

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.

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 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.

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.

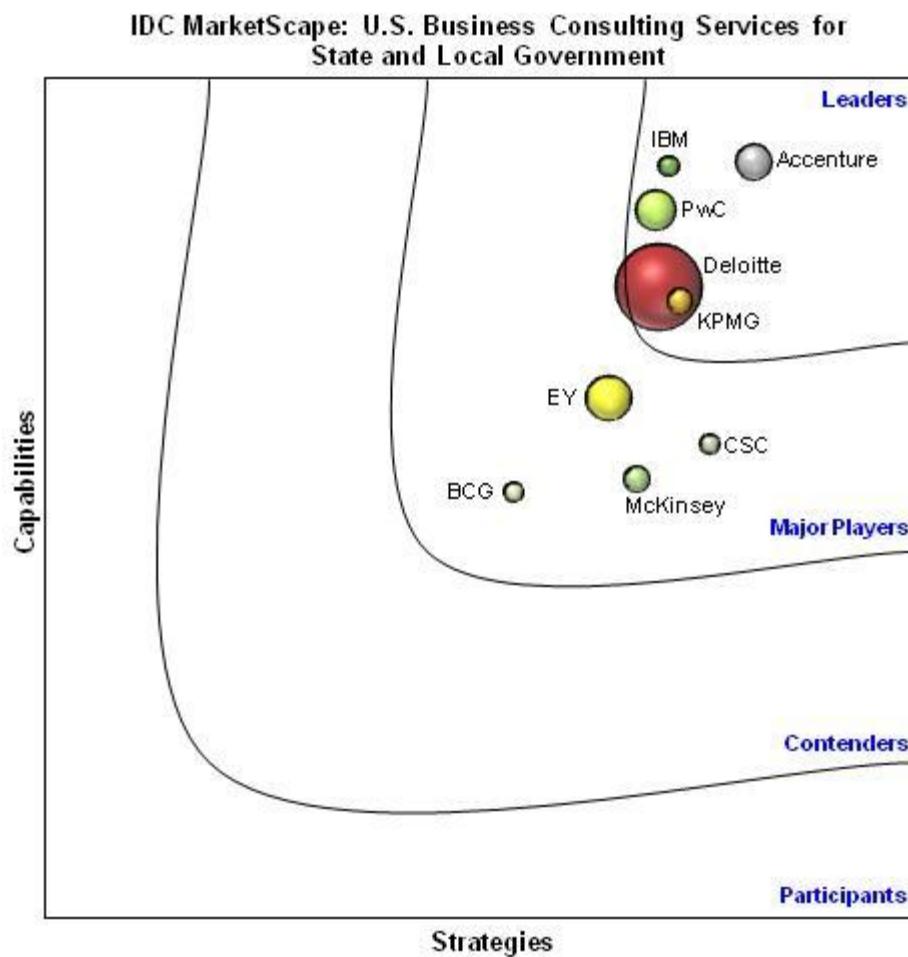
Positioning on the y-axis, or the capabilities axis, reflects the provider's current capabilities and menu of services and how well aligned it is to customer needs. The capabilities category focuses on the capabilities of the company and services today, here and now. Under this category, IDC looks at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



Source: IDC, 2013

Provider Profile

PricewaterhouseCoopers

According to IDC analysis and buyer perception, PricewaterhouseCoopers (PwC) is an IDC MarketScape Leader in U.S. state and local 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. 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. PwC's 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 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. In detail:

- 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 goals 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 a 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, 5th edition, includes analysis of 27 cities that exemplify a key capital market center, represents a broad geographic sampling, and comprises 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

For state and local government consulting, 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 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 commercial 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 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: 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 U.S. business consulting services for state and 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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