HfS Blueprint Report

Shared Services & Outsourcing (SSO) Governance Solutions
Excerpt for KPMG LLP

August 2014

Mike Beals
VP, Governance Research & Strategy
Mike.Beals@hfsresearch.com
# Table of Contents

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Research Methodology</td>
<td>12</td>
</tr>
<tr>
<td>Service Provider Capabilities</td>
<td>25</td>
</tr>
<tr>
<td>Service Provider Profile</td>
<td>33</td>
</tr>
<tr>
<td>About the Author</td>
<td>37</td>
</tr>
</tbody>
</table>
Executive Summary
The Governance Solution HfS Blueprint Report is the first application of HfS Blueprint methodology to the Shared Services and Outsourcing (SSO) Governance marketplace. Unlike other quadrants and matrices, the HfS Blueprint identifies relevant differentials between service providers across numerous facets in two main categories: value/innovation and capability.

HfS Blueprint Report ratings depend on a broad range of stakeholders with specific weightings based on 1,355 crowd-sourced responses. Stakeholders include:

- Enterprise Buyers
- Service Providers
- Industry Influencers
- HfS Analysts
Governance Solution Definition

HfS Research defines Governance Solutions as the set of software applications or managed services focused on the management and optimization of shared services and outsourcing service delivery environments for business service functions.

These software applications and/or services are one level of management above operational delivery management tools and services. For example, an enterprise that uses a Service Management Software (SMS) tool like Remedy or Tivoli for operational management still needs a tool or service to manage the complexities of a commercial outsourcing relationship with its peculiar methodologies.
Key Highlights – State of SSO Governance Solutions’ Market

- **A Heterogeneous Market.** The 7 service providers evaluated for this Blueprint do not form a homogeneous group, but instead approach Shared Service and Outsourcing (SSO) Governance from many different directions. Some grew out of the outsourcing advisory space, some from Governance Risk and Compliance, and some from Service Management Software. Additionally, some are pure-play software firms while others provide managed governance services.

- **Huge Untapped Market Potential.** Our research sizes the potential global Governance Solution’s market at **$10 billion**, and current market size at **$27.9 million**. Approximately 0.28% of the market potential is currently tapped by Governance Solution providers.

- **Increasing Compliance Regulation.** The amount of statutory and regulatory compliance requirements has grown significantly in recent years, and shows no signs of leveling off. More specifically, the United States Federal Reserve Board (FRB) and Office of the Comptroller of the Currency (OCC) have recently issued more specific guidelines regarding the need for governance capabilities to be commensurate with the sophistication of outsourcing agreements. Similar requirements are increasing globally.
Key Highlights – State of SSO Governance Solutions’ Market

- **The Significance of Outsourcing Providers.** The supply chain for business service functions follow a pattern common to all supply chains. It is that a small percentage of suppliers account for a disproportionate amount of expense, risk, and value. A very high percentage of these select providers happen to be outsourcing service providers, hence the need to manage and govern them differently than the majority.

- **Inadequacy of Enterprise Procurement Solutions.** Even as pervasive as procurement tools, like Ariba and SAP SRM, have been in large enterprises, they focus on the acquisition of commodity products and services. They have proven ill-suited for acquiring complex, multi-year services and inadequate in helping manage the peculiarities of outsourcing methodologies, hybrid multi-provider environments, and long-term relationship dynamics.

- **Market Will Move Beyond Early Adopters.** Enterprises that are more progressive have been the early adopters of these governance software and service solutions. As more enterprises adopt hybrid delivery models, become more conscious of compliance requirements, and target more strategic objectives, the use of these governance solutions will increase significantly.
Significant Trends Impacting SSO Governance Market

- **Adoption of Hybrid Model.** Two-thirds of major enterprises have adopted, or plan to adopt a hybrid service delivery model comprised of multiple outsourcing providers and shared services environments. The use of outsourcing as a service delivery alternative continues to grow, but the adoption of, and investment in, shared services has grown even faster according to the HfS 2014 State of Outsourcing study.

- **Desire for Transformation.** As the economy exited the recession and began to grow, enterprises became increasingly interested in accomplishing strategic objectives, like transformation, rationalizing processes and services, and analytics. Enterprises are no longer satisfied with tactical objectives, like cost reduction, standardizing processes, and meeting basic compliance requirements, particularly after transition is complete.

- **Talent Shortage.** Enterprises are faced with a deficit of talent to address the previous two trends. They lack adequately skilled and experienced resources to meet the change management, collaboration, transformation, and relationship management challenges.
Governance Implications of SSO Market Trends

- **Increasing Importance & Complexity of Governance.** Given the growing complexity of the hybrid service delivery environment and the desire to achieve more strategic objectives, the role of governance in large and medium enterprises will be increasingly important. Governance must play a critical liaison role between multiple service providers (internal and external), the retained organization, and each business unit constituency. Additionally, governance will be more complex as its focus shifts from supplier management to a balance between provider management and its internal relationship management & new service adoption responsibilities.

- **Need for Consistency.** Each governance group can no longer be left to its own devices and hire whomever is available. Governance design must be done with consistent design methodology, relationship models, process documentation, job descriptions, and an enabling technology platform. Enterprises additionally cannot afford for shared services to be managed one way and outsourcing another. The need for consistency must bring both camps to a common approach as well. For example, there should be one process for requesting new services independent of whether that service is ultimately delivered in a shared service center or by an outsourcing provider.

- **Better Leverage Available Resources.** Governance groups must get the most value out of the limited resources available. Senior, and highly skilled, governance resources cannot afford to get stuck behind their desks trying to figure out spreadsheet formulas and updating status reports. They must spend a high percentage of their time collaborating with service providers and with the business.
The Role of Governance Tools and Managed Services

- **Data Aggregation & Analysis.** A multi-provider environment results in additional data sources that must be aggregated to paint a comprehensive picture. Large enterprises will have many internal and external systems whose data is essential for performance, financial, issues, compliance, risk, contract, and relationship management calculations and reports. That data cannot be converted into useful information, and provided to internal business constituents, until it is collected in a structured format. Spreadsheets are ill-suited to address the scalability, security, manipulation, and presentation of this data. More sophisticated analytical tools are needed to support the accomplishment of strategic objectives.

- **Workflow Codification.** The codification of governance processes into workflows fosters the consistency required for improvement and maturation. All too often, governance processes exist only in the minds of a select few team members, and these processes and procedures are lost when those resources leave the group. Workflow codifies the business rules, and that provides continuity as people come and go.

- **Automation.** Approximately half of the work of governance is routine in nature, like manually routing documents for review and approval, collecting status updates, performing calculations, and producing reports. Governance tools or managed services can automate a high percentage of these activities, thereby enabling governance leaders to spend more time on consultative and strategic activities with their providers and with the business.
Governance Platform Futures

**Governance Risk & Compliance (GRC) Tools Move Into this Space.** Since outsourcing providers represent some of the largest agreements, produce the most value, and expose enterprises to the most risk, HfS predicts that GRC tools will have to address outsourcing methodologies and hybrid delivery models more specifically.

**SMS Tools Move Into This Space.** Some Service Management Software (SMS) tools have all of the architectural componentry to meet SSO governance information and reporting requirements. Since SMS and governance tools share the same data, albeit for slightly different purposes, HfS anticipates that SMS tools will add additional governance functionality to more comprehensively manage business service function delivery and governance on a single platform. Service Catalog functionality is already critical for improving maturity.

**Analytical Functionality Improvements.** As business service functions set out to accomplish strategic objectives, governance tools or managed services will have to improve their analytical capability to adequately support it. Descriptive analytical tools are prevalent and adequately inform the user what happened. Predictive and Prescriptive analytical functionality must be improved to anticipate what will happen as well as advise what to do to improve outcomes.

**Additional Functionality.** Governance tools that do not have a service catalog will partner to gain access. Additionally, HfS anticipates significant improvement in the ability to interface, or otherwise access, data from a growing set of disparate data sources, as well as manipulate it for governance purposes. Risk and Compliance functionality will be enhanced as well.
Research Methodology
Research Methodology for the SSO Governance Solution Blueprint

Data Summary

- Hundreds of data points were collected from dozens of live SSO Governance contracts, covering 7 product or service providers.

- Data was collected in Q2 2014, covering buyers, providers, and advisors/influencers of SSO Governance.

Included Service Providers

This Report Is Based On:

- **Tales from the Trenches**: Interviews with buyers who have evaluated service providers and experienced their services. Some are supplied by service providers, but many are interviewed through interviews conducted with HfS Executive Council members and participants in our extensive market research.

- **Sell-Side Executive Briefings**: Structured discussions with service providers were intended to collect data necessary to evaluate their innovation, execution and market share, and deal counts.

- **HfS “State of Outsourcing” Survey**: The industry’s largest quantitative survey, conducted with the support of KPMG LLP, covering the views, intentions, and dynamics of 1,355 buyers, providers, and influencers of outsourcing.

- **Publicly Available Information**: Financial data, website information, presentations given by senior executives, and other marketing collateral.
Key Factors Driving the HfS Blueprint

Evaluation Criteria

Two major factors:

- **Capability** represents service providers’ ability to deliver required functionality. It includes:
  - Core platform requirements
  - Governance specific functionality
  - Additional functionality e.g. service catalog

- **Value/Innovation** represents service providers’ ability to deliver value and improve services. It includes:
  - Reporting support
  - Automation & workflow benefits
  - Decision support enablement

Criteria Weighting

- Criteria are weighed by crowdsourcing weightings from the five groups that matter most:
  - Enterprise Buyers (10%)
  - Clients (30%)
  - Product/Service Providers (30%)
  - HfS Research Analysts Team (20%)
  - Advisors, Consultants, and Industry Stakeholders (10%)

- Weightings from this report come from HfS’ 2013 State of Outsourcing Study
How the HfS Blueprint Scores are Compiled

After service providers respond to HfS’s Blueprint RFI, and after client references and fact checking have been completed, HfS analysts conduct a paired comparisons survey of service providers in each category of evaluation. This can be as many as 1,100+ unique service provider comparisons.

The data/rankings are compiled and compared across all provider comparisons to identify inconsistencies within the scores.

After a further data refinement, the criteria weightings are used to give each service provider a score in each evaluation criteria component.

Once aggregation and scoring are complete, the service providers’ scores are plotted, producing the HfS Blueprint.
Rationale & Scope of the Study

- The purpose of this study is to provide a reference for enterprises or governance groups evaluating the need for, or selecting, a governance solution partner. The study explains the rationale for governance solutions, the required functionality, and a summary of key players.

- To be included in this SSO Governance Blueprint Study, providers needed to have multiple clients, for more than one year, receiving ongoing governance support or enablement via software or services.

- This Blueprint study reviews the ability to produce value to shared services and outsourcing governance groups across a comprehensive set of governance functionality.

- The study assessed both governance software providers and managed governance services providers utilizing an enabling platform

- Comprehensive Governance Functionality Includes:
  - Contract Administration & Management
  - Financial & Consumption Management
  - Issues/Risk/Compliance Management
  - Performance Management
  - Relationship & Communications Management
Scope of Blueprint Assessment

This graphic depicts the architectural scope of the Blueprint study.

Advisory

1. Governance Service
2. Document & Forms Repository
3. Calculations
4. Automation

Tool Enablement

5. Workflow
6. Business Intelligence & Analytics

Operations Management

Service Delivery Management

Definitions provided on next page

In Scope

Out of Scope
Scope (Cont.)

Delivery via Services (potentially leveraging an underlying platform).

1 – **Governance Service Delivery Management.** For those providers using a managed governance service model, this addresses their ability to deliver value to clients using advisory resources.

Delivery via Technology.

2 – **Document & Forms Repository.** Provide an indexed, full-text search document and forms repository for easy reference meeting comprehensive governance needs. Additionally, repository should be secured and version controlled.

3 – **Calculations.** Provide the ability to do arithmetic calculations such as service level actuals, invoice estimates, workflow cycle time, etc.

4 – **Automation.** Provide the ability to initiate workflows, calculations, notifications, alerts, etc. based on triggering events, time, workflow status, priorities, etc.

5 – **Workflow.** Ability to codify a process flow including attributes such as owner’s role, sequence, routing logic, triggering events/actions, etc. with associated reporting

6 – **Business Intelligence & Analytics.** Comprehensive set of standard governance reports, ad hoc reporting, scorecards, and dashboards to provide descriptive, predictive, or prescriptive information

7 – **Collaboration.** Enable multiple parties to interact and communicate related to the exchange of information or ideas.

8 – **Service Catalog.** Repository to define products, service, and/or bundles along with pricing and service level information. Additionally provides the ability to order products/services and track

9 – **Presentation.** Provide a web portal to access and interact with functionality listed above.
## Capability Definitions – Core Requirements

<table>
<thead>
<tr>
<th>CAPABILITY</th>
<th>How well does the provider’s platform or managed service address each of the following requirements?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration</td>
<td>APIs with top ERP and SMS apps to access transactional, and summary, data</td>
</tr>
</tbody>
</table>
| Data Aggregation    | Resource Unit, or Services, grouped into process or category areas  
|                     | Data aggregation of resource units, or services, by category or sub-process (e.g. desktop, payroll, accounts payable)  
|                     | Data aggregation by business unit, sector, or product line hierarchy  
|                     | Data aggregation by geographic hierarchy (e.g. city, state, region, country, theater, etc.)  
|                     | Data aggregation by business process, or function                                                |
| Metrics             | Metric wizards to enable set up  
|                     | Metric frequencies include daily/weekly/monthly/annual  
|                     | Metric definitions allow for multiple grouping levels (SP, Site, Application, project, etc.)  
|                     | Complex expression formulas  
|                     | Metric classifications by performance, cost, satisfaction, efficiency, quality metrics  
|                     | Support conditional expressions  
|                     | Active/Inactive Status selection  
|                     | Version control of metric definitions                                                            |
| Notifications       | Workflow transitions can trigger notifications  
|                     | Alerts can trigger workflow transitions                                                          |
| Performance Reports | How flexible are providers when determining pricing of contracts? Are they willing to make investments into the client’s firm for long term growth?  
|                     | Wizard for defining metric performance reports  
|                     | Trend line reporting  
|                     | Drill down of performance and compliance reports across data dimensions  
|                     | Auto-distribution of reports via email, scheduled daily, weekly, monthly  
|                     | Report exports to HTML, Excel, PDF                                                               |
# Capability Definitions – Core Requirements

<table>
<thead>
<tr>
<th>CAPABILITY</th>
<th>How well does the provider’s platform or managed service address each of the following requirements?</th>
</tr>
</thead>
</table>
| **Workflow**        | Workflow functionality  
User task delegation  
Accommodate attachments  
Activities assigned to specific roles, groups, or users  
Workflow timeouts configuration  
Workflow branching support |
| **Reporting & Analytics** | Data access/collection from multiple sources  
User-defined, wizard-generated ad hoc reporting  
Report distribution to external recipients  
Reports saved to MS-Excel and CSV formats  
Scorecards showing actual, target, variance values and/or status indicators  
Dashboards displaying multiple reports and/or scorecards |
| **Security**        | Secure access (https)  
Password protected |
| **Role-based Access** | Role-based authorization  
Organization-level authorization |
| **Document Management** | Document repository  
Document indexing with full-text search to include PDFs  
Version control on all documents, forms, and reports |
| **Task Management** | Task form including assignment capability, due date, priority, etc. |
| **Calendar**        | Calendar or list format event display |
| **Personalization** | Dashboards configurable by role  
User configured dashboards  
Automatic report filtering based on user profile |
## Capability Definitions

<table>
<thead>
<tr>
<th>CAPABILITY</th>
<th>How well does the provider’s platform or managed service address each of the following requirements?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract Management</strong></td>
<td>Provide secure repository for Contract and Service Agreements, SOWs</td>
</tr>
<tr>
<td></td>
<td>Associate contracts with provider, business unit, geography, etc.</td>
</tr>
<tr>
<td></td>
<td>Provides Contract Change Request form and associated workflow</td>
</tr>
<tr>
<td></td>
<td>Contract form to capture meta-data</td>
</tr>
<tr>
<td><strong>Performance Management</strong></td>
<td>Collect/interface with source or summary data</td>
</tr>
<tr>
<td></td>
<td>Metric &amp; SLA definition forms including minimum, target, type, and penalty</td>
</tr>
<tr>
<td></td>
<td>Metric &amp; SLA wizards for creating or editing service levels</td>
</tr>
<tr>
<td></td>
<td>Version controlled and time stamped metric definitions</td>
</tr>
<tr>
<td></td>
<td>Configuration of alerts or email notifications for defaults</td>
</tr>
<tr>
<td></td>
<td>Selection of standard reports and automated delivery options</td>
</tr>
<tr>
<td></td>
<td>Ad hoc reporting wizard accessible to users</td>
</tr>
<tr>
<td></td>
<td>Ability to drill-down to transaction-level details</td>
</tr>
<tr>
<td><strong>Consumption</strong></td>
<td>Version controlled resource unit definition form with forecasts and pricing</td>
</tr>
<tr>
<td></td>
<td>Ability to group Resource Units, or Services, into process or category areas</td>
</tr>
<tr>
<td></td>
<td>Selection of standard reports and automated delivery options</td>
</tr>
<tr>
<td></td>
<td>Ad hoc reporting wizard accessible to designated users</td>
</tr>
<tr>
<td><strong>Financial Management</strong></td>
<td>Collect digital version of provider invoice with line item detail</td>
</tr>
<tr>
<td></td>
<td>Auto-calculate individual resource unit and aggregate fees</td>
</tr>
<tr>
<td></td>
<td>Auto-calculate credits, incentives, penalties, and earnbacks</td>
</tr>
<tr>
<td></td>
<td>Invoice verification and approval workflow</td>
</tr>
<tr>
<td></td>
<td>Highlight actual vs. calculated invoice discrepancies</td>
</tr>
<tr>
<td></td>
<td>Version controlled base case repository</td>
</tr>
<tr>
<td></td>
<td>Selection of standard reports and automated delivery options</td>
</tr>
<tr>
<td></td>
<td>Ad hoc reporting wizard accessible to designated users</td>
</tr>
</tbody>
</table>
## Capability Definitions

<table>
<thead>
<tr>
<th>CAPABILITY</th>
<th>How well does the provider’s platform or managed service address each of the following requirements?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Management</td>
<td>Commercial Issues tracking form and associated workflow  &lt;br&gt;Auto-assign issues based on rules  &lt;br&gt;Auto-escalate issues  &lt;br&gt;Auto-compute cycle time by stage  &lt;br&gt;Selection of standard reports and automated delivery options  &lt;br&gt;Ad hoc reporting wizard accessible to designated users</td>
</tr>
<tr>
<td>Compliance</td>
<td>Compliance requirement form, version controlled  &lt;br&gt;Selection of standard reports and automated delivery options  &lt;br&gt;Ad hoc reporting wizard accessible to designated users</td>
</tr>
<tr>
<td>Risk Management</td>
<td>Risk tracking form and associated workflow  &lt;br&gt;Selection of standard reports and automated delivery options  &lt;br&gt;Ad hoc reporting wizard accessible to designated users</td>
</tr>
<tr>
<td>Relationship Management</td>
<td>Satisfaction survey  &lt;br&gt;Alignment/Health check survey</td>
</tr>
<tr>
<td>Service Catalog</td>
<td>Service/Product definition forms  &lt;br&gt;Catalog portal  &lt;br&gt;Configurable approval workflow &amp; reporting</td>
</tr>
</tbody>
</table>
## Value/Innovation Definitions

<table>
<thead>
<tr>
<th>Value/Innovation</th>
<th>How well does the provider’s platform or managed service address each of the following requirements?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reporting</strong></td>
<td>Provided reports cover the full functionality of governance needs</td>
</tr>
<tr>
<td></td>
<td>Ad hoc reporting is wizard-driven and easy for practitioners to produce</td>
</tr>
<tr>
<td><strong>Alerts &amp; Notifications</strong></td>
<td>Alerts and notifications expedite decisions and reduce workflow cycle time</td>
</tr>
<tr>
<td><strong>Workflow</strong></td>
<td>Workflow, or associated services, has reduced our labor requirements</td>
</tr>
<tr>
<td></td>
<td>Audit reports from workflow adequately meet our compliance reporting requirements</td>
</tr>
<tr>
<td><strong>Decision-Support</strong></td>
<td>Reports, scorecards, and dashboards and other analytics fully support governance decision-making needs</td>
</tr>
<tr>
<td></td>
<td>Search capability makes referencing key agreement terms and the knowledge management repository easy</td>
</tr>
<tr>
<td><strong>Predictive Analytics</strong></td>
<td>Predictive analytics enable the prediction of future events based on historical data and trends</td>
</tr>
<tr>
<td></td>
<td>Predictive analytical tools enable &quot;what if&quot; analysis and the ability to run scenarios</td>
</tr>
<tr>
<td><strong>Prescriptive Analytics</strong></td>
<td>Prescriptive Analytics provide recommendations to improve an outcome</td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>Roadmap addresses sophisticated analytics, social media, mobility, and cloud</td>
</tr>
<tr>
<td></td>
<td>Level of investment and sponsorship to achieve roadmap</td>
</tr>
</tbody>
</table>
## HfS Blueprint Scoring Percentage Breakdown

<table>
<thead>
<tr>
<th>CAPABILITY</th>
<th>42%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Management</td>
<td>5%</td>
</tr>
<tr>
<td>Performance Management</td>
<td>6%</td>
</tr>
<tr>
<td>Consumption Management</td>
<td>5%</td>
</tr>
<tr>
<td>Financial Management</td>
<td>6%</td>
</tr>
<tr>
<td>Issue Management</td>
<td>5%</td>
</tr>
<tr>
<td>Risk Management</td>
<td>3%</td>
</tr>
<tr>
<td>Compliance Management</td>
<td>3%</td>
</tr>
<tr>
<td>Relationship Management</td>
<td>6%</td>
</tr>
<tr>
<td>Service Catalog</td>
<td>3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VALUE/INNOVATION</th>
<th>58%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting &amp; Descriptive Analytics</td>
<td>8%</td>
</tr>
<tr>
<td>Alerts &amp; Notifications</td>
<td>8%</td>
</tr>
<tr>
<td>Governance Workflow</td>
<td>8%</td>
</tr>
<tr>
<td>Decision-support</td>
<td>13%</td>
</tr>
<tr>
<td>Predictive Analytics</td>
<td>8%</td>
</tr>
<tr>
<td>Prescriptive Analytics</td>
<td>5%</td>
</tr>
<tr>
<td>Investment</td>
<td>8%</td>
</tr>
</tbody>
</table>

### TOTAL 100.00%
Service Provider Capabilities
The 7 Service Providers Included in This Blueprint Study

Approach Governance from Different Perspectives

**Pure-play Software**
- enlighta
- Janeeva

**Managed Governance**
- ISG
- KPMG

**Governance Risk & Compliance**
- hiperos

**Service Management Software**
- Avansant
- ServiceNow
<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Participation</th>
<th>Rationale For Inclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avasant/Avasense</td>
<td>Full, with the exception of customer references</td>
<td>Avasant is a reputable sourcing advisory firm that launched a managed governance service using a proprietary platform called Avasense</td>
</tr>
<tr>
<td>Enlighta</td>
<td>Full</td>
<td>Reputable and long-standing provider of software solutions</td>
</tr>
<tr>
<td>Hiperos</td>
<td>Full. HfS did not pursue customer reference since product is out of category</td>
<td>Rapidly growing, and recently acquired, Governance Risk &amp; Compliance solution focused on 3rd Party Management</td>
</tr>
<tr>
<td>ISG</td>
<td>Full</td>
<td>Leader in SSO advisory space with mature managed governance enabled by various 3rd party applications</td>
</tr>
<tr>
<td>Janeeva</td>
<td>Insufficient market activity to be evaluated on the Blueprint Axis</td>
<td>Long-time software provider in this niche. Previously acquired Vantage Technologies to enhance solution.</td>
</tr>
<tr>
<td>KPMG LLP</td>
<td>Full</td>
<td>Leader in SSO advisory space with mature managed governance enabled by proprietary platform</td>
</tr>
<tr>
<td>ServiceNow</td>
<td>Full. HfS did not pursue customer reference since product is out of category</td>
<td>Large, and rapidly growing, Service Management Software solution with growing influence/impact on business service delivery management</td>
</tr>
</tbody>
</table>
Winners Circle and High Performers Methodology

To distinguish providers within a particular line of delivery, HfS awards a “Winner’s Circle” or “High Performer” designation. Below provides a brief description of the general characteristics of each designation:

- **Winner's Circle**: Organizations that demonstrate excellence in both capability and value/innovation.
  - From a *capability* perspective, providers have developed a comprehensive product/solution that addresses the full scope of governance requirements as described in the HfS Governance Solution Architecture, strong relationships with clients, and are highly flexible when meeting clients’ needs.
  - From a *value/innovation* perspective, providers have a strong vision, concrete plans to invest in future capabilities, and have illustrated a strong ability to drive value to their clients via efficiencies, meeting compliance requirements, and expert analysis and advice.

- **High Performers**: Organizations that demonstrate strong abilities in both capability and value/innovation, but are lacking in an innovative vision or execution against their vision.
  - From a *capability* perspective, providers execute some of the areas with excellence, but not all areas: high performers have developed worthwhile relationships with clients, meet most governance requirements, and are flexible when meeting clients needs.
  - From a *value/innovation* perspective, providers typically execute some of the following areas with excellence, but not all areas: have a vision and demonstrated plans to invest in future capabilities, and have demonstrated the ability to drive value to their clients, and provide very good advice.
Winner’s Circle Provider Dynamics – Highlights

**CAPABILITY**

- **Enlighta (Winner’s Circle)**
  - Enlighta provides the broadest and deepest set of functionality that HfS has observed to-date. Of particular note is the presence of a service catalog for ordering business services. It is a very flexible and scalable solution that was highly rated by its clients.

- **KPMG LLP Managed Governance Services (Winner’s Circle)**
  - KPMG LLP scored very well in capability with the combination of the comprehensive functionality of their proprietary platform and expertise of their largely US-based managed services team.
  - The greatest challenge for KPMG LLP is to enhance their capability with service catalog integration.

- **ISG Managed Governance (Winner’s Circle)**
  - ISG was rated as excellent by their customers in the delivery of managed governance services.
  - The greatest challenge for ISG is to enhance their capability with service catalog integration.

**VALUE/INNOVATION**

- **ISG Managed Governance (Winner’s Circle)**
  - Clients rated ISG’s ability to provide insights and analysis from their integrated platform including Enlighta, StatusGreen, Apptio, and Blazent as critical to their operations.
  - The greatest challenge for ISG is to enhance its prescriptive analytics capability.

- **Enlighta (Winner’s Circle)**
  - Enlighta was rated high on the value/innovation axis for its use of governance workflows in conjunction with its notification and alert capabilities, to include SMS and mobile applications for approvals and status updates.
  - The greatest challenge for Enlighta is to enhance its predictive and prescriptive analytics capabilities.

- **KPMG LLP Managed Governance Services (Winner’s Circle)**
  - KPMG LLP rated highly on the value derived from its workflow and decision-support capabilities.
  - The greatest challenge for KPMG LLP is to enhance its predictive and prescriptive analytics capabilities.
HfS Research estimates the potential size of the Governance Solution’s market to be at least 1% of the outsourcing market’s size.

Source: 2013 HfS Research State of Outsourcing study in conjunction with KPMG LLP
Issues for SSO Governance Service Providers in the Current Market

- **Educating Prospects on the Need for Progressive Governance.** As previously highlighted, the market for Governance Solutions, whether product of service enabled, is largely untapped -- 28% of potential market. It’s not that the services delivered by the current providers lack value, it is that there is a significant lack of education and appreciation of the need for a more mature governance capability, and what these products/services can do to expedite that maturity. The challenge for these service providers is to articulate a clearer and more compelling value proposition that directly links their services to an enhanced capability and the accomplishment of strategic objectives.

- **Doing the Right Things Right.** Historically, SSO governance tools and managed services have focused on doing the work of governance more efficiently, or “doing things right.” But as the environment becomes more complex, and objectives become more strategic, Governance Providers will be increasingly challenged to also help their clients become more effective – doing the right things right. This means more advice and consultation, more focus on business outcomes, and more predictive and prescriptive analytics.

- **Competition from Adjacencies.** HfS believes that two adjacent areas will continue to encroach on the SSO Governance space. Governance Risk & Compliance (GRC) and Service Management Software (SMS) tools, for different reasons will need to add SSO Governance functionality, and will therefore create more direct competitive situations. Additionally, this will likely drive acquisitions and partnerships in the coming years.

- **Sponsorship.** It continues to be a challenge for governance providers to gain the sponsorship necessary for initial funding and subsequent adoption. The general awareness of the need for, and value of, governance has grown significantly over the past ten years, but that has not translated into easy funding options. Organizations still struggle to prioritize their governance needs over other projects and initiatives.

- **Investment.** The smaller niche SSO Governance software providers will have difficulty matching the investment of larger software providers from adjacent categories, as well as managed governance providers with a proprietary platform. The latter also have the inherent challenge of trying to maintain a competitive software product inside of a services firm.
Service Provider Profile
Profile Outline

Each service provider’s profile will include a descriptive profile and a graphic profile indicating how the respective service provider delivers value, as well as a rating of each delivery component’s relative strength.

A non-gray box indicates managed governance services provider

Managed governance services providers who rate lower in one of the areas below may provide that functionality manually with advisory resources

Rating Legend regarding capability to meet associated requirements

- Does not provide
- Fully meets
- Partially meets
- Does not meet
## KPMG LLP MGS

### Winner’s Circle

### Summary
The KPMG LLP MGS group is part of the Shared Service and Outsourcing Advisory practice. Their governance offering evolved from the acquisition of EquaTerra, and its software product, EquaSiis Enterprise, in February 2011. Given KPMG LLP’s advisory business model, EquaSiis was converted from a stand-alone software solution to an enabling platform for their Managed Governance Service offering. The platform, now named Governance Workplace, has recently undergone a total overhaul to improve its usability and enhance its risk management functionality. Their services are primarily provided by a well-trained US-based staff.

### Strengths
- Rich history in sourcing and governance design advisory work provides a deep understanding of client governance needs.
- Strong management commitment and funding
- Capable enabling platform
- Constant stream of MGS leads via upstream advisory work.

### Challenges
- Access to source data for financial and service level calculations
- Evolving a proprietary platform within a audit/consulting firm

### Snapshot

**Delivery Model**
- Managed Governance Hosting
- SaaS
- Public or Private
- Private Partnership
  - No. of Ee’s: location
    - 45; 75% US, 25% India
  - 2013 Revenues
  - Not disclosed
- No. of Deployments
  - 11

**2013 Revenues**
- Not disclosed

**No. of Deployments**
- 11

### Key Clients
- AAA, EW Scripps, Leading Cable & Media Firm, Leading Financial Institution, Leading Pharma Company

### Target Client Profile
- Global 2000 firms' business service functions

### Key Alliances
- None provided

### Roadmap Emphasis
- Portfolio management capabilities, Analytics engine, mobile and compliance engine
About the Author
Mike Beals

VP, Governance Research & Strategy

Overview
• 20 years of HR, IT, BPO, relationship management, and outsourcing governance experience
• Leads the governance training services for the HfS Governance Academy

Previous Experience
• Founder of The Selah Group, an outsourcing training firm
• Vice President of Software at EquaSiis, an EquaTerra company
• Led the Governance Practice for the first four years of EquaTerra
• President and Founder of Relationship Management Solutions, Inc. (RMS)
• Vice President and Practice Leader for META Group Consulting’s Sourcing Practice

Education
• Graduate of the United States Military Academy, and subsequently served in various capacities as an Infantry officer
About HfS Research

HfS Research is the leading analyst authority and global network for IT and business services, with specific focus on global business services, digital transformation and outsourcing. HfS serves the research, governance and services strategy needs of business operations and IT leaders across finance, supply chain, human resources, marketing, and core industry functions. The firm provides insightful and meaningful analyst coverage of best business practices and innovations that impact successful business outcomes, such as the digital transformation of operations, cloud-based business platforms, services talent development strategies, process automation and outsourcing, mobility, analytics and social collaboration. HfS applies its acclaimed Blueprint Methodology to evaluate the performance of service and technology in terms of innovating and executing against those business outcomes.

HfS educates and facilitates discussions among the world’s largest knowledge community of enterprise services professionals, currently comprising 150,000 subscribers and members. HfS Research facilitates the HfS Sourcing Executive Council, the acclaimed elite group of sourcing practitioners from leading organizations that meets bi-annually to share the future direction of the global services industry and to discuss the future enterprise operations framework. HfS provides sourcing executive council members with the HfS Governance Academy and Certification Program to help its clients improve the governance of their global business services and vendor relationships.

In 2010 and 2011, HfS Research’s Founder and CEO, Phil Fersht, was named “Analyst of the Year” by the International Institute of Analyst Relations (IIAR), the premier body of analyst-facing professionals and achieved the distinctive award of being voted the research analyst industry’s Most Innovative Analyst Firm in 2012.

In 2013, HfS was named first in rising influence among leading analyst firms, according to the 2013 Analyst Value Survey, and second out of the 44 leading industry analyst firms in the 2013 Analyst Value Index.

Now in its seventh year of publication, HfS Research’s acclaimed blog “Horses for Sources” is widely recognized as the most widely-read and revered destination for unfettered collective insight, research and open debate about sourcing industry issues and developments. Horses for Sources today receives over a million web visits a year.

To learn more about HfS Research, please email research@HfSResearch.com.