



RISK MANAGEMENT: PwC'S NEWEST NEXT PLATFORM

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In mid-February, TBR met with senior leaders from PwC's U.S. Cybersecurity, Risk & Regulatory practice, including Vikas Agarwal, the firm's Financial Crimes Unit leader, and Arlene Laungayan, a director in the firm's Cyber Risk & Regulatory practice. The PwC team brought TBR up to speed on developments across the firm's range of offerings, focusing on the Risk Management Portfolio. PwC's risk management strategy is driven by the firm's Cyber, Risk & Regulatory leader Sean Joyce and his managing partner John Sabatini under consulting and firm leadership. The following reflects both the mid-February briefing and TBR's ongoing analysis of PwC within the larger management consulting space.

► RISK EVOLVES ALONG WITH THE NEW EQUATION

After setting the stage with an update on organizational changes and a description of some recent client engagements, including timely advice provided to clients on the secondary and tertiary effects of economic sanctions imposed against Russia over the invasion of Ukraine, Agarwal commented that while PwC has collaborated closely with the largest technology vendors, the professional services firm does not aim to "be a tech company." PwC instead aspires to be "the best knowledge company, well equipped to merge knowledge with technology." In the context of risk and regulations, PwC is capable of helping clients understand key issues and challenges, develop meaningful content, and deliver services through a solution. Not surprisingly, Agarwal led the discussion with PwC's The New Equation, and his description of PwC's value and how it is delivered dovetailed well with both The New Equation and TBR's evolving view of PwC as a firm. Risk and compliance may be one of the oldest service lines offered by PwC and its Big Four peers, so successfully pulling technology through to the heart of risk offerings requires balancing speed, efficiency and evolving client expectations for the tried-and-true characteristics of risk and compliance (consider that one of The New Equation's founding principles, according to PwC, is that "when our better selves and the greatest aspects of technology are brought together, there is no opportunity too great for us to achieve.").

While internal change continues to drive PwC's evolution, Agarwal and his colleagues did note the importance of changing client demands, particularly as the total number of chief compliance officers has increased in recent years, particularly within the Fortune 500. CEOs and CFOs, in Agarwal's telling, have become "sick of chasing the issues" and have looked to chief compliance offices to "solve risks in silos, but [to] tell the story at the top [and to] understand and communicate" to the full enterprise the criticality of risk and compliance to the overall business. Dealing with multiple people within an



organization around risk issues could be a winning strategy in two ways. First, the more people and personas PwC interacts with, the more the firm's value becomes clear to its clients. Conversely, consulting on risk only with a chief compliance officer and a limited risk team potentially places restrictions on PwC's overall relationship with the client. Second, maturity, with respect to risk, will vary across an organization, providing an opening for PwC to serve clients with appropriate solutions for their needs. Of course, being able to serve multiple stakeholders within a client and at various maturity levels requires a robust set of risk and compliance offerings.

➤ **UPSKILL, ASSESS, TRACK, DETECT, CONTROL AND SOLVE**

Acting on the appreciation for clients' new problems and perspectives, PwC has created a Risk Management Portfolio, which includes 20 to 25 offerings and products clustered into six categories: upskill, assess, track, detect, control and solve. In short:

- As part of their upskill category, they leverage PwC's ProEdge solution to provide training specifically designed around cybersecurity, risk and regulation, including scenario simulations centered on cyber
- In support of the assess category, they leverage PwC's Ready Assess product to quantify and benchmark risk across the risk spectrum
- In their detect category, PwC brings multiple products that employ a data platform and analytics to support fraud, cyber-analytics, anti-money laundering, anti-bribery and counter-terrorist financing issues.
- Their control category captures the core need to monitor risk and security in ERP systems like Oracle and SAP and emerging cloud solutions like GCP, Azure and AWS
- In their solve category, they take the entire portfolio further along the spectrum, helping to address the core business needs associated with risk and compliance specifically in Financial Services and Life Sciences.

Overall, the Risk Management Portfolio offerings and products above generated \$200 million in revenue for PwC in 2021, according to Agarwal, of which roughly half came from managed services engagements. Globally, clients gravitated toward the middle categories — assess, track, detect and control — while U.S. clients made up most of the clients subscribing in the categories of upskill and solve. While \$200 million and growing does not represent a large portion of PwC's overall global revenues, \$100 million came from managed services, PwC's newly adopted business model that has become further embedded in the firm's future outlook and adds to the solid foundation the firm has built over the past five years.

➤ **SAAS OFFERINGS EMBEDDED IN A CONSULTANCY**

Pivoting back to PwC's approach to clients, Agarwal commented that PwC Risk products, such as ProEdge, pull through consulting opportunities. For example, Agarwal noted, "When someone has our risk assessment tool, an alert leads to a conversation." For a Big Four firm, this reversal of the standard pull-through pattern presents both a massive opportunity for growth and a huge challenge requiring the management of internal change, the firm's external brand, and expectations from clients and technology partners. Agarwal, like many of the PwC leaders TBR has spoken with over the last few years, fully recognized the need for internal change, as well as the essential business model drivers: higher value, tech-enabled, and lower cost. In other words, PwC now has SaaS offerings embedded in a consulting firm and supported by a talent, markets and technology strategy that continues to evolve.



In TBR's view, PwC's outlook for 2022 echoes Netflix's positioning in 2007, the year that the film subscription service first offered streaming services to its customers. PwC's consulting practices, in coordination with tax and assurance, established a SaaS business model and built a portfolio to begin addressing clients' needs from human resources to risk management to mergers and acquisitions. As the portfolio expands and clients stress-test PwC's ability to deliver consistently and at the quality level expected from the firm, PwC will be challenged. Talent management, ecosystem partnering, and developing and securing IP are all issues PwC must successfully address this year as the Products portfolio matures. Based on the characteristics of PwC's evolution to date — building from the foundation up, growing smartly, and ensuring leader commitment — TBR believes the firm will arrive where it wants to be by the end of the year.

As part of TBR's ongoing analysis of the Big Four, the management consulting market, and the IT services industry overall, we will continue to assess PwC's evolving Products portfolio, ongoing investments in talent and changing technology partner landscape, with the last component including both big technology powerhouses enabling scale and niche vendors providing depth around capability areas. TBR's scheduled analysis of PwC is included in the spring and fall editions of our Management Consulting Benchmark.

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