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Consulting Prospects

*Q3 2005 update:
Prospects for the Global Consulting market*

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Consultants from the world's leading firms believe the outlook for consultancy is buoyant, driven by growth in FS consulting...

Executive Summary: *Consulting Prospects* is a new quarterly survey of the management consulting industry. Its purpose is to provide a barometer of the state of the consulting market, to highlight the sectors showing the best potential for growth and to single out any new opportunities or constraints likely to impact the performance of consultancies in the coming year.

Think of it as an early-warning system that will alert you to both opportunities and threats in the marketplace.

Our Q3 2005 survey has been a huge success, polling 250 consultants from leading firms such as Accenture, Atos Consulting, BearingPoint, Capgemini, Celerant, Deloitte, EDS, IBM Business Consulting, KPMG, LEK Consulting, LogicaCMG, Marakon and PA Consulting.

Overall, sentiments within these major firms are now very positive. 75% of all respondents reported an increase in new orders and client enquiries in the last 12 months. 77% believe the next 12 months will see higher order volumes still. So 2005 is seen as a much stronger year than 2004 – and 2006 is expected to be better still. This holds true in both the US and UK markets.

Breaking down this growth, consultants from these leading firms expect Financial Services consulting to be as important as Public Sector consulting in generating growth into 2006. The Healthcare / Pharma and Telecoms / Media / Entertainment sectors are also expected to be strong contributors to revenue growth.

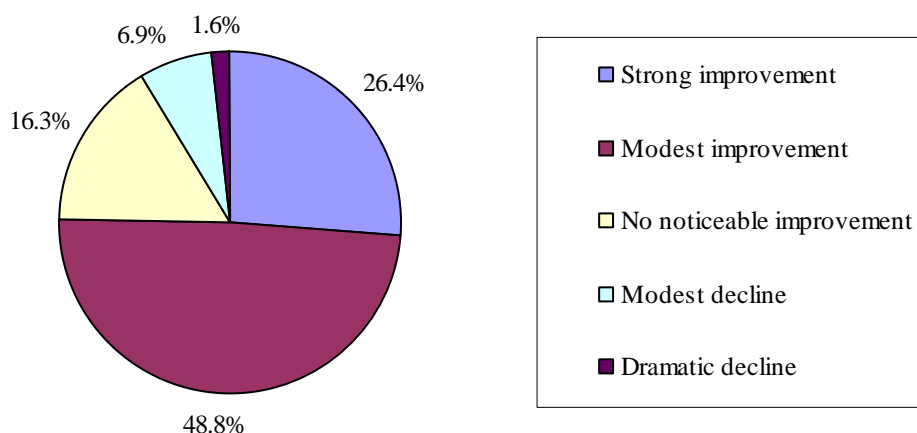
A number of new areas for growth have also been identified, together with the emergence of some worrying constraints.

Demand in 2005 is perceived to be up on 2004 and even higher levels of demand are expected as we move into 2006

Client demand on the increase: Looking first at aggregate demand levels within the consulting market, only 8.5% of respondents reported that client orders & enquiries were down in the last 12 months. This compares with 75.2% who report that revenues are up since 2004.

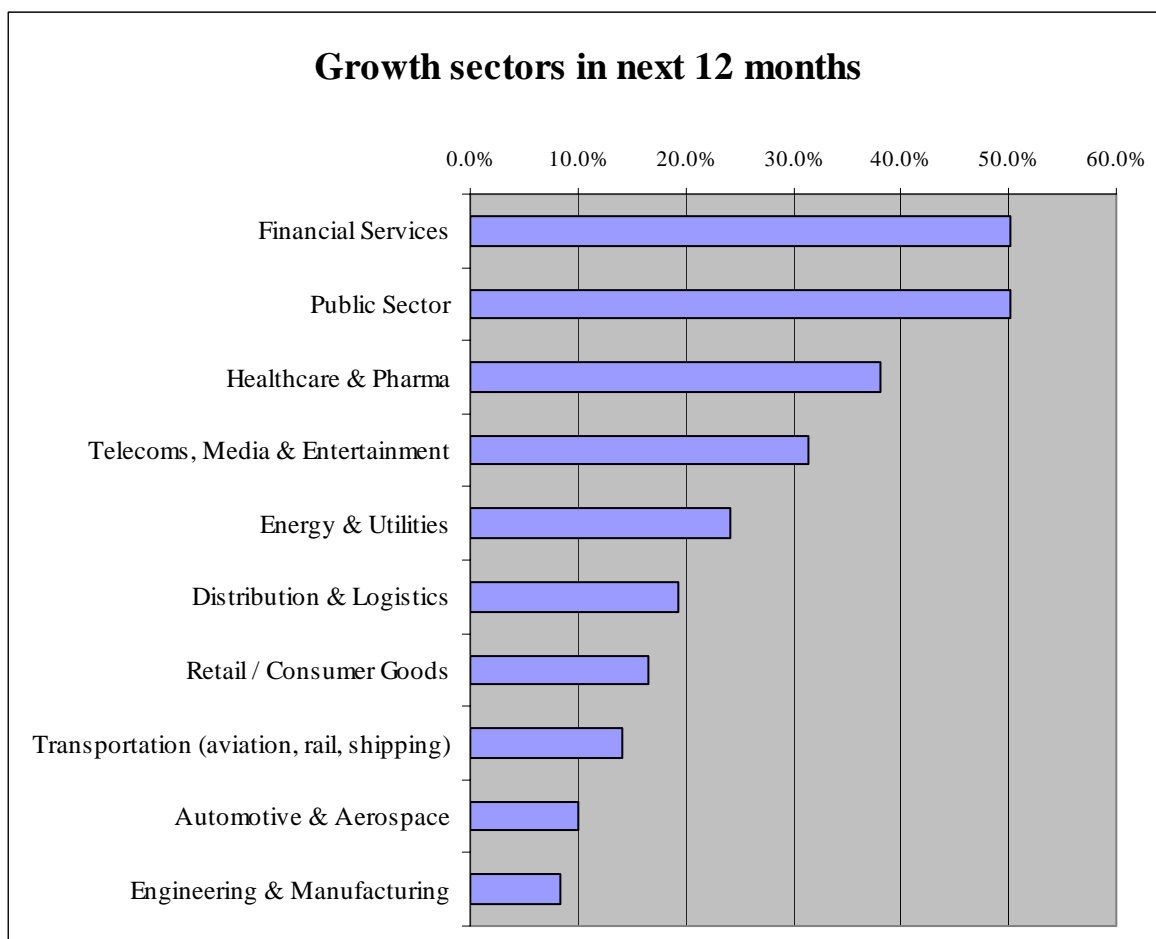
When their attention is turned to the future, consultants believe growth will be even more robust as we head into 2006, with 76.9% stating that client orders and enquiries will be up further in the next 12 months. Consultants' sentiments are more positive for the consulting industry than for the economy at large, which they perceive will strengthen only gradually in the coming year.

Change in new orders / client enquiries in last 12 months



Growth is expected in a wide range of sectors, most noticeably Financial Services and Public Sector consulting

Growth no longer restricted to Public Sector practices: When asked to define which sectors will experience particularly strong consulting growth in the next 12 months, over half of all consultants identified Financial Services and Public Sector consulting. But a considerable proportion also backed Healthcare / Pharma, Telecoms / Media / Entertainment and Energy / Utilities as practice areas that could expect to grow strongly. It is no coincidence that we have seen all these practice areas recruiting heavily in the last months.



However there's no new "Big Thing" on the horizon that will really stimulate a huge new surge of demand for consultants

Still no sign of "The Next Big Thing": When asked to identify new technologies or business opportunities on the horizon, our 250 consultants could not see any huge new opportunities to exploit. So their optimism about prospects for our industry comes more from the perceived rebound in client demand than from any new area of consulting work.

Having said this, our respondents did identify a number of smaller pockets of growth for consultancies to exploit. Expect candidate shortages to develop for consultants experienced in:

- The Introduction of ID cards + associated data security issues
- The Deployment of RFID technologies
- Increasing burden of Compliance - Sarbanes Oxley & others
- 'M&A landscaping'
- Mobilising the enterprise, e.g. wireless solutions and related business transformation
- VOIP technology
- Risk Management
- Olympics UK 2012
- Geographic Information Systems (GIS) and Global Positioning Systems (GPS) technology deployment
- Electronic Document and Records Management
- Legacy systems transformation + Electronic Health Records

Consultants at the world's leading firms also clearly feel their businesses are threatened or constrained on a number of counts...

Threats and constraints on consulting growth are seen to be on the rise: Our consultants were asked to highlight issues that are constraining the expansion of their businesses. Changes in the candidate market, the competitive landscape and increasing client sophistication were all seen as challenges that could hamper the growth of consulting businesses in the next year. Foremost amongst these concerns were:

The increasing problem of staff retention. Staff morale is down; career development has been restricted in recent years; client budgets are tightening and so impacting expenses policies; in short, consulting is not the career it once was.

Growing difficulty in recruiting experienced staff. Salary & bonus expectations are rocketing; competition for the best staff has grown dramatically. Resourcing shortages are critical.

Competition from both Indian competitors and niche specialists is resulting in harmful pricing pressures - billing rates are suffering and unlikely to return to historical levels.

Clients hiring ex-consultants and building in-house capabilities. Clients are taking proposals from consulting firms and trying to do them in house – and increasingly they are able to as the inability of consultancies to pay higher salaries is making career moves into industry increasingly attractive to ex-consultants.

Clients are increasingly sophisticated purchasers of consulting and are more likely to view consulting services as a commodity; consultancies are also being exposed to more risk / downside in project billing arrangements.

Appendix: Other Resources, Services & Contact details

We hope you have found this Consulting Prospects report illuminating. Other resources that may be of interest to you are our annual management consultancy Recruitment Channel Survey.



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