



Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2019

Finance and Accounting Outsourcing (FAO)

Market Report – March 2019: Complimentary Abstract / Table of Contents

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- 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 and methodology of the research

Background of the research

The global multi-process FAO market witnessed a robust Year-on-Year (YOY) growth of 9-10% in 2018. The demand for FAO services remained strong from the United Kingdom, both the traditional markets of North America and Europe, as well as from the emerging Asia Pacific (APAC) and Latin American (LATAM) geographies. An increasing number of first-time outsourcers (especially in the SMB and mid-market segment) and an increasing demand for high-end F&A work from the second- and third-generation outsourcers are the key drivers for market growth. Mature buyers' increasing willingness to adopt next-generation technology is also fueling growth. Some of the key means by which providers are differentiating themselves are by offering end-to-end transformative solutions, combined with domain and industry expertise; design thinking approach; transformation frameworks; process reengineering; and next-generation innovative offerings around advanced analytics and AI. The purpose of this research is to understand and assess FAO service providers based on their capabilities and impact in the FAO market.



In this research, we focus on:

- Everest Group's Services PEAK Matrix™ evaluation, a comprehensive assessment of 24 FAO service providers
 - 2019 FAO PEAK Matrix and Star Performers
 - Service provider delivery capability assessment
- Remarks on key strengths and areas of improvement for each FAO service provider
- Service provider landscape

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 1,000 multi-process FAO deals signed as of 2018



Coverage across 24 FAO service providers with multi-process capability including Accenture, Aegis, Arvato, Capgemini, Cognizant, Concentrix, Conduent, Datamatics, DXC Technology, Exela Technologies, EXL, Genpact, HCL, Hexaware, IBM, Infosys, IQ BackOffice, NTT Data, Quattro, Sutherland Global Services, TCS, TMF Group, Wipro, and WNS

This report is based on four key sources of proprietary information

- Proprietary database of **1,000+ active multi-process FAO contracts** of major FAO service providers (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 Contract 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 Finance & Accounting (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

- Proprietary **operational database of 25+ FAO service providers** (updated annually)
- The database tracks the following for each service provider:
 - Revenue and number of FTEs by processes
 - Major FAO clients and recent wins
 - F&A-related technology solutions
 - FAO revenue split by region and industry
 - FAO delivery centers and FTE split
 - Recent investments

- **Service provider briefings**
 - Vision and strategy
 - Annual performance and future outlook
 - Key strengths and improvement areas
 - Technology capabilities and areas of investment

- **Buyer reference interviews, ongoing buyer surveys, and interactions**
 - 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 assessed



The source of all content is Everest Group unless otherwise specified

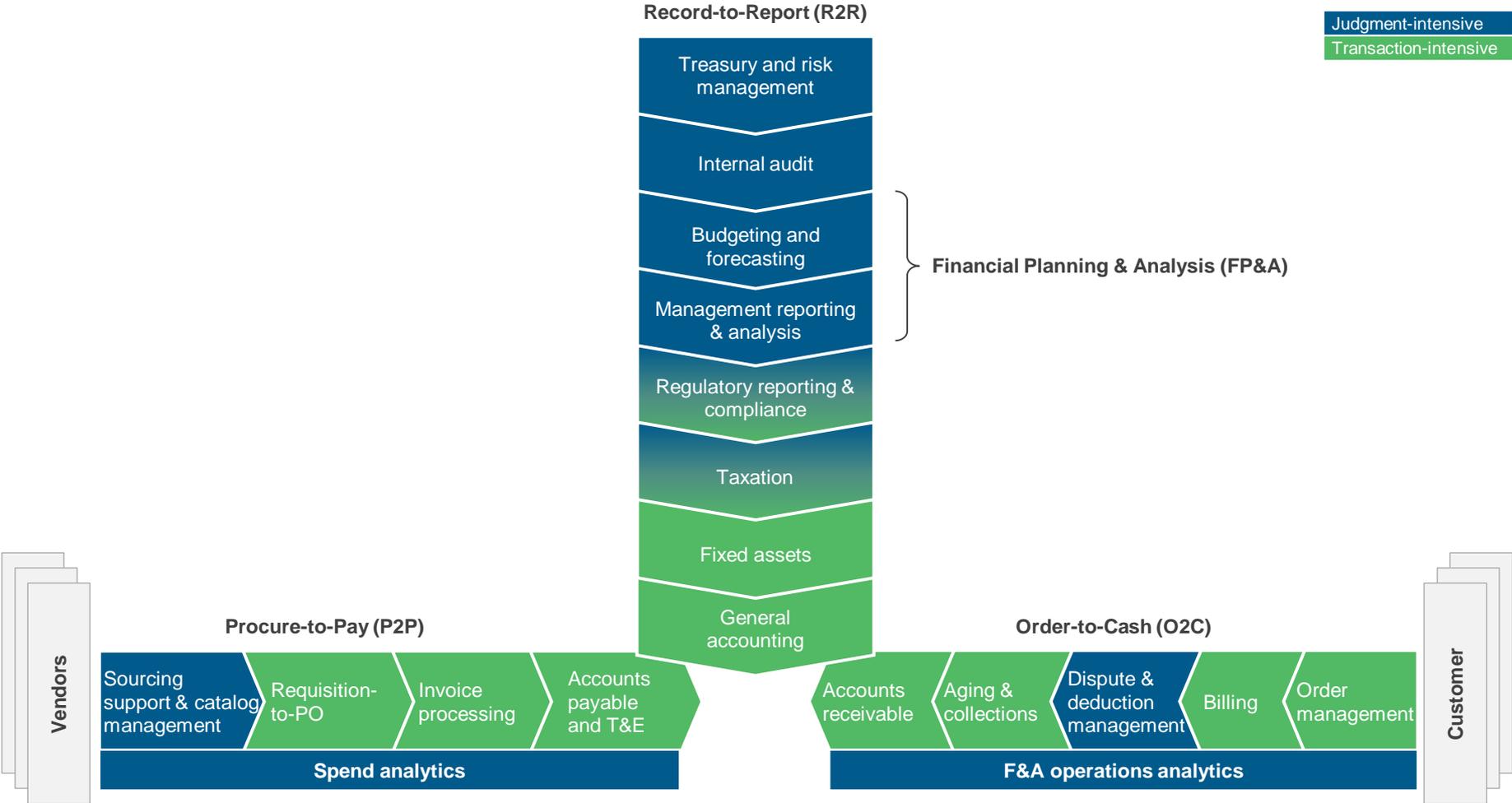
Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any contract specific information collected will only be presented back to the industry in an aggregated fashion

Traditionally, FAO has been limited to transaction-intensive processes with labor arbitrage being the key driver behind outsourcing

 <p>Strategy</p>	 <p>F&A strategy</p> <ul style="list-style-type: none"> • F&A strategy including tax and risk position • Accounting policy and control • Shareholder relations • M&As/divestitures • External reporting 					
 <p>Judgment intensive</p>	 <p>Internal audit</p> <ul style="list-style-type: none"> • Strategy • Establish annual audit plan • Conduct audits • Reports and recommendations 	 <p>Budgeting/forecasting</p> <ul style="list-style-type: none"> • Strategy • Budget analysis and approval process • Build-line item budget • Forecast roll-ups and consolidation • Forecast analysis and approval process 	 <p>Capital budgeting</p> <ul style="list-style-type: none"> • Strategy • Administer approval process • Project reporting 	 <p>Treasury & risk management</p> <ul style="list-style-type: none"> • Strategy • Bank relations and administration • Cash management and forecasting • Investments • Debt management • Foreign exchange • Treasury risk management 	 <p>Management reporting & analysis</p> <ul style="list-style-type: none"> • Strategy • Regular reporting • Data extraction • Analysis • Ad hoc analysis and special projects • Cost accounting 	 <p>Regulatory reporting & compliance</p> <ul style="list-style-type: none"> • Strategy • Data extraction • Management Discussion & Analysis (MD&A) • Regulatory reporting • Compliance program
 <p>Transaction intensive</p>	 <p>Fixed assets</p> <ul style="list-style-type: none"> • Maintain master data • Merger, acquisition and consolidation of assets • Post depreciation 	 <p>General accounting</p> <ul style="list-style-type: none"> • Strategy • Process general entries • Account reconciliations • Inter-company accounting • Prepare trial balances • Perform closings • Manage consolidations • Cost accounting 	 <p>Accounts receivable</p> <ul style="list-style-type: none"> • Strategy • Customer set up • Billing • Cash applications • Credit and collections • Customer inquiries • Reporting 	 <p>Tax</p> <ul style="list-style-type: none"> • Strategy • Tax accounting • Tax planning and analysis • Tax compliance • Tax audit 	 <p>Accounts payable and T&E</p> <ul style="list-style-type: none"> • Strategy • Maintain master data • Process payment requests • Process T&E claims • Administer EDI /P-card • Month-end close • Vendor inquiries • Reporting 	

However, an end-to-end process-driven approach with inclusion of more judgment-intensive processes have evolved with development in digital landscape and providers' capabilities

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



Overview and abbreviated summary of key messages

This report examines the dynamics of the 2018 global FAO service provider landscape and its impact on the FAO market. Based on the comprehensive Everest Group PEAK Matrix, each of the 24 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.

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

2019 FAO PEAK Matrix and Star Performers

- Everest Group classified 24 FAO service providers on the Everest Group PEAK Matrix™ into the three categories of Leaders, Major Contenders, and Aspirants:
 - Leaders: Accenture, Capgemini, Genpact, IBM, Infosys, TCS, and Wipro
 - Major Contenders: Arvato, Cognizant, Concentrix, Conduent, DXC Technology, Exela Technologies, EXL, HCL, NTT Data, Sutherland Global Services, TMF Group, and WNS
 - Aspirants: Aegis, Datamatics, Hexaware, IQ BackOffice, and Quattro
- Based on Year-on-Year (YOY) movement of different service providers on the PEAK Matrix, Everest Group identified six service providers as the “2019 FAO Market Star Performers” – Accenture, Datamatics, Genpact, Infosys, TCS, and WNS

Everest Group’s remarks on service providers

We assessed the overall FAO vision & capability and market impact of service providers by evaluating them along seven dimensions – market adoption, portfolio mix, value delivered, scope of services offered, innovation and investments, delivery footprint, and vision and strategy

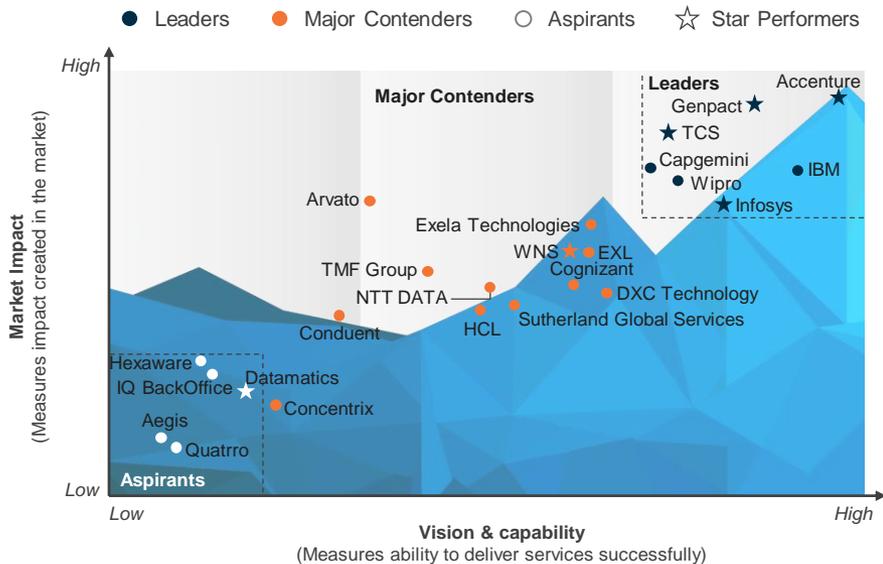
Service provider landscape

- Leaders hold more than 50% of the FAO market share
- Accenture and Genpact stand out as the top providers by revenue across all geographies and most of the buyer industries
- While Leaders have demonstrated significantly better capabilities than rest of the service providers in most of the parameters, the gap between expectations from buyers and service providers’ performance is consistent across different categories of service providers

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

Assessment of FAO Service Providers

Everest Group Finance and Accounting Outsourcing (FAO) Services PEAK Matrix™ Assessment 2019¹



1 Assessment for Aegis, Arvato, Concentrix, and Quattro excludes service provider inputs and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with FAO buyers

Capability assessment

Illustrative example

Measure of capability: ● High ○ Low

Service provider	Market impact				Vision & capability				
	Market adoption	Portfolio mix	Value delivered	Overall	Scope of services offered	Innovation and investments	Delivery footprint	Vision and strategy	Overall
Service provider 1	●	○	●	●	●	○	●	●	○
Service provider 2	○	○	○	○	○	○	●	○	○
Service provider 3	○	○	○	○	○	○	○	○	○
Service provider 4	○	○	○	○	●	○	○	○	○
Service provider 5	○	○	○	○	○	○	○	○	○
Service provider 6	○	○	○	○	○	○	○	○	○
Service provider 7	○	○	○	○	○	○	○	○	○
Service provider 8	○	○	○	○	○	○	○	○	○
Service provider 9	○	○	○	○	○	○	○	○	○

Everest Group's remarks on service providers

Illustrative example

Measure of capability: ● High ○ Low

Market impact				Vision & capability				
Market adoption	Portfolio mix	Value delivered	Overall	Scope of services offered	Innovation and investments	Delivery footprint	Vision and strategy	Overall
●	●	●	●	●	○	○	○	○

Strengths

- Service provider 1 has capabilities in transactional processes across P2P, O2C, and R2R with major focus on the SMB segment
- Strong client base in mature markets of Europe and the United Kingdom as well as emerging markets of Asia Pacific

Areas of improvement

- Service provider 1 should focus on enhancing its capabilities in RPA and advanced analytics to deliver more value to its clients
- Scope exists to expand its portfolio to include clients in mature and growing markets of North America, especially in SMB and mid-market segments

Research calendar – Finance and Accounting Outsourcing (FAO)

Published
 Planned
 Current release

Flagship FAO reports

Release date

Finance and Accounting Outsourcing (FAO) Annual Report – 2018: Reimagining Finance through Technology	December 2017
F&A DAS – Service Provider Landscape with Solutions PEAK Matrix™ Assessment 2018	August 2018
Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with PEAK Matrix™ Assessment 2019	March 2019
Finance and Accounting Outsourcing (FAO) Service Provider Compendium 2019	Q2 2019
Finance and Accounting Outsourcing (FAO) Annual Report 2019	Q2 2019
F&A DCP Service Provider Landscape with PEAK Matrix Assessment	Q3 2019

Thematic FAO reports

F&A BPaaS: A Game Changer for SMB and Mid-market Companies	April 2018
Are Buyer Expectations Outpacing Provider Capabilities	May 2018
Your Complete Guide to Accounts Payable Transformation	February 2019
Digital Orchestration, Not Just Automation, is the Key to Success	March 2019
Blockchain in F&A	Q2 2019
Finance and Accounting Outsourcing (FAO) Buyer Report 2019	Q2 2019
Fulfilling the Promise of RPA in Finance & Accounting – A Reality Check	Q2 2019
Looking Beyond Order Management – The Emergence of Perfect Order	Q2 2019

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

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 and Accounting Digital Augmentation Suite (F&A DAS) – Service Provider Landscape with Solutions PEAK Matrix™ Assessment 2018** ([EGR-2018-23-R-2744](#)); 2018. This report examines the next-generation digital capabilities of FAO service providers, their ability to integrate different technology levers, and their impact on F&A processes. Based on the comprehensive Everest Group PEAK Matrix™ assessment, each of the 19 FAO service providers are segmented into Leaders, Major Contenders, and Aspirants. The report also provides key insights into service provider position & market success, as well as an assessment of service provider digital capabilities. It will assist key stakeholders (service providers, buyers, and technology vendors) to understand the current state of the digital capabilities of FAO service providers.
- 2. 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
- 3. Finance & Accounting Outsourcing (FAO) – Are Buyer Expectations Outpacing Provider Capabilities?** ([EGR-2018-23-R-2639](#)); 2018. 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

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

Rajesh Ranjan , Partner:	rajesh.ranjan@everestgrp.com
Shirley Hung , Vice President:	shirley.hung@everestgrp.com
Vignesh K. , Senior Analyst:	vignesh.k@everestgrp.com
Abhishek Singh , Analyst:	a.singh@everestgrp.com
BPS Team:	BPOResearch@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



About Everest Group

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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

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-416-388-6765

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