

FEACO Survey of European Consultancy 2016 / 17

Commentary on Ireland Market

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1. Introduction

The FEACO¹ Survey of European Consultancy 2016 / 17 summarises trends across a panel of 13 European countries comprising Austria, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Norway, Slovenia, Spain, Switzerland and the UK. The panel represented 86% of overall European GDP in 2016.

This commentary complements the FEACO report with a focus on the Irish market. The IMCA contributes to the FEACO annual survey by carrying a comprehensive survey every second year (as in 2017) and by updating the data in the interim year.

The commentary reviews the Irish management consultancy market in terms of size, growth trends and mix by service line and sector, making comparisons with UK and European average data where available. The survey was completed in October 2017 and covers actual data for 2016 and projections for 2017.

2. Survey Findings

2.1 *High degree of concentration in market*

The consultancy market in Ireland is projected at €717m in turnover with 4,494 consultants in 2016, and €783m in turnover in 2017.

Practices employing more than 10 people accounted for 62% of employment in 2016 with the remainder accounted for by many small practices and individual consultants.

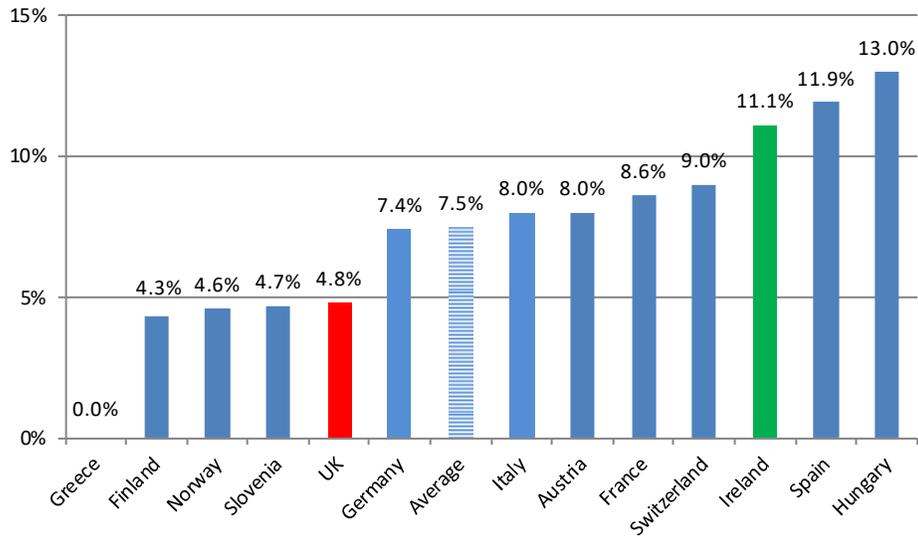
2.2 *Growth projected in all countries*

The consulting industry projects turnover growth in 2016 and 2017 in all countries reporting. Ireland recorded growth in turnover of 11.1% in 2016 and projects growth of 9.0% in 2017, greater than the panel average² in both years. Growth in Ireland is largely driven by returns from the larger practices as is the case in other countries in the survey.

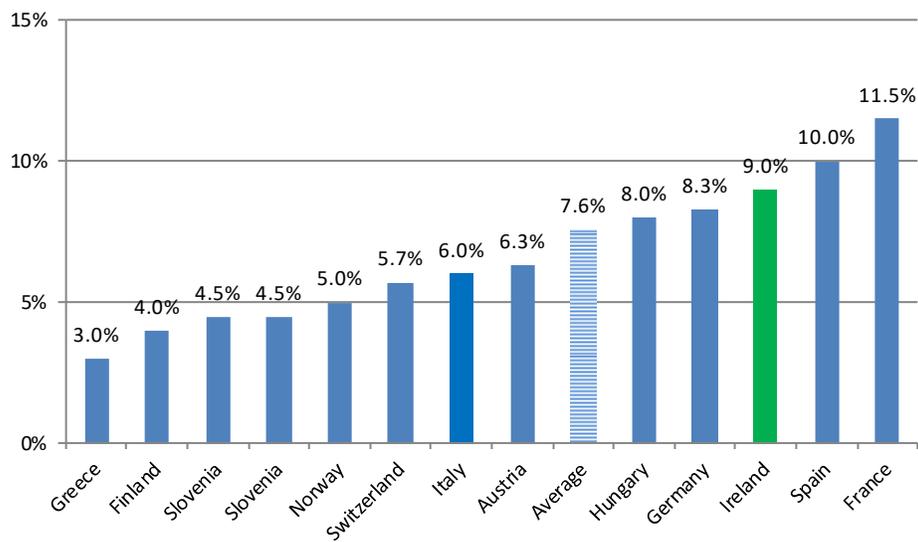
¹ *European Federation of Management Consultancies Associations*

² *The FEACO report focuses on trends rather than absolute data with data weighted against national GDP (market prices) rather than consultancy turnover given that definitions may vary between countries.*

Growth in Management Consultancy Turnover 2016



Projected Growth in Management Consultancy Turnover 2017

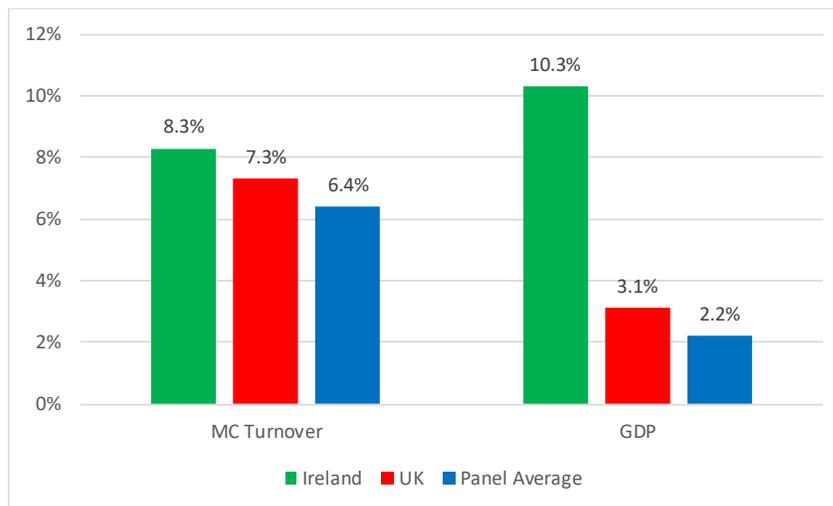


This growth pattern is repeated over the five-year period 2013 – 2017 below with Ireland’s management consultancy turnover growth being ahead of that in the panel average and the UK³.

2.3 Growth in consultancy generally ahead of GDP

Consultancy turnover growth 2013 – 2017 is greater than GDP growth for the panel average and the UK, but less for Ireland as illustrated below.

Comparisons between MC turnover and GDP CAGR % 2013 - 2017



Ireland’s consultancy growth being less than GDP growth over the period probably relates to the well-publicised issues of GDP as a measure of economic growth in Ireland given the impact of Foreign Direct Investment (25.6% GDP growth reported in 2015).

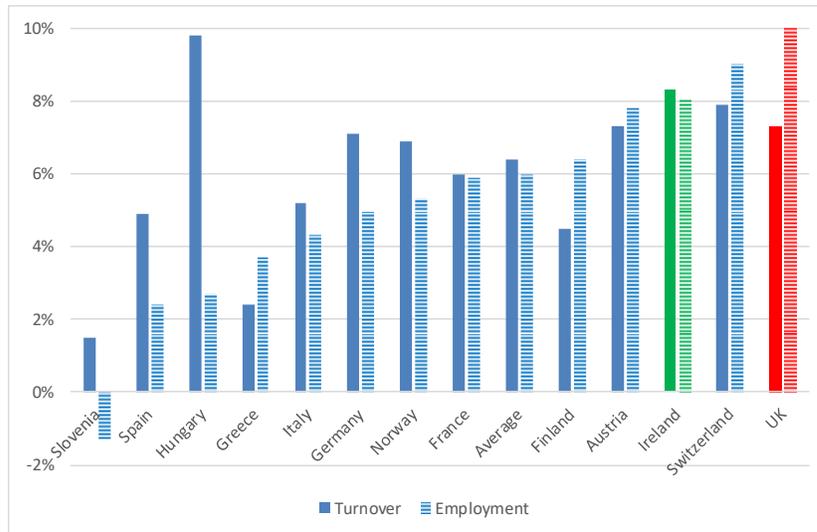
Consultancy growth is likely to have been up to or ahead of real economic growth over the period and is greater than GDP in recent years - 9% in 2016 and 2017 vs 5% GDP growth.

³ 2013 – 2016 data only for UK as 2017 not available

2.4 Employment growth in line with turnover growth

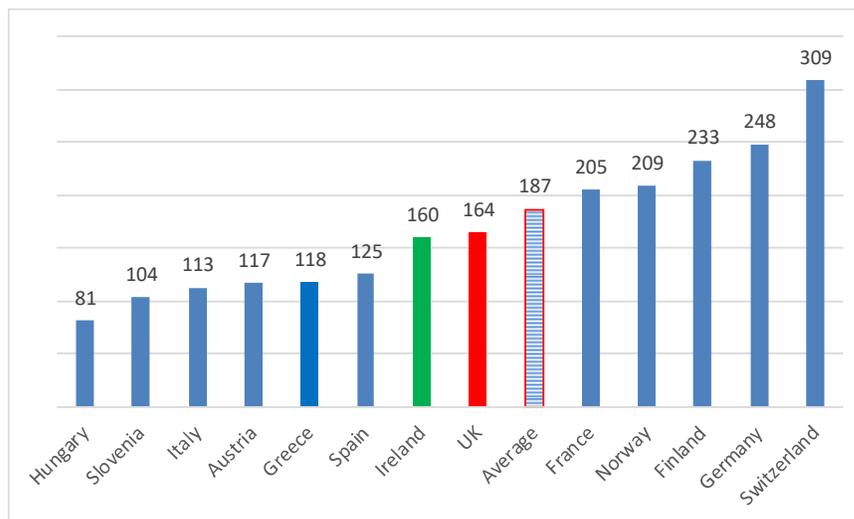
Growth in management consultancy employment 2013 - 2017⁴ was close to turnover growth for the panel average and Ireland while greater than turnover growth for the UK. The report says that such differences may relate to changes in fee rates over the period.

Management Consultancy Turnover and Employment Growth CAGR% 2013 - 2017



2.5 Turnover per professional in Ireland below panel average

Turnover per professional in Ireland 2015 – 2017 was estimated at €160k, close to the UK (€164k) but below the panel average of €187k.

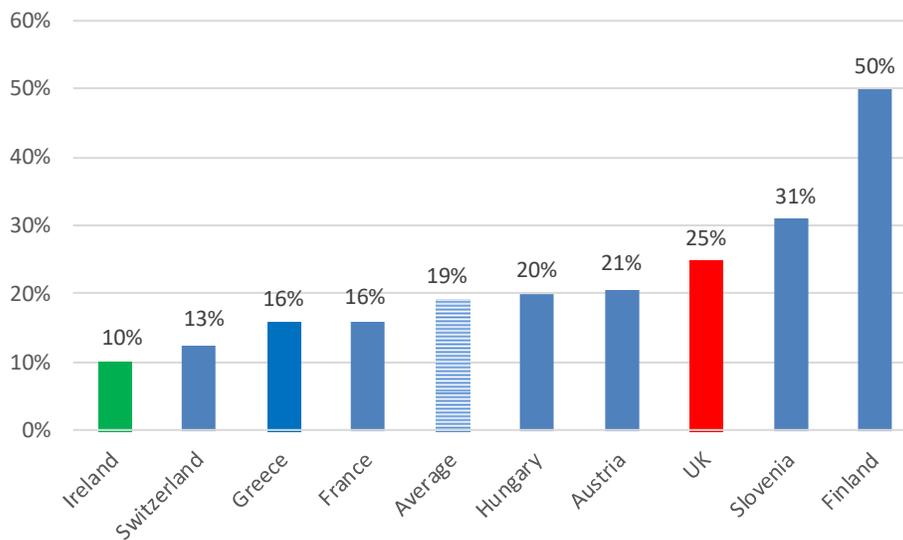


⁴ UK CAGR data refer to 2013 – 2016 only; Hungary data refer to 2015 – 2017 only

2.6 Market in Ireland primarily domestic

Ireland's management consultancy market is primarily domestic as in previous surveys. Exports comprise only 10% of turnover – at the lower end of the spectrum as below. The bulk (80%) of exports from Ireland are within Europe.

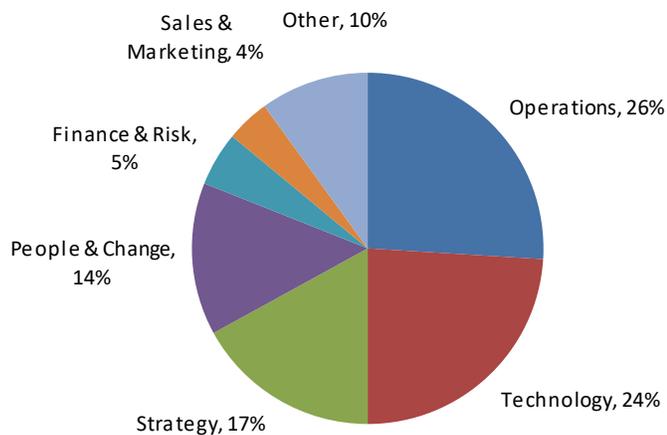
Management Consultancy Exports % 2016



2.7 Operations and Technology the largest service lines

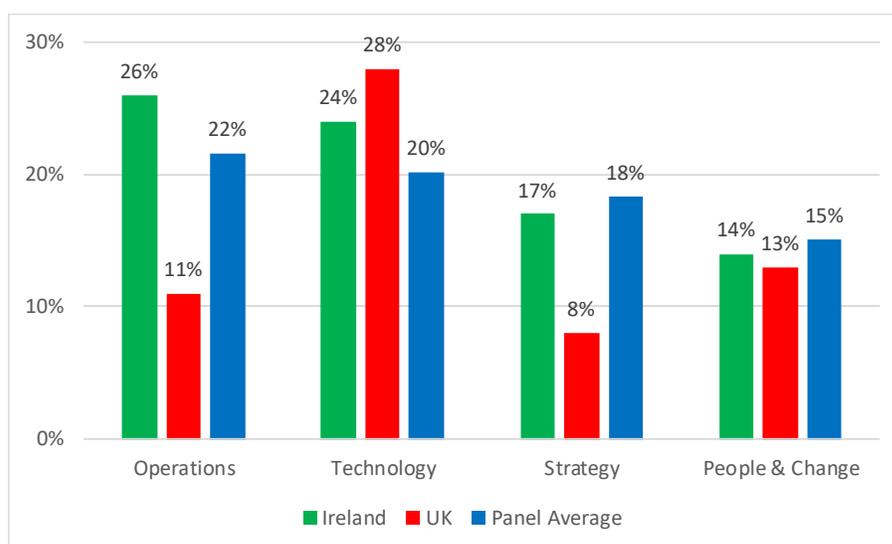
Operations (26%) and Technology (24%) have the highest share of turnover by service line followed by Strategy (17%) and People & Change (14%).

Turnover by Service Line, Ireland 2016



Among the main service lines, Ireland has a higher share than the panel average in Operations, Strategy and People & Change, and a lower share in Technology.

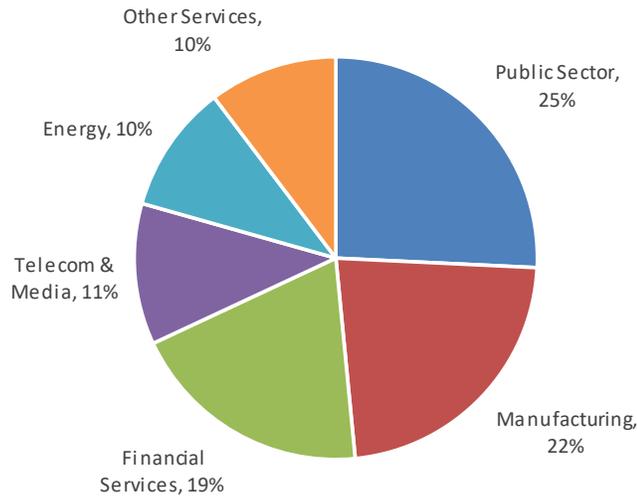
Service Line Comparisons with UK and Panel Average 2016



2.8 Public Sector and Manufacturing the largest sectors

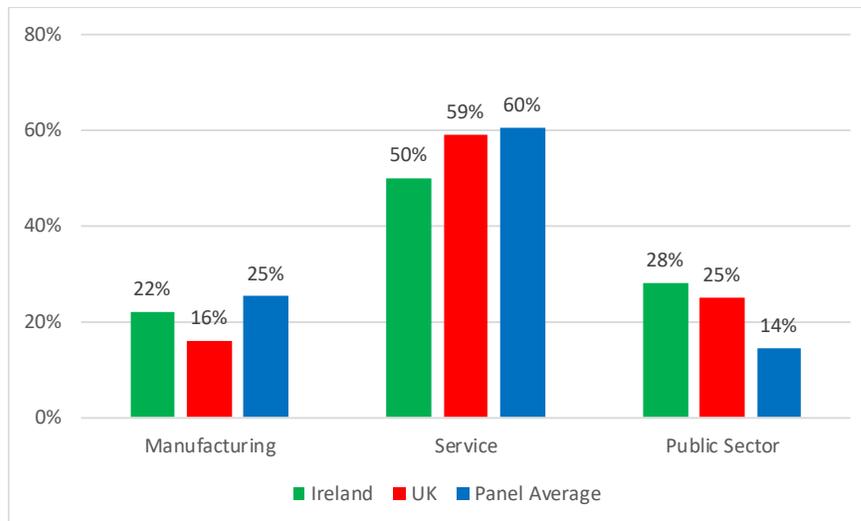
Public Sector and Manufacturing were the largest industry sectors in Ireland with 25% and 22% share respectively in 2016, followed by Financial Services (19%), Telecoms & Media (11%) and Energy (10%).

Turnover by Industry Sector Ireland 2016



Manufacturing is higher in Ireland than the UK but lower than the panel average. Service industries collectively are lower in Ireland than the UK and the panel average while the Public Sector share is higher in Ireland and the UK.

Sector Mix Comparisons with UK and Panel Average 2016



3. Economic Trends

The overview of ROI economic trends 2016 / 17 below is based on the ESRI Quarterly Economic Commentary, Autumn 2017 and the OECD Economic Outlook, June 2017.

The Irish economy is projected to continue to expand at a sustainable pace of 5.1% in 2016 and 5.0% in 2017 (GDP). Both exports and investment are forecast to moderate but remain solid. Activity in the domestic sector will remain firm and employment will grow steadily with wage pressures possible as the labour market tightens.

The outlook continues to be complicated by uncertainty related to 'Brexit' with most independent assessments suggesting an adverse outcome for the UK economy. If the UK leaves both the Customs Union and the Single Market the cost of doing business for many Irish firms with the UK will increase. The weakness of sterling has already caused difficulties for Irish exporters to the UK.

Most recent data on goods exports to the UK - up 14% in value Jan to June 2017 - do not indicate a significant slowdown in goods trade however. Exports grew by 4.6% overall in 2016 and are projected to grow by 4.5% in 2017 with caveats as above due to Brexit. Unemployment reduced to 7.8% in 2016 and is projected to reduce to 6.1% in 2017.

Management consultancy employment is forecast to follow the same trend as turnover with both projected to grow by 9% in 2017. The geographic scope of Irish management consultancy firms continues to be mainly domestic (90%), with exports to EU countries comprising 8% and exports outside the EU 2% of the total.

4. About IMCA

The IMCA is the nationally and internationally recognised professional institute for management consultants and business advisers in Ireland.

Its principal objective is the advancement of the professions of management consultancy and business advice through the establishment and maintenance of the highest standards of performance and conduct by its members, and by the promotion of the knowledge and skills required for that purpose. Membership is open to individual management consultants and business advisers working with major international practices, specialist sole practitioners and those operating in State Agencies.

IMCA is authorised to award the Certified Management Consultant (CMC) designation in Ireland. CMC is an internationally recognised management consultancy qualification based on strict certification requirements relating to competence, ethics and independence. Only members of ICMCI (International Council of Management Consulting Institutes) can award the CMC qualification. IMCA is a member of ICMCI and, to become a CMC, applicants must demonstrate their skills against IMCA's Statement of Competence.

See www.imca.ie for further details of IMCA or contact info@imca.ie or +353 1 6349636 with queries.

Attachment 1 - Service Line and Sector Definitions

Service Line Definitions

Operations: Integration of business solutions through Business Process Re-engineering (BPR); Customer / Supplier Relations Management (CRM); turnaround / cost reduction, purchasing & supply management, including manufacturing, R&D, product development and logistics.

Technology: Evaluation of IT strategies with objective of aligning technology with business processes. Includes strategic support to decisions related to the planning and implementation of new technologies for business applications, including IT Network & Security and Data Centre architecture.

Strategy: Analysis and redefinition of strategies, improving business operations and optimising corporate and business planning, business modelling, market analysis and strategy development. It also includes governance of major organisation re-designs, including company-wide transformation / restructuring programmes and strategic advice in major financial transactions (M&A, IPO, etc.).

People and Change: Dealing with effects that change has on human element of the organisation (Change Management). Includes Human Resources Consulting, targeting the improvement of the 'people' element of an organisation through HR strategies, performance measurement, benefits, compensations and retirement schemes, talent development programmes and executive coaching.

Sales and Marketing: Evaluation and redesign of sales and marketing activities in terms of customer insight and relationship management, sales and channel management, product portfolio management and branding, and digital marketing.

Finance and Risk Management: Analysis and redefinition of planning, budgeting and performance management models and improving their capabilities to measure and optimise enterprise risks (credit, market, operational, environmental, quality, etc.). It also supports addressing regulatory requirements and development of compliance management.

Other Services: A variety of services, complementary to management consulting, such as training, market studies, outplacement, executive selection and recruitment.

Sector Definitions

Public Sector: Government (central and local); supranational Institutions (EU, WB, EIB, etc.) and Public Health Care.

Manufacturing: Aerospace and Defence; Automotive; Consumer Products High Tech Products; Machinery; Chemicals, Pharmaceutical & Biotech; and Other Manufacturing Industries.

Financial Services: Banking and Financial services; Insurance.

Telecoms and Media: Communication; Media and Entertainment; Telecommunications and Publishing.

Energy & Utilities: Oil & Gas; Chemicals & Petrochemicals and Utilities.

Other Sectors: Retail; Travel & Leisure; Private Health Care; Software and Computer Services and Business Services.