

MARKET TRENDS REPORT

# State of finance

How global tax and finance teams are using automation to transform challenges into opportunities



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## Recent economic disruption is impacting accounting, tax, and finance teams at companies worldwide.

While the U.S. labor market remains strong, high inflation and the [collapse of domestic and European banks](#) are [contributing to apprehension](#). As of September 2023, the Federal Reserve Bank of New York recession probability indicator suggested there is a **60.8% chance of a U.S. recession within the next year**. [U.K. inflation hit a 41-year high](#) of 11.1% in 2022 and has been slow to fall, and some local economists predict a U.K. recession is still to come.

Avalara worked with Hanover Research to find out the top challenges finance and tax departments face today, their future strategic plans and priorities, and how technology is helping them achieve their goals.



# 60.8%

ESTIMATED CHANCE  
OF A U.S. RECESSION  
within the next year



U.K. INFLATION RATE HIT A

# 41 @ 11.1%

41-YEAR HIGH

IN 2022

# WHO WE TALKED TO

**PARTICIPATION**

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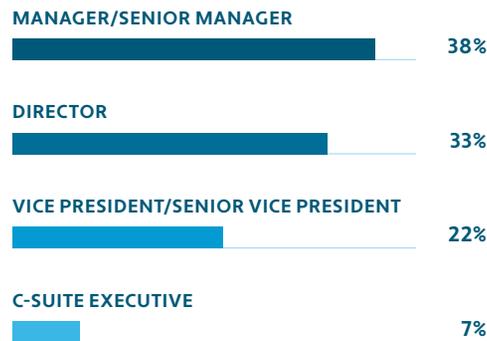


## SURVEY PARTICIPANTS

Nearly 400 managers, directors, vice presidents, and C-suite executives at companies based in Canada, Denmark, Finland, Iceland, Norway, Sweden, the United Kingdom, and the United States responded to the survey.<sup>1</sup> They represent more than 30 industries, including retail, manufacturing, software, financial services, telecommunications, food and beverage, and oil and gas.

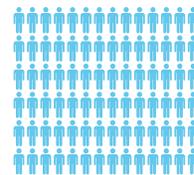
<sup>1</sup> Results are based on the number of survey respondents and not necessarily the number of businesses surveyed.

### Job roles

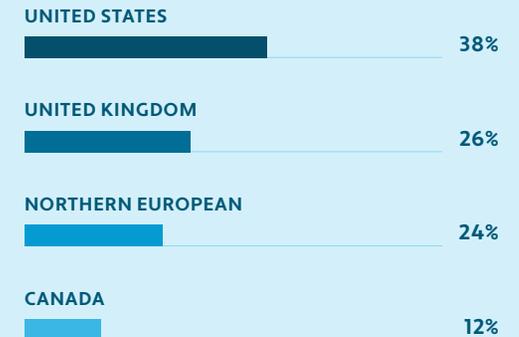


# 387

PROFESSIONALS SURVEYED



### Countries



# 08

COUNTRIES





### SURVEY PARTICIPANTS

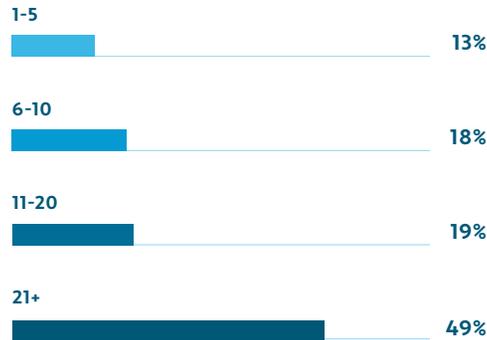
#### Company size

NUMBER OF EMPLOYEES



#### Finance/Tax departments

NUMBER OF EMPLOYEES



SOFTWARE



RETAIL

# 30+

INDUSTRIES REPRESENTED



MANUFACTURING



COMMUNICATIONS



FINANCIAL SERVICES



OIL AND GAS



FOOD AND BEVERAGE

# WHAT WE LEARNED

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## KEY FINDINGS FROM THE SURVEY RESPONDENTS

---

1



### INVESTING IN NEW TECHNOLOGY

Companies are investing in new technologies out of concern for a potential recession and due to impacts from other external factors.

# 69%

#### OF COMPANIES ARE INVESTING

in more solutions to close efficiency gaps directly related to tax management

2



### INITIATING AUTOMATION

Businesses report they're most efficient in areas they have automated. Accounting, finance, and tax professionals find budgeting and forecasting and activities related to tax compliance especially time-consuming. Many organizations are initiating automation for these tasks and others, including managing audits. Automating these tasks can help departments save time and reduce audit penalties.

3



### IMPROVING TAX-EXEMPT SALES MANAGEMENT

Many tax and finance departments still rely on manual processes for managing exemption certificates and are least likely to describe themselves as efficient in this area. North American businesses find themselves less efficient at managing exemption certificates than those in Europe and are significantly more likely to have IT teams that are initiating automation for this task.

# HOW THEY'RE COPING

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# Technology is helping finance departments respond to external pressures and increase efficiency

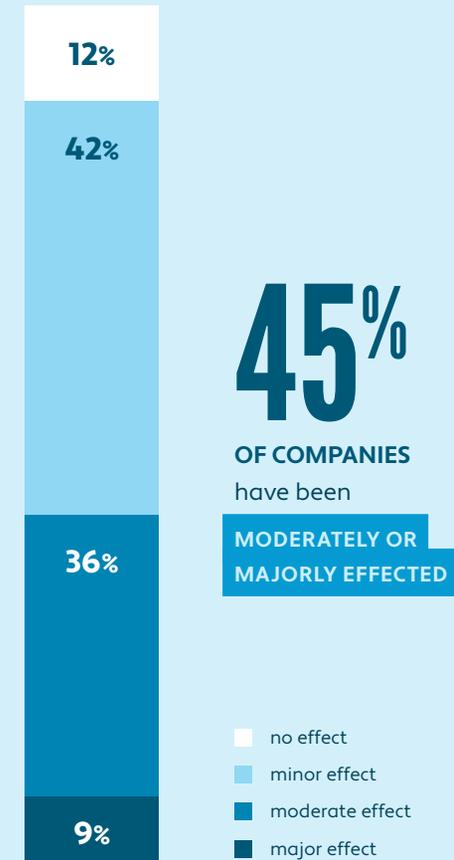
External factors are putting pressure on accounting, finance, and tax professionals. The study found 45% of global businesses surveyed say inflation, recession concerns, and economic disruption had a major or moderate effect on their teams during the 12 months prior to the 2023 survey.

## And it's not over.

A [separate study by Avalara and Reuters Events](#) found that of those surveyed, 62% of European businesses and 52% of North American businesses expect effects of the recession to worsen, while 55% of European companies and 54% of North American organizations cite inflation as a growing problem.

### Disruption/Recession/Inflation

FOR BUSINESSES IN NORTH AMERICA AND EUROPE





According to respondents of the Hanover Research study, while the worst of the COVID-19 pandemic may be behind us, it remains a **significant disruptor** for North American companies (79%) and enterprises (68%). European companies (43%) and small and medium-sized businesses (52%) were less likely to say their teams continue to be majorly or moderately effected by the pandemic.

Supply chain disruptions also continue to take a toll, with half of European companies and 39% of companies in the U.S. and Canada reporting their accounting, finance, and tax teams have been majorly or moderately effected.

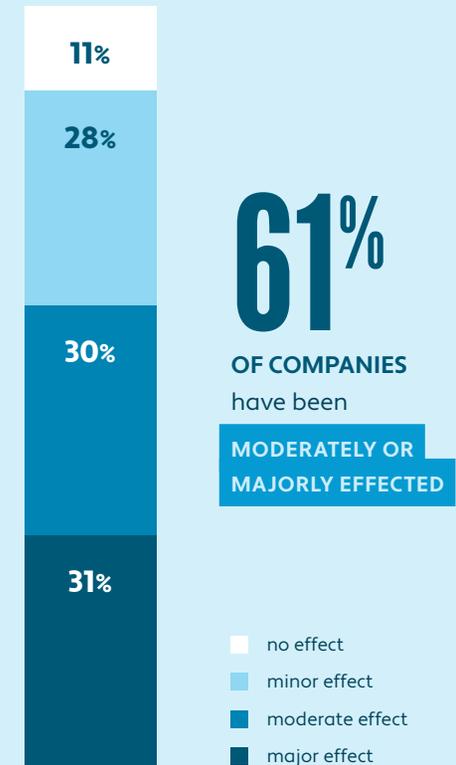
## Supply chain disruptions

NORTH AMERICA AND EUROPE



## Ongoing pandemic effect

FOR BUSINESSES IN NORTH AMERICA AND EUROPE





## Businesses aren't waiting idly.

The study found **75% of organizations are investing in new technology** and 50% are increasing their use of automation in response to these and other external factors. Only 26% of companies indicated they are executing tasks with fewer people in reaction to external factors and many have prioritized hiring in the coming year, which suggests automation is not threatening jobs.

AN [IDC REPORT](#) REINFORCES THESE FINDINGS:

**“The fact that these [significant macroeconomic] events have occurred rapidly and collectively makes the need for financial organizational transformation more important than ever. This transformation is happening everywhere in business but perhaps the biggest impact can be seen in how the role of the CFO continues to evolve.”**

# 75%

OF COMPANIES  
are investing in

**NEW TECHNOLOGY**

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Similar results can be seen among companies taking actions to become more efficient. Hanover Research found **71% are investing in more tools and solutions**. About half are automating and optimizing processes, offering skills training, and increasing collaboration across tax and finance departments and teams.

**Finance and tax teams are also relying more heavily on technology** to close efficiency gaps related to tax management specifically. To achieve this, 69% are investing in more technology and 45% are automating and optimizing processes. Departments are also increasing collaboration, conducting skills training, increasing their use of internal data, and outsourcing work.



**More than two-thirds of tax/finance teams are investing in technology tools and solutions to close efficiency gaps.**

## Actions taken to close efficiency gaps in tax management

INVESTING IN MORE TECHNOLOGY



OFFERING SKILLS TRAINING



INCREASING COLLABORATION



AUTOMATING AND OPTIMIZING PROCESSES



INCREASING USE OF INTERNAL DATA



OUTSOURCING WORK



NO ACTION



# WHERE THEIR TIME GOES

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# Finance and tax professionals find their top priorities time-consuming

Given the need to remain nimble in the face of economic uncertainty, many organizations are focused on planning for the future. When asked to identify their main priorities over the next 12 months, companies surveyed most frequently cited a need to improve budgeting and forecasting. Two-thirds of small and medium-sized businesses and half of enterprises say this is a top priority.

Forty-two percent of finance and tax teams surveyed have made risk management a top priority. Tax compliance can play a significant role in reducing risk. However, the study found **European companies (14%) are substantially less likely to prioritize transactional tax management and compliance than North American businesses (41%)**. In addition, only 18% of businesses say regulatory readiness is a main priority, suggesting that accounting, finance, and tax professionals may be overlooking a critical compliance area.

## Main priorities

FOR TAX/FINANCE TEAMS





**Businesses are spending considerable time on these priorities.** Thirty-one percent of organizations struggle with how much time they spend on budgeting and forecasting. Twenty-nine percent of finance and tax teams in the U.S. and Canada described tax management as time-consuming, ranking it third among the areas where they devote the most time.

Some notable differences were found between the tasks that companies in the U.S. and Canada are likely to find the most time-consuming compared to those in Europe. For instance, 38% of North American businesses find financial planning and analysis time-consuming compared to 21% of European organizations.

# 29%

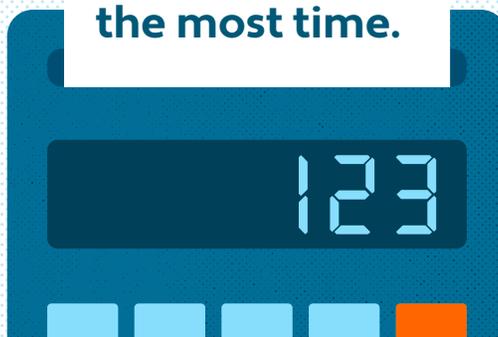
**OF FINANCE AND TAX TEAMS**  
in the U.S. and Canada  
say tax management is

**TIME-CONSUMING**

**Tax management is ranked third among the areas where North American finance and tax teams devote the most time.**

## Most time-consuming tasks

NORTH AMERICA AND EUROPE



# WHY THEY'RE CHANGING

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## With manual processes weighing teams down, many look to digitally transform

Businesses were asked to evaluate how efficiently their finance and tax teams handle a variety of responsibilities.

### Companies were most likely to report they're efficient at activities they've automated.

Producing financial statements topped the list, with 87% of North American companies and 61% of European businesses believing they are very or extremely efficient. Companies also feel they are particularly efficient at managing payroll (69%) and managing accounts payable and accounts receivable processes (68%).

68%

OF COMPANIES  
are efficient in

ACCOUNTS PAYABLE  
AND RECEIVABLE

69%

OF COMPANIES  
are efficient in

PAYROLL



## Research also shows there's room for improvement.

This is especially true for some aspects of tax compliance. Many businesses are still relying on manual processes despite increased risk of errors and potential audit costs.

Although businesses feel confident about their ability to manage receivables and payables, only 7% of organizations have fully automated their processes. A separate study by Avalara from 2023 shows that while 63% of global companies surveyed have made **e-invoicing and real-time reporting** a top priority, only 10% of businesses surveyed have a truly global e-invoicing solution in place. The survey included 100 responses from primarily senior finance and tax professionals in Europe and North America.



# 63%

OF GLOBAL  
COMPANIES

have made e-invoicing  
and real-time reporting

A TOP PRIORITY

# 7%

of organizations  
have receivables  
and payables

FULLY AUTOMATED



**As more countries make e-invoicing mandatory and real-time tax reporting becomes the norm, digitizing accounts payable and accounts receivable processes will become vital to maximize efficiency and stay compliant.**

The Hanover study found that more than half (53%) of companies who responded still handle exemption certificates manually or mostly manually. Just 3% of accounting, finance, and tax professionals have fully automated their process. This could explain why companies were least likely to describe themselves as efficient at managing exemption certificates. This is especially true for teams in North America; just 37% believe they are very or extremely efficient.

EXEMPTION CERTIFICATES

**53%**

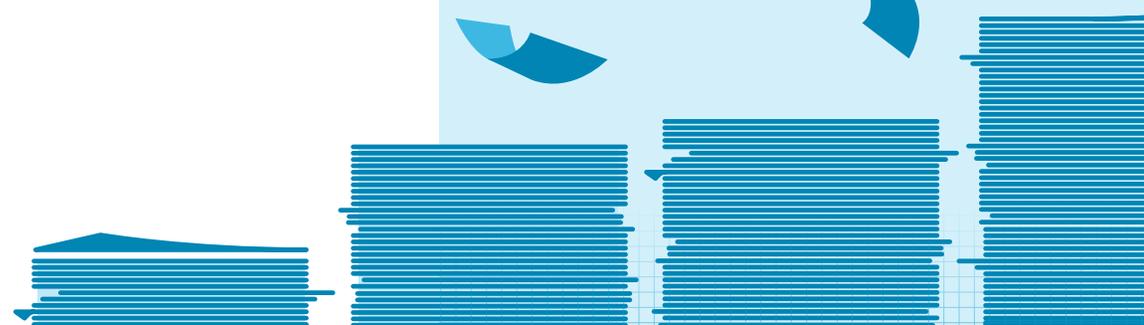
OF COMPANIES  
handle their process

**MANUALLY OR  
MANUALLY MOSTLY**

**3%**

OF COMPANIES  
have their processes

**FULLY AUTOMATED**





Only 3% of companies have completely automated researching and calculating tax rates by jurisdiction, while 36% are still relying on all manual or mostly manual processes. In addition, 46% percent of organizations rely on all manual or mostly manual processes to prepare and file sales and use tax returns, while just 4% of departments have fully automated these activities.

Many finance and tax teams recognize the need to automate their processes. For instance, while 59% of businesses surveyed rely on all manual or mostly manual processes for managing audits, 31% are initiating automation. North American businesses are more likely to initiate automation for essential functions, including tax compliance, than those in Europe.

**Many finance and tax teams recognize the need to automate their processes.**

## SALES & USE TAX RETURNS



**46%**

**OF ORGANIZATIONS**  
rely on all manual or mostly  
**MANUAL PROCESSES**

**4%**

**OF TAX AND FINANCE DEPARTMENTS**  
have these activities  
**FULLY AUTOMATED**



Thirty percent of businesses in North America and 26% of businesses in European countries are initiating automation for preparing and filing sales and use tax returns. Many North American businesses are also initiating automation for researching and calculating tax rates by jurisdiction (34%) and managing exemption certificates (32%). Other areas where accounting, finance, and tax professionals are initiating their use of automation include budgeting and forecasting and implementing financial controls.



**Increased use of automation can help finance and tax teams be more efficient and reduce compliance risk.**

## Top tasks where finance and tax teams are initiating automation

NORTH AMERICA AND EUROPE



# WHO'S DOING IT RIGHT

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## MANUFACTURING

# Limbs & Things

Limbs & Things designs and manufactures anatomically accurate models that enhance clinical training for everything from diagnostic procedures to surgical techniques. As the British company grew in the U.S., it turned to Avalara to manage sales and use tax compliance.

## Limbs & Things is quick to point out the efficiency gains.

Limbs & Things also was able to improve its process of managing exemption certificates. “We wanted to move away from paper files, so we’ve been able to reduce giant filing cabinets full of customer records,” explains Operations Director Colleen Bremer. “We just upload PDFs to [Avalara Exemption Certificate Management], and it takes care of everything. It’s much more reasonable.”



**“I’d have to have another full-time person just to calculate the tax, make sure it’s all accurate, file the returns, and deal with all the notices and things like that. That is a whole additional staff member, if not more, especially as we grow.”**

**COLLEEN BREMER  
OPERATIONS DIRECTOR**



## MARKETPLACE

# Threadless

Threadless is both an online community of artists and an ecommerce marketplace. The company turned to Avalara to help it confidently expand into new markets.

“We don’t want to build a best-in-class, in-house tax accounting organization,” says Chief Financial Officer Jason Macatangay. “We want to build a best-in-class financial leadership capability, understanding and analyzing the business and providing guidance that moves the company toward its goals.”

**“Because of the ease and success with [Avalara] AvaTax, we’ve reached out for additional support with international sales tax collection, customs and duties, and the like,”** he says. “We ship products around the world. Being able to offer the added convenience of collecting those taxes and duties up front is a nice enhancement for that customer set.”



**“We ship products around the world. Being able to offer the added convenience of collecting those taxes and duties up front is a nice enhancement for that customer set.”**

JASON MACATANGAY  
CHIEF FINANCIAL OFFICER



## SOFTWARE

## Bottomline Technologies

Bottomline Technologies makes complex business payments simple, smart, and secure for thousands of companies in 92 countries. Corporations and banks rely on Bottomline's software-as-a-service solutions for domestic and international payments, cash management, regulatory compliance, and more. The company trusts Avalara to keep up with ever-changing sales tax rates, automate returns, and manage exemption certificates.

### **“Using Avalara was definitely the best decision for our team,”**

says Courtney Sullivan, Bottomline's tax accountant. “Avalara has made my job so much easier and faster, saving me hours every day. ... Now we're able to focus more on the bigger picture, the things that really need to be looked at.”

**“Avalara has made my job so much easier and faster, saving me hours every day. ... Now we're able to focus more on the bigger picture, the things that really need to be looked at.”**

COURTNEY SULLIVAN  
TAX ACCOUNTANT



# WHAT THE NUMBERS SHOW

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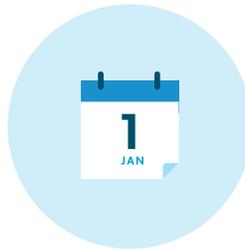


## SURVEY RESPONDENT DEMOGRAPHICS

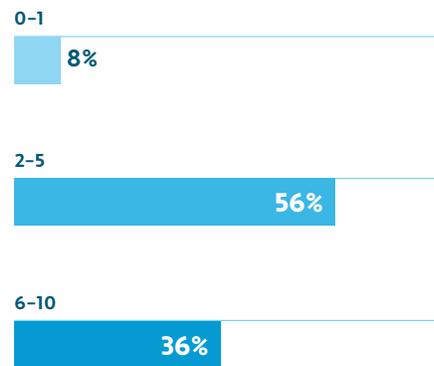
Key characteristics shared by global financial team decision-makers.



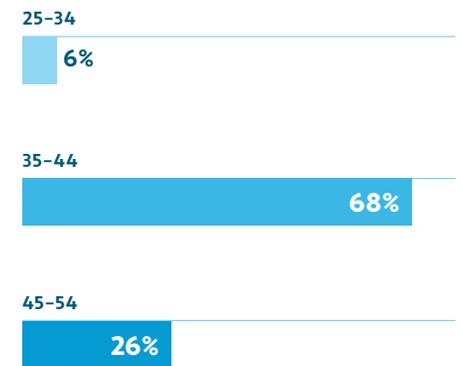
### Average base salary



### Years of experience



### Age





### SURVEY RESPONDENT DEMOGRAPHICS

Key characteristics shared by global financial team decision-makers.



#### Familiarity with company's financial operations

MODERATELY FAMILIAR

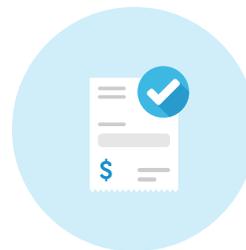
2%

VERY FAMILIAR

56%

EXTREMELY FAMILIAR

42%



#### Financial services provided/supervised

FINANCIAL PLANNING

75%

TAX PLANNING

73%

INVESTMENT MANAGEMENT

58%

AUDIT/COMPILATION AND REVIEW

57%

ACCOUNTING

47%

TAX PREPARATION

47%

BUSINESS SERVICES\*

35%

PAYROLL

30%

INSURANCE

13%

PERSONAL RETIREMENT PLANNING

8%

\*e.g., employee retirement plans, employee benefits

# HOW WE CAN HELP

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**[AVALARA SOLUTIONS](#)**



# Maximize efficiency – Automate tax compliance with Avalara

Finance and tax departments can save time, improve accuracy, and reduce costs when they automate tax compliance. Avalara provides end-to-end tax compliance solutions that help global businesses of all sizes be more efficient. With more than 1,200 signed partner integrations, our cloud-based solutions seamlessly connect with your accounting, CRM, POS, and shopping cart systems:

1. **AVALARA AVATAX**
2. **AVALARA RETURNS**
3. **AVALARA EXEMPTION CERTIFICATE MANAGEMENT**
4. **AVALARA CROSS-BORDER**
5. **AVALARA E-INVOICING AND LIVE REPORTING**



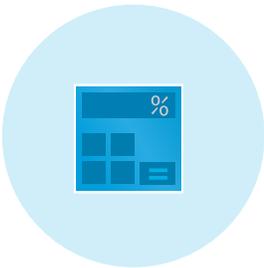
# 1,200+

**SIGNED PARTNER  
INTEGRATIONS**



## CLOUD-BASED PRODUCTS

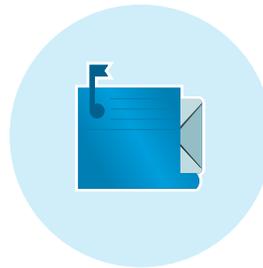
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### Avalara AvaTax

Calculate and collect sales and use tax, value-added tax (VAT), goods and services tax (GST), and other tax types when selling across thousands of tax jurisdictions. Save time researching and improve accuracy with regularly updated rates based on geolocation.

[LEARN MORE >](#)



### Avalara Returns

Offload the hassle of returns preparation, filing, and remittance for sales and use tax, VAT, and industry-specific tax types. Decrease potential errors and free up resources for revenue-generating tasks.

[LEARN MORE >](#)



### Avalara Exemption Certificate Management

Streamline collecting and validating exemption certificates in all U.S. states to improve customer experience and reduce headaches for your team. A secure, centralized document repository allows you to generate reports and easily reference certificates during audits.

[LEARN MORE >](#)



## CLOUD-BASED PRODUCTS

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### Avalara Cross-Border

Overcome global compliance challenges with a range of solutions to support international growth. Get Harmonized System (HS) code support for 180+ countries. Determine duties upfront. Navigate trade restrictions to drive cost efficiency and reduce reverse shipping charges. Accept local payment methods and clear customs smoothly.

[LEARN MORE >](#)



### Avalara E-Invoicing and Live Reporting

Future-proof your compliance with a solution designed to comply with e-invoicing regulations in over 60 countries. Automate your finance operations while reducing risk of fines and audit penalties.

[LEARN MORE >](#)



**Learn how Avalara can help your business streamline tax compliance.**

[avalara.com](https://avalara.com)



# About Avalara

## Avalara helps businesses of all sizes get tax compliance right.

In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. Headquartered in Seattle, Avalara has offices across the U.S. and around the world in Brazil, Europe, and India.

More information at [avalara.com](https://avalara.com)

Tax rates, rules, and regulations change frequently. Although we hope you'll find this information helpful, this report is for informational purposes only and does not provide legal or tax advice.

JOIN AVALARA'S

30,000+

CUSTOMERS

ACROSS

95

COUNTRIES

