

The cover features a background image of a modern glass skyscraper with a grid-like facade, viewed from a low angle. A large, semi-transparent dark blue rectangle is overlaid on the right side of the image. The title 'Trend Report 2020' is centered on this blue area. 'Trend' and 'Report' are in white, while '2020' is in orange. A thin orange vertical line is positioned to the left of the year. Below the title, the subtitle 'Management Consulting Trends of today' is written in white. The entire composition is framed by a thin black border.

Trend Report 2020

Management Consulting
Trends of today



Abstract

In this year of economic uncertainty, the consulting market, and above all the management consulting industry has undergone major changes. New guidelines and priorities guide the consulting market of tomorrow.

The masses are still experimenting while the leading firms keep expanding their lead.

It is pivotal to navigate with a heightened awareness of new frameworks, concerns, and potentials all in the midst of an ongoing pandemic, to assure success and resilience. Digitization and new ways of working are the key components that management consulting firms need to assess and understand and be ahead of the market of today.

What will we tackle in this report?

Our trend report on Management Consulting 2020 analyzes the market and the Circumstances of today.

Individual topics are analyzed in-depth and give industry insiders at a glance. If any questions or thought impulses arise, please do not hesitate to contact us for further information.

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Introduction

The trend report concerns itself with the management consulting market and gives an overview including trends. Firstly, a branch analysis is conducted to limit the scope of the report. Secondly, a short explanation of the nature of trends is given. Moreover, a detailed analysis of the three major trends in management consulting is executed. The focus lays on Digitalization, impacts on management consulting firms evoked by Covid-19 and New Work. Finally, the results of the trend report are summarized.

Branch analysis

Germany is the European capital in the management consulting market grossing a value close toward the forty-billion-euro barrier. The rising number of home-grown firms are not only flourishing in Germany. But in an international comparison, the influence and dominance of German management consultants on the consulting market are still striking. Even though Germany is not competing on the same dimensions as our American counterparts, an analysis of Germany's ten largest home-grown players shows that their collective power would project them to the forefront of the global market.

Germany is home to approximately 19,000 consulting companies. The 40-50 Big Players within the industry dominate the market across different areas of expertise, including strategy, operations, and digitalization. Meanwhile, digitalization remained a major catalyst of growth, as organizations from across all consulting sectors but heavily in management consulting try to find new and improved ways to remain competitive and reinforce their innovation strength. The following succinct analysis will examine the management consulting branch from a broad and local perspective concentrating on the market size and its demography and will lay the foundation for the trend report that will thematize the specific needs of the market in the present day.

Germany's consulting firms' facts and figures

Germany's management consulting market is best recognized for its renowned household names that greatly contribute to Germany's boom in the consulting industry, accelerating the revenues of Germany's professional services firms to record levels. The Big Four PwC, EY, KPMG, and Deloitte experienced significant growth and recognition on the domestic and international front, now being a synonym for Germany's high-class consulting work. Top of the list is PwC with its 12,108 employees bringing in revenues of €2,35 billion.¹ Taking a closer look at

¹ <https://www.pwc.de/de/ueber-uns/unternehmensinformationen/geschaeftszahlen-und-berichte.html>

consulting firms with specialization in management consulting already alters the consulting landscape and its contestants.

Leading the list is Roland Berger, with its 2,400 employees bringing in revenues of €600 million. Simon Kucher & Partners is the firm’s closest German-origin rival, with revenues of €309 million, but a staff headcount of less than half that of Roland Berger – which is by far the largest such firm by way of staff. Detecon ranks as the third-largest German-origin consultancy, with revenues of approximately €215 million. Completing the list of the largest German-origin consulting firms are Horváth & Partners, Q-Perior, Zeb.Rolfes.Schierenbeck.Associates, Porsche Consulting, KPS, D-fine, and Goetz partners.²

Looking on the domestic front, McKinsey & Company Inc. Düsseldorf and the Boston Consulting GmbH Düsseldorf are the biggest management consulting hold household names in Düsseldorf.

Emerging local middle and small Consultancy Market

While the top 10 consulting firms continue to dominate the foreign and domestic market, home-grown small and middle-sized firms (KMU) founded in North Rhine-Westphalia are also starting to find their footing in the local market, creating a thriving small-scale industry hub that specifically caters to local companies. Their everchanging growth and development create a new dynamic force that adjusts and caters specifically to the needs of the local management consulting market.

The following Graphic shows three examples of small and middle-sized management consulting firms all based in Düsseldorf providing their advisory work on a predominantly local scale and adapting to the new everchanging consulting landscape and its trends. The inbound challenges new paradigms the broad and local management consulting firms will have to face will be familiarized and evaluated in the trend report.

Conlab Management Consultants	Batten & Company	Limburg Consulting PartG
Headquarters: Düsseldorf	Headquarters: Düsseldorf	Headquarters: Düsseldorf
Employees: 45	Employees: 50-200	Employees: 11-50
Revenue: approx. 3,5 Mio.€ per year	Revenue: 5-10 Mio € per year	Revenue: N/A

² <https://www.luenendonk.de/produkte/listen/luenendonk-liste-2020-managementberatungs-unternehmen-in-deutschland/>

Trend report

The following part of the trend report is dedicated to the examination of most relevant trends. However, before specific trends are analyzed, a general definition of trends is given.

The verb “to trend” states that development towards a general direction takes place. Something is changing and the tendency is expressed in trends.

It is differentiated between various types of trends (e.g., sociological, statistical, economical). In the context of consulting, a trend is seen as a gradual change in behavior or a development towards a new pattern within business.

Trend 1: Digitalization

The vast and ongoing process of digitalization or “*Digital Darwinism*” as the consultant and digital transformation expert Tom Goodwin coined it has been the lead discussion point across all respective consulting branches, including management consulting. Particularly, leading consulting firms have been devising new strategies to adjust and optimize their sales strategies to be in line with the new digital developments that have gained additional momentum due to the ongoing COVID-19 pandemic. The sudden shift into a completely digital work-life routine has introduced new digital paradigms that immensely influence the way the management consulting market needs to operate, communicate, and advertise itself.

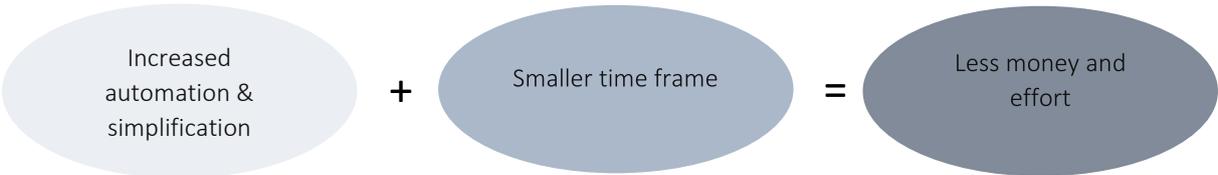
This imminent digitalization progression in the management consulting space has led to the emerging of a new cornucopia of trends. The management consulting industry is experiencing huge shifts in developments for extensive data-analytics, integrative tools, and methods to accelerate, automate and simplify tasks, and the effective utilization of digital sales and communication channels.

In the age of Digital Darwinism, it is crucial to lead with a willingness to learn and adjust. Aiming to acquire and consult clients in a successful and sustainable manner and to maintain strong competitiveness, management consulting firms must implement a responsive approach.

Data analytics

In today's online commerce market, structuring, classifying, and researching essential data is one of the most required consulting services in a portfolio and frequently asked by clients when it comes to acquiring management consulting services. Classifying the customer's market rank and the company's competitiveness, especially in conjunction to process optimization strategies, is absolutely vital in uncertain times. Mario Zillmann, senior partner of the market research Firm Lünendonk emphasized: "The analysis and optimization often involve digital agencies and consulting firms that need to have appropriate analytical skills." The demand for data analytics tools and Self-Service BI Solutions designed for the development of sustainability strategies, management concepts, and detailed market and trend analysis are on the constant incline in client priority. The advent of software-based consulting tools for real-time and mass data analysis enables management consultants to maximize and accelerate the delivery results and increase productivity. With the rising popularity of internal data analysis arises the focus on external data analysis. A prime example being the rise in demands for the analysis of the customer journey as well as the monitoring of the (digital) customer interfaces.

Acceleration, Automation, Simplification



This is the leading equation of contemporary client-consultant interactions. Especially the aspect of increased automation in repetitive and algorithmic tasks as well as a tool to accelerated pattern recognition is garnering a lot of interest with clients. This trend is equally applicable to conduct alteration and optimization of the customer journey experiences, which are now engineered to be quick, simple, and responsive. The trend for acceleration, automation, and simplification is equally applied outside of client interaction. AI functions like improved digital communication software chatbots and SharePoint to the ability to configure tailored database apps simplifying work routines.

While some predict that this development will cause the ultimate redundancy of consulting services the effects and potential consequences could be the contrary. This is not the first time that entire industry branches have become subject to newly implemented automation measures and flourished instead of breaking apart, like they were expected to. The automated execution of repetitive tasks in the management consulting branch will alleviate the strenuous tasks, open up space for the creation of new niches and services, which will ultimately enrich the value management consulting.

Effective digital sales and communication channels

In the area of the paperless office, flyers and billboards have become useless and outdated when it comes to the acquisition and communication of potential clients. These one-sided communications and advertising tools do not hold up to today's digitalized standards. Social media has transformed advertising, client acquisition, and communication into a two-way street, into a dialogue. While old analog methods restricted communication to a one-way message, the communication standards of today's management consulting market demand a reactive, real-time engagement to provide constant discourse.

According to analysis, the management consulting branch is already rapidly adapting to this new communicational conduct and has begun to prioritize their social media appearance and presents by polishing their social media accounts on platforms like LinkedIn and Instagram.

Around-the-clock customer service through social media, email, or the telephone is a common practice in the consulting branch and operates as an additional device to guarantee long-term client satisfaction.

Trend 2: Impacts on management consulting firms evoked by Covid-19

It is evident that a worldwide pandemic changes a lot and often said that crisis accelerate change. But how does the Coronavirus affect management consulting firms? What developments in this branch are evoked by Covid-19?

In the following, an examination is conducted to answer these previous questions. Firstly, there will be a short summary of how the Coronavirus influences economies in general. Secondly, it is evaluated what kind of projects are paramount during the crisis and why management consulting firms are still relevant. It will be determined whether and how the Coronavirus impacts the management consulting branch.

Covid-19 had massive effects on industries and businesses

The German institution “German Council of Economic Experts“ published its annual report on current policy economic issues on 11.11.2020. The main focus of the analysis was on the effects of covid-19. “In Germany, the coronavirus pandemic led to the sharpest fall in economic output in a single quarter since the quarterly national accounts began in 1970. The strong recovery over the summer means that real gross domestic product (GDP) for 2020 as a whole is forecast to decline by 5.1 %, which is similar to the contraction seen in 2009 during the global financial crisis.”³

These numbers underline that entire industries are facing serious dangers due to covid-19. Industries were confronted with difficulties to keep up supply chains. Supply and demand were suddenly and partly still are outbalanced.

The IfW Kiel points out that a massive drop in consumption of consumer goods took place especially during the first shutdown in spring and many stores closed. The current second lockdown in November seems to have less influence on industries. However, it is still uncertain what consequences the second lockdown will have on the consumption of private goods.

³ Annual Report 2020/21: OVERCOMING THE CORONAVIRUS CRISIS TOGETHER; STRENGTHENING RESILIENCE AND GROWTH (sachverstaendigenrat-wirtschaft.de)

Are management consulting firms still necessary during Covid-19?

Why are management consulting firms the right one to ask in times of crisis? During a worldwide pandemic, one may assume that a bad economy would impact management consulting firms negatively. However, management consulting firms are not affected to a grave extent because many businesses need professional help to restructure their companies. Covid-19 impacts companies significantly but it would affect private and public businesses much more harshly to not get professional help. Therefore, businesses must set up strategies that prevent bankruptcy, redundancy of employees, and long-term damages. Management consulting firms provide solutions that allow businesses to stay agile, capable of acting, and keep entrepreneurial foresight.

What are the current projects of management consulting firms?

There are several consulting firms that offer analyses for businesses against the background of the Coronavirus. They offer explicit services in their portfolio with specific regard to the impact of Covid-19. The consulting firm Conlab from Düsseldorf enlists their services to deal with specific regard to Covid-19 related problems.

The momentary focus is currently on market analyses, saving potentials, and Big Data, and combining these broad topics with the current pandemic situation. Roland Berger developed a downloadable road map with various methods to overcome difficulties during the crisis. It is obvious that management consulting firms are suitable to consult on effective business response to problems induced by Covid-19. A general methodology layout may be a good starting point but an individual evaluation by consultants is far more effective to help set up strategies how businesses can survive the crisis.

Does Covid-19 affect management consulting firms as significantly as it affects other branches?

The trend of having new orders and projects is maybe not applicable to every single management consulting firm. Some clients delay projects, decrease the scope to cancel the entire project. If the economy struggles, businesses are affected and those businesses mirror the clientele of management consulting firms. But according to the research, the trend of restructuring expertise in the advisory market is generating a lot demand. Therefore, there is still a need for advisory work especially under these special circumstances. On the releasing date of this trend report, annual reports of management consulting firms are mostly not published yet. However, on the 17th of November 2020, PWC issued a press release which states that the firm grows despite Covid-19, increasing their overall sales growth to an additional 1.5percent in comparison to last year. The division of management consulting, which is particularly viewed in this report, declined 2.0 percent in 2020. ⁴

⁴ <https://www.pwc.de/de/pressemitteilungen/2020/pwc-deutschland-waechst-trotz-corona-im-zehnten-jahr-in-folge.html>

Trend 3: New Work

Generally, the working world changed drastically over the last decades. Ongoing globalization and a sharp rise in digitalization come with new forms of media influenced along with the way people work together and collaborate. The workforce is in constant change which forces employers and employees to adapt. For businesses, it is particularly important to have a clear arrangement of the workforce and a transparent corporate structure. This allows companies to stay agile and capable of immediate response and adaptation even in periods of crisis.

Management consulting firms are no exception. It is crucial that they think of ways to implement operational structures that can be easily adapted if necessary. In the following investigations, the focus is put on methods for management consulting firms to keep their workforce flexible.

However, it is essential to note that not only management consulting firms as employers are confronted with the latest developments. Employees are often expected to show a high level of flexibility and adaptability. The time when one stayed within one company for decades is outdated. Instead, the role of contingent work gains influence.

The research showed that there are two common possibilities for management consulting firms to stay agile. One solution in this regard is the so-called Gig-Economy. Another common practice is the recruitment of working students. Both approaches face developments and are evaluated more detailed in the following.

Gig-Economy

In a gig economy, positions are temporary, and contracts are based on short-term projects. Instead of committing to long-term relationships with providers, clients are choosing to purchase specific services when needed and end the engagement once the work is completed.

Temporary contracts and freelance work occur more frequently. Management consulting firms hire freelancers and specialists for projects when certain expertise is required, or the consultant team is understaffed. According to a study of Consultancy EU, "in management consulting, up to 20% of fee income is accrued by independent consultants." Consultancies run hybrid staffing models consisting of employees of the consulting firm and freelancers working on a project basis.

The combination of the constant employment of consultants, who are predictable and exclusive for the employer, and hiring freelancers, depending on the order situation, enables consulting firms to stay responsive and adaptable. Temporary projects and contracts seem to be beneficial solely for the employer. But freelancers often value flexibility and evaluate job offers reliant on other considerations, for instance upholding a healthy work-life-balance. Young professionals from Generation Y (born between 1981-1995) worship flexibility, meaningful jobs and are not afraid to switch companies and jobs multiple times.

Working students

Another approach to achieve a flexible operational structure in management consulting is the employment of working students. These are students from universities with a background typically in economics and related studies. A working student's contract usually lasts six to twelve months. Nevertheless, it can be extended if the firm was satisfied with the performance, and still has the capacity to hire a working student. Offering working student positions is a common practice in several businesses; however, this phenomenon seems to find traction in management consulting firms like PwC, McKinsey, Deloitte, and many more. When visiting the homepages and viewing the vacant job offers, it is striking that often major attention is put on working students and not on senior consultant jobs. Obviously, working students bring similar benefits to freelancers because their contracts are temporary, and firms do not commit for a long time. Additionally, consulting firms get to know academic talents from university. It can be part of the recruiting strategy to hire young professionals as contingent workers and bind them long term to the company. At this point, it is elementary to underline that working students benefit from jobs of this nature through gaining first work experiences and get a chance to have an easy entry into a management consulting firm.

Recruiting became easier due to Covid-19

According to the „Handelsblatt“, in times of Covid-19 it became easier for firms to recruit talented employees.⁵

As a result of saving potentials, fewer firms hire new employees. But those who are financially capable to hire new employees are advised to do so. There are more applications for fewer jobs, which allows recruiters to pick their favorite and maybe more qualified candidates for vacant job offers. Novices in the job market are no longer able to choose between various companies and jobs. Talented university graduates are facing difficulties to even find a job. While self-realization was a common criterion to apply for a job before the crisis, job security became more important during the last few months.

Management consulting firms should realize this trend as well. Teams are often interdisciplinary and have various backgrounds and educations. If other branches (e.g. tourism and the retail sector) are highly affected by the coronavirus, people might look for alternatives and apply for consulting jobs.

⁵ https://www.handelsblatt.com/karriere/berufseinstieg-in-coronazeiten-wie-firmen-an-guenstige-topkraefte-kommen-und-neueinsteiger-ihre-chancen-verbessern/26232800.html?nlayer=Themen_11804704

Conclusion

In this vastly changing industry trends will shape the management consulting market of tomorrow. The new symbiosis of digitalization and a new work approach through the lens of the corona pandemic has presented to be the dawn of consulting 4.0. While the new work approach has revealed the new ways of business conduct and cooperation in the management consulting space through the added lens of a new generation and its shifted approach to the industry and their priorities. The contextualization of the Covid- 19 pandemic offered a deeper understanding of the newly emerged challenges and impacts and provided a better understanding as to where the management consulting industry currently stands as a result of the pandemic and what opportunities lie ahead despite the ongoing crisis.

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