



Finance & Accounting As-a-Service Business Process Outsourcing Services Blueprint Excerpt for Sutherland Global Services September 2017

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Executive Summary

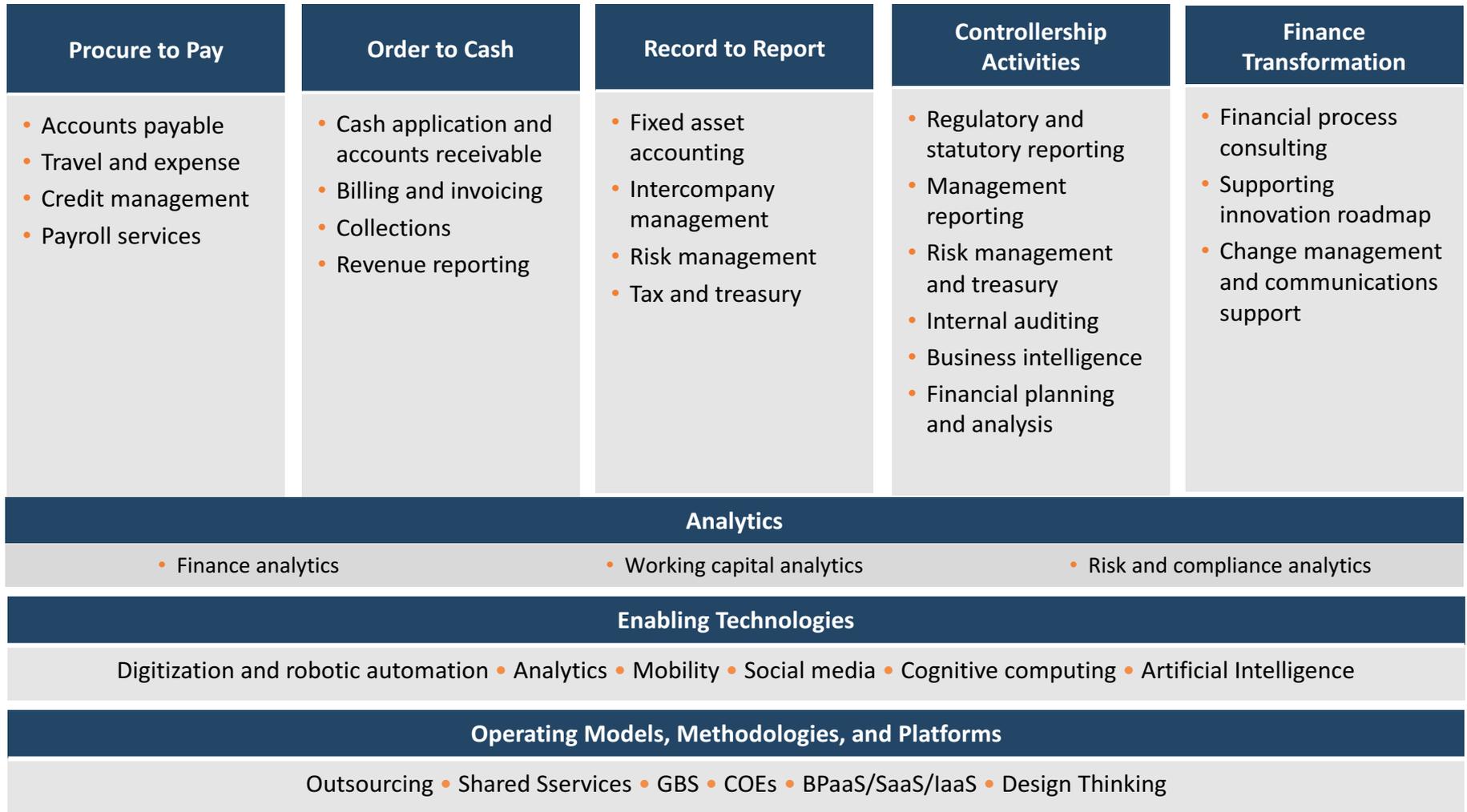


Introduction to the 2017 HfS Blueprint Report: Finance & Accounting As-a-Service Blueprint

- The 2017 Finance & Accounting (F&A) As-a-Service Blueprint is an annually refreshed analysis of the business process services and outsourcing market for F&A. This Blueprint analyzes the market adoption of the following:
 - The [Eight Ideals of the As-a-Service Economy](#) for redefining the value of services engagements
 - Achieving the vision of operating as an Intelligent OneOffice™
- This report covers market size, trends, and direction, as well as execution and innovation capabilities of 19 service providers.
- Unlike other quadrants and matrices, the HfS Blueprint identifies relevant differentials between service providers across a number of facets in two main categories: innovation and execution.
- While the grid shows the relative success of the service providers in these categories based on client feedback and HfS analysis, it is also meant to show how each service provider is balancing and faring individually in these categories: account management, service delivery, use of technology to enable business process service impact, talent development, and workforce management.

Finance & Accounting As-a-Service Value Chain

In this report, we look at how service providers are supporting F&A As-a-Service:



HfS Value Chain Definition: Value chain refers to the business units that carry out value-creating activities to design, produce, market, deliver, and support a company's product or service. In this usage, we refer to the range of primary processes and support services that providers offer to their clients.

F&A As-a-Service Executive Summary

- It's time for a leap of faith. The F&A business process outsourcing services market is different from what it used to be because of the opportunities to combine talent, digital technology, data, and insights to impact shared outcomes and the consumer/stakeholder experience. Operating models that include sourcing partners for talent and digital technologies have been proven effective, but the value only increases if there is active engagement by both parties.
- Defining and sharing business outcomes is critical for an engagement to increase in value. Service buyers need to know – or discover with their partner – what they want to achieve to help their company grow and operate more profitably. And, what do they want to retain versus outsource to accomplish this – whether it is sourcing talent or technology or, increasingly, a combination (BPaaS). That means being more collaborative; the service buyer organization and service provider organization need to align and broker the right capability and be flexible enough to identify and change what isn't working. We are seeing more examples of this in action – changing scope and ownership of services as needed.
- The vision for F&A As-a-Service is to help finance leaders achieve strategic partnerships in the business through high-quality, agile finance operations – seamless and touchless procure-to-pay, “perfect” order-to-cash that eliminates downstream collections, and predictive, real-time record-to-report. Achieving this vision means tapping into RPA, Artificial Intelligence, and SaaS platforms that are increasingly sophisticated in each of these areas and developing and leveraging talent that can drive insights and manage change. It involves an ecosystem of partners – service, software, and technology providers – and better internal coordination within enterprises. It will only be effective when the people and technology involved are predicting, articulating, and solving problems and addressing opportunities quickly. At HfS, we call this vision the Intelligent OneOffice™.

F&A As-a-Service Executive Summary, continued

- At one point, labor arbitrage with global delivery networks and language support was a differentiator. Now, as finance executives look to become more strategic partners, tying finance operations and activity to business results is increasingly critical and these capabilities become the means rather than the end. The new levers of value and differentiation are accessible and actionable data, customer and stakeholder experience, and agility and responsiveness.
- F&A service buyers fall into three categories:
 - **Legacy buyers** looking for a third party to “lift and shift” their current operations and run them at a lower cost over a long contract, usually with minimal process transformation. *This is typically the case when a company needs to quickly stabilize an operation or is not ready for transformation.*
 - **Progressive buyers** realizing labor arbitrage benefits are finite and broader engagement value depends on a partner with higher quality process expertise, compliance, transparency in operations, an appetite to move to consumption-based pricing, using a combination of talent and technology that keep pace with client needs on a sustained basis. *The growing majority of services buyers are at this stage.*
 - **As-a-Service buyers** interested in working with a strategic partner to define and execute against achievable business outcomes as part of a broad transformation and change management effort within their own organization, tapping into talent and technology, both internally and externally. *These are the future-oriented buyers but are in the minority today.*
- For the most part, service buyers within enterprise clients are now looking beyond the cost benefits achieved through early BPO and focusing on increasing quality and efficiency, mapping to business outcomes – e.g., optimize working capital, reduce days outstanding, reduce revenue leakage, predictable close, etc. It’s often and simply expressed as “where is the innovation?” Strategic business process services and outsourcing engagements should be designed to focus on achieving business outcomes that matter to the client. “Beauty (aka value),” as the colloquialism goes, “is in the eyes of the beholder.”

F&A As-a-Service Executive Summary, continued

- The value of finance is increasingly measured on how it is a partner to the business in helping to grow, versus focusing on managing numbers and compliance. The role is increasingly attached to client, customer, and stakeholder experience and service impact.
- In the emerging As-a-Service Economy, the onus in finance shifts to serving the end user – executives, managers, and staff – and proactively managing the increased transparency and interaction that digital technology is empowering. Service buyers seek greater flexibility in the way finance supports the business with increased productivity that drives business growth without operations growth.

State of the F&A As-a-Service Market: Highlights

- **Client and stakeholder experience:** The end-user experience is becoming more relevant and meaningful to the value of finance operations internally. In other words, finance and shared services leaders want their business users to “feel” like they are having a good experience. One client noted their service provider “has been so focused on turnaround time they don’t take the time to provide a good customer experience.” In contrast, another executive shared that the engagement has matured to the point that the delivery team acts in a way that indicates customer-centricity: “These are the tasks, but is the customer satisfied with the service level? Can I do better to make sure that happens?”
- **Increased emphasis and capability for understanding context:** During the study, HfS heard a number of references to service providers clearly working to understand better the maturity and readiness of the client environment for change, and the extent of change. There is an increasing focus on change management in transition, and service providers being more active in defining and delivering on shared services and GBS business cases across client organizations. The service provider’s interface to the client is becoming a more critical and strategic role. We saw an increase in the placement of on-site resources over the past year, managers who act as a single point of contact and provide better context for planning and escalations. Clients have told us it really makes a difference.
- **“Digital Finance” marries ERP with other technologies:** The increasing availability, security, and reliability of digital technologies is feeding the interest of finance to work with service providers to map a path (or design a blueprint) to “digital finance” – the use of intelligent automation (e.g., robotic process automation and cognitive computing), cloud, and mobile technology. ERP systems figure heavily still in enterprise environments, and there is an increased readiness to look at how to make the data more accessible – how to better work with or outside of those systems. Service providers are developing partner ecosystems with technology providers, wrapping around technology and business services, to be able to both tap into existing systems (e.g., SAP and Oracle in many cases) and leverage newer proprietary and third-party options (e.g., BlackLine, TradeShift, and Tungsten).

State of the F&A As-a-Service Market: Highlights

- **The bar for productivity gains in contracts hits a new high:** There is an increasing focus on efficiency gains to ensure there is no “standing still” – that steps will be taken continuously to improve the operations over the length of the engagement. Productivity gains were always standard but now we are seeing 30%-50% productivity gain commitments over a five-year term compared to 10%-20%. “We have a committed outcome contract that requires productivity and it is in my interest that they can achieve it,” shared a finance executive, “because of my responsibility to internal stakeholders and the business case as well.” We also hear of an increasing number of hybrid contracts that combine transaction or gain-sharing with FTE. However, clients do not want productivity at the expense of quality.
- **Increasing transparency and interaction on operations management:** Operations and finance executives want to know how the work is going, and when there are issues, trouble spots or ideas, to have insight into them. Scorecards and dashboards with user-friendly visualization are increasingly available from service providers to address this interest. Any service provider that is trying to fix something “behind the scenes” so that everything “looks good” is typically just frustrating their service buyer. In a real partnership there is dialogue around the realities of what is and is not working. Operations dashboards are becoming more sophisticated, real-time tools to support these discussions and many service providers are pushing for strategic quarterly business reviews, beyond SLA review.
- **Robotic Process Automation integral to business process services:** Many service providers are now sharing experience and offerings around business case development, coordination between IT and business units, resources and partnerships with RPA software vendors, and setting up and turning over or managing RPA COEs. Service providers that support both IT and BPO at clients could have an advantage, as a showstopper is typically the lack of coordination with and prioritization by IT departments. As one client shared, “the biggest hindrance to RPA is our company allowing access to data and apps; it’s an IT issue on our side of the business.”

State of the F&A As-a-Service Market: Highlights

- **Intelligent delivery:** In the push for innovation in service delivery, we hear mixed reviews. While service delivery teams do need to be identifying and addressing trouble spots and raising ideas and suggestions for change, they also need to consider the context and the impact on the end-to-end process. Service providers need to find the right balance of encouraging change, and being sure that delivery teams have the right context and environment for it, with checks and balances.
- **Industry verticalization driving more insightful work:** Buyers are mixed as to whether or not they value industry-specific capability in their service provider engagement. Some just want standard finance best practices and capabilities. However, for buyers and service providers looking to increase the value of the engagement over time, functional or industry context helps increase the relevance of the work. In some industries, industry knowledge is clearly useful for driving more analytics-based work and extending coverage of the value chain, such as risk and compliance.
- **Increasingly accessible and actionable data:** Being able to rely on quality data is critical to finance and accounting, and service providers have increasingly sophisticated tools for helping consolidate, expose, and manipulate data. Companies need to be willing to share data and “allow” insights, for example, “Why are you giving our data to a service provider?” to drive the next level of value with analytics. The engagement needs to have a certain level of stability and trust for analytics to be a part of it.
- **Mixed maturity in analytics:** Service providers with expertise and momentum include IBM in receivables analytics, Accenture and Genpact in financial planning and analysis, Arvato in risk and compliance, WNS in working capital, and TCS in finance. Cognizant has also developed a strong analytics capability that rounds out the leaders in this area to date. Some of the comments we heard from buyers included, “They bring us interesting and insightful views of our business and we just have not been able to do something with it” because the organization has other priorities; “We are looking to stabilize our operations before we get into analytics,” and “They are learning how to present to us well; what’s relevant to our company and the level of detail versus executive summary...”

State of the F&A As-a-Service Market: Highlights

- **Increasing workforce flexibility still a core benefit:** In places where clients have felt the impact of attrition, turnover, and inappropriate staffing (where the skills are not the right level to meet the desired results), service providers have been quick to respond and adjust, whether at the account or delivery level. The F&A sourcing market has mature recruiting and on-boarding in this area, driven by high levels of turnover for so many years. We also see increased attention to career path definition and training for use of automation and analytics based on employee interests and skills. However, there is still an untapped opportunity for service providers to create more dynamic environments for employees (current, potential, and contractor) to opt in, self-select, or find and apply for engagement openings and initiatives that match their skills, interest, and experience.
- **F&A sourcing having positive impact on career development for in-house staff:** We heard from a number of service buyers that one of their drivers for sourcing was to create a more interesting career path for their finance employees. Both in larger enterprises and in mid-market where the finance team is smaller, they recognize that service providers who specialize in finance across many organizations can have the focus and resources to offer more advanced training and career options. In the increasingly technological and analytical nature of the work, there are a number of options emerging for careers in business process services – those that want to be business process efficiency experts and those that want to take an analytical path, for example.
- **Focus on engagement to keep attrition low:** “Attrition is low, at 20%... We are blown away by the level of capability and engagement,” said one client. There is a similar story from another reference who “does not feel the impact of attrition; they do a good job of cross training.” And in a third example, a service provider collaborated with a client to keep the engagement levels high and attrition low, a shared priority and outcome.

State of the F&A As-a-Service Market: Highlights

- **Transition As-a-Service:** We are also hearing of examples where service buyers that are not happy with innovation and engagement are re-bidding and moving to a new service provider. This becomes more accessible as an option with the more sophisticated transition services, including automation for data and knowledge transfer, and increased presence of service providers on “many shores” and willingness to work on-site.
- **Right shoring:** Operational lead on-site “has made a huge difference to the relationship and communications,” creating a whole new level of possibilities. Positioning a leader on-site at the client to be a single point of contact, with face-to-face interaction and communications channels and able to navigate the service provider is helping to elevate the level of collaboration and impact.
- **Business Process Services:** While experienced sourcing professionals are increasingly appreciating the value of service providers’ capability and exploring beyond a cost reduction and labor arbitrage value proposition, broadly speaking, too many people still think of BPO as *labor arbitrage* and not as *services*. To drive increased value for a business, this perspective needs to change, particularly in procurement organizations and legal teams.

State of the F&A As-a-Service Market: Service Providers

- **As-a-Service Winners** are service providers that are in collaborative engagements with clients and making recognizable investments in future capabilities in talent and technology to continue to increase the value over time. These providers have a clear vision and are making strides incorporating Intelligent Automation into finance work:
 - Accenture, Capgemini, Genpact, EXL, IBM, TCS, WNS
- The **High Performers** all execute well, are investing in future capabilities, but need a simpler or more articulate vision or to gain more consistency and traction in using the Eight Ideals with clients for impact:
 - Cognizant, Conduent, DXC, HCL, Infosys, Sutherland, Wipro
- The **Execution Powerhouses** in this study bring operational excellence and increasingly combine talent and technology effectively, but are still focused and somewhat comparatively more narrow in innovation:
 - Arvato, NTT DATA
- OneSource Virtual has **High Potential**, new to the Finance market with a native As-a-Service approach.
- Hexaware and Intelenet also participated in our study, and we see these companies making traction in execution and innovation, just a little further behind than their peers.

As-a-Service Economy

Use of operating models, enabling technologies and talent to drive business outcomes through outsourcing. The focus is on what matters to the end consumer.

HfS uses the word “economy” to describe the next phase of outsourcing as a new way of engaging and managing resources to deliver services.

The Eight Ideals of the As-a-Service Economy:

1. Write Off Legacy
2. Design Thinking
3. Intelligent Engagement
4. Brokers of Capability
5. Intelligent Automation
6. Accessible and Actionable Data
7. Holistic Security
8. Plug-and-Play Digital Services

Source: *Beware of the Smoke: Your Platform Is Burning*
by HfS Research, 2015

Journey to Finance As-a-Service



Finance of the Future: Tech-Savvy, Predictive, Agile Business Partner

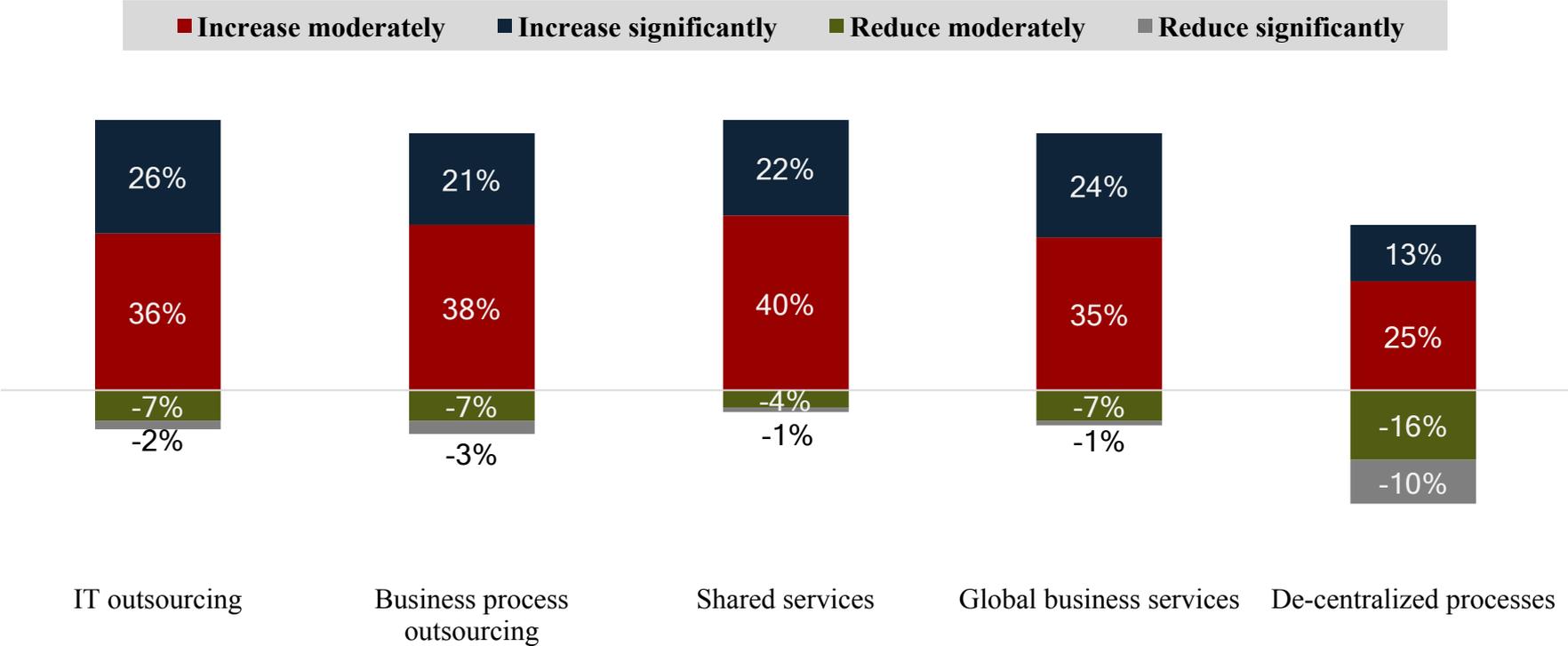
For finance to be more integrated into the business as a partner versus controller, it needs to operate in a way that is more tech savvy and stakeholder-oriented to continually up the game and drive new levels of efficiency and business outcomes while companies grow.

Representative

	Business Challenges	Outcomes
Procure to Pay	<ul style="list-style-type: none"> • Optimize spending • Eliminate duplicate payments • Increase working capital • Supplier relationship management 	<ul style="list-style-type: none"> • Reduce DPO • Increase use of negotiated or master contracts and compliance • Reduced cost and invoice • Discount optimization
Order to Cash	<ul style="list-style-type: none"> • Optimize working capital • Revenue leakage • Dispute resolution • Cash flow forecasting • Credit risk exposure, write-offs • Risk of customer non-payment or default • Customer service 	<ul style="list-style-type: none"> • Reduce or optimize days sales outstanding (DSO) • Improve cash flow management/forecasting; reduce late payments • Reduce or optimize receivables processing cost and time • Increase cash application accuracy • Reduce bad debt, revenue leakage • Proactive dispute management
Record to Report	<ul style="list-style-type: none"> • Time to close and report • Data consolidation and reconciliation • Misstatements in financial reporting • Lengthy audits 	<ul style="list-style-type: none"> • Predictive and short to real-time close • Reduce or eliminate open items for reconciliation

Companies Are Still Moving Toward Shared Services and Outsourcing; Decentralized Models are Decreasing

Over the next two years will your company increase or reduce its reliance on the following operating models for your general and administrative functions? (Stay the same not labelled)

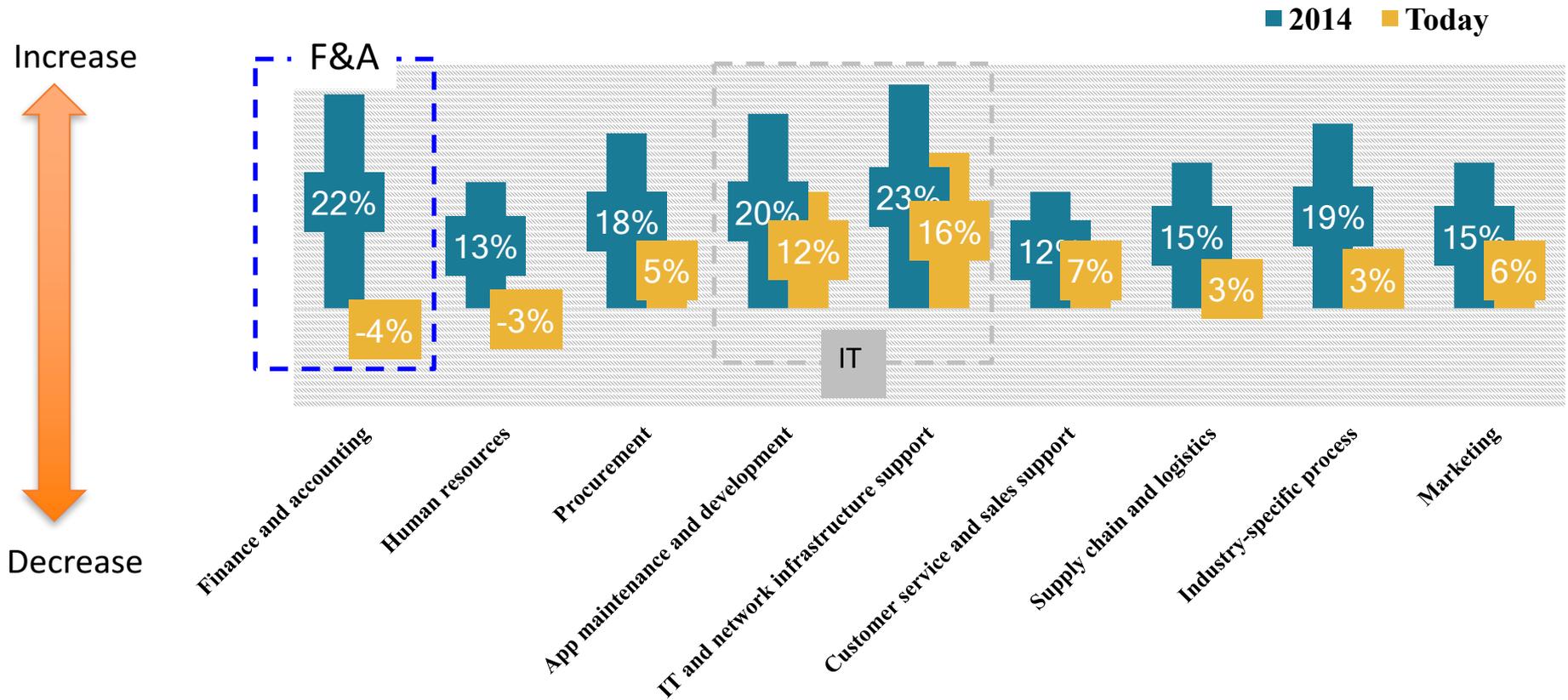


HfS Research in Conjunction with KPMG, State of Business Operations 2017 N=454 Enterprise Buyers

Offshoring Has Slowed Down in F&A Versus 2014

More F&A work is being centralized through shared services and outsourcing “on-shore” or “near-shore” to address political and brand concerns and cultural context for more insight-driven and analytic work.

*How will offshore use change in outsourcing and shared services over the next two years?
2014 versus 2016 (Net increase/decrease)*

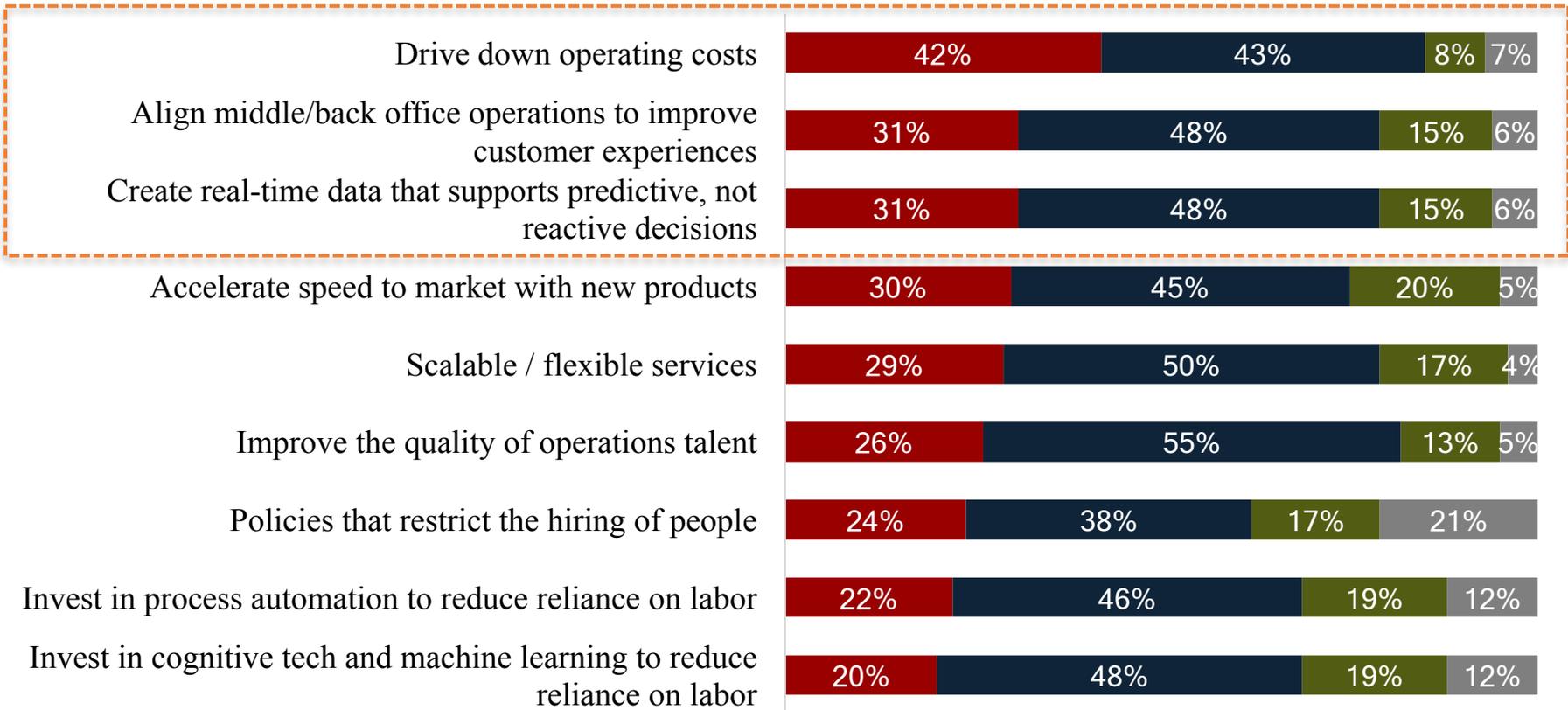


Source: HfS Research in Conjunction with KPMG, “State of Operations and Outsourcing 2017” Sample: n=454 Enterprise Buyers

Companies Increasingly Value Insight and Alignment to Improve Customer and Stakeholder Experience – While Aggressively Driving Down Costs

How critical are the following C-Suite directives to your operations strategy? (SVPs and above)

■ Mission Critical ■ Increasingly Important ■ Emerging ■ Not a Directive



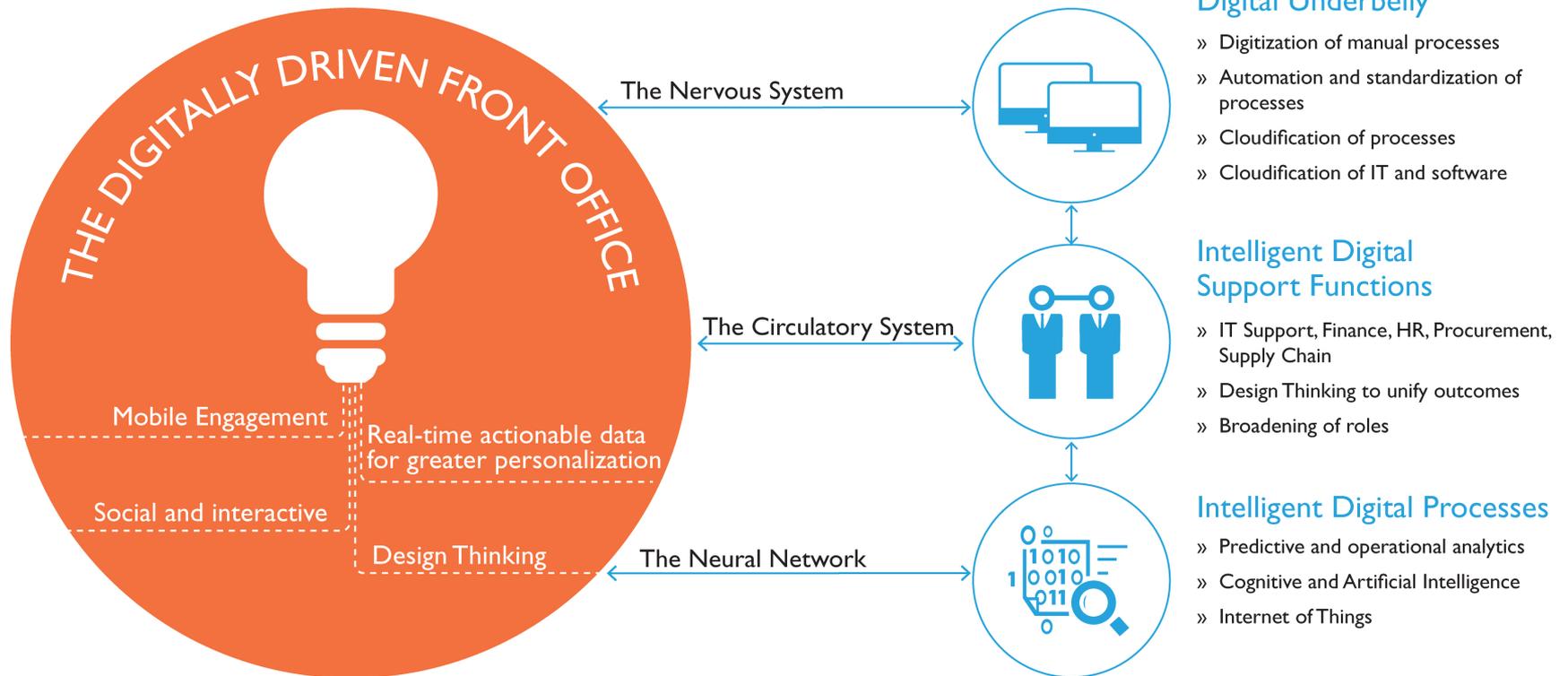
Source: HfS Research in Conjunction with KPMG, "State of Operations and Outsourcing 2017" Sample: n=454 Enterprise Buyers

The Future of Operations: The Intelligent OneOffice™

Effective future operations will be oriented around the customer and stakeholder experience and use analytics and digital technology to have predictive insight for proactive action and better outcomes – higher quality, speed, and profitability. In F&A, this means, for example, creating the “perfect order” – designing processes that are digitally enabled to deliver the right product at the right time and place, reducing or even eliminating disputes or collections.

The Customer-First Digital Organization

The Enabling Intelligent OneOffice



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Welcome to the As-a-Service Economy

Finance and operations executives have a number of levers – operating model design, talent in the workforce, digital technologies, and a burning platform for change – to pull to help them become more strategic partners in the business.

HfS uses the word “economy” to emphasize that the emerging next phase of outsourcing service engagement is a more flexible, outcome-focused way of engaging and managing resources to impact outcomes.

Operating in the As-a-Service Economy means architecting use of increasingly mature operating models, enabling technologies and talent to drive targeted business outcomes. The focus is on value to the consumer.

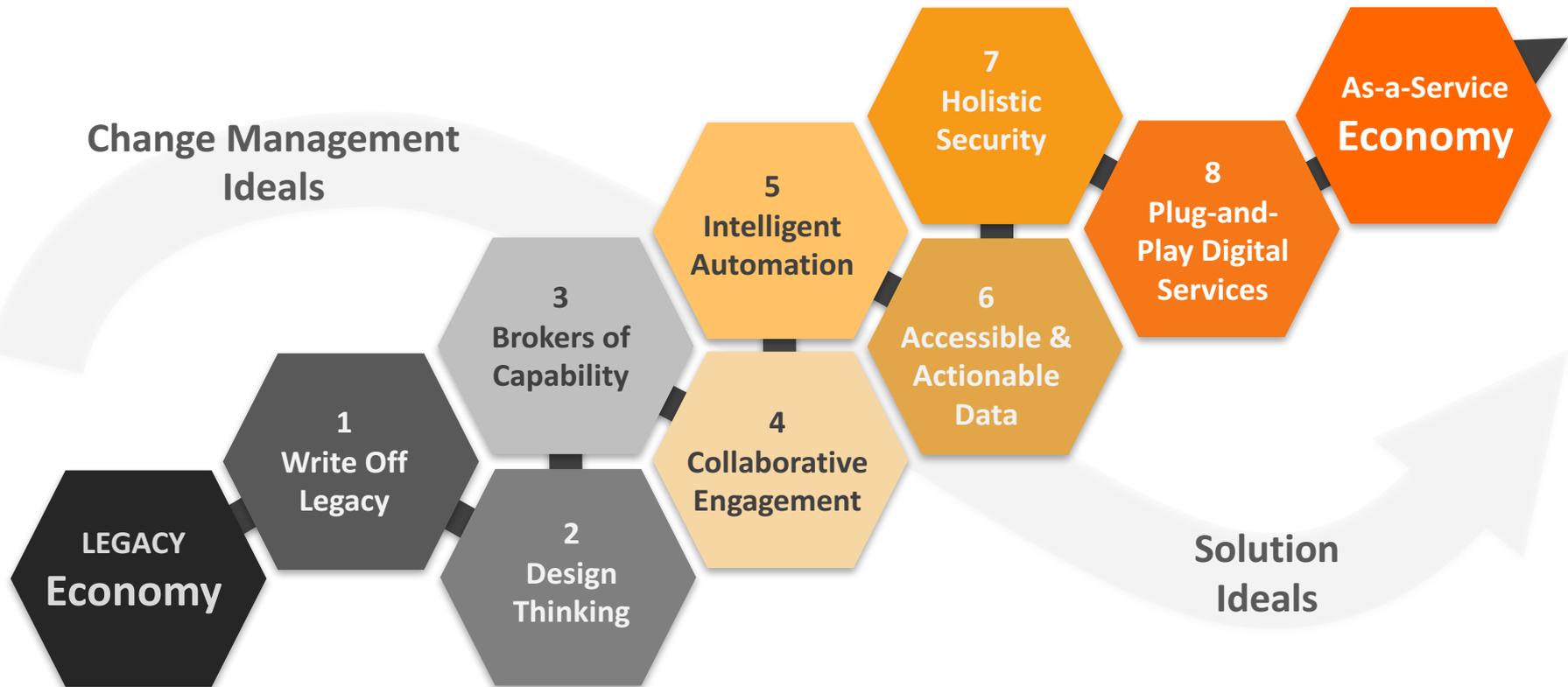


There are Eight Ideals to Enable the Journey to OneOffice

- Realizing the OneOffice vision means changing the nature and focus of engagement among enterprise buyers, service providers, and advisors to be more agile and collaborative, focused on shared outcomes
- “As-a-Service” unleashes people talent to drive new value through smarter combinations of talent and technology focused on business results beyond cost reduction

Fixed Assets

Leveraged Assets



The Eight Ideals of the As-a-Service Economy

Using talent and technology to operate in a more agile and impactful way.

Legacy Outsourcing	Ideal	As-a-Service Economy
Legacy technology investments that limit agility and create masses of exceptions addressed through adding internal and external FTEs	Write Off Legacy	Adopting a mindset to overhaul obsolete processes. Using platform-based solutions, DevOps, and API ecosystems for more agile, less exception oriented systems and processes
Resolving problems by looking first at the process as the source of the solution	Design Thinking	Understanding the business context to reimagine processes aligned with meeting end user needs
Focusing governance and operations staff on managing to the letter of the contract and the decimal points of service levels	Brokers of Capability	Orienting governance to source expertise from all available sources, both internally and externally, to address capability gaps
Evaluating relationships on baselines of cost, effort, and labor	Collaborative Engagement	Ensuring relationships are contracted to drive sustained expertise and defined outcomes
Operating fragmented processes across multiple technologies with significant manual interventions	Intelligent Automation	Using automation and cognitive computing to augment human performance
Performing ad-hoc analysis on unstructured data with little integration or business context	Actionable and Accessible Data	Making data available and applying analytics models, techniques, and insights to drive insights and action plans
Responding with post-event fixes. Little focus on end-to-end process value chains.	Holistic Security	Proactively managing data across service chain of people, systems, and processes
Undertaking complex transitions to reach steady state	Plug-and-Play Digital Business Services	Plugging in “ready to go” business-outcome focused, people, process, and technology solutions with security measures

How As-a-Service Is Taking Shape in F&A: Writing Off Legacy

Legacy technology investments that limit agility and create exceptions addressed by adding internal and external FTEs



Adopting a mindset to overhaul obsolete processes. Using platform-based solutions, DevOps, and API ecosystems for more agile, less exception oriented systems



The first step in moving to a more flexible, outcome-based business process services engagement is the willingness to work this way and challenge the status quo to get new results. On the service buyer side it's a transformation effort, and for service providers, it means an increased focus and capability for consultative skills, business leaders who also understand technology, and sometimes, industry-specific expertise. The technical infrastructure – how open and interactive it can be – is an underlying factor for locking in redefined processes and ways of working. So, in this sense, we are looking at how finance organizations are willing to let go of the old ways of working and explore and use digital technology, and how service providers are enabling it.

Examples:

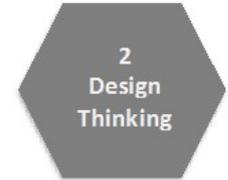
- Accenture is traditionally strong in consulting, and now it has better leveraged this capability into its business operations through Business Advisors. An increasing percentage of Genpact and TCS F&A business is also consultative.
- Cognizant with its CFO Playbook and blueprints, EXL with journey maps, TCS with ValueBPS, and WNS with CFO Outperform have all driven new and client-recognized value in partnering for finance transformation.
- An Infosys client shared experience with the Infosys Information Platform (IIP) helping to consolidate data from disparate ERP systems, “We have many instances of ERP systems operating in different countries and need consolidated reporting... IIP brings the data into one place and visualizes the measures around P2P with invoice payments on time ... data is in one place and it is easy to navigate.”
- DXC will show how it taps into “dark data” to map processes, identify variations, and overlaps and redesign with robotized processes.

How As-a-Service Is Taking Shape in F&A: Design Thinking

Resolving problems by looking first at the process as the source of the solution



Understanding the business context to reimagine processes aligned with meeting end-user needs



Design thinking is an approach to problem solving that starts with understanding from an empathetic view the challenges of the end-user and then brainstorming and testing solutions. It's not a new approach to innovation, but one that is just finding a foothold in business services and outsourcing engagements, which we explored in the Design Thinking for the As-a-Service Economy Blueprint published earlier in 2017. It's been used to help finance executives become better partners within their businesses, to identify new areas of opportunity for greater efficiencies, and to bring people together to share a problem and solution. It helps shift the focus of work and engagement from "internal" to "external" – to the end consumer. We are seeing a slowly increasing use of Design Thinking in F&A.

Examples:

- Capgemini facilitated a Record-to-Analyze refresh jointly with two Business Process Services clients in a "Business Priority Week" workshop. Another led to the creation of a Business Services Virtual Delivery Center. It's also used Design Thinking-led approaches to address purchase to pay (P2P) along with Lean Six Sigma.
- An EXL client was going through an internal organizational change that impacted the way it engaged with the service provider. While SLAs were green, some end users in the organization were not aware of processes and didn't have clear lines of communication due to the changes. EXL worked with the client to design a journey map that helped validate new workflows and identify areas to test digital technology solutions. They are now looking to operationalize what's working, and have used cuts of data to analyze progress and make changes along the way.
- To add this capability, Infosys (Brilliant Minds) and Genpact (TandemSeven) recently acquired digital design and customer experience firms.

How As-a-Service Is Taking Shape in F&A: Brokers of Capability

Focusing governance and operations staff on managing to the letter of the contract and the decimal points of service levels



Orienting governance to source expertise from all available sources, both internally and externally, to address capability gaps



Being a broker of capability is about articulating a business problem or opportunity, the desired outcomes, and then coordinating and facilitating across internal and external entities to reach those results. There are increasingly extensive and sophisticated ecosystems of partners managed by service providers to enable finance as-a-service. While automation or process robotics could often create smoother workflows, transitioning to a third-party SaaS solution provides a greater level of control and impact.

Examples:

- Wipro is one of the few service providers that makes investments in third-party partners to complement its own areas of expertise. For example, it is developing bots that will use NLP and text-driven chat to convert unstructured data to structured instructions that will flow through TradeShift in the procure-to-pay process.
- Cognizant has brought together its own Catalyst Accounts Payables Platform with TradeShift for source-to-pay. It also partners with Blackline for streamlined and automated BPaaS in record-to-report.
- On the talent development front, IBM hosted a CogniHack event this year during which participants used design thinking, rapid prototyping, and storytelling to solve real business challenges. This is the kind of work that more businesses will require going forward – how to not just solve a problem but identify it first and build and talk about the relevance of the proposed solution.

How As-a-Service Is Taking Shape in F&A: Collaborative Engagement

Evaluating relationships on baselines of cost, effort, and labor



Ensuring relationships are contracted to drive sustained expertise and outcomes



At the core of the As-a-Service Economy – linking the solution ideals to the change management ideals that make a solution effective over the long term – is collaborative engagement. As more business units and global shared services centers take responsibility for relationships, HfS is seeing a move over time to more collaboration where trust and experience are in place, often through shared outcomes and results. These are also the engagements that tend to be more innovative. We are also hearing of examples where service buyers that are not happy with innovation and engagement are re-bidding.

Examples:

- Sutherland is a “good strategic partner, easy to work with, flexible,” and invests in their clients, per references.
- An Accenture client shared an appreciation for “the ability to work with us to sort through issues and could arise from our side or their team.” Changes are made as needed to “make us whole in a business partnership,” one that is focused on shared outcomes.
- As an example of increasing the value of engagement over time, Conduent started by providing a point solution and then the engagement shifted to an end-to-end approach and incorporated IT projects. The environment that Conduent now runs with this client is “complex” but executed with “high quality.” “We have developed the type of relationship that is the secret sauce,” per the feedback.
- Genpact’s capability for working with clients is reflected in statistics: client retention is at 99% and new account NPS was an impressive 63% in 2016.
- A DXC client mentioned how they are “learning together” as they move from FTE-based contracting to transaction and outcome-based work.

How As-a-Service Is Taking Shape in F&A: Intelligent Automation

Operating fragmented processes across multiple technologies with significant manual interventions



Using automation and cognitive computing to augment human performance



In last year's Blueprint on F&A As-a-Service, the general consensus was that F&A business operations were primarily in early stages of learning about RPA. We heard about a few pilots, but not much momentum. This year is different; RPA is at least a familiar term and we have garnered a number of stories and recommendations for how to drive successful RPA initiatives. As an example, see [RPA Fundamentals with HSBC Practitioner, Brian Halpin](#)

Also, there is a better understanding of the spectrum for what we call "Intelligent Automation" – desktop automation and RPA are the use of software to do routine tasks and end-to-end workflow, which is enhanced through machine learning and natural language processing, and further over time with cognitive computing and artificial intelligence. As the technology becomes more sophisticated, so do the roles that accompany it, thus the term Intelligent Automation.

In F&A, RPA is most frequently mentioned as addressing accounts payable and invoice processing followed by data-consolidation intensive activities in reporting and collections; and this year we heard an uptick in use of RPA for reconciliation.

All service providers have been using macros and "mini-bots" on what they can manage without touching the client IT environment for years, and are increasingly applying it more aggressively across activities for standardized processes to increase predictability, speed, and quality. As they do so, staff are often being retrained or shifted to new engagements (this is real, we heard examples). Also, natural attrition is also at play where roles that are left are no longer filled.

How As-a-Service Is Taking Shape in F&A: Intelligent Automation, continued

This year we are also hearing more stories of collaboration between service buyers and service providers on business case and approach. Service providers like DXC and TCS have shaped RPA COE offerings to help clients get “launched.” A DXC client told us how the service provider helped get their business case revived and approved; another one described how they are partnering to build out an automation COE. Talk to your service provider or peers in the industry about this challenge if you are facing it: “How do we get our company to realize the value and provide access to the systems and applications?” Here’s one example: [The Human Side of RPA: The Prudential story of change management.](#)

F&A outsourcing discussions now, as default, include consideration of RPA. Service providers like Infosys, TCS, and Wipro have scaled their F&A practices winning new work with broader scope done by fewer people in the past, Accenture has moved resources around internally, and it is all linked to use of intelligent automation. From a contracting perspective, as the use of RPA moves beyond pilots, and even now before a pilot is defined, we are hearing that these are mostly in statements of work under MSAs or separate contracts altogether, depending on the extent of work. New contracts are typically transaction-based and not FTE.

Clients mostly hear about cognitive automation from IBM, Accenture, Wipro, and TCS. Genpact also shared a client example – see the sidebar. According to a US F&A executive, “When cognitive tools really kick in, that will change F&A. We’ll be able to train software to do a lot of the problem solving and error spotting that we do manually today that is so time consuming.”

How Artificial Intelligent Plays a Role in F&A Today

For a global international insurance organization serving more than 90 million customers in more than 100 countries, Genpact partnered in a transformation effort that used AI in this way:

- Accrual Engine leveraging natural language processing (NLP) technology to automate manual journal accounting
- Robotics to automate manual processes across intercompany
- AI reporting leveraging natural language generation (NLG) technology and analytics for FP&A and controllership

Results: 40%-50% productivity in global operations, increasing controllership with improved accounting, and delivering \$4.6 million annualized cost reduction benefits.

How As-a-Service Is Taking Shape in F&A: Intelligent Automation, continued

For a broader picture – analysis of the market activity and service provider capability – refer to the [HfS Blueprint: Intelligent Automation](#), learn more about the software providers in [HfS Snapshot: RPA Providers](#), or check out the HfS Research web site for [case studies and research-based POVs](#).

More Examples:

- AstraZeneca partnered with Cognizant to centralize, standardize, and build robotics into reporting: [RPA Enables AstraZeneca to Deliver Rapid Insights](#). As another reporting example, Infosys worked with groups to centralize, standardize, and post/distribute reports via a reporting factory.
- HCL clients described efforts underway to fully automate invoice to pay and document management and said the project management team “has been excellent.”
- A customer requisition, validation, and corresponding order entry process is more than 55% automated, per a Sutherland client. Clients feel that Sutherland tells a “compelling story” for using RPA.
- To call out a couple of common scenarios for applying RPA: Infosys is working with clients to automate the posting of journal entries into SAP, and EXL is doing similar work with Oracle, for example. EXL also has work described by a client for vendor verification and validation in accounts payable.
- Capgemini has introduced a comprehensive and easy to follow methodology for incorporating RPA into the business. eSOAR helps identify a starting point and take into consideration a lot of what we’ve seen as stumbling blocks in RPA initiatives, e.g., business case coordination and development, change management, and governance.
- Accenture Cash Apps Advisor helps in unapplied cash reconciliation in real-time using artificial intelligence-based smart matching. Another example in use is the Intelligent Invoice that helps predict invoice accuracy and outcomes.
- IBM Cognitive Performance Foresight is using machine learning algorithms to model how enterprise and market forces interact, using structured and unstructured, internal and external data sources, to help optimize financial planning.

How As-a-Service Is Taking Shape in F&A: Accessible and Actionable Data

Performing ad-hoc analysis of unstructured data with little integration or business context



Making data available and applying analytics models, techniques, and insights to drive insights and action plans



The most effective analytics – analysis of data for insight that leads then to plan and action – starts with aggregated, cleansed, and standardized processes and data. It typically builds on where a service has established a level of trust, operational stability, and depth of industry or functional expertise. The greatest take up of analytics in this way is in spend analytics, accounts receivable, financial reporting and compliance, and financial planning and analysis. Most analytics work today is building on the data presentation and reporting that's pretty well established in sourcing activity in F&A.

A number of service providers are hiring data scientists, developing visualization tools with simulation capability, and rolling out internal and external training programs and partnerships for talent development in specialty areas. Service providers are now at the point of having increasingly robust solutions as systems of engagement that link into and/or between ERP systems and make data more accessible and actionable through dashboards. Many of these dashboards have indicators, alerts, and modeling and scenario planning. The two challenges cited most frequently: (1) as one client put it, “is getting it linked to our system” and (2) context – corporate or industry.

How As-a-Service Is Taking Shape in F&A: Accessible and Actionable Data, continued

Examples:

- Arvato has a real-time fraud detection and proactive deterrence capability in action in banking, insurance, telecom, and retail clients. Risk management is an area of specialty for the service provider. Risk and compliance is also a specialty and significant growth area for WNS, partnering with risk advisory companies to address, in particular, banking and insurance.
- Genpact is providing specialty expertise for risk management, e.g., support for antibribery work for large global corporations in emerging and growth markets that otherwise get penalized for transgressions; the work covers analysis on payments and channel partner commissions.
- Infosys Information Platform (IIP) and Infosys Automation Platform (IAP) are now in the framework of NIA, where Infosys has added a visualization front end and is incorporating machine learning and artificial intelligence. As one client user of IIP shared, “we have many instances of ERP systems operating in different countries and need consolidated reporting... IIP brings the data into one place and visualizes the measures around P2P with invoice payments on time ... data is in one place and it is easy to navigate.”
- Spend analytics is a pretty common place for us to see the application of analytics – embedded or as-a-service. Conduent is using machine learning to “interrogate” material contracts and when it finds a pricing discrepancy, and works with the client and supplier to negotiate.
- EXL also describes how it is investing in communications skills development so that its staff not only can use the technology and do data management and analysis work, but also communicate effectively which we find is often overlooked as a valuable skill and was highlighted in feedback on the service provider.
- Wipro is developing its Holmes anomaly detection platform for payables, receivables, and travel expenses – to detect fraud, duplicate payment, etc. It’s in play at a client where it is identifying duplicate payments, eliminating rework.

How As-a-Service Is Taking Shape in F&A: Holistic Security

Responding reactively with post-event fixes; little focus on end-to-end process value chains



Proactively managing digital data across a service chain of people, systems, and processes



Holistic Security is the proactive management of security across internal and external people, process, and technology. Often the focus is on the systems, but in business process services and in sourcing engagements, people, and process become a significant factor in managing and securing data. There is a very deep and ingrained protection of data in finance.

We see increasing levels of maturity around education, training, and compliance management, which is more and more critical to establishing trust and enabling more interactive and analytical based engagements. However, clients and service providers need to jointly strategize on how to create a shared culture for holistic security in order to continue the drive to “digital F&A.”

Examples:

- TCS employs a simple, comprehensive, and straightforward model for what the service provider terms “customer safety”: human security (pre, during, and post employment), physical security (e.g., electronic and biometric controls), and IT security. TCS does periodic info evaluation with vulnerability assessments to identify potential for fraud, and to keep data integrity and confidentiality.

How As-a-Service Is Taking Shape in F&A: Plug-and-Play Business Services

Undertaking complex and often painful technology transitions to reach a steady state



Plugging into “ready to go” business outcome-focused, people, process, and technology with security measures



While finance is dependent on ERP systems, plug-and-play business services can unlock value by interfacing with these systems, and making them more extensible and accessible. Plug-and-play also is well positioned for smaller but growing companies, networks (e.g., of colleges and healthcare systems), and in support of replacing systems for companies going through mergers or divestitures. As an industry, we need to make it easier to use “plug and play,” contractually – commercial models are still in “development” phase in the BPO industry and evolving. Many service providers are shaping, partnering, developing, and offering options, and it is a matter of readiness and momentum among clients. SaaS and BPaaS could displace BPO legacy work in PTP, OTC, and RTR over time.

Examples:

- OneSource Virtual is entering the market as a BPaaS provider with Workday at the core. OSV combines Workday’s Accounts Payable functionality with a proprietary invoice capture tool and a Workday-based proprietary rules engine. “Shared automation” is the foundation of the offering.
- HfS has heard that Genpact does a nice job of telling the story of how a SaaS like Blackline fits into the business process services environment and addresses productivity and controls in record-to-report, which is a significant portion of Genpact’s F&A service.
- Infosys has its own set of technology platforms but also partners, such as with Tungsten to integrate into its network as appropriate for reduce days sales outstanding, for example.
- Capgemini divested its IBX to Tradeshift and partners to provide an end-to-end solution for source-to-pay.
- Service providers that appear to be embracing BPaaS most aggressively include Capgemini, Cognizant, Conduent, EXL, Hexaware, and IBM.

Multi-Process F&A BPO Deal Size and Trends

based on contracts reported in this research, 2005 - 2017



The F&A Business Process Services Client Market Is Increasingly Diversified

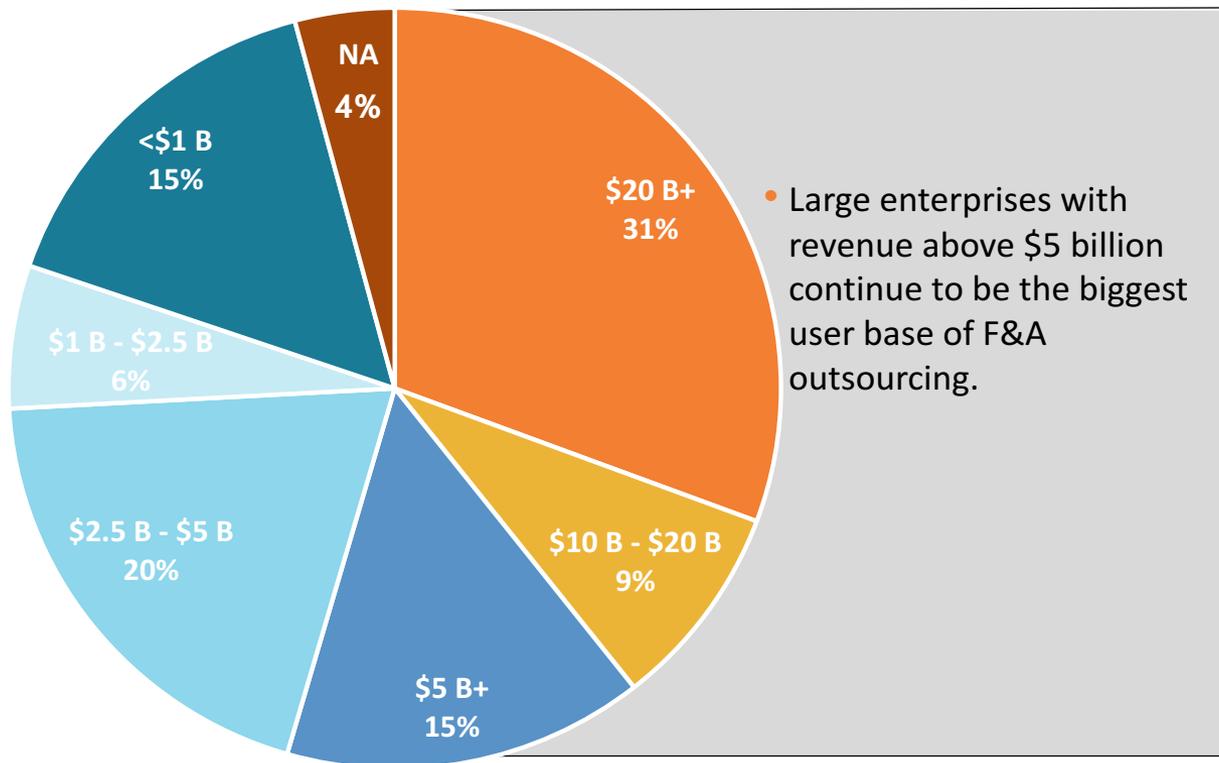
Mid-market buyers are becoming more active in new engagements

% of Contracts by Client Size

Number of contracts from 2005 to date: 1,680

In terms of new contract signing activity during 2015-2016, enterprises having revenues less than \$5 billion engaged 23% more than the large enterprise buyers.

Enterprise Categories	Range of Revenue
Large enterprises	Revenue above US \$5 billion
Mid-market enterprises	Revenue from US \$500 million to US\$ 5 billion
Small enterprises	Revenue below US \$500 million



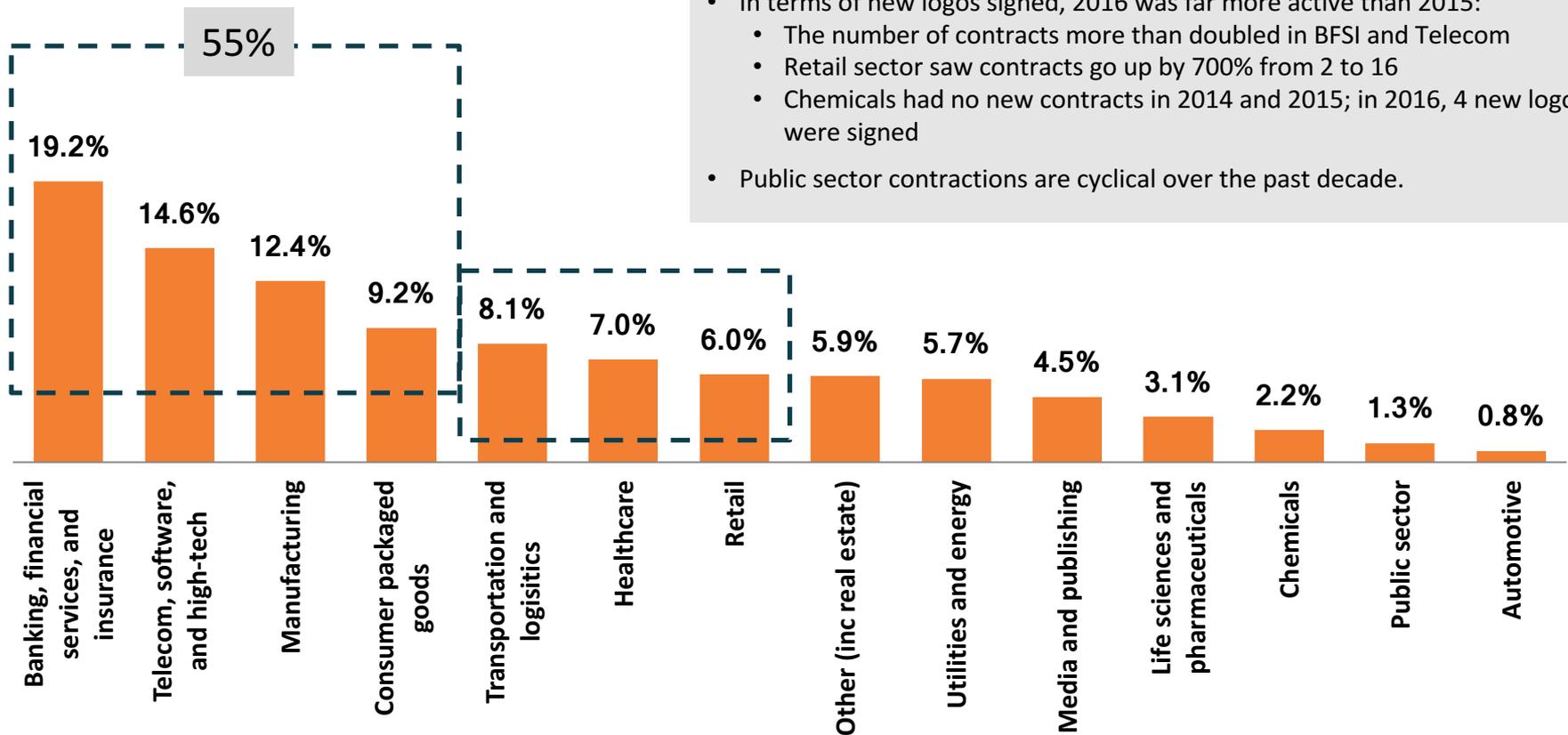
Source: HfS Research, 2017, N = 1,680 live multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCV and have a minimum of two core F&A process bundled

BFSI, Telecom, and High-Tech, Manufacturing and Consumer Packaged Goods Lead the F&A BPO Activity

% of Contracts by Vertical Segment

Number of contracts from 2005 to date: 1,680



Behind the numbers

- 55% of the F&A outsourcing services market is dominated by four industries.
- In terms of new logos signed, 2016 was far more active than 2015:
 - The number of contracts more than doubled in BFSI and Telecom
 - Retail sector saw contracts go up by 700% from 2 to 16
 - Chemicals had no new contracts in 2014 and 2015; in 2016, 4 new logos were signed
- Public sector contractions are cyclical over the past decade.

* Others include industry segments such as real estate, professional services such as management consulting, staffing and recruitment provider, legal services, research services and other professional services

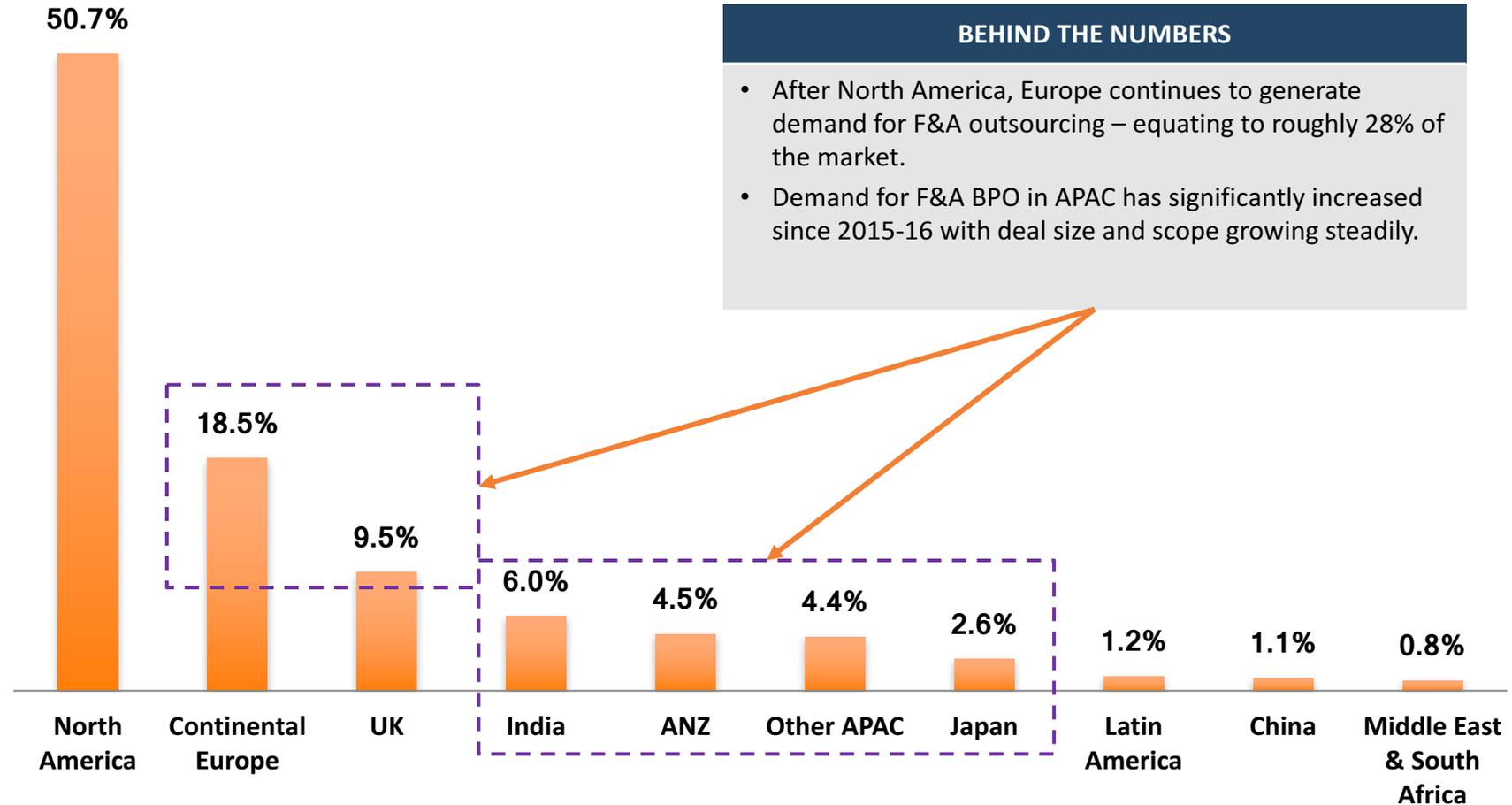
Source: HfS Research, 2017, N = 1,680 live multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCV and have a minimum of two core F&A process bundled

North America Continues to Dominate the F&A BPO Market; Activity in Asia Pacific is Increasing

Region Contract Signed

Number of contracts from 2005 to date: 1,680



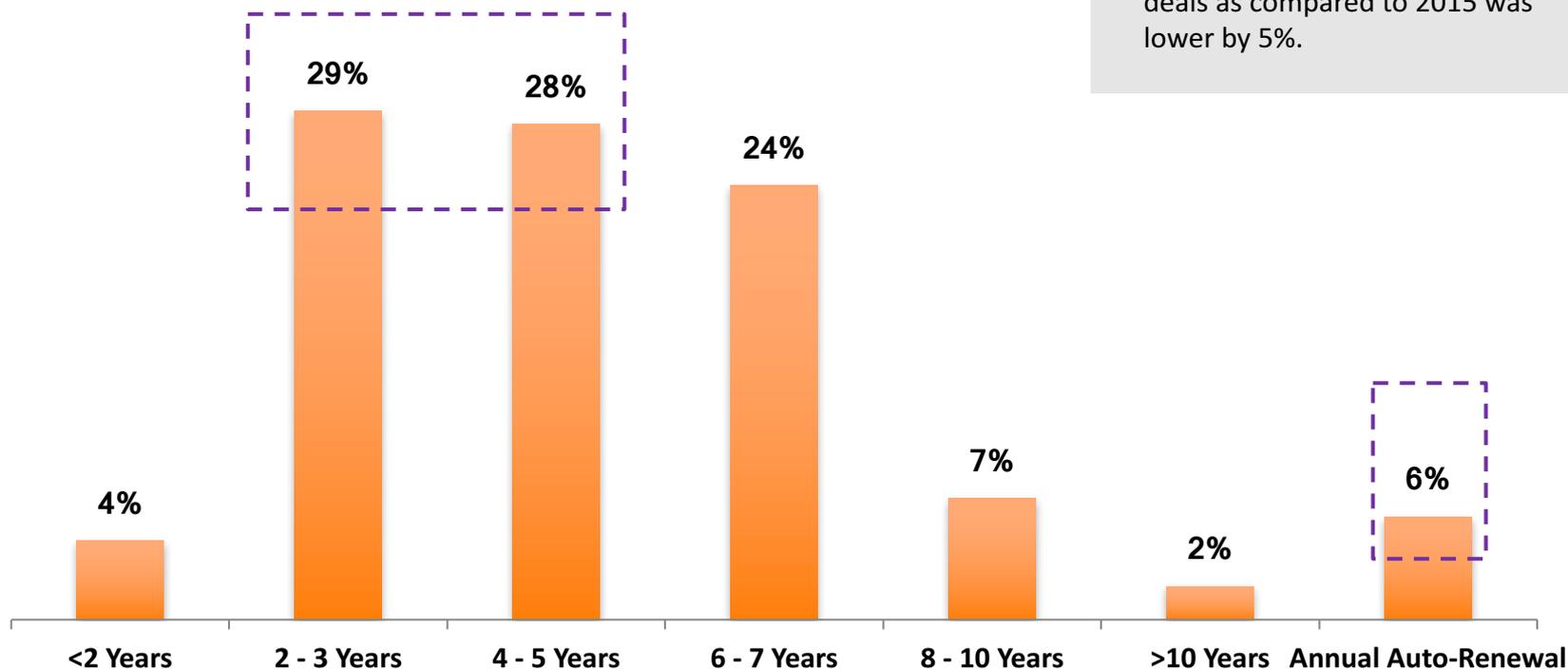
Source: HfS Research, 2017, N = 1,680 live multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCV and have a minimum of two core F&A process bundled

Deal Lengths Shorter: F&A BPO Deals Are Increasingly in the Range of 2 - 5 Years

Length of F&A BPO Contract Term

Number of contracts from 2005 to date: 1,680



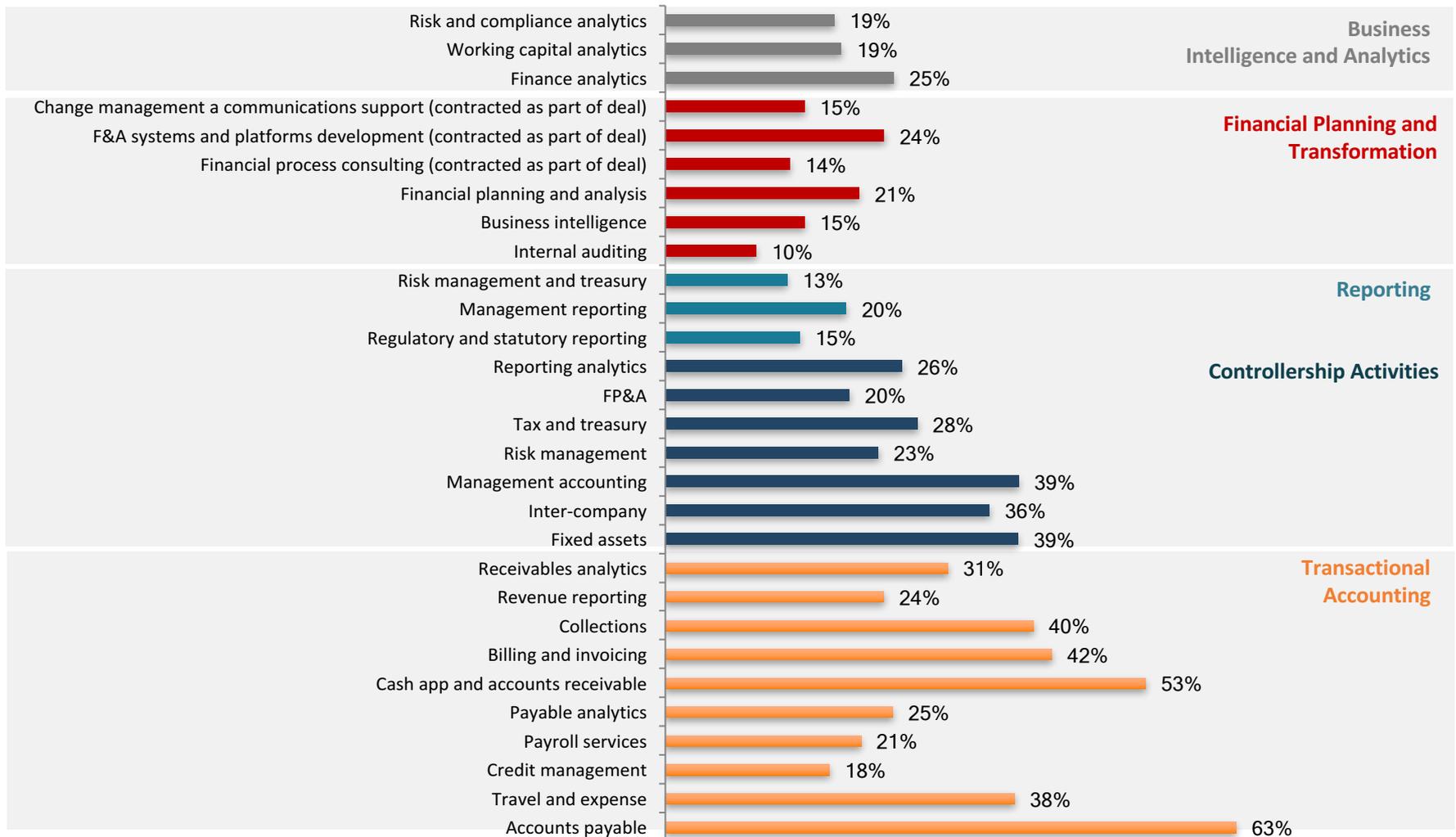
BEHIND THE NUMBERS

- In 2016, the short-term deals with the tenure of 2 to 3 years went up by 17% as compared to the 2015.
- During 2016 the share of long-term deals as compared to 2015 was lower by 5%.

Source: HfS Research, 2017, N = 1,680 live multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCV and have a minimum of two core F&A process bundled

Multi-process F&A BPO Engagements Center Heavily on Transactional Accounting Processes with Major Uptick in Reporting Activity



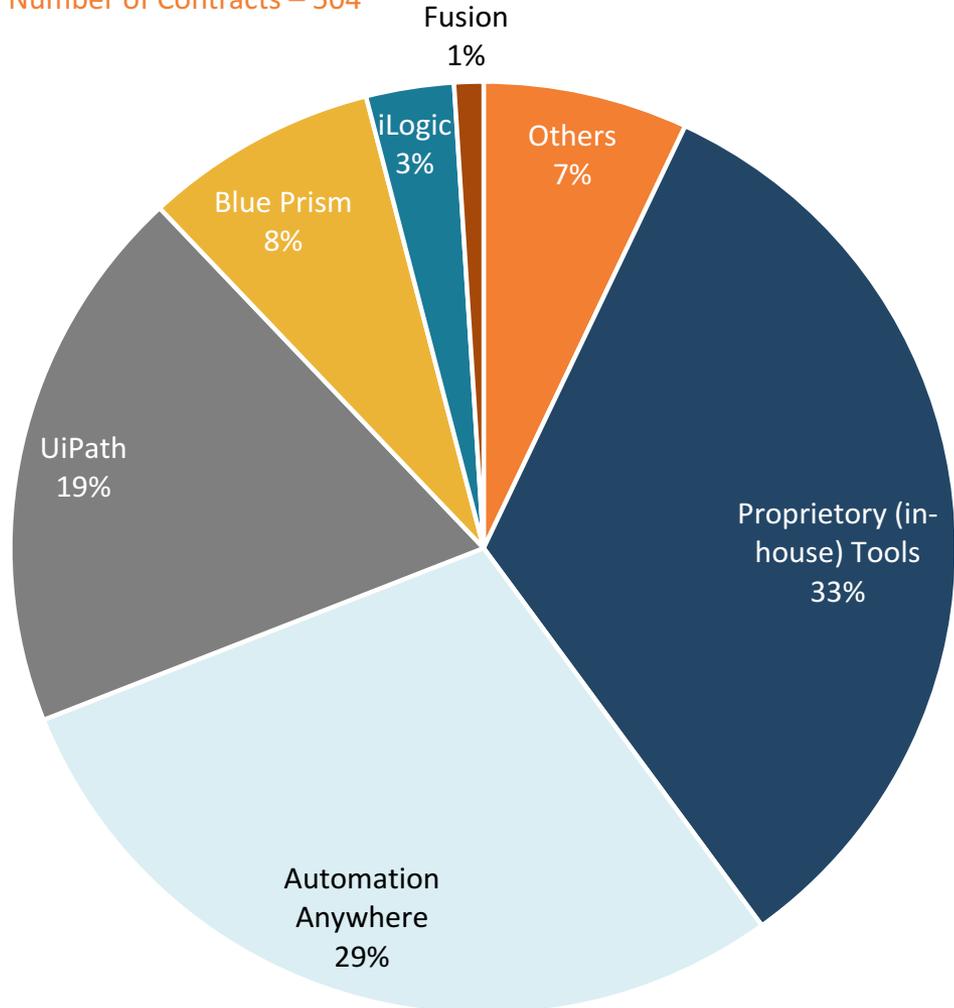
Source: HfS Research, 2017, N = 1,680 live multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCV and have a minimum of two core F&A process bundled

Uptake in RPA Adoption Is Led by Proprietary Toolsets

Percentage of Robotics Processes Deployment by RPA Tools

Number of Contracts – 504



*Others include tools such as Coupa, SAP Ariba, Basware or any other tools that HfS does not classify as RPA

Source: HfS Research, 2017, N = 504 live Multi-process F&A BPO Contracts

Based on live F&A BPO contracts which are over \$1m in TCV and have a minimum of two core F&A process bundled

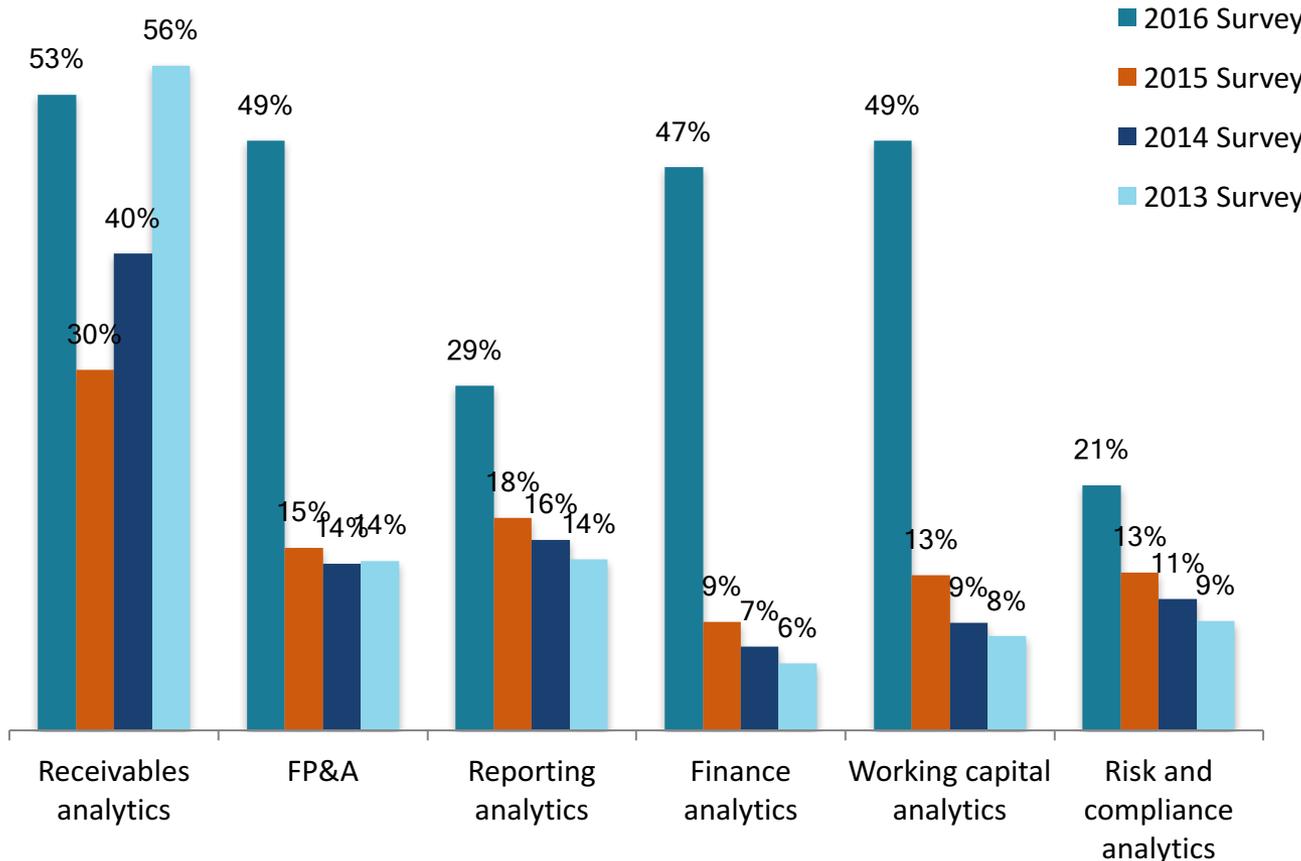
BEHIND THE NUMBERS

- Leading service provider integrating RPA (as reported through contract data) are:
 - Accenture
 - Capgemini
 - Genpact
 - Tata Consultancy Services
 - Sutherland Global Services
 - WNS Global Services
 - Infosys BPO Limited
 - Wipro
- Although proprietary tools take the lead in F&A BPO, off-the-shelf products such as Automation Anywhere, UiPath, and Blue Prism are used on 56% of total RPA deployments.
- HfS Research does not classify third party software packages specific to F&A processes that include automation, such as SAP-Ariba, Basware, and Coupa in the procure-to-pay area, as stand alone RPA tools.

Service Providers Are Increasingly Embedding Analytics

Percentage of Finance Analytics Scope in Multi-process F&A BPO Deals

Number of contracts: 1,116



BEHIND THE NUMBERS

- Since 2013, the percentage of deals with analytics components is on the rise.
- The F&A BPO market is showing a higher demand for working capital and finance analytics.
- The service providers having the highest number of contracts with analytics embedded in the contract and delivery are:
 - Accenture
 - IBM
 - Genpact
 - Tata Consultancy Services
 - Wipro
 - DXC
 - WNS Global Services

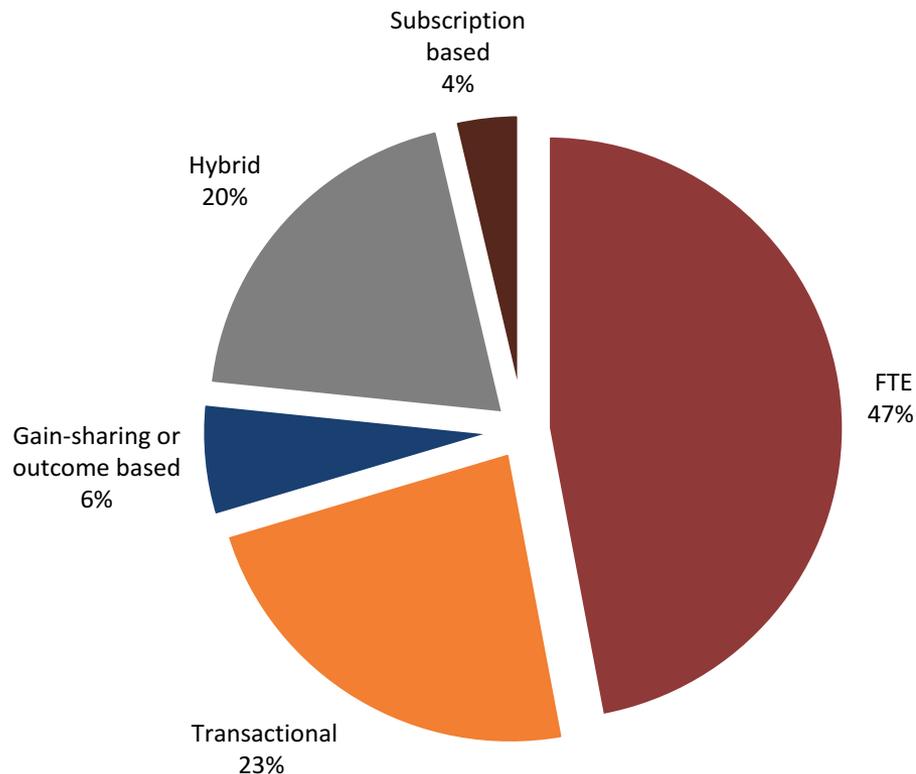
Source: HfS Research, 2017, N = 1,116 multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCv and have a minimum of two core F&A process bundled

Current Pricing Models Deployed in F&A BPO

% F&A BPO Contracts Pricing Construct

Number of contracts from 2005 to date: 1,680



BEHIND THE NUMBERS

- The pricing in F&A BPO continues to be predominantly FTE-based. We don't see this going away. However, buyers and service providers are increasingly exploring models beyond FTE-based pricing, often in advance of renewal dates.
- Most of the transaction-based pricing is associated with platform-based BPO. These contract models have outcomes defined, however pricing is tied to the business outcome only in a small percentage of cases.
- A number of service providers will look for achieving and validating "value beyond the contract" and Accenture, Genpact, and Infosys have all shared examples.
- Our discussions with buyers and service providers indicate that service providers are more and more confident in recommending hybrid or gain-share-based pricing models when there is a platform or RPA solution involved.
- The growing use of platforms and BPaaS has enabled marginal uptake in transaction and outcome-based pricing.

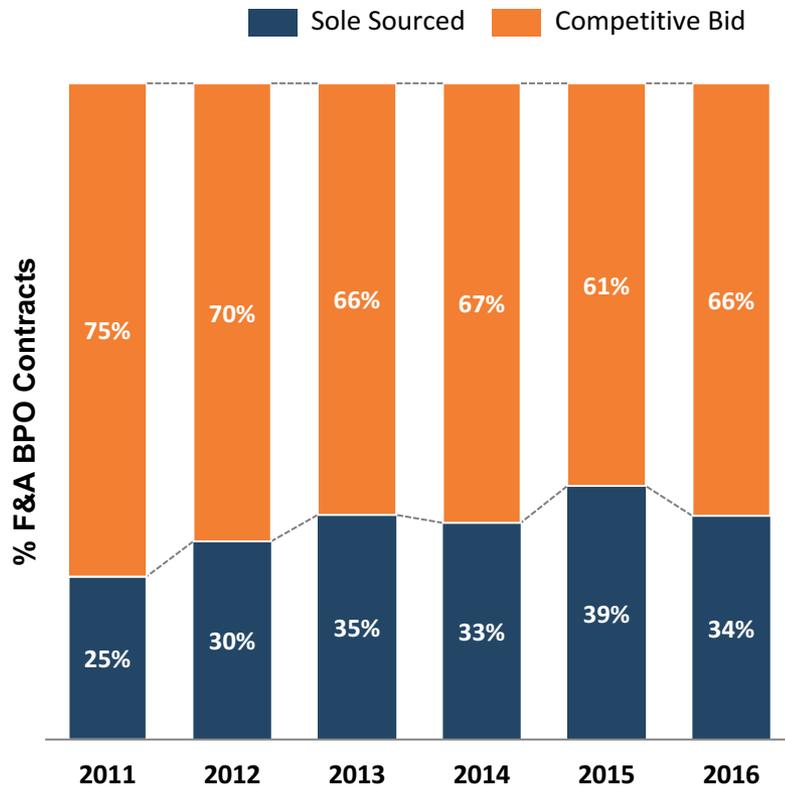
Source: HfS Research, 2017, N = 1,680 live multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCV and have a minimum of two core F&A process bundled

Outsourcing Buyers are Shifting to Seek the Best Through Competitive Bids; Less Use of Advisors

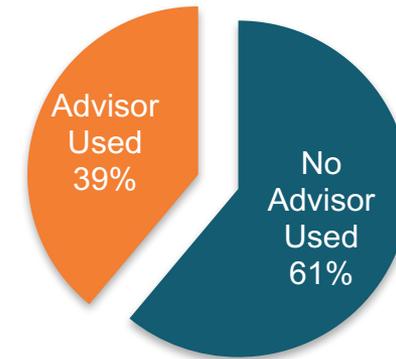
New F&A BPO Deals, Percentage Sole Sourced vs. Competitive Bid

Number of contracts from 2005 to date: 1,680



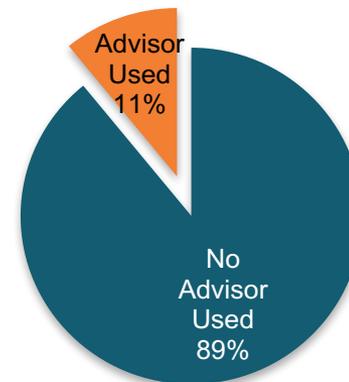
New F&A BPO Deals (2016), Competitive Bids – Percentage Use of Advisors

Percentage of Deals



New F&A BPO Deals (2016), Sole Sourced – Percentage Use of Advisors

Percentage of Deals



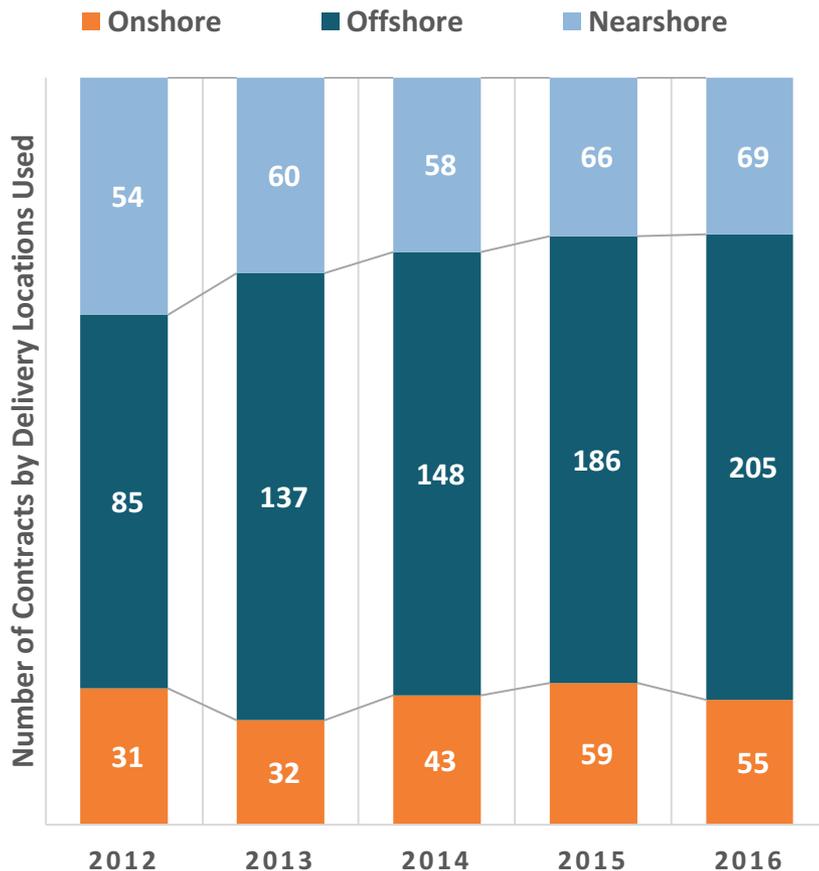
Source: HfS Research, 2017, N = 1,680 live multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCV and have a minimum of two core F&A process bundled

In As-a-Service Environment, Extensive Location Choices Available for F&A Services Delivery

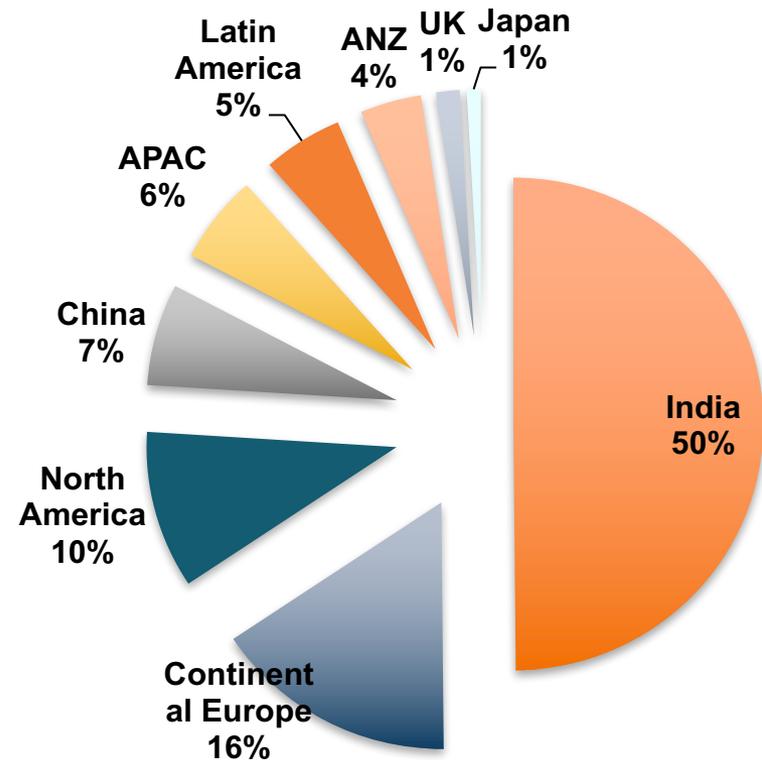
Number of Contracts Delivered by Location

Number of live contracts: 1,347



% of F&A Services FTEs by Region

Number of live contracts in 2016: 329



Source: HfS Research, 2017, N = 1,347 live multi-process F&A BPO contracts

Based on live F&A BPO contracts that are over \$1 million in TCV and have a minimum of two core F&A process bundled

Research Methodology



Research Methodology

Data Summary

- Data was collected via RFIs, interviews, briefings, and publicly available information sources Q2 and Q3 2017. Sources include: buyers, providers, and advisors or influencers of finance and accounting business process services.

Participating Service Providers



This report is based on:

- **Tales from the trenches:** Interviews with buyers who have evaluated service providers and experienced their services. Some contacts were provided by service providers, and others were interviews conducted with HfS Executive Council members and participants in our extensive market research.
- **Sell-side executive briefings:** Structured discussions with service providers regarding their vision, strategy, capability, and examples of innovation and execution.
- **Publicly available information:** Thought leadership, investor analyst materials, website information, presentations given by senior executives, industry events, etc.

HfS Blueprint Scoring: Finance As-a-Service

Execution

100%

Quality of account management	15%
Quality of service delivery	15%
Embedding automation	10%
Point solutions vs end-to-end enablement	10%
Industry depth or tailored solutions and services	10%
Generating actionable data	10%
Ability to attract and retain key skills	10%
Flexible pricing models and contracting	10%
Ability to “rightshore”	10%

Innovation

100%

Intelligent automation in F&A	15%
Investing in future talent and technology (staff, skills, tools)	15%
R&D and transformation services and proof points	15%
Vision for future finance As-a-Service	10%
Use of analytics	15%
Collaborative engagement (consultative sales, problem solving, thought leadership)	15%
Use of technology: tools, platforms	15%

HfS Blueprint Scoring: Finance As-a-Service

Execution	How well does the service provider execute on its contractual agreement, and how well does the provider manage the client/provider relationship?
Quality of account management	How engaged is the executive and management team in defining and managing the delivery of business services? How well does the service provider take feedback and incorporate it into the solution and delivery?
Quality of service delivery	What is the clients' overall impression of the quality of service?
Embedding automation	Is the service provider using automation? Is the client aware of it?
Point solutions vs end-to-end enablement	Does the solution provider offer and deliver solutions at a point in the process or end-to-end? Does the solution provider offer or partner to offer support across the whole value chain?
Industry depth or tailored solutions and services	How well does the service provider tap into industry (same or cross) practices and expertise? Any industry specific solutions or services?
Generating actionable data	Is the service provider generating data through client work that is accessible and actionable by the client or by itself on behalf of or in partnership with clients?
Ability to attract and retain key skills	Do service buyers have access to the skills and capability needed to deliver relevant, continuous, quality work? The workforce management and development capability of the service provider. Is the attrition at, above, or below average for the industry?
Flexible pricing models and contracting	How competitive and flexible are service providers in determining contract pricing? Are they willing to make investments in clients for long-term growth? What percentage of the contracts are FTE, transaction, gain-sharing? Anything innovative in the contracting?
Ability to "rightshore"	How well is the service provider able to meet client's onshore-offshore-nearshore requirements to delivery in-scope services?

HfS Blueprint Scoring: Finance As-a-Service

Innovation	Innovation is the combination of improving services and business outcomes.
Intelligent automation in F&A	Is the service provider moving up the maturity curve of automation using robotic process automation, cognitive computing, artificial intelligence, etc.? Use cases and examples?
Investing in future talent and technology (staff, skills, tools)	Is the service provider investing in developing talent with an eye toward capabilities that will impact value in the future? Is the service provider investing in the use of digital technologies in solutions?
R&D and transformation services and proof points	How effectively does the service provider identify and articulate problems and issues, and provide suggestions or partner to explore solutions? Has the service provider shared or recommended ideas or initiatives that have resulted in step change? Are they using design thinking with clients (with examples)?
Vision for future finance As-a-Service	Does the service provider have, share, and engage in dialogue regarding the future of F&A in sourcing? Is the vision communicated clearly?
Use of analytics to drive actionable insights	Is the service provider offering or providing analytics? What are the use cases and examples?
Consultative sales, problem solving, and thought leadership	Does the service provider work as a partner in collaboration and increase the value of the engagement over time? Or does it mostly take direction and deliver based on KPIs? Are there outcome-based engagements/contracts?
Use of digital to drive innovation	What digital platforms does the service provider use to deliver Finance As-a-Service? Are they integral to the service provider's offering(s)? How pervasive is the uptake of these digital platforms by clients today? Does the service provider offer/deliver BPaaS? How effectively does the service provider partner with third parties or integrate acquisitions for impact?

Service Provider Analysis

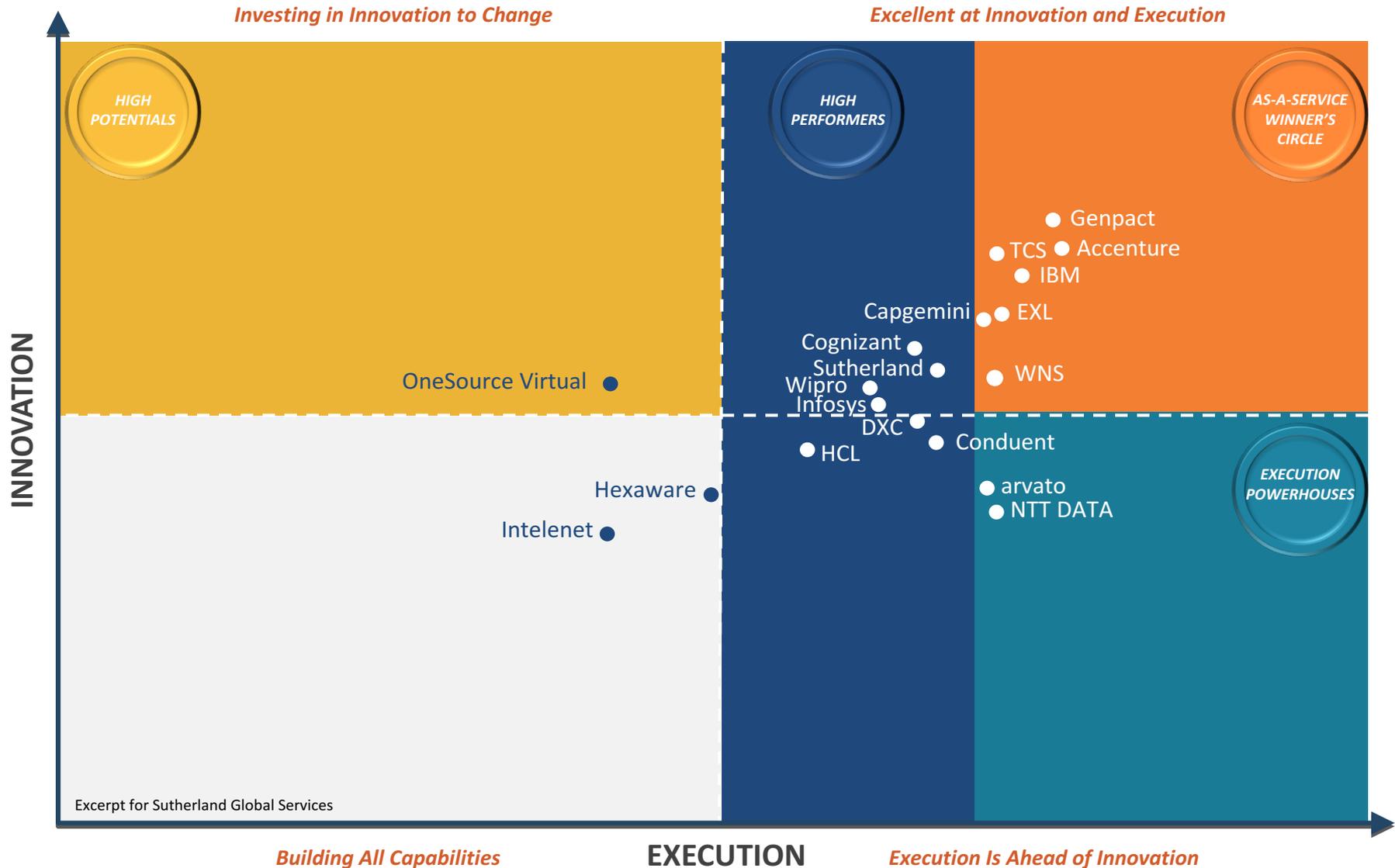


Guide to the Blueprint Grid

To distinguish service providers that show competitive differentiation in a particular line of delivery with progress in realizing the “As-a-Service Economy” of business outcome-oriented, on-demand talent and technology services, HfS awards these providers the “As-a-Service Winner’s Circle” designation.

	Execution	Innovation
<p>● As-a-Service Winner’s Circle show excellence recognized by clients in the Eight Ideals in execution and innovation</p>	<p>Collaborative relationships with clients, services executed with a combination of talent and technology as appropriate, and flexible arrangements.</p>	<p>Articulate vision and a “new way of thinking,” have recognizable investments in future capabilities, strong client feedback, and are driving new insights and models.</p>
<p>● High Performers demonstrate strong capabilities but lack an innovative vision or momentum in execution of the vision</p>	<p>Execute some of the following areas with excellence: worthwhile relationships with clients, services executed with “green lights,” and flexibility when meeting clients’ needs.</p>	<p>Typically, describe a vision and plans to invest in future capabilities and partnerships for As-a-Service, and illustrate an ability to leverage digital technologies or develop new insights with clients.</p>
<p>● High Potentials demonstrate vision and strategy but have yet to gain momentum in execution of it</p>	<p>Early results and proof points from examples in new service areas or innovative service models, but lack scale, broad impact, and momentum in the capability under review.</p>	<p>Well-plotted strategy and thought leadership, showcased use of newer technologies or roadmap, and talent development plans.</p>
<p>● Execution Powerhouses demonstrate solid, reliable execution but have yet to show significant innovation or vision</p>	<p>Evidence of operational excellence; however, still more of a directive engagement between a service provider and its clients.</p>	<p>Less evident vision and investment in future-oriented capability, such as skills development, “intelligent operations,” or digital technologies.</p>

HfS Blueprint Grid: Finance & Accounting As-a-Service 2017



Major Service Provider Dynamics: Highlights

Execution

- **Quality of account management:** The cornerstone of increasing value in the engagement over time is collaboration. **Cognizant, EXL, and IBM** clients all gave examples of alignment and shared objectives and solutions.
- **Actual delivery of services:** The five service providers with the highest ratings from clients on Service Delivery - combining quality and responsiveness with continuous improvement: **Cognizant, Sutherland, EXL, HCL, and WNS**. We have also heard appreciation for the longevity of process owners and on-boarding at **Capgemini**.
- **Embedding Robotic Process Automation:** Every service provider is now commonly automating routine activities and increasingly working with clients on business cases and change management, too. **Cognizant, EXL, and Sutherland** clients talked about their experience; **Accenture, Capgemini, and Genpact** have the highest percentage of use of RPA on engagements per contract data. **DXC** has a unique approach to using “dark data” here, and the **Infosys** platform gets kudos.
- **Talent development:** In this year’s research, we saw an increased focus on unique programs (e.g., academies, job rotations, and “hackathons) and partnerships (e.g., universities) for talent development, reskilling, and up-skilling for use of technology in BPS and in industry-specific capability.
- **Vertical capabilities:** For service buyers looking for providers with industry depth and context, many service providers continue to build out vertical capability. Examples: **WNS** in Travel/Transport, **Cognizant, NTT DATA, and Sutherland** in Healthcare, **arvato** in eCommerce.

Innovation

- **Vision for Finance As-a-Service: Accenture, EXL, Genpact, IBM, Sutherland, and TCS** clearly articulate a forward-thinking vision for F&A that brings together analytical talent and technology-based solutions that are increasingly customer centric.
- **Using technology to support business processes:** The use of technology to support business processes has come a long way in the past few years in F&A, both proprietary, e.g., **Infosys and Intelenet**, and increasingly through partnership, e.g., **Cognizant, Genpact, EXL, and Wipro**. **Conduent** has a mixed approach.
- **Introducing Intelligent Automation into F&A:** In the last year, **Accenture, IBM, TCS, and Wipro** have incorporated cognitive capability into F&A work. Service providers are becoming more sophisticated here.
- **Accessible and actionable data and analytics:** We see momentum in around embedded and analytics as a service, particularly in risk management, e.g., **arvato, Genpact, WNS**.
- **Plug-and-Play Business Services:** These services focus on the outset on addressing a specific activity and outcome in finance. Service providers are “picking their spots” and partners, e.g., **Capgemini** has divested IBX to Tradeshift and partners for source-to-pay. **OneSource Virtual** entered the market with its Workday-centric BPaaS solution, based on its own experience, although other service providers offer Workday-based solutions.

Full Coverage

Less Evidence

Little to No Evidence

Value Chain Coverage/Maturity is based on services scope, case studies, references, and contract data.

Sutherland Global Services

High Performer

Refreshing growth strategy focuses on human-centered process transformation enabled by technology



SUTHERLAND

Blueprint Leading Highlights	Strengths	Challenges
<ul style="list-style-type: none"> Quality of Account Management Team Vision for Finance As-a-Service Investing in Future Talent and Technology Increases Value of Engagement Over Time Embedding Automation Industry Depth and Tailored Services 	<ul style="list-style-type: none"> Relaunched: Sutherland recently refreshed its identity around customer experience, led by human-centered design, outcomes, and process orientation enabled by digital technology. It's supported by COEs for design thinking and automation, which receive kudos from clients. The F&A practice has new leadership with strong credentials in finance and robotics and is on a trajectory, growing faster than Sutherland overall. Sutherland is using MAGIC – an acronym for talent development – to attract and develop the right people for growing and changing the business. This initiative is focused on creating an organization to educate, reskill, and engage its workforce over time. Transformation Capability: Sutherland has examples of designing and leading as well as taking on the management of shared services centers, with positive feedback, elevating these centers to the next level of workforce and career development and automation. Discipline in Execution: A Sutherland strength is structure on executing correctly with the right controls, responsiveness, and escalation, per clients, resulting in a high level of accuracy and professionalism. For example, when a client needed to quickly ramp up support in an industry-specific accounting area, Sutherland was able to hire and onboard an extraordinary number of resources and course correct quickly as needed. Quality with Comfortable Size: HFS heard that clients appreciate Sutherland is large and experienced enough to have resources to have or build capability but also small enough to maintain a personal touch. NPS is close to 70. Sutherland needs to “protect” this intimacy as it grows. It has shown how it can grow from industry-specific to general F&A. Intelligent Automation: Just like in last year's Blueprint, Sutherland clients expressed appreciation for the COE that designs, develops, and implements RPA from RFP stage and across projects. Sutherland is willing to invest in POCs to gain an edge in competitive situations. The service provider has simplified and focused its portfolio of platforms as SmartLeap, which includes a proprietary RPA platform and invested in Neuvora, with proven work and results in predictive analytics impacting churn, growth, and AP. 	<ul style="list-style-type: none"> Breadth Beyond Order-to-Cash: Over 60% of Sutherland F&A business is what it calls Quote-to-Cash. It is, however, investing in clients and capability to build out procure-to-pay and record-to-report to even out its portfolio and is seeing expansion here. Build Mid-Management Leadership: HFS heard some concerns that the account, automation, and delivery middle / rising management feels a bit “thin” – as if there isn't enough of a pool or depth of leaders at Sutherland. Sutherland has an opportunity to strengthen its talent development program and succession and transition approach. It's also been hiring experienced leaders and needs to continue, perhaps more aggressively. Stable Transformation at Scale: Clients tell us Sutherland impresses in proposals, design thinking workshops, and automation COE efforts, and the challenge is to manage ideas into on-going action, flexible resources, proactive middle managers, and “aggressive incrementalism.” Early Days for the New: Sutherland has to live up to its new image – design led, customer oriented, platform based. It looks promising but has to deliver consistently with the customers. We don't see a lot of strategic analytics work yet, and it is learning to be software / platform owner.

Value Chain Coverage:

Procure to Pay
Order to Cash
Record to Report
Finance Transformation
Analytics

Acquisitions / Partnerships	Client Profile	Service Delivery Operations	Proprietary Technologies
<p>Acquisitions:</p> <ul style="list-style-type: none"> Shared Services Center Carveouts Neuvora (2016) for analytics Convergys F&A BPO division (2011) <p>Partnerships include:</p> <ul style="list-style-type: none"> Ramyan and Microsoft for analytics UIPath ABBYY Digitization MRI Software for REIT 	<p>Client profile: Mid-market companies and vertical offerings within this segment. Depth is in order-to-cash, expanding into procure-to-pay and record-to-report.</p> <p>88 F&A BPO clients</p> <p>Target industries:</p> <p>Healthcare, banking and financial services, travel and transportation, logistics, technology, retail</p>	<p>Headcount: ~6,900</p> <p>Delivery centers (22):</p> <ul style="list-style-type: none"> USA: 18% (Tulsa, Clifton, Sunrise, Los Angeles, Houston) Latin America: 14% (Colombia; Brazil; Kingston, Jamaica) Europe: 2% (Bulgaria; Slovakia; S. Africa) India: 54% China and Philippines: 10% Others: 4% (Dubai, UAE; Kuala Lumpur, Malaysia) 	<ul style="list-style-type: none"> SmartLeap AP BPaaS Platform SmartLeap AR BPaaS Platform SmartLeap RPA Supplier Portal, SmartOps, SCAN Sutherland Customers Analytics Network Customer Engagement Management Portal



Market Direction and Recommendations

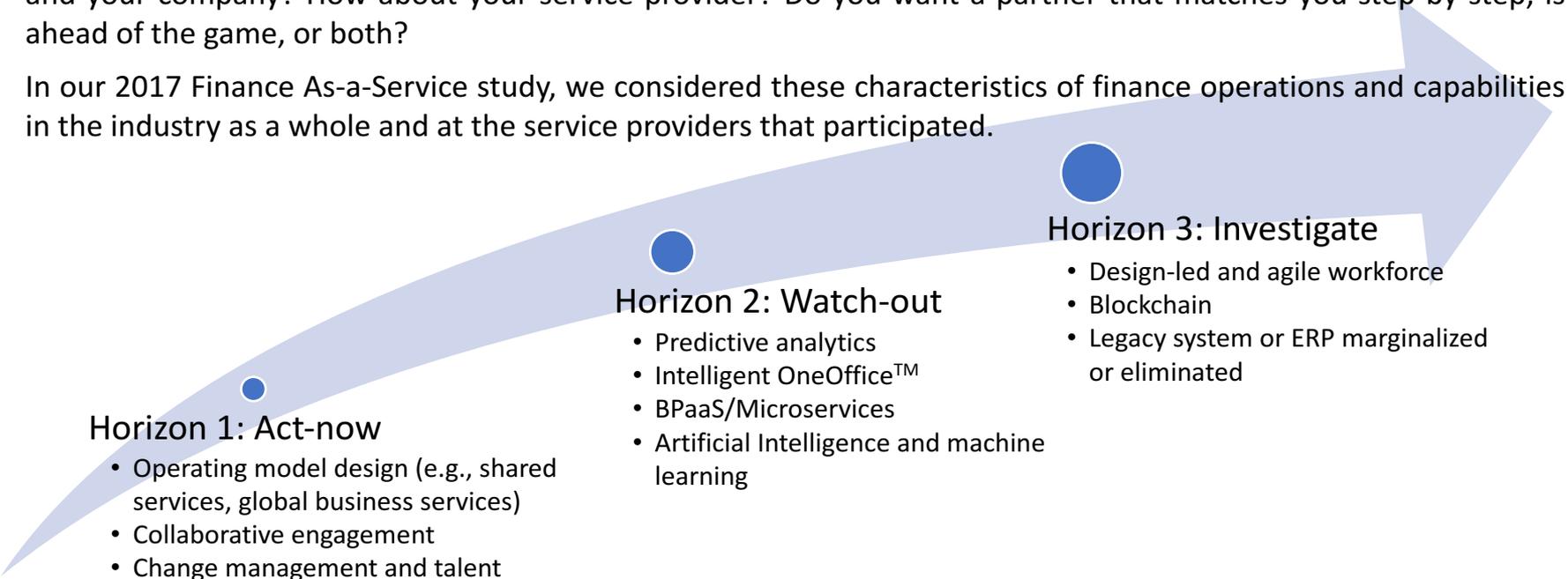


The Three Horizons of F&A As-a-Service

Finance is becoming more integrated into the business as a partner versus controller. Finance functions need to be more “tech-savvy” and stakeholder-oriented to continually “up the game” and drive new levels of efficiency and business outcomes while companies grow.

What is the maturity and sophistication of your finance operation, your global business services (if appropriate), and your company? How about your service provider? Do you want a partner that matches you step by step, is ahead of the game, or both?

In our 2017 Finance As-a-Service study, we considered these characteristics of finance operations and capabilities in the industry as a whole and at the service providers that participated.



Horizon 1: Act-now

- Operating model design (e.g., shared services, global business services)
- Collaborative engagement
- Change management and talent development
- Brokers of Capability
- Robotic Process Automation
- Rightshoring (onsite, nearby, offshore)
- Digital finance transformation plan
- Accessible and actionable data
- Hybrid contracts (from FTE only to with transaction, gain-sharing, outcome-based)

Horizon 2: Watch-out

- Predictive analytics
- Intelligent OneOffice™
- BPaaS/Microservices
- Artificial Intelligence and machine learning

Horizon 3: Investigate

- Design-led and agile workforce
- Blockchain
- Legacy system or ERP marginalized or eliminated

Where to Next for F&A As-a-Service

Similar to the 2016 F&A As-a-Service report, we see the following as the major trends shaping and fostering the evolution of finance to strategic business partners:

- **Increasing Interest in Making a “Cultural Match”:** Companies will always be subject to changes in leadership, and as service providers are an increasingly integral part of a company’s operations, it’s critical to have alignment over time on the context, direction, and alignment between the service buyer and the service provider. As one executive put it, “we will have change in our leadership and the challenge is to have new leaders on both sides continue to build on what we have started...that we don’t have to start over.” ([Check out The Rise of Supplier Relationship Management](#))
- **Investments in Technology-Enabled Talent:** Increased use of digital technology in finance is inevitable. So that means operations and finance executives and service providers need to be training people on what it is and how to use it and designing new roles and career paths. We see an increasing number of service providers offering education and training opportunities to increase analytical, industry, and automation capability of BPO professionals. We hear from global business services and finance leaders that more and more, what they are seeking is professionals who have communication, problem-solving, and relationship management capabilities, and technical savviness or willingness to learn it. [Example: Training for jobs that don’t yet exist: the AT&T story](#)
- **Analytics Embedded and As-a-Service:** Where service buyers and service providers have partnered to stabilize and standardize processes, with the increasing use of process robotics to integrate data sources and drive predictable and higher quality data, and noting the increase in sophistication in visualization and reporting tools, we see an increasing number of both service provider-driven and collaborative efforts to embed and better drive analytical insights and action plans in F&A engagements.

Where to Next for F&A As-a-Service, continued

We see the following as the major trends that will foster the future evolution to Finance As-a-Service over the next two to three years:

- **Finance Transformation:** F&A continues to get centralized and include hybrid delivery. What we see changing is that it isn't just about centralize and standardize for efficiency and cost reduction. There is an increased focus on quality and on robotic process automation. Over the past year, a number of service providers have proven capability in finance transformation support – helping clients define and move to shared services, or carve out shared service centers, or set up centers of excellence within shared services to focus on getting RPA momentum. Across the board, we see service providers investing and partnering for transformation capability and tools and technology for dealing with disparate management information systems, better visualization tools and partnerships, and more automation and real-time reporting capability.
- **BPaaS Rising:** In addition to mid-market and smaller companies tapping “finance in the cloud” solutions, such as Workday or Salesforce FinancialForce, we see an uptick in interest and adoption by enterprises of third-party solutions for PTP, OTC, and RTR. Process standards, security controls, workflows, and automation are native to these solutions, and enable companies to be up and running with finance platforms quickly, and with much less of a capital outlay. As the industry gets more experience and comfort in defining shared business outcomes, these SaaS offerings are forming the basis for the rise of “business process as a service” (BPaaS): solutions that are designed and contracted to deliver specific business outcomes by a provider that defines and manages the processes, supporting technology, and the talent executing the work. These solutions can be attractive options to established enterprises looking for a new standard because of M&A or faster access to a ready service for regional expansion, for example.

Recommendations: Enterprise Buyers

- **Make Your Match:** What's your strategy for achieving the performance and experience outcomes you want in finance operations? Service providers are moving at different levels of maturity and sophistication when it comes to combining talent and technology and in approaches to innovation. How fast do you and your organization want to further embrace digital technology, and how much help do you need with your business case, coordination with IT and other business leaders, skilled resources, etc? These are all considerations (and advisors and consultants can help) for your BPS portfolio strategy.
- **Move Faster and Deeper to As-a-Service Offerings:** Keep pushing your service provider(s) to move to an As-a-Service model that goes beyond labor arbitrage to include and offer you a broader set of choices for what solutions you adopt and how they interact with your own retained organization. Don't settle for a long-term fixed model of solution delivery for finance services, but push your service provider(s) to be flexible and agile so that future services offerings better align to your own potential future needs.
- **Adopt Design Thinking:** Using the design thinking method to define and shape problems and test solutions that impact experience and outcomes is now proven to work. The opportunities to sit down with your service provider(s) to better understand the business context in which your current processes operate and what can be done to realign or reimagine these processes to achieve different and/or better results is always an exercise worth undertaking.
- **Increase the Trust:** Challenge your service provider(s) to be more collaborative, more visionary, more inclusive and to share with you. Change the agenda and tone of your quarterly business review, if you haven't, and allow time for exploring problems and ideas. Realize that achieving new levels of quality, productivity, and engagement is easier in a close partnership than in a closed-off zero-sum mindset relationship. So, work with your service provider(s) in a manner that facilitates long-term success as well, and ask for it in return.

Recommendations: Service Providers

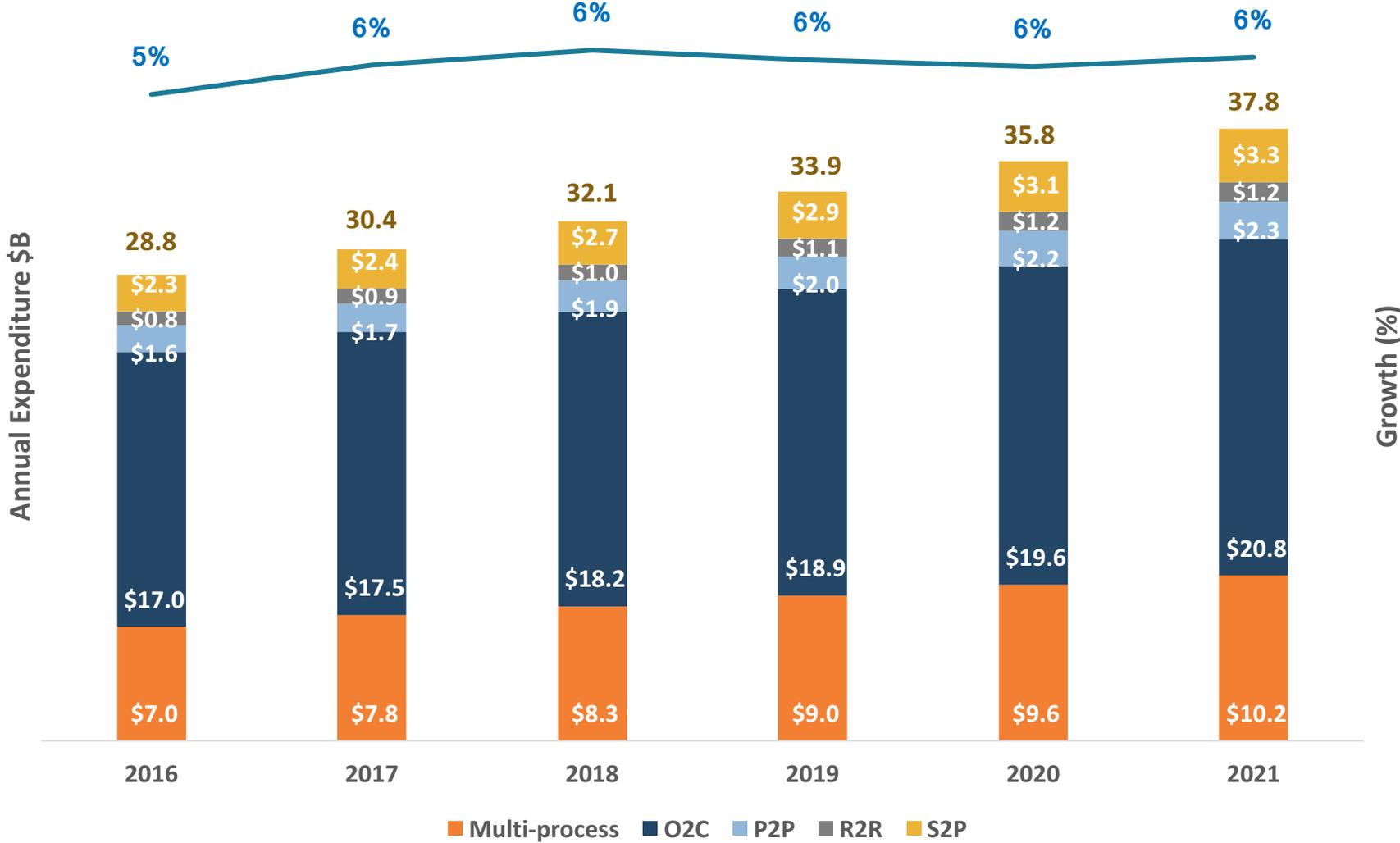
- **Know Your Customer:** “I don’t know enough of what they are working on,” said one client, who says the company is particularly interested in the application of new digital technologies to finance. Another expressed frustration that “we are too small to get the resources we need from our service provider.” Take the time to understand the culture and corporate priorities of your client base, and match your account leadership to the client’s. Introduce NPS scores if you haven’t already, as a way to gauge client satisfaction.
- **Show and Tell Relevant RPA:** We don’t need to tell you that there is a broad interest among finance executives for introducing and managing RPA in operations. What we mostly hear as feedback and turn into a recommendation here is to craft your “show and tell” that not only displays your credibility and capability, but also puts it in context for your client. What’s a relevant and meaningful business problem to solve with RPA? “There is a lot of marketing savvy,” noted one client, and wants to see more impact and proof points. Be sure to address change management experience and governance; e.g., [The Human Side of RPA: The Prudential story of change management](#).
- **Build Up Capability for RPA and Analytics:** As the use of RPA matures and gets more integrated into the business, and clients are increasingly willing to outsource end-to-end workflows based on business outcomes, the foundation will be built for increasing the value of analytics-as-a-service as well as embedded into the work. HfS has heard from more than one client a frustration with service providers that do not pay enough attention to developing their internal talent and creating challenging opportunities... RPA and analytics are two areas that provide opportunities for new roles and career paths.

Recommendations: Service Providers, continued

- **Take a Chance with Design Thinking:** In the past year we have heard examples from Capgemini and IBM clients about how Design Thinking workshops have led to new insights for making operations more efficient and productive. EXL doesn't have a design thinking practice but still has shown the capability of human-centered design and effective use of journey maps in finance. We highly recommend that service providers pick up this approach to finding, defining, and solving business problems. It's now a proven way to bring together service buyers and service providers to refresh or reimagine an legacy engagement, set the scene with a new client, or see an existing process or workflow from a new angle.
- **Build IP Around SaaS:** Be selective, but invest in IP and resources that will leverage third-party SaaS as finance organizations open up over the next few years to embrace plug and play. Some of these players are gaining traction quickly in their specialty areas – PTP, OTC, RTR – and may disintermediate you otherwise.

Global F&A BPO Market 2017–2021

(Expenditure \$ billions and Growth %)



Source: HfS Research, 2017

Additional Materials: F&A POVs, Webinars, and Research

Horizon 1: Act now

- [The Human Side of RPA: The Prudential story of change management.](#)
- [RPA Enables AstraZeneca to Deliver Rapid Insights](#)
- [BP: Finance As-a-Service 2016](#)
- [BPO Pricing Evolution](#)
- [Market Analysis: HfS BPO Top 50](#)
- [Market Analysis: H1 2017 M&A Analysis – It's About Capability](#)
- [Market Index Q2 2017](#)
- [POV: Bringing Collaboration and Innovation Together in Public/Private Partnerships](#)
- [POV: Syngenta and Capgemini Bring Their People Together to Advance Operations](#)
- [POV: How procurement concierge improves data, quality, compliance, cost](#)

Horizon 2: Watch out

- [POV: Defining the Digital OneOffice](#)
- [POV: Finance In The Digital Age](#)
- [POV: Is Finance Finally Ready To Write Off Legacy And Move To BPaaS?](#)
- [NASSCOM ILF: The Digital OneOffice - Getting Ahead of Today's Disruption](#)
- [POV: Are Service Providers & Advisors Doing Enough to Get Digital Into F&A?](#)
- [POV: The Back Office Is Key to Meeting Digital Expectations](#)

Related posts

- [Offshore has become Walmart...as Outsourcing becomes more like Amazon](#)
- [RPA satisfaction: lowest for finance and call center, highest for IT and marketing](#)
- [The future is about services, not software](#)
- [Genpact earns its CFO Consulting stripes as it seeks to pioneer disruptive F&A services in the digital era](#)
- [How EXL is taking a "grassroots" approach for incremental digital transformation - for itself and clients](#)
- [Training for jobs that don't yet exist: the AT&T story](#)
- [Steve Rudderham... making GBS gr-r-reat again!](#)
- [What GBS leaders can learn from the Rise and Fall of Empires](#)
- [Off-Shore-Based Service Providers Look to Develop "Meaningful" Presence in the U.S.](#)

Upcoming Publications:

- The Current Impact of RPA in F&A BPO Engagements
- Buyer Voice on Service Provider Innovation and Execution Capabilities (POV)
- Global F&A BPO Market Size & Forecast 2017

About the Authors



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Barbra works with the research team to develop and share research and points of view on how business process services and operations can play a valued role in delivering business outcomes that matter for end user experience in the emerging “As-a-Service Economy” as companies move toward a more integrated “OneOffice™.” She also explores enabling themes such as talent and design [thinking], and industry and functional areas of Healthcare, Life Sciences, and public sector.

Barbra’s experience in this industry includes researching, analyzing and advising on the market and competitive moves and meaning; developing organic and inorganic strategies to drive the growth of new and mature offerings with business process services, building partnerships and strategies for joint success, and managing global teams. Her work history includes almost 20 years at Accenture and prior years in marketing and not-for-profit management.

Barbra earned a Bachelor of Arts degree in English with Honors and was recognized for outstanding leadership in Volunteerism with the Chet Pagni Service Award, from the University of San Diego. She’s also completed post-graduate executive leadership work at Northwestern University and Smith College.

Barbra lives near the windy city of Chicago with her husband and two daughters and enjoys spending time gardening, hiking, and cross-country skiing.

Phil Fersht

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Phil is an acclaimed author, analyst, and visionary in IT Services and BPO, the Digital Transformation of enterprise operations and cognitive automation strategies. Fersht coined the terms "The As-a-Service Economy" and "Digital OneOffice", which describe HfS Research's vision for the future of global operations and the impact of cognitive automation and disruptive digital business models. Phil was named Analyst of the Year in 2016 (see [link](#)) for the third time by the Institute of Industry Analyst Relations, which voted on 170 other leading IT industry analysts.

Prior to founding HfS in 2010, Phil has held various analyst roles for Gartner (AMR) and IDC and was BPO Marketplace leader for Deloitte Consulting across the United States, UK, and Singapore. Over the past 20 years, Fersht has lived and worked in Europe, North-America, and Asia, where he has advised on hundreds of operations strategy, outsourcing, and global business services engagements.

Phil is also the author and creator of the most widely-read and acclaimed blog in the global services industry, entitled "Horses for Sources" now entering its eleventh year. He regularly contributes to media such as Wall St Journal, Business Week, Economist, The Times of India and CIO Magazine and is a regular keynote speaker at major industry events, such as NASSCOM, ANDI, ABSL, Global Sourcing Association, SSON, Sourcing Interests Group and HfS Summits.

He received a Bachelor of Science, with Honors, in European Business and Technology from Coventry University, UK and a Diplôme Universitaire de Technologie in Business and Technology from the University of Grenoble, France. He also has a diploma from the Market Research Society in the UK.

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Hema Santosh is a Principal Analyst at HfS supporting research in finance and accounting and related business services, captives, and global in-house centers. She has held senior research positions for organizations such as, Information Services Group, Accenture, Wipro and ITFinity Solutions. Her journey as a research professional has evolved over 14 years by working across facets of MIS, business planning, market forecast, market analysis, competitive intelligence and large strategic initiatives for the organizations she has worked with.

Hema understands the nuances and dynamics of the BPO and Technology industry. Her experience ranges from custom research, quantitative studies to qualitative secondary research conducted among financial services, government and media and telecommunication industries.

She holds a Bachelor's degree in Commerce from the University of Mumbai, an MBA specializing in Marketing from Manipal University and a certificate in full time 'Management Program for Women Entrepreneurs' from the Indian Institute of Management (IIM), Bangalore.

Hema lives in Bangalore with her husband and two sons. In her spare time Hema supports her family run coastal spice store, The Cutinha's. She enjoys inventing new spice blends and flavors for the family run business.

HfS: Revolutionizing the Industry

HfS' mission is to provide visionary insight into the major innovations impacting business operations: automation, artificial intelligence, blockchain, digital business models and smart analytics. We focus on the future of operations across key industries. We influence the strategies of enterprise customers to develop operational backbones to stay competitive and partner with capable services providers, technology suppliers, and third party advisors.

HfS is the changing face of the analyst industry combining knowledge with impact:

- ThinkTank model to collaborate with enterprise customers and other industry stakeholders
- 3000 enterprise customer interviews annually across the Global 2000
- A highly experienced analyst team
- Unrivalled industry summits
- Comprehensive data products on the future of operations and IT services across industries
- A growing readership of over one million annually

The "[As-a-Service Economy](#)" and "[OneOffice™](#)" are revolutionizing the industry.

Read more on HfS and our initiatives [here](#).

Global F&A BPO Market Size and Forecast Scope and Methodology



IT Services and BPO Market 2017 – 2021 Scope and Methodology

Updated May 2017: Increased the level of market uncertainty, changed the economic outlook inputs, revenue model slowed growth

Market sizing based on service provider financials to Q1 2017

Sizing methodology

- HfS' market sizing relies on a consistent primary methodology that is used for each service category. HfS's primary method is a supply side model that builds market dimensions by estimating revenues from the most significant service providers in each category. This is augmented by spending models and contract tracking for each specific market

Forecasting methodology

- HfS' forecasting combines historic revenue growth projections, contract run rate projections, demand side survey data, supply side survey data, and economic projections
- Size and forecast updated quarterly

Main Assumptions on Forecasting

HfS main onward forecast assumptions:

- Global GDP growth in 2016 is projected to remain almost at 3% of 2015, however GDP in 2017 will grow to 3.3%. Mature and emerging markets growth rates have rapidly converged.
- We use renewals numbers for outsourcing numbers gained from survey results by outsourcing category
- Renewal rates average approximately 85% of original contract value (varies by type)
- Discretionary spending with existing outsourcing projects will drive additional revenues as the economic pressures ease.
- We currently have a volume prediction of 8%-10% for outsourcing overall during 2016
- Most of the new demand coming from small and mid-sized organizations, the top tier service providers are rapidly penetrating this mid-market segment with As-a-Service offerings and pricing models.
- New projects and long-term contracts in the emerging areas of digital and analytics will provide additional growth, we see Robotic Process Automation taking away most of standardized back office as well as application maintenance delivery.