Raconteur

December 2024
#0930
raconteur.net

An independent publication in association with THE TIMES

The C-suite Agenda

p2 Can firms get back to growth in 2025?

p5 Five emerging cybersecurity threats in the age of AI

p8 How finance leaders can achieve success in the year ahead

The C-suite Agenda

Distributed in
THE TIMES

Contributors

Sam Birchall
Staff writer at Raconteur, focusing on the inner workings of the finance function and the trends shaping the future of financial leadership.

Tamlin Magee
Senior technology writer at Raconteur. He's interested in big ideas shaping business tech and the impact of new technologies on people and society.

Francesca Cassidy
Raconteur's managing editor, responsible for its editorial strategy. She writes primarily on innovation, leadership and corporate culture.

Amanda Rajkumar
An HR practitioner with an interest in fostering inclusive workplaces. She has held leadership roles at JPMorgan Chase and BNP Paribas.

Raconteur

Special projects editor
Ian Deering

Commercial content editors
Laura Bithell
Larnie Hur

Commercial content executive
Jessica Lynn

Commercial production managers
Alex Datcu
Ellen Newsome

Production executive
Sabrina Severino

Design and illustration
Kellie Jerrard
James Lampard
Samuele Motta

Design director
Tim Whitlock

Certified B Corporation

@raconteur raconteur-media @raconteur.stories

raconteur.net /csuite-agenda-december-2024

LEADERSHIP

Can businesses get back to growth in 2025?

Executives will contend with many familiar challenges in the year ahead, the greatest of which may be finding the will to persevere

Francesca Cassidy

It was another unsettling year for UK plc. 2024 was a year of alarming geopolitical conflict, extreme weather, high inflation, rising unemployment and industrial action – not to mention a general election. It was the year of the Crowdstrike outage and the Post Office Horizon inquiry. It also saw the failures of several major UK brands, including Homebase, Ted Baker and The Body Shop.

In this business environment, leaders may struggle to muster the energy and optimism required to greet a new year. But with careful planning and an understanding of the trends coming down the line, savvy decision-makers can find ways to win in 2025.

According to Pip Hulbert, UK CEO of VML, a global brand agency, British firms will continue to face many of the same challenges they've been grappling with in 2024. "It will continue to be a tough economy," she says bluntly.

Tight budgets and flagging confidence means leaders will be more cautious in their decision-making, she adds. Purchasing decisions, for instance, are taking longer. Hulbert explains that VML's business clients are "looking for more assurance around the commercial impact of the work they do with us. They need those proof points."

Dan Howell, managing director UK&I at Kimberly-Clark, a consumer goods manufacturer, says it's the same story with consumers, who have been "under a huge amount of financial pressure. They are becoming increasingly demanding of brands to truly deliver value."

For Irina Novoselsky, CEO of Hootsuite, a social media management platform, the biggest trend for next year is a generational challenge. "Over 70% of all business buyers are now either gen Z or millennials," she notes. Having spent several months meeting with 500 gen Z-ers to better understand their decision-making, Novoselsky believes "companies are woefully unprepared for what that [change] is going to mean."

Current selling models won't work with this demographic, she explains. More than 50% of gen-Z buyers say they make purchasing decisions long before speaking with a salesperson.

"This generation grew up with a phone in their pocket, but they don't want to use it to talk. They don't want cold calls," Novoselsky says. Gen Z-ers prefer to use new channels, such as social media, to do their own research before making a purchase.


Chunyip Wong via iStock

Howell has noticed this trend too. Kimberly-Clark, which owns popular brands including Andrex, Huggies and Kleenex, has been keeping tabs on social commerce.

"Over the past decade, social media has become more of a marketing platform," says Howell. "But now, particularly with the introduction of TikTok Shop, social platforms are very big sales channels."

Howell believes it will be essential to master social commerce in 2025. "It seems counterintuitive, but customers trust what they see on these platforms, because it's not generic advertising – it's real people demonstrating these products."

While consumers may value that authenticity – the realness – the biggest trend for 2025 is something more artificial.

"AI is here to stay," says Novoselsky. In spite of ethical qualms, doubts over its reliability and worries that the AI bubble may soon burst, the technology has completely changed the way business is done. "The conversation now is about how you lean into it," she says.

For Hulbert, embracing AI is about streamlining processes. "We should be using our people for more strategic, creative tasks and leveraging AI for those low-touch requirements."

And, while AI use cases differ across industries, any organisation could benefit from AI's ability to analyse data quickly. For instance, the technology can find patterns in organisational data to help understand employee engagement, fine-tune internal processes and sharpen forecasting models.

Kimberly-Clark uses AI to process data from big retailers that stock their products and build consumer groups the organisation can target with advertising. "The ability to process data in real time and act on it is so important," says Howell. "AI is a fantastic tool for doing that and getting analytics out quickly."

For Novoselsky, the business benefit of AI is clear. "It's going to support every single role," she says. "In the coming year, leaders will need to think about how to use it as a multiplier for employees' productivity and efficiency."

Implementing AI effectively comes with several challenges. For Hulbert, the focus is on ensuring staff are comfortable using AI tools. Investing in training therefore will be essential in the new year. "What works best is doing it in bite-sized chunks and building people up gradually," she says.

Hulbert and Novoselsky both believe that nurturing a growth mindset in the organisation is a central piece of the AI puzzle. "We are all starting at kindergarten level with AI," Novoselsky says. "This is an opportunity for everyone to start at the same place – which almost never happens – so you're looking for people who are happy to learn and comfortable with getting things wrong."

Of course, finding the enthusiasm to embrace new technology may be harder in 2025. Several years of uncertainty and disruption have left a mark on the workforce, and "things haven't calmed down at all since we've come out of Covid," according to Howell.

"People are operating in burnout territory," he adds. Persistent macroeconomic challenges, mass layoffs and relentless technological changes, among other factors, have left employees feeling exhausted. To get the best out of them, executives may need to consider unorthodox approaches to engagement.

"What we're talking about now is how to intentionally operate at a level of effort below our maximum capacity," says Howell. It's a move from "maximum effort" to "optimal effort", he explains. In practice, this could mean simple measures, such as finishing meetings 15 minutes earlier, or complex ones, like challenging an organisational culture of perfectionism.

"Your ability to solve problems quicker than the competition is how you're going to win and you can't do that if you're not being creative," says Howell. "If you're operating at your edge all of the time, you lose creativity."

With no sign of challenges abating in the year ahead, savvy leaders would do well to consider whether taking their foot off the gas is one possible way to protect their workforce and unlock innovation.

WHAT'S KEEPING CEOS UP AT NIGHT?

Share of CEOs who say the following weigh on their minds often or constantly

PwC, 2024

Commercial feature

Why the future of AI must be sustainable

Businesses are investing vast sums in AI, but the technology is incompatible with net-zero targets. Now, leaders are on a mission to harness AI to make it part of the sustainability solution

In the future, historians will either look back at 23 November 2022 as the day humanity secured its future or sealed its fate. This was the day OpenAI launched ChatGPT. In the two years since, some of the world's largest businesses have invested billions in artificial intelligence (AI). Leaders have predicted AI will improve efficiency, increase productivity, reduce costs, relieve workers of tedious jobs and power economic growth. But at what cost?

A 2023 study by Cornell University revealed that ChatGPT uses nearly 500ml of water for every 50 prompts. Research carried out by Goldman Sachs also found that ChatGPT needs nearly 10 times as much electricity as the Google search engine to process a query. At present, data centres worldwide consume 1% to 2% of overall global power usage, but this is predicted to rise to 3% to 4% by the end of the decade as AI use increases.

If these predictions come true, carbon emissions from data centres could double by 2030, meaning businesses will surely fail to meet the UK government's legal target of reaching net zero by 2050. Despite this, the integration of AI in businesses is on an unstoppable rise. In a 2024 survey by Global Data, around 27% of businesses report a high adoption rate of AI in their workload processes. This is up from just 10% in November 2023.

A greener future

So with AI here to stay and businesses' sustainability targets written into UK law, leaders are faced with an undeniable realisation: the need for change is paramount. But it's not all bad news for those working towards a tech-driven, sustainable world.

In fact, in the future AI could be used to aid businesses' sustainability efforts in many ways. Take for instance carbon accounting, the process of measuring and tracking the amount of greenhouse gases produced by an organisation.

This currently requires leaders to grapple with complex calculations to produce accurate and up-to-date figures. But AI could help to create more intelligent and efficient readings. Energy trading, the buying and selling of energy commodities, could also be enhanced with AI, enabling businesses to navigate volatile prices and save money.

But it's the algorithms themselves, which serve as the brains of data centres, that must be targeted for AI to have a sustainable future. "The training phase of machine-learning models requires huge amounts of energy," says Sheila Rohra, CEO at Hitachi Vantara, a global leader in building advanced data infrastructure, intelligent data management and AI-powered hybrid-cloud solutions for businesses.

"If businesses routinely retrain these models to adapt to evolving business needs, their energy needs will be substantial and long-term. This simply won't be sustainable with their ESG goals. We need to retune algorithms so they require less retraining and energy consumption."

Smarter algorithms, housed in energy-efficient data-storage platforms, can enable leaders to decarbonise their data centres at speed. As a result, organisations can arm themselves with the AI-driven insights they need to decarbonise their wider operations and achieve their sustainability goals.

AI-powered sustainability

But focusing on one solution in isolation won't be enough to achieve sustainable AI. Instead, Hitachi Vantara uses a wider, AI-focused strategy to identify inefficiencies across businesses' entire operations. Its AI discovery service generates data-driven insights to inform key business decisions. This includes assisting in the creation of predictive models to optimise processes, reduce costs and improve operational efficiency, particularly within areas such as manufacturing, logistics and energy management.

Rohra says the AI discovery service is already helping customers to overcome several common sustainability bottlenecks. "Some businesses lack the expertise and specialised knowledge to transition to more energy-efficient operations," she says. "They may also be reluctant to invest vast sums of money upfront into new energy-efficient technologies. AI can simplify this process by providing intelligent insights into the short- and long-term sustainability and operational benefits and reduce costs."

Organisations are already benefitting from these AI-driven insights. Infosys managed to reduce its electricity and air-conditioning costs by 60% by using Hitachi Vantara's technology in its data centres. It achieved this while continuing to run applications up to 90% faster than it could previously. The organisation also delivered a seamless storage migration for BMW Group, which led to a 70% smaller carbon footprint and a data centre that requires 80% less power, all without disrupting business operations.

> With AI here to stay and businesses' sustainability targets written into UK law, the need for change is paramount

Decarbonising data centres

Another crucial element of making tech sustainable at a global level lies in the decarbonisation of data centres. Despite the growing energy consumption of data centres, Rohra firmly believes that technology can also be part of the sustainability solution. Hitachi Vantara is on a mission to help businesses achieve sustainable AI and has set its own ambitious target to become carbon neutral in direct and indirect emissions by 2030.

"We understand it has to start with us," says Rohra. "Transparency is essential to instilling confidence in our ESG commitments and we are proud to say our technology has one of the lowest carbon footprints compared to other data-infrastructure providers." She says it's possible for businesses to increase AI adoption sustainably with the correct infrastructure in place. "We are able to deliver systems and solutions that can actually help drive other businesses to be more energy efficient," she adds.

Hitachi Vantara is helping businesses to decarbonise their data centres through the adoption of energy-efficient data storage technology. Its virtual-storage platform one block has been shown to reduce data-centre power consumption by 30% to 40%. It also earned all three of the top rankings for 'best storage solutions available' by Energy Star® certification. Gijima, a South African information and communications tech company, deployed the platform to consolidate its physical infrastructure, which led to a 66% reduction in power consumption and a reduction in CO_2 emissions.

The journey towards sustainable AI is not without its challenges, but it's also full of opportunities. By prioritising smarter algorithms, energy-efficient infrastructure and holistic strategies, businesses can strike a balance between technological advances and environmental responsibility. The future of AI doesn't have to come at the expense of the planet. If innovation is matched with action, sustainability can thrive alongside progress.

For more information please visit hitachivantara.com

Commercial feature

2025 ecommerce trends: a year of global expansion and digital evolution

From tapping into opportunities in emerging markets to embracing social commerce, there's a lot of growth potential over the next year

The global ecommerce market is predicted to be worth around $6.56tn by the end of 2025 – a 7.8% increase from last year. Much of this growth is down to the spread of mobile commerce, better digital payment systems and seamless omnichannel experiences. But to succeed in this fast-paced and fast-evolving market, ecommerce firms need to capitalise on emerging trends. So what might we see in 2025? And how should ecommerce firms respond?

1 B2B buyers demand B2C experiences

A younger generation of business buyers used to seamless transactions and highly personalised B2C experiences are driving the transformation of B2B ecommerce. Strong search capabilities, live inventory updates and dynamic pricing are increasingly desired, for example. B2B firms using outdated technologies and platforms therefore need to up their game.

"The speed of decision-making and the increase in confidence in committing large transaction values without in-person interactions means that traditional approaches to B2B sales are no longer suitable on their own," says Duncan Heron, VP of marketing for UK & Europe at DHL Express.

Manufacturing and automotive have cottoned onto this shift faster than most. "They're rapidly adapting to selling online through the various sales platforms at their disposal, and they've been faster to recognise that modern B2B buyers are demanding the same seamless, digital experiences they have with B2C transactions."

To meet the expectations of younger business buyers, B2B ecommerce firms may need to invest in new technologies and partnerships in 2025. In addition, there are opportunities for established B2C companies to apply their expertise with user-friendly platforms to the fast-evolving B2B market.

2 Growing opportunities in emerging markets

Emerging markets offer considerable opportunities for ecommerce businesses to expand in 2025. Indeed, countries such as Turkey, Romania, Poland and Hungary offer "exceptional growth potential" for UK-based firms, says Heron, thanks to increasing access to high-speed internet services, more mobile commerce and rising numbers of middle-class consumers.

However, to identify the best opportunities for growth and target their efforts, ecommerce firms need to conduct thorough research. They should also explore how the UK's membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) might benefit their sales, along with other free trade agreements.

Heron recommends that firms analyse website traffic and truly understand where demand for their products is coming from. "Then you can position yourself effectively to drive international growth, for example by making sure your website is available in the local language or that you've got the right payment options set up."

He also highlights the importance of fully understanding customs rules and other country-specific regulations. "You need to ensure you're delivering a seamless experience that will drive international sales growth and customer loyalty," he says.

A partner like DHL Express is well-placed to help with this challenge. "We've got the experience, we've got the people, and we've got the capability to open up those corridors of opportunity and help businesses to reach new markets," Heron explains.

> "You need to ensure you're delivering a seamless experience that will drive international sales growth and customer loyalty"

3 More complexity in mature markets

While emerging markets offer enticing growth prospects, established ones could present some unique challenges that need to be carefully navigated. Incoming protectionist policies in the US could impact international trade, for example – though Heron stresses that new tariffs targeted at China, Mexico and Canada are unlikely to affect UK firms.

"We're seen as a creative and specialised producer, not a mass one," he says. "Therefore we're less likely to be heavily impacted by any changes the new US administration may make."

Despite the mature ecommerce landscape across much of Europe, diverse VAT rates, ever-evolving compliance requirements and other logistical hurdles will still need to be navigated in 2025. "A lot of cross-border business with Europe will continue to be a challenge," says Heron.

To succeed, businesses will need to be strategic in their market selection, focusing on regions where they have a strong customer base or other operational advantages. Additionally, investing in robust logistics partnerships and optimising cross-border payment systems can help mitigate potential challenges.

4 Sustainability as a core consumer value

Sustainability is no longer a niche concern, but a fundamental consumer value that will increasingly shape purchasing decisions. Indeed, many online shoppers now seek out brands that demonstrate environmental responsibility, prioritise eco-friendly products and packaging, and offer transparency on their CO_2 emissions.

Recent research by DHL found that 73% of online shoppers would like to know the CO_2 emissions or other information about how climate-friendly their delivery is, for example. In addition, 88% of customers are more likely to be loyal to a company that supports environmental issues.

88%

of customers are more likely to be loyal to a company that supports environmental issues

DHL, 2024

"Environmental consciousness is a big driver in consumer behaviour, with consumers increasingly opting for responsibly made products to reduce their environmental impact," says Heron. "Firms that can really rise to that challenge will not only contribute to a healthier planet but also expand their customer base."

Businesses can respond to these evolving expectations by integrating sustainable practices throughout their operations, from sourcing and packaging to shipping. Partnering with logistics providers such as DHL Express, which offers carbon-reduced shipping options, could therefore help them to attract more eco-conscious consumers in 2025.

5 The ongoing rise of social commerce

Consumers are increasingly turning to social media platforms for product discovery, research and purchasing – a trend that looks set to continue throughout 2025.

"Social media platforms have evolved into seriously powerful shopping channels, with three out of four consumers now actively using social platforms for purchasing decisions," says Heron.

But while social media offers vast opportunities, standing out in a crowded digital space requires innovative strategies and consistent brand messaging. "Businesses need to establish and maintain a strong social media presence to enlarge their number of followers, and therefore the amount of reach and engagement they're getting with a truly global audience," says Heron.

To make the most of social commerce, ecommerce firms also need to create engaging content tailored to each platform's unique audience, using platform analytics to refine targeting and optimise their marketing spend. If they can get this right – and capitalise on other emerging trends – they should experience significant success in 2025.

For more information on how DHL Express supports ecommerce firms, visit dhl.com

CYBERSECURITY

5 cybersecurity trends for 2025

Classic attacks such as ransomware will persist but AI is quickly transforming the threat landscape

Tamlin Magee

As the old saying goes, only two things are certain in life: death and taxes. If that phrase were refreshed for the 21st century, we might add cybersecurity incidents to the list of life's certainties. Rarely a week goes by without reports of a data breach, supply-side attack or some other business-crippling ordeal.

Lucrative, low-hanging-fruit attacks, such as phishing and ransomware, will continue in 2025, but the capabilities of attackers are evolving at a tremendous pace, changing the scale at which traditional attacks can be launched.

Firms must therefore prepare for these five cybersecurity trends in the coming year.

AI compromise attacks

Businesses are growing increasingly reliant on AI systems. But as firms build the technology into their workflows, they are creating larger and more complex attack surfaces that are trickier to mend should they be breached.

Organisations that are compromised via components in their AI systems may find it difficult to trace the entry point of such attacks, warns Bharat Mistry, field CTO at Trend Micro, an IT security company. This will make discovering breaches much more challenging.

Mistry believes attackers will soon begin targeting AI models themselves. For instance, malicious actors could infiltrate a highly complex organisation and corrupt its AI systems with dodgy data. After a brief period of havoc, the criminals would demand a ransom from the target organisation to restore their operations.

With traditional ransomware attacks, Mistry explains, businesses are able to make last-ditch, paper-based contingency plans to stay operational. But operating on analogue, even temporarily, will be almost impossible as organisations become dependent on AI.

Attackers could also add an 'extra layer' to GenAI tools, enabling them access to all of the data entered into the system. In this case, the model would appear to operate normally; users would have no reason to distrust the tool and might upload all sorts of confidential information. But if a malicious actor has added a 'man-in-the-middle' on the user's device, all the data fed into it will pass into the hands of the attacker.

Sophisticated deepfakes

The use of deepfakes – fictitious AI-generated images or videos of real people – is on the rise. A 2024 Ofcom report found that 60% of people in the UK have encountered at least one deepfake.

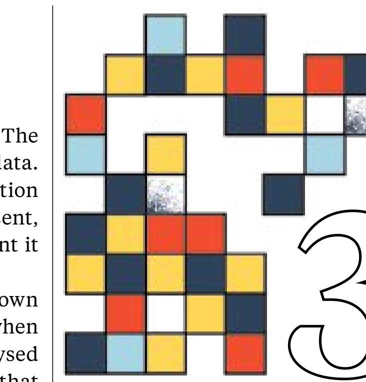
But 2025 may be the year deepfakes become truly mainstream. This is a concern for Marco Pereira, global head of cybersecurity at Capgemini. "If you have someone on a video call that looks like the CEO, sounds like the CEO, has the right background – all it takes to fool you is them saying, 'Oh, my camera is not working well'," he explains.

Deepfakes once came with telltale signs that users were speaking with a digital impostor – say, glitching speech or a nose floating out of place. But as the technology improves, deepfakes are becoming significantly harder to spot.

Examples of successful deepfake attacks have made headlines. An employee in Hong Kong, for instance, transferred about £20m to cyber attackers after being bamboozled by a deepfake posing as a senior executive.

Pereira says, for cybercriminals, a simple cost-benefit analysis shows that deepfake attacks on high-value targets are worth the trouble. "Sophisticated deepfake whaling attacks might require investment but the benefit is very high," he says. "We're going to see a lot more high-fidelity deepfake attacks in the future."

Metadata – a long-standing privacy problem



Metadata is data about data. The contents of a text message is data. Metadata includes information such as when the message was sent, where it was sent from, who sent it and to whom.

One piece of metadata on its own is pretty much worthless. But when volumes of metadata are analysed by machines, patterns emerge that are sometimes more revealing than their contents alone.

According to Christine Gadsby, chief information security officer at BlackBerry, metadata surveillance and protection will be a major trend going into 2025. Because metadata is part of the ebb and flow of daily internet traffic, it is incredibly difficult to secure.

"People are still leaning on the guidance of encrypted communication," says Gadsby. "But your IP address is still exposed and your location can be accessed. Nation-state attackers are going to use that, including in times of war."

Gadsby adds that because metadata is the language of machines, computing tools are very good at gathering and making sense of it. "AI will enable attackers to link this data to individuals," she warns. "What would have taken a human two years to analyse will take two minutes with AI."

Decentralised attackers

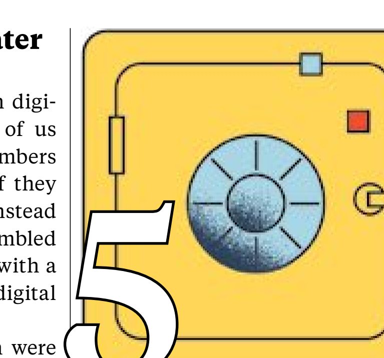
Cybercriminals already organise complex supply chains where each actor or group has a specific role to play. A successful ransomware attack, for instance, involves 'access brokers' – the people who open the proverbial door to the target organisation, for a price – an array of technical specialists and even C-suite-style executives.

Mistry believes cyber attackers will become increasingly specialised, as the technical systems they use for attacks, such as large language models, grow more complex.

"The whole cybercriminal community is shifting towards a model of discrete enterprises," Mistry says. "They already do bespoke attacks but they'll probably take this even further next year."

Although defenders are developing different skills and tools to combat these threats, attackers are improving their own capabilities too. Mistry expects this trend to continue, as it's difficult to imagine any one criminal being able to mastermind a large, complex attack. As these criminal networks grow increasingly decentralised, policing them will become much trickier.

Store now, decrypt later



Encryption made the modern digital economy possible. None of us would enter our credit card numbers into Amazon, for instance, if they were stored in plain text. Instead that data is encrypted – scrambled by and made accessible only with a secret key. All of our sensitive digital data is protected this way.

But what if that encryption were broken overnight? Roberta Faux, CTO of Arqit, a post-quantum security firm, says 'Q-Day' – the point when quantum computers can break current encryption processes – may be only a few years away.

Although quantum computing is still in its infancy, an important algorithm integral to its functionality can now calculate the integers of prime factors quicker than any computing system available today. This means the complex series of numbers that underpins cryptographic systems could be cracked quickly and easily.

With these capabilities on the horizon, it is logical for attackers – particularly nation-state adversaries that are developing their own quantum systems – to collect encrypted data now, which they can decrypt at a later date when the technology is ready.

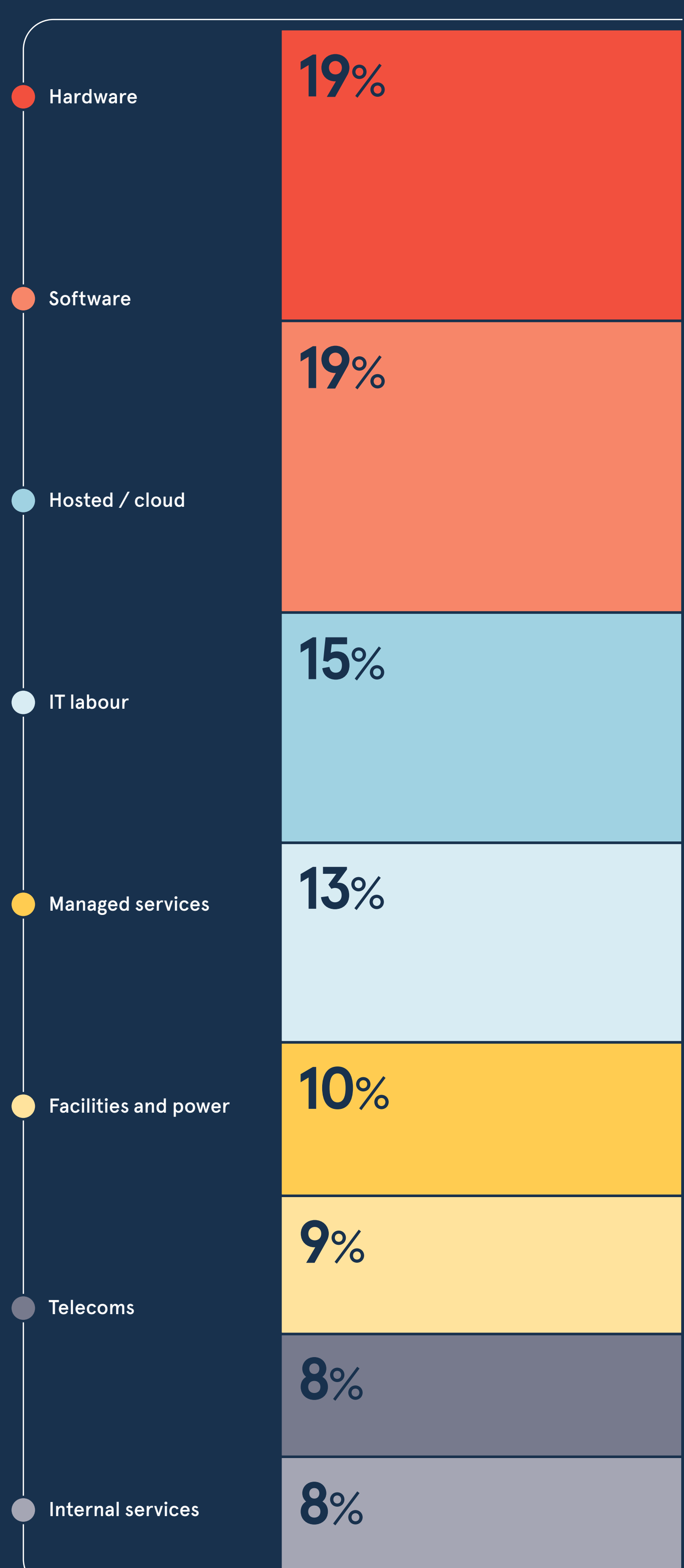
"Nation states are investing heavily in quantum research, and are likely harvesting encrypted data now, expecting quantum computers to decrypt it in the near future," Faux explains. "Sensitive long-term information like military plans, intellectual property and personal records is at particular risk – anything sent over public networks may be vulnerable."

TECH SPEND IN 2025

Modern businesses depend on technology. Already, most knowledge workers require numerous digital tools to complete their daily tasks. And, frontier technologies, such as AI and cloud computing, are increasingly viewed as essential investments. No wonder that organisations' IT spend is expected to rise in 2025. But how much is enough?

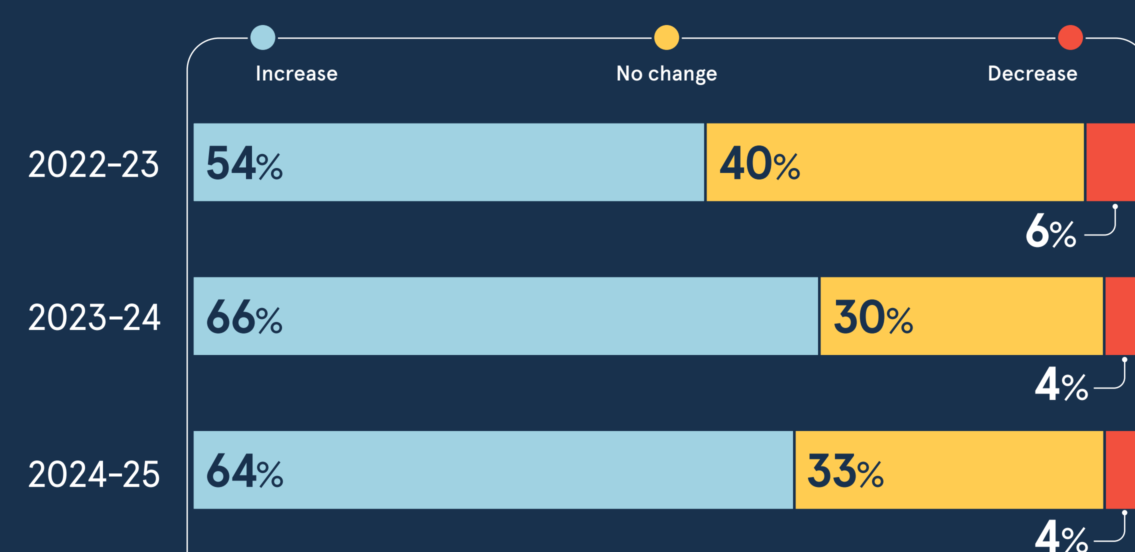
BUDGET BREAKDOWN

Organisations' planned 2025 budget allocation as share of overall IT spend



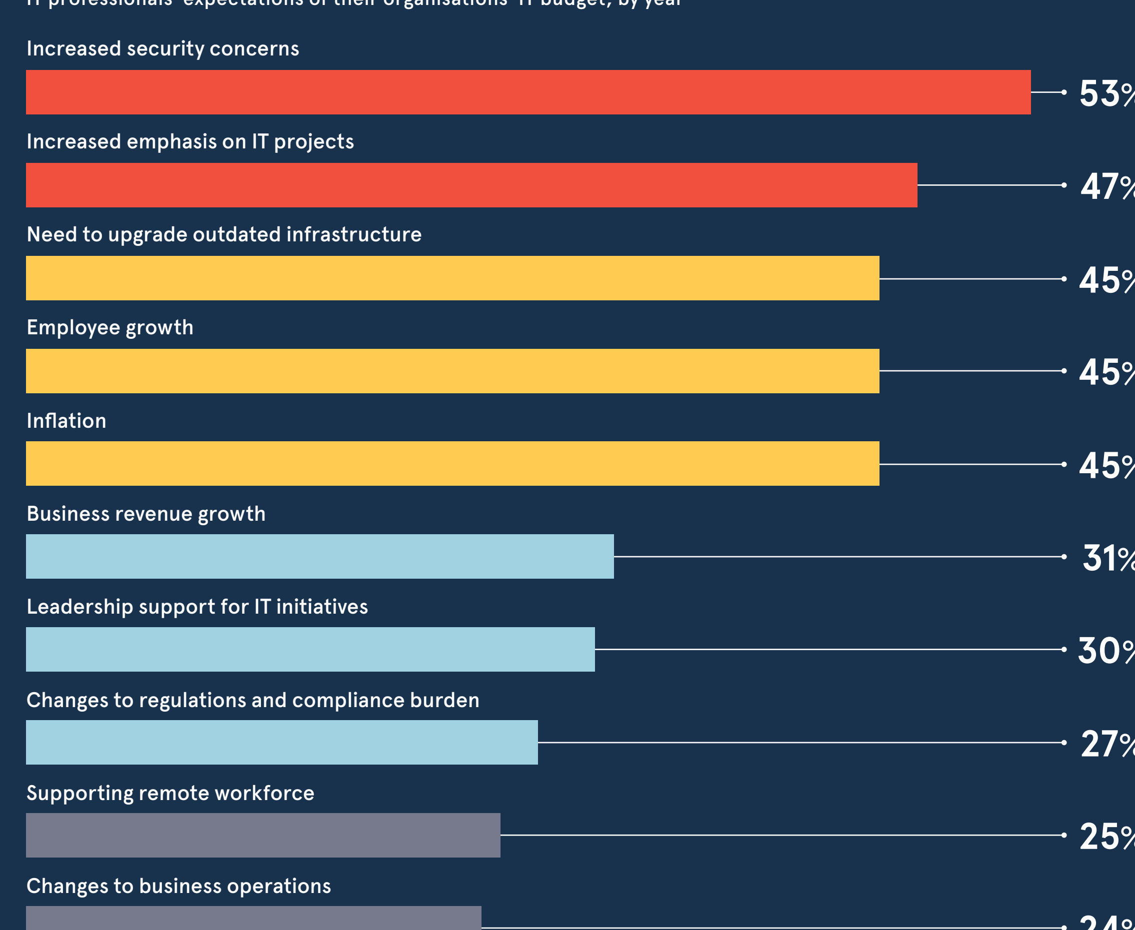
MOST ORGANISATIONS ARE EXPECTED TO INCREASE IT SPEND IN 2025

IT professionals' expectations of their organisations' IT budget, by year



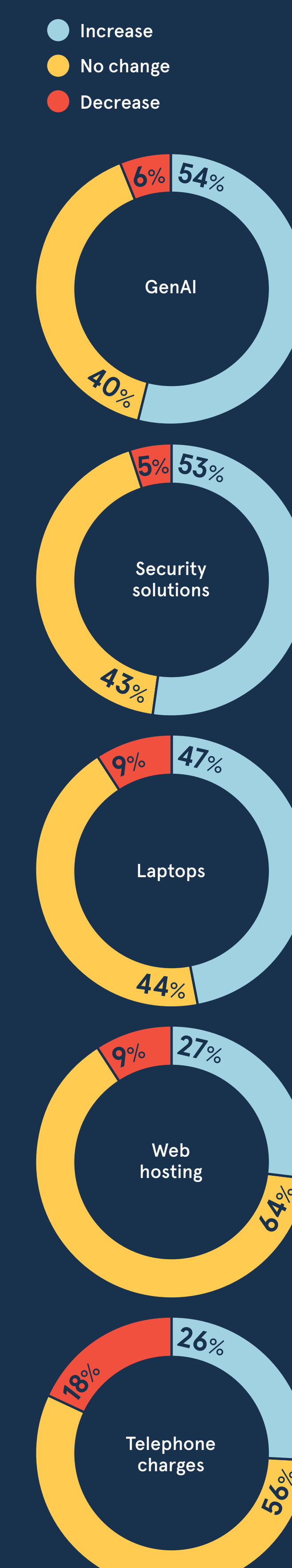
REASONS FOR RISING IT BUDGETS

IT professionals' expectations of their organisations' IT budget, by year



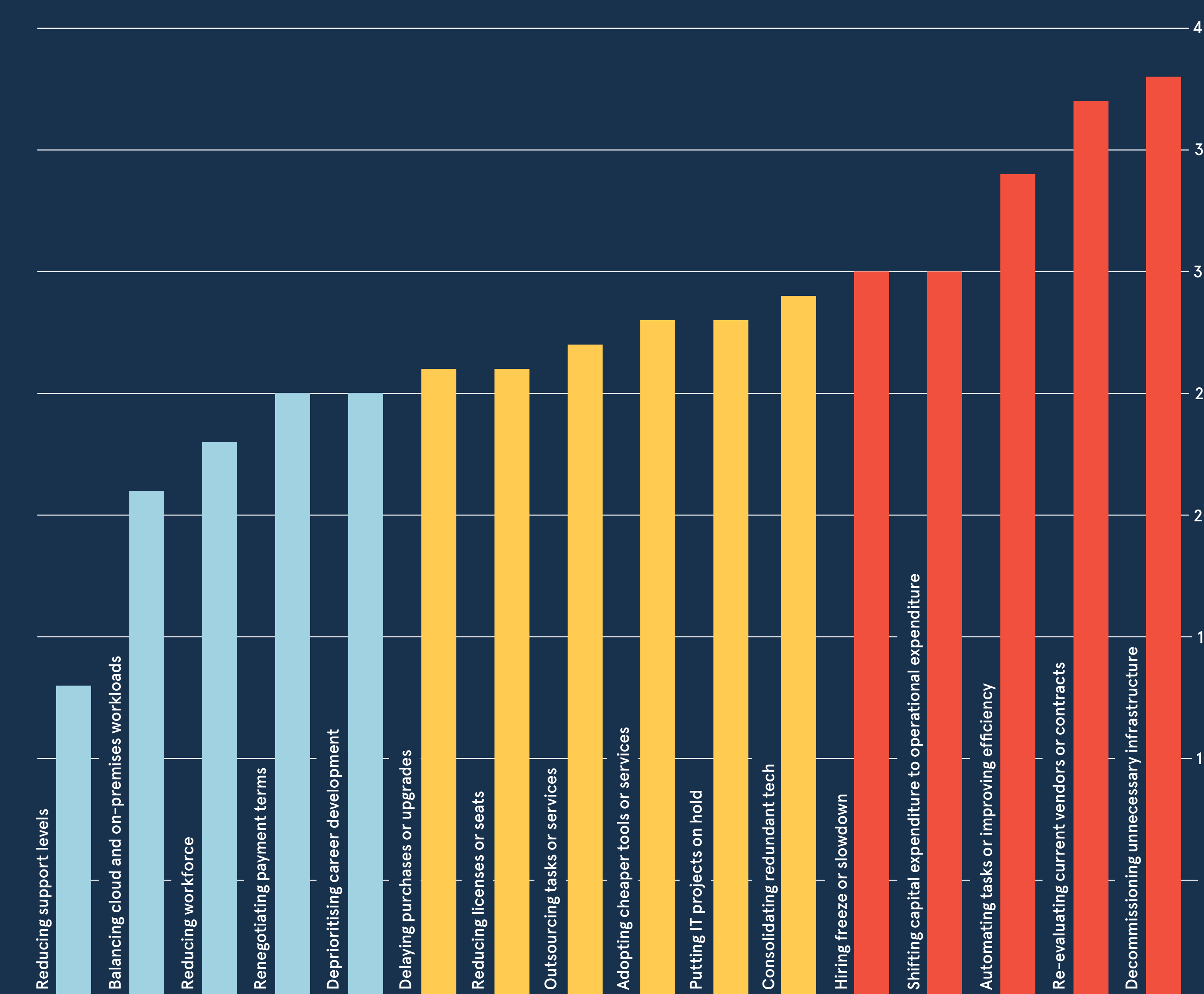
IT TEAMS ARE EMPHASISING AI AND SECURITY

Planned spending changes for the following types of IT products and services, according to IT professionals



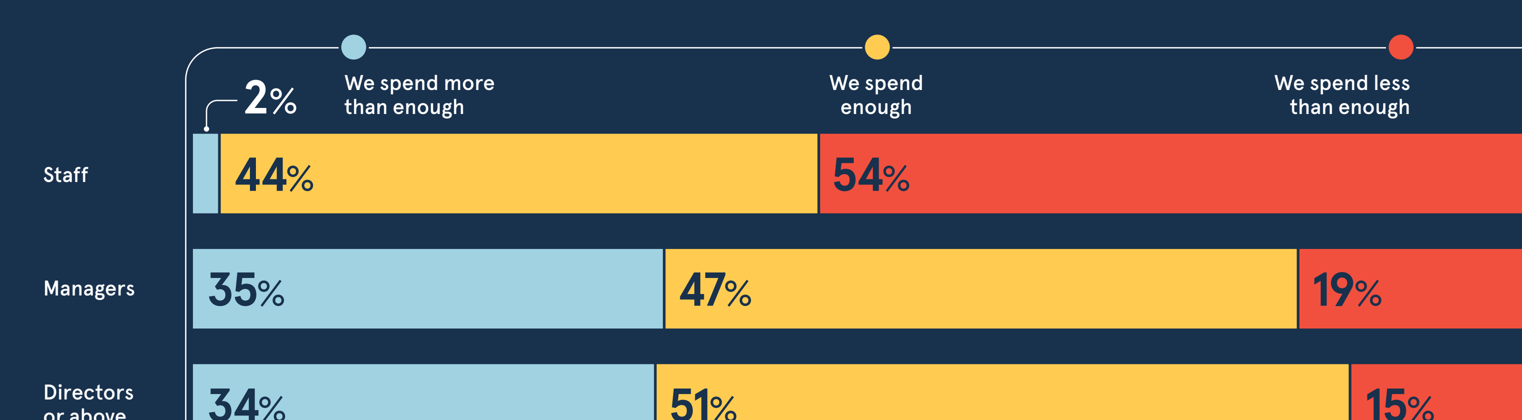
COST-SAVING MEASURES

IT professionals expecting their teams to pursue the following cost-savings measures in the next 12 months



ARE BUSINESSES SPENDING ENOUGH ON TECH?

IT professionals' assessment of their organisations' IT spend, by job level



Spiceworks, 2024

FINANCE

How CFOs can achieve success in the year ahead

After years of economic turbulence, finance chiefs are cautiously optimistic about 2025. Still, businesses will face plenty of challenges in the coming year

Sam Birchall

2024 was a year of unprecedented political changes, which will continue to impact businesses in 2025. Finance leaders must remain agile and responsive to any policy shifts. Already, tax rises in Labour's budget have fuelled anxieties about the cost of hiring new staff. And, Donald Trump's promise to raise tariffs is stoking concerns among CFOs that doing so could increase costs across the board and eat into their profits.

"We are entering 2025 with a high degree of macroeconomic uncertainty," says Martin Edstrom, CFO at Paragon. "CFOs must double down on scenario planning and incorporate flexibility into their budgets and strategies to respond to potentially sudden shifts in global [or domestic] economic policies, such as tax and minimum wage."

According to Eliran Glazer, CFO at Monday.com, finance leaders will be expected to respond swiftly to macroeconomic pressures leveraging data-driven insights. "Periodic reporting alone won't be enough," he says. "The finance function must deliver real-time insights that guide wider business decisions on cost management, profitability and risk. Stakeholders want actionable data insights and a clear narrative that addresses their concerns."

Although finance leaders will face plenty of challenges next year, including a tight labour market and persistent pricing pressures, there is less concern about a major downturn in economic growth.

Myles Corson, EY's CFO expert, expects more upbeat market conditions in 2025, prompting an uptick in transactions and M&A activity. "This will enable CFOs to unleash some of the pent-up capacity that's been hanging around. People will feel more comfortable moving forward with the transformation initiatives they've been holding off."

As market activity picks up, investor expectations are changing, says Regina Lau, finance chief at Weavr, a fintech firm. "Companies have grown slowly over the past five years due to economic volatility. The discipline developed during this period, in managing cash and driving efficiency, must remain. But there will be added pressure to show high, top-line growth again."

To achieve this, Soren Westh Lonning, CFO at Pleo, plans to balance offensive and defensive strategies in the coming year. He explains:

> "Understanding the ROI of AI projects will be a top priority. CFOs are under pressure to work out if the excitement translates into tangible success

"Offensive strategies involve turning potential distractions, such as resource allocation or AI adoption, into opportunities. Defensive strategies focus on operational tasks, such as monthly reporting, compliance and cost management, ensuring we free up time and resources to save money and drive efficiency."

Businesses invested heavily in AI in 2024. For finance leaders, the challenge in 2025 will be to figure out whether this technology can deliver on its promises of growth and productivity.

"There is a growing confidence in AI among finance leaders, but this is accompanied by a strict demand for accountability," says Karla Smith, CFO at Ogilvy. "Finance leaders are under pressure to work out if the excitement translates into tangible success. Understanding and measuring the ROI of AI projects will be a top priority, whether that is improvements in productivity or customer experience."

Half of the CFOs recently surveyed by Financial Times Longitude plan to cut AI investment if it doesn't show ROI next year.

Clear use cases for AI are emerging, however. "It's going to change the landscape for us," says Christoph Martin, CFO at PensionBee. "Everybody's using AI as a productivity tool, but it will be interesting to see how this evolves next year. It's going to become a bigger component of our decision-making, but it's still early days."

This will contribute to fears that AI will make certain roles redundant. A survey of 270 US CFOs by Datarail, found that finance chiefs expect their departments to shrink by 2026 as a result of AI. Google has already outlined plans to restructure its finance team ahead of a push for greater AI adoption.

Liz Kistruck, CFO of Motorway, says the role of the finance leader will continue to evolve. She explains: "A narrow financial focus simply won't cut it. Instead, a top-to-bottom understanding of how the business works – from marketing, legal and people, right through to product, technology and operations – is required to be effective."

More CFOs will emerge from diverse, non-traditional backgrounds in response to the changing nature of the job, Kistruck adds.

Soft skills will be essential. Emotional intelligence and experience with people-issues, such as diversity and wellbeing, will be the most important attributes for success among CFOs in the next five years, according to a 2024 survey of finance leaders by EY. "Fostering empathy and psychological safety, so people feel comfortable innovating and driving change, is going to be a critical differentiator for high-performing finance functions," Corson says.

And it's not enough for leaders to develop only their own soft skills. They must also help their employees to do the same, says Melissa Howatson, CFO at Vena Solutions. "Finance leaders must lead by example and encourage this development by introducing projects where team members can practice soft skills or even setting aside time for employees to attend conferences or workshops."

Good finance talent will be harder to find in 2025. People are exiting the field in droves owing to dissatisfaction with working conditions and experienced professionals are becoming more expensive. Moreover, a shortage of new qualified accounting talent is creating a crisis, according to a recent EY survey.

Edstrom says that finance chiefs are seeking innovative and cost-effective ways to attract and retain talent. "We will be looking at slightly different talent pools next year. We want to be less UK- and London-centric," he explains.

CFOs must also address the growing demand for hybrid skills, such as data analysis and other digital skills. By 2027, CFOs expect half of their staff to be able to create and modify finance technology capabilities, according to Gartner Finance. But, at most organisations, less than 20% of finance workers currently have the ability to do so. Working out how to develop those technical capabilities will be a key challenge in 2025. Edstrom, for example, plans to create more opportunities for his team to engage with AI-adjacent projects.

2025 will also be a big year for ESG regulations. Companies already subject to the EU's Non-Financial Reporting Directive will submit their debut reports under the Corporate Sustainability Reporting Directive. Many large organisations will also begin preparing for the Corporate Sustainability Due Diligence Directive, which will be phased in from 2027.

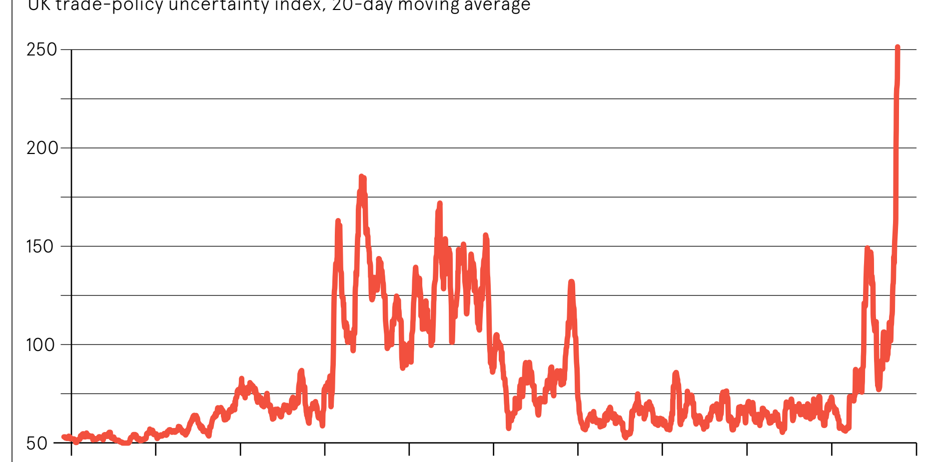
"Dealing with the new era of ESG reporting represents one of the most pressing challenges for finance leaders going into next year," says Smith. "It's a really big piece of compliance work and there is an urgent need for CFOs to upskill themselves in this area."

Concerns around the quality of data and the scope and breadth of reporting requirements weigh heavily on CFOs. There is, however, a growing acceptance that stringent reporting is part of the new reality. Smith believes more organisations will come to appreciate the benefits of standards that enable consist and comparable sustainability data.

There are also signs that compliance and reporting will get easier. The new European Commission announced its intention to streamline climate regulations, in response to growing backlash from businesses against the volume and complexity of such directives. As with many other trends on the horizon, CFOs will just have to wait and see.

TRADE POLICY IS TOP OF MIND FOR MANY FINANCE CHIEFS

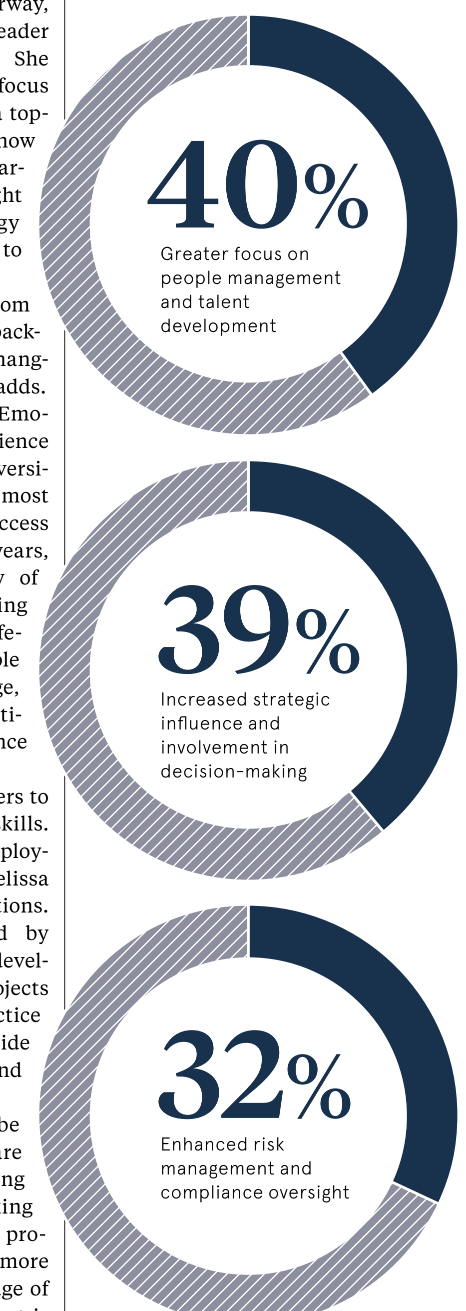
UK trade-policy uncertainty index, 20-day moving average



Goldman Sachs Research, Bloomberg, 2024

ROLE REVISION

Share of finance leaders who think the following aspects of their role will change over the next five years



Grant Thornton, 2024

Commercial feature

Into the light: unlocking the potential of technology-enabled supply chains

As businesses grapple with volatile demand and rising customer expectations, emerging technologies are helping operators see – and shape – their logistics networks like never before, according to experts

For centuries, supply chains have mainly operated in the dark. Even in our hyper-connected era, supply chain visibility and sustainability remain critical challenges, with the latest Proxima Supply Chain Barometer revealing that 86% of chief executives see significant hurdles with supply chain resiliency.

This is driving a growing sense of urgency, with 55% of CEOs planning to dedicate more time to supply chain topics than in the last year. Meanwhile, 99% of respondents identify barriers to supply chain carbonisation, according to the Proxima research published in September and based on a survey of 3,000 CEOs across the UK, US, DACH, and Benelux-based companies.

However, a convergence of artificial intelligence, Internet of Things (IoT) sensors, and innovative delivery models is shining light on these blind spots, promising a future where goods flow with next-level efficiency and sustainability.

"We've been running supply chains largely in the dark," says Steve Statler, chief marketing officer at Wiliot, an ambient IoT company. "The opportunity now is to see everything everywhere all at once – like getting the cheat code in a computer game where suddenly the entire battlefield map is illuminated."

This newfound visibility is already transforming operations. Royal Mail is deploying Wiliot's Bluetooth readers across 6,500 vehicles to track 850,000 rolling cages that transport parcels nationwide using 2.5 million of Wiliot's battery-free Bluetooth tags. The system helps right-size trucks, orchestrate labour, and prevent asset losses. More significantly, it lays the groundwork for real-time parcel tracking with temperature and carbon monitoring – enabling ambient delivery services for temperature-sensitive items like medicine and food without requiring refrigerated transport.

Last-mile upgrade – drones and driverless cars

The pressure to innovate comes as consumer expectations reach new heights. Mia Yamaguchi, retail development lead at Uber Direct, says her company's recent study shows 96% of Gen Z consumers now expect retailers to offer on-demand delivery. Yet only 22% of UK merchants, across various industries, currently provide such services, revealing a stark gap between capability and demand that represents a significant opportunity for forward-thinking businesses.

Uber Direct is addressing this gap by extending its food delivery network to all retail categories, from pharmaceuticals to DIY supplies. The model leverages existing Uber Eats couriers, demonstrating how innovation often means creatively repurposing assets rather than building from scratch. "We're effectively a logistics innovator with a strong Uber backing," says Yamaguchi, "utilising our existing fleet rather than investing heavily in new infrastructure."

This approach has proved particularly valuable for construction companies and time-sensitive deliveries. When builders run short of supplies, sending workers to fetch materials can result in hours of lost productivity. Uber Direct's solution enables rapid replenishment without disrupting work schedules, illustrating how modern logistics can directly impact broader economic efficiency.

Innovation in last-mile delivery is accelerating globally. In China, companies like JD.com are already using drones to service remote areas, particularly mountainous regions where traditional delivery proves challenging. Meanwhile, Uber is piloting autonomous vehicles in California. These developments hint at a future where the final stretch of delivery could be entirely automated.

Rise of the robots – working alongside humans

DHL Supply Chain is taking automation several steps further. The logistics giant will be the first company in the UK to deploy Boston Dynamics' Stretch robots, using computer vision to unload trailers. Machine learning algorithms improve inventory accuracy while reducing labour needs, while generative AI streamlines back-office processes from legal work to solution design.

"Innovation and change should be embraced as something positive," explains Saul Resnick, chief executive officer of DHL Supply Chain in the United Kingdom and Ireland. "These technologies ultimately improve job satisfaction, work quality, and safety for our people." Rather than replacing workers, DHL's automation strategy focuses on eliminating repetitive, physically demanding tasks while creating opportunities for employees to develop new skills.

Perhaps the most transformative development is the rise of ambient IoT – networks of battery-free sensors powered by surrounding radio waves. Wiliot's postage stamp-sized computers can be attached to virtually anything, creating what Statler calls "an app store for the physical world".

> In the next 12 months, the convergence of AI, IoT, and innovative delivery models will create unprecedented opportunities for supply chain optimisation

This capability enables use cases from monitoring vaccine temperatures to ensuring proper stock rotation in retail. "When you can see everything continuously, you discover issues people didn't want to see before," says Statler. "Products left at wrong temperatures, incorrect loading, poor stock rotation – all these inefficiencies become visible and addressable." The technology has profound implications for food waste reduction and medical supply chain safety.

Navigating supply chain disruptions

Geopolitical disruptions and supply chain resilience remain critical concerns for business leaders. Resnick states that working with partners like Everstream Analytics provides access to predictive insights and risk analytics which help to calculate how events – from blocked shipping lanes to natural disasters – might impact supply chains weeks in advance.

"Having those tools available allows us to be more dynamic," Resnick explains. "We can tell you that a ship won't arrive because it's stuck in the Red Sea and needs to go around Africa. You may need air freight – yes, there's a cost, but on a case-by-case basis, this can be less than the delay."

These predictive capabilities, powered by AI and enhanced visibility, enable businesses to make proactive decisions about inventory levels, alternative routes, and transport modes. This agility is crucial as supply chains face continued volatility and disruption.

Despite the promise, implementing these technologies isn't straightforward. Innovation cycles often outlast executive tenures, making long-term transformation difficult. Integration with legacy systems poses technical challenges, while workforce concerns about automation require careful change management. The shift to more resilient, diversified supply chains following COVID-19 and geopolitical disruptions also demands investment, stresses Resnick.

Using the power of partnerships

For companies beginning their digital transformation journey, success requires a clear focus on business problems rather than technology solutions. Resnick emphasises the importance of viewing technology as an enabler rather than an end in itself. Statler notes that building ecosystems of trusted partners is crucial. "The notion that you can succeed by building everything yourself is shortsighted."

Yield management emerges as a critical concept across all three experts' insights. Whether it's Uber maximising courier utilisation during off-peak hours, DHL optimising warehouse operations through automation, or Royal Mail enhancing its legacy infrastructure with modern tracking capabilities, the key is leveraging existing assets more efficiently before investing in new ones.

In the next 12 months, the convergence of AI, IoT, and innovative delivery models will create unprecedented opportunities for supply chain optimisation. Early adopters are already seeing significant benefits: Royal Mail's rolling cage tracking system has reduced asset losses and improved fleet efficiency, while Uber Direct's expansion into new retail categories is helping merchants meet evolving consumer expectations.

Tomorrow's supply chains will be visible, predictive, and responsive in previously unimaginable ways. For business leaders, the imperative is clear: embrace technological change or risk being left in the dark. "Innovation is business critical," Resnick concludes. "You can't stand still in this regard. The alternative to moving forward doesn't exist."

OPINION

'It's time to humanise the HR team'

Amanda Rajkumar is an HR professional with many years of board-level experience. Here, she outlines six trends for people leaders in 2025

Amanda Rajkumar

Businesses have faced extraordinary challenges in recent years, including a global pandemic, successive economic crises, political upheavals, culture wars and the rapid development of AI systems. Navigating these shocks has been challenging for HR leaders.

While we can't always predict what lies ahead, analysing current trends can help to understand the direction of travel. Here are six trends I believe will shape HR's work in the coming year.

1 Extinguishing burnout

A workforce at the breaking point is not fit for the future. Over the past year, 79% of US employees suffered symptoms of burnout at least once, with gen Z and millennials at greatest risk.

Employee burnout can lower staff productivity and cause people to take more sick days, quiet quit or even hand in their resignations. Widespread burnout can be devastating to a company.

This risk can be avoided if businesses take their duty of care towards staff seriously. Employers that do so will be rewarded with a more productive, creative and adaptable workforce. Employees who are both physically and mentally well are much more likely to work well.

It's critical that workplace wellness is taken seriously over the next 12 months. HR teams must use data to understand the experiences of their staff and emerging trends in the workplace, and provide solutions to any problems.

2 Flexibility as the norm

Despite recent headlines about return-to-office mandates, workplace flexibility retains strong support among HR leaders. Almost all HR executives (95%) surveyed by International Workplace Group regard hybrid working as an effective recruitment tool. It is also a key consideration for employees when accepting job offers.

Flexibility is no longer just a nice-to-have, it's a necessity for many employees and it must become the norm in the workplace. Back-to-office mandates are short-sighted; they drive the best staff to leave, while those who stay will become increasingly disgruntled. More companies will come to realise this in the year ahead.

3 Labour shortages will persist

Economic inactivity continues to hold back the labour market. It's estimated that by 2030, a high percentage of jobs will be unfilled due to a significant mismatch of skills.

In the US, the ratio of job openings to unemployed persons is almost six times higher than in 2010. It's a similar story across the next seven-largest developed economies – Australia, Canada, France, Germany, Italy, Japan and the UK.

This isn't simply down to disenfranchisement. Many of these countries have ageing and declining populations. Nevertheless, HR can help to plug the skills gap using a two-pronged approach .

Firstly, HR must cultivate better leaders who can retain staff. They must also spend more time looking at key roles and develop robust internal talent pipelines, providing holistic training initiatives and succession planning.

Secondly, where possible, HR can use AI for the tasks that humans don't want to do. However, this cannot be done without proper training – 67% of employees are not enabled by their organisations to use AI to augment their productivity, according to Gallup. To improve productivity with AI, companies will need to invest in people to ensure they can use the technology effectively. Again, HR can play a crucial role here.

4 The rise of the agentic workplace

AI is no longer merely a tool for retrieving information – it is a collaborator. However, the technology must be implemented in the workplace carefully.

As with all frontier technologies, AI implementation comes with issues around ethics and governance. HR leaders will need to design clear frameworks for how AI agents are used and onboarded in the organisation, taking consideration of the legitimate concerns of employees and the potential challenges that come with managing integrated teams.

> Back-to-office mandates are short-sighted. More companies will come to realise this in the year ahead

Staff will come to see AI as less of a threat and more of a tool, but getting to that point will require clear policies and proper training.

5 DEI won't die

DEI has been a hot topic this year. Societies are divided and staff are not immune to disagreements over politics, women's rights, religion and immigration, among other topics. This has created tensions around DEI initiatives, which are amplified by social media and chaotic political discourse. "Alternative facts" and ad hominem attacks continue to gain attention, which means opposing sides will struggle to find common ground.

But support for DEI among businesses remains strong in spite of these tensions. According to a report by Teneo, 42% of companies maintain quantitative, time-bound DEI goals and 80% of these goals are unchanged from 2023. Two-thirds of companies have targeted-talent programmes to enhance workplace diversity and 70% have supplier-diversity programmes.

Despite the predictions of Tesla CEO Elon Musk, DEI won't die – but it will change. Representation will become more important than measurement. A proactive approach to inclusion is necessary, as unmanaged tensions will lead to an increase in discrimination claims.

HR will need to train managers in conflict resolution and create safe channels for employees to voice concerns. The challenge will be to navigate competing expectations from different stakeholder groups – employees, customers, investors and regulators – while maintaining productive work environments.

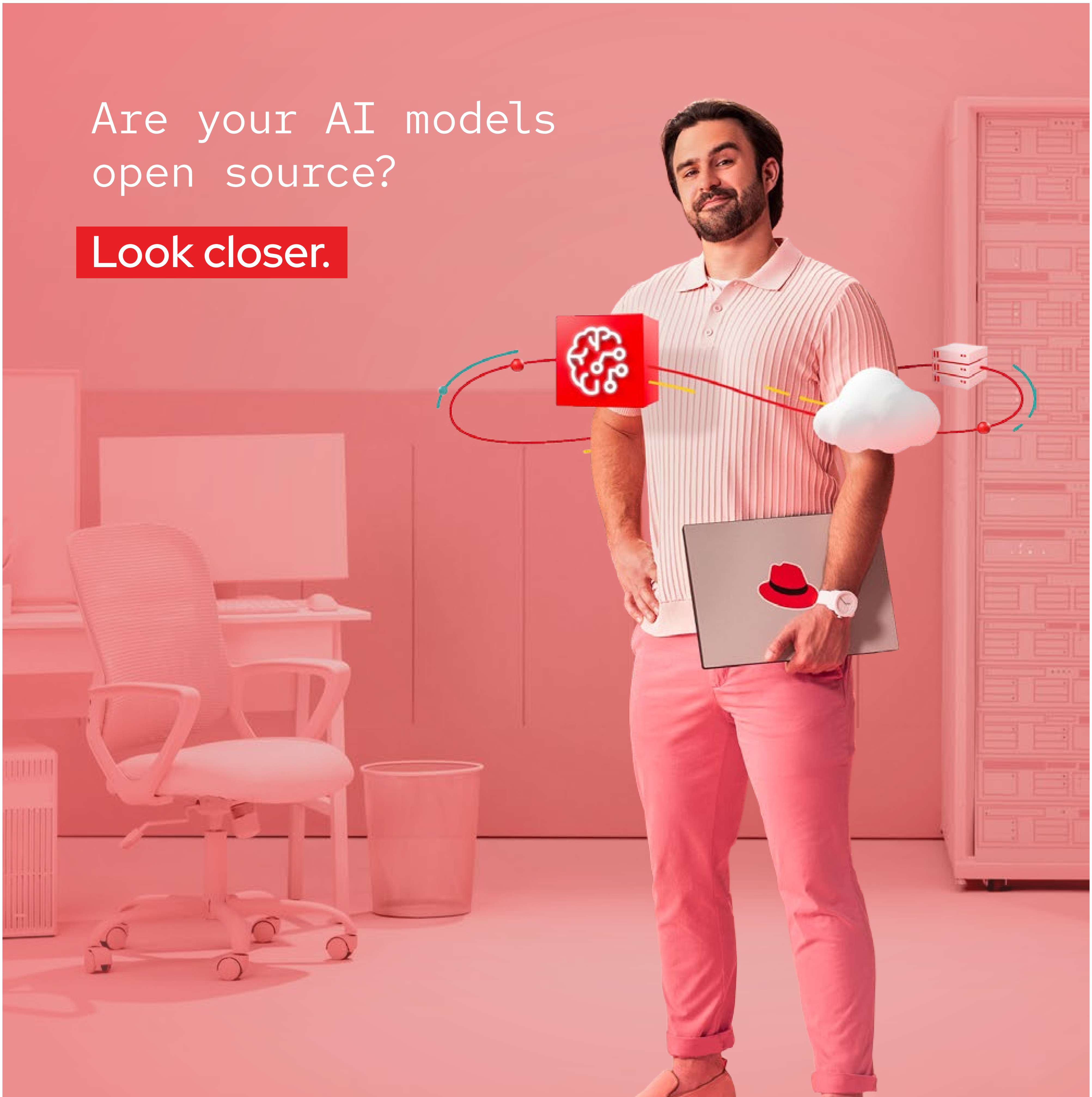
6 HR's big rebrand

HR is a lightning rod for controversy. In many circles, the function has developed a decidedly bad reputation.

This isn't entirely unjustified. Many HR departments lack the appropriate skills, with senior roles too often filled by people who don't have experience in this field. Three-quarters of CHROs do not believe leaders and managers are equipped to lead in times of change, according to a survey by Gartner.

Moreover, several years of turbulence have left many HR professionals (81%) feeling burnt out, according to a report by Sage. HR is looking after the workforce, but is anyone looking after HR?

It's time to humanise the HR team and talk about their successes. The HR department must seek out opportunities to enhance their visibility and impact. This will help to shift its reputation from an ineffective department that cannot be trusted, to a critical and strategic change agent.


Are your AI models
open source?
Look closer.