Consulting Industry Market Scan:
Key Players & Employment Dynamics

Key Players and Employment Dynamics in Business Consulting Services

FastTrack Insights

- Introduction
- Employment Dynamics
- Disruptive Challenges
- Keeping up with the good practices

Introduction

Identifying who is right for a job and keeping them onboard has never been harder; as a generation with different value sets and priorities enters the workforce, employers now find out that they are not the only ones who get to choose—they get chosen by prospect employees, too. The consulting sector is no different: the very same people who coined, and later popularized, the expression "war for talent'' now face talent shortages and considerable skill gaps.

Consulting has not changed significantly over the years: experts in the field provide advice to client organizations, with a focus on strategy and efficiency. However, the firms now ask for different employee profiles, giving nuances as to how operations and offerings have changed in an ultra-connected, smart world. MBA graduates with high scores and an appetite for climbing the career ladder are still a no-doubt hire for the field's HR managers—however, tech-savvy analysts and coders become an increasingly invaluable asset for any firm that wishes to remain relevant[1].

Once called a "group of brilliant show-offs", consultants and prospects now need to rethink their identity: whereas top tier-university degrees are still the main criterium of entry into the advisors' league, soft skills are also gaining ground. In this context, international experience, teamwork, collaboration, and empathy have come to be prerequisites in a field that redraws its point of reference to its clients.

Along the same lines, Johan Aurik, the managing partner of AT Kearney, identifies the most pertinent challenge for 21st-century consultants: the more complex clients' requests become- in terms of both interdisciplinarity and technical thoroughness-, the more consultants need to strive to provide said advice in an accessible and convincing manner.

1. Hill, Andrew (2016).. "Changing Face of Advisers' War for Talent." *Financial Times*, Financial Times Retrieved from https://www.ft.com/content/dbd794f6-990d-11e6-8f9b-70e3cabccfae.

Pricewaterhouse Coopers

Pricewaterhouse Coopers is an international professional services network in the Big Four. Headquartered in London, it ranks just behind Deloitte in terms of revenue and size. With offices in more than 150 locations worldwide, PwC brought in USD 35.9 billion in revenue in 2016. PwC was created in 1998 from a merger between Price Waterhouse and Coopers & Lybrand. In September 2010, the merged company's name was shortened to PwC as a rebranding effort. PwC's consulting revenue increased 6.2% in 2018 in CC to USD 19.1 billion. PwC grew below the overall consulting market rate. The gap grew between PwC and Deloitte, which eclipsed PwC as the top provider in 2017. PwC had 10.1% consulting market share in 2018. However, PwC has taken steps to open up investment opportunities in core areas to propel its business in 2019. These steps include divesting its US federal consulting business and acquiring the digital security tool KYC-Pro to boost its financial services businesses. PwC's security consulting business, which accounted for just under 11% of its 2018 consulting service revenue, grew 20% in 2018. PwC's BXT consulting approach focuses on reframing the client's business problem in terms of business ideas, experience ideas, and technology ideas. While many providers have brought the design aspect into their environments via strategic digital design and innovation acquisitions, PwC has focused more on strategic hiring and reskilling to build these capabilities. PwC's largest industry verticals (manufacturing and natural resources, banking and securities, and communications and media) all grew in 2018. Additionally, key relationship growth in insurance gave this vertical the largest year-over-year growth for PwC at 14.5% in CC.

KPMG

KPMG, which stands for Klynveld Peat Marwick Goerdeler, was formed from a merger between Klynveld Main Goerdeler (KMG) and Peat Marwick in 1987. KPMG currently employs about 190,000 staff with three main distinctive services lines: financial audit, tax, and advisory. Despite the downfall of its client, Carillion, and the consequent bad publicity the firm got, it managed an 8 percent rise in revenues to GBP 2.3 billion in 2018. As in prior years, KPMG was the most geographically diverse provider in terms of consulting revenue. Like other providers, KPMG's largest markets are the US, the UK, and Germany, but unlike most other providers, 56% of KPMG's business is outside these geographies. In fact, KPMG is the largest consultancy in China, Italy, Australia, and the Netherlands — its next-four-largest geographies. Globally, KPMG grew 7.5% in CC in 2018 and, similar to 2017, this was below the growth rate of other top 10 consultancies. In past years, KPMG has made a couple of acquisitions, but 2018 was a year of heavy investment. To enable future growth, KPMG made six consulting acquisitions in 2018, primarily focusing on security consulting and on digital scale in Canada, Singapore, Vietnam, France, and Australia. Using data and analytics to drive business and digital strategy continues to be a core area of strength and investment for KPMG, enabled by its Lighthouse centers of excellence, several global alliances, and co-innovation initiatives with clients in its Ignition Centers.

Ernst & Young

Ernst & Young was formed from a merger between Ernst & Whinney and Arthur Young & Co. in 1989 and demonstrates expertise in assurance, tax, transaction, and advisory services. In August 2018, EY announced plans to invest USD 1 billion in driving digital business initiatives and innovation over a two-year time period. This continues EY's active investment in building tools and frameworks internally to use alongside its human consulting expertise. This asset-based consulting helped propel its consulting business to 10.1% year-over-year CC growth in 2018. EY also actively invested in acquisitions in 2018, enveloping diverse businesses into its portfolio. These acquisitions have given EY digital design and innovation capabilities, scale in consulting in a few select geographies across the globe, and security consulting and analytics tools. Top industries for the firm remain manufacturing and natural resources; banking and securities; and communications, media and services. Insurance and health care provider industries also garnered double-digit growth for EY in 2018.

Building a better working world

Accenture

At 13.3% CC growth in consulting, Accenture grew the fastest among the top five consulting providers by successfully leveraging the past few years' digital acquisitions and organically grown capabilities. Accenture's global innovation framework, which includes its digital design studios and innovation centers, is core to that growth as it enables clients to visualize and experience the work that Accenture carries out for its clients. A broad talent base in Accenture Interactive, Applied Intelligence and Industry X.0, the three business units that comprise Accenture's primary digital capabilities, enables Accenture to deliver at the global scale what the largest enterprise organizations seek. Although Accenture remained actively acquisitive as compared with its competitors, 2018 saw Accenture making fewer consulting-related acquisitions than in 2017. Focus remained on adding geographic breadth to Accenture Interactive, with 9 of the 16 acquisitions relating to digital design and innovation capabilities. Successful integration of the recent Droga5 acquisition will be needed to create Interactive scale in the North American market in 2019. The industries generating the most consulting revenue for Accenture in 2018 are communications, media and services; manufacturing and natural resources; and banking and securities. Although not the largest consulting provider in any major geographic market, Accenture has significant business in growing markets in Latin America and in Mediterranean countries in Western Europe.

McKinsey

McKinsey continued its consistent performance of recent years, with a 6.8% CC growth rate in 2018 that was virtually unchanged from 2017. McKinsey retained its rank as the sixth-largest provider of consulting services worldwide. McKinsey's growth was broadly balanced across all major geographic markets, although it did grow slightly faster in emerging Asia/Pacific, Greater China, and sub-Saharan Africa. McKinsey's core markets remain North America and Western Europe, which, between them, represent almost 80% of its business. McKinsey primarily offers strategy and operations consulting services. McKinsey continued to expand its McKinsey Digital practice in 2018, through which it offers digital business consulting services that range from optimizing operations to product and service design and business model transformation. McKinsey serves clients in all major industries, although the firm has an outsize presence in manufacturing and natural resources as well as banking and securities, which together represent about half of McKinsey's business.

BCG

BCG continued its multiyear streak of double-digit growth in 2018, increasing its consulting revenue 17.5% in CC to USD 6.4 billion. BCG's market share increased from 3.2% in 2017 to 3.4% in 2018. From a geographic perspective, BCG continued to derive the bulk (80%) of its consulting revenue from North America and Western Europe. This is down slightly from 86% in 2017 due to more rapid growth in emerging markets, particularly in Asia. BCG is succeeding as a trusted advisor in a time of global turmoil, when commercial and government clients alike are seeking advice from top strategic consultancies. BCG serves consulting clients across all major industry sectors. The firm addresses the business consulting market primarily through its Strategy practice and its Operations practice, while it approaches the technology consulting market primarily through its Technology Advantage practice. BCG has established its DigitalBCG practice to drive its digital agenda and to coordinate the digital business consulting capabilities housed throughout the firm. This includes its BCG Digital Ventures subsidiary, which focuses on helping industry incumbents disrupt their markets by developing and scaling digital innovations.

Booz Allen Hamilton

Booz Allen Hamilton's consulting business continued to grow rapidly in 2018. At 11.2% CC growth, its consulting business was one of the top-growing among the largest consultancies. Booz Allen Hamilton benefited from the changed competitive landscape, with PwC and DXC Technology both selling portions of their US public-sector businesses. Booz Allen Hamilton dropped one rank from 2017 to become the 10th-largest provider of consulting services worldwide due to the addition of Bain, which wasn't included in Gartner's analysis for 2017. Booz Allen Hamilton's business is focused almost exclusively on the North American public-sector market, with a particular emphasis on serving US federal government clients in the defence, intelligence, and homeland security subsectors. Booz Allen Hamilton's main consulting offerings include strategy and change management; scenario analysis and planning; human capital management; and logistics, procurement and program management. Booz Allen Hamilton's public sector focus makes the firm's rapid growth even more notable, given that the public sector is one of the slowest-growing industry sectors, with spending on consulting services increasing only 5% year-over-year.

IBM

Gartner estimates that IBM's consulting revenue increased 6.5% in CC in 2018, slightly below the overall consulting market growth, with consulting revenue at USD 3.6 billion. This growth represents a significant improvement, reversing revenue declines in prior years. With a market share of 1.9%, IBM maintained its position as the eighth-largest worldwide consulting provider in 2018, although Bain gained some ground and is a close No. 9. To maintain growth in 2019, IBM will need to improve on its declining first quarter in cloud services. Most consulting is provided out of IBM Services, particularly by IBM iX and the Cognitive Process Transformation business units. IBM offers business and technology consulting services spanning business design, business process operations, cognitive and analytics, Internet of Things (IoT), mobility, blockchain, and customer experience. Additional technology consulting, especially related to cloud architectures and migration, is provided by the Cloud Application Innovation team and Technology Consulting and Services business unit focused on technology architecture and cloud enablement. IBM leverages its Digital Reinvention framework, IBM Design Thinking and Better Transformation/Better Change processes to support its consulting services. IBM delivers digital business consulting services by leveraging digital studios and cloud garages in more than 60 locations globally that are integrated with other resources, such as IBM Systems Lab Services, IBM Software and Solutions, and IBM Research.

Deloitte

Deloitte Touche Tohmatsu Limited, or simply Deloitte, is a UK-incorporated international professional services firm. Widely regarded as one of the top firms within the Big Four, Deloitte is well known for its audit, tax, risk, financial advisory, and consulting services. It reports the highest revenue among the Big Four accounting firms. Deloitte grew 12.5% in CC in 2018, with a combination of organic growth and growth from multiple acquisitions that closed in 2017. Gartner estimates that Deloitte generated USD 20.5 billion from consulting revenue in 2018, with a market share of 10.9%. Deloitte provides consulting in strategy, operations, human capital management, marketing, customer engagement, risk management, security, and financial management. Most consulting services come from within Deloitte's Consulting, Advisory and Implementation (CA&I) business unit which focuses on digital transformation, customer engagement, business strategy, and technology consulting. Additional consulting is provided from its risk assurance practice in Enterprise Risk Services (ERS), while financial consulting is provided through its Financial Assurance services, and consulting regarding tax implications comes from its Tax practice. Deloitte will pull consulting from one of these areas to provide a robust, holistic approach to business consulting. Deloitte made many acquisitions in 2017, aligned with areas of strategic growth centered on digital design, cloud transformation, data/analytics, financial advisory and security/risk, but it made no significant acquisitions in 2018.

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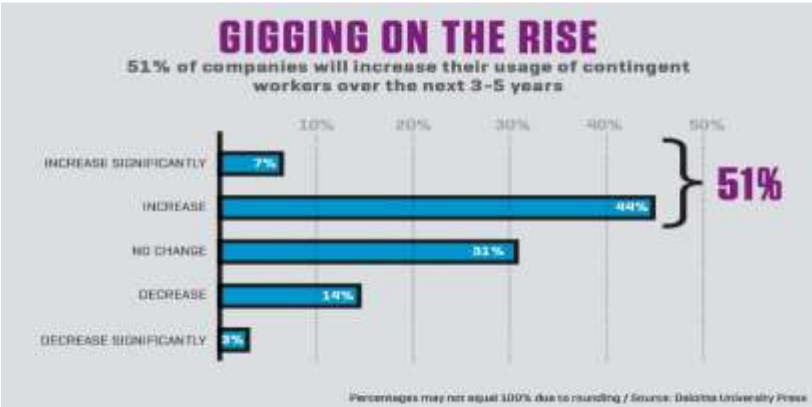


Figure 9: The Gig Economy: Value and Risks. Banham R., (2016). The Gig Economy: Value and Risks. Retrieved from https://chiefexecutive.net/gig-economy-value-risks/

Figure 10: Total spending on us gig work close to $800 billion. SIA (2016). Retrieved from https://www2.staffingindustry.com/eng/About/Media-Center/Press-Releases/Press-Release-Archives/2016/Total-Spending-on-US-Gig-Work-Close-to-800-Billion

The gig economy (a labor market characterized by the prevalence of short-term contracts or freelance work, as opposed to permanent jobs) is a growing trend in the consulting services industry which traditionally nurtured the cream-of-the-crop employees for the long haul.

However, in such a strong growth market, the war for talent is real and finding and retaining top talent will continue to be top of the agenda at consulting services firms.

Fiona Czwerniawska says, “[We’re] hearing the first rumbles of discussion around how, in a world in which at least some of the work done by junior consultants is automated, the talent model needs to change.

“Most firms are optimistic, confident that a combination of reskilling and changes in recruitment will allow them to navigate waters brimming with potential reputational damage.”

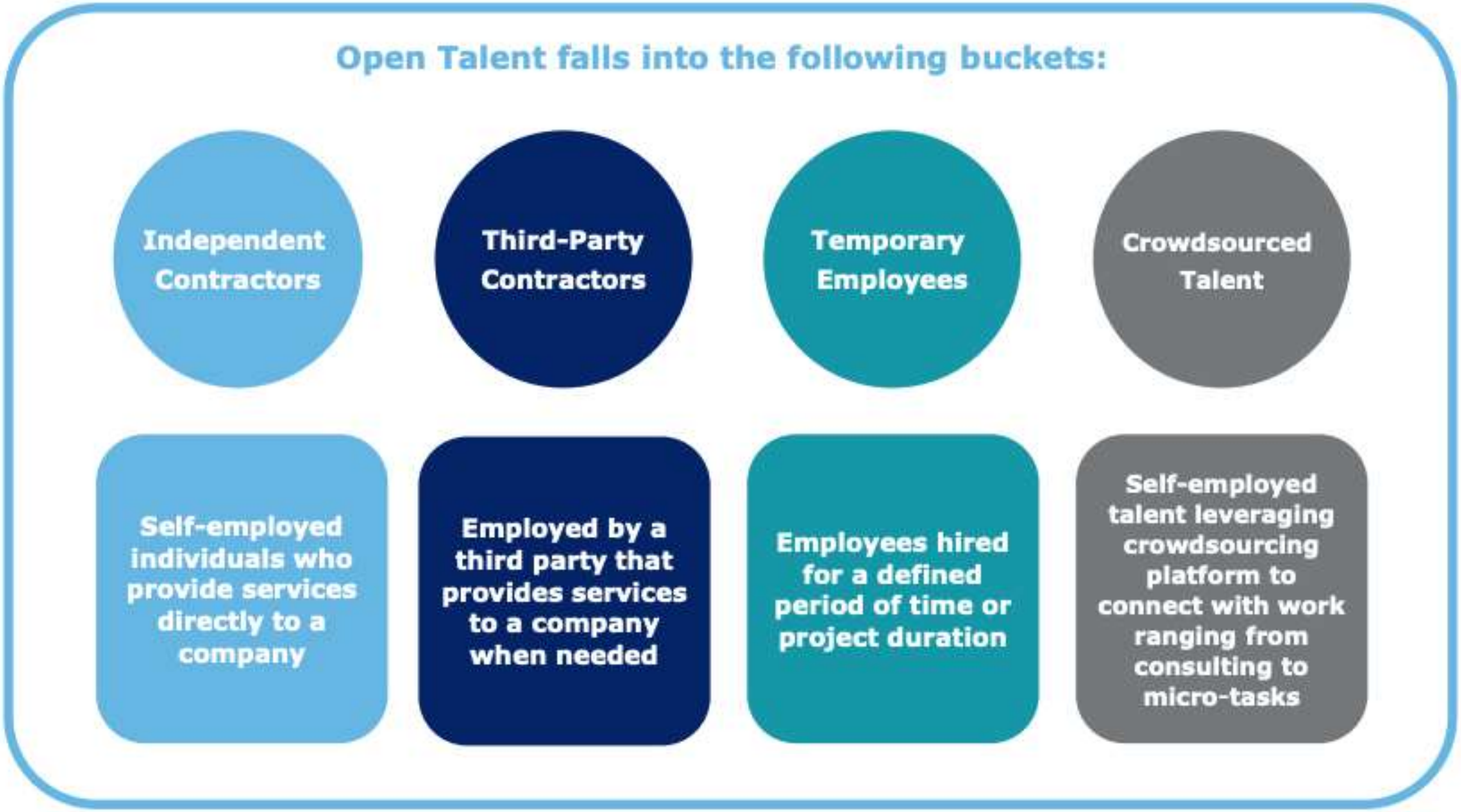


Figure 11: Open Talent Stakeholders. Delloitte (2017). Open Talent: Navigating the Gig Economy. Retrieved from https://deloitteevents.webex.com/deloitteevents/onstage/g.php?MTID=ec78164769b058c518503383cf1964b3f

If you had any doubt that we’re currently in a job seeker’s market, the April jobs report should remove it completely. The BLS announced this past Friday that the unemployment rate in the US fell to just 3.9 percent in April, “the first time unemployment has ticked below 4 percent since December 2000, nearly 18 years ago,” writes Glassdoor Chief Economist Dr. Andrew Chamberlain.

“That’s good news for workers, as growing labor shortages in tech, skilled trades, and health care are putting more workers in the driver’s seat,” Chamberlain says — but that boon for job seekers poses a challenge to employers. With more open jobs and fewer available workers, companies are going to have their work cut out for them when it comes to differentiating themselves from their competitors.

- United States: 3.8%
- China: 3.67%
- Japan: 2.3%
- Germany: 3.1%
- France: 8.8%
- United Kingdom: 3.8%
- India: 3.53%
- Brazil: 12.7%
- Italy: 10.7%
- Canada: 5.4%

Figure 13: Grant, M. (2019). The Highest and Lowest Unemployment Rates in the World. Retrieved from https://www.investopedia.com/articles/personal-finance/062315/unemployment-rates-country.asp

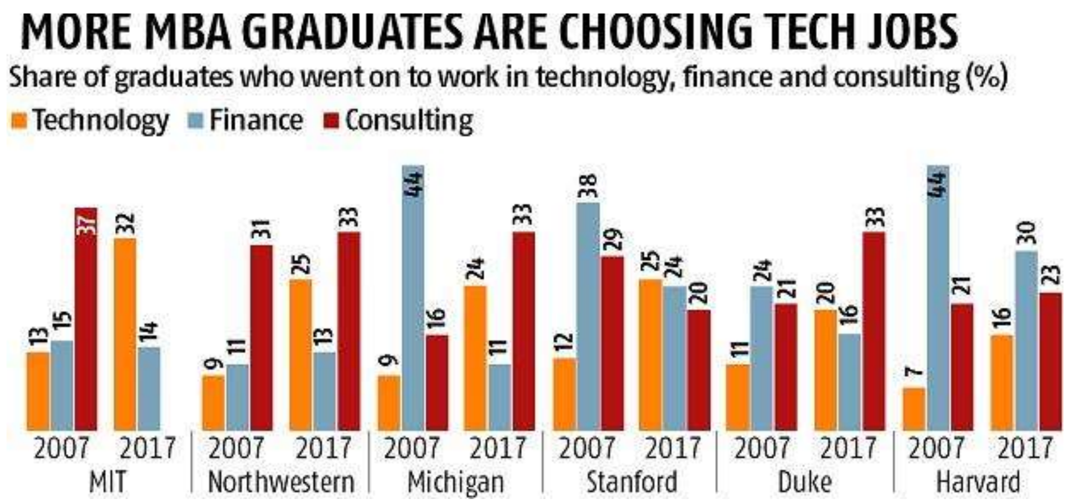


Figure 14: Share of Graduates who went on to work in technology, finance and consulting. Bloomberg. (2018). More MBA graduates are choosing tech jobs, and Silicon Valley is hiring. Retrieved from https://www.business-standard.com/article/education/mba-students-seek-sexy-tech-jobs-and-silicon-valley-is-hiring-118071201137_1.html

Disruptive Challenges: Unemployment Is Down to Historic Lows

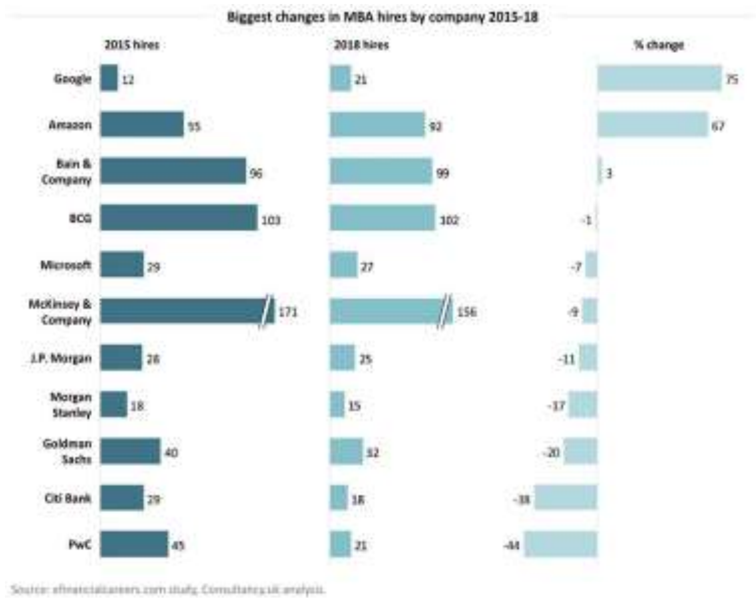


Figure 15: Biggest changes in MBA hires by company 2015-2018. Consultancy.uk. (2019). Consultants outpaced by tech firms hiring top MBA graduates. Retrieved from https://www.consultancy.uk/news/20705/consultants-outpaced-by-tech-firms-hiring-top-mba-graduates

MBA graduates from four leading business schools are still most likely to head for the consulting sector when starting their new careers, with the MBB firms (McKinsey & Company, Boston Consulting Group, and Bain & Company) seeing the largest influx of MBA talent in 2018. However, according to a new report, tech sector giants Google and Amazon are quickly becoming just as desirable to graduates in the sector, seeing a 75% and 67% increase in the number of MBA recruits arriving at their firms, respectively.

Consulting, however, has traditionally been the ideal employment for those graduating from MBAs: the career paths in the industry are highly versatile and therefore, consultants have the ability to network and build an invaluable background within the firms.

Interestingly, however, while the likes of McKinsey & Company, Bain & Company and Boston Consulting Group (BCG) still attract the highest number of MBA recruits, their intake from the demographic are either stagnating or declining. According to a new study from industry website efinancialcareers.com, the consulting sector is seeing its popularity among MBA graduates flag when compared to the booming intake of the technology sector.

McKinsey saw the highest number of MBA entrants in both 2015 and 2018, despite a 9% drop to 156 in the latest figures. MBB rivals BCG and Bain followed closely, with Bain being the only consultancy to see a small increase of intake of 3%.

Big Four professional services giant PwC brings in the fewest MBA hires – with this number having halved in the last three years to sit at a humble. This may, in part, be due to the fact that UK consulting firms are beginning to look beyond elite universities for new recruits, amid a growing talent shortage in the UK. According to a recent study from the UK consulting industry’s representative body, the proportion of the sector’s intake consisting of Oxbridge graduates has seen a nine-point fall since 2011, and the Russell Group has seen a 19-point drop over the same period[16].

16. Consultancy.uk. (2019). Consultants outpaced by tech firms hiring top MBA graduates. Retrieved from https://www.consultancy.uk/news/20705/consultants-outpaced-by-tech-firms-hiring-top-mba-graduates

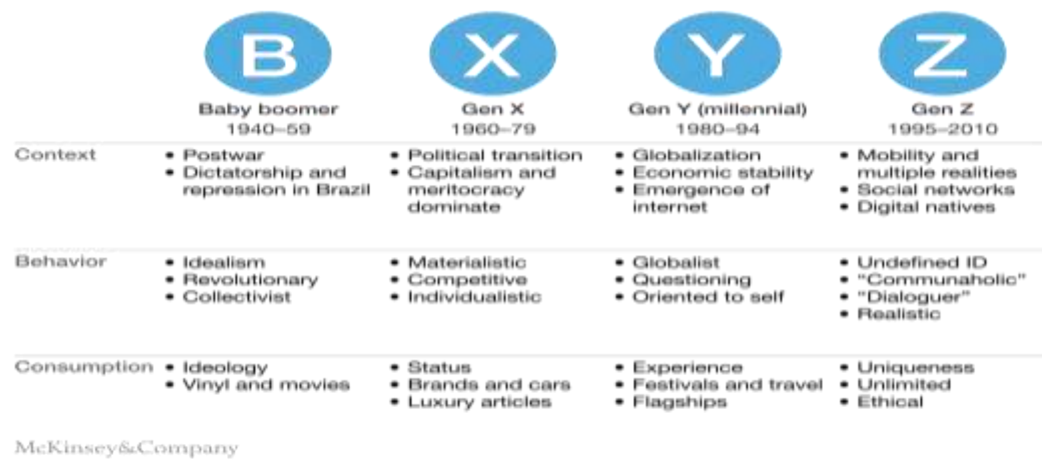
Figure 16: Generation Z's behavior. McKinsey(2017) .'True Gen': Generation Z and its implications for companies. Retrieved from https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies

Post-millennials, as those born in 1997 or later, meaning this year's cohort of college graduates, predominantly born in 1996, is likely the last millennial-majority class. Some ways to navigate through your GenZ team are:

Provide structure, but don not overdo it: Gen Z-ers have grown up in a world that places a strong emphasis on customization and individuality. While they will need guidance upon entering the workforce, they likely won't respond well to authoritative, inflexible work environments.

Mentor, do not manage: Yes, you want to achieve business results for your company, but you should also keep your employees' growth in mind, if you want to retain them long term. Check in on career goals, growth opportunities and engagement early and often.

Create an intentional workspace: Today's young talent thrives in environments that foster collaboration without making them feel claustrophobic. Make sure you have spaces where employees can come together, but also do heads-down individual work.



	B Baby boomer 1940–59	X Gen X 1960–79	Y Gen Y (millennial) 1980–94	Z Gen Z 1995–2010
Context	• Postwar • Dictatorship and repression in Brazil	• Political transition • Capitalism and meritocracy dominate	• Globalization • Economic stability • Emergence of internet	• Mobility and multiple realities • Social networks • Digital natives
Behavior	• Idealism • Revolutionary • Collectivist	• Materialistic • Competitive • Individualistic	• Globalist • Questioning • Oriented to self	• Undefined ID • "Communaholic" • "Dialoguer" • Realistic
Consumption	• Ideology • Vinyl and movies	• Status • Brands and cars • Luxury articles	• Experience • Festivals and travel • Flagships	• Uniqueness • Unlimited • Ethical

McKinsey&Company

Figure 17: Today's young people are different. McKinsey (2017). 'True Gen': Generation Z and its implications for companies. Retrieved from https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies

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"The introduction of a gender-diversity policy is often like a cultural revolution and requires full and visible commitment of the CEO to drive the changes. Building a truly gender-diverse company, which supports the development and the promotion of women at the highest levels, can only succeed with the support of top management. Positive practices stand little chance of developing fully, if senior management does not commit to changing the culture of the organization under the sponsorship of the CEO." —McKinsey's Women Matter 2010 (2010)

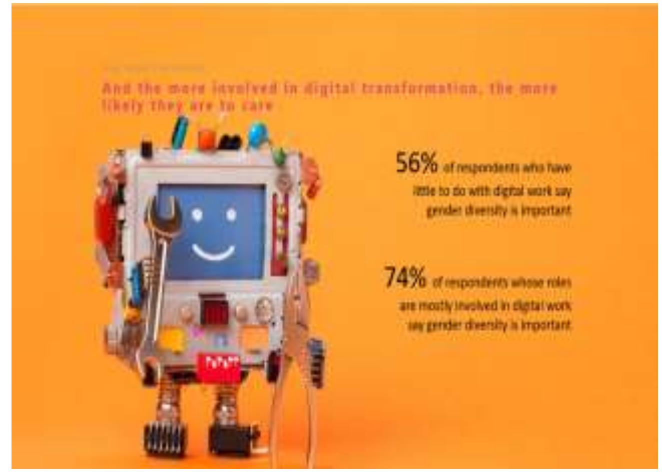

Figure 20. Digital Transformation Survey. MacLellan, L. (2018). McKinsey research shows why McKinsey's next leader should be a woman. Retrieved from https://qz.com/work/1116813/mckinsey-research-shows-why-mckinseys-next-leader-should-be-a-woman/

Similarly, the more responsibility a client has for digital transformation, the more likely they are to say gender diversity in the consulting teams they work with matters. Just 56% of those with little responsibility for digital transformation say this matters to them, compared with 74% of those with the greatest responsibility.

When we asked about the impact of gender diversity on consulting projects, we found a similar pattern: 74% percent of those with the greatest responsibility for digital work described a positive effect, with the majority saying that gender diverse teams lead to higher quality outcomes. In addition, those in the largest companies we survey (companies with revenues of over USD 5 billion a year) are the most likely to describe gender diverse teams as having a positive effect on the outcome of consulting projects.

Deloitte, which last year reported a median of 12 per cent and a bonus gap of 41 per cent, has introduced a policy of offering staff a four-week "time out" of unpaid leave once a year in addition to their holiday allowance. In 2018, the firm introduced "annualized days", which allow an irregular working pattern throughout the year, for example by only working during school terms. Meanwhile, PwC now ensures that partners face financial consequences, if they fail to take action to reduce the firm's gender pay gap. It has also banned all-male shortlists in its recruitment processes. Consultancies that do not address their gender imbalances face the likely prospect of continuing to be singled out for failing their female staff year after year[18].

There are potentially 6 things consulting firms can do:

- Invest in identifying women candidates and understanding their individual career ambitions so that a position may be "customized" to suit that individual's needs.
- Develop an understanding of the factors which prevent key female talent from feeling they can not pursue a career within the firm. Know the concerns and issues they may have before they resign.
- Consider a sponsorship programme for women consultants. Evidence suggests that being heard by a senior person can make the difference for women consultants between staying and leaving.

- Identify individuals in a firm who would make good sponsors and actively manage and support a mentoring programme within the firm.
- Empower the project managers who are reporting to partners to pay more attention to accommodating flexibility of working within their team. Support them in this juggling act.
- Actively promote flexible work practices and encourage the return of female consultants. Project-based work can lend itself to working from different locations at non-standard times aided by technology[19].

19. Prism Executive Recruitment. (2019). Consulting jobs: why do women leave consultancy careers ? Retrieved from https://prismrecruitment.co.uk/why-women-leave-consulting-jobs/

Fiona Czerniawska, director of Source Global Research, which analyzes trends in the industry, says: “The underlying attractiveness [of consulting] is still there, but the immediate temptation of technology has dented [consultants’] ability to attract people.” Where consultancy bosses describe a refined duel for the best minds in the world, she depicts pitiless trench warfare. Attrition — the rate at which staff leave — is fairly steady at around 15 per cent, but the market is growing at 7 per cent annually worldwide, meaning ever more recruits have to be found. The biggest groups are pitching indiscriminately for anyone they can find, she claims: “If you were a manufacturing company and you were running out of iron ore, you would have to [look] to produce a different raw material so I’m surprised they haven’t innovated more.” Consultants dispute this analysis. Many say they are making successful efforts to fish from a wider pool and to appeal to those who have left in an effort to convince them to return. PA Consulting, KPMG, PwC, and IBM supported UK research carried out this year by She’s Back, an advisory group, and the Management Consultancies Association, looking into why women leave the industry and how to attract them back.

Employer branding is the marketing-oriented positioning of the employer as a brand, the exact determination of the relevant target group and the correspondingly tuned mix of measures to be taken. In this framework, through market research, the employer specifies the specific traits (benefits and salary in most cases) that prospect employees value in the workplace and goes on by addressing potential gaps in their working schemes[20].

To obtain a more detailed account of graduates' decision-making processes and criteria, and thus, obtain sufficient data to close potential information gaps between the market and the people. In this framework, graduates rated various business profiles according to the appeal they had on them. The attractiveness of the rated companies is the sum of the quality of the following features:

- Team,
- company image,
- starting position in the company,
- management style,
- activity,
- working conditions,
- focus of the company / degree of internationalization,
- location, x salary and social security contributions.

20. Hristozova, E. (2006) “Human Resource Management in Consulting Firms”. Retrieved from: https://www.springer.com/gp/book/9783540311379

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Goldmerit
GM
DMCC

Unit No: OneJLT-06-112, One JLT, Plot No: DMCC-EZ1-1AB,
Jumeirah Lakes Towers, Dubai, UAE
vleginsky@arbitralis.com
info@goldmeritdmcc.com
www.goldmeritdmcc.com