Everest Group
RESEARCH

Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2015

Finance and Accounting Outsourcing (FAO)
Market Report: October 2015 – Preview Deck

EGR-2015-1-PD-1583

Our research offerings for global services

- ▶ **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

- ▶ **BFSI[1] Information Technology**
- ▶ **BFSI[1] Business Process**
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- ▶ **Application & Digital**
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- ▶ **Finance & Accounting**
- ▶ **Procurement**
- ▶ **Human Resources**
- ▶ **Recruitment Process**
- ▶ **Contact Center**
- ▶ **Transaction Intelligence**

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- The full report is included in the following subscription(s)
  - **Finance & Accounting Outsourcing (FAO)**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**

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1 Banking, financial services, and insurance

Table of contents (page 1 of 2)

Table of contents (page 2 of 2)

Background and methodology of the research

Background of the research

With growth softening to 5-6% in 2014, the FAO market is approaching maturity. This has led to significant commoditization of erstwhile differentiators: scale of operations, geographic and industrial scope, delivery network, and even conventional technologies. Given this scenario, service providers need to exploit newer levers in order to stand out. One such lever is bringing innovation in FAO technology solutions & services. This can be in the form of involvement of predictive & prescriptive analytics beyond financial planning & analysis, leverage of Robotic Process Automation (RPA) for rule-based processes, greater focus on expertise-based judgment-oriented processes (such as management reporting & analysis and risk management), and proactive leverage of outcome-based pricing models.

In this research, we analyze the global FAO service provider landscape in 2014. We focus on:

- FAO service provider landscape overview
- The position of 24 service providers on the Everest Group PEAK Matrix for FAO
- 2015 FAO Star Performers
- Strengths and areas of improvement for each of the service providers

The scope and methodology of this report includes:

- Third-party multi-process FAO deals with a minimum of two F&A processes, over US$1 million in ACV, and a minimum contract term of three years
- Over 900 multi-process FAO deals signed as of 2014
- Coverage across 24 FAO service providers with multi-process capability, including Accenture, Aegis, Capgemini, Cognizant, Datamatics, Dell, EXL, Genpact, HCL, HP, IBM, IGATE, Infosys, IQ BackOffice, Minacs, Quatrro, Serco, Sutherland Global Services, TCS, Tech Mahindra, Wipro, WNS, Xchanging, and Xerox

This report is based on three key sources of proprietary information

1

- Proprietary database of **850+ active multi-process FAO contracts** (updated annually)
- The database tracks the following elements of each multi-process FAO contract:
  - Buyer details including industry, size, and signing region
  - Contract details including Total Cumulative Value (TCV), Annualized Contract Value (ACV), term, start date, service provider FTEs, and pricing structure
  - Scope including buyer geography and functional activities
  - Technology including core F&A technology and tools provided by the service providers (if any), ownership, and maintenance
  - Global sourcing including delivery locations and level of offshoring
  - Sourcing process including sole-sourced, competitive, advisor, or non-advisor led sourcing

2

- Proprietary database of the **operational capability of 20+ FAO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
  - Key leaders
  - Major FAO clients and their recent wins
  - Overall revenue and F&A employees
  - Recent F&A-related developments
  - FAO delivery locations
  - FAO service suite
  - Quality certifications and credit rating
  - F&A-related technological capabilities

3

Buyer surveys and interactions

- Global survey and one-on-one executive-level interviews to understand how organizations perceive the performance of their FAO provider. The survey/interviews focused on different aspects of an outsourcing relationship, including:
  - Contract details (including process scope, contract signing year, and duration)
  - Overall performance of the service provider, including key strengths and improvement areas
  - Key objective of outsourcing F&A
  - Detailed assessment of service provider performance across different elements such as:
    - Performance against key FAO metrics
    - Performance in F&A processes
    - Performance during the implementation and transition phases
    - Governance and relationship management

Service providers covered in the analysis

accenture High performance. Delivered.
AEGIS Experience. We make it easy.
Capgemini Consulting.Technology.Outsourcing
Cognizant
DATAMATICS Next-Generation Solutions
Dell Services
EXL
GENPACT
HCL
hp
IBM
IGATE Speed.Agility.Imagination
Infosys
IQ BackOffice
minacs
Quatrro Beyond the existing
serco
Sutherland Global Services
Tech Mahindra
TATA CONSULTANCY SERVICES
WIPRO Applying Thought
WNS Extending Your Enterprise
Xchanging Inspiring Innovation
xerox

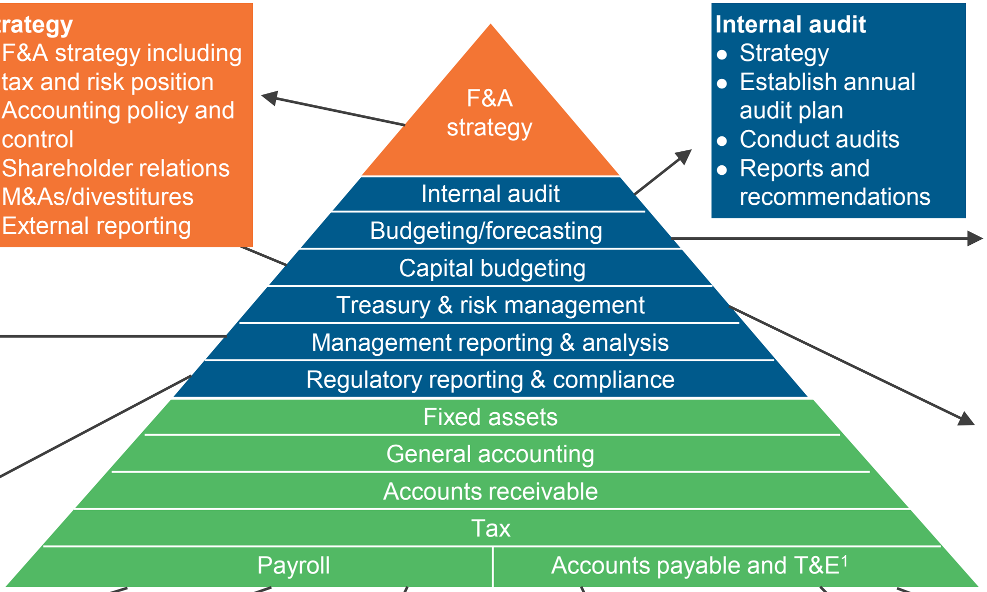
Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information we collect that is contract specific will only be presented back to the industry in an aggregated fashion

Everest Group RESEARCH

Traditionally, FAO has been limited to a function-focused definition

Functional definition of FAO

- 🟧 Strategy
- 🟦 Judgment-intensive
- 🟩 Transaction-intensive



Capital budgeting
- Strategy
- Administer approval process
- Project reporting

Management reporting and analysis
- Strategy
- Regular reporting
- Data extraction
- Analysis
  - Ad hoc analysis and special projects
  - Cost accounting

Regulatory reporting and compliance
- Strategy
- Data extraction
- Analysis and MD&A[1]
- Regulatory reporting
- Compliance program

Strategy
- F&A strategy including tax and risk position
- Accounting policy and control
- Shareholder relations
- M&As/divestitures
- External reporting

Internal audit
- Strategy
- Establish annual audit plan
- Conduct audits
- Reports and recommendations

Budgeting/forecasting
- Strategy
- Budget analysis and approval process
- Build-line item budget
- Forecast roll-ups and consolidation
- Forecast analysis and approval process

Treasury and risk management
- Strategy
- Bank relations and administration
- Cash management and forecasting
- Investments
- Debt management
- Foreign exchange
- Treasury risk management

Payroll
- Strategy
- Earnings
- Deductions
- Checks and EFT[1]
- Reconciliation
- Third-party payments
- Tax reporting and filing
- Vendor management

Tax
- Strategy
- Tax accounting
- Tax planning and analysis
- Tax compliance
- Tax audit

Accounts receivable
- Strategy
- Customer set-up
- Billing
- Cash applications
- Credit and collections
- Customer inquiries
- Reporting

General accounting
- Strategy
- Process general entries
- Account reconciliations
- Inter-company accounting
- Prepare trial balances
- Perform closings
- Manage consolidations
- Cost accounting

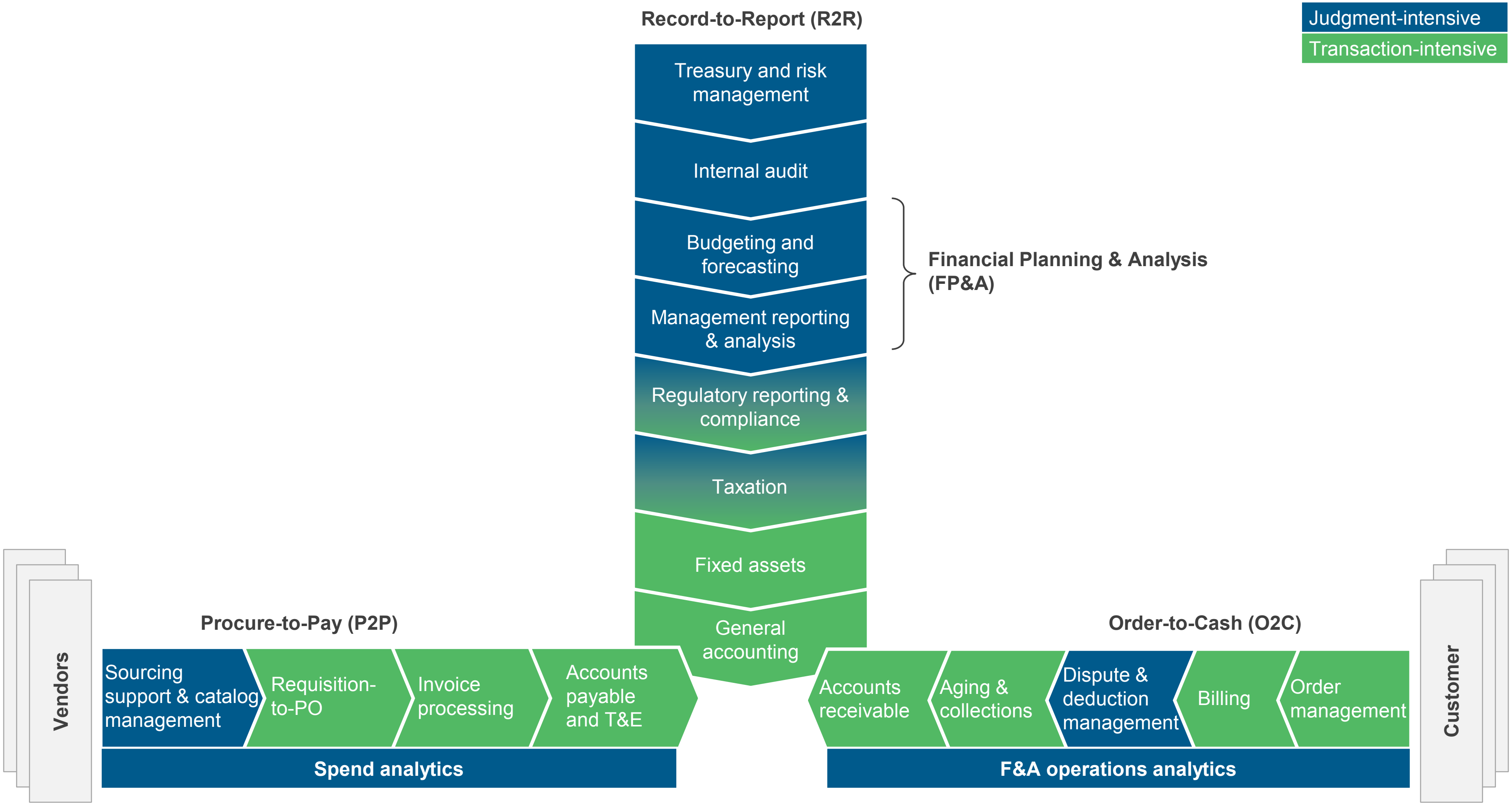
Fixed assets
- Maintain master data
- M/A/C[1] of assets
- Post depreciation

Accounts payable and T&E
- Strategy
- Maintain master data
- Process payment requests
- Process T&E claims
- Administer EDI[1] /P-card
- Month-end close
- Vendor inquiries
- Reporting

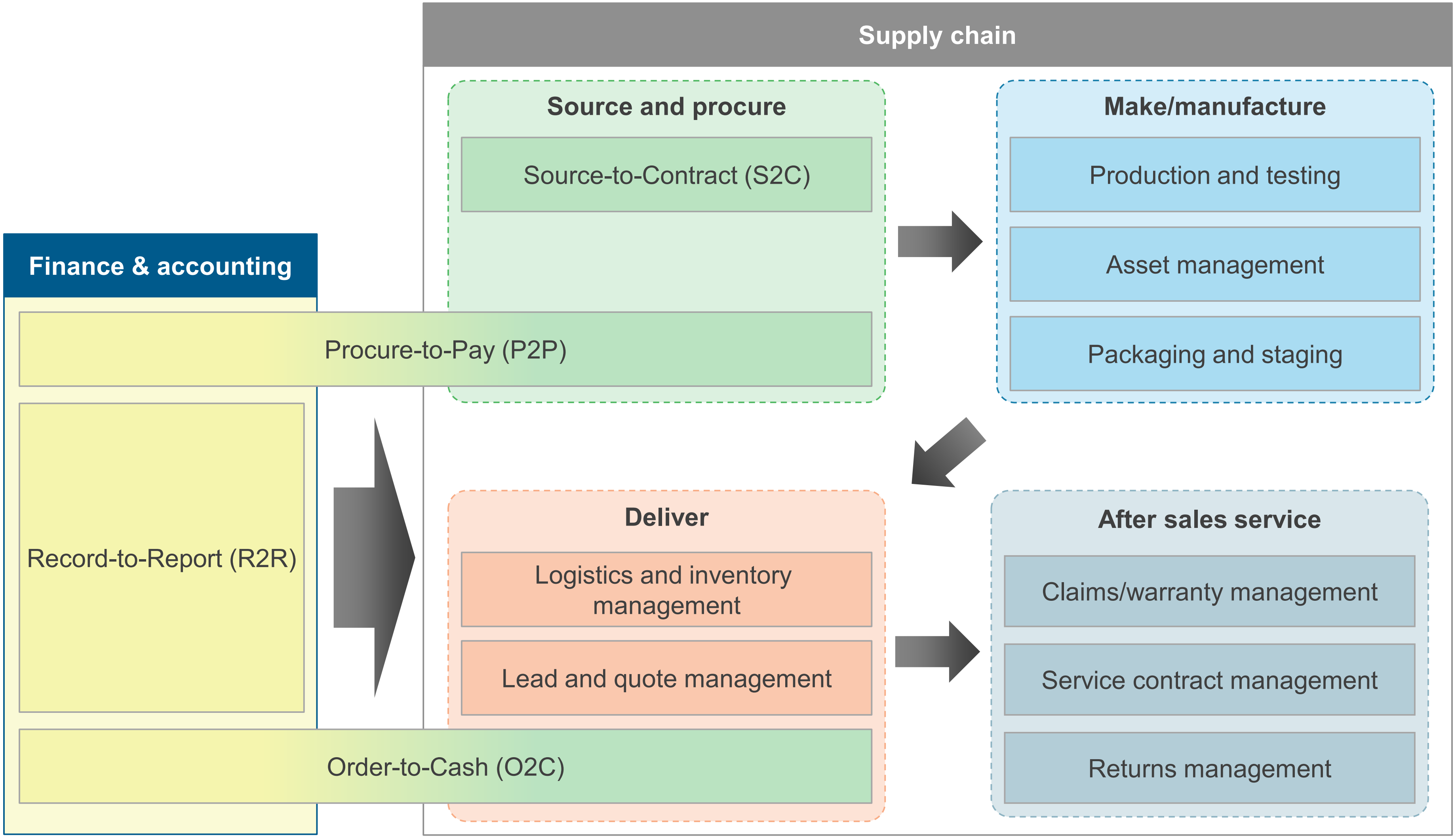
[1] Defined in Appendix

However, an end-to-end process-driven approach is emerging which focuses on consistency, delivery, and enterprise-wide integration

End-to-end process driven definition of F&A



This end-to-end process-driven approach is expanding the F&A scope into the adjacent areas of procurement and supply chain



Supply chain

Source and procure

Source-to-Contract (S2C)

Make/manufacture

Production and testing

Asset management

Packaging and staging

Finance & accounting

Procure-to-Pay (P2P)

Record-to-Report (R2R)

Order-to-Cash (O2C)

Deliver

Logistics and inventory management

Lead and quote management

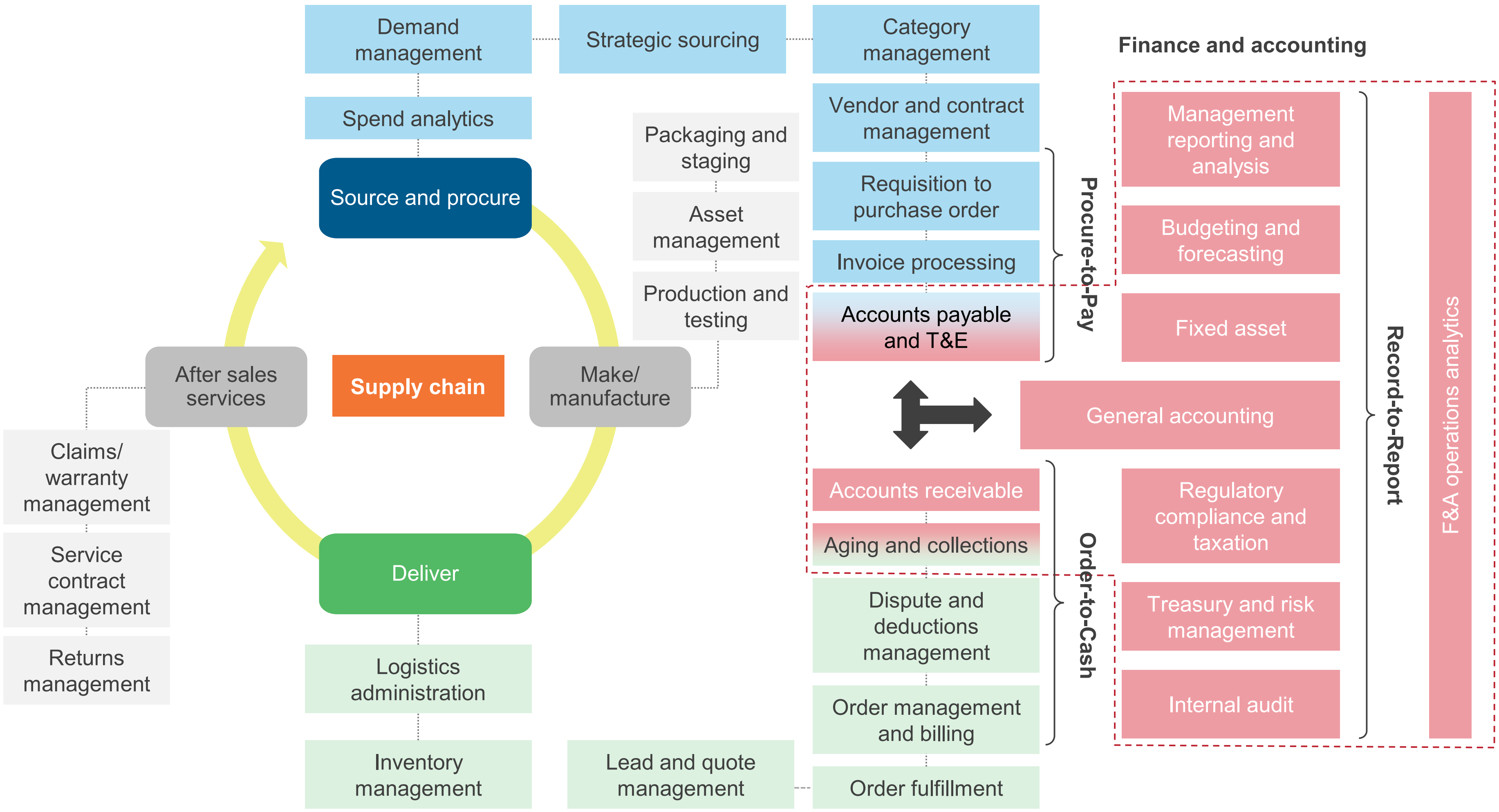
After sales service

Claims/warranty management

Service contract management

Returns management

Everest Group's research is guided by a framework that clearly distinguishes F&A from supply chain and procurement processes



Demand management
Strategic sourcing
Category management
Spend analytics
Source and procure
Packaging and staging
Asset management
Production and testing
Make/ manufacture
Supply chain
After sales services
Claims/ warranty management
Service contract management
Returns management
Deliver
Logistics administration
Inventory management
Lead and quote management

Procure-to-Pay
Vendor and contract management
Requisition to purchase order
Invoice processing
Accounts payable and T&E

Order-to-Cash
Accounts receivable
Aging and collections
Dispute and deductions management
Order management and billing
Order fulfillment

Finance and accounting

Record-to-Report
Management reporting and analysis
Budgeting and forecasting
Fixed asset
General accounting
Regulatory compliance and taxation
Treasury and risk management
Internal audit

F&A operations analytics

Note: Everest Group's analyses include multi-process FAO contracts with a minimum of two F&A processes, over US$1 million in ACV, and a minimum contract term of three years

Overview and abbreviated summary of key messages

This report examines multiple aspects of the FAO market. It focuses on service providers' positions on the Everest Group PEAK Matrix^{TM} while assessing their capabilities on the dimensions of market success, scale, scope, delivery capability, technology solutions & innovation solution, and buyer satisfaction. The report also encompasses analysis of key strengths and areas of improvement for each of the service provider.

Some findings of the report:

FAO service provider landscape overview

- Share of top six service providers was ~70% of the overall multi-process FAO market
- The eight largest service providers dominated key buyer industries and all buyer geographies

2015 FAO PEAK Matrix

- Leaders – Accenture, Capgemini, Genpact, IBM, TCS, and Wipro
- Major Contenders – Cognizant, EXL, HCL, HP, IGATE, Infosys, Minacs, Serco, Sutherland Global Services, Tech Mahindra, WNS, and Xerox
- Emerging Players – Aegis, Datamatics, Dell, IQ BackOffice, Quatrro, and Xchanging

2015 FAO Market Star Performers

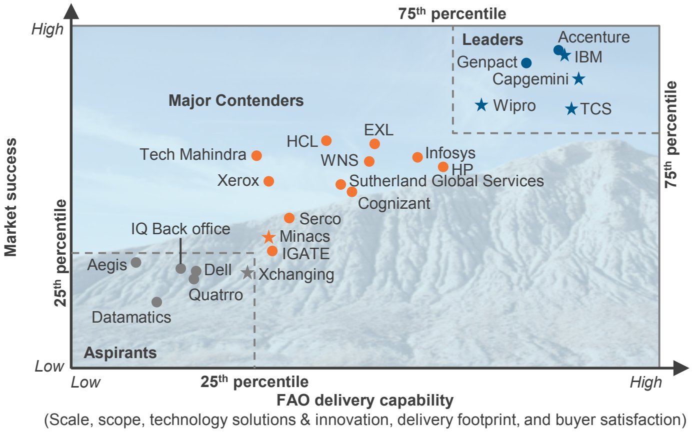
- Based on the relative YoY movement of each service provider, Everest Group identified six service providers as the "2015 FAO Market Star Performers": Capgemini, IBM, Minacs, TCS, Wipro, and Xchanging

Everest Group's analysis of service providers

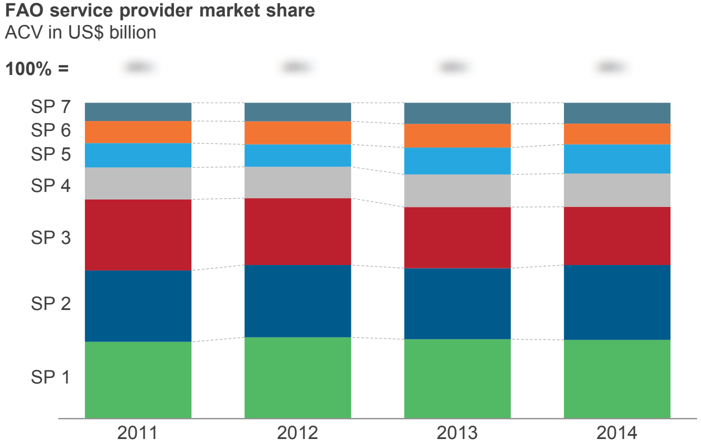
- We look at the relative performance of each of the FAO service providers on each of the six evaluation dimensions
- We also provide a detailed analysis of the strengths and areas of improvement for each of the 24 service providers

The study offers service provider positions on the Everest Group PEAK Matrix™ for FAO, landscape, assessment of delivery capability, and market analysis

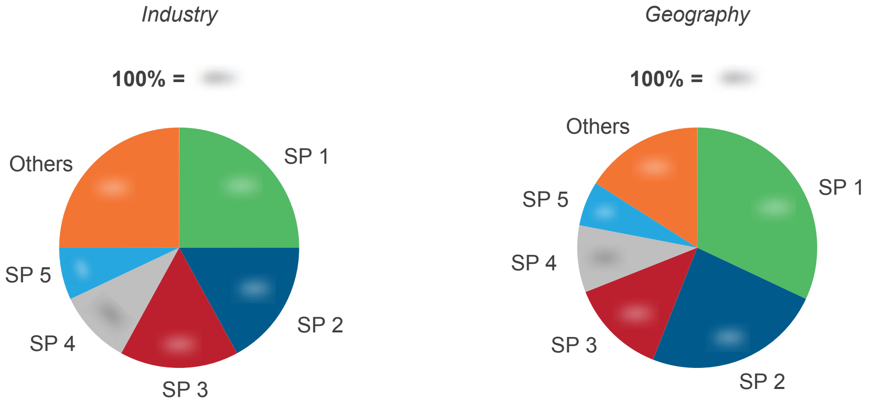
Everest Group PEAK Matrix for FAO



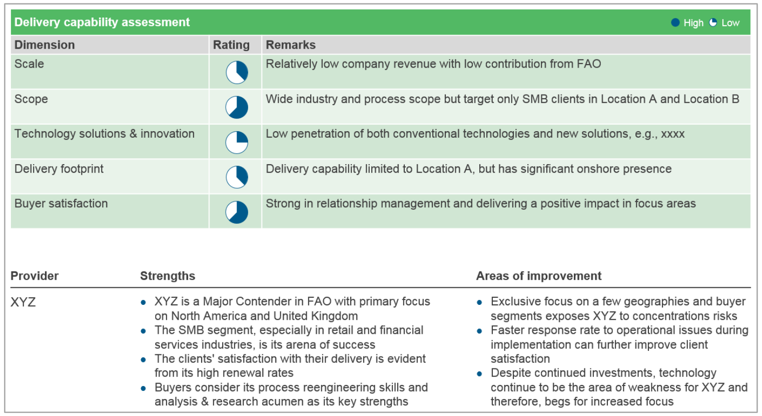
Global FAO service provider market share



Landscape by industry & geography



Everest Group's analysis of service providers



Delivery capability assessment ● High ◔ Low

Dimension	Rating	Remarks
Scale	◑	Relatively low company revenue with low contribution from FAO
Scope	◕	Wide industry and process scope but target only SMB clients in Location A and Location B
Technology solutions & innovation	◔	Low penetration of both conventional technologies and new solutions, e.g., xxxx
Delivery footprint	◑	Delivery capability limited to Location A, but has significant onshore presence
Buyer satisfaction	◕	Strong in relationship management and delivering a positive impact in focus areas

Provider	Strengths	Areas of improvement
XYZ	• XYZ is a Major Contender in FAO with primary focus on North America and United Kingdom • The SMB segment, especially in retail and financial services industries, is its arena of success • The clients' satisfaction with their delivery is evident from its high renewal rates • Buyers consider its process reengineering skills and analysis & research acumen as its key strengths	• Exclusive focus on a few geographies and buyer segments exposes XYZ to concentrations risks • Faster response rate to operational issues during implementation can further improve client satisfaction • Despite continued investments, technology continue to be the area of weakness for XYZ and therefore, begs for increased focus

Source: Everest Group (2015)

FAO research calendar

🟦 Published 🟩 Current

Topic	Release date
Augmenting the FAO Technology Landscape	November 2014
Finance and Accounting Outsourcing (FAO) – Service Provider Profile Compendium 2014	December 2014
Order-to-Cash (O2C) BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2014	December 2014
Record-to-Report (R2R) BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2015	January 2015
Creating a Leaner Accounts Payable (AP) Organization	February 2015
Convergence of Finance & Accounting, Procurement, and Supply Chain Management Functions	February 2015
Analytics Business Process Services (BPS) – Service Provider Landscape with PEAK Matrix™ Assessment 2015	February 2015
Reinventing Business Process Services (BPS) – Leveraging Technology to Deliver on New Expectations	March 2015
Service Delivery Automation (SDA) – The Business Case for Robotic Process Automation in Finance and Accounting	March 2015
Technology in BPS – Service Provider Profile Compendium 2015	June 2015
Finance and Accounting Outsourcing (FAO) Annual Report 2015 – Generating Value through Innovation	July 2015
Service Provider Technology Landscape – The Pecking Order	August 2015
Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with PEAK Matrix™ Assessment 2015	October 2015
FAO – Service Provider Compendium 2015	Q4 2015
Service provider switching in FAO – a disruptive trend reshaping the FAO market	Q4 2015
Technology innovation in FAO	Q4 2015

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Additional FAO research references

The following documents are recommended for additional insight into 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 and Accounting Outsourcing (FAO) Annual Report 2015 – Generating Value through Innovation** (EGR-2015-1-R-1475); 2015. 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 affairs of the market. It provides insights into market growth & activity, adoption trends, key changes in the contract characteristics (in terms of technology, analytics, global sourcing, process scope, geographic scope, and pricing). It also sheds light on the landscape in terms investment trends

2. **Service Delivery Automation (SDA) – The Business Case for Robotics Process Automation (RPA) in Finance** (EGR-2015-1-R-1402); 2015. This report examines the market that is broadly referred to as "Service Delivery Automation" (SDA) and its subset, Robotics Process Automation (RPA). It covers overview of process automation technologies, market drivers for RPA adoption, and cost implications of RPA when applied to F&A

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Everest Group

From **insight** to ***action***.

About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com and research.everestgrp.com.

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