

COMPETITIVE ANALYSIS

IDC MarketScape: EMEA Business Consulting Services 2012 Vendor Analysis

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IN THIS EXCERPT

The content for this excerpt was taken directly from the IDC MarketScape: EMEA Business Consulting Services 2012 Vendor Analysis by Cushing Anderson, Douglas Hayward and Curtis Robinson (Doc # 233426). All or parts of the following sections are included in this excerpt: IDC Opinion, In This Study, Situation Overview, Future Outlook, Essential Guidance, and Synopsis. Also included is Figure 1.

IDC OPINION

IDC's second MarketScape assessment of business consulting vendors draws on demand-side surveys of consulting service buyers and on supply-side interviews with leading consultancies in Europe, the Middle East, and Asia (EMEA) to assess the capability and business strategy of many of the leading business consulting firms. A significant and unique component of this evaluation is the inclusion of the perception of business consulting buyers of both the key characteristics and the capabilities of these consulting providers. Key findings include:

- ☒ Like buyers in other regions around the world, consulting buyers in EMEA are generally disappointed with the consultancy provider's ability to deliver return on investment (ROI) for the project and to maximize the project's value. While all vendors state a focus on maximizing the value of their projects, buyers believe this is one of the weakest performance areas for consultants overall.
- ☒ Even though most consulting firms describe themselves as capable of global delivery, an important success factor for their clients is the ability to use local staff and resources as appropriate on projects. This reflects both a cost focus and also a desire for local awareness and expertise. In both cases, consulting providers must improve their ability to exploit their local talent.
- ☒ Another area where consulting providers' marketing message fails to match buyers' expectation is "innovation." It appears that enterprises are, for now at least, less concerned with delivering innovation than are consulting providers. Given the macroeconomic situation, this relative conservatism and risk aversion is understandable, and while consultancies should not abandon their focus innovation, they should take this into account and focus their efforts and messaging elsewhere. Practical improvement, it seems, weighs more heavily on project success and ultimate business value of a project than innovation.

IN THIS STUDY

This IDC study uses the vendor assessment model called IDC MarketScape. This research is a quantitative and qualitative assessment of the characteristics that explain a firm's success in the marketplace and help anticipate its ascendancy.

This study assesses the capability and business strategy of many of the leading business consulting firms. This evaluation is based on a comprehensive framework and set of parameters expected to be most conducive to success in providing business consulting services during the short and the long term. A significant and unique component of this evaluation is the inclusion of the perception of business consulting buyers of both the key characteristics and the capabilities of these consulting providers. As one would expect of market leaders, overall, these firms performed very well on this assessment.

This study is composed of two key sections. The first is a definition or description of what characteristics IDC analysts believe make a successful business consulting firm. These characteristics are based on buyer and vendor surveys and key analysts' observations of industry best practices.

The second part is a visual aggregation of multiple firms into a single bubble-chart format. This display concisely displays the observed and quantified scores of the consulting providers.

The document concludes with IDC's essential guidance to support continued growth and improvement of these firms' offerings.

Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific firms. IDC analysts tailor the range of standard characteristics by which firms are measured through structured discussions, surveys, and interviews with market leaders, participants, and end buyers. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual firm scores and ultimately firm positions on the IDC MarketScape, surveys and interviews with the firms, publicly available information, and buyer experiences in an effort to provide an accurate and consistent assessment of each firm's characteristics, behavior, and capability.

SITUATION OVERVIEW

Introduction

Business consulting involves advisory and implementation services related to management issues. It often includes defining an organization's strategy and goals and designing and implementing the structures and processes that help the organization reach its goals. Business consulting includes three main areas: strategy consulting, operational improvement consulting, and change and organization consulting. The market is primarily served by four firm types:

- ☒ **"Big Four":** IDC recognizes the well-known "Big Four" firms as the four largest international accountancy and professional services firms — Deloitte, Ernst & Young (E&Y), KPMG, and PricewaterhouseCoopers (PwC).
- ☒ **Multidisciplinary:** IDC describes multidisciplinary firms as large, diversified consulting organizations that offer a range of business consulting services to clients across a myriad of sectors. To distinguish these from other specialty firms, services must address more than two business functional areas, in addition to providing strategy and operational implementations.
- ☒ **Technology-led:** These are also large, multifaceted firms and are known for deep expertise in both technology and business consulting. IDC identifies these firms as those that either expanded from IT-centric business into more broad business consulting or vice versa.
- ☒ **Specialty:** Specialty firms have focused areas of consulting expertise in specific industries, functional areas, or technologies. Management and strategic consulting specialists that offer primarily strategy consulting and business intelligence models to specific sectors or industries including government fit into this category of firms.

FUTURE OUTLOOK

IDC MarketScape EMEA Business Consulting Market Assessment

The IDC vendor assessment for the EMEA business consulting services market represents IDC's opinion on which providers are well positioned today through current capabilities and which providers are best positioned to gain market share over the next few years. Positioning in the upper right of the grid indicates that providers are well positioned to gain market share. For the purposes of analysis, IDC divided potential key strategy measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the provider's current capabilities and menu of services and how well aligned it is to customer needs. The capabilities category focuses on the capabilities of the company and services today, here, and now. Under

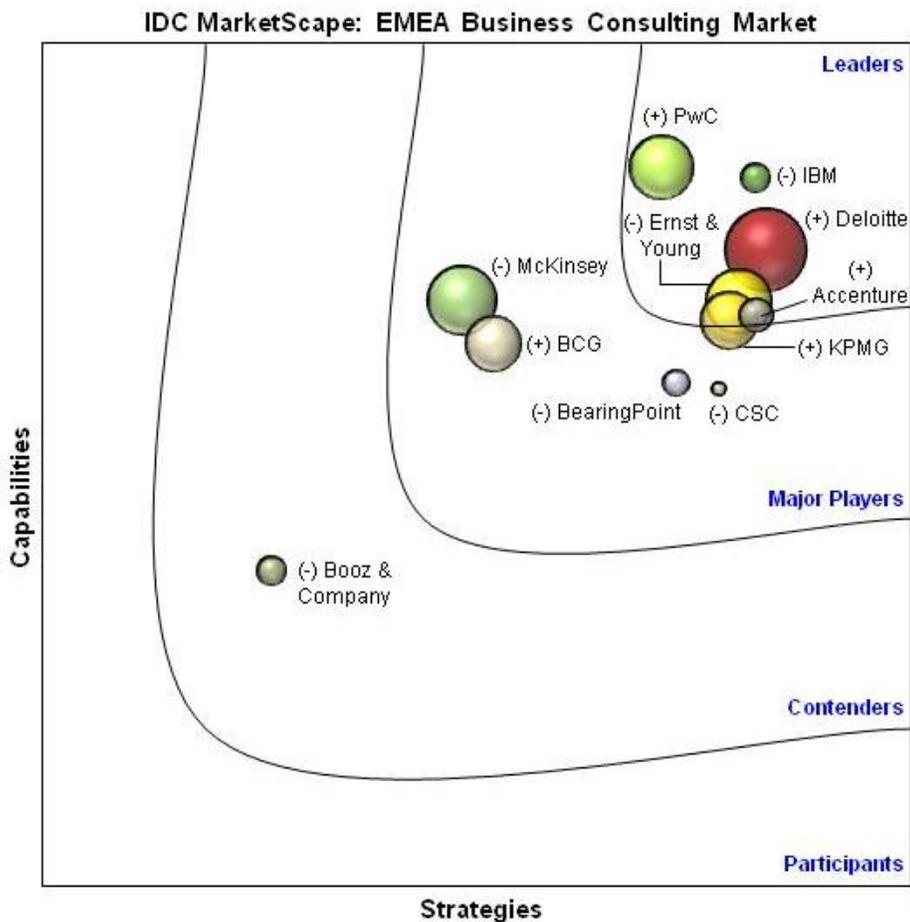
this category, IDC looks at how well a provider is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the provider's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans for the future, in this case defined as the next three to five years. Under this category, analysts look at whether or not a provider's strategies in various areas are aligned with customer requirements (and spending) over a defined future time period.

Figure 1 shows each provider's position in the vendor assessment chart. A provider's market share is indicated by the size of the bubble, and a (+), (-), or () icon indicates whether or not the provider is growing faster, slower, or even with overall market growth.

FIGURE 1

IDC MarketScape EMEA Business Consulting Market Vendor Assessment



Source: IDC, 2012

Provider Profiles

Deloitte

According to IDC analysis and buyer perception, Deloitte is an IDC MarketScape Leader in EMEA. One example of the client feedback we received, from a retail executive, confirms this: Deloitte has an "excellent framework for solving business problems."

Deloitte is a partnership of private companies, with 182,000 practitioners in 150+ countries, and is a multiservice consultancy. Deloitte's business consulting capabilities are a key element of Deloitte, and its practice areas within the wide range of Deloitte's professional services include:

- Enterprise risk
- Finance services
- Human capital/talent
- Strategy and operations
- Technology services

Deloitte has industry specialties in all major sectors, including consumer business and transportation, energy and resources, financial services, life sciences and healthcare, manufacturing, public sector, real estate, technology, and media and telecommunications.

Deloitte advocates its proposed value of "executable strategy" with a broad services footprint to help clients from strategy development to execution. The firm believes that this positioning and its underlying capabilities differentiate it from both the newly rejuvenated consulting offerings of other Big Four firms and the traditional or pure-play strategy, human capital, and technology competitors. Deloitte is the only firm among the Big Four firms not to have divested its consulting business nearly a decade ago. The firm credits this decision for its strong growth.

Deloitte builds its strategy around global integrated market offerings (IMOs) in which the firm integrates skills from a variety of practices and geographies across its service lines. The firm has a mature set of global IMOs through which Deloitte has enjoyed good momentum in the past two years while stimulating shared growth with its business advisory business. These IMOs include such areas as analytics, finance transformation, IFRS, M&A, risk, and sustainability. As with the other Big Four consultancies, Deloitte does not provide consulting services to its audit or attest clients but does benefit from the strong client relationships it has established with audit customers.

In 2010, the firm continued its focus on its clients' cost management requirements and projects to increase efficiencies within designated industries. This focus is

reflected in many of Deloitte's research titles, including *Sustainable cost management through sustainable energy efficiency* and *The Transformation of the Global Financial Services Industry*, both of which investigate specific areas of cost savings for financial services clients.

Deloitte is recognized as an employer of choice as evidenced by its recognition in many independent rankings in North America and EMEA. Deloitte is known for promoting flexibility and customization for each individual employee's career path via its mass career customization (MCC) program and its development and adoption of the corporate lattice career model where employees no longer move up and out in the antiquated "corporate ladder" structure but move more fluidly and flexibly throughout the organization as desire and demand requires. Deloitte is also making significant investments in training and education for its employees with Deloitte University, a state-of-the-art facility near Dallas, Texas, which formally opened in October 2011. Deloitte is currently assessing similar campuses in Europe and Asia/Pacific.

Deloitte's growth is both organic and through acquisition in key areas. For example, Deloitte had a substantial gain in the United States and select other countries' federal/public sector work through the acquisition of BearingPoint's noncommercial business. In addition, numerous smaller targeted acquisitions bolstered offerings globally and demonstrate regional and capability areas of focus for Deloitte, such as in the area of data analytics, sustainability, and technology. Deloitte is also making key geographic investments in China, India, Southeast Asia, Central Europe, Russia, France, Germany, and Latin America. In November 2010, the firm announced plans for a \$100 million investment in India, where it plans to increase the number of employees by 20% to 18,000 by 2012.

In EMEA, Deloitte is seen as most capable of all firms at providing a full spectrum of business consulting services and at applying proven methodologies/tools. Additionally, Deloitte is seen as among the most capable at delivering innovation in the project and as among the most capable at helping clients expand into new markets.

Deloitte is also seen as better than many of its peers at challenging corporate culture and at delivering ROI for the project. It is also seen as better than many of its peers at integrating its project team with the client's and at meeting the project timeline.

Regarding important issues in EMEA, Deloitte is seen as better than many of its peers at helping enterprises comply with new or existing regulations, at helping clients drive innovation, and at helping clients manage risk.

To improve in this IDC MarketScape, Deloitte must significantly improve client perception of its ability to help clients create a more effective business client perception of its ability to help clients improve operational efficiency.

Deloitte must significantly improve client perception of its ability to help clients leverage talent, its ability to help clients reduce costs, and should improve client perception of its ability to help clients identify and implement options for growth.

ESSENTIAL GUIDANCE

Most business consulting providers are particularly adaptive to changes in economic or business conditions: moving staff around or between geographies; adding or removing staff by geography, industry specialization, or domain expertise; and moving quickly into high-growth areas and subsequently getting quickly out of them when demand falls away. To remain successful in the future, it will be important to:

- ☒ Create visible links between project strategy and "business execution."
- ☒ Integrate multiple disciplines throughout the project to ensure client needs are most fully satisfied and to ensure deep multidisciplinary relationships and strong positioning on the *next* project.
- ☒ Evolve and adapt to prevail through specific periods of change by seeking to capitalize on "temporal opportunities."
- ☒ Establish deeper expertise in strategically valuable areas of growth, industries, and geographies.

Firms that have been successful at adapting to temporal opportunities share some common characteristics including the willingness to actively seek out and indeed anticipate dynamic shifts in their clients' marketplaces, the ability to evolve their offerings based on unique experience, and the ability to deploy a multidisciplinary team to support highly specialized client requirements. IDC believes these characteristics represent a core set of practices that will enable firms to adapt quickly and service their clients most effectively.

Overall, it will be important for global, industry, and geographic leaders to create proactive responses to the needs of clients and prospects, ideally before these needs have been fully recognized and formed by clients and prospects. The ability to lead clients and to help them understand and frame their challenges is an important differentiator for consultancies, and one that allows them to keep ahead of the pack and fight off pressure toward commoditization of their offerings.

Similar to worldwide buyers, consulting buyers in the EMEA are generally disappointed with the consulting provider's ability to deliver ROI for the project and maximize the project's value. While all vendors state a focus on maximizing the value of their projects, buyers believe this area is one of the weakest performance areas for consultants overall. Additionally, consulting providers must improve their ability to exploit their local talent in order to meet the cost and insight requirements of their clients.

In CEE, business consulting firms need to create more value. Professional firms are still perceived as too expensive, too slow to respond, and too late to deliver. With buyers increasingly cost conscious, firms will have to adapt quickly to an increasingly challenging market. While CEE clients do not necessarily want cutdown or commoditized services, they expect the level of speed and price that can only be provided through relatively higher (compared with Western Europe and the Americas) use of asset and intellectual property reuse, including in some areas a greater element of predefined solutions.

In MEA, business services firms will have to constantly grow their competencies as this unique market continues to mature. Clients in this region want results urgently, and as they become more specialized in their regional and market requirements, they will become more demanding,

Overall in EMEA, the dominant organizational strategy is cost control and realigning the company for improved operations. This suggests enterprises are focused on reducing cost of operations, compliance, and risk — more so than they are in other regions. To maximize value to their customers, consulting vendors must:

- ☒ Exploit technical and functional insights to attract customers.
- ☒ Identify opportunities to consistently deliver on client expectations, especially timely delivery of services.
- ☒ Maximize the business value of projects; reach a common and consistent understanding with key stakeholders on the success criteria and publicize successes.
- ☒ Develop core messages that highlight how to improve operational efficiency and reduce costs.

As 2012 continues, firms that can best address the regionally specific shifts in client requirements will be best positioned to gain share.

Synopsis

This IDC study uses the IDC MarketScape model to provide an assessment of a number of providers participating in the EMEA business consulting services market. The IDC MarketScape is an evaluation based on a comprehensive framework and a set of parameters that assesses providers relative to one another and to those factors expected to be most conducive to success in a given market during the short and the long term.

"The dominant organizational strategy in EMEA has shifted once again to 'cost control'. This suggests enterprises are focused on reducing cost of operations, compliance, and risk. Enterprises will consider consulting activities that support their corporate strategy even in difficult economic situations," said Douglas Hayward, research director, European Services. "For consultancies, this means understanding the specific needs of the different territories in EMEA, whose public and private organizations exhibit behaviors and priorities that are different from those of their counterparts in the Americas and Asia/Pacific."

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