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CFO Perspective on the 2023 CEO Survey

By Finance Research Team

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CFO Perspective on the 2023 CEO Survey

Where CFOs and CEOs Agree and Disagree on Current Strategic Business Priorities

By Analyst(s): Finance Research Team

CFOs and CEOs generally agree on how to respond to the most important issues their organizations face, from AI to inflationary pressures — with a few key differences. CFOs should use this research to benchmark their thinking against their managers' and explore opportunities for greater alignment.

Overview

Key Findings

- CFOs and CEOs agree on the importance of technology for the future success of their business (e.g., AI having the most significant impact over the next three years), although CEOs are more guarded in their investment plans.
- Growth is the top strategic business priority for CFOs and CEOs; more CFOs (62%) name growth as a top priority than CEOs (45%). Differences emerge on other priorities, with corporate action (e.g., M&A, restructuring) cited second most frequently by CFOs and workforce concerns coming in second for CEOs.
- Customer price sensitivity has deepened CFOs' interest in cost optimization as an alternative response to inflation beyond raising prices, bringing them more in line with CEOs' thinking since last year.
- Competition for talent remains high. CEOs are more likely to cite workforce issues as one of their top strategic business priorities, and are four times more likely to cite talent acquisition as an important factor driving mergers and acquisitions (M&As).

Recommendations

To increase the likelihood of fulfilling strategic business priorities for their organizations, CFOs should:

- Identify the business objectives and problems best suited for AI by observing their own organizational context and not force-fitting AI as a predetermined solution or adopting the use cases commonly pursued by others.
- Strengthen their partnership with the CIO by focusing on primary shared interests: improving visibility into digital spending and driving the business's accountability for digital investment outcomes.
- Apply a "capital activist" approach to the ongoing reallocation of capital by driving relentless focus on the organization's points of differentiation, engineering more agile capital allocation practices and forcing discussion of operating resource trade-offs.
- Work with the CHRO to clarify which metrics will allow the organization to estimate the potential future impact of talent attrition and acquisition (e.g., employee engagement, benefits satisfaction).

Data Insights

While CFOs and CEOs broadly agree on many high-level organizational priorities, they differ in their relative emphasis on some issues as well as how to handle them, according to the 2023 Gartner CEO and Senior Business Executive Survey, which surveyed 95 CFOs and 277 CEOs across a wide range of industries and geographic locations on their major business concerns and areas of focus. [1]

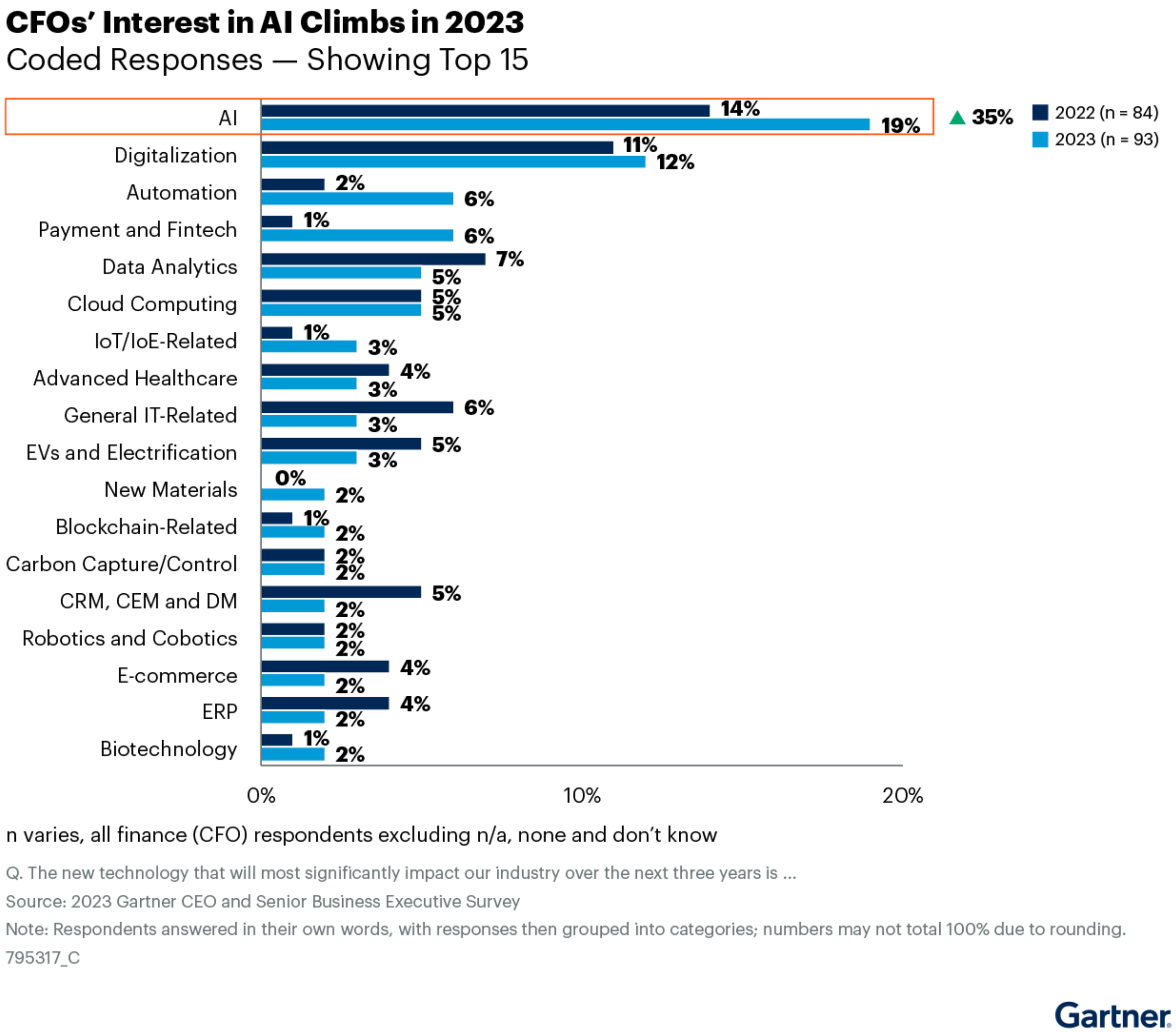
CFOs should use these findings to benchmark their current approach to these priorities, as well as understand the best practices for managing them. This research also provides CFOs with an opportunity to understand how CEOs are viewing major aspects of the business, as well as to get ahead of differences in how they prioritize solving problems associated with those areas.

Technology Is a Top Business Priority for CEOs and CFOs, but CEO Investment Plans Are More Guarded

Both CEOs and CFOs are likely to name technology as one of their organization's top three business priorities through 2023 and 2024 (see Figure 2). Currently, CFOs are much more likely than CEOs to indicate plans to increase their organization's funding for IT (81% versus 69%). This finding shows a significant tech-related bullishness among CFOs, with pockets of greater conservatism among CEOs who perhaps have their eyes on a broader set of priorities.

While many areas of technology are likely of interest to CFOs, one in particular caught their attention: AI. When asked which new technology will most significantly affect their industry over the next three years (through 2025), both CFOs and CEOs named AI as their top pick (see Figure 1 for the CFO breakdown). For CFOs, this finding is especially notable because they likely don't have much direct experience with AI yet, given that 80% of finance functions already using AI just started doing so in the past two years (2022 or 2023). [2]

Figure 1: CFOs' Interest in AI Climbs in 2023



To start unlocking the power of technology, including AI, within the finance function and throughout the enterprise, CFOs should:

- **Develop a composable technology strategy for the finance function —** As CFOs seek to improve their finance function's digital capabilities, they should adopt a composable technology strategy. In short, they must build a flexible strategy designed around modular technology solutions and best-fit vendors that deliver specific finance capabilities.
- **Explore the opportunities AI offers the finance function —** CFOs should craft AI use cases by starting with a business objective and then identifying the obstacles to achieving it, rather than trying to retrofit a business problem to the predefined solution of AI.
- **Strengthen their partnership with the CIO —** CFOs can help boost the enterprise's digital progress, but they can't do it alone. They should collaborate with a key stakeholder: the CIO. CFOs can help secure the full benefits of digital investments for the organization by making the CIO a strategic partner, improving visibility into digital spending and driving business accountability for digital outcomes.

Growth Is CEOs' and CFOs' Top Strategic Business Priority, Although Their Emphasis on This and Other Priorities Differs

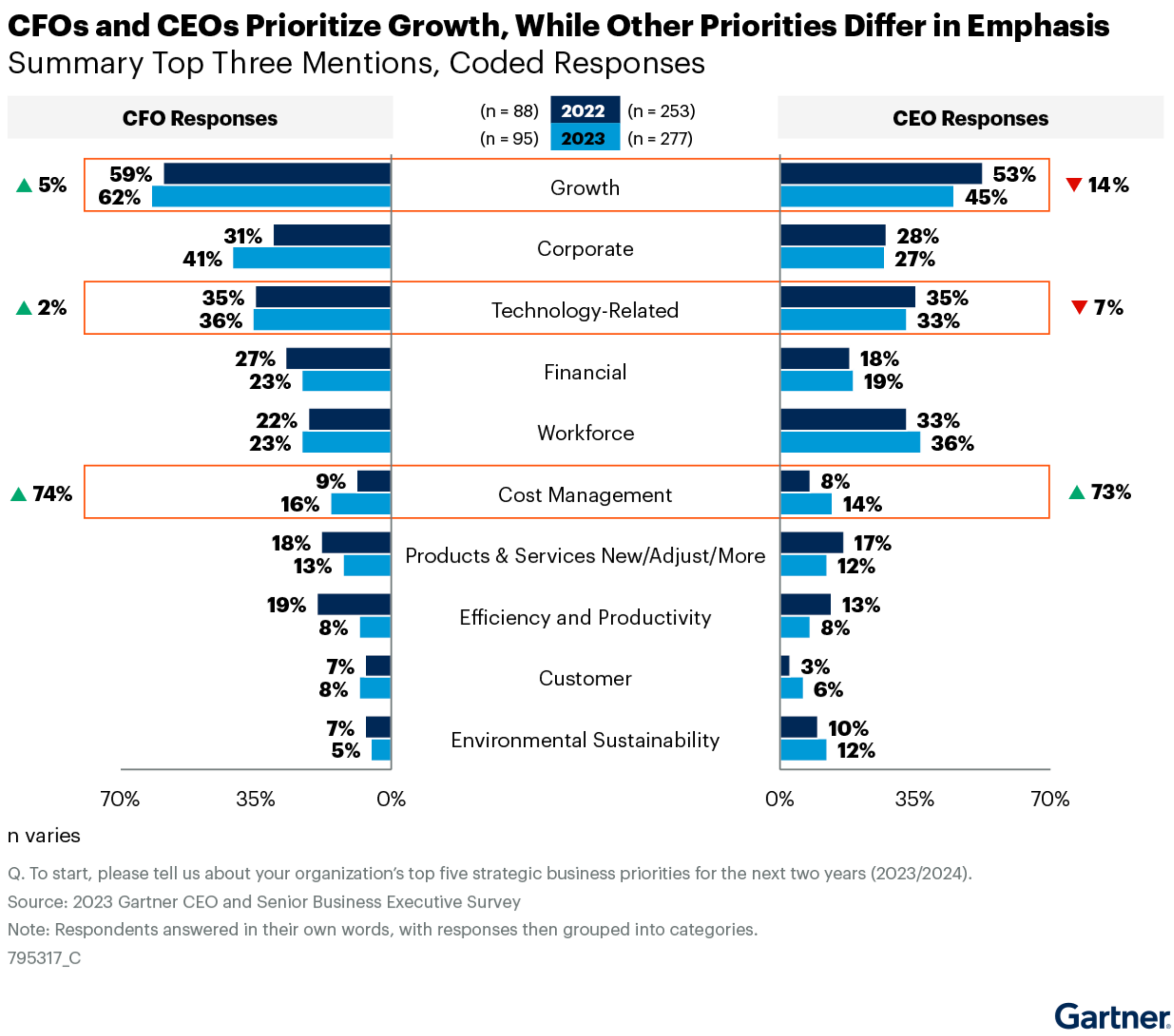
Both CEOs and CFOs cite growth most often when asked about their organization's top strategic business priorities. They're also in consensus that better profit returns is the top shift in investor or owner expectations they'll be dealing with in 2023 and 2024.

To meet these heightened profitability expectations in a disruption-heavy environment, CFOs must be ready to make the most of opportunities as they materialize. Gartner research finds that "capital responsiveness," the ability to quickly shift capital to make significant changes to resource allocation, is critical to fulfilling that aspiration. Most companies don't do this effectively; those that do see an average boost of 250 basis points in economic value. [3] CFOs can improve capital responsiveness by focusing on the organization's investment portfolio as a set of trade-offs and synergies. To do this, they should drive a relentless investment focus on points of differentiation, nimbly direct funding where it is needed and force operating resource trade-offs

While CFOs and CEOs agree on growth as their top priority, their emphasis on this and other priorities differ. For instance, more CFOs than CEOs name growth as a top priority by a significant margin (62% versus 45%) .

CEOs' second top priority is the workforce (citing topics like attracting and retaining talent); CFOs rank this priority fourth, tied with "financial, " which encompasses issues like cash flow, balance sheet concerns and capital investment sourcing and business diversification, up by 34% this year compared to last year.

Figure 2: CFOs and CEOs Prioritize Growth, While Other Priorities Differ in Emphasis



Another point of relative divergence is on environmental sustainability, with more CEOs than CFOs naming it as a top strategic business priority. The issue has more momentum with CEOs as well, up by 24% more this year compared to last year, whereas environmental sustainability has dropped by 23% as a priority for CFOs. CFOs should play their part in this increasingly important CEO priority by focusing on how to support the organization's finances through sustainability, such as helping the business avoid material forecast misses due to geopolitical and climate change disruption.

Customers' Increased Price Sensitivity Prompts CFOs to Explore Alternative Inflation Responses, Bringing Them in Line With CEO Thinking

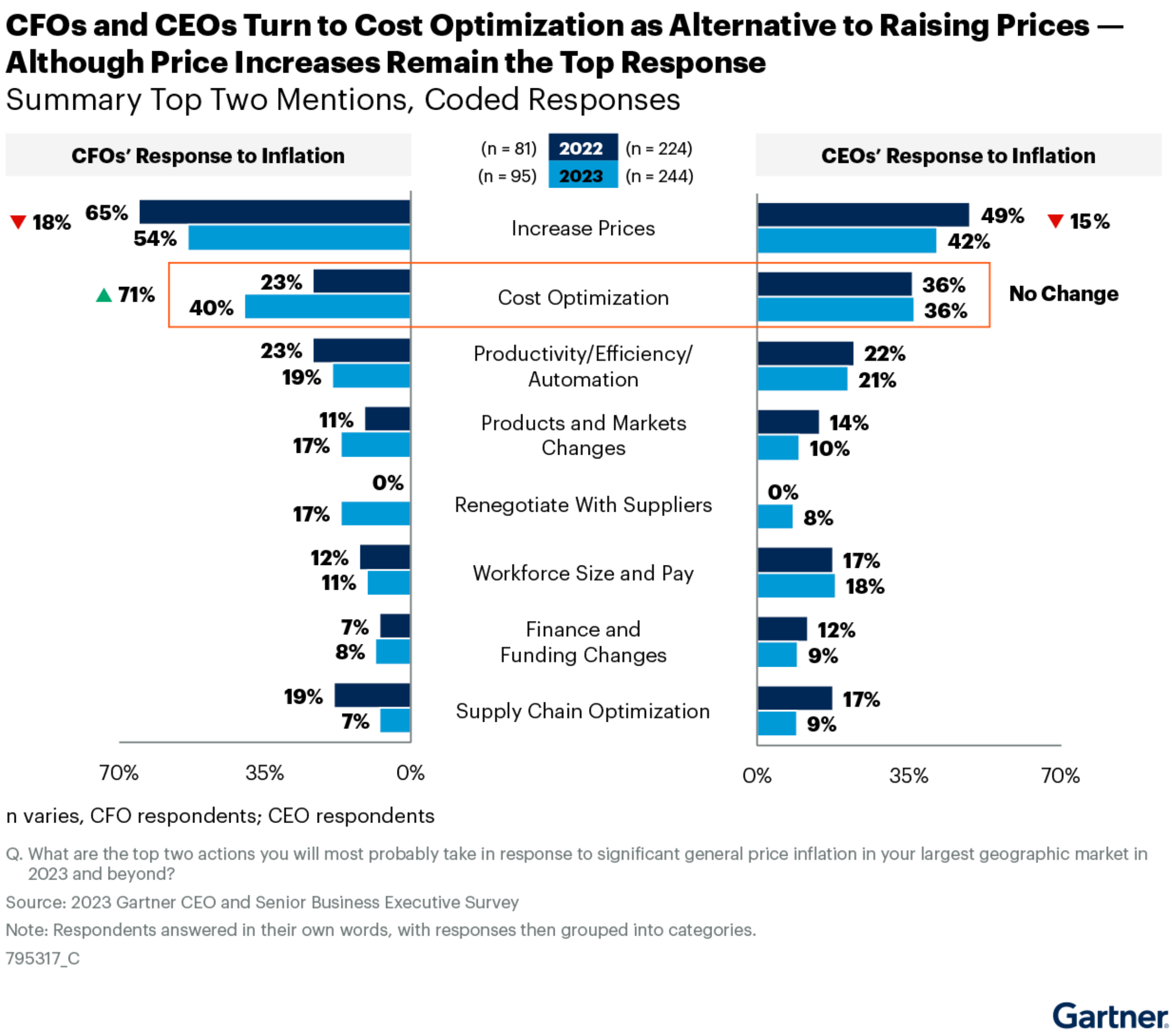
As CFOs and CEOs face concerns about the effects of inflation — and a potential recession — they're pursuing options beyond their typical approach of raising prices, with CFOs joining CEOs this year in demonstrating a new open-mindedness toward other tactics.

A large proportion of both CFOs (84%) and CEOs (68%) rank inflation as one of the top three most damaging factors affecting the outlook of their business. Raising prices has been a go-to tactic to deal with this issue, but many CFOs in particular realize they need to expand that playbook. There was an 11 percentage point drop, relative to last year, in the share of CFOs who cited increasing prices as one of their top two actions to respond to inflation — driven at least in part by signs that customers are tiring from consistent price rises.

This greater price sensitivity is what CFOs and CEOs believe will be the biggest shift in customer behavior they'll deal with in 2023 and 2024. CFOs' second most-cited expected shift in customer behavior — constrained demand — also speaks to customer caution.

This year, 40% of CFOs say that cost optimization is a necessary response action — nearly doubling from just 23% in 2022. The shift toward cost optimization brings CFOs much more closely in line with how CEOs have been thinking about inflation since 2022. CEOs were (and remain) less likely than CFOs to cite price hikes as a top inflationary response strategy, though it remains the most commonly cited response choice by both groups (see Figure 3).

Figure 3: CFOs and CEOs Turn to Cost Optimization as Alternative to Raising Prices — Although Price Increases Remain the Top Response



Other alternatives to price increases, such as productivity and efficiency improvements (like automation) and product changes, are in the mix for a fair percentage of CFOs and CEOs. Both groups' preference for supply chain optimization has shrunk, year over year, which could indicate that efforts in that area are nearing the end of their ability to offset the effect of persistent inflation.

CFOs must respond to customers' newfound price sensitivity or risk losing their business. To get started:

- CFOs should ask themselves a series of simple questions to determine the feasibility and extent of potential price increases (e.g., "Is the input price rise likely temporary?", "Are our competitors raising their prices?", "Are our customers profitable?").

- CFOs committing to exploring more cost optimization opportunities should work with budget owners, functional heads and business unit leaders to determine where to optimize costs by evaluating costs' complexity and the organization's points of differentiation.

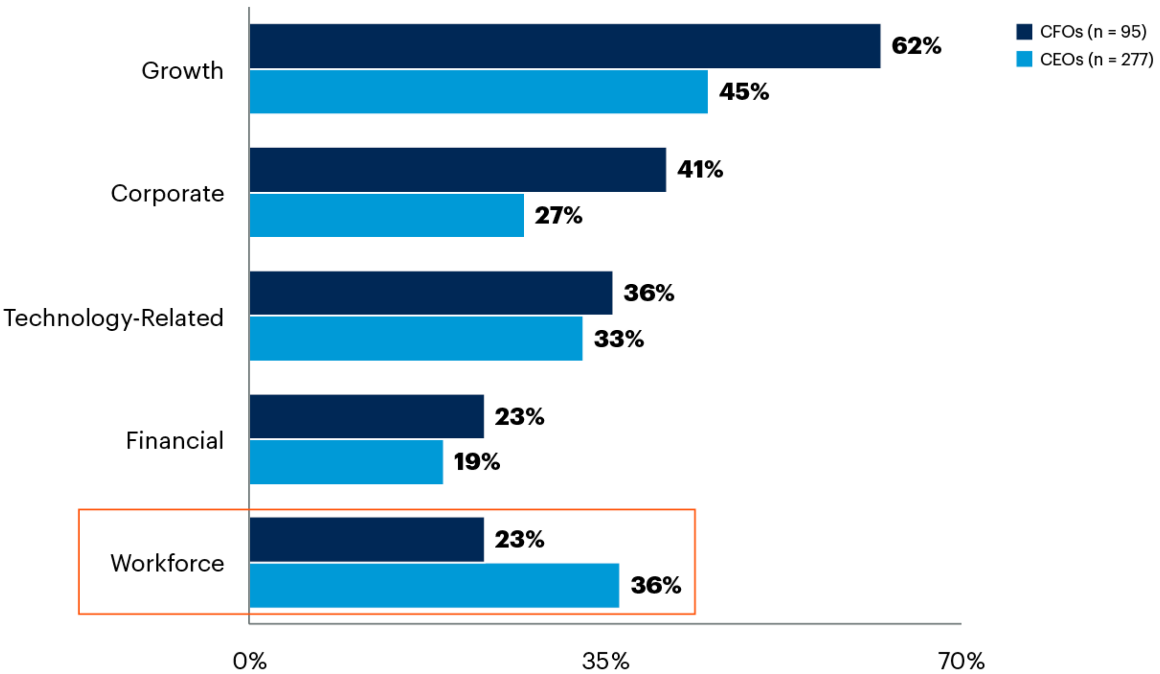
More CEOs Than CFOs Are Prioritizing Workforce Issues, From Concerns About the Talent Shortage to Acquiring Talent Through M&A

CEOs are focused on workforce issues to a greater extent than CFOs. According to the survey results, CEOs cite this area second-most frequently as a top business priority (after growth), while it ranks only fourth for CFOs (see Figure 4).

Figure 4: CEOs Name Workforce Their Second Top Strategic Business Priority, While It's Lower on CFOs' List

CEOs Name Workforce Their Second Top Strategic Business Priority, While It's Lower on CFOs' List

Summary Top Three Mentions, Coded Responses



n varies

Q. To start, please tell us about your organization's top five strategic business priorities for the next two years (2023/2024).

Source: 2023 Gartner CEO and Senior Business Executive Survey

Note: Respondents answered in their own words, with responses then grouped into categories.

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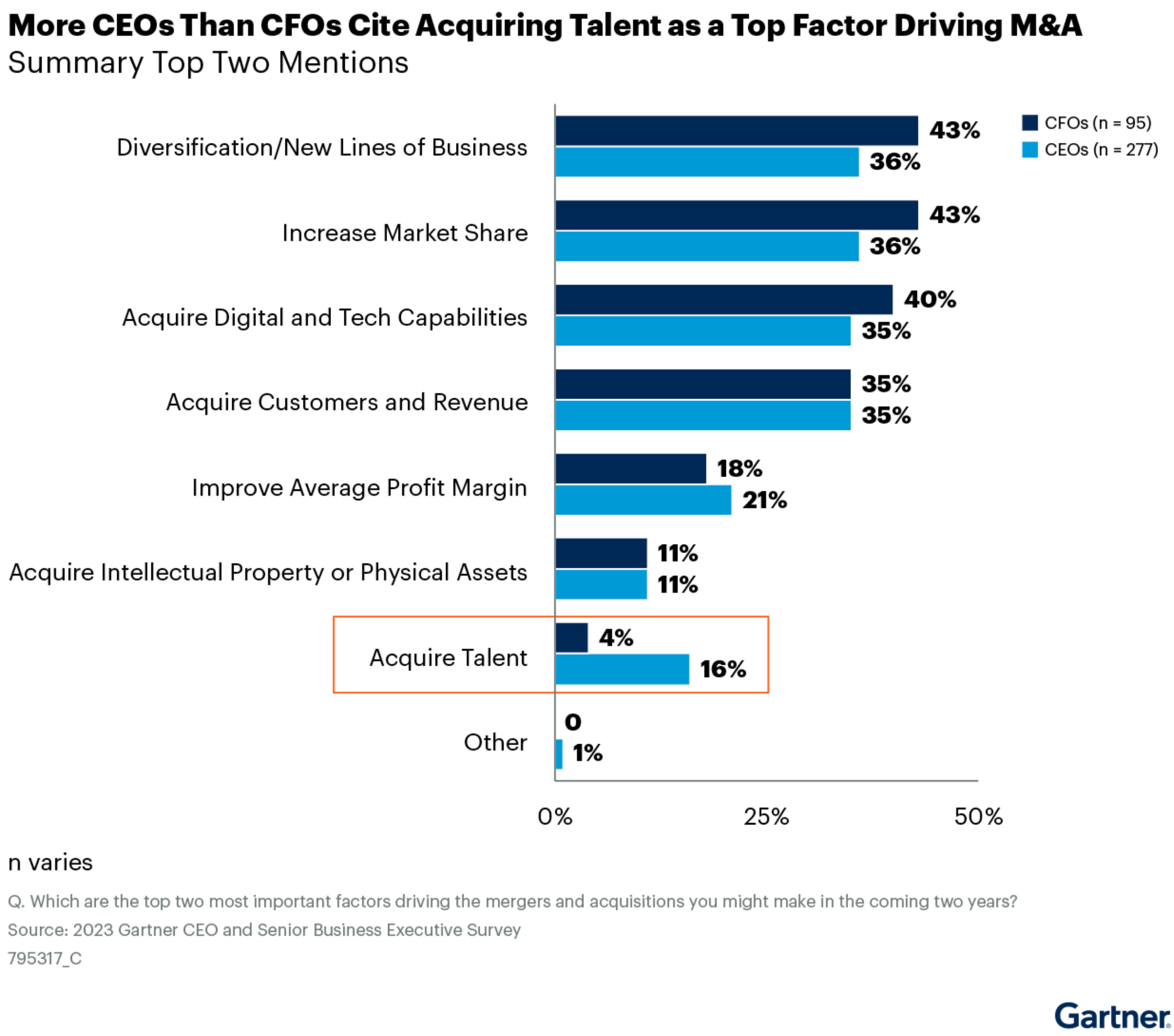
CEOs' urgency around talent also shows up in their thinking around M&A: 16% of them name acquiring talent among the top two factors driving M&A decisions they might make in the coming two years, whereas just 4% of CFOs did so. This finding reveals the most significant difference between the two groups in their thinking on M&A, highlighting a major divergence despite their alignment on the top factors driving this activity, like diversification or increasing market share (see Figure 5).

Figure 5: More CEOs Than CFOs Cite Acquiring Talent as a Top Factor Driving M&A



CEOs and CFOs are more aligned, however, on the effect of the talent shortage: about half or more of each group ranked it as one of the top three most damaging factors to their business (59% of CEOs and 49% of CFOs did so).

CFOs can bolster their support for their CEOs' workforce concerns by addressing the talent shortage from two angles: enterprisewide and within the finance function.

To understand and account for the risk and the cost of attrition throughout the enterprise, CFOs should work with the CHRO to identify relevant future of work scenarios, quantifying and incorporating them into the long-range financial plan.

To improve their retention, attraction and development of finance talent, CFOs should:

- Offer career-boosting opportunities to develop digital skills. This strategy will better engage employees by providing them with the chance to learn and develop, while also giving the finance function the new digital capabilities it needs.

- Retain valuable digital talent by creating a shared sense of purpose within the function, setting up more flexible career management frameworks and establishing learning and partnership programs with core finance talent.

- Revamp their job descriptions to attract the best finance candidates.

Evidence

[1] **2023 Gartner CEO and Senior Business Executive Survey.** This survey was conducted to examine CEO and senior business executive views on current business issues, as well as some areas of technology agenda impact. The survey was fielded from July 2022 through December 2022, with questions about the period from 2022 through 2024. One-quarter of the survey sample was collected in July and August 2022, and three-quarters was collected from October through December 2022. In total, 422 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 382 online surveys and 40 telephone interviews. The sample mix by role was CEOs (n = 277); CFOs (n = 95); COOs or other C-level executives (n = 19); and chairs, presidents or board directors (n = 31). The sample mix by location was North America (n = 169), Europe (n = 105), Asia/Pacific (n = 102), Latin America (n = 29), the Middle East (n = 11) and South Africa (n = 6). The sample mix by size was $10 million in revenue to less than $50 million (n = 3), $50 million to less than $250 million (n = 51), $250 million to less than $1 billion (n = 102), $1 billion to less than $10 billion (n = 190) and $10 billion or more (n = 76). Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

[2] **2023 Gartner Finance Leaders AI Survey.** This survey polled 133 international finance leaders in 2Q23 to help finance leaders to understand how the finance practice is currently implementing AI. We also sought to understand what actions lead to early success in AI deployment.

[3] **2021 Gartner Enabling Flexible Capital Deployment Survey.** 2021 Gartner Capital Allocation Survey: This survey was conducted from June through July 2021 to understand how CFOs enable capital mobility to drive value realization.The research was conducted online among 100 respondents in North America, Western Europe and Asia. Qualifying organizations had at least $250 million or equivalent in total annual revenue for fiscal year 2020. All industry segments qualified for the survey. Further, the questionnaire sought responses from the senior business leader or general leader having profit-and-loss responsibilities. Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

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