

December 2019

The Japan Consulting Market in 2019

Market Trends Programme



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Provides an at-a-glance view of the main trends in the market alongside key statistics.

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5 About this report

Our report draws on three main sources:

- Our global data model with 9.7 million data points
- Our interviews with senior management consultants from a range of consulting firms
- Our in-depth desk research on the market

A detailed view of our methodology and more information about Source can be found below.

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Japan overview

INVESTMENT ANALYTICS
GROWTH DIGITAL
DATA REGULATION TRADE
ROBUST SCALE
LABOUR LAWS OPPORTUNITY AUTOMATION

When the Japanese and Scottish rugby teams walked out onto the turf of the International Stadium in Yokohama on October 13th 2019, commentators from the world's TV stations could scarcely believe their eyes.

Just 24 hours earlier, Typhoon Hagibis—the most devastating storm to hit the Kanto region since 1958—had barrelled through, leaving a trail of death and destruction. Yet, on the day of the match, people around the world turning on their TVs might have seen the pristine pitch and flag-waving fans and assumed nothing untoward had happened. “It’s amazing that they’ve been able to get this game on,” said ITV’s Jill Douglas to fans tuning in from Scotland, the seriousness of her expression underlining what everybody in Japan already knew.

Japan’s impressive resilience in response to the typhoon is a quality that may be every bit as useful for its consultants. Rarely have so many different threats loomed over Japan’s consulting industry simultaneously: wages falling, household spending growth slowing, consumer sentiment at its lowest level since 2016, a trade war between the US and China, strained diplomatic and trading relations between Japan and South Korea, concerns over the impact of an increase in consumption tax (last time it prompted a recession), and an economy that the government has given its lowest grade (“worsening”) for the first time since 2013.

And yet...

The game goes on. Remarkably, Japan’s consulting market grew by 9.3% in 2018, and most consulting leaders we spoke to talk in glowing terms about the state of their business at the moment. “I can’t emphasise enough that it’s an amazing market to be in at this point in time,” says Symon Hammacott at Publicis Sapient. “There are

amazing opportunities and incredible clients, and it's great to be part of making change happen." "The market has been very strong," agrees Seo Young Lee at Oliver Wyman.

"We saw double-digit growth in Japan last year."
Bill Farrell, EY

"We've achieved some extraordinary growth figures in Asia, with the stars being Japan, India, and South Korea."
Randy Browning, PwC, global

For some, despite the small size of Japan's consulting market relative to its economy, this positivity is largely thanks to the maturity of Japan's wider economy: "The sheer size of the economy means there is still a significant opportunity," says Adam Baylis at KPMG Japan. "Large Japanese organisations are very well versed in identifying high-value opportunities and moving quickly to secure them."

But it's arguably the impact of change, in what has traditionally been a slow-moving and conservative business environment, that's the greater driver of growth. As Adam Baylis goes on to explain: "We're seeing growth in the start-up space and an uptick in outbound investment. Clients are looking to diversify their portfolios and need support navigating the global market."

Indeed, some point to deeper changes, not just within companies but within society: "Social structures are changing in Japan," explains Tatsuhiro Ogawa at Corporate Directions Inc. "So companies need to change too, and that's driving the need for consulting support."


"2018 was another year of growth for the wider market across all services and solutions."
Bill Farrell, EY

"The 2019 fiscal year went very well for us, and we grew more than 20% in terms of revenue. Our profitability grew more than that, so it was a very good year overall."
Susumu Adachi, PwC

"Over the past year we have done very well—it feels like everyone is busy here in Japan."
Makoto Shiono, Industrial Growth Platform, Inc.

"The Japanese consulting market has seen continuous growth of around 7% or 8% annually for the past few years, and we expect this to continue further."
Taku Oike, GENEX Partners

And the good news is that while we don't yet know exactly where the figures will end up for 2019, the momentum from 2018 seems to have continued, with elections in June doing little to cause any bumps in the road, despite concerns about an increase in consumption tax. "We have not seen much of an impact from the recent elections," says Taku Oike at GENEX Partners. "It's true that we don't have too many public sector clients, but from our experience with private sector companies we haven't seen much of a change at all."

 *The election hasn't had much of an impact because there's been no big shift in policy. The situation is ongoing, basically. We don't see any critical change in the market as a result.*

Tatsuhiko Ogawa, Corporate Directions, Inc.

Still, it takes a fair degree of resilience and strong nerves to keep pushing ahead against such a foreboding backdrop; Japan's consultants could probably learn much from the tenacity of the national rugby team—who won their game against Scotland—as they continue to face an uncertain market.

Explore the data

All of the market size data in this report is available to explore online through our global data model portal. You are able to interact with the data in more detail and create custom views of the market to suit your needs.

You can access the data via our reports page, as seen below:



Our global data model is the biggest and most sophisticated model of the professional services industry available. It provides data on market size, growth rates, and forecasts across 29 industries, six service lines, 84 countries, and five firm types. It's the platform on which a growing number of professional services firms are basing their understanding of the market and their performance within it.

Labour laws

To many, the combination of “Japan” and “management consultant” must look like the ultimate in long-hours working practices. So, how are new labour laws—designed to address the Japanese cultural tendency for working long hours—being received by consulting firms? The first thing to say is that many consultants—those earning more than JPY 10.75 million—are exempt from the new rules by virtue of their “high-level professional” (HLP) status. The second is that, as ever with new legislation that impacts businesses, there are two sides to the story for consultants: the opportunity to win more work helping clients to respond, and the impact of dealing with direct implications on their own firms.

In respect of the former, the news is predictably good: “People change and transformation is one of the hottest markets right now,” says Susumu Adachi at PwC. “Our clients need to figure out how to increase productivity with fewer working hours.”

Equally inevitably, the remedy has a distinctly digital feel to it: “It’s one of the reasons our customers are trying to implement RPA and AI,” says Taku Oike at GENEX Partners. “This is particularly the case in financial services, with a lot of companies implementing RPA at their operating centres, and then laying off staff.”

The cruel irony here seems worth acknowledging: In an attempt to stop people working too hard, legislation is introduced to restrict working hours to healthy levels. In response, companies automate jobs and lay off workers completely. So now they’re not working at all. Perhaps it was only a matter of time anyway, but the idea that a genuine concern for people’s health and well-being might be the trigger for mass redundancies does indeed seem cruel.

On the other hand, those with an avowedly progressive and technophile mindset might welcome the additional boost to what has so far been a relatively slow digital transformation market: “Japan has been a few years behind the US and UK in terms of embracing digital,” Seo Young Lee at Oliver Wyman points out. “But that trend is changing rapidly with companies starting to place big bets into building digital capabilities.”

“Legislation which limits the amount of hours employees can work has certainly had an impact on our clients. It’s led to increased digitisation and the more rapid introduction of RPA into the workforce.

Yasumi Taniguchi, Protiviti

Not all consulting work in this area is focused on implementing technology that calls time on people’s jobs: The wider implications for

Japan's working culture—which are welcomed by many—are leading to interesting and challenging work at the human end of the spectrum. “There's growing interest in investing in the staff experience in Japan,” says Symon Hammacott at Publicis Sapient. “We work with clients to outline how everyone is playing a part and making a contribution. Clients want their employees to have equity in the brand and to understand its values. It chimes with the very committed working culture in Japan.”

And what about the impact of the legislation on consulting firms themselves? The response from most consultants seems to be double-edged: On the one hand, they support the idea of reforming Japan's working culture and see what's happening as a good thing; on the other, there are concerns about the ability of firms to remain competitive—the most junior consultants are unlikely to be exempted from the new legislation—and some criticism that the government is out of touch. Ray Fujii at L.E.K. Consulting sums it up this way: “Limiting working hours is very effective in moderating the behaviour of companies that force people to work long hours, or have a long-hours working culture. But it doesn't really help professional firms to be competitive enough in the global market. For manufacturing it makes sense, for professional firms in the service industry it makes no sense. I don't think the government understands the service business in professional firms.”

“Our junior colleagues in China, the US, and Europe will be working harder as a result of the limits on working hours. This means the level of skills and knowledge that our associates gain could be different to those gained by associates elsewhere, although we will try to avoid it.

Ray Fujii, L.E.K. Consulting

“Limiting the hours of work our consultants are doing to comply with the government reforms means that we are now training our consultants to produce the same amount of work in less time.

Taku Oike, GENEX Partners

From automation to transformation

While digital transformation has been slower to take off in Japan than in many other parts of the world, digital uptake is starting to gather pace. To date, energy has been focused on using robotic process automation (RPA hereafter) to drive efficiency, and this has been given added impetus (as discussed above) by recent changes to labour laws.

The spectrum of digital work also appears to be broadening rapidly. “The biggest shift in 2018—and it continues now—is a move away from point-based solutions to having broader conversations about the connected enterprise,” says Adam Baylis at KPMG Japan. “It’s moving from questions that say, ‘Can you fix this?’, to ‘We have an enterprise-wide problem and we need a partner to help us solve that.’” Susumu Adachi at PwC picks up the theme: “We’re seeing a good volume of business supporting the streamlining of back-office space, but most of our clients are asking us to transform their business model, from the front office through to production. Their business models are completely changing.”

“Digital revolution and creating new businesses (there is an accelerating demand for trying to be the first one ever to apply the themes of technology, patents, and world-class R&D) are the hot topics we are seeing. Clients are collaborating with consulting firms and various companies and their progress is being made through open innovation and cooperation.

Satoshi Nagashima, Roland Berger

Behind that broadening agenda lies the growing threat of disruption, and the implication of being exposed to—and compared with—much wider markets than in the past. Symon Hammacott at Publicis Sapient says that the work his firm does now is mostly at an enterprise level: “Big organisations in Japan with huge market presence are feeling the pressure of disruptive players, and really recognise the need to change and transform themselves. They realise that customers don’t just compare their experience to the best in their industry—they’re benchmarked against the service they receive from Amazon, Uber, or Spotify.”

“We’re seeing a huge increase in interest in Wavespace: Japanese companies want to understand more about global innovation, connectivity, and embracing new technology.

Bill Farrell, EY

“Our clients are trying to change over to digital business models, and that’s driving a very good volume of consulting work.

Susumu Adachi, PwC

About this report

Methodology

Sources

Our report is based on quantitative and qualitative research of consulting firms in Japan. This includes the following:

Megamodel: our global data model

The quantitative data contained in this report focuses on consulting done by mid- and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid- and large-sized clients—what we at Source call “big consulting”. It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms; we don’t try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market. Our analysts work out the addressable size of the market through desk research, identifying the number of firms that meet our criteria, and extrapolating from that to reach a figure for the market as a whole.

Using this definition, we’ve built a bottom-up model of the global consulting market from the information we get from consulting firms and our own research, and we use it to size the industry and its growth rates. This is based on our global model which contains detailed data about almost 1,600 firms, plus higher-level estimates about a further 400,000 firms, all with more than 50 consultants apiece, in addition to comprehensive primary research carried out by Source analysts.

Please note that our 2017 baseline figures have changed a little since last year, due to the relatively recent and extremely rapid evolution of the Japan consulting market. We’ve revisited our bottom-up primary research to ensure that we’re capturing the entire market within “big consulting”, including the work conducted by niche/boutique Japanese firms that are large enough to fall within this category. As part of this process, we’ve undertaken additional desk research, including that in the local language, and have conducted additional supplementary interviews with both consulting firms and their clients. As a result, the overall Japan market has increased in size across all sectors and services. We are happy to provide subscribers who bought last year’s report with a restated set of 2017 baseline figures should this be of interest.

We should emphasise that there are no standard sources of definitions of data within geographies let alone between them. We are, however, confident that the richness of our qualitative data, combined with Source’s unparalleled industry expertise, means that our analysis fairly and accurately reflects the state of the market.

Please note that we have refined and implemented improvements to our research methods for digital data, taking a bottom-up approach to firm-level data this year.

All figures given in this report are in US dollars. For reference, Source is using the following exchange rates in its reports this year:

US dollar to British pound	US\$1 = £0.75
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US dollar to euro	US\$1 = €0.85
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Interviews with senior consultants

In addition to our quantitative research, we interviewed 18 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country and many smaller local specialists to understand more about how the consulting market is performing and what the major trends, changes, and challenges are. Throughout the year, Source analysts remain plugged into the global consulting market through our bespoke research and consulting projects, adding further depth to our understanding of the consulting industry.

In-depth desk research

We also conducted a thorough PEST analysis in Japan that drills down into finer macroeconomic details on a holistic and sector-by-sector basis and allows us to fit our research into a wider macroeconomic picture.

Definitions of sectors and services

Our definition of management consulting includes a broad range of business advisory services, but excludes:

- tax advisory
- audit
- the implementation of IT systems
- the delivery of outsourced/offshored services
- HR compensation/benefits administration and technology

Where mergers & acquisitions work is concerned, consulting on deals is included (under strategy), but corporate finance fees on deals themselves are generally not included, although it is not always straightforward to separate the two.

For more information about how we classify consulting services and sectors, please see “Definitions of sectors and services”.

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
Susumu Adachi	CEO	PwC
Adam Baylis	Director	KPMG Japan
Dai Bedford	Global Banking and Capital Markets Advisory Leader	EY
Eric Benedict	Managing Director	AlixPartners
Bruno Berthon	Senior Managing Director, Accenture Strategy, Europe, Utilities, Digital Lead	Accenture
Randy Browning	Partner	PwC
Bill Farrell	Chairman, Japan	EY
Ray Fujii	Partner and Head of Tokyo Office	L.E.K. Consulting
John Garvey	Global Financial Services Leader	PwC
Symon Hammacott	Executive Creative Director	Publicis Sapient
Seo Young Lee	Head of North Asia	Oliver Wyman
Satoshi Nagashima	Managing Partner	Roland Berger
Tatsuhiko Ogawa	Director	Corporate Directions, Inc.
Taku Oike	President, Senior Partner	GENEX Partners
Teruo Seno	Country Managing Director	Korn Ferry
Makoto Shiono	Partner/Managing Director	Industrial Growth Platform, Inc.
Yasumi Taniguchi	Managing Director, Japan Country Market Leader	Protiviti
Gordon Tucker	Managing Director	Protiviti

About the authors

Edward Haigh

Ed is a Managing 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 (New York), Imperial College (London), and Vrije Universiteit (Amsterdam), 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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Ashok Patel

Ashok is a writer and editor at Source, contributing to our Market Trends Programme and Client Perception Programme reports. Prior to joining Source, he was an editor and a consultant in the commodities market, and he also brings experience from the UK automotive sector.

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Programme schedule for 2019

Reports 2019	Market Data and Analysis	Client and Brand Insights	Emerging Trends
January	Forecasts for 2019		
February	UK	UK Nordics GCC	
March	GCC Benelux Nordics	France Germany US	The Future of Pricing
April	France DACH Southern Europe	Energy & Resources Financial Services Healthcare Technology, Media & Telecoms	
May	US Eastern Europe & Russia		The Value Problem
June	Canada		
July	South America Australia	Perceptions of Audit Firms Perceptions of Risk Firms Perceptions of Tax Firms	
August	Africa Risk		The Make-Buy Decision
September	India Energy & Resources Planning for Growth in 2020	Talent Attractiveness in 2019	
October	Financial Services China South East Asia		
November	Japan Healthcare Technology, Media & Telecoms		The Future of Delivery
December	Tax		

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- Brand and client sentiment analysis
- Thought leadership strategy, development, and review

For more information about any of these, please visit our website or get in touch.

Source Global Research is a leading provider of information about the market for professional services.

Set up in 2007, Source serves the professional services industry 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.

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