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Current and Future Outlook of Consulting Services

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Abstract: In this paper, we studied about current outlook of consulting services specific to top competitors. We also discussed on the future outlook of management consulting services industry. In the process we also review the industry concentration on mergers and acquisition of the consulting firms.

Keywords: Consulting, Management Consulting, Revenue Analysis, Industry Research, Change Management, Business Services.

I. INTRODUCTION

Management consultants provide advice and assistance to other organizations on management issues including strategic and organizational planning, financial planning, marketing and human resources [1-6]. Management consulting is a high skill, high-charging sector and traditionally firms have competed on skills rather than price. A focus on service quality and helping clients to implement the recommendations are growing emphases in the sector. Four large international companies – ‘the big four’ – dominate the sector and continue to seek out new income streams and acquire other companies in order to offer a broader range of services. However, there is still room in the sector for high numbers of small, specialist consultants that provide quality service and expertise in niche areas. The top leaders in this business service are: Deloitte Consulting (Revenue 2016 (in \$billion): 36.8), PricewaterCoopers (Revenue 2016 (in \$billion): 35.9), Ernst & Young (Revenue 2016 (in \$billion): 29.63), KPMG (Revenue 2016 (in \$billion): 25.42) are the largest consulting firms of the globe. They hold 40% of the consulting market, with the top 200 firms globally distributing nearly 80% of the \$125 billion advisory market. Management Consulting offer services like audit, assurance, corporate finance and legal services, among others. Deloitte is the largest of the four companies and therefore the largest in the world in terms of revenue in 2016. With revenue of 36.8 billion U.S. dollars, PwC was not far behind the 35.9 billion generated by PwC [2]. The three leading companies earned the largest share of their revenues in the Americas, whereas KPMG, the smallest of the four, earned the largest share of theirs in Europe, the Middle East and Africa (EMEA).

II. DELOITTE CONSULTING

Deloitte Consulting LLP is the largest private professional services provider in the United States and offers three main practice areas: Human Capital, Strategy & Operations, and Technology including market branded offerings: Deloitte Analytics and Deloitte Digital. Across these areas, professionals serve clients in a number of industries, including consumer and industrial products; energy and resources; federal and state government; financial services; life sciences and health care; and technology, media and telecommunications. According to Vault Rankings [4], Deloitte stands in #2 Vault Consulting 50, #1 Best Consulting Firms for Operations Consulting and #2 Best Consulting Firms for Public Sector Consulting.

III. PRICEWATERCOOPERS

New York-headquartered professional services firm PwC LLP is the U.S. member firm of PricewaterhouseCoopers International Limited. In the U.S., PwC focuses on audit and assurance, tax, and consulting services. By revenue, it's the second-largest accounting firm in the country. PwC management consulting operations focus on governance, risk and compliance, as well as financial and IT effectiveness. PwC Global has posted record revenues of \$35.9 billion for the 2016 financial year, an increase of 7% compared to 2015 [3]. According to the 2016 International Accounting Bulletin annual rankings, PwC scored top place back after playing catch-up for the previous two years. PwC's assurance business grew by 6%, with a focus on IT, risk and data assurance. According to Vault Rankings [4], PwC



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stands in #1 Vault Consulting 50, #5 Best Consulting Firms in Europe for Economic Consulting and #5 Best Consulting Firms in Europe for Energy Consulting.

IV. ERNST AND YOUNG

Ernst & Young ranked No.3 on accounting today's ranking of the top 100 accounting firms with annual revenue of \$29.63 billion for the year 2016. EY offers services in advisory, assurance, tax, and transaction advisory services [6]. EY's industry specializations include consumer products; financial services (asset management, banking and capital markets, private equity, and insurance); real estate (construction and hospitality and leisure); life sciences (biotechnology, medical technology, and pharmaceutical); media and entertainment; mining and metals; technology; automotive; telecommunications; oil and gas; power and utilities; Cleantech; government and public sector; provider care; retail and wholesale; and support of entrepreneurial businesses. According to Vault Rankings [4], Ernst & Young stands in #3 Vault Consulting 50, #2 Best Accounting Firms for Audit and Assurance and #3 Most Prestigious Accounting Firms

V. KPMG

KPMG is the fourth largest accounting firm in the U.S. by revenues, is the independent U.S. member firm of a Swiss entity KPMG International Cooperative [6]. KPMG provides services for 16 Industry sectors: banking and finance; building, construction and real estate; insurance; investment management; alternative investments; retail; food, drink and consumer goods; diversified industrials; energy, natural resources and chemicals; healthcare and pharmaceutical; government and public sector; technology; media and telecommunications; high growth mid-market; private equity; high growth emerging markets; and Japanese Practice, which works closely with KPMG member firms in Japan to serve Japanese companies doing business in the U.S. According to Vault Rankings [4], KPMG stands in #4 Vault Consulting 50, #2 Best Accounting Firms for Formal Training and #4 Most Prestigious Accounting Firms.

VI. REVENUE ANALYSIS

The analysis of Big 4 firms revenue for the last three years: The annual revenue in billion USD for the FY2016, FY2015 & FY2014. The race between these firms is so close for the top position in the business area. Source: The Statistics Portal [5] [Billion USD].

	2016	2015	2014
Deloitte	36.8	35.2	34.2
PwC	35.9	35.4	34
E&Y	29.63	28.7	27.4
KPMG	25.42	24.44	24.8

Table 1: The statistics portal.

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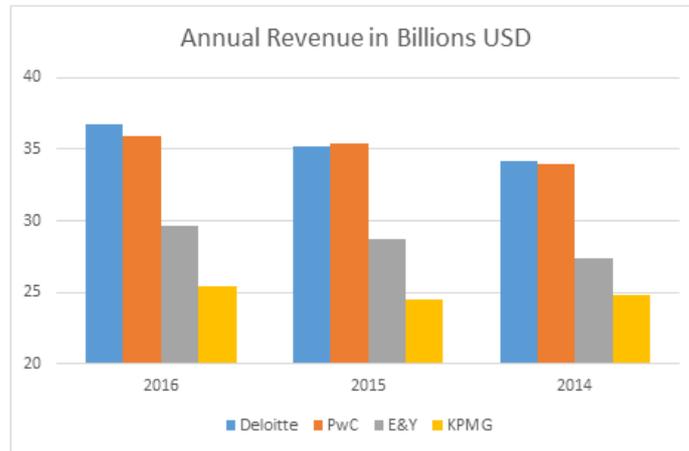


Figure 1: Annual revenue.

The below analysis on Industry research shows how the Global IT services and Business Services increase in Merger and Acquisitions deals and the value of those closed deals since 2013 [5]. There is almost 4 times growth in 2016 compared to 2013 and this shows how companies are making benefits through mergers and acquisitions.

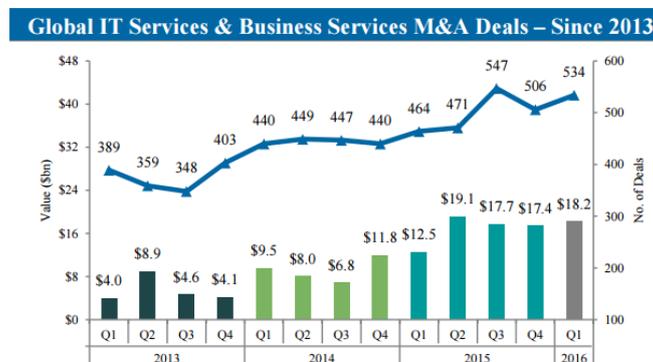


Figure 2: S&P capital IQ and industry research.

VII. FUTURE OUTLOOK OF MANAGEMENT CONSULTING SERVICES

According to Fiona Czerniawska [1], director of the Center of Management Development at the London Business School, the consulting industry will look more like the film industry, with different firms and individuals collaborating on a specific project, and then going their separate ways. The introduced pressure by the clients and the need to have a greater specialization and clearer view of what consultants do forced the consulting firms to start thinking about adapting this type of services. This pressure also resulted in increased number of mergers between firms. The increase in mergers between consulting firms is a result of changes in clients' behavior and view regarding the value that they get from several/collective consulting firms [5]. Dr. Czerniawska used Accenture soft branding (rather than an umbrella brand) as an example of a step toward breaking up an organization to focus on a specific service in a much more depth [1]. Transitioning to a soft-branding style is expected to increase the business for the small consulting firms, which provide consulting services in a highly specialized way. Also, in order to provide better services for the clients, it is anticipated that consulting services will move toward collaboration between firms rather than competition.



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VIII. CONCLUSION

Finally, several studies indicated that the focus in consulting services would change in the future, with change management and organizational change consulting services being at the top. The increase in change management consulting service is anticipated to be due to the fact that many clients were unable to properly implement and integrate the recommendations of the consulting service. We also focused on how mergers and acquisitions between consulting firms change the behavior of the client and view on the value of these firms.

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