

# The balancing act: trends in consulting firm recruitment



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# Foreword

Finding ways to match the supply of consultants to peaks and troughs in client demand has always been a critical factor in the success of consulting firms – indeed it’s why we set up Mindbench – but it’s an activity that can be made significantly harder when economic uncertainty makes demand less predictable. So we’re delighted to be associated with this Source report at such an important time for the industry.



Source’s work to identify how plans for changes to headcount vary across four tiers of firms will doubtless be welcomed by consulting firms and recruitment experts alike. But what’s especially interesting is to see how a surge in recruitment activity – a normal reaction to the release of pent-up demand – may be concealing more fundamental changes to the type of people that firms need. Equally fascinating is the discussion about the effect those changes might have on consulting firms’ business models.

If this report is right, and the growth in demand for the most experienced consultants is being driven not just by firms’ attempts to replace the people they’ve lost, but by the changing nature of demand from clients themselves, then consulting firms need to act now. The best people have always been the hardest to find, but when finding them becomes a commercial imperative (one linked to the very model by which firms operate) then it’s vital that HR directors have a coherent strategy in place to turn challenge into opportunity. We look forward to calling on the depth of our experience in the consulting industry and our access to the best consultants, both in the UK and internationally, to help them do that. It’s something we’ve won awards for.

**Richard Stewart**  
 Founder, Mindbench

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# Executive summary

## Downturn, what downturn?

If the number of consultants in full-time employment is a useful measure of the consulting market as a whole, then it's time for everyone to breathe a sigh of relief: our research suggests that:

- **50% of firms have now more than recovered from any staff losses during the recession**
- **The average consulting firm now employs 7.4% more staff than it did in 2007**

But consulting firms still face a number of challenges. Balancing supply and demand has never been harder – and our research suggests that demand in some consulting markets is not strong enough to support the increase in consultant numbers many firms expect. The sectors for which firms are trying to find consultants – predominantly financial services but also services generally, retail and distribution and manufacturing – are amongst the sectors for which they find it hardest to recruit. Recruitment demand is very strongly at the partner level – at which, again, firms find it hardest to recruit.

However, our research suggests that the recession has changed firms' organisational priorities at a more fundamental level. The battle to recruit the best senior people isn't just a sign that consulting firms are trying to recoup recent losses, but reflects clients' increasing desire to work with – and willingness to pay for – more experienced people (and pointedly not junior consultants). That has the potential to change both the structure of many firms (the pyramid model looks less viable) and the basis of competition (smaller firms have often differentiated themselves through the seniority of their people).

Provided they can attract sufficient senior talent then some firms will be able to use these trends to their advantage. But someone's going to have to do something differently if the industry as a whole isn't going to be left with one very difficult question to answer: where are the consultants of the future going to come from?

*For a number of years we've been hearing from consulting firms that their clients are demanding greater experience and sector expertise from the consulting teams they engage. This has fed through directly into the hiring activities of the UK consulting sector, where the importance attached to MBAs has been de-emphasised and the search for candidates with deep sector experience has become firms' top priority. This report has made hard facts of the trends that recruiters suspected have been underway for some years, but were never in a position to validate – until now.*

*Tony Restell, Director and Co-Founder,  
Top-Consultant.com and TopITconsultant.com*



# Section 1:

## Analysis of current and future changes to headcount in consulting firms

In this section we take a detailed look at how headcount has changed recently, and what firms are planning for the next six months. Our analysis looks at headcount in general terms, and by:

- **Service**
- **Sector**
- **Grade of consultant**

In each of those areas we take into account how trends in headcount are different from one size of firm to the next. For this purpose we divide firms into four groups:

- **Tier 4: firms with fewer than 50 consultants**
- **Tier 3: firms with between 50 and 200 consultants**
- **Tier 2: firms with between 200 and 1000 consultants**
- **Tier 1: firms with more than 1000 consultants**

Finally, there's a summary at the end of this section which offers an overview of the differences between different sizes of firms.

### Overall picture

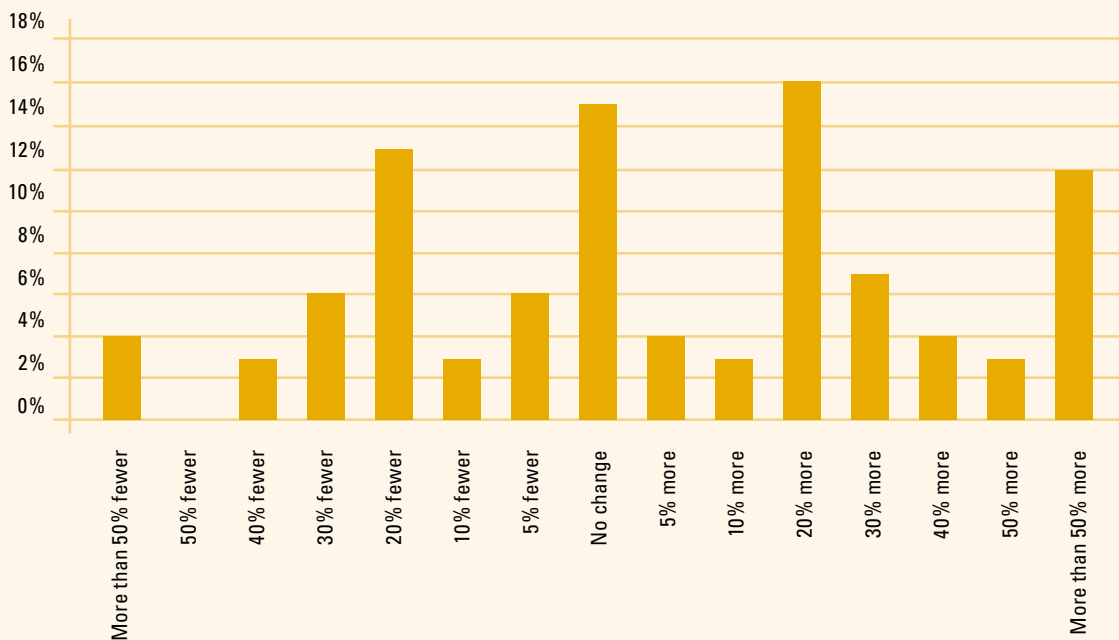
***The number of consultants employed by the average consulting firm has risen by more than 7% since 2007***

Consultants tend to respond bullishly to questions about how their firm has weathered the economic downturn: after all, optimism is their natural state. The question is whether bravado is masking a different reality; whether the bull is hiding the bear.

Our research shows the extent to which consultant numbers are bouncing back from the recession: the average consulting firm has actually increased their headcount by 7.4% since 2007. That's not to say there aren't firms who have gone the other way – indeed there's significant variance from one firm to the next, as Figure 1 demonstrates – or that firms didn't lose people during the recession itself. But, on balance, there seems to be substance behind the bravado. Although 35% of firms said their consulting numbers were still below their 2007 levels, 50% said they had grown.

**Figure 1:**

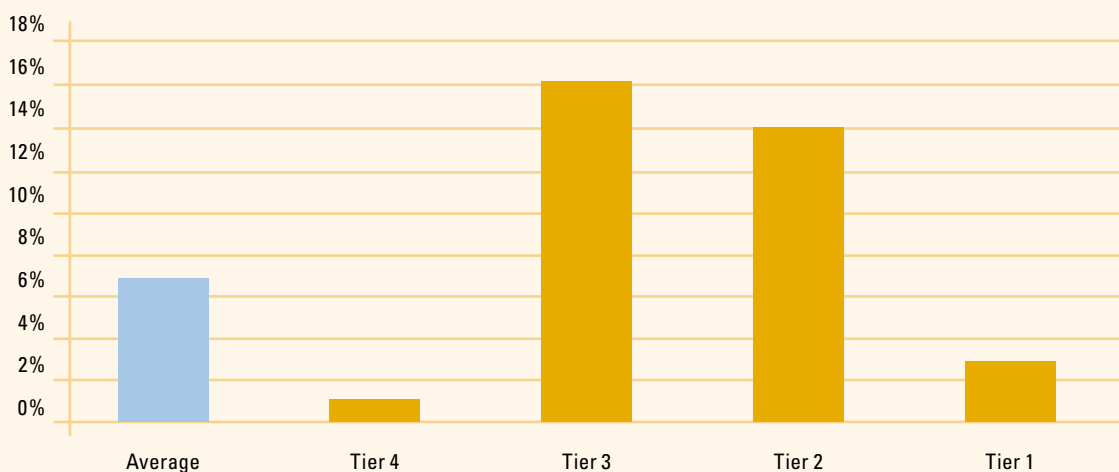
Changes to the number of consultants employed since 2007 (all firms)



For a detailed breakdown by size of firm, please see Appendix 1

**Figure 2:**

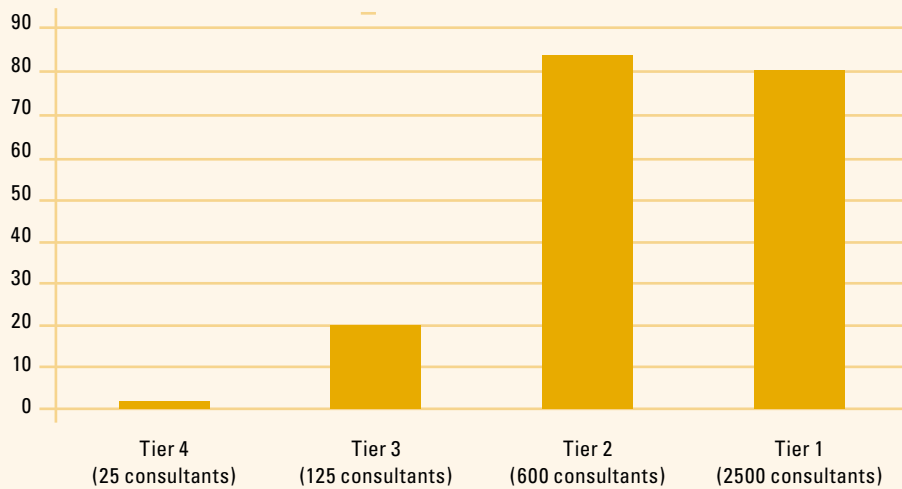
Average change to the number of consultants employed since 2007, by size of firm



What Figure 2 conceals is the situation in terms of actual numbers of consultants. Were we to adjust it for the size of each firm (by assuming each tier to have a specific number of consultants: Tier 4 firms to have 25 consultants, Tier 3 to have 125, Tier 2 to have 600 and Tier 1 to have 2,500) the chart would look like Figure 3, below. It suggests that a firm with 2,500 consultants would have increased the number of consultants they employ by about 80.

**Figure 3:**

Average change to the number of consultants employed since 2007, by size of firm (adjusted)



Either way you look at it, for all but the smallest firms the end result in terms of number of consultants is unambiguously net positive. That stands to reason when you consider that about a third of firms say they've had to turn away work in the last six months because they don't have the right people.

But there are a couple of points that should be taken into consideration here:

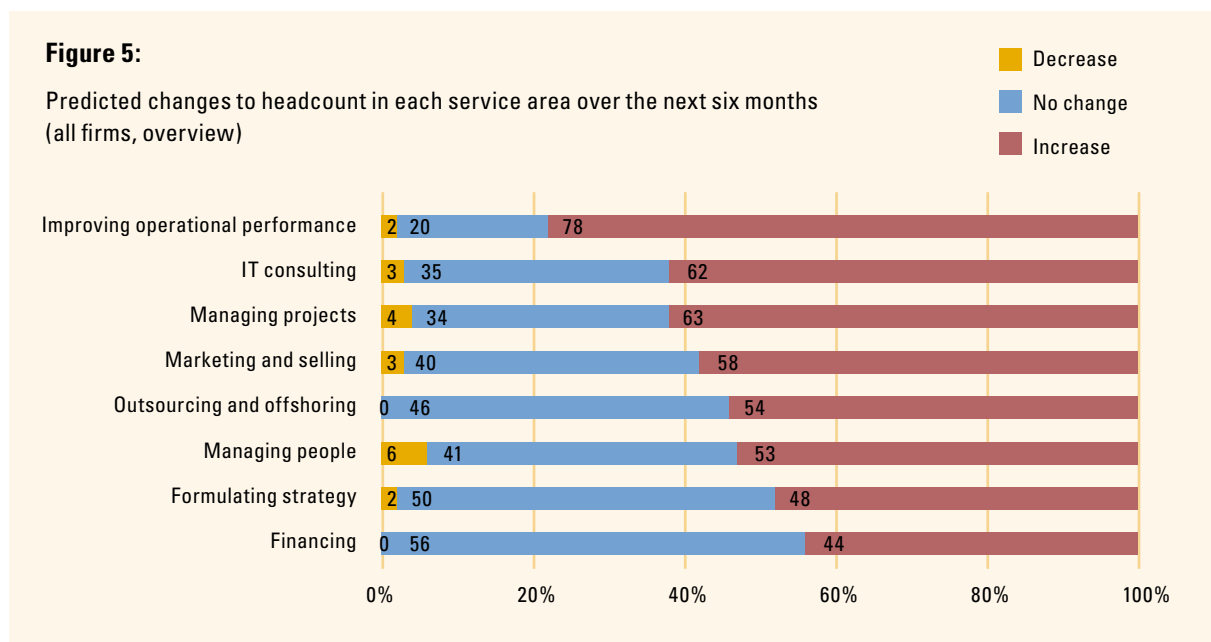
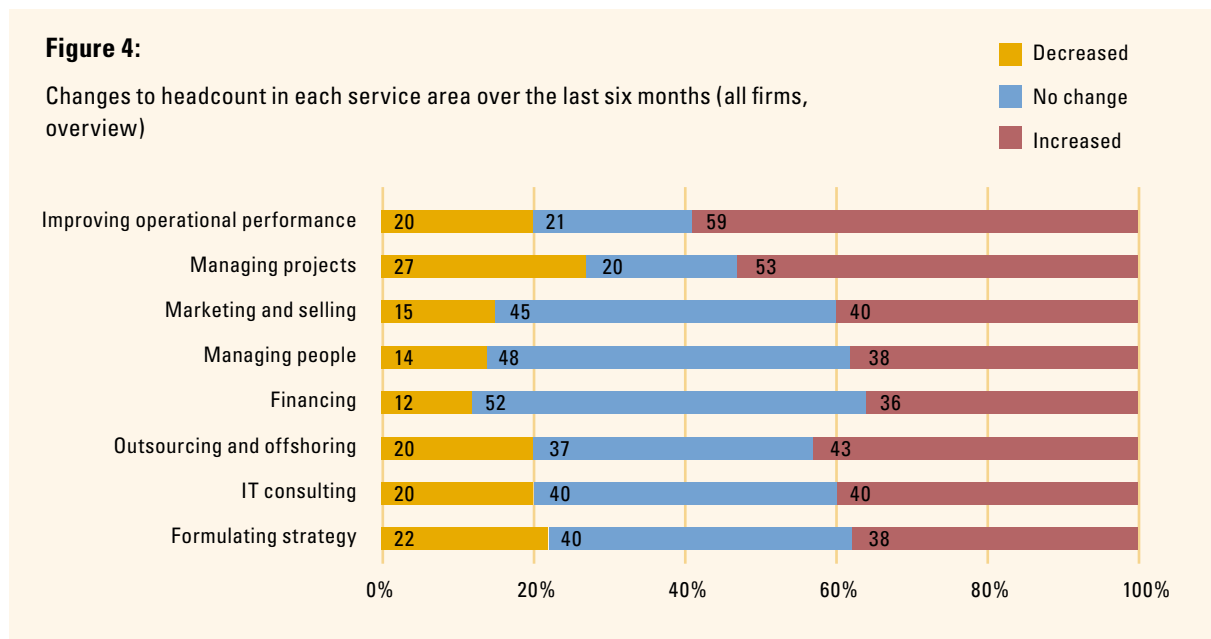
- It's likely that much of the growth in headcount has happened relatively recently, fuelled by a growing expectation that the worst of the downturn is over and that clients are starting to spend again. HR departments need to be one step ahead of the market (better to recruit before, rather than after, the market picks up to give you the best choice of talent and ensure you're ready to take advantage of new business opportunities). Any notion that most firms managed to grow during the recession doesn't really hold much water and Figures 1-3 shouldn't be mistaken for suggesting that.
- The issue of firms having to turn business away is – to put it in supply terms – less about volume and more about quality. An analysis of trends in day rates suggest that demand for junior consultants (the biggest part at the bottom of most firms' pyramid structure) is far weaker than it is for more experienced consultants, something that has implications – as we discuss later – for the consulting firm business model itself.

## By service

### Operational and IT consultants are in most demand

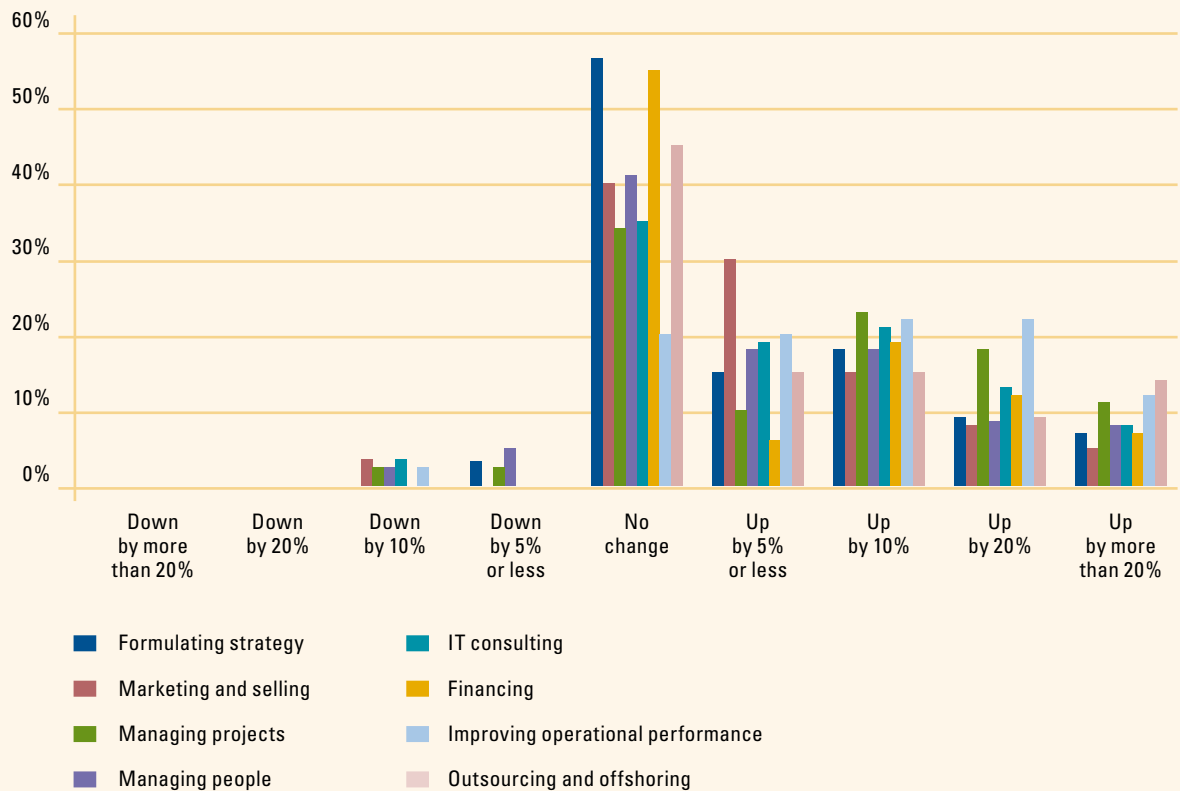
Any follower of consulting market trends over the last few years will have become used to the idea of demand having moved away from traditional strategy consulting and towards services that deliver more tangible and practical benefits. Some clients may want consultants to marry the two – and much time has been spent by firms with roots in both camps proving their capability to do just that – but in general terms clients feel increasingly inclined and able to take strategic decisions themselves.

So it will come as little surprise to see that the service for which firms most want to increase headcount at the moment is improving operational performance. Indeed nearly six in every ten firms say they've increased the number of consultants they employ in this area over the last six months (one third of those by more than 20%) and an even greater proportion – about eight in every ten firms – say they expect to do so in the next six months.



**Figure 6:**

Predicted changes to headcount in each service area over the next six months (all firms, detail)



The story of growth in operational performance consultant numbers is consistent across all sizes of firm, something that can't be said for IT consulting (second most recruited-for service overall). Most firms are very keen to increase headcount of IT consultants but Tier 3 firms put it bottom of their list, probably because they're neither a small specialist nor a big firm with capacity to handle major, organisation-wide, IT initiatives.

Firms also appear keen to increase their numbers of marketing and selling consultants, a reminder that while efficiency remains top of most clients' agendas, many are keen to find ways to grow their business at the same time. In fact Tier 2 firms put marketing and selling top of their list, alongside IT consulting and ahead of operational performance.

At the other end of the scale there's much less appetite for increasing numbers of strategy consultants, although it's worth noting that even here, very few firms expect numbers to decrease. In fact, with the notable exception of Tier 1 firms, the dominant mood appears to be to hold steady on numbers of strategy consultants. Tier 1 firms, for their part, seem to be more inclined to make a decision one way or another: one in ten expect numbers of strategy consultants to decrease but more than half expect them to grow. This probably has its roots in a recent trend amongst clients of moving business away from the traditional strategy firms more quickly than they're moving it away from strategy consulting itself. And more specifically in Big Four firms reaction to that trend.

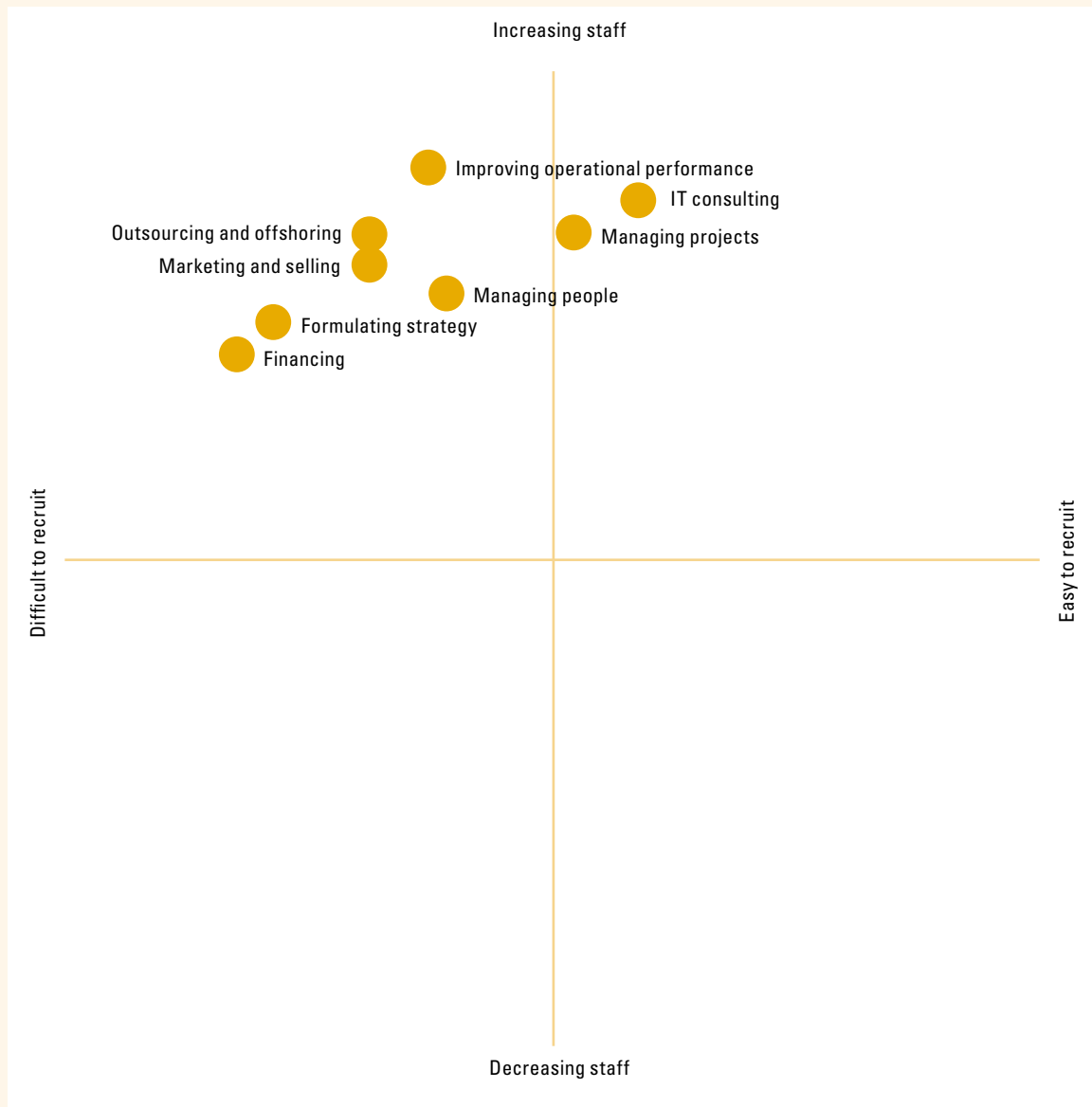
Indeed our recent Quarterly Buying Trends in Management Consulting report observed that strategy firms' share of clients' overall expenditure on consulting services was half (about 10%) of the share of spend attributable to strategy consulting. Big Four firms, who have managed to increase their share (to about 38% of expenditure) recently are likely to be positioning themselves – either through recruitment or acquisition – to take advantage of that situation.

*Full details of each tier's headcount plans by service line can be found in Appendix 2*

The good news for consulting firms is that many of the services for which they want to increase their coverage are those where they find recruitment easiest. IT consulting, certainly, isn't something that appears to cause much trouble; just 22% of firms say they find recruiting IT consultants difficult. Project managers also appear to be reasonably easy to come by; slightly fewer than a third said they found them difficult to find. Operational consultants, on the other hand, may cause a few more problems; some 45% of firms said they found recruiting in this area difficult, but that's as likely to be a factor of the growing demand for operational consulting at the moment as it is of long term scarcity. At least most firms aren't trying to recruit strategy or finance specialists: most find doing so to be very difficult.

**Figure 7:**

Expected rate of change versus difficulty of recruitment for each service line (all firms)



## By sector

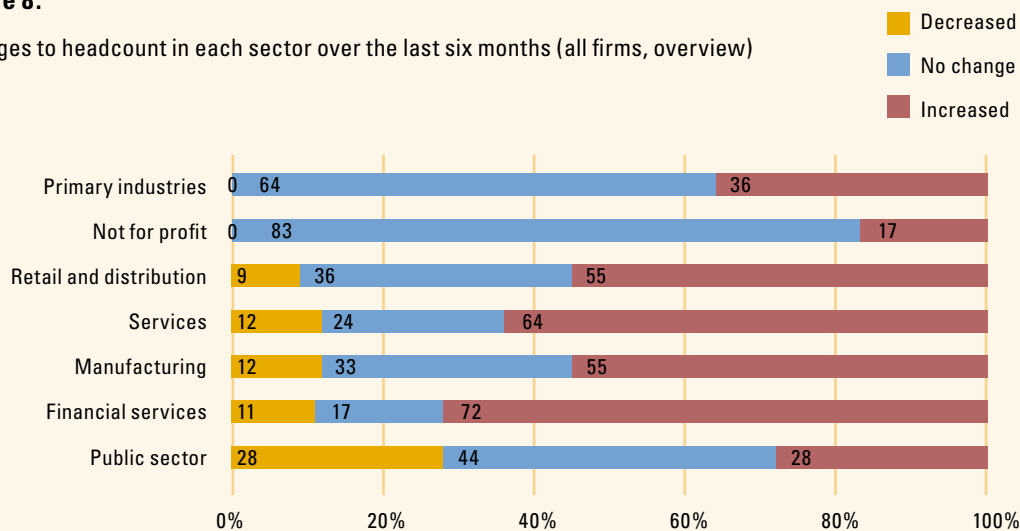
### **Financial services dominate growth plans but firms aren't yet giving up hope of public sector work coming their way**

Much – probably too much – is being expected of the financial services sector in terms of its ability to return the management consulting industry to growth: falls in public sector consulting mean that demand from financial service institutions would probably need to have grown by 50% or more this year simply for the market to remain flat; something it has never done before. It's making a game attempt of doing so though, perhaps growing by as much as 15% in the last six months, resulting in consulting firms trying to position themselves to take advantage.

In the last six months, 72% of firms have increased the number of consultants in their financial services practice and nearly half have done so by more than 20%. And they're not stopping there: in the next six months nearly all firms (92%) expect to increase headcount in their financial services practice and a whopping two-thirds of those expect to do so by 20% or more. That's a lot of consultants for the financial services sector to make use of. Recent Source research contained in our report 'Banking on financial services' suggest that it's unwise to treat the sector as a homogenous whole (demand for consulting is being driven by individual companies' performances and the propensity of their senior executive team for using consultants) but given the sector's relationship with the financial markets it's likely that practice managers in those firms who are increasing headcount most significantly will be eyeing the current turmoil in the Euro-Zone with some degree of nervousness.

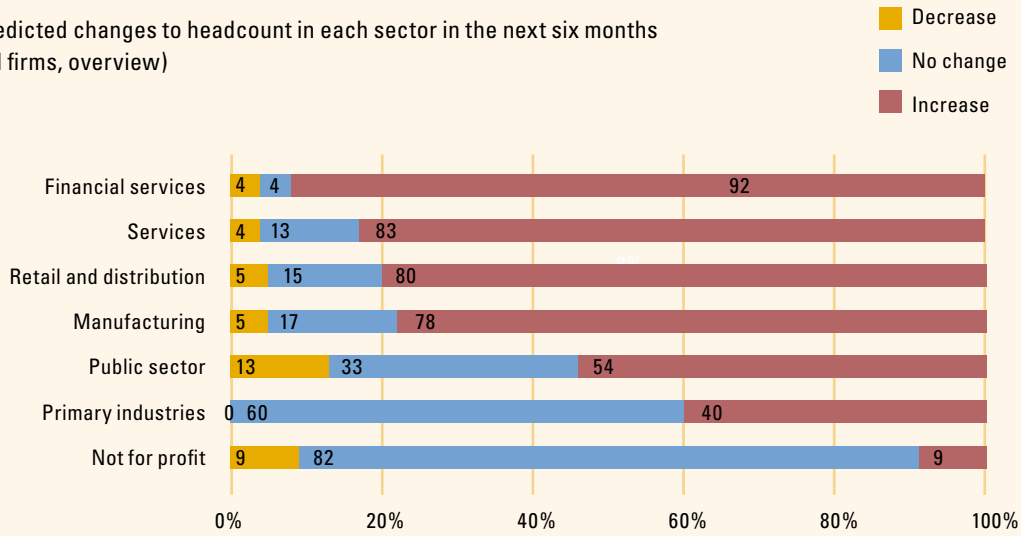
**Figure 8:**

Changes to headcount in each sector over the last six months (all firms, overview)



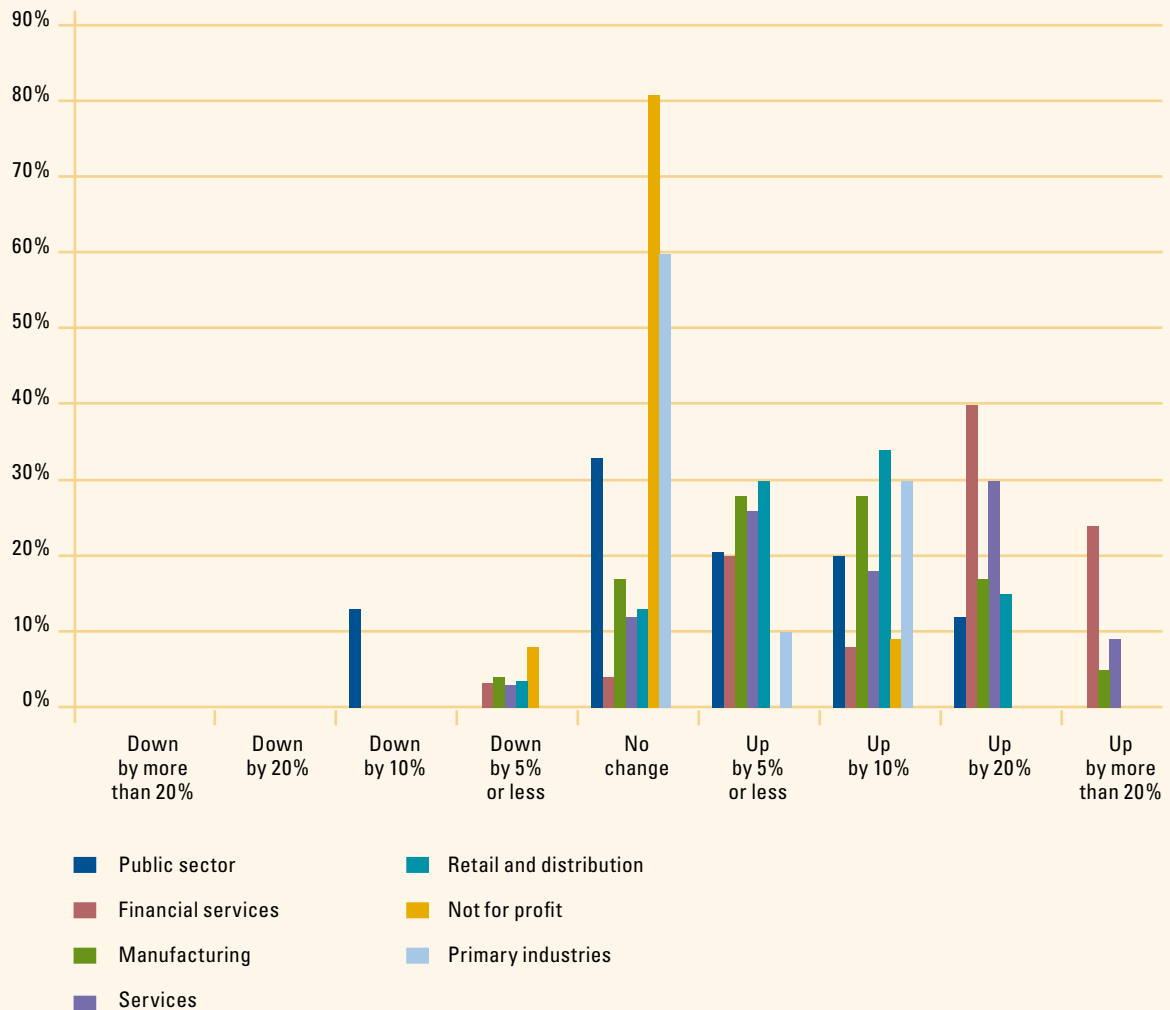
**Figure 9:**

Predicted changes to headcount in each sector in the next six months (all firms, overview)



**Figure 10:**

Predicted changes to headcount in each sector in the next six months (all firms)



If there are exceptions to the rule of firms increasing headcount in their financial services practices, they appear to come from the biggest and smallest firms. The former (where a quarter of firms expect numbers to decrease) are likely to have increased numbers substantially already and may if anything be scaling back their ambitions to reflect the reality of steady, rather than spectacular, growth. The latter (where slightly fewer than a third expect numbers to decrease) are likely simply to be losing out to bigger firms as financial services clients engage in big, organisation-wide projects in response to new regulation. In both cases the number that expect to increase staff numbers (75% and 42% respectively) is still substantially bigger than the number who expect to lose them.

More surprising is the number of firms who expect the number of consultants in their public sector practice to grow. Once again it's the smallest and biggest firms who are most circumspect, but overall a staggering 54% of firms expect to increase the number of public sector consultants on their books. In Tier 2 firms that figure rises to 80%. Given that the talk – in central government departments at least – is of a moratorium, rather than a mere reduction, in consulting spend, this seems like a foot-shooting exercise of stupendous proportions. So what's going on?

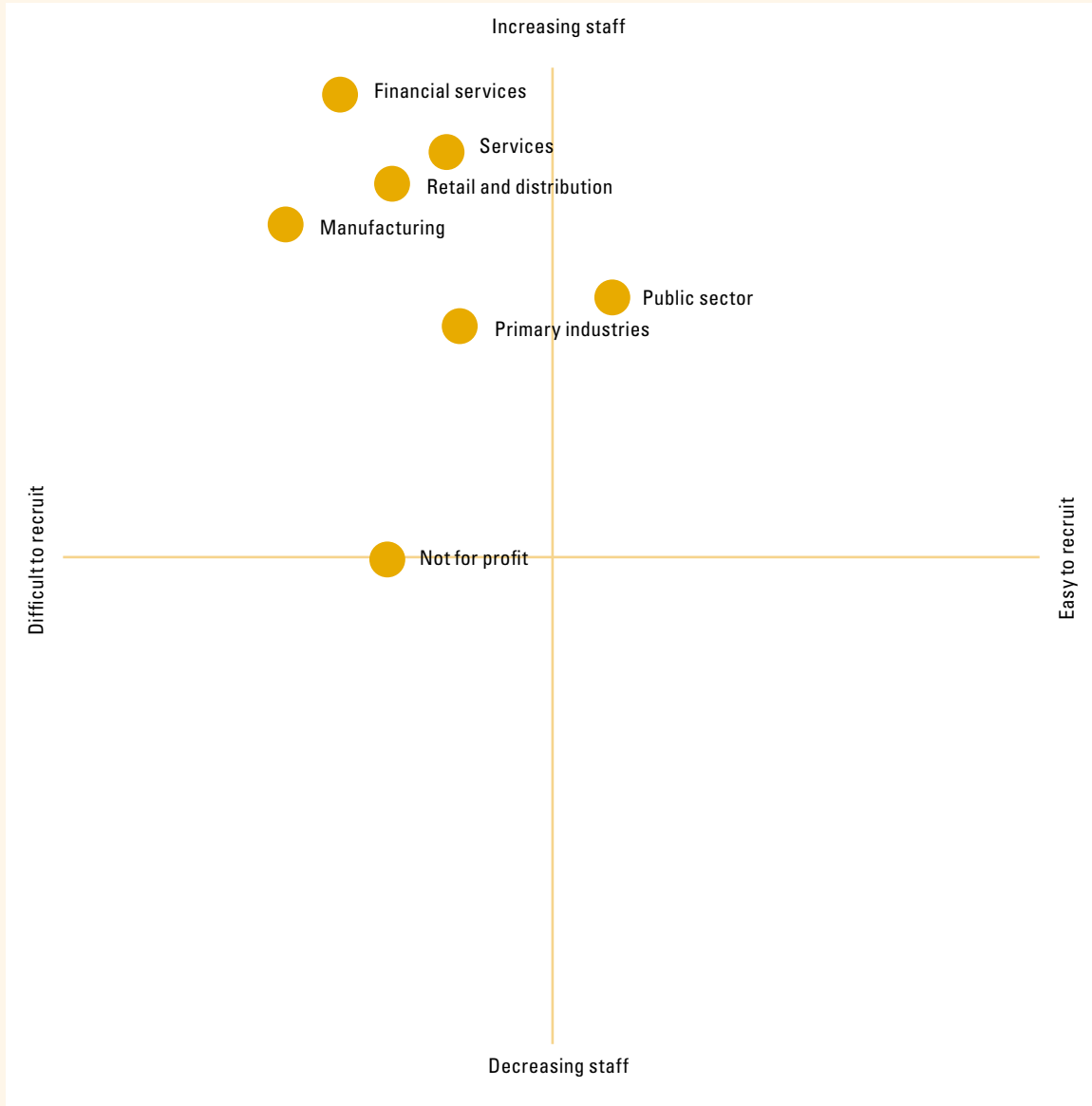
There are several possible explanations:

- The first is that consulting firms are simply in denial about the scale of cutbacks in the public sector. The idea that public sector clients are simply going to stop spending may be anathema to a firm that has come to depend on it doing precisely the opposite, to the extent that they've convinced themselves it's just not going to happen.
- The second is that there will still be areas of the public sector that are spending on consulting services. This holds some water: there's evidence, discussed in Source's recent report – The current state of management consulting in the public sector – that not all public sector organisations will cut back to the extent central government departments have. Health, where the GP commissioning initiative is being rolled out, is a notable case in point.
- The third is that demand for some firms is expected to be relatively (it's impossible to put too much emphasis on that word) strong. Big Four firms, mid-sized operational firms, and some small specialists top the list. So firms from each tier are simply betting on that meaning them, not their competitors. Given the relatively small number of mid-sized operational firms in the market (think PA Consulting) that would account for them being especially confident.

Big firms also have their eye on what they clearly believe will be a burgeoning retail sector, presumably coming as a result of a growth in consumer confidence: every Tier 1 and Tier 2 firm we heard from expected their retail practice to grow over the next six months, putting the sector ahead of financial services in terms of their priorities. That doesn't mean that most work will be coming from the retail sector; more that it's the next sector in which they expect sustained growth to begin – financial services having done so a year ago. Smaller firms, for their part, appear more inclined to place their bets on the manufacturing and services sectors.

**Figure 11:**

Expected rate of change versus difficulty of recruitment for each sector (all firms)



One of the difficulties firms face is that the sectors for which they want to increase headcount are also those in which they find it hardest to recruit. Topping both lists are manufacturing, financial services and retail. On which basis you have to assume that many will try to redeploy consultants from their public sector practices to make up for any shortfall. Indeed in a massive vote of confidence about the relevance of public sector experience elsewhere, nearly half of firms say they expect to be able to move public sector consultants into private sector work.

*Full details of each tier's headcount plans by sector can be found in Appendix 3*

## A weak market

### ***Firms' ambitions mean there will be many more losers than winners***

These are uncomfortable times for the consulting industry. No sooner had the financial services sector started to recover following the recession than the spectre of public sector cutbacks loomed large over the market. The trouble is that public sector consulting had – until recently – grown to represent such a significant proportion of the market (possibly as much as 45%) that any reduction in consulting expenditure was always going to have a proportionate effect. Assuming little growth anywhere else, it means that the financial services sector is going to have to grow at twice the rate that public sector expenditure is shrinking. Based on data from Source's recent Quarterly Buying Trends in Management Consulting report (which found evidence of a 25% reduction across the public sector as a whole in the second and third quarters of 2010) that would mean the financial services sector growing by 50% in six months just for the market to remain flat. In reality it looks as though it may have grown by something like 15%.

But blaming the market for the situation in which firms now find themselves misses the point. The trouble isn't what's going on in the market, difficult though it makes things, the trouble is the action consulting firms have decided to take. Mastering the balancing act, because doing so requires anticipation rather than post de-facto reaction – is always going to be a gamble. But at the moment the fact that 57% of firms expect to increase headcount in the next six months, having already done so over the last six, seems to suggest either that firms are expecting the market to grow significantly very soon (in which case you have to assume they simply don't believe what's happening in the public sector) or that they're expecting to increase their market share equally significantly in a shrinking market.

The idea of firms increasing share in any kind of market is perfectly plausible, of course, but the idea of them doing so in a shrinking market - to the extent that they can justify increasing staff numbers by 20% - points to one inescapable conclusion: there are going to be many more losers than winners.

Why the optimism then? Well, on the basis that there's unlikely to be any kind of consulting gold rush in the near future, it seems likely that most firms are pinning their hopes on change in the market. That might not be such a far-flung concept: it's not unreasonable to expect that this moment marks the biggest paradigm change in public sector consulting that there's ever been, and changes are taking place in the private sector, too. Nowhere is that more evident than in strategy consulting. It's not so much that clients aren't buying strategy any more, but they're not buying it in the way they used to. They want strategy tied to operations, delivering tangible results in shorter time frames. And they're buying it from different types of firms.

## Section 2:

# The changing shape of the consulting firm

Matching the supply of skills in particular sectors and/or services is only one of the balancing acts consulting firms need to achieve. Our survey also analysed the skills and grades being most sought after in recruitment terms. Moreover, once we map this information against another key challenge – retaining people – we see signs of a fundamental shift in the shape of the consulting firm.

## Recruiting the right type of people

### ***Experience and the ability to sell are in shortest supply***

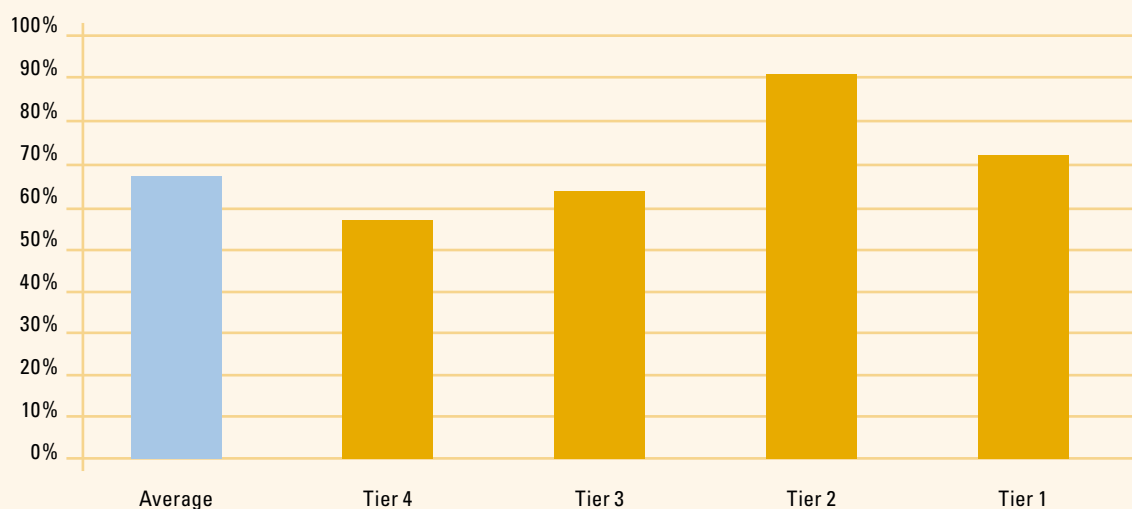
There’s nothing new in the idea that firms struggle to find the right people, but our research allows us to quantify the problem.

Overall, two-thirds of firms say that finding the right people is their biggest challenge at the moment. Indeed for the most part – Tier 2 firms being the notable exception - the type of talent you’re trying to attract appears to be a bigger factor than how big (and well known) your firm is.

Amongst Tier 4 firms, a relatively modest 57% say finding the right people is their biggest challenge, but they’re most interested in recruiting around the middle of the pay scale. The number rises to 64% for Tier 3 firms and 90% for Tier 2 firms – who want the most senior people but are competing with the big brands for them – before falling back to 71% for Tier 1 firms.

**Figure 12:**

The proportion of firms in each tier saying that finding the right people is the biggest challenge



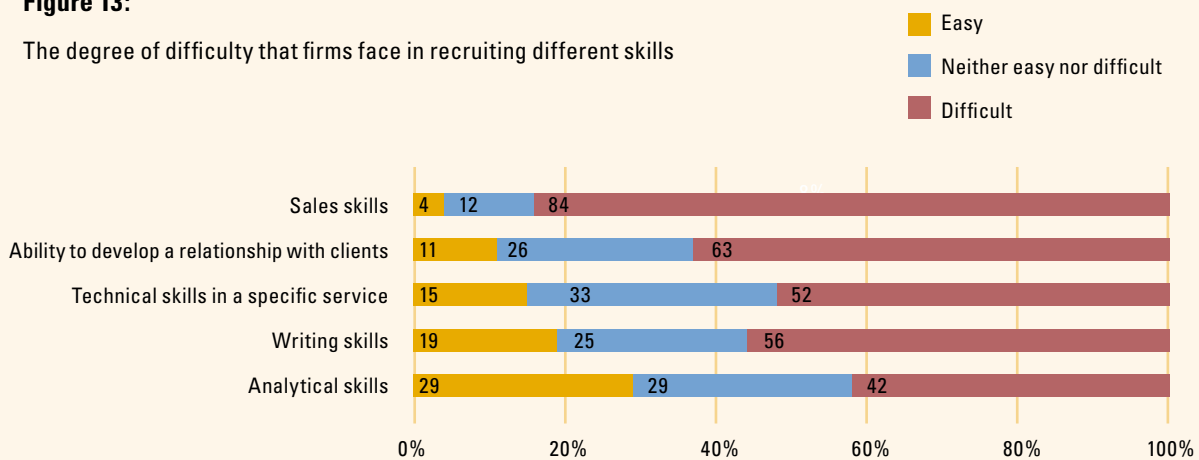
The fact that not all share the concern to the same degree is largely because it depends on the extent to which firms are trying to find people with suitable sales skills and/or attract the most senior talent.

In terms of the skills of individual consultants, the greatest struggle is to find people capable of selling consulting services. Historically, consulting services were always sold by those who delivered them – and this has remained the model for most small firms. Bigger firms have experimented with other models, from setting up bid-support teams to help on major proposals to recruiting dedicated sales people. Such moves remain contentious: more formalised procurement has undoubtedly forced consulting firms to put their own sales teams on a more professional footing, but many firms continue to feel that dedicated sales people work best in the more standardised areas of consulting, for instance around some aspects of technology.

As our research shows, finding people with the right sales skills remains firms’ biggest challenge, so far as recruitment is concerned (Figure 13). Good sales skills are twice as likely to be difficult to find as analytical skills and are a third harder to find than relationships management skills.

**Figure 13:**

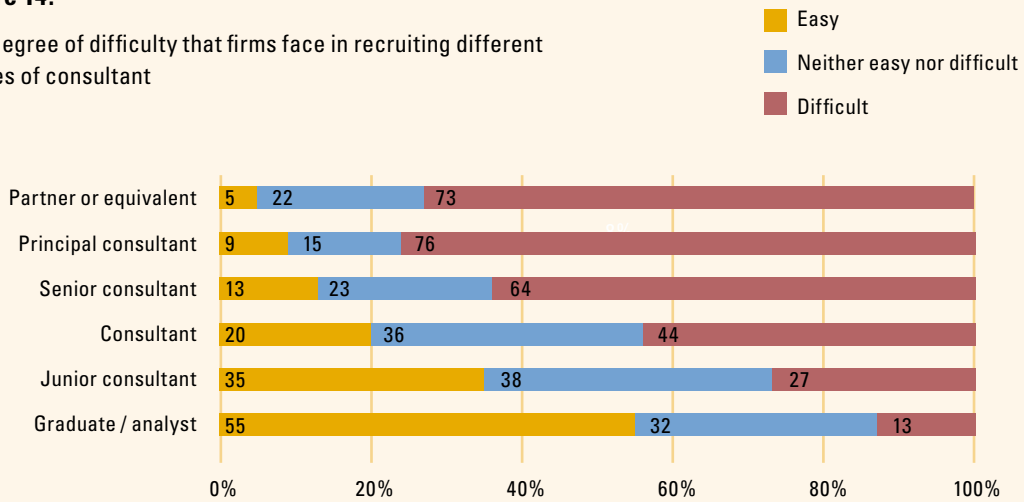
The degree of difficulty that firms face in recruiting different skills



When it comes to recruitment by grade, Figure 14 shows very clearly that the more senior the consultant, the harder firms find it to recruit them. There’s only one slight anomaly of note: slightly fewer firms say it’s difficult to recruit partners (or their equivalents) than say it’s difficult to recruit principal consultants. Presumably dangling a partnership in front of someone is quite an attractive proposition and one which many principal consultants may be hoping to be offered.

**Figure 14:**

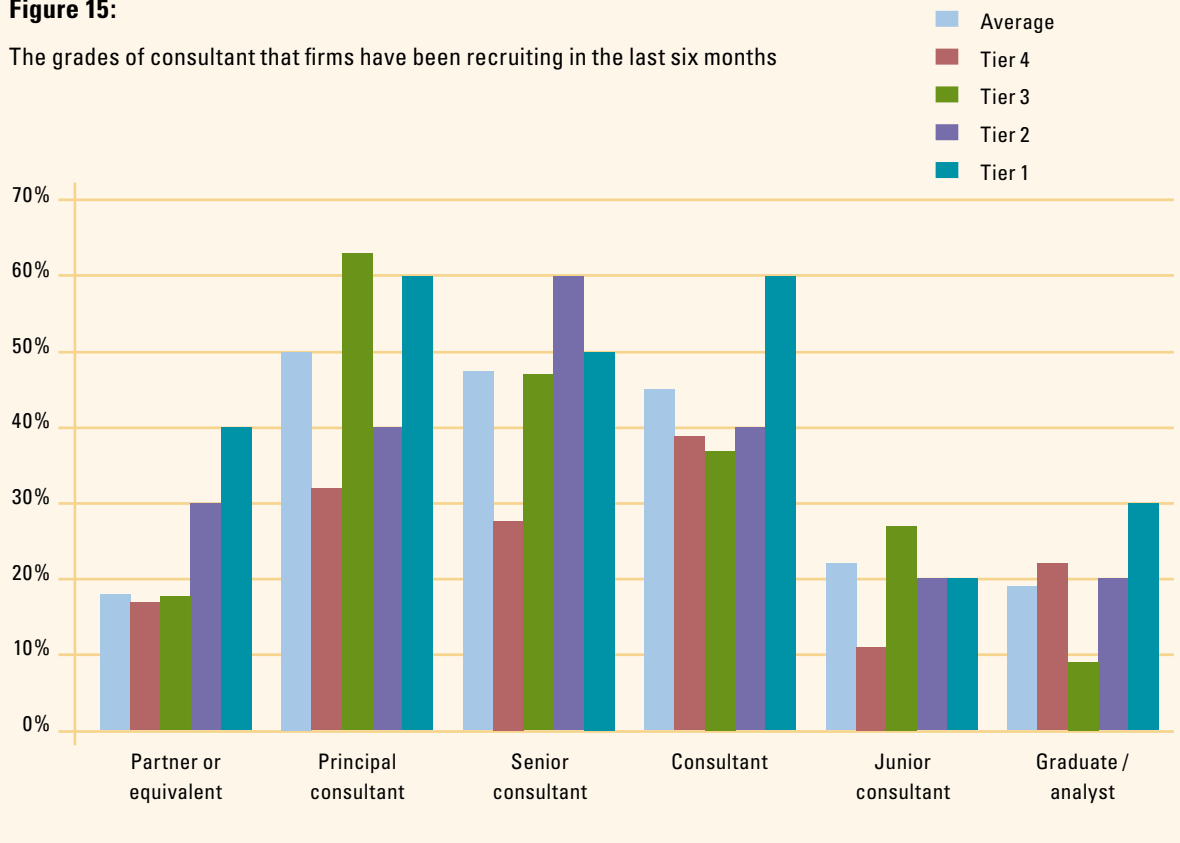
The degree of difficulty that firms face in recruiting different grades of consultant



At the same time the average firm appears to have been focussing most of their recruitment activity on senior people. The trend is especially marked in the biggest (Tier 1 and 2) firms which have traditionally had the highest levels of leverage (the ratio of junior to senior people). Here a significantly higher number of firms (30-40%) chose partners, when asked to select three grades of consultant that they're hiring most, than chose graduates (10-20%). But in actual fact partners and graduates aren't the extremes at either end of the scale of current recruitment activity, it's the bit in the middle where the starkest contrasts lie. Tier 1 firms, for example, are four times as likely to be looking for principal consultants as they are for junior consultants. Indeed while graduate recruitment looks to be making a slight comeback in the next six months, for all but Tier 2 firms junior consultants (the next rung up) are not really on the agenda in any significant way at all.

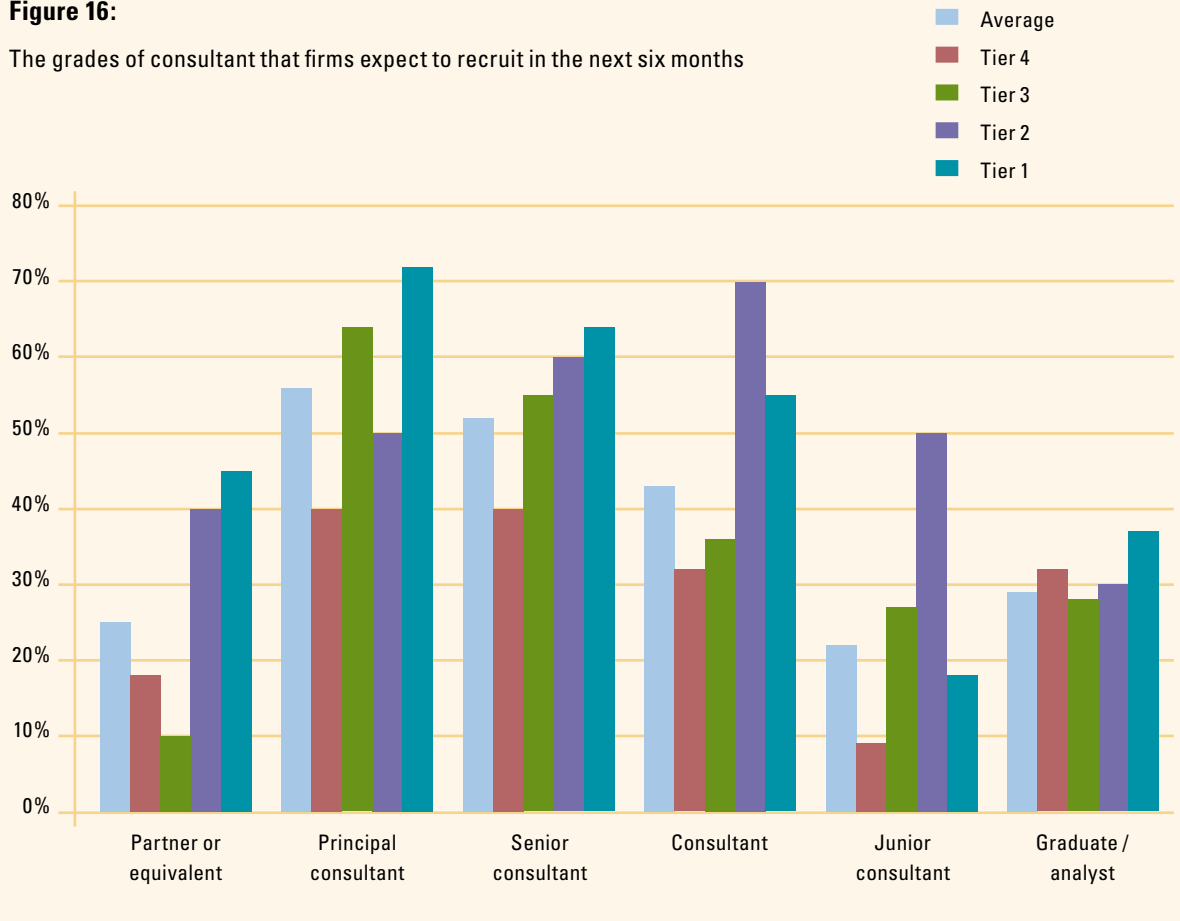
**Figure 15:**

The grades of consultant that firms have been recruiting in the last six months



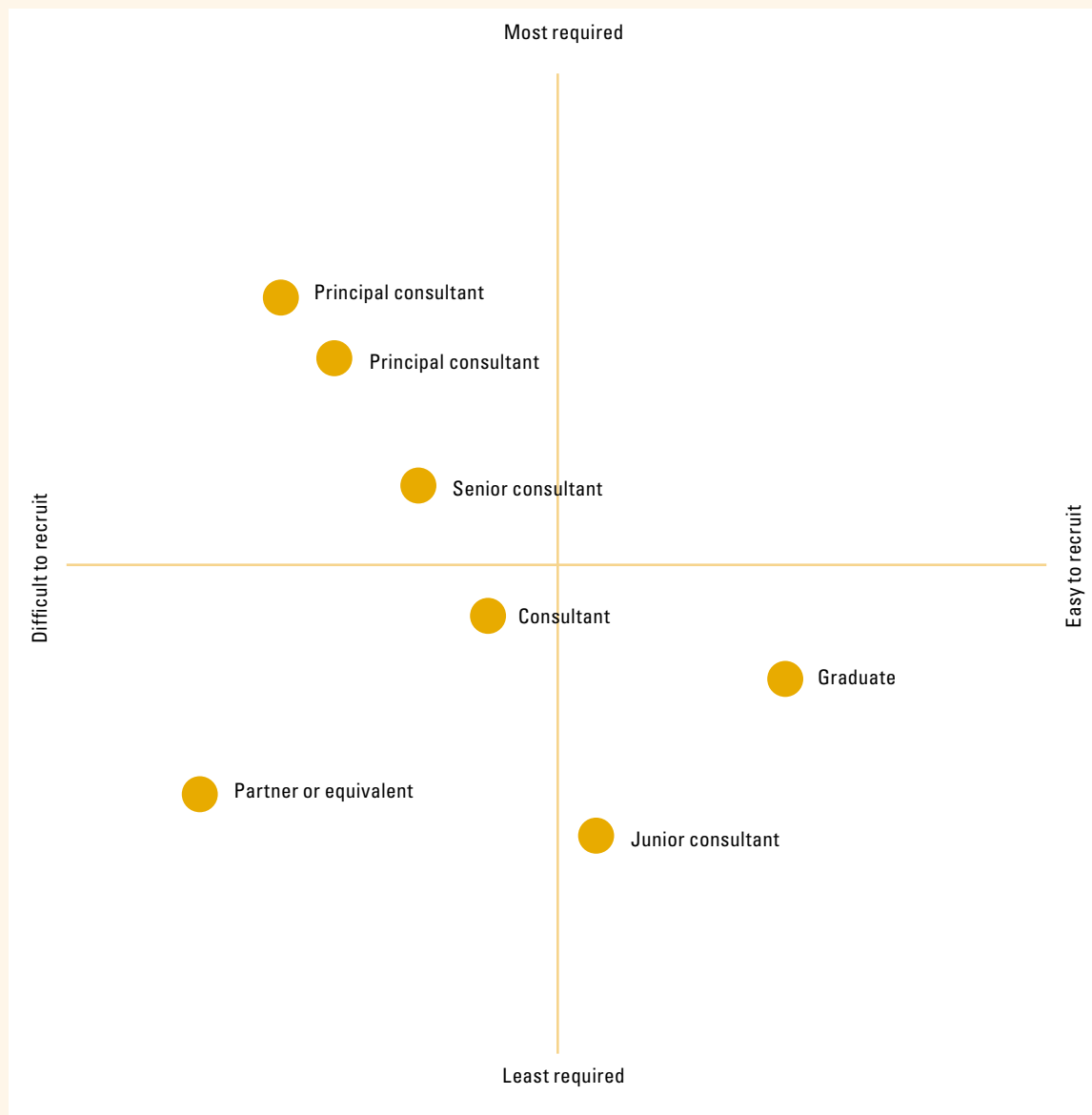
**Figure 16:**

The grades of consultant that firms expect to recruit in the next six months



**Figure 17:**

The relative demand for, versus the difficulty of recruiting, each grade of consultant (all firms)



But the challenge of appointing senior staff takes on a slightly different form in each different size of firm, something detailed in the charts in *Appendix 4*.

## Managing churn and retention

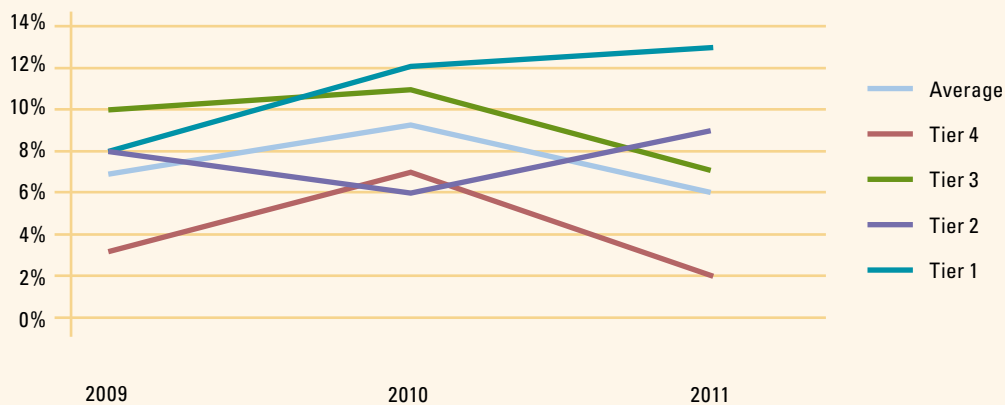
### **Tier 1 and Tier 2 firms are the most pessimistic**

Finding the right people is one challenge: ensuring they don't then leave is another one altogether. For obvious reasons, churn rates were at their lowest in 2009 – 7% on average. During the depths of the recession few people felt confident enough to look for new positions, and few consulting firms or clients were recruiting. Economic recovery brought new opportunities and openings, raising the churn average rate to 9%. However, most firms are confident in their ability to prevent staff turnover levels rising much higher in 2011: on average, they expect a churn rate of around 6%.

This may be wishful thinking on their part and anecdotal evidence points to the idea that churn rates are already higher. Every post-recession period tends to see a surge in the number of people moving as pent-up demand for change has an impact. The bigger firms' growth plans also mean that they will be particularly keen to attract the best people from their competitors. The impact of this is reinforced by Figure 18: while Tier 3 and 4 firms believe they will be able to retain their key people, Tier 1 and 2 firms expect their churn rates to increase, Tier 1 most dramatically, from 8% in 2009 to 13% in 2011. Some individual firms are even more pessimistic.

**Figure 18:**

Churn rates 2009-2011 by tier of firm



## Realigning the pyramid structure

### **Consulting firms of all sizes may be more “top-heavy” in the future**

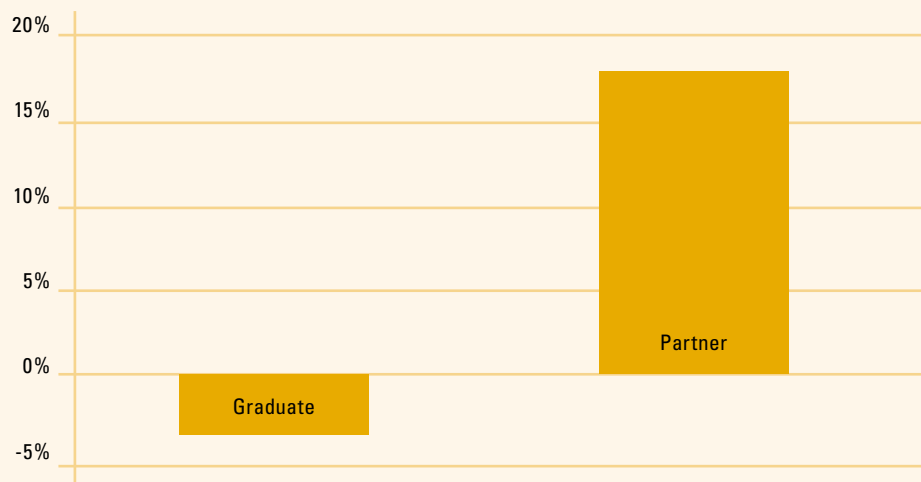
Mapping the grades at which consulting firms expect to recruit most heavily against the areas where they anticipate the highest churn rates suggests that consulting firms may take on a different shape in the future. Under normal circumstances, you would expect churn rates and recruitment to be reasonably in sync: firms will be looking to maintain their resourcing levels and profiles. Where a firm is recruiting faster than it is losing staff across all grades, it is clearly looking to grow but on the basis of its existing operating model. Where a firm’s recruitment outstrips its churn rate in particular grades only, it suggests that the firm is starting to change its business model – and that’s what we’re seeing signs of here.

If we simplify the structure of a consulting firm, dividing it up into three main strata, with graduates and junior consultants at the bottom, more experienced consultants and project managers in the middle and partners or soon-to-be partners at the top, our research suggests that churn rates and recruitment rates are highest in the middle. Firms that are planning to recruit at this grade are roughly twice as likely to have a high churn rate as firms planning to recruit at the top of the pyramid and three times as likely as those planning to recruit at the bottom. This suggests that much of the quite intense recruitment at this level is aimed at maintaining, rather than growing, resourcing levels. The picture is different when we look at the topmost layer. The intention is to recruit more people at this level, a trend that, if it continues, will create a pyramid which is substantially bigger at the top.

Several factors may account for this. Senior people are often the best sales people, so a firm wanting to grow would try to recruit at this level. Successive studies have shown that clients prefer experienced consultants to raw recruits, something that was particularly marked during the recession when it was perfectly possible for clients to use in-house surplus capacity to do the work they might have brought consultants in to do in the past. However, a very significant driver will be the extent to which clients’ desire for expertise is currently translating into a willingness to pay higher fee rates for senior consultants. We now regularly hear of clients paying as little as £100 per day for graduate consultants, and more than £5000 per day for partners. Overall, between May and September 2010, as the consulting industry in the UK started to recover, average fee rates for partners rose by just over 17%, while those for graduates fell slightly, on top of falls seen during the recession (Figure 19).

**Figure 19:**

Changes to average consulting day rates between May and September 2010



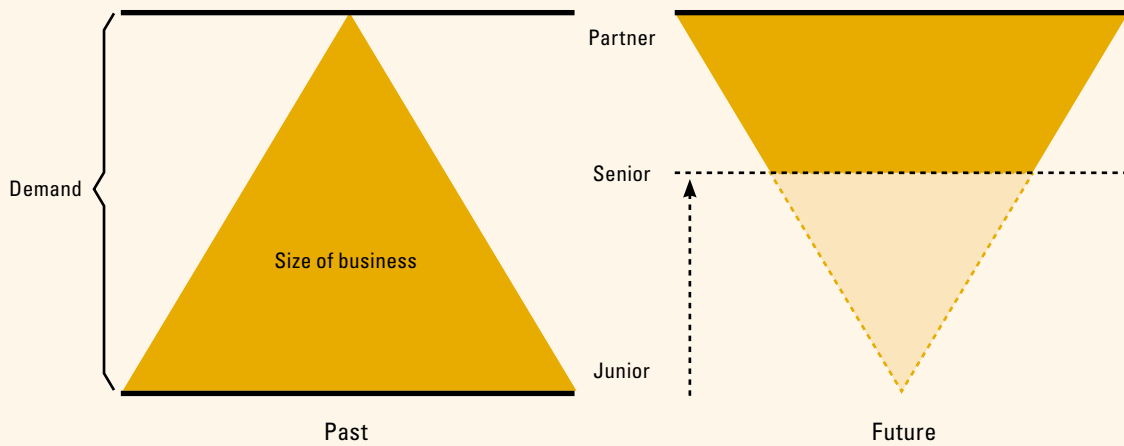
Changing fee rates, combined with greater number of people at partner level, has the potential to change the underlying economic model of a consulting firm.

Traditionally, pyramid-shaped firms have earned most of their profits from their junior staff. Although sold out at a much lower rate, the difference between junior people’s salaries and earning potential was greater than that among people higher up; also, their utilisation rates were higher. Senior people may charge a lot for their time, but are expensive to keep and have lower utilisation rates because they’re involved in developing and managing the consulting business. A growing number of partners mean that utilisation rates at this level will be higher (managing and growing the firm can’t occupy all of them). This, combined with high fee rates, means that it becomes economically advantageous to employ a greater proportion of people at the top of the pyramid than used to be the case in the past. This represents a significant shift for consulting firms and provides evidence of what many have suspected: that the traditional pyramid model may be starting to disappear, to be replaced by more “top heavy” firms in the future.

Moreover, if the trends apparent in our research continue over time, we’ll end up with, not the diamond-shaped firm that many have predicted (swelled by growing ranks of project managers and experienced consultants), but an inverted pyramid.

**Figure 20:**

The future shape of the consulting firm?



# Section 3:

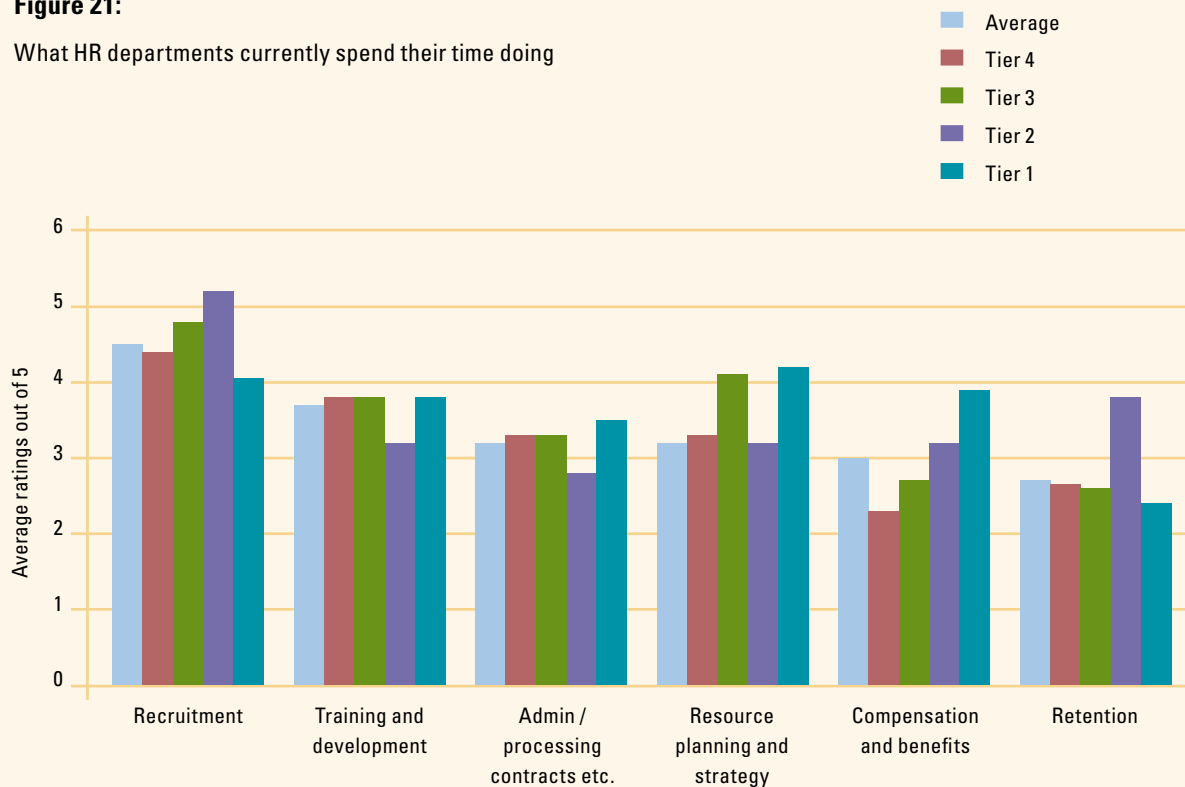
## The role of the HR department

HR departments do recruitment more than they do anything else. That’s the broad consensus across the firms which responded to our survey. Where there’s less consensus is about what they *should* be doing.

Overall, there appear to be a number of things firms are doing about right, some things they should be doing more of and one thing they should be doing less of.

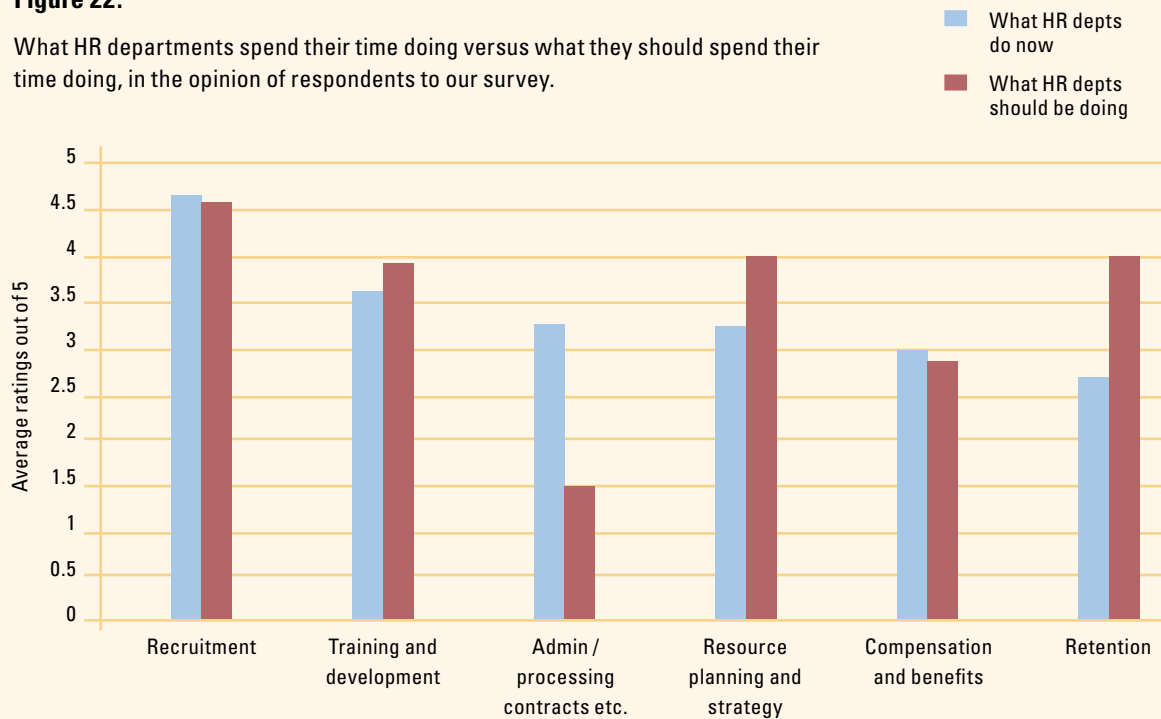
**Figure 21:**

What HR departments currently spend their time doing



**Figure 22:**

What HR departments spend their time doing versus what they should spend their time doing, in the opinion of respondents to our survey.

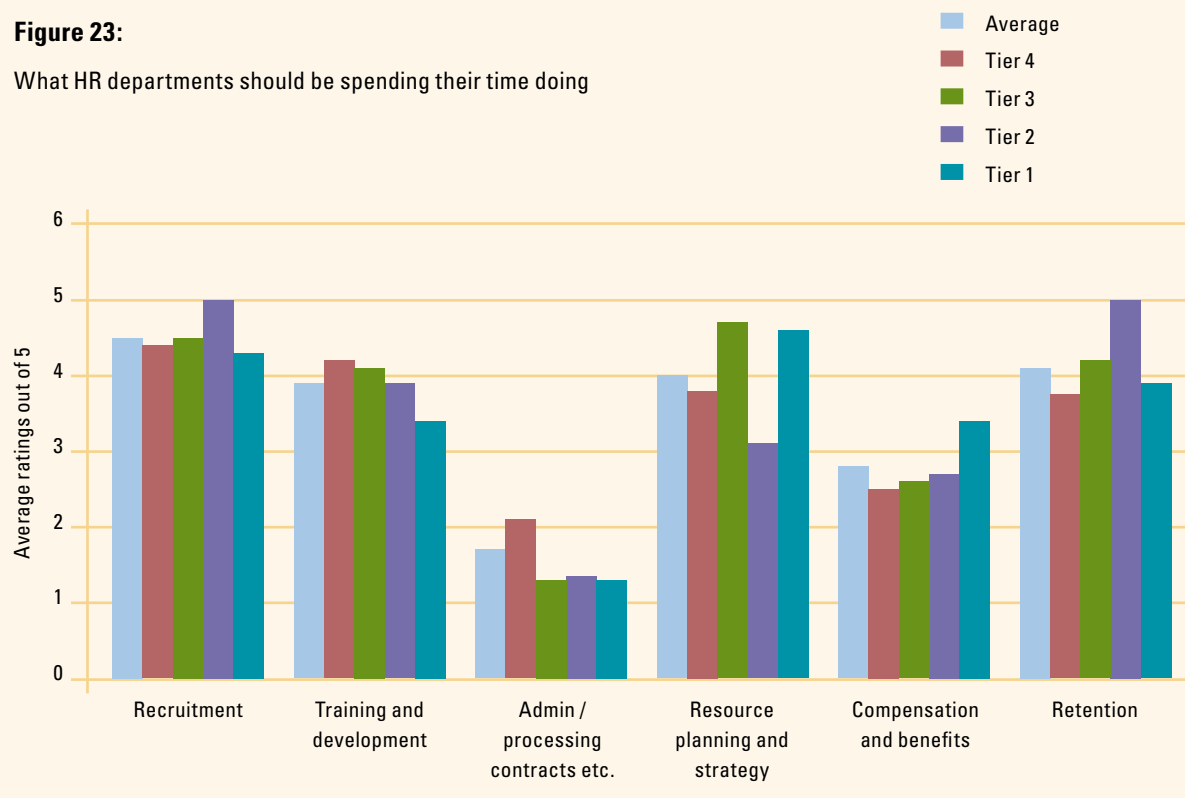


Recruitment, training and development and compensation and benefits are all given the attention that most people feel they deserve. Where more time needs to be spent, according to the firms from which we heard, is on resource planning and strategy and, most markedly, retention. These should happen at the cost of time spent on admin, they say, suggesting that there's a healthy appetite for HR outsourcing deals.

But firms see things differently from each other, depending on how big they are.

**Figure 23:**

What HR departments should be spending their time doing



For Tier 4 firms, training and development is considered to be very nearly as important as recruitment. These are firms that are likely to earn their living from being specialists, so they'd better make sure their staff are really good at what they do.

For Tier 3 firms, growth brings with it challenges around resource planning and strategy – something people in these firms think their HR department would be better spending its time doing than anything else.

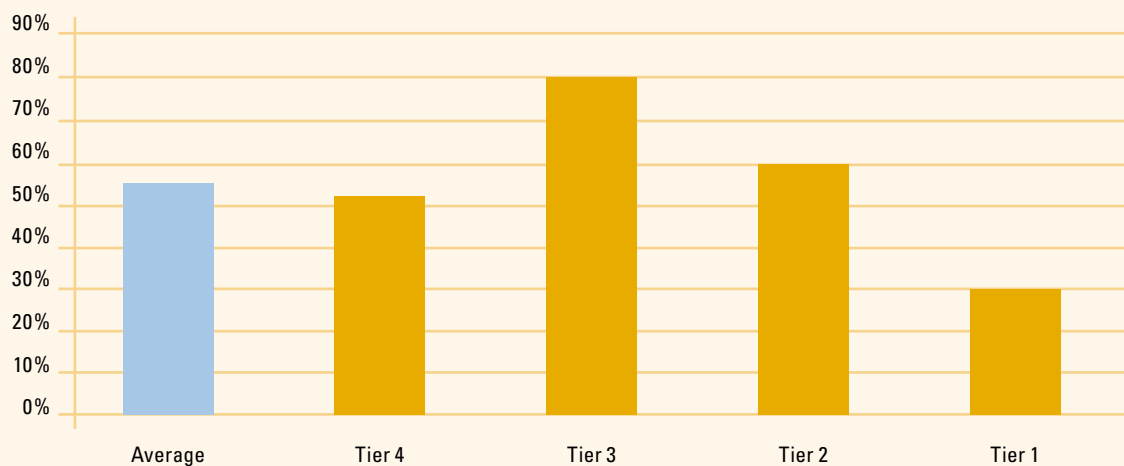
For Tier 2 firms, wary of losing staff to bigger competitors, retention is as important as recruitment. There's some evidence that they're getting retention right at the moment though: at 6% theirs is the lowest churn rate in the market and only half the rate of their bigger rivals.

For Tier 1 firms, who generally have fewer problems recruiting than smaller firms, the sheer size of their business means that spending time planning resources and HR strategy is considered to be time best spent.

And finally there's evidence that consulting firms might be a good place for HR people to be. Often marginalised as a department, consulting firms appear to understand and value the role HR plays in the success of their business. Nearly two thirds of firms said that their HR department play an active or very active role in developing and executing their firms' strategies, something you suspect HR managers in other industries would envy. Something that HR managers in the biggest consulting firms may also envy...

**Figure 24:**

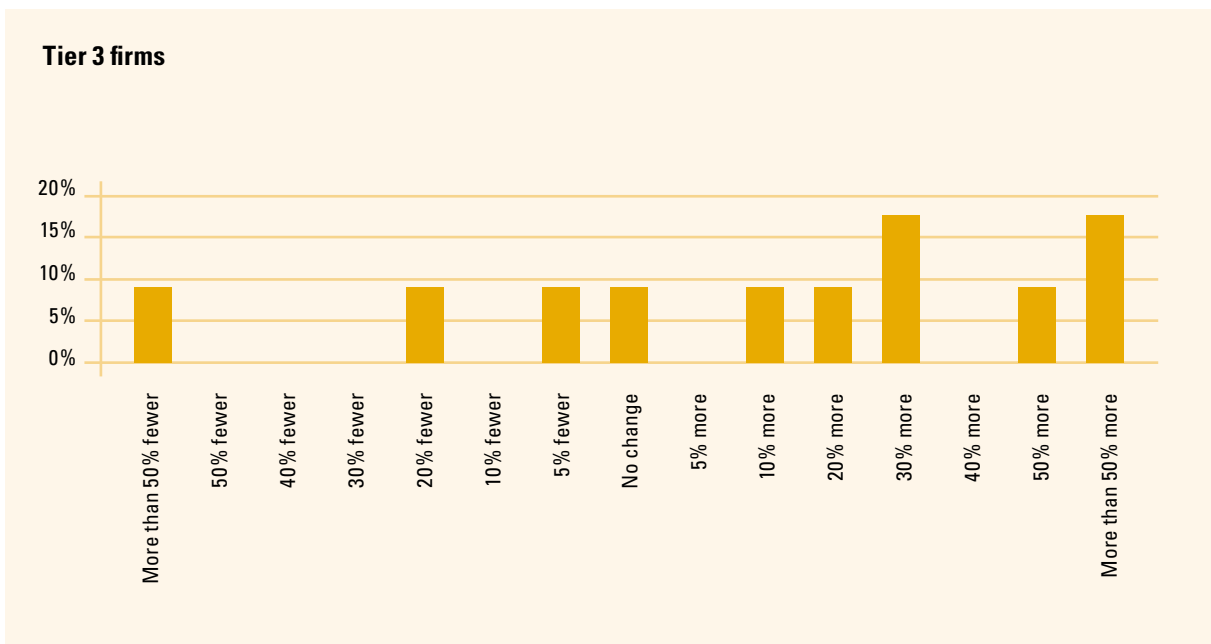
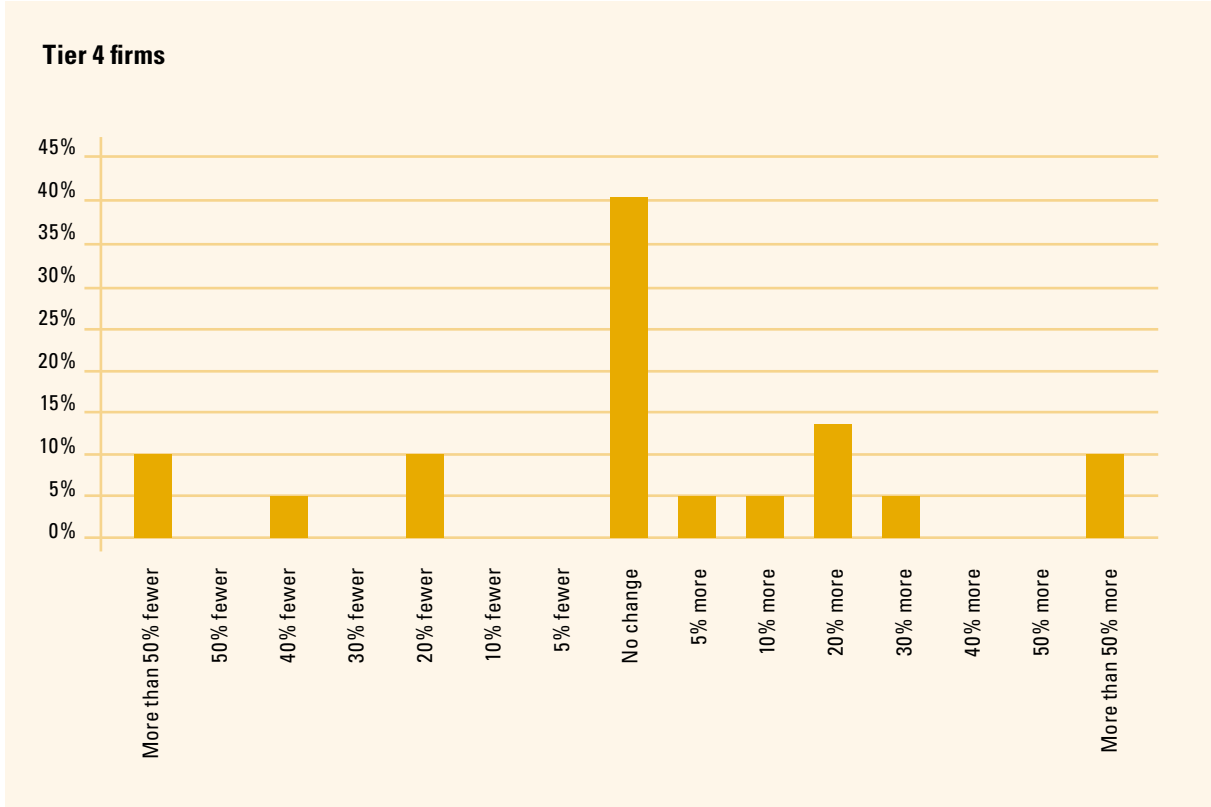
Proportion of respondents saying their HR department plays an active or very active role in the development and execution of their firm's strategy

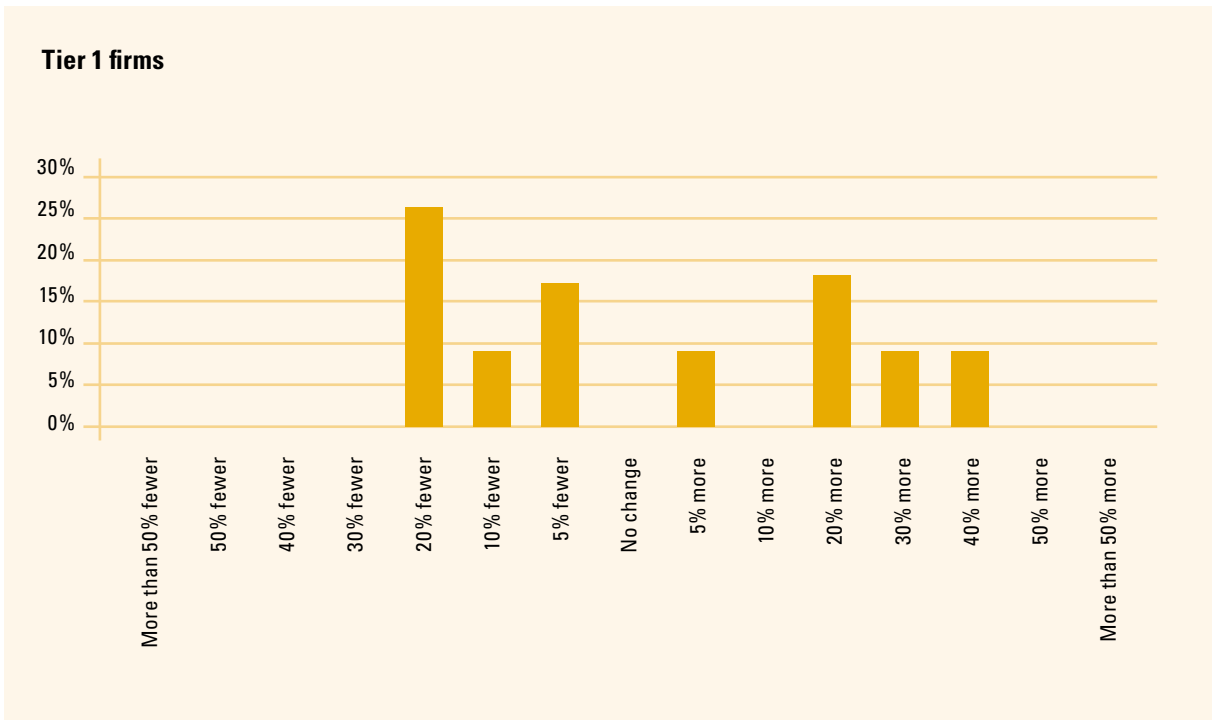
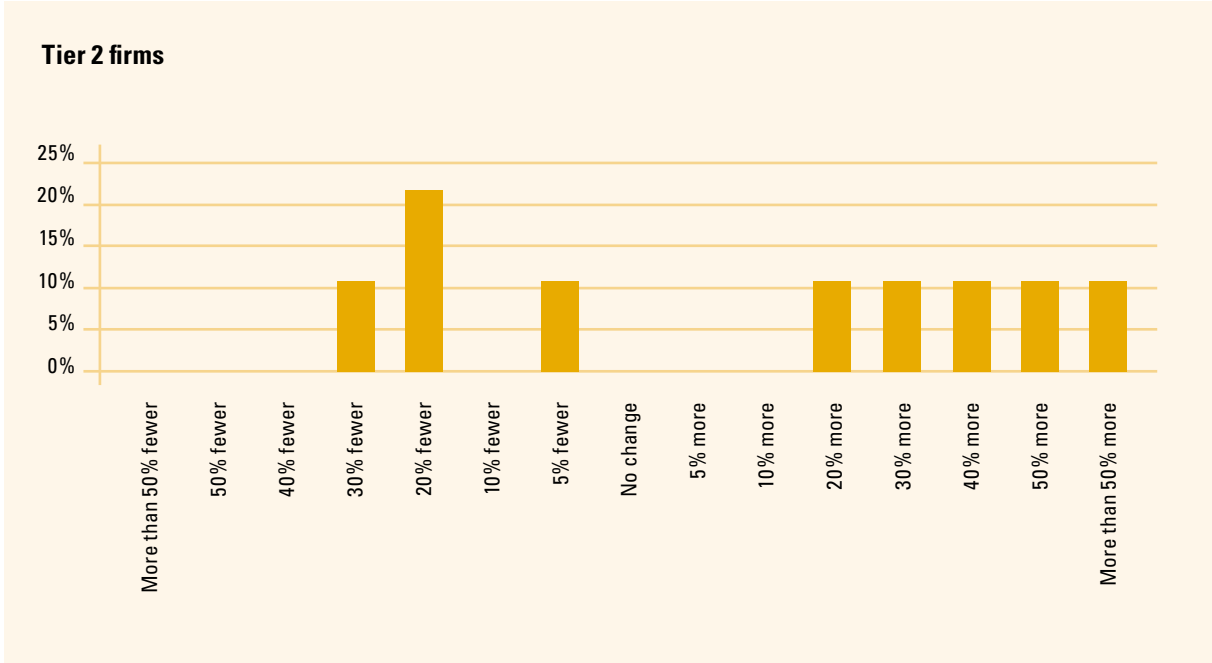


## Appendix 1

For definition of Tiers please see page 4.

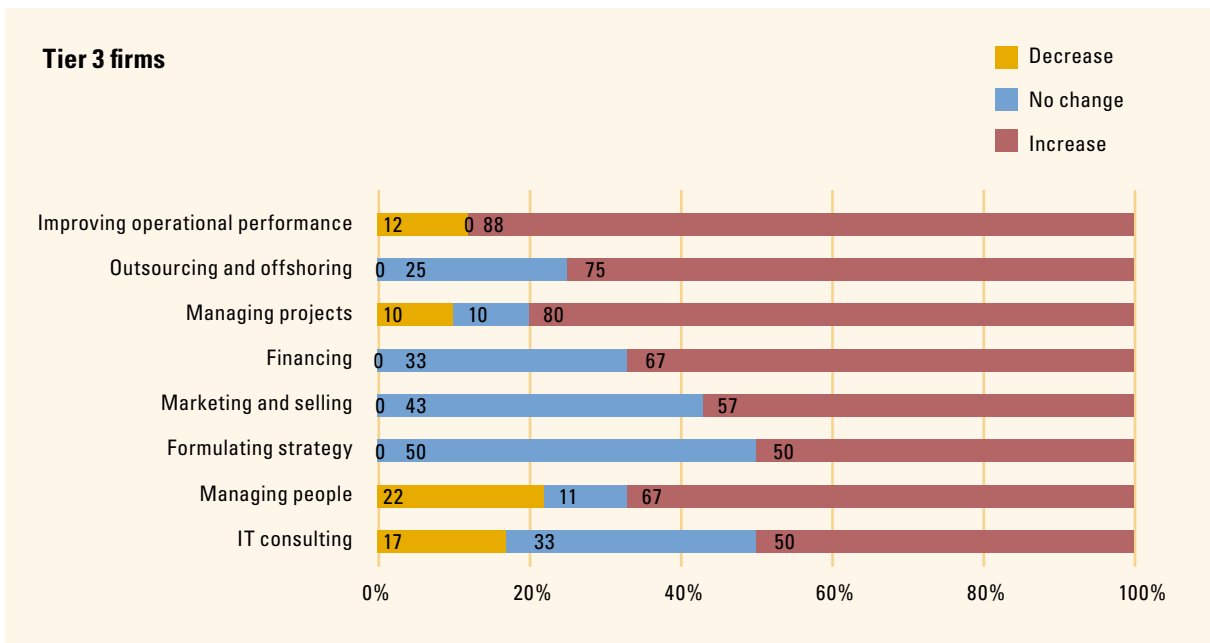
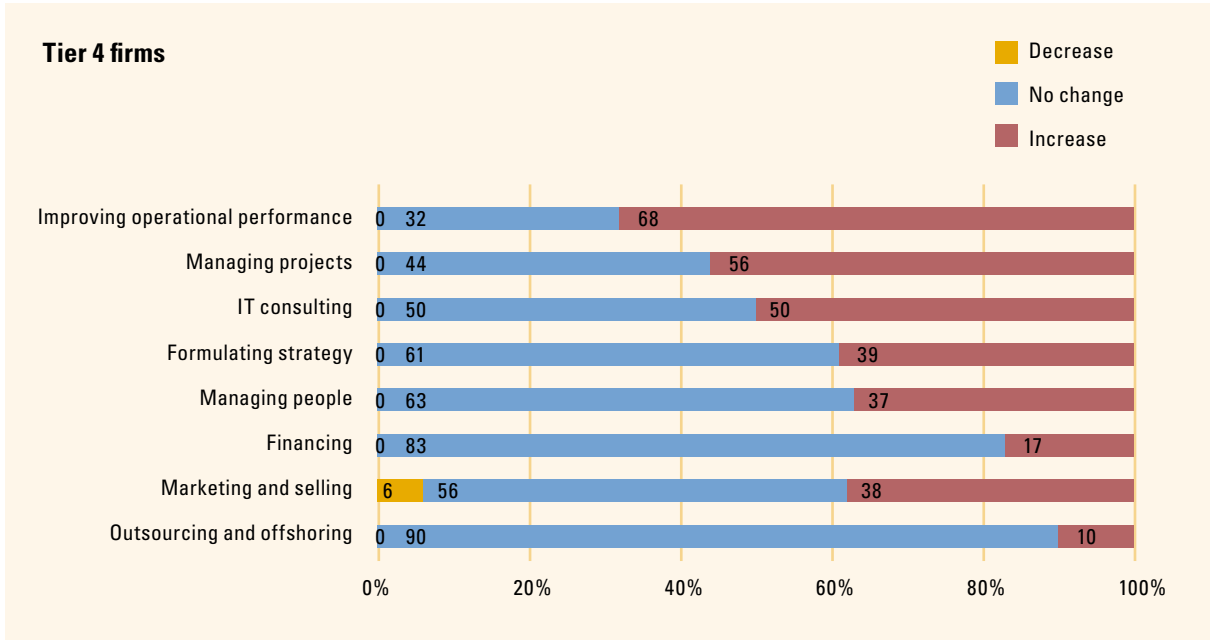
### Changes to the number of consultants employed since 2007

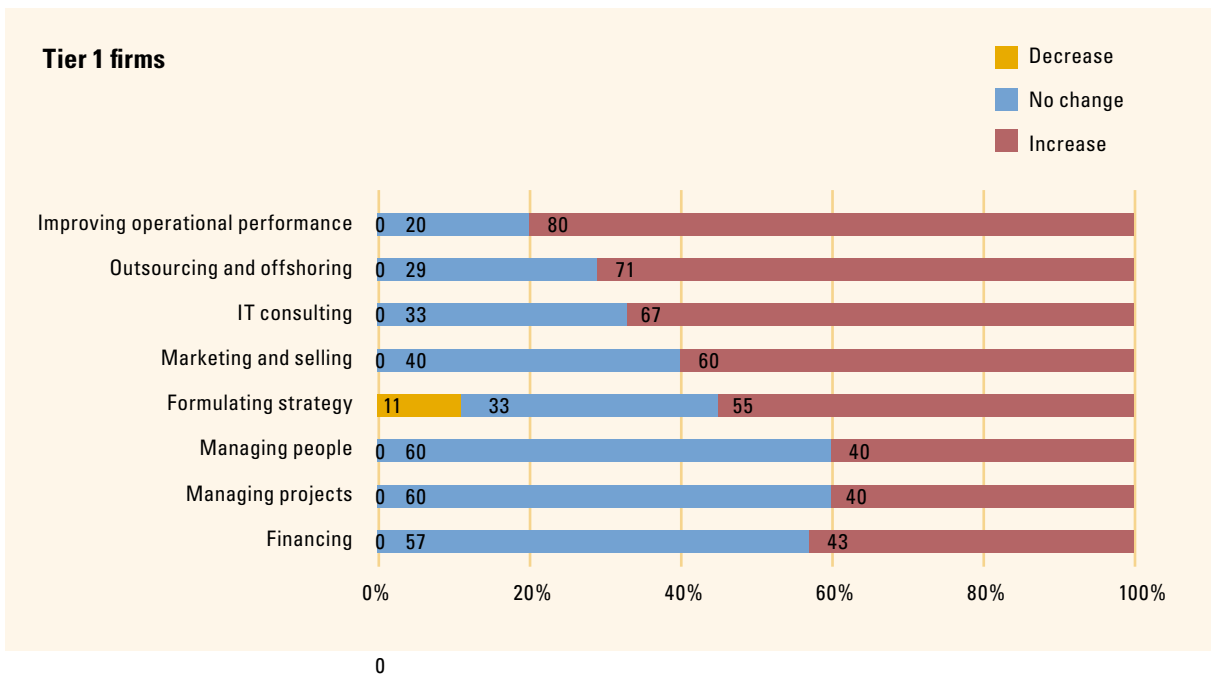
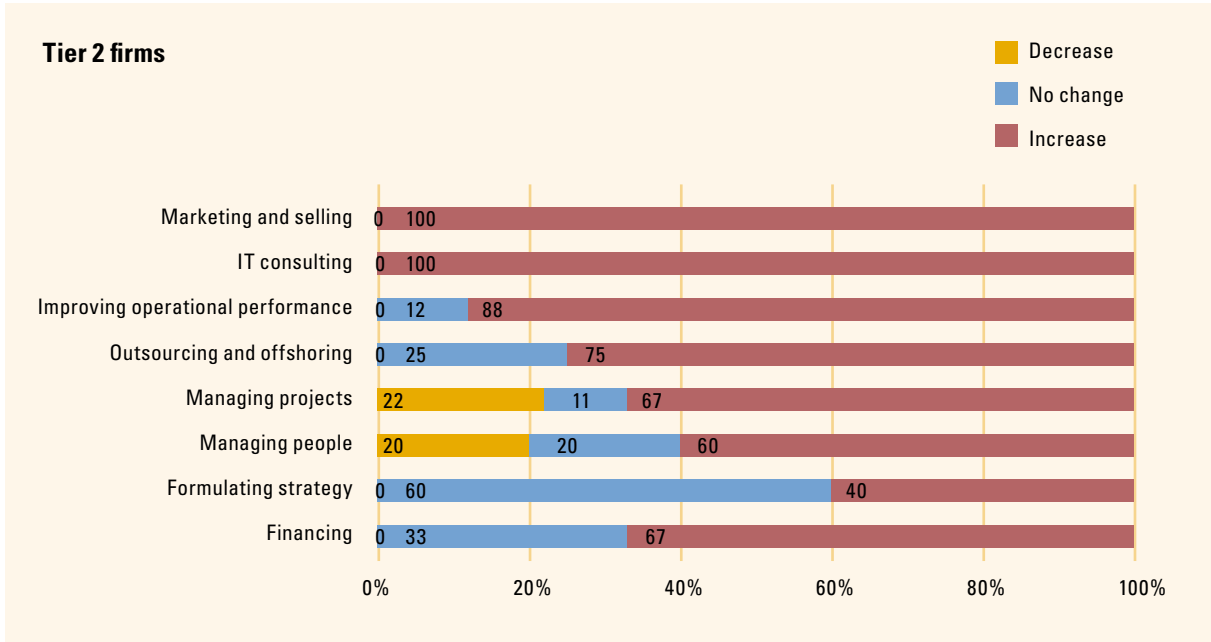




## Appendix 2

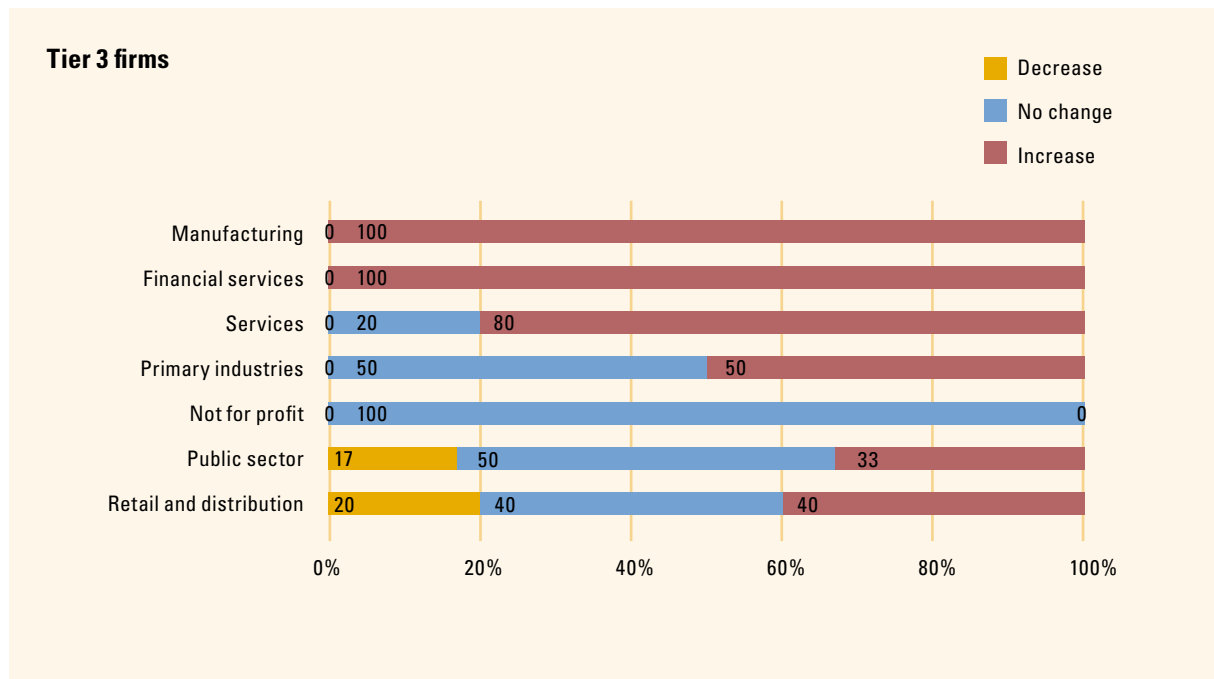
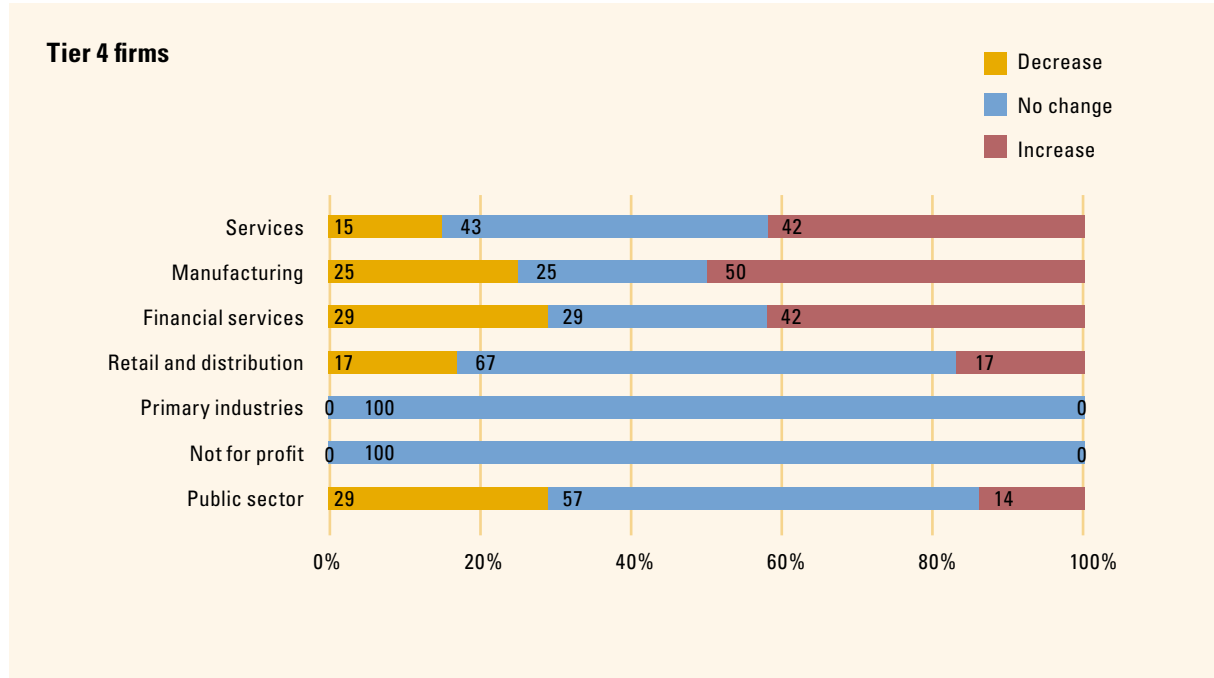
### Predicted changes to consultant numbers in each service area over the next six months

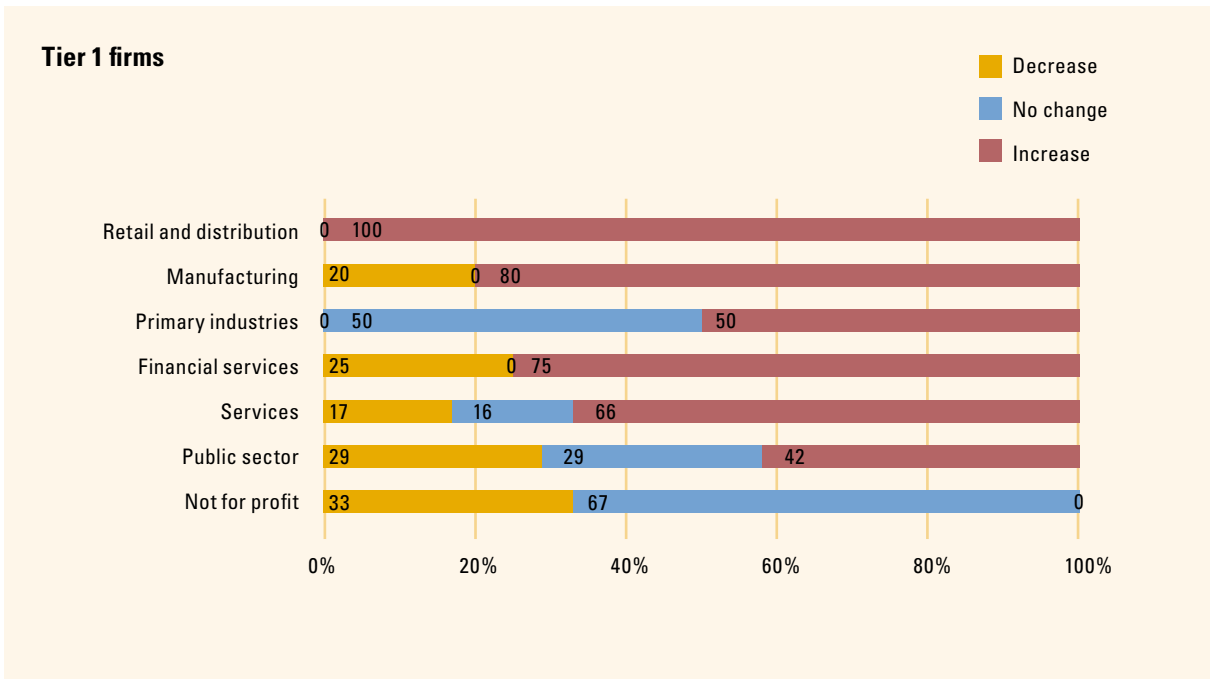
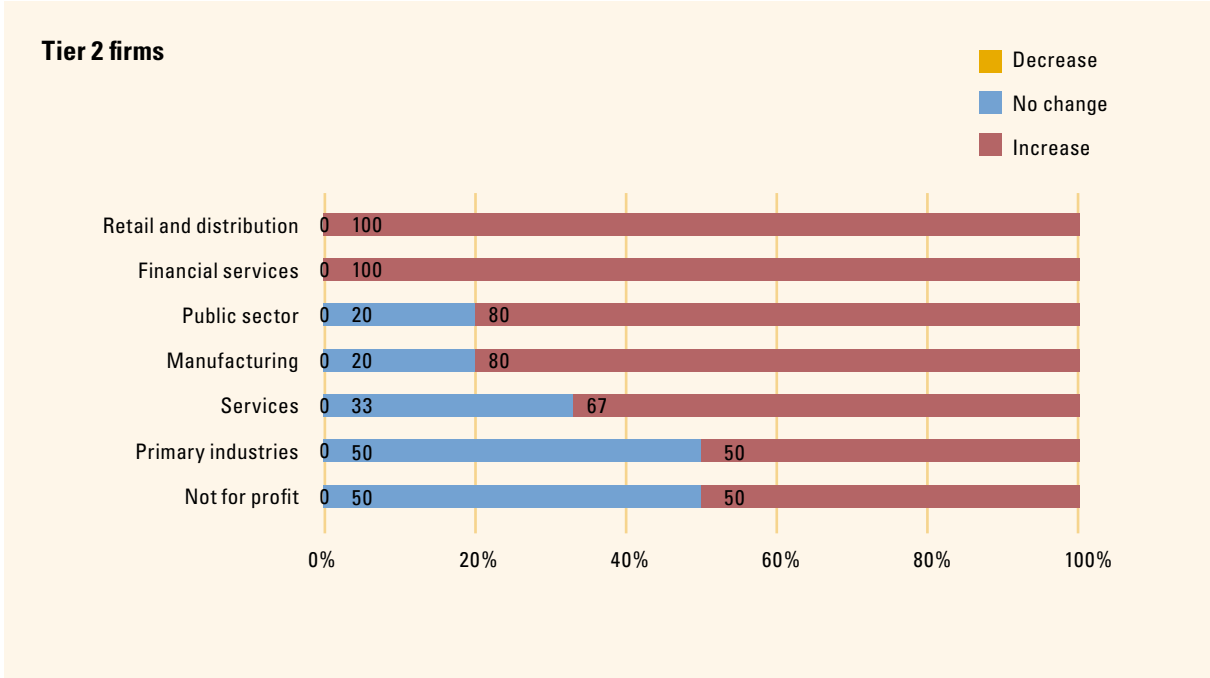




## Appendix 3

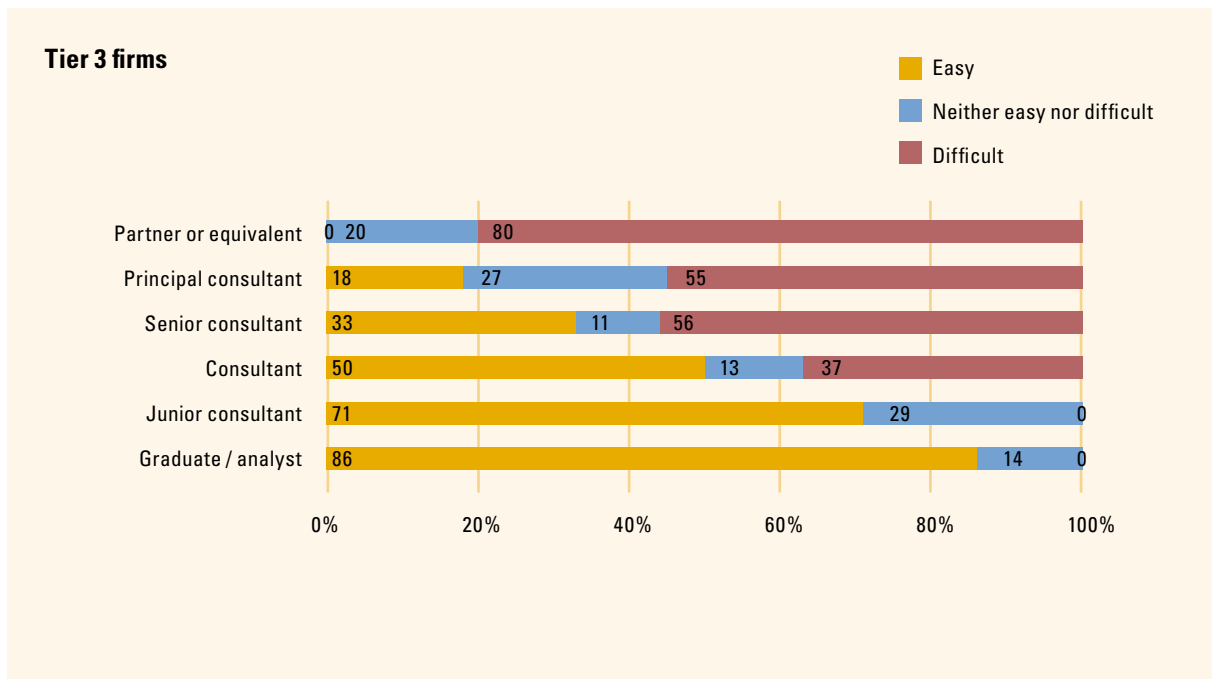
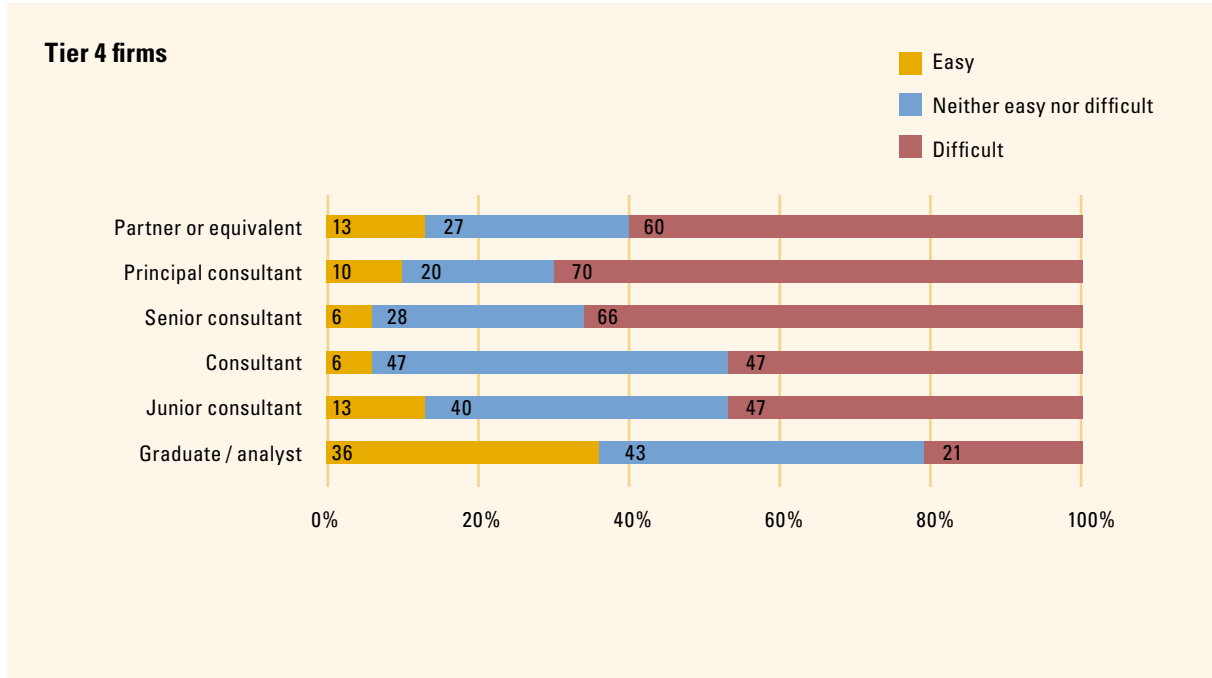
### Predicted changes to consultant numbers in each sector over the next six months

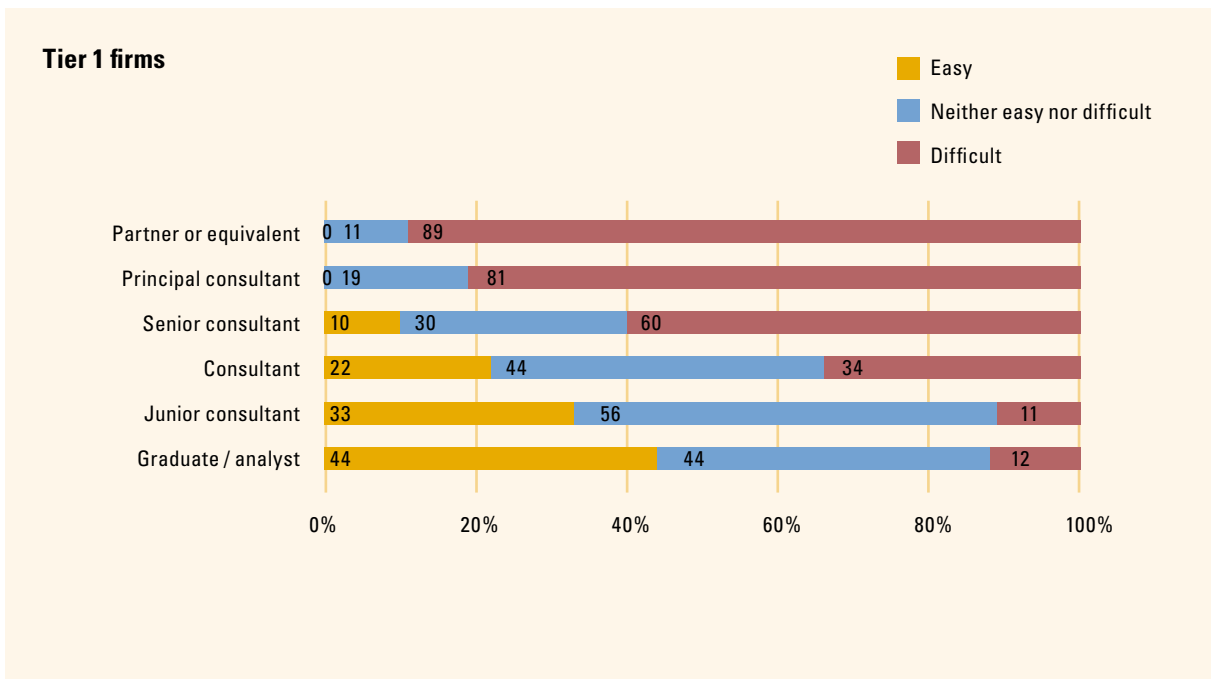
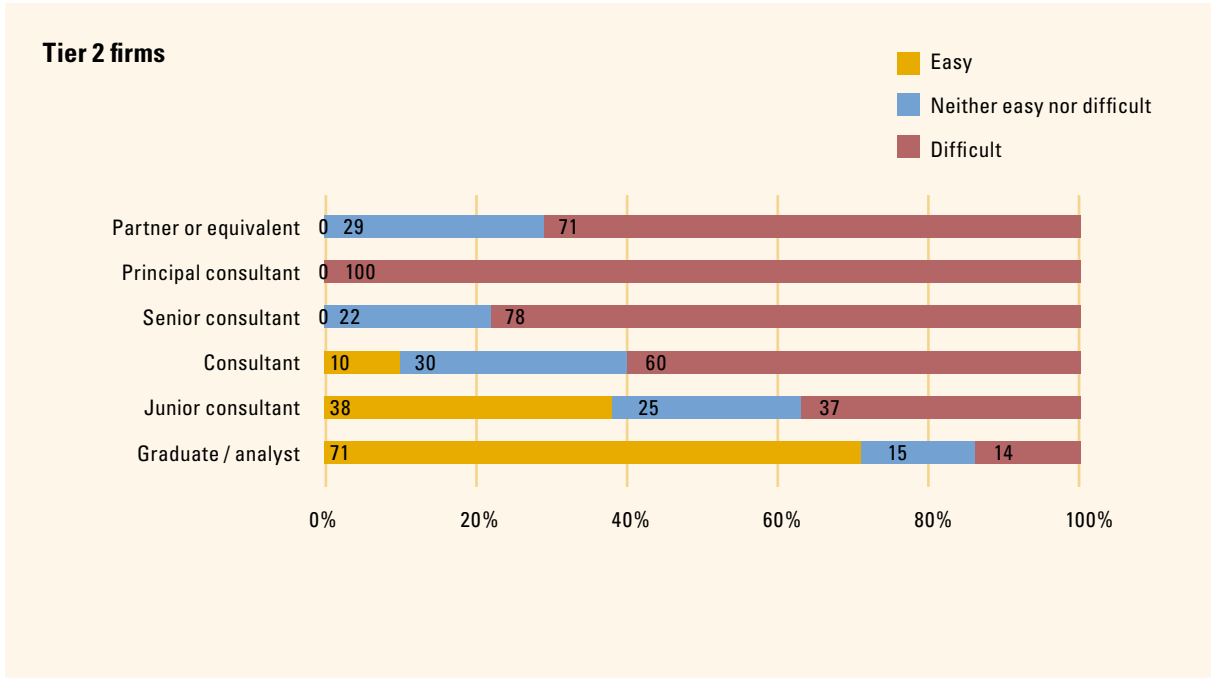




## Appendix 4

### The degree of difficulty in recruiting grades of consultant





## Appendix 5

### Comparing HR activity in different sizes of firms

	Tier 4	Tier 3	Tier 2	Tier 1
Change in consultant numbers since 2007	+1%	+16%	+14%	+3%
Service where headcount is increasing most	Improving operational performance	Improving operational performance	Marketing and selling IT consulting	Improving operational performance
Sector where headcount is increasing most	Services	Manufacturing Financial services	Retail and distribution Financial services	Retail and distribution
Grade most recruiting for	Principal consultant Senior consultant	Principal consultant	Consultant	Principal consultant
Biggest HR challenge	Recruiting the right people	Understanding future resource requirements	Understanding future resource requirements	Recruiting the right people
What HR spend most time doing	Recruitment Training and development	Recruitment Resource planning and strategy	Recruitment Retention	Recruitment Compensation and benefits
What HR should spend most time doing	Training and development	Resource planning and strategy	Retention	Resource planning and strategy

## About Source

Sourceforconsulting.com is a leading provider of information about the market for management consulting. Set up in 2007 and based in London, 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, who, between them, account for about a third of the UK's management consultancy market. All of our work is underpinned by our core values of intelligence, integrity, efficiency and transparency. It helps:

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Sourceforconsulting.com is owned by Source Information Services Ltd, an independent company, which 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*. Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked at PA Consulting Group and has extensive experience of marketing consulting services.

## About Mindbench

Mindbench is the award winning specialist permanent and interim consultant recruitment provider for the management consultancy industry. The Mindbench team focuses solely on high achievers with a management consultancy profile and recruits them for roles with top strategy firms, the "Big 4", specialist consulting boutiques, financial services firms, fast growing entrepreneurial businesses and private equity. Mindbench has an enviable reputation within the management consultancy sector. Mindbench founder, Richard Stewart was highly commended in the 2010 Top-Consultant survey and Mindbench was runner up 2010 and 2009 as best management consultancy recruitment firm. Mindbench recruits across the competency areas within consulting including strategy, operational improvement, change management, technology, innovation and marketing. We also recruit people with specialist sector experience Sector including financial services, public sector, media, telecoms, technology, life sciences and energy & utilities. We work with a select number of clients and service their entire business staffing requirements including: contract and interim staffing and permanent recruitment from Consultant level all the way through to Director and Partner level.

Mindbench attracts the best management consultants in the industry from the UK and internationally. We provide a high quality recruitment service and are grateful that candidates and clients refer us to their colleagues. We network extensively, speaking at and sponsoring major industry gatherings and educational events at leading business schools. In addition we host alumni events for major consulting firms. Mindbench was founded by Richard Stewart. Richard previously worked for leading international and UK management consulting firms and has extensive experience of the financial services and private equity sectors. Mindbench supports the Management Consultancy Association. Mindbench is the only recruitment company to have "Gold Sponsor" status with the MCA. We are proud to be sponsoring the MCA Management Awards and the MCA reception again in 2011.

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