



# Accent on the past

Globe-straddling giant, or dinosaur? Thought-leader, or part of a consultancy malaise afflicting Whitehall? It's time to examine Accenture's scorecard says **Chris Middleton**.

Accenture likes to imagine itself out on the fairway, associated with the biggest names and the highest performance, swinging towards the green – green dollars, green technologies, green fields. It is led by Mr. Green himself: chairman and CEO Bill.

Last decade there can have been few business-class lounges that did not see the Accenture brand splashed across billboards featuring Tiger Woods. Today, the severed 10-year relationship seems from another time. That Tiger no longer burns so bright.

Associating your brand with a superstar is no guarantee of a secure profile in business, although some enterprises, not to mention governments, remain attracted by the allure of what such associations represent – power and wealth – and the implication that big-ticket technology implementations are sexy.

The vanilla facts about Accenture are that it is a global management consulting, technology services and outsourcing company across all sectors and business functions. It has three services groups: consulting, systems integration, and outsourcing/BPO. It has two key strategies: extensive research into the world's most successful companies and governments,

and vendor agnosticism. By comparison, companies such as HP and IBM look for any 'synergy' within a deal that helps them push sales of their products.

#### The ninety-six percent solution

Accenture's clients include 96 of the Fortune Global 100 and three quarters of the 500. It employs 181,000 people – and is currently advertising vacancies representing about one percent of that headcount. Less well known is that out of the company's top 100 clients in fiscal 2008 (based on revenue), 99 have been clients for at least five years and 87 have been clients for a decade or more.

In their quest for business efficiency, some organisations seem unable to let Accenture go. This may be because the company nurtures executive relationships that extend to the CEO and the boardroom, whereas rivals tend to cultivate connections with the IT department alone. Either way, Accenture must be doing something right – or best practice, efficiency and informed strategic management are no longer things that enterprises nurture within themselves.

Accenture would say that its business is watching the horizon for disruptive technologies, outliers and tipping points: those things that sell business books.

**“You go through the high phases on a lot of this stuff, but this cloud stuff is real. Right?”**

**Bill Green, chairman and CEO, Accenture**



Bill Green: Accenture chairman and CEO, Davos.

However, if it failed to see the recession coming, then it certainly made money from it, and from clients within financial services, such as AIG, and government.

But what do we really know about the company: what does it stand for? Is there a high concept behind the high profile and the mantra of 'high performance'? And has the political climate in the public and private sectors turned cold for big consultancies?

Accenture had a Cesarean birth from Arthur Andersen in 1989 – ditching the Andersen Consulting brand in 2001. Since

then has risen to global prominence with a market capitalisation of just under \$27 billion – too large for anyone but a Cisco or an IBM, perhaps, to acquire it.

On its July 2001 IPO the company hung a banner on the New York Stock Exchange saying “Now it gets interesting”. That was true: Accenture remains largely administrated from New York, but was incorporated in Bermuda until September 2009. Since the beginning of its fiscal 2010, Accenture has been headquartered in Dublin – leading tech business portal The Register to quip

that the company has merely swapped one tax haven for another. In the US, President Obama has pledged to clamp down on corporate tax avoidance.

“I don’t think being offshore has a negative bearing on its ability to advise companies,” says Gartner analyst Cathy Tornbohm. “When consultancy needs to be based in clients’ premises, then suppliers will support this. The services industry is following the trend set by manufacturing to move work to where it can be done at an economic price point.”

Accenture’s prospective customers are large organisations looking to embark on mission-critical schemes, which tend to be recession-resistant – or more recently, recession powered. This makes the company largely independent from the strategies of rivals who bulk up their market presence through merger and acquisition.

That said, Accenture’s shopping spree continues quietly in the background. For example, it acquired risk consultancy RiskControl in February 2010. In October 2009 it completed its acquisition of the professional services unit of Nokia that provides engineering and support for the Symbian operating system.



**Tiger Woods: A fixture in business-class lounges... but not for Accenture in 2010.**



**The end for government consultancy?**

Telecoms may signal a way forward. Recently, Accenture increased its comms presence with a \$23 million technology support deal with NBN Co, the new monopoly provider of wholesale broadband services in Australia.

Far from being merely immune to the worst effects of the recession, Accenture thrived on it and expanded, announcing headcount increases in India to 35,000 (2007) and then 50,000 (2008). Its 2008 earnings peak coincided with the trough of the recession, with net income of \$1.69 billion on revenues of \$25.3 billion.

However, you would think from some of its public statements that the company had clung on for dear life. On Europe, for example: “We are cautious because they are cautious and there is a lot of uncertainty over there,” said chairman and CEO Bill Green in March 2010. “We are very well positioned to benefit accordingly with the return to positive growth.”

Accenture’s net income for the year ended August 09 stood at \$1.59 billion on revenues of \$23.1 billion. Earnings growth for the quarter ended 28th February was down 2.1%. Despite this, investors remain happy with shares trading up an average of 41% on 2009. Headcount has increased by 20,000 in the past year, says Green, adding: “We achieved very strong new bookings of \$6.5 billion, with consulting and outsourcing each exceeding \$3 billion.”

“Demand continues primarily in strategic sourcing and CRM, in addition to risk management and post-merger integration,” says CFO Pamela Craig. “In technology consulting, bookings were driven by continued demand for projects in infrastructure consolidation and virtualisation, security and IT governance. This quarter was our strongest yet for tech consulting.”

In the first full year of recession, Accenture boasted double-digit growth in revenue and earnings as its consultancy

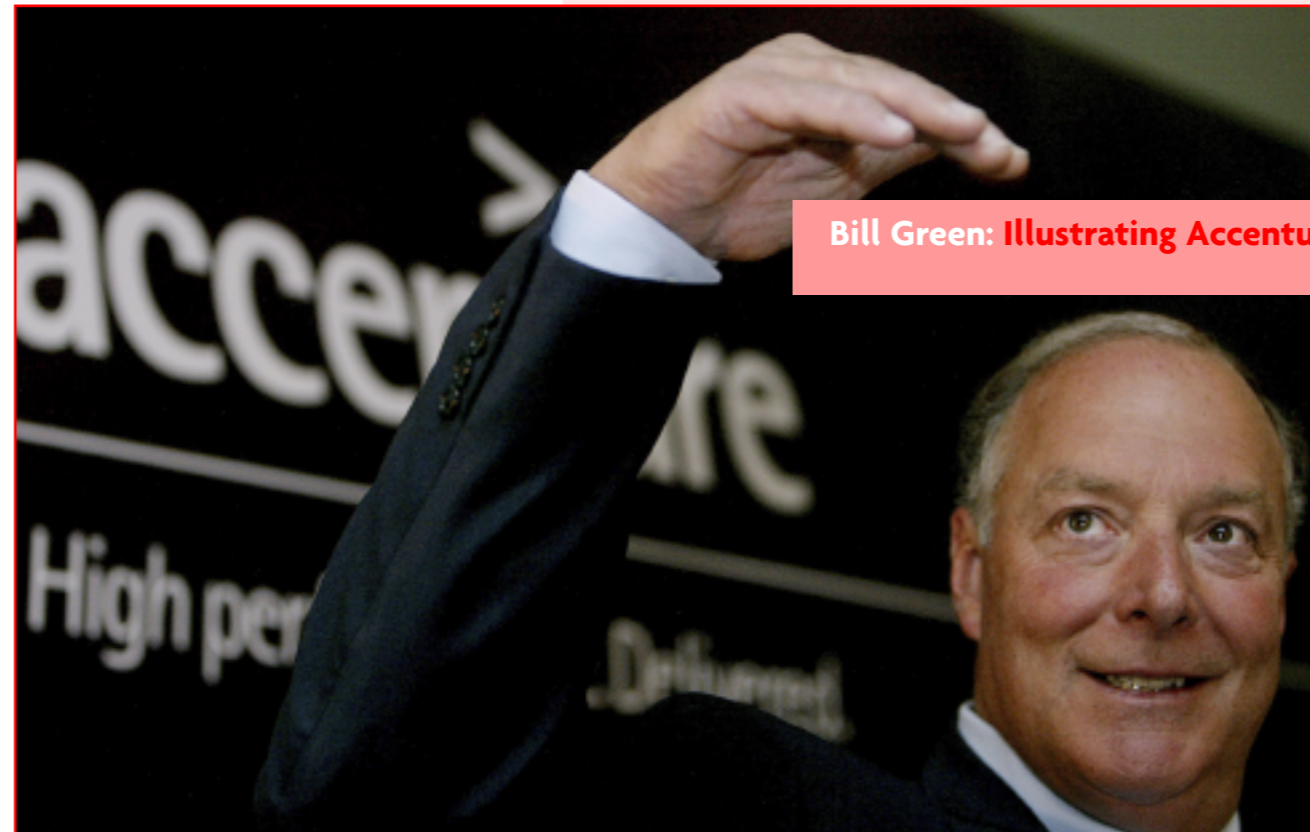
services – representing 60% of Accenture’s revenues – helped clients manage restructuring. One such client was insurance giant AIG, which signed a \$100 million BPO and technology services deal with Accenture in January 2007. AIG, though, was headed into the abyss. It lost nearly \$100 billion in 2008 and was bailed out by a US administration for whom insurance would be a defining issue.

However, the darkening of the public mood towards Wall Street, the City, and companies that grew fat on recession may define this era as much as the bailouts and collapses. “Real reform will put shareholders and creditors on notice to do their own due diligence rather than rely on taxpayers,” wrote the Wall Street Journal in bailout week. “The disorderly Lehman collapse and the AIG bailout cannot be our only models.”

#### “Not without controversies...”

Accenture might have avoided the curse of Enron that broke its parent company, but it has not been without controversies. For example, the state of Connecticut sued Accenture for lost data in September 2007; while the US Justice Department announced legal action against it, HP and Sun for alleged kickbacks in the Spring of the same year. In 2008, Centrica sued Accenture in the UK for the “shambles” of Project Jupiter, which was designed to bring together British Gas’s electricity and gas-billing schemes in a single system handling 200,000 bills a day. The price was £317 million – nearly three-quarters of the promised £397 million saving Centrica expected from the system over ten years. Centrica blamed Accenture for an exodus of customers and trust from British Gas.

All this has made some view services giants as outdated and share jokes about coach loads of consultants arriving to change a lightbulb. Some analysts agree: “Accenture is still selling high-fashion consultancy couture to a market that increasingly wants low-cost fashion basics, but, if it can afford it, might stretch to the odd accessorising project,” says Dr. Katy Ring, director of analyst firm K2 Advisory.



**Bill Green: Illustrating Accenture’s recession?**

**“It must embrace an R&D mentality where a major upfront investment is used to develop products. This demands a change in Accenture’s DNA.”**

**Cathy Tornbohm, Gartner**

Analysts at Gartner are watchful of where Accenture goes next: “In pursuit of its next era of revenue growth, it must make some hard choices about where and how to invest for the long term,” says Tornbohm. “It must embrace an R&D mentality where a major upfront investment is used to develop products preceding sales. This demands a change in Accenture’s DNA; it requires a shift in positioning and a new internal governance model.”

So are Accenture and its peers the dinosaurs of the 1990s boom, now facing the prospect of revenue streams being cut off and business models undermined by cloud computing, on-demand software and commodity services?

On the hype about on-demand services and virtualisation, CEO Green said: “I get the same disease. I mean, we feel great about it – you go through the high phases on a lot of this stuff, but this cloud stuff is real. Right?” (Earnings call to analysts 25th March 2010.)

The HR, ERP and CRM markets, all cash cows for Accenture, are already being transformed by cloud services. So who will be the “Accenture of the cloud”, to use NetSuite CEO Zach Nelson’s phrase, when Accenture has no way of addressing the mid market and on-demand technology with its consultancy model?

“For Accenture, its consultancy services remain relevant as organisations grapple with the cloud services as part of their IT infrastructure,” says Gartner’s Tornbohm.

Nevertheless, the dual attraction of cloud services is their simplicity and cost efficiency within operational expenditure, and the freeing up of departments from IT systems management – not the opportunity they offer for consultancy services.

“Today it is unclear how the company plans to expand traditional services and exploit alternative delivery models, such as cloud and software as a service (SaaS),” says Tornbohm. “Accenture needs a succinct, clearly articulated roadmap demonstrating

how it will tap into new clients, geographies, services or markets.” This suggests it needs a dose of its own consultancy.

The Fortune 100 may rely on Accenture’s undoubted expertise, but much has changed. Just as Enron killed Arthur Andersen, the long tail of the Lehman collapse may yet smash the consultancy market into smaller pieces. Ernst & Young signed off on Lehman’s SEC filings and it is unclear what the legal repercussions might be. In such a scenario, rivals like Accenture could benefit in the short term, but the medium-term future could conceivably be a market shorn of competition and wary of large, unwieldy organisations.

#### An ethical company

In its defence, Accenture has been named one of the world’s most ethical companies for three years running by an organisation called Ethisphere – which critics have pointed out derives its revenues from corporate memberships and advertising (as do most industry awards), and which relies on organisations to nominate themselves for consideration (as do most industry awards). The accolade remains as useful a tool as any in our climate of *soi disant* champions.

That said, Accenture wants to lead by example: it has launched a corporate citizenship report, which, among other things, focuses on corporate governance, diversity, supply chain sustainability, and the company’s commitment to reduce its per capita carbon footprint by 40 percent by the end of fiscal 2012. That is a respectable statement of directional thinking.

“Running a sustainable organisation – in every sense of the term – has become central to high-performance business and governments,” said Adrian Lajtha, Accenture’s chief leadership officer. “This report reflects Accenture’s commitment to embedding sustainability into our business and to making a measurable difference to the long-term vibrancy and vitality of people and communities around the world.”

Sustainability, not Tiger Woods-style performance, seems to be Accenture’s message for this decade. We know that

**“Running a sustainable organisation has become essential to high-performance businesses and governments.”**

**Adrian Lajtha, chief leadership officer, Accenture**

brand is paramount to the company, because it has spent millions of dollars telling us so (\$59 million on advertising in 2007 alone). In the US, Accenture has also been investing well over \$700,000 per quarter in lobbying both Houses of Congress on issues such as homeland security, immigration, patent issues and taxes, according to a report filed in January with the House clerk's office.

However, political lobbying and big statements of corporate values beg public scrutiny and accountability, and yet Accenture's role in influencing both boardroom and public policy remains hard to define beyond its unelected presence in Whitehall, Washington and elsewhere.

#### An image in the rough

Beyond that, surely its decade-long branding association with wealthy men on golf courses has reinforced public fears about the relationship between consultants and government, just as much as it has pushed its message of excellence to business-class travellers? (Search for 'Accenture' in the Press Association image library and you are presented with hundreds of images of golf tournaments.) As we come out of a two-year recession, such images seem inappropriate at best, and antiquated at worst, and if public perception of large consultancies and their customers has shifted, then the political climate has too.

Accenture rejects the idea that it might be tainted by association with images of wealth while working to make the public sector leaner and more efficient. "We are very clear about the value we provide we for clients," says the company in a written statement to **Professional Outsourcing**. "We deliver bottom-line results which can be measured in improved conditions for citizens — and we want to be measured in that way.

"There is a shift in what clients are looking for. Accenture builds systems and business processes and we put in new, streamlined operating models where real improvements in government operations can be made and seen."

---

**"Accenture has been investing over \$700k per quarter lobbying Congress on issues such as homeland security, patent issues, immigration and taxes."**

---



In 2007, Accenture headed for the out door on the NHS National Programme for IT (NPfIT), which is again under a cloud of public opprobrium. This proved to be a sensible move. The programme became an election issue in March 2010, with Alistair Darling pledging to slash £600 million in cost savings from the troubled scheme.

As we went to press CSC was the latest supplier to miss a critical deadline and fall foul of the programme's contractual terms. With CSC joining Accenture, Fujitsu and others in a lengthening queue of disgruntled vendors, the programme may be slashed out of existence to help reduce the UK's budget deficit. The Tories want to shift public sector IT towards a low-cost, cloud-based model; the Lib Dems promised to scrap the NPfIT and other schemes, and Labour would probably have scrapped it before the election had Gordon Brown not bankrolled it when Chancellor.

#### Cutting the Whitehall purse strings

So with the tide turning against big-ticket technology schemes in Government, do Accenture and its large consulting rivals risk becoming relics of a time when enterprises and government departments could throw money at them? The UK's pre-election Budget provided some clues, while the Tories' pledge to ice any IT scheme costing over £100 million provided more.

In February 2010, Liberal Democrat Treasury spokesman Lord Oakeshott tabled a question about Government spending on consultants. In April he got his answer: spending had increased from £74million in 2004-05 to £388 million in fiscal 2008-09. The Department for Work and Pensions and the Department of Health were the largest spenders, while Accenture, Deloitte and PwC collectively took £1.4 billion from the taxpayer from fiscal 2004-5 onwards.

Oakeshott described the Government as "consultaholics" whose plans represented a "triumph of hope over experience". Accenture responded that it is building, designing and running large, complex IT systems in government, unlike the others listed who are merely offering consultancy.

Nevertheless, the 12 consultancies whose brogues have been wedged in the door of Downing Street are now the focus of a Whitehall savings drive that aims to halve departments' consultancy bills and cut Whitehall's marketing and communications spend by 25 percent from 2009 levels. So it is ironic that Accenture, a company whose mission is helping organisations drive innovation and efficiency, is being discussed in House debates about Government waste.

#### A blank page for expensive words?

That said, such problems often originate at the client's end with poor contract specification and management. Why? UK Government CIO John Suffolk says, "In the European procurement rule we do not specify how suppliers want to bid. We are not allowed to specify technology or brand, and so we encourage suppliers to come forward with the most innovative solutions for a business requirement."

The Government is not packed with IT experts and so consultancies have a long-term revenue stream. In other words, the public sector has allowed itself to be a blank page – or a blank cheque – to the consultancy market. Fair comment? "We would argue that the Government has a lot of expertise in technology. It has achieved a lot in this area in recent years," says Accenture's spokesperson. "Government is highly focused on driving real efficiency. Long-term relationships with the private sector are ok as the Government has metrics for long- and short-term contracts, which have been reducing cost and increasing value over the last couple of years."

CEO Green says: "I think we think the environment is going to be a tad cautious, as people are trying to decide: do they have the funding for some of the bigger initiatives? Not the garden-variety stuff, but the bigger and more important things."

And yet simply switching suppliers and cutting programmes is no guarantee of efficiency in government; indeed, it can be an expensive exercise. For example, in 2003 Accenture's loss of a contract for IT services to the Inland Revenue led Edward Leigh,



**"We are not allowed to specify technology and so we encourage suppliers to come forward with the most innovative solutions."**

**John Suffolk,  
Government CIO**

chairman of the Committee of Public Accounts to say, "The transition [of the ASPIRE IT deal to Capgemini] was successful but very costly. It is hard to find a justification for the department's paying so much, nearly £52 million, towards bidders' costs to encourage competition. Any department doing this in future must show there is no other cost-effective way of securing competition."

So post recession, and with impending cuts through the public sector, is UK Government now a greater or lesser opportunity for Accenture? There are reduced budgets on the one hand, but perhaps increased consultancy opportunities on the other.

#### New consultancy streams

"We believe that there will be a decline in demand by Government for the sort of management consultancy work that focuses on writing pure advisory reports since Governments require far greater added value," says Accenture in its written statement. "At the same time, we believe there will be an increase in Governments' demand to change the way they operate and provide services to citizens. There is less money in the public purse and governments will look for new ways to deliver services more cost effectively."

"This all means the Government will need to do more for less. Governments will have to reconsider how they provide services and the kind of services that are needed. This will provide the impetus for driving change programmes. There will be a focus on cost-efficiency-driven analysis and driving those benefits within a given timeframe. In this new Government environment, the real demand will be for organisations that can do both the thinking and the implementation."

Out on the fairway, the world's leading golfer is rebuilding his career under the watchful eye of the public. "It's what you do next that counts," ran the words of an old Woods/Accenture campaign.

**feedbacker2@hotmail.com**