

February 16, 2007

# Identifying And Selecting The Right Risk Consultant

by Michael Rasmussen

MARKET OVERVIEW

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## Identifying And Selecting The Right Risk Consultant Market Landscape Of Risk Consulting Firms

This is the fourth document in the “Risk And Compliance Market Landscape” series.

by **Michael Rasmussen**

with Christine Ferrusi Ross, Chris McClean, Sarah Bernhardt, and Laura Koetzle

### EXECUTIVE SUMMARY

Business today is dynamic and complex, which is causing organizations to consider more formalized processes for enterprise risk management. The goal is to effectively mitigate or avoid damage to the organization while seizing the maximum return on opportunities. To effectively manage risk, organizations turn to risk consultants for advice. The risk consulting landscape has grown significantly over the years and now represents a \$36 billion business that crosses a range of risk consulting specialties. A successful risk consulting engagement requires that a firm understand what it is trying to achieve and is selective in the consulting firms it engages to help.

### TABLE OF CONTENTS

- 2 Increasing Complexity Drives Firms To Use More Consulting Help**
  - 2 Consultants Focus On Different Services And Different Risks**
    - Services Specialties
    - Risk Specialties
  - 4 Organizations Have A Range Of Risk Consultants To Choose From**
  - 12 Consider Consultants’ Future Alignment As Well As Current Strengths**
- RECOMMENDATIONS
- 13 Selecting The Right Consultant Requires Diligence**
  - 14 Supplemental Material**

### NOTES & RESOURCES

Forrester interviewed 37 vendor companies, including: Deloitte, Ernst & Young, KPMG, Mercer Oliver Wyman, PricewaterhouseCoopers, and Protiviti.

#### Related Research Documents

[“Business Drivers For Enterprise Risk Management”](#)

February 1, 2007, Best Practices

[“AS/NZ 4360 — A Practical Choice Over COSO ERM”](#)

January 3, 2007, Best Practices

[“Overcoming Risk And Compliance Myopia”](#)

August 7, 2006, Market Overview

[“The Forrester Wave™: Enterprise Risk Management Consultants, Q4 2005”](#)

October 28, 2005, Tech Choices

## TARGET AUDIENCE

Security and risk professional

## INCREASING COMPLEXITY DRIVES FIRMS TO USE MORE CONSULTING HELP

Basically, business does not operate in an isolated bubble — even small organizations have to deal with complex legal, business partner, and global risks. The larger the organization, the demand to manage complexity in business grows at an exponential rate. Risk management is about managing uncertainty in what business wants to achieve. Organizations face complexity in distributed operations, relationships, increased regulatory oversight, and litigation burdens — and uncertainty grows right alongside business complexity, requiring organizations to have a defined risk management and reporting process as opposed to the ad hoc processes of the past. This increasing complexity has driven many firms to forgo trying to do risk management alone and turn to consultants for help.

## CONSULTANTS FOCUS ON DIFFERENT SERVICES AND DIFFERENT RISKS

Where do you start and how do you know what your destination is? *Fortunately*, there are a number of consulting firms specializing in risk consulting services to help your organization prepare for, navigate, and manage risk in today's complex business environment. *Unfortunately*, “risk” means many different things across the organization, and while these professional service firms are quick to mention the “R” word, what they focus on and deliver may not be what your organization needs. To define and segment the risk consulting market, Forrester breaks the risk consulting services market into the following specialty areas:<sup>1</sup>

### Services Specialties

In the risk space, there are four major services that consultants offer:

- **Enterprise risk strategy.** Risk management is most effective when it starts at the top and works down throughout the organization. Enterprise risk strategy is focused on professional services that provide advice on risk oversight at the board and senior executive level. Services in this area include the establishment of risk governance at the board and committee levels, executive oversight for risk management, and company reporting on risk. Ultimately, services at this level are focused on the aggregation and reporting of risk across the organization, much of which ends up in company filings and disclosures. It is at this level that organizations need advice on risk culture, appetite, tolerance, and reporting.
- **Risk audit services.** The role of audit, both internal and external, is in growing demand for risk services. Audit departments do not manage risk as this violates their auditor independence, but they do provide insight into the effectiveness of risk management along with an independent assessment of the company's risk. Risk audit services provide professional services focused on the integration and support of risk as part of either an external or internal audit function. Some professional service firms provide internal audit staffing and support, while public accounting firms provide external audit services that encompass risk assessment.

- **ERM organization and process design.** After you define your executive- and board-level requirements for risk management and oversight, it is then time to define your ERM organization and processes. ERM organization and process design services focus on the design and implementation of an enterprise risk management function across an organization and its entities. Services include the roles and responsibilities for risk management (often including a Chief Risk Officer), the risk organization structure and reporting, communication, and processes to facilitate risk management across business areas (e.g., finance, operations, IT, and legal). This area of services is the intersection point for aggregating risk information across organization silos and to make sure everyone is playing out of the same risk playbook.
- **Risk systems design, development, and integration.** Management of risk in today's complex business environment requires the integration of risk and compliance monitoring and controls directly into enterprise applications and systems. Organizations engage consultants with specific industry expertise to help them develop and deploy risk and compliance processes into the technology supporting critical business processes (e.g., banking, manufacturing, logistics, and patient systems).

### Risk Specialties

Along with variations in focus by service type, many consultants also focus on particular risk specialties, including:

- **Financial/treasury risk management.** Financial and treasury risk management is one of the most mature segments of the risk consulting services market. It is in this area that consulting firms offer professional services focused on helping organizations manage the risk to capital, liquidity, credit, markets (e.g., interest or foreign exchange), financial transactions, investments, and hedging/derivative risk. This is a primary area of risk focus for financial services firms as well as large corporate treasury departments.
- **Operational risk management.** Operational risk management (ORM) is a growing and challenging discipline of risk services. Banks particularly focused on it as a result of Basel II, but the complexity of today's business environment is pushing many organizations into defined processes for operational risk management.<sup>2</sup> Professional services in the ORM specialty focus on advising organizations on the definition and management of operational risks across the organization, such as the following: environmental, health and safety, business partner relationships, business continuity, employment/labor, anticorruption/fraud, competitive practices, global trade/international transactions, product quality/safety, etc.
- **Legal and regulatory risk management.** Increased regulation and litigation is a growing area of risk management in many organizations. Forrester is seeing large organizations move from a reactive firefighting approach to legal and regulatory issues to a proactive discipline in managing legal and regulatory risk. Legal and regulatory risk consulting services advise organizations around the risk of legal or regulatory sanctions, litigation, and financial loss as well as the impact of reputation and stakeholder value from events in these areas.<sup>3</sup>

- **Geopolitical risk management.** As organizations distribute operations around the world, leverage multiple markets, and extend business partner relationships globally, geopolitical risk management becomes a necessity. Geopolitical risk consulting services provide advice to companies on changing economic, political, environmental, civil, and legislative developments around the world with insight as to what it means to their business operations, whether opening up new opportunities or introducing new threats.
- **Information and technology risk management.** Technology risk management is a primary area of concern for organizations. The growth in business use and reliance on information technology requires that organizations have a defined process of managing risk to the technology environment. Technology risk consulting services focus on advising companies regarding the management of risks specific to the information and technology environment — security, privacy, architecture, staffing, compliance, disaster recovery, information protection, outsourcing, business partner connectivity, etc.

#### ORGANIZATIONS HAVE A RANGE OF RISK CONSULTANTS TO CHOOSE FROM

Forrester estimates that there are more than 200 professional services firms offering dedicated risk consulting services across the defined risk specialties. We estimate that the market is currently \$36 billion, and we expect it to grow to \$50 billion over the next three years.<sup>4</sup> This gives organizations a range of professional service firms to advise them on the risks and the management of risk specific to their organization (see Figure 1). But in addition to consultants differentiating based on particular specialties, organizations can also consider some structural differences to help distinguish risk consultants from each other:

- **Size — from boutique to behemoth.** Some firms are small but offer a deep set of talent focused on specific areas of risk, while other firms are big, offering a broad range of risk consulting services to a variety of clients.
- **Geographic spread — from regional to international.** The range of risk consulting firms varies as some are focused on only one geographic area such as North America, while others are spread internationally.
- **Offering breadth — from one area of focus to offering an entire menu of services.** Some risk consulting firms focus in offering a deep understanding in a specific area such as legal/regulatory risk management, while others offer a complete range of risk specialists to help your organization manage risk holistically.
- **Industry focus — from a single vertical perspective to cross-industry teams.** An organization's approach to risk management is often driven by specific industry risk profiles and requirements — consultants offer a range of vertical specialties from those focused on a single industry to those covering a broad range of industries.

**Figure 1** Risk Consulting Landscape

# of risk consultants	# of consultants/ geography:				Risk specialties:								Industries:														
	North America	EMEA	Asia-Pac	South America	Audit services	Enterprise risk strategy	ERM org & process design	Financial/treasury risk mgmt	Geopolitical risk mgmt	Legal & regulatory R&C	Operational risk mgmt	Systems integration & dev't	Technology risk mgmt	Aerospace/defense	Construction & real estate	Education	Energy, chemicals, & resources	Financial services	Government & nonprofits	Healthcare	Hospitality	Life sciences	Manufacturing	Media & entertainment	Retail & consumer goods	Technology & communications	Transportation & logistics

**Actualize Consulting**

35	✓					●	●				●							✓											
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Provides project management, implementation expertise, system integrations, subject matter experts, and related support for the treasury functions of financials and corporates.

**ADI Compliance Consulting**

7	✓				●	●			●	●								✓	✓										
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Provides regulatory risk management services to financial services companies. Assists with internal audit and certain aspects of business continuity planning, information security, vendor management, etc. Also assists clients in assessing risks, developing and testing controls, and training.

**Aon**

1,150	✓	✓	✓	✓	●	●	●	●	●	●	●	●		✓			✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
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Delivers independent advice and solutions for complex risk issues. Offers consultants experienced in disciplines including risk financing and alternative risk transfer, transaction management services, actuarial and analytical, and enterprise risk management.

**BearingPoint**

445	✓	✓	✓			●	●		●	●	●						✓	✓				✓	✓			✓			
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Provides solution that builds a risk model to assess the cost and impact of business risks, then reduces the risk with a standard repeatable approach supported by governance, operations, processes, and technology systems.

**Booker & Associates**

5	✓				●	●	●	●		●								✓	✓										
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Boutique consulting firm with services including facilitating risk workshops, teaching ERM, assisting organizations in setting up ERM infrastructure, teaching business line staff on risk and their role in risk management, conducting governance reviews, and developing infrastructure and policy to support effective governance.

**BT Group**

400	✓	✓	✓	✓						●	●	●					✓	✓	✓			✓	✓						
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Offers services around the hub of its new Risk Cockpit, which helps organizations to visualize and monitor risk, controls, and compliance utilizing real operational data in combination with human audit/assessments. Helps customers address compliance needs in networked IT infrastructure and systems with its Networked IT portfolio.

● Extensive capabilities    ● Specific capabilities

Figure 1 Risk Consulting Landscape (Cont.)

# of risk consultants	# of consultants/ geography:				Risk specialties:								Industries:														
	North America	EMEA	Asia-Pac	South America	Audit services	Enterprise risk strategy	ERM org & process design	Financial/treasury risk mgmt	Geopolitical risk mgmt	Legal & regulatory R&C	Operational risk mgmt	Systems integration & dev't	Technology risk mgmt	Aerospace/defense	Construction & real estate	Education	Energy, chemicals, & resources	Financial services	Government & nonprofits	Healthcare	Hospitality	Life sciences	Manufacturing	Media & entertainment	Retail & consumer goods	Technology & communications	Transportation & logistics

**Capgemini**

600	✓	✓	✓	✓			●	●	●	●	●	●					✓	✓							✓				
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Key competencies include main regulatory areas (e.g., SOX, Basel, and Solvency) and transformational consulting to translate regulatory requirements into processes, organization, and systems. Offers IT expertise to help companies realize and implement supporting systems.

**Crowe Chizek and Company**

350	✓				●	●	●	●	●	●	●	●	✓				✓	✓	✓						✓				✓
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Provides full internal audit outsourcing, co-sourcing, IT audit, security, privacy, and corporate governance audit services. Also offers services including ERM consulting, security, business continuity, disaster recovery planning, anti-money laundering, and financial services regulatory consulting.

**Computer Sciences Corporation**

1,000	✓	✓	✓	✓							●	●	●	✓			✓	✓	✓	✓					✓	✓		
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Provides portfolio of solutions and services that safeguard infrastructure assets. Also helps clients achieve regulatory compliance, ensure business continuity, and limit liability.

**Deloitte**

14,000	✓	✓	✓	✓	●	●	●	●	●	●	●	●	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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Services include strategy, process, education, training, tax, organization, and technology assistance. Helps clients with risk identification, assessment, and measurement, and risk response identification, implementation, and monitoring. Also assists with wide range of compliance understanding, design, and implementation services.

**Ernst & Young**

9,500	✓	✓	✓	✓	●	●	●	●	●	●	●	●	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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Offers clients a full suite of risk advisory solutions built around a common service delivery framework of Assess, Improve, and Monitor (AIM). Solution sets include enterprise risk management, internal audit, process & controls, IT effectiveness, ERP, information security, program advisory, third-party reporting, corporate compliance, fraud prevention, investigation & disputes, treasury, actuarial, transactions, and tax.

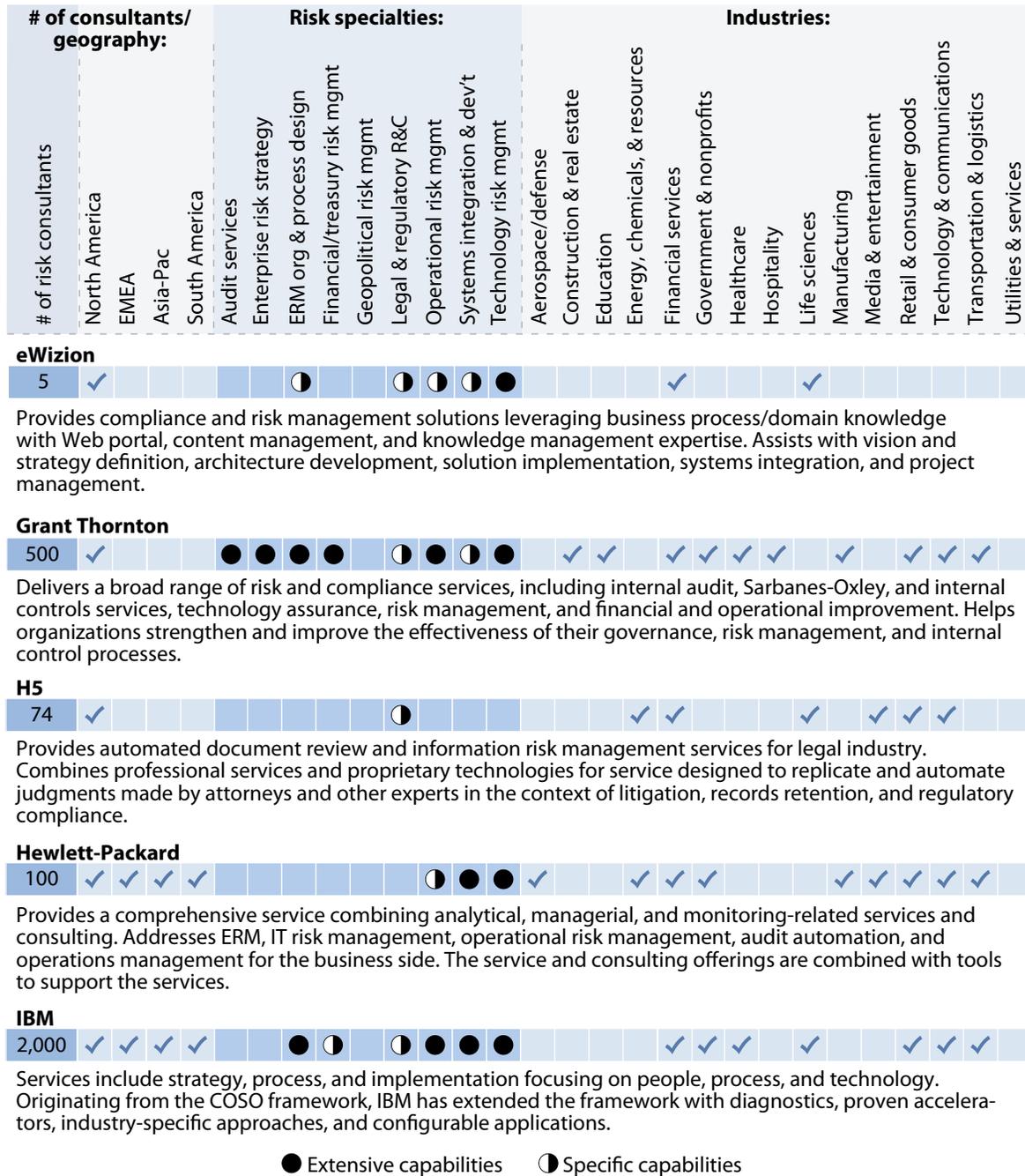
**Eurasia Group**

55	✓	✓	✓	✓	●	●	●	●	●	●	●	●	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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Offers clients situational awareness monitoring, political risk mapping, publications, advisory services, and tailored consulting. Analysts and consultants cover political developments and their impact on financial markets, governments, industry sectors, and firms.

● Extensive capabilities    ● Specific capabilities

**Figure 1** Risk Consulting Landscape (Cont.)



40057

Source: Forrester Research, Inc.

**Figure 1** Risk Consulting Landscape (Cont.)

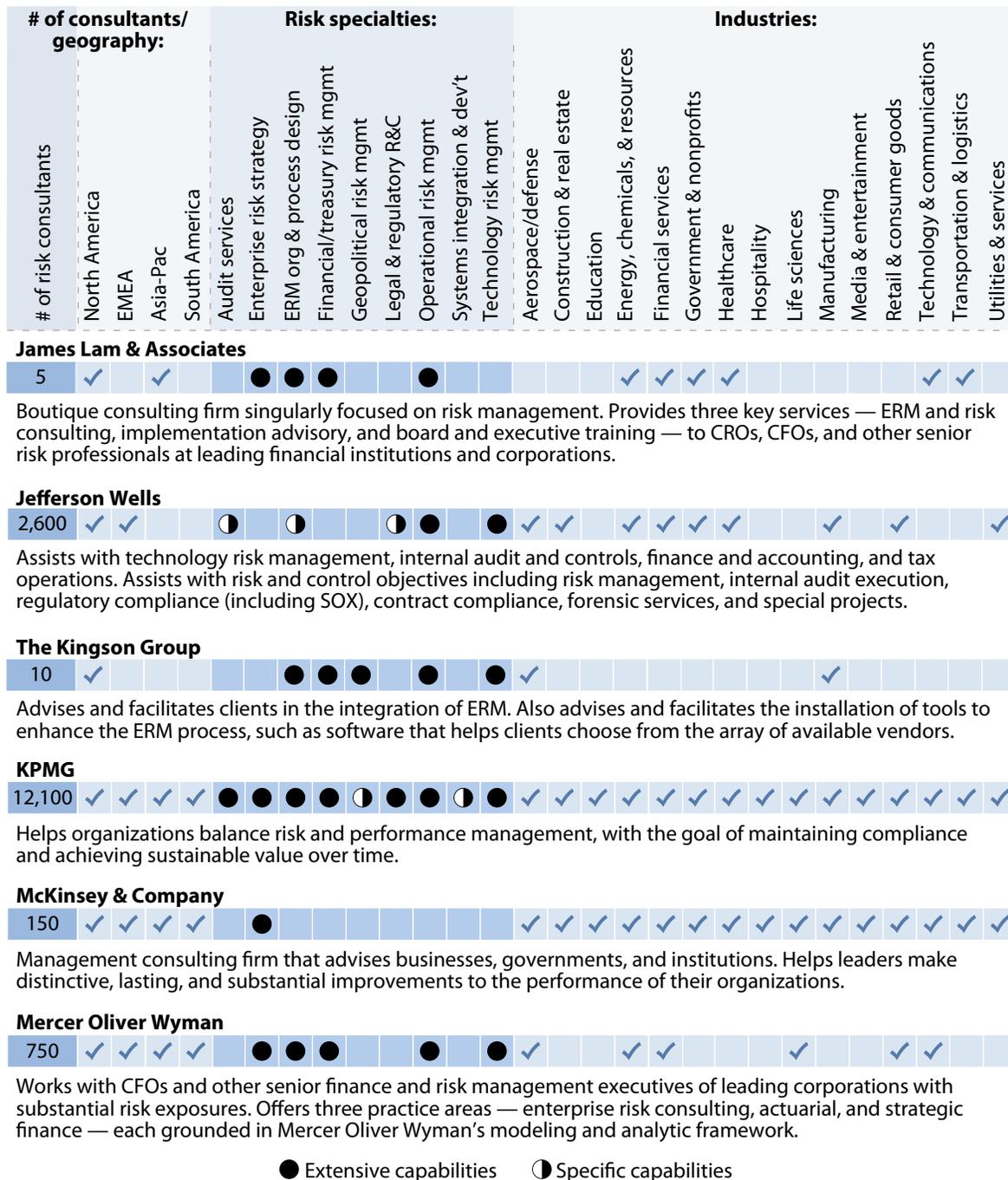


Figure 1 Risk Consulting Landscape (Cont.)

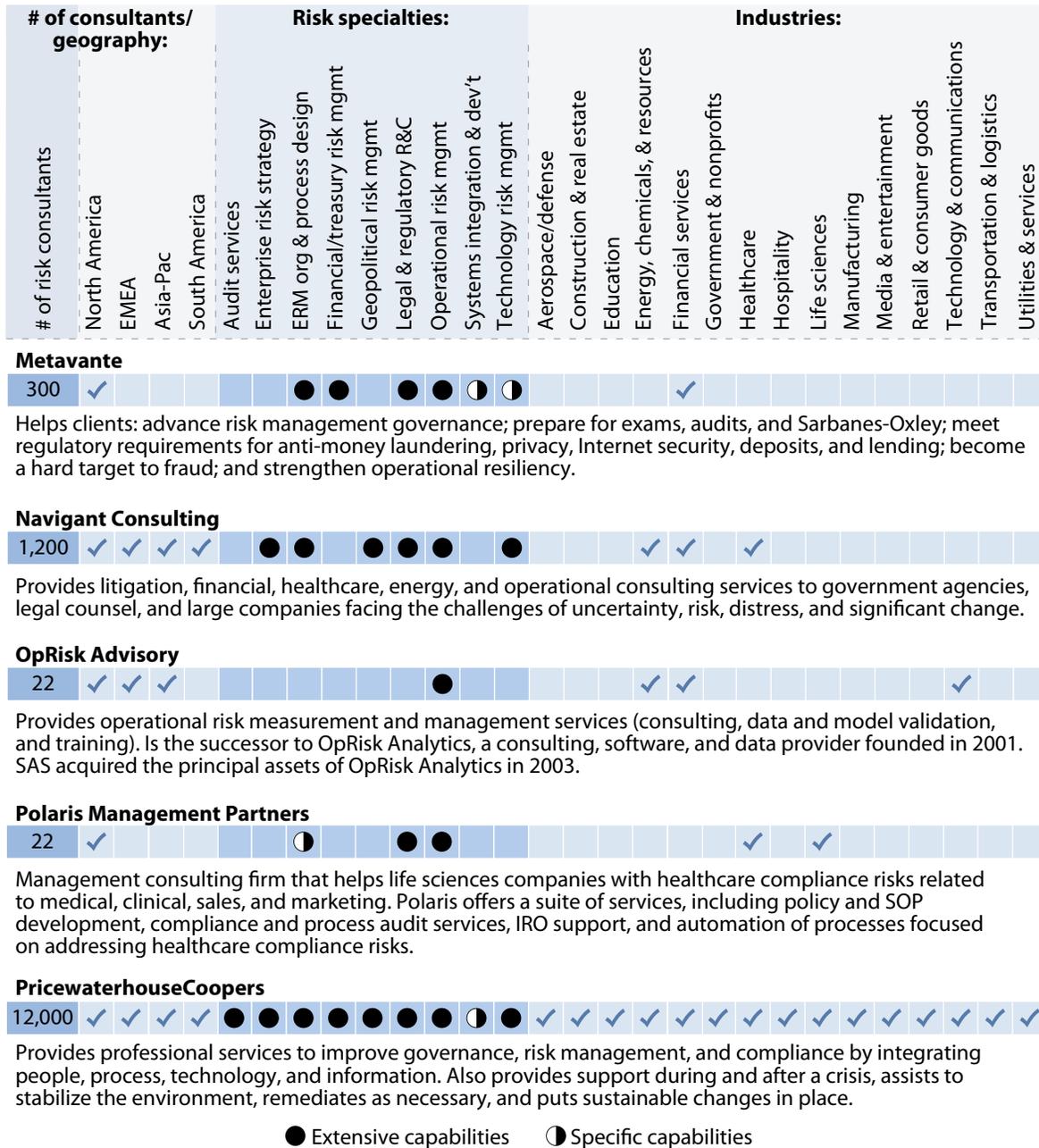


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# of risk consultants	# of consultants/ geography:				Risk specialties:								Industries:														
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**Protiviti**

2,200	✓	✓	✓	✓	●	●	●	●	●	●	●	●	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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Helps clients identify, assess, measure, and manage financial, operational, and technology-related risks, and assists clients with processes and controls to monitor risk. Helps improve internal audit functions, including full outsourcing, co-sourcing, technology, and tool implementation, as well as quality assessment and readiness reviews.

**Quadrant Risk Management**

20	✓	✓	✓	✓	●	●	●	●	●	●	●	●	✓															
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Independent risk management consultancy that helps financial institutions worldwide implement change in risk management.

**Resources Global Professionals**

600	✓	✓	✓	✓	●	●	●	●	●	●	●	●	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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Offers services including internal audit co-sourcing, IT audit co-sourcing, Sarbanes-Oxley process improvement and ongoing compliance, contract compliance auditing, enterprise risk management, compliance consulting, risk assessment, corporate governance consulting and assessment, and technology implementation risk.

**RimaOne**

40	✓	✓	✓	✓	●	●	●	●	●	●	●	●	✓	✓														✓
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Provides risk management, governance, and compliance solutions and consultancy services — primarily the implementation, automation, and rationalization of processes required by specification of the customers, regulators, and auditors.

**RiskBusiness**

12	✓	✓	✓	✓	●	●	●	●	●	●	●	●	✓															
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Services focus on delivering highly focused strategic and tactical advice to clients, accompanied by a range of subscription products focused on providing operational risk content, the framework basis to integrate this content, and the facilitation of benchmarking of these forms of measurement against the organization's peers.

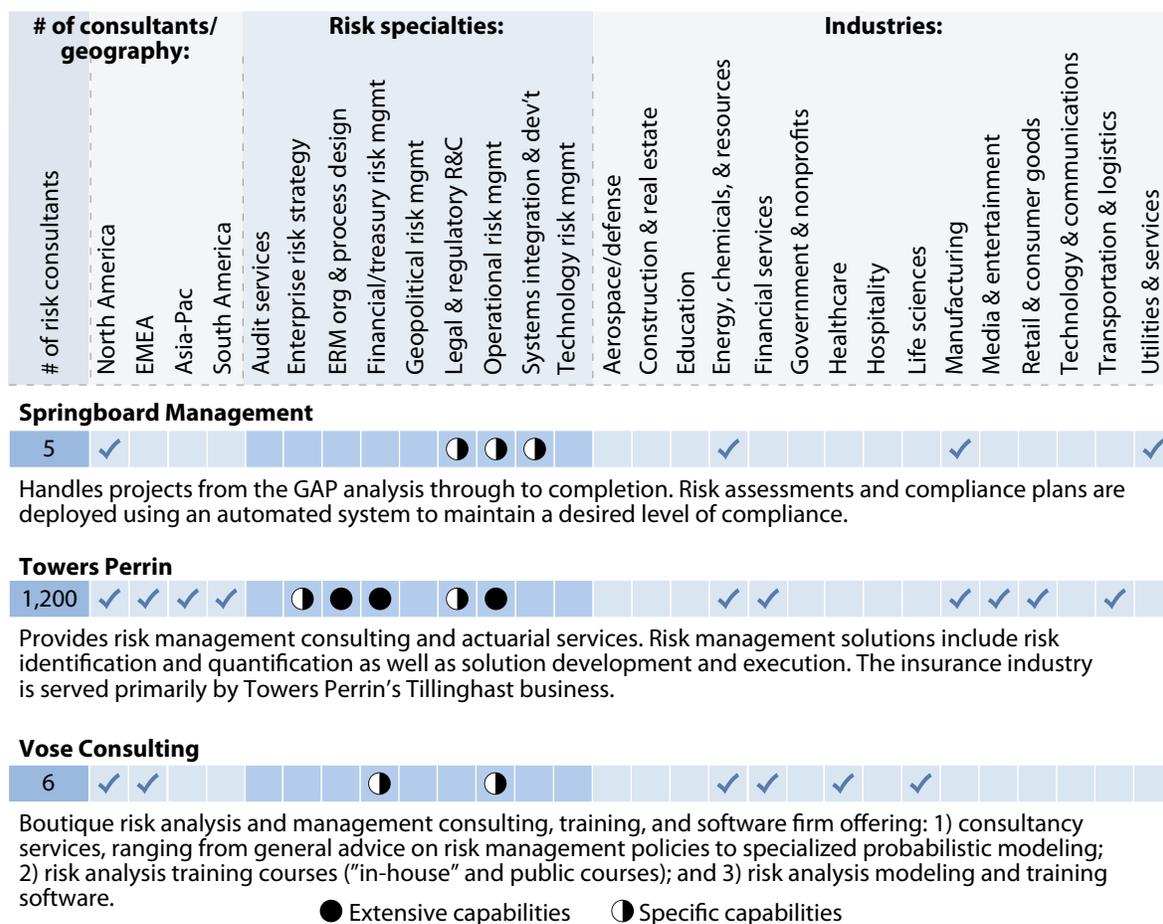
**Siemens Insight Consulting**

71	✓	✓			●	●	●	●	●	●	●	●	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
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Provides risk offerings to support strategic, program, project, and operational risk management (but not political, market, or credit risk). Also provides compliance offerings that focus on the security sector with a specific emphasis on IT.

● Extensive capabilities    ● Specific capabilities

Figure 1 Risk Consulting Landscape (Cont.)



● Extensive capabilities    ● Specific capabilities

40057

Source: Forrester Research, Inc.

**CONSIDER CONSULTANTS' FUTURE ALIGNMENT AS WELL AS CURRENT STRENGTHS**

Risk consulting services is not a stagnant offering; consulting firms will continue to expand and adapt to a number of challenges. Organizations that are hiring consultants and expect to continue working with them over time should also look at where their consultants' businesses are evolving to ensure future as well as current alignment to the organization's risk needs:

- **Incorporate more benchmarking services.** Many organizations are in search of reassurance they are on the right track. Risk consulting services will expand further to provide peer/industry benchmarking of an enterprise risk management program.
- **Expand their operational risk management practices.** Much attention has been given to financial risk management as well as isolated areas such as security risk management. However, in today's complex business environment, organizations need advice and expertise in navigating global geopolitical and industry risks that affect business operations.

- **Be on a never-ending quest for talent.** People are a vital asset to any firm, particularly a professional services firm — the most successful competitors in the space are and will continue to be the ones able to acquire, retain, and develop the best people. People with strong competencies in processes, risks, and controls as well as “been there, done that” subject matter expertise in specific areas are a critical differentiator in this space. Certain regions will specifically have a greater demand than supply of consulting talent — particularly Japan as it struggles with J-SOX compliance with a fraction of the auditors that the US has.
- **Focus on systems integration — embedded risk technology.** Companies will increasingly focus on developing a single platform for risk and compliance and will embed these platforms into ERP systems. Risk and compliance monitoring will become real time and continuous, utilizing sophisticated automated routines and leveraging innovations such as XBRL. Third-party service providers will set up global shared service centers to perform continuous risk monitoring for global enterprises.
- **Respond to globalization.** Global convergence around governance regulations will drive professional services firms to provide services that integrate harmonized global requirements while maintaining local differences. Successful risk consulting firms will show ingenuity in providing flexible framework and content for their clients to manage risk on a global basis.

## RECOMMENDATIONS

### SELECTING THE RIGHT CONSULTANT REQUIRES DILIGENCE

A successful risk consulting project depends on the quality of the service and resources that get assigned to it. A name-brand firm with the broadest bench does not mean success for your risk project if it's staffed with inexperienced professionals who aim to learn on your dime. To hire a successful risk consultancy, you must examine:

- **The quality of the individual consultants.** Do not let the consulting firm play bait and switch, where it brings in its big guns to close the deal but staffs your project with others who are less experienced. Insist on reviewing and approving everyone who will work on your risk consulting project.
- **The depth of the senior resources.** Your project may not always draw the senior resources of the consulting firm. That's OK — as long as you're satisfied with the skill set of those who are on your project. However, the depth of the senior resources still matters — they set the overall philosophy and methodology of risk consulting for the firm. Strive to understand the depth of senior resources and the certification/experience breadth of the senior professionals of the firm.
- **The professional development and training of the consultants.** Keeping consulting staff requires investment in their most valuable assets — people. Select the firms that can

demonstrate robust professional development and training programs for its risk consultants. Ask, "What opportunities are provided for partners/consulting professionals to advance their knowledge? What does the firm do to encourage continuous learning?"

- **The company's frameworks and methodology.** Risk management is based on philosophical principles of what risk is. Selecting the right firm requires that you have an understanding of what you want to achieve alongside how you define risk and risk management. Look for firms that have a framework and methodology that coincides with your definition of risk management.
- **The company's consistency in delivery of client engagements.** In addition to having methodologies, look for a risk consulting firm that can demonstrate consistency in delivering quality service worldwide through engagement and methodologies standardization. The firm's delivery methodology should have a client-centric focus — with a track record of being able to adapt to client needs and demands.
- **The company's success in knowledge transfer.** Your organization needs to own the risk methodology and processes; specifically, look for the firm's success rate in providing knowledge transfer skills to client teams. Consulting firms should have programs in place to initiate a client immersion process for swift engagement through the final delivery.
- **The company's commitment to research and development.** Risk is dynamic just as business is dynamic. Your understanding of risk today is not what will help you succeed tomorrow. The same is true for your consulting partners; look to firms committed to global R&D that serves as an investment for intellectual capital, driving global thought leadership on emerging ideas and trends. Successful risk consulting firms will provide thought leadership and institutes to help educate clients on current issues and trends in the marketplace.
- **The interaction of multidisciplinary teams and experience.** A risk project often touches on many parts of the organization and requires a broad set of skills. Look for firms that can bring multidisciplinary teams with specialized talent as needed to address all risk and compliance needs across a host of business and IT processes and industries.

**SUPPLEMENTAL MATERIAL****Companies Interviewed For This Document**

Actualize Consulting	Jefferson Wells
ADI Compliance Consulting	The Kingson Group
Aon	KPMG
BearingPoint	Mercer Oliver Wyman
Booker & Associates	Metavante
BT Group	OpRisk Advisory
Capgemini	Polaris Management Partners
Computer Sciences Corporation	PricewaterhouseCoopers
Crowe Chizek and Company	Protiviti
Deloitte	Quadrant Risk Management
Ernst & Young	Resources Global Professionals
Eurasia Group	RimaOne
eWizion	RiskBusiness
Grant Thornton	Siemens Insight Consulting
H5	Springboard Management
Hewlett-Packard	Towers Perrin
IBM	Vose Consulting
James Lam & Associates	

**ENDNOTES**

- <sup>1</sup> Note: Risk specialties may be further subdivided into finer categories. Further, organizations as well as professional services firms may define and categorize risk and risk professional services differently. There is no standard taxonomy of risk service — that is partly what this report is aiming to achieve.
- <sup>2</sup> Basel II defines operational risk as, “The risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events.” This generally accepted definition of operational risk is established by the Bank for International Settlements. However, Forrester would add “relationships” to the list of issues in the Basel definition. Source: Bank for International Settlements (<http://www.bis.org/publ/bcbsca.htm>).

- <sup>3</sup> Federal Reserve Board Governor, Susan Schmidt Bies, noted in June 2006 that “Compliance risk . . . can be defined as the risk of legal or regulatory sanctions, financial loss or damage to an organization’s reputation and franchise value. . . . The Federal Reserve expects banking organizations to have in place an infrastructure that can identify, monitor and effectively control the compliance risks they face.” Source: The Federal Reserve Board (<http://www.federalreserve.gov/boardDocs/speeches/2006/200606122/default.htm>).
- <sup>4</sup> Forrester estimated the size of the market by taking the number of full-time risk consultants reported across the 37 firms in this report, which equals 63,530 consultants. We then figured that each of these consultants can bill 1,800 hours in a year at a rate of \$250, which equates to a market size of \$28,592,550,000. Forrester then estimated that while there are more than 200 firms offering risk consulting services, 75% of the consultants are accounted for among these 37, as they include the dominant players. Thus the market potential for risk consulting services extends to \$36 billion.

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