

The results of the 2012-2013 Annual Report on Management Consulting in Italy

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I. Introduction

II. Overview on Management Consulting in Italy

III. Management Consulting in 2012

IV. Overview on Recruitment, Selection and Outplacement in Italy

V. Emerging trends in Management Consulting

- The fourth edition of the report on Management Consulting in Italy has been built into three paths of research:

Quantitative analysis on the population	Quantitative survey	Qualitative interviews
<ul style="list-style-type: none"> ▪ Data from Italian Statistics Institute (ISTAT) ▪ Data from Chambers of commerce 	<ul style="list-style-type: none"> ▪ Preparation of a survey ▪ Collection and analysis of 150 questionnaires 	<ul style="list-style-type: none"> ▪ Interviews with key industries players



- *Overall market size*
- *Number and dimension of the companies*
- *employment*



- *Business composition*
- *Customers base*
- *Pricing*
- *Trend and qualitative data*



- *Restructuring*
- *Tactical responses*
- *Strategic responses*

What is (and what isn't) Management Consulting:

		Includes	Does not include
Activities	Strategy		Information system development
	Corporate finance		Outsourcing
	Management and control		Public relations
	Risk management and compliance		Communication
	Organization and Human Resources		Legal and tax advice
	Training		
	Marketing e sales		
	Operations		
	ICT consulting		
Players	Includes	Does not include	
	Companies that are focused mainly on Management Consulting services	Software/ hardware vendor	
		Individual professionals	

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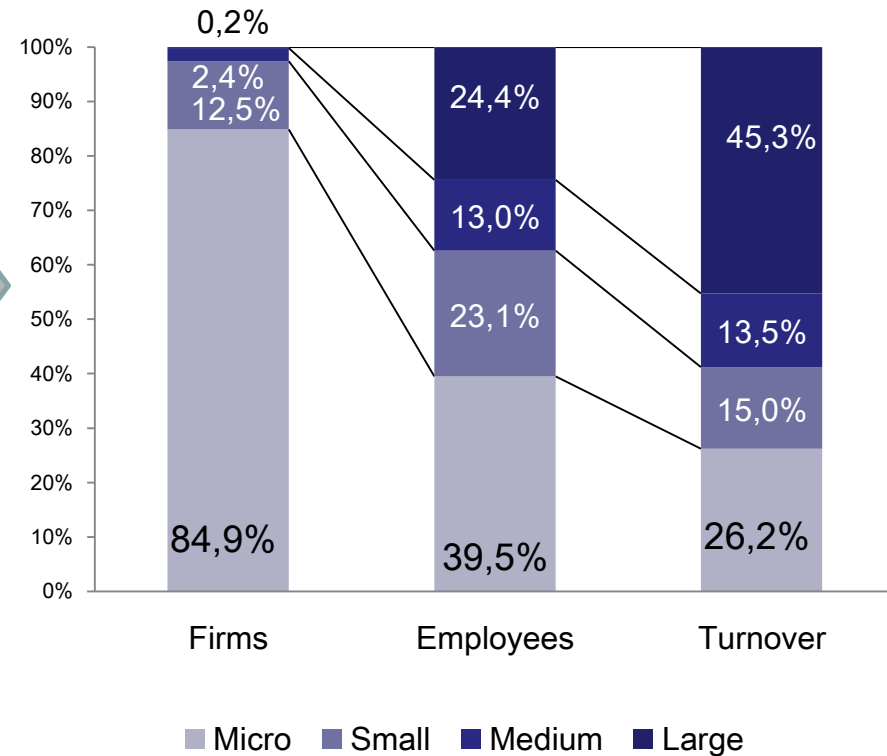
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- Management Consulting in Italy: a relatively small and fragmented market

Structure of the Italian market by firms size

Companies size	Firms	Employees	Turnover (mln €)
Large (>49)	35	8.303	1.427
Medium (10-49)	440	4.422	425
Small (3-9)	2.240	7.858	471
Micro (<3)	15.285	13.461	825
Total	18.000	34.044	3.148

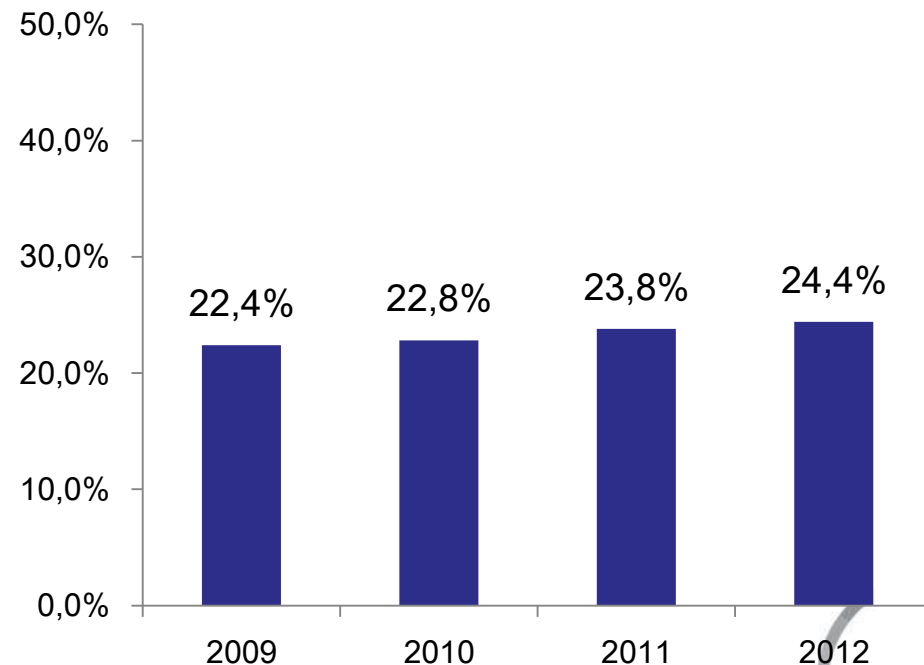
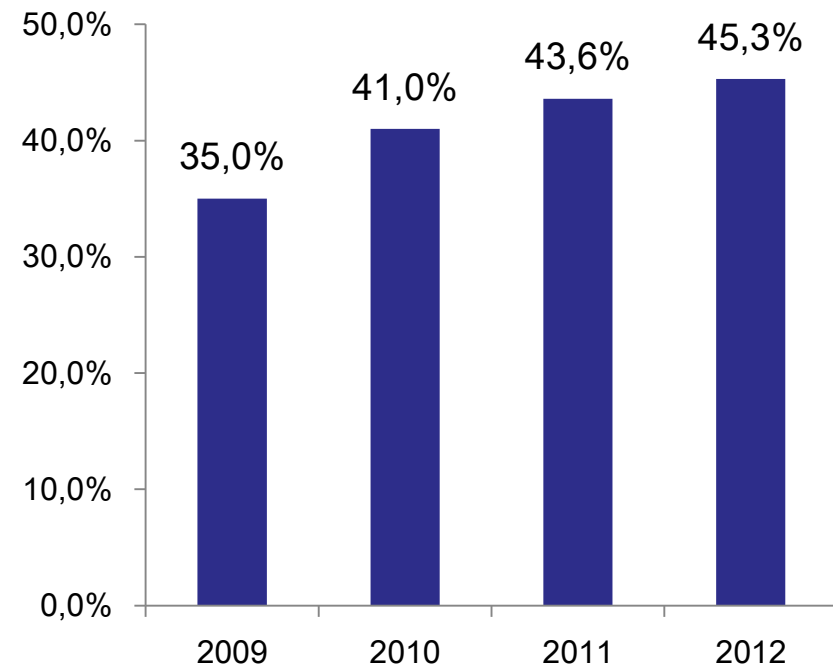


- MC industry, while still fragmented, is getting towards and greater concentration

Large companies turnover and employment from 2009 to 2012

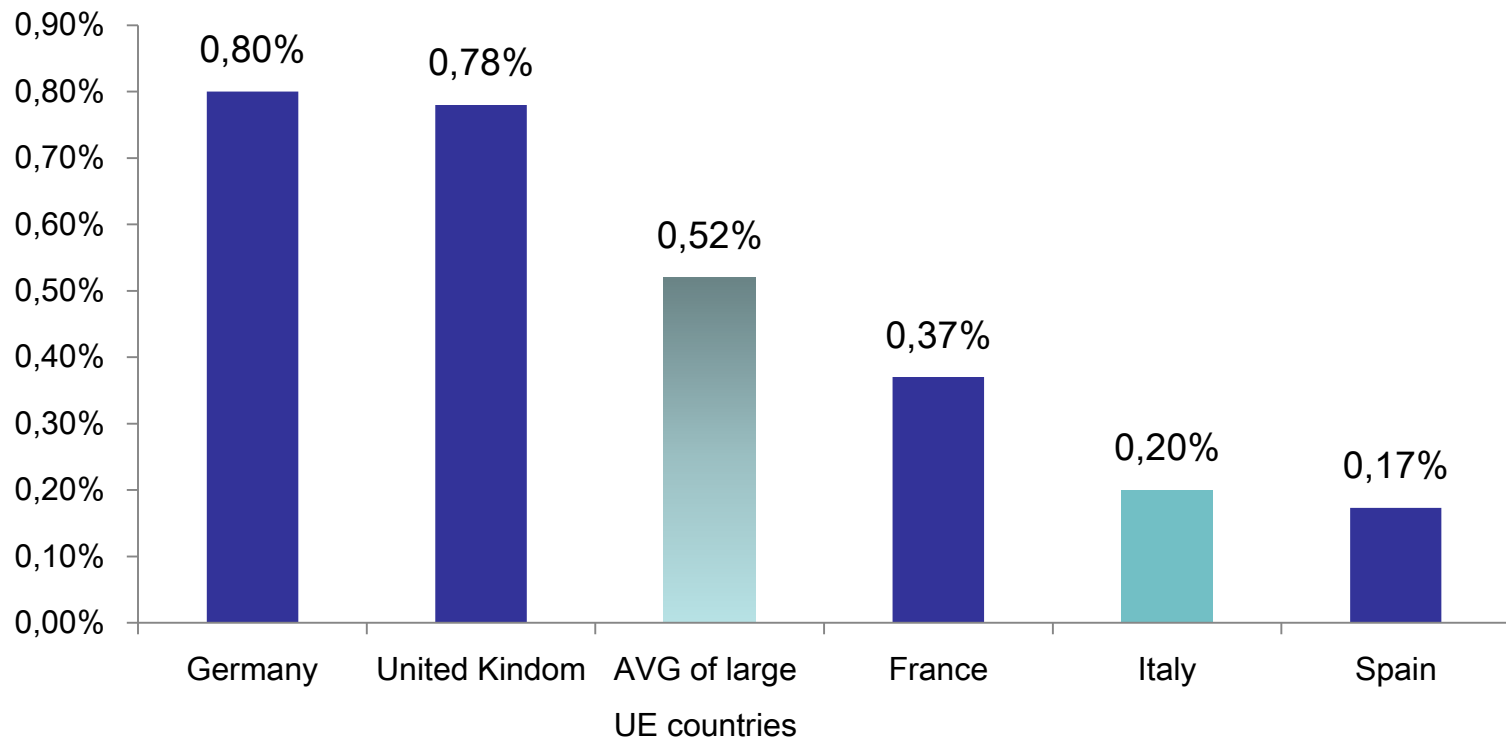
■ Turnover

■ Employees



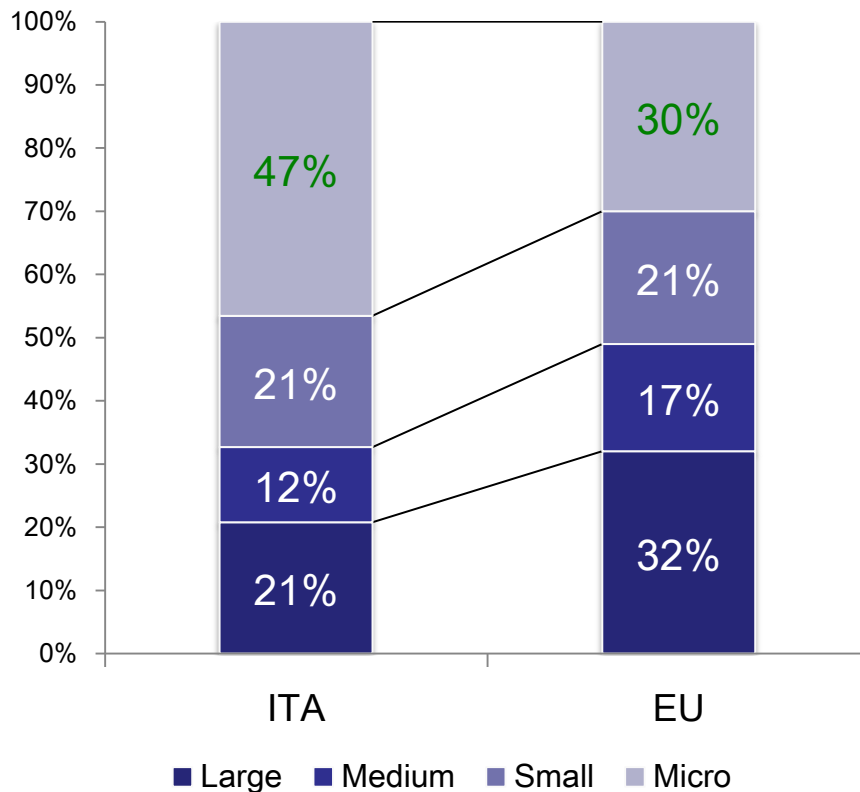
- MC share of national GDP is far lower than other major countries in Europe

MC turnover over the National GDP (in %)

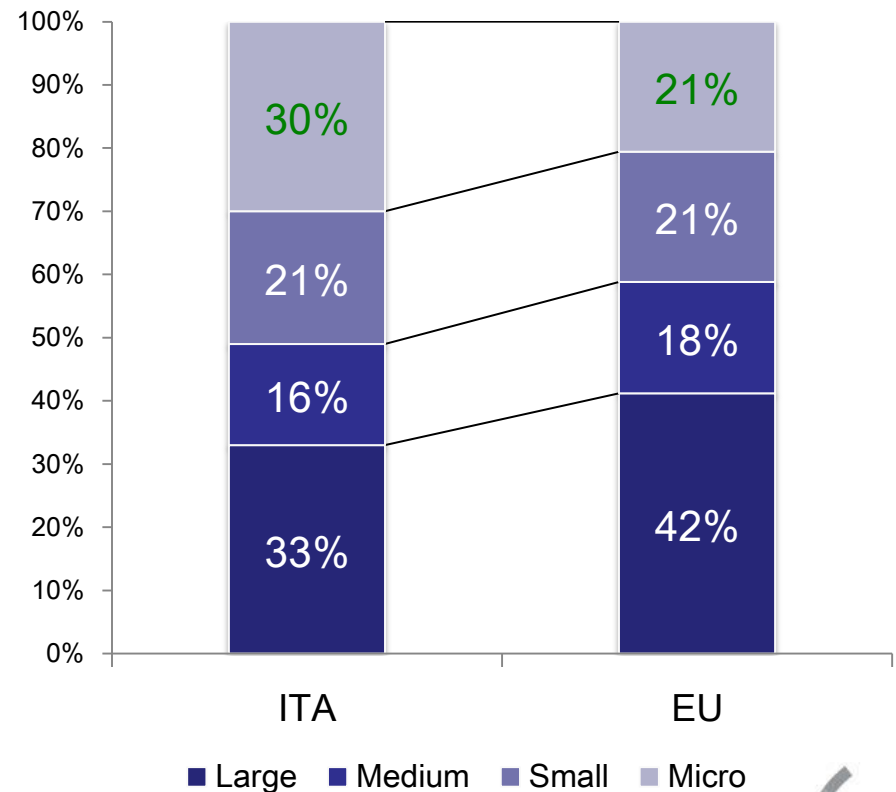


- The structure of the Italian economy, with a dominant presence of SMEs, it is the leading cause of fragmentation ...

Distribution of employees by firm's size
Italy-EU comparison

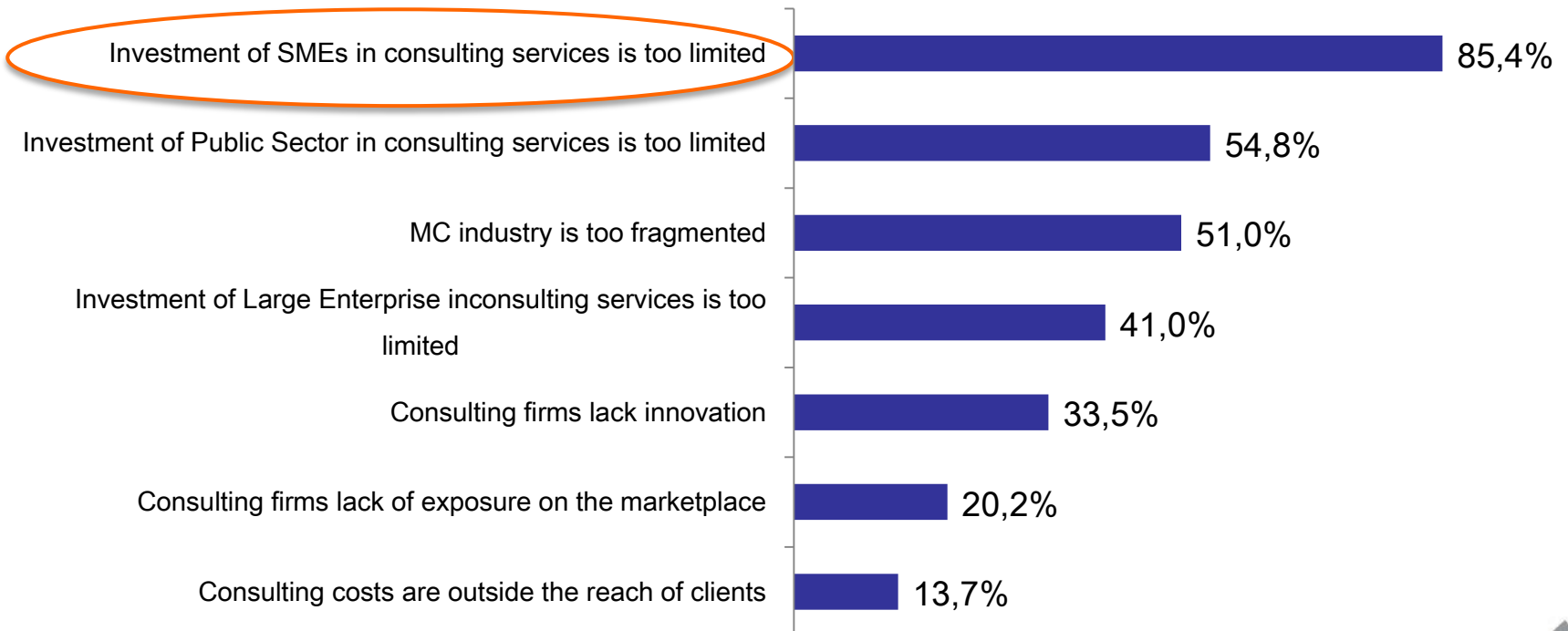


Distribution of value added by firm's size
Italy-EU comparison



- ... and seems to be driving the limited role Management Consulting plays in the Italian economy

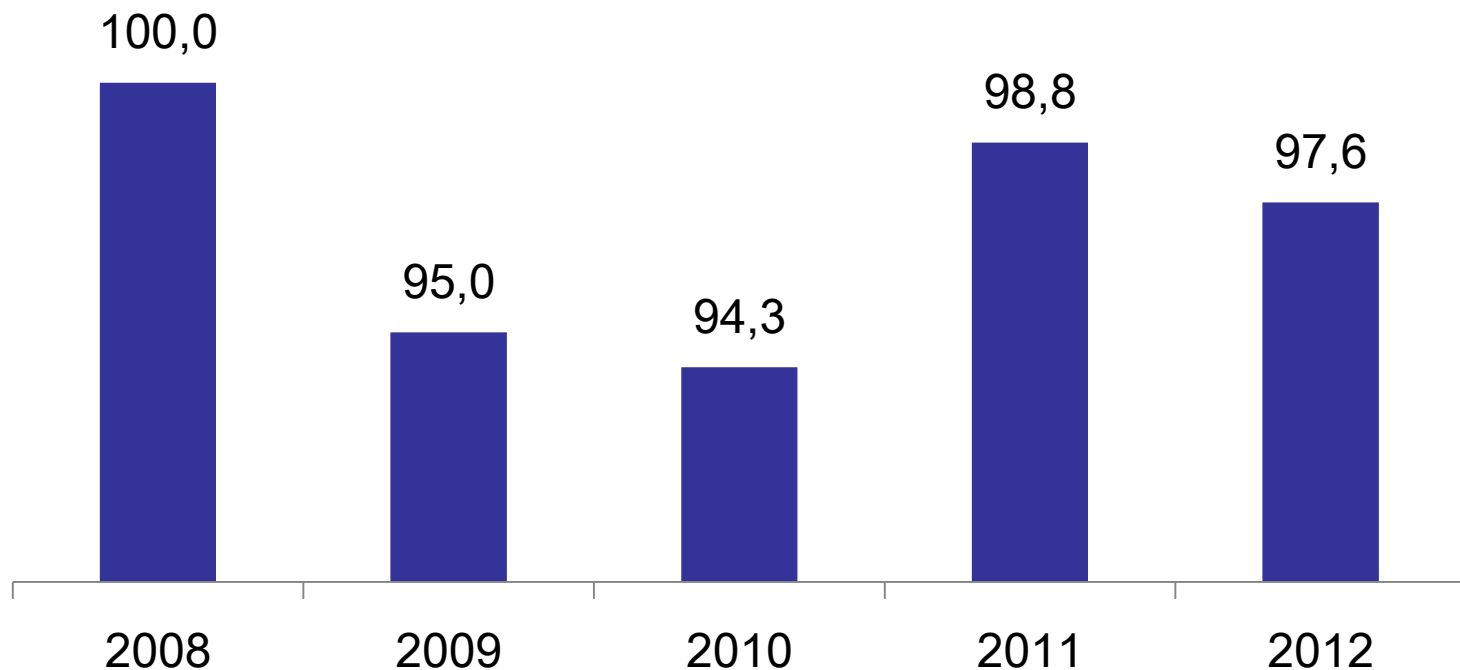
“What hampers growth of MC in Italy?”
% of respondents who rated the factor “very important”.



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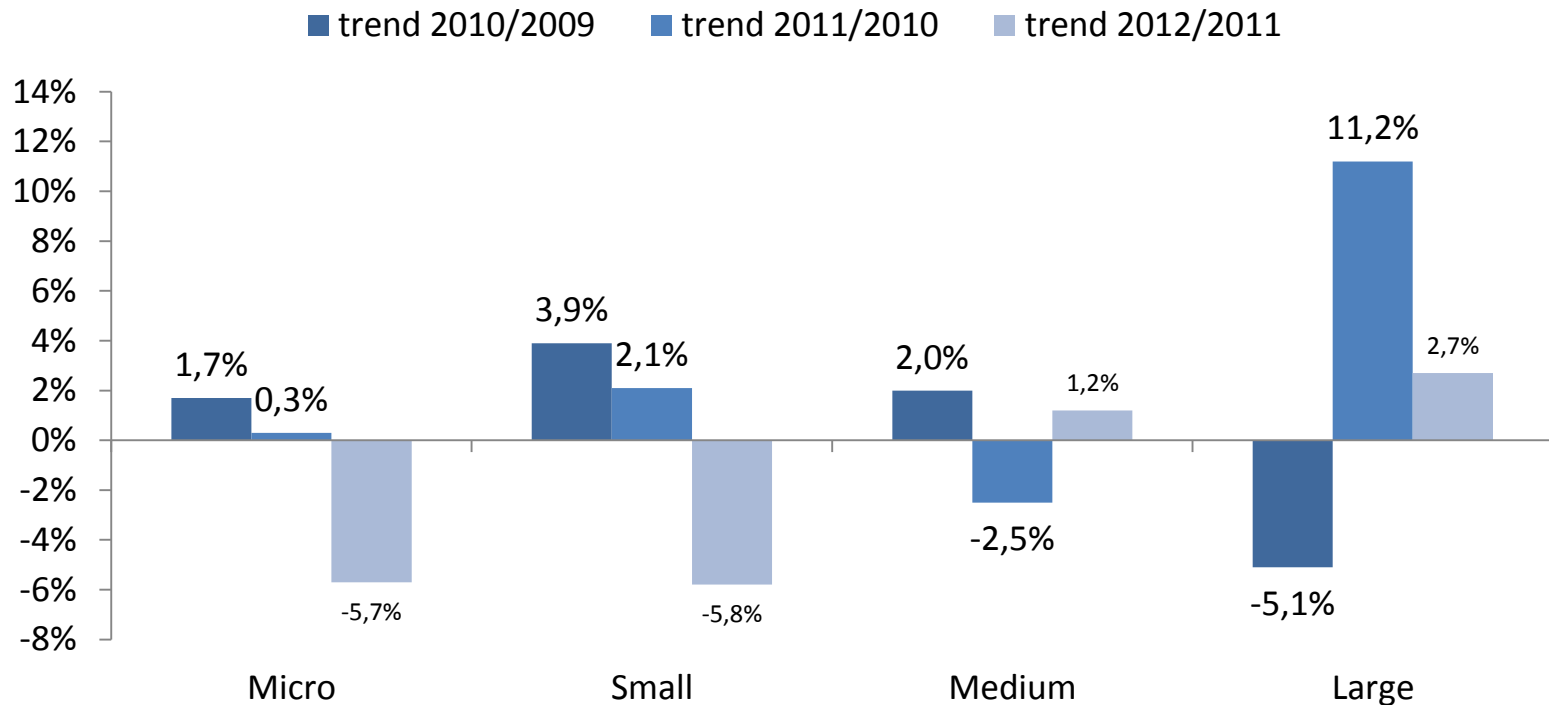
- In 2012 turnover is equal to roughly 3.150 Mil €, with a 1,2% decrease with respect to 2011... and still below the 2008 level.

Evolution of MC turnover in Italy from 2008 to 2012
(base index number 2008 = 100)



- The decrease is mainly due to small and micro firms

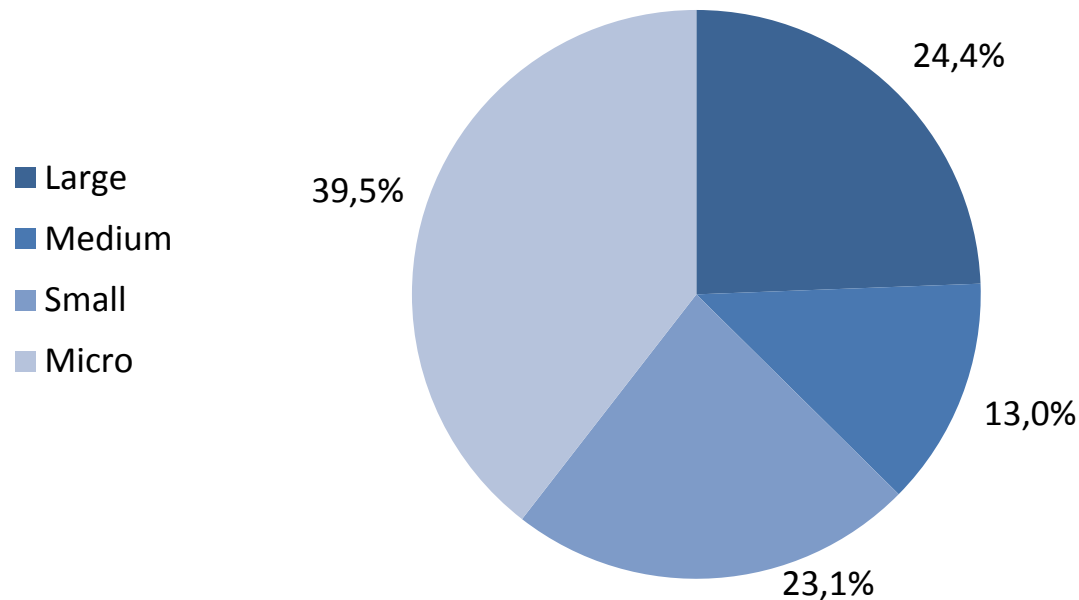
Average trend in management consulting turnover in the last 3 years



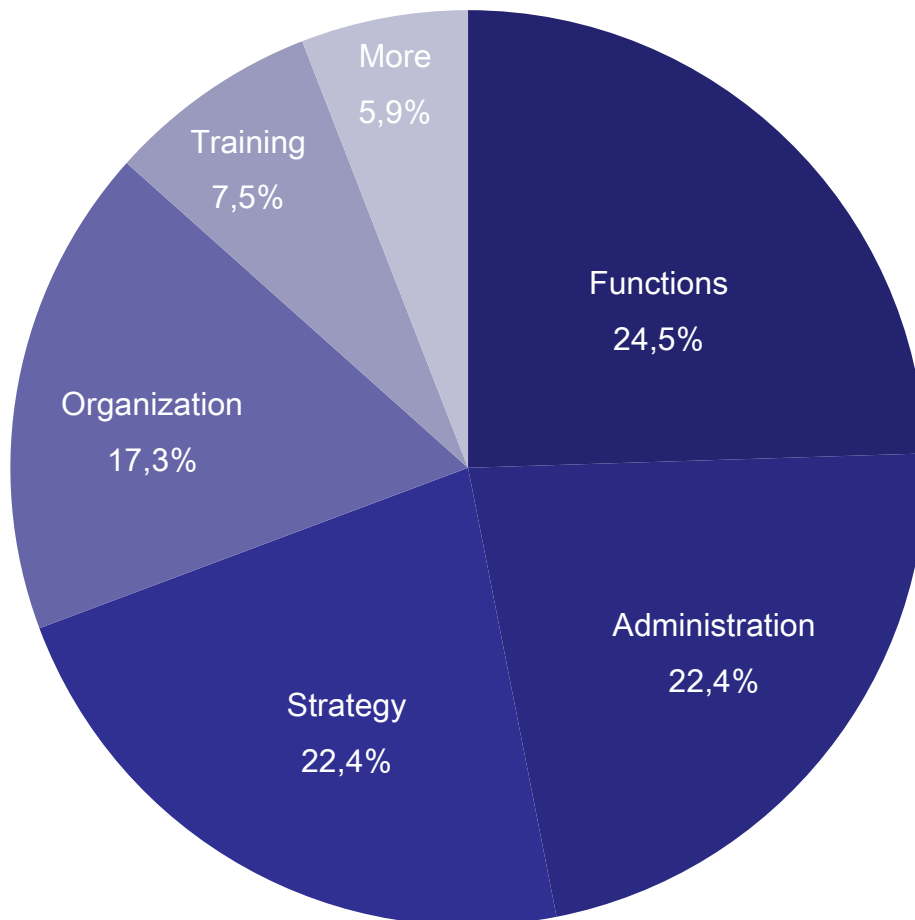
- In 2012 the MC industry employed over 34.000 people:

- with an increase of 2,1% over 2011
- 83% are professionals
- 24,4% works in large companies

Distribution of employees by firm size



Turnover MC by area of specialization

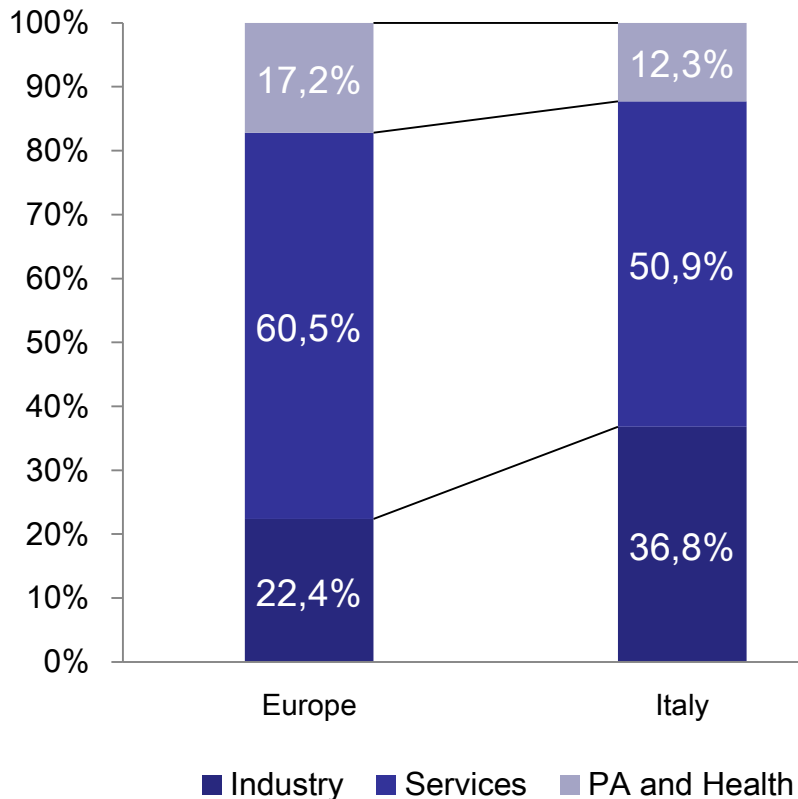


During 2012 there has been :

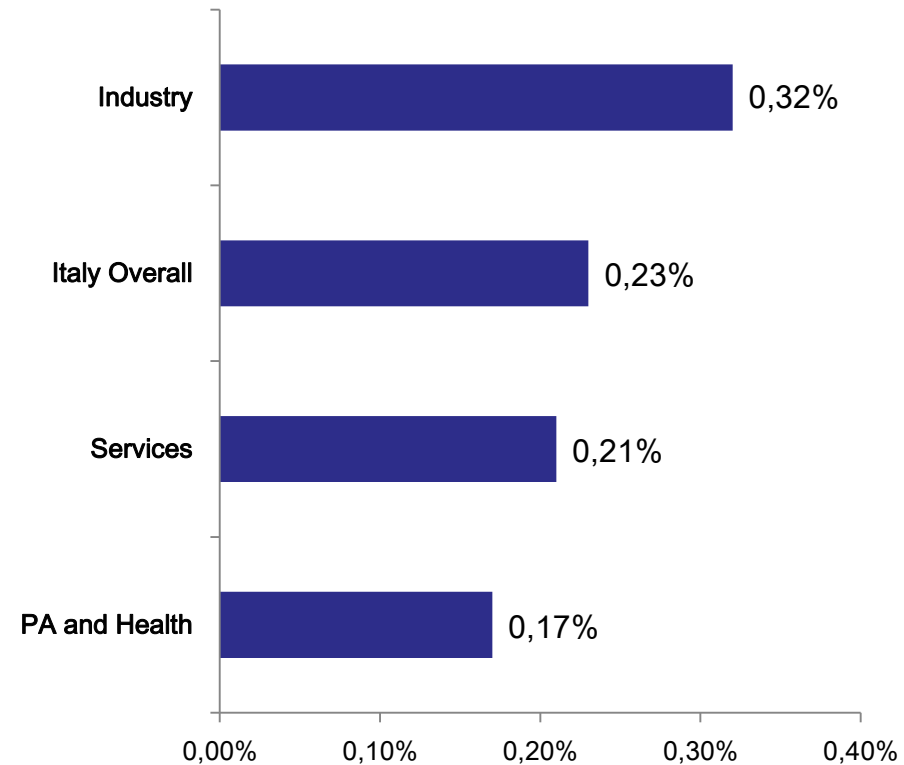
- An increase in the “strategy area”, driven mostly by large firms.
- A stability in the “functional areas” of IT and operations as well in “administration”
- - A reduction in the “organization and training” area, driven mostly by medium, small and micro firms

- Compared to the European benchmark, in Italy, the MC is very active in the Manufacturing sector but is poorly developed in the Public sector and (to a lower extent) in the Services, as confirmed by the value added share

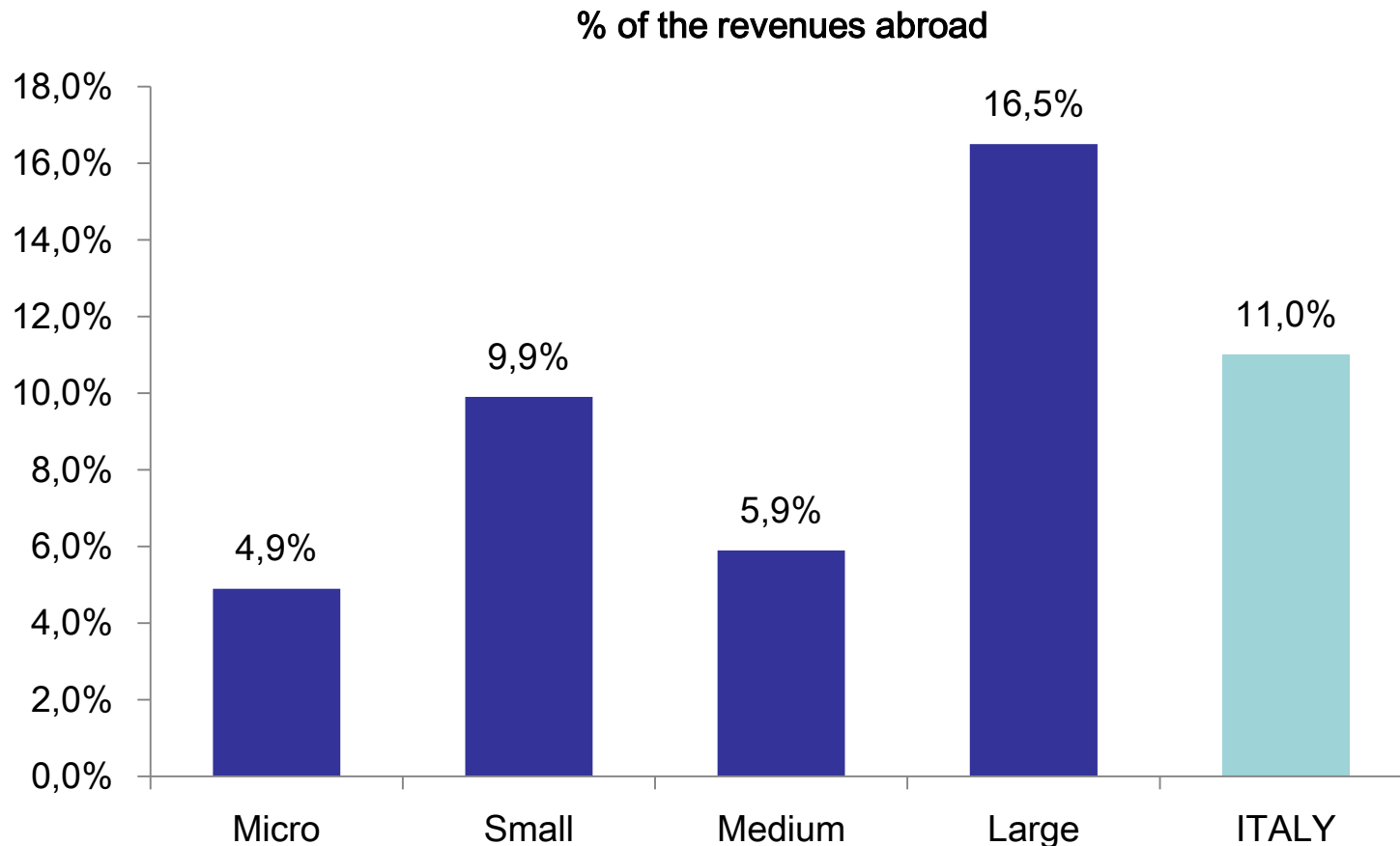
Turnover MC for macro sectors comparison with the major European countries



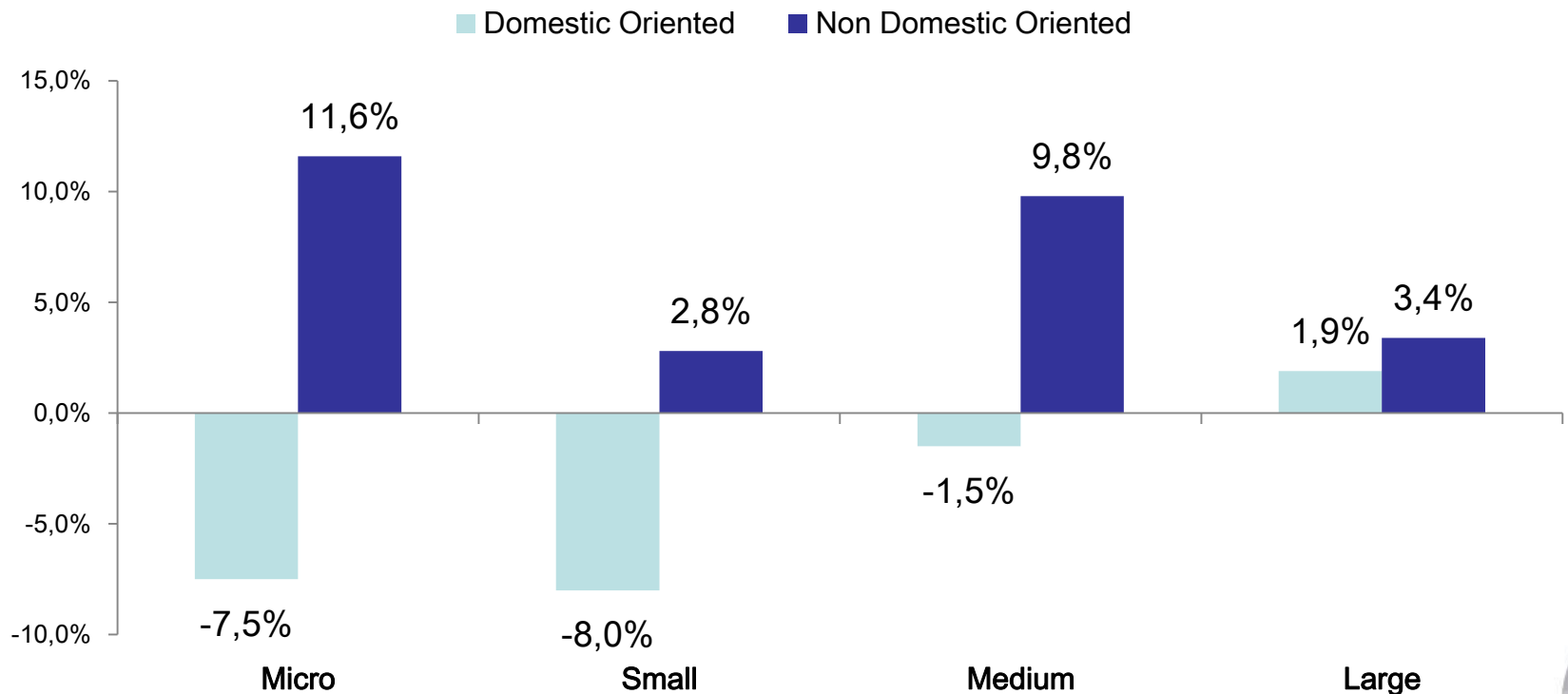
Share of MC on the value added by macro sector



- The level of MC internationalization increased from 10,4% in 2011 up to 11% in 2012.

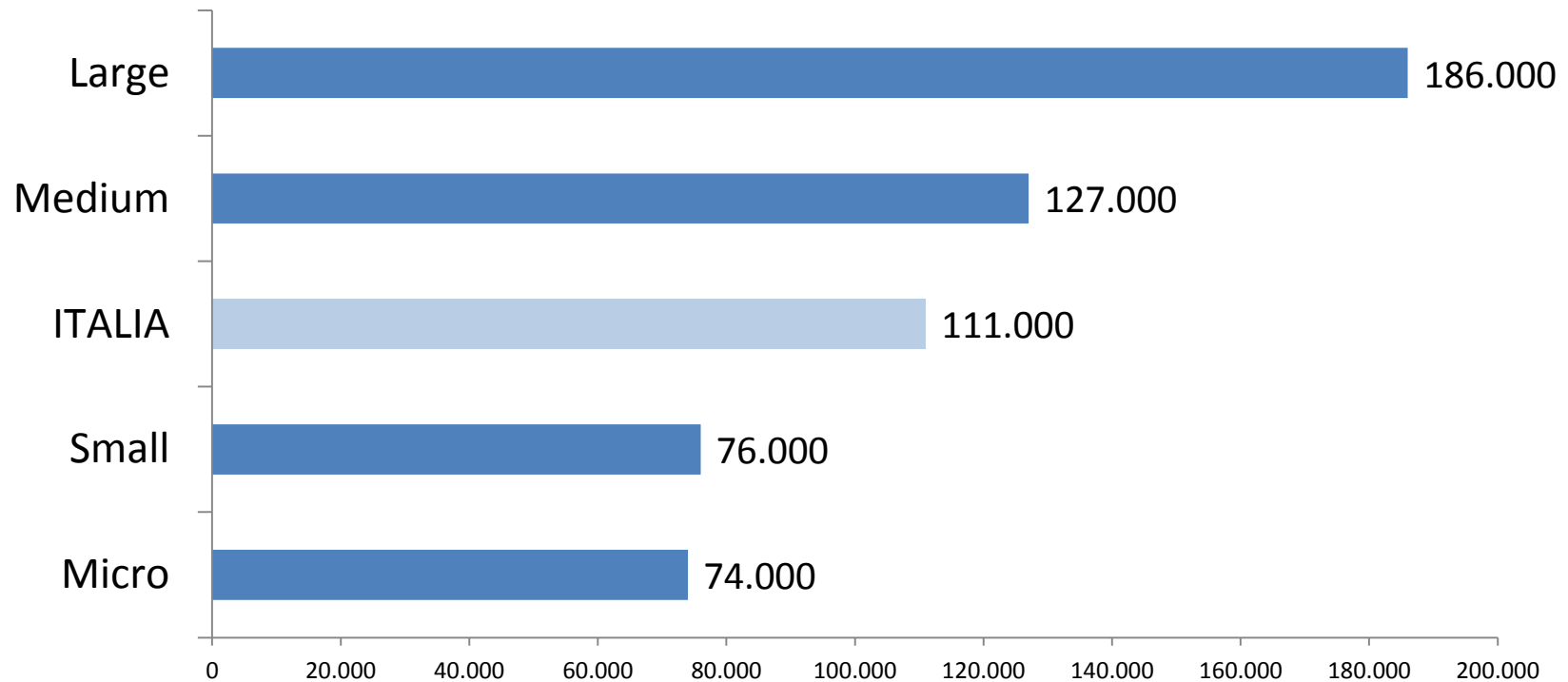


- Almost all companies that have international assignments/customers report an increase in turnover (+5% on average), while pure domestic firms suffer an above average reduction in total turnover (-5,4%)
- Internationalization has been an important leverage for counterbalancing the decline of the Italian domestic market.



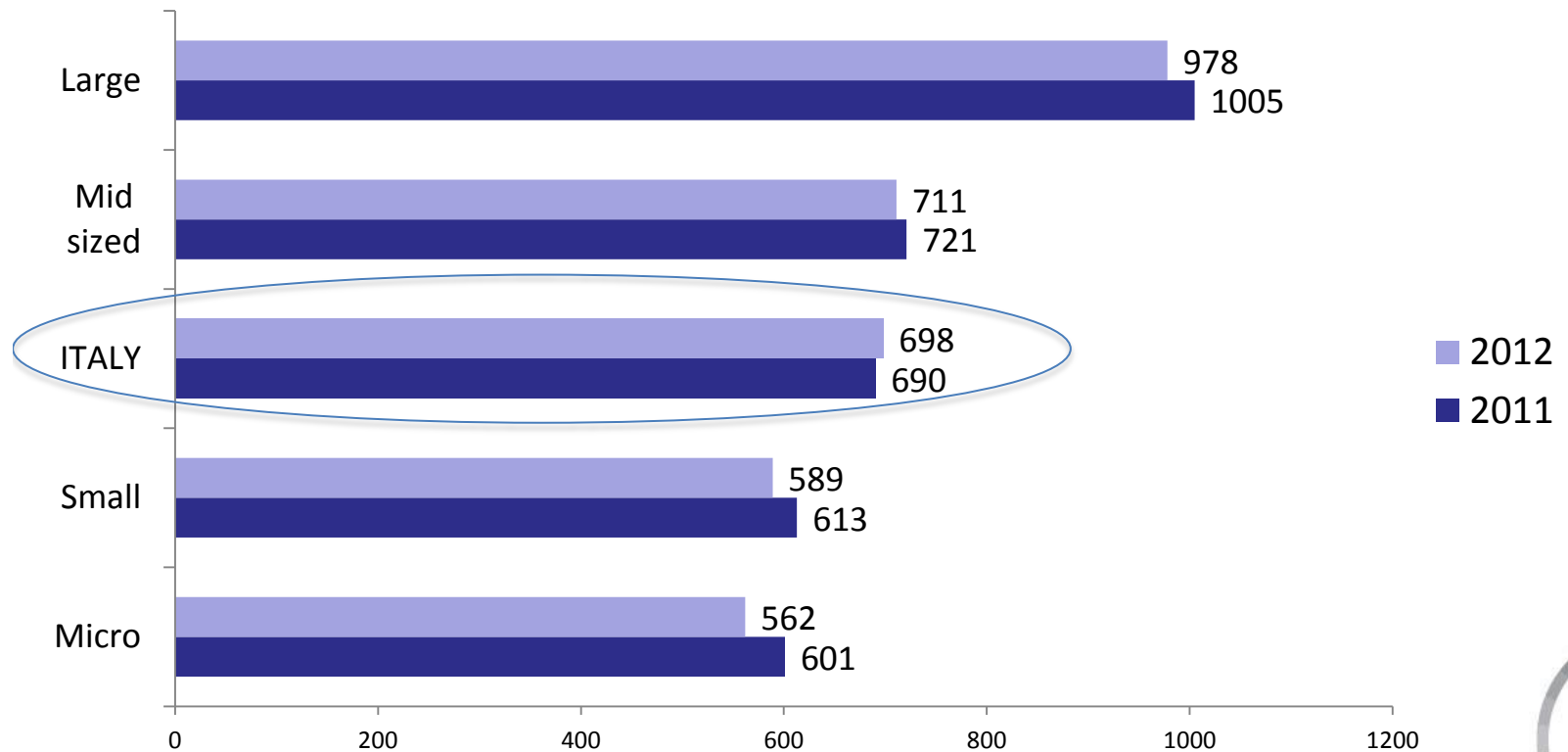
- There is a huge gap in productivity between micro/small companies and large corporations

Turnover for professional - by size class



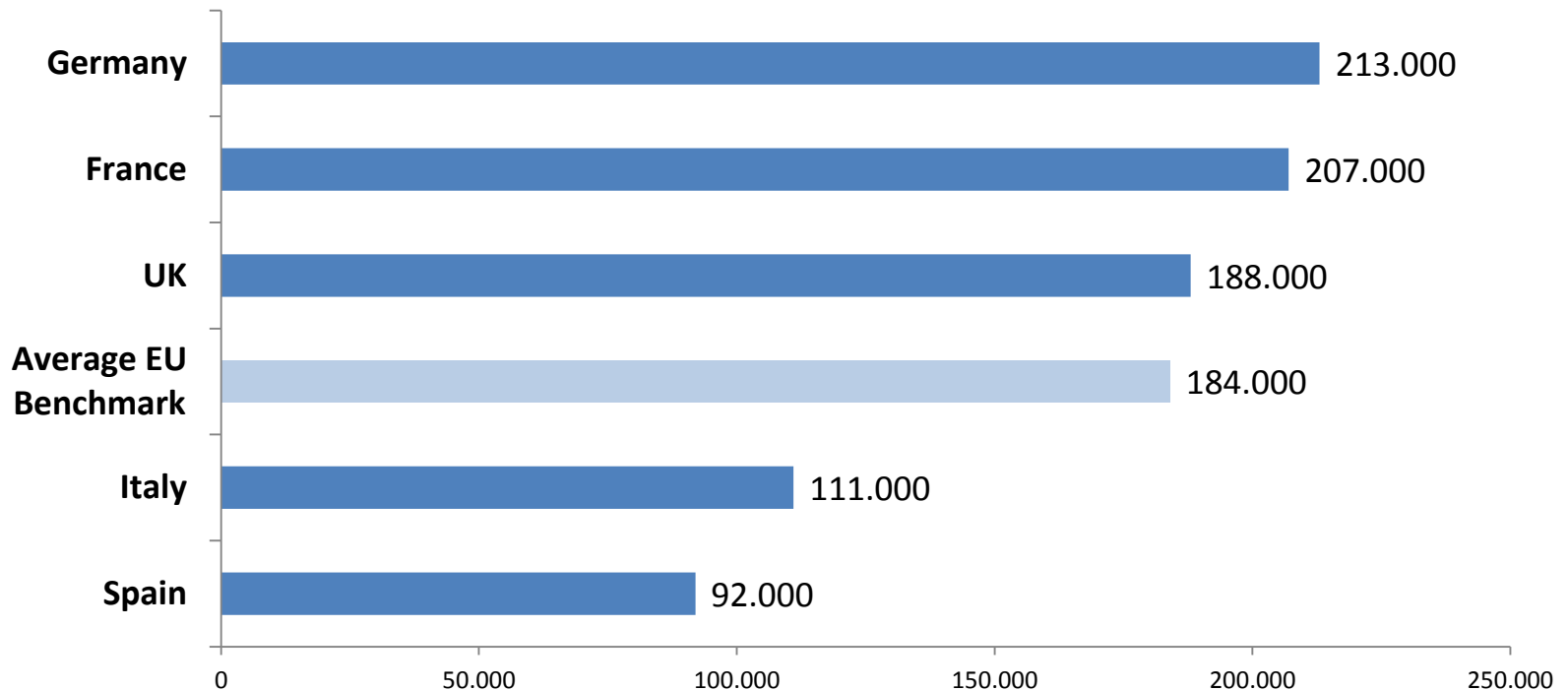
- The average fees, in comparison to European standards, is 700 Euros, with a decrease of approximately 4% from 2011.
- The average fees are lower than in other European Countries

Daily rates by company size - 2012 - 2012



- ... resulting in a revenue per professional remarkably lower than in the European counterparts.

Management consulting productivity across European countries - 2012

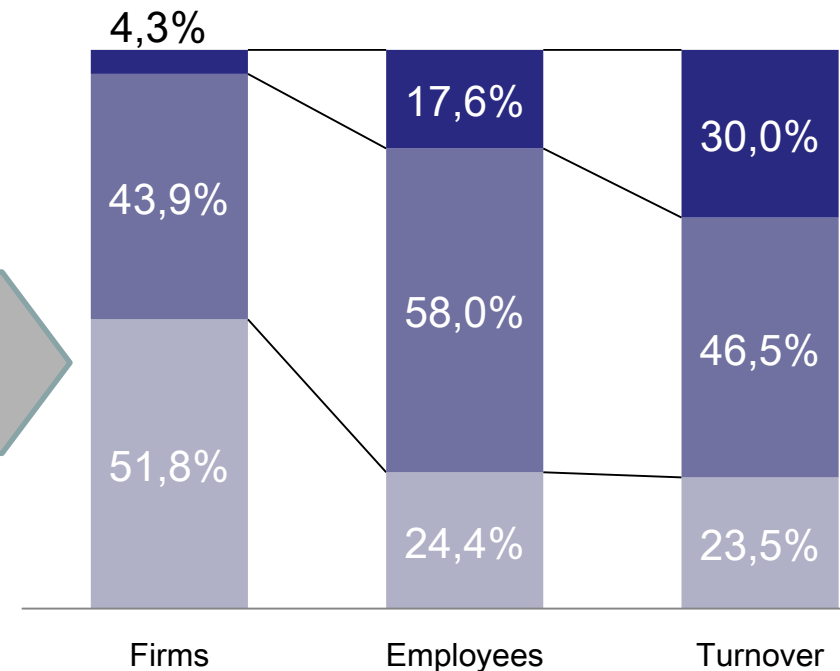


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- Recruitment, Selection and Outplacement (RSO) in Italy: a niche and fragmented market

Structure of the Italian market by size of companies

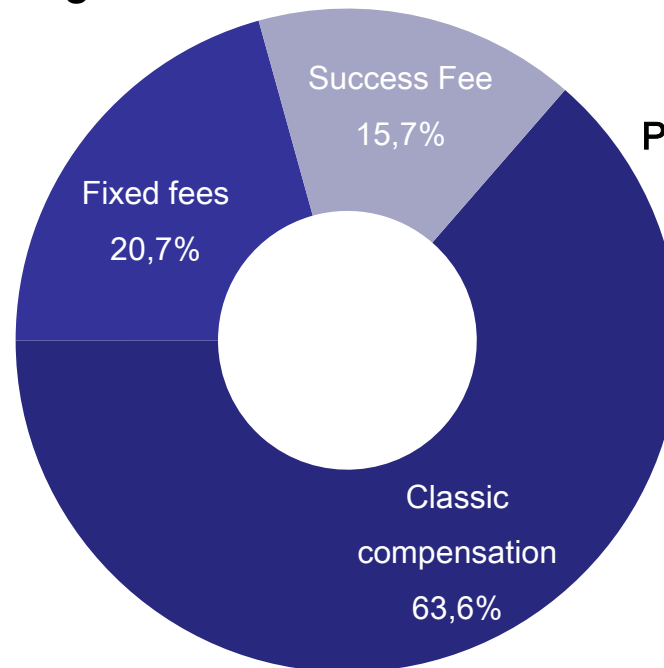
Companies dimension	Firms	Employees	Turnover (Mln €)
Less than 3 employees	400	762	40
From 3 to 9 employees	339	1.811	79
More than 10 employees	33	551	51
Total	772	3.124	170



■ < 3 employees ■ From 3 to 9 employees ■ > 10 employees

- There is a decline in the RSO industry due to:
 - a crisis in the recruitment requests from Italian companies
 - the emergences of new internet players
- A decrease in the number of firms approximately by 10%, particularly of micro firms.
- A decline in the average turnover of 7%, and even a lower decrease in the micro-firms.
- A decrease in employment, approximately of 7%, in particular in micro and small.

- The RSO market is getting tougher:
 - a shrinking market in volumes
 - an average decrease in pricing by 2,5%
 - a increase in “success fees” contracts, particularly as to small firms.... with many companies diversifying towards training and consulting on organization/restructuring



Pricing methods in the RSO sector

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- Is the market decline faced by the Management Consulting industry due:
 - to a **temporary crisis**? Where the key issue is having many customers in a difficult competitive position and therefore cutting down the consulting services?
- or
- to a **structural change**? Where the key issues are that:
 - ... many customers having developed internally strong competences and therefore requiring less the “traditional” management consulting services
 - ... many customers being affected by big trends like digital revolution and globalization that are requiring a different consulting support

These two visions calls for radically different approaches
to manage the present turmoil

- MC firms responding to a temporary crisis are:
 - increasing the recruitment of young professionals, in order to face declining fees
 - focusing the training courses mainly on the basics for the newly recruited consultants.

- MC firms responding to a structural change are:
 - increasing the recruitment of senior professionals in order to enrich the competences & knowledge to be offered to their customers
 - increasing the investments in new service development (and the related communication and promotion targeted efforts).

- Almost all companies aim to
 - “variabilize” the cost of the professionals (not necessarily reducing it!), so to have a stronger link with performance and merit
 - reduce the costs due to staff and G&A ... but also the costs billed to the customers

- The decline in fees can be tackled through:
 - using more junior/less expensive consultants
 - Innovating the MC services, i.e. repackaging them together with other services (i.e. IT/new media)

- In any case, there is a need for new commercial strategies:
 - negotiating a compensation based on the value of the services more than on the volume of men-months (with an increasing and controversial trend towards success fees).
 - getting more involved in their customers strategy/operations and proactively proposing new projects.

- ... Almost all MC firms are accepting shorter projects, with “go/no go” decisions along the way. Nevertheless they are trying to build up a long term relationship with their customers.

- Internationalization is a major driver for growth:
 - mainly following Italian companies abroad
 - in just a few cases developing an “autonomous” international presence
 - mostly targeting Balkans/Eastern Europe

- New services/practices are a driver for growth:
 - cross-selling (or up-selling) to existing customers
 - attracting new customers with innovative contents, i.e. services to SMEs focused on growth or services related to the digital revolution
 - diversifying at the borders of MC services with service types, i.e. moving towards longer results-based projects (sort of temporary outsourcing)

- These new paths for growth are often supported by:
 - M&A (mainly for large firms), in order to enter into new segments, but also in response to a consolidation in the industry
 - alliances and network (mainly small and medium firms) in order to get critical mass for growing abroad or for aggressing differently Italian SMEs.

- The survey on Management Consulting in Italy reports:
 - An increased variability in the performance levels
 - A widening gap between winners and losers
- The interviews with leading players in the industry highlight a strong selection process based on:
 - critical mass and/or strong focus
 - Capability to serve and/or to innovate

