

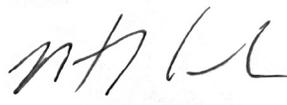
The *ALM Vanguard*: Procurement Operations Consulting



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Author



Nathan Simon

Sr. Director

T +1 212-457-9185

nsimon@alm.com

For more information, visit the ALM Intelligence website at www.alm.com/intelligence/industries-we-serve/consulting-industry/

Overview

Capability Drivers

As the gatekeeper for two-thirds of company costs, procurement is one of the most powerful transformation levers. That makes procurement the go-to target for cost reduction initiatives. But procurement transformations never take out as much cost as they should, and the gains rarely stick. Clients complain that consultants' cost take-out targets are overly optimistic. Consultants retort that clients are insufficiently ambitious. **The problem with bolt-on procurement transformations is they only superficially touch the procurement operating model.**

The formula for sustainable procurement performance gains is well-known: data transparency plus integration with the business plus supply market knowledge. But the formula most companies actually follow is the standardize-automate-outsource formula developed in other back-office operational functions to reduce and control general and administrative (G&A) expenses. The difference is that procurement is not principally a G&A function, which makes a control model a mismatch. Procurement got the seat at the executive leadership table it wanted, but it is the wrong one. The added irony is that those other operational functions have since moved on to enact deeper operating model transformations. **The unlock for them is the elevation of effectiveness alongside efficiency as equal priorities. But that always comes with a growth agenda, which companies rarely extend to procurement.**

Procurement speaks the language of value, but instead manages process. Category management, billed as an expert-led operating model solution, turns out to be a highly non-strategic model that inadvertently cordons procurement off from the business it should rightfully be part of. Coupled with industry consolidation, category management is, moreover, contributing to increasing concentration in supply markets, making for a more formidable context from which to extract incremental savings. **The upshot is that the classic formula of standardize-automate-outsource does not work anymore even as a pure efficiency play.**

Now external shocks, trade restrictions, geopolitical uncertainty, and sustainability are altering the nature of required procurement capabilities, elevating resilience and supplier collaboration. At the same time, companies are reining in procurement outsourcing strategies that in sacrificing control broke the link in continuous improvement programs. While not a full-throated growth agenda, these currents are nudging procurement towards a more instrumental role in company strategy. **But at the heart of the procurement operating model is a disease, the symptoms of which are an under-resourced, high-turnover, low-skilled talent model.**

Two consulting schools of thought are emerging for how best to cure the patient. Both rest on a digitized process foundation that can massively reduce the resource burden for core negotiation, buying, and reporting procure-to-pay activities, while surfacing new insights to drive source-to-contract category management, strategic sourcing, and contract management. But the two schools build upon this foundation radically different procurement organizations.

- **One school of thought accepts this second-best category management context and targets a "lights out" procurement operating model, which is data-driven and automated.** This model rests on a foundation of labor-replacing, digitally enabled workflow and spend analytics tools augmented by labor-arbitraging managed services.

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Capability Drivers

Consultants who espouse this model differentiate themselves by their ability to facilitate and accelerate the adoption of their target operating model blueprints and then sustain it through a well-oiled managed service machine. Success for these firms consists of continuously targeting, tracking, and delivering new sources of cost savings.

- **The other school of thought aims to instill a first-best procurement operating model by changing the procurement context.** These consultants also build on a foundation of digitally enabled workflow and spend analytics tools; the difference is that clients continue to own the data as opposed to the consultants. Where these consultants make their mark is their vision for a beyond-category management procurement operating model and their ability to change client ways of working. While no dominant design has yet emerged for this model, a customer-orientation akin to the combination of high-touch customer success and low-touch outside sales organizations pioneered by tech companies and agile, cross-functional teaming across procurement, business units, and IT are common features.

This is not a man versus machine debate. It is a much more prosaic debate about how best to use the machines, with one side advocating a highly automated version of what already exists and the other searching for an alternative model.

Overview

Competitive Landscape

The most notable characteristic of the procurement operations consulting market has long been a highly fragmented buying landscape. This fragmented buying persists, with the finance function focused more on overall cost improvement, purchasing on category expertise and process improvement, and supply chain on the cost of goods sold (COGs) as well as more strategic objectives associated with complexity, resilience and risk management, quality and time to market, and innovation. Which buyers predominate varies across sectors, with retail and consumer sectors prioritizing procurement as a key value lever and industrial and R&D driven sectors treating it more as an enabling function. All of this adds up to a consulting service that is challenging both for generalist management consultants lacking deep supply market expertise and cross-industry procurement specialists outside relatively homogeneous indirect purchasing categories.

But this constellation looks fleeting for three reasons.

- 1. All companies are increasingly software ones in which supplier ecosystems are an intrinsic element of the product development, production, and distribution processes.** As companies digest the implications of this shift in their business models, they are recognizing that the rules of the game are changing for procurement in terms of what they buy, how they buy, and how they interact with internal customers.
- 2. A confluence of external risk events, from Brexit to trade restrictions and most recently the coronavirus, are reminding companies that risk management is a core responsibility of procurement.** Resilience in the face of a dynamic risk environment is now the name of the game, and a controlling, compliance-oriented function will lose out.
- 3. While previous investments in technology have neither yielded significant benefits for procurement nor substantially altered how it operates, artificial intelligence and workflow tools have matured to a point at which this assuredly will not be the case going forward.** Long promised but rarely obtained in practice, spend visibility is now readily achievable, promising to furnish companies opportunities to revisit every component of the bill of materials and finally permit seamless tracking of savings to the bottom line. And once clunky automation bots are finally starting to deliver on the quick, cheap, and reliable pitch.

By changing both the requirements of the procurement function and tools at its disposal, these three trends are fueling more integrated consulting buying. But capitalizing on this opportunity will require different consulting capabilities than those that worked in the past.

- 1. As procurement's purpose shifts from cutting costs to driving value traditional consulting go-to-market strategies built around the distinction between indirect and direct sourcing categories are becoming irrelevant.** Providers need to tilt their resource balance towards the industry supply chain expertise that can inform a differentiated point of view on how procurement can drive value.

Overview

Competitive Landscape

- 2. While companies continue to buy supply market expertise, it is becoming more accessible and commoditized.** Translating supply market insights into strategies and ultimately outcomes will increasingly set the bar for providers.
- 3. Just two years ago proprietary digital analytics and automation tools differentiated providers, but not anymore.** Today, clients judge providers solely based on how quickly they can deploy the tools and deliver results.
- 4. Procurement operations consulting has always revolved around how best to manage the tension between delivering the savings and the long-term client capability.** The centrality of procurement talent to the client ask today is finally forcing providers to stop treating these like a tradeoff.

Leaders. While counting among its ranks both procurement specialists and broader general management consultancies, the leader group shares the characteristics of a strong industry orientation and an integration of technology and operating model solutions into the service delivery model. Kearney and Roland Berger are new entrants to the leader group this year. Both firms are adding analytics and data management capabilities to their longstanding procurement expertise, with the former's acquisition of Cervello and the latter's co-development of an artificial intelligence-powered category management tool. Among previous leaders, EY and McKinsey both gain ground as they ramp up investment in proprietary digital tools.

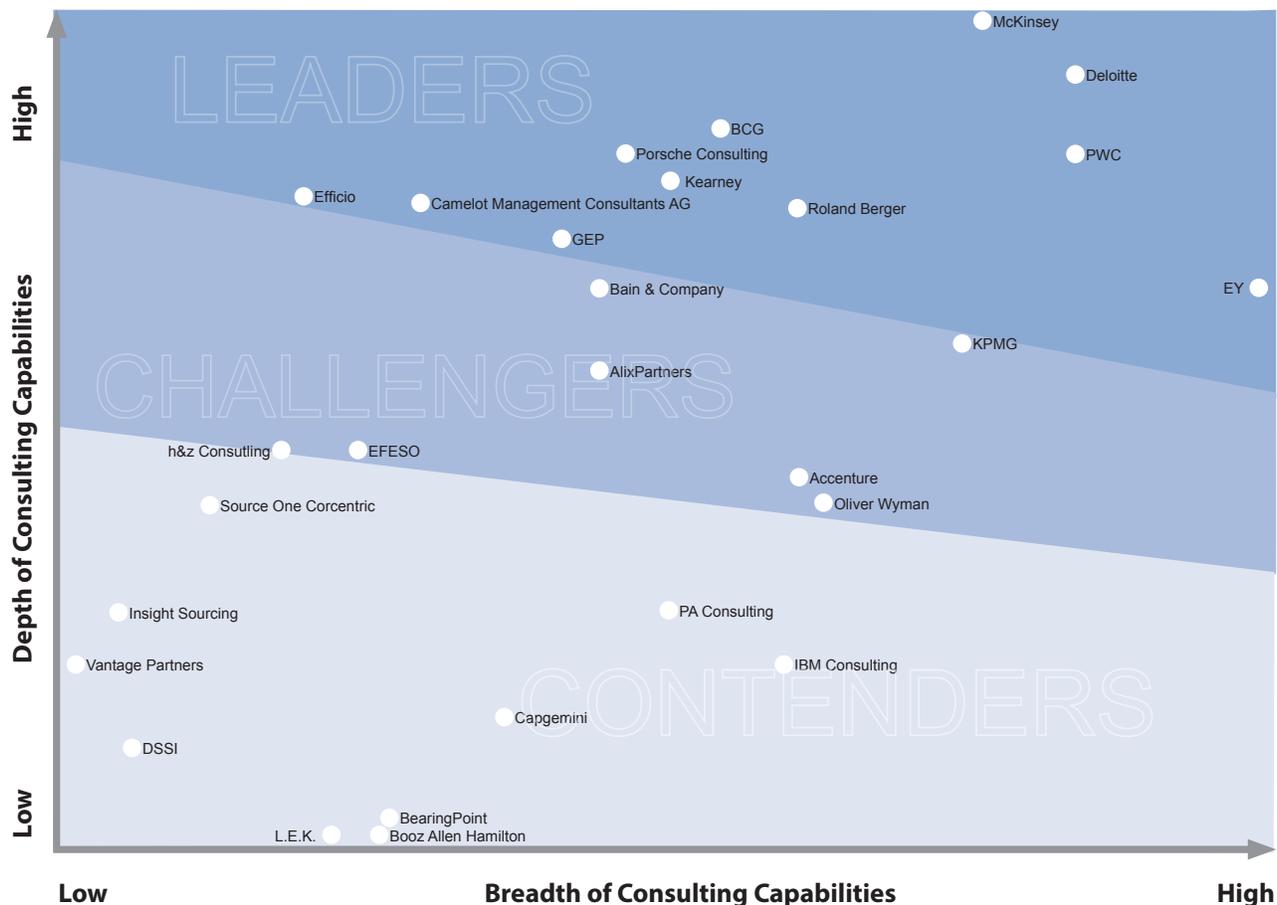
Challengers. The core of the challenger group consists of providers that combine operations depth with an industry-centric go-to-market strategy. The bulk of the challengers are holdovers from last year. Bain and KPMG both step down into the challenger group this year. Bain's digital toolset continues to lag, and KPMG suffered some notable resource attrition. AlixPartners is newly added to coverage this year, due to the fit of its industry-centric procurement approach with the current market trend.

Contenders. A mix of relatively narrow procurement specialists and broader consultancies with relatively limited focus on procurement makes up the contender group. While none of them graduate into the challenger group, the procurement specialists have improved their rankings. Both Insight Sourcing and Source One continue to build out their technology assets and direct spend expertise. Vantage is capitalizing on the elevation of collaboration as a strategic objective for procurement. Capgemini continues to slide in the rankings this year as its exit from procurement outsourcing carries over to a diminished overall focus on the function. L.E.K. is newly added to coverage this year.

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.

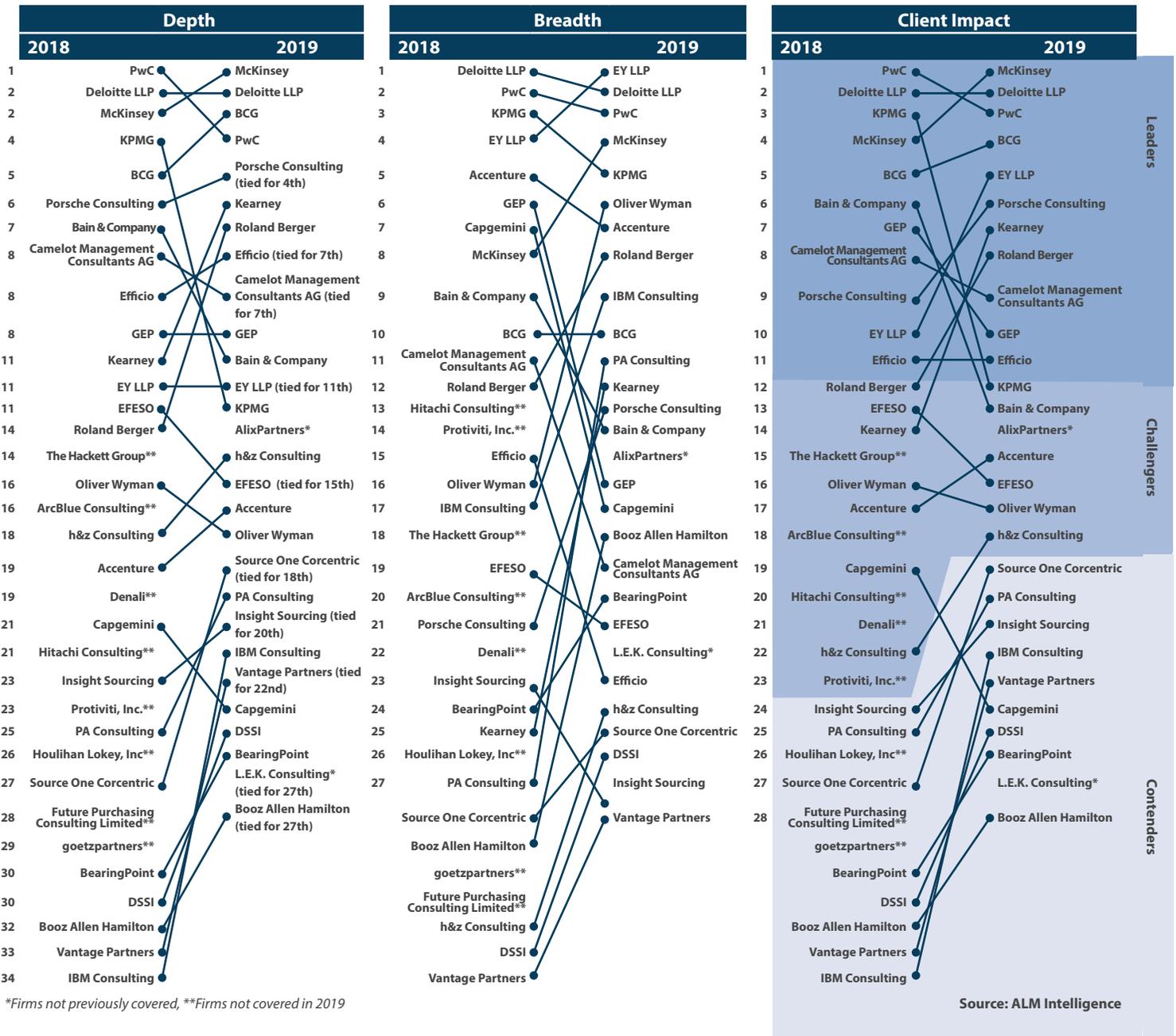
Consulting is distinctive from other industries because of the variety of client contexts that providers encounter in terms of ambitions, needs, and abilities that alter what it takes to create impact. As providers seek to deploy their capacity to create client impact (depth) across industry sectors,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



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	BCG Kearney Camelot Management Consultants AG McKinsey Deloitte Porsche Consulting Efficio PWC EY Roland Berger GEP	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 LLP Oliver Wyman AlixPartners Bain & Company EFESO h&z Consulting KPMG	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	Bearing Point L.E.K. Consulting Booz Allen Hamilton PA Consulting Capgemini Source One Corcentric DSSI Vantage Partners IBM Consulting Insight Sourcing	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
Deloitte	Deloitte is in refining mode as it continues to enhance its CognitiveSpend artificial intelligence tool and embed it more seamlessly in its operating model services. The firm also distinguishes itself by integrating its managed services into its consulting service delivery with proper workflow tooling and a differentiated resource model that combines in-market tactical teams with more strategic practitioner consultants.

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
Accenture LLP	●	●	●	●	●	●	●	●	●
AlixPartners	●	●	●	●	●	●	●	●	●
Bain & Company	●	●	●	●	●	●	●	●	●
BCG	●	●	●	●	●	●	●	●	●
BearingPoint	●	●	●	●	●	●	●	●	●
Booz Allen Hamilton Inc.	●	●	●	●	●	●	●	●	●
Capgemini Consulting	●	●	●	●	●	●	●	●	●
Camelot Management Consultants AG	●	●	●	●	●	●	●	●	●
Deloitte	●	●	●	●	●	●	●	●	●
DSSI	●	●	●	○	●	●	●	●	●
EFESO	●	●	●	●	●	●	●	●	●
Efficio	●	●	●	●	●	●	●	●	●
EY	●	●	●	●	●	●	●	●	●
GEP	●	●	●	●	●	●	●	●	●
h&z Consulting	●	●	●	●	●	●	●	●	●
IBM Consulting	●	●	●	●	●	●	●	●	●
Insight Sourcing	●	●	●	○	●	●	●	●	●
Kearney	●	●	●	●	●	●	●	●	●
KPMG	●	●	●	●	●	●	●	●	●
L.E.K. Consulting	●	●	●	●	●	●	●	●	●
McKinsey	●	●	●	●	●	●	●	●	●
Oliver Wyman	●	●	●	●	●	●	●	●	●
PA Consulting	●	●	●	●	●	●	●	●	●
Porsche Consulting	●	●	●	●	●	●	●	●	●
PwC	●	●	●	●	●	●	●	●	●
Roland Berger	●	●	●	●	●	●	●	●	●
Source One Corcentric	●	●	●	●	●	●	●	●	●
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
Enabling Tools	Deloitte	Many providers possess analytics or workflow tools, but few excel in both areas and even fewer build them into their service delivery to drive both the design and delivery of strategies. Deloitte stands out in both respects with proprietary process automation and analytics tools, accelerators for third-party solutions, and workflow platform for coordinating ongoing collaboration.

Source: ALM Intelligence

Provider Briefs

Leaders

Deloitte	
Approach	Deloitte believes that a confluence of external market risks is changing the requirements for procurement. The function needs to be able to more rapidly identify risks and work collaboratively across their organizations to respond to them. For this, Deloitte believes that procurement needs digital tools to do its job better and faster as well as access to a broad array of supply market expertise. Old organizing norms and process models will not be up to the task. Instead, Deloitte advises clients to contemplate more radical changes in their operating models and technology arsenals to get the most out of their scarce resources.
Practice Structure	Deloitte operates a dedicated sourcing and procurement team that coordinates resources from across its strategy and operations, human capital, technology, tax, and risk advisory practices. To support its service delivery, this team manages alliances with third-party vendors for procure-to-pay, supply chain risk, robotics, and project management.
Service Delivery Model	Deloitte typically kicks off its service delivery by using its proprietary CognitiveSpend artificial intelligence spend visibility and forecasting tool to develop hypotheses. To execute against these hypotheses, Deloitte offers clients two broad options. One focuses on building an efficient and effective client category-based operating model by centralizing and standardizing the development and refreshing of master category strategies that clients can execute regionally. The other, what the firm calls Procurement Central, is an expertise on-demand model in which Deloitte category strategists, data scientists, market researchers, and RFX executors team with clients for ongoing source-to-contract initiatives and procure-to-pay execution. The backbone of this service is ongoing use of Deloitte's CognitiveSpend spend analytics tool, a shared workflow system to coordinate Deloitte and client resources, and a library of category strategies. Deloitte also invests substantially in templated accelerators to facilitate system integration activities and robotics for automating standard processes.

Source: ALM Intelligence

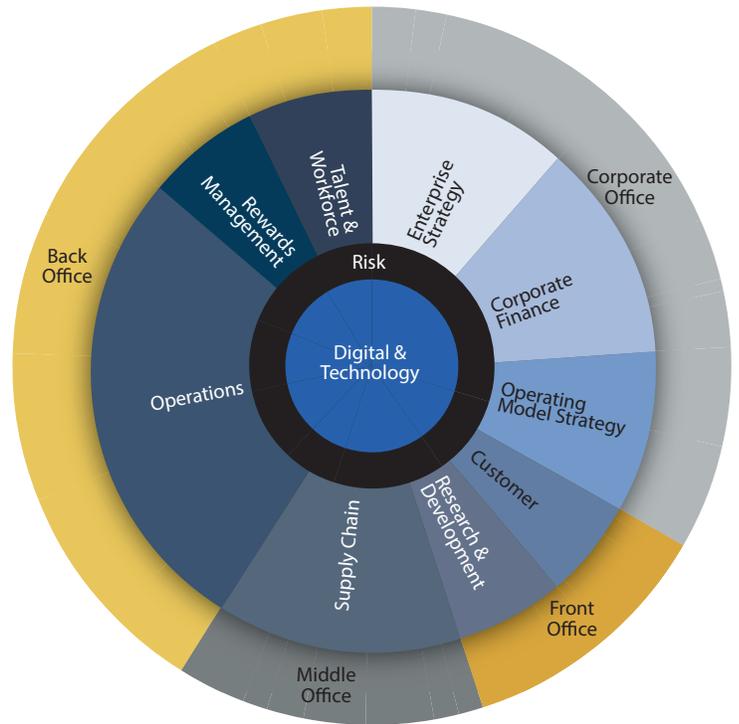
Definitions

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

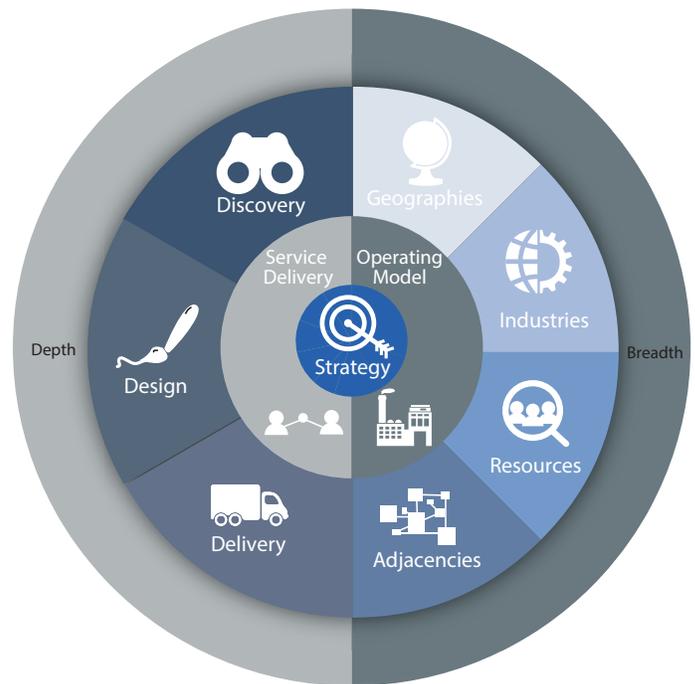
How We Evaluate Consulting Providers

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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ALM Media Properties, LLC Contact:

James Doyle – Strategic Account Manager –
ALM Intelligence – ALM Media Properties, LLC
jdoyle@alm.com

150 East 42nd Street
Mezzanine Level
New York, NY 10017 USA
Tel: +1.212.457.9171

Deloitte Contact: Tracy Reagan, Associate Director, Global Analyst Relations
Deloitte Touche Tohmatsu Limited – Boston
Tel: 617-437-3927 or email: treagan@deloitte.com