

► TBR EVENT PERSPECTIVE



PEOPLE, METHODOLOGY AND TRUST: PWC'S TOKYO EXPERIENCE CENTER

Author: Patrick M. Heffernan (patrick.heffernan@tbri.com),
Principal Analyst and Practice Manager

Publication Date: Oct. 23, 2018

After spending a day with PwC Japan's local leaders, hearing client stories and listening to how the firm will adapt to the "Business, Experience, Technology" (BXT) approach championed by the new Experience Center in Tokyo, it comes as no surprise the firm earns more than half of its consulting revenue from technology-related engagements. The PwC partner leading the center, Andrea Fishman Johnson, said the effort "starts with people and space, plus new methodology," adding that "solutions must be useful and useable" to create a place that clients will want to do more than visit for a few hours. It must be a place in which the firm can completely immerse clients in the BXT approach. Expanding the "B" and "X" elements will be PwC's near-term opportunity. Changing Japanese business culture will be the long-term challenge.

► UNCERTAINTY, GLOBALIZATION AND TRUST: HOW PWC SUITS THE JAPANESE MARKET

In describing PwC's presence in Japan, firm leaders said professionals in the consulting practice make up 2,500 of 7,300 total at the PwC Japan firm, with the practice's revenues growing more than 20% year-to-year.

Echoing sentiments expressed by PwC consulting leaders last month in New York City, the Japan-based team said systems integration (SI) work, currently earning approximately 20% of consulting revenues, would expand in coming years as the BXT model pulls through long-tail SI opportunities. Speaking more broadly about the Japanese market, PwC's leaders noted that their own research revealed that Japanese companies believe the U.S. and China matter most with respect to overall growth, with the U.S. economy increasingly more important to Japanese companies than China's economy. In addition, while global executives have cited overregulation, terrorism and geopolitical uncertainty as the top three threats to growth, Japanese executives are worried most about the availability of key skills, especially in digital and emerging technologies. Further rounding out the landscape, PwC's Japan-based leaders said local companies have expressed a renewed interest in overseas

EVENT OVERVIEW

Oct. 3, 2018

On Oct. 3, PwC's Tokyo Experience Center hosted its first-ever Analyst Day in Japan, marking a significant expansion of the firm's BXT approach across the globe. Leading the event, Koichiro Kimura, PwC's Japan group chairman and territory senior partner, outlined the firm's growth and strategy in Japan as well as initiatives launched by both the Experience Center and the firm's Data & Analytics (D&A) practice. PwC leaders and Japan-based clients rounded out the event with detailed examples of the firm's relationships and work across multiple offerings, including cybersecurity, business process reengineering, artificial intelligence and change management.



M&A opportunities, in part due to saturation of the Japanese market. PwC leaders added that previous “misconduct” by acquired companies and overseas subsidiaries makes some Japanese companies nervous, causing them to exercise caution and restraint when considering potential acquisitions. Even after folding in cybersecurity issues and overall political and economic risk, plus the costs associated with post-merger integration, the M&A picture appears positive, but quietly so. Within this complete market environment, PwC’s local leaders, including Susumu Adachi, Consulting CEO (Japan); Yukinori Morishita, Group Markets leader; and Nobuaki Otake, Business Transformation lead partner, repeated the message that PwC’s expanding role in Japan revolved around trust—a familiar refrain from previous PwC Experience Center visits and analyst events in Miami, New York, Shanghai, Toronto, and Frankfurt, Germany.

➤ **COMPELLING CLIENT STORIES AND A SHIFT AT PWC**

Among the client stories PwC presented, three stood out as useful examples of the firm’s opportunities and challenges in the Japanese market.

HELP RESEARCHERS JUST DO RESEARCH, WHILE CLERICAL TASKS GO TO THE CLOUD

The “Hiroshima Sandbox” story included plenty of details about the three years of government funding, the various players involved (i.e., the prefecture government, assorted nonprofit research agencies and PwC), and the emerging technological elements, such as artificial intelligence and Internet of Things, in ongoing proof-of-concept projects managed by PwC. Although not immediately clear at the outset, by the presentation’s end, a clear business case story emerged, illustrating how PwC had developed a technology-enabled solution to what likely constitutes a widespread problem: Researchers benefiting from government funding must meet high standards of accountability and transparency, which frequently require researchers to dedicate valuable research time to administrative and accounting tasks. By digitizing many of these tasks and taking them to the cloud, PwC essentially helps Japanese researchers in Hiroshima focus on doing research, while simultaneously increasing transparency around government funds. One can imagine countless researchers around the world who would rather spend four extra hours every week diving deeper into their fieldwork instead of swimming through necessary, but tedious, paperwork. The challenge for PwC remains coalescing this use case into a compelling story and leading with the business and experience elements, rather than the technology and project management components.

CEMENTING CREDENTIALS ON RISK AND CYBERSECURITY POSITIONS PWC FOR NEW OPPORTUNITIES

A second client story centered on cybersecurity services PwC provided to a regional utility company in advance of and through the May 2016 G7 Conference in Ise-Shima. Given the high stakes and the utility company’s concern around cyberattacks on its operational infrastructure, PwC provided comprehensive risk assessment, penetration testing, simulations and response testing, all specific to operational technology (OT) and aimed at developing preventive actions and quick-response counter measures. According to the client, PwC Japan’s cybersecurity team had relevant experience and individuals with the most expertise, making vendor selection relatively easy. The client did not elaborate on PwC’s ongoing cybersecurity services — the main event and case study presented dated back two-plus years — although this caution around speaking about current engagements tracks with similar client use cases in the cybersecurity field. Notably, neither the client nor PwC addressed questions around replicating this use case with other Japanese regional utilities. As TBR has seen at other PwC Experience Centers, sharing best practices and layering learnings within industries and across industries and clients can be one of the center’s most powerful tools in expanding the firm’s footprint with existing clients and growing into new accounts.



PINNACLE BXT IN POWER PRICE FORECASTING: SOLVE A PROBLEM, BUILD A BUSINESS, REPLICATE AND EXPAND

Perhaps building on the need to replicate success, the third important client story came from a product developed by PwC specifically to solve a persistent business problem. Japanese companies struggled to accurately forecast the wholesale power price, leading to uncertainty and unnecessary volatility. PwC constructed a forecasting platform with built-in automation and visualization, signed up 15 pilot clients, and will sell the service on a subscription basis. Setting aside the technology aspects, this story became the perfect capstone on the Analyst Day event for three reasons: First, PwC created a solution to a business problem, rather than taking a piece of technology and looking for a way to apply it; second, by selling through a subscription model, PwC expands its own business model and potentially open doors within those clients to pull-through additional PwC services; third, PwC intends to replicate the asset, potentially in Taiwan. Although PwC did not demonstrate the platform and its user interface, TBR expects it meets the firm's standards for customer experience, providing all the necessary components for a successful BXT engagement.

➤ A BRAND BUILT ON TRUST, EXPANDED WITH EXPERIENCE AND TECHNOLOGY

One Analyst Day event in a new Experience Center cannot capture the full story behind PwC Japan or reveal all the opportunities and challenges, and any broad assessment would miss the nuance and details presented intermittently throughout the event. While PwC Japan's brand will likely be enhanced as the Experience Center evolves, building on the consulting practice's success to date, broadening the appeal of the BXT approach across all clients may remain a lasting challenge, leading PwC Japan to be particularly selective about its clients and its talent. In a competitive market, being known for creating high expectations and even higher standards would fit well with the global firm's reputation centered on trust and relationships. One marker of PwC Japan's success with BXT and sustained successes as a firm could be the local D&A practice. With 250 professionals and a global mandate around three "frontier" offerings, D&A will need to adhere to its leaders' convictions that PwC does not examine client data and try to find insight applicable to the business. Instead, PwC starts with the business problem and uses data and analytics to work toward a solution. As that approach was echoed in all three client examples detailed above, TBR believes the foundation exists for sustained growth for D&A and the overall consulting practice, provided there is a sustained commitment to the BXT approach and trust at the core of all engagements.

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