



Are Buyer Expectations Outpacing Provider Capabilities?

Finance and Accounting Outsourcing (FAO)

Market Report – May 2018: Complimentary Abstract / Table of Contents

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Membership information

- This report is included in the following research program(s)
 - **Finance and Accounting Outsourcing (FAO)**
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Background and methodology of the research

Background of the research

The Finance and Accounting Outsourcing market is gradually shifting from arbitrage-first to the digital-first model. Service providers are developing best practices and digital capabilities to meet evolving requirements of enterprises and to facilitate transformation through digital enablement.

In this research study, we analyze the FAO buyer-service provider relationships, examine multiple-facets of FAO engagements, and answer the following questions:

- How are enterprises' expectations from their service providers changing over time?
- How are service providers placed based on buyers' perception of their performance on different KPIs?
- Which parameters are perceived to be the most differentiated by buyers?
- What is the way forward for buyers and providers to succeed in this transformation journey?

The scope and methodology of this report includes:

- Structured questionnaires and interviews with enterprises capturing qualitative and quantitative insights of their engagements with over 25 FAO service providers
- Sample size includes 90+ buyer interactions across online surveys and interviews across multiple industries and geographies in 2015-2017
- Analysed evolution of buyers' expectations, assessed service performance on different parameters across industries, and conducted gap analysis & FAO providers' performance benchmarking

Overview and abbreviated summary of key messages

This report examines the evolving expectations of FAO buyers from service providers and providers' efforts and investments in meeting those expectations. It also provides insights into key factors driving FAO adoption among buyers, in addition to providing an overview of buyers' perception of the aggregate service provider performance. With the FAO industry shifting from arbitrage-first to the digital-first model and increased focus on driving business outcomes, enterprises are looking for innovative and digitally-oriented offerings from their providers

Some of the findings in this report, among others, are:

Enterprises evolving requirements

- Outsourcing demands of enterprises have evolved from manpower requirement at low cost and operational efficiency to stakeholder satisfaction and business impact
- Significant increase in expectations is primarily driven by digital disruptions as the industry is moving from arbitrage-first to digital-first model
- Meeting SLAs has become table stakes and intangible capabilities such as proactiveness and innovation are valued to a greater extent by enterprises in the outsourcing contract

Service providers enhancing capabilities

- Service providers are rapidly enhancing capabilities such as technology and domain expertise (leveraging both organic and inorganic means) to catch up with enterprises' expectations
- Some providers are experimenting with different engagement models and solutions through co-innovation that benefits both buyers and providers
- Consultative approach and analytics are now baked into the deals to bring value addition beyond SLAs and to aid enterprises in making strategic decisions

This study offers a deep dive into key aspects of evolving buyer requirements and corresponding provider performance; below are four charts to illustrate the depth of the report

Importance of key factors driving FAO adoption	Service providers' performance across key metrics																										
<table><caption>Importance of key factors driving FAO adoption</caption><tr><th>Year</th><th>Score</th><th>Change</th></tr><tr><td>2016</td><td>3.9</td><td rowspan="2">11%</td></tr><tr><td>2017</td><td>4.31</td></tr><tr><td>2016</td><td>3.27</td><td rowspan="2">14%</td></tr><tr><td>2017</td><td>3.74</td></tr></table>	Year	Score	Change	2016	3.9	11%	2017	4.31	2016	3.27	14%	2017	3.74	<table><caption>Service providers' performance across key metrics</caption><tr><th>Year</th><th>Score</th><th>Change</th></tr><tr><td>2016</td><td>4.1</td><td rowspan="2">2%</td></tr><tr><td>2017</td><td>4.2</td></tr><tr><td>2016</td><td>3.7</td><td rowspan="2">5%</td></tr><tr><td>2017</td><td>3.9</td></tr></table>	Year	Score	Change	2016	4.1	2%	2017	4.2	2016	3.7	5%	2017	3.9
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2016	4.1	2%																									
2017	4.2																										
2016	3.7	5%																									
2017	3.9																										
Key triggers behind outsourcing F&A operations; buyer excerpts	What does it take to be innovative?																										
<div>“ We had 100% market share but as the market became highly competitive we lost customers due to lack of flexibility. We outsourced our finance operations to gain more scalability and agility. – Customer operations & regulations manager, leading electricity company ”</div> <div>“ We had various teams in different locations. We outsourced our operations to integrate all disparate systems and to develop end-to-end F&A function to reduce cost and improve efficiency. – Director Finance, multinational telecommunications company ”</div> <div>NON-EXHAUSTIVE</div>																											

Research calendar – Finance and Accounting Outsourcing (FAO)

Published
 Planned
 Current release

Flagship FAO reports

Release date

Finance & Accounting Outsourcing (FAO) – Service Provider Landscape with PEAK Matrix™ Assessment 2017.....	November 2017
Finance & Accounting Outsourcing (FAO) Annual Report 2018 – Reimagining Finance through Technology.....	December 2017
F&A Digital Augmentation Suite (DAS) – Service Provider Landscape with PEAK Matrix™ Assessment 2018.....	Q2 2018
Finance & Accounting Outsourcing (FAO) – Service Provider Landscape with PEAK Matrix™ Assessment 2018.....	Q3 2018
Finance & Accounting Outsourcing (FAO) Annual Report – 2019.....	Q4 2018
Finance & Accounting Outsourcing (FAO) Service Provider Profile Compendium – 2019	Q4 2018

Thematic FAO reports

Finance of the Future: Driving Business Results Through a Finance & Accounting Orchestration (FAO) Model	May 2017
R2R Technology: Enabling a New Level of Effectiveness and Efficiency: The End of the Month-End Fire Drill.....	May 2017
3PL or 4PL: An Increasingly Complex Decision	June 2017
Delivering Business Outcomes via Smarter Order-to-Cash (O2C): Cash is Still King, but Put it to Work	July 2017
F&A BPaaS: A Game Changer for SMB and Mid-market Companies	April 2018
Are Buyer Expectations Outpacing Provider Capabilities?	May 2018
Blockchain in F&A – identifying possibilities and challenges	Q3 2018
Growth and Impact of Cognitive / Artificial Intelligence in Finance and Accounting Outsourcing (FAO).....	Q3 2018
Fulfilling the Promise of RPA in Finance & Accounting – A Reality Check	Q3 2018

Note: For a list of all of our FAO reports, please visit the [FAO](#) on our reports portal

Additional FAO research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Finance & Accounting Outsourcing (FAO) Annual Report 2018 – Reimagining Finance through Technology** ([EGR-2017-1-R-2513](#)); 2017. This report is meant to provide FAO buyers, service providers, and third-party enablers (technology vendors, investment firms, etc.) a detailed view of the current state of the market. As part of this, the current report provides insights into market growth, contractual activity trends, buyer adoption trends, insights from buyer satisfaction surveys. This report focuses on next-generation technology levers that service providers are investing in, to provide digital-led transformation solutions. It also addresses the changing service provider landscape in terms of mergers and acquisitions, spin-offs, and change in ownerships as the industry is going through a shift in era
2. **Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with PEAK Matrix™ Assessment 2017** ([EGR-2017-1-R-2412](#)); 2017. This report examines the dynamics of the global FAO service provider landscape and its impact on the FAO market. Based on the comprehensive Everest Group PEAK Matrix, each of the 25 FAO service providers are segmented into Leaders, Major Contenders, and Aspirants. The report also provides key insights into service provider position & growth in the market, changing market dynamics, and assessment of service provider delivery capabilities. It will assist key stakeholders (service providers, buyers, and technology vendors) understand the current state of the FAO service provider landscape
3. **Finance of the Future: Driving Business Results Through a Finance & Accounting Orchestration (FAO) Model** ([EGR-2017-1-V-2150](#)); 2017. In this report, we examine how organizations can leverage new value creation levers such as Service Delivery Automation (SDA), analytics, cognitive intelligence, cloud computing, and mobility to achieve “best-in-class” F&A processes

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