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Retention Strategies:

*What can you do to keep
your best consulting staff?*

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>> the new monthly magazine for consultants

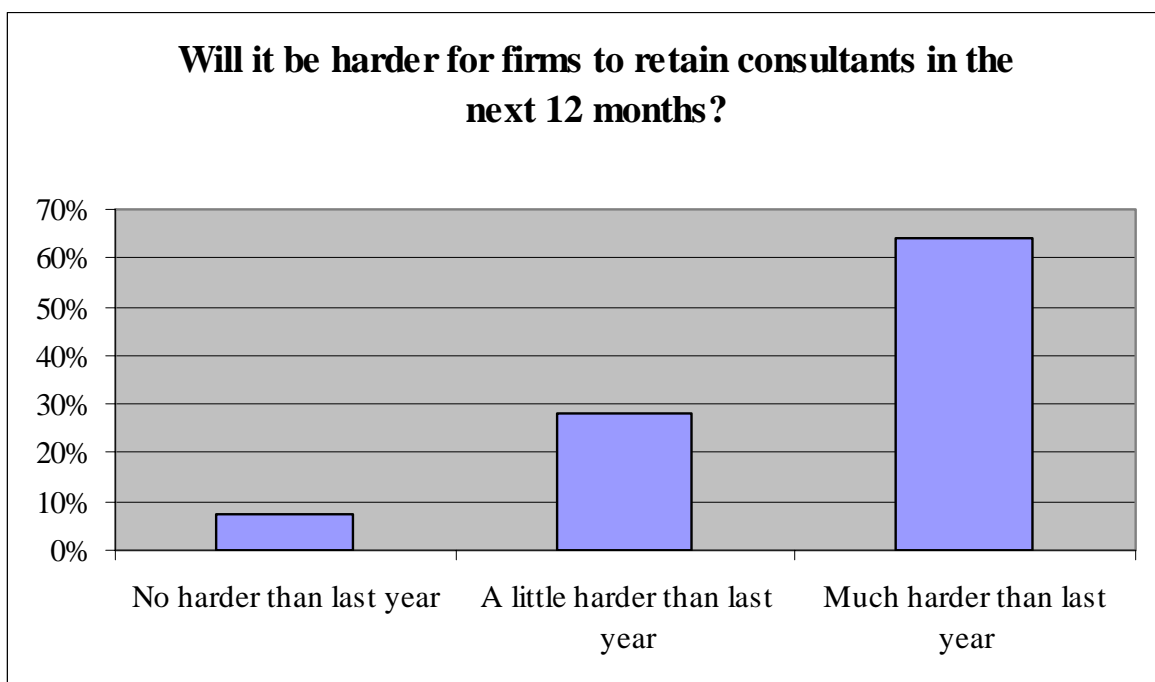
Consultants from the world's leading consulting firms confirm that retention is back as a major problem

In the heady days of the dot-com boom, recruitment and retention were business critical issues. As staff turnover soared, the cost of hiring and training replacements became a real drain on consulting firms' resources and profit margins.

With consulting firms now reporting rising staff turnover rates, we felt it timely to conduct a one-off survey of the consulting population to establish how serious the situation has become and also to uncover affordable and practical strategies consulting firms can put in place today to retain their best staff.

The bad news is that annual staff turnover is now running at 20% in the UK market and 12.5% in the US market, so this is rapidly becoming a serious issue once again.

What's more, a huge majority of consultants expect staff retention to become much harder over the next 12 months:



Continued... Consultants from the world's leading consulting firms confirm that retention is back as a major problem

However there is also some good news to emerge from the survey – and firms that take a proactive approach now can learn both from i) how their competitors have been tackling this issue and ii) the changes consultants would like their firms to make that would encourage them to stay with their existing employer.

Best of all some of these initiatives can be implemented at little or no cost. For while salary is an important retention tool, there are other aspects of a consultant's career that firms can transform without any further outlay on salaries.

~ Survey data ~

The value of any survey is clearly dependent on the relevance of the respondents that have taken part. In polling consultants from all the following firms we hope to have produced for the industry the definitive picture on retention benchmarks and strategies in 2005:

A.T. Kearney, Accenture, Altran, Ariba, Atos Consulting, BearingPoint, Booz Allen Hamilton, BCG, Boxwood, BT, Capgemini, CSC, Deloitte, Ernst & Young, Gartner, Hedra, Hewlett Packard, IBM Business Consulting, L.E.K., LogicaCMG, m.a.partners, Marakon Associates, OC&C Strategy Consultants, PA Consulting, PKF, Proudfoot Consulting, PRTM, PwC, Roland Berger Strategy Consultants, RSM Robson Rhodes, SAIC and Unisys

We hope you find the contents of this report valuable and would welcome your feedback.

The Top-Consultant.com Management Team

20% staff turnover in the UK market is now the norm, with many practices suffering from rates of 30% or more

The survey sourced from consultants data about the staff turnover their own firm had suffered in the last 12 months. This allows us both to compare the scale of the problem across geographies and also to provide a benchmark of industry norms in both the UK & Ireland and US markets.

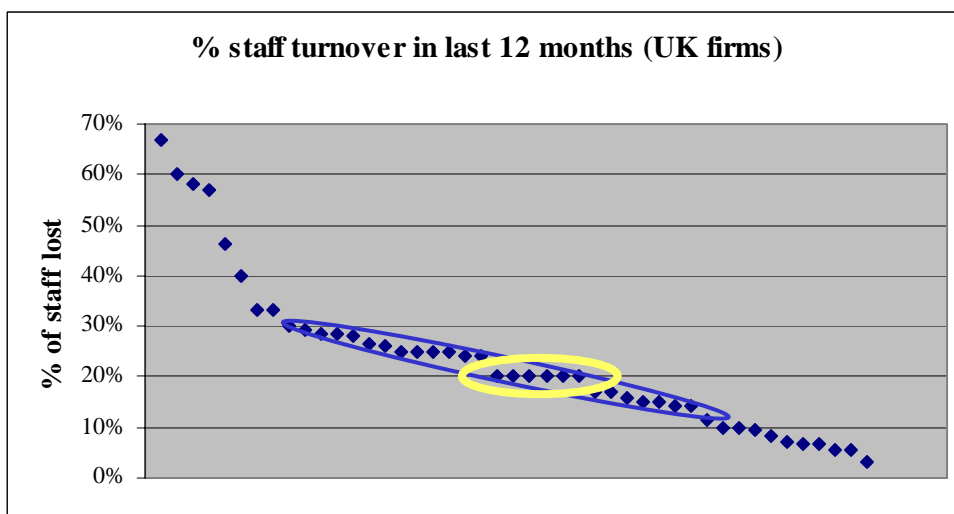
The survey data shows the problem is becoming acute in the UK & Ireland marketplace, where staff turnover has averaged 20% in the last year and where most firms have experienced staff turnover rates in the range of 15% - 30%. Mainland Europe has also struggled with the retention issue despite the less buoyant consulting market.

By contrast, firms operating in the US have not been hit as hard by retention problems, a reflection of the fact that the market is in the earlier stages of a recovery. India, meanwhile, has very favourable staff turnover rates – providing another justification to those firms currently building an offshore presence there.

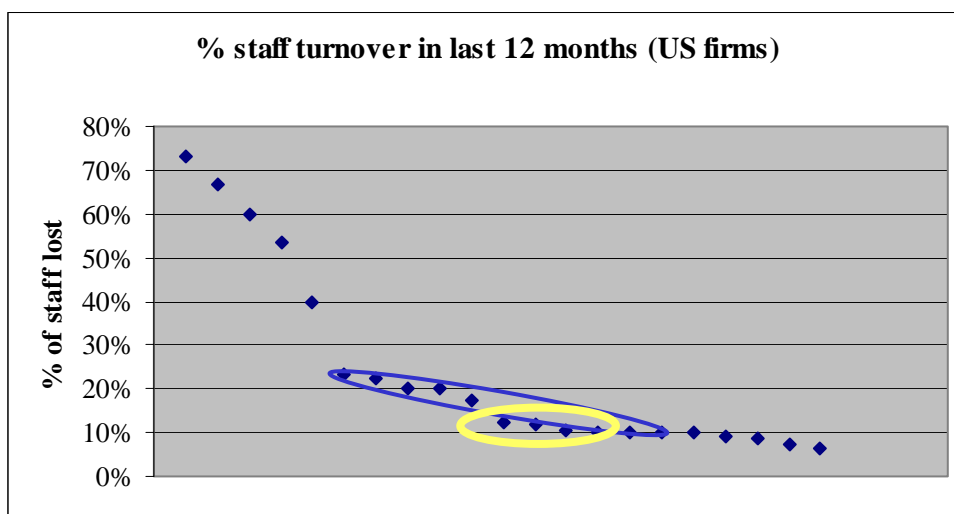
	Staff turnover in last 12 months (median figures)
UK & Ireland	20.0%
Mainland Europe	18.6%
US	12.5%
India	10.7%

The US market is showing more subdued rates of staff turnover, but for how long?

The data plot below highlights (in yellow) the median staff turnover rate of 20% in the UK market, whilst clearly the vast majority of UK consulting practices have experienced 15% - 30% turnover rates during the last year. Only a handful of firms have been able to keep staff turnover % in single digits.



By comparison the US average is 12.5% and only in exceptional cases have firms faced staff turnover rates over 20%



What have firms been doing to combat this growing retention problem – and are these strategies likely to work?

If your firm has yet to take any meaningful steps to improve staff retention, you are not alone! In our survey **only 23.4% of consultants believe their firm has taken any significant measures** in the last 12 months to retain existing staff.

For the minority of firms that have implemented retention strategies in the last year, we've listed below the main tactics they are employing – as reported by the consultants we surveyed.

In the remainder of this report we will contrast the tactics being employed with the changes consultants really want their firms to make. In many instances the changes firms are making to address retention are not really hitting the bullseye – and many low or no-cost suggestions that consultants are making have yet to be implemented at all.

So the good news is there is tremendous scope for your firm to gain a key competitive advantage simply by incorporating our respondents' ideas into your retention strategies.

Key initiatives that more proactive firms have implemented:

- A number of consultancies have introduced more regular (ie. quarterly) pay reviews and bonus payments
- More “promotion windows” during the year, ie. times when it is possible to gain promotion PLUS greater clarity / forward planning regarding promotion prospects (so if consultants aren't being promoted this time round, a clear commitment that the firm intends to promote them at the next review is a good motivator)
- Company-wide staff surveys to uncover problems

Continued... What have firms being doing to combat this growing retention problem – and are these strategies likely to work?

Key initiatives that more proactive firms have implemented (continued):

- Some have undertaken independent salary benchmarking exercises to validate that current salaries are competitive
- Implementation of additional reward schemes for "at risk" parts of the workforce
- Introduction of Fast-tracking / Top Performer programmes
- Team days or sessions where nothing is off-limits for discussion
- Introduction of share ownership / investigation of equity and options for top performers outside the company ownership group
- Increased visibility of and involvement in management of company
- Lifestyle improvements – introduction of more flexible working patterns and recognition/ initiatives to deal with domestic / lifestyle needs of consultants
- Ensuring public recognition of each consultant's effort and achievements plus re-staffing and balancing of workloads

The survey suggests there are many more initiatives firms should consider that may dramatically improve retention rates

With only 23.4% of firms having implemented any of these new initiatives to retain staff, clearly there is considerable scope for consultancies to incorporate some of these strategies as part of a renewed drive to improve retention rates.

However, having established what firms have done (or not done!) to date, we then asked consultants two further questions. Firstly we asked them to rank a dozen retention issues. On a scale of 1 (not important) to 5 (critical) they were asked to rank the retention strategies that would make them want to stay working for a consulting firm.

A key finding is that being involved in the staffing process – ie. having some say in the projects consultants are assigned to – is the number one factor that will influence whether consultants move on or stay with their firm. This beat market-leading remuneration as consultants' most important decision criteria when choosing whether to stay or leave a firm.

The 12 factors and their relative scores are listed overleaf and the results speak for themselves.

In addition to this ranking exercise, we then asked consultants to state what else a consulting employer could do that would make them want to work for that firm. The results are fascinating – and many ideas that would cost very little to implement are seen as key stay-or-leave issues for our cross-section of consultants. The most popular ideas are listed in the next pages.

Greater involvement in the staffing process is a low-cost but highly influential retention strategy, outperforming remuneration

On a scale of 1 (not important) to 5 (critical) consultants ranked retention strategies that would make them want to stay working for their consulting firm:

- 4.04 Firm involves consultants in the staffing process - allowing consultants to influence which projects they are assigned to
- 4.00 Firm has better remuneration / pay than the competition
- 3.84 Firm invests heavily in staff training
- 3.65 Firm manages client expectations to ensure consultants are not expected to be away on client site 5 days a week
- 3.53 Firm offers flexible working hours
- 3.48 Firm has a culture where evening and weekend work is discouraged
- 3.22 Firm actively encourages consultants to work from home if desired
- 3.18 Firm tries to foster great morale / team spirit by organising regular social events and team activities
- 3.06 Firm will allow consultants to take sabbaticals / extended leaves of absence
- 2.76 Firm sponsors MBA studies
- 2.68 Firm shows willingness to accommodate consultants who wish to move to the countryside rather than living in the city
- 1.66 Firm provides a creche / nursery facilities

Many other stay-or-leave issues were identified by consultants, several of which would cost nothing but time to implement

In addition to the strategies firms have already implemented and the 12 changes consultants ranked on the preceding page, a number of other issues / policy suggestions were uncovered in the free text part of the survey.

Below we present the suggestions that were mentioned most frequently by our respondents:

- **Greater freedom/ flexibility to be seconded to the firm's overseas offices** was one of the most requested changes. This may be resisted by Partners in individual offices but is in the good of the wider firm if consultants stay with the firm rather than leave
 - **Ensure roadmap for progression and remuneration scheme are transparent and just.** Consultants' biggest complaint is that remuneration & progression decisions seem to be shrouded in secrecy – making it inevitable consultants feel disillusioned with pay and promotion decisions
 - **Reward individual contributions** and ensure bonus / pay awards are seen as "fair". Many large firms deal with reward issues in a "banded" approach and this is bad for morale. Also reward achievement outside of the structured cycle of reviews.
 - **Ensure consultants are only assigned to projects on a short-term basis.** Long-term assignments in unglamorous locations with second-tier clients are millstones around a consultant's neck.
- >> Manage client expectations so that consultants are rotated and no-one has to spend more than a few months on these projects. Consultants are ambitious by nature and stagnation is a big driver for seeking employment elsewhere.

Many other stay-or-leave issues were identified by consultants, several of which would cost nothing but time to implement

Below we present the suggestions that were mentioned most frequently by our respondents (continued):

- **Make mentoring by Partners actually happen**, instead of giving it lip-service. Consultants that feel they are really developing are much more likely to stay with a firm
- **Offer more placements in industry and a more varied selection of projects**
- **Ensure that the pay differential between consulting and corporate roles is maintained** – it shouldn't be financially more attractive for a consultant to leave the firm and join a client
- **Stop local office politics from interfering with consultants' career progression**
- **Introduce profit-share or options schemes** rather than an arcane "bonus" system
- **Praise consultants and make them feel valued** for the work they are doing
- **Foster a culture of trust** where a consultant's judgement is trusted rather than forcing them to adhere to a huge book of rules
- **Give consultants greater involvement in the recruitment of new consulting staff**, so they can actively influence the calibre of new staff and feel like they are contributing to the firm's development
- **Greater transparency about projects the firm has in the pipeline** and each consultant's chances of being staffed on these

Appendix: Other Resources, Services & Contact details

We hope you have found this retention report insightful. Other resources that may be of interest to you are our annual management consultancy Recruitment Channel Survey.



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