

THE TRANSFORMATION OF TRANSFORMATION



A prelude to our 2017 strategic
planning programme

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 TRANSFORMATION OF TRANSFORMATION

Three years ago we were cynics. When consulting firms started (re)using the term “transformation” we nodded politely but weren’t convinced that clients would be won over. It quickly became apparent that we were wrong: at the tail-end of the global financial crisis, transformation was just what they wanted to believe in. Faced with pressure from shareholders to make up the lost ground but still struggling to come to terms with an inhospitable economic environment, transformation was just what the doctor ordered.

And the patient has been knocking back the medication ever since. Earlier this year our research showed that 83% of organisations were actively engaged in, or planning, transformation programmes, marginally higher than the number doing the same thing the previous year, and up from 75% in 2014. While we can debate what clients actually mean by the term transformation, this still indicates a huge level of activity and gives us a clear idea of where clients’ ambitions lie: incremental change, out; wholesale transformation, in.

Using our detailed, bottom-up model of the global consulting industry, combined with the hundreds of interviews we carry out with senior partners in consulting firms around the world every year, we estimate that the global transformation market, including both business and digital transformation, was worth just over \$20bn in 2015.

Inevitably, all of this activity has changed the consulting landscape, too. Transformation now dominates the growth agenda of most large firms, boosting their growth above the market average and leaving mid-sized and smaller firms scrabbling to find specialist niches in which to embed their services.

And of course nothing, neither for clients nor consulting firms, stands still. Increasingly, we’re seeing clients who want to link the front-office, customer engagement type of work that’s so far been integral to most transformation projects, to back-office processes, transforming their companies on the inside as well as the outside.

The transformation is a paradigm shift. For me it has been necessary to drive the fundamental change to get a better products and services: it’s an imperative.

Manufacturing organisation,
Denmark

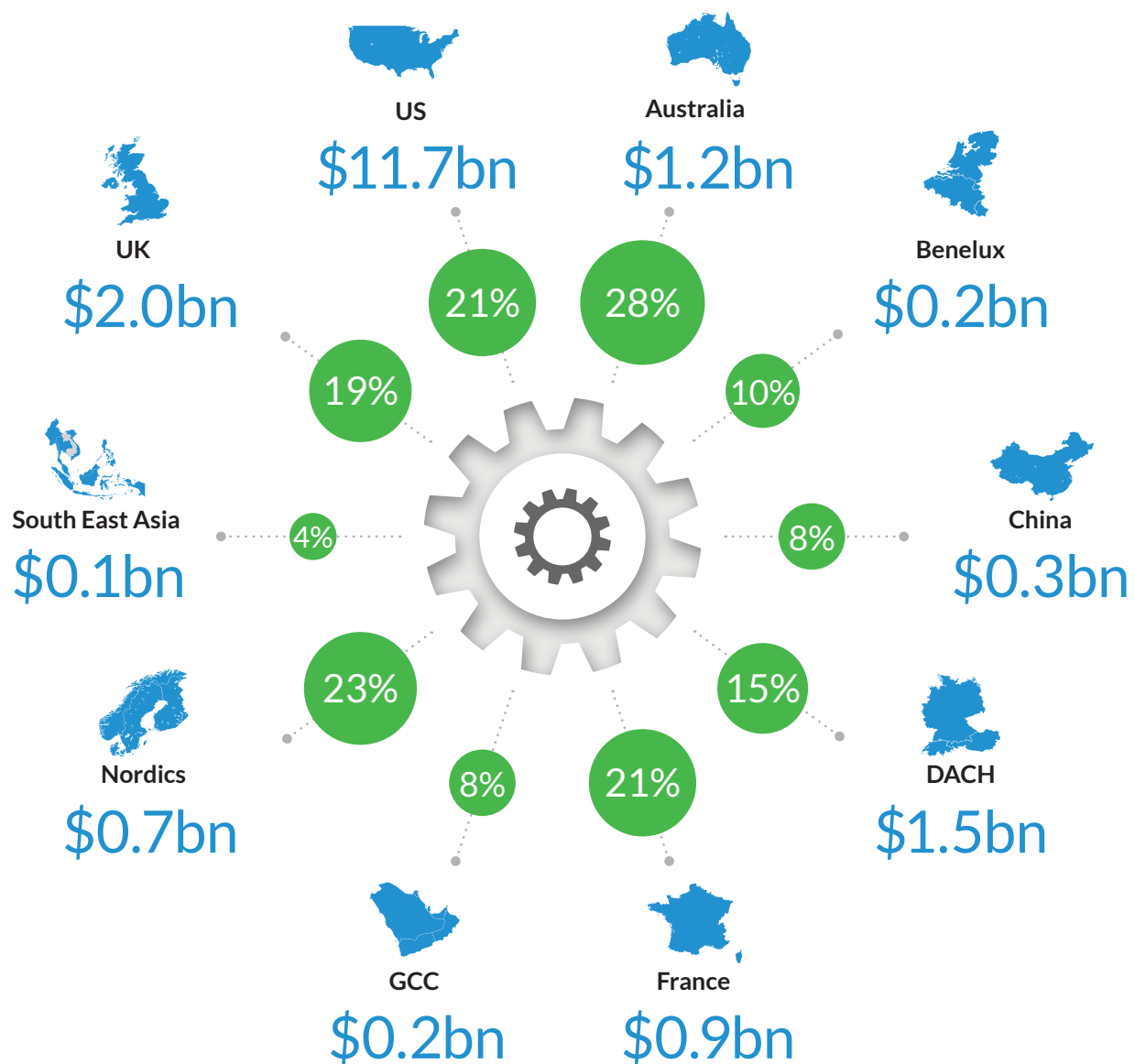
In terms of physical transformation our efforts are continuous—we’ve focused more on eliminating any friction in processes which directly involve our customers.

Financial services organisation,
Spain

The big industry change we see is around digital transformation. A lot of our competitors have already been talking about it for a while, so we’re looking for consultants who can help us get where we need to be.

Services organisation, US

The size of the transformation consulting market in selected geographies



- Size of the transformation consulting market*
- % of total market

*Please note that our data excludes IT systems development and implementation, and hardware and software sales. It's also based on what we term "big consulting"—work done by consulting firms with more than 50 consultants, typically for organisations with an annual turnover in excess of \$500m.

The aim of this short report is to bring together a range of research we've done around transformation this year, to understand how this critical market is evolving, and who the winners and losers are likely to be. As such it's a prelude to a new report, to be published in March 2017, on the digital transformation consulting market.

We've spent some time trying to understand the origins of transformation projects, our hunch being that they didn't spring fully-fledged from the minds of clients, but evolved more gradually out of other issues. It turned out that we were both wrong and right. Around 40% of initiatives described as transformational are glorified IT projects, but have been rebadged because work that promises to transform a business is deemed to be vastly more worthy of investment than, say, refreshing your core banking systems (however important and urgent the latter may be). The remaining 60% of transformation projects begin life, often as small changes, in other functional areas—perhaps a new market that's being entered, a new customer channel that's being opened up, or a new competitive threat that's being responded to. As attention and investment increases, those involved begin to realise that what they're doing has broader implications and has the potential to change their organisation radically.

Whatever their genesis, it's become clear in the last year that the distinction between these two types of project is rapidly blurring. As one client we spoke to put it, "You can think about transformation all you want, but if you want to transform, then technology is going to play a critical role." In other words, there simply isn't much transformation that isn't digital any more.

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I think there are two ways of using consultants. We're using them for capability rather than capacity at the moment, but I suspect that's because we've begun a transformation project. Transformation is being driven both by fiscal austerity and customer expectations, but also by the threat of our operating licence becoming contestable. All government services can be contested and the smart people in our organisation realise that if we falter in our transformation that's what's at stake for us.

Utilities organisation, Australia

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There are a lot of things happening in our business, from organisational to technological change. We're going through a major core banking transformation, that involves changing some of our product platforms on the technical side, treasury trade, capital markets, data warehousing.

Financial services organisation, Middle East

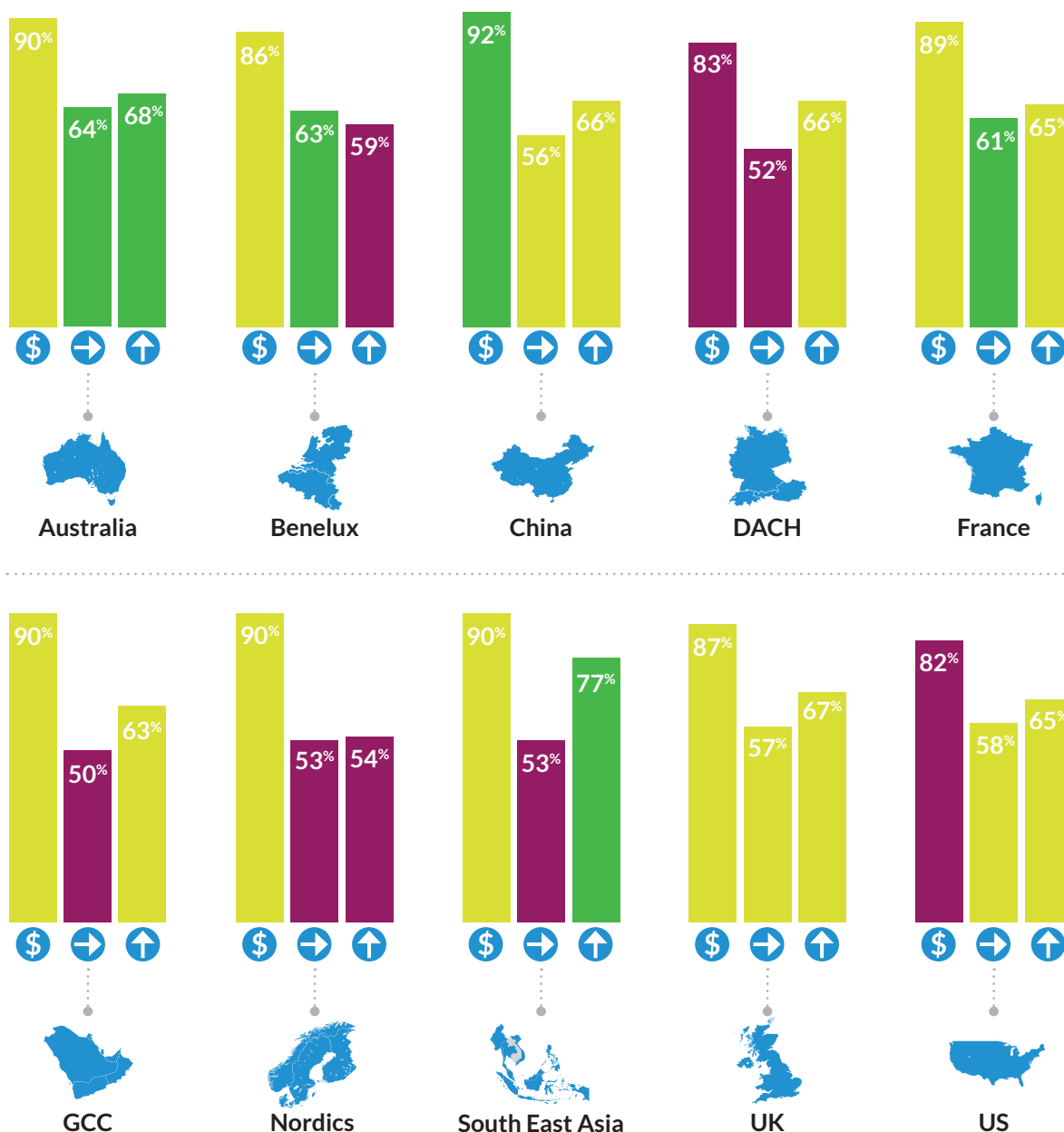
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My experience is that we tend to use consultants for large transformation projects rather than for micro-projects.

Financial services organisation, France

Buying patterns across 10 major consulting markets

We've selected three statistics that sum up client's changing buying patterns. The first, **Investing or planning to invest** (the percentage of organisations that said they were already engaged in, or actively planning, initiatives in the areas of digital technology and business transformation) and the second, **likely to drive the use of consultants**, when combined, give us a sense of current and future activity. The most attractive markets will be those where both sets of figures are relatively high, i.e., clients are both planning to invest and willing to turn to consultants for support. We also asked people if they're **expecting their expenditure on consultants to rise**: use and spend aren't the same, so the most profitable markets will be those with there's evidence of strong expenditure rises. Data shaded red indicates figures that are below the average for all ten markets, while green shading indicates figures that are higher than average. Figures that are on or around the average are in yellow. All data came from a survey of over 2,800 senior executives in large-scale organisations, carried out in early 2016.



- \$ Investing or planning to invest
- Likely to drive their use of consultants
- ↑ Expecting their expenditure on consultants to rise
- Above average
- On/around average
- Below average



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.

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Megatrends #4: Brands and business models

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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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