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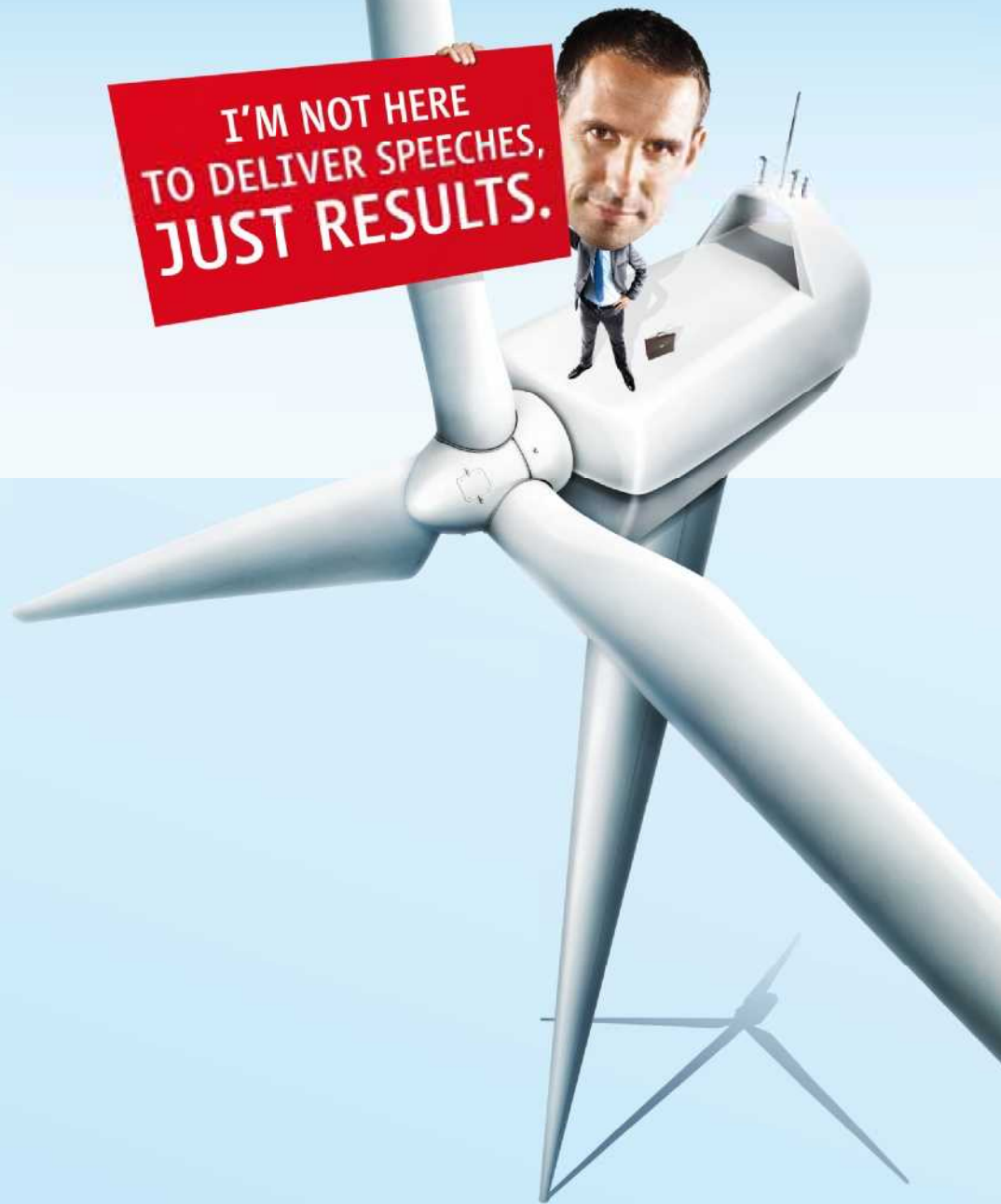
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FEATURE

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Improving pay predictions
spell positive outlook for 2010



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HAITI RELIEF

PwC trainee takes time off for Haiti relief mission

Oliver Hurst, a trainee with city firm PricewaterhouseCoopers LLP, set out to Haiti as part of a specialist volunteer team to support relief efforts in the aftermath of the earthquake that devastated the island nation.

Hurst, 25, a qualified engineer, pilot, and fluent in French, will provide project management support and translation services to a ten strong volunteer team of doctors and medics representing charity Emmanuel Global Network UK. The charity brings together the skills of volunteers to help developing countries, and the group travelling to Haiti includes doctors and medics who will work with the Jamaican Red Cross and a local Haitian charity to set up a mobile surgery in Archaie.

"I chose to get involved because I genuinely think I have something to offer, and if you're able to do something, you should. When I found out about the opportunity I didn't really consider the work implications, but when my team found out, everyone has been so supportive."

Hurst originally joined PwC in 2008 after completing a BEng in Mechanical Engineering in Bristol, and spending two years with the RAF, where he learned to fly aircraft. He was born in Singapore, grew up in Botswana, and subsequently lived in South Africa, and Kuwait.

PwC is supporting the Disaster Emergency Committee's Haiti appeal, matching employee donations to raise up to £100,000. The firm's annual charity pantomime, Snow White, begins next week in the West End and is also diverting part of its fund raising activity to support the DEC appeal.

Deloitte creates a new business in the real estate advisory market

Deloitte aims to create a new model in the real estate advisory market with the addition to the firm of Drivers Jonas, the UK's oldest property advisory firm. The deal will create a business group of around 700 partners and professionals, significantly extending Deloitte's capability in this market.

The combined Real Estate Group, with annual revenues in excess of £110m, will deliver real estate advisory and transaction expertise to the firm's clients in all markets and industries. It will also form a critical part of Deloitte's wider £200m Real Estate industry team, which specialises in providing professional services to real estate clients.

The deal will see over 650 Drivers Jonas partners and employees join Deloitte. Nick Shepherd, managing partner of Drivers Jonas will become managing partner of the Real Estate Group which will trade as Drivers Jonas Deloitte and he will join the Deloitte Executive.

John Connolly, senior partner and chief executive of Deloitte, commented: "This is a very exciting transaction, which will truly differentiate us in this sector. Together Deloitte and Drivers Jonas will offer an unrivalled breadth and depth of services and expertise. The companies have worked alongside each other over many years. We have the highest regard for the culture, integrity and professionalism of their people and I believe the combination will provide significant opportunity for all the staff in the newly established business as we capitalise on the prospects created by this exciting new model."

Nick Shepherd, managing partner of Drivers Jonas, commented: "The merger of our partnership with Deloitte provides our real estate teams with a fantastic platform from which to build our advisory business and further develop our service offering in the capital markets.

"The wider Deloitte business gives unparalleled access to international investors, property companies, sovereign wealth funds and high net worth individuals, who play such a key role in the operation of the capital markets. We see huge opportunity in combining Deloitte's real estate skills and wider business expertise with our full range of property and construction services. No competitor will be able to provide an integrated offer combining real estate knowledge, tax, finance and structuring advice in this way to UK and international investors and occupiers."

Connolly concluded: "Deloitte has a history of rapid growth through innovative moves in the market. This is a significant step in our ambition to be uniquely positioned as a provider of the broadest range of high value advisory services to support our clients. The Drivers Jonas teams in France and Germany will complement the presence already established in a number of countries across Europe."

This transaction, which is expected to complete in March 2010, follows the announcement earlier this month that Deloitte is to acquire ReportSource, the leading business performance and information management consultancy.

IT SERVICES

Lean consultancy S A Partners establishes Ireland branch

S A Partners, the UK's longest standing Lean Enterprise consultancy, has opened a new branch in Ireland.

The company already works closely with Irish businesses including C&C Group – producers of Magners cider – which appointed S A Partners to help it not only to implement Lean principles, but also to develop a skilled internal resource that could sustain and build on the improvements made.

C&C's IT & Continuous Improvement Director, Shane Hughes commented: "S A Partners has provided leadership and technical skills that have helped us to embrace and sustain a Lean approach to doing business. We work with them as strategic partners, not consultants, and this subtle difference is the key value they add to an organisation."

S A Partners has also established close ties with the Irish Centre for Business Excellence and with Cork-based online learning provider Leading Edge Group.

Director of S A Partners Ireland, Chris Butterworth commented: "We believe we have a distinctive offering that goes beyond our consulting expertise."

S A Partners has access to the latest academic research on Lean and offers learning programmes that enable our clients to take ownership of their continuous improvement going forward. We hope that by establishing a base in Ireland we can develop our client relationships further and, if successful, recruit local people to join our growing business."

New KPMG hires to focus on infrastructure, government and health

KPMG in the UK have hired Jacky Ross as Partner, Sheila Pringle as Associate Partner and Joy Voyle as a Director to lead the firm's financial management team which will focus on the infrastructure, government and health sectors.

Jacky Ross co-founded the consultancy Counterpoint LLP in 2006 where she worked with CEOs and Board Directors to translate aspirational, high level business strategies into programmes to deliver sustainable change and real benefits to a range of clients across the public and private sector.

Ross's previous role was at PwC Consulting, where she focused on helping to build up the financial management practice and establishing and running the pan-European iAnalytics (business intelligence) business. Prior to that, Ross was a Partner at Ernst & Young where she built a highly successful pan-European finance restructuring and re-engineering division focused on large multinational clients. In addition, she was CEO of a new joint venture between Shell and Ernst & Young which she developed the business case for, and then built and ran as a commercial outsourced organisation.

Sheila Pringle joins from Deloitte where she has spent the last six years helping to build their financial management and corporate services transformation practices within the Public Sector. Pringle has worked across both central and local government and has significant expertise in shaping and implementing shared services, including a secondment to the Government's Gershon team

in 2004 where she was responsible for defining the central team to drive cross government collaboration in connection with shared services and securing the first phase of funding for them, as part of the efficiency review. Prior to joining Deloitte she spent eight years in the Andersen Consulting business.

Joy Voyle joins from Counterpoint LLP where she has delivered Corporate Services Transformations with a range of central government clients since 2007. Voyle has 12 year's consulting experience built on five years in finance in the insurance sector. She has delivered a wide range of large scale corporate services transformations, particularly in the Finance and HR functions, in addition to a number of financial management related programmes. Voyle brings extensive Shared Services experience to the FM team from strategic reviews to their practical implementation. Her experience spans both the public sector and a number of private sector multi-nationals. Prior to Counterpoint LLP she worked for Cap Gemini, Ernst & Young and Willis Corroon.

Scott Parker, KPMG's UK Head of Performance and Technology practice said: "I am delighted this vastly experienced team are joining KPMG to boost our financial management practice within the hugely important infrastructure, government and health sectors. They will bring their combined expertise and ability to bear with both our private and public sector clients, to help them re-shape their businesses at a time when short-term economic recovery continues to look uncertain."

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Improving pay predictions spell positive outlook for 2010



New research from global management consultancy Hay Group reveals a growing confidence that the UK economy will improve during 2010.

According to Hay Group's *Reward in 2010* report, two thirds (65 per cent) of HR professionals anticipate an upturn in business over the next twelve months. Nearly three fifths (57 per cent) expect business results to be on or above targeted levels for 2010. The upbeat outlook is also reflected in improving predictions for pay and bonuses.

However, the report sounds a note of caution: an overwhelming 94 per cent of organisations agree that the worst is not yet over.

Claudia Canavesio, reward expert at Hay Group, comments: "We are starting to see a cautious

but growing optimism among UK organisations, reflected in a predicted recovery in salaries and bonuses. However, there remain significant challenges ahead."

Reward in 2010 is based on predictions from HR and reward professionals from around 200 large organisations in the public and private sectors, representing in excess of 370,000 employees.

Salary forecasts improving

The report provides an early indication that salary increases are beginning to recover. Nearly four fifths (79 per cent) of organisations intend to increase salaries over the next 12 months

– compared to 57 per cent that increased salaries in 2009.

The median increase forecast is 2 per cent - an improvement on predictions of just 1 per cent in March 2009.

Canavesio comments: "Compared to previous research, the findings from our latest study suggest greater confidence and clarity for 2010 among reward professionals, who are anticipating and planning for change, rather than employing a laissez faire approach."

Continued on page 8...

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Pay freezes ease off

There are also signs that the big pay freeze is beginning to thaw. Three quarters (75 per cent) of organisations that implemented salary freezes in 2009 plan to lift them within the next 12 months.

Of those organisations that froze salaries in 2009, 23 per cent are considering a second freeze.

Bonuses bounce back

A further positive sign is the re-emergence of performance pay and bonuses. Nearly four fifths (79 per cent) of organisations are intending to pay bonuses over the next 12 months, half (50 per cent) of which are expected to be on or above target.

Payouts will vary markedly according to industry sector - the majority of FMCG and retail organisations plan to pay full bonuses in 2010, while worse hit sectors, such as financial services and manufacturing, are anticipating below target bonuses.

Sector view: a polarised marketplace

Despite the overall optimism, the report reveals a divided UK marketplace. While the majority of sectors are cautiously optimistic about 2010 - FMCG and retail in particular - the manufacturing and public sectors continue to face challenging times.

Manufacturing: Over two thirds (69 per cent) of manufacturers expect to fall short of business targets in 2010, while two fifths (40 per cent) believe it will take between 12 and 18 months to feel the benefits of the upturn - compared to just 20 per cent of all respondents.

Public sector: Public and not-for-profit organisations are even more pessimistic, with nearly three quarters (71 per cent) not expecting to benefit from the upturn for more than 18 months.

Median public sector salary increases are forecast to be just 1 per cent in 2010, in contrast to 2 per cent in April 2009. This is in stark contrast to 2 per cent median increases forecast for the private sector this year.

With substantial cuts in public funding to reduce the Budget deficit expected, certain departments will feel the pressure of cost constraints, in contrast, those with multi-year pay increase deals in place (such as uniformed services) are likely to see those contracts honoured.

FMCG/Retail: In sharp contrast, 90 per cent of retailers and 75 per cent of FMCG firms expect business performance to reach or surpass target levels this year.

Almost all FMCG companies (95 per cent) and a majority of retailers (92 per cent) will provide a salary increase. Nearly three fifths (57 per cent) of FMCG firms that implemented pay freezes in 2009 expect to lift them within the next six months.

Finance: Short-term incentives have - and will continue to be - a hot topic for the financial services sector. Rather unsurprisingly, these are forecast to be below target by nearly two thirds (63 per cent) of respondents. Very few (6 per cent) respondents expect above target incentives, as opposed to 13 per cent of organisations across all sectors.

HR challenges for 2010

Employee engagement and talent management are seen by

HR and reward professionals as the most significant priorities for 2010 - both are cited by almost 70 per cent of respondents as a key challenge.

Canavesio comments: "With tighter reward budgets, paying and motivating employees, particularly high performers, is a difficult task.

"It is important for organisations to explore the full breadth of the reward spectrum - offering a competitive total reward package, with a focus on non-financial elements such as career development, work-life balance and job security are likely to maintain engagement and talent."

Impact on reward practice

Over two thirds (68 per cent) of reward professionals say they have changed the way they manage reward as a result of the recession. Although most have retained overall policy, they have taken the opportunity to implement efficiencies and revisit existing HR programmes.

Perception of the reward function is also changing. In light of pay freezes, reward is reaching wider audiences and the traditional remit of the reward professional is expanding with many organisations adopting a more advanced and creative approach to compensation and benefits.

Canavesio comments: "It is important for organisations to explore the full breadth of the reward spectrum - offering a competitive total reward package, with a focus on non-financial elements such as career development, work-life balance and job security are likely to maintain engagement and talent."

Gartner: Thought leadership marketing can be a powerful tool for IT services providers

Once the preserve of large consultancy firms, TLM is rapidly becoming an established field within marketing.

Thought leadership marketing (TLM) can be a powerful tool for improved marketing success in IT services, according to Gartner, Inc. While thought leadership has been used by consulting firms for a long time — often accounting for as much as 20 percent of marketing expenditure — an organized discipline of TLM is only now emerging, allowing marketers to use this as a manageable tool to drive business.

Gartner defines TLM as the giving — for free or at a nominal charge — of information or advice that a client will value so as to create awareness of the outcome that a company's product or service can deliver, in order to position and differentiate that offering and stimulate demand for it.

"The principle of TLM is simple enough: You give away a little valuable intellectual property to establish your potential usefulness to the client, in the expectation that the client will use your expertise and services," said Rolf Jester, vice president and distinguished analyst at Gartner. "Its essence is to show, rather than tell what a company can do, and to do so in a way that positions and differentiates that company's offering for the chosen target audience."

Jester cited some examples of leading IT services organizations that use TLM:

- Under the heading "Capgemini Point of View — the way we



see it" Capgemini publishes future-oriented "TechnoVision" documents for vertical industries.

- Deloitte's many activities in this category include a series of debates published on its website and publicized via e-mail, drawing out opposing views on current key business issues and highlighting considerations that executives need to take into account.
- IBM, among its many other activities, maintains a substantial "Institute of Business Value" to publish business research.

Gartner's review of the TLM activities of IT services providers has shown three types of program.

These are not mutually exclusive but will often be combined:

- **Opportunistic.** This type of program tends to be short-term and promotional-campaign focused. It boosts interest in and therefore sales of a specific offering.
- **Door-opening.** This type of program can help establish or expand permission to play and is ongoing, although it evolves as acceptance grows to build visibility and credibility in the market.
- **Brand support.** This is the most sustained type of TLM program and is used to reinforce the brand promise and image.

Regardless of the programs employed, Gartner analysts said that the company's brand and positioning must form the basis for the development of TLM strategy, and that strategy must be kept in alignment with the evolving direction and capability of the service firm.

"A clear business plan, driven by the brand and positioning strategy, and accepted widely by multiple levels of leadership, is the essential starting point" said Christine Adams, managing vice president at Gartner. "External intelligence on competitive activity is critical, as is a good understanding of what is already being done in your company and why."

Making solutions feel collaborative: one question to ask yourself

Clients often feel that consultants push solutions at them instead of collaborating with them. Malcolm Sleath from coaching consultancy 12boxes says establish the value before attempting to educate the client.

by MALCOLM SLEATH

Question: When presented with a client problem, I come up with the best solution I can. Why is it that some clients just don't seem to appreciate this?

Answer: When researchers ask clients how they feel about management consultants a significant minority say they don't feel they have been listened to properly; a similar number feel that the consultants do not understand their needs; and a majority say if they felt they had been listened to more attentively, they would have been more likely to commission work.

The difficulty for consultants is that on the one hand they want to position themselves as being there to serve the client's needs, while on the other hand they know that slavishly delivering what the client asks them to is unlikely to produce outstanding results.

In some past golden era consultants might have been regarded as experts, on hand to dispense their accumulated wisdom after gently massaging the client into a receptive frame of mind. This approach was summed up in the saying, "First you have to show the client that you understand what they want, then you have to work out what they need, and

finally you have to get them to want what they need".

Handled in the right way, this approach can still work. But acceptance that the 'consultant knows best', if it every really existed, is certainly now dead. These days, clients no longer regard themselves as merely buyers of services. They expect to collaborate. Consultants, even those brought up on a consultative sales model, can find this challenging.

Does this mean we have to throw out everything we think we know about selling? No. Does this mean we have to modify what we are doing at the heart of the process? Yes.

What stays the same?

At the risk of over-simplifying, we can say the foundation is still about letting the client know you understand the situation from his or her point of view. Everything hinges around two questions: 'What's supposed to be happening?' and 'What is actually happening?'

These questions can reveal problems: 'I thought I was here to drain the swamp, but I seem to spend all my time fighting alligators'. They can also draw out aspirations: 'With all these alligators

around, I can see an opportunity to get into the handbag business'.

Uncovering a need is only the beginning. Before you can have a serious conversation with a client – one that is going to lead to a collaborative solution – three things need to happen.

1. The client has to spell out the potential loss from failure to resolve the problems or achieve the aspirations. This engages their serious interest in addressing the issue and marks the first step in establishing the added-value you might bring.

2. The client has to be aware that a solution exists. They don't have to know much about it or believe it will work for them – that comes later.

3. The client has to express the desire to change his or her situation.

How the consultant handles these elements will determine if the client feels they are being 'sold to' or if they feel they are collaborating in designing a solution that meets their needs. To illustrate, let's think about the 'can't drain the swamp because I'm fighting the alligators' problem.

The potential losses from not

dealing with the alligators might be the cost of project overruns, the damage to reputation in failing to drain the swamp and the compensation bill arising from workers being eaten, and so on. That much is clear.

Moving on, we could begin to outline the requirement for a solution by saying to the client, 'It sounds as if you need a way of controlling the alligators so that the losses from project overruns and so forth are brought to a halt.'

Having established the need, and the downside of not addressing it, conventional wisdom suggests the consultant should push ahead with trying to establish the upside of solving the problem.

Sometimes this is referred to as the 'payoff' question. It goes something like this: 'How would it help you if you could solve this problem?' In its more extreme form, it is referred to as the 'miracle' question. For example, you might ask a drug addict, "If you woke up tomorrow morning, and your drug dependency had completely evaporated overnight, what difference would it make to your life?"

These questions encourage the client to temporarily suspend any reservations about the effectiveness of the solution so the real benefits of resolving the problem or realising the opportunity can be explored and made explicit.

But before pressing on with such questions, I suggest consultants ask themselves another: 'If this solution is so obvious, what has stopped the client from asking for it before?'

In the alligator swamp example, the forces pushing the client towards wanting a solution are mounting losses from project

overruns and so forth.

But what has been getting in the way of them seeking to change the situation until now? These forces restraining the client usually take the form of beliefs that fall into one or more of the following categories:

1. The client believes they are not personally able to implement a solution. For example, the client may have a belief system that regards alligators as sacred, and prohibits them from doing anything that involves killing them. They can't imagine a solution that does not involve the slaughter of alligators.

2. The client believes that other people do not have the personal capacity to implement the solution. For example, they may consider the workers to be so afraid of alligators that they would never be able to implement any solution that involved engaging with them.

3. The client believes there is something inherent in the situation that cannot be changed. For example, they may believe that alligators in general breed too fast for any solution to be effective, or that the alligators in their particular swamp are more aggressive than average.

How these beliefs are handled determines the extent to which the client feels ownership of the solution.

The big mistake is to treat them as 'objections' to be overcome on the spot. If you challenge the client's beliefs at this stage, they have very little motive to review them. However, after answering the payoff question, the client has much more motivation to re-examine their beliefs.

Until the client has expressed their 'vision of success', I strongly suggest that the client's restraining beliefs should be incorporated into the way the solution is described. Here are three examples that incorporate the client's beliefs:

"It sounds as if you need a way of reducing the impact of the alligators so the project can get back on track..."

1. ... in a way that respects their sacred status."

2. ... in a way that takes account of the deep fear the workers have of them."

3. ... in a way which takes account of their fast breeding rate / particularly aggressive nature."

You are not promising to deliver a solution which meets this specification. You are simply acknowledging that, for the time being, this is what the client wants. Your only implied commitment is to do your best to find out if it can be done.

Once the client has agreed the true value of the solution, they will be more open to revising their beliefs in the light of evidence. You will also be in a better position to assess the feasibility of working within their constraints.

Challenging client beliefs before you have established the value of a solution makes the client inclined to feel you are not listening and only offering what you want to offer.

Incorporating their beliefs into the solution, allows you to move on to establishing the true value. Once you have done that, you might be surprised at how far they are motivated to revise their position.

Outsourcing industry turns in best performance in six quarters

Advisory firm TPI released fourth-quarter and full-year 2009 data showing that the global outsourcing market had its best performance in six quarters and that a slow but steady recovery in the industry is underway as businesses commit to long-term strategies to reduce costs and streamline operations.

The 4Q09 Global TPI Index, which measured commercial outsourcing contracts valued at greater than \$25 million, showed the market's total contract value (TCV) reached \$24.7 billion, an increase of 47 percent sequentially and 8 percent year-over-year and the best quarterly performance since the second quarter of 2008. Driving the market were strong demand for IT outsourcing (ITO), a regional surge in Europe, the Middle East and Africa (EMEA), and a continuation of the rebound in mega-deals and mega-relationships that began in the third quarter.

Full-year 2009 results could not overcome the market's weak showing during first two quarters. TCV for the year declined 13 percent to \$74.5 billion, its low-

est point since 2001. However, as 2010 begins, industry pipelines are healthier and more stable than a year ago.

"As we anticipated, 2009 marked a low point in outsourcing because of the recession in the general economy and its impact on commercial buyers," said Mark Mayo, Partner and President, Global Operations, TPI. "The global market bottomed in the first half of the year and turned in the second half. It now shows signs of recovering slowly and steadily, rather than bouncing back to pre-recession levels, but the outlook for building on its second-half momentum is positive."

Market overview

The Global TPI Index provides a quarterly snapshot of the sourcing industry for clients, service providers, analysts and the media. Now in its 29th consecutive quarter, it is the authoritative source for marketplace intelligence related to outsourcing transaction structures and terms, industry adoption, geographic prevalence and service provider metrics.



During the fourth quarter of 2009, ITO activity continued to drive the broader market, as it has all year. TCV in this category increased 54 percent over the prior quarter and 32 percent over a year ago to \$19 billion, the highest quarterly total in six years. For the year, the market produced \$56 billion in TCV, flat with 2008. The Network Services and Application Development & Maintenance towers both experienced declines for the year, but Infrastructure, the largest tower within ITO, grew modestly.

Meanwhile, the market for business process outsourcing (BPO) continued to struggle in the fourth quarter. While TCV in this segment increased almost 29 percent sequentially, a third consecutive quarterly improvement, it remained 33 percent below the



same period in 2008. For 2009, BPO TCV declined 38 percent to \$18.5 billion, its lowest level since 2001, and the Finance & Accounting, Financial Services Operations and Human Resources Outsourcing categories remained stalled at a fraction of totals reached in prior years.

Regions and industries

Once again, the Global TPI Index showed vastly different results among the three major geographic regions of the world. In the Americas, TCV rose just over 4 percent over the prior quarter but remained off by 17 percent year-over-year. Despite growth in Latin America, full-year TCV in the region declined 6 percent to \$27 billion, the lowest level of the decade. The service provider landscape continued to shift in

the region due to significant consolidation and gains by India-heritage firms, which now make up nearly one-third of the top players.

In EMEA, several large transactions boosted fourth-quarter TCV 135 percent sequentially and 60 percent year-over-year to \$15.4 billion, its best performance since the second quarter of 2008. However, full-year TCV in the region fell 21 percent to \$36.7 billion despite only a slight decline in the number of contracts, an indication that EMEA is experiencing the same shrinking transaction sizes that have slowed growth in the United States.

Asia Pacific fourth-quarter TCV fell 37 percent sequentially and 56 percent year-over-year to \$2.1 billion. But for the year, the

region's \$10.5 billion in TCV represented stabilization with 2008 after several volatile years. While China and India have yet to reach their full potential as outsourcing markets, Australia continued its solid track record of late, doubling its share of the region's TCV.

Among industries, the three verticals with the largest footprint in the outsourcing market – Financial Services, Manufacturing and Telecom & Media – experienced significant increases in demand during the second half of 2009. Manufacturing, where softening consumer demand is necessitating investments in reducing operational costs, TCV rose 76 percent over the first two quarters of the year. In financial services, TCV was up 33 percent in the second half. And in Telecom & Media, a mature vertical that is nonetheless seeing contract renewals and renegotiations, TCV was up 24 percent. These three verticals will need to continue their positive momentum if the broader market is to maintain its gradual recovery.

Outlook

Looking ahead, industry pipeline metrics monitored by TPI have strengthened over a year ago, as have anecdotal descriptions of the health of service provider pipelines. The rate of new transactions added to pipelines, which had slowed in 2009, has apparently stabilized, and the level of contracts coming up for renewal is up 29 percent.

"As businesses becoming more confident in making strategic decisions, we are seeing promising signs for the global outsourcing market," Mayo said. "All in all, we sense that the worst is behind us and expect a return to growth in 2010."

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New report finds HR consulting to be biggest recession casualty

A new survey by sourceforconsulting.com has found that the HR consulting industry in the UK has shrunk by as much as 20 per cent over the last year, making it the biggest casualty of the recession so far as consultants are concerned.

The report, based on responses from 20 major buyers of HR consulting surveyed between September and October 2009, also found that there has been a substantial shift in the type of services being bought, away from traditional services, such as organisational design and change management, to those that offer a measurable return on investment.

Sue Grist, co-founder and director of Egremont, a business transformation consultancy, who was among those interviewed for the report said: "There's been a shift to using consultants to help save money. When we sell work now, the impact we'll have on business processes and costs is front of mind."

The survey divides HR consulting services into three groups:

* Recession-specific services,



such as outplacement and advice on outsourcing the HR function, which have grown during the recession but have limited shelf-life beyond it.

* "Past their peak" services, such as organisational design and capability assessment, which form the bedrock of much HR consulting but demand for which is likely to shrink.

* Potential for growth, services that focus on performance management and personal productivity, as organisations look to get more from their employees and their consultants.

Economic recovery is unlikely

to reverse these trends, believes Fiona Czerniawska, joint managing director of sourceforconsulting.com and author of the report. She comments: "Our research points to a 'generational' shift in HR consulting, away from traditional areas to focusing more on performance management.

The future of HR consulting will see traditional firms collaborating, even merging, with smaller, more innovative specialists, in order to survive. The merger of Towers Perrin and Watson Wyatt announced in June, and the recent acquisition by PwC of performance management consulting firm, Paragon, is evidence of this evolving trend."

MCA aims to measure consultancy ROI

Mick James hopes the MCA's new project will illuminate the debate about public sector consultancy spending.

by MICK JAMES

Oscar Wilde once said that "The cynic knows the price of everything and the value of nothing" and certainly in the consultancy world there's plenty of food for cynics. Over the years the Management Consultancies Association has got better and better at bludgeoning its members into revealing their fee income, while clients in the public sector are becoming more and more adept at actually taking some note of what they spend.

The result has been that while we now have a pretty clear view of the overall cost of consultancy, for a lot of people that is all they see—a massive cost. And while for many years the industry has tried to get people to focus on the value of outputs of consultancy rather than the cost of the inputs, it has been less successful at explaining exactly what those

inputs are or might be.

It makes the "national conversation" about consultancy rather one-sided, and in an attempt to fill this void the MCA has undertaken an ambitious, not to mention brave project to quantify the value of consultancy and come up with a single "iconic figure" for the average return on investment for a consultancy project.

The MCA believes this is the largest project of this kind ever undertaken by a professional services industry, and is well aware of the methodological minefield it's entering. Indeed, the business schools the MCA initially approached said it was impossible.

The MCA initially approached its members for full access to their internal customer satisfaction surveys, and then to follow this



up with in-depth interviews with 30 or so clients. Collating all this data was in itself no mean feat, as every consultancy has its own particular take on assessing customer satisfaction.

But boiling it down to crude terms, the research team concluded that, in the main, consultancy customers could be divided into two groups: the satisfied and the very satisfied (only a vanishingly small number of respondents declared themselves "dissatisfied"). They also found another division in those they interviewed in-depth—those who felt they had "got what they paid for" and those who felt they had received a return which was a multiple of the cost of consultancy.

The team then made what can only be described as a leap of logic: that those clients who de-



scribed themselves as merely “satisfied” had achieved a sort of 1:1 return for a professional service, while those who were “very satisfied” had achieved a multiple. It was then a matter of mapping the pattern established in the interview onto the customer satisfaction surveys and then onto fee income to come up with a “single, iconic figure”.

I’m not going to say what that is—you are welcome to email me with guesses—as the MCA is still finalising its presentation. The question is will it be helpful?

My dilemma is that while there’s a clear need to be able to explain the value of consultancy with an “average” return—no matter how impressive—will inevitably fall between two stools. The clear polarisation between “bread and butter” and truly transformative

projects noted above means that whatever the average figure is, you probably won’t get it—your return will either be very much greater or much smaller.

I also worry that by focusing too much on measurable returns we risk narrowing the scope of consultancy. It’s ironic, but the projects that deliver the smallest return are probably the easiest to quantify—because they deal in known risks against modest ambitions. The more ambitious the project, the greater and more diffuse the returns—and the greater the risk. One shouldn’t also neglect the extent to which consultancy (and change projects generally nowadays) is not in fact seen as investment because it is more about the short-term survival of the company.

There are any other points I could

make, but let’s not pick holes in the MCA’s methodology—what they have built is an impressive model of how consultancy can deliver its benefits, and hopefully this will feed into consultancy discourse and become a standard for how consultancies discuss and measure value achieved with their customers in the future.

Whether it will have much impact on the “national conversation” about consultancy is another matter. It’s not exactly as if the people who write and talk rubbish about consultancy don’t know any better. They’re about as susceptible to rational, evidence-based argument as any conspiracy-theorists. They already believe that consultants charm and con their way into getting clients to buy projects in the first place. The fact that the clients then go on to tick satisfaction surveys and commission more projects will just be seen as evidence of how thoroughly bamboozled they have been.

Where the project has the potential to deliver the most benefit in my view is in the debate on public sector consultancy spending. Here we are on the brink of a massive foot-shooting exercise, with politicians threatening to simultaneously demand massive change from public institutions while depriving them of the means to implement it.

Those in the private sector who continue to be blind to the obvious benefits of outside advice perhaps deserve what’s coming to them. To close with the words of another 19th century genius, Charles Darwin, who said “It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.”

Make the short list

Consultancies open their doors to prospective candidates



Find out more about these companies now!

Ernst & Young: Globalization to resume in 2010 after temporary blip

A report by Ernst & Young in cooperation with the Economist Intelligence Unit (EIU) highlights how globalisation slowed during the financial crisis and the subsequent downturn. But as the economy recovers in 2010 the growth of globalization will once again resume, although at a slower pace than in the past decade, the report predicts.

Redrawing the map: globalisation and the changing world of business draws on three sources of original research: a Globalisation Index, created by the EIU, that measures 60 countries according to their degree of globalization relative to their GDP; an online survey of 520 senior business executives worldwide, conducted in late 2009; and a program of in-depth interviews with 30 senior executives and high-level experts.

The Globalisation Index, which runs from 1995 to 2013, gives an overview of how the drivers of globalisation have evolved and will continue to develop. The index has five criteria: openness to trade, capital movements, exchange of technology and ideas, labor movements and cultural integration. Each of the criteria's weighting was validated by the business leaders surveyed.

Globalisation and economic growth

James S. Turley, Chairman and CEO of Ernst & Young, comments, "The long-term trend toward increased globalisation has, unsurprisingly, paused in the last

couple of years. Countries and corporates have been retrenching while the recessionary storm blows over."

The index measures the relative level of global engagement of a country. It does not measure the absolute or relative impact a country has on global commerce or the global economy. This means that countries that have large domestic markets – such as China, India and the United States – appear towards the middle of the table. Small countries that rely heavily on exports and world trade – such as Singapore and Ireland – appear at the top. More closed countries – such as Iran and Venezuela – are at the bottom.

Many of the same countries that sat at the top of the index in the 1990s continue to do so. Where there has been significant change is with the emerging economies in the bottom half of the index.

John Ferraro, Chief Operating Officer of Ernst & Young, explains, "Although the index questions whether the degree to which a country is globalised correlates with its subsequent economic growth, it clearly shows all the major emerging economies becoming more globalised. Also, the contrast between 2010 and 1995 is even more significant for certain smaller countries like South Korea and those from Eastern Europe like Romania. Both have seen major advances in the past 15 years."

What does it mean for business?

The temporary halt to the trend in the last two years doesn't alter how significant the longer-term implications of globalisation will be for business. Companies based in emerging markets are looking to compete more and more with established corporates from developed markets. This competition is playing out not only in the emerging markets but also increasingly in Western markets.

Turley explains that to be a long-term winner in this new globalized world, "Companies must rethink many aspects of their overall strategy ranging from capital raising to how they source their products. And as companies deepen and broaden their presence in international markets, the need for culturally diverse management teams becomes all the more pressing."

To fully maximise the benefits of more open global markets, business will also have to make a more concerted effort to engage with governments and other policy makers on global issues such as protectionism, regulation and trade.

As Turley concludes, "Whether you like it or not, globalisation is here to stay and will deepen further over the longer term. It can be painful – but the exchange of ideas, culture, people and capital is a force for good from which the majority of the world's population will see an economic upside."

Shortlist announced for MCA



The Management Consultancies Association (MCA) is one step closer to finding Britain's top consulting firms and can now reveal the names of the shortlisted consultancies for the MCA Management Awards 2010.

The MCA Management Awards, now entering their 14th year, and run in association with Management Today, seek out the very best management consultant and client teams, who have delivered truly outstanding results and demonstrated how the UK consulting industry is a positive force for the economy.

Entries for the fourteen award categories are drawn up in partnership with clients and judged by a panel of senior figures from consulting clients, business schools, media, and the government.

Alan Leaman, Chief Executive of the MCA said: "These awards recognise the top performers in the British consulting industry. UK consulting is a world leader and firms which sign up to the MCA's Code of Practice put high standards and clients' interests first. The standard of entries was extremely high and all displayed outstanding consulting skills. Our congratulations go to the excellent consultancies that have been shortlisted."

The winners will be announced at the MCA Management Awards Dinner to be held on 29 April 2010 at the prestigious Grosvenor House Hotel on Park Lane and will be featured in a special Management Today supplement in April 2010.

Change Management in the Private Sector

- Boxwood / Balfour Beatty
- EC Harris / BAA
- Navigant Consulting / Ogier
- PA Consulting Group / London Metal Exchange
- Quest Worldwide / Barclaycard

Change Management in the Public Sector

- AMTEC Management Consulting and Hitachi Consulting / RAF
- Deloitte / BBC
- Hay Group and Maidstone / Tunbridge Wells NHS Trust
- KPMG / Home Office
- KPMG and Learning Skills / Improvement Service
- PA Consulting Group / Serious Fraud Office
- SFL / Cambridge Fire and Rescue Service

Business Strategy

- KPMG / Royal Bank of Scotland

Management Awards 2010

Environment

- Deloitte / Tesco
- Trinity Horne / Yorkshire Water

Customer Engagement

- CSC / Anglian Water
- Ernst & Young / NHS Direct
- Propaganda / Illamasqua
- Tribal / Parentline Plus

Most Innovative Firm

- CSC
- Digital Public
- Right Management
- Sysdoc Ltd

International

- Alsbridge / Butterfield Bank
- Atos Consulting / The Global Fund
- PA Consulting Group / Ministry of Interior
- Tribal / The Tertiary Education Commission
- Trinity Horne / Siemens

Operational Performance in the Private Sector

- Arup / Dubai Airports
- Atos Consulting / Willis UK and Ireland
- Boxwood / UNITE
- CSC / SELEX Galileo
- Deloitte / BT Operate
- IBM UK / Brawn GP
- LCP Consulting / Rieber & Son

Operational Performance in the Public Sector

- Atos Consulting / The Highways Agency
- Deloitte / Scottish Government
- KPMG / Department of Health
- KPMG / Newcastle City Council
- PA Consulting Group / The Identity and Passport Service

Outsourcing Consultancy

- Alsbridge / Butterfield Bank
- Navigant Consulting / Independent Franchise Partners
- Xantus Consulting / Nationwide Building Society

Technology

- Arup / MTR Corporation
- Atos Consulting / CLM
- CSC / Royal Mail
- The Berkeley Partnership / Unilever
- The Berkeley Partnership / Xerox
- Xantus Consulting / Diageo
- Xantus Consulting / Nationwide Building Society

Human Resources

- Hay Group / BAE Systems
- Navigant Consulting / Ogier

Innovation

- Avail / Department of Health
- Boxwood / UNITE
- Trinity Horne / eircom

Most Collaborative Firm

- CSC

Ernst & Young: Global corporates tiptoeing cautiously into 2010



A comprehensive survey of senior executives at nearly 900 major companies worldwide by Ernst & Young reveals a very different business environment compared to twelve months ago but highlights a corporate world that for the most part is still nervous about recovery.

In January last year an Ernst & Young study, *Opportunities in Adversity*, asked companies about their key strategic priorities for 2009. Nearly three-quarters said they were focused on securing the survival of their present business and only 19% said they were looking to take advantage of the recession to pursue new market opportunities. As part of Ernst & Young's ongoing *Lessons from Change Program*, new research shows that by the beginning of December 2009, the percentage looking to pursue new opportunities this year has risen to 34%. Over half (53%) of companies, however, still agreed that surviving 2010 would still remain a challenge.

However, after the actions that many were forced to take earlier in the year it was not surprising companies were seeing progress with fewer still focused on improving the performance of their current assets, down from 39% to 27%, and the proportion still restructuring their business also declined from 37% to 27%.

Scott Halliday, managing partner, UK & Ireland, Ernst & Young says, "The spirit of optimism has increased, but it is essentially fragile in nature. A pick up in confidence is not surprising, given the massive global government stimulus working its way through the economy and the larger developing and emerging economies beginning to rebound. Companies may be less worried about survival over the next 12 months, but the return to a healthy operating environment is still some way off."

A significant minority are generating growth in EBITDA

Surprisingly, for a significant minority 2009 was a year when

earnings improved. More than one third of companies surveyed reported that EBITDA earnings had grown by over 5% in the last 12 months. Remarkably in the context of a global recession, 7% of all businesses had seen a more than 20% increase in earnings.

Forty-five per cent of the companies based in Asia-Pacific and with a turnover of between US\$100m and \$500m reported in excess of 5% EBITDA growth. One-third of the very largest organizations surveyed (turnover exceeding US\$10billion) also reported EBITDA growth exceeding 5%.

In Latin America (26%), Western Europe (28%) and Eastern Europe (29%) the proportion reporting 5% EBITDA growth or more was lower. By sector, more than 40% of pharmaceutical, aerospace and defence and banking companies exceeded the 5% growth threshold. Corporates in the oil and gas, manufacturing and automotive sectors were far more likely to report flat or declining earnings.



Steve Varley, head of market, UK & Ireland, Ernst & Young comments: "As we predicted last January, despite the turmoil and the challenges in 2009 there were some outright winners – companies that have found opportunity in the adversity. Judging by our research, a picture is emerging across countries and sectors of a group of companies that share a certain performance agenda, particularly around achieving speed-to-market. They are faster in making and executing decisions to take advantage of their changing markets."

But a way to go before earnings back at pre-recession levels

While they are out of crisis mode, corporates are now turning their attention to when there will be a full recovery in earnings. Approximately one-third saw revenue growth returning within six months, one-third said by the start of 2011 and the final third not for at least two years. Only 1% were pessimistic enough to say it would never return to pre-reces-

sion levels. Varley adds: "Revenue growth – not just earnings growth – is now the burning platform for corporates, many of whom see recovery, certainly in the short to medium term, as sluggish."

And what will happen in 2010?

How were companies planning to improve their performance this year? Three-quarters of respondents said they believed that there were still major costs savings to be made in their organization through improved efficiency. A high proportion of companies (72%) felt they needed to increase the flexibility of their operations through reducing fixed costs, particularly among support functions and improving productivity.

The next most popular response was optimizing the markets they serve (64%) via new market entry, new products or new channels, and through revitalizing the business model (64%) with new thinking around organizational structure, core competencies and

new business collaborations. Respondents also believed that accelerating their decision making processes and execution (63%) and strengthening their management talent (62%) would be critical to improve their chances of success.

80% look to growth despite problems with accessing capital

Exactly half of all businesses agreed that restricted access to capital will continue to constrain their growth prospects over the next year, yet a significant minority of respondents (30%) said they intended to take an aggressive growth-oriented stance as the demand outlook in their markets is improving. A further 49% of corporates said that they intended to pursue growth opportunistically, as the prospects for recovery in their markets remain unclear. The remaining fifth of companies said that their strategic focus will remain squarely on cost control until the market improves.

Halliday concludes, "It is clear that many companies are seeking to learn the lessons of the changed market. Although there is no silver bullet – no single action that will deliver success – our research has identified a number of action programs which sets high-performing companies apart. For instance, they have a deeper, broader understanding of their markets and the risks involved. Furthermore, they are more innovative in strategy and structure than their competitors and are more collaborative with partners. These successful companies are essentially equipping themselves for the new economy and navigating a new future for themselves."

UK CEOs plan recruitment boost in 2010

With 63 per cent of UK CEOs believing recovery in the economy will occur in 2010 there are signs for cautious optimism according to the PricewaterhouseCoopers (PwC) 13th annual Global CEO survey launched at the World Economic Forum in Davos.

This rising confidence appears to have been translated into a boost in employment with 42 per cent of UK business leaders planning to increase their headcount in the next 12 months. This response, combined with recent ONS unemployment figures showing a slight improvement, suggests the UK job market outlook is more positive than it has been for some time.

UK business leaders are more upbeat than their European counterparts when it comes to recruitment. In the Netherlands only 34 per cent of CEOs expect to increase headcount, followed by France (30 per cent), Italy (29 per cent), Germany (27 per cent) and Spain (9 per cent) but while the UK is leading the European pack, further afield Brazil (61 per cent), India (59 per cent) and China (53 per cent) are showing an even

quicker return to bolstering their workforces.

Despite the positive outlook for employment, three quarters of UK CEOs expect consumers will spend less and save more and, as a consequence, 63 per cent plan to make some change to their business and a further 13 per cent plan to make a significant change as they manage the impact of shifting consumer behaviour.

42% of UK business leaders planning to increase their headcount in the next 12 months

Since last year, a more positive outlook has emerged for the mergers and acquisitions market with 14 per cent of business leaders (compared with 7 per cent in 2009) now saying it is a route to growing their business, although this is some way behind pre-recession levels.

Business growth looks set to remain home grown as only 14 per

cent of UK CEOs in 2010 see new geographic markets as an opportunity to grow their business, compared with 22 per cent in 2009 and 28 per cent in 2008.

Ian Powell, UK Chairman and Senior Partner, PricewaterhouseCoopers LLP, commented: "It is encouraging to see that UK CEOs are beginning, if somewhat cautiously, to prepare for an upturn. Growth expectations have been severely impacted by the challenges of the financial and economic crisis and the fears of a protracted recession are beginning to recede.

"However, there remain significant variances in UK business leaders' short term and long term outlooks, perhaps as a result of concerns about how UK public debt levels are reduced and the continued limitation in lending. Across the world outlook is even more divided geographically with emerging economies showing much stronger signs of confidence than CEOs in the developed territories.

"The upturn in employment prospects will be widely welcomed

but this news must be tempered given that the bounce-back may be a response to employment cuts made in the UK over the last 12 months."

"The fact CEOs are less likely to seek out new geographic markets is a significant concern, given the risk it places on UK competitiveness. Seeking out business growth opportunities from overseas is vital to future recovery and long-term sustainable business growth," Ian Powell warns.

Drawing on the results of the CEO Survey, and adding to it with valuable insights from key government officials, PwC's Public Sector Research Centre has published a report entitled "Rethinking and Reshaping the business environment: Government and the Global CEO".

Jon Sibson, government and public sector leader, PricewaterhouseCoopers LLP, commented: "The optimism for international coordination and for more effective governmental collaboration with business is one of the major findings of the survey this year – one that can reset the relationship between business and government.

"Governments are facing a conundrum – how to deal with ever more debt at a time when the

needs of businesses and citizens for support are rising, with the economic downturn resulting in greater numbers of unemployed and disadvantaged people needing state assistance.

50 per cent of UK CEOs believe recovery in their industry will occur in 2010

"Most importantly, governments must continue to re-build confidence and public trust, reduce uncertainty further through leadership and vision, and create policies and mechanisms for collaboration that are appropriate for today's global flows of capital".

Key report findings:

- A quarter of UK CEOs are very confident about revenue growth in the next 12 months – an increase of 10% on the previous year. This compares with 91 per cent of CEOs who are more confident about prospects over the next 3 years.
- This year 46% of UK CEOs are very confident compared to 29% in 2009. 91% are very/somewhat confident compared to 88% in 2009.

- 63 per cent of UK business leaders believe recovery in the economy will occur in 2010.

- While 50 per cent of UK CEOs believe recovery in their industry will occur in 2010, 26% do not expect to see their sector recover until 2011

- Better penetration of existing markets is seen as the main opportunity for business growth in the next 12 months.

- The top three threats in the UK are exchange rate volatility, over-regulation and macroeconomic imbalances.

- 59% of UK CEOs think that compliance and reporting to meet capital market requirements will become more difficult. Access to capital from alternative investors and through equity markets are less of a worry.

- 74% of UK CEOs in the UK are planning to implement a cost reduction initiative in the coming 12 months.

- 42% of UK CEOs are planning to increase headcount, 30% of UK CEOs will keep headcount the same, 28% of UK CEOs will reduce headcount.





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