

The *ALM Vanguard*: Strategic Risk Management Consulting 2019



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www.alm.com/intelligence/industries-we-serve/consulting-industry/

Overview

Capability Drivers

Risk is finally making it onto the formal agenda of boards and senior leadership.

With the risk environment more complex than ever and with the frequency and impact of disruption rising due to the confluence of changing geopolitical trends, technology disruption and rising stakeholder expectations, boards are looking for better ways to stay abreast of change or to get ahead of it. At the same time, while many companies have invested in basic internal risk controls, they are still blindsided by risk. These trends are creating tension among companies for the need to do something. Boards are increasingly questioning consultants on how to incorporate risk into the strategic agenda and make risk management more relevant and connected to the actual needs of the business in making decisive, bigger and faster bets on the future.

The trend is young, and there are no quick fixes or magic formulas, but leading consulting firms go beyond offering expert advice to supporting clients through multi-disciplinary and sustained initiatives focused on upgrading the people, process, and tools that collectively activate risk management at both the strategic and operational.

People: Tone at the Top & Capability Building

Setting the tone at the top is one of the most effective ways to elevate and expand the organizational mindset toward risk. Leading consultants have the stature to challenge the board on its composition and talent strategies and encourage the creation of risk-savvy board members who appreciate and prioritize risk on the board's agenda. They encourage, if appropriate, the creation of a separate risk committee to alleviate the burden on overtaxed audit committees and give risk the proper attention it deserves.

Leading firms bring a cross-functional and multidisciplinary approach to mature an organization's risk function and culture. They tap into their firm's wider resources such as human capital to develop new talent strategies such as rotating in well-respected, up-and-coming leaders from across the organization who possess the business acumen and broader vision to evolve risk management from its traditional compliance-oriented role into proactive business advisors. They are not only able to support the risk function with hard, technical subject matter expertise but also build softer leadership skills in communications, relationship management and trust-building capabilities that enable risk professionals to bring together, motivate and manage stakeholders above, below and across the organizational hierarchy in support of common goals.

Process: Management models, frameworks and processes

While recognizing that the risk function is still responsible for protecting the company, leading firms raise awareness for the need to develop new frameworks and processes that support the risk functions' opportunity, flexibility and willingness to participate in more strategic activities. They may, for example, focus on new governance structure and reward systems that encourage receptivity to change and comfort in taking on new roles. They may suggest separate project teams or encourage building organizational capabilities to be able to rapidly commission and decommission agile swat teams to respond, as needed, to critical issues. They are also helping their clients explore new ways for integrating risk into upfront opportunities to create value such as strategic planning or new product development, not to put the brakes on innovation but rather to devise ways to de-risk or overcome obstacles that help to accelerate projects forward.

Overview

Capability Drivers

Tools: Technology and techniques

The risk function, in general, has been slow to adopt smart technologies despite their ability to increase both efficiency and effectiveness. Leading firms are educating the risk leaders on the value proposition for transforming risk management through technology enablement. Coincidentally, this applies not only at the client site but also within the consulting firms themselves, with leading firms investing heavily to upskill internal talent from partners on down.

There are three basic ways consultants are helping. The first is in identifying opportunities to digitize, automate and even outsource core risk functions to free up capacity to take on more strategic activities. The second is helping clients adopt risk-sensing tools that enable broader and more forward-looking approaches to identify emerging and external risks. This may mean incorporating a wider range of data sources (geopolitical, socio-economic) to create an early warning system that provides more time to prepare and respond. It may also involve a more ambitious initiative of linking internal and external risks to their potential financial impact to provide the board with a more comprehensive, connected and insightful perspective. The third is on enabling quantitative skills and analytical capabilities that allow risk to use their data to evaluate and optimize internal risk controls. Leading firms, for example, are helping clients utilize analytics to uncover patterns and trends in their risk data (transactions, customers, employee activity) that not only help detect risk but also shape thresholds and escalation policies that limit losses. They also introduce modeling and scenario analysis to challenge assumptions and drive greater insights and confidence in making decisions.

Consulting Implications

With the board increasingly pushing the risk agenda, risk consulting firms must elevate its stature to be able to operate at all levels of the client hierarchy with capabilities that are both a mile wide and a mile deep. On the one hand, firms need to earn their place as a trusted advisor at the board level using their subject matter expertise and business acumen to translate a broad, big-picture perspective of emerging risks to the potential impact on the client's specific strategy, investments and business model. On the other, it must be able to dive deep in applying niche country, industry, subject matter, and technical expertise to operationalize change at the tactical level across finance, legal, audit, compliance, cyber, and IT. Clients seem willing to give up best-in-class piecemeal offerings for firms that can deliver a full range of integrated solutions with team continuity across all elements, all of which tends to reward large, multi-service firms.

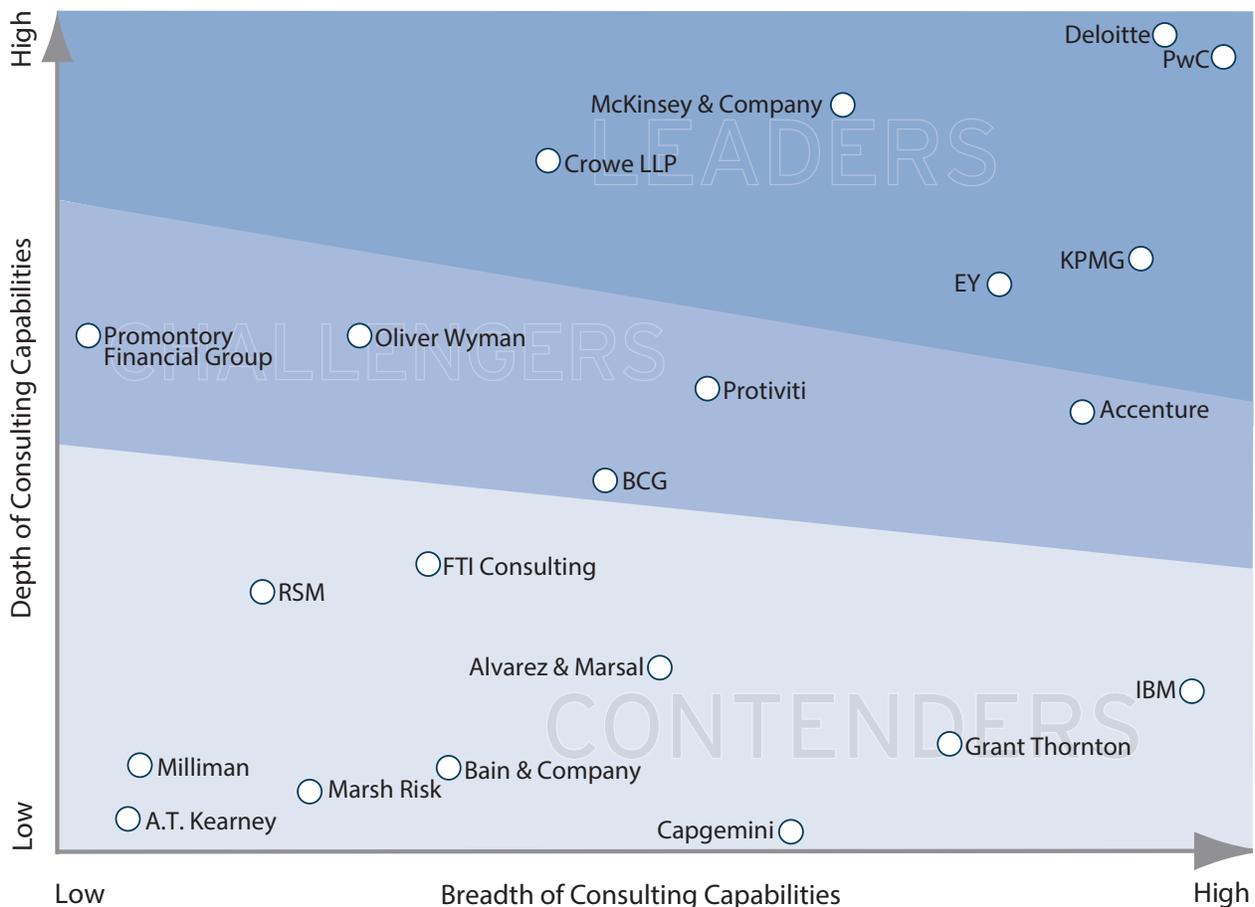
Leading firms not only offer depth and breadth of services to produce client impact, but have developed means to overcome the challenge of scaling niche knowledge assets not just through sheer size but through the development of global delivery centers, managed services, or asset-based solutions. Moreover, leading firms have found effective ways to connect niche talent with non-technical account managers and clients and developed ways to reward and retain non-consulting assets through alternative career paths.

Whatever model they choose to scale niche assets, the best firms can seamlessly bring together the right people and resources to meet client-specific needs, masking their internal complexity from their clients in producing desired outcomes.

ALM Vanguard of Strategic Risk Management Consulting Providers

The ALM Vanguard of Strategic Risk Management Consulting Providers assesses firms in terms of their relative ability to create impact for their clients. For this, the ALM Vanguard displays the relative position of the providers featured in this report, deemed capable in strategic risk management consulting, based on an evaluation of their overall capabilities according to a consistent set of criteria. Capability depth denotes a provider's capacity to get results for clients, while capability breadth indicates its ability to deploy that capacity across multiple client scenarios.

Consulting is distinctive from other industries because of the variety of client contexts that providers encounter in terms of ambitions, needs, and abilities that alter what it takes to create impact. As providers seek to deploy their capacity to create client impact (depth) across industry sectors, geographic regions, and interfaces with adjacent functional and technical capabilities (breadth), they increase the complexity of their engagement models. The downward slope of the lines that separate the tiers of the market captures the trade-off between low-complexity engagement models (designed to maximize the capacity to create impact for a narrow set of client applications) and high-complexity engagement models (made to maximize deployability and create impact for a wide variety of client applications).



Source: ALM Intelligence

Competitive Landscape

In just one year, there has been a dramatic shift in focus in strategic risk management consulting. Last year, most firms under coverage emphasized developing and implementing effective Enterprise Risk Management programs that were aligned across the three lines of defense and connected to the business. This year, the focus is clearly on delivering solutions to help the boards, the C-suite and business unit leaders to stay ahead of the curve on trends, anticipate change and be more proactive in shaping the future.

While there appears to have been very little change in the construct of the ALM Vanguard for Strategic Risk Management Consulting, under the surface, as is so common in consulting, we see an environment where firms need to invest and innovate simply to remain in place.

Leaders

EY enters the Vanguard leader board this year due to its Trust by Design initiative, which adopts a multidisciplinary approach to building capabilities that enable organizations to embed risk upfront in strategic planning, product development, and other innovation processes. Beyond EY, the positioning among the Vanguard leaders remains largely intact with each firm fortifying its service offerings to meet changing client needs. Deloitte's Strategic Risk practice remains dominant due to market resonance for its Risk Intelligence framework. It is also investing in strengthening its crisis and reputation management capabilities with the addition of new sensing tools, acquisitions, and several key hires. PwC's Risk Assurance and Advisory practice continues its drive upstream with the expansion of Strategic Policy Advisors which help clients to remain on top of evolving risk from policy change. McKinsey introduces its CORE framework, an exciting new offering aimed at providing a practical tool kit for improving corporate resiliency. Crowe's Adaptive Business Model builds on the success of its Sustainable Risk framework in finding opportunities to balance the role of risk management between protecting downside risk with opportunities to create value.

Challengers

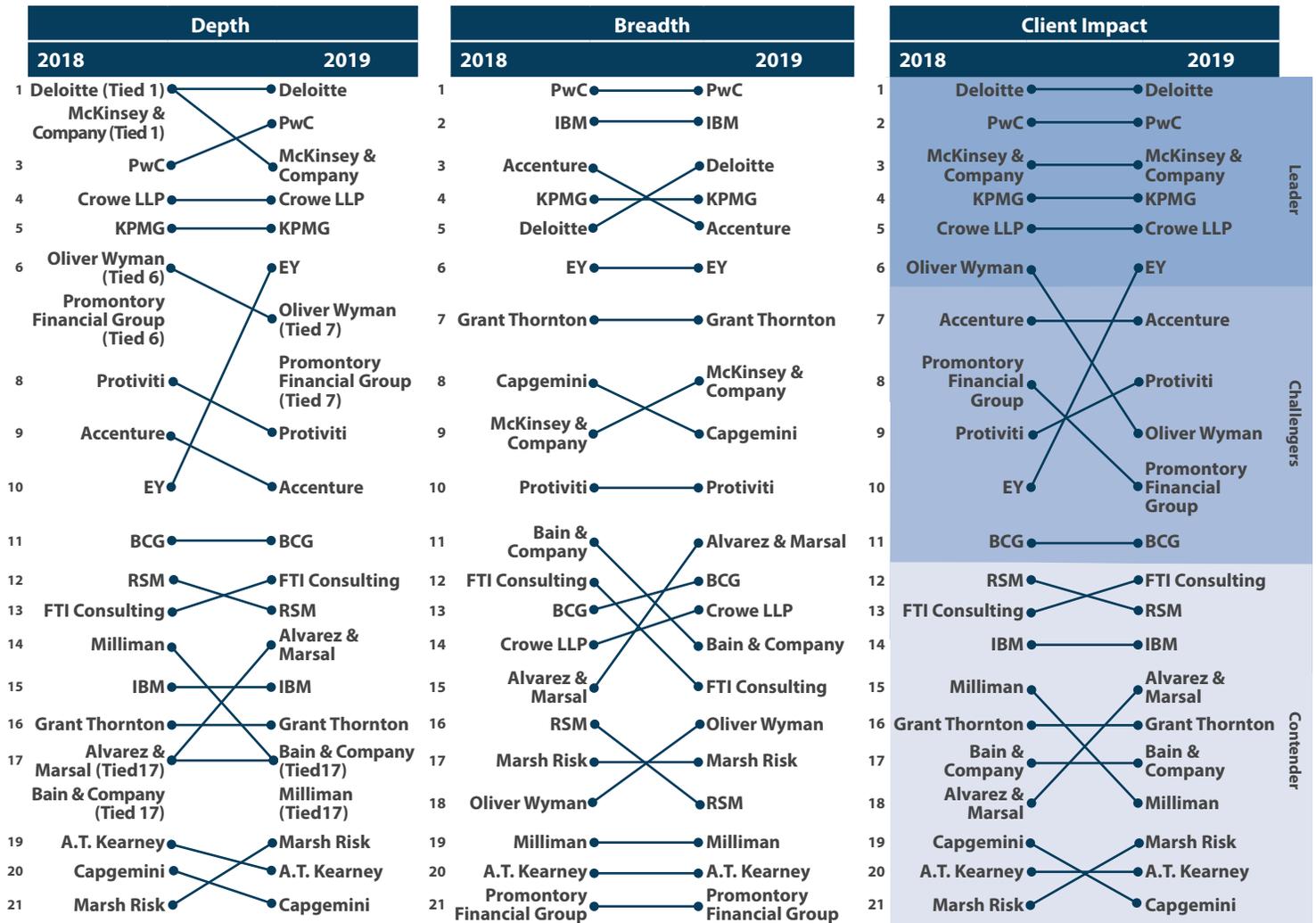
There was little change in positioning among Challenger firms, but overall, they seem to have fallen behind in innovating their offerings to address strategic needs of clients to anticipate and respond to change. Overall, the challenger firms perform well, but are less effective in being able to seamlessly bring together firm resources to address the full range of client needs, either because they lack certain capabilities, or they lack an organizing mechanism or culture to promote cross-firm collaboration. An exception is Accenture, which is expanding its focus beyond financial services to offer a new risk offering targeted at the CFO and Enterprise Value.

Contenders

Contender firms tend to exhibit deep technical expertise in a specific industry or risk domain but are unable to scale these niche assets to meet the broader needs of the C-suite. Specifically, Milliman continues to narrowly focus on investment portfolio analytics to maximize risk-adjusted returns. Marsh Risk remains notable in crisis preparation and business continuity, but otherwise seeks to optimize the value of insurance programs. A.T. Kearney focuses solely on supply chain risk management and Capgemini on GRC tools in the financial services sector. RSM excels in upskilling internal audit for middle-market firms that lack a formal risk function. On the positive side, FTI Consulting is making a serious effort to broaden its focus on specific named risks and improve its ability to assemble the right expertise from across the firm to deliver services across the broad spectrum of client needs.

Provider Capability Rankings

The figures below indicate the change in consulting providers' ranks in terms of their overall capability depth, breadth, and client impact. (See the Definitions section of this report for a detailed breakdown of underlying capabilities.) Ranking position number one denotes the top-ranked provider.



Source: ALM Intelligence

Rating Level Summaries

ALM Intelligence rates providers according to a three-level scale based on their relative breadth and depth of overall capabilities. Each rating level corresponds to an area in the *ALM Vanguard* graphic bounded by a downward sloping line designed to equate engagement models of different degrees of complexity.

Rating Level	Providers	Description
Leaders	Crowe LLP EY McKinsey & Company Deloitte KPMG PwC	The leaders are at the top of the market in terms of their capabilities to create client impact through their depth of expertise and ability to deploy it across a range of engagement models. They are unique in their ability to independently execute a broad array of projects across the full spectrum of client contexts. They range from providers in the top quintile in terms of depth of capability for low-complexity engagement models to those that combine above average depth of capability with the ability to deploy it across high-complexity engagement models.
Challengers	Accenture Oliver Wyman Protiviti BCG Promontory Financial Group	The challengers can execute end-to-end projects in low complexity engagement models or a substantial portion of project components in high-complexity engagement models. They range from those with above-average depth of capability for low-complexity engagement models to those that combine depth of capability between the bottom third and top half of the distribution, with the ability to deploy it in high complexity engagement models.
Contenders	A.T. Kearney Bain & Company FTI Consulting IBM Milliman Alvarez & Marsal Capgemini Grant Thornton Marsh Risk RSM	The contenders can execute a substantial portion of projects in low-complexity engagement models or a single phase or project instance in high-complexity engagement models. They range from those with average depth of capability for low-complexity engagement models to those that combine depth of capability in the bottom third of the distribution with the ability to deploy it in high-complexity engagement models.

Source: ALM Intelligence

Leader Assessments

The *ALM Vanguard* of Strategic Risk Management Consulting Providers comprises the following Leaders.

Leaders	Strengths
PwC	PwC operates as one integrated firm that is able to draw on the depth and breadth of its global resources in offering a holistic and multi-disciplinary perspective to address the full range of needs across the client's hierarchy. At the top, it starts with an understanding of external trends in legislation, regulation and public policy, then proceeds to drive execution down through the client organization as it impacts strategy, operations and risk management.

Source: ALM Intelligence

Provider Capability Ratings

The table below provides detailed capability ratings for Strategic Risk Management consulting providers. (See the Definitions section of this report for explanations of the capabilities.) Legend: ● Very Strong ● Strong ● Moderate ● Weak ○ None

Provider Capabilities: Strategic Risk Management Consulting									
	Discovery			Design			Delivery		
	Needs Assessment	External Market Insight	Internal Client Insight	Strategy	Operating System	Management System	Project Management	Client Capability Development	Enabling Tools
PwC	●	●	●	●	●	●	●	●	●
A.T. Kearney	●	●	●	●	●	●	●	●	●
Accenture	●	●	●	●	●	●	●	●	●
Alvarez & Marsal	●	●	●	●	●	●	●	●	●
Bain & Company	●	●	●	●	●	●	●	●	●
BCG	●	●	●	●	●	●	●	●	●
Capgemini	●	●	●	●	●	●	●	●	●
Crowe LLP	●	●	●	●	●	●	●	●	●
Deloitte	●	●	●	●	●	●	●	●	●
Grant Thornton	●	●	●	●	●	●	●	●	●
EY	●	●	●	●	●	●	●	●	●
FTI Consulting	●	●	●	●	●	●	●	●	●
IBM	●	●	●	●	●	●	●	●	●
KPMG	●	●	●	●	●	●	●	●	●
Milliman	●	●	●	●	●	●	●	●	●
Marsh Risk	●	●	●	●	●	●	●	●	●
McKinsey & Company	●	●	●	●	●	●	●	●	●
Oliver Wyman	●	●	●	●	●	●	●	●	●
Promontory Financial Group	●	●	●	●	●	●	●	●	●
Protiviti	●	●	●	●	●	●	●	●	●
RSM	●	●	●	●	●	●	●	●	●

Source: ALM Intelligence

Best in Class Providers

Providers identified as best in class evidence deep capabilities in specific areas of Strategic Risk Management consulting and stand out from their peers for their highly effective and often innovative consulting approaches and service delivery.

Capability Areas	Provider	Strengths
Management System	PwC	PwC helps clients proactively translate the impact of changing policy and regulatory expectations on their strategy and operations and develop innovative and cost-effective strategies and solutions to operationalize the need for stronger supervisory controls around emerging risk areas such as data privacy.
Project Management	PwC	PwC helps improve the “digital fitness” of risk management by working within the client’s risk management functions to systematically co-create new technology-enabled control structures, processes and tools that enable it to broaden the scale and scope of its oversight abilities and to deliver data-driven intelligence to multiple stakeholders.

Source: ALM Intelligence

Provider Briefs

Leaders

PwC	
Approach	PwC Risk Assurance and Advisory seeks to enhance value from client risk management programs by embedding accountability for risk deep into front-line decision making while simultaneously elevating awareness of risk by key decision makers in pursuing strategic objectives. PwC works with clients to fine tune risk appetite measures to increase their relevance and application, drive ownership and accountability, and enhance confidence and clarity in taking risk to deliver real value at all levels of the organization.
Practice Structure	PwC's dedicated Risk Assurance and Advisory practice offers services through seven focus areas, including risk-informed strategy and performance, financial risk and treasury management, risk and resilience, crisis management planning and response, enterprise risk management, regulatory-driven change, and financial crimes/AML. The practice has over 10,000 risk consultants globally.
Service Delivery Model	PwC seamlessly draws upon depth and breadth of its global resources to deliver a comprehensive range of globally consistent, structured yet flexible suite of services that address the range of needs across the client's hierarchy. At the highest level, PwC's Strategic Policy Advisors help clients anticipate, prepare for and even influence regulation and public policy on topics such as trade and tariffs, tax reform and data privacy. In the middle, PwC draws on its expertise in consulting, tax, technology, and assurance to advise on the impact of change to client strategy and operations. At the base or foundational level, the firm's focus is on helping clients adopt control policies and processes across the 3LOD to remain compliant. The firm emphasizes improving the "digital fitness" of the risk function to leverage technology to both improve existing programs but also transform the risk function's ability to expand the scale and scope of risk oversight by strengthening integration across the 3LOD model and linkages to business units as it matures capabilities at all organizational altitudes. To this end, the firm is constantly innovating its already sizeable collection of reusable solution tools and methods that help clients stay abreast and respond proactively to emerging risks and opportunities and deliver relevant, forward-looking and actionable insights to key decision makers. PwC's Global Crisis Centre brings together the firm's broad resources and experience to inform client crisis planning and preparedness activities as well as support rapid crisis response. PwC is the principal author of COSO's ERM Integrated Framework, both the 2004 standard and its current revision. The firm publishes a Resilience Journal and Risk Insights Blog for risk practitioners.

Source: ALM Intelligence

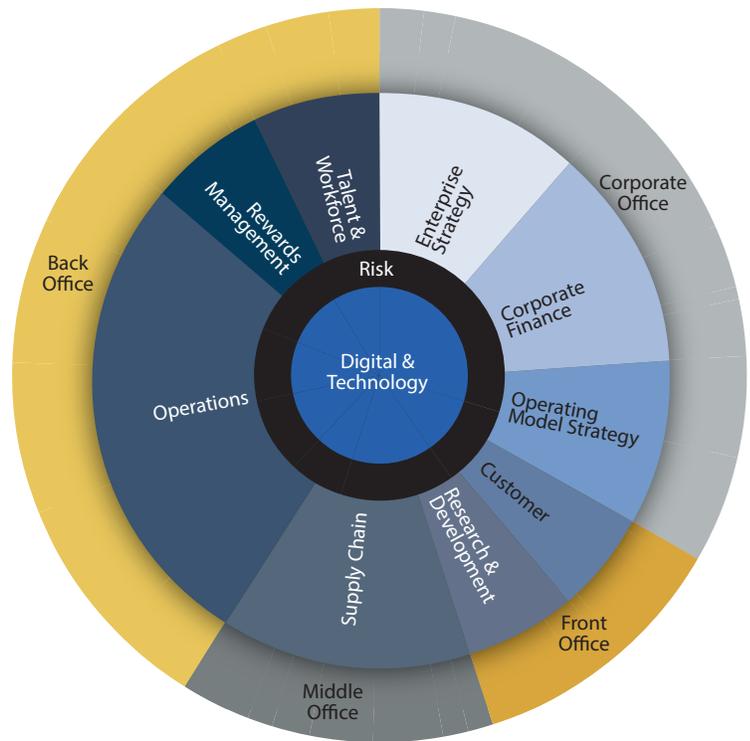
Definitions

What is Strategic Risk Management Consulting?

Strategic risk management consulting is part of Enterprise strategy consulting which forms parts of the management consulting services directed at clients' corporate office activities. Its objective is to help companies set the policy guardrails that direct the investments and activities of their organizations.

Enterprise strategy consulting includes four services.

- **Business strategy and planning:** establishes companies' fundamental value proposition in terms of where to play and how to win.
- **Portfolio and capital strategy:** addresses the allocation and steering of company resources to deliver its value proposition.
- **Strategic risk:** identifies and manages risks that could prevent the fulfillment of a company's value proposition.
- **Cybersecurity:** identifies and manages the portion of strategic risks associated with digitization, including threats to information assets, infrastructure, and applications.



Source: ALM Intelligence

Definitions

Consulting Provider Capabilities

Capability Areas	Capabilities	Descriptions
Discovery	Needs Assessment	How does the consultant establish goals and objectives for the project and determine which stakeholders need to be involved from the client organization, consultant, and third parties?
	External Market Insight	How do consultants' knowledge and experience inform diagnostics through benchmarking and trend analysis?
	Internal Client Insight	How does consultant obtain internal client insights through data analysis and interviewing and workshops and incorporate them in diagnostics?
Design	Strategy	How does the solution align with the client's market, customer and product, and functional strategies?
	Operating System	How are client information, physical, and people assets and processes configured to generate the value add intended by the strategy?
	Management System	How are client resources mobilized, managed, measured, and motivated through governance, incentives, organizational structures, and performance management to execute the strategy?
Delivery	Project Management	How are activities sequenced and resources allocated, aligned, and coordinated to execute and sustain the solution?
	Client Capability Development	How are client technical skills developed and mindsets and behaviors adapted to execute and sustain the solution?
	Enabling Tools	What consultant tools are used for diagnostic and design activities that support the client in executing, sustaining, and refreshing the solution?

Source: ALM Intelligence

Provider Capability Rankings Descriptions

Depth: a measurement of a consulting provider's strength based on its capabilities, including such factors as resources, proprietary methodologies, and intellectual properties

Breadth: a consulting provider's ability to deploy its capabilities in multiple client scenarios across industry sectors, geographic regions, and interfaces with adjacent functional and technical capabilities

Client impact: a consulting provider's capacity to get results for clients based on the combination of its capability depth and breadth adjusted by the degree of engagement model complexity incurred by its breadth across industry sectors, geographic regions, and interfaces with adjacent functional and technical capabilities

Methodology

Overview

ALM Intelligence has been researching the management, financial, and IT consulting industry for over 40 years, studying the global consulting marketplace at multiple levels. The resulting market analyses help buyers of consulting services to effectively target best in class providers, and help consulting providers to identify and evaluate business opportunities.

The proprietary research methodology comprises four components:

- Extensive interviews with consulting practice leaders, financial analysts, consulting clients, and clientside industry experts
- Data and background material from the proprietary library of research on the consulting industry and individual firms
- Quantitative data collection from primary and secondary sources
- Key economic data relevant to the sector(s) being analyzed

The research output for a project is derived predominantly from primary research.

Data is obtained through a centralized effort, with teams of analysts collecting, assessing, fact-checking, and refreshing baseline information on leading consultancies and consulting markets. This information populates an extensive knowledge base of consulting providers, widely regarded as among the most comprehensive in the world.

Working collaboratively, analysts narrow their research to the most discrete and pertinent intersection of consulting service/industry/geography.

The experience and knowledge of the analyst team are critical to the success of these research endeavors. Directors and associate directors average over a decade of consulting and/or analyst experience, with an emphasis on professional services. Junior analysts typically bring an average of five years of consulting and/or analyst experience.

The group's long-term relationships with consulting clients and industry leaders are based on trust and respect. ALM Intelligence's fundamental goal is to deliver objective assessments and insightful viewpoints on the management, financial, and IT consulting market.

Methodology

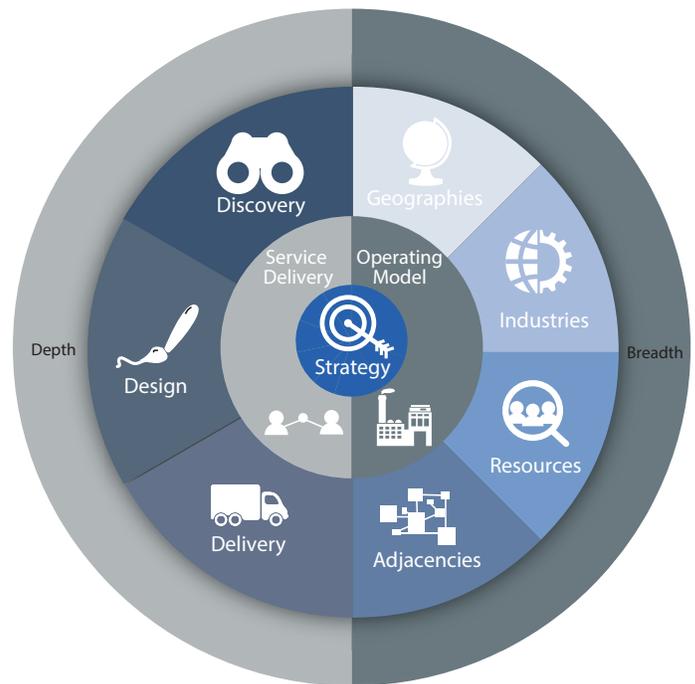
How We Evaluate Consulting Providers

ALM Intelligence’s goal is to deliver objective assessments to help buyers of consulting services effectively identify and maximize the benefits of working with best in class providers.

ALM Intelligence evaluates consulting providers with respect to a particular consulting area in terms of the following baseline criteria. The general criteria below are refined and customized over the course of the research effort based on input from clients and providers:

- **Consulting approach:** What are providers’ points of view on the root causes of client challenges? How do those points of view inform choices about how best to resolve them? How do providers view the intersection of these needs and solutions with other consulting or non-consulting offerings or cross-cutting themes?
- **Consulting organization:** How do providers organize and deploy their capabilities? What sort of consultants and other human resources do they possess, and how do they obtain and use them? What sorts of partnerships, collaborations, and alliances with external parties do they use to bolster their capabilities?
- **Consulting service delivery model:** How do providers deliver their services? Do they employ any particular processes or methodologies, preconfigured tools, or other unique elements of service delivery? Do they follow any particular sequence or direction in their service delivery? How do they measure outcomes?
- **Client pain points and needs assessments:** What factors most influence successful engagements in the opinion of clients? What capabilities do providers need to bring to their engagements to be compelling? What sources of differentiation matter most to consulting buyers?
- **Future development:** What investments are providers making or planning to make to enhance their future capabilities?

In addition to briefings with consulting buyers and providers, ALM Intelligence uses a mosaic approach to derive its findings. This incorporates primary research conducted with industry practitioners, academics, and other experts and secondary research on providers’ public information and other third-party sources of data and analysis.



Source: ALM Intelligence

About ALM Intelligence

ALM Intelligence provides accurate and reliable market sizing and forecasts on consulting services worldwide, needs-analysis and vendor profiling for buyers of consulting services, timely and insightful intelligence on the top consulting firms in their respective markets, and operational benchmarks that measure consulting performance. ALM Intelligence's research spans multiple service areas, client vertical industries, and geographies. Our analysts provide expert commentary at consulting industry events worldwide, and offer custom research for Management Consulting and IT Services firms. More information about ALM Intelligence is available at www.alm.com/intelligence/industries-we-serve/consulting-industry/.

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