

## Iris Yates Partner Private Sector



In this interview, Iris Yates, Partner Private Sector at Deloitte, discusses the general economic in uncertain times, digitalisation, sustainability and CSRD regulations. She shares insights on the role of AI, geopolitical situations and CSRD in Finance.

**The results show there's a positive economic sentiment in the air. Revenues and margins are expected to improve and the focus is more on growth than costs.**

I see a divide in the market because the companies I speak to through Deloitte Private, still very much focus on costs. The emphasis on creating value does become increasingly important although it's still important to rationalise costs by assessing which costs are beneficial to the business. The emphasis is clear: how do I make my business future-proof. Some clients indeed have a strong growth agenda and they are now investing in their supply chain and expanding their market footprint and on the sustainability side you see a similar significant growth. Many companies are sceptical about this and they focus on compliance, but the topic is increasingly starting to play a strategic role.

**CFOs do note the still brittle economy and the labour market continues to be a challenge.**

Indeed, the challenging labour market is coupled with a rising awareness that the Finance function needs a different type of talent than what it has traditionally looked for. It has dawned on organisations that they have insufficient innovation power. More data must be used and used cleverly: how do you structure and record data and derive the appropriate insights from it? Traditionally, Finance dealt with recording everything properly and on time and no one ever thought about generating any insights. A number of companies now tell me about retraining their staff. They are increasingly searching for people with diverse backgrounds, all of which results in more complex and less standardised profiles.

**Finance must now have technology, data and financial savvy and take on the role of business partner. Should an individual be appointed to do this or should this be a team effort?**

I've no doubt this should be a Finance task, but the question is

whether Finance as a whole should deal with this. Companies could also appoint a Chief Data Officer role in the company, with Finance taking on the role of data architect for the organisation.

**So, this will extend Finance's scope but will it be easy to recruit sufficiently skilled staff?**

I think recruiting will definitely be a challenge, which is also reinforced by potential employees' expectations. They will want to see their values reflected in the company and have career prospects, all of which requires a well-balanced project. I've witnessed clients looking for staff in their region and offering high salaries for jobs that had previously been in high demand, but for which they are unable to find anyone right now.

**The results also show the CFOs' concerns about the geopolitical situation. Do you recognise this feeling and do you indeed notice CFOs having sleepless nights over this?**

I do think vulnerability is on CFOs' agendas and this has made scenario thinking a crucial issue.

It requires more forecasts, but at the same time any factors you forecast are more capricious than ever. The past few years have exposed this vulnerability in the Netherlands.

In turn, this has ensured that the resilience of Dutch industry - by encouraging entrepreneurship and our tax climate - has become a strong focus point within companies. The question of 'what do we stand for as the Netherlands?' is a major theme, and all these concerns are magnified by the global insecurity.

The Dutch market is simply too small to isolate itself from the outside world and while our entrepreneurs have always had the expectation of finding a warm home here, they no longer always feel this way. Although the clients I speak have a strong sense of loyalty towards the Netherlands, they feel less appreciated. They fear that short-term political thinking will create an uncertain business climate and entrepreneurship.

At the same time, we do see Private Equity is expanding within this climate, in the market segments within which they believe they can generate value in the Dutch market. Transactions are taking place and opportunities are being identified in what they previously considered less interesting companies.

These are often markets that are fairly stable and where secular

trends, such as ageing, are driving market growth.

**CFOs likewise expect GenAI to have a huge impact on how they work, especially when it comes to forecasting and analytics.**

**At the same time, you see that the budget companies allocate to GenAI is relatively low to meet this expectation. How do you reconcile this?**

I think investments by Finance into its own sector will always be scrutinised. Finance is not a big spender and always wants to be presented with a proper business case. I think there is great confidence in GenAI being able to live up to expectations over the long term - and you currently see a plethora of experiments in sandbox environments - but the Return on Investment is simply too low right now. You see small-scale examples of GenAI applications within organisations, so they clearly search for applications. I think this will evolve in the way you often see: as soon as one really concrete use case is out in the open, things will speed up.

**According to the survey sustainability was driven more by an intrinsic sense of increasing value than by compliance. How do you view this?**

I think most companies have an intrinsic drive to do the right thing, but CSRD has definitely been a trigger to start, as Finance, the wider conversation in the organisation. Compliance is important, but you will need to consider what kind of impact you

want to have as a company. This is often intrinsic to Dutch companies: using resources sparingly and caring for their employees are actually truly Dutch principles. Many companies want their employees and the environment in which they operate to be properly cared for.

The challenge lies in the quantity and breadth of the subject matter and many firms have problems with the speed of implementation and deciding on what their priorities are. Clients in the Deloitte Private segment still underestimate the workload involved in CSRD. The lesson we have learnt at listed companies is that it takes a lot of people and time and needs a multidisciplinary approach, on top of which you also need to find the balance between central compliance and local responsibility.

**Does Finance feel it needs to take ownership of this issue?**

Finance indeed feels that need and is asked to do so, as it is the natural place for information to be collected and it functions as an organisation's conscience. Now it's being called upon to manage and lead this issue for the organisation as well. It also offers Finance the opportunity to have more strategic conversations and be a real catalyst for change.

**What do you see as the biggest challenge on this topic over the next 2-3 years?**

Preparing the initial report is the easiest but this, too, is expected to show an improvement of the

results. This means that, as an organisation, you need to start delivering beyond the Finance domain. Instead of being regarded as an additional item, such reporting should be integrated throughout the business operations if it is to lead to a strategic advantage.

These advantages may, for instance, come from CO2 trading rights, obtaining more favourable financing terms, or winning new clients and contracts. Don't comply with regulations and you won't survive, but if compliance with regulations is the only thing you do, then you only get the disadvantages and not the advantages. This is exactly where companies should be able to find their strength.

**Do you expect there to be labels for CSRD, showing companies how they are doing compared to their peers?**

A whole load of options is already available: there are independent standards where the number of different options is quite a disadvantage. What's going to help anyway is the greater transparency and more information coming available to the market. Labels then become summaries of the broader reports. It's also going to ensure increased importance of data exchange throughout the supply chain and this will cause companies to make different choices here as well. As Business to Consumer already felt the pressure early on, it has a head start in this area, but because of this the entire system will be changing the way it works.