

RISK

The global risk services market in 2018



EXECUTIVE SUMMARY

Organisations are facing unprecedented levels of risk: The future global economic and political climate is highly uncertain; new regulation is a constant challenge; and the world is more connected than ever before, making a PR crisis just a tweet away. However, all of these risks pale in comparison with the threat of cybercrime—the primary driver of growing risk services demand.

As digitisation gathers pace and the sophistication of cybercriminals increases, risks are evolving quickly, and organisations will have to work hard to stay ahead. C-suite executives are well aware of this and have placed risk high on their strategic agendas.

The risk services market is not only growing but is on the cusp of unprecedented change, which will force firms to revisit their approach to the market. Perhaps most significantly, clients are changing in a variety of ways. Eager to do more in-house, they're becoming much more demanding of the firms they work with. Demand is also coming from a wider range of sources: While risk management and regulatory-driven work have long enjoyed strong demand in financial services, the expansion of risk means firms are learning to serve clients in other sectors.

In addition, clients' demands are causing the risk services market to bifurcate into two distinct camps: high-value work—providing expertise, innovative ideas, and data know-how; and low-cost work—providing software solutions and resources to manage risk operations more efficiently.

The mix of skills and capabilities needed to serve this changing market has blown the competitive landscape wide open to new entrants. However, no type of firm—whether a consulting firm, a software provider, or otherwise—starts with all the ingredients needed to win. Indeed, there are multiple ways to win and firms are now faced with tough strategic decisions if they're to establish their position in the risk services market and give clients what they want.

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The risk services market has turned in a consistently strong performance over the last few years, growing by at least 7% every year. Regulatory pressures, the increased sophistication of cyberthreats, and the need among most client organisations to fundamentally change their approach to risk management, combined to deliver growth of 7.5% in 2017, taking the market to a value of US\$62bn. It looks set to grow at a similar pace in 2018, with global revenues forecast to hit the US\$66bn mark by the end of the year. Furthermore, the range of pressures companies are under and the need to tackle increasing complexity and challenges mean that the rate of growth is expected to accelerate to more than 10% in 2019, and our forecasts suggest that by 2020 the market will be worth more than US\$80bn.

“ The risk advisory market is a dynamic one at the moment, because so much of it is technology-driven and change is happening at such speed. The breadth of risks is also significant, spanning strategic and reputation, regulatory, financial, operational, and cyber domains.

Ed Marsden, Deloitte

“ The risk advisory market has performed well over the last couple of years and we have also grown, progressing on both the top and bottom line.

Amy Brachio, EY

“ I've seen increasing demand for analytics that help to identify risk signals.

Global Head of Risk Services

“ Last year, the risk market, although relatively strong, was still in a state of transition. We saw the market move from services around clean-up and remediation to more forward-looking services to help generate growth.

Matthew Moore, Protiviti

“ The risk advisory market has grown quite significantly. There has been exponential growth in cyber issues driven by an increase in business email compromises, ransomware, and, in large companies, GDPR requirements.

Andrew Beckett, Kroll

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SECTION 2: KEY THEMES IN THE RISK SERVICES MARKET

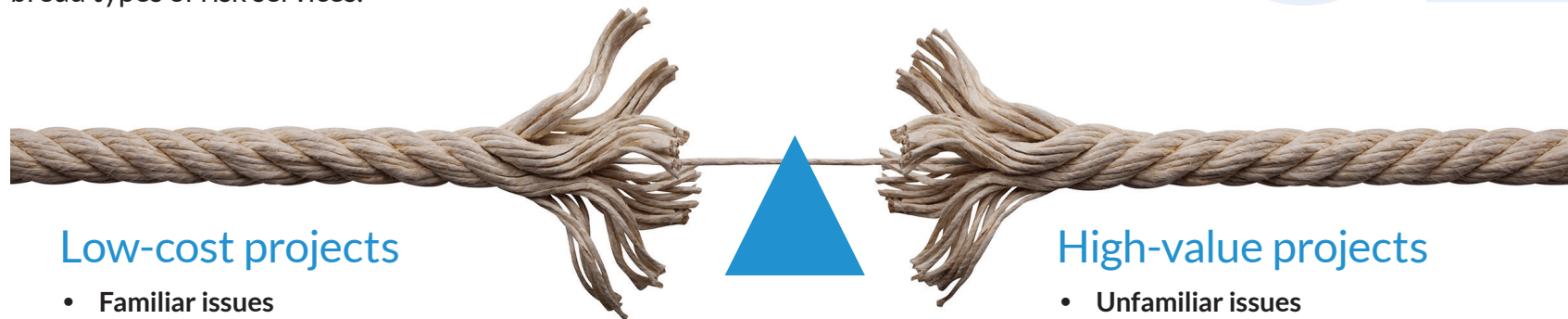
How the risk management cycle is evolving

A unknown risk becomes an issue
e.g., an oil spill or an unanticipated type of cyberattack



Bifurcation of the risk services market: high-value versus low-cost services

Clients are realising how important it is to have an organisation-wide view of risk and the ability to manage this internally. But they're also seeing a distinction between two broad types of risk services.



Low-cost projects

- Familiar issues
- Clients would do the work themselves but lack the capacity
- Standardised process
- Deep expertise deployed on a repeated basis
- Lots of firms perceived to be offering a similar service

Different skill set

Different price points

Different business models

High-value projects

- Unfamiliar issues
- Clients are buying capability, and they often don't know what skills will be required at the start of the project
- Non-standard work
- High degree of innovation required
- Only a small number of firms are capable of doing it



[Legacy] Technology programme risk



Internal audit Security services



Actuarial Financial risk



Governance, risk, and compliance Responding to regulation



Operational risk Third-party assurance



Risk transformation



Cybersecurity

03

SECTION 3: THE CLIENT VIEW

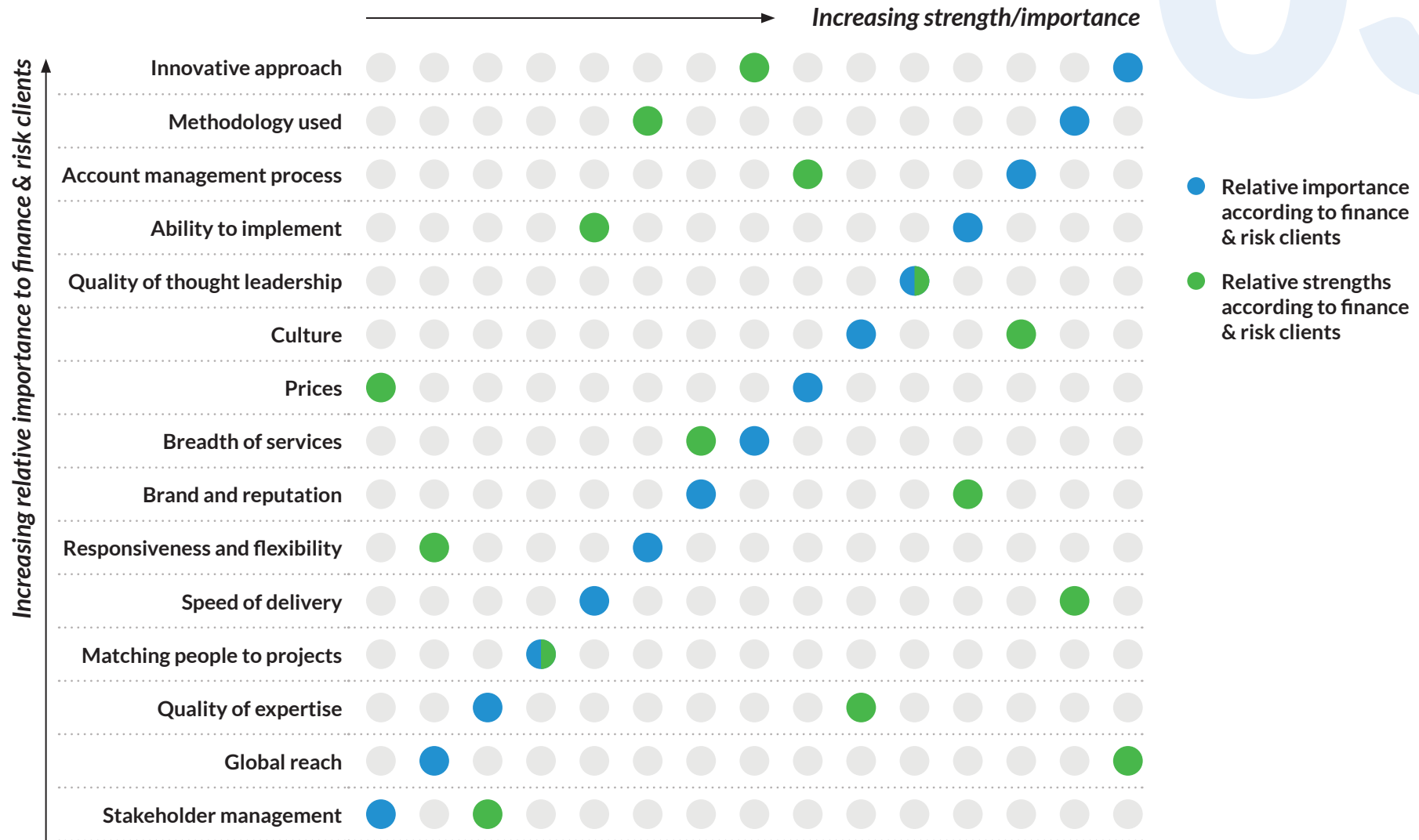
As part of our survey of the consulting market, we ask clients across business functions to tell us about the things they're working on, and their use of consultants. In this section of the report, we will look at all clients' attitudes towards risk-related services, in addition to what clients within the finance & risk function of their organisations think. We'll explore how the attitudes of this group of clients are different from those of their counterparts in other functions, and the implications this has for risk consulting firms. Finally, we will consider which types of firms are perceived to be best for quality of risk work by clients in the finance & risk function.

A willingness to spend more on risk consulting... but a changing client base

Risk is one of the top five areas of investment for clients: Our most recent survey suggests that 91% of organisations are either already making substantial investments to help them be better prepared for risk, or are planning to do so. Only productivity and digital / legacy technology are likely to attract more or the same amount of resources. Unsurprisingly, given the level of media coverage about cybersecurity and other risk-related issues, levels of investment in this area are consistently high globally. What does vary is the extent to which consultants will be used to help. US clients are the most likely to enlist the help of consultants, reflecting what we suspect is a cultural acceptance of the role consultants play, while clients in Switzerland, Sweden, and Canada are least likely to do so—all countries where clients tend to be more cautious about the use of consultants in general and where, perhaps as a consequence, they're less comfortable "outsourcing" something as potentially high-profile as risk-related work.

03

Comparing the importance of attributes to finance & risk clients with the latter's perceptions of consulting firms' performance in attributes



SECTION 4: CRITICAL SUCCESS FACTORS

04

Going to market:

The importance of innovation

Risk has gone from being a subject for detail-obsessed back-room staff to taking centre stage in the boardroom in a relatively short space of time. It's important that risk advisors acknowledge that risk has just got a whole lot sexier, and that their services need to be as innovative, technology-focused, and forward-looking as possible. It's also important that an innovative approach can be demonstrated to the whole of the C-suite, not just to the heads of finance & risk. Developing use cases and high-quality thought leadership will have a role here, as will ecosystems (a theme we explore in greater detail below) and a firm's ability to develop managed services that combine low-cost and high-value work.

“ I believe there is huge potential for growth in the "upside" risk market, if we can get it right. All C-suite executives I speak with are looking for a partner to help them in this area. If we can address that market, it will open up new opportunity.

Dennis Chesley, PwC

Providing a holistic offering through ecosystems

Clients are becoming more demanding of risk services firms. They want expert advice and innovative ideas, analytics know-how, and proven methods—all accompanied by software that can assume responsibility for some of their costly risk operations. In an attempt to respond to these lofty expectations, firms are trying to find a position in the risk services market that balances the high-value “advising” part of what they do with the low-cost “doing” part, which is no easy task.

ABOUT THIS REPORT

Methodology

Sources

Our report is based on quantitative and qualitative research of risk services firms globally. This includes the following:

Megamodel: our global data model

The quantitative data contained in this report focuses on risk services done by mid- and large-sized firms (those with more than 50 employees) and typically includes work they have carried out for mid- and large-sized clients. It therefore reflects the “addressable” market for the majority of mid- and large-sized firms; we don’t try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market. Our analysts work out the addressable size of the market through desk research, identifying the number of firms that meet our criteria, and extrapolating from that to reach a figure for the market as a whole.

Using this definition, we’ve built a bottom-up model of the global risk services market from the information we get from firms and our own research, and we use it to size the industry and its growth rates. This is based on our global model which contains detailed data about almost 1,600 firms, plus higher-level estimates about a further 400,000 firms, all with more than 50 employees apiece, in addition to comprehensive primary research carried out by Source analysts.

All figures given in this report are in US dollars. For reference, Source is using the following exchange rates in our reports this year:

- US dollar to British pound US\$1 = £0.78
- US dollar to euro US\$1 = €0.89

Client perceptions survey data

We carry out client surveys to understand how clients use consulting firms. As part of the research we’ve used in this report, we surveyed 9,591 senior clients overall, including 1,449 in the finance & risk function of organisations across the globe. All work in organisations with over 250 employees.

Each respondent was asked to tell us about three firms and was presented with a list of 17 leading consulting firms to choose from. Each respondent was then asked to share their views on each of the three firms selected, focusing on the following areas:

- **Quality:** Their perception of the quality of service provided by each firm
- **Value:** Their view of how much value each firm added in relation to the fees paid for its services
- **Attributes:** How they rate each firm and the individuals from it across a range of attributes, and what they think the most important attributes of each firm are

In order to produce the charts around attributes in Section 3, respondents were presented with a list of 15 consulting firm attributes—ranging from price and culture, to methodologies used, to the ability to implement—and we asked them to select the two that they believed were most important when selecting a consulting partner, and to rate the three firms they selected against these attributes. When we aggregate this information, we get a view of which attributes are considered most important by finance & risk professionals overall when working with consulting firms. The charts themselves shows finance & risk clients' overall impression of consulting firms' strength in each attribute, alongside the importance that they assign to each attribute. No score is absolute. For more detail about how we calculate this, please see our [white paper](#), which is available for free on our website.

Interviews with senior consultants

In addition to our quantitative research, we interviewed 13 very senior risk services professionals from leading risk services firms globally to understand more about how the risk services market is performing, and what the major trends, changes, and challenges are. Throughout the year Source analysts remain plugged into the global professional services market through our bespoke research and consulting projects, adding further depth to our understanding of the professional services sector.

LIST OF CONTRIBUTORS

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of the individuals who have contributed from risk services firms (some contributors choose to remain anonymous).

Name	Job title	Firm
Nicholas Bahr	Operational Risk, Safety, and Resilience Global Leader	DuPont Sustainable Solutions
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A Co-Founder and Director of Source, Fiona is one of the world's leading commentators on the management consulting industry. Since founding Source in 2007, she has been bringing this expertise to bear on our clients' most pressing strategic projects and business issues.

Fiona has more than 20 years' experience as a management consultant, working primarily in the areas of marketing and strategy. She was previously in charge of strategic planning for EY in the UK and has worked in the consulting practice of PwC. Fiona also has a PhD in seventeenth-century French art and lives in hope that it will be of practical use in business someday.



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Callum is a Senior Analyst at Source and has experience across analysis, writing and interviewing for both the company's core and bespoke products. This has covered consulting market reports, client perceptions, and strategic trends, as well as bespoke projects. Callum previously worked in consulting for Accenture and a boutique firm.



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Zoë Stumpf

Zoë is Head of Consulting Market Trends at Source and is responsible for all reports published as part of the Consulting Market Programme. A world-leading expert on consulting trends, she is the driver behind Source's bespoke analysis of consulting's biggest geographical and industry markets. She is an active member of the Source research team and spends much of her time interviewing consultants and their clients all over the world, collecting their first-hand accounts of what is happening in the consulting world. She also brings extensive experience as an analyst and writer to her post.

Prior to joining Source, Zoë spent more than 12 years working as a management consultant in a variety of roles with KPMG and Atos Consulting. She has also worked as an independent marketing consultant.



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SOURCE REPORT PROGRAMMES

● MARKET TRENDS PROGRAMME

A series of detailed reports that contain the most accurate view available about the consulting market in an extensive list of countries and regions. These explore key themes, provide market sizing data, growth forecasts, and deep analysis, all backed up by extensive quantitative and qualitative research amongst consulting firms and clients.

As well as our country reports, we also produce a global view of four different sectors. These reports contain sector analysis, market sizing data, and growth forecasts at a global level, as well as breakdowns by sub-sector, service, and geography. Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches become available.

● STRATEGIC PLANNING PROGRAMME

A series of reports that take a detailed look at the big trends in the global consulting industry, interpreting them in terms of what they mean for consulting firms and who is best placed to exploit them.

● CLIENT PERCEPTION PROGRAMME

A series of reports based on our huge client survey, that reveal what clients think about the leading consulting firms in a number of regions and sectors. We rank the leading consulting firms in terms of clients' perceptions of things like quality and value. Data and analysis for these reports are made available to subscribers throughout the year.

As part of this programme we also publish global brand perceptions. Leveraging all the data we have about each of the world's leading consulting firms, we're able to offer insights that go far beyond traditional brand impact surveys. Choose the firms you want to benchmark yourself against, and we'll analyse how clients see your firm relative to your competitors, writing a custom report that puts you at the heart of it. Available on request.

● WHITE SPACE

A series of reports that analyse the quality and effectiveness of thought leadership. These are included in all White Space subscriptions.

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

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2018	MARKET TRENDS PROGRAMME	STRATEGIC PLANNING PROGRAMME	CLIENT PERCEPTION PROGRAMME**	WHITE SPACE
JANUARY				Hot topics in thought leadership
FEBRUARY	Forecasts for 2018 UK		In each report, we will publish the top-ranked firms for: Mindshare Quality of work Value added Quality of work by different consulting services	Quality ratings of thought leadership for the second half of 2017
MARCH	GCC DACH Benelux	Mega trend #1: Intelligent analytics	Germany part 1 US part 1 GCC part 1	
APRIL	Spain France Nordics		Germany part 2 UK part 1 US part 2	Analysis of recent thought leadership
MAY	Eastern Europe US Russia	Mega trend #2: Discover	Financial services part 1 Nordics part 1 Energy & resources part 1	Analysis of recent thought leadership
JUNE	Italy Canada	Mega trend #3: Strategy	France part 1 UK part 2 Financial services part 2	
JULY	South America Australia	Mega trend #4: Run	Healthcare part 1 France part 2	Analysis of recent thought leadership
AUGUST	Africa		Nordics part 2 TMT part 1 Energy & resources part 2	
SEPTEMBER	Planning for growth in 2019 India Energy & Resources*		Healthcare part 2 TMT part 2 GCC part 2	Quality ratings of thought leadership for the first half of 2018
OCTOBER	South East Asia Financial Services* China			
NOVEMBER	TMT* Healthcare*	Mega trend #5: How technology will shape the consulting business model of the future		
DECEMBER	*Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches become available.	Mega trend #6: Digital transformation	**Part 1: What our data tells us about the market. Part 2: Firm-by-firm analysis.	

Would you like more information on any of the above? A more detailed view? Or to adjust any of it to suit your requirements? The adjacent page offers more insights into how we can help you.

OUR CUSTOM RESEARCH SERVICES

Over the course of the last 10 years we've worked with leaders in many of the world's biggest professional services firms, to help them find solutions to some of their most important challenges. Here are some typical examples of the kind of work we do.

You need to know how big your market is

We have a global data model of the professional services industry that is the biggest and most sophisticated of its kind ever created. It provides data on market size, growth rates, and forecasts across 29 industrial sectors, 10 service lines, and 84 countries. It also breaks down the market by different types of firm.

We can provide you with a version of the model that's customised to fit your needs, giving you data on all the countries, sectors, and service lines that matter to you, and none that don't. But we won't stop there, unless you want us to: Our analysts will work alongside you to make the model yours, mapping our definitions to yours, so you can look at the market on your terms rather than ours.

You need to understand what the numbers mean for you

For many of the firms we work with, pure data isn't enough, and nor are standard reports able to offer a view that's sufficiently tailored to their needs. In these situations, our analysts start with a blank sheet of paper, put your firm in the middle of it, and draw on all our data and knowledge—including about clients' perceptions—to build a picture of the world around you. You get a story that's laser-focused on your challenges and your opportunities, and that helps you to translate data and insight into action.

You're new in your role and need to understand the market for which you're now responsible

For people who have just moved into a new role, we can create packs of information specific to a particular geography, sector, or service line. Our market sizing data can be used to quantify the market's potential, and our analysis of clients' perceptions and the competitive landscape will help you understand how best to seize the opportunities and respond to the threats.

You need to create clear propositions around your services

Our research tells us that having a big brand is no longer enough: Increasingly, clients expect professional firms to have a clearly articulated proposition for each service that differentiates them from their competitors. But the best propositions aren't built in a day: Our analysis, because it's grounded in facts about clients' perceptions and behaviour, helps firms quickly cut through internal disagreement and build a clear sense of direction.

You need help with your inorganic growth plans

We also work with firms that are supplementing their organic growth with acquisitions, helping buyers find and qualify suitable targets for acquisitions. Leveraging our deep knowledge of the professional services sector, we can scan the market, profile companies, and even effect introductions. Firms use our services because we're well connected in the industry, independent, and fast.

You need to understand how you measure up against your competitors in the minds of clients

Understanding what your clients think about your firm is critical in today's fast-changing and highly competitive market. New circumstances demand new, expert-led strategies to brand benchmarking, and that requires both independence—to get to the real story, not the one your clients think you want to hear—and deep knowledge and data about your market and your competitors.

We usually have a head start here, because of the data we already have, but we've got all the expertise and experience that's needed to conduct new research among your clients and those of your competitors, in order to understand where your strengths and weaknesses lie, and what you need to do to stand out. The focus might be on your firm alone, but it might also be on how you can create competitive advantage over specific, named competitors.

You need to create better, more effective, thought leadership

Thought leadership has come to dominate the marketing activities of professional services firms, and with good cause: Our research with clients finds consistent evidence that good thought leadership matters to them, too. It helps them to do their job, to identify where world-class capability exists in these firms, and even to shortlist firms for projects.

How well does your thought leadership measure up? We can conduct in-depth reviews to assess quality in a sample of material that's either random or defined by you, from single pieces to entire bodies of work, on an ad-hoc or routine basis. We can also help you shape your approach to topics and understand what your competitors are doing, and can provide guidance about how to approach a specific piece of high-profile thought leadership.

We also recognise that good thought leadership doesn't happen by accident, but because you've put in place the right processes and engaged the interests and enthusiasm of your key subject matter experts. We help professional services firms create the foundations, organisational structure and processes for high-quality content. We can also run workshops that inspire your people and help make them more effective at creating thought leadership.

About Source

Source Global Research is a leading provider of information about the market for professional services. Set up in 2007, Source serves the professional services industry 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.

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