

Retention Report 2007:

A key challenge for the Management Consultancy sector

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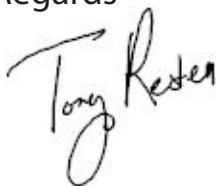
Global Opportunities in Consulting



As consulting markets enjoy sustained periods of growth, two issues invariably emerge as key constraints to growth of individual firms. The first is a firm's ability to recruit quality staff at the rate needed to match growth in client demand. The second and inter-related issue is the degree to which a firm can reign in staff attrition. The more staff that are lost, the more new hires are needed simply to maintain the existing headcount and therefore billing capacity. By contrast, the better a firm's staff retention rates, the more the recruitment efforts of the firm can be devoted to growing headcount rather than just replacing those that have left. That's why we've produced this retention report, as clients see improving retention rates as a key goal for their consulting businesses this year. By conducting in-depth industry surveys, we wanted to produce a definitive view on the scale of the retention problem - and possible measures that firms could take to improve the rate being witnessed in their own businesses.

I hope you find this a useful resource for your business and wish you a successful 2007.

Regards



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Retention rates – Key facts and Future trends



Introduction

The findings presented within this report are derived from two key surveys undertaken in Q1 2007. The first was a survey of 140 management consultancy recruiters and the second a survey of 700+ employees of consulting firms.

Top-Consultant.com Q1 Recruiter survey

We targeted recruiters from the management consultancy industry – both HR managers / HR directors from within consultancies and recruitment consultants focused on the sector. 140 recruiters took part in the survey, representing consultancies across the spectrum from major global brands through to respected small niche firms.

Top-Consultant.com Q1 Candidate survey

We targeted consulting candidates from our Get Headhunted CV database and over 700 took part in the survey during the last weeks. We were able to generate dozens of responses from consultants at each of the major brands (Accenture, Atos Consulting, BearingPoint, BT, Capgemini, etc.) and a good spread of respondents from smaller niche firms too.

All responses to these surveys were collected online - though in today's day and age there is no reason to think that an audience of online users is not highly representative of the consulting industry as a whole.

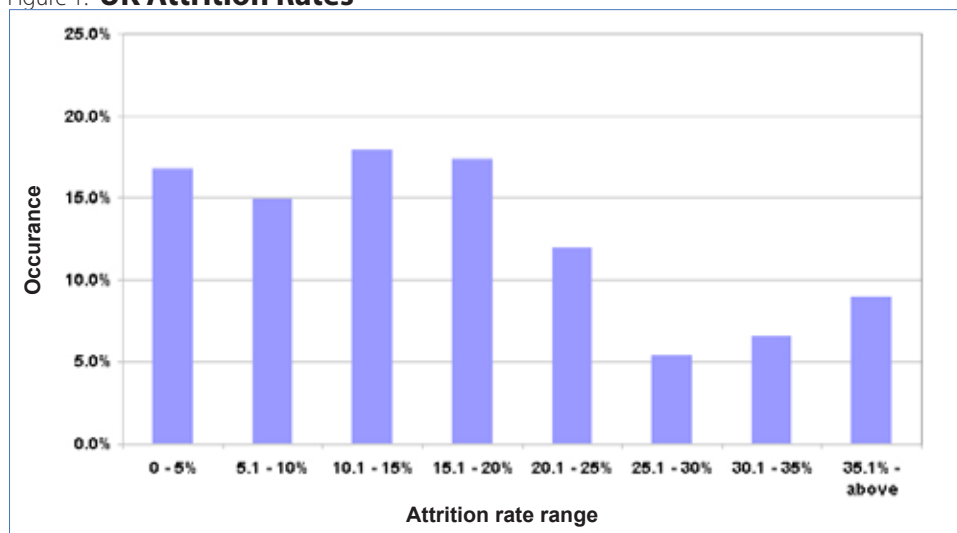
“A lot of focus seems to have moved to intangible and flexible benefits in firms' retention strategies, but it is often forgotten that these are only effective and value-for-money when there is a solid bedrock of tangible remuneration and benefits. The best consultants seem to be alienated by this shift towards rewarding mediocrity and are moving to firms in industry or finance where hard work, performance and talent are tangibly recognised and are better rewarded.”

Survey respondent

Retention rates in the UK market

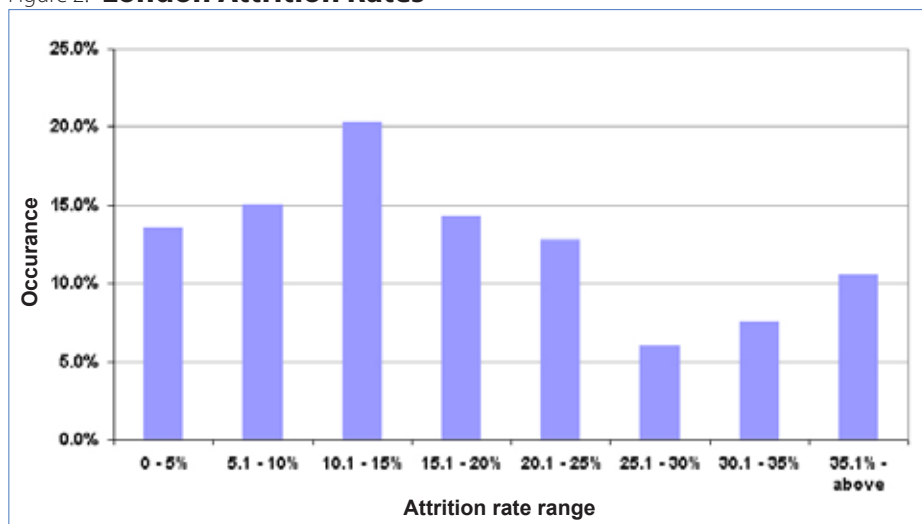
The UK market as a whole is experiencing a median rate of staff loss of 15% to 20% per year. A minority of firms are clearly experiencing worse rates than this, with over 10% experiencing staff loss of 1/3 or more per year. Comparing the UK figures above with the London figures below, an interesting observation is that locating an office outside of London brings a noticeable reward in the form of better staff retention. Partly this may reflect that there are fewer alternative consulting employers for consultants to switch to out in the regions, compared with a London market awash with opportunities.

Figure 1: **UK Attrition Rates**



Source: Top-Consultant.com Retention Report 2007

Figure 2: **London Attrition Rates**



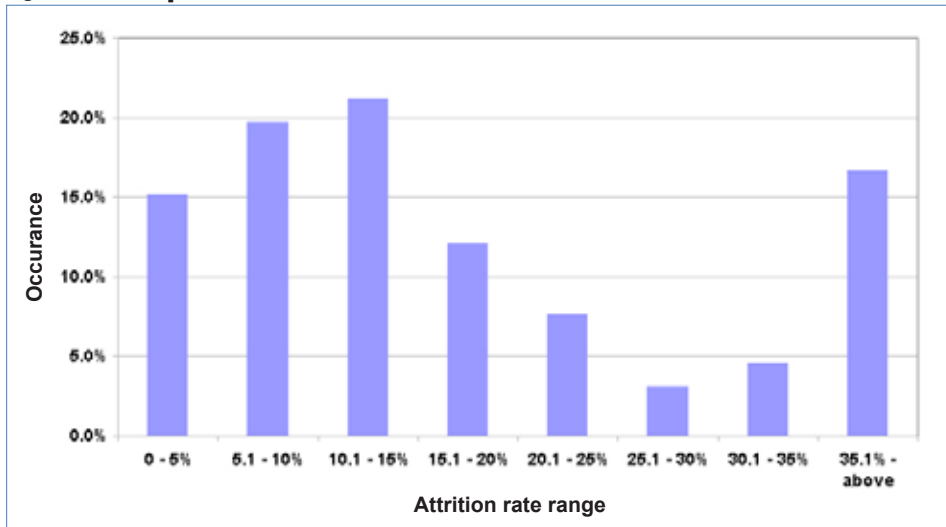
Source: Top-Consultant.com Retention Report 2007

"More flexibility is critical particularly later in careers - manager, senior manager level and up. Those with great experience and client relationship skills do not need to be on site all the time to have a significant impact. One concept that I think would work well for those who want to continue in the industry but cannot commit to constant travel - sell part time roles!"

Survey respondent

Retention rates in the US and European markets

Figure 3: **European Attrition Rates**



"Factors influencing retention will vary depending on career stage and individual circumstances. 'One size fits all' initiatives are not particularly effective."

Survey respondent

Source: Top-Consultant.com Retention Report 2007

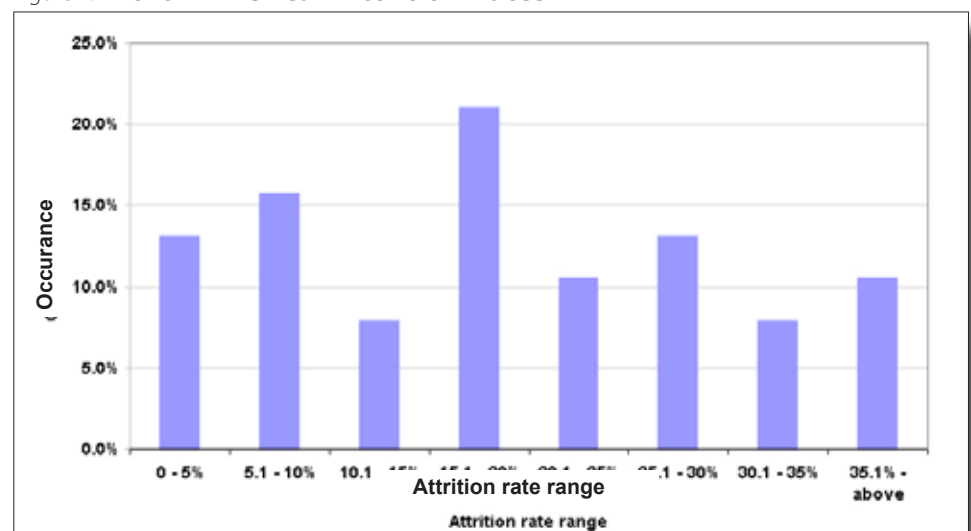
In Europe, firms seem to be experiencing a lower attrition rate with most firms seeing turnover rates of below 15%, the median being 10% to 15%. Attrition rates in the range 20% to 30% seem to be in the minority, however, a significant number of firms saw more than 35% staff turnover.

In North America, most firms lost staff at the rate of 15% to 20%. Interestingly, the market is not experiencing the spike in 35% plus range as Europe, however a significant portion of the market is seeing high attrition rates between 20% and 35% plus range.

"Variety of roles/projects is fundamental for consultants. Spending 18 months away from home on the same project is like a job at a regular office, which is not what we're looking for."

Survey respondent

Figure 4: **North American Attrition Rates**



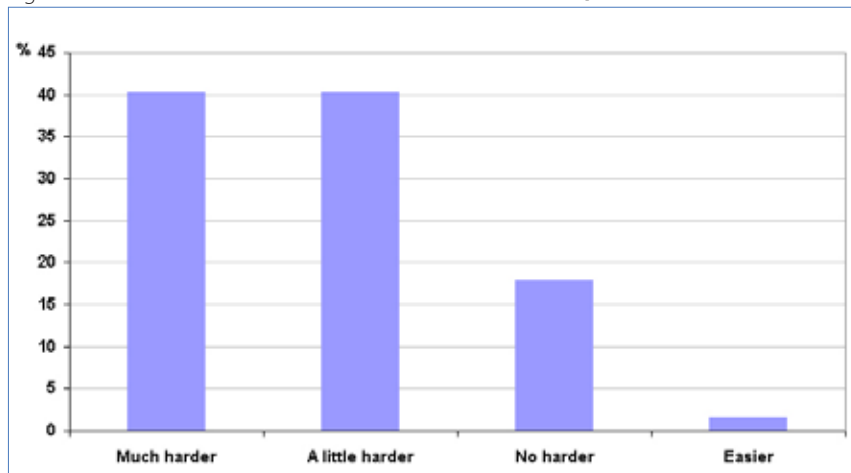
Source: Top-Consultant.com Retention Report 2007

Future trends - Will 2007/8 see a deterioration in staff retention rates?

Retention is likely to get tougher still - 80% of candidates and recruiters expect a deterioration in 2007

The data presented thus far is a static view of the attrition rates being experienced in the industry as at Q1 2007. A key consideration for consulting employers is clearly whether similar figures are to be expected in 2007/8 - or indeed whether the situation might deteriorate further. Responses to two further questions suggest that staff loss is endemic in the industry and that rates of staff loss may deteriorate further in 2007/8. This first chart shows the view of employees that rates of staff loss are likely to worsen in 2007/8. 80% of consultants felt this to be the case, a resounding majority. The same question was asked of HR managers / directors and the same result was achieved, ~80% felt the situation would worsen in 2007/8.

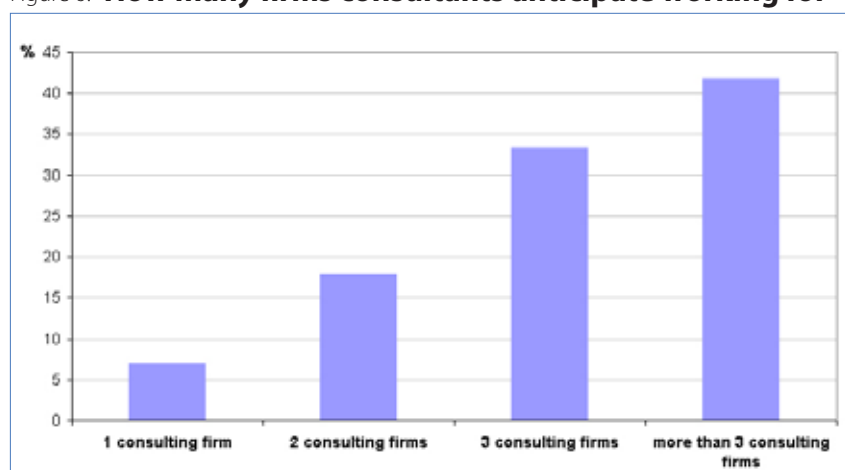
Figure 5: What will retention be like in 2007/8?



Source: Top-Consultant.com Retention Report 2007

Turning to the bigger picture, we asked consultants how many consulting employers they expected to work for during their consulting career and again a clear majority expect to work for 3 or more consulting firms. This suggests that the industry will never escape from this problem (and recurring cost), so the best a firm can hope for is to be better than the competition and minimise the impact of staff loss.

Figure 6: How many firms consultants anticipate working for



Source: Top-Consultant.com Retention Report 2007

No let-up in staff attrition expected - recruiter responses almost identical to candidate responses

"Make travel as comfortable as possible, no arguments about staying in best hotels, business class flights, decent hire cars."

Survey respondent

What impact can you expect to have on your firm's retention rate?

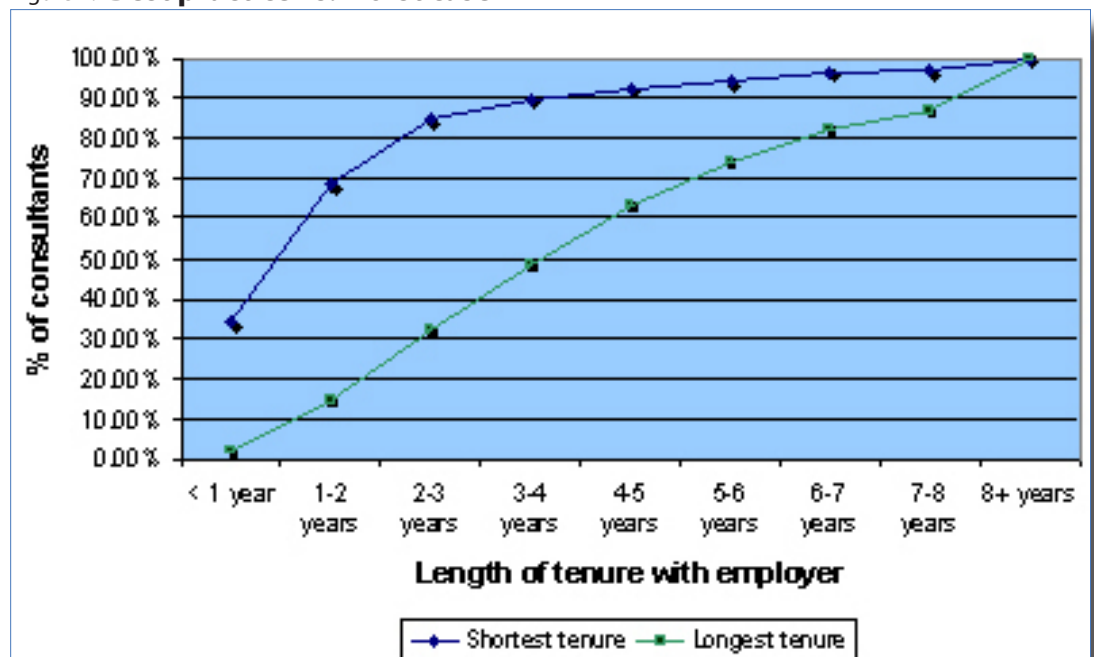


Achieving best in class retention results in a massive financial upside

To try and quantify the impact that "getting retention right" could have on a consulting business, we asked consultants to detail the longest period of employment they'd had with a consulting firm - and also the shortest period.

This allows us to demonstrate the gap between having best in class retention rates and having some of the worst in the industry. The results show clearly that average staff tenure more than doubles for a best in class employer, which translates into recruitment savings of £2m + per year for a consultancy with 1,000 staff

Figure 7: **Best practice vs. worst case**



Source: Top-Consultant.com Retention Report 2007

A poor employee experience drives new recruits out in less than 1½ years on average

A great employee experience extends tenure to an average of 3½ years+ (and in many cases considerably longer)

With firms targeting an average cost-per-hire of £5,000 this difference translates into a massive additional recruitment bill (~£10million for a 1,000 strong consultancy over a 4½ year period)

Candidates rank retention factors

According to candidates it is remuneration, project quality and work/life balance that are the key retention factors. Flexible hours and work from home are still highly ranked and they remain so, with their importance showing no change in the past two years.

The chart below shows the 12 most important retention factors ranked by candidates:

Figure 8: **Retention factors ranked by consultants**

2007 Rank	Retention Factor	2007 Score	2005 Rank	Change
1	Firm has better remuneration / pay than the competition	5.42	2	+1
2	Firm involves consultants in the staffing process - allowing consultants to influence which projects they are assigned to	5.17	1	-1
3	Firm has a culture where evening and weekend work is discouraged	4.78	6	+3
4	Firm invests heavily in staff training	4.78	3	-1
5	Firm offers flexible working hours	4.59	5	No change
6	Firm manages client expectations to ensure consultants are not expected to be away on client site 5 days a week	4.51	4	-2
7	Firm actively encourages consultants to work from home if desired	4.01	7	No change
8	Firm tries to foster great morale / team spirit by organising regular social events and team activities	3.81	8	No change
9	Firm will allow consultants to take sabbaticals / extended leaves of absence	3.78	9	No change
10	Firm sponsors MBA studies	3.44	10	No change
11	Firm shows willingness to accommodate consultants who wish to move to the countryside rather than living in the city	3.21	11	No change
12	Firm provides a creche / nursery facilities	1.98	12	No change

Source: Top-Consultant.com Retention Report 2007

Recruiters report that the reasons being given in exit interviews are very similar – remuneration, work/ life balance and quality of projects:

Figure 9: **Reasons for leaving given in exit interviews**

Better remuneration packages on offer at other firms	55.1%
Career prospects (promotion track) looks more promising elsewhere	52.2%
Too much time spent travelling leading to dissatisfaction with work/ life balance	30.4%
Dissatisfaction with quality of consulting assignments being staffed on	24.6%
Employee wants to work in a smaller consulting organisation	23.2%
Employee wants to work in a larger consulting organisation	20.3%
Evening & weekend work leading to dissatisfaction with work/ life balance at current employer	18.9%
Remuneration and promotion policies deemed to be intransparent or unjust	16.7%
Desire to move overseas or move location	14.5%
Employee feels let-down by current employer	12.3%
Inadequate staff training at current employer	5.8%
Lack of MBA sponsorship at current employer	0.7%

Source: Top-Consultant.com Retention Report 2007

"It is all about work life balance, consultants need to be real people with real lives in order to be able to sell a balanced product based on life experience as well as business experience and training."

Survey respondent

How to improve retention rates amongst:

- o The regular consulting workforce
- o Early leavers
- o Long-serving consultants

Taking steps to improve retention rates amongst the “regular consulting workforce” may be costly and may just postpone the inevitable.

What the “regular consulting workforce” want

Consultants want to secure better remuneration. Once applied across the firm this can prove very expensive – and easily negated by a competitor’s counter-move. 51% of firms taking measures to improve retention in last 12 months have raised remuneration.

Consultants want greater influence over the projects they are assigned to. This is likely to lead to more time on the bench and lower utilisation rates if applied across the firm – but could be selectively targeted at staff deemed to be “at risk” of leaving.

Consultants want a change in culture so that evening and weekend work is discouraged and work/ life balance is improved. Looks like the most cost-effective measure, but needs leadership and buy-in from the most senior figures in the firm.

Early Leavers

By contrast, overcoming a problem of “Early Leavers” is predominantly a question of tackling management problems within the organisation.

“Early leavers” cited lack of face-time with management, lack of guidance, poor management / consultant relationships, uninspiring leadership...

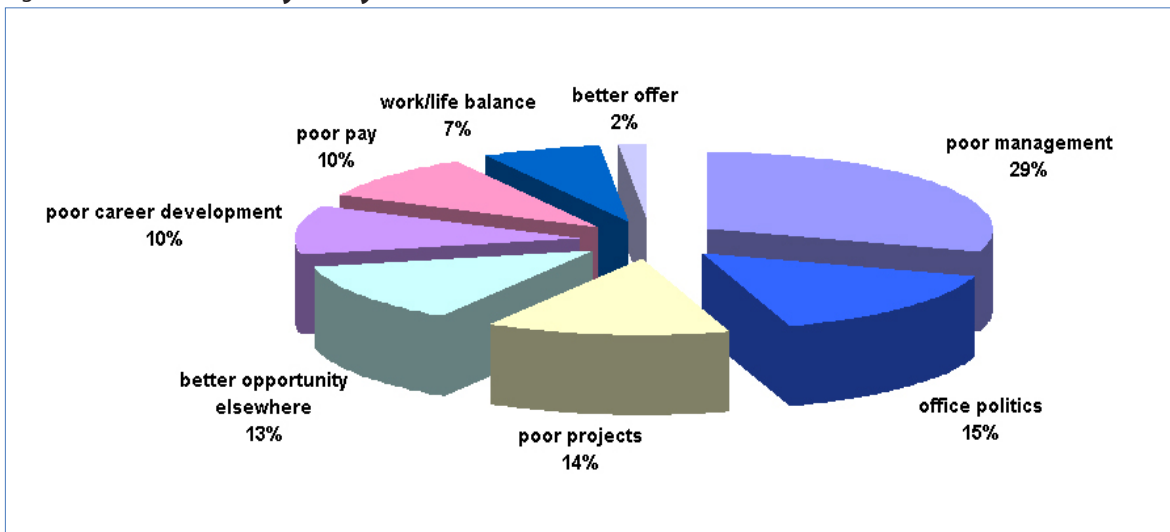
Long-serving consultants

Long-serving consultants are most likely to move on because of a lack of career development and uninspiring consulting assignments.

“Long-servers” cited a lack of actual career progression combined with a perceived intransparency in their intended career path; plus dissatisfaction with the variety and challenge of assignments being won.

“A lot of effort is made to retain people after the fact, but not enough to keep the team motivated.”

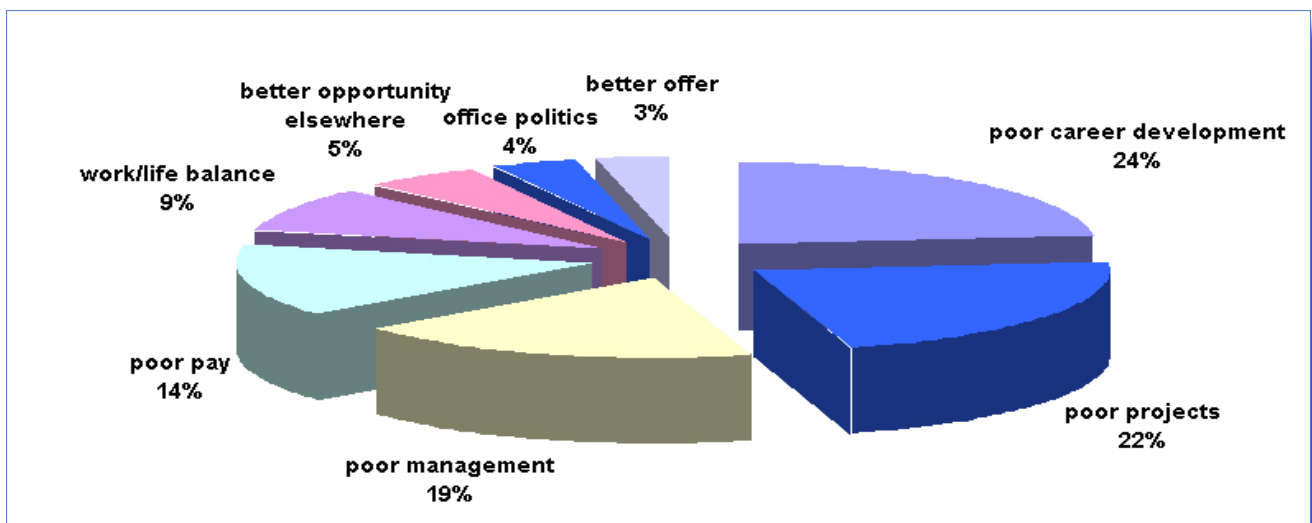
Survey respondent

Figure 10: **Reasons why early-leavers leave**

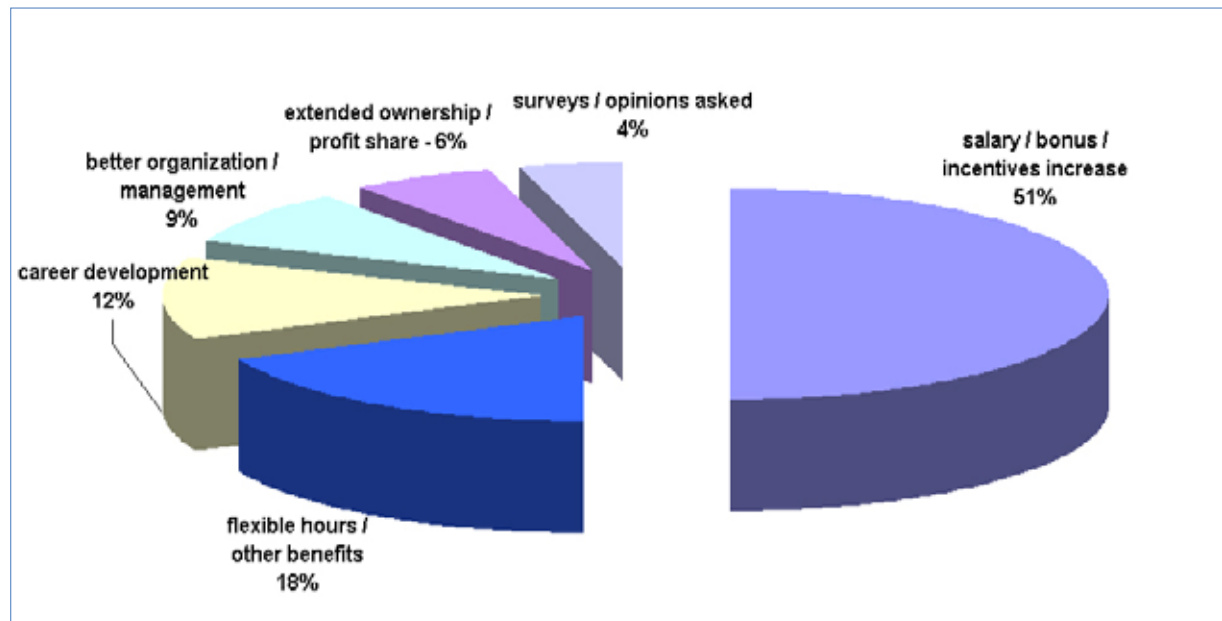
Source: Top-Consultant.com Retention Report 2007

Although retention has been acknowledged as a problem across the industry, more than half of the respondents (56%) said their firm has done nothing in the past 12 months to hold on to its consultants. Moreover, 23% said they don't know if their firm has taken any measures to improve retention, suggesting that even if those firms have invested time or money in retention strategies they went unnoticed by the very people the strategies were aimed at.

While 21% of respondents said their firms had undertaken actions to improve retention in the last 12 months, there seems to be a disparity between what employers think will make their staff stay and what consultants want as incentives to not jump ship.

Figure 11: **Reasons why long-serving consultants leave**

Source: Top-Consultant.com Retention Report 2007

Figure 12: **What firms have done to improve retention**

Source: Top-Consultant.com Retention Report 2007

It's not about the money

The number one retention strategy employers have used is money. 51% of firms have made surprise salary or bonus increases or have raised more than planned scheduled salary and bonus increases.

For consultants, the number one reason that would make them stay was improvement in management of the consultancy, including more inspiring leadership.

Improving management procedure was 4th down the list for employers, (9%), after introducing more flexible work hour arrangements and other benefits aimed at striking a better work/life balance (18%); and increasing the number or improving the quality of career development options (12%).

Extending ownership and profit shares was the fifth retention strategy employed by companies (6%) and 4% of firms conducted survey and sought opinion for improving retention from their staff.

Consultants on the other hand, seem unanimous in wanting three key things, which account for almost 70% of all responses. Aside from improving the management of the practice (37%), consultants want better career development (18%) and a clear, transparent and fair path for career progression (16%). Many consultants complained that more and more work on projects was becoming routine, so they wanted other avenues for developing new skills. External workshops and industry seminars were cited as some examples.

Promotions have always been a key element in this competitive industry, where the practise of up-or-out is practised widely. Now, more than ever delivering on career progression promises can be a significant differentiator between firms.

Better salary and bonus are the forth most important incentive for employees at 14% of respondents. Now that revenues are rising, consultants want a bigger cut. A further 6% of consultants explicitly want a profit share scheme.

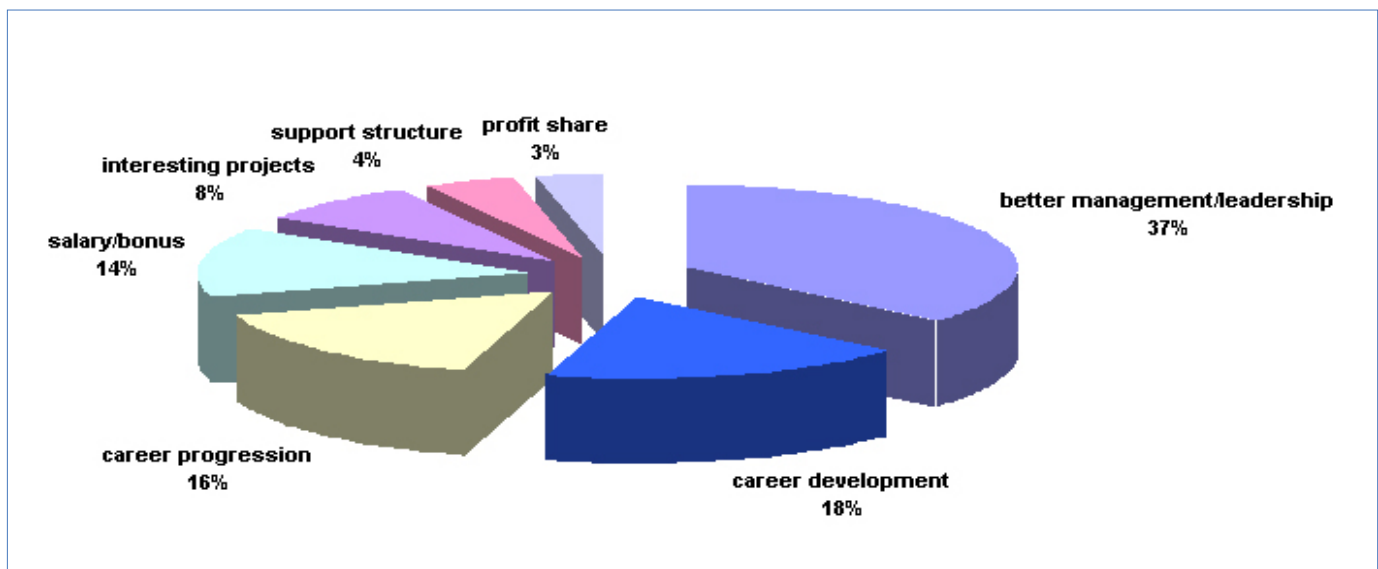
Being staff on interesting projects of their own choice, a major swaying factor in previous years, has moved down the list to number 5, with 8% of respondents. Followed, by an improved support structure (4%), including things like personal

assistance, concierge services, better technologies and other upgrades that will allow the consultant to spend more time working in this time of increasing workloads.

"Loyalty is a reflected value, if the company shows loyalty to its people in good times and bad, then the people will generally return the favor."

Survey respondent

Figure 13: **What else could a consultancy employer do that would make you want to work for them**



Source: Top-Consultant.com Retention Report 2007

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