



2005-2006

Survey of the European Management Consultancy Market

feaco



Introduction by Antoine Beuve-Méry FEACO Chairman

This study analyzes the financial results of the management consultancy sector in Europe for the year 2005 and the trends for 2006. The turnover of the sector is presented by country, category of consulting service as well as by industry, demonstrating what services were in demand, by which industries and the variations by country. Some projections of demand by consultancy service and by industry are also presented indicating where growth is likely to occur in 2006. Overall the European management consultancy sector showed growth in 2005 and the perspectives for 2006 are very positive.

The turnover of the management consultancy sector in Europe now stands at € 61.6 billion. The sector represents well over 50,000 companies employing over half a million people. The € 61.6 billion represents a growth rate of 14% compared to 2004. It should be noted however that this increase reflects a more vibrant market for consultancy services overall, but also the effects of the new methodology that was used for this survey, which, in line with the evolution of the market in recent years, works with a broader definition of management consultancy. Compared with 2004 and using the same groupings of services the market growth was actually on average 8%.

The major change concerns the criteria used to segment the market, which were revised in order to reflect better the reality of the market. In previous surveys FEACO had grouped consulting services into five key areas (Operations Management-OM, Information Technology Consulting-IT, Corporate Strategy services-SC, Human Resource consulting-HR and Outsourcing-OS). The new approach divides the management consultancy market into four main segments:

- Consulting (including Business Consulting and IT Consulting),
- Development and Systems Integration (excluding software development),
- Outsourcing of value added services,
- Other services

This new segmentation has led in some instances to some significant variations in the reported total volume of sales, particularly in countries where the segments other than Consulting account for a larger share of the market. However, because of the maturity and the reality of the European as well as the global market, we considered this an opportune moment to redefine how we consider and represent in the future the scope of our activity.

The results of this survey confirm the recovery of the market, which had already begun hesitantly in 2004. The accession to the European Union of 10 new Member States represents a challenge and an opportunity for business in both Western and Eastern European countries and proves to be a major driver of our industry.

In a global context, the European economy is faced with much greater challenges. We find ourselves at a stage where the global economic balance threatens to tip in favour of large new developing markets.

To counter the balance, Europe needs to adapt and change in a radical manner. European companies find themselves in uncertain situations that require creative solutions.

This is where the consultancy sector has an important role to play. FEACO member firms have a long-standing reputation in helping organizations to develop and adapt to and manage change. Unfortunately however, the operational framework of the companies in the European market, presents many internal differences and obstacles, which frustrate the implementation of effective, innovative or creative solutions and thus make it difficult for companies to operate in

the most efficient manner, causing them to be less competitive than companies operating in more open, less regulated markets.

European policy makers on national and European level are now forced to embark on the difficult task of improving the business environment in order to stimulate employment, growth, innovation and competitiveness.

Also on this level consultants can play a role. Within the framework of FEACO a group which has adopted the name PENDO group has recently been set up which is committed to Europe and to working with European policymakers and companies to facilitate and manage change with a view to enhancing growth, creating jobs and prosperity. Given the unrivalled experience of PENDO group member companies in working with senior leaders from both the public and private sectors to help organizations develop, adapt to and manage change, the group believes it can be a leading knowledge and advisory resource for European policymakers who are seeking to develop policies to ensure Europe responds to the challenges of globalization and demographic ageing.

Change, competitiveness, innovation, growth, employment and creativity are the buzzwords of the moment; they have been at the core of management consulting ever since it came into existence.

On 9th & 10th of November 2006, FEACO will hold its annual European management consultancy conference in Budapest, Hungary. The conference is entitled: "Trends and Tendencies in Management Consultancy in an Enlarging Europe". Certainly, as this report demonstrates, there are plenty of common trends and tendencies in our sector:

- Management consultancy is a highly competitive, dynamic sector that keeps evolving and growing;
- Client companies are again embarking on new and long term projects; they demand quality and results.
- The Financial services, Industry and Public sector are by far our largest client sectors, and they continue to drive the market...nevertheless, we are still far from a true European management consultancy market.

Local European markets are all unique; there are not even two that can be easily compared. They are at very divergent levels of development and still offer ample perspectives for growth. This makes European consultants unique; their services and knowledge differ in accordance with their market, obliging them to partner with competitors if they want to venture into other markets. Networking and partner search are therefore in high demand in the enlarged Union.

FEACO has made it a key objective to support networking and partner search. On November 8th FEACO will organize a partner search and networking event in Budapest, Hungary. As of next year, this type of event will be organized on a bi-annual basis for all FEACO member companies. Being a member of the FEACO network facilitates finding quality partners in other EU member states.

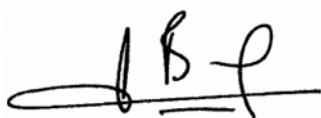
Both events will offer an excellent opportunity to exchange experiences and ideas with other consultants. For more information please consult www.feaco.org

The objective of FEACO is to reflect with objectivity and the best possible precision the reality of the consultancy market in Europe aiming for the maximum level of reliability in the aggregation of the figures that represent the different elements of the services companies in the market. The results are reflected by the aggregate data presented in this report and which are a result of the efforts of all the companies which participated in it. I hereby extend my thanks to all these companies, large and small, which continue to construct an exciting sector as is ours and to contribute to the development of one European management consultancy market.

FEACO welcomes any suggestions readers may have for further improvement of this report. In the hope that you find it of interest, I wish you pleasant reading.

Antoine Beuve-Méry

Chairman



Executive Summary	5
• <i>Key Figures 2002 – 2005</i>	5
Methodology	7
The segmentation criteria and the collection of data	7
The Scope of Management Consultancy	7
Europe – Market Size, Forecasts & Analysis	9
History & Projections	9
• <i>Evolution of MC market growth rate, 1997-2005</i>	9
• <i>Management Consulting (MC) as a percentage of the GDP Europe, 1997-2005</i>	9
• <i>The European MC Market Composition by Country/Region, 2005</i>	10
• <i>Average Growth Rates by Size of Consultancy, 2002 - 2005</i>	10
Analysis by Service Line	11
• <i>The European MC Market Composition by Service Line, 2005</i>	12
• <i>Breakdown of business consulting, 2005</i>	12
Analysis by Client Industry	13
• <i>The European MC Market Composition by Key Industry Sectors, 2005</i>	13
Selected European MC Markets	14
Analysis by Country & Region	14
• <i>Key Figures of Selected European MC Markets, 2005</i>	14
• <i>Average Growth Rates – Breakdown by Country, 2005</i>	15
• <i>Management Consulting as a Percentage of the Gross Domestic Product (GDP), 2005</i>	15
• <i>MC turnover and GDP in selected European markets, 2005</i>	16
Analysis by Service Lines	16
• <i>MC markets composition by service lines, 2005</i>	16
Analysis by Client Industry	17
• <i>MC Markets composition by client industry, 2005</i>	17
Main trends in management consulting in 2005/2006	18
• <i>Austria</i>	18
• <i>Belgium</i>	18
• <i>Bulgaria</i>	19
• <i>Czech Republic</i>	20
• <i>Denmark</i>	21
• <i>France</i>	22
• <i>Germany</i>	23
• <i>Greece</i>	24
• <i>Hungary</i>	25
• <i>Italy</i>	26
• <i>Norway</i>	27
• <i>Poland</i>	28
• <i>Portugal</i>	29
• <i>Romania</i>	29
• <i>Slovenia</i>	30
• <i>Spain</i>	31
• <i>Switzerland</i>	32
• <i>United Kingdom</i>	32
Appendix	34
About FEACO	34
FEACO Members List (at September 1 st 2006)	35

Executive Summary

Tab. 1: Key Figures 2002 – 2005

	2002	2003	2004	2005
Market size	€ 46.5 bill.	€ 47.5 bill.	€ 48.5 bill.	€ 61.6 bill.
Growth rate	-2.0%	3.5%	3.7%	14.0%
Management consulting firms	57,000	58,000	60,000	53,500
Management consultants	300,000	310,000	315,000	565,000 (Total staff)
Key service lines	IT: 28.5 % OM: 28.2 % Strategy: 19.9 % Outsourcing: 12.7 % HR: 10.7 %	IT: 28.1 % OM: 26.9 % Strategy: 17.4 % Outsourcing: 17.4 % HR: 10.2 %	OM: 27.3 % IT: 25.8 % Outsourcing: 19.0 % Strategy: 17.1 % HR: 10.8 %	Business Consulting: 42.5 % Outsourcing: 20.9 % Dvpt & Integration: 19.0 % IT Consulting: 12.3 % Other: 5.4 %
Management consulting market (total turnover in € bill.)	UK: 13.6 Germany: 13.0 France: 6.2 Spain: 2.4 Italy: 2.2	UK: 14.8 Germany: 13.1 France: 5.6 Spain: 2.6 Italy: 2.0	UK: 14.2 Germany: 13.3 France: 5.9 Spain: 2.8 Netherlands: 2.0	<i>Business & IT Consulting:</i> Germany: 13.1 (total 19.7) UK: 9.2 (total 18) France: 3.3 (total 5.9) Spain: 1.6 (total 6.9) Italy: 1.3 (total 2.0)

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The 2005 issue of FEACO European survey introduces major changes in methodology, which directly impact 2005 data and make it difficult to compare to previous years.

Mainly, the criteria used to segment the market were revised in order to reflect with greater objectivity the reality of the market. FEACO had previously grouped consulting services into five key areas (Operations Management-OM, Information Technology Consulting-IT, Corporate Strategy services-SC, Human Resource consulting-HR and Outsourcing-OS). The new approach divides the Management consultancy market into four main segments as follows.

- Consulting (including Business Consulting (BC) and IT Consulting (ITC)),
- Development and Systems Integration (excluding software development),
- Outsourcing of value added services,
- Other services

This new definition has led in some instances to some significant variations in the reported total volume of sales, specifically in the countries where the segments other than Consulting account for a larger share of the market.

In 2005, total sales of the MC industry amounted to € 61.6 billion and the number of management consultants increased to about 565,000 (total staff).

The 61.6 billion figure represents an increase of 14 % in total sales, which is however partially attributable to the new definition. Compared with 2004 and using the same groupings of services the market growth was actually on average 8 %, with some of the national markets reaching a two-digit growth rate.

Looking at just the Consulting segment as defined in the 2005 survey of the market, the two major markets in Europe are Germany and Great Britain, followed at a distance by France, Italy, the Netherlands, Denmark and Spain. However, an analysis of the total sales figures 2005 shows a significant change in this country ranking as the major markets would then include Spain as the third largest national market in Europe.

As far as service lines are concerned, Consulting services accounted for 55 % of the total turnover, Outsourcing for 21 % and Development and Systems Integration for 19 %.

Most countries reported a steady growth. The third and fourth quarters were generally considered better than the first two, causing high expectations for 2006. The general trend is positive and optimistic. Disappointing growth was reported by Italy, although the market remained stable, and particularly by Portugal which attributed the slowdown to a stagnating economy.

As a result of the increase in demand, recruitment went up in the majority of the countries. Some countries reported a lack of experienced consultants to fulfil demand.

Most countries considered that the economic growth and stability were the main drivers for demand in their country. Other drivers were the increased export to Eastern European countries, particularly for the bordering countries, acces-

sion to the EU, for those who just joined, and the upcoming accession for Romania and Bulgaria, which led to increased investment in these countries.

The public sector and the banking sector were the driving sectors in most Eastern and Western European countries alike. Only Greece reported a decrease in work from the public sector as a result of a slowdown in requests for proposals in the previous period. It is expected however that the rate of public tendering of projects will pick up in 2006.

Consulting services are reaching maturity in most countries. The market for these services is generally well developed and in most countries still increasing, although some Eastern European countries report underdevelopment and only moderate growth in certain subsections.

Most countries report an increased loyalty from clients towards consultants. Experience is a key element for choosing a consultancy. Clients are clearer about their requirements and interested in measurable results. Short-term projects are still dominating most markets, but there is a shift towards more long-term projects.

Fee rates are still under pressure; even in growing markets fees remained static. Clients negotiate vehemently about fees and at times require that fees are linked to success.

As regards the importance attributed to quality all countries reported that quality is essential to be able to compete in the marketplace. Ethics and professionalism also play an important role in the selection of a consultant.

Compared to the situation in the last few years, there appears to be a clear trend towards investment in new projects, especially in the countries that reported good market growth. The markets that have a slightly slower growth rate, such as Italy and the Czech Republic report a 60-40 split in favour of consolidation, but also here there is a growing trend towards more investment in new projects.

The recent EU expansion was generally judged as having a positive effect on the market. A number of countries saw increased opportunities because of a growing demand for consultancy services in Eastern European countries, often as a result of ongoing liberalization and more foreign investment.

In certain countries consultancies have become interested in internationalization as a result of the enlargement. Consultancies need to have an in-depth knowledge of a country's culture, economic situation and every other aspect affecting its development to be able to deliver quality services to local companies. There continues to be room for genuine national companies to operate on local markets. Because of the many cultural and economical differences between local markets in the EU, and as a result of the increased internationalization, there is an increased need for networking with local companies.

Methodology

The segmentation criteria and the collection of data

FEACO member companies cover a broad range of management consulting services. Depending on the market, these may be at different levels of maturity. The array of services Management consultancies offer is very dynamic; it is continuously evolving and changing. From that perspective, and with the objective of improving our report for 2005, FEACO proposes a new way of grouping the variety of consulting services that member companies in Europe provide and a different quantification of the activity sectors.

The basic objectives of this revision are twofold:

- To make the criteria for framing the scope of the sector used by FEACO and the member associations and by other analysts more uniform, facilitating comparisons and demonstrating the dynamic evolution of consultancy services on offer;
- To give the market, as well as our member associations, a reliable framework for estimating the size of the consulting sector and its segments.

This new framework implies a change in methodology for the collection and aggregation of the quantitative and qualitative data, to which companies from the sector have contributed directly.

The change in criteria opens a new chapter in the way the results are presented which inevitably affects the degree to which this year's data can be compared with the data from previous years.

The new methodology consists basically of collecting data from the sector and then aggregating the data for both the service lines and the sectors, of the companies and our associations.

Companies were asked to provide:

- Turnover for the year 2005
- Staff data
- Turnover per service area
- Turnover per major client industry sector
- Forecasts for 2006

In parallel, qualitative data were solicited in a separate questionnaire. Companies were asked to give their views on the development and the future of the sector in selected areas of activity, the results of which are summarized in the chapter on trends in the sector.

The objective of FEACO is to reflect with objectivity and the best possible precision the reality of the consultancy market in Europe aiming for the maximum level of reliability in the aggregation of the figures that represent the different elements of the services companies in the market.

The results are reflected by the aggregate data presented in this report and which are a result of the efforts of all the companies which participated in it, large and small, to continue to construct an exciting sector as is ours and to contribute to the development of one European management consultancy market.

We at FEACO are convinced that the result of this new focus, as well as the new methodology, will produce a more transparent, consistent and homogenous result, and consequently offer a clearer benefit to all our interlocutors and entrepreneurial and media environments as well as to the public interested in the development of our sector.

The Scope of Management Consultancy

Added value is the *raison d'être* of the consultancy activity. We aim to optimize the resources of the organizations in the private and public sector that we work with as well as improving efficiency in their processes and assuring high quality training, selection and integration of the professionals and tools, guaranteeing a perfect fit with the business concerned.

The evolution of its offer and the sophistication of the different service lines and products has been a constant in management and information technology consulting.

Defining the framework of activity of our sector is therefore not an easy task, particularly because it concerns a basket of services that in certain cases are very different.

This review has resulted in a new description of the scope of services offered by Management consultancies and a division into four main segments:

- Consulting (this service helps private and public organisations to analyse and redefine their strategies, to improve the efficiency of their business operations and to optimize their technical and human resources. Consulting can be divided into Business Consulting and IT Consulting),
- Development and Systems Integration (excluding software development),
- Outsourcing of value added services,
- Other services.

These segments are described in detail in the subsection "Analysis per Service Line".

Europe – Market Size, Forecasts & Analysis

History & Projections

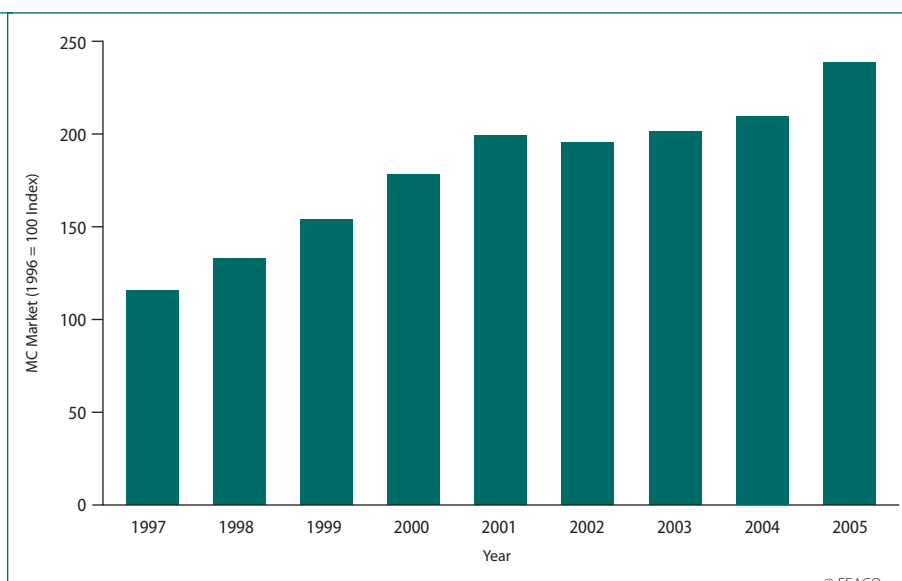
After the major slump following the Y2K euphoria, double-digit growth rate has finally returned to certain European countries in 2005. Total sales of the MC industry amounted to € 61.6 billion.

According to figure 1 that follows, based on the 100 index of 1996, the size of the consultancy market has almost doubled since 1997. The growth trend is expected to continue to reach around 9 % in 2006.

In fact, this average growth rate hides a wide disparity between four levels of performance:

- high growth: UK, Denmark and Romania (which reported 20 % or more),
- steady growth: Spain, Switzerland and Hungary (which achieved over 10 %),
- slow to moderate growth: Germany, France, Italy, Austria, Belgium, Czech Republic, Slovenia (which achieved less than 10 %),
- zero or negative growth: Portugal and Greece.

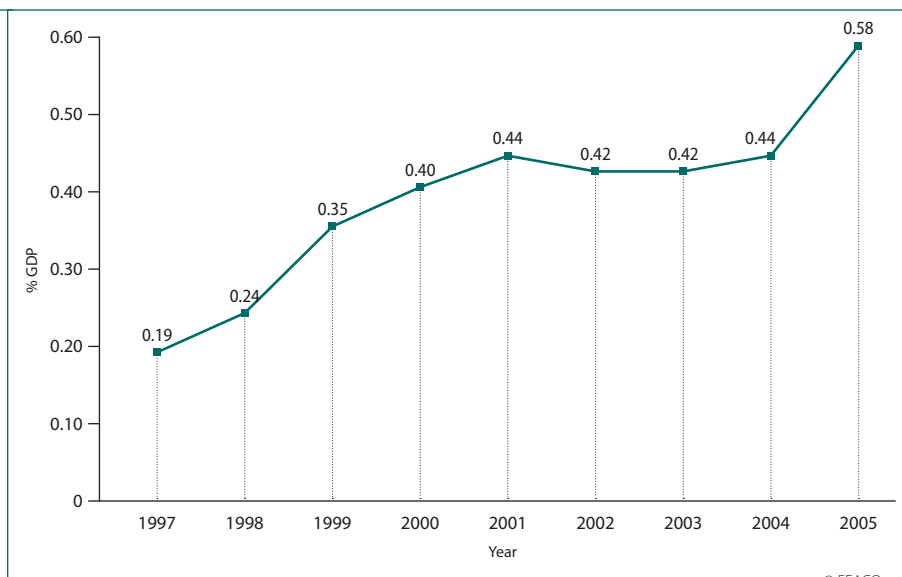
Fig. 1: Evolution of MC market growth rate, 1997-2005



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Due to the overall performance of the consulting industry in Europe, the European MC market continues to grow faster than the European Gross Domestic Product (GDP). The consulting sector's contribution to the GDP has increased from 0.44 % in 2001 to 0.58 % in 2005 (the increase in 2005 was partially due to the change in the definition of consulting services).

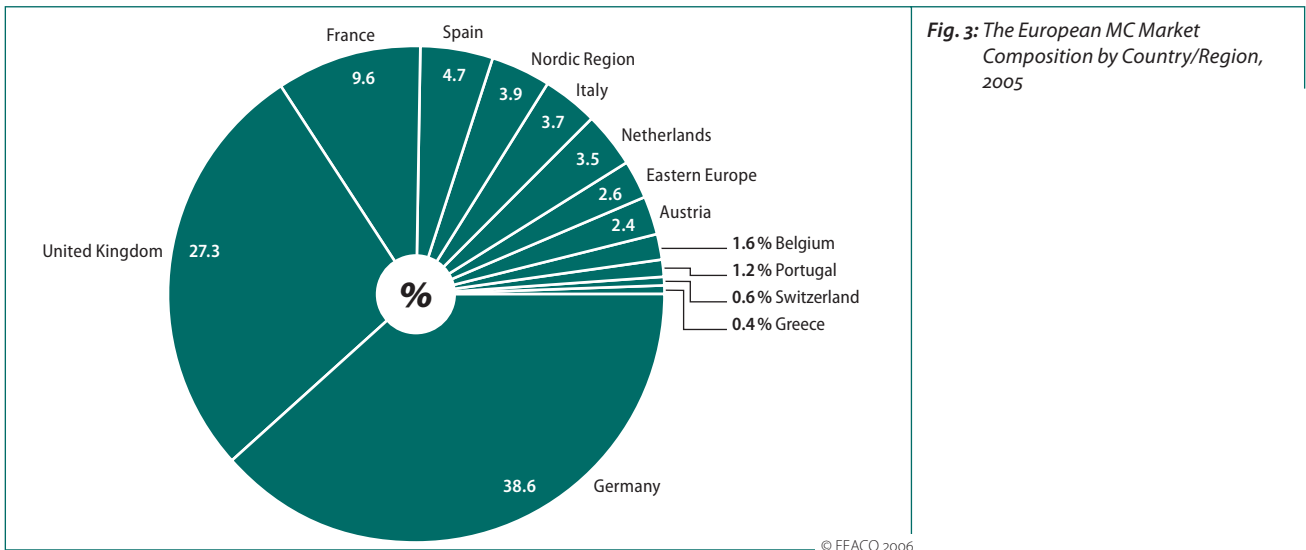
Fig. 2: Management Consulting (MC) as a percentage of the GDP Europe, 1997-2005



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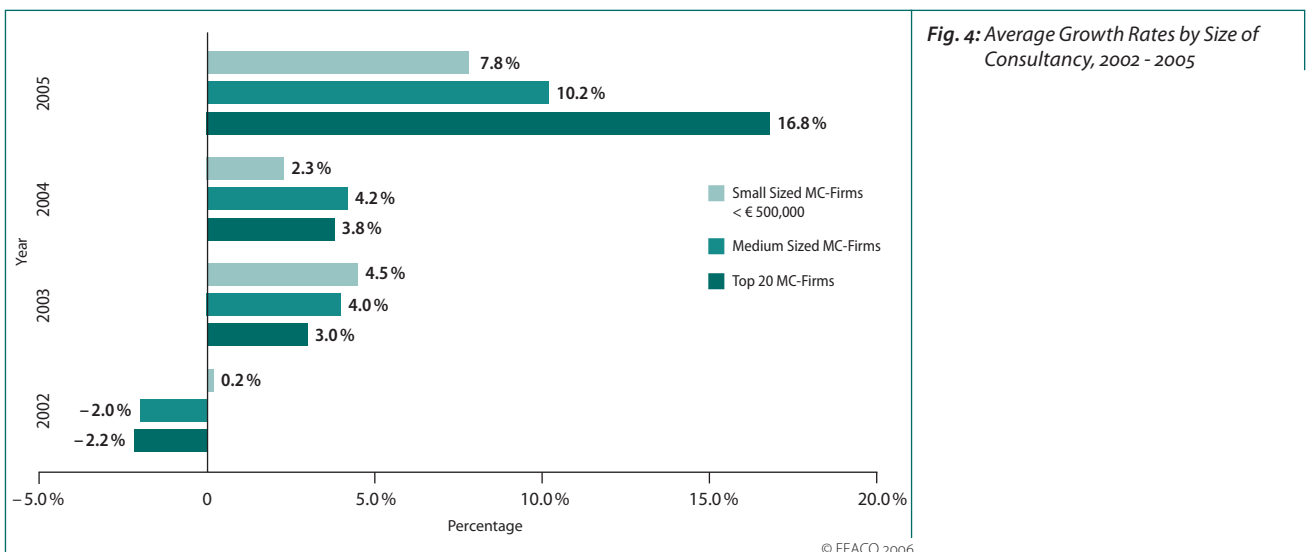
As in previous years, the two major national markets were Germany and The United Kingdom. Germany was for the first time significantly larger than the UK, with a total turnover of €19.7 billion and €18 billion respectively, followed by Spain with €6.9 billion. Compared to 2004 figures, Spain records an unprecedented 40% expansion in total sales. This is partially due to an 11.2% like-for-like basis growth rate and to the change of definition introduced by the new methodology for the survey.

The hierarchy remains similar if one only takes into account the Consulting segment of MC firms. This results in a turnover of €9.8 billion for Germany and €7.4 billion for the UK. However in this case France regains the third position with a turnover of €2.8 billion, followed by Italy with €1.2 billion, the Netherlands with €0.9 billion, Denmark with €0.9 billion and Spain with €0.8 billion.



Together with the resurgence of high-level expansion, the concentration of the market continues. Whilst the growth rate of the different types of consulting firms was more or less similar in recent years, in 2005 the large firms achieved a record 16.8% increase, whereas the mid sized grew by 10.2% and the small firms by only 7.8%.

Despite the continuing concentration process, the Consultancy sector is permanently renewing itself with the continuous establishment of new entities, in the emerging markets as well as in the more mature ones, which lay the ground for the future of the sector.



Analysis by Service Line

According to the new definition introduced with this report, the MC market can be split into the following four segments, whereby Consulting concerns two sub sections:

1a. Business Consulting (BC) includes:

- Strategy Consulting (SC), which targets the improvement of the long-term, strategic health of a company: strategic planning development; Mergers & Acquisitions (M&A); sales, marketing, corporate communication, financial advisory, etc;
- Organisation/Operations Management (OM), which aims at the integration of business solutions through Business Process Re-engineering (BPR), Customer/supplier Relations Management (CRM), turnaround/cost reduction and purchasing & supply management;
- Project Management (PM);
- Change Management (CM): Services which, on top of any other type of consulting, enable the success thereof within the human element of the organization;
- Human Resource consulting (HR): Consulting services that target the improvement of the 'people' element of an organisation through performance measurement and management, reorganisation of benefits, compensations and retirement schemes, HR strategy and marketing, the development of talent strategies and executive coaching.

1b. Information Technology Consulting (ITC) helps organisations to evaluate their IT strategies with the objective of aligning technology with the business process. These services include strategic planning and conceptions, operations and implementations.

2. Development and Integration includes:

- the development of applications (including software):
 - the creation of new functionalities through, often tailored, processes developments. Usually these developments integrate or unite internal or external business processes and can involve a conversion of applications so that they can be used for different platforms or conceptions, and
 - the design of services which integrate applications which were created in different existing IT applications or infrastructures (system integration -development)
- the deployment and integration of applications:
 - the implementation of new applications of infrastructures, which may concern the installation of hardware and/or software, their configuration or adaptation and the testing of their interoperability; and of services which integrate applications which were created in different existing IT applications or infrastructures and the management thereof (system integration)

3. Outsourcing consists of three types of activities:

- IT management services, among these are services for the operation of infrastructures (operation of systems, administration and security, follow up of cost-effectiveness, configuration management, management of technology etc.) applications management, and help desk management.
- Applied Management Services (AMS), which concern the outsourcing of the development and implementation of support services for hardware, applications, CRM and infrastructures (tools for the development of applications and middleware, as well as software for information management, storage or systems and networks).
- Business Process Outsourcing (BPO). This service supposes the externalisation of a complete business process.

4. Other services, which encompasses a variety of services complementary to Consulting, Development and Integration and Outsourcing services.

The analysis of the total sales shows the diversity of the business of MC firms together with the part played by technology and professional services. In 2005 Consulting accounted for 55 % of the total turnover, Outsourcing for 21 % and Development and Systems Integration for 19 %.

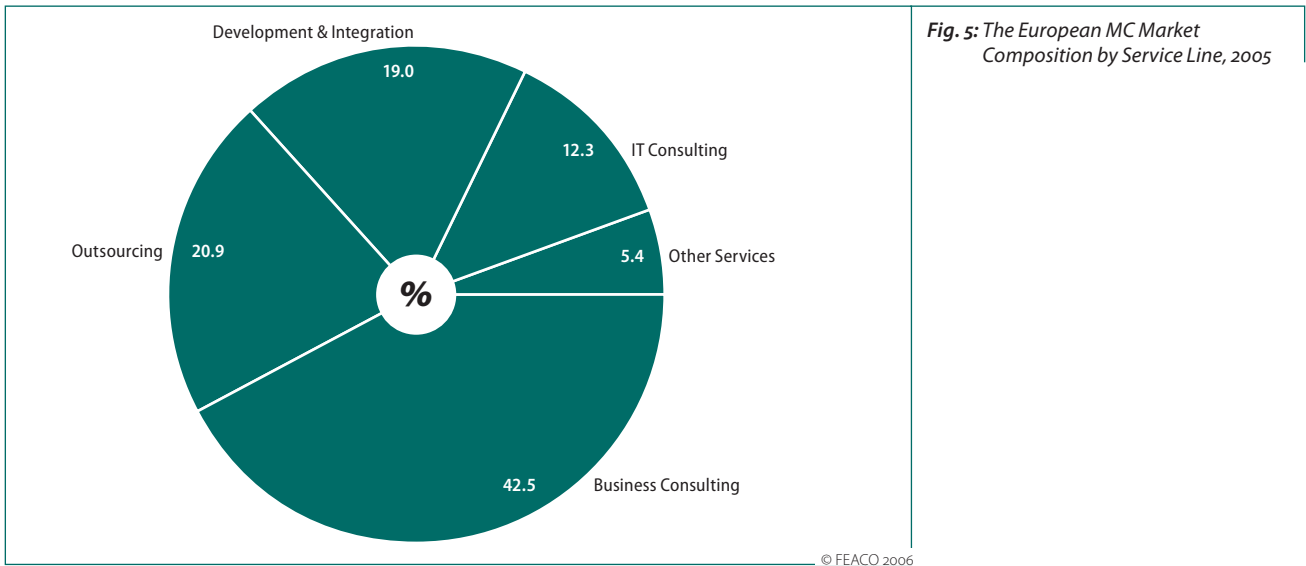


Fig. 5: The European MC Market Composition by Service Line, 2005

Business Consulting (BC) accounts for the majority of the turnover representing on average 43% of the market share. However, this picture does deserve a closer look as the situation varies considerably between the countries. It is possible to draw a clear line between the countries where Business Consulting represents 50% or more of the activity (Denmark, Greece, Slovenia, Italy, Germany, Hungary and France) and the countries where the market share of Business Consulting is significantly less than 50% (UK, Romania, Portugal, Czech Republic, Switzerland and Spain).

Within Business Consulting, the top three service lines are Strategy (SC) which comes in first position with 29.5%, followed by Organization/Operation Management (OM) with 21.2% and HR consulting (HR) with 19.6%.

Tab. 2: Breakdown of business consulting, 2005

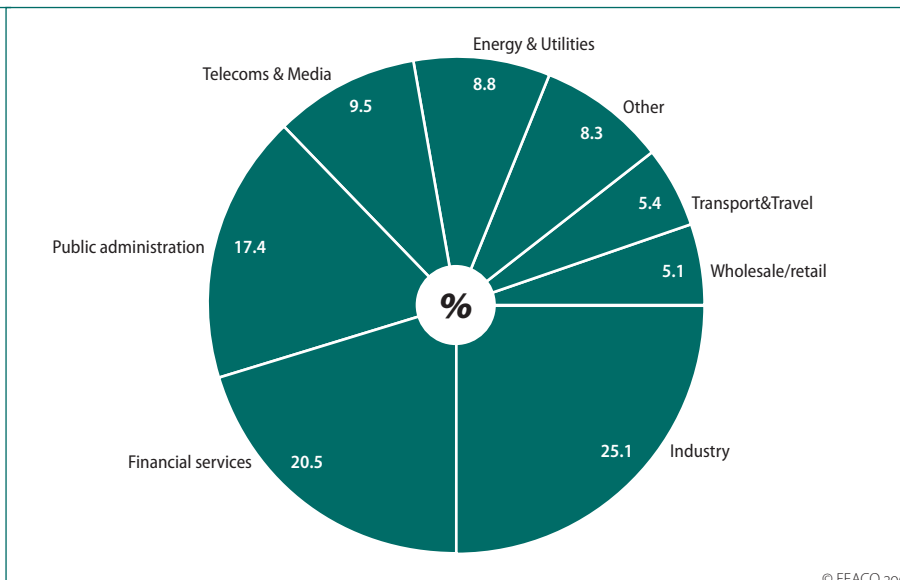
Strategy (SC)	29.5%
Organisation/Operations Mgt (OM)	21.2%
Project Management (PM)	16.4%
Change Management (CM)	13.3%
HR Consulting (HR)	19.6%
Total	100.0%

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Analysis by Client Industry

In line with previous years, an analysis per client industry shows that the turnover derived from three sectors is significantly higher than from other sectors: Industry, Financial services (Banking and Insurance) and Public administration together account for 63% of the total turnover, with 26%, 20% and 17% respectively.

Fig. 6: The European MC Market Composition by Key Industry Sectors, 2005



The relative market share of the Industry sector in each country is more or less equal to the European average (be it to a lesser extent in the UK and Spain) whilst that of the Public sector and the Financial services sector may vary.

Countries like Denmark, Greece, Romania and the UK have an enormous proportion of work with the Public Administration, whilst Financial services are strongly represented in France, Germany and Spain.

Selected European MC Markets

Analysis by Country & Region

The new methodology allows viewing the European MC Market from two perspectives: total sales or turnover from Consulting. Both analyses identify Germany and the UK as the major markets for consulting in Europe. France or Spain, which each only represent one third of one of these markets, ranks third, depending on the criterion used. Turnover from Consulting is higher in France than in Spain, whereas the total sales in Spain are higher than those in France.

Tab. 3: Key Figures of Selected European MC Markets, 2005

Country	Total CONSULTING Turnover (million €)	Share of total CONSULTING Market in Europe	Total BC Turnover (million €)	Share of total BC Market in Europe	Total Turnover of MC firms (million €)	Share of total MC Market in Europe	Total MC Firms Market Growth 2005	GDP Growth 2005	Total staff	Turnover per employee (€)
Germany	13,120	38.6%	9,830	36.9%	19,700	31.8%	8.2%	0.9%	251,500	78,330
UK	9,292	27.3%	7,419	27.9%	18,008	29.1%	26.6%	1.8%	88,985 (e)	202,374
France	3,282	9.6%	2,813	10.6%	5,860	9.5%	9.0%	1.5%	35,000	167,429
Spain	1,586	4.7%	825	3.1%	6,894	11.1%	11.2%	3.4%	82,000	84,073
Italy	1,250	3.7%	1,220	4.6%	2,000	3.2%	2.0%	0.0%	–	–
Netherlands	1,176	3.5%	939	3.5%	2,280	3.7%	–	1.1%	–	–
Denmark	1,015	3.0%	926	3.5%	1,544	2.5%	23.0%	3.1%	9,155	168,651
Austria	800*	2.4%	800	3.0%	950	1.5%	9.3%	1.9%	–	–
Belgium	557	1.6%	437	1.6%	950	1.5%	5.0%	1.2%	5,000	190,000
Portugal	399	1.2%	266	1.0%	949	1.5%	–7.0%	0.3%	11,450	82,882
Norway	323	0.9%	253	1.0%	550	0.9%	10.0%	2.3%	–	–
Czech Republic	250	0.7%	113	0.4%	390	0.6%	2.9%	6.0%	8,335	46,791
Switzerland	219	0.6%	–	0.8% (e)	730	1.2%	10.0%	1.9%	3,700	197,297
Hungary	194	0.6%	146	0.5%	251	0.4%	11.0%	4.1%	4,550	55,134
Poland	159	0.5%	90 (e)	0.3%	240	0.4%	10.0%	–	10,000	24,000
Greece	130	0.4%	116	0.4%	181	0.3%	–5.9%	3.7%	1,730	104,509
Romania	100	0.3%	70	0.3%	200	0.3%	20.0%	–	–	–
Slovenia	94	0.3%	90	0.3%	120	0.2%	8.9%	–	2,085	57,554
Bulgaria	37	0.1%	24	0.1%	56	0.1%	–	–	2,800	20,000
Bosnia	30	0.1%	20	0.1%	45	0.1%	–	–	–	–
Europe	34,011	100.0%	26,617	100.0%	61,898	100.0%	14%			

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Sources: turnover & staff : FEACO survey and estimates – GDP & GDP growth : Eurostat and OECD
 * Excl. IT Consulting, data not available

A breakdown of the growth rate per country demonstrates the diversity behind the average: three countries reported a growth rate of above 20%; seven countries of around 10% and four hardly achieved positive growth or even recorded negative growth.

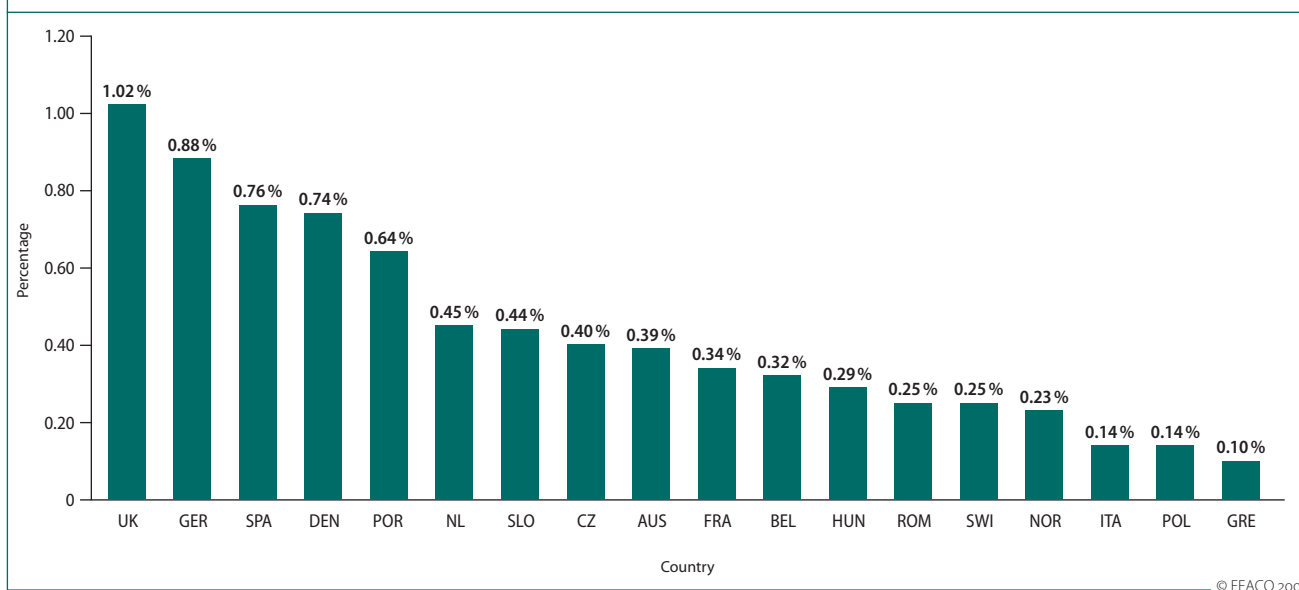
Fig. 7: Average Growth Rates – Breakdown by Country, 2005



The annual growth rate can be compared to the contribution of the consultancy sector to the national Gross Domestic Product (GDP), as well as to the national GDP growth rate in 2005.

Apart from a few exceptions, MC growth rate in the European countries is significantly higher than their national GDP growth rate. In the UK, where MC records the highest growth rate, the consulting contribution to the national GDP surpasses 1%. In a number of countries (Germany, Spain, Denmark and Portugal) this percentage lies between 0.6% and 0.9%. Only three countries (Greece, Italy and Poland) report a contribution of less than 0.2%.

Fig. 8: Management Consulting as a Percentage of the Gross Domestic Product (GDP), 2005



Selected European MC-Markets

Tab. 4: MC turnover and GDP in selected European markets, 2005

Country	Gross Domestic Product (million €)	Share of total Economy in Europe	GDP Growth 2005	Total Turnover of MC firms (million €)	total turnover of MC firms as % of the GDP
Germany	2,247,400	21.0%	0.9%	19,700	0.88%
UK	1,768,549	16.5%	1.8%	18,008	1.02%
Spain	904,323	8.5%	3.4%	6,894	0.76%
France	1,710,023	16.0%	1.5%	5,860	0.34%
Netherlands	501,921	4.7%	1.1%	2,280	0.45%
Italy	1,417,241	13.2%	0.0%	2,000	0.14%
Denmark	208,206	1.9%	3.1%	1,544	0.74%
Austria	246,113	2.3%	1.9%	950	0.39%
Belgium	298,179	2.8%	1.2%	950	0.32%
Portugal	147,395	1.4%	0.3%	949	0.64%
Switzerland	295,116	2.8%	1.9%	730	0.25%
Norway	237,706	2.2%	2.3%	550	0.23%
Czech Republic	98,417	0.9%	6.0%	390	0.40%
Poland	243,398	2.3%	3.3%	240	0.10%
Hungary	87,894	0.8%	4.1%	251	0.29%
Romania	79,313	0.7%	-	200	0.25%
Greece	181,087	1.7%	3.7%	181	0.10%
Slovenia	27,373	0.3%	-	120	0.44%
Bulgaria	-	-	-	56	-
Bosnia	-	-	-	45	-
Europe					0.58%

Sources GDP & GDP growth: Eurostat and OECD

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Analysis by Service Lines

Tab. 5: MC markets composition by service lines, 2005

	CZ	DEN	FRA	GER	GRE	HUN	ITA	POR	ROM	SLO	SPA	SWI	UK
Total turnover (million euros)	390	1,544	5,860	19,700	181	251	2,000	949	200	120	6,894	730	18,008
Major service lines (%)													
Business Consulting (BC)	29.0%	60.0%	48.0%	49.9%	63.9%	58.3%	61.0%	28.0%	35.0%	75.0%	12.0%	30% BC+ITC	41.2%
IT Consulting	35.0%	5.7%	8.0%	16.7%	7.8%	19.0%	1.5%	14.0%	15.0%	3.0%	11.0%		10.4%
Development & Integration	7.5%	3.6%	23.0%	21.8%	3.0%	4.1%	0.0%	9.0%	5.0%	12.0%	41.0%	70.0%	11.0%
Outsourcing	7.5%	1.9%	15.0%	7.1%	3.7%	0.8%	3.5%	15.0%	5.0%	2.0%	35.0%		37.4%
Other services	21.0%	28.7%	6.0%	4.5%	21.7%	17.8%	34.0%	34.0%	40.0%	8.0%	1.0%		0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
BC Details													
Strategy (SC)	3.0%	21.1%	8.0%	20.2%	13.9%	15.5%	10.0%	6.0%	5.0%	36.0%			9.0%
Organisation/ Operations Mgt (OM)	6.0%	14.8%	18.0%	9.7%	19.9%	20.4%	30.0%	7.0%	5.0%	23.0%			4.8%
Project Management (PM)	4.0%	7.9%	3.0%	6.8%	24.8%	14.6%	1.5%	3.0%	15.0%	4.0%			10.8%
Change Management (CM)	3.0%	10.2%	5.0%	6.1%	1.9%	3.7%	6.5%	4.0%	5.0%	4.0%			6.7%
HR Consulting (HR)	13.0%	6.0%	14.0%	7.1%	3.4%	4.1%	13.0%	8.0%	5.0%	5.0%			9.9%
Total	29.0%	60.0%	48.0%	49.9%	63.9%	58.3%	61.0%	28.0%	35.0%	72.0%			41.2%

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Analysis by Client Industry

Tab. 6: MC Markets composition by client industry, 2005

	CZ	DEN	FRA	GER	GRE	HUN	POR	ROM	SLO	SWI	SPA	UK
Financial services	18.0%	7.6%	29.0%	22.5%	6.8%	17.5%	9.0%	8.0%	11.0%	27.0%	24.0%	17.9%
Industries	40.0%	30.4%	28.0%	35.3%	24.7%	20.2%	32.0%	24.0%	26.5%	33.0%	11.0%	15.4%
Telecoms & Media	10.0%	7.2%	8.0%	7.5%	4.7%	9.5%	12.0%	7.0%	20.5%	2.0%	19.0%	9.2%
Wholesale/retail	1.0%	5.7%	5.0%	4.0%	3.9%	2.3%	12.0%	4.0%	7.0%	6.0%	4.0%	6.8%
Energy & Utilities	4.0%	3.8%	10.0%	6.8%	3.2%	23.5%	11.0%	22.0%	10.0%	6.0%	11.0%	10.2%
Transport&Travel	5.0%	4.1%	5.0%	6.0%	2.6%	3.8%	6.0%	0.0%	3.0%	5.0%	8.0%	4.6%
Public administration	11.0%	27.8%	8.0%	9.7%	43.1%	11.5%	5.0%	35.0%	14.0%	8.0%	14.0%	28.9%
Other	11.0%	13.4%	7.0%	8.2%	11.0%	11.7%	13.0%	0.0%	8.0%	13.0%	9.0%	7.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Main trends in management consulting in 2005/2006

Austria

Austria	
Total turnover (million euros)	950
Growth rate 2005	9.3%
Growth rate 2006 (p)	8.8% (MC) 5.9% (ITC)
Key service lines (%)	
Business Consulting	
IT Consulting	
Development & Integration	
Outsourcing	
Other Services	
Key sectors	
Export (%)	13.3%
EU	
Countries outside the EU	
Management Consulting firms	
Large & medium size	
Small Size	
Number of consultants	5,940
Total staff	-

2005 was marked by an excellent increase in revenue, 9.3% overall (incl. outsourcing), a substantial growth in exports of consulting services (up 20% over 2004 in MC, 9.3% overall) particularly to Eastern European countries, and an increased demand for quality by the customer.

The main driver for growth of the consultancy market was the increase in export of Austrian goods and services, the main constraint was the growing market complexity, as a result of legislation and procurement rules.

Clients put more emphasis on quality, long-term commitments and performance/success control

Market concentration does not appear to be a trend in Austria. The number of MC business licences (an obligatory state qualification system for any management consultant or consultancy company) has grown in 2005 with double-digit numbers as a large number of individuals and small companies "set up shop".

Management consulting is not particularly affected by the EU enlargement, as Management Consultants have always been a key player in strengthening competitiveness, on national and international level.

2005 has been by far the best year since the late nineties for the MC industry. 2006 Forecasts look good. Double-digit growth seems within reach again.

Belgium

Belgium	
Total turnover (million euros)	950
Growth rate 2005	5.0%
Growth rate 2006 (p)	8% to 9%
Key service lines (%)	
Business Consulting	
IT Consulting	
Development & Integration	
Outsourcing	
Other services	
Key sectors	Public administration, Financial services
Export (%)	
EU	
Countries outside the EU	
Management Consulting firms	-
Large & medium size	
Small Size	
Number of consultants	-
Total staff	5,000

The Belgian market grew only moderately by 5% in 2005. For 2006 a growth rate of about 8-9% is expected. The market is polarized: all large multinational consulting firms are present in Belgium, and represent a significant part of the market. Local management consultancy is composed of a large number of very small consulting practices, mainly active in the systems integration area, or in niche markets. All services are represented. IT services represent about 40% of the market; operations management: 30%; corporate strategy services, outsourcing services and HR management services: each 10%.

Sectors driving the management consultancy business are the banking sector, the public sector (local and EU) requires mostly IT & operations management services. The public sector is more in demand of large (IT) multi-year framework contracts, with more focus on systems implementation and the operational management thereof. More specifically, the European Commission is a major client in these areas. Sarbanes-Oxley and the diverse European legislations formed an important driver of the management consultancy market in 2005, especially in the segment of the subsidiaries of large

multi-national companies. Industry-specific regulations (for example for the banking and pharmaceuticals sector) also generated an important amount of work.

The Belgian market observed a dip after the introduction of the euro and the restrictions in investment in some sectors, such as the telecom industry. In 2005, the financial and insurance, the chemicals, the utilities and the public sector were the main drivers of demand. There was also some rebound from the telecom sector.

The “traditional” major consulting firms are well established and grew at a pace of about 8 - 9% in 2005, mostly in the operations management and systems development / systems integration areas. There was an increase in the number of very small consulting companies, which tend to focus on project assistance. Some international players are becoming more present, mainly in the Strategy Consulting market.

Market drivers were demand for cost reduction; internationalization and globalization; economic growth and innovation. As a result of EU expansion there is a growing demand for assistance in international business (compliance with local regulation, re-localisation, M&A).

Rates for IT services continue to decrease, whereas for strategy & operational expertise, they appear to be picking up.

Demand for Consulting Services mostly concerns crisis management, financial efficiency (cost reduction is still a major concern), change management, IT optimization as support to performance improvement. Demand for interim management services is growing.

For Development and Integration, most demand concerns HR systems and CRM replacement.

The need for adoption of open standards drives the systems replacement activity. Integrated security (identity management) is a growing concern, especially in post M & A situations.

The Outsourcing market, though still marginal, is growing. A handful of major consultancies are active in this market; several companies are studying this option as a cost reduction opportunity. Business process outsourcing mostly concerns basic back-office functions.

Major client companies tend to go for larger contracts and are sensible to multi-disciplinary consulting firms. They tend to have more of a “supplier-customer” approach where prices are strongly negotiated.

The Belgian market is not concentrating, but very dependent on the international evolution for the larger consulting firms. More and more IT consulting firms are now connected with offshore/ near-shore affiliated companies or subsidiaries.

Bulgaria

Bulgaria	
Total turnover (million euros)	56
Growth rate 2005	-
Growth rate 2006 (p)	-
Key service lines (%)	
Business Consulting	
IT Consulting	
Development & Integration	
Outsourcing	
Other services	
Key sectors	
Export (%)	
EU	
Countries outside the EU	
Management Consulting firms	200
Large & medium size	
Small Size	
Number of consultants	-
Total staff	2,800

Four multinational consultancies are present in the Bulgarian market and about 200 small and medium players. The big consulting and auditing companies generate most of the turnover.

Corporate strategy services account for 31%, the largest share of the management consultancy market. The largest part of the revenue in this service line is generated by strategic planning (11% of all revenues) and financial consulting (10%). The least represented are mergers and acquisitions, which account for less than 0.5% of the revenues each.

Corporate strategy is closely followed by the second largest service line, operations management (30%). Within this line project management represents 14%. None of the other sub-lines exceeds 5%; Change management and purchasing and supply management account for only 1% of the revenue generated in this service line.

Almost one fourth of the revenue of the consulting companies (24%) is generated by human resources management. The biggest share belongs to recruitment/search & selection (9%), followed by training and development (6%).

The share of revenue from Information technologies is 10%. IT systems analysis, design, development and integration accounts for 6%; IT consulting for 4%.

In 2005 for the first time the Outsourcing was included in the research as a separate consulting service line. It claimed 5% of the market, generated by 28% of the companies.

Industry and trade is the most important client sector accounting for 44% of the total revenues. 77% of the companies interviewed operate in this sector, mostly in the consumer goods production, trade, transportation, energy & utilities and communications.

The financial sector (banking, insurance, business services) generates 27% of the consulting companies' revenues, and 73% of the companies have consulted clients in this sector.

For clients in the public sector (government, NGOs, European programmes and regulations) 12% of the companies have generated 15% from all revenues.

Half of the companies have been employed in other sectors, where 14% of the revenues were generated.

A comparison of the segmentation of the Bulgarian consultancy market by consulting lines with that of the other European markets shows that the Bulgarian market is far below the European values in the field of IT consulting and outsourcing, by 15.8% and 14% respectively. In the rest of Europe, IT consulting has generated the highest revenue for years in a row. Interestingly, in the rest of Europe this line is gradually shrinking (from 40% in 2000 to 25.8% in 2004), while in Bulgaria it is still growing; and it is estimated that this process will continue for a while. Assuming that the Bulgarian market is going to follow the European, IT consulting and the outsourcing are likely to develop rapidly in the years to come.

The biggest difference in the segmentation by sectors of the Bulgarian compared to the European market is that the sector production and trade generates 57% of the revenues of the consulting companies in other European countries and only 44% of the revenues of the Bulgarian companies.

The main driving factors in Bulgaria were the EU accession and the overall economic growth.

Clients' understanding of management consultancy services and requirements are growing, clients now rarely choose a consultant randomly. Clients are becoming less predictable. The variety in the offer of consulting products and services continues to grow.

A large number of Bulgarian management consultants consider that they are properly qualified. Consultants base this self-evaluation mainly on the basis of the continuation of professional training (91%), good results from activities (74%), years of professional experience (74%), and certification (39%). It is recognised that consultants should meet international standards, have continuous professional training and comply with certification standards that need to be regularly improved.

Czech Republic

Czech Republic	
Total turnover (million euros)	390
Growth rate 2005	2.9%
Growth rate 2006 (p)	2.1%
Key service lines (%)	
Business Consulting	29.0%
IT Consulting	35.0%
Development & Integration	7.5%
Outsourcing	7.5%
Other services	21.0%
Key sectors	Industry (automotive), Financial services
Export (%)	0%
EU	9.6%
Countries outside the EU	
Management Consulting firms	1,323
Large & medium size	158
Small Size	1,165
Number of consultants	7,938
Total staff	8,335

For the first time since a number of years demand, be it only modestly, overtook supply in the Czech consulting market. Accession to the EU is identified as the main market driver. Businesses have come under competition; there is a pressure to boost competitiveness. MC know-how is slowly becoming recognised, managers and owners are, reluctantly, giving up the "Do-it-yourself" attitude. Companies, particularly SMEs, are forced to use consultants because of the shortage of internal experts qualified to implement the necessary changes.

There is also an increased demand for consulting services in relation to the financing of development projects with EU subsidies.

Nevertheless, there continues to be a hidden need for consulting services and a tendency to buy services "cheap" from individuals with a trading license or small companies. The entry of foreign partners into Czech companies is likely to stimulate the demand for consulting services; however, there is a risk that they may have a preference for their own suppliers.

It is expected that the demand for IT Consulting will continue to increase in 2006. Demand for traditional Consulting services is expected to be low.

Demand from the automotive, aerospace and defence, transportation, personal and business services as well as related to the European Union, is expected to be high.

Denmark	
Total turnover (million euros)	1,544
Growth rate 2005	23.0%
Growth rate 2006 (p)	22.0%
Key service lines (%)	
Business Consulting	60.0%
IT Consulting	5.7%
Development & Integration	3.6%
Outsourcing	1.9%
Other services	28.7%
Key sectors	Public administration, Industry (manufacturing)
Export (%)	11%
EU	6%
Countries outside the EU	5%
Management Consulting firms	5,800
Large & medium size	800
Small Size	5,000
Number of consultants	6,500
Total staff	9,155

2005 was a very prosperous year, characterized by a growing optimism and a desire to develop both, public and private, enterprises. As a consequence, there was an increase in demand for consulting services. Some consultancies noticed a change in focus by the clients from downsizing to more growth-oriented strategies. In the public sector reined still more of a policy of wait-and-see due to the fact that the details of a large structural reform of the regions in Denmark remained to be decided before projects could be entered into. There were also consultancies that noted an increased awareness among customers of the need to adapt their business to a change in demand as a result of globalization.

The growth of the Danish economy was considered the prime driver of growth in the sector. A sound and strong Danish economy has lead to desire by companies to carry out changes in order to prosper from the economic upturn.

As regards constraints to growth, the aforementioned structural reform of the regions in Denmark, together with regional elections held in 2005 led to a postponement of projects in the public sector as decision makers wanted wait for the outcome of both these developments. Many consultancies

also point to a lack of a sufficiently large base of talented and experienced consultants from which to recruit. Some potential customers still have reservations with regard to the usefulness of consultants and the quality of their products. Some companies considered that the growing administrative burden, due to overregulation also constituted a growth-impeding factor.

Consulting: An increase in demand was observed. At the same time, some point to a rising need for documentation of processes and results. Increased maturity.

Development and Integration: There has been a rise in demand. The clients have become more mature in their purchasing behaviour.

Technological Outsourcing: Growing demand, increased maturity.

IT projects: Increased maturity but there are great differences in the quality of the rendered services. IT projects are becoming increasingly important factors for good leadership.

Clients have become more loyal towards consultants. They prefer to use consultants they know and trust. It is becoming increasingly difficult for consultants to attract new clients.

They want consultants with experience, from projects that have led to concrete good results. At the same time they do not hesitate to shop around between different high quality consultancies for a better price. Clients are showing more „professional“ behaviour: They have become better at defining their demands and expectations and no longer accept „prêt-à-porter“ services; they want tailor-made products. The clients are looking for coherent and continuous projects rather than single ones.

There is a tendency to more centralized purchasing because of centrally made procurement procedures. At the same time, there is a need for more dialogue between consultant and client in order to specify the details. The rigid rules for calls for tender do not allow for sufficient professional interplay between client and consultant.

France	
Total turnover (million euros)	5,860
Growth rate 2005	9.0%
Growth rate 2006 (p)	9.0%
Key service lines (%)	
Business Consulting	48.0%
IT Consulting	8.0%
Development & Integration	23.0%
Outsourcing	15.0%
Other services	6.0%
Key sectors	Financial services, Industry
Export (%)	0%
EU	10.0%
Countries outside the EU	3.0%
Management Consulting firms	9,250
Large & medium size	250
Small Size	9,000
Number of consultants	-
Total staff	35,000

After several years of crisis, the French Management Consulting market returned to growth in 2004.

This trend was clearly confirmed in 2005– especially in the course of the second semester – with a market growth of about 9%.

The larger companies performed less well than the smaller ones (7.5% vs. 11%).

This can be explained by both, a shortage of human resources, which major companies could not compensate rapidly enough to meet demand, and by the over-performance of traditional Consulting activities, as opposed to a lesser growth in demand for IT Consulting activities, which form a more significant part of major companies' portfolios than of smaller ones.

2005 was also the year of first returns on investment for many management consultancies which, a couple of years ago, engaged in drastic rationalization and transformation efforts in order to cope with the difficult situation they were faced with at that time: sales departments only focused on targets or projects with a high probability of closing the deal, optimised service positioning, etc.

Confidence and enthusiasm are back. Most companies have ambitious plans for development at mid-term, and a growth of 9% is expected for 2006.

French consultants largely share one conviction: the only way to continue growing while keeping fees at an acceptable level is to demonstrate clearly the value consulting services bring.

To do so, the bigger companies tend to differentiate themselves on the basis of the complementarity of the competencies of their teams of consultants, while the smaller companies tend to rely more on the expertise of the professionals that they recruit.

There are ever less strategic recommendations without a commitment to implementation, and project management services without commitment to results.

In this context, the struggle to find, recruit and retain talents in certain specialties may become a constraint to the development of consultancies.

For 2006, activity is expected to grow in Management Consulting services and to remain stable in IT Consulting and Development & Integration. As for Outsourcing (especially BPO), smaller companies are cautious and stick to a wait-and-see policy, while major companies – already very engaged – expect a progression.

A strong confidence is prevailing in almost all sectors. Particularly Financial services deserve to be emphasized for multiple reasons: IT investments will continue, regulation keeps evolving, the French banking landscape is mutating, mergers and acquisitions are expected continue, and the actors make high profits.

The level of activity in manufacturing is high, yet the sector remains difficult for consultancies if they are not specialised.

There are also good expectations for energy & utilities, which, after a lot of activity related to organisational issues, should offer opportunities in the area of strategic services (mergers, competition, gains in market share, etc.).

In the public sector, the adaptation of public companies to the market economy is also expected to offer opportunities for consulting.

Despite noticeable positive changes, the power taken by centralized procurement functions within client firms continues to be a problem. In 2005, only marginal increase in prices (around 3%) was reported. Procurement teams have gained in maturity and in understanding of the consulting services. Management consultancies have also made efforts to conform to procurement procedures and standards as far as this seemed justified.

Nevertheless, some procedures remain or become much too heavy, particularly for the smaller consultancies that cannot comply and are thus excluded de facto. Rules are not always explicit. In many cases the selection of a consulting firm ultimately appears to remain purely price-based.

Consultants are mobilising on this topic and there are strong expectations for the efforts undertaken by the French Management Consultancies Association to promote a value-based, win-win approach for the procurement of consulting services.

Germany

Germany	
Total turnover (million euros)	19,700
Growth rate 2005	8.2%
Growth rate 2006 (p)	8.1%
Key service lines (%)	
Business Consulting	49.9%
IT Consulting	16.7%
Development & Integration	21.8%
Outsourcing	7.1%
Other services	4.5%
Key sectors	Industry (automotive), Financial services, Public administration
Export (%)	10%
EU	6%
Countries outside the EU	4%
Management Consulting firms	14,000
Large & medium size	5,000
Small Size	9,000
Number of consultants	105,500
Total staff	251,500

The German consulting market grew by 7.3% in comparison to 2004, to reach €13.2 billion turnover. This figure does not include the recruitment, software development, systems integration and outsourcing services. These service lines represent about €6.5 billion, thus totalling a €19.7 billion market.

The growth was mostly realised in the second half of 2005.

The German consulting market, although growing is not yet out of the crisis:

- Average growth rate 1995-1999: 9.3%
- Average growth rate 2000-2005: 3.2%

Nevertheless 58% of the companies saw their turnover grow in respect to 2004. 43% of the consulting companies realised a growth of more than 10% in respect to 2004.

Companies that generate over €45 million of turnover currently represent 45.7% of the market. Their turnover grew by 6%. The largest growth, 10%, was realised by small companies with less than 1 million euro in turnover. The latter account for 22.4% of the market.

The consulting companies discovered a growth lever in sectoral specialisation: automotive, banking and insurance, or functional specialisation: purchasing, risk management.

92% of the turnover is derived from projects in Germany. Barely 3% of the projects are international. In fact, 75% of the companies with a turnover of over €45 million have offices abroad.

Strategy Consulting accounts for 30.3% of the total turnover; organisation consulting and business consulting for 34.1%; information systems consulting for 25.1% and human resource consulting for 10.5%.

As a result of market reorganisation, due to the difficult conjuncture and high competition, the number of consultancies decreased to 14,000.

The working environment is rather difficult for the seniors who, as a result, decide to create their own companies, causing an increase in the number of companies with a turnover of less than 1 million Euro.

Strategy Consulting has increased from 24.5% of the market to 30.3% of the market. This development can be explained by an increase in investments by the industry sector, which is looking for means to secure growth.

Organisation management remains stable as a result of a growing need to improve efficiency and flexibility in a fast developing economic environment.

Demand for **Information Systems** decreased slightly in 2005. Companies invested less in these services in the first semester of 2005. Nevertheless, 46% of the consultancies specialized in this area grew by more than 10% in 2005. New projects concern mainly risk management tools, informatics security tools and customer management tools.

Human Resource Services (not including recruitment services) was the sector that grew least in 2005. More than a quarter of the companies reported a drop in turnover in 2005; one out of 5 reported a drop of more than 10%.

The industry, banking and public sectors account for 2/3 of the market. Most demand comes from the automotive, machine construction and chemical sectors.

It is estimated that the market will grow by about 8% in 2006. The market drivers are cost reduction projects, pre & post merger projects, reorganisation projects as a result of investment fund participation by former stockholder of SMEs, growing demand from the public sector.

Greece

Greece	
Total turnover (million euros)	181
Growth rate 2005	-5.9%
Growth rate 2006 (p)	9.6%
Key service lines (%)	
Business Consulting	63.9%
IT Consulting	7.8%
Development & Integration	3.0%
Outsourcing	3.7%
Other services	21.7%
Key sectors	Public administration, Industry (consumer products)
Export (%)	24%
EU	17%
Countries outside the EU	7%
Management Consulting firms	162
Large & medium size	42
Small Size	120
Number of consultants	1,435
Total staff	1,730

Many Greek consulting firms significantly increased their export activity over the course of 2005, mainly by offering services connected with EU projects in Eastern Europe. This activity, which is expected to continue in the next years, helped soften the lack of local demand.

Although 2005 was still a year of decline of local demand, there were some initial signs that the market is likely to recover in 2006, a prospect, which holds true for both the public sector and the private sector.

In the public sector, more requests for proposals were prepared and launched than before, which will result in more work in 2006.

In the private sector, the rate of small assignments started to pick up after summer 2005, and this trend is continuing. Additionally, in the course of 2006 and the next couple of years, significant efforts for reorganization among private companies are expected, as well as M & A deals, both of which are expected to trigger a higher level of consulting work. The high profitability of the banking sector is also likely to trigger a significant increase in demand for consulting services by this sector.

The year 2005 was the "post-Olympics" year, which affected the level of demand because of the end of Olympics projects. Government work was lower than some years back, because of a lower level of Requests for Proposals published in the previous period. There is a new opportunity for development of consulting services in relation to the new legal framework for Public & Private Partnerships in financing development projects. The private sector continued to be hesitant for "soft" investments in consulting projects, and increased the pressure of connecting rewards with implementation results. This hesitancy started to change but the outcome will be translated into more work during 2006. Demand in the neighbouring regions, especially Eastern Europe, increased, and provided an opportunity many Greek firms were able to take advantage of because of their previous experience with the projects on local level and proximity in geographical and cultural terms.

In 2005 there has been increased pressure on rates, in both the public and private sectors.

In the public sector there has been an increased tendency to connect rewards with successful implementation.

In the private sector this has been a long-term trend. As a result of a period of widespread employment of highly qualified staff, which is now entering senior management positions in client companies, the profile of the private sector clients has changed in that they are now better able to define their needs and are more insistent on value-for-money.

The level of demand of the Greek market has still a long way to go to approach the EU average. In terms of turnover as a percentage of GDP, Greece has a very low ratio, as demand has been consistently low over the past few years. If Greece could manage to take certain specific actions, which are necessary to overcome the problems that cause this low demand, the potential of the local market is very high.

Hungary	
Total turnover (million euros)	251
Growth rate 2005	11.0%
Growth rate 2006 (p)	11.0%
Key service lines (%)	
Business Consulting	58.3%
IT Consulting	19.0%
Development & Integration	4.1%
Outsourcing	0.8%
Other services	17.8%
Key sectors	Public Administration, Energy & Utilities, Financial services
Export (%)	8%
EU	3%
Countries outside the EU	5%
Management Consulting firms	468
Large & medium size	28
Small Size	440
Number of consultants	3,600
Total staff	4,550

The market is polarizing between small-sized enterprises (niche-players) and very large players. The few medium sized companies that continue to exist in Hungary are newly established branches of international management consultancy companies. 2005 was the turning point for the supply-side as temporary partnerships/consortiums of niche-players were consolidated into sustainable clusters.

Most clients still invest cautiously in consulting services. The main growth factor was the simultaneous increase in demand for MC services related to reorganisation and IT infrastructures from in particular the Financial services, utilities and energy sectors. Sectors such as telecommunications, media and entertainment, consumer products, etc. (except for mobile communications and internet services) reacted to the uncertain business climate with a moderate, relatively reduced demand for management consultancy services.

Customer relationship management was expected to become a main driver in 2005, but in the end this did not materialize to the extent expected.

The public sector almost became the leading client sector in 2005, because of an increase in its activities and productivity

and a shift to a more customer-oriented attitude. At the same time the public institutions continue to constitute a market constraint due to the low level of aptitude in public procurement.

The steadily growing Hungarian economy is also an important driver. The new fiscal policy, which is a result of the convergence programme, is likely to have a positive effect on consumption in 2006. The business climate on the whole has not changed, but the microeconomic situation of clients has, as a result of the establishment of shared service centres and the availability of more added value services to business.

Smart sourcing is a general trend. The market no longer accepts the same level of prices, which has forced consultancies themselves to pay more attention to client relationship management and strategies for growth than to innovation of products or methods.

Consulting: Strategy Consulting is a well-developed service line and the dominant service line until 2004. This has now changed, with limited prospects of growth, except for the most advanced services. The public sector is still a major client for Strategy Consulting services.

Development and Integration: The market for ERP is well developed with continued strong demand from medium sized clients. CRM has great potential to become a new main area of demand, fuelled by the growing M&A activities in the region.

Technological Outsourcing: Hungary has competitive advantages with regard to other European Countries in the relocation process of (near- and/or off-shore) outsourced services, especially in the field of electronics manufacturing services or shared service centres (call centres, Financial services, etc.). BPO and R&D services have a great potential, however, they cannot measure up to the extremely good performance of manufacturing outsourcing services. The competitive advantage is due to a favourable mix of costs and performances, wages and competences and of a renewed supply chain based on innovative solutions and economies of scale. Corporations selling a priori on the domestic market have not yet fully utilized their outsourcing potential (except for particular IT, accounting and some HR related outsourcing).

IT projects: Many IT suppliers have, under pressure of the increased competition, invested in sophisticated solutions-based services targeted at certain market niches or SMEs. A need for increased operational effectiveness and optimized, reduced costs has increased the demand for IT hardware and software, but less for related IT consulting; the market share of the latter did not grow. Large corporations were enthusiastic about their investment in IT; however, this past year there was more consolidation of earlier investments, with the objective of measuring their effectiveness, than investment into new projects.

There was no remarkable change in client behaviour. Reduced budget-share for management consultancy services with limited ability to invest in long-term and sophisticated projects was the general trend. However, client-consultant relations appear to have become more personalised and longer, especially with regard to

the public institutions, but most contracts remain short-term. Clients are interested in the development of complex and solution-based services (“hypermarkets”) therewith consolidating the position of the large management consultancy companies. Clients are keen to understand the methods and processes and expect more transparency and measurable results from the service providers before agreeing on a price.

Quality is very important for the client. Certification could become more important as a result of more competence-based evaluations of consultants. However, quality will prevail.

The consolidation will continue to dominate the market in the months to come. New projects are limited to “smart” and short-term contracts and carefully deliberated, with a focus on business value.

The above-mentioned uncertain outlook of the public consumption and the new convergence programme of the government could affect the structure and priorities of the demand both ways.

Developments on the supply side and characteristics of the demand favour market concentration and the consolidation of the market leaders’ position, despite of continuous start-ups of management consultancies.

The market is likely to benefit from this concentration, as it will lead to a situation where only the best, most motivated and flexible consultancies will survive.

EU enlargement has led to the liberalisation of clients’ market and increased clients’ resources through subsidies and investment and has led to the emergence of public consumption. These are all gradual developments; it is hard to claim that the accession itself has changed the market in the short-term. It is possible that the accession will strengthen the position of the international networks as it may enable them to generate a higher turnover from the international trade of services. At the same time the new foreign direct investments could strengthen the position of the middle-sized enterprises through an increase in demand for value added (management consultancy and IT) services. Both developments, as well as the expected increase in competition are likely to affect the local management consultancy market.

Italy

Italy	
Total turnover (million euros)	2,000
Growth rate 2005	2.0%
Growth rate 2006 (p)	-
Key service lines (%)	
Business Consulting	61.0%
IT Consulting	1.5%
Development & Integration	0.0%
Outsourcing	3.5%
Other services	34.0%
Key sectors	Industry (machinery, consumer products), Public administration
Export (%)	20%
EU	15%
Countries outside the EU	5%
Management Consulting firms	3,000
Large & medium size	
Small Size	
Number of consultants	25,000
Total staff	-

2005 was marked by a trend of more medium and small/ big companies investing in consultancy services, although the market appears to be growing, the investment in management consultancy did not increase as much as in most other European countries as a result of the continuing economic crisis, the trend with client firms to internalize projects and the attrition rate of qualified staff due to the competition of other sectors.

The main drivers/factors for growth of the consultancy market were the internationalization, new technologies and further development previous projects.

Clients are giving more attention to results. There are more consultant-client partnerships.

Clients are more inclined to invest in new projects than to consolidate old projects, but resources for investment are very limited.

The continuing concentration of the market is regarded positively, as it will lead to greater transparency, professionalism and more frequent review and modernization of the processes. The EU enlargement is an important and favourable factor for the management consultancy sector in Italy although some fear that IT will relocate to other parts of the EU.

Norway	
Total turnover (million euros)	550
Growth rate 2005	10.0%
Growth rate 2006 (p)	-
Key service lines (%)	
Business Consulting	
IT Consulting	
Development & Integration	
Outsourcing	
Other services	
Key sectors	
Export (%)	
EU	
Countries outside the EU	
Management Consulting firms	-
Large & medium size	
Small Size	
Number of consultants	-
Total staff	-

The Norwegian market continues to be somewhat chaotic, with many different signals. However the general trend is positive and the optimism is back. The prime driver is the sound and stable growth in the economy. The Norwegian state is a rich and important client, but the oil/pension fund tends to invest most of its money outside Norway. Norway is selling raw materials (oil/gas/metals) at a high price on the international marketplace and is importing cheap mass products, gaining very low inflation and more money to invest than that there are projects. Low interest rates are a booster and combined with the general optimism, the willingness to invest is high.

A major constraint to MC development is caused by the fact that there are still many managers that like to "do it myself" or with other internal resources, leading to a slower reduction in the over-capacity in consultancies, which still exist from the slack years. Furthermore a number of important industrial companies were sold to foreign companies and as a result some of the purchasing power has moved abroad.

The Strategy Consulting market is very mature, but is again growing slowly. It may not reach its old peak, neither in size nor in numbers, for many years.

In **IT Consulting**, the public sector is a major driver due the requirement of more focus and efficiency. Many public IT- projects with perceived high potential have stranded over the years and made decision makers more careful. However, this feeling has eroded and several new projects have been initiated.

Norwegian companies have always been fervent IT users, but the purchased capacities and capabilities were often not fully utilized. During the slack years after Y2K, many companies have concentrated more on getting the full potential out of existing systems than investing in new ones. However, many of the old systems are no longer state of the art and pressure from competitors is now pushing many companies to invest again causing a big demand for IT services and a lack of IT professionals.

Technological Outsourcing is a developing market in Norway. The reason for outsourcing is not so much cost cutting as a concentration on the companies' core business and a wish for control of the IT cost, increased flexibility and simplicity. This market, which is at present dominated by 5 to 10 companies, is expected to grow, especially as the public sector is now also becoming a buyer.

Clients have become more professional over the past few years. The public sector, which is a major driving sector, is steadily becoming a better and more professional purchaser. The higher thresholds in the new procurement regulations have dramatically reduced the number of tenders to a more manageable level, where it pays to invest in a proposal. The MC market tends to be very personal and managers often select a consultant on recommendation. They tend to show more fidelity to individual consultants they know, than to the company these consultants represent. Since the last couple of years more SMEs are using consultants. Many large client organizations have set up internal consultancy departments.

A clear trend is the use of a "personal consultant" or executive coach. This market is immature and many newcomers have no business background. The "schools" push expensive certification programs, the trainers earn good money, but most new coaches are selling their services for very low prices.

A notable trend is that many small companies are bought or enter into close relationship with others and that networking is on the increase even by the medium sized and the larger consultancies. Competition and cooperation go more hand in hand than ever.

There has for several years been a reduction in fees in both the MC and IT sector in comparison to the development of general wages and the general income trends of the clients. This seems to have reached its turning point in 2004/05 and it is expected that prices will increase for both IT and MC services. However, because of the continuing over-capacity in many consultancies, this expectation did not yet materialize in 2005.

Poland	
Total turnover (million euros)	240
Growth rate 2005	10.0%
Growth rate 2006 (p)	9.0%
Key service lines (%)	
Business Consulting	
IT Consulting	
Development & Integration	
Outsourcing	
Other services	
Key sectors	Financial services, Telecoms, Public administration
Export (%)	
EU	
Countries outside the EU	
Management Consulting firms	
Large & medium size	
Small Size	
Number of consultants	
Total staff	10,000

The position of the major global management consultancies (4-5) continues to improve. They have started to set up outsourcing centres in Poland. The Polish market counts a large number of small companies, which will also continue to operate. These consultancies are likely to offer more standardised products, such as quality management systems and assistance with the preparation of EU tender applications, training programmes and the implementation of IT solutions in companies. Only a few larger local companies will be able to develop other competences.

It is expected that the demand for **Corporate Finance Services** and **Strategy Consulting** will increase as a result of the globalisation and the resulting increase in competition. EU consultancy, especially project monitoring, will also continue to develop.

The driving service lines are **IT consulting** and **Operations Management**, the driving sectors the Financial services, telecommunications and the public sectors.

The accession of Poland to the EU opened up a new, fast growing market for services co-financed by the EU for the design, implementation, monitoring and evaluation of projects.

These services are also provided to the private sector. However, due to extensive training programmes for employees (financed by the EU) and the fact that MBAs are becoming more widespread, clients no longer require basic consulting services and very often require, when employing consultants, measurable financial results.

There were no major issues that stood out in 2005. Poland experienced important economic growth. The increase in GDP was estimated at over 4%. This trend, together with the inflow of European Union funds, resulted in an increased demand for consulting and training services. It is difficult to assess this demand in detail, because there are no statistical data in this respect in Poland. Work for the public sector and for small and medium-sized companies appears to be on the rise. Demand for consulting services from large companies remained stable.

The increased number of projects stems from several sources: the economic growth (as indicated above), globalisation (causing a large number of mergers and takeovers) and an increased demand for consulting services, Poland joining the EU (increased means for companies and public sector to finance consulting services) and the progressive introduction of information technologies in both, the private and public, sectors.

Main constraints for growth were formed by the political situation (the parliamentary and presidential elections in the autumn decreased the number of contracts with the companies owned by the State of Treasury (especially in strategy and organisation consulting)).

It would appear that the largest demand concerns **IT development** and **Human Resources. Outsourcing** is gradually invading the Polish market. Outsourcing of accounting and personnel administration is most popular. IT department outsourcing comes third. IT outsourcing solutions were first implemented by large international corporations. Polish companies tend to be more conservative as far as outsourcing is concerned. Growth in traditional **Management Consulting** remains stable at 9.5% per year.

Client behaviour has changed in the last few years. Compared to the first years of consulting services in Poland, 1990-1995, clients now tend to prefer the design and implementation of solutions. Clients also pay more attention to whether consultants have a professional approach. Both quality and certification are important. Due to the fast process of 'client education', consultants have more of a task to remain well ahead of the clients' knowledge.

Price plays a very important role in particular in the case of public tenders, but also other clients seem to pay more attention to the price.

Consulting companies in Poland can be divided into two groups: the international/global players and the smaller, highly specialised consultancies. It is estimated that about 75% of the new market entrants work on specialised projects. Global companies are still leaders in the area of laying out strategies and developing IT solutions for large companies. Polish consulting companies tend to work mainly for middle-sized and small companies.

Human resource retention is an important issue for consultancies themselves, numerous small consulting companies are being set up by consultants who have left large consulting companies, including the multinational ones.

Management consulting plays very important role in the enlargement of the EU. Particularly now, when consulting companies not only answer to the demand of the public sector, but also create their own innovation projects co-financed by the EU for the benefit of the Polish economy and enterprise.

Portugal

Portugal	
Total turnover (million euros)	949
Growth rate 2005	-7.0%
Growth rate 2006 (p)	-1.0%
Key service lines (%)	
Business Consulting	28.0%
IT Consulting	14.0%
Development & Integration	9.0%
Outsourcing	15.0%
Other services	34.0%
Key sectors	Wholesale/retail, Industry (consumer products), Telecoms & Media
Export (%)	0%
EU	4.3%
Countries outside the EU	1.7%
Management Consulting firms	4,250
Large & medium size	450
Small Size	3,800
Number of consultants	9,400
Total staff	11,450

Last year was once again a slack year for the Portuguese management consultancy market. The economic growth was close to zero and, as a consequence, the demand for consulting services was lower than expected. There is a widespread lack of confidence in the country's economic recovery, which leads to a shortfall in investment and consumption. In addition the consultancy market is suffering from lower margins and delays in payments.

The clients interested in traditional consulting services are very demanding and look for fast results. Competition is very intense; companies need to be competitive and productive in order to succeed. **Development and Integration** services represent only a fraction of the market. Demand for these services is increasing due to growing competition and low consumption growth. Demand for **IT Services** also continues to increase.

Clients are more demanding with regard to the quality of the consulting services and at the same time they expect quick and easy solutions. Clients' priority is still project consolidation, as companies have little confidence in the near future they concentrate on their current activity.

Romania

Romania	
Total turnover (million euros)	200
Growth rate 2005	20.0%
Growth rate 2006 (p)	20.0%
Key service lines (%)	
Business Consulting	35.0%
IT Consulting	15.0%
Development & Integration	5.0%
Outsourcing	5.0%
Other services	40.0%
Key sectors	Public administration, Energy & Utilities
Export (%)	20%
EU	10%
Countries outside the EU	10%
Management Consulting firms	480
Large & medium size	30
Small Size	450
Number of consultants	2,500
Total staff	-

The Romanian market is warming up. The role of the sector is increasing rapidly as the term "consulting" is covering a growing array of professional services. Major international management consultancies are entering the market. The concentration process has not yet started; the local market is still highly fragmented.

The main drivers for growth of the consultancy market were the economic growth and stability, the inflow of foreign investors and the imminent European Accession.

Major constraints were the still low demand for consulting services and the high levels of bureaucracy and corruption. Clients do tend to accept higher fees in return for tangible and good quality results.

The traditional Consulting Services (strategy, organisation, process re-engineering, change management, etc.) are still maturing. Local consultancies have started venturing themselves in this market. The Development and Integration market is already better developed, but dominated by systems integrators and large multinational IT companies. The Technological Outsourcing market is driven by internal initiatives

of large European and North American giants. The IT Consulting market is driven by the need for a productivity increase and control as local companies are keen to profit from the market boom and solutions roll outs initiated by mother companies located outside Romania.

Slovenia	
Total turnover (million euros)	120
Growth rate 2005	8.9%
Growth rate 2006 (p)	8% to 10%
Key service lines (%)	
Business Consulting	75.0%
IT Consulting	3.0%
Development & Integration	12.0%
Outsourcing	2.0%
Other services	8.0%
Key sectors	Public administration, Telecoms & Media, Industry (consumer products)
Export (%)	9%
EU	6%
Countries outside the EU	3%
Management Consulting firms	885
Large & medium size	50
Small Size	835
Number of consultants	1,800
Total staff	2,085

The first half of 2005 the market development was rather flat. Political changes and several changes in client companies' top management caused a delay in demand.

Increased competition led to an increased demand for management consultancy services during second half of the year. However, a growth rate of almost 9% on average was reached in 2005.

Management consultancy was characterized by specialization on one hand and closer co-operation of management consulting firms on the other. There was an increase of management consulting activities in relation to EU projects and funds, as a result of the accession to the EU.

Factors for growth were the relatively stable macroeconomic environment, the full membership of the EU, the increased rate of consulting projects on the foreign market; the high quality of consultancies services; increased demand for consulting concerning EU project and funds; successful small firms with high growth rate create a new important client sector; an increase in public investment in some sectors; more stability and therefore more development in South East region (Southern Balkans) and its approach to EU.

The main constraints to growth were the slack national economy during first half of the year; the crises in local major enterprises (changes in leadership and ownership of enterprises); the small national market; the fact that a large part of the public sector still does not feel the emergency of rationalization and reorganization; the lack of trust in smaller management consultancy firms; consulting is still considered as a cost, not an investment; some firms are still counting on national supporting schemes and they have not yet developed a sense for more aggressive behaviour in face of competition.

In general, all areas of management consulting are growing, due to the fact that clients are at different stages of development and they demand specific consulting services/ solutions only when they reach a certain level of business performance, growth etc. Demand structure reflexes clients' maturity. EU expansion has had a double positive effect in that there is more interest in internationalisation from domestic firms (increased competition from abroad – globalizing firms have special needs, a lot of restructuring, re-positioning, etc.) and there is more demand from international firms seeking to invest in Slovenia as well, and thereby looking for local consultants. New markets offer new opportunities. New types of management consulting services are developing.

The market is still very fragmented. The level of maturity depends on individual perception, as it is difficult to get a clear impression of the whole market.

Traditional Consulting appears to have reached an average level of maturity; trends go towards more and more tailor-made projects and solutions. Clients are more aware that strategies have to be developed "from the inside" and based on proper key competences. Strategy means to develop "ones own way of management" in all business process segments and on all levels of HR. This service line has not yet used all the possibilities -innovative approach, new tools, IT support- to build a complete, integral service. IT consulting is growing and is expected to continue to do so.

Development and integration: CRM projects will continue to grow; they are still very immature.

ERP projects have reached a higher level of maturity and lower growth rate is expected.

BPO is at a low level of development but will grow yet. Outsourcing of the management of big systems and application services has only begun to develop. Much more developed is IT service management. Offshoring as an alternative for big development projects is not yet significant.

IT projects: Most large clients have implemented large IT projects over the past few years. Remaining work relates to specific business function/process development. Medium and smaller firms are becoming more important clients for IT projects, but their value is of course, much more limited.

Clients are becoming more professional, more demanding and more competent.

They now take the responsibility for their own part in the assignment. After a period of shorter and smaller projects there is a new trend towards a re-establishment of some long-term partnership with clients, although short-term partial projects are still dominating the market. Fees are still under pressure. A fair share of companies selects its consultants via the internet.

The management consultancy market is going through some sort of restructuring, many smaller consultants are closing shop, but at the same time there are many newcomers. Networking, co-operation and integration on the other hand are rapidly developing. Innovation, development of new services, closer relationships, high quality and top performance will be of the utmost importance for the future.

Spain

Spain	
Total turnover (million euros)	6,894
Growth rate 2005	11.2%
Growth rate 2006 (p)	9.6%
Key service lines (%)	
Business Consulting	12.0%
IT Consulting	11.0%
Development & Integration	41.0%
Outsourcing	35.0%
Other services	1.0%
Key sectors	Financial services, Telecoms & Media, Public administration
Export (%)	0%
EU	11.0%
Countries outside the EU	9.0%
Management Consulting firms	-
Large & medium size	
Small Size	
Number of consultants	-
Total staff	82,000

The Spanish management consultancy market showed again above average growth, causing it, in terms of total turnover, to qualify as the third largest market in Europe.

The market, as in previous years, continued to concentrate largely on the local market. 80% of the turnover is derived from activities on the local market; 11% came from activities in other European markets and 9% from markets outside Europe, mostly South American. However, a comparison to 2004, when these markets accounted for 84.3%, 9.2% and 6.5% respectively, demonstrates that the sector is internationalizing.

Development and Integration represent 41% of the market, which is the largest market share. This service line grew in 2005 by 2%. Most work concerns systems development (74%) whereas development and integration accounted for 26%.

Outsourcing comes with 35% second, and was the most dynamic service line, registering 4% growth. Technological Outsourcing accounts for the larger part, 54%, systems management came second with 33% followed by BPO, with 13%.

Consulting Business consulting, with a market share of 23%, it is a line of business with good prospects for growth in 2006.

IT consulting represented 52%, whereas Business consulting

represented 48% of the total consulting turnover in 2005. The latter was divided over Operations management (53%) Strategy and Organisations Management (34%) and Change management (13%)

Other consulting services represented a mere 1%, half of which can be attributed to Executive recruitment.

For 2006 an overall growth of 9.6% is expected.

The main driver of demand continued to be the Financial services sector, accounting for 24% of total demand, second ranked the Telecommunications sector, with 17%, third, Public administration, with 14% and fourth, manufacturing, with 10%. Demand from other sectors was more fragmented. Two groups can be distinguished: one that includes sectors that accounted each for 7-10% of demand, which includes the utilities and the transport sector, and one that includes sectors that each accounted for less than 5%, which includes distribution, healthcare, energy, trade, media & publicity, high tech and pharmaceuticals. Demand from the pharmaceutical, trade, media & publicity, financial services, healthcare, high tech and public administration sectors is expected to grow in 2006.

Switzerland

Switzerland	
Total turnover (million euros)	730
Growth rate 2005	10.0%
Growth rate 2006 (p)	5.0%
Key service lines (%)	
Business Consulting	30.0%
IT Consulting	MC+ITC
Development & Integration	70.0%
Outsourcing	0.0%
Other services	0.0%
Key sectors	Financial services, Industry
Export (%)	
EU	
Countries outside the EU	
Management Consulting firms	600
Large & medium size	40
Small Size	560
Number of consultants	3,100
Total staff	3,700

Since 2004 the MC industry is growing again, the main drivers are the need for innovation, M & A, globalization and the growing demand from the Asian market.

Clients are still squeezing fees; experience is very important; assignments are becoming larger.

Client companies are expected to do both, consolidate projects as well as invest in new ones, with a preference for the latter.

The Swiss market continues to concentrate with the 20 largest firms now representing over 70% of the market; however there are still many opportunities for smaller firms.

In general, the image of the profession, which was very bad in 2002, has considerably improved.

United Kingdom

United Kingdom	
Total turnover (million euros)	18,008
Growth rate 2005	26.6%
Growth rate 2006 (p)	-
Key service lines (%)	
Business Consulting	41.2%
IT Consulting	10.4%
Development & Integration	11.0%
Outsourcing	37.4%
Other services	0.0%
Key sectors	Public administration, Financial services
Export (%)	8%
EU	4%
Countries outside the EU	4%
Management Consulting firms	-
Large & medium size	
Small Size	
Number of consultants	-
Total staff	-

2005 was characterized by strong growth – fee income from MCA members grew by 25% on a like-for-like basis and a ‘renaissance’ of MC services (up by 43%, compared to 11% in 2004); by contrast outsourcing grew by 15%. Financial services – always an important market for UK consulting firms – was the biggest growth sector as a result of government regulation and the need to resolve long-standing operational issues. In the public sector, the government’s drive to modernize government and improve the quality and efficiency of the public sector has created a significant skills gap – consultants are being brought in to supply specialist knowledge and provide the momentum in large-scale projects. Higher levels of business confidence and corporate profits have meant that companies are more willing to hire consultants to try and resolve a problem than simply offload it to an outsourcing company. Many firms report that the main constraint to growth is lack of the right kind of people. However, many are also concerned that, because the industry has not been able to articulate the value of its services clearly, some consulting services are being increasingly regarded as commodities.

Consulting is growing again after several difficult years; most growth is in process re-engineering, change management and operations; however, strategy and human resources consulting also grew.

Development and Integration: Demand for systems development fell in 2005 after a very strong performance in 2004. This may be because there had been a pent-up demand for technology reinvestment after two years in which IT budgets were very tight; however, this trend may also reflect the fact that more of this work is being done by offshore companies.

Technological Outsourcing: Levels of outsourcing in the UK remain high, even though the rate of growth is dropping. The public sector is showing increasing willingness to outsource, but other, private sectors are more mature and demand has plateaued here, perhaps because the majority of big deals have already been signed, perhaps because the processes now being outsourced are more fragmented and complex.

IT projects: As above.

The power of centralized procurement functions continues to be a problem for many members. While some more matured and experience procurement teams have adopted a sophisticated approach to purchasing consulting, many more make their selection solely on the basis of price. As a result, prices have remained static, despite rising demand. There is increasing evidence of corporations using e-auctions as a means of purchasing consulting services, something which most consulting firms see as increasing the extent to which consulting is wrongly regarded as a commodity.

There is still plenty of evidence, so far as IT is concerned, that clients are looking to get better value for money from their existing systems rather than invest in new ones. However, an increasing number of consulting projects are looking at revenue-generating ideas and new opportunities.

The proportion of work done by UK consultants overseas went up in 2005, for the first time in a decade. UK consultants have found it difficult to compete in Europe because fee rates were higher than those overseas; that the proportion of overseas work is raising is evidence that the UK has acquired specialist skills (particularly in outsourcing and privatization) which is of value to other countries now going through similar waves of activity.

Most firms are very confident about 2006.

Appendix

About FEACO

The European Federation of Management Consultancies Associations

FEACO, the European Federation of Management Consultancies Associations, was established in 1960 in Paris. In these days of ever-increasing numbers of consultants in the business service sector, offering a growing array of services and advice to management, there is a clear need for the client to be able to distinguish the qualified professional management consultant. Membership of a national association federated to FEACO requires compliance with Guidelines for Professional Conduct and Best Practice, to assist the client in making the right choice.

In January 1991, FEACO established its operational office in Brussels to develop its relations with the European Union and other international organisations. The Federation now counts 24 national member associations:

- 17 from the European Union: Austria, Belgium, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Poland, Portugal, Slovenia, Spain, Sweden and the United Kingdom;
- two from EFTA: Norway and Switzerland;
- two from Central & Eastern Europe: Bulgaria and Romania;
- two associate members: Bosnia & Herzegovina and Croatia;
- one affiliate member: Hong Kong.

Objectives

FEACO is primarily a European organisation. Its general purpose is to assist in the promotion and development of the profession of Management Consultancy in Europe by providing support to its constituent National Association membership in those areas where a collective voice is stronger than the sum of its individual members.

The main objectives are: the promotion of networking, internationalisation, best practice and business integrity, the communication of developments of relevance to the sector on EU level, and the promotion and representation of the sector on EU level.

Main Activities

Its main activities are:

- The development of the Management Consultancy market, raising its image and profile at European and international level, by the promotion of common professional ethical and quality standards (Best Practice).
- The promotion of the interests of Management Consultancy with the different European and International organisations, by maintaining a close relationship with the European Institutions and other pan-European and international organisations in order to ensure an awareness of and defend professional interests (this does not include lobbying for sales opportunities).
- The development of a dynamic forum for networking and service provision, by encouraging networking by members and between members' members, through the sponsorship and organisation of conferences, meetings and the establishment of mutual interest working groups, and through close cooperation with other consultancy organisations.

Members of the Executive Committee of FEACO (ExCo):

- Mr. Antoine Beuve-Méry, Chairman (ASCOBEL, Belgium)
- Mr. Janko Arah, Director (AMCOS, Slovenia) (for the Central & Eastern European countries)
- Mrs. Laura Arsenis, Director (SESMA, Greece)
- Mr. Gil Gidron, Vice Chairman & Honorary Chairman (AEC, Spain)
- Mrs. Else Groen, Secretary General
- Mr. Peter Hill, Director (MCA, UK)
- Mr. Jean-Luc Placet, Vice Chairman (Syntec Management, France)
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