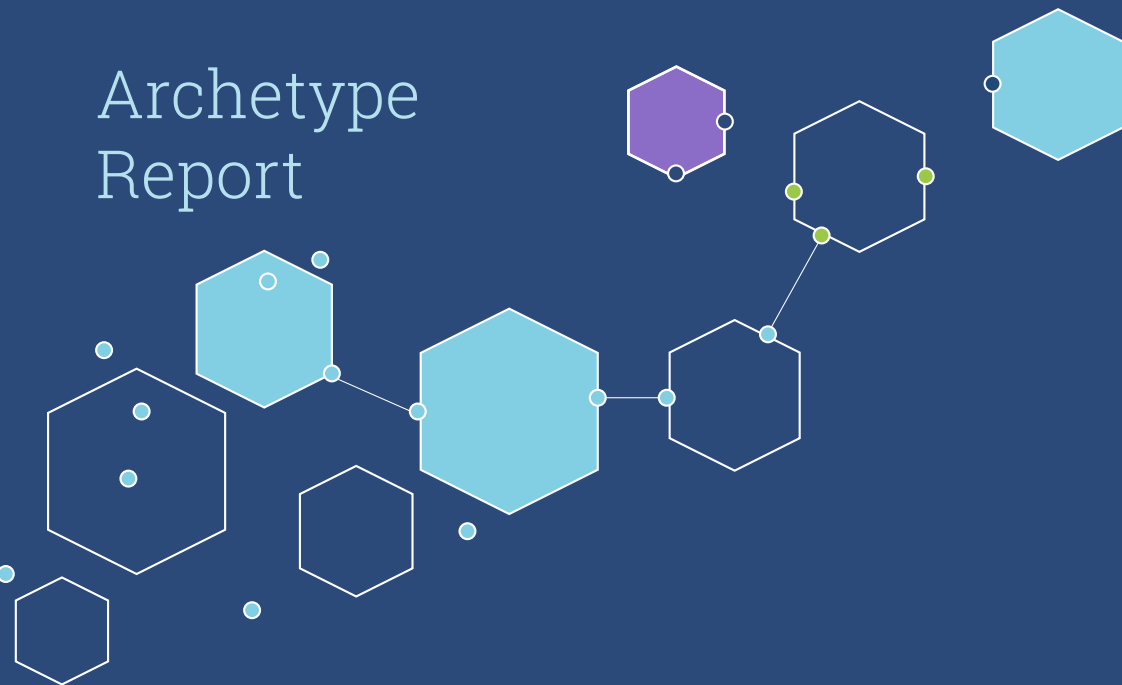


***ISG** Provider Lens™

FAO Digital Outsourcing Services

Archetype
Report



A research report
aligning enterprise
requirements and
provider capabilities

June 2018

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Infosys®

About this Report

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The research and analysis presented in this report include research from the ISG Provider Lens™ program, ongoing ISG Research programs, interviews with ISG advisors, briefings with services providers and analysis of publicly available market information from multiple sources. The data collected for this report represents information that was current as of May 15, 2018. ISG recognizes that many mergers and acquisitions have taken place since that time, but those changes are not reflected in this report.

All revenue references are in U.S. dollars (\$US) unless noted.

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ISG Provider Lens™ delivers leading-edge and actionable research studies, reports and consulting services focused on technology and service providers' strengths and weaknesses and how they are positioned relative to their peers in the market. These reports provide influential insights accessed by our large pool of advisors who are actively advising outsourcing deals, as well as large numbers of ISG enterprise clients who are potential outsourcers.

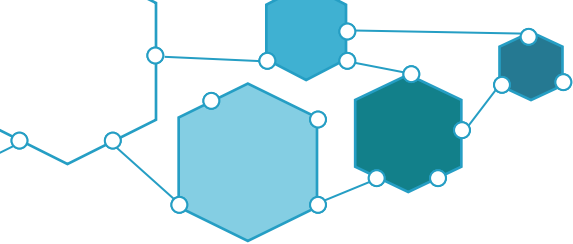
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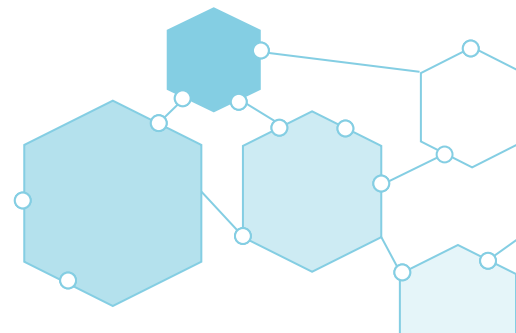
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EXECUTIVE SUMMARY

Digital Outsourcing Services

Outsourcing services have been broadly impacted by digital technologies in terms of service delivery models, pricing models, contract values and durations, productivity possibilities and expectations, KPIs, innovation and several other factors. The Finance and Accounting (FAO) service line is no exception.

Today, agility is one of the biggest contributing factors to an organization's success. Business agility requires leaders to have real-time information to make decisions, whether they are in the office or on the go. Finance is the heart of any organization, and to thrive in the market, a company's finances must be maintained on a timely basis. Finance is a strong determinant of the health of the business, and the CFO is under constant pressure to weigh in on the financial considerations of any decision making. With the CFO role evolving and changing to be a less of a bookkeeper and more of a strategic business leader, CFOs must be empowered with information.



Finance departments must actively contribute to the business. Obviously, digital technologies are a game changer. They have the ability to empower CFOs with meaningful real-time insights that will help them focus on core operations and other business priorities.

While technology adoption is important, the functions of finance itself are subject to change. Companies must be up to date and adhere to tax submission requirements, country-specific regulations, industry-specific regulations and other controls. With ever-changing dynamics of the marketplace, enterprises must focus on many things or they will fall behind the curve. Hence, enterprises are partnering with service providers that can minimize enterprise investment in certain skills by leaving things to the service provider's experts.

Some of the key trends that are transforming the finance and accounting space are:

Design thinking is becoming important. Transformation is not all about applying technology or automating processes, and it is not limited to just the back office. Transformation must be thought through more holistically. Starting from the end-user perspective to the middle office and back-end processes, everything needs to be transformed to achieve the right business outcome. Customer experience is becoming pivotal for business success and transformation. Applying design thinking principles to the transformation journey to achieve a seamless customer experience is imperative. Point solutions are good for achieving short-term goals, but in the long run, an enterprise needs holistic solutions.

Cloud solutions and their benefits are apparent. Cloud solutions are not new in this space. Most service providers in the market partner with vendors such as NetSuite to offer cloud solutions. Such vendors are compliant with auditing standards and provide off-the-shelf products for many industries. The advantages of getting real-time information and access to data anytime and anywhere are immense. Such access helps make businesses more agile. Real-time and cloud solutions can help enterprises reduce the burden of their legacy systems and even make it cost efficient to replace them.

RPA will automate more than 50 percent of the F&A processes by 2020, according to ISG Research. Finance and accounting was an early adopter of robotic process automation. RPA can have a huge impact on order-to-cash (O2C), procure-to-pay (P2P) and record-to-report (R2R) processes and transactions. RPA makes the biggest impact on order-to-cash processes, which require an average 43 percent fewer resources after being

automated, according to the ISG Automation Index research. Today automation is an integral part of nearly every contract signed for FAO services. RPA has enabled service providers to talk more confidently to their clients about up-front savings or other benefits. Productivity is surging to 24 to 143 percent compared to historical norms of 5 to 10 percent, according to ISG Research.

Artificial intelligence (AI) is creating noise in the F&A services space. Since the advent of optical character recognition (OCR) technology that enables invoice processing for both paper and digital invoices, artificial intelligence has expanded to use natural language processing (NLP) capabilities to be able to read like humans and take automation to the next level by completing more complex functions. Fraud detection and exception handling are some areas where artificial intelligence is being applied. While enterprise AI adoption is low, we believe it will surge in the next one or two years as companies identify more use cases. On average, 47 percent of enterprise clients are looking to adopt natural language processing, machine learning, RPA, autonomies, virtual customer agents or related technology, according to an ISG survey on automation and artificial intelligence.

Analytics will empower CFOs. Analytics is highly beneficial when it increases visibility of the company's financial status. CFOs are leaning toward prescriptive analytics to support necessary actions and quick decisions. Some of the ways CFOs are empowered with real-time information to improve decision-making include dashboards that give insightful information for mitigating losses, reducing days sales outstanding or that provide action-oriented insights to improve cash flow. For example, CFOs no longer can wait until the end of the month to get visibility into cash flow, outstanding payables, sales or inventory.

Today, they are relying on analytics to get real-time insights into cash flow processes to gauge the financial strength of business at any time.

Blockchain is a game changer. Although blockchain is in its nascent stages, service providers are investing heavily in it and are identifying use cases. Blockchain is considered a game changer in the F&A space because of the huge potential to apply this technology. Blockchain for FAO is mostly in the proof-of-concept stage, with a handful of implementations happening today. Service providers believe blockchain has a lot to offer their clients in terms of better outcomes and reduced cost. While IBM is a big player in blockchain, other providers including Wipro are making significant investments and see huge potential.

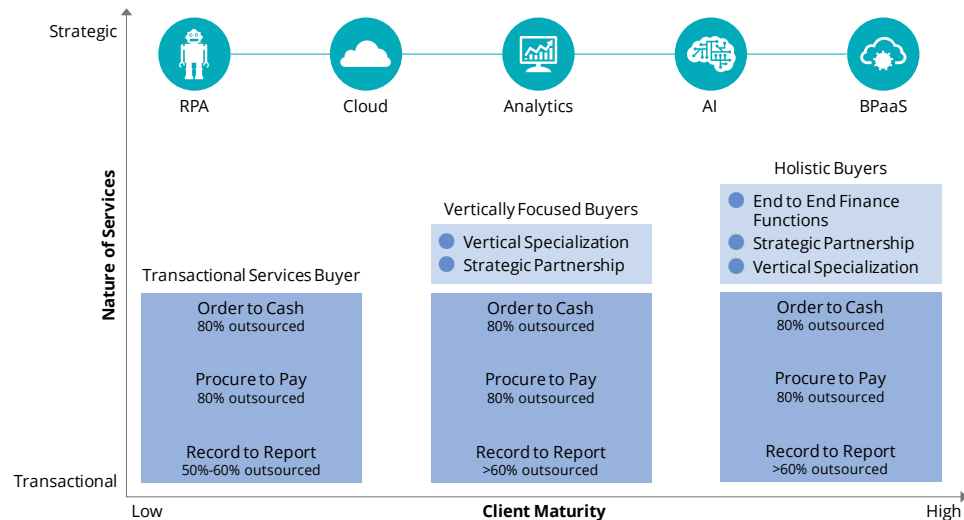
With technology comes confidence. Traditionally, pricing models based on full-time equivalents (FTEs) and fixed fees were most prevalent in the F&A outsourcing market. However, with the advent of technology, and especially automation, FTE-based and fixed-fee pricing is becoming less popular among enterprises. Companies today are leaning toward transaction-based and outcome-based pricing models. For example, with RPA coming into play, providers are more comfortable promising higher productivity and outcomes when negotiating the agreement. Outcome-based pricing is gaining traction, especially with mature client enterprises.

Specialization is not limited to finance. With enterprises outsource to leverage technology and domain skills, vertical specialization is an important feature. The service provider's industry knowledge is also an important factor that contributes to the success of an outsourcing engagement. Industry specialization has its advantages, including enabling relevant benchmarking exercises, understanding revenue models, identifying and applying the right technology, and giving the provider the ability to assess the client's offerings and suggest process improvements and other nuances for a vertical. This knowledge helps service providers deliver immense added value to their clients.



Introduction

Transformation Buyer and Automation Adopters



Transformation is inevitable. It is a do-or-die proposition for enterprises in the digital era. If enterprises shy away from adopting digital technologies, then they are at risk of losing in today's competitive environment. However, transforming with technology doesn't mean changes should be made over night. Transformation is a journey, and having a clear road-map on how to make the journey is extremely important. Transformation is not the same for all enterprises. It depends largely on where a company lie on the maturity curve.

For enterprises with legacy systems, large infrastructures or decentralized operations, the transformation journey will take time and may be rolled out in phases without disrupting existing operations. However, next-generation companies that do not have any burden of legacy are ready to adopt new technology quickly and are ready to adopt BPaaS solutions.

After outsourcing mere transactional processes such as order-to-cash and procure-to-pay, CFOs now are beginning to engage with service providers more holistically. They view providers as strategic partners that can provide meaningful insights and guide decision-making. More complex functions are being outsourced so the enterprise can get more complete, meaningful data and insights back from service providers. Tax, treasury, management reporting and other complex record-to-report functions that were typically retained by enterprises are now being outsourced, according to ISG advisors. Businesses also are open to outsourcing processes like exception handling, budgeting and forecasting, and external reporting to financial authorities.

About This Research

This ISG Provider Lens™ report summarizes the relative capabilities of 19 FAO service providers and their abilities to address the requirements of five typical, frequently encountered categories of enterprise buyers (“archetypes”). Each archetype represents a unique set of business and technological needs and challenges. Our research found no shortage of providers with capabilities to satisfy the FAO needs across most user archetypes. This is due in large part to two core realities regarding the archetypes:

- 1 The characteristics of each archetype are moving targets because, while the core requirements rarely change, the relative importance of different requirements can vary based on business and/or technology environment changes.
- 2 Most enterprises, especially larger firms, tend to have multiple archetypes. As each archetype’s requirements evolve based on business and technological changes, so too does the presence and value of each archetype within the enterprise. Therefore, enterprises have an ongoing series of choices when it comes FAO service provider selection. They will need to strike a balance between optimal business value and relative cost of the provider engagement, integration and management. Market changes, new business models, fluctuating economic factors and other variables continually add to and subtract from user needs.

This report uses research and analysis from ISG’s long-running work with enterprise clients and BPO services providers to identify and examine key changes in, approaches for and buyers of finance and accounting services. We map the user-side requirements to provider-side offerings and capabilities. Not every user enterprise has the same

requirements. In this report, we use five buyer archetypes – detailed in the following sections – to identify and assess buy-side requirements for business value relative to provider-side offerings and capabilities. All revenue references are in U.S. dollars (\$US) unless noted.

The assessment methodology has been developed and refined over several years of working with buyers to understand and articulate their services requirements, and from working with services providers to understand how those buyer requirements influence the development of suitable solutions and go-to-market strategies.

This report assesses the capabilities of 19 providers. Some services providers that are typically included in our work are not included in this report because they were unable to or declined to participate. They may be included in future versions of this report, based on merit and on the services providers’ willingness to provide current and relevant materials. Readers should not make any inferences based on a services provider’s absence from this report.

How to Use This Report

This report is intended to provide advice founded on ISG's experienced-based, proprietary assessment of services providers' relative suitability to the needs of the typical FAO customer. This advice is then applied across each of the five archetypes as profiled. No recommendation or endorsement is indicated, suggested or implied. Clients must make the decision to engage with any provider based not only on their specific, current workplace needs but also on other factors such as cost, culture and timing.

This report is organized into the following major sections.

Client Archetype Descriptions. This section identifies and describes the most common user-side archetypes that we have identified in our ongoing research and analysis.

Assessments by Archetype. These sections first detail each of the client archetypes, along with the types of service offerings each typically requires to realize the most business value. Each archetype section includes our assessment of the relevant capabilities and positioning of the services providers surveyed and interviewed. It covers the relative suitability of the providers for each archetype based on the information they have provided to ISG. These assessments are developed using the data, analysis and comparative methodology described in the Methodology section.

Methodology. In this section, we outline and explain how we developed and applied the data, analysis and insights provided in this report.

Please note: *This report presents service providers' known capabilities in the context of user enterprises' typical project needs (which are categorized as specific archetypes). This report is not meant to rank providers or to assert that there is one top provider with capabilities that can meet the requirements of all clients that identify themselves as a particular archetype.*



CLIENT ARCHETYPE DESCRIPTIONS

The client archetypes used in this report (and in our ongoing advisory and consulting engagements) represent the various types of clients ISG has observed and how we classify them according to their relative outsourcing maturity and objectives. Each client archetype encapsulates the typical characteristics of a specific type of buyer that is looking to outsource one or more processes or functions. The use of archetypes enables us to develop sets of characteristics and needs that can be applied uniformly and repeatedly across multiple environments, industries, provider types and other variables within one service line.

The archetypes are not meant to be comprehensive examinations of all potential or likely client situations and requirements. They are meant to provide a simple, relevant and repeatable set of user-side requirements against which a similarly simple, relevant set of provider capabilities can be assessed.

The archetypes included in our reports are based on the most current marketplace knowledge regarding prevalent buy-side goals, resources, initiatives and requirements. Archetype characteristics are also developed (and refined over time) based on our advisory and consulting work with enterprise clients and IT service providers, and on our global business IT market research and advisory programs.



A1

TRANSACTIONAL SERVICES BUYERS

Typically, these are first-generation outsourcers that are looking to outsource less complex finance functions that are repetitive and transactional in nature. The typical order-to-cash, procure-to-pay and some record-to-report transactions are the most frequently outsourced functions. These buyers are looking for point solutions and are not inclined to outsource other critical finance functions. One of the key characteristics of this archetype is they want to reduce cost of processing transactions by using offshore labor arbitrage.

AUTOMATION IMPLEMENTERS

Moving from first-generation outsourcing to second-generation outsourcing, these buyers are looking to leverage technology, and their outsourcing objective is not limited to cost savings. The clients in this archetype are want to use technology and outsource more of their critical functions and to get deeper insights to support decision-making. Automation in this category is not limited to rules-based automation; instead the automation blends intelligence into the process.

A2

A3

TRANSFORMATION-ORIENTED BUYERS

Buyers in this category are looking to transform their F&A operations to be ahead of the curve, improve customer experience and better use technology to their advantage. Embracing the chain of digital technologies is of prime importance for these buyers. Their outsourcing objective is not limited to transactional processes. They want to go a step farther and outsource more complex functions so they can better use data for their finance functions. CFOs want to focus on their core business and use technology to get real-time insights to make quick decisions so their finance departments can function more effectively.

A4

HOLISTIC BUYERS

Clients in this archetype are looking to outsource end-to-end F&A functions so they can focus on their core business activity. They are looking for a strategic partner that can understand their business and its related processes and offer solutions that can help them achieve their business objectives. Technology implementation and process improvement are other key objectives.

VERTICALLY FOCUSED BUYERS

Clients in this archetype operate in highly regulated or competitive environments and are looking to strategically partner with providers that can not only bring best-of-breed technology but also industry expertise. Vertical specialization with strong domain expertise is a prerequisite for serving this type of client.

Vertical specialization plays a key role in benchmarking, bringing in industry best practices to customize the solutions with apt technological solutions.

A5





TRANSACTIONAL SERVICES BUYERS

These buyers are typically first-generation outsourcers that are looking to outsource the less complex finance functions, especially those that are repetitive and transactional in nature. The typical order-to-cash, procure-to-pay and some record-to-report transactions are the most frequently outsourced functions. These buyers are looking for point solutions and are not inclined to outsource other critical finance functions. One of the key characteristics of this archetype is they want to reduce cost of processing transactions by using offshore labor arbitrage.

Clients in this archetype have low IT maturity and are not digitally inclined. They want to reduce their spending on people for routine transactional services and take advantage of the skilled labor and technology that service providers have to offer so they can focus on improving their business operations. Transactional Services Buyers usually adopt FTE-based or fixed-fee contract models when engaging with service providers.

Having skilled labor that has domain expertise and understands the local norms and regulations is a prerequisite for serving these buyers. Local language support and strong F&A capabilities and experience play an important role when clients are choosing service providers. For larger enterprises, it is important for service providers to have a global presence that can support clients from offshore or nearshore locations.

Considering the kind of transactions the Transactional Services Buyer archetype outsources, there is huge scope for basic automation. Service providers can apply rules-based automation to improve efficiencies, eliminate errors and reduce costs in these processes.

A Transactional Services Buyers Objectives

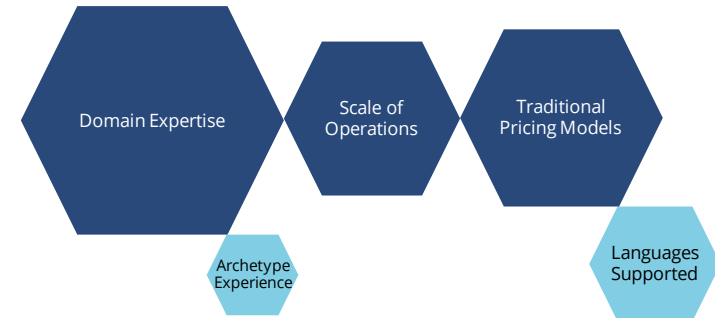
- Overcome insufficient in-house capability in terms of skills and technology
- Save costs through offshore labor arbitrage or automation
- Take advantage of language support capabilities
- Leverage global expertise and presence
- Leverage domain expertise
- Leverage flexible pricing models



Fig 1

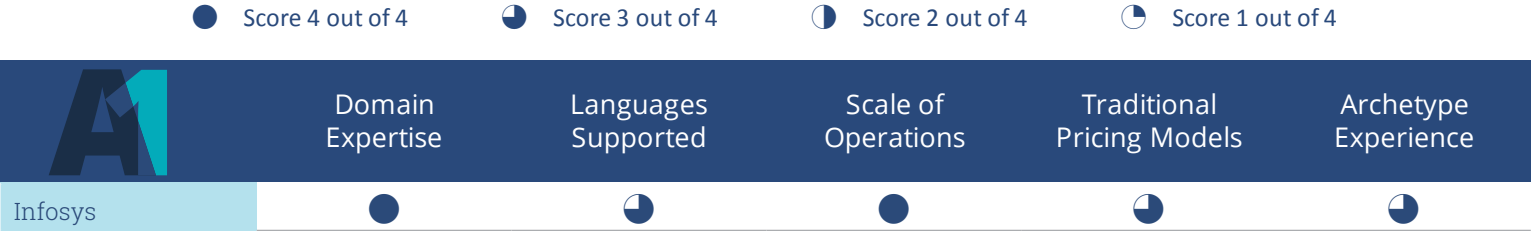
Transactional Services Buyers - Influence of Provider Capabilities

■ Increase in future influence ■ Decrease in future influence



Size based on relative current importance in the archetype profile

Fig 2 Transactional Services Buyers



Infosys

Infosys has reported that 60 percent of its FAO clients are on either time-and-materials, FTE-based or fixed-fee contracts, even though only 25 percent of its clients can be categorized as transactional buyers. Infosys offers FAO services for large enterprises and SMBs from 21 delivery centers in 12 countries and supports 28 languages. About 40 percent of the company's FAO workforce is engaged in supporting order-to-cash, activities followed by nearly one-third supporting record to report. Infosys leverages a combination of its own tools and platforms and third-party applications from Tungsten, Taulia, Tradeshift, Coupa, Concur, High Radius, Adaptive Insights and many others to support different transaction processing activities. It has developed proprietary solutions like Infosys Cash Application Solution (ICAS) to support faster resolution of unapplied cash and quick resolution of debit/credit notes, and the Infosys Collection and Dispute Management (ICDM) tool to optimize and monitor the collection and dispute management workflow. Infosys Modular Accounts Payable Solution is an end-to-end managed AP service, and in R2R, Infosys offers proprietary solutions like Infosys General Ledger Solution, Journal Entry (IGLS – JE), Period End (IGLS – PE) among others. The Americas and Europe account for more than 70 percent of FAO revenues at Infosys, while majority of its workforce is based out of Asia.

A2 AUTOMATION IMPLEMENTERS

These buyers are moving from first-generation outsourcing to second-generation outsourcing and looking to leverage technology. Their outsourcing objective is not limited to cost savings. The clients in this archetype are looking to leverage technology and outsource more of their critical functions and gain deeper insights to support decision making.

Automation in this category is not limited to rules-based processes – it taps into intelligent automation. Technology for this archetype must be able to gather insights from unstructured data and process both paper and digital invoices. Clients in this archetype are open to sharing more data with their service providers so it can be used to train automation bots to do more intelligent work, thus reducing human effort and errors. Some processes that are likely candidates for automation include dispute management, fraud detection, reconciliations and exception handling. These clients also are looking for platforms to help them generate standard reports as part of management reporting.

Automation Implementers are embarking on their digital journey. The journey is not limited to RPA but goes a step further to enable decision-making and managing the enterprise's finances more efficiently. Moving toward outcome-based or risk-sharing models, these clients are looking for flexible or hybrid pricing options. They are driven by the need to improve the customer experience and want to use automation and/or artificial intelligence to improve customer experience.

Service providers in this space are offering artificial intelligence with natural language processing capabilities either through their in-house platforms or partnerships. Bots are trained to the level of being able to make decisions and humans are only involved in complex processes. Service providers are also offering advanced OCR technology to enable electronic invoice processing for both paper and digital invoices. Service providers need to demonstrate domain expertise to help clients standardize P2P and O2C processes and make them ready for automation.

A2 Automation Implementers Client Objectives

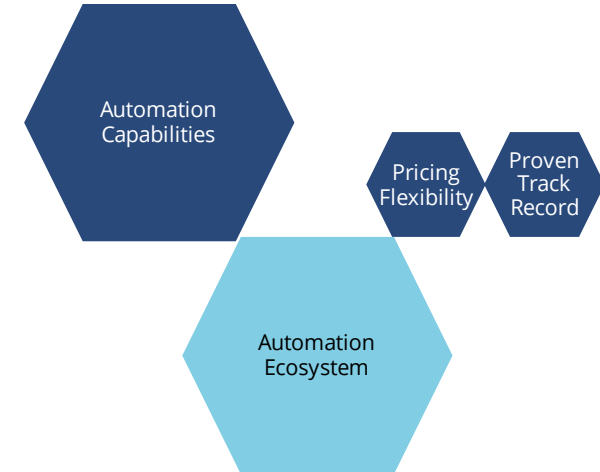
- Significantly improve productivity and efficiency
- Leverage automation/AI to reduce human effort and cost
- Rely on domain experts
- Bring best-of-breed automation products and solutions
- Leverage outcome-based pricing models



Fig 3

Automation Implementers - Influence of Provider Capabilities

■ Increase in future influence ■ Decrease in future influence



Size based on relative current importance in the archetype profile

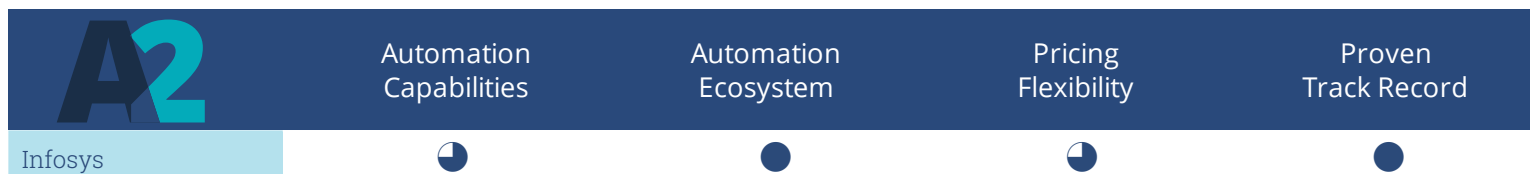
Fig 4 Automation Implementers

● Score 4 out of 4

● Score 3 out of 4

● Score 2 out of 4

● Score 1 out of 4



Infosys

With Infosys' Zero Distance approach, the provider is devoted to bringing innovation to its clients at every stage of the outsourcing cycle. Backed by its proprietary artificial intelligence platform called Infosys Nia™ and its RPA platform AssistEdge, Infosys is one of the leaders in the Automation Implementers archetype. Infosys's AssistEdge platform offers end-to-end robotic automation solution to its clients. From touchless processes to assisted automation, AssistEdge is equipped to provide automation through four modules: Smart User Environment, Robotic Process Automation, Real Time Expertise Manager and Integrated Device Monitoring. Further, the Infosys' RPA center of excellence has in-house expertise across all leading robotic partners including Automation Anywhere, Blue Prism, UiPath, WorkFusion and Pega. Infosys Nia™ offers deep machine learning, NLP, OCR technologies and smart bot capabilities. The platform offers three key components: Nia™ for Knowledge captures, formalizes and processes knowledge using OCR and NLP technologies; Nia™ for Data offers strong analytics capabilities; Nia™ for Automation supports cognitive automation. Infosys Nia™ has more than 20 business solutions across F&A processes. The AI and machine learning-enabled platform is built modularly and has integrated components including OCR/Workflow/Matching Engine/Portal and Payments, and an inbuilt BOT library. Infosys also partners with leading third-party AI platforms on selected projects to deliver cognitive automation. Infosys has deployed Nia™ for few of its clients and has proven results such as reduced cost, improved productivity and reduced query resolution time. Infosys has strong domain expertise in F&A and this benefits its clients because Infosys can bring a strong blend of domain knowledge and technology.

A3 TRANSFORMATION-ORIENTED BUYERS

Buyers in this category are looking to transform their F&A operations to get ahead of the curve, improve customer experience and better use technology to their advantage. Embracing the chain of digital technologies is of prime importance for these buyers. Their objective is not limited to outsourcing transactional processes. They want to go a step further and outsource more complex functions so they can better use data. CFOs want to focus on their core business and want to use technology to get real-time insights to make quick decisions so their finance department functions more effectively.

Transformation-Oriented Buyers are higher on the IT maturity curve than the previous archetypes, with more mature processes. They are ready to embrace digital technologies. Transformation-Oriented Buyers would move data to the cloud to gain anytime, anywhere access. They are also eager to adopt automation and AI to reduce human effort, cost and improve efficiency. Analytics is a key component for transformation. It plays a vital role in transforming F&A functions and giving the CFO meaningful insights to enable quicker decisions.

Cost reduction remains an objective, however, it is not the top priority for these buyers. Transformation is their primary objective. Clients in this archetype focus on technological advancements and improving day-to-day finance and accounting activities, with an emphasis on improving customer experience. Clients engage with service providers on a risk-sharing basis, using outcome-based model or hybrid pricing models. They also rely on service providers to be able to take them through the transformation journey with process improvement suggestions.

To cater to this set of clients, services providers are expected to be equipped with technology such as cloud solutions, integrated ERP systems, analytics solutions, intelligent automation, machine learning, NLP and cognitive computing, among others. Along with technology, the provider's ability to provide consulting to its clients is key to transformation. To enable scalable and faster-to-market opportunities, services providers also offer BPaaS solutions that organizations can implement relatively quickly.

A3 Transformation-Oriented Buyers Client Objectives

- Get real-time insights
- Leverage technology for speed to market
- Gain the competitive edge
- Improve end-user experience
- Engage with flexible pricing models and risk sharing
- Accelerate decision-making
- Create collaborative approach
- Build strategic relationship



Fig 5

Transformation-Oriented Buyers - Influence of Provider Capabilities

■ Increase in future influence ■ Decrease in future influence



Size based on relative current importance in the archetype profile

Fig 6 Transformation-Oriented Buyers

● Score 4 out of 4 ◐ Score 3 out of 4 ◑ Score 2 out of 4 ◒ Score 1 out of 4



Infosys

With more than 100 tools, platforms, dashboards, strategic alliances and RPA- and AI-led solutions, Infosys is undaunted by competition and is prepared to take its clients through the transformation journey. Infosys has built future-focused services that combine technology and finance expertise to address today's CFOs needs. Infosys augments cognitive digital finance capabilities with Nia™, which embeds AI, machine learning and big data solutions into what Infosys describes as purposeful AI for the CFO. Infosys approaches transformation in four dimensions: reengineering the organization, digitally disrupting (by improving back-end functions with technology implementation), repurposing talent and creating lean and simplified processes. Infosys offers a layered services approach with multiple models comprising of a best-of-breed mix of infrastructure (Akash/AWS/Azure), core ERPs (Netsuite, Microsoft AX), more than 100 third-party and proprietary platforms, robotics and AI.

A4 VERTICALLY FOCUSED BUYERS

These clients operate in highly regulated or competitive environments. Clients in this archetype are looking to strategically partner with providers that can not only bring best-of-breed technology but also industry expertise. Vertical specialization along with strong domain expertise is a prerequisite for serving this type of client.

Vertical specialization plays a key role in benchmarking, bringing in industry best practices and customizing the solutions with the right technology. Clients are looking to get ahead of the curve and gain a competitive advantage in their industry. They want to leverage digital technologies like automation, AI and analytics while maintaining compliance with regulatory requirements. These buyers have a complicated process structure and want service providers to collaborate with them to standardize processes.

Service providers need to demonstrate deep industry expertise and understanding of the processes intrinsic to the respective vertical. They should be open to collaborating and co-innovating with their clients, which may result in shared ownership of vertical-specific solutions. Service providers should help clients standardize the core F&A processes so they can be integrated with industry-specific point solutions. The solutions should be compliant with current regulations and compliances.

A4 Vertically Focused Buyers Client Objectives

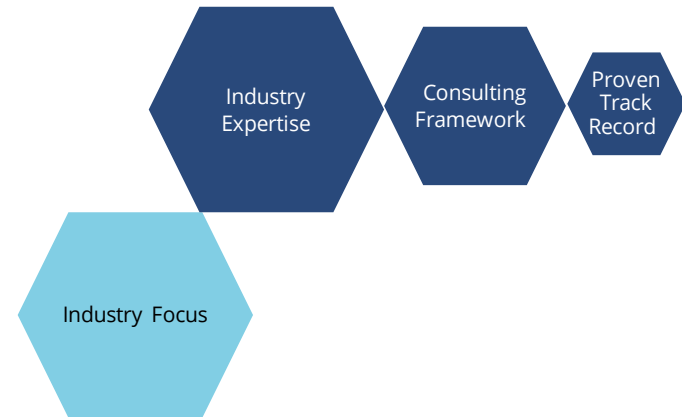
- Understand the industry nuances – benchmarking exercises, compliance and regulatory norms, etc.
- Rely on domain experts and industry experts
- Bring the right industry solution by blending technology with domain and industry experience
- Leverage outcome-based and risk-sharing pricing models



Fig 7

Vertically Focused Buyers - Influence of Provider Capabilities

■ Increase in future influence ■ Decrease in future influence



Size based on relative current importance in the archetype profile

Fig 8 Vertically Focused Buyers

● Score 4 out of 4 ● Score 3 out of 4 ● Score 2 out of 4 ● Score 1 out of 4

A4	Industry Focus	Industry Expertise	Consulting Framework	Proven Track Record
Infosys	●	●	●	●

Infosys

Infosys offers specialized solutions for the manufacturing, energy, retail, BFSI, telecom, media, healthcare and public sectors. Manufacturing, energy and public sector collectively account for approximately 70 percent of its FAO revenues. Infosys has made significant investments in verticalized F&A solutions and has developed specialist teams dedicated to verticals like BFSI, manufacturing, retail, telecom and healthcare. Infosys is one of the very few service providers that has developed specialized solutions for public sector organizations. Its public sector offerings include income tax processing services, accounting and tax support and regulatory compliance services. It also offers risk-weighted assets accounting, liquidity reporting, Lloyds accounting and finance systems reconciliation solutions for the BFSI sector. Specialized solutions for energy companies cover a broad spectrum from meter billing, prepayments and energy contract validation solutions to billing dispute management modules. Other industry-specific point solutions include deductions management, restaurant sales processing, common area maintenance accounting, rent accounting, franchisee accounting and warehouse accounting for the retail and consumer goods sector, revenue assurance, fraud prevention and control, IO validation, ad accounting for telecom and media, and doctor P&L, commission accounting, hospital P&L, and TPA accounting in healthcare sector.



HOLISTIC BUYERS

Clients in this archetype are looking to outsource end-to-end F&A functions so they can focus on their core business activity. They are looking for a strategic partner that can understand their business and related processes and offer solutions that can help them achieve their business objectives.

Technology implementation and process improvement are key objectives for Holistic Buyers. These clients have moved beyond outsourcing the traditional finance functions and are looking to outsource core F&A processes like external reporting, management reporting, budgeting and forecasting, audit and risk management, cost accounting, project accounting and treasury accounting. Clients are open to sharing their business data and allowing service providers to handle most R2R processes, which previously would not have been outsourced at all. The

requirement for tax and compliance support is also high, and clients expect service providers to offer regulatory reporting support in areas like SOX compliance, VAT accounting and reporting and audit support. These clients would like to have real-time insights into company's finances.

To win these clients, services providers must demonstrate strong domain expertise along with vertical specialization and a best-of-breed technology offering. Some services providers in the market have developed deep-dive consulting and design thinking practices that are comparable to the tax and financial consulting practices of the Big 4 firms. On the technology front, leading outsourcing services providers are offering robust analytics tools and artificial intelligence capabilities that take over some human efforts, provide real-time insights, reduce cost and support critical and faster decision-making abilities.

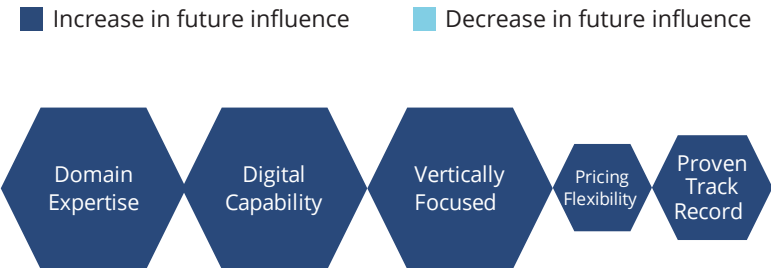
A5 Holistic Buyers Client Objectives

- Focus completely on core business
- Outsource more complex functions of finance
- Build strategic partnership with providers and rely on their expertise
- Leverage digital technologies to reduce human effort and cost
- Gain value that enables real-time decision-making
- Leverage outcome-based or risk-sharing pricing models
- Take advantage of vertical specialization



Fig 9

Holistic Buyers - Influence of Provider Capabilities



Size based on relative current importance in the archetype profile



Holistic Buyers



Score 4 out of 4



Score 3 out of 4



Score 2 out of 4



Score 1 out of 4

A5	Domain Expertise	Digital Capability	Vertical Focus	Pricing Flexibility	Proven Track Record
Infosys					

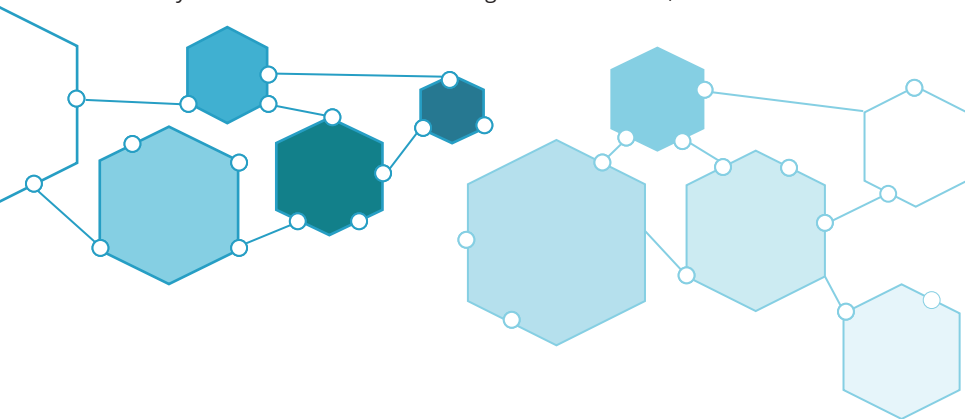
Infosys

Infosys' FAO focus has moved away from traditional bookkeeping exercises to strategic planning, tax reporting and regulatory compliance. The provider has diverse experience in the F&A domain with about 14,000 employees and more than 115 clients globally. It has developed an integrated and end-to-end finance transformation strategy for its clients that leverages the company's functional, technological and industry expertise and focuses on continuous innovation. Infosys is using proprietary platforms like Infosys Nia™ and ProcureEdge, RPA tools like AssistEdge and partner technology for big data analytics and cognitive capabilities to support business decision-making. Infosys has invested in strategic alliance partnerships to help its customers transform their F&A function. It also has operational alliances for mailroom, payments, travel and expense, E-fax, cash applications and others. It has tied up with Big 4 companies for mailroom compliance and taxation, SSC acquisitions and other areas. Infosys aims to reduce the gap between client expectations and needs through its Zero Distance approach, which combines consulting and technological frameworks with design thinking.

GUIDANCE

Today, it's imperative that enterprise clients and service providers work collaboratively and adopt a partnership model to walk the transformation journey. Competition is high, and CFOs are under constant pressure to deliver. With the advances in technology and the changing business landscape, individual roles within organizations are evolving. Expectations from the finance department is much higher and different from what they were traditionally.

To meet these growing expectations, enterprises are looking to gain more benefits from their service providers. We believe that outsourcing transactional services alone will not yield successful outcomes or higher-level benefits, and therefore transactional-



oriented outsourcing is not a win-win situation for enterprises and service providers. The Transactional services archetype will remain relevant, and moreover, it will be one component of the entire transformation journey. The Transaction archetype is the starting point for many first-time outsourcers, but the Automation Implementers and Transformation-Oriented Buyers archetypes will be most relevant. Many clients are currently in a transition where they are graduating from Transaction buyers to becoming Automation Implementers and Transformation-Oriented Buyers.

Digital technologies have disrupted the industry for the good and are here to stay. While RPA was revolutionary few years back, it is has become an integral for several archetypes. Technologies such as AI will have a significant impact on how services are delivered and will create tremendous benefits in F&A operations. These disruptive technologies will change day-to-day F&A activities.

As the objective and scope for outsourcing expands to be more strategic, clients expect their service providers to be domain experts and understand the business nuances, rather than to be mere implementers. Clients want to rely on services providers for insights and advice on process improvements. Hence, vertical specialization is of growing importance.

The Holistic Buyers archetype is at the end of transformational spectrum, and most buyers will eventually want to get there. Services providers will be challenged to prove their expertise in technology, vertical specialization and domain knowledge. Clients with no legacy baggage and that are digitally aligned will be more well-prepared to embrace change.

Enterprise Leadership Actions

Know your requirements. There are many service providers in the market offering F&A services. Client organizations must assess their maturity stage and choose the right partner. Provider offerings range from mere transactional services to transformation services, and there are stark differences between them.

A client's requirements can vary from needing to simply outsource menial routine tasks to being able to bring its decentralized functions under one umbrella and build an efficient finance function. An enterprise must assess its need carefully and align its service provider search with its current enterprise requirements. As F&A service complexity increases, enterprises will have to be able to find strategic partners rather than service providers that can merely execute tasks.

Embrace transformation holistically and with an open mind. Service providers are prepared to bring best-of-breed solutions and are geared to delivering innovation and added value to their clients. However, enterprise clients will hinder the process if they are not open to transformation. Today, we are talking about empowering CFOs with real-time insights and meaningful information to enable decision-making. That can be achieved if providers and enterprises work together to reap the benefits of transformation. Enterprises must look at transformation more holistically than a piecemeal approach. When enterprises are not prepared or willing to accept end-to-end changes, they inhibit services providers from creating transformation, and thus inhibit the enterprise from getting the real benefits of transformation.

Align before you act. Internal alignment is extremely important. An enterprise's leaders must be aligned to embrace transformation. Transformation is not mere implementation of technology. It is about bringing organizations together, getting departments to work together, aligning to a common strategy and changing roles and standardizing processes. When business heads are not aligned, the transformation services providers face challenges in implementing changes and technology, which hampers the whole journey. To successfully implement digital technologies to improve F&A processes, involvement and support shouldn't be confined to the CFO organization; the CIO's role in the transformation journey is equally important.

Provider Leadership Actions

Think from the end-user perspective. Customer experience is taking precedence and businesses that deliver a seamless customer experience can thrive in this highly competitive environment. Transformation is not just about implementing solutions – it is about delivering solutions that are the right fit. Understanding the client's business requirements and nuances will require services providers to assess functions from end to end. Services providers must develop expertise in consulting and design thinking. Applying design thinking to understand and map the customer journey is essential to understanding user behavior and usage patterns. This helps service providers develop a holistic and end-to-end solutions for their clients.

Be a strategic partner rather than a transaction provider. Enterprise outsourcing priorities are changing. Cost reduction used to be one of the top reasons for outsourcing, but today enterprises believe they can outsource more than just transactional services. Enterprises are looking to partner with providers to make significant efficiency improvements in their F&A functions. The role services providers play with enterprise clients is maturing so they are becoming strategic partners. Enterprises are increasingly relying on services providers to improve processes, help them in transformation and bring insightful information that can help decision-making. Services providers need to demonstrate deep knowledge and expertise in areas like tax regulations and financial policies and rules to be able to become a trusted advisor to their clients.

Change management solutions. With enterprises undertaking complete transformation of their business and financial processes, they often require change management services to make the transformation journey a success. In case of an F&A process overhaul, they need to get the employees and external parties like vendors and suppliers on-board with the transition. Businesses usually look at the services provider to be able to provide required training and coaching to the CFO, CIO, finance executives and the third parties involved in the processes. Providers need to have an effective change management solution in place with an assessment framework, roadmaps, essential training modules and feedback methodologies to ensure the success of the transformation.

Adopt a proactive approach. Because of the evolution of technology and rapid business changes, enterprises do not have a clear idea for how to leverage technology to their advantage. Clients need a lot of guidance, and service providers must be proactive about introducing technology and its benefits to them. Transformation conversations with existing clients are more challenging than with new prospects, either because current clients have legacy baggage or because they are reluctant to move out of comfort zones. However, services providers must offer and promote innovation more proactively, even if that means they are cannibalizing their revenue. Advocating for innovation will help the provider gain more competitive advantage and retain clients by delivering value before they ask for it.

Appendix



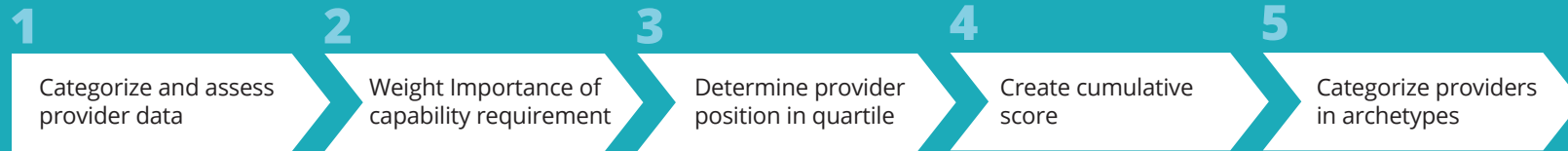
APPENDIX

Methodology

As previously noted, this report uses five archetypical sets of buy-side client requirements to assess the relative suitability of finance and accounting outsourcing (FAO) services providers. Data regarding the providers' capabilities and positioning was provided to ISG via briefings, ISG advisor interviews and surveys of service providers, including client references if appropriate.

FAO services providers shared their data across different finance and accounting (F&A) service dimensions through the research initiatives noted above. These dimensions cover their technological competency, preferred engagement models, scope of work performed, service capability, functional expertise and industry and regional presence.

Report Methodology







Methodology Details

- 1 The data provided by the services providers were categorized and assessed according to the FAO services requirements described for each of the five client archetypes. In cases in which provider descriptions and data were not worded as precisely as our archetype requirements, our FAO services analysts relied on their expertise and experience to classify provider capabilities.
- 2 Each archetype capability requirement was weighted based on its relative importance to that archetype's typical requirements. Weightings for each archetype's requirements add up to a total of 100 percent. Specific weightings are not disclosed in this report. The relative importance of each capability requirement is depicted in illustrations at the beginning of each archetype section using differently sized "hexagon" icons.
- 3 Once the relative ability of each services provider was assessed for each of the archetype requirements, each provider was then positioned in a relevant quartile (e.g., top 25 percent, second 25 percent and so on). The top quartile was awarded a numerical "capability score" of 4/4; the second quartile earned a score of 3/4, the third quartile earned a score of 2/4, and the fourth quartile earned a score of 1/4. Those with no capabilities to meet the archetype requirements were not included in the assessment.
- 4 Provider capability scores from Step 3 were then multiplied by the weightings developed for each client archetype requirement in Step 2. The results for each provider were then totaled to develop a cumulative score for each service provider. These cumulative scores are not disclosed in this report.
- 5 The cumulative scores were then used to identify the services providers most well suited for each archetype's requirements. These providers are listed alphabetically and briefly profiled in each archetype section. Where relevant, additional services providers with noteworthy capabilities are also mentioned (e.g., providers that may have scored well on a specific requirement but not across all the requirements for that archetype).

Please note: This report simply presents services providers' known capabilities in the context of user enterprises' typical project needs. This report is not meant to rank providers or to assert that there is one top provider with abilities that meet the requirements of all clients that identify themselves with a particular archetype.

Fig11 Provider Capability Scores as Harvey Balls

Score	Harvey Ball representation
Score 4 out of 4	
Score 3 out of 4	
Score 2 out of 4	
Score 1 out of 4	

The cumulative score for each of the selected services providers against each archetype requirement is represented using Harvey Balls. For example: if a provider is assessed with a score of 4 out of 4, then a full Harvey Ball is used to represent their capability against that requirement. Similarly, if a provider is assessed a score of 1 out of 4, then a one-quarter Harvey Ball is used, as shown above.

Additional Relevant FAO Services Providers

The capabilities of 19 providers were assessed in this report. Some services providers that are typically included in our work are not included in this report. Some of the companies that were not included were not able to participate and others declined. Providers that do not offer a full portfolio of FAO services have not been included in the study. They may be included in future versions of this report, based on merit and on the services providers' willingness to provide current and relevant materials. Readers should not make any inferences about a services provider's absence from this report.

Appendix: Additional Relevant FAO Services Providers

Other Relevant Service Providers	Headquarters Country
API Outsourcing	United States
Arvato	Germany
BearingPoint	Netherlands
Ciber Global	United States
Indra Sistemas	Spain
Invensis	United Kingdom
IQ BackOffice	India
Serco	United Kingdom
TCS	India
TMF Group	Netherlands

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