ISG Provider Lens™

U.S. Public Sector – Procurement BPO, Transformation, and Software Platforms

BPO Services

A research report comparing services provider and software vendor strengths, challenges, and competitive differentiators

Customized report courtesy of:

Infosys Public Services

QUADRANT REPORT | MARCH 2022 | U.S. PUBLIC SECTOR

Table of Contents

Report Author: Bruce Guptill

Improving procurement in steps, from platforms to BPO to transformation.

ISG sees the U.S. public sector, especially state and municipal government agencies, making a strong and unexpected push toward change and improvement in software, systems, organizations and operations. This stems from unexpected change in their markets, constituencies, organizations and operations. It includes functional areas like procurement that had long been considered off-limits to almost any significant change.

Procurement software vendors and services providers report to ISG that they see substantial, unexpected interest, activity and growth in the number and size of deals with U.S. public sector entities. Several Leaders recognized in this study tell ISG that they experienced, on an average, more than 30 percent year-over-year growth in the number of U.S., state, and municipal government contracts signed in 2021, over 2020.

These providers report agencies seeking immediate operational improvements and cost reductions, and help in developing and implementing substantial, sustainable, organizational, and operational change and improvement.

Public Sector Change Drivers

ISG analysis indicates that this widespread Public Sector interest and activity in immediate change and improvement is driven by the following economic, social, and technological factors:

Agencies seek **immediate, and sustainable**, improvements and cost reductions

- **Overwhelming pressure from cost and constituencies:** Revenues are down, while expectations regarding digital business capabilities from users and suppliers have exploded
- **End of useful life of key systems:** It is no longer financially prudent to continue investing in upgrades and maintenance of some key systems
- **Stabilizing remote/digital operational environments:** An exodus of knowledge workers to remote locations with minimal training, varying connectivity and unpredictable work environments has strained existing systems and skills
- **Rapid decrease in skilled labor:** In 2021, the fastest-declining U.S. labor population was that of state and local government workers
- **Data efficiency and compliance:** Legacy organizations, systems and other factors limit data use across functions and organizations, while fostering environments that are insecure and noncompliant with local, state, and federal regulations

For decades, U.S. public sector entities were able to continue as they were, with minimal pressure for change. The digital revolution fast-tracked by COVID-19 has pushed these entities to a point, where doing nothing is no longer an option.

Developing Procurement Market Trends

What ISG sees suggests – strongly – is that through 2022, U.S. public sector entities will increasingly spend on procurement, digital transformation and procurement BPO, and create a boom in procurement platforms and solution spending. We see this developing as follows:

- Procurement software platforms enable, immediate significant improvement, mostly through standardization of data, system/program interfaces, user experience, and policy application and enforcement. Platforms that include consistently- and effectively-applied automation, enhanced with machine learning and natural language processing, can substantially improve existing operations while identifying areas for further optimization. Case studies suggest that first-year operational savings average between 15 and 30 percent. Properly implemented and used, platforms provide a solid foundation for strategic, sustainable, measurable and continuous improvement.
- BPO services can provide similar advancement for procurement organizations. But the concept of outsourcing remains a sensitive topic for most U.S. government agencies, and for many other public sector organizations as well. Constituencies equate outsourcing with privatization, and have had too many negative experiences to approve of outsourcing. Politically, outsourcing is also a dangerous topic to introduce, as for many it implies some loss of employment or control over sensitive data. That being said, a well-managed BPO brings too many improvement to ignore, including immediate cost improvement and predictability, long-term process and cost control, and a path toward strategic improvement that preserves and advances cost-effective business operations regardless of future change.

- Transformation services will continue to enjoy interest, but less investment, by U.S. public sector entities through 2022. This, in large part, is because few are ready to transform. They need to learn what can be done and can then be guided toward that transformation through a series of tactical improvements. For most, that will begin with new procurement software platforms; for some, it will begin with limited procurement BPO engagements. After 2022 – likely toward 2025 – U.S. public sector entities will more fully embrace full-fledged digital transformation of procurement organizations and operations.

Services and Software Paths to Market

ISG sees continued and accelerating growth in revenue for procurement service providers and software vendors through 2022. Areas where we see the most opportunity include the following services for public sector clients:

- Systems, data, and integration and management services
- Change management (including business process reengineering)
- Function and process automation
- Training for digital advancement
- Security integrated throughout solutions as multiple services

The scope of opportunities should drive significant advancement in provider and vendor go-to-market approaches, including technology partner and channel partner expansion, in order to support rapidly, a widely growing demand.

The partner aspect is particularly important when dealing with U.S. government agencies. Most acquire software and services through value-added resellers, and systems integrators (SI), as well as through traditional consulting firms. It is becoming more normal to deal directly with software vendors and outsourcing service providers, but that often requires the establishment and growth of new relationships. The faster path to the public sector market for most providers is still through established, contracted reseller and SI relationships.

Provider Positioning

Page 1 of 3

	Software Platforms and Solutions	BPO Services	Digital Transformation Services
Accenture	Not In	Leader	Leader
Capgemini	Not In	Product Challenger	Product Challenger
Cognizant	Not In	Contender	Contender
Conduent	Not In	Market Challenger	Market Challenger
Corbus	Not In	Rising Star ★	Rising Star ★
Corcentric	Product Challenger	Rising Star ★	Leader
Coupa	Leader	Not In	Not In
DXC Technology	Not In	Market Challenger	Market Challenger
Esker	Contender	Not In	Not In

Provider Positioning

	Software Platforms and Solutions	BPO Services	Digital Transformation Services
GEP	Leader	Leader	Leader
HCL	Not In	Not In	Product Challenger
IBM	Not In	Leader	Leader
Infosys	Not In	Leader	Leader
Insight Sourcing	Not In	Contender	Contender
Ivalua	Leader	Not In	Not In
JAGGAER	Leader	Not In	Not In
Oracle	Leader	Not In	Not In
Proactis	Rising Star ★	Not In	Not In

Provider Positioning

Page 3 of 3

	Software Platforms and Solutions	BPO Services	Digital Transformation Services
Procurify	Contender	Not In	Not In
PwC	Not In	Market Challenger	Market Challenger
SAP Ariba	Leader	Not In	Not In
TCS	Not In	Product Challenger	Product Challenger
Tech Mahindra	Not In	Product Challenger	Rising Star ★
Tradeshift	Market Challenger	Not In	Not In
Wipro	Not In	Not In	Product Challenger
WorkPlace	Contender	Not In	Not In
Zycus	Product Challenger	Not In	Not In

This study focuses on what ISG perceives as most critical in 2022 for **U.S. Public Sector Procurement platforms, BPO services, and transformation services.**

Software Platforms and Solutions

BPO Services

Digital Transformation Services

Simplified Illustration Source: ISG 2022

Definition

This study focuses on procurement BPO services, transformation consulting services, and software platforms that address and satisfy the unique environments and needs of U.S. Public Sector organizations (e.g., state and municipal governments, education, public health agencies).

When properly implemented and effectively used, modern procurement services and software platforms enable improved efficiency, foster business agility, reduce the negative impacts of supply chain disruption, and subsequently reduce operational and strategic business costs.

Providers that offer the best-tailored solutions help make informed, forward-looking procurement decisions by centralizing standardized procurement and purchasing environments and activities, providing clear visibility into both, and enabling real-time analysis of related data. These solutions also accelerate operational improvement through automation, integration, streamlining, and management of procurement functions and operations within the organization and with suppliers outside the organization.

The ISG Public Sector Provider Lens™ research studies examine, explain, and provide guidance on the business software platforms, solutions, tools, services, and providers that can help improve how public sector organizations operate, and enable digital transformation toward digital business realities.

Scope of the Report

In this ISG Provider Lens™ quadrant study, ISG includes the following 3 quadrants: Procurement BPO Services, Procurement Transformation Services, and Procurement Software Platforms and Solutions.

This ISG Provider Lens™ study offers IT-decision makers:

- Transparency on the strengths and weaknesses of relevant services providers and software vendors
- A differentiated positioning of providers by segments
- Focus on vertical market(s)

Our study serves as the basis for important decision-making in terms of positioning, key relationships, and go-to-market considerations. ISG advisors and user clients also use information from these reports to evaluate their existing vendor relationships and potential engagements.

Provider Classifications

The provider position reflects the suitability of IT services providers and software vendors for a defined market segment (quadrant). Without further additions, the position always applies to all company sizes, classes, and industries. In case the IT service requirements from customers differ, and the spectrum of IT providers operating in the local market is sufficiently wide, a further differentiation of the IT providers by performance is made according to the target group for products and services. In doing so, ISG either considers the industry requirements or the number of employees, as well as the corporate structures of customers, and positions IT providers according to their focus area. As a result, ISG differentiates them, if necessary, into two client target groups that are defined as follows:

- **Midmarket:** Companies with 100 to 4,999 employees or revenues between US$20 million and US$999 million with central headquarters in the respective country, usually privately owned.
- **Large Accounts:** Multinational companies with more than 5,000 employees or revenue above US$1 billion, with activities worldwide and globally distributed decision-making structures.

The ISG Provider Lens™ quadrants are created using an evaluation matrix containing four segments (Leader, Product Challenger, Market Challenger, and Contender), and the providers are positioned accordingly. Each ISG Provider Lens quadrant may include a service provider(s) that ISG believes has strong potential to move into the Leader quadrant. This type of provider can be classified as a Rising Star.

Number of providers in each quadrant: ISG rates and positions the most relevant providers according to the scope of the report for each quadrant and limits the maximum of providers per quadrant to 25 (exceptions are possible).

Provider Classifications: Quadrant Key

Product Challengers offer a product and service portfolio that reflect excellent service and technology stacks. These providers and vendors deliver an unmatched broad and deep range of capabilities. They show evidence of investing to enhance their market presence and competitive strengths.

Leaders have a comprehensive product and service offering, a strong market presence and established competitive position. The product portfolios and competitive strategies of Leaders are strongly positioned to win business in the markets covered by the study. The Leaders also represent innovative strength and competitive stability.

Contenders offer services and products meeting the evaluation criteria that qualifies them to be included in the IPL quadrant. These promising service providers or vendors show evidence of rapidly investing in products/services and a follow sensible market approach with a goal of becoming a Product or Market Challenger within 12 to 18 months.

Market Challengers have a strong presence in the market and offer a significant edge over other vendors and providers based on competitive strength. Often, Market Challengers are the established and well-known vendors in the regions or vertical markets covered in the study.

★ **Rising Stars** have promising portfolios or the market experience to become a Leader, including the required roadmap and adequate focus on key market trends and customer requirements. Rising Stars also have excellent management and understanding of the local market in the studied region. These vendors and service providers give evidence of significant progress toward their goals in the last 12 months. ISG expects Rising Stars to reach the Leader quadrant within the next 12 to 24 months if they continue their delivery of above-average market impact and strength of innovation.

Not in means the service provider or vendor was not included in this quadrant. Among the possible reasons for this designation: ISG could not obtain enough information to position the company; the company does not provide the relevant service or solution as defined for each quadrant of a study; or the company did not meet the eligibility criteria for the study quadrant. Omission from the quadrant does not imply that the service provider or vendor does not offer or plan to offer this service or solution.

BPO Services

Who Should Read This

This report is relevant to U.S. public sector departments for evaluating providers of procurement BPO services.

In this quadrant report, ISG highlights the current market positioning of procurement BPO service providers to public sector departments based in the U.S. and how each provider addresses the key challenges faced in this space.

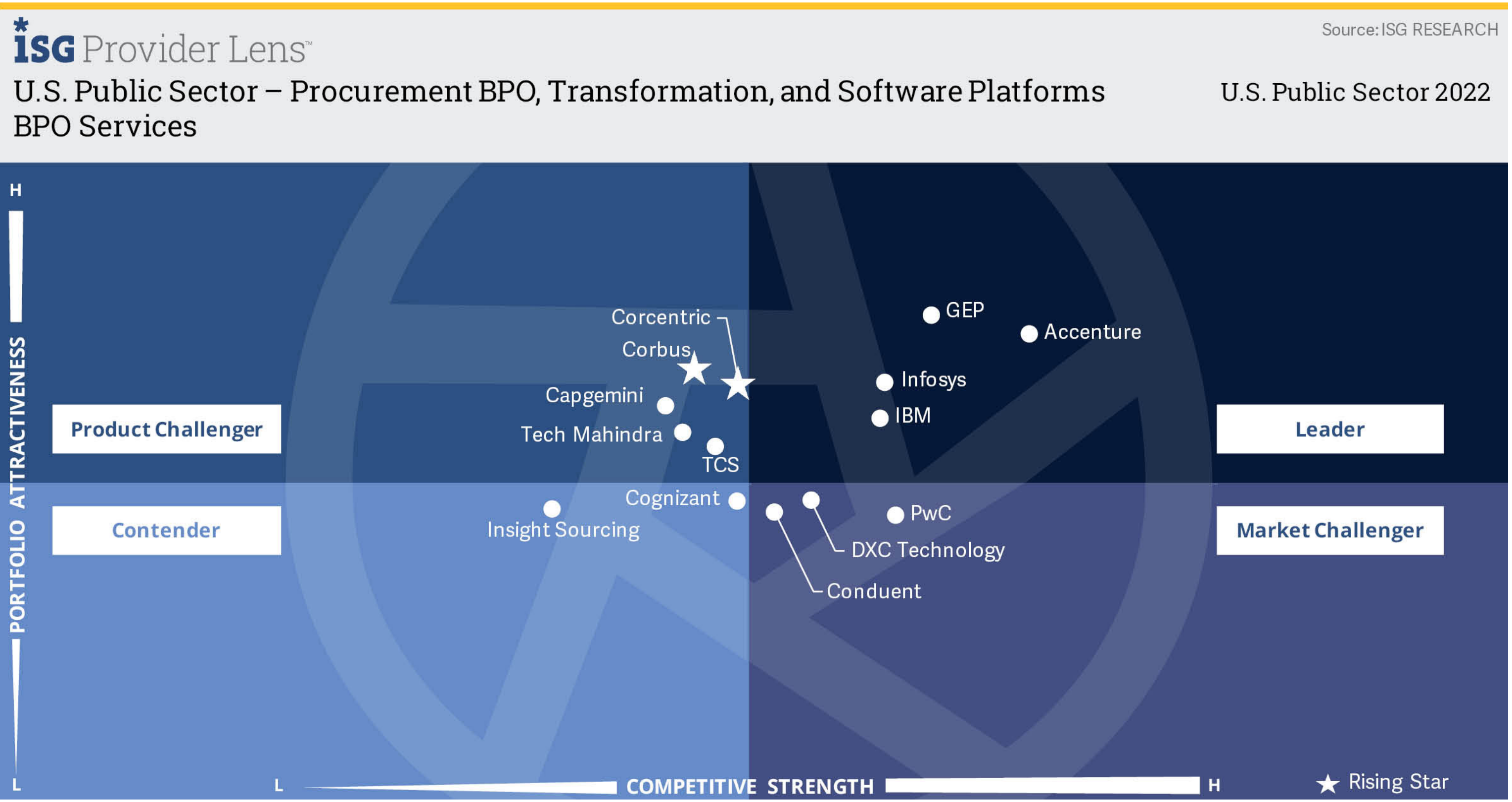
Government procurement is an essential function and core competency. However, it faces several nuances in fiscal cycles, local statutory mandates, and ever-changing political shifts in policy and direction. This space is plagued by legacy knowledge systems that are extremely disparate, leading to minimal central oversight and accountability. Full-scale outsourcing of procurement administration is a concept that is not readily embraced unless in response to a crisis.

Public sector departments in the U.S. are not only expecting minimal cost-procurement outsourcing services but also ensure that government purchasing decisions that are required by law will have the lowest priced proposals. Government organizations seek scalable solutions with protection against cost increase and expect providers to understand and work within fiscal limitations without diminishing service standards. They expect an increase in the adoption for business processes and outcomes.

Service providers are providing consultancy services for strategies and plans to adopt methods that enable insourcing and outsourcing operations to achieve sustainable efficiencies and service delivery improvements. They are also offering sourcing strategies for specific programs and are addressing key supply chain issues of multiple government departments.

Chief technology officers should read this report to understand the relative positioning and capabilities of providers to help them effectively plan and select strategic procurement services and solutions. The report also shows how the procurement and sourcing capabilities of a service provider compare with the rest in the U.S. public sector.

Purchasing and vendor management professionals should read this report to develop a better understanding of the current landscape of strategic procurement service providers for U.S. public sector enterprises.



This quadrant assesses providers that offer **procurement business process outsourcing (BPO)** services to organizations within U.S. state and municipal government agencies, public education, public health and safety, public utilities, and similar organizations

Bruce Guptill

Definition

The outsourcing of procurement operations through business process outsourcing (BPO) services has been ongoing in commercial environments for years. Driven by disruptions in regulatory, economic, social, labor, and technological environments, ISG has been witnessing a growing interest in procurement BPO among all types of U.S. public sector entities, from state government agencies through local school districts.

Eligibility Criteria

Eligibility and evaluation criteria for these quadrants include:

1. Tactical procurement optimization
2. Core procurement capabilities linked to current business objectives
3. Improvement of current procurement efficiencies
4. Strategic procurement enablement
5. Procurement strategy development and execution
6. Roadmap development and adaptation
7. Business disruption minimization
8. Strategic sourcing
9. Category management
10. Supplier management
11. Demand and specification management
12. Operational purchasing including bid/spot buy management
13. Catalog management
14. Procurement management scope
15. Technology and support capabilities and offerings
16. Help/buy desk capabilities and offerings
17. Procurement tools and technologies
18. Accounts payable processing support

Observations

Procurement BPO services in the public sector is a nascent business for many providers, largely because outsourcing of core finance-related operations is new for most U.S. public sector organizations, especially for state and municipal government agencies.

ISG sees the greatest interest in procurement BPO being driven by the following needs:

- Reduce costs while improving service levels to constituents
- Implement capabilities that match quickly expanded digital expectations from users, constituents, and suppliers
- Provide the above with the limited skilled staff available due to retirements and layoffs

BPO services in procurement are sought after in the U.S. public sector as an immediately achievable improvement option that satisfies critical needs. Done properly, it also lays a solid foundation for long-term transformation – but such is not the vision of most U.S. public sector clients at this time.

In theory, every procurement services provider can sell into this sector. However, we see most providers interested in pursuing long-term transformation engagements. Therefore, this assessment includes fewer qualified providers than our procurement transformation assessment for the U.S. Public Sector.

As providers come to learn that this sector is much more open to spending on procurement BPO than on transformation, we expect to see many more providers competing more actively for business.

From the 30-plus companies assessed for this study, 12 have qualified for

this quadrant, including three Leaders and two as Rising Stars.

accenture

Accenture's massive market presence and deep portfolio help position it as a Leader. Its procurement consulting and operational resources include more than 18,000 procurement and accounts payable experts, nearly 1,900 category & sourcing specialists, 650 eProcurement experts and around 1,000 supplier enablement specialists.

GEP INSIGHT DRIVES INNOVATION

GEP's deep expertise with proprietary software platforms and partner growth position it as a procurement BPO services Leader for U.S. Public Sector clients. GEP also differentiates itself with a strong emphasis on improving clients' supply chain resilience and procurement/sourcing sustainability – aspects increasingly vital in post-COVID-19 disrupted global markets.

IBM

IBM is one of the best-established IT providers in the U.S. public sector. The company has the experience to understand and work with the typically complex mélange of intertwined legacy organizations, systems and operations, especially in areas serving public sector finance, supply chains and business transactions.

Infosys has a significant, dedicated, US-based public sector business unit, more than 800 public-sector-dedicated subject matter experts, and 26 offices in the U.S., including seven development and innovation hubs. Infosys partners with procurement platform providers Coupa, JAGGAER, Oracle, and SAP Ariba, along with dozens of supporting software and tools providers.

Corbus, Rising Star, displays an intense focus on customer satisfaction, process optimization and supply chain optimization. It strongly emphasizes client business strategy, organizational, and operational consulting as key to procurement improvement, and is one of few providers using detailed, playbook-centered approaches centered on procurement and related business structure and function.

Corcentric, Rising Star, builds its BPO/managed services offerings around its extensive sourcing, procurement and payment software portfolio, similar to GEP. It offers value-added, advisory and consulting services aimed at sustainably reducing process complexity and costs, and improving supplier and category performance.

Infosys

Leader

"Infosys' vision for next-gen procurement is key to its market leadership in public sector BPO services."

Bruce Guptill

Overview

Bangalore-based Infosys is a multinational services firm providing business, IT and outsourcing services. Its reported FY21 revenue was $14 billion, with 300,000 employees worldwide. Its portfolio includes category management and consulting services, strategic sourcing, operational sourcing, and transactional and digital services. Infosys' procurement business is closely allied with its larger digital transformation initiatives for enterprises and public sector clients. Infosys reports managing over $170 billion of spend through more than 20 delivery centers.

Strengths

Dedicated U.S. public sector business unit and strong physical presence: U.S. public sector clients are served by Infosys Public Services (IPS) headquartered in Rockville, MD, U.S. IPS includes more than 800 public-sector experts. Overall, Infosys maintains 26 offices in the U.S., including seven development and innovation hubs.

Partner platform strengths: Infosys partners with procurement platform providers Coupa, JAGGAER, Oracle, and SAP Ariba, along with dozens of supporting software and tools providers.

Advanced robotic process automation: To streamline operations and reduce function and transaction labor (and time), Infosys engineers AI in robotic process automation, point solutions and platforms, analytics, and cognitive platforms.

AI- and machine learning-driven analytics solutions: Infosys' procurement-centric Data and Analytics practice provides domain-centric analytics around category, spend, contracts, and more, using ProcureEdge analytics; platform offerings such as Live Enterprise, AssistEdge and, ProcureEdge Buying Assistant; and client-bespoke point solutions.

Caution

While it has not experienced the same levels of disruption that several competitors have, Infosys faces the same types of challenges affecting other service providers during this pandemic-disrupted period, including staff hiring and retention, flexibility and adaptability in negotiation, and occasional challenges with project timelines.

Appendix

The ISG Provider Lens 2022 – U.S. Public Sector – Procurement BPO, Transformation, and Software Platforms research study analyzes the relevant software vendors/service providers in the U.S. Public Sector market, based on a multi-phased research and analysis process, and positions these providers based on the ISG Research methodology.

Lead Author:
Bruce Guptill

Editors:
Mark Brownstein, Ipshita Sengupta

Research Analysts:
Venkatesh B

Data Analyst:
Sibasis Panigrahy

Quality & Consistency Advisors:
Shahid Bhatty, Mark Fairbank

Project Manager:
Abhilash MV

Information Services Group Inc. is solely responsible for the content of this report. Unless otherwise cited, all content, including illustrations, research, conclusions, assertions and positions contained in this report were developed by, and are the sole property of Information Services Group Inc.

The research and analysis presented in this report includes 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 ISG believes to be current as of February 2022, for providers who actively participated as well as for providers who did not. 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.

The study was divided into the following steps:

1. Definition of U.S. Public Sector – Procurement BPO, Transformation, and Software Platforms market
2. Use of questionnaire-based surveys of service providers/vendor across all trend topics
3. Interactive discussions with service providers/vendors on capabilities & use cases
4. Leverage ISG's internal databases & advisor knowledge & experience (wherever applicable)
5. Use of Star of Excellence CX-Data
6. Detailed analysis & evaluation of services & service documentation based on the facts & figures received from providers & other sources.
7. Use of the following key evaluation criteria:
   * Strategy & vision
   * Tech Innovation
   * Brand awareness and presence in the market
   * Sales and partner landscape
   * Breadth and depth of portfolio of services offered
   * CX and Recommendation

Lead Author

Bruce Guptill
Distinguished Analyst and Executive Advisor

Bruce Guptill brings more than 30 years of technology business and markets experience and expertise to ISG clients.

Bruce has helped develop and lead ISG's enterprise research development and delivery, global ISG Research operations, and Research client support. His primary research and analysis for ISG clients has focused on IT services market development, disruption, adaptation and change. He currently leads U.S. Public Sector research for ISG's Provider Lens global research studies, and also leads IPL studies in procurement and software vendor partner ecosystems.

Bruce holds a Masters' degree in Marketing and Finance, and a B.A. combining business and mass media communication psychology. He also holds certifications in a wide range of software, hardware, and networking technologies, as well as in mechanical and electrical engineering disciplines.

Research Specialist

Venkatesh B
Research Specialist

Venkatesh is a Research Specialist with ISG Research. He is responsible for assessing the industry and technology trends and developments across multiple industries and providing key insights for business decision makers in the enterprise clients and service provider ecosystems. He supports the ISG Provider Lens studies related to Procurement BPO and transformation services, software platforms and solutions, Digital Finance and Accounting outsourcing, Contact Center studies and Payroll within the ISG Global Research team. He brings in more than 12 years of experience in market research, industry and competitive intelligence, marketing sizing , data analysis, report writing, co-authoring reports , primary and secondary research, SWOT analysis, client interaction, providing insights , presales and other related operational activities.

IPL Product Owner

Jan Erik Aase
Partner and Prinicipal Analyst

Mr. Aase brings extensive experience in the implementation and research of service integration and management of both IT and business processes. With over 35 years of experience, he is highly skilled at analyzing vendor governance trends and methodologies, identifying inefficiencies in current processes, and advising the industry. Jan Erik has experience on all four sides of the sourcing and vendor governance lifecycle - as a client, an industry analyst, a service provider and an advisor. Now as a research director, principal analyst and global head of ISG Provider Lens™, he is very well positioned to assess and report on the state of the industry and make recommendations for both enterprises and service provider clients.

ISG Provider Lens™

The ISG Provider Lens™ Quadrant research series is the only service provider evaluation of its kind to combine empirical, data-driven research and market analysis with the real-world experience and observations of ISG's global advisory team. Enterprises will find a wealth of detailed data and market analysis to help guide their selection of appropriate sourcing partners, while ISG advisors use the reports to validate their own market knowledge and make recommendations to ISG's enterprise clients. The research currently covers providers offering their services across multiple geographies globally. For more information about ISG Provider Lens research, please visit this webpage.

ISG Research™

ISG Research™ provides subscription research, advisory consulting and executive event services focused on market trends and disruptive technologies driving change in business computing. ISG Research delivers guidance that helps businesses accelerate growth and create more value.

For more information about ISG Research subscriptions, please email contact@isg-one.com, call +1.203.454.3900, or visit https://research.isg-one.com/.

ISG

ISG (Information Services Group) (Nasdaq: III) is a leading global technology research and advisory firm. A trusted business partner to more than 800 clients, including more than 75 of the world's top 100 enterprises, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; strategy and operations design; change management; market intelligence and technology research and analysis.

Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 digital-ready professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data. For more information, visit www.isg-one.com.

MARCH, 2022

REPORT: U.S. PUBLIC SECTOR – PROCUREMENT BPO, TRANSFORMATION, AND SOFTWARE PLATFORMS