



## **Management Consultancy – Market Review at September 2009**

BLT's latest survey of consultants and consultancies indicates:

- Straws in the wind for September pick-up
- Temps and Contractors bear brunt of cuts
- Consultants prepared to take salary drops

### **Lehman and a lousy year**

The anniversary of Lehman's demise is upon us. It's revealing to look back on recruitment activity over these last 12 months. The number of new recruitment instructions from consultancy firms fell relentlessly from October 2008 onwards. The hoped-for 2009 January bounce (New Year, new hiring) didn't happen. The prayed-for post-Easter bounce ("let's staff up for the Autumn") didn't happen either. Summer was quiet – but then Summer's always quiet – but we had September to look forward to. The season of "let's spend our recruitment budget before the year-end" is upon us, although you wouldn't know it. And whilst it's fair to say we've had more enquiries about the *possibility* of hiring in January 2010, there's not much commitment yet. Consultancies are finding that they are still on the 'discretionary' side of the corporate spending ledger, so weak order books and postponed projects do not lead to a need for more consultancy staff.

The Management Consultancies Association has predicted a modest 5% drop in billings for 2009/10. But staff numbers seem set to drop more. After a 12% increase in consultants in 2008/09 but only a 5% increase in revenues, something has to give. We've seen temporary and contractor staff being cut in an effort, by firms, to retain as many core permanent staff as possible. Nevertheless, there have been pockets of redundancies around strategy, corporate finance and M&A, whilst underutilised consultants in other areas are being re-assigned to restructuring, cost reduction and profit improvement projects. Most of our consultancy clients who specialise in Financial Services have pulled down the recruitment shutters, and the Big 4 have only isolated areas of recruitment activity. Smaller firms, however, are using this time as an opportunity to pick up experienced, seasoned consultants who would not normally be available. Many of these senior candidates are casualties from the large consultancies. They are prepared to take a drop in salary. We haven't seen this since the demise of the dot.com consultancies.

### **Where Are The Consultancy Jobs?**

Yet despite the above, consultancies are still finding it difficult to attract all the hires needed to service assignments in certain sectors and functions – although they are unwilling to drop the bar and recruit less well qualified/skilled consultants, or hike up pay levels.

- Public Sector. Central government projects last years – and the NHS Connecting For Health programme will run into the next decade. These two large public sector markets are still hiring consultants with specialist skills. Local government, education, defence – there's still plenty of money – our money – being spent on consultants here. Underutilised consultants from other market sectors are being redeployed into the public sector, yet there are also requirements which need to be sourced from outside. A change in Government within the next 12 months will merely add fuel to the fire.
- Energy. The oil and gas companies have got money to spend, and consultancies are grabbing the opportunities. The search for renewable and alternative sources of power engage consultancies across a wide spectrum – from environmental consultancies to technology specialists. Consultants with a science or engineering background are sought

## Hiring Trends

As 2009 moves into the final quarter, a piece of good news is the return of one of the top-tier strategy houses to recruitment in its London (but not European) office. Salaries remain the same as 2005, however. As the strategy houses have been the first to throw open recruitment at the end of previous recessions in the management consultancy sector, perhaps this is another sign of recovery.

The latest changes to the HSMP work visa scheme have reduced the number of non-EU Masters and MBAs who qualify to work in the UK, which may improve the prospects of UK/EU MBAs in the short term.

Demand for consultants is notable only in the public sector divisions of consultancies – and, as mentioned above, the FS vertical has stopped recruiting for the moment.

## So what does this mean for salaries?

Firms see no need to pay improved salaries, and apart from those consultants who are out of work and not cushioned by redundancy packages, consultants are turning down offers from consultancies because salaries are barely above current earnings.

The retention packages for experienced consultants reported by the large firms seem to be becoming more imaginative however: these include a widening of salary grades with a greater overlap between grades, a higher incidence of and improvement in discretionary bonuses, and a round of promotions.

At the other end of the scale, graduates are still being recruited in substantial numbers, although salaries are no longer attractive enough to compete with the best City packages.

## Salary structures and benefits

Below we list the ranks, salary mid-points and our comments. Please bear in mind that the figures are drawn from employed consultants (no self-employed consultants are surveyed) who work in firms of all sizes, sectors and functional areas. The only common thread is that they are working in or around London. Salaries in the rest of the UK are 10-12% lower.

### **Analyst:** £28,000

These are roles for raw graduates or those with some sector specific post-grad work experience. As recruiters we are rarely asked to find candidates at this level, so the figures come from the consulting firms themselves.

### **Junior Consultant:** £43,000

Consultants at this grade typically already have delivery experience in consulting, or are fresh recruits into consulting but with a recently obtained professional qualification or comparable level of competence e.g. ACA, CIPD, blue-chip management training programme graduate.

### **Consultant:** £60,000

At this level the backgrounds of consultants start to diverge. Examples include: mid-tier strategy house/boutique-experienced consultants with delivery experience; average performers with delivery experience at a systems integrator or a full-service consultancy and some field management responsibility; MBAs entering consulting for the first time.

### **Senior Consultant/Manager:** £68,000

Here consultants could be: more experienced delivery consultants; fast-track industry candidates and top Business School MBAs joining mid/top tier strategy houses. At Manager level and with sales/business development responsibilities, the range extends to £90,000.

### **Managing Consultant:** £85,000

These tend to be consultants with deep project leading experience in the full-service consultancies, or engagement managers/project leaders in boutiques. Sales involvement was claimed by about 60% of the consultants we surveyed at this level.

### **Principal/Associate Director:** £120,000

Again, this salary band includes consultants as different as strategy consultants with team leading responsibilities experience and senior rankers at a more traditional consultancy, or those with large project management/programme management responsibilities.

### **Director/Salaried Partner:** £195,000

These experienced consultants ranged from those with extensive delivery responsibilities at a boutique to client relationship duties in general consulting.

All firms surveyed review salaries annually: most at a fixed date in the second quarter of the year. Some employers undertake the exercise biannually. The majority of firms still provide a car once an employee reaches the 'up and running' consultant grades. All offer a cash alternative to a vehicle, typically worth £5,000–£8,000 per annum. However, a number of firms have withdrawn the car/cash option for grades below Director. The bigger consultancies offer comprehensive benefits packages, with 'cafeteria' or 'pick 'n' mix' benefits policies (choosing between a higher salary or a longer list of benefits) now common. Smaller independents do not tend to offer extras such as private health schemes and gym memberships, but we are seeing more 'home-working' amongst their consultants.

The closure of final salary pension schemes and some firms' reliance on stakeholder pensions is still causing concern. The value of a pension scheme is being scrutinised much more carefully by those considering a move. Consultancies trying to attract public sector talent are losing out in this area particularly.

At the large operational consultancies bonuses and profit shares tend to be less generous (7-15%) than those offered by the strategy and boutique firms (25-40%). Signing-on bonuses are still rare. The large partnerships are secretive about partner earnings, but press reports of UK divorce cases indicate that mid-senior level partners enjoy drawings of c£700,000, and the very senior partners at large firms are in the £2m+ bracket.

Partner/director packages in niche firms vary enormously, with some earning the equivalent of a journeyman footballer, and others who would be better off as senior managers in larger firms. These niche firms traditionally find it hardest to retain their experienced consultants, and so bonuses can be as high as 100% of salary.

### **Salary differences explained**

Salaries are banded, and the bands overlap to take account of the level of remuneration necessary to attract and retain the high fliers on their way up, and experienced specialists who are approaching the summit of their careers. Consultancies are recognising that experienced consultants who do not aspire to the highest levels are worth retaining. Whereas consultancies still claim to recruit only potential partner/ director material, there is still a high turnover of consultants who see a three-to-five-year spell as a means to widening their business exposure. It is these consultancy 'foot soldiers' who straddle the mid-range of the salary bands at all levels up to manager.

The industry sector background of consultants, or their functional specialisation, also has a bearing on salary. This is commonly seen at the large operational firms and independents, rather less so at strategy firms or niche operations. Industry sectors that offer high levels of remuneration – oil & gas, financial services, telecoms – are serviced by consultants who have themselves usually worked in those sectors. Consequently, consultants hired from these industries can command a premium over their consultant peer group. Those at the lower end of the salary bands tend to have come from the public sector, manufacturing, or retail – still the lower-paid activity areas.

Salaries are also influenced by billings. Consultants are expected to bill fees of around three to four times their annual salaries. Therefore, consultants who work in sectors where high profits can support high fees fare rather better than their colleagues who work in areas where fees reflect the lower profits of their sector.

The relationship between salary and billings becomes increasingly important the further up the ladder consultants rise. At manager level and above, the ability to win work is crucial. More and more time (typically 25–40%) is spent cultivating clients, writing proposals, and participating in beauty parades (where a client chooses a consulting firm after seeing a number of presentations). It is very difficult to rise beyond this level if such business skills are lacking.

No one should be attracted to consultancy purely for the financial rewards. Although remuneration at partner/director level is comparable with other professions, there are many downsides. Job security has become poorer in recent years. Despite more attention being paid to the work/life balance, consultants still work long hours, and not just Monday to Friday. As much of the work is carried out at client sites, frequent travel is common and a willingness to stay away from home for at least half the year essential. (Many firms are asking new joiners to commit to 100% travel.) Yet consultants who choose this lifestyle do so because they enjoy the variety of work on offer, the opportunities to continue personal and professional development, and the range of career openings available when they wish to leave. Those who hold a post with a well-

established consulting organisation, and those who choose to enter the profession over the next few years, can still look forward to a well-remunerated future.

### **What is BLT?**

Beament Leslie Thomas (BLT) is a leading management consultancy recruitment consultancy. It specialises in the sourcing of management consultants, and those wishing to enter the field for the first time, on behalf of consulting firms. It is a Preferred/Tier One Supplier for many strategy houses, major full-service consultancies, and numerous boutiques.

BLT handles recruitment assignments for consultancies in the UK and northern Europe; most of its work is in the £40-250,000 base salary range.

The firm won the award for 'Best UK Management Consultancy Recruiter' and Don Leslie was voted 'Best Individual Recruiter' in the Top-Consultant reader poll in 2009. BLT is most highly ranked for 'best management consultancy recruitment firm' since the award was inaugurated in 2002.

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