

How Economic Uncertainty is Impacting Financial Planning for 2023

[This article first appeared on OneStreamsoftware.com by John O'Rourke.](#)

2022 has been a challenging year for individuals and corporations. Geo-political instability due to the war in Ukraine has led the headlines for most of the year, along with higher fuel prices, widespread inflation, continued supply chain bottlenecks, rising interest rates and falling financial markets. With planning and budgeting season upon us, what assumptions are CFOs and Finance executives making about what lies ahead and how is that impacting corporate financial planning for 2023?

Taking the Pulse of Financial Leaders

To understand how financial leaders are planning for 2023, OneStream Software sponsored a Hanover Research survey of over 650 Financial Decision Makers in the North America, as well as EMEA. The goal of the survey was to understand financial leaders' expectations for 2023 regarding inflation, potential recession, supply chain disruptions, talent management, ESG and DEI initiatives, and technology investments. Read on to learn the results of the Fall 2022 [Financial Decision Makers Outlook](#) survey.

Economic Headwinds Persist

According to the Fall 2022 survey, economic disruptions/recession are still the top concern for nearly half of organizations for 2023, far outdistancing concerns about talent shortages, cybersecurity, supply chain disruption, and geopolitical disruption. This was also the top concern earlier this year at 30%; however, in the Fall 2022 survey, this rose to 47% of respondents (see figure 1).

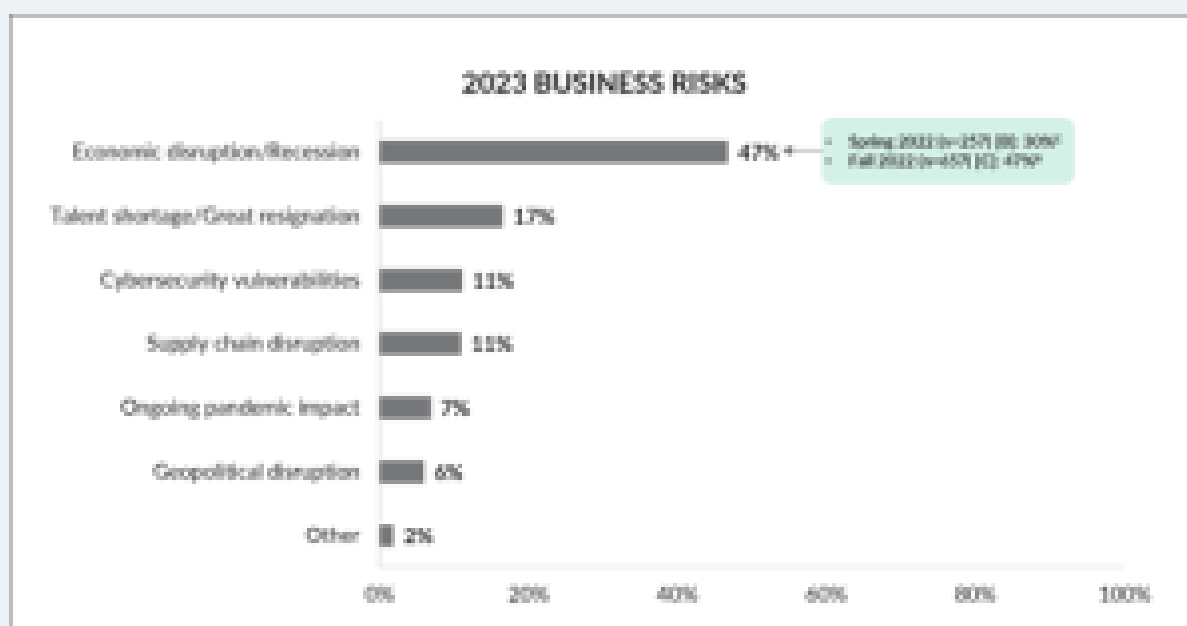


Figure 1 – Top Business Risks for 2023

With inflation continuing to plague both individuals and enterprises, price increases are the number one way that businesses have dealt with inflation (56%), followed by slowed hiring or reduced specific operational costs (47%). Nearly half of businesses have slowed hiring or reduced specific operational costs, another significant increase from a year ago (see figure 2).

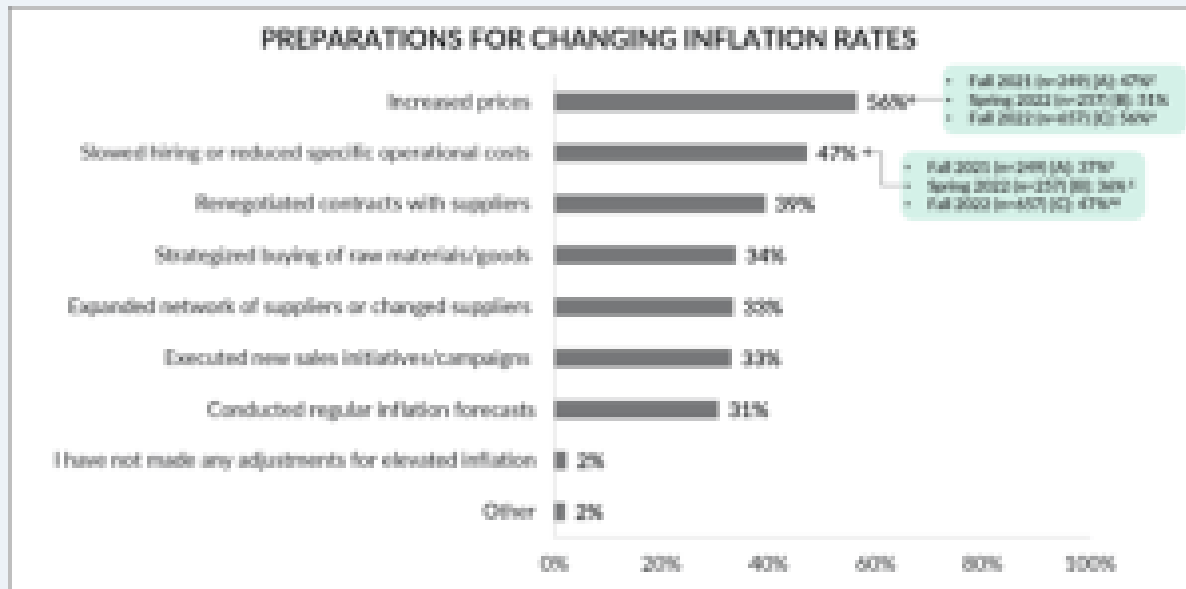


Figure 2 – Preparations for Changing Inflation Rates

With regards to the potential for recession, similarly, two-thirds of financial leaders expect a recession to occur and last until late 2023 or later. Three-quarters of financial leaders also expect the pandemic-related supply chain issues to continue into 2023; however, very few (8%) expect it to extend beyond 2023. Most financial leaders (85%) have made at least slight alterations to their 2023 forecasts and strategies in preparation of an impending recession, according to the survey.

DEI and ESG Initiatives Still in Focus

Despite the economic headwinds that are predicted, and with the new mandatory disclosure requirements being proposed by the US SEC and regulators in other countries, investments in ESG and DEI remain a priority. Half of organizations surveyed expect to invest more in DEI and ESG goals and Initiatives in 2023 than in 2022. This is a significant drop compared to expectations from earlier this year (65% in DEI and 60% in ESG). Still, over a third of enterprises expect to invest the same in DEI and ESG in 2023 (38% and 39%, respectively) (see figure 3).

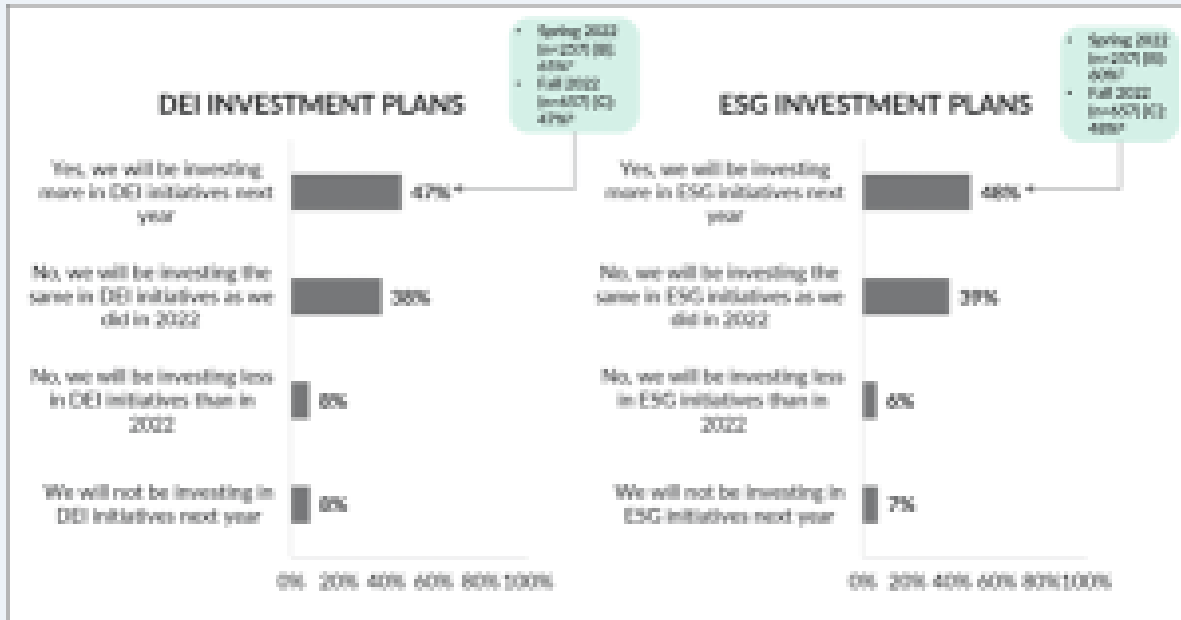


Figure 3 - DEI and ESG Investment Plans

When asked about their plans to prepare for changing [ESG Reporting](#) requirements, nearly half of financial executives surveyed have started or plan to start forming an internal ESG/Sustainability team to define policies and disclosures. A similar proportion (41%) will begin (or have already begun) implementing new ESG/sustainability policies. Compared to earlier this year, fewer are planning to invest in software to support ESG data collection and reporting. Among those who currently don't have a plan in place, half (50%) indicate they may implement a plan if ESG reporting mandates impact their organizations.

When asked about what type of software is currently being used or planned to be used to support ESG reporting, extensions of [CPM software](#) (52%) are the most used software for supporting the collection and reporting of ESG data.

Investments in Cloud Planning and Analysis Tools Increasing

The economic uncertainty and potential recession that's predicted for 2023 will require Finance teams to do more with the same or less resources, which also points to the need for more automation and digital technologies to help streamline planning, reporting and analysis processes.

According to the Fall 2022 survey, over half of financial leaders predict investing more in [cloud-based planning](#) and reporting solutions in 2023 than in 2022. Meanwhile, only one-third of companies (37%) predict investing more on machine learning. This is significantly fewer than predicted both last fall and earlier this year (see figure 4).

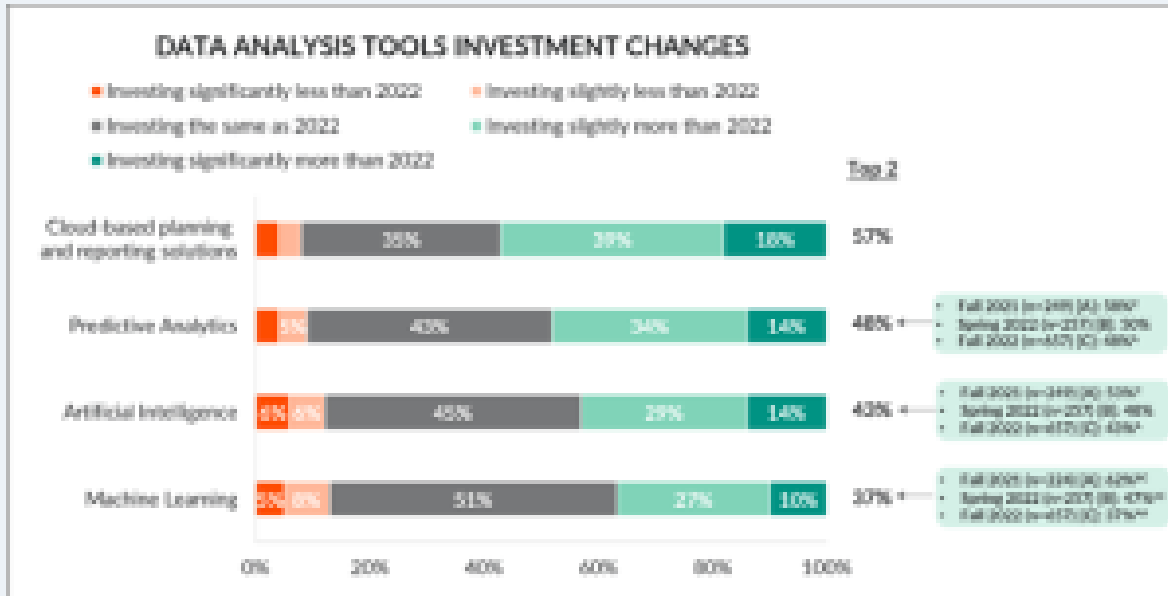


Figure 4 – Expected Investment in Data Analysis Tools

When asked about the top use cases for artificial intelligence or machine learning, surprisingly, financial reporting is the top opportunity identified by financial leaders in the Fall 2022 survey. This was followed by sales/revenue forecasting (41%) and demand planning (39%) as the second and third largest opportunity for organizations. Very few financial leaders (3%) do not see any opportunities for AI/machine learning to help their business.

Learn More

The results of the Fall 2022 Financial Decision Makers Survey highlighted the ongoing business challenges CFOs and Finance leaders face as they exit 2022 and plan for what’s ahead in 2023. Inflation, higher interest rates, supply chain bottlenecks, and recession are here to stay in 2022 and most Finance executives expect them to continue into 2023. The mandatory ESG disclosures being proposed by the US SEC are driving many organizations to invest in their [ESG processes and software](#) to help not only with reporting compliance, but also with planning and managing ESG and DEI initiatives.

The good news is that today’s cloud-based analytical software technologies are seeing increased adoption and are proving their worth in helping Finance teams become more efficient, plan and navigate a volatile economic landscape and increase their agility to respond. Artificial intelligence and [machine learning](#) adoption lags more mainstream planning and predictive analytics tools, but as these capabilities are embedded into modern planning, reporting and analytical software applications, Finance adoption is poised to expand rapidly.

To learn more, download the Hanover Research [Fall 2022 Finance Leaders Outlook](#) report and contact OneStream if your organization needs help conquering the complexities of today’s economic

landscape.