CPA Practice Advisor

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Chief financial officers have dramatically higher expectations compared to the most recent quarters, according to a new survey from Grant Thornton LLP, one of America's largest providers of audit and assurance, tax and advisory services. The majority of CFOs are confident in their ability to meet business goals related to growth, cost control, supply chain and labor needs.

Grant Thornton's Q4 2023 CFO survey, which polled 241 senior finance executives, revealed that supply chain expectations made a significant upswing this past quarter: Two-thirds (67%) of CFOs said they were confident their business could meet supply chain needs. That's an increase of 22 percentage points over the 45% who reported confidence in their supply chains last quarter. It's also the highest mark reported since the survey began asking the question in the fourth quarter of 2021.

CFOs were also asked about their labor needs heading into a new year. Fifty-seven

seem confident in their supply chain and in their growth projections," said Paul Melville, national managing principal of CFO Advisory at Grant Thornton. "It's also clear that CFOs feel they can actually deliver on their growth projections."

Tax technology presents opportunities

Grant Thornton's Q4 2023 CFO survey also revealed that many finance leaders have an opportunity to improve their tax processes — and enhance their business' performance — by implementing more technology and a strategic tax plan. Although 67% of CFOs said the technology in their tax functions is effective, one-third (33%) are working with inadequate technology tools.

"Organizations that invest in smarter tax technology can enable better decision-making and also move specialists into more strategic roles," said Jim Wittmer, national managing partner of Tax Growth at Grant Thornton. "By utilizing advanced technologies, CFOs can not only position their companies for growth, but they can also have their employees focused on more strategic priorities."

The 2023 Q4 survey also confirmed that artificial intelligence (AI) is emerging as a go-to technology in tax. When asked about the integration of AI in their tax departments, 30% of CFOs said they have implemented AI and another 30% said they are planning AI adoption within the next 12 months.

Beyond AI, there were also gaps in other technology integrations. According to the survey, the following technologies have been adopted by substantially less than 50% of tax departments: data analytics software (41%), tax automation (38%), tax compliance software (38%), tax provision software (31%), and business intelligence/visualization tools (29%).

Confidence in cost control

Although some economists are still predicting a mild recession in 2024, there were

mark ever recorded in survey history.

"CFOs are becoming increasingly confident in their ability to meet demand, manage costs, and hit on some growth targets for the first time in two years," Melville said.

Despite their ability to control costs, however, 45% of respondents reported potential cost cuts in human capital expenses related to headcount and compensation levels. That's up from 32% in the previous quarter.

Tax leaders need a seat at the table

Changes built into the federal tax code are restricting the ability of companies to deduct interest from their debt. Plus, with key pieces of the Organization for Economic Cooperation and Development's (OECD) Pillar 2 global minimum tax regime taking effect in 2024, many multinational companies will be impacted. Those changes could be why 68% of CFOs surveyed said they expect their tax liability to grow in the next 12 months.

Despite these concerns, a substantial number of CFOs are not making strategic use of their tax departments. In fact, 39% of finance leaders said their tax leader is involved only somewhat, a little, or not at all in strategic conversations with the C-suite of their organization.

What's more, 37% of respondents said their tax function is either compliance-only or just slightly strategic. These numbers indicate that in the year ahead, there may be opportunities to include tax leaders in strategic cash management discussions.

"Often there's an opportunity in tax planning for companies to accelerate the achievement of their strategic objectives," added Wittmer. "In order for this to not be an afterthought, tax leaders should have a seat at the table to help ensure the company doesn't have gaps in what it is achieving compared to its competition."

To see additional findings from Grant Thornton's Q4 2023 CFO survey,

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