



CFOs steer a steady path through volatility

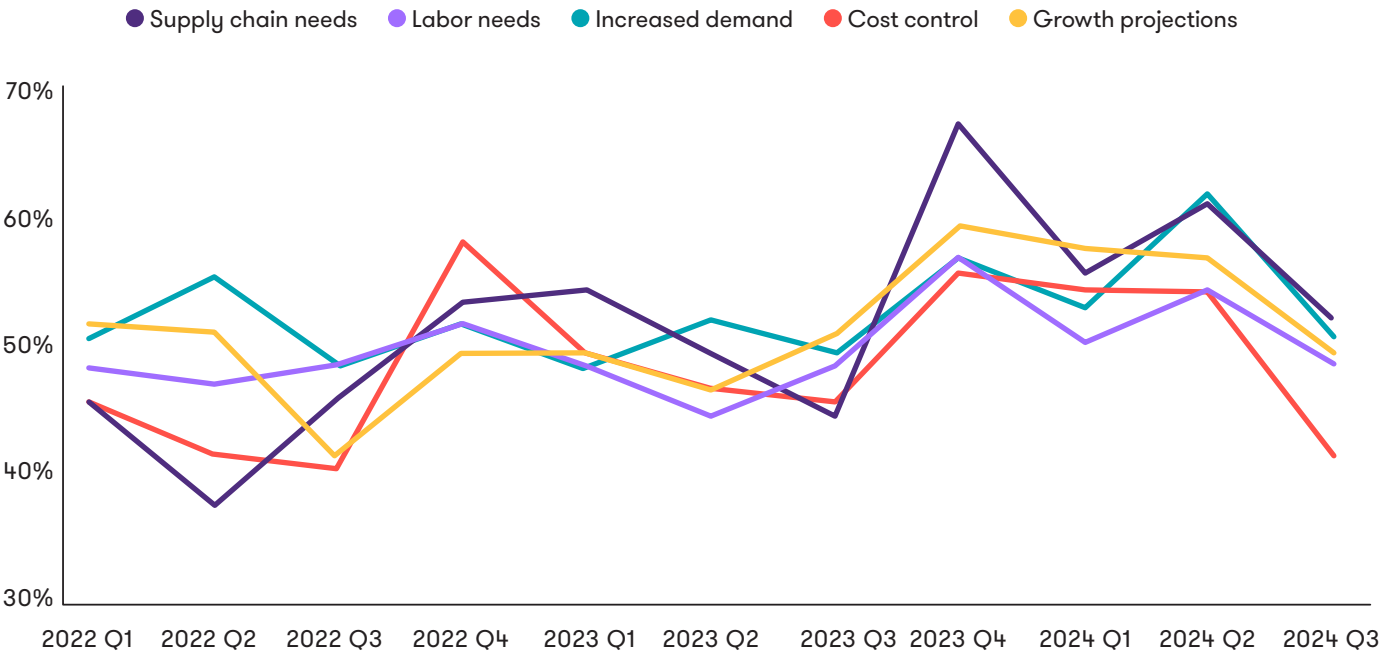
Profit forecast remains steady amid
shaky economic outlook

Grant Thornton’s CFO survey for the third quarter of 2024 shows that finance leaders’ belief in their ability to drive profits at their organizations remains unshaken even as their confidence in other key fundamentals tumbled in an unsettled environment. Despite a substantial drop in their confidence about meeting increased demand and cost control goals, 79% of respondents — a 10-quarter high — said they expect a growth in net profit over the next 12 months. Although the percentage that expect growth over 20% fell, the implication is clear: even amid substantial economic and political volatility, CFOs believe they can push the right buttons to help their organizations thrive in the long term.

But the severe quarterly decline in the economic confidence numbers also clearly showed the extent of the volatility finance leaders are facing. Just three months earlier, 63% of CFOs said they were confident in their businesses’ ability to meet their goals for increased demand — an 11-quarter high in the survey. That number plummeted 12 percentage points to its lowest mark in a year. Confidence in meeting supply chain, labor needs, cost control goals and growth projections also fell precipitously, and CFOs’ focus on cost optimization rose to a 10-quarter high.

Confidence takes a plunge

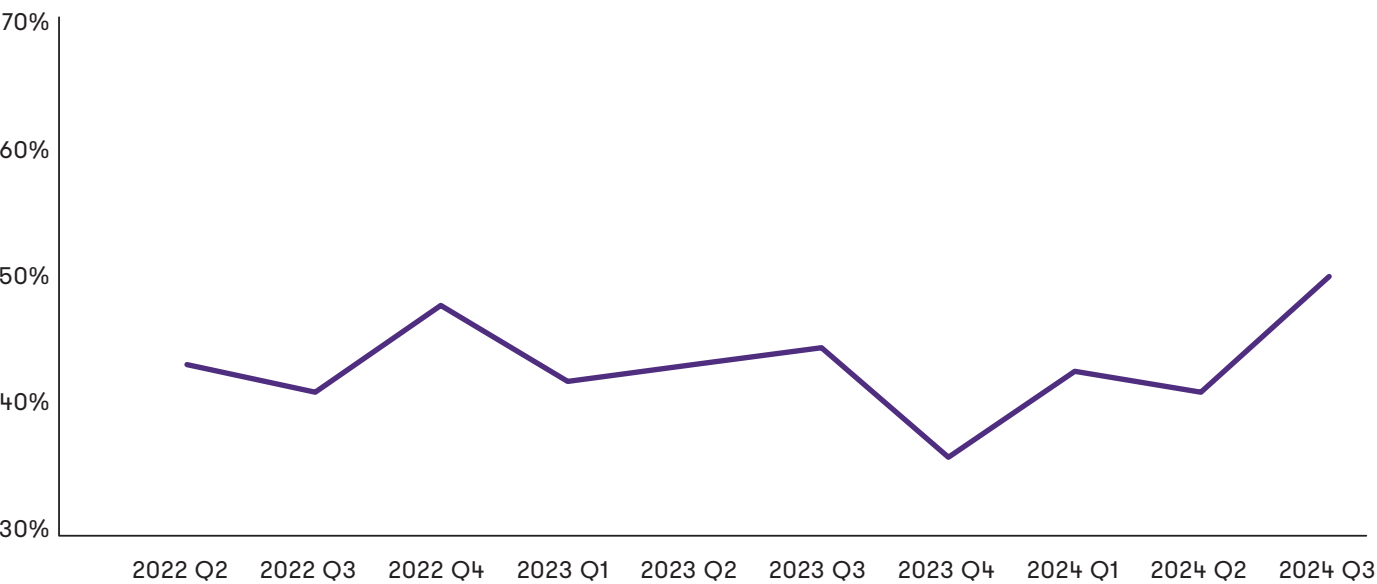
CFOs’ confidence in meeting various objectives dropped this quarter.



Source: Grant Thornton CFO survey 2024 Q3

Cost optimization as a top focus

The portion of CFOs ranking cost optimization as a top-2 area of focus skyrocketed this quarter.



Source: Grant Thornton CFO survey 2024 Q3

Why were the 238 CFOs from across the industry spectrum who responded to the survey so spooked? The survey was in the field from July 25 through Aug. 9. From Aug. 1-5, a sharp mini-slump in the stock market caused the S&P 500 index to lose 384 points, about 7% of its value. Some troublesome economic indicators including an Aug. 2 report showing higher-than-expected unemployment figures were implicated in the market plunge. Meanwhile, just four days before the survey went into the field, Joe Biden dropped out of the presidential race, bringing new uncertainty to the political environment.

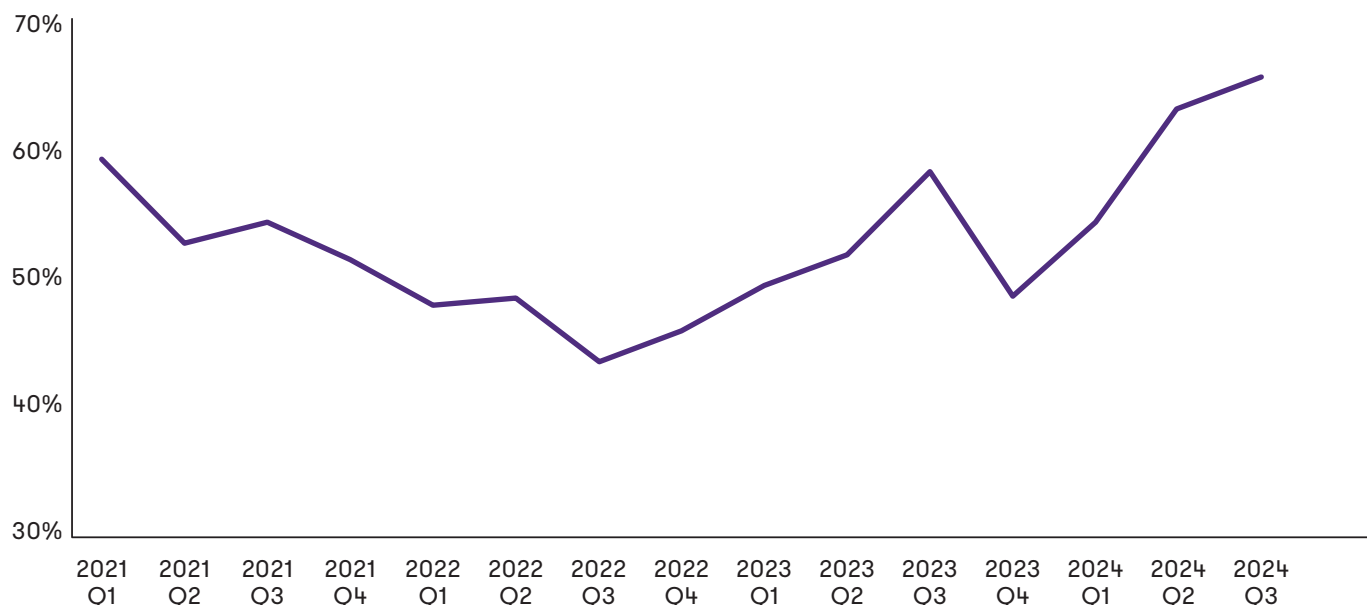
But even as the percentage of CFOs who are optimistic about the economy fell from an 11-quarter high of 58% to an eight-quarter low of 46%, finance leaders remained confident that they could steer their organizations through the turbulence.



**Technology
investment
accelerates**

IT/digital spending surges

Portion of CFOs who expect IT/digital expenses to increase over the next year.



Source: Grant Thornton CFO survey 2024 Q3

Even after a long period of sustained emphasis on technological improvement, CFOs plan to invest in technology like never before.

Nearly two-thirds (66%) of finance leaders said they expect to increase their spending on IT and digital transformation in the next year. That's a 15-quarter high in the survey, a testament to respondents' belief that this investment can make their organizations more effective and efficient.

"These investments have become table stakes," said Paul Melville, Grant Thornton's CFO Advisory Services National Managing Principal. "CFOs understand that they need these technological capabilities to be competitive."

The survey also shows that more organizations are expanding their generative AI use into customer-facing areas. The surveys from the first and second quarters of 2024 showed generative AI being deployed for data analytics and business intelligence; financial operations and processes; and cybersecurity and risk management. In all those areas, the technology is walled off from the customer, reducing the potential of public backlash if generative AI goes awry.

Now, a majority of CFOs say they are using generative AI for customer relationship management/customer experience (60%, up from 45% in Q1) and product/service development (58%, up from 35% in Q1). Meanwhile, the survey shows boards are getting more active in understanding governance over generative AI, providing a steadying influence in an area with potential for high rewards and high risks.

"In the era of GenAI investment, management teams will spend resources on the use cases they believe create a competitive advantage in the market," said Mike Notarangelo, Partner and Private Equity Audit Leader for Grant Thornton. "Boards of directors need to develop an agile AI governance framework to evaluate those investments and safeguard against AI-related business risks."

A man in a blue blazer stands and presents to a group of four people seated around a conference table in a modern office with large windows. The scene is brightly lit by natural light from the windows, which offer a view of a city skyline. The man is gesturing with his hands as he speaks. The seated individuals, including a woman with curly hair and a man in a blue sweater, are listening attentively. A laptop and some papers are on the table.

**Emphasis on sales
and marketing**

Sales/marketing spending on the rise

Portion of CFOs who expect their sales/marketing expenses to increase over the next 12 months.



Source: Grant Thornton CFO survey 2024 Q3

CFOs responding to the survey also indicate that they’re investing in sales and marketing at levels unmatched in 15 quarters. Fifty-six percent said they expect their sales and marketing expenses to increase in the next year, and just 7% expect them to decrease.

“This is how you gain market share,” Melville said. “CFOs are recognizing the need to have differentiation in their products and services, and they’re investing more in sales and marketing for those products as a proactive move to drive more growth and capture market spend.”

Although spending on technology, sales and marketing may help achieve the cost optimization that CFOs in this survey said they crave, it’s more difficult to identify areas where they plan to cut. In fact, 14% of respondents said they don’t plan to cut any costs — a record-high in this survey.

For the fourth straight quarter, the top area identified for potential cost cuts was human capital expenses related to employee headcount and compensation levels, which was identified by 42% of respondents. But workforce rationalization was at an all-time low in CFOs’ areas of focus after a huge drop from the previous quarter, and the percentage of respondents predicting potential layoffs fell to a five-quarter low.

Other top areas cited by CFOs for potential cost cutting were external professional consulting support and fees (40% of respondents) and vendor or supplier costs (37%).

A hand in a dark jacket holds a small American flag on a wooden stick. The flag is waving. In the background, a large American flag is also visible, and further back, a crowd of people holding flags can be seen. A large, domed building, likely a government capitol, is visible in the far background under a clear sky. The image has a soft, slightly blurred quality with a purple tint at the bottom.

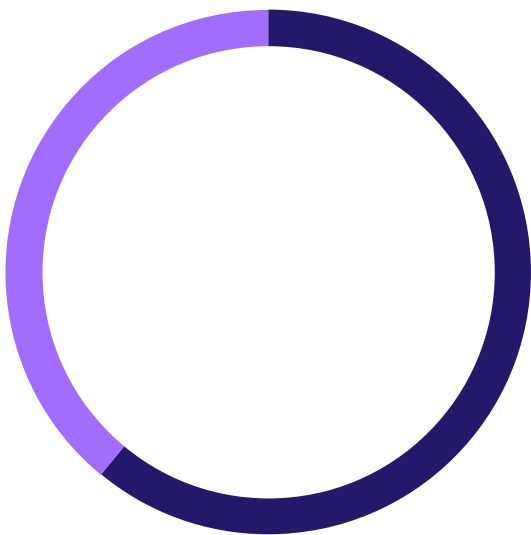
**A careful eye
on politics**

The coming months also might represent an opportunity for a reset for businesses whose fortunes can change based on the political environment.

Sixty-one percent of respondents said it’s possible that the U.S. election results in November will lead to a change in their business strategy. Biden’s withdrawal means there will be a new administration in Washington in January, so there may be a chance for a reset regardless of whether Kamala Harris or Donald Trump wins the election.

Election effects

Q: Is it possible that the U.S. election results in November will change your business strategy?



● Yes **61%** ● No **39%**

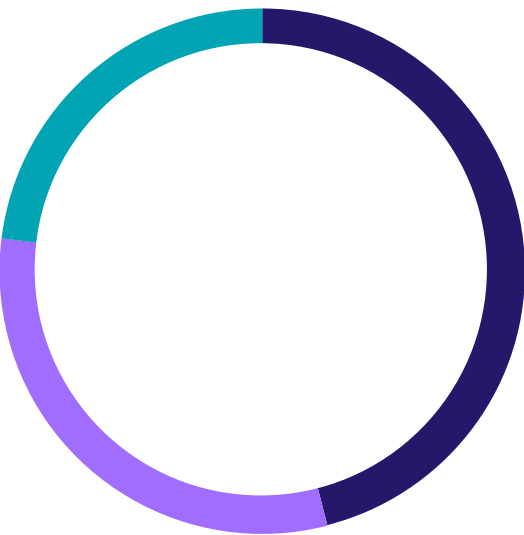
Source: Grant Thornton CFO survey 2024 Q3

Respondents said the election’s biggest impact on the business environment will come in its effect on the overall economy, with tax policy, regulatory policy and trade policy having lesser impacts. Corporate interest in politics is strong, as more than half (58%) of respondents said their businesses participate in political activities, with 33% involved in lobbying through industry or trade associations, 20% lobbying directly and 31% contributing to political action committees or tax-exempt 527 organizations.

CFOs have mixed views on how to invest with the election looming. Thirty-one percent are accelerating some investments in anticipation of the election, while 23% are holding off on some investments until after the election, and a plurality (46%) said the election will not affect their investment plans.

Election effect on investment plans

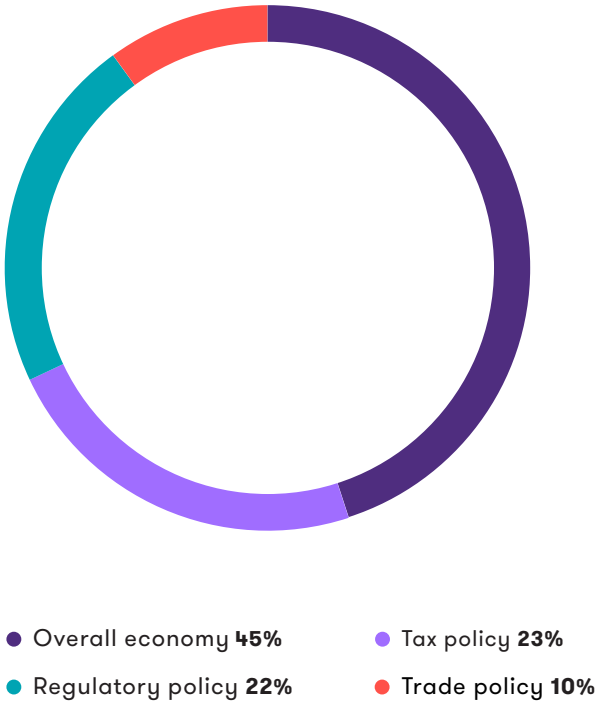
Q: Is it possible that the U.S. election results in November will change your business strategy?



- The election will not affect our investment plans **46%**
- We are increasing/accelerating some investments in anticipation of the election **31%**
- We are scaling down/holding off on some investments until the election results are finalized **23%**

Source: Grant Thornton CFO survey 2024 Q3

Election-related factors with biggest impact on business environment



Source: Grant Thornton CFO survey 2024 Q3

Melville cautioned against getting too caught up in election concerns during business planning. He acknowledged that elections have a significant impact on highly regulated industries such as financial services and healthcare, but said many business fundamentals don't change much based on the political environment.

"You're still going to invest in AI to drive improvements through technology," Melville said. "You're still going to make sure your cybersecurity protections are strong. The business fundamentals like efficiency in the finance function and the basics for growing your business aren't going to change regardless of who is in the White House or the government."

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Paul Melville
National Managing Principal, CFO Advisory Services
Grant Thornton



**Leading through
volatility**

Continuing volatility seems to be the one certainty that CFOs can bank on for the next six months. Although the Federal Reserve announced a half-point interest rate decrease on Sept. 18 in an attempt to boost the economy, the long-term interest rate and economic forecast is murky.

Meanwhile, if the last two elections are any indication, the margin of the upcoming vote will be close, with the potential for destabilizing pushback from the side that doesn't come out ahead. Nonetheless, CFOs' confidence in their prospects for profits shows their confidence that they can get through this period unscathed.

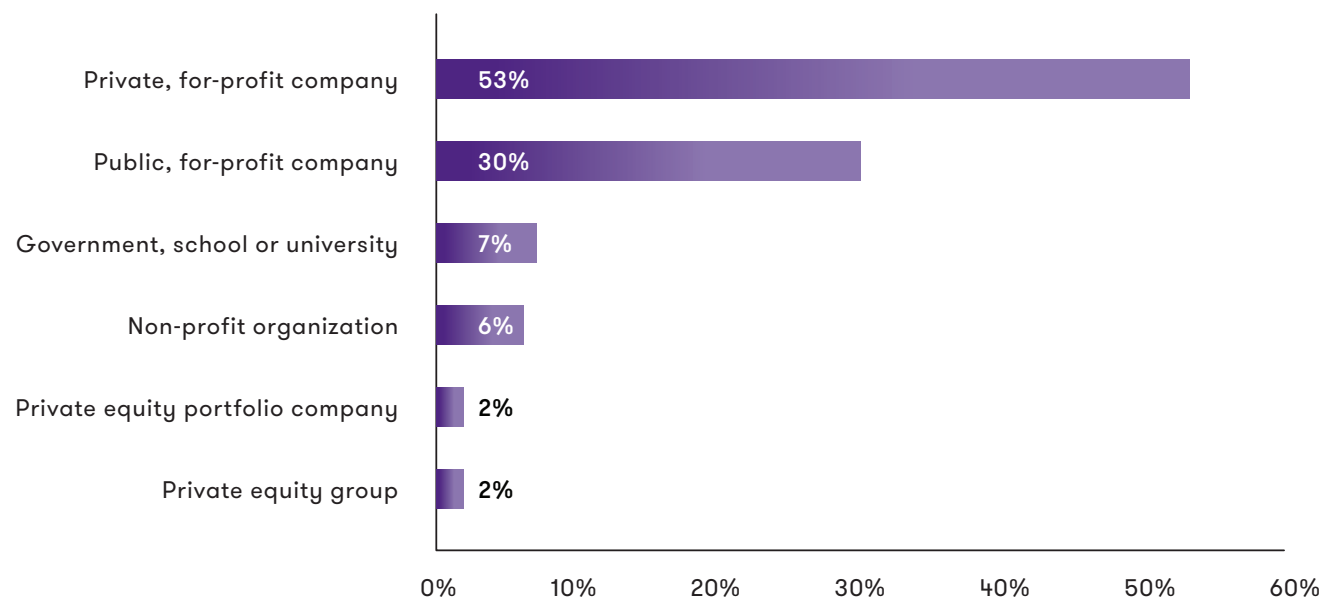
With that in mind, here are some actions that finance leaders can take to get them through a ride that's likely to be bumpy:

- **Mind your costs.** Human capital expenses were the top area cited for potential cost cuts, but companies may wish to tread lightly here as their peers aren't prioritizing workforce rationalization. Other top areas for cost cutting are consulting fees and vendor/supplier costs, with a rise in interest in cutting investments in long-term strategic initiatives.

- **Digitize, digitize, digitize.** Technology spending can lead to long-term cost savings. With uptake of AI extending to customer-facing areas, there are many opportunities for forward-thinking CFOs to provide improved services at a fraction of the price.
- **Watch for M&A opportunities.** While 54% of CFOs expect M&A volume to increase over the next six months, 67% of M&A professionals are forecasting a rise in deal volume. With reduced interest rates, this may be an opportune time to pursue inorganic growth.
- **Don't sweat the election results too much.** While it's important to pay attention to regulatory trends and the overall state of the economy, current businesses have just navigated through a once-in-a-century pandemic and the ensuing Great Resignation and inflation surge. They have proven they can handle disruption. It's reasonable to hope that the election won't cause as much chaos as those recent events, so take comfort in the resilience you have shown in the past while staying alert for opportunities that the future may bring.

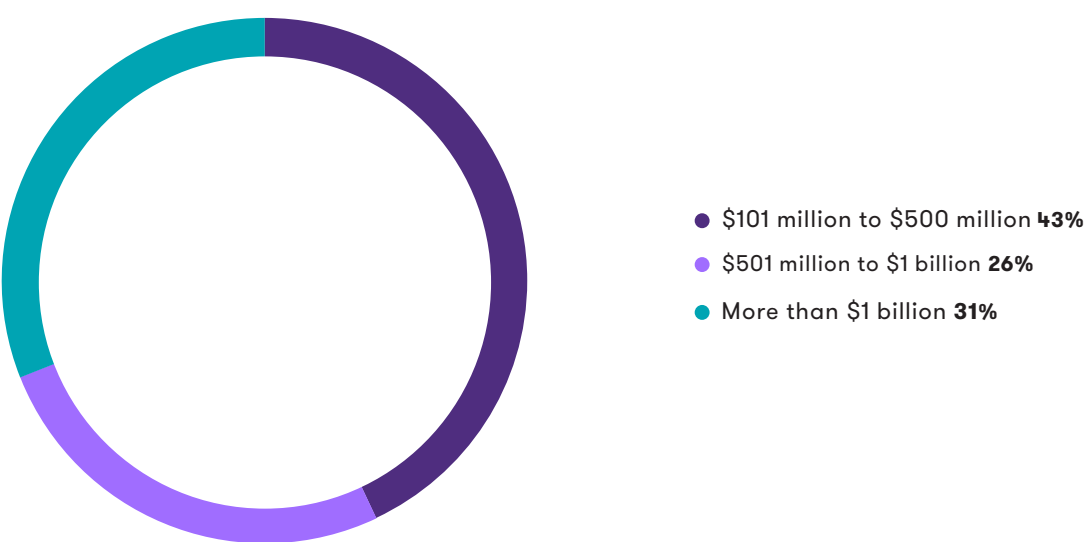
About the survey participants

Type of organization



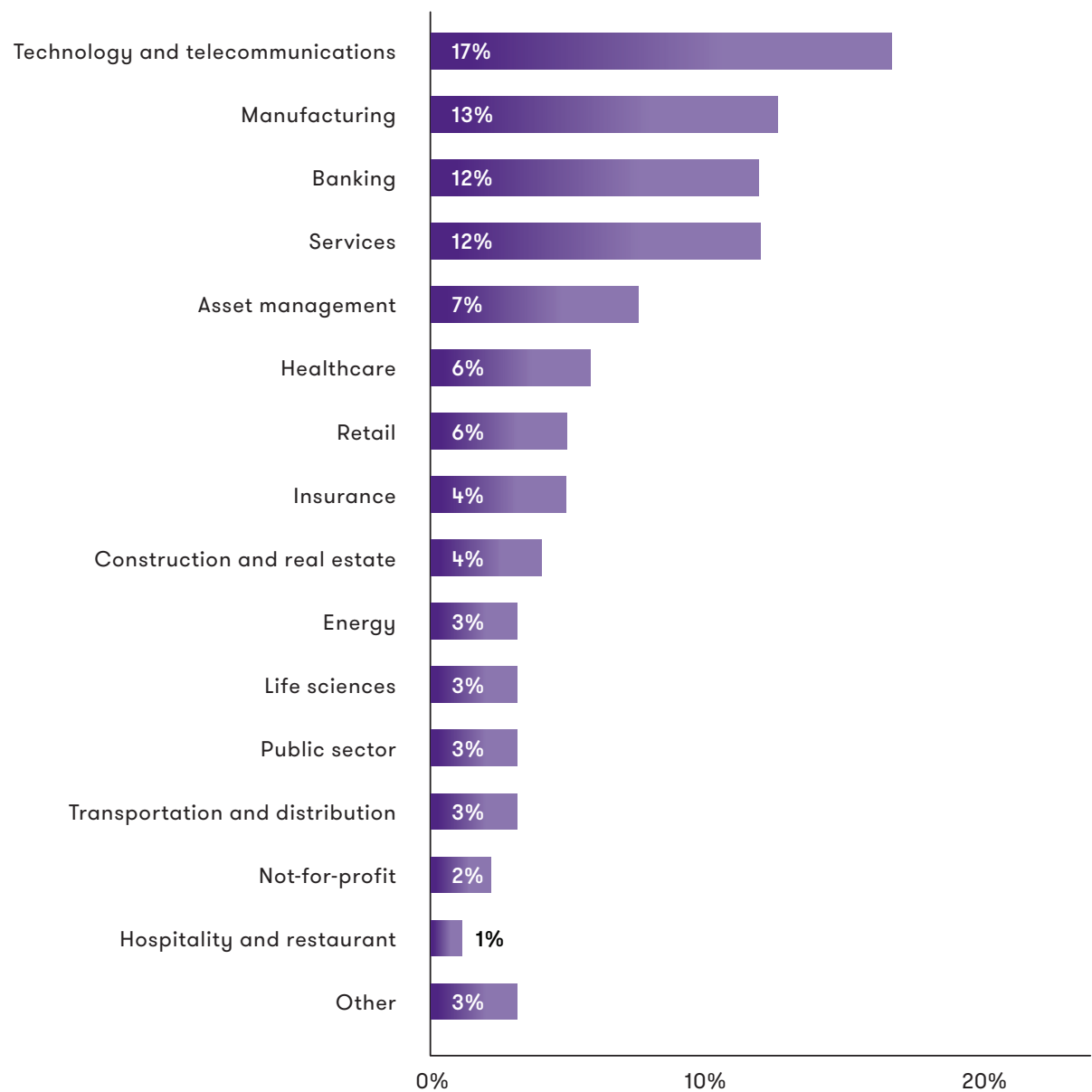
Source: Grant Thornton CFO survey 2024 Q3

Company revenue



Source: Grant Thornton CFO survey 2024 Q3

Respondents' industries



Source: Grant Thornton CFO survey 2024 Q3

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