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Delivered from Experience

CEO Value Creation Pulse

Q4 2023 Outlook

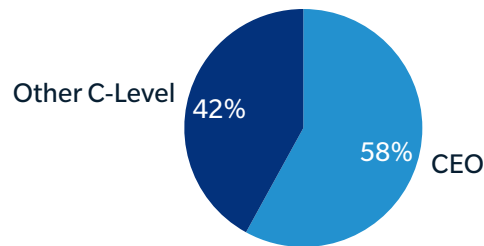
CEO Value Creation Pulse, Q3 2023

SBI's quarterly survey of CEOs and other C-level executives focuses on how they are planning for value creation, and the go-to-market strategies and tactics that will get them there. This report details four trends that should drive executive planning for the remainder of 2023 and into 2024:

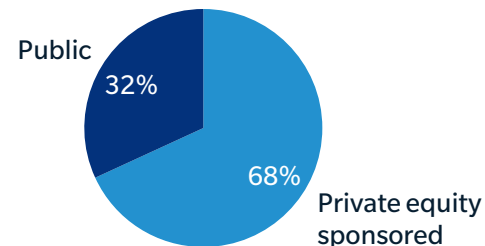
1. **Tones of Optimism but Pipelines and Volume Remain A Concern** ([pages 3 - 7](#))
2. **Managing Expenses but Not Driving Productivity** ([pages 8 - 12](#))
3. **Value Creation Emphasis Is Shifting Toward Investing in Growth** ([pages 13 - 17](#))
4. **Leadership Transitions on the Horizon** ([pages 18 - 19](#))

In addition to detailing the underlying data and implications of each of these trends, we also include **assumptions that executives are making** regarding growth, pricing, demand, and macro-economic conditions ([pages 20 - 21](#)) as they plan for 2024.

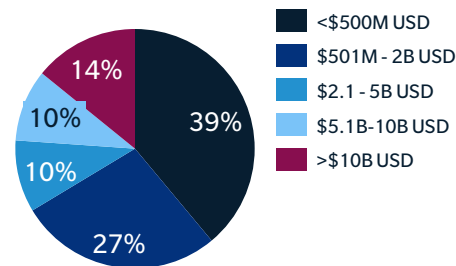
Respondent Title



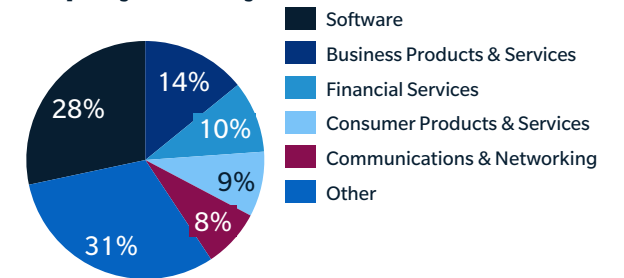
Ownership Structure



Annual Revenue



Company Industry



Base: 113 respondents
Source: CEO survey fielded in August 2023

1. Tones of Optimism but Pipelines and Volume Remain A Concern

For the first time since Q4 2022, CEOs are most likely to report that demand is accelerating, and nearly half are revising their revenue forecasts upward from conservative initial projections. Yet uncertainty remains. More than half report demand as slowing or consistent with a slow first half. More concerning, very few CEOs see their pipelines improving, with nearly half reporting them as worse than last quarter. Further, deal volumes and renewal rates are showing some worrying trends compared with earlier in the year, and seller productivity continues to stagnate.

2. Managing Expenses but Not Driving Productivity

3. Value Creation Emphasis Is Shifting Toward Investing in Growth

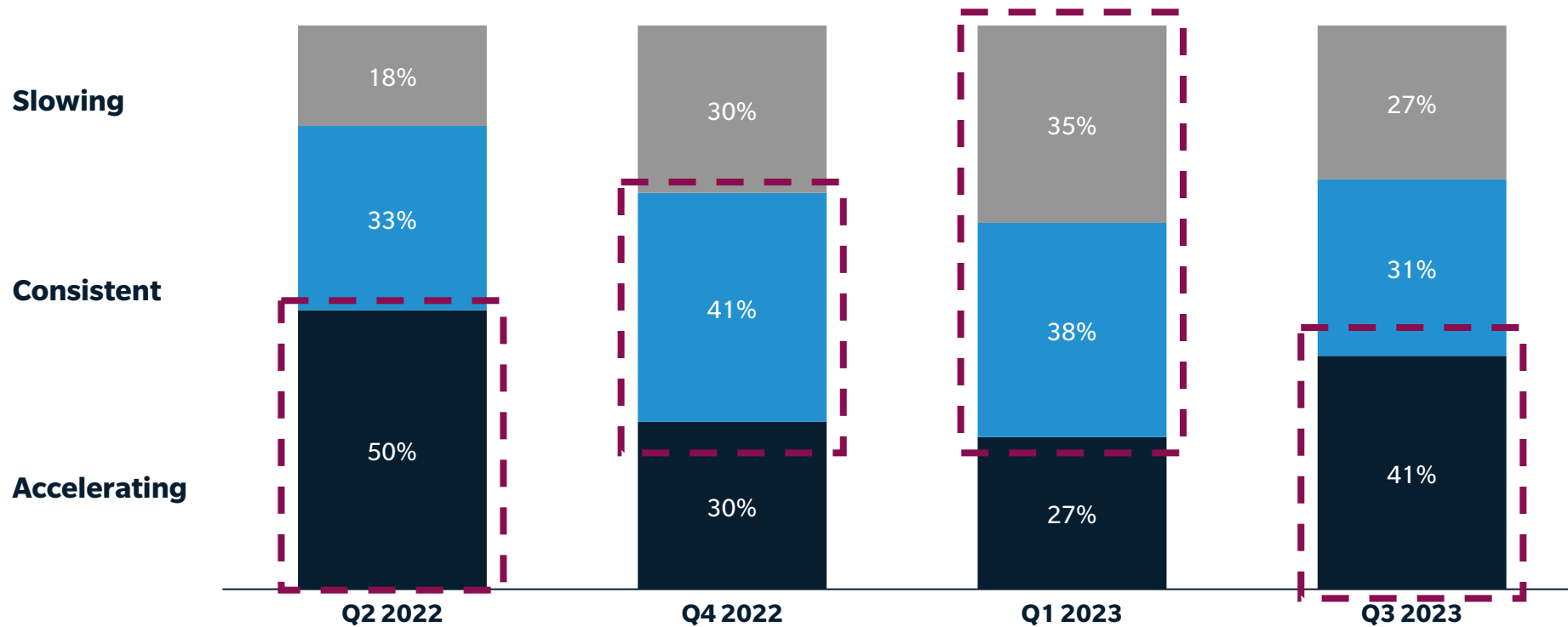
4. Leadership Transitions on the Horizon

Implications for CEOs and Their GTM Leadership Teams

- **Re-think your outbound motions to rebuild (or refresh) strong pipeline.** With the advent of generative AI, highly-relevant outbound messaging is becoming commoditized, making it even more difficult to penetrate the noise. Differentiation will come from more focused customer marketing and account-based marketing/experience (ABM/X) initiatives that are distinct from standard outbound plays.
- **Identify buyer stall points.** Prioritize ease in both the customer's internal buying process and their "buying from you" processes.
- **Upskill sales managers to coach their teams toward faster deal cycle times.** Change the management conversation to be less about where deals are and how to push them forward, and more about how sellers are tailoring their messaging to the buyer's own data and buying process.

Demand sentiment has rebounded from lows in Q1 2023

CEO Assessment of Demand Indicators for Their Business



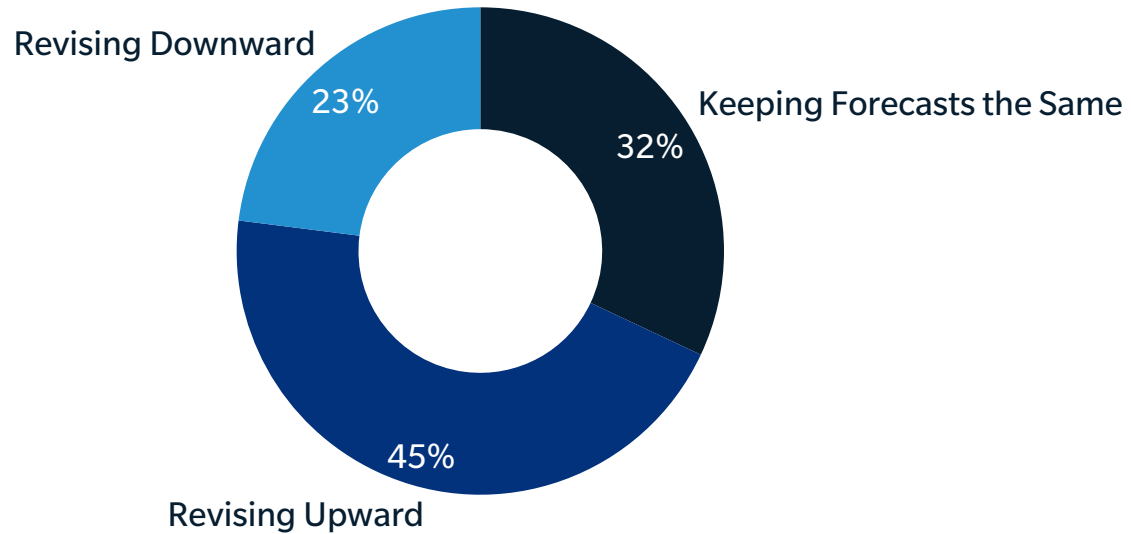
Base: 120 respondents for Q2 2022; 102 respondents for Q4 2022; 91 respondents for Q1 2023; 133 respondents for Q3 2023

Source: SBI Q2 2022 CEO Survey; SBI Q4 2022 CEO Survey; SBI Q1 2023 CEO Survey; SBI Q3 2023 CEO Survey

Note: For all CEO surveys prior to Q3 2023 version, respondents were asked, "To what extent do you perceive softening demand indicators for your business?" In Q3 2023, they were asked, "How would you characterize demand indicators for your business for the remainder of CY2023?"

Many CEOs are revising growth forecasts upward from initial conservative projections

Growth Forecast Change From End of 2022



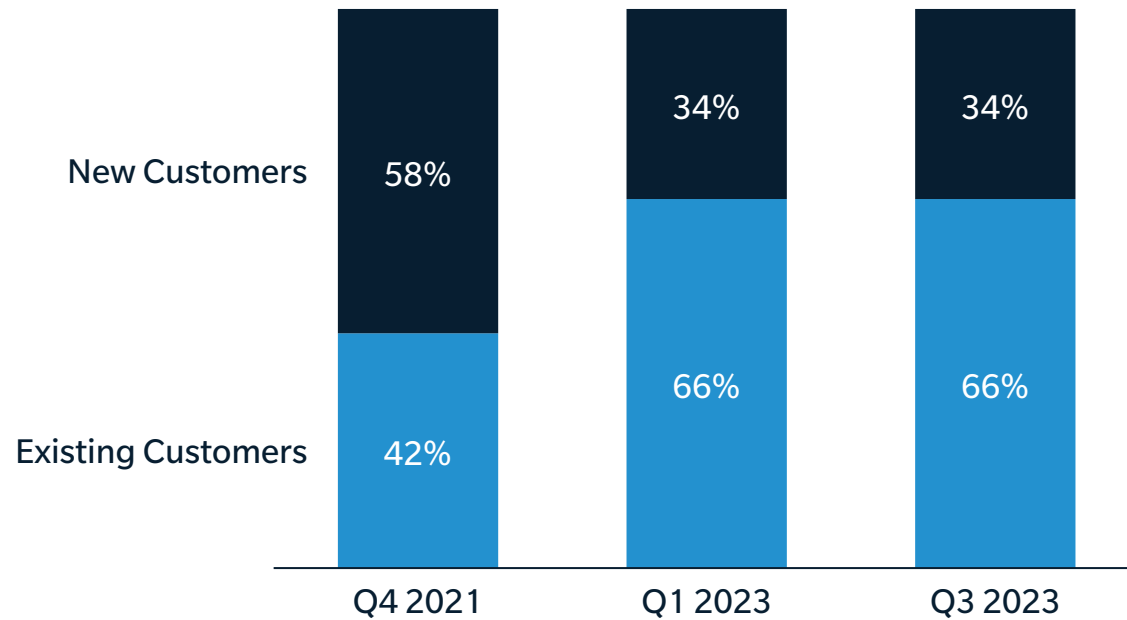
Base: 113 respondents

Source: SBI Q3 2023 CEO Survey

Note: Respondents were asked, "How have your growth forecasts for 2023 changed from your projections at the end of 2022?"

Continuing to rely heavily on existing customers for growth

Relative Share of Net-New Bookings From New vs Existing Customers

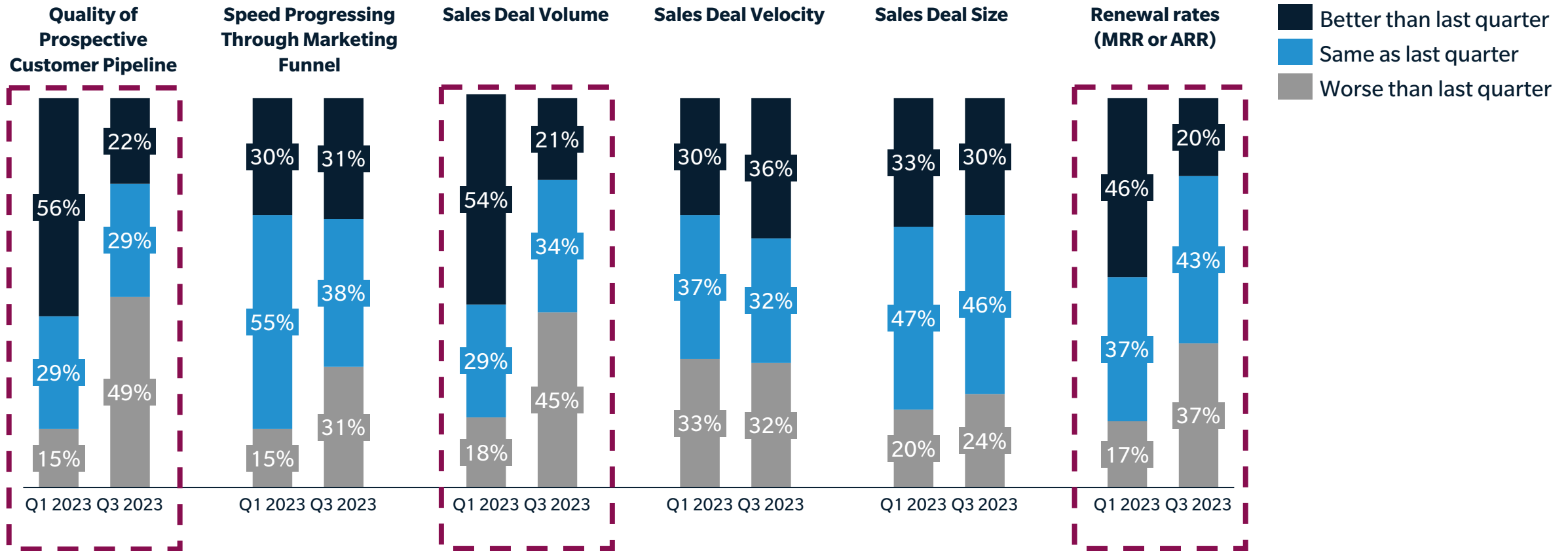


Base: 102 respondents in Q4 2021; 91 respondents in Q1 2023; 113 respondents in Q3 2023

Source: SBI Q4 2021 CEO Survey; SBI Q1 2023 CEO Survey; SBI Q3 2023 CEO Survey

Note: Respondents were asked, "What percent of net new bookings do you expect to receive from new vs existing customers in FY23?"

Forward indicators are mixed, with pipeline quality, deal volume and renewal rates showing big negative shifts from Q1 to Q3



Base: 91 respondents in Q1 2023; 113 respondents in Q3 2023
 Source: SBI Q1 2023 CEO Survey; SBI Q3 2023 CEO Survey

1. Tones of Optimism but Pipelines and Volume Remain A Concern

2. Managing Expenses but Not Driving Productivity

The shift at the beginning of 2023 to investors prioritizing EBITDA over growth is unsurprisingly holding steady. In line with this, nearly half of CEOs (47%) report that their operating expenses will decrease across the remainder of 2023, relative to the first half of the year. Cuts are most likely to happen in facilities, marketing, training, and product/innovation. Seller productivity remains stagnant. And few CEOs are capturing the efficiencies possible from incorporating generative AI into their commercial engines, with only a quarter running small pilots, and fewer than 10% doing anything more than that.

3. Value Creation Emphasis Is Shifting Toward Investing in Growth

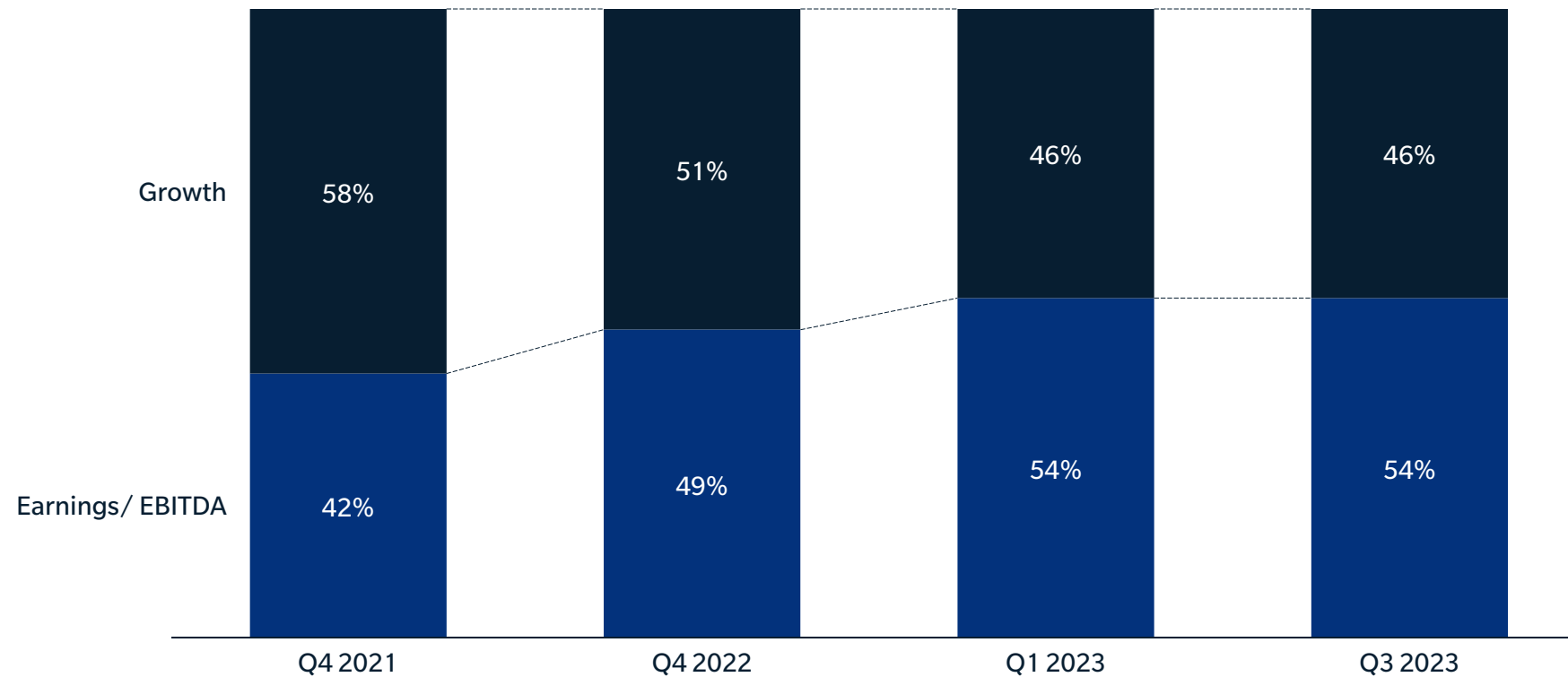
4. Leadership Transitions on the Horizon

Implications for CEOs and Their GTM Leadership Teams

- **Focus on driving true commercial productivity.** Cost management has been an emphasis, but it has been more focused on cutting than on engineering productivity. Seek out redundancies in activity across commercial teams and time spend. And make the hard staffing decisions necessary to swap out unproductive commercial team members in what is becoming a buyer's market for talent.
- **Think twice about further reducing marketing spend.** In light of indicators of softening pipelines, ensure that ABM and targeted top-of-funnel activity continues to set up for a strong start to 2024.
- **Build a detailed playbook on AI usage to take efforts from experiments to drivers of commercial productivity.** Don't just give high-level guidance. Playbooks need to be clear on effective prompting and have regular updates based on evolving learning.

Shift to prioritization of profitability continues

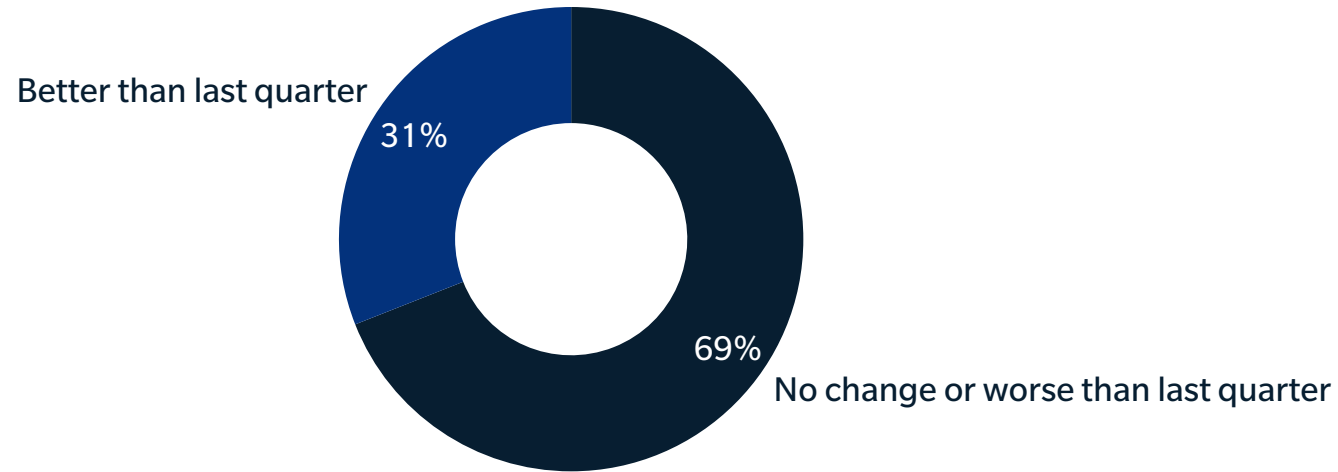
CEO Perceived Relative Importance of Growth and Earnings to Investors



Base: 102 respondents in Q4 2021 and Q4 2022; 91 respondents in Q1 2023; 113 respondents in Q3 2023
Source: SBI Q4 2022 CEO Survey; SBI Q1 2023 CEO Survey; SBI Q3 2023 CEO Survey

Seller productivity flat to declining

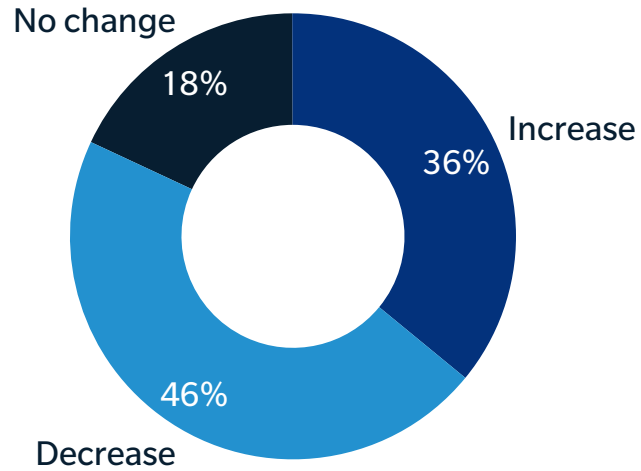
CEO Characterization of Seller Productivity



Base: 113 respondents
Source: SBI Q3 2023 CEO Survey

Expense budgets decreasing or not changing relative to H1 for most

Operating Expense Change for H2 2023 Compared with H1 2023



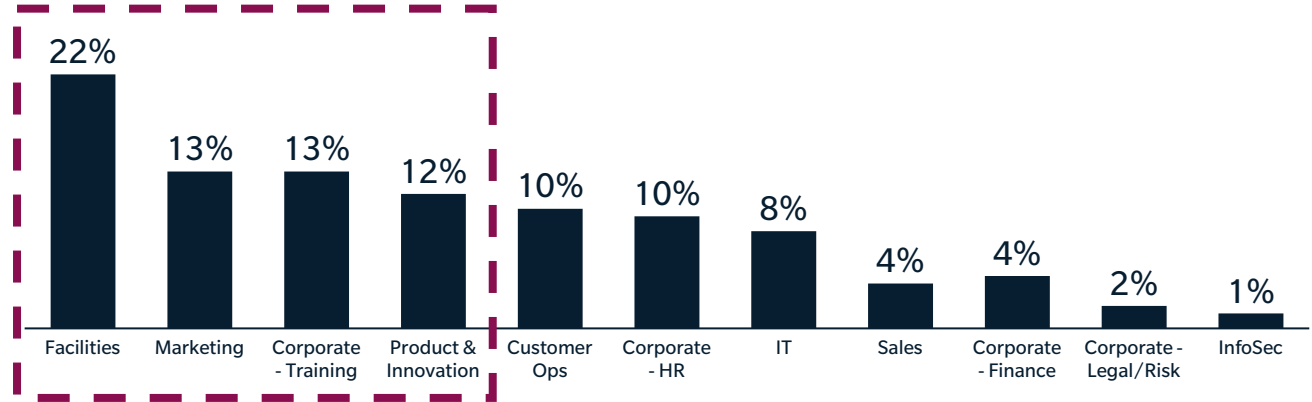
Base: 113 respondents

Source: SBI Q3 2023 CEO Survey

Note: Respondents were asked, "How are you expecting operating expense as a percentage of revenue to change across the second half of 2023, compared with the first half?"

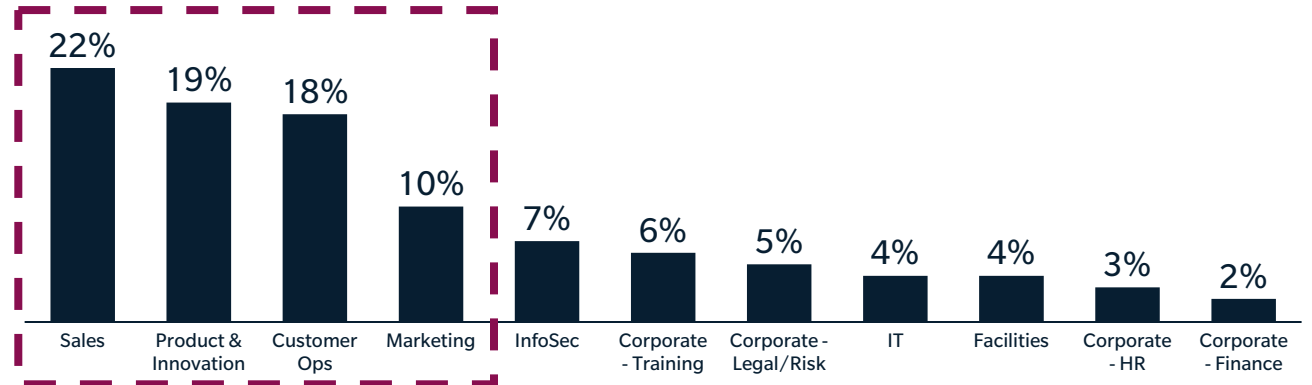
Areas for Decreasing Operational Expense

Percentage identifying as Top 3 areas for expense cuts



Areas for Increasing Operational Expense

Percentage identifying as Top 3 areas for expense increase



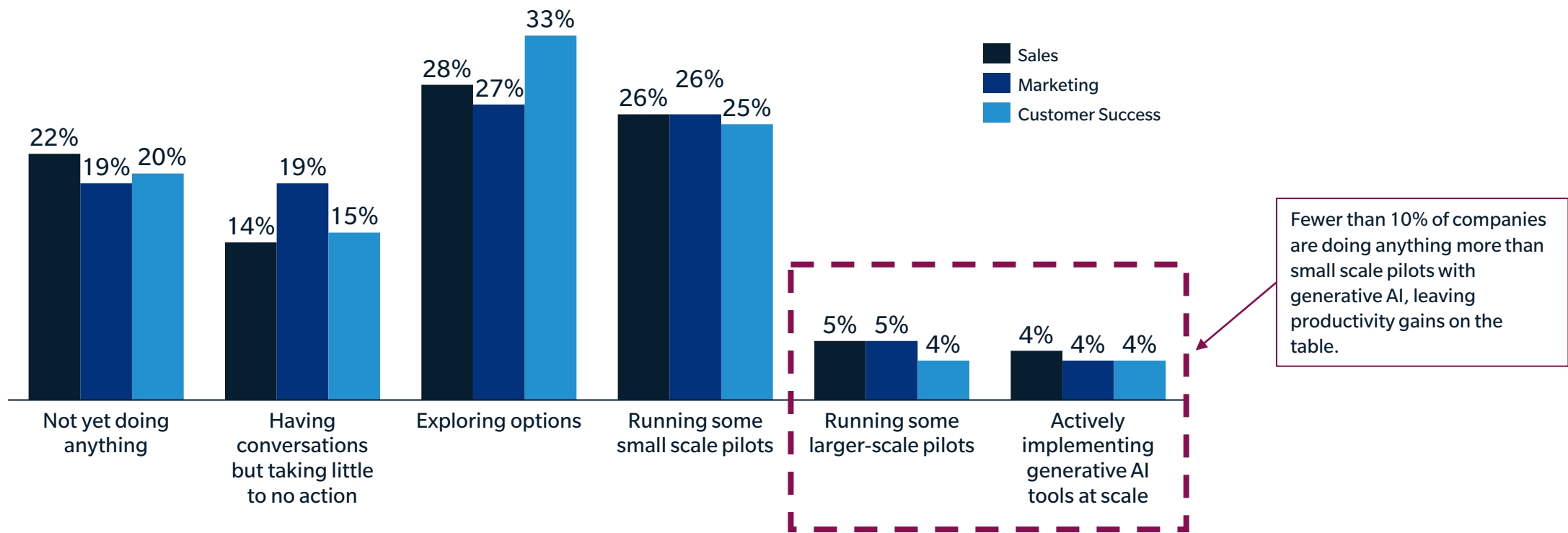
Base: 113 respondents

Source: SBI Q3 2023 CEO Survey

Most GTM organizations are dipping their toes into generative AI as a productivity driver

Generative AI Utilization

Across the GTM organization



Base: 113 respondents
Source: SBI Q3 2023 CEO Survey

1. Tones of Optimism but Pipelines and Volume Remain A Concern

2. Managing Expenses but Not Driving Productivity

3. Value Creation Emphasis Is Shifting Toward Investing in Growth

Most organizations appear to have kept their value creation thesis consistent across 2023 — with an even split between increasing expense and maintaining expenses while accelerating growth. However, plans for 2024 include a notable shift toward accelerating growth while increasing expense. This investment in growth is largely targeting new market penetration. Not only is new market penetration viewed as one of the most critical levers for success by CEOs, but they are most likely to be targeting their M&A activity toward market penetration and customer acquisition across the next 12 – 18 months.

4. Leadership Transitions on the Horizon

Implications for CEOs and Their GTM Leadership Teams

- **Be cautious about reinvesting resources into an unproductive commercial ecosystem.** Pursue growth in adjacent markets first, or by making role design changes (e.g., shifting more sellers into hunter roles). Avoid reintroducing spend into an unproductive commercial environment.
- **Capitalize on any M&A as a quick opportunity to bolster pipelines.** Extend ABM efforts with refreshed messaging and packaging, and rapidly activate cross-sell opportunities.
- **Carve out dedicated go-to-market (GTM) motions for innovations to accelerate revenue capture.** Gain alignment on metrics for success and how they will differ from core products and services. Use benchmarks from past and competitor launches to set expectations.

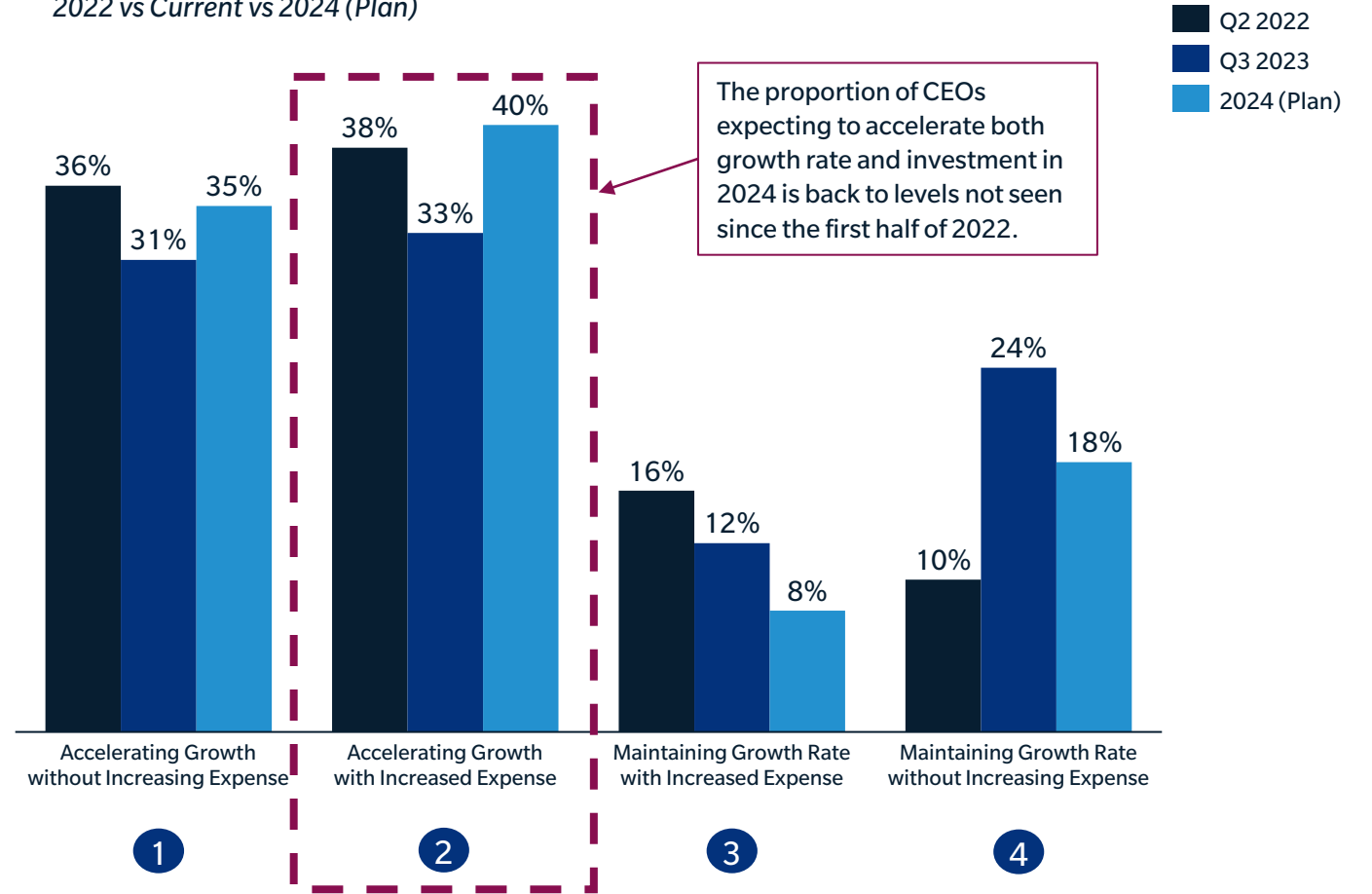
A planned shift (back) to investing in growth

SBI's Value Creation Compass



Planned Value Creation Strategies

2022 vs Current vs 2024 (Plan)



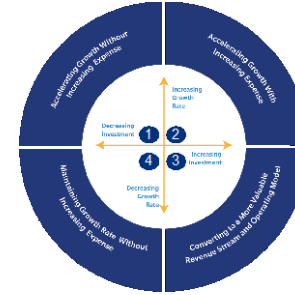
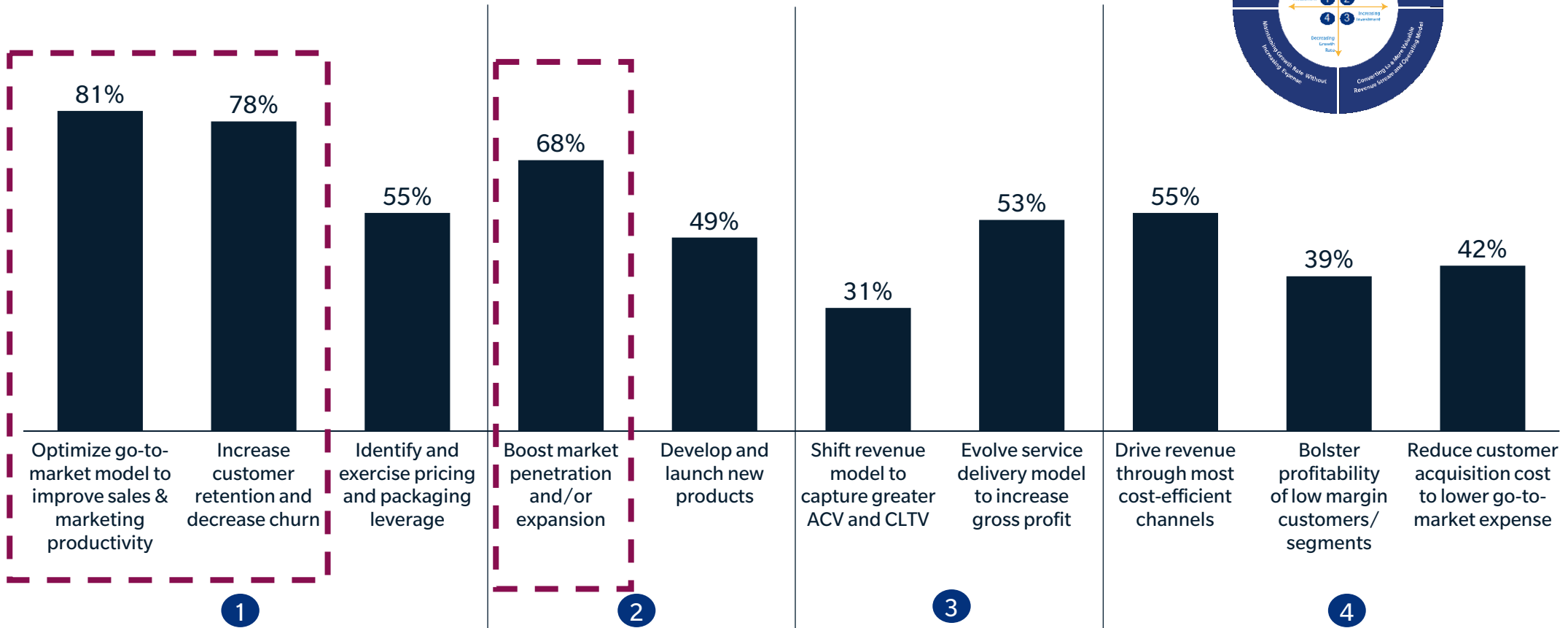
Base: 91 respondents in Q1 2023; 113 respondents in Q3 2023

Source: SBI Q1 2023 CEO Survey; SBI Q3 2023 CEO Survey

Note: Respondents were asked, "Which of the following quadrants best describes your organization's approach to value creation?"

Focused on productivity, retention, and market expansion

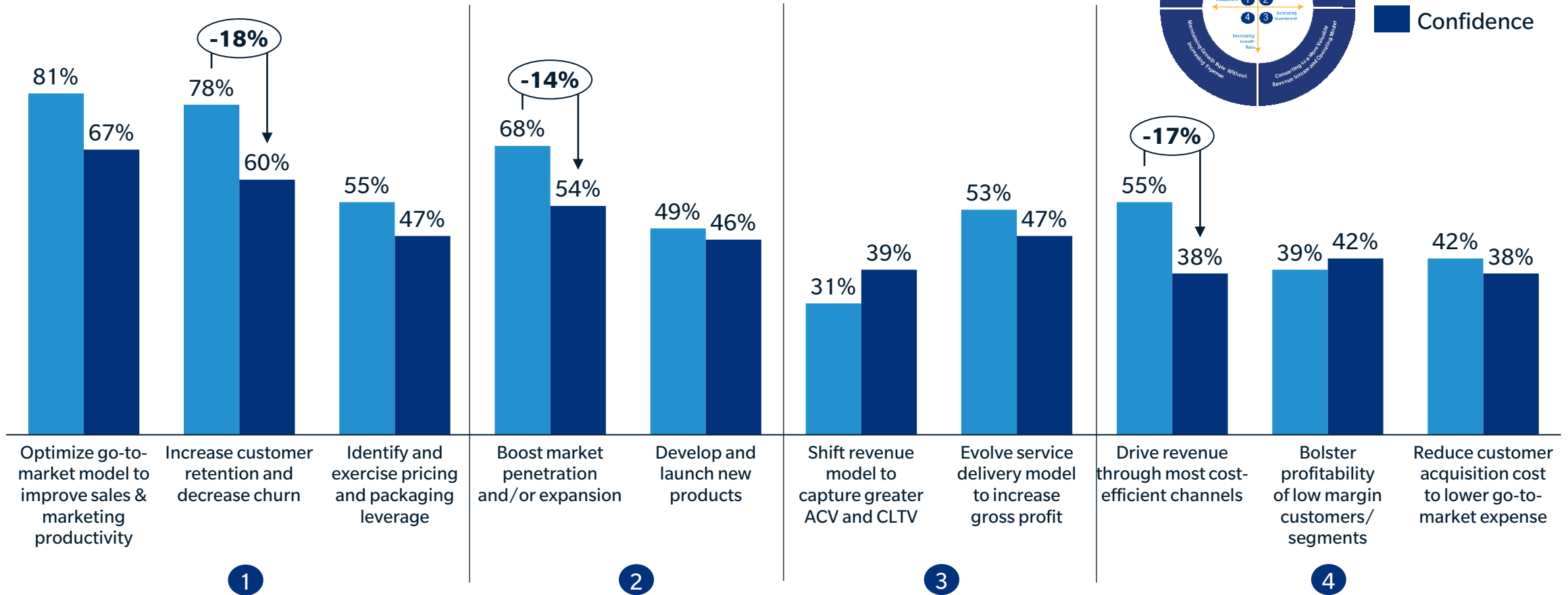
Criticality of Growth Levers



Base: 113 respondents
 Source: SBI Q3 2023 CEO Survey
 Note: Percentage rating each as critical or highly critical to success

Performance gaps with increasing retention, market expansion, and channel productivity

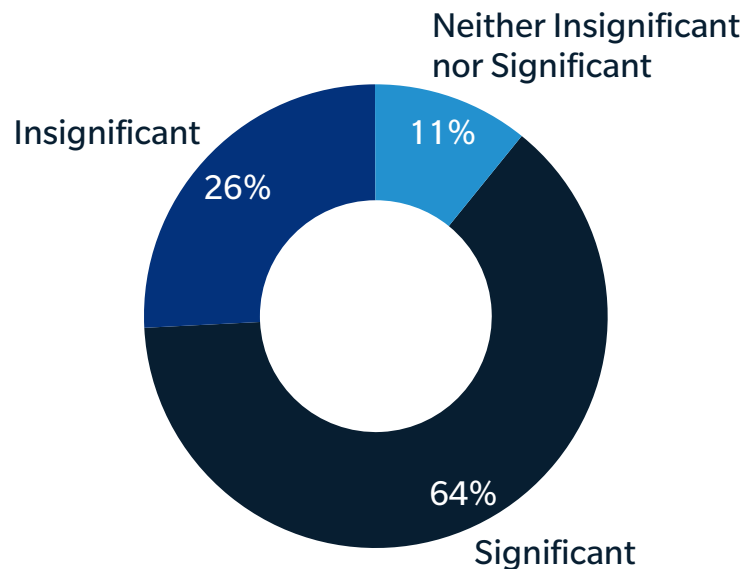
Criticality vs Confidence for Growth Levers



Base: 113 respondents
 Source: SBI Q3 2023 CEO Survey
 Note: Percentage rating each as critical to success and confident in ability to execute

M&A will play a significant role in 2024 growth strategies, focused on market penetration and customer acquisition

Significance of M&A as Part of Growth Plans Over Next 18 Months



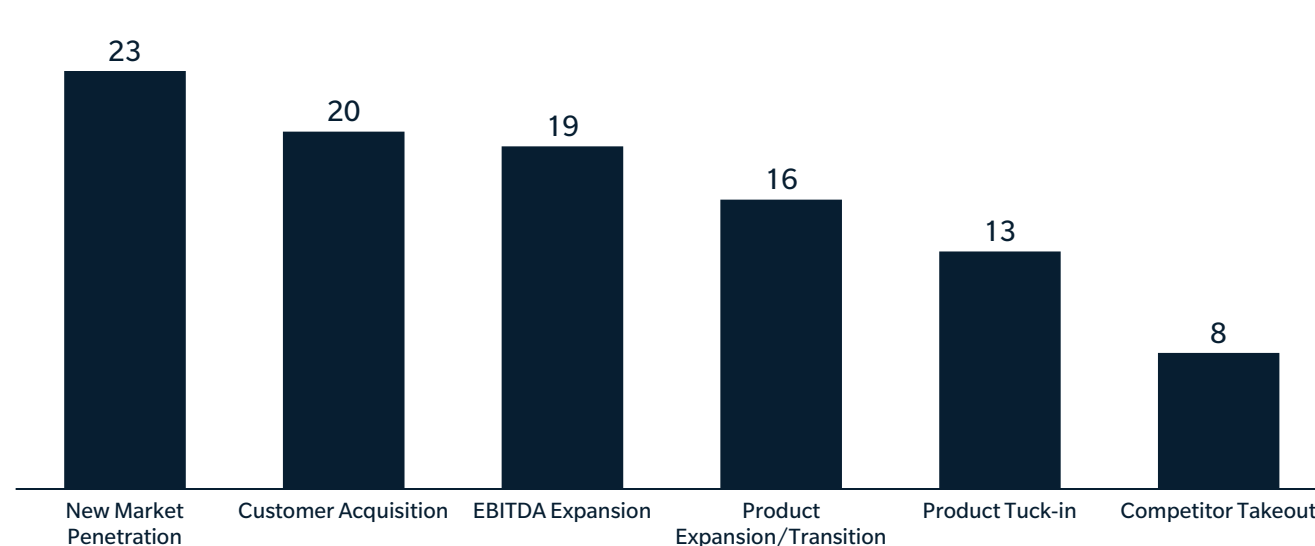
Base: 113 respondents

Source: SBI Q3 2023 CEO Survey

Note: Respondents were asked, "How significant is M&A going to be to your overall growth plans in the next 18 months?"

Relative Importance of Different Strategic Intents of M&A

Average allocation of 100 points



Base: 113 respondents

Source: SBI Q3 2023 CEO Survey

Note: Respondents were asked, "Please allocate 100 points to reflect the relative importance of the following criteria on your M&A strategy for FY23."

1. Tones of Optimism but Pipelines and Volume Remain A Concern

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4. Leadership Transitions on the Horizon

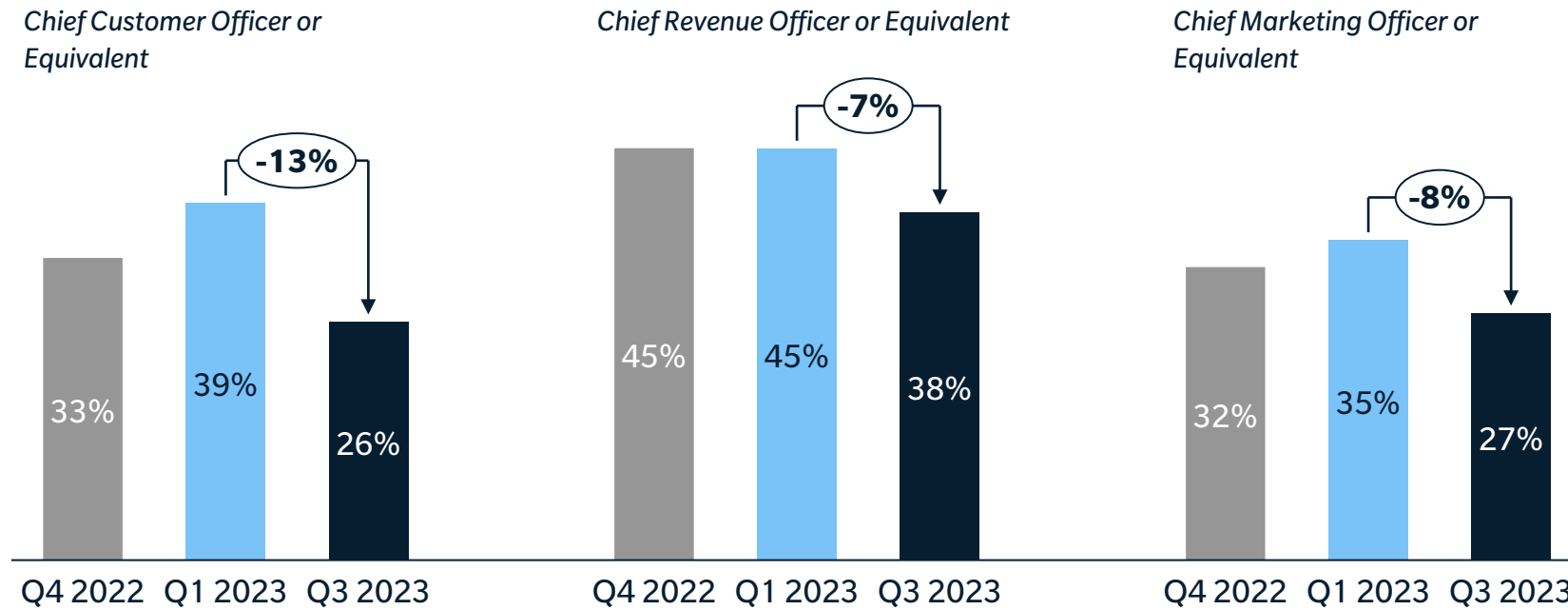
GTM leadership teams have faced one of the more challenging market environments of their careers. That environment coupled with significant shifts in value creation strategy, product and service offerings, and revenue models leaves many CEOs wondering whether they continue to have the right person in role. We see a softening in CEO confidence in their GTM leaders, with only 26% expressing confidence in their CCO and CMO, and a somewhat better but still declining 38% expressing confidence in their CROs.

Implications for CEOs and Their GTM Leadership Teams

- **Heightened leadership exits require immediate operational focus.** Prepare for and counter disruption caused by any commercial leader exits now by tightening up revenue operations to run through leadership transitions. Establish a strong fact base to reprioritize the right accounts, tighten territories, and ensure no gaps in coverage.
- **Tighten up GTM leadership and team alignment and collaboration to drive efficiency and customer satisfaction.** Establish clear RACIs for cross-sell, up-sell, and retention activities to reduce overlapping activity and increase ACV. Conduct a detailed role-based time and task audit to assess if teams are engaged in redundant time spend. Look for duplication of accountabilities in metrics, role expectations, and goals.

Confidence in GTM leadership team is softening

Percentage of CEOs Reporting Confidence in Each Executive's Ability to Drive Commercial Success



Base: 113 respondents

Source: SBI Q3 2023 CEO Survey

Note: Respondents were asked, "Candidly speaking, how confident are you in the following executive's ability to drive commercial success for your organization?"

Planning Assumptions for 2024

2024 planning assumptions

	Overall Average (n = 113)	Software (n = 32)	Business Products & Services (n = 16)	Financial Services (n = 11)	Communication & Networking (n = 9)	Healthcare (n = 6)	Computer Hardware & Semiconductors (n = 6)
Annual revenue growth rate	16.4%	20.5%	11.8%	26.3%	18.4%	13.2%	6.3%
Percentage change in pricing	6.8%	8.2%	4.6%	7.9%	7.1%	4.3%	6.7%
Percentage of customers that are new	23%	32%	16%	34%	14%	21%	9.2%
Percentage of revenue from upsell/cross-sell	28%	37%	30%	26%	42%	13%	12%
Sales staff attrition	13%	13%	18%	14%	12%	15%	8%
Recession	Mild (45%)	Moderate (38%)	Mild (44%)	Not Expecting (55%)	Mild (56%)	Mild (83%)	Moderate (50%)
Recession timing	First Half (51%)	Second Half (48%)	First Half (60%)	First Half (60%)	First Half (67%)	First Half (50%)	First Half (80%)
Expected change in Federal Funds Rate, August 2023 (5.5%) – August 2024	-0.2%	+0.1%	-0.4%	-0.2%	-0.3%	-1.2%	-0.7%
US inflation rate	Moderate Decrease (43%)	Little Change (44%)	Moderate Decrease (56%)	Moderate Increase (45%)	Little Change / Moderate Decrease (44% each)	Moderate Decrease (67%)	Moderate Increase (50%)

Source: SBI Q3 2023 CEO Survey

About SBI

Driven by insights and delivered from experience, SBI continues to help clients grow their revenue, margin and enterprise value in ways never before possible.

Working with us, leaders can expect confidence and trust with experienced partners every step of the way. We engage and support our clients as an extension of their team, both guiding and working side-by-side to deliver relatable, practical strategies that work for today and tomorrow.

Connect with SBI today and talk to us about how we can help you on your **growth journey**.

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