

ACCELERATE

TMT finance leaders cite ESG, inflation and data security among top priorities

“The more things change, the more they remain the same” aptly describes the current dynamic for finance leaders across the [technology, media and telecommunications](#) (TMT) industry group.

Inflation, supply chain challenges, consumer demand for sustainable and inclusive practices and reporting, new technologies, cyberthreats and labour shortages are pushing TMT finance leaders beyond their traditional role of ensuring financial stability and reporting compliance. At the same time, they face more pressure to perform traditional functions such as maintaining cashflow and financial planning and analysis with greater speed and efficiency. Both new and routine tasks require quality data and smarter analytical tools, two of the biggest factors impacting the priorities cited in Protiviti’s 2023 global finance trends survey.

ESG

According to the survey, environmental, social and governance (ESG) metrics and measurement sit atop the list of priorities for TMT finance leaders, with more than 82% of respondents indicating they report ESG risks and issues on a quarterly or annual basis. The survey also shows that 63% of TMT finance respondents are discussing how to develop ESG metrics to track progress, and 50% are investing in new technology to assist with ESG reporting.

ESG has been a priority for TMT organisations for several years. But with the continued wave of new reporting requirements coming – and expected - from governments and regulators around the world, on top of already present and pressing stakeholder demands that have driven voluntary disclosures even before regulators acted, it is not a surprise that ESG measurement and reporting have become a bigger part of finance teams’ expanding workload. This trend is here to stay and may even escalate in the near term as the stakeholder ecosystem begins to demand even more data and regulators continue to weigh in.

Depending on the TMT segment in which a company operates, the “S” in “ESG” — social matters — drives a lot of focus, from privacy to content to global employee conditions. There are significant implications and risks for the TMT industry group, and especially media companies, when it comes to moderating the content that they produce and distribute. On the other end of the spectrum, tech-hardware manufacturers and software developers are impacted not only by employee matters but also by the impact of global conflicts in Europe and the Middle East on operations and employee safety.

Data security and privacy

Beyond ESG, the survey shows that TMT finance organisations continue to have serious concerns about the **impact of inflation** and **security and data privacy**, listed at No. 2 and No. 3, respectively, among the priorities for 2023. Regarding security and privacy, finance leaders are partnering with internal security teams on several fronts, including quantifying risks associated with ransomware, assessing the risks and rewards of paying a ransom, and determining the funding that enables their organisation to respond to cyberattacks quickly and cost-effectively.

Emerging regulations around the world are also a major factor. In July 2023, the U.S. Securities and Exchange Commission (SEC) [adopted amendments](#) intended to provide investors with greater information and transparency about cybersecurity risks and threats. The SEC's view is that cybersecurity threats and incidents pose an ongoing risk to public companies, investors and market participants, as evidenced by the growing number and greater frequency of attacks being launched by cyber criminals who are using increasingly sophisticated methods.

In the European Union, time is running short for technology companies, particularly those providing hosting services, large online platforms and search engines, to comply with the Digital Services Act (DSA). The law, which aims to create a safe place for users against the spread of illegal content, has broad implications for technology firms of all types, both small and large, and some non-tech enterprises. You can learn more about the DSA [here](#).

Inflation

Finance teams are using multiple approaches to address persisting **inflation**. In the technology sector, layoffs and hiring freezes have been numerous this year. Protiviti's survey confirms that assessing the need for new skills and talent both inside and outside the organisation is the No. 1 action that TMT finance leaders are deploying to combat inflation. Additional inflation-related actions include:

- Reducing costs of operations.
- Refining and/or increasing scenario planning.
- Balancing the risk of higher staff attrition against potential compensation increases.
- Reassessing working capital needs or cash flow management.
- Assessing the credit risks of trading partners.

Going forward, TMT finance leaders will need to deploy all the next-generation approaches and tools in their quivers to address the multifaceted challenges that inflation poses to their organisations. They will need to lean on their data, predictive analytics and advanced technology tools to craft dynamic plans and contingencies. You can read more about how finance leaders can solve the inflationary puzzle [here](#).

Business Planning and Analysis

While the top 10 priorities identified by the TMT industry respondents include several emerging priority areas outside the traditional finance roles (like ESG and data security and privacy), about half are areas related to business planning and analysis (BP&A). In addition to the impact of inflation on operating plans, the other BP&A-related areas in the top 10 priorities for TMT finance leaders include **financial planning and analysis, enhanced data analytics, strategic planning, and profitability reporting and analysis**.

These priority areas reflect the urgency (and stakeholder pressure) with which TMT finance leaders are seeking to develop data analysis, strategic planning and forecasting, backed by technological capabilities, to help their organisations navigate a complex and constantly changing environment and drive growth and profitability goals.

Artificial intelligence is one of the new technologies that TMT companies are using to further these ends. According to the survey, more than half of TMT respondents are already using [generative AI](#) for critical functions, led by compliance and regulatory reporting (58%, which can partially be attributed to the number of public company respondents in this year's survey), risk assessment and management (47%), process automation (39%), expense management (32%) and financial forecasting (23%).

Other Notable Findings

The survey reveals many key areas of focus for TMT finance leaders and solutions they have devised to address challenges. Below are a few notable responses:

- I. Top 5 **human resources-related concerns** cited by the TMT respondents:
 - Building and maintaining our culture amid a hybrid or remote working model.
 - Ability to recruit qualified candidates.
 - Ability to retain your people.
 - Replacing employees who leave the organisation.
 - Resources for recruiting (internal and external).

- II. **Supply-chain disruptions** persist but appear to be on the decline:
 - The number of TMT respondents experiencing disruptions dropped from 67% in 2022 to 53% in 2023.

- III. TMT finance organisations continue to reassess **sourcing arrangements**:
 - Fifty-eight percent plan to adjust outsourcing arrangements by bringing these capabilities on-shore or near-shore, compared to 47% last year.

- Twenty-six percent have already brought these capabilities on-shore or near-shore, compared to 50% last year.

The bottom line

As finance teams are pushed to the organisational frontlines to address both traditional and emerging priorities, the need for quality data and analytical tools will only intensify. Emerging technologies like generative AI will no doubt play an increasingly vital role in finance functions for many years to come.

Regulations and stakeholder demands will continue to drive organisational actions relating to ESG (the No. 1 priority) and data security and privacy (the No. 2 priority) but building resilience and meeting the customers' needs should remain the guiding star.

Finally, given the challenging labour environment, TMT finance leaders should make it a priority to invest time, money and expertise to modernise their capabilities for the current workforce and talent marketplace, efforts that will go a long way to help their organisations avoid strategic risks.

Interested in learning more? Read our research report, *Accelerate: Assessing CFO and finance leader perspectives and priorities for the coming year*, available at www.protiviti.com/financesurvey

Contacts

Gordon Tucker

Managing Director and Global Head of Technology, Media and Telecommunications

gordon.tucker@protiviti.com

Christopher Wright

Managing Director and Global Head of Finance Transformation and Transaction Services

christopher.wright@protiviti.com

Scot Glover

Managing Director

scot.glover@protiviti.com

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