Analyze the Future

EXCERPT

IDC MarketScape: U.S. Business Consulting Services for the Federal Sector 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 the Federal Sector 2013 Vendor Analysis, (Doc # 242561). 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, and Figure 1.

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 a vendor's ascendancy. This study assesses the capability and business strategies 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 key 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 generally buyers are 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.

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IN THIS STUDY

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This study is composed of two key sections. The first part provides 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 provides 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 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

Generally, business consulting involves advisory and implementation services related to management issues. It involves defining an organization's strategy and goals and designing and implementing the structures and processes that help the organization reach its goals.

We define public sector as that part of the economy and the organizations concerned with providing basic government services. The composition of the public sector varies by country, but in most countries, public sector includes organizations that provide services such as public safety/emergency response, defense, transportation infrastructure and services, primary education, social services (e.g., food and nutrition, housing, healthcare) and, in many cases, services that strive to facilitate income equity. There are also tangential internal operational administrative organizations that are peripherally related to constituent services such as legislative and judicial operations, revenue collection, and regulatory bodies. For the purposes of this research, public sector consulting relates to consulting to local, regional, national, or transnational entities that is primarily funded by public funds. This distinction is significant because the contracting requirements are typically highly prescribed and some (but not all) of the process requirements and stakeholder priorities are unique to these types of entities.

The public sector market continues to be one of the largest vertical industries worldwide for technology spending. In the United States, over $80.9 billion is slated to be spent on hardware, software, and IT services by all levels of government in 2013. The economy continues to be fragile, and the federal government is working to address historic budget gaps while focusing on improving overall operational performance and incorporating new technology approaches. This is impacting government IT spending in different ways.

Civilian agencies are in the midst of an ambitious datacenter consolidation effort that will lead to less IT infrastructure spending in the coming years. Broader focus on cloud computing and shared services will spawn higher investment in IT services. At the federal level, slightly more than half of hardware, software, and IT services spending is targeted at civilian agencies (51.9% versus 48.1%). For overall spending, including staffing, facilities, and energy costs, the breakout is actually closer to 56.0% civilian and 44.0% defense, based on a total budget of roughly $74.5 billion for 2013. This is the lowest total spending number we have seen at the federal level in roughly 5 years and the highest percentage dedicated to civilian agencies (versus the U.S. Department of Defense [DoD]) in over 10 years. To help adjust to these changing spending priorities, the U.S. federal government is relying significantly on consultants to help improve performance, modernize IT systems, and implement solutions that extend and enhance the value of services delivered to citizens.

IDC is keenly focused on core issues governments are facing as they adjust to the effects of the recent global recession and meet new and heightened expectations of "operational austerity." The key market drivers that are affecting technology investment, management, and evaluation across multiple geographies and levels of government include:

- **Operational efficiency.** Public sector organizations are challenged to move from narrower-focused IT cost reduction to broader overall strategies that will reduce operational costs. This includes business process reengineering and inter- and intra-governmental shared services while operating within fairly rigid inflexible organizational structures and budget processes.

- **Digital engagement strategy.** As smart mobile consumer devices continue to proliferate and drive social interactions and business, public sector organizations are rationalizing and pervasively investing in IT devices and solutions that most effectively enable the conduct of government business for both employees and citizens.

- **Mission effectiveness.** Public sector organizations are learning to move from measuring program outcomes to measuring mission outcomes (i.e., their success at things such as improving education scores, maintaining healthier populations, and creating sustainable environments). To achieve this, they must develop and implement solutions and services that improve information value and broaden service channels.

- **Economic sustainability.** Relatively new, on the heels of the economic recession, are the awareness of and desire to implement programs and services through strategies for and investing in technologies that foster a regional quality of life and economic growth/competitiveness.

As the U.S. federal government moves to address these core issues on a broader scale, there is strong demand for consulting organizations with public sector experience, demonstrated thought leadership, and deep domain expertise. It will focus on continued cost "takeout," optimizing/leveraging existing IT assets, and improved operational and service performance.

FUTURE OUTLOOK

IDC MarketScape U.S. Business Consulting Services for the Federal Sector Market Vendor Assessment

The IDC vendor assessment for the 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.

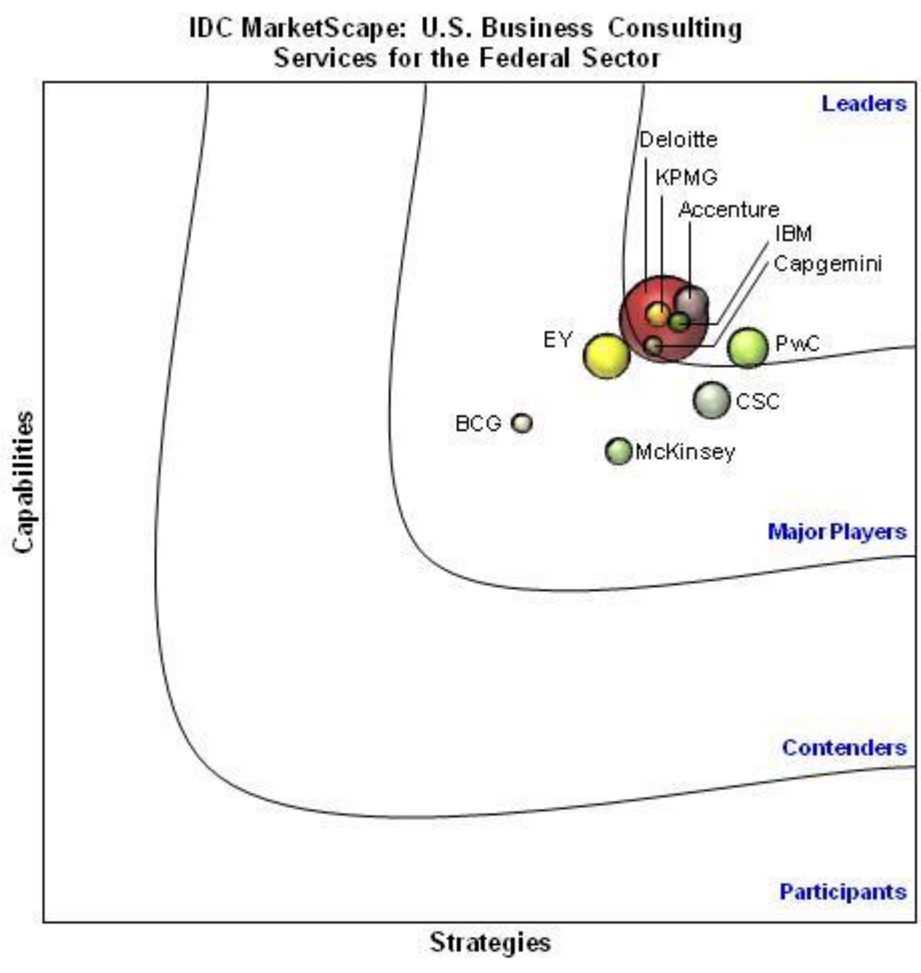
Positioning on the y-axis reflects the provider's current capabilities and menu of services and how well aligned it is to customer needs. The capabilities category focuses on the capabilities of the company and services today, here and now. Under this category, IDC looks at how well a provider is building/delivering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

FIGURE 1

IDC MarketScape U.S. Business Consulting Services for the Federal Sector Vendor Assessment



Source: IDC, 2013

Provider Profile

PricewaterhouseCoopers

According to IDC analysis and buyer perception, PricewaterhouseCoopers (PwC) is an IDC MarketScape Leader in U.S. federal sector business consulting.

PwC is a Big Four global professional services organization, established as a global network of member firms, with more than 30,000 people in 77 locations across the United States. PwC serves client organizations across all industry sectors and functional areas and provides services through three divisions or "lines of service": assurance, tax, and advisory. From strategy through execution, PwC Advisory aims to help clients build their next competitive advantage. Its Assurance practice collaborates with clients to ensure that the financial information reported to the investing public and other stakeholders is clear and reliable. Through its Tax practice, PwC assists businesses, individuals, and organizations with tax strategy, planning, and compliance while also delivering a wide range of business advisory services.

Within PwC, nearly 2,000 partners and staff are serving U.S. federal government and clients through the Public Sector practice. PwC's vision for its Public Sector practice is to help U.S. federal government agencies solve complex business issues, manage risk, and add value to performance through the company's comprehensive service offerings in human capital, enterprise effectiveness, financial management, governance, risk and compliance, program management, and technology — all of which are delivered seamlessly throughout the world. Within the execution of this strategy, PwC focuses its service offerings on the trends that impact all organizations throughout the public sector:

- **Financial management.** Focus on financial management methodology to achieve cross-enterprise financial process integration and alignment to enable cost reduction, increase controls and reliability, and heighten confidence in financial information.

- **Governance, risk, and compliance.** Focus on achieving agency objectives and regulatory compliance requirements through an assessment of management processes and risk-based realignment to increase agility in responding to dynamic challenges faced by government executives.

- **Human capital.** Focus on human capital solutions that are comprehensive, innovative, and proven and that support the Federal Human Capital Assessment and Accountability Framework and improve organizational and workforce performance through organizational design, talent management, strategic planning, workforce planning, succession management, learning and development, knowledge management, and change management.

- **Operational effectiveness.** Focus on helping government agencies assess current operations issues to increase efficiencies and effectiveness as well as achieve success with appropriate rewards and recognition programs.

- **Program management.** Focus on providing the tools, methodologies, and people to ensure successful delivery of large projects and programs through design, implementation, assessments, support services, business case development and monitoring, acquisition management support, performance assessment and benefits realization, and dispute and investigations support.

- **Technology.** Focus on transforming and implementing innovation from strategy through execution and on using technology as an enabler and assisting with the creation and management of world-class technology functions.

The PwC Public Sector practice strives for a considered, in-depth point of view behind everything it does. PwC's latest Public Sector Practice Thought Leadership publications include:

- *IT Optimization: Navigating Fiscal Austerity:* PwC helps senior public sector executives define and establish campaigns to drive IT cost and value optimization.

- *Public Sector Sustainable Cost Reduction:* Traditional federal and local government cost reduction approaches often fail to achieve the targeted reductions, take longer than anticipated, and allow costs to creep back to historic levels. Disciplined cost management is critical in achieving transparency and accountability.

- *Real Property Portfolio Optimization:* Operating in a secure, efficient physical environment is essential to completing agency missions, housing a motivated workforce, and managing changing priorities. Effective asset management requires clear communication from the grass roots to the executive level.

- *The Waves of Change in Federal Human Capital Management:* Changes in federal human capital management — from social and demographic changes, the global economic crisis, and the current administration — impact how governmental organizations manage workforces. This publication supports human capital professionals in their work at federal agencies on effective human capital management.

- *Agile Defense: Redefining Defense Organizations as Agile Enterprises:* Familiar combat tactics combined with new threats require defense organizations to become agile, which will demand strong leadership to successfully implement such strategic changes to defense operations.

- *Federal Government Environmental Stewardship:* Implementation of Executive Order 13514 requires agencies to integrate sustainability goals with their mission and strategic planning practices. Each agency is charged with developing a Strategic Sustainability Performance Plan that prioritizes the agency's actions toward the Executive Order goals.

For business consulting overall, PricewaterhouseCoopers is seen as the most capable of all firms at helping clients reduce costs. PwC is also considered the most capable at leveraging local and global staff appropriately.

Strengths/Opportunities

In the U.S. federal sector, PwC is seen as the most capable of all firms at integrating risk awareness and solutions within other consulting engagements and at providing the necessary spectrum of business consulting services. Additionally, PwC is seen as among the most capable at challenging corporate culture. PwC is perceived as better than many of its peers at directly improving a client's overall performance, helping organizations improve operational efficiency, integrating appropriate analytics into an engagement, and transferring knowledge to the client.

ESSENTIAL GUIDANCE

Guidance for Buyers of Consulting Services in the Federal Sector

Business requirements demand solutions that work holistically within an agency or department. 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, public sector leaders must:

- Ensure the project is strategically valuable (be sure of 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: Americas Business Consulting Services 2013 Vendor Analysis* (IDC #239482, February 2013)

- *IDC MarketScape: Asia/Pacific Business Consulting Services 2013 Vendor Analysis* (IDC #239483, February 2013)
- *Worldwide and U.S. Business Consulting Services 2012–2016 Forecast Update* (IDC #237227, October 2012)
- *Worldwide Business Consulting Services 2011 Vendor Shares* (IDC #237044, September 2012)
- *IDC MarketScape: Worldwide Financial Services Consulting 2012 Vendor Analysis* (IDC #236018, July 2012)
- *IDC MarketScape: Worldwide Strategy Consulting Services 2012 Vendor Analysis* (IDC #236019, 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 the U.S. business consulting services for the federal sector 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 both the short term and the long term.

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

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