

The *ALM Vanguard*: Sourcing Strategy Consulting 2019



Contents

Overview	3
ALM Vanguard of Sourcing Strategy Consulting Providers	6
Provider Capability Rankings	7
Rating Level Summaries	8
Leader Assessments	9
Provider Capability Ratings	10
Best in Class Providers	11
Provider Briefs	12
Definitions	13
Methodology	15
About ALM Intelligence	17

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Overview

Capability Drivers

With functional barriers across the value chain steadily collapsing due to greater digitally-enabled enterprise connectivity and transparency, more forward-looking companies view sourcing and procurement not as a standalone, vertical function but rather as a horizontal function, much like finance in its ability to look across the enterprise for opportunities to reduce costs and deliver value. As clients continue to improve and refine their operating models, they seek to push traditional boundaries, using advanced analytics and a deeper understanding of underlying costs and value drivers to move beyond tactical levers toward more innovative sourcing strategies and structural opportunities to improve organizational resilience to volatile external markets.

Against this backdrop, leaders of sourcing strategy consulting possess several high-level commonalities.

Creating an enterprise-wide strategy. While clients seeking the latest innovations from strategic sourcing often already possess mature procurement operating models, many are still maturing from a narrow stove-piped approach to one that is broader and cross-functional. Clients in this transitional phase create challenges for consultants, as they need to evolve both sourcing strategies and procurement operations simultaneously. Each needs the other to truly succeed and meet expectations of the C-suite from a cost-saving and a value-add perspective. Leader firms can view a client's big-picture strategy in aligning sourcing and procurement strategies to match it. To deliver more effectively on broader mandates, boutiques and full-service firms alike are expanding or more firmly embedding sourcing into supply chain practices to obtain an accurate understanding of the client's real business need.

Driving higher expectations. Many firms can provide clients with single-digit savings, but few can deliver double-digit gains. Generating this magnitude of impact takes more than category management and sourcing strategy; it requires a broader perspective, and most importantly, an executive mandate to push through challenging, structural initiatives needed to generate step-change improvement. Few executives, outside of the consumer goods, electronics, and automotive sectors (and even then it is rare), understand the power and value of procurement to operate horizontally across the organization to drive and deliver this magnitude of value. Leading consulting firms act as catalysts in raising organizational appetite and willingness to undertake more complex, non-traditional levers such as zero-based-budgeting, design-to-value engineering, or supplier-led innovation initiatives to drive more meaningful impact. These more advanced sourcing methods have always been there and available for clients, but few explore them. Many clients think that the ability to self-organize and take the initiative should happen organically, but it rarely occurs in organizations without a structured, top-down approach.

Altering behaviors and mindsets. A key element of successful transformation is stakeholder buy-in, and while that premise is not something new, the scope of that buy-in is for some clients. Stakeholder buy-in is no longer just focused at the senior leader and director layers, but at the management and operational levels as well. Either through a trickle-down or grassroots approach or some combination of the two, the entire enterprise must have some degree of interest and enthusiasm in the strategy for its potential to be fully realized. Executive buy-in is so vital to success that some firms walk away from potential projects where the CEO is not inadequately engaged. Alternatively, clients routinely dismiss those firms that are incapable of inspiring broad stakeholder support. Since procurement (CPO), product development (R&D), and operations (COO) typically

Overview

Capability Drivers

report through different organizations, leaders of sourcing strategy consulting recognize the need for an executive mandate and comprehensive buy-in and provide clients with the means to effectively communicate the reasons for transformation. Additionally, client enablement continues to grow as a popular service offering within sourcing and procurement. Leaders in this space offer a series of training and upskilling services in the form of on-the-job coaching, training modules, academies, and innovation centers that speed up the process of workforce enablement at all levels of the business.

Implementing custom change management. With respect to transformations, one-size most certainly does not fit all. A boilerplate approach to change management will often lead to a lack of stakeholder buy-in across all levels of the organization, and ultimately to only partial success if not outright failure. To create a transformation strategy that will endure in a client organization after the consulting engagement has ended, leaders of sourcing strategy consulting must adapt their existing frameworks and tailor their approach to the nuances and idiosyncrasies of the client's unique culture.

Providing industry and product-specific insights and strategies. Client expectations for industry-specific knowledge from consultants remain high. Because these specialized knowledge resources are expensive and difficult to scale, many firms choose to obtain these capabilities through periodic use of external expert networks. Leaders of consulting in sourcing strategy, however, understand the value and invest heavily in retaining in-house expertise. Increasingly, the category intelligence, best practices, and structured methodologies developed by industry category experts are being captured and codified in digital process tools and playbooks. Many of these solutions, designed initially to speed the analysis and service delivery by consultants, are now being offered directly to customers through on-premise or managed-service delivery options, supported with process redesign and change management services to ensure adoption. Other ways firms utilize experts is in collaboration with data scientists, and digital engineers in developing bespoke client solutions. Employing agile methods at offsite ideation centers, joint client and firm teams deploy advanced analytical methods that, for example, speed analysis and draw out unprecedented insights from data in days rather than weeks or months. Or they may help build scenario-based models that pull data from diverse systems to test the impact of alternative designs, input prices, and supplier networks in proactively responding to changing market conditions. Drawing from the significant breadth of experience from diverse engagements, industry experts are continually improving their intricate knowledge of best practice category management and supplier strategies in solution development and delivery.

Creating fluid, cross-functional teams. Digitization has had a profound effect on sourcing and procurement, not just within procurement operations, but in how it interacts with other functions across the value chain leading to broader, more holistic sourcing consulting engagements. Connectivity and enterprise transparency enabled by digitization is steadily collapsing functional barriers and tightening linkages between procurement and the supply chain, driving the need for new organizational structures and processes by clients, as well as the need for alternative practice structures and delivery models by service providers. In this environment, more forward-looking clients and leading service providers no longer view procurement as a stand-alone vertical function, but rather as a horizontal function, much like finance, and look across the enterprise for opportunities to reduce costs and deliver value. Generating client impact in this environment requires more than expertise in category management

Overview

Capability Drivers

and sourcing strategy; it requires building competency in aligning and synchronizing diverse activities across the organization, with both consulting firms and clients exploring ways to seamlessly, self-organize fluid teams of disparate internal (and external) stakeholders as an ongoing way of doing business.

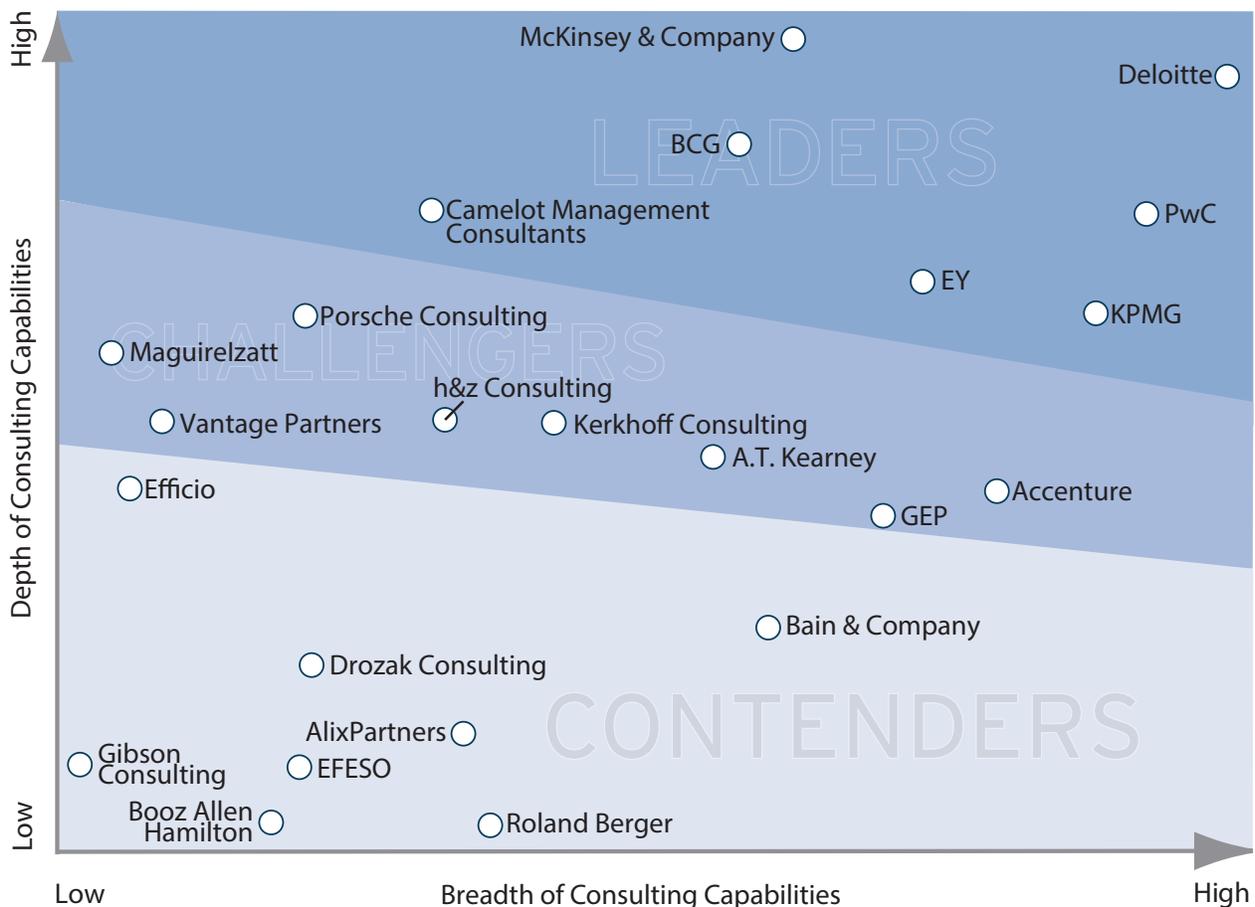
Evolving supplier relationships. The landscape of suppliers for sourcing strategy clients continues to become increasingly complicated. Consequently, supplier relationship management has also increased in complexity. The value chain is in a state of evolution in many instances, moving from a linear to an ecosystem model. Multiple tiers of suppliers now interact with client procurement functions at various stages of the product lifecycle. Leaders of sourcing strategy consulting recognize this evolution and can offer strategies to embrace the change in some circumstances, and to resist in others. In product development, for example, inputs from multiple suppliers may lead to significant innovations, but may also bog down the process. Firms can help clients to distinguish the value add of the ecosystem approach against the potential pitfalls and guide clients down the path of greater innovation without hindering the leaning and streamlining efforts. Additionally, leaders of consulting in this space continue to offer risk-mitigating strategies, factoring in alternative suppliers as well as external environmental events that could hinder production.

Delivering appropriate digital enablement. Digitalization continues its steady march into all aspects of client operations, and sourcing strategy is no exception. A crucial part of leaning out the function and speeding up decision making, digital tools can provide fast dissemination of information gleaned from a large variety of sources. With no shortage of options for digital tools, the challenge for clients today is no longer whether or not to embrace digital transformation, but how to actually go about it. With numerous options for digital tools, clients often need guidance in understanding which tools will truly help their business against those that provide only superficial improvements that do not justify the cost. Leaders of sourcing strategy consulting work with clients to demystify the digital tidal wave, choosing options that will have a maximum impact throughout the value chain and thus constitute shrewd investment.

ALM Vanguard of Sourcing Strategy Consulting Providers

The ALM Vanguard of Sourcing Strategy 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 sourcing strategy 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.

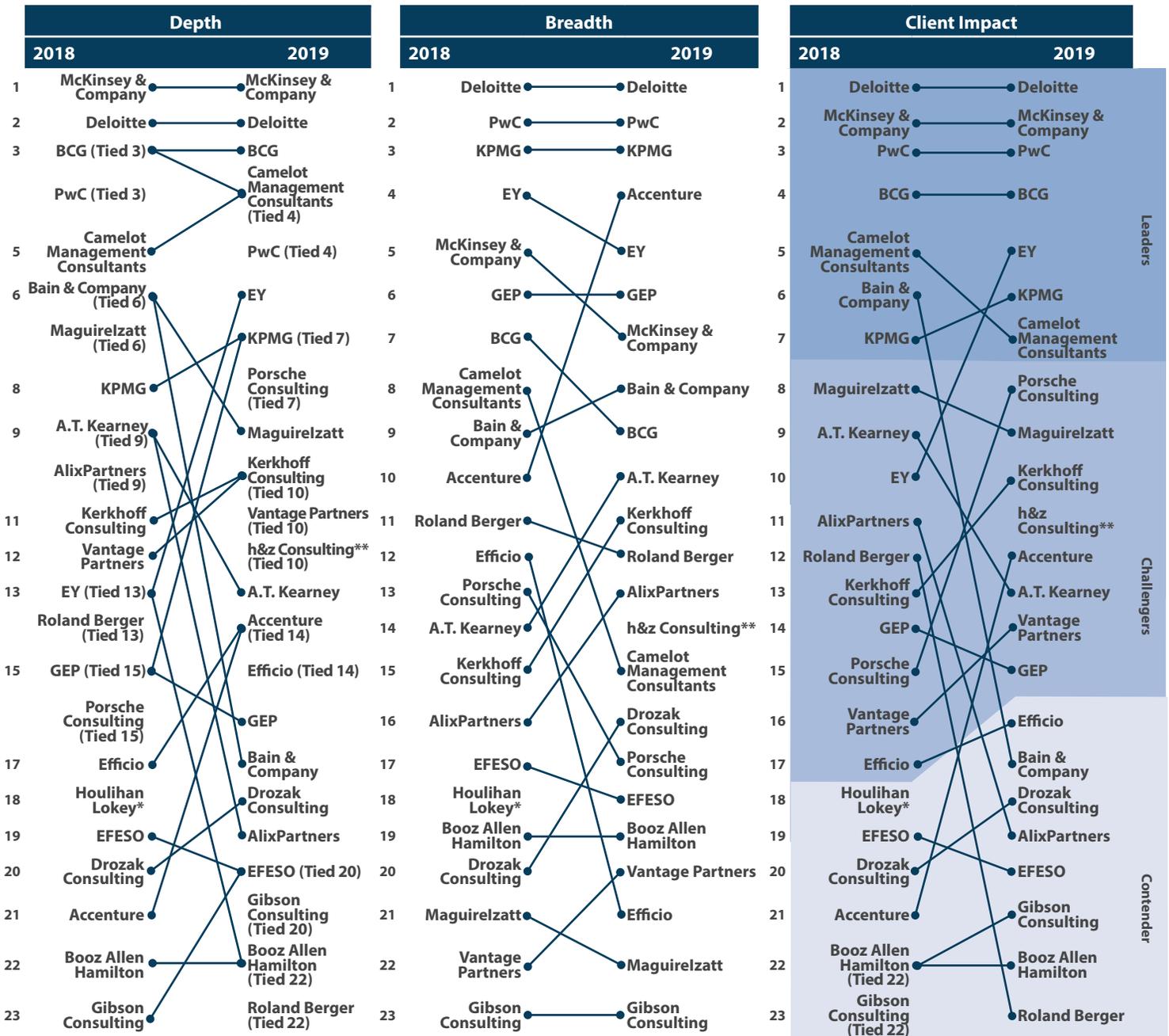
Consulting is distinctive from other industries because of the variety of client contexts that providers encounter in terms of ambitions, needs, and abilities that alter what it takes to create impact. As providers seek to deploy their capacity to create client impact (depth) across industry sectors,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



*Not previously covered, ** Not covered in 2019

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	BCG Deloitte KPMG PwC Camelot Management Consultants EY McKinsey & Company	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 GEP Kerkhoff Consulting Porsche Consulting Accenture h&z Consulting Maguirelzatt Vantage Partners	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	AlixPartners Booz Allen Hamilton EFESO Gibson Consulting Bain & Company Drozak Consulting Efficio Roland Berger	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 Sourcing Strategy Consulting Providers comprises the following Leaders.

Leaders	Strengths
Deloitte	With the broadest set of capabilities among its peers, Deloitte effectively leverages the full breadth of its resources to provide clients with a holistic set of options supported by data- and expert-driven insights that build enterprise-wide confidence and consensus in making high-impact sourcing decisions.

Source: ALM Intelligence

Provider Capability Ratings

The table below provides detailed capability ratings for Sourcing Strategy consulting providers. (See the Definitions section of this report for explanations of the capabilities.) Legend: ● Very Strong ● Strong ● Moderate ● Weak ○ None

Provider Capabilities: Sourcing Strategy Consulting									
	Discovery			Design			Delivery		
	Needs Assessment	External Market Insight	Internal Client Insight	Strategy	Operating System	Management System	Project Management	Client Capability Development	Enabling Tools
A.T. Kearney	●	●	●	●	●	●	●	●	●
Accenture	●	●	●	●	●	●	●	●	●
AlixPartners	●	●	●	●	●	●	●	●	●
Bain & Company	●	●	●	●	●	●	●	●	●
BCG	●	●	●	●	●	●	●	●	●
Booz Allen Hamilton	●	●	●	●	●	●	●	●	●
Camelot Management Consultants	●	●	●	●	●	●	●	●	●
Deloitte	●	●	●	●	●	●	●	●	●
Drozak Consulting	●	●	●	●	●	●	●	●	●
EFESO Consulting	●	●	●	●	●	●	●	●	●
Efficio	●	●	●	●	●	●	●	●	●
EY	●	●	●	●	●	●	●	●	●
GEP Worldwide	●	●	●	●	●	●	●	●	●
Gibson Consulting	●	●	●	●	●	●	●	●	●
h&z Consulting	●	●	●	●	●	●	●	●	●
Kerkhoff Consulting	●	●	●	●	●	●	●	●	●
KPMG	●	●	●	●	●	●	●	●	●
Maguirelzatt	●	●	●	●	●	●	●	●	●
McKinsey & Company	●	●	●	●	●	●	●	●	●
Porsche Consulting	●	●	●	●	●	●	●	●	●
PwC	●	●	●	●	●	●	●	●	●
Roland Berger	●	●	●	●	●	●	●	●	●
Vantage Partners	●	●	●	●	●	●	●	●	●

Source: ALM Intelligence

Best in Class Providers

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

Capability Areas	Provider	Strengths
External Market Insight	Deloitte	Deloitte unleashes the full breadth of its global resources in helping clients rapidly unleash opportunities to reduce cost and create value, applying a multi-functional lens that extends beyond the supply chain to unlock (or preserve) value in an environment of uncertain economic conditions and tariff and trade policies.

Source: ALM Intelligence

Provider Briefs

Leaders

Deloitte	
Approach	Deloitte's approach to sourcing strategy focuses on enabling procurement leadership with the capabilities and insights generated from greater visibility into their spend and supplier networks to drive more effective cross-functional initiatives to reduce costs and create value.
Practice Structure	Deloitte offers strategic sourcing services through the Sourcing and Procurement arm of its Supply Chain Practice.
Service Delivery Model	Deloitte's service delivery offers clients access to a wealth of complementary services and supporting resources that work together symbiotically to drive value for clients. Its CPO Executive Transition Labs, Annual CPO Survey, and Greenhouse Ideation centers, for example, draw out top-of-mind issues from procurement leaders, which in turn inform the firm's development of robust, built-for purpose solutions to common procurement pain points. Deloitte Innovation, Deloitte Digital, and its Alliance Partners apply emerging technologies (RPA, AI, Bots), tapping into firm's subject matter expertise cross supply chain, finance, tax, legal, and risk functions in developing built-for-purpose solutions that extend beyond process automation to include forward-looking cognitive applications. Service delivery emphasizes utilizing and implementing these tools to generate actionable internal and external insights that enable procurement to navigate a dynamic global sourcing environment with speed and precision. Teams work with clients to build consensus on strategies and improvement opportunities, encouraging firms to do what they can on their own, while remaining available for needed project and change management, subject matter expertise and guidance on methodologies or playbooks, and data analytics for more complex projects. Additional resources include 22 delivery centers, tailored train-the-trainer and leadership development programs, and a growing repository of internal research, thought leadership and insights that seek to amplify the firm's client impact.

Source: ALM Intelligence

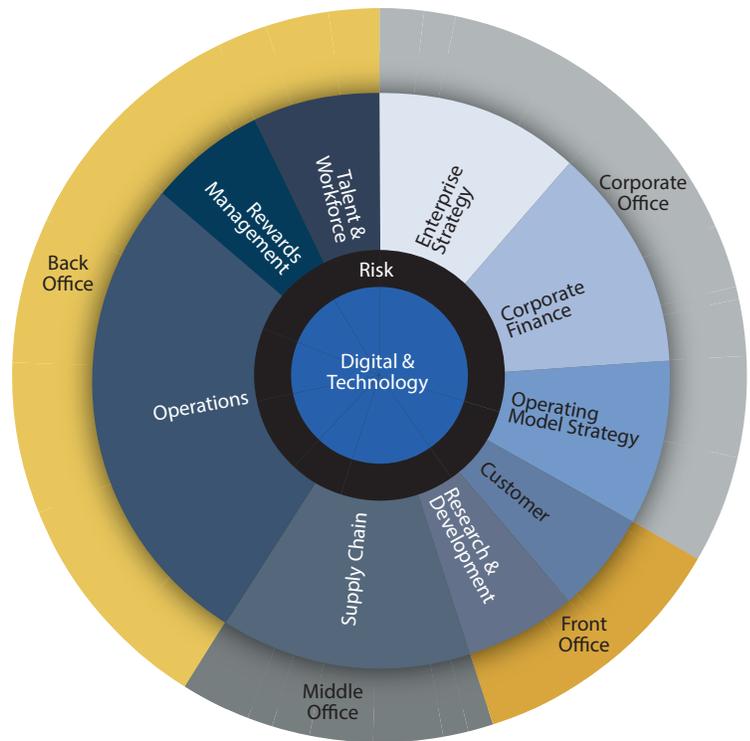
Definitions

What is Sourcing Strategy Consulting?

Sourcing strategy consulting is part of supply chain consulting and forms part of the management consulting services directed at clients' middle office activities. Its objective is to improve the way in which companies transform inputs into outputs to create value for their customers.

Sourcing strategy consulting consists of seven services.

- **Supply chain planning:** managing the flow of information among value chain participants to inform supply and demand balancing decisions in response to market volatility and variability
- **Capital projects:** connecting enterprise and financial strategies to the supply chain by optimizing the capital portfolio and effectively managing new capital projects, including project design and engineering, procurement, and construction services
- **Production strategy:** configuring a company's network of capital assets, optimizing the scope of internal versus externally sourced production activities, and aligning production technology to build the capabilities required to execute against strategic performance priorities.
- **Production operations:** improving the operation of existing capital assets by adjusting the plant layout, processing flow, and the management system for sustaining and furthering performance gains
- **Asset management:** maximizing the productivity of a company's existing capital assets through reliability engineering, utilization optimization, and effective maintenance and repair services
- **Logistics:** managing the movement and storage of physical and intangible inputs, in-process inventory, and finished products along the supply chain and to end customers
- **Sourcing strategy:** enhance the value generated by external production input suppliers by integrating sourcing into product and production design choices, improving supplier selection, optimizing supply financing, and collaborating more effectively with suppliers.



Source: ALM Intelligence

Definitions

Consulting Provider Capabilities

Capability Areas	Capabilities	Descriptions
Discovery	Needs Assessment	How does the consultant establish goals and objectives for the project and determine which stakeholders need to be involved from the client organization, consultant, and third parties?
	External Market Insight	How do consultants' knowledge and experience inform diagnostics through benchmarking and trend analysis?
	Internal Client Insight	How does the consultant obtain internal client insights through data analysis and interviewing and workshops and incorporate them in diagnostics?
Design	Strategy	How does the solution align with the client's market, customer and product, and functional strategies?
	Operating System	How are client information, physical, and people assets and processes configured to generate the value add intended by the strategy?
	Management System	How are client resources mobilized, managed, measured, and motivated through governance, incentives, organizational structures, and performance management to execute the strategy?
Delivery	Project Management	How are activities sequenced and resources allocated, aligned, and coordinated to execute and sustain the solution?
	Client Capability Development	How are client technical skills developed and mindsets and behaviors adapted to execute and sustain the solution?
	Enabling Tools	What consultant tools are used for diagnostic and design activities that support the client in executing, sustaining, and refreshing the solution?

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

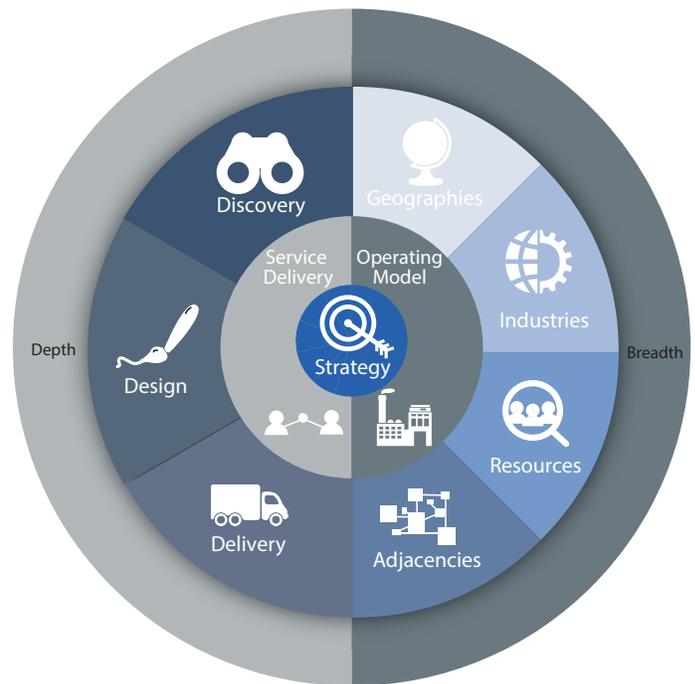
How We Evaluate Consulting Providers

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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