EXCERPT

IDC MarketScape: U.S. Business Consulting Services for Smart Cities 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 Smart Cities 2013 Vendor Analysis, (Doc # 242453). 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 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 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 generally buyers are disappointed with the consulting provider's ability to 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.

☑ Firms are generally quite good at demonstrating their ability to apply proven methodologies/tools and to provide a full spectrum of business consulting services. As Smart Cities projects become more common, repeatable approaches to similar issues will create higher value.

☑ The firms assessed for Smart Cities are challenged with serving the midtier cities and are heavily focused on large cities. While finding opportunities in midsize cities is more labor intensive, there is a lot of opportunity that could be lost to emerging high-tech urban consultancies. Repeatable processes catered to smaller projects will not only create higher value in larger cities but also expand market potential to midsize cities.

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, 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

The concept of Smart Cities is in many ways a construct in which to frame local government transformation. This transformation is enabled by emerging technologies, such as the Internet of Things and machine to machine (M2M), social media, mobility, and Big Data and analytics, but it is also focused on specific goals. In IDC's definition, Smart City pilots, projects, or initiatives are focused on one or more of the following:

☑ Sustainability

☑ Economic development and/or revitalization

☑ Open data and transparency

☑ Citizen and stakeholder engagement

A key ingredient in this transformation is also the ability for government leaders, including CIOs and the IT department, to embrace and test new ideas and to promote innovation and change. All of these factors together typically require new strategic directions, organizational and process changes, and selecting and implementing new systems to support a Smart City strategy.

IDC forecasts spending on business consulting services by U.S. local governments to be $1.1 billion in 2014, with a growth rate slightly above 4% through 2017. Spending for consulting specific to Smart City solutions will be a small but fast-growing segment of this market as cities look to road map their technology investments and organizational and process changes necessary for city transformation. In a 2012 U.S. survey, 21% of local government respondents and 33% of state respondents said they would use business consulting services to help research, implement, and/or deploy smart technology solutions for their organization. These projects will be driven by the following:

☑ Meeting the Smart City goals listed previously, with economic development (i.e., job creation) being a top priority

☑ Transforming business systems and processes to help cities provide improved citizen services and meet rising citizen expectations

☑ Strategic direction on the use of emerging technologies like Big Data and analytics, cloud, social business, machine-to-machine automation, visualization tools, and mobile apps

As described in IDC's Smart City Maturity Model, most cities are currently in the Ad Hoc stage with traditional government modus operandi, with discrete, one-off Smart City pilots or projects that are department based. While these projects serve to develop the business case for further investment, many cities will start to require services to help move to the Opportunistic stage in which project deployments need collaboration within and between departments and where key stakeholders are aligned around developing a long-term strategy. To move forward, city leaders will need to:

☑ Begin to assess its Smart City current competency and maturity

☑ Define short- and long-term goals and plan for improvements

☑ Prioritize technology, partnership, staffing, and other related investment decisions

☑ Uncover maturity gaps among departments, business units, or between functional and IT groups

There are many challenges and obstacles to Smart City adoption that also drive the need for external consulting services. Examples of the challenges include:

☑ **Fragmented decision making.** Cities traditionally operate in a highly fragmented state with budgets, governance, decision making, IT platforms, and information handled by individual departments. The result is that IT strategy, investment, and the processes that support services delivery are inefficient when viewed in a systemic citywide operational context: multiple data sets and applications exist in different departments, relevant information is not shared, and operations are not coordinated beyond emergency protocols or when required for special events.

☑ **Rigid processes and the lack of needed skill sets.** Despite city leadership that may be pushing a Smart City agenda, and the desire by many city workers to improve and change, it is difficult for cities to overcome risk-averse cultures and procurement processes that make experimentation and innovation a challenge especially if staff lack the skill sets necessary to set the strategic and technical direction.

☑ **A time of austerity.** These barriers to adoption are further complicated by the long economic recovery in which many cities are operating in very austere environments, and there is limited federal funding for pilot projects. Cities are very much still in "do more with less" or even "do less with less" mode and as such Smart City initiatives must provide ROI, cost reductions, efficiency improvements, *and* improved citizen services.

Many cities are wondering how to find investment dollars for these new projects and also how to sustain them over time. Leveraging consultants with the right experience at bridging stakeholder requirements and aligning project objectives, consultants who have the process, technical, and even local government experience, and consultants with expertise in funding models, public/private partnerships, performance contracting, and/or capital raising initiatives is essential.

FUTURE OUTLOOK

IDC MarketScape U.S. Business Consulting Services for Smart Cities Market Vendor Assessment

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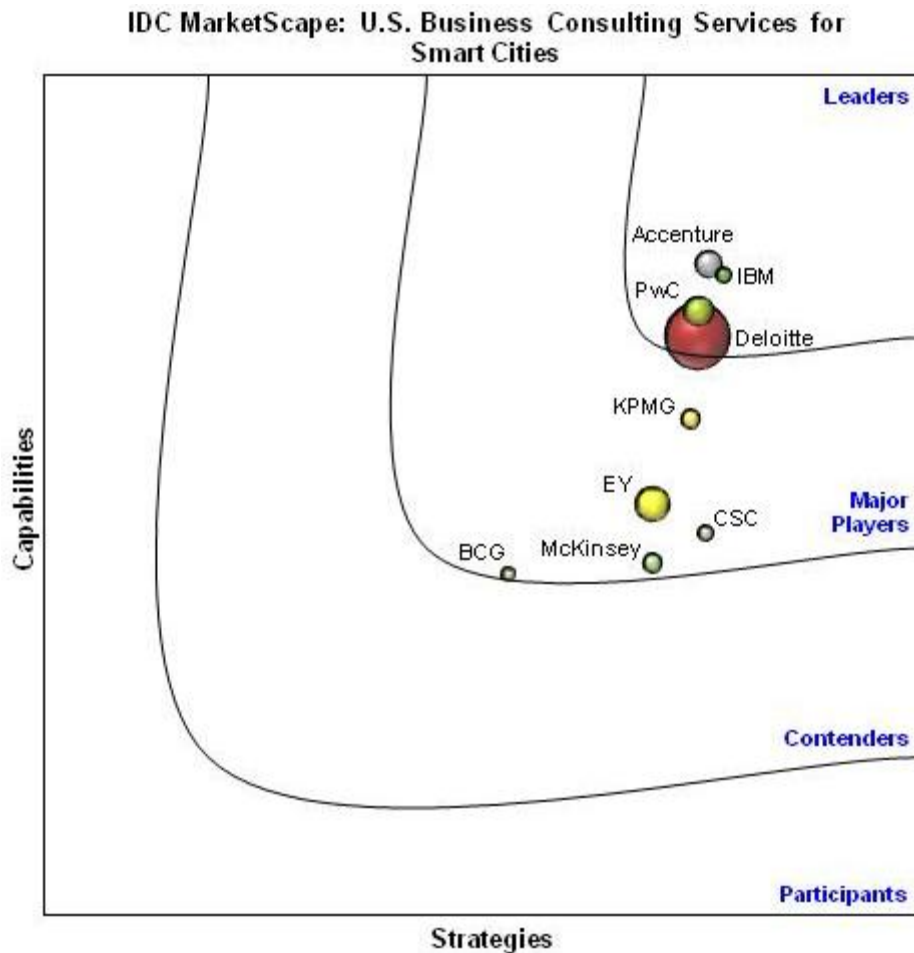
Positioning on the y-axis reflects the provider's current capabilities and menu of services and how well aligned it is to customer needs. The capabilities category focuses on the capabilities of the company and services today, here and now. Under this category, IDC looks at how well a provider is building/delivering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

F I G U R E 1

IDC MarketScape U.S. Business Consulting Services for
Smart Cities Vendor Assessment

IDC MarketScape: U.S. Business Consulting Services for Smart Cities

Source: IDC, 2013

Provider Profile

PricewaterhouseCoopers

According to IDC analysis and buyer perception, PricewaterhouseCoopers (PwC) is an IDC MarketScape Leader for business consulting for U.S. Smart Cities projects.

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. PwC provides services through three divisions or "lines of service": assurance, tax, and advisory. From strategy through execution, PwC Advisory helps clients build their next competitive advantage. Its Assurance practice collaborates with clients so that the financial information they report to the investing public and other stakeholders is clear and reliable. Through its Tax practice, PwC assists

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businesses, individuals, and organizations with tax strategy, planning, and compliance, while also delivering a wide range of business advisory services.

PwC's Center for State and Local Government is organized within the Public Sector Practice. Nearly 10,000 PwC partners and staff around the world are serving government and public services clients.

PwC's vision for its State and Local Government Practice is to "help state and local governments connect citizens to government, plan and drive investments, and increase efficiency to promote long-term economic, environmental, social, and cultural prosperity." Within the execution of this strategy, PwC focuses its service offerings on the trends that impact all levels of state and local government around the nation:

☑ **Economic development** focuses on driving action to promote economic growth and sustainable development, generate employment opportunities, and realize sustained economic development.

☑ **Sustainability** focuses on promoting sustainability, integrating sustainable development concepts into broader operations, and realizing cost efficiency and short-term and long-term benefits from sustainability initiatives.

☑ **Health** focuses on understanding changing demographics, innovation in care and management, cost pressures, and legislative change and managing care for millions of citizens, including paying, providing, measuring, and regulating healthcare through regulatory and policy analysis, business process reengineering, health IT systems design, and strategic program management.

☑ **Utilities** focuses on strategy, planning, and implementation advice to utilities that receive public funds, including large power, water, and energy companies.

☑ **Transportation** focuses on working collaboratively to rethink service delivery models, plan for future investments, and deliver on the promise of technology and innovation through strategy, analytical, and program management services, as well as specific support in key areas such as transportation payments, asset management, customer engagement, capital improvements, technology management, and operational efficiency.

☑ **Fiscal management** focuses on wide-reaching financial implications of state and local government decision making, including expenditure analysis, revenue analysis, investment optimization, sourcing strategies, and public/private partnership structuring.

☑ **Program management** focuses on a strategic approach to managing projects across agencies and organizations, program management, project management, quality assurance, vendor management, procurement management, and program management competency design.

☑ **Technology** focuses on how to get the most of technology assets, ensure organizational and technology goals are aligned, plan for future technology investments, address enterprise architecture planning needs, develop focused technology strategies, conduct transparent technology selections, execute technology organizational improvements, deliver technology projects successfully, evaluate information security, and ensure business continuity management.

☐ **Operations and organization** focuses on efficient operations, aligning operations with organizational goals and executing on operational improvements through supply chain optimization, customer contact operations, maintenance, asset management, payment processing, and administrative functions. Additionally, it focuses on understanding staffing needs to design more effective organizations and to manage organizational change, as well as specialized shared services, talent management, and compensation planning services.

☐ **Strategy** focuses on organizational mission, vision, and high-level goals and translates these into tangible strategic plans and specific actions through executive working sessions, extensive benchmarking, organizational analysis, and performance management to build strategies, plan for execution, and evaluate progress.

Through a continually evolving project created for cities, their leaders, businesses, and citizens seeking to improve their economies and quality of life, PwC developed the comprehensive study, *Cities of Opportunity,* which provides a framework for thought and action among the world's and the United States' most significant cities. The latest fifth edition includes analysis of 27 cities that exemplify a key capital market center, represent a broad geographic sampling, and comprise both mature and emerging economies.

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

Strengths/Opportunities

In the U.S. Smart Cities sector, PwC is seen as 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 considered to be among the most capable at helping drive innovation through an organization, leveraging local and global staff appropriately, maximizing the value of a project, and providing industry insights and competence. PwC is perceived to be better than many of its peers at directly improving clients' overall mission performance, helping enterprises create a more effective business, integrating appropriate analytics into an engagement, and transferring knowledge to the client.

ESSENTIAL GUIDANCE

Guidance for Buyers of Consulting Services for U.S. Smart Cities Projects

Business requirements demand solutions that work holistically within an enterprise. These solutions are often complex and require a 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 enterprise leaders must:

☐ Assure project is strategically valuable to assure full organizational commitment to change.

- ☑ Create visible links between project strategy and "mission execution."

- ☑ Integrate all impacted departments/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.

As Smart City projects often have a transformational component, it is also important that city buyers begin to explicitly state the need for innovative solutions or ideas in RFPs and throughout the procurement process. Cities often complain that consulting firms do not bring innovation into the process as they would in private sector accounts; this may be true, but part of the onus for this is on city buyers themselves. With procurement processes that are highly specific and often with rigid paperwork requirements, cities must ensure that innovation and transformation are integrated in to Smart City project requirements.

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)

- ☑ *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 Smart Cities 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 sometimes fail to 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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