

PRESS RELEASE

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Australian consulting industry almost doubles its speed of growth in 2015

- ***Financial services consulting work hits US\$1bn for the first time and overtakes energy to become Australia's biggest buyer of consulting***
- ***Consulting work indicates the economy has started its transition from mining to services***
- ***Public sector work up 7.5 per cent to US\$786m***

The Australian consulting market grew 4.4 per cent to US\$4.4bn in 2015 - almost doubling its speed of growth compared to the previous year (2.4 per cent). A buoyant performance from financial services and the public sector went some way to balancing the negative growth in Australia's beleaguered energy & resources industry – where consulting activity dropped 0.7 per cent in 2015 to US\$1.02bn.

The financial services industry has now overtaken the energy & resources sector to become Australia's biggest buyer of consulting services, growing 6.8 per cent to hit US\$1bn for the first time. This industry now comprises almost a quarter of the Australian consulting market, and in 2015 it also recorded the third largest growth - with regulation and digital driving a steady stream of work for consultants. The strength of demand for consultants in this sector indicates the economy has started its transition from mining to services.

The big accounting firms benefited most from the surge in financial services work as they expanded their market share by 12.8 per cent to US\$1.84bn. In contrast, the Strategy firms, who were the next best performing group of firms, only grew 3.4 per cent to US\$548m.

These findings, published today in a new report from the leading global consulting market analyst firm, Source Global Research (Source), also found growth in the public sector outperformed 2014, increasing 7.5 per cent to US\$786m. Public sector clients are continuing to make headway on reforms, despite a volatile political environment, and consultants wasted no time in embedding themselves in these bigger programmes of work. The report explains that state governments, separated by vast distances, are looking to connect to obtain efficiencies from centralisation by using digital and cloud technologies.

Edward Haigh, Director at Source Global Research said:

“Political uncertainty has a long history of cooling consulting markets, and consultants are all too aware of the potential for it to do so in Australia. But perhaps there's something about this particular government, currently clinging to power by its finger tips following the narrowest of victories in the recent general election, on which consulting looks particularly favourably. Certainly Malcolm Turnbull, a former lawyer, merchant banker, and venture capitalist seems just about as consultant-friendly as anyone who's held power in Australia for some time.”

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Neil Plumridge, Managing Partner at PwC, added:

“In mid to late 2015, the public sector was strong. Most governments were very positive about new policies and getting on with change and were keen to address the fact that there's been a lot of underinvestment in technology in recent years. They were also looking for new ways to find efficiency savings and taking a lot of lessons from the UK in this respect in terms of contestability and outsourcing.”

Tech consulting records strong growth as digital continues to dominate...

Technology remains the most buoyant consulting service line in Australia, recording 5.8 per cent growth to US\$1.37bn in 2015. Clients are looking for support on a large range of initiatives; digital, ERP, agile, and cloud are all keeping consultants busy. This has been supported by the improvement of technology infrastructure across the entire country. The report says that 2015 witnessed a discernible shift in the mindset of consulting firms. Following the initial rush on digital, firms are now educating clients on the benefits of a structured and considered approach to technological change.

Roy Barden, Regional Practice Leader - Asia Pacific at The Hackett Group told Source:

“We're seeing a lot of technology-driven change. That's already happened in Finance, but many of our clients are coming from HR functions now. Every employee touches technology now, and HR systems have to work at scale and in environments - like mines and supermarkets- that aren't always easy. That means making HR processes available on mobile devices.”

Digital skills in demand...

Talent shortages and digital skills, in particular, are badly needed and hard to source. Firms are even facing a shortage of people ready to meet clients' implementation demands. Source reports the people shortage isn't necessarily translating into opportunities for the newly trained as the most-needed skills tend to come from years of professional experience.

Edward Haigh from Source concluded:

“2016 is shaping up to be an interesting year. The political landscape remains volatile, but the impact could be limited as both clients and consultants have become accustomed to forging ahead despite uncertainty. Overall, we expect to see modest but continued growth over the next two years.”

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About Source Global Research

Source Global Research (Source) is a leading provider of information about the market for management consulting. Set up in 2007 and with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research and reporting. Source draw not only on our extensive in-house experience, but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including: [The Intelligent Client](#) and *The Economist* books, [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#). Joy Burnford was Marketing and Operations Director at the UK Management Consultancies Association between 2003 and 2010, and prior to that worked for PA Consulting Group and has extensive experience of marketing consulting services. For further information, please visit: www.sourceglobalresearch.com

Sources

This report is based on quantitative and qualitative research of consulting firms in Australia.

The quantitative data contained in this report focuses on consulting done by mid- and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid- and large-sized clients - what Source call "big consulting". It therefore reflects the "addressable" market for the majority of mid- and large-sized consulting firms. Source doesn't try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market. Source analysts work out the addressable size of the market through desk research, identifying the number of firms that meet its criteria and extrapolating from that to reach a figure for the market as a whole.

Using this definition, Source has built a bottom-up model of the global consulting market from the information it gets from consulting firms and its own research, and Source uses it to size the industry and its growth rates. This is based on the Source global model which contains detailed data about almost 1,600 firms, plus higher level estimates about a further 400,000 firms, all with more than 50 consultants apiece, in addition to primary research carried out by Source analysts.

Please note that the Source 2014 baseline figures have changed a little since last year, as Source has refined and implemented improvements to its research methods. Specifically, Source slightly understated the size of the public sector industry due to these changes in its research methodology.

Source should emphasise that there are no standard sources of definitions of data within geographies let alone between them. However, it is confident that the richness of its qualitative data, combined with Source's unparalleled industry expertise, means that this analysis fairly and accurately reflects the state of the market.

In addition to quantitative research, Source interviewed 19 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the country and many smaller local specialists to understand more about how the consulting market is performing, and what the major trends, changes, and challenges are. Throughout the year Source analysts remain plugged into the global consulting market through its bespoke research and consulting projects, adding further depth to its understanding of the consulting industry.