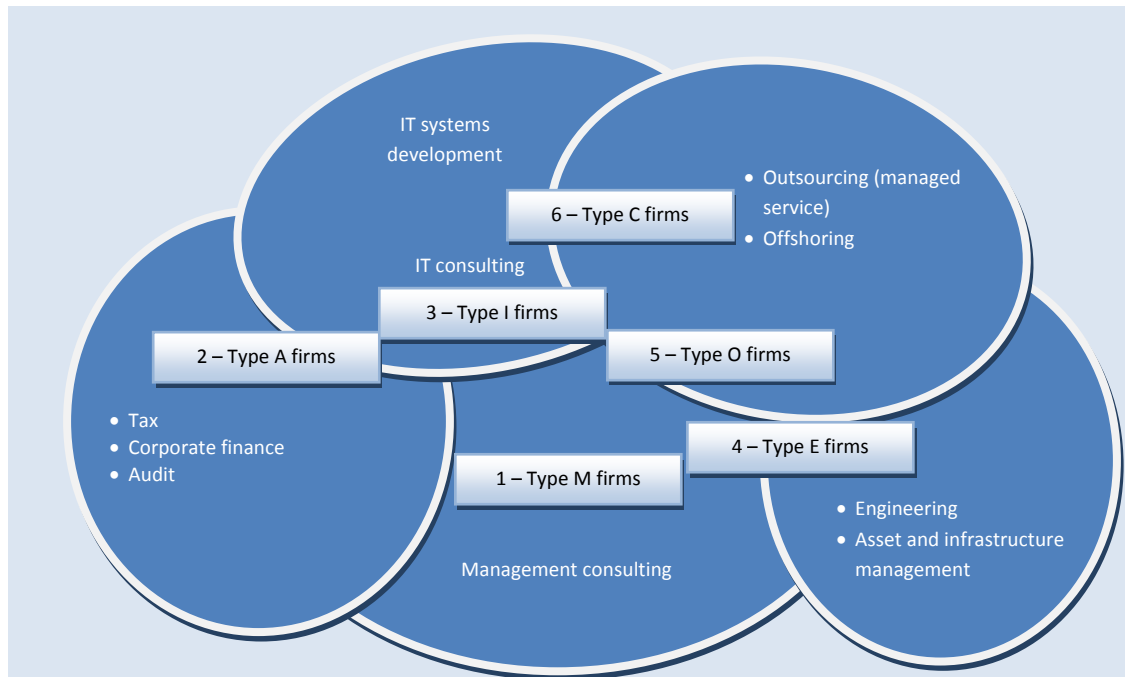


Segmenting the consulting industry

Much of today's consulting work is done by consultants who work for firms that provide other services as well, and this has created some important new dynamics in the marketplace. The following diagram shows the segmentation used by the UK Management Consultancies Association which acknowledges the fact that today's consulting industry spans a wide array of firms, some of which only undertake management consulting work, but many of which are part of larger firms that offer other services such as systems development, outsourcing, audit, tax, corporate finance and engineering consulting.



Consulting firms are categorised into six segments:

1. Management consulting firms [**Type M firms**]: These are firms that provide only management consulting services (strategy, human resources, change management, programme management, financial management, operations, business process re-engineering, economic and environmental consulting, marketing / corporate communications, and advice sourcing strategy / outsourcing deals).
2. Management consulting and advisory firms [**Type A firms**]: Such firms offer tax, audit and corporate finance services in addition to management consulting.
3. Management and IT consulting firms [**Type I firms**]: Firms in this category all provide management and IT consulting; some also carry out systems development work (primarily programming).
4. Management and engineering consulting firms [**Type E firms**]: These share a common heritage in civil engineering and project management. Most are relatively new entrants to the management consulting market.
5. Management consulting and outsourcing firms [**Type O firms**]: These are firms which offer a combination of general management consulting services plus outsourcing / managed services.

6. Combined management consulting, IT systems development and outsourcing / managed services firms [Type C firms]: The very biggest players in the consulting industry offer a full range of services from consulting through to delivering a managed service. Some firms have entered the consulting market as a result of their outsourcing services; others have moved in the opposite direction, developing outsourcing services to complement their existing consulting practice.

Putting figures to these segments, suggests that Type C firms have just under half of the management consulting market and Type M firms just over a quarter. However, it would appear that the share of Type C firms is falling, taken by Type M firms (evidence of the importance specialist skills have in clients' eyes) and Type A firms (three of the Big Four firms have re-entered the consulting, so it's not surprising that their share of the total has grown).

