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## The Consultancy Field in Europe: a Comparative Approach

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### **Abstract**

This paper analyses the European consultancy industry and its evolution during the last decade. The current situation of the European consulting industry is compared with its long-term development since the 1980s, as well as with some perspective on its future evolution.

Former literature on the field suggested that consulting in Europe would become less diverse in the early twentieth century (“convergence hypothesis”) and dominated by global American firms (“Americanization hypothesis”). The main conclusions point in a different direction. The European consulting market still has much national diversity and there is not a clear convergence trend in the industry. On the contrary, there is evidence suggesting an increasing diversity between countries over the last decade. Finally, the “Americanization hypothesis” is not confirmed. The European firms increased their number among the largest consultancies operating in Europe.

Keywords: consultancy; Europe; strategy; convergence.

## 1. Introduction

The main purpose of this work project is to analyse the European consultancy market and its recent evolution. Its main characteristics are assessed, as well as its most important changes overtime.

Consultancy as a business activity emerged at the end of the nineteenth century in the United States of America and was later introduced in Western Europe. In the last century this business activity presented great levels of growth and expansion and it is now practiced in most countries around the world.

Although there is no widely accepted definition of business consultancy, it can broadly be defined as “an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyse such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions” (Greiner and Metzger, 1983: 7).

To achieve the objectives of this article, the market current situation will be characterised, in terms of importance, size, structure and concentration. The results coming from this analysis will be compared with its recent evolution, in order to weigh up the changes verified in the last decade.

Since this market is so dynamic and difficult to define and to limit boundaries, the following questions will guide this article:

- What are the main characteristics of the market?
- What is the weight of the consulting market in the global European market and in each country economy?
- Are new sectors emerging in this market?

- Is there a convergence in the consultancy business around the World and in each European country?

First, a literature review is presented, highlighting the main conclusions published in the relevant contributions on the subject. Due to the lack of reliable information, there was the need to use not only the general data collected by international associations but also more specific information given by chosen consultancies. This is the subject of Section 3. The approach to the study of the European consultancy market is split in two sections: the first one focuses on the decades of 1980s and 1990s and it is based in two seminal papers (Keeble and Schwalbach, 1995; Kipping and Armbrüster, 1999). The second one analyses the last decade, stressing the following aspects: consultancy size and economic importance; industry structure and concentration; consulting services and clients. Finally, based on this analysis the main conclusions are stated. Then the main references are listed, followed by some annexes consisting of tables, calculations and definitions. At the end, the reader can find the interviews done within the scope of this project.

## **2. The birth and characteristics of a new field: a literature review**

Consulting services represent today one of the fastest growing and dynamic industries, attaining yearly rates of growth of 20 per cent in the 1980s or 10-15 percent in late 1990s and early 2000s, considerably faster than global GDP (Keeble and Schwalbach, 1995; Armbrüster and Kipping, 2002-2003; Kipping and Kirkpatrick, 2005). Therefore, consultancy firms became the symbol of the shift to a services economy in advanced countries (Fincham and Clark, 2002).

However, studies on the consultancy business have been slow to recognize the economic importance of the industry. In fact, only during the last decades academic interest increased and several studies started to analyse its origins and role in the economy (Fincham and Clark, 2002: 4; Engwall and Kipping, 2002). Management consultancy has been a relatively

recent business activity, which may have deterred the development of these studies. In addition, it is a difficult industry to be analysed, due to the complexities in drawing its boundaries, as well as in collecting hard evidence on it.

The consulting industry has its roots in the late nineteenth century, when scientific management started to spread in large-scale mass-producing firms (Kipping, 1999; Kipping, 2002). These consultant engineers or efficiency experts were interested in rationalizing operations at the shop-floor level, integrating mass-production technology (continuous process, assembly line or the use of standardized and inter-changeable parts) and work force management through time-and-motion studies and wage incentives. It corresponds to the first wave in which Matthias Kipping (2002) characterizes the development of the consulting industry (table 1), linking its evolution with the key shifts verified in demand, the organization of the client companies and management theories.

Table 1: Characteristics of the consultancies in different waves

Wave	Key issues	Overall duration	Major expansion	Pre-eminent consultancies	Source of Reputation	Background of consultants	Hierarchy
Scientific management	Efficiency of workers and production	1900s-1980s	1930s-1950s	Emerson, Bedaux, 'Big Four', Maynard	'Efficiency experts'	Experienced engineers	Founder + equal consultants
Organization and Strategy	Decentralization and portfolio planning	1930s-20??	1960s-1980s	Booz Allen, McKinsey, A.T. Kearney, BCG	'Top level advisors'	MBA/Business graduates	Substantial partner group
IT-based networks	Internal and external co-ordination	1960s-????	1990s-????	Big Five', EDS, CSC, Gemini	'Implementation specialists'	IT skills plus in-house training	High junior to partner ratio

Source: Kipping (2002).

The emergence of the second wave was a consequence of market changes, with the rise of very large and diversified firms in the inter-war period (1920s-1930s), demanding a new type of organization. The introduction of the multidivisional structure and top-management advice on strategic issues became the critical components of this second wave, substituting shop-floor advice. Successful companies, as McKinsey or Arthur D. Little, were founded during this period of

time and became the most important representatives of this second wave, followed by the Boston Consulting Group and Bain & Company.

Today, this market, according to Kipping, is between the second and third waves, with the major expansion of the IT-based companies such as Capgemini and IBM Consulting Services (Armbrüster and Kipping, 2002-2003). The management consultancy firms focused on strategy and organization continued to be important players (see table). However, IT consulting firms prospered and in some cases moved to strategy and organization consulting (EDS and IBM acquired, respectively, A. T. Kearney and PwC). In the early 21<sup>st</sup> century, IBM became the world largest consultancy, epitomizing this process (James, 2001).

This brief overview on the evolution of consultancy emphasizes the novelty of this business field. Other interpretations stress that its modernity is even greater. McKenna (1995, 2006) points up the 1930s as the critical period for the beginning of management consulting. Until then consulting was not a specialized field, being developed by a multitude of different agents. Management consulting in its modern form was institutionalized after the 1930s in the USA, the cradle of the consulting industry, as a minor by-product of the Glass-Steagall Act, which prevented commercial banks from engaging in non-banking activities, as management consulting. This is the reason why firms like McKinsey or Cresap, McCormick & Paget had their origin during this period of time, creating top-management advice as a distinctive practice regarding “management engineering”.

Besides being a “new profession” (McKenna), consulting practices have been difficult to characterize and circumscribe, overlapping other service activities. Classic references (Drucker, 1981) are much more interested in answering to the question “why do consultants exist” than to draw the boundaries and the specific characteristics of the field. Engwall and Kipping (2002) state that this market can be analysed at different levels of description and detail (table 2), which is

particularly helpful to the objectives of this study, focused on the first level of analysis, describing the industry, the firms operating in the market, and the levels of concentration and competition.

Table 2: Three levels of analysis

Level	First	Second	Third
System	Industry	Firm	Project
Basic units	Firms	Employees	Project relationships
Structure	Concentration	Organization	Networks
Interaction	Competition	Cooperation/competition	Trust
Role of knowledge	Product	Processing	Transfer/transformation

Source: Engwall and Kipping [2002].

However, this does not solve the question on how to define the boundaries of the industry. It is difficult to circumscribe the activities and service providers and to have a clear and established definition of “management consulting” (Kipping and Armbrüster, 1999). The discussion about representing this service as a profession (Hyman, 1961; Drucker, 1981), an industry (Tisdall, 1982; Rassam, 2001; Kubr, 1986) or a field (Henry, 1992; Kipping and Armbrüster, 1999) is in this sense largely unsatisfactory and only contributes to evade the problem of defining the configuration of this activity. Therefore, in this study “field” and “industry” are used interchangeably. This approach to this service activity is more inclined to treat it as an industry rather than as a profession, taking into account recent trends in consulting activities for leaving partnership organization and becoming public companies. At least to put both at the same level, as it was proposed by Vernon Ellis, Accenture’s chairman, several years ago (Rassam, 2001: 31).

Definitions of management consultancy proliferate (Kubr, 1986; Keeble and Schwalbach, 1995; Fincham and Clark, 2002; Rassam, 2001; Curnow and Reuvid, 2003; Engwall and Kipping, 2002). Three characteristics are predominant: “identifying a problem”; “recommending a solution”; “helping with the implementation” (Rassam, 2001: 30). The latitude of services included in this advice industry is very large: strategy, information technology, operations, human resources,

finance administration, marketing and sales (Kipping and Armbrüster, 1999). The different functional areas of the firm are covered by these categories, as well as strategic and organizational issues. Moreover, this advice should be provided by independent agents and has the implicit attribute that it counsels and supports, but never manages solutions. When consulting firms are taking an outsourcing contract, there is a clear exception to this rule, which contributes to complicate the definition of the industry's boundaries.

In contrast with traditional professions (lawyers, doctors, engineers), management consultants are characterized by low or non-existent barriers to entry (Amorim and Kipping, 1999). The asymmetry in the information available in the supply and demand side, the difficulty and uncertainty in attributing a value to the consultancy work explain the critical role played by reputation and perceived expertise (Dawes et al., 1992).

The approach to create taxonomies of consulting providers, according to size and organizational characteristics, contributes to increase the perceived complexity of the field (Kubr, 1986; Águas, 2008): global consulting firms (McKinsey & Company, The Boston Consulting Group or Roland Berger Strategy Consultants); management advisory services of major accounting firms (Deloitte or KPMG); small and medium-sized consulting firms, highly specialized in regional or sectoral markets; IT consulting services; sole practitioners; scholars and academic professionals acting as consultants; other suppliers of consulting services, such as Investment Banks.

The evolution of the industry is closely related to the state of the economy and the institutional framework of the different countries, as is stated by the Kennedy Information Report (2007). Economic development and growth, the level of integration in the world economy, the presence of multinationals or the rising number of mergers and acquisitions may affect, positively, consulting industry. Later on in this study, the analysis of the possible drivers to explain the



different levels of importance achieved by consulting in the European market will use a set of variables aligned with the analysis proposed in the Kennedy Information Report.

The next section will raise the most important problems associated with the sources of information, before moving on to the analysis of the European market.

### **3. Sources of information**

The characteristics of the consulting business affect the data available on this economic activity. As it was stated before, the boundaries of the consulting activity are very fluid and the types of services are always changing. The diversity and fragmentation in the consultancy market also makes very hard to have reliable data. Moreover, there is very few public information on this market, since consultancy firms do not provide public information about revenues, number of consultants or percentage of their work in the consulting area or in other business lines (Águas, 2008). This market is not regulated by an official entity or self-regulated (as other professions, like lawyers or doctors) (Kipping, 1999), which prevent the easy collection and organization of data by a third entity. Being part of the services sector does not contribute to improve the situation, as the official statistics have much more detailed information on manufacturing or agricultural activities than on economic activities belonging to the tertiary sector.

Quantitative data for characterizing the European consulting market were collected in two main sources of information: the European Federation of Management Consultancies Association (FEACO) and the Kennedy Information. FEACO is a non-profit Association, whose main objective is to represent and promote the consultancy market in Europe. Their annual reports exist since 1997 and provide information on market volume, number of companies, and number of consultants, main business lines of these companies and its client sectors. These reports are based on surveys done to the consulting firms that are members of the National Associations that together compose FEACO. In 2006, those members are considered to represent 85% of the

European Market. The reliability and consistency of this information is different from country to country. Nevertheless, besides the aggregate and global perspective offered on the European market, the FEACO reports have the inestimable advantage of presenting consistent information over time. The report from Kennedy Information (2007) has data on 2006 and projections until 2010. It was used mostly to complement, validate and test the more detailed information provided by FEACO. Kennedy Information is a company that does market research and presents information on management and IT consulting. Its members are the biggest consultancy firms.

There are obvious differences in the volume of the European consultancy activity, the importance of each domestic market or business area in consulting, when these two sources information are compared. These discrepancies are inevitable, considering the characteristics of the consultancy business and the differences between the two sources. However, this is the price to be paid for analysing such a difficult business sector. In addition, this is positively the best information until now collected on the European consulting market in any available study, improving the evidence provided by Kipping and Armbrüster (1999), Kipping (2002) or Keeble and Schwalback (1995).

The problems with the available quantitative evidence prompted the resort to other sources of information, which might provide insight and deeper knowledge on this business activity. In-depth interviews were designed to consultants working on different firms operating in Portugal. Collecting this qualitative evidence is a very time consuming task. Therefore, a small number of cases were selected, trying to represent different market segments: top-management consultancy firms (American and European), a global firm providing operational consultancy services and an IT consultancy. The final result (see interviews in the appendix) does not represent all these segments, due to time constraint and access to all sources of information.

#### **4. The European consultancy market in perspective (1980s and 1990s)**

The expansion of “management engineering” consultancy market to Europe started in 1920s, but it was after World War II, and especially in the 1960s, that the biggest American management consulting firms established offices in Western Europe (Keeble and Schwalbach, 1995; McKenna, 2006; Kipping, 1996 and 1999). The expansion of American multinationals into Europe and the high rates of economic growth experienced by Western Europe during the 1960s explain the boom of the consultancy market. Therefore, management consultancies became “one of the most important carriers or channels for the dissemination of different waves of managerial expertise during the 20<sup>th</sup> century” in Europe (Kipping, 1996 and 1999). In the 1980s the expansion of the large Anglo-American accountancies, such as KPMG and Andersen Consulting, also boosted the European consulting market, since they started to develop consultancy activities along with the initial audit services. The development of European integration contributed to a restructuring process within the European consulting market during the 1990s (Keeble and Schwalbach, 1995). Since then the European market experienced an extraordinary growth, both in number and size. Today it represents half of the American market. It has evolved in different times and speeds, but it covers now almost all the European countries (Kipping and Armbrüster, 1999).

In 1989 the European market totalled 15 billion ECU, was composed by 16,800 consultancy firms, employing of 176,190 workers. The United Kingdom and Germany were the most important domestic markets, concentrating more than 50% of the total turnover (Keeble and Schwalbach, 1995; see Annex I). At the end of the 1980s, the European countries consultancy markets were at different stages of development, with domestic turnovers varying greatly between countries. The top ten consultancies in Europe during this period illustrate the pre-

eminence of top-management consulting firms, such as McKinsey & Company and Booz-Allen & Hamilton. It was clearly the predominance of the second wave (see above).

The 1990s did not display different characteristics (Kipping and Armbrüster, 1999). There was still considerable diversity between domestic markets in terms of speed and extent of any convergence process across Europe. Their main findings suggest a North-South division. The two largest consulting markets in Europe, representing more than half of the market share, were Germany and the United Kingdom, in line with the findings presented by Keeble and Schwalbach for the late 1980s. In Northern Europe, the market volume represented a higher proportion of the GDP. The more concentrated markets were in the United Kingdom and Switzerland, where the top 10 consultancy firms dominated more than 50 percent of the total turnover. In the opposite position was the German market, much more dispersed, where the top 10 consultancy firms only had 15% of the market. Indeed, the presence and strong influence of medium and small-sized consultancies characterized the German market.

In terms of the kind of services provided by consulting firms in Europe, corporate strategy and organisation development, and information technology accounted for more than 35% of the total services, with important national variations too. Nordic countries, Germany and the Netherlands were more strategy and organisation oriented, and the UK and Spain had more IT consulting predominance. The reasons for these national differences are not straightforward, but they may be due to the kind of clients and the predominant economic structure in each country.

Kipping and Armbrüster also assess current changes in the European consulting market, trying to anticipate lines of future evolution. Considering the highly visible position acquired by the American consultancies in Western Europe, as well as the mergers and acquisitions trend in the late 1990s, they predict “an ever-increasing domination of European consultancy markets by US-

based service providers” (1999: 16). They already detained the largest share at the top of the market in 1997, even if strong national differences persist.

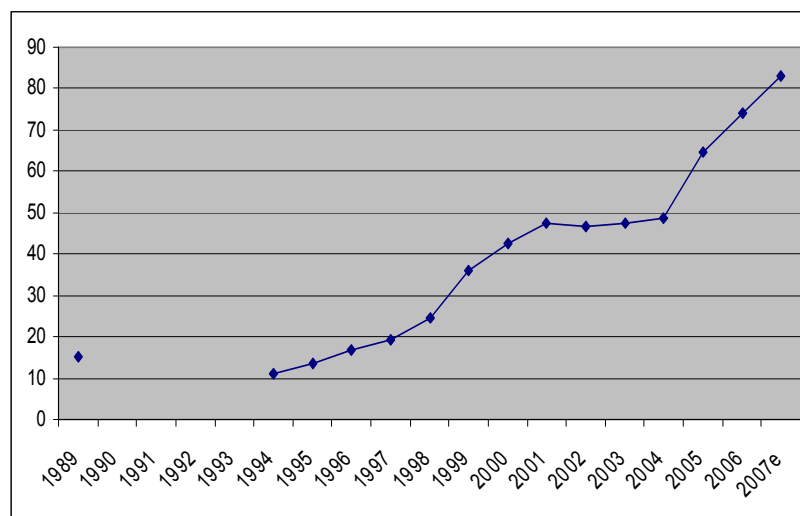
The next session will look at the European consultancy industry in the last decade, trying to disclose its more recent evolution in terms of size, market concentration, types of services provided and clients. The hypothesis of the ever-increasing “Americanization” proposed by Kipping and Armbrüster will be approached for the most recent period. Furthermore, the restructuring process within the European consulting market defined by Keeble and Schwalbach for the early 1990s should be ending after more than 10 years or at least revealing its main directions.

## 5. The European consultancy industry in the last decade: size and structure

### 5.1. Overview

The European consultancy market was characterised in 2006 by a market volume of €74 billion, according to FEACO, and almost €94 billion according to Kennedy Information. In terms of people working in this market, there are more than 500,000 employees in the sector, including consultants and other auxiliary staff (FEACO).

Figure 1: Evolution of the Market Volume, at market prices (in €billion, 1989-2007)



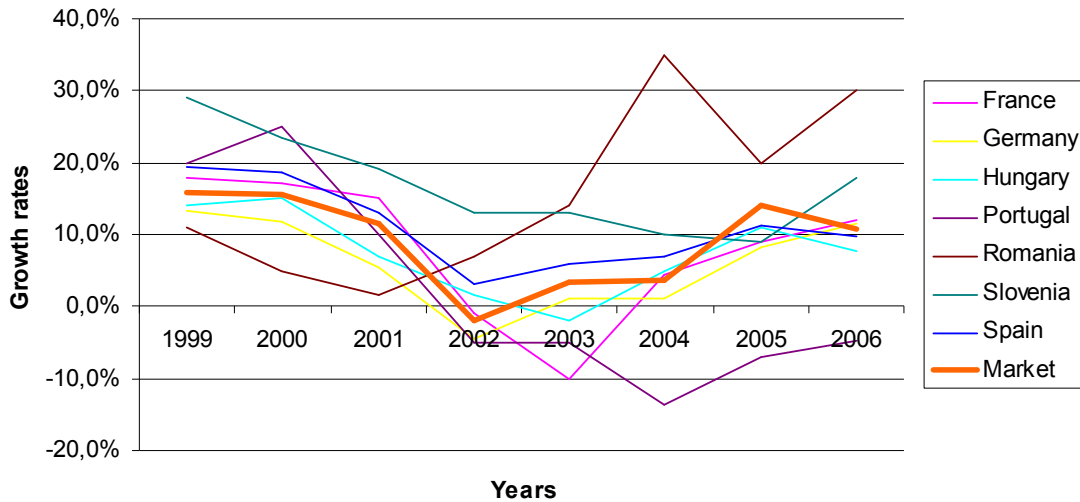
Source: Keeble and Schwalbach [1995] and FEACO Reports [1997-2006].

It is depicted, in figure 1, the remarkable evolution of this market since 1989. This fact highlights the importance and relevance of this industry which is characterized by incredible growth rates in the last decade: in 2006 the market volume is almost seven times the 1994 value, which were, respectively, €74 billion and € 11 billion.

The first conclusion one may take from this figure is related to the overall performance of the sector over almost two decades: the consulting industry revenues in Europe have maintained a clear rising trend over time, with only one exception, between 1989 and 1994. The early 1990s financial crisis (Wright, 2008) may explain this negative evolution. After the early 1990s, three different phases are patent. From 1994 until 2001, and mainly since 1997, it is visible an impressive rhythm of growth, rising at almost 20% per year. The next years (2001-2004) were characterized by stagnation with the financial and dot.com crises affecting the consulting industry rate of growth. Finally, after 2004, a new boom emerged, mainly due to resuming economic growth and the enlargement of Europe to the Eastern countries.

It is important to analyse in detail the market volume and growth rate associated with those years because it is an average and hides differences between countries. In terms of market volume the biggest contributions are from the more mature markets. Indeed, together they gather more than half of the total turnover of this market in Europe, and so these two countries continue to represent the largest consultancy markets as in the 1980s and 1990s (Keeble and Schwalbach, 1995; Kipping, 1999). The Eastern European countries (Bulgaria, Hungary and Poland) display a lower market turnover. The evolution of the growth rate for certain countries (fig. 2) means that the Eastern European countries are those that present higher growth rates per year, when compared to the more mature markets.

Figure 2: Market Growth rates for European countries (1999-2006)



Source: FEACO Reports (1999-2006).

## 5.2. Consultancy size and economic importance

At the country level, table 3 reveals that the biggest markets of consultancy business are from Germany, United Kingdom, Spain and France, gathering almost 70% of the total revenue.

Table 3: Management Consultancy Volume Market by Country, 2006 and 2007

Country	FEACO 2006				Kennedy 2007			
	Estimated total market in Europe	Rank	Market Volume %	Market volume in million €	Market volume / GDP	Rank	Market Volume %	Market volume in million €
Germany	1	30,6%	€ 21.733,7	0,94%	1	25,3%	€ 23.737,1	0,98%
United Kingdom	2	28,7%	€ 20.384,2	1,05%	2	23,6%	€ 22.176,1	1,08%
Spain	3	10,7%	€ 7.570,0	0,77%	4	6,7%	€ 6.289,5	0,60%
France	4	9,2%	€ 6.560,0	0,36%	3	14,1%	€ 13.260,0	0,70%
The Netherlands	5	3,8%	€ 2.700,0	0,50%	6	6,0%	€ 5.655,6	1,00%
Austria	6	3,7%	€ 2.627,9	1,02%	8	2,0%	€ 1.912,9	0,71%
Italy	7	3,5%	€ 2.500,0	0,17%	4	6,7%	€ 6.250,9	0,40%
Portugal	8	1,5%	€ 1.050,0	0,68%	12	0,3%	€ 308,7	0,19%
Belgium	8	1,5%	€ 1.065,4	0,33%	10	1,4%	€ 1.331,6	0,40%
Denmark	8	1,5%	€ 1.050,0	0,48%	9	1,9%	€ 1.778,4	0,79%
Switzerland	11	1,0%	€ 710,3	0,23%	7	3,6%	€ 3.333,0	1,07%
Norway	12	0,9%	€ 609,0	0,23%	11	1,3%	€ 1.183,1	0,42%
Total		96,5%	€ 68.560,4	0,65%		92,9%	€ 87.217,0	0,78%
Total Market		100,0%	71.025,0			100,0%	€ 93.862,0	

Sources: FEACO Report 2006, Kennedy Information and EUROSTAT.

The importance of the industry in each country economy is represented by the market volume over GDP. It can be considered as a good indicator of the consultancy development level of each economy, as it is suggested in Bernardo (2009). Not surprisingly the countries where the consultancy weighs more in the economy are Germany and the United Kingdom, standing out

very clearly over the average values. Spain and Austria or the Netherlands, Switzerland and Denmark also diverge, according to the two sources, revealing some inconsistency between the two sources of information. At the bottom of the ranking are Norway, Italy and Portugal, the countries in which the consulting sector plays a smaller role in the economy. It is also possible to see in Annex II that the East European countries (Romania, Poland, Bulgaria and Hungary) also have a low value on the weight of the consulting sector in terms of GDP. The place of the consulting industry in the economy has been increasing over time. In 1999, consultancy represented 0,37% of the GDP. In 2006 it is more than 0,60%, almost the double, and in some countries it represents more than 1%.

Another important measure, still related with the structure and importance of the market, is the total turnover per consultant. This may be a good indicator on the kind of consultancies that dominate the market. As it is referred in Bernardo (2009), one way of segmenting this market is considering that measure: the total turnover per consultant. The top-management consultancies are those that request higher fees for their work (see Annex II). This measure is higher in the United Kingdom (€243,421), Switzerland, Netherlands, France and Denmark. The lowest value is from Romania, €16,400, which possible may be due to the small presence of top-management consultancies, who are currently expanding to Eastern Europe.

The convergence hypothesis in this industry, in the European region, can be tested looking at the weight of consulting over each country's GDP. If there were any convergence process, the size of the consulting industry relative to GDP should be closer between countries over time. The dispersion index for 1999 and 2006 (see in Annex VI.A) indicates that the relative importance of the industry is more dispersed in 2006 than in 1999, which means that the countries are not converging in this aspect. This thematic of a possible convergence will be discussed later, focusing on other features.



To better characterise and classify the countries markets, cluster analysis is used. It groups the countries in three clusters, see Annex III. The first one consists of the mature markets: Germany, United Kingdom and Spain. In these countries the consultancy industry has a higher importance relative to the GDP, there are many firms belonging to the top European 500 and a higher number of staff is employed. On the opposite side, is the group with the less developed countries: Hungary, Poland, Czech Republic, Bulgaria, Romania, Greece, Slovenia and Portugal, which have other common trends: high average growth rates of the market, lowest GDP per capita and, excepting Romania, zero or almost none companies at the top 500. The remaining countries form the third cluster, Switzerland, Denmark, Netherlands, Belgium, Italy and France, have already consolidated consulting markets.

### **5.3. Industry structure and concentration**

It is important to know the main consultancies operating in Europe. The table below ranks the top 25 firms in 2006.

The number one firm is the French Capgemini, which is an IT services and business consultancy company. This represents the market trend on the increasing of importance of IT consulting firms as suggested by Kipping (2002) and Armbrüster and Kipping (2003). Half of these firms are European, meaning that they have their headquarters in Europe. Indeed, European companies are powerful in this market and seem to be gaining market share to the American firms. When comparing this ranking with Kipping's table, in Annex IV.A (the top 25 consulting firms in Europe in 1997), considerable differences are found. These changes may imply that the *Americanization phenomenon* of the European sector suggested by Kipping (1999) is not actually occurring, but instead an *Europeanization* is taking place.

Table 4: The Largest Consulting Companies in Western Europe by Revenue, 2006

Rank	Firm	Global Headquarters	Nationality
1	Capgemini <sup>35</sup>	France	France
2	Accenture	USA	USA
3	IBM Global Business Services	USA	USA
4	Atos Origin	France/Belgium	France
5	Deloitte	USA	UK
6	LogicaCMG	UK	UK
7	KPMG International	Netherlands	UK
8	T-Systems	Germany	Germany
9	CSC	USA	USA
10	PricewaterhouseCoopers	USA	UK
11	Altran	France	France
12	Siemens IT Solutions and Services <sup>36</sup>	Germany	Germany
13	SAP	Germany	Germany
14	McKinsey & Co.	USA	USA
15	TictoEnator	Finland/Sweden	n.a.
16	Booz Allen Hamilton	USA	USA
17	Getronics	Netherlands	Netherlands
18	Mercer <sup>35,36</sup>	USA	USA
19	HP Services	USA	USA
20	Ernst & Young	USA	USA
21	Oracle Consulting	USA	USA
22	Infosys	India	India
23	Boston Consulting Group	USA	USA
24	Indra Systemas	Spain	Spain
25	Steria	France	France

Source: Kennedy Information (2007).

<sup>35</sup> Reflects a recategorization of revenue for 2006.

<sup>36</sup> Reflects a name change in 2007.

It is interesting to analyse the relative ranks of the companies along the decade 1997-2006. Andersen Consulting, today Accenture, had the top position in 1997 and it keeps nowadays a high rank. Still, many changes had occurred. Analysing the top positions, in 1997 they were occupied by the 'Big Four' (PwC, Deloitte & Touche, KPMG and Ernst & Young) and top-management consultancy firms. In 2006 the leading firms are the IT consultancies with the first of the 'Big Four' in the 5<sup>th</sup> position. It is also interesting to point out that among the top 25 companies of 1997 only eleven companies figure in the top 25 of 2006, although all companies ranked in 1997 are still operating.

It is also important to stress the differences between the European ranking and the world ranking for 2007 (Annex IV.B). Globally, the 'Big Four' have the highest positions and are followed by IT consultancies. This is an evidence of the existence of Kipping's IT wave,

supporting that, after the predominance of scientific management (early 20<sup>th</sup> century), and of organization and strategy since the 1930s, it is time for IT-based networks. The 10 largest consultancy firms in the world also operate in the European market. However, only four among them occupy any of the ten top positions. After the 10<sup>th</sup> position in the “world league” only three firms appear in the European market (Capgemini, CSC and Atos). This means that half of the 25 largest consultancy firms in the world are out of the European top-ranking. In contrast, when one looks to the largest European consultancy firms in Europe, only four can be considered global firms (KPMG, CapGemini, Atos and Roland Berger), occupying one place in the “world league”.

The market concentration indexes try to analyse whether the domination of few larger consultancies or the dispersion among small and medium-sized consultancy firms characterize the industry. The following table shows, on one hand, that the top-20 management consultancy firms retain more than 55% of the total turnover of the market, increasing more than 20% of proportion of revenue since 1999. Also the smaller firms are increasing its proportion of total turnover. On the other hand, the medium sized companies are losing to those two segments of the market, gathering less 30% of proportion of revenues since 1999.

Table 5: Concentration of the Management Consultancy Market

	Top-20 MC Firms		Medium Sized MC Firms		Small MC Firms (<500.000€ Turnover)	
	Proportion of the total Turnover of MC Firms in Europe	Average Growth Rate	Proportion of the total Turnover of MC Firms in Europe	Average Growth Rate	Proportion of the total Turnover of MC Firms in Europe	Average Growth Rate
1999	47,5%		42,2%		10,3%	
2000	49,4%	22,8%	41,2%	15,1%	9,4%	8,1%
2001	51,0%	15,2%	40,5%	9,7%	8,5%	2,5%
2002	53,0%	-2,2%	38,3%	-2,0%	8,7%	0,2%
2003	56,0%	3,0%	28,6%	4,0%	15,4%	4,5%
2004	56,1%	3,8%	28,8%	4,2%	15,1%	2,3%
2005	57,7%	16,8%	31,7%	10,2%	16,3%	7,8%
2006	57,2%	9,3%	29,2%	15,1%	17,0%	4,4%

Source: FEACO Reports (1999-2006)

This may indicate that this market is becoming dominated by the presence of big companies and by small ‘boutiques’, more oriented for the domestic markets and/or specialized in a precise segment of the market. This was also suggested by Águas (2008) and Bom (2009), as

a present facet, mainly in some countries such as the United Kingdom and Germany, but also in smaller countries as Portugal. The establishment of small 'boutiques' specialized in a specific line of service or sector of the economy, requesting for smaller fees when compared to the top-management worldwide renowned consultancies, may be a future trend in the market.

#### **5.4. Consulting services and clients**

According to FEACO (2006), the main service lines of this industry are: Business Consulting, Information Technology Consulting, Development & Integration and Outsourcing. Next table presents the market share attained by these service lines in each country.

Table 6: Key Service Lines by Country for 2006 and Dispersion Index

<b>Country</b>	<b>Business Consulting</b>	<b>IT Consulting</b>	<b>Development &amp; Integration</b>	<b>Outsourcing</b>	<b>Other Services</b>
Austria	15,00%	60,00%	5,00%	10,00%	10,00%
Czech Republic	24,00%	24,00%	9,00%	14,00%	29,00%
France	49,00%	9,00%	22,00%	12,00%	8,00%
Germany	51,00%	17,00%	21,00%	7,00%	4,00%
Greece	64,00%	7,00%	3,00%	4,00%	22,00%
Hungary	44,00%	38,00%	4,00%	0,00%	14,00%
Italy	62,00%	3,00%	2,00%	7,00%	26,00%
Romania	40,00%	20,00%	5,00%	10,00%	25,00%
Slovenia	74,00%	3,00%	9,00%	2,00%	12,00%
Spain	10,00%	11,00%	42,00%	37,00%	0,00%
United Kingdom	38,00%	16,00%	12,00%	33,00%	1,00%
<b>Market</b>	<b>40,00%</b>	<b>16,00%</b>	<b>19,00%</b>	<b>19,00%</b>	<b>6,00%</b>

Source: FEACO Report 2006.

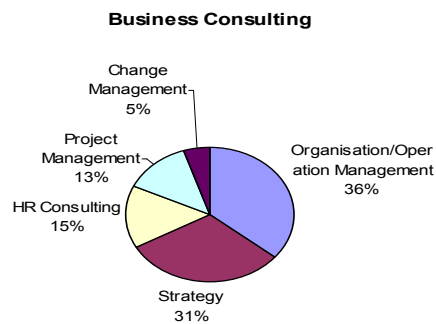
<b>Average</b>	42,82%	18,91%	12,18%	12,36%	13,73%
<b>Standard Deviation</b>	0,2033	0,1703	0,1201	0,1198	0,1036
<b>Dispersion Index</b>	47,4715	90,0734	98,5634	96,8748	75,5013

The main service line in the European market is business consulting, which includes strategy consulting, organisation/operations management, project management, change management and human resources consulting. The other three service lines have similar market volumes: IT consulting, development & integration and outsourcing. The table also shows that they are not equally weighted in each country's market. The markets more IT oriented are

Austria, Czech Republic and Hungary. Business consulting is the main consulting service in Slovenia, Italy and Denmark.

Since the business consulting service line concentrates the largest share of the total turnover, it is important to analyse the different kind of services it includes. The sectors of organisation/operation management and strategy are the most important (see figure 3).

Figure 3: Business Consulting

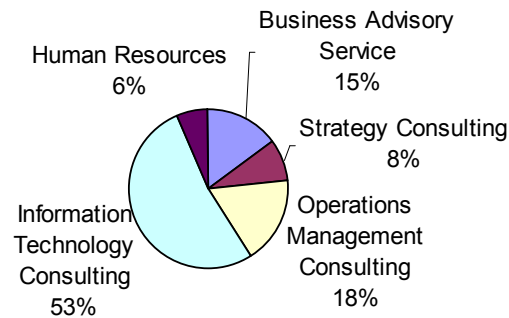


Source: FEACO Report [2006].

Taking into account the previous assessments of the predominance of IT Consulting, it is surprising that IT comprises only 16% of the total services provided. It is possible that in development & integration and outsourcing some IT services are included. The high value of outsourcing services may reflect the fact that companies prefer to sub-contract the consultancy companies to perform certain operations rather than having a permanent department dedicated to that sector, for instance, to perform the role of the human resources department, as well as IT management.

Kennedy Information (2007) presents the service lines using a different taxonomy: IT consulting, human resources, business advisory services, strategy consulting and operations management consulting.

Figure 4: Share of Western Europe Consulting Market by Service Line, 2007



Source: Kennedy Information [2007].

According to these results, information technology consulting is largely dominant (53%), followed by operations management consulting (18%) and business advisory service (15%). These conclusions revalidate the predominance of IT services in this region of the industry. Among the top 25 consulting companies in Europe, the first ones are all IT services related: Capgemini, Accenture and IBM Business Global Services.

There is hardly any information available about the types of clients. It is important, in the definition of types of clients, to characterise them according to two features: their type of activity and size. Since the type of clients in each market is changing over time, it is more meaningful and interesting to relate it to the domestic economy than to analyse the evolution over the last years of the types of clients' weight in each countries economy.

Table 7 regroups the clients in seven main sectors: Banking & Insurance, Manufacturing, Telecoms & Media, Wholesale & Retail, Energy & Utilities, Transport & Travel and Public Sector.

Table 7: Client Sector by Country for 2006

Country	Banking & Insurance	Manufacturing	Telecoms & Media	Wholesale & Retail	Energy & Utilities	Transport & Travel	Public Sector	Other Services
Czech Republic	18,00%	51,00%	6,00%	1,00%	4,00%	8,00%	7,00%	5,00%
Denmark	9,00%	42,00%	7,00%	4,00%	4,00%	2,00%	26,00%	6,00%
France	31,00%	27,00%	9,00%	6,00%	13,00%	3,00%	10,00%	1,00%
Germany	24,00%	39,00%	8,00%	4,00%	7,00%	6,00%	9,00%	3,00%
Greece	6,00%	28,00%	3,00%	4,00%	5,00%	4,00%	44,00%	6,00%
Hungary	21,00%	10,00%	17,00%	3,00%	11,00%	1,00%	33,00%	4,00%
Italy	21,00%	40,00%	8,00%	3,00%	6,00%	2,00%	17,00%	3,00%
Poland	2,00%	9,00%	5,00%	3,00%	13,00%	1,00%	54,00%	13,00%
Romania	10,00%	16,00%	2,00%	2,00%	25,00%	-	45,00%	-
Slovenia	10,00%	36,00%	18,00%	8,00%	9,00%	4,00%	13,00%	2,00%
Spain	26,00%	18,00%	16,00%	4,00%	8,00%	5,00%	17,00%	6,00%
Switzerland	32,00%	37,00%	7,00%	4,00%	5,00%	4,00%	8,00%	3,00%
United Kingdom	18,00%	27,00%	8,00%	6,00%	9,00%	5,00%	25,00%	2,00%
<b>Market</b>	<b>22,00%</b>	<b>32,00%</b>	<b>9,00%</b>	<b>5,00%</b>	<b>8,00%</b>	<b>5,00%</b>	<b>16,00%</b>	<b>3,00%</b>

Source: FEACO Report 2006

Average	17,54%	29,23%	8,77%	4,00%	9,15%	3,75%	23,69%	4,50%
Standard Deviation	0,0953	0,1306	0,0512	0,0183	0,0568	0,0209	0,1584	0,0318
<b>Dispersion Index</b>	<b>54,3223</b>	<b>44,6740</b>	<b>58,3614</b>	<b>45,6435</b>	<b>62,0940</b>	<b>55,8497</b>	<b>66,8561</b>	<b>70,5915</b>

In Europe the most important consulting clients are banking & insurance, manufacturing and the public sector, accounting together more than 65% of the market. The countries where manufacturing gathers the largest size of clients are Czech Republic, Denmark, Germany, Italy, Slovenia and Switzerland. The Public Sector is the main sector in Eastern European countries like Greece, Poland or Romania and, also, in Denmark. The Banking & Insurance sector, a vital sector especially in the most recent years due to the financial crisis that the global economy is facing, has a bigger weight mainly in Western European countries like Switzerland, France, Spain, Germany and the United Kingdom.

It is more difficult to evaluate the size of the clients although this seems to be closely related to the concentration of the market. In a less concentrated market, with a lot of small and medium size-consultancies operating on it, the clients will probably be more varied. The less concentrated market also reflects the presence of more varied fees practiced by the consultants.

The dispersion indexes for service lines and client sectors, lead to conclusions about the standardization of this industry among European countries. Although they differ from 1998 to 2006, service lines are much dispersed among countries; with business consulting having a relative smaller dispersion index. In the clients sector, there is some convergence: the distribution

of clients between sectors is more similar among countries. The main sectors that seem to have a lower level of dispersion are the biggest ones as manufacturing, financial and public sector.

### **5.5. The consulting industry at the dawn of the 21<sup>st</sup> century: some conclusions**

The previous characterization of the activity of consultancy in Europe reveals some relevant facts that are worth to highlight.

In each European country, consultancy is at different stages of development and size. Germany and the United Kingdom remain the most mature regions, with the highest turnover values, followed by France, Spain and Italy. The Eastern Europe region is characterised by the higher growth rates.

Kipping and Armbrüster (1999) suggested that consulting industry would follow a trend for increasing standardization, convergence and “Americanization” (meaning the predominance of companies from American origin). However, the previous analysis contradicts this perspective. Not only the European market is still very different among the domestic economies, but also does not display a tendency for convergence. On the contrary, it has become more diverse over the last 10 years. In addition, there has been a process of “Europeanization” when we look to the top consultancy firms. The rising importance of European big firms may have been the result of the mergers and acquisitions in the last decade, as well as the increasing integration of the European market, which may have benefited these firms. Nevertheless, many of these large European firms are absent from the “world league of top consultancy firms”. This is important in several senses. For the sake of brevity, it emphasizes the diversity of the European consulting market, not only in aggregate terms, but also looking at the national diversity within it.

The table below depicts the Kennedy Information (2007) projections for the following years, with the United Kingdom and Germany remaining the main players of the industry and suggesting that the Nordic countries may have the highest growth rates.



Table 8: Market Volume (in € Million) and Growth Rate (2006-2010)

Region		Market Volume					2006-2010 CAGR	Market Share in 2010
		2006	2007	2008	2009	2010		
The United Kingdom & Ireland	United Kingdom Ireland	22.358,0	24.157,0	25.694,0	27.236,0	28.922,0	6,6%	25,5%
German-Speaking Europe	Germany Austria Switzerland	26.809,0	28.983,0	31.139,0	33.323,0	35.386,0	7,2%	31,2%
France	France	12.441,0	13.260,0	14.177,0	15.082,0	15.918,0	6,4%	14,0%
Benelux	Belgium The Netherlands Luxembourg	6.644,0	7.159,0	7.622,0	8.127,0	8.630,0	6,8%	7,6%
Nordic Region	Denmark Finland Iceland Norway Sweden	6.745,0	7.441,0	8.088,0	8.731,0	9.251,0	8,2%	8,1%
Southern Europe	Italy Spain Portugal	12.069,0	12.862,0	13.703,0	14.538,0	15.406,0	6,3%	13,6%
<b>Total</b>		<b>87.066,0</b>	<b>93.862,0</b>	<b>100.423,0</b>	<b>107.037,0</b>	<b>113.513,0</b>		<b>100,0%</b>

Source: Kennedy Information [2007].

## 6. Conclusion and prospective analysis

In the short term, the future economic conditions may affect the growth trend of this sector. However, the consultancy firms tend to adapt themselves to the specificities of the region and its conditions. As Bernardo (2009) mentioned, there are some sorts of projects that are more specific on a crises scenario such as the strategic reorganization of a company or a merger & acquisition considerations.

In the future, it seems that the most mature European economies are stabilizing and the most growing countries are from Central and Eastern Europe. The major companies enforce [see Águas (2008) and Bernardo (2009)] also that trend in their investment and expansion decisions. They also suggest that the future investments, in a worldwide perspective, will be focused on South America, Brazil, and in Asia, especially China, India and Japan. This may affect the employment market, forcing European skilled workforce to emigrate and work in those countries, since, at least nowadays; they do not have enough human capital available.

The consulting industry will remain very fragmented and dispersed with possible emergence of more specialized 'boutiques'. As Águas (2009) also mentions, this new era of consulting will favour the raise of network 'groups' of consultants, formed by a low number of consultants that share experiences and know-how and work individually in the consultancy projects.

Finally, another possible tendency is the rising importance of internal consulting departments in big companies such are the cases, in Portugal, of Sonae and EDP, although some authors would not consider these services as a substitute for (external) consulting, since they lack the impartial, outside viewpoint, as well as the multiple experiences gained in dealing with similar consulting projects.

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## Annexes

### Annex I: Management Consultancy Market in 1989 – Enterprises, Employees and Turnover

Country	Enterprises		Employees			Turnover	
	Number	Share	Total	Consultants	Supporting Staff	Total (in Mill ECU)	Share
Belgium/ Luxembourg	280	1,7%	2.350	1.650	700	249,0	1,6%
Denmark	367	2,2%	n.a.	1.400	n.a.	180,0	1,1%
France	2.600	15,5%	15.100	8.300	6.800	1.310,0	8,3%
Germany	5.900	35,1%	56.400	35.400	21.000	4.300,0	27,3%
Greece	80	0,5%	800	500	300	30,0	0,2%
Ireland	250	1,5%	1.130	680	450	112,0	0,7%
Italy	300	1,8%	n.a.	n.a.	n.a.	600,0	3,8%
Netherlands	200	1,2%	3.400	2.200	1.200	270,0	1,7%
Portugal	170	1,0%	2.550	1.600	950	124,0	0,8%
Spain	246	1,5%	18.000	n.a.	n.a.	790,0	5,0%
United Kingdom	1.529	9,1%	31.200	21.400	9.800	3.840,0	24,4%
EEC	11.922	71,0%	130.930	73.130	41.200	11.805,0	74,9%
Austria	1.100	6,5%	10.550	6.100	4.450	697,1	4,4%
Finland	160	1,0%	1.550	920	630	112,1	0,7%
Norway	520	3,1%	4.100	3.000	1.100	374,0	2,4%
Sweden	900	5,4%	11.600	9.500	2.100	1.000,0	6,3%
Switzerland	2.200	13,1%	17.460	11.490	5.970	1.767,4	11,2%
Europe	16.802	100,0%	176.190	104.140	55.450	15.755,6	100,0%

Source: Keeble and Schwalbach (1995).

### Annex II: Statistical Overview of 2006

Country	Market Volume (in Mill €)	Market Share	Total Staff	Turnover per Employee	Market Growth Rate	GDP (in Mill €)	GDP real growth rate	Market Volume / GDP
Austria	2.600	3,51%	26.900	96.654	4,5%	257.294,5	3,4%	1,01%
Belgium	1.050	1,42%	8.700	120.690	10,5%	318.223,0	3,0%	0,33%
Bosnia	50	0,07%	n.a.	n.a.	11,1%	n.a.	n.a.	n.a.
Bulgaria	60	0,08%	3.000	20.000	7,1%	25.238,2	6,3%	0,24%
Czech Republic	407	0,55%	9.200	44.239	4,3%	113.458,5	6,8%	0,36%
Denmark	1.993	2,69%	13.100	152.137	22,5%	218.341,4	3,3%	0,91%
France	6.560	8,86%	38.500	170.390	12,0%	1.807.462,0	2,2%	0,36%
Germany	21.700	29,32%	157.000	138.217	10,2%	2.321.500,0	3,0%	0,93%
Greece	202	0,27%	1.800	112.222	11,9%	213.206,7	4,5%	0,09%
Hungary	270	0,36%	4.800	56.250	7,6%	90.007,0	4,1%	0,30%
Italy	2.500	3,38%	38.000	65.789	12,0%	1.485.377,3	1,8%	0,17%
Netherlands	2.700	3,65%	15.000	180.000	18,4%	539.929,0	3,4%	0,50%
Norway	609	0,82%	n.a.	n.a.	10,7%	268.363,3	2,3%	0,23%
Poland	260	0,35%	6.000	43.333	8,3%	272.088,9	6,2%	0,10%
Portugal	1.050	1,42%	15.000	70.000	-4,8%	155.446,3	1,4%	0,68%
Romania	260	0,35%	6.500	40.000	30,0%	97.751,0	8,2%	0,27%
Slovenia	142	0,19%	2.100	67.619	18,0%	31.013,6	5,9%	0,46%
Spain	7.570	10,23%	90.000	84.111	9,8%	982.303,0	3,9%	0,77%
Switzerland	744	1,01%	4.000	186.000	9,0%	309.645,3	3,4%	0,24%
United Kingdom	20.406	27,58%	95.000	214.800	10,4%	1.938.978,8	2,8%	1,05%
Rest of Europe	2.867	3,87%						
Total	74.000	100,00%	534.600	138.421		11.445.627,8		0,62%

Sources: FEACO Report 2006 and Eurostat

### Annex III: Cluster Analysis

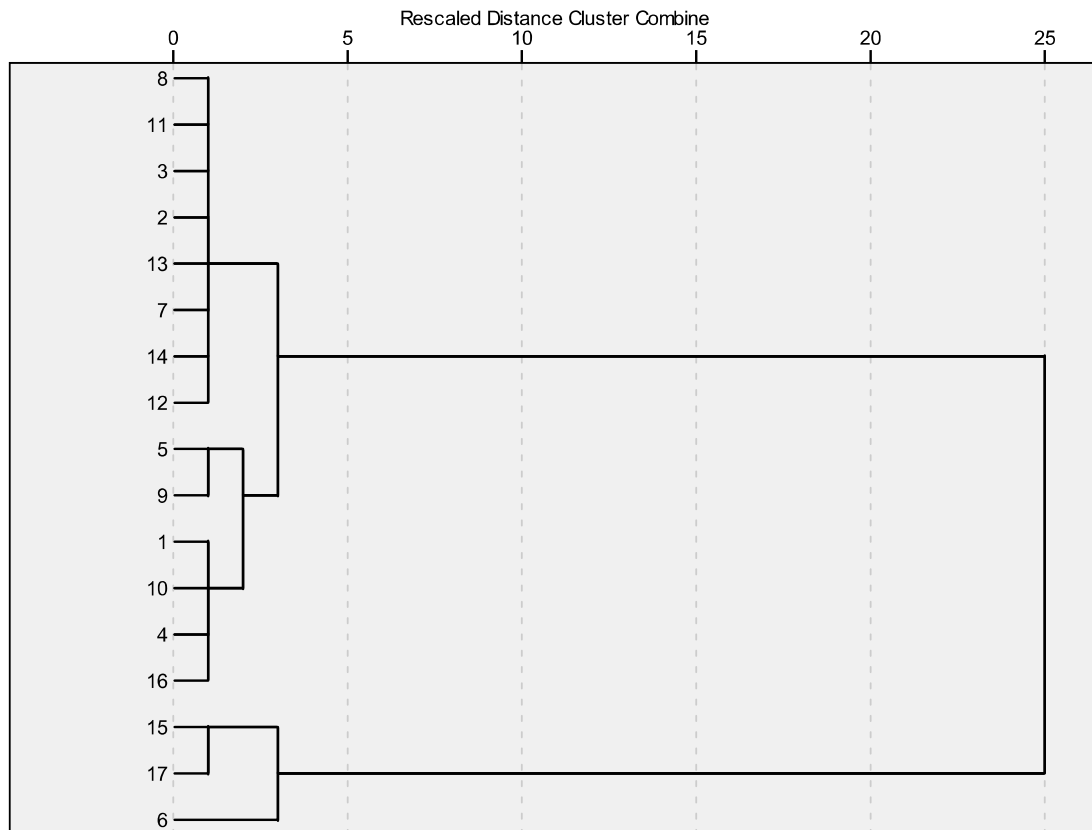
#### Annex III.A: Table for the Cluster Analysis

Country	Market Volume/GDP in 2006	Market Volume Average Growth Rate (2004-06)	GDP per capita in 2006 at current prices	GDP Average Growth Rate (2004-06)	# Firms from Top-500 European companies	Total Staff in 2006
1 Belgium	0,33	5,3328	30274,14	10,5263	21	8700
2 Bulgaria	0,2377	8,2881	3269,7	2,3264	1	3000
3 Czech Republic	0,3587	8,7313	11067,96	0,58	5	9200
4 Denmark	0,9128	5,2923	40229,03	29,08	2	13100
5 France	0,3629	2,8739	28690,43	3,5978	105	38500
6 Germany	0,9347	1,6404	28160,56	17,8731	136	157000
7 Greece	0,0947	4,6835	19164,34	1,7068	2	1800
8 Hungary	0,3	3,0558	8932,3	6,2659	2	4800
9 Italy	0,1683	2,1993	25282,28	8,6347	21	38000
10 Netherlands	0,5001	3,2042	33055,1	10,5209	21	15000
11 Poland	0,0956	11,3202	7130,76	8,3333	8	6000
12 Portugal	0,6755	2,552	14706,93	0,9709	0	15000
13 Romania	0,266	16,9802	4523,37	34,44	13	6500
14 Slovenia	0,4579	4,5527	15480,81	16,4167	0	2100
15 Spain	0,7706	5,3115	22448,41	39,309	32	90000
16 Switzerland	0,2403	1,9306	41512,27	-12,7461	24	4000
17 United Kingdom	1,0524	3,1042	32105,97	12,7808	107	95000

Source: FEACO Reports (2004, 2005, 2006), EUROSTAT and Top-500.

#### Annex III.B: Dendrogram

##### Dendrogram using Average Linkage (Between Groups)



## Annex IV: Ranking of top consulting firms in Europe in 1997 and in the World in 2007

Table IV.A: The Top 30 Consulting Firms in Europe by Revenue, 1997

Rank 1997	Rank 2006	Firm	Country of Origin
1	2	Andersen Consulting <sup>1</sup>	USA
2	-	Sema Group	F/UK
3	10	PricewaterhouseCoopers	USA/UK
4	9	CSC Computer Sciences	USA
5	14	McKinsey & Co.	USA
6	7	KPMG International	USA/UK/NL
7	1	Gemini Consulting <sup>2</sup>	F/USA
8	20	Ernst & Young	USA/UK
9	5	Deloitte & Touche (DTT)	USA/UK
10	-	A. T. Kearney	USA
11	-	CMG	UK
12	23	Boston Consulting Group	USA
13	-	PA Consulting Group	UK
14	18	Mercer Consulting Group	USA
15	-	Roland Berger & Partner	D
16	-	Arthur D. Little	USA
17	-	Sedgwick Noble Lowndes	UK
18	-	AMS	USA
19	-	Bain & Co.	USA
20	-	Watson Wyatt Worldwide	USA
21	3	IBM Consulting Group	USA
22	-	DMR Consulting Group	USA/Japan
23	-	CEGOS Group	F
24	-	Towers Perrin	USA
25	-	Mummert & Partner	D

Source: Management Consultant International, August 1998.

<sup>1</sup> Accenture is the new name of Andersen Consulting.

<sup>2</sup> Capgemini is the new name of Gemini Consulting.

Table IV.B: The Largest Consulting Practice in the World by Revenue, 2007

Rank 2007 World	Rank 2006 Europe	Rank 1997 Europe	Firm	Country of Origin
1	10	3	PriceWaterhouseCoopers	USA/UK
2	5	9	Deloitte	USA/UK
3	7	6	KPMG	USA/UK/NL
4	20	8	Ernst & Young	USA/UK
5	14	5	McKinsey & Co.	USA
6	2	1	Accenture	USA
7	18	14	Mercer	USA
8	3	21	IBM GS	USA
9	16	-	Booz Allen Hamilton	USA
10	23	12	The Boston Consulting Group	USA
11	-	19	Bain & Co.	USA
12	-	24	Towers Perrin	USA
13	-	-	Oliver Wyman Group	USA
14	-	20	Watson Wyatt	USA
15	-	-	Bearing Point	n.a.
16	-	-	Aon	USA
17	-	-	Grant Thornton	USA
18	1	7	Capgemini	France
19	9	4	CSC	USA
20	19	-	HP Services	USA
21	4	-	Atos Origin	France
22	-	15	Roland Berger Strategy Consult	Germany
23	-	-	FTI	USA
24	-	10	A. T. Kearney	USA
25	-	-	Navigant	USA

Source: "Global Consulting Marketplace 2008-2011", from Kennedy Information

## Annex V: Main definitions

### From FEACO:

European management consultancy market: EU27, Norway, Switzerland and Bosnia & Herzegovina.

### Service Lines Definition:

Business Consulting: services that help organisations to analyse and redefine their strategies, to improve the efficiency of their business operations and to optimize their technical and human resources. It includes: strategy consulting, organisation/operations management, project management, change management and human resource consulting.

Information Technology Consulting: services that help organisations to evaluate their IT strategies with the objective of aligning technology with the business process.

Development and Integration: this service line includes the development of applications (excluding software) and also the deployment and integration of these new applications.

Outsourcing: this service line consists of three main types of activities: IT management services; applied management services; and, business process outsourcing.

Other services: this line includes services as training, studies, recruitment or executive selection.

### **Segmentation of Key Client Industry Sector:**

#### *Manufacturing Sector*

- Consumer Products
- Pharmaceuticals
- Healthcare
- Automotive Products
- Aerospace and Defense Products
- High Tech Products
- Not for Profit Private Sector

#### *Banking and Insurance*

- All Banking and Financial services
- Insurance

#### *Wholesale & Retail Sector*

#### *Transport & Travel Sector*

#### *Telecoms and Media Sector*

#### *Energy & Utilities Sector*

#### *Public Sector*

### **From Kennedy Information:**

### **Service Lines Definition:**

Business Advisory Services: consulting services resulting in business recommendations based on financial analysis and alternative decision scenarios. This consulting segment is distinguished within the overall consulting market by its use of rigorous financial analytical processes that measure the effects of economics, tax, investment, risk, competitive and business decision dynamics.



Strategy Consulting: consulting services aimed at improving the long-term growth prospects of a company and the capabilities to enable that growth. These services include mainly strategic planning; organisation strategy; marketing, sales and branding strategy; and financial strategy. Kennedy Information's definition of strategy consulting also includes portions of IT strategy and planning.

Operations Management Consulting: consulting services that improve the effectiveness of the value chain, including major processes such as researching and designing products and services.

Information Technology Consulting – IT consulting – Includes design and construction of IT – related business functions (finance, HR, CRM, supply chain and industry-specific functions); construction, installation and testing of enterprise applications that support those business functions; and infrastructure services that support enterprise applications.

Human Resource Consulting: consulting services aimed at managing employee “lifecycle”, consulting around the people component of change management, and improving the effectiveness of the HR function.

#### **Annex VI: Dispersion Indexes in 1998 for the key service lines and type of clients**

$$DispersionIndex = \frac{\sigma}{\mu}$$

Where:  $\sigma$  is the standard deviation and  $\mu$  is the average.

Table VI.A: Dispersion Index of the Market Volume/GDP in 1999 and 2006, in Europe

Country	Market Volume/GDP	
	1999	2006
Austria	0,24%	1,01%
Belgium	0,22%	0,33%
Bulgaria	0,40%	0,24%
Denmark	0,37%	0,91%
France	0,22%	0,36%
Germany	0,54%	0,93%
Greece	0,08%	0,09%
Hungary	0,44%	0,30%
Italy	0,15%	0,17%
Netherlands	0,28%	0,50%
Norway	0,48%	0,23%
Poland	0,07%	0,10%
Portugal	0,42%	0,68%
Romania	0,12%	0,27%
Slovenia	0,18%	0,46%
Spain	0,24%	0,77%
Switzerland	0,22%	0,24%
United Kingdom	0,66%	1,05%
Market	0,37%	0,62%
Average	0,30%	0,48%
Standard Deviation	0,00166	0,00327
Dispersion Index	0,55903	0,68093

Source: FEACO Reports 1999 and 2006 and GDP from EUROSTAT.

Table VI.B: Dispersion Index of Service Lines in 1998, in Europe

Country	Strategy & Organisation	IT	Human Resources	Financial/admin systems	Production management	Other
Austria	34,00%	10,00%	16,00%	12,00%	13,00%	15,00%
Belgium	5,81%	47,53%	2,79%	29,35%	2,60%	11,92%
Cyprus	6,00%	18,20%	26,30%	7,40%	6,30%	35,80%
Denmark	21,20%	24,10%	13,60%	3,30%	9,50%	28,30%
Finland	29,00%	26,00%	12,00%	13,00%	6,00%	14,00%
Germany	29,70%	26,30%	9,00%	11,00%	13,60%	10,40%
Greece	16,61%	11,03%	3,07%	12,18%	17,21%	39,90%
Hungary	16,00%	13,00%	11,00%	30,00%	7,00%	23,00%
Italy	18,00%	26,00%	9,00%	15,00%	18,00%	14,00%
Russia	10,00%	20,00%	15,00%	15,00%	5,00%	35,00%
Slovenia	19,61%	17,69%	10,02%	26,18%	16,86%	9,64%
Spain	5,50%	73,10%	4,30%	6,40%	5,70%	5,00%
Switzerland	25,00%	27,00%	13,00%	8,00%	14,00%	13,00%
United Kingdom	17,50%	46,20%	3,70%	11,60%	9,40%	11,60%
<b>Market</b>	<b>20,77%</b>	<b>37,45%</b>	<b>6,96%</b>	<b>12,05%</b>	<b>11,06%</b>	<b>11,71%</b>

Source: FEACO Report 1998.

Average	18,14%	27,58%	10,63%	14,32%	10,30%	19,04%
Standard Deviation	0,0918	0,1726	0,0634	0,0839	0,0509	0,1124
<b>Dispersion Index</b>	<b>50,5880</b>	<b>62,5916</b>	<b>59,6466</b>	<b>58,6217</b>	<b>49,4649</b>	<b>59,0262</b>

Table VI.C: Dispersion Index of the Client Sector in 1998

Country	Resources	Manufacturing	Retail	Financial Services	Public Sector	Other Services
Austria	8,00%	44,00%	9,00%	2,00%	8,00%	29,00%
Belgium	6,89%	12,59%	1,08%	16,73%	17,79%	44,92%
Cyprus	2,25%	32,90%	12,80%	10,40%	20,15%	21,50%
Denmark	1,33%	12,36%	2,20%	1,20%	47,70%	35,21%
Finland	12,00%	13,00%	4,00%	18,00%	7,00%	46,00%
Germany	6,60%	32,10%	8,60%	19,30%	10,60%	22,80%
Greece	15,61%	9,37%	3,46%	6,15%	57,34%	8,07%
Hungary	31,00%	15,00%	15,00%	14,00%	8,00%	17,00%
Italy	17,00%	23,00%	6,00%	26,00%	6,50%	21,50%
Russia	26,00%	30,00%	10,00%	5,00%	12,00%	17,00%
Slovenia	11,55%	39,56%	10,83%	7,69%	13,47%	16,90%
Spain	11,85%	22,01%	1,36%	41,63%	3,67%	19,48%
Switzerland	14,00%	25,00%	11,00%	21,00%	12,00%	17,00%
United Kingdom	24,30%	11,70%	4,90%	31,70%	9,80%	17,60%
<b>Market</b>	<b>15,37%</b>	<b>21,87%</b>	<b>6,13%</b>	<b>25,13%</b>	<b>9,95%</b>	<b>21,55%</b>

Source: FEACO Report 1998

*Resources:* Agriculture, energy&water supplies, mining, metal and chemicals.*Industry:* Manufacturing, food & beverages, clothing & textiles, construction.*Services:* Transport and communication, health, professional services.*Public Sector:* EU Commission, national and regional governments, state-owned industries.

Average	13,46%	23,04%	7,16%	15,77%	16,72%	23,86%
Standard Deviation	0,0878	0,1126	0,0448	0,1170	0,1589	0,1109
<b>Dispersion Index</b>	<b>65,2157</b>	<b>48,8791</b>	<b>62,5084</b>	<b>74,2054</b>	<b>95,0895</b>	<b>46,4831</b>