The Global Management Consulting Sector

By Andrew C. Gross and Jozsef Poor

Andrew C. Gross is professor of marketing and international business at Cleveland State University. He has been a consultant and expert witness to companies and governments in North America and Europe. Jozsef Poor is professor of management at the University of Pecs in Hungary. He is a certified management consultant (CMC) and was formerly managing director at both Hay Group and Mercer HR in Hungary. They are the co-authors of a 2003 book, "Management Consultancy in an East European Context."

While other practices or professions trace their roots back several centuries, management consulting is less than 150 years old. However, this sector has made giant strides in the West, especially in the United States, from the 1930s to the present and in Western Europe since the 1950s. Waves of internationalization occurred on both sides of the Atlantic. Expansion got a further boost when Central Europe opened the gates in 1990. With that opening and the World Wide Web, both local and big multinational management consultants stepped up their efforts. Further strides are being made now in the booming Asia-Pacific region. We first explore historical highlights and the key drivers of growth; then briefly analyze service offerings, end-use markets, available statistics, and company profiles. Finally, we probe emerging trends and the contours in this field, a sector that is an amalgam of management practice and a professional service. Our investigation is based on archives, theses, research databanks, association and company data, and our own primary work.

While management practice is as old as civilization itself, management theory and management consulting are of more recent vintage. Their origins can be traced back to the end of the nineteenth century, and they came of age in the twentieth. In the twenty-first century, we shall see further refinements in all three fields, with diversification, transparency, and accountability as emerging trends. Managers, theoreticians, and consultants will have to be flexible, open-minded, and prove their mettle. Expertise, trust, and coaching will be valued, along with implementation.

Background and History

Management consulting is of a younger vintage than either management practice or management theory. It is a high-pressure, high-level practice, but it is striving hard now to be viewed also as a profession. Some put the origin of consultancy in general, and management consulting in particular, in the middle of the nineteenth century when Samuel Price, Foster Higgins, and James Sedgwick each began operating a business that included "advisory practice" in England or the United States.

According to business historians, the first pure consultancy was that of Arthur Little in the United States, who started out in 1886 with a focus on technology and "engineering economics." It was not until 1904, however, that he and his firm moved beyond chemical testing and engineering into administrative advisory services. In a similar fashion, George Touche, William Deloitte, and Arthur Young each started his own accounting practice in the 1890s and then shifted into auditing and advising after 1900. Thus, the argument can be made that true management consultancy made its appearance only in the twentieth century.

The leading U.S. accounting firms, many formed in the first 25 years of the twentieth century, found themselves advising large clients about their tax and financial ventures, as well as assisting them in formulating corporate strategy. Thus, firms or partnerships such as Arthur Andersen, Arthur Young, Cooper Brothers, Ernst & Ernst, Peat Marwick, Touche Ross, and others have also become management counselors. Personnel or human resource firms, such as Buck Consultants, Towers Perrin, Hay, Mercer, and Watson Wyatt entered the realm of "the advice business." A.D. Little, Inc., other tech-business firms, and various research entities, such as Battelle Memorial Institute and Stanford Research Institute, joined the fray and promoted themselves as technical-managerial counselors.

The appearance of true management consultants in the United States is traced to Edwin Booz in 1914 and to James McKinsey and Andrew Kearney in the 1920s; their names survive to this day in company names. Others have not fared as well, and many mergers took place. The pioneers started by offering accounting, financial, and operational assistance; soon after, they moved into management consulting, The Association of Consulting Management Engineers (ACME) was formed in the early 1930s, "serving as spokesman and policeman," according to Higdon (1969). It is now the Association of

Management Consulting Firms (ACMF), "the collective voice for the community."

Much later, in the 1960-1990 period, we see a similar growth pattern in formation of the Boston Consulting Group, Bain & Company, Monitor Group, Index Group, Diamond Technology, and others. Finally, at the end of the twentieth century, we witnessed the splitting of the accounting/auditing function from that of consulting, e.g. creation of Accenture, formerly part of Arthur Andersen.

During the 1990s and in the current decade, the giant technology firms diversified into management consultancy in a major way. Thus, EDS acquired A. T. Kearney (which long ago left McKinsey), only to spin it off in 2003, making both sides happy. CSC purchased the Index Group, and Cap Gemini absorbed the advising business from Ernst & Young. IBM acquired the consulting arm of Price Waterhouse Cooper. Today, IBM Global Services rules the roost in management consulting, with nearly $57 billion in revenues and a reported 13 percent market share. Much consolidation is still taking place; in 2008, Hewlett-Packard (HP) decided to purchase EDS.

Analyzing Growth, Contrasting Regions

Beyond identifying historical highlights and key players, we need to probe briefly the driving forces that gave impetus to such growth that revenues for the sector rose from about $1 billion in 1955 to over $150 billion worldwide by 2005. Many articles and a few books probed underlying factors in the expansion of this service sector. Some authors see the "scientific management" ideas of F. Taylor, H. Emerson, and the two Gilbreths as the key explanation, but others disagreed. During the past decade, several doctoral dissertations investigated the topic, with two of these tracing the long-run rise and recent expansion of consultancy in the United States and beyond. One emerging theme is that culturally and politically, the United States was a more fertile ground than Europe for embracing consultancy, either as a practical pursuit or as a professional service—or both.

Robert David (2001) suggests that four external forces fueled the growth during the 1930-1980 period: the increasing number and complexity of companies; the spread of corporate ideology to noncorporate sectors; the organization for the World War II effort; and the growing impact of business education and the business press. He also identifies four models of growth: administrative science; accounting; industrial research; and information technology. (We can argue that he could have called the first one strategy and combined the last two, choosing personnel as the fourth prototype.) Finally, David contends that small firms should remain specialists, while large ones can afford to be generalists. He claims also that firms in existence between 15 to 75 years have a better chance of survival than either younger or older firms.

Christopher McKenna (2006) argues convincingly that "Taylorism" or "scientific management" was not the key factor in the origin and rise of management consultancy in the United States; rather, it was "an amalgam of three professions (engineering, law, and accounting) and the consultative role of merchant bankers as practiced at the beginning of the 20th century." He labels early consulting firms as knowledge brokers, problem-solvers, and entrepreneurs who recognized that "contact building" with clients—now also called relationship marketing—is necessary for success. McKenna contends the expansion of the sector in the 1930s was also facilitated by the Banking Act and the Security Exchanges Act, which prohibited the rival professional groups (the accountants, lawyers, engineers, bankers) from continuing to act as management consultants. Later on, after winning the jurisdictional battle, consultancies pursued professional status, but more so for their firms than for partners, stressing corporate culture.

As for Europe, McKenna argues that the growth of management consulting in England, Scandinavia, and Japan reveals similarities to the situation in the United States. He admits that Taylorism invaded and held sway in Europe for much longer than in the United States. But he sees the other professions, cited earlier, paving the way for the growth of management consultancies in Europe. McKenna ascribes a major influential role to McKinsey, the leading U.S. strategy advisor firm. After entering the United Kingdom in 1959, it captured key accounts with large British firms, such as ICI and Dunlop, U.S. subsidiaries, and even public entities—such the BBC, the Royal Mail, and the Bank of England.

In contrast, several European authors, such as Kipping and Engwall (2001), claim that students who took their lessons from advocates of scientific management—really, efficiency and cost experts seeking more output from the factory workers—became the true pioneering consultants on the European scene from 1915 to 1965. They cite examples from Germany, Italy, and the United Kingdom (e.g. the engineer Morinni, the Urwick Orr firm, the REFA Institute of Germany, and others) who focused on work methods, costs, and operations. However, the debate is not really over-heated, as both sides acknowledge the dual influencing strands.

Several books (as well as many articles) appeared on management consulting in the past 15 years dissecting the sector in North America and Europe. These writings can be put into three categories: (1) "panorama" books, encompassing the wide variety of practices, with commentary on the industry, key trends, cases, and "executing engagements," (e.g. Biswas and Twitchell, 2002; Curnow and Reuvid, 2001; Fombrun and Nevins, 2004; Kubr, 1992; Maister, 1993); (2) "revelation" volumes, showing the missteps of some firms, the "inside schemes," and the politics of the industry (e.g. Kihn, 2006; Micklethwait and Wooldridge, 1996; O'Shea and Madigan, 1997; Pinault, 2000); and (3) "update" books, showing the state of the art and recent activities of companies (Armbruster, 2006; Ferguson, 2002; Kipping and Engwall, 2002; Poor and Gross, 2003; Thommen and Richter, 2004).

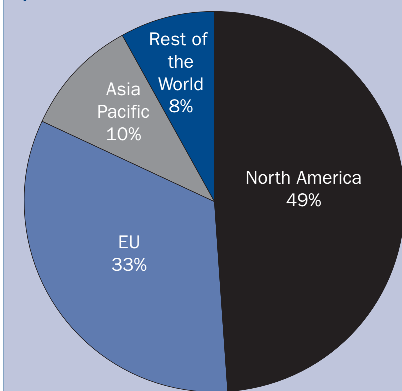
An Overview of the International Scene

There is no doubt that management consultancy has been embraced in the United States; its acceptance is a tribute to the vendors in terms of both substance ("value for the money") and style ("it is the in thing to do"). For many decades, the United States has accounted for three-fourths and then two-thirds of the world total. But its share slipped steadily, due to faster growth of the business elsewhere; and we estimate it at about one half of the global total in 2007. Put differently, Europe and Asia-Pacific are gaining share, but the remaining regions are still relatively insignificant at this time (Figure 1). While Eastern Europe is a good testing ground, Asia-Pacific, Africa, and Latin America hold much more potential.

Within Europe, sub-regions and countries differ in their embrace of consultancy. In the United Kingdom, two consistent themes emerged: the necessity for thorough training of new staff (for both expertise and retention purposes) and the delivery of high-quality services. In the major nations of continental Western Europe, social-cultural factors and legal requirements still loom important. Confirming this, a 2004 headline said "German resistance to U.S.-style management consulting grows." This applied especially to the public sector. The same situation surfaced in the United Kingdom in the 1960s. In Scandinavia, there is some reluctance toward passing out big consulting contracts. In Eastern Europe, after 1990, the large U.S. accounting and management consultancy firms entered each country and then aggressively pursued business on their own or with partners. Despite this, some local, small consultancies began to flourish.

FIGURE 1

THE GLOBAL MANAGEMENT CONSULTING SECTOR, 2007: MAJOR GEOGRAPHIC REGIONS (ESTIMATED VALUE: $210+ BIL)



Source: Authors' estimates based on primary work and secondary sources.

The outlook is good for growth of the consultancy business in the Asia-Pacific region. The three most attractive locations, not surprisingly, are China, India, and Japan. The quest is for end-use markets and specific customers; low cost, yet high talent, resources; and possible diversification. A team of MBA students from Dartmouth, probing this situation in 2007, found that large U.S. consultancies often follow their U.S. clients to the new locations, e.g. in the automotive sector to Japan. Of course, there is much indigenous client demand to be cultivated. There are diverse market entry methods, ranging from partnerships with locals to opening a new branch office.

Our own research, conducted also with a group of international MBA students, revealed that Indian firms such as Tata Consulting Services (TCS), Infosys, and Wipro have become formidable competitors to such U.S. firms as Accenture, CSC, HP, and IBM. As part of this work, we also found that the website of TCS was rated higher than those of five leading U.S. consultants. In short, India is coming on strong in both information technology and related areas. Indian firms have access to much talent on a domestic basis, operate on a lean budget framework, and can match rivals on good working conditions and on offering overseas assignments.

Products (Service Lines) and Markets (End Users)

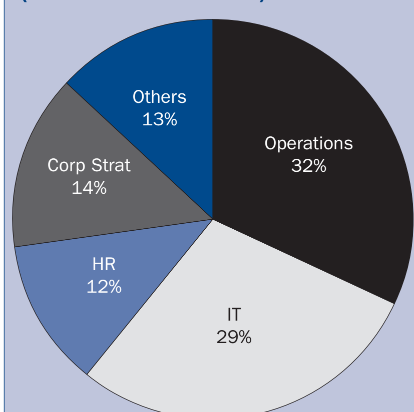
In offering astute advice, management consultants are being asked to cover a range of topics, as well as coaching, implementation, and matching goals with results. In doing this, the perishable facets of the service must be made tangible and lasting. To succeed, teams of generalists and specialists plus country or local experts are assembled. The firms are also keenly aware that success is built on word-of-mouth, so they seek testimonials to enhance their reputation and to build the name into brand equity. Keeping tabs on activities, contracts gained, staffing patterns, and other metrics of major consultants is carried out by various firms, e.g. Technology Business Research (TBR).

The major service lines offered by management consultants have been traditionally divided into four groups: strategy, human resources, operations, and information technology. The first two were emphasized earlier, but the last two have become dominant in the past 10 years worldwide (Figure 2). To these four categories, outsourcing has been added as of late and it has grown at a fast pace. If one goes beyond a strict definition of management consulting and into professional services as a whole, outsourcing is now dominant. TBR puts its share at about 30 percent in the public sector and about 60 percent in the private sector on a worldwide basis. (Note: including outsourcing as part of consultancy increases revenue figures considerably; we left it out in the figures.)

Who buys these services? The major end users are the private sector, governments, and nonprofit organizations. But further breakdown is available from corporate annual reports, press releases, "freedom of information" files, and calls for tender, as well as from research bureaus and publishers. Our estimate is that the three leading markets or clientele groups are manufacturing and natural resources, the financial sector, and governments or the public sector (Figure 3). The remaining one-third of the worldwide total consists of service industries.

FIGURE 2

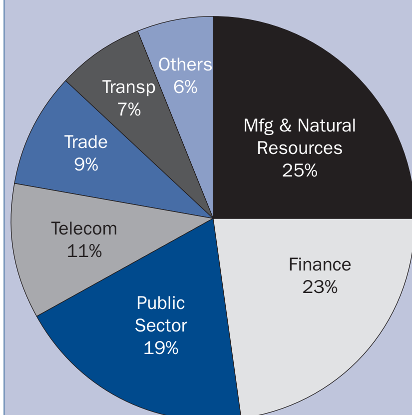
THE GLOBAL MANAGEMENT CONSULTING SECTOR, 2007: MAJOR SERVICE OFFERINGS (PRODUCT LINES)



Source: Authors' estimates based on primary work and secondary sources.

FIGURE 3

THE GLOBAL MANAGEMENT CONSULTING SECTOR, 2007: MAJOR END-USERS (CLIENT SEGMENTS)



Source: Authors' estimates based on primary work and secondary sources.

Let us examine how one large firm tackles the product-market interface. Accenture, the giant consulting firm (known earlier as Andersen Consulting), has three "growth platforms" that, in effect, constitute its service lines: management consulting, systems integration and technology, and outsourcing. Management consultancy is then further divided into customer relations, finance, strategy, human performance, and supply chain management. As for markets served or client groups (the firm calls these "operating groups"), Accenture has five major categories: high tech, financial services, manufacturers, resources, and public service. These are then broken further into 17 industry categories. Finally, its "client engagement teams" consist of industry experts, capability or functional specialists, and professionals with local market know-how.

Statistics and Their Discontents

In Figure 1, we estimate the global management consulting market is at about $210 billion in 2007. Why is it an estimate? Surely, by now, one would expect that authoritative estimates would have emerged from governments and private sector sources. But that is not the case. There are many reasons for this, but the underlying problem here is the lack of definition—who is a management consultant? Beyond that, issues range from measuring to classifying the nature of work. Surveys are difficult to design, execute, and interpret; and respondents are often quite reluctant.

Early pioneering estimates came from national governments. In the last edition of a great handbook, *U.S. Industry & Trade Outlook, 2000* (discontinued due to budget cuts), Chapter 48 focused on professional services. Revenues for the U.S. management consulting sector were put at $72 billion in 1992 and $152 billion in 1999, with employment at 0.6 and 1.1 million workers, respectively. But for reasons unknown, management consultancy was combined with the field of public relations.

In France, government statistics showed 105,100 workers and 56,300 enterprises in management consultancy in 2001, a 1.87 ratio (Alisse, current). In Spain, the corresponding numbers stood at 40,200 workers and 8,500 enterprises in 2002 a 4.71 ratio (Instituto Naconal de Estadistica, current). Interestingly, in France, the annual growth rate was 11.0 percent for workers and only 2.2 percent for firms during 1996-2001, while in Spain, the figures were 9.6 percent for workers and 16.8 percent for firms during 2000-2002.[1]

For data over the past 12 years, we looked at various private sector sources on revenues for the management consulting sector on a global, regional, and national basis. Our admittedly sparse, yet diverse, collection is shown in Table 1. We did not have full access to all reports of all agencies, but we think that this tabulation represents a good cross-section of available information from U.S. and European sources—be they publishers or associations. Among the former are Kennedy Information (KI) and Vault of the United States, and Datamonitor of the United Kingdom; in the latter group are FEACO, the European Federation of Management Consulting Associations and MCA, the association of such firms in the United Kingdom.

In Table 1, we cite data on reported total revenues between 1995 and 2007 for the global, the European, and the United Kingdom management consulting sector. By any measure, all three have grown considerably. Computing annual growth rates for various intervals, the figures range between 10 and 20 percent per annum, a truly sharp increase. The only slowdown period, though not revealed in the table, was in the early years of the current decade. What is truly surprising is the big, sudden jump in the most recent years; but it is apparent that both KI and FEACO have redefined the field and expanded the scope of the sector. This is not explained in their summary reports, and at other times it seems hidden or implied. We find lack of consistency and transparency in the published statistics and suspect a tendency to exaggerate the size of the sector as well as growth rates.

We decided to probe the reports in more depth and found that there are some statistical issues. These are illustrated, in a summary form, in Table 2. Our concerns extend to both numerical data and the manner in which these numbers are then interpreted. Clearly, there are some misprints and typographical errors, but there is also lack of elaboration or explanation. When confronted with this situation, some of the organizations offer a correction or point out that they have changed the scope of

[1]No revenue data were listed for firms in these government tables.

TABLE 1

SIZE OF THE MANAGEMENT CONSULTING SECTOR, 1995-2007, SELECT GEOGRAPHIC BREAKDOWN, BY DIFFERENT PUBLISHERS

(in billions of current dollars, except as noted)

Region / Source	1995	1997	1999	2001	2003	2005	2007
World							
KI –'00,p47	51	73	100	132*	159*		
KI- '00,p49	68	85	110	135*	154*		
KI- 04-06					125#		
KI- 06						205	250*
KI- 07-10							305*
Datam 01-04			107	132			
Vault							200-300
Europe							
FEACO	€13.7^	€19.0^	36.7	40.4	55.1	77.4	112.0
UK							
FEACO			9.0	12.9	14.8	18.0	20.4
MCA (UK)				8.8			14.2#
Datam				4.1	14.8		
Vault							20.0

Sources: Datamonitor; FEACO; Kennedy Information; MCA of UK; Vault. Both print and online versions were used; references are to both.
Notes: 1. Different publications by same publisher are referenced by years.
2. FEACO figures for Europe and UK were stated in euros, including years 1995 and 1997 (euro was introduced only in 1999). Conversion rate applied (for euro to dollar) computed as of July 1 of given year.
* = denotes forecast ; # = denotes intervening year, 2004 or 2006; ^ = source used euros, though euro existed only since 1999.

TABLE 2

SELECTED STATISTICAL ISSUES ON ESTIMATING SIZE AND CHARACTERISTICS OF MANAGEMENT CONSULTING SECTOR

Source	Issue/Problem	Explanation / Solution
Datamonitor Indy & Mkt Res.	1.Combines management & marketing consultancy 2. Puts UK market at $4.1 bil in '01, at $14.8 bil in '04 also confused € and $.	1. Considering split; no rationale for combining 2. States that '04 figures include new categories;
FEACO (Eur.Fed. of Mgmt.Cons. Assocns.) Belgium	1. In '02 report, figures for total revenue and number of firms the same in 6+ countries 2. In '06-07 report, figures for number of firms identical for Germany and UK. 3. Shows revenues in euros for '94 to '98 in '02 report.	1. Misprints & carelessness, prints new version later, no explanation. 2. No explanation offered to date, despite several inquiries. 3. The euro came into being only in '99.
Kennedy Information	1. In '00 report, size of global market shows two different time series (cf.T-1) 2. In '04-'06 & '07-'10 summary reports & '06 paper show wide diff. in mkt. size (cf.T-1) 3. Cons.News 6/01 shows higher revenue for several big firms than Cons.News 6/06.	1. Misprint 2. No clear explanation, probably added new categories; diff.reporters 3. Possible misprint; M&A activity or restructuring; revision by indiv. firms.
MCA(Mgmt.Cons. Assocn-UK)	1. '02-'03 vs '06-'07 report differ as to % of consultants who are outside MCA fold 2. '02-'03 report shows different estimates of UK market	1. Membership in MCA fluctuates; small firms sign up/leave. 2. Editor admits to prior under-estimate on size.
Vault	1. In 6/07 report confusing signs re currencies. 2. In 6/07 reports diff. figures for size of global mkt (cf.T-1)	1. Misprint & lack of care; no response to inquiry. 2. Unclear if it is $200b or $300b; no explanation.

their survey, reflecting new circumstances. At other times, no clear explanation or solution is provided. Comparing the data on the same topic by various publishers seems appropriate, as it is for government statistical bureaus to take a more active role once again in gathering data not only on management consulting, but also on other professional services. Validity and reliability of important numbers are at stake, as are policy decisions based on the numbers.

The Players in the Arena

The large management consultancy firms' earnings, listed in Table 3, range from $0.5 billion to nearly $20 billion in 2007. Looking at year-to-year data, not shown here, generally reveals either stability or an upward trend, though setbacks are not unknown.[2] Of the 13 firms shown, only two are based in Europe. In a Kennedy Information list of 50 leading vendors a few years ago, 42 were U.S-based. Thus, the situation has not changed. However, we expect that Indian firms will be moving into the top ranks during the next decade.

Observers in the past, and even now, classify Bain, BCG, McKinsey as strategy firms: A T Kearney as an operations firm; Mercer as a human resources outfit; and Accenture, CSC, and IBM-GS as information technology giants. However, such labels are misleading. According to a senior partner at one of the top companies, it is a mistake to call McKinsey a strategy firm and not an operations firm, because it has distinct capabilities in lean manufacturing, purchasing, and supply chain management, making its involvement in operations bigger than that of AT Kearney. Furthermore, "the competitive battle is fought not at the firm level, but client by client (on the market side) and in the war for talent (on the hiring side)." This observer also notes that "scale per se is not a primary driver of success; rather it is a result of being successful." Today, leading firms are often rivals across all major service offerings.

The competitive landscape is affected less by the structure of the sector than by the conduct and performance of the various firms. New entrants appear, some old ones leave, and some return. It was thought that the passage of the Sarbanes-Oxley Act in the United States would prevent the "Big Four" of the accounting world from doing any management or related consultancy. Indeed KPMG spun off its management consulting, and it became Bearing Point. PWC sold its division to IBM. Ernst & Young spun off some operations to CapGemini. Deloitte Touche Tomatsu has a firewall between itself and Deloitte Consulting. But now they have returned to the sector: they do consultancy in "non-audit mode," with permission of their audit committee, and their consulting income is in the billions of dollars.

To illustrate the geographic reach

[2] We welcome corrections to the data cited.

TABLE 3

STATISTICS FOR SELECT MAJOR MANAGEMENT CONSULTING FIRMS

Name of firm	HQ city	Year founded	2007 rev in bil $	total staff	present in countries	no. of offices
Accenture	Bahamas	2000	19.7	170,000	50	150
ATKearney	Chicago	1939	0.8	2,500	30	48
Bain	Boston	1973	l.3	3,700	25	38
BoozAH*	McLean, VA	1915	4.0	19,000	22	100
BCG	Boston	1963	2.3	7,000	38	66
CSC	Falls Church, VA	1959	15.5	89,000	60	140
Deloitte	NYC	1900	5.4	25,000	90	140
IBM-GS	Armonk,NY	1989	54.1	190,000	140	300
McKinsey	NYC	1926	4.4	16,000	51	90
Monitor	Boston	1983	0.5*	1,500	22	30
MercerOW*	NYC	1973	1. 5	2,700	16	40
PA Cns Grp	London	1943	0.5	3,200	35	40
Rol. Berger	Munich	1967	0.8	2,000	26	37

Source: Annual reports, press releases, corporate home pages (websites); TBR Inc.,; Vault, Inc.; Wikipedia; other sources; authors' estimates.
Note: * = Booz Allen Hamilton recently split into two parts: Booz & Co. and BAH, with latter doing only U.S. Gov. work; *= estimate.

TABLE 4

REGIONAL DISTRIBUTION OF REVENUES, SIX MAJOR MANAGEMENT CONSULTING FIRMS, 2007
(Percent)

Region	Accenture	CSC	EDS*	Bain	BCG	McKinsey
North & South America	43	50	59	42	44	38
Europe, Mid-East & Africa	48	40	29	51	50	42
Asia-Pacific & Rest of World	9	10	12	7	6	20
World - total	100	100	100	100	100	100
Revenue- bil $	19.7	15.5	22.1	1.3	2.3	4.4

Source: Corporate annual reports, press releases, and websites; Wikipedia; TBR Inc.; and, authors' estimates.
Note: * In May, 2008, Hewlett-Packard said it would acquire EDS.
"The combined firm would rank #2 behind IBM in IT Services with IBM at 10, HP+EDS at 7, Fujitsu at 4, Accenture at 3, and CSCat 3 percent of the 'estimated addressable market' valued at about $500 to $550 billion (cf. US SEC, Schedule 14A filing by HP).

of the large companies, Table 3 shows the number of countries they have a presence in and the number of offices they maintain in the United States and abroad. The decision to enter a country and to open a new office is made invariably with a dual purpose—seeking new clients as well as attracting new talent to the firm. However, in entering new countries and opening new offices, the entrants must align their corporate culture and operational standards with national cultures and even local characteristics. In Table 4 we explore further the geographic revenue streams of six large firms. Each of these, as have many others, succeeded in gaining large contracts and attracting native talent (usually from top schools) to their fold. Clearly, all of them diversified, with a major presence in all three regions.

The large firms do not feel threatened by small ones that are run by retired line managers with industry knowledge or newly minted entrepreneurs with fresh technical ideas. Admittedly, the most visible small consultancies feature "gurus" who have forged a reputation and who are hard to copy. These experts, such as Jim Collins, Thomas Davenport, Gary Hamel, C.K. Prahalad, Thomas Siebel, and others gain fame by publishing books, delivering lectures at conferences, and offering sound bites to reporters. Others achieve early fame but may find it hard to stay on top. The big firms emulate the "gurus" by speaking engagements, scholarly articles, or special divisions, such as McKinsey's Global Institute. At the same time, they try mightily to fight off accusations of malfeasance, e.g. McKinsey now claims it was only advising and not implementing policies in the cases of Enron or Swissair.

Three other doctoral dissertations written in this decade examined the international facets and the global reach of the large firms. J. F. Backlund (2004) finds that globally active consulting firms continue to increase in number and relative size in national markets. He is impressed by their media activities in Sweden, where such firms promote via public tenders, corporate websites, and directory listings. But local aspects are de-emphasized as a source of legitimacy in the presentations. J. D. Wood (2001) reports that profitability and size are the two key determinants of internationalization for management consultants. These two variables also greatly affect the establishment of foreign branches, though this is related also to U.S. foreign direct investment abroad. A. L. McKaig-Berliner (2001) finds that competitive advantage is gained by tapping foreign talent and that this is a function of home country size, firm size, and the firm's degree of multinationality and intellectual capacity.

In Central and Eastern Europe, we found that large multinational firms focus on privatization of state enterprises, infrastructure projects (including the evaluation of public tenders), and the restructuring of the old-line manufacturing sector. Other opportunities arise in finance, wholesale and retail trade, human resources, health care, and education. Medium-size firms are almost absent. The small consultants seem to be thriving. They make their service offerings along industry or functional lines and often act in the role of a sub-contractor to larger firms. Also, they promote their expertise via webpages to neighboring countries.

Toward A Global Reach

The future contours of management consultancy are being carved steadily by organizations, large and small. The top 50 firms in the field "follow the money"—the top 500 U.S. firms and the top 200 global companies. They are set to cater to national governments, state enterprises, and sovereign funds in all emerging large markets. In the emerging countries, they prefer the Asia-Pacific region most, followed by Eastern Europe, Latin America, and Africa. While consultants made inroads, they are likely to face at least four barriers in the coming years.

First, there are long-established networks of a domestic nature in each nation—family firms, interlocking directorates, and the tradition of doing business only with family members, trusted friends, and domestic partners. Second, some Asian information technology and consulting companies, already cited, are established on their home turf and are moving abroad to compete. Third, there are relatively few multi-billion dollar enterprises or public agencies to which bids can be tendered. Fourth, growth rates are bound to slow down worldwide as a result of the current financial crisis, scarcity of resources, emphasis on curbing consumption and "going green," and transparency demanded by customers. Just the same, the 13 companies listed in Table 3, plus the other top 37, will do well, but their revenues will be growing annually at 5 to 10 percent, not 10 to 20 percent.

The large consultancies seek to avoid regulation at all costs. They pursue firm reputation or corporate brand equity via core (or unique) competencies. Partners, consultants, associates, and analysts seldom seek recognition beyond a generous base salary and a hefty bonus. Of course, those figures are important, and they are indeed high at the top firms (based now mostly in the Boston-New York-Washington corridor). Young MBA graduates often earn $150,000 per year or more; hourly billing rates charged to clients go from $100 for analysts to $500 for senior managers; and annual revenue per employee now exceeds $350,000 at McKinsey, according to TBR.

How can small management consultants prosper now and later, be they in North America, Eastern Europe, or South-East Asia? They can adopt the credo of marketing orientation and entrepreneurship to heart: they must be pro-active, innovative, and risk-taking. In fact, they are following this path, hanging out their shingles, offering ideas, going into debt, networking at seminars, and seeking out small clients that look promising in terms of past growth or potential business. They also join associations in the home country, seek reciprocity in neighbor nations, and make good use of the Web/Internet.

When it comes to professional recognition, associations at the national and regional level encourage certification by individuals. Two examples of this, one in Europe and one in the United States, are ICMCI and IMCUnited States. Both are dedicated to standards via certification—see the details in Table 5. There are similarities, but also differences between the two regions when it comes to qualifying as a certified management consultant (CMC). Examinations, experience, and statements from clients are important in both cases; but additional years of practice can substitute for a formal degree in the European setting. We expect certification to grow in popularity—not because of judicial or regulatory reasons—but because certification serves as a benchmark to the clientele of small consultants.

In our native Hungary, several consulting courses are offered at public institutions such as University of Pecs and Corvinus University and at the private Central European University. These courses focus on methodology (ranging from problem formulation to execution of the project), functional areas, and use of technology, "client cultivation," as well as field trips to established consultancies. The emphasis is on good diagnostic skills and implementation of tasks. What students need to discover, of course, is that while their learning is important, what ultimately matters even more is the client's learning. This is achieved by offering insights from psychology, organizational behavior, and role-playing. The perennial debate of "content versus process" is discussed, as is the notion of acting less as an expert and more as a coach.

Taking the long-run view, it is fair to say that for economic prominence in general and management consultancy in particular, the nineteenth century was that of Britain, while the twentieth belonged to the United States. The twenty-first century is likely to belong to Asia, specifically India and China. We are talking about the rise and domestic dominance of companies within these two giant nations, especially the ones from India (such as TCS, Infosys, Wipro, and many others). Further, their "global reach" will become evident as they expand their reputation for high talent, low(er) cost, and effective service offerings across the whole wide spectrum of management consultancy. However, the story does not end there.

Besides large and small Indian and Chinese firms, we shall also see professional business services arise in the major emerging markets of Brazil, Russia, and elsewhere. We illustrate this in Table 6 where we use the data presented in National Science Board (2008) on the knowl-

TABLE 5

STANDARDS SET BY TWO KEY GROUPS FOR QUALIFYING AS CERTIFIED MANAGEMENT CONSULTANT (CMC), 2007

Procedure	IMCIC.org	IMCUSA.org
REQUIREMENTS		
Experience	Three years in management consulting	Three years in practice as a full-time consultant, with major management responsibility
Education	Recognized degree or professional qualification or additional five years in mgmt.cons. in lieu of degree	Degree from a four-year college
Time spent	1200 hours/annum in active mgmt.cons. during the three qualifying years over the preceding five years and currently active in mgmt.cons.	(no such heading)
Engagements	(no such heading)	Written summaries and discussion with panel of five client assignments
Independence	Owner or employee of a firm in independent practice, internal consultant in an organization or meeting the institute's independent criteria	(no such heading)
QUALIFICATION PROCESS		
Application	(no such heading)	Written response to an engagement case study and presentation to a panel
Examination*	Written examination or structured interview to test knowledge of the code of professional conduct and common body of knowledge	Qualifying written examination and oral review by senior CMCs to demonstrate…competence..currency… application…and understanding of …process and common body of knowledge Written examination and oral Interview on the IMC Code of ethics and ethical aspects of consulting
Sponsors	Two sponsors who are full Members or Fellows (CMC, FCMC, FIMC, or equivalent)	(no such heading)
References	Written descriptions of five assignments and five client references verified through interview	Five satisfactory references from officers or executives of client organizations

Source: The International Council of Management Consulting Institutes (ICMCI), The Institute of Management Consultants USA (IMCUSA) webpages.
Note: *The heading, 'Examination' is not used by IMCUSA; instead it uses two different headings, 'Competence' and 'Ethics', to describe the examinations (as shown).

TABLE 6

VALUE-ADDED REVENUE FOR KNOWLEDGE-INTENSIVE SERVICES, SELECTED MAJOR EMERGING NATIONS, 1995-2005 (BIL 2000 $ AND %)

				Annual growth (%)	
Country	**1995**	**2000**	**2005**	**2000/1995**	**2005/2000**
China	147.0	252.9	449.4	11.4	12.2
India	46.6	76.9	113.8	10.5	8.1
Indonesia	17.2	19.7	28.7	2.7	7.8
Brazil	129.8	135.1	158.8	0.8	3.3
Mexico	84.8	103.1	116.0	4.0	2.4
Russia	39.1	40.2	56.6	0.6	7.1
Turkey	26.4	35.2	43.2	5.9	4.2

Source: National Science Board (2008). Science and Engineering Indicators, 2008. Washington: National Science Foundation. Appendix tables 6-4 and 6-5.

Notes: 1. Further breakdown also available on three market-oriented (communications, business, finance) and two nonmarket-oriented services (education and health). Other sources include still other offerings under 'KIBS' i.e. knowledge-intensive business services.

edge-intensive service sector in seven major nations during the1995-2005 period. The appendix to this report offers rich details on both market and public-oriented categories. Note that, contrary to popular notion, China has experienced slightly higher growth rates in knowledge-intensive services than India, though both are doing quite well. The pace in Russia is picking up again; the situation in the other nations is mixed; but overall, it is encouraging.

In the future, management consultancy is going to be an integral part of such service offerings, with consulting opportunities in information technology and outsourcing, followed by operations, strategy, and human resources. It is quite likely that the boundaries among these categories will fade, as will the borders between management consulting and a host of related professional services that range from advertising to law, from accountancy to engineering. In sum, consultancy will remain a significant practice as well as asserting itself more and more as a profession (through standards, licensing, certification, inside and outside recognition). We plead at this time for more transparency and accuracy in the generation and distribution of statistics about the field.

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