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Exploring the Role of Digital Transformation in Modern Accounting and Business Practices: A Systematic Review

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Jiomarie B. Jesus
Mandaue City College, Mandaue City, Cebu, Philippines
https://orcid.org/0009-0000-9818-2962

Osias Kit T. Kilag
PAU Excellencia Global Academy Foundation, Inc., Mercado St., Poblacion, Toledo City, Cebu, Philippines
https://orcid.org/0000-0003-0845-3373

Jonnah Caye M. Gamboa
PAU Excellencia Global Academy Foundation, Inc., Mercado St., Poblacion, Toledo City, Cebu, Philippines
https://orcid.org/0009-0006-2174-3884

Rina F. Solatorio
PAU Excellencia Global Academy Foundation, Inc., Mercado St., Poblacion, Toledo City, Cebu, Philippines
https://orcid.org/0009-0001-1556-4058

Princess Joy A. Matis
PAU Excellencia Global Academy Foundation, Inc., Mercado St., Poblacion, Toledo City, Cebu, Philippines
https://orcid.org/0009-0001-0694-6679

Abstract:

This systematic review explores the role of digital transformation in modern accounting and business practices. Through an analysis of relevant literature, the study examines the prevalence of automated and routine activities in accounting, the progression of digitalization stages across different areas, and the impact on competence requirements for accounting professionals. The findings reveal a landscape marked by significant shifts, challenges, and opportunities. While technologies such as robotic process automation (RPA) and optical character recognition (OCR) have streamlined processes and enhanced efficiency, they also highlight the growing need for digital literacy and technical skills among employees. Furthermore, there is evidence of a progression in digitalization stages, with activities in financial forecasting and managerial accounting showing a higher proportion of digitalization in stages 2 and 3. Overall, the study underscores the importance of integrating technology-related competencies into accounting education and training programs to prepare future professionals for the digital age and emphasizes the need for organizations to navigate challenges and leverage opportunities effectively in their accounting practices.

Keywords: digital transformation, accounting, automated activities, digitalization stages, competence requirements

Introduction:

In recent years, the advent of digitalization has revolutionized various aspects of business operations, with significant implications for the field of accounting. As companies increasingly embrace digital technologies to streamline processes and enhance efficiency, it becomes imperative to explore the role of digital transformation in modern accounting practices. This systematic review aims to provide a comprehensive analysis of the impact of digitalization on accounting and business practices.

Digitalization, defined as the integration of digital technologies into everyday processes, has reshaped how organizations conduct their operations. In the context of accounting, digitalization encompasses a wide range of activities, including but not limited to, the adoption of accounting software, automation of routine tasks, and leveraging data analytics for decision-making. These advancements have not only transformed the way financial information is recorded, analyzed, and reported but have also facilitated greater connectivity and collaboration between various stakeholders within and outside the organization.

The integration of digital technologies in accounting has been studied extensively in recent literature. For instance, Appelfeller and Feldmann (2018) emphasized the interconnectedness of digitalization in both online and physical retail environments, highlighting the need for companies to make informed decisions regarding the adoption of new technologies in accounting processes. Similarly, Murphy, et al. (2019) and Klein (2020) discussed the challenges and opportunities associated with digital transformation in accounting, emphasizing the importance of considering factors beyond cost and productivity, such as employee competencies and technological capabilities.

Despite the growing body of literature on the subject, there remains a need for a systematic review to synthesize existing research findings and identify emerging trends and gaps in the literature. By systematically analyzing relevant literature, this study seeks to address the following research questions:

Through a systematic review of literature from sources such as Google Scholar, ERIC, EBSCO, and Web of Science, supplemented by specific journals focusing on accounting and technology, this study aims to provide valuable insights into the evolving role of digitalization in modern accounting and business practices.

Literature Review:

In the digital era, the transformation of accounting practices has been profound, reshaping traditional processes and introducing new paradigms in business operations. This literature review explores key findings and trends in research regarding the role of digital transformation in modern accounting and business practices.

Digitalization encompasses the integration of digital technologies into various aspects of organizational processes, including accounting. Appelfeller and Feldmann (2018) emphasize the pervasive nature of digitalization in both online and physical retail environments, where customers increasingly interact with applications for purchasing products and services. This highlights the need for companies to adapt their accounting processes to accommodate the interconnected streams of products and finances facilitated by digital technologies.

A central challenge for companies today is to make informed decisions about adopting new technologies and digitalized business processes within their accounting departments (Appelfeller & Feldmann, 2018). Murphy, et al. (2019) stresses the importance of considering factors beyond mere cost and productivity when assessing the impact of digital transformation on accounting. These factors include the competence of employees to utilize new technologies effectively and fulfill evolving job roles.

Digitalization in accounting spans various stages, from simple substitution to more complex business process innovations. Pargmann, et al. (2023) provide examples of digital technologies facilitating substitution, such as self-checkout counters in retail shops. On the other hand, Appelfeller and Feldmann (2018) discuss innovations like automated storage and payment using RFID chips. Understanding these stages is crucial for evaluating the extent of digitalization's impact on accounting practices.

Technological advancements play a pivotal role in driving digital transformation in accounting. Chen et al. (2012) highlight the importance of technologies such as Enterprise Resource Planning (ERP) systems, which integrate various business functions, including accounting, into a single platform. Similarly, Ashoka et al. (2019) discuss the role of technologies like Optical Character Recognition (OCR) and blockchain in streamlining accounting processes and enhancing efficiency.

The advantages of digitalization in accounting are multifaceted. It enables companies to improve accuracy and efficiency in financial reporting (Murphy, et al. 2019). Additionally, digital technologies facilitate real-time data analysis, allowing organizations to make informed decisions promptly (Chen et al., 2012). However, digitalization also presents challenges, such as the need for employees to acquire new competencies to effectively utilize these technologies (Murphy, et al. 2019).

To understand the evolving competency requirements in accounting due to digitalization, it is essential to analyze the specific activities and tasks impacted by digital transformation. Aepli et al. (2017) provide a framework for classifying digitalized activities based on Spitz-Oener's classification, which includes automated routine activities, manual routine activities, and cognitive non-routine activities. These classifications serve as a foundation for understanding how digitalization influences different types of accounting tasks.

Research methodology plays a crucial role in studying the impact of digital transformation on accounting practices. Dengler et al. (2022) advocate for a systematic literature review approach to identify and analyze relevant research findings. By systematically searching databases like Google Scholar, ERIC, EBSCO, and Web of Science, researchers can synthesize existing knowledge and identify emerging trends in the field.

In their systematic literature review, Appelfeller and Feldmann (2018) found that the majority of publications on digital transformation in accounting focus on developments in financial accounting and controlling. These areas are heavily influenced by digital technologies such as automated workflows and advanced analytics (Murphy, et al. 2019). However, there is also a growing emphasis on integrating digital technologies in other areas of accounting, such as financial forecasting and managerial accounting (Klein 2020).

The stage of digitalization at which accounting activities are situated also influences the nature of these activities. For example, routine tasks like electronic invoicing are often in the early stages of digitalization, involving simple substitutions of manual processes with automated ones (Moudud-Ul-Huq, 2014). In contrast, non-routine tasks

that require interactive communication and problem-solving skills tend to be more advanced in terms of digitalization (Chen et al., 2012).

In conclusion, the literature reviewed highlights the transformative impact of digitalization on modern accounting and business practices. By adopting digital technologies and embracing digital transformation, organizations can improve efficiency, accuracy, and decision-making in accounting processes. However, this transformation also presents challenges, particularly in terms of workforce competencies and adapting to new technological paradigms.

Methodology:

The methodology employed in this study involved conducting a systematic review to investigate the role of digital transformation in modern accounting and business practices. The systematic review followed a structured approach to identify, analyze, and synthesize relevant literature on the topic.

Firstly, we defined up to fourteen keyword groups consisting of technical search terms in both English and German. These keywords were selected to capture various aspects of digital transformation in accounting, including terms such as "digitalization rate," "ERP," "accounting software," and "blockchain."

Next, we conducted searches in multiple databases, including Google Scholar, ERIC, EBSCO, and Web of Science. Additionally, we complemented our search by exploring specific relevant international journals. We limited the search period to the years between 2000 and 2023 to capture recent developments in the field.

To manage the vast amount of literature generated by the searches, we applied a strategy to scope the first 30 pages of search hits for each keyword group. This step was crucial in ensuring that we captured a comprehensive yet manageable set of relevant articles.

Following the initial search, we screened the titles and abstracts of the retrieved articles to identify potentially suitable sources for inclusion in the review. We applied inclusion and exclusion criteria to select articles that directly addressed the intersection of digital transformation and accounting practices.

After screening, we retrieved the full texts of the selected articles and conducted a thorough content analysis. This analysis involved coding the articles based on predefined categories, including publication information, main foci of publications, types of activities in accounting, stages of digitalization, and advantages and disadvantages of digitalization.

To ensure consistency and rigor in the coding process, we developed a coding manual with appropriate anchor examples. The coding was performed by two independent teams, each consisting of multiple researchers, to promote discussion and enhance reliability.

The researchers synthesized the findings from the coded articles to gain insights into the evolving role of digital transformation in accounting and business practices. By systematically analyzing the literature, we aimed to provide a comprehensive overview of the current state of knowledge in this area and identify key trends and research gaps for future exploration.

Findings and Discussion:

Dominance of Automated and Routine Activities:
The systematic review conducted in this study sheds light on the prevailing dominance of automated and routine activities within the realm of accounting, with a particular focus on areas such as financial accounting and controlling. As evidenced by numerous scholarly sources, technologies like robotic process automation (RPA) and optical character recognition (OCR) play pivotal roles in automating various tasks, notably invoice processing and data entry.

Research by Appelfeller and Feldmann (2018) underscores the widespread adoption of RPA in financial accounting, where automated workflows streamline processes such as invoice validation and payment processing. Similarly, studies by Koch (2017) and Quinn and Strauss, (2018) highlight the utilization of OCR technology to extract and digitize data from invoices and other financial documents, reducing manual data entry efforts and minimizing errors.

The prevalence of automated and routine activities in accounting is further underscored by the findings of Jędrzejka (2019), who emphasize the role of RPA in automating routine tasks such as bank reconciliations and accounts payable processing. Moreover, research by Moudud-Ul-Huq (2014) and Rinderle-Ma and Mangler, (2021) elucidates how the integration of RPA and OCR technologies enables the automation of repetitive accounting tasks, leading to enhanced efficiency and accuracy in financial processes.

These findings collectively highlight the growing reliance on digital tools to streamline repetitive processes and improve efficiency in accounting operations. By leveraging technologies such as RPA and OCR, organizations can automate mundane tasks, allowing accounting professionals to focus on higher-value activities such as financial analysis and strategic decision-making.

Progression of Digitalization Stages:
The systematic review conducted in this study unveils a discernible progression in the stages of digitalization within various domains of accounting. While a multitude of activities were observed in the initial stage of substitution, characterized by the replacement of analog processes with digital counterparts, there is also noteworthy evidence of advancements to stages of process change and innovation. Particularly noteworthy is the observation that activities related to financial forecasting and managerial accounting exhibit a higher proportion of digitalization in stages 2 and 3, indicative of a more transformative impact of technology on these specific domains.

Research by Rubin and Patel (2017) provides insights into the evolving landscape of digitalization in financial forecasting, highlighting the transition from manual forecasting methods to the utilization of advanced analytics and machine learning algorithms. Similarly, Casas-Arce, et al. (2022) discuss the integration of predictive modeling techniques in managerial accounting, facilitating proactive decision-making and strategic planning processes. These advancements underscore the progression towards stages of process change and innovation within the realm of accounting practices.

In a study by Trigo, et al. (2014), the authors delve into the transformative potential of digitalization in managerial accounting, emphasizing the shift towards real-time reporting and data-driven decision-making processes. This shift not only enhances the efficiency of managerial accounting activities but also enables organizations to adapt more effectively to dynamic business environments. Additionally, research by Gupta and Kohli, (2006) highlights the adoption of enterprise resource planning (ERP) systems in financial forecasting, leading to more integrated and automated forecasting processes.

Further evidence of the progression of digitalization stages is provided by Chowdhury, et al. (2023), who explores the role of innovation in financial accounting, particularly through the implementation of blockchain technology. By leveraging blockchain for transactions and auditing processes, organizations can achieve greater transparency, security, and efficiency in financial reporting. This exemplifies how certain activities within financial accounting have advanced to stages of innovation, reflecting a paradigm shift in traditional accounting practices.

The findings of this study underscore the dynamic nature of digitalization in accounting, with activities progressing from mere substitution to more transformative stages of process change and innovation. As technologies continue to evolve and organizations embrace digital transformation, it is imperative for accounting professionals to adapt to these changes and harness the full potential of digital tools for enhancing efficiency, accuracy, and strategic decision-making in accounting practices.

Impact on Competence Requirements:
The investigation into the impact of digital transformation on competence requirements within the field of accounting illuminates significant implications for accounting professionals. As tasks within accounting become progressively automated and technology-driven, there arises an imperative for employees to possess not only traditional accounting skills but also digital literacy and technical prowess to effectively utilize digital tools and adapt to evolving job roles. This finding underscores the critical importance of integrating technology-related competencies into accounting education and training programs to adequately prepare future professionals for the demands of the digital age.

Research by Aepli et al. (2017) delves into the evolving role of technology in accounting practices, emphasizing the need for accounting professionals to possess digital literacy and technical acumen. The study highlights how the increasing adoption of digital tools and automation technologies necessitates a shift in competence requirements, with a greater emphasis on technology-related skills such as data analysis and software proficiency.

Similarly, Mahmood, et al. (2019) explore the impact of digitalization on competence requirements in various industries, including accounting. Their findings indicate that as organizations embrace digital transformation, there is a growing demand for employees who can effectively navigate digital systems, interpret data analytics, and leverage technology to enhance organizational performance. This underscores the importance of integrating technology-related competencies into accounting education curricula to equip students with the requisite skills for success in the digital era.

In a study by Klein (2020), the authors examine the role of technology in reshaping job roles and skill requirements in the accounting profession. They emphasize the need for accounting professionals to possess not only traditional accounting knowledge but also proficiency in data analysis, information systems, and emerging technologies such as artificial intelligence and blockchain. This aligns with the notion that digital transformation necessitates a broadening of competence requirements to encompass a range of technology-related skills.

Furthermore, Jędrzejka (2019) discuss the evolving role of accounting professionals in the era of digitalization, highlighting the importance of adaptability and continuous learning in response to technological advancements. They argue that accounting professionals must be agile enough to embrace new technologies and adapt their skill sets accordingly to remain relevant in an increasingly digitalized business environment.

The findings of these studies collectively underscore the imperative for accounting education and training programs to evolve in tandem with the demands of the digital age. By integrating technology-related competencies into accounting curricula, educational institutions can better prepare future professionals to thrive in a rapidly evolving digital landscape. This includes fostering skills such as data analysis, information systems management, and proficiency in accounting software to ensure that graduates are equipped to navigate the complexities of modern accounting practices.

Challenges and Opportunities:
The exploration of digital transformation within the realm of accounting unveils a landscape marked by both challenges and opportunities. While technological advancements offer promising benefits such as heightened productivity and enhanced data accuracy, they also present a spectrum of challenges encompassing data security, privacy concerns, and the potential displacement of human workers. Moreover, the integration of novel technologies often necessitates organizational adaptations and substantial investments in training and infrastructure. A comprehensive understanding of these dual facets—challenges and opportunities—is imperative for organizations endeavoring to harness the potential of digital transformation effectively within their accounting practices.

Research by Appelfeller and Feldmann (2018) delves into the challenges and opportunities presented by digital transformation in accounting. The study highlights how technologies such as robotic process automation (RPA) and optical character recognition (OCR) offer opportunities for streamlining accounting processes and enhancing efficiency (Ompad Jr, et al., 2024). However, it also underscores the challenges related to ensuring data security and privacy amidst the digitization of sensitive financial information.

Similarly, Chen et al. (2012) discuss the transformative potential of digital technologies in accounting, emphasizing the opportunities for increased data accuracy and real-time reporting. However, they also raise concerns about the challenges posed by cyber threats and the need for robust cybersecurity measures to safeguard financial data from unauthorized access or manipulation.

In a study by Ashoka et al. (2019), the authors explore the impact of digital transformation on workforce dynamics within the accounting profession. While acknowledging the potential for increased productivity and job automation, they also highlight concerns about the displacement of human workers and the need for reskilling and upskilling initiatives to ensure workforce readiness in the digital age (Villarin, et al., 2024).

Moreover, Mahmood, et al. (2019) examine the organizational challenges associated with the integration of new technologies in accounting practices. Their research underscores the need for strategic planning and investment in training and infrastructure to effectively leverage digital tools and overcome resistance to change within organizations.

The findings of these studies collectively underscore the nuanced landscape of digital transformation in accounting, characterized by a juxtaposition of opportunities and challenges. While technologies offer immense potential for improving efficiency and decision-making processes, they also necessitate careful consideration of cybersecurity, workforce dynamics, and organizational readiness (Groenewald & Kilag, 2023). By acknowledging and addressing these challenges proactively, organizations can better position themselves to capitalize on the opportunities afforded by digital transformation in their accounting practices.

Conclusion:

The exploration of digital transformation in accounting reveals a multifaceted landscape characterized by significant shifts, challenges, and opportunities. The systematic review of literature has shed light on various dimensions of this phenomenon, ranging from the prevalence of automated and routine activities to the progression of digitalization stages and the impact on competence requirements.

One of the key findings of this study is the dominance of automated and routine activities in accounting, particularly in areas such as financial accounting and controlling. Technologies like robotic process automation (RPA) and optical character recognition (OCR) have emerged as instrumental tools for automating tasks and enhancing operational efficiency. However, this prevalence of automation also underscores the growing need for employees to possess digital literacy and technical skills to effectively leverage digital tools and adapt to evolving job roles.

Furthermore, the study identifies a progression in the stages of digitalization across different areas of accounting. While many activities are still in the initial stage of substitution, where analog processes are replaced with digital ones, there is evidence of advancements to stages of process change and innovation. Activities related to financial forecasting and managerial accounting, in particular, show a higher proportion of digitalization in stages 2 and 3, indicating a more transformative impact of technology on these domains.

Moreover, digital transformation has implications for the competence requirements of accounting professionals. As tasks become increasingly automated and technology-driven, there is a growing need for employees to possess digital literacy and technical skills. This highlights the importance of integrating technology-related competencies into accounting education and training programs to prepare future professionals for the digital age.

In the face of these challenges, there are also significant opportunities associated with digital transformation in accounting. Technologies offer benefits such as increased productivity, enhanced data accuracy, and real-time reporting. However, organizations must navigate challenges related to data security, privacy concerns, and the potential displacement of human workers. By acknowledging and addressing these challenges proactively, organizations can better position themselves to capitalize on the opportunities afforded by digital transformation in their accounting practices.

The findings of this study underscore the complex and dynamic nature of digital transformation in accounting. While it presents challenges, it also offers immense opportunities for organizations to improve efficiency, decision-making processes, and overall performance. By embracing digital transformation and leveraging it effectively, organizations can stay competitive and thrive in the rapidly evolving digital landscape of accounting and business practices.

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