FINANCE TRENDS

How Finance Leaders Can Thrive During a Recession in 2023

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INTRODUCTION

Given the global economic climate, rising interest rates, and inflation, organizations depend on finance teams now more than ever to lead them responsibly through these turbulent times. Emburse surveyed over 400+ finance leaders to better understand the challenges facing finance leaders and what they're doing to continue to find success.

Responses revealed the top challenges are: high inflation, market volatility, employee burnout, and employee retention. How are finance leaders navigating these barriers? They're automating and optimizing processes that enable effective change management and boost organizational efficiency.

2023 will see a sharp increase in automation programs, which will help finance departments focus on more strategic efforts. But the programs that yield maximum impact are typically paired with powerful, real-time analytics that help teams produce insightful financial reporting. Automation frees finance departments to leave menial tasks behind and focus on strategic projects. However, that rich data risks going unused without proper analytics and reporting tools.

Most respondents (95%) improved automation capabilities last year, but an equally large number admit there's more to be done. In short: automation alone is not enough. Organizations must move toward optimization, a full digital transformation that unlocks complete spend visibility.

> "Companies want to optimize operations and jump ahead of their competitors. Technology exists today to accomplish that, and it's easier to use than ever.
>
> **Chris O'Brien,**
> Senior Director of Client Sales, Emburse

Only **4%** of finance leaders reported no plans for automation projects in 2023.

MARKET CHALLENGES

Global economic conditions, rising interest rates, and inflation have contributed to the rising cost of doing business, which has put pressure on finance teams to adapt where possible.

Key Findings

Market challenges (32%) topped the list of concerns this year, beating process and talent challenges by 7 and 8 points, respectively.

High inflation (35%) is the top market challenge, followed by supply chain disruptions (27%) and stock market volatility (17%). More predictable challenges like high interest rates (12%) and reduced spending (8%) caused less concern.

Budget reduction and accountability are ranked as the number one approach to preparing for a recession across small (51%), midsize (45%), and enterprise (56%) organizations.

Assessing and addressing market challenges

Market challenges are top-of-mind this year. The steady stream of layoffs and volatile economic numbers have only added to the list of concerns. Yet 95% of organizations surveyed want to avoid drastic headcount cuts or change department structure. They're relying on current resources and automating manual processes to help balance their employees' workload instead.

Additional leading strategies include improving budget accountability (48%), increasing visibility and analysis of spend (44%), and planning for higher interest payments (43%). Given the expected belt-tightening, it is not surprising that only 18% will make new investments during a potential recession.

AP and FP's focus

Accounts Payable (AP) and Financial Planning (FP) are strategizing for different priorities. AP is focused on spend analysis and planning for higher interest payments (55% and 52%). FP ranked budget accountability and reduction (54%) as their primary focus.

Recommendations

- Take a hard look at spending trends from last year across the organization and identify areas of spend leakage. For example, organize multiple software subscriptions of the same kind and roll them into a single business license.
- Evaluate your current systems to assess where automation can help enforce the basics: policy, purchasing, approvals, and compliance.
- Be prepared to see spend numbers rise this year along with the cost of doing business. As a counter move, implement extra resources or training to ensure employees know the policies and how to submit expense reports properly.
- Prepare to adjust policy according to your analytics tool. Travel has recovered since the pandemic, and travel-related expenses will likely increase in 2023. Consider how post-pandemic policies may differ. New policies in the era of remote work might have a higher scrutiny on who is traveling and why.

Finance leaders are revising budgets

Reducing budgets/improving budget accountability was the number one approach to preparing for a recession across all company sizes.

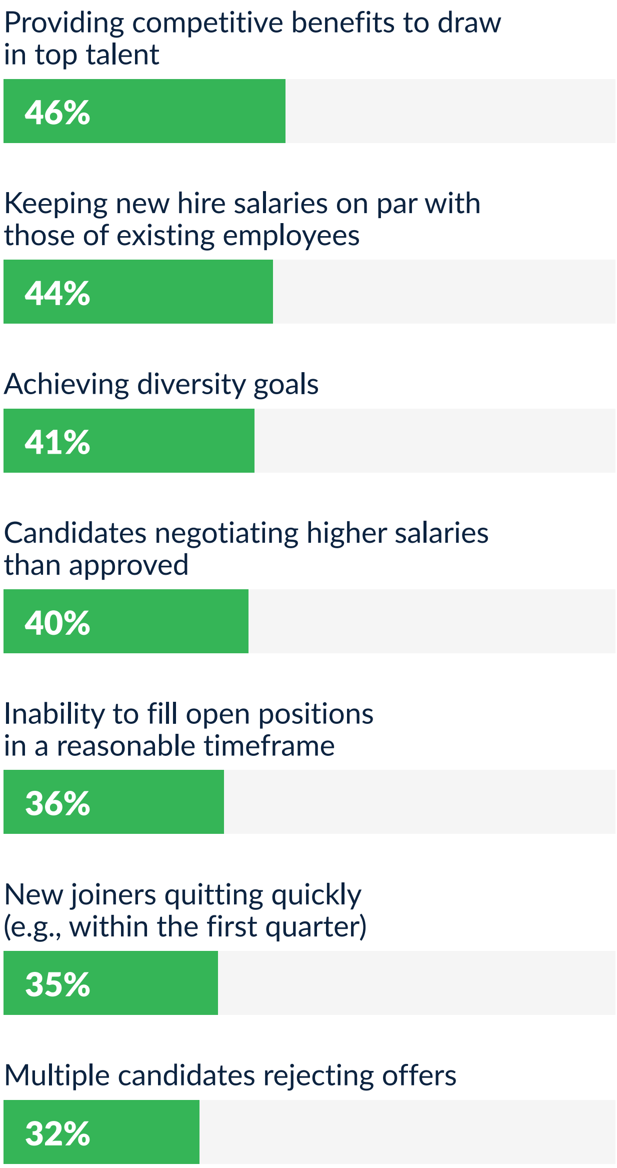
TALENT CHALLENGES

Hiring top talent hasn't been easy since the pandemic, and recent layoffs across industries have only exacerbated the matter. This combination has made it more crucial for finance leaders to retain the talent they have while leveraging automation to help prevent team burnout while still getting work done.

Key Findings

- Talent is cited as a prominent concern, especially for large organizations (32%), compared to midsize (24%) and smaller businesses (15%).
- Achieving diversity goals has been elusive. It was the third most difficult talent challenge (41%), followed by competitive benefits and keeping salaries of new hires on par with current employees (46% and 44%).
- 37% of leaders plan to redistribute workloads this year to combat talent challenges and reduced budgets.
- Automation was cited as a critical lever to removing menial tasks and preventing burnout.

Which of the following hiring challenges did you encounter last year?



Finance teams want to do more meaningful work

The traditional expectations of a finance team role have changed. Employees choose positions that allow them to do meaningful work rather than menial tasks. Finance teams that figure out how to make room for creative or analytical work are more likely to recruit and retain top talent. Some organizations have turned to technology, automation, and deep analytics to identify and eliminate manual, mundane work. When freed from busywork, talented employees invest their time on efforts that can move the business forward, like optimizing processes to get more out of your tools.

41%

said building a more diverse team was a difficult talent challenge.

Automation and talent retention go hand-in-hand

Respondents cited improving employee experience (35%) as a chief motivator to automate. It's ranked just below overall business performance (38%), reinforcing the relationship between automation and talent retention.

Jobseekers report wanting increased responsibility and work with verifiable business impact. After the basics (hours, compensation, and benefits), the most valued attribute for job seekers was a "step up in responsibility" (31%).

Recommendations

- Review your tech stack and ask your team for recommendations for how you can better automate menial tasks. What processes or policies could make their work more effective and free up more time if implemented?
- T&E has increased due to inflation and the hospitality industry rebounding from the pandemic. While asking employees to take the cheapest flight may save dollars, it could result in a negative employee experience. Instead, build more efficiency into your reimbursement process and negotiate better rates with preferred travel vendors. Not only will this help to cut costs, but it also provides a better employee experience.

In your department, what is the most disliked menial task?

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Writing work records

—

Reconciliation of financial statements

—

Helping people print information

—

Entering manual data

—

Repeatedly doing the same financial reporting job

PROCESS CHALLENGES

As market volatility, recession concerns, and talent challenges loom, one truth remains constant. There is still work to be done. Our data shows that while most respondents have implemented automation recently, there are still ways to optimize the processes and effectively get the most out of their tools.

Key Findings

Financial reporting (32%) and T&E (24%) are the top two processes respondents plan to improve through automation.

Smaller organizations have embraced financial reporting automation faster than larger ones. Nearly 58% of companies with under $50 million in revenue said they had automated financial reporting–12 points higher than midsize companies (41%) and companies with more than $500 million in revenue (46%).

Improving the quality of life through automation and analytics

Investing in automation is a priority for many respondents. Respondents reported improving overall business performance (43%) and employee experience (39%) as the two key drivers of process automation, indicating equal consideration for business and employee well-being.

Though organizations invested heavily in financial reporting automation last year, few can confidently say the job is done. Viewing automation as a precursor to a larger drive toward optimization through insightful analytics is essential. This mature state of financial awareness and health results from a sweeping digital transformation. One that increases an organization's ability to analyze spend across the business and improves policies, processes, and tools.

Recommendations

- Prepare for greater expense levels in 2023 as inflation, higher interest rates, and other factors drive up business costs.
- Organizations will need better data insights to truly understand what areas of the business require new or updated spend policies based on spending trends and business needs.
- Increase data collection sophistication by creating finer data cuts that capture where, when, why, what department, and which specific team incurred expenses.
- Identify the ROI of projects using higher-quality data, especially for investments that are harder to justify (like employee experience). For example, use surveys and advanced analytics to gauge if your new T&E policies are linked to increased employee engagement scores.
- Draft a set of questions you hope to answer using insights from data analytics. With granular, detailed data, your team can better understand the spend landscape and prepare for whatever economic curveballs come your way.
- Make analytics a core part of your strategy if it isn't already. In a recent CFO Insights Deloitte study, "How CFOs can own analytics," 96% of CFOs said that analytics will become more critical to their organizations in the next three years. 49% said that analytics is a key factor in better decision-making capabilities[1].

[1] *Deloitte, "How CFOs can own analytics", accessed Feb. 2023.*

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> The data that exists within companies is at the heart of everything that drives better decision-making.
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> **Adriana Carpenter,**
> Emburse CFO

PROCESS CHALLENGES

Which of the following processes has your company been able to leverage automation?

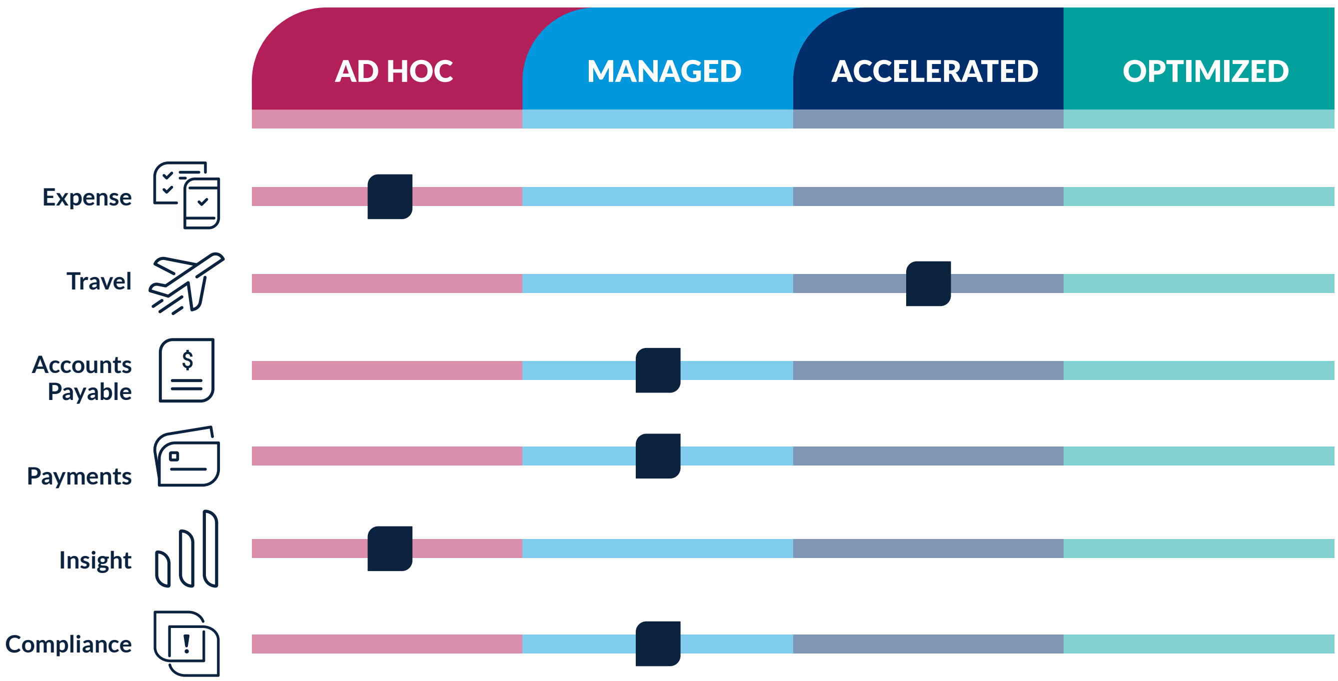
	LEVERAGED AUTOMATION	NEEDS MORE AUTOMATION THIS YEAR
Financial reporting	44%	32%
Employee expense and travel management	33%	24%
Cash management and application	32%	21%
Payroll management	29%	20%
Revenue recognition	29%	18%
Forecasting and budgeting	28%	18%
Procure to payment processes, AP	26%	17%
Tax compliance	23%	14%
Order generation	22%	11%

95% say they have seen improvement by implementing automation

98% have automated at least one process already

Evolving from automated to optimized

Fully optimized organizations know that implementing automation is only the beginning. Instead, they push toward a complete digital transformation that unlocks visibility into every type of spend across the business. This survey indicated the importance of automation and acknowledged the need for more efficiency and effectiveness for the processes surrounding tools. However, gaining insights through analytics and using them to create data-backed recommendations is crucial for companies who hope to navigate past these turbulent times.



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Automation does not equal optimization

With economic uncertainty at the top of every leader's mind, doing business in today's economy demands a more proactive and strategic approach.

If you aren't relying on manual, paper-based processes to manage spend across your organization and have already implemented some spend automation, that's a good start. But it still may not mean your processes are fully optimized. Now more than ever, the future of an organization's fiscal health depends on improved spend transparency, actionable analytics insights, and intelligent automation that gives time back to finance teams.

Achieving this requires going beyond spend management to spend optimization. The Spend Optimization Model outlines your path from painful legacy processes to frictionless spend across four stages of automation: ad hoc, managed, accelerated, and optimized. Where spend management focuses on processes to keep spend under control, optimization involves creating a scalable, transparent, and strategic view of an organization's spend.

Recommendations

- Communicate automation initiatives to employees and clearly describe how their employee experience will benefit. If automation tools are introduced without context, employees will likely distrust the change process and avoid the tools.

- Don't let economic uncertainty get in the way of your automation roadmap. Hiring freezes, layoffs, or budget reductions are opportunities to make a case for more efficiency and effectiveness through automation.

- If you use one system for T&E management but a different tool for payroll or payables, seek out spend optimization tools that talk to both systems and draw quality data from your current ERP system. Tool flexibility and compatibility are crucial to keeping an automation process moving forward.

- Make insights visible to teams across the organization. When employees receive communications about areas targeted for improvement, they can better understand why policies and processes have been established or updated.

CONCLUSION

In challenging economic times, it's imperative to understand better where spend is happening within your organization, how, why, and if adjustments are critical to navigating 2023's turbulence successfully.

Increased automation and optimization will help your organization become more resilient against current and unexpected challenges. If your plan looks a lot like last year (or if you decide to pull back to reserve cash and save on costs), you risk losing ground to your competition, which could be inching toward their optimized reality.

Optimizing your spend across the business doesn't happen with the flick of a switch. It's an ongoing process that requires connecting tools and data across finance teams to see where your organization is doing well and where there is room for improvement.

"[Businesses see] the criticality of enabling technology to navigate and survive what is coming, and what is coming is a lot of uncertainty," said Adriana Carpenter, Emburse CFO. "The only way to manage that uncertainty is to have plenty of reserves available so that you are comfortable through whatever comes your way. Using technology to drive cost optimization is not only a smart thing to do but has also become necessary."

> BASF said their finance team has saved 40+ hours per month using Emburse.
>
> TechValidate

ABOUT EMBURSE

Emburse is the global leader in spend optimization. Our **expense**, **travel management**, **purchasing and AP**, and **payments** solutions are trusted by 12 million business professionals, including CFOs, finance teams, and travelers. More than 18,000 organizations in 120 countries count on us to deliver positive financial outcomes. We humanize work.

APPENDIX

How are you preparing your business to weather a recession?

AP = ACCOUNTS PAYABLE AND FP=FINANCIAL PLANNING	AVG.	AP	FP
Reducing budgets/improving budget accountability	48%	41%	54%
Increasing visibility and analysis of spend	44%	55%	39%
Planning for higher interest payments	43%	52%	40%
Increasing cash position	35%	48%	31%
Making cost cuts	25%	21%	26%
Making longer-range forecasts	24%	25%	23%
Shortening reporting cycles	23%	29%	19%
Making investments	18%	11%	20%
Reducing headcount	5%	2%	5%

What is the main driver for automating processing?

	Total	Forecasting/Budgeting	Financial Reporting	Employee Expense and Travel Management	Procure to Payment Processes—AP	Order Generation	Revenue Recognition	Payroll Management	Tax Compliance	Cash Management and Application
Improve overall business performance	38%	43%	47%	34%	38%	26%	27%	43%	43%	42%
Improve employee experience	35%	34%	35%	41%	37%	40%	39%	36%	37%	37%
Improve accuracy and reduce errors	35%	35%	39%	38%	27%	39%	33%	36%	36%	39%
Improve customer/stakeholder experience	34%	39%	34%	35%	37%	38%	34%	43%	37%	33%
Accelerate processes to meet deadlines	31%	34%	28%	36%	35%	29%	28%	37%	30%	32%
Reduce cost/identify savings	28%	29%	26%	24%	35%	37%	28%	21%	30%	26%
Remove subjectivity and bias	26%	25%	26%	30%	25%	31%	32%	22%	31%	29%
Unable to find people perform the task manually	23%	23%	19%	24%	19%	22%	41%	21%	23%	28%