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reported being optimistic or very optimistic about the economy.

Isaac M. O'Bannon • Apr. 11, 2023

A new survey from Grant Thornton LLP, one of America's largest audit, tax and advisory firms, revealed that chief financial officers (CFOs) remained optimistic about the economy, even as indicators of a potential recession continue to loom.

Key findings from Grant Thornton's 2023 Q1 CFO Survey found 54% of CFOs reported being optimistic or very optimistic about the economy. To add to that optimism, more than two-thirds (68%) of CFOs projected a rise in net profits for their organization over the next 12 months, with a quarter predicting growth in the 6-10% range.

While optimism is high, confidence in controlling costs seems to be waning. For the

Additionally, CFOs are eyeing a range of areas where they can cut costs — with 44% of them identifying vendor and supplier costs as a top area for potential cuts. Further, material costs saw a double-digit rise as an area for cost cuts compared to six months ago, with 40% of CEOs now identifying material costs as a top target for cuts. Technology spending also experienced a double-digit increase as an area for possible cuts, from 33% in Q2 2022 to 43% this quarter.

"The economy is up and down, and people are probably trying to hedge a bit to make sure that they're not going to overspend," said Lisa Heacock, a Finance Transformation partner at Grant Thornton. "It's hard to get that balance. It's a combination of the environment as well as just being proactive in looking at expenses."

Emphasis on ESG and the value of reputation

Grant Thornton's 2023 Q1 CFO Survey also asked how CFOs are handling environmental, social and governance (ESG) topics, given that the Securities and Exchange Commission is expected to issue its long-awaited climate disclosure requirements in the first half of 2023.

The survey data show that more than half of CFOs (57%) have clearly defined ESG goals and already report progress against ESG key performance indicators, while more than one-fourth (27%) of CFO said ESG disclosures will be one of the biggest challenges their business will face over the next six months. That's more than double the percentage from the 2022 Q3 survey (13%).

While it may be a stretch to say that ESG is top-of-mind for most companies, ESG nonetheless is a significant factor in strategic discussions for many CFOs. Seventy-three percent of CFOs said they give at least moderate consideration to ESG when making decisions. Of that 73%, more than one-quarter (29%) said ESG is a

"There's clear research that shows the value of reputation for a publicly-traded company is more than its financial and physical assets combined," said John Friedman, an ESG & Sustainability Services managing director at Grant Thornton. "That's a flip since the 1970s. Now it's understood just how much your reputation affects your valuation."

There is also an increasing perception that ESG is an important topic to a company's customers. In the third quarter of 2021, 28% of CFOs cited customers among the stakeholder groups that are motivating them to enhance their ESG programs. That figure rose to 39% in the current survey.

Supply chain and labor pressures ease for some

The latest CFO Survey also shows that supply chain challenges are easing slightly. For the first time since the second quarter of 2022, finance leaders did not rate supply chain as their biggest challenge. Instead, 33% of CFOs ranked the future workforce as their top challenge. The CFOs that ranked supply chain as their biggest challenge fell from 35% in Q4 2022 to 32% in the latest quarter.

That slight decrease was also met by 55% of CFOs saying they are confident in their ability to meet supply chain needs — the highest percentage since Grant Thornton began asking the question in the fourth quarter of 2021.

At the same time, the portion of CFOs who are not confident that they can meet their labor needs plummeted to just 7%, an all-time low in the survey. Forty-nine percent felt confident in meeting their labor needs, while 13% of those CFOs felt extremely confident.

"The optimism reflected in the Q1 survey shows that CFOs have confidence in their ability to push their organizations forward in the present conditions," concluded Denham. "But in order to be successful, they must continue to partner with the rest of the leadership team and the board to find the balance between cost-cutting and

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