

August 2019

The Global Risk Services Market in 2019

Market Trends Programme

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Provides an at-a-glance view of the main trends in the market alongside key statistics.

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About this report

Our report draws on five main sources:

- Our global data model with 9.7 million data points
- Our annual global client perception survey of senior end-users of risk services firms
- Our interviews with senior risk services professionals from a range of risk services firms
- Our interviews with senior clients of risk services firms across a range of sectors and functions
- Our in-depth desk research on the market

A detailed view of our methodology and more information about Source can be found below.

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Risk market overview

PREDICTIVE THREAT HOLISTIC TRANSFORMATION REGULATION REPUTATION CYBERSECURITY DATA ENVIRONMENT

The risk services market continues to grow at a very healthy rate, expanding by 7.7% in 2018 to reach a value of US\$65.9bn, extending a period of annual growth in excess of 7%. This strong performance is being driven by a variety of factors. The need for a robust approach to regulation and wider governance issues are perennial strong drivers of work, while demand for cybersecurity assistance—the relatively new kid on the risk services block—continues to grow apace. In terms of the global picture, mature markets are performing well, though growth here is being eclipsed by that of many smaller emerging markets. That said, these smaller markets have some way to go before they catch up with more developed Western markets in terms of value.

“The risk services market performed well overall in 2018.”
Amy Brachio, EY

“The risk market continued to grow globally in 2018. I'm traveling around the world all the time at the moment because of the level of demand we're seeing globally. There are different dynamics in different markets, but across the globe, demand for our services is rising.”
Nicholas Bahr, DuPont Sustainable Solutions

“We saw a lot more activity in 2018 than in 2017, primarily driven by the introduction of GDPR.”
Andrew Beckett, Kroll

“ Our growth rates in some major markets have come down a bit, but globally we are continuing to grow in the low to mid- single digits.

Jitendra Sharma, KPMG

Increasing complexity in an ever-more interconnected world is leading clients to seek third-party support to help them simplify their risk profile and work out what steps they need to take to best manage as-yet ill-defined, emerging risks. Technology is disrupting established business models and giving rise to both new risks and slicker ways of dealing with those risks. All of this is leading to a changing mind-set around risk management, with clients keen to take a more proactive, pre-emptive approach, better to ready themselves to deal with whatever risks may arise.

“ At the moment, I see demand for risk services continuing to expand. People recognise there are issues they need to deal with, and they don't always feel they have the answers. They're reaching out to us and trying to get their bearings as to how other people are seeing and mitigating risks.

Nigel Burbidge, BDO

“ 2018 was an interesting year. We continued to see the market shift from a focus on clean-up, remediation, and work on fixing past problems towards preparing for the future. This transition was helped by a relatively benign risk environment, moderating regulatory pressure, and continued advances in technology.

Matthew Moore, Protiviti

The rise and rise of cybersecurity

Cybersecurity issues have been a by-product of moves to digitise businesses for some time now, but the stellar growth of demand for support here—cybersecurity work is growing faster than any other risk service—suggests that it has some way to go before it can be described as having reached full maturity. It's a broad field, too, covering not just data breaches but also areas such as intellectual property theft and cybervandalism.

“The convergence between cybersecurity and digital work is increasingly tied in with digital propositions. As clients' infrastructure and environment changes, they have to ensure that they have the relevant controls in place.

Jitendra Sharma, KPMG

“Cybersecurity will become more important to us, because the move to the cloud means we aren't as isolated as we used to be. We need to rethink our approach to using third parties to protect our data and operations.

IT director, retail sector

Thanks to a never-ending stream of high-profile breaches, cyberthreats are top of mind for business leaders and have become a board-level agenda item for clients around the world. The fact that blue-chip companies that could reasonably be assumed to have taken substantial steps to protect their systems and data are those featuring most prominently in the news is a grim warning to the business world in general: When it comes to dealing with cyberthreats, business leaders need to be in it for the long-haul.

“The continued reporting of cyberbreaches, for example by BA last year and Marriott in December, is keeping cyber-risk at the forefront of boards' attention.

Andrew Beckett, Kroll

“Data breaches, such as that of Airbus, emphasise how important the ongoing efforts to innovate and manage cybersecurity risks are. Clients never feel a sense of accomplishment; they know their work is never finished.

Matthew Moore, Protiviti

“Businesses are constantly and permanently aware of cyberthreats. Every business is grappling with phishing attempts and cyberattacks on a daily basis. Stories about major breaches obviously heighten the media attention on cybersecurity, but companies are already focused on it.

Nigel Burbidge, BDO

About this report

Methodology

Sources

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

Megamodel: our global data model

The quantitative data contained in this report focuses on risk consulting 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.

Please note that our 2017 baseline figures have changed a little since last year, as we have refined and implemented improvements to our research methods. We are happy to provide subscribers who bought last year’s report with a restated set of 2017 baseline figures should this be of interest.

We should emphasise that there are no standard sources of definitions of data within geographies let alone between them. We are, however, confident that the richness of our qualitative data, combined with Source’s unparalleled industry expertise, means that our analysis fairly and accurately reflects the state of the market.

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

US dollar to British pound	US\$1 = £0.75
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US dollar to euro	US\$1 = €0.85
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Client view

We interview senior end-users of risk services firms to help us to build up a rich picture of how trends in the risk services market are playing out within clients' organisations. Our conversations focus on the following areas:

- What's driving change in their organisation
- How they are using risk services professionals
- Factors that affect the way clients work with risk services firms
- What they value the most—and least—about working with risk service professionals

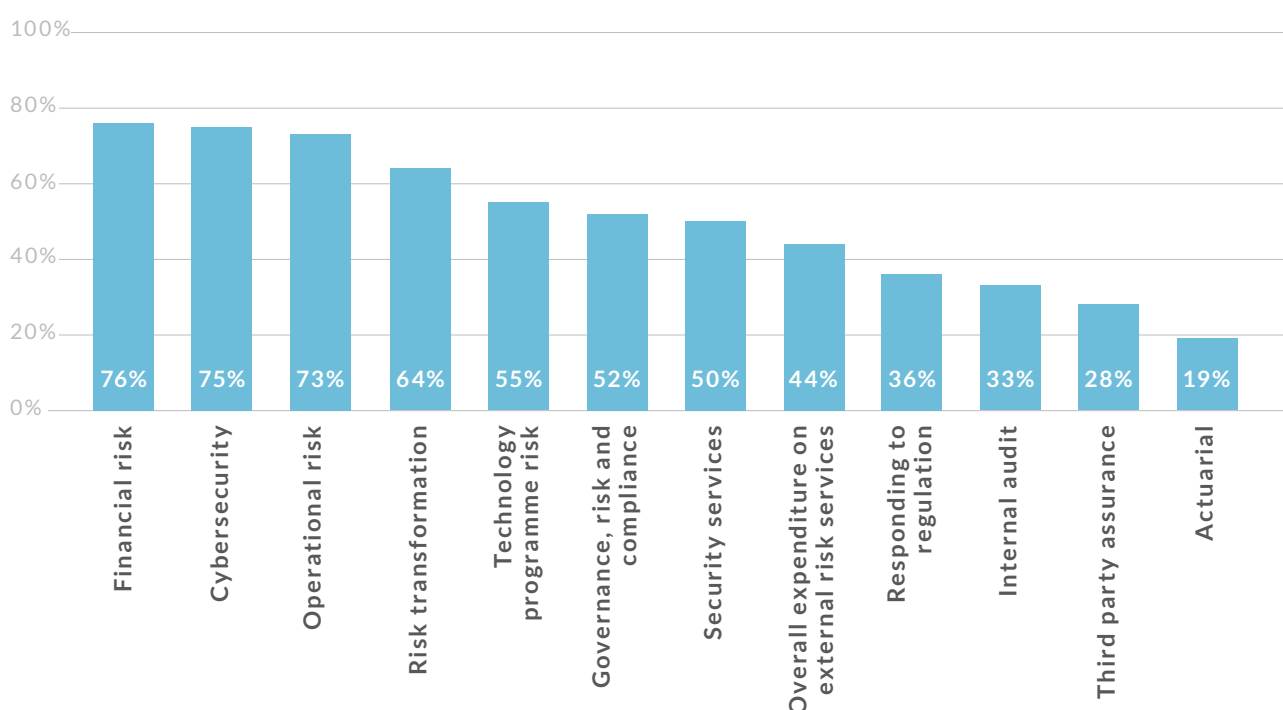
In spring 2019 we surveyed 100 senior clients of risk services who work for US-based private sector organisations with more than 1,000 employees, many of which are multinationals.

All respondents were selected on the basis that their role involved responsibility for some aspects of risk, ranging from financial risk (76% of our sample had some responsibilities in this area) to actuarial work (19%). They'd all made use of risk-related professional services firms in the last two years and had been personally involved in decisions to hire these firms.

Figure 25

What areas of risk are you personally involved in?

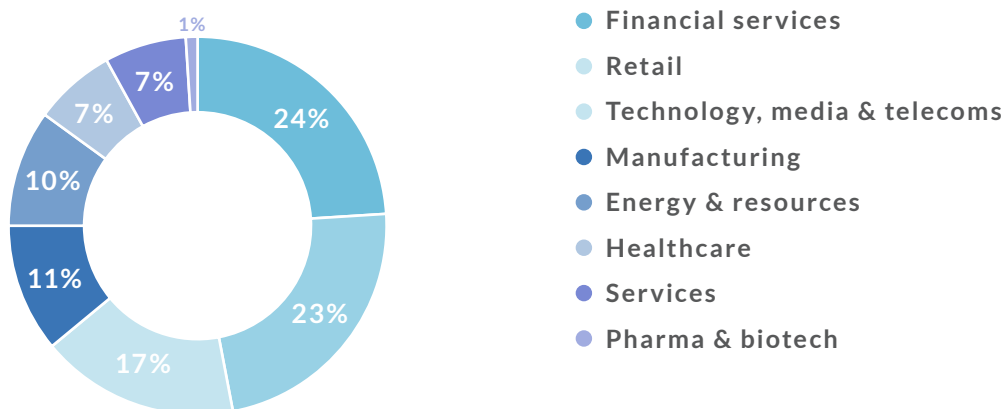
[Note: Respondents could select more than one option]



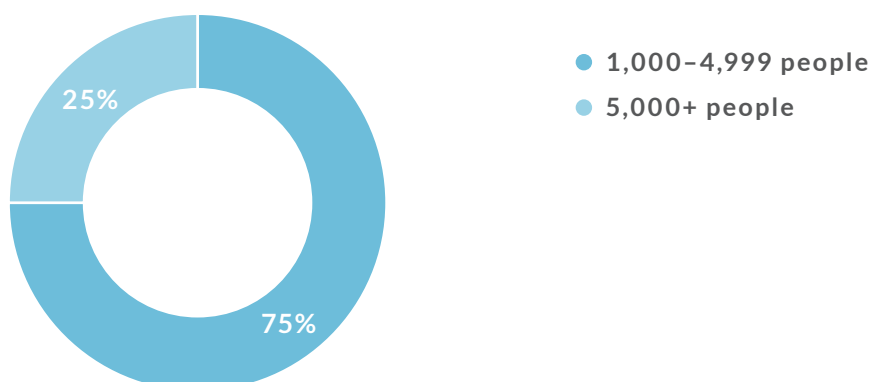
Our survey asks clients about how they expect their expenditure on risk services to change over 2019 and into 2020, what initiatives they'll be working on, and how likely it is that those initiatives will drive risk services work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

Figure 26

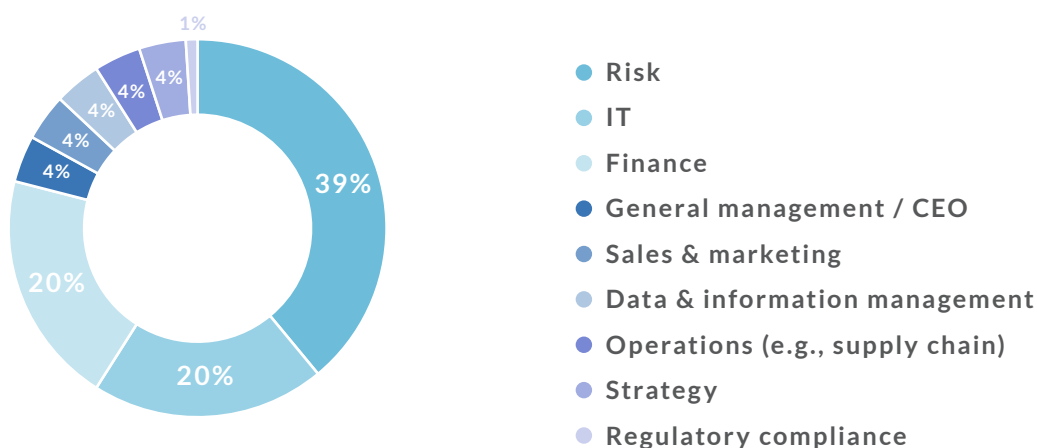
Respondents by sector


Figure 27

Respondents by organisation size


Figure 28

Respondents by function



Interviews with senior risk services professionals

In addition to our quantitative research, we interviewed 13 very senior risk services professionals (typically the most senior person in their country) from most of the leading risk services firms and many smaller local specialists to understand more about how the market is performing and what the major trends, changes, and challenges are. Throughout the year, Source analysts remain plugged into the global consulting and risk services market through our bespoke research and projects, adding further depth to our understanding of the industry.

In-depth desk research

We also conducted a thorough PEST analysis on risk that drills down into finer macroeconomic details on a holistic and sector-by-sector basis and allows us to fit our research into a wider macroeconomic picture.

Definitions of sectors and services

Sectors



Energy & resources

Energy

Includes the exploration and production of energy, including oil, gas, coal, and renewables.

Utilities

Includes the delivery of electricity, gas, water, sanitation, and other related services.

Primary resources

Includes agriculture, chemicals and chemical products, commodities, forestry, fishing, metals, mining, and plastics.



Financial services

Banking

Includes retail banking, commercial banking, and lending.

Insurance

Includes general insurance (e.g., motor, home, pets, health—anything on an annual contract), life insurance, pension products, and retirement planning.

Private equity

Includes both consulting work for private equity firms and consulting work with private equity portfolio businesses.

Capital markets

Includes investment banking, trading of stocks and financial products, corporate finance, and broking.

Investment and wealth management

Includes private banking, high net-worth banking, investment management, trust funds, the management of pension funds, and asset management.



Manufacturing

Aerospace

Includes space research and technology, the manufacture of aircraft, aircraft parts, rockets and other space equipment, and tanks and ammunition.

Automotive

Includes the manufacture of motor vehicles, industrial vehicles, and vehicle supplies and parts.

Construction

Includes surveying, architectural, and engineering services, heavy construction, house building, and the building of infrastructure.

Consumer packaged goods

Includes the manufacture of clothes, foods, alcohol, tobacco, furniture, home furnishings, cleaning products, small arms, children's toys, and sports equipment.

Consumer and industrial electronics

Includes electrical components, household and industrial appliances, commercial and professional equipment.

Industrial products

Includes industrial machinery, steel and metal products, and plastic products.



Pharma & biotech

Includes research into and the production of drugs, biological products, medicinal chemicals, and life sciences.



Healthcare

Includes private and publicly-funded healthcare, hospitals, laboratories, and medical equipment.



Public sector

Government

Includes federal/national, state/regional, local government, emergency services, justice, social services, public transport, and conservation.

Education

Includes public and private schools, universities, and libraries.

Defence

Includes national security and consulting around defence issues.

Not for profit

Includes non-commercial research organisations, religious, political and professional membership organisations, trusts, labour unions, and business associations.



Retail

Includes the selling of clothes, food, consumer goods, and automobiles.



Services

Logistics

Includes warehousing, storage, packing and crating, and distribution including cargo, freight, and haulage.

Business services

Includes services relating to law, accountancy, IT maintenance, security systems, advertising, employment agencies, and vehicle leasing.

Leisure

Includes museums, art galleries, theatre, golf courses, hotels, hospitality, travel agencies, restaurants, and bars.

Real estate

Includes estate agencies and operators of residential and commercial buildings.

Transportation

Includes private and people-related transportation, including airlines, airport management, train operators, rail infrastructure management, water transportation, courier services, and private bus services.



Technology, media & telecoms

Telecoms

Includes telephone, mobile, digital, and other communication services.

High-tech

Includes IT-related devices, computer and computer-related devices, audio and video equipment, broadcasting and communication equipment.

Media

Includes radio, television, and digital broadcasting stations and services as well as printing and publishing of newspapers, periodicals, and books.

Services

For the purposes of this report, we've categorised the risk services market into sub-services that span the financial, operational, and technological aspects of a business. Some sub-services, notably cybersecurity and regulatory-driven work, play a major role in the overall risk market and feature heavily in this report. However, when sizing the risk market as a whole, we've also included smaller, more specialised sub-services, such as security and actuarial. Please note that, while insurance is a form of risk management, we've not included insurance services within the scope of this report.

Operational risk

Identifying, assessing, modelling, monitoring, and managing operational risks.

Technology programme risk

Identifying, assessing, modelling, monitoring, and managing programme risks.

Responding to regulation

Anticipating and adapting to regulatory change in order to achieve a cost-effective balance between compliance and risk.

Risk management

Managing risk as part of business-as-usual by the risk department. This can involve assessing, designing, or implementing enterprise risk management capabilities.

Cybersecurity

The protection of an organisation's systems, data, and networks against cyberthreats, including the building of internal systems, processes, and controls to provide resilience and security from cyberthreats.

Governance, risk and compliance

Helping clients build a risk resilient organisation as a whole, via the better identification, measurement, and mitigation of risk; helping clients design and implement their internal control environment across the organisation.

Actuarial

Financial and statistical modelling to assess risk and identify the likelihood of risks occurring. It includes advisory work such as providing advice on risk measurement and modelling techniques.

3rd party assurance

Assessing and evaluating external suppliers, partners, and procurement processes from a risk standpoint; including supply chain risk assessment, contract review, and compliance.

Internal audit

Designing, building and running internal audit teams, including risk assessment, planning and execution.

Risk transformation

Developing the internal capability of an organisation's risk department in order to mitigate risk and leverage risk for competitive advantage in parallel.

Security services

Providing advice and technology solutions to develop the capability to manage and mitigate security risks.

Reputational risk

Providing advice and crisis management support in the event of an adverse event or crisis to manage the situation and minimise reputational damage.

Financial risk

Identifying, assessing, modelling, monitoring, and managing risk associated with the management of an enterprise's holding—ranging from money market instruments through to equities trading. It includes risk associated with an enterprise's ability to convert an asset or security into cash to prevent a loss.

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 risk services professionals choose to remain anonymous).

Name	Job title	Firm
Stefan Aichbauer	Managing Partner	h&z
Nick Allan	CEO	Control Risks
Nicholas Bahr	Operational Risk, Safety, and Resilience Global Director	DuPont Sustainable Solutions
Andrew Beckett	Managing Director, Cyber and Investigations	Kroll
Amy Brachio	Global Head of Risk Advisory	EY
Isabelle Budor	Head of Data Privacy	Capgemini Invent
Nigel Burbidge	Partner, Risk and Advisory Services Global Chair	BDO
Carl Carande	Vice Chair, Advisory	KPMG
Mark O'Flaherty	Consulting Leader	PwC
Sarah Adam-Gedge	Managing Director	Sapient
Matthew Moore	Managing Director	Protiviti
Dietmar Serbee	Principal / Partner	PwC
Jitendra Sharma	Financial Services Advisory – Line of Business Leader	KPMG

About the authors

Zoë Stumpf

Zoë is Head of Market Trends at Source and is responsible for all reports published as part of the Market Trends 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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Fiona Czerniawska

A co-Founder and Managing 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 published a dozen books on consulting topics, including two for The Economist: *Business Consulting: A Guide to How it Works* and *How to Make it Work and Buying Professional Services*.

She 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 17th century French art and lives in hope that it will be of practical use in business someday.

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Programme schedule for 2019

Reports 2019	Market Data and Analysis	Client and Brand Insights	Emerging Trends
January	Forecasts for 2019		
February	UK	UK Nordics GCC	
March	GCC Benelux Nordics	France Germany US	The Future of Pricing
April	France DACH Southern Europe	Energy & Resources Financial Services Healthcare Technology, Media & Telecoms	
May	US Eastern Europe & Russia		The Value Problem
June	Canada		
July	South America Australia	Perceptions of Audit Firms Perceptions of Risk Firms Perceptions of Tax Firms	
August	Africa Risk		The Make-Buy Decision
September	India Energy & Resources Planning for Growth in 2020	Talent Attractiveness in 2019	
October	Financial Services China South East Asia		
November	Japan Healthcare Technology, Media & Telecoms		The Future of Delivery
December	Tax		

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