

May 2020

Quarterly **BAROMETER** of the European Management Consulting Industry

COVID-19 has impacted on the European Countries according to a different timing and, even more, with a different impact

Overview

Segmentation based on **actual sales trend in Q1-2020:**

Growing MC companies:	20%
Declining MC companies:	49%
<i>Net declining MC companies:</i>	<i>-29% *</i>
Stable MC companies:	31%

* Net trend is equal to the difference between the % of growing and the % of declining MC companies

Segmentation based on **forecasted sales trend for Q2-2020:**

Growing MC companies:	9%
Declining MC companies:	74%
<i>Net declining MC companies:</i>	<i>-65% *</i>
Stable MC companies:	17%

* Net trend is equal to the difference between the % of growing and the % of declining MC companies

Fastest growing Service Lines:

1. Technology

Fastest growing Client Industries:

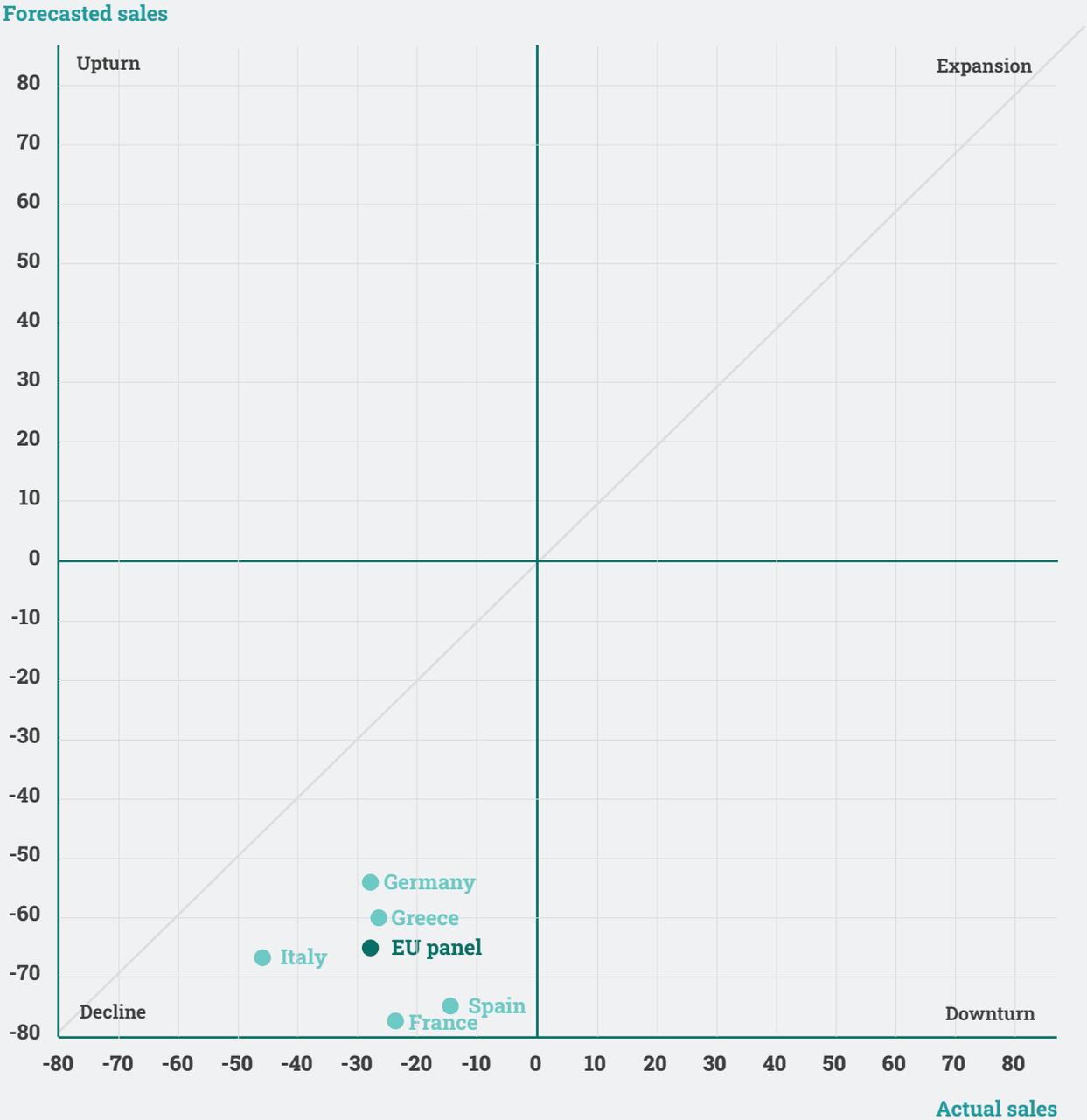
1. Telecom & Media
2. Public Sector
3. Financial Services

feaco

European Federation of Management Consultancies Associations
Fédération Européenne des Associations de Conseils en Organisation

Barometer of the European Management Consulting Industry Actual Q1-2020 – Forecast Q2-2020

(net % of Management Consulting companies reporting either growth or decline)



Many European Management Consulting companies have been affected by COVID-19 and have seen their sales declining in Q1-2020 and even more consulting companies are forecasting a decline in sales also in Q2-2020.

Actual sales trend in Q1-2020

In Q1-2020, according to the actual sales trend of the FEACO panel, European Management Consulting companies can be segmented as follows:

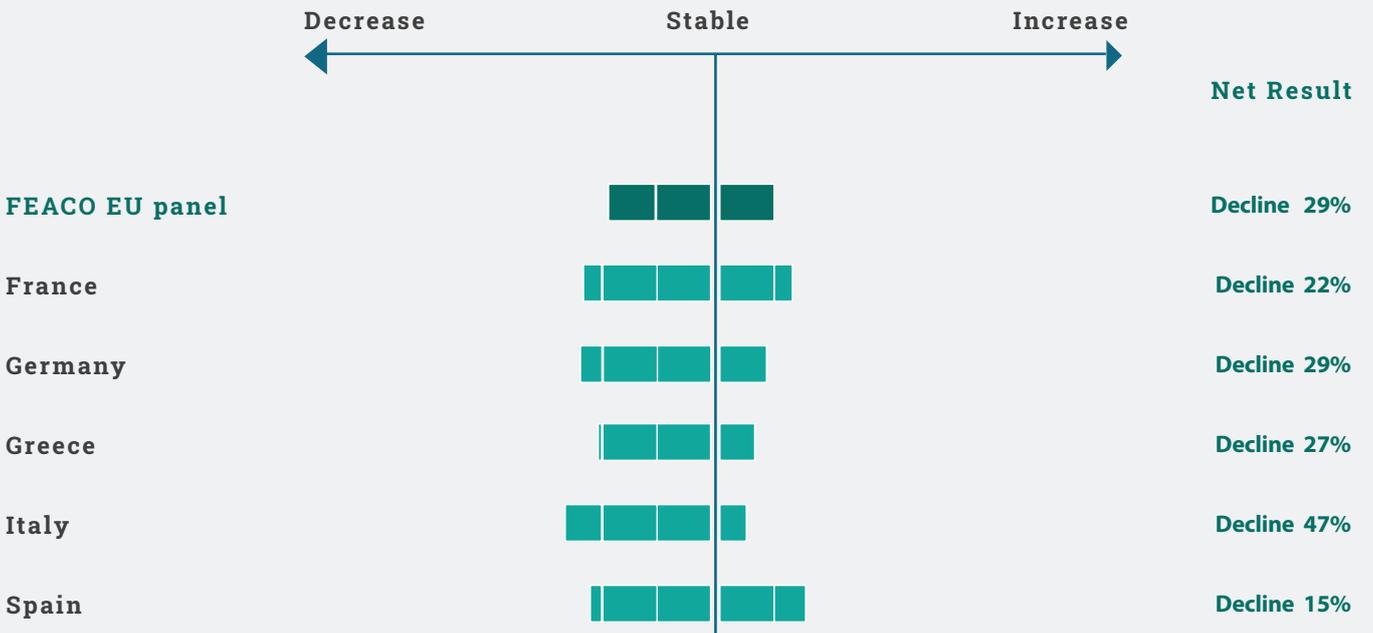
- 20% have grown their sales
- 49% have declined in their sales
- 31% have remained stable

indicating that 29% net of MC companies have suffered actual sales decline.

Q1-2020 has been partially affected by the COVID-19 health emergency with a different timing and to a different extent. In particular in mid-February and March, Italy was the first European country affected on a large scale and consequently has suffered the strongest impact. At that time France, Germany, Greece and Spain have also been affected but on smaller scale.

Actual sales trend in Q1-2020 [% of Management Consulting companies by country]

Country	Decrease	Stable	Increase	Net result
FEACO EU panel	49%	31%	20%	Decline 29%
France	47%	28%	25%	Decline 22%
Germany	48%	33%	19%	Decline 29%
Greece	41%	45%	14%	Decline 27%
Italy	57%	33%	10%	Decline 47%
Spain	46%	23%	31%	Decline 15%



Forecasted sales trend for Q2-2020

In Q2-2020, according to the forecasted sales trend of the FEACO panel, European Management Consulting companies can be segmented as follows:

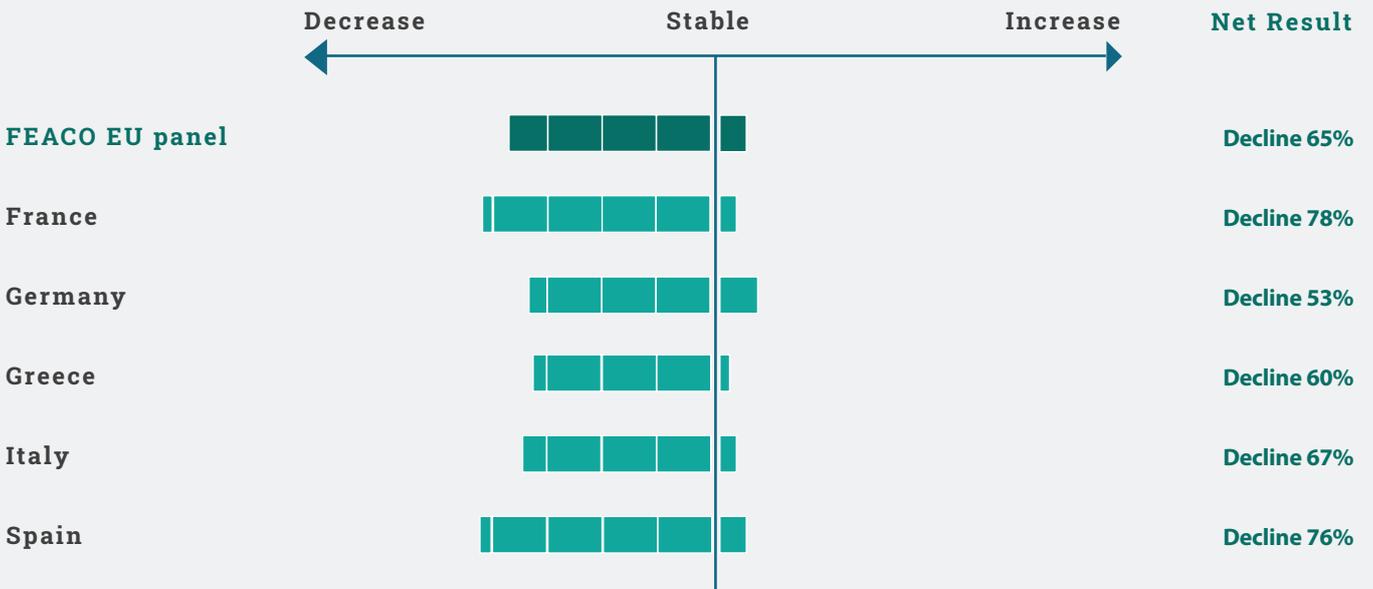
- 9% forecast growing sales
- 74% forecast declining sales
- 17% forecast stable sales

meaning that a 65% net of MC companies forecast a sales decline, a percentage that is higher than the 7% net decline in actual sales in Q1-2020.

In all the countries in the FEACO panel, Q2-2020 is forecasted as rather difficult considering the lockdown taking place in April and May; while this has not prevented many consulting companies from moving forward existing projects, it has delayed, frozen or even cancelled several new projects.

Forecasted sales trend in Q2-2020 [% of Management Consulting companies by country]

Country	Decrease	Stable	Increase	Net result
FEACO EU panel	74%	17%	9%	Decline 65%
France	83%	12%	5%	Decline 78%
Germany	66%	21%	13%	Decline 53%
Greece	64%	32%	4%	Decline 60%
Italy	73%	21%	6%	Decline 67%
Spain	84%	8%	8%	Decline 76%



Service lines trend

Technology consulting is the Service Line most frequently reported as being the fastest growing, or at least the one being least affected. The lockdown and all the measures related to the COVID-19 health emergency are forcing many companies to embrace digital transformation. Therefore Technology consulting has been growing steadily across Europe.

The trend of the other Service Lines is less clear as it appears that the Client Industries – more than the Service Lines – have been impacting the Management Consulting industry trends. In general the second most frequent request for consulting services relates to the need for changes in the new social scenario, in terms of Turnaround Management (in Germany), Risk Management (in Greece and Italy) or Change Management (in Spain).

Fastest growing Service Lines

[Ranking based on the most frequently mentioned by country]

Country	1°	2°
France	Operations	Technology
Germany	Turnaround Management	Technology
Greece	Technology	Finance/Risk Management
Italy	Technology	Finance/Risk Management
Spain	Technology	People and Change

Client Industries trend

The three Client Industries most frequently reported as being the fastest growing (or at least the least declining) are:

1. Telecom & Media
2. Public Sector
3. Financial Services

The trends of the Client Industries directly reflect the impact of the COVID-19 health emergency, both in terms of the disruption brought by lockdown and of the required need for restructuring. Overall, the Service Section in general has been performing better than the Manufacturing Section. The challenge for the future is how Management Consulting companies will be able to support all the industries in their strategic and operational transition towards a new “post COVID-19 normality”, with the particular focus on the growing digitalization that this transition is likely to imply.

Fastest growing Client Industries

[Ranking based on the most frequently mentioned by country]

Country	1°	2°
France	Telecom & Media / Energy*	Financial Services / Public Sector*
Germany	Manufacturing (Chemicals)	Financial Services (Insurance)
Greece	Public Sector	Telecom & Media / Manufacturing*
Italy	Telecom & Media	Financial Services
Spain	Telecom & Media	Public Sector

*Ex aequo

The impact of COVID-19 on the Management Consulting industry

The Management Consulting industry in Europe has been affected by the COVID-19 health emergency according to some common patterns:

- Many consulting projects have been continued thanks to the smart working readiness of most of the consulting companies
- Small and medium consulting firms on average have been affected much more than the large ones, given that the latter have a more substantial backlog, a longer project duration average and a wider portfolio of client industries
- The impact on the individual consulting companies has been very much related to the client industries each company is serving – namely whether or not its clients have been significantly affected by the lock-down measures – and to a smaller extent to its main Service Lines – namely whether or not the consulting services could be effectively carried out remotely

Governments have in general supported the Management Consulting industry, especially the small consulting firms. Specific supports have been different from country to country; however, they can be grouped as partial payroll coverage (subsidies to balance a reduction in the workload, a kind of partial unemployment) in exchange for employment continuity and specific emergency aids (mainly for small consulting companies). In several cases, large consulting companies have preferred not to take advantage of Government aids related to short-term work allowance, given that their level of activity has remained reasonably unaffected.

Focus on Government support to the Management Consulting industry

- In **France**, Government has financed partial unemployment (“chômage partiel”): on average, consultants are paid 84% of their salary by the State and, in exchange, French consulting firms have to keep their workforce stable for the rest of the year. Almost 90% of consulting firms took advantage of such governmental support, using it for 30% of their workforce. Amongst the other government support measures, French consulting firms have mostly opted for public guarantees on loans, delayed payment deadlines for social and tax payments, and public aids for employees training.
- In **Germany**, in addition to Government support for short-term work allowance, there have been specific incentives, such as a complete coverage of consulting fees (up to €4,000 from the Federal Office of Economic Affairs and Export Control), State loans support to help cope with short-term liquidity problems and Corona emergency aid of €9,000 for small consulting firms.
- In **Greece**, Government has supported the Management Consulting industry with measures such as payroll coverage (up to a specified amount), office rental subsidy, reduction in social insurance and tax liabilities, guarantees on loans (implemented through the issuance of guarantees by the Hellenic Development Bank to financial intermediaries). Further measures are expected, utilising funds from the National Support Reference Framework (NSRF). Firms that have taken advantage of the Government’s economic measures cannot make any redundancies, although they can apply work in rotation.
- In **Hungary**, Government has launched a plan for economic revitalization with over 35 measures, mainly related either to financial untightening such as a moratorium on debts/favourably priced loans; or to preserving jobs such as decreasing job-related taxes or financing salaries in the most affected industries. It is, however, hard to see how these initiatives will help the MC companies.

The future may depend on how much money and, more importantly, how it will be spent on some strategic sector investments, and whether these investments will absorb MC resources as well

- In **Italy**, Government has supported Italian companies with special redundancy funds (“cassa integrazione in deroga”) where Social Security is covering 80% of the regular salary of an employee and the employee is not dismissed. Large consulting companies – considering the fact that their level of activity has not declined to a significant extent in most cases – have used such an option and have preferred to keep all their permanent workforce (even though some of them have cut down the use of freelancers). Many small consulting companies and a few medium consulting companies have applied such special redundancy funds.
- In **Slovenia**, Government has yet to provide a complete picture of the support given to the Management Consulting industry (including part-time work instruments); however, already half of the consulting firms are using the “employees on hold” programme without dismissing them. Indirectly, Government anti-pandemic aid instruments used by other industries/companies will contribute to the recovery of the Management Consulting industry. The entire business community pleads for the prolongation of the main support measures at least to the end of June.
- In **Spain**, Government has intervened to prevent the destruction of employment by creating the “ERTE por fuerza mayor”, which is a measure intended to allow temporary unemployment with social aid only during the COVID-19 pandemic, and once the crisis is over, workers will rejoin their companies. At the end of May, almost 3 million jobs have been prevented from being destroyed. Government has also launched support measures for self-employed workers. Regarding the consulting sector, most of the large companies have not needed to carry out any ERTE, and continue to keep their employees working remotely from their homes. In small and medium size companies, the impact of the crisis is quite big. The Spanish Government has also promoted different credit measures for companies and fiscal policies to guarantee solvency of companies, which has benefited the economy as a whole. In spite of all measures taken, unemployment has increased by 600.000 people between February and May.

The recovery of the overall economies – as well as a general need for the client industries to redesign the businesses and their processes – is expected to provide good opportunities for the Management Consulting industry recovery, especially with regard to Technology consulting.

Quarterly Barometer of the European Management Consulting Industry Methodology

This second edition of FEACO Barometer has relied on the support of seven National Associations, namely:

- **France** – Syntec Conseil, French Association of Management Consulting Firms;
 - **Germany** – BDUeV, German Association of Management Consultants;
 - **Greece** – SESMA, Hellenic Association of Management Consulting Firms;
 - **Hungary** – VTMSZ, Hungarian Management Consultants Association;
 - **Italy** – Assoconsult, Italian Association of Consulting Companies;
 - **Slovenia** – AMCOS – Association of Management Consulting of Slovenia;
 - **Spain** – AEC, Spanish Association of Consulting Companies;
- where Hungary and Slovenia are taking part only in the special focus on COVID-19.

The initial section with the MC industry trends is based on:

- five countries that represent 59.4% of the European GDP (2018);
- the responses of 1,079 Management Consulting companies.

Methodology remarks:

- The net results are calculated as the % of companies reporting a growth minus the % of the companies reporting a decline.
- The survey measures the % of companies growing/declining without recording whether they are growing/declining to a significant or just to a marginal extent.
- The survey measures the % of companies growing/declining without recording whether they are large, medium or small companies. The FEACO panel is, however, well balanced in terms of representativeness across different company sizes.
- The FEACO European panel is an average of the responses from the participating countries weighted on the basis of their respective GDP.
- The data from France, Germany and Italy are based on records from special surveys carried out to monitor the health emergency impact on the Management Consulting industry.
- The data from Spain are limited in number and skewed towards large companies.

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