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EXTRACT

Consulting's New Talent Crisis

Emerging Trends Programme





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Executive summary



It can be quite tempting to say that this is an age-old problem, and that there's been a war for talent in consulting practices for years. While it's true that this problem is one we're familiar with, its scale—and the broader context—absolutely is not, which will mean our approach to solving it will need to be different. To paraphrase Einstein, we cannot rely on an old map to navigate a new world.

Amanda Gethin, EY



The talent market is very hot; it's getting increasingly difficult to recruit and hold on to people. There are a lot of projects kicking off at the moment, and consulting firms across the board have had to increase what they're willing to pay in order to hire fast enough to meet demand. There are some service lines and some markets we operate in where average salaries have gone up by as much as 30 to 40% this year.

Kumar Parakala, GHD Digital

More than perhaps any other issue, talent is the topic that has dominated the agendas of the consulting industry's leaders over the past six months. A year and a half ago, when clients first started cancelling projects and dialling back their consulting spend in response to the pandemic, firms started to panic that they wouldn't be able to maintain profitability with a large bench of underutilised resources—leading many of them to freeze or substantially reduce the pace of their recruitment activities. But this year, they've found themselves in the exact opposite situation; client demand is surging, and firms simply don't have the resources to keep pace. Like so many other industries, consulting is in the midst of an acute talent shortage.

Many, but not all, of the talent leads and HR directors we spoke to while researching this report agreed that the present situation could accurately be described as a crisis; others felt that the crisis was looming on the horizon, but had not quite made landfall yet. But however they chose to frame it, they were unanimous about the fact that it had become noticeably harder to attract and retain high-quality talent, and that access to talent was starting to look like a major constraint on their firm's ability to realise its long-term growth ambitions.

In a survey we conducted at the midpoint of the year, 47% of consulting firms felt that recruitment had become more of a problem for them over the past six months, compared to only 2% who felt the opposite (Fig. 0.1). Even more firms claimed to be experiencing issues holding onto talent (Fig. 0.2). Across the industry, stories abound of consultants at every level of the resource pyramid getting poached by competitors or choosing to exit the industry altogether. All the way down to the graduate level, firms have found it harder than ever to attract and convert top tier candidates.



Methodology

The majority of the data in this report comes from a study of early-career consultants conducted in July of 2021. For this study, we surveyed 200 people, all working for consulting firms at the time the survey was conducted, and all of whom were under the age of 30 and had less than five years total experience in the consulting industry. Figs. 0.6, 0.7, and 0.8 provide further details about these respondents.

In the executive summary, we have additionally used data from a study conducted in June 2021 which surveyed 51 consultants and targeted more senior managers and leaders within consulting firms.

Where necessary, we have also drawn on data from our global data model, a bottom-up model of the professional services industry that we use to size the industry. This model covers over 80 countries, and includes detailed data on almost 1,600 firms, as well as higher-level estimates for a further 400,000. Additionally, we have at certain points calibrated data against our annual Client Perception Study, in which we ask thousands of clients around the world about their views on firms that they have worked with or have considered working with.

To better understand the ways in which consulting firms are responding to the talent crisis, we also conducted a series of interviews with HR directors, talent leads, and other relevant experts within the consulting industry and other adjacent parts of the professional services market. A full list of contributors is available at the back of this report.

A selection of these conversations have been made available to subscribers of our Emerging Trends programme as an accompanying interview series. You can read transcripts of these interviews—and access interactive data visualisations and other additional pieces of content—by going to the [Emerging Trends platform](#) on the Source Global Research website. If you do not have access to this platform, please contact your account manager.



Figure 0.6

Breakdown of our sample of early-career consultants by years of consulting experience

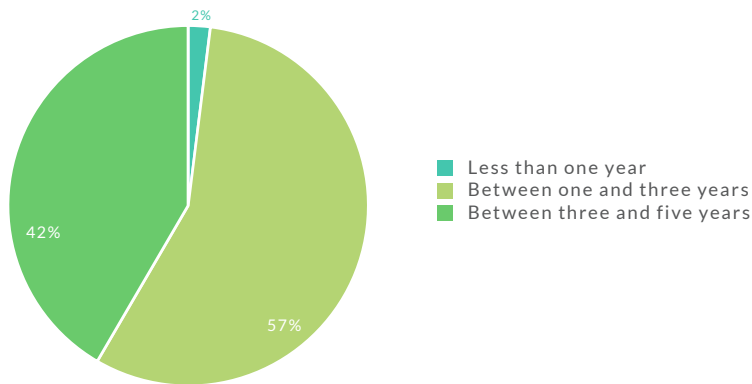


Figure 0.7

Breakdown of our sample of early-career consultants by firm type

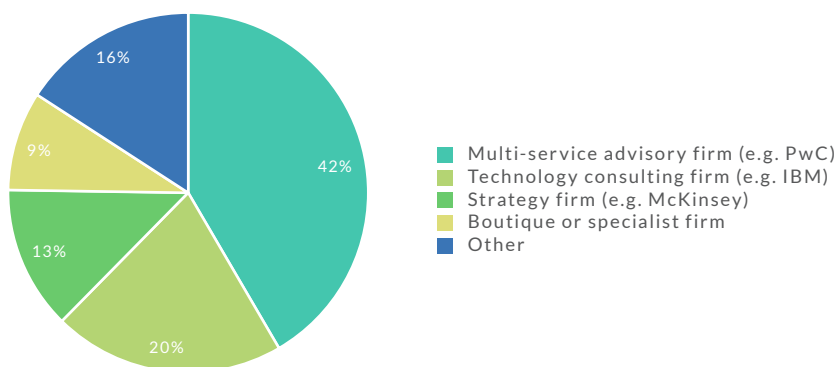
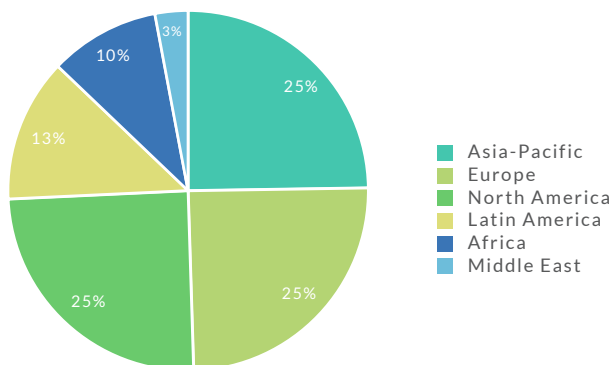


Figure 0.8

Breakdown of our sample of early-career consultants by base location





Section 1: How has the pandemic shaped the current talent crisis in consulting?

In this section...

- Attrition levels within consulting—which were already on the rise prior to 2020—have been further heightened by COVID. A year and a half of living through a pandemic has led many consultants to re-evaluate their career priorities, leading to greater movement within the industry and to more consultants looking for opportunities outside of it.
- The impact that the shift to remote working has had on consultants' work-life balance ought to be of particular concern to firms, and could lead to a longer-term exodus of talent from the industry if not addressed.
- The pandemic has also heightened the need for firms to be able to access specialist talent in high-growth areas such as cybersecurity, data & analytics, and cloud.
- COVID has helped to firmly cement the technology sector as consulting's primary competitor for talent. Firms will need to look for opportunities to more effectively differentiate their employee value propositions if they are to avoid losing the war for talent against tech.



There's a lot of talk right now about this idea of 'the great resignation'. Every industry seems to be struggling with retention, and consulting is no exception. People are feeling burnt-out by the pandemic; they've spent eighteen months working in less than ideal conditions, and now that the talent market has heated up, they want to take advantage of that to inject some change into their lives.

Alix Hahn, Prophet



My view is that COVID has worsened a problem that had already existed in the consulting industry for some time. Fundamentally, management consulting just isn't a very appealing job for the incoming generation of workers. That's something I've believed for a long time; and a lot of our talent strategy at Teneo has revolved around finding ways to address that problem. People simply aren't willing to make the kind of work-life balance bargain that this industry depends on anymore. You see evidence of this in the fact that many firms were facing material retention and acquisition challenges even three or four years before the pandemic—and were having to make heavy use of independent contractors as a result. And now, even the firms that had a relatively good employee value proposition before 2020 have seen that value proposition get completely destroyed by COVID.

Tim Nixon, Teneo



The pandemic has, I think, forced a lot of people to re-evaluate what they want from their careers. We're at a point now where people value the idea of flexibility in a way that we've never seen before—so I think there's a real opportunity for firms to set themselves apart by embracing that need, and giving their employees more say over the work they do and how they do it.

Andrea Ivey Harris, Prophet



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Section 2: How can consulting firms improve the employee value proposition?

In this section...

- Shifting generational attitudes have had a significant impact on what makes for an effective employee value proposition in the consulting industry. Personal autonomy is now highly valued; consultants are looking for firms that will give them control over their lives and careers at both the macro and micro levels.
- Today's young consultants are less willing than their predecessors to put up with "the grind". To be attractive destinations for talent, firms will need to demonstrate a willingness to take issues of mental and physical wellbeing seriously.
- Creating a sustainable model of work-life balance will require a collaborative process between consulting firms and their clients.
- The disruption caused by the pandemic means that this moment represents a unique opportunity for firms to reinvent their employee value propositions in line with the needs of a new generation of talent.



What makes a consulting firm an attractive destination for talent? In my view, there are three key elements. An attractive organisation is one that offers fulfilling opportunities for its people; invests in the development of its people; and has a culture rooted in values of inclusion, wellbeing and purpose.

Payal Vasudeva, Deloitte



The need for a better work-life balance isn't a trend that's unique to consulting. You see it in almost every industry—even investment banking. The only place you don't see it, interestingly enough, is the legal profession. But when even Goldman Sachs bankers are demanding better working conditions, you know that this trend isn't going away any time soon.

Tim Nixon, Teneo



Consulting still offers a lot of opportunities for fast track career development—the types of opportunities it's hard to find in other industries, even tech companies. There's something about the pathway to the partnership that is very appealing for people who are looking to hit the ground running and grow their career at an accelerated pace. It's hard to find a career where you can do that, while also having a positive impact on the world. Consulting is one of the few places that offers both of those elements.

Larissa Lawrence, Tata Consultancy Services



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Section 3: What steps have firms taken to expand the size of their talent pools?

In this section...

- Consulting firms have started to diversify the range of universities and university courses they recruit from—both to address talent shortages, and to increase diversity. This has been made easier by the transition away from on-campus careers events in favour of virtual recruiting events.
- At the same time, firms have sought to play a more active role in shaping the next generation of talent, investing in educational initiatives both within and outside of their organisations.
- Some firms have started to consider the way in which increased client acceptance of remote working could allow them to globalise their resourcing models at the bottom end of the pyramid, effectively increasing the size of their total talent pools.
- There is a lot of momentum within the industry around issues of accessibility, as firms look to bring in people who would previously have felt excluded from a career in consulting.



When we're assessing candidates, a key priority of ours is finding people who can deal with change. The world is changing fast; many of our clients are in the process of attempting to transform their business, and our own sector is transforming at the same time. That means it's imperative that our consultants have agile mindsets and know how to respond to new circumstances as they arise.

Godelieve van Dooren, Mercer



The skills that consulting firms are looking for tend to be in areas that are relatively new and evolving rapidly, so there isn't an endless supply in the labour market. And then you have the added issue that competition for those skills has been widening, particularly in the digital space. Because of the pandemic, companies across the board have had to accelerate the development of their digital capabilities to support their new ways of working and new ways of operating. Everyone has had to develop a level of digital and data fluency across their whole workforce, and that's made it even more challenging to compete for talent.

Amanda Gethin, EY



We're definitely thinking a lot about how to expand the pool of talent we recruit from. We've always been open in terms of the range of universities we target; but even so, we're still looking at ways that we can broaden our horizons—while maintaining our commitment to academic excellence. To a large extent, that's been driven by our commitment to improving the level of diversity within our firm.

Per Breuer, Roland Berger



Solving the talent crisis



As an industry, I think that we need to continue to be bold and innovative in our talent practices. This is, after all, a people-centric business; so it is imperative that firms like ours are constantly thinking about creative new ways to attract and nurture our talent. And of course, we have to continue to learn and evolve our post-pandemic ways of working so we don't inadvertently create a two-tiered experience that separates office workers from remote workers, or fee-earners from enabling functions. We need to ensure there's a seamless connection between colleagues wherever they are based and whichever team they work in, in order to best serve our clients.

Payal Vasudeva, Deloitte



I think the pandemic has created some huge opportunities for consulting firms, because it's made people realise how quickly and how radically industry norms can change. If I'd told someone in 2019 that we'd have to implement fully remote working across all of our projects over just a few weeks, they would have called me crazy. So now, that's created more confidence among industry leaders that it's possible to deliver equally dramatic transformation to other elements of the people story as well.

Anonymous

Throughout this report, we have explored the nature of the talent crisis currently facing the consulting sector—and we have documented the various initiatives firms have undertaken in response to this crisis. The question remains, however, of what a true "solution" to the talent crisis—if such a thing were even possible—would look like.

To be clear, there are plenty of steps that firms can take at the individual level in order to successfully insulate themselves from the worst elements of the crisis. On the attraction side, for example, firms can expand the range of talent pools they recruit from, create new on-ramps into their businesses in the form of digital bootcamps or apprenticeship schemes, and change the messages of their recruitment collateral to highlight aspects of the industry that are more in line with the priorities of a new generation of talent. And to address retention issues, firms can promote a more sustainable work-life balance among their more junior resources through the use of respect and inclusion charters and by fostering a culture of healthy communication—while also giving consultants at least the feeling, if not the reality, of more autonomy and control over their careers and the projects they get staffed to.

But even in the aggregate, it seems unlikely that these sorts of steps will amount to something that could be considered a genuine solution to the wider industry's talent crisis. Partly, that's because these are steps that almost every firm can take—and, indeed, our research suggests that it's hard to find a firm that isn't already taking action on these fronts. And when every firm is investing in the same places and taking the same set of actions, it's hard to see how any of them are going to successfully convert those actions into a sustainable, long-term competitive advantage in the war for talent.



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 (excluding those consultants and clients who wished to remain anonymous).

Name	Job title	Organisation
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About the authors

Fiona Czerniawska

A co-Founder and Managing 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 17th century French art and lives in hope that it will be of practical use in business someday.

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Fergus Blair

Fergus is the Producer of our thought leadership at Source. In this capacity, he oversees our Emerging Trends research programme, hosts our fortnightly podcast, and creates content for our blog and social channels. He has contributed to a number of leading management and professional services publications, and regularly speaks at our own events and those of our clients.

Prior to joining Source, Fergus was a management consultant at Capgemini Invent, where he helped develop customer loyalty strategies for leading retailers and consumer products companies. He holds a degree in philosophy from Gonville & Caius College, Cambridge.

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Reports 2021		Market Trends Programme	Client Perception Studies	Emerging Trends Programme
Q1	January	Forecasts for 2021 US GCC UK Nordics Canada	UK US	
	February		Germany Financial Services	
	March		Healthcare & Pharma GCC France	Buying and Selling
Q2	April	France DACH Australia Southern Europe	Nordics Energy & Resources Technology, Media & Telecoms	
	May		China Japan	Digital, Transformed?
	June			
Q3	July	China Benelux South America South East Asia India Japan Eastern Europe & Russia Africa Energy & Resources Financial Services		
	August		Perceptions of Risk Firms Perceptions of Tax Firms	Consulting's New Talent Crisis
	September		Perceptions of Audit Firms	
Q4	October	The Global Tax Advisory Market The Global Risk & Cybersecurity Services Market Healthcare & Pharma Technology, Media & Telecoms Consumer Products & Retail Planning for Growth in 2022		Building a Trusted Brand
	November			
	December			

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