

The definitive guide to
*UK Consulting Industry
Statistics 2017*

Consulting in the Age of Disruption

Public Summary Version



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Chief Executive's Preface

This year's MCA report on the performance of the UK consulting industry was prepared – and is now published – against a backdrop of extraordinary events.

Ten years on from the financial crisis and the collapse of Northern Rock, interest rates remain at historically low levels, yet wages struggle to keep up with prices. The UK economy, while it has grown fitfully over the past decade, is now slowing once more and productivity growth is negligible. Employment rates continue at historic highs. The public finances, which were planned to be in surplus by 2015, continue in significant deficit, increasing a substantial public debt.

On top of this, the referendum vote to leave the EU in June 2016 has created additional and material economic uncertainty for businesses, mirrored in the political instability we have experienced since 2015, and prompted a devaluation of sterling. Key decisions – on airport policy, for instance – have been delayed. As a nation, we are now much more aware of our divisions and differences – social, political and economic – and we find it difficult to articulate a new industrial vision for ourselves in a complex and interdependent world.

But the UK continues to be a country of immense achievement and promise. We attract many of the most talented people on the planet to our shores, and have benefitted greatly from free movement within the EU. Our universities are amongst the best in the world. Many of our companies lead their competition in research, innovation and creativity. We combine a respect for the past with the flexibility to adapt to new ways of working and evolving social attitudes.

Throughout this past decade, UK management consulting firms have played a vital role in improving the UK economy and the performance of their clients. Our members assist with cost cutting, create efficiency gains, prepare their clients for growth, spread innovation and the application of new technology, enable firms to grasp the opportunities of a digital world and work tirelessly to reform and improve our public services. The MCA's Awards each spring testify to the outstanding value of work carried out by our leading consulting firms.

And consulting has adapted as well. Clients have more complex and multi-dimensional needs. New services are created. Commercial models evolve. The explosion of digital consulting – set out in this report and its predecessors – has positioned our members at the forefront of change. In *Consulting Excellence*, the consulting industry now has a powerful scheme to uphold standards of ethical behaviour, client service and value, and professional development.

Change also brings challenge. As we report, some tech firms have stepped back from management consulting, and other firms have decided that *Consulting Excellence* is not for them. It is important for the future that the MCA and others remain clear about the standards and behaviours we expect of the highest quality consulting firms and the value of objective advice and external delivery services.

This summary version of the report is freely available. The full report is available to MCA member firms and others who provide their data. It can also be purchased. However, the underlying data set is an exclusive benefit of MCA membership. For information on how to purchase the report or become an MCA member, visit www.mca.org.uk

Alan Leaman

Chief Executive, MCA



Sample Industry Statistics

Figure 1 Growth in selected UK industry sectors (ONS sector turnover figures for 2016)

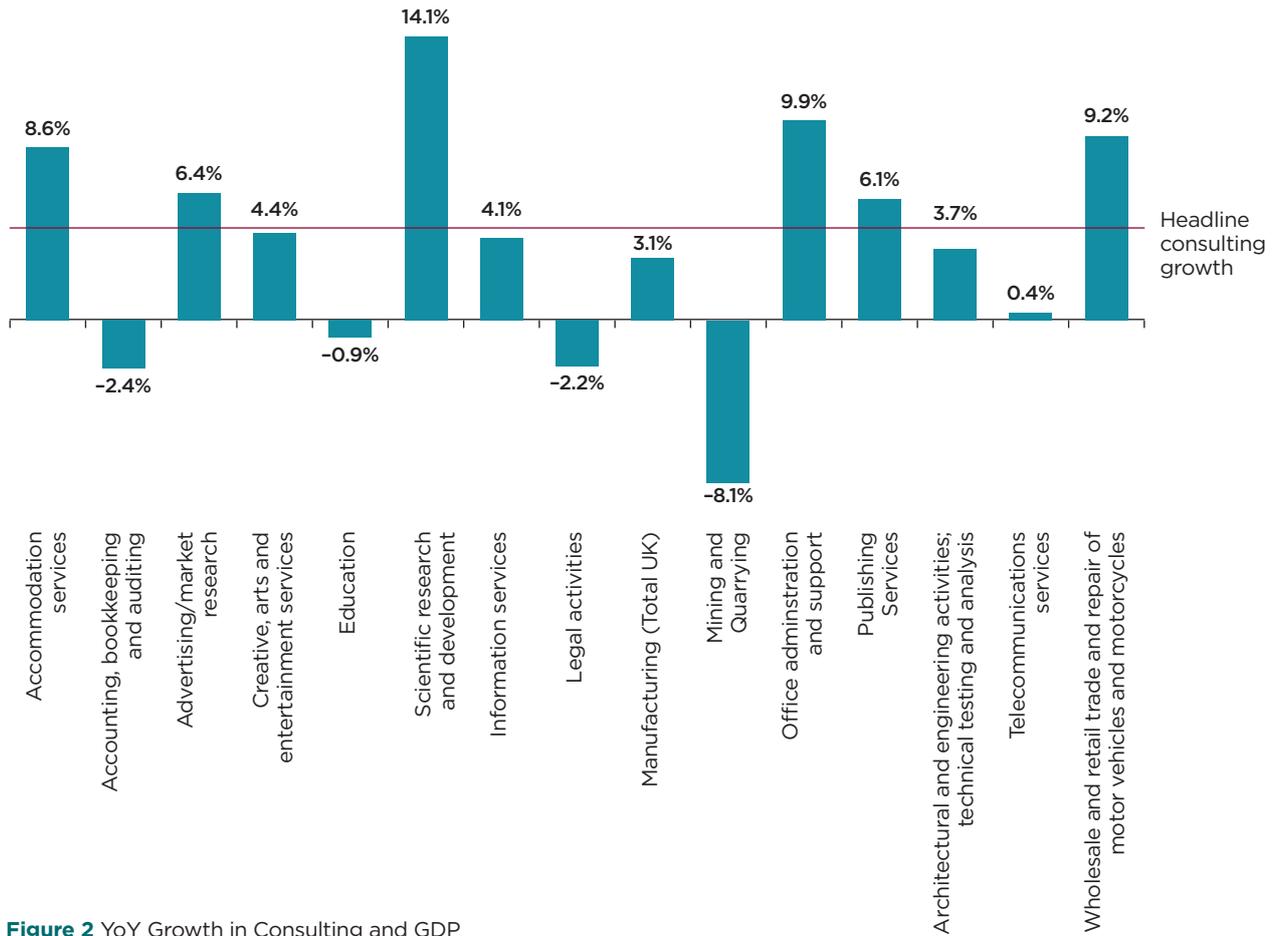


Figure 2 YoY Growth in Consulting and GDP

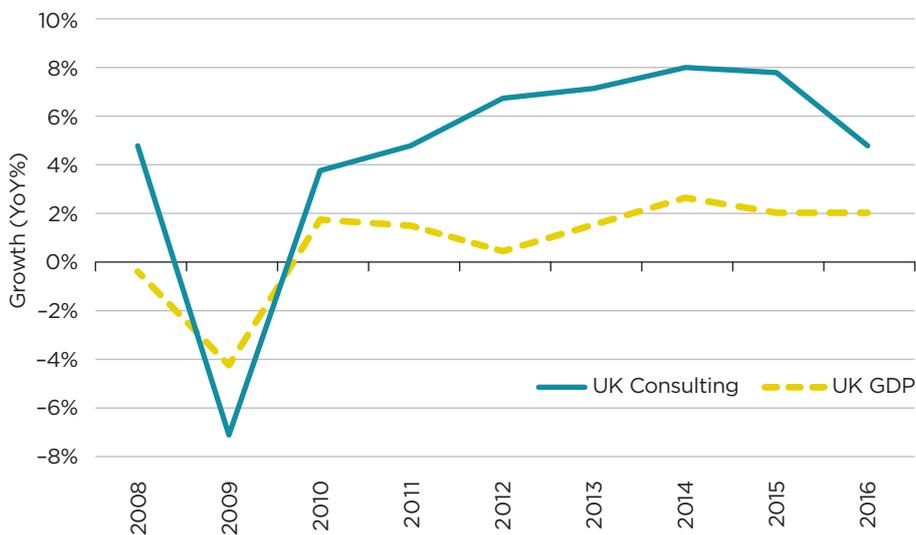


Figure 3 Consulting distributions by sector

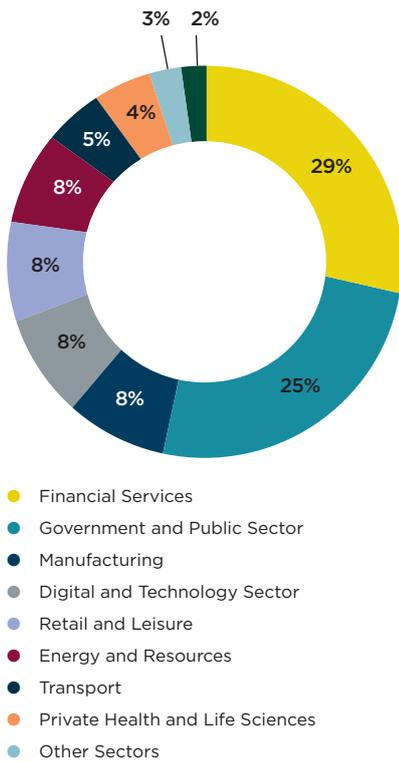


Figure 4 Aggregate fee income by service line

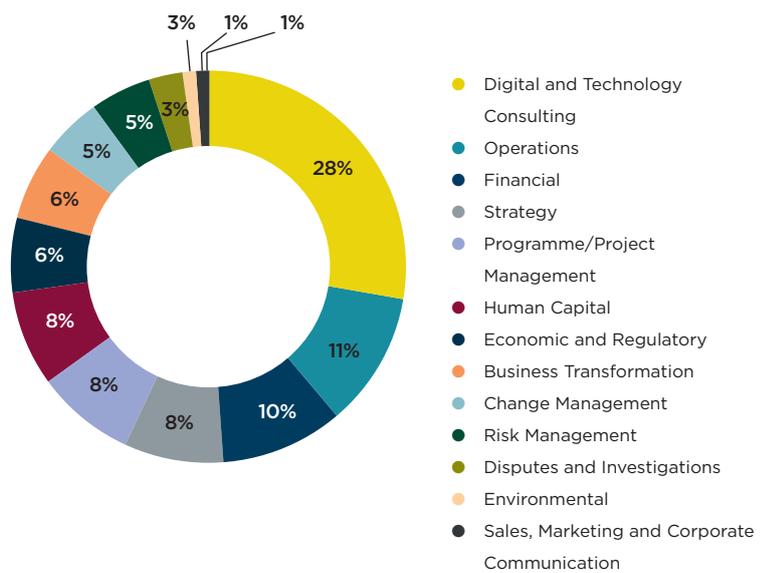


Figure 5 Digital and Technology Consulting by sector

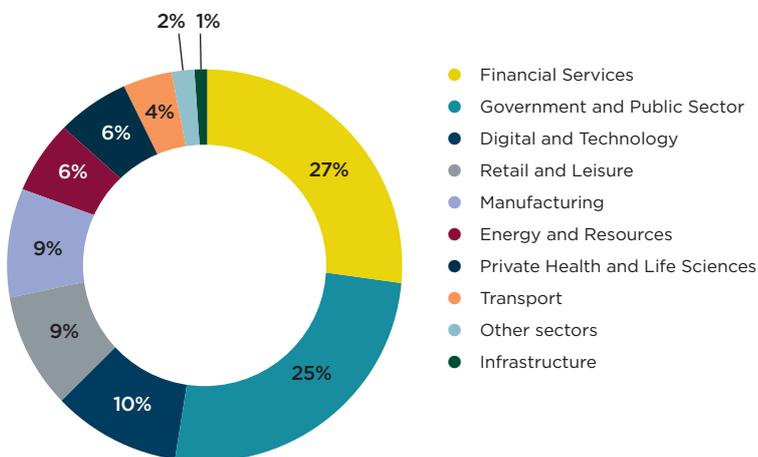
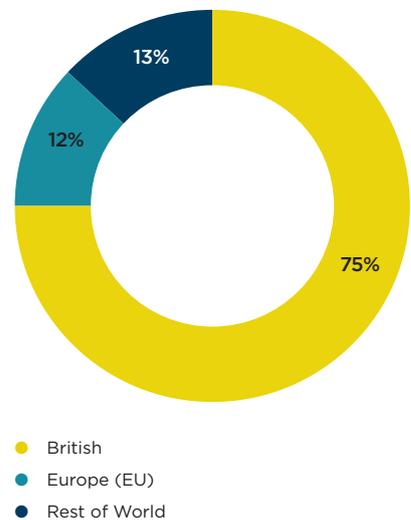


Figure 6 Geographic breakdown of fee income



The Insight Interviews

Claire Kennedy, PPL



For PPL, a public-sector consulting firm specialising in health, 2016 was a good year, says co-founder and MCA Vice-President Claire Kennedy. “Of course, the Brexit vote produced shock waves. No one working in our sector was unaffected by that.” The impact of the referendum was clearly visible. PPL had a very strong first six months in 2016, with client behaviour rather more nervous in the second half of the year, following the vote. “But we were productive throughout 2016. We added new capabilities to our business and gave additional nuance to our core offering.”

Claire is confident about PPL’s immediate future in the health market. “The toughest period was straight after the Brexit vote. Now the market is improving. And we are benefiting from having thought through the consequences of Brexit, both its direct impact and also where it is less directly relevant. Many of the challenges faced by the health sector are either unchanged or simply intensified by Brexit uncertainties. We know what needs to happen in health and can approach clients with confidence that our offerings will make a difference.”

Claire is in no doubt however that consulting, as well as the wider economy, is facing a period of radical transformation. “Canadian Prime Minister Justin Trudeau’s agenda is about trying to make people less fearful of the future. The challenge is to embrace the positive dimensions of change. But that change is now unprecedentedly far-reaching. Many industries, if they do not adapt, may simply disappear. The entire structure of capitalism will be renewed. AI will transform how we work. Digital technology is reinventing how value is created and also what constitutes value.

“Management consulting itself, if it does not evolve, may become irrelevant. So our industry needs a positive, strategic response.”

To date PPL, which is a comparatively new company and which has digital in its DNA, has experienced very little fundamental disruption to how it carries out its work. “But we are quite clear. How we do things now will not be how we do things in the future. We are debating this openly in the workplace, challenging staff to think fundamentally about what we do and how we do it.

“The key determinant of how we evolve will be client need. There is great scope for digitising health provision. Many transitions will be time-consuming, with far-reaching human resource implications. We need to help clients explore these human dimensions and get them right. But we will also need to support them as they wean themselves off redundant approaches and the indefensible bits of the status quo.

“Consulting will also have to shed some of its comforting dependencies. More generally, we need to ask profound questions about our future as an economy and as a society. What are the implications of all this disruption for workplace reorganisation and, more widely, for our future skills needs and hence for our education system?”

Claire echoes many of the sentiments of the MCA’s work on education in the *New Economy 2020 and Beyond* report, the Association’s response to Brexit and the Industrial Strategy. “If machines can store information, then knowledge per se becomes less important. If computers can translate one language into another, then learning a language is a less marketable skill than it once was. However, what matters is distinguishing what human beings can do, where our advantages lie relative to technology. Education should thus be seen as an opportunity to foster creativity. Indeed, this may prove to be the core reason to learn something like a language, for exposure to its problem-solving challenges, for engagement with the ideas of another culture, and to learn how to think.

“The mix of technical, vocational and academic capabilities we need from our education system must be examined fundamentally. Some conclusions may prove surprising. We will certainly need vocational and technical capabilities. Technological

transformation and the continuing advance of science will plainly demand scientists and technicians. But, if computers can code better than human beings, what volumes of technicians will we actually need in practice outside specialised areas? Surely we will also need adaptable, intuitive and creative people to work alongside new technologies, able to use them in complementary and imaginative ways. These needs might reinvigorate – as well as transform – the teaching of arts subjects and other creative disciplines.”

Claire believes consulting should be right at the heart of these debates. “At its best, consulting is about adapting to and leading change. Our industry may thus be well placed to thrive as old workplace assumptions change. We need to help client organisations examine what the role of a career is in the future. What will coming to work, wearing a corporate badge mean? What should the very role of companies be in an increasingly interdependent and digitally connected world?”

“Of course, this will entail getting our own house in order. The MCA’s Year of Diversity has accented work/life balance, flexibility, the need to ensure people can bring the whole person to work. This agenda, combined with the exciting potential of digital, can allow us to examine how our various human identities – in home, family, recreation and work – can be most effectively balanced and even combined to create workplace value and personal fulfilment. Essentially, the aim of work is to get things done. New approaches to achieving that, which allow people to be themselves across a variety of increasingly interpenetrating contexts, may prove very different indeed from how workplaces and society as a whole are currently organised.

“Consulting needs to be at the heart of this debate, both insofar as it affects the needs of our clients and in how it impacts the very business of consulting itself. I am confident that the MCA’s next three year strategy will embrace these exciting and disruptive dynamics.”

Mark Palmer, OEE



Mark Palmer, Managing Director of OEE Consulting, describes 2016 as a very good year. The firm, which had devoted effort in the preceding year to restructuring, returned to higher levels of growth. Mark says that this performance is continuing into 2017, with OEE highly likely to exceed its income targets. 2016 was also a year in which OEE’s public profile was enhanced significantly. “We joined the MCA and other organisations such as Critical Eye to help build up brand recognition. But most significantly we made The Sunday Times Top 100 list for small business employers. We’re obviously very proud of this. It’s important to us as we expand. Indeed, we’ve been recruiting heavily and have increased our net headcount by 15% over the last year.”

Part of OEE’s recent success, Mark argues, is attributable to a more focused approach to account management and marketing. “Our offerings work across all sectors. But we’ve seen a distinct shift away from our legacy offer of process improvement and are now working on customer journey and operating model design for large financial services clients, especially insurance. We’ve responded also by managing our client portfolio more effectively. We decided to target a smaller number of key accounts and become a deeper part of their service ecosystems.” Mark says that this has led to a greater understanding on the part of key clients of what OEE can do for them. This in turn leads to more comprehensive and attractive assignments. OEE’s new work with a previous large client in the technology sector grew out of this more focused, partnership

approach. “Our existing contacts formed a deeper understanding of what we could do and then helped to market us to the wider organisation.”

Indeed OEE’s marketing as a whole is now more account-focused. “Some of this entails providing free content and insight. This demonstrates our competence, fosters trust and a sense of reciprocity, and helps clients become informed buyers of our services.” OEE also seek to understand and respond to emerging key-client needs by facilitating exploratory joint workshops. “In a rapidly evolving business environment, we find this approach extremely useful. With a large financial services organisation we’ve explored the implications of automation, quality, the pursuit of productivity, changing skills needs, technology deployment and the associated workforce implications. We’re now working with them in seven countries. We’re starting to use this approach elsewhere with a lot of success.”

OEE’s success is also dependent on sharp differentiation combined with a well-honed partnership approach. “Technological disruption is plainly affecting clients dramatically. We’ve noticed their requirements are changing, especially in the last eighteen months. We’re responding to that. But that doesn’t mean we’re becoming a pure-play technology firm ourselves or employing armies of digital analysts.

“In fact, we don’t have an analyst or consultant grade at all. Our structure even bulges in the middle, with more principal consultants than seniors. This works for us, since we want to maintain our reputation for having people who are deeply skilled and can apply our methods and approaches effectively. Our employees must be credible working with business leaders. They can manage client relationships, identify new needs and opportunities. We reward them well and secure respectable margins from them. That’s where we operate in the value chain.

“But in an increasingly disrupted marketplace, our frontline advisers need the support of other capabilities, tools and techniques. So we place a strong emphasis on partnerships. To be clear, this doesn’t compromise our independence. Indeed, we only recommend technology solutions where we genuinely believe they are the right answer. Rather it means working with best of breed suppliers who have a similar client-centric culture. This can be in the technological enhancement of workflow, robotic process automation, workforce planning software and artificial intelligence. We’re currently involved in several major partnerships. Each genuinely augments our offer.”

This combination of a sharply focused OEE value proposition in target markets and a strategic

approach to partnerships has secured some notable successes. “We’re not one of the very big consulting practices and we don’t pretend to be. Nevertheless, we have won work recently in competition with some very major consulting brands.”

As well as being concerned about the challenges of securing the skills he needs to keep building his business, Mark is also alert to those other major disruptions: Brexit and the state of the economy. “Brexit relates very closely to our skills needs. We’ve embraced the Diversity and Inclusion agenda actively in our approach to recruitment. Indeed, I was delighted to be on the panel at the launch event for the MCA’s Year of Diversity. For us, the agenda has an international dimension. 39% of our staff are non-British. So we believe that at the very least a soft Brexit is imperative, with the most flexible approach to migration and skills.

“Then there are troubling signs in the wider economy. There has been a lot of focus on public borrowing. But for us, private sector debt is also worrying. Taken together with other indicators, it seems to signal that unless policymakers show some ingenuity, not least in providing greater certainty around Brexit, we may be heading towards another economic correction.”

Nigel Slater, KPMG



KPMG’s UK Head of Management Consulting Nigel Slater says that the firm did well in 2016. “We continued our growth of recent years by evolving our offers. We changed our services in banking and insurance, and developed deeper relationships with the key corporates and government.” Many of KPMG’s most important contracts are about technology-based transformation. Nigel highlights a significant shift into a new managed service model in these and other substantial programmes. Frequently, the associated commercials are ‘risk and reward’ with KPMG shouldering significant start up and development costs and building IP based platforms to help clients.

“Last year, we put a lot of investment into setting up a number of these contracts. Our approach is genuinely innovative. We will manage an entire process for a client, transform it and pass it back

to them in a substantially improved condition as a managed service.” Nigel is clear that this is not outsourcing. “We do sometimes work with outsourcers to create a distinct value proposition. But historically many outsourcing deals are about achieving a cost reduction through commodity pricing. And it’s not what clients want from us. Our clients want us to convene the best mix of providers and strategic alliances to address their issues.

“Indeed, clients are getting more savvy and more structured in their understanding of what they’re after and whom they hire to get it. When they employ us, they’re seeking quality outcomes. Sometimes they turn to us having found the outsourcing experience underwhelming: costs have been reduced, but new outcomes have not been achieved. By deploying our rich content and business understanding, we can achieve desired outcomes. We can do this either directly with those clients with whom we have long-term relationships, or sitting alongside alliances in a genuine partnership.”

Nigel highlights KPMG’s Civil Service Learning contract as an example of the changing the shape of consulting’s role on the delivery side. “Our deep business understanding, together with the creation and deployment of a specialist team, have allowed us to redesign the service to focus on quality outcomes.”

However, Nigel notes that this model is challenging. “We’re a commercial firm, a partnership, generating returns to fund earnings and growth. So if too many of these sorts of contracts are in the investment/development stage at the same time, rather than showing a return, then that impacts revenues.” There are ways to get around this, such as working with through other partners who are geared to withstand the developmental ‘cost’ on their balance sheet. “But there are real challenges in scaling this model in the short term beyond 25% of revenue. “

Nevertheless, Nigel argues that these models are the future. Indeed, he points to the progressive normalisation of risk and reward and other sophisticated commercials in many sectors. “There’s evidence of this already in our 2017 pipeline. In banking, insurance, oil and gas, and life sciences, we are signing commercial deals focused on outcomes rather than resource inputs. However, while there are occasions when we do this in the public sector as yet public service bodies simply doesn’t let enough of these outcome-focused contracts that balance risk and reward.”

Technological disruption, Nigel suggests, is putting pressure on another aspect of the traditional consulting resource cycle. “Consulting has always been a people business. Hence, when the business

grows in revenue terms, that growth is almost invariably accompanied by increased staff numbers. Digital technology and especially automation are allowing us to challenge and even break that cycle. It also means we can speed up our service delivery and move great solutions quickly across our clients. As we deploy technological solutions, we are aiming to grow revenues faster than our staff cohort expands.”

From tax and audit to consulting, KPMG as a whole provides a range of automated support services for clients. “There will be ever more of this, with clients given proprietary Cloud-based solutions, provided under licence or paid for through transaction fees.” Nigel also believes that the nature of partnerships with other providers will evolve. “Our alliance models are already longstanding, with important relationships core to our strategy. Our specialist associate base is expanding and we’re working with third parties to improve our offshored services.

“But the partnering approach needs to be more ambitious. In recent times, digital giants like Google have become our industry’s rivals for human resources. But now they are also partners in bids. We will see more of this. Those able to convene and work with partners to create credible content-rich solutions for clients will be the winners.”

These new delivery arrangements and commercial models will necessitate imaginative leadership in consulting. “Tomorrow’s leaders will differ from today’s, with different backgrounds and new skills. But the commercial savvy that characterises our industry’s leadership, especially in the large partnerships, will still be needed. What may change is how our firms manage their resources. Faced with the need to invest heavily in the start-up phases of risk-based contracts, in cutting-edge technology and in developing partner ecosystems, business leaders may need to find a new balance between in-year returns and long-term investments. Existing organisational models could change very fundamentally. That will require bold leadership.”

Stephen Pollard, Arup



Stephen Pollard, Group Director for Management Consulting at Arup, describes 2016 as a very good year. “We grew in income, headcount and

in the breadth of services we offer. Of course, it was a challenging year for any consulting firm, with the uncertainties surrounding the Referendum. Nevertheless we saw significant growth in work for clients in energy, transport, water and in our major city projects.” Stephen is also cautiously positive about 2017.

Given Arup’s pedigree in infrastructure, clients typically ask Stephen’s advisory team for help in understanding what assets to invest in and how to ensure those assets deliver quality outcomes. “We provide strategic planning advice, specialised support on infrastructure financing, as well as assistance on more transactional matters. Our traditional consulting skills are combined with deep technical expertise. For example, a city transport authority may want to enhance its metro system. We can help design integrated approaches. These could allow the client to capture its land value and fulfil its ambitions more cheaply.

“One major advantage we have as an advisory business is in the transferability of our insights. We can apply learning garnered for instance in one aviation project to other similar assignments – or even, where relevant, to other sectors with similar needs. This is true of our work in rail or health, where our understanding of issues such as risk management may be widely relevant and applicable.”

Arup has embraced technological disruption, both how it affects client requirements and how it is changing the business of consulting itself. “We aim to remain a global business leader for digital. We have restructured and invested heavily to ensure that everything we do is optimally digitised. This is essential. Client need is changing. In the past, an airport might have asked us to help them build a carpark. Now, they will give us data on the movement and usage patterns of their customers. They will ask us to interpret it for them and suggest strategic options. These may or may not include building a carpark.

“Technology now saturates the physical environment. Asset value can now be better understood and interpreted through technologies and the data they generate. These dynamics allow us to have quite different conversations with clients. We can use data to challenge them and encourage them to seek new markets. The markets themselves might even be data related. Citymapper have deployed transport operators’ data to create a new product. Other, larger players may look for similar opportunities.”

There is technological change in the process of consulting too – although Stephen notes that in Arup’s wider world, this is nothing new. “There are plenty of opportunities for automating our services. The potential of information models and visualisation tools, such as BIM, has been understood for a long time. We certainly want to go still further and innovate more. Certain aspects of automation are already proven business models, commonplaces of enterprise architecture. However, we face impediments in accelerating their deployment in other business contexts. Some of the blockers are regulatory issues. To address this, we are working with clients and other partners who are genuine disruptors in these fields.”

Arup’s approach to securing and managing talent stems in part from its MCA *Consulting Excellence* Award-winning commitment to ethics. “That is deep in our culture. We are an employee-owned business, committed to making a difference. The ethical dimension combines with and reinforces our intellectual traditions. We have always recruited technically minded, capable people who want to solve deep problems.

“Increasingly, those business challenges in our markets are at the interface between computational science and engineering. So, there are teams in Arup leading the development of the new integrated solutions we require. To support them, we are bringing in more people with relevant skills. After all, despite our proven engineering heritage and early adoption of digital, the danger for us is that technological change accelerates so fast that we are superseded by new capabilities and techniques. So our overall people strategy, which is to have a substantial pool of innovative thinking under our own roof, is owned by and driven from the top of the organisation.

“We need data scientists who understand engineering challenges. We’re bringing them in and training our existing staff in relevant techniques. We are also developing a new, integrated operating group. This combines advanced engineering, mathematical and digital advisory skills. These will be deployed to create new advisory products and tools.

“These approaches are already bearing fruit. Take the monitoring of piling being put into a construction site. We have invented a tool which can reduce the time taken to do this by a factor of ten.”

Developments in Arup’s human and technical capabilities should also allow the firm to operate more effectively across the infrastructure value

chain and also improve how that value chain operates. “We work with clients at different points across the design, build, operate and renew lifecycle. Our most leading edge clients are looking at integrated approaches to that lifecycle. We are working with them to eradicate weaknesses at the various ‘handover’ points. For example, the transitions from build to operate are frequently inefficient. We have the knowhow to manage that interface better.

“Arup’s principle of ‘Total Design’ is continuing to evolve and expand to give our clients a holistic solution to their challenges and opportunities, helping them to shape a better world.”

Clare Hill, Sysdoc



Clare Hill, UK CEO of Sysdoc, describes 2016 as a year of investment in propositions and ways of working to support the emerging needs of clients and employees. “We embedded and built on our 2015 growth by putting in place changes needed to enhance future performance.” Clare describes a process of reviewing the consulting practice’s value set, resetting it and incorporating it in everything Sysdoc does. “Five core values support our vision to 2020 and underpin everything we do internally and externally.”

That value-driven approach to growth, in turn rests on carefully constructed organisational foundations. “The most important of these is people. We aim to be a best in class employer. We have recently appointed a Head of People to lead our reimagining of the future of work. We also want to employ people who live and breathe our values. A real ‘Sysdocer’ is a rare thing. They have a can-do, challenging attitude, as well as deep consulting expertise. We can find these attributes in new recruits, but sometimes have to enhance core consulting capabilities, like client-sensitivity or, especially in younger consultants, presentation skills. But what our successful new recruits – and increasingly all of our workforce – demand is a modern approach to the workplace.

“In response, we need to be completely up-to-date in how we develop people. This includes

flexible and digitally enabled ways of working. We are in the process of digitising our appraisal process, enabling real time and continuous feedback. But most importantly it is about a ‘whole life’ approach, where people can bring their whole person to work and can also get meaning and satisfaction from what they do for us.”

Simultaneously, Sysdoc has refreshed its propositions. The company’s heritage is in aviation, giving it a particular emphasis on high-quality processes, decision making and continuous improvement. Clare sees recent developments in client markets as simultaneously reinvigorating and changing the Sysdoc value proposition. “Clients need end to end transformation. Some of the current emphasis on process simplification and automation recalls the requirements of the early 2000s. The principles we applied to our transformation work with Cable and Wireless many years ago are again relevant.

“However, the focus of many of the processes involved and the transformational goals themselves are changing rapidly. We’re helping enable comprehensive digitisation in clients. Many processes can now be robotised and automated, especially certain aspects of finance and other transactions. ERP systems are now Cloud-based. Value is created through Internet of Things and there’s potential for greater understanding of performance information, as well as supply chains and customer needs, through data analytics. So the target operating models (TOMs) we help clients develop and migrate towards are changing. The new TOMs must be much more customer focused than ever before, as well as more agile, fluid and adaptable.”

To do this, Clare suggests, Sysdoc must be permanently vigilant about its own approaches to quality. “We must confront our own challenges. The nine principles of *Consulting Excellence*, with their emphasis on ethics, client value and people development, reflect what we aim to do as a company. They are consistent with our value set. And for us, the principles are interdependent. If you have a value-driven growth strategy, then you must embed those values in everything you do, including how your people work together and with clients, how you deploy metrics, uphold delivery standards, and conduct performance reviews. We have devoted a lot of time to developing this culture and it’s reaping rewards.”

Sysdoc is investing in its new management team through leadership coaching, both individually and as a whole. “We are also employing more

people than ever before. The next stage of our growth challenge will be extending our client portfolio. Traditionally much of our new business has come from existing clients and networks. Now we are looking to spread our net more widely.”

Clare is pragmatic about Brexit. “Brexit will change business assumptions. It will drive some fundamental reviews of where businesses operate and trade, and how they deploy skilled human and automated resources to create value. This will generate opportunities for consultants like us who specialise in helping clients transform safely, simplify processes, manage risk and engage people in new ways of working.”

Technological disruption, Clare suggests, is felt by clients and consultants most acutely when they underestimate the impact on their people. “In an ERP implementation, for instance, or other major change programme, there is often a lack of focus on the end-to-end business impact, with all eyes firmly set on getting the system live. Combined with very real budget and time pressures, the large investment in technology can mean that the people dimension – how staff will actually use the new capability, how it will add value to their working lives – can get squeezed out of the equation. In 2016, we invested in rethinking our learning proposition to align with our clients as they move from traditional approaches to education, systems and processes to embracing new technologies, mobility and agility. Accordingly, we’ve developed new, digitally enabled methodologies for learning, designed to engage users. They deploy game theory and intelligent uses of data to measure confidence and competence in learning.”

Sysdoc is assessing how far they can exploit technology to change the process of consulting delivery, on many fronts. “We’re changing our toolkit. Some of this is about partnering, such as working with Concentra on a data driven approach to organisational design. Some of this entails new investments. But it is also about enhancing our existing capabilities. We are passionate about the value of good organisational information. We already have a first-class Knowledge Portal, which provides intuitive access to end-to-end process, procedures, learning materials and collaboration zones from any global location.”

The first major portal Sysdoc built for IBM was awarded a gold Gartner award back in the early 2000s. “We are now deploying this approach through SharePoint-based client services. It’s a real business differentiator for us, enabling cutting-edge operating models.”

Nick Ringrose, Atkins



Nick Ringrose, former Director of Practices and Project Delivery at Atkins and currently on a client secondment, describes 2016 as a strong year for the firm in general and for the consulting practice specifically. “For Atkins, as a whole, a major event was the launch and growth of Acuity, our global business focused on engineering-led advisory solutions for complex infrastructure and energy development projects. In consulting, we were pretty strong across the board. We performed well across defence, security, cyber resilience, critical national infrastructure, transport, energy and digital asset management.” In common with other advisory practices embedded in engineering firms, Nick’s practice also collaborates with the wider Atkins group on projects such as the firm’s work for Highways England, Thames Water, Heathrow Airport and Sellafield, amongst others.

Nick anticipates continued strong performance throughout 2017, though there are some threats. “High expectations always translate into challenging growth targets! And clearly a variety of responses to issues such as Brexit or other regulatory issues can impact our clients’ plans to spend money on consultancy.

“But in many ways the biggest challenge to our business is keeping pace with the scale of client disruption and evolving our own offerings. We must optimise digital deployment in support of consulting delivery. The implications for clients are profound. At a strategic level, the dominance of digital thinking in the market means that if a business innovation doesn’t have digital in it, then it is seen as potentially lower priority. So how do you ensure that the latest digital techniques and cognitive capabilities are incorporated in all programmes? That’s a profound shift.

“And equally, accelerating technology development, now well embedded in the physical world (a long way from traditional IT) is constantly driving innovation. This in turn is necessitating new ways of thinking and working, and is transforming the innovation process itself. We’re seeing the adoption of agile, the application of user-centred design to whole new services, and the need for new forms of team communication. These are profound changes. We are both helping clients with them and managing them in our own organisation.

“Digital also brings problems. Its key vulnerability is cyber attack. Attacks are now so prevalent, from infiltration to phishing, that digital transformation needs to happen inextricably alongside effective security strategies.”

How does this landscape affect the way consulting is done? Nick sees considerable changes. “Our business model has to evolve. We need to become ever more agile. We’re seeing more targeted deployment of small teams for short-term tasks or to work in rapidly evolving contexts. But there is a structural change, affecting us and our clients. Like the telephony market, where the hardware (phone) is becoming less important – with the apps becoming the critical differentiators – so too in consulting, we need to shift to a flexible and adaptable base, capable of building and then evolving a variety of new skills and propositions, both technically and commercially.

“All these changes impact our recruitment strategy. We now hire many more people with analytics backgrounds as well as data scientists. How we train and develop people is also evolving rapidly. We need to boost fundamental cyber and digital capabilities of our staff. We’re good at this but it’s an ongoing challenge.

“There are also choices to be made about offshoring aspects of the consulting offer. There is more we can deliver remotely, potentially reducing the face-to-face dimension of some of our offerings. That has huge commercial implications. But the potential for deploying AI, robotics, cognitive and heuristic capabilities like IBM’s Watson is so profound and relentless that there’s a danger that we and our clients could find ourselves in a near-permanent state of ‘future shock’.

“That’s why on my current assignment we have put together a ‘rainbow’ team of consultants, analysts, and technologists. They are exploring a whole range of new approaches, deploying many capabilities and techniques. This will allow us to create a flexible, adaptive and futureproof new model for our partnership with the client.”

Indeed, partnerships are increasingly important in a disrupted commercial context, says Nick. “Partnerships with clients matter. So do those we develop with other advisers and professional services firms to address complex client requirements. Agendas like Smart Cities require engineering, financing, technological and advisory capabilities that are beyond the scope of one organisation to deliver. So we find ourselves in partnership with an increasingly eclectic mix of firms, from large SI and Big 4 firms. We expect this trend to intensify over time.”

Richard Houston, Deloitte



Deloitte’s Managing Partner for Consulting, Richard Houston, describes 2016 as another strong year. “We saw headline growth of around 12% on a like for like basis. Indeed, this was largely driven by digital and technology consulting, but our operational and human capital businesses also performed well. All our major sectors grew, with particularly strong results in financial services, pharmaceutical, consumer goods and the public sector.”

Richard attributes Deloitte’s success to its end-to-end involvement in transformation. “Clients want advisers who take a greater ownership of business transformation and see it through into delivery. We’re doing that. These new requirements are underpinned increasingly by sophisticated outcome-focused commercials. Our transformational delivery support can mean providing both the business advisory services and the underlying technology solutions, which may ultimately include managed services. With a major retailer, for example, we have designed and built their entire online model. We host it and are rolling it out for them globally.”

2017 is likely to be a little slower, in Richard’s view, owing to political and economic uncertainty. “However clients are not as yet altering the fundamentals of what they want from us. And if anything, the economic uncertainties are intensifying their need for innovation. Clients must have workforces that are fit for the future. Their organisational design, systems and culture must be as agile as possible. Business leaders have to understand where to invest in new capabilities and products. They also need to decide what to deliver themselves and what to outsource or achieve through collaboration with others.

“Collaboration is also increasingly important to us as advisers. As part of our strategic alliance programme, we have announced partnerships with Apple and McLaren Applied Technologies.” Alliances such as this, as well as the products and IP they develop, represent a further shift away from the time and materials consulting model. “We might, for example, deploy a solution for a retailer, in conjunction with one of our strategic alliance partners, which allows them to optimise their discount

stock pricing. We then receive a percentage of the money the retailer saves from using the solution.”

Disruption to client markets and the knock-on effects on the consulting model impact Deloitte’s recruitment profoundly. “As recently as five years ago, our new hires would have focused on strategic and analytical capabilities. We still need them. But now we need many more people with a mix of technical and creative skills. We are engaging more proactively with education institutions, with a much greater breadth of graduates and school-leavers, to enhance our understanding of what is out there and to promote improved awareness of the broad range of capabilities we need.”

Richard suggests that the traditional consulting analyst is not yet quite a dinosaur. But analysts have had to evolve, adapt and acquire new capabilities. “And that isn’t just being driven by Deloitte and the needs of our clients. Increasingly, graduates and school-leavers desire complex, satisfying careers, in which they will move from business to business, working across sectors. These exciting new career paths require adaptability and a richer palette of workplace skills.” Richard’s ideal consultant teams now include people well versed in the concept of ideation. “They can visualise and create a new user experience. But they can then translate it into a technical solution which they plan, build and execute.”

Technology is also expanding Deloitte’s advisory toolkit. “We’re seeing much more use of AI, cognitive and robotic process automation.” Will that mean the replacement of consultants by robots? “There will certainly be increased automation of some processes. But I don’t predict the end of human consulting!

“Instead, what we will see in the immediate future is a smarter industry, one that will blend human and technological resources. But what makes the scale of the industry difficult to predict at this stage is the complex nature of business digitisation. There is certainly large-scale mass software production on the one side, with remote, Cloud-based solutions. But on the other, clients also need agile delivery teams, often located very close to the business. Meeting that need will require skilled people and may even put pressure on some existing offshore delivery models.”

One technologically enabled innovation, which Deloitte is embracing as an early adopter, is crowdsourcing of insight, ideas and market evidence. “We are very strict about whom we use and apply quality controls. We don’t think this kind of model will disintermediate consulting. But it can augment our offer. Through it we might obtain visual evidence for clients to support a product placement or market entry strategy. That evidence still needs to be put

in a persuasive framework by advisors the client trusts. But the approach is definitely a new and rather powerful part of the advisors’ armoury.”

Greg Bradley, Arcadis



Partner and Head of Business Advisory at Arcadis, Greg Bradley, describes 2016 as a year of evolution. “We had strong performance in utilities, infrastructure, and asset intensive sectors. Those markets continue to be strong. By contrast the public sector was more uneven, as were elements of property and corporate real estate. Brexit has definitely been a factor, creating uncertainty and delaying decisions.”

However, the strength in the asset intensive market means that Arcadis has remained extremely busy, right through into 2017. “Just how far the National Infrastructure and Construction Pipeline is driving growth in the construction sector is there for all to see. And on top of that, clients like Gatwick, TfL, Network Rail, and the regulated utilities companies have projects over and above what is in the NICP. In the South East alone, there is a huge concentration of activity, with many major multi-billion pound programmes, such as Thames Tideway and Crossrail. All this creates enormous demand for relevant professional services, from strategic asset management advisory, procurement support, through to hands-on project mobilisation.”

This demand is also driving strong relationships between the Business Advisory practice and the engineering, commercial and programme management teams in Arcadis. “Traditionally, Business Advisory has worked client-side. But Arcadis as a whole is involved in many aspects of these big programmes, each of which is typically very visible and heavily scrutinised. They need to be delivered on time and on budget. This requires an integrated and well managed approach to the whole delivery chain. Our team can provide the necessary skills in BIM, Lean, and delivery management. So, through a variety of different commercial models, we will often work in partnership with the wider business. This may be as part of a JV, as in our Engineering Design work with Skanska at Welsh Water, or at the outset of a project in assisting with its mobilisation.

We're also helping clients to manage the benefits of their major programmes and investments, including with Highways England in particular.

"For these internal partnerships to work, the advisory and delivery cultures must align. Collaboration is a key focus for us, and we are becoming more accomplished at creating multi-disciplinary models to deliver outcomes for our clients. This is definitely a major part of the future for us."

Greg sees complex relationships between digital disruption, emerging client need and how consulting is delivered. "Clients in our various sectors have to be increasingly digitally savvy. Digital and data analytics are changing relationships between businesses and their supply chains and their customers. Consider the future of the automotive market. Digital retail models can create bespoke relationships between customers and manufacturers, and the rise of electric and autonomous vehicles will fundamentally change the sector. Similar things could happen with the rise of Smart Cities, with huge implications for physical infrastructure, from who will own it to how it interacts with customers.

"We are focusing on how we deploy digital in our own business. BIM is clearly huge, but digital is now present in everything we do. It impacts commercial management, project management and design. It relates to our deployment of project control dashboards, business intelligence tools on an iPad, to the role of offshore global excellence centres and data stores. Delivery models for consulting will evolve enormously because of these factors in the coming years."

That evolution has huge implications for recruitment, skills and partnerships. "Not all of these dynamics are predictable as yet. We're obviously looking closely at what happens with new graduates. They're deeply digitally literate and capable. But we also need a kind of 'bilingual' even 'trilingual' person: digitally able, versed in the dynamics of consulting, and able to apply those skills to our given markets.

"Some of this is also about targeting relevant portions of the value chain. We are building data analytics capabilities in offshore global excellence centres. But where to apply these new capabilities is a critical calculation in what are very crowded marketplaces. To examine this, we are developing new relationships with clients, often in partnership with other providers, including technologists. Recently, we held week-long sessions with a number of key clients in Amsterdam and Manchester, together with a range of technology providers. There we explored what clients' emerging needs are, how Arcadis

could help, and where we would have to work with others to satisfy those needs fully. We are embracing collaborative processes and these value-creating ecosystems are clearly going to be a major part of how we deliver outcomes for our clients in the future."

Tom Amos, BAXENDALE



Tom Amos, Managing Director at Baxendale, a consulting firm working across public and private sectors, describes 2016 as an exciting year. "The business performed well, continuing the trajectory of recent times. We do a lot of work in health and saw significant activity there. What is especially gratifying is that our 2016 projects continued to align closely with our values. We want to make a difference to major social challenges, which are made more acute by other factors like the identity crisis that comes with Brexit. Among our clients are those who are trying to address big societal issues: social enterprises, public sector bodies and enlightened private sector providers.

"We are employee owned ourselves, and a significant part of our work has been working to create new high impact employee owned businesses including public sector mutuals – based on teams exiting different parts of the public sector. These include providers of disability employment support services, housing services and new healthcare bodies." Tom describes the sort of support Baxendale provides to these new social businesses in the health sector. "The first challenge they face is survival in quasi commercial conditions. They need to understand how to play a meaningful role in the wider health economy. We help them do that, from conception to delivery. So, we support bids for community care contracts. We design delivery models for improved, personalised care that is closer to home. We run the bid process, then assist successful bidders in the implementation phase."

Working at this critical micro level gives Baxendale real insight into the systemic challenges confronting the Health Service as a whole. "Providers should be collaborating in a coordinated and patient-centric fashion. With such a proliferation of organisations, that is a real challenge but one we can help with. Our

integrated approach means we work across organisations with relevant synergies, such as health and social housing providers.”

Baxendale anticipates a solid 2017 performance. To some extent this is a self-fulfilling consequence of the firm’s ethic. “We are a purpose-driven organisation. The ‘true north’ by which we navigate and choose clients is straightforward. Our clients must have a clear purpose-driven mission and values we feel are similar to ours. We work deeply with a small number of mission-driven organisations who are explicitly committed to creating wider positive impact through what they do.”

Technological disruption is affecting public and wider social sector clients, says Tom. “Of course, things have moved fast in the private sector. But there are major digital programmes in almost every area of the public sector now. We see our role as ensuring that any digital deployment is meaningful and outcome-focused. What is the technology trying to do; what problems is it trying to solve? After all, technologies are tools of no inherent value unless they solve human problems.

“So, if homecare is to be overhauled and digitised, with the home itself becoming a technology hub, this should not be at the expense of service personalisation or care provision based on meaningful relationships. There may indeed be the potential to robotise some interventions and support. But it is unlikely that one size will fit all. Solutions should be bespoke. That will require a human dimension to the service.”

Baxendale’s approach to managing its own human resource issues is focused by the company’s ethos. “We want people who share our vision and values. We’re overwhelmed by the numbers of applicants who sincerely want to make a difference. Millennials in particular have a strong element of personal idealism and seem to want to engage with what we do.”

Tom insists that this idealism is not naivety. “When we say that we partner with or serve organisations that put care first and foremost, that can sound like we lack a hard edge. But we’re anything but soft. Indeed, our values and those of our clients set the bar very high in terms of what success looks like. For instance, social investors like any investors do not want you to fail. But they insist on seeing the positive social as well as financial impact of projects they support.

“We don’t want to fail either. We hold our purpose-driven people to a high standard. And in pursuit of humane goals and accomplishments, they deploy their hard-headedness, business acumen and drive wherever necessary.”

To embed its values, Baxendale’s leadership takes its own medicine. “That manifests itself in how our leadership team is reconfirmed in post. The directors are up for re-appointment by the Board every three years and this appointment is subject to a vote by employees at our AGM. We aren’t just employee owned. We are employee-driven.”

Gary Miller, Thales Cyber & Consulting



Managing Director of Thales Cyber and Consulting, Gary Miller, describes 2016 as a very strong year. “Revenues grew by 10% and we improved profitability relative to 2015 by 300%.”

Gary attributes this success to a major and ongoing restructuring of the consulting business and its governance. This has changed the balance between internal activities (focused on the wider Thales Group) and external client-facing work. “Internal markets remain strong. We provide project support in avionics and transport. But with developments such as the of the creation of the National Cyber Security Centre, cyber has become an increasing focus for the practice. There are huge external consulting opportunities, in many markets where wider Thales already has a strong and highly valued presence, such as Europe and the Middle East.

“We’ve devoted time and resources to understanding what we had to do to secure these opportunities. We’ve explored what was working and not working, and invested in developing our consultants. This is starting to bear fruit.”

That investment has been far-reaching and has focused particularly on skills and recruitment. “We’re starting to work more collaboratively with universities and with initiatives such as Cyber First. This will help us attract capable youngsters by showing them how our business is at the cutting edge in an exciting part of the digital value chain. But our most important emphasis has been on equipping our staff with the skills they need. We have a mix of career consultants, new recruits, as well as people who have come to us from the wider Thales business. Thinking about what they need, given their different backgrounds, has led us to re-evaluate our training and development fundamentally. We have also taken the opportunity to align our approach with

the nine principles of *Consulting Excellence*. The result has been our Consulting Development Programme.” The first cohorts from the programme have graduated this year. “We are overwhelmed by the quality of what is coming through the Programme. It’s a great success. Now everyone who joins us will go through CDP.”

Cyber consulting, according to Gary, will typically consist of undertaking risk and threat assessments and audits of clients. “We will then propose improvements, usually a mix of programmes, procedures, behaviours and technologies.” Gary is clear that while the Thales name confers credibility, as well as giving the consulting practice unrivalled access to great cyber insights and expertise, it doesn’t compromise the independence of his team. “Thales has some world-leading products. But so do our competitors. We audit the client’s supply chain. We may advise clients to include a Thales technology in the solution. But only where it is appropriate. We will recommend competitors’ products on the same basis. We are completely independent in our judgements from wider Thales. And we will never compromise that.”

2017 has started slowly for Thales C&C, though the firm is slightly ahead of budget on orders. “However we decided this year to invest in ten new offerings, which we launched on 13 June at the National Infrastructure Forum. We anticipate that these new propositions will generate substantial interest in the second half of the year, thereby increasing our 2017 revenue. We’re confident of this because these solutions are genuinely needed. The cyber market has made many innovations in technology, but not enough in structure, governance, process, people and training. We can help improve business security and performance by ensuring that it has cyber security at the heart of its culture.”

The digital disruption agenda is meat and drink for Thales. “Companies should embrace the benefits of digital and digital transformation. They are real. Everything from AI to the automation of analytics can realise productivity and service dividends. However, digital adoption currently comes at a price. Almost every day there is a report of a cyber breach. The combination of this threat, together with new, punitive regulatory measures against those judged to have done too little to protect the integrity of customer data, may deter some from exploiting digital fully. We believe digital transformation can be done securely and we can help.”

As yet, Gary is seeing little direct impact of this disruption on *how* consulting is done. “There are certainly changing emphases in the client needs we address. Embedded chips, sensors, IoT

and deeper exploitation of data are producing new client requirements. But as yet what they need from us in the consulting sphere is advice on how to rationalise and redesign processes to make their businesses agile enough to exploit these technologies effectively and safely.”

A key feature of Thales C&C’s ‘go to market’ model is partnership. “We want to collaborate with MCA member firms and others in target markets. We have specialist capabilities, especially in cyber, but we can’t do everything. So by identifying firms with complementary capabilities, for instance in strategy, which also have similar values and a commitment to quality, we can deliver great results for clients.

“This is about segmenting appropriate customer communities, diagnosing problems, and creating shared propositions. These propositions must be underpinned by appropriate agreements on workshare and commercials.”

Gary stresses that the challenge to partnership management is as much about shared aims and culture as it is around the complementary fit. “We believe there is a role for the MCA here. We’re committed to *Consulting Excellence*, along with other MCA firms. That gives us some reassurance that there’s a common commitment to client service and value when we partner with an MCA firm. It provides the basis for a shared, outcome-focused vision of what we can do together. But the MCA could go further. An MCA-wide framework of consulting competencies would give us even greater confidence that both the values and capabilities we are looking to inculcate in our staff are mirrored in the advisory firms we partner.”

Stephen Vinall, Moorhouse



Partner and Board Member at Moorhouse Stephen Vinall describes 2016 as a great year for the firm. “We grew by almost 30%, most strongly in the first three quarters. We’re continuing our growth strategy, which we’ve been focussed on for the last six to seven years.”

A key component of the strategy has been extending Moorhouse’s capability. “In the last two years we developed a new service line structure. This has meant extending our capability internally

and bringing in senior hires. Programme and project management, essential to transformation programmes, still underpins much of what we do. But our clients increasingly want more from us. This demands a broader transformational range. Moorhouse now provides specific services in Strategic Design, Customer, Digital and Technology, Change, Performance Improvement and M&A, as well as PPM.

“The business now has the foundations to grow well beyond its current c.£25m revenue. We’re becoming more widely known across all our markets and see rising demand from clients who seek a nimble consulting partner, prepared to take risks.” A sector analysis of Moorhouse’s growth in 2016 reveals some unevenness. “We have six target markets. Energy and utilities was fairly quiet, mainly due to issues associated with the oil price. In the first part of the year, public services (primarily health) was very strong for us, and is our largest sector. However, procurement challenges, particularly in the latter part of the year, made things tougher. Financial services was largely flat. Transport and infrastructure was challenging. Telco was strong, an area where our BT heritage continues to play well. Pharma and consumer business also grew.”

Stephen expects growth to continue in 2017, albeit at a reduced rate. “Our first quarter was a little slow. We’re bigger now so the challenges are different. However, we still expect a strong year. The appetite for change is not diminishing. We are seeing growth in transport and infrastructure with new opportunities such as those relating to the third runway at Heathrow. In the public sector, we anticipate more opportunity provided there is agile government procurement. We also expect some Brexit related opportunities both from the public sector, but also as private-sector clients respond. Energy and resources is also picking up.”

The key challenge for Moorhouse will be to keep the pipeline and revenues buoyant through new sales. “Over the last two years we’ve recruited senior individuals with different client relationships to bolster our market-facing teams. It takes time for this to take effect, but this is now adding significantly to the bottom line. We’ve also overhauled our business and technology infrastructure and invested significantly in a state-of-the-art knowledge-management platform. It’s important to keep pushing hard to secure the desired return on these investments.”

The consulting profession, Stephen argues, faces the challenge of continual renewal of capabilities and standards. “Clients are increasingly capable and experienced at delivering change – not least because they now have many ex-consultants

as employees! This, combined with a continued focus on cost, breeds a reluctance to use external resource unless it is absolutely necessary. So, to meet client demands, which now often concern big strategic questions, a consulting firm must ensure that its people not only have the technical skills, but as importantly have softer skills and emotional intelligence. We’re committed to investing in the development of our people. And increasingly young recruits see that commitment as a given.

“At Moorhouse a key component of this commitment is our Moorhouse Academy, a two-year programme for junior consultants. This now adds extra variety to our training, providing much more than just technical skills. In addition we’ve developed a Management Development Programme (MDP) and Leadership Development Programme (LDP). These initiatives place a heavy emphasis on feedback and focus on building up strengths rather than simply correcting perceived weaknesses. We think that this improvement in the skills and adaptability of consultants needs to be an industry-wide priority.” Further, the Moorhouse Academy is used to benefit clients directly. “We have invited clients to the Academy sessions. There they work alongside our consultants. This not only creates goodwill, but also helps to build real partnerships. That ultimately works well for us as well as for our clients.”

In addressing digital disruption, Stephen argues, it is important to recognise that the challenges are not just related to the new technology per se. “There are all the associated upheavals in structures and individual roles, together with the costs and potentially significant consequences of getting things wrong.

“In our approach, creating value for customers is the paramount consideration in any transformation. That emphasis should inform the selection of digital capabilities. We’re helping clients grapple with these challenges in everything from analytics and data, to AI.”

While some clients – and indeed some consulting organisations – might aspire to have all their digital solutions under one roof, Stephen believes this is unrealistic and sees partnering with other suppliers as an important part of the forward strategy for Moorhouse. “A cultural fit matters in partnerships. We’re still relatively small, so while larger organisations can be hampered by bureaucracy, we have the agility and culture necessary to partner with often smaller innovators and potential disruptors.”

And for Stephen that partnership approach is critical at the client engagement level too. “We have deliberately focused our strategy on working

with clients in small integrated teams. Our clients understand that we aren't looking to grow our consultant numbers continually on the ground. We often encourage clients to put their own people forward rather than adding another Moorhouse consultant. This facilitates knowledge transfer and strengthens the partnership ethos. We also recognise that to deliver change successfully you have to do 'with' rather than 'to'. We simply can't have the same detailed understanding of their business as clients do themselves. To continue to deliver value, we need to work alongside them, deploying our complementary capability to ensure they turn their strategy into a delivered reality."

Louise Fletcher, PwC



In the last eighteen months, Louise Fletcher, Partner in financial services at PwC, has noticed client needs changing significantly. "What they buy is becoming more and more selective and sophisticated. It is important we understand and respond with relevant services." Louise identifies three distinct types of client need.

"First, clients want insight and ideas. They mean genuine understanding of what works best and why. We need to stretch our thinking and be innovative.

"Secondly, clients still want some kind of objective validation. This may be to challenge their own ideas – are we on the right lines? Or it may be in response to a regulatory challenge – are we compliant and how can we attain advantage from it?

"Thirdly, they want us to provide or foster some kind of disruption. This is in many ways a most interesting requirement in the context of the MCA's Year of Diversity and the emerging emphasis on disruption in the Association's next strategy. To meet these needs, we find that we are having to deploy more diverse teams. The teams are not just diverse in the sense of the protected characteristics of the Equalities Act – though increasingly they are. They are also diversifying in terms of the backgrounds, expertise, assumptions, and ways of thinking individual consultants bring. That's very exciting and more fun."

What this means is significantly less activity in some 'traditional' consulting areas, including

project management (which has declined as a share of consulting activity across the whole industry in recent years). "It is almost an expectation now that project management is an intrinsic part of any proposition being sold."

Louise describes areas where clients need these three main types of support. "Plainly our clients must rise to the challenges of digital and technology. There are huge opportunities for us in assisting them. But these are also the most demanding assignments. Digital transformations can be risky and disruptive. They challenge existing business assumptions and vested interests. They require different business models and capabilities. Most clients approach these challenges in phases and test and learn as they progress.

"Clients also know they need to control and reduce costs at the same time as they invest in selected capabilities. We call our work in this area 'fit for growth'. It's about transforming the business model as a whole, so the enterprise can make the most of technology and rise to the challenge of growing in increasingly complex marketplaces. Some of that is about cost-cutting. But it is also about choices: what to do, what to discontinue, where to outsource, where to invest. These issues need to be examined in a rounded fashion. Where should a business locate its operations across the globe, especially as robots, not geographies, may now hold the key to arbitrage? Businesses are thinking about their growth prospects – as they always have done, but now in a context of unprecedented uncertainty, changing consumer needs and technology developments."

A particular and ongoing business need, very relevant in Louise's markets, is absorbing new regulatory requirements in ways that work positively for the business. "But this is not exclusive to financial services. We also see it in utilities. A few years ago our assignments in this area were about dealing with immediate compliance challenges. Now our work has much more to do with helping clients put in place the governance, agility and entrepreneurialism to anticipate regulatory change and make it part of the value proposition, and even a customer-focused differentiator. That is about embedding the change in the business as a whole, rather than parking responsibility for it in the compliance function."

Louise also points to significant levels of M&A activity. "This is also more subtle than in the past. We're getting less straightforward due diligence work, and more requests to evaluate the strategic alignment of organisations and the competitive advantages of mergers, to assess future needs,

and model how the combined organisations can create new value and not just cost synergies.”

To do this, PwC is having to become ever more insightful. “We’re developing more digital assets. These include toolkits for scenario planning and forecasting. We’re giving more thought about where we build and locate teams and capabilities. Critically, we’re investing in understanding our own data. Over years of consulting assignments, we have gathered a vast data set. We’re mining this more deeply than ever before to establish how we can turn it into a new form of insight for clients, one that is embedded in our offer, lending additional authority to our advice and support.” PwC is also moving deeper into delivery and results. “Plans can be good and impressive. But executing the plan and the outcomes is what counts and where many organisations have struggled.”

All these innovations have acute commercial implications. “Risk and reward is becoming an increasingly normalised model for us. But its success requires more than just an agreed outcome metric. Ideally, this form of contracting should be underpinned by values that are shared by client and adviser alike. The recognition of what good looks like, on which risk and reward rests, should be deeply understood by both sides.

“We know that to be partners with our clients, and solve their most impactful and difficult problems, we need to have not only the right talent but a combination of delivery models and assets. We have special centres of expertise, key alliances with other providers, tools and models to deploy, benchmarks and a range of accelerators.

“Being agile and moving at pace are critical. One thing has not changed: the need to invest in relationships and be close to clients. Our clients care about chemistry and want advisers who are just as passionate about their business as they are.”

Matt Crosby, Korn Ferry Hay Group



Matt Crosby, Senior Client Partner at Korn Ferry Hay Group, HR specialists, describes 2016 as a pretty good year. “Plainly our major agenda for the year was the integration. [Korn Ferry

acquired Hay Group in late 2015.] And plainly there were political events which created some uncertainty. But we stayed market and client focused and we were busy.”

The political factors Matt mentions had different impacts on different client types. “The public sector has been quite distracted by Brexit and the associated institutional changes. So, much of our focus was in the private sector. Manufacturing and natural resources were pretty robust markets for us, benefiting in part from the fall in the value of sterling. Financial services were also active, with clients pressing on with major projects, Brexit notwithstanding, although a number of them are clearly looking at their post-Brexit options.

“The picture in the tech and consumer sectors was very mixed. Large organisations, such as Unilever, and multinationals generally remained active. But in many UK firms there was hesitancy. Brexit, the Election, the slight slowdown in China: all these factors created uncertainty. By contrast, clients in the EU started to show greater confidence.”

How Korn Ferry Hay Group continues to perform throughout 2017 and beyond is, Matt argues, bound up with policymakers’ responses to the Election. “We hope the vote is interpreted as a clear mandate for a softer Brexit and a more business-friendly approach. But there is still significant uncertainty, with divisions evident across the Government and a continuing inability to project coherently to our European partners what we want from Brexit. That must change.

“With the Election now past, the public sector itself should return to its core agendas of digital transformation and cost reduction so we expect activity there to pick up. There may even be a slight shift of emphasis. The Election appeared to be a rejection, albeit nuanced, of aspects of austerity. So we may see some targeted cash injections. We would expect to see increased activity in local government and health.

“Overall, we think the outlook is pretty positive for us, globally and locally. We have exciting and relevant people propositions and plenty of demand to aim at.”

For Korn Ferry Hay Group, sustaining those persuasive propositions over time is about differentiation and evolution to support changing client requirements. “We’ve noticed that some of the larger advisory firms no longer maintain people capital practices or have reduced them to much smaller associate models. This is perhaps driven by the notion that the digital agenda is currently

the major play for consulting firms. Indeed some might argue that the potential for so much human activity to be automated means our markets as HR advisers will inherently decrease overtime.

“But that is a misconception. Certainly the current narrative is digital. Our clients are all making huge investments in technology. But making those investments effective is about having the right people with the right skills: people who understand the potential for digital to shape the future, who are in touch with what consumers want, and understand how technology can rise to and shape those demands. Without an adaptive human culture to complement digital investments, firms will be unable to optimise their business models.”

Matt argues that the most sophisticated CEOs understand this. “But they’re under enormous pressure. Indeed, in the disrupted digital context, the job of leading and managing large organisations is getting harder. CEOs must determine whether they have enough people with the right skills to execute their strategy. But they also face what one might term a ‘twin-speed’ challenge. They need to optimise today’s performance, to satisfy shareholders and investors. But they must also confront the challenges of tomorrow.

“Doing this simultaneously, succeeding in the present, while also determining whether your organisation has the culture needed for digital, is sensitive to market signals and can adapt, is not easy. CEOs must decide where the immediate – and perhaps negative – impact of technological and human investments are worth withstanding in the interests of long term results. All these calculations have huge human capital dimensions. That’s where we come in.”

Matt is positive about Korn Ferry Hay Group’s ability to meet its own people needs. “We find our recruitment challenges reasonably manageable. In terms of junior recruits, we are at the back end of a period of relatively depressed youth employment so there’s some supply. And while we may not seem to be as ‘sexy’ on paper as working for a big technology company, there is real interest in what we do.

“Indeed, we have an extremely positive story to tell. We’re the biggest firm of our kind. We have a strong future. We deal with the human dimensions of cutting-edge problems. So in addition to successful entry level recruitment, we’re also attracting seasoned recruits. Experienced human capital partners from large firms join us in significant numbers. We are growing strongly.”

Lucinda Peniston-Baines, The Observatory International



“2016 was an exceptional year for us,” says Lucinda Peniston-Baines, co-founder and Managing Partner of The Observatory International, a specialist marketing management consultancy. “We saw a 50% increase in the turnover of our London office.” Lucinda suggests that the headline characteristics of this activity continue the trends of previous years, with client needs driven by digital transformation and its implications for the marketing function. “But in 2017 we just saw a lot more demand in this area. Some organisations have been trying to solve their digital challenges in marketing but many conclude they will benefit from external perspective and the ability to compare their requirements or maturity on the journey with other organisations. That’s often when they bring us in.”

The Observatory International is experiencing similar momentum in 2017. “We have continued strongly in the first quarter, but with a slight shift in the balance of our activities. Much of what we did in 2016 concerned the ‘discovery’ and strategy phases. Many of those large consulting projects are now we are moving into implementation, with clients seeking an impact. That might mean helping them develop a new agency framework for comms, improve skills and training within the marketing team itself, or decide between keeping a function in-house or outsourcing it.” On top of this, The Observatory International is also securing new clients. “So the picture is positive.”

In common with all firms active in the marketing arena, The Observatory International is also impacted in its own operations by technological disruption. “There’s an ever intensifying convergence in the creation, distribution and development of marketing activities and content. And that convergence is affecting how clients see themselves. A business may have specialists in media, creative comms, in customer services and response, and in digital and data. But increasingly these functions are overlapping, even becoming the same thing. The marketing agency landscape is reflecting this integration, with a host of acquisitions and consolidations. The Chief Marketing Officer in our client organisations now needs to be on

top of everything from brand, communications, media, data analytics, to the latest tools for understanding and communicating with customers.

“And that last requirement is acutely challenging. Marketing and advertising technologies are proliferating at a furious rate. At a major conference for marketing technology in 2011, there were 100 solutions providers. In 2016 there were 3874.”

Keeping abreast with these changes is demanding for The Observatory International, as well as clients. “We have to devote time and resources to learning about new technologies. We have developed partnerships with suitable technical specialists and have enlarged our networks of expertise.

“However, this isn’t disrupting our core proposition as we aren’t technology providers per se. We help clients understand, design, manage, commission and integrate their marketing capabilities and resources. These are increasingly enabled by technological functions, and we have to be abreast of changes in order to advise clients well. Of course, some of what we do is technologically enabled. Work on skills and capabilities or performance evaluation increasingly deploys digital platforms, webinars and online tools. But much of our work is still carried out by people: consulting on transformation, running bid processes. That boundary is constantly tested by new technologies, however, and we need to remain alive to that, vigilant and adaptable.”

That adaptability, Lucinda argues, affects skills needs. “This isn’t just about approaches to recruitment. We cast our net widely to secure the best talent. But the people we are looking for – those with client sensitivity, acute understanding of the evolving picture in marketing, suitable levels of technological savvy, an understanding of organisational design principles, *and* a creative and entrepreneurial mindset – aren’t exactly plentiful. So we also have to focus on the continuous development of our own people, both new recruits and seasoned experts.

“Of course, it isn’t easy to provide training for senior people that is at once business relevant while also keeping them interested and stimulated. So we search for the best courses, often using business schools and industry bodies.” Here, Lucinda sees an emerging role for the MCA. “There would be great value for us in getting support and even a stamp of approval from the MCA on human resource matters, ranging from a competency framework and the outlines of a consulting curriculum, through to the accreditation of relevant training suppliers. As the MCA extends its ambitions in these areas, it will be important for us as a member firm to shape that agenda and benefit from it.”

Graham Drew, The Gap Partnership



Graham Drew, Head of Global Consulting at The Gap Partnership, specialists in support for complex negotiations, says the firm grew strongly in 2016. “We achieved double digit growth. Our performance was strong in all sectors, from retail and consumer goods, through automotive, pharmaceuticals, to our work in employee relations and the public sector. We grew, both in the UK and globally.”

Graham anticipates that growth continuing throughout 2017 and beyond, with activity in Asia Pacific and America picking up. He argues that this is the result of hard work in getting the consulting offer right. “Consulting is increasingly critical to The Gap Partnership portfolio. So we invested a lot of energy in 2016 putting in place the necessary foundations, changing our organisation structure, governance and targeting our recruitment. It takes time to identify and recruit the right people for what we do. It then takes time to immerse them in our culture and approaches. So it’s pleasing to see that effort paying off.”

However, Graham suggests that maintaining the strong performance will mean adapting to evolving client demands. “Of course negotiation is inherently a varied and complex business. We can be helping a client buy a product or service as a one-off. Or we might support their ongoing negotiations over the long term, year after year, with a host of its clients or suppliers. But we’re starting to see consulting engagements change and expect that to continue.” Graham identifies two headline trends. “One relates to raw material costs. There is cost inflation in supply associated with factors such as the fall in sterling, though some price increases also stem from suppliers seeking improved margins and profitability. As experts in the field we work for many different types of organisation on many different types of negotiation and we are increasingly seeing another trend: shared value-creation.

“Negotiations, especially about price, have historically been perceived as zero-sum games. Clients sought our services to get the best deal for themselves – at the expense of the other side. We used to point out to them that this wasn’t necessarily the most sensible approach. It is not in

a supplier's interest to price themselves out of a sale. Neither does it suit a buyer if their supplier's margins are so reduced that they cannot invest in a quality product or even survive. So where possible we have tried to support negotiations that are framed to achieve mutually acceptable outcomes. What is changing is that more clients now understand this. Increasingly both sides in a negotiation target mutually beneficial outcomes. So, many clients ask us to support value creation for all parties. This is a positive trend – and one where we may soon even find ourselves being asked by our clients to support both sides of a negotiation.”

Digital disruption is relevant to negotiations consulting, Graham suggests, but in subtle ways. “We possess a huge amount of learning, data and IP based on years of negotiation support. We have already codified and analysed much of that unrivalled insight. We deploy it in online tools that assess the client's negotiation approach and select the best strategies and tactics.

“We don't expect a role for AI in the conduct of negotiations any time soon. The deals we are involved in are often long-term with implications for 20 years or more. We simply don't believe that firms will entrust this to anything other than human relationships. But there may well be a role for AI and automation in analytics. More sophisticated analytics could mine further and deeper lessons and trends from our data.”

Graham believes that technology is forging new relationships with clients. “It's important for us to

stay alert to the potential of technology because it is creating new dynamics. Clients love using our technical tools. So to extend their usefulness we face choices. We can ensure our tools are optimally agile and flexible to be compatible with many other systems. Or we can embed them within the client environment in a bespoke way.

“This all chimes with and reinforces the emerging long-termism and sophistication of client needs. We don't just parachute our people in, carry out an assignment and then leave. Clients want a legacy. They want to use our insights and IP to improve their people, their capability, their ability to negotiate for value creation from the junior buyer right up to the Board. That's about knowledge transfer. It's about longer relationships, becoming a flexible, adaptable, and even integrated part of the client's ecosystem, a partner in its value chain. It's also about acknowledging that in transferring this knowhow to clients – which they now demand – we are making them more capable.”

Could that uplift in client capability reduce demand for The Gap Partnership's services? Graham demurs. “We *want* our clients to be smarter. It makes them better, more sophisticated and targeted buyers of our services. It also helps them understand the value we can create. Our best clients don't just need the basics from us. Rather, they understand the full range of what we can give them. So they get our services in early, well before the negotiations begin – and secure really significant ROI.”

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