



# Everest Group PEAK Matrix for FAO Service Providers

Focus on TCS  
Report: July 2012

Everest Group

**P E ▲ K**

M A T R I X

Everest Group recently released its Finance and Accounting Outsourcing (FAO) Service Provider Landscape report. This report analyzes the changing dynamics of the FAO landscape and assesses service providers across several key dimensions.

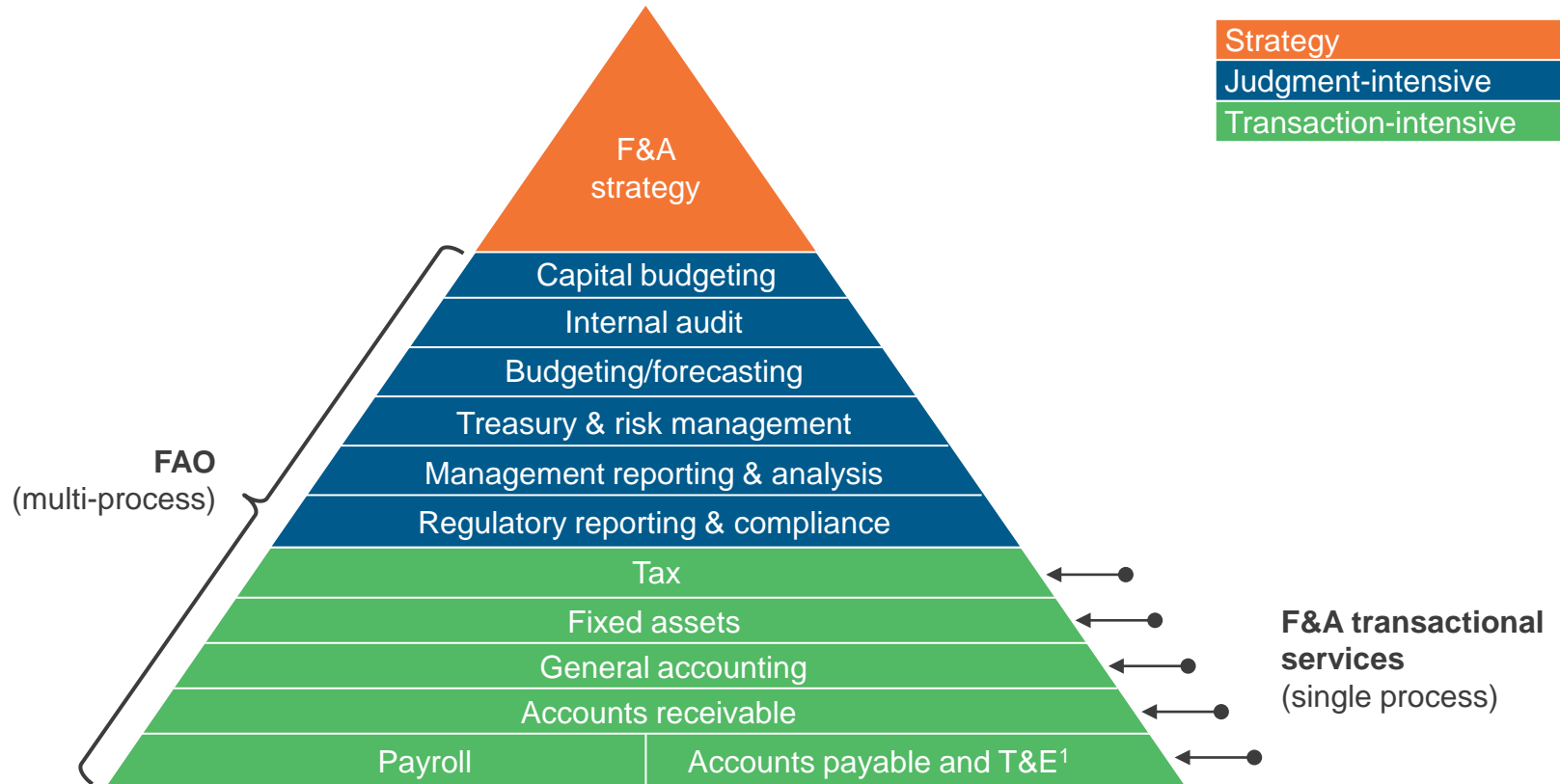
As a part of this report, Everest Group updated its classification of 20+ service providers on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for FAO into Leaders, Major Contenders, and Emerging Players. The PEAK Matrix is a framework that provides an objective, data-driven, and comparative assessment of FAO service providers, based on their absolute market success and delivery capability. Everest Group also identified five service providers as the “2012 FAO Market Star Performers” based on the strongest forward movement demonstrated on the PEAK Matrix year-on-year.

Based on the analysis, TCS emerged both as a Leader and a Star Performer. This document focuses on TCS’ FAO experience and capabilities, and includes:

- TCS’ positioning on the FAO PEAK Matrix
- TCS’ year-on-year movement on the FAO PEAK Matrix
- Detailed FAO profile of TCS
- Case study of an FAO engagement with a TCS customer

Buyers can use the PEAK Matrix to identify and evaluate different service providers. It helps them understand the service providers’ relative strengths and gaps. However, it is also important to note that while the PEAK Matrix is a useful starting point, the results from the assessment may not be directly prescriptive for each buyer. Buyers will have to consider their unique situation and requirements, and match them against service provider capability for an ideal fit.

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

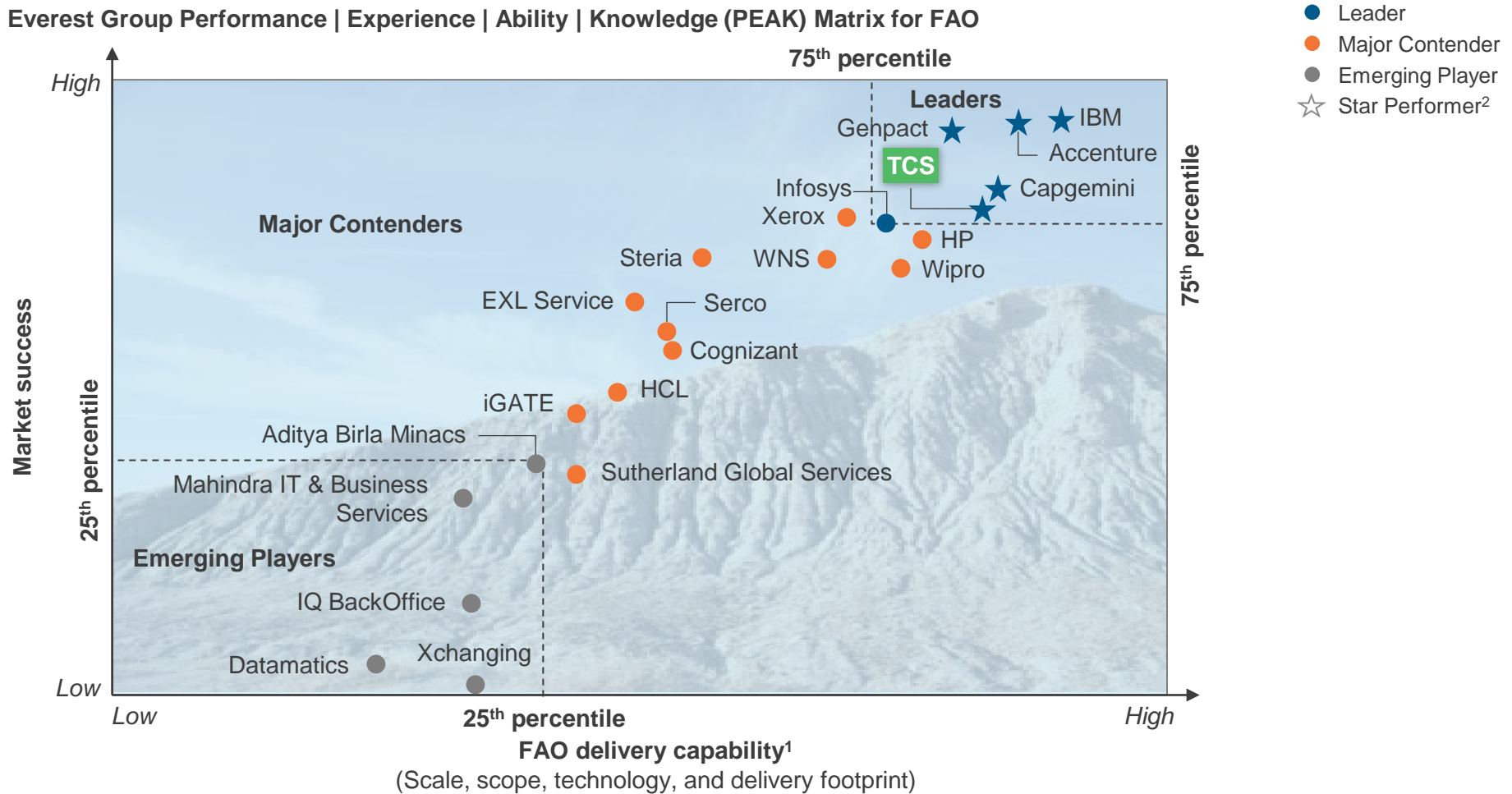


- Everest Group's analyses include multi-process FAO contracts with a minimum of two F&A processes, over US\$1 million in Annualized Contract Value (ACV), and a minimum contract term of three years
- Everest Group's analyses include all FAO contracts signed as of 2011. The current sample-set for the report includes over 690 multi-process FAO contracts

Source: Everest Group (2012)

# Everest Group FAO PEAK Matrix Performance | Experience | Ability | Knowledge TCS is a Leader and a Star Performer

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for FAO



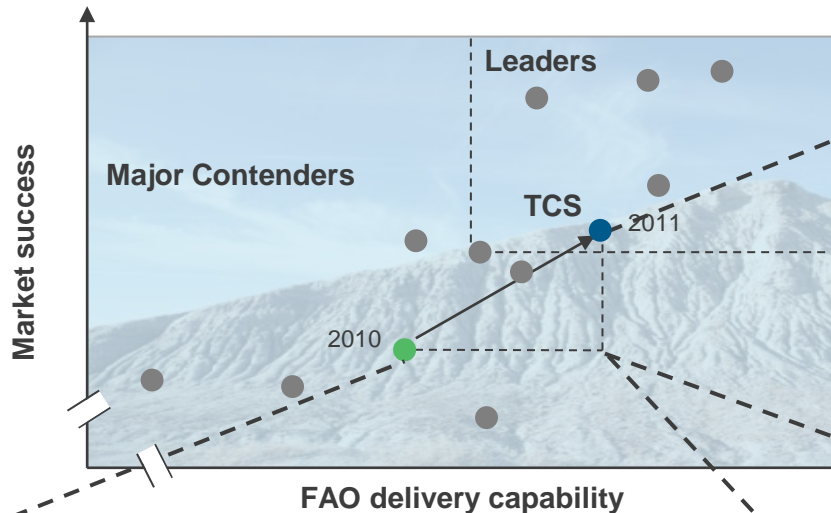
<sup>1</sup> Service providers scored using Everest Group's proprietary scoring methodology given on page 16

<sup>2</sup> Refer to page 17 for more details

Source: Everest Group (2012)

# TCS is an FAO Star Performer based on strong forward and upward movement over time on the Everest Group PEAK Matrix

Change in TCS' positioning on Everest Group PEAK Matrix for FAO



## TCS' FAO market success in 2011:

- **Strong organic and inorganic growth**
  - Signed five new multi-process FAO contracts including few large wins, such as Friends Life
  - Expanded/extended/renewed contracts with nine clients
  - Among the top three service providers in terms of new TCV signed in 2011, accounting for 17% of the market
- **Growth drivers in 2011**
  - Witnessed success across all geographies including the United States, United Kingdom, and emerging regions, such as Asia Pacific and Middle East
  - Strong traction in mid-market buyer segment in 2011
  - Growth came from diversified sectors including manufacturing, energy and utilities, hi-tech and telecom, and travel
- **Outlook for 2012**
  - Robust pipeline; continue to grow its business with focus on industry-specific F&A services, judgment-intensive F&A processes (such as FP&A), and platform-based services

## TCS' capability growth in 2011:

- **Scale:** Over 10,000 dedicated FAO FTEs with nearly 40% YoY growth. Has nearly 40 active FAO clients
- **Scope:** Continued to focus on industry-specific F&A solutions – partnered with TATA to build expertise in the telecom sector; medium-to-high capabilities in judgment-intensive F&A processes with nearly 10% of the total FAO FTEs. Diversified F&A client portfolio with clients across geographies and industries
- **Technology:** Continued to make strong investment in platform-based solution – launched debt management platform. Also, partnered with third-party vendors to build a robust suite of F&A tools
- **Delivery footprint:** Expanded nearshore and onshore presence with delivery centers in Argentina and the United States respectively; also, bolstered offshore delivery capabilities with headcount expansion in India

# TCS (page 1 of 5)

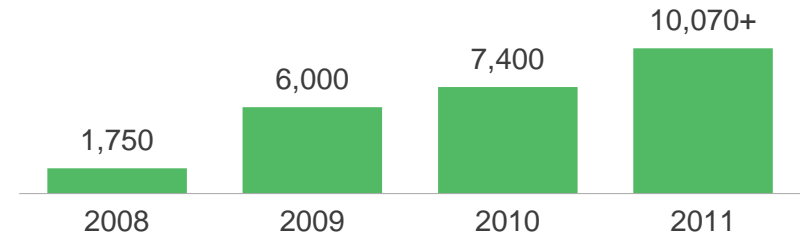
## FAO service capabilities

### Key FAO leaders:

- Abid Ali Neemuchwala, Global Head, BPO Services, TCS
- V K Raman, Head, Domain BPO Services, TCS
- Vijay Damle, Head, F&A and HR Services, TCS

### Scale of operations

Number of FAO FTEs over time



### Key F&A-related developments:

- 2011: Launched debt management platform for debt collection life cycle including pre-delinquent to post charge-off / litigation)
- 2011: Partnered with TATA Communications Transformation Services to cater to telecom-related services
- 2009: Partnership with NOI to offer consulting, technology, and outsourcing solutions related to real estate accounting
- 2009: Formed a partnership with HOV services to provide scanning, mailroom, and OCR solutions
- 2009: Alliance with Kofax, a provider of OCR solutions
- 2008: Acquired Citigroup Global Services Limited (CGSL), the India-based captive BPO arm of Citibank, for US\$505 million. The acquisition broadens TCS' portfolio of IT and BPO services in the global banking and financial services sector

### FAO service suite:

- TCS offers FAO services in three models – platform-based, process-as-a-service (PaaS), technology transformation, and transactional F&A
- Functional services cover AP, AR, GL, cash management, fixed asset management, payroll, management reporting & analysis, treasury & risk management, budgeting/forecasting, tax, and internal audit
- TCS also offers process maturity assessment & transformation methodology called FORE to identify & implement the roadmap to best-in-class processes

■ >1,500 FTEs   
 ■ 500-1,500 FTEs   
 ■ <500 FTEs

Procure-to-Pay (P2P)	Order-to-Cash (O2C)	Record-to-Report (R2R)	Financial Planning & Analysis (FP&A)
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Source: Everest Group (2012)

# TCS (page 2 of 5)

## FAO client portfolio

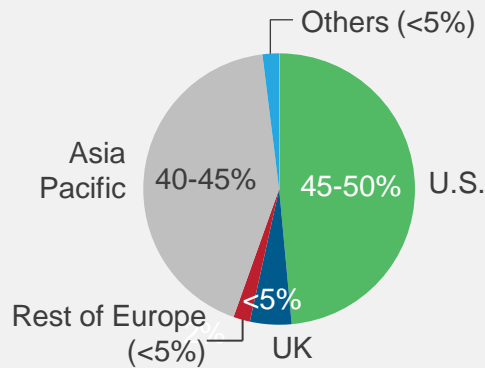
### Major FAO clients



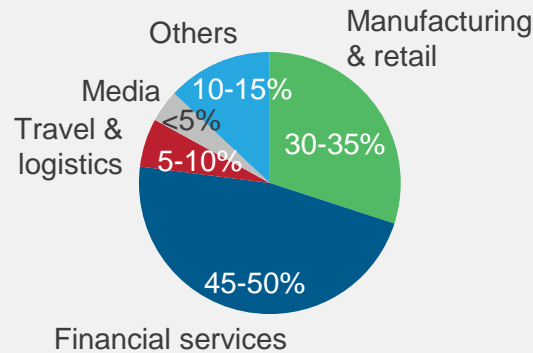
### Recently announced FAO engagements

September 2011	<b>FriendsLife</b>	Fifteen-year contract with Friends Life
August 2011	<i>Client not disclosed</i>	Three-year contract with a global telecom major
July 2011	<i>Client not disclosed</i>	Five-year contract with a security and protection company in the United States
July 2011	<i>Client not disclosed</i>	Three-year contract with a scientific organization in the Middle East

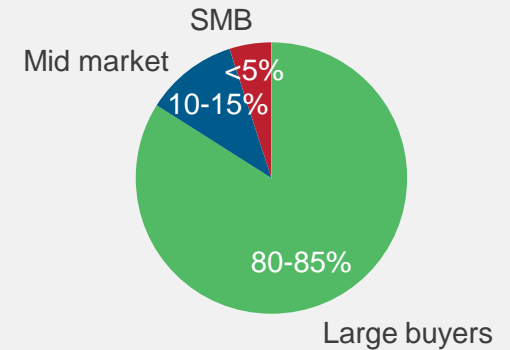
### FAO revenue geography mix (2011)



### FAO revenue industry mix (2011)



### FAO revenue buyer size mix (2011)



Note: Based on contractual information as of 2011  
 Source: Everest Group (2012)

# TCS (page 3 of 5)

## FAO delivery locations



Source: Everest Group (2012)



### FAO technology approach: Pursues both augmentation and platform-based approach for FAO technology

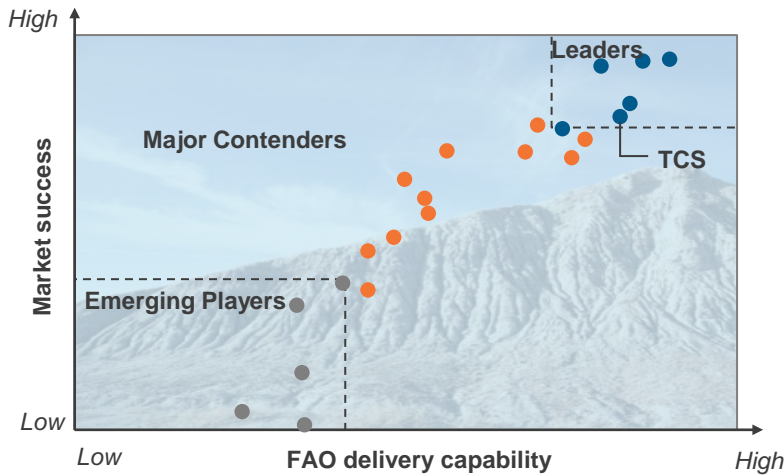
	Technology augmentation solutions	F&A platform BPO solutions
Solution description	<ul style="list-style-type: none"> <li>Offered on an ERP-led platform</li> <li>Industry-agnostic</li> </ul>	<ul style="list-style-type: none"> <li>Complete ownership undertaken by TCS, including applications, infrastructure, and F&amp;A business process services</li> <li>Hosted, multi-client</li> <li>Enables reduced CAPEX and provides utility-based OPEX model</li> <li>Focused on serving mid-market and large buyers in the United States, United Kingdom, and Rest of Europe</li> </ul>
Process scope	<ul style="list-style-type: none"> <li>Platforms for reconciliation, planning, and analytics</li> <li>Automation within payables, and receivables</li> <li>Enabler functions such as document management and OCR</li> </ul>	<ul style="list-style-type: none"> <li>End-to-end F&amp;A outsourcing, P2P, O2C, and R2R</li> </ul>
Technology leveraged	<ul style="list-style-type: none"> <li>Smartstream TLM for reconciliation</li> <li>HFM for planning</li> <li>Multiple others, including home-grown</li> </ul>	<ul style="list-style-type: none"> <li>Oracle EBS for core F&amp;A platform; other Oracle technologies include AME, OBIEE, API/interfaces, and 10g</li> </ul>
Delivery model and pricing	<ul style="list-style-type: none"> <li>Transaction pricing</li> <li>Add-on cost per FTE</li> </ul>	<ul style="list-style-type: none"> <li>Pay-per-transaction, bundled-in FTE pricing, minimal upfront fees, bundled price for FTE + price for client users access includes transformation, service delivery, support, and maintenance</li> </ul>

Source: Everest Group (2012)

# TCS (page 5 of 5)

## Everest Group assessment

### TCS is a Leader on the Everest Group PEAK Matrix for FAO



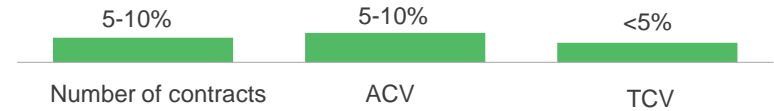
### Delivery capability assessment<sup>1</sup>

Assessment dimension	Rating	Remarks
Scale	●	Nearly 40 active multi-process contracts; posted nearly 40% growth in FAO FTE – headcount reached to 10,000+
Scope	●	Robust capabilities across entire F&A value chain. Built strong capabilities in industry-specific F&A – partnered with NOI and TATA Communication
Technology capability	●	Continues to make investments in add-on tools, platform solutions with industry-specific functionality to uphold its leadership position in technology
Delivery footprint	●	Building a balanced delivery model. Established a center in the United States, expanded Latin America capabilities with a center in Argentina

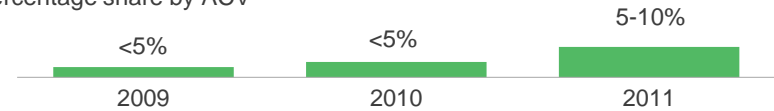
<sup>1</sup> Based on contractual and operational information as of 2011  
Source: Everest Group (2012)

### Market success assessment

#### Global multi-process FAO market share<sup>1</sup> Percentage



#### Global multi-process FAO market share over time<sup>1</sup> Percentage share by ACV



#### Market share in key buyer segments<sup>1</sup> Percentage share by ACV

By signing region	By industry	By client size
5-10% in U.S.	15-20% in financial services	<5% in enterprise
<5% in UK	5-10% in media	10-15% in large buyers
<5% in Rest of Europe	5-10% in manufacturing & retail	<5% in mid-market
25-30% in Asia Pacific	5-10% in healthcare	5-10% in SMB

#### Overall remarks:

- TCS had a strong 2011 with large client wins such as Friends Life
- Significant investments in industry-specific F&A, platform-solutions, global delivery network coupled with robust new contract signings, and extension/renewal activity aided TCS crossover from Major Contenders to the Leaders category on the Everest Group PEAK Matrix for FAO
- Traditionally focused on large buyers and North American clients, TCS increased focus on mid-market and SMB segments, and emerging geographies

# Owens Corning – TCS FAO engagement

## Background and contract summary

### Buyer overview

- *Revenue:* US\$5.3 billion (2011)
- *Industry:* Manufacturing
- *Countries of operation:* Twenty-eight countries across North America, EMEA, Asia Pacific, and Latin America

### Background

- *Client situation*
  - Pre-outsourcing, Owens Corning was managing operations through internal shared services center, which was a high cost model
  - Owens Corning were facing challenges in managing the multi-location and multi-domain processes
- *Key drivers for outsourcing*
  - Cost reduction
  - Minimise capital expenses and ramp-up volume by 100% while seeking standardization and scalability
- *Service provider selection criteria and winning theme*
  - Assessed service provider on multiple dimensions such as process capability (including language skills), transition expertise, continuous improvement practices, technology capability, flexible and customer-oriented culture, and competitive pricing
  - TCS had more experience in the areas which Owens Corning considered to be good examples of continuous improvements and capability to fast transition

### Scope of work

- *Start date and term of contract:* Contract is active till – September 2013 in North America, December 2013 in EMEA, and July 2015 in China
- *Size of contract:* US\$13.1 million
- *Process and category scope:* End-to-end shared services
- *Geographic scope:* North America, EMEA, Asia Pacific, and Latin America
- *Delivery locations:* Mumbai and Chennai (India), Budapest (Hungary), and Hangzhou (China)
- *Pricing structure:* Fixed-rate contract

*“TCS has a strong customer-focus which supported a quick transition and continuous improvement. They continue to not only meet SLAs but also improve processes and performance. We are constantly looking for more work for TCS to take on”*

– Service Delivery Leader, Shared Services

# Owens Corning – TCS FAO engagement

## Solution details

	Client business objectives	TCS solution
#1	Achieve cost efficient finance operations	<ul style="list-style-type: none"> <li>Helped reduce overall finance cost as a percentage of revenue</li> <li>Enhanced productivity obtained through:               <ul style="list-style-type: none"> <li>Process centralization and standardization</li> <li>Automation of routine transactions through technology adoption</li> </ul> </li> <li>This consequently led to reduction in staff levels by process</li> </ul>
#2	Operational effectiveness	<ul style="list-style-type: none"> <li>Improved alignment of processes and compliance</li> <li>Higher accuracy levels achieved through lower error rates</li> </ul>
#3	Process improvements	<ul style="list-style-type: none"> <li>Introduced reconciliation health indicator to help reduce open items</li> <li>Improved and automated reconciliations</li> <li>Reduced period-end close process by two days for specific areas</li> <li>Standardized accounts payable invoice processing</li> <li>Helped reduce vendor invoice exceptions</li> <li>Improved freight management process and sales order processing cycle time</li> </ul>
#4	Handle attrition	<ul style="list-style-type: none"> <li>Cross training of process knowledge and standardization of operating procedures</li> </ul>

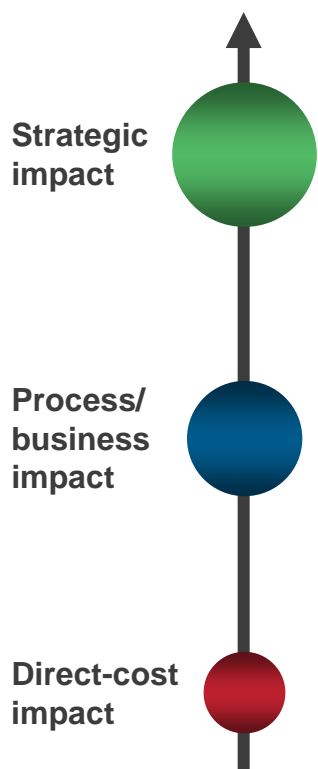
### Key challenges faced:

- Attrition levels at TCS were higher than Owens Corning's internal attrition rate. As a result, managing process stability and continuity of operations was a challenge initially
- There was resistance to outsourcing within the client organization
- Change management and cultural integration issues while designing roles and responsibilities of TCS' and Owens Corning's retained organization

# Owens Corning – TCS FAO engagement

## Value delivered

### Dimensions of Everest Group's Total Value Equation (TVE)



### Definition

Value created by impacting business drivers or making long-term investments for competitive advantage

Value derived by aligning process capabilities more closely with business needs

Direct bottom-line savings generated by exploiting process-specific inefficiencies

### Examples of value created for Owens Corning

- Maximize management value through increased focus on core activities
- Helped client expand operations in Europe and China

- Reduction in month-end close cycle by two days in specific areas, providing management with one vital day for value-added analytics
- Better SOX controls through journal entry workflow
- Standardized reconciliation processes
- Reduced open items through introduction of reconciliation health indicator

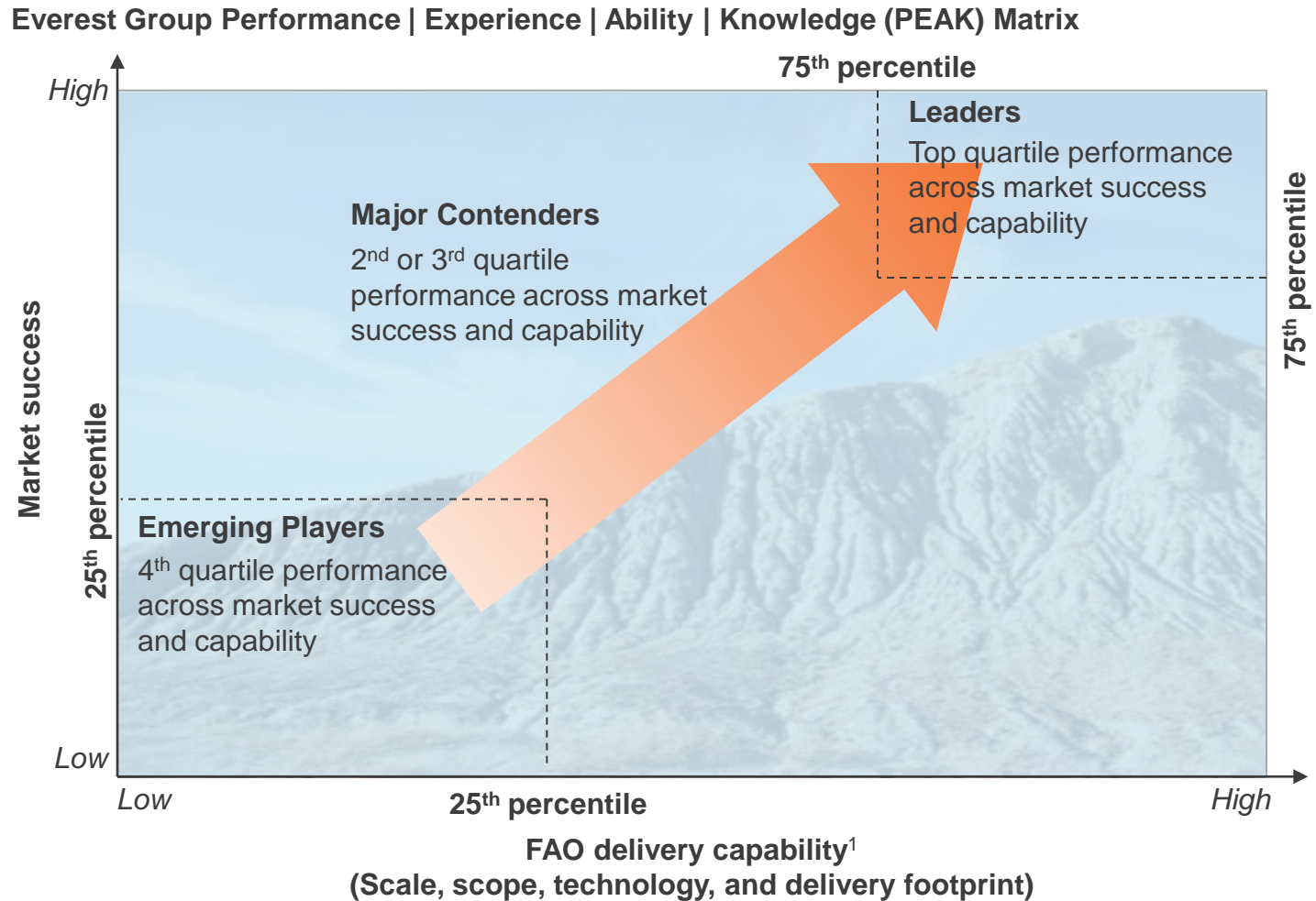
- Significant operating cost savings of US\$ 300,000/annum due to:
  - Labor arbitrage
  - Reduction in freight-overdue invoices from US\$ 6 million to US\$100,000
  - Savings of US\$200 on each direct ship order for a key client

### Key lessons learned:

- Creating training manuals and standard operating procedures is a very effective way to counter the risk of knowledge loss due to attrition
- Change management (both internal and with the service provider) is critical to ensuring a smooth transition

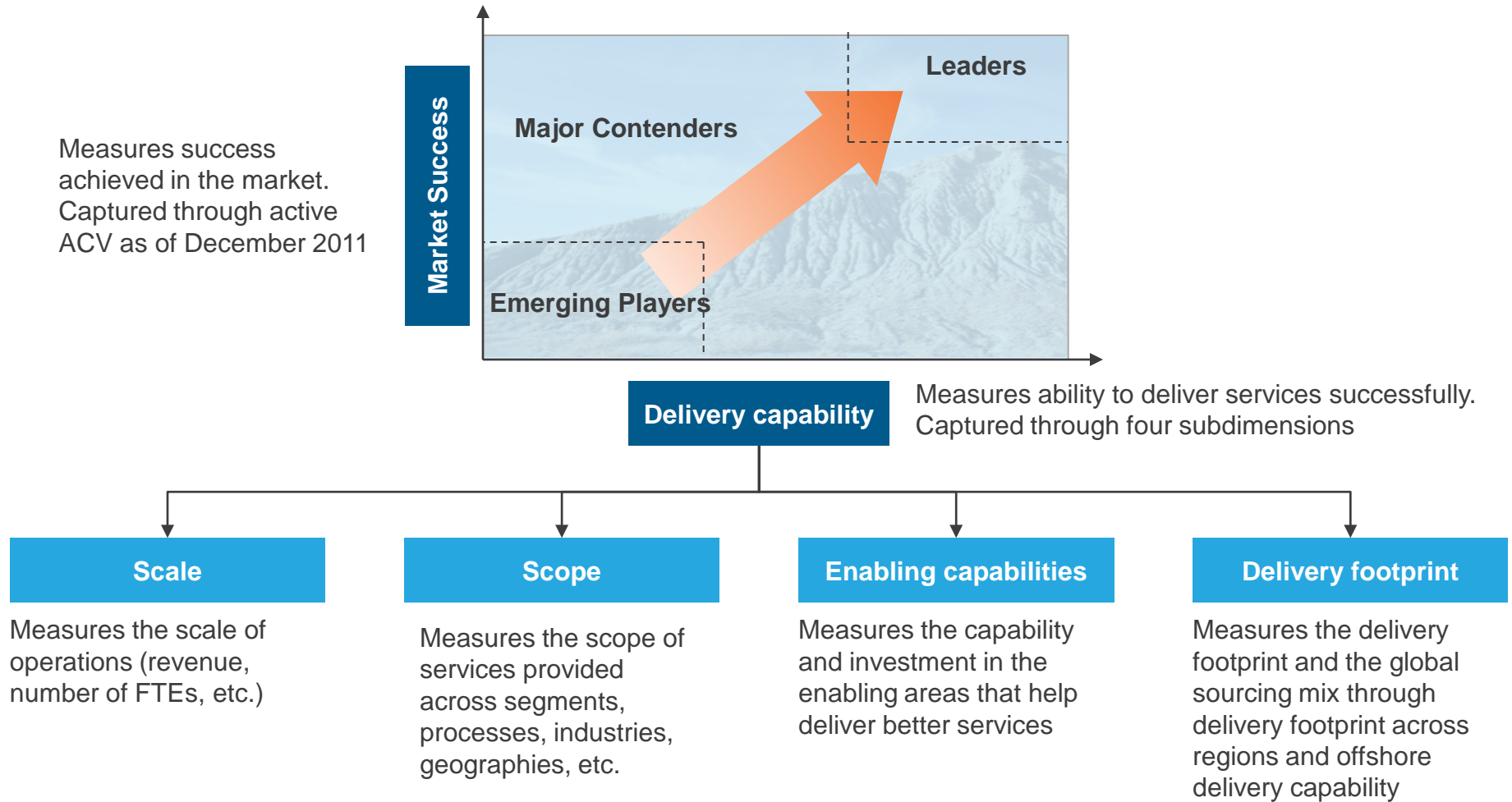
# Appendix

# Everest Group classifies the FAO service provider landscape into Leaders, Major Contenders, and Emerging Players on the Everest Group PEAK Matrix



<sup>1</sup> Service providers scored using Everest Group's proprietary scoring methodology given on page 16  
Source: Everest Group (2012)

# Service providers are positioned on the PEAK Matrix based on evaluation across two key dimensions



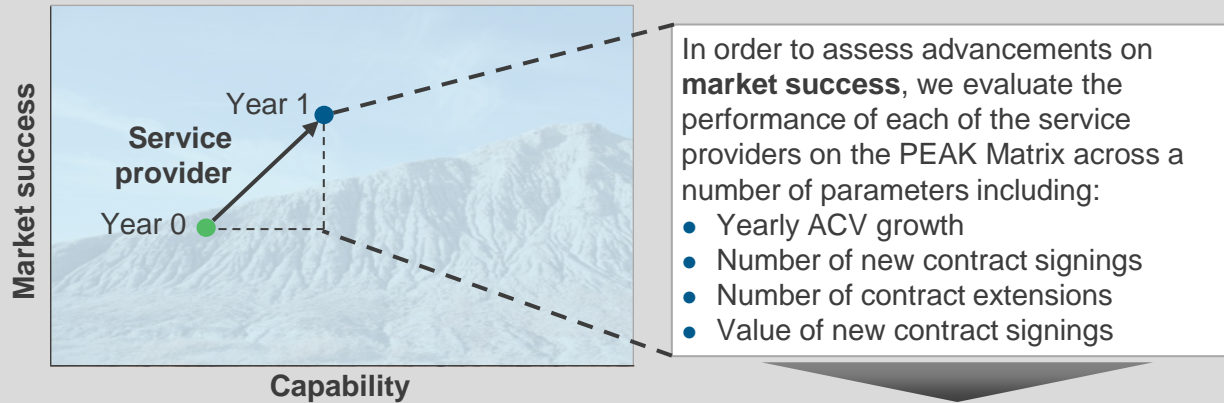
Source: Everest Group (2012)



# Everest Group confers the “Star Performers” title to providers that demonstrate the strongest forward movement over time on the PEAK Matrix

## Methodology

Everest Group selects Market Star Performers based on the relative YoY movement of each service provider, on the PEAK Matrix



In order to assess advancements on **market success**, we evaluate the performance of each of the service providers on the PEAK Matrix across a number of parameters including:

- Yearly ACV growth
- Number of new contract signings
- Number of contract extensions
- Value of new contract signings

In order to assess advancements on **capability**, we evaluate the performance of each service provider on the PEAK Matrix across a number of parameters including:

- Annual growth in scale
- Increase in scope of services
- Expansion of delivery footprint
- Technology/domain specific investments

The top-quartile performers on each of the identified parameters are identified and the “**Star Performer**” rating is awarded to the service providers with:

- The maximum number of top-quartile performances across all of the above parameters AND
- At least one area of top-quartile performance in both market success and capability advancement

**2012 Star Performers**

The block contains the logos of five companies: accenture (with tagline 'High performance. Delivered.'), Capgemini (with tagline 'CONSULTING. TECHNOLOGY. OUTSOURCING'), GENPACT, IBM, and TATA CONSULTANCY SERVICES.

*The “Star Performers” designation relates to YoY performance for a given service provider and does not reflect the overall market leadership position. Those identified as the “Star Performers” may include “Leaders”, “Major Contenders”, or “Emerging Players”*

## **Does the PEAK Matrix assessment incorporate any subjective criteria?**

- Everest Group's PEAK Matrix assessment adopts an objective and fact-based approach (leveraging service provider RFIs and Everest Group's proprietary databases containing providers' deals and operational capability information). In addition, these results are validated / fine-tuned based on our market experience, buyer interaction, and provider briefings

## **Is being a “Major Contender” or “Emerging Player” on the PEAK Matrix, an unfavorable outcome?**

- No. PEAK Matrix highlights and positions only the best-in-class service providers in a particular functional/vertical services area. There are a number of providers from the broader universe that are assessed and do not make it to the PEAK Matrix at all. Therefore, being represented on the PEAK Matrix is itself a favorable recognition

## **What other aspects of PEAK Matrix assessment are relevant to buyers and providers besides the “PEAK Matrix position”?**

- PEAK Matrix position is only one aspect of Everest Group's overall assessment. In addition to assigning a “Leader”, “Major Contender”, or “Emerging Player” title, Everest Group highlights the distinctive capabilities and unique attributes of all the PEAK Matrix providers assessed in its report. The detailed metric level assessment and associated commentary is helpful for buyers in selecting particular providers for their specific requirements. It also helps providers showcase their strengths in specific areas

## **What are the incentives for buyers and providers to participate/provide input to PEAK Matrix research?**

- Participation incentives for buyers include a summary of key findings from the PEAK Matrix assessment
- It also includes adequate representation and recognition of their capabilities/success in the market place, and a copy of their own “profile” that is published by Everest Group as part of the “compendium of PEAK Matrix providers” profiles

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## **What is the process for a service provider to leverage their PEAK Matrix positioning, or “Star Performer” status?**

- Providers can use their PEAK positioning or “Star Performer” rating in multiple ways including:
  - Issue a press release declaring their positioning/rating
  - Customized PEAK profile for circulation (with clients, prospects, etc.)
  - Quotes from Everest Group analysts could be disseminated to the media
  - Leverage PEAK branding across communications (e-mail signatures, marketing brochures, credential packs, client presentations, etc.)
- The provider must obtain the requisite licensing and distribution rights for the above activities through an agreement with the designated POC at Everest Group

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Everest Group is an advisor to business leaders on the next generation of global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms, in six continents across all industry categories. For more information, please visit [www.everestgrp.com](http://www.everestgrp.com) and [research.everestgrp.com](http://research.everestgrp.com).

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