

Executive Summary

Consulting firms report a bullish outlook on the future – expecting strong gains in both revenue and profit. Consulting firms are thus facing a big opportunity for growth, but managing growth can cause huge firm disruption. This InfoDoc, based on interviews with more than 250 consulting firms across North America and Europe:

- Defines key business metrics
- Addresses the factors that impact consulting firms and limit growth
- Highlights potential actions to prepare for growth in a positive business environment

Key findings:



Business Climate Growth: Consulting firms in North America and Europe are bullish for the future – **Revenue is up 41%**



Focus on the Customer: Firms need to gain deeper visibility and the capacity to manage the lifecycle of the customer, project, and employee – **Customer lifetime value is seen as the most important KPI by 41% of firms**



Managing Technology: Consulting firms are moving from a build-your-own approach to state-of-the-art cloud solutions – **73% of firms are moving to the cloud**

Can your firm stand apart from competitors to take advantage of project growth and make the profits you expect?

Managing Your Consulting Firm for Growth



Business Climate Growth

Consulting firms in North America and Europe are bullish for the future

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The Good News: Consulting firms are bullish for the future.

The Risk: Rapid growth comes with its own unique set of challenges and needs to be carefully managed to ensure firm profitability.

Despite the increasing opportunity, firms are facing challenges and struggling to take full advantage of the positive business environment. To answer the challenges you must focus on key business priorities going forward.

Top 3 Challenges

- #1 Increasing revenue: **34.8%**
- #2 Maximizing profits: **27.3%**
- #3 Better financial management: **24.1%**



Top 3 Priorities

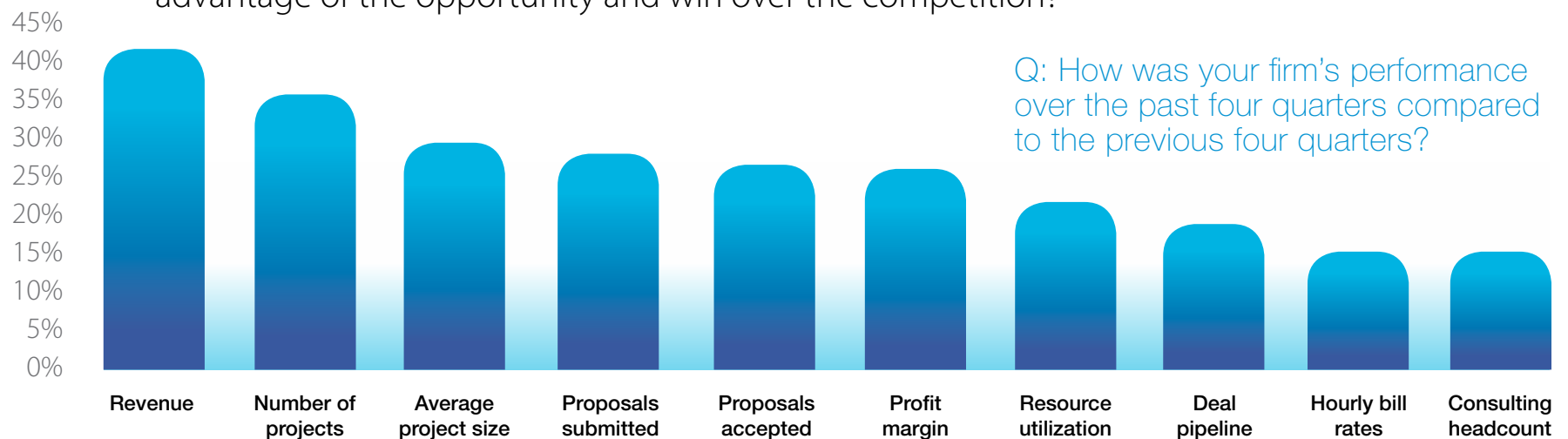
(See appendix for detailed charts)

- #1 Increasing revenue: **45.1%**
- #2 More effective project execution: **29.2%**
- #3 Hiring and retaining talent: **31.6%**

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Revenue is up 41.2%. Profits are growing and project key metrics are increasing

The survey data is clear: the key business metrics of revenue and margin are increasing for a large number of firms, supported by more proposals, more projects, more deals and higher utilization. The Information Economy has opened many opportunities for services firms, but do you have the operational sophistication and supporting systems to take advantage of the opportunity and win over the competition?



How to prepare for growth



Capitalize
on growth
opportunity
with better
visibility and
project control

- **Act now** to increase the number of clients and the depth of the relationship with existing clients.
- **Use detailed project analytics** to optimize your service portfolio to provide the most profitable and highest demand services that leverage current consulting skills as well as match client and prospect needs.
- **Understand metrics / business drivers** and capitalize on them to outpace the competition. To maximize profits, the consulting business model requires constant diligence through proactive management of a long list of key metrics including utilization, project profitability, realization, etc.
- **Build a metrics-driven business** using an integrated system with one, single, trusted version of the truth, giving management access to real-time information and supporting the ongoing decision process.

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Focus on the Customer

Firms need to gain deeper visibility and the capacity to manage the lifecycle of the customer – project – and employee

Portrait of a modern consulting firm

Key Business Drivers

- Operations (Project and Employee Lifecycle)
- Business Visibility – Making Better Business Decisions
- Finding New Opportunities (New Clients and New Service Offerings)
- Focusing on the Customer Lifecycle

The 3 lifecycle processes of customers, projects and employees are the core of a successful consulting business. Each must be managed with trusted operating metrics, as well as a workflow that fits across the complete lifecycles: prospect to customer (and ongoing client); project proposal to completion; and employee hire to retire. Firms need to gain deeper visibility and the capability to manage each lifecycle for firm success.



Modern consulting firms take a lifecycle approach toward **customers, projects and employees**

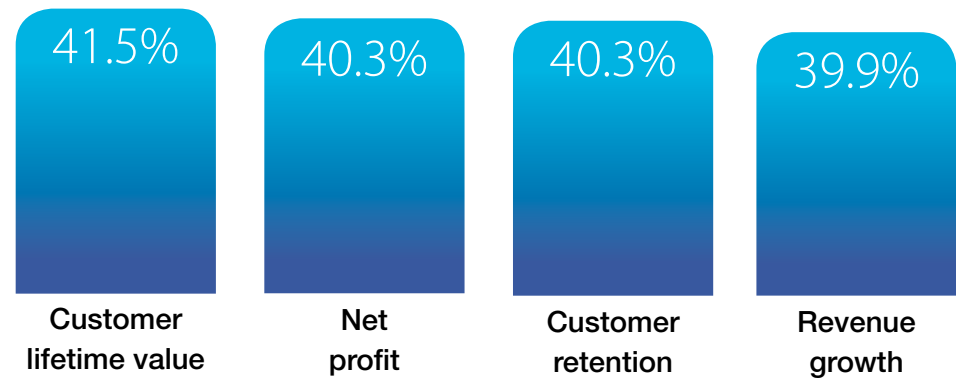
Key operating metrics for the modern consulting firm

For modern consulting firms, **customer lifetime value** and **customer retention** lead the list of key operating metrics, followed closely by revenue and net profit.

Modern firms are focused on:

- Maximizing the value of customer relationships.
- Building a book of high-value repeat business.
- Gaining visibility across the complete project to keep client satisfaction high while maximizing profits.

Q: To effectively manage your ongoing business operations, your managers and executives measure and monitor certain key performance indicators (KPIs). From the following list please rate the importance of these KPIs on managing your business performance (Top 4).



As project-based businesses, firms continue to measure project profitability as a critical measure of ongoing business success

How to increase visibility and find new opportunities

- **Make better business decisions** - Modernizing IT systems can provide business visibility into the key operating metrics tied to the customer – project – employee lifecycle.
- **Get IT systems that “fit” your business** - There are deeply verticalized / specialized systems available “off the shelf” that are more effective and efficient than building your own systems. Simply put, they “fit” your business better, they are maintained and updated by an expert, and they free up your resources to focus on critical business activities.
- **Find and grow the “right” business** – Building new offerings and finding new opportunities needs to be an established (and IT system supported) process that leverages operating and market data to support building the “right” services, eliminating unprofitable offerings, and growing the business by expanding into existing clients and into adjacent offerings / clients. Firms need a highly evolved new-service-introduction process with underlying IT systems to take advantage of growth opportunities (expanding through additional work in existing clients, finding new clients in the same industry vertical, and moving into adjacent industry verticals).

MODERN IT SYSTEMS:

- Single version of the truth
- Management dashboards
- Deep analytics around customer, project and employee metrics
- Designed for consulting businesses with inherent workflows built from industry best practices
- Integrated across the customer, project and employee lifecycles
- New-service-introduction processes embedded in the workflow that facilitates data-driven service “product” decisions

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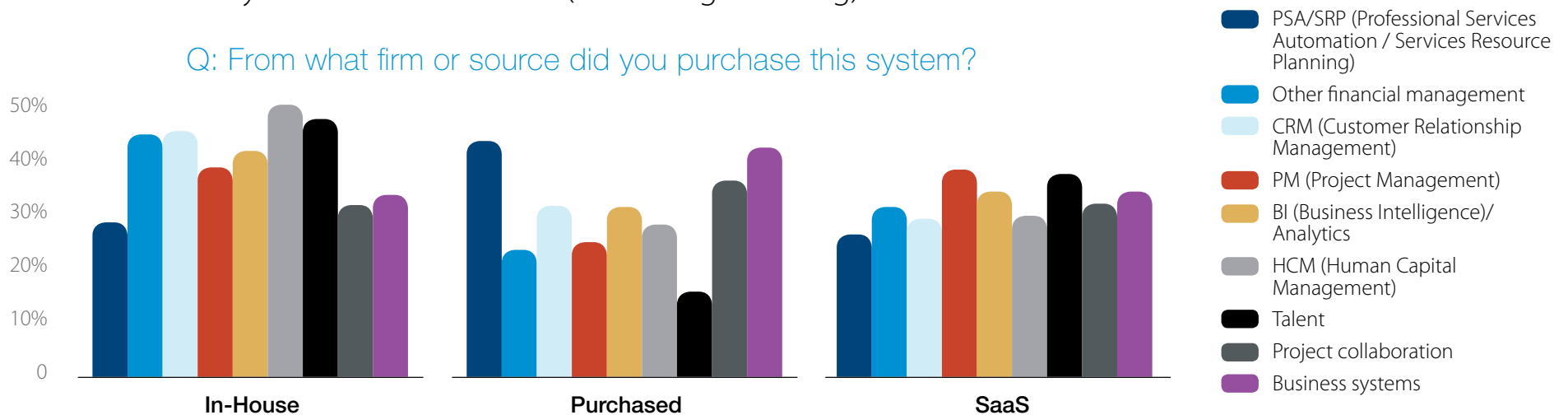
Managing Technology

Firms are moving from a build-your-own approach to state-of-the-art cloud solutions

Are in-house systems ineffective?

Across the board, many firms continue to develop and manage IT systems, even though the financial and business advantage of buying off-the-shelf (but industry-specific) systems is an accepted approach and has many advantages. This trend was first observed in a previous global survey of consulting firms two years ago and continues to be commonplace. In-house developed systems are often ineffective, difficult to manage and upgrade, and in general not built using current technology. Developing and maintaining your own IT systems takes business resources away from business-critical (revenue-generating) activities.

Q: From what firm or source did you purchase this system?

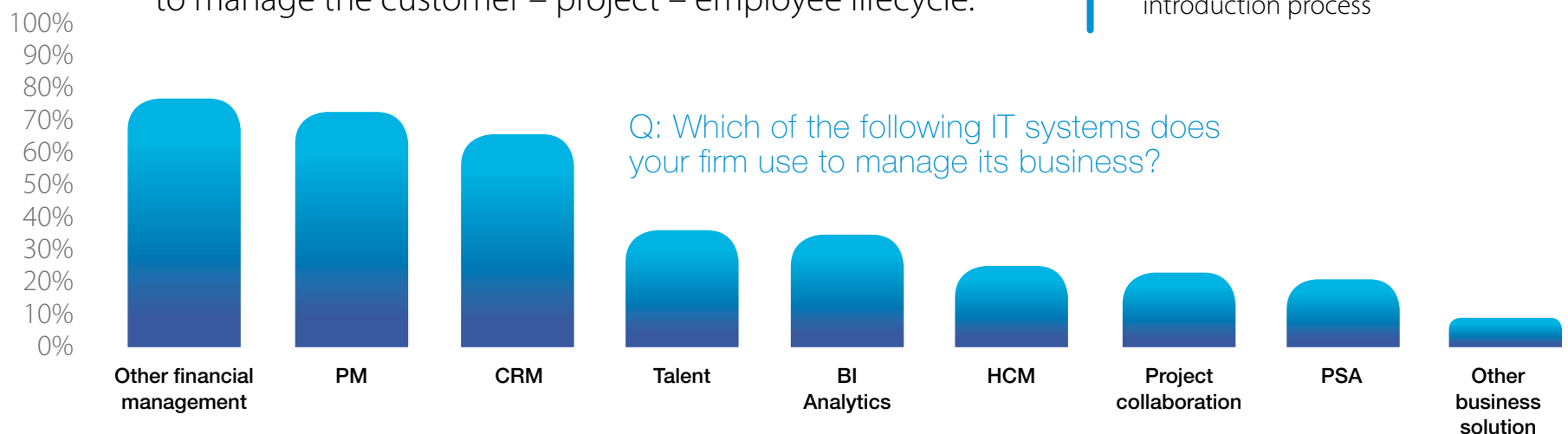


Best of breed consulting firms use industry-specific systems

A surprising number of firms (potentially over 80%) do not have industry-specialized financial and project systems in place despite the demonstrated advantage that they can deliver over generic financial management and customer management systems. Despite the critical nature of resources in a consulting business, most firms do not have HCM and talent management systems. They do not have the systems to manage the customer – project – employee lifecycle.

Best of breed consulting firms use vertical-specific, integrated IT systems which provide:

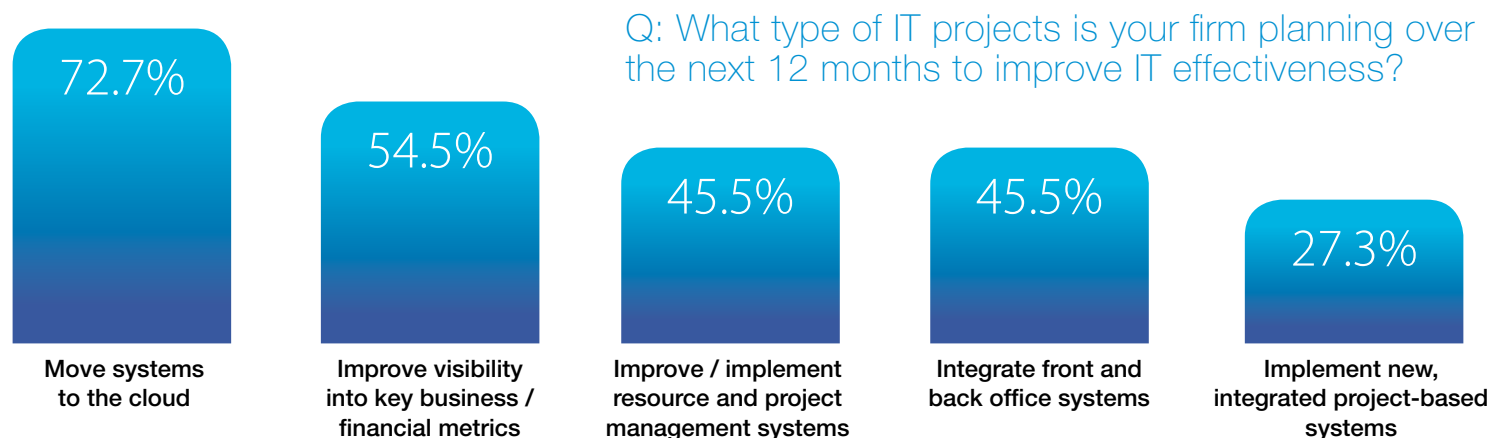
- Capability to manage complete customer, project and employee lifecycle
- Visibility into key business metrics in real time
- Single version of the truth to support business decisions
- New service development and introduction process



73% of consulting firms are moving to the cloud

Cloud delivery helps firms more effectively manage customer, project, and employee lifecycles

The cloud provides many firms an obvious route to app modernization that helps firms move scarce resources into business-critical areas while solving business visibility challenges with new, modern IT systems. This also helps to address firms' priorities by providing ways to more effectively manage the customer, project, and employee lifecycles.



Lifecycle management needs drive front and back office integration



An integrated-system view provides the lifecycle views necessary to manage a profitable business

- **Business Need:** Consulting firms need better visibility into the lifecycles of customers, projects, and employees via an integrated-system view.
- **Technology Solution:** Project management-specific applications enable effective management and successful execution of the project across its entire lifecycle. Systems built for managing a consulting business have project management capabilities built into every process. Proposals, for example, are tied to the resource management process, allowing visibility from both sides to ensure customer expectations can be met, while maximizing resources.
- **Benefit:** An integrated-system view across front and back office, with project / resource / customer at its core, provides the lifecycle views necessary to manage a profitable business. Eliminating app silos helps eliminate data and organizational silos.

Managing for growth is about making real-time data-driven business decisions based on a single version of the truth

Integrated IT systems can form a decision-enabling layer that brings the “right” data to the “right” person or people in real time and in a work context that enables rapid and effective business decisions — a huge business advantage.



The project-based ERP advantage

ERP systems built from the ground up with projects as a core process give firms the tools to make the most effective decisions in these critical areas:

- Lifecycle process across customers, projects and employees.
- Details on projects that help optimize profitability and lower risks.
- Manage and optimize an integrated portfolio of services – using data to learn how to do more of what “works” and eliminate what isn’t “working” (i.e. what’s not profitable).
- Find the “right” customers and have the data to eliminate unprofitable customers.
- Manage the future by understanding the past and using data to make fast, accurate course corrections.



Manage the future by understanding the past and using data to make fast, accurate course corrections

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Insights and Opportunities for Your Firm

To take advantage of the growth opportunity that the positive business climate offers, you should:



Integrated systems provide the bridge for a complete, trusted lifecycle view across your clients, projects and employees

- Get a complete and integrated lifecycle view of your business, so you can make “better” business decisions.
- Gain deeper visibility and the capability to manage the lifecycle of the project.
- Maximize the value of clients through systems that provide a lifecycle view of the client and key client metrics.
- Define and build the “right” new services based on relevant business data and manage the effective introduction of services to maximize value to clients and the business.
- To gain the greatest competitive advantage and make more effective operational decisions, eliminate data and people silos through the application of integrated technology.

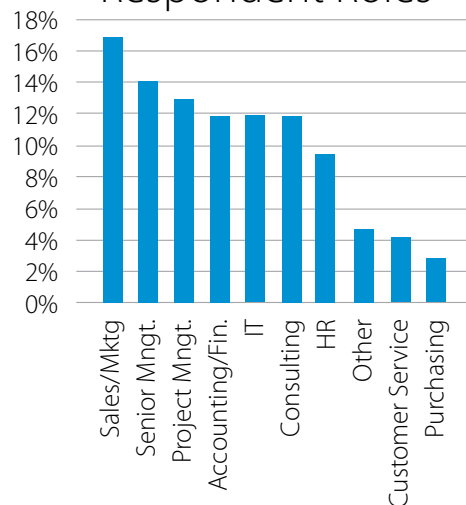
Appendix

Methodology

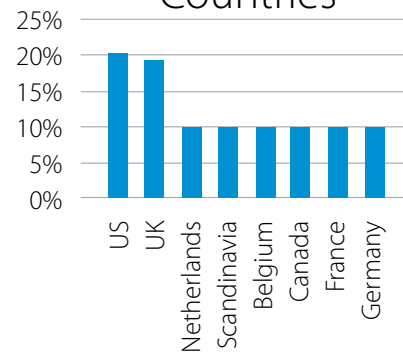
For this study, IDC conducted a survey of 250 consulting firms in North America and Europe to identify their top business challenges, opportunities, and priorities. Respondents to the survey represent a cross-section of countries, company sizes, and job roles:

Respondent Demographics

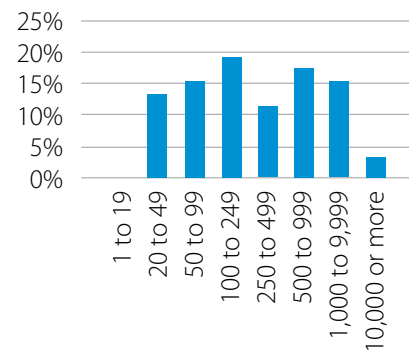
Respondent Roles



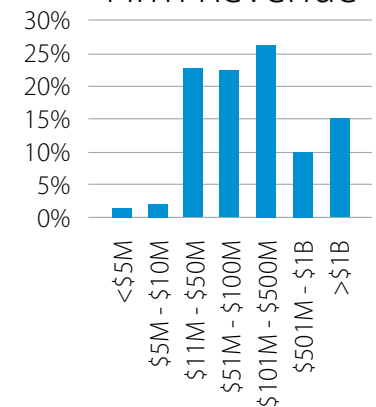
Countries



Firm Size (Employees)

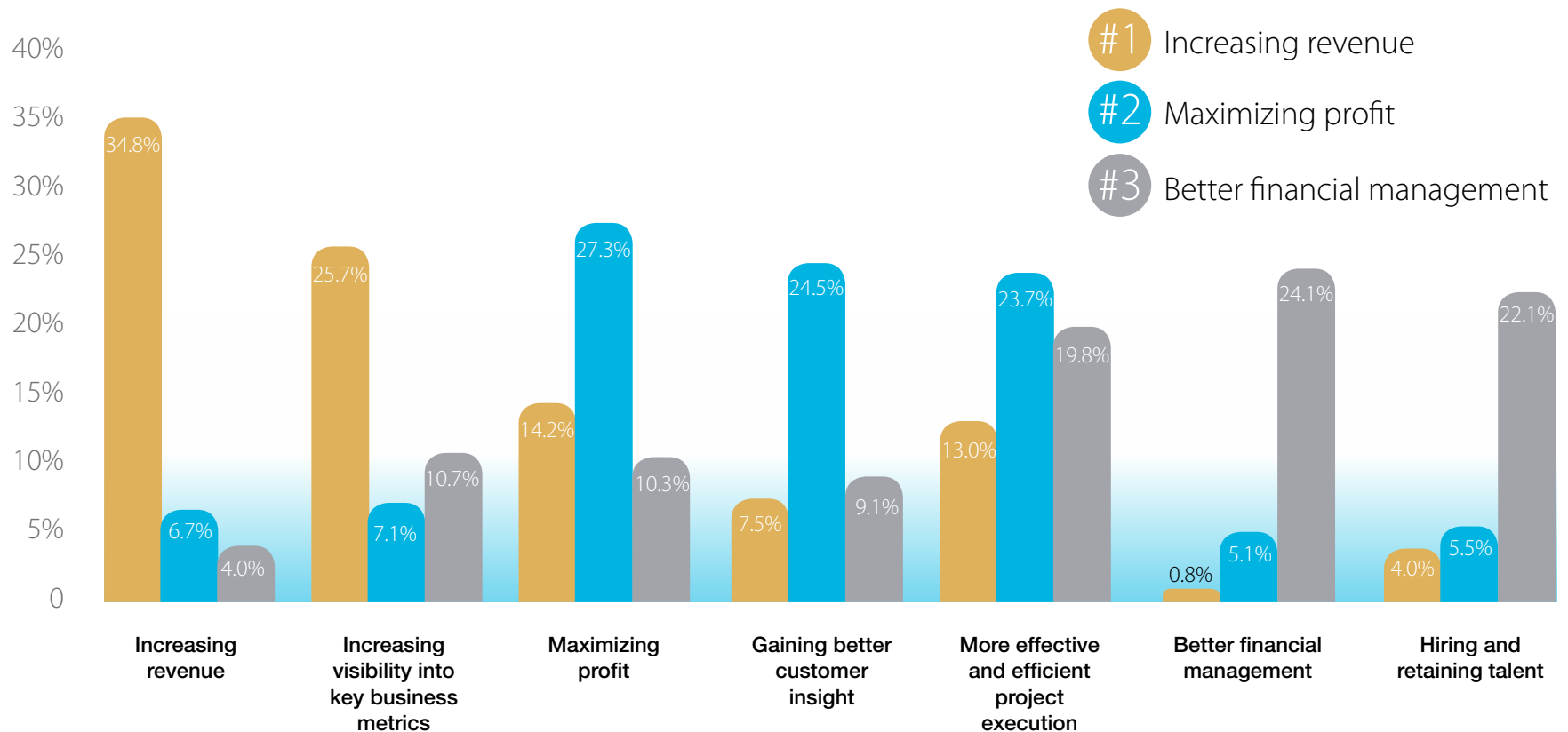


Firm Revenue



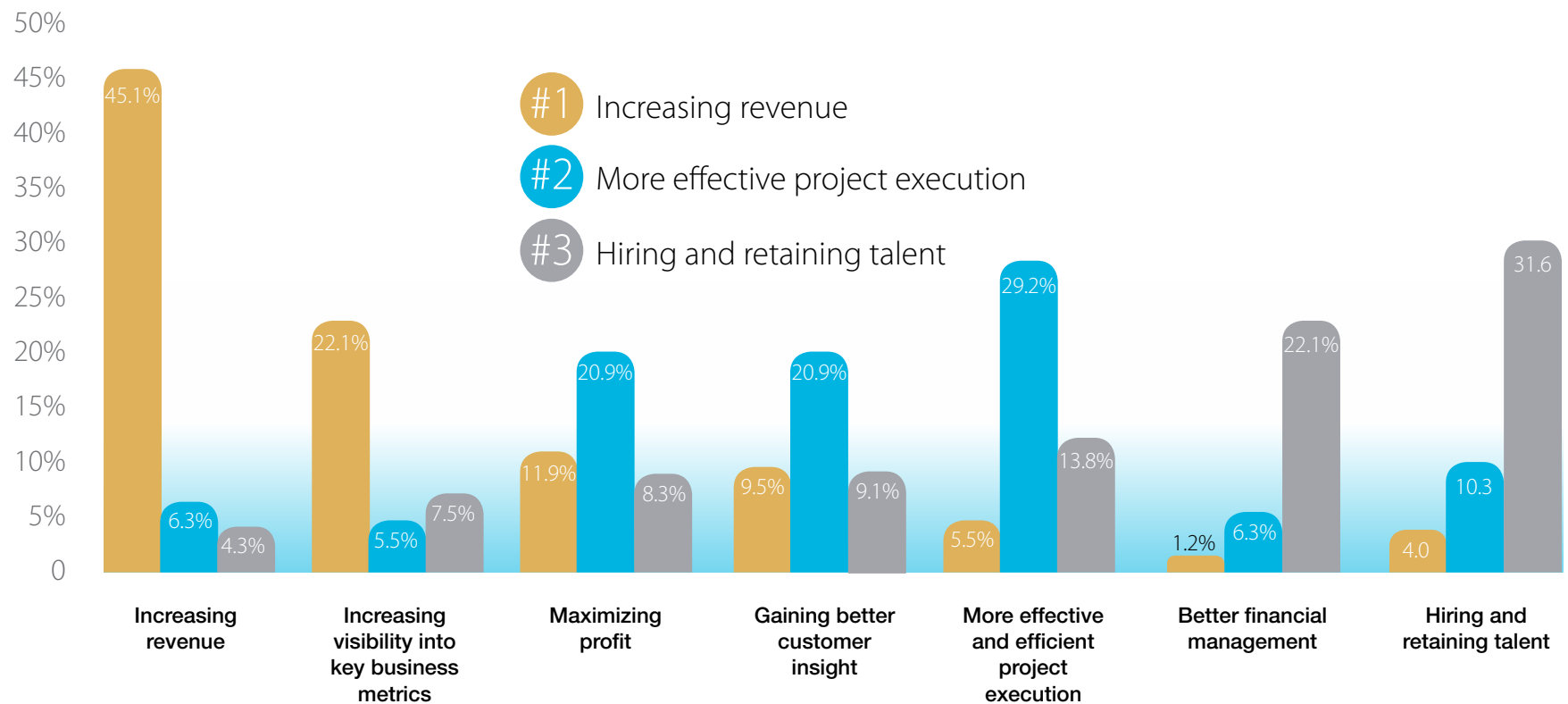
Top 3 business challenges

Respondents were asked to rank top 3 only.

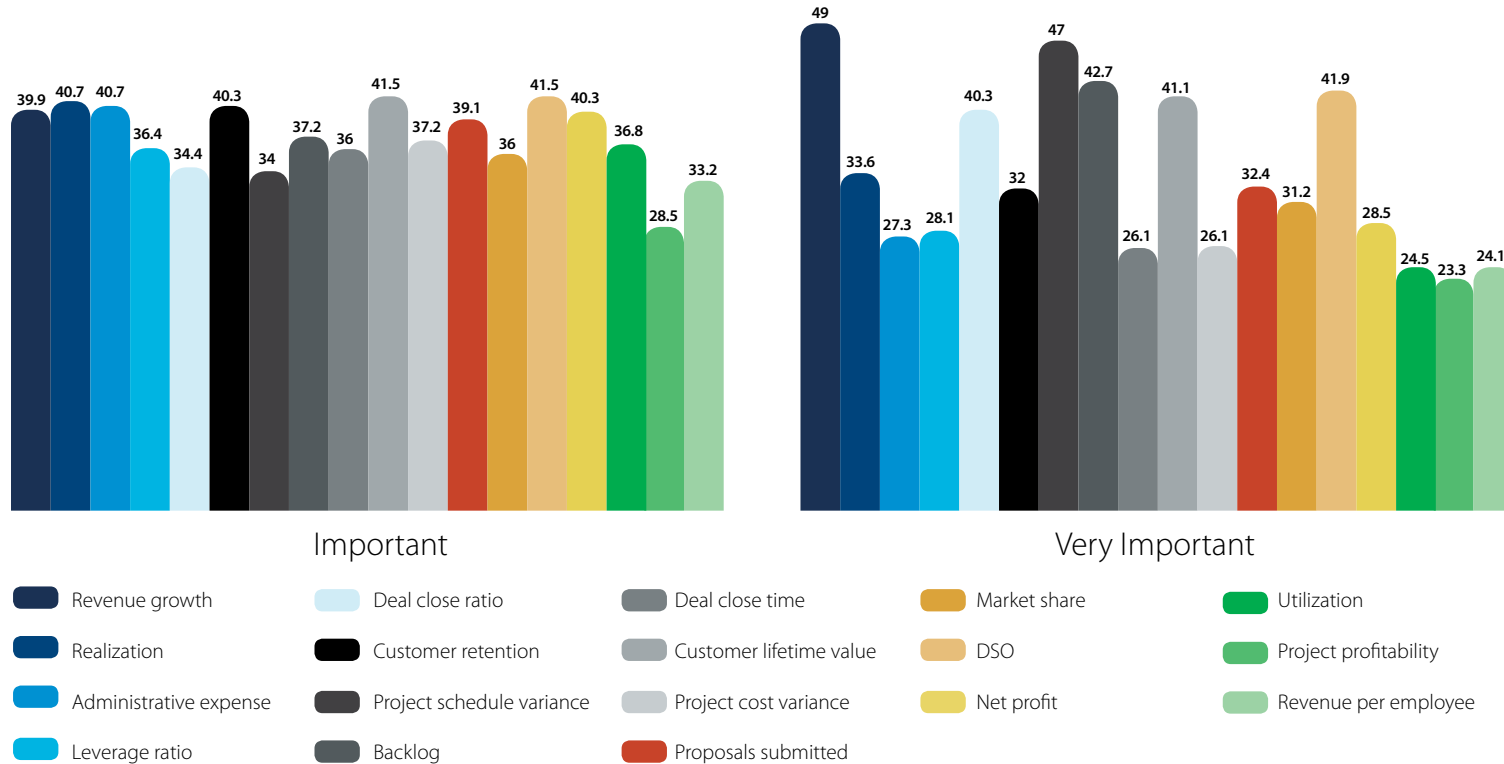


Top 3 business priorities

Respondents were asked to rank top 3 only.



Ranking of key performance indicators (KPIs) used in managing business performance



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Revenue per billable consultant

