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The Consulting Readiness Index

- a barometer for positioning and expanding your practice in today's environment

Dr. Simon Haslam

Chair – ICMCI Academic Fellows



Why do some countries have stronger management consulting sectors than others?

These are the values of national management consulting sectors from Source Global Research. This is robust commercially available data, generated by a consistent method and are this project's reference data

Country	Size of consulting market (\$m)
USA	81,131
UK	13,400
Germany	11,629
France	7,110
Australia	6,739
China	6,556
Canada	5,429
Italy	2,028
Netherlands	1,983
Japan	1,756
Brazil	1,552
Russia	607

The size of a country's economy is a factor (GDP)

The bigger a country's economy (GDP), the bigger appears to be its management consultancy sector...
...generally.

Country	Size of consulting market (\$m)	National GDP (\$m)
USA	81,131	19,380,000
UK	13,400	2,622,000
Germany	11,629	3,677,000
France	7,110	2,582,000
Australia	6,739	1,323,000
China	6,556	12,237,000
Canada	5,429	1,653,000
Italy	2,028	1,934,000
Netherlands	1,983	826,000
Japan	1,756	4,872,000
Brazil	1,552	2,055,000
Russia	607	1,577,000

...it's not just down to the size of the country's economy

Some countries have stronger management consultancy sectors as a proportion of their economy.

Other factors must be present to account for this variance.

Country	Size of consulting market (\$m)	Management Consulting as % of GDP
USA	81,131	0.42
UK	13,400	0.51
Germany	11,629	0.32
France	7,110	0.28
Australia	6,739	0.51
China	6,556	0.05
Canada	5,429	0.33
Italy	2,028	0.11
Netherlands	1,983	0.24
Japan	1,756	0.04
Brazil	1,552	0.08
Russia	607	0.04

The Consulting Readiness Index (CRI) project

We tested 32 factors to see if that could help account for the variance in national management consultancy sectors

GDP/population; National economic growth rate; the MBA population; presence of business schools providing MBA programs; presence of consulting skills training in the country; government spend on consulting; overseas aid in the country; presence of 'big four' consulting firms; a McKinsey office; an Accenture office; the 'power-distance' dimension of culture; the 'individualism-collectivism' dimension of culture; the 'masculine-feminine' dimension of culture; the 'uncertainty avoidance' dimension of culture; the 'long term orientation' dimension of culture; number of consulting firms in the country; 'multinationals' presence in the country; presence of a professional consulting body; presence of a directory/register of consultants; number of CMCs in the country; 'Global Competitiveness Index' national rating; 'Ease of doing business' national rating; 'Human Capital Index' national rating; 'Global Talent Competitiveness Index' national ranking; maturity of the financial markets; 'Venture. Capital/Private Equity Index national rating; International Property Rights Index national rating; 'Index of Economic Freedom' national rating; e-Government Development Index' national rating; 'Global Innovation Index' national rating; 'Global Creativity Index' national rating; 'Property Index' national rating; 'Human Development Index' competitive rating; 'Political stability/absence of violence' national rating; 'Index of Globalization' national rating; 'Connectedness Index' national rating; 'Corruptions Perceptions Index' national rating

We needed factors that were **1. Reliable** (we could trust the data and it was calculated consistently across countries), **2. Comprehensive** (across the world, not just a selection of countries), **3. Valid** (it correlated with differences in national management consulting sectors), **4. Distinct** (not the same the factor by another name)

GDP/population; National economic growth rate; the MBA population; presence of business schools providing MBA programs; presence of consulting skills training in the country; government spend on consulting; overseas aid in the country; presence of 'big four' consulting firms; a McKinsey office; an Accenture office; the 'power-distance' dimension of culture; the 'individualism-collectivism' dimension of culture; the 'masculine-feminine' dimension of culture; the 'uncertainty avoidance' dimension of culture; the 'long term orientation' dimension of culture; number of consulting firms in the country; 'multinationals' presence in the country; presence of a professional consulting body; presence of a directory/register of consultants; number of CMCs in the country; 'Global Competitiveness Index' national rating; 'Ease of doing business' national rating; 'Human Capital Index' national rating; 'Global Talent Competitiveness Index' national ranking; maturity of the financial markets; 'Venture. Capital/Private Equity Index national rating; 'Index of Economic Freedom' national rating; e-Government Development Index' national rating; International Property Rights Index national rating; 'Global Innovation Index' national rating; 'Global Creativity Index' national rating; 'Property Index' national rating; 'Human Development Index' competitive rating; 'Political stability/absence of violence' national rating; 'Index of Globalization' national rating; 'Connectedness Index' national rating; 'Corruptions Perceptions Index' national rating

We found five factors which combine to mathematically correlate with the relative strength of national management consultancy sectors with a correlation reliability ('r' value) of over 0.9

100% correlation is an r value of 1

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Equation: the relative strength of a national consulting sector

The Consulting Readiness Index (CRI) indicates the relative strength of a country's management consultancy sector.

CRI is a function of five factors which correlate mathematically with the relative strength of national management consultancy sectors.

Hofstede's Individual: Collective cultural dimension (IDV)

Index of Economic Freedom (IEF)

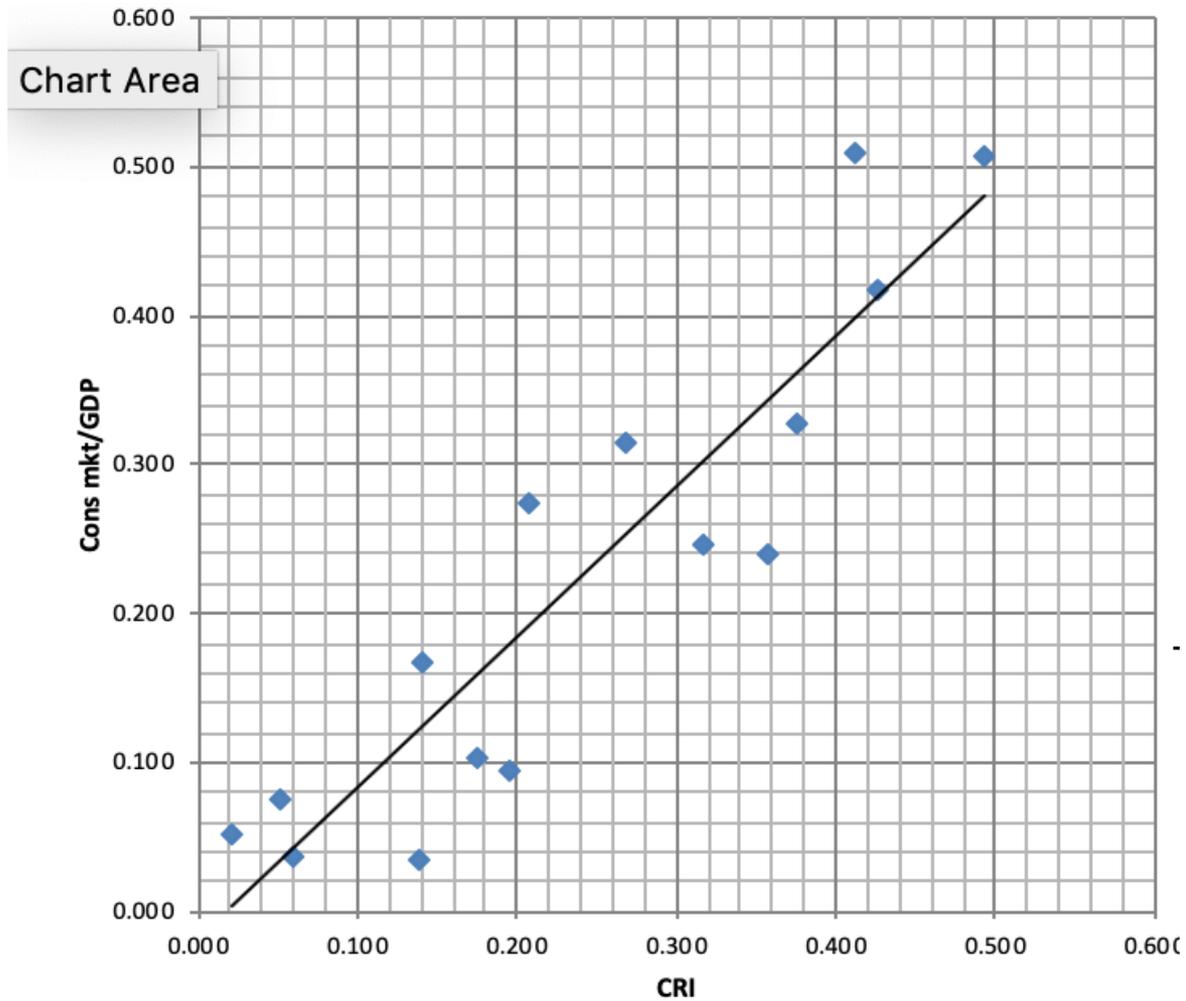
eGovernment Development Index (EGDI)

Global Creativity Index (GCI)

Corruptions Perception Index (CPI)

$$\text{CRI} = \int (\text{IDV}, \text{IEF}, \text{EGDI}, \text{GCI}, \text{CPI})$$

The correlation looks like this



IDV 'individualism – collectivism' Hofstede cultural dimension

This is about the degree to which the locus of interest is higher at the **individual** (or his/her immediate group) level or the **collective** (wider groups/ the community). The difference between 'I' and 'we'

The higher the **IDV** score, the higher the relative strength of a country's management consultancy market

The world's high IDV countries include: USA (91), Australia (90), UK (89)

The world's low IDV countries include: China (20), Brazil (38), Russia (39)

The Bahamas: IDV is 60 (estimate)

IEF Index of Economic Freedom

The **IEF** considers the relative freedom of business to trade. It was created by the Heritage Foundation and the Wall Street Journal.

It's based on the premise that a vibrant business brings prosperity to the country in which it is located. It takes into account a) the role of law, b) government size/behavior, c) regulatory efficiency, d) open markets

The higher the **IEF** score, the higher the relative strength of a country's management consultancy market

The world's highest IEF countries are: Hong Kong (90.2), Singapore (88.8)

The world's lowest IEF countries are: North Korea (5.2), Venezuela (25.5)

The Bahamas: IEF is 63.3



EGDI – the eGovernment Development Index

The eGovernment Development Index. This was developed by the United Nations and takes into account: online service provision, telecoms infrastructure, human capital

The higher the **EDGI** score, the higher the relative strength of a country's management consultancy market

The world's highest EDGI countries are: Denmark (0.915), Australia (0.905)

The world's lowest EDGI countries are: Somalia (0.051), Niger (0.109)

The Bahamas: EDGI is 0.655

GCI – the Global Creativity Index

The Global Creativity Index is published by the Martin Prosperity Institute division of the University of Toronto. It looks at national creativity, technology, talent and tolerance.

The higher the **GCI** score, the higher the relative strength of a country's management consultancy market

The world's highest GCI countries are: Australia (0.97), USA (0.95)

The world's lowest GCI countries are: Iraq (0.03), Ghana (0.07)

The Bahamas: GCI is estimated as 0.5

CPI Corruption Perceptions Index

This is about the degree to which a national culture is considered corrupt at its centre (culture/government) and its impact on democracy/decision making. It was created by Transparency International.

The higher the CPI score (i.e. the least corrupt), the higher the relative strength of a country's management consultancy market

The world's highest CPI (least corrupt) countries are: Denmark (88), New Zealand (87)

The world's lowest CPI (most corrupt) countries are: Somalia (10), Syria (13)

The Bahamas: CPI is 65

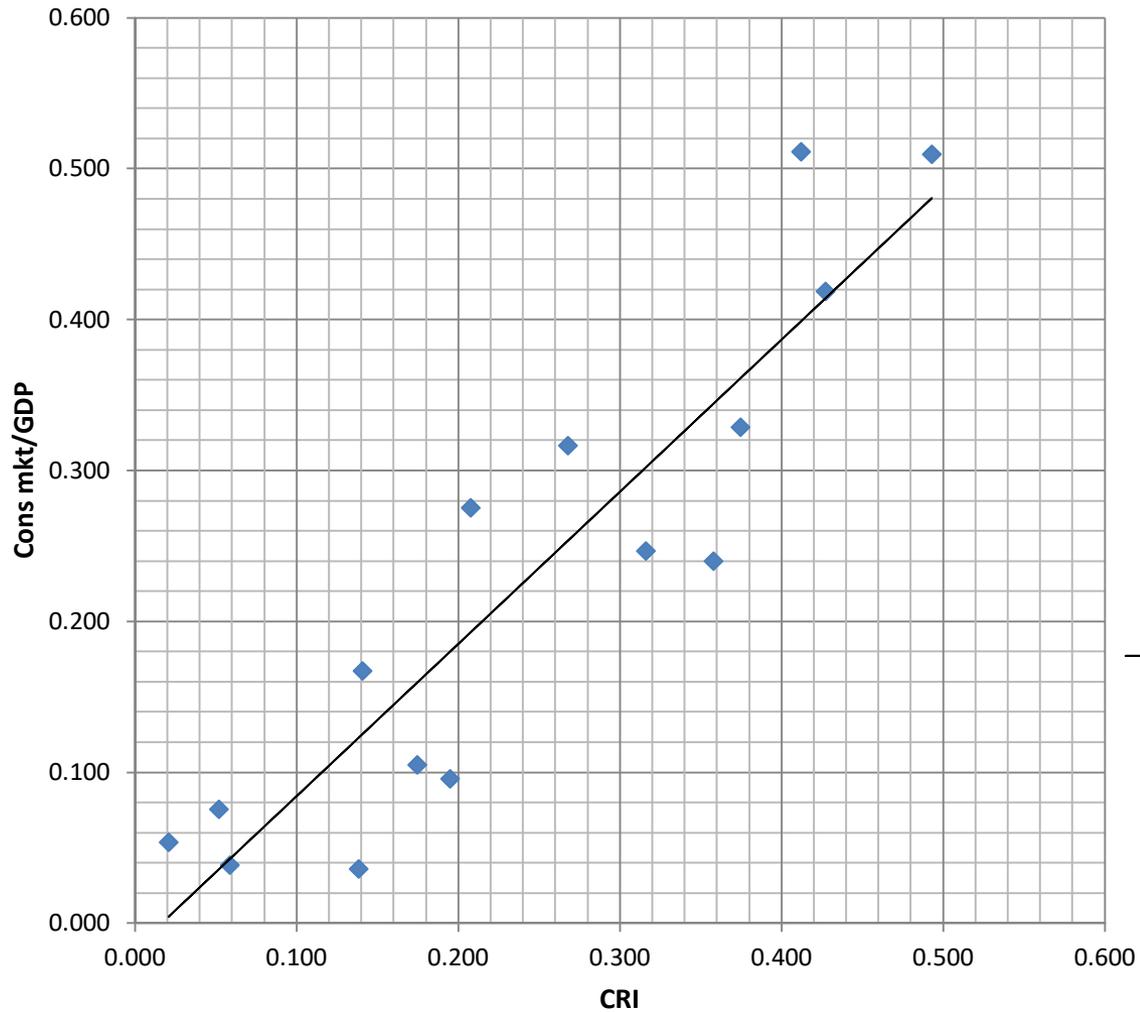
NCI: relative strength of a national consulting sector

$$\text{NCI} = \int (\text{IDV}, \text{IEF}, \text{EGDI}, \text{GCI}, \text{CPI})$$

Assuming that all five factors are equally relevant, best fit (least squares) analysis show the numerical values associated with the NCI equation (the slope of the line and it's intersection on the 'y' axis when 'x' is 0

$$\text{National management consultancy market} = \text{GDP} \times [(1.0084 \times \text{NCI}) - 0.0167]/100$$

NCI equation



$$y = 1.0084x - 0.0167$$

◆ Cons mkt/GDP

— Linear (Cons mkt/GDP)

NCI: relative strength of a national consulting sector

National management consultancy market = $\text{GDP} \times [(1.0084 \times \text{NCI}) - 0.0167]/100$

e.g. for Austria, where IDV is 55, IEF is 72.3, EGDI is 0.830, GCI is 0.788, CPI is 75

$\text{NCI} = (0.55 \times 0.723 \times 0.83 \times 0.788 \times 0.75)$

$\text{NCI} = 0.195$

If Austria GDP is \$416bn, the estimate of the size of the Austrian management consultancy sector is estimated as $416,000 \times [(1.0084 \times 0.195) - 0.0167]/100 = \749m

We've tested the NCI equation...

... by comparing a the size country's management consultancy sector where we already know the data and size country's management consultancy sector calculated by the NCI equation	Country	Size of consulting market (\$m) calculated by NCI	Size of consulting market (\$m) via research
	USA	80,294	81,131
	UK	10,463	13,400
	Germany	9,315	11,629
	France	4,973	7,110
	Australia	6,359	6,739
	China	515	6,556
	Canada	5,968	5,429
	Brazil	732	1,552
	Netherlands	2,843	1,983
	Austria	749	398
	Spain	1,643	2,193
	Switzerland	2,050	1,675
	Russia	670	607

Implications for IMC and consulting firms (1)

Know your country's NCI and hence estimate the size of the national management consultancy sector. Most GDP and IDV/IEF/EGDI/GCI/CPI data is on the web.

Croatia: IDV = 33, IEF = 59.4, EGDI = 0.702, GCI = 0.481, CPI = 49

Croatia NCI = $(0.33 \times 0.594 \times 0.702 \times 0.481 \times 0.49)$

Croatia NCI = 0.032

Croatia's GDP is \$55bn

Croatia's management consulting sector is estimated at

= $55,000 \times [(1.0084 \times 0.032) - 0.0167]/100 = \$8.56m$

The Bahamas (GDP \$12.2bn) the management consulting sector is \$7.9m

An IMC can also use this data to help determine its reach/penetration of that country's management consultancy sector

Implications for IMC and consulting firms (2)

Recognise and work on the 'blockers' in order to 'move the needle' – a country is rarely equally strong or weak in all five NCI dimensions:

Jordan's world ranks (the smaller the score the higher the rank) across the five NCI factors.

IDV:140, IEF: 53, EGDI: 98, GCI: 78, CPI: 50

The Bahamas's world ranks (the smaller the score the higher the rank) across the five NCI factors.

IDV:80, IEF: 79, EGDI: 72, GCI: 51, CPI: 29

Implications for IMC and consulting firms (3)

Note the trend in the indicators for your country... some of the NCI ingredients may be relatively static (e.g. IDV) but others may naturally strengthen (those based on talent and technology).

In three years, Mongolia's management consulting sector looks to have grown by about 50% as a result in positive shifts in its eGovernment Development Index and its Global Creativity Index. Maybe in developing countries is the potential for management consultancy greatest.

	IDV	IEF	EGDI	GCI	CPI
Mongolia (now) NCI 0.031	71	55.7	0.582	0.370	36
Mongolia (3 years ago) NCI 0.023	71	59.2	0.519	0.270	39



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Thank you

Dr. Simon Haslam

Chair – Academic Fellows

simon@consult.co.uk



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