



**Topic: Finance and Accounting Outsourcing (FAO) –  
Annual Report 2013: Increasing Market Maturity Driving  
Cost+ Value Proposition**

Finance and Accounting Outsourcing (FAO)  
Annual Report: May 2013 – Executive Summary

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- Tracking services | Service providers, locations, risk
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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 a moderate growth of 10% in 2012, showing signs of a mature and stable market. Beyond cost reduction process improvement, standardization and scalability/flexibility drove FAO adoption, emphasizing a cost+ value proposition. Moreover, market adoption moved beyond the traditional markets to cover under penetrated markets as well.

In this study, we analyze the global multi-process FAO market in 2012. We focus on

- Market size and buyer adoption
- Value proposition and buyer satisfaction assessment
- Solution characteristics across contract size, process scope, technology, industry alignment, global sourcing, pricing structures, and performance metrics
- FAO service provider landscape covering service provider's market shares and areas of investments

The scope of analysis includes:

- Third-party FAO deals; it does not include shared services or captives
- 800+ multi-process FAO deals signed as of 2012 with a minimum of two F&A processes, over US\$1 million in ACV, and a minimum contract term of three years
- Coverage across 20+ FAO service providers with multi-process capability including Accenture, Aditya Birla Minacs, Aegis, Capgemini, Cognizant, Datamatics, EXL Services, Genpact, HCL, HP, IBM, iGATE, Infosys, IQ BackOffice, NCO, Quattro, Serco, Sutherland Global Services, TCS, Wipro, WNS, Xchanging, and Xerox
- Global survey and one-on-one executive-level buyer interviews to understand how organizations perceive their FAO engagements

# This report is based on three key sources of proprietary information (page 1 of 2)

1

- Proprietary database of **800+ 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, service provider-provided tools (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

2

- Proprietary database of **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 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 technology capability

## Service providers covered in the analysis

 **accenture**  
High performance. Delivered.

 **ADITYA BIRLA**  
MULTISYS

 **AEGIS**  
Experience. We make it easy.

 **Capgemini**  
EVOLVING TECHNOLOGY. EXTENDING

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 **Infosys**

 **IQ BackOffice**

 **NCO**  
An EGS Company

 **Quattro**  
Beyond the existing

 **serco**

 **WIPRO**  
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 **TATA CONSULTANCY SERVICES**

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Extending Your Enterprise

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Inspiring Innovation

 **xerox**

Note: We continuously monitor the market and update the above list to include emerging service providers such as Aegis, NCO, and Quattro

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

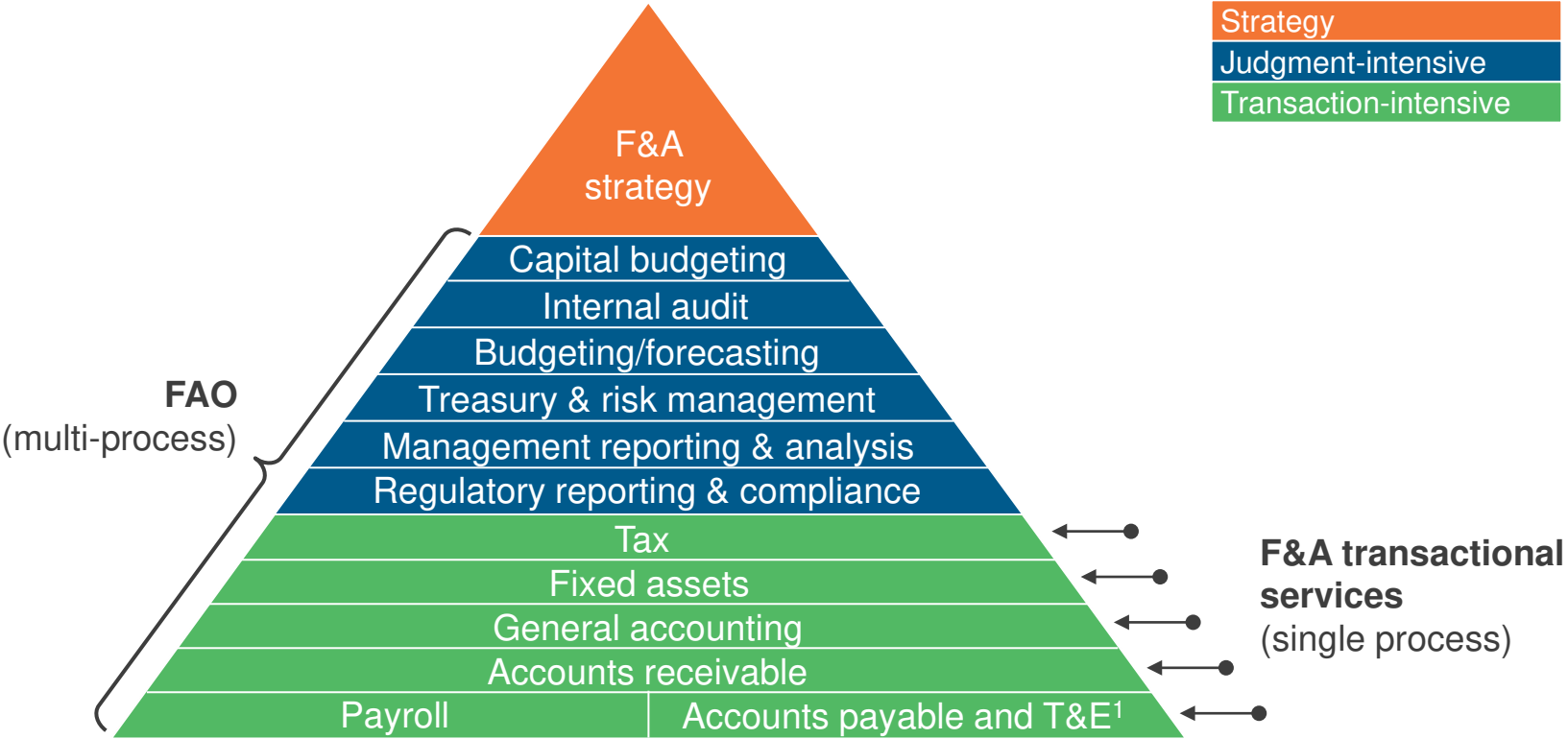
# This report is based on three key sources of proprietary information (page 2 of 2)

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## Buyer surveys and interactions

- Global survey and one-on-one executive-level interviews to understand how organizations perceive 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

# Everest Group’s research is guided by a framework that distinguishes multi-process FAO from single process finance and accounting (F&A) transactional services



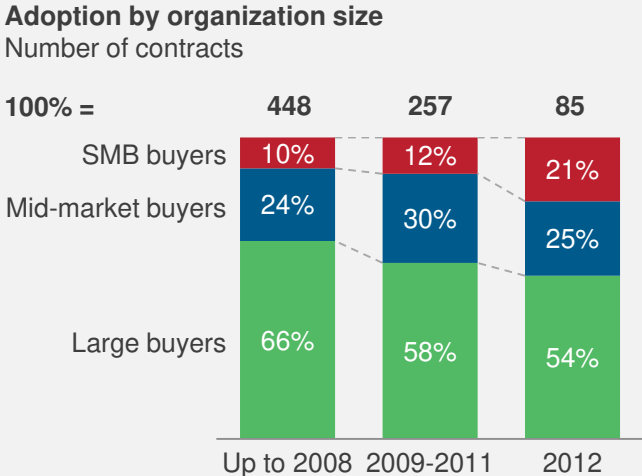
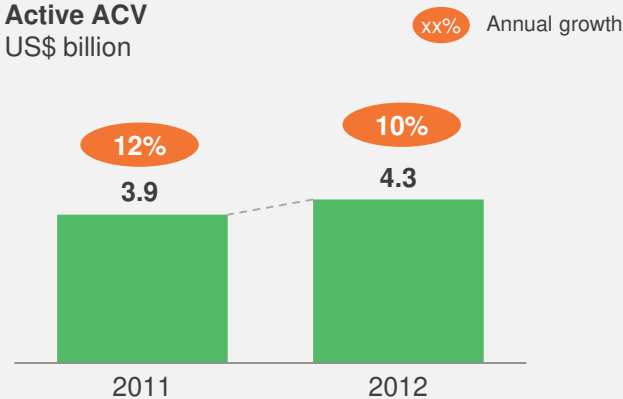
- Everest Group’s analyses include multi-process FAO contracts with a minimum of two F&A processes, over US\$1 million in Annualized Contract Value (ACV), and a minimum contract term of three years
- Everest Group’s analyses include all FAO contracts signed as of 2012. The current sample set for the report includes 800+ multi-process FAO contracts

<sup>1</sup> Defined in Appendix

# Summary of key messages (page 1 of 4)

## Market size and buyer adoption

- The FAO market witnessed stable 10% growth to reach US\$4.3 billion (in ACV) in 2012. Notable highlights:
  - Similar number of new contract signings (87 contracts in 2012 as compared to 89 in 2011)
  - Contract renewals/extensions contributed over 65% to 2012 market growth
  - Average TCV back up to the historical average of ~US\$23 million with an average contract length of ~5 years
- FAO buyer adoption continues to diversify across industries, geographies, and size of organizations
  - Manufacturing, financial services, hi-tech and telecom, and professional services make up the top four adopters in 2012
  - The United States accounted for ~50% of the 2012 FAO market. However, Europe witnessed the maximum increase in FAO adoption in 2012. Adoption in Asia-Pacific, Latin America, and Middle East continues to grow
  - Adoption by SMB segment (less than US\$1 billion in revenue) increased significantly from 12% in 2009-2011 to 21% in 2012. Large organizations continue to dominate adoption
- Buyers continue to adopt a RFP/RFQ-led competitive bidding route for sourcing F&A services. However, advisor-led contracts are on the decline



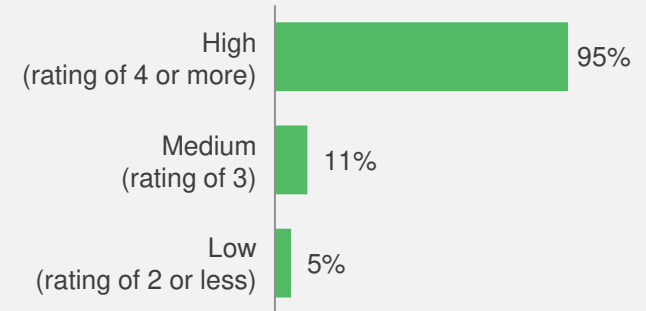
# Summary of key messages (page 2 of 4)

## Value proposition and buyer satisfaction

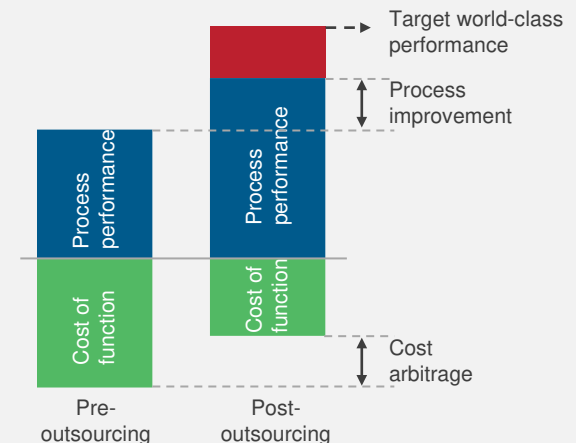
- A cost+ value proposition is emerging
  - Cost reduction continues to be the predominant driver
  - However, flexibility, standardization, process excellence, and access to expertise and technology are also important
- Level of buyer satisfaction is high
  - While challenges around cultural integration, stakeholder and change management, and transition-management continue to exist, overall satisfaction levels for FAO services are fairly high
  - Consequently, only 11% of the contracts that reached end-of-term in 2012 were terminated and most of the reasons for terminations were not performance related
- The approach towards F&A transformation is becoming more sophisticated and practical
  - A transformational agenda is evident. A “world-class lift-shift-and-fix” philosophy is emerging and share of multi-process FAO contracts is increasing
  - A phased approach is being leveraged to drive transformation instead of a big-bang approach. Most new deals are relatively small in size but the size and scope of contracts expands during extensions/renewals

### FAO buyer satisfaction

Percentage of responses from FAO buyers



### A world-class lift-shift-and-fix philosophy is emerging





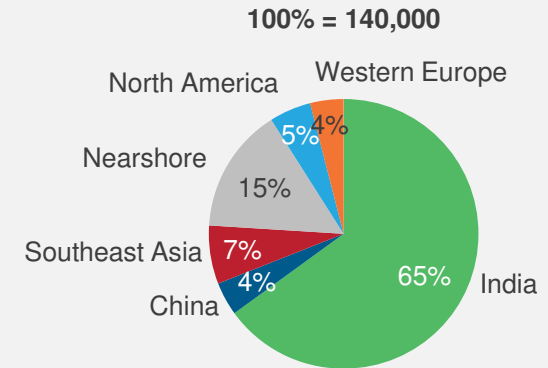
# Summary of key messages (page 3 of 4)

## Solution characteristics

- Scope of services**
  - Account payable (AP), Account receivable (AR), and General accounting (GL) continue to be the most frequently outsourced; FP&A is typically included in a phased manner
  - In 2012, 70% of the FAO contracts had elements of end-to-end scope as opposed to a functional piecemeal approach
  - Predictive and prescriptive operational analytics along with integrated risk management and compliance are areas of increasing interest
  - More than 50% of the service providers assessed are approaching the market with an industry-specific focus
- Global sourcing**
  - While there are fewer onshore-only contracts, the onshore component in FAO contracts is increasing implying a move towards balanced sourcing
  - India continues to account for 65% of the FAO workforce. However, new delivery center set-ups over the last two years have focused on nearshore and onshore locations
- Technology**
  - Technology augmentation has become the new norm. Over 50% contracts signed in 2012 included add-on tools and technologies
  - BPaaS / cloud-enabled offerings are gaining traction, especially in the SMB segment
  - Demand for mobile-based F&A solutions and dashboards is increasing
- Pricing and performance metrics**
  - Almost 83% new FAO contracts include FTE-based pricing elements. However, output/outcome based pricing is introduced as contracts mature
  - Performance metrics continue to focus on diagnostics – timeliness, productivity, and accuracy. Focus on business outcome metrics is rising

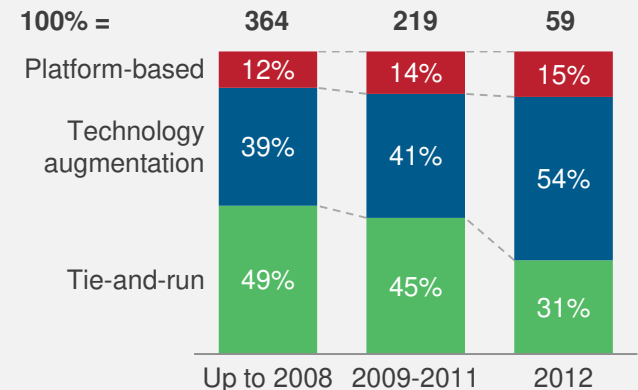
## FAO FTE mix by delivery region

Number of FTEs



## Adoption of technology models in FAO

Number of contracts



# Summary of key messages (page 4 of 4)

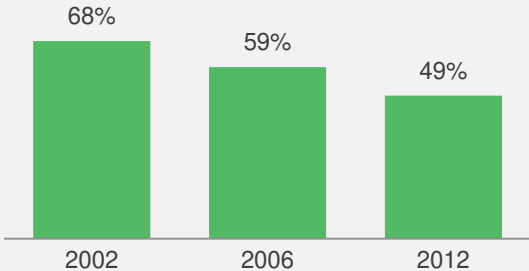
## Service provider landscape

- Accenture, Genpact, and IBM continue to be the top three FAO providers
- Competition is intensifying – market share of the top three providers reduced from 68% in 2002 to less than 50% in 2012. Several service providers had a strong 2012 performance
- Service providers continue to invest in building F&A capabilities
  - Increasing investments in analytics
  - Continued emphasis on building technology tools and assets
  - F&A technology assets increasingly becoming cloud-enabled and delivered as a BPaaS solution
  - Continued emphasis on building global delivery footprint (especially nearshore and onshore capability)
  - M&A activity to build and sustain market competitiveness

*More detailed analysis of the FAO service provider landscape including the PEAK Matrix will be published in the upcoming reports*

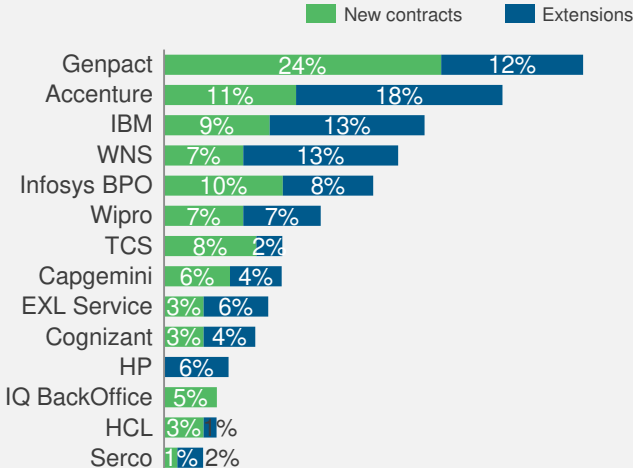
### Market share of the top three FAO service providers over time

Percentage of market size (active ACV in US\$ billion)



### FAO contract signings in 2012

Percentage of overall market activity in 2012



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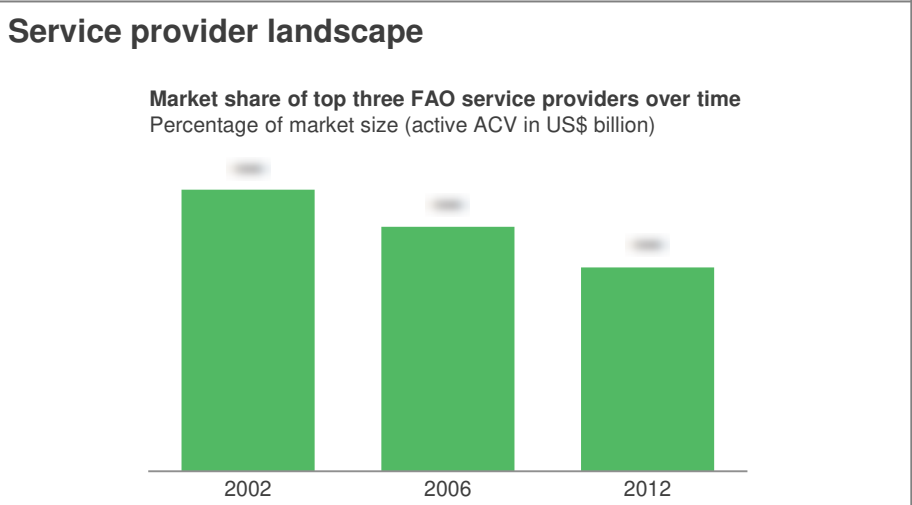
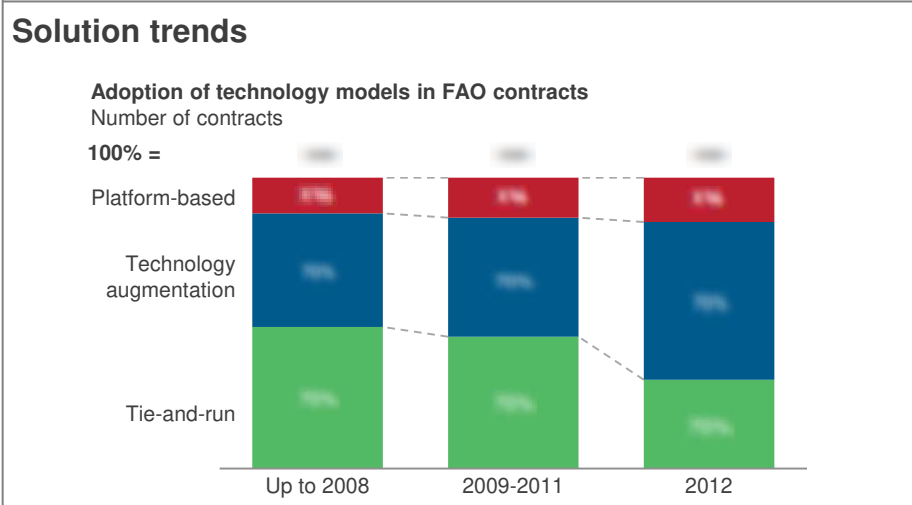
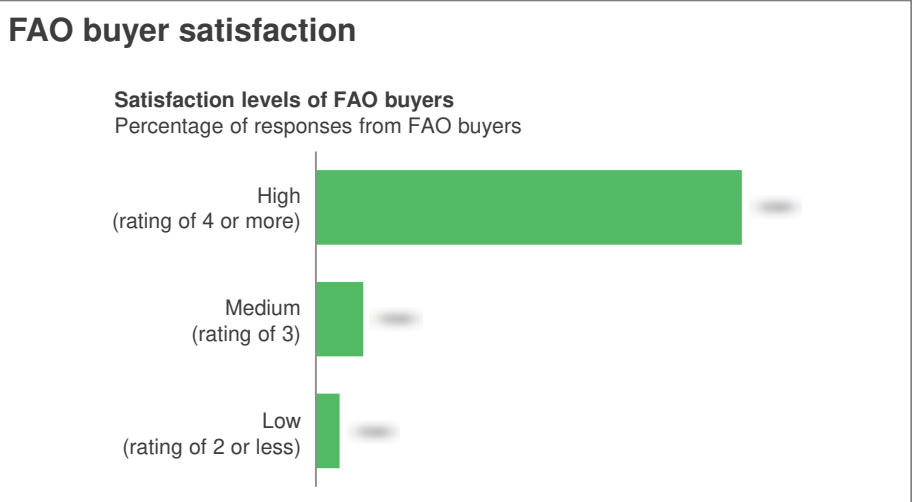
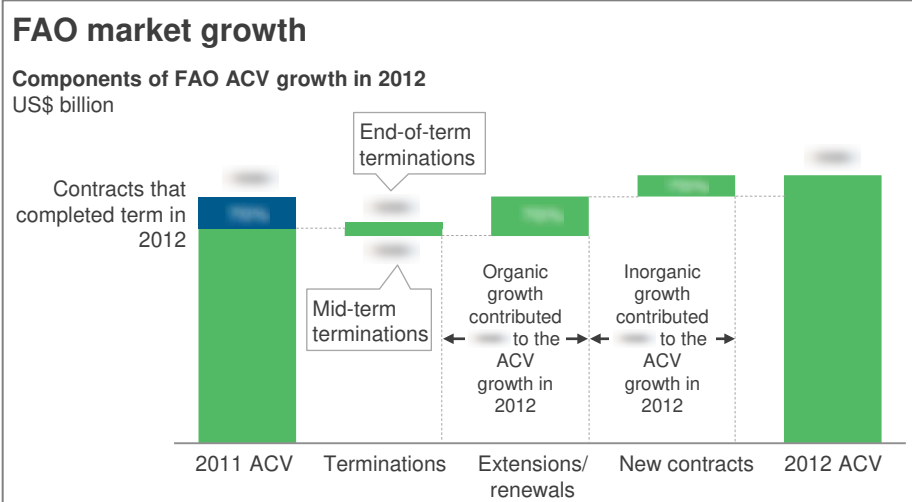
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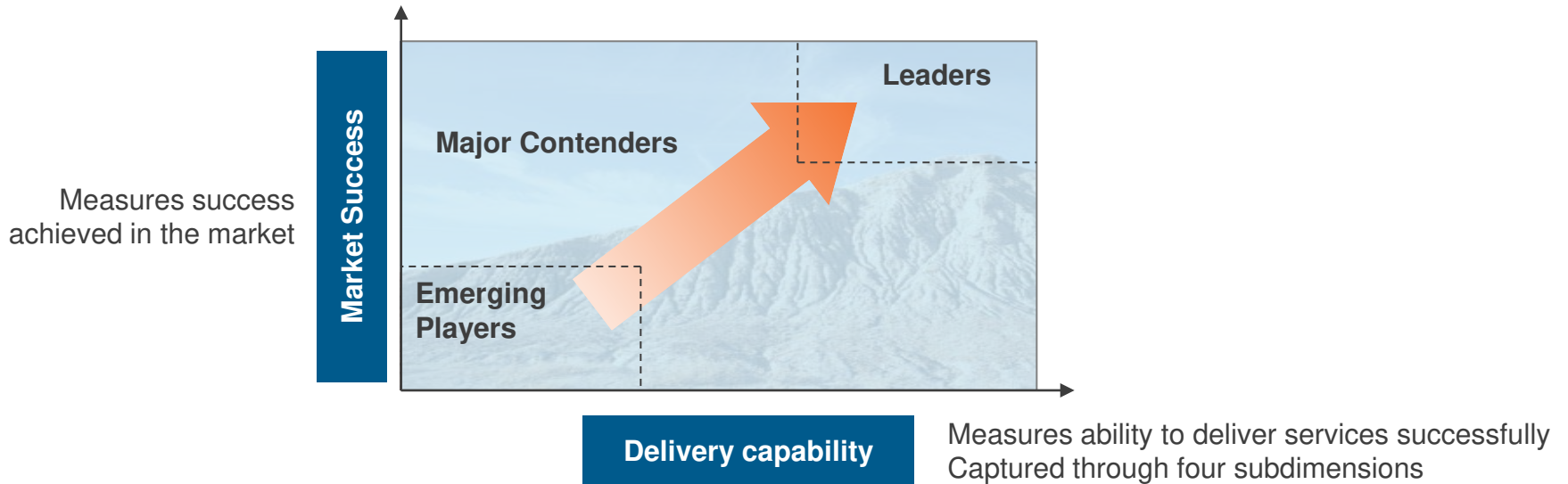
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# This study offers four distinct chapters providing a deep dive into key aspects of the FAO market; below are four charts to illustrate the depth of the report



Source: Everest Group (2013)

# More detailed analysis of the FAO service provider landscape including the PEAK Matrix will be published in the upcoming reports



**FAO service provider landscape**

- Detailed analysis on service provider market shares
- Relative positioning of service providers on the Everest Group PEAK Matrix
- Service provider capability assessment and key investments made

**FAO service provider profile compendium**

- Profile of service providers in the FAO space
- Each three to four page service provider profile provides a comprehensive picture of their service suite, scale of operations, technology landscape, recent developments, and delivery locations

# FAO research calendar

Published
  Current

Topic	Release date
Record-to-Report (R2R) Outsourcing – Moving Beyond General Accounting .....	October-2012
Unlocking Value From End-to-End Process Outsourcing: Focus on Order-to-Cash (O2C) .....	January-2013
Procure-to-Pay (P2P) Outsourcing: Unlocking Value from End-to-End Process Outsourcing .....	February-2013
FAO – Annual Report 2013: Increasing Market Maturity Driving Cost+ Value Proposition .....	April-2013
FAO – Service Provider Landscape with PEAK Matrix Assessment 2013 .....	Q2-2012
FAO – Service Provider Compendium 2013 .....	Q2-2012
Role of Analytics in FAO .....	Q3-2012
Growth of Horizontal BPO in LATAM .....	Q3-2012
Implications of IFRS Conversion in the United States on FAO .....	Q4-2012
Evaluation of BPaaS Solutions for FAO/PO/HRO .....	Q4-2012

# Additional FAO research references

The following documents are recommended for additional insight on the topic covered in this report. They provide additional details on the topic or complementary content that may be of interest

- 1. Finance and Accounting Outsourcing (FAO) Annual Report 2012: The FAO Market – Signaling Towards Maturity** ([EGR-2012-1-R-0680a](#)). In this research, we review the global multi-process FAO market in 2011 and provide guidance on the market's direction in 2012. We focus on market size and buyer adoption trends, FAO value proposition, contract characteristics across process scope, technology, global sourcing, pricing structures, and FAO service providers landscape covering service providers' market shares and areas of investments
- 2. Record-to-Report (R2R) Outsourcing – Moving Beyond General Accounting** ([EGR-2012-1-R-07054](#)); 2012. This report looks at outsourcing of the judgment intensive F&A processes, Financial Planning & Analysis, regulatory reporting and compliance. Record-to-Report, Order-to-Cash, and Procure-to-Pay cover the entire F&A function as three end-to-end processes
- 3. Order-to-Cash (O2C) – Creating a Top-line Impact** ([EGR-2013-1-R-0816](#)); 2013. Similar to the R2R report, this report looks at outsourcing a separate end-to-end F&A process called Order-to-Cash, covering mostly the transactional activities within the function on the customer side

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

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