

MEGATRENDS #3: M&A—IS IT ADDING VALUE?



A global perspective on the consulting market,
drawing heavily on extensive client-side research

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METHODOLOGY

This report is based on quantitative research. We conducted an extensive survey in December 2015 with senior users and buyers of consulting services.

Survey

We surveyed just over 2,700 senior users and buyers of consulting services in 15 major consulting markets in North America, Europe, the Middle East and Asia Pacific. Forty-two percent of respondents work in organisations with more than 1,000 employees (the percentage is higher in mature markets where large corporations are more numerous). Respondents are distributed across operations, general management, sales & marketing, IT, finance and HR. They represent nine industries: energy & resources; financial services; healthcare; manufacturing; pharma & biotech; the public sector; retail; the services sector (including transportation and construction); and technology, media & telecoms.

The increased scale and scope of our survey creates potential problems in comparing this year's data with last year's. Our experience is that there's not a lot of variation in the way relatively large organisations use consultants, but there are some cases where our sample has had an impact and we highlight these.

The role of this report in our series

This is the fourth in a series of six reports we will be publishing during the course of 2016 which will use a combination of feedback from clients and consulting firms to analyse the underlying trends shaping the consulting industry over the next 12 months.

The existing publications in this series are:

Forecasts for 2016

Based on our largest-ever survey of senior users of consulting services around the globe, this report looks at the prospects for growth in the consulting industry in 2016. Clients are as busy as ever, but 2016's data doesn't show the jump in "busyness" that we've seen in each of the last three years, suggesting that the overall rate of growth in consulting will start to slow this year. Inevitably, though, different industries and services are likely to grow at different rates...

Megatrend #1: Making consulting and IT services propositions work

Having spent the last few years cutting back their consulting operations in favour of delivering IT projects from low-cost locations, many IT services companies are now in the process of rebuilding their consulting presence. Most, though, are starting where they left off: with a flawed model of how consulting and IT services fit together.

This report explores the relationship between management and IT consulting, and other IT services, both from a client perspective (what do they want, what do they think they don't get), and from the point of view of suppliers themselves (how are IT services companies remodelling themselves, what impact could this have on the consulting industry).

Megatrend #2: Premium and commodity consulting: Is the string getting longer?

One of the most important trends our 2015 research highlighted was the extent to which clients are increasingly using on consultants in two ways, in more familiar areas as a commodity, but also in more innovative fields (e.g., digital transformation) where the characteristics of traditional, high-value management consulting come to the fore. Crucially, our research suggested that this division cut across conventional consulting boundaries, and is increasingly seen as two different business models, making hard for firms to do both at once.

This report will explore this theme in greater detail, looking at how this division is taking even more concrete shape in clients' minds, and how consulting firms are responding to the challenge it creates to their business model.

The future publications will be:

Megatrend #4: Talent: Will the world run out of consultants?

With worldwide growth in consulting expected to be strong throughout 2016, the perennial war for talent is reaching new levels of ferocity, especially when it comes to senior people. Moreover, consulting firms are facing new competition from high tech companies and start-ups, making it hard for them to recruit a new generation of consultants, too. This report will look at how consulting firms are responding to the challenge this poses, and asks what the winning strategy is likely to be.

Planning for growth in 2017

Our fourth annual market attractiveness index, which assesses each geographical market for the next 12 months in terms of things like: The rate of growth in the market, how easy it is to find and retain talent, how much revenue the average consultant can expect to generate, and the propensity amongst clients to use consultants.

Definitions of industries and services

Industries



Energy & resources

Energy

Includes the exploration and production of energy, including oil, gas, coal, and renewables.

Utilities

Includes the delivery of electricity, gas, water, sanitation, and other related services.

Primary resources

Includes agriculture, chemicals and chemical products, commodities, forestry, fishing, metals, mining, and plastics.



Financial services

Banking

Includes retail banking, commercial banking, and lending.

Insurance

Includes general insurance (e.g., motor, home, pets, health—anything on an annual contract), life insurance, pension products, retirement planning.

Private equity

Includes both consulting work for private equity firms and consulting work with private equity portfolio businesses.

Capital markets

Includes investment banking, trading of stocks and financial products, corporate finance, and broking.

Investment and wealth management

Includes private banking, high net-worth banking, investment management, trust funds, the management of pension funds, and asset management.



Manufacturing

Aerospace

Includes space research and technology, the manufacture of aircraft, aircraft parts, rockets and other space equipment, and tanks and ammunition.

Automotive

Includes the manufacture of motor vehicles, industrial vehicles, and vehicle supplies and parts.

Construction

Includes surveying, architectural, and engineering services, heavy construction, house building, and the building of infrastructure.

Consumer packaged goods

Includes the manufacture of clothes, foods, alcohol, tobacco, furniture, home furnishings, cleaning products, small arms, children's toys, and sports equipment.

Consumer and industrial electronics

Includes electrical components, household and industrial appliances, commercial and professional equipment.

Industrial products

Includes industrial machinery, steel and metal products, and plastic products.



Pharma & biotech

Includes research into and the production of drugs, biological products, medicinal chemicals, and life sciences.



Healthcare

Includes private- and publicly-funded healthcare, hospitals, laboratories, and medical equipment.



Public sector

Government

Includes federal/national, state/regional, local government, emergency services, justice, social services, public transport, and conservation.

Education

Includes public and private schools, universities, and libraries.

Defence

Includes national security and consulting around defence issues.



Retail

Includes the selling of clothes, food, consumer goods, and automobiles.



Services

Logistics

Includes warehousing, storage, packing and crating, and distribution including cargo, freight, and haulage.

Business services

Includes services relating to law, accountancy, IT maintenance, security systems, advertising, employment agencies, and vehicle leasing.

Leisure

Includes museums, art galleries, theatre, golf courses, hotels, hospitality, travel agencies, restaurants, and bars.

Real estate

Includes estate agencies and operators of residential and commercial buildings.

Transportation

Includes private and people-related transportation, including airlines, airport management, train operators, rail infrastructure management, water transportation, courier services, and private bus services.



Technology, media & telecoms

Telecoms

Includes telephone, mobile, digital, and other communication services.

High-tech

Includes IT related devices, computer and computer related devices, audio and video equipment, broadcasting and communication equipment.

Media

Includes radio, television and digital broadcasting stations and services as well as printing and the publishing of newspapers, periodicals, and books.

Services



Financial management

Includes finance function and budgeting/financial planning process.



Risk & regulatory

Includes responding to regulation, technology and security risk services, operational risk, financial risk, programme risk.



HR & change management

Includes HR strategy and effectiveness, benefits, compensation and pensions, change management, internal communications, organisational design and culture, stakeholder management, team effectiveness and collaboration, leadership and governance, performance management, talent management/training and development.



Operational improvement

Includes business continuity and recovery, knowledge management, Lean and Six Sigma, property and estate management, quality and performance management, supply chain management, cost-cutting, innovation, M&A integration, managing quality, post-M&A integration, process design and re-engineering, procurement/purchasing, research and development, benchmarking, distribution strategy, environmental, sustainability and CSR, and operational review.



Strategy

Includes business and financial modelling, corporate re-structuring, corporate recovery and turnaround, corporate strategy, market analysis and strategy, market research, policy formulation, strategic sourcing/offshoring strategy, due diligence and valuation, infrastructure/asset financing and management, PFI, mergers and acquisitions, customer service, new product development, branding, marketing and channel management, customer relationship management, pricing, sales force effectiveness, category management, sales and distribution planning.



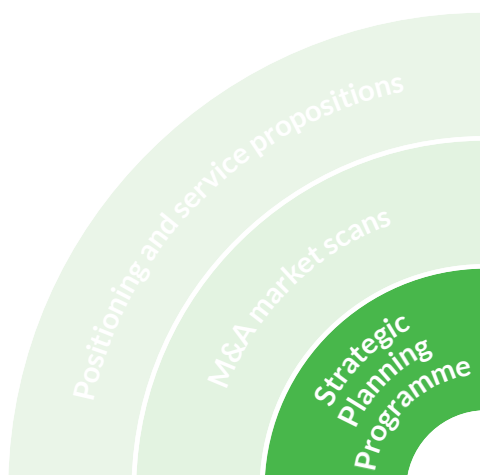
Technology

Includes ERP consulting, IT training, application of new technology, hardware/software selection, IT design and build, IT strategy, planning and review, IT testing and integration, management information and business intelligence, requirements definition, mobile and internet consulting, project and programme management (e.g., where consulting firm has been engaged to run a specific project that it is otherwise not involved in).

CONTRIBUTORS

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of the individuals who have contributed from consulting firms (some consultants choose to remain anonymous).

Name	Job title	Firm
Sid Abrams	Principal	Deloitte
Tom Bolger	Senior Managing Director	West Monroe Partners
Don Charles	Americas Leader, Capital Transformation Services	EY
Simon Harris	Chief Strategy Officer	Oliver Wyman
John Kerr	Vice Chairman Global Consulting	Deloitte
Matthew Klein	Chief Marketing Officer	North Highland
Steve Krousos	Global Vice Chair, Transaction Advisory Services	EY
Reza Maghsoudnia	Strategic Development Director	Wavestone
Dan Reardon	CEO	North Highland
Stephanie Schnabel	Principal, Corporate Development Lead	KPMG
Daniel Schwartzmann	Managing Director, Mergers & Acquisitions	Accenture
Andrew Vaz	Global Managing Principal, Innovation and Chief Innovation Officer	Deloitte
Bernd Wuebben	Partner, Global Corporate Development	KPMG



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How the *Strategic Planning Programme* can help you

- Deepens your understanding of the major trends shaping the consulting industry
- Helps you to identify what clients want from consulting firms in relation to major trends
- Helps you in your business planning activities
- Helps you to identify opportunities and threats in the market, and to develop strategies in response to them

Our *Strategic Planning Programme* helps you to develop your strategy. It looks at the consulting market from a global perspective, picking out the trends that matter wherever you are and drawing extensively on our research with clients. In 2016 it splits into six parts, honing in—in parts 2, 3, 4 and 6—on the themes we're hearing most firms and most clients talking about at the moment.

Reports covered in this programme:

Forecasts for 2016

Megatrend #1: Making consulting and IT services propositions work

Megatrend #2: Premium and commodity consulting: Is the string getting longer?

Megatrend #3: M&A: Is it adding value?

Megatrend #4: Talent: Will the world run out of consultants?

Planning for growth in 2017 (Market Attractiveness Index)

For information about the products or services available from Source, please contact:

UK, EUROPE AND US

Alice Noyelle

+44 (0)20 3795 2662

alice.noyelle@sourceglobalresearch.com

MIDDLE EAST

Jodi Davies

+971 52 989 5224

jodi.davies@sourceglobalresearch.com

www.sourceglobalresearch.com

About Source

Source Global Research is a leading provider of information about the market for management consulting. Set up in 2007 with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including: [The Intelligent Client](#) and *The Economist* books, [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

For further information please visit www.sourceglobalresearch.com

UK AND EUROPE

Source Information Services Ltd

📍 20 St Dunstons Hill • London • EC3R 8HL

☎ +44 (0)20 3795 2668

MIDDLE EAST

📍 PO Box 340505 • Dubai • United Arab Emirates

☎ +971 (0)52 989 5224

✉ info@sourceglobalresearch.com

🌐 www.sourceglobalresearch.com

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