Controllers Council™

Controller/CFO: Sentiment Study 2023

Research Report: CC223

controllerscouncil.org

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2023 Controller/CFO Sentiment Study

Table of Contents

2023 Controller/CFO Sentiment Study

Executive Summary

What will Controllers and CFOs do differently in 2023? This inaugural study seeks to understand how current business and economic environments are impacting corporate financial planning, strategy, priorities, and outlooks.

The survey results reveal a number of noteworthy discoveries, including:

- 61% of Controllers and CFOs anticipate an increase in revenue in 2023, with only 17% of respondents expecting a decline in overall financial performance
- 45% of Controllers and CFOs anticipate that their organization will increase its overall headcount in the coming year, though the exact hiring needs will vary by organization size and industries
- 33% of organizations plan to *reduce* spending in the coming year, and only 18% plan on *increasing* budgets
- Survey respondents' greatest concerns include high interest rates, geopolitical risk, inflation, a looming recession, and ongoing talent shortages

Perhaps most notably, the survey introduces two new indexes:

- The 2023 Controller/CFO Financial Performance Index (FPI): **127%**
- The 2023 Controller/CFO Spending/Budget Index (SBI): **85%**

The 2023 indexes represent a "bullish" outlook for individual company financial performance, along with a "cautious" plan for spending. The new indexes will serve as benchmarks for future data, while identifying trends in financial performance and organizational spending.

The survey results and indexes might seem more optimistic than other, recent studies. We contend that our respondent demographics are "closer" to the North American statistics for company sizes including a majority of companies in the Small-Medium Business (SMB) category.

Reports from the Wall Street Journal support our results, identifying *pessimistic* projections by Large company CEOs vs. *optimistic* projections by Mid-Size company CEOs (WSJ 12/21/22). Another study identified a surge in small company hiring (WSJ 1/25/23), yet large companies reported massive layoffs.

All data for this report comes from an anonymous and confidential survey conducted between October and December 2022, with responses from nearly 300 participants, most of whom serve as Controllers or CFOs in a variety of industries.

Please use this information to benchmark and assist in your organization's planning, strategy, and decision-making. We also invite you to share your feedback and unique perspectives with the Controllers Council at **www.ControllersCouncil.org.**

We would also like to thank all the Controllers, CFOs, and corporate F&A executives who took the time to share their knowledge and expertise in this study.

2023 Controller/CFO Sentiment Study: **Key Takeaways**

A Surprisingly "Bullish" Financial Performance Outlook in 2023

Survey results yield a **2023 Controller/CFO Financial Performance Index (FPI) of 127%**, representing 44% of respondents who anticipate an increase in their organization's overall financial performance as compared to 2022. Only 17% anticipate a decrease, which indicates a "bullish" outlook for the coming year.

Top Financial Metrics Predicted to Increase

Increased revenue was predicted by nearly two-thirds of survey respondents (61%), 48% said their profits would increase, and 41% indicated an improvement in gross margins. 47% expected cost increases for SG&A, and 45% said they would increase headcount. Only 23% expected profits to fall in 2023.

More Organizations Reducing Spending than Increasing

One-third of survey respondents (33%) indicated that their organizations are *reducing* their spending and budgets during 2023. Only 18% of survey respondents indicated that they are *increasing* their budget, which yields a **Spending/Budget Index (SBI) of 85%**. Another 47% of respondents plan on maintaining their budget from 2022.

Hiring on the Rise for 2023

A full 45% of survey respondents anticipate an increase in organizational headcount. The most in-demand positions include operating labor, sales/customer support, and engineering/technical staff. Hiring rates are lowest for administrative, legal, and HR.

What Are the Biggest Concerns of 2023?

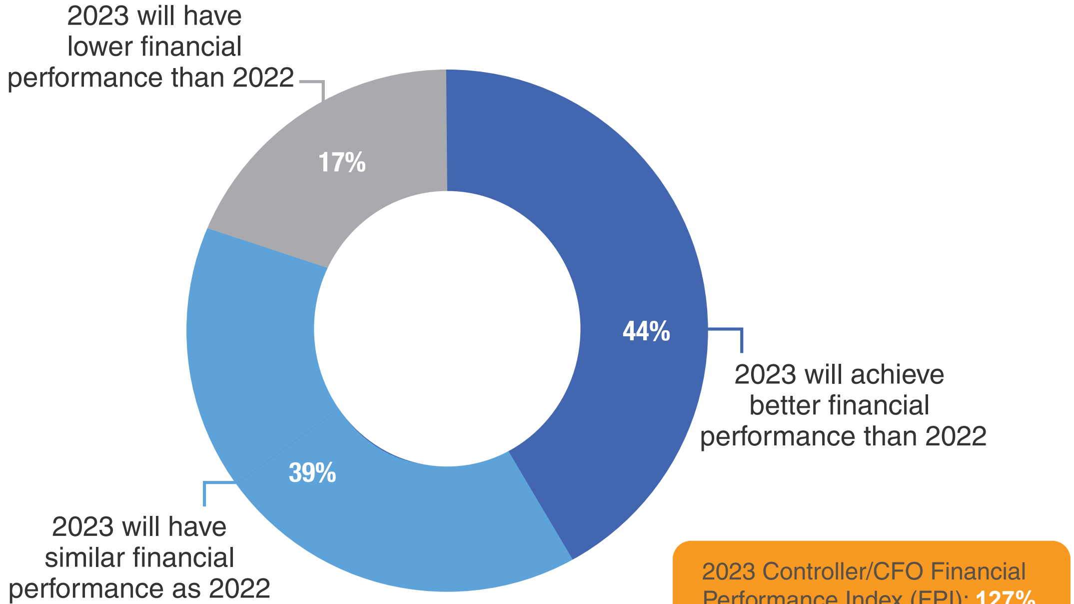
Respondents expressed concerns over challenging macro-economic and business environments. The survey reveals that the greatest areas of concern include rising interest rates, geopolitical risk, inflation, a coming recession, and talent challenges.

The following report details and summarizes the responses to each question, followed by respondent classifications.

What Is Your Overall Prediction of Your Organization's Financial Performance in 2023 vs. 2022?

When asked about their organization's future performance, most respondents were generally optimistic. Nearly half of respondents (44%) anticipate that their organization will outperform their 2022 financial results.

Another 39% believe that financial performance in 2023 will be simliar to that in 2022, while fewer than one in five (17%) predict lower financial performance as compared to 2022.



THE 2023 CONTROLLER/CFO FINANCIAL PERFORMANCE INDEX 2023 (FPI)

The survey results yield a Financial Performance Index (FPI) of 127% indicating a "bullish" posture toward organizational financial health.

What is the Controller/CFO Financial Performance Index™ (FPI)? This figure is a mathematical representation of sentiment. To calculate FPI, subtract the "better" response percentage from the "lower" response percentage to yield a percentage subtotal. Then, add or subtract this positive or negative number from a 100 base.

For 2023, the Financial Performance Index (FPI) is calculated as follows:

.44 – .17 = +.27 + 100 = 127%

TAKEAWAYS

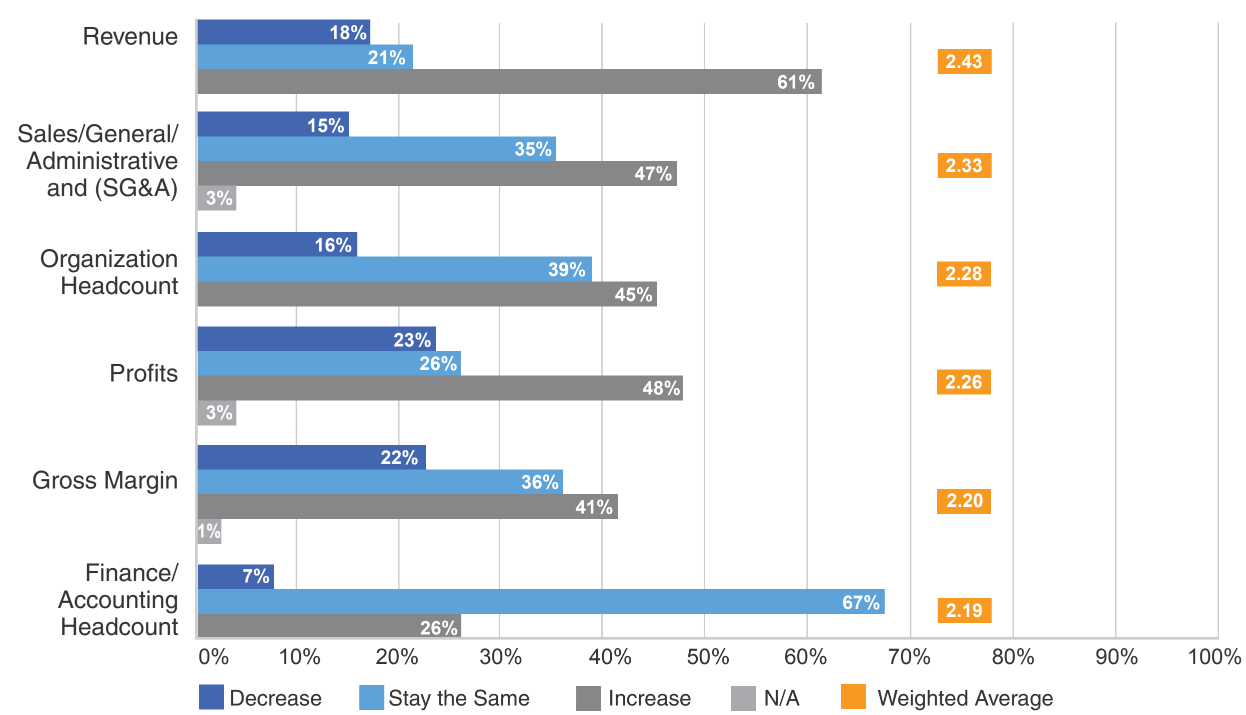
The surprisingly strong Controller/CFO Financial Performance Index (FPI) indicates that respondents are confident in their organization's financial future. This "bullish" sentiment is consistent with other survey responses in this study and reinforced by the aforementioned studies, but contrary to recent media coverage of massive layoffs.

Please Rate Your Financial Metrics for 2023 vs. 2022

Nearly two-thirds (61%) of respondents anticipated revenue growth in the coming year followed by 48% who predicted profits will increase, and 41% increased gross margins.

Regarding “cost metrics”, 47% of respondents foresaw an increase in their organization’s Sales/General/Administrative (SG&A), and 45% predicted an increase in organization headcount.

While some respondents still indicated that their financial metrics will be similar to 2022 results, relatively few expected to see decreases from the previous year. For instance, only 18% expected a revenue drop from 2022, and only 23% expected smaller profits than the previous year.



TAKEAWAYS

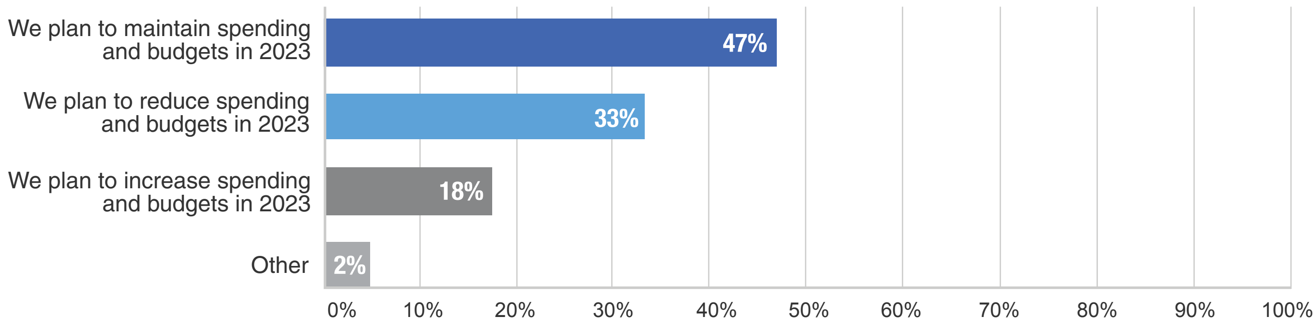
This data is consistent with the “bullish” sentiment recorded in the Financial Performance Index (FPI), indicating that respondents anticipate strong growth in multiple key business metrics.

The fact that so many anticipate a boost in their organization’s headcount (45%) likewise indicates that companies will be seeing strong growth in the coming year.

However, respondents did not indicate an increase in finance/accounting headcounts, which may be attributable to the implementation of new technologies in the workplace, that automate and streamline core financial processes and reduce the burden on existing staff.

How Will Recession and/or Other Macro-Economics Impact Your Spending Plans?

With the threat of a looming recession and other challenging macro-economics, roughly one-third (33%) of respondents indicated the potential for *reduced* spending and budgets for the coming year. At the same time, roughly half (47%) indicate that their organization intends on maintaining spending and budgets for 2023. Less than one in five (18%) expect to *increase* their 2023 budget.



2023 Controller/CFO Spending/Budget Index (SBI): **85%**

THE 2023 CONTROLLER/CFO SPENDING/BUDGET INDEX (SBI)

Survey data yields a Controller/CFO Spending/Budget Index™ (SBI) of 85%. This figure will serve as a benchmark for future studies, providing a point of comparison regarding how economic trends might impact corporate spending patterns.

How is the spending/budget index (SBI) calculated? This figure calculates sentiment by subtracting the "reduce" response percentage from the "increase" response percentage, then adding or subtracting the positive or negative sum from the 100 base.

For 2023, the Controller/CFO Spending/Budget Index (SBI) was calculated as follows:

SBI = .18 – .33 = -.15 + 100 = 85%

TAKEAWAYS

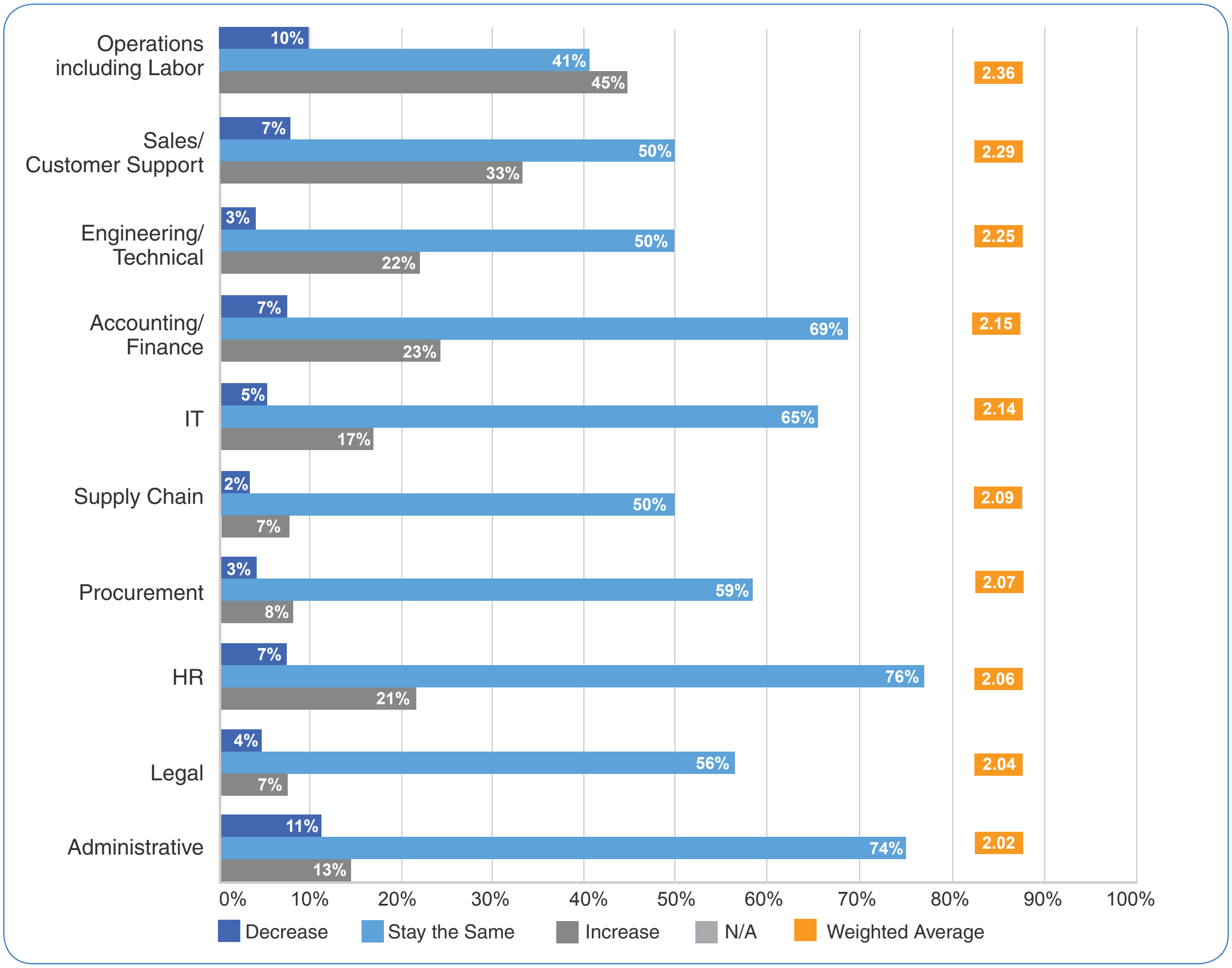
Though the SBI will be used for future comparisons, the present data demonstrates that economic and business environments are having measurable impacts on organizational finance. With a third of organizations reducing their spending, this may reflect a desire to cut budgets in order to stay profitable.

Additionally, less than a fifth of respondents (18%) plan on increasing spending, which may likewise reflect ongoing concerns about inflation and the broader state of the U.S. economy or other global risk factors.

What Are Your 2023 Hiring Plans by Function?

This question identifies hiring plans for specific functional areas, demonstrating significant differences. Hiring plans were highest for operations including labor (45%), followed by sales/customer support (33%), accounting/finance (23%), and engineering/technical (22%).

Hiring plans were lowest for supply chain, legal, procurement, administrative, IT and HR.



TAKEAWAYS

While a previous question indicated that 45% of respondents anticipated an increase in their overall organizational headcount, the present data indicate that there is no one-size-fits-all solution for accomplishing this.

Instead, organizations appear to have diverse organizational needs and to be distributing resources around technical skills and marketing with less attention to procurement and administration.

The rise in outsourcing and automated technologies may result in a lower administrative burden, which may be reflected in the relative lack of attention given to administrative and/or legal hiring.

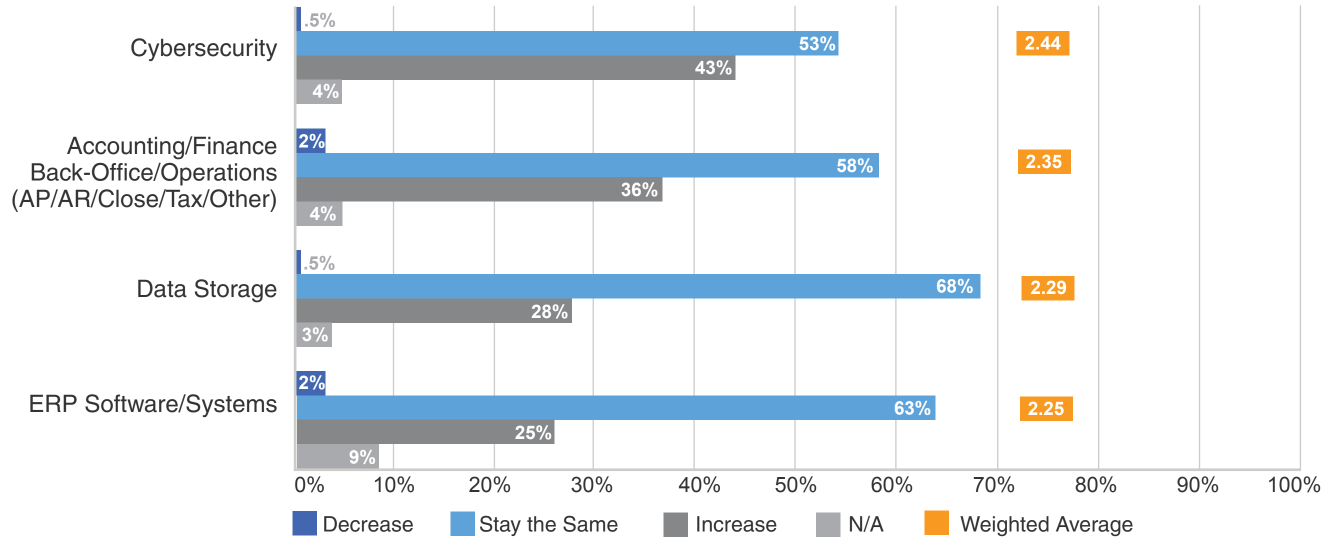
Note as well that this data set also reveals the diversity within the respondents' respective organizations. The larger percentage of N/A responses indicates that some hiring needs are driven by industry demands as well as internal metrics.

What Are Your 2023 Plans for Implementing Technology?

Technology continues to play a role in organizational management, with extremely few respondents indicating a reduction in technology implementation in 2023.

Instead, respondents indicate plans for implementing technology in several areas including cybersecurity (43%), accounting/finance back-office operations (36%), data storage (28%), and ERP software (25%).

These numbers are roughly the reverse of those who indicate no change in 2023, which further illustrates the priority placed on these top technologies.



TAKEAWAYS

Given the increase in cloud-based technologies in recent years, it's understandable that organizations are placing a high priority on cybersecurity and data storage. This is consistent with the [2022 Digital Controller/CFO Study] that showed that this was a top concern for 38% of respondents.

Additionally, corporate finance is increasingly relying on integrative, automated technology to drive their financial processes and reduce their administrative burdens. The 2022 Digital Controller/CFO Study showed that 27% of respondents planned to introduce automation in the future. The above results may reflect this agenda.

The emphasis on these technologies may also explain why respondents do not anticipate an increase in the headcount of financial personnel in the coming year. Organizations have the option to tap into new software and outsourced systems to handle their needs.

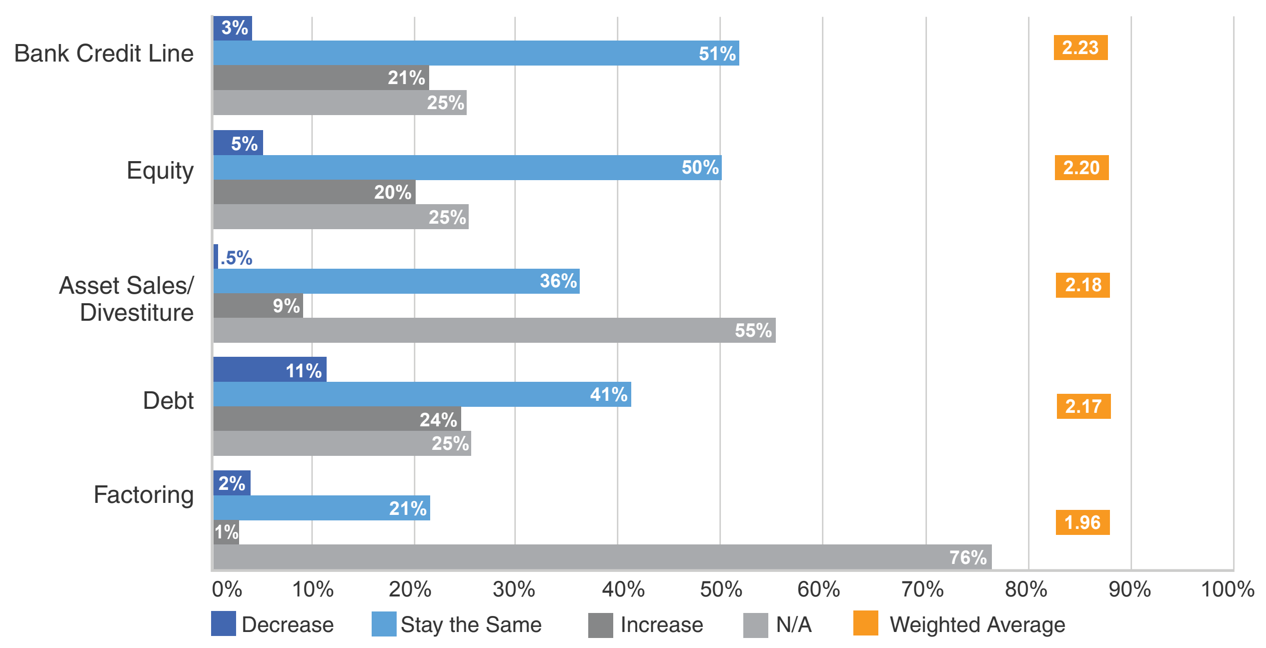
What Types of Financing Will Be Used in 2023 vs. 2022?

While businesses rely on a variety of financing solutions, the top financing sources include debt (24%), bank line of credit (21%), equity (20%), and the sale of company assets (9%).

Debt, lines of credit and equity have always been popular financing options, so it's not surprising that so many respondents indicate either an increase in reliance on these methods or a continuation of the way they used these options in 2022.

In fact, 71% of respondents planned to either maintain or increase their line of credit usage, and 70% planned to either maintain or increase their equity usage.

Notice that factoring is among the least popular financing options, with the vast majority (76%) of respondents indicating that this type of financing is not applicable to their organization.



TAKEAWAYS

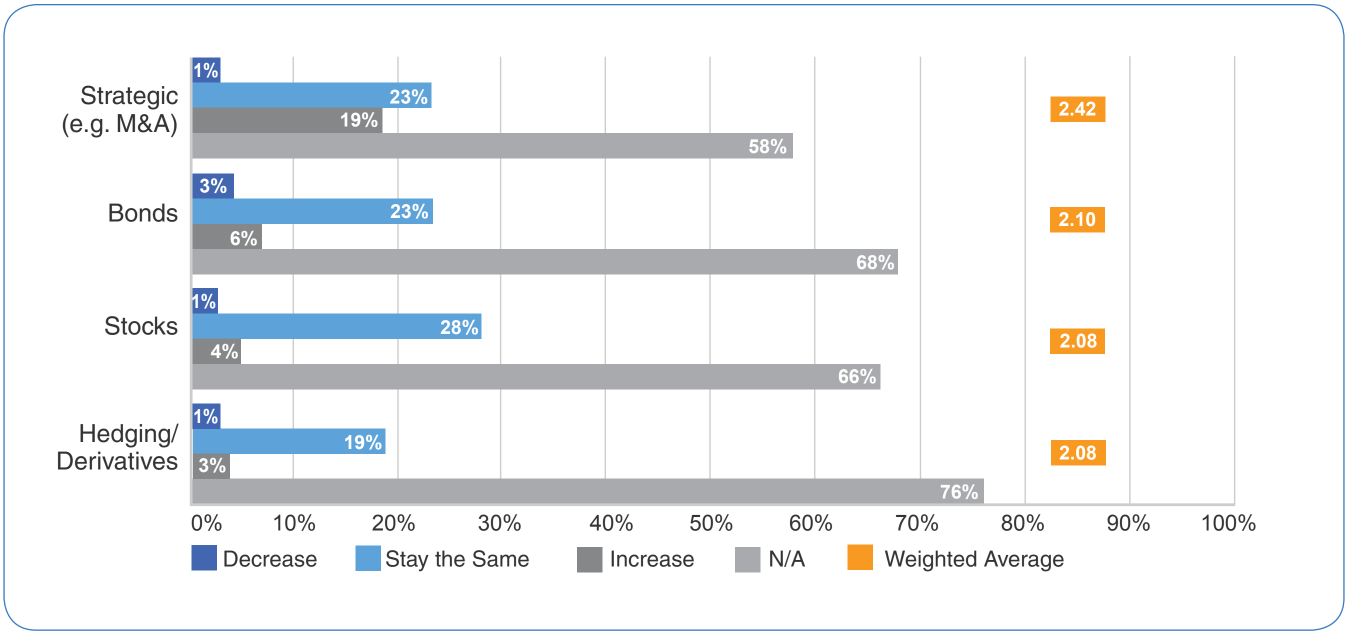
Survey responses are generally consistent with what might be expected, with respondents favoring traditional financing methods such as debt, lines of credit, equity, and the liquidation of corporate assets. The flexibility of a business credit line may be a particularly attractive option during a period of economic uncertainty.

What Types of Investments Will Be Used in 2023 vs. 2022?

Respondents do not generally plan on decreasing their investments during 2023 as compared to 2022. Among those who plan on increasing their investments, the most popular choices include strategic investments including mergers and acquisitions (19%), bonds (6%), and traditional stocks (4%).

Among those who plan to maintain their investment decisions in 2023, the focus is evenly split between M&A, bonds, stocks, and hedging/derivatives.

Many respondents indicated that these investment choices were not applicable to their company. While some respondents answered “Other” and shared CD’s and Money Market Funds as investments. The high number of “Not Applicable” may indicate that their organizations are making alternative investments, or that their company does not actively invest.



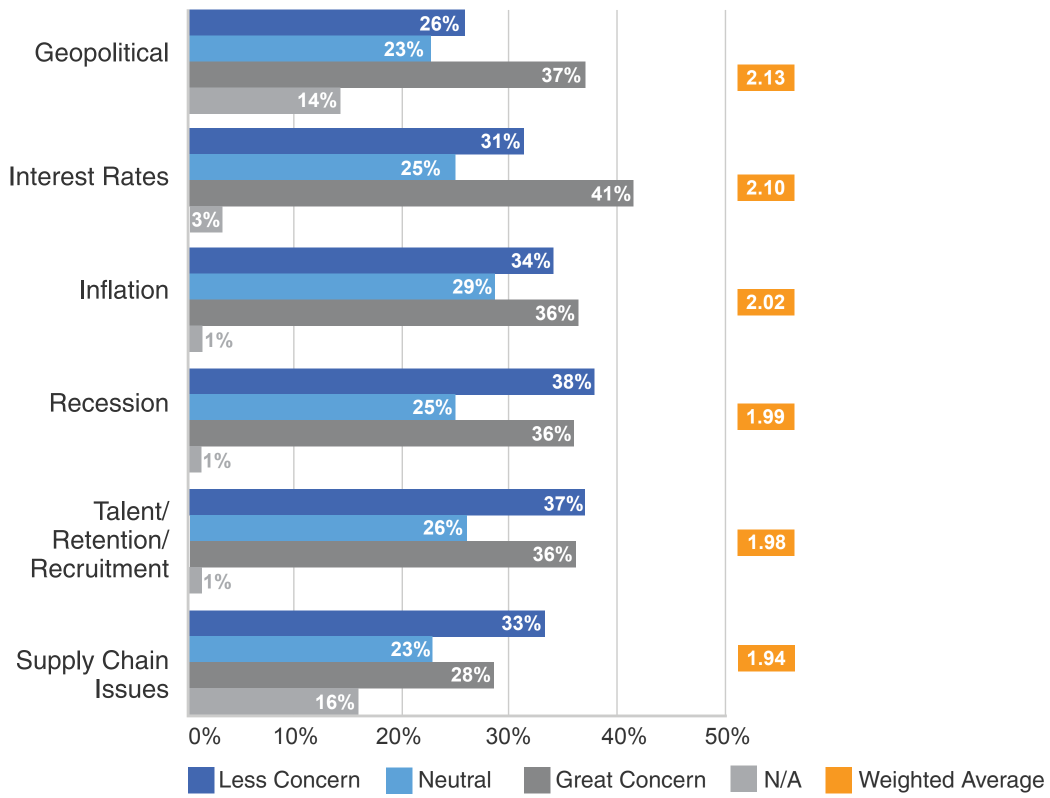
TAKEAWAYS

Market volatility may be pushing some organizations away from the stocks for now. Certain types of bonds can track the current level of U.S. inflation, which may account for their present popularity among respondents’ organizations.

What Keeps You Up at Night? Greatest Concerns?

What are corporate financial professionals most concerned about? Survey results reveal a constellation of factors that all revolve around the macro-economics.

Chief among these concerns are interest rates. Geopolitical risk, inflation, recession and talent follow closely. Note that respondents rank these concerns with relatively equal weight (see Weighted Averages). Surprisingly, recession ranks highest for *less* concern at 38%.



TAKEAWAYS

According to our survey results, 2023 will be a confusing and conflicted year. Compared to the clear economic constraints imposed during the pandemic, the supply chain crises of 2021, and the overwhelming worries around inflation in 2022, results show that no single business risk will be keeping finance executives up at night in 2023. Rather, results strongly demonstrate that each company will be exposed to the current economic climate in their own way, depending on a variety of their unique circumstances. Responses were disbursed relatively evenly across our laundry list of potential pain points for 2023.

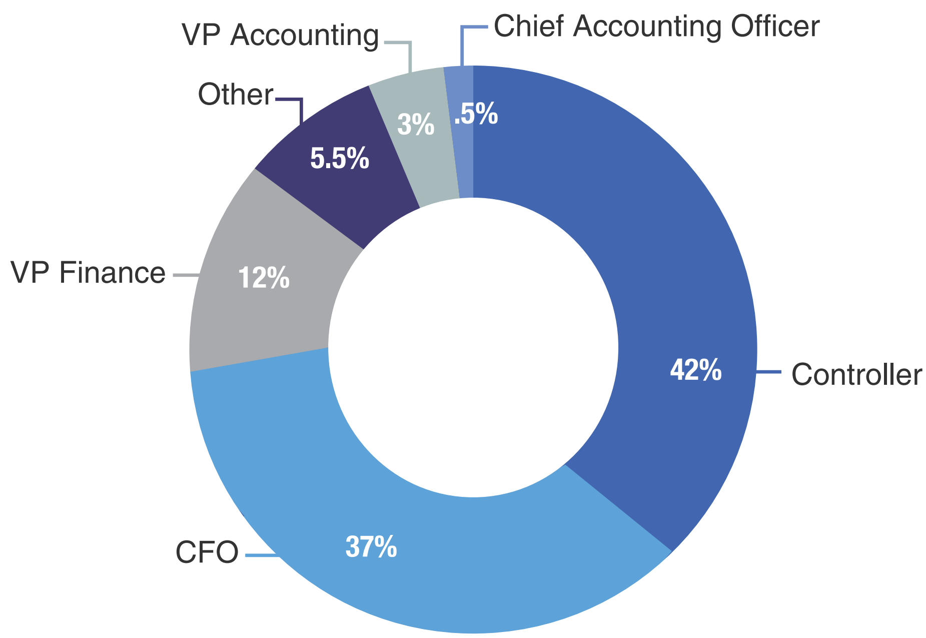
Talent acquisition also remains a chief concern. Recent trends — including the global pandemic, the "Great Resignation," and the CPA and accountant shortage — have presented challenges for companies trying to attract and retain the best talent.

It's likely that concerns over other areas may abate within the coming months, but accounting and finance departments have unique talent shortages that will continue to challenge organizations of all types and sizes.

Classification Demographics:

Title/Role

Respondents held a variety of job titles, the most common being Financial Controller (42%), followed closely by Chief Financial Officer (CFO — 37%). Other respondents self-identify as Vice President (VP) of Finance (12%) or Accounting (3%), Chief Accounting Officer (CAO — 0.5%), or "other" (5%). In sum, respondents represent the highest levels of corporate finance that are best positioned to share insights about their respective organization's outlooks.



Classification Demographics

Industry

The survey reflects a variety of industries and sectors. The top industries represented by the 2023 survey include Manufacturing/Distribution (18%), Professional Services/Consulting (17%), Non-Profit/Faith-Based Organizations (11%), Financial Services (10%), Technology/Software (9%), Construction (9%), Retail/Hospitality (6%), and Healthcare (4%).

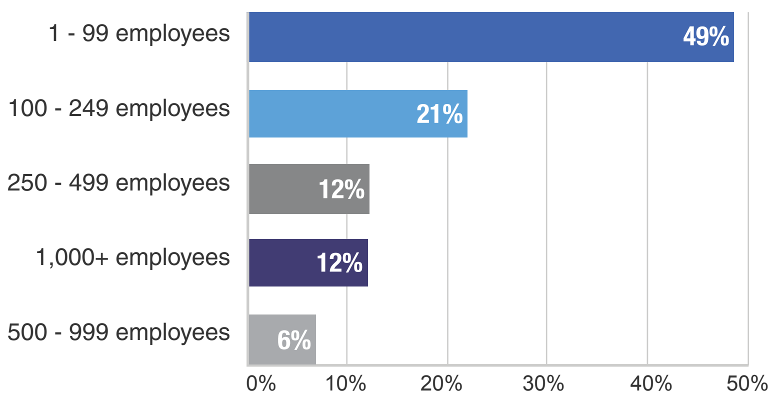
Respondents also represented Education (4%), Utilities/Transportation (3%), Publishing/Media/Marketing (2%), and Pharm/Biotech (1%).

Classification Demographics

Company Size (Number of Employees)

Most respondents (49%) represent small businesses with fewer than 100 employees. Roughly one-fifth of respondents (21%) represent businesses with 100 to 249 employees, while nearly one-third represent companies with headcounts of 250 and higher: 12% coming from companies of 250–499 workers, 6% coming from companies of 500–999 employees, and 12% coming from companies of 1,000 or more.

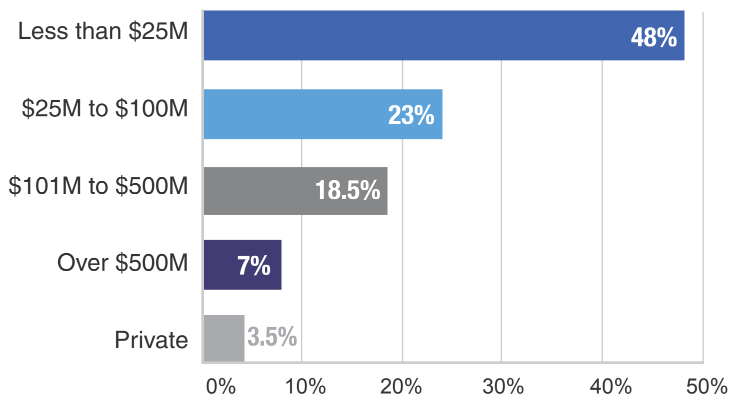
The respondents to the 2023 survey primarily represent small and medium-size businesses (SMB), which is consistent with North American averages. As noted, there are multiple, published references that SMBs are not only more optimistic in outlooks, but responsible for the majority of hiring.



Revenue

Business revenue roughly correlates with company size, with most respondents (48%) representing companies with annual revenue of less than $25 million. Roughly one-quarter (23%) came from businesses that generate between $25 and $100 million, and 18.5% came from businesses that earn between $101 and $500 million.

Only 7% came from companies that earn over $500 million, while 3.5% of respondents represent private corporations that do not report.



The 2023 Controller/CFO Sentiment Study: Cautious Optimism

As so many organizations depend on reliable financial data to guide their decisions, Controllers and CFOs are playing an increasingly important role in strategic planning and supporting the corporate vision.

2023 may be the best of times and the worst of times. Corporate finance executives are concerned about challenging macro-economic and business environments including persistent inflation, rising interest rates and recessionary pressures, along with geopolitical instability and talent shortages. The latter is particularly acute in corporate accounting and finance.

Despite these barriers, respondents still indicate extraordinary optimism regarding their organizations' financial future as well as 2023 revenue, and nearly half expect to see an increase in their headcount in the coming year.

If the latter half of 2023 brings relief from inflation and stability to interest rates, the outlook of American business may match the cautious optimism reflected in this survey. Now that CFOs and Controllers are taking on an advisory role, their advisory services will have a dramatic impact on business strategy and outlook, especially in the final quarters of the coming year.

However, it's not altogether clear when and how talent shortages will subside even if the economy improves. Staffing challenges may continue to affect businesses in the near future. Controllers and CFOs can assist by evolving their training and compensation packages to attract and retain top talent.

The present survey also introduced new business metrics — the Controller/CFO Financial Performance Index (FPI) and Spending/Budget Index (SBI). The data revealed by this survey will serve as a benchmark for future studies, providing a means of analyzing financial sentiment and spending over time.

Thank you for taking the time to engage with the 2023 Controller/CFO Sentiment Study. To view the latest research studies, visit the Controllers Council Research Studies page.

Thanks to our sponsor, Sage, for its contribution to the study. Organizations looking to streamline their workflow can rely on Sage's integrative solutions to improve business performance.

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About the Controllers Council

The **Controllers Council™** is a national community and platform for Controllers, CFOs, and corporate accounting and finance professionals focused on career development and training, peer interaction, recognition and more. With more than 100,000 members and subscribers, Controllers Council programs include CPE training, a national Career Center, webcasts with expert panelists on trending topics, research studies, articles and whitepapers. Controllers Council produces the annual Controller of the Year Awards, Meet the Controller interview series, and the Seal of Approval program.

For more information, visit **www.ControllersCouncil.org,** or email Executive Director Neil Brown at neil@controllerscouncil.org