

EXCERPT

IDC MarketScape: U.S. Business Consulting Services for State and Local Government 2013 Vendor Analysis

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IN THIS EXCERPT

The content for this paper is excerpted from the IDC Competitive Analysis Report, IDC MarketScape: U.S. Business Consulting Services for State and Local Government 2013 Vendor Analysis, (Doc # 242546). All or parts of the following sections are included in this Excerpt: IDC Opinion, In This Study, Situation Overview, Future Outlook, Essential Guidance, Learn More, Figure 1 and Figure 2.

IDC OPINION

This IDC study represents the vendor assessment model called IDC MarketScape. This research is a quantitative and qualitative assessment of the characteristics that explain a vendor's success in the marketplace and help anticipate the vendor's 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 both the short term 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. Key findings include:

- Surprisingly, this evaluation discovered that buyers are generally disappointed with the consulting provider's ability to deliver return on investment (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.
- Even though most firms describe themselves as capable of global delivery, an important factor for their clients is the ability to leverage local staff and resources on appropriate projects. Clearly, this reflects both a cost focus and a desire for local awareness. In both cases, consulting providers must improve their ability to exploit their local talent.
- □ Firms are generally quite good at demonstrating their ability to apply proven methodologies/tools and to provide a full spectrum of business consulting services; however, neither of these capabilities resonates particularly highly when enterprises consider selecting a firm for a particular project.

IN THIS STUDY

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This study is composed of two key sections. The first part is a definition or description of the characteristics that 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 exhibits 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, on detailed 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.

Note: All numbers in this document may not be exact due to rounding.

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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. Within these three main areas, business consulting firms offer tailored services to state and local governments driven by the most current business challenges facing these government organizations.

IDC forecasts spending on business consulting services by U.S. state and local governments will be \$2.4 billion in 2014, with a three-year CAGR of 5.3% to 2017. Overarching demographic trends such as aging populations and urban growth, financial austerity, and federal government reforms and legislation (from healthcare to digital strategies) form the underlying basis for many of the drivers of business consulting services, which can be aggregated into four themes:

- Operational efficiency: State and local governments are moving from narrower-focused IT cost reduction to broader overall strategies to reduce operational costs. While still focused on areas of cost takeout like ERP modernization, U.S. organizations are also looking at larger business productivity areas like improved fiscal and financial management, better revenue collections, risk and performance management, strategic sourcing, and cost structure improvements.
- Mission effectiveness: By rationalizing and pervasively investing in IT solutions and services that improve data collection and information value, state and local governments are looking to use analytic processing services to predict needs areas and services outcomes.
- ☑ Digital engagement strategy: State and local governments are also investing in solutions that most effectively enable the conduct of government business and broaden citizen service channels. The focus here is on personalizing services to citizens and businesses and offering services via new channels like egovernment, smartphone apps, and so forth. For example, governments are looking to make permitting and licensing easier online to reduce wait times for businesses.
- Sustainable economic development: Creating strategies for, and investing in, technologies that foster regional quality of life and economic growth/competitiveness is, of course, a top priority of governors and mayors. On one hand, there is increasing global competition among cities and within the U.S. states (as evidenced by Texas governor Rick Perry's ads airing in California and Illinois inviting business to move to Texas for a more friendly business climate) while on the other, there is more cooperation (as in the open data and transparency movement to foster private sector growth based on open government data). The bottom line is that to grow, state and local entities are looking for ways that are based on sound and sustainable business models over

time. Sustainable, in this light, has a dual meaning — the first implying financial models that will ensure service delivery for future generations, and the second being environmental sustainability that ensures natural resources and a climate that is livable for future generations.

Recent survey results of U.S. state and local government decision makers illustrate these trends and their influence on the top priorities for investment. While cost reduction remains a top priority in these current fiscally constrained times, 47.6% of respondents indicated business process improvements were a key priority, and 39.5% cited meeting compliance requirements as a driver of investment (see Figure 1).

FIGURE 1

Initiatives Driving Investment in U.S. State and Local Government, 2013



n = 108

Source: IDC's Global Technology and Industry Research Organization IT Survey, 2013

FUTURE OUTLOOK

IDC MarketScape U.S. Business Consulting Services for State and Local Government Market Vendor Assessment

The IDC vendor assessment for business consulting services in the U.S. state and local government 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, or the capabilities 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.

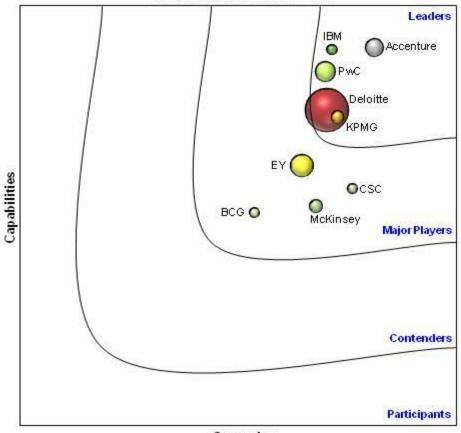
Positioning on the x-axis, or the strategies axis, indicates how well the provider's future strategy aligns with what customers will require in the next three to five years. The strategies category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, 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 2 shows each provider's position in the vendor assessment chart. A provider's market share is indicated by the size of the bubble.

FIGURE 2

IDC MarketScape U.S. Business Consulting Services for State and Local Government Vendor Assessment

IDC MarketScape: U.S. Business Consulting Services for State and Local Government



Strategies

Source: IDC, 2013

Provider Profile

Deloitte

According to IDC analysis and buyer perception, Deloitte is an IDC MarketScape Leader in U.S. state and local business consulting.

Deloitte is a global professional services organization, with more than 200,000 practitioners in 150+ countries. As a multiservice consultancy, Deloitte's depth and breadth of capability is key to its business-led approach. Services include:

- Strategy and operations
- ☐ Technology services (full life-cycle technology including advise, implement, and manage)

As a provider of both assurance and advisory services, Deloitte does not provide consulting services to its audit clients but does benefit from the strong client relationships the company has established with audit customers.

Deloitte advocates its proposed value of "executable strategy" with a broad services footprint to help clients from strategy development to execution. Deloitte believes this differentiates it from both the newly rejuvenated consulting offerings of the Big Four firms and the traditional or pure-play firms as well as outsourcing-led competitors. Deloitte is the only firm among the Big Four firms not to have divested its management consulting and technology business nearly a decade ago. Deloitte credits its strong growth to its breadth and depth of services, global reach with local perspectives, industry insights, and client-centric approach.

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 continues to evolve its industry model, serving 30 microindustry sectors across capabilities and geographies.

Deloitte is focused on advancing its innovation culture and is investing in this area. John Levis was appointed global chief innovation officer to lead both innovation and Deloitte's integrated market offerings (IMOs). Deloitte has released an innovation framework called "Four Cornerstones Innovation Framework" and has recently expanded its Global Innovation Ecosystem.

A key output of Deloitte's innovation process is a portfolio of global integrated market offerings 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 several years and is continuously incubating new areas of investment. Deloitte's current IMO portfolio includes such areas as analytics, finance transformation, IFRS, M&A, risk, and sustainability.

Deloitte also announced the launch of Deloitte Digital. Deloitte Digital combines the strengths of a creative agency, an IT consultancy, and an industry-centric business strategy provider into a single consultancy. Deloitte expects to help clients unleash the business value of these emerging technologies and domains. Deloitte Digital includes Deloitte's online and subscription-based services to support the company's clients demand for data and advanced analytics and for alternative delivery models.

Deloitte is recognized as an employer of choice, as evidenced by its recognition in many independent rankings in North America, Europe, the Middle East, and Asia. 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 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 has also made significant investments in training and education for its employees with Deloitte University, a state-of-the-art leadership development center near Dallas, Texas, which formally opened in October 2011. Deloitte University served more than 40,000 professionals from 70 countries over the past year. Deloitte is currently assessing whether to stand up similar campuses in Europe and Asia/Pacific.

Deloitte's growth is both organic and through acquisition in key areas. Deloitte announced its plans this year to invest in certain priority markets, announcing a combined \$750 million investment over the next three years in 11 priority markets. The investment program aims to expand client service and industry capabilities, bolster the hiring and deployment of top talent, and cultivate innovative new services and multidisciplinary offerings. In its last reported fiscal year 2012, Deloitte successfully completed 30 strategic acquisitions in its developed markets as well as Deloitte's priority markets and capability areas. Along with Deloitte's focus on acquiring assets of strategic importance such as strategy, digital, analytics, software as a service (SaaS), financial advisory, legal services, and consulting, several of the more recent high-profile transactions were:

- Aggressor, merging with existing capabilities to position Deloitte as a leading Workday integrator
- □ Bersin Associates, a provider of research-based membership programs and advisory services in the human resources (HR), talent, and learning markets
- □ CRG, in the financial advisory area, to grow its financial restructuring, turnaround management, and bankruptcy reorganization capabilities
- Monitor Group, a leading global pure-play strategy firm, to enhance Deloitte's broad-reaching strategy and execution presence
- ☐ Übermind and Daemon Quest to build upon Deloitte's Digital and Customer capabilities

Deloitte's U.S. State Sector practice has been serving state and local governments as well as higher education institutions for over 46 years. Applying a broad range of services including consulting, enterprise risk, tax, and financial advisory services, Deloitte has worked with its clients to address their complex challenges and take on many of their most pressing issues. Over the past 5 years, Deloitte has served 47 of the 50 states, 8 of the 10 largest cities and more than 200 institutions of higher education.

Deloitte's U.S. State Sector practice focuses on the delivery of government transformation projects with a particular emphasis in health and human services, finance and administration, higher education, transportation, and labor and employment. Deloitte creates integrated and sustainable solutions focused on helping clients address a full spectrum of concerns, including fiscal, process, policy, security, and technology. Deloitte's research and insights analyze the major strategic, organizational, and technical issues facing state and local government organizations

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today and help clients understand how to apply leading best practices in disruptive innovation, emerging technologies, and new business models.

The development of new cutting-edge services and recent acquisitions further strengthens Deloitte's footprint in the state sector industry. The acquisition and integration of Monitor has extended Deloitte's strategy and innovation capabilities, enabling the Deloitte to capitalize on its deep industry experience and collaborate with clients to create executable strategies — seeing them through to implementation. Deloitte's Deloitte Digital service line provides a range of cutting-edge technical services including strategy, mobile, social, Web, and digital content development, further positioning Deloitte to help states make significant strides in advancing their technical solutions and interactions with citizens. Finally, Deloitte's Innovation Centers, particularly the Center for Health Solutions, the Center for Cyber Innovation, and the Center for Federal Innovation, have delivered research and solutions to help state government clients creatively address top-of-mind issues including health reform, security and privacy, and complex data analytics. The combination of deep sector experience, research, and resources has positioned Deloitte to be a firm that states regularly turn to work through their most complex issues.

For business consulting overall, Deloitte is considered to be the strongest of all firms across a number of key metrics. Deloitte is viewed as the most capable at integrating its project team with a client, maximizing the value of a project, meeting project timelines, and providing the necessary spectrum of business consulting services. Deloitte is also considered the best in the field when it comes to helping enterprises comply with new or existing regulations and leveraging local and global staff appropriately.

Strengths/Opportunities

For state and local government consulting, Deloitte is seen as better than many of its peers at maximizing the value of a project, providing industry insights and competence, and offering the necessary spectrum of business consulting services. In terms of opportunities to advance in clients' estimation, Deloitte must significantly improve the perception of its ability to help organizations improve operational efficiency, to integrate risk awareness and solutions within other consulting engagements, and to transfer knowledge to the client. In addition, Deloitte should improve the perception of its ability to directly improve clients' overall commercial performance, to integrate appropriate analytics into an engagement, and to leverage local and global staff appropriately.

ESSENTIAL GUIDANCE

Guidance for Buyers of Consulting Services in State and Local Government

Business requirements demand solutions that work holistically within an agency, department, or division. These solutions are often complex and require multiple domains of expertise and stakeholders from a variety of areas to ensure success. As

a result, consulting projects are often complex. To maximize value and minimize disruption, state and local leaders must:

- □ Ensure the project is strategically valuable (ensure full organizational commitment).
- □ Create visible links between project strategy and "mission execution."
- ☐ Integrate all impacted LOBs throughout the project to ensure stakeholder needs are fully satisfied.
- △ Anticipate and address the common obstacles to successful consulting projects.
- △ Avoid scope creep.
- □ Plan for sufficient organizational change.
- Commit sufficient internal resources to the project.

LEARN MORE

Related Research

- □ IDC MarketScape: EMEA Business Consulting Services 2013 Vendor Analysis (IDC #239504, February 2013)
- ☐ IDC MarketScape: Worldwide Business Consulting Services 2013 Vendor Analysis (IDC #239484, February 2013)
- □ IDC MarketScape: Asia/Pacific Business Consulting Services 2013 Vendor Analysis (IDC #239483, February 2013)
- ☐ IDC MarketScape: Worldwide Financial Services Consulting 2012 Vendor Analysis (IDC #236018, July 2012)
- □ IDC MarketScape: Worldwide Operations Consulting Services 2012 Vendor Analysis (IDC #236022, July 2012)
- ☑ IDC MarketScape: Worldwide Finance and Accounting Consulting Services 2012 Vendor Analysis (IDC #236122, July 2012)

Synopsis

This IDC study uses the IDC MarketScape model to provide an assessment of a number of providers participating in U.S. business consulting services for state and

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local government. 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 both the short term and the long term.

"While consulting providers are generally perceived as capable, buyers of consulting services in state and local government believe consulting vendors are weakest at ensuring projects meet their return on investment. This vendor analysis shows that some vendors are better able to produce meaningful results than others." — Cushing Anderson, vice president, IDC's Business Consulting Services research

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