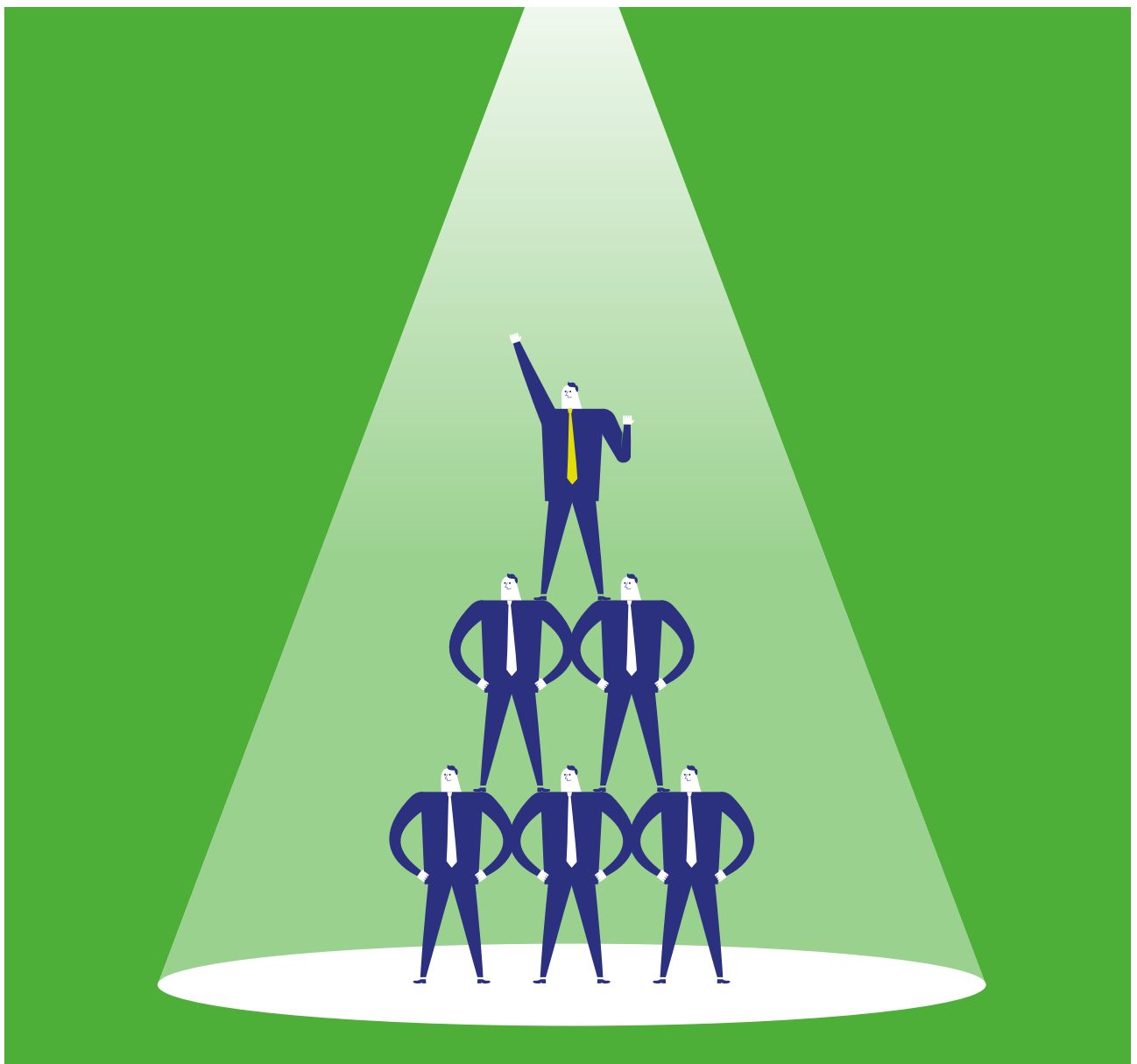


WINNING THE TALENT WAR— 2016 UPDATE: CRITICAL SUCCESS FACTORS FOR CONSULTING FIRMS



This report examines key talent pinch-points—
as seen through the lens of recruitment experts

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INTRODUCTION: EMERGING AREAS ARE THE MAIN BATTLE-GROUND

Senior leaders in executive search firms told us last year that competition for talent was more competitive than ever; in response, our report *Winning the talent war* suggested critical success factors for firms wanting to take their pick of the crop. With Source's hot off the press global consulting market stats showing the entire consulting market still booming at 7.2% growth between 2014-15 (and forecast to achieve another 7.0% growth in 2015-16), we've consulted the recruitment experts again to find out what's new in 2016.

They say that recruitment levels are holding up well overall but with marked inconsistencies. As Sandra Guzman of Unida Consulting explains, "There are significant variations in levels of recruitment activity depending on which geography you look at; some of the more mature markets are slowing down their recruitment activity whilst they wait to see a return on the hiring investments they have made in the previous 12 months, others are keeping their foot on the throttle particularly in certain 'hot' competencies like cyber and digital."

The recruitment market apparently slowed prior to the UK's EU referendum with firms pausing to "wait and see." According to Rakesh Pabbi of Consulting Point Search: "We're already seeing an impact of Brexit: Individuals are pulling out of job offers, especially in the financial services sector as they're worried that if they're the last to join, they'll be the first to ask to leave as firms restructure. We're seeing more contractors saying they'd like to switch to a more permanent position because they want greater job security. And some clients have been withdrawing offers. All this indicates that things will change, but it's not yet at all clear what the new post-Brexit world will look like.

Faced with economic and political uncertainty, consulting firms are placing their bets in emerging areas, and especially on all things digital. "Management consulting is changing," says James Callander of Freshminds, "it used to be a PowerPoint or Excel model, and a presentation. Now we're seeing convergence between consulting, digital, and research. Consulting firms are extremely aware of the need to have digital expertise to answer the strategic challenges of their clients." However, the stampede towards digital has created a severe talent pinch-point that firms are struggling to overcome.

Consulting recruitment models are—by and large—unsuited to this new age, lacking the flexibility and resilience that's demonstrated in spades by today's leading businesses. Linked to this, firms are increasingly using innovation to attract—and retain—key talent in emerging areas and to obtain the benefits of wider diversity.

This report will examine these key talent pinch-points—as seen through the lens of the recruitment experts—and will report their views on whether innovation is forming part of the solution.

Our annual survey of consulting firms demonstrated that, overall, 2016 is expected to once again be a year of strong hiring demand.

Tony Restell, Top-Consultant.com

Overall, I'd say there's been less strategy and growth-related consulting work going on in the market, and more cost reduction and restructuring.

Dominic Moore, 325 Consulting

Clients are building aggressively in analytics, cybersecurity, and digital. There's also been a move towards more talent in productivity and cost improvement experience.

Ben Richardson, nbi Human Capital

Cybersecurity is absolutely massive—it's an area with an extraordinary shortfall in skills and demand has exploded in a very short space of time. The demand is acute among consulting firms, and they're also competing with industry for those skills.

Jeremy Tipper, Alexander Mann

Innovation is a niche where there is real growth—there are lots of boutiques starting up, and even the big players are starting up subsidiary innovation practices or spin off companies.

Craig Milbourne, Oomph! Recruitment Solutions

In the GCC, digital hasn't reached the same point in maturity as it has in other regions, so digital talent isn't such a big issue for firms here.

Richard Foulkes, Redgrave Partners

FIRMS ARE FACING MULTIPLE SUPPLY-SIDE CHALLENGES... SIMULTANEOUSLY

The digital revolution has sparked an arms race for talent, and it's not just the consulting firms involved. Old adversaries—the investment banks in particular—are old news, replaced by the new kids on the block (almost literally) in the guise of the big technology firms and tech start-ups.

The situation is serious, as Richard Stewart of Mindbench explains: “Attracting talent is the key challenge, especially now there’s increasing competition from Google, Facebook, Amazon etc. A quick straw poll at a business school showed that more had already accepted roles at Amazon than at the banks. But I don’t see the internet firms doing anything radically different, it’s just that they’ve managed to sharpen their appeal to the Gen Y group.”

Add industry into the mix too: “A lot of firms are fighting for the same talent in the cyber space. It’s like an arms race”, says Guy Barnes of Russell Reynolds. “We’re seeing compensation ramping up because demand far exceeds supply. And it’s not just other consulting firms they’re competing with—industry is after these people too.”

Competing demands for their services plays right into the hands of this highly mobile workforce. The notion of a career path isn’t compelling any more; there’s less downside risk to trying something new and today’s top CV’s showcase range rather than longevity. The experts say that money’s not the key motivator of digital talent, but it’s certainly acting as a differentiator in this competitive marketplace, as Sandra Guzman explains: “In certain areas, such as cyber, digital and analytics, firms are having to work outside the normal pay bands to attract top talent, which means that sometimes they have to pay a premium to certain people. This is a relatively new concept for consulting firms who have previously been fairly rigid on banding.”

Firms realise they have no choice; it’s a fight for talent they simply have to win. Digital experience will be absolutely crucial for solving clients’ strategic and operational challenges in the future.

Ironically, the strategy firms appear to have a particular disadvantage compared to the consulting market as a whole. According to Enguerran Loos of InnerSquare: “The people top strategy firms invite to interview are the ones that show traditional, linear career progression. People who make bold moves and work in unknown companies and start-ups won’t be invited, and firms are missing out on them.” He adds, “Talent with digital experience is probably the only type of profile that the big strategy firms have a hard time attracting. When we speak to those candidates and we tell them about consulting in general, a lot of them tell us they’re not interested.”

Having enjoyed taking their pick of top talent in the past, consulting firms are now having to not only compete but also innovate in order to maintain credibility in the market.

The war for talent is intensifying, and not just among consulting firms—it’s pretty clear now that you get just as good an experience working for Amazon, Google, and start-ups, as you would at a consulting firm.

James Callander, Freshminds

Digital is the game-changer; there’s big demand for talent from Google and tech companies and a constant flow of new related issues such as blockchain.

Don Leslie, BLT

Technology is so much more important than it used to be. It’s disrupting business models, and consultants need to be able to articulate what it means to the whole board, not just the CIO.

David Crawford, Russell Reynolds

There’s a lot of expansion in digital transformation, with firms seeking specific expertise in things like AI and robotics. These are real growth areas.

Jeremy Tipper, Alexander Mann

Consulting firms are targeting candidates with really good academic credentials who went straight into industry; anything up to about five to seven years experience in blue-chip businesses is really attractive. Firms obviously need to incentivise the move financially and offer a clear roadmap on how they can progress within a consulting firm.

Raj Rathod, River Partnership

Digital consultancy is growing amongst the Big Four with some opening overseas development centres and tech hubs. The challenge though is that the digital space often appeals to a less corporate type of person who definitely expects a different—more flexible—style of working. It’s difficult for the Big Four to compete against start-ups when it comes to office environment and expected work patterns.

Felix Meller, Badenoch & Clark

COMPETING FOR TALENT IN THE DIGITAL WORLD

The firms that have positioned early and decisively in emerging areas have definitely stolen a march where talent is concerned, “In areas like cyber security and analytics, it’s the early movers who are winning the talent war at the moment. The sooner a firm moves, the quicker it develops a critical mass, the sooner it creates the demand for its services that makes it attractive to the best talent” asserts Guy Barnes.

Firms that are still attempting to build their credentials in emerging areas are having to search a much broader pool than in the past. “To get people with skills in areas like cognitive-based analytics, machine-to-machine technology and other newer fields, firms are looking at industry and the technology services firms,” says David Crawford of Russell Reynolds. Ben Richardson of nbi Human Capital adds that “The Big Four, and less mature markets generally, are tending to hire more from industry than they did before, prioritising tech skillsets over the ability to sell.”

There’s general consensus that the consulting proposition remains compelling (especially compared with industry) but that HR recruitment mind-sets can form a barrier. Felix Meller of Badenoch & Clark explains: “Consulting firms need to move away from hiring the traditional consultant stereotype and really home in on the best competencies for the role, even if that person isn’t the type they would usually hire.” It’s a two-way selection process with Gen Y, though, as Scott Fisher of Mackenzie Jones explains: “A different approach is needed to recruit Gen Y, one that tests two-way cultural fit, values, and personality. One innovation is an app; a fun game which allows the hiring firm to undertake psychometric assessment of the potential candidate’s fit with their own culture.”

Firms are starting to integrate Gen Y’s journeyman view into their HR models, allowing flexibility to take regular sabbaticals or to work as freelancers. They’re also looking hard at their brand image in this space, as Tony Restell of Top-Consultant.com explains: “We have noticed that many consultancy firms, and especially smaller boutique firms operating in the digital/tech spaces, are marketing themselves in a more focused way to position themselves against the other employers that their target ‘talent’ is currently attracted to, e.g., start-ups, Google, tech players and so on. These firms are emphasising the growth of their firms, the flat funky culture of their businesses, the leading-edge nature of their projects, etc.”

Brand positioning is all-important with Gen Y, with opinions formed well ahead of recruitment processes. “The smartest firms are the ones interacting with talent in social media communities before they’re even applicants” explains Craig Milbourne of Oomph! Recruitment Solutions. “Rather than trying to attract them in just one moment of time, it builds a rapport and that firm is more likely to be top of the mind when a candidate does get frustrated with their current employer. You have to engage a candidate, before you can mobilise them in to your hiring process. This courtship could even be 1 or 2 years over time.”

It’s fair to say that emotional hygiene factors rate high in the digital world. “Being able to offer candidates a great pack remains, of course, very important, but the ideal for candidates is to find an organisation who shares their values. They want to work somewhere where they feel a common sense of purpose,” says Guillaume Pican of Page Executive.

Gen Y want to hear different answers to their questions and tech firms are providing just the right messages. Culture is their number one, not just the work-life balance but also the quality and ethics of clients they’ll get to work with. Their second priority is career path, what work they can expect to be doing within two to three years. Salary package comes in third.

Don Leslie, BLT

Boutique and specialist consultancies are resonating with the market and are offering salaries that in many cases are near to those of the much bigger players. These firms are growing their business, developing propositions, and attracting people who are interested in a smaller consulting environments with a better culture where they can have more influence and impact on their clients.

Nicholas Barton, The Barton Partnership

Strategy firms and the Big Four will always be a magnet for talent—they have the brand, they’re seen as the peak, and they’re always attractive. But some of the big firms rule themselves out by being impersonal; smaller firms have to try harder but can compete by offering a more personal, intimate experience.

Chris Sale, Prism Executive Recruitment

Firms are competing aggressively for candidates. Incentives can include generous salaries and allowances with, in some cases, bonuses up to 100% depending on performance.

Scott Fisher, Mackenzie Jones

The top-tier strategy firms appear to be diversifying their service offerings; they’re hiring talent from the Big Four and from tech consultancies. It can be really difficult for others to defend against the strategy firms’ wide salary bandings.

Raj Rathod, River Partnership

IN CONCLUSION

In the new emerging areas, consulting firms face critical challenges on both the demand- and supply-sides. Short of acquiring capability by M&A, firms are adapting and the smartest among them have realised that their new approach has wider benefits; the lifestyle-based decision-making of Gen Y shares much in common with women returning to the workplace. Chris Sale of Prism Executive Recruitment explains: “Retention of women is a big issue in the majors and I think they’re trying hard but a lifestyle-friendly week just isn’t compatible generally with the current consultancy operating model and the need to work with clients’ demands.” He continues, “Family-friendly policies can actually suit millennials too as their issues are very similar and men also want more flexibility. So there’s a huge prize available to any firm, large or small, which manages to resolve the work-life balance.”

Gen Y and women returners tend to share a different notion to the traditional “career path”; for them it’s more about working on challenging and enriching engagements—each chosen at the right time and on its own merits—which form a “professional portfolio” rather than a “career CV”. It thus becomes extremely important for the recruiting firm to connect with talent on an emotional level and to demonstrate genuine empathy with their target hire’s lifestyle and outlook. Firms must “lift their lid” and, of course, absolutely ensure that their market positioning is delivered on the ground: “Many companies have become quite innovative in the way they communicate to candidates digitally, on YouTube and other social media, for example” says Guillaume Pican. He continues: “Of course it’s important to be transparent, but the key to success here is being able to demonstrate that the reality of your organisation matches what you say online: you can’t afford to have one digital experience, and a different physical experience. It’s easy to say you’re a fun and cool place to work for, but it’s hugely damaging to your reputation if people join and then discover that you’re not.”

Leadership involvement plays a key role. According to the experts, having top leadership integrated within the recruitment process—driving the talent pipeline and forging connections at a human level—can make the critical difference with key talent groups. According to Nicholas Barton of The Barton Partnership: “It’s innovative to provide greater exposure to senior leadership during the recruitment process and within the ongoing proposition.”

So the absolute essence of digital recruitment is to resonate with the market and to establish actual tangible policies that convert market positioning into real experience, capable of delivering a high degree of personalisation in addition to high-impact roles and great client exposure.

Gen Y want it all...and if consulting firms want their services, they’re going to have to deliver it!

Some large corporates have used Facebook campaigns and gamification via social media to draw potential recruits into a game first and then into a recruitment process.

Richard Stewart, Mindbench

Digital agencies are in most cases happy to be acquired by consulting firms—they know consultants have a far greater depth of knowledge around the value chain of a business. It works for both parties, as both their offers are strengthened.

Richard Foulkes, Redgrave Partners

The topic of work/life balance is becoming an increasingly important part of the recruitment conversation. Some firms are getting better at this, and at the way they allocate resources to projects.

Dominic Moore, 325 Consulting

Every consulting firms provides a wealth of information about itself online, but candidates are often looking for something much more granular. They want to know the size and structure of the practice they’ll be joining, what its USP is, who its clients are. Firms need to go into a lot more detail, especially if they’re looking to attract senior people from other firms.

Rakesh Pabbi, Consulting Point Search

To improve retention, I’ve seen firms offer 80% work weeks, programmes to send them abroad for six months or a year, and greater efforts to customise staffing to preference. They’re also doing a lot to just treat staff nicely with company away days and parties.

Enguerran Loos, InnerSquare

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](#).

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