

The *ALM Vanguard*: Procurement Operations Consulting



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Overview

Capability Drivers

Procurement operations continue to elevate and evolve within client organizations, driven largely by digital innovations and cost savings realized through their implementations. Breaking down the traditional silo approach to procurement functions has led to better understanding of the value the function brings to the organization. Using procurement as a key lever in the effective execution of overall business strategy is more commonplace as the role of the CPO continues to expand. With that expansion, however, comes increased responsibility. To that end, procurement functions are increasingly expected to step up capability beyond the confines of the function itself. Thinking outside the box to improve client business through the procurement functions and supplier networks is gaining in popularity, and consultants continue to look beyond operating model design to deliver innovations that increase the function's impact.

While providing support that continues to evolve even the most advanced procurement operations is a goal of advisory leaders in this space, it is also important to remember the core operating models and foundations that can drive that advancement forward. That said, there are several aspects of procurement operations consulting that leaders within this space have in common.

Ability to assess client maturity. Clients of procurement operations consulting span the spectrum of maturity in this capability. Where these clients fall on this spectrum ultimately dictates the type of advisory support needed, providing a starting point for strategic roadmaps to a strong value driven procurement function. Leaders in procurement operations consulting possess robust assessment capabilities of clients' as-is state, utilizing best practices and thorough benchmarking data to assist in not only identifying gaps in client capability against today's standards, but also to help convey the value-prop of evolution to the C-Suite. With the plethora of options before a procurement division for evolution, an understanding of a client's place in industry and geography, and the ability to communicate the value of change will go a long way in strategic road mapping for that evolution. This is particularly true for clients seeking to undergo digital evolution, where a strong business case is needed to justify the expenditure for those innovations as they become more numerous.

Ability to identify and mitigate risks. Risk for procurement operations is multi-faceted, and continues to grow in complexity as operational transparency is increasingly commonplace due to the implementation of new technologies and communications. Geopolitical tensions and market volatility create challenges for CPOs, having to design operating models that adapt quickly to changing environments to ensure operations are not disrupted. Leaders of procurement operations consulting have a thorough grounding in operational, financial, and reputational risk, providing a comprehensive risk management strategy built into operating model strategy.

Ability to alter behaviors and mindsets. Organizations with advanced procurement operating models largely understand the function's value add to the organization and its ability to positively impact business strategy goals. However, this perspective is not ubiquitous across client organizations that still operate under traditional models with silo approaches. The challenge for these organizations is to develop a strategy all divisions see as key to success and thus gain the requisite momentum across the enterprise to ensure strategy sustainment. Leaders of procurement operations consulting understand

Overview

Capability Drivers

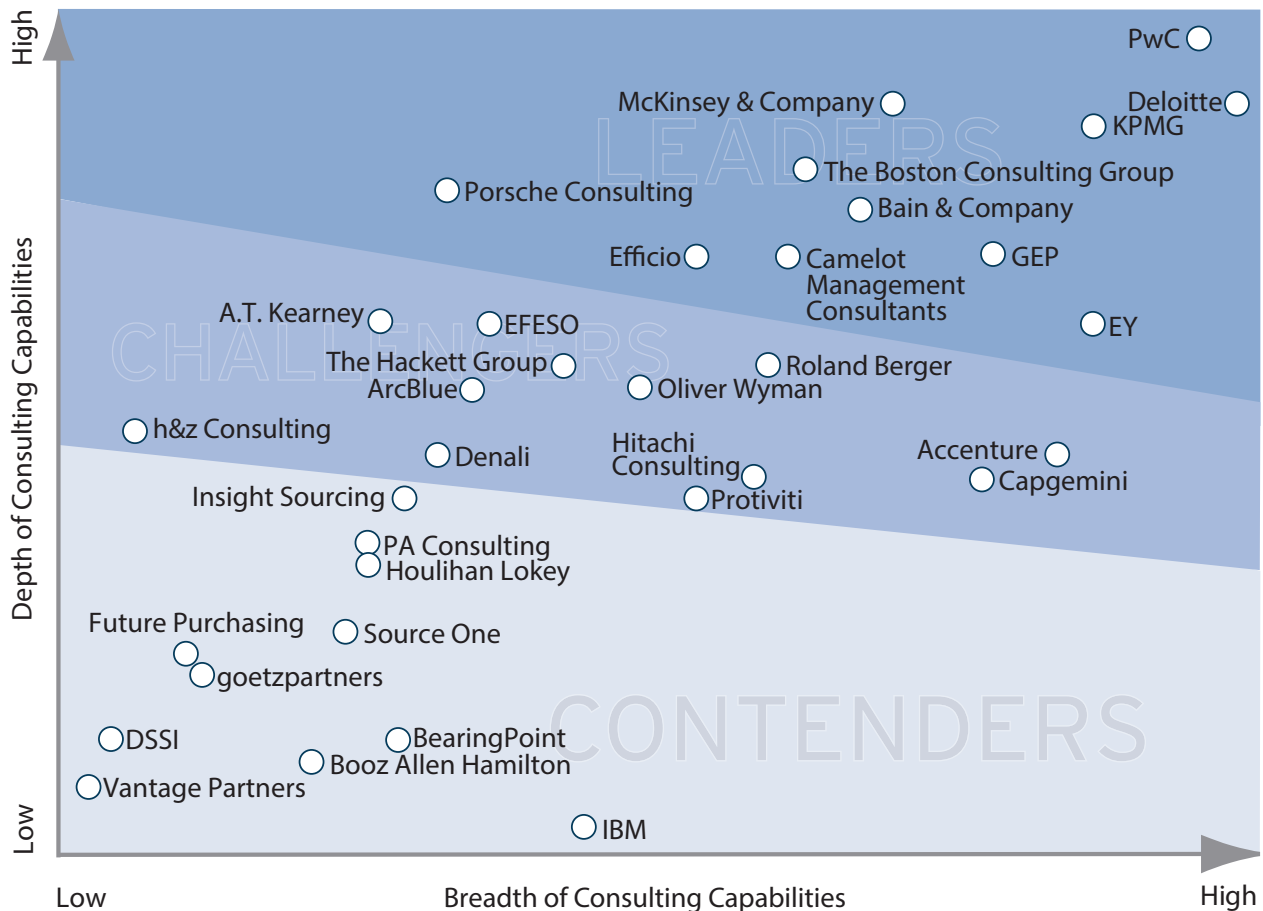
the need for an enterprise-wide approach and have in-depth solutions that not only enable workforces to enact strategies, but also imbue a sense of enthusiasm that can lead to continued innovations even after the consulting engagement has ended.

Ability to identify and deliver the latest digital innovations. Digitalization continues to have the single greatest impact on procurement operations, and leaders within this space recognize and capitalize on it to bring the greatest efficiencies and optimizations possible to their clients. Improved digital platforms and analytics capabilities enable operations assessments faster than ever before, while creating more opportunities for interconnectedness in internal and external client operations, particularly with regard to collaboration with suppliers. However, as digital tools and innovations become more commonplace, consultants are faced with new challenges from clients wary of the slew of options before them. Previous experiences with poor digital implementation and lost revenue has created a digital reticence among some clients, thus increasing the onus on consulting firms to provide a strong business case with fast and measurable results. Leaders of consulting in this area not only provide past qualifications to justify investment in digital innovations, but also client specific potential value-add through strong industry expertise and advanced simulation workshops that create excitement within the C-Suite to adopt new solutions.

ALM Vanguard of Procurement Operations Consulting Providers

The ALM Vanguard of Procurement Operations 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 procurement operations 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.

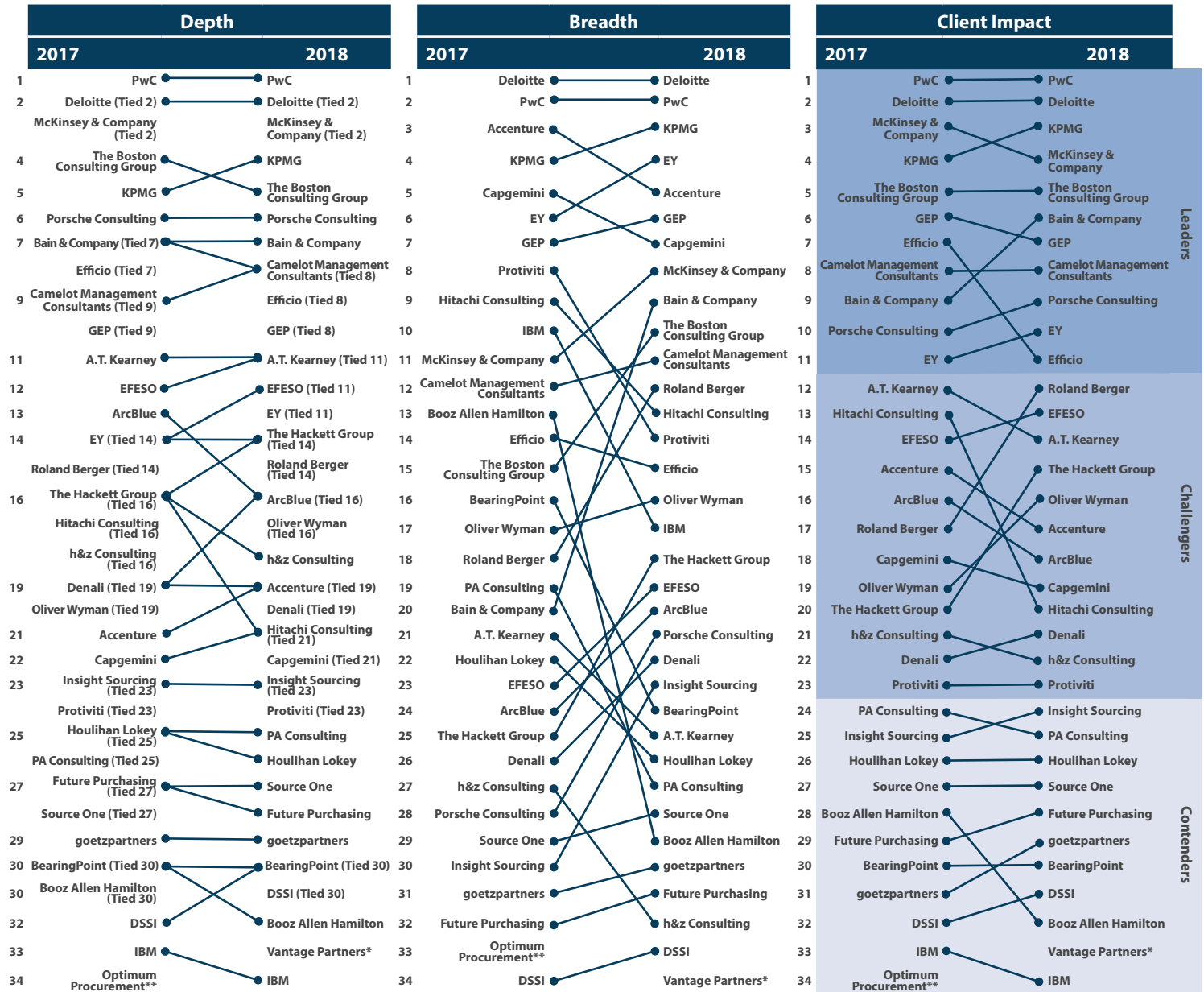
Consulting is distinctive from other industries because of the variety of client contexts that providers encounter in terms of ambitions, needs, and abilities that alter what it takes to create impact. As providers seek to deploy their capacity to create client impact (depth) across industry sectors, 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

Provider Capability Rankings

The figures below indicate the change in consulting providers' ranks in terms of their overall capability depth, breadth, and client impact. (See the Definitions section of this report for a detailed breakdown of underlying capabilities.) Ranking position number one denotes the top-ranked provider.



*Firms not previously covered, **Firms not covered in 2018

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	Bain & Company The Boston Consulting Group Camelot Management Consultants Deloitte Efficio EY GEP KPMG McKinsey & Company Porsche Consulting 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	A.T. Kearney Accenture ArcBlue Capgemini Denali EFESO h&z Consulting The Hackett Group Hitachi Consulting Oliver Wyman Protiviti Roland Berger	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	BearingPoint Booz Allen Hamilton DSSI Future Purchasing goetzpartners Houlihan Lokey IBM Insight Sourcing PA Consulting Source One Vantage Partners	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 Procurement Operations Consulting Providers comprises the following Leaders.

Leaders	Strengths
PwC	<p><i>PwC possesses a strong depth in procurement operations advisory capability, complemented by a notable breadth of services that tie into its other capability areas. The firm's ability to rapidly provide on-demand surge support resonates with clients seeking quick and adaptable solutions. PwC's strong strategy consulting ties procurement operations evolution in with other areas of the business to create an enterprise-wide transformative approach that breaks down silos and realizes the true value of the procurement function from a cost optimization as well as an overarching business strategy perspective.</i></p>

Source: ALM Intelligence

Provider Capability Ratings

The table below provides detailed capability ratings for Procurement Operations consulting providers. (See the Definitions section of this report for explanations of the capabilities.)

Legend: ● Very Strong ● Strong ● Moderate ● Weak ○ None

Provider Capabilities: Procurement Operations 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	●	●	●	●	●	●	●	●	●
ArcBlu	●	●	●	●	●	●	●	●	●
Bain & Company	●	●	●	●	●	●	●	●	●
BearingPoint	●	●	●	●	●	●	●	○	●
Booz Allen Hamilton	●	●	●	●	●	●	●	○	●
The Boston Consulting Group	●	●	●	●	●	●	●	●	●
Camelot Management Consultants	●	●	●	●	●	●	●	●	●
Capgemini	●	●	●	●	●	●	●	●	●
Deloitte	●	●	●	●	●	●	●	●	●
Denali	●	●	●	●	●	●	●	●	●
DSSI	●	●	●	●	●	●	●	●	●
EFESO	●	●	●	●	●	●	●	●	●
Efficio	●	●	●	●	●	●	●	●	●
EY	●	●	●	●	●	●	●	●	●
Future Purchasing	●	●	●	●	●	●	●	●	●
GEP	●	●	●	●	●	●	●	●	●
goetzpartners	●	●	●	●	●	●	●	●	●
h&z Consulting	●	●	●	●	●	●	●	●	●
The Hackett Group	●	●	●	●	●	●	●	●	●
Hitachi Consulting	●	●	●	●	●	●	●	●	●
Houlihan Lokey	●	●	●	●	●	●	●	●	●
IBM	●	●	●	●	●	●	●	○	●
Insight Sourcing	●	●	●	●	●	●	●	●	●
KPMG	●	●	●	●	●	●	●	●	●
McKinsey & Company	●	●	●	●	●	●	●	●	●
Oliver Wyman	●	●	●	●	●	●	●	●	●

Source: ALM Intelligence

Provider Capability Ratings Cont.

Provider Capabilities: Procurement Operations Consulting Cont.									
	Discovery			Design			Delivery		
	Needs Assessment	External Market Insight	Internal Client Insight	Strategy	Operating System	Management System	Project Management	Client Capability Development	Enabling Tools
PA Consulting									
Porsche Consulting									
Protiviti									
Roland Berger									
Source One									
Vantage Partners									

Source: ALM Intelligence

Best in Class Providers

Providers identified as best in class evidence deep capabilities in specific areas of procurement operations consulting and stand out from their peers for their highly effective and often innovative consulting approaches and service delivery.

Capability Areas	Provider	Strengths
Strategy	PwC	PwC's approach to procurement operations advisory leverages the firm's significant strategy capabilities, found primarily in its Strategy & division. The firm's Fit for Growth methodology provides a strong roadmap for strategic execution, aligning capability development to overall business strategy. Additionally, the integration of the firm's advisory capabilities for pricing, production, and HR strategy provide strong, enterprise-wide strategic planning support.

Source: ALM Intelligence

Provider Briefs

Leaders

PwC	
Approach	PwC approaches procurement operations advisory with an understanding that the growing complexity of the operation from internal and external factors places increasing pressure on clients within the function to be more agile, productive, and strategic. The firm guides clients through key decision points to optimize procurement operations, such as operating model design and S2P processes.
Practice Structure	PwC's procurement operations consulting services are housed in the firm's sourcing and procurement arm of its Operations practice and is composed of more than 800 global professionals.
Service Delivery Model	PwC offers a comprehensive suite of advisory services for procurement operations, including operating model design, M&A strategy, S2P design, and BPO strategy, among others. These services are offered with the goal of improving sustainable productivity of procurement functions, meeting new product development targets, and mitigating risk. The firm achieves these goals with clients through organizational design to break down silos and create enterprise-wide processes for optimized procurement with improved spend transparency that captures the value add of a well-designed procurement operation. Recognition of that value leads to improved credibility of procurement within an organization, elevating the role to a more strategic function via the firm's efforts to integrate procurement with client business strategy during the transformation process. PwC's source-to-pay solutions go beyond systems integration and take a broader business perspective to optimize the utility of new systems, tying the strategic with the tactical in areas such as procurement strategy, service delivery models, and risk & controls. Additionally, PwC's Procurement Delivery Hub provides on-demand surge capacity support to clients undergoing procurement operations transformation. The Hub provides in-depth benchmarking capabilities that allow clients to better understand their performances relative to like companies and adjust operating model designs and expectations for greater efficiencies. PwC draws upon its breadth of consulting capabilities for post-procurement transformation advisory, providing complementary services that augment operations. These include the firm's Fit for Growth strategic framework, pricing strategy, manufacturing strategy, and ERP transformation, among others.

Source: ALM Intelligence

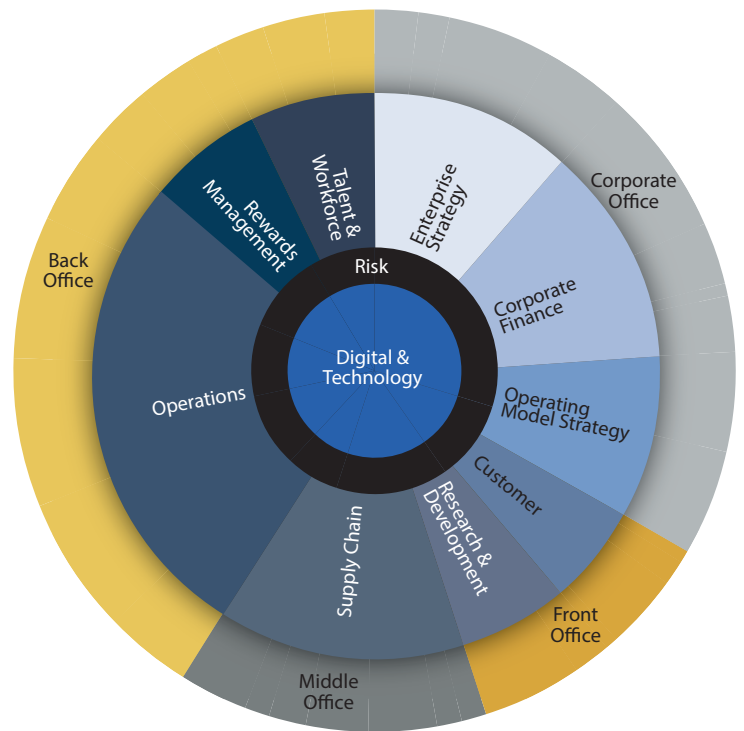
Definitions

What is Procurement Operations Consulting?

Procurement Operations Consulting is part of Operations consulting forms part of the management consulting services directed at clients' back office activities. Its objective is to improve the efficiency and effectiveness of clients' functions designed to support the execution of their strategies and the performance of their decision-making systems through services targeted at the missions, resources, processes, and governance of these functions.

Operations consulting consists of five services.

- Procurement: facilitating the execution of sourcing strategies designed to secure the inputs that will be transformed by the supply chain, including the source-to-procure and procure-to-pay process flows
- Service operations: improving the experience and outcomes of services-sector companies' activities for creating and delivering services to customers such as insurance underwriting or claims processing
- Finance: controlling the flow of financial resources, maintaining financial accounts, and reporting financial performance to guide management decision-making and comply with financial reporting regulations
- IT: activities and resources for creating, storing, structuring, and transmitting information across an organization to improve management decision-making and enable the execution of strategies
- HR: services for organizing, developing, and deploying a company's human resources to improve the execution of their strategies



Source: ALM Intelligence

Definitions

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
	Enabling Tools	Employing tools for diagnostic and design activities that support creating, executing, and sustaining the strategy

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

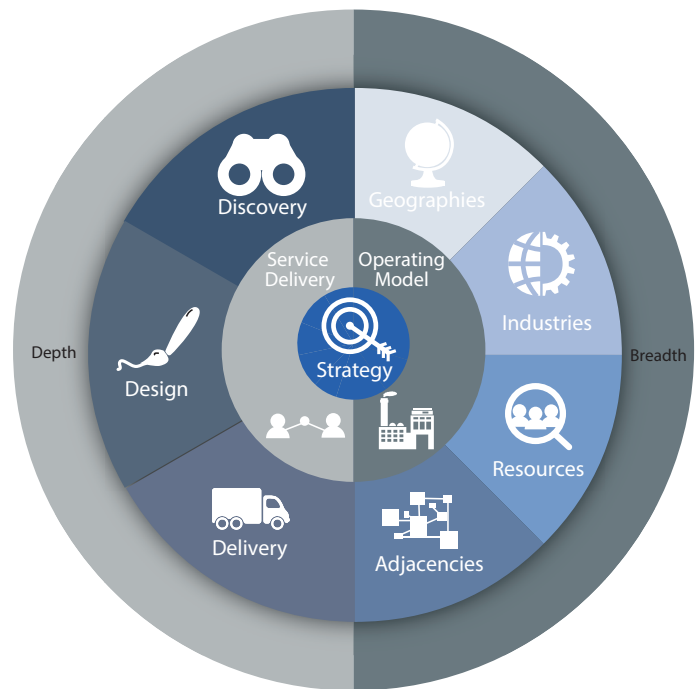
How We Evaluate Consulting Providers

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/industries-we-serve/consulting-industry/.

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