

# MERGERS AND ACQUISITIONS IN MANAGEMENT CONSULTING



How Source Global Research  
can help

## M&A projects for global, regional, and local consulting firms

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We're frequently approached by the world's leading consulting firms to help them identify targets for acquisition, or with whom to form strategic partnerships. In many cases we have a head start: Our knowledge of the market and our relationships mean that we usually have ideas about potential targets before we even start work on the project.

Source Global Research has worked with consulting clients on a range of global M&A projects as follows:

- **Market scans on a country, regional, or global basis for clients wishing to acquire consulting firms or who are looking for joint venture/alliance partners**

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- **Working for firms that wish to be acquired and identifying firms that maybe interested in acquiring them**

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- **Brokering initial contact and meetings between interested M&A partners and providing briefings on the potential benefits and synergies that could accrue**

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- **Providing strategic support on types of acquisition that could be relevant, based on our extensive market knowledge and client future plans**

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# Why use Source

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Our customers come to us because we are independent and can quickly give them a clear picture of the opportunities open to them. We have the relationships, data, knowledge and experience to find them the right targets, quickly.

- **We have no vested interest in a specific firm or bias as to the outcome**

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- **We obtain information quickly—we have an extensive database of global consulting firms that we can utilise**

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- **We aid firms in extending their contact base as an aid to negotiations**

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- **We have comprehensive knowledge of the market, and often suggest consulting firms that are less obvious or seem left-field prospects at first review; also aiding firms that are in the early stages of the thinking process.**

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# Some examples of our work on M&A-related projects

## Global technology firm looking for European growth

- This technology firm was looking to expand its data analysis and consulting capability in specific European markets, particularly the UK. In addition to full-scale acquisitions, they were also interested in acquiring firms with proprietary software.
- We also produced in-depth profiles of 15 firms which matched the firm's selection criteria. Source then supported the firm in making introductions to the firms where we helped in structuring discussions.

## Mid-sized consulting business looking for specific capability build

- This firm had a strong SME consulting client base and wanted to deepen expertise in some very specific capability areas e.g., workforce management and in particular city locations in the region that tied with their own offices.
- Source worked with them to specify the criteria e.g., radius of search across cities.
- We identified almost 300 firms that could be targets which the firm is now qualifying in more detail in readiness for an approach.

## Mid-sized US consulting business

- Not every firm we work with wants to make an acquisition. This firm, a major mid-sized player in the US consulting market, was looking for potential partners in selected geographies, in order to expand their international network at relatively low cost.
- Source worked with them to examine what type of firm they'd be most likely to partner with successfully and, as part of an on-going project, have provided them with details on a short-list of 20 firms they can approach in their top priority territory.

## Supporting a UK based firm looking to sell

- A medium sized UK HQ'd firm wanted to sell off some of its business in Europe.
- Source worked with senior management to identify acquirers and developed a plan for approach. We also worked with business units to review market positioning and client list to determine areas to focus on in M&A discussions. Source also worked with parties to help iron out issues of potential concern.
- From a standing start, several letters of interest were received.

## Global IT services firm, based in the US

- This company was looking to expand its portfolio of services by identifying and acquiring small, specialist firms focusing on specific sectors.
- Our role was to scan the market for targets & found 750 which matched the firm's overall criteria which we then whittled down to 200. In discussion with the client, we agreed a list of 40 firms which were profiled in more detail, combining publicly available information on finances etc with proprietary research. For internal reasons, none of these targets were pursued at the time, but the company has asked us to refresh the research.

# How we approach projects to identify potential targets

## M&A search methodology and phasing

Clients may use Source across all phases or simply to end of Phase 1.  
All our proposals are developed to reflect varying firm needs.

Typical  
timescales

<b>Scoping</b>	<ul style="list-style-type: none"> <li>• Confirm objectives, scope of search and depth of company information required at each Phase</li> <li>• Agree selection criteria for prioritisation</li> </ul>	} 1 week
<b>Phase 1: Identification</b>	<ul style="list-style-type: none"> <li>• Identifying firms which match the selection criteria</li> <li>• Typically ~ look for 100-300 companies (but varies significantly)</li> <li>• Scoring system to aid prioritisation</li> </ul>	} 2-4 weeks
<b>Phase 2: Detailed profiling</b>	<ul style="list-style-type: none"> <li>• Deep dive focused on ~10 firms with evaluation to show perceived best fit to selection criteria</li> <li>• Information pack per firm (can include client &amp; competitor research).</li> </ul>	} 2-6 weeks depending on information required, availability and # profiles
<b>Phase 3: Initiating contact</b>	<ul style="list-style-type: none"> <li>• Initial approaches (usually anonymous) to target firms</li> <li>• Development of briefing document for target companies</li> </ul>	

# Phase 1: Identification—sample evaluation

## EXAMPLE

The highest scoring firms among the primary targets were:

- **Firm C**—which scored particularly highly in terms of the quality of its people and reputation (backed up by exceptional client feedback) and depth of its expertise, but also because it is well-aligned to your core propositions.
- **Firm K**—whose focus, depth of expertise and intellectual property go some way to compensating for the fact that it maps onto only one core proposition (supply chain management).
- **Firm A**—which excels in terms of focus and expertise but also because it’s likely to be very receptive to an approach.

Of the other candidates, the most attractive is Firm D, but its score was brought down by what we think will be reluctance to be acquired.

	Candidate firm	Match to core propositions	Operating in a reasonable growth market	Quality of people, management and reputation	Depth of specialist focus and expertise	Intellectual property	Dynamism and entrepreneurial spirit	Collaborative culture	Sub-total	Willingness to consider acquisition	Total score	Total score expressed as a % of the maximum
1	Firm A	2	2	3	5	3	3	3	19	5	26	62%
2	Firm B	2	1	2	4	3	3	1	14	3	19	45%
3	Firm C	4	4	5	3	2	5	4	23	1	28	67%
4	Firm D	3	3	4	1	1	3	4	16	1	20	48%
5	Firm E	3	3	4	1	1	3	4	16	2	21	50%
6	Firm F	2	2	2	1	4	4	3	16	1	19	45%
7	Firm G	2	4	4	2	1	1	4	16	3	21	50%
8	Firm H	2	4	4	5	2	2	3	20	1	23	55%
9	Firm I	1	2	2	3	1	3	1	13	1	15	36%
10	Firm J					Not enough information						
11	Firm K	1	4	5	5	5	2	3	24	3	28	67%
12	Firm L	1	3	4	5	4	4	3	23	1	25	60%

● Above 60%   ● 50%–60%   ● Below 50%

# Phase 2 “ABC” Consulting (1) Overview

EXAMPLE

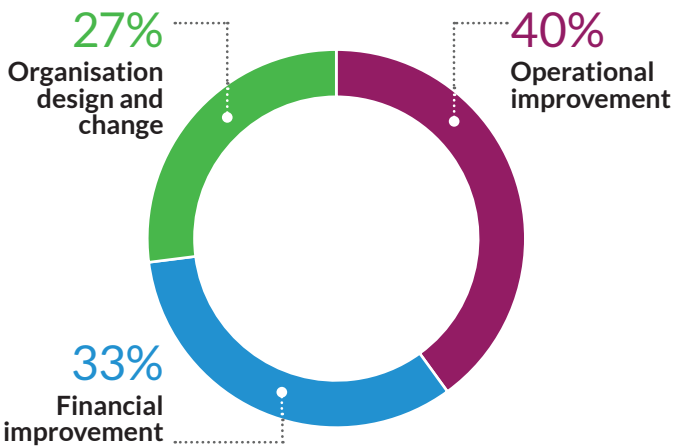
**Proposition:** Broad based Brazilian consulting firm that positions itself to compete with major international consulting firms, in operational strategy particularly. MBB strategy group

Firm type	Industry/service offerings	Services
<b>Background and ownership</b>	<ul style="list-style-type: none"> <li>Origins in 1980s from academia. Renamed and shaped in 2012</li> <li>Private company</li> </ul>	<ul style="list-style-type: none"> <li>Offer a very specific methodology for projects that has been honed across the '000s of projects undertaken by the firm.</li> <li>Offer operational improvement, cost cutting, organisation and change management, strategy and innovation.</li> <li>Also offer training capability with courses on Lean; Programme Management etc.</li> </ul>
<b>Location and staff numbers</b>	<ul style="list-style-type: none"> <li>HQ Brazil</li> <li>Offices in Brazil and US (NYC)</li> <li>1,000 consultants</li> </ul>	
<b>Sectors</b>	<ul style="list-style-type: none"> <li>Broad sector coverage including public and private</li> <li>Specialise in manufacturing, industrials and FS and not-for-profit</li> <li>Working in Brazil and increasingly internationally</li> </ul>	
<b>Key people</b>	<ul style="list-style-type: none"> <li>CEO is founder and company is very much his brainchild</li> </ul>	
<b>Financial information</b>	<ul style="list-style-type: none"> <li>Revenues US\$100m 2013</li> </ul>	

Sector knowledge  
**High**

Staff feedback  
**Medium/High**

Service model



# Phase 2 “ABC” Consulting (2) Attractiveness and key conclusions

EXAMPLE

	Attractiveness	Rating	
<b>Match to acquirer criteria</b>	• Breadth of services and sectors	★★★★★	<b>Why this firm is a suitable target</b> <ul style="list-style-type: none"> <li>• One of the largest consulting firms with HQ in Brazil today—offers scale into this market at once.</li> <li>• Strong client base already and depth of relationships.</li> <li>• Invests in people—encourages applications from new graduates and trains them up, suggesting a pool of people trained in the company’s way of doing business.</li> <li>• Recent growth in other Latin American markets such as Mexico.</li> </ul>
	• Match to acquirer’s target sectors	★★★★☆	
	• Evidence of specific assets/IP/ service offering	★★★★☆	
	• HQ in Brazil with overseas capabilities	★★★☆☆	
	• Experience of management team	★★★★☆☆	
	• Size—over 100 consultants	★★★★★	
<b>Stage of development</b>	• Financial robustness	★★★★☆	<b>Why this firm isn’t a suitable target</b> <ul style="list-style-type: none"> <li>• CEO is major figurehead and such a key feature of client relationships and way firm goes to market. Used to running his own show so could be difficult to integrate into new (larger) operation.</li> <li>• Strength may be greater in public/not-for-profit sectors.</li> </ul>
	• Well established	★★★☆☆	
	• Willingness to be acquired rating	★★★☆☆	
	• Client base and track record	★★★★☆☆	
<b>Overall evaluation against client criteria:</b>			<b>68%</b>



## About Source

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Source is the leading provider of research about the management consulting market. Founded in 2007, and with offices in London and Dubai, Source serves both consulting firms and their clients with expert analysis, research and reporting.

At the heart of our research is a model of the consulting industry containing data on several thousand firms around the world. Data in the model comes from extensive desk research and more than 1,000 interviews with senior partners in consulting firms since the start of 2014. All of the data we gather is mapped against publicly available information.

We also carry out large-scale surveys of CXOs and their direct reports, asking for their views of consulting firms. Since November 2015 we've surveyed over 2,500 senior users of consulting services. 48% of people were from firms with more than 5,000 employees (the fact that we surveyed mid-sized businesses as well was a function of the mix of mature and emerging markets we looked at—the latter tend to have more, smaller enterprises).

Independent and influential, Source's research is used by all the world's major consulting firms as well as major media organisations including Bloomberg, the *Financial Times*, and *The Economist*.

# Contact us

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