

## Part 3: Risk and regulation

BASED ON QUANTITATIVE MARKET ANALYSIS FROM MULTINATIONAL ORGANISATIONS

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# Executive summary

We estimate that the global market for risk consulting (as we've defined it) was worth just under \$14bn in 2014, an increase of 9% on the previous year. But fast-growing markets aren't always easy markets and our research suggests that the risk consulting market is on the cusp of significant change.

While demand remains strong for support in traditional areas of risk management, growth (and margin) are more likely to be found in new, emerging services. In particular, we foresee increasing polarisation between 'low cost' and 'high value' consulting markets – something that has important implications for the consulting firms operating in this space.

Using a combination of interviews with risk experts in the consulting industry and data from clients themselves, the aim of this report is to analyse and explore:

- The current market for risk consulting globally
- Clients' priorities and their use of consultants in the future
- The challenges consulting firms face, and what they can do to help shape the market
- Which types of firms stand to gain the most – and which will lose

# Methodology

This report is based on quantitative research. We conducted an extensive survey in December 2014 – January 2015 with senior users and buyers of consulting services.

## Survey

We surveyed just over 2,600 senior users and buyers of consulting services in 14 major consulting markets in North America, Europe, the Middle East and Asia Pacific. 56% of respondents work in organisations with more than 1,000 employees (the percentage is higher in mature markets where large corporations are more numerous). Respondents are distributed across operations, general management, sales and marketing, IT, finance and HR. They represent nine sectors: energy and resources; financial services; healthcare; manufacturing; pharma and biotech; the public sector; retail; the services sector (including transportation and construction); and technology, media and telecoms.

The increased scale and scope of our survey creates potential problems in comparing this year's data with last year's. Our experience is that there's not a lot of variation in the way relatively large organisations use consultants, but there are some cases where our sample has had an impact and we highlight these.

## The role of this report in our series

This is the third in a series of six reports we will be publishing during the course of 2015 which will use a combination of feedback from clients and consulting firms to analyse the underlying trends shaping the consulting industry over the next 12 months.

The publications in this series are:

### *SPP1: Forecasts for 2015*

This report analyses the prospects for growth in the global consulting market as a whole. The first section looks at the conditions for growth for the energy and resources, financial services, manufacturing, healthcare, retail, services, technology/media/telecoms and public sectors. Section 2 considers how clients' needs are impacting demand for strategy, operational improvement, HR, technology and financial management/risk consulting.

Our concluding section provides forecasts for global consulting demand by sector and service, and analyses the implications for consulting firms.

### *SPP2: New business models*

Is the consulting industry on the cusp of disruption? Most of the firms we speak to think so. So do the multitude of start-ups in the last year that claim to specialise, not in a particular sector or service, but in an innovative way of delivering consulting services. But consulting remains the quintessential 'people business' – and people change far more slowly than technology.

This report examines new business models from two perspectives. On the supply side, the associate model is now well-established, but technology is changing the way consulting firms win work and allocate resources. Changes to the demand side have been few and far between – yet this may be the real driver of disruption.

### *SPP3: Risk and regulation*

Regulatory-driven work has been one of the key sources of growth in mature consulting markets, but there are early signs that demand has peaked and that familiarity may even be breeding a degree of contempt. Risk consulting, though, appears to be at the start of unprecedented expansion and diversification, embracing everything from cybersecurity (perhaps today's hottest topic) to preventing reputational damage.

This report will explore the size and future shape for the risk and regulation consulting market, comparing clients' views with the response of consulting firms.

### *SPP4: Trends in procurement*

For the sixth year running, Source will be analysing how attitudes to buying consulting services are evolving in one key stakeholder group, procurement professionals. Past reports have highlighted the need for procurement teams to act more as business partners, providing more informed and expert advice. They've also analysed the prevalence of preferred supplier lists, the factors procurement people take into account when short-listing consulting firms, and pricing. Further detail about this year's report will be made available in due course.

### *SPP5: Planning for growth in 2016*

Our third annual market attractiveness index, which assesses each geographical market for the next 12 months in terms of things like: the rate of growth in the market, how easy it is to find and retain talent, how much revenue the average consultant can expect to generate, and the propensity amongst clients to use consultants.

### *SPP6: The interface between technology and management consulting*

Digital is changing consulting, breaking down the traditional boundaries between services. Can you develop a business strategy without considering the opportunities new technology may bring to change operating models? Is strategy technology-enabled, or is technology business-led? How clients answer these questions will determine which types of firms they'll use in the future. How consulting firms respond will determine their success or failure.

This report will look at just how porous the boundary is between technology and management consulting and examine the different opportunities and threats this creates for consulting firms.

## Definitions of sectors and services

Sectors	Sub-sectors	Services	Sub-services
Energy and resources	Includes utilities		Process design and re-engineering
Financial services	Includes banking, insurance, investment and capital markets		Procurement/purchasing
			Research and development
Manufacturing	Includes construction		Benchmarking
Pharma and biotech			Distribution strategy
Private and public healthcare			Environmental, sustainability and CSR
Public sector	Includes federal/central and state/regional/local government, state-owned organisations and education		Operational review
Retail		Strategy	Business and financial modelling
Services	Includes business and consumer services, real estate, professional services, transportation		Corporate re-structuring
			Corporate recovery and turnaround
			Corporate strategy
			Market analysis and strategy
Technology, media and telecoms			Market research
			Policy formulation
			Strategic sourcing/offshoring strategy
			Due diligence and valuation
			Infrastructure/asset financing and management, PFI
			Mergers and acquisitions
			Customer service
			New product development
			Branding
			Marketing and channel management
			Customer relationship management
			Pricing
			Sales force effectiveness
			Category management
			Sales and distribution planning
		Technology	ERP consulting
			IT training
			Application of new technology
			Hardware/software selection
			IT design and build
			IT strategy, planning and review
			IT testing and integration
			Management information and business intelligence
			Technology and security risk services
			Hardware/software and systems implementation
			Requirements definition
			Web and internet consulting
			Project and programme management (eg where consulting firm has been engaged to run a specific project which it is otherwise not involved in)
Services	Sub-services		
Financial management and risk	Responding to regulation		
	Finance function		
	Budgeting/financial planning process		
	IT risk		
	Operational risk		
	Financial risk		
	Programme risk		
HR and change management	HR strategy and effectiveness		
	Benefits, compensation and pensions		
	Change management		
	Internal communications		
	Organisational design and culture		
	Stakeholder management		
	Team effectiveness and collaboration		
	Leadership and governance		
	Performance management		
	Talent management/training and development		
Operational improvement	Business continuity and recovery		
	Knowledge management		
	Lean and six sigma		
	Property and estate management		
	Quality and performance management		
	Supply chain management		
	Cost-cutting		
	Innovation		
	M&A integration		
	Managing quality		
	Post-M&A integration		

# Contributors

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# STRATEGIC PLANNING PROGRAMME



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## How the *Strategic Planning Programme* can help you

- Deepens your understanding of the major trends shaping the consulting industry
- Helps you to identify what clients want from consulting firms in relation to major trends
- Helps you in your business planning activities
- Helps you to identify opportunities and threats in the market, and to develop strategies in response to them

Our Strategic Planning Programme helps you to develop your strategy. It looks at the consulting market from a global perspective, picking out the trends that matter wherever you are and drawing extensively on our research with clients. In 2015 it splits into six parts, honing in – in parts 2, 3 and 5 – on the themes we're hearing most firms and most clients talking about at the moment.

## How to subscribe

You can either subscribe to the programmes as a whole (the cheapest way of getting access to everything) or buy reports individually. All reports in both programmes come with a global licence, so once you've bought them you can use them anywhere in your firm.

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# About Source

Source Information Services Limited (Source) is a leading provider of information about the market for management consulting. Set up in 2007 with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research and reporting. We draw not only on our extensive in-house experience, but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written numerous books on the industry including: *The Intelligent Client* and The Economist books, *Business Consulting: A Guide to How it Works and How to Make it Work* and *Buying Professional Services*. Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked for PA Consulting Group and has extensive experience of marketing consulting services.

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