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Finance

Transformation

Trends:

Why Hybrid & Nearshoring

Are The New Normal

Finance & Accounting Trends: What CFOs Really Need to Know in 2024

2023 was a transformative year for the finance and accounting (F&A) function – chronicling severe labor shortages, a dwindling accounting pipeline, inflation, recessionary fears, surging cyber-threats, and game-changing artificial intelligence tools.

For most CFOs, one thing is clear: the time to modernize the finance department is now. Nearly half say that establishing finance as a strategic partner to the business is a top three priority in 2024 (PwC “What’s Important to CFOs in 2024?”).

How that’s defined sets the stage for the rest of the year – and sustainable success.

As we wade deeper into 2024, there are a lot of pie-in-the-sky predictions about what’s next. While generative AI (GenAI) is on everyone’s radar, for example, how much stock should finance teams invest in chatter about leapfrog innovation destined to drastically reinvent the roles of finance teams soon?

Fears of an imminent recession may be fading. But most finance leaders are still moving forward with caution as the complexity of business and regulatory environments increases, macroeconomic uncertainty

persists, geopolitical risk increases, and the potential for abrupt public policy shifts looms. Strategic cost reduction is a top priority for 59% of CFOs in 2024 – a significant jump from only two years ago, when 38% considered it a top agenda item (2023 PwC Pulse Survey).

F&A labor shortages remain a top-of-mind concern as well. CFOs realize they must reimagine how they source talent as the traditional accounting pipeline falls apart.

At Auxis, we are focused on helping CFOs cut through the noise to understand what trends will really move the needle in 2024. As pressure intensifies to evolve finance teams beyond their traditional number-crunching responsibilities, strategic digitization and new operating models can redefine how key finance processes are managed – increasing efficiency and performance, optimizing costs, managing risk, alleviating labor shortages and turnover, and helping CFOs stand at the forefront of strategy and growth.

Read on to discover the top finance and accounting trends CFOs really need to know to steer their business successfully in 2024 – whatever the new year may hold.



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1. F&A Labor Shortages Rage On – Creating an Urgent Need for New Talent Sources

Finding and keeping the right talent at the right price remains out of reach for finance leaders in the U.S. – and in 2024, CFOs are shifting their efforts toward finding new, cost-effective talent pipelines.

More than half of financial-related jobs are **unfilled** – the highest of any industry, according to a 2023 U.S. Chamber of Commerce analysis. Unfortunately, that’s translating to **financial reporting issues** – and high turnover as short-staffed teams burn out.

The **dwindling accounting pipeline** is a serious concern. Fewer college students are graduating with accounting degrees and experienced talent is leaving the profession in droves to pursue higher-paying, higher-valued jobs in tech, investment banking, and private equity.

Making matters worse, the American Institute of Certified Public Accountants (AICPA) estimated that a whopping 75% of its members reached **retirement** age by 2020.

But CFOs’ operational headaches run deeper, with F&A unemployment levels historically low

across the board. In-demand roles like financial analysts and billing clerks report staggering **unemployment** rates of 0.2% and 0.5%, respectively.

As a result, F&A salary increases continue to outpace inflation as CFOs compete for a shrinking talent pool in the U.S. – especially in major markets. Case in point: **Entry-level pay** for accountants and auditors rose at its quickest pace in recent years – surging 21% in the first quarter of 2023, 13% in 2022, and 4% in 2021, according to a *Wall Street Journal (WSJ)* report.

CPA Practice Advisor expects accounting **salaries** to jump another 4.9% in 2024.

Many finance managers are relaxing **experience** requirements to fill gaps, recruiting entry-level professionals and even college students to learn on the job, according to the Robert Half 2024 Finance and Accounting Salaries and Hiring Trends report. But such tactics can bring a hefty price: assigning less-experienced staff to critical finance tasks increases the risk of errors and fraud.

More than half of financial-related jobs are unfilled – the highest of any industry.

–U.S. Chamber of Commerce 2023 “Understanding America’s Labor Shortage: The Most Impacted Industries” report.

2. CFOs Shift Toward Hybrid Operating Models to Solve Operational Challenges

Demand for **finance and accounting outsourcing** (FAO) is on the rise, as cost pressures combine with an urgent need to tap into a new F&A talent pipeline and accelerate digital transformation. More than half of CFOs currently include outsourcing in their delivery models (Deloitte Global Outsourcing Survey), and Everest Group expects the **FAO market** to experience steady 11-13% growth over the next three years.

But what finance leaders need from FAO providers is changing, as labor shortages, macroeconomic conditions, transformative

technology, and comfort levels with remote work prompt fundamental reviews of business operating models. CFOs also require outsourcers who can lower the barriers to **finance transformation**.

A “new normal” is emerging as these factors shift F&A organizations toward a **hybrid operating model** where outsourcers integrate seamlessly into core operations instead of working in silos – cost-effectively alleviating labor shortages while transforming the finance department into the strategic partner the business demands.



As a result, finance teams are successfully outsourcing a broader range of functions than ever before, including more complex processes like financial planning and analysis. With back-office operations running smoothly, internal teams are free to focus on higher-value activities that drive strategy and growth.

Everest Group’s Global CFO Survey found that **66%** of finance organizations are implementing hybrid operating models.

66% of finance organizations are implementing hybrid operating models to combat talent challenges and become more agile and resilient.

–Everest Group 2022 Global CFO Survey.

3. Increasing Process Efficiency and Performance are Top CFO Priorities

A common thread weaves through CFOs' top **priorities** in 2024: increasing process efficiency and performance. In today's macroeconomic climate, finance leaders face intense pressure to boost productivity while streamlining operations and reducing costs.

Top 10 Priorities for CFOs in 2024
Percentage of CFOs Selecting a Priority as Critical



Source: Gartner (January 2024)

Leading transformation efforts is the top objective for 79% of CFOs this year, using cutting-edge innovation like **automation**, AI, and machine learning to elevate cash forecasting models, catch fraud, reduce errors, standardize workflows, decrease time and expense, help finance teams do more with less headcount, and more. Implementing a **real-time analytics strategy** also ranks high on CFO agendas, gaining visibility into performance, bottlenecks, and areas of improvement within the finance function while enabling agile, data-driven decisions for the business.

In **accounts payable** alone, *Business Insider* reports that **automation** can lower costs by 81% and improve efficiency by 73%. By the end of 2023, **65%** of finance leaders aimed to have half their duties automated, *CFO* magazine reports.

But automating a process without fixing its underlying flaws only makes an inefficient activity run faster. Optimizing finance operations is another key focus in 2024, with critical needs typically including robust documentation that standardizes activities, streamlined processes, and stringent internal controls that ensure finance operates safely, efficiently, and with audit readiness.

But most finance organizations lack the time or expertise to identify gaps and implement technology and best practices that can help them achieve break-through finance and accounting performance faster and more cost-effectively.

To achieve their goals, CFOs are increasingly turning to **FAO partners** who can deliver value beyond labor arbitrage – combining transactional processing with the ability to design and execute digital strategies, drive process excellence, provide actionable insights, mitigate risk, increase scalability, and execute higher tiers of finance processes, states Everest Group's Finance and Accounting (FAO) Peak Matrix® Assessment 2023.

Gartner predicts that **outdated** pricing models that don't drive process improvement and digitization will stop a whopping 60% of finance leaders from renewing their current outsourcing contracts by the end of this year.



4. The Digital Finance Era Dawns: What Does that Mean for your Function?

As CFOs evaluate costs, productivity tools are a priority investment – allowing organizations to optimize expenses without jeopardizing profitable growth. Eighty percent of CFOs said they plan to embed more automation and digital technologies into their operations in 2024 (Deloitte CFO Signals 4Q 2023).

In an environment where market trends and public opinion shift rapidly, finance departments also face mounting pressure to deliver detailed reporting at a faster pace. But short-staffed finance teams can't keep up with today's data-rich environments.

Many finance organizations also lack the time or expertise to get their data house in order, constantly backfilling or distracted by inadequate data integrity.

The digital finance era is dawning, but the roadmaps to a digital future are still being drawn. For example, while KPMG touted finance as “the tip of the spear” for GenAI implementation (2023 Generative AI for Finance report), CFOs' adoption is lagging.

Interest in **GenAI** is high, but Gartner states that only 9% of finance organizations have reached “scaling” and “using” phases, compared to 20% of other administrative support functions like HR and IT. And 61% of finance organizations are not using AI at all.

GenAI offers immense potential to slash a swathe through mundane tasks, analyze massive amounts of data, improve risk



management, and identify trends humans can miss. But just like any technology, finance leaders are struggling to cut through the hype and objectively determine real-world applications, specific benefits, and potential challenges like security concerns.

So, what's the next step?

Too many digital transformation initiatives fall short of potential incomes because excited stakeholders innovate in silos instead of planning impactful, scalable change.



Eighty-eight percent of CFOs say they struggle to capture value from their technology investments (PwC “What’s Important to CFOs in 2024?”).

Instead, 51% of enterprises are relying on outsourcing/GBS solutions to pave their **path to digital success** (Deloitte 2023 Global Outsourcing Survey). FAO providers with strong digital transformation capabilities can assess their organization’s digital maturity, identify the right technology and use cases to achieve business goals, roadmap priorities, and implement fast, sustainable transformation.

88% of CFOs say they struggle to capture value from their technology investments.

–PwC “What’s Important to CFOs in 2024?” report.

5. Top LATAM Locations Become the Strategic F&A Outsourcing Destinations of Choice

As FAO service demand expands from well-understood, standard capabilities toward more complex, core functions, a growing number of finance leaders are rethinking outsourcing solutions at the other end of the world.

The bottom-of-the-barrel pricing and overnight shifts needed to align with U.S. business hours in offshore locations like India and the Philippines leaves many providers struggling to attract higher-level resources who can support judgment-intensive activities. Asian-based solutions also bring quality concerns stemming from cultural and language barriers, the arms-length relationship necessitated by faraway time zones, and high turnover that impacts performance consistency.

India's BPO industry is chipping away at offshore cost savings with 10% median salary increases in 2023 to combat 24% attrition – the highest of any industry, states WTW's 2023 Salary Budget Planning report.

In response, top Latin American locations like **Costa Rica, Colombia,** and Mexico have emerged as strategic destinations of choice for North American CFOs. Geopolitical instability and **serious infrastructure issues in India** spotlighted by the pandemic also have CFOs looking to LATAM to diversify their outsourcing locations, mitigating risk by augmenting existing Asian-based operations.

Costa Rica and Mexico currently rank among the 10 most preferred shared services destinations globally (Deloitte's 2023 Global Shared Services & Outsourcing Survey). Colombia is a leader on the Offshore BPO Confidence Index. Kearney's 2023 Global Services Location Index also ranks it as the most **financially attractive** top Latin American market.

Traditional Outsourcing

- > Driven by **labor arbitrage**
- > **"Black Box"** – lack of control and visibility over the operation
- > **Quality concerns** – Hard to collaborate and drive innovation and continuous improvement
- > Significant **time zone & geographical differences** with language and cultural barriers (Asia-based)

Outsourcing that Works

- > Cost savings is a given but is **not the sole driver**
- > Outsourcer brings **best-in-class technologies** and best practices to drive innovation and high performance
- > Nearshore enables a **collaborative approach** where outsourcer serves as an extension of your team
- > **Close to home** with similar work schedules and cultural affinity

But what's driving surging interest in the nearshore FAO market?

As CFOs search for new pipelines of quality finance talent, **outsourcing within the same region** allows your provider to function as a true extension of your team. Cultural, time zone, and language similarities solve offshore challenges - providing agile, real-time communication and collaboration.

For finance teams shifting to hybrid models or outsourcing for the first time, the value of these benefits can't be understated for easing organizational adoption.

But it is Latin America's ability to deliver significant cost savings without sacrificing quality that resonates most - offering high-level talent with the critical-thinking skills and strong English proficiency needed to deliver finance processes across the value chain. That includes deep pools of certified accountants trained to U.S. GAAP and IFRS standards, with government-sponsored educational programs ensuring steady pipelines.





Colombia ranked #1 in LATAM for **skilled talent** availability on the 2023 IMD World Talent Ranking. The number of graduates earning finance-related bachelor's, master's, or other degrees in Colombia expands by an average **13%** annually – more than any educational area, according to Invest in Bogotá data.

Costa Rica offers finance teams the **most mature shared services destination** in Latin America. It provides one of the highest English proficiencies in the region and deep familiarity with North American business practices stemming from 350 multinational organizations with business services operations in the country.

Exceptional FAO providers in these markets also offer instant access to digital talent that can be expensive and hard to find at home, like intelligent automation and cybersecurity.

Why Auxis: Separating Buzz from Reality

Amid persistent headwinds, the role of the finance function is changing. And the winners of tomorrow will be the organizations that build the right capabilities and objectives to stay nimble, drive profitability, and influence strategic growth.

By separating buzz from reality in finance and accounting trends, Auxis helps CFOs focus on priorities that can shape a successful, value-adding finance department in 2024.

*Ready to learn more about the benefits of nearshore finance and accounting outsourcing? **Schedule a consultation** with our FAO team today! **Or, download a complimentary copy of Everest Group's PEAK Matrix® for Finance & Accounting Outsourcing (FAO) Services 2023 Assessment** to learn why Auxis was recognized as a Major Contender and Nearshore Leader. You can also visit our **resource center** for finance and accounting outsourcing tips, strategies, and success stories.*

About Auxis

Trusted by Fortune 1000 organizations across industries for more than 25 years, Auxis is a management consulting and outsourcing firm that helps organizations modernize and scale their back-office operations through innovative processes, technologies, and organizational structures. The company's core solutions include Finance, IT, and BOS Nearshore Outsourcing, Intelligent Automation, Cloud, and Business Intelligence. Auxis also offers specialized industry-specific solutions.

Auxis combines extensive finance transformation experience with a unique perspective as advisors, industry veterans, and shared services operators to ensure clients obtain real benefits and ROI from every engagement. Its solutions consistently deliver rapid paybacks, significant cost savings, access to top talent, improved controls, enhanced operational visibility, and greater organizational focus on higher value-creating activities.

A nearshore outsourcing pioneer, Auxis was named a Major Contender and Nearshore Leader on Everest Group's Finance and Accounting (FAO) Peak Matrix® Assessment 2023. It is also recognized annually on IAOP's elite Outsourcing Global 100 list.

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