

The *ALM Vanguard*: Strategic Risk Management Consulting



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Overview

Capability Drivers

The objectives of strategic risk management are two-fold: to consistently address, prioritize and manage critical risk exposures from across an organization as an interrelated portfolio of risks, and to integrate a formal consideration of risk in the strategy setting environment to enable leadership to make balanced trade-offs between risk and opportunity in the pursuit of value. Expectations for effective risk management, oversight and communication is rising due to both internal and external stakeholders placing new demands on the board and executive leadership. Leading firms rise to the challenge in the following ways.

Elevating risk management to the executive level. Boards often need education on the value of risk management to elevate it where it should be, not as a compliance exercise, but rather as a regular part of the board agenda. This education is imperative to ensure risk management gets the right attention and resources it deserves. Leaders bring their tremendous depth of experience and business acumen from implementing numerous programs in a wide variety of circumstances to help clients select an appropriate operating model and governance framework that are consistent with their institutional type, complexity and risk tolerance. They also embed governance and infrastructure elements that ensure risk management becomes an integral part of the steering process on an ongoing basis. A well-designed operating model, coupled with strong organizational buy-in, goes a long way toward the successful execution of all other enterprise risk management program elements.

Bringing risk appetite to life. Risk appetite determines how much risk a company is willing to assume in conducting business. Leading firms work with boards to develop risk appetites that align with strategy and business objectives. The process typically involves workshops, interviews, and surveys that tend to be similar, but the content and outcome are unique for every company. Consultants inform the discussion by offering different points of view and industry or market perspectives to spur outside-the-box thinking, help clarify risks, and develop a consensus point of view that allows Boards to group, rank, and score potential risks based on clear and shared assumptions. Leading firms introduce specificity around risk assessments and appetite statements, validating each with deeper analysis into specific issues and substantiating them with specific, quantifiable metrics (e.g., value at risk) linked directly to business performance (e.g., margins).

Creating a comprehensive yet simple view of risk. Data is at the heart of risk management. The challenge in risk management is not a lack of information, but instead getting the right data, and employing analytics capabilities and presenting it in a manner that draws out meaning from that data. It also involves aggregating risk information from across an organization in a common and consistent manner. Leading consultants use the process of aggregating risk data to improve, streamline and automate risk reporting by eliminating duplication, introducing the best technology and analytical solutions while embedding a standard taxonomy. The result is holistic and integrated systems based on consistent methods that can serve multiple users – from risk, strategic planning, finance and performance management – with the proper granularity of information, including a simple, up-to-date view of the organization's most critical risks for the board.

Shifting between the forest and trees. Risk affects many areas and requires a broad set of skills. Leading firms demonstrate top-down with bottom-up execution in aligning broad strategic imperatives with front-line technical processes. They

Overview

Capability Drivers

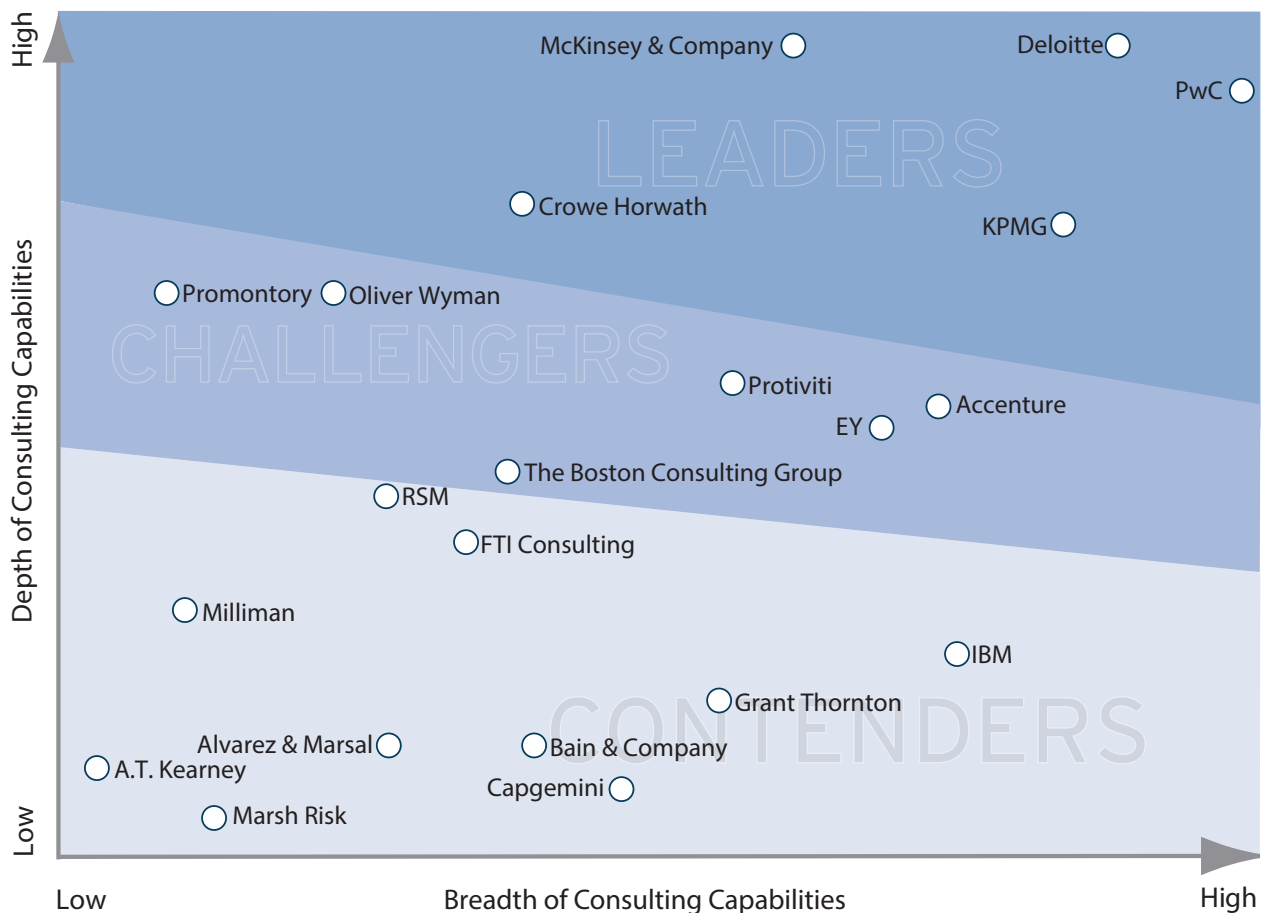
seamlessly bring together multi-disciplinary teams with the best combination of broad industry and subject matter experts with specialized data scientists and digital engineers across a host of businesses, IT processes, industries and geographies. In financial services, for example, this may include bringing an outside-in perspective of former regulator consultants to assess client methodologies and then utilizing experts in data scientists with scenario modeling capabilities to optimize specific fraud, credit or capital management risk models and then link and elevate outcomes in a manner relevant at the board level. Clients increasingly want consultants who can deliver these types of integrated solutions instead of piecemeal offerings. This necessitates firms being able to engage around the risk agenda at all levels of the organization.

Preparing for the future. Risk is dynamic, and leaders recognize they must commit to research and development to expand their intellectual capital and thought leadership and advise clients on emerging trends and ideas. They constantly innovate and invest in expanding their consulting capabilities and service offerings to stay in front of client challenges, help them anticipate change, and be more proactive in shaping future.

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

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 Horwath Deloitte KPMG McKinsey & Company 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 The Boston Consulting Group EY Oliver Wyman Promontory Protiviti | 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 Alvarez & Marsal Bain & Company Capgemini FTI Consulting Grant Thornton IBM Marsh Risk Milliman 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 | <p><i>“PwC helps companies generate better value from their risk management programs by better aligning their operating model with the organization’s strategic and business objectives. It seeks to transform risk management function from a bolt-on activity into one that permeates organizational culture in both protecting the company and in creating value.”</i></p> |

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 | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| The Boston Consulting Group | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Capgemini | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Crowe Horwath | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Deloitte | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Grant Thornton | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| EY | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| FTI Consulting | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| IBM | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| KPMG | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Milliman | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Marsh Risk | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| McKinsey & Company | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Oliver Wyman | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Promontory | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| 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 |
|------------------|----------|--|
| Operating System | PwC | PwC is distinguished in its ability to develop and implement enterprise wide risk management programs that are consistent and aligned across risk types and business units, working with the clients to establish appropriate risk strategies, operating models and governance structures adapted to their specific culture and risk appetite. |

Source: ALM Intelligence

Provider Briefs

Leaders

| PwC | |
|-------------------------------|--|
| Approach | PwC Risk Consulting seeks to enhance value from client risk management programs by both embedding them deep into front line decision-making and performance management while simultaneously elevating them to meet the strategic objectives of boards, executive leadership and other key decision makers. 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 Consulting 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 delivers a comprehensive, globally consistent, structured yet flexible suite of services to address the full range of client risk-related issues including strategy, governance, execution & operations, treatment & event response, validation, and regulatory risk and compliance. Service delivery targets three core elements: governance, organization and culture, process and tools, technology and data. The firm builds upon the client's existing risk programs, focusing on strengthening linkages to business units as it matures capabilities at all organizational altitudes such that risk management evolves from a separate function into an integral part of daily front line operations as well as in the strategy setting environment. To this end, the firm is constantly innovating on its already sizeable collection of services and solution tools that help clients deliver relevant and actionable forward-looking insights to key decision makers to stay abreast and respond proactively to emerging risks and opportunities. Most recently, the firm is developing programs to help clients obtain more value from their government and regulatory affairs function. 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

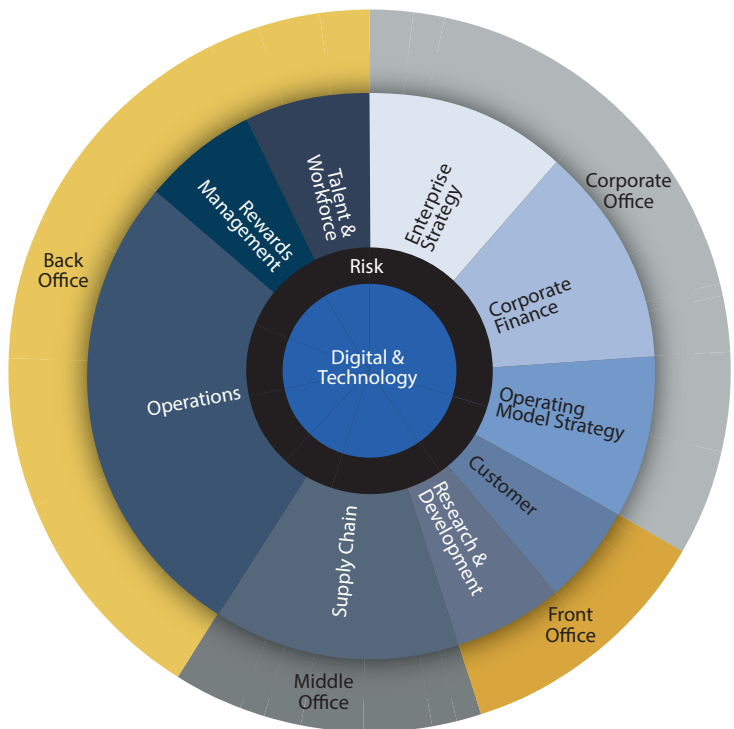
Definitions

What is Enterprise Strategy Consulting?

Enterprise strategy consulting forms part 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

Strategic Risk Management Consulting Provider Capabilities

| Capability Areas | Capabilities | Descriptions |
|------------------|--------------------------------------|---|
| Discovery | Needs Assessment | Establishing goals and objectives for the project and determining which stakeholders need to be involved from the client organization, consulting firm, and third parties |
| | External Market Insight | Using knowledge and experience to create hypotheses through trend analysis, benchmarking, maturity assessments, and case studies |
| | Internal Client Insight | Obtaining internal client insights through assessments, data analyses, interviews, and workshops, and incorporating findings in the business case and roadmap design |
| Design | Strategy | Aligning the strategy with the goals of the client's talent and business strategies |
| | Operating System | Configuring client resources – information, technology, talent and other assets – to generate the value-add intended by the strategy |
| | Management System | Mobilizing, managing, measuring, and motivating client resources to execute the strategy through governance, organizational structures, and performance management |
| Delivery | Project Management | Allocating, aligning, and coordinating resources in sequenced activities to execute and sustain the strategy |
| | Client Capability Development | Developing the client's technical skills and adapting mindsets and behaviors to execute and sustain the strategy and process design |

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

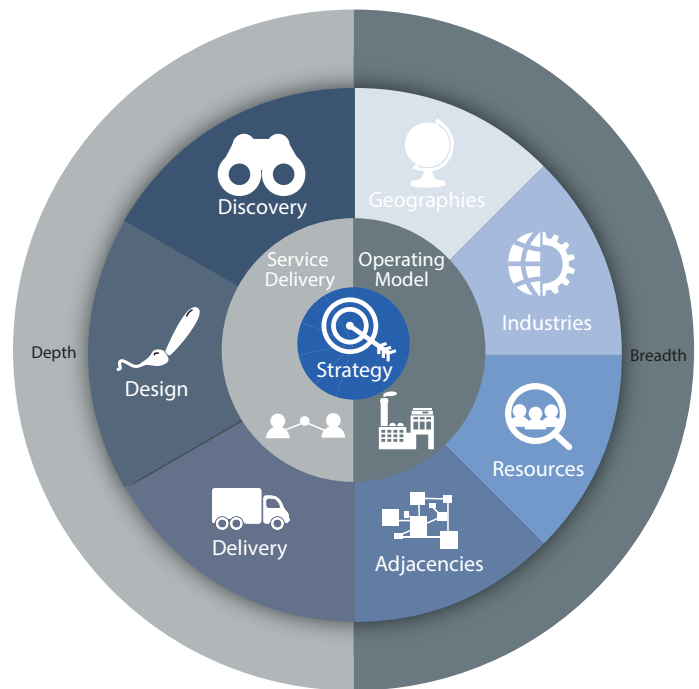
How We Evaluate Consulting Providers

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/consulting-industry.

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