Leading the return to growth

Finance leaders forge a path from defense to offense.

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Executive summary

Finance leaders are being pulled in multiple directions. They face tremendous economic and geopolitical uncertainty – not to mention new risks caused by digital technologies. But they can also see huge growth opportunities for their teams and the wider business.

To succeed, they'll need to master a careful balancing act. Short-term risk mitigation must be coupled with positioning for long-term growth. Defense must be paired with offense. Our fourth annual survey of senior finance leaders in businesses across the U.S. shows that they're getting better at balancing conflicting priorities. They're controlling costs while investing in new technology. They're mitigating risks while striving to improve customer experiences. But they have a long way to go, and they'll need new skills to meet their objectives.

Key findings from our research

1

There's a greater focus on costs.
Cost control is finance leaders' top priority: 44% say cutting costs and driving efficiencies in the finance function is a top priority, which is up six percentage points from 2023 and almost double the proportion in 2021. Their second-highest priority is cutting costs across the business.

2

The long-term economic outlook is positive.
Almost six in 10 (58%) finance leaders are positive about the three-year outlook for the U.S. economy, compared with only 37% who are optimistic about the next 12 months. The majority (61%) have a positive outlook for the financial prospects of their business in the next three years, while 45% feel as optimistic about the next 12 months.

3

Increased business risk prompts action.
Concerns about geopolitical tension have risen: 26% flag this as a top-three risk, compared with 17% in 2023. In contrast, worries about inflation have subsided, with only 25% identifying this as a top-three risk, compared with 38% in 2023. A high proportion (39%) of finance leaders are not confident in their ability to manage new threats, and some are exploring how artificial intelligence and financial hedging strategies can help them.

4

Digital transformation is about to take off.
Finance leaders admit there's been limited progress on digital transformation in the past 12 months. But that could change soon: 34% are exploring emerging technologies, up from 27% in 2023. And they might find that implementation of new technologies is becoming easier: only 29% say that reluctance and resistance to change is a major transformation barrier, compared with 40% last year.

5

Interest in payments transformation surges.
Risk mitigation and payment automation have risen in importance to become the top two drivers of payments transformation. Improving vendor and customer payment experiences ranks third. These drivers are propelling the adoption of digital payments. For example, 51% currently use instant payments through the RTP® network and FedNow® Service, up from 42% in 2023 and 38% the year before – and 80% plan to use them within two years. This growing adoption is inspiring businesses to consider even more ways to leverage digital payments, including opportunities to embed payment capabilities into their existing systems.

1

Offense and defense: Finance faces a delicate balancing act.

The cost control mission threatens growth strategies.

Some 44% of finance leaders say that cutting costs and driving efficiencies in the finance function is a top-three priority. This is a six-percentage-point increase from 2023 and almost double the 23% who said the same in 2021 when this research launched. In 2021, controlling spending was eighth on finance leaders' agenda. It's now their top priority. As in previous years, finance leaders say investing in new technology is the primary route to delivering savings.

Amid economic and geopolitical uncertainty, finance leaders are cutting costs to preserve margins. The U.S. economy performed better than expected in 2023 and early 2024, but when the research was conducted, the outlook was still unclear, and inflation was showing signs of stickiness. Add geopolitical tension, high interest rates and the looming U.S. election, and it makes sense that almost as many finance leaders are negative as positive about short-term economic prospects.

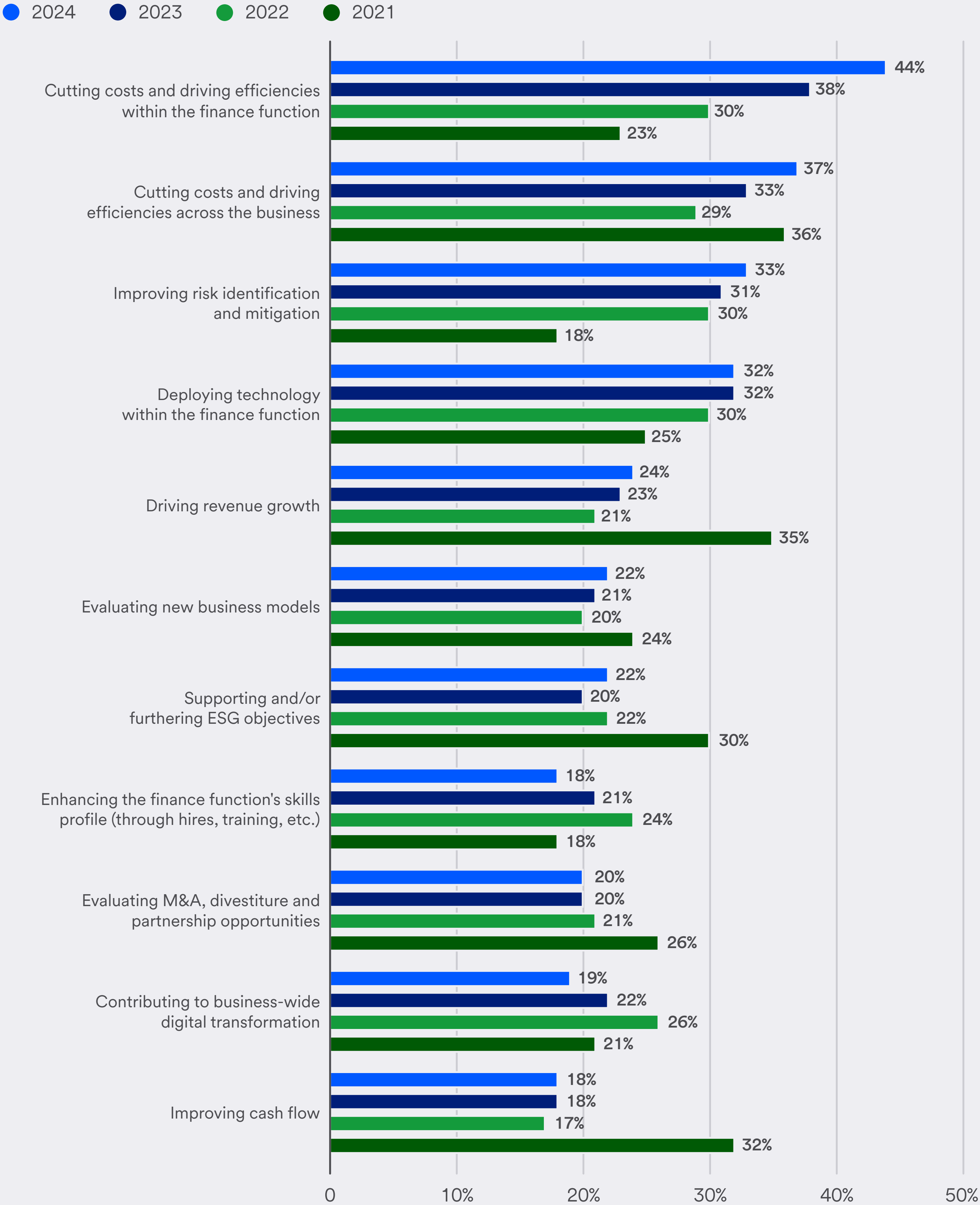
Improving risk identification and mitigation is finance leaders' third priority. Last year, it was fourth. In contrast, growth initiatives have had to give way. Driving revenue growth is finance leaders' fifth most important priority – down from second in 2021.

44%

of finance leaders say that cutting costs and driving efficiencies in the finance function is a top-three priority.

Cost cutting is the top priority.

% who say that the following are their finance function's greatest priorities for the next 12 months



But growth is still important.

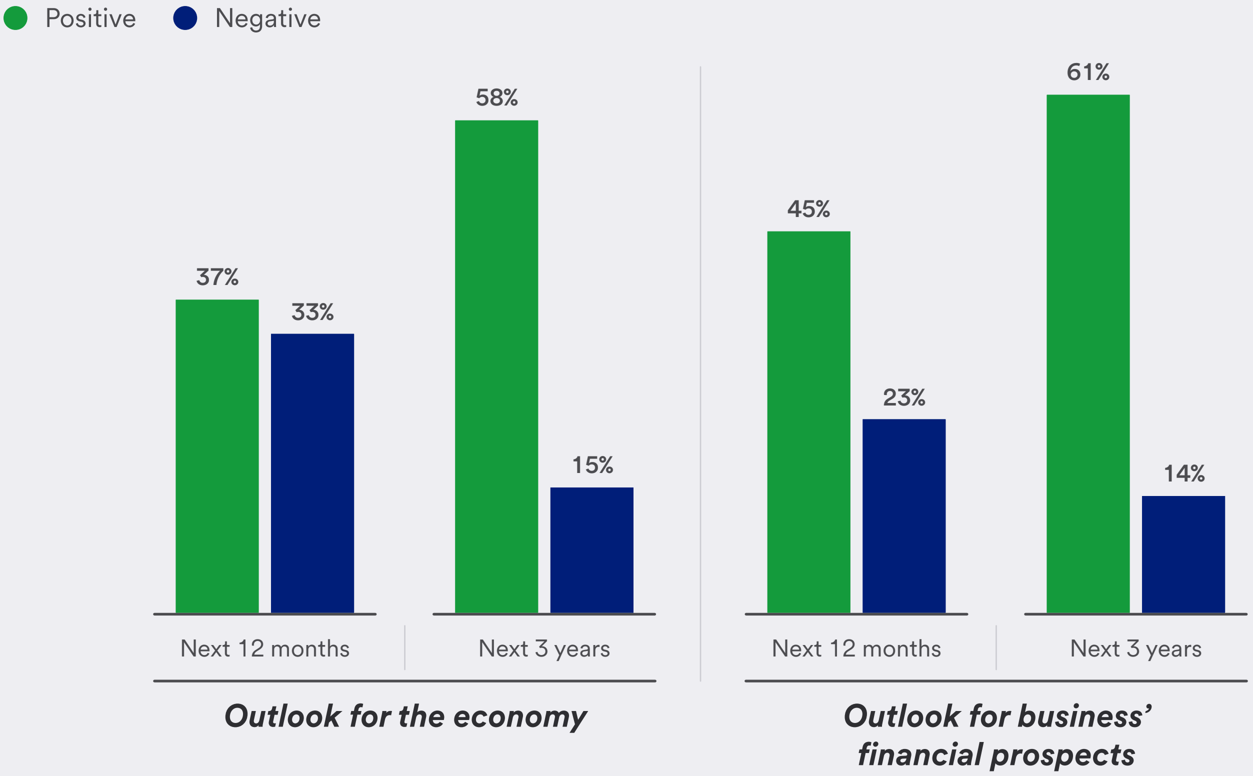
The data might show an immediate focus on costs, but anecdotally, finance leaders say they're rebalancing their focus toward growth initiatives. "Years ago, the role of a CFO had more to do with compliance," says Michelle Hook, CFO at the restaurant group Portillo's, a public company listed as PTLO on the NASDAQ. "But we're now more focused on growth. For example, we're modernizing the back office so that it can support overall business growth. This includes automating systems, driving insights, and understanding how best to communicate these findings with the business."

This could be because they're more optimistic about the longer term: 58% are positive about the three-year outlook for the U.S. economy, compared with only 37% who are optimistic about the next 12 months.

"I am more positive than negative about what's going to happen to the U.S. economy during the next 12 months," explains Matthew Schoeppner, senior economist at U.S. Bank. "We expect positive economic growth and only put the chance of recession at 25%–30%, which is about half of the probability at this point last year. That said, high rates and prices will continue to weigh on business investment and consumer spending, and the economy is still vulnerable."

Short-term uncertainty, long-term optimism

% who say that they have a positive or negative outlook for the U.S. economy or their business's financial prospects for the next 12 months and three years



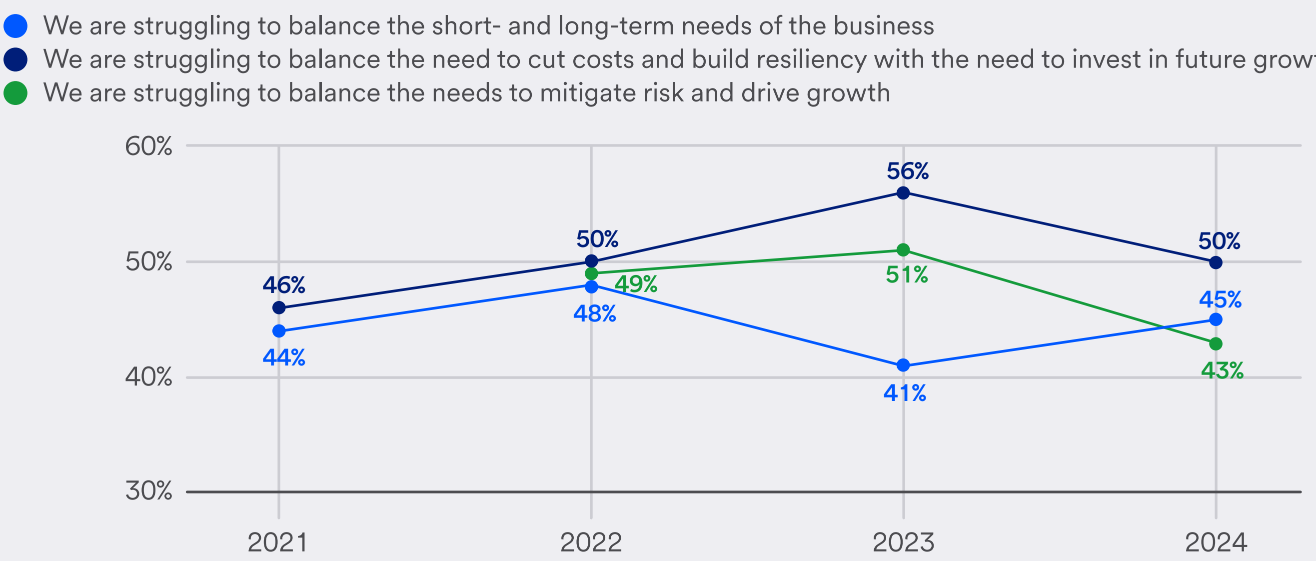
Finance leaders are also more confident about being able to go for growth at the same time as being more defensive by mitigating risk and cutting costs. Just 43% now struggle to balance the needs to mitigate risk and drive growth, compared with 51% in 2023.

"Success requires a delicate balance between long-term offensive strategies, such as forecasting and strategizing, and short-term defensive strategies, such as cutting costs," says John Stern, CFO at U.S. Bank. "This is essential in an environment where the pace of change accelerates every year. You must always have a long-term view, but you won't be here for the long term if you don't manage the short term."

Balancing cost control and growth is becoming easier.

% who agree with the following statements

Note: The statement "We are struggling to balance the needs to mitigate risk and drive growth" was first introduced in 2022.



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Business risk: Inflation fears drop – but geopolitical worries grow.

Risks are in flux.

Just 25% of finance leaders rank ‘high inflation’ as a top-three risk, significantly down from 38% last year, when inflation was markedly higher.

For the third year running, finance leaders say that talent shortages are their top business risk, and the pace of technology change and digital disruption is second.

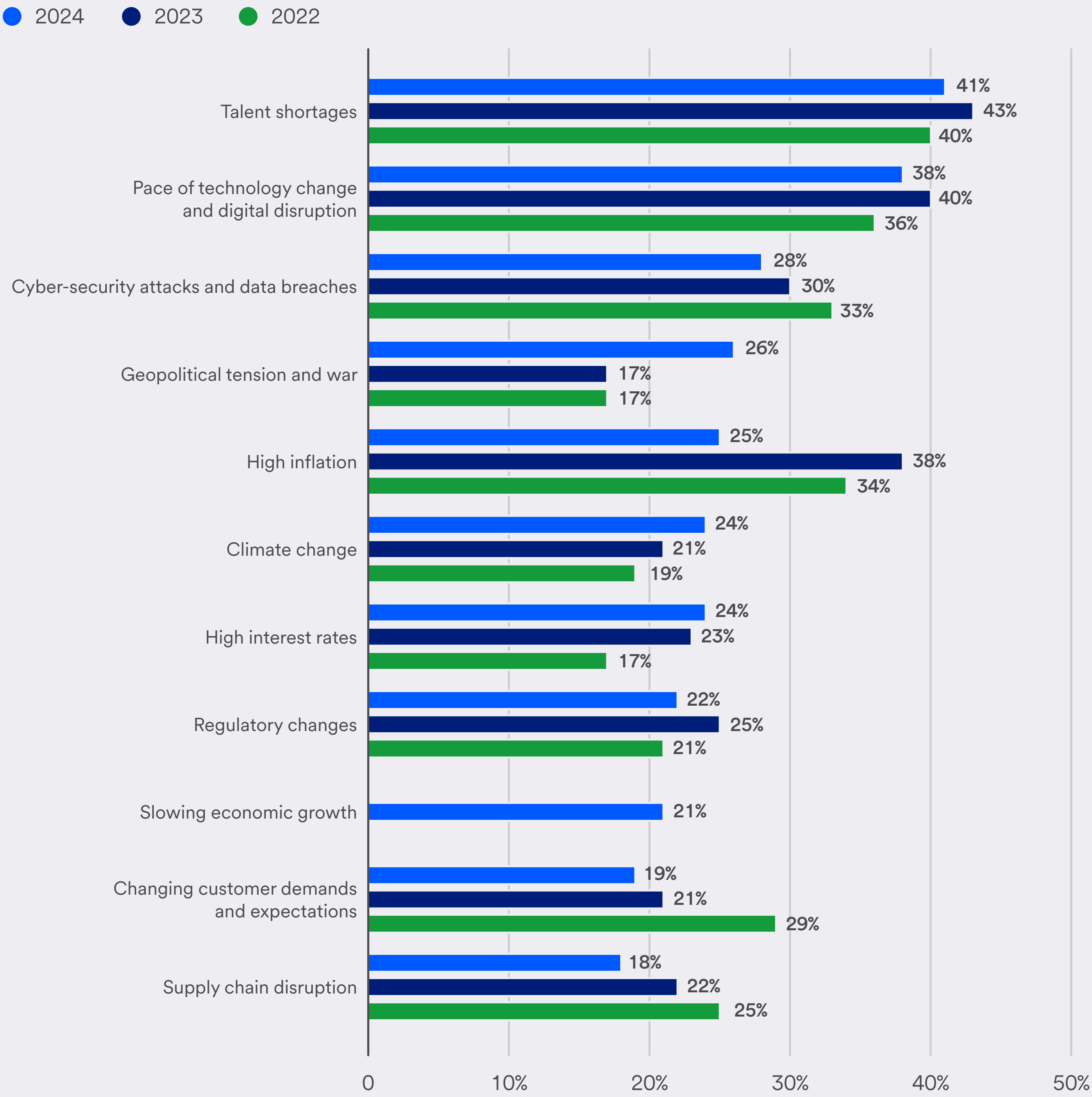
Geopolitical tension and war, meanwhile, has risen from 10th position to fourth. Finance teams will need to apply their vast data expertise and unparalleled understanding of the entire business to assess and quantify the potential impact of disrupted supply chains and declining demand in certain regions – and then propose mitigation measures.

“The role of the CFO has changed drastically in just five years,” says Stern. “We used to mainly be preoccupied with forecasting, planning and investment management. Now, managing potential risks around inflation, cyber security and political matters has also become a high priority.”

25%

Just 25% finance leaders rank ‘high inflation’ as a top-three risk.

Geopolitical risk rises on the agenda.
% who say that the following risks are currently top of the agenda for their business
Note: The answer "Slowing economic growth" was introduced in 2024.



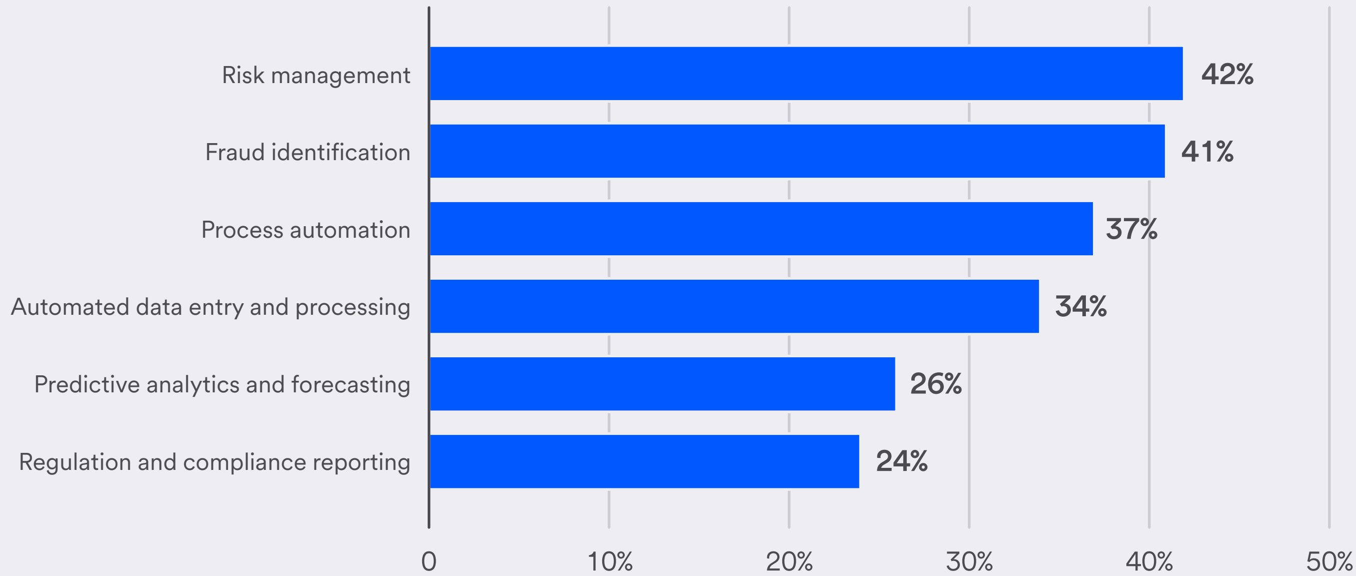
Different sectors worry about different risks. For example, cyber-security attacks and data breaches are the transportation and logistics sector's top risk, while the pace of technology change and digital disruption is top for insurance, private equity, automotive, and aerospace and defense.

Enter AI, the threat detector.

Almost four in 10 (39%) finance leaders say they're not confident about their ability to manage and mitigate new risks. They're hoping that help will arrive in the form of artificial intelligence (AI): 51% are prioritizing investing in AI in the finance function, and risk management is their main motivation.

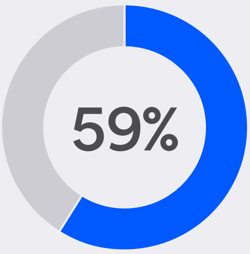
AI can help finance teams mitigate risks by, for example, flagging potential instances of fraud by recognizing unusual transaction size and frequency, payee changes or multiple transactions being executed from the same device.

Top AI applications: Risk management and fraud.
% who say that the following are top priorities for using AI in the finance function



Strong focus on hedging

Finance leaders plan to look again at hedging as a response to global volatility. The majority (59%) say they need to improve their interest rate hedging strategy, and 57% say they need to improve their foreign exchange hedging strategy.



say they need to improve their interest-rate hedging strategy.

“In the past decade, we’ve had a very low interest rate environment, and foreign exchange volatility has been relatively muted,” says Stern. “Now, interest rates are higher globally, and we’re in a situation where they could go up or down. Global events are making markets more volatile, and so being more balanced and hedged is a more defensive and sensible mechanism.”

3

Digital transformation of the finance function is set to accelerate.

Aspiration has to become action.

The research indicates that finance leaders are not satisfied with their progress in digitally transforming their function. Almost half (46%) say that they're still at the early stages, which is a similar proportion to last year. And when asked (in a new question this year) to rate their level of satisfaction with digital transformation on a 10-point scale, just 21% chose eight or above.

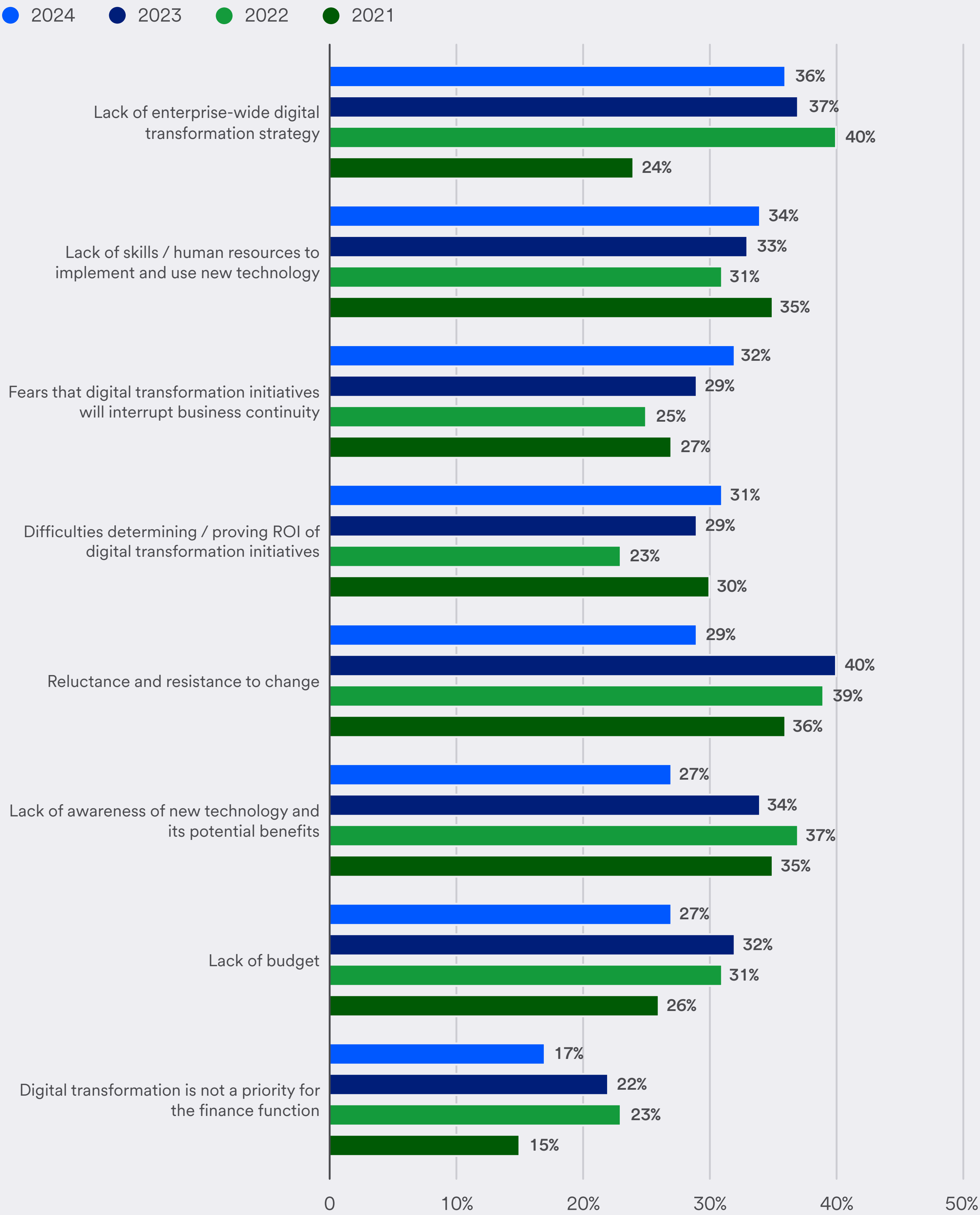
But this could be about to change. About one-third (34%) are currently exploring emerging technologies – up from 27% in 2023. Even more significantly, the barriers to change are falling: just 29% say that reluctance and resistance to change is a major transformation barrier, down from 40% last year. And only 27% say that a lack of awareness of new technology and its potential benefits is a barrier, compared with 34% in 2023.

34%

of finance leaders are currently exploring emerging technologies.

Some important barriers to digital transformation are fading.

% who say that the following are the greatest obstacles to executing digital transformation initiatives within the finance function



If willingness to invest in technology and awareness of its potential have increased, why aren't finance functions acting? According to our survey data, it's likely to be because they lack two things: an enterprise-wide digital transformation strategy and skills to implement new technology.

So, to implement new tools successfully, finance teams will need to access a wide range of digital, data and change-management expertise. This might prompt finance leaders to reprioritize: enhancing the function's skills profile through hires and training is only their 10th priority.

"The finance function today is much more than simply crunching numbers," explains Hook. "We need folks who are comfortable with advancements in technology and a changing environment. It requires inquisitive individuals who can communicate effectively with the wider business about how our analysis can deliver value."

Other barriers that have risen on the agenda include concerns that new technology will disrupt business operations, and the difficulties of working out the return on investment of transformation initiatives.

"There's a lot more willingness, but there's also more uncertainty," says Stern. "Finance managers might want to implement new technology, but they're having to be cost-conscious. If their main task this year is to cut and manage expense, then they're probably going to do that with tools they know well, rather than risk trying something new."

ESG comes back to life.

Between 2021 and 2023, the proportion of finance leaders stating that ESG forms part of their remit or that they are clear on the role that they should play in addressing ESG issues dropped significantly. That trend reversed this year: 64% say their function should play an important role in addressing ESG issues, compared with 60% in 2023. And 58% say they're clear about the role that finance can play in ESG, up from 51% last year.

Businesses based in the West (67%), Midwest (66%) and New England (66%) are more likely to say their finance teams should play an important role in ESG than those in the Southwest (60%) or South (58%).

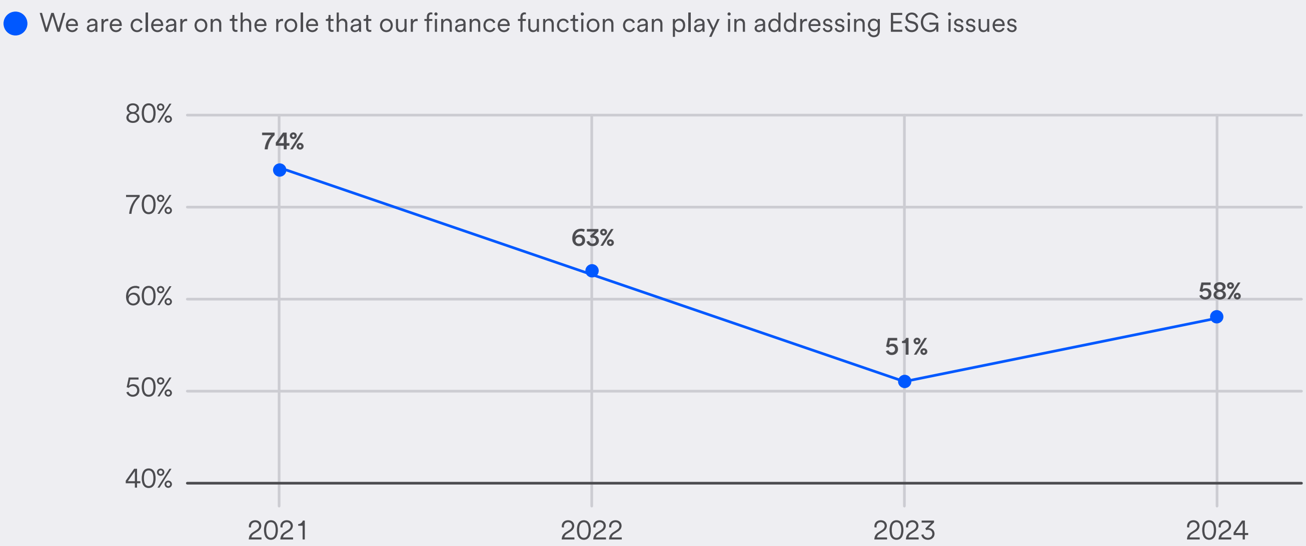
This resurgence could result from a growing awareness of climate change risk: 24% of finance leaders say this is a top-three business risk, compared with only 19% two years ago. It might also reflect the growing awareness of carbon disclosure regulations or even the business opportunities associated with climate change that were highlighted in the Inflation Reduction Act.

"A large part of the resurgence is the need to focus on compliance," explains Marcus Martin, head of ESG for global capital markets at U.S. Bank. "In particular, California's new climate change disclosure laws will come into effect in 2026 and are expected to have a Scope 3 requirement. But calculating Scope 3 isn't easy, and many businesses are far from ready to report on this."

In addition, finance leaders are becoming more directly involved in ESG through their business's purchase of environmental offsets, and renewable energy offsets are at the top of the list. About half (49%) plan to purchase these in the next 12 months, which is significantly more than the number planning to purchase other types of offset, such as carbon credits (29%) and reforestation offsets (22%).

Rising clarity on the role that the finance function can play in addressing ESG issues

% who agree with the statement "We are clear on the role that our finance function can play in addressing ESG issues"



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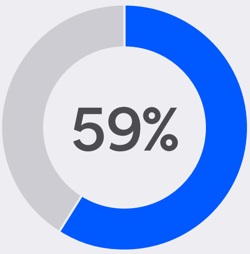
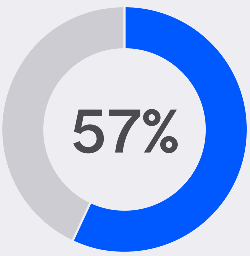
Payments transformation: Momentum is growing.

More risk fuels more innovation.

Risk mitigation and automation have significantly increased in priority and are now finance leaders' top reasons for transforming payments throughout their financial operations.



say that decreasing risk in payments is important in the next 12 months, compared with just 46% a year ago.



say that automating payments is important in the next 12 months, compared with 48% last year.

Customer experience is also a top-three priority. Over half (54%) of finance leaders say that improving the vendor and customer payment experience is important in the next 12 months, compared with 51% in 2023. In parallel, finance leaders' desire to increase the efficiency of back-office payments and integrate finance systems with banking partners has grown during the past 12 months.

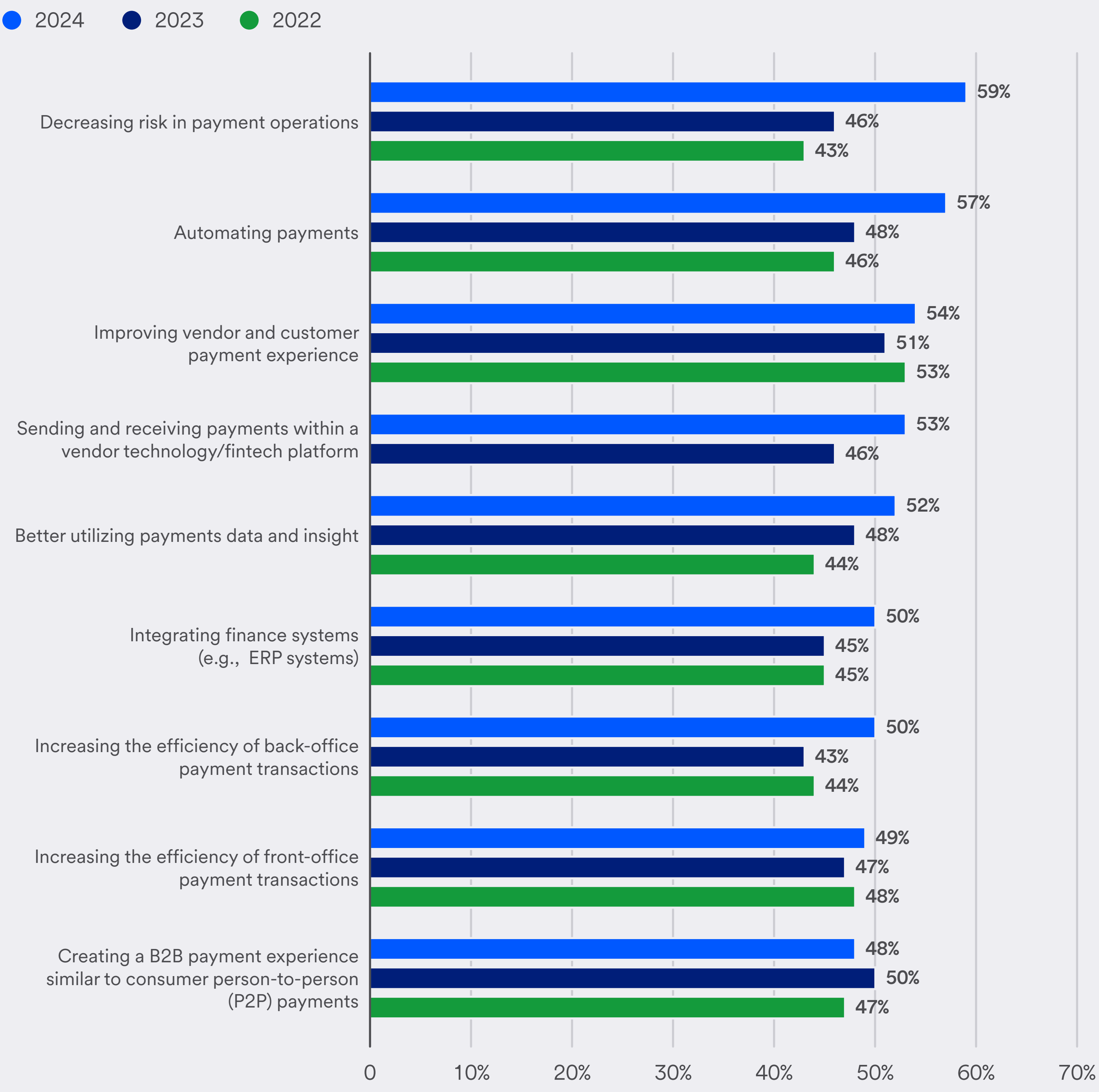
54%

of finance leaders say that improving the vendor and customer payment experience is important in the next 12 months.

Finance leaders have to balance a range of objectives when they adjust how payments are made and received. "Implementing payment initiatives is important for businesses as it enables them to give customers the best experience," says Mike Jorgensen, head of emerging solutions and strategy at U.S. Bank. "But it has to be done in a secure, risk-oriented and risk-managed way that meets every market and customer requirement."

Decreasing risk, automation, and customer experience are the most important drivers of payments transformation.

% who say that the following payments transformation initiatives are important and very important in the year ahead
Note: The answer "Sending and receiving payments within a vendor technology/fintech platform" was introduced in 2023.



Demand for instant payments soars.

The use of instant payments is expected to surge in the next two years. About half (51%) currently use instant payments through the RTP® network and FedNow® Service, up from 42% in 2023 and 38% the year before. A staggering eight in 10 expect to use instant payments two years from now.

In our two previous surveys, B2C firms led the adoption of instant payments. Now, adoption is also growing in B2B sectors. For example:

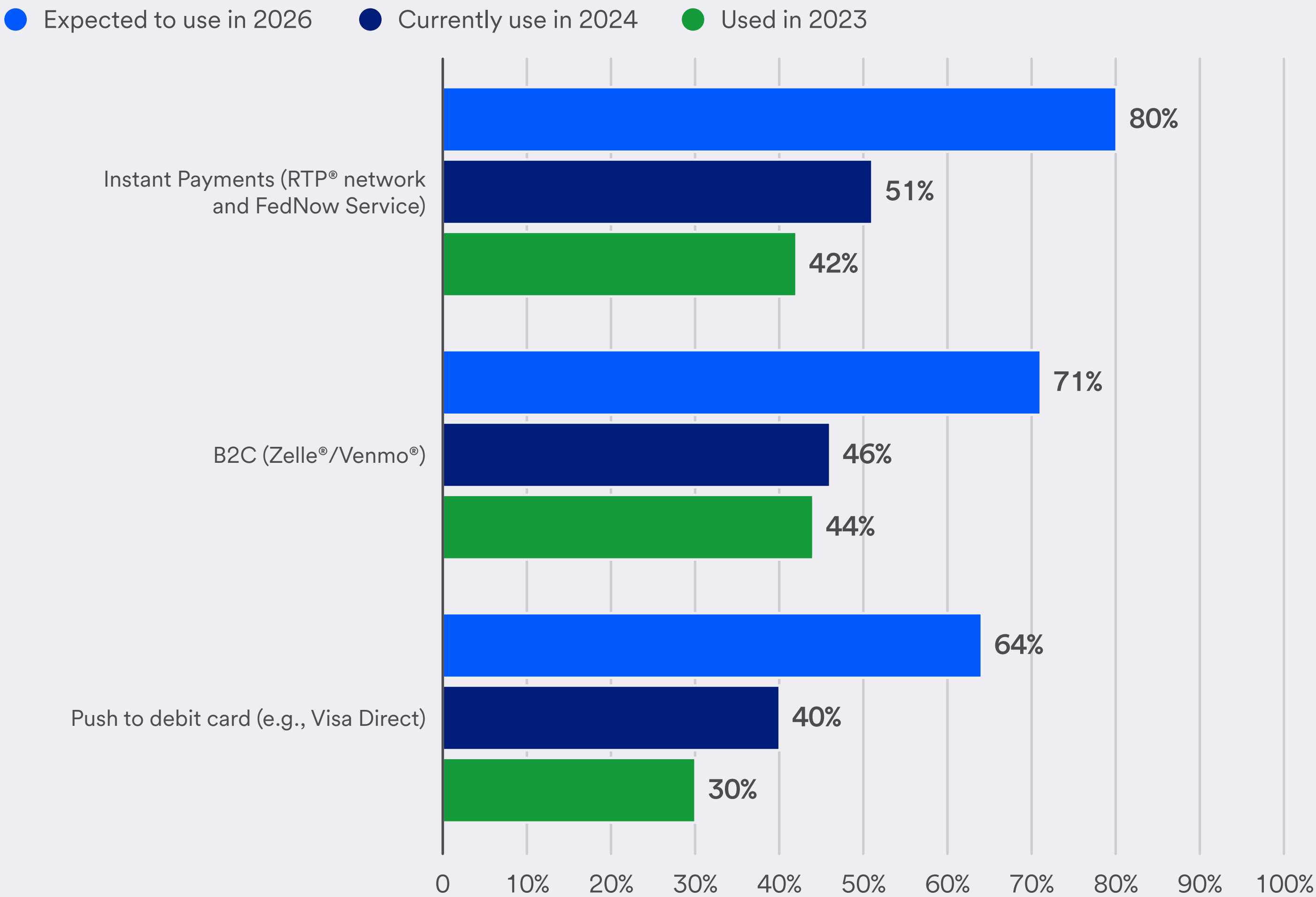
» **40% use instant payments in aerospace and defense,** up from 30% last year.

» **48% use instant payments in business services,** compared with 34% in 2023.

» **49% use instant payments in the technology sector,** an increase from 42% last year.

Use of push to debit card is also surging: 40% use this payment method today, compared with 30% in 2023. Two years from now, 64% expect to use push to debit card.

The growth of faster payments accelerates.
% who say that they currently use or are planning to use the following payment types in their organization



Business use of instant payments is growing because it improves experiences for customers and employees, creates back-office efficiencies and mitigates risks such as fraud. “With instant payments through the RTP® network, firms can ask vendors to send a ‘request for payment’ through their bank account,” says Anu Somani, head of global payables and embedded payments at U.S. Bank. “This request has all the necessary details that determine the vendor’s credibility. Once the request is approved, the payment can be made instantly and safely, enabling the firm to deliver phenomenal customer service while also mitigating risk.”

Instant payments also support industries heavily reliant on the gig economy. Wages that would traditionally be transferred using the automated clearing house (ACH) system, which requires a debit and a credit transaction, can now be transferred through the RTP® network or FedNow® Service. This ensures that gig workers can be paid immediately after having completed a job.

As such, there’s been a rise in digital payments in sectors that rely on gig workers. In the hospitality and leisure sector, as many as nine in 10 (90%) expect to use instant payments in 2026. In consumer and retail, 82% expect to use B2C (Zelle®/Venmo®) payments in two years. And in business services, 70% expect to use push to debit card in 2026.

“Growth in instant payments was primarily driven by a need to create great customer experiences,” explains Jorgensen. “But we are now seeing more back-office applications. There are very interesting use cases in payroll, the gig economy and anywhere where a company needs to move money better and faster.”

From instant to seamless money movement

Finance leaders’ goals of reducing risk, automating payments processes and improving customer experiences, coupled with the growing popularity of digital payments, are increasing their interest in new approaches to making and receiving payments. In particular, our survey data shows there’s growing interest in embedding payments and, more specifically, using fintech and ERP platforms to move money:

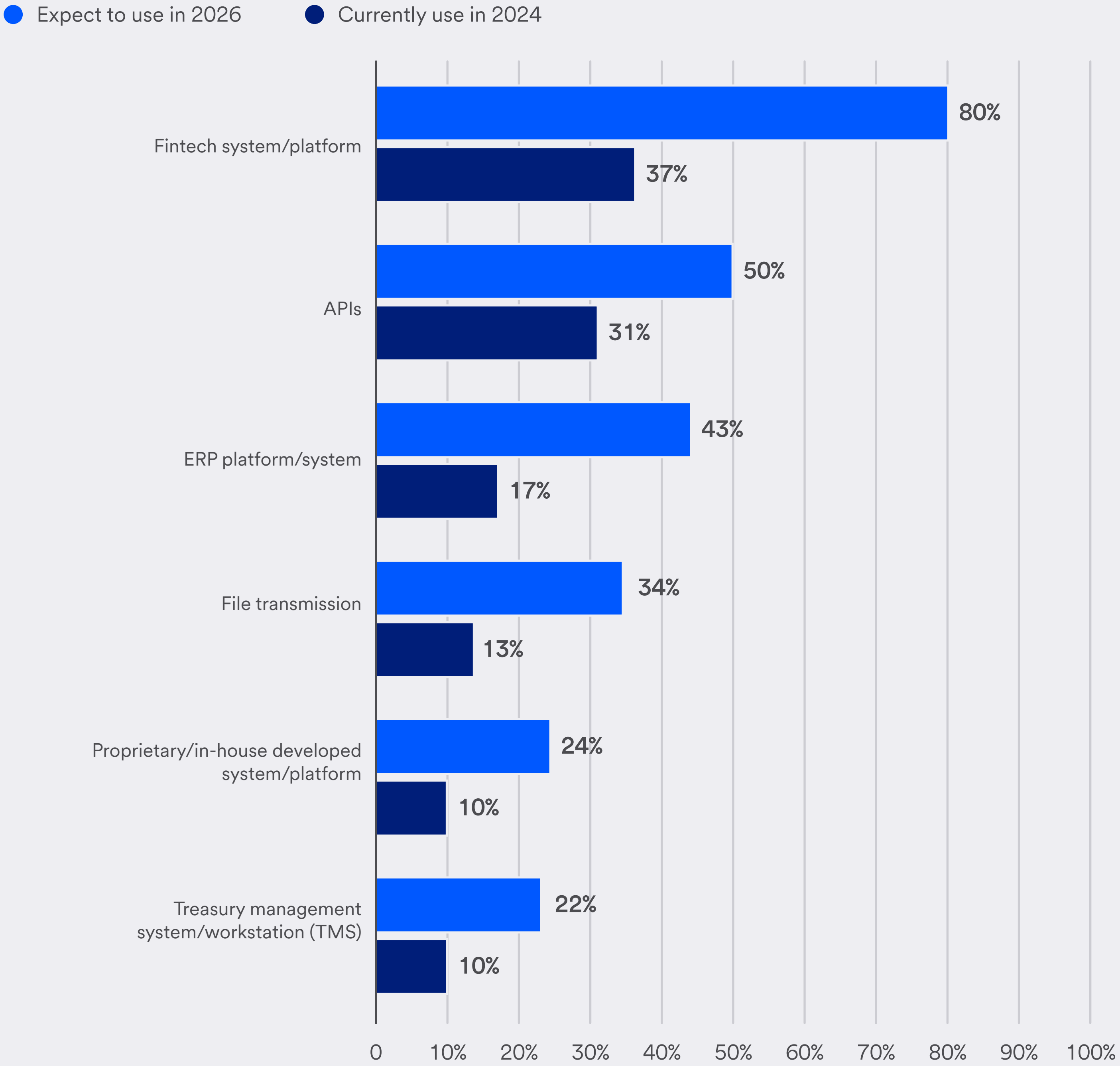
- **80% expect to use fintech platforms or systems for payments in the next two years** – just 37% use them today.
- **43% plan to use ERP platforms for payments in two years** – only 17% use them today.

This increased motivation is driven largely by companies’ focus on creating differentiated experiences and efficiencies to gain a competitive edge. More and more, companies are looking to deliver seamless money movement for their own customers alongside the specialized capabilities of fintech platforms. Many also focus on gaining their own operational efficiencies by embedding payments into existing workflows and systems. For example, when you embed payment capabilities into ERP systems, you can originate secure payments from a single platform. This automates the whole process, reducing errors from manual data entry and providing firms with more accurate real-time insights into overall operations.

“Clients no longer have to take part in a disjointed process,” says Somani. “Instead, the information from the bank flows both ways – from the origination to the balances – and clients are able to continue working in a world that they’re used to.”

Embedding payments in fintech and ERP systems is expected to surge.

% who say that their company currently uses or is planning to use the following to move money, initiate/send payments, or receive payments



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Conclusion

As they balance short-term and long-term goals, finance teams will need to do more.

For the third year running, finance leaders say that talent shortages are their top business risk, and the pace of technology change and digital disruption is second. And despite over half investing in AI to mitigate risk, 39% aren't confident in their business's ability to manage new threats.

Today, finance leaders are far more willing to experiment with new technology and innovative payment systems, but progress on digital transformation in the past 12 months has been limited: 46% say they're still at the early stages – in line with the 45% in 2023.

To overcome these challenges, CFOs need to strike a delicate balance between long-term offensive and short-term defensive strategies. They must control costs while investing in new technology, mitigate risks while striving for growth and improving customer experiences, and restructure the workforce while nurturing talent.

They must lead the return to growth.

About the research

The results of this research are based on a survey conducted in January and February 2024 of 2,030 senior finance leaders who work in U.S. businesses across multiple sectors.

Half of the survey participants are company, regional or divisional CFOs. The remainder are senior managers within the finance function. Every surveyed finance leader works for a business that generates at least $100 million in annual revenue, and 30% work for a business that generates at least $2 billion.

We also carried out interviews with the following people:

» **Anu Somani**
Head of global payables and embedded payments, U.S. Bank

» **John Stern**
CFO, U.S. Bank

» **Marcus Martin**
Head of ESG for global capital markets, U.S. Bank

» **Matthew Schoeppner**
Senior economist, U.S. Bank

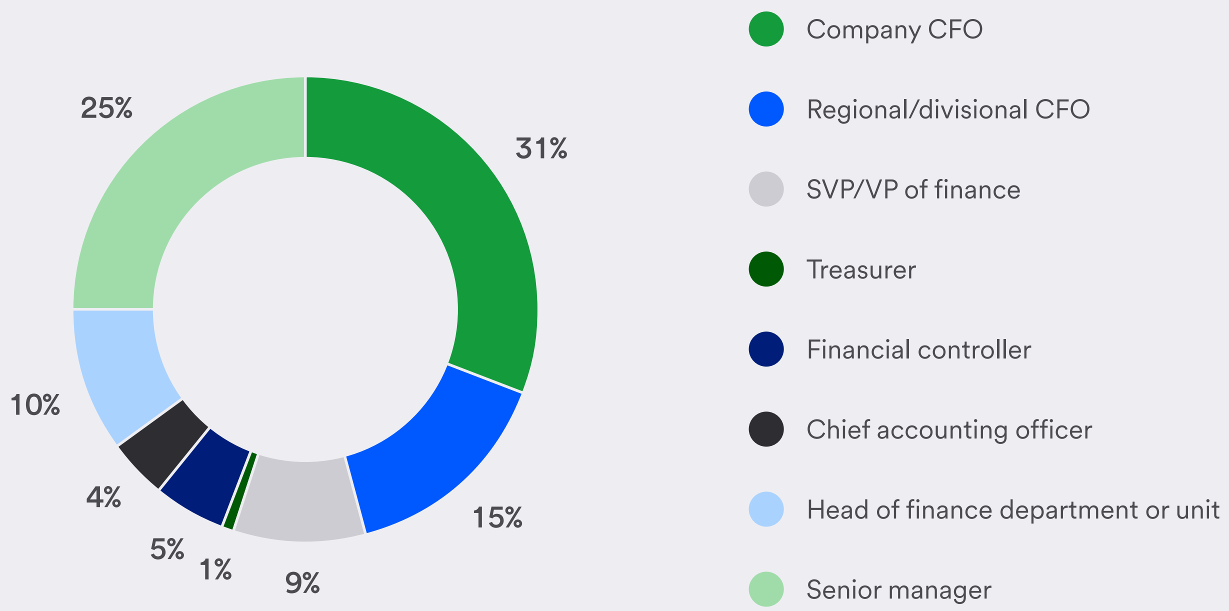
» **Michelle Hook**
CFO, Portillo's

» **Mike Jorgensen**
Head of emerging solutions and strategy, U.S. Bank

This report follows "Leading the transformation," a U.S. Bank survey of 1,420 finance leaders released in 2023. The previous edition of our research, "Leading through uncertainty," was released in 2022, and we launched the series with "Leading the recovery" in 2021. Several questions in the research are repeated this year so we could show how sentiment has changed.

* For a complete breakdown of job role and company revenue, visit usbank.com/cfo-insights.

Job title



Company revenue breakdown