

# The Consulting LANDSCAPE DYNAMICS



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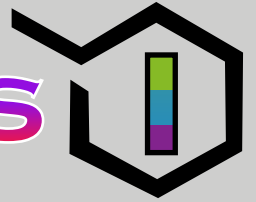
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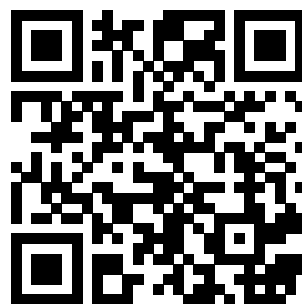
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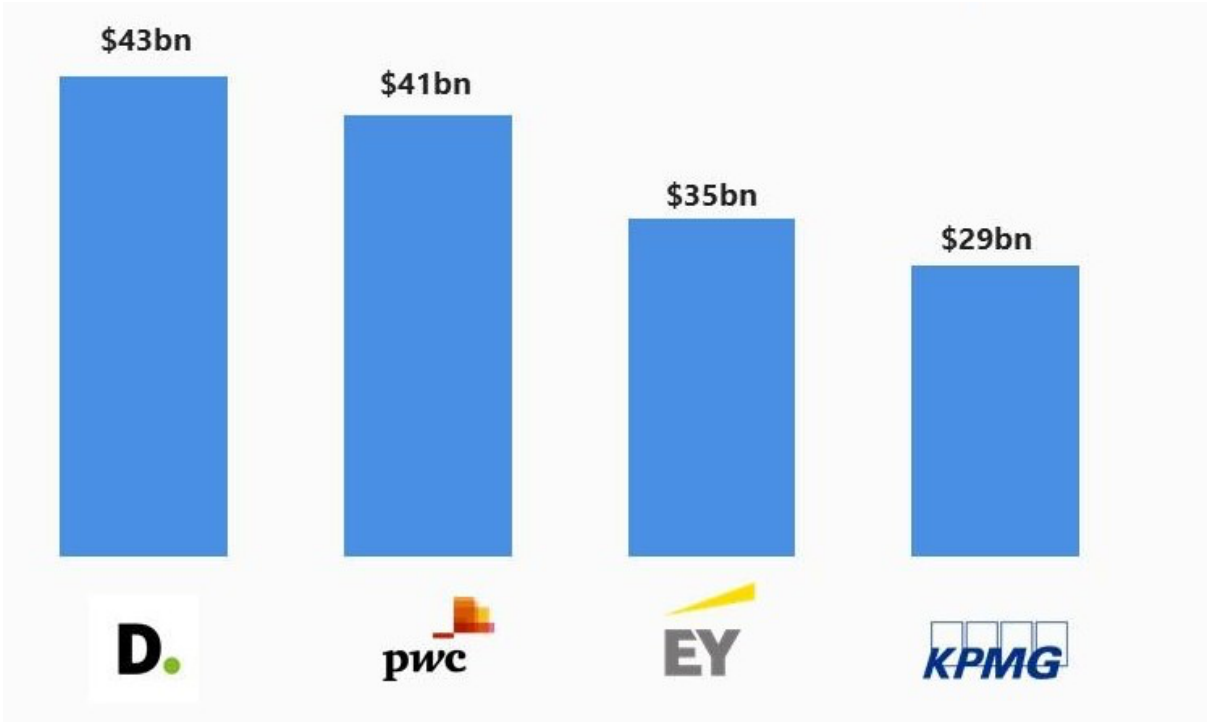
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“BASIC PHILOSOPHY, SPIRIT AND DRIVE OF AN ORGANIZATION HAVE FAR MORE TO DO WITH ITS RELATIVE ACHIEVEMENTS THAN DO TECHNOLOGICAL OR ECONOMIC RESOURCES, ORGANIZATIONAL STRUCTURE, INNOVATION AND TIMING.”

Thus spoke Marvin Bower, whose leadership at McKinsey&Co turned consulting into the business it is today. His statement is still valid, but the world of consulting has, since then, changed: although a firm’s culture is still the backbone of success, a drive for innovation and technology is not optional.

Nevertheless, the industry appears to respond well to frictions: consultancies have showcased a surprising resilience to the dotcom bubble and the Great Recession of 2008 and 2009. However, the consulting market has turned over the years from a sellers' market to a buyers' one, and adapting to the new circumstances is vital for firms that wish to remain relevant. Along these lines, not only do consultants have to address their clients' requests, but also do so while solving their own internal requirements for efficiency. As profit margins are increasingly narrower, securing a safe position in an ultra-market equals technology adoption, optimal organizational structure and informed decisions when it comes to resources.



The Big Four firms of the consulting market by revenue. Igotanoffer



## MAPPING OUT THE SECTOR: CURRENT KEY PLAYERS AND REVENUE STREAMS

The consulting supersector is a vivid example of a long-tail effect market, as freelance consultants, in-house consulting teams, and firms of various sizes are all claiming a market share. Gauging the exact size and range of the market has proven to be hard, as:

- the sector is not regulated and there are no professional bodies in place;
- the services offered are hard to be defined, as firms either specialize in niche areas or get involved in overlapping activities.

The Big Four- namely Deloitte, EY, KPMG and PwC- enjoy the lion's share. Mostly involved in accountancy and auditing, the firms have sought to remain relevant through acquisition sprees of niche providers and aggressive recruiting. Small firms, on the other hand, owe their exponential growth to specialized, custom-made services that have carved out strongholds in niche markets.

In terms of revenues, the global consulting market grew 9.0% in constant currency in 2018, reaching USD 188 billion- collectively, the top 10 consultancies grew 9.8% in 2018, mostly due to their acquisitions of digital micro-firms.



## MARKET TRENDS AND DISRUPTIONS

Long gone are the days that expertise and experience were a guarantee of success in consulting. The consultants' hard skills might still be the core of any successful enterprise, but soft skills have recently gained ground: attributes such as delivery to promises and efficient business planning are not, anymore, the icing on the cake, but a way to separate wheat from chaff when it comes to choosing a firm. Along these lines, certain market trends have emerged:

- Mergers and acquisitions are turning into a sector-wide hype, as firms attempt to minimize vendor volatility and maximize their services' range through the acquisition of firms specializing in data analytics, digital innovations, and collaboration platform design.
- Digital transformation promises to shake the industry by delivering high performance levels- illustrative is the fact that companies which invest in emerging tech are 26 percent more profitable than competitors and 50 percent more likely to have lower employee turnover. The scope of demand is broad, ranging from one-off initiatives, pilots, and proof-of-concepts to more holistic digital transformation, whereas legal, consulting, and auditing firms are expected to yield gains.

- Last, but not least, the whole industry enters the gig economy, as alumni of the biggest firms realize that work-life balance is a justifiable demand and they decide to venture independently. Especially as collaborative online platforms are proliferating, freelancers find it increasingly easier to find clients and maintain a steady business flow. The shift is often encouraged by firms: Eden McCallum, for instance, has established a network of independent consultants who can be matched to clients with hyper-specific needs, while the partners of the firm are taking care of managing client relations and identifying new engagements.

All the above set new standards and make it imperative for consultancies to swim or sink. The silver lining is that although the market is heading towards a decelerating trajectory, abundant opportunities remain, as cybersecurity and other data-related services are becoming indispensable.

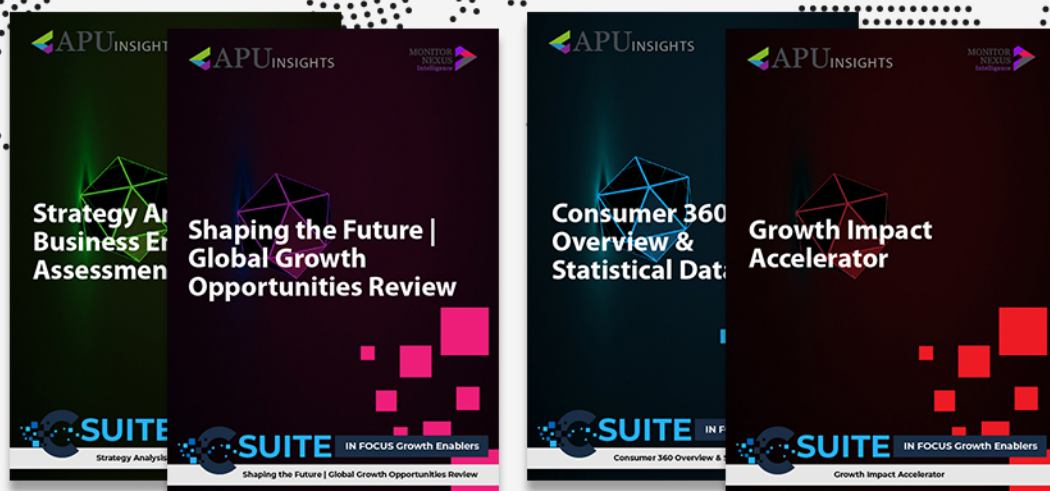
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