

## Australia's management consulting industry books record growth



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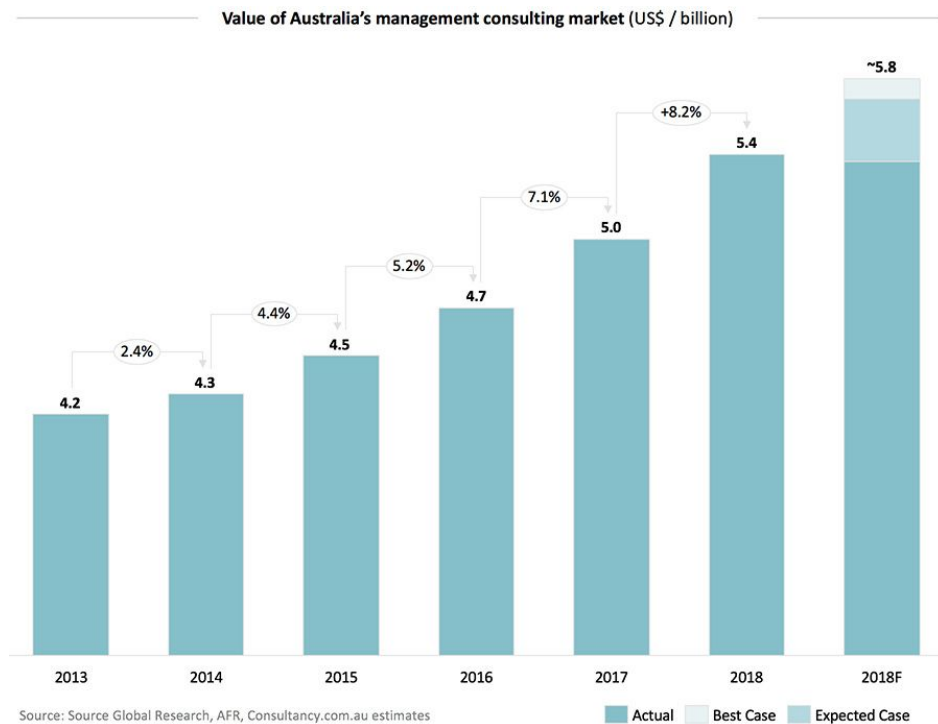
*The Australian consulting industry grew by its fastest rate in seven years, with the value of the local advisory market up more than 8% to \$5.4 billion (AU\$7.7 billion) in 2018, growth at level almost three times that of the national growth rate of 2.8% because organisations and governments are turning to consultants to navigate the era of digital disruption.*

2018 has become the latest year to add to a period of substantial growth in Australian consulting, with the market enjoying the fruits of a steady economy, coupled with strong demand from the public sector. Data sourced from the 'Australia consulting market 2019' study by Source Global Research shows that the sector has grown from \$4.2 billion in 2013 to \$5.4 billion last year. Australia now accounts for around a quarter of the Asia Pacific consulting market.

The country's economic stability is largely responsible for this, with Australia having celebrated 26 consecutive years of GDP growth in 2017. This has helped consultants as it has led to clients being eager to make the most of the solid conditions, while being unafraid to invest large amounts into improving their companies without fear of lean times being ahead. As a result, firms have happily engaged consultants for growth opportunities, transformation programmes, and end-to-end solutions.

However, this is not to say Australia's businesses do not face challenges, and indeed these have also pushed firms to engage with consultants. Disruption to the market has kick-started a large

amount of spending in project-based work, with lower segments of the market, its tightening labour market, which means that external experts sourced in to fill project roles or interim positions.



Australian consulting has therefore enjoyed growth on par with other mature consulting markets. According to data from Consultancy.org, the US, the UK, Germany, France, Switzerland and China all have advisory markets that grew by more than 5% last year.

## Client demand

The financial services sector represents the largest industrial client base of Australian consulting. At \$1.4 billion, the segment saw demand spiral by more than 10% in 2018, driven by quickly changing business models, as well as the rise of FinTechs and challenger banks, and a heightened regulatory burden. The Hayne royal commission in particular inspired a scramble for consultants by banks looking to compensate customers and fix their processes.

According to Zoe Stumpf of Source Global Research, "The Hayne royal commission has led to a huge amount of work among financial services clients who, faced with considerable criticism of their business practices, have been keen to work with consultants to put in place a more robust risk and regulatory framework... As well as compliance work, this is leading to widespread demand around governance and strengthened risk management approaches."

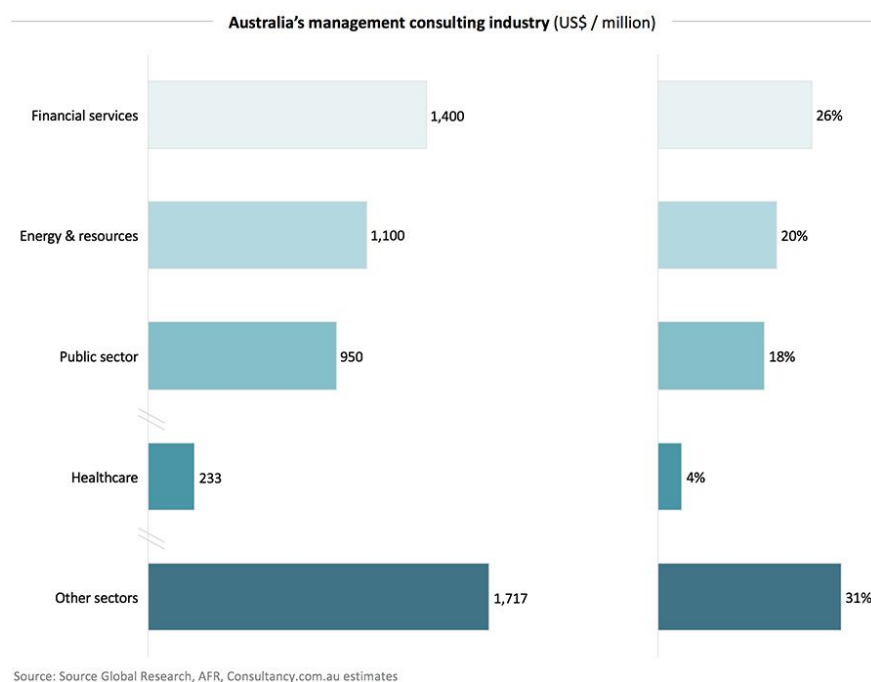
Financial services was followed closely by energy and resources, a sector worth a total of \$1.1 billion to consultants, as firms were hit by spiking commodities prices, and sought new

growth strategies to find savings as a result. Last year it was reported that Australia's energy and resources consulting market had grown by 4.7% to over \$1 billion, meaning that it remains the second largest in the world, behind only the massive market of the United States.

Unsurprisingly, perhaps, demand from the public sector for consultants continued to grow in Australia. The consulting industry of Australia has increasingly been buoyed by public sector spending in recent years, something which was largely attributed to then-Prime Minister Malcolm Turnbull and his Liberal Government's reform agenda. Under the Turnbull Government, spending on external expertise ramped up by over 8% to a total value of \$845 million in 2017 alone.

Turnbull was ultimately ousted, and his replacement Scott Morrison has come under increasing pressure to mark himself as different from his predecessor. Despite this, the Government's policy on outsourcing to consulting firms seems broadly unchanged – something that continues to cause friction for Morrison's freshly re-elected Government. All levels of government and the not-for-profit sector were ultimately worth almost \$1 billion to the Australian consulting sector, then, growing by more than 8%.

The Government's Vision 2025 programme, aimed at digitising all government services by that date, has boosted demand for support in particular. While a wide range of consulting firms have benefitted from this, the lion's share of the work has gone to the Big Four and large tech firms, who have strong foothold in public sector. Separate data revealed by the Australian Financial Review (AFR) last year found that the Big Four earned \$1.7 billion from the federal government between 2012-13 and 2016-17 to that end.





While the re-election of the Government is likely to see it further ramp up its consulting spend, its sector was not the fastest growing line of business for consultants. In terms of growth rates, the fastest growing sector was healthcare, with demand up 13.6% to \$233 million, thanks to an ageing population that is placing increasing strain on the majority of mature economies now.

Technology remains the largest service line for consultants, up 11% to \$1.8 billion, as governments and companies moved to upgrade and enhance their computer systems. While the service offered by consultants to assist clients with their digital transformation is still a relatively new aspect of the industry, efforts to integrate new, innovative technology with business operations have become so essential to the survival of modern businesses that it is one of the most talked-about aspects of consultancy today. Digital transformation consulting is globally worth [more than \\$44 billion](#) as a result.

## Consulting firms

As in other markets, the consulting arms of Big Four are the largest players in the market. EY, Deloitte, KPMG and PwC – are enjoying a sustained boom in Australia. Services in consulting and financial advisory, which are more lucrative than accounting and assurance work, are driving local growth for the world's largest advisory and accounting firms, which all enjoyed expansion of over 20% [between 2016 and 2018](#).

The Big Four is followed by the famous MBB – the three largest strategy consultancies in the world. McKinsey has the largest headcount of the trio in Australia with nearly 500 staff, however, [BCG is growing is hot](#) on its heels following a solid year of growth, while Bain & Company is some 150 staff behind, at a headcount of around 350 professionals.

In terms of technology consulting heritage, Accenture is the market leader in Australia. With more than 4,500 employees across Australia, the firm commands locales in Sydney, Melbourne, Brisbane, Canberra and Perth.

However, native Australian firms are also enjoying bullish growth at present. Mid-sized firms like Nous Group and Partners in Performance are thriving. The latter consultancy has roughly 500 consultants and support staff globally. [Nous Group](#), which was named Australia's best management consulting firm by the AFR in two years ago, has 400 staff, across offices in Australia, and one in London.

Changing client demand means that in certain areas, specialist firms are also doing well. [Pollen Consulting Group](#) is an example of this, having been founded in 2016 and focusing purely on FMCG clients. Today it has a team of over 25 consultants, and according to its Founder Paul Eastwood, is “fast becoming the go to consultancy” for value chain transformations, bottom-line performance and fostering collaboration in the FMCG sector.

This comes as part of a broader trend, as clients are turning to specialised firms, and chopping large transformations into smaller chunks, giving work to the established firms but only in certain work streams, while increasingly turning to boutiques or even independent consultants for more agile, cost-effective or intimate services.



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## Outlook

The outlook remains strong for Australian management consulting, according to Source Global Research. Stumpf suggested that the market is being buoyed by a “widespread conviction from many clients that they will continue to seek consulting help to deal with the many disruptive forces they face.”

However, the forecast is not only positive. Amid concerns at the slowing global economy, consulting growth may turn out slower at around 7% for 2019, with slightly slower growth forecast in 2020. According to Stumpf, “Clients balance the need to deal with new types of competition and embrace technology change against concerns about economic growth; indeed, clients are likely to proceed more cautiously with their change plans as a result.”