

# Consultancy calls for backup

Fluctuating demand and the need for specialist skills and knowledge means consultancy firms of all sizes are keeping lean and bringing in freelance talent when it's needed. Report by **Wilf Altman**



**MANAGEMENT CONSULTANTS** are living in interesting times. The top end of the consultancy market is so congested there is no room for any of the 150 major companies to breathe, according to market analysts Plimsoll Publishing.

In other markets where this situation has occurred - supermarkets for example - there has been a series of major acquisitions to clear the air, says Plimsoll. But in this sector smaller companies are at little risk of takeover by any of the majors as they simply don't offer any strategic opportunity.

That's because the top 150 players account for almost 94 per cent of the market. Plimsoll, in its latest report of the management consultancy market, says that of those top 150, 56 failed to increase sales beyond the industry's average, 90 made less profit than the industry's average and 41 were rated as being in financial danger.

Some 2,000 smaller consultancies represent the rump of the market. Of these, 881 were rated as financially strong, 372 increased sales at over 9 per cent last year and 272 delivered over 16 per cent pre-tax margins. Plimsoll reports that 110 produced over £206,000 sales per employee. The survey's conclusion was that many of the industry's smaller players are well managed and well placed to go for a

higher share of the market.

They appear to be holding their own in an industry where the big boys are experiencing sales growth of 9.25 per cent with an average profit margin of 3.25 per cent.

One reason for this is the strong demand for consultants with specialist knowledge of industry sectors and organisational functions, like HR and IT for example.

This demand for specialist knowledge creates opportunities for practices of all sizes to pull teams together from a pool of 'freelance' talent to pitch for niche contracts.

Consultancy 2change Limited operates on this basis. Its chairman Thomas Corrigan OBE CA, a Companion of the Chartered Management Institute, established the London-based business three years ago. "We use a pool of known, trusted and properly vetted independent consultants who are self-employed," says Corrigan.

The team is usually in place before the bid for business goes in as prospective clients often need to know the quality of the people who will be on the assignment. "In the case of our major client Lockheed Martin, we are sub-contractors engaged in a massive programme involving the Metropolitan Police call and command control systems. We needed a mix of people to work on the programme - some with high level IT experience, some with communications skills and some with HR skills," he says.

"It is a big project, which has been running for two years and we have up to 20 people at any one time working with relevant services introducing and implementing this massive programme."

For 2change Limited and other firms like it, this approach to business means they can manage with a

small core team and avoid the fixed overhead costs involved in employing a large team. They can also pick and choose the talent they need and the independent consultants also have more freedom to select the projects they want to work on.

One firm supplying this demand for consultants to fulfil project requirements is Mindbench, founded three years ago to address the new challenges facing the consultancy market.

Mindbench has some 300 consultants on its books, which it can call on to boost the head count at consultancies of all sizes when extra resources are needed.

Richard Stewart, the founder of Mindbench, says: "A lot of consultancies want a more agile organisation, not spare talent sitting around." He adds that many consultants who left major firms seem to relish the challenge of joining smaller practices, or like interim managers, being on call for projects.

Stewart predicts continuing high demand from the public sector and from the financial services sector which has picked up recently under the impact of projects linked to compliance and Sarbanes-Oxley\*. Strategy, supply chain and customer relations are other probable growth areas.

Patrick Chapman, director of Cornwell Management Consultants plc, one of the top 150 on Plimsoll's list, is optimistic about a slow but steady upturn. "The public sector is still very active," he says, "and the commercial sector is picking up. The big multi-national corporates want to improve their performance and more smaller and medium-sized businesses are looking for help."

Chapman is chairman of the Institute of Management Consultancy (IMC). He and his practice support the work of IMC in raising standards across the whole profession of management consultancy and driving up professional competence.

Twelve Cornwell consultants have recently become Certified Management Consultants (CMCs), an internationally recognised award made by the IMC.

The success of the 12 consultants in gaining CMC status brings to 62 the number of personnel at Cornwell who have gained the award, which recognises the management consultancy skills,



## Further Information and References

\* The Sarbanes-Oxley Act (officially titled the Public Company Accounting Reform and Investor Protection Act of 2002), signed into law on 30 July 2002 by President Bush, is considered the most significant change to federal securities laws in the United States since the New Deal. It came in the wake of a series of corporate financial scandals, including those affecting Enron, Arthur Andersen, and WorldCom. The law is named after Senator Paul Sarbanes and Representative Michael G. Oxley. Definition from <http://en.wikipedia.org>  
For further information call 020 7566 7220, e-mail [consult@imc.co.uk](mailto:consult@imc.co.uk), or visit [www.imc.co.uk](http://www.imc.co.uk).

She believes the professional recognition it gives is essential for consultants working in what is still a largely unregulated market, as is membership of IMC.

“We have just launched our new membership proposition for individuals and practices, all of whom sign up to our rigorous code of practice when they join IMC. By creating more opportunities for everyone involved in management consultancy – from students to big practices – to join us, we are helping them demonstrate their commitment to raising their own professionalism by working to standards.

“As the custodian of the hallmark of professional practice we are finding that big purchasers of consultancy services are expressing a preference for working with our members.”

Organisations seeking consultancy services are able to obtain a shortlist of firms through IMC.

A recent survey by Penna, commissioned by IMC, indicates that it's the 'people' that are the most important element when clients choose a consultancy.

Nearly 50 per cent of consultancy practices in the UK employ fewer than 100 people. There is clearly a shift from buying primarily on brand reputation – as in the nineties when the Big Five firms dominated the market – in favour of shopping around for services. The findings show that relationships, and knowing about the individual consultants, counts and surprisingly, price appears to be less of a factor in the decision-making process.

Penna's research indicates that current demand is being driven by the following factors:

- Lack of internal resources and skills
- Strategic interventions
- Performance improvement
- Knowledge transfer.

Indications are that there will be more demand for consultancy services to generate greater operating efficiencies, increase profitability and identify opportunities for outsourcing services, such as HR, finance, accounting and back office processes. Organisational development, systems integration and IT outsourcing are expected to remain strong areas for growth.

The issues facing the management consultancy market include pricing pressures, hiring and retaining talent, operational capability and structural changes.

It remains a big business. The figure is estimated by the OGC (Office of Government Commerce) to be between £4 billion and £5 billion a year. The MCA (Management Consultancy Association) puts it at £10 billion, including IT, outsourcing and off-shoring.

It's a knowledge-based economy where 'people' are the key asset and there are estimated to be 70,000 of them.

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competency and experience of individuals.

Cornwell MD Jonathan Broadhurst says: “Clients are able, and increasingly willing, to question the credentials of their consultants, so it is essential that individuals and their practices adhere to a set of objective standards to ensure they are able to meet expectations and deliver on every promise.”

Increasing the numbers of management consultants holding the CMC qualification is just one of the key strategic objectives of IMC, reports its recently appointed director Lynda Purser.