

2009

M Squared Independent Consultant Survey

April 2009

An M Squared Consulting Research Report



2009

Table of Contents

Introduction	1
Sections	
I. Independent Consultant Business Practices	2-4
II. The Consulting Marketplace	5-9
III. Consultant Predictions & Emerging Trends	10-13
Conclusions	14
Appendix I - Survey Respondents	15-16
About M Squared Consulting	17

Introduction

April 2009
San Francisco, CA

In 2003 M Squared Consulting initiated its annual Independent Consultant survey. The purpose of the survey is to take the pulse of the consulting marketplace and gather firsthand insights from our Consultant Network of over 14,000 Independent Consultants. This seasoned bench of talent represents deep functional expertise across all major business verticals.

The survey allows us to tap into the collective wisdom and experience of our consultants, while getting a snapshot on the vitality of the overall market for consulting. In particular the survey uncovers the business trends of Independent Consultants and the clients they serve.

The survey was conducted in February 2009 and received a record 1,110 responses.

The overall sentiment reflects the tough economic climate and the general level of business uncertainty that exists today. There are a number of interesting insights on how Independent Consultants and client companies are surviving the downturn, and what they expect for the future. As we analyzed the data it sorted itself naturally into a three-part story; the opening of the story is how Independent Consultants are conducting business in this climate. Then, we present a client-centric view of the consulting market seen through the eyes of Independent Consultants. And finally, we close with some market predictions and a commentary on interesting trends.

In addition to presenting the hard quantitative data from the survey, for each issue discussed we have included some representative qualitative feedback provided by our survey respondents.

This is a unique view into the consulting marketplace and we are pleased to be able to share it with you. As always we remain committed to your success. Please don't hesitate to reach out if we can be of assistance with your business initiatives.

Best regards,



Alex Dodd
Chief Executive Officer
M Squared Consulting

Section I

Independent Consultant Business Practices

Billing Rates

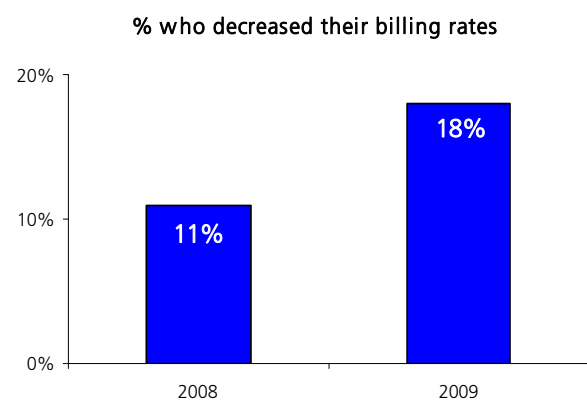
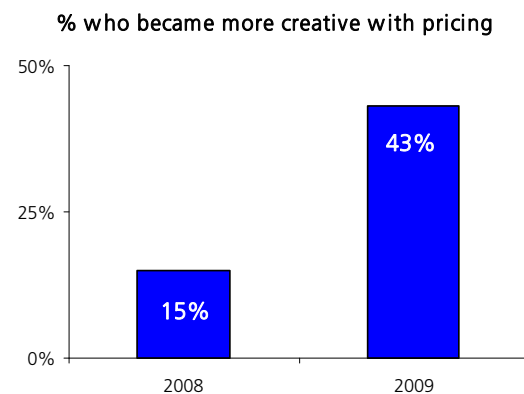
"...To remain competitive in this market, creative changes have to be undertaken by consultants."

- M Squared Consultant

Summary

In 2008, 42% of consultants reported no change in their billing rates, while 20% reported an increase and 11% reported a decrease. Looking forward, 43% report they will be more creative with pricing

structures. These results are in stark contrast to prior surveys where many reported plans to *increase* rates and few were considering more creative pricing options.



"In 2008, my rates stayed the same. But as the economy further declines I realize I have to be open to adjusting my consulting strategies in order to ensure I continue to get projects."

- M Squared Consultant

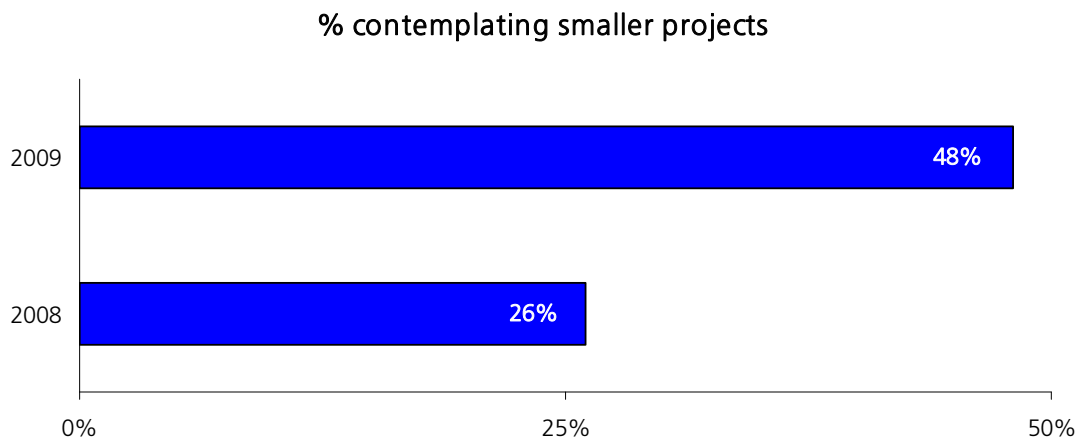
Independent Consultant Business Practices

Flexibility

Summary

Overall, Independent Consultants are planning to be much more flexible in terms of how they do business in 2009. In contrast to previous surveys, 48%

plan to take on smaller projects and 55% plan to work with different types of clients than they normally have in the past.



"I am working on expanding the number of types of clients that I work with that still fit the parameters of my expertise. I am also being more flexible with my billing and going more towards per project, flat fee billing rather than an hourly rate."

- M Squared Consultant

Independent Consultant Business Practices

Growth Tactics

Summary

When asked about effective methods in growing their business, two themes emerged; an increase in networking,

and investing in adding value before a client engagement actually starts. We've highlighted a few representative answers below.

"Good old fashioned word-of-mouth: Repeat business from clients at existing companies, clients who move on to new companies, and referrals from clients."

"Not being afraid to share ideas pre-contract stage."

"Developing value-based sales proposals, heavily researched prior to presentation so as to resonate with stakeholders/audience."

"Word of mouth (hands down). It really is about who you know, so I talk about our consulting practice all the time with friends, people I meet and business associates."

- M Squared Consultants

Section II

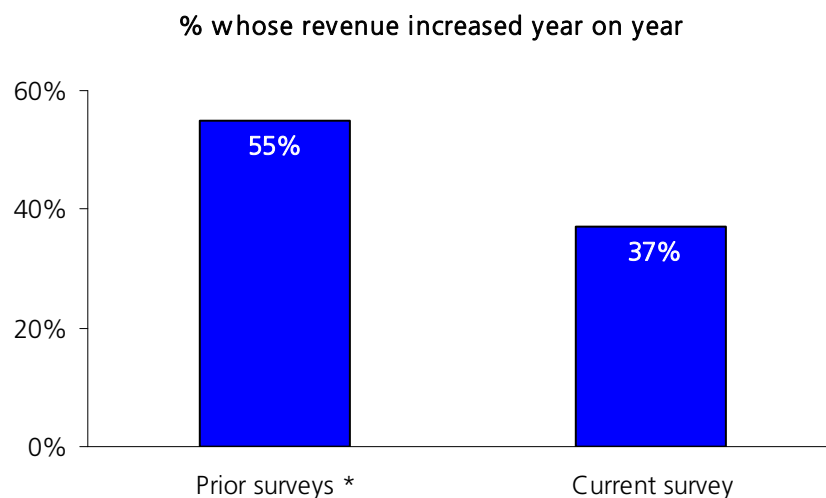
The Consulting Marketplace

Consulting Revenues

Summary

In this year's survey, comparing 2008 with 2007, as many consultants reported a decrease in revenue (36%) as those reporting an increase in revenue (37%).

In a sure sign of the recession's impact, these results are in marked contrast to prior surveys where the answers skewed heavily towards substantially increased revenues.



* Prior surveys are defined as the average of the 2005 and 2006 surveys.

"Revenue is down about 20% beginning in December, particularly for the Organization Development work I do. Although I am not approaching it differently, the new projects seem to be smaller in scope and more time limited."

- M Squared Consultant

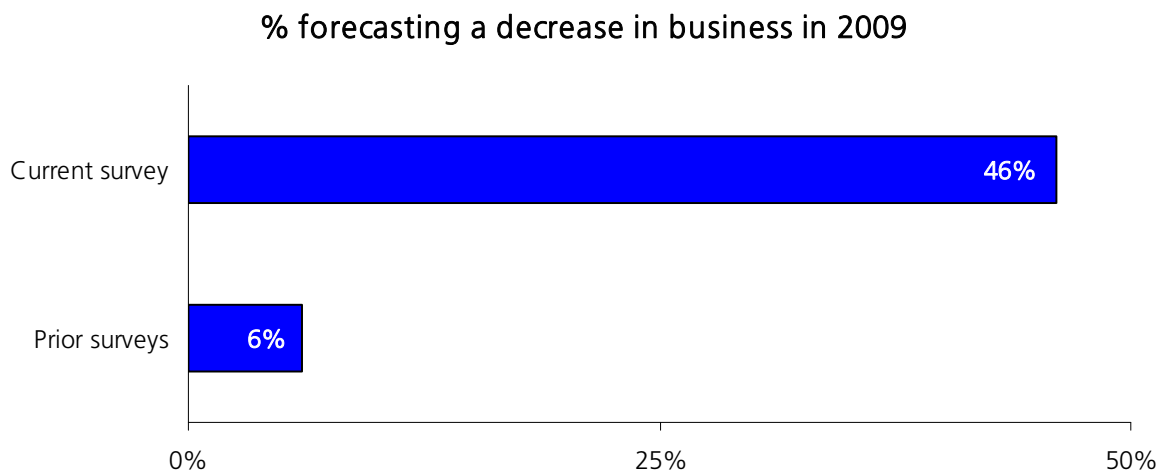
The Consulting Marketplace

Revenue Forecast

Summary

Consultants are forecasting a decline in their business revenue in 2009; 24% indicated a slight decline and 22% a major decline. These results are in stark contrast

to the previous surveys where nearly 75% of consultants predicted an increase in revenue in the coming year.



"I think that there will be a general decline in business with a few spikes from current clients, but overall, a down year..."

- M Squared Consultant

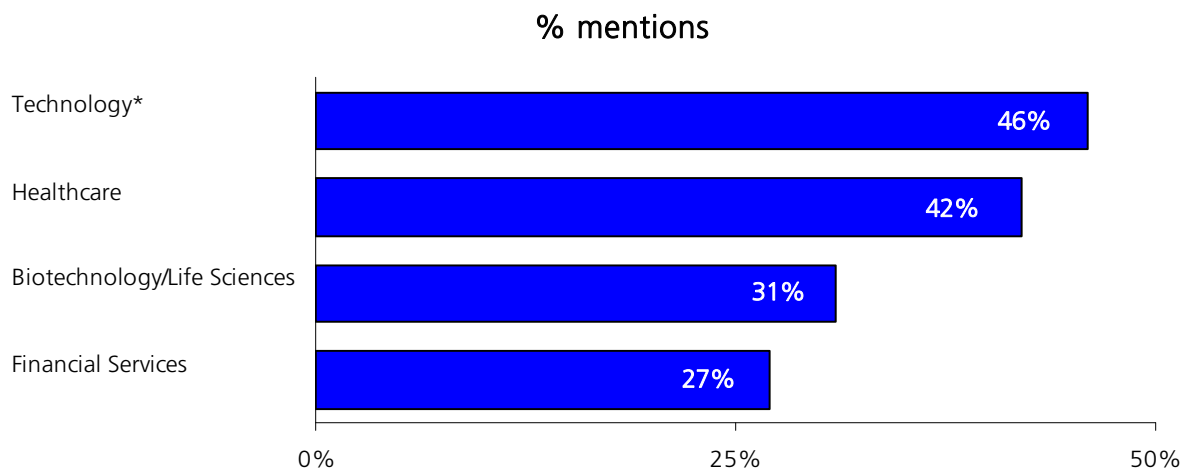
The Consulting Marketplace

Industry Opportunity

Summary

The industry verticals where consultants see the most opportunity for their services remains consistent with previous years, including technology (46%), healthcare

(42%), biotechnology/life sciences (31%), and financial services (27%). Of note are an increase in internet services and a decrease in manufacturing.



* Technology is defined as computers peripherals & software, internet services, and networking/wireless.

“Green and Clean Technology.”

“Internet infrastructure. Financial analysis systems. Forecasting and modeling systems.”

- M Squared Consultants

The Consulting Marketplace

Client Trends

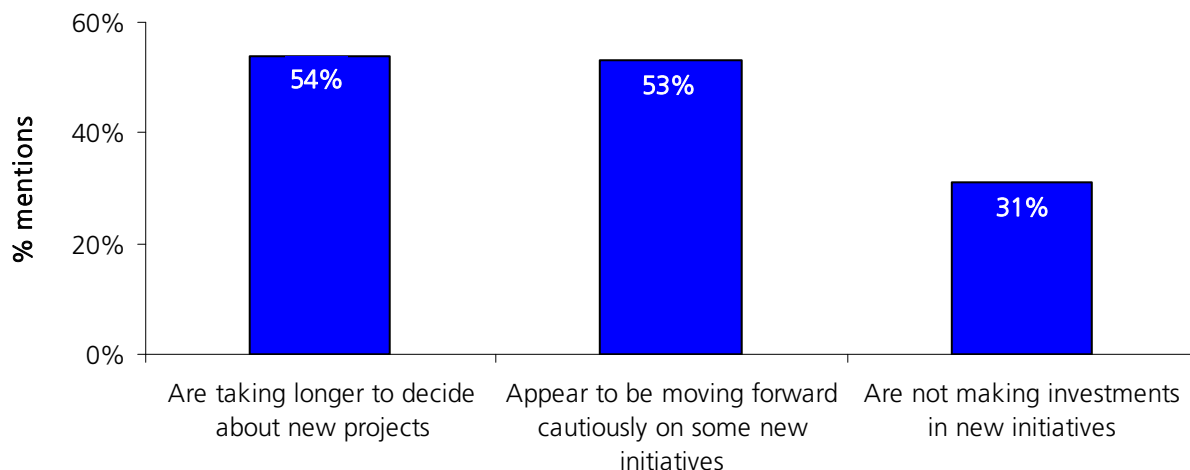
"I am only working with clients that are about seizing the opportunity for growing in a down economy. The companies that invest in growth now will be the dominant players in the long term... Survival will belong to the companies that promote and invest in growth."

- M Squared Consultant

Summary

The top trends Independent Consultants are seeing is that clients are taking much longer to make decisions, but most are moving ahead cautiously with new initiatives. 30% have frozen consulting budgets, while 19% have frozen fulltime hiring but are still actively using consultants. In comparison to prior years, far fewer clients are starting new projects and the overall business sentiment of clients is negative.

Top client trends in 2009



"[Clients] are very nervous about spending... Clear communication, differentiation, credibility, customer benefits, and especially bottom line benefits are more important than ever."

- M Squared Consultant

The Consulting Marketplace

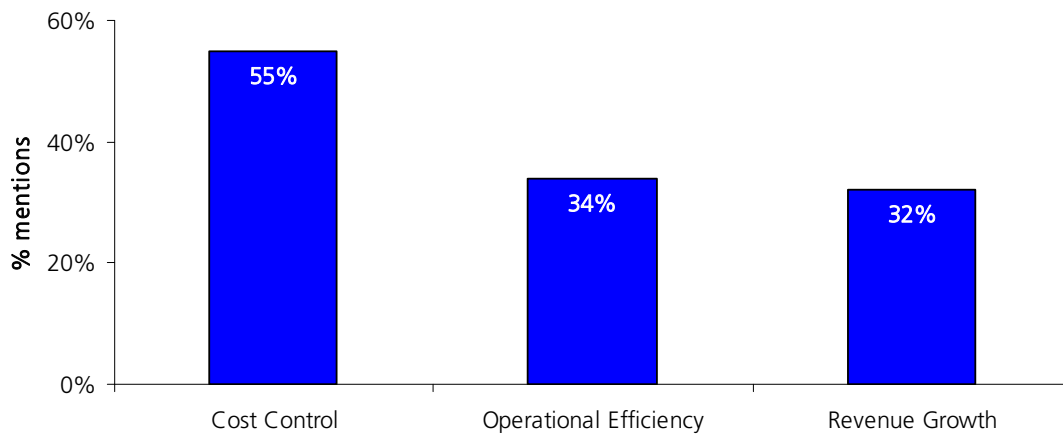
Client Challenges

Summary

It is no surprise that cost control was the most common answer (55%) for top business challenges clients will be facing in 2009, followed by gaining operational

efficiency (34%), and revenue growth opportunities (32%). In previous surveys, these ranked behind more strategic issues.

Top business challenges clients will be facing in 2009



"[Clients are] Looking for cost reductions, process streamlining, and incremental revenue."

"All my clients are very cautious about spending of any kind."

"In my consulting business- in the area of consulting on revenue generation- work is expanding."

- M Squared Consultants

Section III

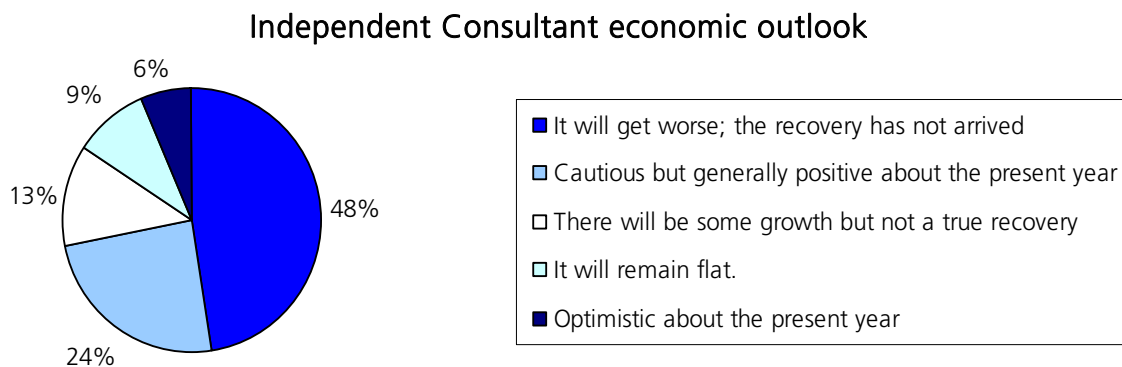
Consultant Predictions & Emerging Trends

Economic Outlook

Summary

The overall sentiment of our consultants is very pessimistic. 48% of the respondents felt things will get worse before they get better. 24% are cautious but generally

positive about 2009, while only 6% are optimistic about 2009. This is in marked contrast to prior surveys where the most common sentiments were optimistic.



"Certainly I'm anticipating a significant decline vs. 2008 but my aim is to 'hang in' this year & work on developing more contacts..."

- M Squared Consultant

Consultant Predictions & Emerging Trends

Economic Recovery

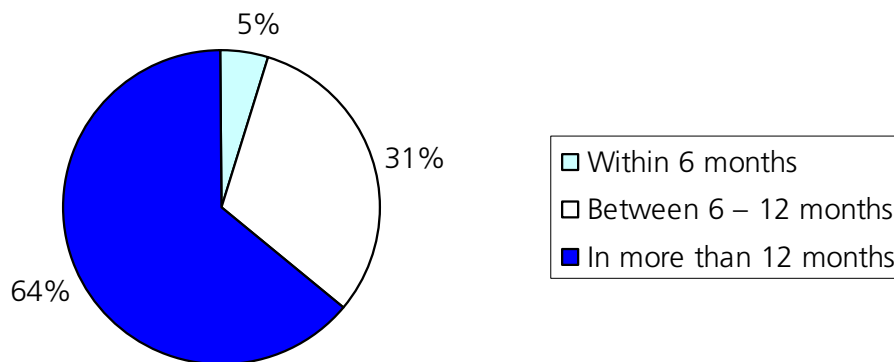
"I am generally positive about the prospects for consulting opportunities. That said, I also do believe that the overall world economy will get worse and the recovery will not arrive until 2010."

- M Squared Consultant

Summary

64% of our consultants believe it will take longer than 12 months for the economy to recover.

Independent Consultant view of when the economy will recover



"I think that Q1 will be dismal and that we will see a turnaround in the second half of the year. People want some good news and as soon as we see any glimmer, people will jump on it. It will most likely be a slow upward trend as we recover."

- M Squared Consultant

Consultant Predictions & Emerging Trends

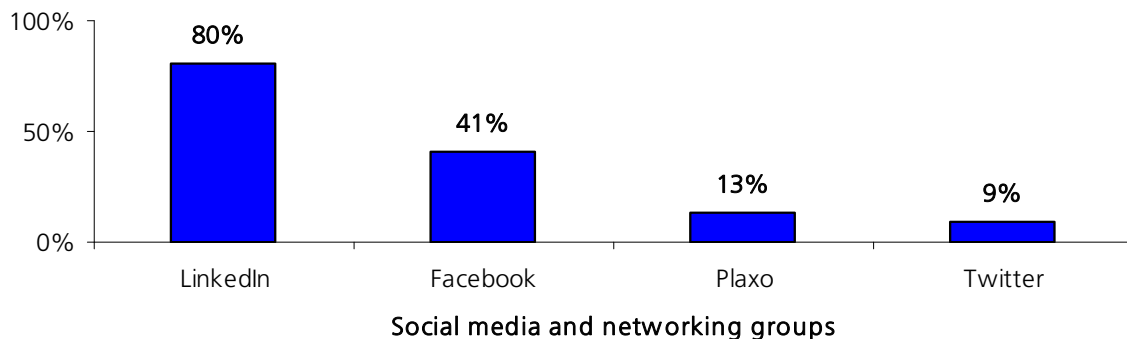
Social Media

Summary

The rise of social media and its use in business were the trends most cited in the survey. Of the 1110 consultants surveyed, 684 identified themselves as belonging to

a social media or networking group. Of the 684, over 80% of them are members of LinkedIn and over 40% have profiles on Facebook.

Participation in social media & networking groups



"I consult in this arena and have been active in social media for over a decade. Blogs, Facebook, MySpace, Ning, Twitter, Plurk, Friend Feed, Flickr, LinkedIn, Plaxo, the list goes on and on..."

"Increasing interest in social networking. It will become an integral part of marketing."

- M Squared Consultants

Consultant Predictions & Emerging Trends

Social Media Use

Summary

When asked how they use social media to build their business, the most common response involved networking. Targeted introductions, building and maintaining contacts, and reconnecting with past contacts were among those listed as ways in which consultants network to build their business. Some

respondents mentioned writing blogs or participating in online group discussions in order to gain visibility. Others mentioned referrals and word of mouth to obtain business prospects through social media. We've highlighted a few representative answers below.

"Use Ning.com to connect and communicate with members of a couple of groups. This gets my name out there and helps with marketing through name recognition and being aware of potential client needs as discussed in forums or calls for assistance."

"I use Facebook to schedule events and send these events to interested people. I participate in some networking groups to give my opinion on how certain industries are developing. I use these relationships to reach out to people who may be able to help me win consulting jobs or who are connected to companies or industries I have targeted."

"Have not yet exploited it for revenue generation. Mainly use it to understand the competition and gain market insight through profile changes and discussion groups."

- M Squared Consultants

Conclusions

Based on the M Squared 2009 Independent Survey results and comparison with previous surveys, we have drawn the following conclusions

The 2009 M Squared Independent Consultant Survey confirmed the far-reaching effects of a tough economic climate. The general level of business uncertainty that exists in the marketplace and its impact on management consultants and their clients remains undeniable.

Out of competitive necessity many consultants have been forced to reduce their rates and be more flexible with their billing practices. Investing more time and effort up front to add value to the client before an engagement actually starts is the trend.

Going forward, consultants expect their revenues to be soft, and most do not expect the economy to start improving until 2010.

Today, client priorities are cost reduction, operational efficiency improvement and growth opportunities.

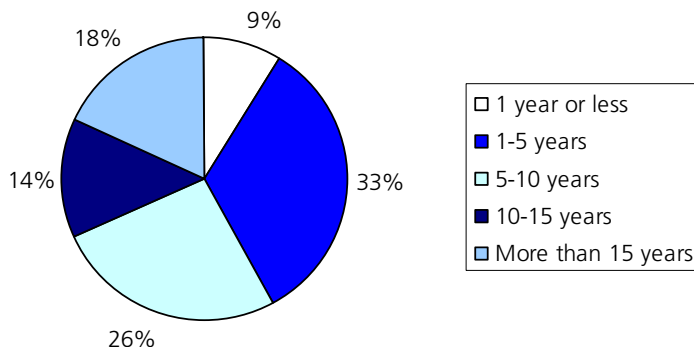
Consultants continue to see an increase in engagement opportunities within the technology, healthcare, biotechnology/life sciences, and financial services industry verticals. Though these industries have been cited by consultants in previous surveys as having an upward trend in opportunity, recent legislation strongly supports this view.

The 2009 survey speaks strongly to the adoption of social media and networking groups by our Independent Consultants. LinkedIn and Facebook have become permanent features of marketing, business networking, and connecting with people.

Appendix 1

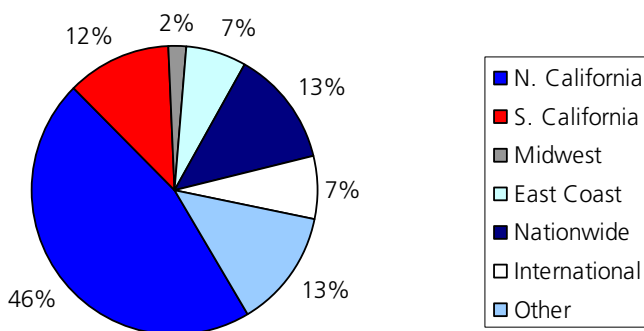
Survey Respondents

Independent Consultant Tenure



59% of the respondents have been Independent Consultants for 1-10 years. 33% of the consultants who responded to the 2009 survey have been an Independent Consultant for 1 – 5 years, followed by 26% for 5 – 10 years. These numbers very closely match previous year's statistics. Of note, though a consultant may be new to Independent Consulting, the average number of years of industry experience for an M Squared consultant is 15 years.

Geography

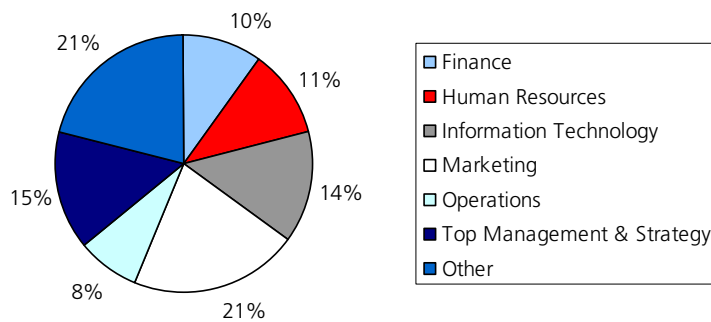


13% of our Independent Consultants list having clients nationwide, 7% internationally, and 46% of the respondents primarily consult in Northern California. In this year's survey, 12% of the respondents consult out of Southern California.

Appendix 1

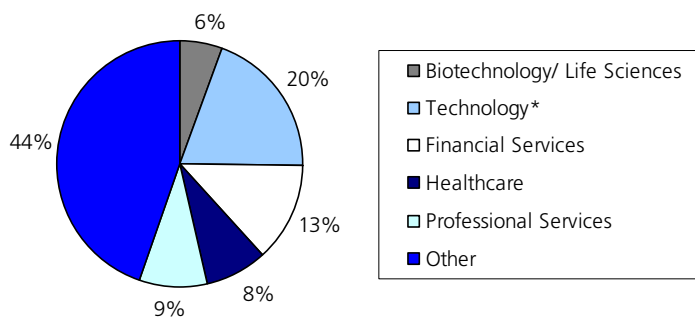
Survey Respondents

Primary Functional Practice



Consistent with previous survey results, nearly 21% of our network’s primary consulting practice is in Marketing. Top Management & Strategy (15%) and Information Technology (14%) reflect the next largest practice areas of talent within our network. 21% of consultants selected additional niche practice areas in which they specialize.

Industry Vertical Practice



Of the 1079 consultants who identified an industry vertical, 20% focus on technology and 13% on financial services. 44% of consultants selected additional industry verticals in which they specialize.

* Technology is defined as computers peripherals & software, internet services, and networking/wireless.

About M Squared Consulting

Headquartered in San Francisco, M Squared Consulting is a professional services firm dedicated to helping clients solve their critical business issues. We provide seasoned, targeted consulting expertise tailored to clients' specific needs.

In M Squared's consulting model, the solution to a client's business issue is delivered by our network of outstanding Independent Consultants. Each consultant is an expert in their chosen field and is dedicated to delivering results for clients.

Client engagements range from fully managed on site teams, to individual consultant engagements, spanning strategy, finance, marketing, operations, HR and IT.

We complete more than 500 engagements a year for clients, and over 75% of our business comes from clients who have worked with us before.

M Squared's consulting solutions for clients are flexible, deliver the right consultants for the right duration, and provide a higher relative value to the client per dollar of consulting fee invested when compared to traditional consulting firms.



For more information:
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