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2004

Survey of the European Management Consultancy Market

feaco



**Introduction by Rémi Redley
Outgoing FEACO Chairman and President of the German Association
of Management Consultants, BDU e.V.**

It is a great pleasure for me to introduce the 2004 edition of the Annual FEACO Survey of the European Management Consultancy (MC) Market.

At the moment the EU finds itself in a politically and economically difficult phase. The Internal Market, which has reached important objectives since it came into existence in 1991, is currently faced with the challenge to draw from its enormous potential to compete with the US and developing countries such as China and India, in search for economic growth, more work and more competitiveness. To be able to stand up to this challenge, the EU will need to face external partners and competitors as a true economic unity. This will require the introduction of more changes to obtain further elimination of commercial barriers, more economic integration, further liberalisation of markets and improvement of political coordination. Politicians, both the European institutions and national governments, since the EU is not competent in all areas, must give the impetus and support for these reforms. At the same time market participants need to drive for change and growth by creating awareness and proposing solutions.

This is where the European Management Consultancy sector and FEACO as its representative body have an important role to play. Through awareness creation, consulting, systems integration and outsourcing, our sector should cooperate with the different organisations, public and private ones, to overcome the barriers which frustrate a further integration of the markets in the Union. On industry level consultants contribute to the competitiveness and growth of the companies operating in the European Union, to enable them to compete successfully in a larger Europe and on a global level.

Over the last decade FEACO has become the unified voice of the management consultancy industry in Europe. To contribute to the competitiveness and growth of the European Market and the Management Consulting sector FEACO has recently approved a comprehensive action plan which evolves around the following main priorities:

1. Working out a European vision for the Consulting practice

FEACO aims to contribute to the development of the market through a promotion of Management Consulting in the wide sense with the public and the EU and, through its national member associations, with the national authorities. FEACO is developing an active representation on EU level and a positioning on issues related to competitiveness and growth of interest to the Management Consultancy sector such as free movement of services, labour policy, procurement, WTO related issues, and regional development. The Promotion of Best Practice and Business Ethics will remain important in this context.

2. Promotion of Networking

FEACO's objective is to support and promote networking activities between the member companies of its member associations. Networking has become an important issue for the consulting industry. Clients demand more sophisticated services, involving a wide array of specializations that few companies can provide by themselves. Clients increasingly look beyond their national borders and want advice on how to operate successfully in a wider European or even in a global market. Consultants and consulting firms therefore need to team up into flexible networks to be able to provide the combination of expertise and knowledge that each situation requires.

3. Addressing the specific needs of the developing MC markets in Eastern Europe

A good number of the Eastern European management consulting markets are still underdeveloped in comparison to most Western European Management Consultancy Markets and growth is often limited by rather modest economic development. FEACO supports the development of the management consulting sector in these markets by providing the national associations with assistance on, for example, the promotion and the definition of the profession and specific areas of consulting, the use of ethical guidelines and the importance of quality services. Furthermore, member associations and member firms can exchange experience with members and contacts of the wide FEACO network.

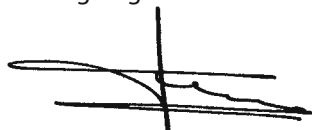
All associations constantly need to adapt to the changing environment to optimize their efficiency and effectiveness. Changes in the economic climate, political changes or changes in communication technology force us to review our strategies and the way we operate.

The above mentioned characteristics of management consultancy present a major challenge FEACO and its member associations. It requires a flexible and open minded approach, skills good Management Consultants are by nature equipped with.

We need to marry the wide array of services that Management Consultancy is composed of and identify and focus on the common interests and objectives, whilst at the same time respecting the divergences. This is what the new action plan aims to do: identify policy priorities, carrying them out and communicating them, all with the active involvement of the members. Management Consultancy plays an important role in the European economy. This role needs to be promoted on national and EU level. Policy makers are interested to listen to our opinion, especially if it is in a unified voice. This will explain our sector, raise its image and contribute to the development of our market.

Finally, I want to express my gratitude to my colleagues in the FEACO Executive Board and to all member associations which have supported me during the four years as Chairman of FEACO. Also, I want to wish all the best to my successor, Antoine Beuve-Mery, Board member of ASCOBEL, our Belgian member association, who was unanimously elected Chairman by the General Assembly for the next years.

Rémi Redley
Outgoing FEACO Chairman



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Executive Summary

Consulting in Europe has developed in the past years, through practical structural changes, into a consolidated sector which has the capacity to contribute innovation and value to clients through a collective of multidisciplinary professionals.

Tab. 1: Key Figures 2001 – 2004

	2001	2002	2003	2004
Market Size	€ 47,5 bill.	€ 46,5 bill.	€ 47,5 bill.	€ 48,5 bill.
Growth Rate	11.5%	-2.0%	3.5%	3.7%
Management Consulting Firms	60,000	57,000	58,000	60,000
Management Consultants	300,000	300,000	310,000	315,000
Key Service Lines	IT: 33.2% OM: 24.1% Strategy: 25.8% Outsourcing: 12.4% HR: 4.5%	IT: 28.5% OM: 28.2% Strategy: 19.9% Outsourcing: 12.7% HR: 10.7%	IT: 28.1% OM: 26.9% Strategy: 17.4% Outsourcing: 17.4% HR: 10.2%	OM: 27.3% IT: 25.8% Outsourcing: 19.0% Strategy: 17.1% HR: 10.8%
Management Consulting Markets (Total Turnover in € bill.)	UK: 12.9 Germany: 12.9 France: 6.3 Netherlands: 2.4 Spain: 2.4	UK: 13.6 Germany: 13.0 France: 6.2 Spain: 2.4 Italy: 2.2	UK: 14.8 Germany: 13.1 France: 5.6 Spain: 2.6 Italy: 2.0	UK: 14.2 Germany: 13.3 France: 5.9 Spain: 2.8 Netherlands: 2.0

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The Management Consulting (MC) market is a very atypical market in that it has a very small number of very large players and a huge number of very small players. What is more, whilst other markets are well defined, the MC market is, due to its nature, ever changing. There is no cohesive industry, it is too complex for a single, integrated set of rules. Management Consultancy keeps converging with other high value added business services to provide innovative solutions and help companies to be competitive. This is how it should be: Consultants respond to needs; they don't follow a standard process.

Most Western European countries report a continuation of demand for cost cutting and business process optimization projects. There is a trend towards increased market orientation. The need to be competitive appears to be a major common driver of demand for consultancy services in all, Eastern and Western, European countries. Companies want to be lean and flexible to be able to face competition from other European companies and from outside the EU. There appears to be a general trend towards shorter projects which procure results in the short term. Client demand is becoming more specific with more precise expectations about results. Clients prefer experienced consultants. Pressure on fees continues as well as the trend to tie fees to results.

This year's report confirms the expected recuperation of the market. The size of the European management consulting market increased by 3.7% to a total turnover of € 48.5 billion. The UK, which was already the largest consulting market, and the Eastern European countries lead the list of major growth countries. Spain and Austria demonstrated a sound growth rate as well, whilst growth in some large markets such as Germany and France remained modest. The Management Consultancy sector employs around 315,000 professionals and continues to be a major employer of graduates in Europe. Operations Management (OM) has become the largest service line and accounts for a total turnover of € 13.2 billion (27.3%), followed by the former number one, IT-Consulting & IT-Systems Integration (IT) worth € 12.5 billion (25.8%), and Managed/ Outsourcing Services (OS) worth € 9.2 billion (19.0%). The main client industries are (still) Non-Profit & Government with a share of 16.8%, Banking with 11.5%, and Energy, Utilities & Natural Resources with 9.9%.

Europe – Market Size, Forecasts & Analysis

A. History & Projections

The Management consulting market in Europe has continued the upward trend of the previous year. The average growth rate of 3.7% was slightly above last years' growth rate. The fact that the overall market turnover did not grow at the same rate can be explained by the decrease in value of some of the European currencies, such as the British Pound, in relation to the Euro. However, the picture of the individual European management consulting markets is, as in the previous year, very divergent.

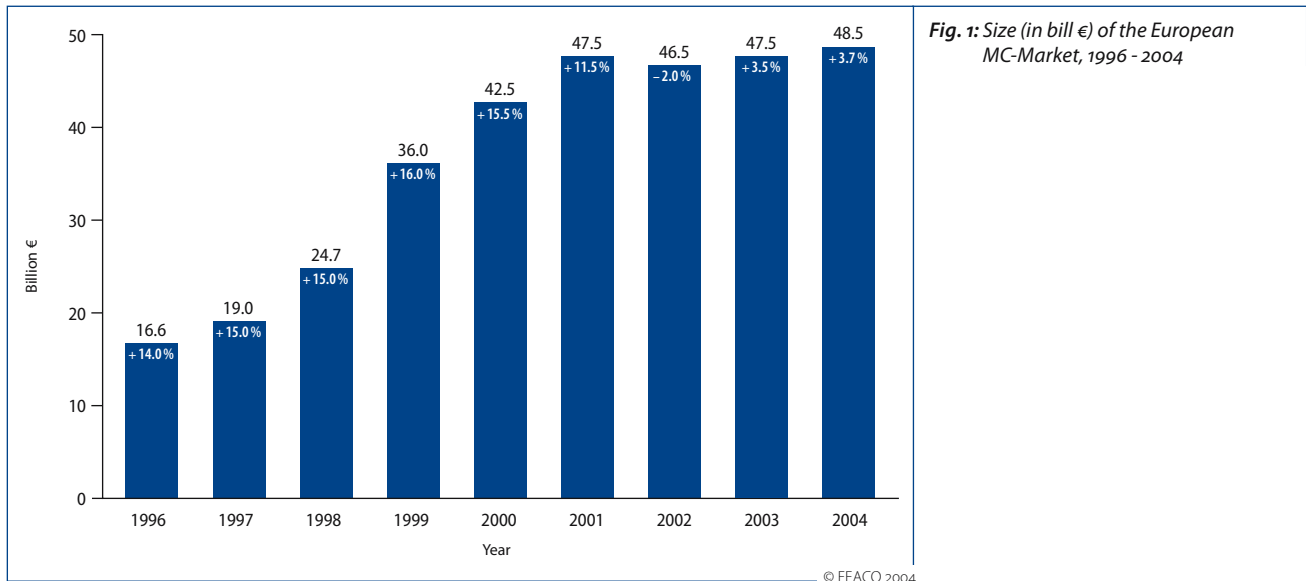


Fig. 1: Size (in bill €) of the European MC-Market, 1996 - 2004

A clear change in trend could be observed in the Nordic countries. In 2003 these countries formed the tail end of the growth scale with negative growth rates of on average minus 11.5%, however in 2004 they demonstrated a slightly positive rate. On the other hand, in the Southern European countries, particularly Portugal (minus 13.5%), Greece (minus 6.0%) and Italy (minus 3.0%) the market decline continued. Double digit growth rates, which could be observed regularly before 2002, have become the exception in 2004. Only some Eastern European countries could report such growth. Nevertheless, the European management consulting market grew more than the European Gross Domestic Product (GDP). The consulting intensity, measured as the contribution of the management consulting sector to the GDP has increased from 0.42% to 0.44%. This is however still considerably lower than in the United States where it is about 0.55%.

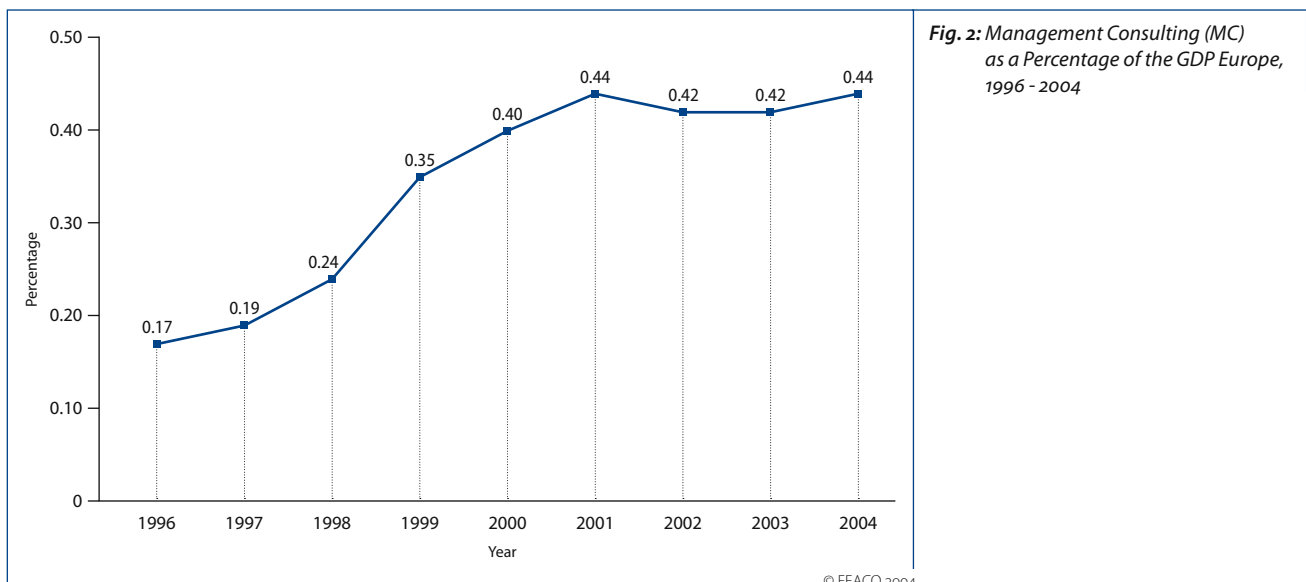
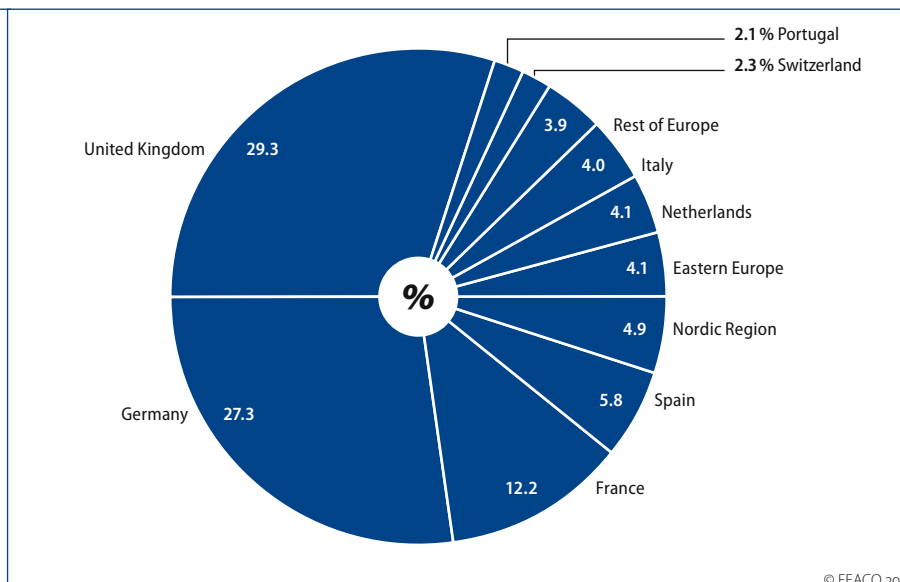


Fig. 2: Management Consulting (MC) as a Percentage of the GDP Europe, 1996 - 2004

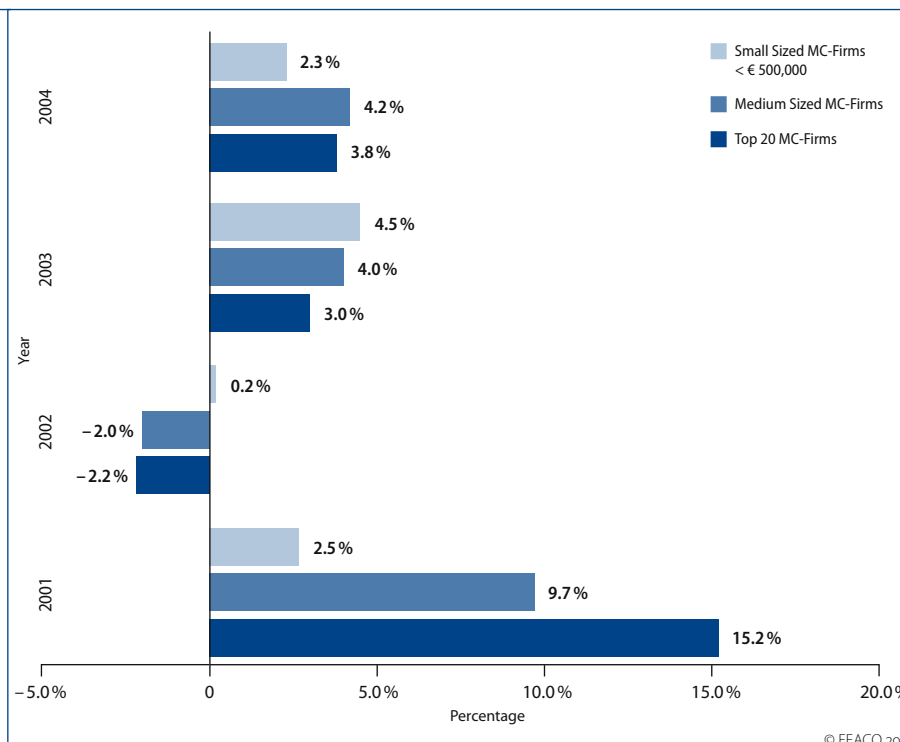
The United Kingdom and Germany are still the major markets with a turnover of € 14.2 billion and € 13.2 billion respectively, and account for almost 60% of the whole European Consulting Market. France still takes the third place with € 5.9 billion (12.2 %), followed by Spain with € 2.8 billion (5.8%) and the Netherlands with € 2.0 billion (4.1%).

Fig. 3: The European MC-Market Composition by Country/Region, 2004



In recent years a trend towards a concentration of the market could be observed. This year the 20 leading management consulting companies grew by 3.8% averagely, causing their market share to increase slightly to 56.1% (56.0% in 2003). The medium sized companies grew by 4.2%, thus increasing their market share to 28.8% (28.6 % in 2003).

Fig. 4: Average Growth Rates by Size of Consultancy, 2001 - 2004



B. Analysis by Service Line

Although it has become increasingly difficult to make a clear differentiation between consulting services over the past years as a result of an increased integration, FEACO segments the management consulting market into five key service lines: Operations Management (OM), Information Technology (IT) Consulting/ IT-Implementation, Corporate Strategy Services (CS), Human Resources (HR) Management and Outsourcing Services (OS).

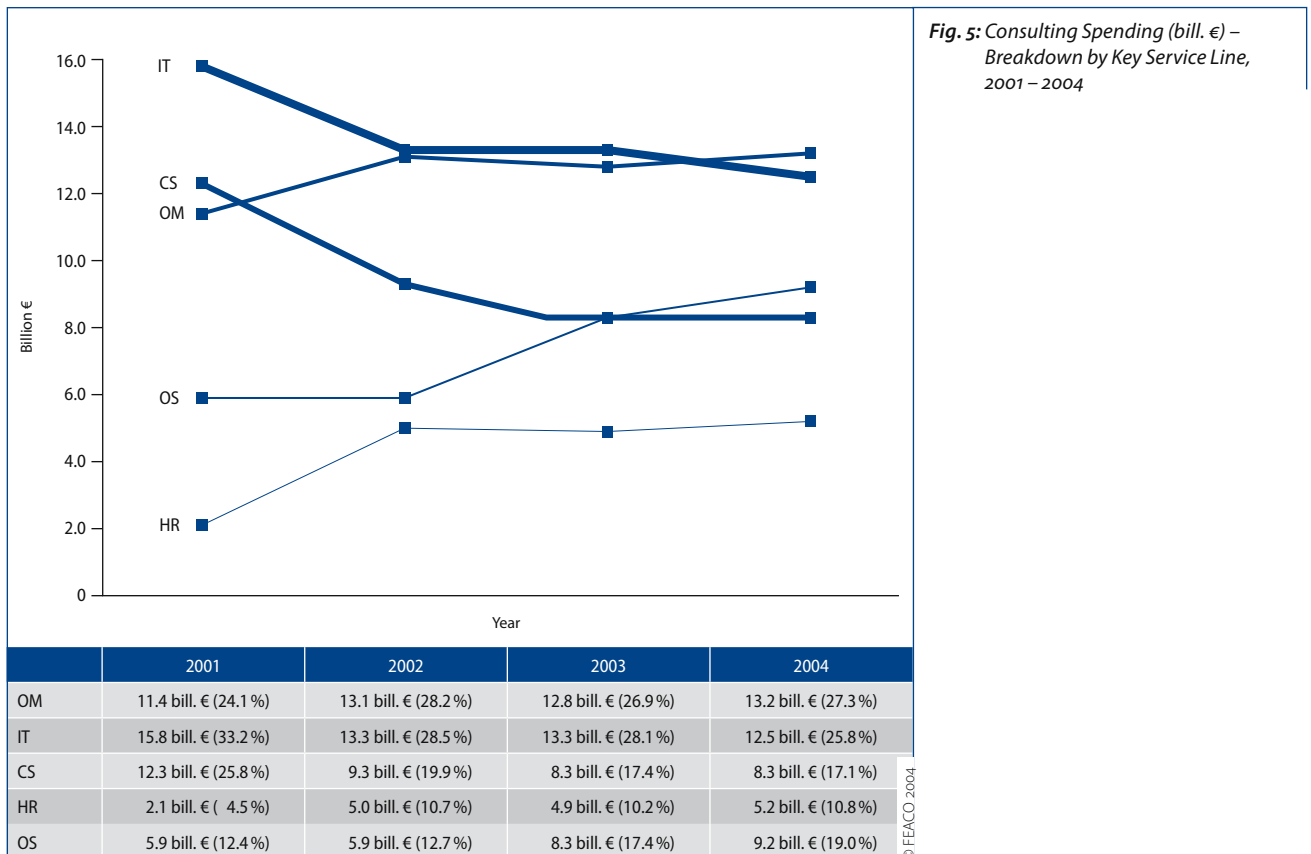
Tab. 2: Service Line, Summary and Outlook

Service Line	2004 Turnover Growth	Market Share	Key Geographies	Market Attractiveness 2005
Operations Management	3.7%	27.3%	Greece, Switzerland, France, Germany, Eastern Europe	Medium/High
Information Technology	-6.1%	25.8%	Spain, France, UK, Germany	Medium
Corporate Strategy Services	0.4%	17.1%	Nordic Region, Eastern Europe, Switzerland, Portugal	Medium
Human Resources Management	7.8%	10.8%	Netherlands, Eastern Europe, Italy	Medium/High
Outsourcing Services	11.4%	19.0%	UK, Spain	Medium/High
Total	3.7%	100.0%		

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Operations Management consulting services target at improving the operational aspect of an organisation. They typically concern not just factory and production management, but also the back-looking supply chain and the forward-looking distribution chain. Considering growth, OM, with a growth rate of 3.7%, takes third place in 2004 after OS and HR. Nevertheless, with a total turnover volume of € 13.2 billion, it has dethroned IT consulting services as the largest consulting service line. Key markets are Greece, Switzerland, France, Germany and Eastern Europe. For the coming year the growth expectations for OM are above the average.

IT consulting services typically target improving the way organisations store, retrieve, disseminate and utilize information. In 2004 this market segment lost its leading position as a result of a considerable reduction in turnover of minus 6.1%. However, in total turnover it still ranks second place with 25.8%, far ahead of Strategy consulting.



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IT consulting is traditionally strongly represented in Spain, France, UK and Germany. For 2005 the growth expectations for this segment are average.

Corporate strategy services target the improvement of the long term, strategic health of a company and are primarily comprised of services delivered in the areas which are listed in table 3. Since 2001, when it still ranked second in turnover after IT consulting, this segment has lost gradually in importance. It now ranks, with 17.1% of the total MC turnover, only fourth. Strategy consulting services are strongly represented in the Nordic Region, Eastern Europe, Switzerland and Portugal.

Human resources consulting targets at improving the ‘people’ element of an organisation. The main fields in this area are search and selection, training & development, performance measurement & - management. With an increase of 7.8%, HR consulting demonstrated the highest growth rate of all four classical consulting services, OM, IT, CS and HR. However, with a total turnover of € 5.2 billion this segment remains, volume wise, still clearly behind the other three segments. For 2005, FEACO prognoses another above average growth.

For many large management consulting firms, **Outsourcing Services (Managed Services)** have become increasingly significant, although we note a reverse trend which provides further real consulting opportunities either where the original outsource contractor is replaced with another or where the outsourced service is taken back in house. The above average growth of this service area has lost some of its dynamics in a good number of countries. At a rate of 11.4% this service line nevertheless experienced again the highest growth of all five key service lines. Outsourcing is traditionally strongly represented in the UK and Spain.

Tab. 3: The European MC-Market Composition by Service Line, 2001 – 2004

	2001	2002	2003	2004	
Operations Management	Business Process Reengineering	6.2%	4.9%	4.5%	4.7%
	Change Management	4.2%	3.2%	3.2%	3.1%
	Customer/Supplier Relation Management	n.a.	3.5%	3.5%	3.6%
	Project Management	7.5%	9.5%	9.6%	8.6%
	Turnaround/Cost Reduction	n.a.	3.5%	3.5%	3.6%
	Purchasing & Supply Management	3.5%	0.7%	0.6%	0.7%
	Other	2.7%	2.9%	2.1%	2.9%
Information Technology	IT Consulting	18.0%	15.0%	14.8%	12.7%
	IT System Analysis, Design, Development & -Integration	13.7%	13.0%	12.9%	12.9%
	Other	1.5%	0.5%	0.3%	0.3%
Corporate Strategy Services	Strategic Planning/Organisation Development	11.3%	8.1%	7.7%	7.1%
	Mergers & Acquisitions	2.5%	1.8%	1.7%	1.8%
	Market & Competitive Intelligence	1.0%	0.8%	0.9%	1.1%
	Sales/Marketing/Corporate Communication	1.6%	1.1%	1.8%	1.6%
	Financial Advisory	8.3%	7.1%	4.7%	5.3%
	Other	1.1%	1.0%	0.6%	0.5%
Human Resources Management	HR Strategy & HR Marketing	n.a.	1.0%	0.7%	0.8%
	Executive Coaching	n.a.	1.0%	0.9%	0.8%
	Recruitment/Search & Selection	2.2%	2.3%	3.0%	3.4%
	Benefits, Compensation & Retirement	0.3%	0.6%	0.2%	0.2%
	Performance Measurement & Management	n.a.	1.6%	1.6%	1.6%
	Training & Development	0.7%	2.7%	2.6%	2.7%
	Talent Strategies	n.a.	0.5%	0.2%	0.3%
	Other	1.0%	1.0%	0.9%	0.9%
Outsourcing Services	12.4%	12.7%	17.4%	19.0%	
Total	100.0%	100.0%	100.0%	100.0%	

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n.a. = not available

C. Analysis by Client Industry

As a result of more centralized purchasing, better information sharing among clients, and a larger number of ex-consultants in the clients’ labour pool, buyers of consulting services have become more sophisticated and demanding. Clients expect a profound knowledge of their industry and market and have a preference for more, inexpensive and shorter projects with clearly defined and quantifiable results, determined in relation to the consulting costs (Pre-project ROI). Clients also look for the implementation of advise and an active participation of the consultant. Therefore, consulting firms are hiring more often industry experts who require little ramp-up-time, enabling shorter projects. This growing demand for consultants with industry expertise has an obvious influence on the hiring of juniors from the top business schools.

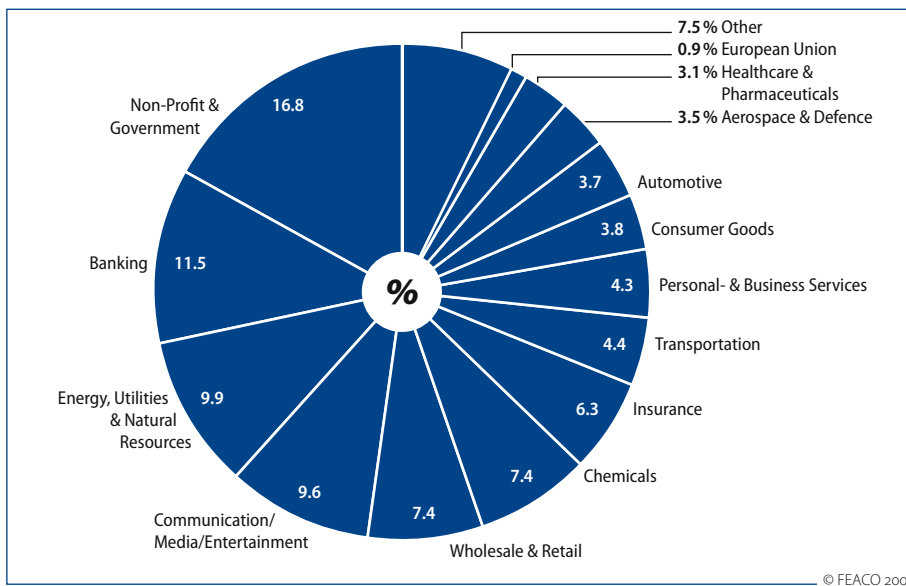


Fig. 6: The European MC-Market Composition by Key Industry Sectors, 2004

From the traditionally strong client sectors, above average demand came from the Personal and Business Services sector (plus 24% on € 2.1 billion), Non-Profit & Government sector (plus 21% on € 8.1 billion) as well as the Banking sector (plus 12% on € 5.6 billion). However, considerable reductions in demand could be observed in the Wholesale and Retail sector (minus 9%), the Insurance sector (minus 8%) as well as the Automotive sector. For 2005 the best growth chances are expected for the Energy, Utilities & Natural Resources sector.

Tab. 4: Client Industries, Summary and Outlook

	2004 Turnover Growth	Turnover by Industry (billion €)	Market Share	Market Attractiveness 2005
Non-Profit & Government	21 %	8.1	16.8 %	Medium/High
Banking	12 %	5.6	11.5 %	Medium/High
Energy, Utilities & Natural Resources	0 %	4.8	9.9 %	High
Communication/ Media/ Entertainment	-1 %	4.7	9.6 %	Medium
Wholesale & Retail	-9 %	3.6	7.4 %	Medium
Chemicals	5 %	3.6	7.4 %	Medium
Insurance	-8 %	3.1	6.3 %	Medium/High
Transportation	9 %	2.1	4.4 %	Medium
Personal- & Business Services	24 %	2.1	4.3 %	Medium
Consumer Goods	-4 %	1.8	3.8 %	Medium/High
Automotive	-7 %	1.8	3.7 %	Medium
Aerospace & Defence	-35 %	1.7	3.5 %	Medium/Low
Healthcare & Pharmaceuticals	-6 %	1.5	3.1 %	Medium
European Union	-21 %	0.5	0.9 %	Medium
Other		3.6	7.5 %	
Total	3.7 %	48.5	100.0 %	

Selected European MC-Markets

A. Analysis by Country & Region

The UK and the German consulting markets still top the list of Europe's leading markets with a consulting volume of around € 14.2 billion and € 13.3 billion. France still takes the third place with € 5.9 billion.

Tab. 5: Key Figures of Selected European MC-Markets, 2004

Country	Total Turnover in Management Consulting (million €)	Management Consulting Market Growth 2004	% of the total Management Consulting Market in Europe	Gross Domestic Product (GDP) (million €)	% of the total Economy in Europe	GDP Growth 2004	Management Consulting as % of the GDP	Number of MC Companies	Number of Consultants	Turnover per Consultant (€)
UK	14,225	7.2%	29.3%	1,700,000	15.6%	3.1%	0.84%	6,000	52,000	270,000
Germany	13,250	1.0%	27.3%	2,192,000	20.1%	1.6%	0.60%	14,400	67,500	195,000
France	5,900	4.4%	12.2%	1,636,000	15.0%	2.3%	0.36%	5,500	30,000	195,000
Spain	2,800	7.0%	5.8%	791,000	7.3%	3.1%	0.35%	350	40,000	70,000
Netherlands *	2,000	2.0%	4.1%	463,000	4.2%	1.4%	0.43%	3,750	11,000	180,000
Italy	1,950	-3.0%	4.0%	1,341,000	12.3%	1.2%	0.15%	3,000	24,500	80,000
Switzerland	1,120	2.0%	2.3%	286,000	2.6%	1.7%	0.39%	650	5,400	200,000
Portugal	1,020	-13.6%	2.1%	134,000	1.2%	1.0%	0.76%	2,000	11,000	90,000
Austria	640	7.4%	1.3%	234,000	2.1%	2.2%	0.27%	1,000	4,000	160,000
Norway	518	3.0%	1.1%	200,000	1.8%	2.9%	0.26%	600	4,500	115,000
Czech Rep.	400	4.0%	0.8%	86,000	0.8%	4.6%	0.47%	300	8,100	50,000
Hungary	226	5.0%	0.5%	80,000	0.7%	4.2%	0.28%	450	3,500	65,000
Greece	192	-6.0%	0.4%	164,000	1.5%	4.2%	0.12%	150	1,700	110,000
Romania	107	35.0%	0.2%	59,000	0.5%	8.9%	0.18%	550	2,200	50,000
Slovenia	90	10.0%	0.2%	24,600	0.2%	4.0%	0.37%	800	1,350	65,000
Bulgaria	56	7.0%	0.1%	18,400	0.2%	4.0%	0.30%	200	2,800	20,000
Europe	48,500	3.7%	100.0%	10,900,000	100.0%	2.5%	0.44%	60,000	315,000	150,000

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* FEACO estimates

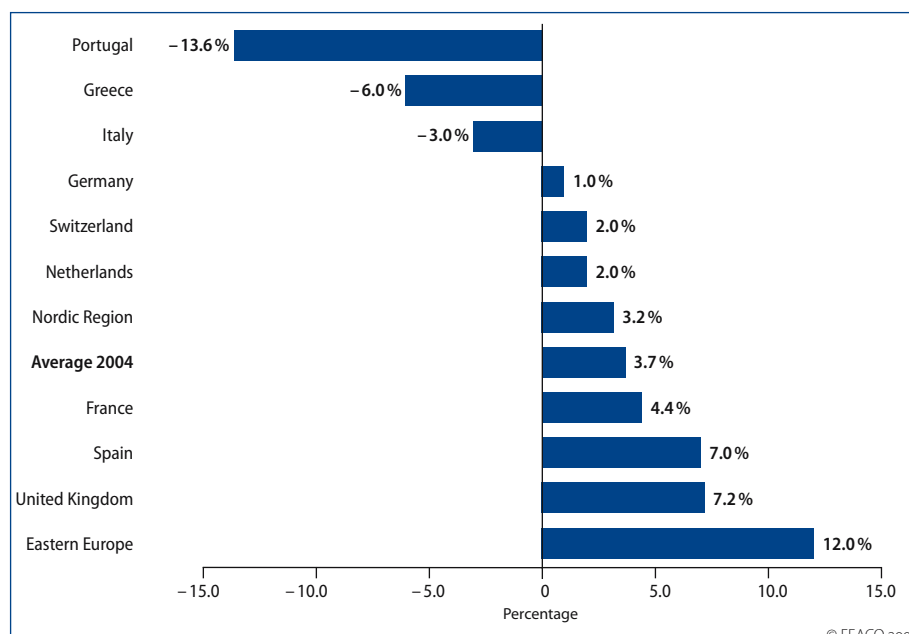


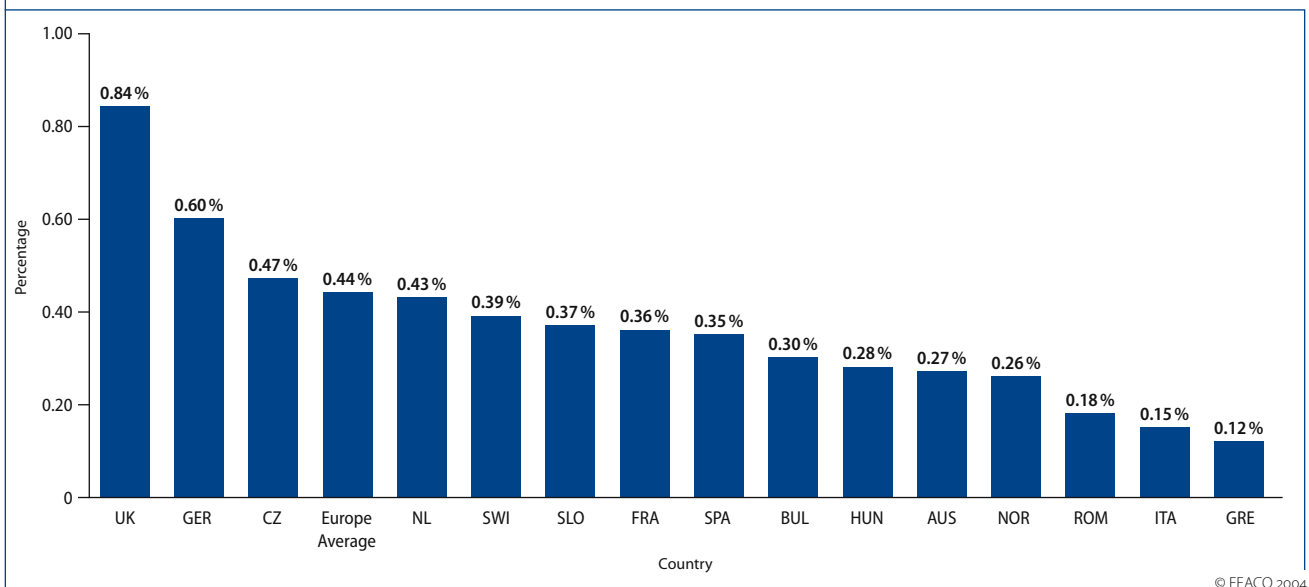
Fig. 7: Average Growth Rates – Breakdown by Country, 2004

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Selected European MC-Markets

Again, the year 2004 did not present a uniform picture of the major European consulting markets with respect to growth rates. The number of countries with a negative growth rate has clearly decreased in comparison to the year 2003. This year only three of the presented markets (Portugal minus 13.6%, Greece minus 6.0% and Italy minus 3.0%) reported smaller, but still considerable reductions in turnover. The big winners this year were again the Eastern European countries, although the average growth rate of 12.0% to 14.0% of the past years did slow down a bit. As regards the number of consultants in the respective countries, Germany still leads the list with an estimated 67,500 consultants, followed by the UK with 52,000, Spain with 40,000 and France with 30,000 consultants. Considering the proportion of consulting revenues of the Gross Domestic Product (GDP) as a way of measuring the importance of the consulting industry in a country, the UK is at the top with 0.84%, followed by Germany with 0.60% and, surprisingly, the Czech Republic with 0.47%. These three countries were above the European average of 0.44%.

Fig. 8: Management Consulting as a Percentage of the Gross Domestic Product (GDP), 2004



B. Analysis by Service Line

Tab. 6: European MC-Markets Composition by Service Line, 2004

Country	BUL	CZ	FRA	GER	GRE	HUN	ITA	NL	NOR	POR	ROM	SLO	SPA	SWI	UK	
Operations Management	Business Process Reengineering	3.0%	2.0%	n.a.	6.0%	7.0%	6.0%	8.0%	n.a.	4.0%	2.0%	2.0%	10.0%	n.a.	11.3%	2.1%
	Change Management	1.0%	2.0%	n.a.	4.1%	1.0%	2.0%	4.0%	n.a.	5.0%	1.0%	1.0%	3.0%	n.a.	4.9%	1.3%
	Customer/Supplier Relation Management	3.0%	1.0%	n.a.	7.0%	2.5%	1.0%	4.5%	n.a.	n.s.	5.0%	2.0%	3.0%	n.a.	5.0%	n.s.
	Project Management	14.0%	1.5%	n.a.	7.9%	24.0%	9.0%	4.5%	n.a.	8.0%	2.0%	35.0%	4.0%	n.a.	7.9%	6.9%
	Turnaround/Cost Reduction	2.0%	0.5%	n.a.	7.1%	1.0%	3.0%	2.0%	n.a.	2.0%	5.0%	2.0%	5.0%	n.a.	5.6%	n.s.
	Purchasing & Supply Management	1.0%	1.5%	n.a.	0.6%	0.5%	1.0%	3.5%	n.a.	n.s.	4.0%	1.0%	2.0%	n.a.	3.0%	n.s.
	Other	5.0%	1.5%	n.a.	0.1%	6.6%	15.0%	3.5%	n.a.	9.0%	2.0%	2.0%	3.0%	n.a.	4.3%	5.1%
	Subtotal	30.0%	10.0%	44.0%	32.8%	42.6%	37.0%	30.1%	30.0%	28.0%	21.0%	45.0%	30.0%	20.0%	42.0%	15.4%
Information Technology	IT Consulting	4.0%	15.0%	n.a.	13.3%	13.5%	3.0%	10.9%	n.a.	10.0%	8.0%	1.0%	5.0%	n.a.	12.3%	11.1%
	IT System Analysis, Design, Development & -Integration	6.0%	15.0%	n.a.	13.1%	4.0%	1.0%	8.0%	n.a.	n.s.	11.0%	1.0%	3.0%	n.a.	9.0%	15.3%
	Other	n.s.	5.0%	n.a.	n.s.	n.s.	n.s.	1.0%	n.a.	n.s.	3.0%	1.0%	n.s.	n.a.	0.3%	n.s.
	Subtotal	10.0%	35.0%	21.0%	26.4%	17.5%	4.0%	19.9%	25.0%	10.0%	22.0%	3.0%	8.0%	40.0%	21.6%	26.4%
Corporate Strategy Services	Strategic Planning/Organisation Development	11.0%	0.5%	n.a.	5.0%	14.5%	21.0%	10.0%	n.a.	32.0%	7.0%	15.0%	8.0%	n.a.	18.9%	6.6%
	Mergers & Acquisitions	n.s.	0.5%	n.a.	4.0%	1.0%	4.0%	1.0%	n.a.	2.0%	3.0%	3.0%	9.0%	n.a.	5.1%	n.s.
	Market & Competitive Intelligence	2.0%	3.0%	n.a.	1.6%	2.0%	1.0%	1.5%	n.a.	2.0%	7.0%	1.0%	7.0%	n.a.	0.8%	0.4%
	Sales/Marketing/Corporate Communication	3.0%	1.0%	n.a.	1.9%	1.5%	2.0%	6.0%	n.a.	4.0%	5.0%	1.0%	5.0%	n.a.	1.7%	0.3%
	Financial Advisory	10.0%	4.0%	n.a.	9.7%	5.0%	8.0%	4.5%	n.a.	3.0%	6.0%	10.0%	9.0%	n.a.	5.3%	2.8%
	Other	4.0%	1.0%	n.a.	0.4%	3.5%	2.0%	2.0%	n.a.	4.0%	2.0%	1.0%	7.0%	n.a.	0.7%	n.s.
	Subtotal	31.0%	10.0%	15.0%	22.6%	27.5%	38.0%	25.0%	20.0%	47.0%	30.0%	30.0%	45.0%	5.0%	32.5%	10.1%
Human Resources Management	HR Strategy & HR Marketing	1.0%	3.0%	n.a.	0.8%	0.9%	1.0%	0.5%	n.a.	3.0%	2.0%	4.0%	1.0%	n.a.	1.4%	n.a.
	Executive Coaching	2.0%	1.0%	n.a.	0.6%	0.3%	1.0%	0.5%	n.a.	4.0%	2.0%	1.0%	1.0%	n.a.	0.5%	n.a.
	Recruitment/Search & Selection	9.0%	5.0%	n.a.	4.4%	3.7%	7.0%	3.0%	n.a.	6.0%	2.0%	3.0%	3.0%	n.a.	n.s.	n.a.
	Benefits, Compensation & Retirement	1.0%	1.0%	n.a.	0.2%	0.4%	n.s.	0.5%	n.a.	n.s.	1.0%	1.0%	2.0%	n.a.	n.s.	n.a.
	Performance Measurement & Management	1.0%	0.5%	n.a.	2.1%	0.6%	4.0%	0.5%	n.a.	1.0%	2.0%	1.0%	2.0%	n.a.	n.s.	n.a.
	Training & Development	6.0%	6.0%	n.a.	1.1%	3.5%	6.0%	14.0%	n.a.	n.s.	7.0%	3.0%	5.0%	n.a.	0.4%	n.a.
	Talent Strategies	n.s.	2.0%	n.a.	0.2%	n.s.	1.0%	0.5%	n.a.	n.s.	1.0%	1.0%	n.s.	n.a.	n.s.	n.a.
	Other	n.s.	1.5%	n.a.	1.2%	0.5%	1.0%	0.5%	n.a.	n.s.	1.0%	1.0%	n.s.	n.a.	0.7%	n.a.
Subtotal	24.0%	20.0%	12.0%	10.6%	9.9%	21.0%	20.0%	15.0%	15.0%	18.0%	15.0%	14.0%	2.0%	3.0%	10.1%	
Outsourcing	5.0%	25.0%	8.0%	7.5%	2.5%	n.s.	5.0%	10.0%	n.s.	9.0%	7.0%	3.0%	33.0%	0.9%	38.0%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

n.s. = not significant, n.a. = not available

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Tab. 7: Key Service Lines, Geographic Outlook 2005

	Operations Management	Information Technology	Corporate Strategy Services	Human Resources Management	Outsourcing
Bulgaria	Medium	High	Low	High	High
Czech Republic	Low	High	Low	Medium	Medium
France	High	Medium	Medium	High	High
Germany	Medium	Medium/Low	High	Medium	Medium
Greece	High	High	High	High	High
Hungary	High	Medium	Medium	High	Medium
Italy	Medium/High	High	High	Medium	High
Norway	Medium	Medium	High	Medium	Medium
Portugal	Medium	High	Medium	Medium	Medium
Romania	High	Medium	Medium	High	Medium
Slovenia	Medium/High	High	Medium/High	High	Medium/High
Switzerland	Medium	Medium	Medium/High	Medium/High	Medium
UK	Medium	High	Medium/Low	Medium	High

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C. Analysis by Client Industry

Tab. 8: European MC-Markets Composition by Client Industry, 2004

Country	BUL	CZ	GER	GRE	HUN	ITA	NOR	POR	ROM	SLO	SPA	SWI	UK
Energy, Utilities & Natural Resources	6.0%	2.0%	8.4%	6.3%	18.0%	9.0%	7.0%	6.0%	6.0%	16.0%	10.8%	16.0%	11.9%
Chemicals	n.s.	4.0%	9.2%	2.0%	4.0%	5.0%	1.0%	6.0%	3.0%	6.0%	0.3%	4.0%	1.2%
Consumer Goods	14.0%	1.0%	4.2%	14.2%	16.0%	9.0%	6.0%	15.0%	15.0%	15.0%	7.7%	7.0%	1.7%
Automotive	2.0%	20.0%	8.7%	2.0%	5.0%	4.1%	n.s.	3.0%	7.0%	3.0%	1.5%	2.0%	0.8%
Aerospace & Defence	n.s.	8.0%	2.6%	2.0%	n.s.	0.5%	2.0%	1.0%	1.0%	2.0%	1.4%	3.0%	5.7%
Transportation	11.0%	9.0%	6.2%	7.0%	1.0%	2.0%	1.0%	5.0%	4.0%	3.0%	9.2%	6.0%	1.9%
Communication/ Media/ Entertainment	3.0%	4.0%	8.5%	1.7%	11.0%	6.0%	2.0%	3.0%	3.0%	4.0%	18.8%	6.0%	9.9%
Wholesale & Retail	9.0%	1.0%	5.6%	3.0%	4.0%	13.9%	19.0%	11.0%	21.0%	12.0%	3.5%	2.0%	9.3%
Banking	10.0%	15.0%	15.6%	5.0%	11.0%	19.9%	1.0%	6.0%	1.0%	6.0%	18.1%	13.0%	6.1%
Insurance	2.0%	6.0%	7.4%	3.0%	1.0%	4.0%	n.s.	8.0%	4.0%	1.0%	4.1%	5.0%	4.3%
Personal- & Business Services	14.0%	4.0%	3.0%	10.0%	4.0%	3.0%	10.0%	10.0%	7.0%	6.0%	1.1%	1.0%	7.8%
Healthcare & Pharmaceuticals	2.0%	2.0%	3.5%	1.7%	3.0%	5.0%	3.0%	6.0%	2.0%	5.0%	8.9%	6.0%	2.2%
Non-Profit & Government	11.0%	4.0%	9.3%	27.1%	13.0%	12.1%	16.0%	8.0%	9.0%	9.0%	14.6%	22.0%	28.8%
European Union	5.0%	12.0%	1.0%	12.3%	1.0%	0.5%	3.0%	10.0%	15.0%	5.0%	n.s.	n.s.	0.1%
Other	11.0%	8.0%	6.8%	2.7%	8.0%	6.1%	29.0%	2.0%	2.0%	7.0%	n.s.	7.0%	8.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

n.s. = not significant; n.a. = not available

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Tab. 9: Client Industries, Geographic Outlook 2005

	BUL	CZ	FRA	GER	GRE	HUN	ITA	NOR	POR	ROM	SLO	SPA	SWI	UK
Energy, Utilities & Natural Resources	H	M	H	H	H	H	H	M	M	M	M/H	M	H	H
Chemicals	L	H	M	M	M	M	M	M	M	L	M	M	M	M
Automotive	L	M	M	H	L	M	L	M	M	H	L	M	M	M
Aerospace & Defence	L	H	M	L	L	L	M	M	L	M	L	H	L	H
Transportation	H	H	L	M	M	M	M	M	M	H	H	H	M	H
Communication/ Media/ Entertainment	H	M	L	H	M	H	H	M	M	M	M	H	M	M
Wholesale & Retail	H	L	M	M	M	M	M	M	M	M	H	M	M	H
Banking	H	M	H	M	M	H	M	M	H	M	M	M	H	H
Insurance	H	M/H	H	M/H	M	M	M	M	H	M	L/M	M	H	M
Personal- & Business Services	H	H		M	M	M	M	M	M	M	M	M	L	M
Healthcare & Pharmaceuticals	M	M	M	M/H	M	M	H	H	M	M	M	M	H	H
Non-Profit & Government	H	M	H	M/H	H	H	H	M	M	H	M	M	M	L
European Union	H	H	M	M	H	M	H	L	L	H	M	M	L	M

H = High; M = Medium; L = Low

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D. Fee Rates

In recent years, profitability of management consulting firms is being squeezed on the pricing side by increasing competition and the need to add extra value to all client relationships. This development on the clients' side has a deep impact on the structure of effective fee rates throughout Europe.

Considering the following tables it becomes clear that effective fee rates vary considerably throughout Europe according to the country/region, the specialization, the size of the consulting company and the experience of the consultants. Practically all consulting markets reported a higher average remuneration level for HR consulting than for management consulting (CS and OM). IT generally generates the lowest daily fees. It can be observed that the daily fees in most countries, in comparison to 2002/2003, appear to have stabilised again.

Tab. 10a: Daily Effective Fee Rates (€), 2004

Country	Partner/Company Manager						Senior Consultant					
	Top 40 MC			Medium & Small MC			Top 40 MC			Medium & Small MC		
	Avg.	Min	Max	Avg.	Min	Max	Avg.	Min	Max	Avg.	Min	Max
Austria *	2,000	n.a.	n.a.	1,500	n.a.	n.a.	1,800	n.a.	n.a.	1,500	n.a.	n.a.
France	1,900	n.a.	n.a.	1,800	n.a.	n.a.	1,500	n.a.	n.a.	1,450	n.a.	n.a.
Germany *	2,400	1,900	3,600	2,000	1,200	2,800	2,000	1,700	2,800	1,500	1,000	2,200
Greece	1,000	700	1,500	675	550	750	750	600	1,200	550	500	600
Hungary	1,300	1,000	1,600	700	400	1,000	800	700	900	500	400	600
Italy *	2,000	n.a.	n.a.	1,400	n.a.	n.a.	1,500	n.a.	n.a.	1,000	n.a.	n.a.
Norway	1,500	1,400	1,700	1,200	1,000	1,500	1,400	n.a.	n.a.	1,100	n.a.	n.a.
Portugal	1,420	n.a.	1,520	1,150	n.a.	1,350	1,300	n.a.	1,400	1,000	n.a.	1,150
Romania	600	500	700	300	200	400	400	300	500	200	180	220
Slovenia	1,200	950	3,000	850	450	2,500	850	700	1,200	550	350	1,100
Switzerland	2,500	n.a.	n.a.	2,000	n.a.	n.a.	1,850	n.a.	n.a.	1,550	n.a.	n.a.

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Tab. 10b: Daily Effective Fee Rates (€), 2004

Country	Consultant						Junior Consultant/Associate					
	Top 40 MC			Medium & Small MC			Top 40 MC			Medium & Small MC		
	Avg.	Min	Max	Avg.	Min	Max	Avg.	Min	Max	Avg.	Min	Max
Austria *	1,200	n.a.	n.a.	n.a.	n.a.	n.a.	600	n.a.	n.a.	n.a.	n.a.	n.a.
France	1,250	n.a.	n.a.	1,100	n.a.	n.a.	950	n.a.	n.a.	850	n.a.	n.a.
Germany *	1,400	1,100	1,800	1,100	800	1,400	1,100	800	1,400	800	500	1,100
Greece	600	500	800	400	400	500	450	350	600	375	300	425
Hungary	650	600	700	450	350	550	450	400	500	300	200	400
Italy *	1,000	n.a.	n.a.	800	n.a.	n.a.	600	n.a.	n.a.	400	n.a.	n.a.
Norway	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Portugal	1,250	n.a.	1,350	950	n.a.	1,050	875	n.a.	975	800	n.a.	950
Romania	300	200	400	100	80	120	200	150	350	50	40	60
Slovenia	550	400	800	350	300	700	350	250	450	200	150	550
Switzerland	1,450	n.a.	n.a.	1,300	n.a.	n.a.	1,350	n.a.	n.a.	1,050	n.a.	n.a.

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Tab. 10c: Daily Effective Fee Rates (€), 2004

Country	Partner/Company Manager		Senior Consultant		Consultant		Junior Consultant/Associate	
	Top 40 IT Companies	Medium & Small IT Companies	Top 40 IT Companies	Medium & Small IT Companies	Top 40 IT Companies	Medium & Small IT Companies	Top 40 IT Companies	Medium & Small IT Companies
	Average	Average	Average	Average	Average	Average	Average	Average
Austria *	1,100	n.a.	800	n.a.	600	n.a.	n.a.	n.a.
France	1,850	n.a.	1,450	n.a.	1,200	n.a.	900	n.a.
Germany *	2,400	1,900	1,900	n.a.	1,200	1,000	900	700
Hungary	1,800	n.a.	900	n.a.	650	n.a.	400	n.a.
Italy	1,350	1,150	950	n.a.	650	500	400	250
Portugal	1,600	1,500	1,400	1,300	1,000	1,200	950	900
Romania	600	400	500	300	300	200	200	100

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Tab. 10d: Daily Effective Fee Rates (€), 2004

Country	Partner/Company Manager		Senior Consultant		Consultant		Junior Consultant/Associate	
	Top 40 HR Companies	Medium & Small HR Companies	Top 40 HR Companies	Medium & Small HR Companies	Top 40 HR Companies	Medium & Small HR Companies	Top 40 HR Companies	Medium & Small HR Companies
	Average	Average	Average	Average	Average	Average	Average	Average
Austria *	2,200	1,500	1,200	n.a.	1,200	800	800	400
France	2,300	n.a.	1,800	n.a.	1,500	n.a.	1,150	n.a.
Germany *	2,800	2,600	2,300	n.a.	2,100	1,900	1,400	1,100
Hungary	1,250	800	950	500	700	300	450	150
Italy *	1,500	1,200	900	n.a.	800	750	500	300
Portugal	1,150	1,000	1,000	900	900	800	800	750
Romania	500	300	400	200	200	100	100	75

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* 2003 values

E. Main trends in management consulting in 2004/2005

Bulgaria	2002	2003	2004
Market Size (mill. €)	n.a.	n.a.	56
Growth Rate	n.a.	n.a.	7.0%
Management Consulting Firms	n.a.	n.a.	200
Management Consultants	n.a.	n.a.	2,800
Key Service Lines:			CS (31.0%) OM (30.0%) HR (24.0%)
Key Industry Sectors 2004	Consumer Goods, Personal- and Business Services		

► **2004:** The 3 main drivers in 2004 were: the upcoming EU accession, the economic growth and the maturing of the management consultancy market.

The upcoming integration of Bulgaria into the EU imposes new rules on society and business, and each change is a good precondition for the development of the consulting business. In their efforts to prepare for the EU, the companies try to improve their competitiveness by adopting new products, technologies and services. The requirements of the EU directives have to be “translated” into understandable language for market operators which are looking for advice from consultants on how to adapt to these rules. There is a growing demand for assistance with the implementation of standards such as ISO 9001, ISO 14001 and OHSAS 8001. Demand for HR consulting is increasing.

Consultancies from new EU member countries approach more frequently Bulgarian partners to participate in European projects. The self-confidence of the Bulgarian companies is growing along with their hopes to participate in more EU funded projects and programmes. The European funds conferred to Bulgaria require a specific type of consultancy to assist in receiving and managing these investments.

The evident economic activity leads to growth and development that “absorbs” a lot of knowledge and expertise and is a powerful generator of demand for consulting services as well as :

- The stable macroeconomic tools, the lowered tax rates.
- The changes in the general conditions of the banks for providing credits to small and medium businesses.
- The increase in foreign investments and in EU the funding. The ongoing privatization
- The restructuring of the local market and the shift of some industries to other markets, the concentration of the market. Some industrial companies have already sustained their position and generate demand for administrative management, supply chain management, industrial design, business evaluations of machinery, equipment and real estates, middle-term planning.
- The increasing competitiveness among the companies, mostly in the field of telecommunications, trade, services.
- The growing interest of foreign investors. Consulting foreign clients often changes the profile of the consulting company.
- The arrival and establishment of leading international companies, as well as very specialised companies, in the field of production, trade, investments etc. Their consulting needs are mainly in Strategic management and Human resources management (selection and training).

The consulting market is characterized by increased competition; recognition of the profession leading to an increase in demand; Clients’ are becoming more demanding. Consultants are selected, no longer chosen at random. Consulting products and services have become more diverse.

The cooperation between the companies is growing, as well as partnerships and subcontracting in more or less formal consortia.

► **2005:** For 2005 this growth and developments are expected to continue. Demand for strategy consulting is likely to remain rather low. Demand for IT and human resources consulting as well as for outsourcing is expected to be high.

From a sectoral point of view it is expected that demand from all sectors will be high, with the exception of the chemicals, automotive and the aerospace and defence sector where demand will be low.

Czech Republic

Czech Republic	2002	2003	2004
Market Size (mill. €)	n.a.	n.a.	400
Growth Rate	n.a.	n.a.	4.0%
Management Consulting Firms	n.a.	n.a.	300
Management Consultants	n.a.	n.a.	8,100
Key Service Lines:			IT (35.0%) OS (25.0%) HR (20.0%)
Key Industry Sectors 2004	Automotive, Banking, EU		

► **2004:** For the first time in years the demand for consulting services slightly overtook supply. This was caused by an increased strive for competitiveness and increased competition as well as a general acceptance of the value added of MC services. The “Do-it-yourself” philosophy appears to be losing field, although there is still a tendency to buy services “cheap” from free lancers or very small companies.

► **2005:** There continues to exist a hidden need for consulting services, but owners and managers still have different priorities and show little willingness to invest in consulting. However, as a result of the entry in the EU, SMEs appear to be waking up to the need to become competitive. Owners are pushing management to improve performance which will be impossible without external advice. The entry of foreign partners into Czech companies is also causing changes in the approach towards the procurement of consulting services, at the same time, however, there is an apprehension that such partners will bring, or give preference to, service suppliers of their own.

Nevertheless, demand for strategy and organisation management is still expected to remain low. Demand for HR management and outsourcing services is expected to grow, whereas the biggest increase in demand is expected for IT services.

Demand from the transport, aerospace, chemicals, personal business services and the European Union is expected to increase most.

France

France	2002	2003	2004
Market Size (mill. €)	6,230	5,600	5,900
Growth Rate	- 1.0%	- 10.0%	4.4%
Management Consulting Firms	6,200	5,600	5,500
Management Consultants	40.000	32.000	30.000
Key Service Lines:	OM (37.0%) IT (29.0%) CS (23.0%)	OM (33.0%) IT (28.0%) CS (27.0%)	OM (44.0%) IT (21.0%) CS (15.0%)
Key Industry Sectors 2004	Communication, Banking, Insurance		

► **2004:** There was a noticeable growth in demand during the second half of the year, but with increased pressure on prices. Main drivers for consulting growth were delayed projects in the previous year which could not be delayed any longer, new regulations such as SOX and Basle II, and an increased interest in outsourcing. Clients put high pressure on prices and there was a rising influence of purchase departments in the shift from client-consultant relationship to client-supplier relationship.

► **2005:** There is likely to be more demand for implementation in the area of Strategy consulting, whereas in IT consulting there is likely to be more demand for project management. In the area of Organisational consulting demand is high for projects with a quick return on investment. HR management is likely to see a high demand for prospective management of competencies and change management to accompany outsourcing projects. A high demand is expected for the outsourcing of Financial Services and Human Resources management. Demand is expected to be high from the energy, utilities and natural resources sector, as well as from the banking, insurance and non profit/public sector, and low from the transportation and communications, media and entertainment sector.

Germany	2002	2003	2004
Market Size (mill. €)	13,000	13,130	13,250
Growth Rate	-4.5 %	1.0%	1.0%
Management Consulting Firms	13,000	14,000	14,400
Management Consultants	68,700	67,000	67,500
Key Service Lines:	OM (33.3%) IT (27.8%) CS (22.5%)	OM (32.9%) IT (27.2%) CS (22.3%)	OM (32.8%) IT (26.4%) CS (22.6%)
Key Industry Sectors 2004	Banking, Non Profit & Government, Chemicals		

► **2004:** After two cumbersome years the German management consultancy market has started a slow recovery. 2004 revealed an increase in turnover of around 1% to € 12.34 billion, back to the same level as in 2002. (2003: € 12.23 billion). In 2002 and 2003 the turnover fell by 4.4% and 0.5% respectively. The average market increase for the 1994-2004 period was 5.8%. The consulting intensity, which is measured as the contribution of the MC market to the GDP, fell with one hundredth of a percentage point from 0.58% in 2003 to 0.57% in 2004. This means that the MC sector in the past year could not keep in step with the overall economic development. The prognoses for 2005 seem to indicate that this trend will be reversed. For 2005 management consultancy companies expect the market to grow by about 3%. The large majority of companies reported growth, especially Top 20 firms (95%), followed by the medium sized firms (turnover < € 4.5 million) (90%) and then the small firms (turnover < € 500,000) (80%).

► **2005:** For 2005 the German association expects an increase in turnover of about 3%. A major driver should be the ongoing internationalisation, as a result of the opening up of new markets as well as the dislocation of production facilities. Marketing issues, such as product-lifecycle management, will have an influence on the complete production process from design to development. Supply chain management and customer relationship management are likely to integrate further. Separating IT from management consulting projects will become increasingly difficult. There will be less stand alone IT projects and more management consulting projects which include IT as an integrated part.

Greece	2002	2003	2004
Market Size (mill. €)	180	205	192
Growth Rate	19.5 %	15.0%	-6.0%
Management Consulting Firms	180	150	150
Management Consultants	1,700	1,800	1,700
Key Service Lines:	OM (40.0%) CS (28.0%) IT (22.0%)	OM (35.0%) CS (27.0%) IT (23.5%)	OM (42.6%) CS (27.5%) IT (17.5%)
Key Industry Sectors 2004	Non Profit & Government, Consumer Goods, EU		

► **2004:** The Olympic Games remained the main driver for growth for 2004. There was a high demand for consulting services from EU accession countries, especially in the area of institutional development decentralisation of local authorities, project management, training and environment. The need for leaner operations requires more consultancy involvement. Greek market deregulation also brought considerable work.

However, there were some major constraints this year. One of which was formed by the elections as the new government delayed the award of consulting contracts; The State or State-owned companies are important clients of the Greek Management Consultancy sector. Further constraints were formed by the delays in the implementation of the 3rd Community Framework Support (CFS) as well as the delayed assignment of large scale IT projects funded by the Operational Program "Information Society".

The client-consultant relationship changed in that there was more demand for experienced consultants and more specialized services. The relationship is built on trust, knowledge, credibility, understanding and creativity. Clients are looking to link reward to performance and/or the achievement of objectives. Consultants are becoming part of the client's organization for periods of time. Clients are focused on short term projects. The trend to move from study-based consulting work to support with the implementation is continuing.

► **2005:** The public sector will remain an important client, as well as the consumer goods and banking sector, followed by the energy, utilities & natural resources and transport sectors.

Hungary	2002	2003	2004
Market Size (mill. €)	220	215	226
Growth Rate	1.5%	-2.0%	5.0%
Management Consulting Firms	220	420	450
Management Consultants	3,100	3,500	3,500
Key Service Lines:	CS (44.0%) OM (27.2%) HR (17.9%)	CS (39.0%) OM (28.0%) HR (24.0%)	CS (38.0%) OM (37.0%) HR (21.0%)
Key Industry Sectors 2004	Energy & Utilities, Consumer Goods, Non Profit & Government		

► **2004:** Main drivers were the solid economic growth, EU membership and the maturing of the management consultancy market. Great improvements have been achieved in the public procurement procedures in terms of transparency, speed and targeting and the multi-annual programming in public spending. EU-related tenders increasingly demand expertise. New players are entering the market and causing increased competition. There appears to be a changing attitude in corporate strategies – regional expansion has intensified on the basis of complex considerations related to competitiveness, need for economy of scale, market extension etc.

Economic growth seems to have consolidated as a result of growing foreign and domestic industrial consumption. Corporate strategies were still dominated by cost-cutting intentions (growing importance of BPR), but corporate spending on management consulting situated itself above the level of the first management consulting recession year (2002). Lay-offs at big consulting companies have freed a considerable number of free lancers on the consulting market –which led to increased dynamics. The market, though still mostly cost driven, appears to be maturing, whereby quality is gaining importance. Clients are more professional and have more precise expectations about results and the measurement thereof. There is a growing interest in integrated services and complex solutions vs. “smartsourcing” – differentiation in the industrial consumption of consulting services as a result of a growing number of players with special expertises and offers. Relations with clients are becoming more long term and closer. Clients pay more attention to the value chain.

► **2005:** All types of consultancy, including outsourcing, will be in demand; High demand is expected for Operations management services and IT consulting. Strategy consulting sees more large projects; the importance of market and competitive intelligence will increase. There could be a “regional break-through” in this area, meaning an expansion of domestic corporations. There appears to be an emerging demand from the public sector and domestic corporations for strategic planning. In the area of OM there is an emerging demand for ERP from medium sized companies and BPR and CRM from the networking industry and the public sector. For IT there will be an increased demand for Business Intelligence processing, ERP, security systems, application and systems integration. There is a strong interest in HR management.

Demand is expected to be good from all sectors, with a high demand from the energy, utilities & Natural resources sector, the media, communications & entertainment sector, the banking sector and the public sector

Selected European MC-Markets

Norway	2002	2003	2004
Market Size (mill. €)	540	500	518
Growth Rate	-15.0%	-13.0%	3.0%
Management Consulting Firms	550	600	600
Management Consultants	4,300	4,000	4,500
Key Service Lines:		CS (39.0%) OM (30.0%) HR (22.0%)	CS (47.0%) OM (28.0%) HR (15.0%)
Key Industry Sectors 2004	Wholesale & Retail, Non Profit & Government, Personal- and Business Services		

► **2004:** The market developed in a more promising manner, in comparison to the previous recession period. The moderate growth from last part of 2004 is expected to continue, but demand is easily filled by the freely available capacity. However, there is reason to be optimistic as the underlying economical factors of the Norwegian society are sound.

There was a general reduction in demand by private sector, but the public sector remains a very important buyer. Most large public projects tended to go to multinationals. In the last part of the year both sectors showed a slight increase.

Often public tenders are only organised to comply with the law, not because the authorities want to change the consultants they already are working with. The competition authorities have promised to look into this issue as it takes a lot of energy and no real gain for either party.

There was a trend towards smaller projects and buyers are more specific in their description of their needs and also do more on their own. There is still considerable competition from redundant managers who sell their services cheap.

► **2005:** Demand for all types of consulting services is expected to increase. Strategy consulting, although high in demand, is still not up to its previous level. Demand will continue to be characterised by a dominance of brand names, innovation, a drop in long term strategy and more focus on short term gains and smaller projects than previously.

IT consulting will continue to be characterised by strong relationships between suppliers and consultants, an increased interest in independent consultants and increased demand by the public sector. Here the size of projects is increasing.

New and trendy in HR consulting is coaching and coach-training. However, there are many newcomers and very few get decent revenue. Few of the traditional consultancies are therefore interested in this market segment. There is an increased interest in outsourcing of logistics /SCM activities. In general the attitude is positive, and moderate growth is expected due to more optimism in the marketplace. Demand is expected to be good in all sectors and particularly high from the consumer goods, and the healthcare and pharmaceutical sectors.

Portugal	2002	2003	2004
Market Size (mill. €)	365	370	1,020
Growth Rate	-5.0%	-5.0%	-13.6%
Management Consulting Firms	750	750	2,000
Management Consultants	6,000	6,000	11,000
Key Service Lines:		CS (33.0%) OM (22.0%) IT (20.0%)	CS (30.0%) IT (22.0%) OM (21.0%)
Key Industry Sectors 2004	Consumer Goods, Wholesale & Retail		

► **2004:** Portugal was still trying to overcome the effects of the economic recession of the previous 2 years. The economy almost stagnated and as consequence the unemployment rate continued to increase. At the end of 2004 the President of the Republic impeached the Government and appointed elections for the month of February 2005. This created further uncertainty amongst investors. Consultants are concerned about the lack of investment and lower margins. Clients demand lower prices for consulting services and delay payment.

► **2005:** Portuguese consultants expect increased competition and lower margins for the strategy consulting sector. Demand for IT consulting is expected to grow as a result of the Government's Technological Plan and other incentives to stimulate the purchase of IT equipment. Demand for outsourcing may grow as a result of the lack of confidence in the recovery of the Portuguese economy. Demand in HR consulting may grow as a result of the low productivity levels and the lack of qualifications. Demand from the banking and insurance and the consumer goods sectors is expected to increase.

Romania	2002	2003	2004
Market Size (mill. €)	90	95	107
Growth Rate	7.0%	14.0%	35.0%
Management Consulting Firms	200	250	550
Management Consultants	1,900	1,900	2,200
Key Service Lines:	HR (35.0%) OM (30.0%) CS (15.0%)	CS (39.0%) OM (34.0%) HR (13.0%)	OM (45.0%) CS (30.0%) HR (15.0%)
Key Industry Sectors 2004	Wholesale & Retail, Consumer Goods, EU		

► **2004:** The year 2004 was characterised by an increase in demand for management consulting services as a result of the requirements for EU accession (EU harmonisation, ISO Certification, competitive strategies, impact studies). There was increased demand for integrated services that require new capabilities such as technical design, environmental assessment, urban planning and development.

Other drivers were: economic growth and economic predictability, private investments (especially foreign investments), financial consolidation of Romanian companies

Market structure: There are no big players on the Romanian market, some medium sized and hundreds of small companies. There is a concentration process in progress, due to increased competition and the fact that clients require more expertise.

The low budgets both at public or private level, a still significant level of bureaucracy, the low awareness of clients of the benefits of consulting services and the still unstable legislative climate presented restraints for the development of the market.

The client-consultant relationship improved significantly, clients do not longer overlook their role in the consulting process and have started to take ownership of the process and implementing and supervising the implementation. Also, communication between the client and the consultant appear to have improved, there appears to be more trust and confidence. Clients have learned to understand and accept that all consulting projects involve change which led to an increased interest in change management services.

► **2005:** The ongoing EU accession process, the general growth of the Romanian economy, the ongoing privatization and the increase in foreign investments this is expected to cause will be the main drivers for 2005. There will be a high interest in HR management and operations management, and a considerable interest in Strategy and IT consulting and outsourcing. There will be an increase in demand from the consumer, automotive, transportation, non profit and government, and EU sector (as a result of increased funds).

Slovenia	2002	2003	2004
Market Size (mill. €)	65	72	90
Growth Rate	13.0%	13.0%	10.0%
Management Consulting Firms	600	700	800
Management Consultants	1,000	1,200	1,350
Key Service Lines:	CS (59.0%) OM (28.0%) HR (8.0%)	CS (45.0%) OM (35.0%) HR (11.0%)	CS (45.0%) OM (30.0%) HR (14.0%)
Key Industry Sectors 2004	Energy & Utilities, Consumer Goods, Wholesale & Retail		

► **2004:** There were no significant changes in the MC market in comparison to 2003. The MC market grew with about 10%. On the other hand, competition grew as well. Public sector remains an important client unfortunately not always the most reliable one.

The main market drivers were the relatively high economic growth in 2004 in Slovenia (4,8%) and the new EU membership, which led to an increased interest in foreign markets which resulted in an increased awareness of the importance of competitiveness for internationalisation and globalisation. This provoked a growth in demand for HRM issues, overall cost reduction and income issues, strategic planning/organisational development, market & competitive intelligence, sales/marketing/corporate communication and market research. EU membership also led to an increase in EU funds and projects.

Clients demand high involvement of consultants. Consultants have to be able to offer and manage integral solutions, but at the same time a high level of specialisation in project parts is in increased demand. Strategic issues regained importance, mostly linked to integration processes.

The growing impact of NGOs over the past years and increasingly demanding and aware clients require consultants to pay more attention to quality issues: products and services quality, better communication with clients, more structured and focused PR activity and social responsibility.

Market restraints were formed by the still limited purchasing power of SMEs, the inappropriateness of government procurement policy and procedures, clients' increased preference for smaller projects and services/solutions with short-term results, increased pressure on fees and a decrease in client fidelity towards consultants.

► **2005:** Market expectations are generally optimistic, with an expected growth of around 8%. A high demand for market & competitive intelligence, sales/marketing/corporate communication, financial advisory, TQM, CRM, IT investment efficiency, training/ development, recruitment/selection and crisis management, and medium demand for cost reduction /income, process optimisation, project management, executive coaching and BPO. Strong demand is expected from the energy, utilities & natural resources, consumer goods, transport and wholesale and retail sectors. Low demand from the automotive, aerospace & defence and insurance sectors.

Spain	2002	2003	2004
Market Size (mill. €)	2,450	2,600	2,800
Growth Rate	3.2%	6.0%	7.0%
Management Consulting Firms	n.a.	350	350
Management Consultants	39,700	38,000	40,000
Key Service Lines:	IT (67.6%) OS (15.7%) OM (11.8%)	IT (64.3%) OS (21.4%) OM (9.7%)	IT (40.0%) OS (33.0%) OM (20.0%)
Key Industry Sectors 2004	Communication (18.8%). Banking (18.1%). Non-Profit & Government (14.6%)		

► **2004:** The market has gained confidence again and all sectors are developing progressively. Demand was particularly high from the financial services, telecommunications and public sector, the latter in spite of slow down in execution as a result of the change in government. Common to all service lines was the fact that clients demonstrated an appreciation of the value added of consulting services and the fact that consultants are increasingly regarded as strategic partners for stable, long term relations.

ERP and CRM and EAI continue to be important drivers. Outsourcing grew significantly and now represents 31 % of the market, compared to Consulting 30%, and Development and Integration 39%. Clients look for added

value, quality of service, measurable results respect of confidentiality. There is a trend of more pressure on margins and longer sales cycles and an upswing in framework contracts

► **2005:** All industry sectors are looking to improve their strategy, flexibility and competitiveness in view of increasing competition. Turnover from all consulting services, with the exception of IT services as a result of the increased competition and decreased fee rates, are expected to continue to grow. Nevertheless no big growth is foreseen in traditional Management Consulting Services, as the market has already reached a high level of maturity with a high number of players, which has resulted in increased competition.

Outsourcing is expected to continue to be the main area of growth. The market is expected to continue to polarize between the very large and small firms. Clients increasingly ask for global solutions: from the design of the strategy to development and implementation, even including operation through outsourcing contracts.

United Kingdom	2002	2003	2004
Market Size (mill. €)	13,600	14,800	14,225
Growth Rate	1.0%	13.0%	7.2%
Management Consulting Firms	13,400	13,400	6,000
Management Consultants	50,000	52,000	52,000
Key Service Lines:	OS (27.0%) IT (26.0%) OM (22.7%)	OS (36.2%) IT (23.7%) OM (18.8%)	OS (38.0%) IT (26.4%) OM (15.4%)
Key Industry Sectors	Non Profit & Government, Energy & Utilities, Communication		

United Kingdom

► **2004:** Management consultants' turnover rose by 35 per cent during the past two years, fuelled by the growth of public-private partnerships and a renewed interest in outsourcing. Increased government spending on health, education and transport and a revival in outsourcing contracts among companies keen to drive down costs in the wake of the global economic downturn also stimulated growth.

Outsourcing has particularly taken off over the last couple of years as companies focused on reducing costs. It has become a more acceptable strategy, in part because people have seen the first generation of outsourcing contracts delivering results.

In stark contrast to its poor performance since the millennium, IT consulting resurged as a result of a drastic increase in demand for systems development (including systems integration) which accounted for 58% of the IT work.

► **2005:** Public sector contracts will continue to be an important source of revenue, accounting for over 20% of the market. IT will be another big driver. Consultants do less pure strategy and advice work most work is IT related. The 2012 Olympics will become an important driver for the future.

About FEACO

A. The European Federation of Management Consultancies Associations

FEACO the European Federation of Management Consultancies Associations was established in 1960 in Paris. In these days of ever-increasing numbers of consultants in the business service sector, offering a ever growing array of services and advice to management, there is a clear need for the client to be able to distinguish the qualified professional management consultant. Membership of a national association federated to **FEACO** requires compliance with Guidelines for Professional Conduct and Best Practice, to assist the client in making the right choice.

In January 1991, **FEACO** established its operational office in Brussels to develop its relations with the European Union and other international organisations. The Federation now counts 23 national member associations:

- 17 from the European Union: Austria, Belgium, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Poland, Portugal, Slovenia, Spain, Sweden and the United Kingdom;
- two from EFTA: Norway and Switzerland;
- two from Central & Eastern Europe: Bulgaria and Romania;
- one associate member: Bosnia & Herzegovina and
- one affiliate member: Hong Kong.

Representation

FEACO member associations represent more than 3,500 management consultancy firms with over 110,000 consultants. The total turnover of this group amounts to some € 17 billion, representing approximately 35% of the European Management Consultancy market.

Recently, **FEACO** opened the possibility to grant membership to large multinational management consultancy companies (members of national management consultancies associations).

This decision is the result of a new strategy which will enable an active representation on EU level on policy issues related to the improvement of the competitiveness and growth of the European market. Management Consultants, experienced in change management, can make a valuable contribution to the development of these policies.

Objectives

FEACO is primarily a European organisation. Its general purpose is to assist in the promotion and development of the profession of Management Consultancy in Europe by providing support to its constituent National Association membership in those areas where a collective voice is stronger than the sum of its individual members.

The main objectives are: the promotion of networking, internationalisation, best practice and business integrity, the coordination of activities of the member associations on national level, the communication of developments of relevance to the sector on EU level, and the representation of the sector on EU level.

Main Activities

Its main activities are:

- The development of the Management Consultancy market, raising its image and profile at European and international level, by the promotion of common professional ethical and quality standards (Best Practice)
- The promotion of the interests of Management Consultancy with the different European and International organisations, by maintaining a close relationship with the European Institutions and other pan-European and international organisations in order to ensure an awareness of and defend professional interests (this does not include lobbying for sales opportunities).
- The development of a dynamic forum for networking and service provision, by encouraging networking by members and between members' members, through the sponsorship and organisation of conferences, meetings and the establishment of mutual interest working groups, and through close cooperation with other consultancy organisations.

Members of the Executive Committee of FEACO (ExCo):

- Mr. Rémi Redley, Chairman (BDU, Germany) (until July 2005)
- Mr. Antoine Beuve-Mery, Chairman (ASCOBEL, Belgium) (from July 2005)
- Mr. Gil Gidron, Vice-Chairman & Honorary Chairman (AEC, Spain)
- Mr. Jean-Luc Placet, Vice-Chairman (Syntec Management, France)
- Mr. Bruce Petter, Secretary General (MCA, UK) (until September 2005)
- Mrs. Else Groen, Secretary General (from September 2005)
- Mr. Janko Arah, Director (AMCOS, Slovenia) (for the Central & Eastern European countries)
- Mr. Mike Bird, Director (MCA, UK)

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D = Director,
SG = Secretary General,
S = Secretary

Appendix (Definitions):

Management Consultancy can be described as “the creation of value for organisations, by improving their performance through the provision of high value added business services, involving knowledge, techniques and assets, consisting mainly of the rendering of objective advice and/or the implementation of business solutions in the area of strategy, organisation, Information Technologies, human resources, and outsourcing.”

1. Service Lines:

Human Resources (HR): HR consulting services target at improving the “people” element of an organisation

Information Technology (IT): IT consulting services target at improving the way organisations store, retrieve, disseminate and utilize information

Operations Management (OM): OM consulting services target at improving the operational aspect of an organisation

Outsourcing Services (OS): OS are typically delivered as Large-Scale Outsourcing (computer sharing), Business Process Outsourcing (or Business Process Management) (they address an entire process or function such as insurance claims processing or an accounting unit) or Application Service Providers (firms provide corporations with access to applications by sharing the costs)

Strategy Consulting (SC): SC services target at improving the long-term, strategic health of a company

2. Clients’ Industries

Aerospace & Defence incl. Aerospace (commercial), aerospace (defence), airlines & airports and space (Civilian).

Automotive: incl. Automotive manufacturers, suppliers, systems integrators and distributors.

Banking incl. commercial banks, investment managers, mutual funds companies, brokerage firms, investment banks, private banking and trust companies, saving banks, credit unions, mortgage banking companies, international banks and finance companies.

Chemicals incl. chemicals & petrochemicals

Communication/Media/Entertainment incl. broadcasters, cable TV channels, publishers, local based entertainment companies, multimedia companies, record labels, telecom service companies and cable operators.

Consumer Goods incl. Food producers, beverages & tobacco.

Energy, Utilities & Natural Resources incl. Electricity, gas, oil & water industry, forestry.

Healthcare & Pharmaceuticals incl. providers (hospitals and physicians), payers (insurance companies and HMOs), manufacturers (pharmaceuticals and biotech companies) and distributors (of medical equipment and supplies).

Personal & Business Services incl. restaurants, hotels, personal services, real estate and rental services.

Transportation incl. carriers, shippers, logistics services companies and private transportation organisation

Wholesale & Retail incl. luxury retailers, speciality retailers, big-box and category killers, mass merchandisers, discount retailers, grocery chains, convenience stores, drug chains, car dealers, home improvement chains, catalogue retailers and e-tailers

n.a. = not available

n.s. = not significant

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