

Industry Analysis

Management Consulting

Q4 2013

Industry Overview

In September 2011, the government of Canadian Prime Minister Stephen Harper drew flak from various sectors for paying Deloitte \$90,000 a day for advice on how to save money. Hired on August 15, the management consulting firm bagged a \$19.8-million contract to advise “senior and elected officials on public and private sector best practices in improving productivity and achieving operational efficiencies.” Responding to criticisms, Finance Minister Jim Flaherty said, “The fact is that we feel we need to have outside advice. It isn’t good, quite frankly, for a government to just look at itself. There’s a lot of expertise in Canada on the subject of public-sector productivity, for example, and we look forward to having the advice of, in this case, Deloitte.”

Year after year, individuals and organizations from the public and private sectors turn to companies known to give expert advice on matters ranging from operational processes to financial problems to security issues to information technology solutions. These experts are known as management consultants – professionals who offer advisory services that help companies in designing and developing organizational, operational, and functional process. Corporate firms avail management consultancy services due to their increasing size and the need for improved efficiency owing to increased global competition.

The industry used to be the domain only of premier consulting firms like Bain & Company, The Boston Consulting Group and McKinsey & Company. Now, major players include accounting firm Deloitte, IT company IBM, and reinsurance broker Aon Corporation.

In terms of services offered, management consulting firms can be broadly classified into two categories — horizontal consulting services and vertical consulting services. Horizontal consulting services span across different industries, but specialize in a functional area, like strategy or human resources. Vertical consulting services are industry-specific, such as financial services, healthcare, energy, and consumer goods, but cover functional areas across the-board.

Management consulting firms can also be classified according to size. There are large, diversified organizations and medium-sized management consultancies. There are also small boutique firms that concentrate on specific industries, functional areas, or regions of the world.

History. The industry traces its roots to 1896 when companies were support their research and development strategies or provide assistance Little, the world’s first management consultancy, was formed in the U.S management consulting services were sought after not only by corpora and foreign governments. Other firms soon followed suit. Peat Marwick consulting work in 1906. Booz Allen and Hamilton was born in 1914. Mc Troubled times in the business world created further demand for consul got their start working to help companies navigate their way out of the Gr The 1950’s saw the industry expanding their activities not only in the U.S

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