

# MEGA TRENDS SHAPING THE CONSULTING INDUSTRY

*A summary of our  
2017 research*



*There's never been a better time to be a creator and a maker, especially if you think about the canvas of technology and the things businesses have to create, as well as their desire to know more about their customers and their behaviours, interests, and desires. On the flipside, there's never been a tougher time to be in business, with organisations being constantly disrupted and established value chains being ripped up. We occupy the space between the boundless opportunity and the pervasive threat.*

Matthew Candy, IBM iX

# INTRODUCTION

During the course of 2017, we published reports on four megatrends that are re-shaping the global consulting industry:

- **Digital transformation**
- **Automation and artificial intelligence**
- **Assets and productisation**
- **Business models and brands**

As always with this part of our research, our aim is to explore how clients' evolving needs and perceptions are likely to change the consulting industry in the future, in terms both of creating new markets and other opportunities for growth, and understanding how consulting firms themselves may be transformed.

This report summarises our key findings.

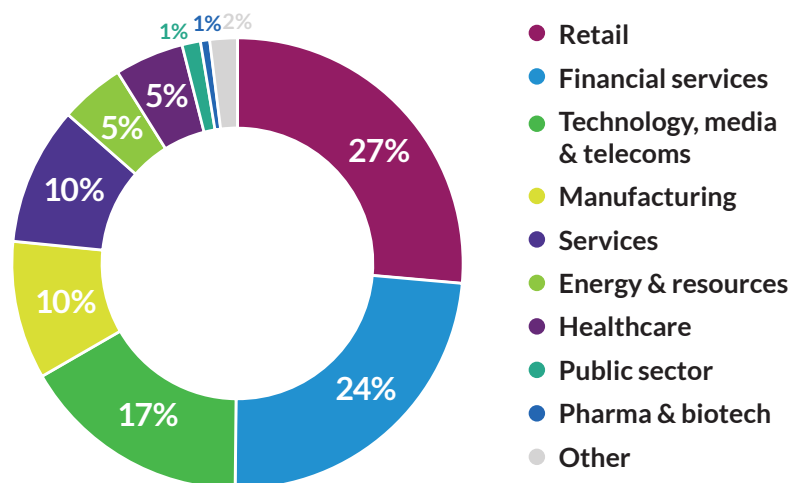
# ABOUT OUR RESEARCH

Our report draws on data from three main sources:

1. Our global consulting data model. A bottom-up model of the consulting industry covering 84 countries, 29 sectors, and six major service lines and containing about 9.7m data points.
2. A survey of 150 clients in the US about digital transformation.
3. Our annual global client perception survey, the latest version of which had 8,046 responses.

## About our survey

Breakdown by industry



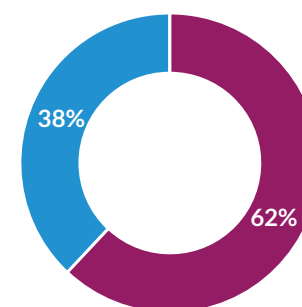
Organisations with  
1,000-4,999 employees

68%

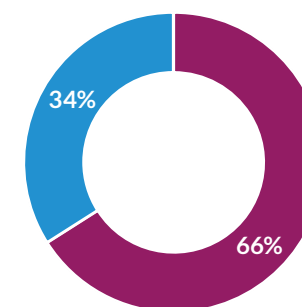
Organisations with  
5,000+ employees

32%

Breakdown by seniority



Breakdown by function



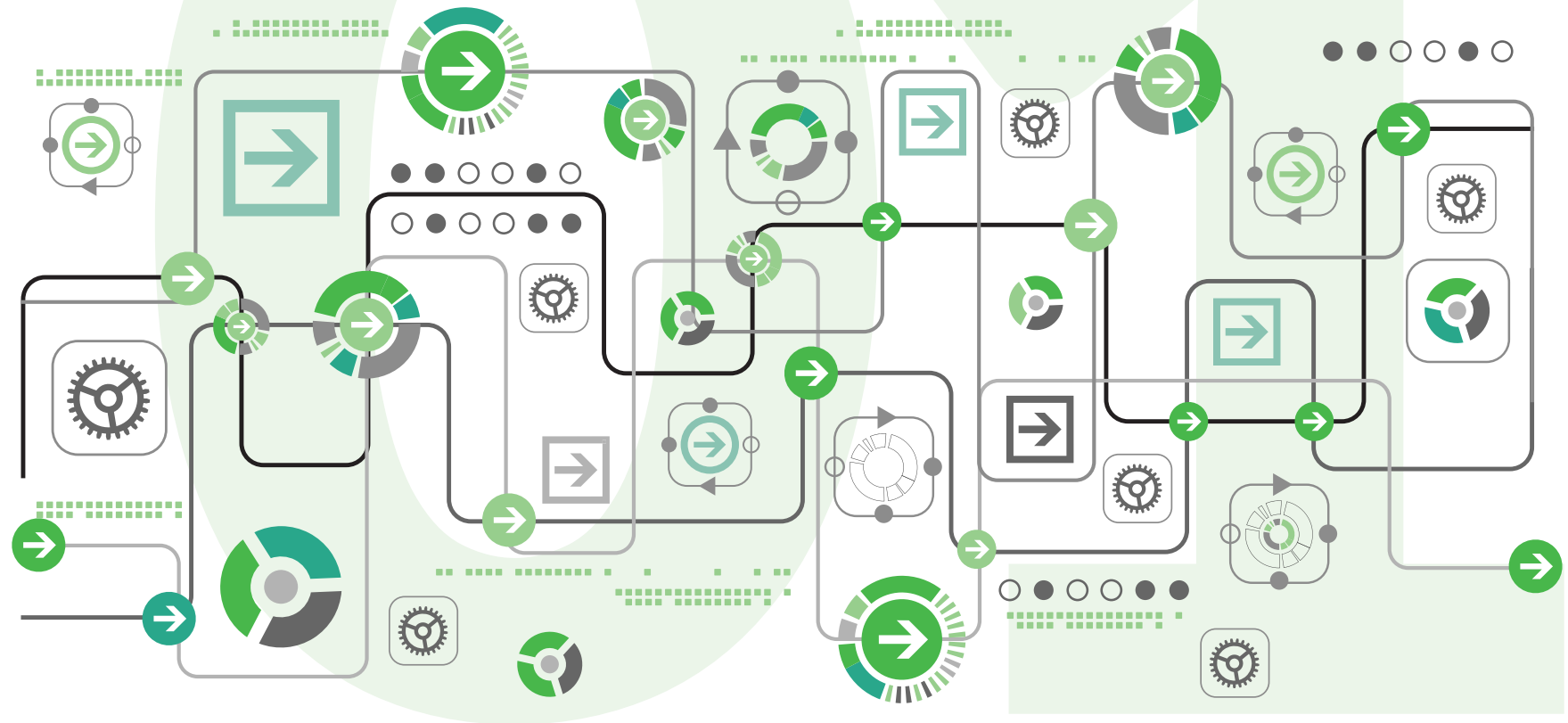
# CONTRIBUTORS

We're immensely grateful to the following, all of whom contributed their time to our research. They haven't been quoted in this summary report, but are quoted extensively in the reports on which this summary is based. These details are correct as of the time of interview in 2017.

Name	Job title	Firm
Rohit Adlakha	HOLMES Team Lead	Wipro Consulting Services
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Chris Brahm	Head, Global Advanced Analytics Practice	Bain & Company
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# Mega trend #1: **DIGITAL TRANSFORMATION**



## How big is the digital transformation market?

Globally, it's worth about \$23bn, making it roughly the same size as the strategy consulting market, twice the size of the UK's consulting market, and five times the size of the consulting market in China. And it's growing much faster than any of these. It should overtake the risk & regulatory consulting market soon, but it has some way to go before it catches up the operational improvement market and the far bigger technology consulting market.

The US consulting market is by far the biggest in the world, so it's little surprise that its digital transformation market is also the biggest. But it's actually the UK where digital transformation has most obviously taken hold—there it represents 23% of the entire consulting market (compared with 20% in the US). The Australian market is big by this measure, too (21% of the entire market), as is the Canadian market (19%).

That correlates with something else we've observed in these consulting markets, namely that they're among the world's biggest relative to the size of their economies. This suggests that the places where consulting is most established—most likely to be seen as a norm—are also the places where digital transformation is most likely to have taken hold\*. It suggests that clients might not be digital self-starters: That they might not suddenly reach an independent conclusion that they need to undertake digital transformation, but rather are told by consultants that they need to do it.

Consulting firms may be worried that the digital market is going to run away without them, but our evidence suggests that, for the time being at least, they're the ones driving it.

What about sub-brands? \*The exception here is France, but that's a market in which technology plays an especially prominent role.

01

\$23bn





## Mega trend #2: **THE MARKET FOR ROBOTICS AND ARTIFICIAL INTELLIGENCE CONSULTING**

### *A note about definitions:*

For most people, clients and consultants alike, the definition of “cognitive computing”, “robotics” and “AI” or “artificial intelligence” are driven by the examples they know about. While experts may debate what exactly is required for something to be artificially intelligent, we have found these personalised definitions to be good enough in exploring responses to this technology.

For the purposes of this report, we have assumed that “artificial intelligence”, “AI”, and “cognitive computing” may be used interchangeably and have accepted the Oxford Dictionaries description of “computer systems able to perform tasks normally requiring human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.”

In most cases, our interviewees used the term “robotics” to denote a practical application of artificial intelligence.

Throughout this report, we have used the term “artificial intelligence” to cover all types of application of artificial intelligence, including robotics. However, we’ll also use the increasingly common term, robotic process automation, to refer to the automation of mid-level knowledge-based work, the parts of consulting which are more standardised and typically done by more junior or less expert people.

The only exceptions are where we quote directly from people we’ve spoken to for this report, in which case we use the term employed by the interviewee.

# 02

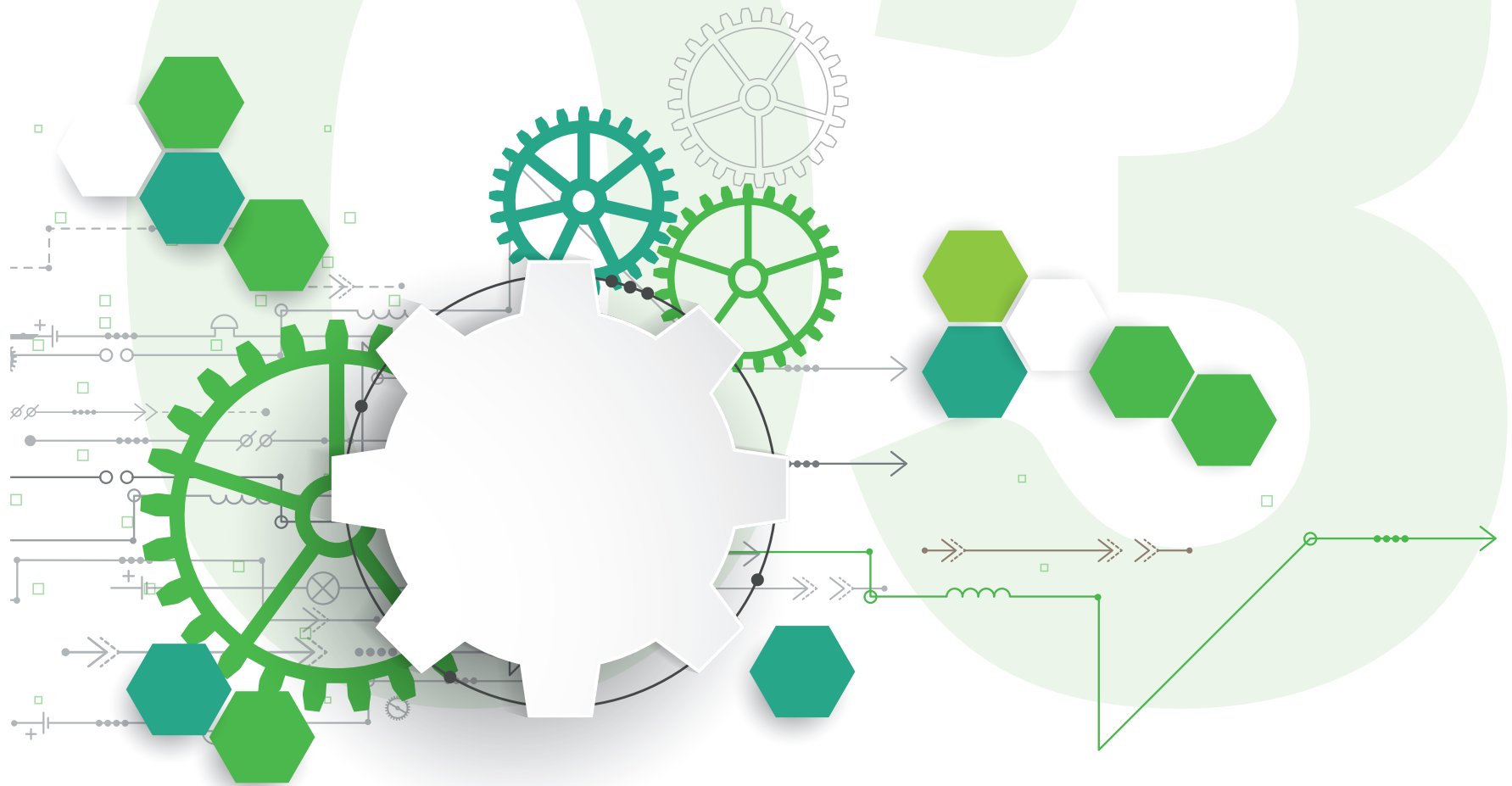
## A starting point: a short history of blockbuster consulting

We talk to hundreds of clients and senior people in the consulting industry every year, and there's barely been a single one of those conversations over the last six months that hasn't touched on the subject of artificial intelligence and robotics. Within a very short space of time the subject seems to have gone from science fiction to business fact.

The truth is probably more prosaic: For all the talk, it seems likely that clients are still in the experimentation phase, and few of the consulting firms we spoke to are yet making a lot of money from this area. That's likely to change, but what, precisely, will the opportunities for consultants be? What type and volume of consulting work will artificial intelligence and robotic process automation generate? And who are the likely winners and losers?

The aim of this report is to try and answer those questions. But at its heart is a much bigger one: Will artificial intelligence be the next blockbuster consulting service?

## Mega trend #3: **HOW ASSETS AND PRODUCTISATION ARE RE-SHAPING THE CONSULTING INDUSTRY**



# 03

## The real revolution?

In the previous section, we examined the extent to which robotic process automation and artificial intelligence could generate new markets for consulting firms. The hypothesis of this section is that the real revolution may be happening elsewhere, in the application of these same technologies to the consulting process itself.

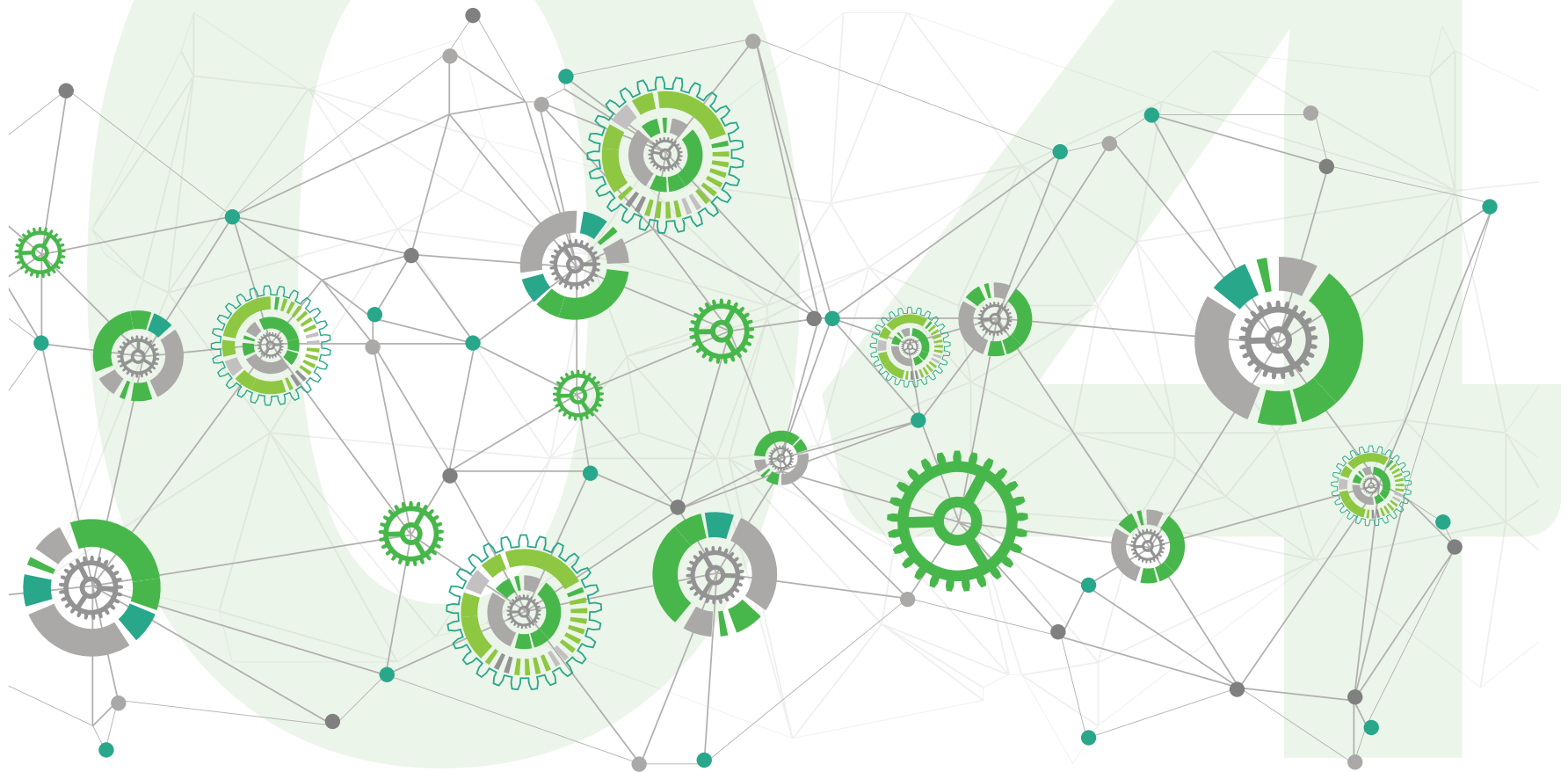
This revolution has been a long time coming.

Surrounded by a sea of automation, consulting—indeed the professional services sector as a whole—is a little island of craft work, peopled by professionals whose expertise can't be replicated by machines. While other forms of labour have gradually been turned into computer code, white collar work has largely escaped (we haven't yet automated management). The more knowledge-based your work, the greater the professional expertise required, the harder it has been for a machine to do it better.

We've been here before, of course. Twenty years ago talk of continuous, real-time auditing sent a shiver down the collective spine of the assurance industry, but the technology to make it work in practice wasn't in place and, understandably, there was a distinct lack of enthusiasm among audit firms to engage in an endeavour that might ultimately destroy their business model. Today, new technologies are rushing into that little haven of manual work, threatening to wash away the traditional audit.

The technology has changed, and so, too, has the attitude of consulting firms. It's not unreasonable to say that, like their counterparts in assurance, consulting firms have been avoiding the issue, constantly re-pitching their tents on slightly higher ground so that they remain above the technology waterline. But that's changed recently: "This has become an all-consuming conversation," said one senior partner we spoke to. "We've spent five years talking about how technology is going to disrupt our clients' industries, only to find it's disrupting ours."

## Mega trend #4: **BRAND AND BUSINESS MODELS**



# 04

## Clients care about brands

In our latest annual survey of clients, we asked them how important they considered a range of consulting firm attributes to be. We provided a list of 15 different attributes and asked them to pick the top two. Brand and reputation came fifth, behind an innovative approach, account management process, the methodologies the firm uses, and the quality of its thought leadership. Brand isn't equally important to everyone—people who work in the operations function of a US retail company are far more likely to consider brand important than are people who work in the IT function of a Nordic public sector organisation—but overall, it clearly matters.

But the importance of brand only extends so far.

Our research also suggests that brand is used by clients to reassure themselves about their choice of firm, but has a limited influence over the likelihood that clients will go on to recommend a firm to a colleague. That's not to say it's completely unimportant: For every one percentage point increase in the proportion of survey respondents who spoke positively about brand, there was a 9% uplift in the probability that they will say they've recommended that brand. However, that makes brand the least influential of all attributes, when it comes to recommendations. At the other end of the scale is a firm's ability to implement, and the methodologies it uses—get these right, and the likelihood to recommend increases by much more.

## ABOUT THE AUTHORS

### *Fiona Czerniawska*

A Co-Founder and Director of Source, Fiona is one of the world's leading commentators on the management consulting industry. Since founding Source in 2008, she has been bringing this expertise to bear on our clients' most pressing strategic projects and business issues.

Fiona has published a dozen books on consulting topics, including two for *The Economist*: [\*Business Consulting: A Guide to How it Works and How to Make it Work\*](#) and [\*Buying Professional Services\*](#). She has more than 20 years' experience as a management consultant, working primarily in the areas of marketing and strategy. She was previously in charge of strategic planning for EY in the UK and has worked in the consulting practice of PwC. Fiona also has a PhD in seventeenth-century French art and lives in hope that it will be of practical use in business someday.



Fiona Czerniawska

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### *Edward Haigh*

Ed is a Director of Source, and he is particularly focused on HR, strategic marketing, and new product development. He is a key member of the Source research team and spends much of his time interviewing consultants and their clients around the world in order to identify and explore major market trends.

Ed regularly speaks about the consulting market to leadership teams around the world, has lectured at Columbia University, Imperial College, and Vrije Universiteit, and he is regularly quoted by media including the *Wall Street Journal*, the *Washington Post*, the *Financial Times*, *Bloomberg*, and the trade press. Prior to joining Source in 2008, Ed spent seven years in various marketing roles for Sony Europe.



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# SOURCE REPORT PROGRAMMES

## ● MARKET TRENDS PROGRAMME

A series of detailed reports that contain the most accurate view available about the consulting market in an extensive list of countries and regions. These explore key themes, provide market sizing data, growth forecasts, and deep analysis, all backed up by extensive quantitative and qualitative research amongst consulting firms and clients.

As well as our country reports, we also produce a global view of four different industries. These reports contain industry analysis, market sizing data, and growth forecasts at a global level, as well as breakdowns by sub-sector, service, and geography. Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches becomes available.

## ● STRATEGIC PLANNING PROGRAMME

A series of reports that take a detailed look at the big trends in the global consulting industry, interpreting them in terms of what they mean for consulting firms and who is best placed to exploit them.

## ● CLIENT PERCEPTION PROGRAMME

A series of reports based on our huge client survey, that reveal what clients think about the leading consulting firms in a number of regions and industries. We rank the leading consulting firms in terms of clients' perceptions of things like quality and value. Data and analysis for these reports are made available to subscribers throughout the year.

As part of this programme we also publish global brand perceptions. Leveraging all the data we have about each of the world's leading consulting firms, we're able to offer insights that go far beyond traditional brand impact surveys. Choose the firms you want to benchmark yourself against, and we'll analyse how clients see your firm relative to your competitors, writing a custom report that puts you at the heart of it. Available on request.

## ● WHITE SPACE

A series of reports that analyse the quality and effectiveness of thought leadership. These are included in all White Space subscriptions.

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	2018	MARKET TRENDS PROGRAMME	STRATEGIC PLANNING PROGRAMME	CLIENT PERCEPTION PROGRAMME**	WHITE SPACE
JANUARY					Hot topics in thought leadership
FEBRUARY		Forecasts for 2018 UK		In each report, we will publish the top ranked firms for: <b>Mindshare</b> <b>Quality of work</b> <b>Value added</b> <b>Quality of work by different consulting services</b>	Quality ratings of thought leadership for the second half of 2017
MARCH		GCC DACH Benelux	Mega trend #1: Intelligent analytics	Germany part 1 US part 1 GCC part 1	
APRIL		Spain France Nordics		Germany part 2 UK part 1 US part 2	Analysis of recent thought leadership
MAY		Eastern Europe US Russia	Mega trend #2: Discover	Financial services part 1 Nordics part 1 Energy & resources part 1	Analysis of recent thought leadership
JUNE		Italy Canada	Mega trend #3: Strategy	France part 1 UK part 2 Financial services part 2	
JULY		LATAM Australia	Mega trend #4: Run	Healthcare part 1 France part 2	Analysis of recent thought leadership
AUGUST		Africa		Nordics part 2 TMT part 1 Energy & resources part 2	
SEPTEMBER		Planning for growth in 2019 India Energy & Resources*		Healthcare part 2 TMT part 2 GCC part 2	Quality ratings of thought leadership for the first half of 2018
OCTOBER		South East Asia Financial Services* China			
NOVEMBER		TMT* Healthcare*	Mega trend #5: How technology will shape the consulting business model of the future		
DECEMBER		*Snapshots of content from these reports will be published earlier in the year and made available to subscribers, as tranches becomes available.	Mega trend #6: Digital transformation	**Part 1: What our data tells us about the market. Part 2: Firm-by-firm analysis	

Would you like more information on any of the above? A more detailed view? Or to adjust any of it to suit your requirements?  
The adjacent page offers more insights into how we can help you.



# OUR CUSTOM RESEARCH SERVICES



Over the course of the last ten years we've worked with leaders in many of the world's biggest professional services firms, to help them find solutions to some of their most important challenges. Here are some typical examples of the kind of work we do.

## **You need to know how big your market is**

We have a global data model of the professional services industry that is the biggest and most sophisticated of its kind ever created. It provides data on market size, growth rates, and forecasts across 29 industrial sectors, 10 service lines, and 84 countries. It also breaks down the market by different types of firm.

We can provide you with a version of the model that's customised to fit your needs, giving you data on all the countries, sectors, and service lines that matter to you, and none that don't. But we won't stop there, unless you want us to: Our analysts will work alongside you to make the model yours, mapping our definitions to yours, so you can look at the market on your terms rather than ours.

## **You need to understand what the numbers mean for you**

For many of the firms we work with, pure data isn't enough, and nor are standard reports able to offer a view that's sufficiently tailored to their needs. In these situations, our analysts start with a blank sheet of paper, put your firm in the middle of it, and draw on all our data and knowledge—including about clients' perceptions—to build a picture of the world around you. You get a story that's laser-focused on your challenges and your opportunities, and that helps you to translate data and insight into action.

## **You're new in your role and need to understand the market for which you're now responsible**

For people who have just moved into a new role, we can create packs of information specific to a particular geography, sector, or service line. Our market sizing data can be used to quantify the market's potential, and our analysis of clients' perceptions and the competitive landscape will help you understand how best to seize the opportunities and respond to the threats.

## **You need to create clear propositions around your services**

Our research tells us that having a big brand is no longer enough: Increasingly, clients expect professional firms to have a clearly articulated proposition for each service that differentiates them from their competitors. But the best propositions aren't built in a day: Our analysis, because it's grounded in facts about clients' perceptions and behaviour, helps firms quickly cut through internal disagreement and build a clear sense of direction.

## **You need help with your inorganic growth plans**

We also work with firms that are supplementing their organic growth with acquisitions, helping buyers find and qualify suitable targets for acquisitions. Leveraging our deep knowledge of the professional services sector, we can scan the market, profile companies, and even effect introductions. Firms use our services because we're well-connected in the industry, independent, and fast.

## **You need to understand how you measure up against your competitors in the minds of clients**

Understanding what your clients think about your firm is critical in today's fast-changing and highly competitive market. New circumstances demand new, expert-led strategies to brand benchmarking, and that requires both independence—to get to the real story, not the one your clients think you want to hear—and deep knowledge and data about your market and your competitors.

We usually have a head-start here, because of the data we already have, but we've got all the expertise and experience that's needed to conduct new research among your clients and those of your competitors, in order to understand where your strengths and weaknesses lie, and what you need to do to stand out. The focus might be on your firm alone, but it might also be on how you can create competitive advantage over specific, named competitors.

## **You need to create better, more effective, thought leadership**

Thought leadership has come to dominate the marketing activities of professional service firms, and with good cause: Our research with clients finds consistent evidence that good thought leadership matters to them, too. It helps them to do their job, to identify where world-class capability exists in these firms, and even to shortlist firms for projects.

How well does your thought leadership measure up? We can conduct in-depth reviews to assess quality in a sample of material that's either random or defined by you, from single pieces to entire bodies of work, on an ad-hoc or routine basis. We can also help you shape your approach to topics and understand what your competitors are doing, and can provide guidance about how to approach a specific piece of high-profile thought leadership.

We also recognise that good thought leadership doesn't happen by accident, but because you've put in place the right processes and engaged the interests and enthusiasm of your key subject matter experts. We help professional services firms create the foundations, organisational structure and processes for high-quality content. We can also run workshops that inspire your people and help make them more effective at creating thought leadership.

## 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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