

PRESS RELEASE

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U.S. consulting sector M&A rockets – but is it adding value?

- ***Two and a half times as many global consulting firm acquisitions in 2015 compared to 2014***
- ***Almost two thirds of acquisitions by U.S. based firms***
- ***Technology and Big Four firms are the most prolific acquirers***

Consulting firm acquisitions rocketed in 2015 (384 compared to 143 in 2014), with almost two thirds (63 per cent) of the firms making these acquisitions based in North America. However, whilst over half of clients globally (56 per cent) say they benefit from these deals, 62 per cent say their access to expertise gets lost in the new organisation.

The Source Global Research report, ***M&A: Is it Adding Value?***, released today (5th September 2016), is based on a survey of almost 3,000 senior users and buyers of consulting services¹. It found that while clients understand why consulting firms buy other firms – they lose expertise – either because good people leave the acquired firm, there are fewer specialist firms to choose from, or the acquiring firm is a generalist, into which niche skills are absorbed.

CFOs and heads of finance are more sanguine about access to good people

CFOs and heads of finance understand the thinking behind these deals, but a lower than average (52 per cent) said they benefited from the deal, and the Source research found that this group were also more optimistic about continuing access to good people.

Fiona Czerniawska, Director and Founder of Source Global Research said:

“It’s true that clients aren’t uniformly or overwhelmingly positive. Even those who view these deals benignly are quick to agree that they have a price, usually in terms of the loss of choice and/or access to specialist expertise. For most though, especially those who see this type of activity as the norm, the advantages just about outweigh the problems.”

The Source report also found that the rapid increase in the number of deals taking place in the global consulting sector is as a result of a number of factors, price being one.

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¹ Source surveyed just over 2,700 senior users and buyers of consulting services in 15 major consulting markets in North America, Europe, the Middle East and Asia Pacific. Forty-two percent of respondents work in organisations with more than 1,000 employees (the percentage is higher in mature markets where large corporations are more numerous).

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Tom Bolger, from U.S based consulting firm, West Monroe Partners said:

“Acquisition prices are at a more realistic level than three or four years ago, but this is very sector/practice-dependent. Salesforce, digital, cybersecurity, and data are hot topics in the market and these skills are in high-demand, and therefore, sale price expectations are high.”

The Source report identifies the following three lessons that consulting firms have learnt from the last two years of frenetic M&A activity:

- 1. Having the right strategy** - The first lesson is about **focus**. As one senior partner admitted, “many consulting firms are not strategic in their M&A thinking. They go after the next big thing and then pull out quickly when it fails. They’re not always focused, and clients get confused as a result.”
- 2. Cultivating a deep understanding on both sides** - Try before you buy has a multitude of advantages. Deloitte’s ‘ecosystem’ of partnerships and alliances has been effective at doing this. Test-running collaboration between two firms provides an opportunity to **understand the culture** of each firm, and whether clashes are likely further down the line.
- 3. Explain, and explain again** - As the Source client research illustrates, there’s often a gap between clients’ knowledge of a deal and their understanding of why it’s taken place, a gap into which confusion and uncertainty will inevitably creep. As well as working out the detail from the clients’ point of view, ensuring there’s consistent messaging at all levels is vital.

Stephanie Schnabel, Principal, Corporate Development Lead at KPMG, adds:

“It’s really important to incentivise the people on the front line so they can enthuse clients, too. Some firms take a very monolithic approach: they just broadcast information and expect the front lines and account managers to relay this to clients. But we try to make the communication two way. Yes, we want to explain the value of a deal from a client’s point of view, but we also want to hear from them about what they need and discuss how this deal could benefit them.”

Fiona Czerniawska from Source concluded:

“Deals that work for clients tend to be those in which they end up not only feeling that they have access to more, better skills as a result of the deal, but in which they experience as little disruption as possible. That depends on consulting firms managing to hold on to their people in the run up to, and aftermath of, a deal. And the key to that appears to be to have both a clear rationale for doing the deal in the first place, and a clear plan about the extent to which brands and operations will be integrated. And, then to stick to it.”

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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. We 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