

Gartner for Finance

Predicts 2022: Digital Finance Transformation via AI-Enabled Outsourcing

By Gartner Analysts: Sanjay Champaneri, Mark McDonald

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Predicts 2022: Digital Finance Transformation via AI-Enabled Outsourcing

CFOs seeking to successfully deliver digital finance transformations for back- and middle-office operations must prioritize the use of AI solutions contracted through business process outsourcing providers as the most viable option.

Overview

Key Findings

- The large volumes of data processed by business process outsourcing (BPO) providers uniquely position them to take advantage of data-hungry artificial intelligence (AI) models. Scaling this benefit across numerous clients allows BPOs to deliver AI automation at a lower cost than a company can on its own.
- Organizations building AI solutions internally will waste time and money replicating existing back-office AI solutions and spend less time on value-added, front-office differentiating solutions.
- The technical complexity associated with scaling and maintaining AI-driven solutions is beyond the typical skills of finance citizen data scientists.

Recommendations

CFOs undertaking a digital transformation of their finance operations should:

- Redirect planned internal efforts for back- and middle-office finance transformations by evaluating the option of contracting AI-enabled end-to-end technology solutions and expertise from finance and accounting BPO providers.

- Use savings earned from contracting out back-office, AI-enabled BPO transformation services to invest in internal AI projects that enable finance to improve the enterprise's competitive position.
- Assign responsibility to a BPO provider by contracting it to scale and maintain AI solutions, in turn allowing citizen data scientists to focus their efforts on building AI use cases.

Strategic Planning Assumptions

Through 2024, finance outsourcing for AI process technologies will rise from 6% to 40%, primarily to digitally transform transactional operations.

By 2024, finance organizations will encounter scaling problems with AI solutions, forcing 50% of deployments to be delayed or canceled.

By 2026, one-third of finance and accounting (F&A) BPO vendors will include AI development and operationalization support for finance front-office processes to increase revenue.

Analysis

What You Need to Know

The adoption of AI-driven solutions in finance continues to grow as companies recognize its benefits. Without readily available resources in the market, CFOs rely on internal citizen data scientists to build these solutions.

As the number of solutions and users grow, the complexity of scaling and maintaining AI operations deters further progress. Citizen developers do not have the skills to host full-scale AI operations, and the maintenance effort will prevent them from building new solutions.

Without the ability to offload AI operations, CFOs will reach a productivity ceiling with their AI efforts. CFOs not only need help operationalizing AI, but also their limited resources need to be focused on projects generating the highest return of efficiency.

Automating transactional back- and middle-office processes will be a lower priority to AI projects that expand market share. Companies need help not just operationalizing AI but also accelerating the digitalization of back- and middle-office finance operations with the use of AI-enabled technologies.

BPO providers offer a solution. Years of delivering back-office process support have positioned BPOs to take advantage of AI. They not only have huge amounts of data from their customers, but also their broad client base lets them leverage AI-driven solutions across numerous clients. Additionally, the competency BPOs build in AI operations support puts them in a position to help CFOs offload the burden of AI maintenance.

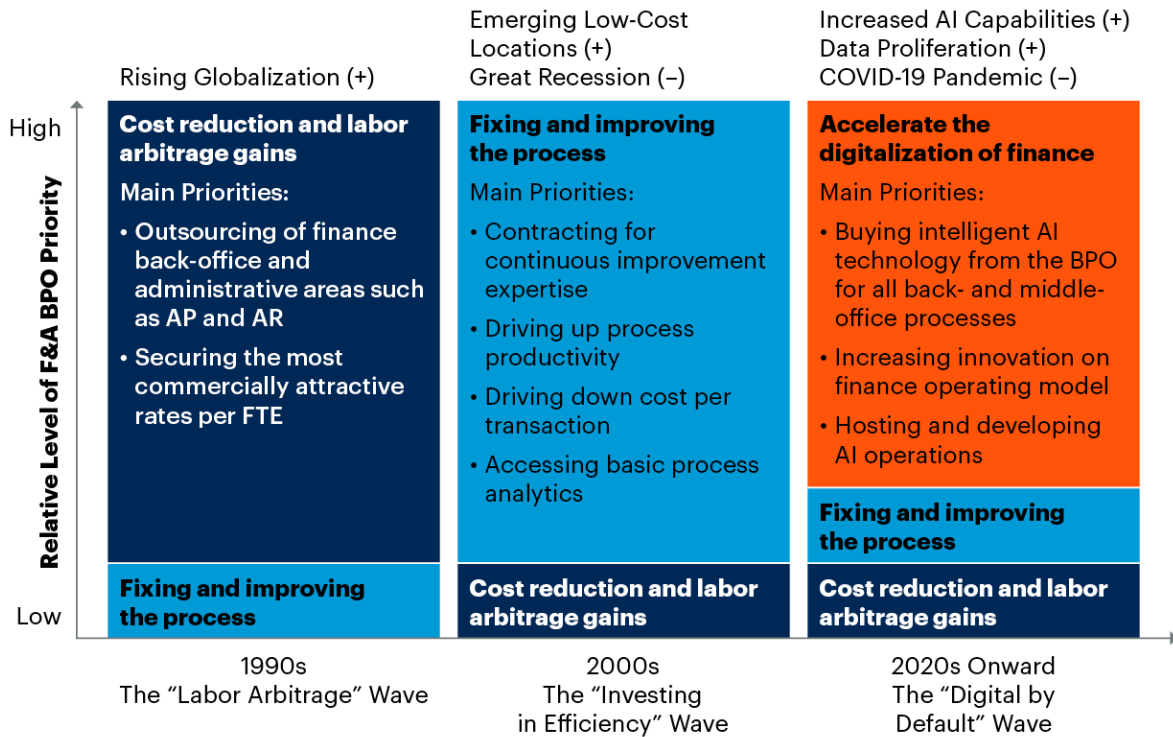
Using AI to drive back-office efficiencies and provide AI operations support creates an opportunity for BPOs to move their offering into the next era of BPO services.

Figure 1 shows the different eras of BPO usage in finance and highlights the current and continuing future usage geared toward AI-enabled BPO, which is positioned to meet the finance organization's AI and digital transformational priorities.

Figure 1. The Changing Priorities of F&A BPO Usage

The Changing Priorities of F&A BPO Usage

Relative Focus of F&A BPO usage:



Source: Gartner
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The first wave of outsourcing started in the 1990s as companies sought to take advantage of low-cost labor. In the 2000s, BPO providers brought value by delivering process efficiency. Today, a new wave of BPO advantages emerges as the AI technologies of the future become viable solutions of the present.

We have three predictions around the growing use of AI-driven technologies via the finance and accounting outsourcing market.

First, we highlight the shift in switching to BPO providers for AI digital transformation capabilities for back- and middle-office finance operations. BPO proprietary and partnered technologies, coupled with their experience with process standardization, will offer CFOs solutions that cannot be beaten on commercial pricing, location and talent agility, and continuous service and product innovation.

Second, as companies progress in their front-office AI development, they will find limitations as they begin to scale their solutions throughout the organization. Citizen developers are not equipped with the skills needed to host infallible production environments, and centralized AI teams are focused on developing solutions that add value to the business. Faced with this hurdle, companies looking to expand their use of AI will need help.

Third, through experience using AI in back- and middle-office processes, BPOs develop a competency in AI development and production. This experience positions BPOs to offer entire AI life cycle support as a service to their customers. Progressive BPOs will be able to help their customers find the right place to use AI in their processes, validate solutions and host them in production. BPOs benefit from an increase in hosted volume, and their customers benefit by offloading the growing demand for AI-driven solutions.

Strategic Planning Assumptions

Strategic Planning Assumption: Through 2024, finance outsourcing for AI process technology will rise from 6% to 40% primarily to digitally transform transactional operations.

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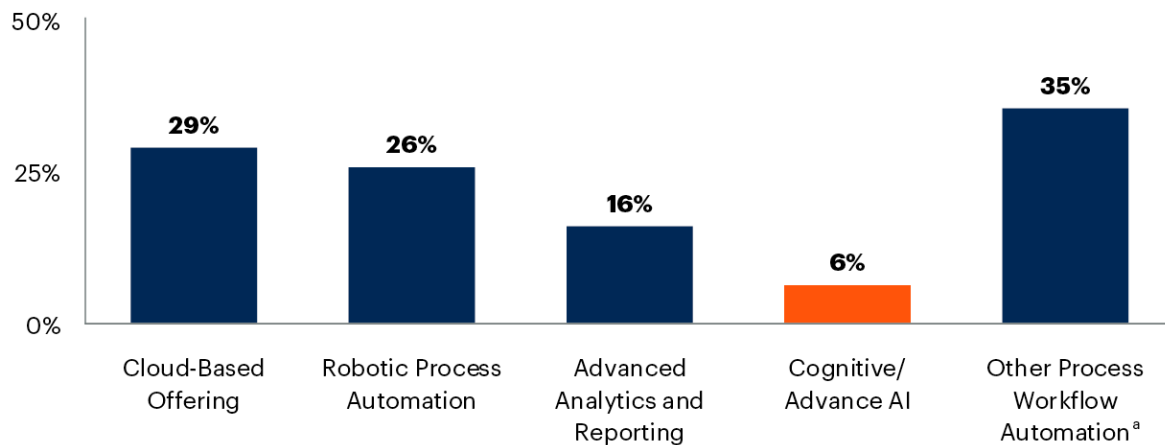
Key Findings:

- The majority of service providers in the F&A market have positioned their offerings to solve a growing finance problem where an extensive and expensive set of processes are underpinned by a patchwork of technologies that are disconnected, operate inconsistently and are not optimized, caused by siloed in-house finance initiatives.
- The major F&A BPO providers in the market have deployed solutions that offer clients a path from simple automation to hyperautomation, which involves deploying intelligent workflow automation, AI and machine learning (ML), and advanced data and analytics. These workflows offer frictionless transactions for source-to-pay, order-to-cash and record-to-report processes with ongoing development to take on more upstream and downstream tasks throughout the enterprise.

- By attracting more customers to these solutions, the BPO provider not only achieves economies of scale but also increases the data pool on which models are trained. This increased data boosts the accuracy of models and allows BPO providers to handle rare and fringe cases with high confidence.
- The failed promise of ROI from adopting a basic automation approach, such as robotic process automation (RPA), in-house has shifted organizations' perceptions to look toward using F&A BPO services to access providers' scalable applications and talent on AI-driven process automation.

Figure 2. Finance Uptake on BPO Technology Capabilities

Finance Uptake on BPO Technology Capabilities



n = 31 all respondents

Q: What technology capabilities does your service providers offer in your current outsourcing arrangement?

Source: 2021 Gartner Finance Outsourcing Survey

^a Multiple Responses Allowed

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Market Implications:

- Buyers of F&A BPO services that involve the use of AI solutions may show uncertainty over software licensing rights and data privacy due to retaining control and ownership of applications and protecting intellectual property. AI solutions via BPO providers in particular have seen the slowest adoption rates to date (see Figure 2), mostly due to finance buyers' gap in understanding the benefits and advantages of buying such capabilities.

- The market has the advantages of economies of scale, large volumes of transactional data, and global access to digital talent in the form of software engineers and data scientists. The market uses these advantages to offer F&A clients the opportunity to migrate over to its proprietary and partnered solutions with the promise of a smarter orchestration of process workflows, which are connected and fully optimized while bringing down the total cost of ownership for the client.
- F&A BPO providers in most cases market AI technology as the core engine to many of the proprietary solutions available for digital finance transformation. The offering of ML algorithms, natural language processing, advanced analytics, and the digitization and structuring of data from any source are all aimed at helping F&A clients better visualize their operations with intelligent financial insights. Providers translate these capabilities into benefits for finance, as the finance organization can lead its business with strategic guidance, ultimately supporting business decisions that pull ahead of competitors.
- Digital transformation services in the F&A BPO market transform many processes, so they are in a state of hyperautomation. Subsequently, providers focus partnership efforts on innovating with clients on other digital finance solutions, such as modeling for growth opportunities or evaluating broader scope expansion possibilities for complex, judgment-based tasks.
- BPO providers face challenges building scalable back-office, AI-automated solutions when customers insist on maintaining company-specific processes. BPO vendors that can convince their customers to follow a standard process will leverage their efficiency by developing one-size-fits-all AI-driven models and processes.

Recommendations:

- Prioritize vendors who offer AI-driven process technologies for the purpose of digitizing finance operations by evaluating proposals on the merits of implementation methodologies and transformation expertise.
- Ask vendors to clearly demonstrate their AI-driven process expertise by case study examples of F&A client success stories in the request for proposal document.

- Openly share any concerns on ownership and data privacy with prospect vendors, allowing them the opportunity to explain any risk mitigations in place and further improve buyer confidence.

Strategic Planning Assumption: By 2024, finance organizations will encounter scaling problems with AI solutions, forcing 50% of deployments to be delayed or canceled.

Analysis by: Mark McDonald and Sanjay Champaneri

Key Findings:

- Deploying AI in operational environments requires robust infrastructure, workflow management, role management; flexible provisioning, management and synchronization with other IT systems and services, and the agility to adapt to rapidly changing parameters and processes.
- The technical burdens of scaling operational AI solutions for multiple users require different skills than the techniques employed for AI piloting and development. Sharing solutions across a larger user base will require a platform that is secure, user-friendly and available over a network or the cloud. Typical citizen AI development does not cover these requirements.
- Once in production, AI models require continual monitoring of performance and accuracy. As business processes and behaviors change, models require retraining and configuration updates to maintain their promised accuracy and reliability.
- Organizations using citizen AI development to validate widespread adoption of AI-driven processes will be caught off guard by the complexity of AI operationalization if they do not plan for these needs in advance.
- AI hosting solutions like Microsoft Azure, IBM, Google Cloud and Amazon Web Services (AWS) provide a technical infrastructure but still require special skills and regular maintenance. Organizations looking to operationalize AI without cloud hosting skills will need to make additional investments for support and training to use them.

Market Implications:

- As organizations using citizen development decide to operationalize their AI solutions, an immediate demand for AI hosting solutions will arise. The urgency to realize widespread benefits of successful AI pilots will create an opportunity for vendors that can rapidly convert data pipelines and pilot models into operational AI solutions.
- Organizations using professional or citizen developers have equally compelling reasons to use a life cycle AI hosting provider. Citizen developers need external help operationalizing AI because they lack the necessary skills. Professional developers benefit from using an AI hosting provider by offloading the demands of operationalization and focusing on the business demands of AI solutions.

Recommendations:

- Continue citizen development efforts but plan for the next steps. Evaluate the options for AI operationalization before pilots are complete. Weigh the costs and benefits of various AI hosting alternatives: hiring new skills, expanding the scope of your BPO services, using a dedicated AI hosting provider or contracting support from consultants.
- Reach out to your BPO vendor to see if they have AI hosting options. Your BPO vendor's experience with your data pipelines and processes put them at an advantage when taking over your AI workflows.
- Although cloud hosting solutions do introduce additional skills requirements, well-rounded citizen developers can learn the basics necessary to get your pilots in a productive hosted environment in the short term. In the long term, continue looking for an optimal hosting solution.

Strategic Planning Assumption: By 2026, one-third of F&A BPO vendors will include AI development and operationalization support for finance front-office processes to increase revenue.

Analysis by: Mark McDonald and Sanjay Champaneri

Key Findings:

- BPO vendors have a unique position to use AI to increase processing speed and accuracy throughout their entire finance client base. Access to large amounts of data and decades of experience handling complex data flows position BPOs to exploit the benefits of data-hungry AI solutions.
- Only 6% of BPO customers take advantage of AI-driven processes. Customers looking to experience the benefits of AI will increase the demand for these services from their BPO providers.
- Building numerous large-scale AI-driven processes for back-office processes gives BPO vendors the experience needed to support the life cycle of an AI project from inception through operational hosting. Companies using citizen AI developers will be looking for help filling skills gaps, particularly when pilot projects are promoted to a complex productive environment.

Near-Term Flag:

The lack of data science skills in the market has forced finance departments to rely on citizen development to validate their AI ambitions through pilot projects. A lack of data science skills in the near term will continue to drive this trend. As citizen developed pilots prove successful, plans to capitalize on their benefits are throttled by the unexpected complexity of operationalizing AI solutions in a scalable environment accessible throughout the organization.

Some organizations may have professional development resources to support these complexities. Others may explore taking the time to expand the skills of their citizen developers. One way or another, using internal resources will drive an accumulation of technical debt as more AI-driven processes are moved to production. Although citizen developers will have large gaps in skills, even professional staff will require some new training to effectively host ongoing AI operations.

Pressured to realize the promised benefits of pilot projects, finance leaders will seek the fastest, most simple and least expensive option to launch their AI-driven processes and begin focusing on the next project. Leveraging an existing BPO relationship will serve as a potential option. Finance departments have long used outsourcing as a service delivery model, and providers have a series of unique strengths that make them likely candidates as AI hosting providers. These strengths go beyond the experience running AI-supported processes and leverage the provider's capabilities in managing data pipelines. BPOs offering AI hosting services will be the immediately available vendor of choice for finance leaders looking to operationalize AI solutions.

Market Implications:

- BPO vendors will be able to offer new AI hosting solutions. Not only are these in demand, but their existing relationships position them uniquely to expand their services with their existing client base. These new services allow them to attract new customers that may be candidates for BPO services.
- BPO vendors will find themselves competing with a growing base of startups and industry behemoths like Amazon, Google and Microsoft. This competition will drive down prices by increasing the availability of services.

Recommendations:

- Consult with a F&A BPO provider and determine their ability to host your AI solutions. Even if they don't offer a service now, your inquiry indicates a demand that may trigger the development of a service solution.

Acronym Key and Glossary Terms

AI	artificial intelligence
BPO	business process outsourcing
F&A	finance and accounting
ML	machine learning
RPA	robotic process automation

Evidence

This research is based on data gathered from research done by Gartner's primary and secondary research services organization and collective research by Gartner analysts focused on F&A BPO and data and analytics coverage. This includes research-related interactions with the Gartner end-user community.

Primary research includes Gartner inquiries with user organization clients. Gartner analysts collectively took 210 F&A- and BPO-related inquiries with end-user clients in 2021.

Secondary research includes press releases and publicly available information, including company websites and financial reports.

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