



Global  
Digest

# Consultancy Services

## Background

CASME held Consultancy Services RoundTable meetings in Australasia, EMEA and North America. The following main topics were discussed:

- Strategies
- Contracts and performance management
- Stakeholder and supplier relationships
- Trends and technology.

This Digest provides the key points, good practices and insights into future trends identified by CASME members at the RoundTable meetings.

## Strategies

- Consultancy providers are typically engaged to fulfil business requirements for which organisations lack in-house expertise, to obtain an external and objective perspective, and to validate the strategies developed internally for business transformation projects.
- The business requirements for which consultancy providers are typically engaged include financial advisory services for accountancy, taxation and regulatory compliance, and strategic consultancy for business transformation and reorganisation, as well as consultancy in specific categories such as:
  - IT and digital transformation
  - HR benefits and training
  - Supply-chain management
  - Marketing
  - Sales
  - Finance
  - Research and development (R&D)
  - Environmental, social and governance (ESG) strategies.
- The approaches Procurement applies to align the consultancy services strategy across the organisation, to address fragmented spend and duplication and increase volume leverage with the providers include:
  - Engaging with the stakeholders to increase Procurement's early engagement in projects and visibility of consultancy spend
  - Implementing a centralised global category management structure to obtain full visibility of consultancy spend, and a global overview of all projects
  - Conducting spend analysis in order to divide the spend into consultancy categories and determine which categories, service providers and stakeholders represent the majority of the spend
  - Identifying any overlaps in the services that are being provided by different consultancy companies, in order to consolidate spend and increase the company's volume leverage with fewer providers
  - Negotiating master services agreements (MSAs) and rate cards with the service providers, with clearly-defined descriptions of the job titles, capabilities and levels of experience for each of the roles related to the rates
  - Establishing preferred supplier lists (PSLs) of approved consultancy providers with which MSAs and rate cards are in place, and requiring the stakeholders to use the PSLs and provide justification for engaging providers that are not on the PSLs
  - Negotiating discounts from service providers in return for being attributed with preferred partner status and/or being engaged for projects without needing to conduct competitive bidding
  - Communicating with the tier-two and specialist consultancy providers that may offer innovation and added value
  - Using technology and digital applications to effectively manage and analyse consultancy spend.
- The criteria that is being applied for qualifying, evaluating and selecting consultancy providers include the:
  - Geographic scope of the providers' services and their coverage in different regions and countries
  - Quality of the service providers' responses to requests for proposals (RFPs)
  - Consultants' understanding of the organisation's business and requirements, their industry- and category-specific expertise and experience, compatibility with specific projects, and capabilities for fulfilling the company's requirements
  - Ability of the consultants to offer independent thinking and to objectively challenge the client's requirements

- Size of the consultancy team, the levels of seniority and expertise of the team members, and their experience of working on similar projects
- Rapport between the team members demonstrated during proposal meetings.
- Procurement also contributes to the stakeholders' evaluation and selection of consultancy providers by:
  - Requesting self-assessments from consultancies to identify their core competencies
  - Using the feedback and scoring regarding the service providers obtained from the stakeholders following previous projects
  - Requesting references for the shortlisted consultancies from clients for which they have performed similar projects, and feedback from previous clients regarding engagements with unsatisfactory results
  - Obtaining feedback from procurement peers in other sites or companies who have previously worked with particular consultancies
  - Requesting CVs for the project leaders and summaries of the previous projects they have completed, in order to assess their capabilities and levels of experience
  - Maintaining a record of tier-one and tier-two consultancy providers' capabilities for use during the initial qualification process
  - Obtaining benchmarking information and market intelligence from sources such as [Accenture](#), [CASME](#) and [Gartner](#).
- The challenges for Procurement regarding the selection of large, full-service consultancies versus small, specialist providers include:
  - Strategic consultancy requirements originating from senior executives who bypass Procurement's involvement in the RFP process
  - The decision being made at a high level to use a global consultancy regardless of cost, often one of the 'big four' consultancy companies, [Deloitte](#), [Ernst & Young \(EY\)](#), [KPMG](#) and [PricewaterhouseCoopers \(PwC\)](#)
  - The stakeholders tending to prefer using the large, full-service consultancies with which they are familiar and have developed relationships during previous projects, and being reluctant to take the risk of using small and less experienced service providers.
- The approaches that are being applied by Procurement for overcoming these challenges include:
  - Developing relationships with the stakeholders and senior executives to ensure Procurement's early engagement in the formal approval process for engaging consultants; and to obtain their support in increasing compliance with the procurement and onboarding processes
  - Offering viable solutions to the stakeholders and senior executives who have preferences for specific consultants, to challenge their perceptions and encourage them to consider alternative options
  - Developing in-house expertise and/or contracting independent specialist service providers
  - Applying an outcome-based approach to engaging consultants to encourage the stakeholders to diversify
  - Using scorecards to assess suitable service providers to support the engagement of small businesses
  - Addressing the perceived risks of using small, specialist providers by engaging them on a trial basis or to conduct an initial small project, to assess their capabilities and their compatibility with the organisation
  - Identifying small, specialist service providers that offer innovative technological and digital solutions, to maintain alignment with the rapid developments in the IT market
  - Understanding that some stakeholders may not want to engage the large global consultancies because the small, specialist service providers offer more personalised services on a local basis.

## Contracts and Performance Management

- Contracts for consultancy services should include clauses regarding:
  - Termination for cause or convenience
  - Insurance liabilities and indemnities
  - Issue escalation policies and procedures
  - Business continuity plans
  - IT security and data privacy
  - Confidentiality, non-compete and conflicts of interest policies
  - The client company's ownership of the intellectual property (IP) developed during projects
  - The use and risk assessment of third parties by the consultancy provider
  - Approval by the client for any replacements of key personnel during projects
  - The consultants transferring knowledge to internal personnel

- A breakdown of the cost per consultant allocated to projects
- The payment terms and early payment discounts
- The schedule and acceptance criteria for milestone payments
- Spend authorisation requirements to enable purchase orders (POs) to be processed efficiently
- Compliance with environment, social and governance (ESG) and sustainability policies.
- The remuneration models that are being applied for consultancy services include:
  - Fixed fees
  - Guaranteed maximum price (GMP)
  - Hourly and daily rates
  - Time and materials (T&M)
  - A combination of the fixed fee and T&M models
  - Milestone payments
  - Outcome- or performance-based models
  - Alternative fee arrangements (AFAs).
- Consultancy fees can be significantly reduced by not accepting blended rates and excluding consultants at the senior partner level from projects.
- It can be challenging to negotiate rate cards on a global or regional basis; therefore, country-specific rate cards tend to be established based on local labour rates to avoid paying higher rates than necessary.
- Detailed rate cards may be established for the countries that represent the highest amounts of consultancy spend covering the main sub-categories, with regional or local rate cards for the other countries.
- The types of added value Procurement may negotiate from consultancy providers include the provision of:
  - Training and workshops to transfer knowledge to internal personnel
  - Access to expert networks and industry events
  - Free-of-charge services or hours
  - Technological solutions
  - Reciprocal secondments, which provides benefits such as developmental opportunities for the client company's employees, as well as access to low-cost consulting.
- Procurement ensures that the service level agreements (SLAs) and key performance indicators (KPIs) for consultancy services remain relevant and effective by aligning them with the statements of work (SOWs) and the stakeholders' objectives for specific projects, and checking that they continue to be relevant during projects.
- Procurement is managing supplier performance by:
  - Obtaining post-project feedback from the stakeholders and conducting annual 360° feedback surveys to identify areas for improvement
  - Conducting quarterly business reviews (QBRs) with the stakeholders and service providers to review performance scorecards and the progress of projects
  - Meeting with the stakeholders before QBRs to discuss modifications to the SLAs or KPIs
  - Applying supplier relationship management (SRM) with the service providers to discuss the progress of projects and align objectives.

## Stakeholder and Supplier Relationships

- Procurement is increasing the engagement by the stakeholders in consultancy projects by:
  - Conducting stakeholder mapping to identify and engage with the influential stakeholders within the organisation
  - Performing spend analysis to identify the key stakeholders and arranging regular meetings with them to discuss their project pipelines
  - Establishing a stakeholder engagement plan according to levels of the stakeholders' influence and spend, to identify and focus on where Procurement can deliver the greatest value
  - Developing relationships and collaborating effectively with the stakeholders based on Procurement's efforts to maintain continuity of supply and mitigate risk during the pandemic
  - Being regarded as a trusted business advisor by the stakeholders and service providers through SRM
  - Positioning Procurement as an enabling function and valued business partner rather than a policy enforcer
  - Obtaining top-down support from senior management to encourage the stakeholders to engage Procurement early in all projects with spend above a defined threshold, and comply with the company's purchasing policies and processes

- Presenting statistics from previous engagements to the stakeholders that demonstrate the value Procurement can provide during projects and negotiations
- Collaborating with senior executives to promote the advantages of Procurement's early engagement in projects and the added value it provides, to increase the number of requests from stakeholders for Procurement's support.
- The approaches that are being applied by Procurement to enhance collaborative relationships with and between the consultancy stakeholders and service providers include:
  - Defining and listing the responsibilities of Procurement, the stakeholders and service providers, in order to optimise co-operation and co-ordination between them
  - Applying a partnership approach to facilitate collaboration and progress during projects
  - Maintaining regular communications with the stakeholders and service providers and remaining up to date with their projects and requirements
  - Using category-specific terminology and developing technical knowledge to gain credibility and trust
  - Identifying the consultancy providers that can be categorised as strategic suppliers and conducting SRM meetings with them to discuss their performance and feedback from the stakeholders.
- SRM activities in the consultancy services category include:
  - Using surveys and scorecards to obtain feedback from the stakeholders regarding the service providers' performance
  - Conducting 360° reviews for the stakeholders, service providers and Procurement to provide feedback to each other
  - Using the results of the feedback surveys to identify and address potential improvements in operational and relationship management processes
  - Discussing the service providers' performance during periodic meetings and QBRs, and coaching those that are underperforming.
- The impact of formal or informal SRM within the consultancy services category includes:
  - Assisting to improve relationships with the stakeholders and service providers
  - Promoting mutual trust and increasing transparency between the company and the service providers
  - Ensuring project milestones and objectives are achieved
  - Improving risk management and ensuring continuity of supply.

## Trends and Technology

- The current trends in the consultancy market that are expected to impact ongoing strategies include:
  - The large consultancies using subcontractors to deliver services for which they lack internal expertise, resulting in companies directly contracting tier-two and tier-three consultancy providers
  - Small specialist technology companies being acquired by large consultancies to enhance their digital capabilities
  - Some consultancy companies offering the managed services model to their clients; although it may present challenges such as a lack of clarity regarding accountability
  - The fees for superior quality consultancy services currently being high, resulting in small consultancies that provide specialist services being used instead of the large consultancy companies; which may also contribute to increasing supplier diversity
  - Consultancy categories that were previously specialist areas of expertise, such as digital transformation and ESG, are now commonly being provided by multiple consultancies.
- Organisations are increasingly developing internal consultancy teams, which may involve a combination of identifying internal personnel with the relevant expertise to provide consultancy to the organisation and recruiting independent consultants, and could deliver cost savings of up to 50% compared to contracting external consultants.
- Small and diverse businesses that provide cost-effective and innovative solutions are being incorporated into consultancy category strategies by:
  - Establishing a list of specialist providers for each type of spend category as potential alternatives to the major consultancies
  - Including diverse service providers and/or at least one tier-two specialist provider in every RFP
  - Incorporating local requirements in RFPs to ensure that small local consultancies are engaged in projects and are provided with training by the larger consultancies.

## Technology

- Organisations' digital transformation strategies may result in changing the consultancies that are engaged; as well as IT consultancy being required for developing and implementing digitalisation strategies.
- Consultancy companies that adopt artificial intelligence (AI) and cloud solutions may gain a competitive advantage over other providers; and those that fail to adopt and/or adapt to digital technology may be eliminated from RFPs.
- Digital business development processes are increasingly being used by innovative consultancy providers; which may compel Procurement to change how it negotiates with and contracts these providers.
- Consultancy services may be contracted remotely and deliver their services virtually, which removes the requirement for consultants to travel and reduces costs.

## Resource Centre Links

The following are links to the full meeting reports for each region:

- [Australasia](#)
- [EMEA](#)
- [North America](#)

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