

Insights

June 2020



2020 Consulting Executive Market Outlook

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Executive Summary

An overview of the RDW Survey results

RDW conducted this survey in order to capture market sentiment and collect key industry trends in the consulting sector.

We collected responses from 50+ consulting sector executives—practice leaders, Partners, Directors/MDs

in leadership—and aggregated the key findings.

The primary topics for the 2020 Market Outlook survey are the health of the economy and the effects of COVID-19 on the workplace.



The US and Global Economy

According to the respondents, there is general optimism that the US and global economy will see a rebound by Q4 of 2020.

There's broad agreement about which sectors represent bright spots in the current economy.

The respondents are generally more optimistic that the US economy will outperform the global economy in terms of the speed of the economic recovery.

However, the definition of what constitutes an “economic rebound” varies among the respondents.



COVID-19 and the Workplace

Unsurprisingly there is consensus amongst survey respondents that the pandemic has had significant impact on the workplace, which extends to serious limits on their ability to pursue new talent.

Most professionals have moved to working remotely, and most are predicting a return to normal work environment by 2021.

Most consulting firms have also actively changed their approach to recruitment, from hiring freezes to delayed start dates to virtual interviews and starts.

A V-shaped Recovery?

Looking at the current state of the economy and beyond

2020 has been a turbulent year for the world economy.

The year got off to a strong start, buoyed by a record setting year in 2019 which saw the S&P rise by more than 30%.

However, the COVID-19 situation turned the lofty expectation for 2020 upside down. In the span of less than three months, the world economy reversed much of its growth of the previous years. According to the The International Monetary Fund, the “economy has almost certainly entered a recession affecting most of the world, with a severity unmatched by anything aside from the Great Depression”

While some experts are skeptical of a V-shaped recovery, the recent job report from the US may have painted a different picture.

Although experts surveyed by Refinitiv had predicted another 8 million job losses and an unemployment rate nearing 20%, US unemployment suddenly fell in May as employers added 2.5 million jobs, the best month ever recorded.

This surprising rebound, however, is not applied evenly throughout the economy. According to discussions with senior leaders in the Big 4, there is an expected 20% reduction in global partner headcounts in the Big 4. In addition, Deloitte has recently laid off 5% of the US workforce, and furloughed 1.5% more.

The possibility of a rebound is reflected in our survey. Most of the experts interviewed feel little confidence in the global economy bouncing back in any real way in the second quarter.

Figure 1. How optimistic are you feeling about a rebound in the global economy in Q2 of 2020?

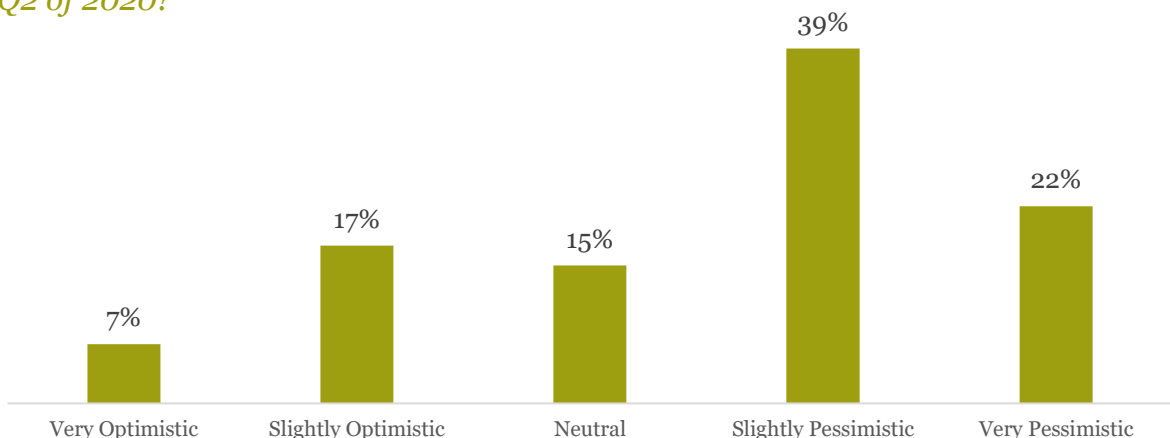
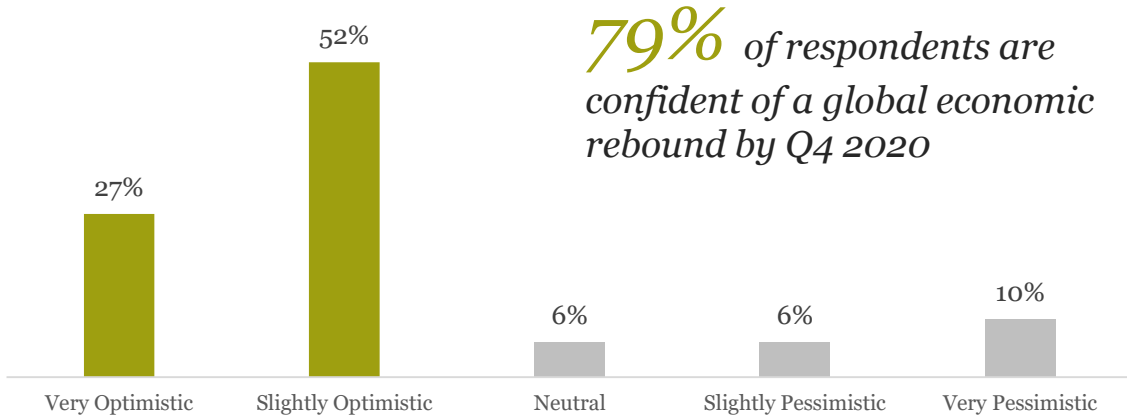


Figure 2. *How optimistic are you feeling about a rebound in the global economy in Q4 of 2020?*



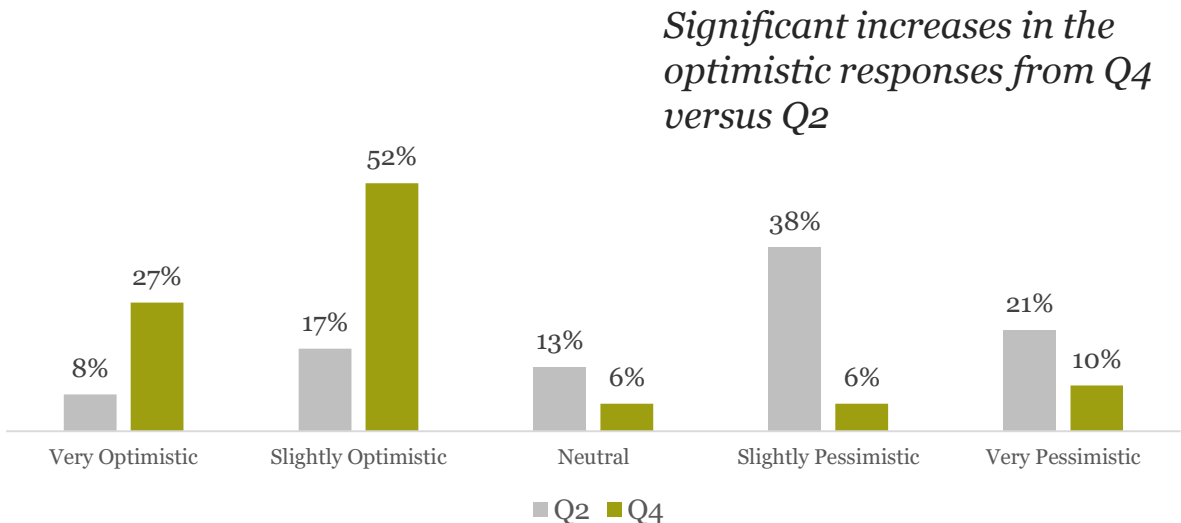
However, most of our experts also believe that the global economy can make a rapid recovery.

Of the 50+ consulting leaders who took our survey, almost 4 in 5 respondents are optimistic about a rebound in the global economy in Q4. About a quarter are highly optimistic, which can point to the notion that this will be a V-shaped rather than U-shaped recovery.

A V-shaped recovery trajectory can also be seen in Figure 3, where the respondents are much more optimistic of a rebound in Q4 than Q2.

This broad feeling of a faster recovery within the global economy points to the critical input for recovery in the consulting sector as a whole: confidence in renewing investment.

Figure 3. *How optimistic are you feeling about a rebound in the global economy in different quarters in 2020?*



U.S. Economic Outlook

Comparing the U.S. economy with the rest of the world

The COVID-19 pandemic spread very quickly around the world, with serious impact on the entire global economy. But the U.S. was hit particularly hard, as the country for a period of time accounted for roughly 35% of the new positive cases worldwide despite accounting for less than 5% of the world's population.

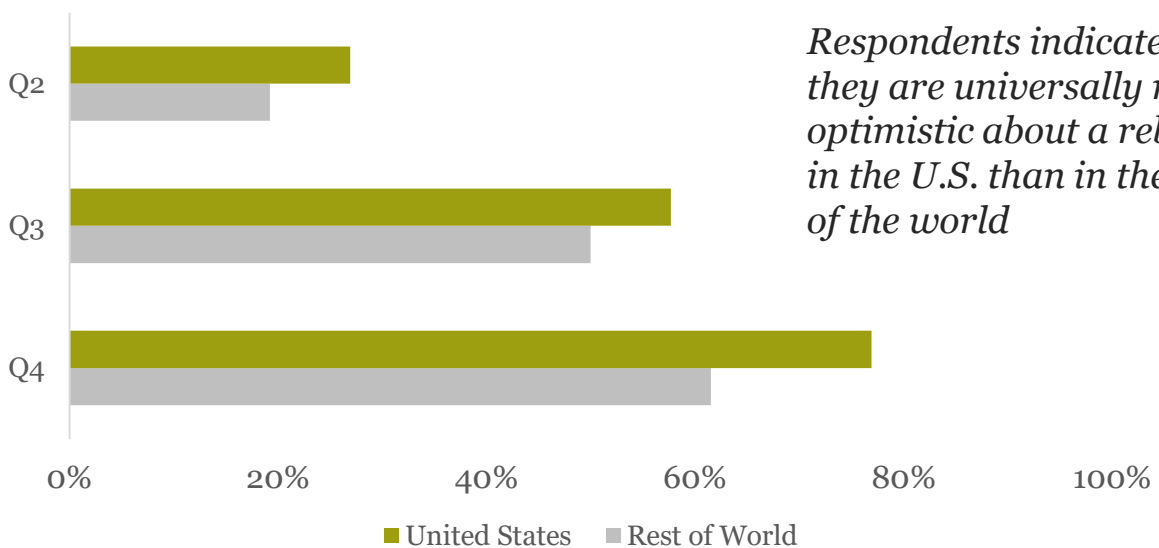
As the pandemic shut down large parts of the country, the U.S. economy shrank at its fastest pace since the Great Depression, ending the longest economic expansion on record.

According to the U.S. Commerce Department, GDP contracted at a seasonally- and inflation-adjusted

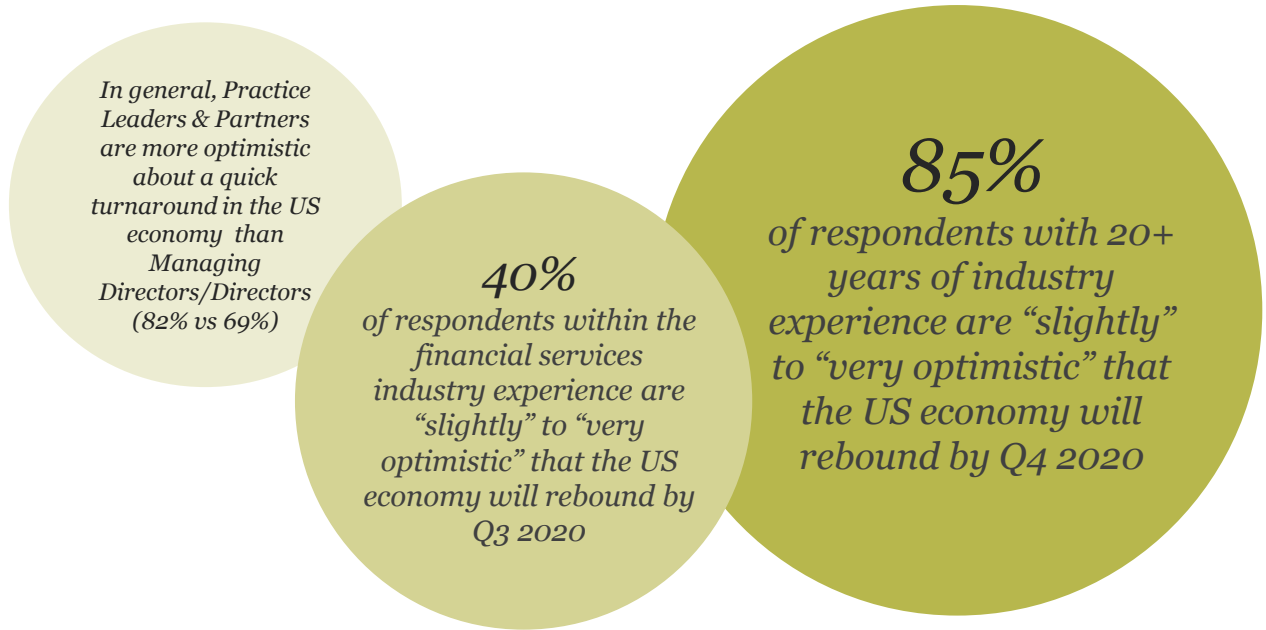
annual rate of 4.8% in the first three months of the year, most of this result stemming from March alone. The decline marks the beginning of a near-certain recession, economists say, and is the biggest drop in quarterly economic output since the fourth quarter of 2008.

However, in spite of the above, our consulting leadership survey respondents indicated that they are more optimistic about a faster economic rebound in the U.S. than the rest of the world (see Figure 1). This consensus has been borne out, at least temporarily, in the recently released Commerce Department job numbers for May.

Figure 1. *Percentage of respondents who are “slightly optimistic” or “very optimistic” about a rebound in the U.S. economy in 2020*



Respondents indicated that they are universally more optimistic about a rebound in the U.S. than in the rest of the world



Reasons for a quicker U.S. rebound

According to the survey responses, there are key reasons why the U.S. might rebound faster from this pandemic than the economies abroad.

Strong equity market

Despite the initial crash in the stock market, both the S&P 500 and the DJIA have performed well during this pandemic. Just two weeks ago, The Dow Jones Industrial Average staged its best two-week performance since the 1930s, a dramatic rebound that has left many investors with a confounding reality: soaring share prices amidst a floundering economy.

The explosive rally is a sign of confidence, and that many are positioning for the U.S. to make a speedy recovery when the Coronavirus crisis eases. Investors have been encouraged in recent days by signs that several states will move to

resume business, along with hopes that a viable treatment for COVID-19 could be nearer than originally predicted.

This is mirrored in the survey responses, as some experts looked to a strong stock market as an indicator of underlying strength in the U.S. economy as a whole.

Vaccine hopes

Following the mad scramble for vaccine development, Moderna has shown early success. The American company has published promising results in stage 1 human trials.

This is one of the responses that came up frequently in the survey, as our respondents believed that a vaccine (or good news about a vaccine) would buoy confidence, and eventually be the key determinant of when work—and therefore the economy—can return to normal.

What is a Rebound?

What does a rebound look like for the consulting industry?

As a part of the study, one of the key questions that we wanted to answer was what would constitute a rebound for our cohort of consulting leaders.

The definition differs from person to person, yet themes have emerged in the collection of these responses. The responses are usually broken down along qualitative and quantitative lines.

For qualitative metrics, common responses are based around consumer confidence and employee sentiment. If people are more confident about the state of economic recovery, they will

spend more. Similarly, clients who are more confident about the state of economic recovery are more likely to spend on consulting services.

On the other hand, a lot of respondents are relying on quantitative measures. The most common response is for quarterly economic production to return to 80% or more of pre-COVID levels, which would bring the confidence to invest once more.

Although the definitions may differ, these are the most common responses from our leaders.

Figure 1. *What does a "rebound" mean to you in the context of the consulting sector?*

"Rebound means a return to work (not physically) addressing the business and the mandates of conducting business. It also means applying the lessons learned during the shutdown to ensure future business continuity and to minimize future impact."

-Partner in Cyber & Privacy

"Back to pre-COVID revenue and margin levels, followed by ~10% YOY revenue growth."

-Partner in Financial Services

"Ability to recover to 80% of pre-COVID projects/ sales."

-Managing Director in Investigations & Litigation

Work Transformations

How COVID-19 has impacted the consulting workplace

As the pandemic started to become an apparent serious issue around the world, many companies quickly moved their staff from the office into their homes. This was largely the case for the consulting industry, as consultants moved back from client sites and the offices in order to provide services for their clients in a virtual manner.

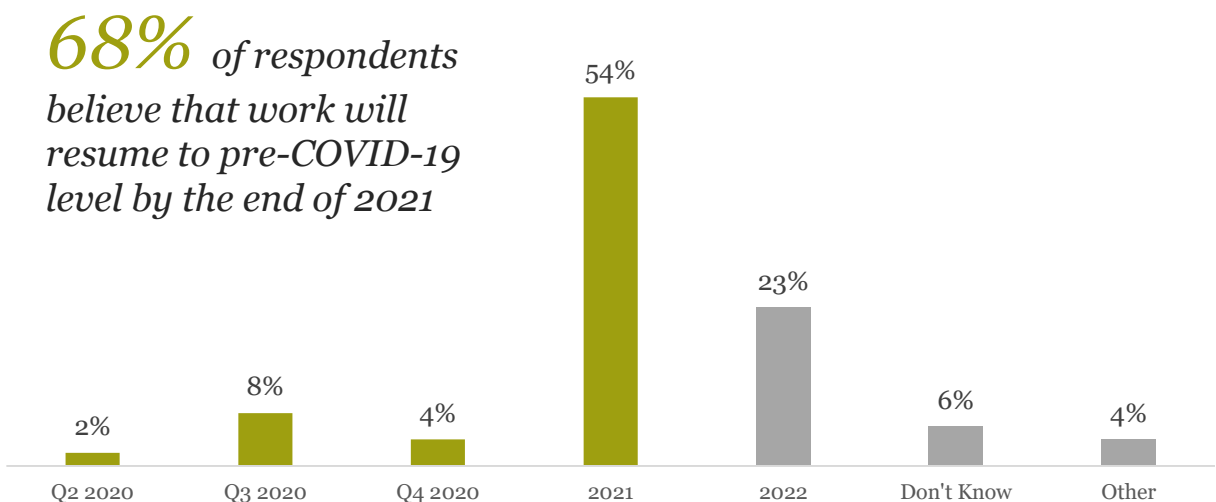
Although working from home has been the norm since March, many consulting leaders have concerns about this working arrangement over the longer term. Industries like Tech can allow many employees to work from home without too much disruption or loss of productivity, largely due to the nature of their work. Consultants, on the other hand, add a lot of value—and enjoy

important visibility—by delivering their services, at least in part, on client sites.

Moreover, some consulting leaders are worried that working from home would detract from their team’s innovation and overall productivity due to the lack of brainstorming and face to face time with other team members.

According to our experts, most believe that consultants will be able to resume work in their normal environments in 2021, although a small minority were optimistic that they and their teams will be able to move back into their offices, and those of their clients, by Q4 of 2020. Maybe most notable are the responses of a significant minority (1/4th), who feel that this is unlikely before 2022.

Figure 1. *When do you believe that work [environments] will return to the pre-COVID-19 normal?*



Recruitment Changes

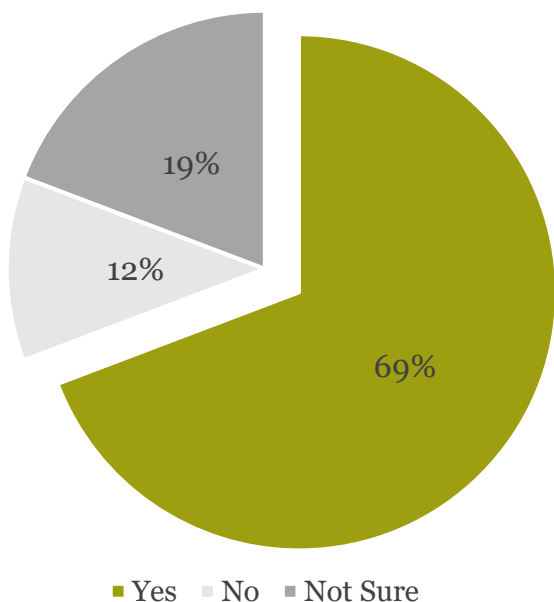
How talent pursuit has been impacted by Coronavirus

One of the most painful results of COVID-19 and the subsequent economic fallout has been the effect on the labor market as a whole, with tens of millions reportedly losing their jobs across the country. Fortunately, due to the agile nature of the consulting industry and the vital part it plays in industries across the globe, most consultants have been spared the worst of this to date.

However, many consulting firms around the world have adjusted their approach to recruitment in order to adapt to the threat of the pandemic. According to our survey, 69% of the respondents confirmed that their firms have made a significant change in recruitment policy.

Among these, the most common was a

Figure 1. Has your company made any changes to its approach on hiring since the start of the COVID-19 pandemic?



temporary freeze in hiring across the company. This was a common response to the uncertainty in the market because it helped the company make appropriate adjustments in their headcounts without laying off current workers.

The second most common action taken was delaying the start date of new hires. This made news recently as Mckinsey, BCG, and Bain (the ‘Big 3’ Strategy Consulting shops) reported delayed starts date for their new Analysts. The most common reason cited for this was “lack of demand within the industry.”

But most firms initially adopted policy changes in line with what would be considered temporary holding patterns, reflecting cautiously optimistic views.

Most common actions¹

Froze hiring	58%
Delayed start-date	40%
Moved to virtual interviewing	37%
Moved to virtual training	33%
Laid-off employees	25%
Cancelled interviews	11%

1) Sum greater than 100% because some respondents selected more than one option

Bright Spots

Despite the COVID-19 pandemic, some sectors shine

Although the pandemic has disrupted business around the world, some sectors within the consulting market have stood out above the rest.

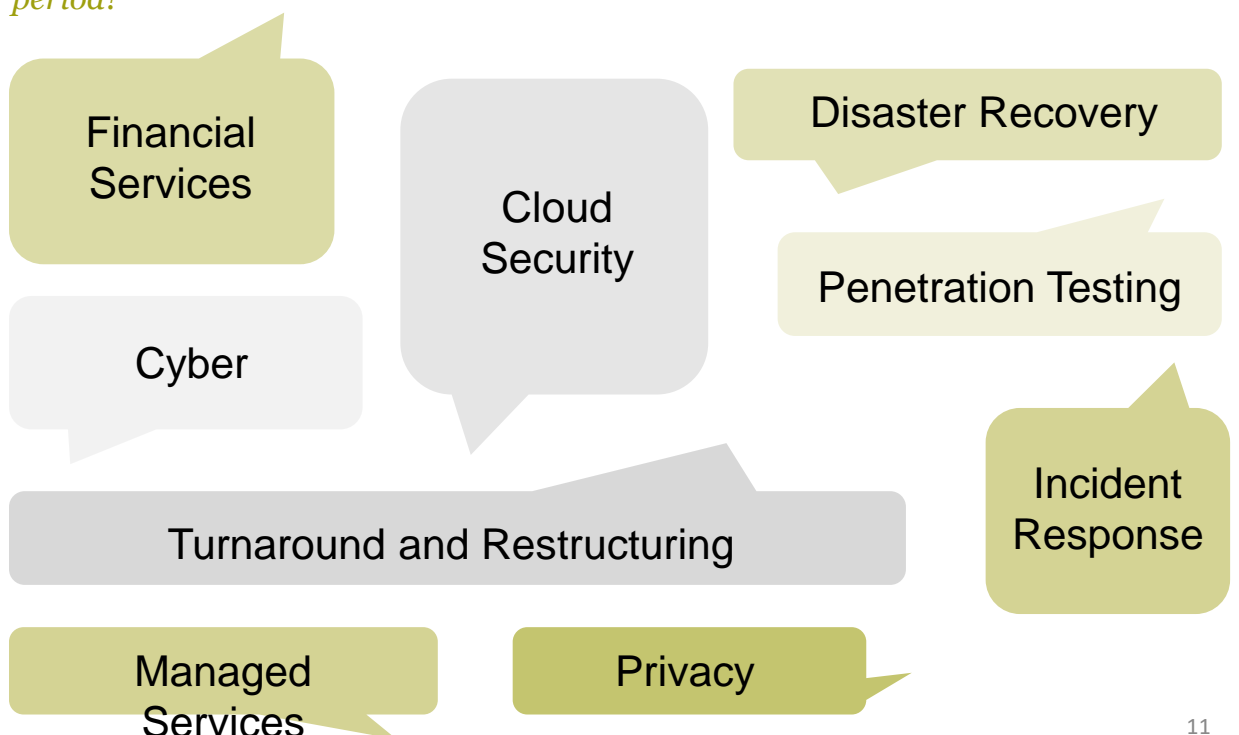
This is reflected in the survey, as respondents were asked about the sectors within which they are seeing growth.

Unlike previous recessions, where sectors such as turnaround and restructuring were brought up the most, terms such as “cyber,” “cloud” and “digital” were some of the most mentioned functional areas in response to this question.

This is consistent with the notion that the pandemic economy is truly unique, needing to be examined through a much different lens than previous recessions. Due to the massive increase in the reliance of technology after stay at home orders around the world, cyber security consulting and its offshoots are the most requested services within consulting.

Our respondents are also seeing growth within specific industry sectors: government/public sector, healthcare, and insurance. These responses hint at key industries fueling recovery/growth in the consulting world during this period.

Figure 1. *In what areas/functions has your company seen growth during this period?*



Company Response

How can consulting companies respond to COVID-19

The respondents were also asked about how their companies can respond to the COVID-19 pandemic effectively in order to create a more resilient business.

The responses differ between leaders in different firms and industries, but several themes emerged from the

aggregated results: Employee benefits, customer engagements, and technological innovations.

Industry leaders believe that these areas can enable their companies to excel during the pandemic.

Figure 1. Percentage of respondent who highlighted these factors



Employee Benefits

58%



Customer Engagements

65%



Tech Innovations

37%

Figure 2. What do you think should be the key focus for your company during the COVID-19 pandemic?

“People... a company does not exist with the people who work there. If the first thought is to cut the people then the company's focus is wrong

- Partner in
Cyber/Privacy/Data Management

“For us it’s all about being digital front to back. The only way to survive in this economy going forward is to be digital and customer centric.”

-Executive Vice President in
Financial Services

Get in Touch

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