

CFO perspectives: unlocking insights through conversation

2024 Challenges and perspectives

1^o
edition

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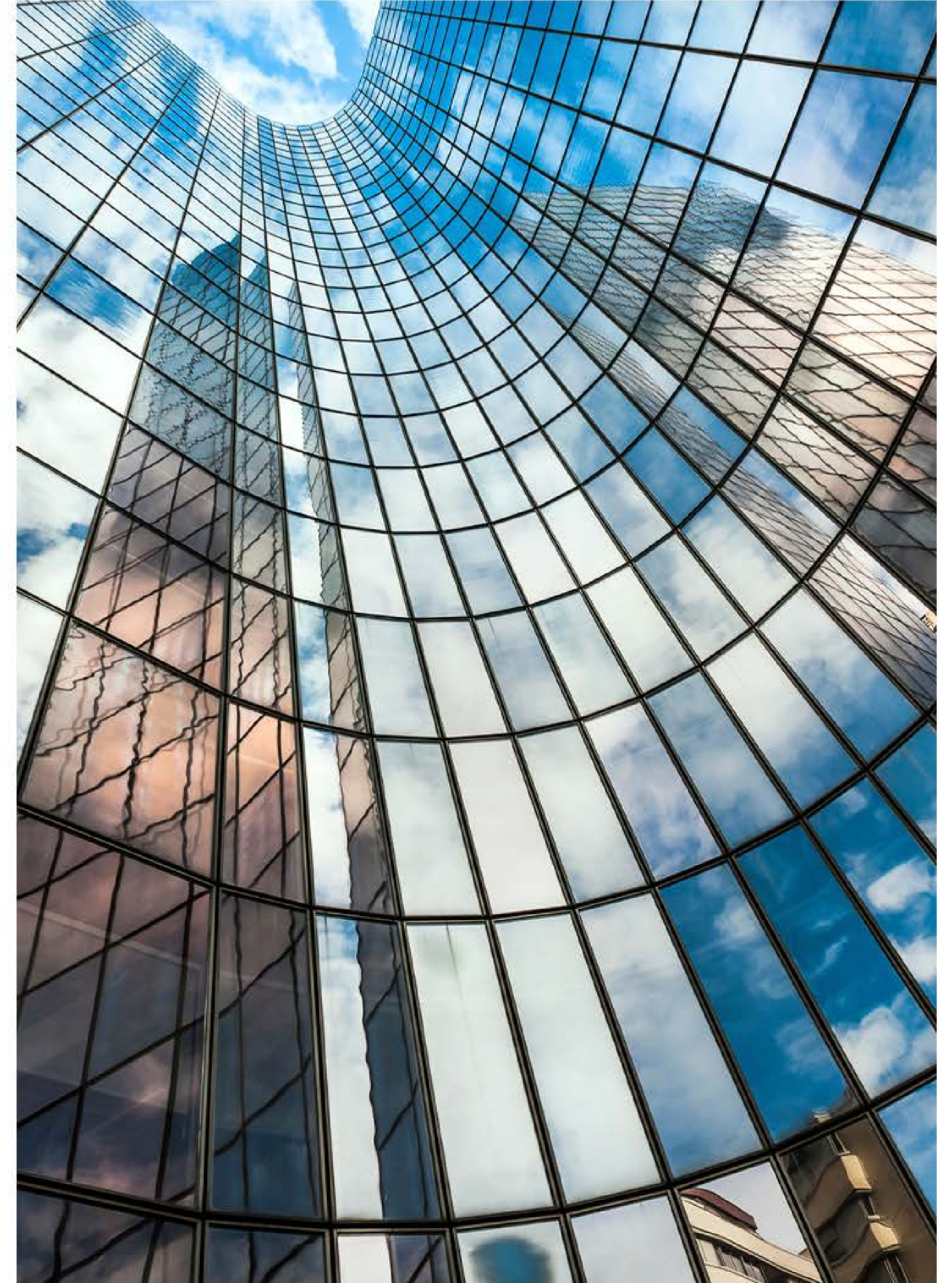
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2024 Challenges and Perspectives is the first edition of the CFO Perspectives: Unlocking Insights Through Conversation e-book series

This exclusive content crafted by SAP presents a unique chance to glean insights from finance thought leaders worldwide, offering a nuanced grasp of their viewpoints, hurdles, and tactics.

Engaging with this material can enable financial professionals to enrich their understanding of financial management, decision-making methodologies, the role of technology, and prevailing industry trends, thereby elevating their expertise in the field.



A woman with long dark hair, wearing a red dress, is looking upwards and to the right. She is standing in front of a modern building with a glass facade. The image is overlaid with a blue geometric design on the left side, featuring a large blue triangle pointing right and several smaller blue triangles arranged in a grid-like pattern.

Interviews



Rene Ho

CFO, Taulia



01. From your perspective, what are the top concerns for CFOs in 2024?

The economy. Inflation is subsiding, and CFOs are not as concerned about further increases in interest rates.

The destocking of inventory is also largely over. However, in many parts of the world, growth is anemic, and if interest rates remain high, there is concern about consumer spending.

It looks like the Chinese economy is struggling, and weaknesses here will cause problems for the rest of the world.

02. How can Taulia help companies overcome challenges in 2024?

For businesses everywhere, cash is always king. When you have the levels of uncertainty you have today, many businesses want the flexibility and agility that easy access to cash provides.

Taulia's products can help cash flow and margins throughout the economic cycle. With high interest rates, Dynamic Discounting solutions are very attractive because suppliers can receive early payments, which helps with their cash flow management.

On the other hand, buyers can optimize their working capital, improving their liquidity position. Other solutions, such as Supply Chain Finance, may be more suitable when interest rates change, as businesses may want to preserve their own cash for more extended periods to boost their bottom line. In this volatile economic environment, businesses should implement a variety of working capital tools that will alleviate their cash concerns, improve their supply chain, and help mitigate risk.



03. Is it time to embrace digital transformation in order to survive? Are CFOs embracing digital leadership? Why should CFOs work closely with CIOs?

CFOs and their departments started to embrace digital tools quite some time ago but adoption has been relatively slow when compared to other functions.

Digital technology should be the de facto way to interact with finance processes - everything from expense reports to financial reports and accounting systems.

At the moment, however, we are held back by the fact many tools don't work well with each other and/or require customization.

This slows down adoption. For this reason, close collaboration and integration between the CIO and CFO and their teams should be paramount to ensure the overall success of digital transformation projects.





Sebastian Behrendt

Head of Global Finance & Chief
Controlling Officer, SAP



01. From your perspective, what are the top concerns for CFOs in 2024?

There are many challenges CFOs are currently dealing with. Financial uncertainty, profitability goals, new regulations, ESG reporting, compliance or even finding the right talents to manage digital transformation and to effectively integrate new technologies like AI in financial processes, just to mention a few.

But from my viewpoint, the top concerns CFOs are currently facing are cost management and cash flow performance.

The ongoing economic structure and global financial conditions, including potential recessions, inflation, or other uncertainties impact our organizations and with that CFOs will likely continue to focus on cost management and operational efficiency to maintain financial health and to meet the company's profitability goals. Furthermore, when a recession hits, "Cash is King".

Maintaining a sufficient cash reserve is key to ensuring flexibility and offsetting potential declines in revenues; and with increasing interest rates, borrowing to invest in growth can get significantly more expensive.

02. Businesses need to stay agile, adaptable, and responsive to new trends and challenges. How can tech innovations help companies overcome the challenges in 2024?

Agility is, in my view, the prerequisite to remain active and competitive in business. Adopting and integrating technology innovations can play a significant role in enabling organizations to navigate and thrive in a rapidly changing environment.

For example, Predictive Analytics, Machine Learning or Central Planning Engines, can help in analyzing large datasets to predict revenue trends, customer renewal behavior, or other steering dimensions to support companies in faster decision-making processes.

Such technology innovations can be leveraged in classical FP&A processes like in-year forecasting and also to streamline cash collection processes. Also, AI-powered automation can streamline and automate routine tasks to strive for cost optimization and free up workforce capacity which can be leveraged for more strategic roles or even more complex topics.

Especially topics like sustainability, cybersecurity, compliance, and taxation are top priorities on the CFO agenda and require significantly more time to invest for the teams as in the past.



03. In addition to implementing disruptive technologies, what other actions can be taken to overcome the challenges in 2024?

I consider technology as a key, fundamental, enabler. However, I do not think that it can solve all problems and grant all benefits by itself without other necessary elements. More specifically, the success of these digital transformation projects is based on a recipe where the ingredients are: technology (solution), processes, and people.

While for processes, we need to ensure the right balance between automation to strive for cost optimization, and remaining flexible and agile, to allow the organization to pivot quickly in response to unforeseen challenges.

For me, the most important aspect besides technology is people. Transformation projects can only be successful if the people who run the core processes daily are ready to change and use the technology.

This requires not only a successful change management strategy to get everyone onboard but also to invest in hiring, continuous training, and development programs to establish the right skillset in the workforce to effectively integrate and use new technologies in processes or to even come up with new use cases or process improvement ideas.





Gina McNamara

Regional CFO, Asia
Pacific & Japan, SAP



01. From your perspective, what are the top concerns for CFOs in 2024?

I interact not only with the CFOs I manage within Asia at SAP but also with those of our customers across the region. When we were discussing our shared challenges, the biggest one that was always mentioned was the unknowns such as macroeconomic trends.

I can't outline every scenario, although the ones that would stand out were inflation, higher interest rates, geopolitical tensions, and the big question of whether there will be a recession.

They can vary across a geography or industry, but the concerns always remain.

So, in tackling these concerns, we often talk about how can we lead our organizations to be more efficient and, of course, the role model in leading change and transformation in order to cope with any macroeconomic scenario that comes our way.

02. According to a Gartner study, more than 40% of finance roles through 2025 will be either new or significantly reshaped due to finance technology. Please share your outlook on this statement?

Technologies such as AI have been around for a long time, but they've never been as accessible and easy to deploy as right now not only from a usability perspective but also at less cost. So, the technology is already here and if everyone is to embrace it, there is no big reason as to why a significant percentage of finance roles will be new or reshaped.

I'd argue that where it is not happening in an organization is because there can be a low technology delivery in finance due to our love of predictability of our systems and processes.

Embracing technology requires our leaders and teams to fundamentally change the ways they are working and this, as we know, is not always easy. I'm very proud of how our SAP finance teams like to be early adopters of change in technology and process and we have seen many examples of this in our organization globally as well as lead right here in Asia Pacific.




03. Could you share some actionable insights to lead finance transformation and functional improvement?

It comes down to doing a realistic assessment of the digital proficiency within your finance organization as well as looking at how the entire organization (not just finance) goes digital together. But with digital proficiency, you can't forget the impact on the biggest asset in finance: your people.

Assessing the skillsets and capabilities, as well as training required, is also essential. In addition, for automation or technology transformations to succeed, they need to be jointly owned by finance, business, and IT. They simply don't work in isolation. The most effective leaders dedicate a large number of resources to technology. Strong finance teams are very good at the storytelling around the data.

It's a basic need to ensure that in the transformation or functional improvement the storytelling or visualization is embedded to help the relevant stakeholders to understand what they are reviewing. In speaking with CFOs in our customers and internally at SAP, we also need to be really careful of change fatigue.

Most finance teams have been in transformation for many years. Reassessing what you are trying to transform and the levels of fatigue is another important factor to ensure you lead to a real change or improvement.





Sonja Simon

Regional CFO - Latin America
and the Caribbean, SAP



01. From your perspective, what are the top concerns for CFOs in 2024?

There are always many different topics of concern for the CFO – some external – mainly the macroeconomic environment and how it is expected to develop in the countries we operate in, as well as internal, such as ensuring appropriate operating cash flows, driving health growth as well as new challenges, such as the impact of AI on how we operate, how we work and – for us at SAP and many other software companies – how to monetize AI as part of our product portfolio.

The bottom line is that the more things change, the more they actually stay the same. The challenges continue to evolve over time but at the end of the day, the CFO will still need to continuously assess what actually are the main priorities that should absorb most of his or her time.

02. A CFO's priority is to keep costs under control despite economic challenges. How can technology help CFOs to achieve this goal?

A company basically has two ways to achieve a cost structure that will provide the most optimal returns for its stakeholders:

1) Ensure investments are done only in those areas that promise the highest return.

2) Efficiency in operations.

In regard to the topic of efficiency in operations, the CFO will always focus on the following three areas:

a) Simplification – processes need to be as lean as possible, reducing any additional administrative overhead to a minimum.

b) Standardization – unless there is a very compelling reason (really should only be because, for example, of legal or tax requirements that might differ from country to country), processes should be standardized across all countries in which an entity operates. In practice though, we often find that over many years a diversity in practice has developed which then makes the automation of that process cumbersome, if not impossible.

c) Automation – the simpler and more standardized a process is, the easier it is to automate, therefore allowing everyone to spend their time on more value-added activities.

03. How can CFOs balance cost-cutting and investing for growth?

From a CFO's perspective, in theory, the answer is quite easy: there has to be a business case that supports any investment, whether it's big or small.

The math behind it is fairly easy – a discounted cash flow model will tell you which investments make sense respectively and which investments should be preferred.

Having said that, the difficulty comes into play when validating the assumptions that go into such a business case – what will be our revenue growth, how profitable is it, and is it really incremental?

The role of the CFO here is to do a critical assessment of these assumptions to ensure that we, together with the CEO and other members of the Executive Board, come to an informed decision.





Thomas Mehlkopf

General Manager and Head of
Working Capital Management
CoE, SAP



01. From your perspective, what are the top priorities for CFOs in 2024?

CFOs are focused on security and increasing resilience from all angles, be it geopolitical, financial, cyber, energy, or operational resilience. With the focus on resilience, diversification and optionality have gained significantly in relevance.

Next to resilience, almost all companies are focused on driving efficiencies. We have seen this especially in the tech industry to drive for higher productivity.

In developed countries, we have seen stagnation in labor productivity or even small declines post-COVID (e.g. in the U.S.).

This comes at a time when we are also seeing shortages in skilled labor. GenAI will play a major role in achieving the required the productivity gains.

02. Why companies should create an effective working capital strategy in 2024?

While the increase in interest rates is tailing off, it will most likely remain high for some time to come. More and more companies are hit by this as they issue new debt. [KPMG](#) highlighted in their 2023 cost of capital study in Germany has almost doubled from the prior year from 2% to 3.8%. To counter the high cost of capital, corporations are seeking to optimize their cash conversion cycle and thus working capital management is top of mind for many CFOs.

A study by [Citi](#) analyzed the relationship between working capital management and investor benefits for MSCI All Country World Index constituents and found out that companies who shortened their cash conversion cycle (CCC) more than the sector median achieved a superior sector-adjusted total shareholder return (TSR).

CCC shorteners achieved a TSR of 143% from 2010-2022, with a CAGR of 8%. In contrast, CCC lengtheners only managed a TSR of 44%, a CAGR of 3% during the same period.

What I found very interesting is that the study also showed that CCC shorteners also performed better than their peers on annualized sales growth, which was at 7.4% for CCC shorteners and 5.9% for CCC lengtheners.

Needless to say, free cash flow overall has a very high relevance on stock valuations and is therefore the core focus of CFOs. However, creating an effective WCM strategy is a cross-company effort and can't be the task of the CFO and the Finance department alone.

03. How are ESG and working capital management connected? Why do CFOs need to outline strategies involving ESG and working capital management in 2024? What are the benefits of this unified strategy?

At first glance, working capital and ESG may not sound like the perfect match but on a second look, it definitely is. With the goal of creating net-zero supply chains (scope three emissions), companies need to ensure transparency of ESG data along the supply chain but also need to help their suppliers improve their carbon footprint.

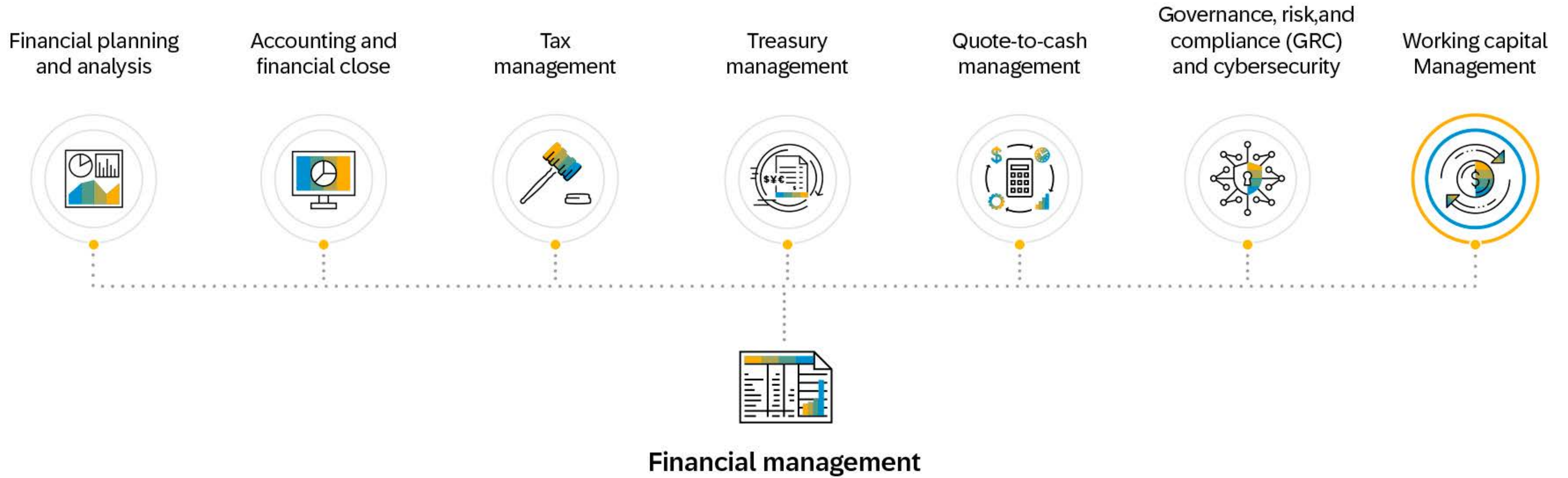
Sustainable Early Payment programs can exactly offer these benefits.

However, CFOs and treasurers are also rightfully highlighting various challenges, such as the lack of standardized definitions to get access to green financing from banks, limited internal buy-in within corporations, and still relatively low interest amongst existing lenders or ESG-related premiums that are not attractive enough.

There is definitely more work to be done but platforms like Taulia, part of SAP, can help.



SAP Financial Management Solutions in a Nutshell



SAP Financial Management Solutions in a Nutshell

Unlock the potential of your finances to deliver new business models, optimize working capital, increase efficiency, and reduce risk – all while creating positive social and environmental impact.

EXPLORE SAP SOLUTIONS FOR FINANCIAL MANAGEMENT



1. Financial planning and analysis (FP&A)

Enhance business agility through integrated FP&A applications, seamlessly linking financial planning, budgeting, and forecasting with your SAP cloud systems for all business sectors.

2. Accounting and financial close

Optimize accounting with automated workflows, speeding up reconciliation, consolidation, and book closing. Ensure compliance and simplify regulatory reporting.

3. Tax management

Governments are implementing regulations promoting data digitization and transparency. SAP solutions aid in local compliance, automate processes, and facilitate smarter tax decisions, reducing tax burdens.

4. Treasury management

Our integrated treasury solutions minimize financial risk by offering immediate data insights. Automate treasury tasks, ensure regulatory compliance, and access market data seamlessly.

5. Quote-to-cash management

Accelerate monetization and billing of new business models with a single quote-to-cash solution for one-time and recurring billing of products, services, projects, subscriptions, usage plans, and more.

6. Governance, risk, compliance (GRC), and cybersecurity

Use predictive insight to take early preventative measures against anomalies and potential risks with embedded intelligent controls and risk management.

7. Working capital management

Optimization of working capital across payables, receivables, and inventory, boosts cash flow for your business network. Freeing this value can also support with the growth of business, meeting financial obligations, investment in R&D, and optimization of capital performance.



**Maximizing Potential:
The Power Duo of SAP
and Taulia in Action**



In 2022, SAP acquired a majority stake in Taulia, a leading provider of working capital management solutions.

Today, SAP Working Capital Management comprises a suite of solutions that create a unique end-to-end value chain for multiple stakeholders, from CFO to Treasury and Procurement, and effectively even extending these business processes outside the walls of the organization.

Watch this [video](#) and discover the view of Dominik Asam, Member of the Executive Board and SAP SE Chief Financial Officer, on the SAP Working Capital Management Platform with Taulia.



[WATCH THE VIDEO HERE](#) 

We invite you to optimize working capital utilization and generate liquidity for your business with solutions from SAP & Taulia!



Thomas Mehlkopf

General Manager and Head of
Working Capital Management
CoE, SAP

How can working capital be optimized from end to end?

Insights from Thomas Mehlkopf

Working capital optimization is crucial for maintaining financial health, ensuring operational efficiency, and supporting long-term sustainability and growth for businesses.

1. Having a reliable basis to track and forecast cash flow that allows continuous improvements.

Advanced forecasting tools leverage machine learning algorithms and artificial intelligence techniques to analyze large datasets, identify patterns, and make predictions with greater accuracy. These tools can adapt to changing conditions.

2. Drive a cash flow-driven company culture which makes it a key priority to constantly improve cash flow and identify cost-saving opportunities across all areas of the business, such as renegotiating contracts with vendors, optimizing energy usage, and eliminating unnecessary expenses.

Lowering operating costs conserves cash and improves profitability.

3. Drive end-to-end working capital process improvements: this starts with eInvoicing, automating payment runs in ERP and also includes highly automated collections and dispute management processes.

Having the right cloud solutions in place that can optimize working capital from end to end is imperative in 2024, given its pivotal role in enhancing operational efficiency, reducing errors, and accelerating cash flow cycles.

This strategic move is essential to stay competitive and agile in an era characterized by rapid technological advancements and evolving customer expectations.

4. Use Working Capital Financing as a strategic lever to improve working capital metrics and create higher resilience in uncertain times.

Modern financing platforms allow you to not only improve working capital targets but also provide flexibility to adjust between different strategies in an agile way to cater to changes in the economic environment without the need for long implementation and roll-out timelines.

Moreover, they help to create financial resiliency along the value chain and thus provide benefits to suppliers as well as customers to make it a win-win-win.



Recommended Content

Prepare for the unexpected

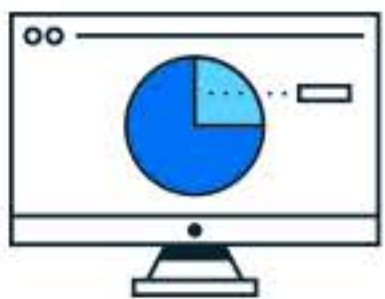
Against the backdrop of economic uncertainty and geopolitical tension, how can we make the supply chain more resilient?

In this episode of One Vision, Theo chats with **Rene Ho** — CFO at Taulia, and **Thomas Mehlkopf** — GM and Head of Working Capital Management CoE at SAP, on realizing the synergies from the power duo of SAP & Taulia; building the future of finance.

Change is inevitable, but we can put the right measures in place and prepare for unexpected surprises.



LISTEN



Charting CFO Paths: 2023-2024 Insights Report

Interest rates, political instability, and the potential for recession were key priorities for CFOs in 2023. This report looks back at how 2023 shaped up against our surveyed CFO predictions and the priorities they are looking forward to in 2024.

Find out more about:

- What CFOs are expecting for 2024, including their biggest challenges and opportunities
- Lessons learned from 2023 and how to action them
- The importance of emerging technologies for CFOs and their teams
- Why working capital management is becoming increasingly important for CFOs



[DOWNLOAD THE REPORT HERE](#)

Supplier Survey 2023/24

This year's edition of the Supplier Survey has provided insights into how businesses on the Taulia network are feeling about the year ahead. Despite another year defined by global uncertainty, supply chain disruption, and geopolitical tensions, most respondents are viewing the year ahead positively.

Read the full report to gain insight into:

- How suppliers are striking a balance between managing high inflation and pursuing growth.
- Why late payments are once again on the rise.
- How interest in early payments is changing.
- Why suppliers are motivated to take early payments. **And more...**

[DOWNLOAD THE SURVEY HERE](#)

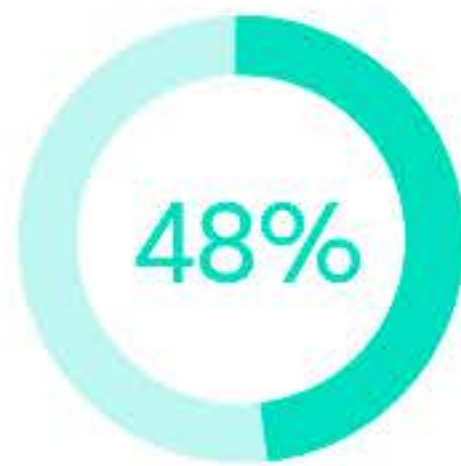
Of the 11,968 responses:



are optimistic about the year ahead.



are concerned about inflation.



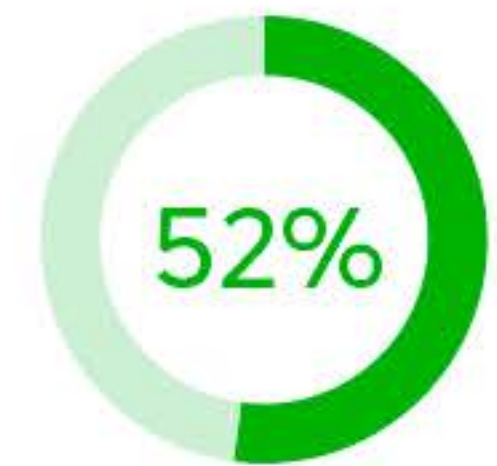
are focusing on growth.



are paid late by their customers on average.



are interested in taking early payments every time and for every customer.



use early payments to address cash flow gaps.

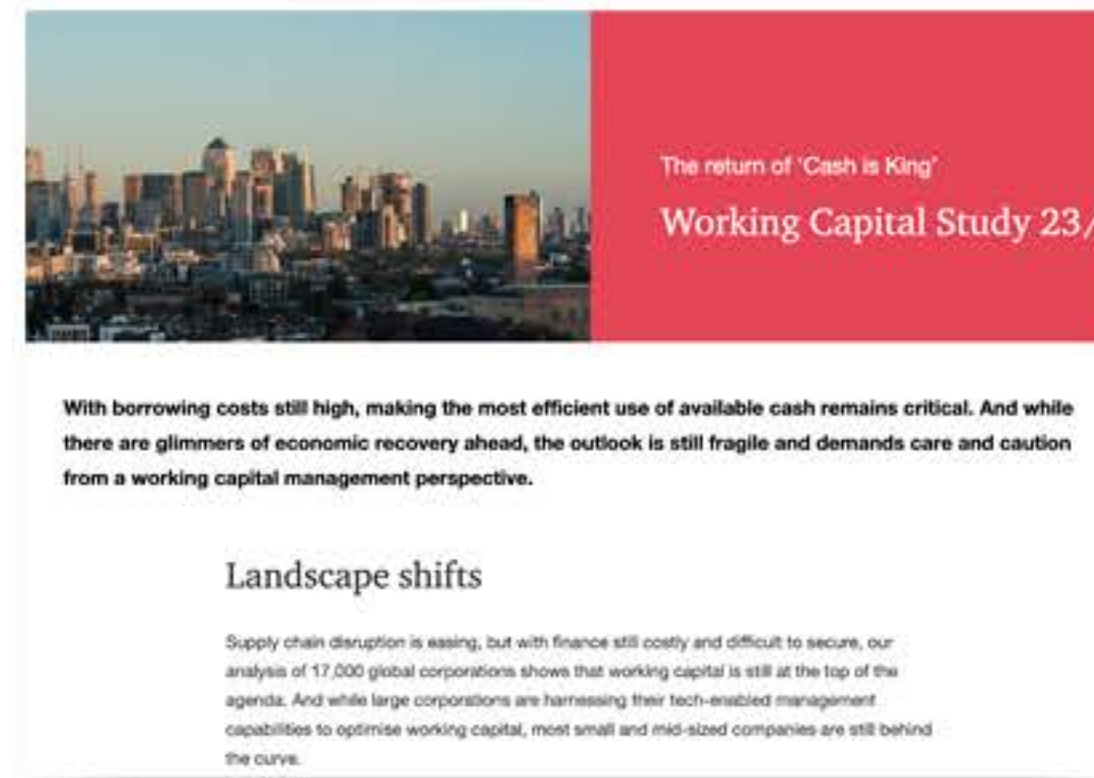


Citi GPS Supply Chain Financing

Building Resilience as
the New Definition of
“Global” Emerges

[GO TO SITE](#)

<https://www.citigroup.com/global/insights/GPS/supply-chain-financing>



PWC Working Capital Study 23/24

The Return of ‘Cash is King’
Understand how to sharpen your
focus on cash flow management and
optimize working capital to relieve
the pressure on liquidity during
times of economic turbulence.

[GO TO SITE](#)

<https://www.pwc.co.uk/services/business-restructuring/insights/working-capital-study.html>



KPMG Cost of Capital Study 2023

Learn about the impact of
increased uncertainty and
inflation on the cost of capital.

[DOWNLOAD E-BOOK HERE](#)

https://hub.kpmg.de/en/cost-of-capital-study-2023?utm_campaign=DEAL%20-%20Kapitalkostenstudie%202023&utm_source=AEM_EN



Discover the full potential of SAP & Taulia:

taulia.com/sap

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