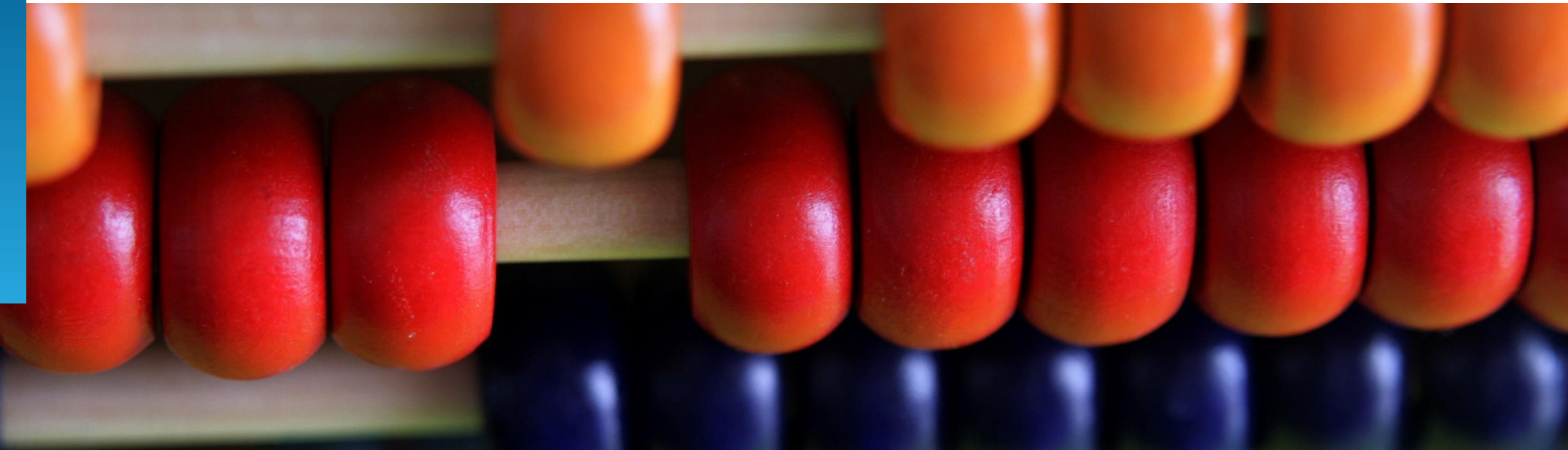


# How to Maximize Value from Your Finance and Accounting Outsourcing (FAO) Engagements

November 2023: Complimentary Abstract / Table of Contents



# Our research offerings

This report is included in the following research program(s):

## Finance and Accounting

- ▶ Amazon Web Services (AWS)
- ▶ Application Services
- ▶ Artificial Intelligence (AI)
- ▶ Asset and Wealth Management
- ▶ Banking and Financial Services Business Process
- ▶ Banking and Financial Services Information Technology
- ▶ Catalyst™
- ▶ Clinical Development Technology
- ▶ Cloud and Infrastructure
- ▶ Contingent Staffing
- ▶ Contingent Workforce Management
- ▶ Customer Experience Management Services
- ▶ CX Excellence
- ▶ CXM Technology
- ▶ Cybersecurity
- ▶ Data and Analytics
- ▶ Digital Adoption Platforms
- ▶ Digital Services
- ▶ Digital Workplace
- ▶ Employee Experience Management (EXM) Platforms
- ▶ Employer of Record (EOR)
- ▶ Engineering Research and Development
- ▶ Enterprise Platform Services
- ▶ Exponential Technologies
- ▶ Finance and Accounting
- ▶ Financial Services Technology (FinTech)
- ▶ GBS Talent Excellence
- ▶ Global Business Services
- ▶ Google Cloud
- ▶ HealthTech
- ▶ Human Resources
- ▶ Insurance Business Process
- ▶ Insurance Information Technology
- ▶ Insurance Technology (InsurTech)
- ▶ Insurance Third-Party Administration (TPA) Services
- ▶ Intelligent Document Processing
- ▶ Interactive Experience (IX) Services
- ▶ IT Services Excellence
- ▶ IT Talent Excellence
- ▶ Life Sciences Business Process
- ▶ Life Sciences Commercial Technologies
- ▶ Life Sciences Information Technology
- ▶ Locations Insider™
- ▶ Marketing Services
- ▶ Market Vista™
- ▶ Microsoft Azure
- ▶ Microsoft Business Application Services
- ▶ Modern Application Development (MAD)
- ▶ Mortgage Operations
- ▶ Multi-country Payroll
- ▶ Network Services and 5G
- ▶ Oracle Services
- ▶ Outsourcing Excellence
- ▶ Payer and Provider Business Process
- ▶ Payer and Provider Information Technology
- ▶ Pricing Analytics as a Service
- ▶ Process Intelligence
- ▶ Process Orchestration
- ▶ Procurement and Supply Chain
- ▶ Recruitment
- ▶ Retail and CPG Information Technology
- ▶ Retirement Technologies
- ▶ Revenue Cycle Management
- ▶ Rewards and Recognition
- ▶ SAP Services
- ▶ Service Optimization Technologies
- ▶ Software Product Engineering Services
- ▶ Supply Chain Management (SCM) Services
- ▶ Sustainability Technology and Services
- ▶ Talent Genius™
- ▶ Technology Skills and Talent
- ▶ Trust and Safety
- ▶ Value and Quality Assurance (VQA)

If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at [info@everestgrp.com](mailto:info@everestgrp.com)

Learn more about our  
**custom research capabilities**

Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: providers, locations,  
risk, technologies

Locations: costs, skills,  
sustainability, portfolios

# Contents

For more information on this and other research published by Everest Group, please contact us:

**Vignesh Kannan**, Vice President

**Abhishek Singh**, Practice Director

**Asmita Das**, Senior Analyst

**Smarajeet Das**, Senior Analyst

<b>1. Executive summary</b>	<b>5</b>
<b>2. Evolution of CFO priorities and the role of service providers</b>	<b>11</b>
• Key business challenges and priorities	12
• Drivers of outsourcing	13
• Evolving CFO role	14
• Evolution of F&A outsourcing programs	15
• Increasing expectations from third-party service providers	16
• How are third-party service providers gearing up to meet the evolving demand?	17
<b>3. Understanding value in Finance &amp; Accounting Outsourcing (FAO)</b>	<b>18</b>
• Importance of different value levers in outsourcing objectives	19
• Value capture matrix	20
• Defining different outsourcing maturity levels	21
• What value means across the outsourcing maturity spectrum	22
<b>4. How to unlock more value from F&amp;A outsourcing engagements</b>	<b>23</b>
• How to accelerate value from F&A outsourcing engagement	24
• Value optimization	25
– Arbitrageur	25
– Consolidator	26
– Transformer	27

# Contents

<b>4. How to unlock more value from F&amp;A outsourcing engagements (continued)</b>	
• Value creation	28
– Process scope	29
– Digital quotient	32
– Transformation quotient	36
– Pricing model	39
– Performance management	42
• Benchmarking exercise – an instrument for diagnosing outsourcing health	45
<b>5. Assessment of F&amp;A outsourcing engagement using the value capture matrix</b>	<b>46</b>
• Value capture matrix	47
• Value achieved   cost, operational, and business impact	48
• Outsourcing maturity	49
– Process scope	49
– Digital quotient	50
– Transformation quotient	51
– Pricing model	52
– Performance management	53
• Illustrative example	54
<b>6. Detailed scoring guidelines for assessing F&amp;A outsourcing engagements using the value capture matrix</b>	<b>55</b>

## Evolution of CFO priorities and role of service providers

Amid changing business dynamics, the CFO's role has evolved to that of a strategic partner, while organizations' expectations for their service providers to provide more strategic support have also risen



As cost pressures have emerged as the top concern in 2023, organizations have increased their focus on cost optimization, productivity improvement, and digital transformation to navigate economic uncertainty

In addition to the need to reduce operational costs, rising demand for finance transformation and service providers' capabilities to achieve those goals are driving enterprises to choose outsourcing as a solution

Organizations expectations from their CFOs are evolving – organizations are asking CFOs to serve as business partners and architects in driving agility, resiliency, strategic decision-making, and transformation initiatives across the broader organization

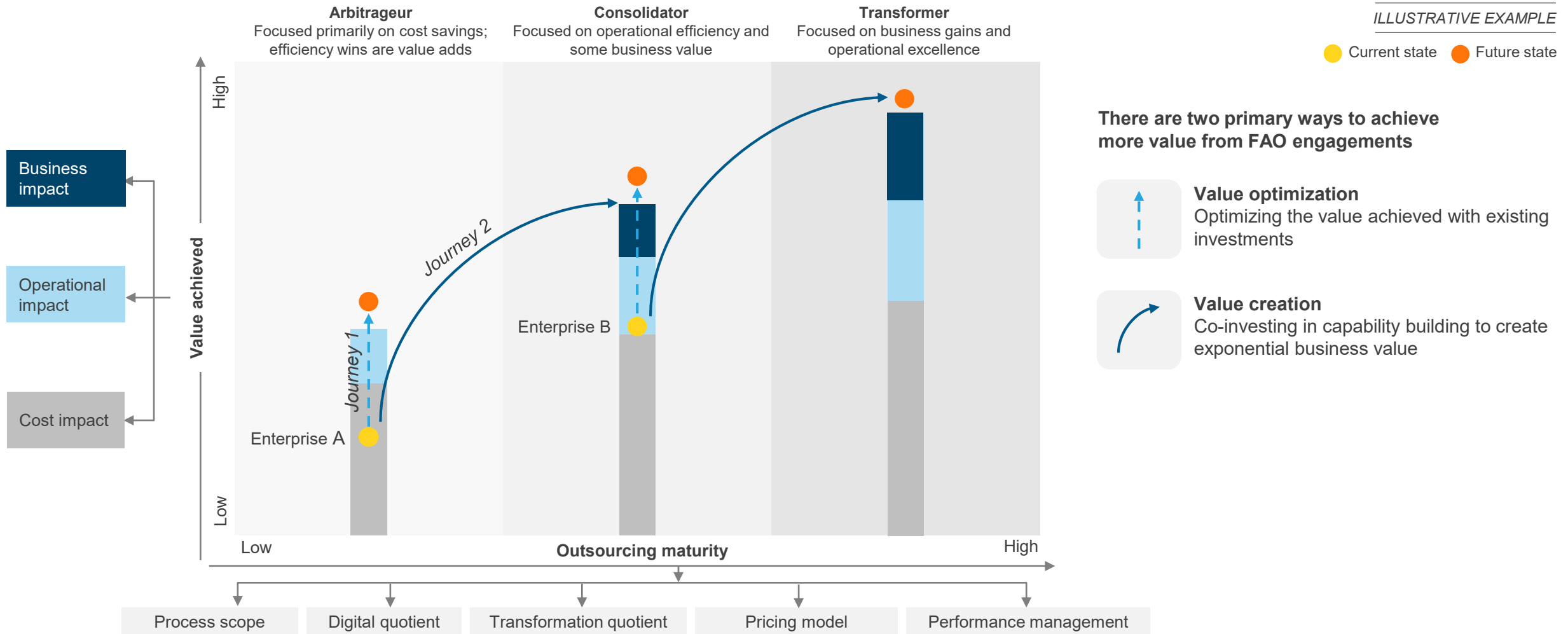
Organizations have become more open to leveraging third-party support; CFOs expect third-party service providers to play a more active role in supporting strategic areas

Outsourcing engagements have shifted from piecemeal transformation-focused pre-COVID to being sustainable outcomes-focused post-COVID

Service providers have moved from the conventional one-size-fits-all approach to outsourcing and are increasingly contextualizing their offerings to meet distinct demands across different buyer types

## Value capture matrix – a framework for measuring value achieved through outsourcing

Based on investment and outsourcing appetite, organizations can take various approaches to maximizing value from their F&A outsourcing engagements





## Value optimization – optimizing the value achieved with existing outsourcing scope

To maximize cost, operational, and business benefits across different outsourcing maturity stages, enterprises need to focus on different value optimization levers



### Key optimization levers to drive cost impact

- Leverage **low-cost offshore delivery locations** suited to the processes in scope
- Hold regular and ad hoc **business performance reviews** to mitigate potential risks/bottlenecks
- Leverage provider capabilities and methodologies to **optimize processes** across business units and regions
- Leverage providers' **point solutions** to achieve short-term efficiency gains
- **Optimize resource allocation** through flexible staffing models



### Key optimization levers to drive operational impact

- Ask for provider support in **maximizing utilization of existing technology licenses**
- **Democratize data** so providers can introduce meaningful actionable insights
- Explore opportunities for **joint innovation** and value creation with providers
- Leverage providers' process mining tools to **optimize processes**
- Develop a **right shoring strategy** to leverage offshore and onshore/nearshore locations to deliver appropriate processes

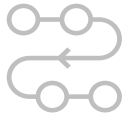


### Key optimization levers to drive business impact

- **Strengthen Centers of Excellence (CoEs)** to create high value in key focus areas by collaborating with providers
- Take a **one-team approach** across the internal and the outsourced resources by implementing joint KPIs and common business objectives
- **Optimize the service provider portfolio** by rebalancing or increasing scope of outsourced work with strategic providers
- **Leverage providers' assets** such as innovation labs, CoEs, R&D labs, and digital assets to foster innovation
- Leverage providers' internal L&D capabilities and knowledge centers for to upskill/reskill talent
- **Access to new markets** through provider's global network of delivery centers
- Increase the use of innovative pricing and funding constructs to **incentivize providers**

## Value creation – co-investing in capability building to create exponential business value

Enterprises can also increase the overall value realized from their outsourcing engagements by elevating their overall outsourcing maturity across outsourcing levers



### Process scope

- Outsourcing **more complex** (FP&A and treasury and risk management), **upstream** (revenue cycle management, reinsurance accounting, etc.), and **adjacent processes** (ESG reporting, enterprise risk management)
- Leveraging providers in **niche advisory areas** such as integrated business planning, data management, and GBS transformation



### Digital quotient

- Leveraging providers' **cognitive digital solutions** in areas such as smart matching, automated payment reminders, credit risk assessment, DSO analysis, and AML, and intelligent reconciliation
- **Prioritizing the identified use cases** using prioritization frameworks to gauge business value creation for implementation



### Transformation quotient

- Understanding the current state, defining the desired future state, and designing a transformation roadmap
- Optimizing processes before transformation and orchestrating digital/process levers together with human intelligence to **create an integrated approach to transformation**



### Pricing model

- Including **innovative commercial constructs** such as outcome-based, transaction-based, and hybrid pricing
- Including **innovative transformation funding models** such as by self-funding, setting up innovation funds, front-loading benefits, and digitizing the human workforce



### Performance management

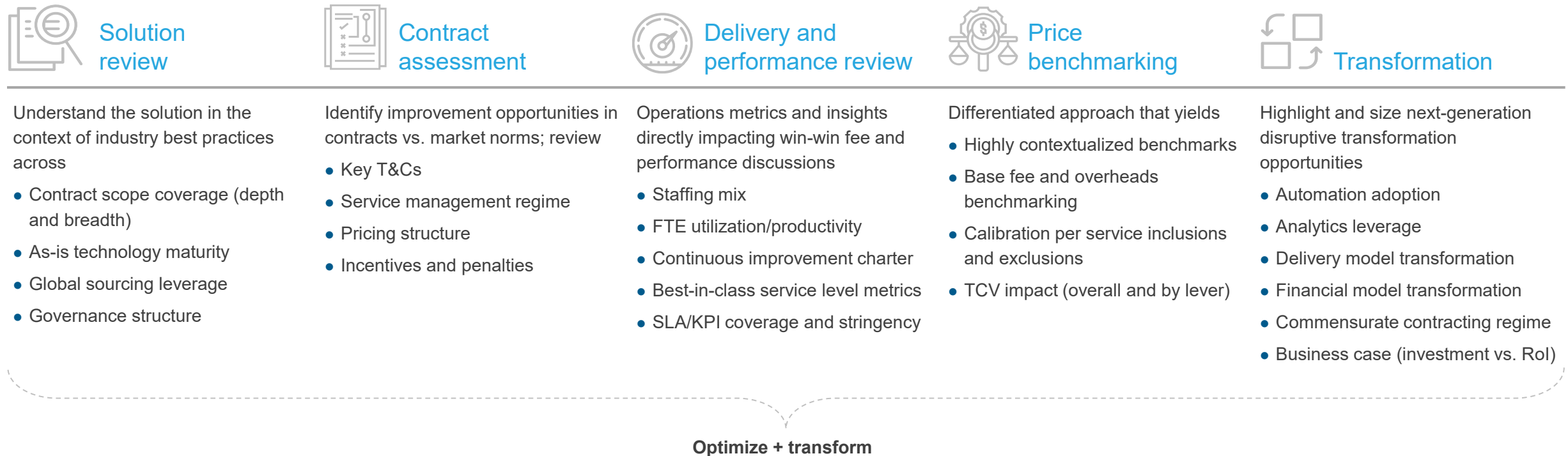
- Creating a **robust performance management practice** comprising a transparent governance structure, quality performance monitoring, and a balanced mix of operational and business KPIs/SLAs
- **Optimizing the list of contractual SLAs** through an SLA prioritization framework



## Benchmarking exercises – an instrument for diagnosing outsourcing health

Enterprises should conduct periodic benchmarking exercises of their outsourcing contracts to assess the gaps between the as-is state and the optimal state to maximize value realization

### Everest Group's Strategic Engagement Review (SER) framework



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

## Key business challenges and priorities

### Key business challenges expected in 2023

	Price/Cost pressure	Adapting to evolving customer needs and business models	Talent/Skills shortage	Slowdown in demand	Slowdown in customer decision-making
2023 Rank	1	2	3	4	5
2022 Rank	2	3	1	10	4
2021 Rank	3	1	5	9	2

### Top business priorities going into 2023

1	2	3	4	5	6	7
Cost optimization	Digital transformation	Productivity improvement	Customer experience improvement	Innovation across products and services	Talent acquisition and management	Service delivery resiliency and risk management

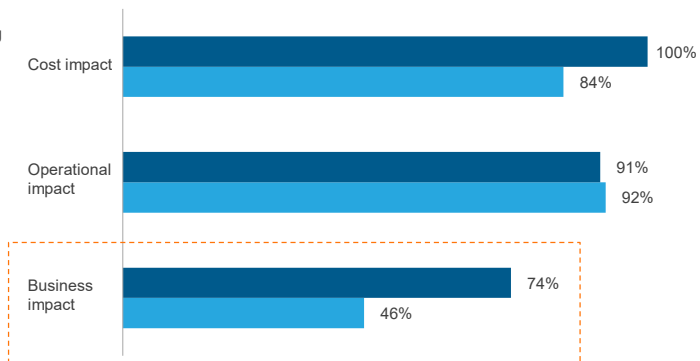
- As enterprises face recessionary headwinds, cost and margin pressures are top-of-mind issues, with changing customer demands and business models still plaguing the business landscape
- This reality has impelled enterprises to take a closer look at their finance function and how CFOs can help drive broader organization initiatives

## Value capture matrix

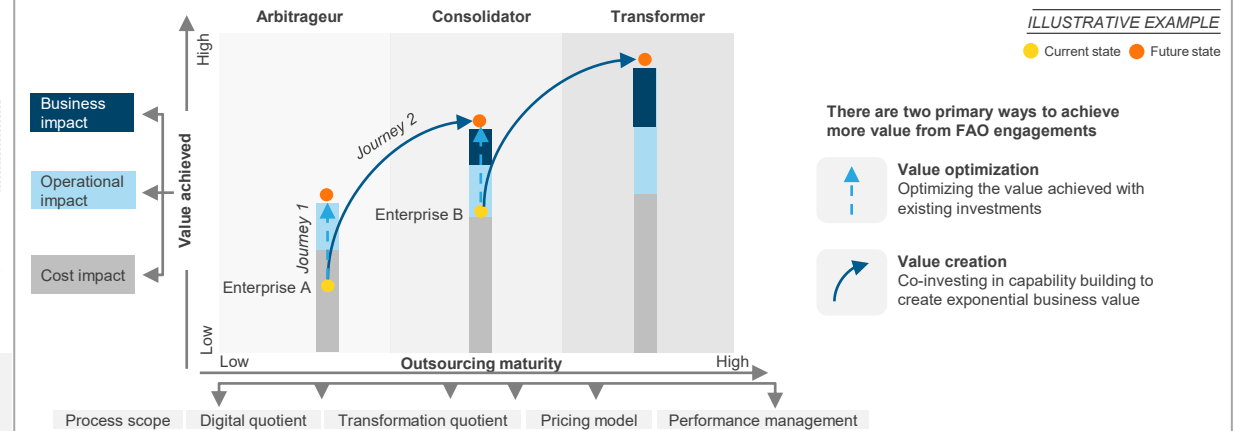
### Value achieved through outsourcing

- Cost impact**  
Cost benefits achieved through FTE reduction, shoring mix optimization, automation, and next-generation technology implementation
- Operational impact**  
Improvement in operational efficiency and productivity (including indirect efficiency improvements across the in-house operations due to outsourcing)
- Business impact**  
Impact of outsourcing engagements on the company's top-line growth and stakeholder satisfactions

### Buyer's estimate of the importance on key outsourcing objectives (% of buyers rating very high)



## How to accelerate value from F&A outsourcing engagement



## Scoring guidelines | value achieved

### Guidelines to assess the value achieved from the outsourcing engagement

#### Identify and set targets for a set of operational KPIs and SLAs

- Identify a list of business metrics, contractual SLAs, and operational KPIs that are tracked, as indicators, to assess the benefits derived from outsourcing in terms of cost, operation, and business impact (see the adjoining table for guidance)
- Based on the level of impact on each type, rate each type of impact on a scale of 1 to 5, where 1 is below par and 5 is above par adherence
- Depending on the business goal, arrive at the final score by taking an appropriate weighted average of the scores assigned

Type of impact	Illustrative indicators to assess impact	Achieved target	Score across each parameter
Cost impact	<ul style="list-style-type: none"> <li>% reduction in cost of operations</li> <li>Productivity savings through service provider</li> </ul>	High	5
Operational impact	<ul style="list-style-type: none"> <li>Accuracy of processing</li> <li>Timeliness (cycle time / turnaround time)</li> </ul>	Medium	3
Business impact	<ul style="list-style-type: none"> <li>DSO/DPO</li> <li>Liquidity improvement</li> <li>Stakeholder satisfaction (customer/supplier/employee)</li> </ul>	Low	1.5

# Research calendar

## Finance and Accounting

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
Finance and Accounting Outsourcing (FAO) – Provider Compendium 2023	January 2023
Webinar Deck: Key Themes to Help Analyst Relations (AR) Teams Navigate 2023   an AR Professional Exclusive Webinar	January 2023
Webinar Deck: Sustainability in the New Year: Follow Through on Resolutions for People and the Planet	February 2023
Talent Demand Trends   India IT Services – H2 2022	May 2023
Generative AI: The New Age of Artificial Intelligence	May 2023
BPS Top 50 – 2023	June 2023
Webinar deck: Disruption and Uncertainty: Today's CFO Agenda	August 2023
Evolution of the Procure to Pay Technology Landscape	September 2023
Finance and Accounting Outsourcing (FAO) PEAK Matrix® Assessment 2023	October 2023
<b>How to Maximize Value from Your Finance and Accounting Outsourcing (FAO) Engagements</b>	<b>November 2023</b>
Artificial Intelligence in Finance and Accounting	Q4 2023
Finance and Accounting Outsourcing (FAO) State of the Market 2023	Q4 2023
Finance and Accounting Outsourcing (FAO) Service Provider Compendium 2023 – Updated	Q4 2023
Leading the Future: Embracing Innovation in Business Process Services (BPS)	Q4 2023
The Role of Experience in Driving Finance Transformation	Q4 2023

Note: [Click](#) to see a list of all of our published Finance and Accounting reports



Everest Group is a leading research firm helping business leaders make confident decisions. We guide clients through today's market challenges and strengthen their strategies by applying contextualized problem-solving to their unique situations. This drives maximized operational and financial performance and transformative experiences. Our deep expertise and tenacious research focused on technology, business processes, and engineering through the lenses of talent, sustainability, and sourcing delivers precise and action-oriented guidance. Find further details and in-depth content at [www.everestgrp.com](http://www.everestgrp.com).

## Stay connected

**Dallas (Headquarters)**  
info@everestgrp.com  
+1-214-451-3000

**Bangalore**  
india@everestgrp.com  
+91-80-61463500

**Delhi**  
india@everestgrp.com  
+91-124-496-1000

**London**  
unitedkingdom@everestgrp.com  
+44-207-129-1318

**Toronto**  
canada@everestgrp.com  
+1-214-451-3000

*This document is for informational purposes only, and it is being provided "as is" and "as available" without any warranty of any kind, including any warranties of completeness, adequacy, or fitness for a particular purpose. Everest Group is not a legal or investment adviser; the contents of this document should not be construed as legal, tax, or investment advice. This document should not be used as a substitute for consultation with professional advisors, and Everest Group disclaims liability for any actions or decisions not to act that are taken as a result of any material in this publication.*

**Website**  
[everestgrp.com](http://everestgrp.com)

**Social Media**  
 @EverestGroup  
 @Everest Group  
 @Everest Group  
 @Everest Group

**Blog**  
[everestgrp.com/blog](http://everestgrp.com/blog)

## NOTICE AND DISCLAIMERS

**IMPORTANT INFORMATION. PLEASE REVIEW THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THROUGH YOUR ACCESS, YOU AGREE TO EVEREST GROUP'S TERMS OF USE.**

Everest Group's Terms of Use, available at [www.everestgrp.com/terms-of-use/](http://www.everestgrp.com/terms-of-use/), is hereby incorporated by reference as if fully reproduced herein. Parts of these terms are pasted below for convenience; please refer to the link above for the full version of the Terms of Use.

Everest Group is not registered as an investment adviser or research analyst with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), or any state or foreign securities regulatory authority. For the avoidance of doubt, Everest Group is not providing any advice concerning securities as defined by the law or any regulatory entity or an analysis of equity securities as defined by the law or any regulatory entity.

All Everest Group Products and/or Services are for informational purposes only and are provided "as is" without any warranty of any kind. You understand and expressly agree that you assume the entire risk as to your use and any reliance upon any Product or Service. Everest Group is not a legal, tax, financial, or investment advisor, and nothing provided by Everest Group is legal, tax, financial, or investment advice. Nothing Everest Group provides is an offer to sell or a solicitation of an offer to purchase any securities or instruments from any entity. Nothing from Everest Group may be used or relied upon in evaluating the merits of any investment. Do not base any investment decisions, in whole or part, on anything provided by Everest Group.

Products and/or Services represent research opinions or viewpoints, not representations or statements of fact. Accessing, using, or receiving a grant of access to an Everest Group Product and/or Service does not constitute any recommendation by Everest Group that recipient (1) take any action or refrain from taking any action or (2) enter into a particular transaction. Nothing from Everest Group will be relied upon or interpreted as a promise or representation as to past, present, or future performance of a business or a market. The information contained in any Everest Group Product and/or Service is as of the date prepared, and Everest Group has no duty or obligation to update or revise the information or documentation. Everest Group may have obtained information that appears in its Products and/or Services from the parties mentioned therein, public sources, or third-party sources, including information related to financials, estimates, and/or forecasts. Everest Group has not audited such information and assumes no responsibility for independently verifying such information as Everest Group has relied on such information being complete and accurate in all respects. Note, companies mentioned in Products and/or Services may be customers of Everest Group or have interacted with Everest Group in some other way, including, without limitation, participating in Everest Group research activities.