

MCA

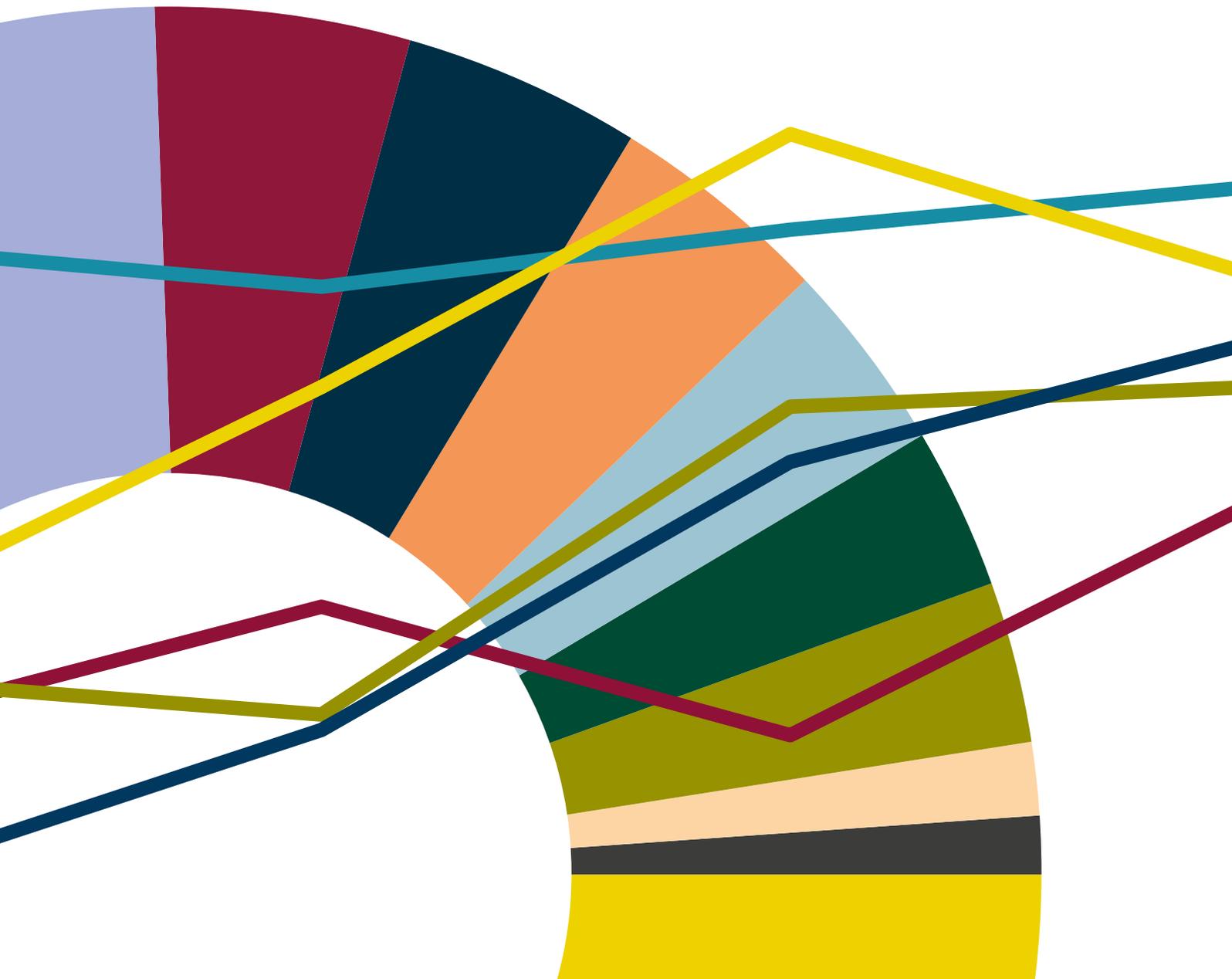
A POSITIVE FORCE  
FOR THE ECONOMY

The definitive guide to

# *UK Consulting Industry Statistics 2016*

*Consulting Excellence Edition*

Public Summary Version



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# Chief Executive's Preface

The MCA Annual Industry Report tells the truth that lies behind the headlines. While much on the surface in consulting seems calm, with steady growth now a feature of the UK industry's performance, this conceals another picture of rapid and sophisticated development in consulting services, business models and client relationships. The UK consulting industry is on the move!

Thanks to the many consulting firms that provide detailed information on their annual fee income, and the hard work of Paul Connolly, Director of the MCA Think Tank, Luke Cummings, MCA Researcher, and other MCA colleagues, this is the definitive guide to the real performance of UK consulting firms. The dataset on which we rely is available only to member firms of the MCA.

I'm grateful as well to the many senior industry leaders who have been interviewed for this report. Their thoughtful contributions help make it a rounded and comprehensive piece of analysis. Their close understanding of the changing needs and attitudes of clients provides us with direct reports on the front line challenges facing British business and public sector organisations.

2016 is a special year for the consulting industry and the MCA.

The MCA celebrates our 60th anniversary. The industry's story since 1956 is one that fully supports our MCA motto: *A positive force for the economy*. In a business climate that is defined by uncertainties, consulting is enabling clients to manage the associated risks and, in many cases, to grow.

And we are also launching what is perhaps the most significant cross-industry initiative we have seen in the UK: *Consulting Excellence*. Based on nine principles, focussed on the three areas of Ethical Behaviour, Client Service and Value, and Professional Development, *Consulting Excellence* brings member firms together to promote both the core skills of quality consulting and the innovative value-adding consulting of today. It challenges everyone to continuously improve their performance. And it provides UK consulting with a great platform to demonstrate its commitment to excellence.

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](http://www.mca.org.uk)

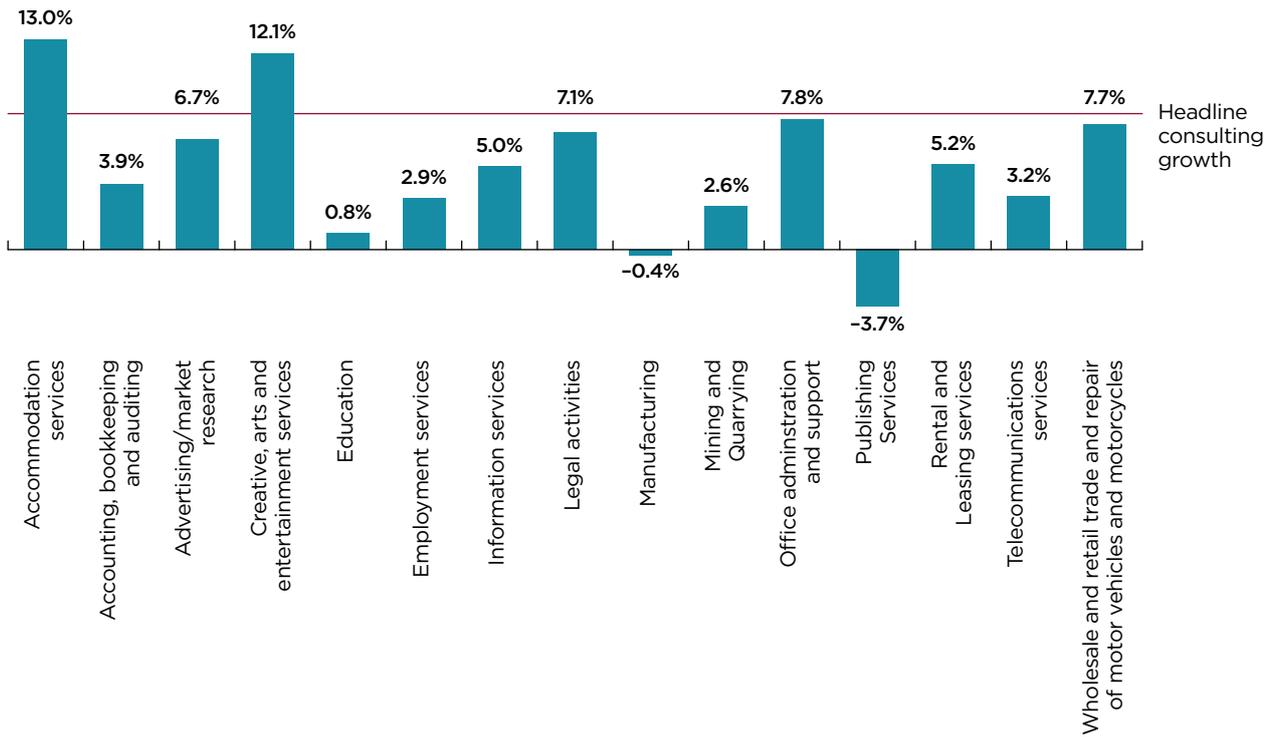
Alan Leaman

**Chief Executive, MCA**

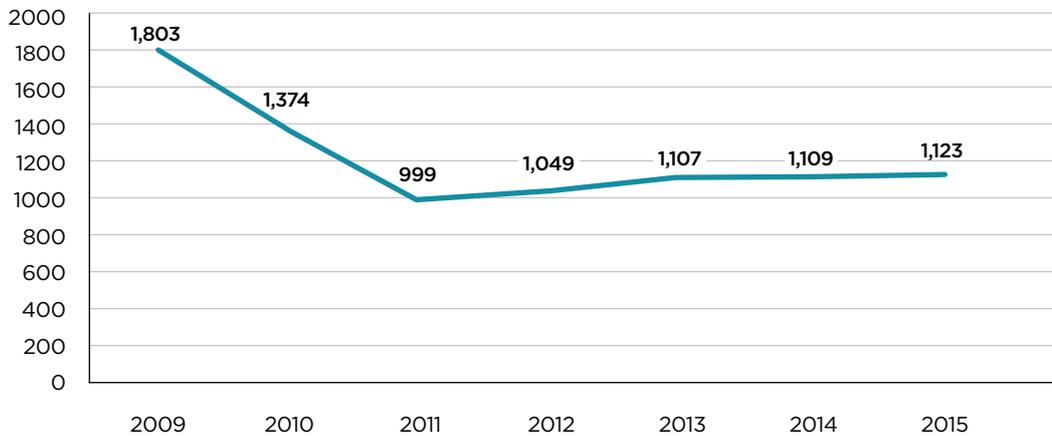


# Sample industry statistics

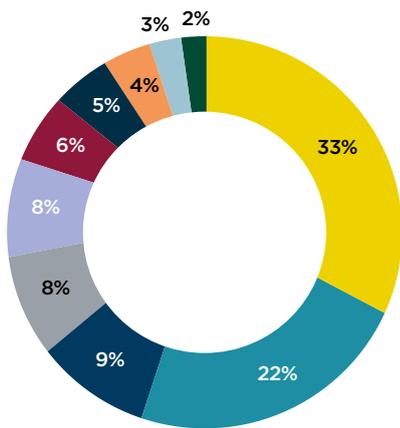
**Figure 1** Growth in selected UK industry sectors (ONS sector turnover figures for 2015)



**Figure 2** Aggregate public sector consulting fee income (£000s)

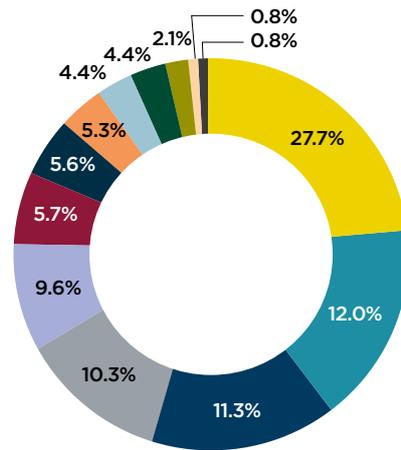


**Figure 3** Consulting distributions by sector.



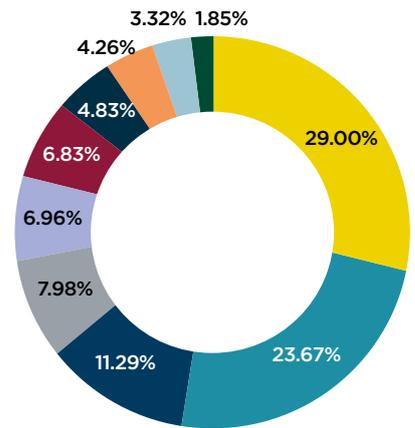
- Financial Services
- Government and Public Sector
- Manufacturing
- Energy and Resources
- Digital and Technology
- Retail and Leisure
- Private Health and Life Sciences
- Transport
- Other Sectors
- Infrastructure

**Figure 4** Aggregate fee income by service line



- Digital and Technology Consulting
- Programme/Project Management
- Operations
- Financial
- Strategy
- Human Capital
- Risk Management
- Change Management
- Economic and Regulatory
- Business Transformation
- Disputes and Investigations
- Environmental
- Sales, Marketing and Corporate Communication

**Figure 5** Digital consulting by sector



- Financial Services
- Government and Public Sector
- Digital and Technology
- Energy and Resources
- Retail and Leisure
- Manufacturing
- Private Health and Life Sciences
- Transport
- Other Sectors
- Infrastructure

# The Insight Interviews

## Howard Tollit, IBM



**Howard Tollit, Executive Partner at IBM and new MCA President, describes 2015 as a year of reasonable growth for IBM. “We’re going through a major transformation, unleashing our digital knowhow in a big way. Our advisory service offerings are shifting substantially towards data analytics, cognitive solutions and other digital specialisms, including our customer interactive experience solutions. So it has been gratifying to grow modestly while that upheaval has been happening. We anticipate stronger growth based on our strategic priorities in 2016.”**

IBM’s digital transformation is a continuation and modernisation of longstanding characteristics in its advisory offers. “Given the company’s heritage, plainly our advisory practice has always emphasised technology-enabled transformation. But that doesn’t mean the consulting teams are a sales vanguard for IBM technical solutions. Indeed, our advisory independence and ‘technology agnosticism’ are especially important in the Digital Age. Clients want bespoke and agile answers to their challenges. We recommend the solutions we think are right for the individual case, and will only propose an IBM technology where the client recognises it as the right answer. That approach is really paying off for us. Our presence in the digital market is increasingly well understood and influential.”

The relationship between digital initiatives, growth and cost-cutting is becoming more complex. “Client requirements are more diverse and challenging now than they have ever been. Despite the current context of economic growth, many firms remain under considerable financial pressure, mostly on the operational expenditure side rather than on capital spend. So at a crude level, savings must be made if new digital investments are to be financed. But ideally, to grow, save money and exploit digital fully, organisations need enterprise-wide digitisation. That’s happening, but perhaps to a lesser extent that we might have wished. Understandably, many organisations have

prioritised customer-facing digital capabilities and have grafted them onto their existing enterprise. But there’s great potential to deploy digital across the rest of the business, to capture data on the performance of internal teams and functions such as the salesforce, and to replace creaky and outdated internal systems. However, these dimensions have been less thoroughly explored.”

Howard notes that some clients may try to carry out aspects of technological transformation in-house themselves, buying the tools, but not much else. “This of course varies from client to client. In the public sector, decisions on digital advisory need may be limited to capability outsourcing. Financial services may be able to go beyond that, but the leadership teams in other client organisations often expect their own people to deliver digital programmes and even run digital design or change initiatives. Of course, when they get into trouble, they seek help from incumbent suppliers.

“Other organisations, recognising that integration is a big challenge, sometimes acquire new digital capabilities, then apply ‘light touch’ integration, or let them stand alone, separate from the wider enterprise. However, that integration is still needed. Support may also be needed to help the organisation understand and realise the full potential of a digital proposition or the futureproofing of a new approach.” Howard suggests that a key IBM solution here is Cloud-provisioning of services. “We work with clients to explore and develop new customer-facing digital engagement mechanisms. We can also determine how these should fit into back office systems. Then, by deploying wholesale ‘platform as a service’ approaches, we help achieve the necessary data and process integration across the enterprise.”

Howard suggests that clients’ lack of clarity about what they should expect to do for themselves and what they should commission from external technical experts is a minor teething issue in the Digital Era. “Take data analytics. Many client organisations have got hold of the myth that they can simply put all of their data in a ‘black hopper’ and somehow insight will drop out. Of course, the myth has an element of truth. Imminently, the combination of greater confidence in the underlying data capture and learning systems, or cognitive intelligence, will deliver insight from diverse data sets. But even so, it is far more efficient to capture and cleanse data that is relevant to supporting

or disproving specific business hypotheses. For this reason, even as technology advances, it is important that clients don't treat digital tools as simply a matter for their in-house technologists – or those they commission externally. The independent advisory element is crucial to making digital relevant to business needs."

IBM has been acquiring new advisory resources over the last year or so – as an expansion of its solution focused acquisition strategy, to be coupled with continued investment in recruitment, internal enablement and training. "We are confident in our technology innovation by design brand and our strength in the market, and are increasing our capacity accordingly."

Indeed Howard is bullish about the industry more generally, especially in the context of the major MCA initiative, *Consulting Excellence*. "I have always wanted to be in a profession that has change at its heart. That's always been true of consulting, and it is even more so now. This is the most exciting time to be a consultant. Business is changing. The problems clients face are emergent, complex, even ambiguous. But that ambiguity brings opportunity: to transform clients and to transform consulting itself. *Consulting Excellence* is central to that transformation as it supports consulting innovation while helping ensure we don't lose sight of the core skills that are the foundation our profession.

"At IBM, our delivery model is evolving rapidly. Previously, to practice consulting, you needed experience in industry or the public sector. Now our skills mix is being enormously enhanced through graduate recruitment, and an ever stronger industry focus, with some incredible and challenging digital professionals, who understand client-specific needs, coming through. Our profession is diversifying – and this is creating challenges for larger firms. Some staff will move on as the world changes. But we're confident that we can adapt by combining our strong legacy of technology transformation and open engagement with future possibilities. For example, a business using SAP needs support from an advisory firm that understands its established systems but can link these to new and emerging capabilities. That's IBM."

## Ivor Bennett, BMT Hi-Q Sigma



**Ivor Bennett, Capability Director at BMT Hi-Q Sigma, a new MCA member firm, describes 2015 as broadly positive. "The year was good in revenue terms. However, as a firm specialising in publicly funded programmes in the defence, energy and transport sectors, we were affected by the political cycle. We were very busy in the run up to the Election, but things slowed down afterwards pending the Spending Review. Although many of our clients wanted us to work with them, they deferred initiating projects until their likely strategic and organisational challenges, as well as their scope for investment, became clearer."**

In the defence market, Ivor says the picture was mixed, with some slowdown and some hot spots. "But overall, the ongoing need is there. Our principal offering of programme management and assurance remains in demand. And that demand will rise." Ivor points to the fact that the Spending Review shifted much government spend to programmes and away from core departmental funding. "There are thus structural constraints on what departments can do for themselves. These are compounded by serious skills shortages. In defence, major programmes have a high degree of technical complexity, with a need for state of the art solutions. The delivery context is often politically controversial and managerially complex. Big infrastructure projects have similar characteristics. A blend of technical knowledge and business skills is needed to drive value."

Ivor draws a clear distinction between the value consultants provide in this context and the work of interims and contractors, frequently grouped with consultants by the National Audit Office, among others.

"Using interims is not cost-effective. Retaining all the relevant skills in-house, especially scarce, important, but sparingly used technical capabilities, may not make financial sense either. And even where it is desirable to have in-house teams, recruitment may take time. Our firm provides

the management and technical expertise needed. We aren't tied into one way of doing things. We're objective. We contribute to innovation and developing new capabilities, but operate in the practical world of delivery. We can mobilise programmes quickly, then run them for a period, gradually transferring skills to the organisation and allowing it to backfill posts over time."

Ivor suggests that it is critical for consultants and clients to develop the correct procurement environment to drive this value creation. "The reductionist approach of buying consulting like buying cans of beans doesn't take proper account of value or address the basic question of why a buyer is seeking support from outside their organisation in the first place. It can lead to counterproductive micromanagement, the mapping of requirements to the nth degree, stifling the scope for innovation or for challenging existing ways of working. So we have to work with procurement professionals to determine the best way of providing what is needed. Of course cost matters, but false savings should be avoided. Getting in interims who just fill gaps, and are dependent on the buyer for instruction and management, is very different from accessing a flexible, innovative and proactive team."

Ivor also stresses the importance of partnership working. "We pride ourselves on our core value of collaboration. The trend among public sector buyers to go for a smaller number of large framework contracts makes it very important for firms to be prepared to work with others. We are increasingly partnering with a broad range of organisations in order to form teams that meet the clients' needs. Fortunately our independent status (as an employee benefit trust) makes us a favoured partner of many."

BMT Hi-Q Sigma's prospects look good going forward, according to Ivor. "But there are always threats that affect our markets. The EU referendum is causing considerable uncertainty and is a distraction from other issues. Syria, Russian expansionism, the growth of ISIL, the migrant crisis, energy security, cyber terrorism, the impact of the oil price: these are some of the broader issues which might impact our customers' business and hence ours, especially since the interconnectedness of world economies, so important to growth, means that crises are internationalised immediately."

In Ivor's view, this puts a real onus on consultants to have awareness of threats, as well as to be intellectually curious about the economic and political environments in which their clients operate. "Consultants work in a range of contexts, right across sectors, in a whole host of different industries. Our advice to clients is more effective if it is given with due regard to the strategic context within which we are working, bringing a broader perspective. Our premium value is about setting our work within the widest possible spectrum. We should go beyond the day job to do the day job better, providing a premium service that is genuinely *Consulting Excellence*."

## Claire Kennedy, PPL



**MCA Vice President Claire Kennedy, Managing Director and Co-Founder of PPL, a specialist firm in health and social care consulting, says 2015 was a good year.**

**"Like many firms working in the public sector, we saw intensifying activity in the run up to the General Election and a slight pause afterwards. The Election result caught everyone by surprise, including the winners. So there was an understandable desire to take stock and establish whether existing programmes remained relevant. Once that had happened, our business continued to do well."**

Claire says PPL's performance was strong in all areas, with particular growth in the implementation space. "This was partly due to the increasing emphasis in health reform away from the commissioning to the provider side and also represents a conscious effort on our part to use our skills throughout the full cycle of transformation." Claire suggests that PPL's strength is in helping clients get things done. "We understand health policy deeply. But we don't believe that's nearly enough. It doesn't necessarily change things. We are proud that PPL teams do achieve lasting change. We run major programmes, sitting alongside clients and handing services back when they've been transformed."

Claire welcomes the innovation growing in the provider space of health service reform. "Commissioners have a critical challenge in articulating the outcomes that they want to see delivered and it is in provider innovations that real change can then be achieved." Claire warns however that the intellectual and cultural demands of health reform will test everyone in the sector to the limit. "There are extraordinary people working in health, but the task of creating a sustainable Health Service will stretch skills, insight and capacity in every area, from policy, administration, commissioning, through to provision. The system needs a realignment in structures and incentives. That will entail new ideas and a real rethink of all the factors that affect the service, from our own behaviour and lifestyles, and the need for increasing self-empowerment and self-care, to the complex interactions between the NHS and other parts of the public sector.

"We bring our clients fresh and informed perspectives. Our aim is to ensure that engaging PPL enriches clients, leaving them better equipped to face the future." Claire suggests that PPL's approach is essentially a mix of ambition and pragmatism. "We help clients analyse their current situation, we work out with them what success could look like and then we support them up to implementation and beyond. We aim to

leave them satisfied with a tangible success, and for things to look and feel different as a result.”

Management consulting in the health sector creates specific recruitment needs for PPL. “Consulting in health is a unique discipline. Consultants must understand the sector. But that is not as simple as having worked in health. For the most part we recruit people with a strong track record in health consulting. From time to time we will hire other sector specialists but, as with our graduate recruitment, we select those individuals we believe are passionate about becoming consultants and transforming health services to deliver improved outcomes for service users and patients.”

Given the inherent complexity of health assignments, increasingly PPL will also partner other organisations in pursuit of client value. “Of course partnership working is a subtle business. For the relationship to be rewarding, a common language and mutual respect are essential. These are especially needed in partnerships between large and small firms. Large firms have scale and capacity. But small firms have niche expertise and understanding, which will be just as important to achieving desired outcomes.”

In Claire’s view, by far the biggest challenge facing the UK at the moment is the prospect of Brexit. “It is simply impossible to talk about business risks without reference to it. The referendum is dominating all discourse around our economic prospects. Whatever the outcome, there will be major splits in both main political parties. In the aftermath of the economic collapse of 2008 there were many emotional factors in play. The same will be true after the referendum – especially as the losing side won’t go quietly.

“And we’re already witnessing emotion and misinformation in debates about Brexit and health. The notion that NHS will be saved by Brexit through reductions in health tourism is a distraction from what the Health Service needs to do to survive and thrive. More worryingly, in the event of Brexit the NHS, Europe’s largest employer, would potentially face real challenges in access to adequate supplies of labour and skills.”

## Nicolas Faure, Practicus



**Nicolas Faure, Partner at Practicus, describes 2015 as a good year. “It was our third year of growth in a row. Revenue went up by 28%. We diversified our portfolio and saw growth in many sectors. Financial services performed particularly well, but we’ve seen expansion in telecoms, media and leisure.” Nicolas attributes this success to Practicus’s approach.**

“There is strong demand for our model. It’s a hybrid. At its heart are strong core consulting capabilities: delivery assurance; programme and portfolio management; change and continuous improvement. But we supplement this with our community of experts. Through them we provide a tailored solution, one that is not vanilla-flavoured. We don’t sell a ‘bench’. Everything is bespoke.”

This community of specialists (made of permanent and engaged members) comprises advisers with cross-cutting technical and service-line expertise in everything from corporate governance and risk to business analytics, big data, forecasting and customer experience modelling. It also features experts with deep knowledge of particular sectors and the specific challenges they face.

Nicolas says that Practicus’s community, which the company draws on project by project, is organic, evolving to meet client needs. “But it is also quality assured. Members of our community are subject to our technical and leadership frameworks and standards. We sustain virtual forums for sharing best practice and networking. The community is a club – but it’s not exclusive in the sense of being closed. Indeed its evolution is important to us. For example, there is an emerging Digital subcommunity of disruptors. But to become a member you have to meet our well defined, exacting and non-subjective standards and have the Practicus DNA.”

For Practicus, 2016 will be what Nicolas terms a Year of Confirmation. “We want to continue our growth and believe we can. But we aim to make it sustainable and systematic. We must grow *and* understand how we grow. Our mission essentially is to flourish by design, not accident.”

Nicolas believes that there are some obvious threats to clients and to consulting. “The hysteria around Brexit is unwelcome and a distraction, especially since it is creating short-term uncertainty over something which, whatever happens, will take four or five years to play out in practice.” And Nicolas notes that the oil and gas sector, owing to the challenge of the low price of oil, was an exception to Practicus’s overall growth picture in 2015. “However, we mitigated that by merging our work in this area with energy and utilities more generally, and saw significant growth in the new combined market. We are of course ready for when oil and gas comes back on stream. After all, some of the current challenge is cyclical. Remember, the oil price went down to \$10 a barrel in the 90s. When times were good, the industry created structures and business assumptions it cannot now afford. Now would be a great time for them to use consulting to help fundamentally reshape their industry. But at the moment they just don’t have the money to spend on it.”

On the whole, Nicolas believes that Practicus can withstand major global shocks because of the level at

which the firm operates with clients and the nature of its offer. “Consulting has suffered from reputational issues. But our commitment to excellence in our people means we are willing to challenge the status quo. Excellent consulting is about relationships – but not just any relationships or those driven by the necessity of selling your own employees. By quality assuring our wider community, we can provide a genuinely tailored service based on excellent people and excellent capabilities and by doing this we enhance clients’ feelings about consultancy.”

## Nadun Muthukumarana, Deloitte



**Nadun Muthukumarana, Partner at Deloitte, says that 2015 was a good year. “We continued to see strong growth in the marketplace. While some sectors such as energy and resources have been impacted by the oil price, we saw broad growth of many of our groups including life sciences, technology, media, public sector and significantly, financial services.”**

Deloitte’s financial services business, Nadun notes, grew significantly. “Clients there have three main needs. There is the continuing fallout from 2008, in particular the increased regulatory scrutiny to which banks and other financial institutions are subject. The regulatory requirements entail significant issues around money traceability, data controls and data quality. Secondly, there is cost cutting. Big name banks and insurance firms are responding to cost pressures with major global programmes looking at their operating model and the profitability of particular markets. The third area is customer care and service. Here, financial institutions are responding to technological disruption. They are trying to build products based on a better understanding of customers, which improve user experience and convenience.” Nadun notes that these needs plainly interrelate and are backed by serious commitment at senior levels. “Boards of big name institutions have committed to wide-ranging transformations. In some cases they did so years ago. But the problem is that the necessary work is all easier said than done. However, we are now starting to see the operational implications of those strategic decisions feed through into assignments where we can really add value.”

Nadun suggests that analytics is becoming an ever more prominent part of consulting, across all sectors. “HR and human capital practices are being transformed by the advent on new powerful analytics tools. These capabilities are allowing organisations to

get deeply into the nuances and mechanics of how their workforces generate value and equally importantly understand how to improve the performance of the HR function. In one large consumer business organisation, we used predictive analytics to re-engineer the entire approach to recruitment of critical workforce segments. Direct revenue increases are generated as a result of such interventions. Analytics can drive additional value from detailed examination of supply and spend, and through the generation of data to understand value chains and improve business processes.” Nadun highlights a key attraction of this approach. “Much of the analysis can be done using existing data sets, without the need for new bespoke collection processes. We can help clients understand a lot about their businesses more quickly and effectively than ever before, in some cases almost immediately, even before we venture near the shop floor.”

With analytical technologies moving to the heart of consulting, the industry’s skills requirements are changing fast. “We still need people with a traditional skill set. But ten years ago, we didn’t hire people with PhDs in data science. Now we can’t find enough of them. So academia is increasingly gearing towards producing enough people with these skills for us and the other commercial organisations.” But Nadun also suggests consulting firms need another kind of business analyst. “We call them *purple people*: specialists in business processes (blue) who also understand technology (red). They are hard to find, but going forward we anticipate that the millennial generation will supply them in quantity.”

Nadun says the technological drive will intensify in coming years. “Artificial Intelligence is top of the list of new disruptors. Many business processes will be automated.” However, Nadun sees this less as a threat to knowledge worker jobs, as some have characterised it, and more as an opportunity to improve productivity. “There’s definitely a human element to all this. AI should complement human capacity, freeing experts to do their jobs more effectively. Data analysts for example currently devote around 80% of their time to marshalling and organising data and only 20% to analysing it and working out what it means. AI capabilities could take over the bulk of data management, allowing analysts to devote more time to understanding the information they have and supporting better business decision-making.”

Nadun suggests that the commercials underpinning consulting are changing too. “The drive towards gainshare and value-based billing of the last ten years is still there. Clients are expecting consultants to deliver outcomes beyond one-off project implementations. We help companies design the solutions. We build and run them. Then they take them back.” Indeed, Nadun suggests that sometimes clients are perfectly content to leave the operational delivery with consultants.

“There’s definitely a trend towards companies wishing to avoid building solutions in-house, particularly with the maturity of Cloud-based approaches. They want solutions that they can jointly create. They are exploring various commercial models, for example managed services and consumption pricing.”

Nadun is broadly optimistic about Deloitte’s continuing growth. “Of course there are challenges for us and our clients. Geopolitical and economic issues, together with the instability they cause, are definitely problems for the global businesses we serve. We are always alert to those challenges, doing what we can to help clients adjust.” But for Deloitte, Nadun suggests, the ongoing challenge is talent. “We have a strong pipeline of demand for our services. But we need more great people to help deliver these. And they are hard to find. There’s no silver bullet for this. As part of our recruitment strategy as well as traditional sources of talent, we are also exploring new sources such as data scientists and developing our new people in these capabilities. Indeed, by widening our net we’re starting to get a different type of consultant into our firms, the *purple people* I mentioned earlier. That can only be a good thing for our long-term performance.”

## Ross Williamson, Wipro



**Ross Williamson, Global Managing Partner at Wipro Consulting Services, and new MCA Board Member, describes 2015 as year of growth. “It wasn’t spectacular. Oil and gas markets were unsurprisingly flat. Banking grew, but at a slower rate than previous years. That had more do with the timing of decision-making in a few key clients rather than any fundamental weakness in the market. Indeed, we expect financial services to ramp up markedly in 2016. Otherwise growth was pretty consistent across all sectors: consistent and significant.”**

A major driver of growth in recent times, Ross suggests, has been clients’ desire for advice on how to automate and robotise previously people-based processes. Increasingly, clients want them automated as far as possible. “This now means professional rather than clerical resources are being replaced. And there is now a significant AI component to the technological transformation. It’s the exceptional cases that hold up, for example, reconciliation, the ones that have in the past required human judgement. The closer to 100% automation a business can get its reconciliation, the better for margins. After all, completion of

payment processes and reconciliation is essential for improved cash positions and balance-sheet health.”

Ross suggests that there are many other applications of AI beyond finance. “As to whether this is a threat or opportunity for the human workforce, the jury is out. Certainly what we at Wipro Consulting see right now is fantastic potential for improved productivity. And look at the UK automotive industry, one of the fastest growing industrial subsectors in the world. There, robotisation and automation massively enhanced productivity and quality through replacement of manual labour. The same potential now exists in business functions – finance, HR, marketing and so on – to transform cost and performance through automation.”

This new industrial revolution places additional demands on consulting and its skills base. “Beyond their traditional understanding of sectors and business, consultants now also need an understanding of key technologies in their tool box. Clients demand advice that is sensitive and tailored to the needs of their sector and company. But it must now be underpinned by deeper technical knowledge. Understanding the different properties, strengths and applications of various technologies is essential for making the right choices in their deployment and thus advising clients well.

“Consultants who speak the language of business sectors and functions, but who also understand technology, will thrive. Of course, some sectors and business functions are more digitally savvy than others. So going forward many of our top performers will be those consultants who can develop solutions that wary and digitally inexperienced professionals (perhaps in areas such as marketing or HR) recognise as beneficial.”

Ross says this blend of business and digital skills is increasingly present in younger and graduate recruits. “And seasoned consultants also need to adapt and retrain. They must abandon what used to be the ‘badge of honour’ of technological ignorance – or else move on, out of consulting altogether.”

In 2016, Ross expects no let-up in the digital transformation of the economy. This in turn will drive business for Wipro. “Digital will go deeper. Businesses already understand they must deploy digital to improve relationships with customers and parts of their supply chain. Now they are realising that you must digitise the whole enterprise to create value.

“Consider the beverage industry. Global and regional firms are working on digital strategies to get closer to customers and increase brand loyalty. Market saturation and intense competition across similar products are driving this digital innovation. Firms must transform themselves to increase their relevance to consumers, intermediaries and distributors consistently across multiple channels. However, what they are discovering is that this transformation doesn’t only impact front-end business processes, people, and systems. It demands really significant changes to internal operations.

Fundamental questions need to be asked about the relevance of legacy systems, how new and existing technologies are deployed, and how business functions and individual staff view and carry out their roles.”

Ross says what keeps him awake at night is the challenge of attracting and retaining the best people. “We also need to stay relevant and keep adding value. That’s not easy. As partners to our clients, part of their ecosystem, we have to share a lot of our IP, to open up conversations about how we can add greater value to our relationship. Sacrificing the prospect of monetising some IP means we have to build more and more capability, more IP. In short, we have to develop ways of working that foster continual and faster rates of innovation. For us, that innovation is the essence of *Consulting Excellence*.”

## Nigel Slater, KPMG



**Nigel Slater, UK Head of Management Consulting at KPMG, says that 2015 was a busy year. The company invested in technology and also acquisitions, developing and accumulating new capabilities in cutting-edge analytics, customer-experience management, and operational transformation. In consulting sales, KPMG performed well overall, with strong activity in banking, insurance, government, life sciences, retail, energy, and increasingly robust performance in telecoms, media and technology.**

Nigel anticipates continued strong growth in 2016, as the shift in client need from pure cost-cutting post-2008 towards support with growth drives continues. Nigel has even noticed a similar thematic shift in the public sector. “We have strong defence and public service businesses. There, clients are now asking us to deliver value. We’ve just won a multiyear contract to manage civil service learning. That’s a new model for us with new commercials. We still have to provide competitively priced services. But government is increasingly interested in the value we generate for users. This creates pressure on us to innovate.”

This innovation pressure is widespread across sectors. “Despite our clients’ requirements shifting towards growth, there is still a focus on operational cost, margins and protecting dividends. But that cost-reduction itself is now linked to growth and to associated digital disruption.” Traditional incumbents are seeing digital challengers emerge with low-cost, disintermediated models. Challenger banks like Metro Bank for example have simple systems and leaner business models than

traditional banks. “Incumbents have to respond. At a crude level, they have to simplify operations to free resources for new growth-propositions. But challengers don’t just have less process baggage. They’ve also outpaced large incumbents in thinking about customers. If large players want to match and even see off the competition, they must understand their customers better.”

Much of this improved understanding, Nigel suggests, will be delivered through partnerships. “Big companies now often partner the digital firms with customer insight on tap.” The other key route to integrating around customer needs is technology. “Much of the coalescence between businesses and sectors, and around customer needs, is technology enabled. Incumbents see technology break the link between headcount and growth. And they want some of that. Far-reaching changes ensue. Cars are becoming lifestyle platforms, digitally integrated into a person’s wider life and data footprint.” Of course there are exceptions to digitally enabled, multilateral integration. Apple offers ease and security through a highly successful closed system, which prizes integration above leading edge technology. “But for most companies, relationships will be key. Indeed what links the Apple model and the technology-driven integrations is customers’ desire to transact easily. Technology is at the heart of that. But it’s not everything. Behind the exciting new customer interface, for fulfilment to be achieved, consumer goods or retail firms need excellent category management and brilliant distribution systems.”

Nigel acknowledges that these dynamics have far-reaching implications for consulting. “Our industry is changing rapidly. It has to. Take people and skills. We’re in a serious war for talent that mirrors what’s happening to our clients. A bank may target a workforce transformation from 50 000 people down to 15 000. Yet it may struggle, since the 15 000 it needs are highly skilled digital experts. Similarly, consulting firms are now chasing people whose ambition is to work for Google or a start up. Since technology is replacing traditional business processes and clients are using technology to solve everything they can, relevant experts are in high demand. The CIO has moved from a back office player to become a core strategic role. We have to compete in that world.”

Nigel suggests this means targeted recruitment *and* significant retraining. “Senior managers and directors are the powerhouse of our company. That is where we have to focus much of our reskilling. But we must also fulfil our digital promises to graduates. We are genuinely seeking people who are different to established professional service norms – look different, think differently and work differently. Last year, I addressed our new graduate intake and they were amazed we still use email.

So we are building a new workplace platform that has a more contemporary feel, geared towards people who won't necessarily present to clients using Powerpoint, don't need to be in the room and who do 10 minute workplace learning modules rather than attending courses or reading a book."

Technology and partnerships are also central to KPMG's own offers. "Clients no longer necessarily measure us in terms of narrow programme goals. They want things to go right – for them, and for their customers. So we help them innovate to achieve that. Part of this is about partnering and leveraging value through third parties and alliances in our wider ecosystem. Just as business is developing looser value-creating networks, so we are forming pragmatic alliances to address client needs.

"And technology of course is key, particularly around data. There's lots of unstructured data in businesses. We can marshal and interpret it, to help improve customer experience, as well as working with clients to identify the data sets they can monetise. This is about taking the guesswork out of the most important operational and commercial decisions. So we're collaborating with other parts of KPMG on analytics-based HR and fulfilment propositions.

"Identifying useful data is in part about machine learning. Indeed we believe that the next major business transformation push will be process automation and intelligent 'Bots' ultimately leading to cognitive automation. Processes will be disintermediated by technologies that can replace costly effort and then learn and adapt."

Meanwhile, KPMG's push into other areas of digital, such as Cloud, is wholehearted. "We benefit from late-adoption. KPMG missed the ERP and systems integration waves. Yet longstanding providers must now adjust business models and client relationships to new digital models. We're cutting to the chase, only providing Cloud-based solutions. These approaches help us move away from a pure focus on cost-cutting towards improved delivery speed and better outcomes. These benefits in turn positively impact the bottom line, a value we then share with clients."

Nigel suggests that consulting needs to provide cross-sector insights. "Insight in telco is useful in retail and utilities while all insights are useful for retail banking." Sectorial integration is mirrored in part by KPMG's own integration. "We're continuing to globalise our offer. Some of this is about bundling capabilities together. Old boundaries between tax consulting, accounting and business advisory need to be rethought as we consider how best to serve clients complex needs. So we're forging bilateral and multilateral relationships across the firm. This helps us to invest once for shared purposes: creating for example a European business model, based on Microsoft Dynamics, that integrates life sciences and therapeutics to create a new approach."

## James Rodger, BearingPoint



**James Rodger, Partner and Regional Leader for the UK and Ireland at BearingPoint, describes 2015 positively. "We continued to grow in the sectors and main client groups we focus on. Indeed, we drew strength from that clear focus. A pretty good year."**

James believes that the future for consulting is a mix of strong advisory capabilities, delivered by great people, supported by proprietary technology solutions and accelerators. "This approach plays very strongly in digital. Consulting methodologies have always been an asset. But by combining our insights with our technology assets, we can provide tailored and blended solutions for clients."

Though this is relatively new terrain for consulting firms, James suggests that BearingPoint has adjusted quickly. "In some ways it's a natural evolution for our business. After all, we are essentially responding to client requirements. For example, given the appetite clients have for understanding their data, our Hypercube big data analytics solution is an integral part of meeting their needs.

"Of course these solutions require a combination of research and ongoing maintenance on the one hand, and applied use on the other. For example, we have a number of proprietary solutions to help financial services companies comply with regulatory reporting challenges. These solutions need to be maintained and developed as regulatory requirements change. So we have people in our business who do just that. But they in turn work closely with our client-facing consultants. The result will be that our business becomes an evolving mix of people and skills, some devoted to research, development and maintenance of our solutions and accelerators, some concerned with their practical application. But these different parts of the business will need to work together closely, since the primary focus remains traditional and unchanged: the client need."

James says the outlook for 2016 seems broadly positive and he anticipates growth to remain on a broadly comparable trajectory to recent times. "Of course our clients have certain issues that worry them – the state of global demand, uncertainties around Brexit and so forth. So we're not taking anything for granted. But we are confident that we can adapt to meet whatever needs our clients have, helping them cope with the uncertainties they face."

That adaptability, James believes, will be key to the delivery of *Consulting Excellence* going forward. "Fundamentally consulting is still a people business.

Clients buy our people and they buy *from* our people. Good people will always be the hallmark of excellence. But adaptability is key. Consultants have to move readily and at speed to respond to what clients want. They need to recognise client needs – ideally even before the client does. And then deliver to a consistently high standard.”

Meeting client demands is, as James acknowledges, trickier when those demands and needs are emerging, changing and uncertain. It is also sometimes challenging to develop the appropriate commercial frameworks. “Some clients are very clear on what they want. But with more complex requirements, what is needed is a sound relationship, based on trust. We prefer to work in long-term relationships with clients, as trusted advisors, a valued part of their ecosystem. This relationship is agile, allowing us to respond much more readily to client requirements and to work with them on creating value.

“And I stress it is *value* that both we and the client are seeking. The transactional nature of consultant/client relations can lead to a preoccupation with the wrong things – day rates, and commoditised bodyshopping. But if you work with a small number of clients and engage deeply with them, you can move beyond transactional engagements into something lasting and transformative. Indeed in the context of a long-term relationship of trust, even a short assignment, with a small team working for 4–6 weeks, can be genuinely value creating, tailored for the needs of the business, rather than a commoditised solution.

“For us, that embedded long term partnership relationship, which the client benefits from as much as we do, is a central feature of our business model.”

## Louise Fletcher, PwC



**Louise Fletcher, Partner at PwC, says 2015 was a good year with strong demand across many industry sectors. “However, it was a little slower than we had anticipated in some areas, such as oil and gas.” Louise predicts growth in 2016 from a number of areas. “There’s demand for many core PwC offerings. However, we’re seeing renewed commercial caution among clients right across sectors given global market uncertainties.”**

Nevertheless, the financial services sector, in which Louise specialises, continues to show consistent demand for consulting. As has been frequently observed in these reports, the sector was a substantial consumer of consulting following the 2008 financial crisis. However, much of that demand was ‘defensive’ in character, with banks and other institutions rebuilding asset bases, cutting costs, restructuring and complying with

new regulatory and related systems requirements. “Now demand relates more clearly to customer-facing issues. The sector is not completely out of the woods, but the major players are examining growth.

“Some of this demand for consulting support re-orientates the cost reduction agenda to something more strategic. Even achieving regulatory compliance is seen as an opportunity to differentiate and attract consumers. Financial institutions are simplifying product portfolios and systems, focusing on what yields revenue and differentiates them, what helps retain customers and sustain profitability. They are removing complexity, determining what they can outsource, offshore or discontinue. Their aim is to work out what their identity should be, what they should focus on.”

Key drivers here are customer power and digital. In the concluding event of the MCA’s Year of Digital, we examined financial services. Contributors suggested the sector, historically conservative and suboptimal in customer engagement, had been slow to embrace digital’s customer-facing possibilities. “Now a huge proportion of discretionary spend in financial services is digital. We’re going to see extensive disintermediation. Consumers already have a lot of power in their hands and they want more. Forward-thinking institutions are responding. Cloud processing of mortgages is one example. Consumers will be more experimental. They can research financial products easily. They want it to be just as easy to use them. This threatens traditional business models like high-street banking, which will dwindle. There will still be customers who want a face-to-face experience. But even that may be served up by virtual people and avatars in the future.”

These new emphases are driving demand for a full range of PwC’s digital capabilities, from cyber to data analytics. “We have real expertise in operationalizing data insights. And we’re expanding that capability. Over the next two years, we will be recruiting a thousand data scientists.”

Louise suggests this is a revolutionary shift from the core consulting capabilities, frequently commoditised, of the last decade. “We’re investing in R&D and becoming increasingly intellectually self-aware. This is in part a return to consulting’s roots: clever people for hire. But there’s a link to the capability and delivery focus of more recent times in the emerging emphasis on collateral and assets. Businesses want advice services backed by proprietary technical capabilities and market insights. To satisfy a large bank’s board and produce a bespoke solution, we must triangulate our own expertise and assets (as well as those of our partners), our understanding of the market, and our assessment of the bank’s need. Indeed, that’s how a consulting firm’s claim to uniqueness should now be framed: the organisation of raw capabilities, partners, assets and research. It’s the whole approach now that differentiates firms.”

This demands trust between consultants and clients, and potentially new value-creating commercials. “Our clients maximise value through agile ecosystems of supplier and partner relationships. We try to position ourselves within those systems. This allows us to bypass traditional procurement obsessions with costs and day rates and to focus on outcomes.

“Much of this is about risk and reward. In some cases, the related outcome goals are project-specific: transfer of knowledge to a client, improved customer feedback, speed of execution. But on other occasions what good looks like is more long-term – and more subjective. We make conscious efforts each year to align our activities to the organisational goals of our larger clients. We enter dialogue with them about what they think we can add – in effect what their vision of *Consulting Excellence* is. This anchors both how they commission us and what we ultimately do for them in a common understanding of value.”

Louise says this approach to generating value demands time and investment. “As a large consulting practice, we have the necessary capacity. That doesn’t mean there isn’t a role for smaller consulting firms, either as freestanding experts or as partners. However, they will face challenges. Medium-sized firms in particular must decide whether they will become niche specialists or achieve the scale needed for the sort of multifunctional and comprehensive offerings a firm like ours can deploy.”

## Matt Watt, EY



**Matt Watt, Partner at EY and MCA Vice President, says 2015 was a good year and that future prospects are positive. “But 2015 did have its challenges.” Matt is a partner in EY’s government practice. “We saw strong activity in the run up to the General Election, but more caution in the period between the Election and the Spending Review, as departments awaited the Chancellor’s plans. We anticipated an uptick in activity between the SR and the Budget. That’s happened, perhaps a little slower than we had anticipated, but gathering pace very strongly since April 2016.”**

However, Matt says the projects now coming on stream are exciting and substantial. “Departments and delivery bodies are reaching out for support on strategy, operating models, commercialisation, digital, transformation, and restructuring. There’s demand for our specialisms and interest in deploying them in new and flexible ways.” This flexibility is in many cases a further step towards a strategic partner model. “Government wants delivery partners

who shoulder more commercial and delivery risk, but recognises that this needs to come with a different commercial model and that partners need to have more say in how things are managed.”

Matt describes a related trend in which advisory partners move into service integration and delivery. “Managed service models are one way for consulting firms to take real ownership of delivering outcomes.” He rejects the tendency to classify such work together with forms of manpower substitution, such as singleton contractors. “We take on the delivery of critical outcomes, at financial and reputational risk. Individual contractors have no incentive to do so. They are there to fill a role: temporary employees who are managed to deliver activity rather than genuine outcomes.” Matt suggests that departments reap other benefits from well thought-through managed services models, such as continuity, flexibility and ensuring that skills are replenished and don’t go out of date.

Matt sees managed services as an important driver of growth in EY’s business, potentially expanding and ultimately evolving into a discrete area of the business. “We’ve incubated some of the newer managed services in the consulting practice, especially where we see managed services as an extension to our advisory offerings. But we are exploring the potential for managed services right across the business – applying some tight criteria about which managed services we will offer and which we won’t.”

Other parts of EY’s business did well in 2015. “Our energy and assets business performed strongly, bucking wider industry trends, owing to our comparative lack of exposure to consulting services in upstream oil and gas. Our work in energy retail has been buoyant. We’re looking for further growth in our products and services business. We strengthened our partner and director team in that sector last year and are starting to reap the benefits.” Matt suggests there’s still plenty of potential for EY to grow. “EY only got back into consulting about 10 years ago. So we’re still pursuing expansion, within existing sectors and in sectors where we have yet to establish much of a presence, such as retail. We’ve also made some strategic acquisitions, such as EY Seren, a user research and user experience consultancy and Integrc, which provides support on governance, risk and compliance in ERP systems.” Data analytics is an investment area with growth potential across EY, with developments in cyber and people analytics as examples. “As an audit firm, we’ve always needed a good understanding of financial data and systems. And since we are ‘technology agnostic’, we can provide genuinely independent advice on solutions, which clients appreciate.”

EY is upbeat about the immediate future. “As an organisation we are pretty optimistic. We share that optimism with the EY ITEM Club, which we sponsor, and which also tends towards the more positive end

of the economic forecasting spectrum. That optimism actually relates to confidence in our strategy. Certainly firms and governments face serious economic and geopolitical challenges. By understanding those, we are confident we can help our clients face them.

“Indeed, there are lots of micro issues we focus on, to provide genuinely tailored support for clients. The ITEM Club forecasts that prospects for the consumer products market are broadly positive. But within this general trend there are variances, which create opportunity for consulting firms. There are growth prospects certainly for companies producing, for example, consumer technology. But other parts of the market are shrinking, leading to challenges we can help with. We also help clients by applying the lessons and innovation models of one subsector to another.”

Matt suggests the changing nature of consulting demands investment in innovation. “Consulting firms are highly motivated to drive client value. We have 180 000 people globally focused on delivering results for clients. So innovation is to some degree built into the business model. But to get the most from this potential we sometimes need to supplement it with dedicated teams, some examining how we make the right investments once globally. In Advisory we have a small team focusing on delivering strategies for EY’s transformational growth, including acquisitions and big, disruptive bets that can drive market-leading organic growth. Our new global People Advisory Services business is an example of this at global scale. As business changes rapidly, through digitisation, globalisation, demographic change and other factors, so organisations and their people have to become more agile and adaptable. Addressing these changes is an area of focus for us across our business worldwide.

“Understanding global megatrends is critical to our success and that of our clients. Business has always needed people with high intelligence quotients. Firms now understand they need staff with people skills and empathy: an emotional quotient. But increasingly they need a global quotient: real understanding of emerging global developments and best practice, and of how to deliver an effective globally-integrated service. At EY I believe we are really starting to cultivate IQ, EQ and now GQ, in our interests and our clients’.”

## Lucinda Peniston-Baines, The Observatory International



**Lucinda Peniston-Baines, Owner and Managing Partner of The Observatory International, a firm**

**specialising in marketing and communications consulting, describes 2015 as a good and busy year. “We didn’t experience quite the same level of growth as in 2014 (which had been exceptional), but it was more than satisfactory. Our business was strong and stable, both in London and across the world.” Lucinda attributes the marginal reduction in activity to some client hesitancy about what support they required, given the more unpredictable market conditions that emerged last year.**

“Of course, those challenges themselves often drove work. In tough commercial contexts, clients often seek innovation and new market opportunities. And for us, some of this is countercyclical. Take oil and gas. That remained a substantial client sector for us, despite its well documented challenges. Energy and resources firms need to secure efficiencies. So they have turned to specialised consultancies like ours to improve their approaches.”

Lucinda says that growth for The Observatory stems primarily from clients in all sectors seeking to optimise communications and marketing structures and to make their associated supplier bases more efficient. Clients also want to explore new ways of working and new technology. “In food manufacturing and consumer goods, for example, we have clients looking to globalise their brands. They want to make progress quickly and efficiently. To do so they need the right systems. But they also need the right marketing partner ecosystem. We can design that ecosystem. We help firms find the best mix of agencies to support brand, communications and marketing. We also help them identify relevant digital capabilities and skills, in customer data and insight, for example, to underpin their brand proposition.”

Some of the hesitancy Lucinda noticed in 2015 stemmed from ongoing shifts in consumer engagement emphasis in marketing functions. “Historically, marketers specialised in the *transmit* element of communication management: they pumped out information. When the dash for digital began, they acquired new technology and channels. But some marketing functions used these relatively crudely: as another transmission mechanism. However, the Digital Revolution transfers power, influence and choice to consumers. Properly used, technology can provide great insights into consumers’ needs and demands. But while many client organisations have been ‘doing digital’, some haven’t been doing it right. They haven’t risen to consumer expectations or understood their demands.

“Connected to this, we have moved into consulting around using marketing technologies to support the new approaches confronting marketers, especially concerning data insight. These are now fundamental to a modern marketing function. We have developed our skills base and our own specialist partner ecosystem to ensure we provide holistic solutions for clients. We’ve recruited (and continue to recruit) experienced technology consultants and have

retrained existing staff. Increasingly, we also deploy specialist task forces across our business globally.”

Lucinda says managing data insights and communications channels properly has immediate and practical implications for clients. “A multinational firm may possess a global communications platform. Yet its standard models may not work for a particular local market. So the firm will need a bespoke approach to ensure that local needs are met and local insights captured. It must find a way to make the insights captured globally available and relevant to the local market. And it will require mechanisms to incorporate local insights within its emerging global data stock. None of this is easy.

“For firms to be optimally dynamic in their engagement with consumers and in their use of data, they need a fundamentally new approach to their technology and infrastructure. They must foster new partnerships. And they must challenge their culture and workplace mentality, with staff changing how they view and discharge their responsibilities.”

2016 has started strongly for The Observatory. “We have a huge amount of new business. Iconic brands are asking us to examine and redesign their processes and structures because they are not ‘digital ready’. We are also helping those firms globalise their brands. Many of our other offices across Europe and APAC are also very busy, running tender processes to secure new agency partners for firms, helping multinationals assess their digital fitness, their infrastructure, ways of working, and supporting them as they try to do more with less.”

For Lucinda, the principal challenge for clients – and thus for The Observatory – is how to futureproof their businesses in the context of increasing unpredictability. “Building a communications strategy is very challenging for a Chief Marketing Officer, whose role is now broader and more complex than ever before, with multiple channels and multiple touch-points with customers and potential customers. Understanding consumer data in itself is a huge task. Predicting which communications platforms will be most enduring or what the next big technological innovation will be, and how it will change customers’ expectations, is impossible.

“Organisations prepared to do more than just a quick fix will rise to these challenges of uncertainty most effectively. If you can’t predict the future, you can at least ensure your underlying business architecture and processes are flexible, and that the combined skills base of your firm and your partners is comprehensive. This will facilitate the rapid adoption of emerging channels or business systems, and the equally rapid discarding of obsolete ones. But the associated change in organisation, structure and staffing is hard. Some clients ask us if a sticking-plaster solution is possible. And of course it is. But it will only work for a short period.”

Lucinda suggests that while these conditions are challenging for The Observatory too, they also

present great opportunities. “We are helping multiple clients wrestling with these problems. So we have a breadth of perspective in our favour, which we can offer as a client benefit. Bringing perspectives and experience from one client or market to another is central to our offer. Of course, this requires investment, in thought leadership and research. We allocate time to attend events and conferences to ensure our insights are up to date. We ensure our people are learning, building expertise, engaging with relevant business associations and acquiring skills. We have to stay several chapters ahead of our clients. But that’s exciting. It’s what gets us up in the morning.”

## Talwyn Whetter, Sysdoc



**Talwyn Whetter, Head of Global Solutions and Sustainability at Sysdoc, describes 2015 as a good year for the firm. “We’ve been growing quite consistently in recent times and continued to do so in 2015, both in revenue and people. Despite losing a little ground in telecoms, owing to the emergence of other specialist needs in that sector, we grew in many of our preferred markets, with automotive, transport and manufacturing especially strong. We have seen particular growth in our transformation and change management consulting services and also our learning services and integrated SharePoint business tools where great user experience is key.”**

Sysdoc are clear that recent growth has been built on strong client reputation and referrals. “Despite a slight cooling in manufacturing, we expect to continue to do well again throughout 2016, our 30th Anniversary year. Indeed, we’re now at the cusp of something important. Word of mouth has grown us from a small to medium-sized firm, but we are now pursuing a more strategic growth strategy to take us to the next level. Whatever our growth plans are, however, it is critical that our growth remains true to our principles and doesn’t compromise the quality of what we do.”

Talwyn highlights some substantial partnerships as key to Sysdoc’s growth strategy. “We are engaged in a number of strategic, long-term relationships with clients. This allows us to understand their needs deeply, in a way that promotes sustainable value.” Talwyn stresses that the value Sysdoc brings involves working with clients to deliver real and practical help. “We are noticing that clients are not just interested in consultants with an off-the-peg proprietary methodology, important though these are. They want to be clear that the advisers they appoint understand their business and

can quickly identify and deliver work that will add real value and help make the changes needed.”

Not all the value Sysdoc’s clients demand is explicitly financial. “Of course, our clients want improved margins and profitability, but they are also looking for ethical organisations that can help them address longer term challenges.” Combined with their emphasis on creating value, the message from clients is consistent with the thrust of *Consulting Excellence*.

“And these factors link to what clients ultimately seek: sustainability, in its broadest sense.” Talwyn suggests that the long-term relationships needed for sustainable business strategies and the agile, short-term engagements that characterise the Digital Age, are not necessarily incompatible. “Sustainable transformation doesn’t happen overnight. You need to set a course and keep a hand on the tiller. Clients must think about where their business should be over a reasonable timescale and weave short-term considerations into that vision. Indeed, immediate tactical decisions can have huge impacts over the longer haul, especially those relating to resources. Jaguar Land Rover, for example, are leading drives to recycle aluminium, a crucial raw material for them, since emerging issues of supply scarcity and cost may prove unmanageable.”

To promote client value, Sysdoc sustains a number of consulting partnerships. “Our supplier ecosystems tend to comprise other small firms, with skillsets complementary to our own, and some exciting new technology. The combined experience of groups of specialist small companies can be very powerful. It can be attractive to clients, who have an evolving understanding of consulting and of the quality and value they expect (which is a good thing).

“And sometimes it isn’t that we can’t do something for them, but we’d rather focus our efforts on what we know we do brilliantly, and bring others in to help us keep that focus or drive better outcomes for the client.

“For example, we have brought in specialists in programme and project management where there are multi-supplier programmes of change. It isn’t that we couldn’t run the programmes, but we believe the client will be better served by objective, independent programme oversight.” Talwyn suggests that wherever Sysdoc partners, they only work with organisations that share its ethics and values, again consistent with *Consulting Excellence*.

Political challenges loom large for Sysdoc and its clients. “The EU referendum has created great uncertainty. Whatever the outcome, the implications will not feed through immediately. Some of our clients are weighing up the implications of a Donald Trump presidency. In both cases, political issues are encouraging clients to ‘wait and see’, stalling major initiatives.”

Sysdoc have also noticed M&A activity, which creates both opportunity and uncertainty. And Talwyn notes continuing challenges in the resources sectors. “Plainly

oil and gas suppliers have been hit heavily in recent times. Paradoxically, the low price of oil, while reducing energy costs, may make the case for decarbonisation even more compelling. Some oil companies are already cancelling exploration projects in Alaska and the Arctic, because the business case is not as compelling as it once was. Whatever the politics of those projects, oil and gas need new supplies to remain dominant. If they can’t afford to maintain their position, this may supercharge the search for new energy sources.”

Talwyn was one of the leading lights in an MCA-sponsored project earlier this year to help Carlisle City Council deal with the aftermath of the floods in late 2015. “The Council did really well and we were impressed by the ‘can-do’ culture and commitment of staff to their community. I hope the project also demonstrated a key area of consulting value. Responses to major incidents like floods are invariably multi-agency. The cultures and procedures of different bodies involved don’t always fit together harmoniously. Consultants are independent. They take a ‘helicopter view’ of how the relationships should work and suggest improvements.

“We’re not flood management specialists at Sysdoc. But we understand process, partnerships and culture. So analysis of multi-agency systems in emergency situations or in pursuit of sustainability goals is an area of emerging specialism for us. In our experience of a lot of multi-agency working, there are plenty of working groups, but not always enough real cooperation. We learnt a lot from the Carlisle assignment, where we also seem to have done some good. We’re applying those lessons in other contexts.”

## Gary Miller, Thales Cyber and Consulting



**Gary Miller, Managing Director of Thales Cyber and Consulting, describes 2015 as a challenging and exciting year of change. “I took over from the previous consulting MD in July 2015. By August, we started developing a new business vision. We combined our consulting and cyber businesses as part of a clear shift of focus. A substantial part of our consulting activity historically has been working for the wider Thales Group. That remains important. But we want to change how that works, and supplement our internal emphasis with substantial volumes of external consulting activity.”**

Gary wants the business to focus on high-end consulting and cybersecurity advisory, building on areas of core Thales capability. “The company has

a one hundred-year heritage of domain expertise in defence, security, critical national infrastructure. We are well placed to advise in those areas.”

Despite the challenges of internal transformation, Gary says revenues were stable last year, with significant growth in cyber advisory. “We will be looking to build on that in 2016. Our aim is to leverage the Thales brand and secure greater recognition for Thales Cyber and Consulting in our chosen markets of critical national infrastructure, defence and automotive. We will leverage the Group’s cross market leadership in sectors such as banking, telecoms and transportation systems and aerospace. Each market faces significant ongoing security challenges, so there’s a big advisory need. We will leverage our hands-on experience in these domains to advise our customers on the implementation of a credible security infrastructure.”

To that end, Thales Cyber and Consulting are rolling out a number of key initiatives. One of them is cultural and internal, and is consistent with the wider MCA narrative around *Consulting Excellence*. “Like many consulting practices, especially those dependent for a large part on internal revenues, we have experienced the pressures of commoditisation and ‘selling CVs’ over recent times. We are decisively breaking with that bodyshopping and interims approach. True consulting is a quite different proposition. We aim to be a high-performing, value-creating consulting firm. That means a behavioural shift for us, a change in our go-to-market approach. We will be engaging with customers not about the bodies they need, but the value they seek. We must aim to understand their challenges better, to provide an integrated trusted-adviser service, focused on securing strong outcomes.”

The business is accordingly creating a range of value propositions. “We are examining the ‘pain points’ in target sectors. These are all vulnerable to cyberattacks. But we want customers to understand the problem in a sophisticated way, helping them develop an appropriate culture to deal with hostile activity. So we are using our Thales heritage to develop high-quality vulnerability, threat and risk assessments, helping organisations understand where their vulnerabilities are, so we can support them in putting mitigation and fall-back systems in place.

“Our second main proposition is an intelligence service. We have experience in using open-source

products and techniques to support security and enterprise organisations and help them reduce manpower burdens and target ‘of interest’ data and trends. The third area is strategy and transformation. We have a good pedigree in business process modelling and change. We can offer customers something new on the digital transformation challenge. Companies must become more digitised and more secure. We can really help with that. We’re able to provide or coordinate support from business case analysis, end-to-end ‘as is’ business modelling, requirements definition, future-state scenario planning, right through to the mobilisation and management of change programmes.”

Partnership is at the heart of this approach. “Thales has a €1bn cyber business and we of course will be masters in our understanding of what proprietary Thales capabilities can do. But we won’t deploy a Thales technical solution where it isn’t appropriate. We will work with other technology partners where necessary. Our consultants have deep domain expertise in information systems, cyber and engineering consultancy. Within our practice we have an expert but finite resource of upstream strategic capacity. So it makes sense, where necessary, to enhance our advisory offers by partnering firms that have complementary specialisms, say in business process redesign.”

In common with many interviewees for this report, Gary suggests that his principal challenge is getting the best people. “Across the whole economy there are significant shortfalls in the numbers of people needed in digital and cyber, not least as the demand in the private sector for those skills is intensifying. The pipeline of talent simply isn’t there. So we are starting to engage with universities, trying to foster particular skillsets among graduates. We intend to intensify our collaboration with higher education institutions, sponsoring courses and even delivering them.

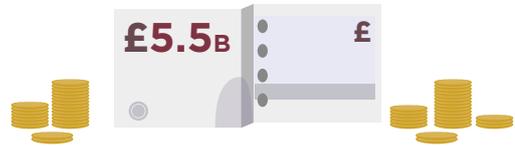
“And we are developing a Consulting Academy internally. Thales has many fine engineers. Many possess skills that, with some redirection, could make them first-rate consultants. So we’re retraining them and supplementing that pipeline with graduates and apprentices. Indeed, the Academy will become a core part of induction into our business. Our aim is to specify the core competencies for each consulting grade clearly and inculcate them within our people. This will help us equip those who are committed to becoming great consultants and have what it takes to succeed.”

# The UK Consulting Industry in 2015

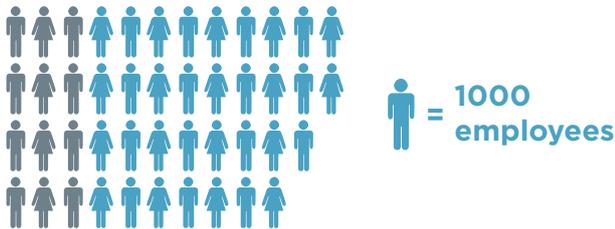
The **UK** consulting industry grew in 2015 by **8.05%**



The MCA's share of the industry is just over **£5.5B**



The MCA's share now employs over 45,000 people; **12,000** of which are **digital consultants**.



Digital consulting in **retail and leisure**, and **public sector**, is **significantly higher** than trend.



Private health and life sciences advisory grew significantly.



35% growth

Respondents to an MCA survey highlighted the potential **economic damage** of Brexit.



## Market shares

**28%**

Digital & technology consulting

**33%**

Financial services

**10%**

Strategy

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