



CFOs invest in tech as economic optimism sinks

Tariffs create supply chain and cost control concerns

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Executive summary

Economic optimism among finance leaders plummeted in the first quarter of 2025 due to uncertainty over tariffs and concerns about labor needs.

Grant Thornton’s first quarterly CFO survey of the year shows that just 47% are optimistic about the U.S. economy, an unprecedented 21-percentage-point drop from the previous quarter, with pessimism at a 10-quarter high.

However, finance leaders see a way forward through the upheaval. They are steadfast in their commitment to technology modernization as a strategy for delivering a wide range of long-term benefits. Our survey demonstrates that CFOs believe digital transformation can enable them to manage uncertainty, optimize costs and enhance operational efficiency — but companies need to find a way through the current transition and focus on long-term results to achieve those benefits.

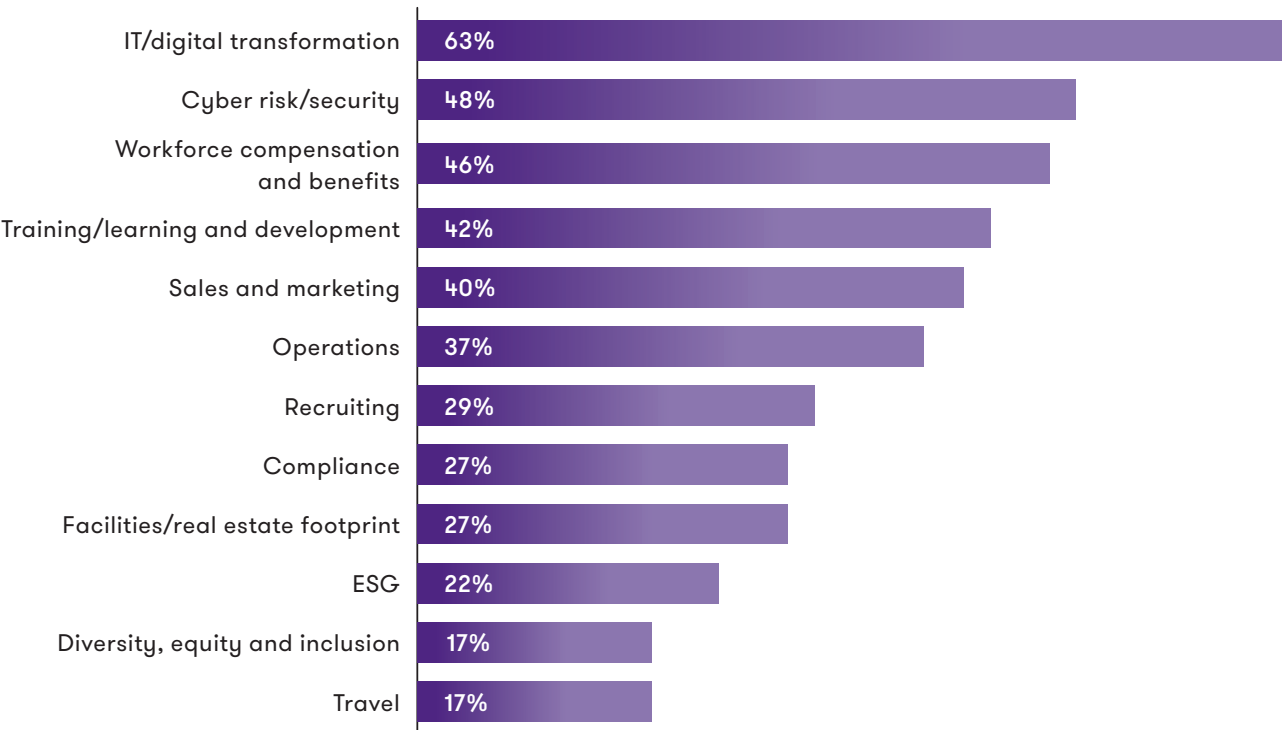
The survey showed that confidence in meeting supply chain, labor and cost control goals fell precipitously during the first quarter, but CFOs still largely expect to be able to grow their net profits this year. The following strategies can provide long-term results in a period of short-term anxiety:

- Invest in technology to engage your customers
- Enhance your data quality to support digital transformation
- Embrace cloud technology to limit internal infrastructure costs
- Invest in your people during a time of labor uncertainty
- Re-evaluate supply chains and operations sites in response to tariffs
- Consider pricing and product options if tariffs affect your expenses
- Intensify M&A due diligence in areas such as supply chain and workforce

With increasing technology benefits as the foundation, companies can keep advancing toward long-term targets even as they face high uncertainty and low economic optimism in the short term.

Digital transformation tops spending priorities

Portion of CFOs who said the following expenses will increase in the next 12 months.



Source: Grant Thornton CFO survey, 2025 Q1



Introduction

As tariff announcements multiplied — and labor worries increased — finance leaders’ enthusiasm over the U.S. economy fell dramatically in the first quarter of 2025, according to Grant Thornton’s latest CFO survey.

CFO optimism dropped an unprecedented 21 percentage points from the previous quarter to 47% — almost identical to the 46% optimism mark in 2024 Q3, which was during a point of extreme uncertainty right before the 2024 U.S. election. The 29% of finance leaders who are pessimistic, meanwhile, was a 10-quarter high.

At the same time, our 226 survey respondents showed that CFOs’ endorsement of technology modernization as a strategy to advance their businesses remained as strong as ever. Even though economic optimism plummeted, technology upgrades edged out cost optimization as the top focus for the next six months.

The survey results show that even in a time of great economic upheaval, technology improvements can provide a reliable return on investment — while also potentially helping deal with the uncertainty.

“Digital transformation allows you to be more proactive in terms of scenario planning and how you can cope with this continuing shift of environment,” said Grant Thornton CFO Advisory Services National Managing Principal Paul Melville. “Digital transformation helps you manage some of this.”

The shift in environment is illustrated clearly by the giant drop in economic sentiment in our survey for the first quarter of 2025. Our CFO survey for the fourth quarter of 2024 showed a huge rise in optimism about the U.S. economy shortly after the November election that restored Donald Trump to the presidency with both houses of Congress under Republican control.

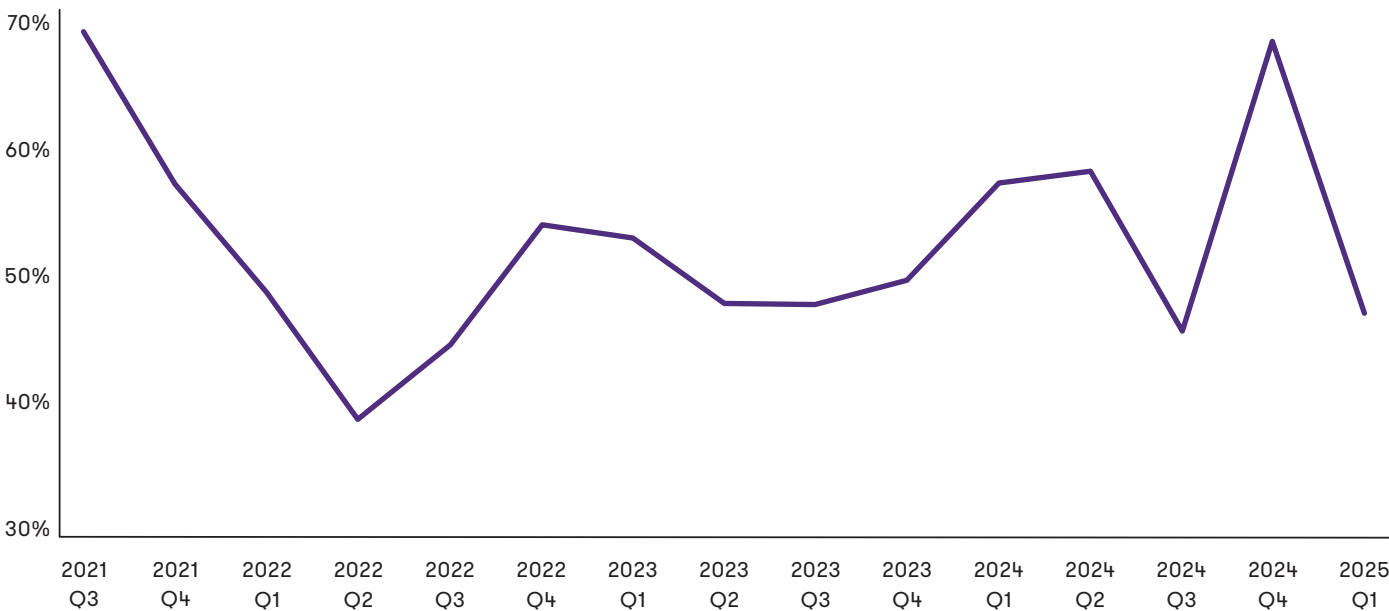
The certainty of direction sparked a surge of CFO enthusiasm in November, with 68% of respondents reporting optimism about the U.S. economy — the highest mark in more than three years. CFOs’ confidence in their ability to meet growth targets, supply chain demands and labor needs all soared at the end of last year.

That enormous surge in optimism gave way to uncertainty in the current survey, which was fielded from Feb. 4–19. The survey fielding coincided with a report that consumer price index inflation over the prior year had accelerated to 3%. The Federal Reserve, meanwhile, has taken a wait-and-see approach to interest rate reductions with the announcement of tariffs on numerous products and trading partners threatening to further increase inflation.

The economic climate eroded CFOs’ confidence in many areas.

CFO optimism plunges

Percentage of CFOs who are optimistic about the U.S. economy



Source: Grant Thornton CFO surveys



Tariffs weigh on supply chain confidence

Just 41% of CFOs said they were confident in meeting their supply chain needs, a drop of 21 percentage points from the previous quarter and the lowest mark since the runaway inflation period of 2022 Q2.

This is perhaps expected, as the tariffs announced by the new administration are designed to cause a shift in procurement strategy for companies that source materials from outside the United States.

Confidence in meeting labor needs and cost control goals, meanwhile, fell 19 percentage points each from the previous quarter. Forty-one percent of CFOs expressed confidence in meeting labor needs, and 43% were confident in their ability to control costs.

The sudden rise in supply chain, cost control and labor concerns can be attributed to uncertainty over the new administration's aggressive stances on tariffs and immigration enforcement. While some tariffs have been imposed, others have been announced, delayed and altered — sometimes multiple times in the same day.

This uncertainty in direction can be almost as unsettling to CFOs as the tariffs themselves, because the repeated changes in direction force consideration of a wide range of scenarios. Meanwhile, immigration enforcement could roil the workforce, but the extent of the enforcement remains a mystery.

“So planning is becoming incredibly difficult,” Melville said, “and resources are being used in performing a lot of what-if scenarios as opposed to focusing on growing the business.”

Melville said companies are forgoing long-term planning as they work feverishly to figure out which levers to pull for short-term business success. The survey reflects that sentiment, showing an increase of seven percentage points in those who plan to cut costs on long-term strategic initiatives.

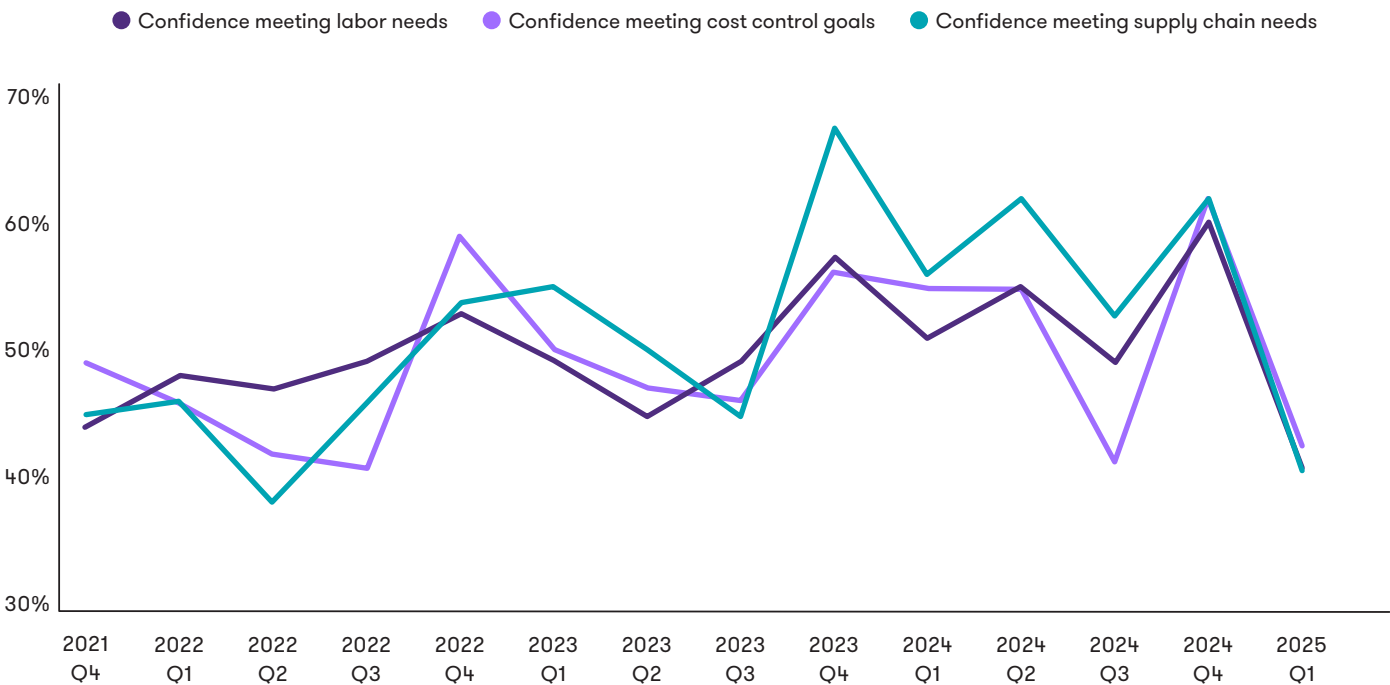
As a result, profitability expectations became more modest. Although the portion of respondents who expect a growth in net profit grew to 78% compared with 75% the previous quarter, the magnitude of those expected profits shrank. Melville said CFOs' confidence about continuing to deliver some kind of profits bodes well for long-term stability despite the short-term concerns.

“They're saying they still think they can actually achieve growth by managing costs,” Melville said. “They have a lot of uncertainty about labor and tariffs and how those are going to affect growth. But they think they can manage through this once they gain more certainty.”

“Planning is becoming incredibly difficult, and resources are being used in performing a lot of what-if scenarios as opposed to focusing on growing the business.”

Paul Melville
CFO Advisory National Managing Partner
Grant Thornton Advisors LLC

Confidence in meeting objectives drops



Source: Grant Thornton CFO surveys

The drop in confidence about meeting labor needs was accompanied by a seven-quarter low in the percentage of CFOs predicting potential contraction of their workforce through layoffs (29%). At the same time, the 38% of respondents expecting higher retention rates hit a four-quarter low, with manufacturing, healthcare, public sector and not-for-profit CFOs among those with concerns about retention. The government layoffs and funding reductions directed by Trump and Elon Musk explain the public sector and not-for-profit retention fears, while staffing in manufacturing and healthcare has been a long-term challenge.

Amid these labor concerns, the portion of CFOs who expect to reduce human capital costs dropped, as the top areas identified for potential cost cuts were external professional consulting support/fees and vendor fees. An area where investment expectations fell dramatically, though, was sales and marketing.

After rising for seven consecutive quarters, the percentage of finance leaders who expect to increase sales and marketing spending fell 18 percentage points to 40%. This data emerged shortly before a sudden, substantial drop in consumer confidence statistics indicating that a long-sustained strong sales environment in the United States might be shifting.

The background is a dark blue to purple gradient. It is filled with a grid of small, glowing squares in various colors including red, blue, pink, and orange. Some squares are more prominent than others. Overlaid on this grid are several thin, white, curved lines that form a circular pattern, suggesting a globe or a digital network.

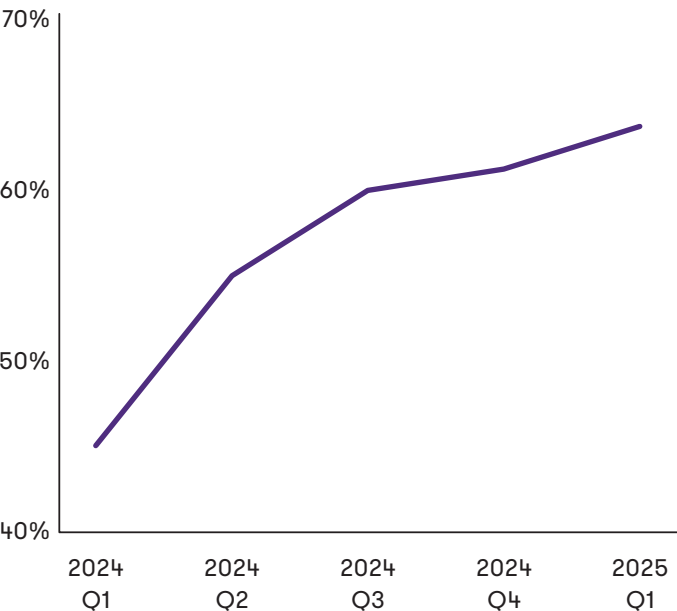
**Digital
transformation
remains a priority**

Consistent with the past several quarters in the survey, technology modernization is a huge priority for CFOs, who are implementing new tools for financial operations and data analytics in particular. The most telling technology-related results of the survey included the following:

- Almost two-thirds (63%) of respondents expect to spend more on IT/digital transformation in the next year.
- Related to GenAI, respondents are defining acceptable use policies, monitoring risks and providing formal employee training at a significantly higher clip than last quarter. Alas, board participation in GenAI governance is slipping — perhaps because many companies already have put their AI guardrails in place.
- Organizations are more likely to be doing system upgrades than overhauls, but more than one-third (35%) are completely overhauling foundational systems. Regardless of the extent of the changes, the impact on customer experience figures heavily in technology modernization decisions.
- Despite the recognition of the benefits that better technology can bring, the top challenge to digital transformation is high implementation costs.

Using AI to improve customer relationships

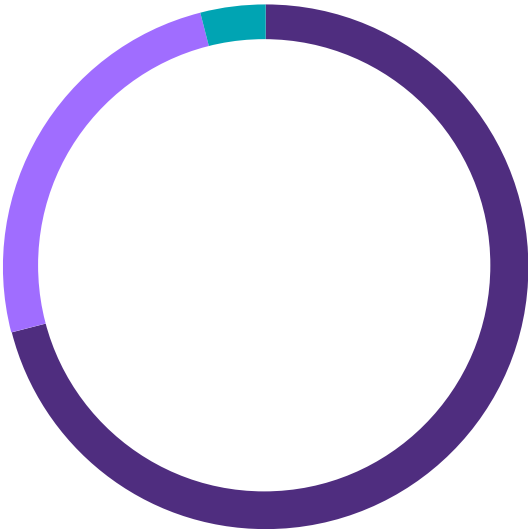
Portion of generative AI users who are deploying AI for customer relationship management and to improve the customer experience



Source: Grant Thornton CFO surveys

Transforming for customers’ benefit

Q: How prominently does impact on your customers’ experience factor into your digital transformation decisions?



- Customer experience is a major consideration **71%**
- Customer experience is a minor consideration **25%**
- We don’t consider customer experience at all **4%**

Source: Grant Thornton CFO survey, 2025 Q1

The survey also showed that finance leaders see the potential in new technology to improve relationships with customers. Seventy-one percent of CFOs said customer experience is a major consideration in their digital transformation decisions, and the portion of respondents deploying GenAI to improve customer relationship management and the customer experience has risen 19 percentage points over the past 15 months to 64%.

Meanwhile, higher customer satisfaction is the top factor that CFOs use to calculate the benefits derived from GenAI implementation.

“I see digital transformation making a big difference for us by improving how we operate and interact with customers,” said a finance leader from a retail company who responded to our survey. “Over the next three years, I think we’ll be able to make better decisions and streamline our processes, which should help us stay ahead.”

Customer data platforms have emerged as a significant focus for technology investment, said Grant Thornton Technology Modernization Principal Tony Dinola. He said Disney's remarkably successful ability to provide theme park visitors with a personalized digital experience has become the model for companies, and business-to-customer companies are much further along in that journey than business-to-business companies.

"Whenever Uber and DoorDash pick us up or make a delivery, we understand exactly the time they're going to arrive and even when they're picking up our food at the restaurant," Dinola said. "B2B businesses are working to drive similar experiences, but they're not quite there yet. A continued focus on customer experience and investment in modern technology will be required to achieve these goals."

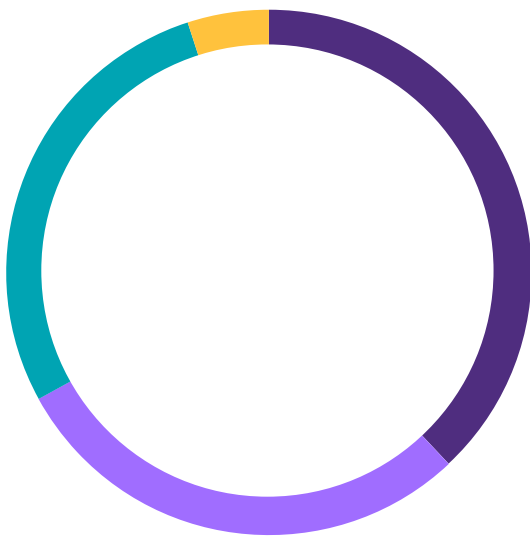
But many companies are facing a barrier as they attempt to use technology to enhance their customer experience. The survey shows that a significant portion of organizations are missing the building blocks they need to take full advantage of the benefits that technology modernization offers. One-third of respondents said their data needs a lot of improvement to support digital transformation — or worse, is poorly organized and formatted.

Dinola suspects that, if chief technology officers or chief marketing officers were asked about the quality of their data, an even greater percentage would say their data is inadequate.

"Lots of our clients are spending money on improving the quality and the cleanliness of their data — and the way it's stored and consumed," Dinola said. "You can't create a Disney experience for your customer if you can't understand what their behaviors are."

Data quality matters

Q: Is your data organized and formatted to support digital transformation?



- Our data is adequate to support digital transformation **38%**
- Our data organization and formatting is excellent **29%**
- Our data is somewhat organized but needs a lot of improvement to support digital transformation **28%**
- Our data is poorly organized and formatted **5%**

Source: Grant Thornton CFO survey, 2025 Q1



**Wide-ranging
benefits**

In addition to enhancing the customer experience, the various improvements respondents attributed to digital technology included:

- Increasing sales/revenue
- Cutting costs, including labor costs
- Improving efficiency
- Simplifying tasks
- Improving reporting
- Informing better decisions
- Raising employee satisfaction

But some companies still are waiting so long that vendors are informing them that technical support for their systems will be expiring soon. It's easy to understand why. Half of respondents said the cost of implementing new technology is a barrier to digital transformation, and 46% identified integration with existing systems as an obstacle.

Nonetheless, Dinola said company leaders often quickly see that the immense benefits outweigh the costs.

"When these systems are replaced, companies are going to get technology that has tremendous new capabilities," Dinola said. "That's going to deliver substantial value, so you're looking at a big return on your investment."

Dinola's clients say their board members are overwhelmingly focused on two priorities:

- Taking advantage of AI opportunities
- Strengthening cybersecurity

Our survey reflects similar sentiment, as GenAI adoption is strong and cybersecurity was a top area where CFOs expect costs to increase.

"Every news source and social media platform is talking constantly about AI advancements and the latest company that had a cybersecurity breach," Dinola said. "That's what they want to talk about when it comes to technology."

"When these systems are replaced, companies are going to get systems that have tremendous new capabilities. That's going to deliver substantial value"

Tony Dinola
Technology Modernization Principal
Grant Thornton Advisors LLC

What they're saying about digital transformation

Here's what finance leaders in various industries told us about how digital transformation will affect their businesses over the next three years.

"I expect digital transformation to revolutionize the way we work, making us more agile, efficient and customer-centric, which will ultimately drive growth and innovation. Over the next three years, I envision our organization becoming a leader in our industry, leveraging cutting-edge technologies to stay ahead of the curve." — Banking CFO

"It is undeniable that digital transformation has a major impact on organizational development. Companies that embrace this transformation can benefit from greater operational efficiencies, improved communication and increased innovation." — Services industry chief accounting officer

"Digital transformation is expected to significantly enhance operational efficiency, customer experience and innovation capabilities, driving business growth and competitiveness. Over the next three years, it will likely lead to improved data-driven decision-making, streamlined processes, and new revenue streams." — Construction/real estate VP of finance



**Building resilience
amid uncertainty**

Despite the return of uncertainty to the economic environment, our CFO survey demonstrates a clear path forward for finance leaders in their quest to continue delivering profitable growth:

- **Consider customer engagement as you make technology improvements:** The list of benefits that can be achieved through digital transformation is too long to ignore. As you look for opportunities, though, don't stop with your back-office and business intelligence functions. Seventy-one percent of CFOs said customer experience is a major factor in their digital transformation decisions, recognizing an important opportunity for tech improvements to build their brand.
- **Get your data in order:** While two-thirds of respondents said their data is at least adequate for supporting digital transformation, many organizations are handcuffed by unreliable data. High-quality, well-organized data is the foundation for unlocking almost limitless opportunities for business improvement. But without good data, CFOs are flying blind.
- **Commit to the cloud:** Almost half (49%) of CFOs include cloud computing/storage among their tech investment priorities. Companies that are not in the cloud are missing out on tremendous opportunities for system integration and reduction in expensive on-premise infrastructure costs.
- **Keep investing in your people:** The survey shows that many finance leaders have workforce concerns even as they race to implement technology that can make them more efficient. Employees will be more likely to stay with companies that invest in them, and providing training for using AI and other emerging technology is essential for creating positive outcomes for employees and employers.
- **Re-evaluate supply chains and consider U.S. operations:** If tariffs are going to play a major role in the economic environment, companies need to adjust. If increasing U.S. operations or relying more on U.S.-sourced materials helps to bypass tariffs and keep costs low, leaders need to consider these possibilities. But before investing substantially in U.S. operations, company leaders need to make sure there's enough labor available to staff their new ventures.

- **Monitor pricing, product and sales options carefully:**

At some point, the price of tariffs is usually passed on to the consumer. But if costs rise and consumers pull back, companies should carefully consider which pricing, product and marketing mixes can generate sales. In other words, this might be the time to promote your value meals rather than your steak and lobster options.

- **Double down on diligence in M&A:** Dramatically changing conditions might require closer examination of how a particular transaction will support its deal thesis. In some industries, it's verification of employees' immigration status, as the new administration's immigration crackdown can pose significant risks for M&A success. In all industries, supply chain integrity and technology integration requirements should be closely examined.

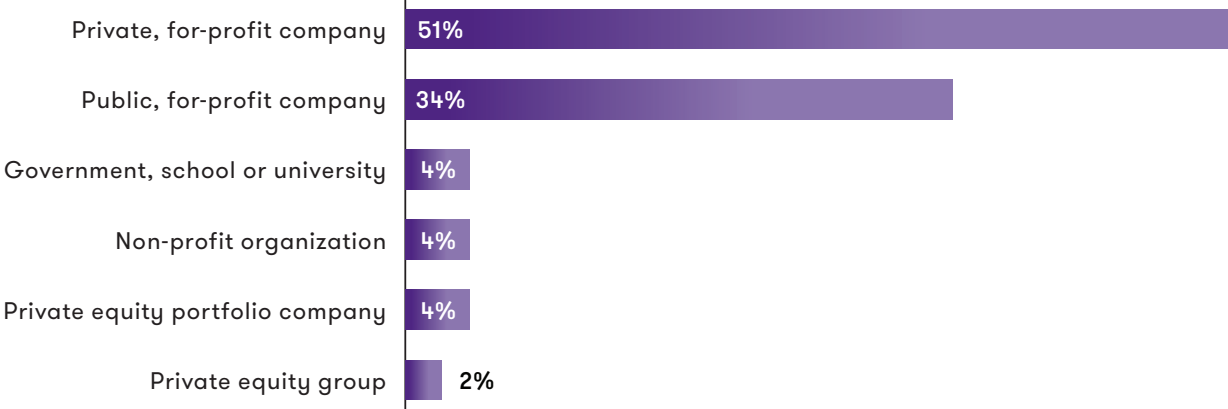
Above all, CFOs need to keep their focus on generating long-term results through avenues such as digital transformation even as they're constantly reacting to short-term uncertainty. This is difficult when business conditions seem to change daily or even hourly, and it might require the help of a third party as your employees scramble to plan for multiple scenarios.

But those that do find time to focus on the long term will get ahead.

"If you haven't done anything about digital transformation, you're going to be in a mess," Melville said. "This isn't easy when you're also doing your day job. But you have to cut through the noise and do what you need to do for the long-term health of your organization."

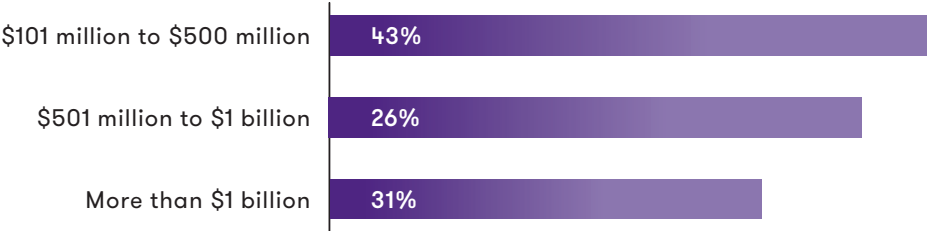
About the survey participants

Type of organization



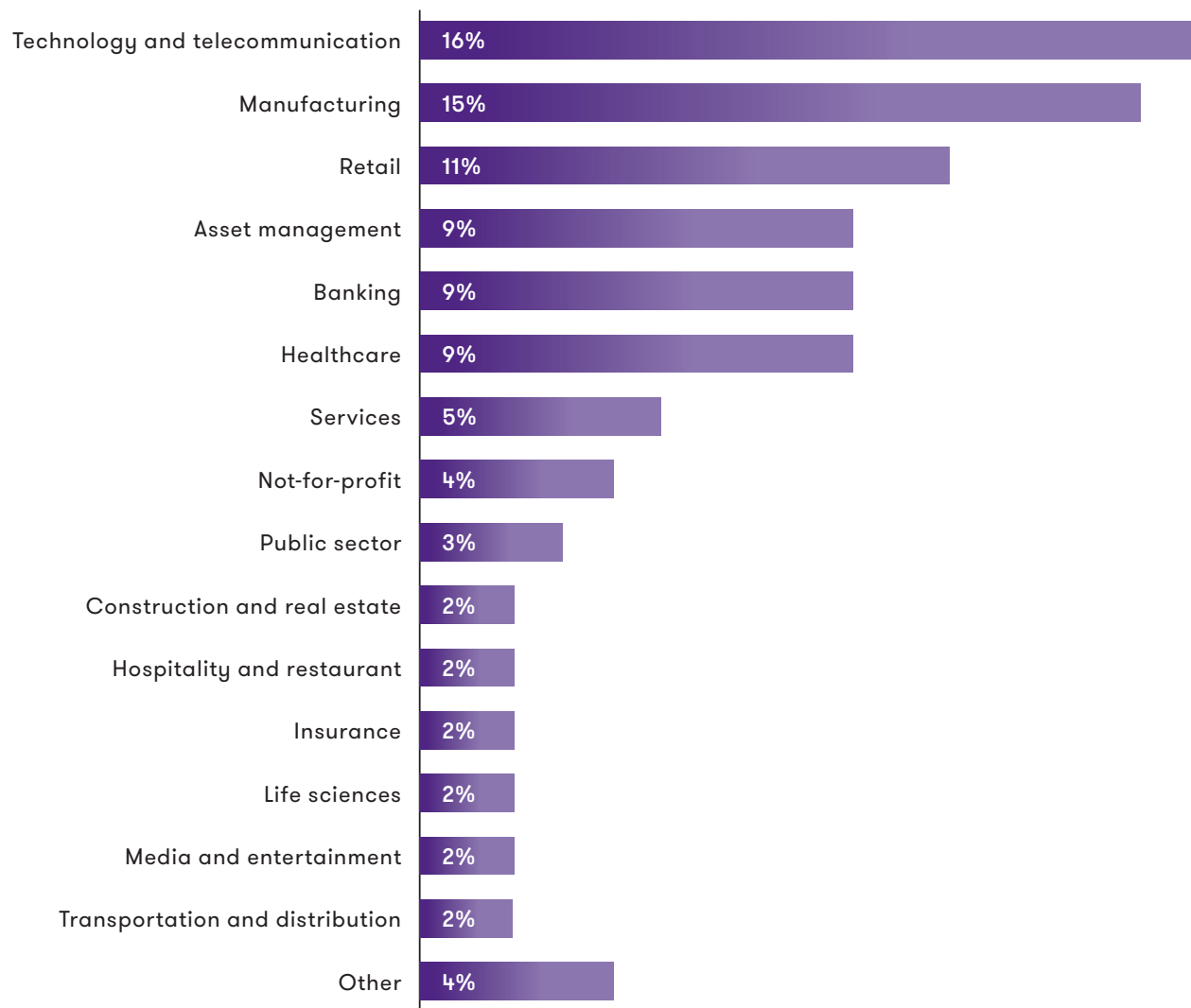
Note: Figures do not add to 100% due to rounding.
Source: Grant Thornton CFO survey, 2025 Q1

Company revenue



Source: Grant Thornton CFO survey, 2025 Q1

Respondents' industries



Note: Figures do not add to 100% due to rounding.
Source: Grant Thornton CFO survey, 2025 Q1

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