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ABSTRACT

The National Consulting Index (NCI) determines the strength of a national management consulting sector relative to other countries. It was created in 2017 following research and analysis conducted at the International Council of Management Consulting Institutes (ICMCI). This paper provides an update to the NCI project and estimates the size of the management consulting sectors for several countries around the world. The paper also offers qualitative insight from some countries about the trends and dynamics of their management consulting industries.

INTRODUCTION

The National Consulting Index (NCI) determines the strength of a national management consulting sector (MCS) relative to other countries. It was first created in 2017 following research and analysis conducted by a team at the International Council of Management Consulting Institutes (ICMCI)[1]. This 2023 paper aims to refine and strengthen the computational model for estimating an NCI, to update earlier work to estimate the size of the MCS in each country for which data are available, and to use the data to learn more about the trends and characteristics of the national consulting market for each country represented by an ICMCI Member Institute. The goal is to produce the world's most authoritative summary of the size and characteristics of the management consulting industry.

This paper provides an update on the NCI project and offers estimates of the MCS for many countries worldwide. The paper first outlines the project method and the derivation of the NCI. The results of the NCI research are shown in two parts. The first part shows the financial estimates (US\$m) of the MCS for the countries covered by the research. The second part reports insights from the ICMCI Member Institutes in some countries. The paper concludes with a reflection on the NCI project and its implications for future research.

[1] For the background to this research project see Haslam S, Bodenstein R, and Abdel Jaber T, (2020) ICMCI National Consulting Index; estimating the size of management consulting markets around the world, Management Consulting Journal volume 3.1

PROJECT METHOD

The National Consulting Index (NCI) determines the strength of a national management consulting sector (MCS) relative to other countries. It does this by creating a mathematically derived relationship between a range of data points that correlate with the size of the country's MCS. To do this, reference data for a range of countries where the MCS was already known was used, allowing the testing of a variety of variables via regression analysis, which ultimately led to the creation of the NCI equation. This reference data was for 2022 (the most recent full year for which data are available). The reference data was provided by Source Global Research (SGR)[2].

It is well recognised that the size of a country's MCS varies in proportion to the size of that country's economy (GDP). The global average shows that a country's MCS is 0.275% of GDP (the global management consulting market is valued at \$286bn in 2022, compared to a global GDP of \$104,000bn). The NCI seeks to illuminate the factors that can show why a national MCS is proportionally higher in some countries than others. Figure 1 (below) shows MCS as a percentage of GDP for fourteen reference countries (y-axis) against GDP (x-axis). The data show that MCS is a more substantial component of the economy in some countries, though there is no obvious pattern that could explain it. The NCI project aims to provide a data-based method of making sense of this variation and, hence, a means of estimating the size of national MCS using the appropriate data points.

[2] <https://www.sourceglobalresearch.com>

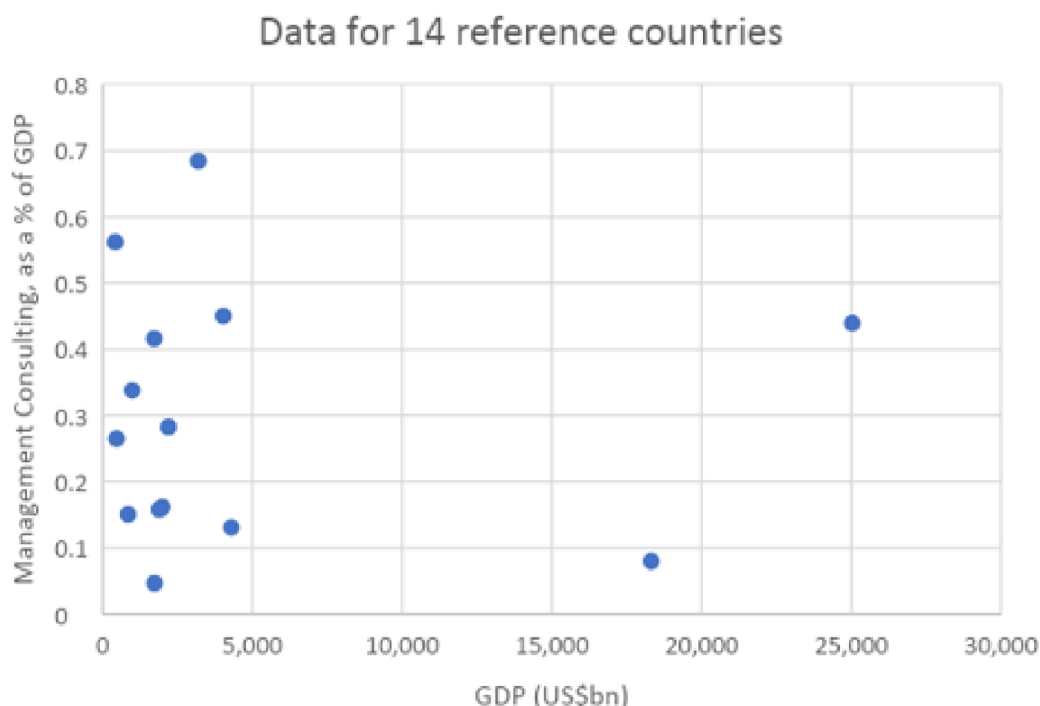


Figure 1: MCS as a percentage of GDP for fourteen reference countries (y-axis) against GDP (x-axis)

The method used to determine the NCI formula involves the following steps:

1. Acquire national consulting market size data on fourteen countries as a benchmark from Source Global Research (SGR). These countries were chosen to provide a size, geographical, and cultural spread (see Table 1).

Table 1: Adjusted SGR data showing 2022 MCS values for the fourteen reference countries

Country	MCS estimate US\$m
USA	110,009
UK	21,882
Germany	18,144
China	14,647
Australia	7,175
Canada	6,219
Japan	5,626
Netherlands	3,346
Italy	3,236
Brazil	2,993
Singapore	2,377
Turkey	1,284
Austria	1,241
South Korea	809

2. Undertake a review of available literature, including the previous NCI analyses, to identify economic and socio-cultural measures that might relate to national management consulting activity. The variables used in the analysis included Hofstede's Individualism-Collectivism score (HIDV), the Index of Economic Freedom (IEF), the V-Dem Electoral Freedom Index (VDem), the National Gross Domestic Product (GDP), and the National GDP per capita of population (GDPpc). Other variables were considered but rejected as they were not global in their coverage or were dated[3].

3. Use data around these variables for the fourteen reference countries to test correlations by linear regression modelling. SGR MCS data[4] was used as the dependent variable, and the other correlated variables as independent variables.

4. Identify the best regression model to use as the NCI formula for estimating the size of national management consulting markets (MCS).

5. Use the resulting NCI formula to estimate the national market size for management consulting in other countries (beyond the fourteen reference countries). Where a country could not provide the data around the NCI variables (HIDV, IEF, VDem, GDPpc), the MCS was estimated as a 0.275% proportion of GDP.

The MCS size calculations were then sent to each ICMCI Member Institute with an invitation to indicate their agreement or otherwise with the MCS size estimate for their country and for commentary that could explain any variations and identify and explain market trends. The quantitative data provided by ICMCI Member Institutes is shown in Table 2 (next page).

A limitation of the regression thus far is that the number of datasets used as the dependent variable is too few for a stable prediction model. Therefore, to improve the reliability of the NCI formula, the number of datasets acquired will be increased to 25, the minimum number recommended (Tabachnick & Fidell, 1996[5]).

[3] This project is indebted to the efforts of Reema Nasser and Khuzaima Zaghlawan for data sourcing and to ICMCI Board members Robert Bodenstein and Tamara Abdel-Jaber for their guidance.

[4] SGR data is based on medium and large consulting enterprises. To account for the full MCS, including the 'long tail' of small and micro consulting enterprises, a 25% increase on MCS figures supplied by SGR was factored in.

[5] Tabachnick, B. G., & Fidell, L. S. (1996). Using Multivariate Statistics. Harper Collins.

PROJECT RESULTS AND DISCUSSION

The results section is split into two parts. The first reports quantitative data from the NCI project, and the second gives additional qualitative insight into various national consulting sectors.

QUANTITATIVE RESULTS

The 2023 NCI project has provided estimates of the financial value of national management consulting markets by three methods. The three methods are 1) using the reference data from Source Global Research - SGR (this is the most robust of the three methods of determining MCS); 2) by NCI calculation (the NCI equation - as detailed below - is based on SGR reference data, and this is the second most robust method of determining MCS); and 3) approximating MCS as a proportion of national GDP (this is the least robust and is useful where data needed for the NCI calculation are not present for that country). Table 2 (next page) shows the MCS estimate (US\$m) and which of the three methods (SGR, NCI or GDP) was used for the estimate. Where IMCs provided their views/data on their national MCS, they are shown in the IMC data column. The final column shows the national GDP (US\$bn) for those countries in the analysis.

Analysis showed the NCI equation to be:

$$\text{LnMCS} = -6.614 + \text{HIDV} \cdot 0.028 + \text{IEF} \cdot 0.057 + \text{VDem} \cdot -1.755 + \text{LnGDP} \cdot 0.995 + \text{LnGDPpc} \cdot -0.365 [6]$$

Regression result = $R^2 = .927$, $F(5,8) = 20.22$, $p = <.001$

These data represent the most comprehensive publicly available estimate of the management consulting sectors worldwide.

[6] Due to a significant positive skew in the national data purchased across countries, the natural log (Ln) of GDP and GDPpc data were used in the regression.

Table 2: 2022 MCS values and NCI scores for various countries around the world

Country	MCS estimate US\$m	MCS source	IMC data US\$m	GDP US\$bn2022	NCI
USA	110,009	SGR	329,000 ⁷	25,035	0.0044
UK	21,882	SGR	17,811 ⁸	3,198	0.0068
Germany	18,144	SGR	46,051 ⁹	4,031	0.0045
China	14,647	SGR	12,474 ¹⁰	18,321	0.0010
India	9,764	NCI		3,486	0.0028
Australia	7,175	SGR		1,724	0.0042
Canada	6,219	SGR		2,200	0.0028
Japan	5,626	SGR		4,300	0.0013
Netherlands	3,346	SGR	1,475 ¹¹	990	0.0034
Italy	3,236	SGR		1,997	0.0016
Saudi Arabia	3,047	GDP		1,108	0.0028
Russian Fed	3,046	NCI	1,876 ¹²	2,133	0.0014
Iran	3,007	NCI	1,000 ¹³	1,973	0.0015
Brazil	2,993	SGR		1,894	0.0016
Switzerland	2,634	NCI		807	0.0033
Singapore	2,377	SGR		423	0.0056
Chinese Taipei	2,277	GDP		828	0.0028
Sweden	1,681	NCI		603	0.0028
Thailand	1,621	NCI		534	0.0030
Ireland	1,568	NCI		520	0.0030
UAE	1,386	GDP		504	0.0028
Egypt	1,290	GDP		469	0.0028
Turkey	1,284	SGR		853	0.0015
Austria	1,241	SGR		468	0.0027
New Zealand	1,111	NCI		243	0.0046
Denmark	1,062	GDP		387	0.0027

[7] IMC USA estimate

[8] Estimate based on MCA (Management Consultants' Association)

[9] Note – [Germany] value given in euros. Conversion made using data from <https://www.exchangerates.org.uk/EUR-USD-spot-exchange-rates-history-2022>

[10] According to committee survey. Note – Value range was given (¥80-100B | \$11088-13860m. The mean value was listed for simplicity.

[11] Note – [Dutch] value given in euros. Conversion made using data from <https://www.exchangerates.org.uk/EUR-USD-spot-exchange-rates-history-2022.html>

[12] Note – [Russian] value given in rubles. Conversion made using data from <https://www.exchangerates.org.uk/RUB-USD-spot-exchange-rates-history-2022.html>

[13] Estimate includes considerations from other industries incl. mining, oil and gas, petrochemicals, food, & healthcare

Country	MCS estimate US\$m	MCS source	IMC data US\$m	GDP US\$bn2022	NCI
Pakistan	1,029	GDP		376	0.0027
Hong Kong	1,013	GDP		368	0.0028
Philippines	955	NCI		401	0.0024
South Africa	864	NCI		411	0.0021
South Korea	809	SGR		1,734	0.00047
Israel	741	NCI		527	0.0014
Bangladesh	726	NCI		460	0.0016
Finland	723	NCI		281	0.0026
Nigeria	635	NCI		504	0.0013
Hungary	598	NCI		184	0.0033
Kazakhstan	416	NCI		224	0.0019
Dominican Rep.	309	GDP		112	0.0028
Romania	302	NCI	769 ¹⁴	300	0.0010
Algeria	259	NCI		187	0.0014
Bulgaria	143	NCI		85	0.0017
Jordan	131	NCI		48	0.0027
Serbia	128	NCI		63	0.0020
Cyprus	106	NCI		27	0.0039
Zimbabwe	105	GDP		38	0.0028
Croatia	78	NCI		69	0.0011
Trinidad & Tobago	77	GDP		29	0.0027
Haiti	55	GDP		20	0.0028
West Bank & Gaza	51	GDP		19	0.0027
Jamaica	44	GDP		16	0.0028
Mongolia	33	GDP		16	0.0021
Guyana	41	GDP		15	0.0027
Moldova	38	GDP		14	0.0027
The Bahamas	35	GDP		13	0.0027
Rwanda	33	GDP		12	0.0028
Kosovo	25	GDP		9	0.0028
Armenia	21	NCI		18	0.0012
North Macedonia	20	NCI		14	0.0014
Barbados	15	GDP		6	0.0025

[14] According to 2021-2022 study.

QUALITATIVE INSIGHT

In addition to the MCS estimates generated through the NCI project, the IMCs in various countries offered qualitative feedback. They were asked to respond to the following questions:

What are the main trends and prospects for management consultancy in 2023? For example, do you expect the market to grow, stay static, or decline over the year? What sectors and subjects in consulting are growing?

The responses received are shown below in alphabetical order of country.

China – “In 2023, it is expected that the demand for digital transformation will increase, while the demand for management consulting in a single traditional field will decrease. Overall, the scale of China’s management consulting market is basically unchanged compared to 2022.”

Cyprus – “The management consulting will grow during 2023 despite the economic hardships and the high inflation due to the Ukrainian War. There is a growing interest for cyber security and certifications to ISO 27001. Furthermore, the sector of health is expected to rise as new hospitals are being built and public and private hospitals, clinics, and labs are interested in accreditation. Financial consulting has always been very strong but is expected to stabilise”.

Germany – “For 2023, we assume a further growth of 12%. Above-average growth will be seen in the consulting areas of sustainability and CSR, employer branding, restructuring consulting, IT data protection & data security, and corporate finance”.

Iran – “Based on the reports and trends, the growth of the consulting industry in 2023 will stay static as in the previous year. It is progressing and growing in the field of technology and artificial intelligence”.

Netherlands – “The demand for services from management consultancy firms is increasing, mainly due to the expansion of consultancy services and the filling of staff shortages at clients. For example, almost half of the consultants were brought in to fill a staff shortage. Turnover in the sector is therefore highly sensitive to economic cycles and reacts quickly to improving or deteriorating economic conditions.

Due to their many assignments with different clients, large consultancy firms are often better able to adapt to changing market conditions. For example, for self-employed people who often work as interim managers or interim professionals, deterioration often means cancellation of assignments and loss of turnover.

The demand for consultancy services has changed in recent years due to digital transformation processes of clients. New entrants such as accountants and IT consultancy firms are increasing competition. Rabobank expects parties to increasingly specialize in order to provide added value. Promising areas are sustainability and data. We expect the industry to grow by 5% in 2023”.

Philippines – “The management consultancy market in the Philippines is expected to grow in 2023. The growth will be driven by a number of factors, including: the continued economic growth of the Philippines; the increasing demand for digitization and automation in businesses; the growing need for businesses to improve their efficiency and productivity; the increasing focus on sustainability and ESG (environmental, social, and governance) compliance.

Some of the sectors that are expected to see the most growth in management consultancy in 2023 include: financial services; technology; healthcare; manufacturing; and retail. Some of the subjects in consulting that are expected to grow in 2023 include: digital transformation; operational improvement; risk management; strategy development; ESG compliance. Additional trends that are expected to impact the management consultancy market in the Philippines in 2023: the increasing use of artificial intelligence and machine learning in consulting; the growing demand for agile and iterative consulting approaches; and the increasing focus on sustainability and ESG compliance”.

Romania – “We expect the management consulting market to grow during 2023 and 2024 because there will be new EU Funds for 2021-2027 period. New calls will be launched in the next period. And we also have the PNRR plan with other funds that we have to use in a short period of time. So there will be new available funds for different projects”.

Russia – “Growth of IT consulting; increased demand for services related to strategic planning, organisational development, and professional assessment services. Continued contributions from financial consulting, tax, and legal services”.

CONCLUSION

The National Consulting Index is an ongoing project supported by the ICMCI. The intention is to further refine the project methodology in 2024 and continue to build a worldwide picture of the management consulting industry, both in terms of value quantification and the trends and characteristics various countries are experiencing.

A sincere thank you to the NCI taskforce for their time and commitment.

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