

EXTRACT

# THE GCC CONSULTING MARKET IN 2016



Including market sizing data, growth rates, current market trends, and forecasts

# EXECUTIVE SUMMARY



- Despite the serious and immediate challenges created by low oil prices, the GCC consulting market performed well in 2015, growing 9.4% to reach a value of more than \$2.7bn. But impressive though that is, it's a markedly lower rate of growth than the region has been used to in recent years, and it's fair to say that the mood of GCC consultants has changed a bit over the course of the last 12 months as a result.
- Much is owed to Saudi Arabia, the region's largest consulting market, which managed double-digit growth (14.8%) in 2015. The impact of low oil prices is felt especially keenly here and is hastening an already urgent programme of reform and diversification. Indeed, in this report we describe Saudi Arabia as the mother of all transformation projects, such is the scale of the challenge it faces and the opportunity available to consulting firms. The big question concerns how long the Saudi government will keep spending against a backdrop of dramatically reduced oil revenues. The answer seems to depend, more than anything else, upon by which of two opposing forces—hope or fear—they, in turn, allow themselves to be governed.
- Meanwhile, the region's other major consulting market—the UAE—experienced much lower levels of growth (4.3%). But while this is creating an uncomfortable situation for consultants, the absence of an opportunity the scale of that in Saudi Arabia is balanced by a commensurate lack of risk. The UAE's is a relatively diversified economy in which the private sector already plays a much bigger part.
- Consultants right across the region talk about the changing behaviour of nervous clients: a growing focus on value, an insistence that consultants implement (rather than simply recommend), pressure on prices, and often a reluctance to pay at all.
- Related to this is a shift away from growth and towards efficiency. We find that the fastest-growing consulting service lines in the market in 2015 were technology (12.2%) and operational improvement (12%), as clients—particularly in the all-important public and financial services sectors—looked to take costs out of their operations.
- From an industry perspective, the greatest growth (14.7%) was in the healthcare, pharma & biotech industry. But this is a small part of the GCC consulting market, and in reality far more is owed to decent levels of growth (11.7%) in the public sector, particularly in Saudi Arabia. Indeed, some consultants ventured to suggest that without public sector spending in Saudi Arabia, what is currently a surprisingly buoyant market might be anything but.

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# METHODOLOGY

## Definitions

Our definition of management consulting includes a broad range of business advisory services, but excludes: tax advisory; audit; the implementation of IT systems; the delivery of outsourced/offshored services; and HR compensation/benefits administration and technology. Where mergers and acquisitions work is concerned, consulting on deals is included (under strategy), but corporate finance fees on deals themselves are generally not included although it is not always straightforward to separate the two.

For more information about how we classify consulting services and industries, please see “Definitions of industries and services”.

## Sources

Our report is based on two major sources of primary data:

### Clients of consulting firms:

We interview senior end users of consulting in the GCC to help us to build up a rich picture of how trends in the consulting market are playing out within clients’ organisations. Our conversations focus on the following areas:

- **What’s driving change in their organisation**

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- **How they are using consultants**

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- **Factors that affect the way clients work with consulting firms**

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- **What they value the most—and least—about working with consultants**

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We also carry out client surveys. We surveyed 176 senior clients of consulting firms across the GCC. The majority work for private sector organisations, many of which are multinationals. The majority work in organisations with revenues in excess of \$500m and over 250 employees.

Our survey asks clients similar questions about how they buy consulting services. In particular, this report draws on how they expect their expenditure on consulting services to change over 2016 and into 2017, and what initiatives they’ll be working on and how likely that is to drive consulting work. Their responses are just one of the factors that we take into account when forecasting future growth rates.

Figure 1

Survey respondents by industry

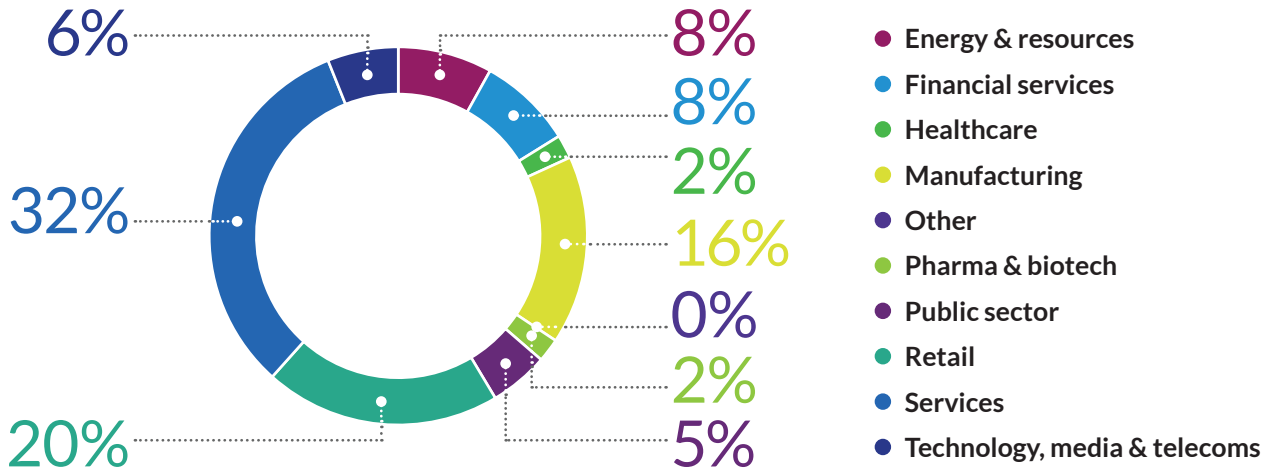


Figure 2

Survey respondents by organisation size (people)

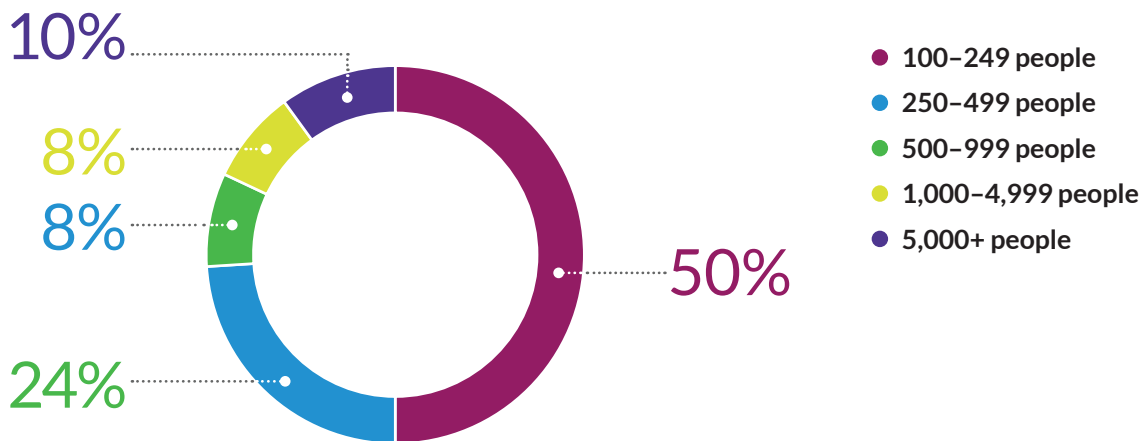
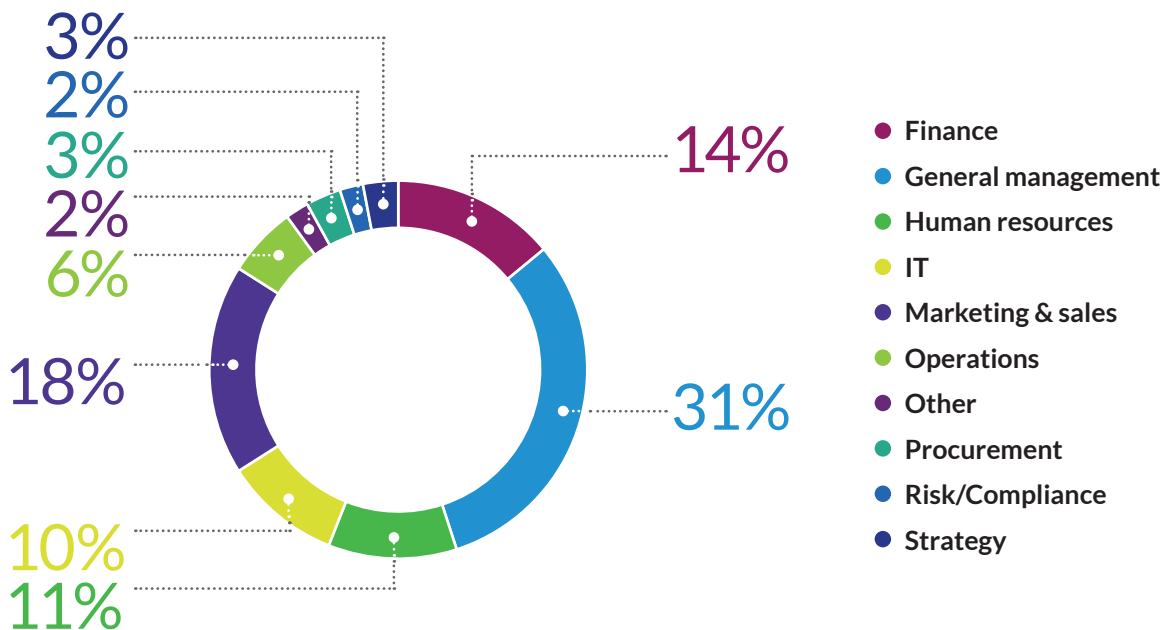


Figure 3

Survey respondents by function



## Consulting firms:

The quantitative data contained in this report focuses on consulting done by mid- and large-sized consulting firms (those with more than 50 consultants) and typically includes work they have carried out for mid- and large-sized clients—what we at Source call “big consulting”. It therefore reflects the “addressable” market for the majority of mid- and large-sized consulting firms; we don’t try to track the long, thin tail of work done by very small firms for very small clients, nor the contractor market, as most readers of this report would not seek or be able to compete with this part of the market.

Using this definition, Source has built a bottom-up model of the global consulting market from the information we get from consulting firms and our own research, and we use it to size the industry and its growth rates. This is based on our global model which contains detailed data about almost 1,600 firms, plus higher level estimates about a further 400,000 firms, all with more than 50 consultants apiece, in addition to primary research carried out by Source analysts.

Please note that our 2014 baseline figures have changed a little since last year, as we have refined and implemented improvements to our research methods. We are happy to provide subscribers with a restated set of 2014 baseline figures should this be of interest.

We should emphasise that there are no standard sources of definitions of data within geographies let alone between them. We are, however, confident that the richness of our qualitative data, combined with Source’s unparalleled industry expertise, means that our analysis fairly and accurately reflects the state of the market.

All figures given in this report are in US dollars. For reference Source is using the following exchange rates in our reports this year:

- **US dollar to British pound**      **\$1 = £0.66**

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- **US dollar to euro**                      **\$1 = €0.88**

In addition to our quantitative research, we interviewed 27 very senior consultants (typically the most senior person in their country) from most of the leading consulting firms in the region and many smaller local specialists to understand more about how the consulting market is performing, and what the major trends, changes, and challenges are. Throughout the year Source analysts remain plugged into the global consulting market through our bespoke research and consulting projects, adding further depth to our understanding of the consulting industry.

# Definitions of industries and services

## Industries



### Energy & resources

#### Energy

*Includes the exploration and production of energy, including oil, gas, coal, and renewables.*

#### Utilities

*Includes the delivery of electricity, gas, water, sanitation, and other related services.*

#### Primary resources

*Includes agriculture, chemicals and chemical products, commodities, forestry, fishing, metals, mining, and plastics.*



### Financial services

#### Banking

*Includes retail banking, commercial banking, and lending.*

#### Insurance

*Includes general insurance (e.g., motor, home, pets, health—anything on an annual contract), life insurance, pension products, retirement planning.*

#### Private equity

*Includes both consulting work for private equity firms and consulting work with private equity portfolio businesses.*

#### Capital markets

*Includes investment banking, trading of stocks and financial products, corporate finance, and broking.*

#### Investment and wealth management

*Includes private banking, high net-worth banking, investment management, trust funds, the management of pension funds, and asset management.*



### Manufacturing

#### Aerospace

*Includes space research and technology, the manufacture of aircraft, aircraft parts, rockets and other space equipment, and tanks and ammunition.*

#### Automotive

*Includes the manufacture of motor vehicles, industrial vehicles, and vehicle supplies and parts.*

#### Construction

*Includes surveying, architectural, and engineering services, heavy construction, house building, and the building of infrastructure.*

#### Consumer packaged goods

*Includes the manufacture of clothes, foods, alcohol, tobacco, furniture, home furnishings, cleaning products, small arms, children's toys, and sports equipment.*

#### Consumer and industrial electronics

*Includes electrical components, household and industrial appliances, commercial and professional equipment.*

#### Industrial products

*Includes industrial machinery, steel and metal products, and plastic products.*



### Pharma & biotech

*Includes research into and the production of drugs, biological products, medicinal chemicals, and life sciences.*



### Healthcare

*Includes private and publicly-funded healthcare, hospitals, laboratories, and medical equipment.*



### Public sector

#### Government

*Includes federal/national, state/regional, local government, emergency services, justice, social services, public transport, and conservation.*

#### Education

*Includes public and private schools, universities, and libraries.*

#### Defence

*Includes national security and consulting around defence issues.*



### Retail

*Includes the selling of clothes, food, consumer goods, and automobiles.*



### Services

#### Logistics

*Includes warehousing, storage, packing and crating, and distribution including cargo, freight, and haulage.*

#### Business services

*Includes services relating to law, accountancy, IT maintenance, security systems, advertising, employment agencies, and vehicle leasing.*

#### Leisure

*Includes museums, art galleries, theatre, golf courses, hotels, hospitality, travel agencies, restaurants, and bars.*

#### Real estate

*Includes estate agencies and operators of residential and commercial buildings.*

#### Transportation

*Includes private and people-related transportation, including airlines, airport management, train operators, rail infrastructure management, water transportation, courier services, and private bus services.*



### Technology, media & telecoms

#### Telecoms

*Includes telephone, mobile, digital, and other communication services.*

#### High-tech

*Includes IT related devices, computer and computer related devices, audio and video equipment, broadcasting and communication equipment.*

#### Media

*Includes radio, television and digital broadcasting stations and services as well as printing and the publishing of newspapers, periodicals, and books.*

## Services



### Financial management

*Includes finance function and budgeting/financial planning process.*



### Risk & regulatory

*Includes responding to regulation, technology and security risk services, operational risk, financial risk, programme risk.*



### HR & change management

*Includes HR strategy and effectiveness, benefits, compensation and pensions, change management, internal communications, organisational design and culture, stakeholder management, team effectiveness and collaboration, leadership and governance, performance management, talent management/training and development.*



### Operational improvement

*Includes business continuity and recovery, knowledge management, Lean and Six Sigma, property and estate management, quality and performance management, supply chain management, cost-cutting, innovation, M&A integration, managing quality, post-M&A integration, process design and re-engineering, procurement/purchasing, research and development, benchmarking, distribution strategy, environmental, sustainability and CSR, and operational review.*



### Strategy

*Includes business and financial modelling, corporate re-structuring, corporate recovery and turnaround, corporate strategy, market analysis and strategy, market research, policy formulation, strategic sourcing/offshoring strategy, due diligence and valuation, infrastructure/asset financing and management, PFI, mergers and acquisitions, customer service, new product development, branding, marketing and channel management, customer relationship management, pricing, sales force effectiveness, category management, sales and distribution planning.*



### Technology

*Includes ERP consulting, IT training, application of new technology, hardware/software selection, IT design and build, IT strategy, planning and review, IT testing and integration, management information and business intelligence, requirements definition, web and internet consulting, project and programme management (e.g., where consulting firm has been engaged to run a specific project that it is otherwise not involved in).*



# CONTRIBUTORS

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of the individuals who have contributed from consulting firms (some consultants choose to remain anonymous).

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## *Zoë Stumpf*

Zoë leads Source's Consulting Market Programme. She has been with us since the beginning of 2012, and prior to this had more than 12 years working as a Management Consultant, firstly with KPMG where she led a number of operational improvement and post-merger integration projects, before moving on to be Head of Marketing and Internal Communications at Atos Consulting. She has also worked as an Independent Marketing Consultant at the UK Management Consultancies Association and at Xantus Consulting.





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For more details about how you can subscribe please contact [Alice Noyelle](#).

Reports for different regions vary in length but the content includes:

- Overall description of the market in the region/industry

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- Data for the consulting market:
  - Regional report: by industry, service, and firm type
  - Industry report: by sector, service, and geography

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- High-level breakdown:
  - Regional report: by geography within region
  - Industry report: by sector within industry

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- Discussion about the current state of, and prospects for, the consulting market:
  - Regional report: by industry, service, and firm type
  - Industry report: by sector, service, and firm type

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- Analysis of the key challenges and opportunities in the market

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- Feedback from clients in selected regions

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- Growth forecasts

Please note that this content is subject to slight changes and amendments

## 2016 Consulting Market Programme research schedule

|          |                |           |                                    |
|----------|----------------|-----------|------------------------------------|
| February | UK             | August    | India                              |
| March    | Nordics        | September | Brazil                             |
|          | France         |           | Africa                             |
| April    | GCC            |           | Energy & resources                 |
|          | Benelux        | October   | China                              |
| May      | US             |           | Financial services                 |
| June     | DACH           |           | Healthcare                         |
|          | Eastern Europe | November  | South East Asia                    |
|          | Russia         |           | Technology, media & telecoms (TMT) |
| July     | Spain          |           |                                    |
|          | Italy          |           |                                    |
|          | Australia      |           |                                    |

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## About Source

Source Global Research is a leading provider of information about the market for management consulting. Set up in 2007 with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research, and reporting. We draw not only on our extensive in-house experience but also on the breadth of our relationships with both suppliers and buyers. All of our work is underpinned by our core values of intelligence, integrity, efficiency, and transparency.

Source was founded by Fiona Czerniawska and Joy Burnford. Fiona is one of the world's leading experts on the consulting industry. She has written [numerous books](#) on the industry including [The Intelligent Client](#) and *The Economist* books [Business Consulting: A Guide to How it Works and How to Make it Work](#) and [Buying Professional Services](#).

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