THE CONSULTANCY GROWTH NETWORK





**EVALUATE YOUR PERFORMANCE IN KEY AREAS** 

**ABRIDGED REPORT** 

BENCHMARKS FOR CONSUL BUSINESSES



- 4 THE PATH TO PROSPERITY
- **8** CONFIDENCE AND GROWTH
- 15 KEY FINANCIAL METRICS
- **18** PEOPLE STRATEGY
- **24** LEADERSHIP
- 26 AI & TECH
- 30 WHO COMPLETED THE SURVEY



This abridged report contains a selection of insights. To get the full 56 page report, including benchmarks on day rates, what consultancy owners earn, the most popular AI tools and much more, contact **Luke Badiali** about becoming a member of The Consultancy Growth Network.

## THE POWER OF BENCHMARKING

#### WHY BENCHMARKING

Consultancy BenchPress is run by <u>The Wow Company</u>, an accountancy practice that specialises in working with consulting and creative businesses, and <u>The Consultancy Growth Network (TCGN)</u>, a community for consulting business owners and their senior leadership teams to access expert insights, peer support, introductions and actionable advice. We believe that benchmarking plays a key role in improving performance. These insights highlight opportunities to improve, show you what's possible, and are a catalyst for positive change within your business.

#### **BOOST YOUR PERFORMANCE**

As well as sharing industry benchmarks, this report gives you the tools to boost your performance. We explore the key challenges and opportunities facing consultancies in detail: winning new business, AI and technology, people strategy and leadership. Throughout the report, you'll find links to additional videos, guides, case studies, tips and tools to help you on your journey. Much of this content is housed in The Consultancy Growth Network's Growth Hub, a member-only portal that contains deep learnings across all aspects of growing a valuable, sustainable consultancy.



# THIS REPORT CONTAINS DATA FROM 299 INDEPENDENT CONSULTING BUSINESSES WITH REVENUES OF UP TO £50M



## THE HARD TRUTH





#### **GROWTH AND CONFIDENCE DIP**

Since the post-covid bounce of 2023, the number of consulting firms that have grown revenue has dropped year-on-year. 83% of consultancies expected to grow revenue last year. Only 62% did. Confidence is at its lowest level for four years.



#### IT'S NEVER BEEN HARDER TO WIN NEW BUSINESS

55% reported this as their number one challenge - the highest percentage since we started benchmarking consultancies in 2020. As demand for consulting services reduces, this has impacted other key metrics.

#### THESE RESULTS ARE EXPLORED IN DETAIL IN THE FULL REPORT, ONLY AVAILABLE TO TCGN MEMBERS.



#### DAY RATES DROP

Whilst day rates for a couple of roles have increased, the majority of roles have seen day rates fall. The day rates charged by the top 10% have also dropped, as the effects of challenging market conditions take their toll.



#### **UTILISATION RATES FALL**

Utilisation rates for every role (except partners) have fallen, after similar declines the year before. Delayed client decisions and a general reduction in demand mean that utilisation rates are at their lowest levels for several years.



#### **CONSULTANCIES HAVE LESS CASH**

The number of consultancies with 3 months or less of overheads as cash has risen from 40% in 2022 to 55% now. The number 'at risk' (with one month or less of overheads as cash) has risen by a third to 12%.



#### **BUT SOME CONSULTANCIES ARE THRIVING...**





## DEFYING THE ODDS

Despite the economic challenges, a number of consultancies have significantly outperformed the averages.

grew revenue by more than 25%

17<sub>0/0</sub>

achieved a gross margin of 61%+ 90/0

of owners earned over £300k

What is it that these consultancies are doing that gives them the edge, and what can you learn from them to help boost your performance in the years ahead?

#### HERE'S WHAT WE DISCOVERED



## THE PATH TO PROSPERITY J





#### TRULY DIFFERENTIATE YOUR PROPOSITION

You're twice as likely to achieve fast growth and high profitability if you have a highly differentiated proposition. Only 17% of consultancies have this. They have a distinct advantage over the rest.



#### **COMMIT TO A RESOURCING MODEL**

When it comes to profitability, it pays to pick a resourcing model at either end of the spectrum; either fully employed or fully associate. Those using either of these two models report 4% higher gross margin.



#### **FULLY EMBRACE AI**

84% of consultancies are now using AI. Those who have successfully deployed AI across their whole business (as opposed to just parts of it) have a 9% higher gross margin than the rest.



#### **ENGAGE YOUR TEAM**

Consultancies with an Employee Net Promoter Score (eNPS) of 61+ have, on average, an 8% higher gross margin.



#### **BUILD A CONFIDENCE MINDSET**

The more confident consultancy owners were at the start of the year, the better they performed.

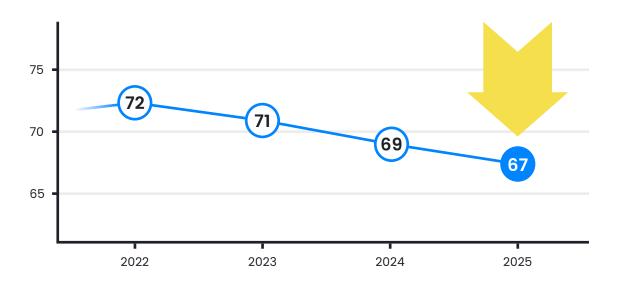


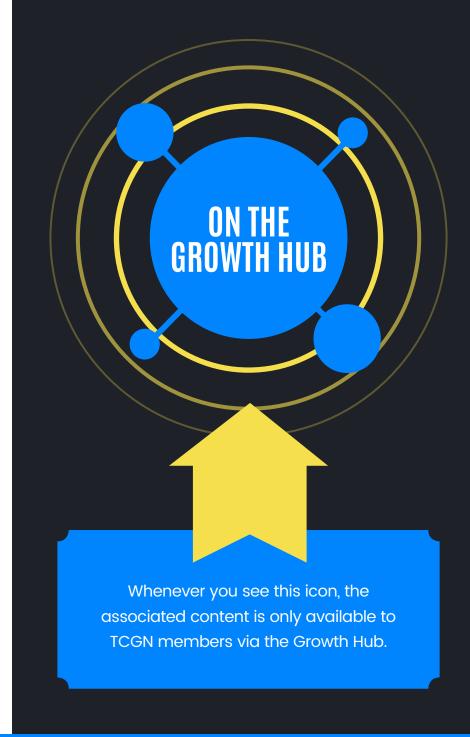
Every year, we track how confident consultancy business owners feel about the year ahead by asking them to give a rating out of 100.

Above 50 - you're feeling confident.

**Below 50** - you're expecting this year to be worse than last year.

After a rough couple of years and little joy to find in current economic forecasts, it's no surprise that confidence has dropped to its lowest level for four years. Consultancies are expecting another challenging year.





# CONFIDENCE MATTERS MORE THAN YOU THINK

The more confident consultancy owners are at the start of the year, the better they perform throughout.

If you were confident you were going to have a good year last year (a score >70), it turned out to be true (70% grew fee income, with an average Operating Profit of 19%).

If you were confident you were going to have a bad year (a score <50), that also turned out to be true (only 35% grew, with an average Operating Profit of just 9%).

#### **BUILDING A CONFIDENCE MINDSET**

Of course, you can't fake confidence. But given how closely correlated it is to performance, it's worth exploring the building blocks of your confidence and how you can increase it.

The reality is that confidence often comes down to a track record of good performance, which, in turn, is based on having the key business building blocks in place. It's those building blocks that consultancies need to focus on right now - the key capabilities that drive performance.



## THE BUILDING BLOCKS OF YOUR CONFIDENCE

To help identify opportunities to improve and therefore increase their confidence, members of The Consultancy Growth Network (TCGN) are able to assess their capability in ten key areas.

- Sales
- Marketing
- Talent
- Finance
- Operations

- Legal
- Knowledge management & IP
- Value proposition
- Service delivery
- Leadership & culture



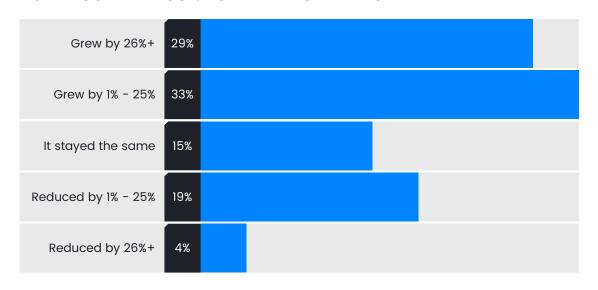
ASSESS YOUR CAPABILITY NOW



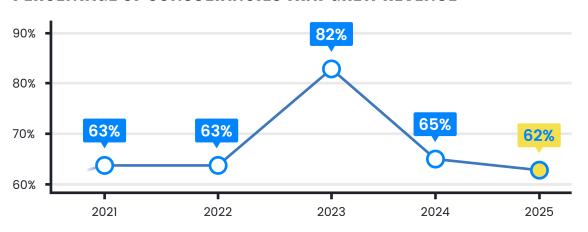
## **REVENUE GROWTH**



#### **HOW MUCH DID YOU GROW REVENUE BY LAST YEAR?**



#### PERCENTAGE OF CONSULTANCIES THAT GREW REVENUE





## GROWTH REMAINS CHALLENGING

The post-covid bounce of 2023 represents a high-point for growth over the past five years. Since then, the number of consulting firms that grew revenue has dropped year-on-year.



## GROWTH IS WORSE THAN EXPECTED

83% of consultancies expected to grow revenue last year. Only 62% did.

# RISING TO THE GROWTH CHALLENGE

## PROTECT YOUR CONSULTANCY DURING UNCERTAINTY



Look at your business through three different lenses to ride the current storm, and any future ones.



## HOW TO GROW YOUR CONSULTANCY

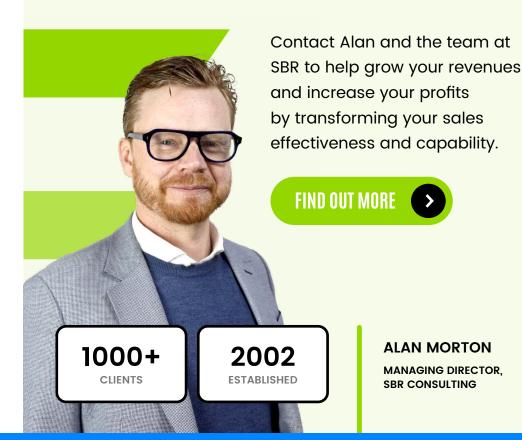


Five ways to help you grow your consultancy, whatever the market conditions.



## **ESBRConsulting**

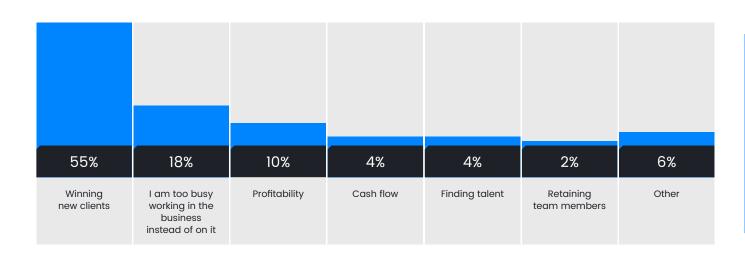
# LOOKING TO GIVE YOUR SALES A BOOST?



CONSULTANCYGROWTHNETWORK.COM

11

## **YOUR BIGGEST CHALLENGES RIGHT NOW**



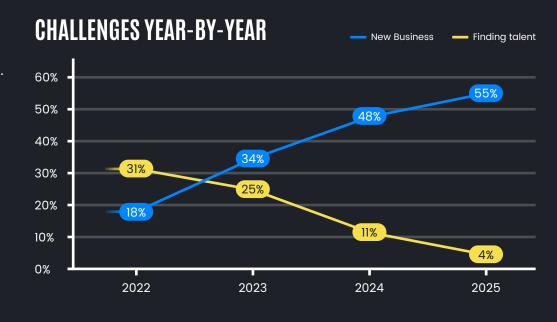
#### IT'S NEVER BEEN HARDER TO WIN NEW BUSINESS

55% reported this as their number one challenge - the highest percentage since we started benchmarking consultancies in 2020.

#### THE NEW BUSINESS V FINDING TALENT SEESAW

When the economy is good, finding talent to match demand is hard. But when the economy is challenging, this drops down the list of priorities, replaced by winning new business.





## **YOUR PROPOSITION**

#### HOW DIFFERENTIATED IS YOUR PROPOSITION?



YOU ARE TWICE AS LIKELY TO ACHIEVE THESE IF YOU ARE **VERY DIFFERENT:** 



(increase in fee income of 26%+)





(gross profit of 61%+)

## **ESCAPE THE** SEA OF CONSULTANCY **SAMENESS**

Tired of price pushback, long sales cycles, or ghosted proposals? It's not your marketing it's your positioning.

We help consultancies create competition-free positions that unlock:

- Double-digit growth
- 2-4× bigger deals
- Half the sales cycle
- Higher prices with zero resistance

With proven frameworks and hands-on support, we're the growth partner for firms ready to own their space.

#### SCAN OR CLICK THE QR CODE TO BOOK YOUR POSITIONING PRIMER

Let's explore how to reposition your firm for rapid, quaranteed growth.



Two members of TCGN have benefited significantly from differentiating their proposition.

Read their stories here.



Vertali more clearly articulated their value and is forecast to exceed their £5m third-year revenue target by 50%

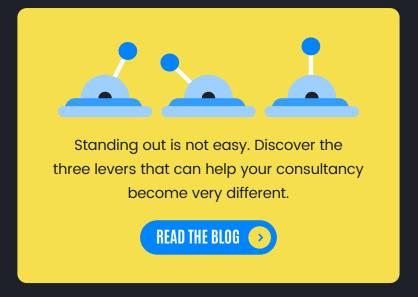


#### **SCOPE**§

Scope8 rebranded to better showcase their expertise and ESG credentials and their prospect response rate rose ten-fold

**LEARN MORE** 





## THE BENEFITS OF MEMBERSHIP OF THE CONSULTANCY GROWTH NETWORK (TCGN)

"I've benefited tremendously from the available resources, tools, tons of practical advice and inspiring individuals."

**Anna Pantazi** 





"We have received precious advice, support and insights that would have taken us years to generate by ourselves. Well worth the investment!"

**Adam Woodruffe** 

practive



"The wealth of knowledge and experiences we have encountered is truly remarkable."

**David De Wet** 





"We've just landed a new project at an existing client, a new client and our biggest ever single deal. The Network was instrumental in these."

**Steve Dennis** 



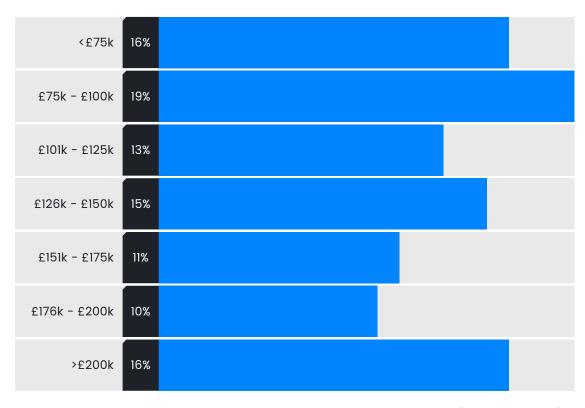


HOW MEMBERS HAVE USED THE NETWORK TO GROW THEIR CONSULTANCIES



## REVENUE PER HEAD (RPH)

#### **REVENUE PER HEAD\***



<sup>\*</sup>Total annual revenue divided by the average number of full-time equivalent chargeable staff (including associates) you had in this period.

#### **GROSS MARGIN IS WHAT REALLY MATTERS**

Scroll down to discover the latest gross margin percentages for consultancies.

# THE PROBLEM WITH THIS METRIC

Whilst RPH is a useful yardstick to measure progress, it fails to take into account the cost of that progress, as you'll see from the examples below.

Which consultancy would you rather have?

### £150K RPH



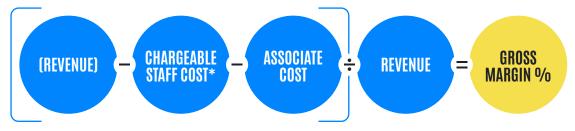
Average consultant compensation: £100K
Gross Margin: 33%

### £120K RPH

Average consultant compensation: £60K Gross Margin: 50%

## **GROSS MARGIN %**

Your gross margin % is a critical KPI for a growing consulting business. It is calculated as follows:



<sup>\*</sup> Including all associated staff costs such as benefits, bonus, pension and National Insurance

#### **GROSS MARGIN PERCENTAGE**

1% - 30%	30%	AT RISK	
31% - 40%	19%	POOR	
41% - 50%	17%	ок	
51% - 60%	17%	GOOD	
61%+	17%	TOP-PERFORMING	

#### **AVERAGE GROSS MARGIN = 41%**

Gross margin remains at the same level as last year. Discover six ways to increase your gross margin.





## AIM FOR A GROSS MARGIN PERCENTAGE ABOVE 50%

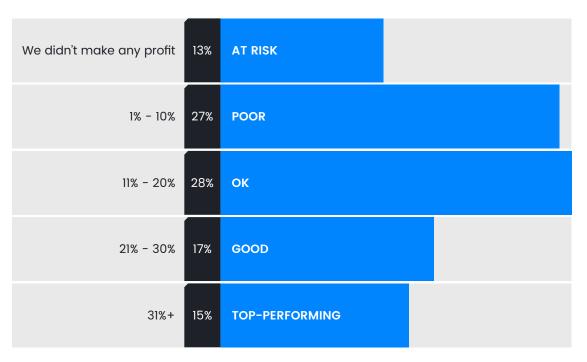
This is a key benchmark for a healthy consultancy - one that is ready to tackle the challenges that lie ahead. How can you maximise your profit performance?



## **OPERATING PROFIT %**

This is often referred to as EBIT - earnings before interest, tax and dividends. The figures below are adjusted to take into account a market-level remuneration for owners.

#### **OPERATING PROFIT PERCENTAGE**



#### **AVERAGE OPERATING PROFIT = 13%**

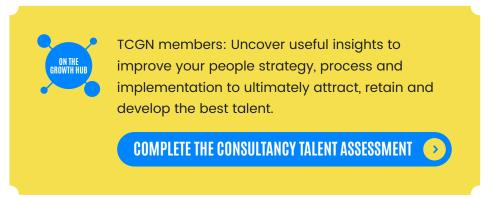
Operating profit has dropped by 1% compared to last year. This is due to an increase in overheads of 1%.



## **PEOPLE STRATEGY**

#### WHICH OF THE FOLLOWING DO YOU HAVE?

Clear vision, mission and purpose	79%
Goals for all areas of the business	68%
A view of your future organisational structure	58%
Formal performance review process	51%
Formal salary review process	45%
Budget for team training and development	44%
A recruitment plan to fill capability gaps	39%
Clear, transparent plans to develop your team	36%
Defined, transparent promotion process	29%
None of the above	7%



**HOW TO BE AN A-TEAM CONSULTANCY** 



### **NewMinds**

## **GAPS IN YOUR PEOPLE STRATEGY?**

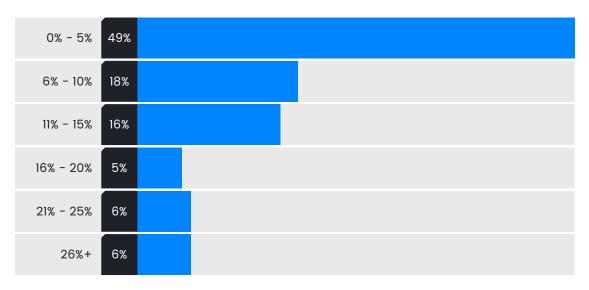
New Minds enables ambitious boutique consulting firms to achieve their business goals by:

- co-designing your people strategy
- optimising key people processes
- building capability by attracting and retaining the right people into the right roles.



## STAFF ATTRITION

#### **EMPLOYED STAFF ATTRITION RATE\***



<sup>\*</sup>The number of employees who left in the last 12 months divided by the average number of employees during that period, multiplied by 100.

#### AVERAGE STAFF ATTRITION RATE = 6%

Historically, the average staff churn for consultancies has been between 15% - 20%. Now it is just 6%.

#### RECRUITMENT AND RETENTION ISN'T A CHALLENGE RIGHT NOW

Only 6% of consultancies cite either recruitment or retention as their number one challenge. This figure was 31% three years ago.



### **DEFINING AND CREATING** HIGH PERFORMANCE

On the face of it, low attrition is a good thing. But what if your employees are only staying because they have very few other options? Don't be complacent and assume you have everything right. When the market picks up, you need to make sure your people still want to stay.

It's also valuable to check in on how you are supporting your consultants' performance. Defining and creating a high-performance culture helps keep attrition down.



## **RESOURCING MODEL**

HOW WOULD YOU DESCRIBE YOUR RESOURCING MODEL?	2025	2022
Fully employed	26%	16%
Mostly employed, associates used to cover spikes	32%	31%
Hybrid of employed and associates interchangeable	22%	30%
Fully associate except leadership team and some back office	20%	23%

AVERAGE PROFIT PERCENTAGE BY RESOURCING MODEL	GROSS MARGIN%	OPERATING PROFIT%
Fully employed	46%	21%
Mostly employed, associates used to cover spikes	42%	16%
Hybrid of employed and associates interchangeable	41%	16%
Fully associate except leadership team and some back office	45%	21%

#### THE MESSY MIDDLE

When it comes to profitability, it pays to pick a resourcing model at either end of the spectrum; either fully employed, or fully associate.

Those using these two models reported, on average, a 4% higher gross margin and operating profit than those with a hybrid approach.

## MORE FULLY EMPLOYED REFLECTS THE CURRENT MARKET

26% of consultancies have a fully employed team of consultants, up from 16% three years ago. This is not wholly surprising in the current market, because consultancies don't need the extra capacity that would be provided by associates during boom times. While fully employed resourcing models are the most cost-effective, they are not the most flexible, which consultancies need when demand is high. Those with a strategy to scale up their team at pace, using high-quality associates, are likely to be best positioned to respond quickly to client opportunities when the market improves.

# EMPLOYEE NET PROMOTER SCORE (ENPS)

Employee Net Promoter Score (eNPS) measures employee satisfaction.

The higher your eNPS, the more likely staff will stay with you, be engaged and productive, and recommend you as a place to work.

Calculating your eNPS involves asking your employees one simple question.



Respondents are then grouped as follows:

**Detractors (0-6)** - Employees who are unhappy. They're unlikely to recommend working for you. Their feedback can help identify areas for improvement.

**Passives (7-8)** - Neutral employees. They are satisfied but not enthusiastic about the workplace.

**Promoters (9-10)** - Employees who are highly satisfied. They are the company's best advocates.

Subtracting the percentage of Detractors from the percentage of Promoters will give you your Employee Net Promoter Score, which can range from -100 (every employee is a Detractor) to 100 (every employee is a Promoter).

#### WHAT'S YOUR MOST RECENT ENPS?

We don't measure eNPS	74%	
≥0	0%	
1 – 20	1%	
21 - 40	2%	
41 - 60	3%	
61 – 80	7%	
81 – 100	13%	



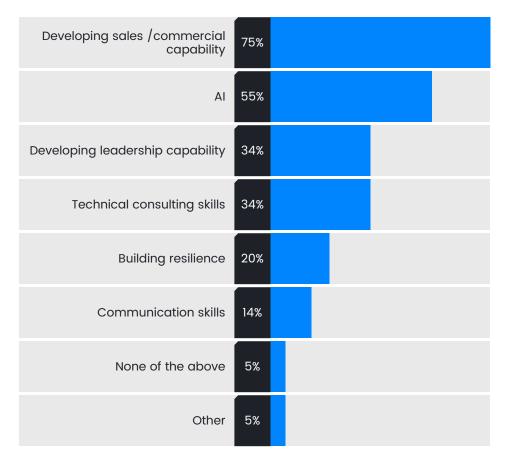
#### enps correlates to profit

Consultancies with a high eNPS (61+) have, on average, an 8% higher gross margin and operating profit.

21

### **INVESTMENT IN YOUR TEAM**

#### WHAT ARE THE KEY CAPABILITY AREAS YOU PLAN TO INVEST IN FOR YOUR TEAM OVER THE NEXT 12 MONTHS?



Given sales is the #1 challenge for consultancies right now, it's no surprise that developing sales and commercial capability is top of the list of capability areas planned for investment.

CONSULTANCY

# THE CONSULTANCY TRAINING

The Consultancy Training Academy provides consultancy leaders and your teams with highly relevant, tailor-made training courses across six topics, one of which is sales.



22

## RECRUITMENT STRATEGY

#### WHAT'S INCLUDED IN YOUR SELECTION PROCESS?





#### THE IMPORTANCE OF PSYCHOMETRIC TESTS

In any role, behavioural traits and personal motivations are very closely linked to performance. So it is concerning that nearly 80% of consultancies are not using tailored psychometric tests to better understand these factors in their hiring decisions.



THE ADVANTAGE OF PSYCHOMETRIC TESTS

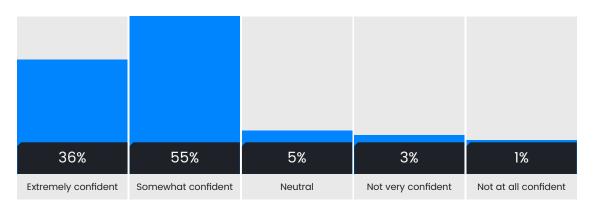


#### THE CANDIDATE EXPERIENCE ADVANTAGE

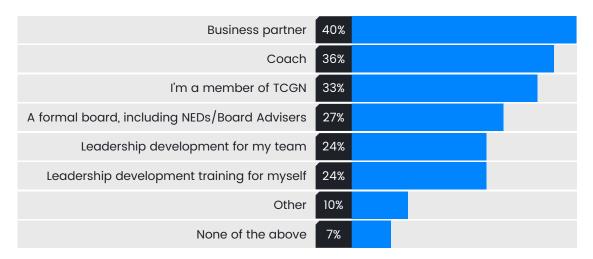
The candidate experience that you provide through your recruitment process will have a notable impact on the quality of candidates that you are able to attract and the likelihood of them accepting an offer to join you. When the market improves and talent becomes more scarce, the 25% of businesses with a conscious strategy to deliver a great candidate experience are likely to be at a significant advantage.

## **YOUR LEADERSHIP CRAFT**

#### HOW CONFIDENT ARE YOU IN YOUR OWN ABILITY TO LEAD YOUR **BUSINESS TO ACHIEVE YOUR LONG-TERM OBJECTIVES?**



#### WHO / WHAT DO YOU HAVE IN PLACE TO SUPPORT YOUR **GROWTH JOURNEY?**



#### **COACHING MAKES THE DIFFERENCE**

When we asked what has most helped you be a better leader, by far the most popular answer was having a coach or mentor. Only 36% of leaders have one of these.

#### LEADERSHIP IS A CRAFT, NOT A JOB TITLE

Your team are looking to you for an inspiring vision, clarity of strategy and to create a climate within which the team can perform. The job never stops. You are a role model, whether you like it or not. It's your choice to be a good one or a bad one.



## LEADERSHIP TEAM DEVELOPMENT

#### WHICH OF THE FOLLOWING STATEMENTS APPLY TO YOUR LEADERSHIP TEAM?

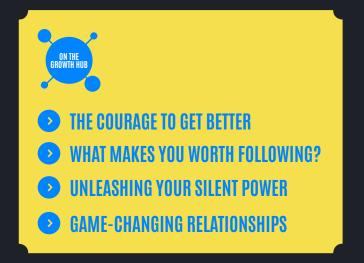
Our leadership team has the skills, experience and mindset to achieve our plan	56%
We have a clearly documented growth strategy	54%
Our whole leadership team is aligned in achieving our growth strategy	53%
Our leadership team are regarded by staff as role models	51%
We don't have a formal leadership team	19%

#### THERE ARE THREE PRIMARY ROLES OF A LEADER



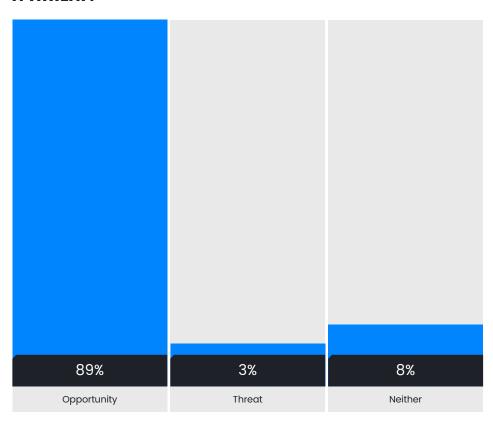
- 1. To communicate the vision.
- 2. To have a strategy to achieve the vision.
- 3. To create a climate within which people perform.

You cannot deliver on your role as a leader without documenting your growth strategy and ensuring your team is aligned to it. For half of respondents to fail this minimum criteria is disappointing. It's also surprising to see that half of leaders are not regarded as role models. If this applies to you, it will hold back your growth potential.



### THE OPPORTUNITY OF AL

#### DO YOU SEE GENERATIVE AI AS AN OPPORTUNITY OR A THREAT?



In last year's BenchPress research, we found that 91% of consultancies were not leveraging AI effectively, leaving them vulnerable. In just 12 months, they have turned this around and embraced AI, with 89% seeing it as an opportunity.

THE CONSULTANCY **NETWORK** 

# THE CONSULTANCY TRAININ

The Consultancy Training Academy offers two Al training courses. They enable consultancy leaders and their teams to harness the transformative power of AI and achieve immediate productivity gains.





Find out more about all The Consultancy Training Academy courses and their outcomes, structure and trainers here.

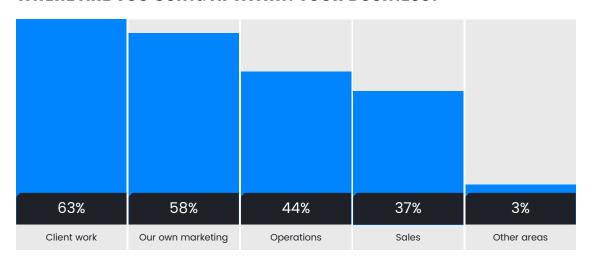


## AI ADOPTION

## TO WHAT DEGREE HAVE YOU INTEGRATED AI IN AREAS SUCH AS SALES, MARKETING, DELIVERY, OPERATIONS?

We are using it successfully across our business	10%
We are using it successfully in parts of our business	41%
We are trialling it	31%
We are struggling to make it work	2%
We plan to do it this year	7%
We don't know where to start	3%
No plans to use AI yet	6%

#### WHERE ARE YOU USING AI WITHIN YOUR BUSINESS?





# CONSULTANCIES FULLY EMBRACING AI REAP THE REWARDS

84% of consultancies are using AI right now. Those that have successfully deployed AI across their whole business have a 9% higher gross margin and operating profit than the rest.

## AI GOVERNANCE

#### WHICH OF THE FOLLOWING HAVE YOU DONE?

Run training sessions for our team on Al	40%
Written an internal AI policy	25%
Notified clients that we're using Al	23%
Created an Al strategy	14%
Updated T&Cs to reflect AI use	13%
None of the above	43%

#### **CONSULTANCIES PLAYING A RISKY GAME WITH AI**



82% of consultancies are using AI, but only 25% have an internal AI policy, only 14% have an AI strategy and only 13% have updated their T&Cs. Given how high the stakes are with AI, this feels like a risky game to play. When it comes to your contracts, when did you last review yours? Now is the time to make sure your contracts are both compliant and up-to-date.



As you navigate the rapidly evolving technology landscape, speak to Alexander to gain confidence that adopting Al won't expose your consultancy to unnecessary risk.

"The team at Wallace understands how the use of AI currently fits into the legal and commercial landscape and how that may evolve."

**TCGN MEMBER** 



## TECHNOLOGY PERFORMANCE



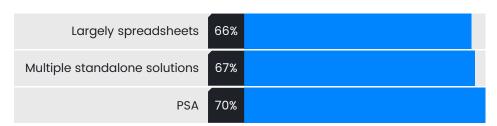
## PROFITABILITY AND UTILISATION IMPROVES WITH TECHNOLOGY

As consultancies become more sophisticated with the technology they use, key metrics improve. In particular, consultancies using PSA systems benefit from better resource planning, which improves the utilisation rates of non-partner roles. They also benefit from improved margins.

#### **GROSS MARGIN %**

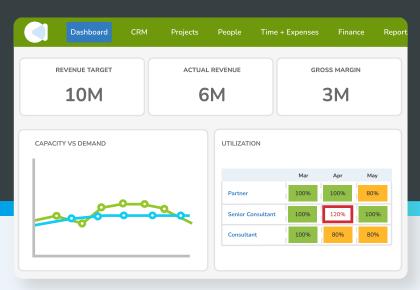
Largely spreadsheets	40%	
Multiple standalone solutions		
PSA	46%	

#### **AVERAGE UTILISATION RATE OF NON-PARTNER ROLES**



## CMap

# Operations platform for consulting firms



Replace disparate systems and start increasing margins, optimising utilisation and forecasting with confidence

- CRM
- Timesheets & expenses
- Resourcing & HR

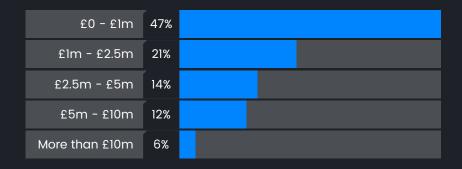
- Billing & revenue
- Reporting & dashboards
- Project management

FIND OUT MORE



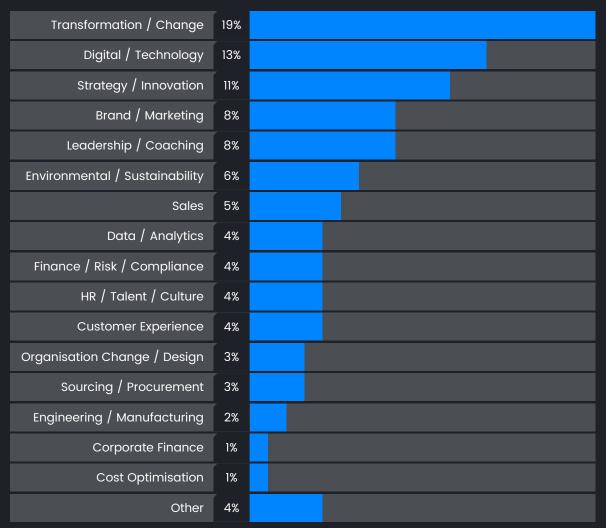
## WHO COMPLETED THE SURVEY

#### **REVENUE IN THE LAST 12 MONTHS**





#### TYPE OF CONSULTING BUSINESS



### WOW

### WE LOVE WORKING WITH CONSULTANCIES

The Wow Company is an accountancy practice that specialises in working with consulting and creative businesses. We'll provide the insights to help you make better decisions, backed by a team that really cares about your success.

#### HERE'S WHAT OTHER CONSULTANCY OWNERS SAY ABOUT US



PAUL SLY
CLARITY

"We have been a Wow client for over three years, after looking for accountants who could support our growth from start-up to a medium-sized consultancy. We're delighted we chose Wow. They're great at getting the basics right - they do all the things you'd expect a competent firm to do. However, what is really impressive is the range of knowledge and expertise they bring to our business issues. When we have a challenge, Wow is our first port of call. They've been a great support on our journey."



#### WANT TO GROW YOUR CONSULTANCY PROFITABLY AND SUSTAINABLY?

Running a consulting business is fun, but it can also be tough. Whatever your journey throws at you, we'll be with you every step of the way. We'll make your life easier and offer great advice as you grow.





**@THEWOWCOMPANY** 















#### CONSULTANCYGROWTHNETWORK.COM

LUKE@CONSULTANCYGROWTHNETWORK.COM

01483 966 613

#### THEWOWCOMPANY.COM

RORY.SPENCE@THEWOWCOMPANY.COM

0345 201 1580

This abridged report contains a selection of insights. To get the full 56 page report, including benchmarks on day rates, what consultancy owners earn, the most popular AI tools and much more, contact Luke Badiali about becoming a member of The Consultancy Growth Network.