TECHNOLOGY BUSINESS RESEARCH, INC.

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TOP 3 PREDICTIONS FOR MANAGEMENT CONSULTING IN 2022

The who, what and how of management consulting keeps changing and stays the same

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Author: Kelly Lesiczka (kelly.lesiczka@tbri.com), Senior Analyst

TBR

MANAGING TALENT AND RESTRUCTURING AND BUILDING DECARBONIZATION CREDENTIALS WILL DRIVE MANAGEMENT CONSULTING IN 2022

Management consultancies traditionally stood at the top of the IT services pyramid, delivering advice, road maps and business cases for other vendors to follow, reaping the rewards of high margins and brand prestige. Pre-pandemic, disruption upended every business model across the technology spectrum, while consulting appeared to move along, unchanged since the first corporate board listened to advice from McKinsey & Co. In actuality, management consulting had been shifting from slides to software for years, with the pandemic accelerating those changes. The 2021 drivers and trends pushing change included managing and upskilling talent, restructuring to meet new client demands and bring new capabilities to the market, and jumping on the sustainability bandwagon.

A note of caution: Even with all the changes in consulting since the spread of digital transformation, TBR believes most management consulting engagements center on traditional deliverables: road maps, business cases and strategic advice. In recent months, TBR has heard from consultancies and their clients about a resurgence in strategy consulting, perhaps stemming from a post-pandemic push to reorient to the future having made the operational and organizational changes necessary to survive 2020 and 2021. Concurrently, IT services vendors and cloud and software giants have increasingly pushed into the consulting space, sometimes supplanting established management consultancies engaged in implementations and managed services. TBR does not believe this trend will result in significant management consulting market share being earned by the likes of Microsoft or Infosys, but the large-scale implementation and managed services engagements may include a wider mix of ecosystem partners delivering to the end client. In 2022 the management consultancies that navigate the rough and changing partnering landscape will outperform peers.

PREDICTIONS

EXPANDED CAPABILITIES REQUIRE EXPANDED SKILLS, LEADING CONSULTANCIES TO INCREASINGLY INVEST IN EDUCATION

Trend: Talent demands upskilling and training in digital technologies, necessitating increased investments in education.

Driver: Consultancies' new offerings require upskilling across the entire talent base as professionals must be able to engage and deliver digitally with emerging technologies.

Result: Any marginal impact on financial performance is offset by retaining talent and avoiding attrition costs, while also positioning talent to provide a wider range of consulting services to clients.

Every vendor across the IT services, professional services and digital transformation space faces challenges to retain and upskill talent in the face of post-pandemic pressures to pivot to new working models. For management consultants, burnout from virtual delivery — all the stresses of consulting with none of the travel, recreation and relationship-building — and opportunities at technology vendors currently building services teams provide both push and pull, resulting in some higher-than-usual attrition. While the management consultancies cannot completely alleviate those negative factors, the firms have invested in additional training and upskilling to ensure consultants can deliver effectively and across an ever-increasing range of digital-enhanced offerings.

As 2022 unfolds, some management consultancies will begin balancing training needs and staffing challenges with financial performance, likely relying more on acquisitions to fill knowledge and skills gaps, while gradually easing investments in upskilling existing talent. These firms will see short-term margin improvements but will likely struggle to retain top talent and risk diminishing their brands. More strategically minded management consultancies will continue devoting R&D funds to both acquisitions and digital capabilities training, particularly around technologies most likely to be in high demand, such as cloud and cybersecurity.

RESTRUCTURING THROES AND WOES WILL CONTINUE TO CONSTRAIN SOME MANAGEMENT CONSULTANCIES' ABILITIES TO EXECUTE CONSISTENTLY

Trend: Organization changes upend existing structures, streamlining how management consultancies present themselves to the market.

Driver: Business model changes, particularly around SaaS and managed services, compel management consultancies to restructure nearly every organizational aspect, including sales.

Result: Making the shift from traditional consulting models to high-performing SaaS and managed services offerings requires organizational, financial and cultural changes. Management consultancies will execute inconsistently across all three.

The good news: Many management consultancies have moved beyond experimentation and have successfully rolled out SaaS and managed services business models that seamlessly complement traditional consulting services. The meh news: Restructuring takes time, and not every vendor has moved as rapidly into the new era of consulting, in which platforms and emerging technologies play as significant a role as traditional road maps and business cases. The bad news: Some reorganizations have only just started, with some valuable lessons already learned — such as the need for a dedicated software sales team — currently unheeded or unknown.

A few management consultancies have taken reorganization by storm, notably PwC and EY. Others, such as Boston Consulting Group (BCG) and Bain, have made small adjustments that may set them up well for significant changes in 2022. Still others have had their management consulting practices upended by their larger corporate entities — think Accenture and IBM. In the spectrum of leading management consultancies, this leaves more than a few behind in terms of restructuring to meet the new market terms.

The leading consultancies will begin shifting their brand perception in 2022 and taking advantage of the changing alliances landscape. Consultancies still in the throes of restructuring will need to adjust rapidly and ensure sustained quality across their engagements — particularly large-scale transformations that include leading cloud and software vendors as partners — to maintain their market share. TBR expects numerous firms will announce leadership changes and reorganizations over the next 12 months, including increased structure and clarity around technology consulting as a defined service line within broader management consulting.

SUSTAINABILITY BOOMS FOR CONSULTANCIES POISED TO MEASURE, BENCHMARK AND REPORT CLIENTS' PROGRESS

Trend: Consultancies ramp up their capabilities, offerings and talent dedicated to sustainability.

Driver: Clients and consulting professionals have demanded companies commit and adhere to sustainability metrics, in part with the expectation that regulators and financial markets will demand increased accountability.

Result: Management consultancies will reap significant revenues advising clients on meeting sustainability standards while concurrently touting their own commitments and progress across all aspects of environmental, social and governance (ESG) standards.

Climate change, diversity and inclusion, and post-pandemic reorienting around societal goods create vast opportunities for management consultancies to help their clients set and meet standards, report to stakeholders and fundamentally change. TBR's focus will remain on sustainability, specifically the decarbonization subset, where some management consultancies have begun establishing their own firmwide credentials and expanding offerings to help clients assess, measure and reduce their carbon footprints.

On the first track — management consultancies own decarbonization efforts — TBR anticipates reduced travel by consultants will provide a one-time carbon write-off, artificially lowering the bar on consultancies' carbon footprints. Consultants will want to travel post-pandemic and even if travel does not reach 2019 levels, it will exceed 2020 and 2021, challenging management consultancies to find new ways to reduce their carbon footprints.

The second track — management consultancies' offerings to help clients decarbonize — will be a bonanza for those consultancies that manage to provide three key services: 1) standards and benchmarks their clients can reasonably reach by 2030; 2) ways to transparently measure, report and publicize decarbonization efforts; and 3) risk management aligned to regulatory requirements, which may cause financial pain by accelerating (or clarifying) standards and metrics. TBR believes the Big Four firms can most readily play on their trust and compliance brands to deliver these services, but they will be challenged by companies like Atos, which has an established track record around sustainability, and Accenture, which can hurl unmatched resources at the effort.

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