

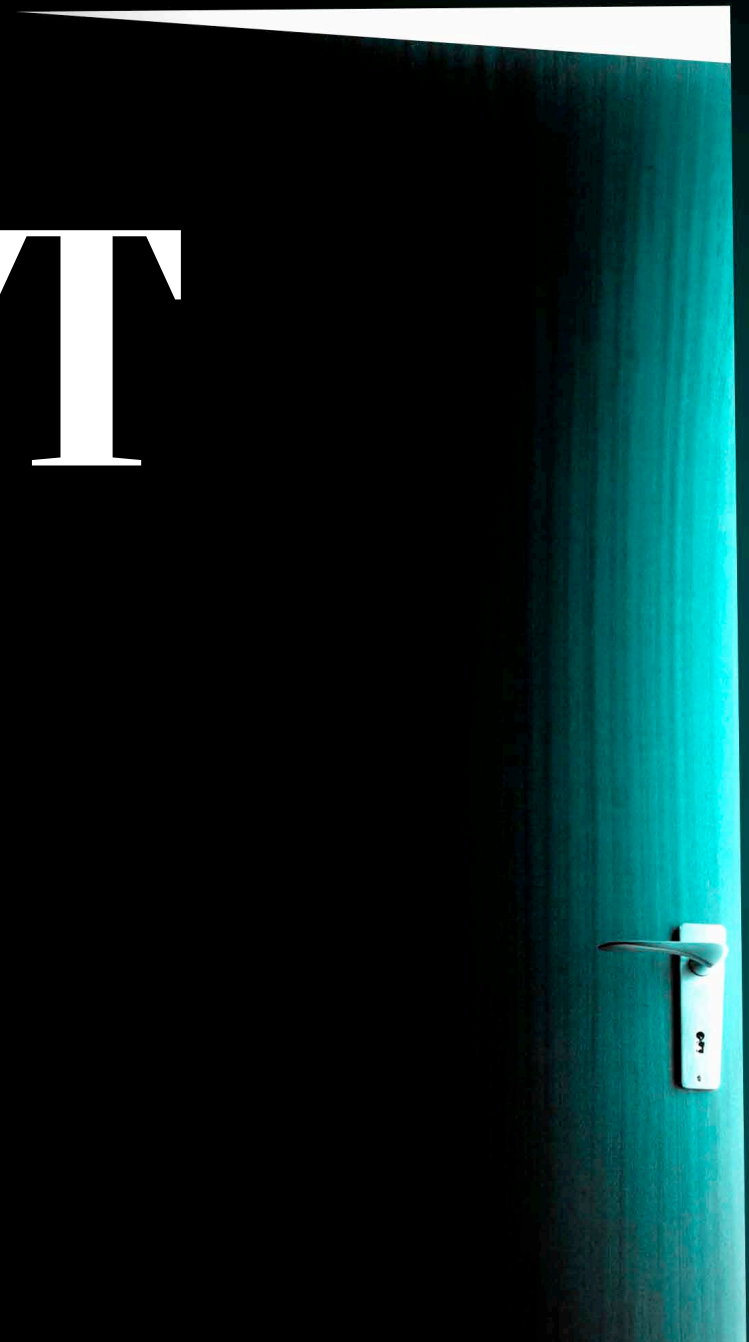
Report  
December '22

EXTRACT



# MARKET

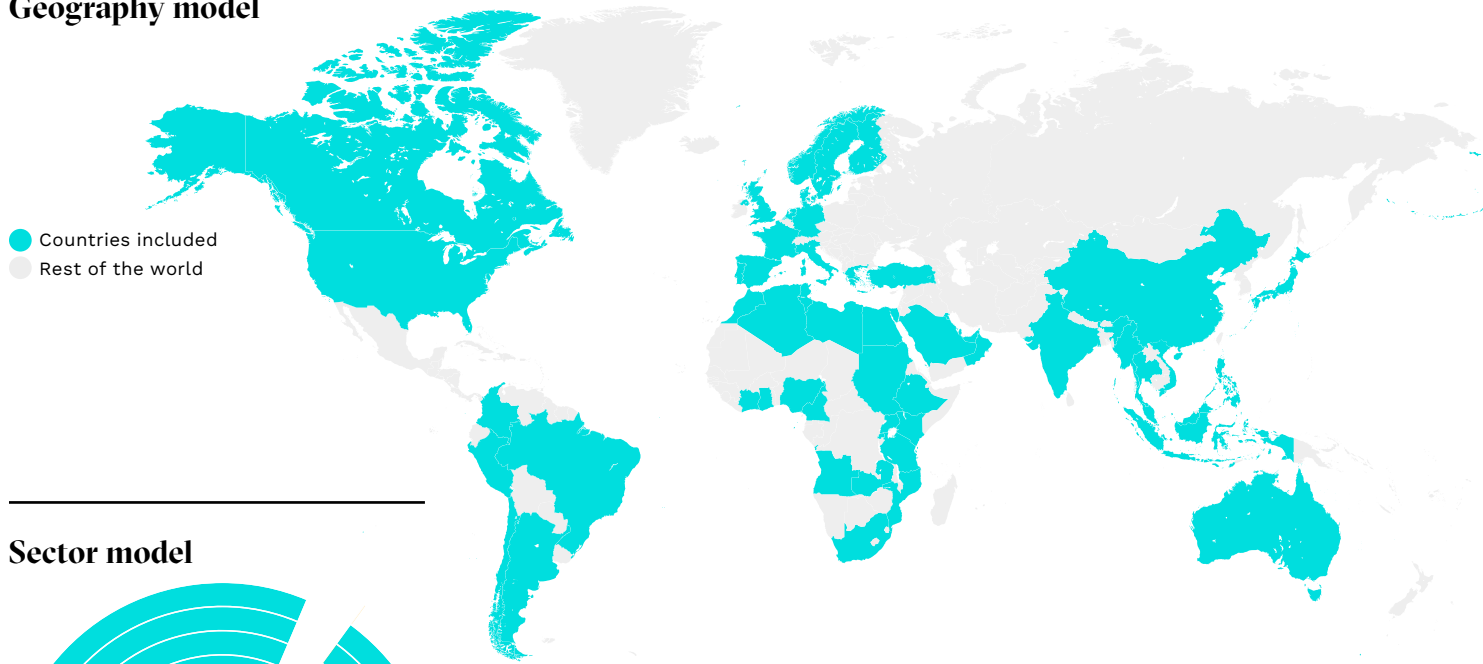
The Sustainability  
Consulting Market in 2022



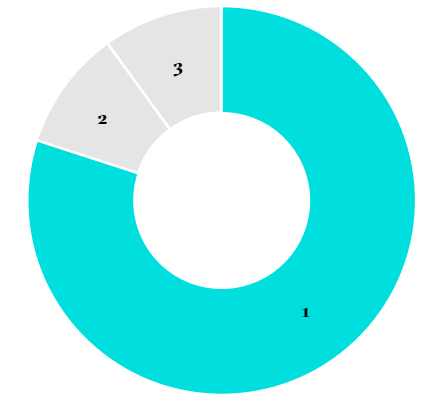
# What's included in this report

Our reports offer a wealth of market sizing, growth, and forecast data alongside engaging, in-depth analysis of the trends that matter. Using our highly flexible, multidimensional model, we provide firms with robust, trusted data to make informed decisions about strategic investments and plan for the future.

## Geography model

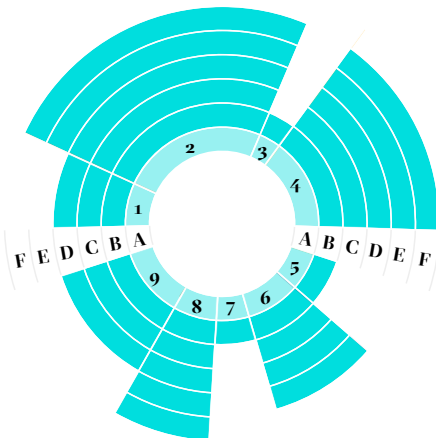


## The revenue-earning model



- 1 Consulting
- 2 Managed service
- 3 Other (contingent fees, software licensing, associate networks)

## Sector model



### Sectors

- 1 Energy & resources
- 2 Financial services
- 3 Healthcare
- 4 Manufacturing
- 5 Pharma & biotech
- 6 Public sector
- 7 Retail
- 8 Services
- 9 Technology, media & telecoms

### Sub-sectors

- 1 A Energy
- 1 B Primary resources
- 1 C Utilities
- 2 A Banking
- 2 B Capital markets
- 2 C Insurance
- 2 D Investment and wealth management
- 2 E Private equity
- 3 A Healthcare
- 4 A Aerospace
- 4 B Automotive
- 4 C Construction
- 4 D Consumer electronics
- 4 E Consumer packaged goods
- 4 F Industrial products
- 5 A Pharma
- 6 A Defence
- 6 B Education
- 6 C Not-for-profit
- 6 D Public sector

- 7 A Retail
- 8 A Business services
- 8 B Leisure
- 8 C Logistics
- 8 D Real estate
- 8 E Transportation
- 9 A High-tech
- 9 B Media
- 9 C Telecoms



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# What **really** matters

**Three things for firms to act on**

# 1

# Market Overview



# Client perspective



# How clients are experiencing the market

## Clients are facing ongoing disruption due to macroeconomic issues and lingering COVID challenges

- The business climate remained tumultuous throughout 2022, with conflict in Eastern Europe, supply chain shortages, and an increase in trade disputes, joining the ongoing disruptive impact of the pandemic on businesses.
- While clients identified inflation and COVID as the two biggest factors challenging business performance, the wider sense of uncertainty has led to an overarching mood of caution. Clients are unsure about what the future may bring and will be factoring the ongoing level of risk into their business decisions.
- COVID continues to loom large for many clients, with 37% stating that they are still dealing with direct challenges from the pandemic, and a further 44% that they are still recovering from the disruption. Only 19% say that their businesses are now back to normal. However, according to our wider research, the COVID-related challenges have now changed, with the focus shifting to building a more resilient business, dealing with staff shortages, and deciding which of the short-term fixes adopted during the pandemic to retain.

Figure 10

In order of importance, 1 being most important, how significant an impact are the following market trends having on your organisation?

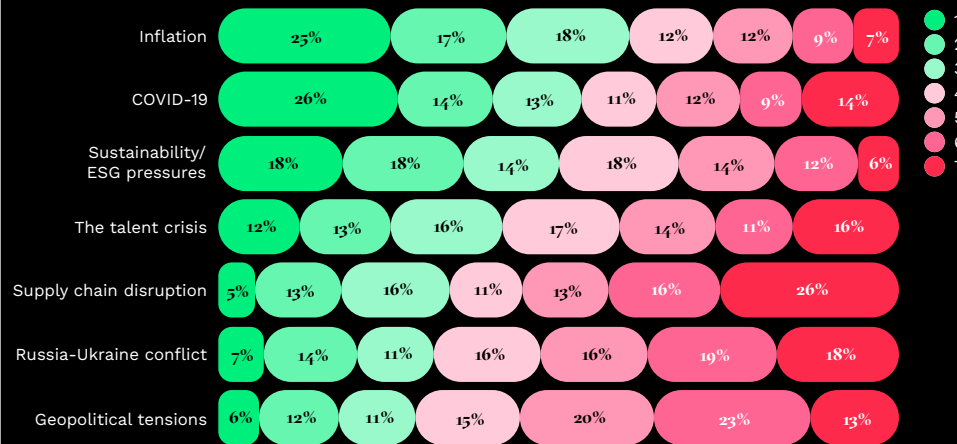
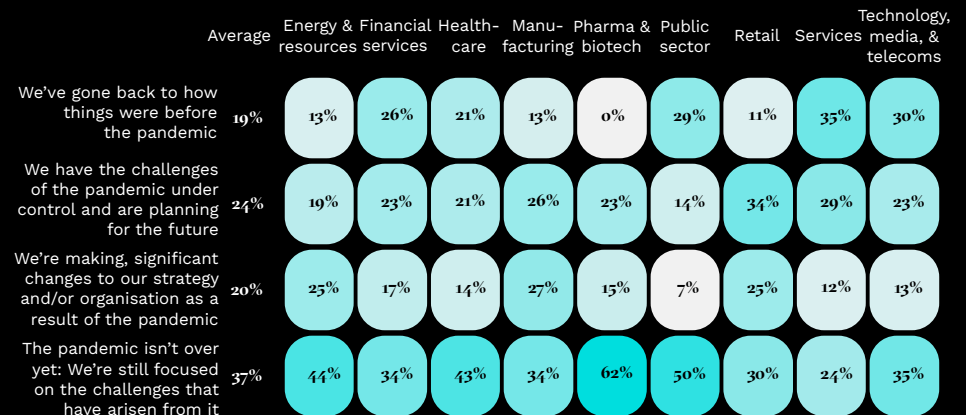


Figure 11

How would you best describe the current attitude of your organisation to the pandemic?





# The **implications** for firms



# Sustainability leaders target strategy work as healthy demand arises from widespread data projects

- Seventy-seven percent of clients have used professional services firms for sustainability-related services over the past two years. Those aiming to be leaders in sustainability were the most likely to engage external support (86%). This indicates a fairly robust market considering the implications of the pandemic for many businesses.
- While the value of consulting projects that were bought isn't explicitly explored in our data, roughly seven in 10 of the clients that identify as either aiming to comply with regulations or aiming to keep up with their competitors have bought sustainability services over the past two years. We would assume that for the "complying" group, this support focused on practical advice about meeting regulations, while the latter "keeping up" contingent was more interested in wider, competitive-benchmarking information.
- This is borne out when examining the services that those "complying" have purchased. Two thirds have bought services to reduce their environmental impact (presumably to support necessary decarbonisation goals) and half have invested in data & analytics to model sustainability performance (and also, presumably, to support regulatory reporting).
- Investment in data & analytics to model sustainability performance topped the list of services bought by all other clients. However, those aspiring to be leaders on sustainability were more likely to engage external support for strategic work, whether around waste reduction and the circular economy or net-zero and low carbon plans. This doesn't mean that those clients who aspire to keep up with their competitors haven't undertaken this work, but if they have, it is more likely to have been done in-house.

Figure 28

Has your organisation bought sustainability related services from professional services firms over the past two years?

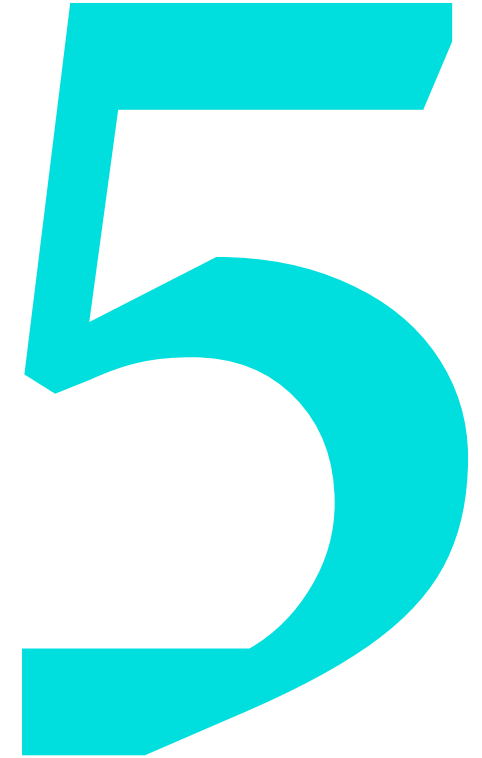
	Average	We have aspirations to be a leader in sustainability	We aim to embrace sustainability as required to keep up with our competitors	We will do what is necessary to comply with regulations but little more
Yes	77%	86%	67%	71%
No—we have handled this in-house	22%	13%	31%	29%
No—we have not engaged in sustainability related work in the last two years	1%	1%	2%	0%

Figure 29

What kind of services did you buy?

	Average	Energy & resources	Financial services	Healthcare	Manu-facturing	Pharma & biotech	Public sector	Retail	Services	Technology, media, & telecoms
Investing in data & analytics to model sustainability performance	42%	39%	38%	62%	29%	33%	38%	39%	38%	51%
Reducing our environmental impact (including decarbonisation)	39%	45%	33%	31%	46%	56%	63%	32%	63%	24%
Measuring and reporting on our environmental impact	36%	27%	43%	23%	44%	56%	38%	35%	38%	30%
Using green technologies	35%	30%	33%	46%	40%	56%	13%	32%	38%	32%
Devising a circular economy/waste reduction strategy	34%	30%	30%	0%	52%	22%	38%	35%	50%	30%
Devising a net-zero/low-carbon strategy	34%	21%	35%	46%	33%	67%	25%	38%	50%	27%
Undertaking climate risk assessments	34%	21%	35%	46%	38%	44%	25%	29%	38%	35%
Developing new, more sustainable products and services	32%	39%	45%	15%	29%	67%	25%	32%	25%	19%
Partnering up with a third party to improve our performance on sustainability	29%	33%	33%	31%	21%	56%	25%	38%	13%	19%
Responding to regulation/government initiatives	27%	24%	28%	8%	35%	11%	13%	29%	13%	32%
Undertaking M&A activity to divest carbon intensive assets/acquire low carbon assets	26%	21%	28%	15%	27%	33%	50%	24%	50%	24%
Devising a social purpose strategy	15%	6%	25%	0%	17%	33%	13%	6%	25%	16%
Improving our internal diversity and inclusion	11%	6%	13%	0%	13%	22%	13%	15%	13%	11%
Improving transparency around business strategy and operations	9%	6%	5%	0%	15%	44%	0%	6%	13%	8%
Don't know	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%

# Insights from consultants



# Florent Andrillon: Global Head of Sustainability Services, Capgemini Invent

**“Good ESG credentials have become a prerequisite for many engagements.”**

**“In the war for talent, speed is important.”**

**“The biggest growth is in sustainability strategy. There is traction around scope three management and data-related topics, as companies prepare for compliance reporting.”**

## How did the sustainability consulting market perform in 2021?

The biggest growth is in sustainability strategy. There is traction around scope three management and data-related topics, as companies prepare for compliance reporting. In that sense, regulations drive a lot of demand. Demand for sustainable design of products and services is also increasing.

## Within the E&R sector, how did the market in Asia perform?

Asia is catching up, probably because of the current shift towards a more renewable energy mix—but demand is not yet at the level that we see in Europe, where regulation is pushing change more than in other continents.

## What changes do you expect to see in 2023?

We'll see a strong push around sustainability in the US, mostly because of new regulations, but also because of the Inflation Reduction Act and related investments.

China and India are accelerating their energy transition. If the local energy mix becomes greener, it will be easier for companies there to make pledges. Additionally, new regulations will make it more costly for Asian companies to export to Europe if they don't reduce their carbon footprints.

## What's the balance of demand between the three parts of ESG?

'E' remains the biggest topic—mostly for regulatory reasons—and it's expanding. We're increasingly seeing requests on environmental topics outside of emissions, such as water and biodiversity, particularly from the financial services and consumer goods industries.

'S' and 'G' are gaining traction, especially in the US, where people aspects are very important. We're having discussions about the fair transition and the social impact of sustainability. In Europe, assignments focus on adjusting company governance to ensure that sustainability becomes a strategic core rather than just a reporting matter.

## How will you approach new environmental topics?

New areas require new skills and capabilities. With biodiversity, we're using some of our strong capabilities in R&D and technology. Partnering and forming alliances with expert companies is also key.

## Are people trying to acquire expertise through M&A?

We're actively looking into the market to complete our capabilities; in the war for talent, speed is important, and M&A is a lever. We've recently made some acquisitions, including Synapse, which has a strong sustainability focus and is well-positioned on product engineering.

## Are clients interested in your internal ESG activities?

Good ESG credentials have become a prerequisite for many engagements. Additionally, clients are interested in our upskilling programme, so we've developed our Sustainability Academy to help them train their staff. Some clients aren't equipped to upskill their people themselves, so they're interested in working with a firm that has done it and can share that expertise.

## Will the market move towards being dominated by larger firms, with smaller firms operating as partners?

The trajectory was the same with digital transformation: The initial players were small and purely digital; Now, the market is dominated by firms that have the scale to run a transformation at a global.

# About this report

## Methodology—The MegaModel

### Megamodel: Our Global Data Model

The quantitative market data in this report comes from our unique model of the global professional services market. Rather than making high-level assumptions, this model has been built from the bottom up, sizing the market by capability—assessing how much work a firm earns delivering each professional capability within each sector and country. This results in a robust view of the size of the supply-side market, which can then be broken down to view the size of the market by country, sector, line of business, capabilities, and market segments.

For the purposes of this report we've taken that model of the professional services market and estimated the proportion of each capability that makes up sustainability. We have used this to produce market sizes for the following sustainability services: infrastructure services, technology transformation, ESG risk and reporting, sustainable finance, supply chain & operations, ESG advisory, sustainable workforce, and business transformation.

Alongside this market segmentation, we also limit our market sizing and analysis to what we at Source call “big consulting”—work done by mid and large-sized firms (those with more than 50 people). In addition to the firms that make up the consulting market, we've also included revenue from engineering firms as they're deemed relevant to sustainability-related consulting work. Please note that we don't track the long, thin tail of work done by contractors and very small firms, as most readers of this report would not seek or be able to compete in this part of the market.

All of the data in the model is calibrated through extensive interviews with, and surveys of, professional services firms and their clients, allowing us to discuss broader trends in the market alongside detailed dimensions such as headcount. These interviews and surveys are supplemented with desk research, which allows us to assess the impact of wider macroeconomic trends on professional services. This, combined with our detailed modelling, results in a long-term view of the market that is able to support both historic and forecast data. All figures given in this report are in US dollars.



### Client perspective

We carry out a client survey to help us build a rich picture of how different trends in the energy & resources sector are affecting clients' organisations and their use of consulting. One survey focuses on trends in energy & resources sector, providing detailed insights into the nuances of the market. For this, we surveyed 300 senior clients of consulting firms from across the energy & resources sector, all of whom work in organisations with more than 500 employees. This survey focuses on the following areas:

- How they expect to use consultants during 2022 and the first half of 2023
- Factors that affect the way clients work with consulting firms
- The ways consulting firms market themselves to clients and the impact this has on client decision making

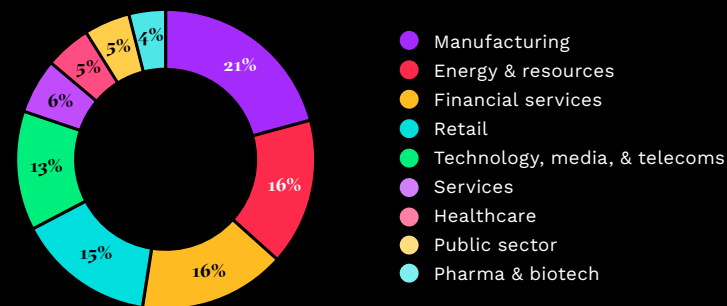
### Insights from consultants

In addition to our quantitative research, we interviewed nine very senior consultants, representing most of the leading consulting firms and many smaller local specialists to understand more about how the consulting market is performing and the major trends, changes, and challenges consultants and their clients face. Throughout the year, Source analysts remain plugged in to the global consulting market through our bespoke research and consulting projects, adding further depth to our understanding of the consulting industry.

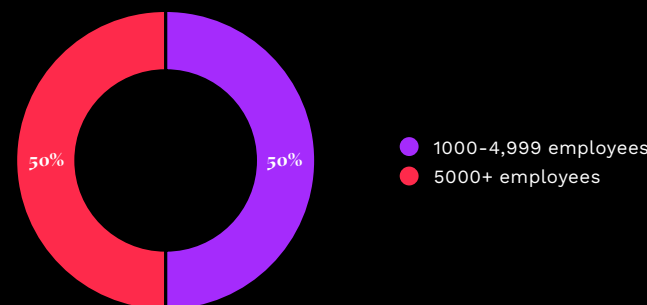
### In-depth desk research

We also conducted a thorough PEST analysis in the energy & resources sector 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.

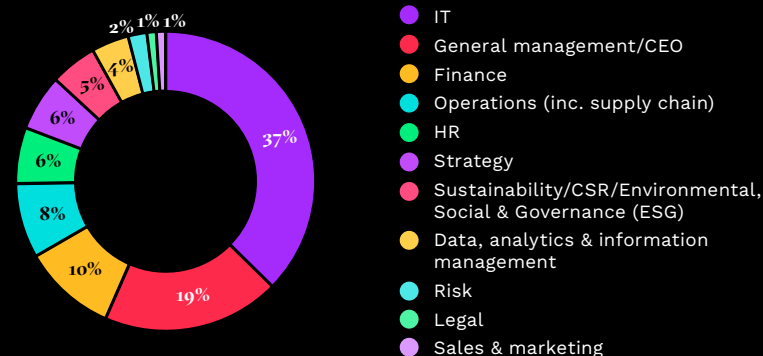
Respondents by sector



Respondents by organisation size



Respondents by function



# Definitions of sectors and services

## Sectors

### Energy & resources

#### Energy

Includes the exploration and production of energy, including oil, gas, coal, and renewables.

#### Utilities

Includes the delivery of electricity, gas, water, sanitation, and other related services.

#### Primary resources

Includes agriculture, chemicals and chemical products, commodities, forestry, fishing, metals, mining, and plastics.

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### Financial services

#### Banking

Includes retail banking, commercial banking, and lending.

#### Insurance

Includes general insurance (e.g., motor, home, pets, health—anything on an annual contract), life insurance, pension products, and retirement planning.

#### Private equity

Includes both consulting work for private equity firms and consulting work with private equity portfolio businesses.

#### Capital markets

Includes investment banking, trading of stocks and financial products, corporate finance, and broking.

#### Investment and wealth management

Includes private banking, high net-worth banking, investment management, trust funds, the management of pension funds, and asset management.

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### Manufacturing

#### Aerospace

Includes space research and technology, the manufacture of aircraft, aircraft parts, rockets and other space equipment, and tanks and ammunition.

#### Automotive

Includes the manufacture of motor vehicles, industrial vehicles, and vehicle supplies and parts.

### Construction

Includes surveying, architectural, and engineering services, heavy construction, house building, and the building of infrastructure.

#### Consumer packaged goods

Includes the manufacture of clothes, foods, alcohol, tobacco, furniture, home furnishings, cleaning products, small arms, children's toys, and sports equipment.

#### Consumer and industrial electronics

Includes electrical components, household and industrial appliances, commercial and professional equipment.

#### Industrial products

Includes industrial machinery, steel and metal products, and plastic products.

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### Pharma & biotech

Includes research into and the production of drugs, biological products, medicinal chemicals, and life sciences.

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### Healthcare

Includes private and publicly-funded healthcare, hospitals, laboratories, and medical equipment.

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### Public sector

#### Government

Includes federal/national, state/regional, local government, emergency services, justice, social services, public transport, and conservation.

#### Education

Includes public and private schools, universities, and libraries.

#### Defence

Includes national security and consulting around defence issues.

#### Not for profit

Includes non-commercial research organisations, religious, political and professional membership organisations, trusts, labour unions, and business associations.

### Retail

Includes the selling of clothes, food, consumer goods, and automobiles.

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### Services

#### Logistics

Includes warehousing, storage, packing and crating, and distribution including cargo, freight, and haulage.

#### Business services

Includes services relating to law, accountancy, IT maintenance, security systems, advertising, employment agencies, and vehicle leasing.

#### Leisure

Includes museums, art galleries, theatre, golf courses, hotels, hospitality, travel agencies, restaurants, and bars.

#### Real estate

Includes estate agencies and operators of residential and commercial buildings.

#### Transportation

Includes private and people-related transportation, including airlines, airport management, train operators, rail infrastructure management, water transportation, courier services, and private bus services.

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### Technology, media & telecoms

#### Telecoms

Includes telephone, mobile, digital, and other communication services.

#### High-tech

Includes IT-related devices, computer and computer-related devices, audio and video equipment, broadcasting and communication equipment.

#### Media

Includes radio, television, and digital broadcasting stations and services as well as printing and publishing of newspapers, periodicals, and books.

## Services

We've taken the lines of business and capabilities from our taxonomy that broadly align with traditional definitions of consulting and divided them into services that include the following. Please note that for some lines of business, for example, forensics, we've taken a subset of the relevant capabilities and excluded others.

### Business Transformation

Re-evaluation of an organisation's business/target operating model from a sustainability perspective; designing and helping to implement large-scale transformation programmes aimed at improving an organisation's sustainability, engaging employees and customers in the process.

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### ESG Advisory

Sustainability-related economic and market research; advice around overall ESG strategy; impact analysis in terms of business and target operating model, allocation of capital and other resources, legal issues, etc., effective promotion of an organisation's ESG strategy and achievements via internal and external communications.

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### ESG Risk and Reporting

Identification and assessment of environmental and other ESG-related risks; help with the design and implementation of suitable risk control systems; establishing and ensuring compliance with climate and other ESG internal and external reporting standards; integration of ESG-related reporting into other business and financial KPIS.

### Infrastructure Services

Advice and support in helping organisations with large-scale physical infrastructures transition to more sustainable buildings, facilities, systems; working with organisations that fund physical infrastructure and real estate programmes to ensure their portfolio of investments is judged against, and meets, appropriate internal and external targets.

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### Supply Chain & Operations

Advice and support on designing, manufacturing, operating, and disposing of products and services in an environmentally sustainable manner; embedding sustainability-related strategy and improvements into more general supply chain planning, improvement programmes, and management; the re-design of supply chain processes to make them more ESG-friendly, and help supporting the latter's implementation; analysis and implementation of support around an organisation's sourcing and procurement policies and processes, and of its offshoring/global delivery model.

### Sustainable Finance

Research on short and long-term macro-economic trends; advice on portfolios and funding strategy; assessment of portfolio investments and funding for major internal to ensure that investment decisions comply with corporate sustainability policies; benchmarking investments and/or projects in terms of their sustainability.

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### Sustainable Workforce

Analysing ESG-related organisational performance and risks; designing and helping to implement strategies for improving workforce sustainability, including diversity, equality, and inclusion programmes, purpose-led strategy and change, and initiatives to build and maintain employee trust and social capital; ensuring that HR strategy and policies support these goals; helping to monitor compliance with organisational targets.

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### Technology Transformation

Evaluation of an organisation's technology estate in terms of its environmental impact and from a broader sustainability perspective; identifying, designing and helping to implement ways of reducing an organisation's environmental impact and improve its overall sustainability, including the shift to greener technology, cloud-based services, etc.



## Meet the experts

### Joel Bradbury

Joel joined Source in August 2022 as a Writer/Analyst for the Market Trends team. Primarily, he helps to produce our Market Trends reports, providing incisive analysis to help professional services teams understand what they need to know to make informed and intelligent decisions.

Prior to joining Source, Joel worked as a research coordinator in a management consultancy, conducting work on industry futures for a wide range of sectors.

### Joel Bradbury

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### Maeve Lane

Maeve conducts qualitative and quantitative research at the intersection of economic, technological, business and behavioural trends. She supports Source's Market Trends reports through her monitoring and analysis of the latest global political, economic and business developments, with a particular focus on the global manufacturing and financial services sectors. She also tracks important macro trends including automation, AI and economic diversification. Additionally, Maeve carries out research and analysis for our bespoke client projects, spanning topics as diverse as finding new areas of growth in risk consulting, to developing more effective thought leadership, to re-thinking talent and organization strategies. Prior to joining Source, Maeve was a Research Assistant in the Department of Near and Middle Eastern Studies at Trinity College Dublin, where she supported research into the history of left-wing political movements in the Arab world.

### Maeve Lane

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### James Beeby

James is our Research Manager at Source and works across the business to provide clients with research and analysis into firms, countries, sectors, and markets to understand the key trends impacting the professional services industry. James also plays a leading role in our internal research programme, tracking macroeconomic, political, and social changes to understand the risks and opportunities for client firms across a range of sectors and markets. He also evaluates research processes to unearth new and insightful ways of delivering original and impactful research and analysis. Prior to joining Source in 2019, James worked in the Singapore Ministry of Foreign Affairs in London as a political researcher.

### James Beeby

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## About us

**We help professional services firms **understand what really matters** when facing decisions of vital importance.**

The best decisions are based on evidence, objectivity, and a willingness to change. That's why, at Source, we tell you what you need to hear, rather than what you want to hear.

We draw upon our deep roots within the professional services sector to provide firms with a clear picture of their clients' worlds. Through comprehensive research and meticulous analysis, we pinpoint what truly matters and deliver actionable insights that help firms map out the right way forward.

We believe in thriving individually and succeeding together. And we would love to help your firm crack its latest conundrum.

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# Publication schedule for 2023

Reports 2023	Market Trends Reports	Market Trends Presentations	Client Perception Studies	Emerging Trends Programme
<b>January</b> <hr/> <b>February</b> <hr/> <b>March</b>	Forecasts for 2023 UK GCC France	India	UK US	Offshoring Consulting Services
Germany Financial Services				
GCC France Retail				
<b>April</b> <hr/> <b>May</b> <hr/> <b>June</b>	Nordics US DACH Sustainability Australia East Asia South East Asia		Australia Energy & Resources Technology, Media & Telecoms	Crisis Fatigue: How Much More Can Clients Take?
China Japan				
<b>July</b> <hr/> <b>August</b> <hr/> <b>September</b>	Africa Energy & Resources Financial Services Technology, Media & Telecoms	South America Healthcare & Pharma	Risk Tax	Staff Augmentation: Focusing on the Opportunity
Audit Technology			The Rise of the Technology Challenger	
<b>October</b> <hr/> <b>November</b> <hr/> <b>December</b>	Tax Risk Planning for Growth in 2024			Outcomes-Based Consulting

## White Space

A powerful research tool that allows subscribers to keep up to date with the latest content being produced and maximise their return on investment. A series of reports that analyse the quality and effectiveness of thought leadership are published throughout the year.