, intelligent automation and integrated data architecture, and advanced design and/or systems thinking

Source: Key Issues Study, The Hackett Group, 2024

▪ 8

Business partnering (cont'd)

- The study also looked at alignment relative to other business functions/units and reporting relationships. This analysis showed a growing emphasis on cross-functional business partnering and a broadening of both alignment with other business functions and reporting accountability to those functions as finance organizations improve upon their business partnering maturity and capabilities.
- Finance executives' top actions for improving business partnering capabilities will include:

1. Defining clearly why finance business partners are needed, where they should focus, what activities they should perform and how they should interact with their stakeholders
2. Improving finance business partnering influence, impact and communication skills
3. Investing in a COE and/or GBS model to perform the recurring and routine activities (reporting, forecasting, etc.)
4. Ensuring finance business partnering is a core part of standard finance offerings and/or activities
5. Improving finance business partners' business acumen (e.g., through rotational and experiential learning)
6. Redefining the partnering role description and related competencies of the finance business partner role
7. Dedicating full-time finance business partners to business partnering roles

▪ 8

Business partnering (cont'd)

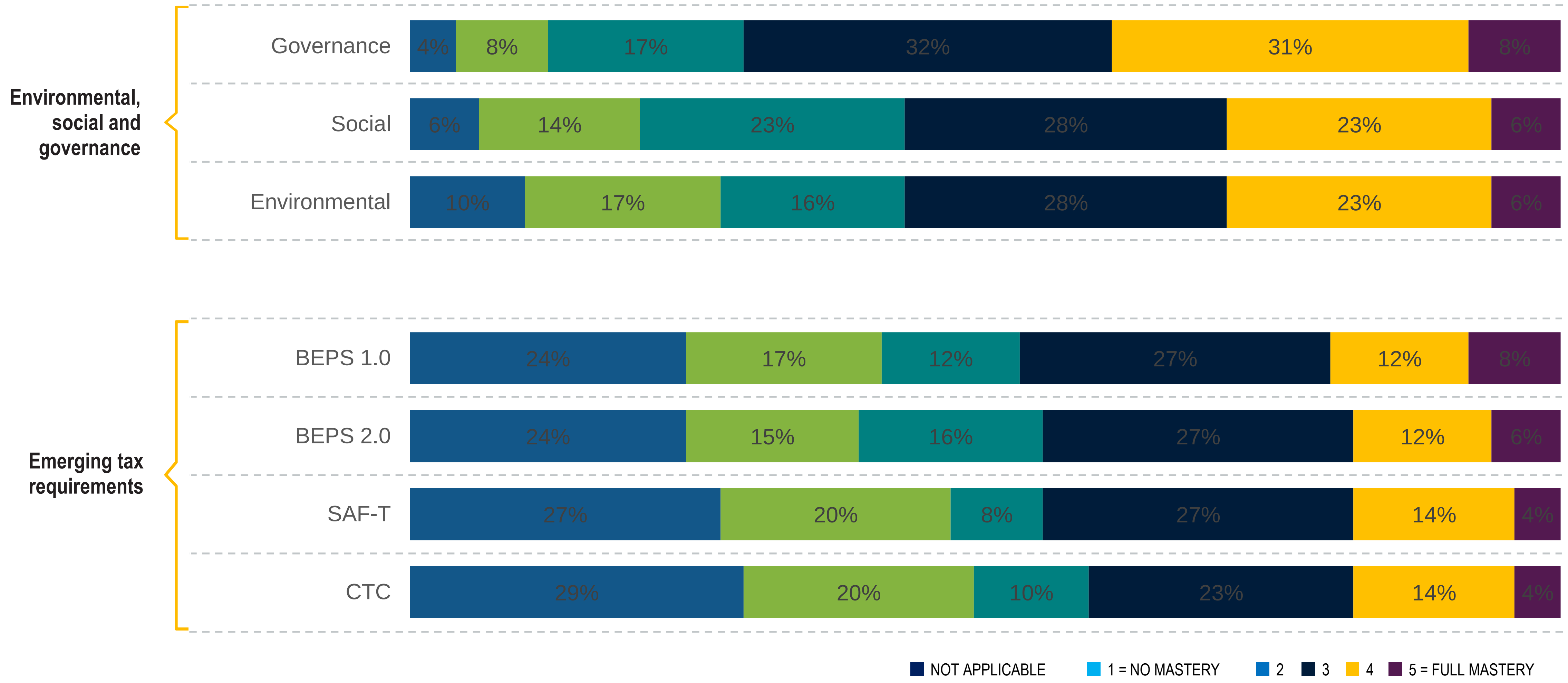
- These are similar to last year's top initiatives, although development of a COE and/or GBS capabilities is new – reflecting the need to both optimize costs and focus finance talent on higher-value activities.
- In last year's Key Issues Study, 21% of finance executives said their organization did not have an initiative or plan for improving business partnering. This year, that dropped to just 3% – evidence that finance leaders are taking this seriously. This is encouraging. With the lingering economic uncertainties highlighted earlier, this is finance's opportunity to plan for various scenarios and partner with the business to make informed and timely decisions that maximize enterprise value.

▪ 9

Regulatory compliance, including ESG reporting

- This objective is new to the top 10 list and reflective of the increasing regulatory requirements that finance must be prepared to support. Finance plays a key role in ensuring the business is meeting both its regulatory and environmental, social, and governance (ESG) mandates by educating and mastering the various compliance areas and asks.
- In the study, we asked companies about two areas of regulatory change that have some urgency around them (**Fig. 10** on page 28). For most companies, ESG and emerging tax understanding and mastery represent areas of significant opportunity for finance and tax organizations. In the absence of having internal skills and maturity, we would expect partnering with appropriate third-party service providers to be a critical step for meeting compliance requirements.
- It is interesting to note that a relatively higher percentage of European organizations are moving toward mastery, compared to North American counterparts. With California’s recent climate disclosure laws and Security and Exchange Commission rulings likely in the near term, North American finance teams should be starting to plan now for upcoming reporting mandates.

FIG. 10 Level of mastery – ESG and emerging tax requirements



Source: Key Issues Study, The Hackett Group, 2024

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- 10

Capital investment allocation and deployment

- Capital investment is new to the finance key issues list. This is the sixth core finance discipline represented among the top 10 and very closely related to the priority around cash flow performance, liquidity, and working capital. Both of these reflect the current economic climate.
- In times of elevated business uncertainty and environmental threats, optimal deployment of capital provides the investment to outpace the competition. However, the presence of this objective in the top 10 points to heightened attention around where and how organizations are investing. The current environment will require more discipline around allocation and deployment processes – both to increase certainty about the return on new investments and optimize the return on investments already made. The finance technology investment trend noted on the following page is an excellent example of this point. In our experience, organizations that continue to invest in technology tend to outperform those that abandon these projects.
- Overall, executives showed high confidence in their ability to achieve this objective, but few (22%) have a major improvement initiative in this area.

CFO’s Top Priorities

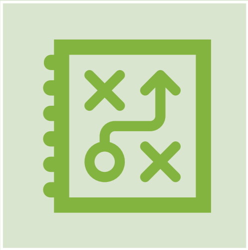
- The chief financial officer (CFO) of the organization has key responsibilities that must comprehend. Fundamentally, the primary responsibility of a CFO is to guarantee the seamless and effective functioning of all financial operations. Monitoring and overseeing the business's financial performance as well as making sure there is adequate cash on hand to pay bills are their responsibilities.

Managing a budget and costs is one of a CFO's most significant responsibilities. When allocating funds, they must make sure the business has enough cash on hand to pay for its needs and make wise financial choices. This includes Cash flow forecasting, Examining expenses, Assessing capital projects and managing and negotiating contracts with suppliers, vendors, and other business associates

Financial reporting and analysis is one of the CFO's other main areas of concentration. They must be capable of gathering, arranging, analyzing, and reporting on any financial data pertaining to the operation of the business. This comprises Regularly producing financial statements, including cash flow, income, and balance sheets, among others, examining financial data to spot patterns and areas that could use improvement, and Creating business plans and financial forecasts

An organization's compliance with all relevant laws, rules, and standards, as well as **risk management**, fall within the purview of the CFO. The CFO must make sure the business complies with HIPAA regulations and the tasks related to risk management and compliance are: Recognizing potential threats to the company's operations or finances, Formulating plans for risk management, keeping track of changes to regulations, and Internal auditing to verify that protocols and processes adhere to relevant standards

CFO’s Top Priorities (Cont’d)



The formulation and implementation of strategic plans should also involve a CFO. They should comprehend the objectives of your business, create plans to achieve those objectives, and make sure the team is carrying them out. Here's how to do it:

Establishing attainable long-term financial goals

Examining the business climate to find areas for possible expansion

Creating and implementing financial plans that support the goals of the business

Putting together and managing cross-functional teams to accomplish objectives

Lastly, CFOs ought to be active in the hiring and retaining of talent. The success of the company depends on having a strong finance team, so it's critical to attract and retain top talent. This is what your CFO ought to do:

Hiring and assessing financial personnel

Creating affordable and competitive benefits packages

Providing finance staff with opportunities for training and development

Creating procedures to keep top performers on board

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2024 enterprise outlook

Recession risk	• **57%** of executives are concerned about a recession in 2024. Most western economies avoided a recession in 2023, but baseline forecast for global growth is expected to slow from 3% in 2023 to 2.9% in 2024. • Emerging markets and developing economies are projected to grow 4% for full-year 2023 and 2024.* • Inflation has come down significantly and, despite rapid monetary tightening, the US economy growth accelerated in 2023. Europe on the other hand, hamstrung by the need to become independent from Russian gas, experienced anemic growth.
High interest rates	• **62%** of executives are concerned about the impact of high interest rates on their ability to invest in 2024. Although inflation has come down in 2023, most analysts do not except it to revert to pre-pandemic levels. • Labor availability in western economies is still constrained and nominal wage growth is too high to persuade central banks to reverse rate increases in the short term. • As higher interest persists, companies and consumers alike may look to further tighten belts and reduce investments and expenditures. Respondents report operational budget constraints for 2024, but investments in technology offsets some of the limits put on investments.
The role of generative AI (Gen AI)	• **16%** of executives make business transformation through Gen AI a high priority in 2024. Since OpenAI launched ChatGPT, speculation about the ability of Gen AI to transform society and business models, and upset labor markets, has reached a fever pitch. • Adoption of Gen AI in business services is still mostly in the early stages. As vendors incorporate Gen AI in their software, this is expected to move to early adoption. Concerns regarding data privacy, security and unauthorized use may make this move slowly. • Study respondents indicate that they are in the early stages of exploring opportunities for Gen AI in their respective functions.

*International Monetary Fund World Economic Outlook Navigating Global Divergence, October 2023.

Source: The Hackett Group 2024 Enterprise Key Issues Study

2024 enterprise outlook (cont'd)

Full-time equivalent (FTE), talent and skills	• **46%** of executives are concerned about skills and worker shortage. • Analysis of The Hackett Group's benchmarking data confirms that enabling function's FTE staff count has decreased even more than G&A cost. • With productivity gains increasingly being achieved through technology adoption, IT cost per end user has increased. • Due to budgetary pressures, many respondents expect to freeze hiring or reduce staff; further exacerbating existing skills gaps.
Geopolitical risks	• **41%** of executives are concerned about geopolitical risks for 2024; this increases to 53% beyond 2024. • Geopolitical risk concerns remain high with a global increase of armed conflicts in 2023 and the potential for other frozen conflicts to turn hot. • With the Russia-Ukraine war not expected to end soon, the Israel-Hamas war erupting and speculation about conflict in Asia, expect companies to build supply chain resilience, hedge for commodity price shock and worry about deglobalization.
2024 and beyond	• **2024** will see elections in over 40 countries worldwide, including the US elections in November.* In election years, governments are likely to continue spending to maintain economic growth. • The possibility for authoritarian turns in some countries may feed business leaders' anxiety for a deglobalizing world. • Look out for how China's slow-moving commercial real estate crisis develops as an indicator of a potential turn for the worse in the global economic outlook.

*"Brace for Elections: 40 Countries Are Voting in 2024," November 2023, Bloomberg.

Source: The Hackett Group 2024 Enterprise Key Issues Study

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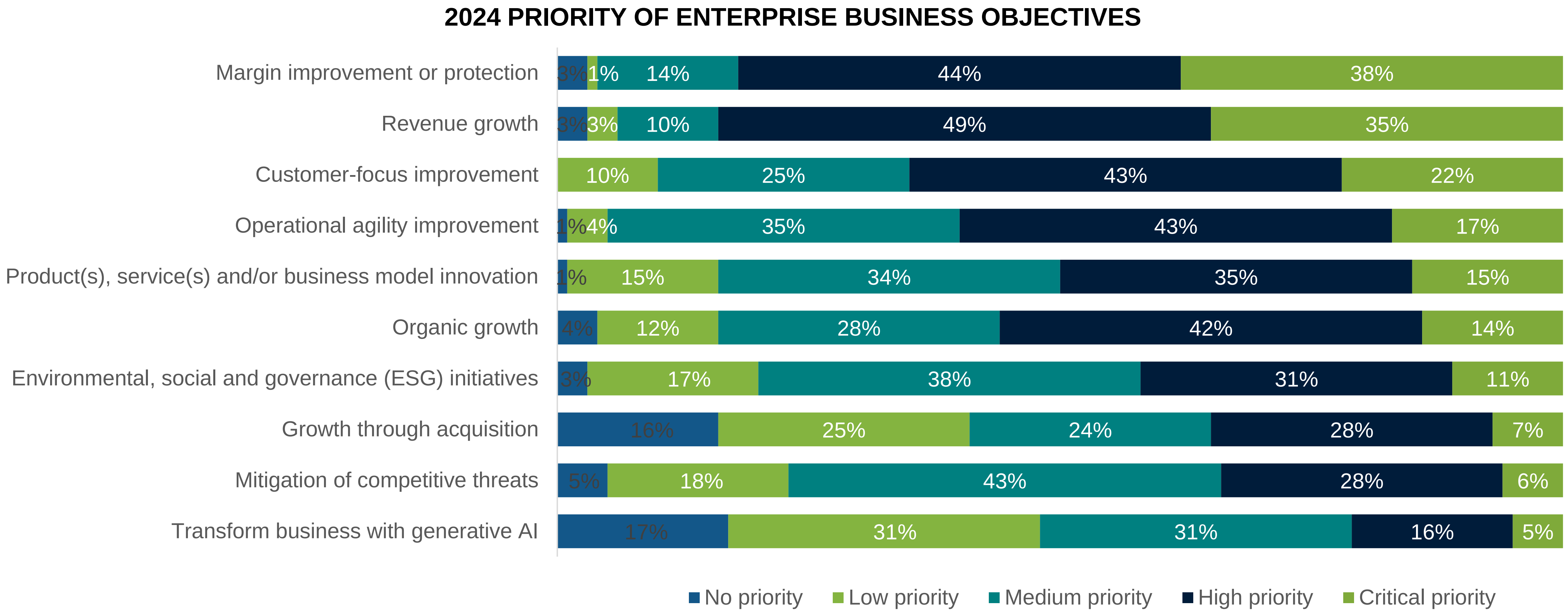
2024 priority of enterprise business objectives

Inflation, increased interest rates, and supply shortages are focusing business leader's attention on margin improvement or protection, marginally above revenue growth as main business objectives for 2024.



Q. Please rate the following business objectives for your enterprise in 2024.

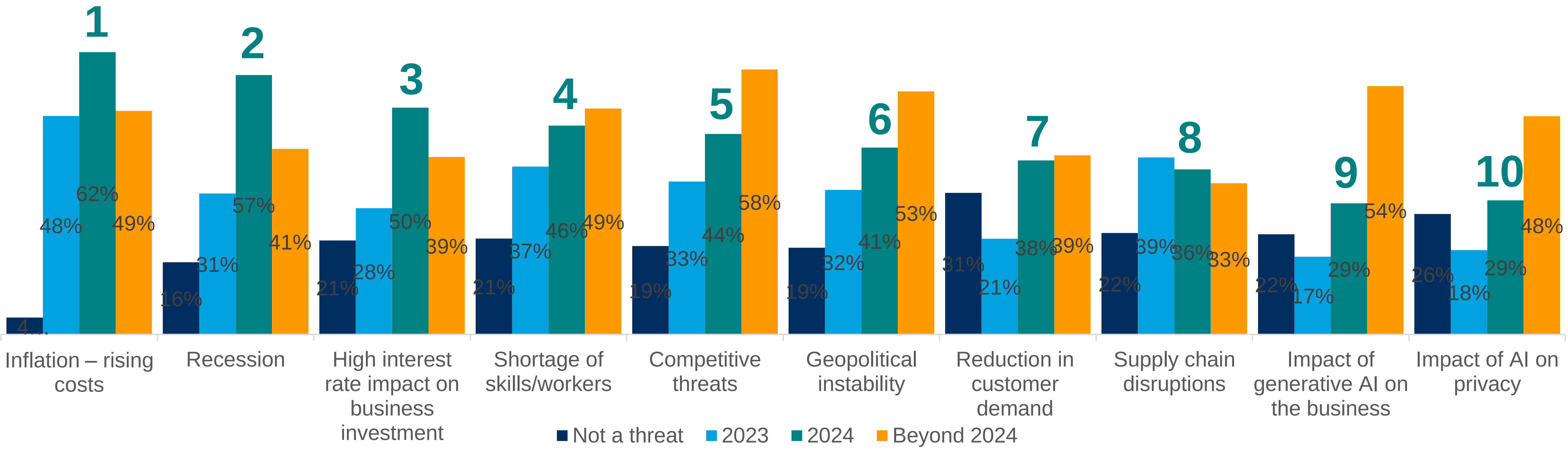
Source: The Hackett Group 2024 Enterprise Key Issues Study

The Hackett Group

What are key threats to business success in 2023, 2024 and beyond?

Business leaders view inflation, recession risk, high interest rates and labor shortages as key threats to business in 2024. Beyond 2024, competitive threats, including geopolitical instability and the impact of generative AI, are perceived to be major business disruptors, threatening business success.

KEY THREATS TO BUSINESS SUCCESS



Q. Indicate how long the following threats will have a disruptive impact on your organization.

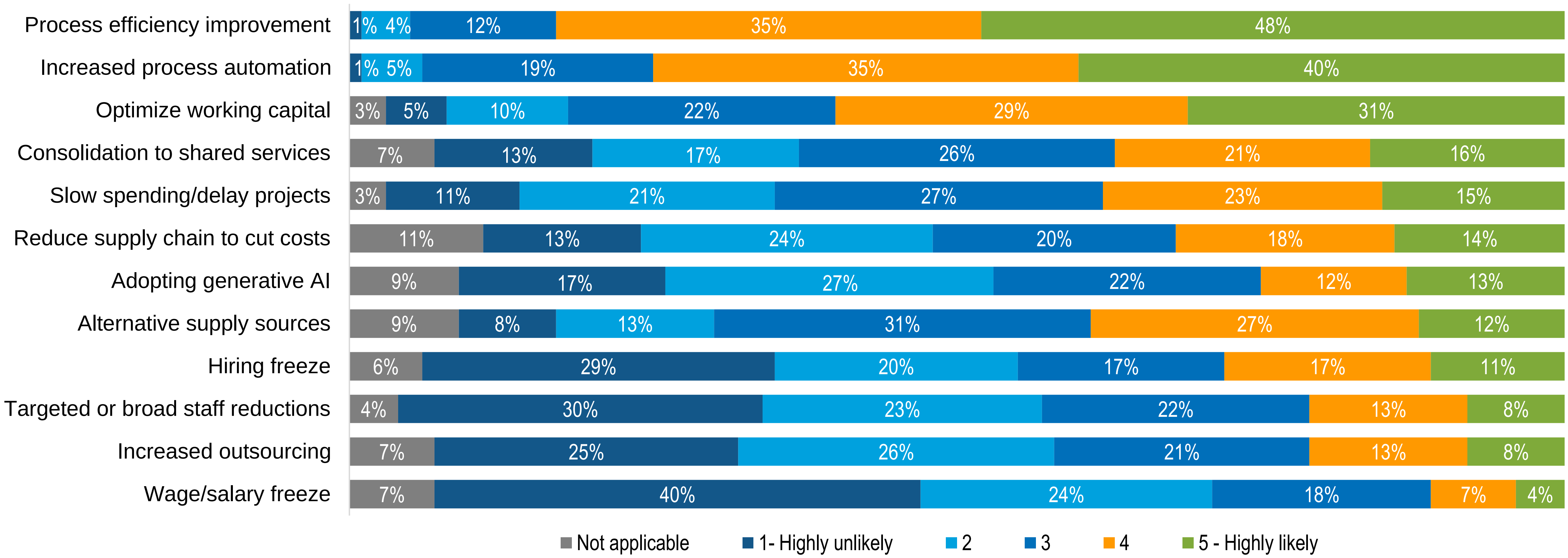
Source: The Hackett Group 2024 Enterprise Key Issues Study

The Hackett Group

How will businesses mitigate the impact of potential disruption?

Process improvement, automation, working capital optimization and consolidation to shared services are the main mitigation strategies for business services to combat rising operating cost and cost of capital. Additionally, delaying projects is also being considered to better control and optimize costs.

TOP MITIGATION STRATEGIES



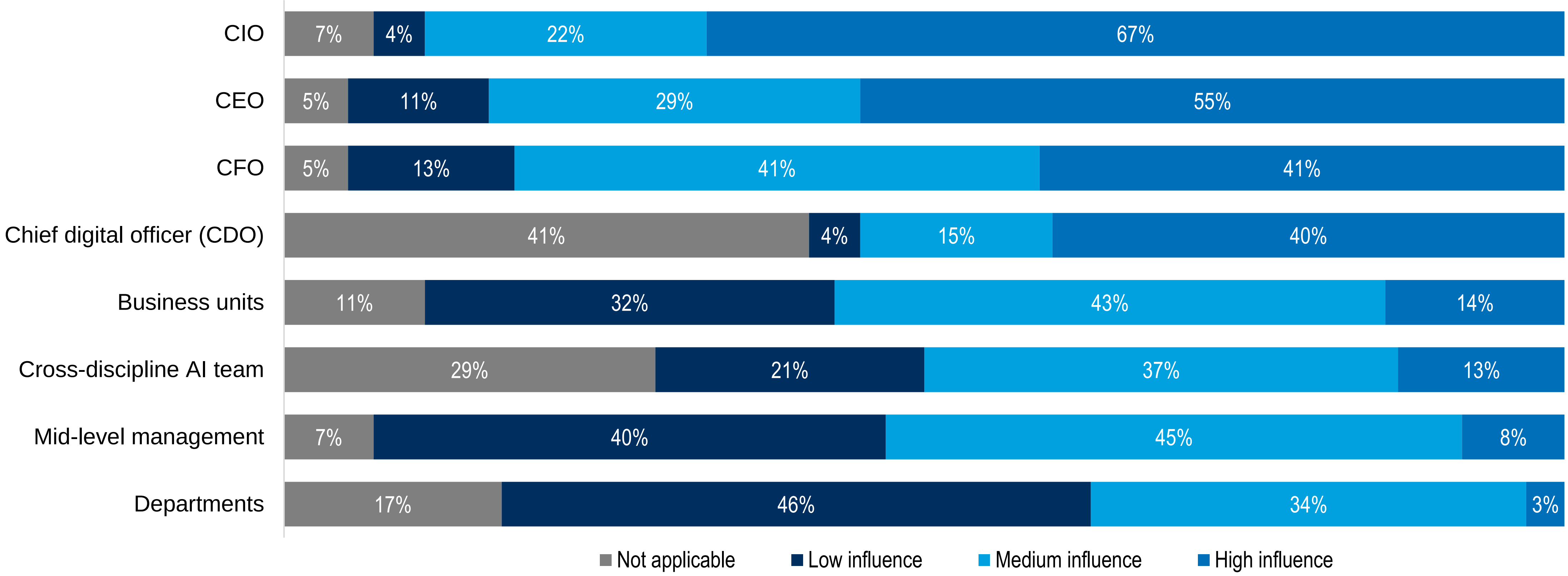
Q. Indicate the likelihood of your organization applying the following mitigation strategies in 2024.

Source: The Hackett Group 2024 Enterprise Key Issues Study

Who influences generative AI strategy and implementation?

CIOs and CEOs are the most influential stakeholders in developing and implementing a generative AI strategy. Non-executive leaders have much less influence according to survey respondents.

LEVEL OF INFLUENCE FOR GENERATIVE AI PROJECTS/INVESTMENTS



Q. Please select the level of influence the following roles or areas have over future generative AI projects/investment in your organization.

Source: The Hackett Group 2024 Enterprise Key Issues Study

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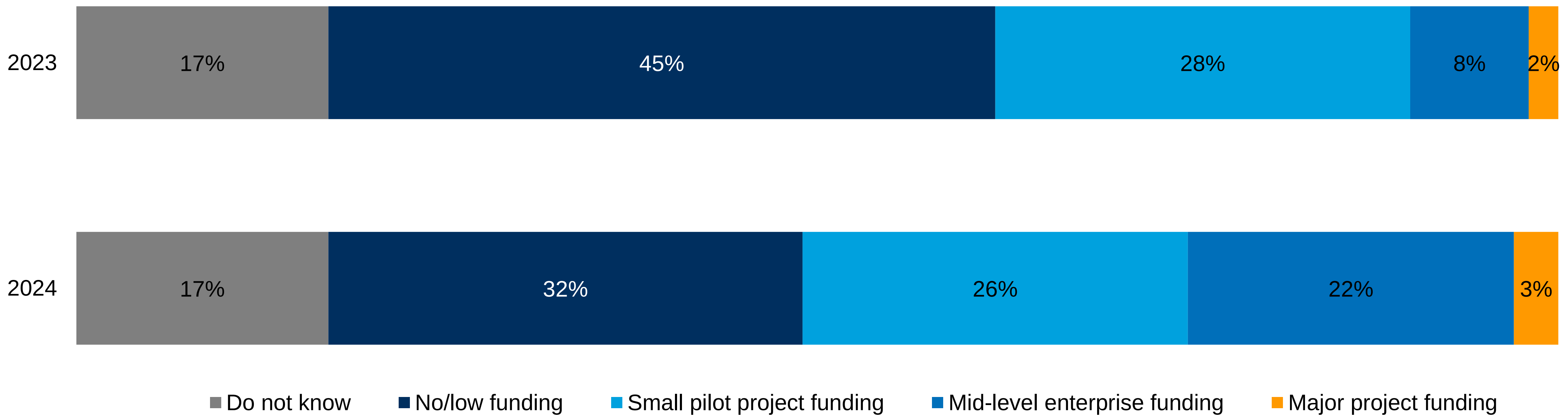
Will business leaders invest in generative AI?

Despite anticipated investment cuts, business leaders expect to gradually increase generative AI funding. Today, most investment appears tactical in nature with these investments being characterized as small pilot and mid-level enterprise funded.

FUNDING FOR GENERATIVE AI



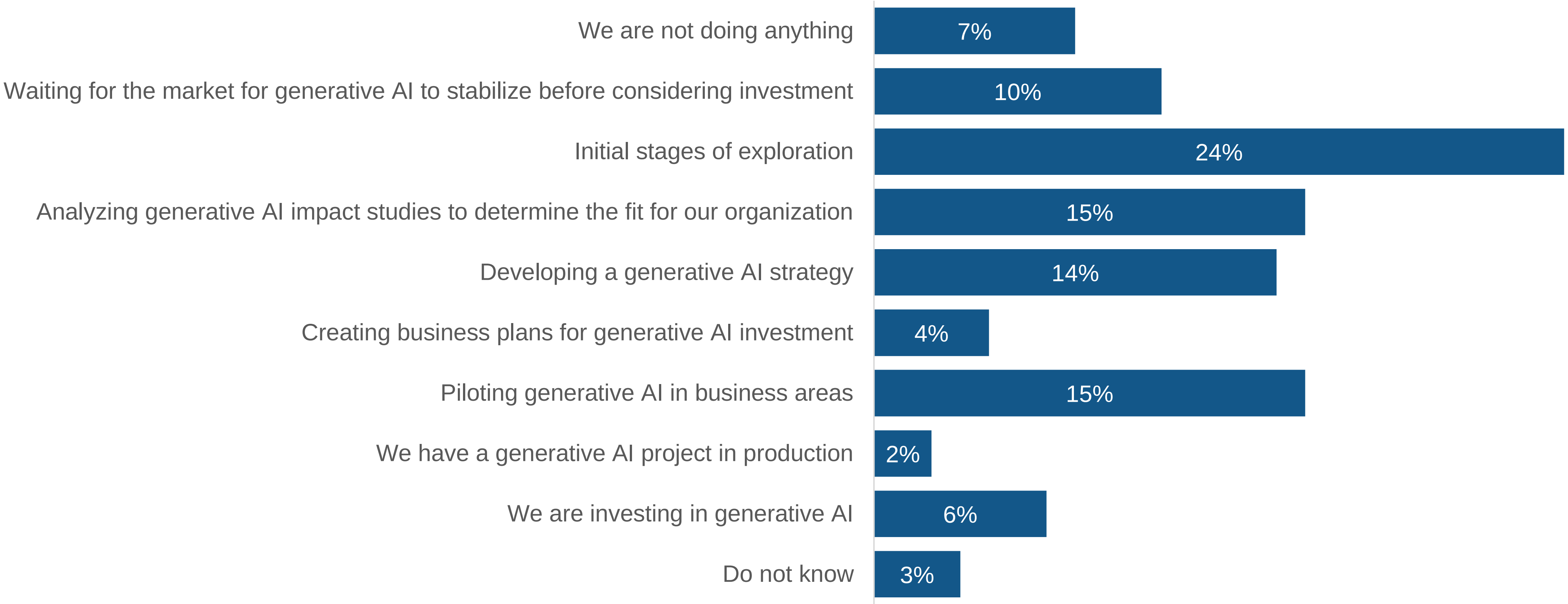
Q. Have you allocated spending to generative AI (e.g., ChatGPT) for 2023 and/or 2024?

Source: The Hackett Group 2024 Enterprise Key Issues Study

The majority are in the initial stages of exploring generative AI adoption

Most business leaders are exploring, analyzing or developing a generative AI strategy. While some are piloting projects, few have pursued deployment, indicating experimentation rather than structured enterprise-level adoption plans. Approximately 17% of organizations are either not proactively doing anything at this time or are waiting for the generative AI market to stabilize before considering investment.

STATUS OF GENERATIVE AI ADOPTION



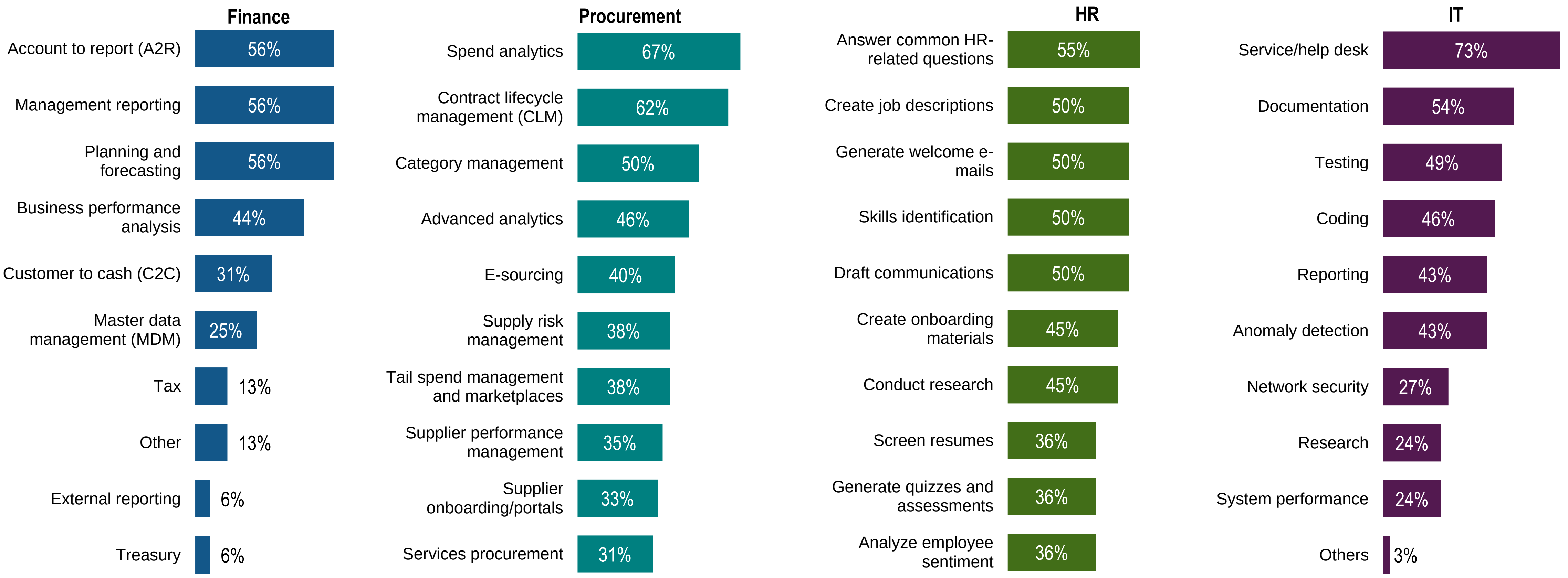
Q. Please describe the generative AI status for your enterprise.

Source: The Hackett Group 2024 Enterprise Key Issues Study

Generative AI possible use cases

Finance sees most opportunity in A2R, management reporting, and planning and forecasting. Procurement sees spend analytics and contract lifecycle management as potential use cases. HR views common HR-related questions and creating job descriptions as potential use cases. IT has the most funding dedicated to generative AI; investigating its role in areas, such as help desk, documentation, testing and coding – which are seen as the most promising areas for potential use cases.

TOP 10 EVALUATING GENERATIVE AI



Q. In which parts of functions is your organization evaluating generative AI?

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Source: The Hackett Group 2024 Enterprise Key Issues Study

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CFO Reporting Dashboards

- A CFO dashboard is an analytical tool that provides real-time access to a company's most important financial KPIs and data in one convenient location. These dashboards provide a centralized location for tracking, analyzing, and presenting key financial figures, offering a comprehensive view of the company's fiscal health and identifying potential risks and improvement opportunities.
- The types/examples of CFO reporting Dashboards include:

Reporting Dashboards	Features
Sales Dashboard	These four crucial financial areas—costs, sales targets, gross profit, as well as employee and customer satisfaction metrics—are the most important ones for contemporary chief financial officers to focus on in this most important CFO dashboard example. Primary KPIs of this dashboard include: • Payroll Headcount Ratio • Economic Value Added (EVA) • Berry Ratio • Employee Satisfaction

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CFO Reporting Dashboards (Cont'd)

<table>
<tr><th>Reporting Dashboards</th><th>Features</th></tr>
<tr><td>KPI Dashboard</td><td>Equipped with a logical blend of visual metrics, the CFO KPI dashboard facilitates rapid, informed decision-making at the highest level of finance. Working capital, cash conversion cycle, and budget variance are just a few of the crucial fiscal topics covered in-depth by this robust CFO KPI dashboard.

Primary KPIs include:
• Working Capital
• Quick Ratio / Acid Test
• Cash Conversion Cycle
• Vendor Payment Error Rate
• Budget Variance</td></tr>
<tr><td>Investor Relations Dashboard</td><td>Upholding investor relations is the primary responsibility of a financial manager. An additional effective tool for any senior financial decision-maker is this visually appealing investor relations dashboard, which was created as part of the CFO report to provide insights about assets, equity, and business valuation.

Primary KPIs to include:
• Return on Assets
• Return on Equity
• P/E Ratio</td></tr>
</table>

CFO Reporting Dashboards (Cont'd)

Reporting Dashboards	Features
P&L Dashboard	With the help of this robust CFO reporting tool, you'll have access to a plethora of insightful data, such as a comprehensive live income statement, trend-based graphics showing earnings before taxes or interest deductions, and easily accessible percentages on a well-balanced selection of fiscal margins or ratios. Primary KPIs to include: • Gross Profit Margin Percentage • Operating Profit Margin Percentage • Operating Expense Ratio • Net Profit Margin Percentage
Cash Flow Dashboard	The effective cash management is the focus of the CFO analytics dashboard. With a well-balanced selection of dynamic KPIs that pop off the page, you have all the tools necessary to measure the liquidity and cash flow of your business with extreme precision. Primary KPIs to include: • Current Ratio • Accounts Payable Turnover • Accounts Receivable Turnover

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CFO Reporting Dashboards (Cont'd)

Reporting Dashboards	Features
Supplier Ledger Dashboard	This dashboard is used to optimize workflow and strengthen relationships with suppliers by using specific supplier-related data. Checks can be made for open entries, the amount paid, the typical number of credit days, and the monthly amount of accounts payable, among other things. The supplier ledger CFO dashboard and the customer ledger can be combined for improved visibility into accounts receivable and payable.
Forecast Dashboard	Predictive analytics, trends, and historical data can all be combined to provide a clear picture of the future for the company. Proactive decision-making benefits from having access to critical data from KPIs such as cash flow, expense variance, profit margin forecast, and sales forecasts.

Key Takeaway: These reports, which are mostly used by CFOs and financial controllers, can be used to inform management about the financial performance, health, and trends in the industry.

- These provide benchmark milestones of the previous months and years to help to figure out performance issues. It also encourage communication and trust between financial offices and management. These well-structured reports can also be used to extrapolate future performances through detailed reports and invest with confidence.
- These reports are used based on the requirement of the enterprise.

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CFO in Procurement

- Procurement is one area in which the Chief Financial Officer's (CFO) role is clearly changing over time. The CFO's role in the procurement process has expanded from merely keeping an eye on finances.
- The primary duty of the Chief Financial Officer (CFO) in procurement involves guaranteeing the presence of sufficient controls to mitigate risks linked with purchasing. This encompasses establishing guidelines for supplier choice, negotiating contracts, and determining payment terms.
- Moreover, the CFO's engagement can bolster the credibility of relationships between suppliers and customers. As a senior executive overseeing all financial matters within the organization, their presence signals the company's earnest approach to its business transactions.

Benefits of Involving CFO in Procurement

- The CFO's participation in procurement decisions guarantees the integration of financial factors at every stage of the process. This ensures the identification and efficient utilization of cost-saving opportunities.
- Engaging the CFO can enhance supplier relationships by ensuring fair and transparent contract negotiations. The CFO's presence in these negotiations indicates to suppliers that their partnership with the company is appreciated, potentially resulting in more favorable pricing and enhanced service levels.
- The CFO's proficiency in risk management proves invaluable in pinpointing potential risks linked to procurement choices. By engaging the CFO early in the process, organizations can actively address these risks before they escalate into issues.
- Engaging the CFO in procurement decisions aligns financial objectives with overarching business goals. Consequently, companies can make well-informed decisions regarding projects or initiatives that will yield tangible value for shareholders in the long term.

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Examples of Strategic CFO Dashboard vs Tactical

Strategic Dashboard – Example : **Sales Dashboard**

Focused on long-term strategies and high-level metrics. Used by top level management with a high complexity level.

As it serves to deliver dashboards tailored for upscale enterprises, it must offer enhanced capabilities for users to delve deeper into the underlying details

The Sales Dashboard showcases four metrics: Cost, Margin, Profit, and Revenue, accompanied by precise KPI values. Additionally, it is segmented into detailed charts to enhance visualization

Tactical Dashboard- Example: **HR Management Dashboard**

Focused on in-depth analysis of the business. Used by the Middle management with a less complexity level.

The Tactical Dashboard keeps track of the process and offers the department manager a rapid overview of their department's performance, highlighting areas of concern.

HR management dashboards offer sophisticated HR analysis by monitoring key performance indicators (KPIs) such as cost, hiring statistics, turnover rates, satisfaction rates, and other relevant metrics

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