



MCA outlook:

While the sun shines

While consulting in the public sector has stalled thanks due greater public scrutiny driven by adverse media coverage, **Fiona Czerniawska**, director of the think tank at the Management Consultancies Association reports some surprise growth areas

It's that time of year again when the MCA gives everyone a snapshot of how the consulting industry's fortunes are faring. And this year's survey makes for pretty positive reading.

Management consulting in the UK grew by 16% in 2006, making the industry worth around £7.7bn. This rate of growth was slower than the 27% seen in 2005, but that's not necessarily a cause for concern. Demand surged in 2005 because there was pent up demand for change, coming as it did after three years in which management consulting in the private sector grew only marginally, and a wave of activity around regulation. That demand has largely been dissipated in the last 12 months, and regulation, while clearly still an issue, no longer has the tidal wave proportions it did two years ago. In this context, 16% growth looks both respectable and sustainable.

So, where's the growth coming from? For those of you working in financial services, it will come as no surprise to hear that this sector has, once again, been the engine room of activity. Of the £3.7bn MCA member firms earned from management consulting from the private sector, £1.1bn (31%) came from financial services, way ahead of the next biggest major sector (services at £707bn, accounting for 19% of the total). For its size, the financial services market also grew substantially: up 27% overall, but 40% in banking (taking the market for MCA firms here to £633m) and 38% in insurance (£299m). That both these sectors are growing is important – often one grows as the other shrinks.

However, for the second year running, the steepest growth has been in the manufacturing and construction sector, up by 49% to £578 million. This is a more surprising result, because over-consulting during the 1990s made this a particularly difficult market in recent years. The recovery started in 2005 and, as in 2006, has largely been focused around specialist areas such as lean manufacturing.

By contrast, demand for management consulting in the public sector grew by only



5%, substantially lower than in previous years. The comprehensive spending review, last summer's report on the use of consultants by the National Audit Office and a continuous stream of negative media coverage about the role of consultants in the public sector means that expenditure here is under greater scrutiny.

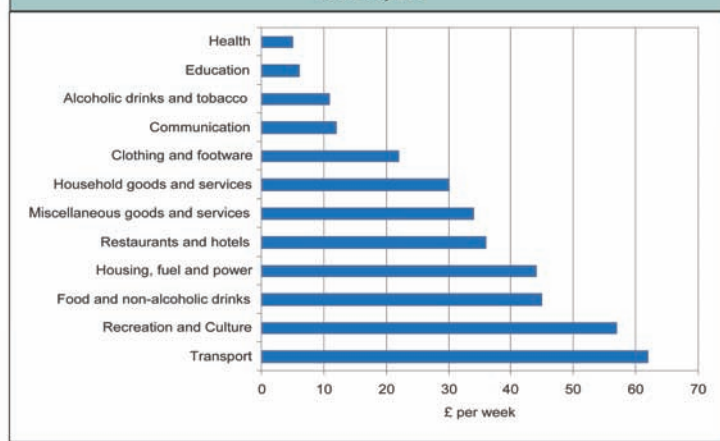
When it comes to services, the largest markets for MCA firms were IT consulting (up 24% to £1.5bn), programme and project management (up 21% to £1.1bn) and operational improvement (up by 47% to £615m). Financial management consulting continues to boom: up 28% on 2005, to £415m. Outsourcing advice work generated fee income of around £489m in 2006, up 23%, and significantly up on the 6% growth reported in 2005. Fee income from HR consulting also grew by 23%, up to £358 million. The only real fly in the ointment here was strategy, where fee income fell by 15 percent to £411 million.

All told, the immediate prospects for the industry look reasonably sunny, certainly in the private sector and in the more-practical, operational areas of consulting. But no boom lasts forever, this is definitely a case of making hay while the sun shines. CR

Vital statistics:

Holding the purse strings

Average weekly household expenditure on main commodities and services, 2005-06, UK



Source: Expenditure and Food Survey, Office for National Statistics