



Genpact and Lease Accelerator Diffuse the Lease Accounting Compliance Time Bomb

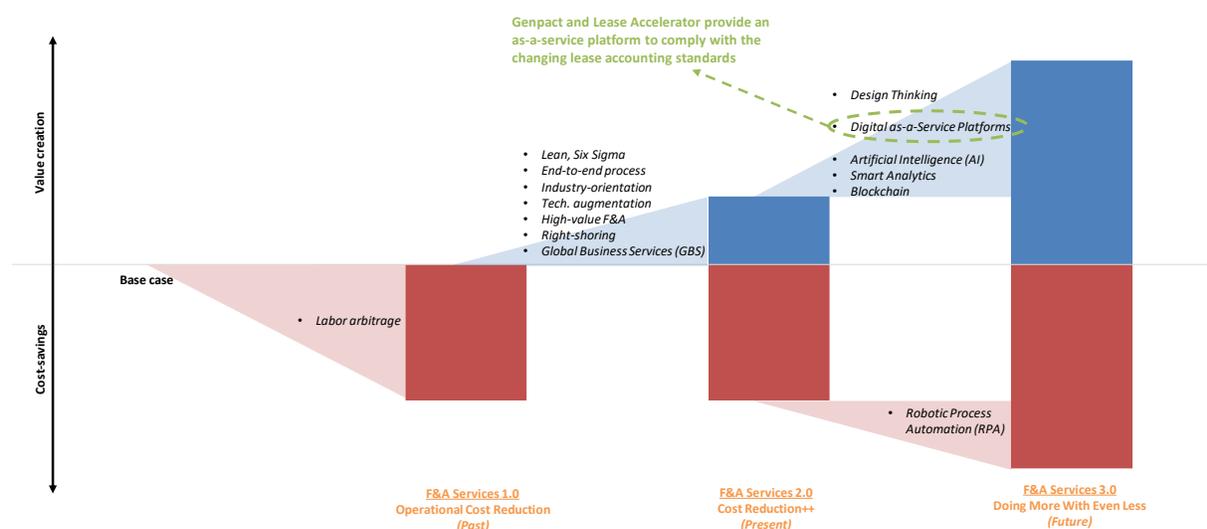
An F&A 3.0 Service Case Study

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Excerpt for Genpact

F&A Services are desperately seeking a significant shift in value proposition. CFOs are no longer focused solely on cost reduction. Labor arbitrage is tiring out and providing diminishing incremental returns. On one hand, the F&A Services market is slowing down and is in danger of commoditization, but on the other hand, emerging technologies promise credible value creation levers to make a significant difference. The predominant cost-saving focus for F&A services is shifting to doing a lot more with a lot less. We at HfS are calling it **F&A 3.0** (see Exhibit 1). Uncovering F&A 3.0 solutions and services is the focus of our F&A research for 2018. One solution that typifies F&A 3.0 is the **Genpact—Lease Accelerator partnership**.

Exhibit 1. The Genpact—Lease Accelerator partnership typifies the HfS F&A 3.0 model



Source: HfS Research, 2018



Two market leaders—Genpact (a member of the Winner’s Circle in our recent *F&A services Blueprint*) and Lease Accelerator (a leading enterprise lease accounting software firm)—are combining their capabilities to help enterprises solve the ticking time bomb of complying with the new lease accounting and reporting regulations that are scheduled to kick-off on January 1, 2019. The partnership is an example of using a digital as-a-service platform (in addition to process design capabilities) to drive significant value for its clients regarding compliance in a cost-effective way.

The solution also typifies the Five Ps needed to get to the promised land of F&A 3.0 services. Let’s dive in:

- **Purpose.** ASC 842 and IFRS 16 regulations become effective on January 1, 2019, for all global public companies. The impact of non-compliance, viewed as material weakness in reporting, is significant. It can result in stiff sanctions and penalties by SEC, inability to secure bank financing, loss of market reputation and a sharp decline in investor confidence and stock prices. Net-net, all enterprises are facing this ticking time bomb to collect a vast amount of data, deploy new software, re-design processes, and establish controls in less than a year. Some are panicking, but others view these market developments as a impetus to solve a problem that they must address in order to survive and succeed.
- IASB estimates roughly that nearly 85% of \$3.3 trillion of lease commitments are off balance sheets.
- **Problem-solving.** The Genpact—Lease Accelerator partnership neatly solves this problem. It leverages Genpact’s lease domain expertise and experience around data discovery, lease abstraction, process design & delivery and technology implementation of Lease Accelerator’s product, which is a robust SaaS solution that does not require significant IT infrastructure setup and that can be easily integrated with client’s existing ERPs. Genpact is also committed to being a long term partner in this compliance process and continue to support clients beyond January 2019 by owning on-going service delivery of lease accounting & reporting processes.
 - **Partnership.** In today’s world, no single firm can be everything to everyone. Genpact seems to have realized this, as evidenced by its recent investments in *developing a partner ecosystem* that includes Lease Accelerator, to deliver future F&A services.
 - **Pricing.** Given the well-articulated problem statement and purpose, we expect Genpact to step away from the “butts-on-seats” model of remunerating for its services and move to a “pay-for-performance” commercial philosophy in which they partner with their clients and have some skin in the game. *(Note: This is our speculation as we don’t have details on Genpact’s commercial go-to-market for this partnership).*
 - **People.** While the partnership makes sense strategically, the success (or failure) of this will depend on the execution. That requires Genpact to shift its talent model (across sales and delivery) toward digital-savvy, creative, and right-brained individuals who are more comfortable in this new F&A 3.0 model.



Bottom Line: The Genpact—Lease Accelerator partnership is promising, but we need a lot more like it.

While this is a promising solution, it is not a panacea. The partnership promises to plug a market gap within only a small portion of the record-to-report (R2R) space. But, the broad set of F&A services—R2R, procure-to-pay (P2P), order-to-cash (O2C), and financial planning and analysis (FP&A)—that predominantly continue to operate in the F&A 2.0 world (cost plus value proposition) and are ripe for disruption. The partnership represents, however, the direction that the broader F&A services market needs to take. While Genpact needs to be lauded for creating this value proposition, we continue to have higher expectations from market leaders like Genpact to bell the cat and drive F&A 3.0 from an analyst's vision to market reality.



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