



SAP

taulia®

Charting CFO paths

2023-24 insights report

As 2024 gets well underway, we're revisiting CFOs 2023 predictions and analyzing how the financial landscape unfolded over the past 12 months.

From the initial worries about inflation and supply chain disruption to the proactive measures taken by businesses, this report delves into the realities of 2023. With expert perspectives from industry leaders like Thomas Mehlkopf of SAP and Rene Ho of Taulia, the report reflects on the past and anticipates the challenges and opportunities CFOs are likely to face in 2024. Join us in exploring the transformative role of technology, the ongoing impact of ESG considerations, and the shifting priorities that CFOs worldwide are navigating to ensure financial resilience in a rapidly changing environment.



Rene Ho | CFO | Taulia



Simon Neville | former Group Treasurer of Reckitt Benckiser Group and Centrica



Thomas Mehlkopf | General Manager and Head of Working Capital Management CoE | SAP

Supply chain disruption. Geopolitical turmoil. Soaring inflation. The Covid pandemic. It's no secret that the last few years have brought numerous challenges for businesses around the world – and for CFOs and financial decision-makers, navigating this evolving business environment has required agility, resilience, and the effective use of digital solutions.

In late 2022, Taulia surveyed 550 CFOs and financial decision-makers to gauge their views on the challenges and opportunities they expected to encounter in 2023.

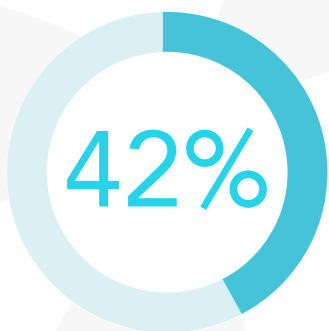
The results provided a clear snapshot of business leaders' concerns and priorities for a world that had only recently emerged from the height of the pandemic. While 37% said that Covid had been their greatest business challenge in 2022, it had already subsided as a concern for 2023, giving way to concerns about high inflation and supply chain disruption.



■ Methodology

In late 2022, we surveyed 550 CFOs and financial decision makers of companies with revenues of more than \$750m in the US, UK, Germany and Singapore. Respondents were asked about key topics, including prospects for the global economy, the actions companies took to navigate challenging market conditions, and what steps companies have been taking to evolve their supply chains.

Key findings of the survey included:



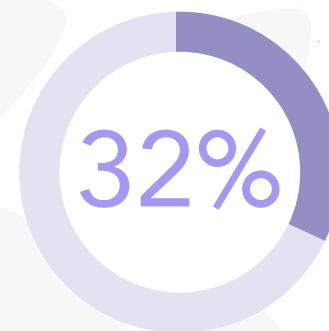
of CFOs cited inflation as their biggest concern for 2023



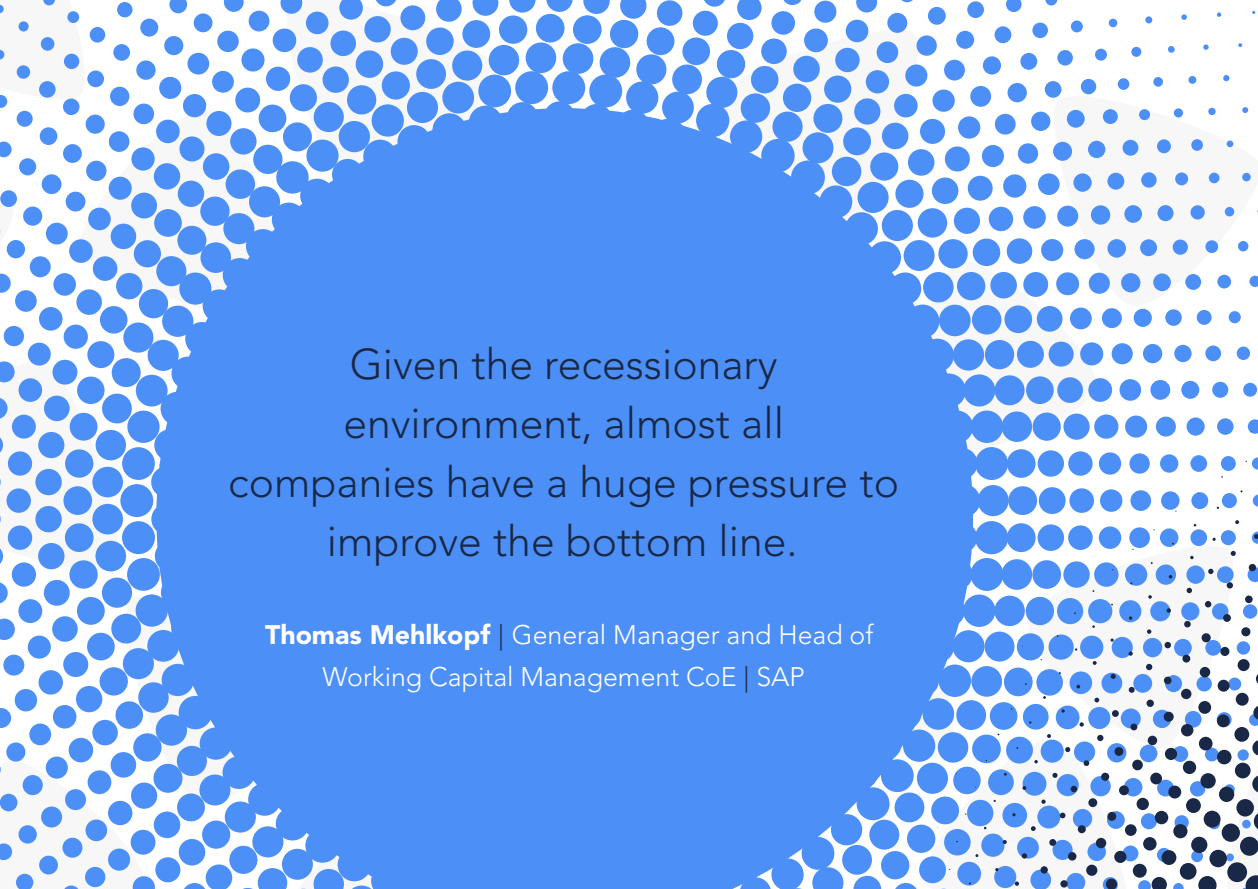
saw supply chain disruption as their greatest concern



were increasing their budgets




said improving ESG credentials was their greatest business opportunity



Given the recessionary environment, almost all companies have a huge pressure to improve the bottom line.

Thomas Mehlkopf | General Manager and Head of Working Capital Management CoE | SAP



Strong cash flow and reducing leverage is important as interest costs are increasing

Rene Ho | CFO | Taulia

CFO priorities: one year ago

Inflation was a key worry for CFOs globally, with 42% citing it as their biggest concern for 2023.

The challenges businesses are expected to face in 2023 also include implementing sustainability/ESG programs, supply chain disruption, and the need to manage payment cycles.

Harnessing new opportunities

Nevertheless, CFOs were also positioning their businesses to take advantage of new opportunities, with 83% increasing their budgets for the year ahead.

The opportunities they identified included implementing higher quality data on suppliers, inventory management, research and development, improving ESG credentials, and leveraging supply/demand fluctuations.

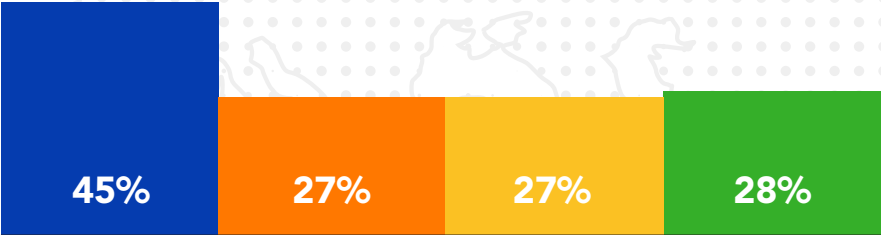
CFOs' top concerns going into 2023



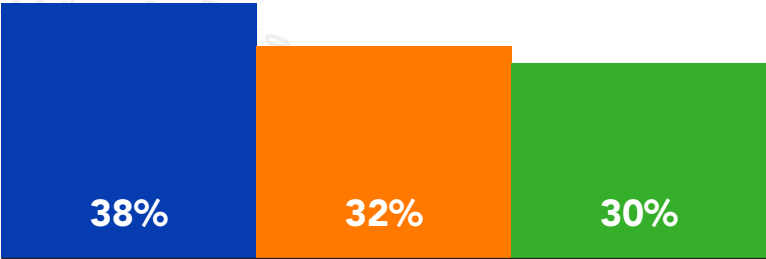
Challenges predicted for 2023 by geography



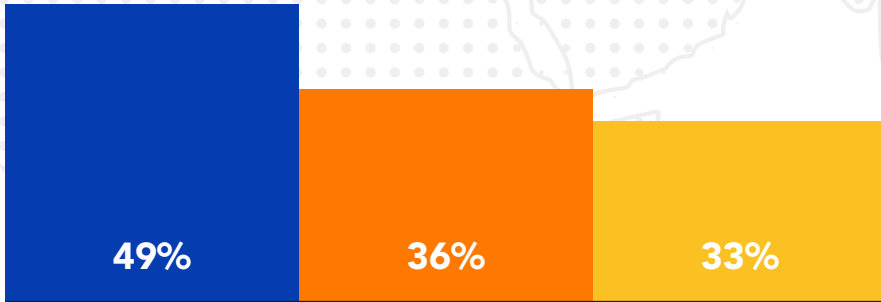
Germany



UK



US



Singapore

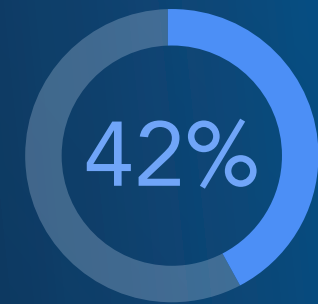
- Inflation
- Labor shortages
- Lack of inventory/supply chain disruption
- Preparing for new regulation
- Delays in delivery/manufacture of goods

Macroeconomic environment

Inflation was a major concern for CFOs around the world. This focus was unsurprising, given that the UK's CPI hit a 41-year high of 11.1% in October 2022, while US inflation reached 9.1% in June 2022.

42% of respondents cited inflation as their biggest concern, but there was some geographical variation: 49% of CFOs in the UK saw inflation as their main challenge, compared to 30% in the US and 28% in Singapore.

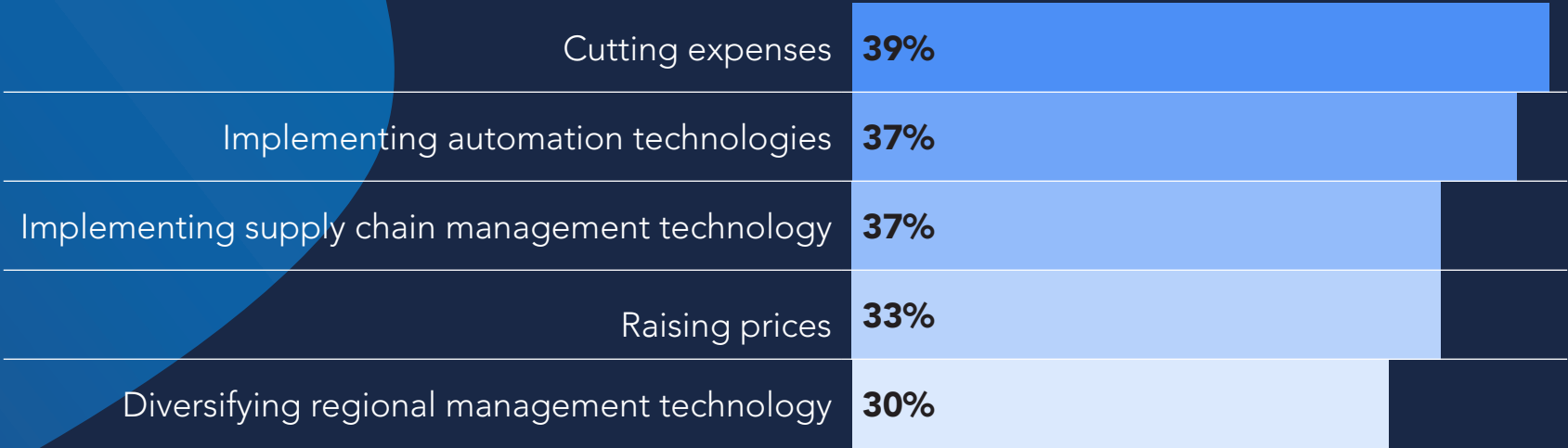
And while 47% predicted that inflation would improve in 2023, a sizable 37% of respondents expected inflation to worsen in the same timeframe.



of CFOs cited
inflation as their biggest
concern for 2023

Preparing for a possible recession

At the end of 2022, CFOs were also taking action to mitigate the impact of a possible recession on their businesses:



Business opportunities

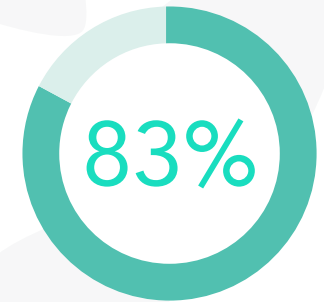
Despite the challenges companies were facing a year ago, 83% of CFOs reported that they had increased their budgets. Budgets had increased the most in the US (15%), followed by Germany (13%), the UK (13%), and Singapore (11%).

Where were businesses investing?

Almost half (48%) of the companies surveyed planned to invest more in IT infrastructure. US companies were particularly focused on investment, with 53% of American CFOs planning to invest in digital infrastructure, compared to 47% in the UK.

Businesses were also planning to increase their spend on implementing sustainability/ ESG programs (40%), employee training and development (39%), and data management technology (38%).

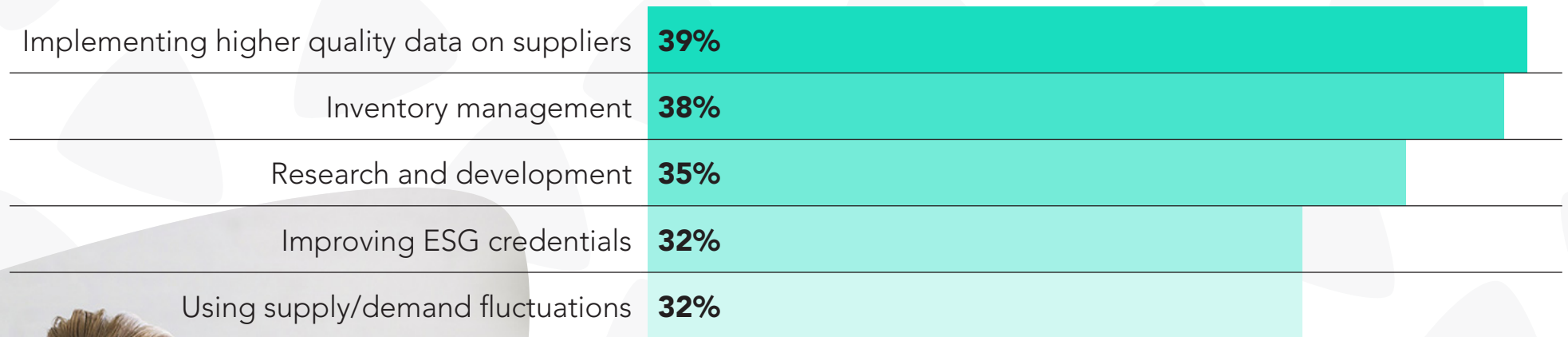
Other key areas of focus included implementing higher-quality data on suppliers, improving inventory management, and investing in research and development.



83% of CFOs were increasing their budgets for 2023



Greatest business opportunities in 2023



Supply chain disruption

Given the disruption that supply chains around the world experienced during the pandemic, and subsequent developments such as the global chip shortage and the Russia-Ukraine conflict, CFOs were unsurprisingly concerned about the risk of further disruption as 2023 began.

30%

of respondents cited supply chain disruption as their greatest business challenge.

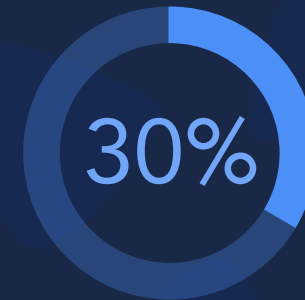
36%

of respondents in Singapore identified supply chain disruption as their biggest challenge.

Reviewing sourcing strategies

Many companies were focusing on reviewing their sourcing strategy, with 84% reporting that their companies had revised their sourcing strategy in the past 12 months. Reasons for this included reliability (31%), sustainability (31%) and increasing production (25%).

- Three in five businesses in the **UK and Germany** were exploring options such as reshoring and nearshoring.
- In the **US**, more than half (55%) of businesses were looking to reshore/nearshore, despite an average expected increase in costs of almost \$365,000.
- 35% of respondents in **Singapore** were looking to change suppliers but stay in the same region.



of CFOs saw supply chain disruption as their greatest concern in 2023



Global outlier?

40% of the UK companies that were revising their supply strategy were doing so to reduce costs, compared to **34%** in the US, **30%** in Germany and **19%** in Singapore.

Working capital management

One year ago, CFOs and financial decision-makers were clear on the importance of working capital management, with almost all respondents reporting that working capital was important to the overall allocation strategy of their businesses. Businesses were, therefore, implementing strategies to optimize working capital across the three key areas of inventory, payments, and receivables.

At a global level, 55% of those surveyed had adopted inventory management solutions, while half had deployed early payment programs, and 41% were selling receivables.

Singapore

67% were implementing inventory finance

25% planned to implement payables finance

UK

65% were implementing receivables finance

52% had deployed early payment programs

US

70% were implementing payables finance

63% had deployed inventory management solutions

Germany

65% were implementing payables finance

59% were implementing inventory finance

Sustainability/ESG

32% of respondents cited improving ESG credentials as their greatest business opportunity in the year ahead. However, 61% of companies reported that they were having to deprioritize their ESG efforts in light of the macroeconomic environment.

- **41%** of companies in the US said they would be investing in implementing sustainability/ESG programs.
- **25%** of companies in Germany said implementing a sustainability/ESG program would be their greatest challenge in 2023.
- **65%** of UK respondents said their ESG strategy was being deprioritized due to recessionary/inflationary concerns, compared to **52%** in Singapore.

Screening suppliers' ESG credentials

Understanding the impact of their supply chain was a focus, with nine out of ten respondents saying that they screen their suppliers on their ESG credentials. Half of those surveyed said that they use third-party screening, while 41% use a proprietary system to screen suppliers.

ESG priorities for 2023

39%

energy/water usage reduction

39%

equal opportunities/diversity and inclusion in the workplace

38%

financial reporting

38%

supply chain sustainability data and analytics

38%

social impact

32%

reaching net zero

2023: What actually happened?

As 2023 began, inflation was still high, particularly in the UK, where CPI remained in double figures until March. While inflation remains above target rates, it subsided somewhat as the year progressed following multiple interest rate hikes by central banks. As of October 2023, inflation had fallen to 3.2% in the US and 4.6% in the UK.

While the economic environment remained challenging, the threat of recession was avoided.

Outlook for 2024

Looking ahead, the OECD has predicted that US inflation will fall from 3.4% in 2023 to 2.8% in 2024 and 2.2% in 2025. Inflation pressures may have eased somewhat, but the prospect of rising costs continues to loom large.

Meanwhile, the possibility of recession remains a concern for many: half of 30 CFOs [surveyed in CNBC's fourth quarter CFO Council Survey](#) predicted a recession in 2024.

Rising interest rates have different impacts, depending on company size. For SMBs, getting access to financing is top of mind, while for large enterprises, the key focus is on improving free cash flow.

Thomas Mehlkopf | General Manager
and Head of Working Capital
Management CoE | SAP



Supply chain disruption

While supply chain disruption continues to be a concern for companies around the world, there are signs that the threat became less pressing over the course of 2023:

- In Q3, [Deloitte noted](#) that for UK CFOs, the high levels of supply disruption seen in 2021 and 2022 “have substantially eased this year”
- [A recent report by Dun & Bradstreet](#) found that only 16% of business leaders cited supply chain disruption as a major threat to their organization in the coming year, down from almost a quarter a year earlier.

Nevertheless, [S&P Global](#) warns that while “supply chain activity has normalized in operational terms during 2023,” there are “significant risks” concerning the outlook for 2024. As such, companies are likely to continue efforts to increase the resilience of their supply chains.


Meanwhile, the trend for nearshoring continued apace: [research published by McKinsey](#) found that two thirds of respondents had been obtaining more inputs from suppliers located closer to their production sites over the last 12 months – double the share of companies that had reported nearshoring strategies a year earlier.



Working capital management

Rising interest rates increased the pressure felt by many companies to free up cash. In particular, there continues to be significant room for improvement where working capital management is concerned.

According to [research by The Hackett Group](#), the largest US companies experienced a worsening of their performance in DIO, DSO and DPO in Q2 2023 compared to the same period in 2022. Inventory performance deteriorated by 7.1%, while companies saw their overall cash conversion cycles deteriorate by 15.4%



While working capital might not have been a focus for many companies during the recent years of very low interest rates, this has completely changed. Companies have had to pile up stocks again given recent supply chain shocks. Moreover, access to liquidity has become significantly more expensive.

Thomas Mehlkopf | General Manager
and Head of Working Capital
Management CoE | SAP

ESG investment

Meanwhile, the conversation about ESG has become increasingly polarised in the last year. On the one hand, pressure has increased for companies to provide greater scrutiny over their ESG disclosures. In the EU, for example, the Corporate Sustainability Reporting Directive (CSRD) will make ESG reporting mandatory for almost 50,000 companies. The Corporate Sustainability Due Diligence Directive (CSDDD), meanwhile, aims to foster sustainable and responsible corporate behavior.

But 2023 also brought something of a backlash against ESG practices, particularly in the US, where both pro-ESG and anti-ESG laws have been passed or considered by a number of states.

An example of this backlash against ESG practices can be seen in a lawsuit challenging decisions made by three New York City pension plans pursuing ESG goals. If successful, the case could open the door to a wave of new legal claims.

Nevertheless, ESG has continued to be a major focus: the [August 2023 PwC Pulse Survey](#) found that 37% of CFOs saw climate change as a serious or moderate risk for their companies, while [research published by deVere Group](#) found that 56% of investors were planning to increase their allocations to ESG investments in 2024.

In with the new: CFOs' priorities for 2024

While inflation may have receded from the high levels we saw in 2022, there's no doubt that CFOs will continue to pay close attention to the macroeconomic environment in the coming 12 months.

But they will also be focusing on other priorities, such as adopting new technologies and harnessing digital innovation – not to mention navigating the arrival of GenAI.

“In 2024, it is likely that in the UK and Europe, interest rates could remain elevated and energy prices relatively high,” says Simon Neville, former Group Treasurer of Reckitt Benckiser Group and Centrica. “AI and the green agenda – including electric vehicles – is also putting pressure on the chip markets.”

To address these concerns, he predicts that companies will seek to maintain a high focus on cash and working capital management, including inventory, while preemptively managing refinancings.

There's no question that, for CFOs, 2023 will forever be remembered as the year that generative artificial intelligence (GenAI) finally burst onto the business scene.

Deloitte | [Spotlighting the best of CFO Insights, 2023](#)

89% of CFOs say striking the right balance between cost-cutting and investing for growth is a top challenge to transformation.

PwC | [Pulse Survey, August 2023](#)

Investing in technology

In the year ahead, firms will be looking for ways to invest in growth and digital transformation, while keeping costs under control and gaining more visibility and control over their cash flows.

Rene Ho, CFO of Taulia, points out that the importance of cash flow continues to become more apparent in today's business environment, noting that working capital "is an important lever, but not the only lever." As such, investing in suitable technology to support cash flow management will be a priority for many firms in the year ahead.

As Thomas Mehlkopf, General Manager and Head of Working Capital Management CoE at SAP, points out: "There are quite a few companies that still don't have a centralized view on their cash flow, or the ability to plan their liquidity. We see that due to current pressures, many companies are investing in tools to support transparency and planning."

Top priorities for CFOs in 2024



Source | [Gartner, 2024 Finance Executives Priorities Survey](#)

Large businesses vs SMEs

Finally, the impact of the current environment is likely to be different for larger businesses compared to small and medium-sized enterprises (SMEs).

As Mehlkopf points out, rising interest rates have different impacts for companies of different sizes. "For SMEs, getting access to financing is top of mind, while for large enterprises, the key focus is on improving free cash flow," he notes.

Ho, likewise, predicts that SMEs will feel the impact of current market conditions even more so than large companies, "as the interest cost increases have impacted SMEs the most, and they tend to have weaker balance sheets."

GenAI and digital innovation; cost pressures; rising interest rates.

Thomas Mehlkopf | General Manager and Head of Working Capital Management CoE | SAP

Interest rates, political instability, potential recession.

Rene Ho | CFO | Taulia

Cost of living crisis and the knock-on effect to salary costs; security of global supply chains and supplier relationships; managing for spikes in commodity prices.

Simon Neville | former Group Treasurer of Reckitt Benckiser Group and Centrica



© 2024 Taulia LLC. All rights reserved. This Publication has been prepared for general guidance on the matters addressed herein. It does not constitute professional advice.

taulia.com