Looking Ahead: Key Trends That Will Reshape Accounting and Finance in 2023

Judy Hanover, MS, MBA
Aaron Harris

January 25, 2023

Webinar Features and CPE Credit

Asking Questions

Closed Captioning

Help

CPE Credit

CPE Status

Criteria for Full Credit

◯ Minutes to Watch: 50

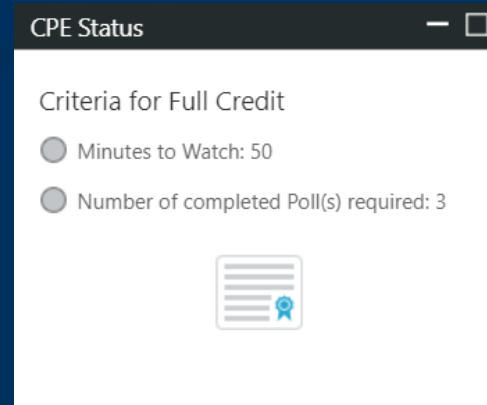◯ Number of completed Poll(s) required: 3

The Association of
Accountants and
Financial Professionals
in Business

Moderator

Steve Shannon

**Director of Partnership Marketing,
Business Development**

IMA

Featured Presenter

Aaron Harris
CTO
Sage

Learning Objectives

1. Recognize how to make the most of existing software investments and built-in AI capabilities in 2023.

2. Discover what's next for cybersecurity in the cloud.

3. Describe how developments like the rise of private equity and ongoing supply chain insecurity are changing the role of the CFO and finance departments.

4. Explain how superapps can help you take your business to the next level, even during a recession.

Table of contents

This webinar covers the 9 trends we'll be watching as we approach 2023, and our recommendations for accounting and finance teams in the coming year.

1

Maximizing existing IT becomes high priority.

2

Staffing challenges continue but evolve.

3

2nd generation ESG strategies emerge.

4

Cybersecurity continues to mature.

5

Regulatory takes center stage in EU, UK.

6

Automation and AI continue to proliferate.

7

Private equity continues its march.

8

Supply chain recovery continues slowly.

9

Superapps and digital networks become the next big thing.

1

With most experts predicting a recessionary climate in 2023, firms will approach the year with **cost containment** as a priority; few will see IT budget increases, and **maximizing use of existing software investments** will be a top priority.

In 2023, accounting and finance professionals across the globe will:

- Pay close attention to cost accounting and leverage analytics to find opportunities to reduce costs amidst the inflationary climate.

- Look closely at the technology they already own – implement features not in use, add modules and users, and look to add value from existing investments across the enterprise. Application suppliers should also seek to identify customers with automation capabilities that are not in use, and work with those that have the most benefit to be gained from increasing their utilization.

- Conduct regular vendor review cycles and put pressure on suppliers to absorb costs.

- Continue to rely on technology to conquer the challenging economic conditions – much as they did with COVID.

- The most innovative firms will move past RPA into building configurable, automated accounting workflows that require even less manual work with improved results. Sage in investing heavily in this progression beyond RPA, moving toward full accounting workflow automation with a focus on accounts payable, accounts receivable and compliance.

2

The **labor crunch** of 2022 will continue at the CFO and controller level, but ease as **automation and analytics opportunities** guide junior staff toward more strategic roles.

The use of technology will continue to emphasize more strategic roles, and organizations will continue to focus on upskilling staff for these higher-level positions that remain difficult to hire.

Cost savings will continue to be found in shifting resources to more valuable work:

- Automation will be key to relieving the pressure and allowing firms to do more with less.

- Companies and organizations will get better at managing hybrid headcount to reduce expenses.

- In the UK, the labor crunch will continue to persist as Brexit has changed the UK resource pool; it will continue to be more challenging for UK firms to hire internationally.

3

Environmental, social and governance (ESG) efforts will continue to be important, even as **compliance costs come under scrutiny**.

With cost containment efforts a priority, we will see the importance, execution and prioritization of ESG efforts within companies shift. Companies will seek ways to lower the cost of both compliance and voluntary participation, largely through automation.

However, this change in ESG program implementation velocity will vary widely by region:

- In the US and Canada, where ESG reporting requirements are relatively low, we will see companies downshift a bit on ESG efforts and look to automate more while adding efficiencies.

- In medium and high regulation regions, like the U.K., France, other E.U. countries, Australia and much of the Asia-Pacific region, we will see ESG reporting continue to intensify and continue unabated. Automation will be added to reduce cost, but programs will continue.

However, the growth of ESG efforts in all regions – both for compliance reasons and as an attractive corporate value in the competitive hiring arena, will continue.

Poll Question 1:

What is your overall prediction of your organization's financial performance in 2023 vs. 2022?

a. 2023 will <u>achieve better</u> financial performance than 2022

b. 2023 will <u>have similar</u> financial performance as 2022

c. 2023 will <u>have lower</u> financial performance than 2022

Poll Question 1 Results: (Placeholder)

ESG Success at Dakota Hotels

"As well as being able to demonstrate our initiative to an increasingly environmentally-conscious consumer, we have been able to reduce our energy bills by tens of thousands of pounds each year. At a time where costs are under close scrutiny this has been incredibly welcome as both a short term saving as well as a long term one. As we move increasingly towards renewable energy usage, the system will be crucial in evaluating its value against other sources." (https://hospitalitytech.com/dakota-hotels-implements-digital-transformation-sage-intacct-and-percipient)

Sam Hartley, Finance Director, Dakota Hotels

4

Cybersecurity evolves beyond table stakes as the global climate continues to **increase risk**.

- Cybersecurity is not a new concept to any organization; as the value of companies' data continues to grow for operational use, so does its value to competitors and bad actors.

- As cloud computing and distributed environments continue to evolve, cybersecurity has evolved from defined projects into a program of continuous improvement.

- Security of systems and data continues to be a perpetual operating burden and we will continue to see investment in protection and security, perhaps magnified by the recession as costs and the value of information become higher and more valuable.

- The changing needs of cybersecurity are top of mind for CFOs and extending the security envelope tighter for remote workers is a priority.

- With the advent of widespread remote work, zero trust security – the practice of defining security for each app and asset independent of other defenses - has replaced the walled networks of the past as the approach for the future.

5

In 2023, the **regulatory environment** will become increasingly regional, as the U.S. continues in a post-COVID slow period with few changes, while e-invoicing initiatives in Europe and the Making Tax Digital timeline in the U.K. continue to stress accounting and finance resources.

- U.S. companies in 2023 will continue to enjoy a relatively slow period, as few substantive new regulations are anticipated in 2023.

- In Europe and the U.K., B2B e-invoicing and digital tax timelines continue to move ahead, requiring companies to submit increasing amounts of invoices and tax information digitally to governments.

- Although some deadines have been extended, work continues on e-invoicing as businesses are increasingly seeing the value of digitalizing taxation to improve operational efficiency, reduce errors, and gain greater visibility into their financials.

- E-invoicing momentum is also building in mainland Europe with a potential mandate expected; conversations on this topic will increase into 2023 for organizations operating across the E.U. region.

- The one area where more regulation should be expected globally is around the acquisition, banking and trading of cryptocurrency.

Osprey eliminates manual processes and gains visibility and time-saving efficiencies with electronic invoicing

- Enhanced cash flow management – visibility of purchase orders six weeks in advance
- Electronic invoice authorization saving up to three weeks
- Port services report generation saving three days a month
- Elimination of double entry and double handling of data

"We have saved so much time on a day-to-day basis, which we now use to focus on budgeting, forecasting and wider strategic planning for the business."
--- Lewis Dangerfield, CFO, Osprey

Poll Question 2:

What is your top priority for implementing technology in 2023?

a. Maximizing use of existing software investments
b. Leverage analytics to reduce costs
c. Automate accounting workflows and reduce manual processes
d. Meeting regulatory requirements
e. Improving security of systems and data

Poll Question 2 Results: (Placeholder)

6

Automation and AI will continue to proliferate in 2023.

During the labor shortage in 2021, many firms found automation to be a key strategy to:

- Mitigate the labor shortage

- Alleviate internal staffing pressures and add efficiency

- Improve customer service.

As a rule, Sage Intacct customers who have added automation tools - like general ledger and AP automation – have found that the more rote and repetitive tasks they are able to offload to AI, the more they are able to focus on delivering efficiency and accuracy to the organization.

AI & automation success at Tender Greens

"We're always focused on efficiencies whether that's processes, controls, systems—we the best version of whatever we implement," says Sean Skuro, controller at Tender Greens. "The reporting and dashboard of Sage Intacct is unparalleled in the industry. We really pride ourselves on financial literacy and visibility for our managers, and Sage has allowed us to do that." In the same article, Tender Greens also reported that the company was able to slash its accounting overhead 20% and grow sales 90%. (https://www.qsrmagazine.com/sponsored/how-tender-greens-scaled-its-model-growth)

Sean Skuro, Controller, Tender Greens

The future roadmap for automation

- The next stage of AI – when systems progress to routine decision making and fully digital processes for some transactions – is increasingly a reality for some early adopters of AI in accounting.

- General ledger outlier detection is a prime example of this – most transactions are approved automatically with fully digital processes, while the system identifies troublesome or atypical decisions that require human intervention, and by doing this streamlines and accelerates workflows.

- Automation is turning the corner from purely RPA-based approaches that automate the processes developed by humans, to fully digital processes that proceed without human intervention, and lead to reengineering of workflows for efficiency.

Sage

Poll Question 3:

In 2023, will your business leverage AI technology to automate routine tasks, like accelerating workflows, identifying outliers and errors?

a. Yes, we have already invested in AI and will continue use in 2023
b. Yes, we will invest and implement AI in 2023
a) Yes, we will investigate AI in 2023
b) Yes, we will investigate AI but after 2023
c) No, and not planning on utilizing AI technologies
d) No, but interested to learn more about AI solutions

Poll Question 3 Results: (Placeholder)

7

The **rise of private equity** will continue, centered in the U.S. but making inroads into additional countries in 2023.

- Private equity firms (PE) look to find inefficiencies in systems and exploit them, and have become more prevalent in recent years, with disruption in the real estate industry being a prime example.

- In some cases, supply chain issues have led to PE activity as PE firms look to shore up weak links in the supply chain of their portfolio companies with ownership and control of these players.

- PE firms are most prevalent in the U.S., where few regulations exist to protect local markets, but are also taking hold in other regions. These firms themselves are users of advanced AI, where capabilities to model markets and find the best investment values have given them an edge.

- While in some cases PE firms clearly create value for their investors, in industries like real estate issues like the cost to renters and homebuyers are becoming politicized and some industry watchers predict more regulation in 2023. Regardless, we expect the PE firms will continue to be aggressive in the US and pick up steam in Europe in 2023.

8

Supply chain recovery continues to proceed slowly and painfully, with **global events** affecting the speed and availability of recovery.

- Supply chains continue to struggle across most industries – as the recovery from the near-shutdown caused by COVID in 2020 remains complicated by inflation, shortages of transport vehicles (trucks and jets), and delays in components and the manufacturing of goods.

- In the U.K., the impact of Brexit is still being felt and affecting supply chain recovery, as trade deals are incomplete and there is no free movement of goods across Europe. The war in Ukraine presents further disruption across the E.U., moving prices up, restricting movement of goods and preventing Russian goods moving by road – an important supply route.

- Inflation has further complicated supply chain recovery, as trade union activity in the U.S. and U.K., is also growing with the rise in the cost of living, as supply chain workers demand higher salaries as a result of inflation, creating the wage-price spiral dreaded by economists.

- Across the board, supply chains have the opportunity to benefit and accelerate their recovery by embracing logistics technology, AI and predictive modeling, and adding automation to help optimize their businesses, comply with new regulatory requirements and learn new ways of doing business in the post-COVID economy.

9

Superapps and digital networks will gain traction among early adopters and innovative technology leaders who seek **competitive advantage**.

A superapp is defined by Wikipedia as:

"a mobile or web application that can provide multiple services including payment and financial transaction processing, effectively becoming an all-encompassing self-contained commerce and communication online platform that embraces many aspects of personal and commercial life." (https://en.wikipedia.org/wiki/Super-app)

- Building a superapp ecosystem is a key priority at Sage, where our customers will have the opportunity to benefit from expanding the existing open platform environment with financials at its core into additional services.
- One prime example is the recent introduction of Sage Intacct Payroll powered by ADP, which functions as an extension of the Sage platform to allow users to access ADP capabilities seamlessly.

Poll Question 4:

What do you see at the top challenge for your accounting team in 2023?

a. Talent to properly analyze financial data
b. Forecasting - Financial planning and analysis (FP&A)
c. New regulations
d. Navigating complex technology
e. Cybersecurity / data protection
f. The economy (micro or macrotrends, inflation)
g. Other / I don't know

Poll Question 4 Results: (Placeholder)

The future is superapps and digital networks

- Modern composable architecture that is agile and readily extensible
- Digital network environments eliminate the decision between suite and best-of-breed – customers using a digital network will be able to access all the best-of-breed apps they need without the complexity and cost of conventional integration, on a powerful network with equally powerful developer tools available to add and remove apps according to business needs without losing access to valuable data.
- Governments are also creating digital networks and it is clear that over time companies will need to connect to multiple digital networks. For example, the e-invoicing rollout in Europe creates a digital network between companies and their governments for the purpose of digitizing tax assessment and collection.

"The growing availability of superapps and digital networks in 2023 will change the landscape for early adopters, whether adopting the technology to meet regulatory requirements or to make their businesses more efficient.

Superapps will make it easier for companies to know and understand their customers and their data, to provide better customer experiences, to help supply chains recover, to automate tasks like carbon accounting and ESG reporting, and to deliver the capabilities needed to become more agile and better users of their own data."   -- Aaron Harris, CTO, Sage

Questions and Answers

Judy Hanover
Director,
Industry Marketing
Sage

Aaron Harris
CTO
Sage

Steve Shannon
Director of Partnership
Marketing,
Business Development
IMA

Thank You to Our Presenters!

Aaron Harris
CTO
Sage

Judy Hanover
Director, Industry Marketing
Sage

Final Reminders

▶**Complete the Evaluation poll** – 2 options
- On your screen
- Evaluation Survey icon at the bottom of your console

▶**Access to your CPE Certificate** – 2 options
- Click the "CPE" icon at the bottom of your console

  <u>or</u>

- Click the link in your post-event e-mail

▶Please print a copy of the CPE certificate for your records.

▶Your CPE credit will be automatically recorded in your transcript.

Thank you!

Sage

www.Sage.com