

## **European consulting market may be set for strong growth...say clients**

***New report finds the Boston Consulting Group is best positioned for growth, followed by PwC and Deloitte...***

Despite the tough market for European consulting firms, a **Sourceforconsulting.com** report released on 14<sup>th</sup> March 2012, and based on the views of more than 400 C-suite and director-level clients across Europe and the Middle East, has found that the majority (95 per cent) of management consultancy clients have either no plans to reduce the level of consulting, or they plan to increase it significantly.

This expected increase in demand is not being driven by the need for new skills or a major change programme, but because clients expect the line between what is internal and what is external to be re-drawn. Cutting the number of permanent employees they employ will mean relying more on outside companies. But the report is quick to point out that consulting firms will have to be prepared to change the services they offer, the role they play, or even their operating model, in order to take advantage.

### ***BCG best positioned for growth***

The report also ranks 11 of the biggest global consulting firms, according to how well clients feel each is positioned to tap into the potential for growth. The Boston Consulting Group came top, a result both of the high regard which clients have for the firm generally, and the fact that it is seen to be increasingly capable of diversifying by role and delivery model.

### ***PwC – the front runner out of the Big Four***

There is, says the report, little to separate PwC from Deloitte – something that is a problem for both firms – but the former have the edge at the moment on the back of especially favourable views amongst clients about the quality of its people.

Source co-Founder Fiona Czerniawska commented:

*“Despite the malaise of the consulting industry in many parts of Europe, and the widespread perception that demand for consulting in the region is likely to grow slowly at best in 2012, we believe that the potential for longer-term growth is much greater. This may be akin to the explosion of activity which fuelled the consulting industry in the early 1990s, as pressure on headcount forced managers to re-draw the boundaries between what they made and what they bought.”*

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### ***Huge reliance on consultants to validate difficult decisions***

When looking at why clients are buying consulting, a third of all consulting continues to be driven by clients' need to access specialist skills. However, around a sixth stems directly from a need to have difficult decisions validated and defended to internal and external stakeholders. The report says that it is clear that CEOs and their board directors see this simply as part of doing business. It's a trend that is especially marked in the financial and resources sectors (primary industries, energy and utilities) and amongst strategy, finance and risk managers. What it does is to make people in these sectors and functional areas extremely brand-conscious when it comes to their choice of consulting firm, something that goes a long way to explaining why reputation and relationships are something the biggest consulting firms are so keen to manage well.

One strategy and operations director commented: *"One of the main reasons why we'd bring in one of the well-known strategy firms is that there's a difficult, even contentious, message we need to get across internally and/or externally. These people can articulate it better than we can – and they're also more likely to be believed because they're independent outsiders. 50% of this work is genuinely helpful; 50% is just to make us look better."*

### ***A different form of collaboration is emerging***

One of the most significant changes to the way clients are using consultants comes in the way they expect to use external help for implementation. Despite virtually every consulting firm laying claim to its unique ability to bridge the gap between advice and implementation, the report suggests that clients remain unconvinced. Indeed they appear to have very sophisticated views about the role they want consultants to play, something which is informed by the increasing access many clients now have to internal consulting resources. Four-fifths now expect consultants to work in collaboration with internal consulting units while about two-fifths expect them to manage internal teams of people. These shifting needs don't simply affect the amount of money organisations spend with external consulting firms, they also go a long way to determining the types of firms they use in the first place.

### **Some of the other key findings included:**

- International work – the report estimates that, overall, around a third of all consulting work has an international component to it – and that this is likely to grow.
- Clients see a clear relationship between price and value, and will either push prices down or allow them to rise depending on the gap between the two.
- There are three main ways in which consulting firms can diversify in order to take advantage of the opportunities for growth: by service, by role and by delivery model.

**-ENDS-**

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**About Sourceforconsulting.com**

Sourceforconsulting.com is a leading provider of information about the market for management consulting. Set up in 2007 and based in London, Source serves both consulting firms and their clients with expert analysis, research and reporting. We draw not only on our extensive in-house experience, but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency and transparency.

Sourceforconsulting.com is owned by Source Information Services Ltd, an independent company, which was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including: [The Intelligent Client](#) and The Economist books, [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#). Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked for PA Consulting Group and has extensive experience of marketing consulting services.

**About the report**

This 240 page report entitled 'What clients think and why it matters' forms the second part of Source's Client Research Programme for 2012. It is based on the views of 400 senior people within multinational organisations who have extensive use of using consultants. Data was collected in two ways: firstly, and predominantly, Source conducted in-depth telephone or face-to-face interviews. Where that wasn't possible, for whatever reason, clients were asked to complete an online survey which was based around a similar set of questions to those asked in interviews.

- Sectors include: financial services, resources (including primary industries, energy and utilities), services (including telecoms, media, high tech, healthcare, retail and distribution) and manufacturing.
- Geographies include: UK and Benelux; Scandinavia; France, Italy, Spain; Middle East; Germany; Switzerland.
- Functional areas of clients include: HR directors, IT directors, finance directors, strategy and operations directors (including many of the CEOs and Managing Directors surveyed),
- The eleven firms examined in detail (in alphabetical order): Accenture, Bain & Company, Booz & Company, Boston Consulting Group, Capgemini Consulting, Deloitte, Ernst & Young, IBM, KPMG, McKinsey & Company, PricewaterhouseCoopers,

Part 1 of the Client Research Programme, published in January 2012, provided a quantitative overview of the market, based on a survey of procurement managers in large multinational companies across Europe and the Middle East. Part 3, planned for publication in June 2012, will update Part 1, providing a snapshot of the market midway through 2012. Finally, Part 4, due for publication in September 2012, will offer a view of the consulting market from the public sector only.

For further information on how to subscribe to this research, please contact [julie.ahadi@sourceforconsulting.com](mailto:julie.ahadi@sourceforconsulting.com) or telephone +44 (0)20 3178 6443.