



# **Finance and Accounting Outsourcing (FAO) Annual Report 2019: Why, What, and How of F&A Transformation**

Finance and Accounting Outsourcing (FAO)

Annual Report – September 2019: Complimentary Abstract / Table of Contents

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- Data cuts
- Pinnacle Model™ reports
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- Virtual Roundtables
- Workshops

## 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 and methodology of the research

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## Background of the research

The global multi-process FAO market witnessed strong growth of 8-10% in 2018 to reach US\$8.6 billion, driven by increasing first-generation outsourcers, large-scale transformation deals, and scope expansion in existing contracts. The changing business landscape is forcing enterprises to rethink their traditional business model and take an end-to-end transformational approach. Service providers are building capabilities in process, digital, and talent and are increasingly using a platform-led approach, where all the digital levers are integrated, implemented, and orchestrated with the right mix of process and talent, to deliver the best outcomes from F&A transformation. Service providers are also expected to handhold enterprises through their transformation journey, leveraging frameworks and domain-related assets and assist enterprises in effective change and transition management.

**In this research study, we analyze the global FAO service provider landscape and its impact on the FAO market.**

### We focus on:

- Why F&A transformation is needed
- What capabilities it takes to transform F&A operations
- How F&A can be transformed in an efficient manner
- FAO market overview
- 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
- Global surveys and one-on-one executive-level buyer interviews to understand how organizations perceive their FAO engagements

This report talks about the Why, What, and How of F&A transformation and provides an overview of the FAO market and the service provider landscape in 2018. The global multi-process FAO market witnessed strong growth of 8-10% in 2018 to reach US\$8.6 billion, driven by increasing first-generation outsourcers, large-scale transformation deals, and scope expansion in existing contracts. The changing business landscape is forcing enterprises to rethink their traditional business model and take an end-to-end transformational approach. Service providers are building capabilities in process, digital, and talent and are increasingly using a platform-led approach, where all the digital levers are integrated, implemented, and orchestrated with the right mix of process and talent, to deliver the best outcomes from F&A transformation. Service providers are also expected to handhold enterprises through their transformation journey, leveraging frameworks and domain-related assets and assist enterprises in effective change and transition management.

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

### Why the F&A function needs to transform

- Changing business landscape is forcing enterprises to rethink their traditional business models and organizational structure
- The finance function's key business objectives/imperatives are also evolving – from cost reduction to increasing operational efficiency and business impact – to help their businesses remain competitive in the market
- Multiple challenges exist to meeting rising business expectations such as siloed operations, lack of visibility, fraudulent transactions, and suboptimal cashflows
- A holistic end-to-end transformational approach is required to reap sustainable benefits vis-à-vis a siloed approach

## What it takes to transform the F&A function

- Service providers need to have strong capabilities in process, digital, and talent to be a strategic partner in their clients' digital-led transformation journey
- To develop a holistic solution combining process and digital, service providers are investing to enhance their capabilities through both organic and inorganic means
- Talent management is increasingly becoming crucial to support the rapidly evolving digital landscape
- A platform-led approach, where all the digital levers are integrated, implemented, and orchestrated with the right mix of process and talent, is expected to deliver the best outcomes from F&A transformation

## How to transform the F&A function

- Service providers are expected to handhold enterprises through their transformation journey, leveraging frameworks and domain-related assets
- Service providers should encourage innovation in service delivery floors through competitions/challenges to bring innovation in execution
- It is important to follow a partnership-driven approach, where the focus is on improving the efficiency of operations and driving end-to-end outcomes rather than being driven by siloed KPIs/SLAs
- Service providers can assist enterprises in effective change and transition management

## FAO market overview

- The global multi-process FAO market witnessed strong growth of 8-10% in 2018 to reach US\$8.6 billion, driven by increasing first-generation outsourcers, large-scale transformation deals, and scope expansion in existing contracts
- Traditional industries such as financial services, manufacturing, high-tech & telecom, and retail continue to hold major share of the FAO market, while energy & utilities and healthcare sectors witnessed the maximum growth
- North America and Europe still dominate the market (with decline in the UK), while the highest growth in adoption is seen in APAC, LATAM, and MEA regions
- Offshore/nearshore delivery continues to increase, with the majority of F&A services being delivered from India, the Philippines, and Poland
- Although FTE-based pricing is still dominant, hybrid pricing models are increasingly being leveraged due to growing adoption of technologies such as automation and focus on achieving business outcomes

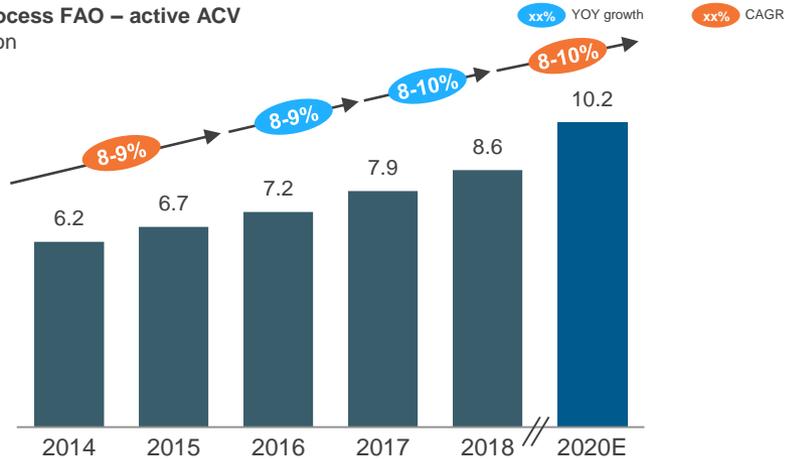
## Service provider landscape

- The FAO market is dominated by “Leaders” (Accenture, Capgemini, Genpact, IBM, Infosys, TCS, and Wipro) that account for more than 60% of the 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 four distinct chapters providing a deep dive into key aspects of FAO market; below are four charts to illustrate the depth of the report

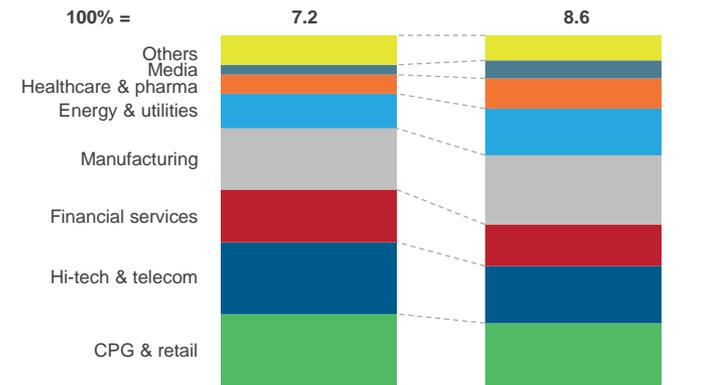
## Market growth

Multi-process FAO – active ACV  
US\$ billion

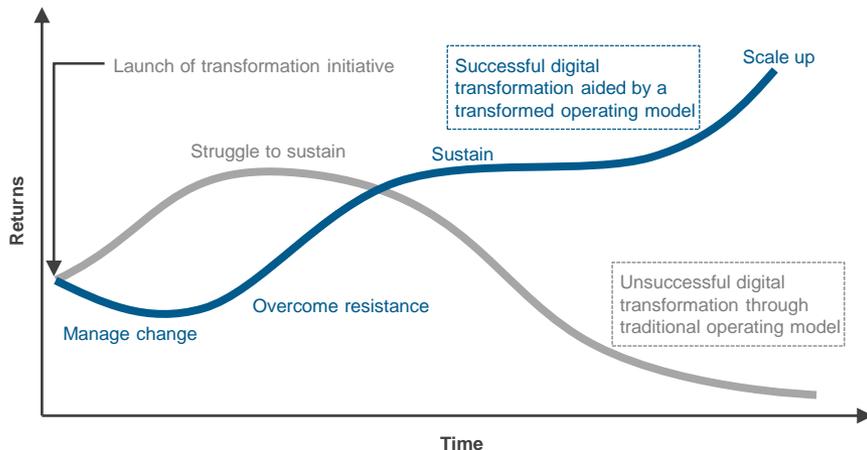


## FAO adoption by buyer industry

Distribution of active FAO contracts by buyer industry  
ACV in US\$ billion

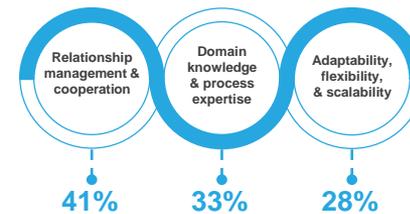


## Traditional siloed approach vs. transformational approach



## Buyer satisfaction results for service provider

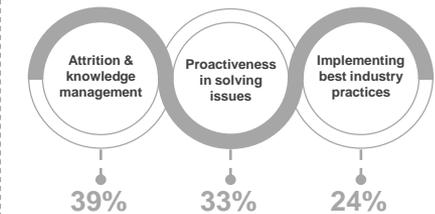
Top three strengths<sup>1</sup>



Provider provides valuable insights by deep diving into processes. They are committed to continuous improvement and assist us in key strategic areas

– Vice President, leading transportation service company

Top three areas of improvement<sup>1</sup>



Provider has good domain expertise; however, staffing becomes a challenge sometimes to their slightly higher attrition rate

– Sourcing business partner, leading insurance company

# Research calendar – Finance and Accounting Outsourcing (FAO)

Published
  Planned
  Current release

## Flagship FAO reports

### Release date

|  |                       |
|--|-----------------------|
| 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 .....          | June 2019             |
| Finance and Accounting Outsourcing (FAO) Service Provider Compendium 2019 .....  | June 2019             |
| <b>Finance and Accounting Outsourcing (FAO) Annual Report 2019: Why, What, and How of F&amp;A Transformation .....</b> | <b>September 2019</b> |
| F&A DCP Service Provider Landscape with PEAK Matrix Assessment 2019 .....  | Q4 2019               |
| Finance and Accounting Outsourcing (FAO) – Service Provider Landscape with PEAK Matrix™ Assessment 2020 .....          | Q2 2020               |

## 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    |
| Finance and Accounting Outsourcing (FAO) Buyer Report 2019 .....                         | July 2019     |
| Blockchain in F&A .....  | Q4 2019       |
| Enterprise Value Chain Approach (EVCA) to Identify Automation Opportunities in F&A ..... | Q4 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 Outsourcing (FAO) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2019** ([EGR-2019-23-R-3110](#)); 2019. 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.
- 2. 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.
- 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

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