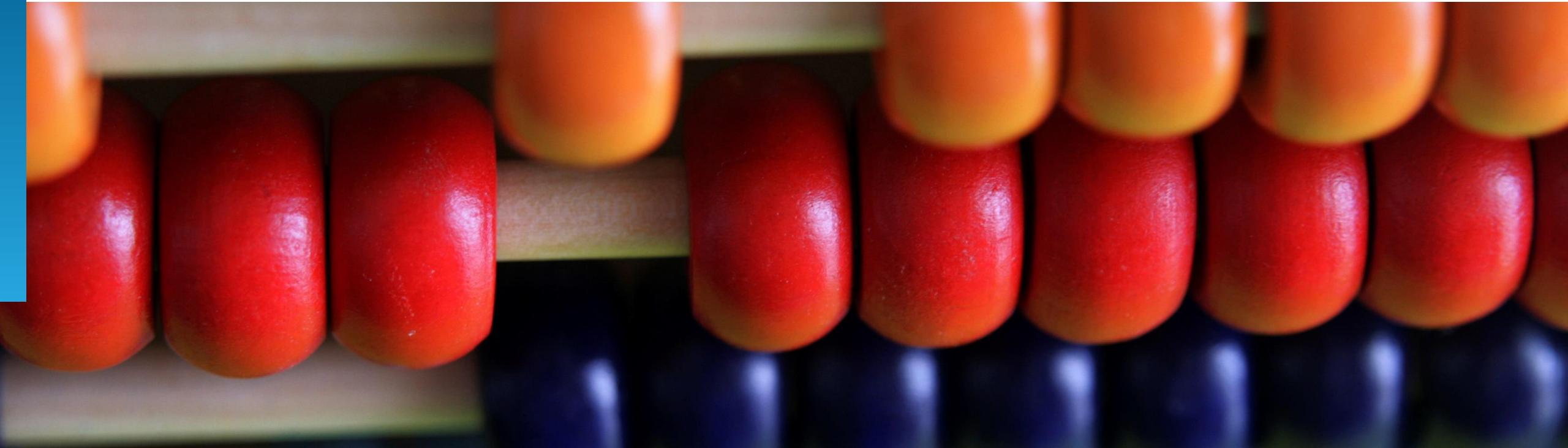


Exploring Data & Analytics, Resilience, and the Next Normal in Finance: Finance and Accounting Outsourcing (FAO) State of the Market Report 2021

December 2020: Complimentary Abstract / Table of Contents



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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

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Background of the research

The threat of COVID-19 has caused unprecedented global disruption, requiring businesses to reassess their priorities. At such a time, CFOs are supporting their businesses in navigating an environment characterized by extreme uncertainty. At the same time, they recognize the need to develop a long-term strategy to enable their businesses to remain relevant and viable. These growing challenges also necessitate leverage of next-generation technology and greater level of support from service providers in delivering analytics and insights in the next normal. Since the ability to drive better insights depends on the quality of data, F&A service providers are also expanding capabilities into data management and data governance/security.

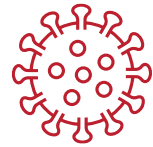
The global multi-process FAO market continued to grow at a steady rate of 8-10% in 2019. However, the market is currently experiencing short-term disruption due to COVID-19 and the growth in 2020 is forecasted to be 3-5%. Despite the short-term disruptions due to the pandemic, the Finance and Accounting Outsourcing (FAO) market is expected to grow at a steady rate, driven by increased openness among organizations to engage with third-party service providers. Scope expansion, an increasing number of first-time outsourcers, and rising demand for next-generation technologies and high-end F&A work from mature outsourcers are expected to further drive this growth. The demand for FAO services remained strong in the traditional markets of North America and Europe, the emerging Asia Pacific (APAC) and Latin American (LATAM) geographies too exhibited strong growth.

In this study, we investigate the state of the FAO market. We focus on:



Scope of this report

- Geography: Global
- Service providers: Information about 25 leading FAO service providers across the globe has been leveraged for this study



COVID-19 impact and role of digital in future-proofing Finance



Data & Analytics (D&A) in F&A



FAO market overview



FAO buyer trends



Service provider landscape for the FAO market

Overview and abbreviated summary of key messages

This report takes a deep dive into the impact of COVID-19 on F&A, and the role of digital in future-proofing finance, with a key focus on data and analytics. It also focuses on FAO market overview, changing market dynamics, service provider landscape, and emerging buyer adoption trends. It also identifies the key implications of the research findings for buyers and service providers.

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

COVID-19 impact and role of digital in future-proofing finance

- In order to be competitive in the next normal environment, key business objectives of organizations are evolving – speed, agility, resiliency, and digital enablement stand out as key characteristics in achieving a future-ready state
- There is increasing openness from organizations to leverage hybrid operating models in the future, and they expect third-party service providers to play a more active role in supporting strategic areas such as designing transformation roadmaps and providing actionable insights

Data & Analytics (D&A) in F&A

- F&A service providers are supporting organizations across a broader data & analytics value chain, going beyond basic and advanced F&A use cases into data management and data governance/security
- There is growing traction for advanced analytics solutions that provide predictive/prescriptive insights to improve business strategy, guide decision-making, and bring greater visibility into organizational data

FAO market overview and service provider landscape

- Despite short-term disruptions in 2020 due to COVID-19, the FAO market is expected to grow at a steady rate, which is primarily driven by increased openness among organizations to engage with third parties for F&A initiatives
- COVID-19 is driving a reevaluation of the global services delivery model, which may result in large-scale rebalancing of work across locations; for now, India continues to be the leading offshore delivery location for F&A services
- The market is dominated by “Leaders” (Accenture, Capgemini, Genpact, IBM, Infosys, TCS, and Wipro), constituting more than 65% of the market share

FAO buyer trends

- Organizations are anticipating changes in third-party contractual agreements; terms and conditions around contract renewals, data privacy and liability, governance models pricing, and operating models are becoming more stringent as the market is moving toward long-term work-from-home adoption
- Buyers are leveraging existing relationships in other industry-specific operations to create sole-sourcing opportunities for scope expansion in F&A; additionally, focus on quicker decision-making is driving a move away from regular, long RFP processes and toward more sole-sourced deals

This study offers four distinct chapters providing a deep dive into key aspects of FAO market; below are four charts to illustrate the depth of the report

COVID-19 impact and role of digital in future-proofing finance

A good digital infrastructure enables organizations to reduce dependencies on manual interventions and transition to, and collaborate in, new working modes more quickly

Key digital levers in future-proofing the finance function

- Automation:** Increasing automation adoption helps build a more agile and resilient finance function by reducing dependencies on manual interventions, especially for organizations that are low in terms of digital maturity
- Data & Analytics:** Role of data & analytics is increasingly becoming more important as organizations strive to bring greater visibility/transparency into organizational data, enhance customer/employee experience, and leverage predictive and prescriptive insights to strengthen decision-making and better prepare their organizations for the next normal
- Mobility / interactive components²:** Interactive solutions such as chatbots, virtual agents, and solutions with mobile-based apps are extremely important to enable faster remote working and improve efficiency

¹ Refers to CFOs and their direct reports
² It refers to dedicated solutions developed to enhance user interaction with the system such as virtual agents, chatbots, and mobile application (beyond adaptive/responsive web version) to access information or to perform action on-the-go
 Source: Everest Group 2020 Global CFO Survey

Glimpse into the CFO mindset



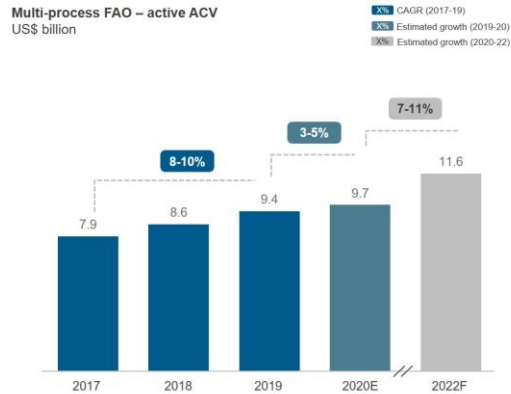
Data & Analytics (D&A) in F&A

Data & analytics value chain



FAO market overview and service provider landscape

Multi-process FAO – active ACV US\$ billion



Source: Everest Group (2020)

Pre-COVID-19 trends

- The FAO market continued to grow at a steady rate of 8-10% till 2019
- Key growth drivers are the following:
 - Large-scale F&A transformation initiatives
 - Scope expansion both in terms of process and geographic scope
 - Increased openness among mid-market buyers to explore automation and other cost- and efficiency-related initiatives
 - Increase in availability of modular solutions and innovative commercial constructs

COVID-19 impact on FAO market

- Delay in contract renewals and large-scale F&A transformation initiatives
- Significant decrease in transaction volumes negatively impacting FAO contracts with higher inclusion of output-based pricing constructs
- Amplified interest among second- and third-generation outsourcers to engage with third parties in a more strategic manner
- Increased openness among buyers to explore ways to engage with third parties in both managed services and non-managed services constructs
- Organizations with consolidated and/or centralized in-house delivery are exploring global delivery models with strong focus on reducing density in locations portfolios and minimizing risk

FAO buyer trends

Overall buyer satisfaction

Focus areas for service providers to improve overall buyer satisfaction: Driver of satisfaction: Low → High

Service provider capability	Average buyer satisfaction rating	Correlation with overall buyer satisfaction
Process/domain expertise	4.3	
Traditional technology capability	4.3	
Next-generation technology capability	3.8	
Relationship management	4.4	
Proactiveness	3.8	
Innovation	3.8	
Implementation/transition management	4.1	
COVID-19 response	4.6	

Generally, reference clients have been extremely satisfied with service providers' performance during the COVID-19 disruption, which is reflected in very high satisfaction score in this dimension.

Sample size: Based on feedback collected from 40 enterprise buyers in 2020
 Source: Everest Group (2020)

Research calendar

Finance & Accounting

■ Published
 ■ Planned
 ■ Current release

Flagship FAO reports

Release date

F&A DCP Service Provider Landscape with PEAK Matrix® Assessment	December 2019
Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with Services PEAK Matrix® Assessment 2020	September 2020
Finance and Accounting Outsourcing (FAO) Service Provider Compendium 2020	September 2020
Exploring Data & Analytics, Resilience, and the Next Normal in Finance: Finance and Accounting Outsourcing (FAO) State of the Market Report 2021	December 2020
Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with Services PEAK Matrix® Assessment 2021	Q2 2021
Finance and Accounting Outsourcing (FAO) Service Provider Compendium 2021	Q3 2021

Thematic FAO reports

Release date

Impact of Recession on the Business Process Services (BPS) Industry	March 2020
Moving Beyond the Horizontal with Industry-specific F&A Solutions	August 2020
Building Future-ready Finance in the New Normal – A Glimpse into the CFO Mindset	December 2020
Service Provider and Buyer Archetypes in F&A	Q1 2021
Cash is King	Q1 2021
Evolution of transition, engagement, and governance models in BPS	Q1 2021
R2R technology trends	Q1 2021

Note: For a list of all our published FAO reports, please refer to our [website page](#)



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