

**Caribbean Management
Consulting Industry Survey**

**Strategy for Development of the
Caribbean Management
Consulting Industry
October 2010**

NATHAN•EME

Nathan Associates Inc. Emerging Market Economics



Acknowledgments

Nathan EME would like to thank all the respondents to the surveys, who took the time to provide the valuable information upon which this Strategy is based. Additional thanks goes to all the representatives of the public and private sector who attended the November Americas Hub Conference on Management Consulting and the May Management Consulting Business Symposium, providing us with valuable feedback on the project findings.

The efforts of the Local Research Coordinators in compiling the survey results and following up diligently are greatly appreciated. Our thanks to Cheryl Gittens (Barbados), Taiana Mora (Dominican Republic), Lawrence Placide (Trinidad & Tobago), Lester Riviere (Antigua & St. Lucia), Mark Turnquest (The Bahamas), Noel Watson (Jamaica) and Marcell Clodion (Martinique).

Dennis Strong of the Caribbean Institute of Certified Management Consultants saw a need for this project and with funding and assistance from the Caribbean Export Development Agency and the involvement of Anthony Bradshaw, Quentin Baldwin and Sonia Bowen, commissioned and managed this work. Our gratitude goes to these organisations and individuals, without whom the production of this Strategy would not have been possible.

Prepared for the Caribbean Institute of Certified Management Consultants and the Caribbean Export Development Agency

By Nathan EME Ltd.
Through funding provided by the Caribbean Export Development Agency

October 2010

Abbreviations

BDS	Business Development Services
CE	Caribbean Export Development Agency
CICMC	Caribbean Institute of Certified Management Consultants
CMC	Certified Management Consultant
IFI	International Financial Institute
MSME	Micro, Small and Medium Enterprise
RPE	Revenue per Employee

Table of Contents

Executive Summary	i
1 Introduction	1
2 Methodology.....	2
2.1 Project Structure	2
2.2 Survey Design	2
2.3 Data Collection	3
2.4 Data Analysis	4
2.5 Limitations	5
2.6 Lessons Learned	5
3 The Management Consulting Market	7
3.1 Market Profile	7
3.2 Spending Profile	8
3.3 Approach to Consulting	9
3.4 Procurement	12
3.5 Selection Criteria	13
3.6 Use of Consultants by Location	16
3.7 Satisfaction with Consultants	18
3.8 Medium-Term Trends.....	19
4 The Caribbean Management Consulting Industry	21
4.1 Industry Profile.....	21
4.2 Practice Areas.....	22
4.3 Performance and Profitability	24
4.3.1 Revenue.....	24
4.3.2 Profitability	25
4.4 Fee Rates.....	27
4.5 Business Development Investments.....	30
4.6 Constraints	32
5 Gaps and Opportunities	35
5.1 A Framework for Action	35
6 Action Plan	43
6.1 Resource Considerations and Oversight	43
6.2 Actions Required	44
6.2.1 Widening the Demand Side Bottleneck	44
6.2.2 Providing Business Development Services to Consulting Firms.....	46
6.2.3 Quality Assurance	49
6.2.4 Communication Point.....	49
6.3 Implementation and Monitoring	49

List of Figures

Figure 1: Profile of Market Survey Respondents	7
Figure 2: Hiring by Consulting Segments in Previous 3 Years	10
Figure 3: Number of Yearly Consulting Assignments	11
Figure 4: Importance of Procurement Methods	12
Figure 5: Importance of Factors in Consultant Selection	14
Figure 6: Importance of Credentials in Consultant Selection	15
Figure 7: Proportion of Annual Consulting Spend by Consultant Location	16
Figure 8: Proportion of Annual Consulting Spend by Consultant Location (US\$500,000+)	17
Figure 9: Level of Satisfaction by Location of Consultant	18
Figure 10: Consulting Budget Outlooks	19
Figure 11: Consulting Firm Staff Numbers	21
Figure 12: Practice Areas by Consulting Segment	22
Figure 13: Annual Firm Revenue/Turnover (US Dollars)	24
Figure 14: Average Fee Rates by Country (US\$)	28
Figure 15: Use of Marketing Personnel	30
Figure 16: Use of Professional Business Managers	31
Figure 17: Investment in Business Management Systems	32
Figure 18: Factors Constraining Business Expansion	33

List of Tables

Table 1: Survey Responses by Country	5
Table 2: Consulting Spend Distribution: Previous Year	8
Table 3: Consulting Segment Supply and Demand	22
Table 4: Productivity in 1-4 Employee Group	26
Table 5: Fee Rate Extrapolations (US\$)	29

Executive Summary

Background

The management consulting industry is increasingly regarded as holding significant development potential for countries and individuals in the Caribbean. The industry is large, with some estimates indicating the global market will top US\$350 billion in 2010. Regionally, the opportunity is significant, particularly as private spending is augmented by donor funds.

Despite the opportunities, regional firms face obstacles in increasing their business due to a lack of strategic guidance and stiff competition from non-Caribbean firms. The problem is made worse because there is a lack of information on the regional industry, which makes it difficult to plan for and provide assistance to consultants.

Both the Caribbean Export Development Agency and the Caribbean Institute of Certified Management Consultants (CICMC) have recognized the opportunity and challenges facing the region. To assist local consultants, they jointly commissioned a project to draft a Strategy for the Development of the Caribbean Management Consulting Industry.

Development of the Strategy involved surveying the supply and demand sides of the market to determine where opportunities exist and the practical business challenges that firms face. Strategic recommendations were based upon the survey findings, which covered The Bahamas, Barbados, the Dominican Republic, Jamaica, Martinique, St. Lucia and Trinidad & Tobago.

Key Findings and Recommendations

1. A two-tiered market for management consulting with a weak middle

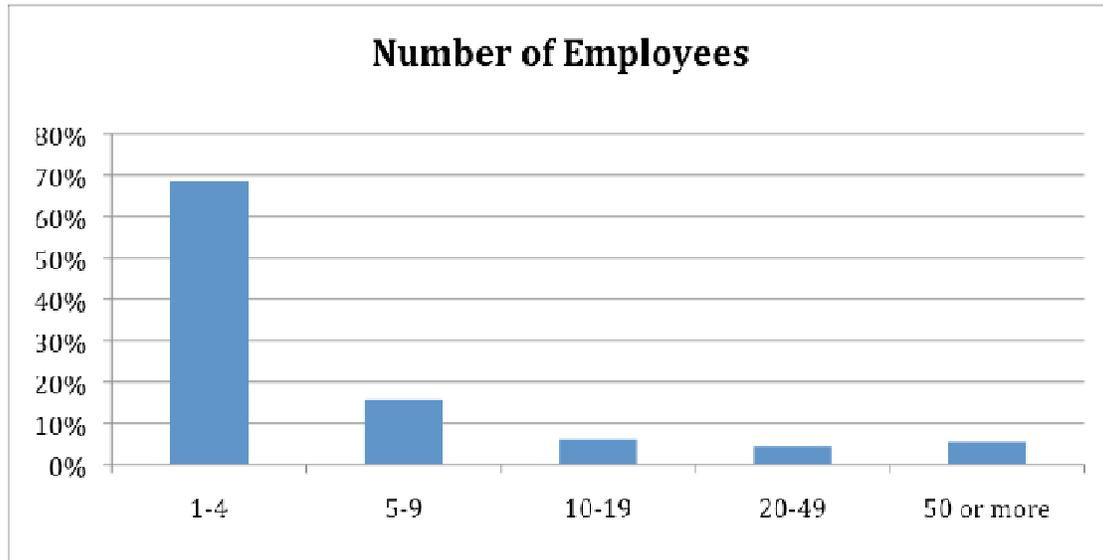
Survey results (see table below) from the demand side of the market show that 63.4% of clients spend under US\$100,000 annually on consulting assignments, accounting for just 10.1% of market value. At the other end of the spectrum, 12.9% of clients spend over US\$500,000 each year and this group accounts for about 62.3% of market share.

So there is a two-tiered market with a top level that dominates in value and a low level that dominates in client numbers. With the majority of clients commissioning small value projects, it can be difficult for firms to develop the track record necessary to tap into the higher value market segments. Essentially, there is weak middle in the market that creates a bottleneck for firms trying to move into higher spending brackets.

Amount Spent Last Year (US\$)	Percentage of Respondents	Market Share
\$10,000 - \$19,999	32.9%	2.4%
\$20,000 - \$49,999	17.6%	3.0%
\$50,000 - \$99,999	12.9%	4.7%
\$100,000 - \$249,999	15.3%	12.9%
\$250,000 - \$499,999	8.2%	14.9%
\$500,000 or more	12.9%	62.3%

2. A consulting industry dominated by small firms with varying expertise

The chart below shows that most Caribbean consulting firms are small operations. 68.4% of respondents have 4 or fewer employees and within this group, 83.3% have 2 or fewer professional staff. While a number of these small firms (27.4%) meet profitability standards, most of them are struggling to be profitable and have varying levels of expertise. This means that a variety of business development services are required to cater to the needs of the consulting industry.



Since most firms are not profitable, they are operating at the low value end of the market. So there is a large crowd trying to move through the bottleneck in the middle of the market, making the narrowing at that point much worse. Instead of some firms moving up the value chain and creating space for new entrants at the bottom, there is a massive splitting of the lower value level of the market. This keeps firms from progressing in terms of revenue, which impacts their ability to develop further expertise and improve ongoing prospects.

3. Addressing problems requires action on the supply and demand sides of the industry

On the demand side, there is a need to develop the small business market for higher value consulting assignments. This will help to fill in the weak middle of the market and widen the bottleneck.

In supply terms, consulting firms would benefit from tailored business development services (BDS) that address specific needs. Such services could help firms to access higher value market segments on their own, while efforts to develop the market proceed alongside. BDS should include marketing support, which will benefit nearly all small firms, and business support services aimed at struggling firms.

4. Bridging supply/demand gaps requires a lead organization to coordinate and implement action

Addressing these challenges effectively will require central responsibility for the actions set out in the Strategy for the Development of the Caribbean Management Consulting Industry. The CICMC is leading the development of the regional industry and so it is well placed to step into this role. The key functions the CICMC will need to perform are as follows:

- **Foster market development:** The CICMC must communicate the benefits of higher value consulting to small businesses in a way that stimulates demand.
- **Provide marketing support:** Marketing support will include providing market intelligence, facilitation of alliances and business linkages and training in marketing techniques such as responding to public tenders.
- **Act as a professional resource:** There is a need for skills training to develop technical expertise, consulting skills training, education on market positioning and training in consulting firm management.
- **Provide quality assurance:** To assure the market of quality in service, some sort of consulting standard needs to be rolled out. The CMC designation is that standard and by ensuring that the qualification is only conferred upon quality practitioners, the CICMC can improve the prospects of certified consultants.

Without some sort of action, the difficulties that have held back a number of local firms will continue to do so. But with suitably directed intervention, new and struggling firms can improve earning potential, established firms can move further up the value chain and a new set of opportunities can be created for people throughout the region.

1 Introduction

The management consulting industry in the Caribbean is increasingly regarded as holding significant development potential for countries and individuals in the region. The scale of the industry in global terms is large, with some estimates indicating the market will top US\$350 billion in 2010.¹ Growth trends have been strong across many segments of the market, with IT demonstrating particularly rapid expansion, through to the beginning of the downturn in 2008. While the extent of the impact of the worldwide economic crisis on the consulting industry is not known, these services and methods of delivery have a demonstrated value to businesses of many sizes in many industries. As such, it is likely that consulting growth will resume as countries get back onto sound economic footing.

In the Caribbean, the opportunity is a significant one, particularly as the private sector market is augmented by the inflow of multilateral and bilateral donor funds. Many countries in the region face pressing economic needs to diversify their economies away from tourism, particularly in light of the withdrawal of preferential access for agricultural products; find sources of foreign exchange earnings to offset weak balance of payment positions created by a need to import and provide more jobs and better-paid jobs for their people. Management consulting as a high value added industry with a heavy export orientation can help to address these needs and the regional market is a large one that presents many opportunities.

Despite the scale of the opportunity, capitalising on it remains difficult for many businesses in the region, for a variety of reasons. The challenge for many local firms has been to capture a greater share of the spending on management consulting services in the region. The oft cited statistic is that 80% of regional spending on consulting services goes to consultants from outside the Caribbean. However, management consulting is a broad-based industry, with many firms performing a wide range of services and identifying themselves as part of the profession. As a result it can be difficult to gather concrete data on market size and revenue flows by country as the boundaries of the consulting industry are not clearly defined. A lack of solid information is a particular problem in the Caribbean, and so it is difficult to prove who is capturing the majority of the consulting market. What is clear is that local firms could benefit from strategic guidance and support as they establish and grow their consulting businesses, and that properly designed assistance could have firm-level and country-level benefits across the region.

The fact of the opportunity and the challenge facing the region has been recognised by both the Caribbean Export Development Agency (Caribbean Export) and the Caribbean Institute of Certified Management Consultants (CICMC). To inform the development of the regional management consulting industry, they have commissioned a study, which involves surveys of the supply and demand side of the market to determine where opportunities lie and what types of barriers exist. The dual surveys were carried out in The Bahamas, Barbados, the Dominican Republic, Jamaica, Martinique, St. Lucia and Trinidad & Tobago. Antigua was also surveyed, but low response rates led to that country being dropped from the analysis. The survey findings form the basis of the recommendations made in this Strategy for the Development of the Management Consulting Industry in the Caribbean.

This Strategy begins with a discussion on the project methodology, turns to separate discussions of the market and service provider survey findings, provides an analysis of key gaps and opportunities in the market and finally sets out a series of recommendations for fostering development of this industry at the enterprise and regional levels.

¹ Kennedy Information estimates.

2 Methodology

2.1 Project Structure

The stated goal of this project was to formulate strategies and actions for the development of the regional management consulting industry. This goal was to be achieved through the administration of surveys to suppliers and consumers of management consulting services to identify capacity, opportunities and gaps. The results of the surveys would then be used to develop a set of strategic recommendations.

Caribbean Export and the CICMC jointly commissioned this project through a competitive tender process. Nathan EME, a London-based development consulting firm, was contracted for this assignment, which was delivered in the following stages:

1. Survey design
2. Data collection
3. Data analysis
4. Report writing

The first three stages warrant some further discussion and key elements of the approach in each of them is outlined below. The report writing stage simply involved production of this Strategy. In general terms, Nathan EME's approach was characterised by an acknowledgment of the necessity of working with local consultants in order to deliver this assignment successfully. To facilitate this approach, a Local Research Coordinator was hired in each of the project countries (and one to cover both the OECS countries) to oversee the survey process. The contributions of these consultants and their local experience were critical to gathering the data that forms the basis of this Strategy.

Additionally, it was recognised that a vital component of any data gathering process is presenting findings and conclusions to project constituents to test their validity and accuracy. Therefore, two presentations on the project were made at two separate conferences in the Caribbean. Early stage survey results were presented at the Americas Hub Conference on Management Consulting held in Barbados in November 2008. The results of the data analysis carried out on the entire data set, with the exception of Martinique, was presented at the Management Consulting Business Symposium held in The Bahamas in May 2009. Both events were well attended by private and public sector stakeholders in the regional management consulting industry. Importantly, the attendees confirmed the general accuracy of the survey results and confirmed that the data analysis had largely picked up on the key issues facing the regional consulting industry. Several critical points were made at the May Symposium, including the importance of process-based consulting to the region's practitioners and clients and the need for client education in the use of consulting services. These points were captured by the data analysis but having them underscored by conference participants stressed their importance and this has been factored into this Strategy.

2.2 Survey Design

Both the market survey and the firm-level survey were deliberately designed to be broad instruments, capable of eliciting meaningful and comparable responses from a wide variety of respondents across a range of countries. The market survey in particular attempted to gather information from a diverse group of actors from the public and private sectors, as well as donor agencies. This diversity dictated that the instruments be phrased in general terms to guarantee a

certain degree of relevance to all respondents as well as the ability to harvest comparable information.

An additional challenge was achieving a balance between brevity and detail in the instruments. While detail in terms of questions was important to ensure that a sufficient level of information was gathered through the survey process, there was a risk of asking too much and discouraging responses. Survey fatigue is a problem in the Caribbean and it is important that instruments are relatively easy to complete to avoid bringing that issue into play.

The need for brevity also recommended in favour of generalised rather than specific survey instruments. The questionnaires were designed to achieve a middle ground between these competing factors. Despite these efforts, feedback provided during data gathering indicates that some respondents were unwilling to supply the level of information, particularly in relation to financial performance and fee rates, asked for in the survey, despite assurances of confidentiality and anonymity.

In spite of these challenges, the survey instruments did provide useful information that forms the basis of the strategy for development of the consulting industry.

2.3 Data Collection

Effective survey administration requires a presence on the ground, and so central oversight by Nathan EME was supplemented by the presence of a Local Research Coordinator in each survey country, with the exception of Antigua and St. Lucia, which were covered by one consultant.

Our previous experience of carrying out surveys in the Caribbean has demonstrated the importance of supplementing questionnaire-based market research with follow-on phone calls and face-to-face meetings with key market participants. Questionnaires can have a low response rate because of survey fatigue and the fact that many respondents are hard pressed for time. This can lead to information gaps which impact the quality of the evidence base used to ground strategies and recommendations, weakening their influence on users.

To overcome these problems, it was essential that those who administered the survey had a strong network of contacts amongst respondents. Therefore it was important that the surveys were administered by locally based consultants who had a good network of contacts with local buyers and suppliers of management consulting services. In selecting local consultants, it was decided that using people experienced in the local management consulting industry would be preferable to hiring an inexperienced person who could provide administrative support at a lower cost.

The surveys were administered through a mix of central oversight by Nathan EME along with field research carried out by local consultants based in each country. To facilitate this approach, an online survey tool, Survey Monkey, was used. Survey Monkey allowed the team to upload the firm and the market surveys separately for each country and thus compile information on a country-by-country basis. On the user side, the tool allowed respondents to click on a link to complete the survey online through a web browser window, an approach that helped reduce the time and effort required to complete the questions and return the responses.

Survey Monkey collects information centrally and allows the survey administrator to browse individual responses, edit them if further information is provided and download the results in a variety of formats. By establishing a password-protected account, Nathan EME were able to ensure that any changes to the data were carried out centrally and uniformly, thus preserving the integrity

of the information compiled and avoiding the introduction of bias at separate country or individual survey levels. The consultants on the ground were not given access to the tool to avoid the possibility of such data contamination.

The Local Research Coordinators were asked to compile lists of key suppliers and consumers of management consulting services in their countries, along with contact details. These lists were uploaded into Survey Monkey and the tool was then used to send out an initial email explaining the purpose of each survey and providing a link to respond online.

Typically, most of the responses were provided within a few days of the email distribution. So approximately one week after the distribution, Nathan EME analysed the responses received, noted who had replied and who had not, noted missing information in the responses that were received and then provided this information in a “response tracking spreadsheet” to each Local Research Coordinator as an indication of what follow up activity was required.

The Local Research Coordinators used a combination of email messages, phone calls and individual meetings to encourage responses to the surveys and to gather follow up information from those who had provided partial responses. Included in their messages supplementing the original email was a version of each survey prepared in Microsoft Word format. These Word versions of the surveys were prepared in a “click and type” format that allowed respondents to simply tick boxes and provide additional comments where they felt it was required by typing directly onto the form in prescribed locations. Essentially, these documents duplicated the experience of filling in the survey online and were provided as an additional completion option for respondents. Where responses were received in this mode, the Local Research Coordinators forwarded the completed surveys to Nathan EME for data entry into Survey Monkey and analysis. As further responses were received, Nathan EME updated the tracking spreadsheet for each country on a rolling basis to guide follow up efforts in a continuous fashion.

The surveys were originally launched in Barbados, the Dominican Republic, Jamaica and Trinidad & Tobago in October 2008. The two OECS countries, Antigua and St. Lucia, were included later, with work in the OECS commencing in December 2008. The Bahamas and Martinique were added to the project at later stages, with surveys in The Bahamas launching in March 2009. All surveys remained open to respondents during this entire period and the cut off for receiving responses and follow up information was set at 30 April. However, data continued to come in through 8 May and this late stage information was incorporated into the survey results. Martinique was added later in the year and those surveys were completed in December 2009.

2.4 Data Analysis

Following the closure of the data collection phase, the data set was finalised on 11 May, with the results from Martinique later incorporated into the analysis and production of the Strategy. The final responses were divided into three categories for the purposes of data cleaning and analysis. Responses that only provided contact details and did not answer any of the substantive survey questions were deemed incomplete and were removed from the data set that was analysed. Responses that answered any of the substantive questions were deemed partial responses and were included in the data that was analysed, as were responses that completed all of the questions.

Partial responses were included to provide as much data for analysis as possible. The implication of this inclusion was that data analysis involving comparison across questions could only include responses that answered all relevant questions. Essentially, data analysis proceeded on a “case-by-

case” basis including as many responses as possible for each question. The table below shows the number of responses included in the analysis by type, survey and country.

Table 1: Survey Responses by Country

	The Bahamas		Barbados		Dominican Republic		Jamaica		Martinique		St. Lucia		Trinidad & Tobago	
	Firm	Market	Firm	Market	Firm	Market	Firm	Market	Firm	Market	Firm	Market	Firm	Market
Partial Responses	7	0	9	11	18	16	20	10	4	4	10	4	9	12
Full Responses	7	11	6	11	4	5	6	6	10	3	0	1	5	6
Total Responses	14	11	15	22	22	21	26	16	14	7	10	5	14	18
Total Firm Survey Responses	115													
Total Market Survey Responses	100													

2.5 Limitations

The primary challenge in carrying out this survey was that the size of the population, for both the supply and demand sides of the industry, was not known. In fact, one of the objectives of the project was to gather information on management consultants in each country to facilitate the formulation of a consultant database for the CICMC. On the market side, it is possible to regard nearly any business as a user of management consulting services. However, due to the resources available, a survey of the entire business community in each country was not feasible. Therefore, the decision was taken from an early stage to carry out a targeted survey that focused on key users of consulting services. This is why senior professionals who had an existing familiarity with the local management consulting industry were hired as the Local Research Coordinators. In compiling the market survey lists, they drew upon their knowledge of the local business environment to ensure that the key players in each country were included in the survey. And on the supply side, they took a similar approach to ensure that key members of the consulting industry were included in the project.

The fact that the population size is unknown means that it is not possible to determine if the survey is statistically significant or not. Without that information, the validity of the sample size cannot be proved either way. As a result, the survey can provide information on trends in the industry, but cannot be relied upon to provide hard estimates of market size, consulting industry revenues, etc. Therefore, the approach adopted in analysis has been to focus upon percentage-based responses, i.e. proportion of respondents indicating they spent over US\$500,000 on consulting services in the last year, as indications of tendencies in the region. This information has proven to be informative and has provided a robust basis upon which conclusions can be drawn and recommendations made.

2.6 Lessons Learned

Surveys are challenging to carry out effectively in many parts of the world and the Caribbean is no exception. While the number of responses gathered was sufficient to undertake meaningful analysis, a significant amount of effort was expended in getting even these response levels. While a lack of desire to respond to surveys is hardly distinct to the Caribbean, the reasons behind this

survey fatigue may be informative of the mood of business in the region and therefore is also a useful result of the project.

A number of respondents indicated that they were dissatisfied with the number of surveys, workshops, conferences and other activities that go into formulation of industrial development strategies of this kind. Essentially the feeling is that even when strategies are developed, a lack of effective implementation and tangible outcomes means participation in the formative exercises of these documents amounts to wasted effort. The upshot of this is that future surveys in this vein should be undertaken carefully, as there is a danger of alienating the CICMC's prospective constituents and dissipating the momentum that has been generated by the Study, the November Americas Hub Conference in Barbados, the May Management Consulting Symposium in The Bahamas and the various other outreach efforts carried out. The critical need is to capitalise on this momentum to implement practical measures that the private sector will perceive as having tangible benefits at the regional and individual business level. This Strategy aims to provide a framework of actions to achieve these benefits and begins by profiling the demand and supply sides of the industry to give a sense of the opportunities and challenges for management consultants in the region.

3 The Management Consulting Market

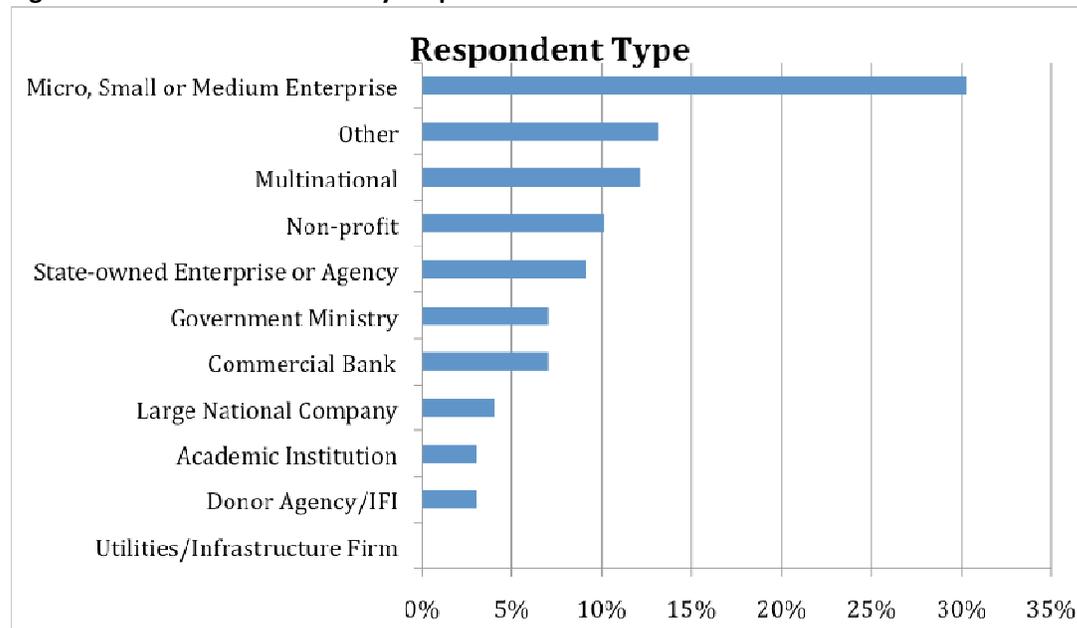
3.1 Market Profile

The private sector in many Caribbean countries is made up of a few large multinationals and national firms, a larger number of medium-sized enterprises and a vast number of micro or small businesses. The market survey covered the private sector, but also included public sector organisations, donor agencies and other non-private entities, which are important consumers of consulting services. The respondent profile (see figure below) is reflective of the types of buyers of consulting services, and it is clear that micro, small or medium enterprises (MSMEs) figure less prominently among this group than they do in the private sector. 30.3% of responses came from MSMEs; following this group, there is a relatively evenly declining spread among other respondent types, beginning with those who identified themselves as Other (13.1%), Multinational (12.1%), Non-profit (10.1%), State-owned Enterprise or Agency (9.1%) in the top 5, down through the other groupings.

In considering the figure, there are a few critical insights that emerge. The first has been alluded to above and has to do with the concentration of smaller enterprises in the market. The percentage of responses from multinationals (12.1%) and large national companies (4.0%) is indicative of the fact that they are important purchasing groups. In the overall perspective, the public sector remains important on the market side of the survey. If non-profits, academic institutions and others are omitted, which may or may not be public entities, and we regard only government ministries and state-owned enterprises as public sector organisations, then together they account for 16.2% of respondents, with 7.1% coming from the former group and 9.1% from the latter.

The importance of the public sector in the management consulting market is augmented by the activity of donor agencies and international financial institutions (IFIs) in the Caribbean. Although these entities only accounted for 3.0% of survey responses, this is due to a low response rate from this side of the market and that figure does not represent the true importance of these consumers, particularly given the large sums they spend.

Figure 1: Profile of Market Survey Respondents



The respondent profile is an important analytical starting point as it provides an indication of the types of organisations and entities involved in the survey. Since certain types of respondents will return certain answers, the profile provides a backdrop against which the survey results can be interpreted. However, a more meaningful understanding of the market can only be derived from analysis of other aspects of the survey.

3.2 Spending Profile

In any market analysis, there are a few key questions regarding spending patterns that will be useful to service suppliers:

- How much is being spent?
- Who is spending what?
- What is money being spent on?

Answers to these questions will provide an understanding of the size of the opportunity for consultants and where the opportunities are concentrated. In terms of competitive positioning in order to realise these opportunities, there are a number of other supply side considerations that come into play, but it is important to begin by understanding the composition of the market before moving on to that analysis. This section considers questions of spending volumes and how that spending is distributed. Section 3.3 picks up on the final question of what types of services clients are spending their money on.

As discussed above, the limitations on the survey due to the uncertainty in population size make it difficult to estimate the market size on the basis of the responses received. Even if rough calculations could be made, they would not be statistically significant. However, it is possible to understand market trends from the data and these insights will be useful at the strategic and business level in terms of understanding the regional market.

The table below shows the percentage of respondents that spent a particular amount on consulting services in the past year. Respondents were asked to indicate the amount spent within a certain range of values instead of disclosing actual budget figures to address concerns over financial disclosure. By taking a midpoint value in each range and multiplying that by the share of total respondents for each range, we can establish the value of each bracket in relations to the others. Then, dividing the proportionate value figure by the total across all the brackets allows us to determine the market share accounted for by each range. In the top bracket, US\$500,000 or more, we have assigned a midpoint value of US\$1,000,000, which, given the fact that many assignments often range into the multi-million dollar territory, can be considered as suitably conservative for the purposes of analysis.

Table 2: Consulting Spend Distribution: Previous Year²

Amount Spent Last Year (US\$)	Percentage of Respondents	Midpoint (US\$)	Proportionate Value	Market Share
\$10,000 - \$19,999	32.9%	\$15,000	4,941	2.4%
\$20,000 - \$49,999	17.6%	\$35,000	6,176	3.0%
\$50,000 - \$99,999	12.9%	\$75,000	9,706	4.7%
\$100,000 - \$249,999	15.3%	\$175,000	26,765	12.9%

² The figures in the table have been rounded off at each stage of calculation. Attempts to use these rounded figures to arrive at the final market share values may result in slight discrepancies from the numbers in the table, which are based on unrounded values.

\$250,000 - \$499,999	8.2%	\$375,000	30,882	14.9%
\$500,000 or more	12.9%	\$1,000,000	129,412	62.3%
Total			207,882	

In considering the data in the table, two things become quickly apparent. The first is that the majority of respondents spend small amounts on consulting each year and the second is that those at the higher end of the spending spectrum account for the majority of market share. 50.5% of respondents spent less than US\$50,000 on consulting in the past year and 63.4% spent less than US\$100,000. While large in terms of numbers, those spending below US\$50,000 only accounted for a 5.4% share of the market in dollar terms, and that figure only increases to 10.1% when the spending threshold is increased to US\$100,000. What this demonstrates is that the majority of clients tend to spend smaller amounts, which indicates they are commissioning smaller consulting assignments.

Only 12.9% of respondents spent large sums, US\$500,000 or above, and despite being small in number terms, this group accounted for a 62.3% share of the market in dollar terms. At this upper value end of the market, clients are fewer in number, so competition for assignments will be intense.

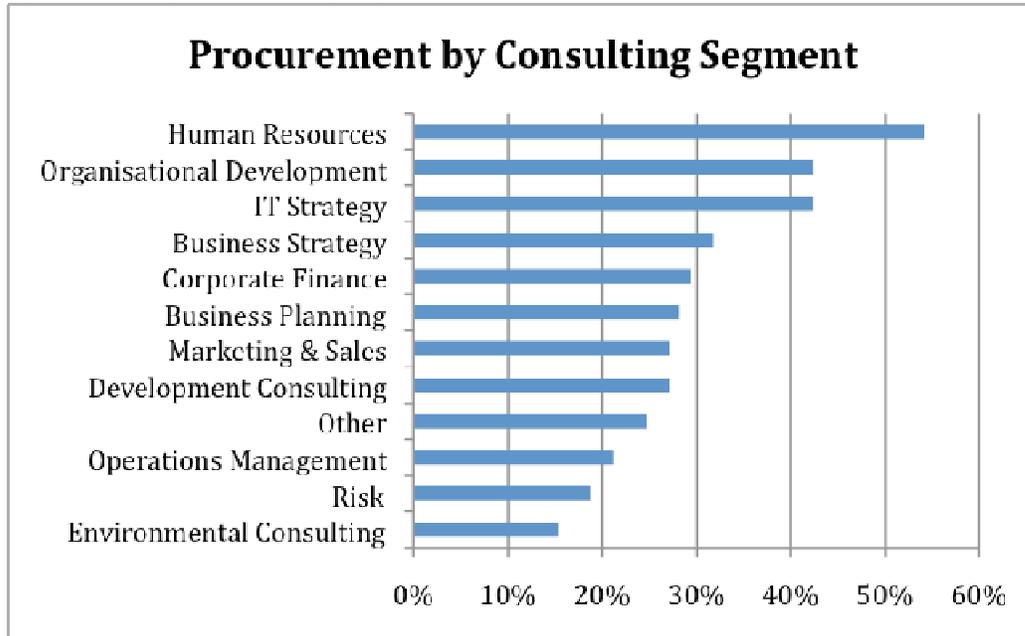
These survey findings are indicative of the types of buyers of consulting services and expected composition of the demand side of the consulting market. Anecdotal evidence from the Caribbean suggests that a few large companies, government departments and IFIs often account for the majority of consulting spend. The spending profile yielded by the survey results matches this structure and what we are seeing is that there is essentially a two-tiered market for consulting services in the region. There is some activity between these two ends of the market as 15.3% of respondents spent between US\$100,000 and US\$249,999 on consulting, accounting for a 12.9% share of the market. The US\$250,000 to US\$499,999 accounts for 14.9% of market share but only 8.2% of respondents. However, the bulk of activity remains concentrated as discussed above.

What this creates is a market with a weak middle. If the two middle brackets are taken together, then they represent 27.8% of the market and 23.5% of the clients, not insubstantial numbers. However, the fact is that for those consultants serving the 50.5% of clients spending under US\$50,000 annually, these two middle brackets are not equally accessible. While reaching the US\$100,000 to US\$249,999 bracket may be feasible, tapping into those spending US\$250,000 to US\$499,999 is a more significant leap. Just under 38% of firms in the survey earned less than US\$50,000 in revenue in the last financial year, so a significant proportion of the supply side is working on lower value assignments. Therefore, competition among these consulting firms to move up the value chain into the higher spending brackets will be intense and essentially this creates a bottleneck at the US\$100,000 to US\$249,999 level. This market profile has important implications for the supply side of the industry and these will be discussed in Section 4. How the bottleneck can be removed and the opportunities that will flow from doing so are discussed in Section 5.

3.3 Approach to Consulting

Demand for consulting in the Caribbean has been varied, with procurement of services taking place across a range of consulting segments. To get a sense of which areas have been most highly in demand, market survey respondents were asked to indicate the segments in which they had hired consultants over the past 3 years. The figure below displays the results, indicating the percentage of respondents that had hired in a particular area.

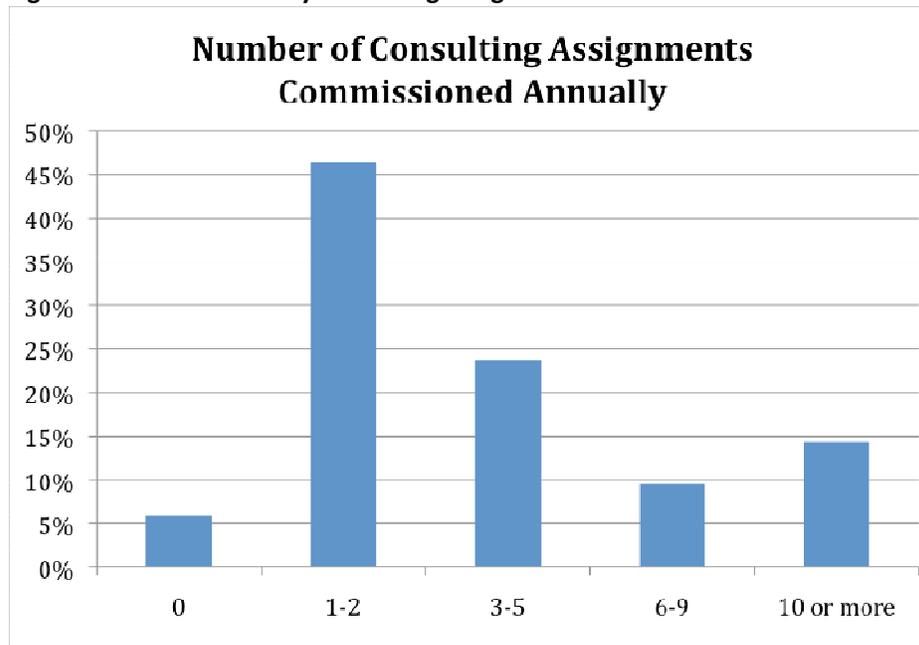
Figure 2: Hiring by Consulting Segments in Previous 3 Years



Human resources led the field, with 54.1% of the market indicating they had used consultants to assist them in this area. IT strategy and organisational development, both at 42.4%, also exhibited strong demand. After this the picture becomes a bit mixed with 5 segments (business strategy, corporate finance, business planning, marketing and sales and development consulting) falling in a range from 31.8% to 27.1%. There is then a slight drop to the last 3 segments (operations management, risk and environmental consulting), which are clustered from 21.8% to 15.3%. So while there are some clear areas of high demand, most consulting segments have been well represented in the figure above. This suggests that the Caribbean market for consulting is broad in terms of practice areas. 24.7% of respondents also indicated that they had hired in areas outside the 11 listed, underscoring the breadth of the market. So this data shows that demand is relatively strong in many consulting segments but it does not provide much more insight into the market’s approach to consulting services.

By examining the number of assignments that are taken on by clients, we can get a further understanding of how the market regards and uses consulting services. The figure below shows the number of external consulting assignments in a range that respondents take on yearly, and the percentage of respondents falling in each bracket. The majority only require a few assignments annually, with over 76.2% taking on 5 or fewer engagements. Of this group, over 46% commission 1 or 2 assignments each year. A small percentage, 6.0%, indicated that they do not take on any consulting assignment on an annual basis. What this low frequency of engagements demonstrates is that much of the market regards consulting as a valuable add-on to their operations, undertaken on a needs-driven basis and is not viewed as a standing part of a business model.

Figure 3: Number of Yearly Consulting Assignments



This concentration of the market on a fewer number of assignments is consistent with the spending profile outlined above as well as the anticipated behaviour of the market survey respondents. The majority of spending is under US\$50,000 annually and MSMEs were the single largest group responding to the survey. Given their budgets and their maturity as businesses, the expectation would be that most of them would only be commissioning a few consulting jobs annually, if at all, and the survey results bear this out.

Since smaller businesses dominate the consulting market in number terms and they are not spending large amounts, it is logical to conclude that they are primarily making use of process-type consulting services, which tend to be lower cost than strategy-type services. It is important to note that in this report, process consulting is being used to refer to advisory services concerning a client’s systems or operations, i.e. the tangible processes by which they carry on business. It does not refer to taking a facilitative approach, as opposed to a prescriptive approach based on technical expertise, to a consulting assignment.

The higher value spend which dominates in terms of market share is being driven by the few larger business in the region that are looking for strategic guidance to assist in the development of their businesses. This situation parallels the market for consulting services in many parts of the world, despite the fact that it is often smaller and younger businesses that could draw the greatest benefit from strategy consulting.

There are a number of reasons that MSMEs tend to focus on process services rather than strategy. Price sensitivity is a major consideration as strategy consulting is more expensive than process consulting. Linked to financial considerations is the desire to receive a tangible outcome from an investment in consulting; while a strategic business plan may lead to such outcomes, these type of consulting services rely on the client implementing a strategy effectively. As such, there can be a perception that the consultant “did nothing”, whereas process services usually conclude with more

concrete evidence of the consultant’s involvement, such as implementation of an automated inventory tracking and ordering system. Finally, small businesses owners often feel that they know their business better than any external expert ever could and therefore are better positioned to guide its strategic development, negating the need to pay someone else to do so.

Process-oriented consulting is an important component of the industry and the region’s many practitioners of these services have stressed their importance both to their revenue streams and to the improvement of client operations, whether a small local company or a multinational. This type of work is typically the “bread and butter” of the consulting industry and will remain an important market segment. However, there are a number of benefits that will flow from development of the MSME market for strategy consulting. These will be discussed in Section 5, Gaps and Opportunities.

3.4 Procurement

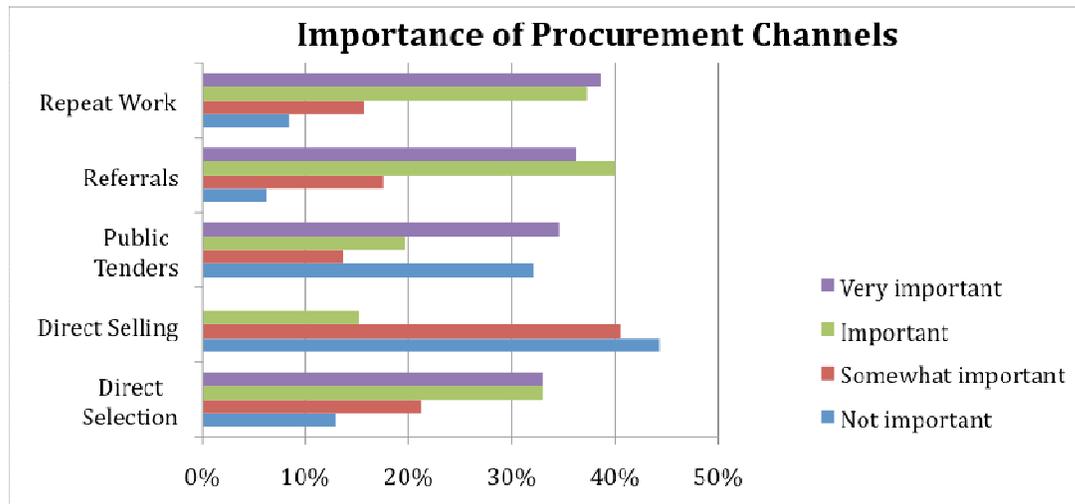
Having discussed how spending is distributed and how the market uses consulting services, it is important to round out this understanding by analysing how consultants are hired for engagements and the factors that influence the decision making process.

The figure below shows how respondents rated the importance of the following procurement channels:

- Repeat work
- Referrals
- Public tenders
- Direct selling
- Direct selection

The two most important channels are clearly repeat work and referrals, with direct selection not too far behind. 38.6% of respondents rated repeat work as very important and nearly 37.3% regarded this as an important means of selection. Referrals were slightly behind in the top category, with 36.3% regarding this as very important, but 40% rating this as an important selection method. Success in both of these selection channels is dependent on the quality of a consultant’s work as a successful assignment is likely to lead to repeat business from the same client and a positive reference to other organisations when asked. This demonstrates two things: one, that good quality work is an effective marketing tool and two, that consulting is a reputation-driven business that is largely based on meeting clients’ expectations.

Figure 4: Importance of Procurement Methods



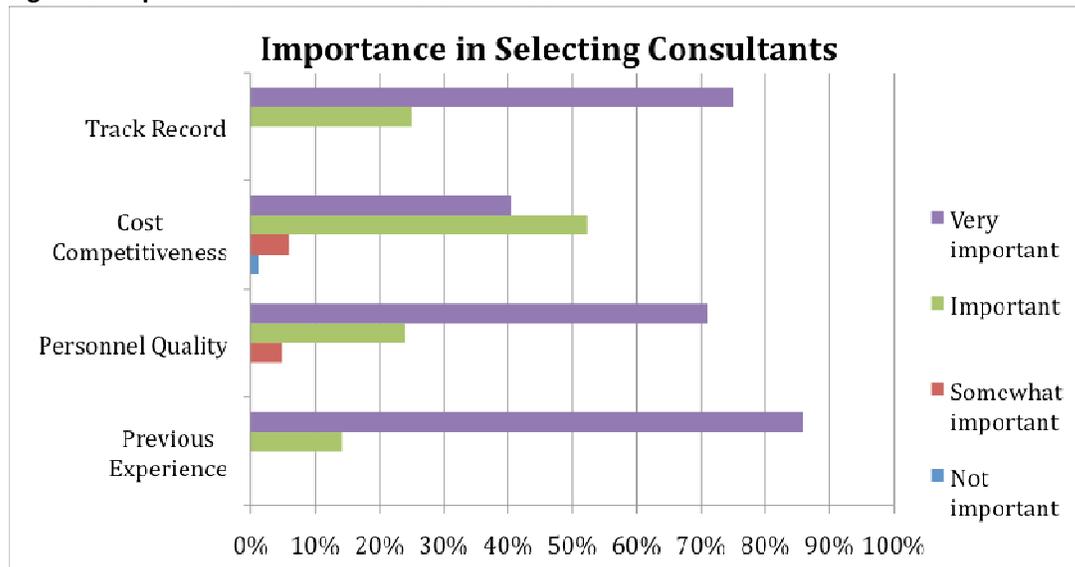
None of the respondents regarded direct selling as very important and 44.3% regarded this channel as not important with 40.5% rating it somewhat important. This makes it clear that direct marketing of consulting services to potential clients is not the most likely means of increasing business. Direct selection refers to clients independently choosing a consultant for an assignment. This selection may or may not be based on a previous relationship with a consultant, a referral from a third party or another factor or factors guiding the decision. The survey ratings on this selection channel had 32.9% of respondents regarding it as very important and 32.9% as important, reflecting its derivation from the two most important procurement channels discussed above. While slightly less important than those channels, it is clearly more of a factor than selling by consultants, indicating that the hiring decision remains based on internal considerations.

Public tenders are somewhat of a different selection method than the other channels as they are often used by organisations such as donor agencies and public sector agencies that are bound by strict procurement rules. While these entities have some licence to contract directly without tendering an assignment, they usually can only do this for projects below a certain financial threshold. Larger assignments require that a public tender be used to select a consultant for the work. In the case of low threshold assignments, the previous selection channels will become important factors, but once the threshold is exceeded, they are no longer relevant. As such, a consideration of the results returned for this selection channel is primarily instructive as an indication of what proportion of the market uses public tenders. 54.3% of respondents gave public tenders a rating of very important or important, while 45.7% regarded them as not important or somewhat important as a selection method. This indicates that roughly half the market uses tenders and it is important that consultants have the skills to prepare quality responses to these opportunities.

3.5 Selection Criteria

In addition to the methods used to select consultants, it is also important to consider the selection criteria used to do so. The figure below rates the relative importance of several factors in selecting consultants for assignments. The phrasing of the factors was framed broadly so that respondents could rate them regardless of the type of selection channel(s) they tend to use. To allow for all manner of responses, an “other” category was included and survey respondents were asked to specify the factors they considered important in this regard. Only 1 response in the other category was received, so this factor has been removed from the graph.

Figure 5: Importance of Factors in Consultant Selection



Nearly all the respondents regarded all of these factors as either very important or important in the consultant selection process. Despite this uniformity, by examining the small differences in the figures we can gain a sense of how these factors operate in the hiring decision.

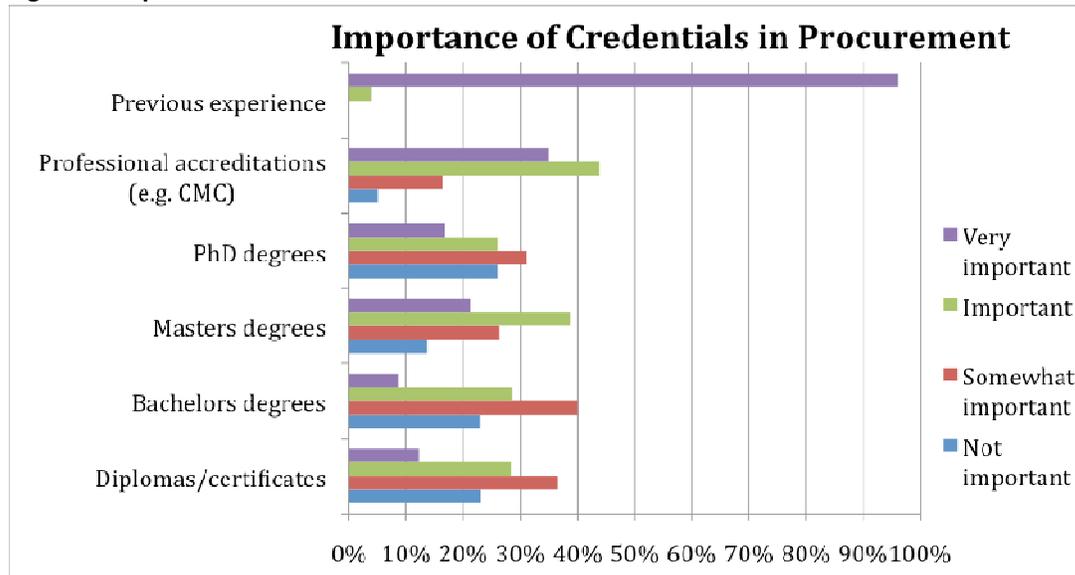
Cost competitiveness can be considered somewhat distinct from the other factors as it is not related to the experience and expertise of the consultant as they are. What is interesting to note is that this factor is significantly lower in the very important ratings than the expertise-based factors. Only 40.5% of respondents regarded cost as very important, compared with a 71.1% rating for personnel quality, the lowest of the other factors. This is not to suggest that the market is not price-sensitive, since 52.4% did still give it a rating of important, but it does demonstrate that other factors are more important to clients than cost.

Previous experience is the clear leader in terms of selection criteria with 85.9% of respondents rating it as very important. Given the value of experience relevant to a particular job specification in any employment situation, this result is not surprising. Track record differs from previous experience in the sense that it contains an element of general rather than specific experience and is therefore perhaps more reputation and perception driven. This category was rated slightly lower than previous experience in terms of being very important, with 75.0% of respondents giving it that rating.

Quality of personnel was regarded as a very important factor by 71.1% of the market. This is an interesting result as many consulting assignments depend directly on the quality and suitability of the people working on the project. Yet this factor was considered slightly less important than previous experience or a track record. While both of these factors could be deemed to be a part of personnel quality, it is difficult to determine if survey respondents took this view or not. Therefore it is also difficult to draw conclusions about the reason for this result. The slight difference could be statistically insignificant or it could indicate that the Caribbean market places slightly more importance on practical experience and reputation than measures of personnel expertise such as education. Since robust conclusions cannot be drawn, the analysis will turn to a consideration of the role of individual credentials in consultant selection to round out the analysis.

Figure 6 illustrates the relative levels of importance of various credentials in procurement. What is immediately apparent is that previous experience is crucial in selecting consultants, with nearly 96% of respondents regarding it as very important. This far exceeds the results returned for any educational qualifications or professional accreditations and sends a clear message that the market is looking for seasoned experts when hiring, reinforcing the results above.

Figure 6: Importance of Credentials in Consultant Selection



In considering the other factors, it facilitates analysis to rank them according to the total percentage of respondents that regarded them as very important or important. Taking that approach, the results are as follows:

1. 78.8%: Professional accreditations (e.g. CMC)
2. 60.0%: Master's degrees
3. 42.9%: PhD degrees
4. 40.5%: Diplomas/certificates
5. 37.1%: Bachelor's degrees

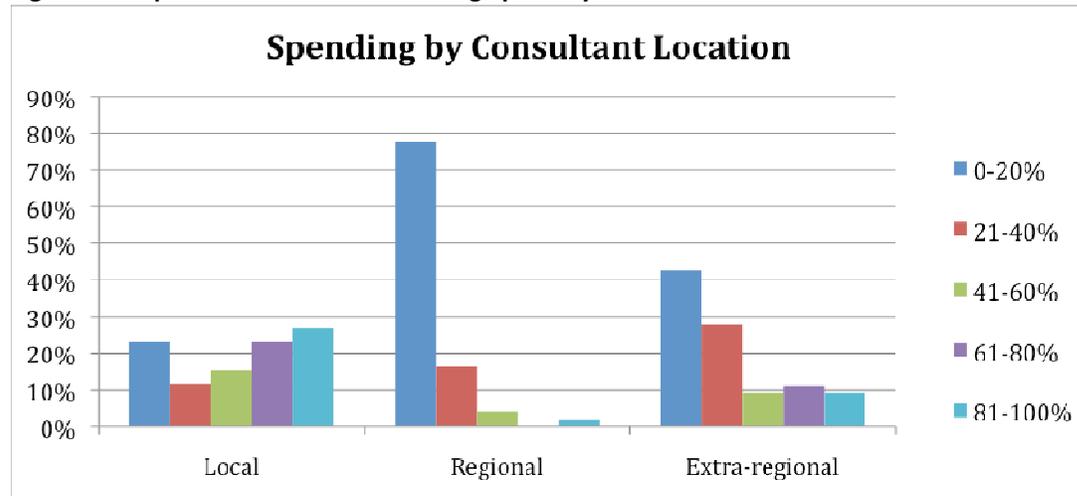
The fact that professional accreditations ranked first suggests two things. First, that actual work experience, recognised by specific qualifications such as the Certified Management Consultant (CMC) designation, is more important than generalised or specific education and training programmes. Second, it shows that the market has a desire for assurances of quality that come with professional certifications. This is an important point that has serious implications for the consulting industry and will be addressed further in this report.

The remaining credentials are all educational in nature and master's degrees are clearly regarded as the most important. This likely reflects a desire for a level of specialisation in education beyond the bachelor level and suggests that PhD level study is often not required. Although diplomas and certificates are typically less rigorous than PhDs and bachelor's degrees, they are ranked roughly on par with those qualifications in terms of importance, possibly because they often involve more specialised study.

3.6 Use of Consultants by Location

Much has been made of the fact that external consultants end up capturing much of the regional consulting market, at least in dollar terms. However, the survey results as shown in the figure below run contrary to this proposition.

Figure 7: Proportion of Annual Consulting Spend by Consultant Location



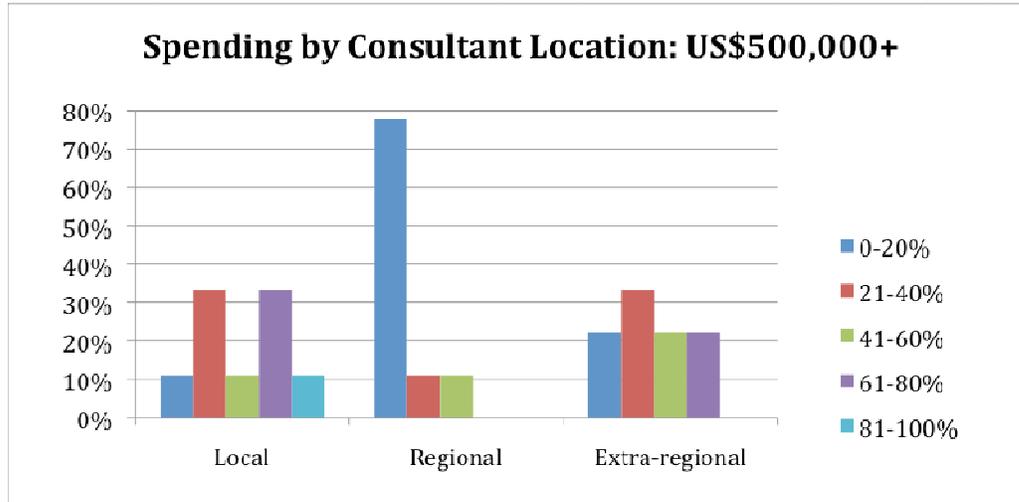
The figure shows that market respondents reported more of their spending is on local consultants than external consultants. The colour of each bar indicates the proportion of annual consulting spending, represented by a percentage range, accounted for by local, regional and extra-regional consultants. 26.9% of respondents reported spending 81-100% of their annual consulting budget on local consultants. 9.3% reported spending the same proportion on extra-regional consultants, and the number spending that amount on regional consultants was only 2.0%. This pattern of a sizable percentage of respondents buying locally followed by a smaller number using non-Caribbean consultants and finally a very small percentage using regional consultants is repeated for the next two spending brackets, 61-80% and 41-60%.

Only at the lower end of the spending concentration did more respondents report using extra-regional or regional consultants instead of locals. 77.6% spent 0-20% of their annual consulting budget on regional consultants. What this tells us is that although there is some appetite for using non-local consultants from the region, this group is limited to a small percentage of spending. So when clients decide to hire a consultant from outside their country, they tend to look for someone from outside the region. Although extra-regional consultants did figure a bit more prominently in the higher proportion spending brackets, a significant majority of respondents, 70.4%, indicated that this group accounted for 40% or less of their annual consulting spending. The overall implication from the data then, is that local consultants retain an advantage over all outsiders in their home markets, but Caribbean consultants tend to lose out to non-Caribbean consultants when they look for work outside their home countries.

This question was put to market respondents precisely to test the idea that consultants from outside the region dominate the Caribbean consulting market. The survey results contradict this idea, which is widely regarded as being true. Therefore, either the commonly held notion is incorrect, or the data are incorrect.

If assume that the notion is correct, then we must seek explanations for the inconsistency with the data. An immediate explanation for this result would be that this question treats all clients the same, regardless of whether they spend a thousand dollars on consultants or a million. While this is true, when we cross-reference those spending large amounts (over US\$500,000) on consulting with this question, the results follow a broadly similar pattern, shown in the figure below.

Figure 8: Proportion of Annual Consulting Spend by Consultant Location (US\$500,000+)



Again we see that regional consultants are largely limited to the lowest share of annual spending, with 77.8% of respondents indicating that this group accounted for 0-20% of their consulting budget. No respondents spent more than 60% of their budget on regional consultants.

In the 61-80% and 81-100% of spending brackets, the market again reported heavier use of local consultants than extra-regional consultants. 11.1% of respondents indicated that local consultants accounted for 81-100% of their annual consulting spending, while no extra-regional consultants fell into this bracket. Among those spending 61-80% of their budget on a particular consulting group, over a third of the market used local consultants compared with 22.2% that used extra-regionals. Again, it is only at the lower end of the share of spending that more respondents indicated they used more extra-regional than local consultants. So locals seem to be competing well in terms of market share with extra-regional consultants, according to feedback from the market.

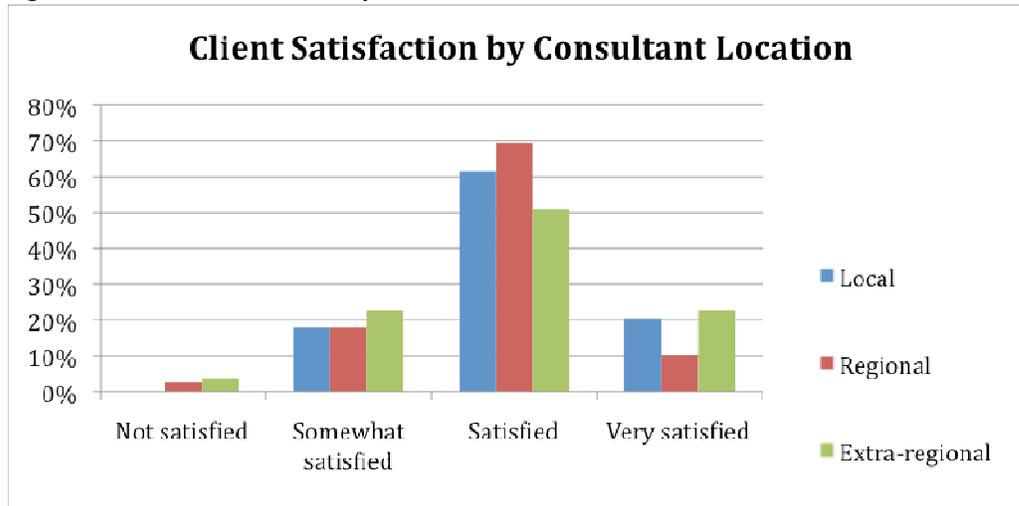
There could be a few different reasons for this result, which is at odds with conventional wisdom regarding the success of local consultants in the Caribbean. The first is that the sample size for the US\$500,000+ spending bracket is, at 9, too small and not sufficiently representative of all market segments to provide valid information. In fact, the same statement could be made of the entire market survey sample, but without knowing the population size, no conclusion can be drawn regarding statistical validity. The second reason is that there may have been some misreporting of figures by survey respondents as there is a strong feeling in some parts of the Caribbean that consultancy work should be going to local or regional consultants.

It is not possible to definitively explain away this disconnect between the accepted thinking regarding the market and the survey results. To do so would require a more exhaustive survey of market participants and follow up to examine results in detail. However, the simple fact of this inconsistency does not change the fact that the regional management consulting industry needs an effective strategy to enable it to prosper further in its backyard and abroad.

3.7 Satisfaction with Consultants

Having already established how important quality of work is in the reputation-driven consulting business, how the market perceives consultant quality is a necessary consideration in developing strategic recommendations. Survey participants were asked to rate their level of satisfaction with the services provided by local consultants, regional consultants and extra-regional consultants. The figure below illustrates the results, showing the percentage of respondents that assigned a particular group a specific satisfaction level.

Figure 9: Level of Satisfaction by Location of Consultant



In terms of clients being satisfied with the level of service, Caribbean consultants, both local and regional, outperformed extra-regionals. 50.9% of respondents were satisfied with the work of non-Caribbean consultants, 61.5% with local consultants and 69.2% with regional consultants. In the top category, extra-regional consultants performed better than their Caribbean counterparts, with 22.6% of the market finding their work very satisfactory, compared with 20.5% for locals and 10.5% for regionals.

Extra-regionals also led the way in the lower categories, with 22.6% of respondents claiming they were somewhat satisfied with the standard of service and 3.8% indicating they were not satisfied. 17.9% were somewhat satisfied with regionals and 2.6% were not satisfied. 17.9% of respondents were only somewhat satisfied with locals, but none found the work of local consultants to be unsatisfactory.

Sifting through these results, something very important becomes apparent. While extra-regional consultants received the highest proportion of very satisfied ratings, if that category along with the satisfied rating is considered together, then both local and regional consultants performed better. 82.1% of respondents were either satisfied or very satisfied with the work of local consultants and 79.5% expressed the same satisfaction levels with the work of regional consultants. The total for extra-regional consultants was 73.6%. This suggests that, on a broad basis, Caribbean consultants have the capability to outperform their counterparts coming in from other areas.

Some thought must be given to why this is the case. Certainly on a technical level, Caribbean consultants have the capability to match or surpass external consultants. However, it is unlikely that these results are being driven solely by some technical knowledge that is particular to the Caribbean and that applies across the range of consulting market interests represented by the survey

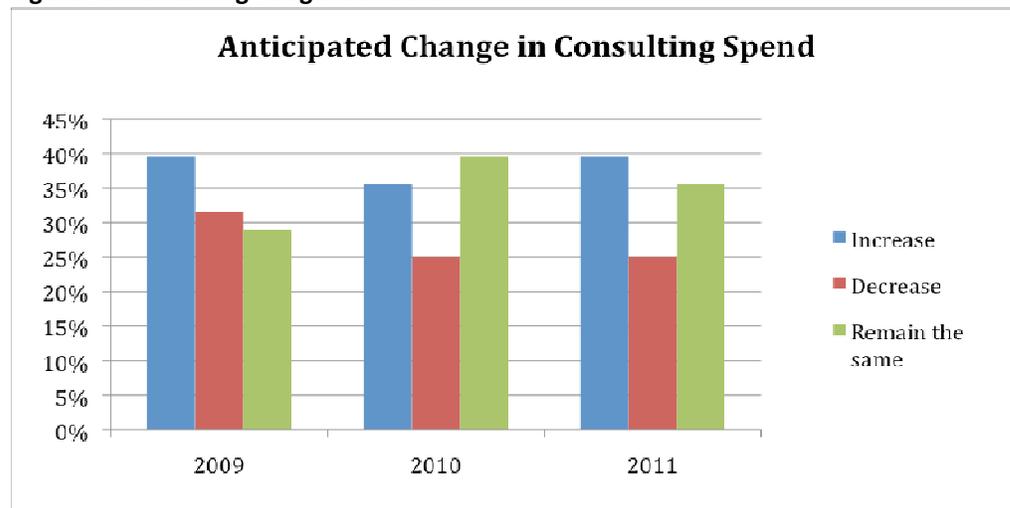
respondents. Yet there is a non-technical level of knowledge that is particular to local and regional consultants; a knowledge of the local and regional environment. It is this knowledge that allows home-grown consultants to relate more effectively to their clients' needs and to tailor technical solutions to fit their clients' reality. Success in a consulting assignment is often less dependent upon the quality of the technical solution proposed but on how implementation takes place. We asked respondents to rate the individual importance of several factors to the success of a consulting assignment and 51.2% gave technical expertise the top rating in terms of importance, compared with 69.8% assigning similar importance to achievement of objectives and 54.7% doing the same for effective communication. This underlines the importance of liaising effectively with clients and in the Caribbean that is an area in which Caribbean consultants have a comparative advantage. The fact of this advantage is something clearly reflected in the data on client satisfaction. This understanding and the advantage it confers is something that needs to be capitalised on more effectively by Caribbean consultants to increase their share of the regional consulting market.

3.8 Medium-Term Trends

The final consideration on the market side from the survey is how things will change over the next few years, both in terms of spending and areas of demand. This type of market intelligence is important information that is not easy for firms, particularly small ones to gather themselves.

As noted above, survey limitations make it difficult to accurately quantify the size of the market. However, the results are representative of trends and so we can use the information gathered as an indication of where the Caribbean consulting market is heading. Aside from the survey limitations, there is one more caveat that applies specifically to the data on future spending patterns. The surveys were launched in Barbados, the Dominican Republic, Jamaica and Trinidad & Tobago in October 2008, with St. Lucia following in December that year. Due to low responses rates, the period of data collection was extended through the beginning of May 2009, which also allowed for the inclusion of The Bahamas in the survey. Martinique was added later that year. The issue with the long collection period in the context of anticipated changes in spending is the impact of the global economic downturn, which coincided with the administration of the survey. With results coming in over the period, while economic realities were changing and uncertain, it is possible that forecasts could have changed dramatically and that the data to hand is no longer a valid indication of how spending will change. As such, the information regarding changes to consulting budgets over the next few years (see figure below) should be considered with this qualification in mind.

Figure 10: Consulting Budget Outlooks



What the data does suggest is that the market for consulting services will remain robust over the short-term. For 2009, 39.5% of respondents expected an increase in spending, 31.6% a decrease and 28.9% no change. The picture improves somewhat over the next 2 years, with the number anticipating a decrease dropping to 25.0% in 2010 and 2011 and those anticipating no change jumping to 39.5% in 2010 before falling back to 35.5% in 2011. In terms of those expecting an increase in spending, 2010 is expected to see a slight dip from 2009 with a drop to 35.5% before rebounding to 39.5% in 2011.

Although these figures would likely be muted somewhat if the survey were re-administered today, the viability and value of consulting as an industry is proven. And with some thought that the worst is over in markets such as the US as well as the ongoing strength of market segments such as development consulting, the short-term outlook may not be as negative for consulting as the scale of the downturn may suggest. Longer-term, as economic recovery broadens and deepens, the outlook for consulting both in the Caribbean and worldwide should be largely positive.

4 The Caribbean Management Consulting Industry

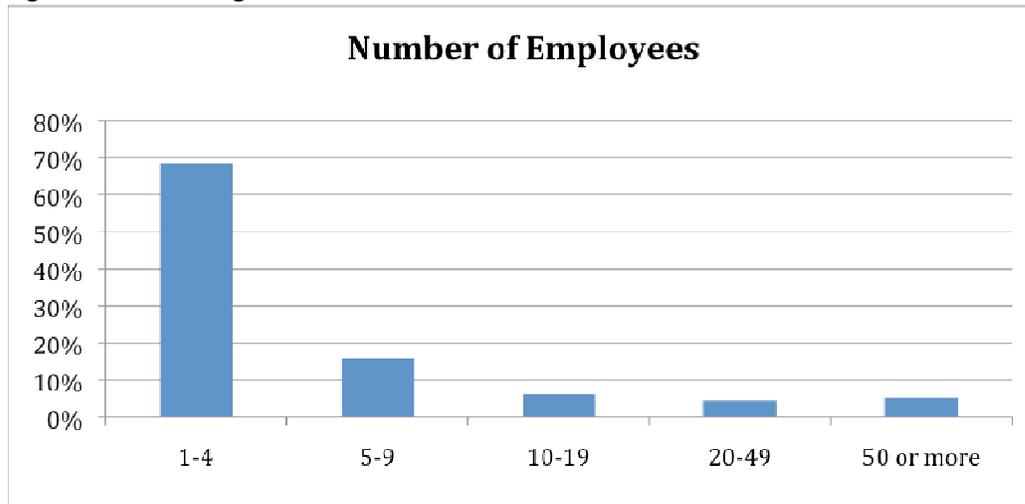
4.1 Industry Profile

Consulting firms in the Caribbean take a variety of business forms from sole proprietorships to limited liability companies. However, the legal form of the business is not a useful way of analysing the composition of the industry as even a one-person operation can be incorporated, or a multi-professional firm can operate as a form of partnership. As consulting is a business in which scale is often based upon staff capacity and expertise, a more relevant measure of the industry's makeup is employee numbers.

The figure below displays the percentage of firm survey respondents with staff figures falling in specific ranges. Small firms dominate the picture, as 68.4% of respondents have from 1-4 employees. And if the 15.8% falling into the 5-9 employee range are included, we see that 84.2% of consulting firms responding to the survey are composed of 9 or fewer staff. From there the numbers drop quickly to 6.1% in the 10-19 band, 4.4% in the 20-49 range and 5.3% reporting that they have 50 or more employees.

This distribution by size is not atypical of the general Caribbean private sector but in the case of consulting, there are a very large number of extremely small operations, even by regional standards. In the 1-4 employee bracket, respondents indicated that they have an average of 1.36 professional staff and 0.75 administrative staff, for a total of 2.11 employees. Furthermore, 62.8% of respondents in this bracket only had one professional staff member and 20.5% indicated they had just two. A few respondents in other brackets also reported having 2 professional staff members, and when these are added to the other figures, we see that the majority, 60.2%, of the consulting industry is made up of 1 or 2 professional person operations.

Figure 11: Consulting Firm Staff Numbers



These demographics are important as they give a clear indication of who the CICMC's primary constituents are. And as the concerns of these small operators and their business support needs will be significantly different to those of larger firms, this small-firm dominance has an impact on how any strategy for development of this industry must be formulated. Later in this report, more indepth analysis of the challenges facing small firms will be used to identify specific opportunities for this segment of the industry.

4.2 Practice Areas

Survey responses suggest that the Caribbean is well served across a range of consulting segments. The figure below shows the percentage of respondents indicating that they practice in a particular area. There is clearly a wide range of results by consulting segment and while a consideration of these figures alone would provide some insights into the structure of the regional consulting industry, a more instructive approach would be to match supply against demand, which is done in Table 3.

Figure 12: Practice Areas by Consulting Segment



Table 3: Consulting Segment Supply and Demand

Consulting Segment	Market Procurement by Area	Industry Practice by Area	Difference
IT Strategy	42.4%	21.9%	20.5%
Human Resources	54.1%	45.6%	8.5%
Corporate Finance	29.4%	21.1%	8.3%
Environmental Consulting	15.3%	7.9%	7.4%
Marketing & Sales	27.1%	26.3%	0.8%
Risk	18.8%	19.3%	-0.5%
Operations Management	21.2%	32.5%	-11.3%
Other	24.7%	39.5%	-14.8%
Development Consulting	27.1%	42.1%	-15.0%
Business Planning	28.2%	45.6%	-17.4%
Organisational Development	42.4%	60.5%	-18.1%
Business Strategy	31.8%	50.0%	-18.2%

The table displays the percentage of market survey respondents that had taken on a consulting assignment in a particular segment in the past 3 years against the percentage of firm survey respondents who reported they practice in a particular area. By examining areas that have a mismatch in terms of demand and supply, we can get a sense of where opportunities lie and where

competition is particularly high. The final column subtracts the industry practice number for each segment from the market procurement figure. If the number in the “Difference” column is positive for a particular segment, the percentage of the market that has procured consulting services in that area is greater than the percentage of firms practicing in that area. As a result, this provides an indication of where demand is greater than supply, though the utility of this measure is subject to qualification.

The measure of supply gleaned from the survey provides an indication of propensity to practice in a particular consulting segment, but does not give a true measure of supply capacity by segment. For example, an individual respondent could indicate that they practice in human resources and operations management. However, we do not know which percentage of the practice is accounted for by each segment, so even if 95% of the practice is in one area, the responses are not weighted accordingly. Furthermore, this measure of supply does not include extra-regional consultants that are working in the Caribbean market. Therefore, we are left with a limited measure of supply that is useful in demonstrating where areas of opportunity may exist for Caribbean consultants. With these caveats in mind, we can see from the data that IT strategy is by far the most under-served consulting segment with a 20.5% difference between demand and supply. This is the primary opportunity but there are also prospects in human resources (8.5%), corporate finance (8.3%) and environmental consulting (7.4%). Marketing & sales and risk exhibit a relatively even match between supply and demand and the 6 remaining segments are over-supplied.

In considering the segments that are under-served and those that are over-supplied, no clear pattern emerges. Functional practice areas are distributed across the range as are environmental consulting and development consulting, two industry-specific segments that figure prominently in the Caribbean. What is worth noting is that in the over-supplied areas, the magnitude of the supply demand gap is typically larger than it is in under-supplied areas, with the exception of IT strategy. This suggests that the consulting market is well served generally. The key point to take from that conclusion is that the industry is a competitive one but despite this, some opportunities exist in segments that are under-served by regional consultants.

Although development consulting is over-supplied, the opportunity in this area is significant. Multi-lateral and bilateral donor agencies spend large amounts of money in the region on multi-disciplinary technical assistance that demands a wide range of expertise. The opportunities in this area and methods for realising them will be addressed in greater detail below.

The “other” category does warrant some explanation. Firms were given an option of selecting “other” as a segment and were asked to specify the practice area. This returned a very broad range of responses that did not result in a discernable pattern because of a very high degree of specificity. Market survey respondents were given the same option when indicating procurement areas and the results were similarly varied. On balance, the range of responses from firms was more extensive than what the market reported, so the fact that this category is over-supplied by 14.8% seems to be borne out by the diversity of practice areas and services on the supply side of the industry. The wide ranging responses in the “other” segment also suggests that the Caribbean has a large number of firms, even those with only a few professional staff, that are providing an extensive range of services. The response levels to the nominated practice areas further support this conclusion as 27.2% of respondents reported working in 6 or more segments. The fact that there are a number of “general practitioners” in the region is an important one and the implications of this will be addressed later in the Strategy.

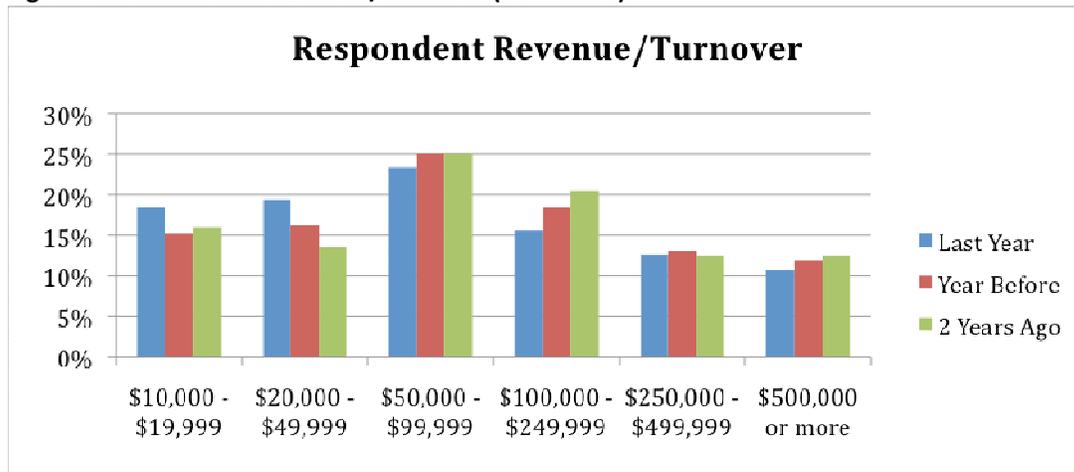
4.3 Performance and Profitability

4.3.1 Revenue

Having gotten a sense of the structure of the industry and areas of concentration, the analysis now turns to a consideration of how Caribbean consulting firms are performing. The fact that the work is of high quality has already been established from the market survey results, so this section of the report will focus on performance in a business sense.

Firms were asked to provide their annual revenue/turnover for the past three years in the survey and the figure below shows which percentage of respondents fell into a particular financial range in each year. Prior to discussing the results, it is important to note that total revenue is not an accurate measure of profitability as it does not give an indication of productivity. In consulting, which is a business based on selling staff or associate time, a better measure of productivity for a firm is revenue per employee. A productivity analysis will follow the examination of total revenue, which, despite its limitations, can still provide some useful insights into industry performance.

Figure 13: Annual Firm Revenue/Turnover (US Dollars)



The percentage of respondents at the lower end of the scale in revenue terms has increased in recent years. The percentage of firms earning from US\$10,000 – US\$19,999 fell from 15.9% 3 years ago to 15.2% 2 years ago, but rose to 18.4% in the last financial year. 13.6% earned US\$20,000 - US\$49,999 3 years ago, 16.3% 2 years ago and 19.4% last year. The pattern stops in the US\$50,000 - US\$99,999 bracket where the numbers went from 25.0% 3 years ago, stayed at that level the following year before decreasing to 23.3% last year.

Conversely, there has been a dip in the number of firms earning at the high end of the revenue spectrum in recent years. 12.5% earned US\$500,000 or more 3 years ago, 12.0% 2 years ago and 10.7% last year. In the US\$250,000 - US\$499,999 bracket, the pattern is more consistent with 12.5% falling in this range 3 years ago, 13.0% the year after that and 12.6% last year. The next revenue range, US\$100,000 - US\$249,999 repeats the decline seen in the top bracket as the percentage of firms with these revenue figures dropped from 20.5% 3 years ago to 18.5% the year after and then to 15.5% last year.

There are many factors that could have affected the earnings of firms, both at the high and low end of the spectrum, which makes causality difficult to establish. So when interpreting the results the difficulty of attribution should be kept in mind. Despite this limitation, the increase in firms earning

lower revenues can be at least partially attributed to new entrants in the industry. Management consulting is an industry that has seen sharp growth in recent years, and is also one with very few barriers to entry. The earning potential and relatively minimal entry costs mean that many individuals can identify themselves as management consultants with ease. This may account for the fact that some of the survey respondents are new entrants to the market. 10.6% of respondents only provided revenue for the last financial year, which suggests that they have only recently commenced operations.³ These new entrants account for some of the increase in those earning lower revenues.

Accounting for the drop in those earning higher revenues is more difficult to explain based on the survey results. It is likely that mature, larger firms are operating in these revenue brackets, firms that are better established in their market position and client base. Therefore, the fact that a smaller percentage are earning high revenues suggests that there has been a downturn in spending or a consolidation of market share by a smaller number of firms, resulting in a fewer firms earning greater revenues. Consulting spending is often linked to economic performance and the timing of the survey, particularly on this issue which deals with results from previous years, does not coincide with decreased economic performance in the region. Erosion of market share could be due to extra-regional consultants winning larger amounts of business, or a smaller group of regional firms doing the same. Another possibility is that the entrance of new firms into the market has taken market share from the more established players. However, given that consulting procurement is heavily based on previous experience and an established track record, this possibility does not seem likely, particularly in terms of accounting for the degree to which the percentages have dropped. Whatever the cause, the trend is downward in the higher revenue brackets.

4.3.2 Profitability

As mentioned above, revenue is not an indication of profitability. In consulting, productivity is the critical indicator of profitability, and productivity can be measured by revenue per employee. The table below calculates revenue per employee for the 1-4 staff member group in the last financial year. The analysis focuses on this group as small operations are the primary constituents in the regional consulting industry, since they account for 68.4% of respondents. Carrying out the analysis across all respondents would not be useful because the higher average staff numbers would grossly distort the revenue per employee figures since the revenue brackets and midpoint values would be constant.

The first 2 columns break out the survey revenue brackets and the percentage of respondents in the 1-4 employee group falling into each. The third column assigns a midpoint revenue figure to approximate average revenue for each bracket, with the exception of the US\$500,000+ category, which no respondents fell into. The last column divides this midpoint figure by the average number of professional staff in the group (1.36)⁴ to arrive at revenue per employee.

³ During data collection, some survey respondents directly indicated that they only provided figures for one year because they have only recently commenced operations. However, not all of the respondents falling into the 10.6% group confirmed that this was the case. As a result, it is possible that some of them simply did not complete the survey fully.

⁴ The figures in the table are taken from the detailed data analysis and make use of the unrounded value for average number of professional staff to arrive at the final calculation of revenue per employee. Attempts to use the rounded figure of 1.36 professional staff to arrive at the revenue per employee values will result in slight discrepancies from the numbers in the table.

Table 4: Productivity in 1-4 Employee Group

Profitability in 1-4 Employee Group (average of 1.36 professional staff)			
Revenue Bracket	% in Revenue Bracket	Midpoint	Revenue per Employee
\$10,000 - \$19,999	24.7%	\$15,000	\$11,000
\$20,000 - \$49,999	23.3%	\$35,000	\$25,667
\$50,000 - \$99,999	24.7%	\$75,000	\$55,000
\$100,000 - \$249,999	17.8%	\$175,000	\$128,333
\$250,000 - \$499,999	9.6%	\$375,000	\$275,000
\$500,000 or more	0%	-	-

In assessing productivity as it relates to profitability, it is helpful to set some benchmarks. As a minimum, productivity, as measured by revenue per employee, should be around 2 times staff salary to ensure that payroll and additional costs such as overhead and investment of staff time in non-billable activities such as marketing can be covered. Tripling salary levels would ensure a good level of profitability, while revenue per employee (RPE) that is 4 times salary levels would make for a very profitable consulting firm.

The survey did not collect data on salary levels but feedback gathered during the symposium in The Bahamas indicated that even a mid-level consultant with at least 5 years of experience would earn upwards of US\$40,000 annually. Therefore, the minimum RPE that is desirable is US\$80,000. What is immediately obvious from the table is that not many firms in the 1-4 employee group are meeting that standard. 72.7% of the group have a RPE of US\$55,000 or lower, well below the minimum standard for productivity. In fact, 48% of the group have a RPE of US\$25,667 or lower, which is also well below an average salary for a moderately experienced consultant.

However, there are a number of firms in this group that are productive and profitable. 27.4% earn US\$128,333 or more, meeting the triple salary benchmark. And a small number, 9.6%, earn well beyond even the four times salary level with an RPE of US\$275,000. There is a clear division in this group between the majority of enterprises which are struggling to be profitable or even viable and the minority that have proven to be profitable or extremely profitable.

For discussion purposes, we will term the struggling majority of firms in the 1-4 employee group as Group 1 and the more profitable minority Group 2. Group 1 most probably has a more diverse composition than Group 2, as the high levels of profitability among the latter group would suggest firms that are mature and well established in their market niches and with clients. Group 1 is likely composed of a number of firms in slightly varied circumstances. The fact that there are a number of recent entrants into the consulting market has been discussed above and many new firms would fall into Group 1. Firms that may have been in existence for some time, but have not managed to carve out a strong market position and thus earn high revenues also fall into this group. There could be a number of reasons for this lack of progress, including a general lack of expertise, a lack of marketing resources and a lack of clarity in defining a service offering. The final reason picks up on the point made above regarding the existence of “general practitioners” in the industry.

27.2% of all respondents practice in 6 or more consulting segments and while this in itself is not a problem for larger operations, it can pose a challenge for smaller outfits. Consulting is a specialised business and the importance of previous experience to the market and in procurement has been demonstrated. For a small business to be competitive in this industry, it is important that their service offering be clearly defined and that they have expertise and experience in their offering, which is matched against client needs. A microenterprise offering a variety of consulting services is

admittedly casting a broad net, but is also diluting the potency of their service offering. It will be difficult for such an enterprise to compete on the basis of expertise with firms that have an expert or practice dedicated to a particular consulting segment. And the result of trying to do so will be lost revenues.

Of the 27.2% of total respondents with broad practice, 54.8% are firms with 1-4 employees. So a number of small operations are attempting to cast that broad net. It is these firms that are the “general practitioners” and the lack of a clearly defined service offering is one of the reasons they are likely in Group 1 as well.

Finally, the survey returned some odd results in terms of revenue in relation to fee rates. These respondents, due to their revenue figures and small size, also fall into Group 1, most likely into the struggling firm category. A number of them, based on their low revenue and high fee rate figures, were seemingly only billing for a few weeks each year. This raises several possibilities for explanations. The first is that respondents did not correctly understand revenue/turnover and perhaps thought the survey was asking for profit. If that is the case it is possible that respondents simply made an error or they did not know what was meant by revenue. The first case would be problematic from a survey perspective but is not a cause for alarm. The second case is very much a cause for concern as it means that a number of management consultants defining themselves as such and carrying on practice do not have an understanding of very basic business accounting. This is a worrying possibility and such operations, by virtue of their low revenue figures, would certainly be characterised by a lack of expertise. This demonstrates that some Group 1 firms have a pressing need for professional education to ensure a good standard of practice.

Another possible explanation for the low billable levels is that the consultants concerned choose to only work a few days per year and are in essence carrying on a consultancy practice as a moonlight operation. Such individuals provide far less cause for concern than the second case discussed above and would not necessarily be in the struggling category as the financial results are a product of choice rather than inability.

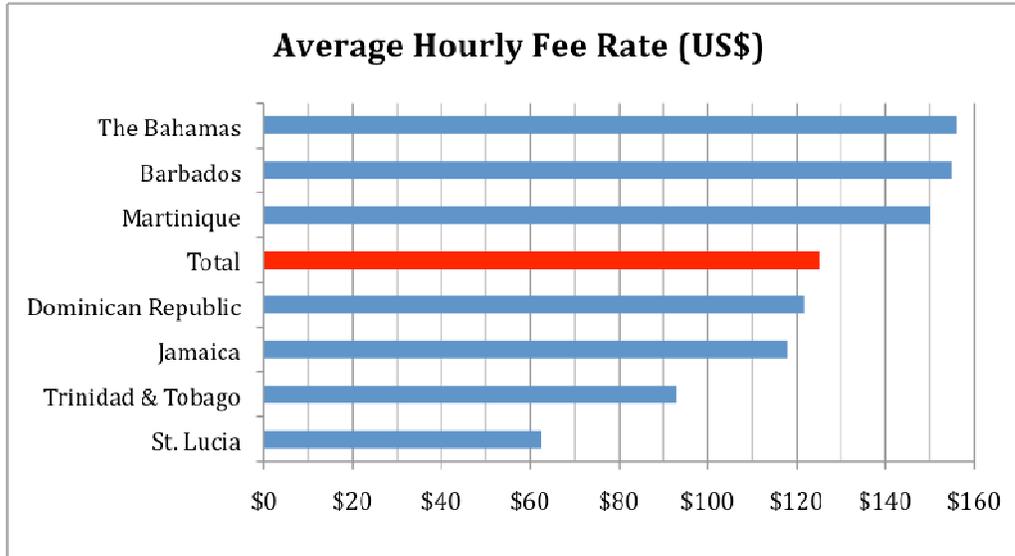
A final possibility is that the firms have simply not yet been able to increase their number of billable days, either because they are new or because they have not been able to capture much of the market but still maintain high fee rates. These operations could benefit from some business support services as they attempt to grow.

In fact both Group 1 and Group 2 firms could benefit from advisory services but it is important to clearly understand their position in the market by conducting this analysis. With the understanding gained from the survey, tailored support can be designed that will meet the needs of each group and recommendations for implementing this support will be outlined below.

4.4 Fee Rates

As would be expected, the survey data on fee rates vary widely from country to country, firm to firm and practice area to practice area. Additionally, some respondents provided a range of rates based on several levels of staff seniority or type of assignment. To ensure comparability, it was necessary to harmonise the data. In some cases, this was done by taking a midpoint figure where a range of fee rates was provided to approximate the average for each respondent. Where rates were linked to various staff levels or assignment type, the median value was used. As a result, the fee rates used for analysis are largely indicative of what a mid-level consultant would be charged at on a mid-level assignment. When daily rates were given, they were divided by 8 to establish an hourly rate. The resulting information is shown in the figure below with the red bar providing the regional average.

Figure 14: Average Fee Rates by Country (US\$)



With fee rates of US\$156, US\$154.93 and US\$150.18 per hour respectively, The Bahamas, Barbados and Martinique are all well ahead of the US\$124.99 regional average and the next closest country, the Dominican Republic, at US\$121.74. Given the higher cost base of The Bahamas and Barbados, as well as the presence of active financial sectors and mature consultancies serving that industry, this result is not surprising. Financial sector consultancy typically commands higher fee rates than services to other industries and this is likely one of the reasons why these two countries are well above the regional average. In Martinique, firms typically reported stronger revenues than in other countries, with only 1 of the 12 respondents who disclosed revenue information (all of which fell into the 1-4 employee group) reporting turnover below US\$50,000 in the last financial year. Therefore it seems that these firms are generally well established and this may account for their above regional average fee rates.

St. Lucia presents the opposite case and with an average fee rate of US\$62.55 is substantially below both the regional average and the next nearest country, Trinidad & Tobago. Again this is not a surprising result as the smaller size of the private sector in that country means that there would be fewer firms with large consulting budgets than in the other nations. Smaller budgets and a lower cost base combine to produce lower fee rates and in this regard, St. Lucia is the most competitive country in the survey.

The three large economies in the region are clustered in the middle, with both the Dominican Republic (US\$121.74) and Jamaica (US\$117.93) falling near the regional average of US\$121.48. Trinidad & Tobago is more competitive in fee rate terms with an average of US\$92.88 per hour. Although each of these economies is larger than those of The Bahamas or Barbados, we know that they have a lower cost base, particularly in terms of wages, which accounts for the survey results. Within this middle group though, there are a few unexpected results. The main surprise is that the Dominican Republic, widely regarded to have low wages rates by regional standards, has higher fee rates than both Jamaica and Trinidad & Tobago. The country's well-established call centre industry is built upon this cost of labour advantage, but it does not appear that this advantage extends into

the consulting industry. The extent of Trinidad & Tobago’s cost advantage over the two other countries is also somewhat surprising, particularly given the country’s oil and gas industry which can bear higher professional service costs.

So, barring a few minor surprises, the fee rate results are generally in line with expectations based on the relative costs of the countries in the survey. Since we know what levels of productivity are required for firms to be profitable, we can use these fee rates to establish what sort of consulting salaries are possible while firms remain profitable.

Table 5: Fee Rate Extrapolations (US\$)

Country	Hourly Fee Rate	Daily Fee Rate	Potential Yearly Earnings (or RPE)	Potential Mid-level Consultant Salary
The Bahamas	\$156.00	\$1,248.00	\$192,192.00	\$64,064.00
Barbados	\$154.93	\$1,239.44	\$190,873.76	\$63,624.59
Martinique	\$150.18	\$1,201.44	\$185,021.76	\$61,673.92
Dominican Republic	\$121.74	\$973.92	\$149,983.68	\$49,994.56
Average	\$124.99	\$999.92	\$153,987.68	\$51,329.23
Jamaica	\$117.93	\$943.44	\$145,289.76	\$48,429.92
Trinidad & Tobago	\$92.88	\$743.04	\$114,428.16	\$38,142.72
St. Lucia	\$62.55	\$500.40	\$77,061.60	\$25,687.20

The table above begins with the hourly fee rate for each country and then multiplies by 8 to arrive at a daily figure. In development consulting in the UK, the accepted number of billable days in a year is 220, which allows for weekends, public holidays and annual leave. The fee rates approximate the charge for a mid-level consultant. To maximise profit, this role should be heavily utilised in terms of billing as management and marketing duties are more effectively performed by more senior staff. However, it is inevitable that even these positions will have to spend time dealing with administrative matters and marketing to line up future work. Additionally, there may be periods when not all staff members have billable work. Therefore is unrealistic to expect that even a mid-level consultant will bill 220 days in a year. To calculate potential yearly earnings for each country at the individual fee rates gleaned from the survey, we have estimated that utilisation should be around 70%, which translates to 154 billable days per year. Multiplying this figure by the daily fee rate gives us the potential yearly earnings, or revenue per employee, at the fee rates specified for each country. Again, a RPE figure that is three times employee salary is a benchmark for ensuring that a firm is profitable. So if we divide the RPE figure for each country by three, we derive the average salary that a firm in each country can pay a mid-level consultant while remaining profitable. This information is intended to demonstrate how fee rates and salaries should be linked in order to determine billable targets. If we accept these fee rates as indicative of what firms are actually charging on average, then the reality is that very few firms in the 1-4 employee group are even close to 70% utilisation rates as actual RPE figures are well off the pace above. There could be many reasons for low utilisation rates, but one possibility is that fee rates are too high, with some consultants pricing themselves out of the market. Although cost competitiveness is not the most important factor the market considers when selecting consultants, it does remain a factor. Low utilisation also explains why the salary figure for a mid-level consultant provided by attendees at the May Symposium in The Bahamas was over US\$20,000 lower than what the average fee rates for the country imply the salary could be. These results also suggest that many firms in the region have not gone through this type of process and analysis to determine fee rates, salaries and utilisation targets, suggesting a need for support in this area.

4.5 Business Development Investments

A necessary component of any industrial development strategy is what types of business support services are required and how they should be implemented. To roll out effective support services, it is important to begin with an understanding of what sort of investment firms have made to develop their own businesses. This will avoid duplication and provide an understanding of what is needed. To gather this information, the survey asked respondents the following three questions, the results of which are shown in the following three figures:

- Does your organization employ professionally-qualified marketing personnel?
- Does your organization employ professionally-trained business managers?
- Has your organization invested in upgrading business management systems in the past 3 years?

Figure 15: Use of Marketing Personnel



This question received the fewest positive responses of the three. At 65.1%, a fairly significant majority of consulting firms do not make use of trained marketing personnel, which is likely a reflection of the high proportion of small operations in the region. The difficulty with employing a marketing professional, even one who may provide fee earning services as a consultant, is that part, if not all, of their role will involve business development, which is not fee earning. For any firm, but particularly small firms, this represents an additional overhead cost that is difficult to bear when revenue may not be that high. However, effective marketing, which means much more than simple promotion, is critical to expanding the business and earning greater revenues.

It is important here to note what type of marketing is effective in the consulting context. Results from the market survey have demonstrated that purchasers regard direct selling of services by consultants as the least important method of procurement among those included in the survey, while repeat work and referrals were deemed most important. The implication is that direct marketing of consulting services to potential clients is not likely to be an effective means of increasing business. Feedback from the market also demonstrates that good quality work is an effective marketing tool and that consulting is a reputation-driven business that is largely based on meeting clients' expectations.

Therefore, what is required is for marketing staff to align their approach with the signals from the market. While performing good work and thus developing a reputation is contingent upon first

winning an assignment, there are a number of ways that marketing can be used to increase this possibility. By focusing efforts on strategic and opportunistic development, marketing can be a useful tool in the consulting context. On the strategic development side, determining emerging and growing areas of consulting work and forming alliances with firms and individuals working in these areas can be a good way for firms to position themselves. On the opportunistic front, identifying a wider range of opportunities that fall within a firm's current range of expertise can increase the likelihood of winning consulting work. Awareness of publicly tendered work is a particularly relevant example. What becomes apparent is that market intelligence is an important component of the marketing function in both these areas and it is this type of work that marketing personnel should be focused on, rather than selling a firm's services to clients.

However, marketing of this kind can be difficult for a small business to do properly because of a lack of expertise and the simple fact that the majority of staff time is dedicated to delivering on assignments. So this sets up a vicious circle wherein revenues cannot increase because marketing resources are lacking and resources cannot be devoted to marketing because of bottom-line concerns. Breaking free of this circle presents a major challenge for individual firms and much of the regional consulting industry will require business support services to escape this trap.

A potential solution at the individual level is to seek financing to allow for investment into marketing. However, uncertain and likely modest returns mean that venture capital or other forms of third party finance are not viable possibilities. Debt finance poses a different set of difficulties, and is also likely to be challenging for small professional services firms. High interest rates are common in the Caribbean and mean that debt servicing can be a substantial cost. Proper business development can have a significant gestation period before marketing efforts begin to pay off in terms of additional business, so the cost of debt servicing over the intervening time can be prohibitive. For consulting firms, meeting securitisation requirements is also a challenge as land and equipment for collateral are usually very limited. So financing will not be a viable option for many of the consulting firms in the region and indeed many firms responding to the survey have identified lack of financing as a constraint to expansion.

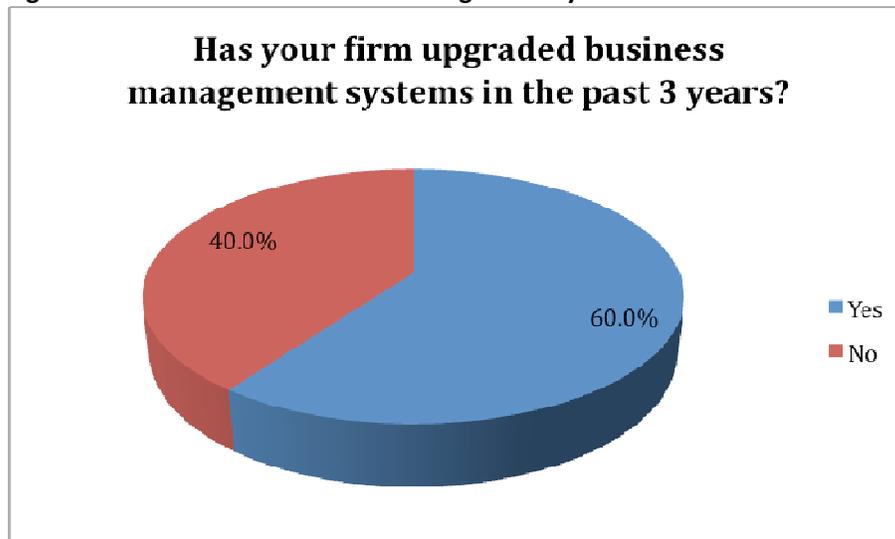
A better alternative would be to provide centralised marketing support, mainly in the form of market intelligence and information resources, to firms that cannot afford to carry trained marketing personnel. How this function can be carried out will be outlined further below.

Figure 16: Use of Professional Business Managers



The results on this question are more evenly divided, with 49.5% of respondents making use of professional business managers. While such individuals can certainly have responsibility for business development, they will also be dealing with internal processes and systems. A good business manager can improve a firm's efficiency and minimise staff time that is spent on administrative matters, thus freeing up days for fee-based work. The challenge for firms with a low revenue base is that they cannot often afford to hire someone who may not be focusing primarily on fee earning. So they are again caught in a vicious circle that does not allow them to benefit from best practice and well-directed expertise to harness efficiency gains. And there is a clear need for internal process reform since the survey data have shown that some firms could benefit from advisory services in setting fee rates and utilisation targets. This situation also suggests that centralised business support services could help to avoid the necessity of individual firms taking on additional staff and the attendant overhead costs, which may end up constraining growth.

Figure 17: Investment in Business Management Systems



While investment in staff that will be at least partially non-billable was not an option for most of the firms in the survey, investment in systems seems to be regarded as more viable. There may be a variety of reasons for this, but the fact that investment in such systems can be treated as a business expense may be one of them. Another possibility is that investment in management systems will continue to provide benefits over time. While investment in management or marketing staff would also do the same, those are ongoing costs, while systems are largely a one-off. Additionally, in the case of a 1 or 2 person firm that cannot afford to increase staff, they can gain some of potential benefits from staffing increases by investing in systems. Finally, in the case of technological systems, there is a need to remain abreast of clients' advances to be able to provide advice on their operations and to ensure compatibility.

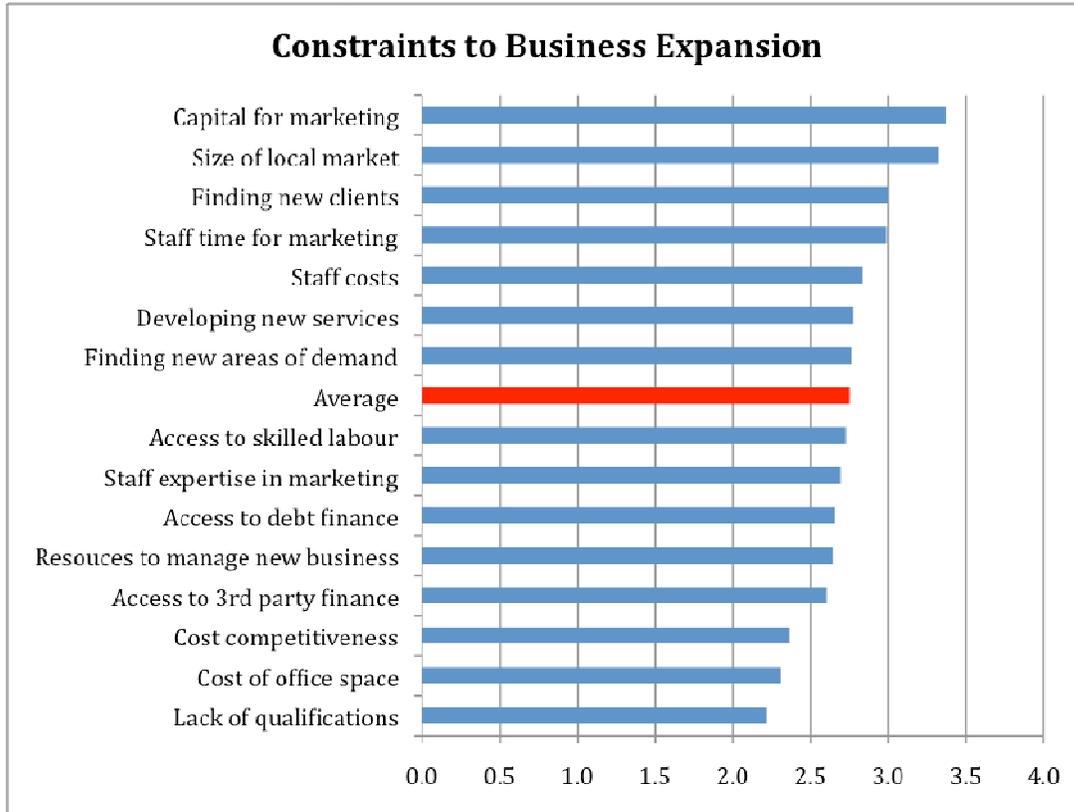
Those that have not made such investments could stand to gain from information on best practices in systems investment to determine what is suitable and beneficial for their operations. How this role can be filled and actions that can be taken will also be discussed below.

4.6 Constraints

Analysing financial, productivity and staffing numbers to identify business level challenges can be useful, but it is also important to take the views of the industry into account. The survey asked

consultants to identify the degree to which a number of factors operate as constraints to business expansion. Respondents assigned a score of 1 to 5 to each factor, where 1 indicated the lowest level of constraint and 5 the highest. The results are displayed in Figure 18. In addition to the prescribed responses, an “other” category was included in this question to allow for a range of responses. 8 responses were received, only 4 of which were rated. As a result, the other category has been excluded from the chart.

Figure 18: Factors Constraining Business Expansion



There is not a great deal of variation in the results, which suggests that all of these 15 factors do impact businesses in some way. The red bar denotes the overall average score given to all the factors (2.75) and provides a useful means of quickly assessing which fell furthest above and below the norm.

The three lowest scoring factors suggest two things. First, that qualifications are not an issue for consultants in pursuing additional business. It is common ground that the Caribbean has many well-educated individuals, so this result is not surprising. The other two factors both deal with cost, one with cost competitiveness in the marketplace, the other with overhead costs (which would likely be passed on to clients through adjusted fee rates anyway). This result implies that regional consultants are not losing business because they are expensive, or at least that they do not feel they are. It also confirms the market side result that cost competitiveness is not as important as other factors in consultant selection.

At the top end of the scale, marketing features prominently. The highest rated constraint was capital for marketing at 3.37, closely followed by size of the local market at 3.32. Closely vying for third at 3.00 and 2.99 were finding new clients and staff time for marketing, respectively. This shows that consultants face a challenge in growing their businesses locally because the size of the local

market is limited. This makes marketing vitally important. However, resources in terms of staff time and capital for marketing are limited, and so finding new clients is a challenge. These results confirm the market side results showing that spending on regional consultants outside of their home country is limited. This reinforces the need to support firms in their marketing efforts so that they can effectively participate in a regional marketplace and use that as a springboard to tap into what is a global industry.

5 Gaps and Opportunities

Globally, management consulting is an industry with very little regulation and often very little intervention on either the supply or demand sides of the market. The Caribbean is no exception and as a result, market forces have shaped the structure of the regional industry. Unsurprisingly, this has created opportunities for some and challenges for others. In recent years, however, there has been a trend towards greater scrutiny of the industry along with demand for standards, certification and licensing. This push does create possibilities for reform but in order to determine how to take advantage of these possibilities, it is important to begin by examining the factors constraining the industry.

The survey data do point to some weaknesses on both sides of the industry that have led to limited opportunities for a large number of consultants in the region. By identifying how the supply and demand sides of the industry align to create such challenges, potential solutions can be found. It is important to develop a cohesive picture rather than designing interventions that treat the supply and demand sides separately. The framework below briefly summarises the difficulties on both sides of the industry, how they combine to create barriers, what can be done to improve opportunities and how action can be implemented. A more detailed discussion of the framework for action follows the summary.

1. On the demand side, there is a two-tiered market for management consulting with a weak middle that prevents a large number of firms from moving up the consulting value chain. This results in a bottleneck for firms at the lower, in value terms, end of the market.
2. The supply side of the industry is dominated by small firms of varying expertise. A minority of these firms are successful consulting practices whereas the vast majority struggle to be profitable. The majority has a diversified population, and the variety of expertise and circumstances of firms within this group and from the majority to the minority mean that similarly varied support services will be required to provide effective business assistance to consulting firms. However, the unifying factor among the majority is low revenues and therefore low profits. This majority subsist at the bottom tier of the two-tiered market and this exacerbates the bottleneck problem because of the number of firms trying to progress to the next limited level.
3. Removing the bottleneck and facilitating graduation from small scale or subsistence consulting will require the following action on the demand side and the supply side of the market:
 - Demand side: Development of the MSME market for strategy consulting. This will widen the bottleneck to facilitate the passage of firms up the value chain.
 - Supply side: Development of business support services that reflect the varied needs of regional consulting firms. This will equip firms with the tools they need to climb the value chain themselves.
4. To bridge the supply demand gaps and open up opportunities, a central organisation will need to take the lead in coordinating and implementing action.

5.1 A Framework for Action

1. **A two-tiered market for management consulting with a weak middle.**

The data have shown that 12.9% of the market in terms of number of clients account for 62.3% of market share by value. These are the big spenders, with annual consulting budgets over US\$500,000. The next level by spending value (US\$250,000 - US\$499,999) accounts for 8.2% of numbers and 14.9% of market share. If we add the top two spending levels together, then we see that 21.1% of consulting clients in the region account for 77.2% of expenditure, roughly following Pareto's Rule.

At the opposite end of the scale, 50.5% of clients spend under US\$50,000 on consulting annually and represent 5.4% of market share. 12.9% of clients fall into the US\$50,000 - US\$99,999 spending level, accounting for 4.7% of market share in value terms. Taking this all together, we see that a significant majority of clients, 63.4%, spend under US\$100,000 on consulting and account for a 10.1% share of the market. So the market is two-tiered in the sense that there is a top level that dominates in value terms and a low level that dominates in terms of client numbers.

And in between the top and bottom is a weak middle. As discussed previously, the two spending brackets above the bottom of the market (the US\$100,000 threshold) together account for 27.8% of market share and 23.5% of clients. However, both these brackets are not equally accessible for those consultants serving the 63.4% of clients spending under US\$100,000 each year. While reaching the US\$100,000 to US\$249,999 bracket may be feasible, tapping into those spending US\$250,000 to US\$499,999 is a more remote possibility as scale and reputational considerations of clients at this level may preclude firms serving smaller clients from winning business. What this means is that firms must first move into the US\$100,000 to US\$249,000 level, effectively creating a bottleneck at that spending bracket.

2. A consulting industry dominated by small firms of varying expertise.

Small firms dominate the regional consulting industry and 68.4% of respondents have from 1-4 employees. If the 5-9 employee range is grouped with these operations, then 84.2% of firms have 9 or fewer staff members. Only 5.3% of firms have more than 50 personnel on staff.

Even by regional standards, there are a high number of extremely small operations in this industry. Among the 68.4% falling into the 1-4 employee group, the average number of professional staff is 1.36, with 83.3% of the group employing 2 or fewer professional staff. Factoring in firms of all sizes, the responses indicate that 60.2% of the consulting industry is made up of 1 or 2 professional person operations. Significantly, 43.4% of all respondents only have one professional staff member.

Most of these small firms are struggling to be profitable. Productivity is a key indicator of profitability in consulting and can be measured by revenue per employee. To be profitable, productivity, or RPE, should be triple salary levels. Again, if we assume that a salary of US\$40,000 or greater is suitable for a consultant with roughly 5 years of experience,⁵ then for a firm to be profitable, RPE should be US\$120,000 or greater. 27.4% of firms in the 1-4 employee group, representing nearly 18.7% of total respondents, meet or exceed this standard. The less profitable firms can be categorised as Group 1 in this discussion to distinguish them from these more profitable firms, or Group 2. Group 2 firms are likely to be mature and well established in their market niches

⁵ The discussion on fee rates in Section 4.4 did indicate that the potential average salary for a mid-level consultant across the region was US\$51,329.23. However, the actual revenue figures that most firms across the region are reporting would not bear such a salary. If we accept the average fee rate as correct, then this implies that actual utilisation rates are well below the 70% standard used to calculate RPE and from that, the potential regional salary level. Therefore, it would seem more realistic to use the US\$40,000 salary figure to set profitability benchmarks rather than the potential average salary figure.

and with clients. They will have demonstrated expertise and a clearly defined service offering, but as with nearly all small firms, they may struggle with resources for marketing.

Performance in Group 1 is well off the Group 2 pace. 72.7% of the 1-4 employee group, 49.7% of total respondents, have a RPE of US\$55,000 or lower, well below the minimum standard for productivity and therefore profitability. In fact, 48.0% of the group, 32.8% of total respondents, have a RPE of US\$25,667, which is also well below the average salary for a moderately experienced consultant. These Group 1 firms are likely to be more varied in profile than their counterparts in Group 2. But while their circumstances will be diverse, it is possible to identify a few categories for the firms in Group 1, each of which could benefit from tailored support services:

- **New entrants to the market:** As discussed above, up to 10.6% of respondents could be new to the consulting industry. With low barriers to entry, and no initial need to operate in a form other than a sole proprietorship, consulting is highly accessible in the sense that nearly anyone can identify themselves as part of the profession. While some of them may have the skill set to deliver quality results, many will not. This raises quality concerns regarding the industry at large and can impair the ability of all operators, particularly small operators that do not benefit from an established brand name, to win work. New firms, even those with strong professional capability, are also likely to struggle initially in building a client base and earning sufficient revenue to meet profitability thresholds.
- **Mature but struggling firms:** A number of consulting firms may have been operating for some time, but have not yet managed to carve out a strong market position. There could be a number of reasons for this lack of progress, including:
 - A general lack of expertise/capability.
 - A lack of resources for marketing.
 - A lack of clarity in defining a service offering.

In fact, any or all of these reasons could also apply to new market entrants, but that does not have a bearing on the key point to be made here. The first two reasons are relatively straightforward, but the third one raises an important issue that requires a slightly more detailed discussion.

We have seen evidence that quality of work is a key factor in the consultant selection process and a firm that does not have expertise will not be able to compete against firms that can deliver good work. Feedback from the supply side of the industry identified marketing as a key constraint to business expansion. While marketing is a broad concept and techniques will vary by practice area, it is likely to encompass awareness of specific business opportunities, trends in the industry and the ability to effectively respond to opportunities, for instance by preparing quality proposals. These first two factors directly hinder firms as they attempt to establish themselves in the industry. The final reason suggests the possibility that a number of firms and individuals are operating as general practitioners, which warrants further discussion.

27.2% of all respondents practice in 6 or more consulting segments and while this in itself is not a problem for larger operations, it can pose a challenge for smaller outfits. Consulting is a specialised business and the importance of previous experience to the market and in procurement has been demonstrated. For a small business to be competitive in this industry, it is important that their service offering be clearly defined and that they have expertise and experience in their offering, which is matched against client needs. A

microenterprise offering a variety of consulting services is admittedly casting a broad net, but is also diluting the potency of their service offering. It will be difficult for such an enterprise to compete on the basis of expertise with firms that have an expert or practice dedicated to a particular consulting segment. Of the 27.2% of total respondents with broad practice, 54.8% are firms with 1-4 employees. So a number of small operations are attempting to cast that broad net. For many of them, the result of doing so will be lost revenues rather than greater earnings. It is these firms that are the “general practitioners” and the lack of a clearly defined service offering is one of the reasons they fall into Group 1 as well.

On a separate point, some respondents provided revenue figures and fee rates that indicate they are only billing for a few weeks each year. This demonstrates that they are either struggling to raise billables or that they do not have an understanding of what revenue is, perhaps mistaking it for profit. In the first case, this could be due to any of the reasons outlined above. The second case demonstrates that there are some consultants in the region with an alarming lack of expertise. Their existence raises serious quality concerns and shows that there is a need for professional education and methods of quality assurance so that such operators do not damage the reputation of the industry in their country and in the region.

- **Moonlight operators:** There is a third possibility for the fact that some respondents are seemingly only billing a few weeks a year. This is that the consultants concerned choose to only work a few days per year and are in essence carrying on a consultancy practice as a moonlight operation. Such individuals provide far less cause for concern than the second case discussed above and would not necessarily be in the struggling category as the financial results are a product of choice rather than inability.

The purpose of profiling these firms is to demonstrate that there is a great range of expertise levels even within Group 1 and certainly from Group 1 to 2. As such, the particular business support needs for firms in both groups are varied and the profile helps to set up an understanding of what assistance is required, which will be discussed below.

However, the main point here is how the supply side of the market lines up against the demand side and what problems, if any, are created. We have seen that there is a bottleneck in the demand side of the market at the US\$100,000 level. This problem is made worse by the throngs of consultants that operate in the lower tier of the market; 72.7% of respondents are well below the minimum standard for profitability. This large crowd trying to pass through the bottleneck makes the narrowing of the market at that point much worse. Instead of some firms moving up the value chain and creating space for new entrants at the bottom, there is a massive splitting of the lower value level of the market. This keeps firms from progressing in terms of revenue, which impacts their ability to develop further expertise and improve ongoing prospects.

Essentially what we have here is a great deal of “subsistence consulting”. As the industry develops and goes forward, support should be provided to help these firms graduate from subsistence to profitability, thereby improving individual livelihoods and creating jobs for others. In this process, certainly some firms will not survive, but providing support for those who can compete will not only improve their prospects and those of their employees, but will also facilitate the development of an industry that can underpin broader economic development in the Caribbean.

3. **Removing the bottleneck and facilitating graduation from subsistence consulting will require action on the demand side and the supply side of the market.**

i. Demand side: Development of the MSME market for strategy consulting to widen the bottleneck.

As discussed above in the findings, MSMEs tend to focus on process consulting rather than strategy consulting. Process consulting is a very important component of the industry and will remain so, but developing demand among MSMEs for strategy consulting will have a number of benefits. In taking this approach, it is also important to ensure that clients have an understanding of what a strategy consulting assignment can accomplish, what it cannot and their role in effectively implementing the strategy provided. This will help to ensure that consultants are not subjected to unrealistic expectations and that clients understand where there will be need for additional support, such as assignments that specifically address implementation.

The primary beneficiaries of developing the MSME market for strategy consulting will be the enterprises themselves, as an effective business plan can help a company to identify and successfully occupy a market niche. The other beneficiaries will be the consultants that are currently serving process-oriented clients. As many of these clients are small businesses, existing working relationships and referrals will be important to them, as the data have shown. As such, they will want to use consultants that are known entities and as their demand for strategy-based services increases, so will the opportunities for consultants serving this segment of the market, in terms of earnings and development of expertise. If MSMEs start to commission higher value strategy consulting assignments, then more of them will move into the US\$100,000 to US\$249,999 spending range, thereby filling in the weak middle of the market and widening the bottleneck.

To develop demand for strategy consulting, the reasons that MSMEs focus on process consulting will need to be addressed. To recap, these are:

- A feeling that an owner, by virtue of their intimate knowledge of the business, is better able to guide strategic development than an external consultant.
- A desire for a tangible outcome from a consulting assignment, particularly those that require a client to implement a consultant-prepared plan.
- Price sensitivity.

While it is true that a small business owner will have an in-depth operational knowledge that a consultant would be hard-pressed to acquire, gaining this level of understanding is not critical to developing a successful strategic plan. In a small business setting, a consultant can work closely with the key figures behind the operation to ensure that diagnostic conclusions and strategic recommendations are tested against the existing knowledge base on an ongoing basis during the consulting assignment. This will help to minimise the time and cost to the client that would be required in order for a consultant to gain management-level knowledge of the business. Additionally, this will allow the consultant to focus efforts on market research and competitor analysis, critical aspects of strategic business development that an owner, for all their internal knowledge, may not have the time to conduct themselves. Many small businesses are so occupied with meeting the bottom line that they do not have resources to spare to gather market intelligence and prepare strategic plans. A good consultant will have some existing knowledge of the client's marketplace and the skills to quickly acquire any further information necessary to guide the business in its competitive positioning. This is what makes a consultant better positioned than an owner to guide strategic business development.

Small businesses, even those with a viable product or service, often face a challenge in establishing market position. If the role of strategy consulting in overcoming this challenge can be demonstrated, then a client is more likely to perceive that there is a tangible outcome from these

types of consulting engagements. If the role of the consultant in facilitating the development of a business, by drawing on internal knowledge of the business and matching that against market factors, can also be demonstrated, then the perception that a consultant “did nothing” can be combated.

Finally, concerns about price will have to be addressed through the development of suitable price structures for small business strategy consulting. To develop this market, these benefits and how MSME concerns can be addressed must be clearly communicated to potential clients. It makes sense for this function to be carried out centrally, a point that is discussed in more detail below.

ii. Supply side: Development of business support services that reflect the varied needs of regional consulting firms.

The survey data have demonstrated that there is a great deal of disparity in the levels of expertise and business maturity among Caribbean management consulting firms. So while support services can help firms of all kinds to grow their business, it is important that these services be designed to cater to the varied needs of consulting firms in the region. This will help to equip firms, including those engaged in subsistence consulting, with the tools they need to climb the value chain on their own, while efforts to develop the market proceed alongside.

The 2 groups of firms outlined above provide a good illustration of the differing challenges facing new or struggling firms and mature, profitable firms. Finding resources for marketing is an issue for nearly all small businesses and is an area in which both groups could use support. However, it is important that firms first develop the requisite expertise to deliver assignments effectively. Without this capability, their ability to benefit from marketing intelligence will remain limited. Marketing support services should include:

- Market intelligence covering emerging areas of demand and information on specific opportunities.
- Formation of strategic alliances between Caribbean firms to increase scale and prospects.
- Matchmaking between regional firms and extra-regional firms looking for local partners.
- Presentation of marketing materials.
- Training in preparing quality responses to public tenders.

In addition to marketing support, the firms in Group 1 have additional needs. Many of them lack expertise and operate as general practitioners because they have not clearly defined their service offering, something that may be related to a lack of expertise in a particular area. It is important to support these firms, particularly ones that demonstrate an active commitment to improved service delivery, in dealing with these challenges for two reasons. First, to assist them as they attempt to grow their businesses and second, to avoid the fallout that could affect the industry as a consequence of poorly performed work. The second reason does warrant some further discussion.

Consulting is a reputation-driven business, and if a number of small firms are delivering low quality work, this can quickly create a negative perception in the marketplace regarding small consulting firms. Large value projects already tend to go to firms with established names as they benefit from the backing of a solid reputation, which helps combat the risk aversion that goes with large spending. Once a negative perception regarding small firms develops in the marketplace, risk aversion can lead to a flight to the safety of established names, even on lower value projects, and small firms, even the professional ones, can be pushed out. So firms that lack expertise do present a potential danger, but proper business support services can mitigate this risk and should include:

- Skills development to provide technical expertise and training in the delivery of this knowledge in a consulting context.
- Education on defining a clear market position to avoid the need to operate as a general practitioner.
- Information on how to run a consulting firm, including setting of fee rates and use of management systems and processes to ensure quality.
- Quality assurance through standards setting and granting of qualifications.

4. To bridge the supply demand gaps and open up opportunities, a central organisation will need to take the lead in coordinating and implementing action.

The final section will pick up on this framework for action and outline a set of actions to support regional consultants. However, in order for these actions to be effective, a central organisation needs to take on responsibility for coordination and implementation. The CICMC should be that organisation as it is already leading the development of the Caribbean consulting industry, with the support of Caribbean Export. And fulfilling this role will benefit the CICMC as it will move towards being a service-driven organisation that is geared around meeting the needs of its constituents, something that is key to the success of any industry association. In taking on responsibility for the strategy, there are several key functions that the CICMC will have to perform for the consulting industry. These are:

- **Foster market development:** Developing the MSME market for strategy consulting will have a number of benefits for clients and could remove the bottleneck constraining firm growth. However, to expand the market, the reasons MSMEs have not tended to use strategy consulting need to be addressed. The CICMC must communicate the benefits of strategy consulting to MSMEs in a way that shows the reservations are unfounded.
- **Provide marketing support:** Many firms face a challenge in carrying out marketing activities as resources are scarce. Centralising this function will allow many firms to benefit from a minimised investment. And if firms find the services provided valuable, they will be more likely to be willing to pay for them, either as part of membership dues or on a separate fee basis for specific services. Marketing support will include providing market intelligence, facilitation of alliances and business linkages and training in marketing techniques such as responding to public tenders.
- **Act as a professional resource:** The CICMC is already providing mentoring and training, and the varying expertise of firms suggests a need to expand this function. There is a need for skills training to develop technical expertise, consulting skills training, education on market positioning and training in consulting firm management.
- **Provide quality assurance:** There are many practitioners in the industry with varied levels of knowledge and skill. To assure the market of quality in service, some sort of standard needs to be rolled out. The CMC designation is that standard and by ensuring that the qualification is only conferred upon quality practitioners, the CICMC can improve the prospects of consultants with clients that can be risk adverse.

All of the preceding analysis demonstrates that action is required to facilitate the development of the regional management consulting industry. Without some sort of intervention, the difficulties that have held back a number of local firms will continue to do so. But with suitably directed action, new and struggling firms can graduate from subsistence consulting, established firms can move further up the value chain and a new set of opportunities can be created for people throughout the

region. The final section sets out the tasks that need to be carried out to meet this goal and how they can be implemented effectively.

6 Action Plan

Successful implementation of any industrial development strategy depends critically upon support from stakeholders for its overall aims. Fortunately, both the public and private sector in the Caribbean already recognise the potential of management consulting to contribute to regional development. And the ongoing efforts of the CICMC have built upon this awareness to generate a groundswell of support for development of the industry. Importantly, there is also a recognition that management consultants face a challenge in realising the opportunity before them, and require support to overcome this challenge.

What this means is that an appetite for intervention exists and the CICMC has successfully established itself as the regional body leading efforts to assist management consultants. As a result, this Strategy fills a need and instead of having to generate momentum for implementation, as many such documents do, it can capitalise on the existing buy-in to achieve its aims. So the Strategy is set against a favourable backdrop which means that the potential for achieving real progress exists.

6.1 Resource Considerations and Oversight

Despite the support for efforts to develop the management consulting industry, there are a number of practical challenges to successful implementation. Chief among them is that the CICMC is vastly under resourced. However, it has already advanced itself sufficiently in the regional consciousness as the leading industry association representing management consultants that it is, despite resource constraints, the organisation that is best positioned to take the Strategy forward. The investment made to date, both by the CICMC and Caribbean Export, in achieving that position far outweighs the funding required to properly equip it to implement the recommendations below.

The CICMC may be able to secure some EU funding to support it as it implements this Strategy. However, its ultimate goal should be financial self-sufficiency on the basis of membership dues, separate fee-based services and revenue from granting of qualifications. How the recommendations in this Strategy and the attendant resource requirements can be matched up against available resources is discussed below.

As a starting point, some discussion of the current structure and function of the CICMC is warranted. Its primary drive over the past few years has been to increase awareness of its existence across the region, to increase membership and to encourage management consultants to pursue the CMC designation. Through the November conference in Barbados and the May conference in The Bahamas, along with ongoing efforts outside these events, it has been successful in these aims. At the same time, it has been providing a number of valuable member services such as mentoring to consultants not ready to apply for the CMC qualification. Some of these services even include some of the actions recommended below. However, much of this has been undertaken in a responsive manner, reacting to member needs as they come up. While this approach is a useful one as an organisation finds its feet and attempts to generate support, the CICMC is now very much established and should begin to formalise its suite of member services to stand alongside its already formalised qualification granting function. Therefore, the recommendations made below may overlap with existing services, but are set out here to ensure that a comprehensive structure for implementation forms part of this Strategy.

The specific activities required under individual actions are set out below, but in addition to the resources needed for these activities, the CICMC will need to hire an individual to take charge of implementing this Strategy under the guidance of the President. This is likely to be a full-time position that will require the services of a seasoned consultant (15+ years of experience) with a good

network of regional contacts. Attracting a suitably qualified individual will mean offering an annual salary in the region of US\$60,000. The CICMC has worked with the support of volunteers and junior paid staff to this point, but for implementation to be successful, a dedicated role is now necessary. This individual will be responsible for implementing the measures set out below, either directly or through oversight of others, and will be subject to strategic guidance from the President of the CICMC in the execution of this Strategy Director role.

While this person will be able to directly carry out many of the specific activities set out below, the range of functions to be performed (many concurrently) mean that much of the role will involve managing junior staff, volunteers or consultants. Therefore the human resource requirements of each action set out below are in addition to the full-time post. The first duty of this individual, once appointed, should be to review the strategy, determine which activities s/he can take on and where additional assistance will be required. This should be summarised in an implementation plan presented to the CICMC President, which can then be matched up against the existing and anticipated revenue stream to determine where external support will be necessary and what sort of rates will have to be charged for fee-based services. It is anticipated that all of these activities can be rolled out within one year of the appointment of the Strategy Director and that timeline should be reflected in the implementation plan.

6.2 Actions Required

The basic problem for consulting firms, particularly small ones, is that any investment of time in non-billable activities, whether for marketing, internal process improvement or systems investment costs money because it does not earn revenue, while salary and other overhead costs remain fixed. Often the owner or principle of the firm has to deal with these issues, but as they are also the primary fee earner such matters often get pushed aside. As a result, short-term bottom line concerns end up taking precedent over activities that are necessary for business expansion over the long-term.

While individual investments in financing could lift firms out of this trap, the limited availability of both debt and third party financing means this is not a viable option. And where funds are available, usually in the form of debt finance, the high cost of loan servicing could result in high levels of business failure. Given this situation, it makes sense to centralise certain activities and provide ready-made information to firms that they can adapt to their needs, rather than having to incur the time and cost of business development from scratch. Unifying these functions under the CICMC will also help the organisation move to the next level as an industry association that provides valuable member services that can help firms move up the revenue scale and develop additional expertise. This will improve competition and service and open up job opportunities with established firms that will give new consultants a solid professional training, rather than having them enter the market on their own and dilute service quality.

The sections below outline the actions that are required on the demand and supply sides of the market to address market failures and discuss the role of the CICMC in providing quality assurance and acting as an information resource to address other challenges to growth of the management consulting industry.

6.2.1 Widening the Demand Side Bottleneck

To develop MSME demand for strategy consulting, and thereby fill in the weak middle of the market, the CICMC will need to educate potential consumers about the benefits of this type of work, the process it will follow and what outcomes to expect. Doing this effectively will mean using a mix of passive (information packages) and active (workshops, newsletters) educational resources.

It is important that these activities be sequenced in a logical order. By first compiling an information guide for prospective or potential users of strategy consulting, the CICMC will have the base material it can incorporate into the newsletter and adapt into workshop materials. This guide should address the following areas:

- The value of strategy consulting to MSMEs.
- An outline of the process of strategy consulting from a client perspective, including what to expect in terms of engagement with the consultant.
- The potential outcomes of a strategy consulting assignment, including where the consultant's responsibility ends in terms of implementation and the client's begins. This should include actual success stories that quantify the impact of consulting assignments.
- Indicative price breakdowns for various types of assignments.
- Contact details of members providing these types of services.
- Feedback forms for MSMEs to provide comments on the material and any experience of commissioning a strategy consulting assignment.

It will be important to test the guide against feedback from the market to ensure relevance prior to finalisation and publication. Once the information guide is complete, a brief note in the CICMC newsletter and on its website should invite interested parties to request more information. Both hardcopies and downloadable forms on the website should be made available. Depending on the level of interest, some packages, again in electronic and hard copy, can be circulated directly to key market participants, possibly with the assistance of other industry associations. The guides should also be made available to CICMC members to circulate to their clients. These activities should be used to gauge the level of interest in conducting regional or national workshops to stimulate market interest. If and when workshops take place, it is important that they also be used to gather ongoing feedback regarding the relevance and utility of the information guide.

As the CICMC is already providing a number of member services and because the framework for service delivery already exists, it can consider novel methods of deepening market demand. For example, in attempting to broaden the MSME market for consulting services, it could focus on dealing with business service organisations serving MSMEs. Many of them could benefit from consulting services and the effective application of such services would help to make a credible business case among the MSMEs these organisations support. These assignments should be carried out by experienced consultants, but could also be used as structured learning exercises for consultants looking to improve their competencies.

The table below summarises the actions to be taken and the anticipated resource requirements. A similar indicative table is provided for the other key areas of activity discussed below. As the CICMC is proposing to carry out the consulting assignments to support business service organisations, resource requirements in that area have been left to that organisation to determine.

Activity	Resources Required
Preparation of Strategy Consulting Users Guide.	10 person days
Market testing of Guide and editing.	15 person days
Professional editing and publication of Guide (soft and hard copy).	Dependent on volume
Advertisement of Guide in newsletter and website.	3 person days
Direct circulation of Guide to market participants.	To be determined
Organisation and delivery of Strategy Consulting User	To be determined

6.2.2 Providing Business Development Services to Consulting Firms

Efforts to broaden the consulting market should be complemented by a range of support services to consulting firms to allow them to improve their existing prospects as well as their ability to capitalise on emerging areas of market demand and thereby graduate from subsistence consulting. The industry profile has shown that management consultants in the Caribbean fall largely into 2 groups, a vast majority that are struggling to be profitable (Group 1) and a minority that have successful and profitable consulting businesses (Group 2).

The analysis has also demonstrated that a range of business development services (BDS) will be required to support the firms of varying levels of business maturity that exist in the Caribbean. Group 1 firms require a more particular set of support services but both groups could benefit from marketing support. So we can split the range of BDS services into two main categories, marketing BDS and professional BDS. It is in the second category that specific support for Group 1 firms is set out.

1. Marketing Business Development Services

There can be a tendency to think of marketing solely in terms of how firms relate to clients and identify business opportunities. While these are important aspects of marketing, the survey data have shown that direct marketing in the sense of consultants advertising themselves to clients is not an important channel by which the market hires. Instead repeat work and referrals were the two most important market selection channels. It makes sense then that marketing efforts should focus both on opportunity identification and improving the way that firms can present themselves in key marketing channels. Therefore, marketing BDS should include:

- **Opportunity identification:** This will include gathering and dissemination of market intelligence identifying specific business opportunities as well as emerging areas of market demand. As efforts will be made to foster demand for strategy consulting among MSMEs, information on strategy consulting should be made available for consulting firms currently serving the MSME market so that they can position themselves to meet emerging demand.
- **Improved positioning in key marketing channels:** Both repeat work and referrals depend upon having already won a consulting assignment and having delivered quality work. For firms that face a challenge in finding work, the CICMC can encourage the formation of strategic alliances between Caribbean firms to increase scale and prospects. This will enable them to present a more competitive offering and pursue larger assignments than they would be able to individually. The CICMC can also arrange for matchmaking between regional firms and extra-regional firms looking for local partners, perhaps by setting up a member directory on the website. Partnering with and sub-contracting to non-Caribbean firms will provide regional firms with income, experience and exposure, while outside firms will benefit from local expertise, something deemed important in feedback from the market survey. The issue of delivering quality work once selected for an assignment is addressed under professional BDS below.
- **Guidance in preparing marketing materials:** Although direct marketing is not as important as other marketing channels, it is important that firms are able to present themselves and their qualifications in a professional manner. This will be particularly important in partnering with firms from outside the region. Smaller firms could benefit from advice in preparing and presenting marketing materials, including websites.

- **Public procurement training:** Public sector clients remain an important source of business in the Caribbean, particularly due to the large influx of donor funds. Therefore training in how to respond effectively to public tenders is important.

Activity	Sub-activity	Resources Required
Opportunity identification	Selection and subscription to a public procurement monitoring service such as devex (www.devex.com).	5 person days + cost of service (dependent upon package selected)
	Regular survey (once every 2-3 years) of key market participants in 5 countries in the region (on a rotational basis). This survey should aim to determine consulting needs and spending volumes and trends by area.	160 person days <ul style="list-style-type: none"> • 10 days: Survey design and testing • 100 days (20 days/country): Administration of survey in each country • 30 days: Survey oversight • 10 days: Analysis of results • 10 days: Preparation and publication of report
	Compilation of resources on strategy consulting for consultants serving MSMEs.	10 person days
Improved positioning in marketing channels	Facilitate alliances between Caribbean firms.	20 person days/annum
	Matchmaking between extra-regional and regional firms.	20 person days/annum
	Development of member directory (including practice area and skill sets) for website.	40 person days
Assistance with marketing materials	Preparation of sample brochure (mainly structure focused, with examples of content, which firms will have to adapt individually).	15 person days
	Preparation of sample website (mainly structure focused, with examples of content, which firms will have to adapt individually).	15 person days
Procurement training	Preparation of generic EOI and proposal templates.	3 person days
	Drafting of Proposal Preparation Guide with tailored guidance on requirements of different donor and government agencies. This should involve meetings with agencies to identify requirements.	40 person days
	Workshop on proposal preparation based on Guide.	20 person days/workshop

2. Professional Business Development Services

As Group 2 firms have successfully carved out market niches and defined service offerings that allow them to be profitable, they are unlikely to need professional BDS. However, Group 1 firms do

require additional support services in areas beyond marketing. Some of the firms in this Group may struggle to be profitable because they are new entrants to the industry. With time, they may achieve profitability on their own. However, many new entrants will likely struggle to be profitable for the same reasons that have kept more mature firms in Group 1. The key reasons include a lack of resources for marketing, a lack of expertise or capability and a lack of clarity in defining a service offering. Marketing support has already been dealt with, so professional BDS should concentrate on:

- **Skills development to provide technical and consulting expertise.** It is important to understand that a successful management consultant must combine technical knowledge and skills with consulting competency. However, many of the firms operating as consultants are lacking in both areas, which dilutes the quality of local industries, thereby lowering perception of quality and harming the ability of able consultants, particularly small outfits, to win work. Part of the CMC qualification process involves an assessment of an applicant’s consulting skills and competencies, which include elements such as data gathering, data analysis, decision-making and planning, as well as an assessment of technical capability. However, many firms and individuals are not ready to apply for the CMC designation but continue to practice. So there is a need for a stopgap solution to improve their technical and consulting capabilities and thereby raise overall quality of service provision. Membership of the CICMC does require a commitment to standards, ethics and professional conduct, and so does provide a partial solution but more is required. This is a challenge as the range of skills, particularly technical knowledge, and competencies involved in management consulting is large. Acting as a comprehensive training body is outside the CICMC’s mandate, but there is a clear need among many firms for greater capability. Therefore, what is suggested is for the CICMC to provide training resources such as reading materials to interested parties. Unfortunately knowledge cannot be forced upon unwilling parties, but this activity will at least provide a stepping-stone for those not ready for the formal qualification process. Workshops on consulting skills should be planned depending on the response to the qualification process and the information resources.
- **Education on defining a clear market position** to avoid the need to operate as a general practitioner.
- **Information on how to run a consulting practice**, including setting of fee rates and the use of management systems and processes to ensure quality.

Activity	Sub-activity	Resources Required
Skills development	Compilation of advisory materials (including on website) on consulting skills development.	5 person days (the CICMC should have much of this to hand)
	Compilation of advisory materials (including on website) on technical knowledge development.	20 person days
	Workshops on consulting skills.	20 person days/workshop
Education on market positioning	Article in newsletter and website on defining a clear service offering to improve competitiveness.	5 person days
Information on consulting firm management	Article in newsletter and website on setting of fees, salaries and utilisation targets.	5 person days
	Article in newsletter and website on technological systems improvements, including software.	10 person days/annum

	Article in newsletter and website on novel consulting firm management structures and assignment delivery approaches and tools.	10 person days/annum
--	--	----------------------

6.2.3 Quality Assurance

The CICMC is already making solid progress in the region on quality assurance by administering the CMC designation and thereby introducing standards to the profession. The survey has shown that accreditation is an important method of quality assurance and professional accreditations were judged by the market to be more important than any educational qualifications as credentials in procurement. As the CICMC is successfully rolling out the CMC designation in the region, there are no additional specific quality assurance activities suggested beyond those outlined in the section above on professional BDS.

6.2.4 Communication Point

In taking on all of these functions, the CICMC will place itself squarely at the head of the regional management consulting industry. As a result, it will be very well placed to liaise between public and private sector stakeholders and relay relevant information back and forth. At times, this may involve acting as a lobby organisation to communicate the private sector’s views to the public sector as it attempts to reform the industry. It may also involve disseminating information to the private sector regarding industry developments, such as the ongoing CARICOM attempts to regulate the management consulting industry. If deemed appropriate, it could also lobby for public procurement to require the use of consultants holding the CMC designation.

Activity	Resources Required
Represent the industry as CARICOM attempts to introduce management consulting licensing requirements.	30 person days
Utilise the newsletter and the website to communicate public sector reforms to the private sector.	36 person days/annum
Organise a quarterly meeting to ascertain private sector viewpoints regarding developments in the industry.	40 person days/annum
Communicate private sector views in any relevant fora to the public sector.	To be determined

6.3 Implementation and Monitoring

It is important that the Strategy Director hired to lead on implementation of the Strategy prepares an independent implementation plan that they take ownership over. While the actions above are all contemplated on a one-year timeline (apart from those that will continue from year to year), how they will be organised and carried out should be left up to the Strategy Director. Imposing a hard schedule will not be effective as the CICMC will have to remain flexible in implementation, particularly as resources may not be available for all activities. There is a possibility then that the Strategy Director would fail to deliver against a schedule that does not provide an accurate measure of progress. So an implementation plan that uses this Strategy as its basis, with a one-year horizon, and takes account of the CICMC’s available resources should be agreed between the Strategy Director and the CICMC President. Progress and monitoring of achievements should then be measured against this plan, which can also form the basis of the Strategy Director’s performance review and inform his/her activities in year 2.

At the moment, the total estimated resource requirements to implement the Strategy are:

- Strategy Director salary: US\$60,000
- Person days: 557