Over the past few years innovation has become one of the most talked about topics in F&A BPO. But what does it really mean and can buyers truly drive innovation through outsourcing?

Although it has sometimes been dismissed as an empty promise, leveraging true innovation through a service provider is possible with a focus on People, Process and Technology.

**People - a partner that challenges**

In order to foster a culture of innovation within outsourcing relationships we need to see a shift from directive partnerships to a more collaborative approach in which the buyer and service provider jointly strategize and execute. Organizations are increasingly moving from the traditional function-centric approach to business processes, towards an outcome based approach, leading to a trend towards buyers looking at end-to-end processes and breaking down traditional process silos.

**Process – innovating for change**

Within the current F&A landscape processes need to go beyond efficiencies and cost savings, incorporating the wider business context, customer needs and market drivers. In this way providers can not only address current challenges but actively seek upcoming ones.

This type of innovative approach allows the vendor to understand how the organization actually works and where to focus improvements allowing them to solve for an end state goal rather than a specific problem.

**Technology – enabling business transformation**

Finance and Accounting Outsourcing is evolving from traditional transaction processing (efficiencies) to smart FAO focused on business outcomes optimization and effectiveness (i.e. improving sales realization, total cost of operations, working capital / cashflow, asset turnover, etc.). Providers need to not only deliver services, but to be sources of both descriptive and predictive insights that can impact overall business outcomes.
For new and emerging technologies such as advanced analytics and RPA, proof of concept is critical. Vendors must be willing to run pilot programs on a smaller scale in order to assess the benefits of new technologies. Because pilot programs can be done quickly and relatively cheaply this can drive innovation and add real value - fast.

**Innovation at arvato**

arvato’s understanding of the market combines clients’ experience with industry best practices to go beyond the F&A BPO needs of buyers. We embed ourselves in clients’ organizations to develop an understanding of challenges and successfully adapt our service offerings to ensure relevance.

It is a core value of our business that all teams make it a priority to keep abreast of industry trends and best practices. Coupled with arvato’s speed and agility, this allows us to identify and begin to understand developments in the F&A BPO industry and within client industries quickly, supporting the companies’ market understanding.

This approach enables us to drive innovation throughout our outsourcing partnerships.

The series of interviews that follow highlight our approach to innovation and capabilities in the current Finance and Accounting outsourcing landscape.
Order to Cash Incubator – An Interview with Kay Dallmann

Kay Dallmann, Key Account Director at arvato on how arvato is enabling clients to respond quickly to dynamic market changes

How do you see market developments creating challenges in the F&A space?
Well there are various ways in which this is happening but a key trend we’ve seen is around customer experience and interaction. Alternative content, mobile and social engagements are all leveraging Big Data to customize the service offering towards their respective clients. However, when it comes to the post-purchase experience most clients show very little difference engaging with the customer for sometimes obvious reasons – insufficient system flexibility, knowledge about customer preferences, ability to determining the best way to engage at a small enough scale to allow for judgement calls.

How is arvato working to address these challenges?
arvato has created an Order to Cash incubator which brings together three elements:

1. A collection workbench that enables to segment collection strategies by multiple dimensions: transaction value, biz model, customer type, payment type etc.

2. An analytical model that drives collection and suspension strategies based on statistical analysis to prioritize engagement strategies and simulate impact, for instance on DSO and or Collection Effectiveness.

3. An environment to capture the customer responses and satisfaction of these strategies to assess the efficiency of the prior established success criteria.

What does this mean in practice?
In practice this means that the incubator enables us to test out collection and dispute resolution services on a small but significant enough scale to allow business judgement on elements such as service effectiveness (are we collecting better) and efficiency (is the collection cheaper).

With this data at hand we can steer the customer experience and we can forecast the actual delivery impact when a successful trial is moved into production ensuring that resources are ramped for purpose on the principle: Pay for Performance.

Should the service experience during incubation exceed prior established trial success criteria we allow the business owner to trade internal resource commitment for a variable expense buying into arvato's elastic hub and spoke delivery model.

Source: arvato
Why are innovation and transformation so intrinsically linked?
It’s impossible to have one without the other, a shift towards innovation requires transformation and any valuable transformation process needs to incorporate innovation.

At arvato we take a consultative approach to transforming business processes, embedding ourselves within client organizations in order to assess challenges before utilising best practices and custom innovations in order to improve business performance.

How does innovation play a role day-to-day?
Through our Value Driven Transformation Methodology we have embedded a culture of innovation in our daily lives. This method incorporates Systems Thinking and Design Thinking principles to develop strategy that focuses on “what matters” to the client and delivers measurable outcomes bringing maximum value to the client’s Enterprise. Our unique approach to transformation is based on building collaborative partnerships, driving flexibility and agility, and streamlining operations.

How does this approach benefit clients?
arvato’s transformation solutions help our clients adapt to internal and market changes, comply with new regulations and become fierce competitors in their respective industries.

We believe that one size doesn’t fit all. Each company, each business, each enterprise - is exclusive. We collaborate with our clients to focus on what is important to their business, and what will have the greatest impact on their bottom line. Our goal is to help our clients change the way they do business not just within the F&A organization, but across the entire Enterprise.

We develop customized solutions based on proven best practices that help our clients uncover what needs to change, guide them through new organizational ways of working, and through the implementation of the processes and technologies to support that change.

Source: arvato
Globally, investments in Fintech tripled between 2013 and 2014, rising from $4 billion to $12 billion.

As a financial institution and experienced outsourcing partner, arvato Financial Solutions is doing more than just keeping an eye on such developments. Through partnership and investment in the Startupbootcamp FinTech (SBC) accelerator in recent years, arvato Financial Solutions is right in the collaborative mix.

As part of this collaboration, arvato Financial Solutions offers SBC participants structural and strategic guidance, access to global blue-chip and distribution networks and advice from senior management market specialists. Having taken part for two years now, arvato Financial Solutions attends applicant selection days and mentors start-ups in the bootcamp on a regular basis. In fact, the company’s executive management visited SBC in London at the end of October to see the action for themselves. In return, arvato Financial Solutions is able to identify potential synergies and opportunities that could help support its own business objectives.

Source: arvato
A Conversation About FinTech

The latest on trends, developments and difficulties in the FinTech industry from two experts on opposite sides of the fence: Nektarios Liolios, Co-founder of Startupbootcamp FinTech, and Matthias Gerhardt, Head of Corporate Development, arvato Financial Solutions.

Matthias Gerhardt

Matthias Gerhardt is Head of Corporate Development at arvato Financial Solutions and has over 20 years experience in financial services and investment banking. Among other things, he is currently in charge of arvato Financial Solution's investment and involvement in Startupbootcamp FinTech.

Nektarios Liolios

Nektarios Liolios is Co-Founder and Global Managing Director of Startupbootcamp FinTech with over 15 years of experience in this sector. The London, New York and Singapore-based accelerator was founded in 2014 and is a leading innovation programme for the financial industry that provides funding, mentorship, office space and access to a global network of investors and venture capitalists.

Let’s jump right in. What’s going on in FinTech right now?

Nektarios Liolios: There is a lot of activity, but also a lot of white space. We’ve observed some digitization in areas like payments and alternative finance as well as a trend towards wealth and asset management. But there are fundamental processes within the industry that haven’t been touched by anything even close to technological improvement, let alone digitization.

Why are only some areas of the industry being addressed?

Matthias Gerhardt: Take banks and their behaviour in the payment sector, for example. Their slow activity here makes it easy for others – like start-ups – to jump in and have a “go.” Start-ups also need potential to scale, which payment certainly offers.

Liolios: Innovation is driven by people who identify a problem and solve it. In FinTech, payments were easily addressed because, as consumers, people were able to identify problems that bothered them and come up with solutions.

What will be the next big thing?

Gerhardt: Most of the initiatives so far have been on quite a localized level or some sort of “one trick pony” – basically limited in reach. I think the next big thing will be something that has a more global reach and goes beyond just one monetary or regulatory system.

Liolios: That’s a really interesting statement, because at Startupbootcamp FinTech (SBC), we actually get start-ups to focus on just one segment – if they can’t prove their model works within a small context, then they won’t be successful. But coming back to the question. There’s also currently a trend towards the democratization of financial services and the eradication of financial exclusion. Peer-to-peer-lending plays a part in this, but more fundamental things like providing access to payments or currency exchange will also be addressed as part of the democratization.

Gerhardt: I agree. That’s also why I think the next real big thing will be something that can be applied across many fields. Financial inclusion could be a big part of that.

What role do B2B versus B2C propositions play in FinTech now and in the future?

Gerhardt: My observation is that the serious players in the next wave of start-ups will have a high preference for B2C and not B2B, because of growth and scaling opportunities. Also because it is easier for them to create a credible B2C proposition that even Joe Public understands than a B2B one, which is a bit more complex.

Liolios: That’s the first time I’ve heard that from you.

Gerhardt: Good, that’s why I’m curious to hear your observation.

Liolios: We see a lot of B2B because that’s where the money is. Start-ups need to have the funding to take them to their first player and they use the SBC programme as a credibility check and for access and introduction to market players. The line is a bit more blurred in FinTech than elsewhere. If you go back to the premise of solving a problem, the general public is not aware of a lot of problems that B2B propositions aim to solve. They aren’t something you experience as a retail consumer and that’s why it is a little bit more difficult to have the idea, get the funding and enter the market. I wouldn’t underestimate what will happen in B2B though. It is the second wave after B2C.
Mr Gerhardt, we discussed the role of collaboration within the FinTech industry, if you were a start-up, what would you look for in a corporate partner?

Gerhardt: I would look for money, of course, and for someone with market experience who understands growth, real growth. I would probably also sign up for a bootcamp in Singapore, because there is a bigger market there for financial solutions close to Singapore. If I decided to stay in Europe, I'd definitely try to look past any mirages of power and at the capabilities underneath. And I would also go where my solution is needed, which isn't necessarily in London, even though they attract the biggest FinTech investment sums in Europe at the moment.

What’s your perspective, Mr Liolios?

Liolios: Well, I’m obviously very biased. Generally, I would say I’ve noticed two types of start-ups: those where the main motivation is a quick exit, and those who come to us genuinely saying things that make you smile, like “we want to change the world,” which might sound a bit silly, but the true entrepreneurs really believe in their product, have a very focused approach, and they want to go all the way. Of course there is also a corporate perspective to that.

Which would be?

Liolios: The start-ups interested in a quick exit will look to sell and get out. The others might end up being bought by a corporation. But, as corporations aren’t always in a position to integrate that start-up’s culture into their own, it can be difficult to maintain the start-up’s spirit.

Gerhardt: I think the smart corporations realize that they cannot really buy a start-up and maintain the start-up’s culture. It’s very tied up with the founders and they are affected by the acquisition, either economically or emotionally.

Liolios: The problem of culture is well known. It is more interesting to look at what companies are doing about it in terms of corporate innovation engagement.

And how are companies dealing with this issue?

Liolios: For established companies, innovation is paramount to trying to ensure survival. But I don’t think there are many companies that approach this adequately. Money needs to be invested – continually. And failures have to be accepted as part of the course, instead of a reason to abandon a scheme. Ultimately, it is about the entire company culture. Visionary organizations work really hard both on internal and external innovation.

Successful corporate innovation is also about so much more than just running an internal competition or naming an innovation position on the board.

Gerhardt: At least these companies acknowledge that they need to do something, and do make it an important topic by identifying the responsibility on the board. That makes me optimistic.

Liolios: I don’t think they have the luxury of being optimistic about it. How many companies decentralize management to be really innovative? Virtually none.

Gerhardt: But corporate and large groups are not entrepreneurs per se, they ideally represent a group of entrepreneurially-minded people. Maybe that’s the hard truth. Companies have to balance vision and control and feel comfortable. They have to report back and be accountable. Investing is a business challenge for them. Corporations have more rulebooks than freedom. But they can make budgets available for innovation and reengineer themselves for survival.

Liolios: I think that companies also need to think about how they balance collaboration efforts and self-interest. It is important to remember that some of the FinTech developments are going to evolve into utilities. Take the utility blockchain for example: its current problems are on an implementation level. There are opportunities there.

I’m not trying to corporate bash. I just really want people to get to grips with the fact that quite literally everything in the world is changing. I have a lot of conversations with large banks that aren’t interested in the smaller changes. But they should be: their downfall won’t come in one big swoop. Little bits of their business will be chipped away over time until there is nothing left.

Just because the financial industry is tight-knit, feels safer and is protected by regulations, it doesn’t mean that things aren’t going to change dramatically. That is why we get so excited and passionate about everything we do.

The idea of safety and regulation still seems to be a huge issue within the financial industry. How important is trust – often created by these regulations – in FinTech?

Gerhardt: You certainly can’t have FinTech without trust. Up until the financial crisis, it was embedded in the industry, but then disappeared. To a certain extent, this is also what has created some opportunities for FinTech companies. Start-ups are in a better position to build trust. They have to, of course. If they can’t, they won’t scale.

Technology also allows us to gain a new perspective. If you look at the mutual sector, where people are essentially helping each other, that hasn’t fundamentally changed over the past 50 years. But there have been so many layers of intermediation added as the industry has grown. So in a strange way, technology enables us to go back to the roots in the form of peer-to-peer lending for example. Ultimately, it is about keeping up with these technological opportunities in an innovative but responsible way.

Source: arvato
About arvato

A trusted global business outsourcing partner with more than 50 years of experience in BPO, arvato combines significant scale with a collaborative and agile approach to partnership for a diverse client base. Over 65,000 employees in more than 40 countries deliver innovative Finance and Accounting, Supply Chain, Customer Service, IT and Digital Marketing solutions to leading global brands as well as local and central government organisations.

A wholly owned subsidiary of Bertelsmann SE & Co. KGaA, a privately owned global media corporation, arvato combines strength and scale with an entrepreneurial approach to deliver innovative, flexible BPO solutions.

With revenues of over $5 billion in 2014, arvato serves 150 million consumers in 30 languages, handles 200 million calls and processes over $3 billion in outstanding debt annually.

F&A BPO Key facts

- With more than $800m of F&A BPO revenues, arvato has over 7,000 F&A BPO delivery staff across 49 delivery locations in Ireland, Spain, Germany, Peru, UK, Philippines, Singapore, Argentina and the USA.

- We process over 55.7 million transactions per year worth $57.5bn in 124 countries and 20 settlement currencies.

- Risk management: We carry out more than 60 million payment authorizations annually.

- Our international outsourcing partnerships span an average of 15 years.

- Strong sector expertise in communications, high tech, e-commerce, manufacturing and the U.K. public sectors.
This Magic Quadrant evaluates vendor capabilities in the comprehensive F&A business process outsourcing market among 20 providers. Use this Magic Quadrant to help identify and evaluate the right providers to support your organization.

**Market Definition/Description**
Comprehensive finance and accounting (F&A) business process outsourcing (BPO) consists of support for multiple business processes in the F&A domain through a single BPO contract. It typically includes three or more subprocesses associated with F&A from the following categories:

- Accounts payable
- Accounts receivable
- General ledger
- Financial reporting
- Treasury and cash management
- Specialist processes, including yield management, shareholder accounting, collections, financial administration, tax accounting and risk analytics.

**Vendor Strengths and Cautions**

**Accenture**
Accenture remained a Leader in the 2015 Magic Quadrant due to its wide range of processes delivered on a global scale and its strong service-focused culture.

In 1991, Accenture began providing F&A BPO, which is one of its larger BPO services. Accenture has more than 165 F&A BPO clients. It employs approximately 20,000 F&A BPO employees. Accenture’s F&A BPO business is part of its Finance and Enterprise Services. F&A BPO delivery centers are in North America, Argentina, Western Europe (the U.K., Ireland, Spain, Norway and Italy), Central and Eastern Europe (Prague, Bratislava, Bucharest, Warsaw and Romania), India (Bangalore, Chennai and Delhi), Mauritius, South Africa, China (Shanghai, Chengdu and Dalian), and the Philippines. Accenture’s related acquisitions include Procurian, a specialized sourcing and procurement service provider; PureApps, an enterprise performance management and business intelligence solution provider; and i4C Analytics.

**Strengths**
- Accenture has initiatives embedding analytics, automation and collaboration to not only provide context-aware processing, but also enable solutions, including operations dashboard, productivity tools, virtual site visit portal and robotic process automation (RPA). It has a joint initiative with NetSuite for business process as a service (BPaaS) and a joint venture with SAP to leverage Hana for real-time analytics and period close.
- Reference clients cited that Accenture is good at standardizing processes and that it provides high-quality delivery services. Accenture’s strong leadership structure and style added to customers feeling well-supported.
- Vertical capabilities for F&A BPO are strong, especially in the consumer packaged goods (CPG), transportation, hospitality, energy and utilities, financial services, and telecommunications sectors.

**Cautions**
- Government and healthcare clients considering Accenture for F&A BPO should note that Accenture has minimal experience and capabilities in these sectors for F&A BPO.
• Some reference clients said that Accenture does not always bring forward additional continuous improvement or cost reduction initiatives beyond the contract scope. Some clients suggested that Accenture needs to improve its ability to incorporate key client stakeholder feedback and improve its skills in issue management with clients. Some clients cited a concern about fluctuations in key delivery staff.

• Accenture’s clients have the opportunity to leverage its other competencies, but some clients might find this challenging to navigate.

**arvato**

Given arvato’s strong specialist offerings in executing order-to-cash processes, especially for online commerce, and its focus on the U.K. public sector, as well as its relative scale and range of F&A BPO operations, arvato remained a Leader in the 2015 Magic Quadrant.

Part of Bertelsmann, arvato delivers multiple types of BPO, and it has specifically been offering F&A BPO since 2003. It has 21 comprehensive F&A BPO clients. It has more than 7,000 delivery staff for F&A BPO across 49 delivery locations in Ireland, Spain, Germany, Peru, the U.K., the Philippines, Singapore, Argentina and the U.S.

**Strengths**

• Arvato has global experience, providing order-to-cash services, especially for global e-commerce organizations. It has built experience in a range of digital payment platforms, augmented with new acquisitions (AfterPay and Netrada Group). Risk management is also a specialty. It has experience with robotic process automation tools.

• Reference clients cited arvato’s process, knowledge, flexibility, top management and excellent communications skills as key strengths. Arvato received strong client scores for quality of operational delivery.

• The vertical markets in which arvato’s experience is strongest are public sector, communications, high tech, e-commerce and manufacturing. Arvato offers a range of proprietary software and services, including Eros International for music royalties, XLink for the management of global collections, a global workflow tool enabling remote collaboration, and a tool for detecting online fraud.

**Cautions**

• According to some reference clients, arvato could be less bureaucratic, speed up decision making, improve its ability to regularly deliver industry insight and develop deeper technical skills. It is still behind its peers in developing and branding its methodologies for standardized best practices in F&A BPO.

• Arvato needs to make greater investments in consulting skills to boost its finance transformation capabilities.

• Only recently has arvato begun to build up its global footprint for F&A BPO sales and delivery, so work closely to ensure its offerings meet your requirements. It has a growing presence in India, and it has three delivery centers in the Philippines.

**Capgemini**

Capgemini remained a Leader in the 2015 Magic Quadrant as a result of its strong vision in F&A BPO that it is executing on.

BPO is a strategic business unit for Capgemini, generating 5% of its total revenue. It has more than 71 comprehensive F&A BPO clients. Capgemini started selling F&A BPO in 1996 and has evolved its business organically and through strategic acquisitions. With approximately 12,500 employees in F&A BPO, it has a diverse base of BPO delivery centers internationally; today it operates from 23 centers based in 13 countries, including India (Bangalore, Chennai, Kolkata, Mumbai and Gurgaon), Poland (Krakow and Katowice), China, Brazil (Blumenau and Campinas), Chile, Guatemala, Australia, Canada and the U.S. In 2014, it acquired Strategic Systems & Products (SSP) and Euriware, enhancing its process methodology (“Global Enterprise Model”); crafted a “Year-End CFO Project Management” offering; and expanded the controllership offering. Capgemini has invested in several process enhancement technologies and services, including the WebCollect tool as part of its VWA acquisition, and IBX, an application that supports source to pay. It also is deploying robotic process automation.

**Strengths**

• Vertical industry strengths include a highly collaborative approach in the CPG, manufacturing, utility, media, film studios, logistics and transportation, and financial services industries. These sectors contribute the largest portion of Capgemini’s F&A BPO revenue.

• Reference clients cited Capgemini’s key strengths as relationship management and excellent adaptability to work with customers’ business cultures with a collaborative, proactive approach. Furthermore, good understanding of finance processes, consistent quality (as facilitated by its Global Enterprise Model methodology), good service delivery and access to key executives were praised.

• Capgemini has built a suite of applications – contained in its BPOpen App Hub – to support F&A BPO. It also has invested in F&A BPO in the cloud (BPaaS offerings, such as “F&A as a Stack” and “Virtual Company”), enhanced its process methodology (“Global Enterprise Model”), crafted a “Year-End CFO Project Management” offering, and expanded the controllership offering. Capgemini has invested in several process enhancement technologies and services, including the WebCollect tool as part of its VWA acquisition, and IBX, an application that supports source to pay. It also is deploying robotic process automation.

**Cautions**

• Some reference clients suggested that Capgemini could do more with technology to automate processes and introduce more best practices for clients beyond the contract scope.

• Some reference clients suggested that Capgemini could be more flexible as clients’ business imperatives and objectives change.
• Government clients considering Capgemini for F&A BPO should be aware that Capgemini has minimal experience in the government sector for F&A BPO.

Cognizant
Cognizant remained a Visionary in the 2015 Magic Quadrant due to its strong grasp of the market requirements and its investment in delivering business results.

Cognizant started selling F&A BPO services in 2006. It employs approximately 5,000 employees in F&A BPO. Cognizant has more than 75 F&A BPO clients. It operates F&A BPO in India from six centers and also from the U.S., Sweden, Singapore and the Philippines. In 2013, it acquired SourceNet Solutions, which supplements its accounts payable capabilities and North American presence.

Strengths
• Cognizant has developed a strong vision as to the future of the tools and services that will support finance in future organizations, including a strong team on robotic process automation. It has built many internal tools. It also has formed relationships with Oracle and BlackLine for supplying BPaaS.

• Reference clients cited experience of strong delivery skills from Cognizant, mentioning high levels of dedication, cultural fit and transition skills. These skills are complemented by access to key management and commercial flexibility.

• Cognizant’s F&A BPO key strengths lie in the financial services and healthcare sectors, the latter boosted by its acquisition of TriZetto. Travel, transportation and retail are Cognizant’s next industries with sizable revenue contributions. Strong vertical capabilities include its strengths in delivering F&A BPO for financial services, communications, manufacturing, retail and services.

Cautions
• Cognizant does not actively market or sell F&A BPO to nonprofit industries (education and public sector), energy and utility companies, or discrete manufacturers.

• In surveying reference customers, some notes of caution were raised regarding Cognizant’s need to allocate more resources for staffing for peaks and that sometimes there is a lack of availability of the most appropriate experts to resolve issues regarding daily operations. Some clients seek a more proactive management style and increased use of technology.

• While Cognizant now has delivery centers in Sweden and Singapore, it has limited multilingual delivery experience, as the majority of its services are delivered in the English language.

Dell
Dell remained a Niche Player in the 2015 Magic Quadrant due to its specialization in U.S. healthcare and insurance order-to-cash industries F&A BPO.

Dell has more than 31 F&A BPO clients. The largest BPO revenue contribution is from its acquisition of Perot Systems, which gave it healthcare, travel, hospitality and insurance industry expertise. Dell started selling F&A BPO in 2006. It has 1,700 full-time equivalents (FTEs) in F&A BPO. It operates F&A BPO from eight centers in India, the Philippines and the U.S. Dell is keen to leverage its skills in specific industries across Europe and utilize its other service delivery centers for F&A BPO in the future.

Strengths
• Vertical industry strengths include F&A for revenue cycle management for healthcare providers, insurance premium accounting, reconciliation, general accounting and suspense clearance, retail and franchise accounting, and commission settlement for hotels and foreign exchange. Dell has delivered niche solutions on proprietary platforms in life insurance (with LifeSys and Travel Agency Commission Settlement [TACS]). For customers using Dell’s vertically focused F&A BPO solutions, Dell has shown itself to be successful in generating process efficiencies and financial savings for customers through automation and industry knowledge.

• Dell has invested in a team called “Automated FTE” that focuses on automating work. This team links workflows and dashboards to its process management suite known as “Dell Business Process Management Suite.” Customer onboarding, know your customer and anti-money-laundering within the banking and financial services industry are among Dell’s point solutions.

• Reference clients cited the company as quick and responsive to change requests.

Cautions
• Dell has experience in order to cash, but it has limited experience in accounts payable.

• Dell is currently more of a specialist F&A BPO provider, focusing on the healthcare industry, so carefully evaluate if Dell has the necessary skills for your industry-specific F&A BPO requirements.

EXL
EXL remained a Leader in the 2015 Magic Quadrant due to its strong F&A BPO service capabilities.

EXL is a global BPO and analytics company. It has been offering F&A BPO since 2001. EXL has more than 46 comprehensive F&A BPO clients. EXL employs more than 22,000 employees, of whom 7,950 are dedicated to F&A BPO. EXL successfully delivers services from its 34 global delivery centers that are in Bulgaria, Colombia, the Czech Republic, India, the Philippines, Romania and the United States.

Strengths
• As well as strong transaction skills, EXL specializes in higher-end finance transformation and complex F&A BPO services, such as treasury management, reporting and tax compliance, and global risk and compliance services.
These transformation services are designed to find and measure areas of improvement in client processes. EXL has developed a methodology, the Business EXLerator Framework, which increases value delivered to its clients through benchmarking, technology and analytics, and it has invested in more than 1,600 analytics professionals. At mid-2015, EXL had several deployments for robotic process automation with commercial vendors.

- Reference clients cited EXL’s main strengths as being highly responsive to changes in business needs, with a strong understanding of business requirements, and ability to fit with a customer’s culture and deliver process improvements.

- EXL has strengths in industry-specific F&A BPO for insurance, healthcare, banking, financial services, utilities, transportation and travel. Other sectors for F&A BPO include professional services, manufacturing and media. It has specific offerings for insurance statutory reporting, media royalty accounting and high-tech revenue accounting.

Cautions

- EXL generates most of its work in the U.K. and the U.S. and may be required to broaden its footprint of global delivery centers for its global clients.

- While some reference clients cited very positively the quality of EXL’s people, attrition was a point of concern for some reference clients. Furthermore, while flexibility was praised, an inability to say no to clients was also noted, and clients in some cases desired the introduction of more best practices.

- Prospective clients should be aware that EXL has no experience in the government or education sectors for F&A BPO.

Genpact

Genpact is a global provider of business process and technology services, with 75% of its revenue generated from BPO. Genpact has more than 92 comprehensive F&A BPO clients. The company started providing F&A BPO services in 1997 and now has approximately 25,000 staff working from more than 47 centers in 16 countries. These include North America, Guatemala, Mexico, Brazil, Colombia, EMEA (Lublin, Cluj-Napoca commonly known as Cluj), Bucharest, Budapest, Rabat, Dubai, the Netherlands and Czech Republic, the Philippines, Australia, Japan, South Africa, China, and India (Delhi, Gurgaon, Hyderabad, Jaipur, Kolkata and Bangalore). Genpact acquired Accounting Plaza in 2012, which provides F&A, HR and Oracle ERP services. In 2011, the company acquired Akritiv Technologies, which offered a SaaS order-to-cash solution that has since expanded to offer an F&A BPaaS solution suite that now also includes accounts payable, record to report (R2R) and workflow solutions. Genpact deploys a good mix of F&A BPO offerings and now offers a range of finance transformation services targeted at the CFO.

Strengths

- Genpact has invested in CFO Suite of Finance Transformation and Global Business Services design services, and it has process enhancement technologies and services that include enabling order-to-cash BPaaS. Genpact’s go-to-market message is focused on the CFO with a determination to drive process transformation. This change is led by Genpact’s domain experience and advisory services. At mid-2015, Genpact had several deployments with commercial robotic process automation software vendors.

- Reference clients reflected that Genpact displayed strong transition skills and delivered a good customer experience. Genpact’s delivery staff and senior management were praised for excellent communications skills.

- Genpact has almost half of its F&A BPO revenue from the banking and insurance sectors, followed by manufacturing, with the balance from retail, high-technology, pharmaceuticals, healthcare and capital markets. It has specialist industry offerings that include statutory reporting and tax compliance for the insurance industry, media bill paying accounting, supply chain accounting for CPG, banking reporting, and trade promotion management.

Cautions

- Some reference clients observed that Genpact needs to improve its ability to manage attrition. In addition, some of Genpact’s clients cited a lack of focus of delivery staff on big-picture issues and an inability to manage stakeholder relationships adequately to challenge clients to adopt best practices and capitalize on process transformation.

- Genpact is addressing its lack of process reporting systems with an offering called “Enterprise Performance Analytics (EPA).” Genpact is still catching up on technologies to support process improvement, and clients must be cautious as to the newness of some of these technology-based services.

- Genpact has less experience in its portfolio in the public-sector, healthcare and education verticals. Energy and utilities, construction, and travel and transportation are also industries where Genpact has lower levels of experience than other competitors.

HCL Technologies

While HCL Technologies has experience delivering Pan-European projects, it has limited non-English language skills and has a highly sector-focused service; hence, it remained a Challenger in the 2015 Magic Quadrant.

The total BPO activities of HCL Technologies represent 5.5% of its service business; the rest is IT-related. HCL Technologies started selling F&A BPO in 2001. HCL Technologies has more than 55 comprehensive F&A BPO clients. It employs 5,300 employees in F&A BPO. It operates from more than 40 centers across India (Noida and Chennai),

Genpact remained a Leader in the 2015 Magic Quadrant due to the company’s focus on process improvement and domain expertise.
HCL Technologies has a strong focus on the vertical industries of financial services (including investment banks), energy and utilities, manufacturing and retail, to sell F&A BPO enterprise services. It has invested in proprietary tools and intellectual property (IP) for these sectors, to provide workflow and other process enhancement technologies and services. At mid-2015, HCL Technologies had several deployments with commercial robotic process automation software vendors.

- HCL Technologies has targeted experience in taking over shared-service centers – notably, in the banking sector – to deliver F&A BPO. This experience is supported by its Enterprise Function as a Service (EFaaS) offering. This architectural model supports HCL Technologies providing a full scope of an enterprise’s entire financial function.

- Reference clients cited high flexibility, responsiveness, management commitment and a strong, focused senior leadership team as key strengths of HCL Technologies. Good transition capabilities and a competitive pricing model were also highlighted.

Cautions

- HCL Technologies can, at times, be too flexible with clients; hence, it can lack uniformity in positioning finance process improvements.

- Government clients should be aware that HCL Technologies has no experience in central or local government F&A BPO clients. HCL, however, has strong engagements with governments on the IT and applications fronts, which can be expanded to include F&A BPO.

Some reference clients cited that HCL Technologies’ delivery staff could improve in integrating with clients’ teams to jointly solve problems. Some clients also cited a need for more investment by HCL Technologies in middle management teams.

HP Enterprise Services

HP Enterprise Services (ES) remained a Leader in the 2015 Magic Quadrant due to its new end-to-end process initiatives.

Business Process Services (BPS) as a whole represents approximately 10% of HP ES’s business. HP ES itself is separating into two effective 1 November 2015, with HP ES becoming a separate entity for which Meg Whitman will be CEO of Hewlett Packard Enterprise. In 1992, HP ES started selling F&A BPS, which is a significant revenue contributor to its larger BPS practice. In 2015, HP realigned its ES organization into seven practices, of which BPS is one. HP ES aligned the BPS practice with the internal HP ES capabilities. HP ES made an addition to the BPS management team to manage both the internal delivery centers of HP ES and external client work. It now has 23 comprehensive F&A BPO clients. It employs approximately 10,700 employees in F&A BPO. It operates from more than 32 centers in more than 15 countries, including India (Bangalore and Chennai), Poland, China and Costa Rica.

Strengths

- HP ES reference clients cited the company as being strong at transition, as well as cited a high quality of customer care as a key strength.

- HP ES is spearheading a new approach focused on delivering cash acceleration, control and audit optimization, cash utilization, and profit recovery. This approach is supported by its benchmarking service, “Framework for Innovation and Transformation (FIT)” and F&A analytics services, which includes the “Business Performance Analytics Tool” and AutoFlow cloud-based workflow solution. At mid-2015, HP ES had multiple projects deployed for robotic process automation services.

Cautions

- Customers from the process manufacturing, and transportation and travel industries contribute more than half of HP ES’s F&A BPO revenue. Vertical industry expertise is strongest in the CPG, transportation, communications, government and healthcare sectors. HP ES has specialized offerings for business analytics for media and communications. While it continues to evolve its vertically oriented offerings for F&A BPO, work remains in deeper industry-aligned F&A BPS solutions.

IBM

IBM remained a Leader in the 2015 Magic Quadrant due to its scale of delivery capabilities – supporting more than 100 countries for its largest customers – its strong customer experience and its broad range of F&A BPO services.

IBM started selling F&A BPO in 1995. IBM has more than 200 F&A BPO clients. It employs approximately 15,000 employees in F&A BPO. It operates from more than 20 centers in more than 14 countries, including the U.S., China, the Philippines, Brazil, Argentina, Europe and North America; furthermore, it has F&A BPO staff working from various customer locations in the U.K. and Europe. HCL generates most of its F&A BPO activities from the U.K. and the U.S., and it has expanded its customer base in Europe and Asia/Pacific with recent wins in the financial services industry.
Poland, Egypt, Hungary, and India (Delhi, Chennai and Bangalore, among others). IBM has acquired Emptoris, Sterling Commerce, Lombardi, Equilant, Clarity Systems, RedPill Solutions, Coremetrics, Cast Iron Systems, Datascape and SPSS. These acquisitions are supporting its ability to offer cloud-based F&A BPO services, business process management (BPM) services and analytics.

**Strengths**

- IBM has merged its consulting and BPO capabilities to more strongly deliver end-to-end consulting to operate F&A capabilities. This new organizational alignment should enhance IBM’s F&A process focus. Its new “Dynamic Work Driver Pricing” model should bring increased flexibility to pricing models; IBM is also supporting clients moving to business-outcome-based deals. IBM is aligning many investments to F&A BPO, including “Analytics as a Service,” IBM Research laboratories, Watson and a new counter fraud offering. At mid-2015, IBM had several deployments with commercial robotic process automation software vendors.

- IBM’s reference clients praised its delivery capabilities, several clients cited that IBM consistently meets delivery targets, often making small changes that have big results. Good teamwork capabilities, transition and strong leadership were also appreciated.

- The CPG, manufacturing and retail industries comprised nearly half of F&A BPO delivery in 2014, with the next strongest sectors being energy and utilities, life science, and healthcare. IBM has also built up a balanced portfolio of industry skills across the public-sector, banking and communications industries.

**Cautions**

- IBM’s Global Process Services’ size, scale and reach mean that it is more suitable for organizations with revenue of more than $1 billion.

- Some reference customers cited frustration with staffing management, as well as cited a need for IBM to build even more continuous improvement and innovation beyond the scope of the contract.

- As IBM runs a large delivery team, it can mean that several management levels are needed for approval, which can take time to approve changes.

**Igate**

Igate has a wide portfolio of F&A BPO services, and it received positive client feedback; however, it is currently operating on a much-smaller scale than the Leaders, hence, Igate remained a Niche Player.

Igate is a $1 billion IT outsourcing (ITO) and BPO provider. BPO accounts for less than 10% of Igate’s revenue. Igate has more than 19 comprehensive F&A BPO clients. It employs 1,300 employees in F&A BPO. It operates F&A BPO from eight delivery centers in India, Mexico, the U.S., the U.K., Canada, China and Australia. It has recently announced a proposed merger with Capgemini, which, while this potential merger may be distracting in the short term, would be a good combination of providers, especially if Capgemini can capitalize on Igate’s strengths in R2R activities.

**Strengths**

- Igate’s knowledge of key finance technologies from its ERP implementation practice has led to an ability to adapt and rapidly evolve technology components of its service to reduce costs and improve functionality. Igate has strong experience in R2R, with high customer satisfaction scores for this service. It is consistently hiring and training chartered accountants for R2R work. At mid-2015, Igate had two deployments with commercial robotic process automation software vendors.

- Igate’s vertical specialism for F&A BPO includes banking, finance and insurance, with other industry strengths being manufacturing, public sector and hospitality (as a result of its partnership with BirchStreet Systems, a specialist software provider).

- Reference clients cited Igate’s flexible approach, and key recurring themes among clients were the ease of working with Igate’s staff and its staff’s desire to see clients achieve their goals.

**Cautions**

- Igate does not focus on the following industries: education, local government, healthcare, retail, travel and transportation.

- One theme that was mentioned a number of times among reference customers was Igate’s eagerness to please and say what it believed customers wanted to hear (perhaps due to cultural heritage), rather than the reality (that is, an issue was occurring and needed resolution).

- While Igate is focused from an industry go-to-market perspective, its portfolio of services for both process and technology is limited. This can mean that in some situations outside of its key vertical industry strengths, Igate may be learning with the customer rather than leading the customer.

**Infosys**

Infosys remained a Leader in the 2015 Magic Quadrant due to its understanding of clients’ requirements and its global delivery presence.

Infosys has more than 80 F&A BPO clients. Infosys started selling F&A BPO in 2004. It employs approximately 11,000 employees in F&A BPO. It operates from 30 centers in 15 countries, including India (Bangalore, Pune, Chennai, Jaipur and Delhi), China, the Philippines, Czech Republic, Poland, Mexico, South Africa, the Netherlands, the U.S., Japan, Australia, Costa Rica, and Brazil. Having acquired Lodestone Management Consultants and the Portland Group, Infosys made further acquisitions of clients’ centers
across the globe – the U.S., Ireland and Singapore – which will strengthen its global service delivery capability.

**Strengths**

- In 2015, Infosys launched full-stack service offerings that include technology infrastructure, ERP/application, BPM tools, and BPM and consulting services. It continued to develop flexible pricing options and several frameworks for deploying best practices in F&A BPO. These include its Process Progression Model, Finance Transformation Excellence Framework and its Business Value Assurance suite. These are supported by its investment in process enhancement technologies and services, its robotic process automation deployments and its embedded analytics tools.

- Reference clients mentioned that Infosys has strong delivery capabilities, transition skills and process controls, and it is flexible, with good access to senior leadership.

- Infosys has vertical market strengths in delivering F&A BPO for high-tech manufacturing, banking, communications, retail, and media and entertainment.

**Cautions**

- Infosys needs to build on its ability to communicate its thought leadership, especially to its existing clients, and its marketing skills to illuminate its F&A BPO capabilities.

- Some reference clients cited that Infosys could do better at leveraging best practices and innovation in mature clients.

- Infosys’s footprint in government clients is not considerable for a player of this size.

**Serco**

Serco is an international service company that runs services for governments, public-sector organizations and major corporations. Serco has more than 40 comprehensive F&A BPO clients. In 2011 and 2012, Serco acquired several BPO providers, including Intelenet Global Services. It has been providing F&A BPO since 2003. Serco employs approximately 5,000 employees in F&A BPO. It operates F&A BPO from 10 centers in three countries, including the U.S., the U.K. and India (Mumbai, Chennai and Delhi).

Serco plans to make further investments in scaling up its technology capabilities during the next few years to increase its use of process enhancement technologies and services. Note that in 2015, Serco is divesting parts of its organization; hence, Gartner expects senior management changes.

**Strengths**

- Reference clients cited that Serco demonstrates key strengths in transparency of operations and cost-effectiveness and that it has a committed workforce with a strong culture of listening to clients. It scored highly on customer satisfaction for delivery capabilities. At mid-2015, Serco had several projects and deployments with a commercial robotic process automation software vendor.

- Strong vertical industries for F&A BPO include business services, banking, transportation, energy and utilities, travel, healthcare, and manufacturing.

- Serco offers customers the full spectrum of F&A BPO – from cost reduction and efficiency through to more business transformation and outcome-based strategies. F&A BPO is supported by Serco’s 200-employee-strong F&A consulting practice.

**Cautions**

- While Serco has a strong story to tell, its needs to improve its sales and marketing capabilities.

**Sopra Steria**

Sopra Steria moved to the Visionaries quadrant in the 2015 Magic Quadrant due to its innovative delivery models.

It has more than 358 comprehensive F&A BPO clients. Steria started delivering F&A BPO services in 2002, and it was acquired by Sopra in 2014. It employs approximately 2,000 employees in F&A BPO. It operates from more than 31 centers in two countries – the U.K. and India (Pune, Chennai and Noida). In 2010, Steria acquired a procurement agency from the U.K. Department of Health, which strengthened its end-to-end source-to-pay offerings. Sopra Steria is ready to leverage its presence of operating in 10 other European countries, and it has created some centers of excellence.

**Strengths**

- Sopra Steria now has some of the U.K.’s largest F&A BPO deals, including winning the large government deal now known as “Shared Services Connected Ltd. (SSCL).” Sopra Steria has expertise in high-end reporting and accounting, in media royalty accounting, and in multitenant services. Examples include its deal with the Department of Health, where it services more than 200 U.K. National Health Service clients on an Oracle ERP platform, which is one of the rare examples worldwide of F&A BPO deployed as BPaaS. At mid-2015, it had several deployments with commercial robotic process automation software vendors.
• Its strength is in its ability to service the F&A BPO U.K. clients, using F&A BPO delivery centers in the U.K. and India to any degree – from fully onshore to fully offshore. It has strengths in the vertical sectors of government, healthcare, police, public services, financial services, telecommunications, media, retail, leisure and transportation. It has strong capability in successfully executing major finance transformation programs.

• Several clients have cited its strong continuous improvement initiatives.

Cautions

• Sopra Steria has a large Indian delivery presence, but it has no commercial experience with F&A BPO delivery from other locations, such as Eastern Europe, or for organizations with multiple language requirements. However, Sopra Steria could leverage its multilingual Polish and Moroccan delivery centers – currently used for remote infrastructure management services – to Pan-European clients. It does deliver a small amount of F&A BPO services for the North American operations of its clients – but these are delivered from its U.K. and Indian centers.

• Some clients mentioned that Sopra Steria can occasionally be a little slow in decision making, and it could improve the marketing of its portfolio of process enhancement technologies and services in deals.

Sutherland Global Services

Sutherland Global Services remained a Visionary in the 2015 Magic Quadrant due to its relatively strong technology and service vision for small or midsize businesses (SMBs), along with its new Innovation Labs investments.

Sutherland Global Services is a specialist BPO company, with the majority of its revenue generated in customer management BPO. Sutherland has more than 12 comprehensive F&A BPO clients. It started delivering F&A BPO in 1995. It has 5,000 F&A BPO employees delivering from 10 centers in Bulgaria, India (Hyderabad, Kochi, Chennai and Thane), Dubai, Mexico and the U.S. (Tulsa, Oklahoma). It acquired the Convergys F&A BPO division in 2011 and the analytics specialist Adventity in 2010.

Strengths

• Reference clients cited that Sutherland is flexible, “open-minded” to deal with, and capable of being proactive and thinking outside of the box. It is viewed as being easy to do business with, as it will customize the process rather than force-fit one. Partnership skills and a strong team that rigorously tracks cost savings were also mentioned as strengths. Reference customers also praised the speedy resolutions provided.

• Sutherland has amassed skills in servicing the midmarket (defined as companies with revenue between $1 billion and $5 billion), and it has invested in an offering that it calls “Clarity Enterprise Solution (Clarity es).” It also has proprietary process enhancement technologies and services that span order to cash, R2R and procure to pay. The process enhancement technologies and services bolt on to a client’s ERP environment and are free for the client. Clarity es, an ERP solution between Sutherland and Microsoft Dynamics, is designed to replace a client’s legacy ERP system. At mid-2015, Sutherland had significant deployment experience with commercial robotic process automation software vendors.

• Sutherland excels in airlines, healthcare and manufacturing sectors, other industries serviced include government, banking, reinsurance accounting, transportation and travel.

Cautions

• Its global servicing and delivery scale are smaller than leading firms. While it is servicing F&A BPO in 11 languages, this international capability is today a relatively small piece of its portfolio.

• Some reference customers mentioned that Sutherland could tighten up its communications skills and project management capabilities.

• Sutherland is selective in the industries it will address, which means it is not pursuing local government or process manufacturing opportunities. It is currently still stronger at sales in the U.S.

Tata Consultancy Services

Tata Consultancy Services (TCS) remained a Leader in the 2015 Magic Quadrant due to its customer advocacy and high quality scores for its engagements.

It started providing F&A BPO in 2006. TCS has more than 85 comprehensive F&A BPO clients. It employs approximately 18,000 employees in F&A BPO. It operates from 20 F&A BPO centers in nine countries, including the Philippines, Chile, Ecuador, Hungary and India (Mumbai, Chennai, Delhi, Bangalore and Kolkata).

Strengths

• Reference clients mentioned that TCS offers strong senior management engagement, is flexible, has a good ability to deliver continuous improvement activities and delivers cost reduction beyond contractual commitments.

• TCS’s BPO measures business outcome improvements via its delivery methodology – Fore – which is composed of TCS’s industry expertise, governance tools and solution accelerators. TCS usefully facilitates a range of contracting styles, robotic process automation tools and analytics. TCS also has carried out a couple of ERP BPaaS deployments.

• Industry sectors that are strong for TCS in F&A BPO include banking, insurance, retail and manufacturing. New vertical-specific offerings include shipping – book to bill, banking – stress testing and financial modeling, utilities – fund accounting for alternative energy; real estate – global consolidation and book closure; investment vehicle accounting; Warranty Analytics; billing analytics; and taxation support for India.
Cautions

- Some reference customers observed that TCS could enhance its delivery management engagement to improve delivery of processes, and the related delivery issues.

- TCS needs to focus on improving its communication of its skills in multiple industries and its ability to build innovative contracts.

- Government clients should note that TCS has no clients for the public sector in F&A BPO.

Tech Mahindra

Tech Mahindra remained a Niche Player in the 2015 Magic Quadrant due to its specialization in specific industries, especially communications for F&A BPO, and its experience, which is primarily for supporting services delivered to the U.K., Australia and the U.S.

It is a large IT services firm. It has more than nine comprehensive F&A BPO clients. Its BPO division currently contributes approximately 10% of Tech Mahindra's total IT services revenue. In F&A BPO, it employs 2,600 people. It operates F&A BPO from 11 delivery centers located in India, the U.S., the Philippines, the U.K., and Germany.

Strengths

- Tech Mahindra's strength is in delivering F&A BPO for the communications sector services, which contributes more than half of its F&A BPO revenue. It supplies Billing as a Service as a BPaas offering, in which all aspects of billing are performed as a managed service. Other industry sectors of experience include: financial services, discrete manufacturing, retail and food processing. It also has a managed business process and platform service for fund accounting in financial services.

- Reference customers cited Tech Mahindra's major strengths as commitment to the customer in delivery and in working with the customer to meet joint objectives.

- Tech Mahindra structures its initial proposals around customer business in an effort to make prospects rethink their proposed projects. Business-outcome-based pricing models form a key part of Tech Mahindra's F&A BPO strategy.

Cautions

- Tech Mahindra has a very deliberate industry focus, and hence, it does not position itself in industries such as the public sector, education and healthcare.

- Some reference customer responses for Tech Mahindra indicated that while Tech Mahindra has the client's best interests at heart, the company needs to improve skills in certain industries to deliver fully.

- Tech Mahindra currently lacks an F&A BPO Eastern European delivery hub, and it is operating at a smaller scale today than the Leaders in this evaluation.

Wipro

Wipro has moved to the Visionaries quadrant in this Magic Quadrant because of its strong vision and need to consolidate its management of delivery.

Wipro started selling F&A BPO in 2005. Wipro has more than 49 comprehensive F&A BPO clients. It operates F&A BPO from 33 centers in 10 countries, including Poland, Romania, Brazil, China, Mexico, the U.S., the Philippines, Mexico and India (Bangalore, Delhi, Chennai, Pune, Hyderabad and Mumbai). It employs approximately 12,000 employees in F&A BPO.

Strengths

- Wipro's Business Value Meter methodology measures business outcomes and supports a range of pricing models being deployed. Wipro has several clients at which it supplies both BPO and ITO that are contractually aligned to business outcome improvements. Wipro provides an integrated workflow and analytics engine called "Baseii." This includes a best-practice process repository, it can also service clients that have multiple ERP systems and produce process performance analytics. Baseii includes a credit and collections tool with Emagia, a government platform, reconciliation services, and CFO dashboards. At mid-2015, Wipro had several deployments with commercial robotic process automation software vendors.

- All of Wipro's reference clients praised Wipro's flexible approach, availability of senior management and commitment of the staff.

- Wipro has strong F&A BPO experience for the retail sector, with other strong industry sectors being manufacturing, CPG, high tech, telecom and financial services. It offers sector-specific services of specialty invoice auditing, fleet management, processing and analytics for freight, and meter-to-cash services for telecom and utility companies.

Cautions

- Wipro needs to improve its ability to communicate its sector-specific finance insights, its ability to communicate thought leaderships and its suite of tools to prospects and clients.

- Some reference clients cited Wipro could improve its delivery of proactive process improvement, transparency of operations, and attrition at delivery and management levels.

WNS

WNS remained a Leader in this Magic Quadrant because it is balanced in its performance for customers, operations and global delivery.

WNS started selling F&A BPO in 1996. It is a specialist BPO company, for which F&A BPO represents a significant share of total revenue. WNS has more than 36...
Some reference clients cited that WNS has limited experience in the public sector for general F&A BPO.

**Xerox**

Xerox remained a Leader in the 2015 Magic Quadrant due to its well-articulated understanding of the clients’ challenges and its extensive global delivery capabilities.

Xerox has more than 200 F&A BPO clients. All BPO now accounts for more than 56% of Xerox’s total service revenue. Xerox acquired ACS in February 2010. ACS had offered F&A BPO since 1996. In 2015, Xerox now has approximately 7,390 employees working directly in F&A BPO, and it has an additional 35,300 employees performing F&A services integrated with industry solution teams (for example, financial services and higher education). It operates from 19 F&A BPO centers in 10 countries, including the United States, Jamaica, Mexico, Brazil, Spain, Poland, Romania, India, the Philippines and China. Xerox previously acquired Symcor’s U.S. operations, adding lockbox and payment services to supplement its financial services offerings. In 2013, Xerox acquired Customer Value Group (CVG) for order to cash.

**Strengths**

- Xerox demonstrates a clear understanding of end-to-end process flows and the technologies needed to support them, and it has amassed a good portfolio of process enhancement technologies and services partnerships for F&A BPO. It has a large number of clients that it services for multiple countries, and it has a clear set of client propositions. At mid-2015, Xerox had several deployments with commercial robotic process automation software vendors.

**Cautions**

- Some reference customers cited the attrition rate of back-office staff, lack of ability to proactively move the client beyond the initial transition and initial cost savings of the contract, and Xerox’s inability to clearly communicate its vision.

**Vendors Added and Dropped**

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor's appearance in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

**Added**

No providers were added to this Magic Quadrant.

**Dropped**

No providers were dropped.

**Inclusion and Exclusion Criteria**

This Magic Quadrant evaluates suppliers on their F&A-related outsourcing services only. The criteria for inclusion of service providers for this Magic Quadrant are based on a combination of qualitative and quantitative measures.
Evaluation Criteria

Ability to Execute

Gartner analysts evaluate providers on the quality and efficacy of the processes, systems, methods and procedures that enable provider performance to be competitive, efficient and effective, and to positively impact revenue, retention and reputation. Ultimately, providers are judged on their ability and success in capitalizing on their vision. The following Ability to Execute criteria were used to evaluate vendors’ positions.

Product or Service. This criterion includes core services offered by the providers that compete in the defined market. This criterion also includes current service capabilities, quality, feature sets, skills and so on, whether offered natively or through partnerships. Specifically, F&A BPO customer references focused on transition management and steady state of service levels of F&A BPO process delivery.

Sales Execution/Pricing. This criterion evaluates the service providers’ capabilities in all presales activities and the structure that supports them. This criterion also includes deal management, pricing and negotiation, presales support and contracting expertise, as shown in the number of and scale of contracts awarded.

Market Responsiveness/Record. This criterion evaluates the vendor’s ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve, and market dynamics change.

This criterion also considers the provider’s history of responsiveness and length of time servicing the market.

Marketing Execution. This criterion considers the clarity, quality, creativity and efficacy of programs designed to deliver the organization’s message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This mind share can be driven by a combination of publicity, promotional activities, thought leadership, word of mouth and sales activities. Vendors’ websites, presentations, service literature and a client survey contributed to evaluating this category.

Customer Experience. This criterion includes the relationships, products and services/programs that enable clients to be successful with comprehensive F&A BPO deals being evaluated. Specifically, this category includes the ways customers receive operational F&A BPO service support.

Operations. This criterion refers to the ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, ability to manage attrition, tools and services capabilities, service methodologies and other elements that help the organization operate effectively and efficiently on an ongoing basis.

The following criterion was not used for this Magic Quadrant: Overall Viability. All the firms in this Magic Quadrant have total revenue of more than $40 million and are considered viable organizations. Hence, no differentiation could be found if evaluating on this criterion. There is always a chance that suppliers listed may be bought, but this does not impede their ability to sell F&A BPO services in 2015.

Table 1. Ability to Execute Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product or Service</td>
<td>High</td>
</tr>
<tr>
<td>Overall Viability</td>
<td>Not Rated</td>
</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>Low</td>
</tr>
<tr>
<td>Market Responsiveness/Record</td>
<td>Low</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>Low</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>High</td>
</tr>
<tr>
<td>Operations</td>
<td>High</td>
</tr>
</tbody>
</table>

Completeness of Vision

Gartner analysts evaluate technology providers on their ability to convincingly articulate logical statements about current and future market direction, innovation, customer needs and competitive forces, and how well they map to the Gartner position. Ultimately, providers are rated on their understanding of how market forces can be exploited to create opportunity for the provider. The following Completeness of Vision criteria were used to evaluate vendors’ positions.

Market Understanding. This criterion evaluates the ability of the service provider to understand buyers’ needs and translate these needs into comprehensive F&A BPO relationships. Vendors that show the highest degree of vision listen and understand buyers’ wants and needs, and they can shape or enhance those wants with their added vision.

Marketing Strategy. This criterion includes a clear, differentiated set of messages promoting F&A BPO, consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy. This criterion refers to the strategy for selling F&A BPO that uses the appropriate network of capabilities, including marketing, service and communications affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.
**Offering (Product) Strategy:** This criterion evaluates a service provider’s approach to comprehensive F&A BPO development and delivery that emphasizes depth and breadth of F&A BPO services as they map to current and future requirements of use of technology, global delivery centers catering to multiple languages, and a good balance of transactional and high-end F&A BPO delivery.

**Vertical/Industry Strategy:** This criterion refers to the service provider’s strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets, which differs for many reasons, including the balance between types of public- and private-sector organizations serviced.

**Innovation:** This criterion evaluates the direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, or defensive or pre-emptive purposes. The service provider’s reputation as a “thought leader” and innovator will also be evaluated.

**Geographic Strategy:** This criterion refers to the service provider’s strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the “home” or native geography, including vertical markets, which differs for many reasons, including the balance between types of public- and private-sector organizations serviced.

The following criterion was not used for this Magic Quadrant: Business Model.

**Table 2. Completeness of Vision Evaluation Criteria**

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
<td>High</td>
</tr>
<tr>
<td>Marketing Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Business Model</td>
<td>Not Rated</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Innovation</td>
<td>High</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Gartner (June 2015)

### Quadrant Descriptions

#### Leaders

Leaders are performing well today, both with a clear vision of market direction and by actively building competencies to sustain their Leaders position in the market. The comprehensive F&A BPO players in this quadrant generally share superior market understanding, and they have a global client base, an extensive network of well-distributed and highly populated global delivery centers catering to multiple languages, a good balance of transactional and high-end F&A BPO delivery, and innovative well-communicated and marketed services. They have a superior understanding of client needs and of current market conditions, and they are actively building competencies to sustain their leadership position in the F&A BPO market across multiple regions.

#### Challengers

Challengers execute reasonably well today, but they have yet to capitalize on their vision. For vendors in this quadrant, increased attention to sales and marketing will help improve future alignment to existing clients and new prospects. Challengers have a relatively good level of market understanding, a growing volume of sales and a sizable market share in key regions/markets for F&A BPO services, as well as a good understanding of their clients’ evolving needs. They also have a strong operational execution but might lack geographical presence, depth in vertical industry, and technology capabilities and assets.

#### Visionaries

Visionaries have a clear vision of market direction and are focused on preparing for that, especially with innovative technology solutions, but they still can improve the scale and scope of service delivery. For vendors in this quadrant, time and attention to executing the visionary service and delivery plans will help them to capitalize on their visions with new prospects. Visionaries anticipate emerging or changing market and customer needs, and they move into new opportunities quickly. They have a strong potential to influence the direction of the worldwide F&A BPO market, but they may struggle to meet the needs of all organizations because of some limitations – geographical coverage, technology, marketing and brand awareness, or vertical industry knowledge.

#### Niche Players

Niche Players concentrate typically on particular market segments, such as U.K.-based clients, public-sector clients, or manufacturing sector or midsize organizations, and they often support only those services that apply to those targeted segments. Strengthening geographic sales and delivery strategy is a bigger consideration than in the past among the comprehensive F&A BPO players in this quadrant, targeting more vertical markets or more regional markets directly or via partners can therefore designate Niche Player status. The relative number of installed bases of comprehensive contracts is also a factor. However, many providers in this segment were rated very highly for customer experience, and many can be considered to be leading players within their niche market focus.

#### Context

Gartner defines comprehensive F&A processes as the outsourcing of three or more finance processes to a single provider. This report analyzes leading providers of F&A BPO that have met the criteria of $40 million or more in F&A BPO revenue. The market is differentiated by the scale of delivery that F&A BPO vendors have experience with; for example, several providers support complex, global deals, while others focus on supporting midsize corporations, or just one industry, or just one country, such as the U.K. These characteristics are important to weigh in making the right provider choice, and in the cases in which a provider supports only one country or limited services, then this has contributed to its rating in this system.

This Magic Quadrant offers a deep analysis of the competitive positioning for comprehensive F&A BPO services by showcasing the relative placement of the main players in the market according to a variety of criteria, and by offering detailed Strengths and Cautions for each of the included vendors. The ratings of the vendors represent a combination of research and client
reference checks conducted specifically for the Magic Quadrant process, along with input from the Gartner BPO research community, ongoing vendor briefings, interactions with Gartner buyer clients and market developments.

Gartner’s comprehensive F&A BPO Magic Quadrant (as shown in Figure 1) is a useful starting point from which to identify and evaluate comprehensive F&A BPO services from a variety of vendors. Selection of a good provider for comprehensive F&A BPO services should be based on a detailed evaluation of an enterprise’s end-to-end F&A BPO needs and objectives compared with a service provider’s capacity to fulfill those requirements and expectations over time. Therefore, enterprises must determine which comprehensive F&A BPO provider can best address their particular requirements.

Note: Just because a service provider falls into the Leaders quadrant, that position doesn’t automatically make it the right choice for a buyer’s needs.

**Market Overview**

Customers using F&A BPO services, especially those expecting a journey toward process excellence, need to be prescriptive upfront and take significant responsibility in leading, rather than just relying on the F&A BPO provider to be proactive. The majority of F&A BPO today is still heavily relying on cost savings from a one off-labor arbitrage, failing to significantly move processes and technologies to better end-to-end capabilities. This is because, in reality, there is no one standard way to do any finance activity, either within organizations or between organizations. Each organization has evolved with its own idiosyncrasies.

Disappointingly, many buyers of F&A BPO have historically focused mostly on only lowering the labor cost of the people delivering F&A, rather than focusing on improving the performance of finance processes (for example, being able to capitalize on negotiated discounts, not paying duplicate invoices, performing collections better or realigning whole finance processes). Typically, buyers of F&A BPO have focused on getting a less-expensive price for labor (that is, delivering the service because they did not have the process performance metrics to contrast against other measures of process performance. For buyers of F&A BPO, having these metrics is essential to more useful types of contracts in the future. Unfortunately, most buyers of F&A BPO haven’t defined transformation and innovation, haven’t paid for consulting services, or haven’t evaluated the internal organizations’ technological automation or system implications of improving processes. Consequently, they often believe the changes related to services and processes will happen by osmosis. Or buyers hope the service provider will conduct the improvements for free, even though changes would be beyond the scope of the contract. Buyers must learn what the advantages of improving the end-to-end process would be to their organization.

The key to buyers’ success is to build contracts that focus on outputs and outcomes of business processes – not lower labor costs. Several providers are determined to show value to clients, and they will do work on a “no-win/no-fee basis.”

Organizations have taken many routes to try to improve F&A services. Current trends include:

- From 1991 through 2014, 1,200 organizations have chosen to use one of the top 20 F&A BPO providers. In 2014, 183 new clients signed up for these services, and 256 organizations renewed contracts with existing providers. Approximately 30 companies did not renew with their incumbent supplier.

- Of these 1,200 organizations, approximately half have contracted to pay for the deals as labor only – that is, to pay for full-time equivalents – which may or may not have included productivity incentives over the life of the contract. The second most popular contracting mechanism was for a combination of FTE with per transaction and business outcome incentives. The next most popular was a per-transaction adoption model, and the last was a business-outcome-only contracting model.

- Of these 1,200 organizations, 70% contracted just for the provision of F&A staff, while 30% contracted for F&A staff, in addition to a combination of process enhancement technologies and services (PETS) and/or ERP application management. Contracting for a complete ERP application delivered as in F&A BPO services is still very rare; however, approximately 60 buyers requested this service in 2014. In addition, contracting for PETS (such as, accounts payable or expense management tools delivered as BPaaS) is also on the rise.

- Average F&A BPO deal terms were for three to five years in 2014, but they range from one to 10 years.

- Average F&A BPO deal sizes range between $5 million and $40 million, with some deals between $100 million and $300 million, depending on the scope.

- In 2014, F&A BPO providers started evaluating robotic process automation tools, which can be used to automate various labor-intensive tasks, such as cash allocation in accounts receivable.

- The main business cost reductions in F&A BPO in 2014 came from the initial labor arbitrage, followed by reducing the number of duplicate invoices paid, speeding up cash allocation processes, capitalizing on negotiated discounts and decreasing days sales outstanding.

- Moving labor to less-expensive wage locations via an F&A BPO provider has resulted in 200,000 people working in F&A BPO divisions. Of these, 100,000 are in India, 8,000 are in the Philippines, 8,000 are in Eastern Europe, and 4,000 are in Latin America. Typically, wage costs are decreased by 20% to 30%, depending on the staff in question for the duration of the contract. Opportunity for process
improvement abounds. The rest of the employees are based at onshore locations predominantly in the U.S. or the U.K.

• The disadvantage of most F&A BPO is that the client company and the BPO provider often fail to align incentives – either in the end users in the buying organization or in the BPO supplier – to actually improve processes. The processes remain linked to being delivered by labor. Unintended attrition is often high, averaging 30% staff turnover a year, especially in junior roles. The continued trend for FTE contracting often builds attrition (that is, staff turnover) into the BPO organization delivery, as staff members want pay rises or new opportunities. Failure to either get a raise or have opportunities can cause staff members to leave the BPO organization. This situation can, in turn, create a burden on the client teams for retraining and building new relationships. This, therefore, offers a strong argument to standardize and automate F&A BPO practices as much as possible to decrease any complex or time-consuming retraining issues.

• Note: Onshore F&A BPO is prevalent in the U.K. mostly to service the large U.K. local and central government sector outsourcing demand, and it is prevalent in the U.S., primarily delivering from the Midwest.

Advice for Buyers of F&A BPO
Sourcing and contracting for F&A BPO must evolve to take into account continuous improvement – not just a one-off transformation. Fixing end-to-end process flows includes dealing with the internal organizational challenges and changes, technology opportunities, and automation – and not just contracting for access to less-expensive labor and/or new systems.

The best way for buyers to quickly learn is to visit a couple of delivery centers that have the full range of finance services delivered to leading-edge clients. This can be determined by identifying clients that have leading-edge benchmark scores for end-to-end best-practice finance capabilities. Almost all financial processes can be and have been outsourced – from complex reporting to the more typical services of accounts payable and accounts receivable.

Unfortunately, there are some challenges that most providers are still finding hard to resolve, including attrition, and a general criticism that the providers are unable to tell clients early and often about bad news so that the clients could help fix the problem or mitigate the risk earlier. However, clients that treated their F&A BPO providers as partners (that is, as part of the team) had better experiences of F&A BPO versus those that kept the service provider and its staff at arm’s length and that expected the service provider to be able to fix all issues related to finance in the whole end-to-end processes across the organization.

Evaluation Criteria Definitions

Ability to Execute
Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Sales Execution/Pricing: The vendor’s capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Marketing Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor’s history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization’s message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This “mindshare” can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision
Market Understanding: Ability of the vendor to understand buyers’ wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers’ wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service,
and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy.** The vendor’s approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

**Business Model.** The soundness and logic of the vendor’s underlying business proposition.

**Vertical/Industry Strategy.** The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

**Innovation.** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy.** The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the “home” or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

Source: Gartner Research, G00265138, Cathy Tornbohm, Chris Pang, 18 June 2015