CAO vision: Fast-tracking the future

For chief accounting officers, the rise of generative AI could at last help them accelerate the transformation of their function—and showcase their capabilities in new ways.

Introduction

Modernizing the accounting function by using the latest technologies has been a top priority of chief accounting officers (CAOs) in recent years. Yet the payoff for many has been slow, with these CAOs saying more automation is still needed. They believe freeing up their staff's time spent on basic tasks such as processing back-office activities, preparing account reconciliations, and month-end close is crucial if they want to make bigger contributions for the wider organization.

Enter generative artificial intelligence (AI). Since its rollout in November 2022, Open AI's ChatGPT and other competing generative AI tools have taken the business world by storm. Corporate leaders everywhere are racing to utilize the groundbreaking technology to disrupt and improve business as usual, and CAOs are no exception. In fact, many CAOs expect numerous efficiency gains from its deployment and believe this will help alleviate ongoing talent and skills shortages. For CAOs, generative AI could be the ultimate tool that will finally allow them to achieve a thorough makeover of their function long delayed by COVID-19, war for talent, and inadequate financial resources. They sense that to realize their vision of a transformed CAO role, they must harness the snowballing excitement over generative AI and its transformative capabilities—it's now or never.

In our fifth annual CAO survey of 150 CAOs and 210 C-level executives, functional peers, and direct reports (see "Survey methodology"), we tabled detailed questions exploring their thoughts on generative AI and the potential impacts on processes and people from its deployment in accounting tasks. We also followed up on how CAOs are carrying out their four main areas of responsibility—governance and compliance, event-driven transactions, transformations, and business partnering. Lastly, we surveyed their views on important trending topics: namely diversity, equity, and inclusion (DEI); environmental, social, and governance (ESG); and the global minimum tax on multinational corporations, known as Pillar Two.

Our key findings presented in this paper paint a picture of a multitasking CAO who is eager to tap the power of a fast-moving new technology to enhance their day-to-day activities and propel their teams into the future. Yet CAOs are constantly taking on additional responsibilities which they must juggle at the same time. It all adds up to a lot of work. But by rising to the challenge with the help of generative AI, CAOs know they can win the confidence of others and demonstrate their readiness for a bigger role.

Survey methodology

KPMG conducted our fifth annual CAO survey in August–September 2023 to collect insights on the evolving CAO role and to examine the value CAOs bring to their organizations. Specifically, we asked questions on the rise of generative AI, as well as on important trending topics such as DEI, ESG, and Pillar Two. The survey included CAOs and other accounting leaders from public and private companies across a wide range of industries.

Respondent role

Total N=360

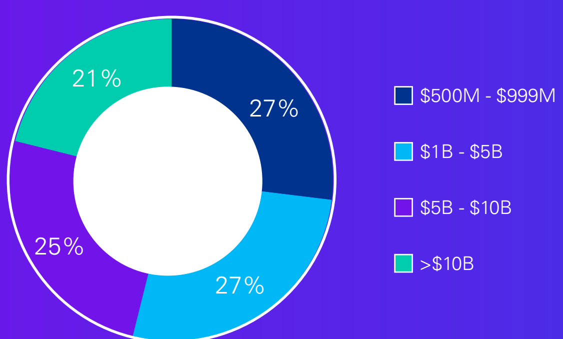
42%
Chief accounting officer/ Head of accounting[1]
N=150

22%
C-level executives (Leadership)[2]
N=80

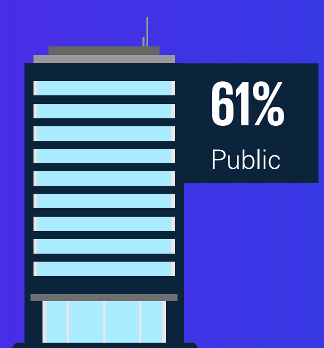
22%
C-level peers to CAO[3]
N=80

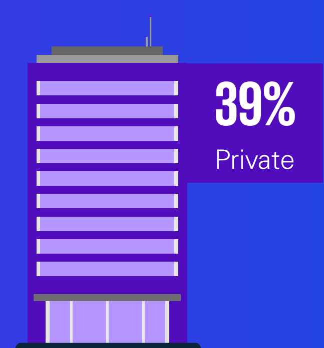
14%
Direct/Indirect reports to CAO[4]
N=50

Company revenue



Company type





22% Financial services

22% Manufacturing

16% Healthcare/Life sciences

15% Consumer goods/Retail

11% Technology, media & telecom

6% Energy/ Chemicals

3% Aerospace and defense

2% Commercial services

2% Other

1% Natural resources

[1] Respondents surveyed included chief accounting officer, corporate controller, and head/director of accounting.

[2] Respondents surveyed included chief financial officer, chief executive officer, chief operating officer, and board member.

[3] Respondents surveyed included chief technology officer, head of financial planning & analysis, chief legal officer, chief audit executive, chief information officer, chief strategy officer, chief HR officer, chief marketing officer, and chief information security officer.

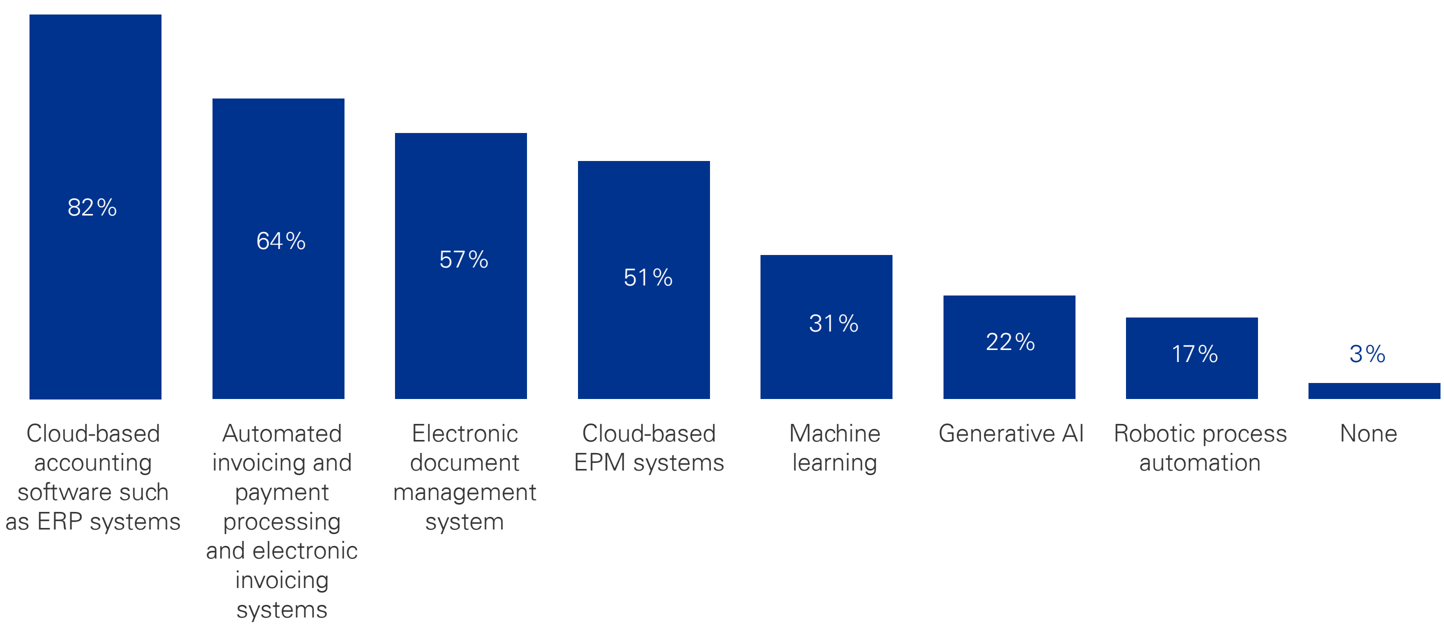
[4] Respondents surveyed included assistant controller, general manager of finance, financial analyst, general manager of accounting, and senior accountant.

What CAOs expect from generative AI

For years, CAOs have been trying to integrate various technologies into their function to reduce the amount of manual activities and increase efficiencies. To their credit, in this year's survey those reporting they are utilizing technologies to enhance the execution of their core responsibilities increased substantially from last year's. For example, for governance and compliance as well as transformations duties, 79 percent said they have fully implemented or are currently implementing process improvement and automation, an increase of 34 percent and 44 percent, respectfully, from 2022. The most widely utilized digital technologies (Exhibit 1) were cloud-based accounting software (82 percent), automated invoicing and payment processing/electronic invoicing systems (64 percent), and electronic document management systems (57 percent). The top business objectives they are trying to address by implementing digital technologies are enhancing forecasting capability, streamlining the accounting consolidation process, and improving risk management capabilities.

Exhibit 1. Most CAOs are using digital technologies but lag with the more advanced ones

Q: Which of the following digital technologies have already been implemented or are in the process of being implemented in the accounting function?



Note: CAOs (N=150). Total might not add up to 100% as multiple selections were allowed. ERP refers to enterprise resource planning and EPM to enterprise performance management

Now, they foresee additional benefits from generative AI to help accelerate this shift. What sets it apart from other breakthrough technologies is that users don't require advanced technical knowledge to interact with it or derive value from it. Unlike prior types of technologies such as robotic process automation (RPA), generative AI can automate complex analytical decision support activities using advanced cognitive abilities and deliver personalized user experiences.

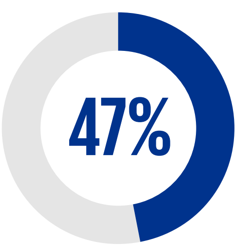
In our survey, 86 percent of CAOs said they are familiar or somewhat familiar with the potential impact of generative AI on the accounting organization, and 22 percent have already begun to deploy it. CAOs expect generative AI to affect all areas of their responsibility: 37 percent said it will have a high impact on transformations and 25 percent said so for transactions. For governance and compliance, the response was 22 percent while for business partnership, it was 17 percent. The results, however, rise to 91 percent or more for all four responsibility areas if we also include those anticipating a moderate impact.

By applying generative AI, CAOs believe they can capture significant efficiency gains in many key tasks in the next 2–5 years. For example, in fulfilling their governance and compliance duties, both CAOs and C-level executives said meeting financial reporting and regulatory compliance requirements while managing costs was the most relevant objective for the accounting function. CAOs believe generative AI can be particularly useful in identifying errors or anomalies in financial statements, with 47 percent saying this could lead to efficiency gains of 41–80 percent. Another 25 percent said similar gains are possible in identifying deficiencies in internal controls.

Meanwhile, for transformations responsibilities, the goal of both CAOs and executives is to improve financial reporting, business processes, and internal controls. For that, 41 percent of CAOs anticipate efficiency gains of 41–80 percent from generative AI helping to identify drivers of variance analysis, while 36 percent expect similar gains from the tool's ability to conduct contract analysis to support negotiating terms (see Exhibit 2 for additional CAO responses related to transactions and business partnership activities).

Exhibit 2. CAOs believe generative AI can help make many tasks more efficient

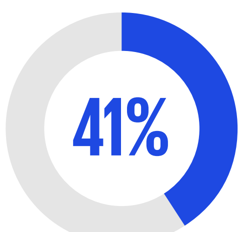
Percentage of CAOs believing there will be efficiency gains of over 40 percent in the next 2–5 years



Governance and compliance

Identifying errors or anomalies in financial statements

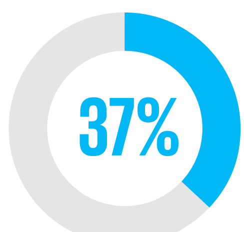
CAOs (N=112)



Transformation

Identifying drivers of variance analyses

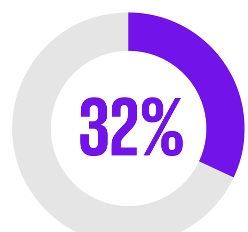
CAOs (N=118)



Transactions

Supporting technical accounting literature research related to a transaction

CAOs (N=109)



Business partnership

Enhancing technical accounting capabilities to support the function

CAOs (N=109)

What would CAOs do with the savings produced by generative AI? For their four main focus areas, 67 percent would prioritize risk management efforts on redesigning controls in governance and compliance, 73 percent on expanded market intelligence analysis and strategy in transactions, 79 percent on modernizing internal controls in transformations, and 85 percent on providing increased analytical support for strategic financial decisions in business partnership. For the overall accounting function, about half said they would redirect resources to enhance technology and increase profitability.

These two aims dovetail with those of executive respondents, although 47 percent also said they would use the resources for transformations. It seems clear the expectation of corporate leadership is that the rollout of generative AI will allow the company to balance continuous process improvement with profitability gains. In the perennial effort to reduce costs with ever-more-sophisticated business technologies, CAOs and their superiors are expecting generative AI to deliver a powerful new solution.

> “[CEOs] broadly recognize generative AI is a promising pathway to growth that is rapidly accelerating the rate of innovation in our economy.”
>
> *– Paul Knopp, KPMG U.S. Chair and CEO*

How generative AI can reshape accounting careers

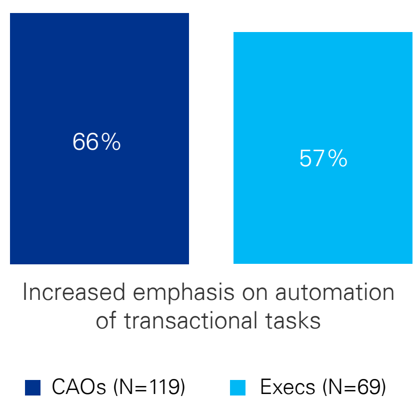
In our survey, 79 percent of CAOs agreed that they face a staffing shortage, and 55 percent believe that lack of qualified applicants is taxing existing workers. Inexperienced staff with inadequate analytical skills and knowledge of upcoming regulatory requirements means completion of tasks takes longer, compounding inefficiencies and the risk of financial reporting errors. Lack of resources is leading to employee burnout. In response, CAOs are providing more training and developing rotation programs to attract resources from other parts of the organization. But to fundamentally elevate their operations in the long term, these measures alone aren't enough.

In fact, two-thirds of CAOs and 57 percent of executives see increased automation of transactional tasks as the top solution to addressing the challenges posed by the talent shortage (Exhibit 3). Some have already been using machine learning (31 percent) and RPA (17 percent). By implementing such digital technologies in the next 2–5 years, CAOs are hoping above all to enhance their forecasting capability (62 percent) and turn data into insights (61 percent). Their take-up, however, has been slow and often hampered by the lack of required investments.

Now, generative AI has grabbed CAOs' imagination as a potentially much more powerful tool. Around 56 percent of the CAOs who find inefficiencies and lack of qualified talent to be a challenge said they plan to upskill their existing staff through generative AI so they can focus more on activities related to strategic decision-making. At the same time, around 40 percent of these CAOs said they plan to eliminate certain roles for routine tasks through generative AI. Taken together, many CAOs believe such steps would lead to a redesign of the accounting function itself. Half of them said generative AI will allow them to increase the proportion of accounting roles focused on strategic decisions and support; conversely, only 5 percent believe their staff's role will not change.

Exhibit 3. Both CAOs and C-level executives say automation is key to tackling talent shortages

Q: Due to the talent shortage in the accounting function, what actionable steps does your company plan to take to meet your long-term operating objectives?



The exciting promise of generative AI is that it will allow CAOs to become better strategic partners in the C-suite, while helping accounting staff to upskill beyond routine tasks. Indeed, those who embrace generative AI stand to secure their own future success since 67 percent of CAOs said they are prioritizing their staffs' skills development through training programs. In our 2022 survey, 82 percent of direct reports to the CAO said enablement tools and technology would make them more productive at work. This year, generative AI has emerged as that ultimate tool.

The diversity dilemma

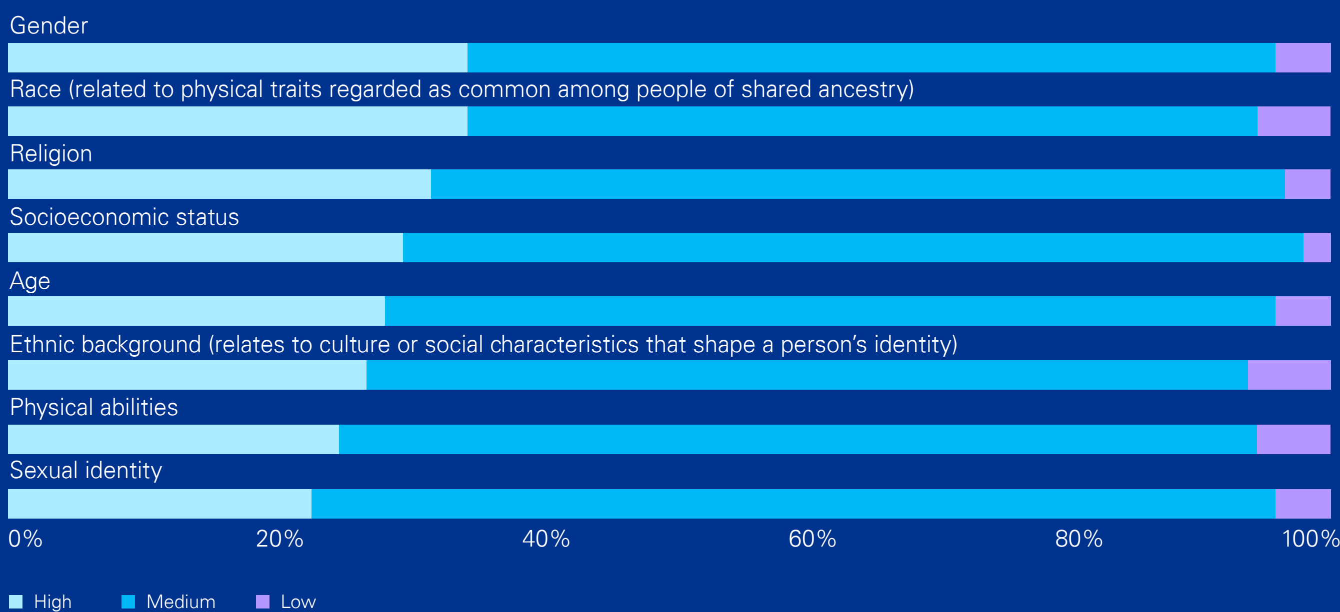
For the first time, in this year's survey we asked detailed questions related to diversity, equity, and inclusion. We found that most of the CAOs (85 percent) work in organizations that have implemented a formal DEI policy, and 59 percent are taking initiatives to increase the recruitment of diverse candidates and have in place programs to retain the talent. Almost half (48 percent) also conduct unconscious bias training for all employees. Most importantly, CAOs appear to be making some progress. Across all key demographics, almost all said there was at least a moderately equitable blend of talent in the accounting function (Exhibit 4).

The biggest challenge for CAOs is continuing to prioritize achieving DEI goals when facing staff shortages. For most target groups (gender, race, disabilities, and socioeconomic status), a lack of diversity in the applicant pool is the biggest obstacle to achieving a more diverse blend of talent. In response, at KPMG we have introduced several initiatives to increase the diversity of the applicant pool. At the graduate-school level, we sponsor the Master of Accounting with Data and Analytics, which combines learning, funding, and work experience for an increasingly digital accounting profession, at Historically Black Colleges and Universities (HBCUs). For undergraduates, our Embark Scholars program hosts 300 college students from diverse backgrounds for an eight-week paid internship with mentorship and coaching. Also, the Rise Leadership Conference expands diversity to be inclusive of individuals identifying as LGBTQ+ and first-generation college students for networking and scholarship opportunities.

Since many CAOs already work in organizations that have similar diversity-focused programs, they may also want to look at enlisting generative AI and other transformative tools for recruitment purposes. If these enablers can take care of traditional accounting tasks, could the opportunity to work with advanced technology and focus on more strategic issues help attract wider cohorts of business talent to the profession in the first place? If the talent pool gets bigger, won't it be more diverse? The answer is likely to be yes.

Exhibit 4. Most CAOs say the accounting function has diverse talent

Q: Across the following dimensions, do you believe there is an equitable blend of talent in the accounting function? Consider the current state.



Juggling additional responsibilities

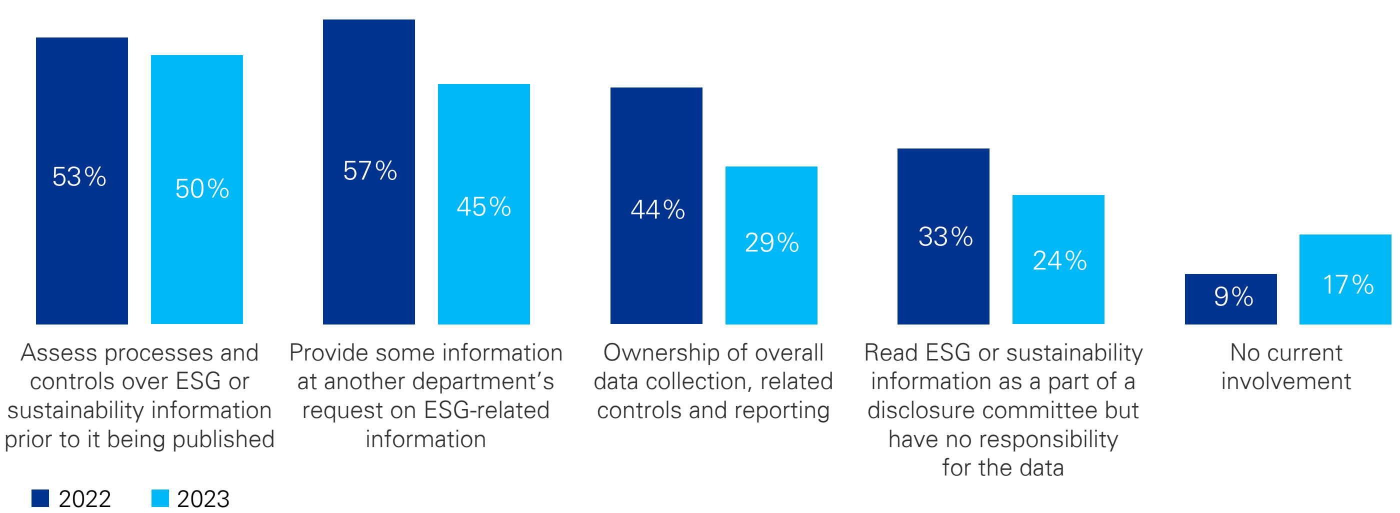
Even as CAOs pivot to integrate generative AI into their function, their responsibilities in reporting and compliance continue to evolve. We highlight two priority topics from this year's survey: ESG and Pillar Two.

Changing role over ESG

CAOs are well-aware of the growing market and regulatory demands for ESG-related information. They also understand the value of ESG beyond compliance: In our survey, 63 percent agreed it is important for corporations to be socially and environmentally responsible and 53 percent said ESG is important to investors. For the past several years, CAOs have been driving the work to build up their companies' ESG data collection and reporting capabilities—which a majority (59 percent) of C-level executives expect of them. However, this year's survey found CAOs' ESG responsibilities decreasing compared to a year ago (Exhibit 5). For example, only 29 percent said they have ownership of overall data collection, related controls, and reporting—down from 44 percent in 2022.

Exhibit 5. CAOs saw their ESG responsibilities decrease in 2023

Q: What responsibilities do you have over the data collection and reporting of ESG and/or sustainability information?



Notes: CAOs (N=150). Total might not add up to 100% as multiple selections were allowed

This seemingly unexpected reversal may reflect a trend among many companies to build out capabilities through a cross-collaborative approach resulting in shared ownership. Because of the growing regulatory emphasis on ESG standards and their sheer breadth, companies are investing more in enhancing the connectivity between the corporate controllership and sustainability teams and outsourcing aspects of data collection and reporting to external consultants. This year, 47 percent of CAOs said the sustainability team is leading ESG reporting initiatives in their organizations. For their part, half of CAO respondents said their main responsibility is assessing processes and controls over ESG information prior to it being published.

Companies also need additional support for ESG because the complexity of the subject matter continues to increase, requiring more cross-functional data gathering, processing, and vetting. These tasks can involve, among others, ESG data managers, the ESG controller, the ESG sustainability governance leader, the chief compliance officer, and external consultants. Their collective job is to go beyond mere reporting to better understand how the specific topics covered by the E, S, and G (e.g., waste reduction, operational efficiencies in supply chains, reducing workplace turnover, business conduct) are triggering transformational change that creates positive sustainable impact for not only the organization but also for external stakeholders and the environment.

In a similar vein, CAOs would do well to stay on top of ESG matters because 57 percent of executives want to go beyond disclosing mandatory requirements; their reasons vary from attracting value in the capital markets to staying competitive amid changing customer trends. And in the view of those executives who believe the CAO is best positioned to drive the ESG data collection and reporting, few others can match the CAO's unique understanding of the interests of the organization gained from interacting with all business units. Almost all (92 percent) CAOs still say they see the relevance of incorporating ESG into investment decisions and business strategy as one of their key business partnership responsibilities over the next 2–5 years. For showcasing their strategic value to the organization, ESG will remain an important arena for CAOs.

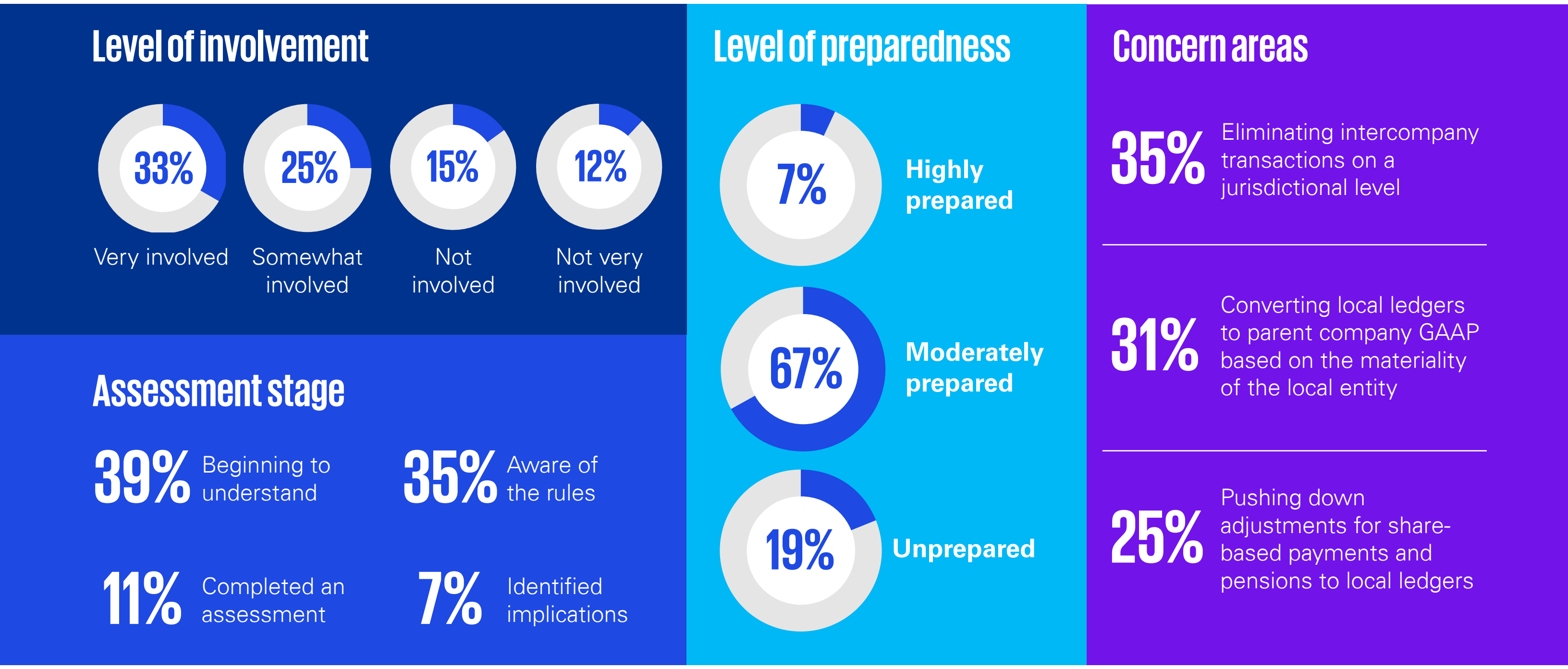
Onboarding with Pillar Two international tax reform

This landmark reform to the international tax system aims to ensure that large multinational enterprises (MNEs) will be subject to a 15 percent effective minimum tax rate.[5] When the rules start to go into effect in the first quarter of 2024,[6] the accounting and finance functions will be tasked with the related reporting responsibilities. But as yet, few professionals are ready (Exhibit 6).

Almost half of CAOs are very involved in (33 percent) or leading (15 percent) the effort to determine the impact of Pillar Two. However, 19 percent said they are unprepared, while 67 percent feel they are only moderately prepared. Three-quarters are at the earliest stages of assessing the implications of Pillar Two, with 35 percent admitting they are only aware of them and 39 percent saying they are beginning to understand them.

Given the current state of play, it's not surprising that 35 percent of CAOs would like to engage an external advisor to discuss the best ways to prepare for Pillar Two. Requirements that they are most concerned about in the computation of global anti-base erosion (GloBE) income[7] include: eliminating intercompany transactions on a jurisdictional level (35 percent); converting local ledgers to parent company GAAP (31 percent); and pushing down adjustments for share-based payments and pensions to local ledgers (25 percent). In view of such complexities, CAOs of global organizations know that preparing for and working with their tax counterparts to assess the impact of Pillar Two on their organization is a must for a successful implementation.

Exhibit 6. CAOs have a ways to go to meet Pillar Two reporting responsibilities



Note: CAOs (N=150). Total might not add up to 100% as not all response options are presented

[5] "International tax reform: OECD releases technical guidance for implementation of the global minimum tax," OECD, February 2, 2023

[6] "Pillar Two Gameplan," KPMG LLP, October 2023

[7] According to the OECD, "the GloBE rules apply a system of top-up taxes that brings the total amount of taxes paid on an MNE's excess profit in a jurisdiction up to the minimum rate of 15 percent."

Conclusion

As with so many, the arrival of generative AI could be a game changer for the accounting function. The huge buzz around the novel tool and the swiftness of its adoption by many companies mean CAOs have an unprecedented opportunity to ride its coattail to rework traditional practices and at last advance today's technology-driven transformation. Conversely, if they fail to seize this opportunity, they risk falling behind competitors and ruing what might have been. Of course, CAOs and company leadership must ensure proper usage of generative AI with robust safeguards and data protection. But the world never stops spinning. CAOs need to move quickly because their job isn't getting any easier, and expectations of them—despite limited or finite resources—keep rising.

How KPMG can help

Technical accounting
Our global Accounting Advisory Services team supports complex technical accounting and disclosure and financial reporting matters, including business combinations and divestitures, and their implications on SEC reporting and consolidation.

ESG
We leverage our extensive knowledge in sustainability reporting, decarbonization, climate resilience, energy transition, sustainable finance, and human capital matters to guide you through your unique ESG journey.

Pillar Two
The underlying calculations for the Pillar Two global minimum tax rely on book accounting numbers and put pressure on separate legal entity and jurisdictional reporting. KPMG can help clients understand, communicate, and evaluate appropriate actions.

Generative AI
Drawing on our deep experience in machine learning and natural language processing, KPMG can help guide you through generative AI strategy, use case development, vendor selection, and implementation.

32%
... of CAOs would outsource/ co-source complex technical accounting matters

57%
... of C-level executives aim to go beyond ESG compliance requirements

35%
... of CAOs would like to engage external advisors for Pillar Two

52%
... of CAOs plan to implement technologies that will enhance reporting

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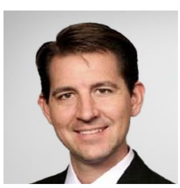

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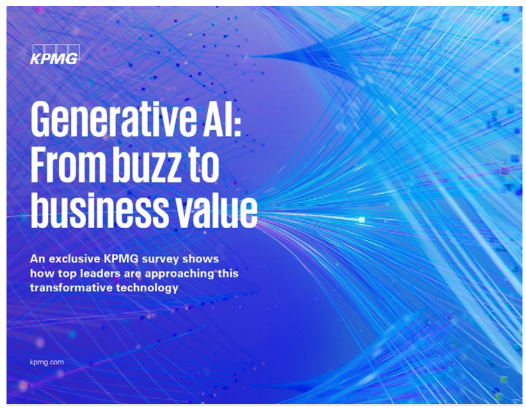
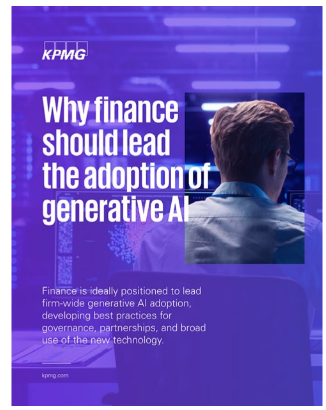


Generative AI: From buzz to business value



Why finance should lead the adoption of generative AI

Helpful links:

- Technical accounting
- ESG
- Pillar Two
- Generative AI

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